

Frasers Logistics & Industrial Trust (FLT SP) : BUY

Mkt. Cap: US\$1,529m | **3m Avg. Daily Val:** US\$4.8m

Last Traded Price (4 Jul 2018): S\$1.04

Price Target 12-mth: S\$1.20 (15% upside) (Prev S\$1.20)

Analyst

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Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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Divests property at 40% premium to book value

- Sale of 80 Hartley Street for A\$90.5m, c.40% premium above book value
- Significant premium above book achieved; proceeds could be deployed to other uses or paid to shareholders
- NAV increased slightly by 1cst post sale

Forecasts and Valuation

FY Sep (A\$m)	2017A	2018F	2019F	2020F
Gross Revenue	206	225	291	297
Net Property Inc	170	164	194	199
Total Return	102	108	127	131
Distribution Inc	128	120	141	146
EPU (S cts)	6.58	6.46	6.55	6.76
EPU Gth (%)	nm	(2)	1	3
DPU (S cts)	9.00	6.95	7.06	7.28
DPU Gth (%)	nm	(23)	2	3
NAV per shr (S cts)	94.0	94.8	94.4	93.9
PE (X)	15.8	16.1	15.9	15.4
Distribution Yield (%)	8.7	6.7	6.8	7.0
P/NAV (x)	1.1	1.1	1.1	1.1
Aggregate Leverage (%)	29.0	37.2	37.1	37.1
ROAE (%)	7.2	6.8	7.0	7.2

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

What's New

Sale of property in New South Wales. Fraser's Logistics & Industrial Trust (FLT) announced the proposed divestment of 80 Hartley Street, Smeaton Grange in New South Wales for A\$90.5m (c.S\$90.5m). The property has a GFA of 61,281 sqm and was constructed more than 20 years ago back in 1998. The property has good specifications, comprising a cross-dock, regional distribution facility with office accommodation and offers good access to trucks and ample car park spaces. The property was purpose-built for Coles Supermarkets Australia Pty Ltd and has a remaining lease of c.5 years after the extension of an existing lease.

Significant premium above book value achieved. The sale consideration implies 40.3% above the book value of the property of A\$64.5m (as at 31 March 2018) and 39.2% premium to the original purchase price of A\$65.0m back during the IPO. The sale price is estimated to be slightly above the revised valuation of A\$88.5m (as at 1 July 2018) assuming an extension of the lease excluding incentives. The estimated divestment gain is A\$17.7m (S\$17.7m) after accounting for taxes, divestment fees etc.

Proceeds from the divestment could be utilised towards repayment of debt/payment to unitholders or M&A, which will be announced later once a strategy is firmed up by the Manager.

Flash Note

Our thoughts

Unlocks significant gain. With demand for warehouses in Sydney running red-hot, we are positive that the Manager of FLT has chosen to selectively realise their value through divestments. The Manager has been able to unlock a significant gain through the divestment and the proceeds can be utilised towards other higher yielding assets. Exit yield is estimated to be c.6.1% (after lease extension and before incentives).

Noticeable earnings impact; but acquisitions will more than compensate for the loss of income. The impact on financials is noticeable as the property's net property income (NPI) is projected to form c.3.9% of FLT's 2Q18 portfolio NPI but contribution after accounting for the full year contribution from the REIT's European portfolio acquisition is projected to fall to c. 2.0%. NAV inches up from 94 scts to 95 scts post sale.

No change to our estimates pending completion of the sale.

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	26 Jul 17	1.07	1.14	BUY
2:	31 Jul 17	1.08	1.14	BUY
3:	28 Aug 17	1.07	1.14	BUY
4:	02 Nov 17	1.10	1.17	BUY
5:	29 Jan 18	1.14	1.22	BUY
6:	13 Apr 18	1.06	1.22	BUY
7:	26 Jun 18	1.05	1.20	BUY

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

Source: DBS Bank

Analyst: Derek TAN

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DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

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 catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 5 Jul 2018 07:51:21 (SGT)

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Sources for all charts and tables are DBS Bank unless otherwise specified.

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