

MITA No. 010/06/2008

24 April 2009

# Mapletree Logistics Trust

Downgrade to

## HOLD

Previous Rating: BUY

### S\$0.45

**Fair Value: S\$0.45**

Stock Code:

Reuters:

ISIN Code

Bloomberg:

MAPL.SI

M44U

MLT SP

Event:

Results

#### General Data

Issued Capital (m)	1,939
Mkt Cap (S\$m/US\$m)	873/582
Major Shareholder	
Temasek Holdings	47.13%
Free Float (%)	52.9
NAV per share (S\$)	0.90
Daily Vol 3-mth ('000)	1,665
52Wk High (S\$)	1.070
52Wk Low (S\$)	0.305

### A flat, but better than expected, 1Q09

**Fairly flat QoQ.** Mapletree Logistics Trust (MLT) posted S\$53.3m in 1Q09 revenue, up 24.9% YoY, thanks to acquisitions. Revenue was fairly flat on a sequential basis, up only 1.7% QoQ. NPI margin stood at 86.7% for the quarter, slipping from the 87.6% margin achieved a year ago but slightly better than the 86.1% recorded in 4Q08. Distributable income rose 0.7% QoQ and 36.1% YoY to S\$28.6m. MLT will pay out 1.47 S cents/unit, down 22.6% YoY (because of an enlarged units base post last year's rights issue) and up 0.7% QoQ. This translates to an annualized yield of 13.1%. The manager reaffirmed its commitment to pay out 100% of distributable income.

**But better than expected.** 1Q results outperformed our expectations by 5-8% due to our conservative occupancy assumptions for FY09. Our estimates incorporate a fairly bearish 90% portfolio-wide occupancy assumption over FY09-10. MLT's overall occupancy as at 31st March is 98.5%, versus 99.6% as at 31 December. Some pockets of weakness have emerged: Hong Kong occupancy has fallen from 98.2% as at December to 95.8% at March, while China occupancy has fallen from 99.2% to 91.7%. Note that the China fall is because of problems with one tenant (contributes less than 1% of total revenue). At the same time, other markets like South Korea, Japan and Malaysia are holding at 100% occupancy. This variety in performance explains the small size of the overall dip, and validates the portfolio's advantages of geographical diversification and balance between multi-tenanted and sale-and-leaseback properties.

**Refinancing underway.** MLT is geared at about 38.3% debt-to-assets. During the quarter, MLT raised some S\$105m in new loans to refinance existing debt. As of 31 March, about S\$151m in loans will mature this year, and the manager announced significant progress in arranging refinancing. While a US\$20m term loan is still being negotiated, MLT has enough committed lines and cash on hand to refinance all 2009 loans.

**Valuation achieved.** We believe our investment thesis still stands: occupancy will be the key performance driver in the industrial space; but MLT's diversified and high quality portfolio will allow it to deliver reasonably stable income to unitholders over the next two years. MLT has had a good run, up 15.4% since our re-initiation in February. However, we have not seen enough corresponding positive signals for the industrial market. As our fair value estimate of S\$0.45 has been achieved, we are downgrading the stock to a **HOLD**.

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Year to 31 Dec	Revenue (S\$m)	Distr Income (S\$m)	DPU (cents)	DPU Growth (%)	DPU Yield (%)	P/NAV (x)
FY 07	141.7	71.8	6.6	-	14.6	0.5
FY 08	184.9	97.4	7.2	10.2	16.1	0.5
FY 09F	181.0	90.5	4.7	-35.5	10.4	0.5
FY 10F	181.0	90.5	4.7	0.0	10.4	0.5

Please refer to the important disclosures at the back of this document.

**MLT's Key Financial Data**

<b>MLT Results</b> Year Ended 31 Dec (S\$ m)	<b>1Q09</b> (S\$m)	<b>1Q08</b> (S\$m)	<b>% Chg</b> (YoY)	<b>4Q08</b> (S\$m)	<b>% Chg</b> (QoQ)
Gross revenue	53.3	42.6	24.9%	52.4	1.7%
Property expenses	-7.1	-5.3	34.1%	-7.3	-2.9%
Net property income	46.2	37.4	23.6%	45.1	2.4%
Interest income	0.0	0.0	-11.6%	0.1	-71.2%
Other income	0.0	0.2	n.m.	0.2	n.m.
Manager's management fees	-5.6	-4.4	26.6%	-5.2	7.7%
Trustee's fee	-0.1	-0.1	20.0%	-0.1	6.2%
Other trust expenses	-2.6	-0.5	473.8%	-4.3	-38.7%
Borrowing costs	-9.1	-9.9	-8.3%	-8.8	3.6%
Net investment income	28.8	22.6	27.1%	27.1	6.2%
Net change in fair value of financial derivatives	-1.4	-20.6	-93.1%	-24.6	-94.2%
Net income	27.4	2.0	n.m.	2.5	n.m.
Net change in value of investment properties	0.0	0.0	n.m.	94.1	n.m.
Total return before tax	27.4	2.0	n.m.	96.6	-71.7%
Income tax	-1.9	-1.8	4.5%	-7.5	-75.3%
Total return	25.5	0.2	n.m.	89.1	-71.4%
Adjustment for net effect of non-tax items etc	3.1	20.8	-85.1%	-60.7	n.m.
Total amount distributable to unitholders	28.6	21.0	36.1%	28.3	0.9%
DPU (S cents)	1.5	1.9	-22.6%	1.5	0.7%

