

25 April 2024

Property | REITS

Frasers Centrepoint Trust (FCT SP)

Neutral (Maintained)

On The Right Track

Target Price (Return): SGD2.35 (7.7%)
 Price (Market Cap): SGD2.18 (USD2,896m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (SGD/USD) 7.76m/5.77m

- **Maintain NEUTRAL and SGD2.35 TP (8% upside), c.5% FY24F (Sep) yield.** Frasers Centrepoint Trust's 1HFY24 DPU was slightly below our forecasts. Operationally, FCT continues to show robustness with very high occupancy and high single-digit rent reversions (similar to peers), which are expected to continue. Financing cost pressures will likely persist due to its below-average hedge position vs peers. The acquisition of an additional stake in the NEX retail mall is positive. We still recommend the add-on-dips strategy.
- **Healthy uptick in 1HFY24 rent reversions** at +7.5% (1HFY23: +4.3%) driven by its dominant malls and well-supported by higher tenant sales (2QFY24: +4.3% YoY), that are 20% above pre-pandemic levels (for Mar 2024). Retail portfolio occupancy remains at near-full levels (99.9%), while Central Plaza (office) occupancy dipped slightly to 93.8% (-2.7ppts QoQ). The SGD38m asset enhancement initiative (AEI) at Tampines 1 is on track to be completed by Sep 2024. The additional AEI space has received >99% pre-leasing commitment to date, with an expected ROI of c.8%.
- **NEX acquisition contributions to fully kick in from 3QFY24.** FCT completed the acquisition of an additional 24.5% stake in the mall at end-March. The acquisition is mildly accretive, but has room for growth from reconfiguration of tenant space and asset enhancements which are currently being executed, as well as further upside if tax transparency status is achieved on the mall income. Overall gearing edged up this quarter from a drawdown of debt to fund the acquisition, but remains comfortable at 38.5%. FCT's next move, in our view, is likely to be the divestment of the Central Plaza office, which could provide over SGD200m in capital recycling for the REIT.
- **1HFY24 DPU down 2% YoY** (c.49% of FY24 estimates), as higher revenue and NPI (same-store basis) were offset by higher financing costs. NPI margin slightly compressed YoY by 0.8ppts due to higher utility and maintenance expenses, but are expected to stabilise at current levels. Financing cost for 2QFY24 edged lower by 20bps QoQ to 4.1% as FCT repaid some of its higher cost loans from divestment proceeds. For the full year, management guided for low 4% levels. About 69% of its borrowings are currently hedged.
- **We fine-tuned our FY24-26F DPU estimates by 0-1%** by adjusting NPI margins on JV contributions. FCT has taken various sustainability initiatives over the last few years, such as installation of solar panels, food waste valorisation, water usage efficiency, and smart lifts which are expected to result in annual opex savings of SGD1m pa. As a result, FCT commands a high ESG score of 3.4 (above the country median), resulting in a 6% ESG premium embedded into our DDM derived TP.

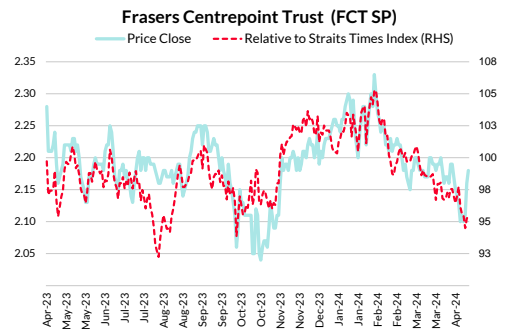
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Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|-------------|-------|-------|-------|-------|
| Absolute | (3.5) | (0.9) | (4.4) | 2.8 | (5.6) |
| Relative | (5.1) | (3.2) | (8.8) | (4.0) | (4.6) |
| 52-wk Price low/high (SGD) | 2.04 – 2.33 | | | | |



Source: Bloomberg

Overall ESG Score: 3.4 (out of 4)

E: EXCELLENT

FCT, in line with the group, sets to achieve net zero carbon emission by 2050 and all of its assets are BCA Green Mark Gold certified or higher. It achieved 5-star GRESB rating for the third consecutive year. It is also currently rolling out installation of solar panels across its properties.

S: GOOD

All its properties are SG Clean certified and it was first retail mall in Singapore to roll out UV-disinfectant autonomous mobile robots to enhance safety. The REIT is a pioneer in fostering inclusiveness and has embarked on a transformation program to create disability and dementia awareness.

