

# Singapore Company Update

## Frasers Centrepoint Trust

Bloomberg: FCT SP | Reuters: FCRT.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Feb 2024

### BUY

Last Traded Price (7 Feb 2024): S\$2.26 (STI : 3,156.15)

Price Target 12-mth: S\$2.70 (19% upside) (Prev S\$2.60)

#### Analysts

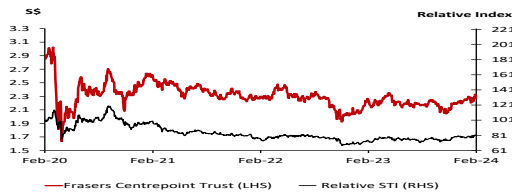
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#### What's New

- Acquisition of dominant mall NEX at 4.9% yield cements FCT as a titan in Singapore's suburban retail sector, with potential compression to c.4% for quality retail assets
- Our deep dive analysis indicates DPU upside of c.3.0% driven by tenant remixing, GFA optimization and future tax transparency
- Future acquisitions from sponsor, and stake increase in NEX, WWP, NPC South Wing unlocks a S\$2.9b AUM expansion opportunity
- BUY, higher S\$2.70 TP; potential surprise from FCT's inclusion in STI

#### Price Relative



#### Forecasts and Valuation

FY Sep (\$m)	2022A	2023A	2024F	2025F
Gross Revenue	357	370	364	367
Net Property Inc	259	266	266	268
Total Return	207	212	193	207
Distribution Inc	210	207	205	219
EPU (S cts)	12.0	11.8	11.0	11.4
EPU Gth (%)	1	(1)	(7)	4
DPU (S cts)	12.2	12.2	11.7	12.1
DPU Gth (%)	1	(1)	(4)	4
NAV per shr (S cts)	233	233	231	229
PE (X)	18.8	19.1	20.6	19.7
Distribution Yield (%)	5.4	5.4	5.2	5.4
P/NAV (x)	1.0	1.0	1.0	1.0
Aggregate Leverage (%)	32.2	39.0	39.5	39.7
ROAE (%)	5.2	5.1	4.7	5.0

Distn. Inc Chng (%)			1	5
Consensus DPU (S cts):			12.2	12.5
Other Broker Recs:	B: 12	S: 2	H: 4	

Source of all data on this page: Company, DBS Bank Ltd, Bloomberg Finance L.P.

### Newly minted titan of the suburbs

#### Investment Thesis:

**Maintain BUY with TP of S\$2.60.** FCT continues pull the right levers with the recent acquisition of NEX mall, placing it as "King of suburban retail malls". With a dominant position in the suburban retail space supported by robust operational metrics (c.99% occupancy with strong reversionary prospects), we remain firmly positive on FCT with forward yields of c.5.2%-5.3% on offer.

**Record low occupancy cost of 15.6% (FY23) supports +5% or more rental reversion in FY24.** FCT's portfolio continues to outperform its peers on several fronts, with tenant sales c.15% above pre-COVID levels, unscathed by both the return-to-office trend and broader border reopening. With an occupancy cost of 15.6% for FY23, below the 16.6-17.0% levels seen pre-COVID, we see scope for further rental upside, backed by healthy tenant sales, with more room for reversionary rents to rise.

**Future stakes in NEX mall, WWP and ROFR asset NPC south wing extends AUM growth runway by S\$2.9bn.** Management's track record of portfolio rejuvenation remains best-in-class with a stellar divestment record at exit cap rates of 4.3% and below, while upcycling proceeds into higher yielding and quality malls at c.4.9% cap rate. We believe FCT has the expertise to enhance NEX mall's profitability through unlocking GFA and organic growth to bring about a >0.7% accretion to DPU. Crossing this key milestone with most chess pieces in play, we believe FCT will target its sponsor's ROFR asset Northpoint City South Wing (NPC SW). Securing additional stakes in NEX mall and Waterway Point (WWP) offers FCT a S\$1.7bn growth runway to expand its AUM, while NPC SW adds another S\$1.2bn in the medium term.

Our DCF valuation factors in (i) a 3.5% risk free rate, (ii) 0.70 beta, (iii) 6.2% WACC, and (iv) 2.5% terminal growth to derive a target price of S\$2.70.

#### Key Risks

Higher than expected increase in funding cost.

#### At A Glance

Issued Capital (m shrs)	1,707
Mkt. Cap (\$m/US\$m)	3,858 / 2,870
Major Shareholders (%)	
TCC Assets Ltd	41.2
Free Float (%)	58.8
3m Avg. Daily Val (US\$m)	5.4
<b>GIC Industry</b> : Real Estate / Equity Real Estate Investment (REITs)	



Watchlist the stock on Insights Direct to receive prompt updates

## WHAT'S NEW

## NEX mall - the newly minted titan in the portfolio

Fraser's Centrepoint Trust (FCT) announced its long-awaited acquisition of a further stake in NEX mall in Jan-24, the first notable acquisition and fund raising within the REIT sector this year. The announcement was to purchase the remaining 24.5% stake from Gold Ridge Pte. Ltd. (GRPL), the entity holding NEX mall, raising total stake within the asset to 50%.

**First fund raising for the year, strong interest, 2.5x oversubscribed.** The merits of this deal differed slightly from the acquisition of an initial stake in NEX mall in early 2023 but overall positive. The REIT's increased stake in NEX reflects a higher valuation for the mall at S\$2,127m, representing a 2% y-o-y increase, supported by cashflow improvement as initial yield remained at an attractive c.4.9% (vs transactions in the 4.1%-4.3% range in Singapore's suburban retail space). The total cost of acquiring the 24.5% stake was S\$532m. This translates to an initial cost outlay of S\$321m after taking on GRPL's debt, and was funded by a private placement of S\$200m (which was 2.5x oversubscribed) and debt.

