Mandiri Sekuritas Analyst

Audrey Hanzdima
+6221 5296 9434
audrey.hanzdima@mandirisek.co.id

Adrian Joezer
+6221 5296 9415
adrian.joezer@mandirisek.co.id

Sector : Industrial

BUY

Current Price	Rp585
Target Price	Rp700 (+19.7%)
52-wk range	Rp629 - Rp444

Stock Data

Bloomberg Code	MMLP IJ
Mkt.Cap (Rp bn/US$ mn)	4,030 / 293
Issued Shares (mn)	6,889
Avg. Daily T/O (Rp bn/US$ mn)	0.2/0.0

Major shareholder

Mega Mandiri Properti	27.3%
Indies Special Pte Ltd	12.7%
Public	59.3%

EPS consensus

	Mansek	Cons	Diff
2017F	30.0	28.0	7.1
2018F	28.6	34.0	(15.8)
2019F	36.3	25.0	45.2

Share price performance

	3m	6m	12m
Absolute (%)	2.6	0.2	2.0
Relative to JCI (%)	5.4	(4.9)	(8.9)

Capitalizing on the Digital Age

We initiate coverage on Mega Manunggal Property (MMLP.IJ) with a Buy rating. We believe the company will benefit from the low penetration of modern warehouses and growing demand from e-commerce and third-party logistics. Premium valuation is justified given the nascent warehouse and logistics sectors in Indonesia.

e-commerce to provide opportunities for the warehousing industry. We expect e-commerce activities to continue, if not intensify, with the winners not yet clear. We also expect demand for modern warehouses from e-commerce retailers to increase, given the larger warehouse space needed to accommodate rapid single-orders and higher inventory turnover than those in the brick-and-mortar retailers. With a strong profile of key tenants such as Unilever and Lazada, Mega Manunggal could benefit from the rising warehouse demand from the e-commerce players.

Third-party logistics could be another driver. Improvements in the logistics and infrastructure sectors could lead to more distribution and transportation being outsourced given the costs saved compared to in-house logistics. There is also a growing number of third-party logistics providers just focusing on facilitating e-commerce supply chains, such as aCommerce & 8commerce. We believe MMLP will be able to secure tenants due to its underpenetrated warehouse supply, backed by its strategic location.

Pure warehouse model creates flexibility. As a pure warehouse player, Mega Manunggal could gain competitive advantage by allowing tenants to secure a strategic location without needing to commit to a particular logistics provider. Meanwhile, the warehouse-only business model also allows the company to appeal to asset-light third-party logistics providers.

Initiate with a Buy rating, TP of Rp700. We use an 11.0% WACC with a 3.5% TG for built-to-suit and a 4.0% TG for ready-built properties. We believe the higher valuation versus its peers is justified given the strong growth trajectory: we forecast 3-year Revenue/EBITDA CAGRs of 29.4%/30.1% from 2017-20F. Our target price implies a 27.6x Core PER 2019F, higher than its peers' average at 24.5x. Catalysts include NLA addition and land expansion. Key risks: execution and macro downturn.

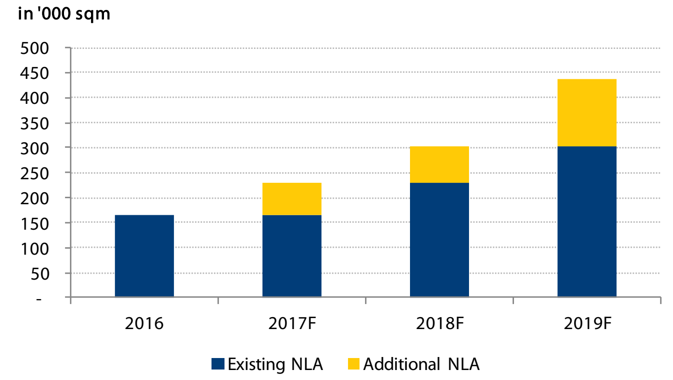
FINANCIAL SUMMARY

YE Dec (Rp Bn)	2015A	2016A	2017F	2018F	2019F
EBITDA	123	121	145	214	273
Net Profit	114	342	189	197	250
Fully-diluted EPS	24	60	30	29	36
Fully-diluted EPS growth (%)	(83.2)	154.1	(49.9)	(4.6)	26.7
P/E Ratio (x)	24.8	9.8	19.5	20.4	16.1
EV/EBITDA (x)	28.9	34.4	35.7	27.6	23.3
P/B Ratio (x)	1.3	1.2	1.1	1.0	1.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	5.7	12.6	5.7	5.1	6.1

Source: Company Data (2015-2016), Mandiri Sekuritas (2017-2019)

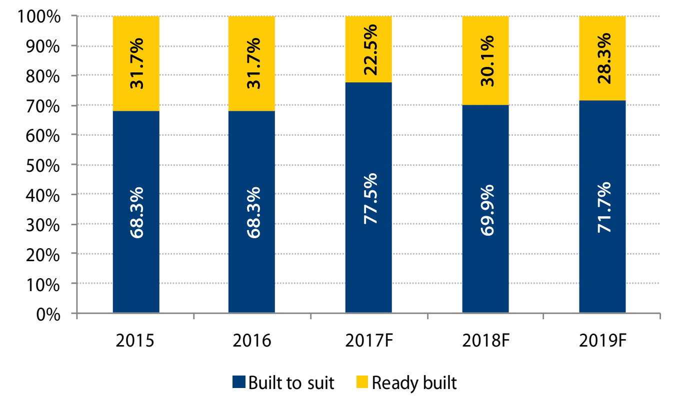
MMLP - At a Glance

FIGURE 1. NLA 2016-29F



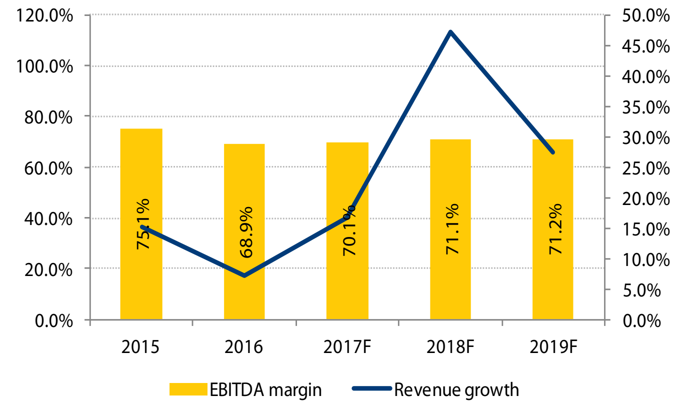
Source: Company Data, Mandiri Sekuritas estimates

FIGURE 2. NLA BREAKDOWN



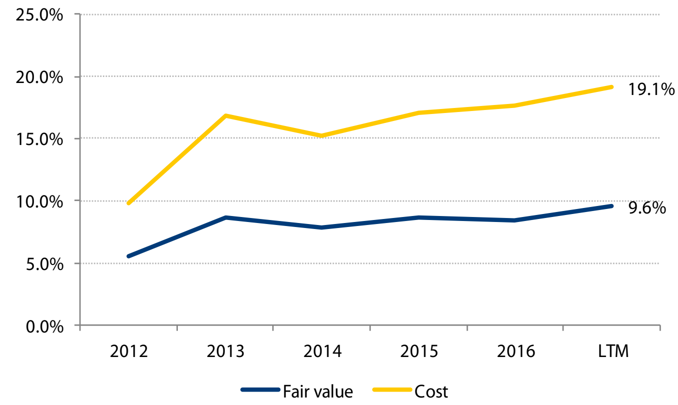
Source: Company Data, Mandiri Sekuritas estimates

FIGURE 3. REVENUE GROWTH AND EBITDA MARGIN



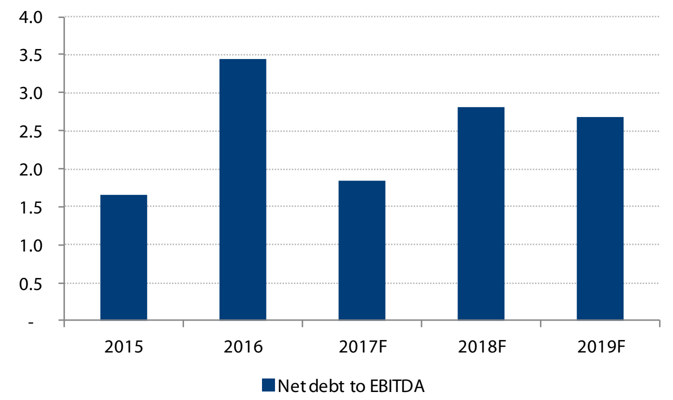
Source: Company Data, Mandiri Sekuritas estimates

FIGURE 4. YIELD TO ASSETS



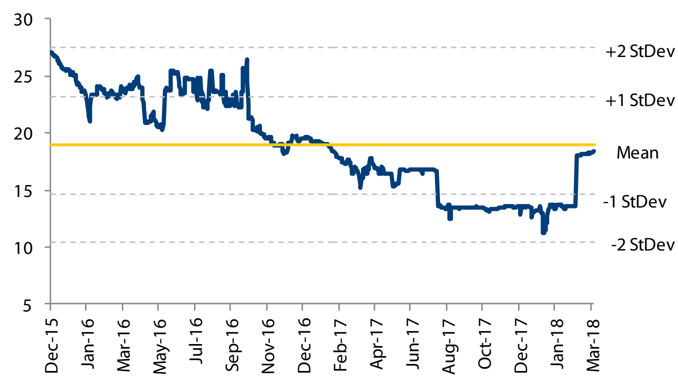
Source: Company Data

FIGURE 5. NET DEBT TO EBITDA



Source: Company Data, Mandiri Sekuritas estimates

FIGURE 6. 12-MONTHS FORWARD PER BAND



Source: Bloomberg

Executive Summary

We initiate on Mega Manunggal with a Buy rating and TP of Rp700. The company is on track to achieve 500k sqm of NLA by 2020, driven by growing demand for modern logistics space from B2C e-commerce and third-party logistics. We believe a premium valuation is justified given the relatively underpenetrated warehouse supply in the country.

