Capital Management

One of the core elements of MLT's strategy is to adopt a proactive and disciplined approach in its capital management to ensure a strong balance sheet and robust financial flexibility to seize market opportunities. On top of working to achieve a balanced debt maturity profile, diversify its sources of funding and minimise funding cost, the Manager also adopts a prudent hedging strategy to mitigate the impact of interest rate and foreign exchange volatilities.

Key Financial Metrics and Indicators

	As at 31 March 2021	As at 31 March 2020
Total Borrowings, excluding lease liabilities (S$ million)	**4,226.1**[1]	3,550.0[1,2]
Total Deferred Consideration (S$ million)	**11.6**	5.8
Total Assets (S$ million)	**11,204.7**	9,134.4[2]
Aggregate Leverage[3]	**38.4%**	39.3%
	FY20/21	**FY19/20**
Average Cost of Debt	**2.2%**	2.6%
EBITDA (S$ million)[4]	**440.1**	392.6
Interest Expenses (S$ million)[4]	**85.7**	79.6
Interest Cover Ratio (times)[4]	**5.1**	4.9
Unencumbered Assets as % of Total Assets	**92.8%**	91.8%

Notes:

1 Total borrowings including lease liabilities is S$4,336.2 million and S$3,585.0 million as at 31 March 2021 and 31 March 2020, respectively.

2 Total borrowings excluding joint venture borrowings is S$3,426.0 million. Total assets excluding joint venture assets is S$9,051.4 million.

3 As per Property Funds Appendix, the aggregate leverage includes proportionate share of borrowings and deposited property values of joint ventures as well as lease liabilities that are entered into in the ordinary course of MLT's business on or after 1 April 2019 in accordance to the Monetary Authority of Singapore guidance.

4 The interest cover ratio includes proportionate share of joint ventures and is based on a trailing 12 months financial results, in accordance with the guidelines provided by the Monetary Authority of Singapore with effect from 16 April 2020.

Financial Resources and Liquidity

	As at 31 March 2021 (S$ million)
Undrawn committed credit facilities	**668.7**
Undrawn uncommitted credit facilities	**476.8**
Total available credit facilities	**1,145.5**
Cash and cash equivalents[1]	**280.1**
Total	**1,426.3**
Issue Capacity under Euro Medium Term Notes Programme	**2,702.6**

Note:

1 Exclude restricted cash of S$6.9 million.

Diversified Funding Channels

The Manager proactively secures funding from both financial institutions and capital markets, including medium term notes ("MTNs") issuance and equity fund raising, even amidst the pandemic. These sources allow the Manager to address refinancing requirements, support portfolio growth initiatives and working capital requirements.

During the year, the Manager undertook several initiatives to strengthen MLT's balance sheet while diversifying sources of funding to fund MLT's acquisitions and capital expenditure on redevelopment and other building improvements totalling S$1.6 billion.

In October 2020, the Manager launched an Equity Fund Raising and raised approximately S$644.1 million through Private Placement and Preferential Offering to partly fund the acquisitions of a portfolio of properties in China, Malaysia and Vietnam. Despite the issue price being fixed at the top end of the price range, the Private Placement was approximately 5.5 times covered and saw strong participation from a broad spectrum of investors including new and existing institutional investors. The Preferential Offering was also over-subscribed by approximately 178% based on valid acceptances and excess applications.

In March 2021, MLT issued 9-year JPY9.5 billion (approximately S$117.4 million) of fixed rate senior MTNs to two reputable long-term investors, including an existing investor. The proceeds were applied towards general corporate purposes including refinancing the existing borrowings of MLT, hence freeing up the committed credit facilities. The successful equity fund raising and the repeat investor for MLT's MTN bear testament to investors' confidence in MLT.

On top of the MTNs, additional bank loans were also partially drawn from the S$1,103.9 million new credit facilities procured during the year with tenures ranging from 3 to 15 years to fund the balance requirements from acquisitions and capital expenditure. Net against S$58.2 million lower translated borrowings due to weaker HKD and JPY (partially offset by a stronger AUD and RMB), MLT's total debt increased by S$676.1 million from the prior year.

Out of the S$1,103.9 million new credit facilities procured during the year, the Manager also expanded the green facilities by S$350 million whereby proceeds will be used to finance working capital requirements that are in line with the eligibility criteria of MLT's green loan framework such as Green Mark certification by the Singapore Building and Construction Authority ("BCA").

