

Singapore Company Guide

Mapletree Logistics Trust

Version 22 | Bloomberg: MLT SP | Reuters: MAPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

12 Jun 2020

BUY

Last Traded Price (12 Jun 2020): S\$1.89 (STI : 2,688.87)

Price Target 12-mth: S\$2.05 (9% upside, 4% yield) (Prev S\$1.85)

Analyst

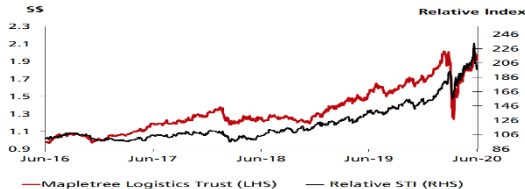
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What's New

- COVID-19 the catalyst to drive the acceleration of e-commerce sales in the region
- Well placed to ride the trend with 75% of its revenues from consumer-related sectors; 25-30% in the e-commerce space
- Entering the virtuous cycle of accretive inorganic growth
- BUY maintained, TP revised to S\$2.05

Price Relative



Forecasts and Valuation

FY Mar (\$m)	2019A	2020A	2021F	2022F
Gross Revenue	454	491	526	559
Net Property Inc	389	439	457	488
Total Return	439	377	294	310
Distribution Inc	270	302	311	325
EPU (S cts)	7.01	7.72	7.72	8.00
EPU Gth (%)	(7)	10	0	4
DPU (S cts)	7.94	8.14	8.17	8.38
DPU Gth (%)	4	3	0	3
NAV per shr (S cts)	117	121	120	121
PE (X)	27.0	24.5	24.5	23.6
Distribution Yield (%)	4.2	4.3	4.3	4.4
P/NAV (x)	1.6	1.6	1.6	1.6
Aggregate Leverage (%)	37.1	39.2	39.4	39.4
ROAE (%)	6.2	6.5	6.4	6.6

Distn. Inc Chng (%): 0 0
 Consensus DPU (S cts): 8.30 8.30
 Other Broker Recs: B: 5 S: 4 H: 6

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

Structural tailwinds

Maintain BUY with revised TP of S\$2.05. We remain positive on Mapletree Logistics Trust (MLT) despite the recent share price rally. Expected increased adoption of e-commerce post COVID-19 is the catalyst for the REIT to accelerate its growth plans in the medium term. With supportive structural tailwinds in place, we believe MLT remains well placed to also acquire accretively. We raise our TP to S\$2.05 as we lower our discount rate assumptions.

Where we differ: More conservative estimates. A coordinated response from the Singapore government to infuse liquidity and support businesses mitigates downside risks for its Singapore exposure, which contributes c.35% of revenues. Looking ahead, with c.75% of its revenues focused on the consumer-related sector (of which 25-30% in the e-commerce space), we anticipate MLT to see accelerating demand riding on the back of increased consumer adoption of e-commerce sales in the longer term.

Structural growth drivers in place; moderate acquisition assumptions. We retain our optimism that MLT can deliver acquisitions. We priced in S\$350m worth of acquisitions in FY21 funded by 40% debt/60% equity. Opportunities will likely come from its Sponsor which has an extensive pipeline of properties.

Valuation:

We maintain our BUY recommendation with a revised TP of S\$2.05.

Key Risks to Our View:

Acquisitions ramping up faster than expected. A faster-than-projected acquisition pace and/or a better-than-expected outlook for the Singapore/China warehouse market.

At A Glance

Issued Capital (m shrs)	3,804
Mkt. Cap (S\$m/US\$m)	7,190 / 5,162
Major Shareholders (%)	
Temasek Holdings Pte Ltd	30.9
BlackRock Inc	5.0
Free Float (%)	64.1
3m Avg. Daily Val (US\$m)	39.0
GIC Industry : Real Estate / Equity Real Estate Investment (REITs)	



Live more, Bank less

CRITICAL DATA POINTS TO WATCH

Critical Factors

Logistics sector sees limited disruption from COVID-19 outbreak. We believe that Singapore's warehouse subsector had hit a cyclical bottom at the end of 2019, and new supply has started tapering off significantly in 2020. While supply of new warehouse space remains high, we see risk of oversupply abating in the medium term which will support rents. While the COVID-19 outbreak has impacted supply chains in the region and disrupted business activity for the REIT, we understand that this has somewhat impacted only a small group of MLT's tenants in Singapore, China and Hong Kong. While some assistance is expected to be rendered, the overall impact is understood to be minimal.

