Global Logistic Properties Limited

Market leader with strong growth trajectory, but adversely affected by weak yen

Bloomberg | Reuters | POEMS
GLP SP | GLPL.SI | GLP.SG
Industry: Logistics Property

Phillip Securities Research Pte Ltd

4 February 2013

Report type: Initiation

Company Overview

GLP is Asia's largest provider of modern logistic facilities. It owns, manages and leases out 468 completed properties of 11.8 million sqm GFA across 60 cities in China, Japan and Brazil, with these properties strategically located in key logistics hubs, industrial zones and urban distribution centers.

Investment merits

Market leadership in all the 3 markets – GLP has established market dominance in China, Japan and Brazil. Beyond complete GFA, in China and Brazil, the world's two biggest developing economies, GLP has 5.2 and 0.9 million sqm GFA in development pipelines, giving GLP strong potential for further expansion. Stable rent income from mature Japan market helps finance development in China and Brazil.

Residing at the higher end of logistic sector to quench growing needs for quality and modern logistics – per capita logistic space in China is 14X lower than that of the United States and Brazil is 16X lower, indicating strong growth potential. Supply of modern logistics facilities is even scarcer as most of the existing supplies are obsolete and not in proper state to address the increasing standard required by industries of all the 3 markets.

Established J-REIT and fund management platform to receive growing management fee in the future – GLP set up "GLP J-REIT" to manage a total of 33 stabilized properties in Japan and partnered with CIC, CPPIB, and CBRE to acquire and develop logistic properties in Japan and Brazil. The growth of AUM under GLP fund management platform would facilitate GLP with growing management fee income.

Low gearing with ample cash on hand to take future opportunities – The stable operating cash flow from stabilized portfolio, recent monetization of some Japan properties and the ability to secure low cost debt in Japan give GLP an advantaged position to respond fast to the potential demand in China and Brazil.

Key risks

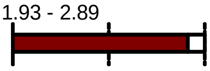
Forex risk of CNY and JPY depreciation; Possible reviving Japan inflation works against the current fixed-term rental; Soft leasing activities resulting in cutback in development start; Uncertainties of entering unfamiliar market - Brazil.

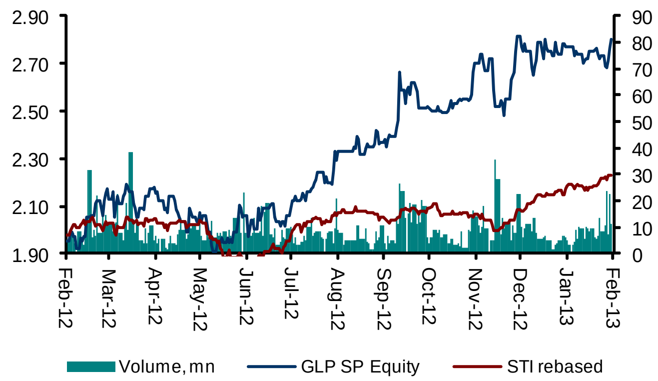
Investment Actions?

Despite anticipated strong business growth, the recent sharp depreciation of JPY has, to a great degree, shrank our valuation of GLP's Japan assets. 1 year target price is S$2.65 (using 0 discount to RNAV), equivalent to forward P/B of 1.08X. Given the current level of JPY, we believe the valuation has been fully reflected by the current market price; hence a Neutral rating is assigned.

GLP Ltd

Rating	**3**	**Neutral**
- Previous Rating	-	*Not Rated*
Target Price (SGD)	**2.65**	
- Previous Target Price (SGD)	-	
Closing Price (SGD)	2.80	
Expected Capital Gains (%)	-5.4%	
Expected Dividend Yield (%)	0.0%	
Expected Total Return (%)	**-5.4%**	
Raw Beta (Past 2yrs weekly data)	1.13	
Market Cap. (USD mn / SGD mn)	10723 / 13321	
Enterprise Value (USD mn / SGD mn)	14319 / 17729	
3M Average Daily T/O (mn)	9.8	
52 week range (SGD)	1.93 - 2.89	
Closing Price in 52 week range		





Major Shareholders	**(%)**
1. MINISTRY OF FINANCE INC SINGAPORE	48.9
2. RECOSIA China PTE LTD	18.6
3. LONE PINE CAPITAL LLC	10.0

Key Financial Summary

FYE	**03/12**	**03/13F**	**03/14F**	**03/15F**
Revenue (USD mn)	566	672	631	751
Net Profit, adj. (USD mn)	314	390	439	565
EPS, adj. (UGD)	0.07	0.08	0.09	0.12
P/E (X),adj.	33.0	26.9	24.4	19.0
EPS, adj. (USD)	1.69	1.82	1.97	2.20
P/B (X)	1.3	1.2	1.1	1.0
DPS (USD)	0.01	0.02	0.00	0.00
Div. Yield (%)	0.5%	1.0%	0.0%	0.0%

Source: Bloomberg, PSR est.
*All multiples & yields based on current market price

Valuation Method
RNAV

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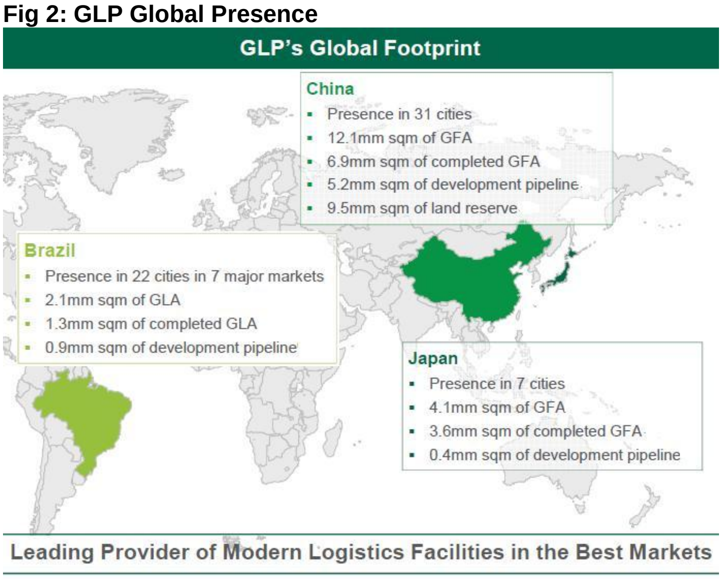
Overview

GLP is Asia's largest provider of modern logistic facilities. It owns, manages and leases out 468 completed properties spread across 60 cities in China, Japan and Brazil, forming an efficient logistic network with properties strategically located in key logistics hubs, industrial zones and urban distribution centers, providing flexible multi-tenant, build-to-suit and sale-and-leaseback solutions to manufacturers, retailers and 3rd party logistics companies. The group was listed on the mainboard of Singapore Exchange Securities Trading Limited on 18 October 2010.

Fig 1: GLP Business Model

Source: Company Website

Fig 2: GLP Global Presence

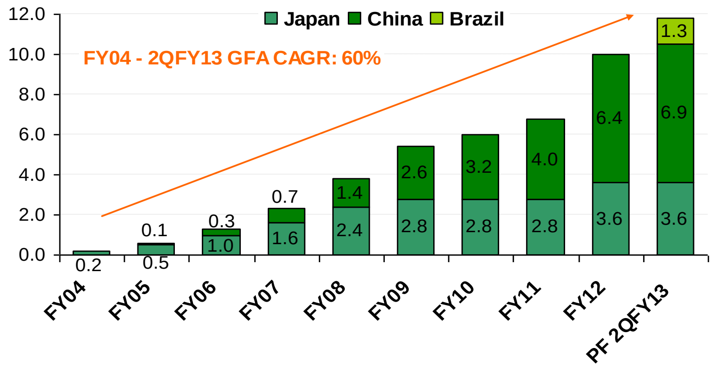


Source: Company Presentation

Fast Growing Complete Properties Since 2004

GLP first established its presence in Japan in FY04, and in FY05, it set up its first China logistics park in Suzhou and later entered Shanghai and Guangzhou markets. Since then, the China and Japan complete portfolio has expanded at a compounded annual growth rate (CAGR) of 60% through both organic growth and opportunistic acquisitions, reaching 10.5 million sqm GFA as of 30 Sep 2012. On 14 Nov, 2012, the group announced to enter the Brazil logistics property market through its partnership with CIC, CPPIB and GIC, expanding its complete portfolio by another 1.3 million sqm to 11.8 million sqm GFA.

Fig 3: Fast Growing Complete Properties

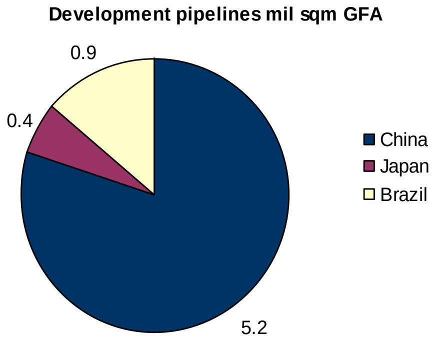


Source: Company Data, PSR

Strong Pipelines for Growth

Besides the 11.8 million sqm complete GFA, GLP also holds strong development pipelines of a total size of 6.5 million sqm GFA, out of which 5.2 and 0.9 million sqm are in China and Brazil, the world's two biggest developing economies. The management has explicitly indicated their focus on China market. In addition to the 5.2 million sqm GFA development pipelines in China, GLP also has 9.5 million sqm land reserve, on which the group is entitled the right to acquire or bid for parcels of land subject to further acquisition processes. This reduces the risk of the group's failure to acquire land for future development to maintain growth.

Fig 4: Development Pipelines by Countries



Source: Company Data, PSR

Fig 5: GLP parks in China, Japan and Brazil

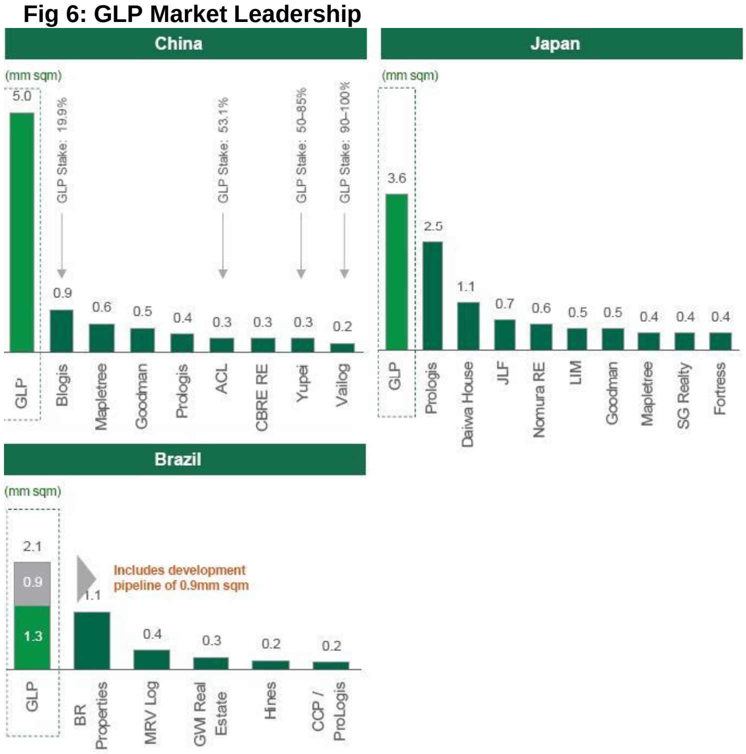
Source: Company Presentation

Unrivalled Network in China, Japan and Brazil

GLP continues forging its market leadership by fast expanding its logistics network through not only organic property developments but also acquisition of other players in the market. GLP has presence in 20 major cities in China as the end of FY11, and then the number grew to 26 as the end of FY12 and 31 as of 30 Sep 2012, reflecting its key expansion focus in China market. In order to address the continued urbanization process of the world's biggest developing economy, the management envisions having 2.0 million sqm GFA development start in China in FY13 and another 2.4 million sqm GFA development start in FY14. Since listed, GLP has acquired stakes in 4 of its 8 closest competitors in China, including the parent company of Blogis - the 2nd largest provider of modern logistics facilities in China after GLP, Airport City Development (ACL) - the sole developer in the Beijing Capital International Airport airside cargo handling and bonded logistics area, Yupei and Vailog, another two leading logistics properties providers in China market. As of the most recent disclosure, GLP has a dominant presence in China market, with total complete GFA of modern logistics facilities over 5 times of that of the 2nd player - Blogis - in which GLP also holds a 19.9% effective stake.

