

COMPANY RESULTS

Frasers Logistics & Commercial Trust (FLT SP)

2HFY24: Logistics Properties Propel Growth And Rental Reversion

FLT achieved positive rental reversion of 39%, 58.1% and 31.1% respectively for logistics properties in New South Wales, Victoria and Queensland in 4QFY24. It has backfilled vacant space and restored occupancy for its logistics properties in Australia back to 100%. FLT's ability to grow via acquisition is supported by a low aggregate leverage of 33.0% and large debt headroom of S\$801m. FLT provides FY25 yield of 6.3% for (MLT: 6.3%). Maintain BUY. Target price: S\$1.44.

2HFY24 RESULTS

Year to 30 Sep (\$m)	2H FY24	yoy % chg	Remarks
Revenue	230.6	+8.4	Supported by positive rent reversions, rental escalations and acquisitions.
Net Property Income* (NPI)	161.3	+3.7	
Distributable Income	124.9	-5.1	Finance costs increased 45.6% yoy.
DPU (cent)	3.32	-5.7	Included capital distribution of S\$29.6m.

*Excluding straight lining adjustments and adding lease payments for land use rights Source: FLT, UOB Kay Hian

RESULTS

- Frasers Logistics & Commercial Trust (FLT) reported DPU of 3.32 S cents for 2HFY24 (-5.7% yoy), marginally below our expectation.
- **Growth from development project and acquisitions.** Revenue and adjusted NPI grew 8.4% and 3.7% respectively in 2HFY24 due to contributions from the Ellesmere Port facility in the UK (practical completion: Dec 23) and the acquisition of four German logistics properties (completion: Mar 24). NPI margin narrowed 3.2ppt yoy to 69.9% due to higher non-recoverable land taxes in Australia. Finance costs increased 45.6% yoy.
- **Logistics drove strong positive reversions.** FLT achieved strong positive rental reversion of 36.4% on an average incoming vs average outgoing basis for logistics properties in 4QFY24. Logistics properties at New South Wales (five leases with total NLA of 87,015sqm), Victoria (three leases with total NLA of 32,305sqm) and Queensland (two leases with total NLA of 31,328sqm) in Australia provided positive rental reversion of 39%, 58.1% and 31.1% respectively. Logistics properties at Nuremburg & Leipzig in Germany provided positive rental reversion of 7.9%.
- **Logistics properties maintained full occupancy.** Occupancy for logistics properties in Australia eased 1.1ppt qoq to 97.9% in 4QFY24. FLT backfilled vacant logistics space in Victoria and Queensland and committed occupancy for Australia has recovered back to 100%. Logistics properties across Europe and the UK were fully occupied at 100%.
- **Backfilling vacant space in Singapore.** Occupancy at Alexandra Technopark (ATP) in Singapore was stable at 85.9% in 4QFY24. FLT secured tenants for 25% of tranche one space of 150,000sf (expiry: Feb 24) and 17% of tranche two space of 200,000sf (expiry: Dec 24) vacated by Google Asia Pacific. We expect occupancy at ATP to dip further to 70% after lease expiry for tranche two. FLT is working on backfilling the remaining vacant space but competition from other business parks remains tough.

KEY FINANCIALS

Year to 30 Sep (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	421	447	476	486	498
EBITDA	270	279	305	312	320
Operating profit	270	279	305	312	320
Net profit (rep./act.)	(103)	148	194	196	201
Net profit (adj.)	234	188	194	196	201
EPU (\$ cent)	6.3	5.0	5.1	5.2	5.3
DPU (\$ cent)	7.0	6.8	6.6	6.7	6.8
PE (x)	16.7	20.9	20.4	20.3	19.9
P/B (x)	0.9	0.9	0.9	1.0	1.0
DPU Yld (%)	6.7	6.5	6.3	6.3	6.5
Net margin (%)	(24.5)	33.0	40.7	40.3	40.4
Net debt/(cash) to equity (%)	45.7	53.4	59.4	61.6	63.9
Interest cover (x)	6.0	4.4	3.5	3.4	3.4
ROE (%)	(2.2)	3.4	4.6	4.7	4.9
Consensus DPU (\$ cent)	-	-	7.0	7.1	8.0
UOBKH/Consensus (x)	-	-	0.95	0.94	0.85

