

# Singapore Company Update

# Mapletree Logistics Trust

Bloomberg: MLT SP | Reuters: MAPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Nov 2020

## BUY

Last Traded Price (10 Nov 2020): S\$1.96 (STI : 2,705.00)

Price Target 12-mth: S\$2.35 (20% upside) (Prev S\$2.20)

### Analyst

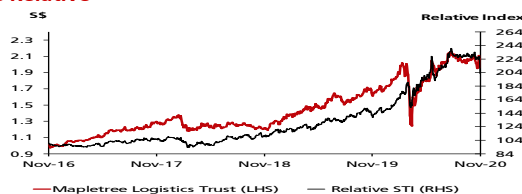
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### What's New

- Surprise significant acquisition to make deeper inroads within Asia's logistics sector
- Follow your tenant' strategy to result in sticky relationships with more than 40% of tenants having a presence in various locations
- Factored potential acquisitions of S\$400m in FY21 and S\$500m in FY22 into our estimates
- BUY, TP raised to S\$2.35

### Price Relative



### Forecasts and Valuation

FY Mar (\$m)	2020A	2021F	2022F	2023F
Gross Revenue	491	550	644	685
Net Property Inc	439	464	543	581
Total Return	377	295	334	358
Distribution Inc	302	318	353	376
EPU (\$ cts)	7.72	7.59	8.08	8.48
EPU Gth (%)	10	(2)	6	5
DPU (\$ cts)	8.14	8.19	8.53	8.91
DPU Gth (%)	3	1	4	5
NAV per shr (\$ cts)	120	133	132	134
PE (X)	25.4	25.8	24.3	23.1
Distribution Yield (%)	4.2	4.2	4.3	4.5
P/NAV (x)	1.6	1.5	1.5	1.5
Aggregate Leverage (%)	39.2	37.5	38.6	38.7
ROAE (%)	6.5	5.8	6.1	6.4

Distn. Inc Chng (%)	3	8	12
Consensus DPU (\$ cts)	8.20	8.50	8.50
Other Broker Recs:	B: 11	S: 1	H: 5

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



### Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

## Gateway to Asia's burgeoning logistics sector

### Investment Thesis

**Maintain BUY with higher TP of S\$2.35.** We remain positive on Mapletree Logistics Trust (MLT) and expect the share price to re-rate to new highs. MLT should continue to ride on the robust demand for logistics properties to support the accelerating adoption of e-commerce post COVID-19. With structural tailwinds in place, we believe MLT is well placed to make accretive acquisitions. We raise our TP to S\$2.35 as we factor in recent and planned acquisitions.

**Where we differ: More optimistic estimates.** MLT has taken significant steps to anchor itself as one of the leading logistics solutions providers through a c.S\$1.0bn acquisition of a portfolio of modern warehouses in China, Malaysia and Vietnam. The good response to its equity fund raising (EFR) exercise has infused MLT with additional debt funded capacity which could see another S\$400m worth of acquisitions (to optimal gearing of c.40%) materialising by the end of FY21. We see MLT growing its portfolio further with an assumed S\$500m worth of deals by the end of FY22.

**Structural growth drivers in place.** We are optimistic that MLT can deliver on both organic and inorganic growth and with c.42% of its tenants in multi-locations, MLT is well placed to ride on the burgeoning growth of Asia's logistics sector.

### Valuation:

We maintain our BUY recommendation with a higher TP of S\$2.35 due to assumed acquisitions.

### Where we differ:

We believe that MLT can deliver on more acquisitions which are not priced in by consensus.