In Japan and Brazil, the local portfolios of GLP are respectively 44% and 18% larger by complete GFA than the 2nd largest players in these two markets. In addition, the group retains approximately 0.5 million sqm GFA under development properties in Japan, expected to complete by the end of FY14; and 0.9 million sqm GFA development pipelines in Brazil, where most of the estimated development expenditure is expected to occur within the next two years.

Fig 6: GLP Market Leadership



Source: Company Presentation

The strong market presence enables GLP to assume a more privileged position than peers to take ride on local market macro trends, negotiate terms of contracts and secure long term partnerships with international customers of high growth demand in various industries.

Well Diversified Customer Base

Tenants of GLP logistics properties range from retailers, including fast-moving consumer goods (FMCG), e-commerce/retail/fast food chain; 3rd party logistics companies (3PL); and manufacturers including auto & parts, electronics/high-tech, machinery, pharmaceuticals/ Medical instruments. As of 30 Sep 2012, the top 10 tenants in China constitute only 20.9% of the total leased area, reflecting a well diversified customer base. While in Japan, the top 10 customers account for about 53% of the total leased area according to disclosure in the group's annual report of FY12. The different concentration of customer base is attributable to the characteristics of local economies: Industries in China are still experiencing a fast pace of development, hence customer base in China keeps expanding; while in Japan key industries are well developed and consolidated. The stable relationships that GLP has established with key players in respective industries enabled the group to achieve a high customer retention rate of 81% in Japan.

Fig 7: GLP tenants

-Retailers:

-3PL:

-Manufacturers:

Source: Company Website

Fig 8: Case Study - Adidas

"Considering the strategic location of GLP Park Suzhou, convenient transportation network, international investment environment and pro-business service, Adidas has trusted GLP Park Suzhou to develop a 60,000sq.m. Built-to-Suit warehouse, the largest single warehouse in China, which indubitably improved our logistics efficiency and customer service standard."

Source: Company Website

Growing Fund management Platforms

GLP has established the fund management platform in FY12, on which it partners with leading global institutional investors to acquire, manage and develop logistics properties. The fund management platform enables GLP to take advantage of growth opportunities while maintaining a strong balance sheet. Since the initiation, GLP has formed:

1. a 33.3% effective stake Joint Venture (JV) with China Investment Corporation (CIC) and CBRE Global Multi Manager (CBRE) to hold 15 logistics facilities acquired earlier from LaSalle Investment Management;

2. a 50% effective stake JV – Japan Development Fund, with Canada Pension Plan investment Board (CPPIB), as GLP's exclusive vehicle for logistics development in Japan;

3. a 34.2% effective stake JV with CIC, CPPIB and Government of Singapore Investment Corporation (GIC) to acquire a portfolio of stabilized properties in Brazil;

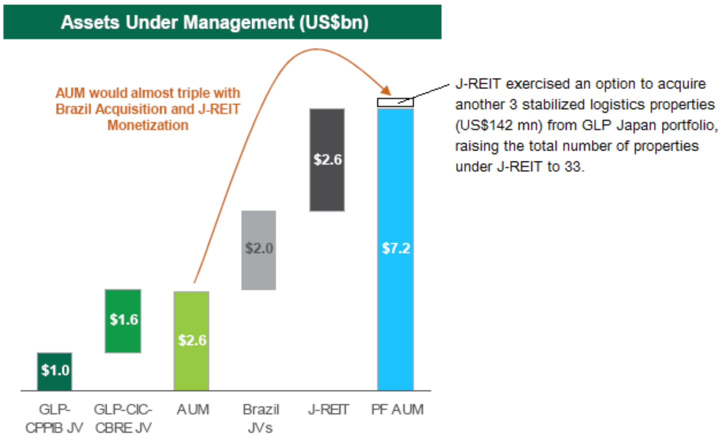
4. a 41.3% effective stake JV with CIC, CPPIB and GIC to acquire and later develop a portfolio of land and under development properties in Brazil;

GLP acts as the portfolio manager for all the above entities and charges asset management fees (if underlying properties are stabilized) and development management fees (if the underlying properties are under or held for development). As 4 Jan 2013, the total asset under management (AUM) reaches US$ 7.2 billion (including J-REIT to be discussed below). We expected the AUM under fund management platform to continue expanding, returning GLP with growing management income streams, as the development projects complete and the JVs or J-REIT make further asset purchases.

Fig 9: GLP Asset Management Platform

Fund Management Platform

Vintage	Sep 2011	Dec 2011	Nov 2012	Nov 2012	Jan 2013
Completed Asset Value	US$1.0bn	US$1.6bn	US$1.2bn	US$0.8bn	US$2.6bn
Joint Venture Partners	CPPIB	CIC & CBRE	CIC, CPPIB & GIC	CPPIB & GIC	Public
Total Equity (Including Commitment)	US$0.5bn	US$0.5bn	US$0.7bn	US$0.5bn	US$1.3bn
GLP Co-investment	50.0%	33.3%	34.2%	41.3%	15.0%
Investment Mandate	Development	Core	Core	Development	Core



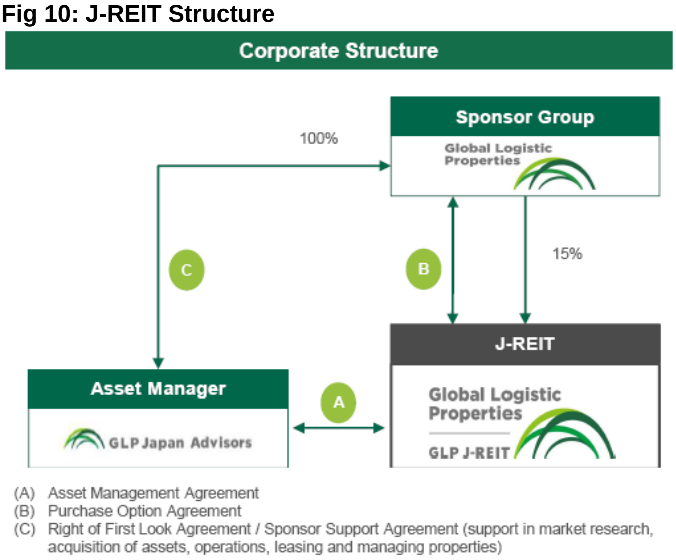
Source: Company Presentation

Later on 17 Jan 2013 the group announced another US$ 142 million worth sales of 3 properties to J-REIT due to J-REIT's exercising options.

J-REIT

Establishment of J-REIT: On 1 November, the group announced the establishment of a real estate investment corporation in Japan (J-REIT), which is managed by an asset management company (AMC), a wholly owned subsidiary of GLP. GLP has completed the initial sale of 30 out of its 68 wholly owned stabilized logistics properties in Japan to the J-REIT. Beyond the initial sale, GLP also granted the J-REIT options to acquire another 3 GLP's logistic facilities. The options have been exercised on 17 Jan 2013, with the exercise price close to the market fair value on the exercise date. In addition, GLP has also granted the J-REIT a "right of first look" at the remaining 35 logistic properties, allowing the J-REIT to request a good faith discussion of the sale of any underlying properties before GLP informs other potential buyers. The J-REIT completed its IPO on 21 Dec 2012, and is listed on the Tokyo Stock Exchange (Ticker: 3281:Tokyo).

Fig 10: J-REIT Structure



Source: Company Presentation

J-REIT Business Model: The J-REIT business model is a yield-driven model focused on stabilized asset management, and seeks to create value primarily through optimizing leasing operations and asset management of mature logistics facilities to generate stable profit and dividends for its unitholders. This contrasts to the group's business model which is to invest in development and asset enhancement properties, focusing on potential net asset value and earnings enhancement with a view to monetizing mature properties.

GLP as Manager and Investor: The J-REIT is managed by the AMC, a wholly owned subsidiary of GLP. Pursuant to the asset management agreement signed between J-REIT and the AMC, the J-REIT will pay an asset-based management fee, net operating income-based fee and earnings per unit-based fee to the AMC. In addition, the J-REIT also pays the AMC acquisition fees and disposition fees in connection with the acquisition and disposition of properties, except for the initial sale and the optional sale. As of the report date, the J-REIT has a total of 1,834,500 units outstanding, out of which GLP has subscribed 272,455 units, equivalent to an approximate 15% effective stake. The subscription of J-REIT will return GLP with both dividend income and capital gains.

Corporate Strategy - Consolidate Market Leadership, Recycle Capital to Facilitate Development in High Growth Markets

The management envisions continuing to cement GLP's market leadership positions in the two high growth emerging markets, China and Brazil, where there are huge growth potentials of domestic consumptions, with the key focus particularly on China due to its giant market size and scarcity of modern logistics facilities. As for Japan operations, the more stabilized portfolio enables the group to harvest stable operating cash flow to facilitate the future development in China and Brazil. Moreover, the mature Japan business also allows GLP access to low cost financing through borrowing long term debt backed by the stabilized portfolio of logistics properties. In the spirit of capital recycling, the group has gone even further by monetizing 33 of its 68 wholly owned stabilized properties in Japan through sales to J-REIT. Most of the net cash proceeds from the sales would be used for development projects in China. The fact that GLP granted the J-REIT a "right of first look" over its remaining 35 properties has also revealed the management's inclination of future sales.

Corporate Milestone:

CY 2009

-Introduced corporate branding of "Global Logistic Properties" (GLP)

-Become the largest provider of modern logistics facilities in CN and JP by floor area with over 250 established customers across JP and CN

CY 2010

-Acquired 19.9% stake in the parent company of BLOGIS - the **2nd** largest provider of modern logistics properties after GLP

-Listed on the Mainboard of SGX on 18 Oct, the largest IPO in SG since 1993 as at GLP's listing date

-Entered Zhongshan, increasing presence in CN to 19 cities

FY 2011

-Acquired approx. 53% stake in ACL, the sole developer in the Beijing Capital International Airport airside cargo handling and boned leased area

-GLP joined STI, the SGX benchmark comprising the 30 biggest listed companies

-Commenced 1.22 mil sqm development start and secured 1.3 mil sqm of new and expansion leased area

-Entered Xiamen, increasing GLP presence in CN to 20 cities

FY 2012

-Acquired 90% stake in Vailog's existing portfolio, with an option to acquire the remaining 10% interest

-Acquired 50% stake in Yupei, one of the largest logistics property developers in CN market. GLP also has options to raise its stake in the majority of Yupei existing property portfolio and all new developments to 85% (some of the options were exercised in FY2013)

-Formed a 50:50 JV of US$500 mil inequity with CPPIB to develop and hold logistics facilities.

-Enter into a partnership with Transfar Road-Port to expand CN network

Formed a 50:50 JV with CIC to acquire 15 modern logistics facilities in JP (later 16.7% stake was sold to CBRE in FY2013)

Commenced 1.66 mil sq.m development starts and secured 1.76 mil sqm of new and expansion leased area in CN and JP

Entered Changzhou, Chuzhou, Dezhou, Harbin, Langfang and Xi'an, increasing presence in CN to 26 cities

FY 2013

-Acquired another 20% stake in GLP Park Suzhou from the 50:50 JV with SEALL, GLP's largest logistics park in China with a total GFA of 0.54 mil sqm, raising its effective stake to 70%.

-Established the J-REIT and contributed 33 of its 68 wholly owned logistics properties to the J-REIT. The J-REIT completed its IPO on 21 Dec 2012 and became listed on Tokyo Stock Exchange

-Partnered with CPPIB, CIC, and GIC to form JVs to enter the Brazil market. Establish leadership in Brazil market directly after the acquisitions of a stabilized portfolio and development portfolio, in which GLP holds 41.3% and 34.2% stakes respectively. The acquisitions were funded by 160,000,000 new ordinary shares issuance

-Entered Wuhan, Hefei, Yangzhou, Changsha, and Changchun, increasing presence in China to 31 cities as end of 1HFY13. The management envisions having 2.0 mil sqm development starts for the whole year.