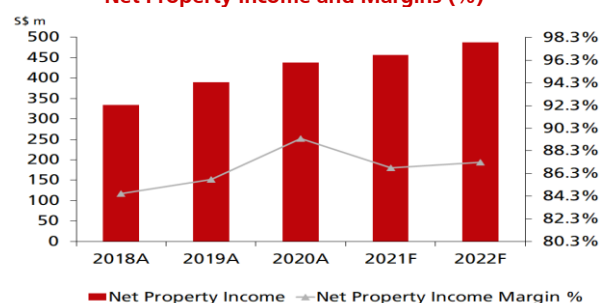
Strength in diversity as major markets see an upturn in demand.

MLT acquired close to S\$1.8bn worth of new properties from the Sponsor and third parties over the past few years. The deals in Hong Kong, China and Singapore are value-accretive and sharpen the REIT's focus on its key markets of Singapore, Hong Kong, Australia and Japan, which are developed markets offering stability. Looking ahead, we believe that MLT will continue to look for inorganic growth drivers with the Sponsor's extensive pipeline still a key source. The most immediate should come from the Sponsor's pipeline in Malaysia, Vietnam, China and potentially Japan. With a bigger balance sheet and more financial capacity to take on more, we now assume S\$350m in acquisitions by the end of FY21.

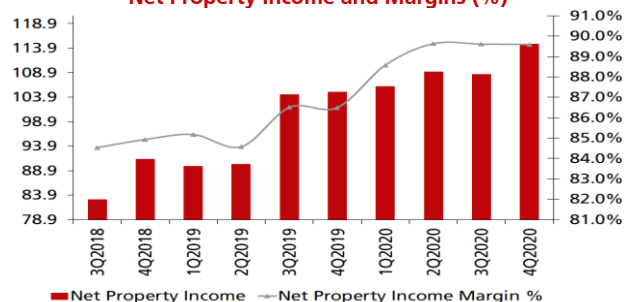
Sizeable pipeline from Sponsor to be acquired. We are excited about the acquisition prospects available to MLT from the Sponsor. We see a sizeable and growing pipeline of development properties which are approaching maturity that could be injected in the medium term. Given supportive capital markets (MLT is trading above NAV with an implied cost of capital of c. 6.5%), MLT has the ability to make earnings-accretive acquisitions, which we have priced in S\$350m worth. In addition, MLT is also embarking on development projects to rejuvenate its portfolio to remain relevant.

Interest rates have minimal impact. The majority of MLT's loans are in foreign currencies, a substantial portion of which is denominated in JPY. Interest rate hikes thus have minimal impact on its portfolio's cost of funds and should remain stable.

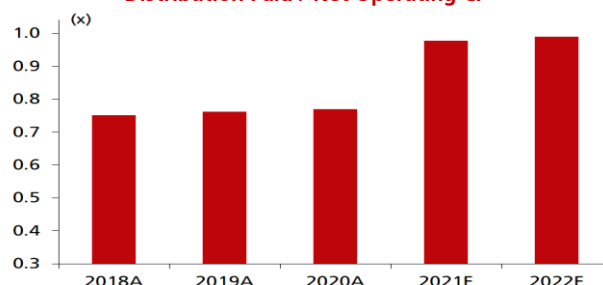
Net Property Income and Margins (%)



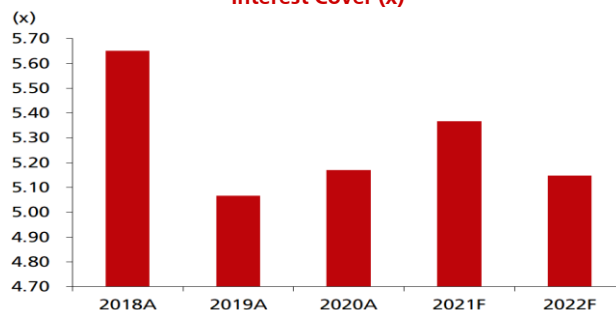
Net Property Income and Margins (%)



Distribution Paid / Net Operating CF



Interest Cover (x)



Source: Company, DBS Bank

Mapletree Logistics Trust

Balance Sheet:

Gearing of c. 38% is within management's comfortable range.