We initiate coverage on MMLP with a Buy rating, as we expect the company to be a beneficiary of growing warehouse demand in Indonesia, driven by higher e-commerce penetration and the growing number of third-party logistics providers. Mega Manunggal is a leading modern warehouse provider, currently providing services to Unilever and Lazada. We think it is on track to achieve its 500k sqm target by 2020, double its current 230k sqm. The company has also started developing more than 100k sqm in 1Q18, comprised mostly of built-to-suit warehouses. We estimate the addition of NLA from projects being developed this year will be fully recognized by 2020, driving the 3-year revenue CAGR 17-20F to 29.4%. Meanwhile, the company should enjoy full benefits of the completion of its ready-built Block AE warehouse and two built-to-suit warehouses for Ark Logistics in Cileungsi and Jababeka this year.

The company currently has a total ~20.9 ha of land bank, situated in Jababeka, Cikarang, and Cengkareng. The company has also started to accumulate land bank in Gresik, East Java, in anticipation of higher warehouse demand in the East Java areas. We think the company's strategic location will remain attractive to existing and new tenants.

Strict yield policy ensures profitability. Mega Manunggal's 9M17 12-month trailing yield to assets at fair value stood at 9.6%, with recent development cost yield at ~10%. The company and its shareholder (GIC) have a target minimum development yield of 10% and focus on the development of warehouses sized 5k-100k sqm.

Anticipate more demand as online retail penetration increases. e-commerce requires a different type of warehouse from the traditional ones, due to the higher number of single orders and faster expected delivery time. We presume demand for modern warehouses from e-commerce players will increase, as they continue to fight for market share through promotional activities and competitive shipping delivery. We also expect more demand for warehouses from third-party logistics providers, given the government's continuous efforts to improve Indonesia's logistics costs and opportunities from e-commerce activities.

Strong balance sheet to weather currency volatility. The USD debt proportion to total debt has declined significantly, from 58.8% in 2013 to 19.5% in 9M17. We think the favorable debt mix should protect Mega Manunggal from fluctuations in exchange rates. Meanwhile, the declining cost of borrowing could give better support to EPS growth. We estimate normalized EPS (excluding one-off items and fair value adjustments to investment properties) to grow at a 3-year CAGR of 12.1% in 17-20F.

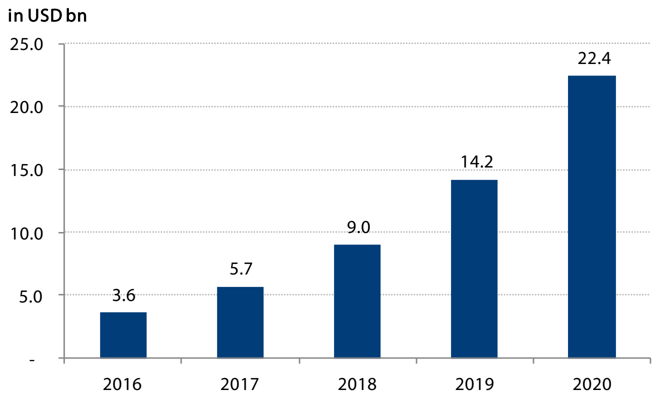
Justified premium. Our target price of Rp700 implies 27.6x/19.8x Core/Reported PER 2019F, higher than its peers at 24.5x PER 2019F. We think the higher valuation than peers' is justified given the growing underpenetrated warehousing industry in Indonesia and the higher EBITDA growth trajectory (3-year EBITDA CAGR 17-20F at 30.1% vs peers' median at 5.2%). Mega Manunggal is currently trading at 23.1x/16.1x Core/Reported PER 2019F.

e-Commerce: More Warehouses, Less Malls

We expect warehouse demand from e-commerce players to increase, as shipping has become a key competitive advantage in the sector. Along with the growing number of single orders and the need for faster delivery, e-commerce requires less physical presence and a different type of warehouse.

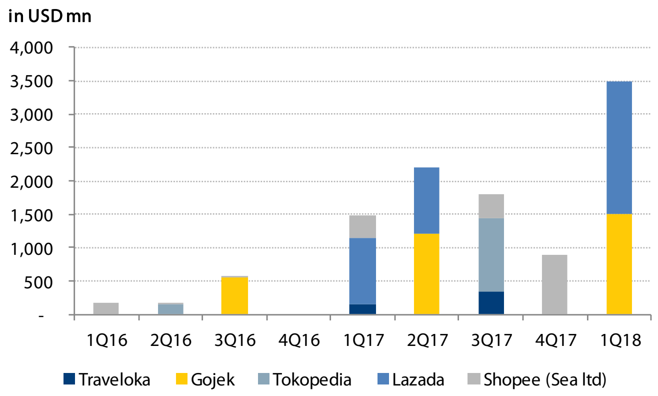
More funding indicates another competitive year. e-commerce in Indonesia has grown significantly in recent years, with big international names trying to capture the country's growing opportunity. In 2016, Indonesia recorded USD 10.8bn of investment from leading e-commerce players, including USD 2bn from Alibaba to Lazada group and Tokopedia. Alibaba has also recently announced an additional USD 2bn investment in Lazada group, in response to Amazon's threat that it would enter the region and increased competition from Tencent's Shopee.

FIGURE 7. E-COMMERCE MARKET SIZE



Source: Frost & Sullivan

FIGURE 8. E-COMMERCE FUNDING



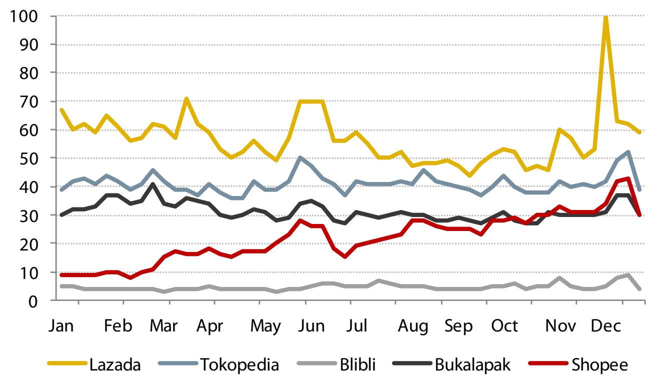
Source: Tech in Asia, Crunchbase, Mandiri Sekuritas estimates

Shipping subsidies will likely continue given heightened competition. Given the intensified competition between the big e-commerce names, more companies are giving subsidies to merchants and customers to gain market share. Shopee entered Indonesia at end-2015, and in a short time has managed to gain traffic from market leaders, Tokopedia and Lazada, through its 'free shipping' campaign. Shipping policy and delivery time have become key competitive advantages among e-commerce players, with Tokopedia, Lazada, and Bukalapak adopting Shopee's free shipping policy.

FIGURE 9. SHOPEE, TOKOPEDIA, LAZADA, JD.ID FREE SHIPPING PROMOTIONS

Source: Company Data, Mandiri Sekuritas estimates

FIGURE 10. MOST SEARCHED ECOMMERCE IN INDONESIA (2017)



Source: Google Trends, Mandiri Sekuritas estimates

Fast and convenient will win consumers' pocket. We expect shipping and short delivery time to remain important, as customers' behavior shifts to expecting a fast-paced delivery of goods. According to a survey by McKinsey & Company, about a quarter of customers would pay a premium for same-day delivery and the majority prefer the cheapest alternatives when purchasing goods online. Meanwhile, rapid single-orders and high inventory turnover activities require e-commerce companies to have distribution channels and fulfillment centers that are more efficient than traditional warehouses. JLL estimates there will be an additional c 500k sqm of modern warehouses in the next three years in Greater Jakarta alone from just 1.3mn sqm last year.

