



Fraser's Property Thailand Industrial REIT

FTREIT TB Outperform

Target Price Bt 16.90

Price (02/02/2021) Bt 11.70

Upside % 44.44

Valuation DCF

Sector Property Fund & REITs

Market Cap Btm 33,022

30-day avg turnover Btm 21.52

No. of shares on issue m 2,822

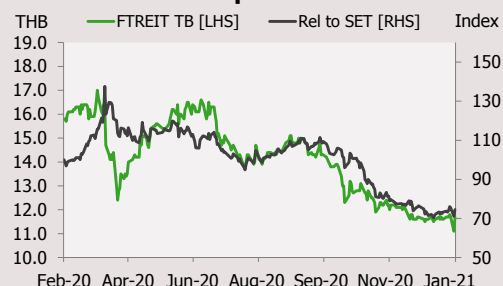
CG Scoring N/A

Anti-Corruption Indicator N/A

Investment fundamentals

Year end Sep 30	2020A	2021E	2022E	2023E
Company Financials				
Revenue (Btmn)	2,884	3,374	3,562	3,669
Core profit (Btmn)	2,099	2,184	2,242	2,343
Net profit (Btmn)	1,194	2,135	2,721	2,748
Net EPS (Bt)	0.42	0.70	0.89	0.90
DPS (Bt)	0.65	0.66	0.68	0.71
BVPS (Bt)	10.62	10.74	10.95	11.14
Net EPS growth (%)	-40.39	64.68	27.46	0.99
ROA (%)	2.94	4.79	5.84	5.82
ROE (%)	4.16	6.79	8.19	8.12
Net D/E (x)	0.33	0.31	0.29	0.28
Valuation				
P/E (x)	27.65	16.79	13.17	13.04
P/BV (x)	1.10	1.09	1.07	1.05
EV/EBITDA (x)	17.67	17.80	17.21	16.56
Dividend yield (%)	5.60	5.67	5.82	6.05

FTREIT TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

Disclaimer: KS or its affiliates is acting or may act as the underwriter, issuer, and/or market maker of the securities mentioned in this document and/or other financial instruments related to the securities mentioned in this document, including but not limited to, bonds, debentures, derivatives warrants, and structured notes. Investors should study the information contained in the prospectus or related document before investing in the shares and other financial instruments.

Analyst

Natchaphon Rodjanarowan

Natchaphon.r@kasikornsecurities.com

3 February 2021

Kasikorn Securities Public Company Limited

Occupancy rate decline ended

- **1QFY21 core profit of Bt534mn grew 10.7% YoY and was in line.**
- **FTREIT declared a 1QFY21 DPU of Bt0.168/unit (our preview of Bt0.17), implying an annualized dividend yield of 5.7%.**
- **Outperform. A boost in demand post-COVID-19 from EEC progress and relocations of Chinese businesses to Thailand will be positive to unit price.**

Investment Highlights

- **1QFY21 results review.** On Feb 2, FTREIT reported a 1QFY21 (Sept-Dec 2020) net profit of Bt536.4mn, up 11.2% YoY and in line with our preview. Stripping out an asset revaluation item, 1QFY21 core profit came in at Bt534mn, up 10.7% YoY but down 8.6% QoQ. The YoY rise was due to 1) an increase in average NLA by 9.8% from new asset acquisitions on Sept 1 and Oct 1. The QoQ drop was due to a 39% rise in total expense owing to abnormally low COGS in 4QFY20 resulting from a property tax reversion. Based on our calculation, the 1QFY21 average occupancy rate improved by 1.1 ptt QoQ after declining two consecutive quarters since 3QFY20, but it still did not reach the rate in 1QFY20 of 85.1%.
- **Core profit in line with our preview.** 1QFY21 core profit was in line with our preview. However, we underestimated 1QFY21 total revenue by 2.7% mainly as undertaking revenue was 265% higher than expected. We also underestimated total expenses by 7.6% due to mainly to 1) a miss on REIT management fee by 5.7%, and a miss on interest expense by 14.3%. 3MFY21 core profit represents 24.5% of our FY2021 full-year forecast.
- **Dividend and capital reduction.** FTREIT declared a quarterly dividend of Bt0.168/unit, up 0.6% YoY but 2.2% below our preview of Bt0.17/unit. The dividend implies a dividend payout ratio of 90% (based on net investment income), and an annualized dividend yield of 5.7%.
- **Fine-tuning FY2021 earnings forecast.** According to the latest capital increase completed on Jan 26, 2021, we revise details of the result of the increase and asset acquisition by 1) lowering the additional trust unit from the latest capital increase by 5.9%, or from 256mn unit to 241mn unit; 2) lower FY2021 average NLA by 1.5 from 2.02mn sqm to 1.99mn sqm, and 3) some FY2021 property adjustment. As a result, we raise our FY2021 core profit forecast by 0.6%, or from Bt2.17bn to Bt2.18bn, but maintain our FY2021 DCF-based target price of Bt16.9/unit.

