

COMPANY RESULTS

Mapletree Logistics Trust (MLT SP)

2QFY25: Incurring Negative Double-digit Rental Reversion In China

MLT improved portfolio occupancy by 0.3ppt qoq to 96.0% in 2QFY25. Unfortunately, China incurred negative rental reversion of -12.2%. The outlook for China remains challenging and the weakness is expected to persist over the next few quarters. MLT cautioned that cost of debt would continue to rise as loans are refinanced and interest rate swaps are rolled over at higher interest rates in 2HFY25 and FY26. MLT provides FY26 distribution yield of 5.9% (FLT: 6.2%). Maintain HOLD. Target price: S\$1.45.

2QFY25 RESULTS

Year to 31 Mar (\$m)	2Q FY25	yoy % chg	Remarks
Gross Revenue	183.3	-1.8	Affected by depreciation of JPY and KRW against the SGD.
Net Property Income (NPI)	158.6	-2.1	Borrowing costs increased 8.2% yoy.
Distributable income	102.3	-9.1	Includes distribution of divestment gains of S\$6.1m vs S\$8.8m last year.
DPU (S cent)	2.027	-10.6	Number of units increased 1.7% yoy.

Source: MLT, UOB Kay Hian

RESULTS

- Mapletree Logistics Trust (MLT) reported 2QFY25 DPU of 2.027 S cents (-10.6% yoy), which is quite in line with our expectation. Excluding distribution of divestment gains, DPU would have declined a smaller 8.8% yoy to 1.907 S cents.
- Still hampered by strong SGD.** Gross revenue and NPI fell 1.8% and 2.1% yoy respectively due to a lower contribution from China, absence of contribution from divested properties, and depreciation of regional currencies against the SGD (JPY: -2.2% yoy and KRW: -3.9% yoy). Growth from Singapore and Australia was offset by a weaker performance in China. On a constant currency basis, revenue was flat yoy and NPI declined 0.3% yoy.
- Stable occupancies on a portfolio-wide basis.** Portfolio occupancy improved 0.3ppt qoq to 96.0% in 2QFY25 due to backfilling of vacant spaces in Hong Kong, South Korea and Vietnam. Its logistics properties in Australia, India and Vietnam were fully occupied. Occupancies for Singapore, Japan, Hong Kong, South Korea and Malaysia remained above 95%. Occupancy in China remained at 93.1%.
- Tier 2 cities in China incurring negative double-digit rental reversion.** MLT incurred negative rental reversion of -0.6% on a portfolio-wide basis. China saw a negative rental reversion of -12.2% (Tier 1 cities: -3.5%, Tier 2 cities: -13%). Excluding China, rental reversion was positive at +3.6%. Management expects the negative double-digit rental reversion to persist for another two quarters and moderate to negative single-digit rental reversion thereafter. About 90% of its leases in China have already been marked-to-market. Thus, the magnitude of negative rental reversion is expected to moderate.

KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	731	734	733	752	755
EBITDA	512	508	519	534	537
Operating profit	512	508	519	534	537
Net profit (rep./act.)	545	303	288	283	280
Net profit (adj.)	274	281	288	283	280
EPU (\$ cent)	5.7	5.7	5.7	5.6	5.5
DPU (\$ cent)	9.0	9.0	8.4	8.3	8.2
PE (x)	24.6	24.8	24.4	24.9	25.4
P/B (x)	1.0	1.0	1.0	1.1	1.1
DPU Yld (%)	6.4	6.4	6.0	5.9	5.8
Net margin (%)	74.6	41.3	39.3	37.7	37.0
Net debt/(cash) to equity (%)	60.9	67.0	76.9	80.2	83.6
Interest cover (x)	4.1	3.7	3.2	2.9	2.8
ROE (%)	7.2	4.0	3.9	3.9	3.9
Consensus DPU (\$ cent)	-	-	8.1	8.1	8.3
UOBKH/Consensus (x)	-	-	1.04	1.02	0.98

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$1.40
Target Price	S\$1.45
Upside	+3.6%
(Previous TP)	S\$1.44

COMPANY DESCRIPTION

MLT is an Asia-focused logistics REIT with a portfolio of 188 logistics properties with AUM of S\$13.4b across Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea and Vietnam as of Jun 24.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MLT SP
Shares issued (m):	5,046.2
Market cap (\$m):	7,064.7
Market cap (US\$m):	5,348.0
3-mth avg daily t'over (US\$m):	23.6

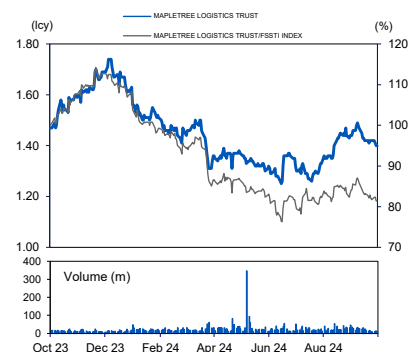
Price Performance (%)

