

Frasers Centrepoint Trust

Steady as she goes

SINGAPORE | REAL ESTATE (REIT) | 3Q18 RESULTS (CHANGE OF ANALYST)

- 9MYTD NPI and DPU were in line with our forecast, at 75% of our FY18e forecast.
- Northpoint City North Wing (NPNW) main growth driver for portfolio occupancy and positive portfolio rental reversion.
- Percentage of debt hedged on fixed rates increased to 64% with all-in cost of debt maintained at c.2.5%.
- Maintain Neutral with higher TP of S\$2.15 (prev. S\$2.14).

Results at a glance

(SGD mn)	3Q18	3Q17	YoY (%)	9M18	9M17	YoY (%)	Comments
Gross Revenue	48.3	43.6	10.9%	144.8	133.3	8.6%	Mainly driven by higher rental revenue and improved occupancy at Northpoint City North Wing.
Net Property Income	35.0	30.8	13.7%	104.3	95.0	9.8%	
Distributable Income	28.3	27.7	2.2%	84.8	82.3	3.0%	Lower percentage (30%) of management fees paid in units, vs 70% a year ago.
DPU (Cents)	3.05	3.00	1.8%	9.15	8.93	2.5%	

Source: Company, PSR

The Positives

- Overall portfolio occupancy stable at 94% as NPNW continues to fill up post-AEI.** Occupancy at NPNW currently at 95.2%, compared to pre-AEI level of 65.9% a year ago, and is expected to improve to 97% by the end of FY18 after factoring in pre-committed leases. Changi City Point had also seen improved occupancy, from 90.6% to 92.6% QoQ.
- Overall rental reversion maintained at 5% driven largely by NPNW.** Portfolio rental reversion of 5% on par with FY17 rental reversions. A tenant within the financial institution sector had taken over a large lease next to its existing space, which was initially due for renewal during the quarter. The renewed lease accounted for c.50% of NPNW's renewed NLA and was the main driver for the mall's +25.8% rental reversion in 3Q18.
- Increased percentage of debt hedged while keeping all-in cost of debt in check.** Subsequent to the quarter, FCT had increased its proportion of debt on fixed interest rates to 64% (30 Jun 2018: 55%) while keeping all-in cost of debt largely in check, at 2.5%.

The Negatives

- Tenant sales was lower YoY overall in the single-digit percentage range, excluding NPNW and CCP.** NPNW and CCP lifted portfolio tenant sales to 3.4% YoY. There has not been any YoY improvement in tenant sales at the other malls for two quarters. Portfolio occupancy cost has crept up to 16.3% from 15.3% in FY15, in part due to NPNW's AEI. We opine that tenant sales would need to catch up fast enough to ensure sustainable rental growth.

Outlook

FCT will deploy S\$15mn to develop an underpass linking Causeway Point to the upcoming Woods Square. Works will last from end-February 2019 to December 2019 and space carved out for this walkway will be retained under FCT's reserve GFA bank for future expansion. While there will be a temporary dip in occupancy during this period, the underpass will bring about improved connectivity and expand the catchment area for Causeway Point (48% of portfolio NPI).

Maintain NEUTRAL with higher TP of S\$2.15 (prev S\$2.14)

Our target price translates to a FY18e yield of 5.4% and a P/NAV of 1.11. There have been adjustments on assumptions on rental reversion rates and financing costs, following a change in analyst.



