

30 September 2015 | 24 pages

Real Estate/Property
Asia | Indonesia

■ Initiation of Coverage

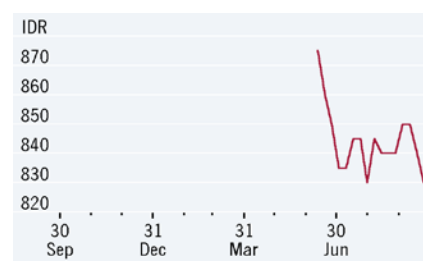
Mega Manunggal Property (MMLP.JK)

Initiate at Buy/High Risk: Warehouse Play on FMCG & E-com Surge

- Indonesia's leading provider of modern logistics facilities:** We initiate on MMLP with a Buy/1H and a DCF TP of Rp1,100 (33% upside). The company offers :1) first-mover advantages and operational strengths to attract long-term quality tenants such as Unilever and DHL; 2) promising growth potential, rooted in the FMCG and e-commerce sectors (replicating GLP's Asia success); 3) a strong, experienced management team with good channels to secure strategic landbank at good value.
- Riding e-commerce boom:** MMLP is poised to gain from Indonesia's burgeoning e-commerce market, which is estimated to grow to US\$3.6bn in FY15E at a five-year CAGR of 59% – but still much smaller than India's US\$26bn and China's US\$359bn. It recently secured *aCommerce*, a MatahariMall.com partner, as its first tech client, and potential customers include Zalora, Lazada and MAPeMall. E-com is becoming more feasible with an improved logistics environment through emerging two-wheeler (2W) deliverers like Go-Jek, Grab-Bike and Blu-Jek. MMLP's 2014 sales were Rp142bn (70% from built-to-suit), NLA was 163,757sqm and asset yield >10%. Tenant profile: FMCG 63%, logistics 24%, manufacturing 6%, e-com 4%.
- Key earnings drivers – land expansion, securing tenants:** MMLP's NLA in 1H15 was 16.3ha, with utilization already >95%. Management recently signed an MoU to buy 9ha of land in Bogor and 50ha in Bekasi for future expansion – enough until 2019E. We believe MMLP's first-mover advantages (scale, expertise and strong client profile) give it a lead in securing major tenants.
- Valuation & risks:** Our Rp1,100 target price for MMLP translates to 16E/17E PEs of 25/18x (vs. GLP's 30x/18x), which we believe is justified given its high growth profile (FY15-18E sales/EBITDA/EPS CAGRs of 32%/34%/42%; 2016E PEG 0.4x) and pioneer status. *Catalysts:* New tenants, NLA expansion and JVs (additional funding/liquidity). *Risks:* Macro downturn, competition and execution.

| | |
|-----------------------------|--------------------------|
| Buy/High Risk | 1H |
| Price (29 Sep 15) | Rp830 |
| Target price | Rp1,100 |
| Expected share price return | 32.5% |
| Expected dividend yield | 0.0% |
| Expected total return | 32.5% |
| Market Cap | Rp4,742,857M US\$323M |

Price Performance (RIC: MMLP.JK, BB: MMLP IJ)



Statistical Abstract

| Year to | Net Profit | Diluted EPS | EPS growth | P/E | P/B | ROE | Yield |
|---------|------------|-------------|------------|------|-----|------|-------|
| 31 Dec | (RpB) | (Rp) | (%) | (x) | (x) | (%) | (%) |
| 2013A | 91 | 1,207 | -71.2 | 0.7 | 0.1 | 11.5 | 0.0 |
| 2014A | 286 | 72 | -94.1 | 11.6 | 2.3 | 24.8 | 0.0 |
| 2015E | 148 | 26 | -63.7 | 32.0 | 1.8 | 7.3 | 0.0 |
| 2016E | 253 | 44 | 70.4 | 18.8 | 1.7 | 9.3 | 0.0 |
| 2017E | 341 | 60 | 34.7 | 13.9 | 1.5 | 11.3 | 0.0 |

Source: Powered by dataCentral

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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| Fiscal year end 31-Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Valuation Ratios | | | | | |
| P/E adjusted (x) | 0.7 | 11.6 | 32.0 | 18.8 | 13.9 |
| P/E reported (x) | 0.7 | 11.6 | 32.0 | 18.8 | 13.9 |
| P/BV (x) | 0.1 | 2.3 | 1.8 | 1.7 | 1.5 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Per Share Data (Rp) | | | | | |
| EPS adjusted | 1,207 | 72 | 26 | 44 | 60 |
| EPS reported | 1,207 | 72 | 26 | 44 | 60 |
| BVPS | 11,571 | 361 | 454 | 498 | 558 |
| NAVps ordinary | na | na | na | na | na |
| DPS | 0 | 0 | 0 | 0 | 0 |
| Profit & Loss (RpB) | | | | | |
| Net operating income (NOI) | na | na | na | na | na |
| G&A expenses | na | na | na | na | na |
| Other Operating items | na | na | na | na | na |
| EBIT including associates | 106 | 114 | 120 | 146 | 230 |
| Non-oper./net int./except. | 69 | 195 | 45 | 135 | 149 |
| Pre-tax profit | 174 | 309 | 165 | 281 | 379 |
| Tax | -12 | -14 | -17 | -28 | -38 |
| Extraord./Min. Int./Pref. Div. | -71 | -9 | 0 | 0 | -1 |
| Reported net income | 91 | 286 | 148 | 253 | 341 |
| Adjusted earnings | 91 | 286 | 148 | 253 | 341 |
| Adjusted EBIT | 106 | 114 | 120 | 146 | 230 |
| Adjusted EBITDA | 106 | 115 | 121 | 147 | 232 |
| Growth Rates (%) | | | | | |
| NOI | na | na | na | na | na |
| EBIT adjusted | 116.2 | 8.2 | 4.8 | 22.2 | 57.5 |
| EPS adjusted | -71.2 | -94.1 | -63.7 | 70.4 | 34.7 |
| Cash Flow (RpB) | | | | | |
| Operating cash flow | 170 | -15 | 150 | 256 | 346 |
| Depreciation/amortization | 1 | 1 | 1 | 1 | 2 |
| Net working capital | 8 | -310 | 2 | 3 | 4 |
| Investing cash flow | -340 | -305 | -302 | -417 | -438 |
| Capital expenditure | -339 | -289 | -302 | -417 | -438 |
| Acquisitions/disposals | 0 | 0 | 0 | 0 | 0 |
| Financing cash flow | 170 | 325 | 1,023 | -120 | -121 |
| Borrowings | 170 | 40 | 23 | -120 | -120 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 |
| Change in cash | 0 | 5 | 871 | -281 | -213 |
| Balance Sheet (RpB) | | | | | |
| Total assets | 1,840 | 2,139 | 3,313 | 3,451 | 3,686 |
| Cash & cash equivalent | 6 | 11 | 883 | 601 | 388 |
| Net fixed assets | 1 | 2 | 2 | 2 | 2 |
| Total liabilities | 972 | 691 | 717 | 603 | 497 |
| Total Debt | 563 | 597 | 620 | 500 | 380 |
| Shareholders' funds | 868 | 1,448 | 2,596 | 2,849 | 3,189 |
| Profitability/Solvency Ratios | | | | | |
| EBIT margin adjusted (%) | 88.4 | 80.5 | 78.6 | 78.9 | 80.8 |
| ROE adjusted (%) | 11.5 | 24.8 | 7.3 | 9.3 | 11.3 |
| ROA adjusted (%) | 5.4 | 14.4 | 5.4 | 7.5 | 9.5 |
| Net debt to equity (%) | 64.1 | 40.5 | -10.1 | -3.5 | -0.3 |
| Interest coverage (x) | 3.0 | 2.7 | 14.6 | na | na |

Contents

| | |
|---|-----------|
| Investment Thesis | 4 |
| Indonesia's leading provider of modern logistics facilities | 4 |
| Strong tenant profile with LT deals; riding e-com boom | 4 |
| Land expansion, securing tenants – key earnings drivers | 4 |
| Valuation, risks and catalysts | 4 |
| Business Profile | 5 |
| Replicating GLP's success | 8 |
| E-commerce development in Indonesia | 8 |
| Logistics & warehousing | 10 |
| Valuation & Earnings Drivers | 12 |
| Regional comparison | 12 |
| Key earnings drivers | 13 |
| Management Team | 16 |
| Appendix A-1 | 20 |

Investment Thesis

We initiate coverage of MMLP with a Buy/High Risk rating and Rp1,100 TP.

