

Indonesia Industry Focus

Indonesia property sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 Jul 2015

Hunting for a bargain

- Regulatory overhang is easing and temporary fixes are being introduced to address weak property sales
- Stress test shows that developers are a resilient bunch
- Attractive valuations after recent correction: Buy PWON

Unimpressive marketing sales to prompt several developers to trim full year guidance. Marketing sales were strong in 1Q15 partly due to carry-overs from 2014, but YTD aggregate marketing sales are only 35% of the full year target. Hence, we expect several developers to revise down full year targets in 2H15.

Easing restrictions, introducing temporary fixes. The regulatory cloud over the property sector has been lifted with the latest revisions to super luxury tax and luxury tax (PPnBM). Bank Indonesia (BI) has also moved to rectify slow "non-industrial" loan growth by relaxing Loan-to-Value (LTV) requirements for property and automotive sales.

Stress test: property developers are a resilient bunch. A slowing economy, shifting preference towards in-house installment for financing, and the uncertainty over property demand, have resulted in tighter cashflows for developers. But our tests show that developers under our coverage remain resilient in this challenging market.

More positive tone: Buy PWON. As regulatory concerns trickle away, investors will return to fundamentals. The recent correction in property stock prices has created cheaper entry points and better risk-reward profiles. The property sector is currently trading at 37% discount to RNAV (its 4-years average), and forward PE valuation has de-rated to their mean multiple. We expect developers to deliver decent 2Q15 results. Buy PWON for its resilient earnings, good cash generating power, and sizeable upside to our TP.

JCI : 4,838.28

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STOCKS

	Price	Mkt Cap	Target	Performance (%)		Rating
	Rp	US\$m	Price Rp	3 mth	12 mth	
Agung Podomoro Land	363	559	330	(19.2)	22.6	FULLY VALUED
Alam Sutera Realty	555	819	570	(11.9)	11.0	HOLD
Bumi Serpong Damai	1,720	2,486	1,850	(20.2)	8.2	HOLD
Ciputra Development	1,255	1,430	1,240	(15.8)	11.6	HOLD
Lippo Karawaci	1,180	2,045	1,300	(14.2)	8.3	HOLD
Pakuwon Jati	400	1,447	550	(23.1)	4.4	BUY
Summarecon Agung	1,770	1,918	2,050	(5.6)	43.9	BUY

Source: DBS Vickers

Agung Podomoro Land : APLN has been focusing on high-rise developments and prides itself as the major superblocks developer. Most of its projects are located in strategic inner city locations

Alam Sutera Realty : Upscale township developer in Serpong and Pasar Kemis (west Jakarta suburb). ASRI is diversifying its revenue base with more commercial properties such as retail malls and office towers.

Bumi Serpong Damai : BSDE is Indonesia's largest landed residential property developer. Its core project is developing an integrated satellite city 15km west of Jakarta. BSDE enlarged its investment property portfolio after consolidating DUTI, SMT, & SMW.

Ciputra Development : Large scale residential and commercial developer in 20 major cities throughout Indonesia, with most diversified product and consumer range. Established since 1981 and has listed subsidiaries in Ciputra Surya (CTRS) and Ciputra Property (CTRP)

Lippo Karawaci : LPKR's five businesses are: township, healthcare, retail mall, hospitality and portfolio management. It has listed subsidiaries in Lippo Cikarang (LPCK) and Gowa Makassar Tourism Development (GMTD), and stakes in First REIT & LMIRT (both listed in Singapore)

Pakuwon Jati : Mixed-use property and residential township developer with assets in Jakarta and Surabaya. PWON has balanced portfolio with a large share of recurring revenues from retail malls

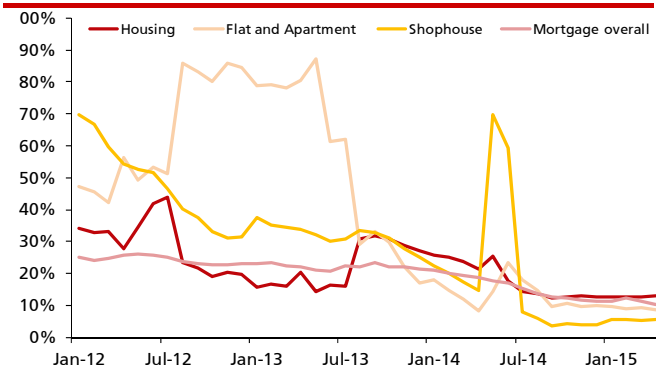
Summarecon Agung : SMRA is one of Indonesia's most established property developers. It has three existing township developments and several investment properties in its portfolio which generates sizeable recurring income, c.30% of revenues.

Government moves to address weak property sales

Indonesia's GDP growth remained muted in April and May after a slow start in 1Q15, when GDP grew by only 4.7%. Our economist Gundy Cahyadi expects GDP growth to come in below 5% again in 2Q15. Infrastructure projects that were supposed to boost for GDP this year have stalled due to lack of investments.

The sustained macro weakness has prompted banks to cut loan growth targets for this year (see our Indonesian Banks report titled *Cutting targets*, dated 10 Jun 2015). Bank Indonesia (BI) has revised down its loan growth target to 11-13% from 15-17% set early this year. The BI monthly data show mortgage loans only grew 12% y-o-y in April compared to 23% CAGR over the past four years.

Mortgage growth trending down

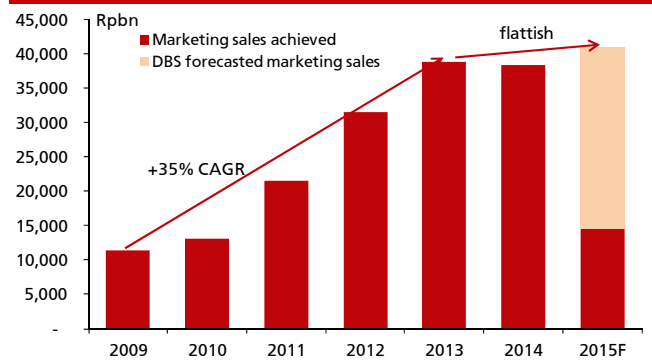


Source: Bank Indonesia, DBS Vickers

Consistent with our previous report titled *Tread carefully*, dated 27 Apr 2015, we are still not seeing a recovery in marketing sales. Despite strong 1Q15 marketing sales - which were boosted by carry-overs from 2014 year-end launches -, YTD aggregate marketing sales are only 35% of full year guidance. Hence, **we expect several developers to revise down marketing sales targets in August (after Lebaran period)**. (Refer to APPENDIX for YTD marketing sales achievements by developer).

Currently, we estimate FY15F marketing sales will grow by only 7% this year; our estimates are 6%-23% below company guidance. Rising land prices and new projects in the pipeline will offset the impact of fewer pre-sold units at existing projects. New projects will contribute 32% of FY15F marketing sales.

Aggregate marketing sales achievement vs our projections



Source: Companies, DBS Vickers

Temporary measures for an immediate fix

- **Large banks keeping mortgage rates low to boost lending.** Bank Central Asia (BBCA), which had been conservative with mortgage lending last year, led the pack at end 1Q15 by offering 3-year fixed rate (8.88% p.a.) and a 2-year cap at 9.99% p.a., and extending the promotional period. Other large banks have also reduced mortgage rates since.
- **Relax Loan-to-Value (LTV) cap.** In a bid to address slowing loan growth and property demand, BI was forced to relax the LTV cap last month after tightening it on 30 Sep 2013.

In a cohesive move, Bank Indonesia (BI) issued ruling no. 17/10/PBI/2015 to supersede circular no. 15/30/DKMP. For conventional mortgage loans, the LTV limit for most categories have been raised by 10% ppts effective 18 Jun 2015. This should benefit developers with larger exposure to buyers who take a mortgage to purchase properties. However, the good news have been priced in and the move will have limited positive impact on property demand.

Summary of revised LTV caps

Category	Maximum LTV (new regulation)			Maximum LTV (old regulation)		
	1 st mortgage	2 nd mortgage	3 rd mortgage onwards	1 st mortgage	2 nd mortgage	3 rd mortgage onwards
House > 70 sqm	80%	70%	60%	70%	60%	50%
House 22 - 70 sqm	-	80%	70%	-	70%	60%
Apartment > 70 sqm	80%	70%	60%	70%	60%	50%
Apartment 22 - 70 sqm	90%	80%	70%	80%	70%	60%
Apartment < 21 sqm	-	80%	70%	-	70%	60%
Shophouse	-	80%	70%	-	70%	60%

Source: Bank Indonesia

- **Government may ease foreign ownership restrictions**
Last month, several media reported that the government is committed to revise regulation no. 41/1996 which restricts ownership of homes by foreigners domiciled in Indonesia.

At face value, this should have immediate implications on the broader buyer base for luxury high-rise apartment units, which would benefit/support developers with “premium” apartment projects in their portfolios. However, **we are not optimistic of this happening soon** because it will be a long and arduous process to change Indonesia’s Agraria Law no.5/1960, which covers basic property ownership rights and the implementation will be not as straight forward as it may appear to be.

Tax regulations overhang is almost gone

The regulations have been relaxed one by one over the past two months.

- **Super luxury tax – increased qualifying threshold to Rp5bn.**
The Ministry of Finance has replaced PMK no.253/PMK.03/2008 with ministerial decree PMK no. 90/PMK.03/2015 to redefine super luxury goods subject to additional 5% tax. This is effective 30 May 2015. For property, the changes are as follows:

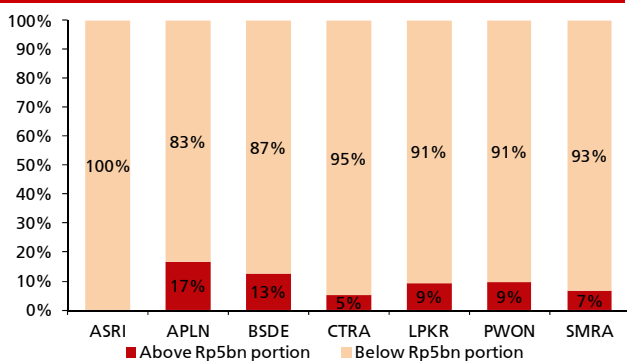
Revised super luxury tax regulation for property

No	Taxed items	Threshold to be taxed under tax income article 22	
		Previous regulation (PMK no. 253/PMK.03/2008)	Current regulation (PMK no. 90/PMK.03/2015)
1	Landed residential	1). Transaction value > Rp10bn AND 2). Building area > 500 sqm	1). Transaction value > Rp5bn OR 2). Building area > 400 sqm
2	Apartment, condominium, etc	1). Transaction value > Rp10bn AND/OR 2). Building area > 400 sqm	1). Transaction value > Rp5bn OR 2). Building area > 150 sqm

Source: Ministry of Finance, DBS Vickers

Our analysis shows the revised criteria would have **limited impact on marketing sales of the developers under our coverage.**

Only 8% of FY15F aggregate marketing sales impacted



Source: DBS Vickers

- **Luxury tax – No change to qualifying criteria for now.**
The ministry has also released ministerial decree PMK no 106/PMK.010/2015, a revision to 121/PMK.011/2013 which defines value added tax (VAT) on luxury goods. This is effective 8 July 2015,

Luxury tax regulation for property

New regulation	Old regulation	Remarks
Ministry of Finance decree no. 106/PMK.010/2015	Ministry of Finance decree no. 121/PMK.011/2013	No change on criteria between revision. Currently 20% luxury tax applies for: - Apartment & townhouse (Building area >150sqm) - Landed residential (Building area > 350sqm)

Source: Ministry of Finance, DBS Vickers

This revision will not have significant impact on developers under our coverage because the regulation still defines luxury property based on size instead of value, an issue which has been debated in recent months. **The status quo is positive news to a market that had been expecting a change in the qualifying criteria from property size to transaction value** (either Rp2bn or Rp3bn).

We will continue to monitor updates on the luxury tax regulation.

Stress test: property developers under our coverage are a resilient bunch

A slowing economy, shifting preference towards in-house installment for financing, and the uncertainty over property demand, have resulted in tighter cashflows for developers. As highlighted in our report titled *When the going gets tough* dated 2 Dec 2014, there has been a flurry of corporate actions by developers to beef up their balance sheets for future expansion and to seize acquisition opportunities.

We conducted two tests for each developer: 1) estimated free cash flow yield (if there is no more marketing sales after 1Q15), and 2) cash-generation ability to check their resilience to the current challenging environment.

We defined free cash flow for this test as follows:

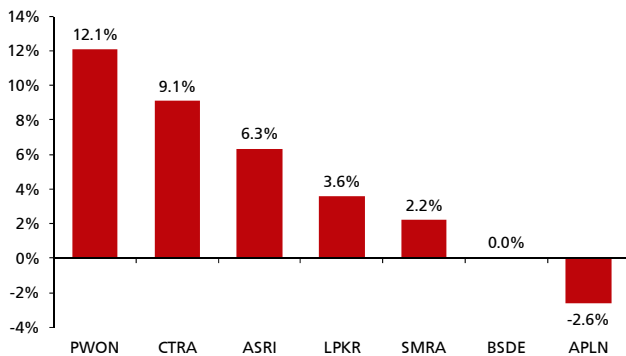
FY15F recurring EBITDA (adjusted for tax) + estimated operating profit from current sales backlog (adjusted for customer advances and sales tax) – FY15F expected interest expense – 1Q15 account payable.

Indonesia property sector

Free cash flow yield: PWON is the most resilient. There was only one developer which registered a negative result - APLN.

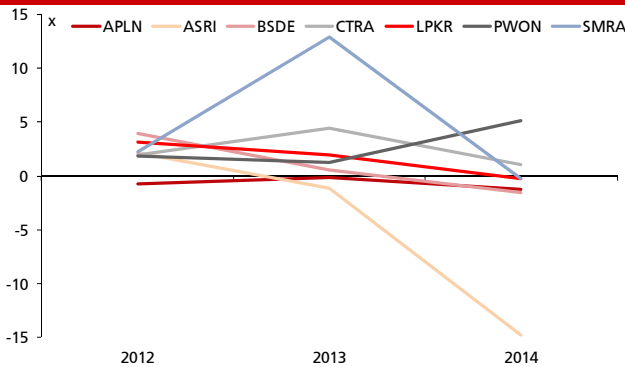
Cash-generating ability (based on 2012-14 data): **PWON tops again.** Our test shows ASRI could have a serious problem generating cash, which is probably why they started to sell big commercial block lands in early 2014.

Free cash flow yield test results



Source: DBS Vickers, Bloomberg Finance L.P.
Note: Market cap is as of 9 July 2015

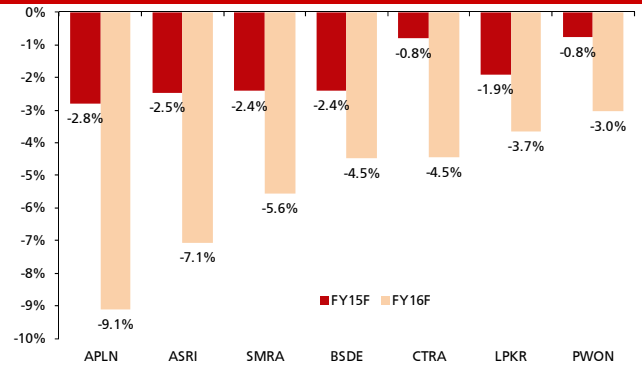
Developers cash-generating ability



Source: DBS Vickers, Bloomberg Finance L.P.

We also conducted an earnings sensitivity test for each developer to gauge the impact of a further slowdown in demand (i.e. worse than our expectation). **The result again shows PWON is the least likely to miss our earnings estimates,** mainly because they have the largest share of recurring revenues (as a proportion of total revenues) compared to other developers.

Sensitivity analysis: Impact of 10% miss in our FY15F marketing sales estimate on earnings

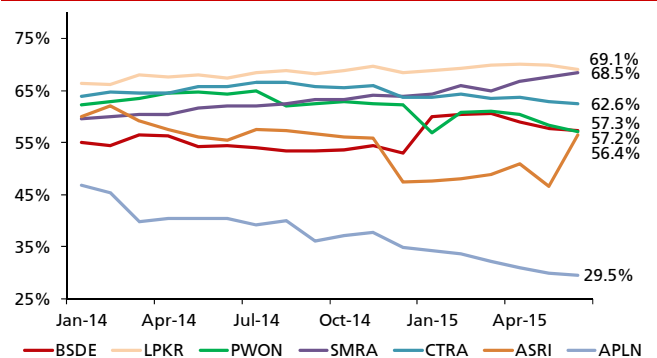


Source: DBS Vickers, Bloomberg Finance L.P.

High foreign shareholding in developer stocks adds to downside risk

The perception that Indonesia's macroeconomic conditions will continue to weaken could trigger a de-rating of property stocks, which are high-beta in nature and normally smaller cap stocks.

Foreign ownership trend (as % of free float)



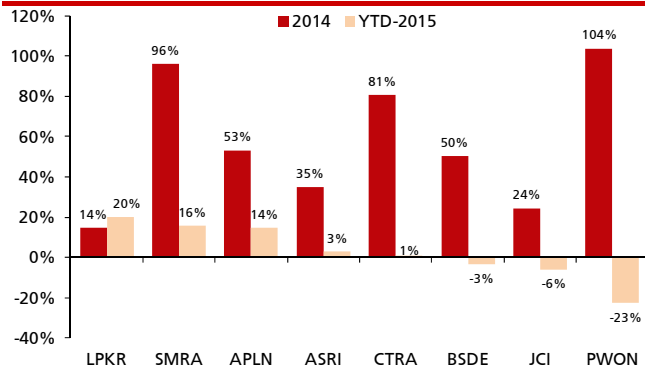
Source: Indonesia Central Securities Depository (KSEI), Bloomberg Finance L.P., DBS Vickers

Turning more positive on property sector: Buy PWON

Indonesian property stocks have been on a roller coaster ride this year as investors reacted to bits and pieces of news related to the sector (see chart in APPENDIX) mainly because of uncertainty over the direction of the property market as well as the policy direction of Jokowi's government.

But, the impact of easing regulations has started to trickle down and is driving investors to look at fundamentals again. The recent broad corrections provide better entry points for exposure to selected Indonesia's property stocks.

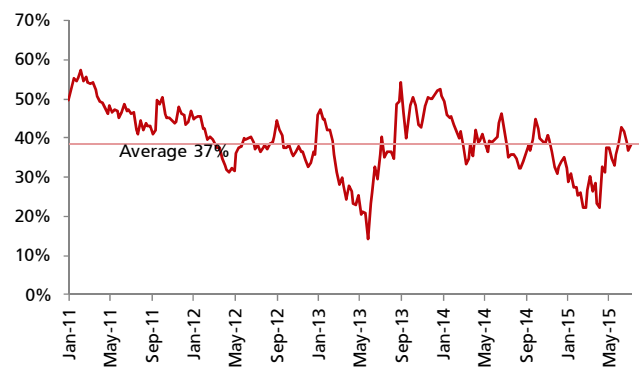
Stock performance: YTD-2015 has been muted



Source: DBS Vickers, Bloomberg Finance L.P.