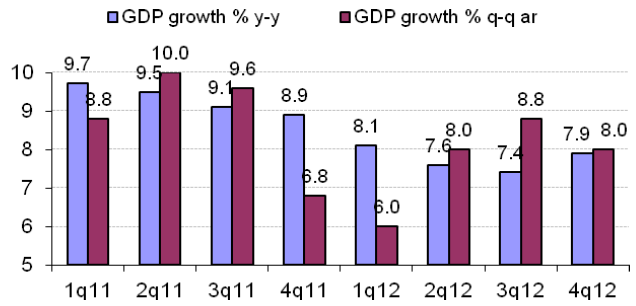
Country Outlook: China – Vast Growth Potential Driven by Anticipated Expansion of Domestic Consumption Demand

GLP is the largest modern logistics facilities provider in China, managing a total of 6.9 mil sqm completed GFA in 93 logistics parks across 31 major cities as end of 30 Sep 2012. GLP has maintained a fast pace of expansion in China: through FY05 – 2QFY13, the total completed GFA in China has grown by a CAGR of 65%. Meanwhile, the group is also holding strong development pipelines of 5.2 mil sqm GFA in China, including 2.6 mil sqm properties under development, and 2.6 mil sqm land held for future development. In addition, GLP also have access to a land reserve of 9.5 mil sqm, from which GLP could acquire land for development in the future. The management has set a development starts target of 2.0 mil sqm GFA for FY13 and another 2.4 mil for FY14.

China Macro - Economy Reaccelerates, with Policies Favoring Consumptions and Logistics Sectors

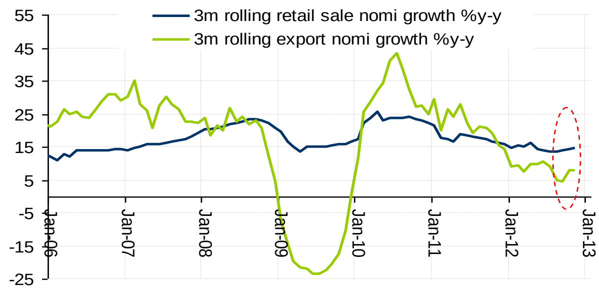
Amid the sluggish external environment due to global financial crisis and concerns that the nation could have a hard landing in the full-of-uncertainties 2012, China's GDP growth has actually bottomed in 1q12 and started re-acceleration since 2q12. Retail sales, as a proxy for domestic consumption, has sustained a robust growth of above 15% y-y, even during the worst time of financial crisis, and recently shown a mild pickup following the improving GDP data. This compares to a much more adversely affected exports, whose growth has slowed down significantly since mid 2010 and is now hovering at a pace around 7% y-y.

Fig 11: Economy is bottoming out



Source: CEIC PSR

Fig 12: Faltering Exports but Robust Retail Sales Growths



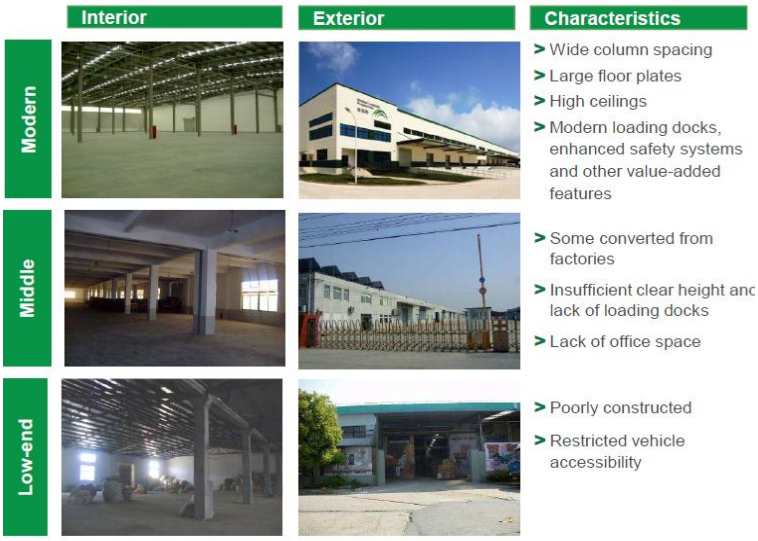
Source: CEIC PSR

After years of heavily relying on exports, the Chinese government is gradually shifting the nation's growth focus from external driven towards domestic demand, with an emphasis on domestic consumption. The government's 12th five-year plan (2011-2015) has clearly indicated the government's vision to make consumption as the growth engine of the economy. To facilitate the domestic trades, on 26 July 2012, the government announced to support development in 6 provinces (Shanxi, Anhui, Jiangxi, Hunan, Hubei and Henan) located at middle part of China, due to their geographic advantages of becoming potential transportation and logistics hubs as they connect the well development southeast coast cities to inner part of China. This announcement has revealed the key role that logistics industry plays in the government's long term strategy.

A Scarcity of Modern Logistics Properties versus expected vast demand

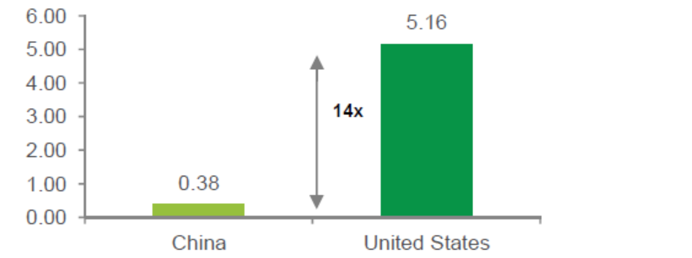
To address the fast expanding consumption, the market would call for huge supply of logistics facilities as the nation's urbanization continues. The current supply could be well below potential demand, with logistic GFA per capita of China being 14X lower than that of US. Moreover, as the central government envisions up-scaling industrial landscape from the lower-end production towards the higher end, the demand for quality logistics services would correspondingly increase. In this regard, the supply of modern logistics facilities is even more scarce as quite a portion of existing logistics facilities need renovation or demolition to meet increasingly higher market standard.

Fig 13: Modern logistics properties



Source: Company Presentation

Fig 14: Logistic GFA per capita 14 times lower than that of US

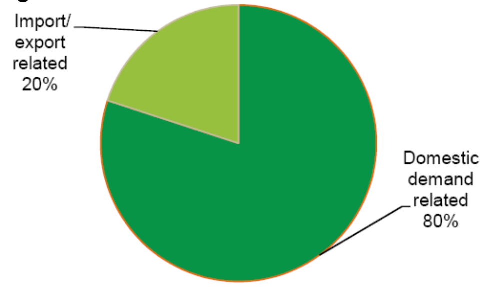


Source: China Association of Warehouses and Storage, CBRE, CIA The World Factbook

GLP At a Privileged Position to Take Ride on China Macro Trend and Modern Logistics Facilities Scarcity

80% of total leased area caters to domestic demand: Our macro team expects the economic recovery in China would be more driven by the domestic demand, as the weak external environment would likely continue weigh on China's export. GLP, with 80% of its leased area in China catering to domestic demand; has a limited exposure to risks from external.

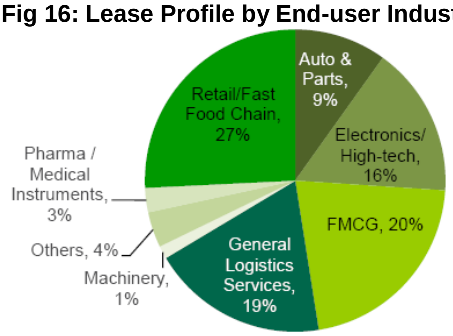
Fig 15: Breakdown of leased area - China



Source: Company Presentation, PSR

Diversified lease profile to ride on macro trend: GLP has a well diversified lease profile to ride on China's anticipated expansion in domestic consumptions. The diversification resembles China's consumption landscape and is conducive to avoiding unsystematic risk. Industries of consumer goods (retail/fast food chain, fast moving consumer goods, electronics/high-tech, Auto Parts) contribute to a total of 72% of GLP's total GFA leased in China. Notably, E-commerce is a fast growing industry, with online retail sales has expanded at a CAGR of 97% since 2005. In 2011, online retail volume made up 4.3% of the total retail sales.

Fig 16: Lease Profile by End-user Industry - China



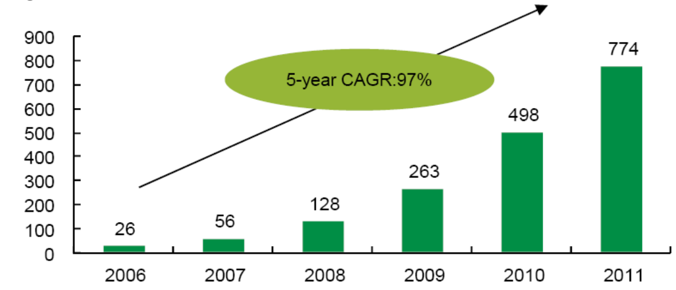
Source: Company Presentation

Fig 17: Top 10 Tenants in China (Sep 2012)

Rank	Name	Industry	% leased area
1	Amazon[3]	Retailer	5.3%
2	Nice Talent	3PL	2.4%
3	Vancl[3]	Retailer	2.1%
4	Toll Warehouse	3PL	2.1%
5	Deppon	3PL	1.7%
6	Schenker	3PL	1.6%
7	DHL	3PL	1.6%
8	360buy[3]	Retailer	1.5%
9	PGL	3PL	1.3%
10	Dahang (Hitachi)	3PL	1.3%
	Total		**20.9%**

Source: Company Presentation, PSR

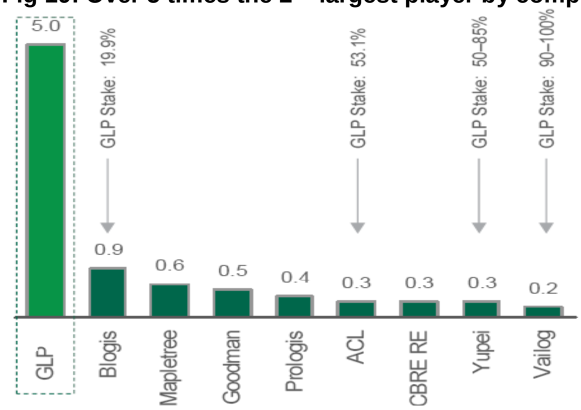
Fig 18: 2006-2011 online retail sales in China – RMB bn



Source: Company Presentation, iResearch Consulting Group; Ministry of Commerce

Size does matter: GLP is more than 5 times the size of the 2nd largest player by complete GFA (as of Sep 2012). Its dominance in China has translated into unique advantage of network that competitors do not possess. With the wide-spread presences in 31 major cities and expected further expansion, GLP has the capability to address the demand of MNCs who have needs to expand across China under just one landlord; this also enhances the customer stickiness, which in turn builds up GLP branding. The role as market leader and the recognized branding also enable GLP to liaise with local government to procure quality land sites under its reserve.

Fig 19: Over 5 times the 2nd largest player by complete GFA

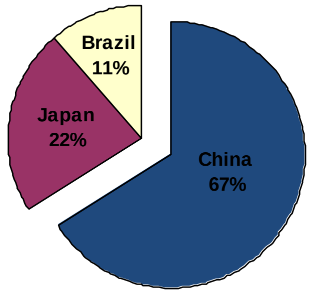


Source: Company Presentation

Policy-friendly tranche in property market: compared to residential properties and commercial properties, which are currently under heavy regulations by the government to curb price bubble, logistics properties are more policy-friendly. In fact, logistics sector is closely aligned with the government's 12th 5 year plan which has an address on developing and up scaling rail/road port and transportation network. According to Ministry of Transportation, during the 12th 5 years (2011-2015), the nation would radiate modern logistics network from key transportation hubs, and support the transformation of traditional transportation enterprises into modern logistics business. GLP seized the opportunity by establishing a joint venture partnership with a Chinese road port platform developer – Transfar Road Port – to build a nation-wide network of road port.

China Portfolio

Fig 20: Portfolio Weight by GFA – 67% for China



Source: Company Data, PSR

As of Sep 30 2012, total GFA under China Portfolio is 12.1 mil sqm (excluding the 9.5 mil sqm land reserves), representing approximately 67% of the global portfolio. Total valuation of GFA, where completed facilities are registered by fair value and development pipelines registered by cost incurred, sums to US$ 5,962 mil. Pro-rata GFA and pro-rata valuation, which refer to GLP's effective stake in the overall portfolio, reported 9.1 mil sqm and US$ 4,331 mil respectively, equivalent to approximately 75% and 73% of gross measures.