Due to equity financing, DPU accretion was 0.40%, lower compared to the accretion for the initial stake in NEX at 0.52% which was fully funded by debt. The long-term AEI plans in place for the mall and tenant refresh strategies that FCT will explore will help to further extract organic growth from the asset. The GFA optimization strategy to convert 60k sqft of carpark space into retail space should yield another 0.7% DPU accretion when it takes place.

**Acquisition at 4.9% cap rate is favourable compared to market transactions in the low 4% range.** Given the tightly held retail assets in Singapore, bids for quality retail assets in Singapore have been strong, in the low 4% cap rate range, similar to FCT's divestment of Changi City Point and Allgreen's ongoing due diligence to buy Seletar Mall, estimated to be in the low c.4% on our estimates ([report link](#)). The deal metrics of NEX mall shines a favourable light on FCT to execute a deal at 4.9% cap rate and sponsor's continued support in lending its balance sheet to grow the REIT.

## Where are the potential upsides that could offer further surprises?

NEX transaction metrics against selected FCT malls						
Comparable malls	NEX (1st Tranche)	NEX (2nd Tranche)	Waterway Point	Northpoint City (North Wing)	Causeway Point	Changi City Point
Valuation (S\$m), FY23	2,078	2,127	1,315	816	1,336	325*
NLA (sqft)	634,631		389,444	229,870	419,688	208,435
Valuation/sqft	3,274	3,352	3,370	3,385	3,183	1,559
Net property income (S\$m), FY23	104 <sup>^</sup>		61.7	41.4 (includes Yishun 10)	69.9	n.a.
Est. NPI yield (%)	5.0%	4.9%	4.7%	5.1%	5.2%	4.9%
Location and accessibility	Serangoon MRT Interchange		Punggol LRT Interchange	Yishun MRT	Woodlands MRT	Seng Kang LRT
Remaining lease tenure (yrs)	85		87	66	70	87
Est passing rent (S\$ psf pm)	17		18	21	19	13-14 (DBS est)
Valuation adj on a 99-LH basis (S\$/sqft)	3,383	3,463	3,456	3,887	3,553	2,067
Adjusted NPI yield (99y LH basis)	5.15%	5.03%	4.70%	4.20%	5.80%	3.60%

\* Valuation as at 31st July 2023; <sup>^</sup> NEX annualised FY23 NPI

Source: Companies, DBS Bank Ltd

Recent discussions with management have shed more visibility on NEX mall's current performance in comparison to FCT's acquisition of an initial stake in early-23. From an operating perspective, while NEX has the stature of a dominant mall, similar to FCT's born and bred malls Causeway Point and Northpoint City, we remain excited about the plans that the FCT has in place to extract more value and returns for the asset in the longer term.

**Tenant remix opportunity to increase exposure to specialty stores.** With a footprint of 634k sqft, NEX mall is set to be FCT's largest mall and c.50% bigger than the current largest mall in its portfolio, providing the REIT with a plethora of opportunities to enhance value. We note that the proportion of space dedicated to anchor and mini-anchor tenants is substantially higher at NEX mall at c.53% of NLA, as compared to just 41% for FCT's comparable malls. This includes two supermarkets (Fairprice Xtra, Cold Storage) and a substantial department store tenant, Isetan group, which occupies three storeys of space at a corner of NEX mall.

This also translates to a larger proportion of GRI contribution from lower-yielding anchor tenants at c.30%

as opposed to peers at c.23%. This is also reflected by the mall's lower occupancy cost that is below FCT's existing portfolio rate at 15.7%. This implies there is room to raise rents on existing leases. This would be the first opportunity to extract more returns, in our view.

**Potential to unlock an additional 40k sqft of retail NLA.**

FCT has also earmarked potential AEI opportunities in the mall, including (i) AEI to improve mall connectivity to improve traffic flow, (ii) GFA upside potential from partial conversion of carpark space into retail NLA which can further unlock an additional 60k sqft of retail GFA (or approximately 40k sqft of NLA space, or an additional 6% uplift to overall mall NLA). A return on investment of c.7% is required for FCT to pursue the GFA conversion at the mall. This will add **0.5% - 0.7% additional accretion to DPU.**

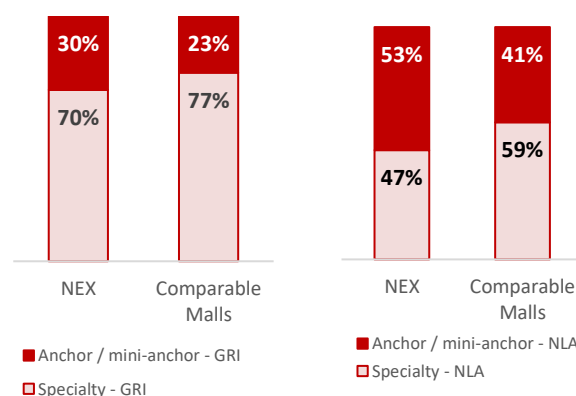
FCT anticipates that these medium-term milestones earmarked for NEX mall will help to close the rental gap at Nex versus comparable malls (Causeway Pt, Northpoint, Waterway Pt). The gross revenue per sqft at Nex is estimated to be c.9% below comparable malls, while annual shopper traffic per sqft is c.37% below.

