

COMPANY UPDATE

Mapletree Logistics Trust (MLT SP)

Weighted Down By Exposure To Greater China

We remain concerned about MLT's exposure to China as a high vacancy rate of 21.5% continues to exert downward pressure on rents. Demand could further weaken if the US-China trade conflict resurfaces and intensifies. Fortunately, weakness in China is offset by positive rental reversion in Singapore and Australia. MLT provides FY26 distribution yield of 6.3% (FLT: 7.3%). Maintain HOLD. Target price: S\$1.41.

WHAT'S NEW

- Rents on a downward trend in China.** Consumer confidence and retail sales continue to be weighed down by a downturn in the property market and tepid wage growth. Demand from domestic e-commerce and express delivery, mainly involving short-term leases, remains weak. Large integrated e-commerce platforms are consolidating to their self-built warehouses. Thus, rents are under pressure as landlords adjusted rents lower to attract tenants and shore up occupancies. According to CBRE Group (CBRE), on a nation-wide basis, rents for logistics space declined 3% qoq and 6.4% ytd in 3Q24.
- Limited exposure to South China.** Pockets of strength are seen in South China, boosted by growth in cross-border e-commerce. Apart from South China, vacancies in other markets are at historical highs. Mapletree Logistics Trust (MLT) does not benefit from the boom in cross-border e-commerce as the Guangdong province accounted for only 5% of floor space for its China portfolio. According to CBRE, the nationwide vacancy rate remained elevated at 21.5% in 3Q24.
- Tier 2 cities in China suffered negative rental reversion.** MLT incurred negative rental reversion of -12.2% for China in 2QFY25 (Tier 1 cities: -3.5%, Tier 2 cities: -13%). Weighted average lease expiry (WALE) is only 1.6 years due to the prevalence of short-term leases. As such, China accounted for a sizeable 43% and 44% respectively of leases expiring by NLA in 2HFY25 and FY26. About 90% of leases in China have already been marked to lower market rents. Management expects the negative double-digit rental reversion to persist for another two quarters and moderate to negative single digit thereafter.
- Looming threats from escalation of trade conflict.** The incoming Trump Administration has threatened to impose tariff of up to 60% on imports from China. Additional tariff imposed by the US, its largest export market, could lead to job losses in the manufacturing sector, causing further weakness in consumer confidence and domestic consumption. Thus, demand for logistics space is likely to be affected, further postponing any potential recovery.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	731	734	732	744	748
EBITDA	512	508	520	518	521
Operating profit	512	508	520	518	521
Net profit (rep./act.)	545	303	272	277	273
Net profit (adj.)	274	281	280	277	273
EPU (S\$ cent)	5.7	5.7	5.5	5.4	5.3
DPU (S\$ cent)	9.0	9.0	8.2	8.1	7.9
PE (x)	22.7	22.8	23.3	23.7	24.3
P/B (x)	0.9	0.9	1.0	1.0	1.0
DPU Yld (%)	7.0	7.0	6.3	6.3	6.1
Net margin (%)	74.6	41.3	37.2	37.2	36.5
Net debt/(cash) to equity (%)	60.9	67.0	74.0	77.2	80.6
Interest cover (x)	4.1	3.7	3.3	3.0	2.9
ROE (%)	7.2	4.0	3.7	3.9	3.9
Consensus DPU (S\$ cent)	-	-	8.1	8.0	8.2
UOBKH/Consensus (x)	-	-	1.01	1.01	0.97

Source: Mapletree Logistics Trust, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$1.29
Target Price	S\$1.41
Upside	+9.3%
(Previous TP)	S\$1.45)

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):	5,057.8
Market cap (S\$m):	6,524.6
Market cap (US\$m):	4,790.5
3-mth avg daily t'over (US\$m):	18.3

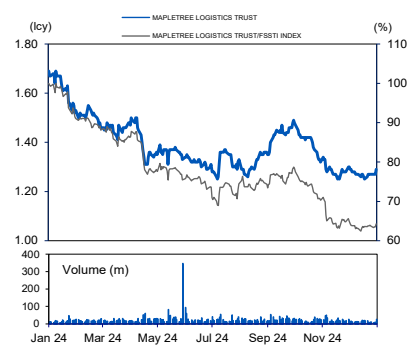
Price Performance (%)

52-week high/low	S\$1.71/S\$1.24			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(0.8)	(13.4)	(1.5)	(24.6)	1.6