Source: Frasers Logistics & Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.05
Target Price	S\$1.44
Upside	+37.1%
(Previous TP)	S\$1.48

COMPANY DESCRIPTION

FLCT invests in income-producing properties used predominantly for logistics, commercial (CBD office space) or business park (non-CBD office and R&D space) purposes in the Asia Pacific region and Europe.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	FLT SP
Shares issued (m):	3,757.8
Market cap (S\$m):	3,945.7
Market cap (US\$m):	2,968.7
3-mth avg daily t'over (US\$m):	14.6

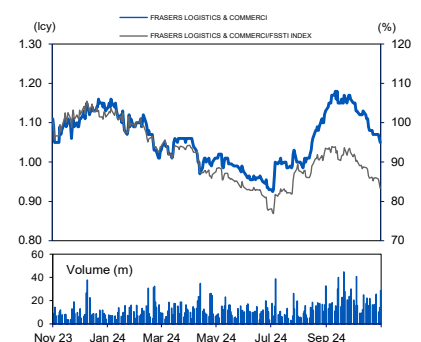
Price Performance (%)

52-week high/low	S\$1.19/S\$0.92			
1mth	3mth	6mth	1yr	YTD
(9.5)	5.0	4.0	(6.3)	(8.7)

Major Shareholders

Frasers Property Ltd	22.1%
FY25 NAV/Share (S\$)	1.11
FY26 Net Debt/Share (S\$)	0.66

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Smaller revaluation losses of S\$40.8m.** FLT's portfolio of 112 properties in five countries was valued at S\$6.8b. Valuation for 61 logistics properties in Australia increased 2.9% as positive impact from rental growth offset negative impact from cap rate expansion. Valuation for four commercial properties in Australia and three business park properties in the UK declined 10.2% and 7.6% respectively. Thus, NAV per unit decreased 3.4% yoy to S\$1.13.
- **Debt headroom of S\$801m to reach gearing of 40%.** Aggregate leverage remained low at 33.0% as of Sep 24. Interest coverage ratio was healthy at 5.0x. Cost of debt increased 30bp qoq to 3.1% in 4QFY24 due to refinancing and replacement of swaps at higher interest rates. FLT recently issued S\$175m of fixed-rate senior notes due in 2029 at 3.83%. About 73.3% of its borrowings are hedged to fixed interest rates. Management expects cost of debt to rise to mid-3% in FY25.

STOCK IMPACT

- **Pivot to logistics.** Management plans to increase the allocation for logistics properties to 70-85% (Sep 24: 72%). It has significant debt headroom of S\$793m for acquisition before reaching an aggregate leverage of 40%. FLT will focus on its five core developed markets of Singapore, Australia, Germany, Netherlands and the UK. It will also consider expansion into Japan. FLT may divest some of its commercial properties and recycle the capital to invest in logistics properties.
- **Expanding in home base Singapore.** FLT completed the acquisition of a prime logistics property at 2 Tuas South Link 1 for S\$140.3m (2.5% below valuation) on 5 Nov 24. The modern six-storey ramp-up logistics property is in proximity to the Tuas Mega Port within a two-minute drive. It was completed in 2018 (remaining leasehold of 22 years) and has NLA of 56,203sqm. It has an occupancy of 85.8% and a WALE of 1.8 years. FLT's Singapore exposure will increase from 9.8% to 11.6% post-acquisition. The anchor tenants include Bollere and YCH.
- **DPU-accretive acquisition funded by debt.** FLT is expected to receive S\$2.9m upfront upon completion of the acquisition due to occupancy guarantee of 100% for 24 months and rent-free amounts granted to existing tenants. The property provides NPI yield of 6.6%. NPI yield is higher at 6.9% if we include the occupancy guarantee of 100%. The acquisition will be funded by debt at cost of about 3.5%. Management estimated that the acquisition is accretive to DPU by 1.7% on a pro forma basis for 1HFY24. Aggregate leverage is expected to increase from 32.7% to 34.1%.
- **Top tenant for commercial properties renewed for 12 years.** FLT announced the successful lease renewal with the Commonwealth of Australia (Services Australia) at Caroline Chisholm Centre in Canberra, Australia for 12 years and extended the lease expiry to 2037. The lease provides an annual rental escalation of 3.25%.

