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## Indonesia Property

Reuters MMLP.JK  
Bloomberg MMLP IJ

### Priced on 4 March 2016

Jakarta Comp @ 4,850.9

**12M hi/lo** Rp900/585

**12M price target** Rp1,035  
**±% potential** +33%

**Shares in issue** 5,714.3m  
**Free float (est.)** 24.2%

**Market cap** US\$339m

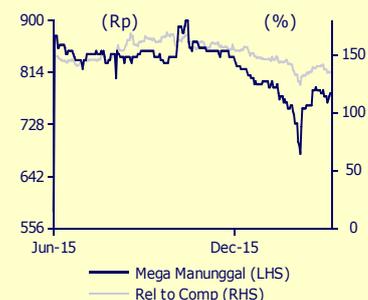
**3M average daily volume**  
Rp11.0bn (US\$0.8m)

### Major shareholders

PT Mega Mandiri Properti 69.3%  
Vasanta Investment 5.8%

### Stock performance (%)

	1M	3M	12M
Absolute	7.6	(5.5)	0.0
Relative	3.5	(12.1)	0.0
Abs (US\$)	11.7	(0.4)	0.0



Source: Bloomberg

www.clsا.com

## Best spot in town

### In a great position to capture warehousing demand

MMLP owns & leases warehouse space, and has attracted prominent tenants from the consumer (Unilever), ecommerce (Lazada), and 3PL companies. Despite serving a larger economy, we found the size of the leading modern warehousing companies in Indonesia to not even be 20% of its Thai peers. We believe MMLP is in the best position to capture incoming demand backed by its track-record, strategic locations and management experience. We initiate coverage of MMLP with a BUY rating and a Rp1,035 target price derived from a 20-year DCF valuation.

### Pole position

Established in August 2010, MMLP owns and leases warehouse space, and has attracted prominent tenants such as Unilever, Lazada, and 3PL companies. MMLP develops ready-built and build-to-suit warehouses, with a focus on the latter. Backed by a strong track-record and management's vast experience in Indonesian property we see MMLP to be in the pole position to capture incoming demand over the coming years.

### Plenty of room to grow

We believe Indonesia's modern warehousing industry is still in its infancy. The size of the economy and the population of Java Island are bigger than that of Thailand. But, Thailand's modern warehousing companies (0.9-1.6m sqm of net leasable area [NLA]) are far larger than Indonesia's (30-164k sqm), and thus we see plenty of room for modern warehousing industry growth.

### 15CL Ebit to almost triples by 18CL

We forecast MMLP to almost triple its 2015 Ebit by 2018 on the back of NLA expansion and higher occupancy rates for the Intirub project (28% of NLA). We expect NLA to grow to 355k sqm in 2018 from just 164k sqm in 2015, and assume per annum rent escalation of 5% every two years for build-to-suit and 5-8% for ready-built warehouses. We assume a 12% yield to cost for new investment, and coupled with rental escalation, the payback period is around 7-8 years. For its new projects we expect an Ebit margin of 75% for ready-built and 85% for build-to-suit.

### Best position to grab incoming demand; initiate with BUY

Our SOTP-derived target price of Rp1,035/sh is composed of its landbank and warehouse businesses. We value its landbank at the latest market prices and its warehouse business using a 20-year DCF (11.75% WACC & 4.0% terminal growth), and assume MMLP expands its warehouse NLA to 1m sqm by 2025. Our Rp1,035/sh target price offers 33% upside. BUY.

### Financials

Year to 31 December	14A	15CL	16CL	17CL	18CL
Revenue (Rpbn)	142	160	198	273	464
Net profit (Rpbn)	293	262	351	516	642
Adjusted* net profit (Rpbn)	31	88	130	146	238
CL*/consensus (2) (EPS%)	-	116	103	77	-
EPS growth (% YoY)	80.6	(10.5)	33.9	28.7	10.6
PE (x)	10.7	11.9	8.9	6.9	6.2
Adjusted* PE (x)	99.4	67.8	35.6	31.2	18.7
EV/Ebitda (x)	32.2	33.7	29.7	25.1	15.8
ROE (%)	25.3	12.7	12.2	15.6	16.5
Net debt/equity (%)	40.5	(13.4)	2.0	21.3	28.0

Source: CLSA, \*adjusted excluding revaluation gain & forex

**MMLP develops ready-built and build-to-suit warehouses**

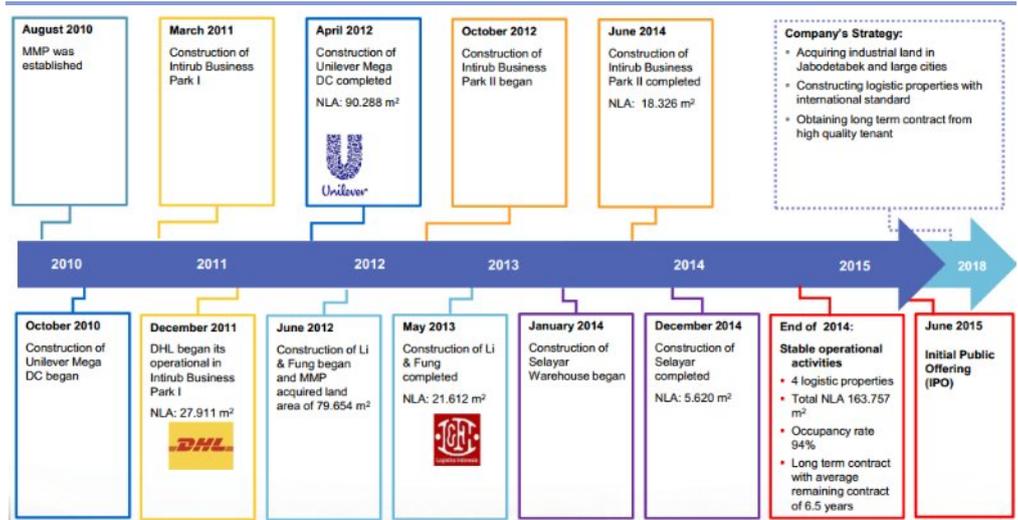
**Though it only began operations in 2010, it has secured top names**

## Pole position

Established in August 2010, MMLP owns and leases warehouse space, which has attracted prominent tenants from consumer, ecommerce, and 3PL industries. MMLP develops ready-built and build-to-suit warehouses, with a focus on the latter. Backed by solid track-record and management's vast experience in Indonesian property we see MMLP to be in the pole position to grab incoming demand over the coming years.

Figure 1

### MMLP's track record



Source: MMLP

MMLP currently operates 164k sqm of NLA, comprised of four warehouses (154k sqm of NLA) and an office space. The warehouses are for Unilever (90k sqm of NLA), Li & Fung (22k sqm of NLA), Selayar (6k sqm of NLA), and Intirub I&II (37k sqm of NLA); the office space is in Intirub I&II (9k sqm of NLA). MMLP has around 96k sqm of NLA in the pipeline to be finished by 2018, with 61k sqm for build-to-suit and 35k sqm for ready-built.

