

Mapletree Industrial Trust

Firepower to acquire

SINGAPORE | REAL ESTATE (REIT) | RESULTS

- S\$84.45mn gross revenue in line with our forecast of S\$84.76mn
- 2.83 cents DPU exceeded our forecast of 2.69 cents by 5.2% (3QFY16: 2.82 cents)

Results at a glance

(SGD mn)	3Q17	3Q16	yoy (%)	Comments
Gross revenue	84.45	83.25	↑1.4	Higher rental rates across all property segments, contribution from Phase One of HP BTS; offset by lower portfolio occupancy
Net property income	63.43	61.88	↑2.5	Lower utilities and ppty taxes; offset by higher marketing commission and ppty maintenance expenses
Distributable income	51.10	50.31	↑1.6	Higher manager's management fees and borrowing costs
DPU (Cents)	2.83	2.82	↑0.4	1.8% larger Unitholder base

Source: Company, Phillip Securities Research (Singapore)

Early termination of Johnson & Johnson lease to impact The Strategy property

Johnson & Johnson (J&J) has confirmed that it will be terminating its lease nine months ahead on September 30, 2017 with a compensation of S\$3.1mn, which covers for six months of rent. J&J takes up 158,800 sq ft, or 28% of NLA at The Strategy; J&J accounts for 2.2% of MINT's GRI. The manager has not secured a replacement tenant and expects that it would take nine to 12 months to fill up the vacated space. We have lowered our GRI assumption for the Business Park Buildings segment accordingly. The manager will be paying out the S\$3.1mn in distributions during FY18.

Occupancy remains healthy, but dips marginally; average passing rent maintained

Portfolio occupancy dipped marginally quarter-on-quarter (qoq) to 92.1% from 92.5%. Average portfolio passing rent was 1 cent higher qoq at S\$1.93 psf/month. Rental reversions during the quarter were flat to low positive single-digit across the various Building segments; and portfolio weighted average was +2.1%. With reference to JTC giving rebates, tenant exposure to the O&G sector at MINT is small, and the manager has not given any adjustments to any tenants across all the trade sectors. Qoq dip in occupancy for the Hi-Tech Buildings segment was due to a timing issue between completion of Phase One of the Hewlett-Packard (HP) Build-to-suit (BTS) project and HP moving into the premises. As such, occupancy should reverse higher in the next quarter.

Absence of concentration risk from FY18 lease expiry profile, apart from J&J

Portfolio weighted average lease expiry (WALE) stands at 3.2 years, higher qoq with Phase One of the HP BTS project included into the portfolio. In our view, the 2.7% of leases expiring in 4QFY17 do not pose a threat to the portfolio. The manager commented that 31% expiring in FY18 is not without precedence, and the team had worked through similar level in the earlier days of the REIT. Other than the J&J lease outlined above, there are no concentrated leases expiring in FY18, so expiries should be manageable.

Maintain "Accumulate" with unchanged target price of S\$1.74

At 29.4% gearing, Mapletree Industrial Trust (MINT) has by far one of the lowest gearing within the S-REIT universe. This gives it the flexibility to grow the portfolio inorganically. We are expecting some short-term pain with lower yoy DPU over the next two quarters, due to the rent free-period for the Hewlett-Packard BTS being spread across 18 months. Further out, we expect flat yoy growth in DPU due to termination of the J&J lease. Our target price is 1.28x FY17e P/NAV.

25 January 2017

Accumulate (Maintained)

LAST CLOSE PRICE	SGD 1.645
FORECAST DIV	SGD 0.112
TARGET PRICE	SGD 1.740
TOTAL RETURN	12.6%

COMPANY DATA

O/S SHARES (MN) :	1802
MARKET CAP (USD mn / SGD mn) :	2087 / 2964
52 - WK HI/LO (SGD) :	181/ 148
3M Average Daily T/O (mn) :	2.59

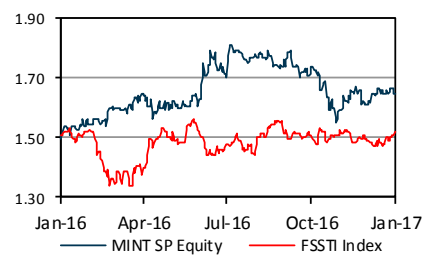
MAJOR SHAREHOLDERS (%)