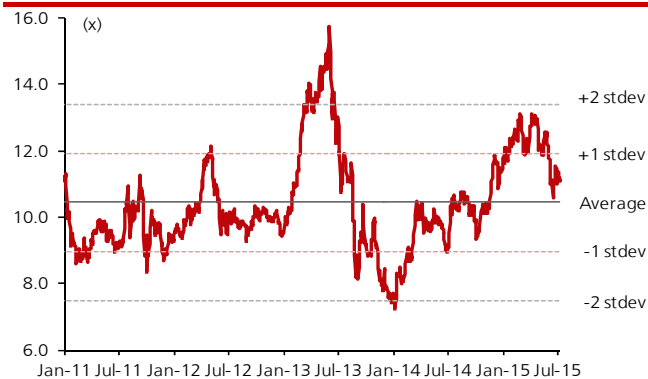
The property sector is currently trading at 37% discount to RNAV (its 4-years average), and forward PE valuation has deteriorated to their mean multiple. We expect developers to deliver decent 2Q15 results, supported by relatively strong FY13 and FY14 marketing sales.

Property sector discount to RNAV trend



Source: DBS Vickers, Bloomberg Finance L.P.

Property sector trading at mean forward PE



Source: DBS Vickers, Bloomberg Finance L.P.

JCI Index trading at -0.5SD of mean forward PE



Source: DBS Vickers, Bloomberg Finance L.P.

PWON is our top BUY because its large share of recurring revenues will soften the impact of a further slowdown in property sales. It has a good mix of property developments (i.e. residential townships and superblocs) and a large presence in Indonesia's two largest cities - Jakarta and Surabaya. The stock is currently trading at attractive 35% discount to our RNAV estimate of Rp619/sh (significantly wider than its 4-years average discount), and is also relatively cheap at 8.4x FY16F PE (-1SD of mean forward PE). In addition, PWON passed our stress test with flying colours, suggesting resilient earnings going forward.

Revenue and earnings revision

We adjusted FY15/FY16F marketing sales assumption for both CTRA and SMRA to reflect latest YTD achievements and project launches in the pipeline. We also adjusted FY15/16F revenues by between (-)6% and 4% across the developers and net profit by (-)21% and 12%, after adjusting for generally decent 1Q15 results, estimated similar results for 2Q15, and slower revenue recognition. These adjustments led to mild changes to our RNAV assumptions for the developers, and consequently, our TPs (given no change to our perceived fair discount to RNAV). (Refer to Earnings Revision – Summary of Changes in the APPENDIX).

Summary of changes to TP and recommendation

Company	New TP	Previous TP	Changes	New Rec	Previous Rec
APLN	330	380	-13%	Fully Valued	Fully Valued
ASRI	570	560	2%	Hold	Fully Valued
BSDE	1,850	2,150	-14%	Hold	Hold
CTRA	1,240	1,340	-7%	Hold	Hold
LPKR	1,300	1,360	-4%	Hold	Hold
PWON	550	550	0%	Buy	Hold
SMRA	2,050	2,200	-7%	Buy	Buy

Source: DBS Vickers

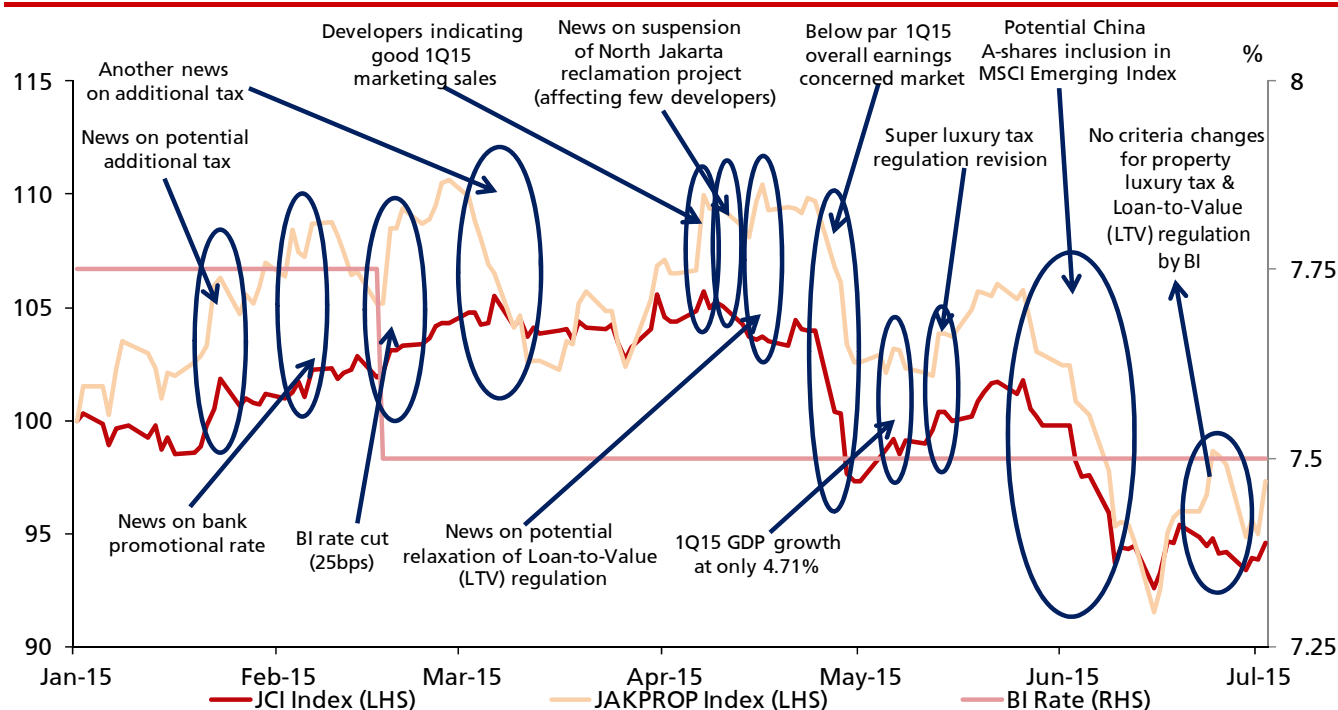
APPENDIX

Our estimated YTD marketing sales achievement for each developer

Developer	Estimated marketing sales YTD (Rpbn)	YTD achievement (as % of FY15 company guidance)	YTD achievement (as % of DBS FY15F)	FY15 marketing sales guidance (Rpbn)	DBS FY15F marketing sales (Rpbn)	DBS FY15F forecast implied y-o-y growth (%)	Marketing sales FY14 (Rpbn)	Difference between our estimate to company guidance
ASRI	900	16%	18%	5,800	5,143	21%	4,256	-11%
APLN	1,200	18%	24%	6,500	5,035	-16%	6,022	-23%
BSDE	3,600	48%	51%	7,500	6,995	7%	6,508	-7%
CTRA	3,235	30%	35%	10,963	9,283	8%	8,631	-15%
LPKR	2,700	45%	48%	6,000	5,622	8%	5,185	-6%
PWON	2,000	59%	54%	3,400	3,674	17%	3,137	8%
SMRA	2,200	40%	42%	5,500	5,186	13%	4,601	-6%
Total	15,835	35%	39%	45,663	40,938	7%	38,339	-10%

Source: DBS Vickers, Companies

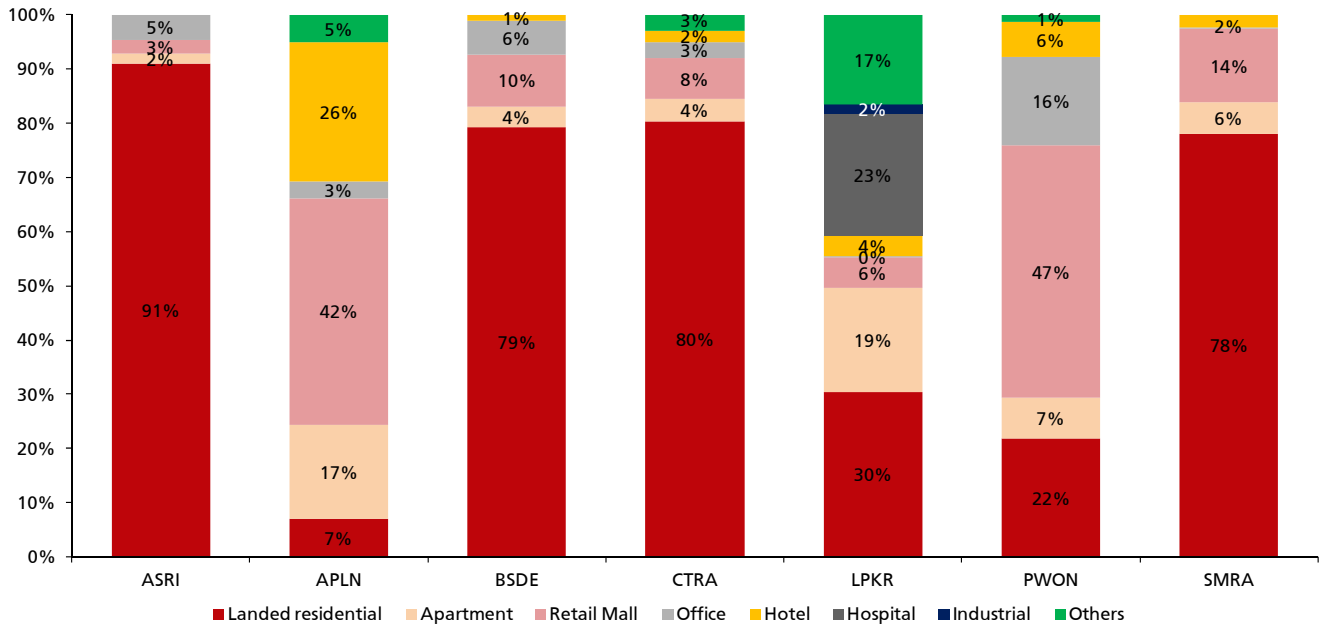
JAKPROP Index – strong reaction to regulatory news



Source: DBS Vickers, Bloomberg Finance L.P.

Note: JAKPROP Index is weighted index for stocks involved in property, real estate and construction sectors

RNAV breakdown by developer



Source: DBS Vickers, Bloomberg Finance L.P.

Earnings Revision: Summary of changes

		APLN		ASRI		BSDE		CTRA		LPKR		PWON		SMRA		
		FY15F	FY16F	FY15F	FY16F	FY15F	FY16F	FY15F	FY16F	FY15F	FY16F	FY15F	FY16F	FY15F	FY16F	
Mktg. Sales	Now	5,035	2,670	5,143	4,089	6,995	8,087	9,283	8,898	5,622	4,186	3,674	4,133	5,186	5,315	
	in Rpbn	Prev	5,035	2,670	5,143	4,089	6,995	8,087	9,833	9,503	5,622	4,186	3,674	4,133	5,578	6,336
		Chg (%)	0%	0%	0%	0%	0%	0%	-6%	-6%	0%	0%	0%	0%	-7%	-16%
Revenue	Now	6,027	7,260	4,375	4,346	6,974	7,448	7,750	9,220	10,011	11,730	5,183	5,841	5,542	6,184	
	in Rpbn	Prev	5,983	7,752	4,218	4,189	6,974	7,448	7,777	9,468	10,011	11,730	5,183	5,842	5,578	6,336
		Chg (%)	1%	-6%	4%	4%	0%	0%	0%	-3%	0%	0%	0%	0%	-1%	-2%
Net profit	Now	719	872	1,400	1,467	2,548	2,736	1,291	1,481	1,557	1,570	1,956	2,510	1,199	1,463	
	in Rpbn	Prev	753	1,099	1,363	1,430	2,281	2,450	1,296	1,569	1,557	1,570	1,956	2,510	1,210	1,511
		Chg (%)	-4%	-21%	3%	3%	12%	12%	0%	-6%	0%	0%	0%	0%	-1%	-3%
RNAV	Now	647		948		3,350		1,720		1,793		619		2,955		
	in Rp/sh	Prev	751	938	3,494	1,890	1,867	619	3,134							
		Chg (%)	-14%	1%	-4%	-9%	-4%	0%	-6%							
TP	Now	330		570		1,850		1,240		1,300		550		2,050		
	in Rp/sh	Prev	380	560	2,150	1,340	1,360	550	2,200							
		Chg (%)	-13%	2%	-14%	-7%	-4%	0%	-7%							
Rec	Now	Fully Valued		Hold		Hold		Hold		Hold		Buy		Buy		
	Prev	Fully Valued		Fully Valued		Hold		Hold		Hold		Hold		Buy		

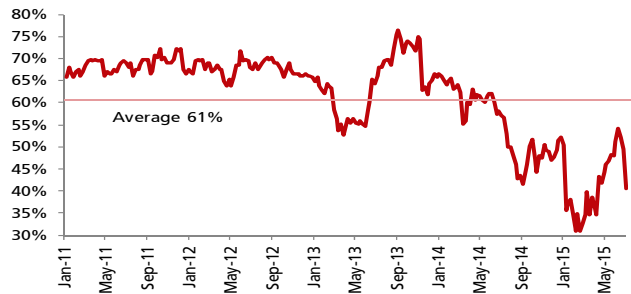
Source: DBS Vickers

Indonesian Property Developers: Valuation summary

Company		Agung Podomoro Land	Alam Sutera Realty	Bumi Serpong Damai	Ciputra Development	Lippo Karawaci	Pakuwon Jati	Summarecon Agung
Ticker		APLN U	ASRI U	BSDE U	CTRA U	LPKR U	PWON U	SMRA U
Market cap (US\$m)		557	817	2,480	1,426	2,040	1,443	1,913
Share price		363	555	1,720	1,255	1,180	400	1,770
RNAV		647	948	3,350	1,720	1,793	619	2,955
Disc to RNAV		44%	41%	49%	27%	34%	35%	40%
Rec		Fully Valued	Hold	Hold	Hold	Hold	Buy	Buy
TP		330	570	1,850	1,240	1,300	550	2,050
Upside		-9%	3%	8%	-1%	10%	38%	16%
PE (x)	2012	9.2	9.1	23.4	32.3	25.7	25.8	15.4
	2013	8.7	12.4	11.2	19.5	22.2	17.0	23.2
	2014	8.7	9.1	8.3	14.4	10.7	7.7	18.3
	FY15F	10.3	7.8	13.0	14.7	17.5	10.8	21.3
	FY16F	8.5	7.4	12.1	12.8	17.3	8.4	17.4
PB (x)	2012	1.5	2.7	3.8	3.4	4.1	6.6	3.4
	2013	1.3	2.4	2.9	3.0	3.1	5.0	5.8
	2014	1.2	2.0	2.1	2.9	2.4	3.1	4.6
	FY15F	1.1	1.6	1.9	2.6	2.1	2.7	4.0
	FY16F	1.0	1.4	1.7	2.2	2.0	2.1	3.5
Revenue (Rpbn)	2012	4,689.4	2,446.4	3,727.8	3,322.7	6,160.2	2,165.1	3,462.3
	2013	4,901.2	3,684.2	5,741.3	5,077.1	6,666.5	3,029.8	4,093.8
	2014	5,296.6	3,630.9	5,571.9	6,344.2	11,655.0	3,872.3	5,333.6
	FY15F	6,026.8	4,374.8	6,974.4	7,749.8	10,010.6	5,182.8	5,541.6
	FY16F	7,260.2	4,346.2	7,448.3	9,220.3	11,730.0	5,841.5	6,184.2
Net profit (Rpbn)	2012	811.7	1,192.7	1,286.0	589.1	1,060.2	747.8	798.0
	2013	851.4	876.8	2,691.4	976.7	1,228.5	1,132.8	1,102.2
	2014	855.9	1,196.4	3,820.6	1,324.9	2,547.3	2,515.5	1,398.3
	FY15F	719.2	1,399.7	2,548.4	1,290.9	1,557.3	1,955.9	1,198.8
	FY16F	871.7	1,467.5	2,736.3	1,481.4	1,570.2	2,509.8	1,463.5
Net profit growth (%)	2013	5%	-26%	109%	66%	16%	51%	38%
	2014	1%	36%	42%	36%	107%	122%	27%
	FY15F	-16%	17%	-33%	-3%	-39%	-22%	-14%
	FY16F	21%	5%	7%	15%	1%	28%	22%
EBIT margin (%)	2012	27%	51%	38%	29%	24%	49%	28%
	2013	26%	42%	51%	31%	23%	50%	33%
	2014	27%	55%	47%	35%	28%	49%	35%
	FY15F	24%	48%	45%	33%	23%	47%	32%
	FY16F	29%	47%	45%	32%	21%	47%	32%
Net gearing (%)	2012	26%	3%	0%	0%	19%	26%	0%
	2013	24%	38%	0%	0%	30%	7%	0%
	2014	20%	46%	3%	9%	27%	18%	31%
	FY15F	35%	30%	3%	13%	29%	7%	13%
	FY16F	35%	29%	0%	16%	30%	0%	10%
ROE (%)	2012	17%	36%	17%	11%	19%	29%	26%
	2013	16%	21%	30%	16%	16%	33%	27%
	2014	14%	24%	30%	21%	25%	50%	28%
	FY15F	11%	23%	15%	18%	13%	28%	20%
	FY16F	12%	20%	15%	19%	12%	28%	21%
Interest coverage (x)	2012	4.4	9.1	18.6	19.1	20.8	6.3	10.6
	2013	3.6	13.3	16.6	14.5	15.3	9.0	8.8
	2014	3.2	10.6	11.4	7.2	19.7	8.1	6.6
	FY15F	3.6	10.5	10.1	7.1	13.6	9.7	4.4
	FY16F	4.9	10.9	8.5	8.3	14.8	13.3	5.0
EBITDA margin (%)	2012	35%	52%	45%	32%	27%	53%	33%
	2013	35%	43%	57%	33%	28%	56%	37%
	2014	37%	57%	79%	38%	32%	64%	37%
	FY15F	33%	49%	51%	36%	28%	67%	36%
	FY16F	37%	49%	51%	35%	27%	68%	36%

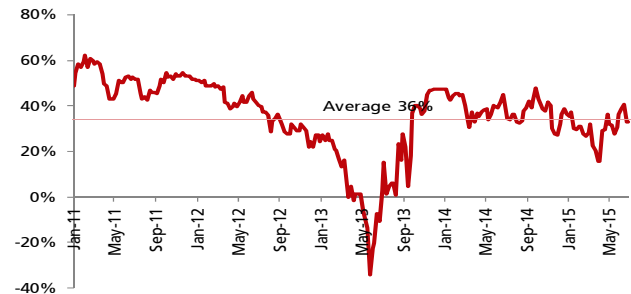
Source: DBS Vickers. Note: Price is as of 9Jul2015

APLN: Discount to RNAV trend



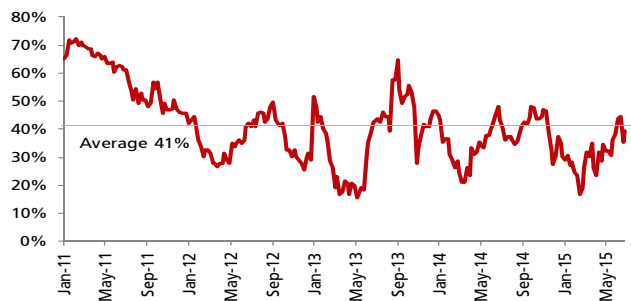
Source: DBS Vickers, Bloomberg Finance L.P.