EARNINGS REVISION/RISK

- **Changes in assumptions.** FLT dished out capital distribution of S\$29.6m in 2HFY24 (1HFY24: S\$15.6m). We have factored in the capital distribution of S\$35m in FY25. DPU was weighted down by payment of 50% of management fees in units, compared with 100% in FY24. We have assumed that FLT continues to pay 50% of management fees in units in FY25.
- We trimmed our FY25 DPU forecast by 4% due to higher cost of debt and paying 50% of management fees in units.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.44 is based on DDM (cost of equity: 7.0%, terminal growth: 2.5%).

SHARE PRICE CATALYST

- Acquisitions of logistics properties in Australia and Europe tapping on sponsor pipeline.
- Backfilling of vacant space at ATP in Singapore and three business parks in the UK.

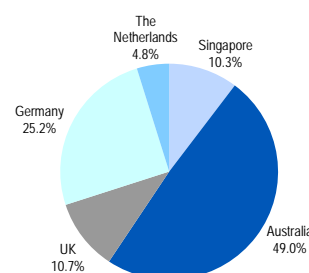
KEY OPERATING METRICS

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	yoy Chg	qoq Chg*
DPU (S cents)	3.52	n.a.	3.48	n.a.	3.32	-5.7	-4.6
Occupancy	96.0%	95.8%	94.3%	95.0%	94.5%	-1.5ppt	-0.5ppt
Aggregate Leverage	30.2%	30.7%	32.7%	33.2%	33.0%	2.8ppt	-0.2ppt
All-in Financing Cost	2.4%	2.6%	2.6%	2.8%	3.1%	0.7ppt	0.3ppt
% Borrowing in Fixed Rates	77.2%	76.8%	75.9%	72.6%	73.3%	-3.9ppt	0.7ppt
WALE by GRI (years)	4.3	4.4	4.3	4.2	4.2	-0.1yrs	0yrs
Debt Maturity (years)	2.2	2.0	2.0	2.0	2.4	0.2yrs	0.4yrs
Rental Reversion	18.9%	18.2%	14.2%	25.1%	26.8%	-3.3ppt	1.7ppt