Indonesia's leading provider of modern logistics facilities

Indonesia's expanding middle-class is driving unparalleled growth in the FMCG and e-commerce sectors. Domestic consumption is the backbone of the economy (world's fourth most populated country with 250m people), and the related movement of consumer goods is rapidly increasing demand for modern logistics facilities. We initiate coverage of MMLP at Buy/1H with a Rp1,100 target price.

- MMLP has first-mover advantages and operational strengths in modern logistics facilities (warehouses), thus attracting long-term quality tenants (Unilever, DHL);
- It has promising growth potential through FMCG corporates and fast-emerging e-commerce players (e.g., recently signed MatahariMall.com), replicating Global Logistic Property's (GLP) success in Asia; and
- MMLP has a solid professional team (ex-DHL Indonesia MD Abdul Tahir sits on the board) with strong backing from property group *Argo Manunggal* (Alam Sutera, Bekasi Fajar), which provide access to strategic land acquisitions.

Strong tenant profile with LT deals; riding e-com boom

70% of MMLP's warehouses are in MM2100 Industrial Park, Bekasi; 30% in Halim, East Jakarta (near Halim Airport).

Average tenancy period for MMLP is 5-10 years; sticky clients in the built-to-suit category (70% of customers).

Established in Aug 2010 and listed in June 2015, MMLP is Indonesia's leading modern warehouse developer with FY14 sales of Rp142bn, Net Leasable Area (NLA) of 163,757sqm, and asset yield of >10%. Tenants profile: FMCG 63%, logistics 24%, manufacturing 6%, and e-commerce 4% (but with promising potential on booming Internet penetration). We see MMLP as a beneficiary of the booming Indonesian e-commerce growth (US\$3.6bn market in FY15E, +59% CAGR in the past five years, but still shy of India's US\$26bn and China's US\$359bn), being the pioneer modern warehouse provider. It recently secured *aCommerce* (partner of MatahariMall.com) as its first tech client, with potential customers being Zalora, Lazada and MAPeMall. E-commerce in Indonesia is becoming more feasible thanks to improved logistics with emerging 2W deliverers like Go-Jek, Grab-Bike and Blu-Jek.

Land expansion, securing tenants – key earnings drivers

MMLP's NLA was 16.3ha as at 1H15 and is already close to 100% utilization.

MMLP's NLA as at 1H15 was 16.3ha, with utilization already >95%. Management recently signed an MoU to buy 9ha of land in Bogor and 50ha in Bekasi for future expansion (c.55% gross to net conversion rate), which we believe will be enough until 2019 before having to seek funding again for future land acquisition. We believe MMLP's first-mover advantages (scale, expertise, and strong client profile) will help in securing big tenants, especially from the FMCG and e-commerce sectors. We forecast a 2014-17E NLA CAGR of 38%.

Valuation, risks and catalysts

We use DCF (12.1% WACC) to value MMLP. Our Rp1,100 TP translates to 2016/17E P/Es of 25/18x.

Our DCF-based (12.1% WACC) Rp1,100 TP for MMLP translates to 2016/17E P/Es of 25/18x (vs. GLP's 30x/18x), which we believe is well justified by its high growth profile (FY15-18 revenue/EBITDA/EPS CAGRs of 32%/34%/42%, 2016E PEG of 0.4x) and industry pioneer status. Key assumptions: 1) an 8% risk-free rate, 2) a 6% market risk premium, 3) beta of 0.9, 4) 10% net cost of debt, 5) 35:65 debt to equity, 6) 12.1% WACC, and 7) 6% terminal growth. *Catalysts* include new tenants, NLA expansion, potential JV investments from regional players like GLP, Daiwa and Mitsubishi (additional funding/liquidity). Risks include a macro downturn, rising competition and execution delays.

Business Profile

MMLP is Indonesia's leading modern logistic facility provider (warehouse) with NLA of 16.3ha as per 1H15, spread across West Cikarang (Bekasi) and Halim (East Jakarta) .

MMLP builds warehouses for clients and rents them out via a long-term contract. The company has two main types of warehouses – Built to Suit (BTS) and Standard Warehouse Building (SWB). BTS contributes 70% of MMLP's revenue with the remaining 30% as SWB. BTS generally attracts a bigger client profile (such as Unilever and Li & Fung), with longer-term contracts (5-10 years), generating stable cash flows. BTS can be said to be one of MMLP's strong competitive advantages, providing customization and a very hands-on approach in tailoring to the customer's needs. This has set the company apart from other smaller warehouse developers, which build to more standard specs. As at 1H15, MMLP had 16.4ha of net leasable area (NLA) with a 96% occupancy rate.

Figure 1. Warehouse Portfolio Summary

| Description | Unilever Mega DC | Intirub Business Park | Li & Fung | Selayar | Total / Average |
|--------------------------|--|---|--|--|-----------------|
| Location | West Cikarang (MM2100 Industrial Park) | Halim, East Jakarta | West Cikarang, Bekasi (MM2100 Industrial Park) | West Cikarang, Bekasi (MM2100 Industrial Park) | |
| Warehouse Type | Built-to-Suit | Standard Warehouse Building | Built-to-Suit | Standard Warehouse Building | |
| Gross Area (Sqkm) | 194,297 | 60,575 | 34,637 | 9,164 | 298,673 |
| Land License | HGB | HGB | HGB | HGB | HGB |
| Net Leasable Area (Sqkm) | 90,288 | 46,237 | 21,612 | 5,620 | 163,757 |
| MMLP's Ownership % | 100% | 99.5% | 100% | 100% | 100% |
| Occupancy Rate | 100% | 90.8% | 100% | | 94.4% |
| Revenue in FY14 (RpBn) | 82.9 | 42.8 | 16.2 | 0 | 141.9 |
| Major Tenants | Unilever | Grundfos, MHE Demag, DHL, aCommerce, BNI, etc | Li & Fung | NA | |

Source: Company Data FY14

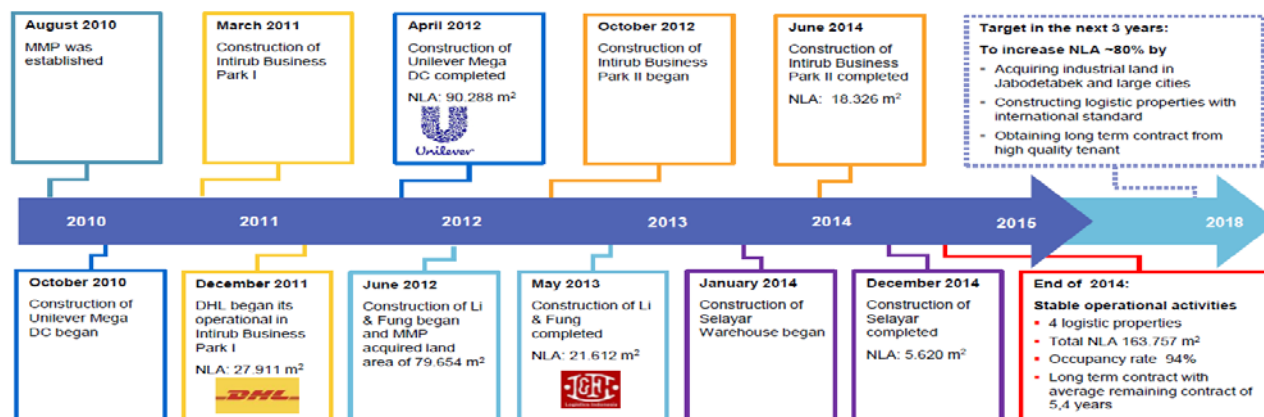
Figure 2. Warehouse Specs: Built to Suit vs. Standard Warehouse Buildings

| Built-to-Suit Projects | Land Area (sqm) | Gross Floor Area | Net Leasable Area | Date of Contract | Months to Develop | Delivery Date |
|------------------------|-----------------|------------------|-------------------|------------------|-------------------|---------------|
| Unilever Mega DC | 194,297 | 156,462 sqm | 90,288 sqm | 15-Dec-10 | 16 months | 25-Apr-12 |
| Li & Fung | 34,637 | 21,702 sqm | 21,612 sqm | 9-Jul-12 | 11 months | 15-May-13 |

| Standard Warehouse Projects | Land Area (sqm) | Gross Floor Area | Net Leasable Area | Months to Develop |
|-----------------------------|-----------------|---|--|-------------------|
| Intirub Business Park 1 | 28,195 | 30,086 sqm (warehouse) + 5,455 sqm (office) | 23,272sqm (warehouse) + 4,639 sqm (office) | 9 months |
| Intirub Business Park 2 | 32,380 | 23,219 sqm (warehouse) + 5,696 sqm (office) | 13,680sqm (warehouse) + 4,646 sqm (office) | 18 months |
| Selayar | 9,164 | 5,472sqm | 5,620 sqm | 12 months |

Source: Company Data

Figure 3. Company's Milestones



Source: Company Data

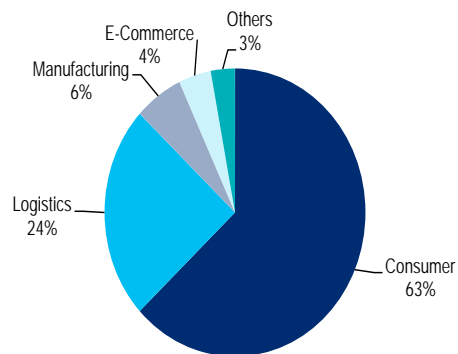
MMLP's customer profiles as per 1H15 were mostly consumer (63%), followed by logistics (24%), manufacturing (6%), e-commerce (4%), and others. Going forward, we believe MMLP will have larger contribution from the e-commerce sector with potential customers (with similar B2C concept like existing tenant MatahariMall.com) such as Lazada, Zalora, Bilna, MAPeMall, etc.

