

Frasers Commercial Trust (FCOT SP) : **BUY**

Mkt. Cap: US\$930m | **3m Avg. Daily Val:** US\$1.3m

Last Traded Price (24 Sep 2018): S\$1.43

Price Target 12-mth: S\$1.65 (15% upside)

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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Seeing is believing

- Tour of revitalised Alexandra Technopark (ATP) gives confidence in the ability of ATP to attract tenants
- Enhanced amenities and refreshed environment should enhance ATP's competitive position
- Next step to take is to convert increased enquiries into new leases
- Maintain BUY, TP of S\$1.65

Forecasts and Valuation

FY Sep (\$m)	2017A	2018F	2019F	2020F
Gross Revenue	157	136	148	165
Net Property Inc	114	96.8	107	120
Total Return	111	56.5	65.4	76.5
Distribution Inc	78.6	85.8	88.5	90.1
EPU (\$ cts)	6.40	6.32	7.13	8.23
EPU Gth (%)	(29)	(1)	13	15
DPU (\$ cts)	9.82	9.60	9.65	9.70
DPU Gth (%)	0	(2)	1	1
NAV per shr (\$ cts)	160	155	152	151
PE (X)	22.3	22.6	20.0	17.4
Distribution Yield (%)	6.9	6.7	6.7	6.8
P/NAV (x)	0.9	0.9	0.9	0.9
Aggregate Leverage (%)	34.6	36.4	37.1	37.1
ROAE (%)	4.1	4.2	4.7	5.5

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

What's New

ATP re-energised

- We recently undertook a site tour of Alexandra Technopark (ATP) following its S\$45m asset enhancement initiative (AEI).
- ATP generated c.S\$5.6m in NPI in the last quarter, down from S\$9-10m due to the staggered exit of the property by HP. Contribution to overall FCOT's NPI has also fallen to c.34% from low 40s previously.
- The AEI involved the creation of a new amenity hub with futsal courts, end-of-trip facilities, exercise areas and meeting facilities. Furthermore, the lobby, lifts and toilets were refreshed. Signage for the property has improved and is now more prominent. The refresh, in our view, now gives the property a brighter and contemporary feel vs a "dated" design compared to other newer competing buildings in the Alexandra precinct.
- The AEI was initially planned to enhance the competitive position of the property, which we believe, after seeing the works (see overleaf), has hit the mark with prospective tenants potentially thinking "why aren't we here" given an enhanced product, city fringe location and attractive rents in the low S\$4 psf/mth vs S\$5-7psf/mth for nearby buildings and c.S\$10 psf/mth for CBD offices.

Flash Note

Increased leasing enquiries

- We understand with the AEI largely completed and prospective tenants can now view the refreshed product at ATP, leasing enquiries have increased for the property.
- We believe this should translate to new leases soon, with FCOT backfilling space vacated by HP resulting in committed occupancy rising from 64.8% as at 30 June 2018.
- As committed occupancies improve, we believe the overhang from investors' concerns over FCOT's ability to backfill the space vacated by HP which

has resulted in an elevated trading yield should be put to rest. This in our view should trigger a re-rating.

- Thus, we maintain our BUY call and TP of S\$1.65.

