

COMPANY RESULTS

Mapletree Logistics Trust (MLT SP)

3QFY24: Weathering Near-term Headwinds From China

3QFY24 results was a mixed bag. MLT generated healthy rental reversions of 3.8% driven by Singapore, Australia and South Korea, despite the drag from China. Portfolio occupancy slipped 1.0ppt qoq to 95.9% due to non-renewals at older specifications properties in Singapore and Hong Kong. Management cautioned that weakness for China could persist for the next 6-12 months. MLT provides FY25 distribution yield of 5.3% (FLT: 6.5%). Maintain BUY. Target price: S\$1.98.

3QFY24 RESULTS

Year to 31 Mar (\$m)	3Q FY24	yoy % chg	Remarks
Gross Revenue	184.0	+2.1	Affected by depreciation of CNY, JPY, MYR and KRW against the SGD.
Net Property Income (NPI)	159.5	+1.5	
Distributable income	112.2	+4.8	Includes distribution of divestment gains of S\$12.4m.
DPU (S cent)	2.253	+1.2	Number of units increased 4.8% yoy.

Source: MLT, UOB Kay Hian

RESULTS

- Mapletree Logistics Trust (MLT) reported DPU of 2.253 S cents for 3QFY24 (+1.2% yoy), which is above our expectation. The results included distribution of divestment gains of S\$12.4m.
- Held back by strong Singapore dollar.** Gross revenue and NPI grew 2.1% and 1.5% yoy respectively in 3QFY24 with higher contribution from existing properties in Singapore and contributions from acquisitions in Japan, South Korea and Australia completed in 1QFY24. The results were weighted down by depreciation of the Chinese yuan (-4% yoy), Japanese yen (-8% yoy), Malaysian ringgit (-6% yoy) and South Korean won (-4% yoy) against the Singapore dollar. On a constant currency basis, gross revenue and NPI would have grown by a stronger 4.8% and 4.1% yoy respectively.
- Portfolio occupancy eased 1.0ppt qoq to 95.9% in 3QFY24.** MLT saw lower occupancy of 96.7% for Singapore (-1.7ppt qoq) and 95.6% for Hong Kong (-3.2ppt qoq) due to lease expiries at older specifications logistics properties slated for divestments. Occupancy for Malaysia declined 3.2ppt qoq to 96.5% after MLT repossessed vacant space to be backfilled by 4QFY24. Australia, India and Vietnam maintained full occupancy.
- Strong reversions from Singapore and Australia cushioned negative impact from China.** MLT achieved positive rental reversions of 3.8% on a group-wide basis in 3QFY24 (Singapore: 9.1%, Australia: 7.5%, Vietnam: 5.1%, South Korea: 3.6% and China: -9.4%). In China, Tier 1 cities saw positive rental reversion of 2% but Tier 2 cities suffered with negative reversion of 17%. Excluding China, MLT clocked positive rental reversion of 6.2%. Management expects weaknesses from China to persist for another 6-12 months.

KEY FINANCIALS

Year to 31 Mar (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	679	731	736	738	752
EBITDA	503	512	522	545	557
Operating profit	503	512	522	545	557
Net profit (rep./act.)	767	550	330	322	327
Net profit (adj.)	179	279	299	322	327
EPU (S\$ cent)	4.5	6.3	6.2	6.5	6.6
DPU (S\$ cent)	8.8	9.0	8.9	8.2	8.2
PE (x)	34.7	24.8	25.1	24.0	23.8
P/B (x)	0.9	1.1	1.1	1.1	1.2
DPU Yld (%)	5.6	5.8	5.7	5.3	5.3
Net margin (%)	113.1	75.3	44.8	43.7	43.5
Net debt/(cash) to equity (%)	60.4	60.9	66.1	69.5	71.5
Interest cover (x)	5.4	4.2	3.9	3.6	3.5
ROE (%)	11.2	7.3	4.4	4.3	4.4
Consensus DPU (S\$ cent)	n.a.	n.a.	8.8	8.7	8.8
UOBKH/Consensus (x)	-	-	1.01	0.94	0.93

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.56
Target Price	S\$1.98
Upside	+26.9%
(Previous TP)	S\$1.94

COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 187 logistics properties with AUM of S\$13.3b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Dec 23.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	4,981.9
Market cap (S\$m):	7,771.7
Market cap (US\$m):	5,800.6
3-mth avg daily t'over (US\$m):	14.6

