

MLP Group

Bloomberg: MLG PW Equity, Reuters: MLGP.WA

Hold, PLN 85

Downgraded from: Buy



Securities

09 December 2024, 07:30

Expensive expansion (SUMMARY)

The company's foreign expansion is taking more time and is more expensive than we expected. To accelerate the growth of the logistics portfolio, MLP Group has issued EUR 300m green bonds. This move will dramatically increase the (already high) finance costs and will be the main driver behind the decline of FFO, which we forecast in 2024 and 2025. We believe that the company should continue to deliver solid net profit in 2025 thanks to investment property revaluation backed by the interest rate cuts in the Eurozone; however, the forecasted FFO Yield'25 at only 3.2%, rising debt and lack of the dividends has prompted us to cut the recommendation to Hold and the TP to PLN 85 per share (down by 23%).

Rental income does not offset rising finance costs

In 9M24, MLP Group's finance interest increased by almost 40% y/y, compared to only 8% growth in rental income. This unfavourable tendency will be even more visible following the issue of EUR 300m green bonds in Oct'24. We estimate that, mainly due to the rising finance costs, MLP Group's FFO will decline by 29% y/y to PLN 66m in 2024, followed by -9% y/y to PLN 60m in 2025 – approx. 40% below the board's target for 2024-2025 from April '24 update of the strategy.

Foreign development projects entering construction phase

New project starts decelerated in 2Q and 3Q24, slightly lowering our portfolio growth path for the coming years (CAGR'2024-2026 at 16%). The company's three development projects in Germany (~130k sqm GLA in total) are on track to enter the construction phase in 4Q24/1Q25 and play a key role behind our assumptions regarding FFO growth in 2026.

High revaluation of projects in Germany and Austria

Property revaluation in 9M24 was at approx. PLN 230m, fully related to the company's projects in Austria and Germany. The scale and structure of the revaluation surprised us. It shows that MLP Group's foreign projects may generate solid returns, but raises concerns about the profitability of the domestic pipeline.

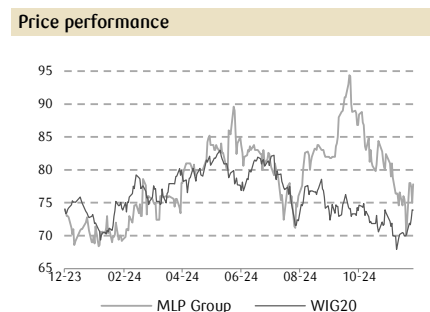
PLN mn	2022	2023	2024F	2025F	2026F
Revenues	279	361	371	451	546
Gross profit on sales	177	225	230	277	332
Gross margin	63%	62%	62%	61%	61%
Revaluation of IP	456	-258	302	321	350
EBIT	590	-80	487	548	630
FFO	87	93	66	60	96
Net Profit (loss)	422	-52	329	293	359
P/E	4.0	nm	5.7	6.4	5.2
P/BV	0.7	0.8	0.7	0.6	0.6
FFO yield	4.6	5.0	3.5	3.2	5.1
Dividend yield	0.00	0.00	0.00	0.00	0.00
EPS	17.60	-2.17	13.72	12.23	14.97
FFOPS	3.62	3.89	2.76	2.52	4.01
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	104.10	99.84	112.70	124.93	139.90

Key data	
Market price (PLN)	77.80
Upside	9%
No. of shares (mn)	23.99
Market Cap (PLNm)	1,866.81
Free float	32%
Free float (PLNm)	588
Free float (USDmn)	146
EV (PLNm)	4,094.36
Net debt (PLNm)	2,227.55

Dividend	
Div yield	0.0%
Ex-div	-

Major Shareholders	% of shares
Cajamarca Holland B.V.	42.69
ILDC	12.57
Thesinger Limited	7.38
OFE Allianz Polska	7.14

