

Company update
Research Team

Mapletree Industrial Trust

Singapore | Real Estate

Rating BUY (as at 1 February 2021)
 Last Close SGD 2.87
 Fair Value SGD 3.51

Growth resumes

- **3QFY21 DPU grew 3.8% YoY**
- **Portfolio occupancy up but rental reversions broadly negative**
- **Healthy aggregate leverage ratio of 37.3%**

Investment thesis

Mapletree Industrial Trust (MIT) has a sizeable portfolio of industrial assets in Singapore which includes Data Centres, Hi-Tech Buildings, Flatted Factories and Business Parks. It has also penetrated the U.S. and Canadian data centres market and thus offers investors a proxy to the fast-growing digitalisation and data outsourcing trends. Although the macroeconomic outlook remains subdued, MIT's solid financial position, high quality management team and strategy of scaling up its data centre and Hi-Tech exposure would allow it to better withstand the uncertainties ahead, in our view.

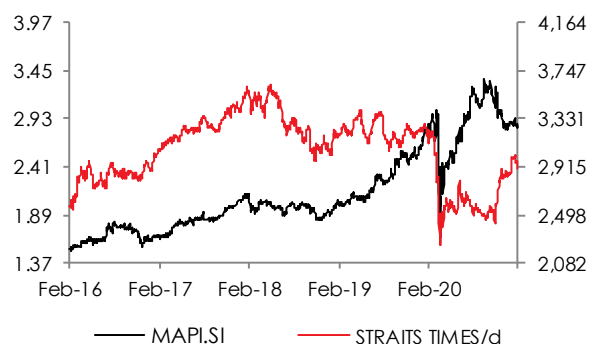
Investment summary

- **3QFY21 results in-line with our expectations** – Mapletree Industrial Trust (MIT) reported its 3QFY21 results which came in within our expectations. Gross revenue and NPI jumped 20.5% and 20.8% year-on-year (YoY) to SGD123.7m and SGD98.9m, respectively. This was largely due to the consolidation of revenue from the 14 data centres in the US which it acquired the remaining stake from its sponsor. DPU grew 3.8% YoY to 3.28 S cents. For 9MFY21, MIT's NPI increased 8.1% YoY to SGD259.2m but DPU declined slightly by 1.5% to 9.25 S cents and the latter formed 75.8% of our FY21 forecast. SGD9m of rental reliefs have been granted to tenants for 9MFY21, of which SGD1.9m was given in 3QFY21. This was a moderation as compared to the first two quarters of MIT's financial year.
- **Improvement in portfolio occupancy but rental reversions remain negative** – Operationally, MIT's portfolio occupancy improved by 0.8 percentage points (ppt) quarter-on-quarter (QoQ) to 93.1%, as

Security information

Ticker	MAPI.SI
Market Cap (SGD b)	6.7
Daily turnover (SGD m)	7.5
Free Float	72%
Shares Outstanding (m)	2,351
Top Shareholder	Temasek Holdings Pte. Ltd. 29.0%

Price performance chart



Financial summary

SGD m	FY20	FY21F	FY22F
Gross revenue	405.9	443.0	513.6
Net property income	318.1	337.0	394.1
Total return for the period	367.1	275.2	302.0
Distribution to Unitholders	258.7	282.0	310.8
DPU (S cents)	12.24	12.20	13.23

Key ratios

	FY20	FY21F	FY22F
DPU yield (%)	4.3	4.3	4.6
P/NAV (x)	1.8	1.7	1.7
ROE (%)	10.3	6.9	7.6
Gearing (%)	37.6	36.6	37.6

Source: Refinitiv, REIT Manager, Internal estimates

the 0.7 ppt increase in Singapore to 92.2% was partially offset by a 0.4 ppt decline to 97.6% in the US. Rental reversions for renewal leases came in broadly negative in 3QFY21. This was -10.0% for Business Park Buildings, -4.5% for Stack-Up/Ramp-up Buildings, -2.7% for Flatted Factories and -1.7% for Hi-Tech Buildings. The larger than usual negative rental reversions for its Business Park Buildings segment was due to a one-off tenant support, excluding which rental reversions would have been around -5%. Looking ahead, management expects rental reversions to remain negative for the next 2-3 quarters, with pressure largely coming from its Flatted Factories segment.

- **Remains on lookout for acquisitions, supported by its strong balance sheet** – MIT's financial position remains solid, with a healthy aggregate leverage ratio of 37.3% (-0.8 ppt QoQ). It remains on the lookout for more inorganic growth opportunities, and is still under negotiation for a potential data centre acquisition in Virginia, US. MIT also provided an update on its Kolam Ayer 2 redevelopment project, whereby it expects construction costs to be higher at SGD300m due to the effects of Covid-19, versus an estimated SGD263m previously. From our understanding, management is targeting a yield on cost above 7% for this project, as compared to its previous 8% guidance. We maintain our forecasts and SGD3.51 fair value estimate on MIT.

