

COMPANY UPDATE

Mapletree Industrial Trust (MINT SP)

Expansion In Japan Supported By Asset Cycling In Singapore

MINT has successfully expanded to Japan's data centre market. It plans to recycle assets in Singapore through divestment of business park and light industrial buildings to finance the enlargement of scale in Japan. MINT is close to securing a replacement tenant for its data centre at Brentwood, Tennessee when AT&T's lease expires in Nov 23. MINT provides FY24 distribution yield of 6.1% (DCREIT: 7.3% and KDCREIT: 4.9%). **Maintain BUY. Target price: S\$2.76.**

WHAT'S NEW

- **Strategic diversification to Japan's data centre market.** Mapletree Industrial Trust (MINT) is acquiring an effective interest of 98.5% in a newly-built data centre in Osaka, Japan for ¥52.0b (S\$507.9m). The multi-storey data centre is in close proximity to the prime central business district in downtown Osaka. Japan will account for 5.5% of its portfolio valuation after the acquisition. The data centre provides NPI yield of 4%. The acquisition is estimated to be accretive to pro forma FY23 DPU by 2.1% and is expected to be completed in 3Q23.
- The fully-fitted data centre is fully leased to an established data centre operator with a weighted average lease to expiry (WALE) of 20 years. MINT's portfolio WALE weighted by gross rental income is expected to increase from 3.9 years to 4.5 years. The property has NLA of 136,900sf and a 70-year land lease commencing from 1 Oct 20.
- **On the lookout for acquisition of data centres.** Data centres in Japan provide positive yield spread with cap rates of 3-4%. 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. It is also keen to acquire high-tech, R&D and life science properties.
- **Asset recycling.** MINT is exploring the feasibility of recycling assets in Singapore to finance its expansion for data centres in Japan:
 - Three business park properties at International Business Park (The Strategy and The Synergy) and Changi Business Park (The Signature). Valuation for the three business park properties is S\$543m in aggregate as of Mar 23.
 - Three light industrial buildings valued at S\$53m in aggregate as of Mar 23.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	610	685	707	734	748
EBITDA	409	451	464	483	493
Operating profit	409	451	464	483	493
Net profit (rep./act.)	433	282	374	393	406
Net profit (adj.)	416	388	374	393	406
EPU (S\$ cent)	16.1	14.6	13.6	14.3	14.7
DPU (S\$ cent)	13.8	13.6	13.4	14.2	14.6
PE (x)	13.6	15.0	16.2	15.4	14.9
P/B (x)	1.2	1.1	1.2	1.2	1.2
DPU Yld (%)	6.3	6.2	6.1	6.5	6.7
Net margin (%)	71.0	41.1	52.8	53.6	54.3
Net debt/(cash) to equity (%)	45.6	47.6	47.4	47.2	47.1
Interest cover (x)	5.8	4.6	4.6	4.7	4.8
ROE (%)	9.4	5.3	6.9	7.3	7.5
Consensus DPU (S\$ cent)	n.a.	n.a.	13.3	13.8	14.1
UOBKH/Consensus (x)	-	-	1.01	1.03	1.04

Source: Mapletree Industrial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.19
Target Price	S\$2.76
Upside	+26.0%
(Previous TP)	S\$2.74

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):	2,832.9
Market cap (S\$m):	6,204.0
Market cap (US\$m):	4,540.1
3-mth avg daily t'over (US\$m):	7.1

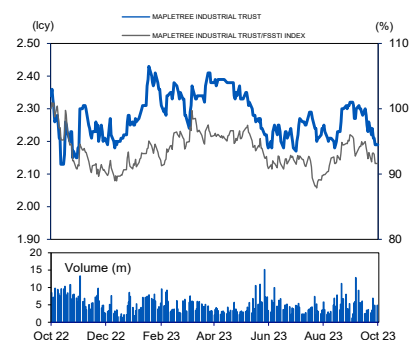
Price Performance (%)

52-week high/low	S\$2.43/S\$2.13			
1mth	3mth	6mth	1yr	YTD
(5.2)	(0.5)	(8.0)	(9.1)	(1.4)

Major Shareholders

Temasek Hldgs	27.3
FY24 NAV/Share (S\$)	1.84
FY24 Net Debt/Share (S\$)	0.92

PRICE CHART



Source: Bloomberg

ANALYST(S)

