Frasers Logistics & Commercial Trust (FLT SP)

2HFY26: Logistics Strength But Higher Gearing Limits Debt Headroom

Highlights

- FLT reported 2HFY26 DPU of 2.95 S cents, flat yoy due to lower capital distributions from past divestment gains. NPI grew 9.6% yoy, supported by rental uplift for logistics properties, stronger AUD and EUR exchange rates, higher occupancy at ATP, and recent logistics acquisitions in Europe.
- FLT's logistics portfolio remained resilient with occupancy of 99.1%, with virtually full occupancies in Australia, Europe and the UK. Management continues to backfill vacant space at ATP and saw stronger performance from Farnborough Business Park and Blythe Valley Park in the UK.
- FLT continues to reposition towards logistics assets, targeting allocation of 85% over time through acquisitions in Europe and Singapore. Downgrade to HOLD due to limited upside with target price at S$0.98.

2HFY26 Results

Year to 30 Sep (S$m)	2HFY26	yoy % Chg	Remarks
Gross Revenue	255.2	+6.7	Higher rents for logistics properties, stronger AUD and EUR exchange
Net Property Income (NPI)	180.6	+9.6	rates, higher occupancy at ATP and acquisitions in Europe.
Finance Costs	(47.1)	+8.2	Cost of debt rose 0.1ppt yoy to 3.3% in 4QFY26.
Distributable Income	112.5	+0.8	Distributed divestment gain of S$3.0m or 0.07 S cents per unit.
DPU (US cents)	2.95	0.0	75% of management fees paid in units (2HFY25: 96%)

Source: FLT, UOB Kay Hian

Analysis

- Frasers Logistics & Commercial Trust (FLT) reported a DPU of 2.95 S cents for 2HFY26 (flat yoy), which is in line with our expectation. DPU before capital distribution of divestment gains increased 7.1% yoy to 2.88 S cents, but capital distributions of past divestment gains fell 70% yoy from S$9.8m (0.26 S cents) to S$3.0m (0.07 S cents).
- **Growth supported by higher rents and acquisitions.** Revenue and adjusted NPI increased 6.7% and 9.6% yoy respectively in 2HFY26. Growth came from higher rents for logistics properties, stronger AUD and EUR exchange rates, higher occupancy at Alexandra Technopark (ATP) and acquisitions of one logistics property in Netherlands (completion: 15 Apr 26) and four logistics properties in Germany and Netherlands (completion: 31 Jul 26), partially offset by the divestment of 357 Collins Street in Melbourne, Australia (completion: 30 Sep 25). Finance costs rose 8.2% yoy. Distributable income before capital distribution grew 7.1% yoy despite lower proportion of management fees paid in units.
- **Logistics occupancy remains high, with the exception of Singapore.** Logistics occupancy was 99.1% as of Sep 26, with Europe and the UK fully occupied and Australia stable at 99.8%. Singapore occupancy fell 20.6ppt qoq to 74.4% due to non-renewal by a third party logistics provider. New supply is limited in Singapore. Management is confident in backfilling the vacant space with negotiation with prospective tenants already ongoing.

Key Financials

Year to 30 Sep (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	471	494	524	535	543
EBITDA	295	318	330	338	343
Operating profit	295	318	330	338	343
Net profit (rep./act.)	205	24	189	194	197
Net profit (adj.)	170	204	189	194	197
EPU (S$ cent)	4.5	5.4	4.9	5.0	5.1
DPU (S$ cent)	6.0	6.0	6.0	5.9	6.0
PE (x)	20.5	17.2	18.8	18.5	18.3
P/B (x)	0.8	0.9	0.9	0.9	0.9
DPU yld (%)	6.4	6.4	6.5	6.4	6.5
Net margin (%)	43.5	4.8	36.1	36.2	36.3
Net debt/(cash) to equity (%)	56.1	69.5	71.2	72.8	74.4
Interest cover (x)	3.6	3.7	3.1	3.1	3.1
ROE (%)	4.9	0.6	4.6	4.8	4.9
Consensus DPU (S$ cent)	-	-	5.9	6.0	6.2
UOBKH/Consensus (x)	-	-	1.01	0.99	0.96

Source: Frasers Logistics & Commercial Trust, Bloomberg, UOB Kay Hian

Analyst(s)

Jonathan Koh, CFA, MSc Econ
jonathankoh@uobkh.com
+65 6590 6620

HOLD (Downgraded)

Share Price	S$0.925
Target Price	S$0.98
Upside	5.9%
Previous TP	0.96

Stock Data

Sector	Real Estate
Bloomberg ticker	FLT SP
Shares issued (m)	3,808.6
Market cap (S$m)	3,523.0
Market cap (US$m)	2,749.3
3-mth avg daily t'over (US$m)	9.4

Price Performance (%)

52-week high/low				S$1.05/S$0.86
1mth	3mth	6mth	1yr	YTD
6.3	(4.6)	(7.0)	(2.6)	(7.0)