**NEX mall: Top 10 tenants by GRI (as at 30 Sep'23)**

Tenant	% GRI Contribution
BreadTalk Group	6.1%
NTUC FairPrice	4.4%
Isetan	4.1%
Dairy Farm Group	2.6%
H&M Group	2.5%
Shaw Theatres	2.3%
RE&S	1.5%
Courts Singapore	1.4%
Paradise Group	1.3%
Uniqlo	1.2%
<b>Total</b>	<b>27.4%</b>

Source: FCT, DBS Bank Ltd

**NEX mall exposure to anchor and mini-anchors in comparison to peers**



**Staggered growth in the coming years as FCT’s brings up occupancy cost at NEX mall; Tax transparency a bonus, leading to c.2.5% DPU accretion**

NEX’s estimated passing rent of S\$15psf - S\$17 psf pm is below peer mall average of c.S\$19 psf pm. On an annualized basis, we estimate that NEX mall’s passing rent rate is S\$15psf - S\$17 psf pm. We believe this is below the average passing rent of other FCT malls at S\$18.9 psf pm. Occupancy cost on the other hand, is below FCT’s retail portfolio average of 15.7%. The inclusion of NEX within its retail ecosystem will lower FCT’s average occupancy cost to 15.5%.

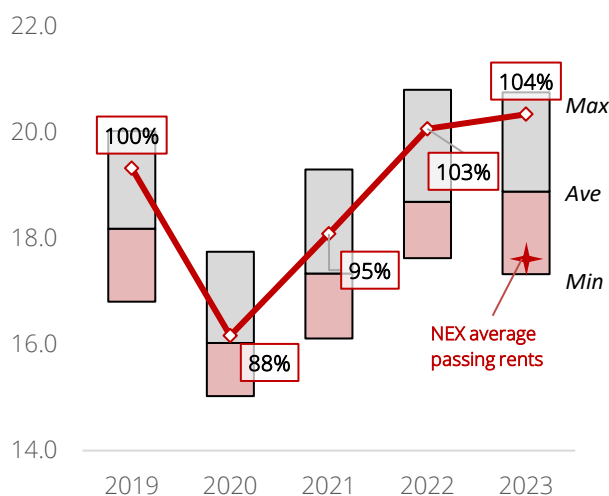
FCT to work its magic to unlock greater value in NEX mall. NEX has historically relied on anchor and mini-anchor tenants to maximise mall occupancy and balance out the asset’s large retail footprint. Opportunities to cut back on anchor space to maximise passing rent and increase traffic footfall at NEX mall, especially towards the colder corners of the mall where Isetan sits, will work in tandem to bring occupancy cost to a more optimal level in FCT’s view (in the range of 16-18%) and bring up passing rents over time.

Tight pricing within the retail landscape has seen relatively flatter DPU accretion. The two tranches of stakes in NEX injected into the REIT has led to DPU

accretion of 0.52% and 0.40% respectively. The lower accretion on the second tranche was due to the acquisition being partly funded by higher costs associated with placement and slightly offset by a more favourable cost of debt that was secured at 3.8%, and recycling of divestment proceeds from Changi City Point’s divestment which resulted in a 0.98% accretion gain.

Planting growth milestones with tax transparency at the finish line for bonus DPU accretion of 2.5%. Above and beyond the accretion associated with asset shuffling within the portfolio, DPU will gain by another 0.7% from GFA upside in the retail area at NEX. The ultimate end game we see for NEX is tax transparency at the asset level. We estimate annual tax at the Gold Ridge entity level approximates c.S\$14 million, which would be c.S\$7m for FCT’s 50% equity stake in the mall. In the longer term, FCT will look to buy out the current JV partners under Gold Ridge, which comprise of a China financial services company and asset operator PGIM. Tax savings of S\$7m on FCT’s 50% equity stake implies a bonus accretion of c.2.5% to our DPU estimates.

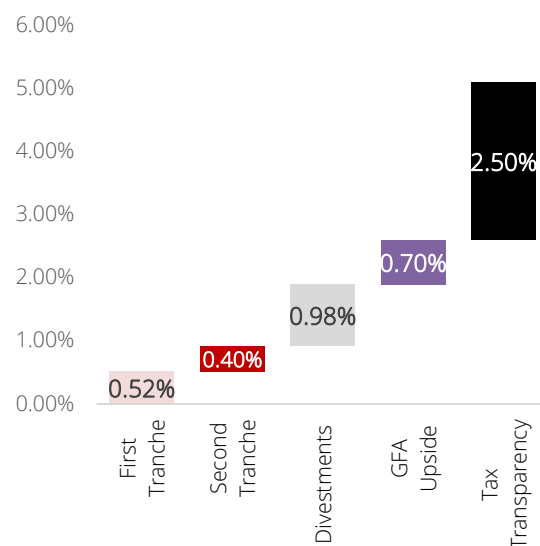
**FCT’s dominant mall passing rents (CWP, NP, WWP) vs NEX’s mall passing rents- S\$ PSF PM , % of 2019 levels\***



