

Fraser's Centrepont Trust

Navigating choppy cashflows



StocksBnB.com

SINGAPORE | REAL ESTATE (REIT) | 2Q20 RESULTS

27 April 2020

- DPU of 1.61cents was 48.7% lower YoY due to retention of 50% of 2Q20's distributable income (\$18mn).
- Lower rental reversions and longer negotiation periods expected on the remaining 11% of GRI due for renewal in FY20; portfolio reversions for leases concluded came in at c.5%
- Maintain ACCUMULATE with a lower TP of S\$2.24. We lower our forecast to reflect the rental rebates and weaker retail outlook and increase our cost of equity assumption by 105bps to 7.6%. FY20e DPU cut by 2.88cents (-22.6%).

Results at a glance

(SGD mn)	2Q20	2Q19	YoY (%)	Comments
Gross Revenue	50.2	49.7	0.9%	
Net Property Income	36.0	36.4	-1.3%	Due to higher property expenses from absences of property tax write-back, offset by lower marketing expenses
Distributable Income	36.0	28.8	25.0%	Higher due to acquisition and subsequent increase in stakes in PGIM and WWP
DPU (Cents)	1.61	3.14	-48.8%	50% of distribution retained for cashflow need in lieu of potential cashflow mismatch from rental deferrals

Source: Company, PSR

The Positives

+ 23.1% of NLA renewed YTD with reversions of c.5%. Of the 35.7% of GRI (32.7% of NLA, 312 leases) up for renewal in FY20, FCT has renewed 23.1% of NLA (142 leases) YTD. The average reversion was c.5%. 11% of GRI (9.6% of NLA) remain for the year. Management is expecting longer lease renewal negotiations and weaker reversion for the remaining leases given the weakened financial standing of tenants.

The Negatives

- 2Q20 tenant sales down 2% to 10% for larger malls. Footfall was lower by 10% for larger malls and 5% for smaller malls as shoppers avoided crowded areas. FCT's tenant sales outperformed those of central peers (Suntec REIT -20.2% in 1Q20, OUECT -30 to -40% in Feb20).

- Portfolio occupancy fell by 0.4ppts to 96.1%. This was due to 2 non-renewals and one pre-termination of space at CCP.

Outlook

Singapore announced the extension of the circuit breaker by 1 month on 21 April, two days before the FCT released its results. Prior to the extension of the lockdown, the Frasers Group had announced 1 month rental rebate for tenants which will cost FCT c.\$17mn. With the extension of the circuit breaker, Frasers Group will likely offer additional relief, especially for tenants who are unable to trade during the circuit breaker. One additional month of rental rebates will lower our FY20e DPU by c.11%.

So far only one tenant has indicated that they may seek rental deferment under the COVID-19 Bill. The low number of requests could be due to the tenant support package where tenants do not have to pay rent in May. However, there is a risk this number could rise once the tenant rebate/waiver periods are over.

Maintain ACCUMULATE with and lower TP of S\$2.24.

We lower our forecast to reflect the rental rebates and weaker retail outlook. Our cost of equity assumption is raised by 105bps to 7.6%. The 1-month rental rebates will lower FY20e DPU by 11%, however taking into consideration the potential retention of distributable income into FY21, FY20e DPU was cut by 2.88cents (-22.6%).

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 1.98
FORECAST DIV	SGD 0.118
TARGET PRICE	SGD 2.24
TOTAL RETURN	19.1%

COMPANY DATA

BLOOMBERG CODE:	FCT SP
O/S SHARES (MN) :	1,119
MARKET CAP (USD mn / SGD mn) :	1556 / 2217
52 - WK HI/LO (SGD) :	3.07 / 1.55
3M Average Daily T/O (mn) :	4.63

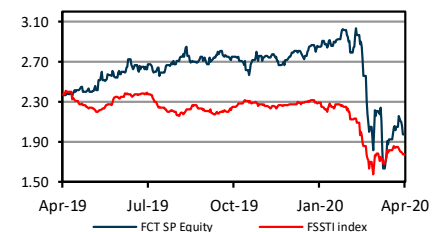
MAJOR SHAREHOLDERS

FRASERS PROPERTY LTD	36.4%
SCHRODERS PLC	4.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(1.0)	(29.8)	(12.1)
STI RETURN	6.6	(21.8)	(22.0)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept	FY18	FY19	FY20e	FY21e
Gross Rev (SGD mn)	193	196	177	205
NPI (SGD mn)	137	139	124	149
Dist Inc. (SGD mn)	111	120	110	152
P/NAV (x)	0.98	0.95	0.90	0.88
DPU, adj (Cents)	9.27	11.77	9.88	13.56
Distribution Yield	4.7%	5.9%	5.0%	6.8%

Source: Company, PSR

Financials

Statement of Total Return and Distribution Statement

Y/E Sep, SGD mn	FY17	FY18	FY19	FY20e	FY21e
Gross Revenue	182	193	196	177	205
Total Property expenses	(52)	(56)	(57)	(53)	(56)
Net Property Income	130	137	139	124	149
Net Finance (Expense)/Inc	(18)	(20)	(24)	(25)	(26)
Trust expenses	(3)	(2)	(2)	(2)	(3)
Manager's management fees	(14)	(15)	(17)	(17)	(16)
Net Income	95	100	97	80	104
Share of associate's results	4	4	13	27	28
Share of JV's results	1	1	5	13	13
Other Adjustments	11	8	8	5	6
Distribution to Unitholders	110	111	120	110	152