Post the recent recapitalisation exercise, the REIT's gearing remains at a stable c.38% (see-through basis). We believe that the manager may need to raise new equity if an acquisition opportunity arises in the medium term.

Well-staggered debt maturity profile; interest cost steady.

Interest rate cost was stable q-o-q at 2.7%, and is expected to remain low, given that a majority of its debts are in JPY, HKD, and RMB. Interest rates in these currencies are still soft. To hedge against currency volatility, the manager typically takes on local-denominated loans in each overseas market. MLT has a long debt-to-maturity of more than 4.0 years and proactively renews its loans ahead of time.

Share Price Drivers:

Ability to drive growth through acquisitions. We remain optimistic on MLT's ability to drive growth through acquisitions. After its initial foray into Australia, we see MLT further deepening its exposure through strategic purchases over the medium term. The manager is also looking to divest low-yielding assets in Singapore and Japan, and to recycle the proceeds into higher-yielding assets.

Key Risks:

Rise in interest rates. The manager has hedged the majority of its debts into fixed rates but is expected to see increased cost of funds when these loans are rolled over in the coming year.

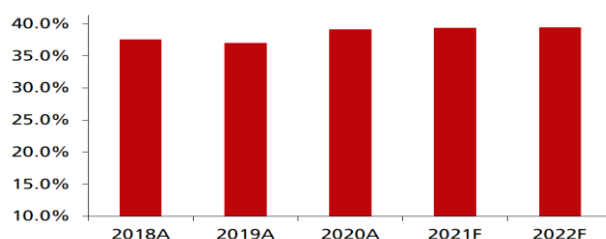
Environment, Social, Governance:

With the publication of its third Sustainability Report, MLT has increased its Bloomberg ESG Disclosure score. Energy consumption and average building electricity intensity for MLT's Singapore portfolio fell 3.0% against figures from FY17/18, meeting the Trust's target. In March 2019, it completed its first rooftop solar project. To safeguard the health and safety of employees, MLT proactively adopts preventive measures such as directional signage and regular maintenance of infrastructure. MLT is also committed to abiding by the corporate governance framework that has been implemented to ensure the highest standards of transparency and compliance.

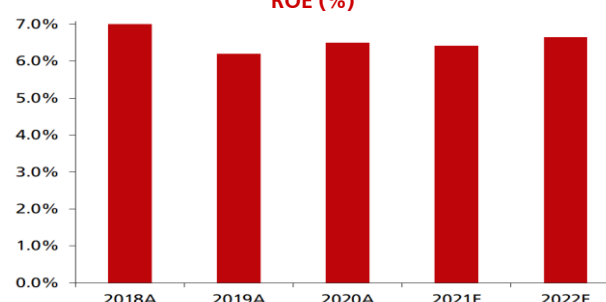
Company Background

Mapletree Logistics Trust (MLT) is a real estate investment trust which invests in logistics warehouses in the Asia-Pacific region. It currently owns a diversified portfolio of warehouses in Singapore, Japan, China, South Korea, Vietnam, Australia, and Hong Kong.

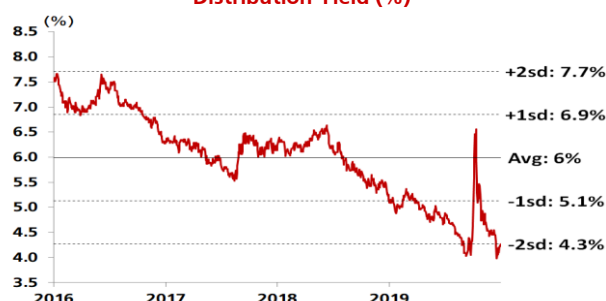
Aggregate Leverage (%)



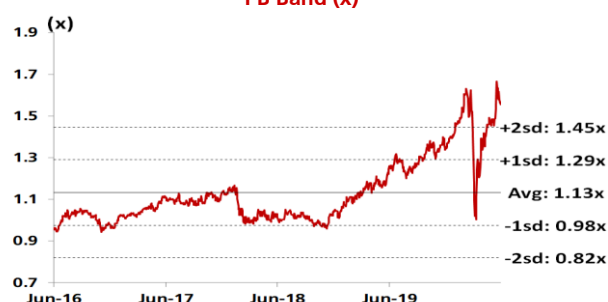
ROE (%)



Distribution Yield (%)



PB Band (x)



Source: Company, DBS Bank

Income Statement (\$\$m)