Figure 2

### MMLP's portfolio

(sqm)	NLA	NLA in the pipeline
<b>Build to suit</b>		
Unilever	90,288	
Li&Fung	21,612	
Pipeline I		30,100
Pipeline II*		30,500
<b>Ready built</b>		
Intirub I&II - warehouse	36,952	
Selayar	5,620	
Pipeline		35,000
Intirub office	9,285	
<b>Total</b>	<b>163,757</b>	<b>95,600</b>

Source: CLSA, company. \*Optional.

MMLP started its business with the construction of 90k sqm of NLA build-to-suit warehouse space for Unilever Mega DC in October 2010. About 68% of MMLP's NLA in 2015 was for build-to-suit warehouse space. Build-to-suit

**Build-to-suit is a demand driven business, and thus has higher visibility**

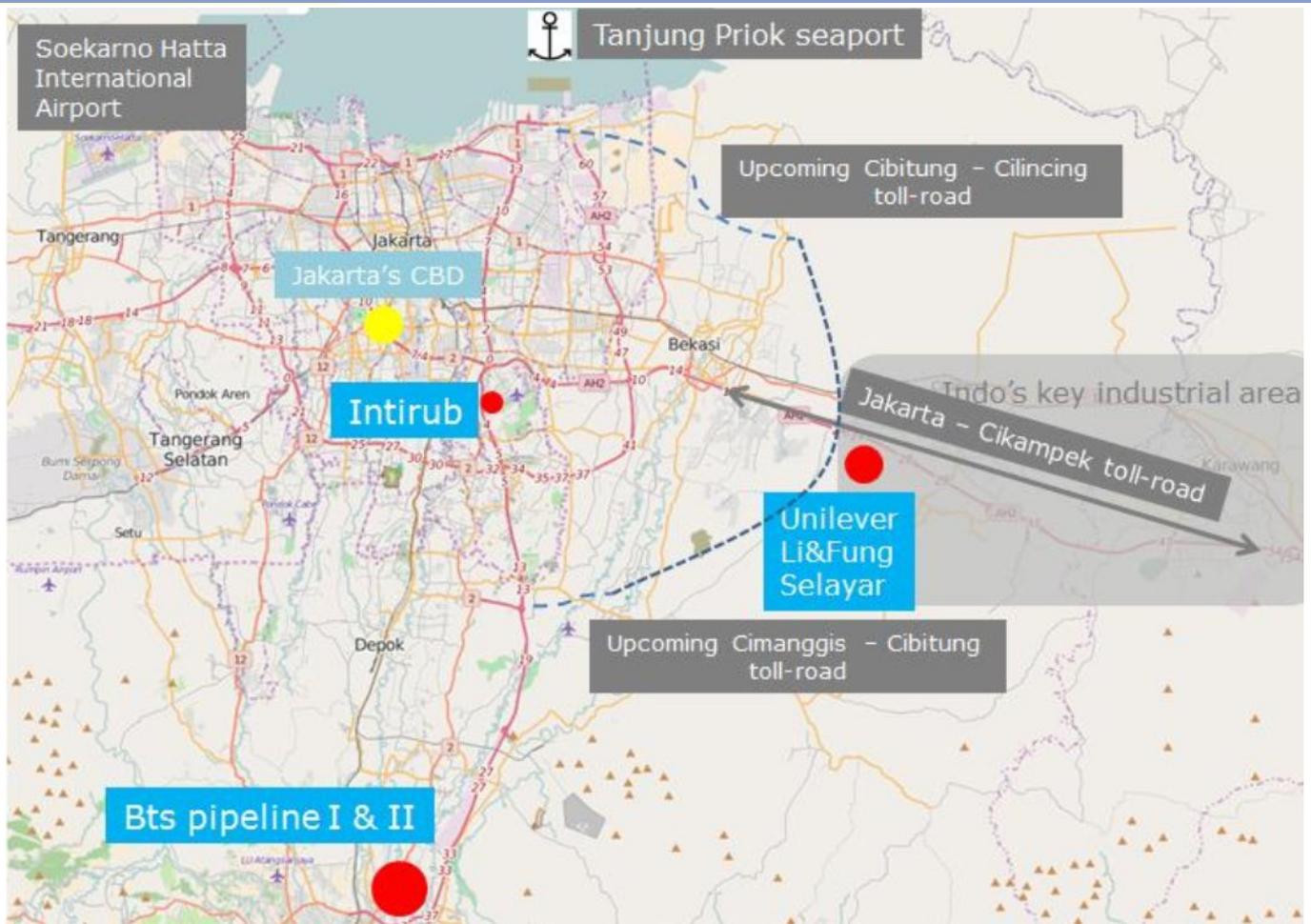
warehouses is a demand driven business, meaning the warehouse developer secures the order or contract from the tenant before constructing the asset, and hence the business has relatively higher certainty and visibility for earnings and return on capital.

As its largest customer, Unilever accounted for 68% of its NLA and 58% of MMLP's revenue in 2014. As MMLP builds more warehouses, we expect the revenue contribution from Unilever to decline to 22% in 18CL.

Another significant contributor is Lazada Indonesia which we expect to account for 13%/17% of its NLA and 16%/19% of its revenue in 17CL/18CL.

Figure 3

**MMLP's assets are located strategically close to industrial areas and in the city**



Source: CLSA, www.openstreetmap.org

MMLP has 91k sqm of NLA in the pipeline to be delivered in three phases: (I) 30.1k sqm of NLA build-to-suit to be delivered at end 2016, (II) 35k sqm of NLA ready-built to be delivered in early-2017, and (III) 30.5k sqm of NLA build-to-suit to be delivered in 2018. The 30.5k sqm of NLA build-to-suit is optional, and depends on the client to be taken in mid-to-end-2016.

On top of what's already in the pipeline, we assume MMLP to deliver an additional 96k of NLA by 2018. Warehouse construction typically takes about a year, though MMLP finished its existing assets within 9-18 months.

Figure 4

**UNVR Mega Distribution Centre**



Source: Company

Figure 5

**Intirub Business Park**



Source: Company

Figure 6

**MMLP's warehouse**



Source: CLSA, Company

Figure 7

**Intirub business park**

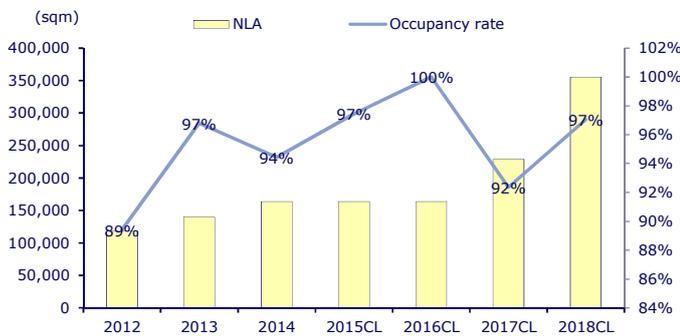


Source: CLSA, Company

Per its 9M15 financial report, MMLP has placed down-payments on 59ha of land, 13ha of which will be used for the 91k sqm of NLA currently in its pipeline.

