Frasers Centrepoint Trust (FCT SP)

New Avenue To Generate Growth Via Development

BUY (Maintained)

Share Price	S$2.28
Target Price	S$2.99
Upside	+31.1%

Analyst(s)
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Highlights

- Aggregate leverage is reduced by 3.5ppt to 36.5% after divesting White Sands for S$467m. The debt headroom freed up could be deployed for development of a suburban mall with NLA of 170,000sf at Bayshore Drive.
- Management could utilise divestment gain of S$32.4m from White Sands and tax-exempt income of S$4.6m retained in 1HFY26 to cushion disruption to DPU caused by the AEI at NEX during FY27 and FY28.
- Resiliency of suburban malls is supported by growth in household income and limited supply. Maintain BUY. Target price: S$2.99.

Analysis

- Frasers Centrepoint Trust (FCT) delivered another resilient quarter, underpinned by the defensive characteristics of its suburban retail portfolio.
- **Rejuvenating tenant mix.** Portfolio committed occupancy eased 0.2ppt qoq to 99.6% as of Jun 26 with ongoing asset enhancements at Hougang Mall and NEX. Tampines Mall, Tiong Bahru Plaza and Century Square saw a dip in occupancies averaging 0.6ppt qoq due to transitional downtime as FCT tweaked its tenant mix. It is converting the cinema at Tiong Bahru Plaza into an indoor activity park and the gym at Northpoint City into a duplex Uniqlo store.
- **FCT's retail portfolio generated positive rental reversion** in 3QFY26, in line with an average reversion 6.5% recorded in 1HFY26. FCT maintained its guidance of mid-single-digit rental reversion for FY26. On a ytd basis, shopper traffic and tenant sales increased 2.0% and 1.8% respectively in FY26, reflecting healthy consumer demand in its catchment areas. Tenant sales were driven by F&B, beauty, healthcare and supermarkets.
- **Capital recycling strengthens balance sheet.** FCT has proposed the divestment of White Sands for an agreed property value of S$467m, representing an 8.4% premium to independent valuation. Net proceeds of S$454m will be used primarily for debt repayment, lowering pro forma aggregate leverage from 40.0% to 36.5%, thus increasing debt headroom for future acquisitions and AEIs. The transaction is expected to generate net gains of S$32.4m and enhance NAV per unit by 0.7%. Nevertheless, pro forma FY25 DPU would be reduced by a marginal 1.9%.

Key Financials

Year to 30 Sep (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	352	390	448	434	439
EBITDA	213	233	341	392	397
Operating profit	213	233	341	392	397
Net profit (rep./act.)	198	200	352	383	391
Net profit (adj.)	196	211	320	383	391
EPU (S$ cent)	11.1	11.0	15.7	18.7	19.1
DPU (S$ cent)	12.0	12.1	12.8	13.2	13.4
PE (x)	20.6	20.7	14.5	12.2	11.9
P/B (x)	1.0	1.0	1.0	1.0	1.0
DPU yld (%)	5.3	5.3	5.6	5.8	5.9
Net margin (%)	56.2	51.3	78.5	88.1	89.1
Net debt/(cash) to equity (%)	48.1	52.3	43.3	44.5	45.3
Interest cover (x)	2.5	2.7	3.9	5.2	5.2
ROE (%)	4.9	4.5	7.4	8.0	8.2
Consensus DPU (S$ cent)	-	-	12.2	12.8	12.9
UOBKH/Consensus (x)	-	-	1.05	1.03	1.04

Source: Frasers Centrepoint Trust, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Real Estate
Bloomberg ticker	FCT SP
Shares issued (m)	2,037.8
Market cap (S$m)	4,646.2
Market cap (US$m)	3,593.4
3-mth avg daily t'over (US$m)	8.5

Price Performance (%)

52-week high/low: S$2.47/S$2.17

1mth	3mth	6mth	1yr	YTD
(0.4)	(2.1)	0.9	3.7	(2.1)

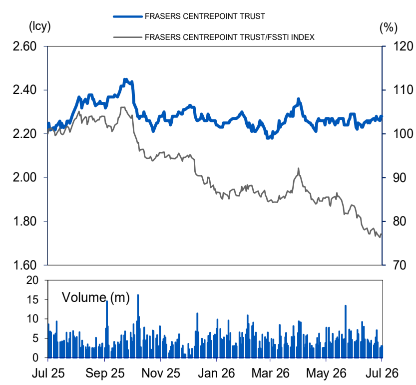
Major Shareholders

	%
Frasers Property Ltd	38.2

Balance Sheet Metrics

FY26 NAV/Share (S$)	2.26
FY26 Net Debt/Share (S$)	1.02

Price Chart



Source: Bloomberg

Company Description

FCT is the largest owner of suburban retail malls in Singapore. It has nine suburban retail malls and one office building. Its suburban retail malls are located in populous residential estates and close proximity to public transportation amenities, such as MRT stations and bus interchanges.

