Singapore Company Focus

Global Logistic Properties

Bloomberg: GLP SP | Reuters: GLPL.SI **Refer to important disclosures at the end of this report**

DBS Group Research . Equity 30 Oct 2015

BUY

Last Traded Price: S$2.28 (**STI :** 3,001.51)
Price Target: S$2.73 (20% upside) (Previous S$2.63)

Reason for Report: Results update
Potential Catalyst: Better-than-expected results
Where we differ: We are more conservative in our assumptions

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Result Summary

FY Mar (US$ m)	2Q 2016	2Q 2015	1Q 2016	% chg yoy	% chg qoq
P&L Items					
Turnover	189.3	192.9	190.2	(1.9)	(0.4)
Gross Profit	150.4	157.3	152.5	(4.3)	(1.4)
Opg Profit	104.7	59.7	99.9	75.5	4.8
EBITDA	107.7	62.5	102.9	72.4	4.7
Net Profit	114.0	89.5	268.1	27.4	(57.5)
Net Profit (Ex revals)	50.0	9.0	>100.0	56	(11.0)
Other Data					
Gross Margin (%)	79.5	81.5	80.2		
Opg Margin (%)	55.3	30.9	52.6		
Net Margin (%)	60.2	46.4	141.0		

Financial Summary

FY Mar (US$ m)	2014A	2015A	2016F	2017F
Turnover	625	708	711	768
Operating Profit	382	405	400	426
EBITDA	510	479	476	530
Net Pft (Pre Ex.)	247	201	198	216
EPS (S cts)	20.2	13.2	17.0	6.4
EPS Pre Ex. (S cts)	7.3	5.8	5.9	6.4
EPS Gth (%)	5	(35)	29	(62)
EPS Gth Pre Ex (%)	(28)	(20)	1	9
Net DPS (S cts)	5.1	5.8	2.9	3.2
BV Per Share (S cts)	240.7	237.4	247.9	252.4
PE (X)	11.3	17.3	13.4	35.7
PE Pre Ex. (X)	31.3	39.1	38.8	35.7
EV/EBITDA (X)	21.3	28.9	30.2	28.0
Net Div Yield (%)	2.3	2.5	1.3	1.4
P/Book Value (X)	0.9	1.0	0.9	0.9
Net Debt/Equity (X)	0.1	0.1	0.2	0.2
ROAE (%)	8.6	5.5	6.9	2.6

At A Glance

Issued Capital (m shrs)	4,779
Mkt. Cap (Sm/USm)	10,897 / 7,762
3m Avg. Daily Val (US$m)	36.7

ICB Industry : Real Estate
ICB Sector: Real Estate
Principal Business: Global Logistics Properties (GLP) is a leading provider of modern logistics facilities in China, Japan, Brazil and the US.
Source: Company, DBS Bank, Bloomberg Finance L.P.

Strong operational momentum

- **2Q16 results in line**
- **Pick-up in operational momentum across its major markets of Japan, China and US**
- **BUY, TP S$2.73 as we roll forward valuations**

Highlights

2Q16 results in line with our estimates. GLP reported a decent 27% rise in PATMI on top of a 1.9% dip in top line to US$114m and US$189m respectively. The better performance was on the development gains and rent growth in Japan, higher management fee from US, and higher completion and lease up in China. This was partially offset by higher expenses from US asset management platform. Stripping out revaluation gains, earnings would have increased to US$50m (+>100% y-o-y).

GLP's capital structure remains conservative with a gearing ratio of 21%, and 75% of its debt fixed at an average weighted interest cost of 3.0%.

Pick-up in operational momentum across major markets with higher portfolio occupancies seen throughout. GLP recorded 12m sqft of new and expansion leases for the quarter (+51% y-o-y) and group lease ratio was up 1ppt to 93%. In **China,** the group saw a 1ppt q-o-q increase in occupancy rates to 89% and is expected to remain stable. The group recorded 1.0m sqm of new leases (29% y-o-y) with average rent growth of 29% y-o-y. The group began US$370m in development starts (meeting 44% of FY16F targets) and sees 77% of its demand coming from existing customers.