Strong Balance Sheet

As at 31 March 2021, MLT has available committed credit facilities of S$668.7 million. Together with available uncommitted credit facilities and cash balance, MLT is well positioned with S$1,426.3 million of financial resources and liquidity to capitalise on potential acquisition opportunities as well as withstand any liquidity crunch in the credit market that may arise.

MLT also has in place a S$3.0 billion Euro Medium Term Notes Programme that can be tapped for the issuance of MTNs and perpetual securities in various currencies. The Programme's capacity currently stands at S$2,702.6 million.

Aggregate Leverage Ratio Well Below Regulatory Limit

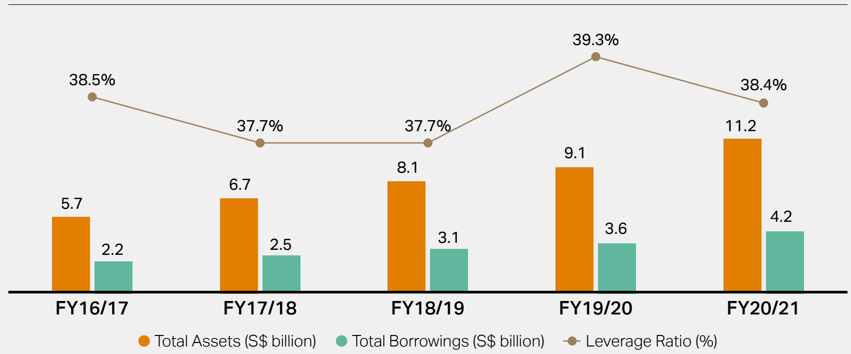
The lower leverage ratio of 38.4% (as compared to prior year's 39.3%) provides MLT with debt headroom of about S$2,586.0 million before the leverage ratio reaches the regulatory limit of 50.0%[1]. The relatively large headroom provides for a greater flexibility for MLT to manage its capital structure and to capture any acquisitive growth opportunity. Total debt (including perpetual securities) to net asset value ratio and total debt (including perpetual securities) less cash and cash equivalents to net asset value ratio as at 31 March 2021 were 93.1% and 92.3%, respectively.

No Refinancing Risk and Well-Staggered Debt Maturity Profile

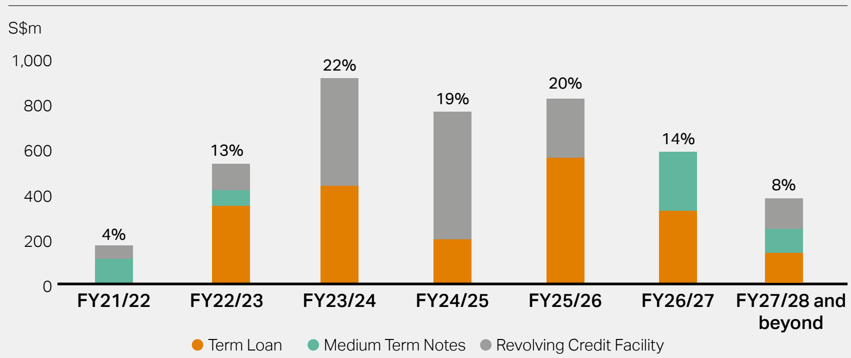
The Manager continues to actively explore refinancing of loans ahead of their maturities to extend MLT Group's debt maturity and mitigate refinancing risks by ensuring that no more than 30% of total debt is due in any one year. Debt due in the coming financial year amounts to only S$161.2 million or 4% of total debt. Based on the available committed credit facilities of approximately S$668.7 million, MLT has more than sufficient facilities to meet its maturing debt obligations in the coming financial year.

MLT Group's debt maturity profile remains well staggered with a weighted average debt duration of approximately 3.8 years as at 31 March 2021. The Group's refinancing risk exposure in any one financial year is no more than 23% of total debt. About 91% of total debt are unsecured with minimal financial covenants.

Aggregate Leverage Ratio



Debt Maturity Profile as at 31 March 2021 (% of Total Debt)



	As at 31 March 2021
Total Borrowings, excluding lease liabilities (S$ million)	4,226.1
Average Debt Duration (years)	3.8

Note:

[1] The Monetary Authority of Singapore raised the aggregate leverage limit for S-REITs from 45.0% to 50.0% with effect from 16 April 2020.

