



Fraser's Property Thailand Industrial REIT

FTREIT TB Outperform

Target Price	Bt	13.20
Price (02/08/2023)	Bt	10.70
Upside	%	23.36
Valuation	DCF	
Sector	Property Fund & REITs	
Market Cap	Btm	32,778
30-day avg turnover	Btm	7.92
No. of shares on issue	m	3,063
CG Scoring (IOD-Y2022)		N/A
Anti-Corruption Indicator		N/A

Investment fundamentals

Year end Sept 30	2022A	2023E	2024E	2025E
Company Financials				
Revenue (Btmn)	3,594	3,740	3,811	3,883
Core profit (Btmn)	2,519	2,595	2,617	2,666
Net profit (Btmn)	2,407	2,877	2,873	2,877
Net EPS (Bt)	0.79	0.94	0.94	0.94
DPS (Bt)	0.69	0.74	0.75	0.76
BVPS (Bt)	10.84	11.04	11.23	11.41
Net EPS growth (%)	8.91	19.52	-0.14	0.14
ROA (%)	5.18	6.09	6.01	5.94
ROE (%)	7.28	8.59	8.42	8.30
Net D/E (x)	0.35	0.34	0.32	0.30
Valuation				
P/E (x)	13.62	11.39	11.41	11.39
P/BV (x)	0.99	0.97	0.95	0.94
EV/EBITDA (x)	15.40	14.84	14.63	14.28
Dividend yield (%)	6.44	6.94	6.98	7.12

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 limit 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

Pisut Ngamvijitvong

Pisut.n@kasikornsecurities.com

Assistant Analyst

Panjawut Ajarasingh

3 August 2023

Kasikorn Securities Public Company Limited

Asset expansion via debt financing

- **3QFY23 core EPU of Bt0.20 (-1.9% YoY -3.1% QoQ) was 2.1% below our preview. 9MFY23 core EPU is 72.7% of our FY2023 core EPU forecast.**
- **3QFY23 DPU of Bt0.187 (+ 6.9% YoY, flat QoQ) implies a payout ratio of 93.0% and an annualized dividend yield of 6.99%.**
- **Outperform on 1) solid rental demand; 2) DPU accretive debt financing asset investment; and 3) an undemanding valuation.**

Investment Highlights

- **Transfer of coverage.** We transfer coverage of FTREIT from Natchaphon Rodjanarowan to Pisut Ngamvijitvong.
- **3QFY23 results review.** On Aug 2, FTREIT posted its 3QFY23 financial results (April-June 2023) that showed a net profit of Bt672mn. Excluding a one-off item, core profit came totaled Bt616mn, or core EPU of Bt0.20 (-1.9% YoY, -3.1% QoQ, 17.3% above 3QFY19 core EPU, which is the pre-COVID-19 level). The YoY and QoQ decrease was due mainly to renovation and maintenance cost that offset core revenue expansion. Core EPU of Bt0.20 was 2.1% below our preview, which resulted from higher-than-expected opex. Combined with 1HFY23 core EPU, our 9MFY23 core EPU estimate represents 72.7% of our FY2023 core EPU forecast of Bt0.85.
- **Dividend.** FTREIT declared a quarterly dividend of Bt0.187/unit, up 6.9% YoY and flat QoQ, and in line with our preview. The dividend implies a payout ratio of 93% (based on core profit) and an annualized dividend yield of 6.99%. FTREIT will go XD on Aug 16 and payment will be on Aug 31.
- **Operations.** FTREIT posted 3QFY23 core revenue of Bt931mn, up 3.7% YoY and 0.8% QoQ mainly on a higher net leasable area (NLA). Note that average NLA in 3QFY23 was 2.14mn sq.m. (+3.6% YoY, flat QoQ). Total expense was Bt327mn, up 14.6% YoY and 9.2% QoQ, due to higher renovation and maintenance expense and higher interest expense. 9MFY23 core revenue of Bt2.77bn represents 74.1% of our FY23 core revenue forecast of Bt3.74bn.
- **Outlook.** We foresee a promising revenue growth outlook in 4QFY23 from a new investment in the TIP-9 project consisting of nine warehouses and factories in the Bangplee area of Bangkok with NLA of 70.83k sq.m. (3.3% of the trust's current NLA). The investment cost is Bt1.64bn and will be 100% funded by debt. The trust is also in the process of investing Bt1.55bn in new leasehold assets with NLA of 58k sq.m. (6% of the trust's current NLA) to be funded by debt.
- **Share price performance.** On a YTD basis, FTREIT's unit price rose 3.9% vs. the SET's index's decline of 7.1% and the SETPREIT's drop of 9.4%. FTREIT currently offers FY23/24 dividend yields of 6.9%/7.0% and a market IRR of 7.8%.