Figure 8

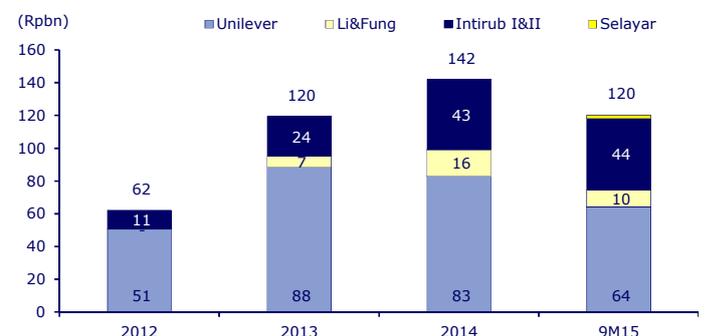
**MMLP's NLA and occupancy rates**



Source: CLSA, company

Figure 9

**MMLP's revenue per project**

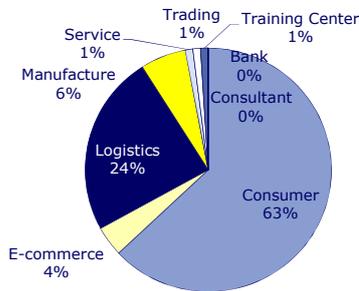


Source: CLSA, company

MMLP's clients include top names from consumer, ecommerce and third-party logistic (3PL) industries (Figure 11). We see roughly the same customer breakdown for Thailand's warehouse companies. Some of the major names are Unilever, Li & Fung, DHL, Sing Post, A-commerce, and Lazada Indonesia. In our view, MMLP's ability to obtain top clients speaks well for MMLP's reliable execution and service.

Figure 10

**MMLP's clients profile**



Source: CLSA, company

Figure 11

**MMLP's clients, top names from each industry**



Source: CLSA

**MMLP is in expansion mode**

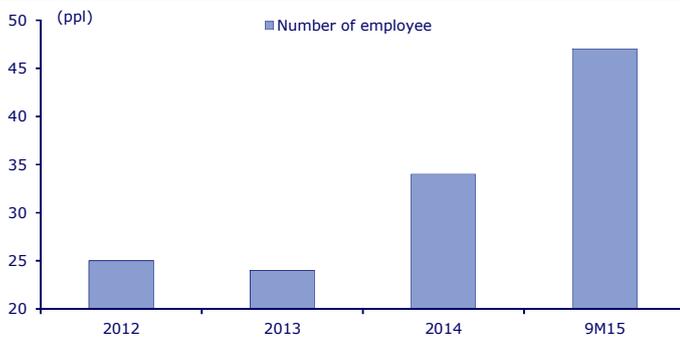
**Expansion mode**

MMLP went into expansion mode when it went public in June 2015. Previously the company was passive in expanding, mainly just waiting for inquiries rather than being offensive to finding ones. Reaching 164k sqm of NLA and used up most of its available landbank, and MMLP raised capital to expand more aggressively.

MMLP started its marketing department in September 2015 and hired a senior marketing member to gradually expand the team. The company's financial reports for 9M15 show its employees almost doubling from 2013. Further, since its capital raising in June 2015, MMLP has put down payments on ~59ha of land and secured a major contract with a leading ecommerce company in Indonesia.

Figure 12

**MMLP's number of employee**



Source: CLSA, Company

Figure 13

**Operations began in 2011**



Source: CLSA, Company

MMLP is majority owned by Hungkang Sutedja through PT Mega Mandiri Properti which own 69.3% of the company. Hungkang is MMLP's president commissioner and also a commissioner of the listed industrial estate developer Bekasi Fajar (BEST IJ). Hungkang is affiliated to Argo Manunggal group which own another publicly listed residential property company, Alam Sutera (ASRI IJ). MMLP has separate management than the Argo Manunggal group's other business line.

Figure 14

**MMLP’s management profile**

Name	Experience	Education
<b>Hungkang Sutedja,</b> President Commissioner Joined since 2010, reappointed in 2015	President Director of PT Bekasi Fajar Industrial estate (Since 2003), President Director PT Bekasi Matra Industrial Estate (Since 2011), and Commissioner of PT Delta Mega Persada (2007), Director of PT Manuggal Prime Development (since 2001)	University of Missouri Columbia (Finance) 1993
<b>Tri Ramadi,</b> Vice President Commissioner Joined 2015	Experience: VP commissioner of Alam Sutera Realty TBK (since feb 2015), Director of PT Alam Sutera Realty BK ( 2007 – 2014), Director of PT Pindo Deli Paper Mills (2003 – 2005) and Director of Lontar Papyrus Pulp & Paper (1994-2005)	University of Jakarta (accounting) (1994)
<b>Nicholas The,</b> Commissioner Joined 2015	Comissioner of PT Alam Sutera Realty TBK (Since 2015), Presdient Commissioner of PT China Taiping Insurance Indonesia (Since 2013), President commissioner of PT Argo Manuggal Land Development (since 2013), Director of PT Argo Manuggal Triasta (2013), President Commissioner of PT Poultry Mangosteem (2005), Commissioner of PT Variety Metal Industry (1993)	International marketing from University of Missouri Columbia (1991)
<b>Abdul Rahmin Tahir,</b> Independent commissioner Joined 2015	VP of DHL supply chain (2014 – 2015), Managing Director of DHL supply chain Indonesia (2006-2014), COO at PT Wahana Rapex (2002 – 2006), Managing Director Supply Chain Services (1999-2001), General Manager Supply Chain Services at Federal Express Pacific Inc (1996-1999), Director of business planning in Concord Express International (1994-1996)	MBA in strategic marketing from University of Hui
<b>Debbie Ana Sumargo,</b> Independent Commissioner Joined 2015	Financial controller at PT Kedoya Adyaraya (2009 – 2013), Advisor at PT Bekasi Fajar (2001-2015), CFO Usahatama Mandiri PT Nusantara (2009 – 2011), General Manager Finance & Accounting Division at PT Bekasi Fajar (2009- 2011), General Manager of Accounting Division at PT Polyprima Karyareksa (1996-2009); Accounting Manager at Black and Veatch International Indonesia (1994-1996)	Accounting California State University Long Beach CA (1987) MBA at Loyola Marymount University (1990)
<b>Fernandus Chamsi,</b> President Director Joined 2015	Senior Manager of Pulp & Paper Division Sinar Mas (1997-2002), GM at Argo Manuggal group (2002-2003), VP Head of Commercial division PT Petronusa Interindo (2003 – 2004) Senior VP Corporate Finance PT Indika Energy TBK (2003 – 2010), Group managing Director Resources (2011), Member of the Audit committee of PT Bekasi Fajar Industrial estate Tbk (2012 – march 2015)	Economics Major from University of Pancasila (1994)
<b>Johny Johan,</b> Director Joined since 2010, reappointed in 2015	PT Agung Sedayu Group and Great Podomoro Group (2001 – 2007), Development Director at PT Danayasa Arthatama Tbk (1998 – 2008). Part time Lecturer at University of Tarumangara (1990 – present).	Masters of Engineering from Asian Institute of Technology Bangkok Thailand (1995), PhD in the field of Project Management from University of Jakarta
<b>Bonny Budi Setiawan,</b> Director Joined 2015	Executive Director at PT UBS Securities Indonesia (2011-2015), senior VP at PT Danareksa (2010 – 2011); VP president research at PT Danareksa (2009-2010), VP of research at Merrill Lynch (2007-2008), VP research at PT Danareksa (2005-2007). Consultant Financial Advisory in Prijoandojo Boentoro & Co (2003-2005), research Analyst at PT Panin Securities (2002-2003), Export Supervisor PT Tjiwi Chemical Plant Paper (1998 – 2000)	Accounting and Finance from Simon Fraser University Canada (1997)