StocksBnB.com

27 July 2018

NEUTRAL (Maintained)

LAST DONE PRICE	SGD 2.24
FORECAST DIV	SGD 0.121
TARGET PRICE	SGD 2.15
TOTAL RETURN	1.5%

COMPANY DATA

BLOOMBERG CODE:	FCT SP
O/S SHARES (MN) :	926
MARKET CAP (USD mn / SGD mn) :	1624 / 2074
52 - WK HI/LO (SGD) :	2.36 / 2.06
3M Average Daily T/O (mn) :	0.96

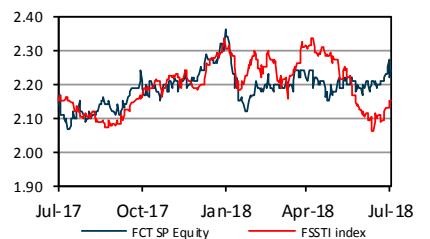
MAJOR SHAREHOLDERS (%)

FRASERS CENTREPOINT LTD	41.9%
SCHRODERS PLC	5.9%
SUMITOMO MITSUI ASSET MGMT	3.4%
VANGUARD GROUP	1.6%
TMB ASSET MGMT	1.2%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	2.3	1.9	9.6
STIRETURN	2.3	1.9	9.6

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept	FY 16	FY 17	FY 18 e	FY 19 e
Gross Rev (SGD mn)	183.8	181.6	196.0	202.9
NPI (SGD mn)	129.9	129.6	139.8	144.7
Dist Inc. (SGD mn)	108.1	109.8	112.4	115.7
P/NAV (x)	1.16	1.11	1.11	1.11
DPU, adj (Cents)	11.75	11.87	12.12	12.46
Distribution Yield, %	5.2%	5.3%	5.4%	5.6%

Source: Company Data, Bloomberg

Valuation Method

DDM (Cost of equity 7.2%, Terminal Growth 1.5%)

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Financials

Statement of Total Return and Distribution Statement

Y/E Sep, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Gross Revenue	189.2	183.8	181.6	196.0	202.9
Total Property expenses	(58)	(54)	(52.0)	(56.2)	(58.1)
Net Property Income	131	130	129.6	139.8	144.7
Net Finance (Expense)/Inc	(19.2)	(17.2)	(17.6)	(18.2)	(19.2)
Trust expenses	(1.6)	(1.6)	(2.6)	(2.7)	(2.7)
Manager's management fees	(14.1)	(14.2)	(14.5)	(15.4)	(15.7)
Net Income	96.2	96.8	94.8	103.6	107.1
Other Adjustments	5.6	6.9	10.2	4.3	4.3
Distributions from associates	4.6	4.4	4.7	4.5	4.3
Distribution to Unitholders	106	108	109.8	112.4	115.7

Per share data

Y/E Sep, SGD	FY15	FY16	FY17	FY18e	FY19e
NAV	1.91	1.93	2.02	2.02	2.02
DPU (Cents)	11.60	11.75	11.87	12.12	12.46

Cash Flow

Y/E Sep, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Net Income	171.5	123.4	193.9	108.1	111.3
Adjustments	(53.7)	(4.6)	(73.7)	22.1	23.2
WC changes	2.3	7.2	2.0	2.3	1.1
Cashflow from operating activities	120.0	126.0	122.2	132.4	135.6
CFI					
Capex on inv properties	(5.4)	(17.5)	(27.8)	(5.4)	(20.4)
Others	4.7	4.4	(40.4)	4.5	4.3
Cashflow from investing activities	(0.6)	(13.2)	(68.2)	(0.9)	(16.1)
CFF					
Share issuance	(0.1)	-	-	-	-
Distributions to Unitholders	(105.7)	(108.4)	(108.2)	(112.4)	(115.7)
Others	(39.1)	(1.9)	49.1	(4.7)	(4.2)
Cashflow from financing activities	(144.9)	(110.3)	(59.2)	(117.1)	(119.9)
Net change in cash	(25.5)	2.5	(5.2)	14.3	(0.5)
CCE, end	16.2	18.7	13.5	27.9	27.4

