

COMPANY RESULTS

Mapletree Industrial Trust (MINT SP)

4QFY22: Tactical Pause For Renewal And Rejuvenation

4QFY22 DPU grew 5.8% yoy, driven by the acquisition of 29 data centres in North America. Outlook is positive as growth in power-constrained markets, such as Silicon Valley and Northern Virginia, is likely to spill over to other markets within the US. MINT is likely to pursue the acquisition of the remaining 50% stake in the second data centre JV with Mapletree Investments in FY24. MINT provides attractive FY23 distribution yield of 5.4% (KDCREIT: 5.0%). Maintain BUY. Target price: S\$3.65.

4QFY22 RESULTS

Year to 31 Mar (\$m)	4Q FY22	yoy % chg	Remarks
Gross Revenue	164.1	+35.5	Contributions from acquisition of 29 US data centres.
Net Property Income (NPI)	124.2	+35.3	
Distributions Declared from JVs	7.3	+19.6	Contribution from 2nd data centre JV.
Distributable Income	90.3	+27.7	Released tax-exempt income of S\$7.1m in 4QFY21.
DPU (cents)	3.49	+5.8	Number of units increased 13.8% yoy.

Source: MINT, UOB Kay Hian

RESULTS

- Mapletree Industrial Trust (MINT) reported DPU of 3.49 S cents (+5.8% yoy) for 4QFY22, which is in line with our expectations.
- Accelerated growth from acquisitions of data centres in North America.** Gross revenue and NPI grew 35.5% and 35.3% yoy respectively in 4QFY22 driven by the acquisition of 29 US data centres completed on 22 Jul 21.
- Occupancies improved in Singapore.** Portfolio occupancy edged higher by 0.4ppt qoq to 94% in 4QFY22. Occupancy for its Singapore portfolio improved by 0.7ppt qoq to 94.4%, driven by Business Park Buildings (+0.3ppt qoq to 83.3%) and Flatted Factories (+1.6ppt qoq to 93.6%). Occupancy for data centres was stable at 93.9%.
- Second consecutive quarter of positive rent reversion.** Management estimates positive rental reversion at 1.1% in 4QFY22. Leases were renewed at slightly higher rental rates for Hi-tech Buildings at S\$2.49psf/month (+2%) and Flatted Factories at S\$1.72psf/month (+0.6%). Retention rate was healthy at 83.9%. Gross rental rate for its Singapore portfolio was stable at S\$2.13psf/month.
- Data centres gain prominence.** MINT recognised gain in fair value of its investment properties of S\$87m driven by data centres in North America due to compression of capitalisation rate. Thus, data centres has grown and accounted for 54.1% of its AUM. NAV per unit increased 12% yoy to S\$1.86.
- Completed divestment of 19 Changi South Street 1.** MINT has completed the divestment of 19 Changi South Street 1, a two-storey light industrial building with a foyer-storey extension block, for S\$13m on 21 Apr 22. The property has 30-year land lease commencing from 16 Nov 96 with an option to extend for another 30 years. The sale price is higher than valuation of S\$11.9m and purchase price of S\$12.4m.

KEY FINANCIALS

Year to 31 Mar (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	447	610	670	694	704
EBITDA	309	409	441	455	462
Operating profit	309	409	441	455	462
Net profit (rep./act.)	164	433	363	373	384
Net profit (adj.)	268	416	363	373	384
EPU (S\$ cent)	11.6	16.1	13.7	14.0	14.4
DPU (S\$ cent)	12.6	13.8	13.5	13.8	14.2
PE (x)	21.8	15.7	18.4	18.0	17.5
P/B (x)	1.5	1.3	1.3	1.3	1.3
DPU Yld (%)	5.0	5.5	5.4	5.5	5.7
Net margin (%)	36.8	71.0	54.2	53.7	54.5
Net debt/(cash) to equity (%)	47.4	45.6	50.0	49.7	49.6
Interest cover (x)	5.9	5.8	5.1	4.8	4.9
ROE (%)	4.4	9.4	6.9	7.1	7.3
Consensus DPU (S\$ cent)	n.a.	n.a.	14.1	14.4	14.8
UOBKH/Consensus (x)	-	-	0.96	0.96	0.96