Source: CLSA, Company

**Indonesia’s modern warehouse industry is still in its infancy**

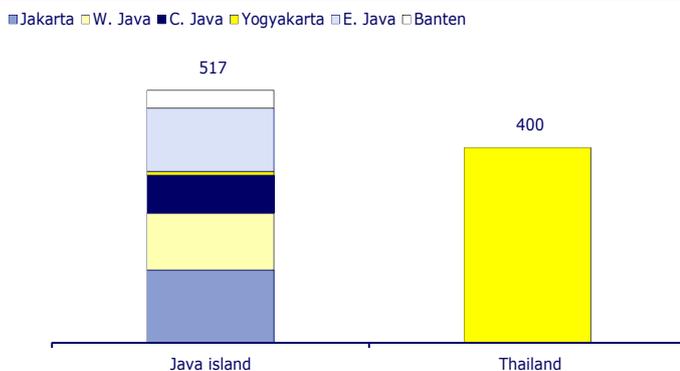
**Plenty of room to grow**

We believe Indonesia’s modern warehousing industry is still in the infancy, especially when compared to Thailand, though its economy and the population of Java Island are bigger than Thailand. However, modern warehousing companies in Thailand are much bigger, and thus we see plenty room to grow for Indonesia’s modern warehousing industry.

We discussed the modern warehousing market previously in *Indo Warehousing - Fertile ground*, in December 2015.

Figure 15

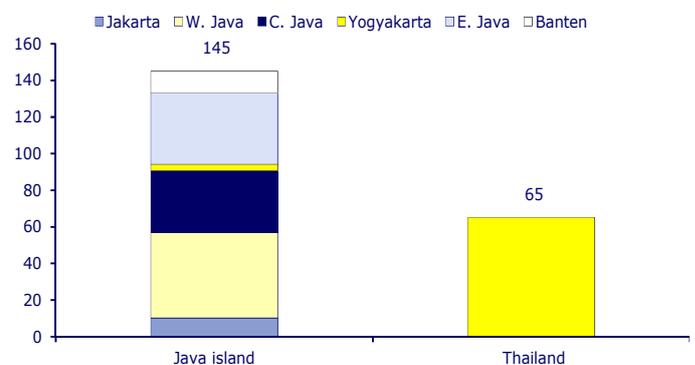
**GDP of Java island and Thailand (US\$, bn)**



Source: CLSA, Indo Statistical Bureau, Bloomberg

Figure 16

**Population of Java Island & Thailand (m)**



Source: CLSA, Indo Statistical Bureau

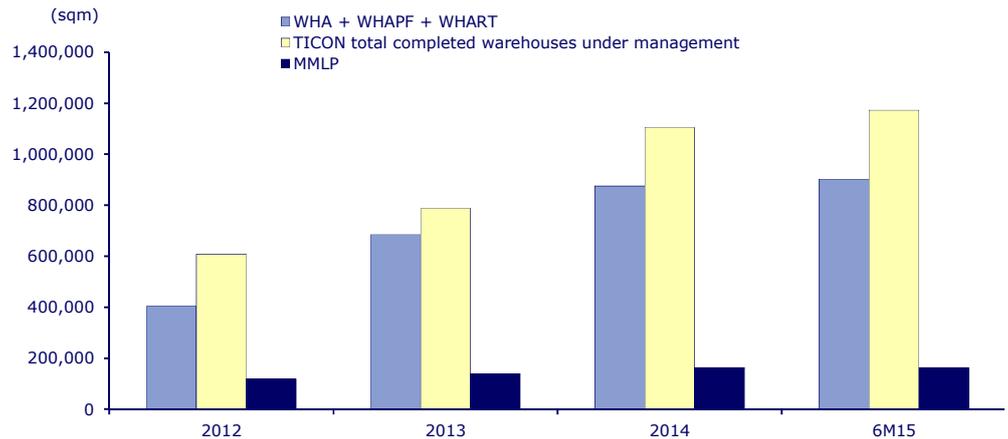
**MMLP is relatively smaller than its peers in Thailand**

**Competition is fragmented and most warehouse providers have auxiliary logistics businesses we think limit expansion and client flexibility**

Java Island had a US\$517bn GDP in 2014, 29% higher than Thailand’s national GDP. The western part of Java (Jakarta, Banten & West Java provinces) generated about 58% of the island’s GDP or ~US\$301bn, or 75% of Thailand’s GDP. Despite the size of its economy, we found the development of modern warehousing in Java to significantly lag the development of Thailand.

Figure 17

**Indonesian modern warehousing growing from a low base**



Source: CLSA, WHA, TICON & MMLP

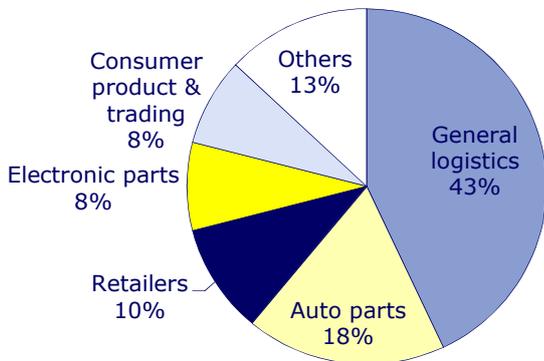
We found Indonesian warehousing companies to generally be much smaller compared to its regional peers. Given its attractive growth prospects, the industry is seeing an increasing supply influx. Within the known players, we see MMLP to be leading the race by securing demand from the top companies in FMCG, ecommerce and 3PL industries.