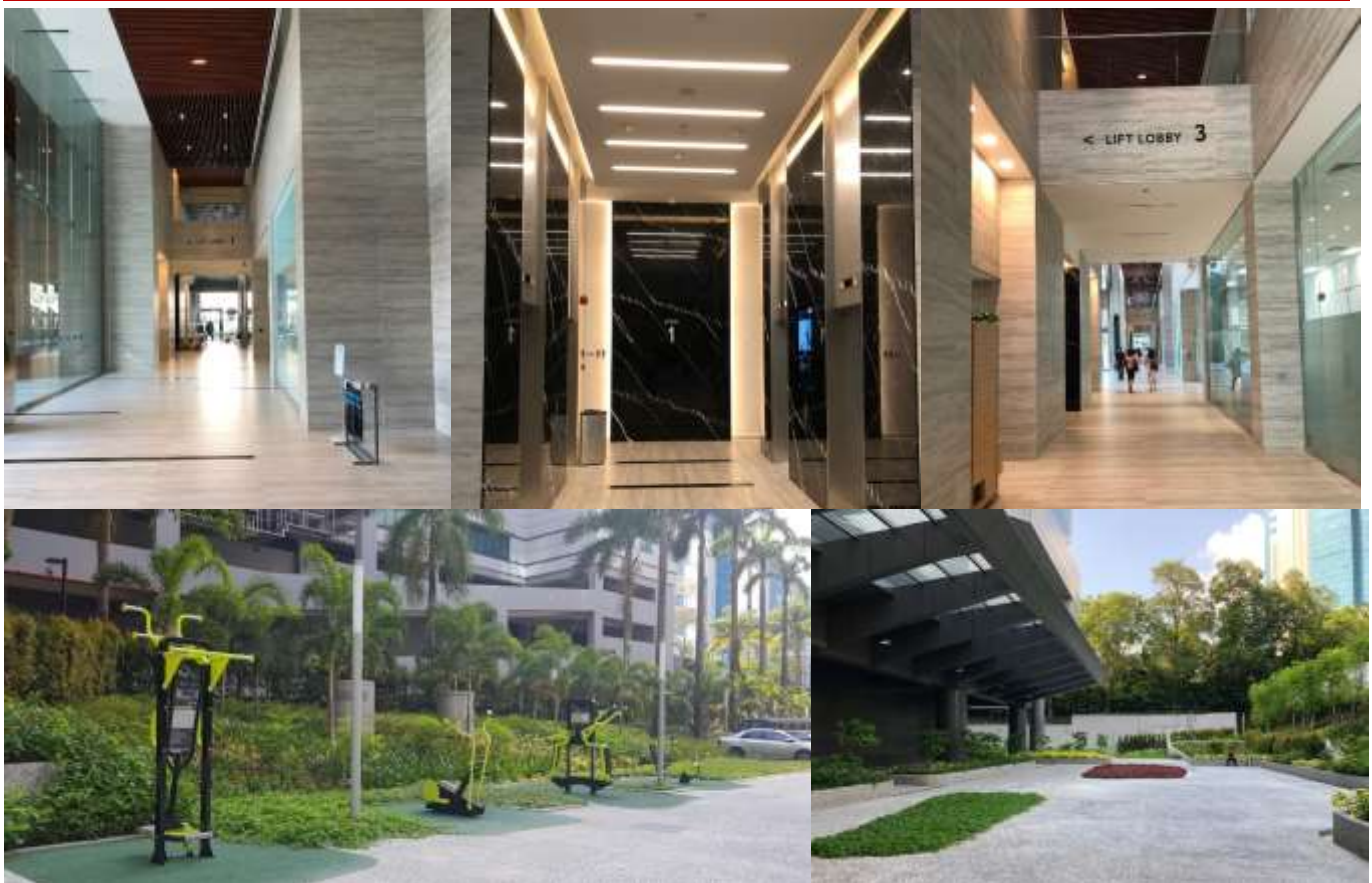
Enhanced lobby entrance



Source: DBS Bank

New amenity hub with new amenities such as futsal court, childcare centre and end-of-trip facilities

Source: DBS Bank

Brighter lobbies and lift entrances with improved outdoor landscaping and exercise areas

Source: DBS Bank

Target Price & Ratings 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:	23 Oct 17	1.42	1.55	BUY
2:	06 Nov 17	1.40	1.55	BUY
3:	19 Jan 18	1.53	1.71	BUY
4:	23 Jan 18	1.52	1.71	BUY
5:	20 Feb 18	1.43	1.71	BUY
6:	13 Apr 18	1.45	1.71	BUY
7:	23 Apr 18	1.45	1.65	BUY
8:	31 May 18	1.40	1.65	BUY
9:	26 Jun 18	1.37	1.65	BUY
10:	11 Jul 18	1.43	1.65	BUY

Source: DBS Bank

Analyst: Mervin SONG, CFA

Derek TAN

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

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