Source: Mapletree Industrial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.52
Target Price	S\$3.65
Upside	+44.8%
(Previous TP)	S\$3.72

COMPANY DESCRIPTION

MINT invests in a diversified portfolio of income-producing real estate used primarily for industrial purposes in Singapore and income-producing real estate used primarily as data centres worldwide beyond Singapore.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MINT SP
Shares issued (m):	2,676.6
Market cap (\$m):	6,744.9
Market cap (US\$m):	4,871.7
3-mth avg daily t'over (US\$m):	12.7

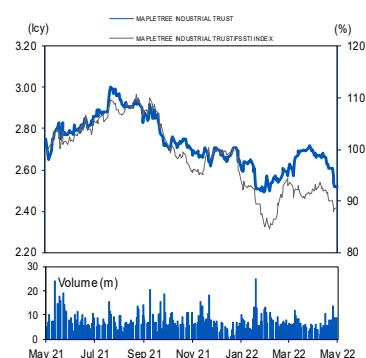
Price Performance (%)

52-week high/low	S\$3.00/S\$2.49			
1mth	3mth	6mth	1yr	YTD
(7.0)	0.0	(7.4)	(9.4)	(7.0)

Major Shareholders

Temasek Hldgs	29.0
FY23 NAV/Share (S\$)	1.87
FY23 Net Debt/Share (S\$)	0.99

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Strong balance sheet.** Aggregate leverage eased marginally by 1.5ppt qoq to 38.4% in 4QFY22 due to the revaluation gains. Interest coverage ratio remains healthy at 5.7x. Its weighted average tenor of debt is 3.8 years and only 13.3% of its total borrowings are due for refinancing in FY23. 70.5% of its total borrowings are hedged to fixed interest rates. Management estimated that every 50bp increase in average all-in cost of debt has a negative impact on DPU of 0.13 S cents.

STOCK IMPACT

- **Uncertainties from higher inflation.** Management sees headwinds from rising energy prices and supply chain disruptions causing higher and more broad-based inflation. Inflation could ease in 2H22 as developed countries respond with tightened monetary policy and supply chain disruptions ease.
- **Positive outlook for data centres.** According to CBRE, average asking rental rates in primary data centre markets in North America dipped 0.4% in 2021, while rental rates in secondary markets dipped 2.0%. Inventory bottlenecks are likely to trigger rental rate increases as demand grows in power-constrained markets, such as Silicon Valley and Northern Virginia.
- **Pursuing more growth through acquisitions of data centres.** MINT has the right of first refusal from the sponsor Mapletree Investments to acquire the remaining 50% stake in their second data centre JV Mapletree Rosewood Data Centre Trust (MRODCT), which owns 13 data centres in the US. MINT is likely to pursue the acquisition in FY24 given the anticipated volatilities in financial markets in FY23.
- **Negative impact from higher cost of electricity.** Triple net leases accounted for all leases for data centres in Singapore and 90% of leases for data centres in North America (increase in cost of electricity less dramatic due to diversified sources of energy). Thus, higher cost of electricity does not have material impact on MINT's portfolio of data centres. MINT's multi-tenant buildings in Singapore are affected by higher cost of electricity. Management estimated that operating expenses would increase by S\$10m-12m if the cost of electricity increases by 2-3x from the current S\$0.15 per kWh to S\$0.40-0.45 per kWh.
- **Redeveloping the Kolam Ayer 2 Cluster.** MINT commenced construction for the redevelopment of the Kolam Ayer 2 Flatted Factory into a high-tech industrial precinct in Nov 20, which will raise its plot ratio to 2.5x (previously: 1.5x) and increase its GFA to 865,600sf (+71%). It has secured pre-commitment from an anchor tenant (global medical device company headquartered in Germany) for the built-to-suit facility on a 15+5+5 year term, which accounts for 24.4% of the enlarged GFA.
- Completion of the 163 & 165 Kallang Way and 161 Kallang Way redevelopments are expected in 2H22 and 1H23 respectively. Construction costs have increased 14% to S\$300m due to the COVID-19 pandemic but management remains confident in achieving yield on costs of >7%.
- **Healthy take-up for DRP.** Take-up for MINT's dividend reinvestment plan (DRP) was healthy at 42.5% for 3QFY22 distribution. The DRP applies to 4QFY22 DPU of 3.49 S cents. The issue price for new units is set at 1% discount to the 10-day volume-weighted average traded unit price on the record date. The DRP will help MINT to gradually lower its aggregate leverage and also finance progressive payments for development projects.