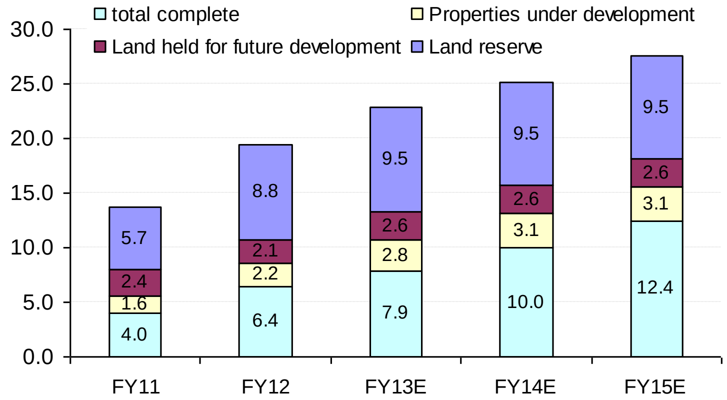
Fig 21: GFA and Valuation of China Portfolio

	As at Sept 30, 2012			
	Total GFA (sqm million)	Pro-rata GFA (sqm million)	Total valuation (US$m)	Pro-rata valuation (US$m)
China portfolio	**12.1**	**9.1**	**5,962**	**4,331**
Completed and stabilized	5.8	4.4	3,812	2,835
Completed and pre-stabilized	0.4	0.3	187	160
Other facilities	0.8	0.4	195	103
Properties under development or being repositioned	2.5	2.1	830	645
Land held for future development	2.6	2.0	938	588

Source: Company Presentation

Based on the current profile of development projects, the management's planned development starts (2.0 mil sqm for FY13 and 2.4 mil for FY14), and an average development phase of 5 quarters, we expect the total complete GFA to reach 7.9 mil sqm at the close of FY13 (31 March 2013), and 10.0 mil sqm at the end of FY14.

Fig 22: Projected China portfolio expansion

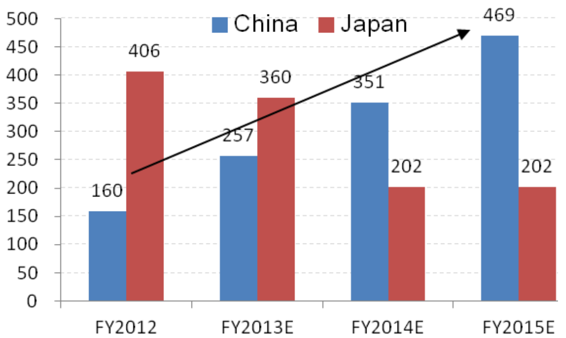


Source: Company Data, PSR

China Operating Highlights

Due to the fast expansion in complete GFA and a robust lease growth, logistics revenue from China portfolio has been growing steadily since GLP was listed. Logistics revenue from China reported US$ 59.4 mil in 2q13, representing approximately 34% the group's total revenue. This percentage has not incorporated the effects of the 33 Japanese stabilized logistics properties sales to J-REIT in 2H13, which would cause China revenue to surpass Japan revenue from FY14 onwards. Going forward, China operation would become the key pillar for revenue.

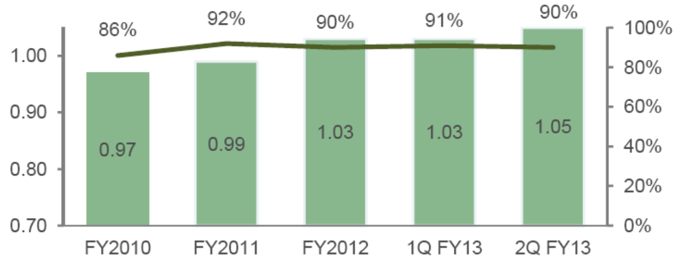
Fig 23: China Consolidated Logistics Revenue – US$ mil



Source: Company Data, PSR

GLP's stabilized logistics facilities have yielded a lease ratio of 90%, reflecting a healthy demand for logistics facilities in China. We expect the lease ratio to maintain around this level going forward due to the balancing effect of upbeat leasing activities and fast expansion in China. The stable rental growth demonstrated GLP's ability to ride on China's economic expansion, and the weighted average lease expiry (WALE) of 3.3 years (as of 30 Sep 2012) allows the group to swiftly adjust contract terms to inflation. According to the management, the same-store net operating income grew by 10.3% y-y in 1H FY13, reflecting not only the rental growth but also an improving operating efficiency partially attributable to the increasing lease ratio for existing properties. To reduce the risk of unprofitable investment, the management adopts a disciplined investment approach for expansion in China: only enter new sub-markets with >=75% lease ratio; start new phase of existing projects when lease ratio >= 85%; start a new development only when indicative demand is of 1.5X to 2X demand.

Fig 24: Lease Ratios (%) and Rental (RMB/sqm/day) - China

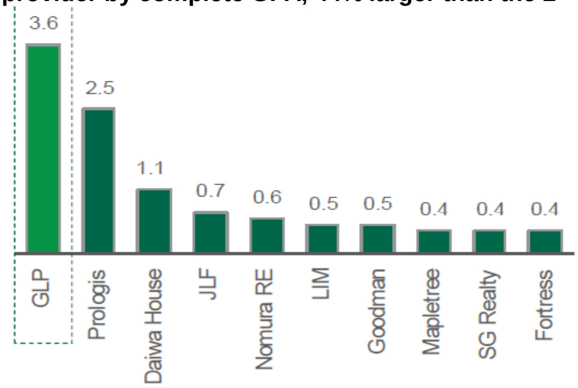


Source: Company Presentation

Country Outlook: Japan – Stable income stream and properties monetization to fuel project development in emerging market

GLP is the largest provider of modern logistics properties in Japan, managing a portfolio of approximately 4.1 mil sqm GFA across 7 cities, with 85% of the total GFA located in Tokyo and Osaka, the region of high economic prosperity.

Fig 25: GLP is the largest modern logistics properties provider by complete GFA, 44% larger than the 2nd largest

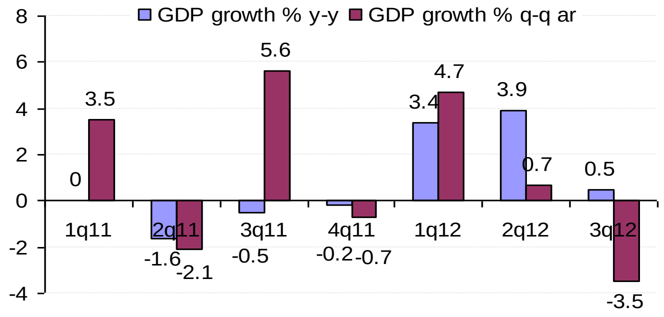


Source: Company Presentation

Japan Macro - A lackluster economy with stagnant domestic consumptions and faltering trade

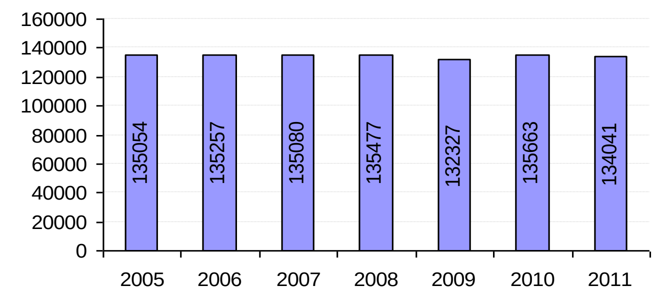
As contrast to China, whose economy is on strong growth trajectory, Japan has been suffering a prolonged deflation and aging population which hinder the nation's GDP expansion. As of 3q12, Japan GDP dropped by an annualized 3.5% from 2q12; while on y-y basis, GDP rose by 0.5%, significantly slowed down compared to the 3.9% y-y pace in 2q12. The nation's annual retail sales has been stagnant at around 135 trillion yen for the past years. 3 month rolling export growth showed stagnant y-y growth while import growth is in negative territory. Therefore, from macro perspective, we do not see much potential for the nation's logistics sector to expand extensively.

Fig 26: Lackluster Economy



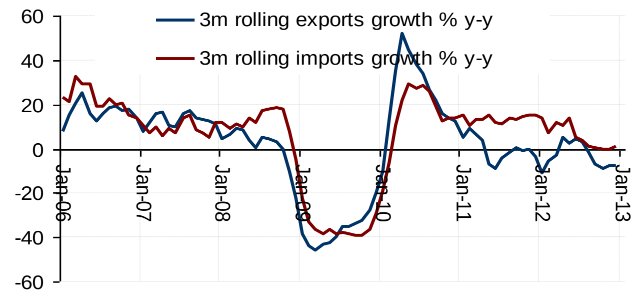
Source: tradingeconomics, Bloomberg, PSR

Fig 27: Predictable Retail Sales (JPY'bil)



Source: CEIC, PSR

Fig 28: Faltering International Trade

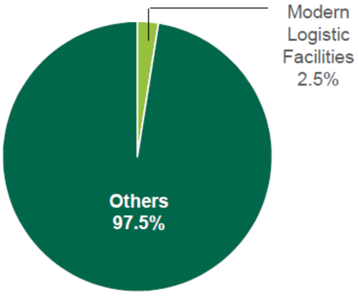


Source: CEIC, PSR

Growth Opportunity More on Facilities Upgrading

Despite a more saturated market in Japan, GLP, residing at the higher end of the logistics sector, may still outperform peers and achieve growth in this market scarce of modern logistics facilities supply. According to research done by CBRE, modern logistics facilities only represent 2.5% of the overall supply, pointing to potential business expansion as industries demand for better quality. The high quality and seismic-resilience features of GLP's logistics facilities have enabled the tenants to resume normal operation quickly after the earthquake and tsunami in March 2011, which contributed to an increasing loyalty and recognition of modern logistics facilities. Moreover, In FY12, GLP obtained a patent for "GLP Pile Cap anti-seismic construction method" from the Japan Patent Office, which further built up GLP's branding.

Fig 29: Scarce supply of modern logistics facilities in Japan



Source: CBRE, Company Presentation

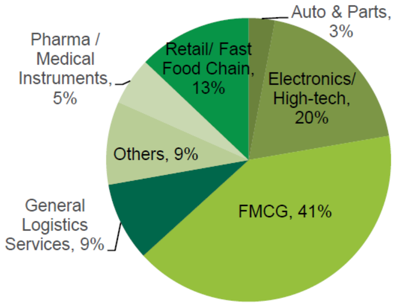
Fig 30: Features of GLP Modern Logistics Facilities in Japan

Source: Company Presentation

Customer Base in Japan

As of 30 Sep 2012, fast mover consumer goods (FMCG) industry accounts for 41% of GLP's total leased area in Japan, followed by electronics/high-tech (20%) and retail/fast food chain (13%).

