

Company update

Mapletree Logistics Trust

Research Team
Singapore | Real Estate

Rating BUY (as at 16 December 2020)
 Last Close SGD 1.91
 Fair Value SGD 2.12

Forsake me not

- **Share price has underperformed following positive vaccine news**
- **Still a beneficiary of structural tailwinds**
- **Update estimates and raise FV to S\$2.12**

Investment thesis

Mapletree Logistics Trust (MLT) has a diversified logistics portfolio spread across key markets in Asia such as Singapore, Hong Kong, Japan, Australia, Vietnam and China. Management has strong execution capabilities and its portfolio capital recycling strategy has also resulted in net divestment gains being distributed to unitholders. Although MLT will not be immune to a weaker macroeconomic backdrop, we expect it to remain relatively more resilient vis-à-vis its peers, and also see MLT as a key beneficiary of the structural shift towards more robust e-commerce growth trends ahead. However, given the rotation play to value and laggards, MLT's share price has recently underperformed and we view this as a buying opportunity for investors with a medium to longer-term horizon.

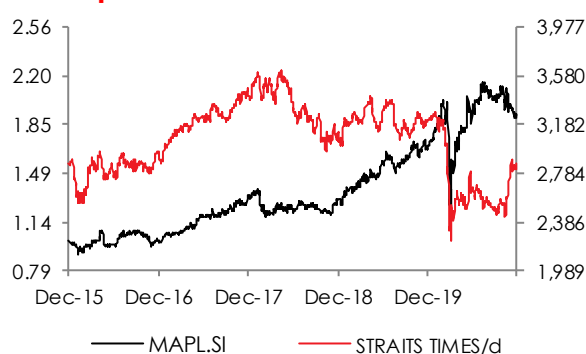
Investment summary

- **Recent share price underperformance due to rotation out of growth** – Mapletree Logistics Trust's (MLT) share price has depreciated 7.7% (as at 15 Dec close) since positive vaccine news first emerged from Pfizer and BioNTech on 9 Nov, as compared to the FTSE ST REIT Index's 2.2% gain. We believe this underperformance has been driven by a rotation to value and laggards from growth and outperformers. While this rotation play may continue in the near-term on continued positive vaccine developments, we believe MLT's share price weakness does present a buying opportunity for investors with a medium to longer-term horizon, as we see MLT as a beneficiary of structural tailwinds from rising e-commerce penetration rates in the region. As a recap, MLT's operational and financial performance has been resilient despite the debilitating effects of Covid-19. Its rental reversions and occupancy rates have remained firm, while DPU grew 1.2% for 1HFY21.

Security information

Ticker	MAPL.SI
Market Cap (SGD b)	7.9
Daily turnover (SGD m)	12.6
Free Float	100%
Shares Outstanding (m)	3,813
Top Shareholder	Temasek Holdings Pte. Ltd. 34.3%

Price performance chart



Financial summary

SGD m	FY20	FY21F	FY22F
Gross revenue	490.8	566.5	672.2
Net property income	438.5	495.7	569.5
Total return for the period	395.3	304.0	349.8
Distributable income	301.7	327.1	366.2
DPU (\$ cents)	8.1	8.2	8.5

Key ratios

	FY20	FY21F	FY22F
DPU yield (%)	4.3	4.3	4.5
P/NAV (x)	1.6	1.5	1.5
ROE (%)	9.0	6.0	6.3
Gearing (%)	39.3	37.7	37.6

Source: Refinitiv, REIT Manager, Internal estimates

- Beneficiary of accelerated e-commerce penetration**
 - Covid-19 has undoubtedly accelerated the shift towards an increase in online consumption and thus e-commerce penetration rates. Another trend which has emerged is the shift from “Just-in-Time” to “Just-in-Case”, which means that retailers and businesses are looking to increase their inventory to serve as safety stock in the event of supply chain disruptions. These trends would likely underpin the demand for more warehouse space ahead.
- Positive on recent acquisitions** – To capitalise on these trends, management has been proactive in driving MLT's inorganic growth, and it recently completed the acquisitions of the remaining 50% interest in 15 properties and a 100% interest in seven properties in PRC, one property in Vietnam and one in Brisbane, Australia. It is still awaiting the completion of a proposed acquisition in Malaysia. The expected initial NPI yields are 4.9% in Australia, 5.1% in China, 5.4% in Malaysia and 7.3% in Vietnam. MLT managed to price its recent equity fund raising for these acquisitions at the top-end of its initial guidance, and raised gross proceeds of ~S\$644.1m. We estimate that its gearing ratio will reach 37.7% by end-FY21, and this leaves it with further debt headroom to fund more smaller sized acquisitions. After factoring in MLT's latest developments, we lower our FY21F DPU forecast by 0.7% due to timing differences from the issuance of new units and contribution from the new acquisitions, but raise our FY22F DPU forecast by 2.1%. Consequently, our fair value estimate increases from S\$2.07 to S\$2.12.

