

Mapletree Logistics Trust

Unphased by the pandemic



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SINGAPORE | REIT - INDUSTRIAL | CREDIT VIEW

- Revenues rose 10.5% YoY to S\$132.4mn, EBIT grew 17.6% YoY to S\$96.3mn on higher margins of 72.7%, up 4.4%.
- Gearing (D/A) including perpetuals remained stable, up 0.3% to 42.9% despite net debt issuance. Borrowing cost rose 6.5% QoQ on higher borrowings for acquisitions.
- Occupancies remained healthy at 97.2% from 98.0% previous quarter, and rental reversions was positive 1.9%, vs 2.0% previous quarter.
- We are Overweight on the **MLTSP 4.18% Perp Corp (SGD)** with a yield to call of 3.15% and yield to worst of 3.08%, and Neutral on the **MLTSP 3.65% Perp Corp (SGD)** with YTC of 3.31% and YTW of 2.76%.

Results at a glance

(SGD '000)	1Q21	1Q20	YoY	Comments
Revenue	132,371	119,811	10.5%	Acquisitions, offset by rental rebates
Property expenses	(13,533)	(13,683)	-1.1%	
EBIT	96,276	81,836	17.6%	
EBIT margins	72.7%	68.3%	4.4%	Improved EBIT margins
	1Q21	4Q20	QoQ	
Borrowing costs	(21,647)	(20,326)	6.5%	Higher loans to fund acquisitions
D/A (inc. perps)	42.9%	42.6%	0.3%	

The Positives

+ Revenue rose 10.5% YoY to S\$132.4mn on existing portfolio and new acquisitions, offset by rental rebates to eligible COVID-19 impacted tenants and divested investment properties. EBIT grew 17.6% to S\$96.3mn on higher revenues and EBIT margins of 72.7%, up 4.4%. Average rental reversion was positive 1.9% for the quarter, mainly due to properties in China, Hong Kong SAR, Malaysia and Vietnam. Leasing demand for warehouse space remain resilient amidst COVID-19 and 98.7% of MLT's tenants in terms of total revenue have resumed operations, except of 1.3% mainly from Singapore. The group has hedged 78% of revenues to SGD.

+ Portfolio occupancy remained healthy at 97.2%. WALE stood at 4.3 years and is well-staggered with 15.6% and 24.2% of leases by NLA expiring in the next 2 years respectively.

+ Adequate aggregate leverage of 39.6%. Our stress tests show investment property values can fall by 22% or borrowings increased by S\$1bn or 30% before the MAS gearing limit is breached. Also, MLT has sufficient committed credit facilities of S\$530mn to pay off all short-term debt.

Debt maturity profile is well staggered with 10% maturing in the next 2 years and an average debt duration of 4 years. In the quarter, MLT refinanced S\$127mn equivalent of HKD and AUD loans with existing committed credit facilities. As a result, short-term debt declined to S\$129mn QoQ from S\$202mn. 80% of total debt has been hedged to fixed rates, with the weighted average annualised interest rate at 2.3%.

The Negatives

- Borrowing costs increased 6.5% from net debt issuance of S\$86mn in the quarter for acquisitions. Interest cover ratio including perpetual bond payments remained healthy at 3.6x.

CREDIT VIEW (BONDS)

COMPANY DATA

BLOOMBERG CODE	MLTSP
MARKET CAP (SGD mn)	7,774.4
EXCHANGE	SGX

OUTSTANDING BONDS

	Size (mn)	Ask Px	YTW
Ticker: MLTSP Corp (SGD)			
4.18% NC25Nov21	250	101.20	3.08%
3.65% NC28Mar23	180	100.80	2.76%

Indicative prices, Source: Bloomberg

MAJOR SHAREHOLDERS (%)

Temasek Holdings Pte Ltd	31.08
BlackRock Inc	5.02

KEY FINANCIALS

Y/E Mar, SGD mn	FY18	FY19	FY20	1Q21
Revenue	395.2	454.3	490.8	132.4
EBITDA	302.8	325.7	380.4	96.9
Net Income	472.2	456.5	395.3	74.8
EBITDA Margin (%)	76.6	71.7	77.5	73.2
EBITDA Int. Cover (X)	3.92	3.64	3.81	3.61
Debt/EBITDA (X)	9.72	10.51	10.14	9.91
Debt/Assets (X)	0.44	0.42	0.43	0.43
Net Debt/Assets (X)	0.43	0.41	0.41	0.40
Cash/ST borrowings (X)	1.90	3.30	0.75	1.89

