

COMPANY UPDATE

Mapletree Industrial Trust (MINT SP)

Further Expansion In Japan With Potential For Redevelopment

MINT is acquiring an effective interest of 98.47% in a mixed-use facility in West Tokyo, Japan for ¥14.5b (S\$129.8m). The property has the potential to be redeveloped into a multi-storey core & shell data centre with capacity for 30-40MW of IT workload at a cost of S\$200m-300m. The redevelopment could enhance yield on cost to 5.5-6.0%. MINT provides a FY26 distribution yield of 5.6% (DCREIT: 5.9% and KDCREIT: 4.4%). Maintain BUY. Target price: S\$3.05.

WHAT'S NEW

- **Continuing to enlarge scale in Japan.** Mapletree Industrial Trust (MINT) has entered into a sale & purchase agreement to acquire an effective interest of 98.47% in a mixed-use facility in West Tokyo, Japan for ¥14.5b (S\$129.8m), which represents a discount of 3.3% to the independent valuation of ¥15.0b. The mixed-use facility comprises: a) a data centre (28%), b) back office and training facilities (48%), and c) an adjacent accommodation wing (24%). MINT's exposure to Japan is expected to increase from 5.1% to 6.4% of AUM after the acquisition.
- **West Tokyo is a key data centre hub within Greater Tokyo.** The property sits on a 91,200sf freehold site within a network-dense location at Tama-shi, West Tokyo and has a gross floor area (GFA) of 319,300sf. West Tokyo is a key data centre cluster, which accounted for 40% of total live IT supply in the Greater Tokyo market.
- **A rare opportunity for redevelopment in land-scarce Tokyo.** According to DC Byte, demand for data centre space in Greater Tokyo is projected to grow at a CAGR of 9.3% from 2023 to 2033. Take-up for data centre space is driven by cloud service providers through wholesale colocation and build-to-suit projects. Vacancy rate in West Tokyo has compressed from 23% in 2018 to 9% in 2023 due to strong demand and limited supply. There is limited opportunity for developing new data centre(s) due to constraints of land and power. Vacancy rate is expected to tighten further to 6% by 2033.
- **Potential to enhance yield through redevelopment.** The property is fully leased to an established Japanese conglomerate with weighted average lease expiry of five years. It has a net lease structure with minimal capital expenditure and landlord operational obligations. The mixed-use facility provides an NPI yield of 4%. The property has the potential to be redeveloped into a multi-storey core & shell data centre with capacity for 30-40MW of IT workload at a cost of S\$200m-300m. The redevelopment could provide an uplift of 30-40% to returns, thus enhancing yield on cost to 5.5-6.0%.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	685	697	728	751	766
EBITDA	451	455	474	490	501
Operating profit	451	455	474	490	501
Net profit (rep./act.)	282	111	383	396	408
Net profit (adj.)	388	318	383	396	408
EPU (S\$ cent)	14.4	11.3	13.5	14.0	14.4
DPU (S\$ cent)	13.6	13.4	13.6	14.1	14.5
PE (x)	17.4	22.1	18.5	17.9	17.4
P/B (x)	1.3	1.4	1.4	1.4	1.4
DPU Yld (%)	5.4	5.4	5.4	5.6	5.8
Net margin (%)	41.1	15.9	52.5	52.7	53.3
Net debt/(cash) to equity (%)	47.6	54.5	57.2	57.4	57.7
Interest cover (x)	4.6	4.5	4.6	4.7	4.7
ROE (%)	5.3	2.1	7.2	7.5	7.7
Consensus DPU (S\$ cent)	-	-	13.2	13.5	14.1
UOBKH/Consensus (x)	-	-	1.03	1.04	1.03

Source: Mapletree Industrial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.50
Target Price	S\$3.05
Upside	+22.0%
(Previous TP)	S\$3.03

COMPANY DESCRIPTION

MINT invests 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.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MINT SP
Shares issued (m):	2,835.4
Market cap (S\$m):	7,088.5
Market cap (US\$m):	5,500.9
3-mth avg daily t'over (US\$m):	12.4

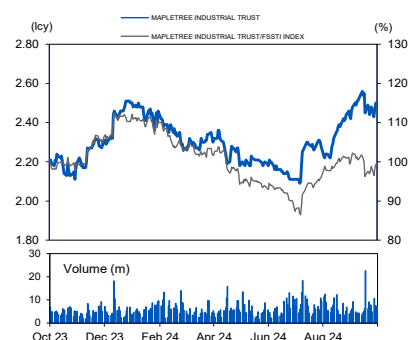
Price Performance (%)

52-week high/low	S\$2.59/S\$2.09								
1mth	2.5	3mth	18.5	6mth	6.4	1yr	12.6	YTD	(0.4)