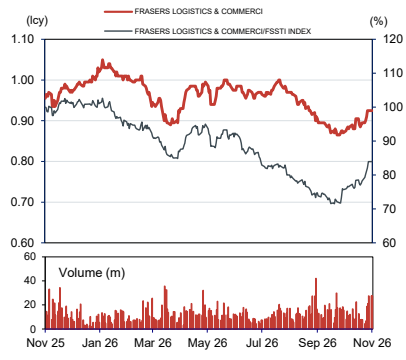
Major Shareholders (%)

Frasers Property Ltd	23.0

Balance Sheet Metrics

FY27 NAV/Share (S$)	1.05
FY27 Net Debt/Share (S$)	0.75

Price Chart



Source: Bloomberg

Company Description

FLT invests in income-producing properties used predominantly for logistics, commercial (CBD office space) or business park (non-CBD office and R&D space) purposes in the Asia Pacific region and Europe.

- **Further backfilling at Alexandra Technopark (ATP).** Occupancy at ATP improved 0.4ppt qoq to 85.7%. A new lease was signed in Oct 26, which increased backfilling for the former Google space from 83% to 90%. Occupancy for Farnborough Business Park and Blythe Valley Park in the UK improved 3.7ppt and 3.1ppt qoq respectively to 85.2% and 90.7%. Central Park in Perth maintained high occupancy of 96.6%, while Caroline Chisholm Centre in Canberra remained fully occupied.
- Overall, portfolio occupancy inched marginally higher by 0.1ppt qoq to 96.2% as of Sep 26. Portfolio WALE was 4.9 years.
- **Strong positive logistics rental reversions.** The logistics portfolio achieved FY26 reversions of +12.3% on an incoming-versus-outgoing basis and +28.3% on an average-versus-average basis. In 4QFY26, the corresponding figures were +14.6% and +29.3%, led by New South Wales (+43.8% and +59.3%) and Victoria (+24.1% and +45.5%) in Australia. Passing rents remained approximately 9% below market based on the latest independent valuations, indicating further scope for rental uplift.
- **Portfolio reconstitution to pivot to logistics.** FY26 acquisitions comprised five German and Dutch logistics assets with aggregate agreed property prices of €337.9m (S$505.6m). Logistics assets increased to 78% of portfolio value from 75% a year earlier. FLT sold the Juniper building for £2.2m in FY26, followed by Aspen and Elder for £3.3m in Oct 26, at a 17.9% premium to their Oct 26 valuation.
- **Higher gearing and commercial valuation pressure.** Aggregate leverage rose 3.8ppt qoq to 39.2%, leaving S$100m of debt headroom to 40% gearing. Borrowings increased mainly to fund acquisitions and capex. Portfolio valuation fell 2.3%, with commercial assets down 8.7% and logistics assets down 0.4%. NAV per unit declined 2.7% yoy to S$1.07.
- **Borrowing costs expected to rise in FY27.** Borrowing cost rose 0.1ppt yoy to 3.3% in 4QFY26. Fixed-rate borrowings stood at 70.9%, average debt maturity was 3.1 years, and interest coverage was 4.5x. Management expects cost of debt to increase by 20bp to 3.4% in FY27 due to higher floating interest rates and refinancing of EUR and SGD denominated borrowings.
- **Discipline in capital management.** Management intends to cap capital distribution at no more than 5% of total FY27 DPU, which gives FLT some leeway to stabilise DPU if required. At least 75% of management fees are expected to be paid in units in FY27.

Valuation/Recommendation

- **Pivoting to logistics.** FLT intends to pursue strategic growth in the resilient logistics segment, while evaluating the potential divestment of non-core office assets. Management intends to increase the allocation for logistics properties to 85% (current: 78%). FLT will scout for opportunities to acquire logistics properties in developed markets such as Singapore (yield: 5-6%) and Europe (yield: 5%), including Germany and the Netherlands, where yield spreads are positive. FLT plans to divest underperforming commercial properties and recycle the capital for reinvestment in logistics properties.
- **Downgrade to HOLD.** Our target price of S$0.98 is based on DDM (cost of equity: 8.3%, terminal growth: 2.5%).

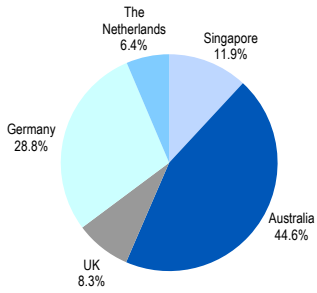
Earnings Revision/Risk

- We increased our FY27 DPU forecast by 1.3% due to the strength of FLT's logistics assets, which was partially offset by higher cost of debt.

Share Price Catalyst

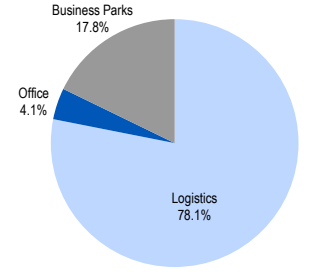
- a) Acquisitions in Singapore and Europe from sponsor pipeline; b) backfilling of vacant space at ATP in Singapore and business parks in the UK.