Valuation and Recommendation

- **Outperform.** We reiterate our Outperform call and FY2021 DCF-based target price of Bt16.9/unit still pegged to a WACC of 5.18% and a long-term growth rate of 1.2%. Coverage of FTREIT has been transferred from Pisut Ngamvijitvong. We expect a boost in demand for industrial assets for rent post-COVID-19 on progress in the EEC mega project, on manufacturers based in China relocating to Thailand, and ongoing yield accretive asset acquisitions that will be positive to the unit price. We estimate a FY2021E dividend yield of 5.8% and market IRR of 8.5%.
- **Key risks.** Potential downside risks to our Outperform call are a prolonged second wave of COVID-19 infections and a surge in Thai government bond yield.



Fig 1 1QFY21 results review

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	%YoY	%QoQ	1QFY21E	% Var	%YTD2021E	FY2021E
Financials											
Sales (Btmn)	754	723	717	689	772	2.4	12.1	778	-0.7	22.9	3,374
EBITDA (Btmn)	575	596	594	669	637	10.8	-4.8	625	2.0	24.7	2,581
Operating profit (Btmn)	569	591	590	664	633	11.2	-4.8	618	2.3	24.8	2,555
Core profit (Btmn)	483	514	517	585	534	10.7	-8.6	532	0.4	24.5	2,184
Net profit (Btmn)	483	514	516	-319	536	11.2	nm	532	0.8	25.1	2,135
Core EPS (Bt)	0.19	0.18	0.18	0.21	0.19	2.1	-8.6	0.19	0.4	26.5	0.71
Net EPS (Bt)	0.19	0.18	0.18	-0.11	0.19	2.5	nm	0.19	0.8	27.3	0.70
Performance Drivers											
Estimated OCR (%)	85.1	85.3	83.3	82.2	83.3	-2.1	1.4	83.9	-0.7	83.3	83.3
Estimated ARR (Bt/sq.m./month)	173	161	163	158	164	-5.2	3.7	164	0.0	163.6	170
Average NLA (k sq.m.)	1,720	1,758	1,758	1,796	1,889	9.8	5.2	1,889	0.0	1,889.1	1,991
Dividend (Bt/unit)	0.17	0.17	0.17	0.17	0.17	0.6	0.0	0.17	-2.2	24.6	0.68
Capital reduction (Bt/unit)	0.00	0.00	0.00	0.00	0.00	nm	nm	0.00	nm	nm	0.00
Ratios											
						Change			Change	Avg YTD	
Gross margin (%)	87.8	92.6	92.6	101.0	92.4	4.5	-8.7	92.5	-0.1	92.4	88.8
EBITDA margin (%)	76.3	82.4	82.9	97.1	82.5	6.2	-14.6	80.3	2.2	82.5	76.5
Optg. margin (%)	75.4	81.7	82.2	96.4	81.9	6.5	-14.5	79.5	2.4	81.9	75.7
ROE (%)	1.8	1.8	1.7	-1.1	1.8	0.0	2.8	3.6	-1.8	1.8	6.8

Source: Company, KS Research

Fig 2 Fine-tuned FY2021 earnings forecast

	New			Old			% change		
	FY2021E	FY2022E	FY2023E	FY2021E	FY2022E	FY2023E	FY2021E	FY2022E	FY2023E
Financials (Btmn)									
Total revenue	3,426	3,576	3,683	3,483	3,576	3,683	-1.6%	0.0%	0.0%
Expense	1,242	1,335	1,340	1,310	1,335	1,340	-5.2%	0.0%	0.0%
Core profit	2,184	2,242	2,343	2,172	2,241	2,343	0.6%	0.0%	0.0%
Distribution (Bt/unit)									
DPU	0.68	0.68	0.71	0.68	0.68	0.71	0.6%	0.0%	0.0%
Capital reduction	0.00	0.00	0.00	0.00	0.00	0.00	n.a.	n.a.	n.a.
Total distribution	0.68	0.68	0.71	0.68	0.68	0.71	0.6%	0.0%	0.0%
Assumption									
Estimated OCR (%)	83.3%	84.6%	86.3%	83.3%	84.6%	86.3%	0.0%	0.0%	0.0%
Estimated ARR (Bt/sq.m.)	169.6	171.8	173.5	170.4	171.8	173.5	-0.5%	0.0%	0.0%
Net investment income margin (%)	63.8%	62.7%	63.6%	62.4%	62.7%	63.6%	2.2%	0.0%	0.0%
Average NLA ('000 sq.m.)	1,991	2,043	2,043	2,022	2,043	2,043	-1.5%	0.0%	0.0%
New asset deal									
	New			Old			% Change		
Investment cost (Btmn)	5,941			5,941			0.0%		
Final offering price (Bt/unit)	11.7			11.7			0.0%		
Additional trust unit (mn)	241			256			-5.9%		
2021E average NLA ('000)	1,991			2,022			-1.5%		