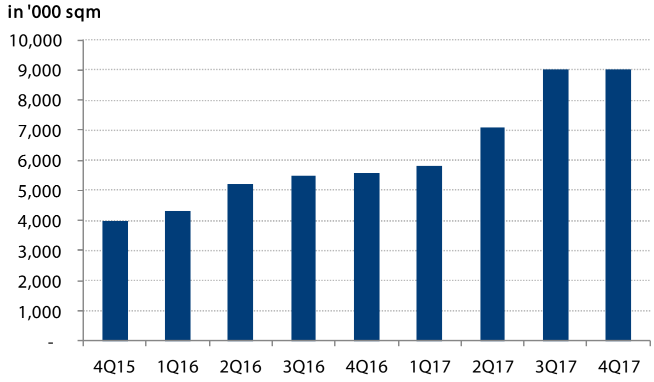
FIGURE 11. E-COMMERCE WAREHOUSE SPECS

	Type	Site selection	Size (sq ft)	Clearance	Parking/yard	Design features	Principal activity
Last Mile	Last Mile	Within major metro area, proximate to concentrations of consumers, higher-density submarkets	<100k	16 inches or higher	Yard areas for truck-to-truck, small delivery van storage, cross-docks and customer-accessible for pick-up	Dock and grade-level doors, open floor space, potential showrooming	High velocity SKUs only, mainly transload operations, <24hr storage, some offer value-add services
Last 50 miles	Metro Sortation	Proximate to major metro area, less dense submarkets	<100-500k	24-36 inches	Truck court of >130', some trailer parking, employee parking	1 dock door per 5,000 sqft	Storage, distribution, order fulfilment, reverse logistics
Last 500 miles	Regional/ National Sortation	Proximate to transportation hubs or routes, established regional distribution locations	>500k	36-40 inches	Truck court of >185', ample trailer parking, ample employee parking, security	1 dock door per 10,000 sqft	Breaking bulk, diverse SKU storage, distribution, pick and pack order fulfilment, reverse logistics, often automated

Source: JLL, Prologis

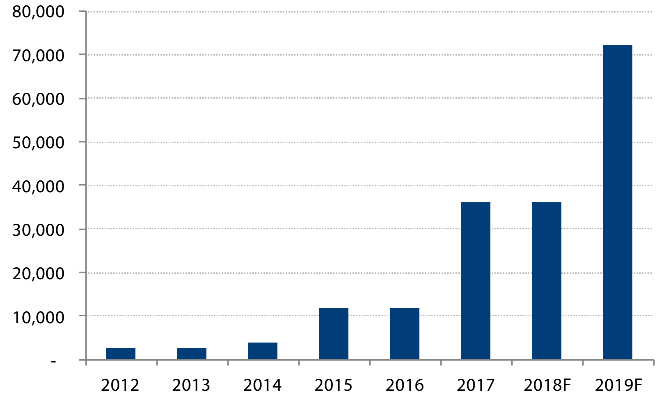
Rapid growth of e-commerce means more demand for modern warehouses. Looking back to the successful e-commerce market in China, JD.com grew its warehouse space from 2.2mn sqm to 9mn sqm in just three years, adding at least 1mn sqm per quarter. We think the trends are appearing in Indonesia, with e-commerce names in Indonesia currently having sizeable warehouses. In Greater Jakarta alone, Lazada Indonesia grew its warehouse space from 2,100 sqm in 2012 to 36,200 sqm in 2017. The company has also secured an additional 36,000 sqm of warehouse space in Greater Jakarta this year and plans to add 5 new warehouses in other key Indonesian cities.

FIGURE 12. JD.COM (CHINA)'S QUARTERLY SQM ADDITIONS



Source: Company Data

FIGURE 13. LAZADA INDONESIA'S WAREHOUSE SQM GROWTH IN GREATER JAKARTA

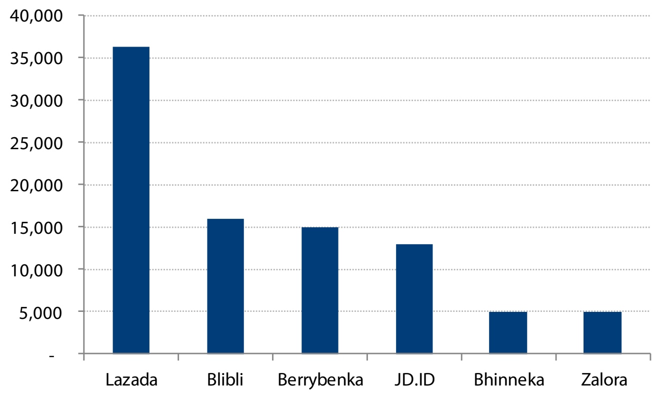


Note: Lazada Indonesia's 2018 & 2019F warehouse forecasts are based on contracts signed with MMLP

Source: Kontan, Kompas, BeritaSatu, Mandiri Sekuritas estimates

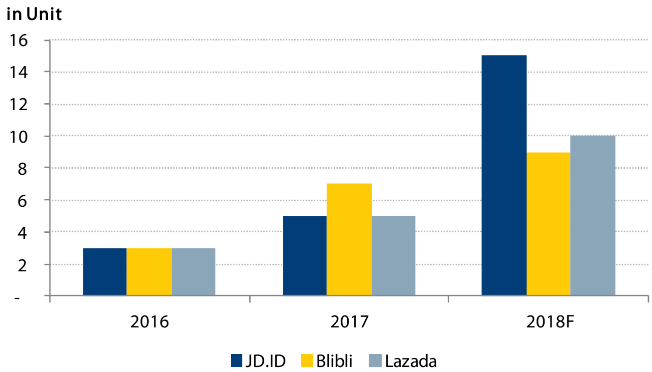
Other B2C e-commerce players are also expanding with rapid growth. Blibli.com (owned by Djarum group) last year finished constructing a warehouse situated in Surabaya, with a gross floor area of 5 ha and is planning to add 2 more warehouses this year. JD.id, JD.com's Indonesian branch, has also announced plans to add 8-10 warehouses across Indonesia with just 2 years of operation. As scaling up quickly is important for e-commerce players to gain market share and reach profitability sooner, we think players will allocate more of their funding to marketing and pricing subsidies instead of investing in their businesses by building their own warehouses.

FIGURE 14. INDONESIA'S E-COMMERCE WAREHOUSES



Source: Bisnis Indonesia / Savills

FIGURE 15. B2C E-COMMERCE'S PLANNED WAREHOUSES



Source: Detik, Bisnis Indonesia, CNN, Mandiri Sekuritas estimates

Note:

Alibaba (BABA; $178.91; Buy – Jefferies analyst: Karen Chan)

Amazon.com (AMZN; $1,431; Buy – Jefferies analyst: Brent Thrill)

Tencent (700 HK; HK$409.60; Buy – Jefferies analyst: Karen Chan)

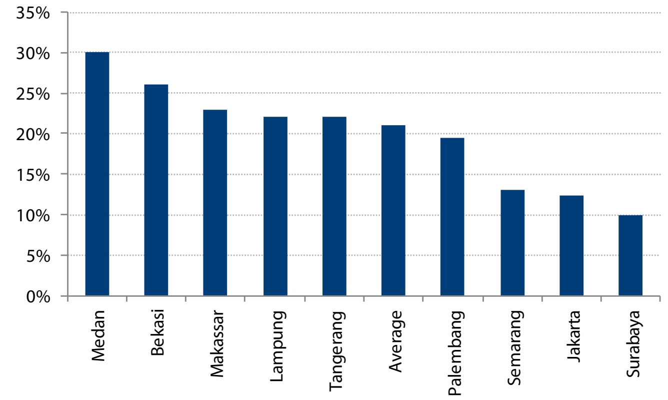
Unilever (ULVR LN; 3,915p; Buy - Jefferies analyst: Martin Deboo)

3PL: Underestimated Demand Driver

Third-party logistics (3PL) will serve as another driver for modern warehouse demand, supported by lower barriers of entry and more manufacturers outsourcing their distribution channels to gain efficiency. e-commerce also provides a new opportunity for 3PL as more online products are shipped.

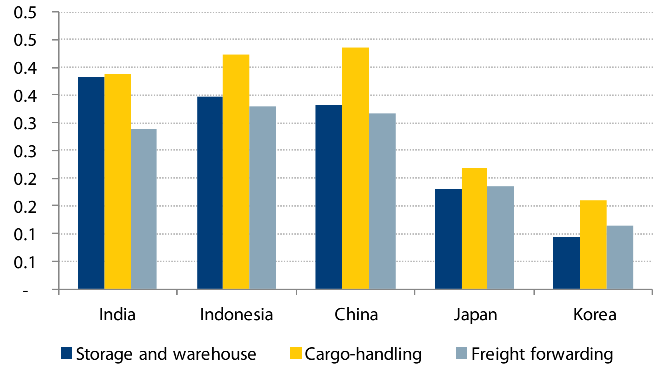
High logistics costs are the bottleneck of a supply chain. Poor infrastructure and the archipelago characteristics of Indonesia have resulted in higher logistics compared to neighboring countries, such as Singapore and Thailand. Given the small talent pool and lack of expertise, local logistics players typically have low capability, and hence some manufacturers prefer to have in-house logistics providers despite the higher cost. Foreign players have also resorted to sitting on the sidelines, given the limitations in the transportation and storage industries in Indonesia compared to peers.

