

Frasers Centrepoint Trust

Positive rental reversions kicking in

SINGAPORE | REAL ESTATE (REIT) | 1Q20 RESULTS

- 1Q20 NPI and DPU in line with our forecast.
- Positive rental reversions of 5% for 1Q20. Revenue growth supported by continued positive rental reversions and improved occupancy
- Maintain ACCUMULATE with an unchanged TP of S\$3.11. FCT is a beneficiary of necessity spending and the intensification of Woodlands and Punggol.

Results at a glance

(SGD mn)	1Q20	1Q19	YoY (%)	Comments (4Q19 vs 4Q18)
Gross Revenue	49.8	49.3	1.0%	Revenue growth supported by higher portfolio occupancy and rental growth from positive reversion from renewals/new leases
Net Property Income	36.3	35.4	2.6%	NPI margin improved 1.2ppts to 73% YoY
Distributable Income	35.0	27.7	26.5%	Higher due to contributions from 24.8% stake in PGIM ARF (\$4.12mn) and 40% stake in WWP (\$3.63mn)
DPU (Cents)	3.06	3.02	1.3%	

Source: Company, PSR

The Positives

+ **Positive rental reversions across all assets with average portfolio reversions of 5.0% for 1Q20 (FY19 +4.8%).** FCT's largest revenue contributor, Causeway Point (CWP), registered highest rental reversions (+7.1%). Reversions for the rest of the assets ranged from 2.7% to 5.1%.

+ **Portfolio occupancy improved 80bps/110bps QoQ/YoY.** Occupancy at CWP rebounded by 0.8% 97.8% due to commencement of F&B tenants' operations on completion of underground pedestrian link (UPL) in Dec 2019. Anchorpoint also saw a boost in occupancy from 79.0% to 93.5% due to commencement of trading of new anchor tenant, Mr DIY, in Nov 2019. FCT's smaller malls, Bedok Point and YewTee Point, have also improved their occupancies by 11.5ppts and 3.2ppts respectively over the last four quarters.

The Negatives

- **Tenant sales per sq ft fell 0.5% YoY.** Lower tenant sales were transitional due to the absence of contribution from high-sales F&B tenants at CWP UPL. 1Q20 recorded less than 1 month of sales from the F&B tenants that commenced operations in Dec 2019.

Outlook

Performance at FCT's larger malls, NPNW, CWP and WWP, are expected to improve catchment size and connectivity increases, attributed to the progressive opening of the Thomson-East Coast Line and increased vibrancy brought about by the new universities (SIT), offices and residential population in the vicinity.

In light of the proposed CMT-CCT merger, management commented that they would not be actively looking to acquire office assets. However, if the target mall has a component of office (such as Tiong Bahru Plaza in the PGIM portfolio), they may still consider the asset. However, the management highlighted that they would not rule out assets with office components attached to the mall acquisitions (such as Tiong Bahru Plaza in the PGIM portfolio).

Maintain ACCUMULATE with and unchanged TP of S\$3.11.



StocksBnB.com

29 January 2020

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 2.86
FORECAST DIV	SGD 0.118
TARGET PRICE	SGD 3.11
TOTAL RETURN	12.9%

COMPANY DATA

BLOOMBERG CODE:	FCT SP
O/S SHARES (MN):	1,119
MARKET CAP (USD mn / SGD mn):	2356 / 3202
52 - WK HI/LO (SGD):	2.9 / 2.22
3M Average Daily T/O (mn):	2.24

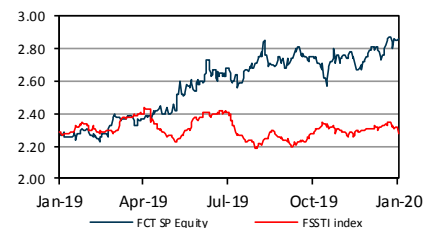
MAJOR SHAREHOLDERS

FRASERS PROPERTY LTD	36.4%
SCHRODERS PLC	4.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	3.6	4.7	31.9
STI RETURN	0.6	2.8	5.8

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept	FY18	FY19	FY20e	FY21e
Gross Rev (SGD mn)	193	196	214	227
NPI (SGD mn)	137	139	155	159
Dist Inc. (SGD mn)	111	120	144	166
P/NAV (x)	1.41	1.37	1.29	1.32
DPU, adj (Cents)	9.27	11.77	12.76	14.14
Distribution Yield	3.2%	4.1%	4.5%	4.9%

Source: Company, PSR

Valuation Method

DDM (Cost of equity 6.55%, Terminal Growth 1.5%)

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Our target price translates to a FY20e/FY21e distribution yield of 4.5%/4.9% and a total upside of 12.9%.