Results highlights

SGD m	3QFY20	3QFY21	% Chg
Gross Revenue	102.6	123.7	20.5%
Net Property Income	81.9	98.9	20.8%
Net borrowing costs	-9.9	-15.5	55.6%
Manager's fees	-8.6	-10.7	25.1%
Share of profit of JV	6.8	9.6	39.8%
Total return before tax	69.6	66.3	-4.7%
Total return after tax	69.6	65.9	-5.3%
Total distribution adj.	-6.8	6.5	N.M.
Distribution by JV	6.7	8.7	29.3%
Distribution to Unitholders	69.4	77.1	11.0%
DPU (\$ cents)	3.16	3.28	3.8%

Source: REIT Manager, Internal estimates

Potential catalysts

- Stronger-than-expected recovery in industrial rents.
- Accretive acquisitions.
- Rental reversions turning positive.

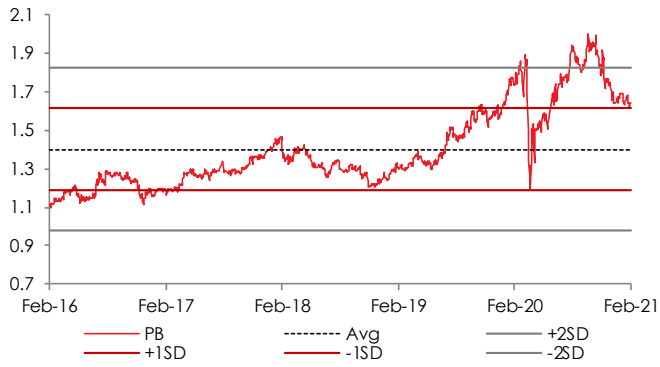
Investment risks

- A slowdown in macroeconomic conditions may dampen demand for industrial assets.
- Any spike in interest rates could raise the borrowing costs of Mapletree Industrial Trust.
- Slow ramp up in occupancy for redevelopment projects and large spaces vacated by tenants.

Valuation analysis

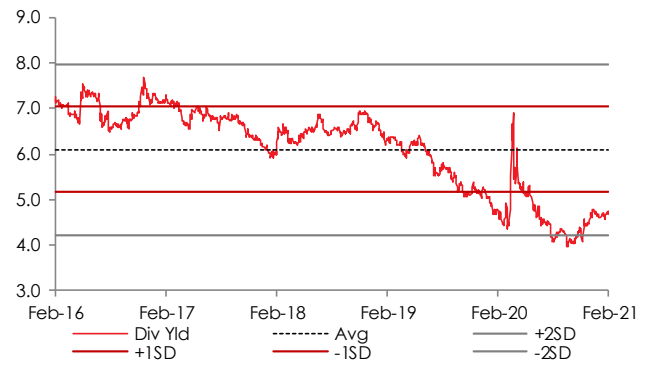
	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
MAPLETREE INDUSTRIAL TRUST (MAPI.SI)	23.6	21.2	1.7	1.6	28.9	24.2	4.2	4.7	7.4	7.7
ASCENDAS REAL ESTATE INVESTMENT TRUST (AEMN.SI)	21.2	19.7	1.4	1.4	24.8	22.5	4.9	5.2	6.5	6.9
FRASERS LOGISTICS & COMMERCIAL TRUST (FRAE.SI)	19.0	19.1	1.3	1.3	23.9	23.3	5.4	5.5	6.6	6.8
MAPLETREE LOGISTICS TRUST (MAPL.SI)	24.1	24.4	1.6	1.6	28.8	25.8	4.1	4.3	5.9	6.3
ESR-REIT (ESRR.SI)	13.2	12.0	1.0	1.0	16.7	15.5	7.8	8.1	7.1	7.8

Price/Book chart



Source: Refinitiv

Dividend Yield chart



Source: Refinitiv

Company overview (as of 31 March 2020)

Company description

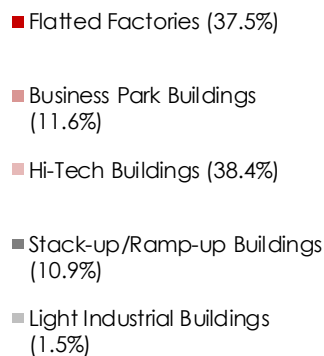
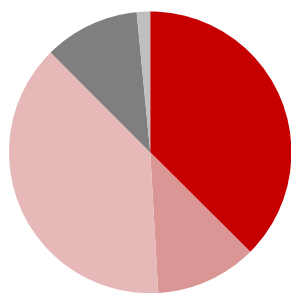
Mapletree Industrial Trust (MIT) is a real estate investment trust (REIT) listed on the Main Board of Singapore Exchange. Its principal investment strategy is to invest in a diversified portfolio of income-producing real estate used primarily for industrial purposes in Singapore, and income-producing real estate used primarily as data centres worldwide beyond Singapore, as well as real estate-related assets.