Valuation and Recommendation

- **Outperform.** We maintain our FY23/24-FY25/26 core profit forecasts, our mid-FY24 DCF-based target price of Bt13.2 (6.4% WACC, 1% LTG rate) and our Outperform call on FTREIT. Potential rerating catalysts include 1) a favorable asset acquisition deal; 2) a stronger-than-expected demand recovery; and 3) a non-diluted DPU from the acquisition of assets. We consider FTREIT's valuation to be undemanding based on an FY2023 enterprise value of 89.2% of the FY2019 level (pre-COVID) vs. our FY2023 core EPU estimate that is 127% of the FY2019 level. We estimate a FY23 yield spread of 3.9% vs. a FY2019 yield spread of 1.8%, suggesting an attractive valuation.
- **Key risks** to our Outperform call include 1) stagflation; 2) a severe global and domestic economic recession; and 3) a high bond yield level for a longer period.



Fig 1 3QFY23 performance review

Year end Sept 30	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	%YoY	%QoQ	3QFY23E	%Var	%YTD2023E	FY2023E
Financials											
Sales (Btmn)	897	903	918	923	931	3.7	0.8	922	1.0	74.1	3,740
EBITDA (Btmn)	722	714	732	729	714	-1.1	-2.1	724	-1.5	73.1	2,974
Operating profit (Btmn)	719	711	729	729	714	-0.7	-2.1	724	-1.5	73.1	2,971
Core profit (Btmn)	628	620	636	636	616	-1.9	-3.1	629	-2.1	72.7	2,595
Net profit (Btmn)	769	543	676	625	672	-12.7	7.5	629	6.7	68.5	2,877
Core EPS (Bt)	0.21	0.20	0.21	0.21	0.20	-1.9	-3.1	0.21	-2.1	72.7	0.85
Net EPS (Bt)	0.25	0.18	0.22	0.20	0.22	-12.7	7.5	0.21	6.7	68.5	0.94
Performance Drivers											
Estimated OCR (%)	86.0	85.5	85.2	86.7	86.9	0.9	0.2	86.9	0.0	99.3	86.9
Implied ARR (Bt/sq.m./month)	169	168	168	166	167	-0.8	0.6	166	1.0	99.7	168
Average NLA (k sq.m.)	2,062	2,099	2,136	2,136	2,136	3.6	0.0	2,136	0.0	99.9	2,139
Dividend (Bt/unit)	0.175	0.187	0.187	0.187	0.187	6.9	0.0	0.187	0.0	75.6	0.74
Capital reduction (Bt/unit)	0.00	0.00	0.00	0.00	0.00	n.m.	n.m.	0.00	n.m.	n.m.	0.00
Ratios											
Gross margin (%)	91.3	91.0	90.9	90.6	88.1	-3.2	-2.5	90.4	-2.3	89.9	91.6
EBITDA margin (%)	80.5	79.0	79.7	79.0	76.7	-3.8	-2.3	78.6	-1.9	78.5	79.5
Optg. margin (%)	80.1	78.7	79.4	79.0	76.7	-3.4	-2.3	78.6	-1.9	78.4	79.4
ROE (%)	9.3	6.5	8.1	7.5	8.0	-1.3	0.5	7.5	0.5	7.9	8.6

