

COMPANY RESULTS

Mapletree Industrial Trust (MINT SP)

3QFY24: Broad-based Positive Rental Reversion In Singapore Market

MINT achieved broad-based positive rental revision of 7.2% in 3QFY24 for renewed leases across all property segments in Singapore. WALE increased from 4.2 to 4.4 years due to several new and renewed leases with an average lease term of 10 years in the Singapore and North America markets. The newly acquired Osaka data centre has started to contribute since 3QFY24. MINT provides FY25 distribution yield of 5.6% (DCREIT: 5.6%, KDCREIT: 5.3%). Maintain BUY. Target price: S\$2.98.

3QFY24 RESULTS

Year to 31 Mar (\$m)	3Q FY24	yoy % chg	Remarks
Gross Revenue	173.9	+2.0	Average rental rates in Singapore and North America increased 0.9% and
Net Property Income (NPI)	129.9	+0.8	0.4% qoq respectively.
Distributable income	95.2	+3.1	Includes capital distribution of S\$3.1m.
DPU (S cent)	3.36	-0.9	Number of units increased 4.1% yoy.

Source: MINT, UOB Kay Hian

RESULTS

- Mapletree Industrial Trust (MINT) reported 3QFY24 DPU of 3.36 S cents (-0.9% yoy), in line with our expectations. The results included the distribution of compensation received for the compulsory acquisition of part of the land at 2 and 4 Loyang Lane of S\$1.0m and divestment gain of S\$2.1m from 65 Tech Park Crescent.
- Gradual but steady growth.** Gross revenue and NPI grew 2.0% and 0.8% yoy respectively in 3QFY24 due to contributions from the data centre in Osaka, Japan acquired on 28 Sep 23 and new leases from newly completed redevelopment project Mapletree Hi-Tech Park @ Kallang Way.
- Broad-based positive rental reversion.** MINT achieved weighted average rental revision rate of 7.2% in 3QFY24 (hi-tech: +4.3%, business park: +4.1%, flatted factories: +9.6% and stack-up/ramp-up buildings: +10.5%). The average rental rate of the Singapore and US portfolios were S\$2.21psf per month and US\$2.43psf per month respectively, representing sequential growth of 0.9% and 0.4% qoq.
- Portfolio occupancy stable at 92.6% in 3QFY24.** Occupancy for hi-tech buildings improved 2.8ppt qoq to 87.6% due to new leases secured at Mapletree Hi-Tech Park. Committed occupancy at Mapletree Hi-Tech Park improved 3.1ppt qoq to 51.3%. Occupancy for data centres eased 2.4ppt qoq to 91.0% due to non-renewal of a lease for a data centre at Brentwood, Tennessee. Management is in advanced negotiations with a potential replacement tenant from the healthcare industry.

KEY FINANCIALS

Year to 31 Mar (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	610	685	695	725	740
EBITDA	409	451	455	477	488
Operating profit	409	451	455	477	488
Net profit (rep./act.)	433	282	366	382	395
Net profit (adj.)	416	388	366	382	395
EPU (S\$ cent)	16.1	14.6	13.3	13.8	14.3
DPU (S\$ cent)	13.8	13.6	13.2	13.7	14.2
PE (x)	15.2	16.7	18.4	17.6	17.1
P/B (x)	1.3	1.3	1.3	1.3	1.3
DPU Yld (%)	5.7	5.6	5.4	5.6	5.8
Net margin (%)	71.0	41.1	52.7	52.6	53.4
Net debt/(cash) to equity (%)	45.6	47.6	47.5	47.3	47.1
Interest cover (x)	5.8	4.6	4.6	4.4	4.5
ROE (%)	9.4	5.3	6.8	7.1	7.3
Consensus DPU (S\$ cent)	n.a.	n.a.	13.1	13.6	13.8
UOBKH/Consensus (x)	-	-	1.01	1.01	1.03

Source: Mapletree Industrial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.44
Target Price	S\$2.98
Upside	+22.1%

COMPANY DESCRIPTION

MINT invests in a diversified portfolio of income-producing real estate used primarily for industrial purposes in Singapore and income-producing real estate used primarily as data centres worldwide beyond Singapore.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MINT SP
Shares issued (m):	2,833.4
Market cap (S\$m):	6,913.5
Market cap (US\$m):	5,161.6
3-mth avg daily t'over (US\$m):	8.8

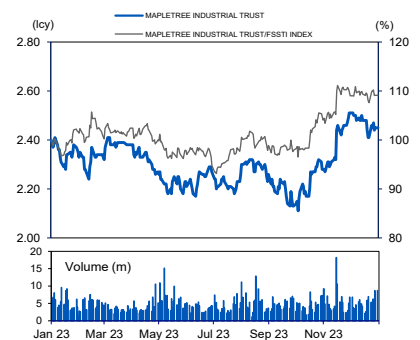
Price Performance (%)

52-week high/low	S\$2.51/S\$2.11			
1mth (0.8)	3mth 13.0	6mth 6.6	1yr 3.0	YTD (2.8)