Major Shareholders

Temasek Hldgs	33.5
FY25 NAV/Share (S\$)	1.31
FY25 Net Debt/Share (S\$)	1.06

PRICE CHART



Source: Bloomberg

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- Singapore: Rents paused for breather after stellar rise.** According to CBRE, prime logistics rents were flat qoq but increased 3.3% yoy in 3Q24. Tenants are resisting further increase as rents have already risen 42.7% since the trough in 1Q20. Third-party logistics (3PL) and e-commerce players are in consolidation mode. Nevertheless, occupancy for FLT's Singapore portfolio was stable at 95.9% in 2QFY25. Supply of prime logistics space is expected to surge to 4.9m sf in 2025 (2024: 2.0m sf). Thus, landlords are focusing on maintaining occupancy and have toned down their expectations on rent growth. Management expects positive rental reversion to moderate to high single-digit in FY26 (2QFY25: 12.5%).
- Australia: Industry dynamic remains positive.** E-commerce penetration improved 0.7ppt yoy to 13.5% in 3Q24. Rental growth has slowed 7.4%, 8.2% and 12.9% yoy respectively across Sydney, Melbourne and Brisbane. Nevertheless, its logistic properties in Australia are under-rented by 30%, which ensures continued positive rental reversion. Take-up was healthy in Sydney but leasing activities weakened in Melbourne. Vacancy rate has bounced off the historical low in 1H23 but remains low at 1.9%. Pipeline of new supply is 60% pre-committed for 2024 and over one-third pre-committed for 2025. New supply is expected to ease in 2026.

**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 repositioning, 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 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 was elevated at 40.2% as of Sep 24. Management has identified S\$1b of logistics properties with older specifications and limited redevelopment potential to be divested over the next three years. Hong Kong and China accounted for half of the list of targeted divestments. As part of the capital recycling, MLT aims to execute S\$300m of the targeted divestments in FY25. It had completed/announced eight divestments in Singapore, Malaysia and China totalling S\$131m in 1HFY25.
- Cost of debt still inching higher.** 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 has swapped a portion of its USD, AUD and HKD loans into CNH to benefit from lower interest rates in China. It issued S\$180m of 4.30% fixed rate perpetual securities in Aug 24 to redeem S\$180m of perpetual securities with a higher rate of 5.2074%. MLT's average cost of debt was stable at 2.7% for 2QFY25. Management guided for cost of debt to be slightly higher at 2.8% at end-FY25 and 3.0% at end-FY26.

**EARNINGS REVISION/RISK**

- We trimmed our DPU forecast by 3% for FY25 and FY26 after factoring in recent divestments in Singapore and Malaysia and weakness in exchange rates for JPY, AUD and KRW against the SGD.

**VALUATION/RECOMMENDATION**

- Maintain HOLD.** Our target price of S\$1.41 is based on the Dividend Discount Model (cost of equity: 7.0%, terminal growth: 1.5%).

**SHARE PRICE CATALYST**

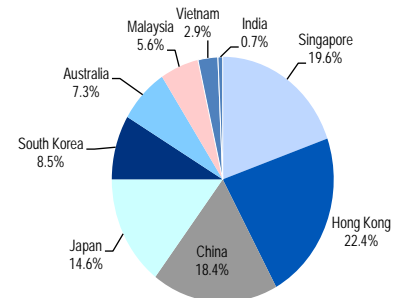
- Accretive acquisitions to rejuvenate and reposition towards modern specifications logistics facilities, domestic consumption and e-commerce; positive contributions from redevelopment projects in Singapore and Malaysia.