Balance Sheet

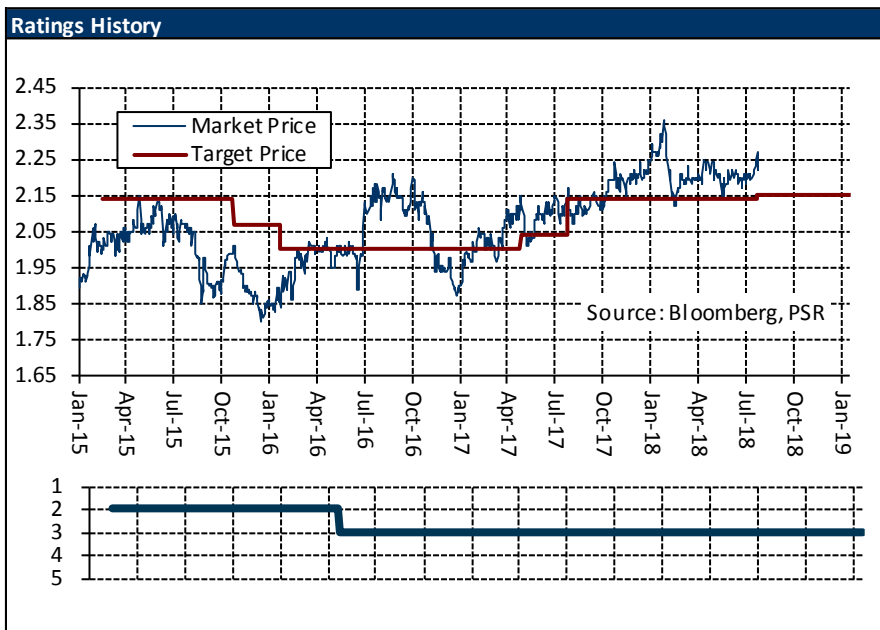
Y/E Sep, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
Investment properties	2,464	2,509	2,668	2,674	2,694
Investment in Associates	63	60	65	65	65
Non Current Assets	2,527	2,569	2,733	2,738	2,759
Trade and Other Receivables	5.4	6.8	4.3	4.6	4.8
Cash and Cash Equivalents	16.2	18.7	13.5	27.9	27.4
Current Assets	21.6	25.5	17.8	32.5	32.14
Total Assets	2,549	2,594	2,751	2,771	2,791
LIABILITIES					
Interest bearing borrowings, non current	440.0	516.0	645.5	716.0	706.0
Others	26.5	24.0	31.1	30.8	30.8
Non-Current Liabilities	466.5	540.0	676.6	746.8	736.8
Trade and other payables	31.8	40.0	32.7	35.3	36.5
Interest bearing borrowings, current	278.0	218.0	152.0	95.0	120.0
Others	17.9	20.8	17.3	17.3	17.3
Current Liabilities	327.7	278.8	202.0	147.6	173.8
Total Liabilities	794.2	818.8	878.7	894.4	910.6
EQUITY					
Shareholder Equity	1,755	1,776	1,872	1,877	1,880

Valuation Ratios

Y/E Sep	FY15	FY16	FY17	FY18e	FY19e
P/NAV (x)	1.17	1.16	1.11	1.11	1.11
Distribution yield (%)	5.2%	5.2%	5.3%	5.4%	5.6%
NPI yield (%)	5.3%	5.2%	4.9%	5.2%	5.4%
Growth & Margins	FY15	FY16	FY17	FY18e	FY19e
Growth					
Revenue	12.1%	-2.9%	-1.2%	8.0%	3.5%
Net property income (NPI)	11.0%	-0.9%	-0.2%	7.9%	3.5%
DPU	3.7%	1.3%	1.0%	2.1%	2.8%
Margins					
NPI margin	69.2%	70.6%	71.3%	71.3%	71.3%
Net Income Margin	50.8%	52.7%	52.2%	9.2%	3.3%
Key Ratios					
Gearing	28.2%	28.3%	29.0%	29.3%	29.6%
ROA	3.8%	3.7%	3.4%	3.7%	3.8%
ROE	5.5%	5.5%	5.1%	5.5%	5.7%

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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