Major Shareholders

Temasek Hldgs	27.0%
FY25 NAV/Share (S\$)	1.76
FY25 Net Debt/Share (S\$)	1.07

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- DPU-accretive with latent potential to be redeveloped.** The mixed-use facility in West Tokyo provides tenant income diversification and stable cash flow. According to management, the acquisition is DPU accretive by 0.4-0.5% (before redevelopment). It is funded by Japanese yen-denominated borrowings at all-in cost of 1.7-1.8%. Aggregate leverage is expected to increase from 39.1% to 39.8%. The proposed acquisition is expected to be completed by Dec 24.
- Staying focused on data centres.** MINT intends to diversify into established data centre markets in Asia Pacific (Hong Kong, Japan and South Korea) and Europe (London, Dublin, Frankfurt, Amsterdam and Paris) to reduce concentration risk. Management plans to increase scale and deepen its presence in Japan. Data centres in Japan provide positive yield spread and funding in Japanese yen would reduce its cost of debt.
- Progressively ramping up Osaka data centre.** MINT has completed Phase 3 fit-out works for the Osaka data centre for ¥5.2b (10% of purchase consideration) on 25 Jun 24. The last phase of fit-out works is slated for completion by May 25. The Osaka data centre has NLA of 136,900sf and capacity for more than 10MW of IT workload.
- Progressively backfilling vacant space.** MINT has secured Vanderbilt University Medical Center as a replacement tenant for its data centre at Brentwood, Tennessee. The new lease has a long duration of 30 years and provides rental escalation of 2% per year. Occupancy for its data centre portfolio improved 1.5ppt qoq to 89.2% in 1QFY25. MINT continues to work on backfilling data centre at Pewaukee, Wisconsin, which accounted for 0.6% of portfolio valuations for its North America data centre. Several prospective tenants have viewed the data centre.
- Gradually deleveraging through DRP.** MINT has resumed its distribution reinvestment plan (DRP) for the 1QFY25 distribution.

EARNINGS REVISION/RISK

- We raised our FY26 DPU forecast by 0.6% due to the acquisition of the mixed-use facility in West Tokyo.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$3.05 is based on DDM (cost of equity: 6.75%, terminal growth: 2.2%).

SHARE PRICE CATALYST

- Growth from data centres located in Singapore, Japan and the US.
- Acquisition of the remaining 50% stake in portfolio of 13 data centres (second JV) from sponsor Mapletree Investments.
- Redeveloping flatted factories into hi-tech industrial parks in Singapore.

KEY OPERATING METRICS

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	yoy % Chg	qoq % Chg
DPU (S cents)	3.39	3.32	3.36	3.36	3.43	1.2%	2.1%
Occupancy	93.3%	93.2%	92.6%	91.4%	91.9%	-1.4ppt	0.5ppt
Aggregate Leverage	38.2%	37.9%	38.6%	38.7%	39.1%	0.9ppt	0.4ppt
Average Cost of Debt	3.5%	3.2%	3.1%	3.1%	3.2%	-0.3ppt	0.1ppt
% Borrowings in Fixed Rates	78.0%	79.2%	79.5%	84.6%	82.1%	4.1ppt	-2.5ppt
WALE by Gross Rental (years)	3.9	4.2	4.4	4.4	4.6	0.7yrs	0.2yrs
Average Debt Maturity (years)	3.7	3.3	3.4	3.8	3.6	-0.1yrs	-0.2yrs
Passing Rents (S\$psf pm)	2.18	2.19	2.21	2.22	2.26	3.7%	1.8%
Tenant Retention	83.0%	83.2%	87.3%	80.1%	70.7%	-12.3ppt	-9.4ppt

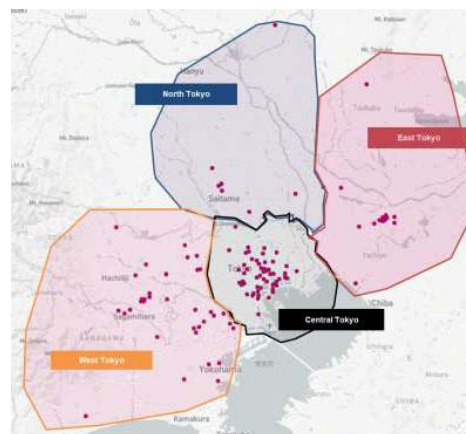
Source: MINT, UOB Kay Hian

OVERVIEW – FREEHOLD MIXED-USE FACILITY

Tenure	Freehold
Land Area	91,200sf
GFA	319,300sf
Purchase	100% basis: ¥14.5b (S\$129.8m)
Consideration	98.47% effective interest: ¥14.3b (S\$127.8m)
Valuation (100%)	¥15.0b (S\$134.2m)