Major Shareholders

Temasek Hldgs	27.3
FY24 NAV/Share (S\$)	1.84
FY24 Net Debt/Share (S\$)	0.93

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **WALE increased from 4.2 to 4.4 years** due to several new and renewed leases with an average lease term of 10 years in the Singapore (new tenants in the electronics and wholesale sectors at Mapletree Hi-Tech Park) and North America (renewal for a data centre at 250 Williams Street in Atlanta).
- **Osaka data centre started contributing since 3QFY24.** MINT completed the acquisition of a data centre in Osaka, Japan at a purchase consideration of ¥52.0b on 28 Sep 23 (only three days of contributions in 2QFY24). The data centre is being fitted out over four phases. The Osaka data centre provides long WALE of 19 years.
- **Prudent capital management.** Aggregate leverage increased 0.7ppt qoq to 38.6% as of end-Dec 23. MINT issued two series of notes, ¥6.5b of 1.686% fixed-rate notes due 2035 (tenure: 12 years) and ¥10.0b of 1.85% fixed-rate notes due 2038 (tenure: 15 years), to fund the acquisition of a data centre in Osaka, Japan (equity: 40%, debt: 60%). Average cost of debt improved 0.1ppt qoq to 3.1%. Cost of debt is expected to increase slightly in FY25 due to the replacement of expiring interest rate swaps at higher interest rates, but is expected to remain below 3.5%.

### STOCK IMPACT

- **Outlook clouded by geopolitical uncertainties and sluggish global trade growth.** Management will focus on tenant retention to ensure stable portfolio occupancy, while maintaining discipline in cost containment.
- **On the lookout for data centres to acquire.** Data centres in Japan provide positive yield spread with cap rates of 3-4%. MINT has the right of first refusal from the sponsor Mapletree Investments to acquire the remaining 50% stake in their second data centre, JV Mapletree Rosewood Data Centre Trust (MRODCT), which owns 13 data centres in the US. It is also keen to acquire high-tech, R&D and life science properties.
- **Asset recycling and rebalancing geographical mix.** MINT is exploring the feasibility of divesting assets in Singapore:
  - Three business park properties at International Business Park (The Strategy and The Synergy) and Changi Business Park (The Signature). Valuation for the three business park properties was S\$543m in aggregate as of Mar 23.
  - Several flatted factories with shorter land tenure.
- **Increasing geographical diversification.** We anticipate investor interest in acquiring the business park properties owned by MINT. The potential sale of business park properties would facilitate recycling of capital to be deployed for the acquisition of data centres in Japan. Management intends to increase the scale and deepen its presence in the data centre market in Japan. Tapping on funding in Japanese yen will also reduce its cost of debt.

### EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

### VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.98 is based on DDM (cost of equity: 6.75%, terminal growth: 2.2%).

### SHARE PRICE CATALYST

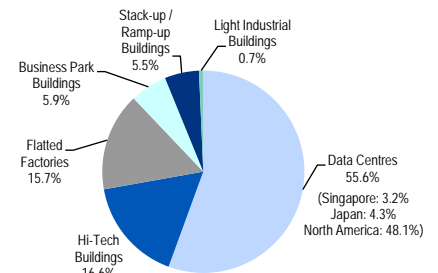
- Growth from data centres located in Singapore, Japan and North America.
- Acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments.
- Redevelopment projects in Singapore.

### KEY OPERATING METRICS

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	yoy % chg	qoq % chg
DPU (S cents)	3.39	3.33	3.39	3.32	3.36	-0.9%	1.2%
Occupancy	95.7%	94.9%	93.3%	93.2%	92.6%	-3.1ppt	-0.6ppt
Aggregate Leverage	37.2%	37.4%	38.2%	37.9%	38.6%	1.4ppt	0.7ppt
Average Cost of Debt	3.3%	3.5%	3.5%	3.2%	3.1%	-0.2ppt	-0.1ppt
% Borrowings in Fixed Rates	74.3%	75.5%	78.0%	79.2%	79.5%	5.2ppt	0.3ppt
WALE by Gross Rental (years)	3.9	3.9	3.9	4.2	4.4	0.5yrs	0.2yrs
Average Debt Maturity (years)	3.1	3.7	3.7	3.3	3.4	0.3yrs	0.1yrs
Passing Rents (S\$psf pm)	2.15	2.16	2.18	2.19	2.21	2.8%	0.9%
Tenant Retention	92.2%	80.7%	83.0%	83.2%	87.3%	-4.9ppt	4.1ppt