\* Includes ancillary income

Source: FCT, DBS Bank Ltd

**NEX mall - acquisition accretion to DPU and upside potential for future unwinding**



## More to come as FCT anchors itself as a leading suburban landlord in Singapore

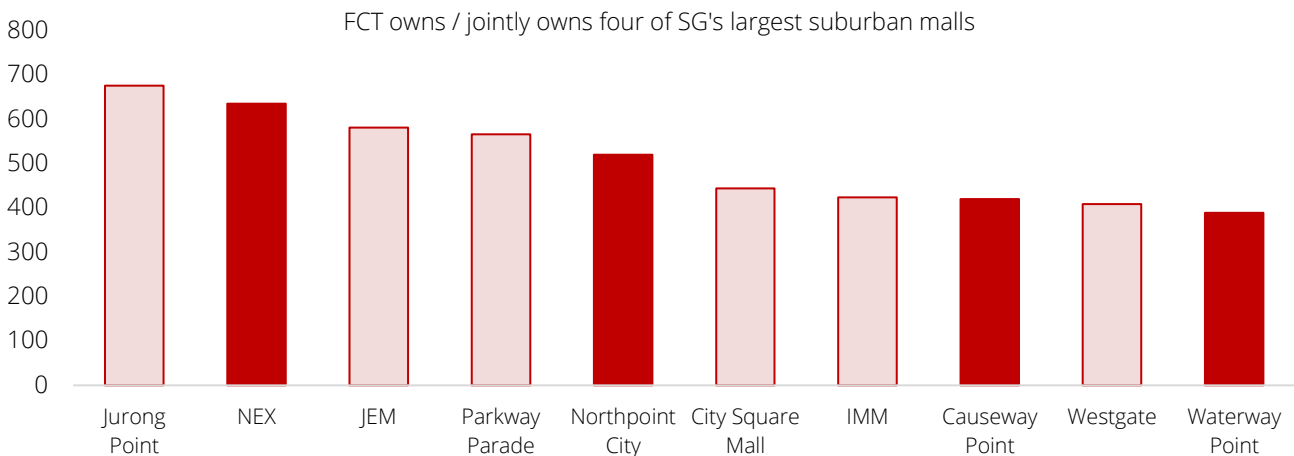
**Further stakes in NEX mall and WWP an addition of S\$1.7bn to existing AUM.** With a 50% stake of NEX under its belt, FCT will now own four of Singaporeans top 10 largest suburban malls based on NLA. This includes NEX mall, which will not stand as the largest asset within it's portfolio, followed by the born and bred FCT malls Northpoint City, Causeway Point, alongside Waterway Point. We recap that there are further stakes within both Waterway Point and NEX mall for FCT to further scale up its ownership from the current 50% equity stake within each asset, to add another c.S\$1.7bn to it's existing AUM of c.S\$5.5bn.

**NPC (South Wing) now back on the table for considerations.** Northpoint City ("NPC") South Wing continues to sit on FCT's ROFR pipeline, which we feel is a matter of time before its injection into FCT's portfolio. The asset is a new extension to FCT's current property Northpoint City North Wing with arguably better connectivity to public transport nodes given it's adjacency to the newly integrated bus interchange. Given its launch in late 2017, we believe that the asset has been through its second cycle of lease term and have stabilized sufficiently for injection into the REIT.

The injection of ROFR asset could add another S\$1.2bn to FCT's AUM, and had taken a back seat as FCT's conquers the chess pieces that were seating outside it's sponsor's territory – including the PGIM ARF portfolio back in the pre-COVID days and NEX mall which were released in the market in late-2022.

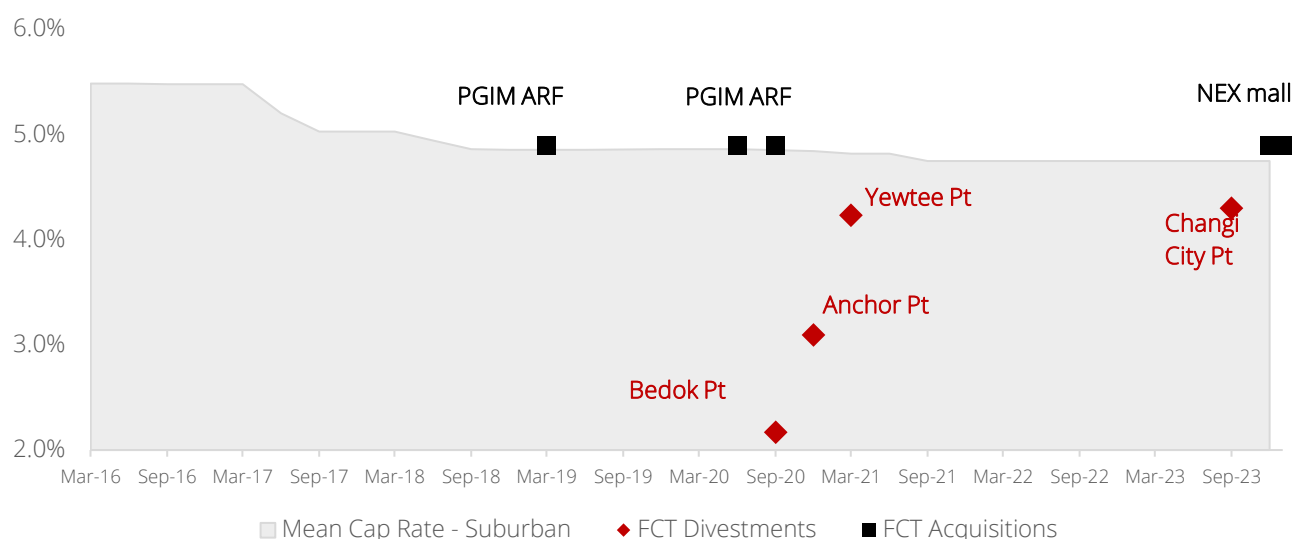
**Best-in-class track record of portfolio rejuvenation.** We track FCT's past divestments and acquisitions in comparison to suburban retail asset valuer cap rate. Our analysis found that FCT's had historically executed divestments above asset valuation, below valuer cap and recycled proceeds into higher yielding retail assets that are above valuer cap rate range. Divestment of Bedok Point, Anchor Point and Yewtee Point were divested in a tight cap rate range between 2.2% to 4.2%, based off each asset's average net property income across both FY19 and FY20 to moderate the decline in asset performance across the pandemic year. The re-investment of proceeds into both PGIM ARF and Nex mall were also well-timed to reduce income vacuum from the portfolio reconstitution, while garnering high yields of 4.90% initial entry cap.