Figure 4. MMLP's Customers



Source: Citi Research

Figure 5. Customer Business Segment, 1H15

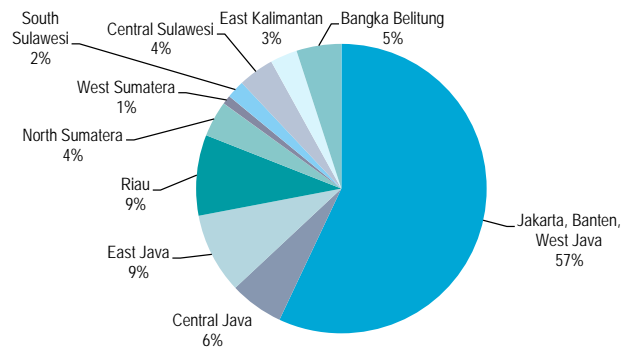


Source: Citi Research

Location is key...

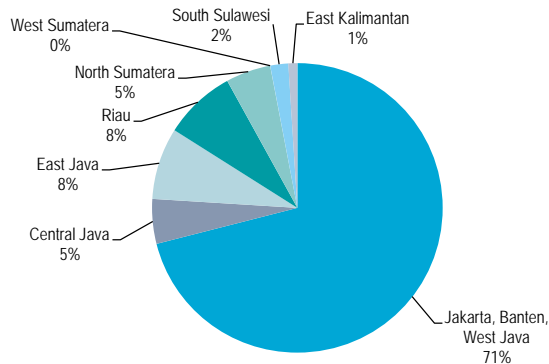
MMLP's two core modern warehousing areas are located in strategic locations within the Greater Jakarta Area (MM2100- West Cikarang in Bekasi, and Halim-East Jakarta), whereby the region contributes to 71% of the total developed industrial estate areas across Indonesia. Location is a crucial determination factor for customers to decide where to build their warehouses, especially on the transportation, regional regulatory and labor availability factors.

Figure 6. Geography; Industrial Estates Area in Indonesia



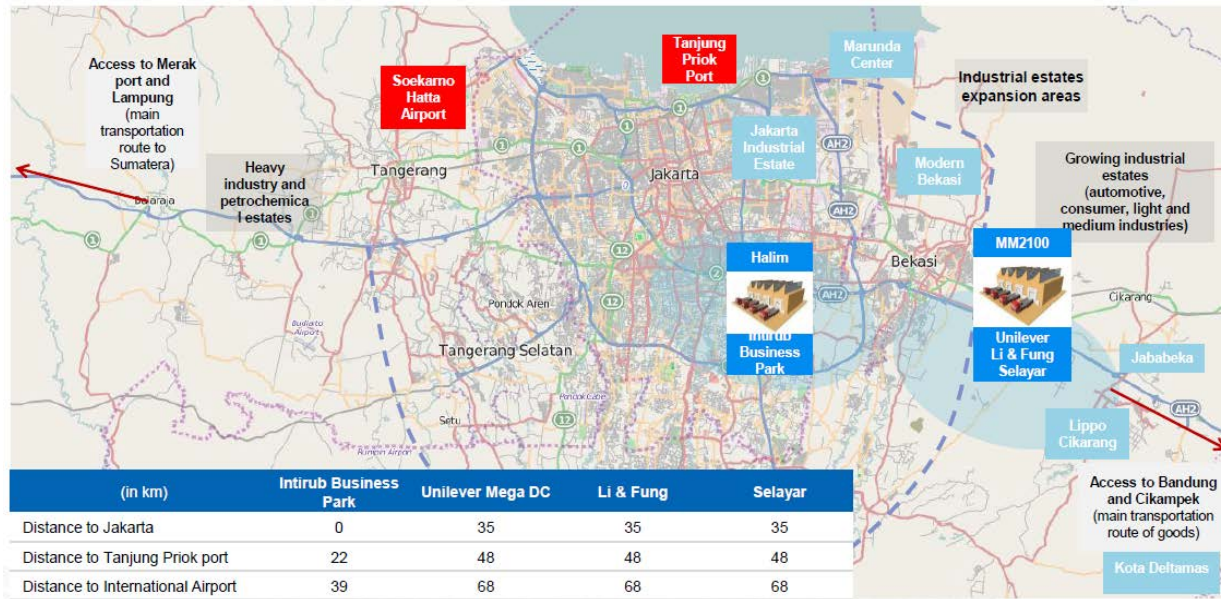
Source: Citi Research, Company Data 2014, Industry Association

Figure 7. Geography; Developed Industrial Estates Area in Indonesia



Source: Citi Research, Company Data 2014, Industry Association

Figure 8. Location of MMLP's Warehouses (Bekasi and Halim)



Source: Company Data

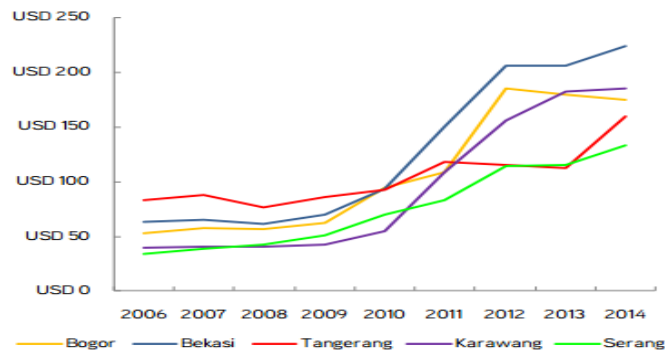
Indonesia's strong industrial land ASP growth profile of +20% CAGR in FY11-14, as per Figure 9 below, is advantageous for MMLP; as can be seen from Rp261bn of property upwards revaluation in FY14 vs. NPAT of Rp287bn (202% net margin). The accounting regulation allows a pure investment property company to annually revalue land assets and book gain/loss below the EBIT line, without being exposed to capital gain tax. Nevertheless, we only expect land ASP to grow 5% p.a. going forward as prices have begun to stabilize. We therefore believe that EBITDA is a more reliable driver to gauge MMLP's earnings.

Figure 9. Industrial Land Prices – Greater Jakarta – ASP Growth Trend 3-year CAGR

| Industrial Land Prices | | | | | |
|------------------------|------------|------------|------------|------------|-------------------|
| USD/Sqm | 2011 | 2012 | 2013 | 2014 | %CAGR (2011-2014) |
| Bekasi | 123 | 184 | 215 | 223 | 22% |
| Bogor | 107 | 127 | 220 | 174 | 18% |
| Tangerang | 111 | 123 | 126 | 159 | 13% |
| Karawang | 83 | 136 | 177 | 185 | 31% |
| Serang | 78 | 101 | 130 | 133 | 19% |
| Average | 100 | 134 | 174 | 175 | 20% |

Source: Citi Research, Company Data

Figure 10. Industrial Land Prices – Greater Jakarta: ASP Growth Trend



Source: Colliers International

Figure 11. Shareholder Composition of MMLP

| Shareholders | Pre IPO (31 Dec 2014) | | Post IPO (30 Jun 2015) | |
|--------------------------|-----------------------|----------------------|------------------------|----------------------|
| | % | No of Shares | % | No of Shares |
| PT Mega Mandiri Properti | 100% | 4,000,000,000 | 69.30% | 3,960,000,000 |
| Vasanta Investments Ltd | 0% | 0 | 5.8% | 331,678,700 |
| Hungkang Sutedja | 0% | 0 | 0.70% | 40,000,000 |
| Public | 0% | 0 | 24.2% | 1,382,601,300 |
| Total | 100% | 4,000,000,000 | 100% | 5,714,285,714 |

Source: Company Data

Replicating GLP's success

MMLP is trying to become the GLP of Indonesia, especially in tapping FMCG, e-commerce and 3PL high-growth sectors.

