Capital Management

MLT adopts a disciplined and prudent approach in its capital management strategy to stay resilient amid the challenging economy. To generate stable returns for its Unitholders, the Manager focuses on maintaining a robust balance sheet and an efficient capital structure. All investments are made after carefully assessing risks, financing considerations and the optimal structuring to achieve an appropriate mix of equity and debt. In addition to maintaining a well-staggered debt maturity profile, MLT employs proactive hedging strategies to mitigate the impact of higher interest rates and foreign exchange rate volatilities.

DIVERSIFIED SOURCES OF FUNDING

MLT remains committed to ensuring it has sufficient liquidity and flexibility to meet its refinancing and working capital requirements, while supporting portfolio growth and asset enhancement initiatives. During the year, the Manager undertook several initiatives to strengthen MLT's balance sheet while diversifying sources of funding to fund its acquisitions and capital expenditure.

ISSUANCE OF INAUGURAL GREEN BOND

After publishing its Green Finance Framework in March 2024, MLT issued its inaugural 7-year S$75.0 million Green Bond, pursuant to its S$3.0 billion Euro Medium Term Securities Programme. Priced at 3.81%, the Green Bond was raised via a private placement to finance MLT's eligible green properties and serves to diversify MLT's investor base and further integrate sustainability into its financing strategy. With the inclusion of the Green Bond Principles in the Framework, MLT is committed to engaging in business practices that will deliver environmental and social benefits, solidifying its commitment towards a sustainable future.

Since MLT procured its first sustainability-linked financing in 2019, its green and sustainability-linked loan drawn now stands at S$964.1 million, which accounts for 18% of its total borrowings.

Key Financial Metrics and Indicators

	As at 31 March 2024	As at 31 March 2023
Total Borrowings, excluding lease liabilities (S$ million)	5,309.6[1]	4,877.4[1]
Total Deferred Consideration (S$ million)	2.8	13.7
Total Assets (S$ million)	13,812.3	13,423.2
Aggregate Leverage[2]	38.9%	36.8%
Unencumbered Assets as % of Total Assets	94.3%	93.5%
	FY23/24	**FY22/23**
Average Cost of Debt	2.5%	2.5%
EBITDA (S$ million)	526.5	529.5
Interest Expenses (S$ million)	143.6	131.4
Interest Cover Ratio (times)[3]	3.7	4.0
Adjusted Interest Cover Ratio (times)[4]	3.1	3.5

1 Total borrowings including lease liabilities is S$5,350.0 million and S$4,908.8 million as at 31 March 2024 and 31 March 2023, respectively.
2 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 with the Monetary Authority of Singapore guidance.
3 Ratio of EBITDA over interest expense for a 12-month period up to balance sheet date.
4 Includes the trailing 12 months perpetual securities distribution.

Financial Resources and Liquidity

	As at 31 March 2024 S$'million
Undrawn committed credit facilities	950.3
Undrawn uncommitted credit facilities	476.6
Total available credit facilities	1,426.9
Cash and cash equivalents[1]	304.8
Total	**1,737.7**
Issue Capacity under Euro Medium Term Notes Programme	**2,056.1**

1 Exclude restricted cash of S$6.0 million

In May 2023, MLT also issued a new 9-year JPY3.0 billion (approximately S$27.0 million) fixed-rate bond at 1.535% per annum under the same programme. The proceeds from the issuance were used for general corporate purposes, including refinancing existing borrowings.

As at 31 March 2024, MLT currently has a total of S$625.3 million MTN in issuance. By tapping on the debt capital markets, MLT is able to secure long-term fixed rate financing and have more available credit facilities to draw from whenever required.

CREDIT FACILITIES WITH COMPETITIVE TERMS

MLT enjoys strong support from a global network of over 20 banking partners. In the last financial year, MLT entered into S$1,217.2 million of new credit facilities with tenures ranging from 4 to 8 years. These are used to partially fund the Manager's acquisitions, asset enhancement initiatives and refinancing activities. In aggregate, MLT has S$6,111.3 million of credit facilities at favourable terms and competitive pricing as of March 2024.

