

## COMPANY UPDATE

### Mapletree Industrial Trust (MINT SP)

#### Weighting The Risk Of Non-renewal

Tenants AT&T and Atos could vacate from four US data centres, which account for 15.3% of MINT's total data centre NLA. Two of the data centres at Brentwood, Tennessee (expiry: Nov 23) and San Diego, California (expiry: Dec 24) are fairly large. Our sensitivity analysis indicates FY26 DPU could drop by up to 8.9%. Potential damage could already be in the price with FY23 distribution yield at 5.8% (DCREIT: 6.5% and KDCREIT: 5.2%). Maintain BUY with a lower target price of S\$2.79.

#### WHAT'S NEW

- Biotronik is anchor tenant at 165 Kallang Way.** Based on our channel check, Mapletree Industrial Trust (MINT) has secured Biotronik as anchor tenant for its seven-storey built-to-suit facility at 165 Kallang Way. Biotronik is a multi-national cardiovascular biomedical research and technology company headquartered in Berlin, Germany. It provides equipment for diagnosis, treatment, and therapy support for cardiac rhythm management, electrophysiology and vascular intervention. It developed the first German-made implantable pacemaker in 1963. Biotronik has leased the built-to-suit facility on a 15+5+5 year term with annual rental escalations.
- Continuing to lease out 161 and 163 Kallang Way.** 165 Kallang Way obtained its Temporary Occupation Permit on 10 Nov 22. 161 and 163 Kallang Way are expected to complete in 1H23. MINT has pre-leased two floors of 163 Kallang Way. In total, 39% of 161, 163 and 165 Kallang Way (previously known as Kolam Ayer 2 Cluster) is pre-committed. MINT has achieved attractive signing rents at high-S\$3psf/month.
- Risk of non-renewal for four US data centres.** Tenants AT&T and Atos could vacate from MINT's four US data centres when their leases expire over the next two years. AT&T currently occupies three data centres located at Pewaukee, Brentwood and San Diego. Atos occupies one data centre located at Arlington. The four data centres have NLA of 1.1m sf, representing 15.3% of total NLA for MINT's data centre portfolio (excluding its 2nd data centre JV with sponsor Mapletree Investments).
- Sensitivity analysis on progress of backfilling vacant space.** Our sensitivity analysis indicates that FY26 DPU and our target price could drop by up to 8.9% and 8.6% respectively. Our base case scenario, which assumes MINT backfill half of the vacant data centre space, provide FY26 DPU forecast of 14.0 S cents and target price of S\$2.79. Our worst-case scenario, whereby none of the vacant space is backfilled, provide FY26 DPU forecast of 13.3 S cents and target price of S\$2.67.
- Formulating Plan B.** MINT leases these four data centres on a core & shell basis. Downside is limited as the passing rent is low at about US\$2psf/month. Management is open to conversion to alternative usage, such as laboratories for life science and cleanroom for manufacturing, which would unfortunately entail downtime.

#### KEY FINANCIALS

Year to 31 Mar (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	447	610	684	701	709
EBITDA	309	409	451	459	465
Operating profit	309	409	451	459	465
Net profit (rep./act.)	164	433	375	361	365
Net profit (adj.)	268	416	372	361	365
EPU (S\$ cent)	11.6	16.1	14.0	13.6	13.7
DPU (S\$ cent)	12.6	13.8	13.5	13.5	13.6
PE (x)	20.3	14.6	16.8	17.3	17.2
P/B (x)	1.4	1.3	1.2	1.2	1.2
DPU Yld (%)	5.3	5.9	5.8	5.8	5.8
Net margin (%)	36.8	71.0	54.8	51.5	51.5
Net debt/(cash) to equity (%)	47.4	45.6	43.4	43.3	43.2
Interest cover (x)	5.9	5.8	4.8	4.2	4.1
ROE (%)	4.4	9.4	7.0	6.6	6.7
Consensus DPU (S\$ cent)	n.a.	n.a.	13.8	13.9	13.9
UOBKH/Consensus (x)	-	-	0.98	0.97	0.98

Source: Mapletree Industrial Trust, Bloomberg, UOB Kay Hian

## BUY

### (Maintained)

Share Price	S\$2.35
Target Price	S\$2.79
Upside	+18.7%
(Previous TP)	S\$3.30)

#### 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):	2,723.6
Market cap (S\$m):	6,400.6
Market cap (US\$m):	4,753.5
3-mth avg daily t'over (US\$m):	7.7

#### Price Performance (%)

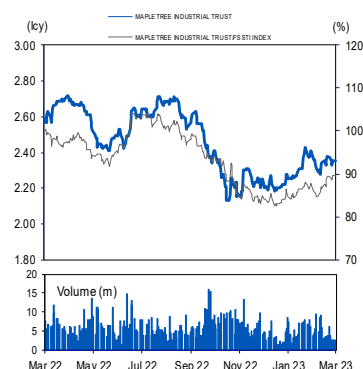
52-week high/low S\$2.72/S\$2.13

1mth	3mth	6mth	1yr	YTD
(2.5)	6.8	(7.5)	(10.0)	5.9

#### Major Shareholders

	%
Temasek Hldgs	27.3
-	-
-	-
FY23 NAV/Share (S\$)	1.94
FY23 Net Debt/Share (S\$)	0.89