FIGURE 16. LOGISTICS COST AS % OF MANUFACTURING COST PER REGION



Source: World Bank

FIGURE 17. OECD RESTRICTIVENESS INDEX COMP



Note: 1 being the most restrictive

Source: Company Data, Mandiri Sekuritas estimates

Initiatives have been undertaken to improve infrastructure and efficiency among logistics players. Understanding this, the government has also taken measures to improve infrastructure and logistics chains in the industry. In 2015, the government established the national logistics blueprint (SISLOGNAS) and the Indonesian National Single Window (INSW) in an effort to accelerate development in the logistics space under the Government's Medium-Term Development Plan for 2015-19 (RPJMN). This includes building new toll roads and ports to minimize dwelling time in bottleneck ports as well as reduce transportation costs. In 2018-19F, there will be an additional 447 km of toll road under the Trans Java toll road plan. Meanwhile, the new Tanjung Priok Port under construction will also have a total 17.5mn TEUs, scheduled to operate in 2019-23F.

The government has also relaxed some regulations to increase competition among the logistics players, and hence encourage efficiency. Some initiatives include allowing a higher foreign investment limit for freight forwarding, warehousing and general distribution services, from 33% to 67%.

FIGURE 18. KEY GOVERNMENT INITATIVES TO IMPROVE COMPETITION BETWEEN LOGISTICS PLAYERS

Objectives	Completed Procedure
Improve competition in freight forwarding, storage, and distribution services	Increase maximum foreign equity limits for freight forwarding, warehousing, and general distribution services to 67%, and for cold storage & producer-affiliated distribution services to 100%
Improve competition in auxiliary shipping services	(a) New specific requirements to become shipping agent (b) Increase maximum foreign equity limits for maritime cargo handling services to 67%
Reduce inventory costs of imported materials for producers	Establishment of new tax-free Bonded Logistic Centers

Source: World Bank

FIGURE 19. TRANS JAVA TOLL ROADS SCHEDULE

Section	Est. operating period	Length (km)
East Brebes - Pemalang	April 2018	37
Pemalang - Pekalongan	March 2018	23
Pekalongan - Batang	June 2018	16
Batang - Semarang	June 2018	74
Salatiga - Kartusuro	September 2018	33
Colomadu - Karanganar	March 2018	21
Solo - Ngawi	March 2018	90
Ngawi - Kertosono	February 2018	87
Rembang - Pasuruan	August 2018	7
Pasuruan - Grati	December 2019	14
Grati - East Probolinggo	October 2018	31
East Probolinggo - Gending	1 December 2019	14
Total		447

Source: Company Data, Mandiri Sekuritas estimates

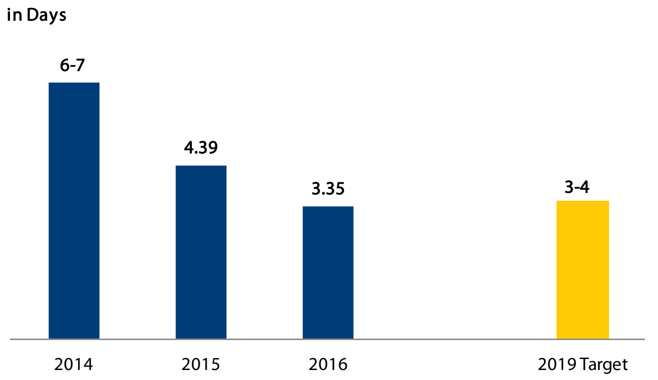
FIGURE 20. PORT DEVELOPMENTS CAPACITY ADDITION (JAVA)

Port	Location	Estimated operating period	Estimated Capacity Post-Completion p.a. (mn TEUs)
Inland Waterways / Cikarang - Bekasi - Java Sea	Jakarta & West Java	2021	1.6
Patimban	Patimban, Subang, West Java	Phase I Stage 1: 2018-19 Phase I Stage 2: 2020-22 Phase II: 2023-26	7.5
Kalibaru (New Priok)	DKI Jakarta	2019-23	17.5

Source: Company Data, Mandiri Sekuritas estimates

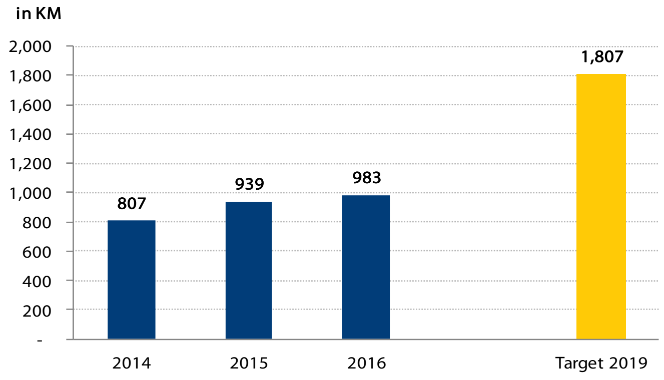
Progress seems to be on track. As highlighted by our construction analyst in his report *"The Force Awakens"*, a year after the 5-year infrastructure plan there was solid progress in the development of roads and toll roads up to 2016, and port dwelling time had fallen from 6-7 days in 2014 to 3.35 days in 2016. This is on track with the government's target to reduce ports' dwelling time to 3-4 days by 2019. Meanwhile, 983 km of toll roads were completed in 2016, an additional 176 km in two years.

FIGURE 21. PORTS' DWELLING TIME PROGRESS



Source: Company Data, Mandiri Sekuritas estimates

FIGURE 22. TOLL ROAD AND ROAD DEVELOPMENTS



Source: Company Data, Mandiri Sekuritas estimates

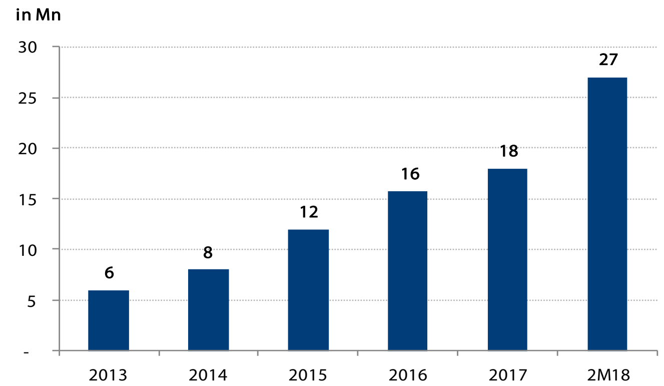
e-commerce and better infrastructure give incentives for 3PL players. The surging growth of e-commerce and much improved logistics costs in Indonesia have resulted in a proliferation of 3PL players, as more of them show capabilities in handling distribution chains. Growing e-commerce also brings more businesses for logistics names. The biggest last-mile logistics provider in Indonesia, JNE, saw its number of delivery orders jump from 6mn per month in 2013 to 27mn per month in 2M18. e-commerce itself contributed around 35% of total revenues in 2017 and represented almost half of total deliveries per month.

FIGURE 23. NEW 3PL PLAYERS

2013	2014	2015	2016	2017
Lion Parcel	SiCepat Express	J&T Express	NinjaXpress	Iruna
Sirclo	aComm erce	21 Express (B2C)	8commerce	MrSpeedy
	Atri Xpress	JETexpress	Paket.id	
		Etobee	J-Express	
		Kargo		

Source: Tech in Asia, Mandiri Sekuritas estimates

FIGURE 24. JNE'S TOTAL DELIVERIES PER MONTH



Source: Reuters, Jakarta Post, DealStreet Asia, Mandiri Sekuritas estimates

Supply chain for e-commerce also gaining interest. More investors are also investing in 3PL catered specially for e-commerce, namely e-commerce enablers. In 2017, the Thailand-based e-commerce enabler, aCommerce, received USD 65mn of funding led by Emerald Media, an Asian firm backed by KKR. The existing funders - such as Blue Sky, MDI Ventures (Telkom group's VC), and DKSH - also took part. The funds will be used to strengthen aCommerce's presence in Indonesia, Thailand, and other SEA countries.

All in all, they still need warehouses. In 2016, aCommerce opened a 7,000 sqm fulfillment center in Cawang, East Jakarta, adding a total of 32,000 sqm of warehouses in all areas of Jakarta. Back in 2014, Itochu Logistics Corp purchased land in Suryacipta Industrial Estate, Karawang, to build a modern logistics warehouse space with a building area of 8,767 sqm. Itochu Logistics Corp is a 3PL provider and part of Japan-based Itochu Corporation, which engages in domestic and overseas trading. In another case, a 3PL provider, Kamadjaja Logistics, developed KLOG Park, an integrated logistics park providing 32,040 sqm of modern logistics warehouse in Cibitung. Australian-based Logos Logistics has also started to build a three-story warehouse in Pondok Ungu, Bekasi, with a total GFA of 107k sqm expected by 2019.