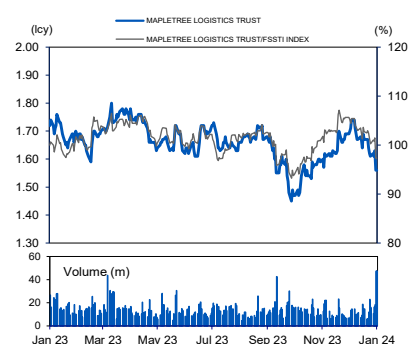
Price Performance (%)

52-week high/low	S\$1.80/S\$1.45			
1mth	3mth	6mth	1yr	YTD
(7.7)	6.1	(8.8)	(7.7)	(10.3)

Major Shareholders

Temasek Hldgs	33.0%
FY24 NAV/Share (S\$)	1.44
FY24 Net Debt/Share (S\$)	1.03

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Prudent capital management.** Aggregate leverage was stable at 38.8% as of Dec 23. Proceeds from the divestment of properties in Malaysia and Singapore and cash retained via the Distribution Reinvestment Plan were utilised to repay higher-cost loans. Average cost of debt was maintained at 2.5% in 3QFY24. Borrowing costs are expected to rise as expiring interest rate swaps are replaced at higher interest rates. Management expects cost of debt to reach 2.7% by 4QFY24 and 2.9% by 4QFY25.

STOCK IMPACT

• **Stability from geographical diversification.** Outlook is clouded by geopolitical uncertainties and tight financial conditions. Rental rates across most of MLT's markets are expected to remain stable despite economic slowdown. Unfortunately, rental reversion in China is likely to remain negative in the near term.

• **Repositioning towards modern logistics properties near population centres.** MLT will focus on rejuvenating its portfolio towards modern and high-specs logistics properties. Management intends to expand in growth markets, such as Malaysia, Vietnam and India. Hong Kong and Japan are attractive due to tight supply, especially at prime locations. Australia and South Korea have experienced cap rate expansion but capital values remain elevated. MLT has just deepened its presence in India with the proposed acquisition of a modern Grade A warehouse in Farukhnagar, Delhi for Rs900m (S\$14.5m). The property is fully leased to one of the largest third-party logistics players in India for eight years.

• **Acquisitions primarily funded by divestments.** MLT will divest properties with older specifications and limited redevelopment potential. It has executed eight divestments worth S\$207m in 9MFY24 at an average premium of 13% above valuation (Singapore: 2, Malaysia: 5 and Japan: 1).

• **Consumer confidence remains weak in China.** Consumer spending is weighted down by negative wealth effect caused by falling prices in the residential property market and stock market. Management expects demand to be soft over 6-12 months. Management expects negative rental reversion at high single digits to low teens. Occupancy was stable at 93.1% 3QFY24 (Tier 1: 91% versus Tier 2: 93%).

EARNINGS REVISION/RISK

• We raised our FY25 DPU forecast by 2% after factoring in higher distribution of divestment gains as MLT steps up its divestments.

VALUATION/RECOMMENDATION

• **Maintain BUY.** Our target price of S\$1.98 is based on the Dividend Discount Model (cost of equity: 6.75%, terminal growth: 2.8%).

SHARE PRICE CATALYST

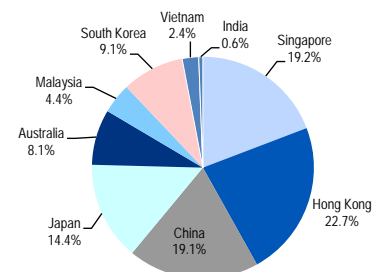
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce.
- Positive contributions from redevelopment projects in Singapore and Malaysia.

KEY OPERATING METRICS

Key Metrics	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	yoy % Chg	qoq % Chg
DPU (S cents)	2.227	2.268	2.271	2.268	2.253	1.2%	-0.7%
Occupancy	96.9%	97.0%	97.1%	96.9%	95.9%	-1ppt	-1ppt
Aggregate Leverage	37.4%	36.8%	39.50%	38.90%	38.80%	1.4ppt	-0.1ppt
Weighted Financing Cost	2.6%	2.7%	2.50%	2.50%	2.50%	-0.1ppt	0ppt
% Borrowing in Fixed Rates	83%	84%	82.0%	83.0%	83.0%	0ppt	0ppt
WALE by NLA (years)	3.2	3.1	3.1	3.0	2.9	-0.3yrs	-0.1yrs
Debt Maturity (years)	3.6	3.8	3.8	3.8	3.7	0.1yrs	-0.1yrs
Rental Reversions	2.9%	3.1%	4.2%	0.2%	3.8%	0.9ppt	3.6ppt