Fig 31: Lease Profile by End-user Industry - Japan

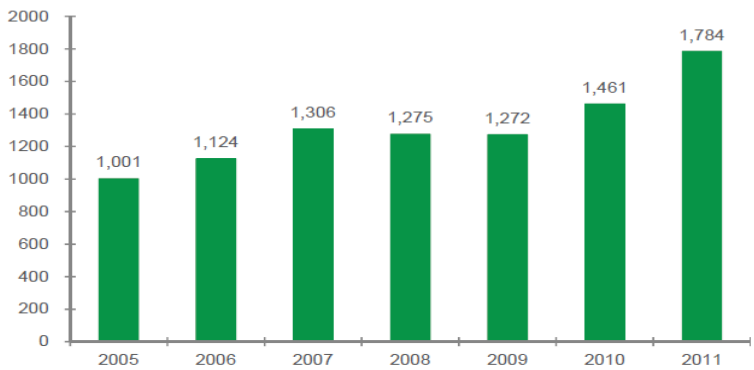


Source: CBRE, Company Presentation

3PL and E-commerce as Drivers of Demand for Modern Logistics Facilities

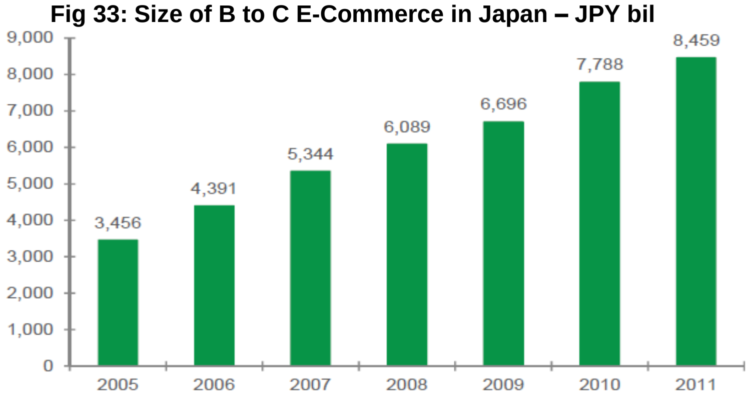
In Japan, there has been a rising trend of companies outsourcing their logistics operations to third party logistics (3PL) companies in consideration of reducing cost and focusing on their core business. The market size of 3PL has expanded accordingly. As of end of 2011, the size of 3PL market had grown by 78% from 2005, equivalent to a CAGR of 10.1%, reaching JPY 1,784 bil. GLP's major tenants in 3PL business include Panasonic Logistics, Hitachi Transport Systems, DHL and so on. Another driver for demand of modern logistics facilities is the steadily rising trend in Japan's e-commerce business, which represents about 11% of GLP's Japan customer base. As of 2011, sales of e-commerce business reached JPY 8,459 bil, translated to a CAGR of 16.1% from 2005, surpassing the combined sales of department stores in 2011.

Fig 32: Size of Japanese 3PL market – JPY bil



Source: Logi-Biz, Company Presentation

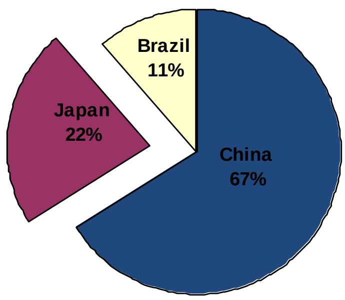
Fig 33: Size of B to C E-Commerce in Japan – JPY bil



Source: Ministry of Economy, Trade and Industry "e-Commerce Market Survey", Company Presentation

Japan Portfolio

Fig 34: Portfolio Weight by GFA – 22% for Japan



Source: Company Data, PSR

GFA under GLP's Japan portfolio is 4.1 mil sqm, representing approximately 22% of the group global total GFA. Despite the lower percentage GFA weighting, however, due to the much higher property price in Japan, the registered book value of Japan portfolio is US$ 8,673 mil as of Sep 30 2012, which is even higher than the US$ 5,962 mil book value of China portfolio. Compared to China portfolio, GLP's effective stake in Japan portfolio is higher, representing 88.6% by valuation and 82.9% by GFA (the percentages has not taken into account the subsequent asset disposal to J-REIT).

Fig 35: GFA and Valuation of Japan Portfolio

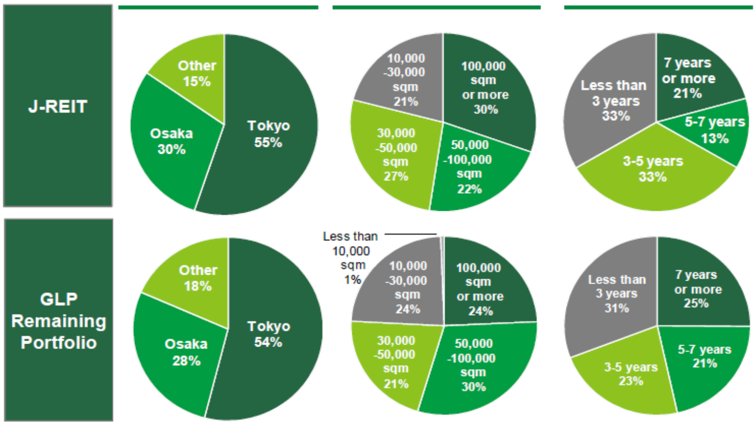
As at Sept 30, 2012	Total GFA (sqm million)	Pro-rata GFA (sqm million)	Total valuation (US$m)	Pro-rata valuation (US$m)
Japan portfolio	**4.1**	**3.4**	**8,673**	**7,681**
Completed and stabilized	3.6	3.2	8,444	7,566
Properties under development or being repositioned	0.2	0.1	-	-
Land held for future development	0.3	0.1	230	115

Source: Company Presentation

After the initial sale of 30 wholly owned properties to J-REIT done on 4 Jan 2013 and the recently announced planned sale of another 3 properties, GLP's Japanese properties would be carried by the following 5 vehicles: 1) GLP's 100% owned subsidiaries, which hold 35 complete logistics properties with leasable GFA of 1.18 mil sqm; 2) J-REIT (15% stake held by GLP), which is currently holding 33 complete logistics properties with leasable GFA of 1.35 mil sqm; 3) 3-way JV with CBRE and CIC (33.3% stake held by GLP), which holds 15 complete properties with GFA of 0.77 mil sqm; 4) a 50% stake JV with CPPIB (a.k.a Japan Development Fund), under which there are 3 development projects with GFA of 0.28 mil sqm; 5) a 50% stake JV with Mitsui Fudosan which has 1 development project with GFA of 0.12 mil sqm;

Initial sale of 30 logistics properties to J-REIT: The initial sale consists of 30 properties with total leasable GFA of approximately 1.12 mil sqm. The consideration for the initial sale was US$ 2.6 bil, out of which US$ 1.3 bil would be used to repay associated borrowings, and approximately US$ 0.2 bil would be used to subscribe 15% stake in the J-REIT. According to GLP's disclosure, following the initial sales, the compositions of J-REIT portfolio and the GLP remaining portfolio of 35 wholly owned properties are as follows:

Fig 36: Profiles of J-REIT (initial sale) & Remaining Portfolio



Source: Company Presentation

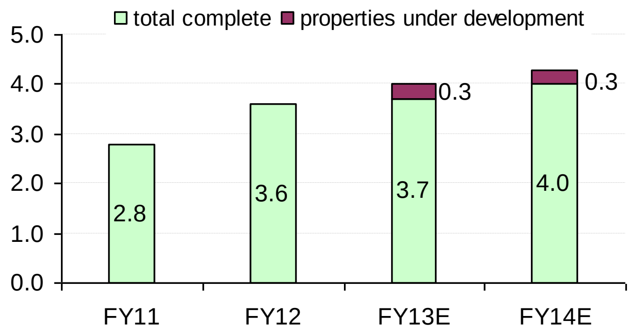
Projects under development: the Japan Development Fund is committed to a total of US$ 1,000 mil development spending within the 3 years since incorporation. As of the date of this report, 3 development projects has been started under the fund, with a total estimated development cost of approximately US$ 427 mil; therefore we expected roughly another US$ 573 mil worth project would be kicked start in the next two years. Besides the 3 development projects under Japan development fund, there is another development project on going under the 50-50 JV with Mitsui Fudosan. Due to the confidentiality agreement between GLP and Mitsui Fudosan, the estimated cost of this project is not disclosed.

Fig 37: 4 Development Projects under Japan Portfolio

	Est. cost US$mil	GFA sqm	Stake	Est. complete date
Japan Development Fund				
Misato III	155	93831	50%	1Q FY2014
Soja	103	79023	50%	4Q FY2013
Atsugi	169	109500	50%	3Q FY2014
JV with Mitsui Fudosan				
Ichikawa Shiohama	-	121000	50%	2Q FY 2014

Source: Company Data, PSR

Fig 38: Projected Japan Portfolio Expansion

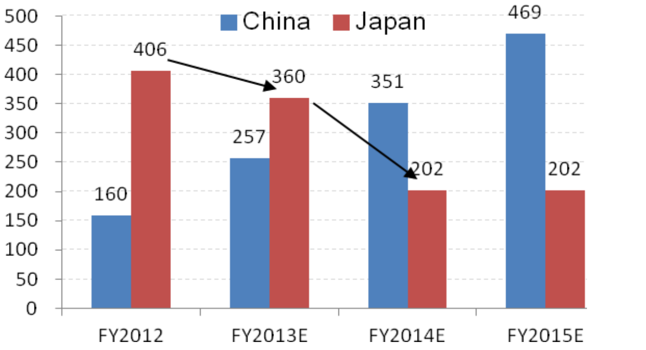


Source: Company Data, PSR

Japan Operating Highlights

After the sales of 33 properties (30 in initial sale and subsequent 3 from J-REIT excising options), the leasable GFA generating consolidated revenue on P/L statement would be reduced from 2.54 mil sqm to 1.36 mil sqm, corresponding to approximately a reduction of 46.5%. As the disposal of properties will not take effect until the 4Q FY13, the consolidated revenue in full year FY13 is less affected. Together with the recent sharp depreciation in JPY against USD, we expect the consolidated logistics revenue in FY14 would decrease to approximately US$ 202 mil, representing 37% of GLP's total consolidated logistics revenue. Our estimation has not taken into account the possible monetization of the remaining 35 properties in GLP's wholly owned Japan portfolio.

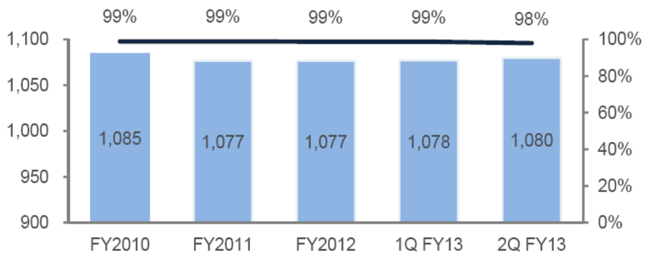
Fig 39: Japan Consolidated Logistics Revenue – US$ mil



Source: Company Data, PSR

As of Sep 30 2012, lease ratio of stabilized logistics properties under GLP Japan portfolio reported 98%, slightly lower than 99% level the portfolio used to maintain for the past years. According to the management and later disclosure on new leases, the lease ratio is very likely to have resumed the 99% level in 3Q FY13. The high lease ratio reflects a sound business of GLP in Japan and the nation's high demand for modern logistics facilities. In contrast to a steadily rising logistics rental in China, The rental has been flat at around 1080 JPY/sqm/mth for Japan portfolio, mainly attributable to the nation's faltering economic growth as well as the decade long deflation. Under this background, GLP's Japan portfolio has a weighted average lease expiry (WALE) of 5.4 years, compared to the 3.3 years WALE for China portfolio. The flat rental and longer WALE reveal GLP's, and even the market's, weak inflation expectation in Japan.

Fig 40: Lease Ratios (%) and Rental (JPY/sqm/mth) - Japan



Source: Company Presentation

Rising risk of inflation: the new Prime Minister Shinzo Abe who recently comes into power announced to stir inflation with a target of 2.0% through more aggressive stimulus and is adding pressure on the central bank for increasing monetary loosening. Though the Japanese government did have a history of failing to meet the inflation target, the possible reviving inflation due to Abe's aggressive statement could add downward risk to GLP's operating margins as the lease contracts in Japan are not inflation hedged.

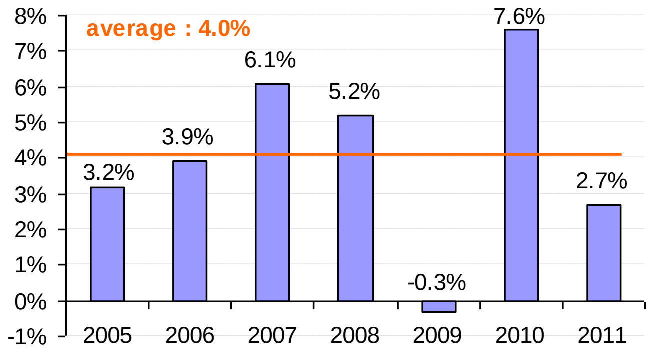
Country Outlook: Brazil – new discovered pillar of growth

On 14 Nov 2012, GLP announced to acquire two Brazil portfolios with a total gross leasable area (GLA) of approximately 2.1 mil sqm through JVs partnering with CIC, CBRE and CPPIB. The underlying properties are spread over 22 cities in 7 major markets. Upon the completion of acquisition on 30 Nov 2012, the group directly established its dominance in Brazil market, 18% larger than the 2nd largest player by complete GLA, which has yet taken into account the potential completion of 0.8 mil sqm GLA under its development pipelines. The acquisition further expands GLP's fund management platform by US$ 2 bil, raising AUM to approximately US$ 7.2 bil (excluding the option sale of 3 Japanese properties worth US$ 147 mil). The acquisition is consistent with GLP's strategy to focus on high growth markets and grow its fund management platform.

