



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Frasers Property Limited

Security: Frasers Property Limited

Meeting details:

Date: 29 January 2019

Time: 2.00 p.m.

Venue: Ballrooms I, II and III, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966

Company Description

Frasers Property Limited, a real estate company, owns, develops, and manages an integrated portfolio of properties. It operates through four business units: Singapore, Australia, Hospitality, and Europe and rest of Asia. The company's assets range from residential, retail, commercial, and business parks to industrial and logistics properties in Singapore, Australia, Europe, China, and Southeast Asia. Its hospitality business owns and/or operates serviced apartments, hotel residences, and boutique lifestyle hotels in approximately 80 cities across Asia, Australia, Europe, the Middle East, and Africa. The company also acts as a sponsor of four vehicles listed on the SGX-ST comprising three real estate investment Trusts, including Frasers Centrepoint Trust, Frasers Commercial Trust, and Frasers Logistics & Industrial Trust, focused on retail properties, office and business space properties and business parks, and logistics and industrial properties, as well as one stapled trust and Frasers Hospitality Trust focused on hospitality properties. The company was formerly known as Frasers Centrepoint Limited and changed its name to Frasers Property Limited in February 2018. Frasers Property Limited was incorporated in 1963 and is headquartered in Singapore. Frasers Property Limited is a subsidiary of TCC Assets Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=TQ5)

1. As noted in the Chairman’s statement, it was a milestone year for the group as it consolidated the group’s multi-national businesses under the “Frasers Property” brand. To facilitate the group in diversifying its business geographically and across asset classes, it has acquired platforms in the last two years. Some examples of acquisitions included:

- TICON Industrial Connection Public Company Limited
- Golden Land Property Development Public Company Limited
- Geneva Properties N.V.
- Alpha Industrial Holding SA

- (i) Given the fast pace of acquisitions of these platforms, has the integration been completed?**
- (ii) How did management ensure that the group retains its corporate culture and “DNA” as it expands to new geographies and adds on new teams?**
- (iii) Are there plans to further expand the group’s geographical reach to include North America?**

2. The “Recoverability of intangible assets” is a key audit matter (KAM) highlighted by the Independent Auditors in their Report on the Audit of the Financial Statements (page 180). Key audit matters are those matters that, in the professional judgement of the Independent Auditors, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 30 September 2018, the group has goodwill and other intangible assets comprising mainly brands and favorable leases with an aggregate carrying value of \$700.58 million (2017: \$763.14 million).

As seen in Note 16 (page 243 – Intangible assets), the group recognised \$577.5 million in goodwill and \$137.3 million in brands as at 30 September 2017.

- (i) As the group ventures into new markets and new asset classes through an acquisition strategy, what guidance has the board given to management to ensure that the acquisitions would be value-generative and that the group does not overpay to acquire assets/platforms?**
- (ii) How does management structure deals to mitigate the common problems associated with acquisitions, such as misgauging the strategic fit/value, overpaying?**

Following the finalisation of the purchase price allocation, currency re-alignment, new acquisitions of subsidiaries and the impairment of \$156.3 million, the net carrying value of goodwill and brands decreased to \$550.0 million and \$31.5 million respectively, as at 30 September 2018.

In particular, the group acquired a 100% stake in Malmaison Hotel du Vin group (“MHDV”) for a consideration of £363.4 million (approximately S\$760 million) in 2015. At the point of acquisition, MHDV owns and operates a portfolio of 29 boutique lifestyle hotels with 2,082 keys located in 25 key regional cities in the United Kingdom.

Due to the weakness in the F&B division of MHDV, the group recognised an impairment amounting to \$156.3 million relating to goodwill and brand valuation recognised during the acquisition of MHDV in FY2018.

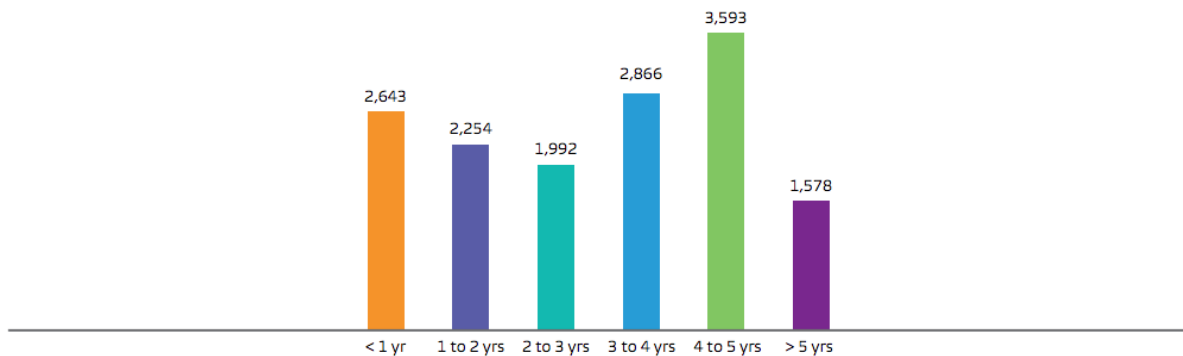
(iv) Can the board/management help shareholders understand the investment criteria it uses to evaluate investment opportunities?

3. On page 91 (Treasury Highlights), it was disclosed that the group aims to keep its net gearing to equity ratio between 80% and 100% in the medium term. As at 30 September 2018, the gearing ratio was 0.84, up from 0.71 as at 30 September 2017.

As shown in Note 34 (page 290 – Capital management), net borrowings increased from \$9.2 billion to \$12.3 billion.

The maturity profile is shown as follows (page 91):

Maturity Profile \$’m



(Source: Company annual report)

- (i) Given that the gearing ratio is at 0.84, how much headroom does the group have to support any further growth/acquisitions (if any)?**
- (ii) With net debt of \$12.3 billion, has the board evaluated the impact of rising interest rates on the group’s cash flow and profitability? The group currently has 78% of its loans under fixed rates (or swapped to fixed rates).**
- (iii) In addition, the group has to pay off or refinance \$2.0 billion to as much as \$3.6 billion in each of the next 5 years. As at 30 September 2018, the group has \$2.5 billion in unutilised banking facilities. Has the board evaluated the risk and the impact if the group should face difficulties refinancing in the event that the capital markets freeze or if there is a financial crisis?**



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A copy of the questions for the Annual Report for the financial year ended 30 September 2017 could be found here:

[https://sias.org.sg/qa-on-annual-reports/?company=Frasers%20Property%20Limited%20\(formerly%20known%20as%20Frasers%20Centre%20point%20Ltd\)](https://sias.org.sg/qa-on-annual-reports/?company=Frasers%20Property%20Limited%20(formerly%20known%20as%20Frasers%20Centre%20point%20Ltd))

The company's response could be found here: -----