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### DATA CENTRES AFFECTED BY NON-RENEWALS

Property	City	State	NLA (sf)	Valuation (US\$m)	Tenant	FY22 Gross Revenue (US\$m)	Lease Expiry
5000 Bowen	Arlington	Texas	90,689	26.2	Atos	3.7	Mar 23
N15W24250 Riverwood Drive	Pewaukee	Wisconsin	142,952	51.7	AT&T	5.2	Sep 23
402 Franklin Road	Brentwood	Tennessee	347,515	116.0	AT&T	12.1	Nov 23
7337 Trade Street	San Diego	California	499,402	194.0	AT&T	16.3	Dec 24
<b>Total</b>			<b>1,080,558</b>	<b>387.9</b>		<b>37.3</b>	

Source: MINT

### SENSITIVITY ANALYSIS FOR IMPACT ON DPU AND TARGET PRICE

% Backfilled	Occupancy for Data Centre Portfolio	FY26 DPU (S cents)	FY26 Distribution Yield (%)	Target Price (S\$)	Upside (%)
0%	78.5%	13.3	5.7	2.67	14%
10%	80.0%	13.5	5.7	2.69	14%
20%	81.6%	13.6	5.8	2.72	16%
30%	83.1%	13.7	5.8	2.74	17%
40%	84.6%	13.9	5.9	2.77	18%
50%	86.2%	14.0	6.0	2.79	19%
60%	87.7%	14.1	6.0	2.82	20%
70%	89.2%	14.3	6.1	2.84	21%
80%	90.7%	14.4	6.1	2.87	22%
90%	92.3%	14.5	6.2	2.89	23%
100%	93.8%	14.6	6.2	2.92	24%

Source: UOB Kay Hian

### STOCK IMPACT

- **Working on backfilling vacant data centre space.** Management has cautioned investors concerning uncertainties relating to lease renewal by AT&T in the past. Thus, we expect the non-renewal of leases for the four US data centres could already be in the price.
- **Singapore portfolio continues to outperform.** Occupancy for Singapore portfolio edged higher by 0.1ppt qoq to 96.9% in 3QFY23 driven by flatted factories in Singapore (+1.3ppt qoq to 98.0%). MINT achieved positive rental reversion for its hi-tech buildings (+8.8%) and flatted factories (+9.4%). Gross rental rate for the Singapore portfolio edged slightly higher by 0.9% yoy to S\$2.15psf/month in 3QFY23. Retention rate was high at 92.2%.

### EARNINGS REVISION/RISK

- We have cut our FY26 DPU forecast by 4.4% assuming: a) 161, 163 & 165 Kallang Way achieve occupancy of 70% by 4QFY24, and b) MINT managed to backfill half the vacant data centre space at the same prevailing rent.

### VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.79 based on DDM (cost of equity: 7.0% (previous: 6.75%), terminal growth: 2.2% (previous: 2.8%)).

### SHARE PRICE CATALYST

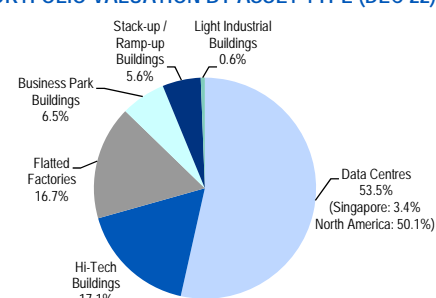
- Resiliency and recovery from the Singapore portfolio.
- Acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments.

### KEY OPERATING METRICS – MINT

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	yoy % chg	qoq % chg
DPU (S cents)	3.49	3.49	3.49	3.36	3.39	-2.9%	0.9%
Occupancy	93.6%	94.0%	95.3%	95.6%	95.7%	2.1ppt	0.1ppt
Aggregate Leverage	39.9%	38.4%	38.4%	37.8%	37.2%	-2.7ppt	-0.6ppt
Average Cost of Debt	2.3%	2.4%	2.5%	2.9%	3.3%	1ppt	0.4ppt
% Borrowings in Fixed Rates	79.7%	70.5%	72.3%	74.2%	74.3%	-5.4ppt	0.1ppt
WALE by Gross Rental (years)	4.2	4.1	4.1	4.0	3.9	-0.3yrs	-0.1yrs
Average Debt Maturity (years)	3.5	3.8	3.7	3.5	3.1	-0.4yrs	-0.4yrs
Passing Rents (S\$psf pm)	2.13	2.13	2.13	2.15	2.15	0.9%	0.0%
Tenant Retention	84.0%	83.9%	86.2%	86.5%	92.2%	8.2ppt	5.7ppt