LPKR: Discount to RNAV trend



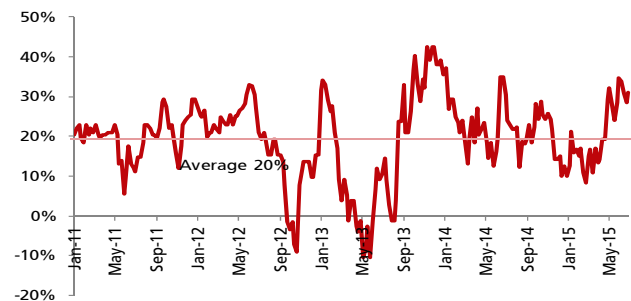
Source: DBS Vickers, Bloomberg Finance L.P.

ASRI: Discount to RNAV trend



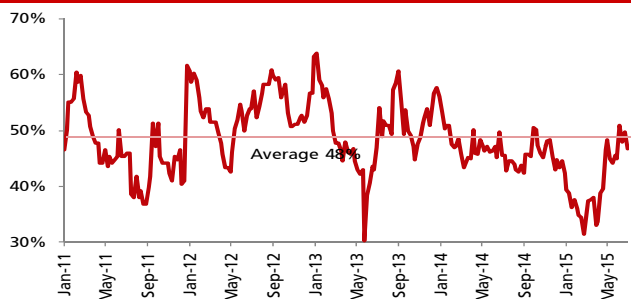
Source: DBS Vickers, Bloomberg Finance L.P.

PWON: Discount to RNAV trend



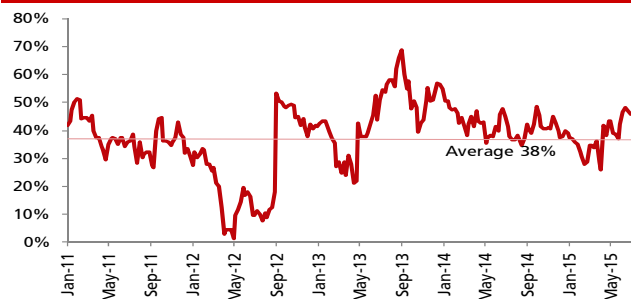
Source: DBS Vickers, Bloomberg Finance L.P.

BSDE: Discount to RNAV trend



Source: DBS Vickers, Bloomberg Finance L.P.

SMRA: Discount to RNAV trend



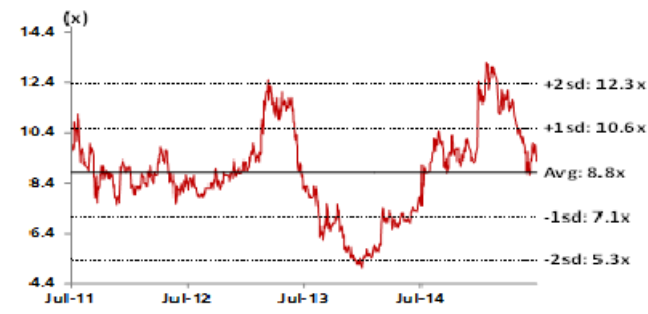
Source: DBS Vickers, Bloomberg Finance L.P.

CTRA: Discount to RNAV trend



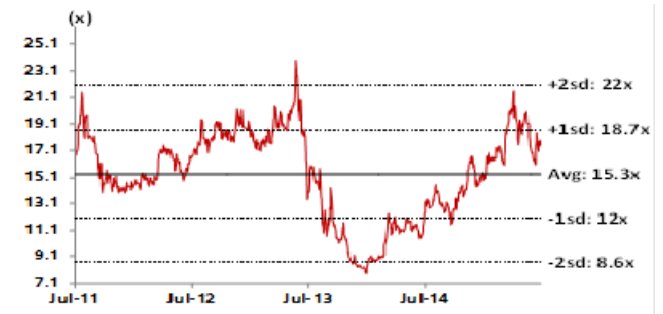
Source: DBS Vickers, Bloomberg Finance L.P.

APLN: Trading at its mean forward PE



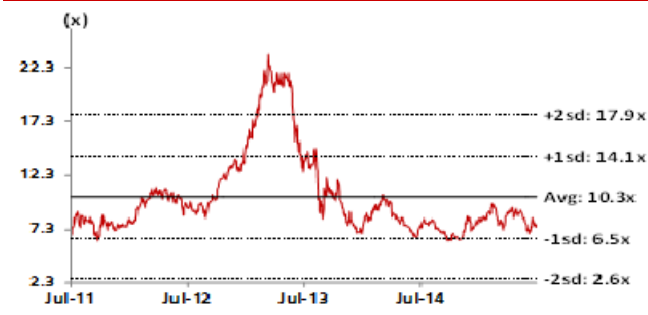
Source: DBS Vickers, Bloomberg Finance L.P.

LPKR: Trading at +1SD of its mean forward PE



Source: DBS Vickers, Bloomberg Finance L.P.

ASRI: Trading at (-)1SD of its mean forward PE



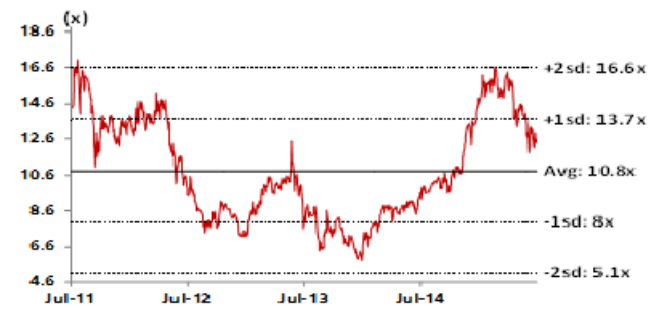
Source: DBS Vickers, Bloomberg Finance L.P.

PWON: Trading at (-)0.5SD of its mean forward PE



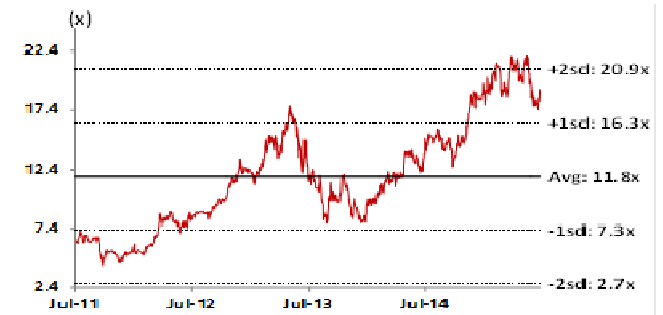
Source: DBS Vickers, Bloomberg Finance L.P.

BSDE: Trading at +0.5SD of its mean forward PE



Source: DBS Vickers, Bloomberg Finance L.P.

SMRA: Trading at +1.5SD of its mean forward PE



Source: DBS Vickers, Bloomberg Finance L.P.

CTRA: Trading at its mean forward PE



Source: DBS Vickers, Bloomberg Finance L.P.

Stock Profiles

Indonesia Company Guide

Agung Podomoro Land

Edition 1 Version 1 | Bloomberg: APLN IJ | Reuters: APLN.JK

Refer to important disclosures at the end of this report

DBS Group Research. Equity

10 Jul 2015

FULLY VALUED

Last Traded Price: Rp363 (JCI : 4,838.3)

Price Target: Rp330 ((-9% downside) (Prev Rp380)

Potential Catalyst: Execution of North Jakarta reclamation projects

Where we differ: The only negative call for the counter

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (Rpbn)	2013A	2014A	2015F	2016F
Revenue	4,901	5,297	6,027	7,260
EBITDA	1,728	1,944	1,993	2,690
Pre-tax Profit	1,177	1,230	1,265	1,820
Net Profit	851	856	719	872
Net Pft (Pre Ex.)	851	856	719	872
Net Pft (ex. BA gains)	N/A	N/A	N/A	N/A
EPS (Rp)	42	42	35	43
EPS Pre Ex. (Rp)	42	42	35	43
EPS Gth (%)	5	1	(16)	21
EPS Gth Pre Ex (%)	5	1	(16)	21
Diluted EPS (Rp)	42	42	35	43
Net DPS (Rp)	6	6	6	5
BV Per Share (Rp)	281	314	343	380
PE (X)	8.7	8.7	10.3	8.5
PE Pre Ex. (X)	8.7	8.7	10.3	8.5
P/Cash Flow (X)	nm	nm	94.2	9.5
EV/EBITDA (X)	6.5	6.0	7.4	6.0
Net Div Yield (%)	1.7	1.7	1.7	1.4
P/Book Value (X)	1.3	1.2	1.1	1.0
Net Debt/Equity (X)	0.3	0.3	0.5	0.5
ROAE (%)	15.8	14.0	10.7	11.8

Earnings Rev (%): (4) (21)
Consensus EPS (Rp): 47 59

Other Broker Recs: B: 4 S: 2 H: 2

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P.

REQUIRES CONSTANT NON-ORGANIC GROWTH

Maintain FULLY VALUED call with lower TP. We tweaked FY15/16F revenue recognition assumption by 1%/(-)6% after considering 1Q15 results and its YTD marketing sales. Given the uncertainties in the Pluit City project, we also adjusted down RNAV by 14% to Rp647/sh, and subsequently trimmed TP by 13% to Rp330.

Weak YTD marketing sales. APLN indicated that marketing sales have reached Rp1.1-1.2tr YTD, only 18% of full year guidance of Rp6.5tr. On this note, there may be downside even to our conservative target of Rp5tr (24% below guidance).

Major projects at risk. The uncertainties over its two major projects (160ha Pluit City reclamation project and 9ha superblock development in Klender, East Jakarta) might force APLN to seek other projects.

Valuation:

Our target price of Rp330 is based on 49% discount to our RNAV. APLN is currently trading at 44% discount to RNAV (much narrower than its 4-year average of 61%) and 10.3x FY15F PE (at +0.5SD of mean forward PE).

Key Risks to Our View:

Better reception for APLN's launches. Given the wide range of property products, APLN's recent launches had seen hit or miss response.

Clearer status of North Jakarta reclamation project. APLN is currently waiting for urban planning approval from the Jakarta government before proceeding with the reclamation projects. The *Pluit City - Island G* project is a significant RNAV booster and marketing sales contributor.

At A Glance

Issued Capital (m shrs)	20,501
Mkt. Cap (Rpbn/US\$m)	7,790 / 584
Major Shareholders	
Indofica (%)	47.3
Jaya Lestari Persada (%)	14.7
Simfoni Gema Lestari (%)	5.1
Free Float (%)	29.9
3m Avg. Daily Val (US\$m)	0.4

ICB Industry: Real Estate / Real Estate Investment & Services

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

Marketing sales achievement

Property developer recognises non-recurring revenue from marketing sales in the prevailing years. We expect revenue to grow by 13% CAGR over 2014-17F given that marketing sales grew by 15% CAGR over 2011-14.

Fast turnover business model. APLN’s business continuity depends heavily on the successful acquisition of new projects. APLN has 12 ongoing projects in its portfolio. The strategy to focus on smaller scale and short-life projects (normally about 3-5 years) allows for more flexibility and faster asset monetisation, provided execution is as expected.

Recurring revenue from investment properties

APLN generated c. 30% of consolidated revenue from its investment properties such as retail malls, hotel and office leases. Without major additions to its investment property portfolio, the share of recurring revenue will shrink gradually.

Product mix

APLN’s apartment projects have generally generated higher gross profit margins than its landed residential & shophouses projects, while recurring revenues from investment properties are generally stable. Therefore, the revenue mix will dictate APLN’s profitability going forward.

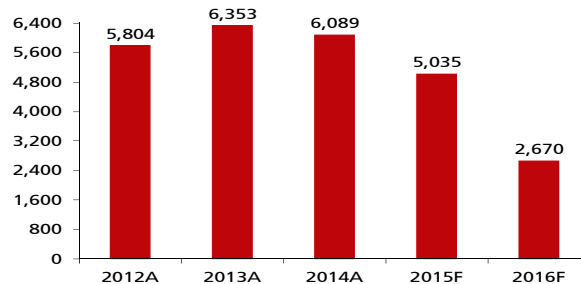
Needs to monitor costs

SG&A expenses (as % of revenue) have trended up with key components such as “showroom & launches and advertisements” and “salaries & employee benefits” accounting for 14% and 39% of total expenses, respectively. Good control of SG&A expenses is crucial for the developer to grow earnings.

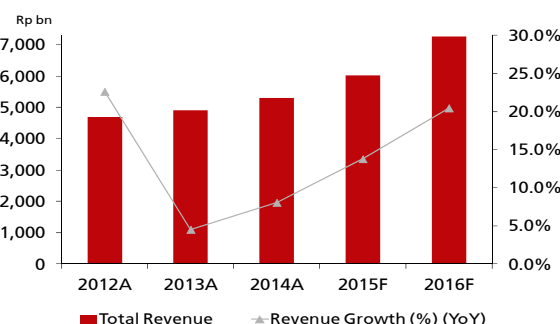
Current roadblocks in its major projects

The central government recently suggested to halt the North Jakarta reclamation projects for further review, and APLN is involved in an ongoing legal battle to determine the legal status of the land in Klender (East Jakarta).

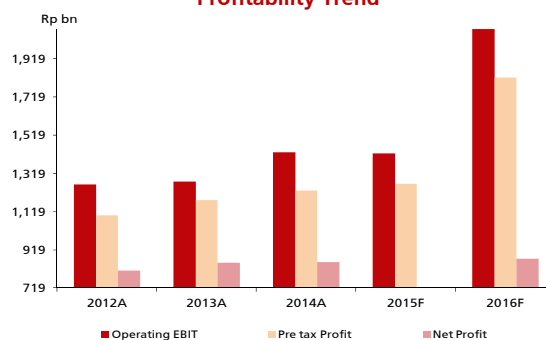
Marketing Sales Trend



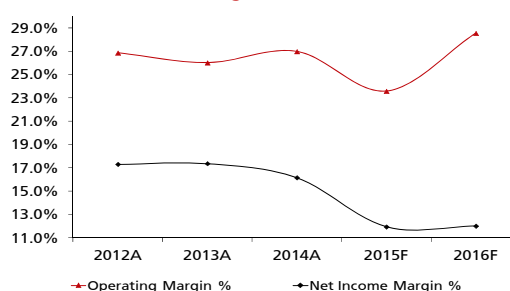
Sales Trend



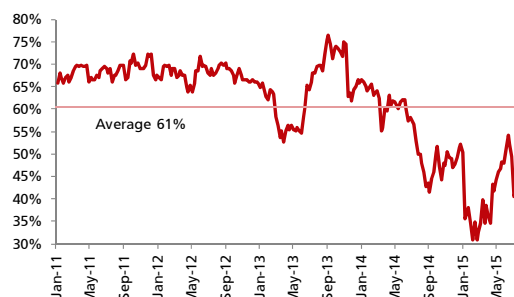
Profitability Trend



Margins Trend



Disc to RNAV Trend



Source: Company, DBS Vickers. Note: FY16F marketing sales number do not include new unannounced projects

Agung Podomoro Land

Balance Sheet:

Relatively high net gearing may limit growth opportunities

APLN's net gearing has been trending up, and has reached pre-IPO level following aggressive capex for expansion over the past four years, and more stringent requirements for loan disbursement to developers.

Capex to taper-off after FY15F

We expect capex requirement to taper-off after the initial huge capex allocated for the currently pending north Jakarta reclamation project.

Share Price Drivers:

Inorganic growth going forward

Given the nature of APLN's fast turnover business model, new project acquisitions or pipelines (depending on the acquisition value) creates positive sentiment as it expanded its revenue sources going forward.

Marketing sales achievement and pipeline

Marketing sales achievement is a good indicator for all Indonesia property developers (including APLN) as it gives leading indication for the revenue generation for the next 2-3 years (depending on the revenue recognition)

Key Risks:

Increasingly difficult to find strategic acquisition targets.

Business continuity depends on successful project acquisition, especially in Greater Jakarta where residential landbank is diminishing. Hence, margins may not be sustainable.

Additional tax (and revision of existing tax regulations) on property could suppress demand.

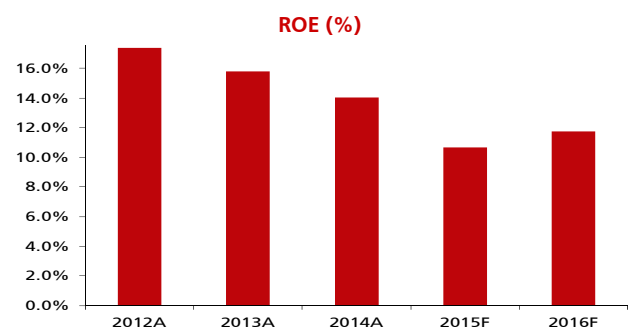
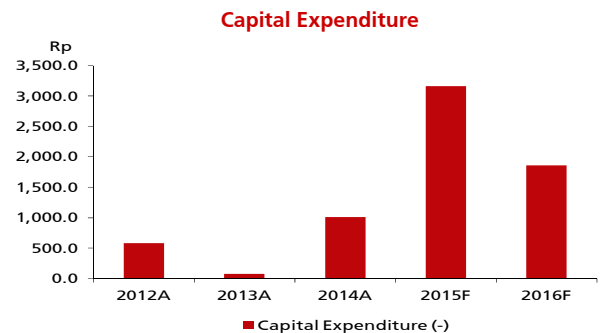
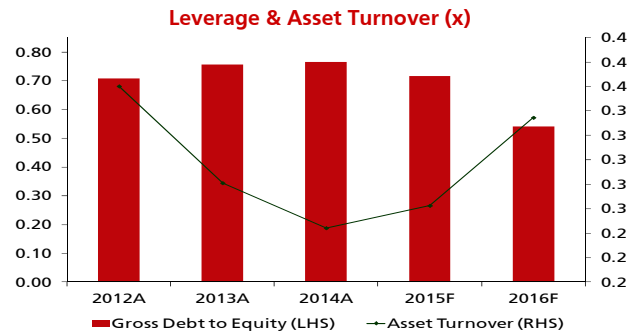
Stricter regulations for high-rise developments. Plot ratio approval and balanced ratio rules, when strictly implemented, could potentially slow property demand. Liquidity tightening could slow demand further.

Potential interest rate hike. Property demand is sensitive to and is negatively correlated to interest rate movements.

Capital intensive projects require large funding. High-rise and retail mall developments require large upfront capital. Cost of external financing has to be kept in check.

COMPANY BACKGROUND

APLN has been focusing on high-rise developments and prides itself as a major superblocks developer. Most of its projects are located in strategic inner city locations.