GLP provides modern warehouses to Alibaba, JD.com and Amazon in China...

GLP (GLPL.SI, ~US\$7bn mkt cap) is a leading modern logistics facilities provider in China, Japan, Brazil and the US, with a portfolio of 42m sqm (452m sqf) located across 107 key markets, serving more than 4,000 customers. GLP is dedicated to improving supply chain infrastructure with a strong tenant profile operating in the sectors of manufacturing (Adidas, Samsung, P&G, L'Oreal), retailing/e-commerce (Alibaba, JD.com, Walmart) and 3PL (DHL, Nippon Express, Hitachi).

We believe MMLP is trying to become the GLP of Indonesia by using a similar business model approach and targeting similar client profiles, especially riding the e-commerce boom. In China, Modern Logistic Facility accounts for 15-20% of the total warehouse supply – that's where GLP saw the opportunity to grow. Meanwhile in Indonesia, Modern Logistic Facility accounts for a very small portion of <5% of total warehouse supply (no official data available). MMLP is Indonesia's pioneer in the industry (also the only pure warehouse play) and is undoubtedly the first option to go to for corporates looking for a modern warehouse (e.g., as Unilever decided to migrate from multiple smaller traditional warehouses across Indonesia into one huge 9ha *Mega DC Warehouse* with MMLP in Bekasi).

E-commerce development in Indonesia

E-commerce spending is still low in Indonesia but has one of the fastest growth rates globally, reflecting trends in China/ India.

Indonesian e-commerce (B2C) sales are expected to reach US\$3.6bn in FY15E, still shy of India's US\$26bn, Brazil's US\$26bn and China's US\$359bn, but with one of the highest growth rates globally at +52% vs. China's +51%, India's +28% and Brazil's 14% (5-year CAGR FY11-16E). Indonesia has a population of 250m people, making it the fourth most populated country in the world, after China's 1.4bn, India's 1.3bn and the US' 320m. Indonesia's e-commerce boom is fueled by the rising middle-class and booming penetration of the Internet (improved data availability) and smartphone (phones getting cheaper).

The top four e-commerce players in Indonesia by traffic (as per Aug 2015) are 1) Bukalapak, 2) Lazada, 3) Tokopedia and 4) OLX.

Click here to see our [Indonesia Internet sector report](#), published in March 2015.

The sector is undoubtedly in the spotlight, as shown by Indonesia's recent e-commerce investments: 1) Rocket Internet's **Lazada SEA** (most revenue from Indonesia), which booked in US\$384m of GMV in FY14, secured US\$250m financing in Dec 2014 from SG's Temasek, 2) Local conglomerate Emtek Group injected fresh funds in marketplace **Bukalapak.com** in early 2015 for a combined 42% stake, 3) **Tokopedia.com** received a US\$100m injection from Japan's Softbank in Oct2014 (this was the first huge and flagship e-commerce investment in Indonesia). 4) **OLX** (subsidiary of South Africa's Naspers) bought **Tokobagus.com** and **Berniaga.com** in 2014 and merged both into OLX. 5) Local conglomerate Lippo Group pumped in US\$500m to set up **MatahariMall.com** in 2Q15, leveraging brand name/expertise from existing Matahari Department Store.

Figure 12. B2C E-Commerce Sales Worldwide, by Region and Country, 2011-2016

| US\$ Billion | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E | 5yrs CAGR |
|-------------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|------------|
| North America | 328 | 373 | 420 | 469 | 523 | 580 | 12% |
| USA* | 309 | 352 | 395 | 442 | 492 | 546 | 12% |
| Canada | 19 | 21 | 24 | 28 | 31 | 34 | 13% |
| Asia Pacific | 238 | 316 | 389 | 502 | 607 | 708 | 24% |
| China | 57 | 110 | 182 | 275 | 359 | 440 | 51% |
| Japan | 113 | 128 | 119 | 127 | 136 | 143 | 5% |
| Australia | 23 | 25 | 27 | 28 | 30 | 31 | 6% |
| South Korea | 16 | 17 | 19 | 20 | 22 | 24 | 8% |
| India | 9 | 12 | 16 | 21 | 26 | 30 | 28% |
| Indonesia | 0.56 | 1.04 | 1.79 | 2.60 | 3.56 | 4.49 | 52% |
| Other | 20 | 22 | 25 | 28 | 32 | 35 | 12% |
| Western Europe | 218 | 256 | 291 | 326 | 358 | 388 | 12% |
| UK | 77 | 87 | 99 | 111 | 123 | 133 | 12% |
| Germany | 38 | 47 | 53 | 58 | 62 | 66 | 12% |
| France | 30 | 33 | 37 | 40 | 44 | 47 | 10% |
| Spain | 16 | 19 | 22 | 25 | 27 | 30 | 14% |
| Italy | 13 | 16 | 20 | 24 | 28 | 31 | 19% |
| Netherlands | 7 | 8 | 9 | 10 | 11 | 12 | 10% |
| Sweden | 5 | 6 | 7 | 8 | 9 | 10 | 13% |
| Norway | 5 | 6 | 7 | 8 | 8 | 9 | 13% |
| Denmark | 5 | 6 | 7 | 7 | 8 | 9 | 10% |
| Finland | 3 | 4 | 4 | 5 | 5 | 6 | 12% |
| Other | 20 | 23 | 27 | 30 | 33 | 36 | 13% |
| Central & Eastern Europe | 31 | 40 | 49 | 58 | 64 | 69 | 17% |
| Russia | 11 | 14 | 18 | 21 | 23 | 25 | 17% |
| Other | 20 | 26 | 31 | 37 | 41 | 44 | 17% |
| Latin America | 28 | 38 | 46 | 56 | 63 | 70 | 20% |
| Brazil | 14 | 17 | 20 | 24 | 26 | 27 | 14% |
| Mexico | 4 | 6 | 8 | 10 | 11 | 13 | 25% |
| Argentina | 3 | 3 | 4 | 5 | 6 | 6 | 20% |
| Other | 8 | 11 | 14 | 18 | 20 | 23 | 25% |
| Middle East & Africa | 14 | 21 | 27 | 34 | 40 | 45 | 26% |
| Worldwide | 858 | 1,043 | 1,221 | 1,445 | 1,655 | 1,860 | 17% |

Source: Citi Research, eMarketer Note: Includes travel, digital downloads

Indonesia's B2C e-commerce sales are now expected to grow at the fastest rate worldwide until at least 2017E, mirroring previous trends of China and India.

Figure 13 shows Indonesia's e-commerce (B2C) sales growth was among the highest globally in 2013 with 71% growth vs. China at 65%, India 35%, Asia Pac 23%, Latin America 22%, and USA 13%. Indonesia is still expected to grow a robust 37% this year, 26% next year, and 22% in 2017. The market is then expected to stabilize with <25% growth from 2017 onwards.

Figure 13. E-Commerce (B2C) Sales Growth Worldwide, by Region and Country, 2011-17

| | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E | 2017E |
|-----------------------|-------------|------------|------------|------------|------------|------------|------------|
| Asia Pacific | 37% | 33% | 23% | 29% | 21% | 17% | 14% |
| Indonesia | 105% | 85% | 71% | 45% | 37% | 26% | 22% |
| China | 104% | 94% | 65% | 51% | 31% | 23% | 18% |
| India | 47% | 40% | 35% | 27% | 24% | 18% | 17% |
| South Korea | 18% | 6% | 7% | 9% | 8% | 8% | 7% |
| Australia | 11% | 11% | 6% | 6% | 5% | 5% | 4% |
| Japan | 27% | 13% | -7% | 7% | 7% | 6% | 5% |
| Other | 24% | 12% | 13% | 12% | 12% | 11% | 10% |
| Latin America | 39% | 33% | 22% | 22% | 13% | 10% | 8% |
| Mexico | 47% | 47% | 30% | 24% | 15% | 13% | 10% |
| Brazil | 33% | 22% | 17% | 19% | 9% | 7% | 6% |
| Argentina | 41% | 31% | 15% | 24% | 18% | 12% | 10% |
| Other | 45% | 46% | 29% | 23% | 15% | 13% | 10% |
| Western Europe | 17% | 17% | 14% | 12% | 10% | 8% | 8% |
| Italy | 32% | 26% | 23% | 20% | 17% | 12% | 12% |
| Spain | 22% | 19% | 16% | 14% | 12% | 10% | 8% |
| Sweden | 22% | 18% | 16% | 13% | 10% | 9% | 8% |
| Norway | 22% | 17% | 15% | 13% | 11% | 7% | 6% |
| Finland | 20% | 16% | 15% | 11% | 9% | 7% | 6% |
| UK | 14% | 14% | 14% | 12% | 10% | 8% | 7% |
| Germany | 17% | 23% | 13% | 9% | 7% | 7% | 6% |
| Denmark | 17% | 14% | 12% | 11% | 9% | 7% | 6% |
| Netherlands | 20% | 14% | 12% | 10% | 9% | 7% | 6% |
| France | 12% | 12% | 11% | 9% | 8% | 8% | 7% |
| Other | 20% | 20% | 15% | 12% | 10% | 9% | 8% |
| North America | 15% | 14% | 13% | 12% | 11% | 11% | 10% |
| Canada | 12% | 14% | 14% | 14% | 13% | 11% | 10% |
| USA | 15% | 14% | 12% | 12% | 11% | 11% | 10% |
| Worldwide | 23% | 22% | 17% | 18% | 15% | 12% | 11% |

Source: Citi Research, eMarketer

Logistics & warehousing

New class of logistics and warehousing distribution centers will appear...

With the strong rise in e-commerce and online shopping, logistics and distribution centers such as mega distribution centers (warehousing), parcel hubs, and delivery centers and local 'urban logistics' centers are bound to emerge. One might relate e-commerce logistics to simply the courier players, but the warehouse players – playing an equally important role in the end-to-end delivery cycle – are often forgotten. (Refer to our regional report: [Delivering E-Commerce](#) for global industry color on e-commerce logistics.)

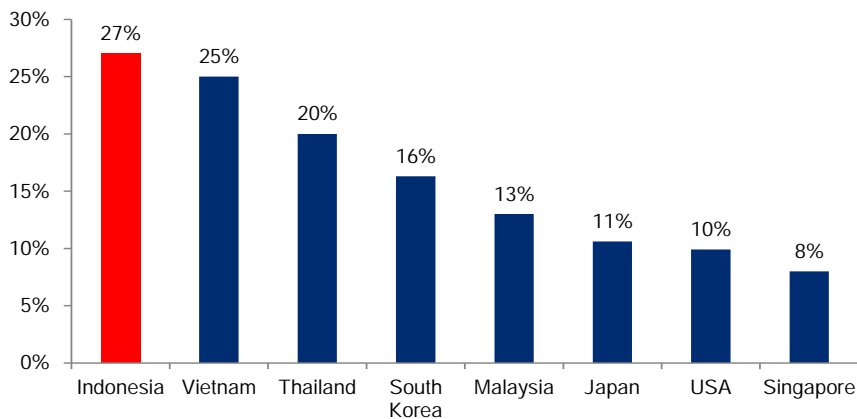
Warehouse and Distribution Center plays a crucial role in the logistics flow in order to boost efficiency and minimize cost.

In the developed markets during the 1970s, most retail stores were replenished by direct deliveries from suppliers or wholesalers. In the 1980s, the distribution center emerged, and retailers began to centralize their store deliveries through new DCs that they controlled. The 1990s saw global sourcing start to take off, with many retailers developing import centers to receive and process mostly containerized imports from China, and from about 2000, e-commerce began to expand rapidly with Internet/online retailers leading the way in establishing e-fulfillment distribution networks.

Logistics involves managing the flow of goods between the point of origin and the point of consumption – and, as such, has supported economic activity for as long as people have traded. Indonesia's logistics infrastructure has not yet fully developed, creating challenges for e-commerce companies in quick-delivery services.

Indonesia's logistics cost as a % of GDP is among the highest globally, at 27%. Some big e-commerce companies have their own delivery fleet to ensure quality of service, but others rely on third-parties such as JNE and TIKI (local fast delivery service providers). Logistics is not mere transportation but also involves warehousing and distribution. Warehouse locations as well as advanced distribution centers play an important role in improving efficiency and minimizing logistics costs, as reflected in Unilever Indonesia's decision in building one Mega Distribution Center via MMLP vs. previously having several smaller, scattered warehouses.

Figure 14. Logistics Costs as % of GDP among Advanced and ASEAN Countries



Source: Citi Research, World Bank 2013

Wave of warehouse space will start in bigger cities first, as we saw in countries like China, Russia, Brazil, India, Mexico.

In other developing countries such as China, Russia, Brazil, India and Mexico, the take-up of warehouse space was initially concentrated in big and tier 1 cities. We expect the same in Indonesia, with Tier 1 cities such as Greater Jakarta, Surabaya, Medan and Makassar being dominant. We believe retailers such as Mitra Adiperkasa, Ace Hardware, Matahari and several others will try to increase their distribution channels to increase the speed of products to their customers.

Providers of modern logistics facilities are bigger beneficiaries than industrial estates in riding FMCG & e-com growth.

Although some industrial estate players could benefit due to rising demand for warehousing, we believe pure players will gain more as online shopping companies like Lazada and Zalora need distribution centers close to their consumers. Industrial estate players in Indonesia such as Surya Semesta, Modernland and Jababeka have industrial landbank quite far from the areas that are suitable for FMCG companies such as P&G and Unilever.

Valuation & Earnings Drivers

Our DCF-based TP is Rp1,100/sh, based on 12.1% WACC.

Our DCF-based (12.1% WACC) Rp1,100 TP for MMLP translates to 2016/17E P/Es of 25/18x (vs. GLP's 30x/18x), which we believe is well justified by its high growth profile (2015-18E revenue/EBITDA/EPS CAGRs of 32%/34%/42%, 2016E PEG of 0.4x) and industry leadership. Key assumptions: 1) an 8% risk-free rate, 2) a 6% market risk premium, 3) beta of 0.9, 4) 10% net cost of debt, 5) 35:65 debt to equity, 6) 12.1% WACC, and 7) 6% terminal growth.

Figure 15. FCF – DCF Valuation

| | 0 | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|------------|-------|-------|-------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|
| RpBn | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| FCF | (320) | (152) | (161) | (94) | 162 | 97 | 151 | 212 | 308 | 378 | 666 | 711 | 800 | 900 | 1,013 | 1,139 | 1,281 |
| disc | 1 | 1.00 | 1.12 | 1.26 | 1.41 | 1.58 | 1.77 | 1.99 | 2.23 | 2.50 | 2.81 | 3.15 | 3.53 | 3.96 | 4.44 | 4.98 | 5.58 |
| PV of FCFF | (320) | (152) | (144) | (74) | 115 | 62 | 85 | 106 | 138 | 151 | 237 | 226 | 227 | 227 | 228 | 229 | 230 |

Source: Citi Research estimates

Figure 16. WACC Assumptions

| | |
|-------------------|-------|
| Rf | 8% |
| Rm | 6% |
| Beta | 0.9 |
| Cost of Equity | 13.3% |
| Cost of Debt | 10.0% |
| Tax Rate | 0% |
| Net cost of Debt | 10% |
| Wd | 35% |
| We | 65% |
| WACC | 12.1% |
| Terminal Growth | 6.0% |
| Terminal Multiple | 17 |

Source: Citi Research

Figure 17. DCF

| | |
|-------------------|----------|
| Sum of PV of FCFF | 1,898 |
| Terminal Value | 3,999.24 |
| EV | 5,898 |
| Add Cash | 883 |
| - Debt | 480 |
| NPV | 6,300 |
| Number of Shares | 5,714 |
| Target Price | 1,100 |
| Current Price | 830 |
| Upside Potential | 33% |

Source: Citi Research

Regional comparison

MMLP now trades at 2016/17 PEs of 18.8x/13.9x...lower than GLP, with higher EPS growth.

MMLP trades at 2015/16/17E PERs of 32x/19x/14x, lower than GLP's 35x/24x/22x but with higher 2016E ROE and EPS growth of 7% and 70%. We believe that the company's high growth profile (70% EPS growth), driven by FMCG and e-commerce growth, warrants higher multiple valuations compared to regional peers.