Source: Company, Bloomberg, PSR

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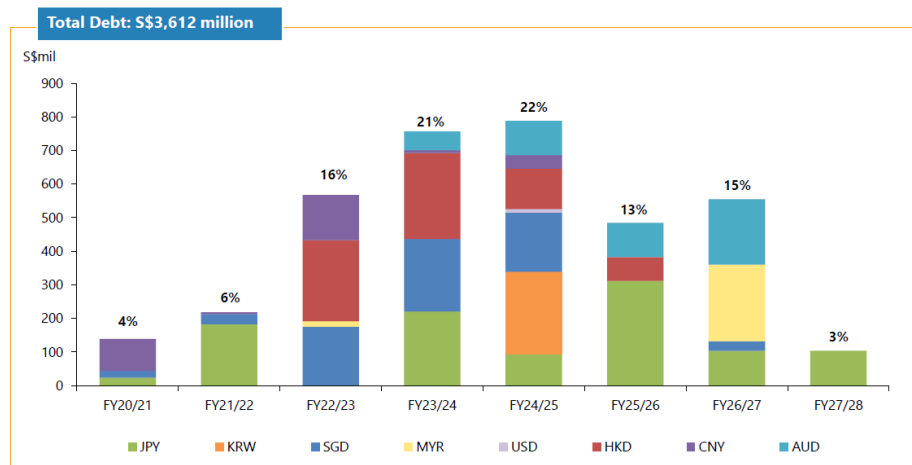
Outlook

MLT’s performance remained resilient despite COVID-19. With a debt headroom of S\$1bn based on the MAS gearing limit of 50%, MLT has room for more growth through acquisitions. A proposed acquisition of a Grade A logistics facility in Brisbane Australia for S\$20.2mn is expected to complete and begin contributions in 3Q21. MLT is rated investment grade Baa2 with a stable outlook by Moody’s.

Bond Recommendation

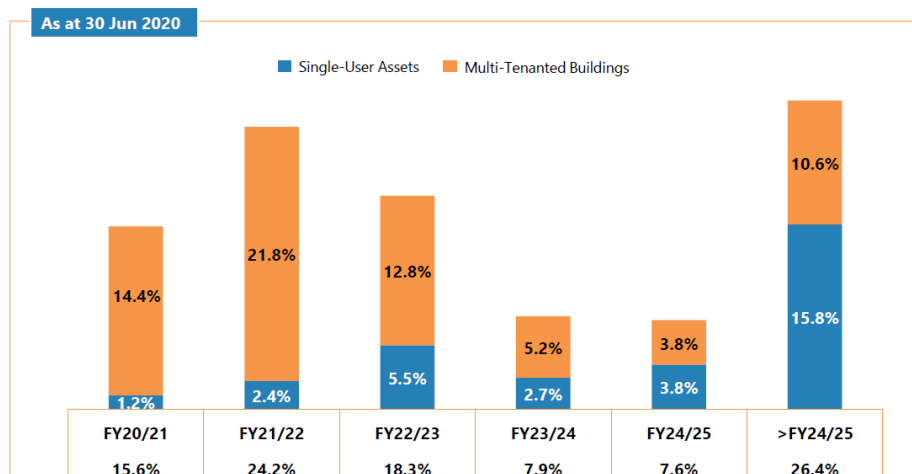
On the Mapletree curve, we are Overweight on the **MLTSP 4.18% Perp Corp (SGD)** with a yield to call of 3.15% and yield to worst of 3.08%. and Neutral on the **MLTSP 3.65% Perp Corp (SGD)** with YTC of 3.31% and YTW of 2.76%.

Figure 1: Well-staggered debt maturity profile



Source: Company

Figure 2: Well spread lease expiry profile, with highest tower of 24.2% expiring in FY21/22.



Source: Company

Financials

Income Statement

Y/E Mar, SGD mn	FY18	FY19	FY20	1Q21
Revenue	395.2	454.3	490.8	132.4
EBITDA	302.8	325.7	380.4	96.9
EBIT	301.2	323.6	377.5	96.3
Interest expense (incl perps)	(77.3)	(89.6)	(99.9)	(26.9)
Profit before tax	521.3	499.3	446.5	81.7
Net income	472.2	456.5	395.3	74.8
EBITDA margin (%)	76.6	71.7	77.5	73.2
EBIT margin (%)	76.2	71.2	76.9	72.7
Net margin (%)	119.5	100.5	80.5	56.5

Balance Sheet

Y/E Mar, SGD mn	FY18	FY19	FY20	1Q21
Cash and cash equivalents	101.2	104.3	151.2	244.6
Receivables	34.2	45.6	48.3	37.6
Investment properties	6,515.2	7,693.7	8,548.4	8,541.4
Total assets	6,678.3	8,078.3	9,051.4	9,127.4
Short-term debt	53.2	31.6	201.9	129.2
Long-term debt	2,458.6	2,962.1	3,224.1	3,360.6
Perpetuals	429.9	429.9	430.0	429.0
Total liabilities (adj for perps)	2,941.7	3,423.6	3,855.9	3,918.7
Net debt (adj for perps)	2,840.5	3,319.3	3,704.7	3,674.1
Shareholder Equity (adj for perps)	3,381.9	4,237.3	4,587.5	4,592.0