Source: Company, DBS Vickers

APLN: RNAV summary

APLN portfolio	Stake owned	Valuation (Rpbn)	RNAV
Investment Properties			
Central Park Mall	100%	2,568	2,568
Pocy Extension	100%	818	818
Senayan City Mall	26%	2,482	633
SCTV Tower - Senayan City	26%	332	85
Panin Tower - Senayan City	26%	239	61
Kuningan City Mall	60%	1,248	749
AXA Tower - Kuningan City	60%	635	381
Green Bay Pluit Mall	100%	760	758
SoHo@MT Haryono	100%	68	68
Festival City Link Bandung	59%	576	339
Emporium Pluit Mall	53%	1,725	910
Lindeteves Trade Center	35%	99	35
Mal Plaza Balikpapan	65%	1,674	1,088
Pullman Hotel, Central Park	100%	852	852
Harris Hotel - Festival Citylink	59%	178	105
Sofitel, Nusa Dua, Bali	75%	1,925	1,444
Amaris Hotel - Thamrin City	100%	130	130
POP Hotel - Festival City Link	59%	166	98
Senayan City Apartments	26%	17	4
BnB Hotel, Kelapa Gading	51%	180	92
Mercure, Kelapa Gading	100%	284	284
Pullman Bandung	85%	424	360
IBIS Bandung	85%	406	345
Indigo Hotel Bali	51%	884	451
Pullman Vimala Hills	100%	677	677
Investment Properties Total Surplus/(Deficit) - 1			13,334
Property Developments			
Green Bay Coast View	100%	0	0
Green Bay Sea View	100%	117	116
Green Bay Bay View	100%	0	0
Green Bay Kiosk	100%	0	0
Green Lake Sunter - Apartments	100%	0	0
Green Permata	70%	3	2
Grand Taruma - Karawang	90%	315	283
Central Park - Office	100%	0	0
Metro Park Residence	80%	70	56
Vimala Hills. Gadog	100%	576	575
SOHO@Pocy	100%	486	486
Madison Park	100%	165	165
SOHO@MT Haryono	100%	400	400
Garden Shopping Arcade 2	100%	0	0
Simprug (Pakubuwono Residence)	60%	821	492
Balikpapan	65%	340	221
Plaza Kenari Mas	50%	541	271
Makassar	51%	362	185
Batam	80%	574	459
Deli Medan	58%	1,502	871
Harco Glodok	69%	1,012	698
Klender	85%	359	305
Total PV of future development profits - 2			5,586
FY16F Net Cash (Debt) - Rpbn - 3			-5,664
RNAV (1+2+3)			13,256
Fully Diluted Share base (bn)			21
RNAV per share (Rp)			647

Source: DBS Vickers

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Key Assumptions

FY Dec	2012A	2013A	2014A	2015F	2016F
Marketing sales	5,804	6,353	6,089	5,035	2,670

Segmental Breakdown

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenues (Rpbn)					
Apartments	3,137	2,632	2,323	2,141	2,363
Offices	452	155	132	0	0
House & shophouses	314	1,111	1,466	2,142	2,706
Rental - Hotel, office, &	786	1,004	1,376	1,745	2,190
Total	4,689	4,901	5,297	6,027	7,260
Gross Profit(Rpbn)					
Apartments	1,289	1,250	1,071	999	1,429
Offices	242	78	73	0	0
House & shophouses	60	386	723	847	1,113
Rental - Hotel, office, &	493	641	788	1,082	1,346
Total	2,084	2,355	2,655	2,928	3,888
Gross ProfitMargins					
Apartments	41.1	47.5	46.1	46.7	60.5
Offices	53.6	50.6	55.5	N/A	N/A
House & shophouses	19.2	34.7	49.3	39.5	41.1
Rental - Hotel, office, &	62.7	63.9	57.3	62.0	61.4
Total	44.5	48.0	50.1	48.6	53.6

Income Statement (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenue	4,689	4,901	5,297	6,027	7,260
Cost of Goods Sold	(2,605)	(2,546)	(2,642)	(3,098)	(3,372)
Gross Profit	2,085	2,355	2,655	2,928	3,888
Other Opng (Exp)/Inc	(824)	(1,079)	(1,225)	(1,507)	(1,815)
Operating Profit	1,260	1,276	1,430	1,422	2,073
Other Non Opg (Exp)/Inc	59	136	103	121	145
Associates & JV Inc	77	95	91	95	100
Net Interest (Exp)/Inc	(298)	(329)	(393)	(373)	(498)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	1,098	1,177	1,230	1,265	1,820
Tax	(256)	(247)	(246)	(253)	(364)
Minority Interest	(30)	(79)	(129)	(293)	(584)
Preference Dividend	0	0	(1)	0	0
Net Profit	812	851	856	719	872
Net Profit before Except.	812	851	854	719	872
EBITDA	1,658	1,728	1,944	1,993	2,690
Growth					
RevenueGth (%)	22.6	4.5	8.1	13.8	20.5
EBITDA Gth (%)	60.9	4.2	12.5	2.5	34.9
Opg Profit Gth (%)	51.7	1.2	12.1	(0.6)	45.8
Net Profit Gth (%)	39.7	4.9	0.5	(16.0)	21.2
Margins & Ratio					
Gross Margins (%)	44.5	48.0	50.1	48.6	53.6
Opg Profit Margin (%)	26.9	26.0	27.0	23.6	28.6
Net Profit Margin (%)	17.3	17.4	16.2	11.9	12.0
ROAE (%)	17.4	15.8	14.0	10.7	11.8
ROA (%)	6.2	4.9	3.9	3.1	4.0
ROCE (%)	9.9	8.5	8.2	7.3	10.1
Div Payout Ratio (%)	21.2	15.2	14.4	15.0	15.0
Net Interest Cover (x)	4.2	3.9	3.6	3.8	4.2

Lower revenue growth due to slower recognition

Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Rpbn)

FY Dec	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Revenue	1,165	1,130	1,215	1,787	995
Cost of Goods Sold	(537)	(668)	(549)	(887)	(456)
Gross Profit	628	462	666	899	539
Other Oper. (Exp)/Inc	(227)	(279)	(380)	(339)	(342)
Operating Profit	400	182	286	561	197
Other Non Opg (Exp)/Inc	6	27	85	(14)	30
Associates & JV Inc	20	18	24	28	42
Net Interest (Exp)/Inc	(83)	(90)	(135)	(85)	(65)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	343	138	260	489	204
Tax	(62)	(60)	(64)	(60)	(53)
Minority Interest	14	(19)	(44)	(80)	(49)
Net Profit	296	59	151	348	101
Net profit bef Except.	296	59	151	348	101
EBITDA	427	228	394	574	269

Growth

Revenue Gth (%)	(18.0)	(3.0)	7.6	47.0	(44.3)
EBITDA Gth (%)	7.0	(46.7)	73.3	45.7	(53.2)
Opg Profit Gth (%)	22.1	(54.4)	56.6	96.2	(64.8)
Net Profit Gth (%)	16.5	(80.0)	155.1	130.3	(70.9)

Margins

Gross Margins (%)	53.9	40.9	54.8	50.3	54.2
Opg Margins (%)	34.4	16.2	23.5	31.4	19.8
Net Profit Margins (%)	25.4	5.3	12.5	19.5	10.2

Balance Sheet (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Net Fixed Assets	1,853	2,756	3,169	3,207	3,086
Invt in Associates & JVs	492	350	206	206	206
Invt&Dev't Properties	4,982	5,533	5,661	5,667	5,616
Other LT Assets	119	295	419	419	419
Cash & ST Invt	2,262	3,177	4,336	1,629	130
Dev Props held for sale	2,721	4,977	7,409	7,909	8,109
Inventory	2,721	4,977	7,409	7,909	8,109
Debtors	1,660	1,406	1,240	1,729	2,083
Other Current Assets	(1,615)	(3,792)	(6,161)	(6,443)	(6,586)
Total Assets	15,196	19,680	23,686	22,231	21,171
ST Debt	874	824	442	543	511
Creditor	761	1,141	1,242	1,347	1,474
Other Current Liab	3,478	5,699	7,318	4,658	3,030
LT Debt	3,622	4,635	6,043	6,158	5,283
Other LT Liabilities	112	168	178	178	178
Shareholder's Equity	5,026	5,756	6,443	7,034	7,798
Minority Interests	1,323	1,457	2,020	2,313	2,897
Total Cap. & Liab.	15,196	19,680	23,686	22,231	21,171
Non-Cash Wkg. Capital	1,248	728	1,336	5,098	7,210
Net Cash/(Debt)	(2,234)	(2,282)	(2,149)	(5,072)	(5,664)
Debtors Turn (avg days)	107.9	114.2	91.2	89.9	95.8
Creditors Turn (avg days)	95.5	149.4	195.3	179.2	179.2
Inventory Turn (avg days)	372.0	604.4	1,165.0	1,052.5	986.3
Asset Turnover (x)	0.4	0.3	0.2	0.3	0.3
Current Ratio (x)	1.5	1.4	1.6	1.9	2.4
Quick Ratio (x)	0.8	0.6	0.6	0.5	0.4
Net Debt/Equity (X)	0.4	0.3	0.3	0.5	0.5
Net Debt/Equity ex MI (X)	0.4	0.4	0.3	0.7	0.7
Capex to Debt (%)	12.8	1.3	(15.6)	47.3	32.0
Z-Score (X)	NA	1.2	1.2	1.4	1.9

Increasing net gearing given aggressive capex for major projects

Source: Company, DBS Vickers

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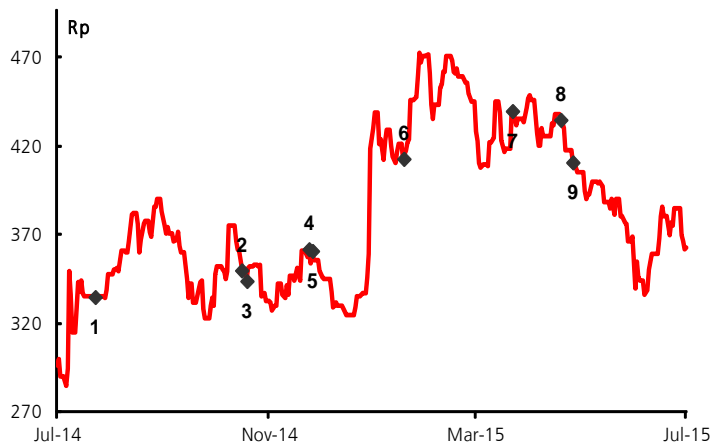
Cash Flow Statement (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,098	1,177	1,230	1,265	1,820
Dep. &Amort.	262	222	321	356	371
Tax Paid	(256)	(247)	(246)	(253)	(364)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	(1,381)	(1,203)	(2,592)	(996)	(456)
Other Operating CF	(30)	(79)	(129)	(293)	(584)
Net Operating CF	(307)	(130)	(1,417)	79	787
Capital Exp.(net)	(577)	(73)	1,010	(3,167)	(1,855)
Other Invts.(net)	(274)	142	144	0	0
Invts in Assoc. & JV	0	0	0	0	0
Div from Assoc& JV	0	0	0	0	0
Other Investing CF	0	0	0	0	0
Net Investing CF	(851)	69	1,155	(3,167)	(1,855)
Div Paid	(123)	(123)	(123)	(128)	(108)
Chg in Gross Debt	1,052	964	1,026	216	(907)
Capital Issues	19	2	(45)	0	0
Other Financing CF	610	134	563	293	584
Net Financing CF	1,558	976	1,421	380	(431)
Currency Adjustments	0	0	0	0	0
Chg in Cash	400	915	1,159	(2,707)	(1,500)
OpgCFPS (Rp)	52	52	57	52	61
Free CFPS (Rp)	(43)	(10)	(20)	(151)	(52)

Source: Company, DBS Vickers

Aggressive capex for major projects (i.e. Pluit City reclamation project)

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	31 Jul 14	335	280	Hold
2:	24 Oct 14	350	325	Fully Valued
3:	27 Oct 14	344	325	Fully Valued
4:	02 Dec 14	362	345	Hold
5:	04 Dec 14	361	345	Hold
6:	26 Jan 15	413	345	Hold
7:	30 Mar 15	440	345	Hold
8:	27 Apr 15	435	380	Fully Valued
9:	04 May 15	411	380	Fully Valued

Source: DBS Vickers

Indonesia Company Guide

Alam Sutera Realty

Edition 1 Version 1 | Bloomberg: ASRI IJ | Reuters: ASRI.JK

Refer to important disclosures at the end of this report

DBS Group Research. Equity

10 Jul 2015

HOLD

(Upgrade from FULLY VALUED)

Last Traded Price: Rp555 (JCI : 4,838.3)

Price Target: Rp570 (+3% upside) (PrevRp560)

Potential Catalyst: Better demand for Pasar Kemis township

Where we differ: We are one of brokers that has neutral call on the stock

Analyst

Edward TANUWIJAYA+6221 3003 4932

Edward.Tanuwijaya@id.dbsvickers.com

Price Relative



Forecasts and Valuation

FY Dec (Rpbn)	2013A	2014A	2015F	2016F
Revenue	3,684	3,631	4,375	4,346
EBITDA	1,593	2,077	2,159	2,143
Pre-tax Profit	1,082	1,485	1,761	1,832
Net Profit	877	1,196	1,400	1,467
Net Pft (Pre Ex.)	877	1,196	1,400	1,467
Net Pft (ex. BA gains)	N/A	N/A	N/A	N/A
EPS (Rp)	45	61	71	75
EPS Pre Ex. (Rp)	45	61	71	75
EPS Gth (%)	(26)	36	17	5
EPS Gth Pre Ex (%)	(26)	36	17	5
Diluted EPS (Rp)	45	61	71	75
Net DPS (Rp)	15	7	12	14
BV Per Share (Rp)	232	281	340	401
PE (X)	12.4	9.1	7.8	7.4
PE Pre Ex. (X)	12.4	9.1	7.8	7.4
P/Cash Flow (X)	14.2	nm	4.0	51.8
EV/EBITDA (X)	9.4	8.2	7.0	7.3
Net Div Yield (%)	2.6	1.3	2.2	2.6
P/Book Value (X)	2.4	2.0	1.6	1.4
Net Debt/Equity (X)	0.6	0.8	0.4	0.4
ROAE (%)	20.5	23.7	22.9	20.2

Earnings Rev (%):		3	3
Consensus EPS (Rp):		72	83
Other Broker Recs:	B: 17	S: 1	H: 4

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

WAITING FOR BREAKOUT IN PASAR KEMIS DEVELOPMENT

Potential sale of block land, upgrade to HOLD on valuation. We upgrade our call from FULLY VALUED to HOLD and nudged up RNAV and TP to Rp948/sh and Rp570, respectively. The potential sale of block land at both Serpong and Pasar Kemis could provide a buffer for ASRI's slow marketing sales.

Two potential JVs with foreign partners. Recently, ASRI signed MoUs (valid for 6 months) with two separate investors to co-develop 20ha in Serpong and 300ha in Pasar Kemis. ASRI plans to take minority stakes (25-30%) in those JVs. The sale of the land will reap an estimated Rp10.6tr in total.

YTD marketing sales remain a drag. 1Q15 marketing sales were weak Rp568bn, mostly supported by commercial land sales in Serpong. The weakness has continued into 2Q15 despite several launches and inventory sales YTD. However, we are keeping our FY15F marketing sales (Rp5.1tr, 12% below guidance) in anticipation of the sale of large land plots in 2H15.

Valuation:

Our target price of Rp570 is based on 40% discount to RNAV. ASRI is currently trading at 41% discount to RNAV (at its 4-year average of 41%) and 7.8x FY15F PE (below its average mean forward PE). We upgrade ASRI to HOLD because the share price has fallen by 14% since our last report dated 27Apr.

Key Risks to Our View:

Better news and execution from Pasar Kemis development.

The MoU with Glory Fund Management Group Pte. Ltd. to form a JV (with ASRI holding minority stake) and co-develop 300ha in Pasar Kemis is positive news for the Pasar Kemis development (stalled by weak demand since launch in Sep2013). If the deal is successful, ASRI's marketing sales from Pasar Kemis will improve significantly in the near-term and could exceed our expectation, and over the long-term, land value will appreciate faster than we currently expect.

At A Glance

Issued Capital (m shrs)	19,649
Mkt. Cap (Rpbn/US\$m)	10,905 / 815
Major Shareholders	
Tangerang Fajar (%)	16.7
Manunggal Prime Develop. (%)	11.9
Selaras Citamanunggal (%)	11.4
Free Float (%)	50.1
3m Avg. Daily Val (US\$m)	3.0

ICB Industry :Real Estate / Real Estate Investment & Services

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

Marketing sales achievement

Property developers recognise non-recurring revenue from marketing sales in the prevailing years. We expect revenue to grow by 13% over 2014-17F given that marketing sales expanded at 15% CAGR over 2011-14 and are expected to grow by 10% CAGR over the next three years.

New township Pasar Kemis (about thrice the size of its existing Serpong township in West Jakarta, located 17km from Serpong) will be the key growth driver going forward, after stumbling since launch on 15 Sep 2013. Also, the Serpong township development has matured.

Limited growth of recurring revenues from investment properties

ASRI generated c.9% of consolidated revenue from investment properties such as retail malls, office leases and cultural park. Despite expected strong growth of cultural park revenue from Garuda Wisnu Kencana (GWK) in Bali, we see limited upside to recurring revenues from current levels.

Reliant on land sales to generate cashflow

ASRI's marketing sales have been mainly driven by the sale of commercial land and block land in the Serpong township. Its new frontier township, the Pasar Kemis development, is not doing as well as expected. Therefore, the current high gross profit margins will not be sustainable going forward.

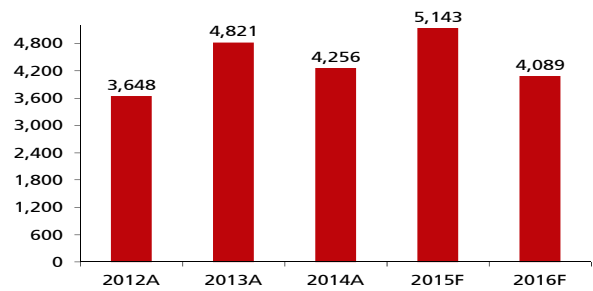
Need to monitor costs

SG&A expenses (as % of revenue) have trended up with key components such as commission and salaries, and wages & allowance, contributing 8% and 44% of total expenses, respectively. Good control of SG&A expenses is crucial if the developer wants to grow earnings.

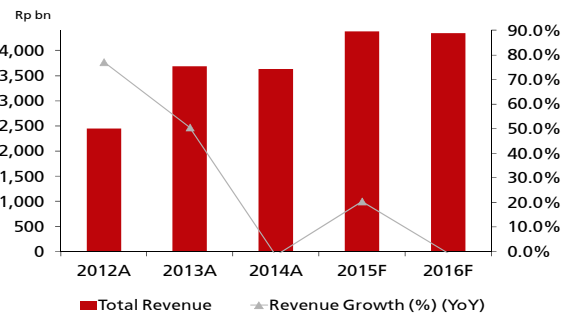
Potential value from Bali cultural park development

ASRI acquired Garuda Wisnu Kencana (GWK) in 2012. ASRI is still working on the master plan for GWK because it has to first complete the huge statue inside the cultural park. There is potential upside from ~30ha area surrounding the cultural park. Currently, we are assigning minimum value to this development in our RNAV calculation.