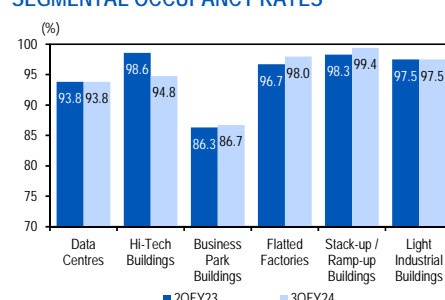
Source: MINT, UOB Kay Hian

### PORTFOLIO VALUATION BY ASSET TYPE (DEC 22)



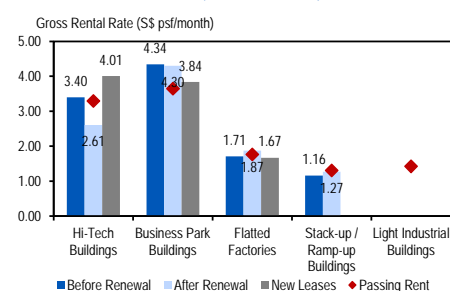
Source: MINT

### SEGMENTAL OCCUPANCY RATES



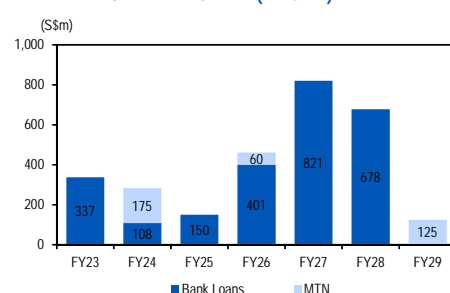
Source: MINT

### RENTAL REVISIONS (SINGAPORE)



Source: MINT

### DEBT MATURITY PROFILE (DEC 22)



Source: MINT

### PROFIT & LOSS

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Net turnover	610.1	684.3	701.2	709.5
EBITDA	408.6	451.2	458.9	464.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	408.6	451.2	458.9	464.9
Associate contributions	116.3	36.6	33.1	35.7
Net interest income/(expense)	(70.8)	(93.9)	(109.6)	(114.0)
Pre-tax profit	471.7	397.0	382.4	386.6
Tax	(30.2)	(12.4)	(12.0)	(12.0)
Minorities	0.0	0.0	0.0	0.0
Preferred dividends	(8.4)	(9.5)	(9.5)	(9.5)
Net profit	433.1	375.1	361.0	365.2
Net profit (adj.)	415.6	372.0	361.0	365.2

### BALANCE SHEET

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Fixed assets	7,674.2	7,789.0	7,789.0	7,789.0
Other LT assets	626.3	714.3	715.1	715.9
Cash/ST investment	149.6	154.0	160.5	164.7
Other current assets	29.8	41.7	42.5	42.9
Total assets	8,480.0	8,699.0	8,707.1	8,712.6
ST debt	2.9	0.6	0.6	0.6
Other current liabilities	532.3	574.3	578.2	580.2
LT debt	2,552.3	2,530.0	2,530.0	2,530.0
Other LT liabilities	113.6	122.0	123.4	124.1
Shareholders' equity	5,278.9	5,472.0	5,474.8	5,477.6
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	8,480.0	8,699.0	8,707.1	8,712.6

### CASH FLOW

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Operating	497.1	449.6	450.6	455.0
Pre-tax profit	424.0	381.4	370.4	374.6
Associates	(116.3)	(36.6)	(33.1)	(35.7)
Working capital changes	33.2	9.9	3.1	1.5
Non-cash items	0.9	0.9	0.6	0.6
Other operating cashflows	155.3	93.9	109.6	114.0
Investing	(1,754.5)	(165.0)	(10.0)	(10.0)
Capex (growth)	(1,902.9)	(165.0)	(10.0)	(10.0)
Proceeds from sale of assets	122.4	0.0	0.0	0.0
Others	25.9	0.0	0.0	0.0
Financing	1,346.6	(280.2)	(434.1)	(440.8)
Distribution to unitholders	(306.1)	(358.0)	(358.1)	(362.4)
Issue of shares	810.3	0.0	0.0	0.0
Proceeds from borrowings	926.0	3.9	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(83.6)	73.9	(76.0)	(78.5)
Net cash inflow (outflow)	89.1	4.4	6.5	4.2
Beginning cash & cash equivalent	60.5	149.6	154.0	160.5
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	149.6	154.0	160.5	164.7

### KEY METRICS

Year to 31 Mar (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	67.0	65.9	65.5	65.5
Pre-tax margin	77.3	58.0	54.5	54.5
Net margin	71.0	54.8	51.5	51.5
ROA	5.8	4.4	4.1	4.2
ROE	9.4	7.0	6.6	6.7
Growth				
Turnover	36.4	12.2	2.5	1.2
EBITDA	32.2	10.4	1.7	1.3
Pre-tax profit	138.4	(15.8)	(3.7)	1.1
Net profit	163.3	(13.4)	(3.8)	1.2
Net profit (adj.)	55.1	(10.5)	(3.0)	1.2
EPU	39.0	(13.2)	(3.0)	1.1
Leverage				
Debt to total capital	32.6	31.6	31.6	31.6
Debt to equity	48.4	46.2	46.2	46.2
Net debt/(cash) to equity	45.6	43.4	43.3	43.2
Interest cover (x)	5.8	4.8	4.2	4.1

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