**EARNINGS FORECAST**

<b>Year Ended 31 Dec (S\$ m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Gross revenue	141.7	184.9	181.0	181.0
Property expenses	-16.8	-23.9	-23.5	-23.5
Net property income	124.9	161.0	157.4	157.4
Interest income	1.5	0.3	0.2	0.2
Other income	0.0	0.8	0.4	0.4
Manager's management fees	-14.7	-19.0	-18.6	-18.6
Trustee's fee	-0.3	-0.4	-0.4	-0.4
Other trust expenses	0.8	-6.2	-2.9	-2.9
Borrowing costs	-35.2	-36.9	-40.6	-40.6
Net investment income	77.0	99.6	95.5	95.5
Net change in fair value of financial derivatives	-4.9	-22.2	0.0	0.0
Net income	72.1	77.4	95.5	95.5
Net change in value of investment properties	125.6	94.1	0.0	0.0
Total return before tax	197.7	171.5	95.5	95.5
Income tax	-15.4	-11.4	0.0	0.0
Total return	182.3	160.1	95.5	95.5
Adjustment for net effect of non-tax items etc	-110.4	-62.7	-5.0	-5.0
Total amount distributable to unitholders	71.8	97.4	90.5	90.5

**BALANCE SHEET**

<b>As at 31 Dec (S\$ m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Cash and cash equivalents	45.7	81.9	79.5	83.6
Total current assets	67.3	102.9	100.8	105.8
Investment properties	2,379.0	2,943.4	2,943.4	2,943.4
Total assets	2,446.3	3,046.3	3,044.2	3,049.2
Current liabilities ex borrowings	85.8	136.0	129.0	129.0
Total borrowings	1,296.3	1,159.4	1,159.4	1,159.4
Other long term liabilities	21.5	28.8	28.8	28.8
Total liabilities	1,403.7	1,324.2	1,317.1	1,317.1
Total equity	1,042.6	1,722.0	1,727.0	1,732.0
Total liabilities and equity	2,446.3	3,046.3	3,044.2	3,049.2

**CASH FLOW**

<b>Year Ended 31 Dec (S\$ m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Total return	182.3	160.1	95.5	95.5
Adjustments for:				
Interest expense	34.9	36.5	40.6	40.6
Net change in value of invt properties	-125.6	-94.1	0.0	0.0
Net change in FV of financial derivatives	4.9	22.2	0.0	0.0
Other adjustments	14.2	11.4	-0.2	-0.2
Working capital changes	4.0	20.2	-7.4	-0.9
Tax paid	-4.6	-3.4	0.0	0.0
Cashflows from operating activities	110.2	152.9	128.5	135.0
Interest received	1.5	0.3	0.2	0.2
Purchase of invt properties	-842.4	-355.3	0.0	0.0
Others	-3.2	0.0	0.0	0.0
Cash flows from investing activities	-844.1	-355.0	0.2	0.2
Proceeds from issue of new units	349.0	606.7	0.0	0.0
Payment of issue & financing expenses	-5.6	-8.1	0.0	0.0
Proceeds from loans and borrowings	1,237.1	544.7	0.0	0.0
Repayment of loans and borrowings	-724.9	-784.9	0.0	0.0
Distribution to unitholders	-63.7	-88.8	-90.5	-90.5
Interest paid	-34.7	-36.9	-40.6	-40.6
Cash flows from financing activities	757.1	232.8	-131.1	-131.1
Net change in cash	23.2	30.6	-2.4	4.1
Cash at beg of period	23.8	45.7	81.9	79.5
Exchange rate effects	-1.3	5.6	0.0	0.0
Cash at end of period	45.7	81.9	79.5	83.6

<b>Per share data</b>				
<b>Year ended 31 Dec</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Units outstanding, period end	1,108.2	1,939.3	1,939.3	1,939.3
EPU (S cents)	16.4	8.3	4.9	4.9
DPU (S cents)	6.6	7.2	4.7	4.7
CFPS (S cents)	9.9	7.9	6.6	7.0
NAV (S\$)	0.9	0.9	0.9	0.9

<b>Key rates &amp; ratios</b>				
<b>Year ended 31 Dec</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
PER (x)	2.7	5.4	9.1	9.1
DPU yield (%)	14.6	16.1	10.4	10.4
P/CF (x)	4.5	5.7	6.8	6.5
P/NAV (x)	0.5	0.5	0.5	0.5
NPI margin (%)	88.1	87.1	87.0	87.0
NII margin (%)	54.3	53.9	52.8	52.8
Distr to revenue (%)	50.7	52.7	50.0	50.0
Total Debt/Total Assets (x)	0.5	0.4	0.4	0.4
Total Debt/Equity (x)	1.2	0.7	0.7	0.7

*Source: Company data, OIR estimates*

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**SHAREHOLDING DECLARATION:**

The analyst's immediate family owns 500,000 shares in Mapletree.

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Head of Research

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