

COMPANY UPDATE

Mapletree Logistics Trust (MLT SP)

Switching Emphasis To Redevelopment Projects

MLT has embarked on the redevelopment of 51 Benoi Road into a six-storey ramp-up logistics property with GFA of 865,000sf. It plans to amalgamate and redevelop two newly-acquired parcels of leasehold industrial properties and its existing Subang 3 and 4 properties at Subang Jaya, Selangor into a six-storey ramp-up logistics megahub with GFA of 1.4m sf. Unit price has corrected 25% from its recent peak and FY23 distribution yield has improved to 5.7%. Maintain BUY. Target price: S\$2.23.

WHAT'S NEW

- Strengthening portfolio through redevelopments.** It is a difficult environment to grow via acquisitions due to compressed capitalisation rates, higher interest rates and volatilities in the equity market. Thus, we expect Mapletree Logistics Trust (MLT) to place more emphasis on redevelopment projects in the near term:
 - 51 Benoi Road.** MLT has received approval from Jurong Town Corporation (JTC) to redevelop 51 Benoi Road into a six-storey ramp-up logistics property with modern specifications. The redevelopment will provide uplift to GFA by 2.3x to 80,360sqm (865,000sf). Existing tenants are being decanted and demolition is expected to commence in 3QFY23. The redevelopment is scheduled to complete by 4QFY25. Management estimated yield on cost at 6.2% based on total development cost at S\$232m. The property is located in close proximity to Joo Koon MRT station along the East-West Line and FairPrice Hub retail mall.
 - Developing the first modern ramp-up logistics property in Subang Jaya.** MLT has acquired two parcels of leasehold industrial properties at Subang Jaya, which are located next to its existing Subang 3 and 4 logistics properties, for RM65.6m (S\$21.2m). It plans to amalgamate the four industrial properties into a huge 492,000sf site to be redeveloped into a six-storey ramp-up megahub with 1.4m sf of logistics space, five times their current size. Management estimated yield on cost at 7% based on total investment cost of RM500m (S\$157m). The redevelopment will not contribute to income in the initial years and is expected to complete by 2027.
- Completed a small acquisition in Singapore.** MLT completed the acquisition of 9 Changi South Street 2, a four-storey temperature controlled warehouse with ancillary office, for S\$24.5m in Dec 21. MLT is in talks with an international third-party logistics player to be the anchor tenant at 9 Changi South Street 2. The newly-acquired 9 Changi South Street 2 is located adjacent to MLT's existing 15 Changi South Street 2.

PROPERTIES WITH REDEVELOPMENT POTENTIAL

Property Name	NLA (sqm)	Land Leasehold Tenure	Valuation As Of Dec 21
51 Benoi Road	31,032	30 + 30 (16 Apr 95)	S\$40.5m
Subang 3	8,376	99 years (30 Nov 90)	RM23.6m
Subang 4	4,518	99 years (13 Dec 06)	RM11.4m
Two parcels of industrial properties in Subang Jaya	n.a.	Remaining tenure of 66 years (Lot 20245) and 89 years (Lot 20246)	RM65.6m*
15 Changi South Street 2	19,694	25 + 30 (16 Oct 99)	S\$30.5m
9 Changi South Street 2	10,400	Remaining tenure of 33 years	S\$24.5m*

Source: MLT *Purchase price.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	561	679	772	781	788
EBITDA	435	503	577	584	590
Operating profit	435	503	577	584	590
Net profit (rep./act.)	450	767	389	392	396
Net profit (adj.)	269	179	389	392	396
EPU (S\$ cent)	7.3	4.5	8.8	8.2	8.2
DPU (S\$ cent)	7.9	8.6	9.2	9.2	9.3
PE (x)	22.1	35.8	18.3	19.7	19.6
P/B (x)	1.1	1.0	1.1	1.1	1.1
DPU Yld (%)	4.9	5.4	5.7	5.7	5.8
Net margin (%)	80.2	113.1	50.4	50.2	50.2
Net debt/(cash) to equity (%)	64.6	60.4	61.6	62.7	63.9
Interest cover (x)	6.2	5.4	5.3	5.1	5.1
ROE (%)	8.1	11.2	5.1	5.2	5.3
Consensus DPU (S\$ cent)	n.a.	n.a.	9.0	9.1	9.2
UOBKH/Consensus (x)	-	-	1.02	1.01	1.01

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.61
Target Price	S\$2.23
Upside	+38.5%
(Previous TP)	S\$2.08

COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 183 logistics properties with AUM of S\$13.1b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Mar 22.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	4,782.7
Market cap (S\$m):	7,700.2
Market cap (US\$m):	5,590.8
3-mth avg daily t'over (US\$m):	20.8

Price Performance (%)

52-week high/low	S\$2.15/S\$1.60			
1mth	3mth	6mth	1yr	YTD
(11.0)	(8.5)	(17.7)	(18.2)	(15.3)

