

## Company Update

# First REIT

Singapore | Real Estate

Ada Lim, CESGA  
Equity Research

Rating BUY (as at 30 April 2025)  
Last Close SGD 0.255  
Fair Value SGD 0.270

## FX headwinds continue to bite

- **1Q25 distribution per unit (DPU) of 0.58 Singapore cents is 3.3% lower year-on-year (YoY) but flat quarter-on-quarter (QoQ), meeting our expectations**
- **Progress relating to First REIT's 2.0 Growth Strategy could still present a near term catalyst, in our view; in the interim, we remain watchful of management's execution of IDR hedging**
- **Maintain fair value (FV) estimate of SGD0.27**

## Investment thesis

First REIT is a Singapore-listed healthcare real estate investment trust (REIT) with a portfolio of 32 nursing homes and hospitals located in Singapore, Japan, and Indonesia. Its relatively long weighted average lease expiry (WALE) of 10.6 years as at 31 Dec 2024 provides strong cash flow visibility, while built-in rental escalation clauses in its well-structured master leases provide potential for rental growth and upside sharing with tenants. Structural megatrends such as an ageing population and increasing demand for quality healthcare continue to support demand for First REIT's assets. Under its 2.0 Growth Strategy, First REIT seeks to diversify across tenants and geographies, which would improve its risk profile. At the start of 2025, First REIT announced that it had received a preliminary non-binding letter of intent (LOI) from PT Siloam International Hospitals Tbk (Siloam) to acquire its portfolio of hospital assets in Indonesia, and is currently in the midst of a strategic review to assess the LOI and explore its strategic options.

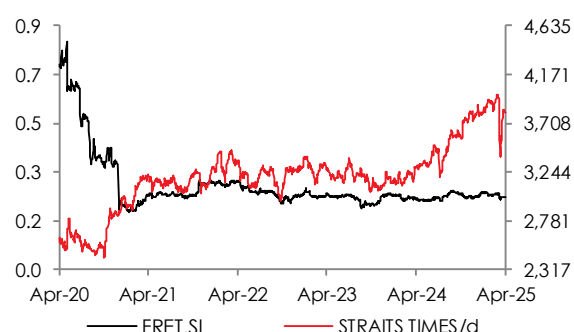
## Investment summary

- **1Q25 DPU is in line with our expectations** – First REIT's 1Q25 rental income and net property income (NPI) both declined 2.8% YoY to SGD25.4m and SGD24.6m, respectively, predominantly due to continued IDR and JPY depreciation against the SGD. In local currency terms, rental income from Indonesia would have grown 5.5% YoY to IDR189.1b, while that from

## Security information

Ticker	FRET.SI
Market Cap (SGD b)	0.5
Daily turnover (SGD m)	1.2
Free Float	62%
Shares Outstanding (m)	2,094
Top Shareholder	OUE Healthcare Ltd. 32.3%

## Price performance chart



## Financial summary

SGD m	FY24	FY25E	FY26E
Rental income	102.2	101.2	105.8
Net property income	98.5	97.6	102.1
Total return for the year	36.8	48.2	51.3
Distribution to unitholders	50.1	48.7	50.8
DPU (\$ cents)	2.36	2.32	2.40

## Key ratios

	FY24	FY25E	FY26E
Distribution yield (%)	9.3	9.1	9.4
P/NAV (x)	0.89	0.91	0.94
NPI margin (%)	96.3	96.4	96.5
Aggregate leverage (%)	39.6	39.6	39.9

Source: Refinitiv, REIT Manager, Internal estimates

Japan would have been flat at JPY37.7m. Meanwhile, the Singapore assets posted a 2% YoY increase in rental income to SGD1.1m. Altogether, 1Q25 distributable amount declined by 2.2% YoY to SGD12.2m, translating to a 3.3% YoY decline in DPU to 0.58 Singapore cents – which constitutes 25% of our full year forecast. This implies an annualised distribution yield of around 9.1% based on First REIT's last close price of SGD0.255 as at 29 Apr 2025. The distribution is due to be paid out on 26 Jun 2025.

