

COMPANY UPDATE

Mapletree Logistics Trust (MLT SP)

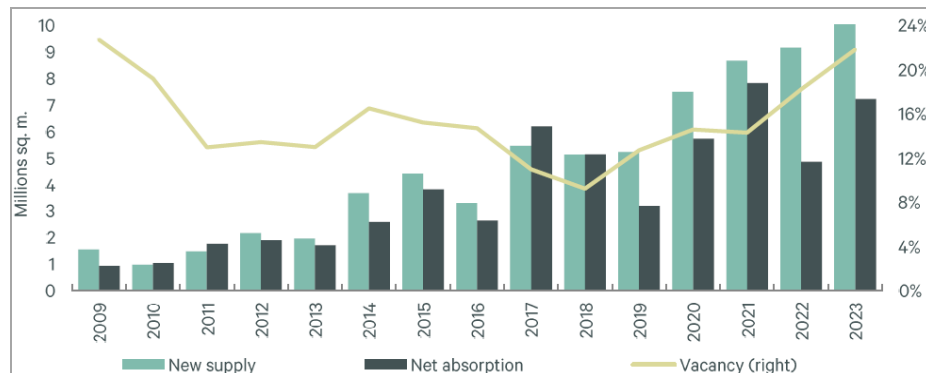
Weathering Headwinds From Mainland China

In China, growth from e-commerce has slowed. The huge logistics supply of 12m sqm in 2023 has pushed the nationwide vacancy rate to a high of 23%. We are concerned that the weakness from China could persist and last longer than the 6-12 months guided by management. We have toned down our optimism. MLT provides FY25 distribution yield of 5.6% (FLT: 7.0%). Maintain BUY. Target price: S\$1.87.

WHAT'S NEW

- China's logistics market in dire straits. Consumer spending in China is weighted down by negative wealth effect caused by falling prices in the residential property and stock markets. China's online retail sales of goods & services slowed to 11.9% yoy in Dec 23 due to weakness in consumer confidence. According to CBRE, new logistics supply hit a record high of 12m sqm in 2023, of which 80% were located in Tier 1 city clusters. Nationwide vacancy for logistics spaces is high at about 23%. Rents are dropping in Tier 2 cities. Landlords in Tier 2 cities have to offer higher rental incentives to retain tenants.

LOGISTICS NET ABSORPTION, COMPLETIONS AND VACANCY – MAINLAND CHINA



Source: CBRE

- Risk from prolonged downturn in China. Mapletree Logistics Trust's (MLT) management cautioned that demand is expected to be soft over the next 6-12 months. Tier 1 cities saw positive rental reversion of 2% but Tier 2 cities suffered negative reversion of 17% in 3QFY24. Management expects continued negative rental reversion at high single digits to low teens. Occupancy for China was stable at 93.1% in 3QFY24. Occupancy for Tier 1 cities has deteriorated by 4ppt qoq to 91%, while occupancy for Tier 2 cities was stable at 93%.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	679	731	736	736	752
EBITDA	503	512	521	543	556
Operating profit	503	512	521	543	556
Net profit (rep./act.)	763	545	326	314	317
Net profit (adj.)	175	274	295	314	317
EPU (S\$ cent)	3.9	5.7	5.9	6.3	6.3
DPU (S\$ cent)	8.8	9.0	8.9	8.3	8.2
PE (x)	37.2	25.8	24.7	23.4	23.2
P/B (x)	1.0	1.0	1.1	1.1	1.1
DPU Yld (%)	6.0	6.1	6.1	5.6	5.6
Net margin (%)	112.4	74.6	44.3	42.7	42.2
Net debt/(cash) to equity (%)	60.4	60.9	66.2	70.1	72.3
Interest cover (x)	5.1	4.1	3.8	3.4	3.3
ROE (%)	11.1	7.2	4.3	4.2	4.3
Consensus DPU (S\$ cent)	n.a.	n.a.	374.9	379.9	385.2
UOBKH/Consensus (x)	-	-	0.02	0.02	0.02

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.47
Target Price	S\$1.87
Upside	+27.2%
(Previous TP)	S\$1.98

COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 187 logistics properties with AUM of S\$13.3b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Dec 23.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	4,988.3
Market cap (S\$m):	7,332.8
Market cap (US\$m):	5,505.6
3-mth avg daily t'over (US\$m):	18.4

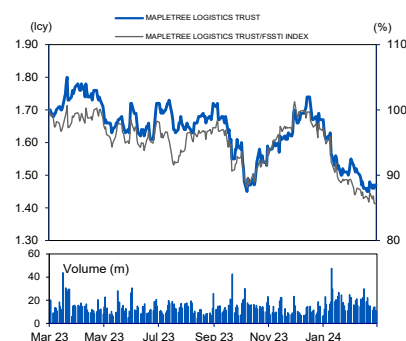
Price Performance (%)