G: EXCELLENT

The REIT has a high level of transparency in earnings and operating performance disclosure. The board has a diverse group of members, and the majority are independent directors. It undertakes an external independent audit every year, to evaluate the performance of the Board.

| Forecasts and Valuation | Sep-22 | Sep-23 | Sep-24F | Sep-25F | Sep-26F |
|-----------------------------------|--------|--------|---------|---------|---------|
| Total turnover (SGDm) | 357 | 370 | 353 | 355 | 357 |
| Net property income (SGDm) | 259 | 266 | 253 | 255 | 256 |
| Reported net profit (SGDm) | 202 | 216 | 206 | 241 | 245 |
| Total distributable income (SGDm) | 204 | 207 | 216 | 228 | 232 |
| DPS (SGD) | 0.12 | 0.12 | 0.12 | 0.12 | 0.13 |
| DPS growth (%) | 100.7 | (0.7) | (2.1) | 4.7 | 1.4 |
| P/B (x) | 0.94 | 0.94 | 0.95 | 0.94 | 0.94 |
| Dividend Yield (%) | 5.6 | 5.6 | 5.4 | 5.7 | 5.8 |
| Return on average equity (%) | 5.1 | 5.4 | 5.1 | 5.8 | 5.8 |
| Return on average assets (%) | 3.4 | 3.5 | 3.2 | 3.7 | 3.7 |

Source: Company data, RHB

Financial Exhibits

| Asia | Financial summary | Sep-22 | Sep-23 | Sep-24F | Sep-25F | Sep-26F |
|---|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Singapore | Recurring EPS (SGD) | 0.12 | 0.13 | 0.12 | 0.13 | 0.13 |
| Property | EPS (SGD) | 0.12 | 0.13 | 0.12 | 0.13 | 0.13 |
| Frasers Centrepoint Trust | DPS (SGD) | 0.12 | 0.12 | 0.12 | 0.12 | 0.13 |
| FCT SP | BVPS (SGD) | 2.33 | 2.32 | 2.29 | 2.32 | 2.33 |
| Neutral | Return on average equity (%) | 5.1 | 5.4 | 5.1 | 5.8 | 5.8 |
| | Weighted avg adjusted shares (m) | 1,701.52 | 1,707.05 | 1,759.11 | 1,811.01 | 1,816.78 |
| Valuation basis | Valuation metrics | Sep-22 | Sep-23 | Sep-24F | Sep-25F | Sep-26F |
| DDM | Recurring P/E (x) | 18.33 | 17.21 | 18.60 | 16.38 | 16.18 |
| | P/E (x) | 18.33 | 17.21 | 18.60 | 16.38 | 16.18 |
| | P/B (x) | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| | FCF Yield (%) | 6.3 | 6.4 | 5.8 | 5.5 | 5.6 |
| | Dividend Yield (%) | 5.6 | 5.6 | 5.4 | 5.7 | 5.8 |
| | EV/EBITDA (x) | - | 0.06 | 1.35 | 0.25 | 0.14 |
| | EV/EBIT (x) | - | 0.06 | 1.35 | 0.25 | 0.14 |
| Key drivers | Income statement (SGDm) | Sep-22 | Sep-23 | Sep-24F | Sep-25F | Sep-26F |
| i. A pure play on the resilient Singapore suburban retail sector; | Total turnover | 357 | 370 | 353 | 355 | 357 |
| ii. Malls are well located with dominant positioning and in areas with a good catchment of population; and | EBITDA | 222 | 226 | 216 | 217 | 218 |
| iii. Experienced management and strong sponsor. | Operating profit | 222 | 226 | 216 | 217 | 218 |
| | Net interest | (47) | (77) | (88) | (86) | (84) |
| | Income from associates & JVs | 24 | 57 | 78 | 84 | 84 |
| | Pre-tax profit | 202 | 216 | 206 | 241 | 245 |
| | Recurring net profit | 202 | 216 | 206 | 241 | 245 |
| Key risks | Cash flow (SGDm) | Sep-22 | Sep-23 | Sep-24F | Sep-25F | Sep-26F |
| i. Inflationary pressures increase in GST on retail tenants and shoppers; | Change in working capital | 7 | 3 | 2 | (5) | 1 |
| ii. Prolonged economic recession in Singapore lowering retail spending; and | Cash flow from operations | 241 | 247 | 227 | 220 | 226 |
| iii. Rising threat from omni-channel strategies by retailers, and food delivery platforms. | Capex | (6) | (8) | (4) | (4) | (4) |
| | Cash flow from investing activities | 16 | (357) | (445) | 81 | 82 |
| | Dividends paid | (208) | (208) | (215) | (226) | (230) |
| | Cash flow from financing activities | (254) | 108 | 223 | (303) | (310) |
| | Cash at beginning of period | 42 | 38 | 32 | 38 | 36 |
| | Net change in cash | 3 | (2) | 6 | (2) | (2) |
| | Ending balance cash | 45 | 36 | 38 | 36 | 34 |
| Company Profile | Balance sheet (SGDm) | Sep-22 | Sep-23 | Sep-24F | Sep-25F | Sep-26F |
| Frasers Centrepoint Trust is a leading developer-sponsored REIT with total assets of approximately SGD 6.9bn. FCT is also one of the largest suburban retail mall owners in Singapore. Its Singapore retail portfolio comprises nine retail malls located in the suburban regions and also has one office building. | Total cash and equivalents | 38 | 32 | 38 | 36 | 34 |
| | Total investments | 5,869 | 5,951 | 6,510 | 6,548 | 6,587 |
| | Total other assets | 22 | 15 | 15 | 15 | 15 |
| | Total assets | 5,941 | 6,375 | 6,572 | 6,609 | 6,646 |
| | Short-term debt | 391 | 353 | 50 | 30 | 30 |
| | Total long-term debt | 1,419 | 1,842 | 2,172 | 2,182 | 2,187 |
| | Total liabilities | 1,977 | 2,402 | 2,419 | 2,404 | 2,410 |
| | Shareholders' equity | 3,964 | 3,973 | 4,153 | 4,204 | 4,236 |
| | Total equity | 3,964 | 3,973 | 4,153 | 4,204 | 4,236 |
| | Net debt | 1,772 | 2,163 | 2,184 | 2,176 | 2,183 |
| | Total liabilities & equity | 5,941 | 6,375 | 6,572 | 6,609 | 6,646 |
| | Key metrics | Sep-22 | Sep-23 | Sep-24F | Sep-25F | Sep-26F |
| | Revenue growth (%) | 4.6 | 3.6 | (4.5) | 0.6 | 0.4 |
| | Recurrent EPS growth (%) | 9.2 | 6.5 | (7.4) | 13.5 | 1.2 |
| | Operating EBITDA margin (%) | 62.3 | 61.1 | 61.1 | 61.1 | 61.1 |
| | Net profit margin (%) | 56.7 | 58.5 | 58.4 | 67.9 | 68.6 |
| | Dividend payout ratio (%) | 102.9 | 96.1 | 104.2 | 93.7 | 93.9 |
| | Capex/sales (%) | 1.7 | 2.3 | 1.2 | 1.1 | 1.1 |
| | Interest cover (x) | 4.75 | 2.79 | 2.43 | 2.48 | 2.55 |

