

## COMPANY RESULTS

### Mapletree Logistics Trust (MLT SP)

3QFY23: Steady Execution Despite Forex Headwinds

DPU growth of 1.9% yoy for 3QFY23 was in line with expectations. MLT achieved broad-based positive rental reversion of 2.9% and portfolio occupancy improved 0.5ppt qoq to 96.9%, driven by Singapore, China and Japan. MLT plans to grow through capital recycling and redevelopments. It has a resilient balance sheet with aggregate leverage of 37.4% and average debt duration of 3.6 years. MLT provides attractive FY23 distribution yield of 5.6% (FLT: 5.9%). Maintain BUY. Target price: S\$1.99.

#### 3QFY23 RESULTS

Year to 31 Mar (S\$m)	3Q FY23	yoy % chg	Remarks
Gross Revenue	180.2	+8.0	Higher revenue from existing properties and accretive acquisitions
Net Property Income (NPI)	157.2	+7.3	completed in 1QFY23 and FY22.
Distributable income	107.1	+10.8	
DPU (S cent)	2.227	+1.9	Number of units increased 2.9% yoy.

Source: MLT, UOB Kay Hian

#### RESULTS

- Mapletree Logistics Trust (MLT) reported 3QFY23 DPU of 2.227 S cents (up 1.9% yoy), which is the same as our forecast.
- Headwinds from a strong Singapore dollar.** Revenue and NPI grew 8.0% and 7.3% yoy respectively due to growth from existing properties and accretive acquisitions completed in 1QFY23 and FY22. Growth was moderated by the depreciation of the Japanese yen, South Korean won, Chinese renminbi and Australian dollar against the Singapore dollar. DPU would have increased by 8.6% yoy if exchange rates had remained stable.
- Portfolio occupancy improved 0.5ppt qoq to 96.9%**, driven by Singapore, China (Guiyang, Tianjin and Wenzhou) and Japan. Hong Kong, Malaysia, Vietnam, Australia and India have maintained near-full/100% occupancy rates. MLT continues to focus on ensuring tenant retention and working closely with tenants to support their operations.
- Broad-based positive rental reversion across most markets.** MLT achieved rental reversion of +2.9% for 3QFY23 (South Korea: 6.2%, Vietnam: 4.2%, Hong Kong: 3.2%, Singapore: 3%, Malaysia: 3%, China: 1.6% (tier-1 cities: 2.7%, tier-2 cities: 1.4%) and Japan: 1.2%).
- Prudent capital management.** Aggregate leverage was stable at 37.4% as of Dec 22. 83% of MLT's debts were fixed rate or hedged to fixed rates. Its average debt duration is healthy at 3.6 years. Management estimated that every 25bp increase in base rates will reduce distributable income by S\$0.52m and DPU by 0.01 S cents per quarter.
- Manageable increase in cost of borrowings.** Weighted average borrowing cost increased slightly by 0.1ppt qoq to 2.6%. Management guided slightly higher cost of debts at 2.7-2.8% in 4QFY23 and 2.9-3.0% in FY24.

#### KEY FINANCIALS

Year to 31 Mar (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	561	679	772	781	788
EBITDA	435	503	577	584	590
Operating profit	435	503	577	584	590
Net profit (rep./act.)	450	767	377	370	372
Net profit (adj.)	269	179	377	370	372
EPU (S\$ cent)	7.3	4.5	8.5	7.7	7.7
DPU (S\$ cent)	7.9	8.6	9.0	8.8	8.8
PE (x)	22.1	35.8	18.9	20.9	20.8
P/B (x)	1.1	1.0	1.1	1.1	1.1
DPU Yld (%)	4.9	5.4	5.6	5.4	5.5
Net margin (%)	80.2	113.1	48.8	47.3	47.2
Net debt/(cash) to equity (%)	64.6	60.4	61.6	62.7	63.9
Interest cover (x)	6.2	5.4	4.7	4.2	4.1
ROE (%)	8.1	11.2	4.9	4.9	5.0
Consensus DPU (S\$ cent)	n.a.	n.a.	8.9	8.8	8.8
UOBKH/Consensus (x)	-	-	1.01	1.00	1.00

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$1.61
Target Price	S\$1.99
Upside	+23.6%

#### COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 183 logistics properties with AUM of S\$12.9b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Sep 22.

#### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	4,809.5
Market cap (S\$m):	7,743.3
Market cap (US\$m):	5,878.6
3-mth avg daily t'over (US\$m):	15.4

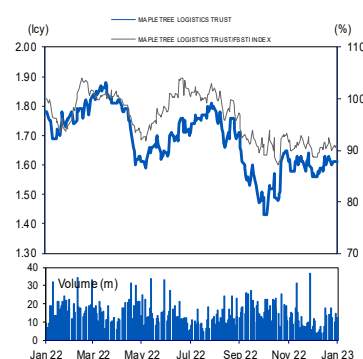
#### Price Performance (%)

52-week high/low				S\$1.88/S\$1.43
1mth	3mth	6mth	1yr	YTD
0.6	6.6	(6.4)	(9.0)	1.3

#### Major Shareholders

	%
Temasek Hldgs	33.6
FY23 NAV/Share (S\$)	1.47
FY23 Net Debt/Share (S\$)	0.98

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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## STOCK IMPACT

- **Growth sustainable but moderated.** MLT focuses on maintaining stable occupancies, diversified tenant mix and well-staggered lease expiry profile. It benefits from structural drivers of demand, including growth in e-commerce, urbanisation and shift to just-in-case inventory management. Demand from e-commerce has slowed but is offset by growth from renewable energy, including electric vehicles. Management sees growth from food & beverage and pharmaceutical products.
- **China expected to overcome short-term headwinds.** In the near term, China is suffering from a spike in new COVID-19 infections. Tenants are signing shorter leases of 1-2 years due to heightened uncertainties. Rental reversion could fall below +1.0% in 4QFY23. Management expects the situation to stabilise in 1H23 and recovery to resume in 2H23. Tier-1 cities in China, such as Shanghai, Guangzhou and Beijing, remain supply-constrained and provide sustainable positive rental reversion.
- **Portfolio valuation likely to be stable.** Management sees cap rate expansion of 0.2-0.5ppt in Australia and South Korea, which is offset by rental growth. Recent transactions point to slight cap rate compression in Japan. Valuations in other key markets remain quite flattish. Thus, overall portfolio valuation is expected to hold up.
- **Capital recycling.** Management sees opportunities to acquire in Japan and Vietnam funded by additional debts and proceeds from divestments. MLT is in the process of divesting one property in Singapore at S\$22m (39% above valuation) and two properties in Malaysia at S\$15.3m (6% above valuation). It plans to divest another 3-4 properties. On aggregate, MLT targets to divest logistics properties worth S\$200-400m.
- **Strengthening portfolio through redevelopments.** MLT intends to unlock value of existing properties through repositioning, enhancement or redevelopment:
  - a) MLT has received approval from Jurong Town Corporation (JTC) to redevelop 51 Benoi Road into a six-storey high-specs ramp-up logistics property with modern specifications. 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\$197m. The redevelopment is scheduled to complete by 1Q25.
  - b) 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, five times their current size. Management estimated yield on cost at 7% based on total investment cost of RM536m (S\$173m). The redevelopment is expected to be completed by 1Q27.

## EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

## VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.99 is based on Dividend Discount Model (cost of equity: 7.0%, terminal growth: 2.8%).

## SHARE PRICE CATALYST

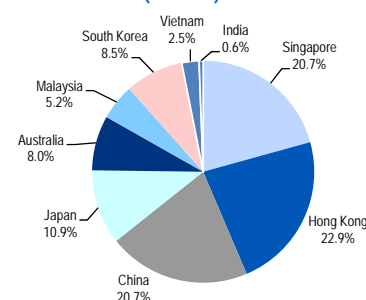
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce.
- Positive contributions from redevelopment projects.

## KEY OPERATING METRICS

Key Metrics	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	yoy % Chg	qoq % Chg
DPU (S cents)	2.19	2.268	2.268	2.248	2.227	1.9%	-0.9%
Occupancy	97.8%	96.7%	96.8%	96.4%	96.9%	-0.9ppt	0.5ppt
Aggregate Leverage	34.7%	36.8%	37.2%	37.0%	37.4%	2.7ppt	0.4ppt
Weighted Financing Cost	2.2%	2.2%	2.3%	2.5%	2.6%	0.4ppt	0.1ppt
% Borrowing in Fixed Rates	79.0%	79.0%	80.0%	82.0%	83.0%	4ppt	1ppt
WALE by NLA (years)	3.6	3.5	3.4	3.3	3.2	-0.4yrs	-0.1yrs
Debt Maturity (years)	3.5	3.8	3.7	3.6	3.6	0.1yrs	0yrs
Rental Reversions	2.5%	2.9%	3.4%	3.5%	2.9%	0.4ppt	-0.6ppt
Portfolio Value (S\$m)	11,500	13,100	13,000	12,900	12,600	9.6%	-2.3%