### 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)	4,058
Mkt. Cap (\$m/US\$m)	7,953 / 5,897
Major Shareholders (%)	
Temasek Holdings Pte Ltd	29.5
Free Float (%)	65.8
3m Avg. Daily Val (US\$m)	17.2
GIC Industry : Real Estate / Equity Real Estate Investment (REITs)	



Live more, Bank less

## WHAT'S NEW

### Exposure to Asia's burgeoning logistics sector

**(+) Blowing away our acquisition estimates!** Mapletree Logistics Trust (MLT) has announced the proposed acquisition of nine logistics properties in Malaysia, Vietnam and China and the remaining 50% interest in 15 logistics properties in China for a total consideration of S\$1,090.2m. The agreed property value of the target portfolio was approximately S\$1,040m (2x our assumed S\$500m estimates). The agreed property value is noted to be 0.9%-1.7% below two independent valuations that were undertaken. As the deal is a related party acquisition, the Manager intends to call for an EGM at a later date.

#### Our thoughts:

**(+) Riding on "China Plus" growth strategy.** The proposed acquisition is an extension of MLT's multi-year strategy of creating a massive logistics network within the Asia Pacific, deepening its foothold within key Asia Pacific countries (and a leading position within selected ASEAN logistics hubs in Vietnam and Malaysia). We note that the target cities enjoy stable demand-supply dynamics anchored by strong urbanisation trends, which is expected to improve operational metrics.

In addition, the COVID-19 outbreak is expected to accelerate the adoption of e-commerce in the region as manufacturers continue to diversify their supply chains outside of China while companies seek to carry more inventory stock as they shift from a "just-in-time" to "just-in-case" strategy. These factors will drive demand for logistics properties in the longer term.

**(+) Network effect results in MLT being the choice provider of logistics solutions.** The ability to offer multi-location solutions to the end tenants has seen the REIT forming sticky relationships with over 42% of tenants that have a presence in more than one location under MLT's umbrella of properties. This has resulted in steadier occupancy rates (c.97.5% as of 2QFY21) which have been resilient across market cycles.

**(+) Initial yield of 5.2% has tightened compared to a year ago.** The acquired portfolio's initial yield is estimated to be c. 5.2% (broken down into China (c.5.1%), Malaysia (c.5.4%) and Vietnam (c.7.25%)). We understand that portfolio valuations have remained stable for most but are higher in China, especially for JV properties which saw a 14% increase in valuations compared to a year ago. The tightening cap rates are expected in view of the robust

demand for modern logistics properties post the COVID-19 pandemic. The target portfolio occupancy rate of 94.7% also provides upside potential to earnings if the vacancy is leased-up in the medium term. The WALE of 2.3 years also offers potential reversionary upside when the leases are due for renewal, especially in China.

**(+) Proposed funding structure to infuse more debt-funded capacity into MLT.** The transaction is expected to enhance its capital structure and is accretive on both NAV and DPU fronts. The Manager tapped the equity market which saw healthy participation from investors. The acquisition price of S\$1,023.8m (inclusive of fees) will be funded using 90% equity with the remainder c.10% in debt (c.S\$118.5m). A small portion of the acquisition fee i.e. S\$5.3m will be satisfied in the form of units.

Post deal, MLT's gearing is expected to decline to 37.1% (vs 39.5% as of Sept'20). The Sponsor is taking S\$300m (or 33% of the equity fund raising) in the form of consideration units, which will bring its stake in MLT to c.31.6%, aligning its interest with unitholders.

**(+) It is not over! More acquisitions in the works.** With enhanced debt funding capacity, the Manager continues to look to grow its network post this proposed transaction and is looking to possibly add more properties from third party sources. The Manager is looking at potentially acquiring S\$400m (c.40% gearing) worth of assets in Australia, Japan, Malaysia, Vietnam and Korea within the next 6 months. We have priced in a debt funded deal of S\$400m in our estimates for FY21 and another S\$500m (60% equity/40% debt) by end of FY22.

**Deepening Australia exposure.** In quick succession, MLT announced the proposed acquisition of Acacia Ridge Distribution Centre at 338 Bradman Street Brisbane for A\$114mm, in line with the most recent independent valuation. The initial yield at the transaction price is 4.9% (4.7% after accounting for transaction costs). This was a slight compression from the last transaction in Brisbane at 5.7% close to 2 years ago. The compression in yields is expected given the robust demand for warehouse properties in recent years, especially in Australia's key states (Queensland, New South Wales and Victoria).

