

Advancing our reach

Overview

MESSAGE FROM THE CHAIRMAN AND CEO



From Left

Mr Lee Chong Kwee

Non-Executive Chairman and Director

Ms Ng Kiat

Executive Director and CEO

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Dear Unitholders,

Looking back over the past 12 months, we are reminded that FY21/22 was an eventful and volatile year. Whilst most economies had a promising start to the year and were on the cusp of a sustained recovery from the pandemic-induced recession, their collective progress was hindered in the latter half of the year with the emergence of numerous challenges on the global front.

In the face of these headwinds, the logistics sector has stayed resilient while our people persevered and delivered a strong performance to Advance our Reach and Capture Opportunities. We grew our regional footprint into new geographical sub-markets and built depth in existing markets to meet the warehousing needs of our tenants. We continued to maintain a firm focus on active asset management and disciplined capital management. Underpinned by the portfolio's strong fundamentals, these efforts have enabled MLT to deliver another year of consistent and growing returns.

Resilient Portfolio Underpins Strong Financial Performance

Gross revenue for FY21/22 reached S\$678.6 million, while net property income was S\$592.1 million, representing a year-on-year growth of 20.9% and 18.6% respectively. The robust performance was mainly due to an enlarged portfolio, higher contribution from existing assets, and lower rental rebates granted to eligible tenants impacted by COVID-19.

As a result, distributable income increased 17.3% year-on-year to S\$390.7 million and distribution per unit ("DPU") rose 5.5% to 8.787 cents after accounting for an enlarged issued unit base. The distributable income for the prior 12-month period included a divestment gain of S\$18.9 million, which tapered to S\$7.2 million in FY21/22. Excluding divestment gain, DPU for FY21/22 rose by 9.9% year-on-year from 7.852 cents to 8.626 cents.

During FY21/22, new waves of COVID-19 infections continued to spread widely in our region. Each of our nine operating markets had several rounds of intermittent tightening of COVID-19 measures to combat rising infections. Thankfully, the operations of our tenants were not materially affected. Logistics was deemed to be an essential service and most of our tenants were allowed to continue operating even at the height of the pandemic. The operating environment improved in late FY21/22 when the majority of our markets started to embrace a "living with COVID-19" strategy, along with improving vaccination rates.

MLT's portfolio continued to benefit from healthy customer demand for modern warehouse space while proving resilient to the impacts of the pandemic. Overall occupancy held steady throughout FY21/22, ending the year at 96.7%. Through active leasing efforts, we renewed or replaced leases for approximately 1.7 million square metres ("sqm") of space, representing a success rate of 94%. The rentals achieved were on average

2.5% higher than preceding rental rates, contributed mainly by leases from Singapore, China, Hong Kong SAR and South Korea.

MLT's assets under management increased by S\$2.3 billion year-on-year to S\$13.1 billion as at 31 March 2022. The higher value was largely due to approximately S\$1.8 billion in acquisitions and capital expenditure, and S\$572.3 million net appreciation in investment properties attributable mainly to properties in Australia, Hong Kong SAR and China. With the uplift, net asset value rose 11.3% from S\$1.33 per unit in FY20/21 to S\$1.48 per unit in FY21/22.

Advancing Reach: Enhancing Portfolio Resilience

In FY21/22, we made significant progress towards our strategic goals – specifically, continuing to expand and strengthen MLT's presence in our focus markets. As we increase the breadth and depth of MLT's network, we are better able to serve customers in multiple locations and help them grow, thereby strengthening our competitive positioning. In addition, our enlarged network allows us to capture attractive market opportunities in the region, bolstered by increasing urbanisation, consumption growth and a limited supply of Grade-A warehouse space.

To this end, we announced the acquisitions of 23 properties valued at S\$1.9 billion in FY21/22, of which 20 with an aggregate value of S\$1.8 billion were completed by March 2022. These 23 assets will add 1.5 million sqm of quality logistics space and 10 new cities to MLT's geographical coverage, elevating MLT's portfolio gross floor area to 8.0 million sqm which spans across a regional network covering 62 cities.

From our Sponsor, Mapletree Investments Pte Ltd, we acquired 17 properties with an aggregate value of approximately S\$1.1 billion. They comprise modern Grade-A logistics facilities across China, Vietnam and Malaysia, located near to transportation hubs and in close proximity to large consumer markets.