### Top 10 prime suburban malls in Singapore by NLA ('000s)



Source: FCT, DBS Bank Ltd

**FCT's divestment and acquisitions in comparison to valuer cap rate (suburban retail)**



Source: FCT, DBS Bank Ltd

**Maintain BUY with unchanged TP of S\$2.70.** We have included the additional 24.5% stake in NEX mall into our estimates with FY24F / FY25F DPU flat at 11.7 Scts / 12.1 Scts. We have assumed that the acquisition will be completed by early Mar-24 and start contributing from then, upside potential from AEI and GFA optimization not reflected in our assumptions yet. The issuance of 91.7m new units from the S\$200m private placement to fund the deal is reflected in our FY24F estimates. Our revised estimates for FY24F / FY25F DPU represents forward dividend yields of 5.2% / 5.3% on FCT's last traded share price of S\$2.27.

**Is FCT next to join the Straits Times Index?** After the recent S\$200m equity fund raising exercise and its share price of S\$2.33/share, FCT's total market cap of S\$4.02bn positions it as the 34th largest among listed companies in Singapore. According to FTSE Straits Times Index ("STI"), at the last quarterly review in Dec'23, FCT is among the companies in the STI Reserve list, which is made up of the five highest ranking non-constituent stocks of the STI by market capitalisation. As the largest company within the reserve list, depending on the trading performance of FCT in the coming months, there is a chance of a potential inclusion into the STI at the next review date, sometime in March'24.

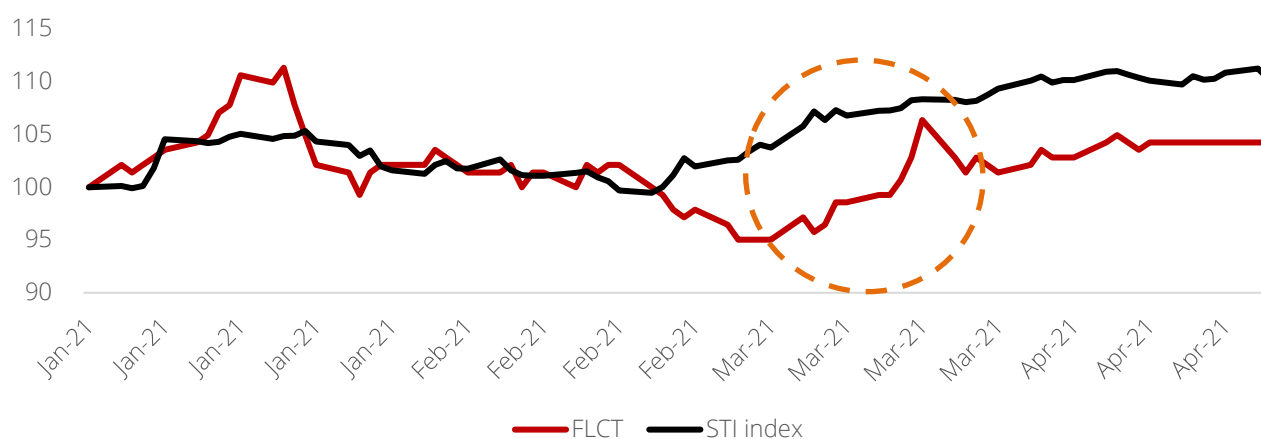
Companies	Mkt cap (S\$'bn) as of 5th Feb'24
Frasers Centrepoint Trust	S\$4.02bn
CapitaLand Ascott Trust	S\$3.65bn
Golden Agri	S\$3.47bn
Suntec REIT	S\$3.46bn
Keppel DC REIT	S\$2.86bn

Source: Bloomberg Finance L.P.

**What is the criteria?** Based on our understanding of the ground rules, during the index quarterly review, a constituent of STI will be deleted at the quarterly review if it falls to the 41<sup>st</sup> position or below when the eligible securities are ranked by full market capitalisation. FCT's market cap, which we estimate lands at S\$4.02bn when new shares raised start trading, will surpass the market capitalization of existing STI constituents such as DFI Group, Venture Corp and Frasers Logistics Comm Trust. We believe FCT's current ranking at 34<sup>th</sup> place, or 32<sup>nd</sup> including placement units, puts it a step closer to potential index inclusion depending on the trading performance of these companies in the coming months.

**What was the performance of candidates that were included in the index.** The last stock included into the STI was Frasers Industrial & Commercial Trust ("FLCT") in April'21, replacing Jardine Strategic. We have looked at FLCT's trading history. While the stock was also impacted by macro factors like rate hike expectations back then, there was a near term tactical trading opportunity for the REIT with the stock up +6% prior to index inclusion that was announced in early April'21. We see opportunity for FCT to trade higher in the coming months on expectations that the REIT could be the next constituent stock in the STI.