MAPLETREE INVESTMENTS PTE LTD	34.2%
SCHRODERS PLC	7.0%
AIA GROUP LTD	5.0%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	2.2	(2.5)	18.9
STIRETURN	6.0	6.9	22.6

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY 16	FY 17e	FY 18e	FY 19e
Gross Rev. (SGD mn)	3316	339.7	352.6	3614
NPI (SGD mn)	245.1	253.1	259.5	270.6
Dist. Inc. (SGD mn)	197.8	202.0	204.7	213.7
P/NAV (x)	1.8	1.21	1.21	1.21
DPU, adj (cents)	11.15	11.22	11.34	11.84
Distribution Yield (%)	6.90	6.82	6.89	7.20

Source: Company Data, PSR est.

VALUATION METHOD

DDM (Cost of Equity: 7.5%; Terminal g: 0.5%)

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Financials

Statement of Total Return and Distribution Statement

Y/E Mar, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Gross revenue	313.9	331.6	339.7	352.6	361.4
Property expenses	(85.3)	(86.5)	(86.6)	(93.1)	(91.3)
Net property income	228.6	245.1	253.1	259.5	270.1
Net Finance (Expense)/Inc.	(23.6)	(25.6)	(27.2)	(30.8)	(32.2)
Manager's fees	(24.8)	(26.6)	(27.2)	(27.8)	(28.4)
Other items	(2.3)	(2.3)	(2.7)	(2.7)	(2.8)
Exceptional items	-	-	-	-	-
Net income	178.0	190.6	196.0	198.2	206.8
FV change, Invmnt. properties	197.4	82.0	-	-	-
Total Return Before Tax	375.4	272.6	196.0	198.2	206.8
Taxation	(1.1)	-	(0.4)	(0.5)	(0.3)
Total Return After Tax	374.3	272.6	195.6	197.7	206.5
Distribution adjustments	(193.5)	(74.8)	6.4	6.9	6.8
Income available for distribution	180.8	197.8	202.0	204.7	213.3

Per share data

Y/E Mar	FY15	FY16	FY17e	FY18e	FY19e
NAV (\$\$)	1.32	1.37	1.36	1.36	1.36
EPU (cents)	21.82	15.40	10.88	11.00	11.46
DPU (cents)	10.43	11.15	11.22	11.34	11.82

*Forward EPU does not include change in Fair Value of Investment Properties

Cash Flow

Y/E Mar, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
CFO					
Total return	374.3	272.6	195.6	197.7	206.5
Adjustments	(174.9)	(53.4)	29.6	33.3	34.5
WC changes	5.5	0.5	(2.4)	1.3	3.6
Cash generated from ops	204.9	219.7	222.8	232.4	244.6
Others	-	-	-	-	-
Cashflow from ops	204.9	219.7	222.8	232.4	244.6
CFI					
CAPEX, net	(34.2)	(36.0)	(80.0)	(20.0)	-
Purchase of Inv. Propty.	(20.3)	(7.6)	(32.0)	(32.0)	(16.0)
Others	-	-	-	-	-
Cashflow from investments	(54.5)	(43.5)	(112.0)	(52.0)	(16.0)
CFF					
Share issuance, net	-	-	-	-	-
Loans, net of repayments	(54.3)	(54.6)	105.4	36.0	15.0
Dividends	(97.5)	(114.6)	(203.9)	(201.2)	(211.4)
Others	(22.4)	(24.6)	(27.4)	(30.9)	(32.3)
Cashflow from financing	(174.2)	(193.8)	(125.9)	(196.1)	(228.7)
Net change in cash	(23.8)	(17.6)	(15.1)	(15.7)	(0.1)
Effects of exchange rate	-	-	-	-	-
Ending cash	72.0	54.3	39.2	23.5	23.4