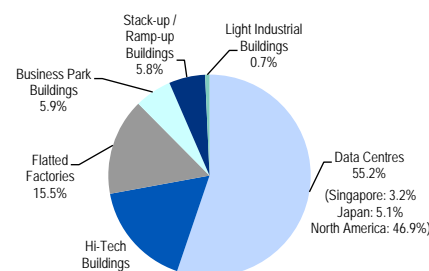
Source: MINT

DATA CENTRE DISTRIBUTION IN GREATER TOKYO



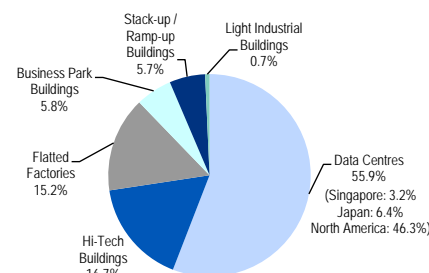
Source: MINT

PORTFOLIO BREAKDOWN PRE-ACQUISITION



Source: MINT

PORTFOLIO BREAKDOWN POST-ACQUISITION



Source: MINT

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	697.3	728.3	751.0	766.3
EBITDA	454.6	474.2	489.9	500.8
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	454.6	474.2	489.9	500.8
Total other non-operating income	(207.4)	0.0	0.0	0.0
Associate contributions	(8.7)	34.3	32.7	35.5
Net interest income/(expense)	(101.9)	(103.6)	(104.3)	(105.8)
Pre-tax profit	136.6	404.9	418.4	430.5
Tax	(16.0)	(12.8)	(12.8)	(12.8)
Minorities	(0.1)	0.0	0.0	0.0
Preferred dividends	(9.5)	(9.5)	(9.5)	(9.5)
Net profit	111.0	382.7	396.1	408.3
Net profit (adj.)	318.4	382.7	396.1	408.3

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	432.8	487.8	481.9	491.4
Pre-tax profit	328.1	392.1	405.6	417.7
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	8.7	(34.3)	(32.7)	(35.5)
Working capital changes	(24.0)	25.8	4.2	2.8
Non-cash items	1.1	0.6	0.6	0.6
Other operating cashflows	118.9	103.6	104.3	105.8
Investing	(353.1)	(157.8)	(10.0)	(10.0)
Capex (growth)	(432.6)	(157.8)	(10.0)	(10.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	50.2	0.0	0.0	0.0
Others	29.3	0.0	0.0	0.0
Financing	(106.3)	(332.6)	(470.5)	(482.1)
Distribution to unitholders	(374.3)	(386.4)	(400.0)	(412.2)
Issue of shares	201.6	0.0	0.0	0.0
Proceeds from borrowings	183.9	137.5	10.0	10.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(117.6)	(83.5)	(80.5)	(79.9)
Net cash inflow (outflow)	(26.7)	(2.4)	1.4	(0.6)
Beginning cash & cash equivalent	146.6	119.9	117.5	118.9
Changes due to forex impact	(0.0)	0.0	0.0	0.0
Ending cash & cash equivalent	119.9	117.5	118.9	118.3

BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	7,847.9	8,005.9	8,015.9	8,025.9
Other LT assets	652.8	653.6	654.4	655.2
Cash/ST investment	119.9	117.5	118.9	118.3
Other current assets	43.8	41.3	42.4	43.1
Total assets	8,664.4	8,818.2	8,831.5	8,842.4
ST debt	0.6	0.6	0.6	0.6
Other current liabilities	224.4	247.6	252.9	256.5
LT debt	3,002.5	3,140.0	3,150.0	3,160.0
Other LT liabilities	148.2	145.1	147.0	148.2
Shareholders' equity	5,286.4	5,282.6	5,278.8	5,274.9
Minority interest	2.3	2.3	2.3	2.3
Total liabilities & equity	8,664.4	8,818.2	8,831.5	8,842.4

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	65.2	65.1	65.2	65.4
Pre-tax margin	19.6	55.6	55.7	56.2
Net margin	15.9	52.5	52.7	53.3
ROA	1.3	4.4	4.5	4.6
ROE	2.1	7.2	7.5	7.7
Growth				
Turnover	1.8	4.4	3.1	2.0
EBITDA	0.9	4.3	3.3	2.2
Pre-tax profit	(56.6)	196.3	3.3	2.9
Net profit	(60.6)	244.7	3.5	3.1
Net profit (adj.)	(18.0)	20.2	3.5	3.1
EPU	(21.3)	19.3	3.4	3.0
Leverage				
Debt to total capital	36.2	37.3	37.4	37.5
Debt to equity	56.8	59.5	59.7	59.9
Net debt/(cash) to equity	54.5	57.2	57.4	57.7
Interest cover (x)	4.5	4.6	4.7	4.7

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