Japan continues to power on with lease ratio rising 1% to 99%. Rent renewals continue to perform strongly, up 14% y-o-y. The group completed US$217m of new developments with a 23% margin.

Brazil remained stable – lease ratios up 1% q-o-q to 95% with same-property rental rate up 6.8%. US properties continue to do well, lease ratio is up 2% to 94% with rent growth of 5.3% y-o-y.

Outlook

Development-starts target for 2016. GLP began US$370m (702k sqm) in development starts, achieving 44% of their FY16 target). Management remains cautious on the outlook in China in the near term but notes that they are seeing strong indications from major tenants (mainly e-commerce players) looking to further expand.

Looking ahead, development starts will amount to US$3.4bn in 2016, which is 30% higher y-o-y. Management maintains its medium-term robust growth outlook and expects US$8bn in development completions over the next three years, of which GLP's share is expected to be US$3.6bn or 45% of the total. A majority of these developments are expected to be funded through the newly set up China Logistics Fund 2 (CLF2).

GLP Nagareyama – a massive warehouse in Greater Tokyo. GLP will start development work on a large scale logistics park in Great Tokyo of over 0.3m sqm (3.4m sqft) GFA. The development is expected to cost US$490m. We understand that there is strong demand from customers for almost more than 3x the available space for this upcoming warehouse development when completed.

CMSTD acquisition approved by regulators. The strategic partnership entails (i) a JV (49% stake held by GLP, 51% by CMSTD) to develop logistics facilities in China. The JV is expected to invest over RMB3.6bn to develop an initial pipeline of up to 1.3m sqm of buildable area across China which CMSTD holds on its land reserve, and (ii) a 15.3% stake in CMSTD. We see this collaboration with CMSTD as a key inroad to gain access to land in order to expand their reach in China.

AUM of Fund Management platform rose to S$27bn. Management fees rose 51% to US$74m in 1H16 and is expected to hit US$150m by end of 2016. As of Sep-15, total AUM rose to US$27bn, of which the group has another US$10bn of uncalled capital to be deployed. Given the saleable nature and high recurring cashflows from this business, we expect this platform to continue growing through new funds.

Paring down in stake in US Income Partners II. GLP has completed the fund syndication for Fund 1 to 10% and is expected to reap a gain of US$35m in 3Q16. In addition, management remains in advanced discussions with third-party capital partners who are keen to co-invest alongside GLP for Fund 2 and is expected to reduce its stake to 10% by Apr-16.

Valuation:

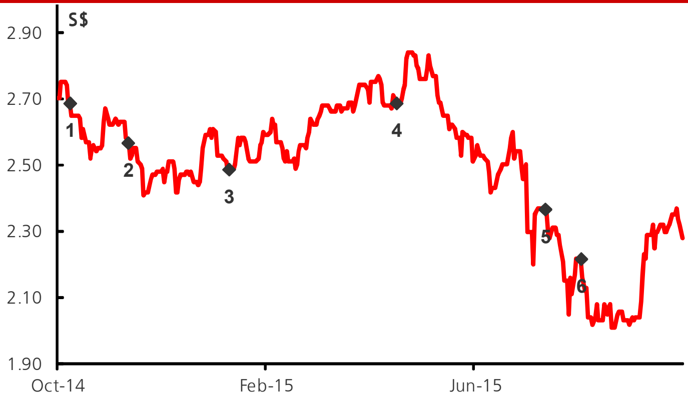
We maintain our BUY call, but target price raised to S$2.73 as we roll forward valuations.

Key Risks:

Slowdown in Chinese economy. If a slowdown in the Chinese economy leads to a reduced appetite for logistics warehouse space, there could be slower-than-projected revenue growth.

Foreign currency risks. Exposure to various currencies (CNY, JPY, BRL) could lead to volatility in the group's USD earnings.

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1	05 Nov 14	2.69	3.42	BUY
2	09 Dec 14	2.57	3.42	BUY
3	06 Feb 15	2.49	2.98	BUY
4	15 May 15	2.69	3.17	BUY
5	10 Aug 15	2.37	3.00	BUY
6	31 Aug 15	2.22	2.63	BUY

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

Source: DBS Bank

DBS Bank recommendations are based an Absolute Total Return* Rating system, defined as follows:
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)
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SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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