

Mapletree Industrial Trust

Price weakness presents attractive valuation

SINGAPORE | REAL ESTATE (REIT) | UPDATE

- Price has corrected c.6% post-Trump victory
- Pricing-in of rate hike expectations, but valuations are attractive
- Debt management profile is top in class
- Near-term visibility of DPU growth from completion of BTS project
- Accumulate on price weakness

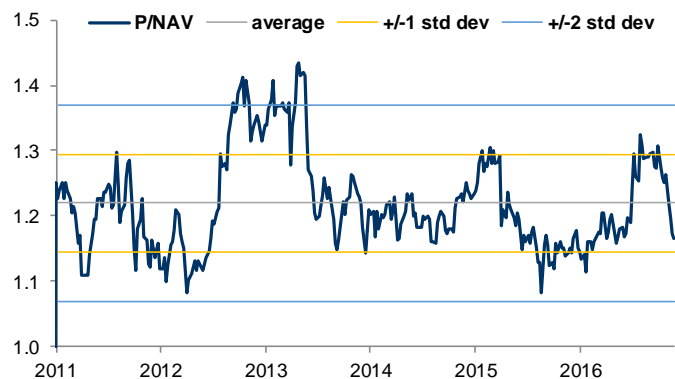
Upgrade to "Accumulate" rating with unchanged DDM valuation of S\$1.74

The price for Mapletree Industrial Trust (MINT) had corrected some 6% since 8 November, following a Trump victory and on higher expectations of a rate hike by the end of this year. There is near-term visibility for DPU growth, coming from the completion of the Hewlett-Packard build-to-suit (BTS) project, which is fully committed. Low gearing of 29.0% affords the firepower to make acquisitions with a debt headroom of \$633mn based on 40% gearing, by our estimates.

Valuation is attractively low, notwithstanding a rate hike

We had indicated on Page 16 of our [initiation report](#) (11 April 2016) that "MINT has historically never traded at a discount to its book value. The lowest P/NAV multiple it has ever traded to was 1.08x." We now derive a price floor at \$1.48, based on historical low 1.08x multiple and current NAV of \$1.37. We expect any further downside to be limited. Current relative valuation of 1.16x P/NAV, which is above 1 standard deviation below the historical average is attractive.

Figure 1. Historical P/NAV (x) with SD bands



Source: Bloomberg, Phillip Securities Research (Singapore) estimates

Higher expectations of rate hike, but MINT's debt management profile is top in class

MINT has 2.8% of debt maturing in 2H FY17 and 17.4% in FY18. We refer to Page 7 of our recent [report](#) on the Industrial sub-sector (11 November 2016), which shows that as at end of September 2016, MINT has the lowest gearing, second-highest weighted average debt maturity and second-highest interest coverage ratio among the Industrial S-REITs.

FY18 lease expiry is a concern, but tenant retention has a good track record

Portfolio weighted average lease expiry (WALE) stood at 2.8 years, as at end of September 2016. 6.8% of leases by gross rental income (GRI) will be expiring in 2H FY17. We currently view this as manageable against the backdrop of a challenging environment. However, FY18's 32.8% of leases by GRI expiring is a concern, as the current oversupply condition could persist until then. Of the leases expiring in FY18, about half of it comes from the Flatted Factories segment. The silver lining in all of this is that MINT has a track record of tenant retention that is higher than 60%, both at the portfolio level and for the Flatted Factories segment.

29 November 2016

Accumulate (Upgraded)

LAST CLOSE PRICE	SGD 1.590
FORECAST DIV	SGD 0.111
TARGET PRICE	SGD 1.740
TOTAL RETURN	16.4%

COMPANY DATA

O/S SHARES (MN) :	1802
MARKET CAP (USD mn / SGD mn) :	2010 / 2865
52 - WK HI/LO (SGD) :	1.81 / 1.46
3M Average Daily T/O (mn) :	2.48

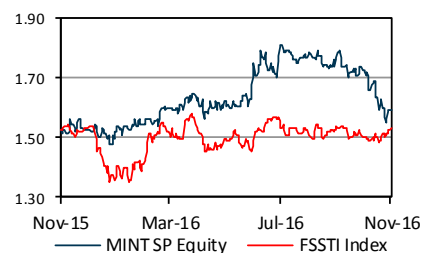
MAJOR SHAREHOLDERS (%)

MAPLE TREE INVESTMENTS PTE LTD	34.2%
SCHRODERS PLC	7.0%
AIA GROUP LTD	5.0%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(7.1)	(9.2)	12.3
STIRETURN	0.3	(0.4)	2.8

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY 16	FY 17e	FY 18e	FY 19e
Gross Rev. (SGD mn)	3316	340.7	358.0	370.3
NPI (SGD mn)	245.1	252.2	264.4	278.3
Dist. Inc. (SGD mn)	197.8	200.4	208.9	220.7
P/NAV (x)	1.18	1.16	1.17	1.17
DPU, adj (cents)	11.15	11.14	11.59	12.23
Distribution Yield (%)	6.90	7.01	7.29	7.69

