

Company Update

First REIT

Singapore | Real Estate

Rating HOLD (as at 30 July 2025)
Last Close SGD 0.280
Fair Value SGD 0.270

Ada Lim, CESGA

Plagued by currency volatility

- **1H25 distribution per unit (DPU) fell 5.8% year-on-year (YoY) to 1.13 Singapore cents; while this missed our expectations, it was not entirely surprising given IDR volatility year-to-date (YTD)**
- **Maintain fair value (FV) estimate of SGD0.27, but downgrade to HOLD on valuations and downside risks to DPU**
- **Strategic review remains underway**

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 10.1 years as at 30 Jun 2025 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

- **1H25 results missed our expectations on continued FX headwinds** – 1H25 rental income and net property income (NPI) declined 2.9% and 2.7% YoY to SGD50.5m and SGD48.9m, respectively. We note that FX headwinds continued to be the key detractor of performance; in local currency terms, rental income from Indonesia and Japan would have been up 5.5% YoY and flat at IDR378.2b and JPY754.5m,

Security information

Ticker	FRET.SI
Market Cap (SGD b)	0.6
Daily turnover (SGD m)	1.4
Free Float	62%
Shares Outstanding (m)	2,094
Top Shareholder	OUE Healthcare Ltd. 32.2%

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	47.6	51.2
Distribution to unit holders	50.1	46.9	49.1
DPU (\$ cents)	2.36	2.23	2.32

Key ratios

	FY24	FY25E	FY26E
Distribution yield (%)	8.4	8.0	8.3
P/NAV (x)	0.98	1.00	1.02
NPI margin (%)	96.3	96.4	96.5
Aggregate leverage (%)	39.6	39.6	39.8

Source: Refinitiv, REIT Manager, Internal estimates

respectively, while the Singapore assets turned in 2% YoY rental growth to SGD2.23m. Correspondingly, distributable amount declined 4.8% YoY to SGD23.8m, and together with a larger unit base, this translated to a 5.8% dip in DPU to 1.13 Singapore cents. It also implies 2Q25 DPU of 0.55 Singapore cents, which is 5.2% lower quarter-on-quarter (QoQ). 1H25 DPU made up 48.8% of our initial full year forecast. While we deem this to be below our expectations, it was not entirely surprising given the volatility of the IDR in recent months. 2Q25 DPU is due to be paid out on 25 Sep 2025.

Results highlights

SGD m	1H24	1H25	% chg
Rental income	52.0	50.5	-2.9%
Net property income	50.3	48.9	-2.7%
Distributable amount	25.0	23.8	-4.8%
DPU (\$ cents)	1.20	1.13	-5.8%

Source: REIT Manager, Internal estimates

- Credit metrics remain stable** – In terms of capital management, First REIT's gearing nudged up another 0.5 percentage points (ppt) from 40.7% as at 31 Mar 2025 to 41.2% as at 30 Jun 2025, likely due to lower asset values on IDR depreciation, as well as debt drawn down for working capital purposes. All-in cost of debt crept up 10bps over the quarter to 4.8%, with 56.2% of debt on fixed rates or hedged. The REIT does not have any refinancing requirements until May 2026. Separately, rentals outstanding from Metropolis Propertindo Utama (MPU) stood at SGD7m as at 30 Jun 2025 (31 Mar 2025: SGD5.8m), and management continues to engage the tenant on this matter. MPU contributed to 5.7% of First REIT's 1H25 rental income.
- Maintain FV estimate of SGD0.27** – We finetune our assumptions, and our FY25 and FY26 DPU forecasts are scaled back by 3.8% and 3.2%, respectively. Our new FY25 DPU forecasts implies a stable quarterly distribution of 0.55 Singapore cents for the rest of FY25, though we caution that there could be downside risks from FX volatility. Management shared that First REIT has a hedging policy of up to 50% of foreign-sourced cash flows. Together with built-in annual rental escalations, these will help to REIT to mitigate FX fluctuations, though they will not ensure complete immunity. Our read through is that management is willing to increase its hedging ratio, but is also mindful of hedging costs. We also lower our cost of equity to 9.9% (previously 10.2%), as a lower risk-free rate input is partially offset by a higher risk premium assumption. As a result, our FV estimate remains unchanged at SGD0.27. However, we downgrade our rating to a HOLD given current tight valuations, and take a "wait and see" approach pending the outcome of the ongoing strategic review.

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.
- **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

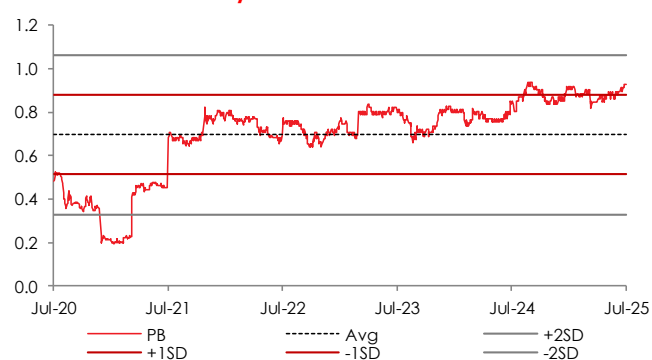
- Execution risks of implementing 2.0 Growth Strategy and rejuvenating portfolio
- Significant depreciation of IDR or JPY against SGD
- Tenant default

Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
PARKWAY LIFE REAL ESTATE INVESTMENT TRUST (PWLR.SI)	24.1	22.3	1.6	1.5	26.3	25.3	3.8	4.4	8.2	8.1
HEALTHCARE & MEDICAL INVESTMENT CORP (3455.T)	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

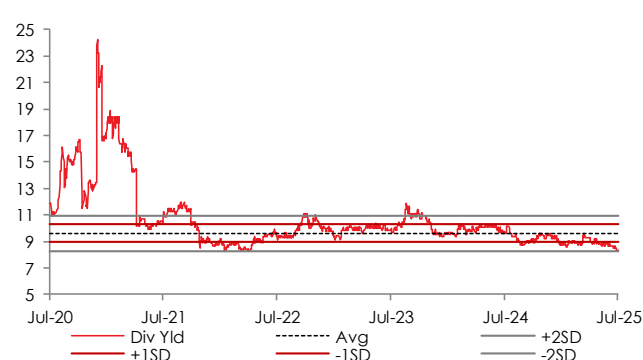
Source: Refinitiv

Historical Price/Book



Source: Refinitiv

Historical Distribution Yield



Source: Refinitiv

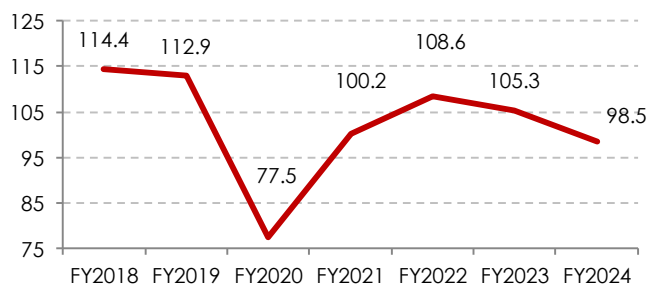
Company overview (as of 21 February 2025)

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.

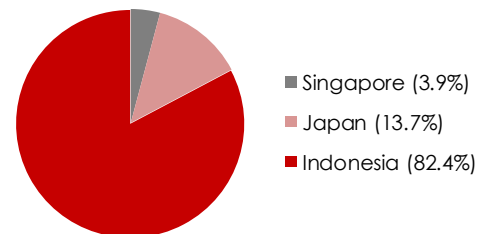
First REIT is managed by First REIT Management Limited, which is headquartered in Singapore. Its sponsors are OUE Limited and OUE Lippo Healthcare Limited, which hold a combined stake in First REIT of 45.2% as at 31 Dec 2024.

Net Property Income (SGD m)



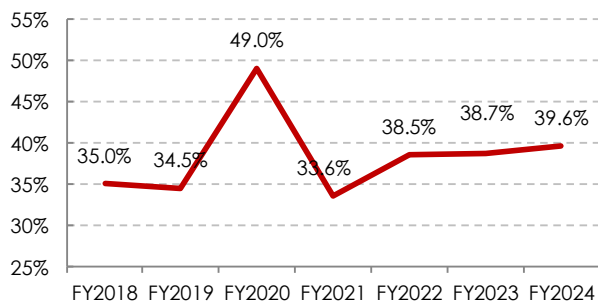
Source: REIT Manager

FY24 Rental Breakdown (by geography)



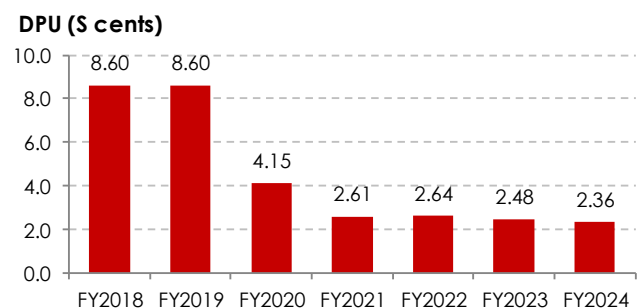
Source: REIT Manager

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
Revenue	79.6	102.3	111.3	108.6	102.2
- Cost of Revenue	12.0	11.6	13.5	13.7	13.8
Gross Profit	67.6	90.8	97.8	94.9	88.4
+ Other Operating Income		--	--	--	--
- Operating Expenses	4.3	1.0	2.2	1.0	1.2
Operating Income or Losses	63.4	89.8	95.7	93.9	87.2
- 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
Pretax Income	-358.2	75.8	52.0	78.2	50.6
- Income Tax Expense (Benefit)	-5.8	12.7	18.4	14.9	13.8
Income Before XO Items	-352.4	63.1	33.6	63.3	36.8
- Extraordinary Loss Net of Tax	--	--	--	--	--
- Minority/Non Controlling Interests (Credits)	--	--	--	--	--
Net Income/Net Profit (Losses)	-352.4	63.1	33.6	63.3	36.8
Net Inc Avail to Common Shareholders	-355.8	59.9	31.0	61.7	35.1
Abnormal Losses (Gains)	--	--	--	--	--
Tax Effect on Abnormal Items	--	--	--	--	--
Normalized Income	-352.4	62.2	34.0	63.3	36.8
Basic Earnings per Share	-0.4	0.0	0.0	0.0	0.0
Basic Weighted Avg Shares	882.9	1,499.4	1,981.6	2,067.9	2,086.2
Diluted EPS Before Abnormal Items	-0.4	0.0	0.0	0.0	0.0
Diluted EPS Before XO Items	-0.4	0.0	0.0	0.0	0.0
Diluted EPS	-0.4	0.0	0.0	0.0	0.0
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
Returns					
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
Margins					
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
Additional					
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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