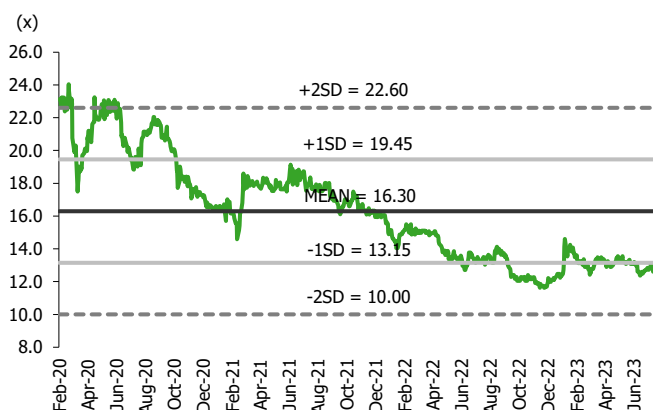
Source: Company, KS Research

Fig 2 Financial comparisons

2019 (end of period)												
	NLA Sq M	OCR %	ARR /sq.m./mon	Revenue Btmn	Core profit Btmn	No of units (m)	Core EPU Bt	DPU Bt	Unit price Bt	Mkt cap Btmn	Net debt Btmn	EV Btmn
FTREIT	1,647,410	82.0%	173.9	2,745	1,739	2,602	0.67	0.67	15.70	40,857	8,600	49,458
2023E (end of period)												
	NLA Sq M	OCR %	ARR /sq.m./mon	Revenue Btmn	Core profit Btmn	No of units (m)	Core EPU Bt	DPU Bt	Unit price Bt	Mkt cap Btmn	Net debt Btmn	EV Btmn
FTREIT	2,139,156	86.9%	167.7	3,740	2,595	3,063	0.85	0.74	10.70	32,778	11,352	44,131
% change												
	NLA Sq M	OCR %	ARR /sq.m./mon	Revenue Btmn	Core profit Btmn	No of units (m)	Core EPU Bt	DPU Bt	Unit price Bt	Mkt cap Btmn	Net debt Btmn	EV Btmn
FTREIT	29.8%	4.8%	-3.5%	36.2%	49.2%	17.7%	26.8%	11.1%	-31.8%	-19.8%	32.0%	-10.8%

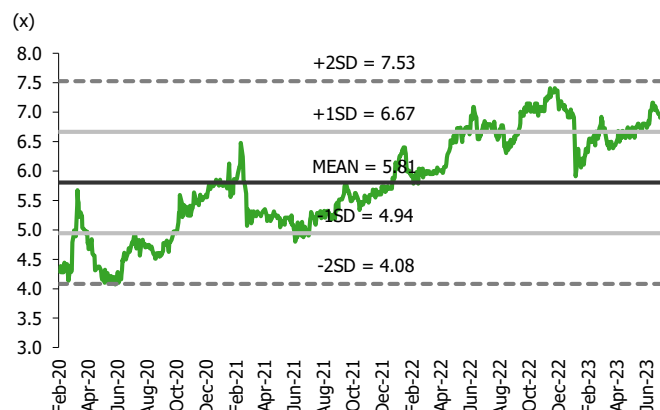
Source: Company, KS Research

Fig 3 FTREIT – 12M forward PER



Source: Bloomberg, KS Research

Fig 4 FTREIT – 12M forward dividend yield



Source: Bloomberg, KS Research



Year-end Sept 30

Income Statement (Btmn)	2021A	2022A	2023E	2024E	2025E
Revenue	3,239	3,594	3,740	3,811	3,883
Cost of sales and services	-214	-284	-315	-344	-360
Gross Profit	3,025	3,310	3,425	3,467	3,523
SG&A	-461	-481	-492	-496	-502
Other income	177	51	38	21	21
EBIT	2,523	2,768	3,253	3,249	3,253
EBITDA	2,756	2,892	2,974	2,992	3,042
Interest expense	-371	-361	-376	-376	-376
Equity earnings	0	0	0	0	0
EBT	2,152	2,407	2,877	2,873	2,877
Income tax	0	0	0	0	0
NPAT	2,152	2,407	2,877	2,873	2,877
Minority Interest	0	0	0	0	0
Core Profit	2,371	2,519	2,595	2,617	2,666
Extraordinary items	-219	-112	282	256	211
FX gain (loss)	0	0	0	0	0
Reported net profit	2,152	2,407	2,877	2,873	2,877

Balance Sheet (Btmn)	2021A	2022A	2023E	2024E	2025E
Cash & equivalents	800	331	740	1,086	1,438
ST investments	300	0	0	0	0
Accounts receivable	135	151	157	159	162
Inventories	0	0	0	0	0
Other current assets	57	87	87	87	87
Total current assets	1,293	569	984	1,333	1,688
Investment in subs & others	44,758	46,319	46,546	46,802	47,013
Fixed assets-net	0	0	0	0	0
Other assets	15	3	0	0	0
Total assets	46,066	46,891	47,529	48,135	48,701
Short-term debt	800	1,752	1,752	1,752	1,752
Accounts payable	1,583	1,600	1,626	1,648	1,670
Other current liabilities	0	0	0	0	0
Total current liabilities	2,383	3,352	3,378	3,400	3,422
Long-term debt	10,772	10,332	10,340	10,340	10,340
Other liabilities	0	0	0	0	0
Total liabilities	13,155	13,684	13,718	13,740	13,762
Paid-up capital	31,119	31,119	31,119	31,119	31,119
Share premium	0	0	0	0	0
Reserves & others, net	0	0	0	0	0
Retained earnings	1,792	2,089	2,693	3,276	3,820
Minority interests	0	0	0	0	0
Total shareholders' equity	32,911	33,207	33,811	34,395	34,939
Total equity & liabilities	46,066	46,891	47,529	48,135	48,701

