

# Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

23 Apr 2019

## Mapletree Industrial Trust (MINT SP): **BUY**

**Mkt. Cap:** US\$3,096m | **3m Avg. Daily Val:** US\$6.8m

**Last Traded Price ( 22 Apr 2019):** S\$2.08

**Price Target 12-mth:** S\$2.30 (10% upside)

### Analyst

Derek TAN +65 6682 3716; derektan@db.com  
Carmen Tay +65 6682 3719; carmentay@db.com  
Mervin SONG, CFA +65 6682 3715 mervinsong@db.com

### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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### Well-timed acquisitions drive earnings to new record

- 4QFY19 DPU of 3.08Scts in line with expectations
- Occupancy rates improving on the back of Manager's defensive strategy
- Development of data-center at 7 Tai Seng to drive earnings in the medium term
- Comfortable gearing level to undertake acquisitions

#### Forecasts and Valuation

FY Mar (S\$m)	2018A	2019A	2020F	2021F
Gross Revenue	363	376	404	418
Net Property Inc	278	288	305	316
Total Return	301	271	244	253
Distribution Inc	216	232	249	257
EPU (S cts)	12.5	12.5	12.1	12.5
EPU Gth (%)	12	0	(4)	4
DPU (S cts)	11.7	12.2	12.3	12.7
DPU Gth (%)	3	3	1	3
NAV per shr (S cts)	153	151	151	150
PE (X)	16.7	16.6	17.2	16.6
Distribution Yield (%)	5.6	5.8	5.9	6.1
P/NAV (x)	1.4	1.4	1.4	1.4
Aggregate Leverage (%)	30.3	30.6	30.7	30.8
ROAE (%)	8.8	8.2	8.0	8.3

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

### What's New

#### Mapletree Industrial Trust (MINT): 4QFY19 earnings hit another record; benefiting from well-timed acquisitions.

- In a series of well-timed acquisitions and development completions, MINT delivered another record quarterly DPU of 3.08 Scts in 4QFY19, which was against all odds given competition from supply. Topline and net property income grew by 9.3% and 11.7% to S\$98.8m and S\$75.9m respectively. Main contributors to the stronger performance came from (i) new contribution from 18 Tai Seng, acquired during the quarter, (ii) stronger physical occupancy at 30A Kallang Place (c.86% in 4Q18), (iii) completion of Mapletree Sunview 1. These more than offset the lower occupancies at the flatted factories and stack-up/ramp-up properties.
- On a full year basis, revenues and net property income grew by 3.5% and 3.7% respectively, to S\$376.1m and S\$287.8m.
- Interest costs in 4QFY19 increased by 12% y-o-y on the back of an expanded portfolio while interest rate was stable at 3.0% (vs 2.9% in 4QFY18).
- Net profit from associates increased 17.9% y-o-y to S\$3.7m but fair value gains increased at a more moderate pace in 4QFY19.
- As a result, distributable income grew by 8.0% y-o-y to S\$59.9m; DPU increased by a smaller 4.4% due to an enlarged share base.

#### (+) Operational metrics: Occupancy rates holding up.

- Portfolio occupancy rates increased to 90.2% (Singapore: 89.8% in 4QFY19; 87.7% in 3QFY19) while occupancy rates in the US remained stable at 97.4%. The improved occupancy rates came from Hi-Tech Buildings as the physical occupancy rates for 30A Kallang Place increased significantly to c.86% vs c.39%



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a quarter ago. Committed occupancy rates continued to improve, reaching c.93%.

- Occupancy at its business parks dipped q-o-q from 81.5% to 79.4%, mainly due to a return of space at The Strategy but we understand that MINT has completed its rationalisation exercise at the property.
- Occupancy rates improved marginally at the Flatted Factories (87.9% in 4QFY19; 86.4% in 3QFY19) and Stack-Up/Ramp-Up buildings (91.6% in 4QFY19; 88.9% in 3QFY19).

### (-) Rental reversions were mixed.

- Reversions remained mixed as expected, with most industrial sub-segments recording flattish or slight negative rental reversions in the quarter, but reversion at Stack-Up/Ramp-Up buildings was slightly higher.

### (+) Balance sheet metrics strong; more headroom for acquisitions.

- The Singapore portfolio recorded a net fair value gain of S\$30.8m. The overall value of the portfolio increased by S\$428m due to inclusion of 18 Tai Seng and capitalised cost from the ongoing construction of 7 Tai Seng.
- NAV increased marginally to S\$1.51 as a result.
- Gearing increased slightly to c.33% but is still within Manager's comfortable level, and provides the REIT with financial flexibility to undertake more acquisitions.
- The Manager announced that the dividend reinvestment plan is in place for 4QFY19, but will be discontinued thereafter.