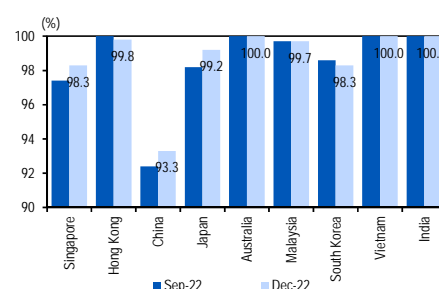
Source: MLT

## AUM BY COUNTRY (DEC 22)



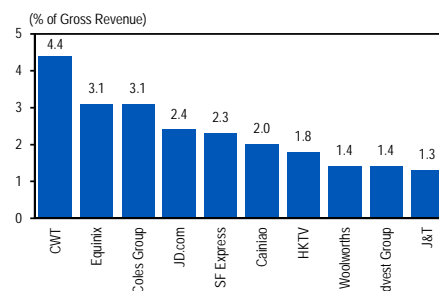
Source: MLT

## OCCUPANCY LEVELS BY COUNTRY



Source: MLT

## TOP 10 TENANTS BY GROSS REVENUE



Source: MLT

## 51 BENOI ROAD



Source: MLT

### PROFIT & LOSS

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Net turnover	678.6	772.2	781.0	787.7
EBITDA	503.3	577.1	584.5	590.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	503.3	577.1	584.5	590.1
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(92.9)	(124.0)	(139.6)	(142.6)
<b>Pre-tax profit</b>	<b>998.5</b>	<b>453.1</b>	<b>444.9</b>	<b>447.5</b>
Tax	(210.3)	(53.9)	(52.9)	(53.2)
Minorities	(1.3)	(1.0)	(0.8)	(0.8)
Preferred dividends	(19.5)	(21.5)	(21.5)	(21.5)
<b>Net profit</b>	<b>767.5</b>	<b>376.8</b>	<b>369.7</b>	<b>372.0</b>
Net profit (adj.)	179.3	376.8	369.7	372.0

### BALANCE SHEET

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Fixed assets	13,100.3	13,199.1	13,199.1	13,199.1
Other LT assets	84.6	84.6	84.6	84.6
Cash/ST investment	338.6	157.1	164.1	170.2
Other current assets	166.4	111.2	112.4	113.3
<b>Total assets</b>	<b>13,689.8</b>	<b>13,552.0</b>	<b>13,560.2</b>	<b>13,567.2</b>
ST debt	533.9	533.9	533.9	533.9
Other current liabilities	369.4	412.0	416.4	419.7
LT debt	4,424.4	4,300.0	4,360.0	4,420.0
Other LT liabilities	692.4	692.4	692.4	692.4
Shareholders' equity	7,650.8	7,594.8	7,538.6	7,482.3
Minority interest	18.9	18.9	18.9	18.9
<b>Total liabilities &amp; equity</b>	<b>13,689.8</b>	<b>13,552.0</b>	<b>13,560.2</b>	<b>13,567.2</b>

### CASH FLOW

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>493.9</b>	<b>616.1</b>	<b>529.9</b>	<b>534.4</b>
Pre-tax profit	405.6	449.1	440.9	443.5
Working capital changes	(2.6)	84.7	3.5	2.6
Other operating cashflows	91.0	82.3	85.6	88.3
<b>Investing</b>	<b>(1,622.2)</b>	<b>(98.8)</b>	<b>0.0</b>	<b>0.0</b>
Capex (growth)	0.0	(98.8)	0.0	0.0
Capex (maintenance)	(1,619.4)	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(2.8)	0.0	0.0	0.0
<b>Financing</b>	<b>1,180.0</b>	<b>(698.8)</b>	<b>(523.0)</b>	<b>(528.3)</b>
Distribution to unitholders	(375.3)	(429.0)	(421.9)	(424.3)
Issue of shares	692.8	0.0	0.0	0.0
Proceeds from borrowings	987.9	(124.4)	60.0	60.0
Others/interest paid	(125.4)	(145.4)	(161.1)	(164.0)
<b>Net cash inflow (outflow)</b>	<b>51.7</b>	<b>(181.5)</b>	<b>7.0</b>	<b>6.1</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>280.8</b>	<b>338.6</b>	<b>157.1</b>	<b>164.1</b>
Changes due to forex impact	6.2	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>338.6</b>	<b>157.1</b>	<b>164.1</b>	<b>170.2</b>

### KEY METRICS

Year to 31 Mar (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	74.2	74.7	74.8	74.9
Pre-tax margin	147.2	58.7	57.0	56.8
Net margin	113.1	48.8	47.3	47.2
ROA	6.2	2.8	2.7	2.7
ROE	11.2	4.9	4.9	5.0
<b>Growth</b>				
Turnover	20.9	13.8	1.1	0.9
EBITDA	15.7	14.7	1.3	1.0
Pre-tax profit	75.3	(54.6)	(1.8)	0.6
Net profit	70.6	(50.9)	(1.9)	0.6
Net profit (adj.)	(33.4)	110.1	(1.9)	0.6
EPU	(38.2)	89.2	(9.3)	0.2
<b>Leverage</b>				
Debt to total capital	39.3	38.8	39.3	39.8
Debt to equity	64.8	63.6	64.9	66.2
Net debt/(cash) to equity	60.4	61.6	62.7	63.9
Interest cover (x)	5.4	4.7	4.2	4.1

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