

# Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

21 Jan 2020

## Mapletree Logistics Trust (MLT SP) : BUY

**Mkt. Cap:** US\$5,103m | **3m Avg. Daily Val:** US\$13.8m

**Last Traded Price ( 20 Jan 2020):** S\$1.81

**Price Target 12-mth:** S\$1.90 (5% upside, 5% yield)

### Analyst

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### Company Guide



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

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## Holding steady amid uncertainties

- Resilient operations driven by steady organic growth across key markets
- Strong retention rate of 97%; occupancy rates inch higher in Singapore
- Debt headroom to undertake acquisitions
- Maintain BUY and S\$1.90 TP

### Forecasts and Valuation

FY Mar (S\$m)	2019A	2020F	2021F	2022F
Gross Revenue	454	498	546	571
Net Property Inc	389	432	475	499
Total Return	439	276	309	332
Distribution Inc	270	295	326	348
EPU (S cts)	7.01	7.53	7.95	8.33
EPU Gth (%)	(7)	7	6	5
DPU (S cts)	7.94	8.04	8.38	8.72
DPU Gth (%)	4	1	4	4
NAV per shr (S cts)	117	118	119	119
PE (X)	25.8	24.1	22.8	21.7
Distribution Yield (%)	4.4	4.4	4.6	4.8
P/NAV (x)	1.6	1.5	1.5	1.5
Aggregate Leverage (%)	37.1	36.1	36.4	36.5
ROAE (%)	6.2	6.4	6.7	7.0

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

### What's New

**(+) 3Q20 DPU of 2.44 scts (+2.1% y-o-y); YTD of DPU of 6.094 Scts (76% of FY20F forecast).**

Mapletree Logistics Trust (MLT)'s revenue and net property income (NPI) increased 0.3% and 3.9% to S\$121.1m and S\$108.6m respectively. The stronger performance was mainly driven by higher contribution from its existing properties which more than offset the loss of contribution following the divestment of 5 properties in Japan in 1Q20. Topline growth was dragged slightly by weaker currencies (AUD, KRW, RMB against the SGD), mitigated by currency forward contracts entered into for foreign sourced income.

Distributable income rose by 6.5% y-o-y to S\$76.6m, translating to a DPU of 2.044 Scts (+2.1%). The lower than proportionate rise in DPU is due to the enlarged share base as a result of a placement exercise undertaken to fund the acquisition of a portfolio of 7 logistics properties in Malaysia, Vietnam and China. The earnings drag is temporary as these properties will start contributing from the subsequent quarter (4QFY20).

**(+) Operating metrics remain resilient.** Following the recent asset recycling plan to improve its portfolio quality and resiliency, MLT reported a stable occupancy rate of 97.7% (vs 97.5% in 2QFY20) due to higher take-up rates from Singapore which had offset a dip in occupancy rates in South Korea (96.4% in 3QFY20 vs 98.5% in 2QFY20) and China (95.0% in 2QFY20 vs 95.4% in 1QFY20). During the quarter, MLT renewed or replaced leases covering 97% of



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the 252k sqm of space that was due for expiry with an average rental reversion of 1.2% (vs 1.8% in 2QFY20). This was largely from its Hong Kong, Vietnam and Malaysia properties.

**(+) A more cautious outlook.** The Manager indicated that tenants are cautious given the uncertain global backdrop with most careful on expansionary plans while some may look to further consolidate their operations to increase cost efficiencies. While this may have an impact in the medium term, we believe that the active asset management strategy undertaken by the Manager to diversify its portfolio and pre-empt such vacancies would enable the REIT to achieve resilience in returns to unitholders.

**(+) Borrowing costs lower q-o-q, gearing dipped marginally.** Portfolio cost of debt dipped to 2.5% (vs 2.6% in 2QFY20) with a well staggered debt expiry profile of 3.9 years. Gearing increased slightly to 37.5% due to recent acquisitions.

We maintain BUY on the MLT, with our DCF-based TP of S\$1.90 offering a total return of 10%. We believe that the anticipation of continued acquisition momentum to result in 2020 to drive share price higher.

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

FY Mar	3Q2019	2Q2020	3Q2020	% chg yoy	% chg qoq
Gross revenue	121	122	121	0.3	(0.5)
Property expenses	(16.3)	(12.6)	(12.6)	(22.8)	(0.2)
Net Property Income	104	109	109	3.9	(0.5)
Other Operating expenses	(18.2)	(20.6)	(13.8)	(24.4)	(33.3)
Other Non Opg (Exp)/Inc	0.20	1.50	5.27	2,574.1	250.3
Net Interest (Exp)/Inc	(17.2)	(19.1)	(17.5)	(2.0)	8.2
Exceptional Gain/(Loss)	(0.3)	0.0	23.9	nm	nm
<b>Net Income</b>	<b>68.7</b>	<b>71.0</b>	<b>106</b>	<b>54.9</b>	<b>49.8</b>
Tax	(5.9)	(6.7)	(8.9)	51.6	33.5
Minority Interest	(0.1)	(0.1)	(0.2)	(3.4)	8.6
<b>Net Income after Tax</b>	<b>58.3</b>	<b>59.9</b>	<b>93.0</b>	<b>59.4</b>	<b>55.2</b>
Total Return	58.3	59.9	93.0	59.4	55.2
Non-tax deductible Items	13.6	13.8	(16.4)	nm	nm
Net Inc available for Dist.	71.9	73.7	76.6	6.5	3.8
<b>Ratio (%)</b>					
Net Prop Inc Margin	86.5	89.6	89.6		
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

Singapore Research Team

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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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