

First REIT

3Q15 Results – Cruising Along

SINGAPORE | REAL ESTATE (REIT) | RESULTS

First REIT reported their 3Q15 results on Tuesday 13 October evening. Below are some of the key highlights of what was reported.

Results at a glance

(SGD mn)	3Q15	3Q14	y-y (%)	Comments
Gross Revenue	25.3	23.8	6.1	Driven by Siloam Sriwijaya (acquired in December 2014)
Net property income	25.0	23.5	6.8	
Distributable income	15.6	14.7	6.2	
DPU (Cents)	2.08	2.02	3.0	

Source: Company, PSR

Results at a glance

(SGD mn)	9M15	PSR FY15 Est (Pre-revision)	% of PSR FY15 estimate
Gross Revenue	75.0	101.6	73.8%
Net property income	73.9	100.1	73.8%
Distributable income	46.3	62.4	74.2%
DPU (Cents)	6.21	8.33	74.5%

Source: Company, PSR

What's in the news?

- Results largely in-line.** First REIT's 9M15 results were largely in line with our forecasts. With most properties on long term Master Leases (earliest expiration in Aug-21), clearly defined annual base rental increments for each property, it is hardly surprising First REIT's results will be predictably stable.
- Indonesia's stalling growth has led to President Joko Widodo announcing an unexpected cabinet reshuffle in August this year.** This, together with a series of stimulus measures, was aimed at luring investments, restoring investor confidence and stimulating economic growth. Nonetheless, demand for healthcare services is still expected to remain unfettered as Indonesia continues to roll out its universal healthcare programme to gradually cover all citizens and residents by 2019. First REIT is expected to benefit from this improvement in healthcare demand.
- Slower than anticipated rate of acquisition.** First REIT has been quiet on the acquisition front thus far this year. Nonetheless, the anticipated increase in demand for healthcare services is expected to continue driving PT Lippo Karawaci Tbk's expansion of hospital networks. This will present First REIT with further acquisition opportunities.
- Capital Management update:** With ~95.3% of debt on a fixed rate basis, First REIT has minimal interest rate risk until the next tranche of debt is due for refinancing in 2017. Currency risk is also minimized as rentals for the Indonesian hospitals are denominated in SGD.

Investment Actions

We slightly lowered our growth assumptions on the back of slower than anticipated rate of acquisition. On the back of the price correction since June, we maintain our ACCUMULATE call, but with a lowered DDM-derived target price of S\$1.49 from \$1.55.

15 October 2015

ACCUMULATE (Maintained)

CLOSING PRICE	SGD 1.345
FORECAST DIV	SGD 0.083
TARGET PRICE	SGD 1.490
TOTAL RETURN	16.9%

COMPANY DATA

O/S SHARES (MN) :	732
MARKET CAP (USD mn / SGD mn) :	725 / 1006
52 - WK HI/LO (SGD) :	147 / 1.14
3M Average Daily T/O (mn) :	0.65

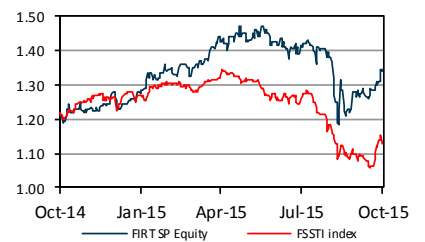
MAJOR SHAREHOLDERS (%)

LIPPO KARAWACI	27.6%
PT MENARA TIRTA INDAH	5.9%
KEH POO TAN	15%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	6.7	(4.3)	11.6
STIRETURN	3.5	(10.4)	(7.0)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept	FY 13	FY 14	FY 15e	FY 16e
Gross Rev (SGD mn)	83.3	93.3	100.0	111.3
NPI (SGD mn)	80.2	91.9	98.5	109.6
Dist Inc. (SGD mn)	52.2	58.2	62.4	69.0
P/NAV (x)	1.20	1.15	1.30	1.30
DPU, adj (Cents)	7.50	8.10	8.30	8.80
Distribution Yield, %	6.5	6.9	5.8	6.1

Source: Company Data, Bloomberg

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Financials
Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
Gross Revenue	57.6	83.3	93.3	100.0	111.3
Total Property expenses	(0.4)	(3.1)	(1.4)	(1.5)	(1.6)
Net Property Income	57.2	80.2	91.9	98.5	109.6
Net Finance (Expense)/Inc	(4.2)	(12.2)	(15.0)	(16.6)	(16.9)
Net Income before tax and FV changes	47.1	58.0	65.5	69.7	77.5
FV changes	30.8	61.3	47.2	-	-
Tax expense	(12.7)	(1.5)	(22.1)	(15.7)	(17.4)
Net Income after tax and FV changes	65.2	118.0	90.6	54.0	60.1
Distribution adjustments	(23.6)	(65.7)	(32.4)	8.4	8.9
Income available for distribution	41.7	52.2	58.2	62.4	69.0

