

SE Companies
HD **FCL's Q1 net profit dips 7% to \$121m**
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PROPERTY conglomerate Fraser Centrepoint Ltd's (FCL) first set of quarterly earnings after its recent split from Fraser and Neave (F&N) is likely to place it in the league of large-cap real **estate** plays such as Keppel Land and United Overseas Land.

The **group**'s core trading profits for the first quarter ended Dec 31, 2013, surged 75.6 per cent to \$165.1 million as revenue jumped 87 per cent to \$631.6 million.

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Pre-tax profit was up 61.6 per cent at \$176 million, although net profit was down 7 per cent at \$121 million largely due to the absence of revaluation and exceptional gains seen in the previous year. Excluding the revaluation and exceptional gains, attributable net profit was up 67 per cent at \$119 million.

The strong pre-tax profit growth was driven by FCL's development **property** division, where pre-tax profit more than doubled to \$131 million, led by the **group**'s Australian development projects. Development **property** pre-tax profit accounted for 74 per cent of **group** pre-tax profit.

Australia was the key driver for the quarter, with the completion of One Central **Park** and **Park** Lane Block 5A in Sydney.

In **China**, some 750 units (Suzhou Baitang project and Gemdale Mega City) were **sold** in Q1. In Singapore, development revenue slipped 18 per cent year on year, as most of FCL's inventory had already been **sold**. As at the end of Q1, total unbooked pre-sales stood at a robust \$3 billion.

Investment properties pre-tax profit increased 37 per cent to \$20 million on the back of improved office and industrial **property** rental rates and occupancy. Hospitality pre-tax profit grew 23 per cent to \$16 million, thanks to higher occupancy at Fraser Suites Queens Gate and Fraser Suites Perth.

"The **group** achieved robust growth in 1Q FY13/14, with solid performance across **property** and geographical segments," said Lim Ee Seng, **group** CEO of FCL.

He said Australia was the key growth driver this quarter and the supply-demand dynamics in the market continue to validate the **group**'s decision to focus on Australia as one of its main markets.

Mr Lim said the **group** will focus on selectively acquiring sites to replenish its landbank while continuing to deliver its pipeline in the core markets of Singapore, Australia and **China**.

"FCL will also seek opportunities to unlock value in our portfolio via asset enhancement or repositioning efforts, as well as possible injection of stabilised assets into our Reits."

Total assets increased to \$11.5 billion as at end-December from \$10.4 billion as at end-September. With investment properties valued at \$4.08 billion and properties held for **sale** of \$4.58 billion, this should place the **property group** in the league of Singapore's big-cap properties developers, said CIMB Securities. The **group** holds a land bank of about 12.8 million square feet from its core markets of Singapore, Australia and **China**.

CIMB expects FCL's Australian sales to remain a key earnings driver in Q2 and Q3.

"Including the potential **sale** of Changi City Point and One@Changi, we believe that FCL could recycle assets of around \$1 billion in 2014. This would fund potential new acquisitions and/or initiatives to revitalise its **commercial property** portfolio," it said.

CIMB has an "Add" rating on the stock with a price target of \$2.06 per share.

CO frasen : Fraser and Neave Limited

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