Figure 18. Valuation Comps Table

| Company Name | Reuters | Price | Mkt Cap | Risk/ Target | ETR | EPS Growth | | | P/E | | | P/B | | | Div | ROE | EV/EBITDA | | | ADT | |
|----------------------------|---------|-----------|---------|--------------|-------|------------|-----|-----|-----|------|------|------|-----|-----|-----|------|-----------|------|------|------|-------|
| | Ticker | Local Ccy | US\$*M | Rating | Price | % | 15E | 16E | 17E | 15E | 16E | 17E | 15E | 16E | 17E | 15E | 15E | 15E | 16E | 17E | 3 mth |
| Mega Manunggal | MMLP.JK | 830 | 323 | 1 | 1,100 | 33 | -64 | 70 | 34 | 32.0 | 18.8 | 14.0 | 1.8 | 1.7 | 1.5 | 0.0 | 7.3 | 37.1 | 31.5 | 20.6 | 0.0 |
| Regional Peers | | | | | | | | | | | | | | | | | | | | | |
| Global Logistic Properties | GLPL.SI | 2 | 6,899 | 1 | 3 | 50 | -20 | 45 | 10 | 34.3 | 23.7 | 21.6 | 0.8 | 0.8 | 0.8 | 2.9 | 5.5 | 20.5 | 16.3 | 16.2 | 46.7 |
| Mapletree Logistics Trust | MAPL.SI | 1 | 1,730 | 2 | 1 | 30 | -7 | 4 | 2 | 14.2 | 13.6 | 13.3 | 1.0 | 1.0 | 1.0 | 7.5 | 9.8 | 15.6 | 16.4 | 15.7 | 3.9 |
| Mitsubishi Logistics Corp | 9301.T | 1,459 | 2,120 | NR | NR | NR | 7 | 8 | 4 | 28.0 | 26.0 | 24.9 | 1.0 | 1.0 | 0.9 | 0.8 | 3.7 | 11.5 | 10.5 | 10.0 | 9.2 |
| Kerry Logistics Network | 0636.HK | 11 | 2,404 | 1 | 15 | 39 | 14 | 13 | 10 | 16.8 | 14.9 | 13.5 | 1.1 | 1.0 | 0.9 | 1.6 | 7.2 | 8.5 | 7.8 | 7.1 | 2.1 |
| Goodman Group | GMG.AX | 6 | 7,273 | 2 | 6 | 12 | 7 | 6 | 6 | 15.7 | 14.8 | 13.9 | 1.5 | 1.4 | 1.3 | 3.8 | 18.6 | 17.2 | 15.6 | 14.5 | 24.9 |
| Weighted Average | | | 20,427 | | | | -2 | 20 | 7 | 23.3 | 18.9 | 17.6 | 1.1 | 1.1 | 1.0 | 3.2 | 10.6 | 16.6 | 14.4 | 13.9 | 26.2 |
| Indonesian Peers | | | | | | | | | | | | | | | | | | | | | |
| Bekasi Fajar | BEST.JK | 283 | 186 | 1 | 540 | 95 | 0 | 38 | 12 | 7.0 | 5.1 | 4.5 | 0.9 | 0.8 | 0.7 | 0.8 | 13.0 | 7.1 | 6.1 | 5.0 | 0.3 |
| Puradelta Lestari | DMAS.JK | 183 | 601 | 1 | 290 | 61 | -9 | 9 | 24 | 9.1 | 8.4 | 6.8 | 1.2 | 1.1 | 0.9 | 11.3 | 14.1 | 7.4 | 6.9 | 5.6 | 0.2 |
| Weighted Average | | | 787 | | | | -7 | 16 | 21 | 8.6 | 7.6 | 6.2 | 1.1 | 1.0 | 0.9 | 8.8 | 13.9 | 7.4 | 6.7 | 5.4 | 0.2 |

Source: Citi Research, IBES (for non-rated) – as per 28 Sep 2015

Land expansion (growing NLA) and securing tenants (boosting occupancy)... rental growth pretty low and stable at around 3%p.a.

Key earnings drivers

Figure 19. MMLP: Key Earnings Drivers

| Operational Metrix | 2014 | 2015E | 2016E | 2017E |
|---------------------------|---------|---------|---------|---------|
| Gross Land Area | 298,673 | 468,673 | 598,673 | 698,673 |
| Gross to Net Conversion | 55% | 55% | 55% | 55% |
| Net Leasable Area | 163,757 | 266,257 | 337,757 | 392,757 |
| Occupancy Rate | 94% | 60% | 56% | 72% |
| Net Rentable Space | 154,623 | 160,022 | 189,382 | 284,132 |
| Rental Rate/sqm/mth | 73,919 | 77,021 | 79,220 | 81,215 |
| Rental Income (RpBn/year) | 137 | 148 | 180 | 277 |
| EBITDA Margin | 81% | 79% | 79% | 81% |
| Growth | | | | |
| Gross Land Area | | 57% | 28% | 17% |
| Net Leasable Area | | 63% | 27% | 16% |
| Net Rentable Space | | 3% | 18% | 50% |
| Rental Rate/sqm/mth | | 4% | 3% | 3% |
| Rental Income | | 8% | 22% | 54% |

Source: Citi Research estimates

We forecast revenue/EBITDA/NPAT 15-18 CAGR of 32%/34%/42% respectively.

A couple of things to note:

1) An annual *Increase in Fair Value of Investment Property* below the EBITDA line to revalue assets – we forecast 5% annual increase from 2015 (revaluation much higher pre-2015 but stabilizing going forward).

2) MMLP has ~US\$20m of outstanding debt; we forecast Rp48bn of forex loss in FY15 on assumption of Rp14,700/US\$1.

Figure 20. MMLP: Profit & Loss Statement

| | 2013 | 2014 | 2015E | 2016E | 2017E | 2018E | FY15-18E CAGR |
|-----------------------------|------------|------------|------------|------------|------------|------------|---------------|
| Revenue | 119 | 142 | 152 | 185 | 285 | 354 | 32% |
| Cost of Revenue | (6) | (13) | (14) | (17) | (24) | (29) | |
| Gross Profit | 114 | 129 | 138 | 168 | 261 | 325 | 33% |
| SG&A Expenses | (8) | (15) | (18) | (22) | (31) | (35) | |
| Operating Income | 106 | 114 | 120 | 146 | 230 | 289 | 34% |
| EBITDA | 106 | 115 | 121 | 147 | 232 | 291 | 34% |
| Other Income | 69 | 195 | 45 | 135 | 149 | 179 | |
| Finance Cost | (36) | (44) | (48) | (36) | (24) | (12) | |
| Gain/Loss on Forex | (118) | (15) | (48) | - | - | - | |
| Interest Income | 0 | 1 | 40 | 54 | 35 | 31 | |
| Increase in FV of IP | 222 | 261 | 102 | 117 | 138 | 160 | |
| Others | (0) | (8) | - | - | - | - | |
| Net Income Before Tax | 174 | 309 | 165 | 281 | 379 | 468 | 42% |
| Tax Expense (Benefit) | (12) | (14) | (17) | (28) | (38) | (47) | |
| Pro forma Adjustments | (71) | (8) | - | - | - | - | |
| Minority Interest | - | (0) | (0) | (0) | (1) | (1) | |
| NPAT att. To parents | 91 | 286 | 148 | 253 | 341 | 421 | 42% |
| Margin | | | | | | | |
| Gross | 95% | 91% | 91% | 91% | 92% | 92% | |
| Operating | 88% | 81% | 79% | 79% | 81% | 82% | |
| EBITDA | 89% | 81% | 79% | 79% | 81% | 82% | |
| Net | 76% | 202% | 97% | 136% | 119% | 119% | |
| Growth | | | | | | | |
| Revenue | | 19% | 7% | 22% | 54% | 24% | |
| COGS | | 120% | 10% | 20% | 40% | 20% | |
| Gross Profit | | 13% | 7% | 22% | 55% | 24% | |
| Operating Income | | 8% | 5% | 22% | 57% | 26% | |
| NPAT att. To parents | | 216% | -48% | 70% | 35% | 24% | |
| EBITDA | | 8% | 5% | 22% | 57% | 26% | |

Source: Citi Research estimates

MMLP went public in June 2015, securing Rp1tr of fresh equity fund. The company is expected to have a net cash position of Rp283bn in FY15E (-11% net gearing).