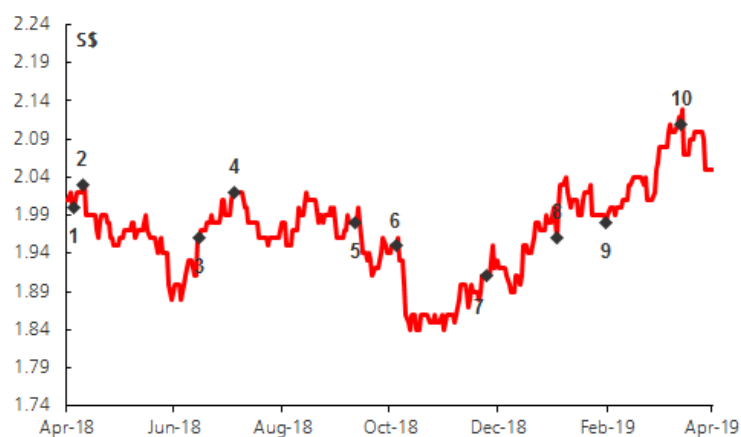
## Quarterly / Interim Income Statement (S\$m)

FY Mar	4Q2018	3Q2019	4Q2019	% chg yoy	% chg qoq
Gross revenue	90.4	93.6	98.8	9.3	5.6
Property expenses	(22.5)	(21.7)	(23.0)	2.0	5.9
Net Property Income	67.9	71.9	75.9	11.7	5.5
Other Operating expenses	(7.7)	(8.4)	(8.6)	11.0	1.5
Other Non Opg (Exp)/Inc	0.02	0.0	(0.1)	nm	nm
Net Interest (Exp)/Inc	(8.3)	(10.0)	(10.3)	(24.3)	(3.3)
Exceptional Gain/(Loss)	0.0	(0.1)	0.0	-	nm
<b>Net Income</b>	<b>72.9</b>	<b>57.5</b>	<b>70.0</b>	<b>(4.0)</b>	<b>21.9</b>
Tax	0.0	0.0	0.0	-	-
Minority Interest	0.0	0.0	0.0	-	-
<b>Net Income after Tax</b>	<b>72.9</b>	<b>57.5</b>	<b>70.0</b>	<b>(3.9)</b>	<b>21.9</b>
Total Return	138	57.5	101	(27.2)	75.4
Non-tax deductible Items	(82.9)	0.80	(40.9)	(50.7)	nm
Net Inc available for Dist.	55.5	58.3	59.9	8.0	2.9
<b>Ratio (%)</b>					
Net Prop Inc Margin	75.1	76.8	76.8		
Dist. Payout Ratio	100.0	100.0	100.0		

Source of all data: Company, DBS Bank

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### Target Price & Ratings History



**Note:** Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Derek TAN

Carmen Tay

Mervin SONG, CFA

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

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*Share price appreciation + dividends*

Completed Date: 23 Apr 2019 07:55:21 (SGT)

Dissemination Date: 23 Apr 2019 08:53:04 (SGT)

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**Flash Note****DBS Regional Research Offices**

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**HONG KONG****DBS (Hong Kong) Ltd**

Contact: Carol Wu  
13th Floor One Island East,  
18 Westlands Road,  
Quarry Bay, Hong Kong  
Tel: 852 3668 4181  
Fax: 852 2521 1812  
e-mail: dbsvhk@dbs.com

**THAILAND****DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul  
989 Siam Piwat Tower Building,  
9th, 14th-15th Floor  
Rama 1 Road, Pathumwan,  
Bangkok Thailand 10330  
Tel. 66 2 857 7831  
Fax: 66 2 658 1269  
e-mail: research@th.dbs.com  
Company Regn. No 0105539127012  
Securities and Exchange Commission, Thailand

**MALAYSIA****AllianceDBS Research Sdn Bhd**

Contact: Wong Ming Tek (128540 U)  
19th Floor, Menara Multi-Purpose,  
Capital Square,  
8 Jalan Munshi Abdullah 50100  
Kuala Lumpur, Malaysia.  
Tel.: 603 2604 3333  
Fax: 603 2604 3921  
e-mail: general@alliancedbs.com

**INDONESIA****PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif  
DBS Bank Tower  
Ciputra World 1, 32/F  
Jl. Prof. Dr. Satrio Kav. 3-5  
Jakarta 12940, Indonesia  
Tel: 62 21 3003 4900  
Fax: 6221 3003 4943  
e-mail: research@id.dbsvickers.com

**SINGAPORE****DBS Bank Ltd**

Contact: Janice Chua  
12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: equityresearch@dbs.com  
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