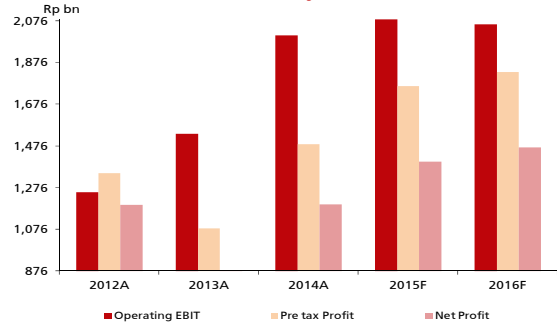
Marketing Sales Trend



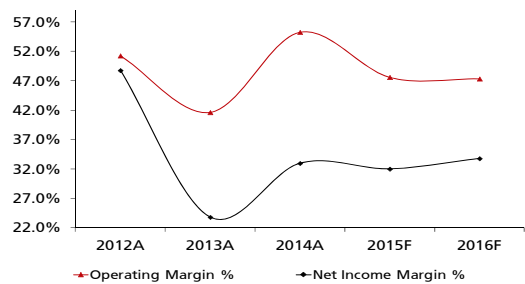
Sales Trend



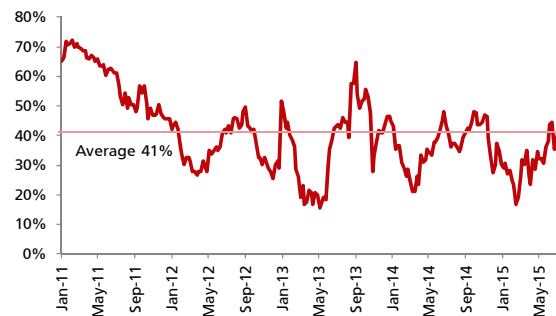
Profitability Trend



Margins Trend



Disc to RNAV trend



Source: Company, DBS Vickers

Balance Sheet:

Improving balance sheet strength

ASRI has been gearing up since 2012, when it decided to raise USD bonds at expensive coupon rate for aggressive acquisitions (i.e. Pasar Kemis township and cultural park Garuda Wisnu Kencana in Bali). Net gearing reached 87% in 2014. ASRI has recently completed the buyback of US\$150m high-yield bonds, and considering its current expansion plan, net gearing could stay at c.40% in the next three years.

Share Price Drivers:

Marketing sales achievement and pipeline

Marketing sales achievement is a good indicator for all Indonesia property developers (including ASRI) as it gives leading indication for the revenue generation for the next 2-3 years (depending on the revenue recognition)

USD/IDR exchange rate

ASRI is exposed to IDR weakness because it has USD bonds. Despite recent efforts to trim its expensive debt and existing hedging instruments, ASRI still has US\$460m worth of bonds on its balance sheet; it has hedged the principal through call spreads. Hedging cost could rise to beyond reasonable levels if the USD/IDR exchange rate breaches the call spread.

Key Risks:

Additional tax (and revision of existing tax regulations) on property could suppress demand.

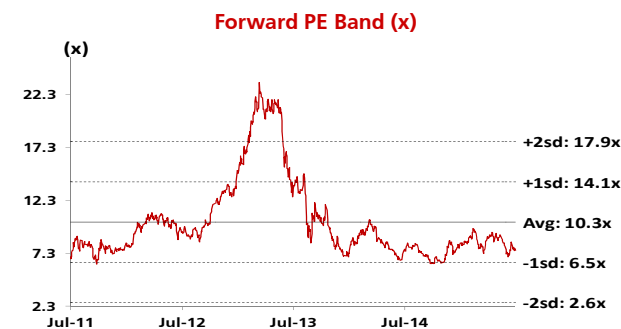
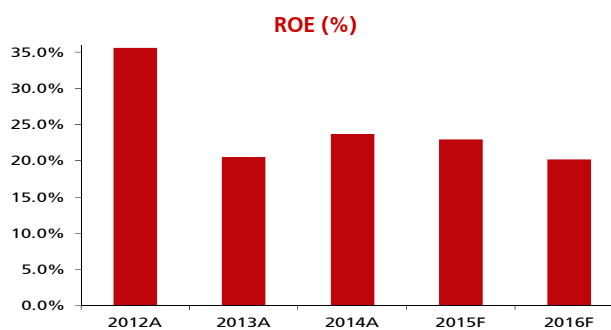
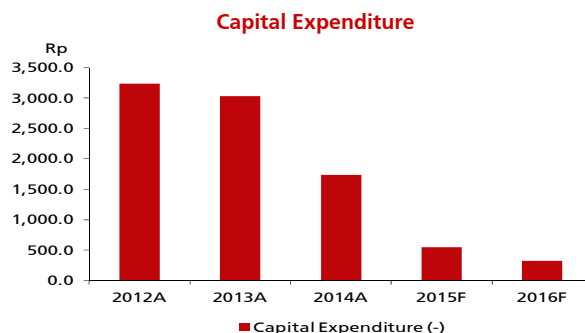
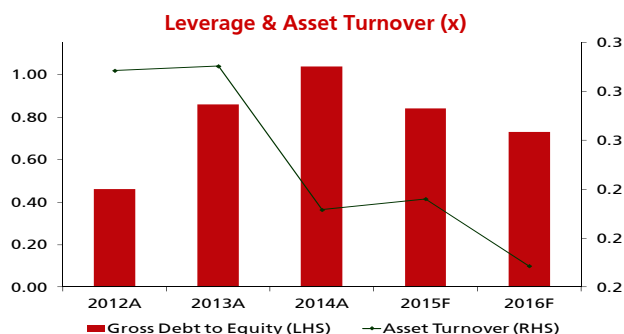
Stricter regulations for high-rise developments. Plot ratio approval and balanced ratio rules, when strictly implemented, could potentially slow property demand. Liquidity tightening could slow demand further.

Potential interest rate hike. Property demand is sensitive to and is negatively correlated to interest rate movements.

Exposure to USD debt. A weaker IDR would raise hedging cost for ASRI's USD global bonds which will mature in 3-5 years.

COMPANY BACKGROUND

Upscale township developer in Serpong and Pasar Kemis (west Jakarta suburb). ASRI is diversifying its revenue base with more commercial properties such as retail malls and office towers.



Source: Company, DBS Vickers

ASRI: RNAV summary

Portfolio	Value (Rpbn)	% of total	Landbank (ha)
Investment Property	1,094	5%	
Mall @ Alam Sutera	584	3%	
Office for lease (CBD)	510	2%	
Garuda Wisnu Kencana (Bali)	0	0%	
Development properties & Landbank	21,142	95%	
Serpong + North Serpong	10,263	46%	624
Pasar Kemis	9,796	44%	1,621
Strata office (CBD)	504	2%	
Kota Ayodhya	409	2%	2
Cianjur	96	0%	79
Tanjung Pinang (Riau)	28	0%	75
Puncak (South Jakarta suburb)	45	0%	9
Net Debt	3,601	19%	
RNAV	18,634	100%	
Fully Diluted Share base (bn)	19.649		
Fully Diluted RNAV per share	948		

Source: DBS Vickers

Key Assumptions

FY Dec	2012A	2013A	2014A	2015F	2016F
Marketing sales	3,648	4,821	4,256	5,143	4,089

Segmental Breakdown

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenues (Rpbn)					
Land plots	1,248	1,579	1,616	2,122	2,076
Houses	956	1,452	1,694	1,755	1,525
Office Tower	171	422	3	51	282
Commercial	17	55	52	55	58
Others	55	176	266	392	406
Total	2,446	3,684	3,631	4,375	4,346
Gross Profit(Rpbn)					
Land plots	864	740	1,259	1,485	1,453
Houses	466	816	968	965	839
Office Tower	111	222	1	28	155
Commercial	13	40	40	41	43
Others	13	19	137	65	67
Total	1,467	1,837	2,406	2,585	2,557
Gross Profit Margins					
Land plots	69.2	46.8	77.9	70.0	70.0
Houses	48.7	56.2	57.1	55.0	55.0
Office Tower	64.9	52.5	55.6	55.0	55.0
Commercial	76.8	74.0	76.5	75.0	75.0
Others	24.5	10.8	51.6	16.6	16.5
Total	60.0	49.9	66.3	59.1	58.8

Large portion of revenue will continue to come from township development

Income Statement (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenue	2,446	3,684	3,631	4,375	4,346
Cost of Goods Sold	(980)	(1,847)	(1,225)	(1,790)	(1,789)
Gross Profit	1,467	1,837	2,406	2,585	2,557
Other Opng (Exp)/Inc	(213)	(304)	(399)	(503)	(500)
Operating Profit	1,254	1,533	2,007	2,082	2,057
Other Non Opg (Exp)/Inc	174	(363)	(375)	(159)	(154)
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(84)	(88)	(147)	(161)	(71)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	1,344	1,082	1,485	1,761	1,832
Tax	(128)	(192)	(209)	(252)	(250)
Minority Interest	(23)	(13)	(80)	(110)	(114)
Preference Dividend	0	0	0	0	0
Net Profit	1,193	877	1,196	1,400	1,467
Net Profit before Except.	1,193	877	1,196	1,400	1,467
EBITDA	1,266	1,593	2,077	2,159	2,143
Growth					
Revenue Gth (%)	77.1	50.6	(1.4)	20.5	(0.7)
EBITDA Gth (%)	81.5	25.8	30.4	4.0	(0.7)
Opg Profit Gth (%)	80.8	22.3	30.9	3.7	(1.2)
Net Profit Gth (%)	98.2	(26.5)	36.4	17.0	4.8
Margins & Ratio					
Gross Margins (%)	60.0	49.9	66.3	59.1	58.8
Opg Profit Margin (%)	51.3	41.6	55.3	47.6	47.3
Net Profit Margin (%)	48.8	23.8	32.9	32.0	33.8
ROAE (%)	35.6	20.5	23.7	22.9	20.2
ROA (%)	14.1	6.9	7.6	7.6	7.0
ROCE (%)	22.0	14.9	15.0	13.1	11.9
Div Payout Ratio (%)	20.0	24.1	15.7	20.0	20.0
Net Interest Cover (x)	15.0	17.3	13.7	12.9	28.9

Interest expense will drop as ASRI had shaved-off US\$150m of high-coupon global bonds in April 2015

Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Rpbn)

FY Dec	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Revenue	871	1,074	879	807	991
Cost of Goods Sold	(456)	(412)	(251)	(107)	(225)
Gross Profit	415	662	628	700	766
Other Oper. (Exp)/Inc	(81)	(99)	(111)	(107)	(111)
Operating Profit	334	563	517	593	655
Other Non Opg (Exp)/Inc	57	(205)	(114)	80	(248)
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(43)	(27)	(45)	(31)	(41)
Exceptional Gain/(Loss)	(22)	(63)	33	(141)	(20)
Pre-tax Profit	326	267	392	500	347
Tax	(33)	(64)	(48)	(63)	(27)
Minority Interest	(4)	(61)	(6)	(8)	(40)
Net Profit	288	142	337	429	280
Net profit bef Except.	310	205	304	570	301
EBITDA	334	563	517	593	655

Growth

Revenue Gth (%)	35.6	23.3	(18.2)	(8.1)	22.7
EBITDA Gth (%)	41.8	68.4	(8.0)	14.6	10.5
Opg Profit Gth (%)	41.8	68.4	(8.0)	14.6	10.5
Net Profit Gth (%)	nm	(50.6)	136.8	27.3	(34.6)

Margins

Gross Margins (%)	47.7	61.6	71.5	86.7	77.3
Opg Margins (%)	38.4	52.4	58.9	73.4	66.1
Net Profit Margins (%)	33.1	13.3	38.3	53.1	28.3

Balance Sheet (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Net Fixed Assets	1,371	1,888	2,036	2,145	2,309
Invt in Associates & JVs	0	0	0	0	0
Invt&Devt Properties	1,371	1,888	2,036	2,145	2,309
Other LT Assets	3,048	5,551	6,843	7,098	7,011
Cash & ST Invt	2,012	1,337	1,261	3,099	2,925
Dev Props held for sale	3,388	5,845	7,367	7,730	7,807
Inventory	2,911	3,237	3,751	4,775	6,085
Debtors	9	82	130	15	15
Other Current Assets	(245)	(2,082)	(2,618)	(2,073)	(841)
Total Assets	10,946	14,428	16,924	20,144	21,521
ST Debt	231	0	0	0	0
Creditor	35	165	161	65	65
Other Current Liab	3,961	4,285	3,679	5,913	5,879
LT Debt	1,949	4,587	6,606	6,418	6,527
Other LT Liabilities	38	60	107	107	107
Shareholder's Equity	4,568	5,158	6,118	7,279	8,466
Minority Interests	164	174	253	363	477
Total Cap. & Liab.	10,946	14,428	16,924	20,144	21,521
Non-Cash Wkg. Capital	(853)	(686)	908	(320)	1,023
Net Cash/(Debt)	(168)	(3,249)	(5,346)	(3,319)	(3,601)
Debtors Turn (avg days)	1.3	4.5	10.7	6.1	1.3
Creditors Turn (avg days)	13.4	20.5	50.7	13.8	13.9
Inventory Turn (avg days)	1,001.1	627.8	1,185.2	1,017.7	1,304.2
Asset Turnover (x)	0.3	0.3	0.2	0.2	0.2
Current Ratio (x)	1.2	1.1	1.6	1.5	1.7
Quick Ratio (x)	0.5	0.3	0.4	0.5	0.5
Net Debt/Equity (X)	0.0	0.6	0.8	0.4	0.4
Net Debt/Equity ex MI (X)	0.0	0.6	0.9	0.5	0.4
Capex to Debt (%)	148.6	66.1	26.3	8.6	5.0
Z-Score (X)	NA	1.6	1.6	1.6	1.6

Net gearing will hover at current levels after the reduction in bonds

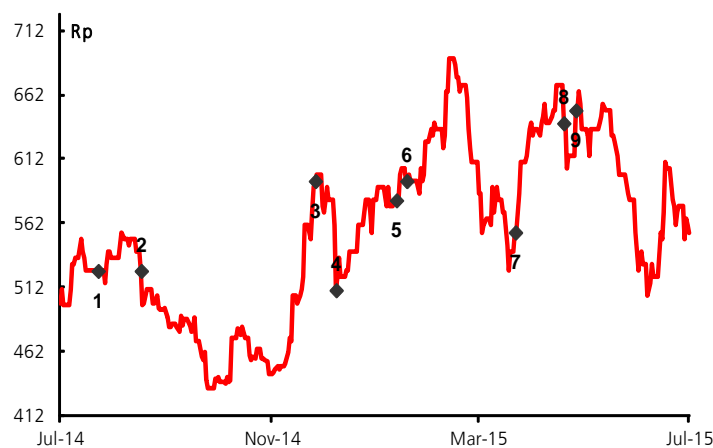
Source: Company, DBS Vickers

Cash Flow Statement (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,344	1,082	1,485	1,761	1,832
Dep. & Amort.	12	59	70	77	86
Tax Paid	(128)	(192)	(209)	(252)	(250)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	726	(166)	(1,595)	1,229	(1,343)
Other Operating CF	(23)	(13)	(80)	(110)	(114)
Net Operating CF	1,931	770	(329)	2,705	211
Capital Exp.(net)	(3,240)	(3,034)	(1,739)	(549)	(327)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	115	10	80	110	114
Div from Assoc& JV	0	0	0	0	0
Other Investing CF	(186)	(541)	128	0	0
Net Investing CF	(3,312)	(3,564)	(1,531)	(439)	(213)
Div Paid	(120)	(287)	(138)	(239)	(280)
Chg in Gross Debt	1,626	2,406	2,020	(188)	109
Capital Issues	758	0	0	0	0
Other Financing CF	0	0	0	0	0
Net Financing CF	2,264	2,119	1,882	(428)	(171)
Currency Adjustments	0	0	0	0	0
Chg in Cash	882	(675)	22	1,838	(174)
OpgCFPS (Rp)	61	48	64	75	79
Free CFPS (Rp)	(67)	(115)	(105)	110	(6)

Source: Company, DBS Vickers

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	31 Jul 14	525	540	Buy
2:	25 Aug 14	525	540	Hold
3:	04 Dec 14	595	490	Fully Valued
4:	16 Dec 14	510	490	Fully Valued
5:	20 Jan 15	580	490	Fully Valued
6:	26 Jan 15	595	490	Fully Valued
7:	30 Mar 15	555	490	Fully Valued
8:	27 Apr 15	640	560	Fully Valued
9:	04 May 15	650	560	Fully Valued

Source: DBS Vickers

Indonesia Company Guide

Bumi Serpong Damai

Edition 1 Version 1 | Bloomberg: BSDE IJ | Reuters: BSDE.JK

Refer to important disclosures at the end of this report

DBS Group Research. Equity

10 Jul 2015

HOLD

Last Traded Price: Rp1,720 (JCI : 4,838.3)

Price Target : Rp1,850 (+8% upside) (Prev Rp2,150)

Potential Catalyst: Venturing outside Greater Jakarta

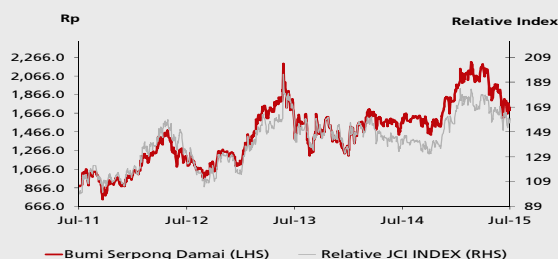
Where we differ: We are one of two neutral calls for the counter

Analyst

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Edward.Tanuwijaya@id.dbsvickers.com

Price Relative



Forecasts and Valuation

FY Dec (Rp bn)	2013A	2014A	2015F	2016F
Revenue	5,741	5,572	6,974	7,448
EBITDA	3,301	4,397	3,538	3,805
Pre-tax Profit	3,279	4,306	3,330	3,573
Net Profit	2,691	3,821	2,548	2,736
Net Pft (Pre Ex.)	2,595	3,681	2,548	2,736
Net Pft (ex. BA gains)	N/A	N/A	N/A	N/A
EPS (Rp)	154	208	132	142
EPS Pre Ex. (Rp)	148	200	132	142
EPS Gth (%)	109	35	(36)	7
EPS Gth Pre Ex (%)	102	35	(34)	7
Diluted EPS (Rp)	154	208	132	142
Net DPS (Rp)	15	15	15	26
BV Per Share (Rp)	584	837	915	1,030
PE (X)	11.2	8.3	13.0	12.1
PE Pre Ex. (X)	11.6	8.6	13.0	12.1
P/Cash Flow (X)	39.1	11.6	9.1	9.4
EV/EBITDA (X)	9.7	8.0	10.5	9.6
Net Div Yield (%)	0.9	0.9	0.9	1.5
P/Book Value (X)	2.9	2.1	1.9	1.7
Net Debt/Equity (X)	CASH	0.0	0.0	CASH
ROAE (%)	29.7	29.8	15.4	14.6

Earnings Rev (%): 12 12

Consensus EPS (Rp): 142 156

Other Broker Recs: B: 25 S: 0 H: 4

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

THE LORD OF LANDBANK

Maintain HOLD call with lower TP. We tweaked our RNAV assumption slightly to arrive at Rp3,350/sh (about 4% lower than our previous estimate) to reflect current capex expansion plan and USD bond issuance. We applied the same target discount to derive a TP of Rp1,850.