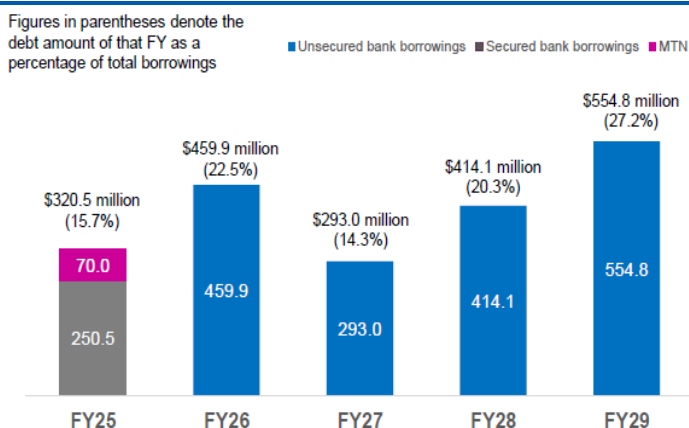
Source: Company data, RHB

Figure 1: DDM valuation

| DDM | FY24F | FY25F | FY26F | FY27F | FY28F | Terminal value |
|----------------------------|-------|-------|-------|-------|-------|----------------|
| DPU (SG cents) | 12.22 | 12.47 | 12.65 | 12.90 | 13.12 | 244.29 |
| Intrinsic value (SGD) | 2.22 | | | | | |
| ESG Premium/Discount (SGD) | 0.13 | | | | | |
| TP (SGD) | 2.35 | | | | | |
| Current price (SGD) | 2.24 | | | | | |
| Price upside (%) | 5.0% | | | | | |
| Distribution yield (%) | 5.4% | | | | | |
| Total returns (%) | 10.5% | | | | | |
| Assumptions | | | | | | |
| Risk-free rate (%) | 2.75% | | | | | |
| Beta | 0.9 | | | | | |
| Cost of equity (%) | 7.5% | | | | | |
| Terminal growth (%) | 2.0% | | | | | |