52-week high/low	S\$1.75/S\$1.24			
1mth	3mth	6mth	1yr	YTD
(2.8)	3.7	6.9	(3.4)	(19.5)

Major Shareholders

Temasek Hldgs	33.0%
FY25 NAV/Share (\$)	1.34
FY25 Net Debt/Share (\$)	1.12

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Cost of debt still inching higher.** Aggregate leverage increased 0.6ppt qoq to 40.2% as of Sep 24. Adjusted interest coverage ratio was healthy at 3.0x. Its average cost of debt was stable at 2.7% for 2QFY25. MLT cautioned that cost of debt would continue to rise as loans are refinanced and interest rate swaps are rolled over at higher interest rates in 2HFY25 and FY26. Management guided for cost of debt of 2.8% at end-FY25 and 3.0% at end-FY26.
- **Efforts to lower financing costs.** MLT has swapped a portion of its USD, AUD and HKD loans into CNH so as to benefit from lower interest rates in China. It has issued S\$180m of 4.30% fixed rate perpetual securities to redeem S\$180m of perpetual securities with a higher rate of 5.2074%.

STOCK IMPACT

- **Repositioning towards modern logistics properties in growth markets.** MLT will focus on acquiring modern high-specs logistics properties in growth markets, such as India, Malaysia and Vietnam, which benefit from supply chain diversification, e-commerce growth and limited supply of modern logistics properties. It has completed the acquisitions of three modern Grade A logistics properties in Malaysia (Shah Alam) and Vietnam (Ho Chi Minh City and Hanoi) from its sponsor for S\$227m in 1QFY25. MLT is also keen to expand in Japan, which is a matured market, due to the attractive yield spread.
- **Acquisitions are primarily funded by divestments** as MLT's aggregate leverage is elevated at 40.2%. It has completed/announced eight divestments in Singapore, Malaysia and China totalling S\$131m in 1HFY25. It will continue to divest properties with older specifications and limited redevelopment potential. MLT targets to divest S\$300m worth of logistics properties in FY25.
- **Redevelopment project in Singapore on track for completion in 1H25.** MLT will redevelop 51 Benoi Road into a six-storey Grade A ramp-up logistics property. The redevelopment will provide a 2.3x uplift to GFA to 887,000sf. Management estimated yield on cost at 6.2% based on total development cost of S\$205m. Construction commenced in Jul 23 and is currently 22% completed. The redevelopment is scheduled to complete by 1H25.

EARNINGS REVISION/RISK

- We tweaked our FY26 DPU forecast marginally higher by 0.6% due to the revised guidance of a slight increase in cost of debt.

VALUATION/RECOMMENDATION

- **Maintain HOLD.** Our target price of S\$1.45 is based on the Dividend Discount Model (cost of equity: 7.0%, terminal growth: 1.5%).

SHARE PRICE CATALYST

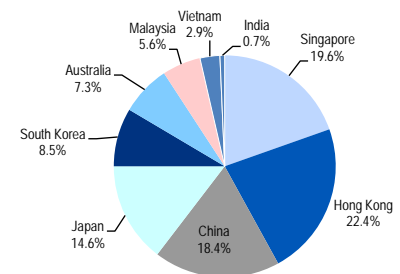
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce; positive contributions from redevelopment projects in Singapore and Malaysia.

KEY OPERATING METRICS

Key Metrics	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	yoy % Chg	qoq % Chg
DPU (S cents)	2.268	2.253	2.211	2.068	2.027	-10.6%	-2.0%
Occupancy	96.9%	95.9%	96.0%	95.7%	96.0%	-0.9ppt	0.3ppt
Aggregate Leverage	38.9%	38.8%	38.9%	39.6%	40.2%	1.3ppt	0.6ppt
Weighted Financing Cost	2.5%	2.5%	2.7%	2.7%	2.7%	0.2ppt	0ppt
% Borrowing in Fixed Rates	83%	83%	84%	83%	84%	1ppt	1ppt
WALE by NLA (years)	3.0	2.9	3.0	2.9	2.8	-0.2yrs	-0.1yrs
Debt Maturity (years)	3.8	3.7	3.8	3.7	3.6	-0.2yrs	-0.1yrs
Rental Reversions	0.2%	3.8%	2.9%	2.6%	-0.6%	-0.8ppt	-3.2ppt