Brazil Macro – Second Largest Developing Economy with Decent Retail Sales Growth

Brazil is the world's 6th largest economy and 2nd largest developing economy by GDP. As of IMF 2011 data, GDP in Brazil is 2.49 trillion USD in 2011, compared to 15.0 trillion for US, 7.3 trillion for China, and 5.9 trillion for Japan. Over the past seven years, Brazil GDP expanded by an average rate of 4%, registering 7.6% y-y growth in 2010 and 2.7% y-y growth in 2011. In the 2nd half 2011 and 1st half of 2012, the nation's GDP growth stagnated, but we saw some pickup in growth in the 3rd quarter, reporting 0.6% q-q gain, after the 0.24% q-q gain in the 2nd quarter. In Nov, the Brazilian government posted its first budget deficit before interest payment in nearly 3 years, as the authorities keep on boosting government spending while extending tax breaks for companies and consumers. Going forward, we expect the Brazil economy to respond positively to the government's stimulus and the rebound to continue. The nation's central bank is forecasting a 2012 whole year GDP growth of 1% and 3-4% in 2013. Despite the low economic growth, retail sales volume growth has been robust, with 12 month rolling retail sales volume growth bottoming out and resting in an upward trend since early 2012. Over the last 5 years, retail sales volume in Brazil has yielded an average growth rate of 8%, slower compared to China's retail sales growth but considered as quite decent.

Fig 41: Brazil's Annual GDP Growth Rate, 2005-2011

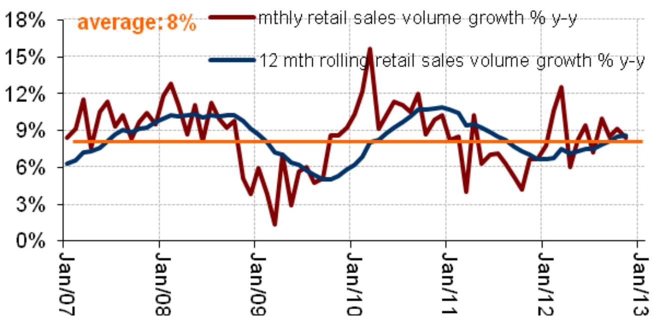


Source: Company Presentation, PSR

Fig 42: Nascent Sign of Pickup in GDP Growth

Source: Bloomberg, PSR

Fig 43: Robust and Accelerating Retail Sales

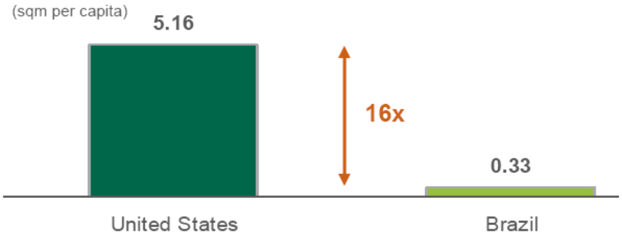


Source: Bloomberg, PSR

Brazil Logistics Market Overview

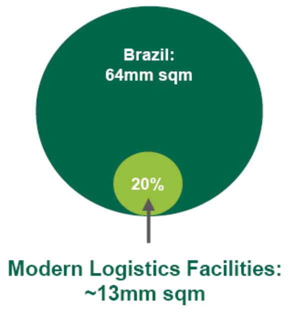
Similarly as the case in China, Brazil market runs with a scarcity of modern logistics facilities. According to GLP's research, logistics space per capita is 16 times lower than that of US (China is 14 times lower), indicating potential for future growth. Modern logistics facilities, using a standard of clear heights of 10 meters and minimum floor capacity of 6 ton/sqm, account for approximately 20% of the total logistics facilities supply. The landscape of modern logistics facilities market is fragmented, with the top 3 players (GLP, BR Properties, MRV Log) comprising 21% of the market. Therefore, GLP, currently holding 0.8 mil sqm GLA development pipelines, is in an advantaged position to consolidate further its market dominance and increase the network effects. Logistics cost as a percentage of GDP in Brazil is 15.4%, which almost doubles the 8.0% reading for US. The high logistics cost gives companies initiatives to go asset light and outsource their logistics operations, which would likely increase GLP's sale & lease back business.

Fig 44: Logistics Space per Capita in Brazil is 16 times lower than that of US



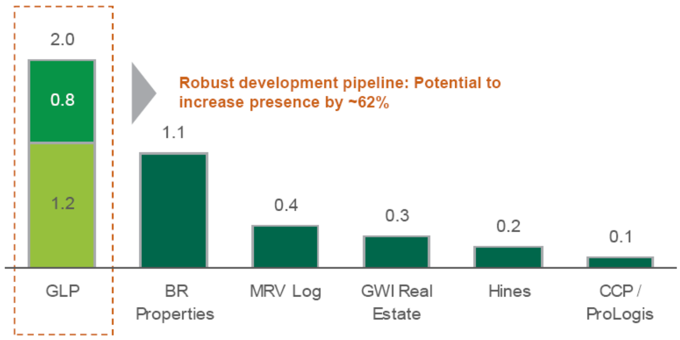
Source: Company Presentation

Fig 45: Modern logistics facilities accounts for about 20% of total logistics facilities supply



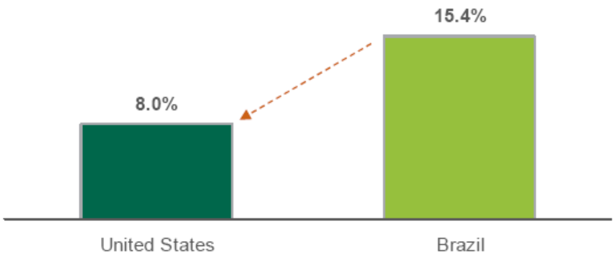
Source: Company Presentation

Fig 46: As the largest modern logistics provider in Brazil, GLP is in an advantaged position to consolidate market leadership and increase its network effect



Source: Company Presentation

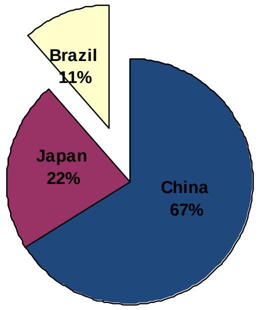
Fig 47: Logistics cost as a percentage of GDP almost doubles that of US



Source: CIA World Fact Book, CBRE, the World Bank, Company Presentation

Brazil Portfolio

Fig 48: Portfolio Weight by GFA – 11% for Brazil



Source: Company Data, PSR

In Brazil, all logistics properties of GLP are held by the two Joint Ventures (stabilized and development JVs) with CIC, CBRE and CPPIB. GLP assumes 34.2% effective stakes in the stabilized JV and 41.3% effective stakes in the development JV. Total leasable GFA under the two portfolios is approximately 2.1 mil sqm, representing 11% of GLP's global GFA. Below are the overviews of the two JVs, citing from the GLP's presentation:

Fig 49: Stabilized JV (a.k.a. GLP Brazil Income Partners I)

Portfolio	34 Stabilized Assets 1 Development Project
Owned GLA	1,216,020 sqm
Acquisition Price	US$1,098mm
Incremental Development Spend	US$83mm
GLP Share of Incremental Development Spend	US$28mm
LTV	49%
Initial Equity	US$564mm
GLP Share of Initial Equity	US$193mm
Occupancy Rate	100%
Weighted Average Lease Expiry	8.5 Years
Levered Property IRR	18%, with fees and promote providing further upside

Source: Company Presentation

Fig 50: Development JV (a.k.a. GLP Development Partners I)

Portfolio	5 Development Projects
Owned GLA	750,938 sqm
Acquisition Price	US$352mm
Incremental Development Spend	US$455mm
GLP Share of Incremental Development Spend	US$188mm
Target LTV	15%
Initial Equity	US$341mm
GLP Share of Initial Equity	US$141mm
Levered Property IRR	19%, with fees and promote providing further upside

Source: Company Presentation

GLP's share of initial equity injection to the two JVs is approximately US$ 337 mil, financed by a private placement of 160,000,000 new ordinary shares at an issue price of S$ 2.59 for each share, representing a discount of approximately 4.0% to the volume weighted average price of S$ 2.6971 for trades done on trades done on 12 Nov 2012. The S$ 404 mil net proceeds of the placement (approximately US $330 mil) is fully used to fund the initial equity commitment of GLP in connection with the acquisition. Going forward, the stabilized JV is committed to an incremental development spending of US$ 83 mil (approximately US$ 28 mil by GLP) within the next 1 year on the only development project under the stabilized JV, while the development JV is committed to an incremental development spending of US$ 455 mil, with approximately 80% expected to occur in the next two years.

Fig 51: Target Development Expenditure Schedule – Dev JV

Source: Company Presentation

As of GLP's announcement on 29 Jan 2013, the development JV has completed its first logistics property development, a 35,000 sqm GFA distribution center which it is leasing to an automotive corporation.

Brazil Operating Highlights

According to the management's disclosure during the investor presentation on 14 Nov 2012, the average rental of the stabilized properties under Brazil portfolio is 14.2 BRL/sqm/month (BRL: Brazilian Real), while the average market rental is 16.9 BRL/sqm/month. Going forward, as existing leases expire, GLP's rental is likely to gradually catch up with the market rate. Lease ratio is 100%, i.e. at full load. Net operating income (NOI) margin is 90-95%, compared to 76% in China and 87% in Japan (as of 2Q FY13). The WALE of the existing leases is 8.5 years, much longer compared to 3.3 years for China portfolio and 5.4 years for Japan portfolio. However, unlike China and Japan portfolio, the rental on GLP's Brazil complete portfolio is inflation-linked, which has effectively hedged the Brazil income from inflation risk.

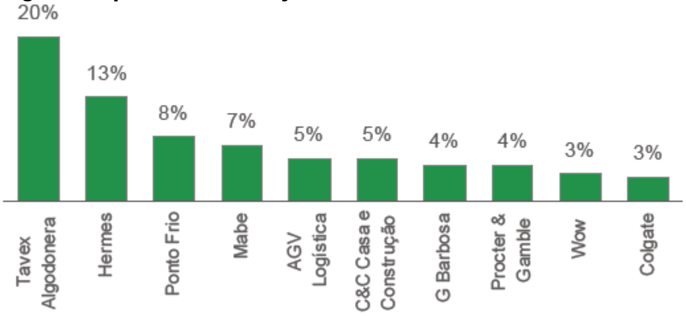
Existing Tenants at Acquisition

Fig 52: Top 10 Tenants of Stabilized Properties in Brazil

No	Tenant	Sector	Owned GLA	Comment
1	Tavex Algodonera	Textile	216,675	Largest manufacturer of denim in the world
2	Hermes	Retail	138,697	With more than 10 million clients, Hermes is one of the largest e-commerce retailers in Brazil
3	Ponto Frio	Retail	84,192	Brand name for Globex, a non-food retailer. Has more than 460 stores throughout the country
4	Mabe	Consumer Goods	73,300	Mexican manufacturer of appliances is the largest appliances exporter to the US in Latin America with 18 plants
5	AGV Logistica	Transp./ Logistics	57,981	Leading 3PL provider which offers supply chain solutions to over 160 global and domestic clients
6	C&C Casa e Construção	Construction / Retail	57,431	Leading Brazilian chain of retail home improvement stores
7	G Barbosa	Retail	48,228	Largest supermarket chain in the state of Sergipe and the 4th largest in Brazil
8	Procter & Gamble	Consumer	48,172	Fortune 500 American multinational corporation and serves ~4.6bn people globally with its brands
9	Wow	Consumer	36,878	Large Brazilian producer of juices and sweeteners
10	Colgate	Healthcare /Consumer	32,813	One of the leading global companies in oral, personal and home care and pet nutrition
Top 10 Tenants			**794,367**	
Other Tenants			315,639	
Owned GLA of Stabilized JV			**1,110,006**	