- **Conservative capital management.** FCT has refinanced all debt maturing in FY26, extending its average debt maturity to 3.7 years, with two-thirds of borrowings hedged to fixed interest rates. The average cost of borrowing declined 0.7ppt yoy and 0.2ppt qoq to 3.2% in 3QFY26. Interest coverage ratio was comfortable at 3.7x.

Valuation/Recommendation

- **Leasing momentum was healthy in 2QFY26** with take-up for retail space driven by F&B, fashion, toys & hobbies and health & fitness. Retailers remain confident with retail sales excluding motor vehicles growing 2.4% in April and 0.7% in May, despite a drop in visitor arrivals due to the Middle East conflict. Growth in tourism spending is underpinned by a healthy pipeline of MICE events and concerts. Rents for suburban malls rose 1.4% yoy in 2QFY26. With new supply over the next three years remaining below historical norms, prime retail rents are expected to increase 1-2% in 2026.
- **The proposed development of suburban mall at Bayshore Drive** strengthens FCT's position as Singapore's largest suburban mall owner. It is the only mixed-use commercial site within the Bayshore waterfront precinct under the URA Master Plan. Supported by direct integration with Bedok South MRT Station on the Thomson-East Coast Line and a future bus interchange, the mall will benefit from strong accessibility and a growing catchment driven by 10,000 planned public and private homes, including around 1,280 residential units within the development itself. The development includes a suburban mall with 170,000sf of NLA. FCT secures an attractive development yield of about 5% with completion targeted around end-30. The Bedok region has Singapore's second-largest resident population and relatively low retail space provision, supporting sustainable rental and shopper traffic growth over the long term.
- **Population growth in Causeway Point's catchment area.** Management expects new developments in the northern region to mitigate negative impact from the leakage of consumer spending caused by the JB-Singapore RTS. Residential population in the northern region is expected to increase 25-27% with 50,000 residential units added over the next 10-15 years (Chencharu, Sembawang North, Woodlands North and Kranji Racecourse). Some 20,000 of these residential units are expected to come on-stream in the next 6-7 years. Woodlands Regional Centre would create 100,000 jobs with 100ha of land earmarked for future development.
- **Fortifying Causeway Point.** Management is planning an AEI to transform Causeway Point into a regional mall, leveraging on its physical location as the connection hub in the northern region (Woodlands MRT station is an interchange for the North-South Line and Thomson-East Coast Line).
- **Enhancement for NEX.** FCT will optimise its tenant mix and rents at NEX through re-mixing, resizing and reconfiguration. It will convert carpark space into NLA of 44,000sf, representing an increase of 7%, and add new office space at level 4. The AEI is carried out progressively in phases over two years to minimise disruption. Phase 1 of the AEI at the ex-Isetan space commenced in May 26 and is scheduled for completion by 1QFY27. Phase 1 has achieved 87% pre-commitment, of which 73% are new-to-mall brands and concepts. Phase 2 commences in 2QFY27. The capex of S$45m (FCT's share of 50%) is expected to generate ROI of 7%.

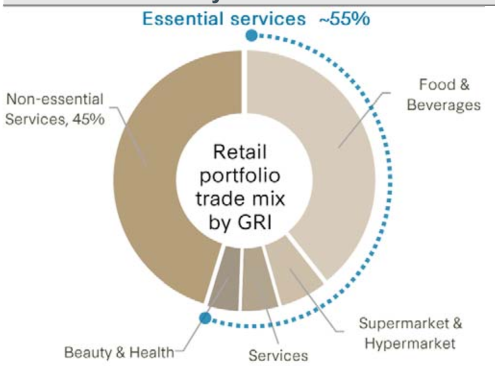
Earnings Revision/Risk

- We maintain our existing DPU forecasts. Management could utilise divestment gain of S$32.4m from White Sands and tax-exempt income of S$4.6m retained in 1HFY26 to cushion disruption to DPU caused by the AEI at NEX during FY27 and FY28.
- **Maintain BUY.** Our target price of S$2.99 is based on DDM (cost of equity: 6.5%, terminal growth: 2.2%).

Share Price Catalyst

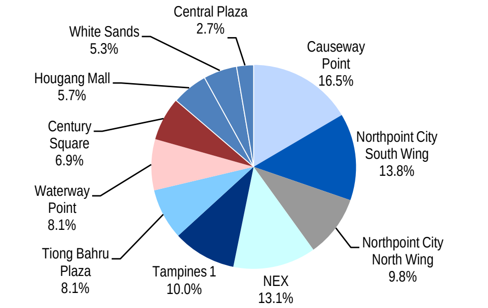
- a) Increase in shopper traffic and tenant sales, driven by growth in domestic consumption, supported by rising population and household income; and b) AEIs for Hougang Mall, NEX and Causeway Point.

