

Singapore Company Guide

Mapletree Logistics Trust

Edition 1 Version 2 | Bloomberg: MLT SP | Reuters: MAPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

20 Oct 2015

BUY

Last Traded Price: S\$1.04 (STI : 3,024.50)

Price Target : S\$ 1.15 (11% upside) (Previous S\$1.11)

Potential Catalyst: Acquisitions

Where we differ: Our estimates are conservative and 5% below consensus

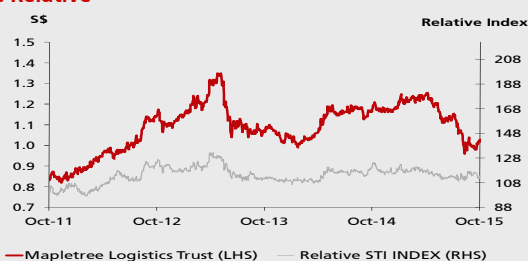
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Price Relative



Forecasts and Valuation

FY Mar (S\$ m)	2015A	2016F	2017F	2018F
Gross Revenue	330	340	359	370
Net Property Inc	277	294	312	322
Total Return	241	182	189	195
Distribution Inc	185	185	192	198
EPU (S cts)	6.4	7.4	7.7	7.9
EPU Gth (%)	(17)	15	4	3
DPU (S cts)	7.5	7.5	7.8	8.0
DPU Gth (%)	2	0	4	3
NAV per shr (S cts)	102.6	102.5	102.4	102.2
PE (X)	16.2	14.1	13.5	13.1
Distribution Yield (%)	7.3	7.2	7.5	7.8
P/NAV (x)	1.0	1.0	1.0	1.0
Aggregate Leverage (%)	34.1	38.6	39.5	40.7
ROAE (%)	6.4	7.2	7.5	7.7

Distn. Inc Chng (%)	-	-	(1)
Consensus DPU (S cts)	7.6	7.9	8.0
Other Broker Recs:	B: 9	S: 1	H: 6

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

ACQUISITIONS TO DRIVE GROWTH

Steady growth from acquisitions, maintain BUY. We maintain our BUY rating on a slightly higher TP of S\$1.15, based on DCF valuation. Recent acquisitions have placed the Trust back on a growth path, with more to follow. Yields are attractive at >7.0%, offering total returns of 18%.

Steady 2Q16 results. 2Q16 revenues and net property income rose 7% and 13% respectively, on the back of an expanded portfolio and higher revenues achieved for Singapore and HK assets. Portfolio occupancy rose marginally to 96.9% with a longer WALE of 4.8 years offering income visibility. DPU of 1.86 Scts however dipped 1% y-o-y mainly due to gains distributed in 2Q15; stripping those gains out, and earnings would have been flattish. Looking ahead, the manager continues to expect headwinds for its operations in S'pore/Korea from competition.

Acquisitions and developments to drive growth as rental outlook falters. We are positive on MLT's rising acquisition growth momentum and strategy to optimise yields through strategic redevelopments to diversify its earnings base. Growth will come from a visible sponsor pipeline, which is currently under various stages of developments. In addition, the completion of various AELs will underpin medium term growth for the Trust. These growth drivers are expected to more than compensate for the risk of falling rents and vacancy rates especially in S'pore given ongoing property conversions.

Valuation:

Our target price is revised to S\$1.15 as we roll forward valuations. At its current price, MLT offers investors dividend yields of 7.2-7.8% for FY16-18F.

Key Risks to Our View:

Acquisitions ramp up faster than expected. A faster-than-projected acquisition pace or a better-than-expected outlook for the Singapore warehouse market will translate to positive surprises to earnings estimates, and re-rate the stock higher.

At A Glance

Issued Capital (m shrs)	2,478
Mkt. Cap (S\$m/US\$m)	2,565 / 1,853
Major Shareholders	
Temasek Holdings (%)	40.3
Bank of New York Mellon (%)	4.9
Free Float (%)	54.8
3m Avg. Daily Val (US\$m)	3.6

