

Singapore Company Guide

Mapletree Industrial Trust

Edition 1 Version 1 | Bloomberg: MINT SP | Reuters: MAPI.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

22 Oct 2015

BUY (upgrade from HOLD)

Last Traded Price: S\$1.515 (STI : 3,025.70)

Price Target : S\$1.62 (7% upside) (Prev S\$1.50)

Potential Catalyst: Better-than-expected results

Where we differ: Our forecasts are more conservative than consensus

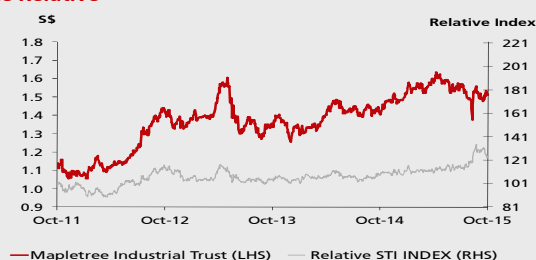
Analyst

Derek Tan +65 6682 3716 derektan@db.com

Rachael TAN +65 6682 3713 rachaeltan@db.com

Mervin Song +65 6682 3715 mervinsong@db.com

Price Relative



Forecasts and Valuation

FY Mar (\$\$ m)	2015A	2016F	2017F	2018F
Gross Revenue	314	328	332	359
Net Property Inc	229	241	244	266
Total Return	374	187	188	204
Distribution Inc	181	193	196	206
EPU (S cts)	10.3	10.7	10.6	11.5
EPU Gth (%)	5	3	(1)	9
DPU (S cts)	10.5	11.0	11.1	11.6
DPU Gth (%)	6	5	1	5
NAV per shr (S cts)	132.1	130.2	129.8	129.6
PE (X)	14.7	14.2	14.3	13.2
Distribution Yield (%)	6.9	7.3	7.3	7.7
P/NAV (x)	1.1	1.2	1.2	1.2
Aggregate Leverage (%)	32.5	34.6	34.5	34.6
ROAE (%)	8.2	8.1	8.1	8.9

Distn. Inc Chng (%):		4	5	3
Consensus DPU (S cts):		10.6	10.9	11.8
Other Broker Recs:		B: 4	S: 2	H: 12

Source of all data: Company, DBS Bank, Bloomberg Finance L.P

ROCK-SOLID PERFORMER

A more modest growth profile. DPU growth over the coming two years is likely to turn more modest at c.1.5% per annum for Mapletree Industrial Trust (MINT) as under-rented portfolio gets marked-to-market over time. In this current tough operating climate, we expect the manager to focus more on maintaining occupancy rates instead of focusing on pushing rents higher. Therefore, we expect rental reversions to moderate to c.0-3% in the coming years.

Steady operational 2Q16 results. Operational data-points in 2Q16 results remain steady – occupancy rates remain steady at 93.6%, while average monthly portfolio rentals continue to inch up to S\$1.88psf albeit at a slower rate. DPU of 2.79 Scts (+2.2% y-o-y) is slightly ahead of expectations as the manager continues to keep costs tight. We tweak our numbers up by 2% to account for better-than-expected margins.

Development projects to drive upside from FY18F onwards. MINT will reap the benefits from the completion of development projects from FY17F onwards (built-to-suit project for Hewlett Packard and a new Hi-tech building at Kallang Basin 4 cluster). At a total estimated cost of c.S\$250m, we estimate returns of c.8.5% which will result in a rebound in DPU growth in the medium term. Eventual gearing of 34.6% will still be within management's comfortable range of 35-40%.

Valuation:

We see MINT's resilience as a value trait in this market and believe yields of 7.3%-7.8% as attractive for a solid name. We upgrade our call from HOLD to BUY with revised TP of S\$1.62, offering total return of 15%.

Key Risks to Our View:

Rising interest rates An increase in refinancing rates will negatively impact distributions. However, we note that MINT has minimized these risks through having c.80% of its interest cost hedged into fixed rates.