- **Maintain FV estimate of SGD0.27** – In terms of capital management, First REIT's gearing nudged up 1.1 ppt from 39.6% as at 31 Dec 2024 to 40.7% as at 31 Mar 2025, as loans were drawn down for working capital purposes. Cost of debt, however, improved 30bps to 4.7% over the quarter, with 56.7% of debt on fixed rates or hedged. Separately, rental outstandings from Metropolis Properindo Utama (MPU) stood at SGD5.8m as at 31 Mar 2025 (31 Dec 2024: SGD4.6m), and management continues to engage the tenant on this matter. The REIT also updated that the strategic review of its Indonesia portfolio remains underway as it explores all options relating to the business. A marketing agent has also been appointed to run a price discovery process. All things considered, we leave our forecasts intact and maintain our FV estimate of SGD0.27.

## ESG Updates

- **Continued engagement on environmental considerations** – First REIT's reported Scope 3 emissions from its operations in Singapore and Indonesia have improved from FY23 to FY24. While First REIT does not have operational control over its properties, which are leased to related or third parties on master lease arrangements, it seeks to regularly engage its operators to implement environment-friendly initiatives. In FY24, First REIT allocated over SGD1.3m in CAPEX for this purpose. This included improvements like the installation of energy-efficient air conditioner and air handling units, replacement of energy-efficient LED emergency lights, as well as lift modernisation.
- **Fostering social good** – First REIT remains committed to providing a diverse, equitable, and inclusive workplace, and adopts the Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP) guidelines. As of Dec 2024, women made up 70% of its workforce. During FY24, there were no incidents of discrimination, and each employee spent 25 hours on training, meeting the REIT's target.

## Results highlights

SGD m	1Q24	1Q25	% chg
Rental income	26.1	25.4	-2.8%
Net property income	25.3	24.6	-2.8%
Distributable amount	12.4	12.2	-2.2%
DPU (\$ cents)	0.60	0.58	-3.3%

Source: REIT Manager, Internal estimates

- **Compliance with regulations and ethical business practices** – First REIT has put in place policies covering conflict of interest, whistle blowing, anti-money laundering, anti-bribery and anti-corruption, dealing in securities, and related party transactions. As a healthcare player, First REIT places particular emphasis on the prevention of data breaches; hence, it has put in place its own personal data protection policy to enhance personal data protection.

## Potential catalysts

- DPU-accretive acquisitions
- Capital recycling from divestment of non-core assets
- Stronger-than-expected financial performance at Siloam results in faster rental escalation at 8% of hospital's gross operating revenue
- Successful negotiation for more favourable lease terms during lease renewal

## Investment risks

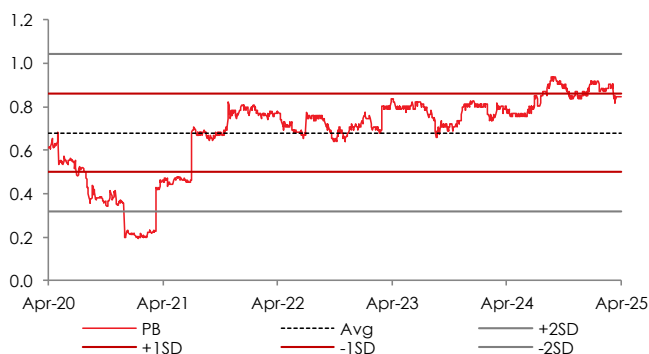
- Execution risks of implementing 2.0 Growth Strategy and rejuvenating portfolio
- Significant depreciation of IDR or JPY against SGD
- Tenant default

## Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
<b>FIRST REAL ESTATE INVESTMENT TRUST (FRET.SI)</b>	9.8	9.8	N.A	N.A	N.A	N.A	9.4	9.4	N.A	N.A
<b>PARKWAY LIFE REAL ESTATE INVESTMENT TRUST (PWLR.SI)</b>	24.9	23.0	1.6	1.4	26.9	26.0	3.6	4.3	8.2	8.1
<b>HEALTHCARE &amp; MEDICAL INVESTMENT CORP (3455.T)</b>	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