There is no proper industry supply data as property transactions and ownerships in Indonesia are not properly documented. From the data we have gathered, we found the few key players to be: Mega Manunggal Property (MMLP IJ), SLP Surya TICON Internusa (JV of SSIA IJ, TICON TB & Mitsui), WHA (WHA TB), Kamadjaja, and Puninar. In our view, MMLP has the best chance to capture incoming demand, backed by its management experience in the Indonesian property space, its pure warehousing focus and track-record.

We think pure warehousing providers will grow faster than the integrated ones given better resource allocation, particularly of capital resources. The warehousing business is a game of capital, in which a pure play warehousing company should have a lower cost of capital than an integrated company with other more cyclical activities. The local players are mostly integrated with logistic services like delivery, for which demand is more cyclical and expansion limited by human resources.

Figure 18

**TICON (TPARK + Funds) warehouse client profile**



Source: CLSA, TICON

Figure 19

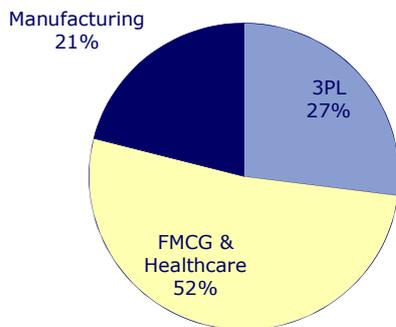
**TICON warehouse business client sample**



Source: CLSA, TICON

Figure 20

**WHA + WHAPF + WHART client profile**



Source: CLSA, WHA

Figure 21

**WHA client sample**



Source: CLSA, WHA

Figure 22

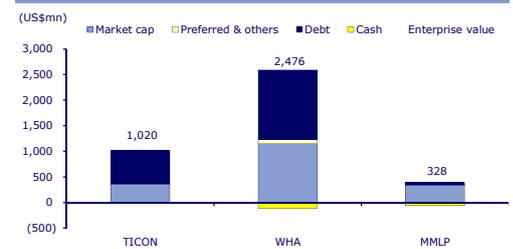
**Warehousing company NLA breakdown, 9M15**



Source: CLSA, Companies

Figure 23

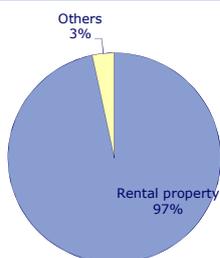
**Warehousing companies enterprise value**



Source: CLSA, Companies

Figure 24

**MMLP's revenue breakdown**



Source: CLSA, companies

Figure 25

**WHA revenue breakdown**

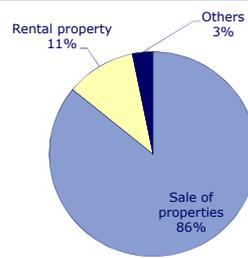
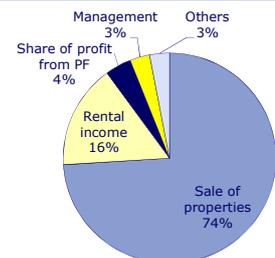


Figure 26

**TICON revenue breakdown**

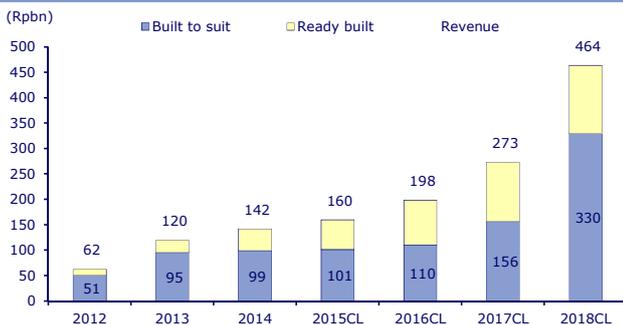


**15CL Ebit to almost triples by 18CL**

We forecast Ebit growth of 24%/38%/70% in 16CL/17CL/18CL on the back of NLA expansion and higher occupancy rates at Intirub. We expect NLA to grow to 355k sqm in 2018 (from 164k sqm in 2015) and we assume per annum rental escalation of 5% every two years for build-to-suit and 5%-8% for ready-built warehouses. Our model suggests MMLP will book Rp356bn Ebit in 2018, almost triple its Ebit from 2015 (Rp121bn). We expect NLA to grow by 40%/55% in 17CL/18CL which will bring total NLA to 355k sqm in 2018.

Figure 27

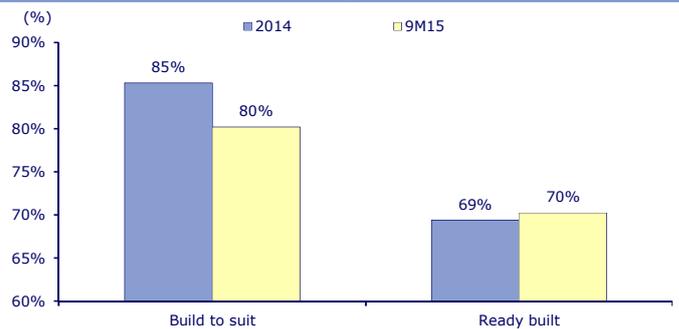
**Revenue breakdown**



Source: CLSA, company

Figure 28

**Ebit margin: BTS versus ready built**

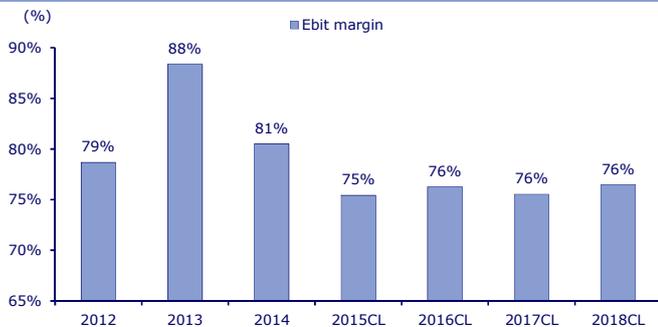


Source: CLSA, company

We model Ebit margin contraction in 15CL as MMLP ramps-up its operations to expand. We expect MMLP to maintain its Ebit margin as the ramp-up period stabilizes. For its new projects, we assume MMLP to generate an 85% Ebit margin for build-to-suit and 70% for ready-built warehouses.