Strong YTD marketing sales. BSDE indicated that marketing sales have reached Rp3.6tr YTD, or 48% of its full year guidance. Clusters in its flagship township BSD City is still the major contributor. With a strong launch pipeline for 2H15 at BSD City and new projects such as Elements Condominium in Rasuna (Jakarta's CBD), BSDE is on-track to meet both our and their internal marketing sales targets.

Geared-up for potential acquisitions. BSDE has been gearing-up, the latest debt being the 5NC3 US\$225m global bond issuance at end April. But with gearing still comfortably low, there may be a project or stake acquisition on the cards.

Valuation:

Our target price of Rp1,850 is based on 44% discount to our RNAV. BSDE is currently trading at 49% discount to RNAV (at its 4-year average) and 13x FY15F PE (at +0.5SD of its forward PE).

Key Risks to Our View:

Slower take-up at BSDE's launches. Weaker property affordability and the lingering uncertainties over property taxes could cause marketing sales to miss our expectation.

At A Glance

Issued Capital (m shrs)	19,247
Mkt. Cap (Rpbn/US\$m)	33,778 / 2,533
Major Shareholders	
Paraga Artamida (%)	25.3
Ekacentra Usahamaju (%)	25.2
Warner Invest. Bhd (%)	10.2
Free Float (%)	26.1
3m Avg. Daily Val (US\$m)	3.7

ICB Industry : Real Estate / Real Estate Investment & Services

Bumi Serpong Damai

Balance Sheet:

Geared-up for acquisition – not in net cash position anymore
 BSDE had been in net cash position from 2008 to 2013 as strong cash generation outpaced annual capex requirements. The aggressive fund raising (to buy projects or stakes) has pushed its balance sheet to a small net debt position (3% net gearing).

Exposure to USD debt

BSDE’s balance sheet is exposed to USD/IDR volatility after the issuance of 5-year US\$225m bonds (at 6.75% annual coupon rate), which represents 50% of its interest-bearing debt.

Capex to normalise in FY16F

We expect BSDE to make some acquisitions this year, which means a spike in capex . However, we expect capex to normalise from FY16F onwards.

Share Price Drivers:

Marketing sales achievement and pipeline

Marketing sales achievement is a good indicator for all Indonesia property developers (including BSDE) as it gives leading indication for the revenue generation for the next 2-3 years (depending on the revenue recognition)

Key Risks:

Additional tax (and revision of existing tax regulations) on property could surpress demand.

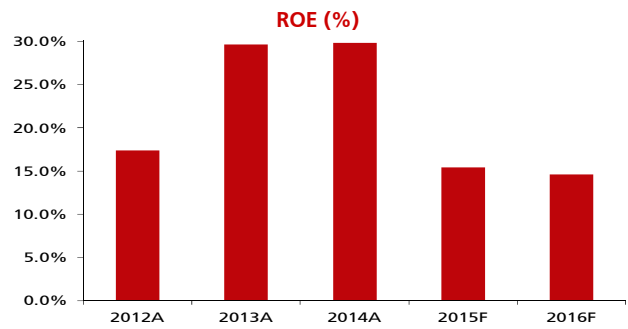
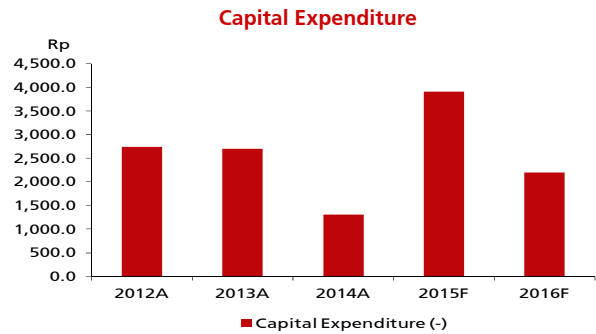
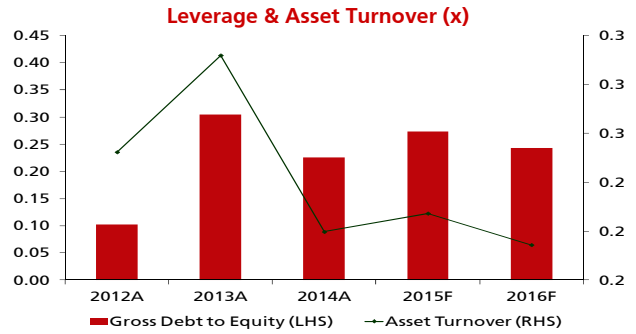
Stricter regulations for high-rise developments. Plot ratio approval and balanced ratio rules, when strictly implemented, could potentially slow property demand. Liquidity tightening could slow demand further.

Potential interest rate hike. Property demand is sensitive to and is negatively correlated to interest rate movements.

Exposure to USD debt is a risk amid the weak IDR environment.

COMPANY BACKGROUND

BSDE is Indonesia’s largest landed residential property developer. Its core project is developing an integrated satellite city 15km west of Jakarta. BSDE enlarged its investment property portfolio after consolidating DUTI, SMT, & SMW.



Source: Company, DBS Vickers

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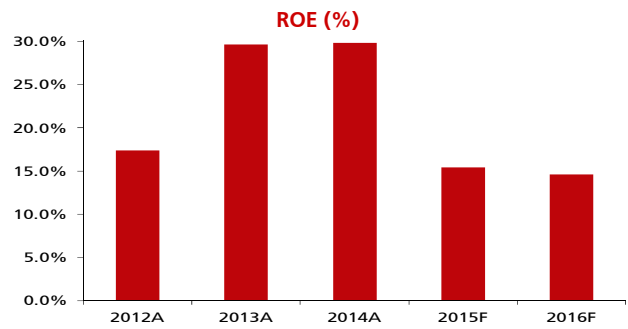
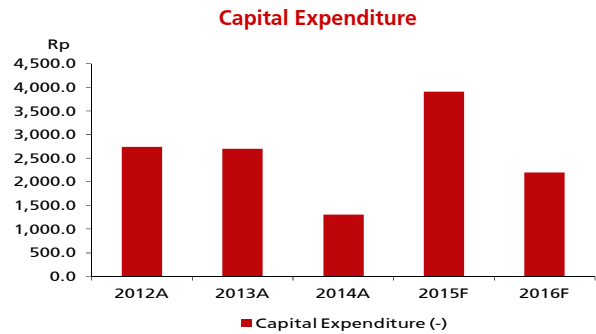
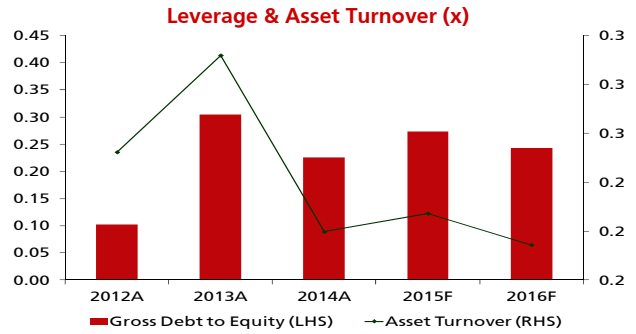
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Source: Company, DBS Vickers

BSDE: RNAV summary

BSDE portfolio	Stake owned	Landbank area (ha)	RNAV
Investment properties			
Wisma BII Jakarta, Surabaya, Medan	60%		646
Plaza BII Tower II & III Jakarta	63%		1,531
Le Grandeur Mangga Dua	85%		549
Le Grandeur Balikpapan	85%		179
DP Semarang Mall	100%		268
Rasuna Epicentrum Walk	100%		297
Stakes in Plaza Indonesia	34%		5,133
Commercial (ITCs)	89%		2,186
Investment & Commercial Properties Total Surplus/(Deficit) (Rpbn) - 1			10,789
Planned development			
BSD City	100%	1,750	30,213
Grand Wisata, Bekasi	46%	580	500
Legenda Wisata, Cibubur	85%	15	14
Kota Bunga, Cipanas	85%	16	5
Banjar Wijaya, Tangerang	89%	40	259
Taman Permana Buana, West Jakarta	68%	10	83
Kota Wisata	85%	147	552
Grand City, Balikpapan	100%	217	983
High-rise developments			
Kuningan Apartment	100%	3	2,409
Raw landbank			
BSD City - Phase 3	100%	1,674	16,884
Benowo, Surabaya	68%	287	604
Duri Pulo, Central Jakarta	85%	15	668
Lenteng Agung, South Jakarta	85%	5	24
MT Haryono, South Jakarta	36%	1	29
Landbank surplus value (Rpbn) - 2			53,228
FY16F Net cash (debt) - in Rpbn - 3			610
RNAV (1+2+3) (Rpbn)			64,627
Fully diluted share base (bn)			19.290
RNAV per share (Rp)			3,350

Source: DBS Vickers

Bumi Serpong Damai

Key Assumptions

FY Dec	2012A	2013A	2014A	2015F	2016F
Marketing sales	4,280	7,101	6,377	6,995	8,087

Segmental Breakdown

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenues (Rp bn)					
Land, house, Land and strata title	2,996	4,903	4,265	6,358	6,795
Rental	12	1	356	0	0
Hotel	365	461	581	217	233
Service charge	129	121	102	119	125
Others	77	92	102	108	113
	147	163	165	173	182
Total	3,728	5,741	5,572	6,974	7,448
Gross Profit (Rp bn)					
Land, house, Land and strata title	1,729	3,413	3,145	4,450	4,756
Rental	6	1	146	0	0
Hotel	331	419	510	190	205
Service charge	90	78	64	66	69
Others	77	92	102	108	113
	147	163	165	173	182
Total	2,381	4,166	4,132	4,987	5,325
Gross Profit Margins					
Land, house, Land and strata title	57.7	69.6	73.7	70.0	70.0
Rental	53.9	81.7	40.9	N/A	N/A
Hotel	90.6	90.9	87.7	87.7	87.7
Service charge	69.6	64.5	62.1	55.0	55.0
Others	100.0	100.0	100.0	100.0	100.0
	100.0	100.0	100.0	100.0	100.0
Total	63.9	72.6	74.1	71.5	71.5

Land, houses, shophouses remains the revenue driver with more than 90% contribution

Generating high margins consistently

Income Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenue	3,728	5,741	5,572	6,974	7,448
Cost of Goods Sold	(1,347)	(1,575)	(1,440)	(1,988)	(2,123)
Gross Profit	2,381	4,166	4,132	4,987	5,325
Other Opng (Exp)/Inc	(949)	(1,256)	(1,500)	(1,848)	(1,974)
Operating Profit	1,432	2,910	2,632	3,139	3,351
Other Non Opg (Exp)/Inc	106	219	(33)	174	186
Associates & JV Inc	43	47	1,667	46	46
Net Interest (Exp)/Inc	116	7	(99)	(30)	(10)
Exceptional Gain/(Loss)	0	96	140	0	0
Pre-tax Profit	1,697	3,279	4,306	3,330	3,573
Tax	(218)	(373)	(310)	(384)	(410)
Minority Interest	(193)	(214)	(176)	(398)	(427)
Preference Dividend	0	0	0	0	0
Net Profit	1,286	2,691	3,821	2,548	2,736
Net Profit before Except.	1,286	2,595	3,681	2,548	2,736
EBITDA	1,679	3,301	4,397	3,538	3,805
Growth					
Revenue Gth (%)	32.8	54.0	(3.0)	25.2	6.8
EBITDA Gth (%)	47.9	96.6	33.2	(19.5)	7.6
Opg Profit Gth (%)	49.0	103.3	(9.6)	19.3	6.8
Net Profit Gth (%)	53.0	109.3	42.0	(33.3)	7.4
Margins & Ratio					
Gross Margins (%)	63.9	72.6	74.1	71.5	71.5
Opg Profit Margin (%)	38.4	50.7	47.2	45.0	45.0
Net Profit Margin (%)	34.5	46.9	68.6	36.5	36.7
ROAE (%)	17.4	29.7	29.8	15.4	14.6
ROA (%)	8.7	13.7	15.1	8.3	7.9
ROCE (%)	11.7	17.2	11.9	11.0	10.3
Div Payout Ratio (%)	20.8	20.4	10.2	7.6	20.0
Net Interest Cover (x)	NM	NM	26.5	105.8	329.6

Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Rp bn)

FY Dec	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Revenue	1,262	1,161	1,483	1,666	1,624
Cost of Goods Sold	(358)	(273)	(317)	(492)	(343)
Gross Profit	904	888	1,165	1,174	1,281
Other Oper. (Exp)/Inc	(286)	(361)	(424)	(430)	(358)
Operating Profit	618	527	742	744	923
Other Non Opg (Exp)/Inc	(3)	113	10	(152)	59
Associates & JV Inc	23	1	29	1,614	4
Net Interest (Exp)/Inc	(16)	(26)	(23)	(34)	(62)
Exceptional Gain/(Loss)	0	1,558	0	(1,418)	11
Pre-tax Profit	623	2,174	758	755	936
Tax	(68)	(73)	(84)	(85)	(91)
Minority Interest	(49)	(40)	(32)	(55)	(49)
Net Profit	504	2,060	642	613	795
Net profit bef Except.	505	503	643	2,032	786
EBITDA	639	642	781	2,207	987

Growth

Revenue Gth (%)	(17.0)	(8.0)	27.7	12.3	(2.5)
EBITDA Gth (%)	10.4	0.5	21.7	182.4	(55.3)
Opg Profit Gth (%)	(2.2)	(14.7)	40.8	0.3	24.1
Net Profit Gth (%)	(6.4)	308.4	(68.8)	(4.4)	29.6

Margins

Gross Margins (%)	71.6	76.5	78.6	70.5	78.9
Opg Margins (%)	48.9	45.4	50.0	44.7	56.9
Net Profit Margins (%)	40.0	177.4	43.3	36.8	49.0

Balance Sheet (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Net Fixed Assets	1,097	2,941	3,323	4,236	4,414
Invt in Associates & JVs	669	523	4,804	4,804	4,804
Invt & Devt Properties	0	0	0	0	0
Other LT Assets	6,529	7,258	8,385	11,198	12,993
Cash & ST Invt	4,062	5,461	3,662	5,136	6,399
Dev Props held for sale	0	0	0	0	0
Inventory	3,375	3,797	5,239	5,118	4,885
Debtors	73	106	109	129	138
Other Current Assets	952	2,486	2,614	2,614	2,614
Total Assets	16,757	22,572	28,135	33,235	36,247
ST Debt	91	1,330	1,420	0	0
Creditor	178	96	158	119	126
Other Current Liab	4,550	4,574	4,854	5,717	6,069
LT Debt	990	2,763	2,752	5,790	5,790
Other LT Liabilities	416	394	478	478	478
Shareholder's Equity	7,917	10,224	15,382	17,641	19,868
Minority Interests	2,615	3,191	3,092	3,489	3,916
Total Cap. & Liab.	16,757	22,572	28,135	33,235	36,247
Non-Cash Wkg. Capital	(328)	1,720	2,950	2,024	1,442
Net Cash/(Debt)	2,981	1,368	(509)	(654)	610
Debtors Turn (avg days)	7.2	5.7	7.0	6.2	6.5
Creditors Turn (avg days)	32.5	34.4	44.1	24.1	24.1
Inventory Turn (avg days)	933.5	902.8	1,461.3	1,032.6	937.8
Asset Turnover (x)	0.3	0.3	0.2	0.2	0.2
Current Ratio (x)	1.8	2.0	1.8	2.2	2.3
Quick Ratio (x)	0.9	0.9	0.6	0.9	1.1
Net Debt/Equity (X)	CASH	CASH	0.0	0.0	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	0.0	0.0	CASH
Capex to Debt (%)	253.3	65.9	31.3	67.5	37.9
Z-Score (X)	NA	3.3	3.3	2.9	2.8

Significant increase in long term debt from USD bond issuance

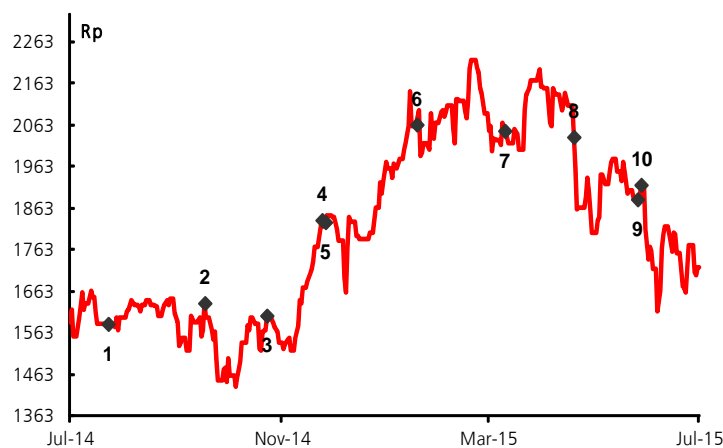
Source: Company, DBS Vickers

Cash Flow Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,697	3,279	4,306	3,330	3,573
Dep. & Amort.	98	126	132	178	222
Tax Paid	(218)	(373)	(310)	(384)	(410)
Assoc. & JV Inc/(loss)	(43)	(47)	(1,667)	(46)	(46)
Chg in Wkg.Cap.	442	(2,047)	(1,230)	926	582
Other Operating CF	(193)	(214)	(176)	(398)	(427)
Net Operating CF	1,826	770	2,722	3,652	3,540
Capital Exp.(net)	(2,738)	(2,698)	(1,304)	(3,906)	(2,194)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	(106)	146	(4,281)	0	0
Div from Assoc & JV	1,230	576	(99)	398	427
Other Investing CF	6	(23)	(252)	0	0
Net Investing CF	(1,608)	(1,999)	(5,937)	(3,508)	(1,767)
Div Paid	(175)	(262)	(276)	(289)	(510)
Chg in Gross Debt	485	3,012	79	1,618	0
Capital Issues	(1,472)	(126)	1,614	0	0
Other Financing CF	1,405	4	(2)	0	0
Net Financing CF	243	2,628	1,416	1,329	(510)
Currency Adjustments	0	0	0	0	0
Chg in Cash	461	1,399	(1,799)	1,474	1,264
Opg CFPS (Rp)	79	161	215	141	153
Free CFPS (Rp)	(52)	(110)	77	(13)	70

Source: Company, DBS Vickers

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	31 Jul 14	1585	1860	Buy
2:	25 Sep 14	1635	1900	Buy
3:	31 Oct 14	1605	1900	Buy
4:	02 Dec 14	1835	1980	Buy
5:	04 Dec 14	1830	1980	Buy
6:	26 Jan 15	2065	1980	Buy
7:	18 Mar 15	2050	1950	Buy
8:	27 Apr 15	2035	2150	Hold
9:	03 Jun 15	1885	2150	Hold
10:	05 Jun 15	1920	2150	Hold