Potential catalysts

- Stronger-than-expected recovery in logistics rents.
- DPU accretive acquisitions.
- Distribution of divestment gains from capital recycling activities.

Investment risks

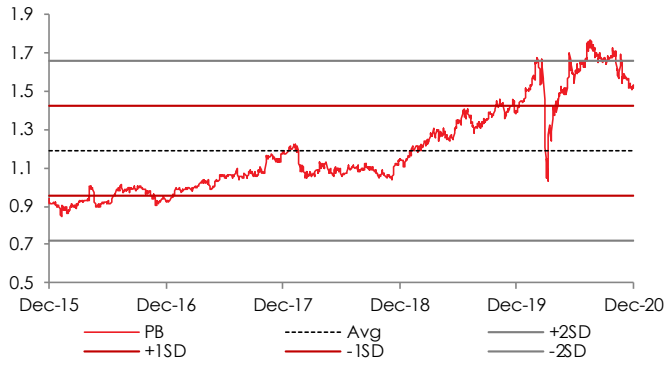
- Rental default by key tenant(s) would lead to potential loss of income and downtime.
- Any spike in interest rates could raise the borrowing costs of Mapletree Logistics Trust.
- Foreign currency risks given exposure to different countries.

Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
MAPLETREE LOGISTICS TRUST (MAPL.SI)	23.4	23.6	1.5	1.5	27.1	24.4	4.3	4.5	6.0	6.3
ASCENDAS REAL ESTATE INVESTMENT TRUST (AEMN.SI)	20.2	18.8	1.3	1.3	24.0	22.1	5.2	5.5	6.6	7.1
ESR-REIT (ESRR.SI)	14.3	13.8	1.0	1.0	18.3	17.0	7.5	7.6	6.1	7.0
FRASERS LOGISTICS & COMMERCIAL TRUST (FRAE.SI)	19.3	19.2	1.3	1.3	24.4	23.7	5.4	5.5	6.5	6.8
MAPLETREE INDUSTRIAL TRUST (MAPI.SI)	23.1	20.9	1.7	1.6	28.6	24.1	4.3	4.8	7.5	7.9

Source: Refinitiv

Price/Book chart



Source: Refinitiv

Dividend Yield chart



Source: Refinitiv

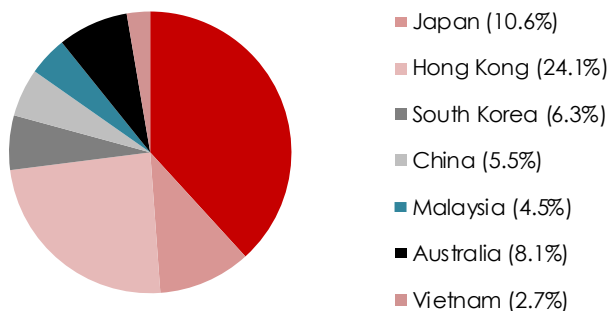
Company overview (as of 31 March 2020)

Company description

Mapletree Logistics Trust (MLT), the first Asia-focused logistics REIT in Singapore, was listed on the SGX-ST main board on 28 July 2005. MLT's principal strategy is to invest in a diversified portfolio of income-producing logistics real estate and real estate-related assets. As at 31 March 2020, it has a portfolio of 145 logistics assets in Singapore, Hong Kong SAR, Japan, Australia, China, Malaysia, South Korea and Vietnam with assets under management of S\$8.9 billion. MLT is managed by Mapletree Logistics Trust Management Ltd., a wholly-owned subsidiary of Mapletree Investments Pte Ltd.