Figure 29

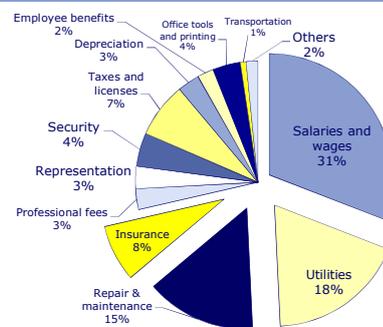
**MMLP's Ebit margin**



Source: CLSA, company

Figure 30

**Costs (COGS + opex) breakdown**

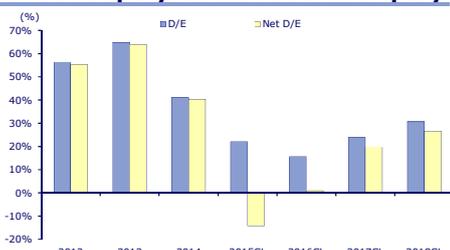


Source: CLSA, company

MMLP is in a relatively simple financial position with assets heavy in cash, investment properties & landbank down payments. Its major accounts are only debt and equity. MMLP obtains most of its bank loans from Bangkok Bank with an effective interest rate of 10.5% for 7-8 year rupiah loans.

Figure 31

**Debt to equity and net debt to equity**



Source: CLSA

Figure 32

**Debt to Ebitda and net debt to Ebitda**

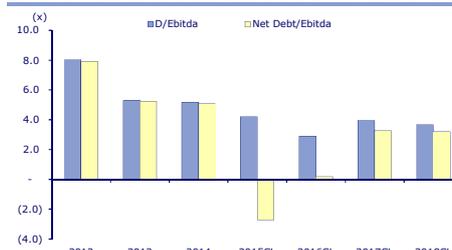
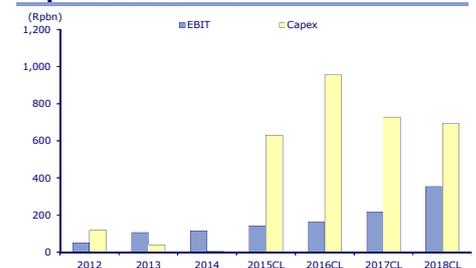


Figure 33

**Capex and cash flow**



**Our Rp1,035/sh target price offers 33% upside; BUY**

## Best spot in town, initiate with a BUY

Our Rp1,035/sh target price is derived using SOTP which contains firm's landbank and warehouse businesses: its landbank is valued at the latest market prices and its warehouse business is valued using a 20-year DCF (11.75% WACC & 4.0% terminal growth) with the assumption MMLP will expand warehouse NLA to 1m by 2025. Our Rp1,035/sh target price has 33% upside making it a BUY.

Figure 34

<b>MMLP valuation</b>		
<b>Assets</b>	<b>Value, Rp, bn</b>	<b>% RNAV</b>
Four current assets	2,109	36%
Lazada	666	11%
Other expansions	2,801	47%
Landbank (7.9ha commercial)	395	7%
<b>Gross asset value</b>	<b>5,970</b>	<b>101%</b>
- Debt, 2016CL	480	8%
+ Cash, 2016CL	419	7%
<b>RNAV</b>	<b>5,909</b>	<b>100%</b>
RNAV/sh	1,035	

Source: CLSA

We use an 11.75% discount rate, derived from a 10.0% cost of debt and a 13.5% cost of equity. We apply a 9.0% risk free rate, a 5.0% risk premium and a 0.90 beta. The 0.90 beta we use is the regional peer average (Figure35). The Indonesian 10-year government bond yield in auction on 1 March 2016 was 8.3%, and offers some buffer to our risk free rate assumption.

Figure 35

<b>Discount rate assumptions</b>			
<b>Discount rate</b>			
RF - risk free rate	9.0%	D/capital	50.0%
RP - risk premium	5.0%	E/capital	50.0%
Beta	0.90	WACC	11.75%
Cost of Equity	13.5%	Terminal growth	4.00%
Cost of Debt	10.0%	Implied cap rate (WACC-TG)	7.75%

Source: CLSA

Figure 36

<b>Warehouse developer betas</b>			
	<b>5Y</b>	<b>3Y</b>	<b>2Y</b>
GLP	1.22	1.29	1.44
WHA	0.76	0.60	0.44
Prologis	0.55	0.61	0.93
Goodman	0.39	0.42	0.64
<b>Average</b>	<b>0.73</b>	<b>0.73</b>	<b>0.86</b>
<b>Average adjusted beta</b>	<b>0.82</b>	<b>0.82</b>	<b>0.91</b>

Source: CLSA

### Key assumptions and sensitivity

We make several assumptions to construct our valuation. The most important of which include: rental reset rates, new asset yield to cost rates, and expansion to 1m NLA by 2025.

**We assume a 12% yield to investment cost**

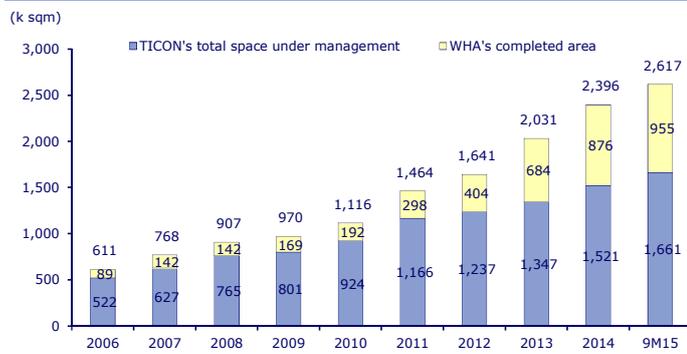
For rental reset rates, we assume MMLP to increase new asset rental rates by 32.5-45.0% for year 10 after commencement. The reset rate hinges on assumptions on property (land) price appreciation and the rental rate increase per annum. Our rental reset rates are based on the accumulated differential between our assumption for property price appreciation and rental rate increase; we assume 5% lower than this differential. This way, the yield to cost at year 10 will be back close to the initial yield to cost assumption.

We assume a new asset yield of 12% to investment cost which includes land and building constructions.

For future expansion, we base our 1m expansion assumption in 10 years on its Thai peers, WHA and Ticon, which managed to expand NLA by 0.9-1.1m NLA over the past 10 years (Figure 37).

Figure 37

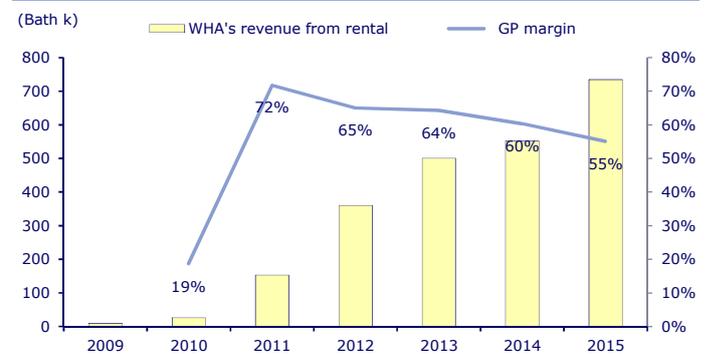
**Regional peer NLAs**



Source: CLSA, company

Figure 38

**WHA's rental revenue and GPM**



Source: CLSA, company

Figure 39

**MMLP's valuation sensitivity to discount rate and terminal growth rate**

	WACC			
	+0.25%	11.75%	-0.25%	
Terminal growth	-0.5%	930	995	1,060
	4.00%	970	<b>1,035</b>	1,105
	+0.50%	1,010	1,080	1,155

Source: CLSA

There is no direct head to head peer for MMLP, with the closest being Thailand-based WHA (WHA TB), Singapore-based GLP (GLP SP), Australian-based Goodman (GMG AU) and USA-based Prologis (PLD US). However, its closest peer, WHA, is no longer a pure-play warehouse developer as it recently acquired an industrial company Hemaraj (HEMRAJ TB).

