

MITA No. 010/06/2008

24 April 2009

Maintain

**HOLD**

Previous Rating: HOLD

**S\$0.695****Fair Value: S\$0.62**

Stock Code:

Reuters:

ISIN Code

Bloomberg:

FCRT.SI

J69U

FCTSP

Event:

Results

**General Data**

Issued Capital (m)	623
Mkt Cap (S\$m/US\$m)	433 / 289
Major Shareholder	
Frasers Centrepoint Ltd	51.41%
PGGM	6.44%
AIG	5.98%
Standard Life Group	5.94%
Free Float (%)	30.2
NAV per share (S\$)	1.23
Daily Vol 3-mth ('000)	593
52Wk High (S\$)	1.380
52Wk Low (S\$)	0.450

# Frasers Centrepoint Trust

## QoQ improvement as asset enhancement winds up

**DPU up QoQ.** Frasers Centrepoint Trust (FCT) posted S\$21.1m in 2Q09 revenue, down 2.4% YoY but up 8.3% QoQ. NPI margins improved to 69.7% from 66.8% a year ago and 65.9% in 1Q09 due to the absence of one-off expenses and cost management. FCT will distribute S\$11.6m for the quarter, up 7.3% YoY because of a larger 100% payout (versus 90% a year ago) and up 11.3% QoQ. Unitholders will receive 1.86 S cents per unit, or an annualized yield of 10.7%. FCT's results were slightly better than expected: 1H09 revenue and distributed income make up 52% of our full-year estimates.

**Asset enhancement winding up.** In recent quarters, the trust's earnings have been distorted by planned enhancement works at Northpoint. The property earned S\$2.5m in net property income, down 29.1% YoY but up 58.2% QoQ as the temporary vacancy situation corrected in line with progress on the works (72% actual occupancy at Mar 09 versus 52% as at Dec 08). We expect occupancy figures to improve further in 2H09, with the work scheduled to be completed by June 2009. The manager has secured or is in advanced negotiations for leases on 94% of the mall's NLA. FCT re-affirmed its guidance for post-enhancement rents at the mall, and says Northpoint can achieve S\$4.5m in NPI with 100% occupancy - which is 77% higher than what the property earned this quarter.

**Portfolio holding course.** FCT's other two properties maintained occupancy rates of 99.5%-100%. Causeway Point recorded an 8% QoQ increase in NPI to S\$11m, while Anchorpoint registered a 16% QoQ increase in NPI to S\$1.1m. Only 0.9% of portfolio NLA was renewed in 2Q09, at a 7.3% increase over preceding rents. This is a significant step down from the increases achieved in the preceding four quarters, which have all been in the high teens.

**For stability seekers.** We still like FCT's relatively "safer" suburban portfolio and its mass-market, non-discretionary spending focus. Our valuation prices in a 5-7% decline per annum in new rentals/ renewals over the next two years (except for the uplift at Northpoint post-works). FCT is geared at a low 29.7%, with the bulk of its loans maturing in July 2011. We think FCT is an attractive proposition for investors seeking yield stability. However, from a value perspective, we think there are better deals out there in the sector. The lack of critical mass in the current portfolio, with growth plans on hold, is also a concern. Maintain **HOLD** with S\$0.62 fair value