During the year, MLT completed nine acquisitions and incurred capital expenditure totalling S$1.0 billion. These investments were funded by diversified sources, including S$180.0 million of divestment proceeds and the balance by a mix of equity and debt. MLT's total debt increased by S$433.0 million from last year after taking into account lower net translated foreign currency loans of S$155.4 million mainly due to the depreciation of all regional currencies against SGD.

ROBUST BALANCE SHEET WITH AMPLE LIQUIDITY

As at 31 March 2024, MLT has available committed credit facilities of S$950.3 million. Together with available uncommitted credit facilities and cash balance, MLT is well-positioned with S$1,737.7 million of financial resources and liquidity to capitalise on potential acquisition opportunities and withstand any liquidity crunch that may arise in the credit market.

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 current capacity stands at S$2,056.1 million.

AGGREGATE LEVERAGE RATIO WELL BELOW REGULATORY LIMIT

As at 31 March 2024, MLT's aggregate leverage ratio is 38.9%, providing the Trust with a debt headroom of about S$3.1 billion before the aggregate leverage ratio reaches the regulatory limit of 50.0%[1]. The relatively large headroom provides greater flexibility for MLT to manage its capital structure and capture potential acquisitive growth opportunities. 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 2024 was 78.7% and 78.6% respectively.

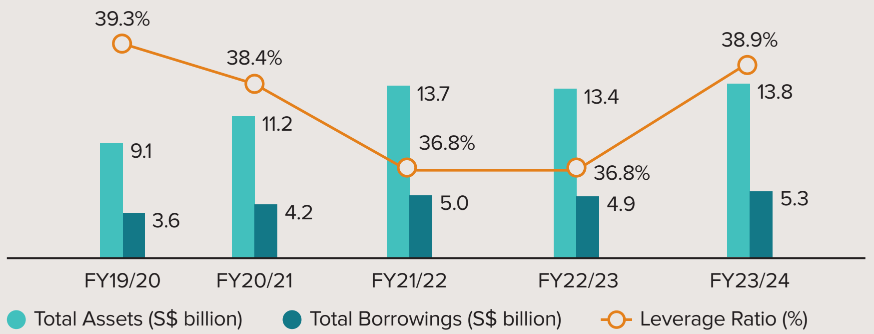
WELL-STAGGERED DEBT MATURITY PROFILE WITH NO REFINANCING RISK

The Manager diligently explores refinancing of loans ahead of their maturities with new and existing banking partners to extend MLT's debt maturity and mitigate refinancing risks. Debt due in the next 12 months amounts to only S$275.0 million or 5% of total debt.

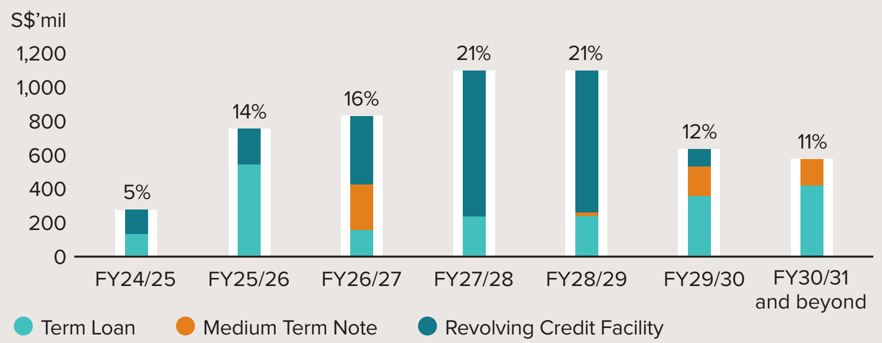
Based on the available committed credit facilities of S$950.3 million, MLT has more than sufficient facilities to meet its maturing debt obligations in the coming financial year.

Underpinned by its proactive debt management, MLT presents a well staggered debt maturity profile with no more than 21% of its total debt due in any one year. It also has a healthy weighted average debt duration of approximately 3.8 years as at 31 March 2024. Approximately 93% of total debt is unsecured with minimal financial covenants.

