



Mandiri Sekuritas Analyst

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Sector: Property & Industrial Estate

BUY

Current Price Rp510
Target Price Rp700 (+37.3%)
52-wk range Rp594 - Rp430

Stock Data

Bloomberg Code MMLP IJ
Mkt.Cap (Rp bn/US\$ mn) 3,513 / 244
Issued Shares (mn) 6,889
Avg. Daily T/O (Rp bn/US\$ mn) 0.3/0.0

Key Financials

	2018F	2019F	2020F
EPS	27	29	17
PE (x)	18.7	17.6	29.8
PBV (x)	0.9	0.8	0.8
EV/EBITDA (x)	25.4	22.0	20.7
EPS Growth (%)	(32.0)	6.4	(40.9)
Div. Yld (%)	0.0	0.0	0.0
ROAE (%)	4.8	4.9	2.8

2Q18 Results: Expecting Better 2H18

MMLP has just released 2Q18 results. 1H18 revenues came in slightly below expectations due to slower revenue recognition. However, we remain optimistic about 2H18 as the company should be able to fully monetize its completed warehouses, given sufficient inquiries. Reiterate Buy.

Revenue jump on Cileungsi warehouse completion. MMLP booked 2Q18 revenues of Rp76bn (+38.7% YoY, +11.3% QoQ) as the company completed its multi-tenant Cileungsi warehouse in June 2018, coupled with its Block AE warehouse that has reached full occupancy rate. The company indicated that the Cileungsi warehouse has reached around 90% occupancy rate (or around 4k sqm remaining NLA), which we expect could improve its occupancy rate in the upcoming quarters given plenty of inquiries. Overall, MMLP's reported **1H18 revenue of Rp144bn came in slightly below, at 47.6%, of our/consensus FY18 expectations.** Multi-tenant warehouse revenues now contribute around ~40% of total NLA, with the addition of Cileungsi and Block AE completion.

Normalizing EBITDA margin. MMLP booked 2Q18 EBITDA of Rp56bn (+40.6% YoY, +5.3% QoQ), growing faster than revenue as the company continues to benefit from operating leverage. COGS growth slightly accelerated from 21.6% YoY in 1Q18 to 27.9% YoY in 2Q18, while G&A also grew faster than revenue. As a result, EBITDA margin declined from 77.6% in 1Q18 to 73.4% in 2Q18. Higher contribution of multi-tenant revenues could also have impacted normalization of EBITDA margin, as multi-tenant generally has lower margin than Built-to-Suit warehouse, in our view. However, we highlight that MMLP's EBITDA net interest expense was encouraging, growing faster than revenue growth at 54.5%. **1H18 EBITDA of Rp108bn came in-line with expectations,** representing 49.9%/51.2% of our/consensus FY18 estimates.

Net profit impacted by higher non-operating expenses. MMLP reported 2Q18 net profit of Rp22bn (-51.7% YoY, -17.5% QoQ), as the company booked higher forex loss and higher minority expenses. MMLP booked Rp16bn non-operating expenses in 2Q18, vs. Rp11bn gain in 2Q17, and minority expenses of Rp9bn in 2Q18, vs. Rp3bn gain in 2Q17. Sequential net margin also declined from 29.8% in 1Q18 to 28.2% in 2Q18. Overall, **1H18 net profit of Rp49bn came in below expectations** and represented 26.2%/28.1% of our/consensus estimates. We highlight, however, that net profit could be optically lower due to the absence of FV adjustment, which we expect should again occur in 4Q18.

Maintain Buy. We reiterate our Buy call on MMLP as we remain confident in warehouse demand in the industry, given the growing and nascent underpenetrated market. With the completion of Lazada warehouse phase II and BTS warehouse in 2019-20F, the company could gain additional ~100k sqm of NLA.

FIGURE 1. MMLP: 2Q18 RESULTS

in Rp bn	2Q17	1Q18	2Q18	YoY	QoQ	1H17	1H18	YoY	% of FY18F Mansek	% of FY18F Cons.
Office and warehouse rental	45	58	65	43.2%	12.6%	81	123	52.0%		
Equipment rental	5	6	6	9.7%	4.1%	11	12	6.4%		
Others	4	4	5	26.2%	3.9%	7	9	30.7%		
Revenues	55	68	76	38.7%	11.3%	99	144	45.5%	47.6%	47.6%
Cost of revenues	5	6	7	27.9%	15.5%	10	12	24.9%		
G&A	11	10	14	34.8%	37.8%	18	25	35.5%		
Opex	16	16	21	32.5%	29.9%	28	37	31.8%		
Operating profit	39	52	55	41.3%	5.5%	70	106	51.0%		
<i>% margin</i>	<i>70.9%</i>	<i>76.2%</i>	<i>72.2%</i>	<i>131bps</i>	<i>-399bps</i>	<i>71.4%</i>	<i>74.1%</i>	<i>269bps</i>		
Depreciation and amortization	1	1	1	8.7%	-2.4%	2	2	11.7%		
EBITDA	39	53	56	40.6%	5.3%	72	108	50.0%	49.9%	51.2%
<i>% margin</i>	<i>72.4%</i>	<i>77.6%</i>	<i>73.4%</i>	<i>97bps</i>	<i>-416bps</i>	<i>73.1%</i>	<i>75.4%</i>	<i>230bps</i>		
EBITDA less net interest exp	30	44	46	54.5%	4.2%	53	90	71.0%		
Interest income	2	4	2	2.0%	-45.9%	3	5	77.7%		
Interest expense	(12)	(12)	(11)	-1.3%	-5.4%	(23)	(24)	4.7%		
Forex gain / (loss), net	0	(2)	(6)	n.a.	181.5%	1	(8)	n.a.		
Increase in FV of investment properties	20	-	-	-100.0%	n.a.	20	-	n.a.		
Others	(0)	(0)	(0)	-0.8%	128.6%	(0)	(0)	140.8%		
Other income / (expenses)	11	(11)	(16)	n.a.	46.0%	2	(27)	n.a.		
Pre-tax profit	49	41	39	-21.2%	-5.3%	73	80	9.4%		
<i>% margin</i>	<i>90.2%</i>	<i>60.2%</i>	<i>51.2%</i>	<i>3897bps</i>	<i>-897bps</i>					
Final & Income tax expenses	(5)	(7)	(8)	38.4%	11.2%	(10)	(14)	45.1%		
<i>% effective tax rate</i>	<i>11.1%</i>	<i>16.7%</i>	<i>19.6%</i>	<i>843bps</i>	<i>290bps</i>	<i>13.6%</i>	<i>18.1%</i>	<i>444bps</i>		
Minority interest	3	(7)	(9)	-451.5%	25.4%	3	(16)	-647.1%		
PATAMI	46	27	22	-51.7%	-17.5%	66	49	-25.0%	26.3%	28.2%
<i>% margin</i>	<i>84.8%</i>	<i>39.8%</i>	<i>29.5%</i>	<i>5529bps</i>	<i>1028bps</i>	<i>66.6%</i>	<i>34.4%</i>			
Normalized PATAMI	31	29	27	-12.9%	-6.2%	49	55	12.5%		
<i>% margin</i>	<i>56.5%</i>	<i>42.1%</i>	<i>35.5%</i>	<i>2102bps</i>	<i>-660bps</i>	<i>49.9%</i>	<i>38.6%</i>			

Source: Company Data, Mandiri Sekuritas Research estimates

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