MIT's property portfolio comprises 87 industrial properties in Singapore and 27 data centres in North America (through the joint ventures with Mapletree Investments Pte Ltd). The properties in Singapore include Hi-Tech Buildings, Flatted Factories, Business Park Buildings, Stackup/ Ramp-up Buildings and Light Industrial Buildings. As at 31 March 2020, MIT's total assets under management was S\$5.9 billion.

MIT is managed by Mapletree Industrial Trust Management Ltd. and sponsored by Mapletree Investments Pte Ltd.

FY20 Gross Revenue Breakdown

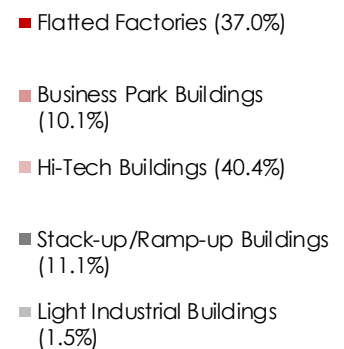
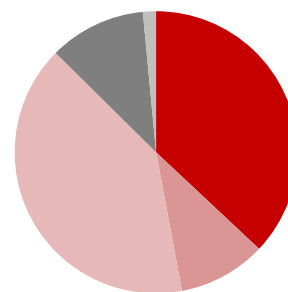
By segment



Source: REIT Manager

FY20 Net Property Income Breakdown

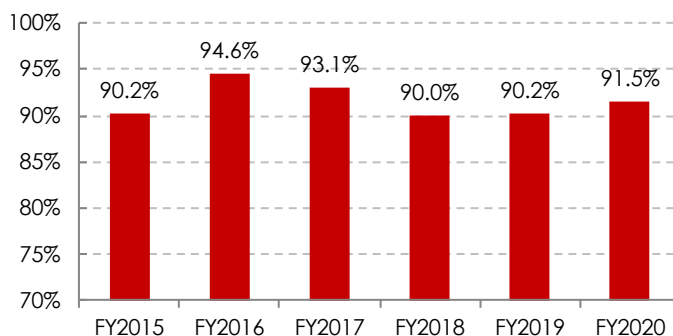
By segment



Source: REIT Manager

Occupancy trend

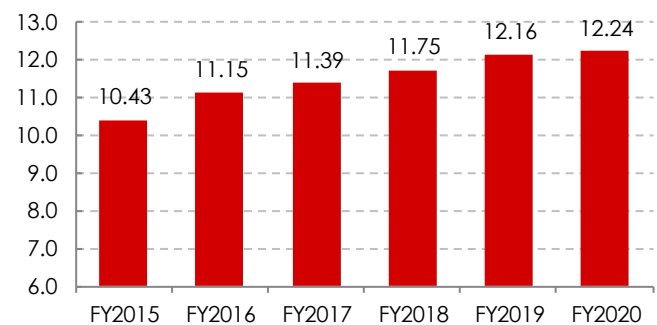
Portfolio occupancy



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	331.6	340.6	363.2	376.1	405.9
- Cost of Revenue	115.3	113.3	116.7	121.8	123.9
Gross Profit	216.3	227.3	246.5	254.3	282.0
+ Other Operating Income	--	--	--	--	--
- Operating Expenses	-3.6	0.1	2.9	1.0	-1.2
Operating Income or Losses	219.8	227.2	243.6	253.3	283.1
- Interest Expense	29.2	26.8	30.1	39.1	43.2
- Foreign Exchange Losses (Gains)	--	--	--	--	--
- Net Non-Operating Losses (Gains)	-82.0	-70.2	-87.0	-56.9	-127.3
Pretax Income	272.6	270.6	300.6	271.1	367.2
- Income Tax Expense (Benefit)	0.0	0.0	0.0	0.0	0.1
Income Before XO Items	272.6	270.6	300.5	271.1	367.1
- Extraordinary Loss Net of Tax	--	--	--	--	--
- Minority/Non Controlling Interests (Credits)	--	--	--	--	--
Net Income/Net Profit (Losses)	272.6	270.6	300.5	271.1	367.1
Net Inc Avail to Common Shareholders	272.6	270.6	300.5	271.1	367.1
Abnormal Losses (Gains)	--	--	--	--	--
Tax Effect on Abnormal Items	--	--	--	--	--
Normalized Income	272.6	270.6	300.5	271.1	367.1
Basic Earnings per Share	0.2	0.2	0.2	0.1	0.2
Basic Weighted Avg Shares	1,769.9	1,801.6	1,836.4	1,902.6	2,114.2
Diluted EPS Before Abnormal Items	0.2	0.2	0.2	0.1	0.2
Diluted EPS Before XO Items	0.2	0.2	0.2	0.1	0.2
Diluted EPS	0.2	0.2	0.2	0.1	0.2
Diluted Weighted Avg Shares	1,769.9	1,801.6	1,836.4	1,902.6	2,114.2