The property is purpose built with modern logistics specifications (55k sqm over 2 buildings on over 110,000 sqm of freehold land) and is leased to 3 local players with a WALE of 5.3 years. Approximately 84% of the GFA is leased

## Mapletree Logistics Trust

to Woolworths Group to support the group's operations in Queensland and Northern New South Wales. In our view, Woolworths is a quality tenant, and the remaining tenants are an ASX-listed digital marketing company and a local freight forwarder.

**(+) 1H FY21 results stable (DPU of 4.1 Scts; +1.2% y-o-y, +0.5% q-o-q).**




MLT reported 9.4% and 10.40% rise in revenues and net property income (NPI) to S\$264.3m and S\$237.7m respectively. The stronger performance was mainly driven by stronger revenues at its existing properties, fuelled by contributions from recent additions in FY20 and redevelopment of Ouluo Phase 2. This more than offset the loss of contribution from its 6 divestments and rental rebates

incurred in the quarter that were granted to eligible tenants due to the COVID-19 pandemic. Distributable income rose by 6.0% y-o-y to S\$156.1m. DPU was 1.2% y-o-y higher despite the c.4.7% y-o-y increase in issued units. On a q-o-q basis, 2Q20 DPU was slightly higher by 0.5% to 2.055 Scts.

### 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.

### Summary of acquisitions (Asia)

				Total
No. of Properties	22 <sup>1</sup>	1	1	24 <sup>1</sup>
NLA	1,043,992 sq m <sup>2</sup>	131,986 sq m	47,682 sq m	1,223,660 sq m <sup>2</sup>
Committed Occupancy	94.5%	95.0%	100.0%	94.7%
WALE	2.1 years <sup>3</sup>	4.2 years	2.6 years	2.3 years <sup>3</sup>
Agreed Property Value	S\$878.6 million <sup>1</sup>	S\$131.7 million	S\$29.7 million	S\$1,040.0 million <sup>4</sup>

Source of all data: Company, DBS Bank

## Summary of acquisitions (Asia)

## 338 Bradman Street, Brisbane, Queensland, Australia

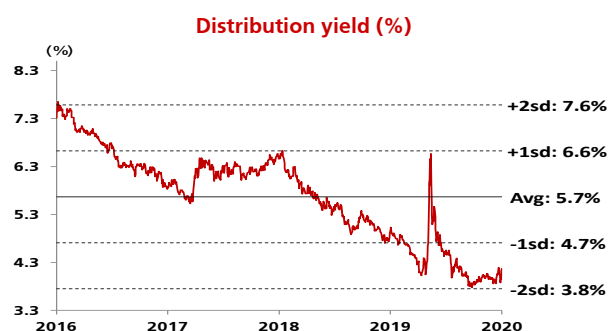


- Purpose-built facility sited on freehold land, with modern logistics specifications
- Located in Acacia Ridge, an established industrial and logistics precinct in southern Brisbane with excellent connectivity to key transportation infrastructure and the Brisbane city centre

Purchase Price <sup>1</sup>	A\$114.0 million (S\$109.8 million)
Valuation <sup>2</sup>	A\$114.0 million
Land Tenure	Freehold
Land Area	110,000 sqm
GFA	55,009 sqm
Clear Ceiling Height	8m to 12m
Floor Loading	3 tonnes/sqm
Tenants	<ul style="list-style-type: none"> <li>▪ 100% leased to 3 established local industry players, including Woolworths Group (84% of GFA)</li> </ul>
Weighted Average Lease Term (WALE)	5.3 years