The remaining six announced acquisitions with an aggregate value of approximately S\$0.8 billion were executed with third-parties. Similar in profile to the properties acquired from our Sponsor, these assets, which are located in Australia, Japan, Malaysia, Singapore and South Korea, enjoy strong locations in thriving logistics hubs with good access to transportation infrastructure and city centres.

With these accretive acquisitions, we have significantly augmented the resilience and future readiness of our portfolio, allowing us to better compete in an increasingly dynamic and competitive market. Testament to our growing network effect, approximately 47% of our revenue base is contributed by tenants who have leased space in multiple locations, up from 43% a year ago.

Capturing Opportunities: Creating Value

Globally, logistics real estate remains an attractive asset class. The sector's strong fundamentals, underpinned by secular tailwinds such as a greater focus on supply chain resiliency and rapid e-commerce growth, have continued to attract keen investor interest.

With ample liquidity and strong competition for the asset class, market valuations of logistics properties continue to rise, leading to further compression in capitalisation rates. Although this persistent trend has made our search for DPU-accretive acquisitions more challenging, we continue to be guided by our disciplined approach and robust investment evaluation framework to deliver value and growth for Unitholders.

In response to the increasingly competitive market, our teams actively seek out off-market investment opportunities which are less widely marketed and hence more attractively priced, by leveraging on our strong market knowledge, reputation and relationships. A good number of the third-party acquisitions we closed in FY21/22 were transacted off-market.

Our teams are also actively looking for investment opportunities that offer the potential for redevelopment or intensification of land use to create greater value.

A good example is the proposed acquisition of two prime land parcels located in Subang Jaya, Selangor, Malaysia, which are adjacent to MLT's existing Subang 3 and 4 assets. The potential amalgamation of these properties into an enlarged land site provides the opportunity for the development of the first mega modern warehouse in Subang Jaya, an established logistics hub with excellent connectivity to Kuala Lumpur city centre. With the redevelopment, the plot ratio of Subang 3 and 4 will increase five-fold, enabling us to realise greater value from these assets while creating a modern warehouse that is positioned for the future.

In FY21/22, we made significant progress towards our strategic goals – specifically, continuing to expand and strengthen MLT's presence in our focus markets.



Mapletree Logistics Hub – Tanjung Pelepas

MESSAGE FROM THE CHAIRMAN AND CEO



Mapletree (Yuyao) Logistics Park II



As we increase the breadth and depth of MLT's network, we are better able to serve customers in multiple locations and help them grow, thereby strengthening our competitive positioning.

Proactive Capital Management

Our prudent and disciplined approach to capital and risk management has positioned us well, ensuring a strong balance sheet while maintaining our agility to execute strategic and operational initiatives.

In December 2021, we completed an equity fund raising exercise which was over-subscribed and well-received by investors. In aggregate, approximately S\$692.8 million was raised through a combination of preferential offering and a private placement. Funds raised were applied to partially finance the acquisitions in China, Vietnam and Japan.

In addition, we issued S\$400 million of perpetual securities at a coupon rate of 3.725% per annum. The proceeds raised were deployed to finance the redemption of MLT's existing S\$250 million perpetual

securities which had a higher coupon rate of 4.18% per annum, as well as other committed acquisitions.

Consequently, despite the significant investments made during the year, we have strengthened our balance sheet and closed the year with a gearing ratio of 36.8%. This is well below the aggregate leverage limit of 50% set by the Monetary Authority of Singapore, providing us with ample debt headroom to take advantage of investment opportunities as they arise.

We proactively managed our debt profile and maintained our weighted average annualised interest rate at 2.2% per annum. With 79% of total debt hedged or drawn in fixed rates as at 31 March 2022 and an interest cover ratio of 5.0x, we remain well-positioned to meet our debt obligations in an environment of rising

interest rates. MLT has sufficient available committed credit facilities of S\$921 million to refinance S\$534 million or 11% of total debt due in FY22/23.

Elevating Our ESG Practices and Reporting Standards

As a responsible corporate citizen, we are cognisant that the way we conduct our business impacts the environment and the communities in which we operate. To this end, we worked closely with our Sponsor to redouble our environmental, social and governance (“ESG”) efforts, integrating additional ESG considerations and practices into our business and operations.

To enhance our reporting standards, we conducted a new materiality assessment to refresh our material ESG factors. We engaged a variety of stakeholders, including customers, investors, suppliers and employees, to capture a variety of viewpoints. This assessment is important to ensure our ESG strategy and subsequent reporting continue to address issues that are most important for our business and stakeholders.