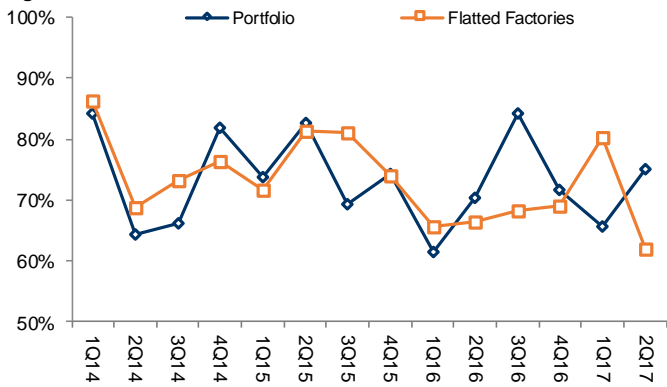
Source: Company Data, PSR est.

VALUATION METHOD

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

Richard Leow, CFTe, FRM (+65 6212 1848)
richardleowwt@phillip.com.sg

Figure 2. Tenant retention rate



Source: Company, Phillip Securities Research (Singapore)

Peer relative valuation

MINT is trading above the sector average P/NAV multiple and lower than the peer average 12M-trailing yield.

Industrial S-REITs peer relative data (arranged by Mkt. Cap.)

	Mkt. Cap. (S\$ mn)	Price (S\$)	Trailing P/NAV (x)	12M-trailing yield (%)
Ascendas REIT	6,504	2.29	1.12	6.7
Mapletree Industrial Trust	2,865	1.590	1.16	7.1
AIMS AMP Capital Industrial REIT	797	1.250	0.85	9.0
Cambridge Industrial Trust	691	0.530	0.79	8.1
Viva Industrial Trust	694	0.745	0.93	10.1
Soilbuild Business Space REIT	662	0.635	0.82	9.6
Sabana Shari'ah Compliant REIT	385	0.520	0.65	10.1
Average			0.90	8.7

Source: Bloomberg (Updated: 28 November 2016)

Financials

Statement of Total Return and Distribution Statement

Y/E Mar, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Gross revenue	313.9	331.6	340.7	358.0	370.3
Property expenses	(85.3)	(86.5)	(88.5)	(93.6)	(92.0)
Net property income	228.6	245.1	252.2	264.4	278.3
Net Finance (Expense)/Inc.	(23.6)	(25.6)	(27.6)	(30.8)	(32.2)
Manager's fees	(24.8)	(26.6)	(27.1)	(28.0)	(28.7)
Other items	(2.3)	(2.3)	(2.7)	(2.8)	(2.8)
Exceptional items	-	-	-	-	-
Net income	178.0	190.6	194.7	202.9	214.7
FV change, Invmnt. properties	197.4	82.0	-	-	-
Total Return Before Tax	375.4	272.6	194.7	202.9	214.7
Taxation	(1.1)	-	(0.4)	(0.5)	(0.3)
Total Return After Tax	374.3	272.6	194.3	202.4	214.4
Distribution adjustments	(193.5)	(74.8)	6.1	6.5	6.3
Income available for distribution	180.8	197.8	200.4	208.9	220.7

Per share data

Y/E Mar	FY15	FY16	FY17e	FY18e	FY19e
NAV (\$\$)	1.32	1.37	1.37	1.36	1.36
EPU (Cents)	21.82	15.40	10.81	11.25	11.90
DPU (Cents)	10.43	11.15	11.14	11.59	12.23
NAV (\$\$)	1.32	1.37	1.37	1.36	1.36

*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	194.3	202.4	214.4
Adjustments	(174.9)	(53.4)	30.1	33.3	34.5
WC changes	5.5	0.5	(2.2)	2.2	4.4
Cash generated from ops	204.9	219.7	222.2	237.9	253.3
Others	-	-	-	-	-
Cashflow from ops	204.9	219.7	222.2	237.9	253.3
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)	(201.4)	(204.4)	(218.8)
Others	(22.4)	(24.6)	(27.8)	(30.9)	(32.3)
Cashflow from financing	(174.2)	(193.8)	(123.8)	(199.4)	(236.1)
Net change in cash	(23.8)	(17.6)	(13.7)	(13.5)	1.1
Effects of exchange rate	-	-	-	-	-
Ending cash	72.0	54.3	40.7	27.2	28.3

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	40.7	27.2	28.3
Trade receivables	13.4	9.2	10.1	11.9	11.2
Others	2.9	2.2	2.2	2.2	2.2
Total current assets	88.2	65.8	52.9	41.3	41.7
Total Assets	3,516	3,624	3,723	3,764	3,780
LIABILITIES					
Trade payables	70.3	79.7	78.5	82.9	86.7
Borrowings	125.5	47.4	134.9	185.9	265.9
Others	-	-	-	-	-
Total current liabilities	195.7	127.1	213.4	268.7	352.5
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	1,303	1,322
Net assets	2,312	2,465	2,460	2,460	2,458
Represented by:					
Unitholders' funds	2,308	2,465	2,460	2,460	2,458
Hedging reserve	4.2	-	-	-	-