52-week high/low	S\$1.80/S\$1.45			
1mth	3mth	6mth	1yr	YTD
(2.6)	(13.0)	(13.0)	(10.9)	(15.5)

Major Shareholders

Temasek Hldgs	33.0%
FY24 NAV/Share (S\$)	1.39
FY24 Net Debt/Share (S\$)	1.00

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Prudent capital management.** Aggregate leverage was stable at 38.8% as of Dec 23. Proceeds from the divestment of properties in Malaysia and Singapore and cash retained via the Distribution Reinvestment Plan were utilised to repay higher cost loans. Average cost of debt was maintained at 2.5% in 3QFY24. Borrowing costs are expected to rise as expiring interest rate swaps are replaced at higher interest rates. Management expects cost of debt to reach 2.7% by 4QFY24 and 2.9% by 4QFY25.

STOCK IMPACT

- Stability from geographical diversification.** The outlook is clouded by geopolitical uncertainties and potential trade conflict. Rental rates across most of MLT's markets are expected to remain stable despite economic slowdown. Unfortunately, rental reversion in China is likely to remain negative in the near term.
- Repositioning towards modern logistics properties near population centres.** MLT will focus on rejuvenating its portfolio towards modern high-specs logistics properties. Management intends to expand in growth markets, such as Malaysia, Vietnam and India. Hong Kong and Japan are attractive due to tight supply. Australia and South Korea have experienced cap rate expansion but capital values remain elevated.
- Acquisitions primarily funded by divestments.** MLT will divest properties with older specifications and limited redevelopment potential. It has executed eight divestments worth S\$207m in 9MFY24 at an average premium of 13% above valuation (Singapore: two properties, Malaysia: five properties and Japan: one property).
- Strengthening portfolio through redevelopments.** MLT intends to unlock value of existing properties through repositioning, enhancement or redevelopment:
 - MLT has received approval from Jurong Town Corporation (JTC) to redevelop 51 Benoi Road into a six-storey Grade A ramp-up logistics property. The redevelopment will provide uplift to GFA by 2.3x to 887,000sf. Management estimated yield on cost at 6.2% based on total development cost at S\$205m. Construction commenced in Jul 23 and the redevelopment is scheduled to complete by 1Q25.
 - MLT has acquired two parcels of leasehold industrial properties at Subang Jaya, which are located next to its existing Subang 3 and 4 logistics properties, for RM65.6m (S\$21.2m). It plans to amalgamate the four industrial properties into a huge 492,000sf site to be redeveloped into a six-storey ramp-up megahub with 1.4m sf of logistics space. Management estimated yield on cost at 7% based on total investment cost of RM536m (S\$173m). MLT is seeking approval for land amalgamation from relevant authorities. The redevelopment is expected to be completed by 1Q27.

EARNINGS REVISION/RISK

- We kept our FY25 DPU forecast unchanged as we have already factored in weakness from Mainland China, which accounted for 19.1% of portfolio valuation.

VALUATION/RECOMMENDATION

- We lower our target price from S\$1.98 to S\$1.87 based on the Dividend Discount Model (cost of equity: 7.0% (previous: 6.75%), terminal growth: 2.8%).

SHARE PRICE CATALYST

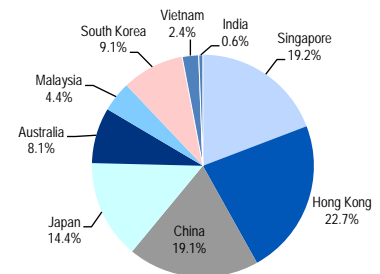
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce.
- Positive contributions from redevelopment projects in Singapore and Malaysia.

KEY OPERATING METRICS

Key Metrics	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	yoy % chg	qq % chg
DPU (S cents)	2.227	2.268	2.271	2.268	2.253	1.2%	-0.7%
Occupancy	96.9%	97.0%	97.1%	96.9%	95.9%	-1ppt	-1ppt
Aggregate Leverage	37.4%	36.8%	39.50%	38.90%	38.80%	1.4ppt	-0.1ppt
Weighted Financing Cost	2.6%	2.7%	2.50%	2.50%	2.50%	-0.1ppt	0ppt
% Borrowing in Fixed Rates	83%	84%	82.0%	83.0%	83.0%	0ppt	0ppt
WALE by NLA (years)	3.2	3.1	3.1	3.0	2.9	-0.3yrs	-0.1yrs
Debt Maturity (years)	3.6	3.8	3.8	3.8	3.7	0.1yrs	-0.1yrs
Rental Reversions	2.9%	3.1%	4.2%	0.2%	3.8%	0.9ppt	3.6ppt