Profitability Ratios

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	11.41	10.83	11.31	9.30	11.11
Return on Assets	7.64	7.29	7.56	6.19	7.50
Return on Capital	10.68	10.30	9.61	8.70	7.76
Return on Invested Capital	8.41	8.07	7.64	6.85	5.97
Margins					
Operating Margin	57.48	58.82	58.78	56.96	59.11
Incremental Operating Margin	1.01	1.02	1.00	0.97	1.04
Pretax Margin	82.20	79.45	82.75	72.09	90.47
Income before XO Margin	82.20	79.45	82.74	72.09	90.46
Net Income Margin	82.20	79.45	82.74	72.09	90.46
Net Income to Common Margin	82.20	79.45	82.74	72.09	90.46
Additional					
Effective Tax Rate	0.00	0.00	0.01	0.00	0.02
Dividend Payout Ratio	60.15	63.06	60.98	71.75	59.06
Sustainable Growth Rate	11.34	10.76	11.24	9.24	11.05

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	4.70	4.82	4.93	5.49	5.19
Net Debt/EBIT	4.45	4.66	4.78	5.33	5.00
EBIT to Interest Expense	7.44	8.54	8.22	6.51	6.51
Long-Term Debt/Total Assets	26.87	26.10	24.87	28.69	28.11
Net Debt/Equity	0.39	0.42	0.42	0.45	0.39

Source: Refinitiv

ANALYST DECLARATION:

The analyst(s) who prepared this report certifies that the opinions contained herein accurately and exclusively reflect his or her views about the securities of the listed entity, and that he or she has taken reasonable care to maintain independence and objectivity in respect of the opinions herein.

The analyst(s) who wrote this report does not hold any financial interests in the listed entity. The analyst's/analysts' connected persons do not hold any financial interests in the listed entity.

The analyst(s) does not receive compensation directly or indirectly related to the inclusion of specific recommendations or views in this report. The reporting line of the analyst(s) is separate from and independent of the business solicitation or marketing departments of Oversea-Chinese Banking Corporation Limited ("OCBC Bank") Group.

The analyst(s) or his/her associate confirms that he or she does not serve as directors or officers of the listed entity, and the listed entity or other third parties have not provided or agreed to provide any compensation or other benefits to the analyst(s) in connection with this report.

DISCLAIMER FOR RESEARCH REPORT

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without the written consent of OCBC Investment Research Private Limited ("OIR" or "we"). This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein or to participate in any particular trading or investment strategy. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. In the event that you choose not to seek advice from a financial adviser, you should consider whether investment in securities and the securities mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OIR, OCBC Securities Private Limited ("OSPL") and their respective connected and associated corporations together with their respective directors and officers may have or take positions in the securities mentioned in this report and may also perform or seek to perform broking and other investment or securities related services for the corporations whose securities are mentioned in this report as well as other parties generally.

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

RATINGS AND RECOMMENDATIONS:

- OIR's technical comments and recommendations are short-term and trading oriented.
- OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon.
- As a guide, OIR's BUY rating indicates a total expected returns (excluding dividends) in excess of 10% based on the current price; a HOLD rating indicates total expected returns (excluding dividends) within +10% and -5%; a SELL rating indicates total expected returns (excluding dividends) less than -5%. For REITs and Business Trusts, total expected returns including dividends apply.
- For companies with market capitalisation of S\$150m and below, OIR's BUY rating indicates a total expected returns (excluding dividends) in excess of 30%; a HOLD rating indicates total expected returns (excluding dividends) within a +/-30% range; a SELL rating indicates total expected returns (excluding dividends) less than -30%. For REITs and Business Trusts, total expected returns including dividends apply.

Co.Reg.no.: 198301152E

Published by OCBC Investment Research Private Limited