Opportunity from Warehouse Undersupply

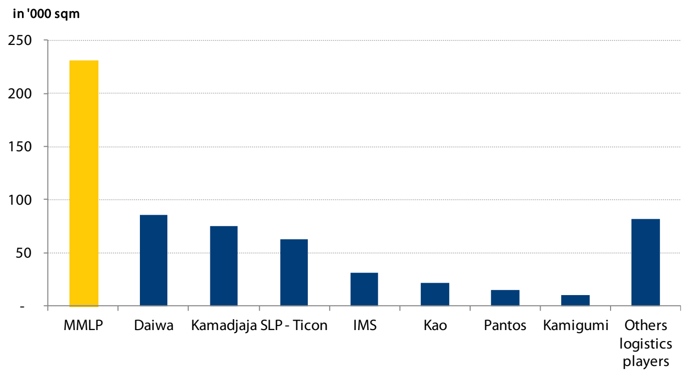
As a pure warehouse player, Mega Manunggal is well positioned to capture the growing warehouse demand across all supply chain players. Scaling up should also allow the company to leverage the 'network effect'.

Limited modern warehouse supply gives first-mover advantage. Modern logistics space is still very limited, given the nascent characteristics of the logistics sector in Indonesia. There are also a limited number of modern warehouse players, as modern warehouses require different specifications and hence more experienced expertise. Mega Manunggal is one of the key pioneers in modern warehousing, developing the groundbreaking Unilever Mega Distribution Channel back in 2010. Since 2012, the company has doubled its Net Leasable Area (NLA) from 118k sqm to 231k sqm.

Pure warehouse player allows flexibility for tenants. As a pure warehouse player, we view the company as well-exposed to potentials across all the supply chains. The company offers flexibility for tenants to appoint in-house / third-party logistics (3PL) providers without sacrificing location. The cost of switching from an in-house to 3PL provider and vice versa will also be limited, given that tenants need not change warehouse locations and incur additional costs. Meanwhile, the absence of exclusivity with other 3PLs should also allow the company to attract asset-light logistics providers that have no funding to invest in warehouses.

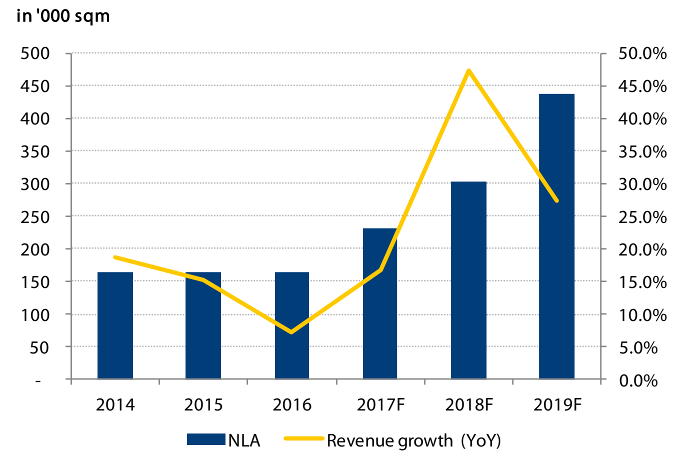
On track to operate 500k sqm target by 2020. The company has set a target of 300k sqm NLA by 2018. As of end-2017, the company had secured 230k sqm of NLA. This year, the company has also started developing >100k sqm NLA, which includes ~36k sqm for Lazada's warehouse. The company targets operating 500k sqm of NLA by 2020. The company will also start to book revenue from built-to-suit warehouses for Ark Logistics and a ready-built warehouse in Block AE, MM2100, starting 2018. We expect the company to deliver steady margins in 2018-19F given the stable contribution of built-to-suit warehouses compared to the ready-built kind. Built-to-suit warehouses have relatively higher EBITDA margins than the ready-built (90-95% vs. 80-85%).

FIGURE 25. MODERN WAREHOUSE SPACE COMP (GREATER JAKARTA)



Source: BCI Asia, Mandiri Sekuritas estimates

FIGURE 26. NLA GROWTH 2014-20F

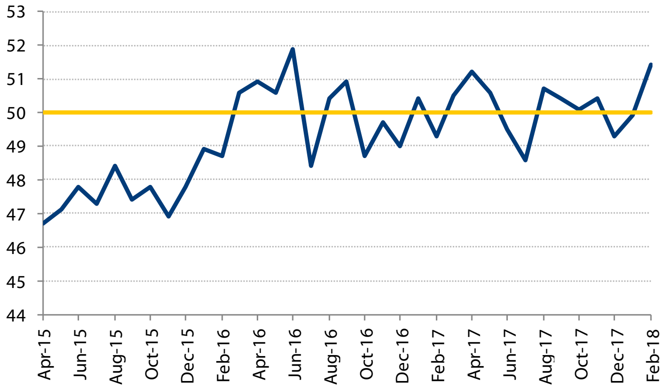


Source: Company Data, Mandiri Sekuritas estimates

More positive sentiment. The company highlighted higher inquiries this year compared to last year, as more businesses are looking to expand. We expect this trend to sustain, given manufacturers' greater optimism going into 2018. Indonesia's Purchase Manufacturing Index in Feb-18 rose to the highest in 20 months to 51.4, indicating improving domestic demand and higher production output.

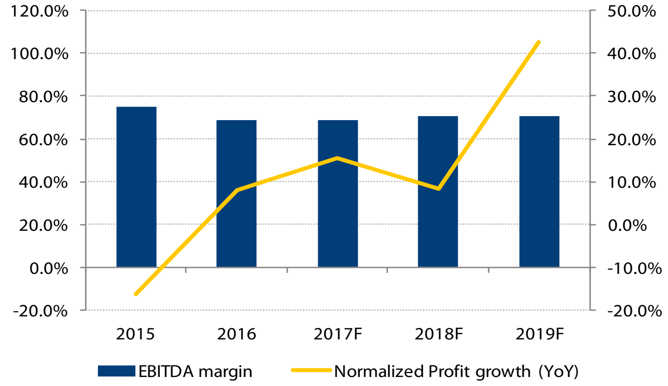
Normalized profit (ex. one-off and fair value adjustments) is still intact. We expect normalized EPS to grow at a 12.1% 3-year CAGR 17-20F, largely driven by additional revenue from Ark Logistics & Block AE warehouse, and improving EBITDA margin. Meanwhile, we expect an earnings boost in 2019F from the completion of the Lazada Phase II warehouse (we estimate completion by 2Q19) and a built-to-suit warehouse for 3PL, which we estimate to finish by 2H19.

FIGURE 26. PURCHASE MANUFACTURING INDEX



Source: Company Data, Mandiri Sekuritas estimates

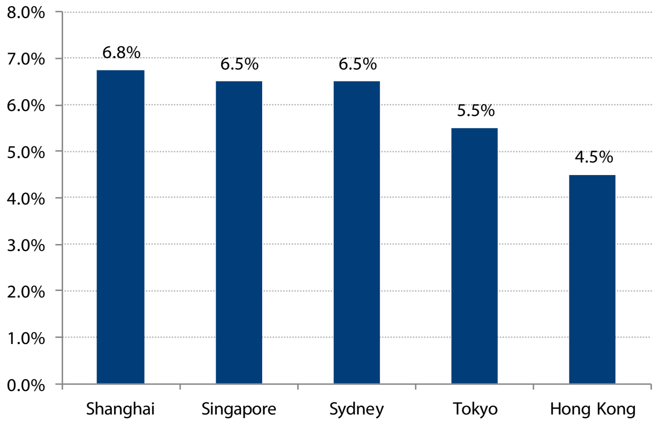
FIGURE 27. EBITDA MARGIN AND NORMALIZED NET PROFIT GROWTH



Source: Company Data, Mandiri Sekuritas estimates

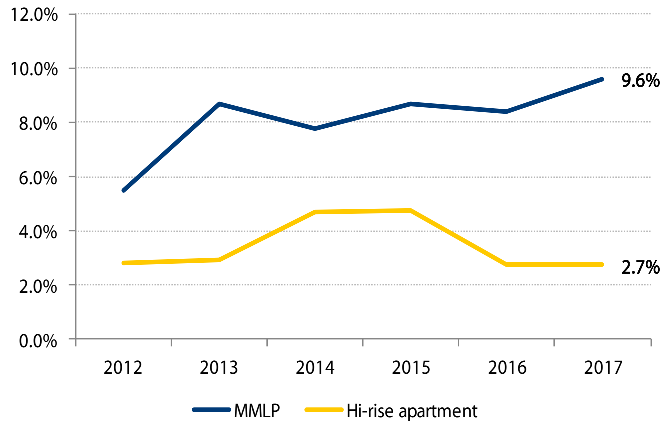
Balancing yields and funds will be key determinants. The company has a strict policy to build warehouses with a minimum yield of 10% with a targeted payback period of 8 years. We highlight that the recent development yield of Prologis, the leading US-based warehouse developer, was reported at 6.5%. Compared with other yielding assets in Indonesia, MMLP's warehouses offer a higher yield than that of the typical hi-rise apartment of around ~2.7%, on our estimates.