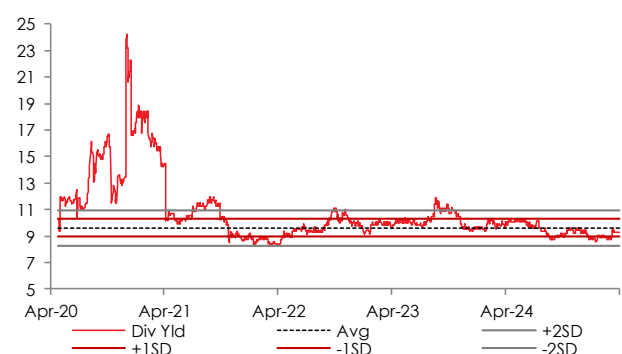
Source: Refinitiv

## Historical Price/Book



Source: Refinitiv

## Historical Distribution Yield



Source: Refinitiv

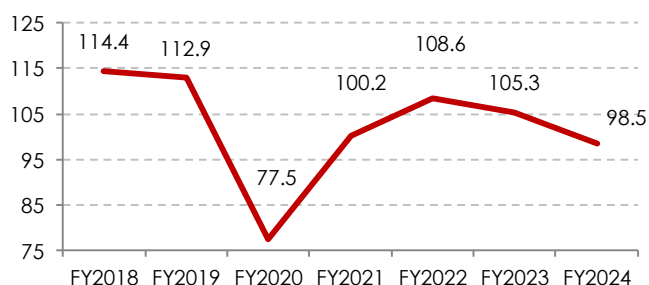
## Company overview (as of 21 February 2025)

### Company description

First Real Estate Investment Trust (First REIT) was the first healthcare real estate investment trust to list on the Singapore Exchange in Dec 2006. Its vision is to become Asia's premier healthcare trust, by investing in diverse, yield-accretive healthcare and healthcare-related real estate assets within and outside of Asia. As at 31 Dec 2024, First REIT has a portfolio of 32 properties across Asia, with a total asset value of SGD1.12b. These include three nursing homes in Singapore; 14 nursing homes in Japan; and 15 properties in Indonesia comprising 11 hospitals, two integrated hospitals and malls, an integrated hospital and hotel, and a hotel and country club. The REIT's healthcare properties in Indonesia are operated by PT Siloam International Hospitals Tbk, while its healthcare properties in Singapore and Japan are operated by well-established third-party operators.

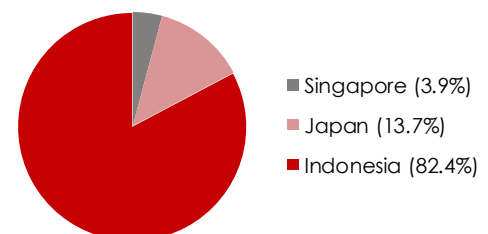
First REIT is managed by First REIT Management Limited, which is headquartered in Singapore. Its sponsors are OUE Limited and OUE Lippo Healthcare Limited, which hold a combined stake in First REIT of 45.2% as at 31 Dec 2024.