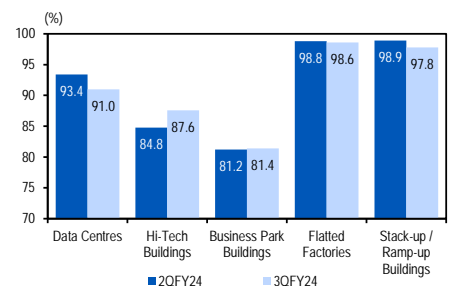
Source: MINT, UOB Kay Hian

### PORTFOLIO VALUATION BY SEGMENTS (DEC 23)



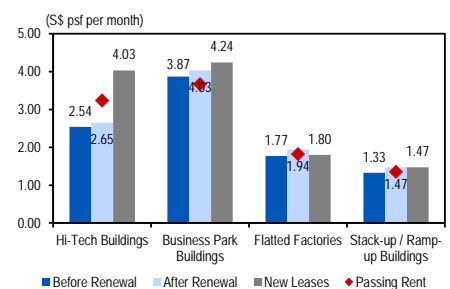
Source: MINT

### SEGMENTAL OCCUPANCY RATES



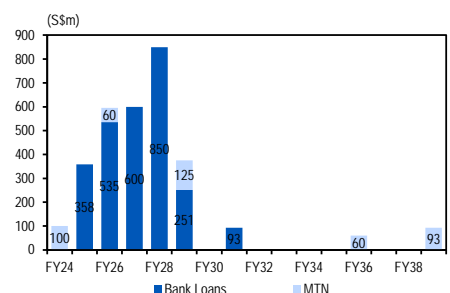
Source: MINT

### RENTAL REVISIONS (SINGAPORE)



Source: MINT

### DEBT MATURITY PROFILE (DEC 23)



Source: MINT

### PROFIT & LOSS

Year to 31 Mar (S\$m)	2023	2024F	2025F	2026F
Net turnover	684.9	695.3	725.1	740.2
EBITDA	450.6	455.4	476.8	487.6
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	450.6	455.4	476.8	487.6
Associate contributions	67.9	33.1	35.7	38.4
Net interest income/(expense)	(96.9)	(100.0)	(108.7)	(108.7)
Pre-tax profit	315.1	388.4	403.8	417.3
Tax	(23.9)	(12.6)	(12.8)	(12.8)
Minorities	0.0	0.0	0.0	0.0
Preferred dividends	(9.5)	(9.5)	(9.5)	(9.5)
Net profit	281.7	366.4	381.6	395.0
Net profit (adj.)	388.2	366.4	381.6	395.0

### CASH FLOW

Year to 31 Mar (S\$m)	2023	2024F	2025F	2026F
Operating	448.1	439.2	470.1	478.2
Pre-tax profit	397.6	375.8	391.0	404.5
Associates	(67.9)	(33.1)	(35.7)	(38.4)
Working capital changes	16.1	(4.2)	5.5	2.8
Non-cash items	1.0	0.6	0.6	0.6
Other operating cashflows	101.2	100.0	108.7	108.7
Investing	(100.6)	(10.0)	(10.0)	(10.0)
Capex (growth)	(155.0)	(10.0)	(10.0)	(10.0)
Proceeds from sale of assets	26.1	0.0	0.0	0.0
Others	28.3	0.0	0.0	0.0
Financing	(350.5)	(424.6)	(450.1)	(462.2)
Distribution to unitholders	(225.1)	(363.5)	(378.8)	(392.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(24.4)	0.0	0.0	0.0
Others/interest paid	(101.0)	(61.2)	(71.4)	(69.9)
Net cash inflow (outflow)	(3.0)	4.6	10.0	6.0
Beginning cash & cash equivalent	149.6	146.6	151.2	161.1
Changes due to forex impact	(0.0)	0.0	0.0	0.0
Ending cash & cash equivalent	146.6	151.2	161.1	167.2

### BALANCE SHEET

Year to 31 Mar (S\$m)	2023	2024F	2025F	2026F
Fixed assets	7,658.7	7,658.7	7,658.7	7,658.7
Other LT assets	709.1	709.9	710.7	711.5
Cash/ST investment	146.6	151.2	161.1	167.2
Other current assets	32.4	39.7	41.2	41.9
<b>Total assets</b>	<b>8,546.8</b>	<b>8,559.5</b>	<b>8,571.8</b>	<b>8,579.3</b>
ST debt	0.2	0.2	0.2	0.2
Other current liabilities	338.0	341.1	348.1	351.6
LT debt	2,705.0	2,705.0	2,705.0	2,705.0
Other LT liabilities	127.7	134.4	136.8	138.1
Shareholders' equity	5,375.9	5,378.8	5,381.7	5,384.5
Minority interest	0.0	0.0	0.0	0.0
<b>Total liabilities &amp; equity</b>	<b>8,546.8</b>	<b>8,559.5</b>	<b>8,571.8</b>	<b>8,579.3</b>

### KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	65.8	65.5	65.8	65.9
Pre-tax margin	46.0	55.9	55.7	56.4
Net margin	41.1	52.7	52.6	53.4
ROA	3.3	4.3	4.5	4.6
ROE	5.3	6.8	7.1	7.3
<b>Growth</b>				
Turnover	12.3	1.5	4.3	2.1
EBITDA	10.3	1.1	4.7	2.3
Pre-tax profit	(33.2)	23.3	4.0	3.3
Net profit	(35.0)	30.1	4.2	3.5
Net profit (adj.)	(6.6)	(5.6)	4.2	3.5
EPU	(9.4)	(8.9)	4.1	3.4
<b>Leverage</b>				
Debt to total capital	33.5	33.5	33.5	33.4
Debt to equity	50.3	50.3	50.3	50.2
Net debt/(cash) to equity	47.6	47.5	47.3	47.1
Interest cover (x)	4.6	4.6	4.4	4.5

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