Previous recomm.	Date & target price	
Buy	28-05-24	110.00
Buy	08-09-23	115.00



	WIG20	Company
1 month	3.1%	-3.2%
3 months	-0.4%	-5.1%
6 months	-6.2%	-5.6%
12 months	0.0%	1.8%
Min 52 weeks PLN		68.40
Max 52 weeks PLN		94.40
Av. turnover/day PLN mn		0.06

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Basic parameters

Ratio	2024F
EPS, GAAP (PLN)	13.72
Revenue (PLN m)	370.8
Gross Margin %	62.1%
EBIT (PLN m)	486.6
EBITDA (PLN m)	185.9
Net Income, GAAP (PLN m)	329.2
Net Debt (PLN m)	2 222.7
BPS (PLN)	112.70
DPS (PLN)	0.00
Return on Equity %	13.7%
Return on Assets %	6.5%
Depreciation (PLN m)	1.2
Amortization (PLN m)	0.0
Free Cash Flow (PLN m)	-402.8
CAPEX (PLN m)	535.9

Source: PKO BP securities

Valuation

Our valuation is based on the Residual Income Model. According to our calculations, the MLP Group's target price is **PLN 85.0** per share, 9% above the current market price.

Residual Income Model assumptions:

- **FFO growth** in 2024-2029 at 12% CAGR.
- **Revaluation profit** of average PLN 292m annually in 2024-2029.
- **EUR/PLN** of 4.30 in 2024-2029.
- **CAPEX** of PLN 536m in 2024, PLN 650-750m annually in 2025-2026, followed by an average of PLN 330m annually in 2027-2029.
- **Target LTV** of 46% in 2026+.
- **Dividend**: No dividend in 2024-2026. From 2027, a payout at 40% of FFO.
- **Average ROE** of 11.2% in 2024-2028.
- **Target ROE** of 9.4% (ROE as at 2029).
- **Equity cost**: Risk-free rate: 5.0%, equity risk premium: 5.5%, beta: 1.40.



Residual Income Model							
PLN (mn)	2 023	2024F	2025F	2026F	2027F	2028F	2029F
Investment properties	4 542	5 466	6 537	7 537	8 094	8 658	9 300
Income generating	3 734	4 178	5 194	6 223	6 962	7 566	8 232
In preparation	808	1 289	1 343	1 314	1 132	1 092	1 068
Restricted cash & loans granted	98	80	80	80	80	80	80
Cash	344	878	428	133	133	118	123
Other assets	106	122	132	151	169	182	193
Total assets	5 090	6 545	7 177	7 900	8 475	9 037	9 696
Debt	2 114	3 105	3 386	3 665	3 907	4 188	4 454
Equity	2 396	2 704	2 998	3 357	3 666	3 942	4 246
Net profit	-52	329	293	359	348	332	370
ROE	-2.1%	13.7%	10.9%	12.0%	10.4%	9.0%	9.4%
FFO (after tax)	93	66	60	96	140	163	181
Dividend	0	0	0	0	38	56	65
Equity cost	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
Risk-free rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Equity premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Discount ratio	1.00	0.89	0.79	0.70	0.62	0.55	0.49
Valuation							
Sustainable ROE (ROE 2029)	9.4%						
Cost of Equity	12.7%						
Implied fair P/B (x)	0.74						
2029 Equity	4 246						
2029 Equity Fair Value	3 136						
NPV of FV 2029	1 531						
NPV of dividends	86						
Fair Value	1 617						
Number of shares (million)	24.0						
Fair Value per share as at 12'23 (PLN)	67.4						
Target price in 12 mths (PLN)	85.0						
Current price	77.8						
Expected rate of return	9%						