Balance Sheet

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
ASSETS					
Investment properties	797	1,052	1,172	1,252	1,302
Cash and Cash Equivalents	20.5	29.3	28.2	29.8	31.4
Total Assets	829	1,109	1,212	1,335	1,385
LIABILITIES					
Total Current Liabilities	32.1	49.8	68.2	82.0	83.8
Interest bearing borrowings, non current	212.8	535.8	370.1	394.1	403.1
Total Non-Current Liabilities	246.6	375.8	399.2	423.2	432.2
Total Liabilities	278.8	425.6	467.4	505.2	515.9

EQUITY

Shareholder Equity	550.1	682.9	745.0	829.5	868.7
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Per share data (SGD)

Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
NAV	0.83	0.97	1.02	1.11	1.11
DPU (cents)	7.3	7.5	8.1	8.3	8.8

Cash Flow

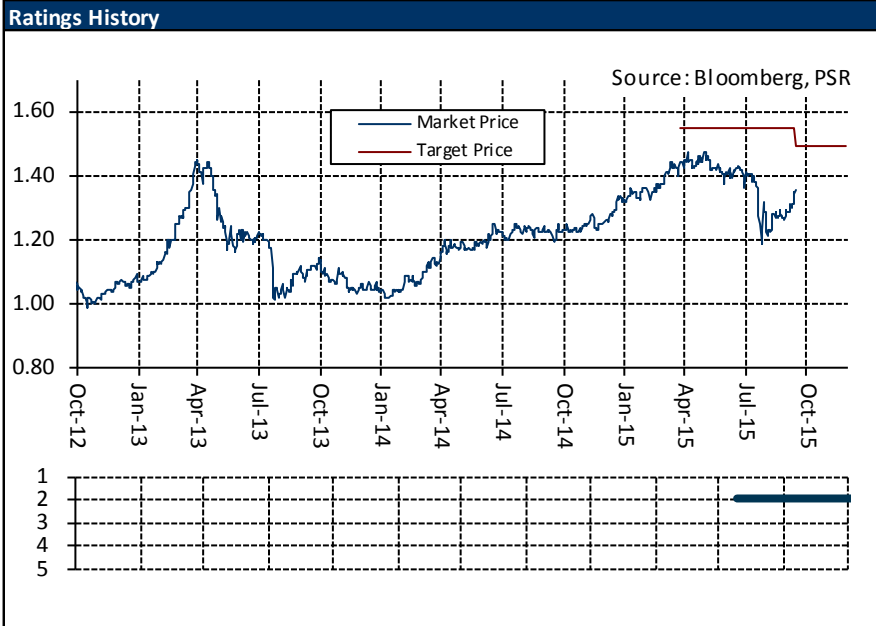
Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
CFO					
Net Income before tax	77.9	119.4	112.7	69.7	77.5
Interest Expense	3.8	11.1	13.4	16.8	17.1
Management fees settled in units	4.6	5.9	6.7	7.3	7.9
Cashflow from Ops	49.8	63.2	80.8	80.5	87.5
CFI					
Cashflow from investments	(147.8)	(141.9)	(67.7)	(80.0)	(50.0)
CFF					
Share issuance	28.2	-	-	56.0	41.0
Distributions to unitholders	(53.6)	(42.8)	(39.8)	(46.4)	(53.0)
Net increase in borrowings	115.6	140.6	39.3	8.0	(7.0)
Cashflow from financing	86.7	87.3	(14.4)	0.9	(36.1)
Net change in cash	(12.2)	8.8	(1.1)	1.6	1.6
CCE, end	20.5	29.3	28.2	29.8	31.4

Valuation Ratios

Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
P/NAV	1.12	1.20	1.15	1.30	1.30
Distribution yield (%)	7.83	6.49	6.90	5.79	6.11
NPI yield (%)	7.2%	7.6%	7.8%	7.9%	8.4%
Growth & Margins (%)					
	FY12	FY13	FY14	FY15e	FY16e
Growth					
Revenue	6.7%	44.5%	12.0%	7.2%	11.3%
Net property income (NPI)	7.1%	40.1%	14.5%	7.2%	11.3%
DPU	3.6%	3.6%	7.0%	3.5%	5.7%
Margins					
NPI margin	99.3%	96.3%	98.5%	98.5%	98.5%
Operating Income Margin	81.7%	69.7%	70.3%	69.7%	69.7%
Key Ratios					
Net Gearing	26.0%	32.3%	33.1%	31.4%	30.9%

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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