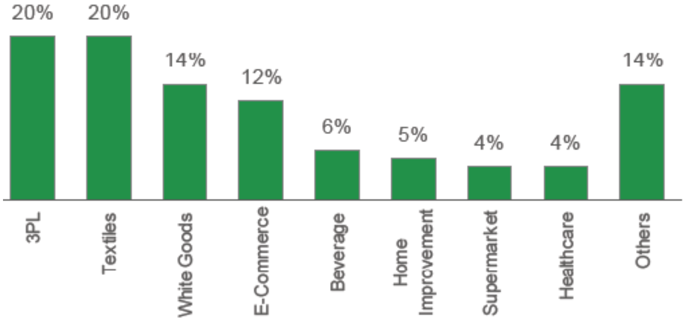
Source: Company Presentation

Fig 53: Top 10 Tenants by Owned GLA



Source: Company Presentation

Fig 54: Tenants by End-user Industry (Owned GLA)

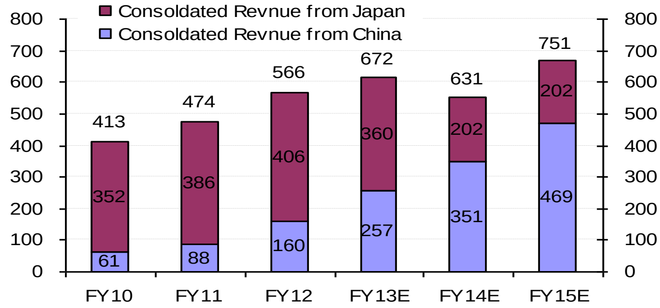


Source: Company Presentation

Financials:

We expect the consolidated logistics revenue from China to grow steadily in FY14 and FY15 due to the expected new development completion and the upbeat demand for logistics, while the consolidated logistics revenue from Japan shrinks to US$ 202 mil in FY14 and FY15 due to the reduced revenue generating facilities following the recent disposal to J-REIT

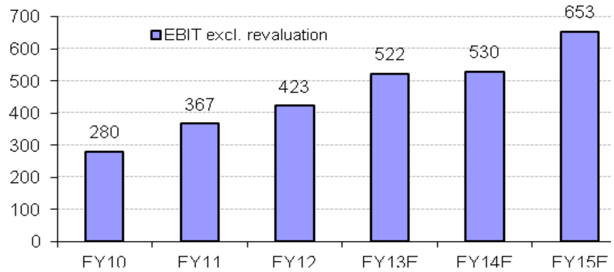
Fig 55: Consolidated logistics revenue US$ mil (CN & JP)



Source: Company Data, PSR

EBIT excluding revaluation, from all controlled entities, associates and Joint Ventures of GLP, would barely change in FY14 from FY13, as contributions of new completions in China and Brazil would balance the decrease attributable to disposal in Japan.

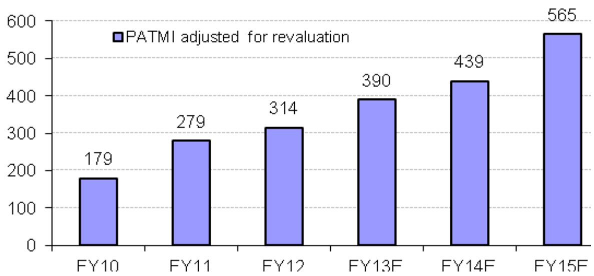
Fig 56: EBIT excluding revaluation US$ mil (CN, JP & BZ)



Source: Company Data, PSR

PATMI excluding revaluation, from all entities of GLP, is estimated to increase to US$ 439 mil in FY14 and US$ 565 mil in FY15. The relatively moderate increase in FY14 is due to the Japan property disposal.

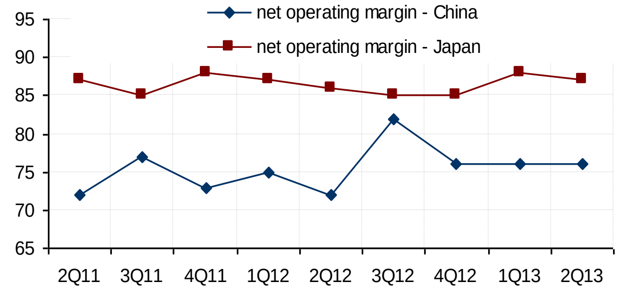
Fig 57: PATMI excluding revaluation US$ mil (CN, JP & BZ)



Source: Company Data, PSR

As of 2Q FY13, average net operating margin for completed logistics properties in China reported 76%, while the reading for Japan is 87%. According to the management's disclosure during the result briefing for 2Q FY13, the net operating margins for newly acquired Brazil properties are 90-95%

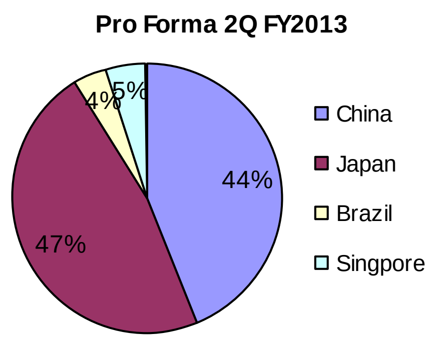
Fig 58: Net operating margins %



Source: Company Data, PSR

Booked net asset value registered US$ 8,308 mil at the end of FY12 and US$8,746 as of 2Q FY13. After the acquisition in Brazil, the NAV breakdown by countries is shown in the chart below, where Japan contributes the most by 47%, and China slightly behind by 44%, Singapore and Brazil 5% and 4% respectively.

Fig 59: NAV breakdown



Source: Company Data, PSR

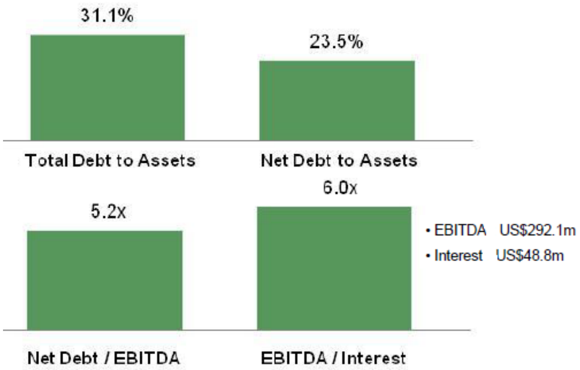
GLP is in a compelling financial position, with low leverage ratio and strong cash balance on hand. As of the end of 2Q FY13, GLP has US$ 1,434 mil cash on hand and a total debt of US$ 4,492 mil, with a weighted average debt maturity of 3.2 years and average interest cost of 2.65%. Total debt to asset ratio is only 31.1%, while net debt to non-cash asset ratio is at 23.5%. Net debt over EBITDA is 5.2X and EBITDA over interest is 6.0X.

Subsequent to the 2Q FY13 financial report, GLP's balance sheet was strengthened further by the sale of properties to J-REIT and the sale of 16.7% stake in the previous 50-50 JV with CIC to CBRE. The sales have returned GLP with ample cash, out of which around US$ 1.3 bil would be used to redeem debt associated with the initial properties sold to J-REIT, reducing the net debt from previously US$ 3.1 bil to

US$ 0.7 bil. To finance the acquisitions in Brazil, GLP borrowed US$ 188 mil BRL denominated debts, representing only a minor portion of the group's total debt. Brazilian debt has a weighted average interest cost of 11% and weighted maturity of close to 8 years. The high interest cost of Brazil debt is attributable to the nation's high benchmark interest rate at 7.5% and would not have significant impact on GLP's overall interest cost due to the minor weight. The strong cash position allows GLP to act on swiftly on development opportunities in emerging markets.

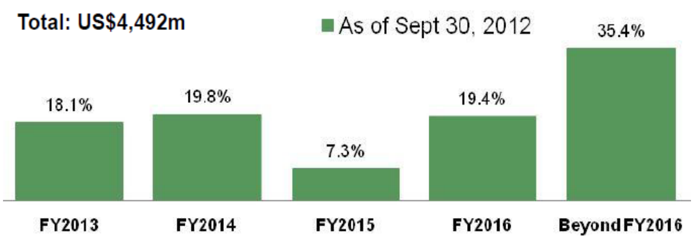
Fig 60: Strong financial position

(US$ million)	As at Sep 30, 2012
Total assets	14,463
Total equity	8,746
Cash	1,434
Total loans and borrowings	4,492
Net debt	3,057
Weighted average interest cost	2.6%



Source: Company Presentation

Fig 61: Debt Maturity Profile



Source: Company Presentation

Valuation:

We value GLP's share price by RNAV method, arriving at the target price of S$2.65 using 0% discount to RNAV.

Valuation on China Portfolio is based on existing properties, projected completion of existing under development properties, the management's projected 2.0 and 2.4 mil sqm GFA development starts in FY13 and FY14. For stabilized portfolio we expect the rental growth to be commensurate with China's average historical inflation. Cap rate is assumed to be constant at 7%. For development pipelines, we assume an average development phase of 5 quarters, with development cost for per sqm GFA at 3000 RMB, out of which 1000 RMB is for land cost and 2000 RMB is for other development expenditure including labor, materials and so on. We use a development margin of 30%.

For Japan portfolio, we assume stable prices for existing complete properties and value the development pipelines based on the estimated development cost of committed projects with a development margin of 35%. Our valuation has taken into account the 33 properties sales to J-REIT but does not make assumption on future disposal.

Valuation on Brazil stabilized portfolio is based on the inflation adjusted rental, constant net operating margin and constant cap rate. Valuation for development pipelines is based on the management's projected incremental development expenditures and a more conservative development margin of 20%.

For valuation of 19.9% stake in SCPSB and J-REIT, we are taking the market price, multiplied by units held by GLP. We value fund management platform by assigning a 15X P/E to our projected earnings.

The valuations are all based on exchange rates as of 1 Feb 2013 (USD:CNY - 6.224; USD:JPY - 92.2, USD:BRL - 6.22, USD:SGD – 1.243), therefore has taken into account all translation gain/loss incurred. Excluding the effect of recent sharp depreciation of JPY, our target price for FY14 would be at S$ 2.83. The S$ 2.65 target price for FY14 does not include potential changes in foreign exchange in the future.

Our target price S$ 2.65 is 5.4% below the previous close price of S$ 2.80, mainly due to the recent sharp depreciation in JPY. On the company level, we see compelling business. Therefore, we assign a Neutral rating to GLP.

Fig 62: GLP RNAV Estimates

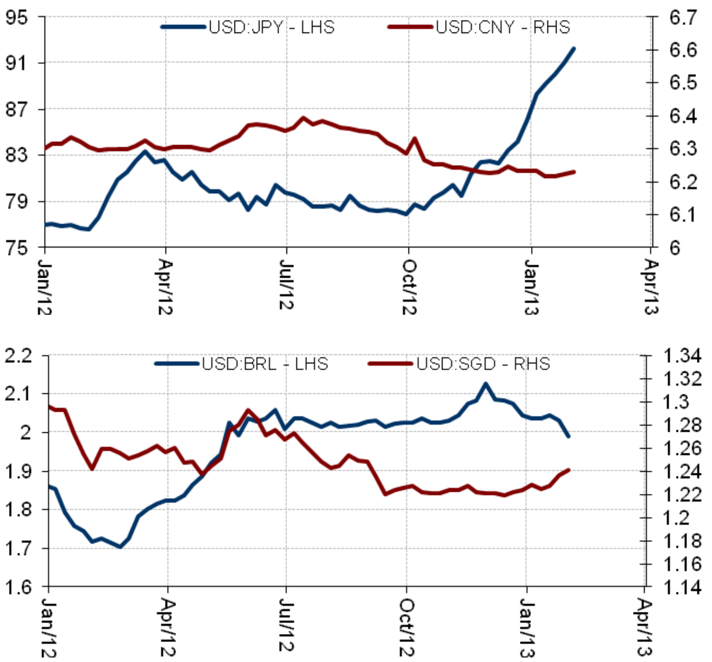
RNAV Break Down	FY2013E RNAV (US$'mil)	FY2013E Per share (US$)	FY2014E RNAV (US$'mil)	FY2014E Per share (US$)
China Portfolio	**5713**	1.20	**7212**	1.52
Complete Logistic Properties	3625	0.76	4882	1.03
Other Facilities	104	0.02	104	0.02
Properties under development	1063	0.22	1273	0.27
Land held for future development	921	0.19	954	0.20
Japan Portfolio	**4277**	0.90	**4552**	0.96
Completed Properties	3955	0.83	4349	0.91
Properties under development & Land	322	0.07	203	0.04
Brazil Portfolio	**700**	0.15	**848**	0.18
Stabilized Portfolio	459	0.10	508	0.11
Development Portfolio	241	0.05	340	0.07
Other Investment	**323**	0.07	**323**	0.07
19.9% stake in SCPSB	83	0.02	83	0.02
J-REIT	241	0.05	241	0.05
Fund Management	**470**	0.10	**482**	0.10
GAV	11483	2.41	13417	2.82
Adjusted net debt	-2193	-0.46	-3273	-0.69
RNAV	9291	1.95	10143	2.13
RNAV/share (S$)		**2.43**		**2.65**
Target Price (S$)				**2.65**

Source: PSR

Key risks

JPY Depreciation: The biggest risk of GLP is the currency translation risk. Listed in Singapore but operating in China, Japan and Brazil, GLP is exposed to FX risk due to the lack of FX hedging (the management applies only natural hedge). In that regard, any depreciation of CNY, JPY and BRL would have a down pressure on GLP's valuation. We hold a positive long term view on CNY, which has been very stable and mildly appreciating against USD. However, the depreciation of JPY triggered by Japan government's committed stimulus and loosening would shrink GLP's net asset in Japan. Shown in the chart below, since GLP's last financial reporting date, JPY has experienced a sharp depreciation by almost 18.5% against USD (USD:JPY - 77.67 on 30 Sep 2012 and 92.20 on 1 Feb 2013), which has already caused a significant downward adjustment on our target price. Without applying FX hedge, possible JPY depreciation would further drive down the valuation.