Valuation Ratios

Y/E Mar	FY15	FY16	FY17e	FY18e	FY19e
P/NAV (x)	1.21	1.18	1.16	1.17	1.17
P/DPU (x)	0.15	0.14	0.14	0.14	0.13
Distribution Yield (%)	6.54	6.90	7.01	7.29	7.69
NPI yield (%)	6.93	7.02	6.98	7.15	7.46

Growth & Margins (%)

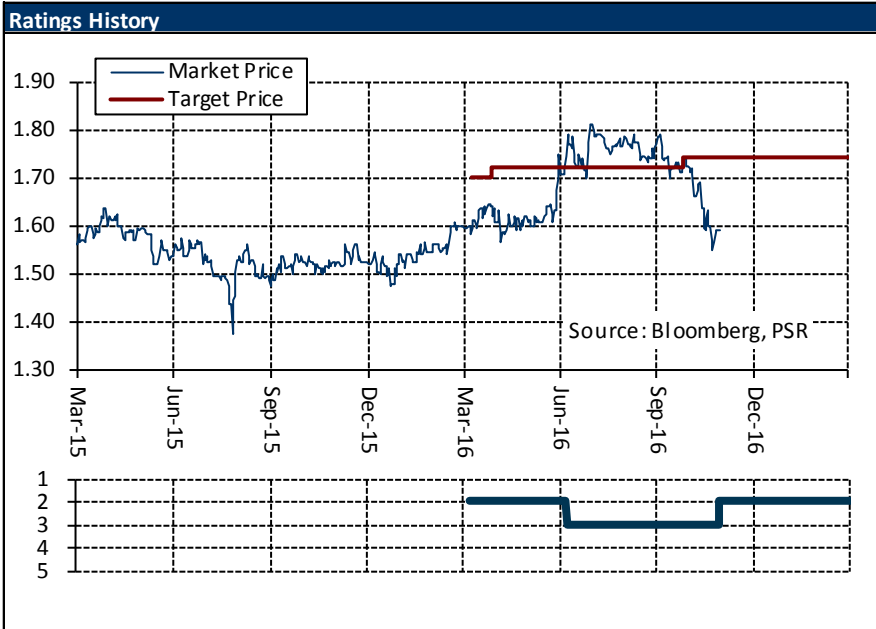
Growth					
Revenue	4.9%	5.6%	2.7%	5.1%	3.4%
Net property income (NPI)	6.5%	7.2%	2.9%	4.8%	5.3%
Distributable income	8.9%	9.4%	1.3%	4.2%	5.7%
DPU	5.1%	6.9%	-0.1%	4.0%	5.5%

Margins

NPI margin	72.8%	73.9%	74.0%	73.8%	75.2%
------------	-------	-------	-------	-------	-------

Key Ratios

Net Debt or (Net Cash)	1,003	967	1,086	1,135	1,149
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

Contact Information (Singapore Research Team)
Research Operations OfficerMohamed Amiruddin - amiruddin@phillip.com.sg**Consumer | Healthcare**Soh Lin Sin - sohls@phillip.com.sg**Transport | REITs (Industrial)**Richard Leow, CFTe, FRM -
richardleowwt@phillip.com.sg**Banking and Finance**Jeremy Teong - jeremyteongfh@phillip.com.sg**Property | Infrastructure**Peter Ng - peterngmc@phillip.com.sg**REITs (Commercial, Retail, Healthcare) | Property**Dehong Tan - tandh@phillip.com.sg**US Equity**Ho Kang Wei - hokw@phillip.com.sg**Macro**Pei Sai Teng - peist@phillip.com.sg**Technical Analysis**Jeremy Ng - jeremyngch@phillip.com.sg**Oil & Gas | Energy**Chen Guangzhi - chengz@phillip.com.sg

Contact Information (Regional Member Companies)
SINGAPORE**Phillip Securities Pte Ltd**Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg**JAPAN****Phillip Securities Japan, Ltd.**4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp**THAILAND****Phillip Securities (Thailand) Public Co. Ltd**15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website: www.phillip.co.th**UNITED STATES****Phillip Futures Inc**141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com**INDIA****PhillipCapital (India) Private Limited**No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in**CAMBODIA****Phillip Bank Plc**Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh**MALAYSIA****Phillip Capital Management Sdn Bhd**B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my**INDONESIA****PT Phillip Securities Indonesia**ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id**FRANCE****King & Shaxson Capital Limited**3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com**AUSTRALIA****Phillip Capital Limited**Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au**TURKEY****PhillipCapital Menkul Degerler**Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr**HONG KONG****Phillip Securities (HK) Ltd**11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk**CHINA****Phillip Financial Advisory (Shanghai) Co Ltd**No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn**UNITED KINGDOM****King & Shaxson Capital Limited**6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com**SRI LANKA****Asha Phillip Securities Limited**2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net**DUBAI****Phillip Futures DMCC**Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.