At A Glance

Issued Capital (m shrs)	1,770
Mkt. Cap (S\$m/US\$m)	2,682 / 1,928
Major Shareholders	
Mapletree Investment (%)	33.1
Schroder Investment (%)	7.5
American International (%)	4.8
Free Float (%)	54.6
3m Avg. Daily Val (US\$m)	3.4
ICB Industry : Real Estate / Real Estate Investment Trusts	

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

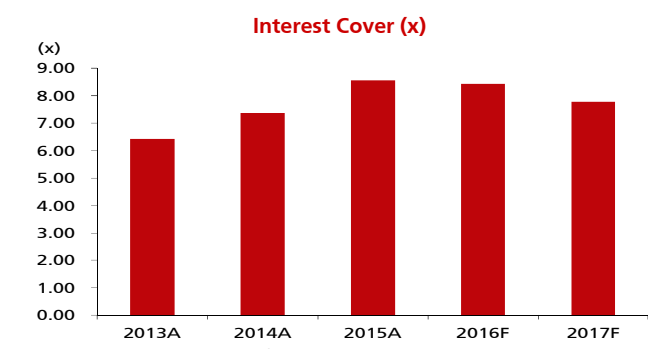
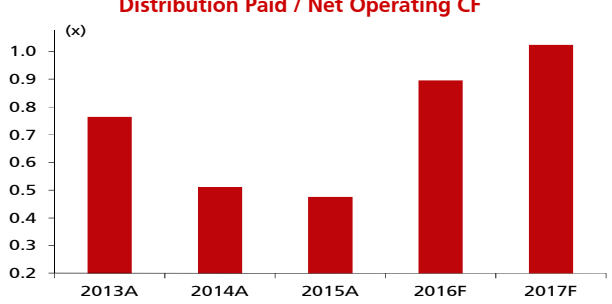
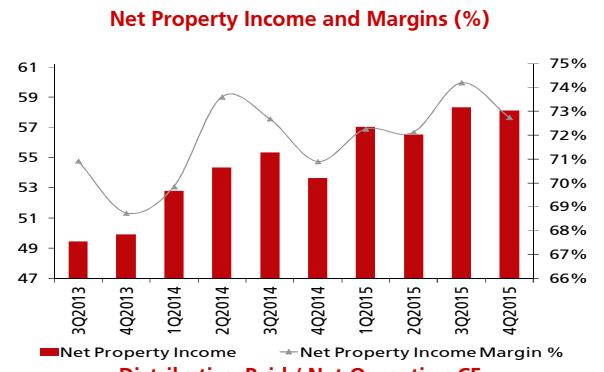
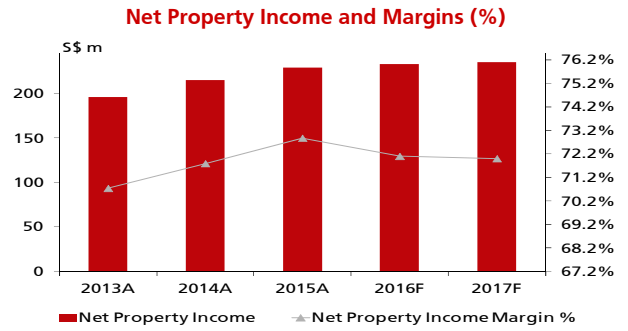
A more modest organic growth outlook. Mapletree Industrial Trust (MINT) has since its IPO delivered strong DPU growth of c.6.5% on the back of strong rental reversion rates from an under-rented portfolio. As most of its properties have already undergone at least one round of reversions, most of the leases are now at or near-market levels in our view.

With the softening of market rents due to a slowing economy, we are forecasting rental reversions to moderate to 0-3% growth and expect the manager to be increasingly focused on maintaining occupancies, a strategy which we believe will pay dividends and result in the trust delivering steady dividends in an increasingly competitive environment.