Aggregate Leverage Ratio Trend



Debt Maturity Profile as at 31 March 2024 (% of Total Debt)



	As at 31 March 2024
Total Borrowings, excluding lease liabilities (S$ million)	5,309.6
Average Debt Duration (years)	3.8

1 The Monetary Authority of Singapore ("MAS") raised the aggregate leverage limit for S-REITs from 45.0% to 50.0% with effect from 16 April 2020, on condition of a minimum adjusted interest coverage ratio of 2.5 times.

Capital Management

INVESTMENT GRADE CREDIT RATING

In March 2024, Fitch affirmed a 'BBB+' long-term issuer default rating with a stable outlook to MLT and its S$3.0 billion Euro Medium Term Securities Programme. The rating was underpinned by MLT's stable rental income generated from its diversified tenant base and its high quality portfolio of logistics assets spread across nine markets within Asia Pacific.

PRUDENT HEDGING STRATEGIES AMID A CHALLENGING ENVIRONMENT

MLT's geographically diversified portfolio subjects the Trust's operations to a variety of market risks, including interest rate and foreign exchange rate risks, amongst others. Exposure to these risks is managed via derivative financial instruments to mitigate the impact of higher interest rates and foreign exchange rate volatilities on distributable income.

MANAGING INTEREST RATE RISK

Following a series of aggressive rate hikes in FY22/23, the US Federal Reserve raised rates by another 50 basis points in FY23/24. Given the prospects of a higher-for-longer interest rate environment, the Manager proactively reviews its interest rate exposure, enabling it to seize opportunities to lock in new hedges or replace existing hedges at favourable rates.

MLT managed to keep its average cost of debt for FY23/24 stable at 2.5% per annum. Interest cover ratio and adjusted interest cover ratio stood at a healthy 3.7 times and 3.1 times respectively as at 31 March 2024. MLT manages its interest costs by maintaining a prudent mix of fixed and floating rate debt. The Manager hedges its exposure to interest rate volatilities through interest rate swaps, by issuing fixed rate MTNs, or by drawing loans on a fixed rate basis. With 84% of MLT's total debt being hedged into fixed rates, any movement in base interest rates will have minimal impact on the Trust's interest expense and distributable income. At the same time, the unhedged floating rate portion of the debt provides MLT with the flexibility to repay debts from divestment proceeds or available cash, as well as to rebalance its portfolio.

Interest Rate Hedging Profile as at 31 March 2024

Hedged / Fixed Rate	**84%**
Unhedged	**16%**

	Unhedged %
JPY	**11%**
SGD	**3%**
MYR, AUD	**2%**

INTEREST RATE SENSITIVITY ANALYSIS

A 0.25% movement in the base rate for unhedged loans would have an estimated 0.04 SGD cent impact on DPU per annum.

Estimated DPU impact per annum (SGD cent)	
0.25% increase in base interest rate	-0.04
0.25% decrease in base interest rate	+0.04

MANAGING FOREIGN EXCHANGE RATE RISK

To mitigate the impact of foreign exchange rate risk, the Manager adopts various hedging 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.

During FY23/24, all of MLT's foreign currency exposures depreciated by between approximately 1% to 11% against the Singapore Dollar. MLT's proactive hedging strategy helped it navigate the challenging foreign exchange environment, as its currency forward contracts mitigated the impact of foreign exchange volatilities on distributable income. Looking ahead, 78% of MLT's distributable income for FY24/25 had been hedged into or derived in Singapore Dollar.

In managing the company's interest rate profile and foreign exchange exposures, the Manager continues to take into consideration the market outlook, expected cashflows from business operations and any acquisition and divestment plans.

NET FAIR VALUE OF FINANCIAL DERIVATIVES

MLT's net derivative financial assets of S$241.3 million represented 3.22% of its net assets as at 31 March 2024. The fair value derivatives for FY23/24 is included in the financial statements as derivative financial instruments.

Foreign Exchange Rate Risk Management Profile as at 31 March 2024

Hedged	**78%**
Unhedged	**22%**

Debt Profile (Currency Breakdown) as at 31 March 2024

Currency	S$ million	% of total debt
JPY	1,591	30%
RMB	926	17%
HKD	656	12%
SGD	614	12%
KRW	587	11%
AUD	540	10%
MYR	291	5%
USD	96	2%
INR	9	1%
Total	**5,310**	**100%**