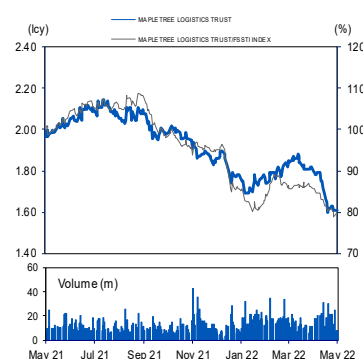
Major Shareholders

Mapletree Investments	31.7%
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FY23 NAV/Share (S\$) 1.47

FY23 Net Debt/Share (S\$) 0.98

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Continuing to focus on the Asia Pacific region.** MLT will pursue acquisitions of logistics properties in developed markets, such as Australia, South Korea and Japan, from third-party vendors. It will also explore opportunities to acquire logistics properties in Vietnam and India, tapping on pipeline from sponsor Mapletree Investments. Given that capitalisation rates are already compressed, management is open to acquiring logistics properties that have not stabilised (undertaking some leasing risks).
- Value creation through asset recycling.** Management intends to step up the pace of asset recycling. There could be opportunities to divest logistics properties at non-prime locations in Singapore, Malaysia, South Korea and Australia at attractive cap rates.
- Prudent capital management.** MLT's aggregate leverage is healthy at 36.8% as of Mar 22. Debt maturity is well-staggered with average debt maturity of 3.8 years. Average cost of debts was stable at 2.2%. 79% of MLT's total borrowings are hedged to fixed interest rates. Management estimated that every 25bp increase in base interest rates will result in decrease in distributable income of S\$0.65m and drop in DPU of 0.01 S cents.

STOCK IMPACT

- Leasing demand remains resilient** despite uncertainties created by the Russia-Ukraine war. MLT's logistics properties in Singapore benefit from growth from e-commerce and inventory stockpiling. In Hong Kong, it enjoys firm rental rates and high occupancies due to favourable demand-supply dynamics. Japan, South Korea and Australia provide stable income streams due to increased e-commerce penetration. Tenants in China have become more cautious due to slowdown in economic growth and negative impact from the zero tolerance policy to suppress outbreak of COVID-19.
- 4QFY22 results were above expectations.** MLT reported DPU of 2.268 S cents for 4QFY22 (+5.0% yoy). During the quarter, it completed the acquisition of 12 properties in China on 20 Jan 22 and three properties in Vietnam on 26 Jan 22. MLT recognised revaluation gains of S\$572m driven by logistics properties in Australia, Hong Kong and mainland China. NAV per unit increased 11.3% yoy to S\$1.48.
- Stable occupancies.** Portfolio occupancy declined 1.1ppt qoq to 96.7% in 4QFY22. Occupancy for Singapore eased 0.3ppt qoq to 97.8% as 51 Benoi Road was decanted in preparation for redevelopment. Excluding 51 Benoi Road, occupancy for Singapore was higher at 99%. Occupancy for China eased 2.8ppt qoq to 93.1% due to acquisition of 12 properties in Jan 22, which has lower occupancy of 91.1%.
- MLT maintained positive rent reversion of 2.9% in 4QFY22** (India: +5%, Vietnam: +4%, South Korea: +3.9%, China: +3.1%, Hong Kong: +2.9%, Malaysia: +2.7% and Singapore: +1.7%). Retention rate was healthy at 79%.

EARNINGS REVISION/RISK

- We raised our DPU forecast for FY23 and FY24 by 5% due to better-than-anticipated growth from China and Japan via acquisitions. We have factored in the increase in cost of debt from current 2.2% to 2.35% in FY24.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$2.23 is based on Dividend Discount Model (cost of equity: 6.0%, terminal growth: 2.0%).

SHARE PRICE CATALYST

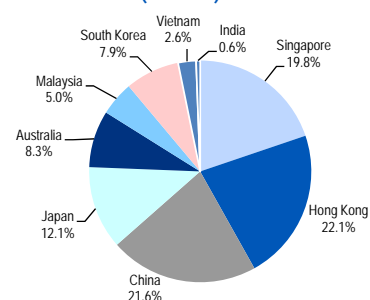
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce.
- Positive contributions from redevelopment projects.