Source: DBS Vickers

Indonesia Company Guide

Ciputra Development

Edition 1 Version 1 | Bloomberg: CTRA IJ | Reuters: CTRA.JK

Refer to important disclosures at the end of this report

DBS Group Research. Equity

10 Jul 2015

HOLD

Last Traded Price: Rp1,255 (JCI : 4,838.3)

Price Target : Rp1,240 ((-1% downside) (Prev Rp1,340)

Potential Catalyst: JO projects

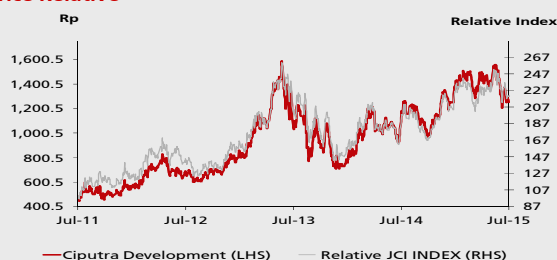
Where we differ: Earnings are lower than consensus estimates and guidance

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (Rp bn)	2013A	2014A	2015F	2016F
Revenue	5,077	6,344	7,750	9,220
EBITDA	1,698	2,403	2,789	3,253
Pre-tax Profit	1,709	2,147	2,331	2,698
Net Profit	977	1,325	1,291	1,481
Net Pft (Pre Ex.)	977	1,325	1,291	1,481
Net Pft (ex. BA gains)	N/A	N/A	N/A	N/A
EPS (Rp)	64	87	85	98
EPS Pre Ex. (Rp)	64	87	85	98
EPS Gth (%)	66	36	(3)	15
EPS Gth Pre Ex (%)	66	36	(3)	15
Diluted EPS (Rp)	64	87	85	98
Net DPS (Rp)	12	19	26	26
BV Per Share (Rp)	419	431	490	562
PE (X)	19.5	14.4	14.7	12.8
PE Pre Ex. (X)	19.5	14.4	14.7	12.8
P/Cash Flow (X)	11.0	nm	19.8	8.9
EV/EBITDA (X)	12.8	10.4	9.5	8.7
Net Div Yield (%)	1.0	1.5	2.1	2.0
P/Book Value (X)	3.0	2.9	2.6	2.2
Net Debt/Equity (X)	CASH	0.1	0.1	0.2
ROAE (%)	16.4	20.5	18.5	18.6
Earnings Rev (%)			0	(6)
Consensus EPS (Rp):			N/A	N/A
Other Broker Recs:		B: 9	S: 2	H: 8

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

THE NATIONWIDE DEVELOPER

Maintain HOLD call with a lower TP. We revised down FY15/16F marketing sales assumptions by 6% each. This reduced FY16F revenue and net profit by 3% and 6%, respectively, and also RNAV estimate by 9% to Rp1,720/sh. We applied the same target discount to RNAV to arrive at Rp1,240 TP.

Weak YTD marketing sales. CTRA booked Rp464bn pre-sales in May, down 55% m-o-m. This took 5M15 pre-sales to Rp3.2tr (+11% y-o-y), or only 30% of its full year target of Rp10.6tr. The worst performer was subsidiary Ciputra Property which 5M15 pre-sales were only Rp123bn (4.8% of company's full year target). Our current marketing sales assumption of Rp9.3tr seems more realistic, and we expect the company to revise down its guidance in 2H15.

Joint Operation (JO) projects remain a catalyst. JO projects marketing sales contribution to hit a record high of 60% this year, with 10 new projects in the pipeline. CTRA has been able to secure new projects in new cities consistently by leveraging on its established reputation and brand. As the preferred joint JO partner for land owners in new cities, CTRA has an advantage over other developers in securing sustainable projects.

Valuation:

Our target price of Rp1,240 is based on 28% discount to RNAV. CTRA is currently trading at 27% discount to RNAV (narrower than its 4-year average of 34%) and 14.7x FY15F PE (its mean forward PE) after correcting from its peak on 22 May.

Key Risks to Our View:

Slower take-up at existing and new projects. Lower affordability for property and lingering uncertainties over property taxes could reduce marketing sales more than we currently expect. Weak commodity prices will also affect new JO projects in the rural (farming) area.

At A Glance

Issued Capital (m shrs)	15,166
Mkt. Cap (Rpbn/US\$m)	19,033 / 1,430
Major Shareholders	
Sang Pelopor (%)	30.6
Credit Suisse Singapore (%)	8.1
Free Float (%)	61.3
3m Avg. Daily Val (US\$m)	1.1
ICB Industry : Real Estate / Real Estate Investment & Services	

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

Marketing sales achievement

Property developer recognise non-recurring revenue from marketing sales in the prevailing years. We expect revenue to expand at 16% CAGR over 2014-17F given that marketing sales had grown by 43% CAGR over 2011-14 and is expected to register 7% CAGR over the next three years.

CTRA has a presence in 34 cities with 75 projects in its portfolio to tap demand in different regions. In addition, the wide range of products cater to several customer segments. With over 30 years track record, CTRA is the preferred JO partner for land owners in new cities. Therefore, it has an advantage over other developers in securing sustainable projects.

Stable recurring revenue from investment properties

CTRA generated 15% of consolidated revenues from its investment properties such as retail malls, hotel and office leases. The retail malls and hotels are considered mature, which means there is limited growth in contribution from these assets.

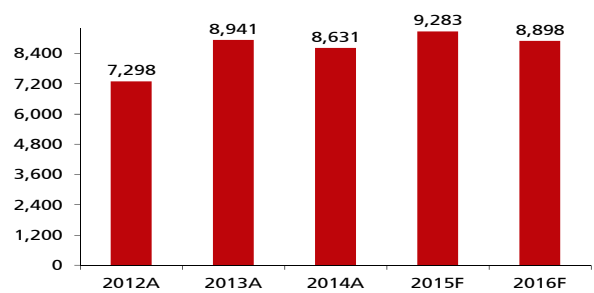
Better product mix leads to better margins

CTRA's revenues are still heavily reliant on its townships, and this segment has booked high gross profit margins (c.60%) in the past two years. Given more high-rise projects in its portfolio, we will monitor revenue mix to track CTRA's profitability going forward.

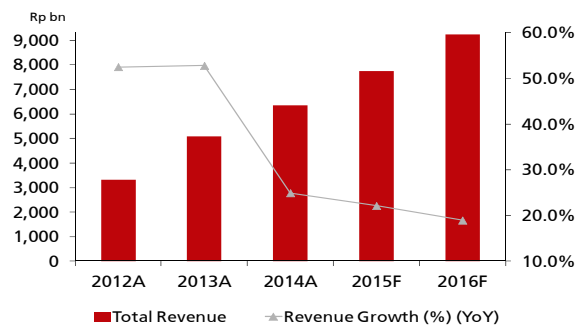
Good control of operating costs

CTRA has been able to keep SG&A expenses (as % of revenue) under control. This is a critical action for CTRA to maintain operating margins going forward.

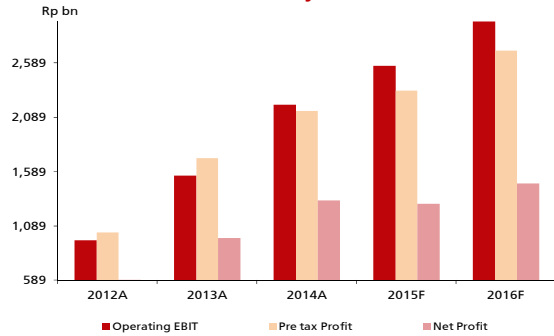
Marketing Sales Trend



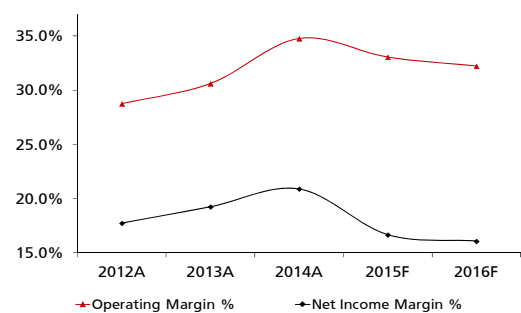
Sales Trend



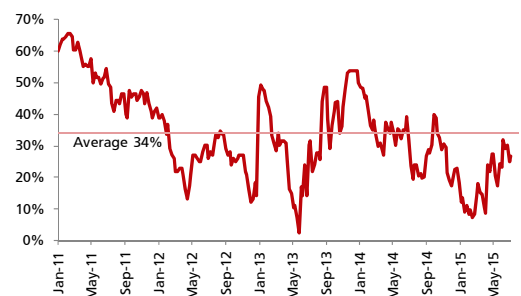
Profitability Trend



Margins Trend



Disc to RNAV trend



Source: Company, DBS Vickers

Balance Sheet:

Geared up for more high-rise projects – not in net cash position anymore

CTRA had been in net cash position from 2008 to 2013 as strong cash generation outpaced annual capex requirements. But, the accelerated progress of its superblock developments required more capex, and therefore, net gearing shot up to 15% at end 2014.

Share Price Drivers:

Marketing sales achievement and pipeline

Marketing sales achievement is a good indicator for all Indonesia property developers (including CTRA) as it gives leading indication for the revenue generation for the next 2-3 years (depending on the revenue recognition).

Key Risks:

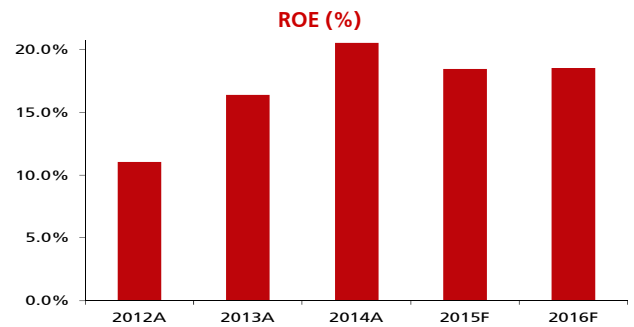
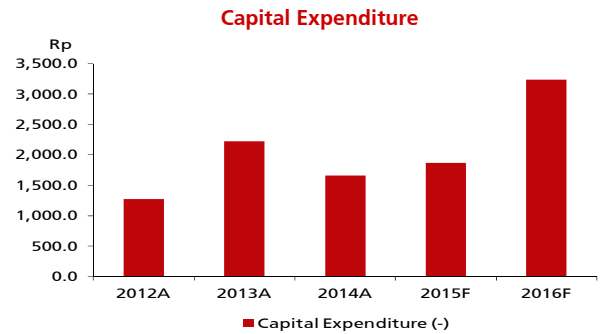
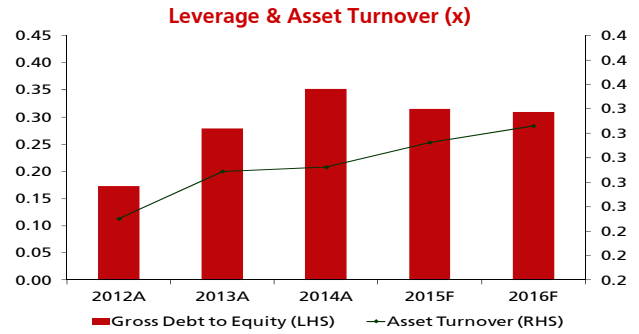
Additional tax (and revision of existing tax regulations) on property could suppress demand.

Stricter regulations for high-rise developments. Plot ratio approval and balanced ratio rules, when strictly implemented, could potentially slow property demand. Liquidity tightening could slow demand further.

Potential interest rate hike. Property demand is sensitive to and is negatively correlated to interest rate movements.

COMPANY BACKGROUND

Large scale residential and commercial developer in 20 major cities throughout Indonesia, with most diversified product and consumer range. Established since 1981 and has listed subsidiaries in Ciputra Surya (CTRS) and Ciputra Property (CTRP).



Source: Company, DBS Vickers

Ciputra Development

CTRA: RNAV summary

Portfolio	City	Category	Value (Rpbn)	Stakes	Full Value (Rpbn)	% of total	Landbank (ha)
Ciputra Property (CTRP IJ)							
Ciputra Sentra Jakarta Mall	Jakarta	Retail mall	685	73%	942	7.6%	
Ciputra Jakarta Hotel	Jakarta	Hotel	212	73%	292	2.4%	
Ciputra Semarang Mall	Jakarta	Retail mall	522	99%	526	5.8%	
Ciputra Semarang Hotel	Jakarta	Hotel	116	99%	117	1.3%	
Ciputra World Jakarta 1	Jakarta	Mixed-use					
Lotte Shopping Avenue		Retail mall	2,008	94%	2,126	22.3%	
My Home Apartment & Ascott Service		Apartment	391	94%	414	4.3%	
Raffles Hotel & Raffles Residence		Hotel &	613	94%	649	6.8%	
DBS Tower		Office	511	94%	541	5.7%	
Office building		Office	491	94%	520	5.4%	
Ciputra World Jakarta 2	Jakarta	Mixed-use					
The Residence & Frasers Serviced Apartment		Apartment	290	100%	291	3.2%	
Orchard Satrio		Apartment	0	100%	0	0.0%	
W Hotel & The Suites Condo		Hotel &	823	100%	824	9.1%	
Office building		Office	489	100%	490	5.4%	
Vacant lot			399	100%	400	4.4%	1.6
Ciputra World Jakarta 3	Jakarta	Mixed-use					
Vacant lot			324	100%	325	3.6%	1.3
Somerset Grand Citra Jakarta	Jakarta	Serviced	77	34%	229	0.9%	
Ciputra International	Jakarta	Mixed-use					
Phase 1 development			300	55%	546	3.3%	
Vacant lot			242	55%	440	2.7%	5
Ciputra Beach Resort	Bali	Resort	528	60%	880	5.9%	80
Net Debt			900				
RNAV			8,123				
Fully Diluted Share base (m)			6,150				
Fully Diluted RNAV per share			1,321				
Ciputra Surya (CTRS IJ)							
Development properties & Landbank							
Ciputra World Surabaya	Surabaya	Mixed-use	409	53%	772	3.9%	
Citraland Surabaya	Surabaya	Landed	6,565	100%	6,565	62.7%	239.4
Citraland North Surabaya	Surabaya	Landed	1,659	100%	1,659	15.8%	199.0
CitraHarmoni Sidoarjo	Sidoarjo	Landed	315	99%	319	3.0%	31.3
Citra Garden Lampung	Lampung	Landed	0	100%	0	0.0%	1.9
CitraGarden Sidoarjo	Sidoarjo	Landed	0	60%	0	0.0%	3.3
Taman Dayu Pandaan - JO	Pandaan	Landed	475	JO	475	4.5%	
CitraLand Bagya City - JO	Medan	Landed	159	JO	159	1.5%	
CitraGrand Semarang - JO	Semarang	Landed	130	JO	130	1.2%	
Citraland Greenlake Surabaya - JO	Surabaya	Landed	211	JO	211	2.0%	
Other JO projects		Landed	248	JO	248	2.4%	
Others (Golf, Club & Hotel and Waterpark)	Surabaya	Miscellaneous	298	99%	301	2.8%	
Net Debt			-1,200				
RNAV			11,670				
Fully Diluted Share base (m)			1,979				
Fully Diluted RNAV per share			5,897				
Ciputra Development (CTRA IJ)							
Development properties & Landbank							
CitraRaya Tangerang	Jakarta	Landed	4,292	100%	4,296	14.9%	696.2
CitraIndah Jonggol	Jakarta	Landed	1,013	100%	1,013	3.5%	251.5
CitraGarden City Jakarta	Jakarta	Landed	7,394	100%	7,402	25.6%	111.7
CitraLand Pekanbaru	Pekanbaru	Landed	139	100%	140	0.5%	20
CitraGrand City Palembang - JO	Palembang	Landed	323	JO	323	1.1%	
CitraLand City Samarinda - JO	Samarinda	Landed	298	JO	298	1.0%	
CitraGarden + Land Banjarmasin - JO	Banjarmasi	Landed	105	JO	105	0.4%	
CitraLand Celebes Makassar - JO	Makassar	Landed	0	JO	0	0.0%	
CitraGreen Dago Bandung - JO	Bandung	Landed	43	JO	43	0.2%	
Other JO projects		Landed	3243	JO	3,243	11.2%	
Ciputra Property (CTRP IJ)			4,715	58%	8,123	16.3%	
Ciputra Surya (CTRS IJ)			7,312	63%	11,67	25.3%	
Net Debt			2,861				
RNAV			26,017				
Fully Diluted Share base (bn)			15,166				
Fully Diluted RNAV per share			1,720				

Source: DBS Vickers

Key Assumptions

FY Dec	2012A	2013A	2014A	2015F	2016F
Marketing sales	7,298	8,941	8,631	9,283	8,898

Segmental Breakdown

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenues (Rp bn)					
Land lots	267	275	164	1,175	1,129
Office and Condo sales	498	932	1,181	1,116	1,397
Residential+shophouse	1,921	3,033	3,875	4,189	5,184
Recurring	636	837	1,124	1,269	1,510

Township development remains largest revenue contributor

Total	3,323	5,077	6,344	7,750	9,220
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Gross Profit (Rp bn)

Land lots	206	65	122	823	790
Office and Condo sales	290	429	572	447	559
Residential+shophouse	836	1,584	1,974	2,094	2,592
Recurring	335	468	666	629	733

Total	1,667	2,546	3,334	3,993	4,674
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Gross Profit Margins

Land lots	77.3	23.5	73.9	70.0	70.0
Office and Condo sales	58.2	46.1	48.4	40.0	40.0
Residential+shophouse	43.5	52.2	51.0	50.0	50.0
Recurring	52.6	55.9	59.2	49.6	48.5

Total	50.2	50.2	52.5	51.5	50.7
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Income Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenue	3,323	5,077	6,344	7,750	9,220
Cost of Goods Sold	(1,656)	(2,531)	(3,011)	(3,757)	(4,546)
Gross Profit	1,667	2,546	3,334	3,993	4,674
Other Opng (Exp)/Inc	(712)	(994)	(1,130)	(1,434)	(1,706)
Operating Profit	955	1,553	2,204	2,559	2,969
Other Non Opg (Exp)/Inc	26	99	44	2	7
Associates & JV Inc	2	5	4	5	6
Net Interest (Exp)/Inc	47	53	(104)	(235)	(284)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	1,029	1,709	2,147	2,331	2,698
Tax	(180)	(296)	(353)	(387)	(461)
Minority Interest	(260)	(437)	(469)	(653)	(755)
Preference Dividend	0	0	0	0	0
Net Profit	589	977	1,325	1,291	1,481
Net Profit before Except.	589	977	1,325	1,291	1,481
EBITDA	1,050	1,698	2,403	2,789	3,253

Steady margins with a stable revenue mix as projects are spread across Indonesia

Growth

Revenue Gth (%)	52.5	52.8	25.0	22.2	19.0
EBITDA Gth (%)	83.8	61.7	41.5	16.1	16.6
Opg Profit Gth (%)	91.1	62.7	41.9	16.1	16.0
Net Profit Gth (%)	81.4	65.8	35.7	(2.6)	14.8