Key Assumptions

Cashflow (Btmn)	2021A	2022A	2023E	2024E	2025E
Net profit	2,152	2,407	2,877	2,873	2,877
Depreciation & amortization	14	12	3	0	0
Change in working capital	37	-12	23	19	19
Others	575	460	91	119	165
CF from operation activities	2,778	2,868	2,994	3,011	3,061
Capital expenditure	0	0	0	0	0
Investment in subs and affiliates	-3,207	-1,373	56	0	0
Others	0	0	0	0	0
CF from investing activities	-3,207	-1,373	56	0	0
Cash dividend	-2,021	-2,111	-2,273	-2,289	-2,333
Net proceeds from debt	-1,660	512	8	0	0
Capital raising	2,805	0	0	0	0
Others	-371	-361	-376	-376	-376
CF from financing activities	-1,247	-1,960	-2,641	-2,665	-2,708
Net change in cash	-1,676	-465	408	346	352

Key Statistics & Ratios

Per share (Bt)	2021A	2022A	2023E	2024E	2025E
Reported EPS	0.72	0.79	0.94	0.94	0.94
Core EPS	0.79	0.82	0.85	0.85	0.87
DPS	0.68	0.69	0.74	0.75	0.76
BV	11.03	10.84	11.04	11.23	11.41
EV	14.21	14.54	14.41	14.29	14.18
Free Cash Flow	0.93	0.94	0.98	0.98	1.00
Valuation analysis					
Reported P/E (x)	14.83	13.62	11.39	11.41	11.39
Core P/E (x)	13.46	13.01	12.63	12.53	12.29
P/BV (x)	0.97	0.99	0.97	0.95	0.94
EV/EBITDA (x)	15.38	15.40	14.84	14.63	14.28
Price/Cash flow (x)	11.49	11.43	10.95	10.88	10.71
Dividend yield (%)	6.33	6.44	6.94	6.98	7.12
Profitability ratios					
Gross margin (%)	93.38	92.09	91.58	90.97	90.73
EBITDA margin (%)	85.07	80.47	79.51	78.51	78.34
EBIT margin (%)	77.88	77.02	86.98	85.24	83.77
Net profit margin (%)	66.44	66.97	76.93	75.38	74.10
ROA (%)	4.84	5.18	6.09	6.01	5.94
ROE (%)	6.85	7.28	8.59	8.42	8.30
Liquidity ratios					
Current ratio (x)	0.54	0.17	0.29	0.39	0.49
Quick ratio (x)	0.52	0.14	0.27	0.37	0.47
Leverage Ratios					
Liabilities/Equity ratio (x)	0.40	0.41	0.41	0.40	0.39
Net debt/EBITDA (x)	3.80	4.06	3.82	3.68	3.50
Net debt/equity (x)	0.32	0.35	0.34	0.32	0.30
Int. coverage ratio (x)	6.81	7.67	8.66	8.65	8.66
Growth					
Revenue (%)	12.33	10.96	4.05	1.91	1.88
EBITDA (%)	13.16	4.96	2.81	0.62	1.65
Reported net profit (%)	80.22	11.85	19.52	-0.14	0.14
Reported EPS (%)	66.08	8.91	19.52	-0.14	0.14
Core profit (%)	12.96	6.24	3.03	0.82	1.89
Core EPS (%)	4.10	3.45	3.03	0.82	1.89

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 The Thai Institute of Directors Association (IOD). 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: AAV, ADVANC, AMATA, AOT, AP, AWC, BAM, BANPU, BBL, BCH, BCP, BDMS, BEM, BGRIM, BH, BLA, BTS, CBG, CENTEL, CHG, CK, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, EA, EGCO, ESSO, FORTH, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JMART, JMT, KCE, KEX, KKP, KTB, KTC, LH, MEGA, MINT, MTC, OR, OSP, PLANB, PSL, PTG, PTT, PTTEP, PTTGC, RATCH, RCL, SAWAD, SCB, SCC, SCGP, SET50, SINGER, SIRI, SJWD, SPALI, SPRC, STA, STGT, TCAP, THG, TIDLOR, TIPH, TISCO, TOP, TQM, TRUE, TTB, TU, VGI, WHA.