KEY OPERATING METRICS

Key Metrics	1QFY22	2QFY22	3QFY22	4QFY22	yoy % Chg	qoq % Chg
DPU (S cents)	2.16	2.17	2.19	2.27	5.0%	3.8%
Occupancy	97.8%	97.8%	97.8%	96.7%	-0.8ppt	-1.1ppt
Aggregate Leverage	38.2%	38.2%	34.7%	36.8%	-1.6ppt	2.1ppt
Weighted Financing Cost	2.2%	2.2%	2.2%	2.2%	0ppt	0ppt
% Borrowing in Fixed Rates	75.0%	76.0%	79.0%	79.0%	4ppt	0ppt
WALE by NLA (years)	3.8	3.7	3.6	3.5	-0.1yrs	-0.1yrs
Debt Maturity (years)	3.7	3.6	3.5	3.8	0yrs	0.3yrs
Rental Reversions	2.2%	2.4%	2.5%	2.9%	0.5ppt	0.4ppt
Portfolio Value (S\$m)	10,700	10,800	11,500	13,100	21.3%	13.9%

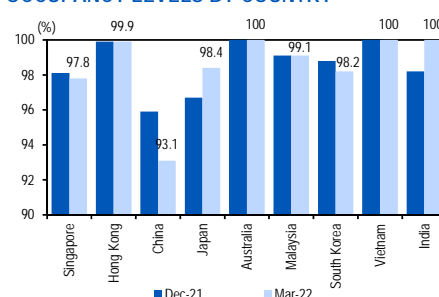
Source: MLT

AUM BY COUNTRY (MAR 22)



Source: MLT

OCCUPANCY LEVELS BY COUNTRY



Source: MLT

51 BENOI ROAD



Source: MLT

15 CHANGI SOUTH STREET 2



Source: MLT

PROFIT & LOSS

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Net turnover	678.6	772.2	781.0	787.7
EBITDA	503.3	577.1	584.5	590.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	503.3	577.1	584.5	590.1
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(92.9)	(109.9)	(114.1)	(115.5)
Pre-tax profit	998.5	467.2	470.4	474.5
Tax	(210.3)	(55.6)	(56.0)	(56.5)
Minorities	(1.3)	(1.0)	(0.8)	(0.8)
Preferred dividends	(19.5)	(21.5)	(21.5)	(21.5)
Net profit	767.5	389.2	392.1	395.8
Net profit (adj.)	179.3	389.2	392.1	395.8

CASH FLOW

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Operating	493.9	614.4	526.9	531.2
Pre-tax profit	405.6	463.2	466.4	470.5
Working capital changes	(2.6)	84.7	3.5	2.6
Other operating cashflows	91.0	66.5	57.0	58.0
Investing	(1,622.2)	(98.8)	0.0	0.0
Capex (growth)	0.0	(98.8)	0.0	0.0
Capex (maintenance)	(1,619.4)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(2.8)	0.0	0.0	0.0
Financing	1,180.0	(697.1)	(519.9)	(525.1)
Distribution to unitholders	(375.3)	(441.4)	(444.3)	(448.1)
Issue of shares	692.8	0.0	0.0	0.0
Proceeds from borrowings	987.9	(124.4)	60.0	60.0
Others/interest paid	(125.4)	(131.3)	(135.6)	(137.0)
Net cash inflow (outflow)	51.7	(181.5)	7.0	6.1
Beginning cash & cash equivalent	280.8	338.6	157.1	164.1
Changes due to forex impact	6.2	0.0	0.0	0.0
Ending cash & cash equivalent	338.6	157.1	164.1	170.2

BALANCE SHEET

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Fixed assets	13,100.3	13,199.1	13,199.1	13,199.1
Other LT assets	84.6	84.6	84.6	84.6
Cash/ST investment	338.6	157.1	164.1	170.2
Other current assets	166.4	111.2	112.4	113.3
Total assets	13,689.8	13,552.0	13,560.2	13,567.2
ST debt	533.9	533.9	533.9	533.9
Other current liabilities	369.4	412.0	416.4	419.7
LT debt	4,424.4	4,300.0	4,360.0	4,420.0
Other LT liabilities	692.4	692.4	692.4	692.4
Shareholders' equity	7,650.8	7,594.8	7,538.6	7,482.3
Minority interest	18.9	18.9	18.9	18.9
Total liabilities & equity	13,689.8	13,552.0	13,560.2	13,567.2

KEY METRICS

Year to 31 Mar (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	74.2	74.7	74.8	74.9
Pre-tax margin	147.2	60.5	60.2	60.2
Net margin	113.1	50.4	50.2	50.2
ROA	6.2	2.9	2.9	2.9
ROE	11.2	5.1	5.2	5.3
Growth				
Turnover	20.9	13.8	1.1	0.9
EBITDA	15.7	14.7	1.3	1.0
Pre-tax profit	75.3	(53.2)	0.7	0.9
Net profit	70.6	(49.3)	0.8	0.9
Net profit (adj.)	(33.4)	117.0	0.8	0.9
EPU	(38.2)	95.4	(6.9)	0.5
Leverage				
Debt to total capital	39.3	38.8	39.3	39.8
Debt to equity	64.8	63.6	64.9	66.2
Net debt/(cash) to equity	60.4	61.6	62.7	63.9
Interest cover (x)	5.4	5.3	5.1	5.1

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