Source: Company, KS Research



FTREIT : Year-end 30 Sep

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E
Revenue	2,745	2,884	3,374	3,562	3,669
Cost of sales and services	-349	-192	-377	-414	-423
Gross Profit	2,396	2,692	2,997	3,149	3,246
SG&A	-448	-443	-495	-530	-526
Other income	62	165	53	14	14
EBIT	2,119	1,509	2,505	3,112	3,139
EBITDA	2,040	2,435	2,581	2,657	2,747
Interest expense	-271	-315	-371	-391	-391
Equity earnings	0	0	0	0	0
EBT	1,847	1,194	2,135	2,721	2,748
Income tax	0	0	0	0	0
NPAT	1,847	1,194	2,135	2,721	2,748
Minority Interest	0	0	0	0	0
Core Profit	1,739	2,099	2,184	2,242	2,343
Extraordinary items	108	-905	-50	479	405
FX gain (loss)	0	0	0	0	0
Reported net profit	1,847	1,194	2,135	2,721	2,748
Balance Sheet (Btmn)					
Cash & equivalents	305	554	785	1,007	1,236
ST investments	837	926	926	926	926
Accounts receivable	230	182	212	224	230
Inventories	0	0	0	0	0
Other current assets	25	34	34	34	34
Total current assets	1,397	1,697	1,958	2,191	2,427
Investment in subs & others	37,049	41,144	44,227	44,706	45,111
Fixed assets-net	0	0	0	0	0
Other assets	51	29	53	28	15
Total assets	38,497	42,870	46,237	46,925	47,553
Short-term debt	1,302	2,856	0	0	0
Accounts payable	1,266	1,401	1,530	1,583	1,630
Other current liabilities	0	0	0	0	0
Total current liabilities	2,568	4,257	1,530	1,583	1,630
Long-term debt	8,440	8,638	11,811	11,811	11,811
Other liabilities	0	0	0	0	0
Total liabilities	11,008	12,895	13,342	13,394	13,441
Paid-up capital	25,174	28,313	31,133	31,133	31,133
Share premium	0	0	0	0	0
Reserves & others, net	0	0	0	0	0
Retained earnings	2,316	1,661	1,762	2,398	2,979
Minority interests	0	0	0	0	0
Total shareholders' equity	27,489	29,975	32,896	33,532	34,112
Total equity & liabilities	38,497	42,870	46,237	46,925	47,553
Key Assumptions					

Cashflow (Btmn)	2019A	2020A	2021E	2022E	2023E
Net profit	1,847	1,194	2,135	2,721	2,748
Depreciation & amortization	30	22	26	25	13
Change in working capital	99	196	76	65	54
Others	141	1,198	395	-113	-27
CF from operation activities	2,118	2,610	2,631	2,698	2,787
Capital expenditure	0	0	0	0	0
Investment in subs and affiliates	-2,886	-5,088	-3,133	0	0
Others	0	0	0	0	0
CF from investing activities	-2,886	-5,088	-3,133	0	0
Cash dividend	-1,720	-1,849	-2,033	-2,085	-2,167
Net proceeds from debt	2,809	1,752	317	0	0
Capital raising	0	3,140	2,820	0	0
Others	-249	-315	-371	-391	-391
CF from financing activities	840	2,729	732	-2,476	-2,558
Net change in cash	72	250	231	222	229
Key Statistics & Ratios					
Per share (Bt)					
Reported EPS	0.71	0.42	0.70	0.89	0.90
Core EPS	0.67	0.74	0.71	0.73	0.76
DPS	0.67	0.65	0.66	0.68	0.71
BV	10.56	10.62	10.74	10.95	11.14
EV	15.00	15.25	15.00	14.92	14.85
Free Cash Flow	0.81	0.92	0.86	0.88	0.91
Valuation analysis					
Reported P/E (x)	16.48	27.65	16.79	13.17	13.04
Core P/E (x)	17.51	15.73	16.41	15.99	15.30
P/BV (x)	1.11	1.10	1.09	1.07	1.05
EV/EBITDA (x)	19.14	17.67	17.80	17.21	16.56
Price/Cash flow (x)	14.38	12.65	13.62	13.29	12.86
Dividend yield (%)	5.71	5.60	5.67	5.82	6.05
Profitability ratios					
Gross margin (%)	87.28	93.36	88.84	88.39	88.48
EBITDA margin (%)	74.32	84.44	76.51	74.58	74.86
EBIT margin (%)	77.17	52.33	74.27	87.35	85.55
Net profit margin (%)	67.29	41.41	63.28	76.38	74.90
ROA (%)	5.00	2.94	4.79	5.84	5.82
ROE (%)	6.74	4.16	6.79	8.19	8.12
Liquidity ratios					
Current ratio (x)	0.54	0.40	1.28	1.38	1.49
Quick ratio (x)	0.53	0.39	1.26	1.36	1.47
Leverage Ratios					
Liabilities/Equity ratio (x)	0.40	0.43	0.41	0.40	0.39
Net debt/EBITDA (x)	4.21	4.11	3.91	3.72	3.51
Net debt/equity (x)	0.31	0.33	0.31	0.29	0.28
Int. coverage ratio (x)	7.81	4.79	6.76	7.96	8.03
Growth					
Revenue (%)	41.98	5.04	16.98	5.60	2.99
EBITDA (%)	48.82	19.35	5.98	2.95	3.37
Reported net profit (%)	-38.68	-35.35	78.74	27.46	0.99
Reported EPS (%)	-38.68	-40.39	64.68	27.46	0.99
Core profit (%)	43.82	20.69	4.07	2.62	4.52
Core EPS (%)	43.82	11.28	-4.12	2.62	4.52