* hoh % chg for DPU

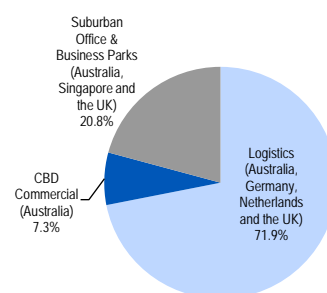
Source: FLT, UOB Kay Hian

PORTFOLIO VALUATION BY COUNTRY



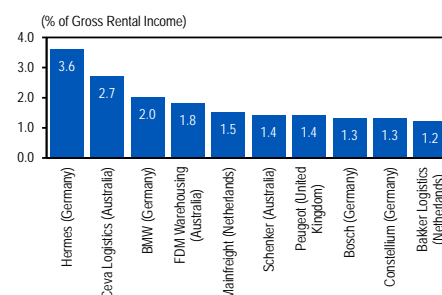
Source: FLT

PORTFOLIO VALUATION BY ASSET TYPE



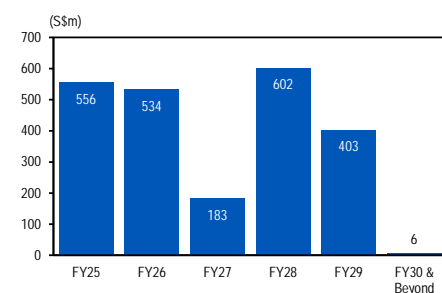
Source: FLT

TOP 10 LOGISTICS TENANTS



Source: FLT

DEBT MATURITY PROFILE



Source: FLT

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	446.7	476.4	485.7	497.8
EBITDA	278.8	305.0	311.6	320.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	278.8	305.0	311.6	320.1
Total other non-operating income	(40.8)	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(63.7)	(87.0)	(92.0)	(94.0)
Pre-tax profit	174.4	218.0	219.7	226.2
Tax	(23.7)	(21.8)	(22.0)	(22.6)
Minorities	(3.2)	(2.2)	(2.2)	(2.3)
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	147.5	194.0	195.5	201.3
Net profit (adj.)	188.3	194.0	195.5	201.3

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	311.4	264.5	293.5	301.8
Pre-tax profit	174.4	218.0	219.7	226.2
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	40.8	(21.4)	1.0	1.3
Non-cash items	62.6	17.5	17.5	17.7
Other operating cashflows	33.6	50.3	55.3	56.6
Investing	(263.7)	(152.3)	(12.0)	(12.0)
Capex (growth)	(183.1)	(140.3)	0.0	0.0
Capex (maintenance)	(88.2)	(12.0)	(12.0)	(12.0)
Proceeds from sale of assets	5.7	0.0	0.0	0.0
Others	1.9	0.0	0.0	0.0
Financing	(67.4)	(89.7)	(280.7)	(288.6)
Distribution to unitholders	(262.6)	(250.5)	(252.0)	(258.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	264.5	244.5	60.0	60.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(69.3)	(83.7)	(88.7)	(90.7)
Net cash inflow (outflow)	(19.7)	22.4	0.8	1.1
Beginning cash & cash equivalent	152.7	133.6	156.0	156.8
Changes due to forex impact	0.5	0.0	0.0	0.0
Ending cash & cash equivalent	133.6	156.0	156.8	157.9

BALANCE SHEET

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Fixed assets	6,928.4	7,080.7	7,092.7	7,104.7
Other LT assets	30.3	30.3	30.3	30.3
Cash/ST investment	133.6	156.0	156.8	157.9
Other current assets	44.6	53.7	54.5	55.5
Total assets	7,136.9	7,320.7	7,334.2	7,348.3
ST debt	557.2	557.2	557.2	557.2
Other current liabilities	110.9	96.9	98.8	101.2
LT debt	1,855.5	2,100.0	2,160.0	2,220.0
Other LT liabilities	291.1	298.8	304.8	310.9
Shareholders' equity	4,269.5	4,213.0	4,156.5	4,099.8
Minority interest	52.6	54.7	56.9	59.2
Total liabilities & equity	7,136.9	7,320.7	7,334.2	7,348.3

KEY METRICS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	62.4	64.0	64.2	64.3
Pre-tax margin	39.0	45.8	45.2	45.4
Net margin	33.0	40.7	40.3	40.4
ROA	2.1	2.7	2.7	2.7
ROE	3.4	4.6	4.7	4.9
Growth				
Turnover	6.2	6.7	2.0	2.5
EBITDA	3.2	9.4	2.2	2.7
Pre-tax profit	n.a.	25.0	0.8	3.0
Net profit	n.a.	31.5	0.8	3.0
Net profit (adj.)	(19.5)	3.0	0.8	3.0
EPU	(20.2)	2.5	0.3	2.5
Leverage				
Debt to total capital	35.8	38.4	39.2	40.0
Debt to equity	56.5	63.1	65.4	67.7
Net debt/(cash) to equity	53.4	59.4	61.6	63.9
Interest cover (x)	4.4	3.5	3.4	3.4

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