ICB Industry : Real Estate / Real Estate Investment Trust

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

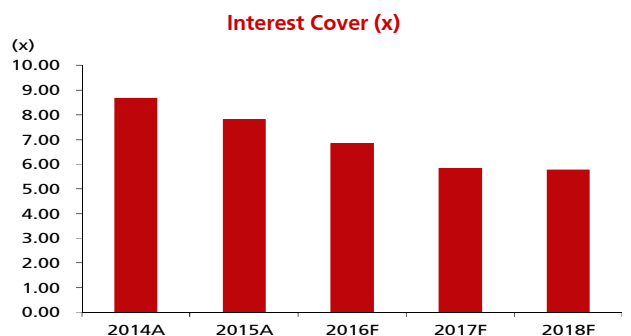
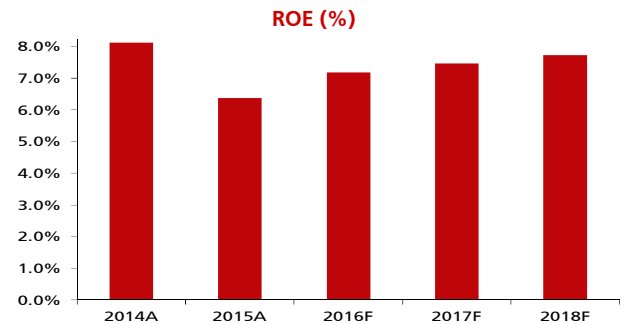
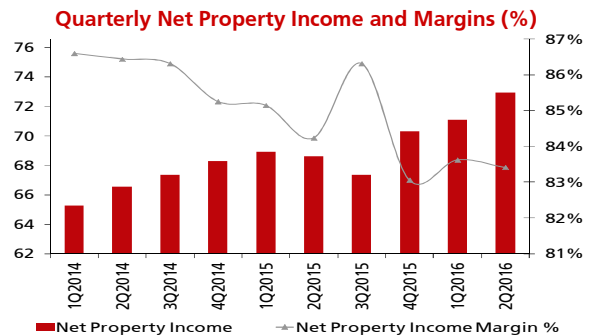
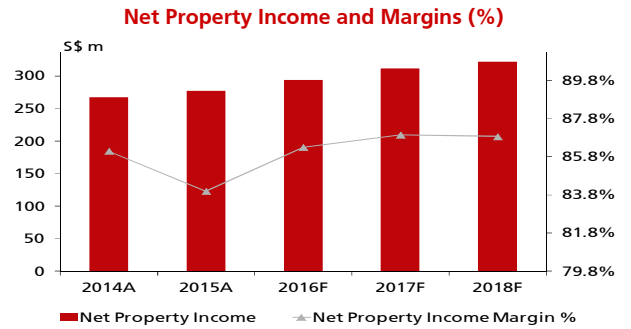
MLT beats our acquisition estimates for FY16F with new Australian foray. MLT continues to deliver on the acquisition front. The Trust has acquired six properties in China, Singapore, Malaysia and Korea with projected NPI yields ranging from 6.5% to 8.4% in 2015, which will contribute positively in FY16. The Trust started FY16 strongly, delivering close to S\$295m in acquisitions in Vietnam, Korea and most recently, Australia, at a weighted average yield of 6.1%.

In the medium term, MLT is expected to complete two development projects - 5B Toh Guan Road East (S\$107m) and 76 Pioneer Road (S\$117m). When completed in 1HFY17 and 4QFY18, these would drive inorganic growth. At this point (Sept-15), there are no pre-commitments for both properties.

We are positive on MLT's rising acquisition momentum and strategy to optimise yields through strategic redevelopments to diversify its earnings base while scaling up its presence in target growth markets in China, Korea and Australia. These should compensate for the expected dip in rentals from its Singapore operations in the interim.

Sizeable portfolio of assets to be injected from Sponsor in the longer term. In addition, there is a sizeable and growing pipeline of development properties from the Sponsor, Mapletree Investments that is available for MLT to acquire in the medium term. Potential assets for acquisitions are mainly in various development stages across Asia, especially China, Japan, HK and Vietnam, where demand for logistics warehouses remains robust. China remains a key growth area, where the proliferation of e-commerce will drive demand for more logistics space.

Lower contributions from conversions of single-user facilities to multi-tenanted properties in FY16-17F. MLT's historical performance has been stable, underpinned by a balance of positive rental reversions, stable portfolio occupancies and acquisitions. The Trust has a weighted average lease to expiry (WALE) of 4.8 years (by NLA), which offers strong income visibility. Looking ahead, MLT has 5.4%/16.3% of its revenues up for renewal in FY16/17F. A majority of the leases are from Singapore, where we expect a number of warehouses that are leased to single-users (SUA) to be converted into multi-tenanted properties (MTB). Given underlying vacancies for these properties, we expect downside to contributions from these properties in the near term when leases from the SUAs are up for renewal over the coming two years.



Source: Company, DBS Bank

Balance Sheet:

Gearing of c.38.8% is within management's comfortable range. Gearing rose marginally to 38.8% but this is still within management's comfortable level of 40-45%. In our forecasts, we estimate gearing to increase slightly to c.39% by end- FY16, mainly due to c.\$120m of capex invested towards the new warehouse at Toh Guan, Singapore.