FY Mar	2018A	2019A	2020A	2021F	2022F
Gross revenue	395	454	491	526	559
Property expenses	(61.3)	(64.8)	(52.2)	(69.7)	(71.3)
Net Property Income	334	389	439	457	488
Other Operating expenses	(32.7)	(65.8)	(61.1)	(63.2)	(69.7)
Other Non Opg (Exp)/Inc	(7.8)	4.12	(12.5)	0.0	0.0
Associates & JV Inc	0.0	(1.5)	5.24	10.2	10.7
Net Interest (Exp)/Inc	(53.3)	(63.9)	(73.0)	(73.3)	(81.3)
Exceptional Gain/(Loss)	41.0	34.0	58.3	0.0	0.0
Net Income	281	296	356	330	348
Tax	(49.1)	(42.8)	(51.2)	(19.2)	(20.2)
Minority Interest	(0.5)	(0.5)	(1.1)	(0.5)	(0.5)
Preference Dividend	(22.6)	(17.0)	(17.1)	(17.2)	(17.2)
Net Income After Tax	209	236	286	294	310
Total Return	449	439	377	294	310
Non-tax deductible Items	(236)	(169)	(84.1)	8.43	15.1
Net Inc available for Dist.	213	270	302	311	325
Growth & Ratio					
Revenue Gth (%)	5.9	15.0	8.0	7.3	6.3
N Property Inc Gth (%)	6.9	16.7	12.6	4.1	6.9
Net Inc Gth (%)	43.7	13.0	21.3	2.6	5.6
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	84.5	85.7	89.4	86.8	87.2
Net Income Margins (%)	52.9	52.0	58.3	55.8	55.4
Dist to revenue (%)	53.9	59.5	61.5	59.0	58.1
Managers & Trustee's fees	8.3	14.5	12.4	12.0	12.5
ROAE (%)	7.0	6.2	6.5	6.4	6.6
ROA (%)	3.4	3.2	3.3	3.2	3.4
ROCE (%)	4.1	3.9	3.9	4.2	4.4
Int. Cover (x)	5.7	5.1	5.2	5.4	5.1

Boosted by acquisitions

Source: Company, DBS Bank

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

FY Mar	4Q2019	1Q2020	2Q2020	3Q2020	4Q2020
Gross revenue	121	120	122	121	128
Property expenses	(16.4)	(13.7)	(12.6)	(12.6)	(13.3)
Net Property Income	105	106	109	109	115
Other Operating expenses	(4.2)	(24.3)	(20.6)	(13.8)	(2.4)
Other Non Opg (Exp)/Inc	(5.4)	(1.5)	1.50	5.27	(17.7)
Associates & JV Inc	0	(2)	5	10	11
Net Interest (Exp)/Inc	(18.0)	(19.4)	(19.1)	(17.5)	(17.0)
Exceptional Gain/(Loss)	0.0	34.4	0.0	23.9	0.0
Net Income	77.4	94.9	71.0	106	174
Tax	(19.8)	(11.8)	(6.7)	(8.9)	(23.7)
Minority Interest	0.02	(0.6)	(0.1)	(0.2)	(0.2)
Net Income after Tax	53.5	78.2	59.9	93.0	146
Total Return	256	78.2	59.9	93.0	146
Non-tax deductible Items	(183)	(4.6)	13.8	(16.4)	(68.2)
Net Inc available for Dist.	73.6	73.6	73.7	76.6	77.8
Growth & Ratio					
Revenue Gth (%)	0	(1)	2	0	6
N Property Inc Gth (%)	0	1	3	(1)	6
Net Inc Gth (%)	(8)	46	(23)	55	57
Net Prop Inc Margin (%)	86.5	88.6	89.6	89.6	89.6
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Balance Sheet (\$\$m)

