

# Mapletree Logistics Trust

## 2Q16 Analyst Briefing Key Takeaways

SINGAPORE | REAL ESTATE (REIT) | RESULTS

21 October 2015

### What is the news?

Mapletree Logistics Trust (MLT) announced its 2Q FY16 (Y/E Mar) results on 19 October after trading hours. We tuned in to the live webcast on 20 October morning.

### Results at a glance

(SGD mn)	2Q16	2Q15	y-y (%)	Comments
Gross revenue	87.46	81.51	↑7.3	Contribution from five properties acquired in China, Korea, Malaysia and Singapore during the year; contribution from three properties acquired in Australia, Korea and Vietnam during FY16
Net property income	72.96	68.66	↑6.3	Enlarged portfolio; higher costs associated with conversions from SUA to MTB
Distributable income	46.15	46.27	↓(0.3)	Absence of distribution from divestment gain
DPU (Cents)	1.86	1.88	↓(1.1)	Enlarged Units base due to DRP

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

### Analyst briefing key takeaways

- Only 5.4% of leases by Net lettable Area (NLA) remain due for expiry in FY16; the Manager is already actively engaging tenants with leases expiring in FY17.** Portfolio WALE (by NLA) has been extended to 4.8 years from 4.1 years in the previous quarter. Two single-user assets (SUAs) are likely to be converted to multi-tenanted buildings (MTBs) in FY17. They are 7 Penjuru Close in Singapore (41,253 sqm, 1.3% of portfolio NLA) and Mapletree Logistics Hub Pyeongtaek in South Korea (100,914 sqm, 3.2% of portfolio NLA).
- Guidance for leasing, annual escalation and rental reversion.** Tenants are cautious and are not committing early to renewals. Annual escalation for Singapore is expected to range between 1.5% and 3% going forward. 5% annual escalation in Hong Kong is still possible, and escalation in Japan has traditionally been flat. Average rental reversion in 2Q16 was 3%, compared to average reversion of 2% in 1Q16.
- Outlook for China portfolio.** Domestic consumption is expected to continue to grow, but at a slower rate. Demand for warehouse space will be driven by urbanisation of rural areas, predominantly in the Southern and Central regions. The properties in the Sponsor's Right of First Refusal (ROFR) pipeline are located in Tier 2 and Tier 3 cities. While demand is strong, supply is coming up as well. The competitive strength of the ROFR properties is their location, which are close to infrastructure and transportation links. Healthy occupancy can be expected, but with lower reversions.
- Outlook for Hong Kong portfolio.** Supply of warehouse space is limited, with industrial areas being redeveloped for residential and commercial use. The Manager is confident of maintaining positive rental reversions, but historical reversions in the low-20% cannot be expected going forward, and will be <20%.
- Strategy of portfolio rejuvenation through acquisitions and divestments.** The Manager is still very keen on inorganic growth and is on the lookout for yield accretive acquisitions. At the same time, lower yielding properties with limited scope for future development will be divested. Divestment proceeds will be used for capital recycling and capex, while all divestment gains will be distributed to Unitholders. Gains <S\$2 million will be distributed over four quarters, and gains >S\$2 million will be distributed over up to eight quarters.

### Investment Action

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

### Non-rated

CLOSING PRICE	SGD 1.020
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

### COMPANY DATA

O/S SHARES (MN) :	2,478
MARKET CAP (USD mn / SGD mn) :	1820 / 2528
52 - WK HI/LO (SGD) :	126 / 0.93
3M Average Daily T/O (mn) :	4.88

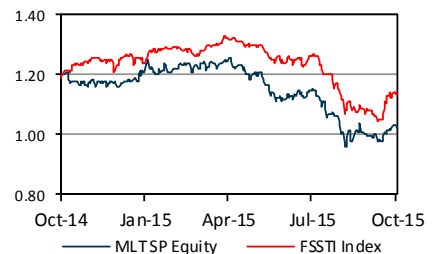
### MAJOR SHAREHOLDERS (%)