Source: Company, KS estimates



Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security(ies) and subject company(ies); and no part of the compensation of the research analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Investment Ratings

Outperform: Expected total return of 10% or more within a 12-month period

Neutral: Expected total return between -10% and 10% within a 12-month period

Underperform: Expected total return of -10% or worse within a 12-month period

General Disclaimer

This document is prepared by Kasikorn Securities Public Company Limited ("KS"). This document has been prepared for individual clients of KS only and must not, either in whole or in part, be copied, photocopied or duplicated in any form or by any means or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please immediately notify KS by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

This document, including information, data, statements, forecasts, analysis and projections contained herein, including any expression of opinion, is based on public available information or information obtained from sources believed to be reliable, but KS does not make any representation or warranty on, assumes no responsibilities for nor guarantees the accuracy, completeness, correctness or timeliness of such information. KS accepts no obligation to correct or update the information or opinions in it. The statements or expressions of opinion herein were arrived at after due and careful consideration and they were based upon such information or sources then, and in our opinion are fair and reasonable in the circumstances prevailing at the time. The information or expressions of opinion contained herein are subject to change without notice.

Nothing in this document shall be construed as an offer or a solicitation of an offer to buy or sell any securities or products, or to engage in or refrain from engaging in any transaction. In preparing this document, KS did not take into account your specific investment objectives, financial situation or particular needs. This document is for your information only and is not to be taken in substitution for the exercise of your judgment. KS salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this document. Before making an investment decision on the basis of this document, you should obtain independent financial, legal or other advice and consider the appropriateness of investment in light of your particular investment needs, objectives and financial circumstances. There are risks involved in the investment in securities. KS accepts no liability whatsoever for any direct, indirect, consequential or other loss (including claim for loss of profit) arising from any use of or reliance upon this document and/or further communication given in relation to this document.

Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments herein constitute a judgment as of the date of this document, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments. Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described in this document were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties or contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by KS (i) that such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments or their underlying assumptions will be achieved, or (ii) that there is an assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments stated therein.

KS along with its affiliates and/or persons associated with it may from time to time have interests in the securities mentioned in this document. KS and its associates, their directors and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking, advisory and other securities services for companies mentioned in this document.

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at <http://www.thai-iod.com/en/publications-detail.asp?id=170>. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. KS does not confirm nor certify the accuracy of such survey result.

Structured Notes and Derivative Warrants Disclaimer

KS may be the issuer of structured notes on these securities.

KS acts as market maker and issuer of Derivative Warrants ("DWs") on the underlying stocks listed below. Investors should carefully read the details of the DWs in the prospectus before making any investment decisions.

DWs Underlying Stocks: DWs Underlying Stocks: ADVANC, AMATA, AOT, AWC, BAM, BANPU, BBL, BCP, BDMS, BEM, BGRIM, BJC, BTS, CBG, CHG, CK, CKP, COM7, CPALL, CPF, CPN, CRC, DOHOME, EA, GPSC, GULF, HANA, HMPRO, INTUCH, IRPC, IVL, JMT, KCE, KKP, KTB, KTC, LH, MINT, MTC, OSP, PLANB, PRM, PTG, PTT, PTTEP, PTTGC, RATCH, SAWAD, SCB, SCC, SET50, SPRC, STEC, TASCO, TISCO, TMB, TOP, TQM, TRUE, TU, VGI and WHA.