## Fraser's Logistics Comm Trust run-up prior to index review (Jan'21 = 100)



Source: FCT, DBS Bank Ltd

Largest market cap listed in SGX					
	Ticker	Name	Market Cap (30 Jan 2024)	STI Stock	STI Reserve
1	DBS SP Equity	DBS GROUP HOLDINGS LTD	82,251,120,640	*	
2	OCBC SP Equity	OVERSEA-CHINESE BANKING CORP	57,889,181,696	*	
3	UOB SP Equity	UNITED OVERSEAS BANK LTD	47,346,720,768	*	
4	ST SP Equity	SINGAPORE TELECOMMUNICATIONS	39,608,033,280	*	
5	PRU SP Equity	PRUDENTIAL PLC	27,524,198,400		
6	WIL SP Equity	WILMAR INTERNATIONAL LTD	20,913,156,096	*	
7	SIA SP Equity	SINGAPORE AIRLINES LTD	19,809,198,080	*	
8	SGA SP Equity	SHANGRI-LA ASIA LTD	17,927,624,704		
9	JM SP Equity	JARDINE MATHESON HLDGS LTD	15,701,331,626	*	
10	IHH SP Equity	IHH HEALTHCARE BHD	15,412,235,264		
11	CLI SP Equity	CAPITALAND INVESTMENT LTD/SI	14,954,097,664	*	
12	JCNC SP Equity	JARDINE CYCLE & CARRIAGE LTD	14,000,961,991	*	
13	THBEV SP Equity	THAI BEVERAGE PCL	13,064,871,936	*	
14	CICT SP Equity	CAPITALAND INTEGRATED COMMER	13,049,138,176	*	
15	CLAR SP Equity	CAPITALAND ASCENDAS REIT	12,565,716,992	*	
16	GENS SP Equity	GENTING SINGAPORE LTD	12,192,752,640	*	
17	KEP SP Equity	KEPPEL LTD	12,071,714,816	*	
18	STE SP Equity	SINGAPORE TECH ENGINEERING	11,767,784,448	*	
19	SGX SP Equity	SINGAPORE EXCHANGE LTD	10,220,521,472		
20	SCI SP Equity	SEMBCORP INDUSTRIES LTD	9,629,679,616	*	
21	GE SP Equity	GREAT EASTERN HOLDINGS LTD	8,330,415,616		
22	EMI SP Equity	EMPERADOR INC	7,946,917,888	*	
23	MLT SP Equity	MAPLETREE LOGISTICS TRUST	7,622,243,840	*	
24	STM SP Equity	SEATRIUM LTD	7,367,443,968	*	
25	MPACT SP Equity	MAPLETREE PAN ASIA COM TRUST	7,297,166,336	*	
26	HKL SP Equity	HONGKONG LAND HOLDINGS LTD	6,820,517,376	*	
27	MINT SP Equity	MAPLETREE INDUSTRIAL TRUST	6,686,792,704	*	
28	YZJSGD SP Equity	YANGZJIANG SHIPBUILDING	6,636,989,952	*	



Largest market cap listed in SGX (Cont'd)					
	Ticker	Name	Market Cap (30 Jan 2024)	STI Stock	STI Reserve
29	CIT SP Equity	CITY DEVELOPMENTS LTD	5,595,581,440	*	
30	UOL SP Equity	UOL GROUP LTD	5,170,146,816	*	
31	SATS SP Equity	SATS LTD	4,114,142,208	*	
32	FLT SP Equity	FRASERS LOGISTICS & COMMERCIAL	4,006,654,208	*	
33	VMS SP Equity	VENTURE CORP LTD	3,915,519,488	*	
34	FCT SP Equity	FRASERS CENTREPOINT TRUST	3,855,928,064		+
35	DFI SP Equity	DFI RETAIL GROUP HOLDINGS LTD	3,802,400,000	*	
36	AMTD SP Equity	AMTD IDEA GROUP	3,776,041,984		
37	CLAS SP Equity	CAPITALAND ASCOTT TRUST	3,575,138,816		+
38	FPL SP Equity	FRASERS PROPERTY LTD	3,494,177,024		
39	SUN SP Equity	SUNTEC REIT	3,491,321,856		+
40	OLG SP Equity	OLAM GROUP LTD	3,454,541,824		
41	GGR SP Equity	GOLDEN AGRI-RESOURCES LTD	3,424,051,712		+
42	KREIT SP Equity	KEPPEL REIT	3,385,385,216		
43	NETLINK SP Equity	NETLINK NBN TRUST	3,312,425,472		
44	AHYGS SP Equity	ISHARES USD ASIA HYLD BD-ETF	3,108,368,384		
45	CD SP Equity	COMFORTDELGRO CORP LTD	3,010,341,120		
46	TCI SP Equity	TAN CHONG INTERNATIONAL LTD	2,979,697,408		
47	KDCREIT SP Equity	KEPPEL DC REIT	2,943,644,928		+
48	KIT SP Equity	KEPPEL INFRASTRUCTURE TRUST	2,841,021,952		
49	SPLG SP Equity	SINGAPORE LAND GROUP LTD	2,664,758,016		
50	TIAN SP Equity	TIANJIN PHARMACEUTICAL DA -S	2,644,191,744		

Source: Bloomberg Finance L.P., DBS Bank Ltd

### Company Background

Fraser's Centrepoint Trust (FCT) is a retail real estate investment trust (REIT) with a portfolio of shopping malls located in suburban areas in Singapore. Its two largest assets are Causeway Point and Northpoint.