**Meenal Kumar**

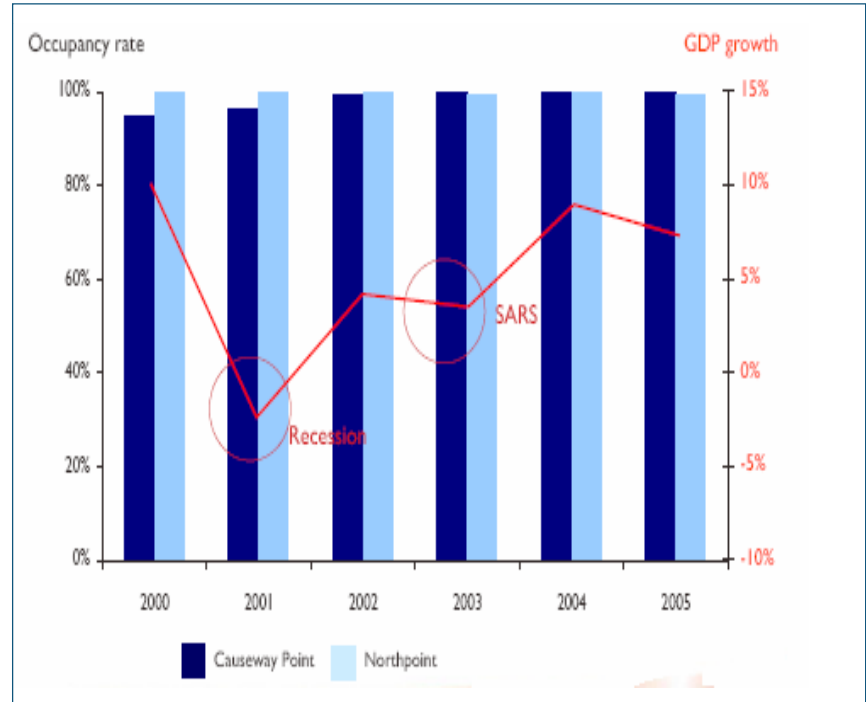
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Year to 30 Sep	Revenue (S\$m)	Distr Profit (S\$m)	DPU (cents)	DPU Growth (%)	DPU Yield (%)	P/NAV (x)
FY 07	77.5	40.4	6.5	12.5	9.4	0.6
FY 08	84.7	45.2	7.3	11.5	10.5	0.6
FY 09F	77.9	42.2	6.8	-7.3	9.7	0.6
FY 10F	81.5	44.0	7.0	3.6	10.1	0.6

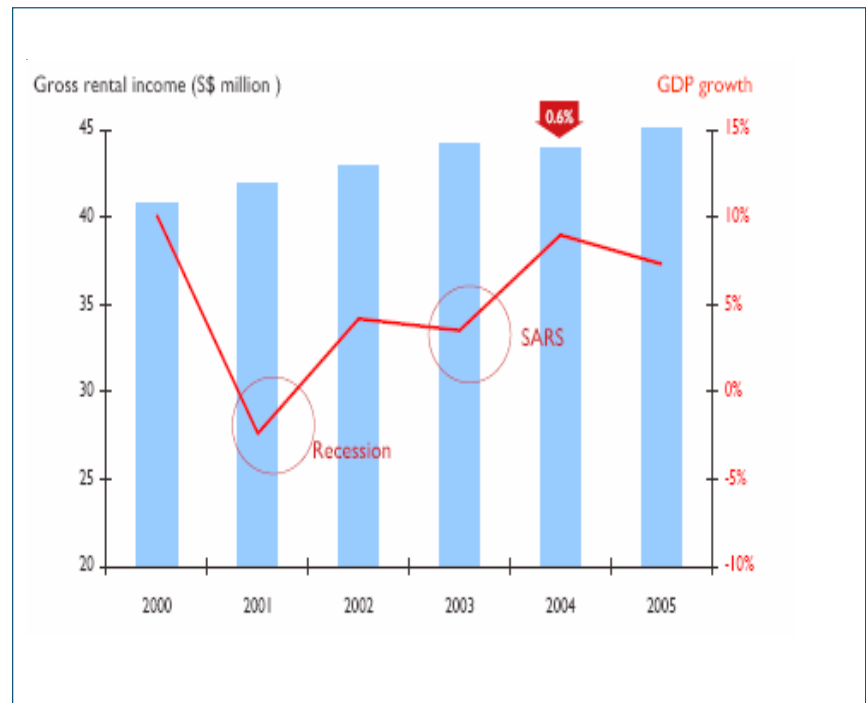
Please refer to the important disclosures at the back of this document.