EARNINGS REVISION/RISK

- We trim our FY23 DPU forecast by 3% due to higher cost of debt and cost of electricity.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$3.65 based on DDM (cost of equity: 5.75%, terminal growth: 2.0%).

SHARE PRICE CATALYST

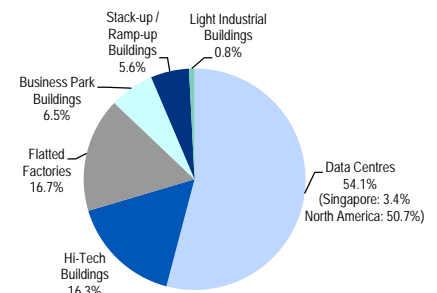
- Growth from datacentres located in Singapore and North America.
- Acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments.

KEY OPERATING METRICS - MINT

	1QFY22	2QFY22	3QFY22	4QFY22	yoy % Chg	qoq % Chg
DPU (S cents)	3.35	3.47	3.49	3.49	5.8%	0.0%
Occupancy	94.3%	93.7%	93.6%	94.0%	0.3ppt	0.4ppt
Aggregate Leverage	31.0%	39.6%	39.9%	38.4%	-1.9ppt	-1.5ppt
Average Cost of Debt	2.7%	2.4%	2.3%	2.4%	-0.4ppt	0.1ppt
% Borrowings in Fixed Rates	95.8%	57.7%	79.7%	70.5%	-6.3ppt	-9.2ppt
WALE by Gross Rental (years)	3.7	4.3	4.2	4.1	0.1yrs	-0.1yrs
Average Debt Maturity (years)	2.8	2.9	3.5	3.8	0.2yrs	0.3yrs
Passing Rents (S\$psf pm)	2.13	2.13	2.13	2.13	3.9%	0.0%
Tenant Retention	81.8%	80.1%	84.0%	83.9%	-1.8ppt	-0.1ppt

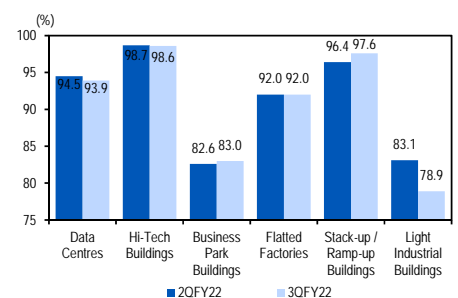
Source: MINT, UOB Kay Hian

PORTFOLIO BREAKDOWN BY AUM (MAR 22)



Source: MINT

SEGMENTAL OCCUPANCY RATES

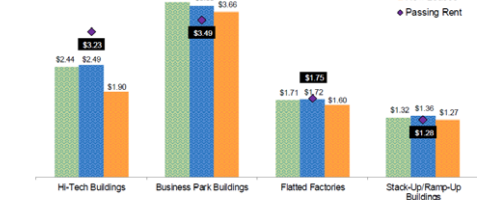


Source: MINT

RENTAL REVISIONS (SINGAPORE)

GROSS RENTAL RATE (S\$ PSF/MTH)

For Period 4QFY21/22

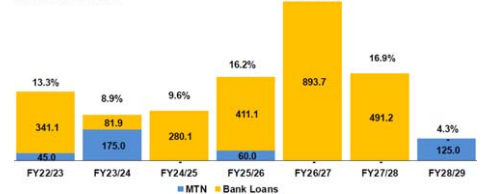


Category	Renewal Leases	New Leases
Hi-Tech Buildings	10 Leases (23,779 sq ft)	8 Leases (10,181 sq ft)
Business Park Buildings	6 Leases (23,100 sq ft)	13 Leases (63,404 sq ft)
Flatted Factories	83 Leases (352,553 sq ft)	81 Leases (248,733 sq ft)
Stack-Up/Ramp-Up Buildings	9 Leases (105,950 sq ft)	4 Leases (80,310 sq ft)