Furthering our commitment to environmental stewardship, we are committed to achieving carbon neutrality for our operations by 2030. To this end, we continue to build the climate resilience of our portfolio and reduce our emissions profile. During FY21/22, we increased the solar generating capacity of our portfolio by 31%, and reduced energy intensity by 6.2%¹ on a year-on-year basis. To further green our portfolio, we planted over 1,000 indigenous trees across MLT’s platform.

On the governance front, we are pleased to update that we were the first REIT listed on the Singapore Exchange to roll out a hybrid-format general meeting incorporating investor-friendly features of live voting and live Q&A at our EGM in January 2022. This is testament to our commitment to continually elevate the level of our engagement with Unitholders.

In the year ahead, we will be working together with our Sponsor to formulate policies on sustainable investment, development, operations and renewable energy, as well as developing a green roadmap for MLT. These will be defined by our sustainability strategy

which seeks to achieve net zero ambitions over the long term.

Outlook

The global economic outlook has weakened significantly since the start of 2022. In its latest report issued in April 2022, the International Monetary Fund revised down sharply its 2022 global growth forecast from 4.4% to 3.6%². The downgrade was prompted by a confluence of multiple negative factors, including rising interest rates, persistent supply chain disruptions, intensifying inflationary pressure, and, most recently, repercussions from the Russian invasion of Ukraine.

To say that the global economic outlook is exceptionally uncertain is undisputable. Nonetheless, we believe the Asia Pacific logistics property industry’s strong fundamentals are intact, and its long-term prospects remain promising.

The structural drivers of demand in the logistics sector such as e-commerce growth and supply chain diversification, which have been amplified by the pandemic, will continue to underpin occupier demand. The Russia-Ukraine war has added further impetus to the need for supply chain security and near-shoring of manufacturing bases. This will likely stimulate demand for logistics space in alternative manufacturing hubs in Southeast Asia and India, as well as the established industrial zones in North Asia.

Meanwhile, the supply of Grade-A warehouse space in many parts of this region remains relatively limited. As occupiers seek automation and technological solutions to enhance operational efficiency, demand for Grade-A warehouse space is expected to rise, bringing about a greater demand-supply imbalance for this highly desired asset class.

With a pan-Asia presence and a portfolio of high quality, well-located assets, MLT is well-positioned to benefit from these trends and capture value-accretive opportunities.

Whilst we are cautiously optimistic on the outlook for our industry, we are mindful of imminent threats that loom on the horizon, which may impact near term economic growth and demand for logistics space.

As we move into 2022 and beyond, we will continue to focus on tenant retention and proactive lease management to ensure a stable operational and financial performance. We will also endeavour to maintain a well-capitalised REIT, buttressed by a prudent capital structure with ample working capital to meet ongoing obligations, and financial flexibility to fund our growth aspirations.

Acknowledgements

As part of the board renewal process, Mr Wee Siew Kim retired as Independent Non-Executive Director and member of the Audit and Risk Committee on 31 March 2022. We would like to express our heartfelt appreciation to Mr Wee for his invaluable contributions and counsel to the Manager throughout his nine years of service.

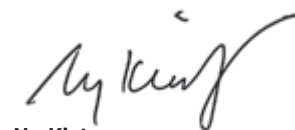
We strengthened the Board with the appointment of Ms Judy Lee as Independent Non-Executive Director on 25 February 2022, and Mr Ching Wei Hong as Independent Non-Executive Director and member of Audit and Risk Committee on 1 April 2022. We are confident that their extensive industry experience, knowledge and expertise will augment the strength of the Board.

MLT’s performance in FY21/22 is testament to the strength of our people. On behalf of the Board, we would like to thank them for their hard work and commitment during the year.

We would also like to express our gratitude to our Unitholders, tenants and business partners for their trust and support. We look forward to keeping you informed about our performance, new initiatives and strategic progress over the coming year.



Lee Chong Kwee
Non-Executive Chairman and Director



Ng Kiat
Executive Director and CEO

Notes:

¹ Based on the consumption data for the common areas in MLT’s stabilised multi-tenanted buildings in Singapore, Hong Kong SAR, Vietnam, China, Malaysia and Japan where the Manager has operational control. Single-user assets where the Manager does not have operational control are excluded.

² International Monetary Fund, World Economic Outlook, April 2022.