Exhibit 1: Historical occupancy rates at Causeway Point & Northpoint



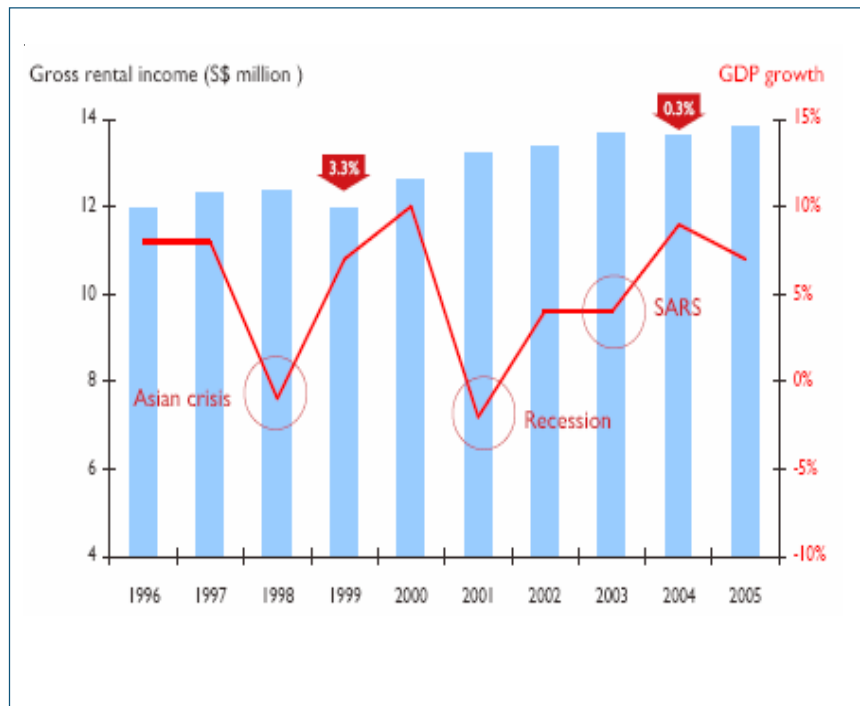
Source: FCT

Exhibit 2: Resilient revenues in past crises (Causeway Point)



Source: FCT

Exhibit 3: Resilient revenues in past crises (Northpoint)



Source: FCT

## FCT's Key Financial Data

<b>FCT Results</b> Year Ended 30 Sep (\$m)	<b>2Q09</b> (\$m)	<b>2Q08</b> (\$m)	<b>% Chg</b> (YoY)	<b>1Q09</b> (\$m)	<b>% Chg</b> (QoQ)
Gross revenue	21.1	21.6	-2.4%	19.5	8.3%
Total property expenses	-6.4	-7.2	-10.9%	-6.7	-3.9%
Net property income	14.7	14.4	1.9%	12.8	14.6%
Interest income	-	0.0	n.m.	0.0	n.m.
Borrowing costs	-2.9	-2.9	-2.7%	-2.6	9.5%
Trust expenses	-0.4	-0.4	1.8%	-0.3	37.1%
Manager's management fees	-1.6	-1.5	5.2%	-1.5	6.2%
Core return	9.9	9.6	2.3%	8.4	16.9%
Share of associate's profit	4.1	4.8	-15.3%	1.0	306.6%
Surplus on revaluation of invt ppty	0.0	0.0	n.m.	0.0	n.m.
Unrealised gain (derivatives)	0.1	0.0	n.m.	-3.7	n.m.
Total return before tax	14.0	14.5	-3.2%	5.8	143.5%
Taxation	0.1	0.0	n.m.	0.0	n.m.
Total return for the period	14.1	14.5	-2.3%	5.8	145.6%
Distribution to unitholders	11.6	10.8	7.3%	10.4	11.3%
DPU (S cents)	1.9	1.7	6.5%	1.7	11.4%

## EARNINGS FORECAST

<b>Year Ended 30 Sep (\$m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
<b>Gross revenue</b>	<b>77.5</b>	<b>84.7</b>	<b>77.9</b>	<b>81.5</b>
Property manager's fee	-2.9	-3.2	-3.0	-3.1
Property tax	-6.5	-6.8	-6.5	-6.8
Maintenance expenses	-10.1	-11.7	-10.1	-10.6
Other property expenses	-6.2	-6.5	-6.2	-6.5
<b>Total property expenses</b>	<b>-25.8</b>	<b>-28.1</b>	<b>-25.9</b>	<b>-27.1</b>
<b>Net property income</b>	<b>51.7</b>	<b>56.6</b>	<b>52.1</b>	<b>54.4</b>
Interest income	0.4	0.2	0.2	0.2
Borrowing costs	-11.9	-12.1	-11.1	-11.8
Trust expenses	-1.3	-1.2	-1.2	-1.3
Manager's management fees	-5.6			
Income support	1.3	0.0	0.0	0.0
<b>Core return</b>	<b>34.7</b>	<b>37.3</b>	<b>34.2</b>	<b>35.6</b>
Share of associate's profit	1.0	7.7	4.3	4.5
Surplus on revaluation of invt ppty	44.3	51.6	0.0	0.0
Unrealised gain (derivatives)	0.0	-1.0	0.0	0.0
<b>Total return before tax</b>	<b>80.0</b>	<b>95.6</b>	<b>38.5</b>	<b>40.1</b>
Taxation	-1.5	-0.7	0.0	0.0
<b>Total return for the period</b>	<b>78.5</b>	<b>94.9</b>	<b>38.5</b>	<b>40.1</b>
Income available for distribution	40.4	45.2	42.2	44.0
<b>Distribution to unitholders</b>	<b>40.4</b>	<b>45.2</b>	<b>42.2</b>	<b>44.0</b>