TEMA SEK HOLDINGS PTE LTD	40.3%
BANK OF NEW YORK MELLON CORP	4.9%
VANGUARD GROUP INC	10%
LORD ABBETT & CO LLC	10%
STATE STREET CORP	0.9%

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	4.0	(8.5)	(7.4)
STIRETURN	5.1	(8.5)	(13)

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Mar	FY 13	FY 14	FY 15
Gross Rev. (SGD mn)	307.8	310.7	330.1
NPI (SGD mn)	268.1	267.6	277.4
Dist. Inc. (SGD mn)	166.4	179.7	184.9
P/NAV (x)	1.22	1.20	1.20
DPU, adj (Cents)	6.86	7.35	7.50
Distribution Yield, %	5.7	7.0	6.0

Source: Company Data, PSR est.

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### Peer relative valuation

The closest listed peer to MLT is Cache Logistics Trust (Cache). Both industrial REITs hold a portfolio made up exclusively of warehouses. On a P/NAV valuation basis, MLT and Cache are approximately on par with one another, but Cache has a slightly higher yield.

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

	Mkt. Cap. (\$\$mn)	Price (\$\$)	P/NAV (x)	yield (%)
Mapletree Logistics Trust	2,528	1.020	1.00	7.3
Cache Logistics Trust	800	1.020	1.05	8.4
<b>Average</b>			<b>1.02</b>	<b>7.8</b>

Source: Bloomberg (Updated: 20 October 2015)

### Historical valuation

MLT is now trading close to 1 standard deviation below its historical average P/NAV, while yield is close to 2 standard deviations above its historical average.

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

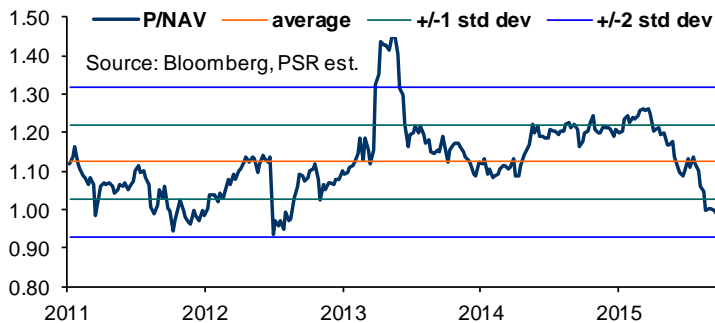
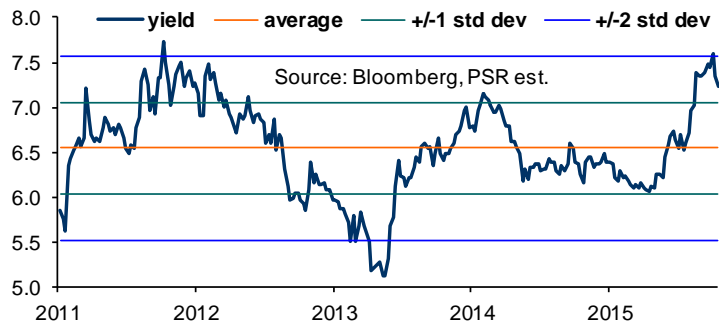


Figure 2. Historical distribution-yield (%) with SD bands



### How do we view this?

We believe that the cautious attitude from tenants will continue to exert downward pressure on rental reversions in the near-term. Occupancy could be negatively affected into FY17 as properties convert from SUAs to MTBs, together with higher property expenses. In addition, down-time associated with conversions would affect gross revenue.

On a longer-term basis, acquisitions will continue to drive growth as the Manager is actively rejuvenating and repositioning the portfolio. Moreover, the Sponsor has a visible pipeline of ROFR properties, with the Mapletree Shah Alam Logistics Park in Malaysia as the next property for injection into the MLT portfolio.

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