Figure 21. MMLP: Balance Sheet

| Balance Sheet (Rpbn) | 2012 | 2013 | 2014 | 2015E | 2016E | 2017E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Asset | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | 6 | 6 | 11 | 883 | 601 | 388 |
| Trade receivables | 0 | 10 | 14 | 15 | 18 | 28 |
| Prepayments | 0 | 2 | 1 | 1 | 1 | 1 |
| Prepaid tax | 67 | 67 | 55 | 55 | 55 | 55 |
| Due from related parties | 15 | 2 | 2 | 2 | 2 | 2 |
| Total Current Assets | 89 | 89 | 82 | 955 | 676 | 473 |
| Non-Current Assets | | | | | | |
| Property and Equipment - Net | 1 | 1 | 2 | 2 | 2 | 2 |
| Investment Properties | 1,409 | 1,748 | 2,037 | 2,339 | 2,756 | 3,193 |
| Deferred Expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Assets | 1 | 1 | 17 | 17 | 17 | 17 |
| Total Non-Current Assets | 1,411 | 1,751 | 2,056 | 2,358 | 2,775 | 3,213 |
| Total Assets | 1,500 | 1,840 | 2,139 | 3,313 | 3,451 | 3,686 |
| Liabilities and Equity | | | | | | |
| Current Liabilities | | | | | | |
| Trade Payables | 23 | 25 | 27 | 29 | 35 | 49 |
| Unearned Revenue | 70 | 24 | 24 | 24 | 24 | 24 |
| Taxes Payable | 1 | 2 | 2 | 2 | 2 | 2 |
| Accrued Expenses and Other Current Liabilities | 29 | 15 | 11 | 11 | 11 | 11 |
| Short term loans | 18 | 20 | 19 | 19 | 19 | 19 |
| Current Portion of Bank Loan | 53 | 182 | 36 | 120 | 120 | 120 |
| Current Portion of Consumer Financing Liabilities | 1 | 1 | 1 | 1 | 1 | 1 |
| Due to Related Parties | 115 | 319 | 18 | 18 | 18 | 18 |
| Land Purchase Payable | 155 | 17 | - | - | - | - |
| Total Current Liabilities | 465 | 604 | 137 | 224 | 229 | 243 |
| Non-Current Liabilities | | | | | | |
| Bank Loan | 326 | 360 | 541 | 480 | 360 | 240 |
| Consumer financing liabilities | 1 | 0 | 1 | 1 | 1 | 1 |
| Post emp. benefits obligation | 1 | 1 | 2 | 2 | 2 | 2 |
| Customer deposits | - | 4 | 8 | 8 | 8 | 8 |
| Other non-current liabilities | 2 | 2 | 3 | 3 | 3 | 3 |
| Total Non-Current Liabilities | 329 | 368 | 554 | 493 | 373 | 253 |
| Total Liabilities | 794 | 972 | 691 | 717 | 603 | 497 |
| Equity | | | | | | |
| Capital stock | 75 | 75 | 400 | 400 | 400 | 400 |
| Additional paid-in capital, net | - | - | 229 | 1,229 | 1,229 | 1,229 |
| Pro-forma equity | 192 | 263 | - | - | - | - |
| Retained Earnings | 439 | 530 | 816 | 964 | 1,217 | 1,558 |
| Total Equity | 706 | 868 | 1,445 | 2,593 | 2,846 | 3,187 |
| Non-controlling Interest | | | 3 | 3 | 3 | 3 |
| Total Liabilities and Equity | 1,500 | 1,840 | 2,139 | 3,313 | 3,451 | 3,686 |

Source: Company Data, Citi Research estimates

Figure 22. Cash Flow Statement

| Cash Flow (RpBn) | 2013 | 2014 | 2015E | 2016E | 2017E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| EBITDA | 106 | 114 | 120 | 146 | 230 |
| (Incr./)Decr. in Current Assets | (0) | 11 | (1) | (3) | (10) |
| Incr./)Decr.) in Current Liabilities | 8 | (321) | 3 | 6 | 14 |
| Incr./)Decr.) in Working Capital | 8 | (310) | 2 | 3 | 4 |
| Operating Cash Flow | 114 | (196) | 121 | 149 | 235 |
| Net Interest | (36) | (43) | (8) | 18 | 11 |
| Tax | (12) | (14) | (17) | (28) | (38) |
| Other Income and Cash Adjustment | 105 | 238 | 54 | 117 | 138 |
| Operating Free Cash Flow | 170 | (15) | 150 | 256 | 346 |
| (Incr./)Decr. in Fixed Assets | (339) | (289) | (302) | (417) | (438) |
| (Incr./)Decr. in Other Assets | (0) | (16) | - | - | - |
| Cash Flow from Investing | (340) | (305) | (302) | (417) | (438) |
| Net Free Cash Flow | (170) | (320) | (152) | (161) | (92) |
| Dividends | - | - | - | - | - |
| Net Financing Requirements | (170) | (320) | (152) | (161) | (92) |
| Incr./)Decr.) in Debts | 166 | 35 | 23 | (120) | (120) |
| Incr./)Decr.) in Other Financing | 4 | 6 | - | - | - |
| Incr./)Decr.) in Share Capital | 71 | 291 | 1,000 | - | - |
| Incr./)Decr.) in Minority interest | - | 2 | (0) | (0) | (1) |
| Adjustment in Foreign Exchange | | | | | |
| Other Adjustments | (71) | (8) | - | - | - |
| Cash Flow from Financing | 170 | 325 | 1,023 | (120) | (121) |
| Change in Cash Position | 0 | 5 | 871 | (281) | (213) |
| Cash Position B/F | 6 | 6 | 11 | 883 | 601 |
| Cash Position C/F | 6 | 11 | 883 | 601 | 388 |

Source: Citi Research Estimates, Company Data

MMLP booked Rp60.4bn of EBITDA in 1H15, up +13% YoY.

Bottom line was down -63%YoY on the back of forex loss of Rp19.4bn from US\$21m loan.

Figure 23. 1H15 Results

| Rp bn | 1H14 | 1H15 | YoY |
|-----------------------------|-------------|------------|-------------|
| Revenue | 61.8 | 78.2 | 26% |
| Cost of Revenue | (4.1) | (7.8) | 89% |
| Gross Profit | 57.7 | 70.4 | 22% |
| SG&A Expenses | (4.8) | (10.4) | 117% |
| Operating Income | 52.9 | 60.0 | 13% |
| EBITDA | 53.3 | 60.4 | 13% |
| Other Income | (17.1) | (43.7) | 156% |
| Finance Cost | (19.7) | (26.0) | 32% |
| Gain/Loss on Forex | 2.2 | (19.4) | -991% |
| Interest Income | 0.5 | 1.6 | 218% |
| Others | 0.0 | 0.1 | |
| Net Income Before Tax | 35.8 | 16.3 | -54% |
| Tax Expense (Benefit) | (6.2) | (7.8) | 26% |
| Proforma Adjustments | (7.1) | - | -100% |
| Minority Interest | - | 0.1 | |
| NPAT att. to parents | 22.5 | 8.4 | -63% |