<b>BALANCE SHEET</b>				
<b>As at 30 Sep (\$m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Investment properties	988.5	1063.0	1063.0	1063.0
Investment in associate	48.0	55.8	55.8	55.8
Cash	15.5	5.6	5.6	5.6
Total current assets	17.6	8.1	8.1	8.1
<b>Total assets</b>	<b>1054.3</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>
Current liabilities ex debt	22.5	24.7	24.7	24.7
Debt	306.4	317.5	337.5	337.5
Total liabilities	339.0	359.8	379.8	379.8
Unitholders' funds	715.3	767.2	747.2	747.2
<b>Total equity and liabilities</b>	<b>1054.3</b>	<b>1127.0</b>	<b>1127.0</b>	<b>1127.0</b>
<b>CASH FLOW</b>				
<b>Year Ended 30 Sep (\$m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Core return	34.7	37.3	34.2	35.6
Adjustments for:				
Borrowing costs	11.8	12.1	11.1	11.8
Manager's mngt fees paid in units	3.6	3.9	3.6	3.8
Other adjustments	9.6	1.6	-0.1	-0.1
<b>Net cash from operations</b>	<b>59.6</b>	<b>55.0</b>	<b>48.9</b>	<b>51.1</b>
Invst in associate	-47.2	-7.5	0.0	0.0
Distr received from associate	0.7	3.4	4.0	4.2
Properties acquired	0.0	0.0	0.0	0.0
Others	-5.0	-17.2	-19.8	0.2
<b>Net cash from investing</b>	<b>-51.6</b>	<b>-21.3</b>	<b>-15.8</b>	<b>4.4</b>
Proceeds from borrowings	47.5	10.0	20.0	0.0
Net proceeds from issue of new units	0.0	0.0	0.0	0.0
Repayment of borrowings	-3.7	0.0	0.0	0.0
Borrowing costs paid	-10.4	-10.9	-10.8	-11.5
Distribution to unitholders	-38.5	-42.8	-42.2	-44.0
Others	0.0	0.0	0.0	0.0
<b>Net cash from financing</b>	<b>-5.0</b>	<b>-43.6</b>	<b>-33.1</b>	<b>-55.5</b>
<b>Net cash flow</b>	<b>3.0</b>	<b>-9.9</b>	<b>0.0</b>	<b>0.0</b>
Beg. cash & cash equivalents	12.5	15.5	5.6	5.6
<b>Ending cash &amp; cash equivalents</b>	<b>15.5</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>

<b>Per share data</b>				
<b>Year ended 30 Sep</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Units outstanding	617.2	620.2	624.4	627.5
EPU (S cents)	12.7	15.3	6.2	6.4
Core EPU ex hektar & surplus (S cents)	5.4	5.9	5.5	5.7
DPU (S cents)	6.5	7.3	6.8	7.0
CFPS (S cents)	9.7	8.9	7.8	8.1
NAV (S\$)	1.2	1.2	1.2	1.2
Adj NAV ex distr (S\$)	1.1	1.2	1.1	1.1

<b>Key rates &amp; ratios</b>				
<b>Year ended 30 Sep</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
PER (x)	5.5	4.5	11.3	10.9
PER - core (x)	12.9	11.8	12.7	12.2
NPI margin (%)	66.7	66.8	66.8	66.8
Distr to revenue (%)	52.1	53.4	54.2	53.9
DPU yield (%)	9.4	10.5	9.7	10.1
DPU growth - annualized (%)	12.5	11.5	-7.3	3.6
P/CF (x)	7.2	7.8	8.9	8.5
P/NAV (x)	0.6	0.6	0.6	0.6
Total Debt/Total Assets (x)	0.3	0.3	0.3	0.3
Total Debt/Equity (x)	0.4	0.4	0.5	0.5

*Source: Company data, OIR estimates*

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