Well-staggered debt maturity profile; interest costs remain stable. Interest costs have been stable at 2.3% given that a majority of its debts are in JPY/HKD and Rmb. To hedge against currency volatility, the Manager typically takes on local-denominated loans (pegged to maximum of asset values in each overseas market).

MLT has a long debt-to-maturity of 3.4 years at end 2QFY16 and proactively renews its loans ahead of time. Over the next two financial years, only c.22% of its total debt will be rolled over, meaning that interest cost will only see a marginal increase.

Share Price Drivers:

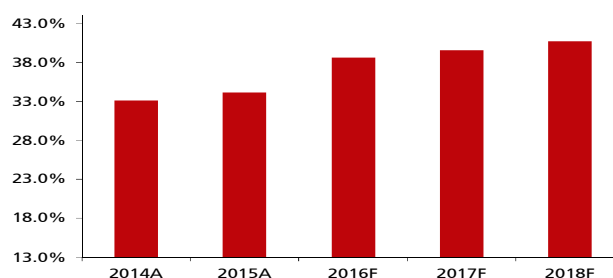
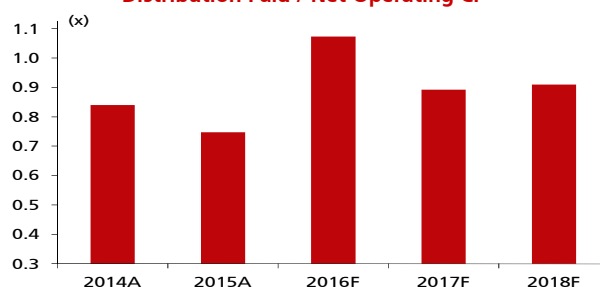
Ability to drive growth through acquisitions. We remain optimistic on the ability of the Trust to drive growth through acquisitions. With its first foray into Australia, we see the Trust further deepening its exposure through strategic purchases over the medium term. The Manager is also looking to divest low yielding assets in Singapore, Japan and re-cycle the proceeds into higher yielding assets.

Key Risks:

Rise in interest rates. The Manager has hedged a majority of its debt into fixed rates but is expected to see increased cost of funds when these loans are rolled over in the coming year.

COMPANY BACKGROUND

MapleTree Logistics is a real estate investment trust which invests in logistics warehouses in the Asia Pacific region. It currently owns warehouses in Singapore, Japan, China, South Korea, Vietnam and Hong Kong.

Aggregate Leverage (%)**Distribution Paid / Net Operating CF****Distribution Yield (%)****P/Bk NAV (x)**

Source: Company, DBS Bank

Income Statement (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F	2018F
Gross revenue	311	330	340	359	370
Property expenses	(43)	(53)	(47)	(47)	(48)
Net Property Income	268	277	294	312	322
Other Operating expenses	(18)	(24)	(43)	(42)	(43)
Other Non Opg (Exp)/Inc	3	(15)	0	0	0
Net Interest (Exp)/Inc	(29)	(32)	(37)	(46)	(48)
Exceptional Gain/(Loss)	0	0	0	0	0
Net Income	224	205	215	224	230
Tax	(17)	(29)	(14)	(16)	(16)
Minority Interest	(1)	(1)	0	0	0
Preference Dividend	(19)	(19)	(19)	(19)	(19)
Net Income After Tax	187	157	182	189	195
Total Return	293	241	182	189	195
Non-tax deductible Items	(113)	(56)	3	3	3
Net Inc available for Dist.	180	185	185	192	198
Growth & Ratio					
Revenue Gth (%)	0.9	6.2	3.1	5.4	3.2
N Property Inc Gth (%)	(0.2)	3.7	6.0	6.1	3.1
Net Inc Gth (%)	2.7	(16.2)	15.9	4.0	3.3
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	86.1	84.0	86.3	87.0	86.9
Net Income Margins (%)	60.3	47.6	53.4	52.8	52.8
Dist to revenue (%)	57.8	56.0	54.3	53.6	53.6
Operating expenses (%)	5.9	7.4	12.5	11.7	11.7
ROAE (%)	8.1	6.4	7.2	7.5	7.7
ROA (%)	4.3	3.4	3.7	3.7	3.8
ROCE (%)	5.5	4.9	4.9	5.1	5.1
Int. Cover (x)	8.7	7.8	6.9	5.8	5.8

Growth mainly driven by acquisitions, offsetting negative drag from conversion of single tenanted properties in Singapore

Interest cost to remain fairly stable, given a majority of loans are denominated in JPY where rates are low

Source: Company, DBS Bank

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

FY Mar	2Q2015	3Q2015	4Q2015	1Q2016	2Q2016
Gross revenue	82	78	85	85	87
Property expenses	(13)	(11)	(14)	(14)	(15)
Net Property Income	69	67	70	71	73
Other Operating expenses	(5)	(6)	(9)	(7)	(19)
Other Non Opg (Exp)/Inc	3	0	(10)	4	(1)
Net Interest (Exp)/Inc	(8)	(7)	(9)	(9)	(10)
Exceptional Gain/(Loss)	0	0	0	0	0
Net Income	59	54	43	59	42
Tax	(3)	(4)	(20)	(4)	(4)
Minority Interest	0	0	0	0	0
Net Income after Tax	51	46	18	51	33
Total Return	51	46	102	51	33
Non-tax deductible Items	(5)	(1)	(56)	(5)	13
Net Inc available for Dist.	46	45	46	46	46
Growth & Ratio					
Revenue Gth (%)	1	(4)	8	0	3
N Property Inc Gth (%)	0	(2)	4	1	3
Net Inc Gth (%)	36	(11)	(61)	185	(35)
Net Prop Inc Margin (%)	84.2	86.3	83.1	83.6	83.4
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Step-up growth on a q-o-q basis driven by (i) annual escalations for its long leases and, (ii) contribution from completed acquisitions

Balance Sheet (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F	2018F
Investment Properties	4,235	4,631	4,953	5,037	5,141
Other LT Assets	0	0	0	0	0
Cash & ST Invt	114	107	76	80	81
Inventory	0	0	0	0	0
Debtors	16	21	9	9	9
Other Current Assets	31	29	29	29	29
Total Assets	4,397	4,788	5,067	5,155	5,260
ST Debt	149	57	57	57	57
Creditor	140	164	113	120	123
Other Current Liab	11	24	34	36	36
LT Debt	1,307	1,575	1,897	1,981	2,085
Other LT Liabilities	59	80	80	80	80
Unit holders' funds	2,726	2,882	2,879	2,876	2,873
Minority Interests	6	6	6	6	6
Total Funds & Liabilities	4,397	4,788	5,067	5,155	5,260
Non-Cash Wkg. Capital	(103)	(138)	(110)	(117)	(121)
Net Cash/(Debt)	(1,341)	(1,525)	(1,878)	(1,958)	(2,060)
Ratio					
Current Ratio (x)	0.5	0.6	0.6	0.6	0.6
Quick Ratio (x)	0.4	0.5	0.4	0.4	0.4
Aggregate Leverage (%)	33.1	34.1	38.6	39.5	40.7
Z-Score (X)	1.2	1.1	1.0	0.9	0.9

Gearing to remain stable at 38-39.5%; increase is mainly due to debt-funded acquisitions and development projects

Source: Company, DBS Bank

Mapletree Logistics Trust

Cash Flow Statement (S\$ m)

FY Mar	2014A	2015A	2016F	2017F	2018F
Pre-Tax Income	224	205	215	224	230
Dep. & Amort.	0	0	0	0	0
Tax Paid	(3)	(4)	(4)	(14)	(16)
Associates & JV Inc/(Loss)	0	0	0	0	0
Chg in Wkg.Cap.	(25)	(1)	(39)	6	4
Other Operating CF	14	35	0	0	0
Net Operating CF	210	236	173	215	218
Net Invnt in Properties	(101)	(247)	(322)	(84)	(104)
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	1	1	0	0	0
Net Investing CF	(100)	(246)	(322)	(84)	(104)
Distribution Paid	(177)	(177)	(185)	(192)	(198)
Chg in Gross Debt	74	207	322	84	104
New units issued	0	0	0	0	0
Other Financing CF	(27)	(30)	(19)	(19)	(19)
Net Financing CF	(130)	0	118	(128)	(114)
Currency Adjustments	0	3	0	0	0
Chg in Cash	(21)	(7)	(31)	4	1
Operating CFPS (S cts)	9.6	9.6	8.5	8.5	8.7
Free CFPS (S cts)	4.5	(0.5)	(6.0)	5.3	4.6

Mainly for development works at Toh Guan Warehouse and assumed S\$100m of acquisitions over FY16-17F

Source: Company, DBS Bank

Target Price & Ratings History



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

S.No.	Date	Closing Price	Target Price	Rating
1:	23 Oct 14	1.20	1.25	BUY
2:	10 Nov 14	1.18	1.25	BUY
3:	24 Nov 14	1.18	1.25	BUY
4:	21 Jan 15	1.24	1.27	HOLD
5:	02 Apr 15	1.24	1.27	HOLD
6:	22 Apr 15	1.26	1.29	HOLD
7:	26 May 15	1.20	1.29	HOLD
8:	02 Jul 15	1.13	1.11	BUY

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

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