

Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Sep 2019

Mapletree Logistics Trust (MLT SP) : BUY

Mkt. Cap: US\$4,180m | **3m Avg. Daily Val:** US\$12.9m

Last Traded Price (17 Sep 2019): S\$1.58

Price Target 12-mth: S\$1.85 (17% upside)

Analyst

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One small step in Melbourne, one giant leap for MLT

- Forward purchase of a property in Melbourne a first for MLT
- Minimal impact on numbers; but significant implications on REIT's strategic intent in Australia
- Successful leasing strategy will prompt MLT to look at a broader investment universe within Australia, which imply higher returns over time

Forecasts and Valuation

FY Mar (\$m)	2019A	2020F	2021F	2022F
Gross Revenue	454	501	523	530
Net Property Inc	389	437	457	463
Total Return	439	273	289	295
Distribution Inc	270	292	306	311
EPU (\$ cts)	7.01	7.52	7.95	8.09
EPU Gth (%)	(7)	7	6	2
DPU (\$ cts)	7.94	8.05	8.41	8.53
DPU Gth (%)	4	1	5	1
NAV per shr (\$ cts)	117	116	115	115
PE (X)	22.5	21.0	19.9	19.5
Distribution Yield (%)	5.0	5.1	5.3	5.4
P/NAV (x)	1.4	1.4	1.4	1.4
Aggregate Leverage (%)	37.1	40.0	40.1	40.2
ROAE (%)	6.2	6.5	6.9	7.0

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

Company Guide



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

[Mapletree Logistics Trust - iBanking Login](#)

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What's New

Mapletree Logistics Trust: Expansion of its Australian investment strategy

- MLT announced that it has entered into a conditional forward purchase agreement with Wooreddy Investments Pty Ltd (Vendor) for the acquisition of a warehouse in Melbourne, Victoria for A\$18.4m.
- The vendor is a large private industrial builder in Australia with more than 60 years of track record and clientele including Australian companies like Woolworth, Coles and Linfox.
- The property is a single-storey warehouse at 15 Botterro Place in Truganina, Melbourne and will have an NLA of 15.1k sqm when completed.
- Designed with Grade A specifications, the property will be built to high-quality specifications and will have differentiating features (ESFR sprinkler system and 2k sqm canopy), which allow users to operate 24/7 under all weather conditions.
- The property is located within one of the fastest-growing industrial precincts in Australia with strong connectivity.
- The completion of the underground expressway (West Gate Tunnel), reducing peak travel time from West Melbourne to the port and CBD to c.30 minutes, could be an attraction for 3PLs to look for industrial space in the precinct over time.



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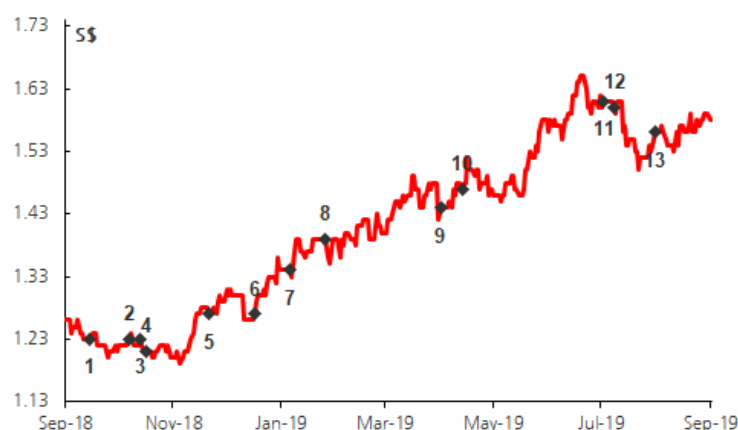
Our thoughts: Taking on calculated leasing risk to enhance returns.

- The property will be acquired with vacant possession and settlement to take place in 3Q20. Most interestingly, MLT has decided to “inhouse” the leasing strategy for this property, unlike its previous acquisitions in Australia which generally came with an anchor tenant, tied to a long WALE.
- If this plan is successful, it will be an extension of its strategy to add value in Australia, which accounts for c.8% of asset value (as of 2Q19). We believe that over time, and if proven to be successful, MLT may take a more active role in managing its assets in Australia.

This would allow MLT to look at a broader investment universe (apart from the current core/core-plus strategies) and over time, look at value-add/development opportunities, thereby improving the returns of the overall portfolio.

- With a stabilised yield on cost of 6.3%, this represents a decent return for Australia in the current climate where returns for stabilised assets have compressed to <6%, especially in the key cities of Sydney and Melbourne.
- Minimal impact on our numbers and we maintain our estimates and BUY call, with TP at S\$1.85.

Target Price & Ratings History



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

Source: DBS Bank

Analyst: Derek TAN

Rachel TAN

Flash Note

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

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)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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