Source: MINT

DEBT MATURITY PROFILE

Amounts in S\$ million



Source: MINT

PROFIT & LOSS

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Net turnover	610.1	670.0	694.5	704.3
EBITDA	408.6	441.1	454.8	461.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	408.6	441.1	454.8	461.9
Associate contributions	116.3	30.0	33.6	37.4
Net interest income/(expense)	(70.8)	(86.3)	(94.2)	(94.2)
Pre-tax profit	471.7	384.8	394.2	405.1
Tax	(30.2)	(12.0)	(12.0)	(12.0)
Minorities	0.0	0.0	0.0	0.0
Preferred dividends	(8.4)	(9.5)	(9.5)	(9.5)
Net profit	433.1	363.4	372.7	383.7
Net profit (adj.)	415.6	363.4	372.7	383.7

BALANCE SHEET

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Fixed assets	7,674.2	7,924.5	7,924.5	7,924.5
Other LT assets	626.3	627.1	627.9	628.7
Cash/ST investment	149.6	143.2	153.1	159.1
Other current assets	29.8	36.0	37.2	37.7
Total assets	8,480.0	8,730.8	8,742.7	8,750.0
ST debt	2.9	2.9	2.9	2.9
Other current liabilities	532.3	545.8	551.5	553.8
LT debt	2,552.3	2,780.0	2,780.0	2,780.0
Other LT liabilities	113.6	119.0	121.0	121.8
Shareholders' equity	5,278.9	5,283.2	5,287.3	5,291.5
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	8,480.0	8,730.8	8,742.7	8,750.0

CASH FLOW

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Operating	497.1	437.0	447.9	452.3
Pre-tax profit	424.0	372.8	382.2	393.1
Associates	(116.3)	(30.0)	(33.6)	(37.4)
Working capital changes	33.2	7.3	4.5	1.8
Non-cash items	0.9	0.6	0.6	0.6
Other operating cashflows	155.3	86.3	94.2	94.2
Investing	(1,754.5)	(139.0)	(10.0)	(10.0)
Capex (growth)	(1,902.9)	(139.0)	(10.0)	(10.0)
Proceeds from sale of assets	122.4	0.0	0.0	0.0
Others	25.9	0.0	0.0	0.0
Financing	1,346.6	(304.4)	(428.0)	(436.3)
Distribution to unitholders	(306.1)	(359.1)	(368.5)	(379.5)
Issue of shares	810.3	0.0	0.0	0.0
Proceeds from borrowings	926.0	227.7	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(83.6)	(173.0)	(59.5)	(56.8)
Net cash inflow (outflow)	89.1	(6.4)	9.9	6.0
Beginning cash & cash equivalent	60.5	149.6	143.2	153.1
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	149.6	143.2	153.1	159.1

KEY METRICS

Year to 31 Mar (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	67.0	65.8	65.5	65.6
Pre-tax margin	77.3	57.4	56.8	57.5
Net margin	71.0	54.2	53.7	54.5
ROA	5.8	4.2	4.3	4.4
ROE	9.4	6.9	7.1	7.3
Growth				
Turnover	36.4	9.8	3.7	1.4
EBITDA	32.2	8.0	3.1	1.6
Pre-tax profit	138.4	(18.4)	2.4	2.8
Net profit	163.3	(16.1)	2.6	2.9
Net profit (adj.)	55.1	(12.6)	2.6	2.9
EPU	39.0	(15.1)	2.5	2.9
Leverage				
Debt to total capital	32.6	34.5	34.5	34.5
Debt to equity	48.4	52.7	52.6	52.6
Net debt/(cash) to equity	45.6	50.0	49.7	49.6
Interest cover (x)	5.8	5.1	4.8	4.9

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