FIGURE 28. ASIAN INDUSTRIAL PROPERTIES CAP RATE



Source: Colliers

FIGURE 29. MMLP'S YIELD TO ASSET VS HI-RISE APARTMENTS

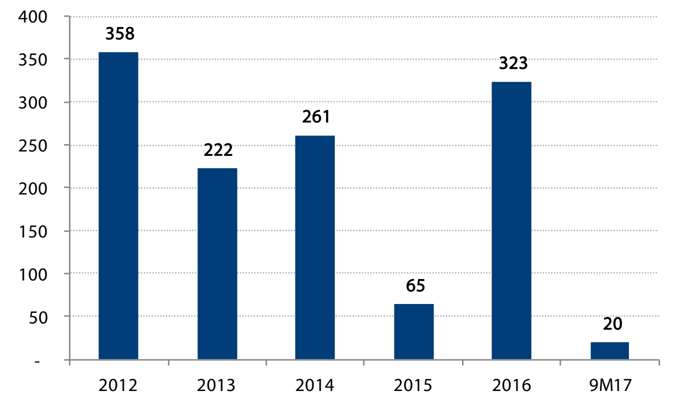


Note: MMLP's 2017 yield-to-FV asset is derived based on LTM 9M17
Source: Company Data, Mandiri Sekuritas estimates

Undersupply of modern warehouses could sustain asset value accretion. The company could also continue to enjoy benefits from value accretion of its investment properties given Indonesia's low warehouse penetration compared to developed peers. Indonesia's total warehouse space is estimated at 0.03 sqm/capita, lower than the US's and China's modern warehouse space at 2.5sqm/capita and 0.4sqm/capita, respectively. Given the attractive yield assets and underpenetrated warehouse market in Indonesia, we think the company should be able to continue increasing the fair value of its existing investment properties.

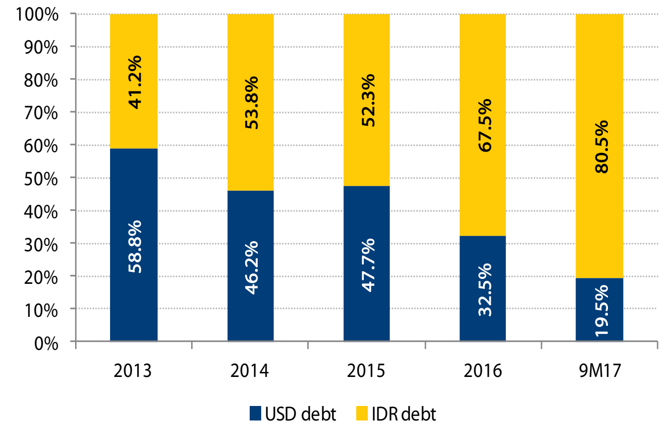
Favorable debt mix – less sensitive to exchange rate volatility. The company currently has a favorable debt mix. The USD debt proportion to the total debt reduced significantly from 58.8% in 2013 to 19.5% in 9M17. We view this as positive as it reduces earnings sensitivity from exchange rate fluctuation.

FIGURE 30. INCREASE IN FV OF INVESTMENT PROPERTIES



Source: Company Data, Mandiri Sekuritas estimates

FIGURE 31. USD AND IDR DEBT PROPORTION



Source: Company Data, Mandiri Sekuritas estimates

Securing strategic locations allows faster expansion. Jakarta's current congestion means trucks are only able to do one trip a day from the industrial location to the port. Therefore, securing a strategic location that offers time efficiency and minimum traffic is important to secure tenants. Currently, Mega Manunggal's properties in Greater Jakarta are situated ~30 km from Jakarta and ~44 km from Tanjung Priok port. The company also has properties in Gresik, which is ~30 km from Tanjung Perak and Surabaya cities. Meanwhile, acquiring new land bank for further expansion in Greater Jakarta is also supported by the flattish industrial land prices.

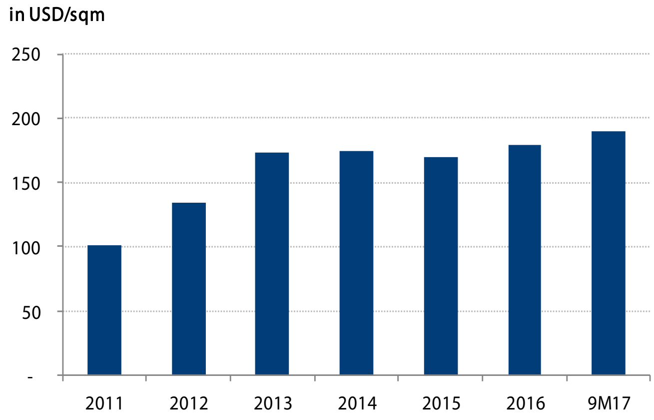
With occupancy rates in both built-to-suit and ready-built warehouses having reached 100%, the company is also acquiring land bank for further expansion. As per 9M17, the company has around 20.9 ha in Cengkareng, Gresik, and Bekasi. The company guided to capex of Rp1tn for expansion this year, of which we estimate one-third will be allocated for land bank acquisition. This year, the company has also acquired ~10 ha of land in Cikarang.

FIGURE 32. MMLP'S PROPERTIES' DISTANCE TO KEY LOGISTICS HUBS

Warehouse	Distance to Jakarta (km)	Distance to Tanjung Priok Port (km)	Distance to International Airport
Intirub Business Park	0	22	39
Unilever Mega DC	32	44	66
Li & Fung	31	43	65
Selayar	32	44	66
Lazada	22	43	60
Block AE	32	44	66
Block H	33	45	67
Cileungsi	26	41	59
Cibatu	35	51	73

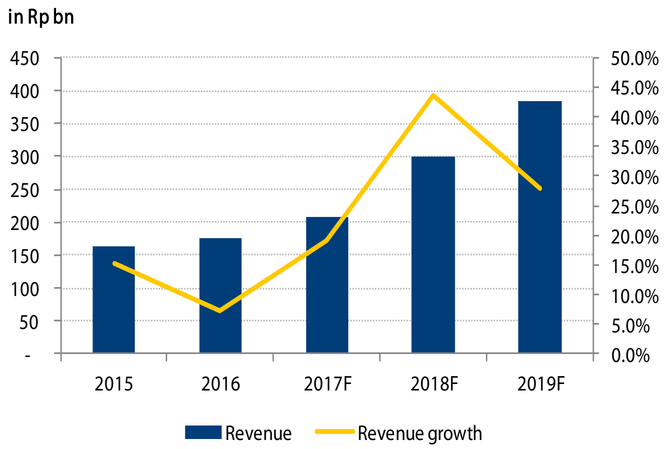
Source: Company Data, Mandiri Sekuritas estimates

FIGURE 33. GREATER JAKARTA INDUSTRIAL LAND PRICES



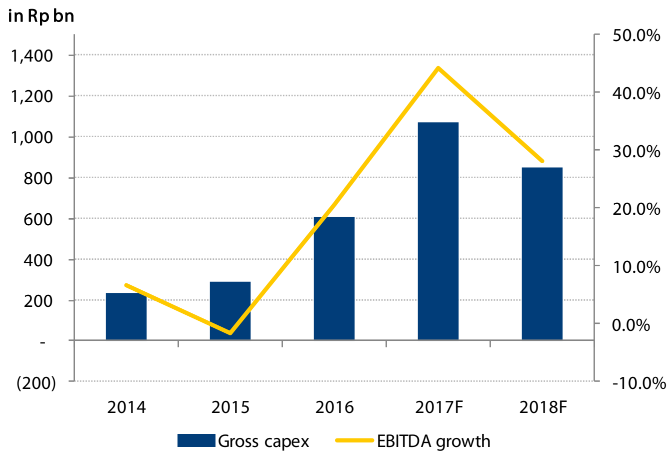
Source: Colliers

FIGURE 34. REVENUE GROWTH



Source: Company Data, Mandiri Sekuritas estimates

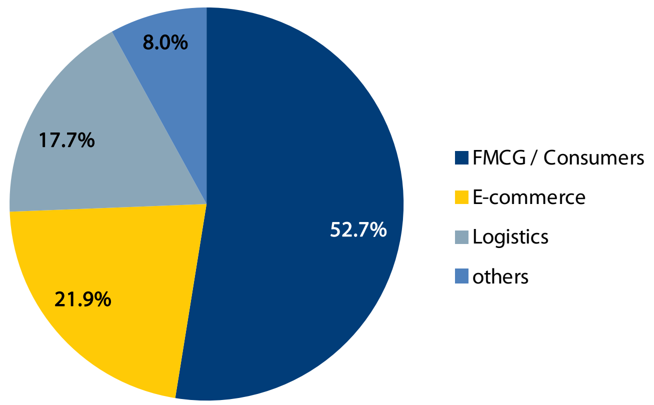
FIGURE 35. GROSS CAPEX VS EBITDA GROWTH



Source: Company Data, Mandiri Sekuritas estimates

Expertise and first-mover advantage will come into play. As a first-mover in the modern warehouse space, and the only pure warehouse player, Mega Manunggal has significant experience in constructing built-to-suit warehouses. We believe built-to-suit warehouses will be a more preferable option in the modern warehouse landscape, given their specialized needs for tenants. With Mega Manunggal's expertise in built-to-suit properties (the group manages 5 warehouses to date), the company can leverage on its proven track record. Built-to-suit properties also have relatively higher EBITDA margins than the ready-built ones, given the economies of scale (typically built-to-suit warehouses have EBITDA margins of 90-95%, versus ready-built at 80-85%).