Acquisitions and development projects to support earnings growth. Properties post-asset enhancements at various properties - Toa Payoh (98% occupied) and Woodlands (80% occupied) continue to see improved take-up rates and should see higher contribution from 2H16 onwards. Looking ahead, the completion of The Equinix, will be the main earnings driver for the REIT in FY16 while underlying portfolio is expected to see more modest organic growth. The redevelopment of Telok Blangah Cluster (expected TOP for phase 1 and phase 2 in 2H16 and 1H17 respectively), will provide further upside to earnings when completed.

New development project at Kallang Basin Cluster 4. MINT is also starting on the development of a new Hi-Tech building at Kallang Basin cluster 4 at an estimated cost of S\$77m, returning c.8% when completed in 4Q of 2017. We believe that the manager will see strong demand given the good location in the central part of Singapore. The manager has ample headroom to fund this development.

2Q16 DPU of 2.79 Scts (+2.2% y-o-y) a strong set of results. MINT continues to see a strong 6.2% y-o-y and 8.6% y-o-y growth in revenue and net property income to S\$82.7m and S\$61.0m respectively. This was mainly due to higher rental rates achieved portfolio wide (average rents rose to S\$1.88psf/mth a marginal increase from S\$1.86 last quarter). This was supported by an increase in occupancy rate to 93.8% as the trust fills up vacant space across its portfolio. The completion of The Equinix development also contributed to the rise in revenues. NPI margins remained stable at 73.8% as the manager kept a tight lid on operating costs. We tweak our DPU up by 2% as we assume higher margins.



Source: Company, DBS Bank

Balance Sheet:

Low gearing of c.29.7% allows for opportunistic acquisitions; developments. Current gearing is conservative at c.29.7%; implying that the Manager has the capability to take on debt-funded acquisitions when the opportunity arises. The manager will be utilising its headroom towards higher-yielding development projects (built-to-suit project for HP and Kallang Basin Cluster 4) which we estimate to yield 8-9%, higher than acquisitions. Post development, we believe gearing will still be within management's comfortable level.

Stable weighted average debt-to-maturity of 3.8 years.

The REIT has a well staggered debt profile with a majority of debt due for repayment only from FY17/18 onwards. With 80% in 2Q16 fixed, MINT is well protected against future increase in interest rates while currently weighted average cost of debt stands at 2.3%.

Share Price Drivers:

Better-than-expected rental reversions/ acquisitions will boost earnings and share price. We are forecasting modest rental uplifts of between 0-3%. The REIT's ability to maintain or beat expectations will mean upside to our/consensus forecasts. In addition, the execution on acquisitions or further development projects which are accretive to earnings will likely result in upside to TPs and share prices.

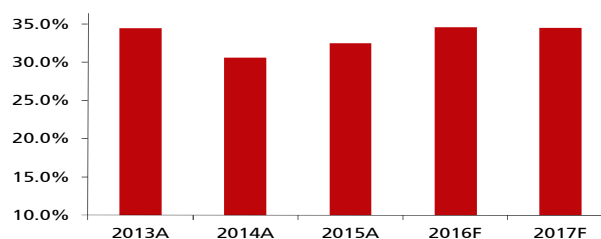
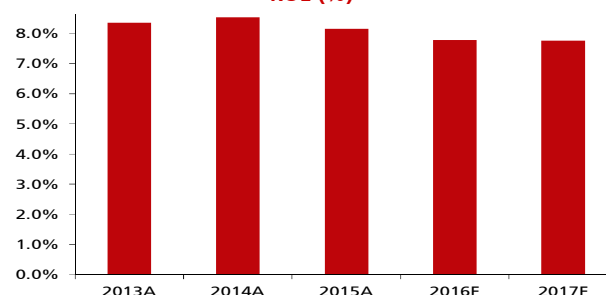
Key Risks:

Rising interest rates. An increase in refinancing rates will negatively impact distributions. However, MINT has minimised the impact as c.80% of its interest cost has been fixed.

Economic risk. A deterioration of the economic outlook could have a negative impact on industrial rents and occupancies as companies cut back on production and require less space. Industrial rents have a strong historical correlation with GDP growth.