Fig 59: Foreign Exchange Rates



Source: CEIC, PSR

Reviving Inflation but fixed term rental: this risk is also associated with the policies of the Japanese government. The nation's economy has been experiencing a prolonged deflation, which has been well accepted by the market. The new leadership is targeting a 2.0% y-y inflation ahead to revive the faltering economy. GLP's lease contracts have fixed term rental in Japan and a WALE of 5.4 years (compared to 3.3 years in China). Shown below, 44% of leased GFA in Japan has a WALE extending beyond FY18. If the Japanese government succeeds in stirring the inflation (though they did fail before), a fixed rental with rising labor and utilities cost would shrink GLP's profit margin.

Though Brazil are experiencing much worse inflation (5.84% as of Dec 2012) and WALE is as high as 8.5 years, the rental for stabilized portfolio is already inflation hedged. And for China, whose inflation reported 2.5% in Dec 2012, very likely inflation has been factored in by the lease contracts as inflation in China is well expected.

Fig: Lease Expiry Profile by leased GFA

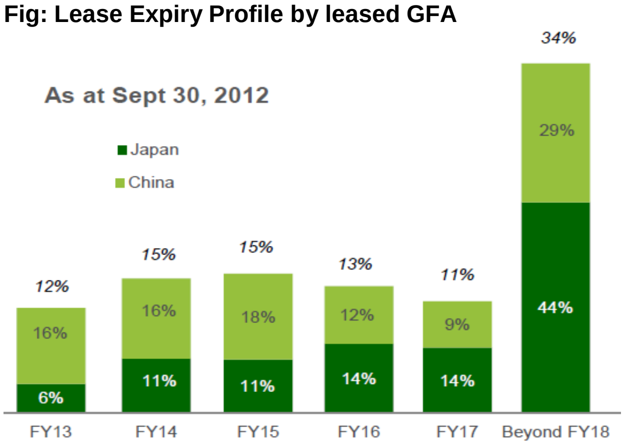
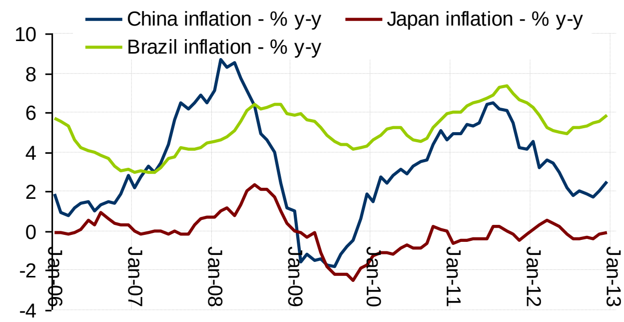


Fig: Lease Expiry Profile by leased GFA



Other risks includes: soft leasing activities cause the management to cut back the planned development start, which we deem as unlikely due to the strong trend of urbanization in China; uncertainties associated with entering unfamiliar market - Brazil.

SWOT analysis

Strengths

- Market leader in all 3 markets - China, Japan and Brazil
- Residing in the top end of logistics industry
- Operating in the world's two biggest emerging markets with significant demand
- Strong financial position – ample cash, low leverage
- Strong corporate branding
- Levered network effect helps secures sticky customers
- New growth driver from fund management platform

Weakness

- Lack of foreign exchange hedge, therefore exposed to currency translation risk

Opportunities

- Strong development pipelines in China and Brazil
- Opportunistic acquisition to further lever network
- Further expanding fund management platform
- Ride on increasing standard required by industries

Threats

- Continued weakening JPY shrinks value of GLP's Japan net asset.
- Unexpected inflation while holding fixed term contracts
- Increasing competition in logistics industry
- Uncertainties of entering into unfamiliar market - Brazil

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FYE Mar	FY11	FY12	FY13F	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.	24.3	33.0	26.9	24.4	19.0
P/B (X)	1.0	1.3	1.2	1.1	1.0
EV/EBITDA (X), adj.	40.5	35.8	29.0	30.0	25.4
Dividend Yield (%)	1.0%	0.5%	1.0%	0.0%	0.0%
Per share data (USD)					
EPS, reported	0.23	0.12	0.16	0.19	0.22
EPS, adj.	0.09	0.07	0.08	0.09	0.12
DPS	0.02	0.01	0.02	0.00	0.00
BVPS	2.20	1.69	1.82	1.97	2.20
Growth & Margins (%)					
Growth					
Revenue	14.6%	19.4%	18.9%	-6.2%	19.1%
EBITDA	18.2%	13.3%	23.2%	-3.3%	18.1%
EBIT	17.8%	13.1%	23.1%	-3.6%	18.0%
Net Income, adj.	56.3%	12.6%	24.1%	12.6%	28.5%
Margins					
EBITDA margin	74.3%	70.5%	73.1%	75.3%	74.7%
EBIT margin	73.8%	70.0%	72.4%	74.4%	73.7%
Net Profit Margin	152.5%	98.2%	120.0%	158.6%	154.1%
Key Ratios					
ROE (%)	17.3%	7.5%	9.5%	10.7%	11.1%
ROA (%)	7.4%	4.3%	5.8%	6.9%	7.4%
Net Debt/(Cash)	2,132	2,559	819	1,672	2,383
Net Gearing (X)	30.6%	30.8%	9.0%	16.6%	21.3%
Income Statement (USD mn)					
Revenue	**474**	**566**	**672**	**631**	**751**
EBITDA	**352**	**399**	**491**	**475**	**561**
Depreciation & Amortisation	2	3	4	6	7
EBIT	**350**	**396**	**487**	**470**	**554**
Net Finance (Expense)/Income	(56)	(63)	(102)	(70)	(70)
Other items	n/a	n/a	n/a	n/a	n/a
Associates & JVs	56	107	173	272	258
Profit Before Tax	**807**	**638**	**906**	**1,116**	**1,299**
Taxation	(85)	(83)	(100)	(115)	(142)
Profit After Tax	**722**	**555**	**807**	**1,001**	**1,158**
Non-controlling Interest	16	14	32	50	58
Net Income, reported	**706**	**541**	**774**	**951**	**1,100**
Net Income, adj.	**279**	**314**	**390**	**439**	**565**

Source: PSR

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FYE Mar	FY11	FY12	FY13F	FY14F	FY15F
Balance Sheet (USD mn)					
PPE	5	8	11	13	14
Intangibles	501	498	498	498	498
Associates & JVs	372	791	1,221	1,672	2,056
Investments	8,987	10,228	8,853	10,263	11,853
Others	605	630	908	908	908
Total non-current assets	**9,969**	**11,657**	**10,993**	**12,856**	**14,831**
Inventories	0	0	0	0	1
Accounts Receivables	127	220	217	194	236
Investments	0	87	0	0	0
Cash	1,560	1,616	2,031	1,178	468
Others	0	0	0	0	0
Total current assets	**1,687**	**1,923**	**2,248**	**1,373**	**704**
Total Assets	**11,656**	**13,580**	**13,241**	**14,228**	**15,535**
Short term loans	937	1,006	600	600	600
Accounts Payables	503	463	585	545	652
Others	18	16	10	11	14
Total current liabilities	**1,458**	**1,485**	**1,195**	**1,156**	**1,267**
Long term loans	2,755	3,169	2,250	2,250	2,250
Others	466	618	692	749	820
Total non-current liabilities	**3,221**	**3,787**	**2,942**	**3,000**	**3,070**
Non-controlling interest	358	520	637	687	745
Shareholder Equity	**6,619**	**7,788**	**8,467**	**9,385**	**10,453**

Cashflow Statements (USD mn)					
CFO					
PBT	807	638	906	1,116	1,299
Adjustments	-455	-232	-408	-658	-752
Cash from ops before WC changes	352	406	498	457	547
WC changes	20	25	125	-17	66
Cash generated from ops	372	432	623	440	613
Taxes paid, net	-11	-14	-50	-57	-71
Cashflow from ops	**361**	**418**	**573**	**383**	**542**
CFI					
CAPEX, net	-200	-519	1,890	-973	-1,040
Dividends from associates & JVs	2	0	9	19	19
Dividends/Interest from Investments	1	8	8	8	8
Purchase/sale of other investments	-69	2	-196	0	0
(de-)Investments in subs & associates	-136	-606	-441	-180	-130
Others	0	-0	0	0	0
Cashflow from investments	**-402**	**-1,115**	**1,270**	**-1,125**	**-1,142**
CFF					
Share issuance	2,507	580	337	0	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	-364	259	-1,300	0	0
Dividends to minority interests	0	0	0	0	0
Dividends to shareholders & capital reduction	-916	-2	-142	-34	-34
Interest paid	-80	-98	-113	-77	-77
Others	4	-5	0	0	0
Cashflow from financing	**1,151**	**734**	**-1,217**	**-111**	**-111**
Net change in cash	**1,110**	**37**	**626**	**-853**	**-711**
Effects of exchange rates	38	19	-211	0	0
CCE, end	**1,560**	**1,616**	**2,031**	**1,178**	**468**

Source: PSR

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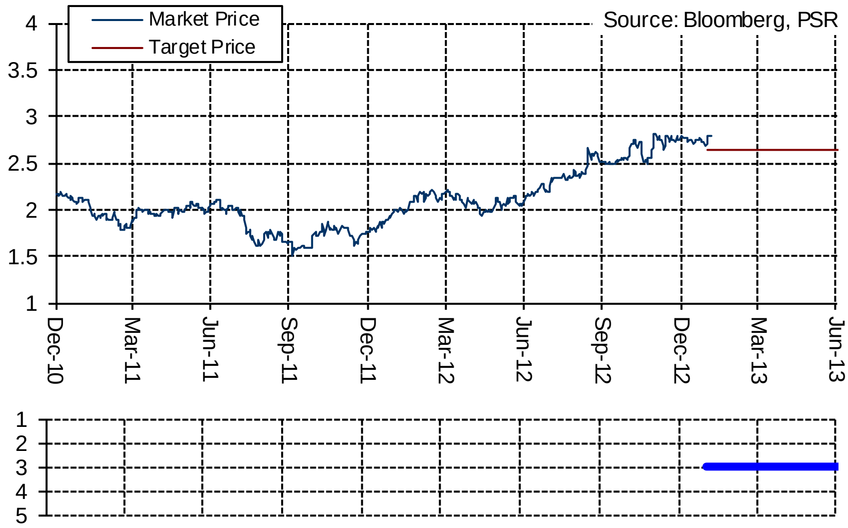
Ratings History



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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

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