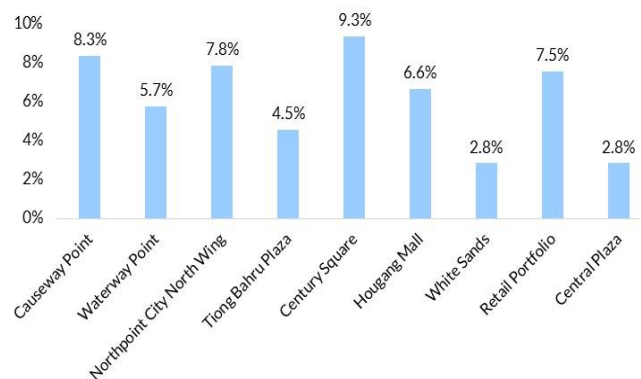
Source: RHB

Figure 2: In discussions to refinance FY25 loans with no further debt maturity in FY24



Source: Company data

Figure 3: 1HFY24 rental reversions by assets



Source: Company data

Figure 4: Top 10 tenants

| No. | Tenants | As % of total GRI | As % of total NLA |
|-----|---|-------------------|-------------------|
| 1 | NTUC FairPrice ² | 6.3% | 9.7% |
| 2 | Breadtalk Group ³ | 3.5% | 3.3% |
| 3 | Dairy Farm Group ⁴ | 1.8% | 1.5% |
| 4 | Courts (Singapore) Pte. Ltd. | 1.6% | 2.2% |
| 5 | Metro (Private) Limited ⁵ | 1.5% | 2.6% |
| 6 | Hanbaobao Pte. Ltd. ⁶ | 1.4% | 0.9% |
| 7 | Oversea-Chinese Banking Corporation Limited | 1.4% | 0.9% |
| 8 | R E & S Enterprises Pte Ltd ⁷ | 1.3% | 1.3% |
| 9 | Uniqlo (Singapore) Pte. Ltd. | 1.1% | 1.9% |
| 10 | Shaw Theatres Pte. Ltd. | 1.1% | 3.1% |
| | Total | 21.0% | 27.4% |

Notes:
 1. Excludes Tampines 1 due to ongoing A&I works.
 2. Includes FairPrice supermarkets (FairPrice, FairPrice Finest and FairPrice Vira), Kopitiam food courts (Kopitiam and Cantine by Kopitiam), Unity Pharmacy, Crave, Pezzo and Fruso.
 3. Includes Food Republic, Food Junction, The Food Market, BreadTalk, Toast Box, BreadTalk Family and Din Tai Fung.
 4. Includes Cold Storage, Guardian Health & Beauty and 7-Eleven.
 5. Includes Metro and Clinique.
 6. Operator of McDonald's.
 7. Includes SJOY Japanese Food Street, Kuriya Japanese Market, Ichiban Boshi, Ichiban Sushi, Gokoku Japanese Bakery, Yakimiku-GO and Tsukimi Hamburg.

Source: Company data

Figure 5: Limited retail supply pipeline in sub-urban area

| Year | Project | Micro-market | Area (sf) |
|------|--|-----------------|-----------|
| 2024 | 46 & 58 Kim Yam Road | Rest of Central | 162,800 |
| | Guoco Midtown II | Downtown Core | 20,000 |
| | Marine Parade Underground Mall | Fringe | 99,800 |
| | IOI Central Boulevard Towers | Downtown Core | 30,000 |
| | Odeon 333 | Downtown Core | 25,000 |
| | Labrador Tower | Fringe | 28,300 |
| | Pasir Ris Mall | OCR | 282,800 |
| | The Linq | Fringe | 25,100 |
| 2025 | Plantation Plaza | OCR | 110,000 |
| | Keppel South Central | Downtown Core | 27,300 |
| | CanningHill Square (Liang Court Redevelopment) | Rest of Central | 96,900 |
| | Punggol Digital District | OCR | 185,000 |
| | The Forum at Resorts World Sentosa | Fringe | 80,800 |
| | West Mall | OCR | 20,000 |
| 2026 | Lentor Modern Mall | OCR | 90,000 |
| | Central Mall/ Central Square | Rest of Central | 33,900 |
| | Piccadilly Grand/ Galleria | Fringe | 21,600 |
| | TMW Maxwell (Maxwell House Redevelopment) | Downtown Core | 34,700 |
| 2027 | Chill@Chong Pang | OCR | 56,900 |
| | Jurong East Integrated Transport Hub | OCR | 40,400 |
| | Bukit V | Fringe | 173,400 |
| | Golden Mile Complex | Downtown Core | 114,400 |

Source: CBRE(1Q24), Company data

Emissions And ESG

Trend analysis

FCT's location based Scope 1&2 carbon emissions rose 2.2% YoY but emissions intensity is down 12.8% compared to its FY19 baseline. Water and waste intensity has reduced by 16.3%/8.4% from FY19 baseline.