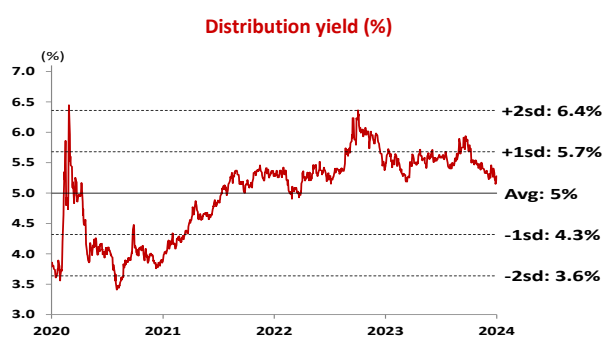
## Fraser's Centrepoint Trust

## Interim Income Statement (\$m)

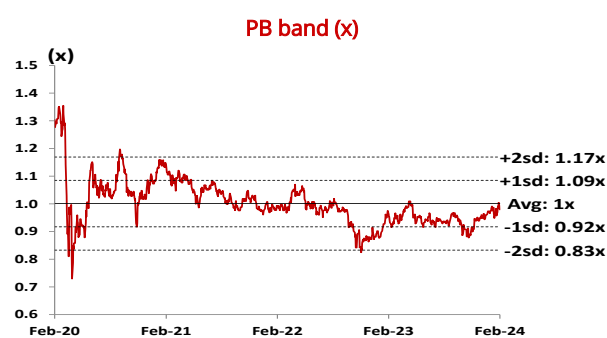
FY Sep	2H2022	1H2023	2H2023	% chg yoy	% chg hoh
Gross revenue	181	188	184	1.8	(1.9)
Property expenses	(52.6)	(49.6)	(54.5)	3.6	9.8
Net Property Income	128	138	130	1.1	(6.1)
Other Operating expenses	(18.0)	(20.0)	(19.8)	9.6	(1.1)
Other Non Opg (Exp)/Inc	0.0	0.0	1.88	nm	nm
Associates & JV Inc	15.8	31.1	26.0	64.8	(16.4)
Net Interest (Exp)/Inc	(26.4)	(35.5)	(45.1)	(70.7)	(27.2)
Exceptional Gain/(Loss)	0.02	0.0	(3.8)	nm	nm
<b>Net Income</b>	<b>101</b>	<b>116</b>	<b>90.7</b>	<b>(10.6)</b>	<b>(21.5)</b>
Tax	0.08	0.25	0.0	nm	nm
Minority Interest	0.0	0.0	0.0	-	-
<b>Net Income after Tax</b>	<b>102</b>	<b>116</b>	<b>90.7</b>	<b>(10.6)</b>	<b>(21.7)</b>
Total Return	83.7	0.0	82.0	(2.0)	nm
Non-tax deductible Items	6.15	8.61	13.4	118.8	56.1
Net Inc available for Dist.	101	106	101	0.5	(4.5)
<b>Ratio (%)</b>					
Net Prop Inc Margin	70.9	73.5	70.4		
Dist. Payout Ratio	103.1	98.8	103.5		

Source of all data: Company, DBS Bank Ltd

## Historical Distribution Yield and PB band



Source: Bloomberg Finance L.P., DBS Bank Ltd estimates



Source: Bloomberg Finance L.P., DBS Bank Ltd estimates

## Fraser's Centrepoint Trust

**Income Statement (\$m)**

FY Sep	2021A	2022A	2023A	2024F	2025F
Gross revenue	341	357	370	364	367
Property expenses	(94.6)	(98.3)	(104)	(98.1)	(98.9)
<b>Net Property Income</b>	<b>247</b>	<b>259</b>	<b>266</b>	<b>266</b>	<b>268</b>
Other Operating expenses	(36.1)	(36.2)	(39.7)	(35.3)	(35.4)
Other Non Opg (Exp)/Inc	0.34	0.0	0.0	0.0	0.0
Associates & JV Inc	3.52	22.9	57.0	53.3	64.5
Net Interest (Exp)/Inc	(45.0)	(46.8)	(76.8)	(90.8)	(90.1)
Exceptional Gain/(Loss)	2.94	0.0	(3.8)	0.0	0.0
<b>Net Income</b>	<b>172</b>	<b>198</b>	<b>202</b>	<b>193</b>	<b>207</b>
Tax	(3.6)	6.09	(0.3)	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Income After Tax</b>	<b>169</b>	<b>205</b>	<b>202</b>	<b>193</b>	<b>207</b>
Total Return	169	207	212	193	207
Non-tax deductible Items	15.8	34.3	20.0	12.3	12.3
Net Inc available for Dist.	205	210	207	205	219
<b>Growth &amp; Ratio</b>					
Revenue Gth (%)	107.5	4.6	3.6	(1.6)	0.7
N Property Inc Gth (%)	122.4	4.9	2.7	0.1	0.7
Net Inc Gth (%)	14.8	21.3	(1.2)	(4.5)	7.1
Dist. Payout Ratio (%)	100.0	99.2	100.6	100.6	100.6
Net Prop Inc Margins (%)	72.3	72.5	71.8	73.0	73.0
Net Income Margins (%)	49.4	57.3	54.7	53.0	56.4
Dist to revenue (%)	60.0	58.8	56.0	56.4	59.8
Managers & Trustee's fees	10.6	10.2	10.7	9.7	9.7
ROAE (%)	5.2	5.2	5.1	4.7	5.0
ROA (%)	3.4	3.5	3.3	3.0	3.2
ROCE (%)	4.3	3.8	3.7	3.7	3.6
Int. Cover (x)	4.7	4.8	2.9	2.5	2.6