FY20 Gross Revenue Breakdown

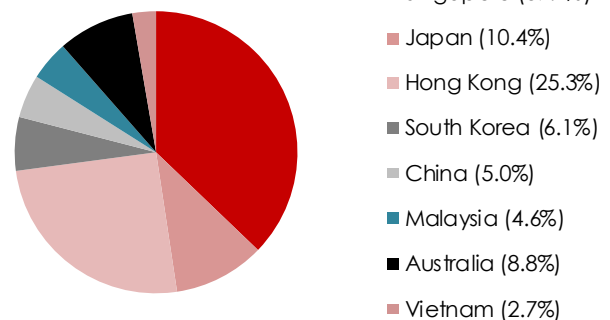
By geography



Source: REIT Manager

FY20 NPI Breakdown

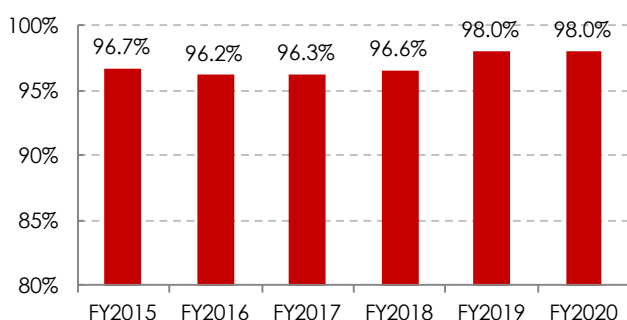
By geography



Source: REIT Manager

Occupancy trend

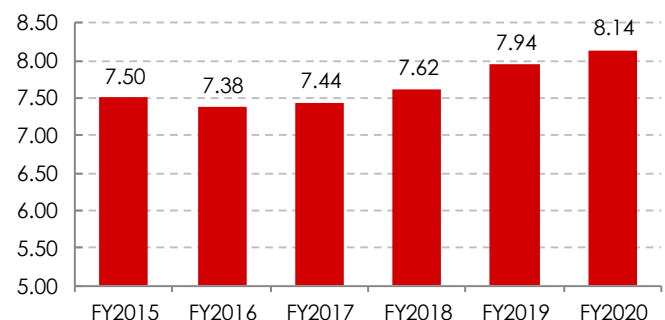
Portfolio Occupancy



Source: REIT Manager

Distribution per unit

DPU (\$ cents)



Source: REIT Manager

Company financials

Income Statement

In Millions of SGD except Per Share 12 Months Ending	FY2016 31/03/2016	FY2017 31/03/2017	FY2018 31/03/2018	FY2019 31/03/2019	FY2020 31/03/2020
Revenue	349.9	373.1	395.2	454.3	490.8
- Cost of Revenue	95.2	100.2	103.8	115.6	108.1
Gross Profit	254.7	272.9	291.3	338.6	382.6
+ Other Operating Income	--	--	--	--	--
- Operating Expenses	20.2	13.2	-10.6	6.3	-28.5
Operating Income or Losses	234.5	259.7	301.9	332.3	411.2
- Interest Expense	42.6	47.0	52.0	69.7	78.7
- Foreign Exchange Losses (Gains)	--	--	--	--	--
- Net Non-Operating Losses (Gains)	-43.5	-40.1	-271.4	-236.7	-114.1
Pretax Income	235.4	252.8	521.3	499.3	446.5
- Income Tax Expense (Benefit)	25.8	40.2	49.1	42.8	51.2
Income Before XO Items	209.6	212.7	472.2	456.5	395.3
- Extraordinary Loss Net of Tax	--	--	--	--	--
- Minority/Non Controlling Interests (Credits)	0.5	0.7	0.5	0.5	1.1
Net Income/Net Profit (Losses)	209.1	212.0	471.7	456.0	394.2
Net Inc Avail to Common Shareholders	190.2	184.3	449.2	439.0	377.2
Abnormal Losses (Gains)	--	--	--	--	--
Tax Effect on Abnormal Items	--	--	--	--	--
Normalized Income	209.6	212.7	472.2	456.5	374.2
Basic Earnings per Share	0.1	0.1	0.2	0.1	0.1
Basic Weighted Avg Shares	2,495.2	2,512.0	2,783.1	3,385.2	3,700.8
Diluted EPS Before Abnormal Items	0.1	0.1	0.2	0.1	0.1
Diluted EPS Before XO Items	0.1	0.1	0.2	0.1	0.1
Diluted EPS	0.1	0.1	0.2	0.1	0.1
Diluted Weighted Avg Shares	2,495.2	2,512.0	2,783.1	3,385.2	3,700.8

Profitability Ratios

FY2015 12 Months Ending	FY2016 31/03/2016	FY2017 31/03/2017	FY2018 31/03/2018	FY2019 31/03/2019	FY2020 31/03/2020
Returns					
Return on Common Equity	6.61	6.09	12.85	10.37	7.80
Return on Assets	4.19	3.90	7.64	6.19	4.62
Return on Capital	8.36	7.67	6.76	5.65	4.87
Return on Invested Capital	7.36	6.44	5.96	4.93	4.15
Margins					
Operating Margin	67.02	69.61	76.41	73.15	83.78
Incremental Operating Margin	0.87	1.04	1.10	0.96	1.15
Pretax Margin	67.26	67.76	131.93	109.92	90.97
Income before XO Margin	59.75	56.81	119.38	100.38	80.33
Net Income Margin	54.36	49.38	113.66	96.64	76.85
Net Income to Common Margin	54.36	49.38	113.66	96.64	76.85
Additional					
Effective Tax Rate	10.96	15.89	9.42	8.57	11.46
Dividend Payout Ratio	87.54	94.38	43.26	57.81	74.75
Sustainable Growth Rate	6.55	6.03	12.80	10.31	7.74

Credit Ratios

12 Months Ending	FY2016 31/03/2016	FY2017 31/03/2017	FY2018 31/03/2018	FY2019 31/03/2019	FY2020 31/03/2020
Total Debt/EBIT	9.57	8.74	8.75	8.92	9.35
Net Debt/EBIT	9.13	8.37	8.40	8.61	8.95
EBIT to Interest Expense	5.05	5.32	5.52	4.82	4.82
Long-Term Debt/Total Assets	35.03	34.46	36.81	36.67	36.84
Net Debt/Equity	0.69	0.66	0.63	0.62	0.68

Source: Refinitiv

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