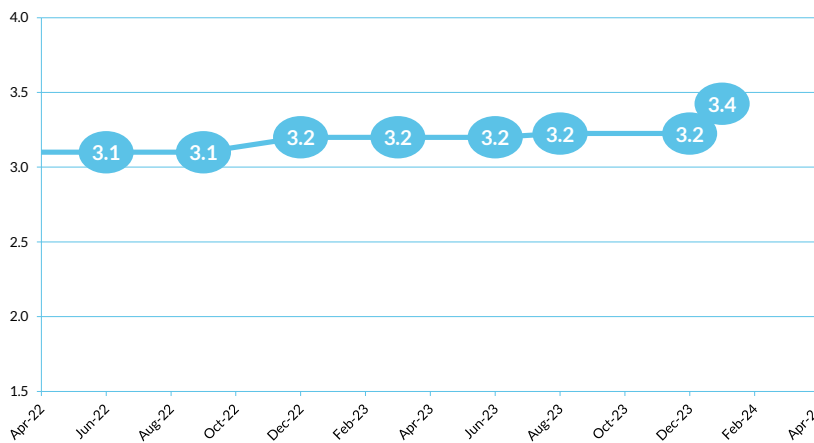
| Emissions (tCO2e) | Sep-21 | Sep-22 | Sep-23 |
|-------------------|--------|--------|--------|
| Scope 1 | na | na | na |
| Scope 2 | 25,354 | 24,622 | 25,168 |
| Scope 3 | 39,900 | 42,000 | 44,000 |
| Total emissions | 65,254 | 66,622 | 69,168 |

Source: Company data, RHB

Latest ESG-Related Developments

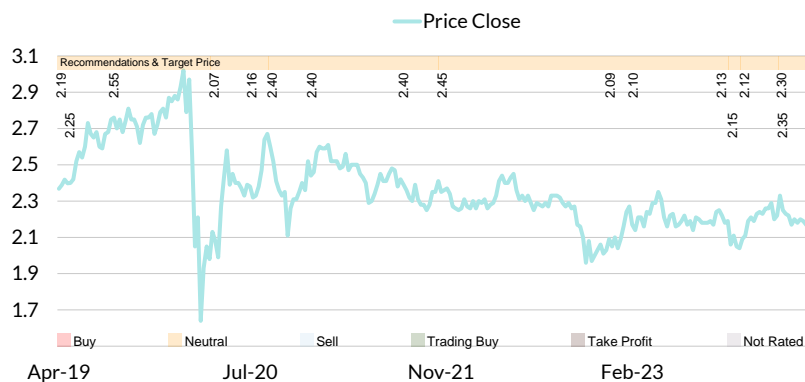
- Implementing food waste valorisation across five of its mall starting Jan 2024.
- Rolling out installation of solar photovoltaic panels across six malls in 2024.
- It signed a supply agreement for Tampines 1 and Century Square to form two of the three key injection nodes in Singapore's first brownfield Distributed District Cooling network.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2024-01-25 | Neutral | 2.35 | 2.28 |
| 2024-01-23 | Neutral | 2.30 | 2.26 |
| 2023-10-25 | Neutral | 2.12 | 2.11 |
| 2023-09-26 | Neutral | 2.15 | 2.18 |
| 2023-08-30 | Neutral | 2.13 | 2.23 |
| 2023-01-29 | Neutral | 2.10 | 2.24 |
| 2022-12-05 | Neutral | 2.09 | 2.05 |
| 2021-10-27 | Neutral | 2.45 | 2.36 |
| 2021-07-26 | Neutral | 2.40 | 2.36 |
| 2020-12-17 | Neutral | 2.40 | 2.50 |
| 2020-09-13 | Neutral | 2.40 | 2.67 |
| 2020-07-26 | Neutral | 2.16 | 2.39 |
| 2020-04-27 | Neutral | 2.07 | 2.00 |
| 2019-10-24 | Neutral | 2.55 | 2.75 |
| 2019-08-30 | Neutral | 2.55 | 2.75 |

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

| | |
|---------------------|--|
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