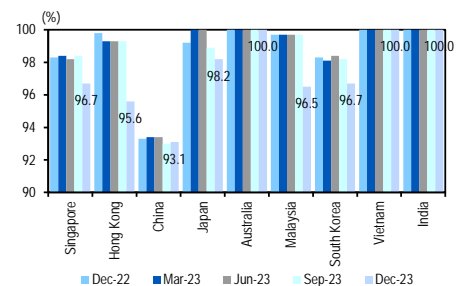
Source: MLT

AUM BY COUNTRY (DEC 23)



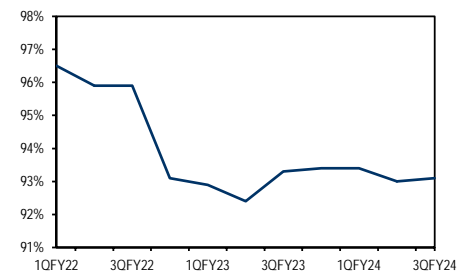
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OCCUPANCY LEVELS BY COUNTRY



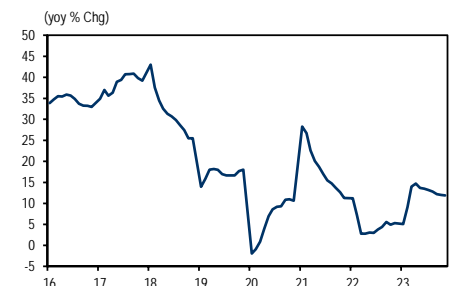
Source: MLT

OCCUPANCY RATE - MAINLAND CHINA



Source: MLT

CHINA ONLINE RETAIL SALES OF GOODS & SERVICES



Source: CEIC

PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	730.6	735.9	736.3	751.6
EBITDA	512.0	521.3	543.3	555.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	512.0	521.3	543.3	555.7
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(126.1)	(138.5)	(161.0)	(169.8)
Pre-tax profit	657.5	414.3	382.2	386.0
Tax	(88.4)	(63.0)	(45.9)	(46.3)
Minorities	(2.4)	(1.4)	(0.8)	(0.8)
Preferred dividends	(21.5)	(23.7)	(21.5)	(21.5)
Net profit	545.1	326.1	314.1	317.4
Net profit (adj.)	273.5	294.6	314.1	317.4

BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	12,754.5	13,253.0	13,378.0	13,378.0
Other LT assets	201.9	185.6	185.6	185.6
Cash/ST investment	302.5	322.2	299.1	295.9
Other current assets	164.3	138.8	138.9	141.0
Total assets	13,423.2	13,899.6	14,001.6	14,000.4
ST debt	374.1	462.2	462.2	462.2
Other current liabilities	335.7	392.4	392.6	400.2
LT debt	4,503.3	4,830.0	5,030.0	5,120.0
Other LT liabilities	687.7	682.3	682.3	682.3
Shareholders' equity	7,508.4	7,510.5	7,412.3	7,313.6
Minority interest	14.0	22.2	22.2	22.2
Total liabilities & equity	13,423.2	13,899.6	14,001.6	14,000.4

CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Operating	609.7	1,205.0	467.8	510.1
Pre-tax profit	385.9	382.8	382.2	386.0
Working capital changes	34.9	34.7	0.2	6.1
Other operating cashflows	189.0	787.4	85.4	118.0
Investing	(230.7)	(998.3)	(100.0)	0.0
Capex (growth)	(221.2)	(1,013.6)	(100.0)	0.0
Capex (maintenance)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	21.7	15.3	0.0	0.0
Others	(31.3)	0.0	0.0	0.0
Financing	(386.2)	(187.0)	(390.8)	(513.3)
Distribution to unitholders	(431.7)	(442.0)	(412.3)	(416.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	205.0	414.8	200.0	90.0
Others/interest paid	(159.5)	(159.8)	(178.5)	(187.2)
Net cash inflow (outflow)	(7.1)	19.7	(23.0)	(3.3)
Beginning cash & cash equivalent	338.6	302.5	322.2	299.1
Changes due to forex impact	(29.0)	0.0	0.0	0.0
Ending cash & cash equivalent	302.5	322.2	299.1	295.9

KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	70.1	70.8	73.8	73.9
Pre-tax margin	90.0	56.3	51.9	51.4
Net margin	74.6	44.3	42.7	42.2
ROA	4.0	2.4	2.3	2.3
ROE	7.2	4.3	4.2	4.3
Growth				
Turnover	7.7	0.7	0.1	2.1
EBITDA	1.7	1.8	4.2	2.3
Pre-tax profit	(33.8)	(37.0)	(7.7)	1.0
Net profit	(28.6)	(40.2)	(3.7)	1.0
Net profit (adj.)	56.5	7.7	6.6	1.0
EPU	44.5	4.2	5.9	0.9
Leverage				
Debt to total capital	39.3	41.3	42.5	43.2
Debt to equity	65.0	70.5	74.1	76.3
Net debt/(cash) to equity	60.9	66.2	70.1	72.3
Interest cover (x)	4.1	3.8	3.4	3.3

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