FIGURE 36. MMLP'S TENANCY MIX



Source: Company Data, Mandiri Sekuritas estimates

FIGURE 37. KEY TENANTS LEASING PERIOD AS OF 9M17

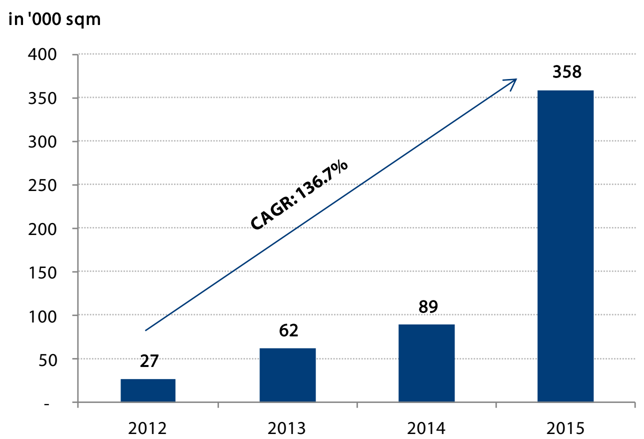
Tenants	Lease start	Lease period (years)	Lease rate adjustment
Unilever	2010	10	5% every two years
Ark Logistics, Cibatu	2017	10	4% p.a.
Ark Logistics, Cileungsi	2018	10	5% every two years
Lazada	2017	10	5% every two years
MHE-Demag	2014	10	5% every two years
Li & Fung	2013	5	5% every two years
Grundfos Pompa	2014	5	5% every two years
Yusen Logistics Solution	2017	3	5% p.a.

Source: Company Data, Mandiri Sekuritas estimates

Scaling up will provide network advantage. Expansion should enable the group to leverage from the 'network effect' – wherein the existing tenants renew and add more tenancies with the company, leveraging on the wide footprints of the logistics provider. Mega Manunggal's strong profile tenants (Unilever, Lazada, and DHL) also give leverage, as historical execution can be one of the key considerations for new tenants.

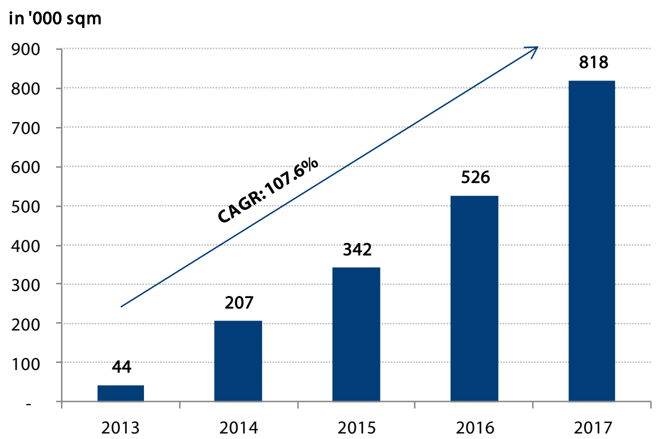
Global Logistics Providers (GLP), a leading modern logistics provider in China, Japan, Brazil and the UK, leverages its scale to secure both new and existing tenants. In 2017, ~70% of the group's customers renewed their leases and ~70% of new leases came from existing customers. GLP has managed to grow its NLA with JD.com group from 27k sqm to 358k sqm in just three years (translating to a 3-year CAGR of 136.7%), much faster than the growth of estimated online retail sales at 43.9% 3-year CAGR. Meanwhile, the third-party logistics provider, Best Logistics, has also added its NLA with GLP from 44k sqm in 2013 to 818k sqm in 2017. We think MMLP has opportunities to leverage on this 'network effect', as it has started with prominent anchored tenants in various sectors.

FIGURE 38. JD.COM WAREHOUSE UNDER GLP



Source: GLP

FIGURE 39. BEST LOGISTICS WAREHOUSE UNDER GLP



Source: GLP

FIGURE 40. WHERE WE ARE VERSUS CONSENSUS

	Mansek			Consensus			Mansek vs Consensus		
in Rp bn	2017	2018	2019	2017	2018	2019	2017	2018	2019
Revenue	**207**	**301**	**384**	**205**	**301**	**386**	**0.9%**	**-0.1%**	**-0.7%**
Opex	62	87	111	61	90	115	1.4%	-3.1%	-4.3%
EBITDA	**145**	**214**	**273**	**144**	**212**	**271**	**0.7%**	**1.2%**	**0.9%**
% margin	*70.1%*	*71.1%*	*71.2%*	*70.2%*	*70.2%*	*70.1%*	*15 bps*	*-90 bps*	*-110 bps*
D&A	3	3	4	3	3	3	-1.2%	14.5%	36.4%
EBIT	**142**	**211**	**269**	**141**	**209**	**268**	**0.7%**	**1.0%**	**0.5%**
% margin	*69%*	*70%*	*70%*	*69%*	*69%*	*69%*	*12 bps*	*-75 bps*	*-81 bps*
PATAMI	**189**	**197**	**250**	**214**	**273**	**333**	**-11.7%**	**-27.9%**	**-24.9%**

Source: Bloomberg, Mandiri Sekuritas estimates

Our EBITDA estimates are 0.7-1.2% higher than consensus, as we take into account higher margin expansion in 2018-19. Meanwhile, our PATAMI is lower than consensus' estimates due to the impact from fair value adjustments of investment properties.

Risks and Valuation

We use a sum-of-the-parts 10-year DCF valuation model to derive our target price of Rp700.

We assume 11.0% WACC, based on 11.6% cost of equity and 7.1% after-tax cost of debt. We also assume a 3.5% terminal growth rate for built-to-suit properties, in-line with annualized adjustments of rental lease, and a 4.0% terminal growth rate for ready-built.

Key downside risks to our target price include:

1. Tenancy non-renewals and cancellations from key tenants in the ready-built warehouses or rental rate discounts for renewed leases
2. Slower-than-expected tenancy growth and warehouse completion, leading to slower revenue and EBITDA growth
3. Competition from third-party logistics going upstream and building their own warehouses
4. Higher cost of funds

FIGURE 41. VALUATION

Project details	Total Value (Rp bn)	MMLP's share	Attributable to MMLP
Unilever	1,074	100%	1,074
Li&Fung	230	100%	230
Intirub	729	100%	729
Selayar	71	100%	71
Lazada Phase I	413	55%	226
Lazada Phase II	453	55%	248
Ark Logistics Jababeka	410	55%	224
Ark Logistics Cileungsi	345	55%	189
Block AE MM2100	372	55%	204
Pipeline	4,043	55%	2,213
Total			**5,399**
(-) Net Debt			602
Market Cap			**4,797**
Outstanding shares (mn)			6,889
Price/Sh (Rounded)			**700**
Current price			585
% upside			**19.7%**

Source: Mandiri Sekuritas estimates

Appendix

FIGURE 42. INDUSTRIAL VALUATION COMP

Company	Current share price (Lcl Ccy)	Market Cap (US$ mn)	ADTV (US$ mn)	EV (US$ mn)	PE		EV/EBITDA		ROE (%)		Dvd Yield (%)		Debt /Equity		Net Debt /EBITDA		EBITDA Growth				EPS Growth			
					2018F	2019F	2018F	2019F	2018F	2019F	2018F	2019F	2016	2017	2018F	2019F	2017F	2018F	2019F	17-20F	2017F	2018F	2019F	17-20F
Mega Manunggal Property	585	293	0.01	409	32.9	23.1	27.6	23.3	11.2	11.4	-	-	15.2	16.1	2.8	2.7	18.7%	49.4%	27.5%	30.6%	15.2%	9.5%	42.6%	12.0%
WHA Corp	4	1,767	14.16	2,848	16.0	13.8	18.2	16.2	13.3	14.0	3.2	3.4	191.2	120.6	7.4	6.5	443.4%	17.5%	12.1%	6.3%	12.7%	5.7%	16.2%	8.7%
TICON Industrial Connection	18	1,038	1.98	1,366	32.1	39.6	22.5	27.1	3.7	2.9	1.5	1.3	185.6	53.4	5.6	7.6	23.3%	59.9%	-17.0%	18.3%	8.0%	104.1%	-18.9%	22.3%
Prologis Inc	62	33,156	1.00	45,265	37.3	37.8	25.7	23.8	5.4	6.0	2.9	3.1	61.8	72.5	n.a.	n.a.	4.2%	6.5%	8.3%	5.2%	35.4%	-45.8%	-1.4%	-17.4%
Segro PLC	593	8,380	1.00	11,021	27.3	24.5	28.4	25.6	3.7	3.7	3.0	3.3	57.5	50.3	5.2	4.9	169.4%	-74.2%	10.9%	-32.4%	91.2%	-78.0%	11.5%	-35.9%
Equites Property Fund	2,050	706	152.41	756	16.5	14.8	18.6	15.5	12.6	12.2	6.1	6.7	39.0	37.0	8.8	8.4	252.3%	-42.6%	20.1%	-8.9%	14.7%	-53.4%	11.0%	-17.4%
Median					29.7	23.8	24.1	23.5	8.3	8.7	3.0	3.2	59.6	51.9	5.6	6.5	96.4%	12.0%	11.5%	5.8%	14.9%	-20.1%	11.3%	-4.3%