Financials

Statement of Total Return and Distribution Statement

Y/E Sep, SGD mn	FY17	FY18	FY19	FY20e	FY21e
Gross Revenue	182	193	196	214	227
Total Property expenses	(52)	(56)	(57)	(60)	(68)
Net Property Income	130	137	139	155	159
Net Finance (Expense)/Inc	(18)	(20)	(24)	(34)	(35)
Trust expenses	(3)	(2)	(2)	(3)	(3)
Manager's management fees	(14)	(15)	(17)	(18)	(20)
Net Income	95	100	97	100	100
Share of associate's results	4	4	13	28	28
Share of JV's results	1	1	5	15	16
Other Adjustments	11	8	8	7	7
Distribution to Unitholders	110	111	120	144	166

Per share data

Y/E Sep, SGD	FY17	FY18	FY19	FY20e	FY21e
NAV	2.02	2.08	2.21	2.16	2.04
DPU (Cents)	11.87	9.27	11.77	12.76	14.14

Cash Flow

Y/E Sep, SGD mn	FY17	FY18	FY19	FY20e	FY21e
CFO					
Net Income	194	167	206	153	170
Adjustments	(74)	(42)	(80)	(13)	(3)
WC changes	2	12	4	9	3
Cashflow from operating activities	122	137	131	149	170
CFI					
Capex on inv properties	(28)	(15)	(5)	(7)	(6)
Others	(40)	4	(656)	(461)	42
Cashflow from investing activities	(68)	(12)	(661)	(468)	35
CFF					
Share issuance	-	-	437	150	-
Distributions to Unitholders	(108)	(112)	(114)	(137)	(163)
Others	49	(5)	197	331	(36)
Cashflow from financing activities	(59)	(117)	521	343	(199)
Net change in cash	(5)	8	(9)	24	6
CCE, end	14	22	13	37	43

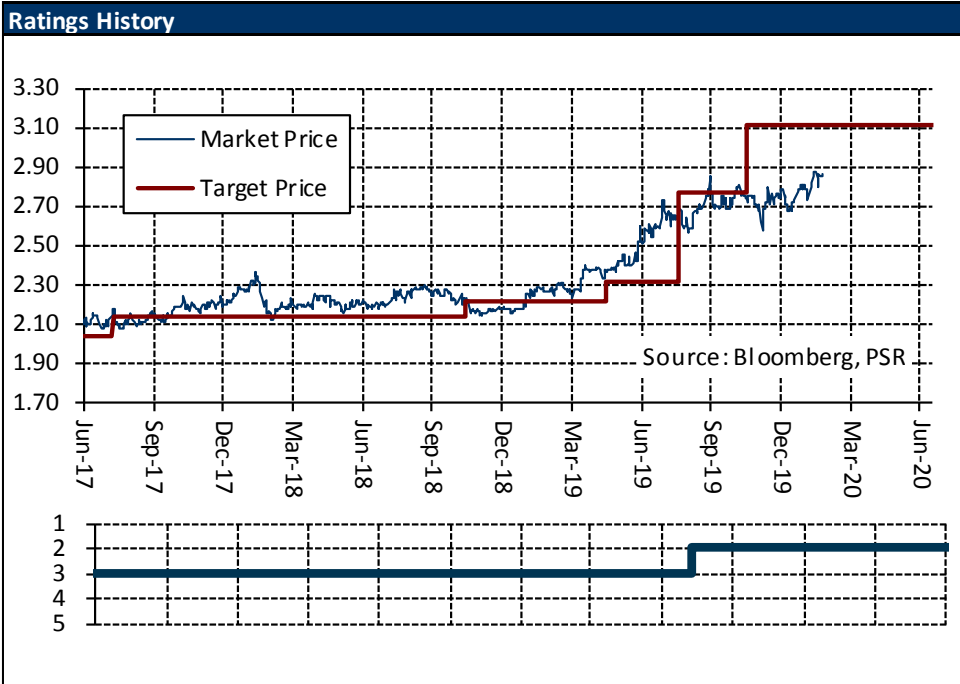
Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Sep, SGD mn	FY17	FY18	FY19	FY20e	FY21e
ASSETS					
Investment properties	2,668	2,749	2,846	3,351	3,358
Investment in Associates	65	66	457	466	468
Non Current Assets	2,733	2,815	3,595	3,995	4,118
Trade and Other Receivables	4.3	3.0	3.1	4.0	4.3
Cash and Cash Equivalents	14	22	13	37	43
Current Assets	18	25	16	41	47
Total Assets	2,751	2,840	3,611	4,036	4,165
LIABILITIES					
Interest bearing borrowings, non current	646	596	745	1,107	1,372
Others	31	32	30	32	32
Non-Current Liabilities	677	627	775	1,139	1,404
Trade and other payables	33	46	47	50	53
Interest bearing borrowings, current	152	217	295	294	28
Others	17	16	23	21	285
Current Liabilities	202	280	365	366	366
Total Liabilities	879	907	1,140	1,505	1,771
EQUITY					
Shareholder Equity	1,872	1,934	2,471	2,531	2,394

Valuation Ratios

Y/E Sep	FY17	FY18	FY19	FY20e	FY21e
P/NAV (x)	1.41	1.37	1.29	1.32	1.40
Distribution yield	4.1%	3.2%	4.1%	4.5%	4.9%
NPI yield	4.9%	5.0%	4.9%	4.6%	4.7%
Growth & Margins	FY17	FY18	FY19	FY20e	FY21e
Growth					
Revenue	-1.2%	6.5%	1.6%	9.0%	5.9%
Net property income (NPI)	-0.2%	5.9%	1.5%	11.0%	2.6%
DPU	1.0%	-21.9%	26.9%	8.4%	10.8%
Margins					
NPI margin	71.3%	71.0%	70.9%	72.2%	69.9%
Net Income Margin	52.2%	51.7%	49.2%	46.6%	44.3%
Key Ratios					
Gearing	29.0%	28.6%	28.8%	34.7%	33.6%
ROA	3.4%	3.5%	2.7%	2.5%	2.4%
ROE	5.1%	5.2%	3.9%	3.9%	4.2%
Interest coverage ratio (x)	7.35	6.85	5.82	4.53	4.53



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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