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BUSINESS PARK BUILDINGS

PROPERTY	LOCATION	REMAINING TERM OF LEASE (YEARS)	NLA (SF)	VALUATION (\$M)	KEY TENANTS	FY23 GROSS REVENUE (\$M)	AVERAGE OCCUPANCY RATE (%)
The Signature	Changi Business Park	45	343,433	141.7	Huawei	13.6	83.3
The Strategy	International Business Park	45	571,981	279.7	International Dell Global and Becton Dickinson	24.2	91.5
The Synergy	International Business Park	45	282,392	121.9	Lapcorp Development (Asia)	10.0	80.2
Total			1,197,806	543.3		47.8	86.5

Source: MINT

LIGHT INDUSTRIAL BUILDINGS

PROPERTY	REMAINING TERM OF LEASE (YEARS)	NLA (SF)	VALUATION (\$M)	FY23 GROSS REVENUE (\$M)	AVERAGE OCCUPANCY RATE (%)
2A Changi North Street 2	38	65,478	10.9	0.7	86.9
26 Woodlands Loop	32	149,096	25.3	2.6	99.8
45 Ubi Road 1	30	123,339	17.0	2.5	100.0
Total		337,913	53.2	5.8	96.3

Source: MINT

- **Backfilling data centre at Brentwood, Tennessee.** AT&T currently occupies three data centres located at Pewaukee, Brentwood and San Diego. The three data centres have NLA of 1.0m sf, representing 14% of total NLA for MINT's US data centre portfolio (excluding its second data centre JV with sponsor Mapletree Investments). MINT is in advanced negotiations with a potential replacement tenant for its data centre at Brentwood, Tennessee with NLA of 347,515sf (expiry: Nov 23). The new tenant intends to sign a long-term lease for the entire data centre with rental escalation.

DATA CENTRES LEASED BY AT&T

PROPERTY	CITY	STATE	NLA (SF)	VALUATION (US\$M)	FY23 GROSS REVENUE (US\$M)	LEASE EXPIRY
N15W24250 Riverwood Drive	Pewaukee	Wisconsin	142,952	50.6	5.3	Sep 23
402 Franklin Road	Brentwood	Tennessee	347,515	112.0	11.8	Nov 23
7337 Trade Street	San Diego	California	499,402	188.0	16.6	Dec 24
Total			989,869	361.7	33.6	

Source: MINT

- **Optimising cost of borrowings with debt in Japanese yen.** Aggregate leverage increased 0.8ppt qoq to 38.2%. MINT issued two series of notes, ¥6.5b of 1.686% fixed rate notes due 2035 (tenure: 12 years) and ¥10.0b of 1.85% fixed rate notes due 2038 (tenure: 15 years), to fund the acquisition of a data centre in Osaka, Japan (equity: 40%, debt: 60%). Average all-in funding cost was unchanged at 3.5% in 1QFY24. Management expects the funding in Japanese yen to cut all-in funding cost by 20-30bp.

STOCK IMPACT

- **Increasing geographical diversification while adding depth to data centres.** We like MINT's ongoing expansion to acquire data centres in Japan coupled with asset recycling in Singapore, which brings MINT closer to being a pure play on data centres. Tapping on funding in JPY will also reduce its cost of debt.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

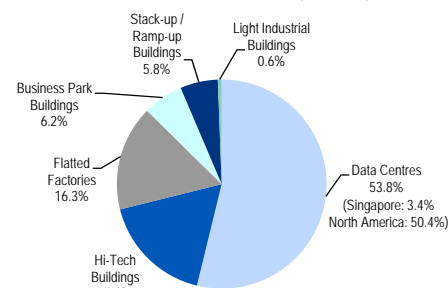
VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.76 is based on DDM (cost of equity: 7.25%, terminal growth: 2.2%).

SHARE PRICE CATALYST

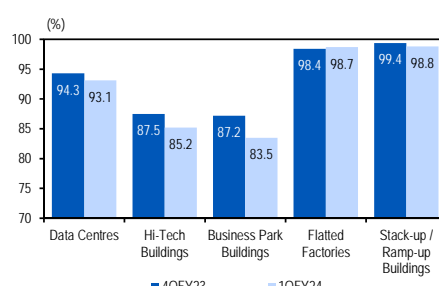
- Growth from data centres located in Singapore and North America.
- Acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments.

