

Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

19 Feb 2019

Frasers Property Ltd (FPL SP) : **BUY**

Mkt. Cap: US\$3,650m | **3m Avg. Daily Val:** US\$0.28m

Last Traded Price (18 Feb 2019): S\$1.70

Price Target 12-mth: S\$1.98 (16% upside)

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A bigger pipeline for FCT?

- Frasers Property Ltd (FPL) is acquiring a 17.8% stake in the largest non-listed retail mall fund in Singapore for S\$356m
- Implied price at 1x P/BV; annualised dividend yield of c.3.7%
- Albeit small, the strategic investment is interesting as it gives FPL access to some of the prized unlisted suburban malls in Singapore
- While details are unclear, these properties may form an attractive future acquisition pipeline for Frasers Centrepoint Trust (FCT)

Forecasts and Valuation

FY Sep (\$m)	2017A	2018A	2019F	2020F
Revenue	4,027	4,312	3,409	3,197
EBITDA	1,227	1,564	1,406	1,360
Pre-tax Profit	1,248	1,477	1,046	1,020
Net Profit	620	676	526	502
Net Pft (Pre Ex.)	420	425	526	502
Net Pft Gth (Pre-ex) (%)	13.9	1.2	24.0	(4.7)
EPS (S cts)	21.4	23.2	18.1	17.2
EPS Pre Ex. (S cts)	14.4	14.6	18.1	17.2
EPS Gth Pre Ex (%)	14	1	24	(5)
Diluted EPS (S cts)	14.4	14.6	18.1	17.2
Net DPS (S cts)	8.61	8.61	8.60	8.60
BV Per Share (S cts)	246	253	262	271
PE (X)	8.0	7.3	9.4	9.9
PE Pre Ex. (X)	11.8	11.7	9.4	9.9
P/Cash Flow (X)	5.2	10.1	3.5	35.8
EV/EBITDA (X)	16.3	15.7	17.0	18.1
Net Div Yield (%)	5.1	5.1	5.1	5.1
P/Book Value (X)	0.7	0.7	0.6	0.6
Net Debt/Equity (X)	0.7	0.8	0.8	0.8
ROAE (%)	9.0	9.3	7.0	6.5

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

Company Guide



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

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What's New

FPL announced the acquisition of a 17.8265% stake in PGIM Real estate AsiaRetail Fund for S\$356.4m (including an estimated S\$3.3m of 4Q18 dividend), which implies a valuation of 1x P/BV. Based on the 4Q18 dividend, the annualised dividend yield is c.3.7%. As information disclosed is limited, the dividend payout of the fund is unknown. The acquisition will be funded via internal funds or external borrowings or a combination thereof.

The fund is an open-end private investment vehicle and the largest non-listed retail mall fund in Singapore. It owns and manages six retail malls (Tiong Bahru Plaza, White Sands, Liang Court, Hougang Mall, Century Square, and Tampines 1) and an office property (Central Plaza) in Singapore, and four retail malls in Malaysia (Penang and KL). Based on AsiaMalls' website, the Singapore properties are worth S\$3bn while the Malaysian properties are worth S\$400m.

According to the announcement, the rationale for the acquisition is that the acquisition is in line with FPL's strategy to grow its recurring income sources and enhances the resilience of its portfolio of investment properties with the underlying assets which comprises largely of suburban retail properties. In addition, the acquisition offers an opportunity for the group to grow its presence in the retail sector in Singapore.



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Our Views

Albeit small to the overall group, we believe that the strategic intent is huge and interesting as it gives FPL access to some of the prized suburban malls (in the unlisted space) in Singapore such as Tiong Bahru Plaza and Tampines 1.

While details are unclear at the moment, these properties may form an attractive future pipeline for FCT to acquire and bulk up its presence in Singapore.

Target Price & Ratings History



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

Source: DBS Bank

Analyst: Rachel TAN

Derek TAN

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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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