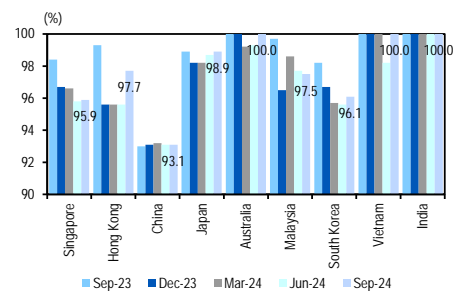
Source: MLT

PORTFOLIO VALUATION BY COUNTRY



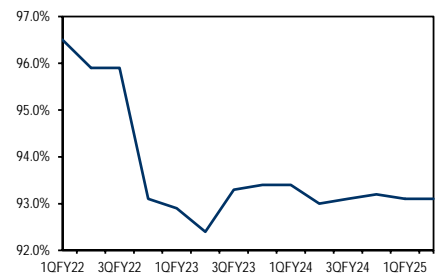
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OCCUPANCY LEVELS BY COUNTRY



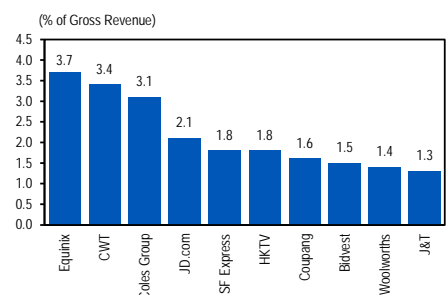
Source: MLT

OCCUPANCY RATE - MAINLAND CHINA



Source: MLT

TOP 10 TENANTS BY GROSS REVENUE



Source: MLT

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	733.9	732.7	751.7	755.2
EBITDA	508.2	518.5	533.7	536.6
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	508.2	518.5	533.7	536.6
Total other non-operating income	22.2	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(137.2)	(162.7)	(183.2)	(190.3)
Pre-tax profit	393.1	355.8	350.4	346.3
Tax	(63.1)	(42.7)	(42.1)	(41.6)
Minorities	(2.6)	(0.8)	(0.8)	(0.8)
Perpetual Securities	(24.3)	(24.3)	(24.3)	(24.3)
Net profit	303.1	288.1	283.3	279.7
Net profit (adj.)	281.0	288.1	283.3	279.7

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	573.5	352.0	491.6	489.5
Pre-tax profit	371.0	355.8	350.4	346.3
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	15.0	18.4	7.6	1.4
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	187.5	(22.3)	133.6	141.8
Investing	(844.3)	(385.1)	0.0	0.0
Capex (growth)	(1,027.6)	(445.8)	0.0	0.0
Capex (maintenance)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	177.8	60.7	0.0	0.0
Others	5.6	0.0	0.0	0.0
Financing	280.6	42.0	(480.0)	(493.5)
Distribution to unitholders	(409.6)	(422.5)	(418.5)	(414.9)
Issue of shares	200.0	0.0	0.0	0.0
Proceeds from borrowings	665.3	645.4	140.0	130.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(175.1)	(181.0)	(201.5)	(208.6)
Net cash inflow (outflow)	9.8	8.8	11.6	(4.0)
Beginning cash & cash equivalent	302.5	304.8	313.6	325.2
Changes due to forex impact	(7.5)	0.0	0.0	0.0
Ending cash & cash equivalent	304.8	313.6	325.2	321.3

BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	13,140.3	13,711.1	13,711.1	13,711.1
Other LT assets	186.8	186.8	186.8	186.8
Cash/ST investment	304.8	313.6	325.2	321.3
Other current assets	180.4	159.0	161.6	162.1
Total assets	13,812.3	14,370.6	14,384.8	14,381.3
ST debt	275.0	275.0	275.0	275.0
Other current liabilities	346.1	393.3	402.7	404.4
LT debt	5,034.6	5,680.0	5,820.0	5,950.0
Other LT liabilities	672.2	672.2	672.2	672.2
Shareholders' equity	7,466.4	7,332.0	7,196.8	7,061.5
Minority interest	18.0	18.0	18.0	18.0
Total liabilities & equity	13,812.3	14,370.6	14,384.8	14,381.3

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	69.2	70.8	71.0	71.1
Pre-tax margin	53.6	48.6	46.6	45.9
Net margin	41.3	39.3	37.7	37.0
ROA	2.2	2.0	2.0	1.9
ROE	4.0	3.9	3.9	3.9
Growth				
Turnover	0.4	(0.2)	2.6	0.5
EBITDA	(0.7)	2.0	2.9	0.5
Pre-tax profit	(40.2)	(9.5)	(1.5)	(1.2)
Net profit	(44.4)	(5.0)	(1.6)	(1.3)
Net profit (adj.)	2.7	2.5	(1.6)	(1.3)
EPU	(0.7)	1.7	(2.3)	(1.9)
Leverage				
Debt to total capital	41.5	44.8	45.8	46.8
Debt to equity	71.1	81.2	84.7	88.2
Net debt/(cash) to equity	67.0	76.9	80.2	83.6
Interest cover (x)	3.7	3.2	2.9	2.8

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