Source: Company, DBS Bank Ltd

## Fraser's Centrepoint Trust

**Interim Income Statement (\$m)**

FY Sep	2H2021	1H2022	2H2022	1H2023	2H2023
Gross revenue	168	176	181	188	184
Property expenses	(46.6)	(45.7)	(52.6)	(49.6)	(54.5)
Net Property Income	121	130	128	138	130
Other Operating	(17.3)	(18.2)	(18.0)	(20.0)	(19.8)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	1.88
Associates & JV Inc	(2.2)	6.60	15.8	31.1	26.0
Net Interest (Exp)/Inc	(21.5)	(20.4)	(26.4)	(35.5)	(45.1)
Exceptional Gain/(Loss)	20.9	0.50	0.02	0.0	(3.8)
<b>Net Income</b>	<b>101</b>	<b>100</b>	<b>101</b>	<b>116</b>	<b>90.7</b>
Tax	(1.4)	6.01	0.08	0.25	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Income after Tax</b>	<b>99.4</b>	<b>106</b>	<b>102</b>	<b>116</b>	<b>90.7</b>
Total Return	15.9	0.0	83.7	0.0	82.0
Non-tax deductible Items	12.3	6.09	6.15	8.61	13.4
Net Inc available for Dist.	104	109	101	106	101
<b>Growth &amp; Ratio</b>					
Revenue Gth (%)	(4)	5	3	4	(2)
N Property Inc Gth (%)	(4)	8	(2)	8	(6)
Net Inc Gth (%)	37	7	(4)	14	(22)
Net Prop Inc Margin (%)	72.2	74.1	70.9	73.5	70.4
Dist. Payout Ratio (%)	100.0	95.6	103.1	98.8	103.5

**Balance Sheet (\$m)**

FY Sep	2021A	2022A	2023A	2024F	2025F
Investment Properties	5,507	5,516	5,221	4,901	4,908
Other LT Assets	341	375	746	1,029	1,029
Cash & ST Invt	42.2	38.2	32.2	221	220
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	9.00	8.86	8.76	8.76	8.76
Other Current Assets	0.0	3.33	368	368	368
<b>Total Assets</b>	<b>5,899</b>	<b>5,941</b>	<b>6,375</b>	<b>6,528</b>	<b>6,534</b>
ST Debt	205	391	353	353	353
Creditor	75.8	70.6	95.3	87.7	88.4
Other Current Liab	41.5	46.1	55.3	54.9	54.9
LT Debt	1,604	1,419	1,842	1,814	1,831
Other LT Liabilities	53.7	50.5	56.0	56.0	56.0
Unit holders' funds	3,919	3,964	3,973	4,162	4,150
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Total Funds &amp; Liabilities</b>	<b>5,899</b>	<b>5,941</b>	<b>6,375</b>	<b>6,528</b>	<b>6,534</b>
Non-Cash Wkg. Capital	(108)	(105)	226	234	233
Net Cash/(Debt)	(1,767)	(1,772)	(2,163)	(1,947)	(1,965)
<b>Ratio</b>					
Current Ratio (x)	0.2	0.1	0.8	1.2	1.2
Quick Ratio (x)	0.2	0.1	0.1	0.5	0.5
Aggregate Leverage (%)	30.7	32.2	39.0	39.5	39.7

Source: Company, DBS Bank Ltd

## Fraser's Centrepoint Trust

## Cash Flow Statement (\$m)

FY Sep	2021A	2022A	2023A	2024F	2025F
Pre-Tax Income	172	201	212	193	207
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0
Tax Paid	(11.0)	(1.4)	(0.3)	(0.4)	0.0
Associates & JV Inc/(Loss)	(3.5)	25.2	(57.0)	(53.3)	(64.5)
Chg in Wkg.Cap.	(16.5)	8.58	3.48	(7.5)	0.65
Other Operating CF	57.2	0.0	84.8	2.08	2.09
<b>Net Operating CF</b>	<b>198</b>	<b>234</b>	<b>243</b>	<b>134</b>	<b>145</b>
Net Invnt in Properties	(488)	(5.8)	(8.3)	320	(7.4)
Other Invnts (net)	(5.8)	0.0	0.0	0.0	0.0
Invnts in Assoc. & JV	0.0	0.0	(400)	(284)	0.0
Div from Assoc. & JVs	23.1	21.8	34.0	53.3	64.5
Other Investing CF	0.08	0.0	17.3	0.0	0.0
<b>Net Investing CF</b>	<b>(471)</b>	<b>16.0</b>	<b>(357)</b>	<b>89.4</b>	<b>57.2</b>
Distribution Paid	0.0	(208)	(208)	(207)	(221)
Chg in Gross Debt	(895)	(45.7)	321	(28.1)	17.4
New units issued	1,331	0.0	0.0	200	0.0
Other Financing CF	0.0	0.0	(4.3)	0.0	0.0
<b>Net Financing CF</b>	<b>436</b>	<b>(254)</b>	<b>108</b>	<b>(34.8)</b>	<b>(203)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	164	(4.1)	(6.0)	189	(1.0)
Operating CFPS (S cts)	15.2	13.2	14.1	8.05	7.99
Free CFPS (S cts)	(20.5)	13.4	13.8	25.8	7.62

Source: Company, DBS Bank Ltd

## Target Price &amp; Ratings 12-mth History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	24 Apr 23	2.31	2.60	BUY
2:	27 Apr 23	2.21	2.60	BUY
3:	31 Aug 23	2.24	2.60	BUY
4:	26 Oct 23	2.05	2.60	BUY

Source: DBS Bank Ltd

Analysts: Geraldine WONG

Derek TAN

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 7 Feb 2024 22:48:00 (SGT)

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