Capital Management

Credit Rating: Investment Grade

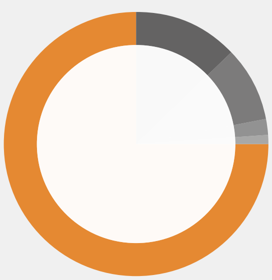
On 9 December 2020 and 18 March 2021, after the announcement of our maiden entry into India with an acquisition, Moody's Investors Service ("Moody's") has reaffirmed MLT's long-term corporate rating of Baa2 with a stable outlook, after taking into consideration its diversified portfolio of logistics assets across nine markets within Asia Pacific; stable and recurring rental income from its properties, which will support healthy credit metrics over the next 12-18 months; excellent liquidity over the next 12-18 months; and its ownership by a financially strong sponsor, because the trust can leverage on its sponsor's expertise, track record and strong network of relationship banks.

Moody's believes MLT's credit profile will remain resilient as the increased demand for logistics and warehouse space driven by third-party logistics, e-commerce and pharmaceutical companies will support occupancy rates and rental income. Additionally, MLT has minimal exposure to tenants in sectors severely affected by COVID-19.

Prudent Hedging Strategies

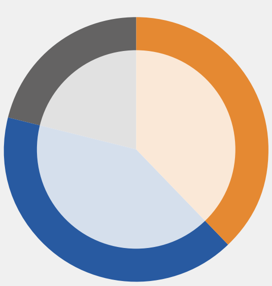
In view of MLT's diversified geographic presence across nine regional markets, the Trust's operations are subject to various market risks, including interest rate and foreign exchange rate volatilities, amongst others. The Manager enters into derivative financial instruments to mitigate the impact of interest rate and foreign exchange rate volatilities on distributable income.

Interest Rate Hedging Profile as at 31 March 2021



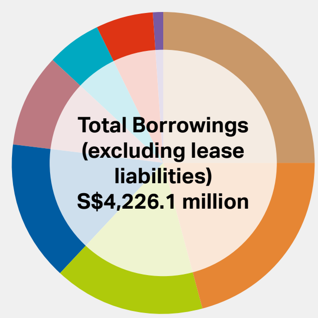
	%
Hedged/Fixed Rate	75
Unhedged	25
SGD	13
JPY	9
AUD	2
INR	1

Foreign Exchange Rate Risk Management Profile as at 31 March 2021



	%
Hedged (JPY, HKD, KRW, RMB, AUD)	38
SGD	41
Unhedged	21

Debt Profile (Currency Breakdown) as at 31 March 2021



Currency	S$ million	% of total debt
JPY	1,055	25%
SGD	892	21%
HKD	665	16%
AUD	626	15%
RMB	451	10%
MYR	245	6%
KRW	241	6%
INR	42	1%
USD	9	0%
Total	**4,226**	**100%**

Managing Interest Rate Risk

The average cost of debt for FY20/21 was 2.2% per annum while interest cover ratio stood at a healthy 5.1 times as at 31 March 2021. MLT hedges its exposure to interest rate volatilities through interest rate swaps or draw its loans on fixed rate basis. With 75% of MLT's total debt being hedged into fixed rate, any movement in base interest rates will have minimal impact on interest expense.

Sensitivity Analysis

A 0.25% movement in the base rate would have an estimated SGD 0.06 cent impact on DPU per annum.

Estimated DPU impact per annum (SGD cent)

0.25% increase in interest rate	-0.06
0.25% decrease in interest rate	+0.06

Managing Foreign Exchange Rate Risk

To mitigate the impact of foreign exchange rate risk, the Manager adopts various strategies that include:

- The use of foreign currency denominated borrowings to match the currency of the underlying assets as a natural hedge, where feasible, after taking into account cost, tax and other considerations;
- The use of cross currency swaps to swap a portion of debt in another currency into the currency of the underlying assets; and
- Entering into currency forward contracts to hedge the foreign currency income received or to be received into SGD.

As at 31 March 2021,

- About 79% of MLT's projected income stream for the next 12 months has been hedged into or will be derived in SGD.
- About 25% of MLT's loans were denominated in JPY, 54% in other foreign currencies such as HKD, AUD, KRW, USD, RMB, INR and MYR, and the balance 21% in SGD.

Net Fair Value of Financial Derivatives

The fair value derivatives for FY20/21 included in the financial statements as derivative financial instruments in total assets and total liabilities were S$20.1 million and S$66.6 million, respectively. The net derivative financial liabilities of S$46.5 million represented 0.76% of the net assets of MLT Group as at 31 March 2021.