Source: Citi Research estimates

Management Team

Figure 24. Management Team of MMLP

| Board of Commissioners | Age | Title | Experience | Education |
|-------------------------|-----|--|--|--|
| Hunggang Sutedja (Alex) | 46 | President Commissioner | Indonesian Citizen. Served as CEO of MMP since 2010 and became the President Commissioner since 2015. Alex is also currently the CEO of PT Bekasi Fajar Industrial Estate Tbk (BEST IJ) since 2003, CEO of PT Bekasi Matra Industrial Estate since 2011, Chairman of PT Putra Manunggal Energy since 2008, Chairman of PT Delta Mega Persada since 2007, CEO of PT Manunggal Prime Development since 2001, CEO of PT Daya Sakti Perdika since 1999, and Director of PT Megalopolis Manunggal Industrial Development since 1996. Alex is the son of Mr. The Nin King, the founder of Argo Manunggal group with flagship asset PT Alam Sutera Realty Tbk | Obtained Bachelor degree in Finance from University of Missouri, Columbia, USA in 1993 |
| Tri Ramadi | 44 | Vice President Commissioner | Indonesian Citizen. Served as Vice Chairman of MMP since 2015. Tri was the CEO of PT Alam Sutera Realty Tbk since 2007 to 2014, Director in PT Pindo Deli Paper Mills since 2003-2005, and Director in PT Lontar Papyrus Pulp & Paper from 1994-2005. | Obtained Bachelor degree in Accounting from University of Tarumanegara, Jakarta, Indonesia in 1994 |
| Nicholas The | 48 | Commissioner | Indonesian Citizen. Served as Commissioner of MMP since 2015. Nicholas is currently the Commissioner of PT Alam Sutera Realty Tbk since 2015, Vice Chairman of PT China Taiping Insurance Indonesia since 2013, Chairman in PT Argo Manunggal Land Development since 2013, CEO of PT Argo Manunggal Triasta since 2013, Chairman of PT Peternakan Ayam Manggis since 2005, and Commissioner in PT Ragam Logal Industrial since 1993. Nicholas is the brother of MMP's Chairman Alex and son of Argo Manunggal's founder Mr. The Nin King | Obtained Bachelor of Arts majoring in International Marketing from University of Missouri, Columbia, USA in 1991 |
| Abdul Rahim Tahir | 52 | Independent Commissioner | Singaporean Citizen. Served as Independent Commissioner of MMP since 2015. Abdul was previously a Vice President in DHL Supply Chain Asia Pacific from 2014-2015, CEO of DHL Supply Chain Indonesia from 2006-2014, COO of PT Rapex Wahana Group (RPX), Managing Director of FedEx South Pacific Region - Supply Chain Services from 1999-2001, General Manager of FedEx South Pacific Region - Supply Chain Services from 1996-1999, Director of Business Planning in Concord Express International (1994-1996), Operation Manager in FedEx Pacific Inc (1992-1994), and Sales Manager in Airborn Express Singapore & Malaysia in 1983-1992 | Obtained MBA degree in Strategic Marketing from Hul University, England in 2002 |
| Debbie Ana Sumargo | 51 | Independent Commissioner | Indonesian Citizen. Served as Independent Commissioner of MMP since 2015. Debbie was previously an Advisor in PT Bekasi Fajar Tbk (BEST IJ) in 2011-2015, Finance Controller in PT Kedoya Adayaraya in 2009-2013, CFO of PT Usahatama Mandiri Nusantara in 2009-2011, Finance & Accounting General Manager of PT Bekasi Fajar Tbk (BEST IJ) in 2009-2011, and worked in other accounting related fields since 1988 in California and Indonesia. | Obtained Bachelor of Science with Honor in Accounting from California State University Long Beach, California, USA in 1987 and MBA in Finance from Loyola Marymount LA, California, USA in 1990 |
| Board of Directors | Age | Title | Experience | Education |
| Fernandus Chamsi | 45 | President Director (CEO) | Indonesian Citizen. Served as CEO of MMP since 2015. Fernandus used to serve as Audit Committee in PT Bekasi Fajar Industrial Estate Tbk (BEST IJ) in 2012-March 2015, CEO of U Resources in 2011, SVP Corporate Finance in PT Indika Energy Tbk in 2003-2010, Head of Commercial Division of PT Petronusa Interindo in 2003-2004, General Manager in Argo Manunggal Group in 2002-2003, and Senior Manager in Sinarmas Pulp & Paper in 1997-2002. | Obtained Bachelor of Economics from Pancasila University, Jakarta, Indonesia in 1994 |
| Johny Johan | 59 | Director (Technical, Construction, and Marketing) | Indonesian Citizen. Served as Director of MMP since 2014. Johny used to work as Advisor in Agung Sedayu Group and Agung Podomoro Group in 2001-2007, Director in PT Adimas Utama and Development Director in PT Danayasa Arthatama Tbk in 1998-2008. Johny is currently a part time University Lecturer in University of Tarumanegara, Jakarta since 1990. He was a part time University Lecturer in University of Trisakti, Jakarta in 1983-1987, University of Atmajaya, Yogyakarta in 1995-2010, Asian Institute of Technology, Vietnam in 2007-2012. | Obtained Bachelor degree from University of Trisakti, Jakarta in 1981, Master of Engineering from Asian Institute of Technology, Bangkok in 1989, Master of Management from Prastya Mulya, Jakarta in 1995, and PHD in Project Management from University of Tarumanegara, Jakarta in 2011 |
| Bonny Budi Setiawan | 40 | Independent Director (Finance, Operational) | Indonesian Citizen. Served as Director of MMP since 2015. Bonny used to serve as Executive Director in PT UBS Securities Indonesia in 2011-2015 (Equity Research Analyst covering Indonesian Market), SVP in PT Danareksa Sekuritas, Jakarta in 2010-2011, VP in PT Danareksa Sekuritas, Jakarta in 2009-2010, VP in Merrill Lynch Indonesia in 2007-2009, VP in CIMB Securities Indonesia and AVP in PT Danerksa Sekuritas within 2005-2007, and other accounting and finance related jobs since 1998 in Indonesia. | Obtained Bachelor of Business Administration in Accounting and Finance from Simon Fraser University, Canada in 1997 |

Source: Company

Mega Manunggal Property

Company description

Mega Manunggal Property (MMLP) is Indonesia's leading modern logistics warehouse operator with 16.3ha of Net Leasable Area (NLA) as of 2014, spread across the Greater Jakarta Area. The company was established in August 2010 by the Agro Manunggal Group (owner of Alam Sutera Township and Bekasi Fajar Industrial Estate) and listed in June 2015 on the Indonesian Stock Exchange. The majority of MMLP's tenants are FMCG, logistics and e-commerce companies.

Investment strategy

We have a Buy/High Risk rating on MMLP, which has: 1) first-mover advantages and operational strengths to attract long-term quality tenants; 2) promising growth potential, rooted in the FMCG and e-commerce sectors; and 3) a strong, experienced management team with good channels to secure strategic landbank at good value.

Valuation

Our DCF-based target price of Rp1,100 for MMLP translates to 2016/17E P/Es of 25/18x (vs. GLP's 30x/18x), which we believe is well justified by its high growth profile (2015-18E revenue/EBITDA/EPS CAGRs of 32%/34%/42%, 2016E PEG of 0.4x) and industry leadership. Key DCF assumptions: 1) an 8% risk-free rate, 2) a 6% market risk premium, 3) beta of 0.9, 4) 10% net cost of debt, 5) 35:65 debt to equity, 6) 12.1% WACC, and 7) 6% terminal growth. We believe DCF is best suited to value a company like MMLP with recurring income and a high-growth profile.

Risks

We rate MMLP shares High Risk given its short trading history. Risks that could prevent the shares from reaching our target price include: 1) a macro downturn, 2) a weakening rupiah, 3) execution delays, 4) rising competition, 5) inability to replace tenants post contract expiry, and 6) land acquisition hurdles.

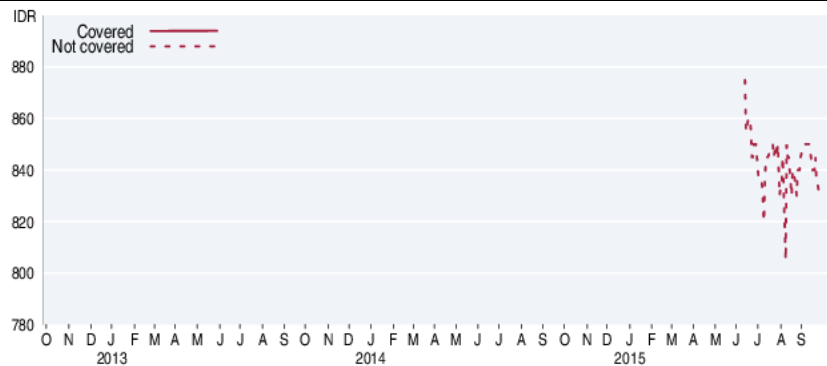
Appendix A-1

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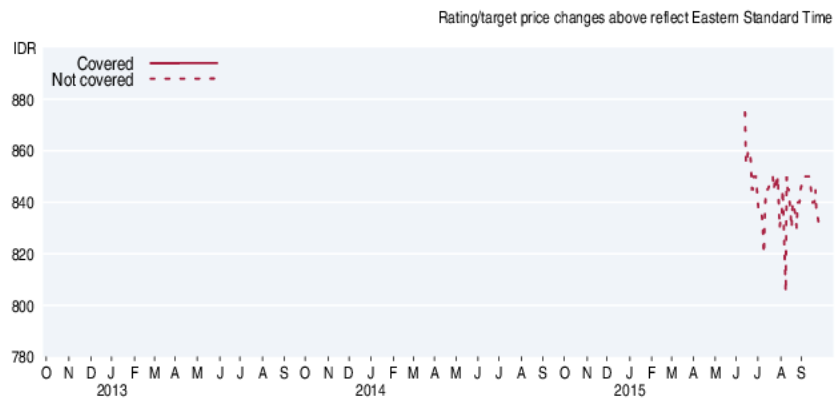
Mega Manunggal Property (MMLP.JK)
Ratings and Target Price History
Fundamental Research



| Date | Rating | Target Price | Closing Price |
|------------|-----------------------------|--------------|---------------|
| 1 8-Oct-11 | Stock rating system changed | | |

* Indicates change

Mega Manunggal Property (MMLP.JK)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)



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