COMPANY BACKGROUND

Mapletree Industrial Trust is a real estate investment trust which invests primarily in income-producing industrial assets located in Singapore. Its portfolio includes a diverse mix of business parks, science parks, ramp-up warehouses and flatted factories.

Aggregate Leverage (%)**ROE (%)****Distribution Yield (%)****PB Band (x)**

Source: Company, DBS Bank

Income Statement (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F	2018F
Gross revenue	299	314	328	332	359
Property expenses	(85)	(85)	(87)	(88)	(92)
Net Property Income	215	229	241	244	266
Other Operating expenses	(25)	(27)	(29)	(30)	(31)
Other Non Opg (Exp)/Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(26)	(24)	(24)	(26)	(31)
Exceptional Gain/(Loss)	0	0	0	0	0
Net Income	164	178	187	188	204
Tax	0	(1)	0	0	0
Minority Interest	0	0	0	0	0
Preference Dividend	0	0	0	0	0
Net Income After Tax	164	177	187	188	204
Total Return	314	374	187	188	204
Non-tax deductible Items	(148)	(194)	6	8	3
Net Inc available for Dist.	166	181	193	196	206
Growth & Ratio					
Revenue Gth (%)	8.3	4.9	4.5	1.3	8.0
N Property Inc Gth (%)	9.9	6.5	5.4	1.3	9.2
Net Inc Gth (%)	13.3	8.2	5.9	0.1	8.7
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	71.8	72.8	73.4	73.4	74.3
Net Income Margins (%)	54.6	56.4	57.1	56.4	56.8
Dist to revenue (%)	55.5	57.6	59.0	59.0	57.5
Managers & Trustee's fees to sales %)	8.5	8.6	9.0	9.0	8.7
ROAE (%)	8.5	8.2	8.1	8.1	8.9
ROA (%)	5.2	5.2	5.2	5.1	5.4
ROCE (%)	6.2	6.0	6.0	5.9	6.4
Int. Cover (x)	7.4	8.6	8.8	8.1	7.5

Growth driven by rental reversions and contribution from Equinix property

Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$\$ m)

FY Mar	2Q2015	3Q2015	4Q2015	1Q2016	2Q2016
Gross revenue	78	78	79	82	83
Property expenses	(22)	(20)	(22)	(21)	(22)
Net Property Income	56	58	58	60	61
Other Operating expenses	(7)	(7)	(12)	(7)	(7)
Other Non Opg (Exp)/Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(6)	(6)	(1)	(6)	(6)
Exceptional Gain/(Loss)	0	0	0	0	0
Net Income	44	46	45	47	47
Tax	0	0	0	0	0
Minority Interest	0	0	0	0	0
Net Income after Tax	44	46	45	47	47
Total Return	44	46	242	47	47
Non-tax deductible Items	2	0	(195)	2	2
Net Inc available for Dist.	45	46	47	48	49
Growth & Ratio					
Revenue Gth (%)	(1)	0	2	3	1
N Property Inc Gth (%)	(1)	3	0	4	1
Net Inc Gth (%)	1	5	(2)	4	2
Net Prop Inc Margin (%)	72.1	74.2	72.8	73.7	73.8
Dist. Payout Ratio (%)	100.0	100.0	200.0	200.0	200.0

Stable quarterly growth profile

100% payout ratio

Balance Sheet (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F	2018F
Investment Properties	3,170	3,424	3,537	3,639	3,681
Other LT Assets	1	4	4	4	4
Cash & ST Invt	96	72	91	100	65
Inventory	0	0	0	0	0
Debtors	9	16	16	16	17
Other Current Assets	0	0	0	0	0
Total Assets	3,275	3,516	3,648	3,759	3,767
ST Debt	344	125	125	125	125
Creditor	68	70	96	97	105
Other Current Liab	1	0	0	0	0
LT Debt	784	949	1,059	1,174	1,174
Other LT Liabilities	50	59	59	59	59
Unit holders' funds	2,029	2,312	2,309	2,303	2,303
Minority Interests	0	0	0	0	0
Total Funds & Liabilities	3,275	3,516	3,648	3,759	3,767
Non-Cash Wkg. Capital	(60)	(54)	(80)	(81)	(88)
Net Cash/(Debt)	(1,032)	(1,003)	(1,093)	(1,200)	(1,235)
Ratio					
Current Ratio (x)	0.3	0.5	0.5	0.5	0.4
Quick Ratio (x)	0.3	0.5	0.5	0.5	0.4
Aggregate Leverage (%)	30.6	32.5	34.6	34.5	34.6
Z-Score (X)	1.5	1.7	1.5	1.5	1.5

Gearing to inch up marginally as development complete

Source: Company, DBS Bank

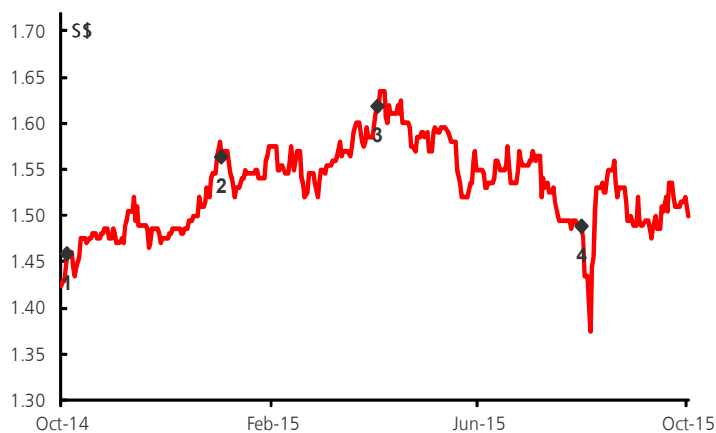
Mapletree Industrial Trust

Cash Flow Statement (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F	2018F
Pre-Tax Income	164	178	187	188	204
Dep. & Amort.	0	0	0	0	0
Tax Paid	(5)	(1)	0	0	0
Associates & JV Inc/(Loss)	0	0	0	0	0
Chg in Wkg.Cap.	(7)	(5)	26	1	7
Other Operating CF	38	33	3	3	3
Net Operating CF	190	205	216	191	213
Net Invnt in Properties	(138)	(54)	(113)	(102)	(42)
Other Invnts (net)	0	0	0	0	0
Invnts in Assoc. & JV	0	0	0	0	0
Div from Assoc. & JVs	0	0	0	0	0
Other Investing CF	0	0	0	0	0
Net Investing CF	(138)	(54)	(113)	(102)	(42)
Distribution Paid	(97)	(97)	(193)	(196)	(206)
Chg in Gross Debt	103	(54)	110	115	0
New units issued	0	0	0	0	0
Other Financing CF	(34)	(22)	0	0	0
Net Financing CF	(29)	(174)	(83)	(81)	(206)
Currency Adjustments	0	0	0	0	0
Chg in Cash	23	(24)	19	9	(35)
Operating CFPS (S cts)	11.7	12.2	10.8	10.7	11.7
Free CFPS (S cts)	3.1	8.8	5.9	5.1	9.7

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1	23 Oct 14	1.46	1.53	BUY
2	21 Jan 15	1.57	1.66	BUY
3	22 Apr 15	1.62	1.68	BUY
4	19 Aug 15	1.49	1.50	BUY

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

Source: DBS Bank

DBS Bank recommendations are based on 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)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd and DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates (collectively, the "DBS Vickers Group") only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months.

ANALYST CERTIFICATION


The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of the date the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd., DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates have a proprietary position in the Mapletree Industrial Trust recommended in this report as of 31 Sep 2015.
2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may beneficially own a total of 1% of any class of common equity securities of the company mentioned as of 31 Sep 2015.
3. **Compensation for investment banking services:**
 DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may have received compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the company mentioned.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.  Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
Dubai	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3 rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank Ltd.

12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Company Regn. No. 196800306E