PORTFOLIO VALUATION BY AUM (JUN 23)



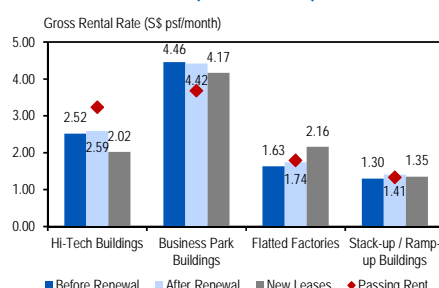
Source: MINT

SEGMENTAL OCCUPANCY RATES



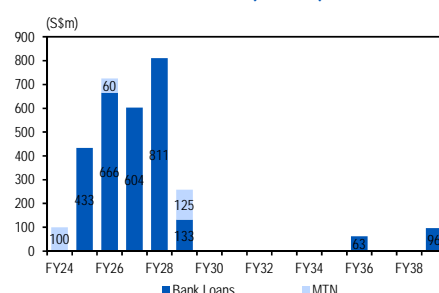
Source: MINT

RENTAL REVISIONS (SINGAPORE)



Source: MINT

DEBT MATURITY PROFILE (JUN 23)



Source: MINT

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	684.9	707.3	733.7	748.0
EBITDA	450.6	464.0	482.9	493.2
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	450.6	464.0	482.9	493.2
Associate contributions	67.9	33.1	35.7	38.4
Net interest income/(expense)	(96.9)	(101.5)	(102.9)	(102.9)
Pre-tax profit	315.1	395.6	415.7	428.6
Tax	(23.9)	(12.6)	(12.8)	(12.8)
Minorities	0.0	0.0	0.0	0.0
Preferred dividends	(9.5)	(9.5)	(9.5)	(9.5)
Net profit	281.7	373.6	393.5	406.4
Net profit (adj.)	388.2	373.6	393.5	406.4

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	7,658.7	7,658.7	7,658.7	7,658.7
Other LT assets	709.1	709.9	710.7	711.5
Cash/ST investment	146.6	154.3	163.4	169.2
Other current assets	32.4	40.3	41.6	42.3
Total assets	8,546.8	8,563.3	8,574.4	8,581.7
ST debt	0.2	0.2	0.2	0.2
Other current liabilities	338.0	343.9	350.1	353.4
LT debt	2,705.0	2,705.0	2,705.0	2,705.0
Other LT liabilities	127.7	135.4	137.5	138.7
Shareholders' equity	5,375.9	5,378.8	5,381.6	5,384.4
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	8,546.8	8,563.3	8,574.4	8,581.7

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	448.1	450.0	475.6	483.6
Pre-tax profit	397.6	383.0	402.9	415.8
Associates	(67.9)	(33.1)	(35.7)	(38.4)
Working capital changes	16.1	(2.0)	4.8	2.6
Non-cash items	1.0	0.6	0.6	0.6
Other operating cashflows	101.2	101.5	102.9	102.9
Investing	(100.6)	(10.0)	(10.0)	(10.0)
Capex (growth)	(155.0)	(10.0)	(10.0)	(10.0)
Proceeds from sale of assets	26.1	0.0	0.0	0.0
Others	28.3	0.0	0.0	0.0
Financing	(350.5)	(432.3)	(456.5)	(467.8)
Distribution to unitholders	(225.1)	(370.7)	(390.7)	(403.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(24.4)	0.0	0.0	0.0
Others/interest paid	(101.0)	(61.6)	(65.9)	(64.2)
Net cash inflow (outflow)	(3.0)	7.7	9.0	5.8
Beginning cash & cash equivalent	149.6	146.6	154.3	163.4
Changes due to forex impact	(0.0)	0.0	0.0	0.0
Ending cash & cash equivalent	146.6	154.3	163.4	169.2

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	65.8	65.6	65.8	65.9
Pre-tax margin	46.0	55.9	56.7	57.3
Net margin	41.1	52.8	53.6	54.3
ROA	3.3	4.4	4.6	4.7
ROE	5.3	6.9	7.3	7.5
Growth				
Turnover	12.3	3.3	3.7	2.0
EBITDA	10.3	3.0	4.1	2.1
Pre-tax profit	(33.2)	25.6	5.1	3.1
Net profit	(35.0)	32.6	5.3	3.3
Net profit (adj.)	(6.6)	(3.8)	5.3	3.3
EPU	(9.4)	(7.1)	5.2	3.2
Leverage				
Debt to total capital	33.5	33.5	33.5	33.4
Debt to equity	50.3	50.3	50.3	50.2
Net debt/(cash) to equity	47.6	47.4	47.2	47.1
Interest cover (x)	4.6	4.6	4.7	4.8

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