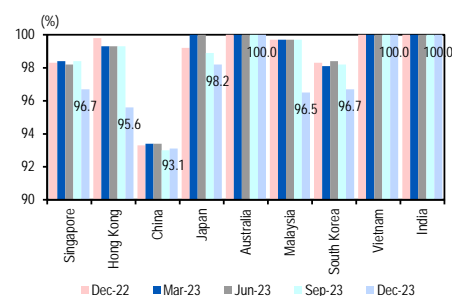
Source: MLT

AUM BY COUNTRY (DEC 23)



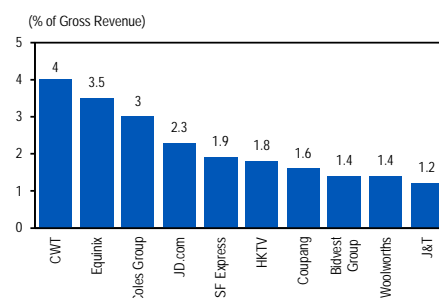
Source: MLT

OCCUPANCY LEVELS BY COUNTRY



Source: MLT

TOP 10 TENANTS BY GROSS REVENUE



Source: MLT

51 BENOI ROAD



Source: MLT

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	730.6	736.3	737.8	752.4
EBITDA	512.0	521.7	544.5	556.6
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	512.0	521.7	544.5	556.6
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(122.3)	(134.0)	(153.0)	(160.3)
Pre-tax profit	661.2	419.2	391.5	396.3
Tax	(88.4)	(63.1)	(46.5)	(47.1)
Minorities	(1.0)	(2.4)	(1.4)	(0.8)
Preferred dividends	(21.5)	(23.7)	(21.5)	(21.5)
Net profit	550.3	330.0	322.1	327.0
Net profit (adj.)	278.8	298.5	322.1	327.0

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	609.7	1,205.5	493.8	509.9
Pre-tax profit	385.9	383.1	387.5	392.3
Working capital changes	34.9	34.9	0.6	5.8
Other operating cashflows	189.0	787.4	105.6	111.8
Investing	(230.7)	(998.3)	(100.0)	0.0
Capex (growth)	(221.2)	(1,013.6)	(100.0)	0.0
Capex (maintenance)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	21.7	15.3	0.0	0.0
Others	(31.3)	0.0	0.0	0.0
Financing	(386.2)	(185.3)	(383.4)	(505.3)
Distribution to unitholders	(431.7)	(440.3)	(409.0)	(413.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	205.0	414.8	200.0	90.0
Others/interest paid	(159.5)	(159.8)	(174.5)	(181.7)
Net cash inflow (outflow)	(7.1)	21.8	10.3	4.6
Beginning cash & cash equivalent	338.6	302.5	324.3	334.6
Changes due to forex impact	(29.0)	0.0	0.0	0.0
Ending cash & cash equivalent	302.5	324.3	334.6	339.2

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	12,754.5	13,253.0	13,353.0	13,353.0
Other LT assets	201.9	185.6	185.6	185.6
Cash/ST investment	302.5	324.3	334.6	339.2
Other current assets	164.3	138.9	139.1	141.1
Total assets	13,423.2	13,901.8	14,012.3	14,018.9
ST debt	374.1	462.2	462.2	462.2
Other current liabilities	335.7	392.6	393.4	400.6
LT debt	4,503.3	4,830.0	5,030.0	5,120.0
Other LT liabilities	687.7	682.3	682.3	682.3
Shareholders' equity	7,508.4	7,512.5	7,422.3	7,331.6
Minority interest	14.0	22.2	22.2	22.2
Total liabilities & equity	13,423.2	13,901.8	14,012.3	14,018.9

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	70.1	70.8	73.8	74.0
Pre-tax margin	90.5	56.9	53.1	52.7
Net margin	75.3	44.8	43.7	43.5
ROA	4.1	2.4	2.3	2.3
ROE	7.3	4.4	4.3	4.4
Growth				
Turnover	7.7	0.8	0.2	2.0
EBITDA	1.7	1.9	4.4	2.2
Pre-tax profit	(33.8)	(36.6)	(6.6)	1.2
Net profit	(28.3)	(40.0)	(2.4)	1.5
Net profit (adj.)	55.5	7.1	7.9	1.5
EPU	40.0	(1.1)	4.4	0.8
Leverage				
Debt to total capital	39.3	41.3	42.5	43.2
Debt to equity	65.0	70.4	74.0	76.1
Net debt/(cash) to equity	60.9	66.1	69.5	71.5
Interest cover (x)	4.2	3.9	3.6	3.5

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