FY Mar	2018A	2019A	2020A	2021F	2022F
Investment Properties	6,515	7,694	8,548	8,554	8,909
Other LT Assets	14.2	214	280	290	300
Cash & ST Invt	101	104	151	141	127
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	34.2	45.6	48.3	13.2	14.0
Other Current Assets	13.5	20.8	23.9	23.9	23.9
Total Assets	6,678	8,078	9,051	9,022	9,375
ST Debt	53.2	31.6	211	211	211
Creditor	179	208	195	175	186
Other Current Liab	11.5	12.0	22.9	23.6	24.7
LT Debt	2,459	2,962	3,334	3,340	3,485
Other LT Liabilities	165	197	271	271	271
Unit holders' funds	3,806	4,662	5,010	4,993	5,188
Minority Interests	5.70	5.53	7.30	7.80	8.30
Total Funds & Liabilities	6,678	8,078	9,051	9,022	9,375
Non-Cash Wkg. Capital	(142)	(154)	(145)	(162)	(173)
Net Cash/(Debt)	(2,411)	(2,889)	(3,394)	(3,409)	(3,569)
Ratio					
Current Ratio (x)	0.6	0.7	0.5	0.4	0.4
Quick Ratio (x)	0.6	0.6	0.5	0.4	0.3
Aggregate Leverage (%)	37.6	37.1	39.2	39.4	39.4
Z-Score (X)	1.3	1.3	1.2	1.3	1.2

Gearing remains at optimal levels

Source: Company, DBS Bank

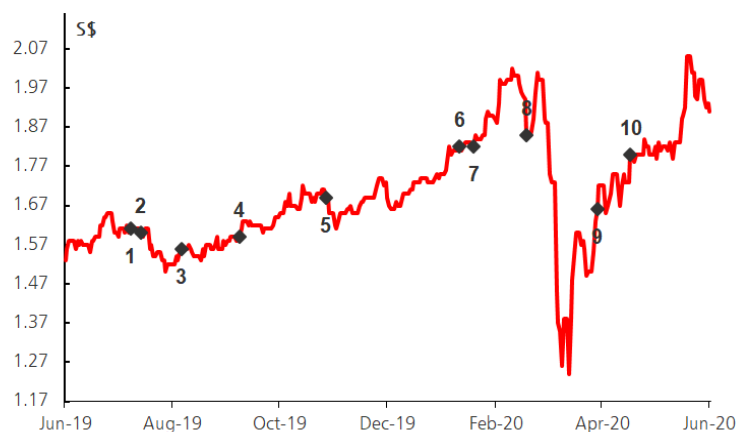
Mapletree Logistics Trust

Cash Flow Statement (\$m)

FY Mar	2018A	2019A	2020A	2021F	2022F
Pre-Tax Income	449	296	395	330	348
Dep. & Amort.	0.42	0.0	0.0	0.0	0.0
Tax Paid	(6.5)	(7.4)	(28.7)	(18.4)	(19.2)
Associates & JV Inc/(Loss)	0.0	1.55	(5.2)	(10.2)	(10.7)
Chg in Wkg.Cap.	(10.2)	7.64	0.0	15.9	10.2
Other Operating CF	(166)	55.9	7.89	0.0	0.0
Net Operating CF	267	354	369	318	328
Net Invt in Properties	(512)	(690)	(461)	(5.3)	(356)
Other Invt (net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	(213)	(62.7)	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	8.10	0.0	0.0
Net Investing CF	(512)	(902)	(516)	(5.3)	(356)
Distribution Paid	(200)	(270)	(284)	(311)	(325)
Chg in Gross Debt	68.6	482	334	5.26	146
New units issued	633	648	250	0.0	210
Other Financing CF	(246)	(17.0)	(109)	(17.2)	(17.2)
Net Financing CF	255	843	192	(322)	13.5
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	10.0	294	45.1	(10.1)	(14.1)
Operating CFPS (S cts)	9.96	10.3	9.97	7.93	8.20
Free CFPS (S cts)	(8.8)	(10.0)	(2.5)	8.21	(0.7)

Source: Company, DBS Bank

Target Price & Ratings History



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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	18 Jul 19	1.61	1.85	BUY
2:	24 Jul 19	1.60	1.85	BUY
3:	16 Aug 19	1.56	1.85	BUY
4:	18 Sep 19	1.59	1.85	BUY
5:	06 Nov 19	1.69	1.90	BUY
6:	21 Jan 20	1.82	1.90	BUY
7:	29 Jan 20	1.82	1.90	BUY
8:	28 Feb 20	1.85	1.90	HOLD
9:	08 Apr 20	1.66	1.85	BUY
10:	27 Apr 20	1.80	1.85	BUY

Source: DBS Bank

Analyst: Derek TAN

Dale LAI

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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*

Completed Date: 12 Jun 2020 17:27:41 (SGT)

Dissemination Date: 12 Jun 2020 17:30:20 (SGT)

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