Portfolio Valuation By Country



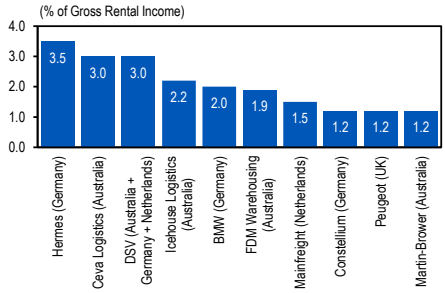
Source: FLT

Portfolio Valuation By Country



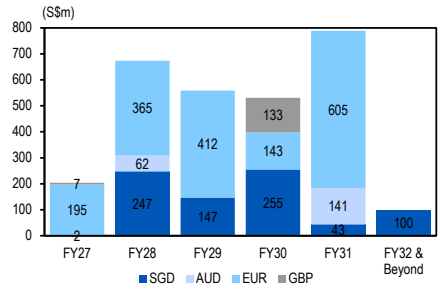
Source: FLT

Top 10 Logistics Tenants



Source: FLT

Debt Maturity Profile



Source: FLT

Profit & loss

Year to 30 Sep (S$m)	2026	2027F	2028F	2029F
Net turnover	**494.1**	**524.0**	**535.3**	**543.0**
EBITDA	317.8	330.0	337.8	343.0
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	317.8	330.0	337.8	343.0
Total other non-operating income	(180.0)	0.5	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(85.1)	(106.7)	(108.3)	(109.6)
Pre-tax profit	**52.6**	**223.8**	**229.5**	**233.4**
Tax	(26.8)	(30.2)	(31.0)	(31.5)
Minorities	(2.1)	(4.5)	(4.6)	(4.7)
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	**23.8**	**189.1**	**194.0**	**197.2**
Net profit (adj.)	203.8	188.6	194.0	197.2

Balance Sheet

Year to 30 Sep (S$m)	2026	2027F	2028F	2029F
Fixed assets	7,392.7	7,403.0	7,418.0	7,433.0
Other LT assets	45.5	43.3	43.3	43.3
Cash/ST investment	141.1	154.3	156.2	157.6
Other current assets	37.5	38.6	39.4	39.9
Total assets	**7,616.8**	**7,639.3**	**7,657.0**	**7,673.9**
ST debt	206.6	206.6	206.6	206.6
Other current liabilities	140.8	139.9	142.8	145.1
LT debt	2,787.6	2,840.0	2,880.0	2,920.0
Other LT liabilities	281.2	287.7	293.5	299.3
Shareholders' equity	4,102.2	4,062.3	4,026.7	3,990.9
Minority interest	98.3	102.8	107.4	112.1
Total liabilities & equity	**7,616.8**	**7,639.3**	**7,657.0**	**7,673.9**

Cash Flow

Year to 30 Sep (S$m)	2026	2027F	2028F	2029F
Operating	**297.5**	**302.2**	**310.8**	**315.0**
Pre-tax profit	52.6	223.8	229.5	233.4
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	14.9	(7.0)	1.7	1.1
Non-cash items	188.7	27.9	28.6	28.8
Other operating cashflows	41.3	57.5	50.9	51.7
Investing	**(430.4)**	**(9.7)**	**(15.0)**	**(15.0)**
Capex (growth)	(389.1)	0.0	0.0	0.0
Capex (maintenance)	(46.6)	(15.0)	(15.0)	(15.0)
Proceeds from sale of assets	3.5	5.3	0.0	0.0
Others	1.7	0.0	0.0	0.0
Financing	**(28.8)**	**(279.3)**	**(293.9)**	**(298.6)**
Distribution to unitholders	(224.0)	(229.0)	(229.6)	(233.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	286.7	52.4	40.0	40.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(91.6)	(102.7)	(104.3)	(105.6)
Net cash inflow (outflow)	**(161.8)**	**13.3**	**1.9**	**1.4**
Beginning cash & cash equivalent	**299.1**	**141.1**	**154.3**	**156.2**
Changes due to forex impact	3.7	0.0	0.0	0.0
Ending cash & cash equivalent	**141.1**	**154.3**	**156.2**	**157.6**

Key Metric

Year to 30 Sep (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	64.3	63.0	63.1	63.2
Pre-tax margin	10.7	42.7	42.9	43.0
Net margin	4.8	36.1	36.2	36.3
ROA	0.3	2.5	2.5	2.6
ROE	0.6	4.6	4.8	4.9
Growth				
Turnover	4.8	6.1	2.2	1.4
EBITDA	7.7	3.9	2.4	1.5
Pre-tax profit	(78.8)	325.3	2.5	1.7
Net profit	(88.4)	694.5	2.5	1.7
Net profit (adj.)	20.0	(7.5)	2.8	1.7
EPU	19.0	(8.4)	2.0	0.9
Leverage				
Debt to total capital	41.6	42.2	42.7	43.2
Debt to equity	73.0	75.0	76.7	78.3
Net debt/(cash) to equity	69.5	71.2	72.8	74.4
Interest cover (x)	3.7	3.1	3.1	3.1

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