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Mar, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
ASSETS					
Investment properties	3,267	3,338	3,370	3,722	3,738
Inv. Propty. Under Devmnt.	157.0	219.5	299.5	-	-
PPE	0.001	0.002	0.002	0.002	0.002
Others	3.61	0.34	0.34	0.34	0.34
Total non-current assets	3,428	3,558	3,670	3,722	3,738
Cash	72.0	54.3	39.2	23.5	23.4
Trade receivables	13.4	9.2	10.1	11.8	10.9
Others	2.9	2.2	2.2	2.2	2.2
Total current assets	88.2	65.8	51.4	37.4	36.5
Total Assets	3,516	3,624	3,722	3,760	3,775
LIABILITIES					
Trade payables	70.3	79.7	78.3	81.6	84.6
Borrowings	125.5	47.4	134.9	185.9	265.9
Others	-	-	-	-	-
Total current liabilities	195.7	127.1	213.1	267.5	350.5
Borrowings	949.2	973.8	991.7	976.7	911.7
Others	58.8	57.9	57.9	57.9	57.9
Total non-current liabilities	1,008	1,032	1,050	1,035	970
Total Liabilities	1,204	1,159	1,263	1,302	1,320
Net assets	2,312	2,465	2,459	2,458	2,455
Represented by:					
Unitholders' funds	2,308	2,465	2,459	2,458	2,455
Hedging reserve	4.2	-	-	-	-

Valuation Ratios

Y/E Mar	FY15	FY16	FY17e	FY18e	FY19e
P/NAV (x)	1.21	1.18	1.21	1.21	1.21
P/DPU (x)	15.29	14.48	14.66	14.51	13.92
Distribution Yield (%)	6.54	6.90	6.82	6.89	7.19
NPI yield (%)	6.93	7.02	7.00	7.02	7.24

Growth & Margins (%)

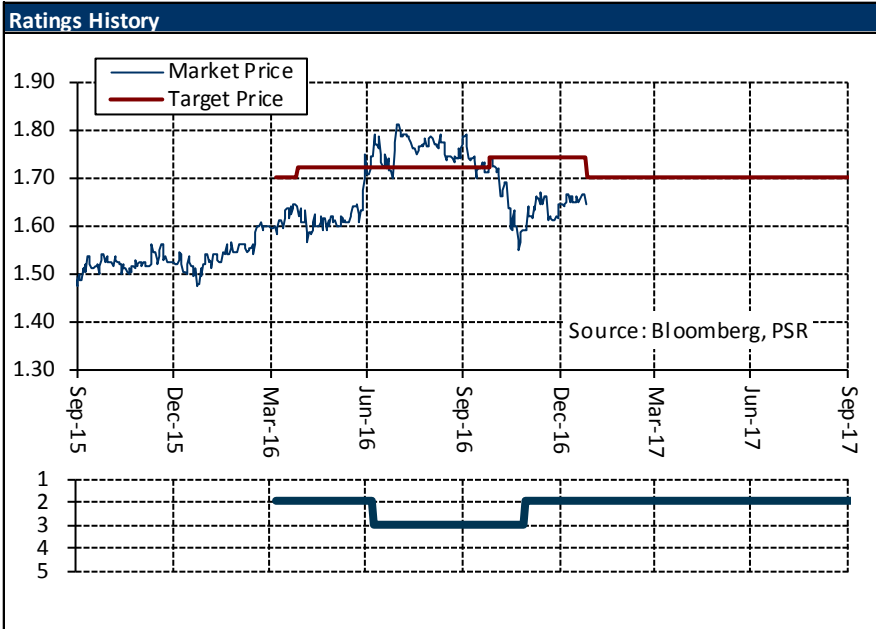
Growth					
Revenue	4.9%	5.6%	2.4%	3.8%	2.5%
Net property income (NPI)	6.5%	7.2%	3.2%	2.6%	4.1%
Distributable income	8.9%	9.4%	2.1%	1.3%	4.2%
DPU	5.1%	6.9%	0.6%	1.1%	4.2%

Margins

NPI margin	72.8%	73.9%	74.5%	73.6%	74.7%
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Key Ratios

Net Debt or (Net Cash)	1,003	967	1,087	1,139	1,154
Gearing (%)	30.6%	28.2%	30.3%	30.9%	31.2%



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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