FOLKESTONE EDUCATION TRUST REPORTS 16 PER CENT HIGHER PROFIT FOR 1FY17, IN STRONG POSITION TO “DETERMINE WHAT THE FUTURE HOLDS”

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Folkestone Education Trust’s result for the first half of FY17 has vindicated the trust manager’s strategy of strategic location of its child care centres in high demographic, high-population growth areas resulting in a $47 million revaluation of its portfolio over that period and rental growth of 2.9 per cent, surprising analysts and investors with a better than expected performance.

The 99.5 per cent occupancy rate, the increase in the weighted average lease expiry (WALE) extending to 8.5 years from 8.2 years, and a growing development pipeline puts the trust in a strong position. In the words of CEO Nick Anagnostou to an investor teleconference after the result announcement, such position is "providing a solid outlook for FET."

The revaluation helped drive statutory profit in six months to $69.1 million, up 16 per cent from the previous corresponding period, and a 9.8 per cent increase in NTA to $2.35 per unit. Rental increases on 64 centres, a new centre coming online, plus FET’s ability to re-let three centres at a 28 per cent increase in rent, drove a 4.3 per cent increase in income to $56.1 million and a 10.6 per cent increase in distributable income to $18.7 million, or 7.1 cents per unit (cpu), on track to meet directors’ forecast of 14.2 cpu for the year.

With the settlement of another six development sites, FET's pipeline has grown to 22 sites. Petra Capital's Jonathan Kriska in his analysis of the result writes, "Assuming a yield on cost of 7.5 per cent, this implies the pipeline will generate FET an additional $16 million incremental rent … we maintain our BUY recommendation."

The trust was able to renegotiate the interest on its $223 million in drawn debt facilities ($44 million still undrawn) down by 60 bps to 4.3 per cent and gearing is roughly unchanged at 27.4 per cent, below the 30-40 per cent target range.

Of the 354 early learning centres revalued during the period, 54 were done by independent valuers as part of the trust's three-year rolling valuation cycle. The directors' valuations were based on the parameters drawn from the independent valuations. A further 12 valuations have been completed since 31 December.

"FET's income profile and lease terms allow for the more confident forecasting of FET's prospects, relative to the rollercoaster ride of many other investment classes," Anagnostou told analysts. "We expect land valuations to double every seven to 10 years and we're certainly seeing that coming through in terms of our valuation data. NTA has doubled over the last five and a half years and distributable income is up 67 per cent over the same period."

Canaccord Genuity's Cameron Bell described the result as "strong … with almost all financial and operating measures impressing."

source: http://www.my-property-report.com/articles/folkestone-education-trust-reports-16-per-cent-higher-profit-for-1fy17-in-strong-position-to-determi