Per share data

Y/E Sep, SGD	FY17	FY18	FY19	FY20e	FY21e
NAV	2.02	2.08	2.21	2.25	2.23
DPU (Cents)	11.87	9.27	11.77	9.88	13.56

Cash Flow

Y/E Sep, SGD mn	FY17	FY18	FY19	FY20e	FY21e
CFO					
Net Income	194	167	206	123	145
Adjustments	(74)	(42)	(80)	3	(10)
WC changes	2	12	4	16	(17)
Cashflow from operating activities	122	137	131	143	118
CFI					
Capex on inv properties	(28)	(15)	(5)	(11)	(5)
Others	(40)	4	(656)	38	39
Cashflow from investing activities	(68)	(12)	(661)	27	33
CFF					
Share issuance	-	-	437	-	-
Distributions to Unitholders	(108)	(112)	(114)	(94)	(166)
Others	49	(5)	197	(13)	(5)
Cashflow from financing activities	(59)	(117)	521	(107)	(171)
Net change in cash	(5)	8	(9)	64	(19)
CCE, end	14	22	13	79	60

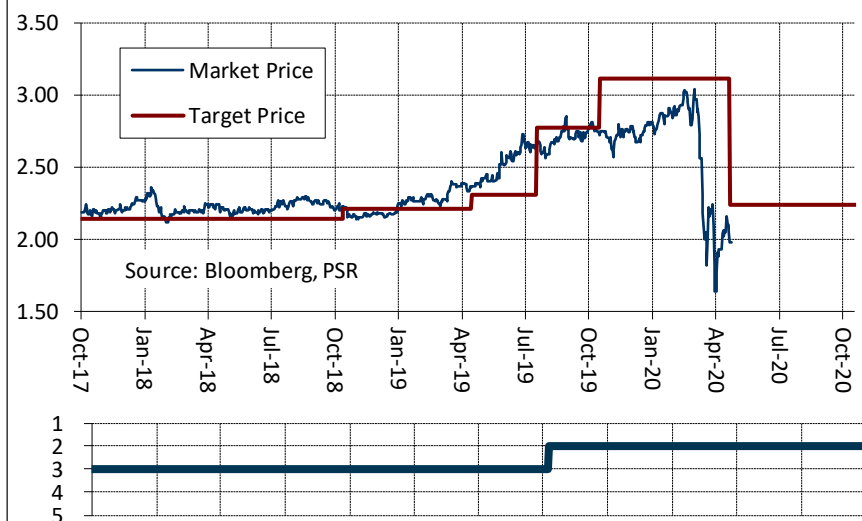
Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Sep, SGD mn	FY17	FY18	FY19	FY20e	FY21e
ASSETS					
Investment properties	2,668	2,749	2,846	2,854	2,860
Investment in Associates	65	66	457	465	467
Non Current Assets	2,733	2,815	3,595	3,609	3,617
Trade and Other Receivables	4.3	3.0	3.1	7.1	6.1
Cash and Cash Equivalents	14	22	13	79	60
Current Assets	18	25	16	86	66
Total Assets	2,751	2,840	3,611	3,695	3,683
LIABILITIES					
Interest bearing borrowings, non current	646	596	745	759	734
Others	31	32	30	37	37
Non-Current Liabilities	677	627	775	797	772
Trade and other payables	33	46	47	67	49
Interest bearing borrowings, current	152	217	295	294	340
Others	17	16	23	21	21
Current Liabilities	202	280	365	382	410
Total Liabilities	879	907	1,140	1,178	1,182
EQUITY					
Shareholder Equity	1,872	1,934	2,471	2,517	2,501

Valuation Ratios

Y/E Sep	FY17	FY18	FY19	FY20e	FY21e
P/NAV (x)	0.98	0.95	0.90	0.88	0.89
Distribution yield	6.0%	4.7%	5.9%	5.0%	6.8%
NPI yield	4.9%	5.0%	4.9%	4.3%	5.2%
Growth & Margins	FY17	FY18	FY19	FY20e	FY21e
Growth					
Revenue	-1.2%	6.5%	1.6%	-10.0%	15.8%
Net property income (NPI)	-0.2%	5.9%	1.5%	-11.1%	20.4%
DPU	1.0%	-21.9%	26.9%	-16.0%	37.2%
Margins					
NPI margin	71.3%	71.0%	70.9%	70.1%	72.9%
Net Income Margin	52.2%	51.7%	49.2%	45.0%	50.7%
Key Ratios					
Gearing	29.0%	28.6%	28.8%	28.5%	29.2%
ROA	3.4%	3.5%	2.7%	2.2%	2.8%
ROE	5.1%	5.2%	3.9%	3.2%	4.2%
Interest coverage ratio (x)	7.35	6.85	5.82	5.01	5.74

Ratings History

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

Contact Information (Singapore Research Team)
Head of Research

 Paul Chew – paulchewkl@phillip.com.sg
Research Admin

 Siti Nursyazwina - syazwina@phillip.com.sg
Property | REITs

 Natalie Ong - natalieongpf@phillip.com.sg
Small-Mid Cap

 Tan Jie Hui - tanjh@phillip.com.sg
Banking & Financial

 Tay Wee Kuang – taywk@phillip.com.sg
Technical Analyst

 Chua Wei Ren – chuawr@phillip.com.sg
China/HK Equity

 Zheng Jieyuan – zhengjy@phillip.com.sg
Credit Analyst

 Timothy Ang - timothyang@phillip.com.sg
Contact Information (Regional Member Companies)
SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangkok,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

CAMBODIA

Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

SRI LANKA

Asha Phillip Securities Limited
No. 60, 5th Lane,
Colombo 3, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.