Source: forecasts of PKO BP Securities



Comparative valuation

Multiple valuation

Company	Stock Price (local)	Market Cap (EUR m)	P/E			P/B		
			2024F	2025F	2026F	2024F	2025F	2026F
CTP NV	15.44	6 920	6.9	7.9	7.7	1.00	0.91	0.84
Warehouses De Pauw CVA	20.28	4 574	13.9	13.2	12.5	0.97	0.92	0.87
Catena AB	492.50	2 573	23.1	19.3	17.9	1.29	1.21	1.13
Segro PLC	751.00	12 266	21.8	20.4	19.3	0.84	0.80	0.77
Tritax Big Box REIT PLC	137.50	4 118	16.2	15.4	14.6	0.74	0.71	0.68
Prologis Inc	112.00	98 380	30.5	32.0	34.6	1.85	1.91	1.96
Rexford Industrial Realty Inc	40.03	8 445	32.9	23.0	26.7	1.06	1.05	1.06
Goodman Group	37.80	43 783	35.2	31.3	27.7	3.92	3.64	3.23
Median			22.4	19.8	18.6	1.03	0.99	0.97
MLP Group	77.80	434	5.7	6.4	5.2	0.69	0.62	0.56
Premium/disc.			-	-68%	-72%	-33%	-37%	-42%
Weight			17%	17%	17%	17%	17%	17%
Valuation per share (PLN)	132.8							

Source: forecast of PKO BP Securities, *Bloomberg

Financial Forecasts

Profit and loss account	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Revenues	140	191	201	279	361	371	451	546	634
Costs of sold products, goods and materials	59	80	79	102	136	140	174	214	253
Gross profit on sales	81	111	121	177	225	230	277	332	382
General administrative expenses	19	28	29	35	35	47	49	51	53
Other operating income	1	3	2	3	2	6	2	2	2
Other operating costs	4	1	3	11	13	4	3	3	3
EBITDA	60	85	92	135	179	186	229	282	329
Revaluation of IP	121	213	540	456	-258	302	321	350	282
EBIT	180	298	632	590	-80	487	548	630	610
Net financial gain (loss)	-17	-88	-33	-61	19	-81	-172	-169	-164
Pre-tax profit	163	210	599	529	-61	406	376	460	446
Income tax	-34	-40	-119	-107	9	-76	-83	-101	-98
Net profit (loss) attributable to non-controlling interest	0	0	0	0	0	0	0	0	0
Net Profit (loss)	129	170	480	422	-52	329	293	359	348
FFO	33	47	55	87	93	66	60	96	140
Balance Sheet	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Fixed assets	1,838	2,392	3,457	4,575	4,668	5,577	6,647	7,647	8,204
Investment property	1,810	2,331	3,395	4,433	4,542	5,466	6,537	7,537	8,094
Other long-term assets	28	61	63	142	126	110	110	110	110
Current assets	236	291	328	415	422	969	529	253	271
Trade receivables	67	89	74	92	64	80	90	109	127
Other short-term assets	67	39	77	8	13	11	11	11	11
Cash and cash equivalents	102	163	177	315	344	878	428	133	133
Total Assets	2,074	2,683	3,786	4,990	5,090	6,545	7,177	7,900	8,475
Equity	939	1,212	1,825	2,498	2,396	2,704	2,998	3,357	3,666
Non-controlling interests	0	0	0	0	0	0	0	0	0
Long-term liabilities	971	1,375	1,722	2,220	2,352	3,248	3,600	3,962	4,276
Loans and borrowings	780	1,132	1,370	1,764	1,908	2,743	3,024	3,303	3,545
Trade liabilities and other	45	62	58	55	79	84	84	84	84
Short-term liabilities	164	96	239	272	342	593	579	581	533
Loans and borrowings	54	34	121	92	206	362	362	362	362
Trade liabilities and other	110	62	117	180	136	231	217	219	171
Total Liabilities	2,074	2,683	3,786	4,990	5,090	6,545	7,177	7,900	8,475
Cash flow statement	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
Cash flow on operating activity	86.1	92.7	164.7	164.7	176.9	133.1	192.4	246.7	236.9
Cash flow on investment activity	-208.1	-393.4	-569.8	-508.6	-486.9	-533.8	-751.7	-651.7	-276.3
Cash flow on financial activity	178.2	355.0	421.5	477.3	335.7	931.1	109.5	109.5	39.8
Indicators	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F
ROE	14.8%	15.8%	31.6%	19.5%	-2.1%	12.9%	10.3%	11.3%	9.9%
ROA	6.2%	6.4%	12.7%	8.5%	-1.0%	5.0%	4.1%	4.5%	4.1%
Number of shares	18.11	19.72	21.37	23.99	23.99	23.99	23.99	23.99	23.99
EPS	7.14	8.64	22.48	17.60	-2.17	13.72	12.23	14.97	14.50
FFOPS	1.81	2.37	2.56	3.62	3.89	2.76	2.52	4.01	5.85
DPS	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.60
BVPS	51.82	61.45	85.36	104.10	99.84	112.70	124.93	139.90	152.80
Net debt	732.9	1,003.5	1,313.9	1,541.3	1,769.4	2,227.6	2,958.4	3,532.7	3,774.6
Net debt/Equity	78.1%	82.8%	72.0%	61.7%	73.9%	82.4%	98.7%	105.2%	103.0%