Cash Flow Statement

Y/E Mar, SGD mn	FY18	FY19	FY20	1Q21
Cashflow from operations	266.5	354.1	369.3	122.6
Net CAPEX	(553.2)	(993.6)	(536.0)	0.0
Dividends	(200.9)	(181.1)	(284.2)	(79.1)
Free cashflow to firm	(487.6)	(820.6)	(450.9)	43.5

Source: Company, Phillip Securities Research (Singapore)

Credit Ratios

Y/E Mar	FY18	FY19	FY20	1Q21
EBITDA Int. Coverage (X)	3.9	3.6	3.8	3.6
EBIT Int. Coverage (X)	3.9	3.6	3.8	3.6
Debt/EBITDA (X)	9.7	10.5	10.1	9.9
Debt/EBIT (X)	9.8	10.6	10.2	10.0
Debt/Equity (%)	87.0	80.8	84.1	85.3
Debt/Assets (%)	44.0	42.4	42.6	42.9
Net debt/Assets (%)	42.5	41.1	40.9	40.3
Cash/ST Borrowings (%)	190.3	330.0	74.9	189.4
Cash+CFO/ST Borrowings (%)	691.4	1,450.2	257.8	284.3

Investment Property Loss Threshold (MAS Gearing Limit 50%)

SGD mn	1Q21	-10%	-20%	-22%
Total assets	9,127	8,273	7,419	7,213
Total borrowings (inc. leases)	3,607	3,607	3,607	3,607
Gearing (D/A)	40%	44%	49%	50%
Asset loss amount		(854)	(1,708)	(1,914)

Debt Headroom (MAS Gearing Limit 50%)

SGD mn	1Q21	10%	20%	30%
Total assets	9,127	9,127	9,127	9,127
Total borrowings (inc. leases)	3,607	3,967	4,328	4,689
Gearing (D/A)	40%	43%	47%	50%
Debt increase amount		361	721	1,082

Revenue Stress Test on EBIT Interest Coverage

SGD mn	1Q21	-10%	-20%	-52%
Revenue	132.4	119.1	105.9	63.0
Operating expenses	-36.1	-36.1	-36.1	-36.1
EBIT	96.3	83.0	69.8	26.9
Interest expense (incl perps)	-26.9	-26.9	-26.9	-26.9
EBIT Int. Coverage (X)	3.58	3.09	2.60	1.00
Revenue decline amount		-13.2	-26.5	-69.4

Company Background

Mapletree Logistics Trust's ("MLT") focus is to invest in a diversified portfolio of quality income-producing logistics real estate and real estate-related assets in Asia that would provide its Unitholders with a stable distribution stream. MLT's initial IPO portfolio comprised 15 Singapore-based properties with a total book value of S\$422 million as at 28 July 2005. As at 30 June 2020, this had grown to a portfolio of 145 properties, comprising 52 properties in Singapore, 9 in Hong Kong SAR, 17 in Japan, 10 in Australia, 13 in South Korea, 23 in China (including 50% interest in 15 joint venture properties), 15 in Malaysia and 6 in Vietnam. The total value of assets under management is S\$8.9 billion.

Figure 3: Outstanding MLTSP bonds

Bond	Call date	Ask	YTW%	YTC%	Provisions
MLTSP 4.18% Perp Corp (SGD)	25Nov21	101.20	3.08	3.17	1. Optional Payment 2. Non-cumulative deferral 3. Dividend stopper 4. Coupon reset: 5YSOR+230bps
MLTSP 3.65% Perp Corp (SGD)	28Mar23	100.80	2.76	3.31	1. Non-cumulative deferral 2. Dividend stopper 3. Coupon reset: 5YSOR+181.5bps

Source: Bloomberg, PSR

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Overweight ("OW") – We expect the issuer's specific bond to outperform the issuer's other bonds, bonds of issuers operating within the same sector, or bonds with similar tenors but from different sectors over the next six months.

Neutral ("N") – We expect the issuer's specific bond to perform in line with the issuer's other bonds, bonds of issuers operating within the same sector, or bonds with similar tenors but from different sectors over the next six months.

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Positive ("Pos") – We view the issuer's credit profile as strong or expected to become strong over the next six months.

Neutral ("N") – We view the issuer's credit profile as fair or expected to become fair over the next six months.

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