### Net Property Income (SGD m)



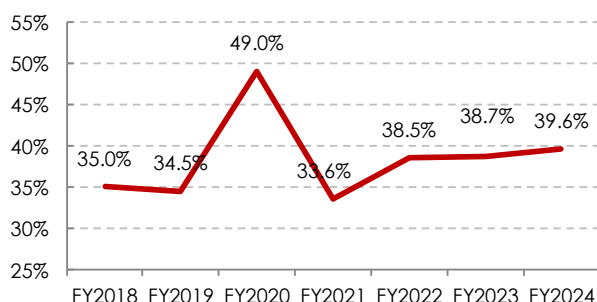
Source: REIT Manager

### FY24 Rental Breakdown (by geography)



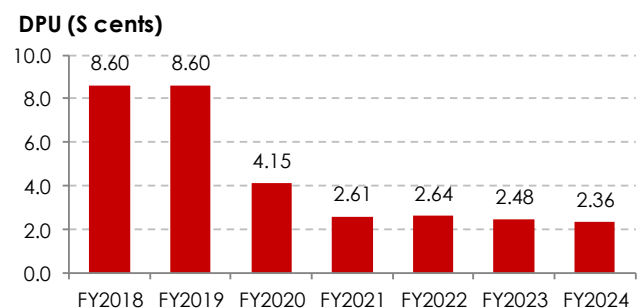
Source: REIT Manager

### Gearing Ratio Trend



Source: REIT Manager

### Distribution per unit (\$ cents)



Source: REIT Manager

## Company financials

### Income Statement

In Millions of SGD except Per Share 12 Months Ending	FY2020 31/12/2020	FY2021 31/12/2021	FY2022 31/12/2022	FY2023 31/12/2023	FY2024 31/12/2024
<b>Revenue</b>	<b>79.6</b>	<b>102.3</b>	<b>111.3</b>	<b>108.6</b>	<b>102.2</b>
- Cost of Revenue	12.0	11.6	13.5	13.7	13.8
<b>Gross Profit</b>	<b>67.6</b>	<b>90.8</b>	<b>97.8</b>	<b>94.9</b>	<b>88.4</b>
+ Other Operating Income	--	--	--	--	--
- Operating Expenses	4.3	1.0	2.2	1.0	1.2
<b>Operating Income or Losses</b>	<b>63.4</b>	<b>89.8</b>	<b>95.7</b>	<b>93.9</b>	<b>87.2</b>
- Interest Expense	17.8	17.0	19.4	22.7	22.8
- Foreign Exchange Losses (Gains)	--	--	--	--	--
- Net Non-Operating Losses (Gains)	403.8	-3.0	24.3	-7.0	13.9
<b>Pretax Income</b>	<b>-358.2</b>	<b>75.8</b>	<b>52.0</b>	<b>78.2</b>	<b>50.6</b>
- Income Tax Expense (Benefit)	-5.8	12.7	18.4	14.9	13.8
<b>Income Before XO Items</b>	<b>-352.4</b>	<b>63.1</b>	<b>33.6</b>	<b>63.3</b>	<b>36.8</b>
- Extraordinary Loss Net of Tax	--	--	--	--	--
- Minority/Non Controlling Interests (Credits)	--	--	--	--	--
<b>Net Income/Net Profit (Losses)</b>	<b>-352.4</b>	<b>63.1</b>	<b>33.6</b>	<b>63.3</b>	<b>36.8</b>
<b>Net Inc Avail to Common Shareholders</b>	<b>-355.8</b>	<b>59.9</b>	<b>31.0</b>	<b>61.7</b>	<b>35.1</b>
Abnormal Losses (Gains)	--	--	--	--	--
Tax Effect on Abnormal Items	--	--	--	--	--
<b>Normalized Income</b>	<b>-352.4</b>	<b>62.2</b>	<b>34.0</b>	<b>63.3</b>	<b>36.8</b>
<b>Basic Earnings per Share</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Basic Weighted Avg Shares	882.9	1,499.4	1,981.6	2,067.9	2,086.2
<b>Diluted EPS Before Abnormal Items</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Diluted EPS Before XO Items</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Diluted EPS</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Diluted Weighted Avg Shares	882.9	1,499.4	1,981.6	2,067.9	2,086.2

### Profitability Ratios

12 Months Ending	FY2020 31/12/2020	FY2021 31/12/2021	FY2022 31/12/2022	FY2023 31/12/2023	FY2024 31/12/2024
<b>Returns</b>					
Return on Common Equity	-53.93	10.74	4.71	9.31	5.43
Return on Assets	-28.98	6.14	2.99	5.31	3.13
Return on Capital	5.52	3.76	3.47	3.30	3.35
Return on Invested Capital	-	8.85	5.61	6.22	5.64
<b>Margins</b>					
Operating Margin	57.20	71.10	68.49	65.61	63.04
Incremental Operating Margin	0.80	1.24	0.96	0.96	0.96
Pretax Margin	-449.93	74.07	46.69	72.04	49.48
Income before XO Margin	-442.62	61.67	30.18	58.34	35.96
Net Income Margin	-446.91	58.53	27.87	56.82	34.33
Net Income to Common Margin	-446.91	58.53	27.87	56.82	34.33
<b>Additional</b>					
Effective Tax Rate	-	16.75	35.36	19.02	27.33
Dvd Payout Ratio	-9.24	64.59	167.28	82.53	139.12
Sustainable Growth Rate	-53.98	10.67	4.63	9.23	5.35

### Credit Ratios

12 Months Ending	FY2020 31/12/2020	FY2021 31/12/2021	FY2022 31/12/2022	FY2023 31/12/2023	FY2024 31/12/2024
Total Debt/EBIT	7.90	3.94	4.69	4.82	5.22
Net Debt/EBIT	7.58	3.37	4.21	4.38	4.82
EBIT to Interest Expense	3.47	5.20	4.94	4.12	3.81
Long-Term Debt/Total Assets	29.22	23.82	37.51	37.81	39.00
Net Debt/Equity	1.01	0.46	0.61	0.62	0.66

Source: Refinitiv

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