Source: Mandiri Sekuritas for Mega Manunggal Property, Bloomberg

Note: Segro Plc (SGRO LN; 597p; Hold – Jefferies analyst: Mike Prew)

Jefferies
Jefferies Hong Kong Limited
mandiri sekuritas

Mega Manunggal

Profit & Loss

YE Dec (Rp Bn)	2015A	2016A	2017F	2018F	2019F
Revenue	163	175	207	301	384
Gross Profit	147	157	186	271	345
Oper. Profit	122	118	142	211	269
EBITDA	**123**	**121**	**145**	**214**	**273**
Net Interest	**(24)**	**(29)**	**(34)**	**(61)**	**(44)**
Interest Expense	(52)	(47)	(61)	(129)	(129)
Interest Income	28	18	28	68	86
Forex Losses/Gains	(29)	3	2	(1)	0
Net Other	62	325	100	100	100
Pre-Tax Profit	**131**	**417**	**210**	**249**	**326**
Income Tax	(16)	(18)	(21)	(30)	(38)
Others	0	0	0	0	0
Minority Interests	0	(57)	(1)	(22)	(37)
Net Profit	**114**	**342**	**189**	**197**	**250**

Cash Flow

YE Dec (Rp Bn)	2015A	2016A	2017F	2018F	2019F
Operating Profit	122	118	142	211	269
Net Interest	(24)	(29)	(34)	(61)	(44)
Depr & Amort	1	3	3	3	4
Other expenses/income	62	325	100	100	100
Other Gain / Loss	8	(279)	(48)	(8)	(18)
Tax	(16)	(18)	(21)	(30)	(38)
Chg in Working Capital	(82)	158	(45)	21	20
Other Oper. Cash Flow	35	(198)	(80)	(160)	(167)
Oper. Cash Flow	**105**	**79**	**18**	**76**	**126**
Capital Expenditure	(313)	(622)	(587)	(470)	(340)
FCF (OPCF after Capex)	(208)	(543)	(570)	(394)	(215)
Other Investing CF	(56)	(2)	28	68	86
CF From Investing	**(635)**	**(626)**	**(560)**	**(401)**	**(255)**
Net Chg in Debts	(42)	(68)	200	800	0
Equity Funds Raised	988	334	681	0	0
Dividend	0	0	0	0	0
Other Financing CF	(16)	0	0	0	0
CF From Financing	**930**	**266**	**881**	**800**	**0**
Non-Recur. Inc (Exp)	(29)	3	2	(1)	0
Extraord. Inc(Exp)	0	0	0	0	0
Net Change in Cash	**372**	**(278)**	**341**	**474**	**(129)**
Cash at beginning	11	383	105	446	920
Cash at End	383	105	446	920	791

Valuation

YE Dec	2015A	2016A	2017F	2018F	2019F
PER (x)	24.8	9.8	19.5	20.4	16.1
EV/EBITDA (x)	28.9	34.4	35.7	27.6	23.3
P/BV (x)	1.3	1.2	1.1	1.0	1.0
P/CF (x)	31.7	42.3	227.6	53.2	32.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Balance Sheet

YE Dec (Rp Bn)	2015A	2016A	2017F	2018F	2019F
Cash & ST Investment	383	105	446	920	791
Acct. Receivable	9	2	11	16	21
Inventory	0	0	0	0	0
Others	127	93	93	93	93
Current Assets	519	200	550	1,029	905
Investments	2,388	3,319	4,486	5,438	6,151
Fixed Assets	13	13	13	13	14
Others	284	434	434	434	434
Total Assets	**3,204**	**3,966**	**5,484**	**6,914**	**7,504**
Curr. Liabilities	172	235	199	225	249
Acct. Payable	13	94	51	72	91
ST Borrowings	125	91	91	91	91
Others	34	51	57	63	68
Long-Term Liabilities					
Long-Term Payable	462	429	629	1,429	1,429
Others	19	17	17	17	17
Total Liabilities	**653**	**682**	**845**	**1,671**	**1,696**
Shareholder's Equity	**2,551**	**3,284**	**4,639**	**5,243**	**5,808**

Key Ratios

YE Dec	2015A	2016A	2017F	2018F	2019F
Growth (% YoY)					
Sales	15.2	7.2	18.1	45.5	27.4
EBIT	6.5	(3.2)	20.7	48.3	27.7
EBITDA	6.8	(1.7)	20.1	47.6	27.6
Net Profit	(60.1)	198.9	(44.7)	4.3	26.7
Profitability (%)					
Gross Profit Margin	90.2	89.5	89.9	90.0	89.8
Oper. Margin	74.4	67.2	68.6	70.0	70.1
EBITDA Margin	75.1	68.9	70.1	71.1	71.2
Net Margin	70.0	195.1	91.3	65.5	65.1
ROAA	4.3	9.5	4.0	3.2	3.5
ROAE	5.7	12.6	5.7	5.1	6.1
Leverage					
Net Debt / Equity (%)	8.0	12.6	5.9	11.4	12.6
EBITDA/Gross Int. (x)	2.4	2.6	2.4	1.7	2.1
Per Share Data (Rp)					
EPS	24	60	30	29	36
CFPS	18	14	3	11	18
BVPS	446	506	546	575	611
DPS	0.0	0.0	0.0	0.0	0.0

Source: Company, Mandiri Sekuritas estimates

RESEARCH

Adrian Joezer	Head of Equity Research, Strategy, Consumer	adrian.joezer@mandirisek.co.id	+6221 5296 9415
Tjandra Lienandjaja	Deputy Head of Equity Research, Banking	tjandra.lienandjaja@mandirisek.co.id	+6221 5296 9617
Ariyanto Kurniawan	Automotive, Coal, Chemical	ariyanto.kurniawan@mandirisek.co.id	+6221 5296 9682
Kresna Hutabarat	Telecom, Media, Property	kresna.hutabarat@mandirisek.co.id	+6221 5296 9542
Bob Setiadi	Construction, Toll Road	bob.setiadi@mandirisek.co.id	+6221 5296 9543
Laura Taslim	Retail	laura.taslim@mandirisek.co.id	+6221 5296 9450
Priscilla Thany	Banking, Building Material	priscilla.thany@mandirisek.co.id	+6221 5296 9569
Lakshmi Rowter	Healthcare, Research Assistant	lakshmi.rowter@mandirisek.co.id	+6221 5296 9549
Audrey Hanzdima	Research Assistant	audrey.hanzdima@mandirisek.co.id	+6221 5296 9434
Edbert Surya	Research Assistant	edbert.surya@mandirisek.co.id	+6221 5296 9623
Silvony Gathrie	Research Assistant	Silvony.gathrie@mandirisek.co.id	+6221 5296 9544
Riyanto Hartanto	Research Assistant	riyanto@mandirisek.co.id	+6221 5296 9488
Leo Putera Rinaldy	Chief Economist	leo.rinaldy@mandirisek.co.id	+6221 5296 9406
Masyita Crystallin	Economist	masyita.crystallin@mandirisek.co.id	+6221 5296 9612
Aziza Nabila Amani	Research Assistant	aziza.amani@mandirisek.co.id	+6221 5296 9651

Company Specific Disclosures

For Important Disclosure information on companies recommended in this report, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 212.284.2300.

Other Important Disclosures

Registration of non-US analysts: The author(s) of this report is not an associated person of Jefferies LLC, a FINRA member firm, and therefore is not subject to the FINRA Rule 2241 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.
This report is produced by Mandiri Sekuritas and issued jointly by Mandiri Sekuritas and Jefferies Hong Kong Limited, an affiliate of Jefferies LLC.
This research report is intended for distribution to institutional investors as further defined below.
Research reports produced by a third party broker dealer and distributed by Jefferies Group LLC or its affiliates ("Jefferies") to Jefferies clients are distributed by one of the following Jefferies Group LLC (“Jefferies”) group companies:
United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.
United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.
Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong.
Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20,UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.
Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006;telephone +813 5251 6100; facsimile +813 5251 6101.
India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited(INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been distributed by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies.Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, **this material is distributed in the United States ("US"), by Jefferies LLC,a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC.** In the United Kingdom and European Economic Area this report is approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations.

The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is distributed by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is distributed solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice.

Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates,and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate,seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information,including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all Jefferies clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES