

COMPANY RESULTS

Mapletree Logistics Trust (MLT SP)

3QFY22: Switching Focus To Redevelopment Projects

MLT's 3QFY22 results were within our expectations with portfolio occupancy stable at 97.8% and positive rental reversion of +2.5%. It completed three acquisitions worth S\$612.9m in 9MFY22 and another 17 properties in Malaysia (1), China (13) and Vietnam (3) worth S\$1,144.8m in 4QFY22. MLT will pursue acquisitions of logistics properties that have not stabilised and redevelopment projects. Upgrade to BUY as FY23 distribution yield has hit 5.1% after the recent correction. Target price: S\$2.08.

3QFY22 RESULTS

Year to 31 Mar (S\$m)	3Q FY22	yoy % chg	Remarks
Gross Revenue	166.9	+19.3	
Net Property Income	146.4	+17.4	Included partial distribution of divestment gains from Waigaoqiao Logistics
Distributable income	96.7	+14.5	Park of S\$1.8m.
DPU (S cent)	2.185	+5.8	Number of units increased 9.2% yoy.

Source: MLT, UOB Kay Hian

RESULTS

- Mapletree Logistics Trust (MLT) reported DPU of 2.185 S cents (+5.8% yoy) for 3QFY22, which is in line with expectations. 3QFY22 and 3QFY21 DPU included partial distribution of divestment gains of S\$1.8m and S\$4.7m respectively. Excluding these divestment gains, 3QFY22 DPU would have increased 10% yoy.
- Growth from existing properties and accretive acquisitions.** Gross revenue and net property income (NPI) grew 19.3% and 17.4% yoy respectively in 3QFY22 due to higher revenue from existing properties, accretive acquisitions completed in FY21 and FY22, and less rental rebates granted to eligible tenants.
- Portfolio occupancy was unchanged at 97.8%** with marginally higher occupancy for Hong Kong, Japan and South Korea, offset by lower occupancy in Malaysia. Australia and Vietnam maintained full occupancy of 100%. MLT continues to focus on ensuring tenant retention and working closely with tenants to support their operations.
- MLT achieved average rental reversion of 2.5%** in 3QFY22 (Vietnam: +4%, Malaysia: +3%, Japan: +3%, South Korea: +3%, Hong Kong: +2.9%, China: +2.8% and Singapore: +1.5%). Retention rate was healthy at 79%.
- Successfully completed fund raising to finance acquisitions.** MLT issued new 3.725% perpetual securities of S\$400m and redeemed existing 4.18% perpetual securities of S\$250m due for reset. It has also raised S\$693m through a private placement and preferential offering completed in Nov 21. Its aggregate leverage is low at 34.7% as of Dec 21. MLT's aggregate leverage is expected to increase to 39.1% after the completion of the proposed acquisitions of 16 properties in China and Vietnam. 79% of MLT's total debt has been hedged into fixed rates.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	491	561	647	725	731
EBITDA	373	435	489	549	554
Operating profit	373	435	489	549	554
Net profit (rep./act.)	382	450	334	373	376
Net profit (adj.)	245	269	334	373	376
EPU (S\$ cent)	7.2	7.2	8.3	8.5	7.9
DPU (S\$ cent)	8.1	8.3	8.4	8.6	8.6
PE (x)	23.3	23.3	20.4	20.0	21.5
P/B (x)	1.3	1.1	1.1	1.2	1.3
DPU Yld (%)	4.8	4.9	5.0	5.1	5.1
Net margin (%)	77.8	80.2	51.7	51.5	51.4
Net debt/(cash) to equity (%)	65.4	64.6	66.2	66.9	67.9
Interest cover (x)	5.8	6.2	5.5	5.2	5.1
ROE (%)	7.9	8.1	5.1	5.4	5.4
Consensus DPU (S\$ cent)	n.a.	n.a.	8.7	8.9	9.0
UOBKH/Consensus (x)	-	-	0.97	0.97	0.96

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	S\$1.69
Target Price	S\$2.08
Upside	+23.1%

COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 167 logistics properties with AUM of S\$11.5b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Dec 21.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	4,672.1
Market cap (S\$m):	7,895.9
Market cap (US\$m):	5,816.1
3-mth avg daily t'over (US\$m):	17.1

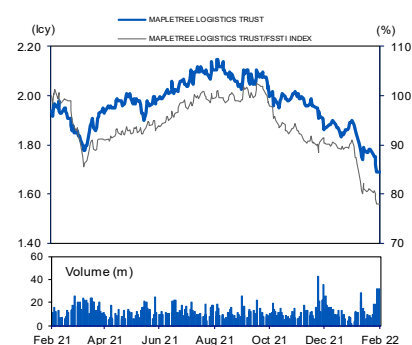
Price Performance (%)

52-week high/low	S\$2.15/S\$1.69			
1mth	3mth	6mth	1yr	YTD
(9.6)	(15.8)	(19.4)	(13.7)	(11.1)

Major Shareholders

Mapletree Investments	31.7
FY22 NAV/Share (S\$)	1.52
FY22 Net Debt/Share (S\$)	1.08

PRICE CHART



Source: Bloomberg

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- **Prudent capital management.** Average cost of debts was stable at 2.2%. MLT has sufficient committed credit facilities of S\$1,403m to refinance debts of S\$270m (7% of total borrowings) due in 2HFY22. Its average debt maturity is healthy at 3.5 years.

STOCK IMPACT

- **Pursuing strategic acquisitions and redevelopment projects.** Given that cap rates for logistics properties are already compressed, management is pursuing acquisitions of logistics properties that have not stabilised (undertake some leasing risks). MLT will embark on redevelopment projects by amalgamating adjacent sites.
- **Strengthening portfolio through redevelopments.** MLT will evaluate the feasibility of two redevelopment projects:
 - a) 9 Changi South Street 2 (recently acquired) and 15 Changi South Street 2 could be amalgamated and redeveloped into a larger ramp-up logistics property.
 - b) Redevelopment of 51 Benoi Road into a six-storey ramp-up logistics property with modern specifications.
- **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 Japan at attractive cap rates.

EARNINGS REVISION/RISK

- Our FY23F DPU forecast is relatively unchanged as positive impact from the acquisition of 17 modern Grade-A logistics properties in China, Vietnam and Japan to be largely completed by Jan 21 was offset by a mild increase in cost of debt.

VALUATION/RECOMMENDATION

- **Upgrade to BUY** as MLT has corrected 21% from the recent peak of S\$2.15 in early-August and FY23 distribution yield has reached 5.1%. Our target price of S\$2.08 is based on Dividend Discount Model (cost of equity: 6.0%, terminal growth: 2.0%).

SHARE PRICE CATALYST

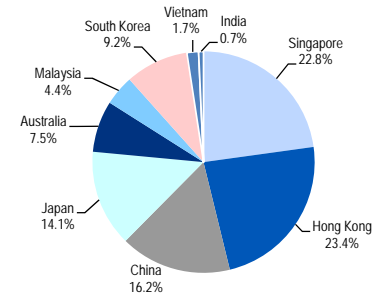
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce.
- Positive contributions from redevelopment projects.

KEY OPERATING METRICS

Key Metrics	1QFY22	2QFY22	3QFY22	yoy % Chg	qoq % Chg
DPU (S cents)	2.16	2.17	2.19	5.8%	0.6%
Occupancy	97.8%	97.8%	97.8%	0.7ppt	0ppt
Aggregate Leverage	38.2%	38.2%	34.7%	-2.1ppt	-3.5ppt
Weighted Financing Cost	2.2%	2.2%	2.2%	0ppt	0ppt
% Borrowing in Fixed Rates	75.0%	76.0%	79.0%	0ppt	3ppt
WALE by NLA (years)	3.8	3.7	3.6	-0.1yrs	-0.1yrs
Debt Maturity (years)	3.7	3.6	3.5	-0.3yrs	-0.1yrs
Rental Reversions	2.2%	2.4%	2.5%	0.9ppt	0.1ppt
Portfolio Value (S\$m)	10,700	10,800	11,500	12.7%	6.5%

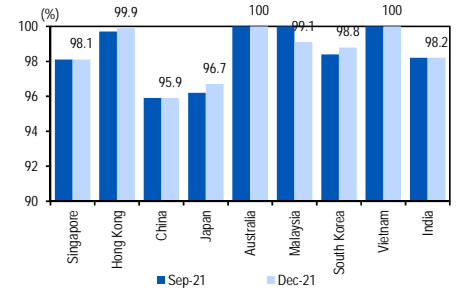
Source: MLT

GEOGRAPHICAL DIVERSIFICATION BY AUM (DEC 21)



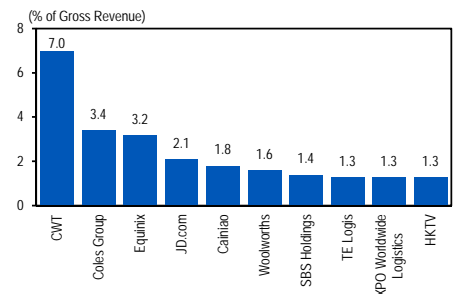
Source: MLT

OCCUPANCY LEVELS BY COUNTRY



Source: MLT

TOP 10 TENANTS BY GROSS REVENUE (DEC 21)



Source: MLT

15 CHANGI SOUTH STREET 2



Source: MLT

PROFIT & LOSS

Year to 31 Mar (\$m)	2021	2022F	2023F	2024F
Net turnover	561.1	647.4	725.0	731.2
EBITDA	434.9	488.8	548.9	554.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	434.9	488.8	548.9	554.1
Associate contributions	24.3	0.0	0.0	0.0
Net interest income/(expense)	(70.1)	(88.5)	(105.1)	(107.6)
Pre-tax profit	569.7	400.3	443.8	446.5
Tax	(101.7)	(47.6)	(52.8)	(53.1)
Minorities	(1.1)	(1.3)	(0.8)	(0.8)
Preferred dividends	(17.0)	(17.0)	(17.0)	(17.0)
Net profit	449.9	334.4	373.2	375.6
Net profit (adj.)	269.4	334.4	373.2	375.6

BALANCE SHEET

Year to 31 Mar (\$m)	2021	2022F	2023F	2024F
Fixed assets	10,816.9	12,284.4	12,284.4	12,284.4
Other LT assets	17.4	17.4	17.4	17.4
Cash/ST investment	280.8	232.6	249.6	239.9
Other current assets	89.6	82.6	92.1	92.9
Total assets	11,204.7	12,617.0	12,643.5	12,634.6
ST debt	161.2	161.2	161.2	161.2
Other current liabilities	313.7	261.3	288.9	291.1
LT debt	4,064.9	4,680.0	4,720.0	4,750.0
Other LT liabilities	545.7	545.7	545.7	545.7
Shareholders' equity	6,111.2	6,960.7	6,919.7	6,878.5
Minority interest	8.0	8.0	8.0	8.0
Total liabilities & equity	11,204.7	12,617.0	12,643.5	12,634.6

CASH FLOW

Year to 31 Mar (\$m)	2021	2022F	2023F	2024F
Operating	446.6	(187.3)	509.4	497.7
Pre-tax profit	385.2	396.3	439.8	442.5
Working capital changes	78.0	(56.1)	20.2	1.6
Other operating cashflows	(16.6)	(527.4)	49.4	53.6
Investing	(1,270.4)	0.0	0.0	0.0
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(1,271.4)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	1.0	0.0	0.0	0.0
Financing	950.0	139.6	(492.4)	(507.4)
Distribution to unitholders	(318.3)	(370.0)	(410.3)	(412.7)
Issue of shares	644.1	0.0	0.0	0.0
Proceeds from borrowings	749.6	615.1	40.0	30.0
Others/interest paid	(125.3)	(105.6)	(122.1)	(124.7)
Net cash inflow (outflow)	126.3	(47.7)	17.0	(9.7)
Beginning cash & cash equivalent	151.2	280.3	232.6	249.6
Changes due to forex impact	2.8	0.0	0.0	0.0
Ending cash & cash equivalent	280.3	232.6	249.6	239.9

KEY METRICS

Year to 31 Mar (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	77.5	75.5	75.7	75.8
Pre-tax margin	101.5	61.8	61.2	61.1
Net margin	80.2	51.7	51.5	51.4
ROA	4.4	2.8	3.0	3.0
ROE	8.1	5.1	5.4	5.4
Growth				
Turnover	14.3	15.4	12.0	0.9
EBITDA	16.5	12.4	12.3	1.0
Pre-tax profit	26.4	(29.7)	10.9	0.6
Net profit	17.8	(25.7)	11.6	0.6
Net profit (adj.)	9.9	24.1	11.6	0.6
EPU	0.1	14.1	2.4	(7.1)
Leverage				
Debt to total capital	40.9	41.0	41.3	41.6
Debt to equity	69.2	69.6	70.5	71.4
Net debt/(cash) to equity	64.6	66.2	66.9	67.9
Interest cover (x)	6.2	5.5	5.2	5.1

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