Figure 40

**Comps**

	PE			EV/Ebitda			PB			Market cap US\$m
	15CL	16CL	17CL	15CL	16CL	17CL	15CL	16CL	17CL	
Mega Manunggal	11.9	8.9	6.9	33.7	29.7	25.1	1.7	1.5	1.3	339
WHA	.	.	.	.	.	.	.	.	.	1,156
GLP	14.6	32.8	21.5	0.6	(4.2)	(4.1)	0.9	0.8	0.8	6,321
Goodman	17.3	16.2	15.2	11.3	10.5	9.6	1.8	1.7	1.6	8,416
Prologis*	23.2	37.9	34.6	30.1	23.2	22.8	1.5	1.2	1.4	21,743

Source: CLSA, Bloomberg. \*Bloomberg consensus.

Figure 41

**Earnings and balance-sheet risk scores (lower the better)**

	Score	Comments
<b>Earnings-quality flags</b>		
Capex indiscipline	0	The company is disciplined in its landbanking efforts
Cash burn	1	In expansion mode & some tenants have paid in advance
Rising non-core or intangibles	1	Comes from revaluation gains which could be realized by selling assets
Rising working capital	0	no comment
Poor cash conversion	1	Some tenants have paid in advance
<b>Earnings-quality risk score (EQRS)</b>	<b>3/5</b>	
<b>Balance-sheet-quality flags</b>		
Cash burn	1	In expansion mode & some tenants have paid in advance
Excessive leverage	0	Below peers
Frequent fundraising	0	Just raised equity in 2015
Liquidity concerns	0	Not a concern
Operational stress	0	No comment
<b>Balance-sheet-quality risk score (BQRS)</b>	<b>1/5</b>	

Source: CLSA

**Valuation details**

Our target price is derived using SOTP which consist of MMLP's landbank and warehouse businesses. We value its landbank at the latest appraisal prices and its warehouse business using a 20-year DCF (11.75% WACC and 4.0% terminal growth) valuation with the assumption MMLP to expand its warehouse NLA to 1m by 2025 from 164k in 2015.

**Investment risks**

MMLP's risks include concentration, interest rates, competition and the general economy. MMLP derived 58% of its 2014 revenue from a single customer, Unilever Indonesia, which also occupied 55% of MMLP's total NLA in 2014. However as MMLP expands, Unilever's contribution will gradually decline. The warehousing business is capital intensive, hence it is quite sensitive to interest rate movements. MMLP's derives demand from various industries (consumer, ecommerce and third party logistics) which are sensitive to the general economy. However, its rent is contract based: longer-term (10 years) for built-to-suit warehouses and relatively shorter-term (2-5 years) for ready-built warehouses. Hence, its business is relatively stable.

## Company outline

### The business

MMLP is Indonesia's leading modern warehouse provider with total total NLA of 164k sqm in 2015. MMLP offers built to suit warehouse, ready built warehouse, and office space. Built to suit warehouse accounts for around 67% of revenue and 68% of NLA in 2015. In 9M15, MMLP has put downpayment to 59ha of land for future expansions. MMLP's management has vast experience in Indonesian property industry, particularly in industrial property. MMLP is affiliated to prominent industrial developer Bekasi Fajar (BEST IJ) and residential developer Alam Sutera (ASRI IJ).

### Strengths

Track-record in warehousing business by securing major names from consumer, e-commerce & 3PL industries as clients/tenants.

Vast experience in Indonesian property

### Opportunities

Modern warehousing in Indonesia still in infancy stage.

Weakening economy gives MMLP opportunity to acquire cheaper land.

### Competition & market franchise

As of 2015, MMLP only operates in Jakarta and Greater Jakarta areas. Competitors include the existing industrial developers, e.g. Puradelta, Lippo Cikarang, Jababeka, Surya Semesta, etc. MMLP has one of the best franchise in warehousing business as it managed to secure prominent names as clients, e.g. Unilever, Li&Fung, Lazada, DHL, Sing Post, etc. MMLP embarked into expansion mode, went public in June-2015 and formed the marketing team in late 2015. To grow, MMLP plans to continue to be competitive by leveraging management vast experience in Indonesian property and its franchise in the industry.

### Weaknesses

Capital intensive, thus at certain point the growth will be limited to capital availability.

### Threats (Risks)

Given attractive industry outlook, players starting to enter the industry.