Source: forecasts of PKO BP Securities

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min (max) 52 weeks: minimum (maximum) of the market share price during the previous 52 weeks

Capitalisation: product of the share market price and the number of shares

EV: sum of the company's capitalisation and net debt

free float (%): share of the total number of shares decreased by 5% stakes held by one shareholder and own shares held by the company in the total number of shares

Average trading/month: average trading per month calculated as total trading value over previous 12 months divided by 12

ROE: rate of return on equity

ROA: rate of return on assets

EBIT: operating profit

EBITDA: operating profit + depreciation and amortization
 EPS: earnings per share
 DPS: dividend per 1 share
 CEPS: sum of net profit and depreciation and amortization per 1 share
 P/E: quotient of share market price and EPS
 P/BV: quotient of share market price and book value of one share
 EV/EBITDA: quotient of capitalisation increased by the company's net debt and EBITDA
 Gross sales margin: relation of gross sales profit to net sales proceeds
 EBITDA margin: relation of the sum of operating profit and depreciation to net sales proceeds
 EBIT margin: relation of operating profit to net sales proceeds
 Net profitability: relation of net profit to net sales proceeds

Valuation methods applied

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A BUY recommendation means that the recommendation author thinks that company shares have the potential for at least a 10% price growth.

A HOLD recommendation means that the recommendation author thinks that company shares have the potential for growth between 0 and a 10%.

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Issuer:	Reservation
MLP Group	1: NO, 2: NO, 3: NO, 4: NO, 5: NO, 6: NO, 7: NO, 8: NO, 9: NO

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Whenever this Recommendation quotes a price for the financial instrument, it will be understood as the closing price from the last trading day.

The list below sets out all the recommendations drafted by PKO BP Securities in the last 12 months, within the scope of the "Analytic Coverage Support Pilot Programme".

Company	Recommendation	Date of reco.	Target price	Relevant Market Price*	Market cap. (PLN mn)	P/E			EV/EBITDA			Analyst
						2023	2024F	2025F	2023	2024F	2025F	
Oponeo	Buy	2023-08-23	51.00	43.00	610.5							Piotr Łopaciuk
MLP Group	Buy	2023-09-08	115.00	78.20	1876.4							Piotr Zybała
Oponeo	Hold	2024-05-10	63.50	44.70	707.9							Piotr Łopaciuk
MLP Group	Buy	2024-05-28	110.00	80.00	1919.6							Piotr Zybała
Oponeo	Hold	2024-08-23	86.00	80.00	928.1	8.8	14.7	13.3	7.1	8.7	8.1	Piotr Łopaciuk
MLP Group	Hold	2024-12-09	85.00	77.80	1866.8	nm	5.7	6.4	19.4	22.0	21.1	Piotr Zybała

*at the time of publication