

# Mapletree Industrial Trust

## 2Q16 Analyst Briefing Key Takeaways

SINGAPORE | REAL ESTATE (REIT) | RESULTS

22 October 2015

### What is the news?

Mapletree Industrial Trust (MIT) announced its 2Q FY16 (Y/E Mar) results on 20 October after trading hours. We tuned in to the live webcast on 21 October morning. *MIT will trade ex-dividend on 24 October.*

### Results at a glance

(SGD mn)	2Q16	2Q15	y-y (%)	Comments
Gross revenue	82.74	77.91	↑ 6.2	Higher occupancy, higher rental rates and contribution from Equinix
Net property income	61.03	56.20	↑ 8.6	No change in property expenses
Distributable income	48.91	45.40	↑ 7.7	
DPU (Cents)	2.79	2.60	↑ 7.3	Boosted by Equinix data centre

Source: Mapletree Industrial Trust, Phillip Securities Research (Singapore)

### Analyst briefing key takeaways

- **Easing of JTC subletting policy will have a "muted effect" on MIT.** JTC has revised its subletting policy with effect from 1 October 2015, lowering the required minimum GFA for anchor subtenants to 1,000 sqm from 1,500 sqm. The Manager explained that most of MIT's properties are multi-tenanted and not operating on the sub-lease structure.
- **Negative rental reversion is a possibility in the near-future.** The macroeconomic outlook is uncertain, and there will be a demand-supply imbalance of industrial space, with downward pressure on rent and strong supply coming on-stream. The Manager also guided that property expenses are expected to creep up in the following year.
- **Possible geographical diversification strategy.** The Manager is considering markets such as Malaysia, Vietnam and China. These are markets where the Sponsor already has a presence and MIT can tap on the Sponsor's existing portfolio and network. Of particular interest are Business Parks.
- **Outlook for future demand.** The Manager highlighted that trend of demand by tenants for High-Tech buildings which have better specifications. In addition, such High-Tech buildings tend to hold their rent better compared to generic spaces.
- **Kallang Basin 4 Cluster Asset Enhancement Initiative (AEI).** Existing tenants will not be affected during the AEI and will not be required to relocate, as the scope of the AEI is to redevelop an existing open car park into a Hi-Tech Building. There is no firm commitment from prospective tenants yet and this is a speculative redevelopment. The Manager is optimistic on achieving at least S\$4 psf/month rental, and expecting an NPI yield of 8%.

### Investment Action

No stock rating or target price provided, as we do not have coverage on MIT.

### Non-rated

CLOSING PRICE	SGD 1.515
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

### COMPANY DATA

O/S SHARES (MN) :	1770
MARKET CAP (USD mn / SGD mn) :	1931 / 2691
52 - WK HI/LO (SGD) :	164 / 135
3M Average Daily T/O (mn) :	3.15

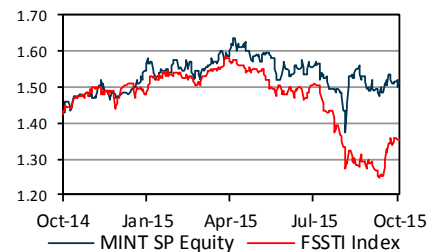
### MAJOR SHAREHOLDERS (%)

MAPLETREE DEXTRA PTE LTD	33.2%
SCHRODERS PLC	7.6%
AMERICAN INTERNATIONAL GROUP INC	4.8%

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	0.7	(2.1)	12.8
STIRETURN	4.9	(9.3)	(19)

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Mar	FY 13	FY 14	FY 15
Gross Rev. (SGD mn)	276.4	299.3	313.9
NPI (SGD mn)	195.4	214.7	228.6
Dist. Inc. (SGD mn)	131.1	166.1	180.8
P/NAV (x)	1.28	1.14	1.19
DPU, adj (Cents)	9.24	9.92	10.43
Distribution Yield, %	6.6	7.3	6.6

Source: Company Data, PSR est.

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### Peer relative valuation

On a P/NAV valuation basis, MIT is over-valued relative to peer average.

#### Peer relative data (arranged by Mkt. Cap.)

	Mkt. Cap. (S\$mn)	Price (S\$)	P/NAV (x)	yield (%)
Ascendas REIT	5,827	2.42	1.18	6.0
Mapletree Industrial Trust	2,682	1.515	1.14	7.4
AIMS AMP Capital Industrial REIT	882	1.390	0.91	7.9
Cambridge Industrial Trust	813	0.630	0.93	7.8
Soilbuild Business Space REIT	755	0.810	1.02	8.0
Sabana Shari'ah Compliant REIT	559	0.765	0.72	9.3
Viva Industrial Trust	536	0.760	0.92	9.6
<b>Average</b>			<b>0.98</b>	<b>8.0</b>

Source: Bloomberg (Updated: 21 October 2015)

### Historical valuation

MIT is now trading close to 1 standard deviation below its historical average P/NAV, while yield is 0.5 standard deviations above its historical average.

Figure 1. Historical P/NAV (x) with SD bands

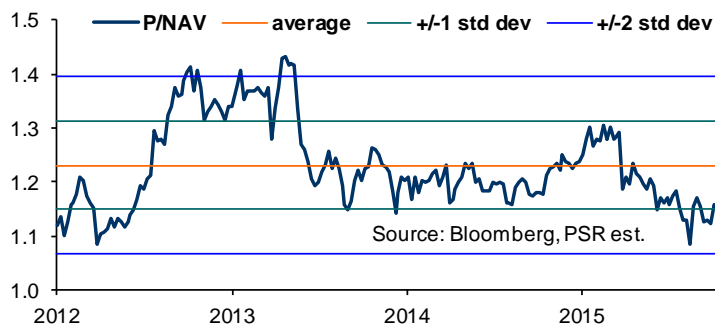
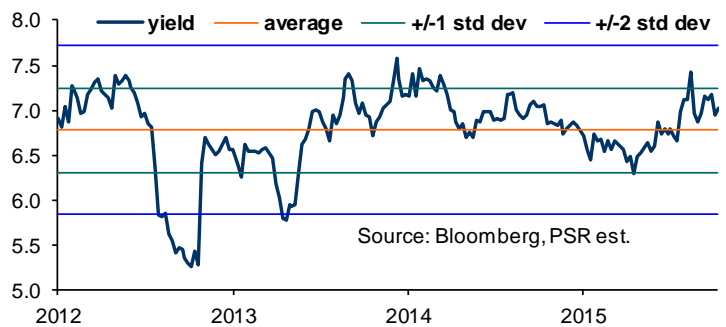


Figure 2. Historical distribution-yield (%) with SD bands



### How do we view this?

Downward pressure on rent was evident, as the portfolio had a negative rental reversion of about 0.8%, by our estimates. However, portfolio occupancy improved to 93.8% from 93.5% over the preceding quarter, and this should give stability to the rental income for the portfolio. All segments saw improved occupancy q-o-q except for the Stack-Up/Ramp-Up Buildings. Continued y-o-y growth in DPU can be expected for the next two quarters with contribution from the Equinix data centre that started in 4QFY15. Further growth will come from the Hewlett-Packard Build-to-suit (BTS) project slated for final completion in 1HCY17, and the completion of the AEI for Kallang Basin 4 Cluster in 4QCY17.

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