Source of all data: Company, DBS Bank

## Historical PE and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

## Income Statement (\$m)

FY Mar	2019A	2020A	2021F	2022F	2023F
Gross revenue	454	491	550	644	685
Property expenses	(64.8)	(52.2)	(85.7)	(102)	(104)
<b>Net Property Income</b>	<b>389</b>	<b>439</b>	<b>464</b>	<b>543</b>	<b>581</b>
Other Operating expenses	(65.8)	(61.1)	(68.9)	(77.4)	(83.5)
Other Non Opg (Exp)/Inc	4.12	(12.5)	0.0	0.0	0.0
Associates & JV Inc	(1.5)	5.24	10.2	0.0	0.0
Net Interest (Exp)/Inc	(63.9)	(73.0)	(75.0)	(89.0)	(93.6)
Exceptional Gain/(Loss)	34.0	58.3	0.0	0.0	0.0
<b>Net Income</b>	<b>296</b>	<b>356</b>	<b>331</b>	<b>376</b>	<b>404</b>
Tax	(42.8)	(51.2)	(18.3)	(24.5)	(28.3)
Minority Interest	(0.5)	(1.1)	(0.5)	(0.5)	(0.5)
Preference Dividend	(17.0)	(17.1)	(17.2)	(17.2)	(17.2)
<b>Net Income After Tax</b>	<b>236</b>	<b>286</b>	<b>295</b>	<b>334</b>	<b>358</b>
Total Return	439	377	295	334	358
Non-tax deductible Items	(169)	(84.1)	14.9	17.6	18.2
Net Inc available for Dist.	270	302	318	353	376
<b>Growth &amp; Ratio</b>					
Revenue Gth (%)	15.0	8.0	12.1	17.1	6.3
N Property Inc Gth (%)	16.7	12.6	5.9	16.8	7.1
Net Inc Gth (%)	13.0	21.3	3.0	13.3	7.1
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	85.7	89.4	84.4	84.2	84.8
Net Income Margins (%)	52.0	58.3	53.6	51.8	52.2
Dist to revenue (%)	59.5	61.5	57.9	54.7	54.9
Managers & Trustee's fees	14.5	12.4	12.5	12.0	12.2
ROAE (%)	6.2	6.5	5.8	6.1	6.4
ROA (%)	3.2	3.3	3.1	3.2	3.3
ROCE (%)	3.9	3.9	4.0	4.3	4.4
Int. Cover (x)	5.1	5.2	5.3	5.2	5.3

Source: Company, DBS Bank

Driven by acquisitions

## Mapletree Logistics Trust

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

FY Mar	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021
Gross revenue	122	121	128	132	132
Property expenses	(12.6)	(12.6)	(13.3)	(13.5)	(13.0)
Net Property Income	109	109	115	119	119
Other Operating expenses	(20.6)	(13.8)	(2.4)	(22.6)	(8.5)
Other Non Opq (Exp)/Inc	1.50	5.27	(17.7)	4.73	0.0
Associates & JV Inc	(2)	5	10	0	0
Net Interest (Exp)/Inc	(19.1)	(17.5)	(17.0)	(19.2)	(18.1)
Exceptional Gain/(Loss)	0.0	23.9	0.0	0.0	(13.9)
<b>Net Income</b>	<b>71.0</b>	<b>106</b>	<b>174</b>	<b>81.7</b>	<b>78.5</b>
Tax	(6.7)	(8.9)	(23.7)	(6.9)	(6.3)
Minority Interest	(0.1)	(0.2)	(0.2)	0.0	(0.2)
<b>Net Income after Tax</b>	<b>59.9</b>	<b>93.0</b>	<b>146</b>	<b>70.5</b>	<b>67.8</b>
Total Return	59.9	93.0	146	70.5	67.8
Non-tax deductible Items	13.8	(16.4)	(68.2)	7.28	10.5
Net Inc available for Dist.	73.7	76.6	77.8	77.8	78.3
<b>Growth &amp; Ratio</b>					
Revenue Gth (%)	2	0	6	3	0
N Property Inc Gth (%)	3	(1)	6	4	0
Net Inc Gth (%)	(23)	55	57	(52)	(4)
Net Prop Inc Margin (%)	89.6	89.6	89.6	89.8	90.1
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