## Summary financials

Year to 31 December	2014A	2015CL	2016CL	2017CL	2018CL
<b>Summary P&amp;L forecast (Rpbn)</b>					
<b>Revenue</b>	<b>142</b>	<b>160</b>	<b>198</b>	<b>273</b>	<b>464</b>
Op Ebitda	115	121	152	208	356
Op Ebit	114	120	151	206	354
Interest income	1	29	38	13	4
Interest expense	(44)	(45)	(40)	(46)	(73)
Other items	238	174	221	370	404
<b>Profit before tax</b>	<b>309</b>	<b>278</b>	<b>371</b>	<b>543</b>	<b>689</b>
Taxation	(14)	(16)	(20)	(27)	(46)
Minorities/Pref divs	(3)	-	-	-	-
<b>Net profit</b>	<b>293</b>	<b>262</b>	<b>351</b>	<b>516</b>	<b>642</b>
<b>Summary cashflow forecast (Rpbn)</b>					
<b>Operating profit</b>	<b>114</b>	<b>120</b>	<b>151</b>	<b>206</b>	<b>354</b>
Operating adjustments	1	28	38	13	4
Depreciation/amortisation	1	1	1	1	1
Working capital changes	(320)	(90)	82	115	68
Net interest/taxes/other	(58)	(61)	(60)	(73)	(120)
<b>Net operating cashflow</b>	<b>(263)</b>	<b>(2)</b>	<b>212</b>	<b>262</b>	<b>307</b>
Capital expenditure	(93)	(8)	(630)	(955)	(727)
<b>Free cashflow</b>	<b>(356)</b>	<b>(9)</b>	<b>(418)</b>	<b>(693)</b>	<b>(420)</b>
Acq/inv/disposals	57	-	-	-	-
Int, invt & associate div	-	-	-	-	-
<b>Net investing cashflow</b>	<b>(36)</b>	<b>(8)</b>	<b>(630)</b>	<b>(955)</b>	<b>(727)</b>
Increase in loans	35	4	(120)	331	441
Dividends	0	0	0	0	0
Net equity raised/other	270	955	(4)	(3)	0
<b>Net financing cashflow</b>	<b>304</b>	<b>959</b>	<b>(124)</b>	<b>328</b>	<b>441</b>
<b>Incr/(decr) in net cash</b>	<b>5</b>	<b>950</b>	<b>(542)</b>	<b>(365)</b>	<b>21</b>
Exch rate movements	-	-	-	-	-
<b>Opening cash</b>	<b>6</b>	<b>11</b>	<b>961</b>	<b>419</b>	<b>54</b>
<b>Closing cash</b>	<b>11</b>	<b>961</b>	<b>419</b>	<b>54</b>	<b>75</b>
<b>Summary balance sheet forecast (Rpbn)</b>					
Cash & equivalents	11	961	419	54	75
Debtors	14	15	19	26	45
Inventories	-	-	-	-	-
Other current assets	19	132	68	4	7
Fixed assets	2,039	2,252	3,106	4,433	5,563
Intangible assets	0	0	0	0	0
Other term assets	56	49	51	57	96
<b>Total assets</b>	<b>2,139</b>	<b>3,410</b>	<b>3,663</b>	<b>4,574</b>	<b>5,786</b>
Short-term debt	56	120	69	59	108
Creditors	27	34	40	61	99
Other current liabs	54	63	76	111	184
Long-term debt/CBs	542	480	411	753	1,145
Provisions/other LT liabs	13	16	19	26	44
Minorities/other equity	3	3	3	3	3
Shareholder funds	1,445	2,694	3,045	3,561	4,203
<b>Total liabs &amp; equity</b>	<b>2,139</b>	<b>3,410</b>	<b>3,663</b>	<b>4,574</b>	<b>5,786</b>
<b>Ratio analysis</b>					
Revenue growth (% YoY)	18.8	12.5	24.1	37.9	69.7
Ebitda growth (% YoY)	8.3	5.6	25.4	36.4	71.3
Ebitda margin (%)	81.1	76.1	76.9	76.0	76.8
Net profit margin (%)	206.1	164.0	177.0	188.8	138.5
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	4.6	5.7	5.3	5.0	6.7
Ebitda/net int exp (x)	2.7	7.5	87.3	6.3	5.1
Net debt/equity (%)	40.5	(13.4)	2.0	21.3	28.0
ROE (%)	25.3	12.7	12.2	15.6	16.5
ROIC (%)	6.3	5.2	5.2	5.2	6.8
EVA@/IC (%)	(6.3)	(7.4)	(7.4)	(7.3)	(5.8)

Source: CLSA

**Companies mentioned**

Mega Manunggal (MMLP IJ - RP780 - BUY)  
3M (N-R)  
Acommerce (N-R)  
Alam Sutera Realty (N-R)  
ARK Logistics and Transportation (N-R)  
Bangkok Bank (BBL TB - BT170.0 - BUY)<sup>1</sup>  
Bata India (N-R)  
Bekasi Fajar (BEST IJ - RP282 - OUTPERFORM)<sup>1</sup>  
BJC Logistics (N-R)  
Black and Veatch International Indonesia (N-R)  
BNI (BBNI IJ - RP5,275 - OUTPERFORM)<sup>1</sup>  
Concord Express International (N-R)  
Deraya (N-R)  
Deutsche Post (N-R)  
Federal Express Pacific Inc (N-R)  
Fedex (N-R)  
GLP (GLP SP - S\$1.90 - UNDERPERFORM)<sup>1</sup>  
Goodman (GMG AU - A\$6.44 - BUY)<sup>1</sup>  
Great Podomoro Group (N-R)  
Grundros (N-R)  
Hemaraj (HEMRAJ TB - BT3.1 - OUTPERFORM)<sup>1</sup>  
Hitachi Transport Syst (N-R)  
Hungkang Sutedja (N-R)  
Indika Energy (N-R)  
Jababeka (N-R)  
Jakarta Intl Hotels (N-R)  
Johnson & Johnson (N-R)  
Kamadjaja (N-R)  
Kao (4452 JP - ¥5,861 - BUY)<sup>1</sup>  
Kweichow Moutai (N-R)  
Lazada (N-R)  
LF Logistics (N-R)  
Linfox (N-R)  
Lippo Cikarang (N-R)  
Lontar Papyrus Pulp & Paper (N-R)  
Merril Lynch (N-R)  
MHE Demag (N-R)  
Mitsubishi Motors (N-R)  
Mitsui (8031 JP - ¥1,446 - OUTPERFORM)<sup>1</sup>  
Petronusa Interindo (N-R)  
Pigeon Industries Thailand (N-R)  
Prijoandojo Beontoro & Co (N-R)  
Prologis (N-R)  
PT Agung Sedayu Group (N-R)  
PT Argo manunggal Triasta (N-R)  
PT Argo Manunggal Land Development (N-R)  
PT Bekasi Matra Industiral Estate (N-R)  
PT Danareksa (N-R)  
PT Danayasa Arthatama TBK (N-R)  
PT Delta Mega Persada (N-R)  
PT Indika Energy TBK (N-R)  
PT Kedoya Adyaraya (N-R)  
PT Manunggal Prim Development (N-R)  
PT Mega Mandiri Properti (N-R)

PT Panin Securities (N-R)  
 PT Pindo Deli Paper Mills (N-R)  
 PT Polyprima Karyareksa (N-R)  
 PT Poultry Mangosteen (N-R)  
 PT Tjiwi Chemical Plat Paper (N-R)  
 PT Variety Metal Industry (N-R)  
 PT Wahana Rapex (N-R)  
 Puninar (N-R)  
 Puradelta Lestari (N-R)  
 Scan Global Logistics (N-R)  
 SCG Logistics (N-R)  
 Selayar (N-R)  
 Sinar Mas Paper (N-R)  
 SingPost (SPOST SP - S\$1.60 - BUY)<sup>1</sup>  
 SLP Surya (N-R)  
 Starbucks (SBUX US - US\$58.70 - BUY)<sup>2</sup>  
 Supply Chain Services (N-R)  
 Surya Semesta (SSIA IJ - RP685 - BUY)<sup>1</sup>  
 Taiping (966 HK - HK\$16.26 - SELL)<sup>1</sup>  
 Ticon Internusa (N-R)  
 UBS (N-R)  
 Unilever Indo (UNVR IJ - RP45,200 - OUTPERFORM)<sup>1</sup>  
 Usahatama Mandiri (N-R)  
 Vasanta Investment (N-R)  
 WHA (WHA TB - BT2.9)<sup>1</sup>  
 Yokogawa Electric (N-R)  
 Yusen Logistics (N-R)

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