**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

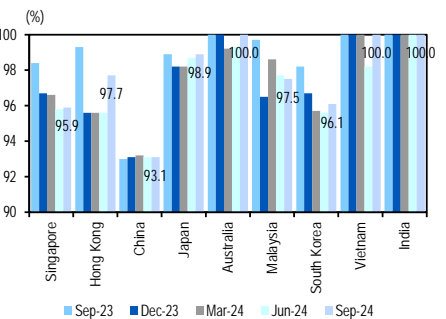
Source: MLT

**PORTFOLIO VALUATION BY COUNTRY**



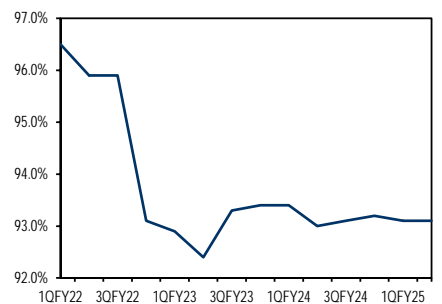
Source: MLT

**OCCUPANCY LEVELS BY COUNTRY**



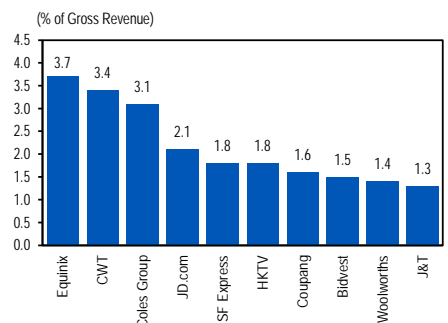
Source: MLT

**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	732.2	744.1	747.6
EBITDA	508.2	520.0	518.0	520.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	508.2	520.0	518.0	520.9
Total other non-operating income	22.2	(7.4)	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(137.2)	(157.1)	(175.1)	(182.0)
<b>Pre-tax profit</b>	<b>393.1</b>	<b>355.5</b>	<b>342.9</b>	<b>338.8</b>
Tax	(63.1)	(57.6)	(41.2)	(40.7)
Minorities	(2.6)	(0.4)	(0.8)	(0.8)
Perpetual Securities	(24.3)	(25.1)	(24.3)	(24.3)
<b>Net profit</b>	<b>303.1</b>	<b>272.4</b>	<b>276.7</b>	<b>273.1</b>
Net profit (adj.)	281.0	279.8	276.7	273.1

### BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	13,140.3	13,433.1	13,433.1	13,433.1
Other LT assets	186.8	162.3	162.3	162.3
Cash/ST investment	304.8	322.9	332.9	330.0
Other current assets	180.4	107.0	108.5	108.9
<b>Total assets</b>	<b>13,812.3</b>	<b>14,025.4</b>	<b>14,036.9</b>	<b>14,034.4</b>
ST debt	275.0	299.4	299.4	299.4
Other current liabilities	346.1	366.4	371.8	373.4
LT debt	5,034.6	5,380.0	5,520.0	5,650.0
Other LT liabilities	672.2	715.6	715.6	715.6
Shareholders' equity	7,466.4	7,238.7	7,104.8	6,970.8
Minority interest	18.0	25.2	25.2	25.2
<b>Total liabilities &amp; equity</b>	<b>13,812.3</b>	<b>14,025.4</b>	<b>14,036.9</b>	<b>14,034.4</b>

### CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>573.5</b>	<b>550.3</b>	<b>474.0</b>	<b>474.6</b>
Pre-tax profit	371.0	362.8	342.9	338.8
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	7.8	4.6	1.3
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	187.5	179.6	126.5	134.4
<b>Investing</b>	<b>(844.3)</b>	<b>(314.7)</b>	<b>0.0</b>	<b>0.0</b>
Capex (growth)	(1,027.6)	(432.2)	0.0	0.0
Capex (maintenance)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	177.8	117.5	0.0	0.0
Others	5.6	0.0	0.0	0.0
<b>Financing</b>	<b>280.6</b>	<b>(217.5)</b>	<b>(464.1)</b>	<b>(477.4)</b>
Distribution to unitholders	(409.6)	(412.6)	(410.7)	(407.1)
Issue of shares	200.0	0.0	0.0	0.0
Proceeds from borrowings	665.3	369.8	140.0	130.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(175.1)	(174.6)	(193.4)	(200.3)
<b>Net cash inflow (outflow)</b>	<b>9.8</b>	<b>18.1</b>	<b>10.0</b>	<b>(2.9)</b>
Beginning cash & cash equivalent	302.5	304.8	322.9	332.9
Changes due to forex impact	(7.5)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>304.8</b>	<b>322.9</b>	<b>332.9</b>	<b>330.0</b>

### KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	69.2	71.0	69.6	69.7
Pre-tax margin	53.6	48.6	46.1	45.3
Net margin	41.3	37.2	37.2	36.5
ROA	2.2	2.0	2.0	1.9
ROE	4.0	3.7	3.9	3.9
<b>Growth</b>				
Turnover	0.4	(0.2)	1.6	0.5
EBITDA	(0.7)	2.3	(0.4)	0.5
Pre-tax profit	(40.2)	(9.6)	(3.5)	(1.2)
Net profit	(44.4)	(10.1)	1.6	(1.3)
Net profit (adj.)	2.7	(0.4)	(1.1)	(1.3)
EPU	(0.7)	(1.9)	(2.0)	(2.1)
<b>Leverage</b>				
Debt to total capital	41.5	43.9	44.9	46.0
Debt to equity	71.1	78.5	81.9	85.3
Net debt/(cash) to equity	67.0	74.0	77.2	80.6
Interest cover (x)	3.7	3.3	3.0	2.9

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