## Balance Sheet (\$\$m)

FY Mar	2019A	2020A	2021F	2022F	2023F
Investment Properties	7,694	8,548	10,068	10,274	10,781
Other LT Assets	214	280	11.7	11.7	11.7
Cash & ST Invt	104	151	141	158	157
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	45.6	48.3	13.8	16.1	17.1
Other Current Assets	20.8	23.9	23.9	23.9	23.9
<b>Total Assets</b>	<b>8,078</b>	<b>9,051</b>	<b>10,258</b>	<b>10,484</b>	<b>10,991</b>
ST Debt	31.6	211	211	211	211
Creditor	208	195	183	215	228
Other Current Liab	12.0	22.9	22.7	28.9	32.7
LT Debt	2,962	3,334	3,631	3,837	4,044
Other LT Liabilities	197	271	271	271	271
Unit holders' funds	4,662	5,010	5,931	5,913	6,195
Minority Interests	5.53	7.30	7.80	8.30	8.80
<b>Total Funds &amp; Liabilities</b>	<b>8,078</b>	<b>9,051</b>	<b>10,258</b>	<b>10,484</b>	<b>10,991</b>
Non-Cash Wkg. Capital	(154)	(145)	(168)	(204)	(220)
Net Cash/(Debt)	(2,889)	(3,394)	(3,701)	(3,890)	(4,098)
<b>Ratio</b>					
Current Ratio (x)	0.7	0.5	0.4	0.4	0.4
Quick Ratio (x)	0.6	0.5	0.4	0.4	0.4
Aggregate Leverage (%)	37.1	39.2	37.5	38.6	38.7
Z-Score (X)	1.4	1.3	1.3	1.3	1.3

Source: Company, DBS Bank

## Cash Flow Statement (\$m)

FY Mar	2019A	2020A	2021F	2022F	2023F
Pre-Tax Income	296	395	331	376	404
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0
Tax Paid	(7.4)	(28.7)	(18.4)	(18.3)	(24.5)
Associates & JV Inc/(Loss)	1.55	(5.2)	(10.2)	0.0	0.0
Chg in Wkg.Cap.	7.64	0.0	23.2	29.1	12.5
Other Operating CF	55.9	7.89	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>354</b>	<b>369</b>	<b>325</b>	<b>387</b>	<b>392</b>
Net Invst in Properties	(690)	(461)	(1,520)	(206)	(507)
Other Invts (net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	(213)	(62.7)	278	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	8.10	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(902)</b>	<b>(516)</b>	<b>(1,241)</b>	<b>(206)</b>	<b>(507)</b>
Distribution Paid	(270)	(284)	(318)	(353)	(376)
Chg in Gross Debt	482	334	297	206	207
New units issued	648	250	945	0.0	300
Other Financing CF	(17.0)	(109)	(17.2)	(17.2)	(17.2)
<b>Net Financing CF</b>	<b>843</b>	<b>192</b>	<b>906</b>	<b>(163)</b>	<b>114</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	294	45.1	(10.2)	17.1	(1.4)

Operating CFPS (\$ cts)

10.3

9.97

7.78

8.65

8.99

Free CFPS (\$ cts)

(10.0)

(2.5)

(30.7)

4.36

(2.7)

Source: Company, DBS Bank

## Target Price &amp; Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	21 Jan 20	1.82	1.90	BUY
2:	29 Jan 20	1.82	1.90	BUY
3:	28 Feb 20	1.85	1.90	HOLD
4:	08 Apr 20	1.66	1.85	BUY
5:	27 Apr 20	1.80	1.85	BUY
6:	12 Jun 20	1.89	2.05	BUY
7:	22 Jul 20	2.03	2.20	BUY

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

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

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Sources for all charts and tables are DBS Bank unless otherwise specified.

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