Retail Trade Mix By Gross Rental Income



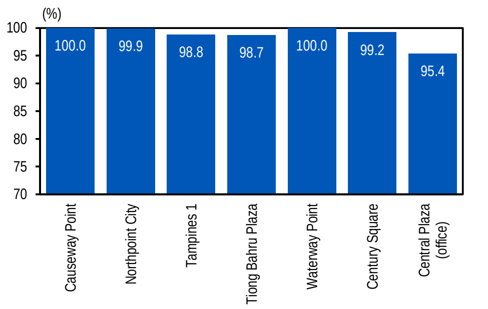
Source: FCT

Valuation By Property



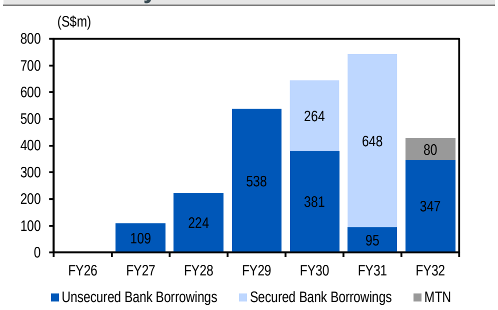
Source: FCT

Committed Occupancies Of Suburban Retail Malls



Source: FCT

Debt Maturity Profile



Source: FCT

Profit & Loss

Year to 30 Sep (S$m)	2025	2026F	2027F	2028F
Net turnover	389.6	448.4	434.1	439.3
EBITDA	233.4	340.8	392.4	397.3
Deprec. & amort.	0.0	0.1	0.1	0.1
EBIT	233.4	340.7	392.3	397.2
Total other non-operating income	(10.4)	37.8	0.0	0.0
Associate contributions	62.6	61.0	65.3	70.1
Net interest income/(expense)	(86.2)	(87.3)	(75.0)	(76.0)
Pre-tax profit	199.5	352.2	382.5	391.3
Tax	0.4	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	199.9	352.2	382.5	391.3
Net profit (adj.)	210.9	319.8	382.5	391.3

Balance Sheet

Year to 30 Sep (S$m)	2025	2026F	2027F	2028F
Fixed assets	6,449.0	6,056.6	6,087.0	6,106.2
Other LT assets	1,042.6	1,050.4	1,050.4	1,050.4
Cash/ST investment	107.5	158.4	158.2	156.4
Other current assets	13.1	14.7	14.3	14.4
Total assets	7,612.2	7,280.2	7,309.9	7,327.5
ST debt	404.4	102.9	102.9	102.9
Other current liabilities	131.0	123.0	119.1	120.5
LT debt	2,181.4	2,140.0	2,190.0	2,220.0
Other LT liabilities	153.6	105.1	103.1	103.8
Shareholders' equity	4,741.9	4,809.2	4,794.8	4,780.2
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	7,612.2	7,280.2	7,309.9	7,327.5

Cash Flow

Year to 30 Sep (S$m)	2025	2026F	2027F	2028F
Operating	256.7	803.5	346.3	349.1
Pre-tax profit	147.8	190.8	188.7	189.6
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.1	0.1	0.1
Associates	62.6	61.0	65.3	70.1
Working capital changes	18.6	(9.7)	(3.4)	1.3
Non-cash items	19.4	21.5	18.3	18.4
Other operating cashflows	8.1	539.8	77.3	69.5
Investing	(260.3)	(62.5)	(53.0)	(30.5)
Capex (growth)	(329.5)	0.0	0.0	0.0
Capex (maintenance)	(33.0)	(62.5)	(53.0)	(30.5)
Proceeds from sale of assets	34.5	0.0	0.0	0.0
Others	67.7	0.0	0.0	0.0
Financing	84.4	(690.2)	(293.5)	(320.3)
Distribution to unitholders	(233.2)	(260.0)	(268.5)	(274.3)
Issue of shares	421.3	0.0	0.0	0.0
Proceeds from borrowings	1,050.6	(342.9)	50.0	30.0
Loan repayment	(1,267.4)	0.0	0.0	0.0
Others/interest paid	113.0	(87.3)	(75.0)	(76.0)
Net cash inflow (outflow)	80.7	50.8	(0.2)	(1.8)
Beginning cash & cash equivalent	26.8	107.5	158.4	158.2
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	107.5	158.4	158.2	156.4

Key Metrics

Year to 30 Sep (S$m)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	59.9	76.0	90.4	90.5
Pre-tax margin	51.2	78.5	88.1	89.1
Net margin	51.3	78.5	88.1	89.1
ROA	2.9	4.7	5.2	5.3
ROE	4.5	7.4	8.0	8.2
Growth				
Turnover	10.8	15.1	(3.2)	1.2
EBITDA	9.7	46.0	15.1	1.3
Pre-tax profit	1.5	76.5	8.6	2.3
Net profit	1.2	76.2	8.6	2.3
Net profit (adj.)	7.4	51.6	19.6	2.3
EPU	(0.4)	42.6	19.5	2.1
Leverage				
Debt to total capital	35.3	31.8	32.4	32.7
Debt to equity	54.5	46.6	47.8	48.6
Net debt/(cash) to equity	52.3	43.3	44.5	45.3
Interest cover (x)	2.7	3.9	5.2	5.2

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