Margins & Ratio

Gross Margins (%)	50.2	50.2	52.5	51.5	50.7
Opg Profit Margin (%)	28.7	30.6	34.7	33.0	32.2
Net Profit Margin (%)	17.7	19.2	20.9	16.7	16.1
ROAE (%)	11.0	16.4	20.5	18.5	18.6
ROA (%)	4.4	5.6	6.1	5.2	5.2
ROCE (%)	8.5	11.3	13.0	13.0	13.3
Div Payout Ratio (%)	32.6	30.9	29.2	30.0	30.0
Net Interest Cover (x)	NM	NM	21.2	10.9	10.5

Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Rp bn)

FY Dec	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Revenue	1,202	1,606	1,419	2,117	1,424
Cost of Goods Sold	(565)	(779)	(691)	(976)	(678)
Gross Profit	637	827	728	1,141	747
Other Oper. (Exp)/Inc	(257)	(253)	(239)	(380)	(288)
Operating Profit	380	573	490	762	459
Other Non Opg (Exp)/Inc	10	2	9	22	9
Associates & JV Inc	1	1	1	1	1
Net Interest (Exp)/Inc	(6)	(17)	(32)	(49)	(55)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	385	560	467	736	414
Tax	(64)	(83)	(78)	(128)	(77)
Minority Interest	(93)	(104)	(107)	(165)	(109)
Net Profit	228	373	282	443	228
Net profit bef Except.	228	373	282	443	228
EBITDA	380	573	490	762	459

Growth

Revenue Gth (%)	(1.0)	33.5	(11.6)	49.2	(32.7)
EBITDA Gth (%)	(10.6)	50.8	(14.6)	55.5	(39.8)
Opg Profit Gth (%)	(10.6)	50.8	(14.6)	55.5	(39.8)
Net Profit Gth (%)	(16.8)	63.7	(24.5)	57.1	(48.5)

Margins

Gross Margins (%)	53.0	51.5	51.3	53.9	52.4
Opg Margins (%)	31.6	35.7	34.5	36.0	32.2
Net Profit Margins (%)	19.0	23.2	19.9	20.9	16.0

Balance Sheet (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Net Fixed Assets	4,420	5,331	6,555	6,960	8,463
Invt in Associates & JVs	0	0	0	0	0
Invt & Devt Properties	4,420	5,331	6,555	6,960	8,463
Other LT Assets	(1,235)	(243)	(1,274)	(281)	(154)
Cash & ST Invt	3,107	3,475	2,889	2,137	1,721
Dev Props held for sale	2,237	3,402	3,639	4,872	6,321
Inventory	3,310	4,892	6,429	7,665	7,735
Debtors	499	541	765	794	945
Other Current Assets	2,472	2,831	4,919	5,633	5,428
Total Assets	15,023	20,115	23,283	26,280	30,242
ST Debt	135	629	804	804	804
Creditor	10	663	773	500	605
Other Current Liab	4,906	6,765	6,848	8,510	10,017
LT Debt	1,337	2,099	3,217	3,279	3,779
Other LT Liabilities	155	193	221	221	221
Shareholder's Equity	5,590	6,377	7,414	8,308	9,402
Minority Interests	2,891	3,388	4,007	4,660	5,415
Total Cap. & Liab.	15,023	20,115	23,283	26,280	30,242
Non-Cash Wkg. Capital	(606)	(1,207)	937	1,495	1,127
Net Cash/(Debt)	1,636	747	(1,132)	(1,945)	(2,861)
Debtors Turn (avg days)	42.6	37.4	37.6	36.7	34.4
Creditors Turn (avg days)	4.0	51.5	93.2	51.7	51.8
Inventory Turn (avg days)	699.5	627.6	734.9	793.3	662.5
Asset Turnover (x)	0.3	0.3	0.3	0.3	0.3
Current Ratio (x)	1.5	1.2	1.4	1.3	1.2
Quick Ratio (x)	0.7	0.5	0.4	0.3	0.2
Net Debt/Equity (X)	CASH	CASH	0.1	0.1	0.2
Net Debt/Equity ex MI (X)	CASH	CASH	0.2	0.2	0.3
Capex to Debt (%)	86.3	81.4	41.3	45.7	70.7
Z-Score (X)	NA	1.9	1.9	1.9	1.9

Healthy balance sheet
with low net gearing

Source: Company, DBS Vickers

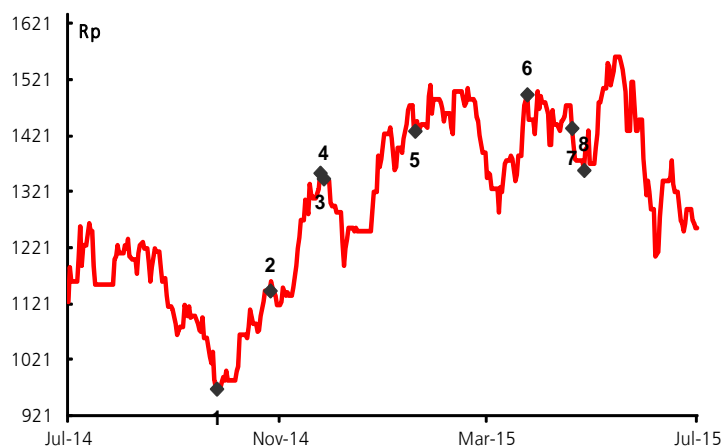
Cash Flow Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,029	1,709	2,147	2,331	2,698
Dep. & Amort.	96	146	199	230	285
Tax Paid	(180)	(296)	(353)	(387)	(461)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	987	601	(2,144)	(558)	368
Other Operating CF	(260)	(437)	(469)	(653)	(755)
Net Operating CF	1,672	1,723	(620)	964	2,134
Capital Exp.(net)	(1,270)	(2,221)	(1,661)	(1,868)	(3,238)
Other Invt.(net)	4	5	6	7	8
Invt in Assoc. & JV	350	497	619	653	755
Div from Assoc & JV	4	5	6	7	8
Other Investing CF	(532)	(699)	71	(164)	(181)
Net Investing CF	(1,443)	(2,413)	(959)	(1,365)	(2,647)
Div Paid	(106)	(182)	(285)	(397)	(387)
Chg in Gross Debt	731	1,257	1,293	61	500
Capital Issues	15	0	0	0	0
Other Financing CF	(15)	0	0	0	0
Net Financing CF	625	1,075	1,008	(336)	113
Currency Adjustments	4	5	6	7	8
Chg in Cash	857	390	(565)	(731)	(392)
Opg CFPS (Rp)	45	74	100	100	116
Free CFPS (Rp)	26	(33)	(150)	(60)	(73)

Higher capex because of high-rise projects

Source: Company, DBS Vickers

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	03 Oct 14	970	1150	Hold
2:	03 Nov 14	1145	1150	Hold
3:	02 Dec 14	1355	1125	Fully Valued
4:	04 Dec 14	1345	1125	Fully Valued
5:	26 Jan 15	1430	1125	Fully Valued
6:	01 Apr 15	1495	1125	Fully Valued
7:	27 Apr 15	1435	1340	Hold
8:	04 May 15	1360	1340	Hold

Source: DBS Vickers

Indonesia Company Guide

Lippo Karawaci

Edition 1 Version 1 | Bloomberg: LPKR JJ | Reuters: LPKR.JK

Refer to important disclosures at the end of this report

DBS Group Research. Equity

10 Jul 2015

HOLD

Last Traded Price: Rp1,180 (JCI : 4,838.3)

Price Target: Rp1,300 (+10% upside) (Prev Rp1,360)

Potential Catalyst: Faster monetisation of high-rise projects

Where we differ: Generally more bearish than company guidance and consensus estimates

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (Rp bn)	2013A	2014A	2015F	2016F
Revenue	6,666	11,655	10,011	11,730
EBITDA	1,837	3,686	2,811	3,167
Pre-tax Profit	1,925	3,695	2,638	2,765
Net Profit	1,228	2,547	1,557	1,570
Net Pft (Pre Ex.)	1,228	2,547	1,557	1,570
Net Pft (ex. BA gains)	N/A	N/A	N/A	N/A
EPS (Rp)	53	110	67	68
EPS Pre Ex. (Rp)	53	110	67	68
EPS Gth (%)	16	107	(39)	1
EPS Gth Pre Ex (%)	16	107	(39)	1
Diluted EPS (Rp)	53	110	67	68
Net DPS (Rp)	12	14	14	17
BV Per Share (Rp)	379	500	553	604
PE (X)	22.2	10.7	17.5	17.3
PE Pre Ex. (X)	22.2	10.7	17.5	17.3
P/Cash Flow (X)	nm	nm	41.8	203.0
EV/EBITDA (X)	21.0	10.8	14.9	13.8
Net Div Yield (%)	1.0	1.2	1.2	1.4
P/Book Value (X)	3.1	2.4	2.1	2.0
Net Debt/Equity (X)	0.4	0.4	0.4	0.4
ROAE (%)	16.0	25.1	12.8	11.8
Earnings Rev (%):			-	-
Consensus EPS (Rp):			73	81
Other Broker Recs:		B: 7	S: 3	H: 11

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

DEVELOPER WITH HEALTHCARE TOUCH

Maintain HOLD call with slightly lower TP. After mild adjustments to our assumptions to reflect current capex plans, our RNAV estimate was reduced by 4% to Rp1,793. We applied the same target discount to derive a lower TP of Rp1,300.

Decent YTD marketing sales. Including 2Q15 launches (Monaco Bay and Holland Village in Manado, North Sulawesi), we estimated LPKR has booked close to Rp2.7tr marketing sales YTD, or 45% of full year guidance of Rp6tr. Subsidiary Lippo Cikarang (LPCK)'s projects are driving marketing sales this year.

Changing product mix towards high-rise and hospitals. LPKR still has ample landbank for future development, but is increasingly moving towards high-rise developments as it seeks a new approach in developing its flagship townships (i) Lippo Village to Millenium Village, and (ii) Orange County development in Lippo Cikarang.

Valuation:

Our target price of Rp1,300 is based on 27% discount to our RNAV. LPKR is currently trading at 34% discount to RNAV (narrower than its 4-year average of 36%) and 17.5x FY15F PE (expensive due to high valuation for the healthcare unit and at +1SD of mean forward PE).

Key Risks to Our View:

Slower take-up for launches

Weaker property affordability (as LPKR targets middle- to upper-income segment) and lingering uncertainties over property taxes could cause marketing sales to be weaker than we currently expect.

Slower-than-expected growth of investment properties

Despite having more conservative forecasts than guidance, there is still downside to our estimates as LPKR (under its asset-light strategy) is dependent on its two Singapore-listed REITs to expand its retail mall and hospital segments.

At A Glance

Issued Capital (m shrs)	23,078
Mkt. Cap (Rpbn/US\$m)	27,232 / 2,035
Major Shareholders	
Pacific Asia Holdings (%)	17.9
Free Float (%)	82.1
3m Avg. Daily Val (US\$m)	5.2
ICB Industry : Real Estate / Real Estate Investment & Services	

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

Marketing sales achievement

Property developer recognise non-recurring revenue from marketing sales in the prevailing years. We expect revenue to expand at 12% CAGR over 2014-17F (excluding one-off asset sales) given the current project pipeline and that marketing sales grew at 19% CAGR over 2011-14.

With three urban developments, two large-scale mixed-used developments and a few smaller residential and commercial projects in the pipeline, marketing sales should be sustainable going forward.

More dependent on healthcare revenue going forward

Revenue from healthcare segment has surged to contribute 40% of LPKR's consolidated revenues, following aggressive expansion (+38% CAGR) over the past three years. We expect the segment to contribute more as other segments continue to moderate.

LPKR is unique and ahead of other developers in tapping on healthcare needs in Indonesia, which is under-penetrated relative to the regional countries.

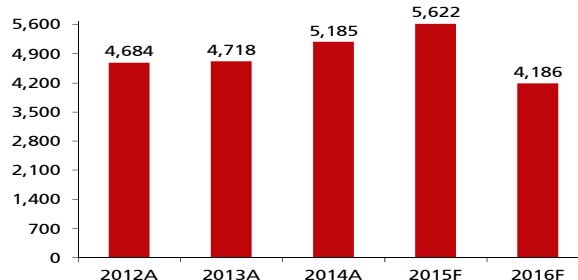
Lower profitability as a result of entry into healthcare segment

Property development (both landed and high-rise) had been generating high gross margins (over 50%) in the past three years. But revenue contribution has slipped over the years due to aggressive expansion into the healthcare segment (which book lower GP margins). We expect healthcare to contribution more to LPKR's consolidated revenue in the next few years, which means margins will continue to slide.

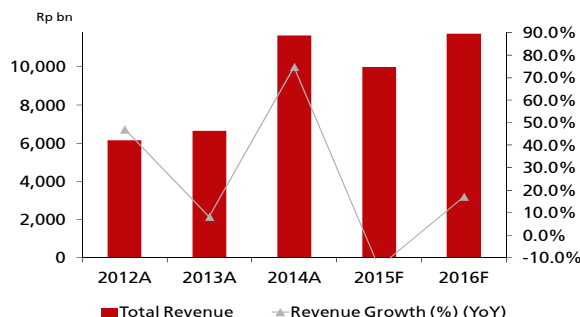
Cost control

LPKR has been able to control SG&A expenses (as % of revenue). This is a crucial action for LPKR to maintain operating margins going forward

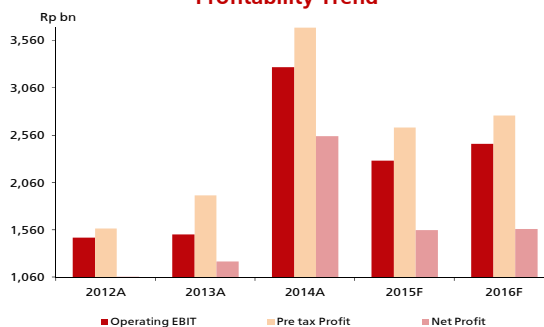
Marketing Sales Trend



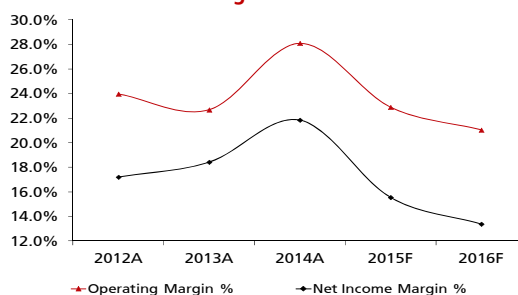
Sales Trend



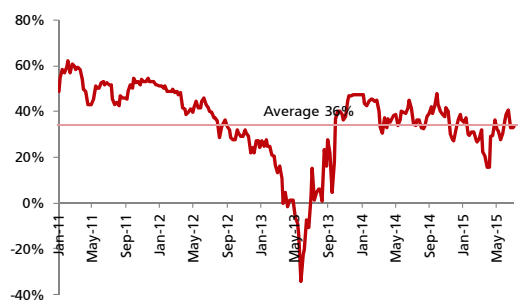
Profitability Trend



Margins Trend



Disc to RNAV trend



Source: Company, DBS Vickers. Note: FY16F marketing sales number do not include new unannounced projects

Balance Sheet:

Net gearing to remain at current level given expansion plan for investment properties.

LPKR started its transformation into a high-rise developer a few years ago, and therefore, net gearing has been rising and will hover at 40% ahead.

Asset-light strategy for investment property segment. The investment properties include retail malls and hospitals. LPKR recycles capital by divesting assets to its Singapore-listed REITS (i.e. hospitals to First REIT and retail malls to Lippo Malls Indonesia Retail Trust).

Share Price Drivers:

Marketing sales achievement and pipeline

Marketing sales achievement is a good indicator for all Indonesia property developers (including LPKR) as it gives leading indication for the revenue generation for the next 2-3 years (depending on the revenue recognition)

Execution of aggressive healthcare

The hospital segment, under subsidiary Siloam (SILO), has to catch up with its aggressive plan to open 10 new hospitals and clinics this year.

USD/IDR exchange rate

LPKR is exposed to IDR weakness due to its global USD bonds. LPKR has US\$803m bonds on its balance sheet and has hedged the principal through call spreads. Hedging cost may increase beyond reasonable levels if the USD/IDR exchange rate breaches the call spreads.

Key Risks:

Additional tax (and revision of existing tax regulations) on property could suppress demand.

Stricter regulations for high-rise developments. Plot ratio approval and balanced ratio rules, when strictly implemented, could potentially slow property demand. Liquidity tightening could slow demand further.

Potential interest rate hike. Property demand is sensitive to and is negatively correlated to interest rate movements.

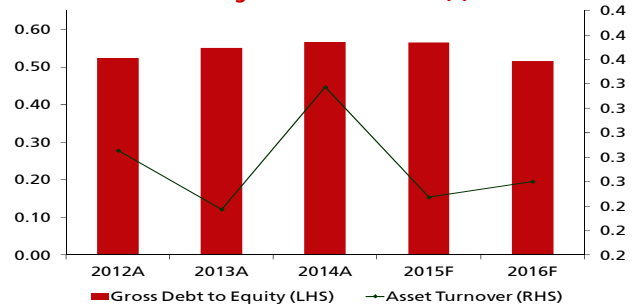
Exposure to USD debt. A weaker IDR would raise hedging cost for LPKR's USD global bonds which will mature in 4-7 years.

Capital intensive projects require large funding. High-rise and hospitals developments require large upfront capital. External financing costs have to be kept in check.

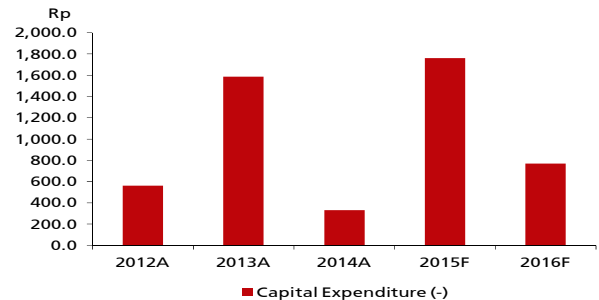
COMPANY BACKGROUND

LPKR operates five businesses, namely township, healthcare, retail mall, hospitality and portfolio management. It has listed subsidiaries in Lippo Cikarang (LPCK) and Gowa Makassar Tourism Development (GMTD), and stakes in First REIT & LMIRT (both listed in Singapore).

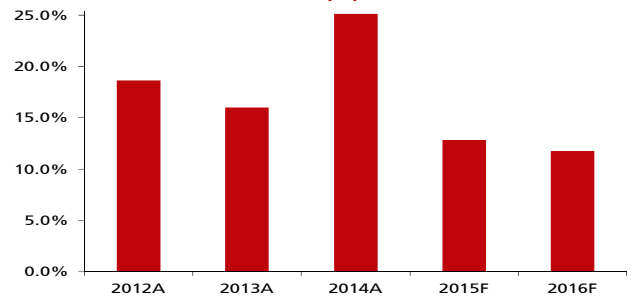
Leverage & Asset Turnover (x)



Capital Expenditure



ROE (%)



Forward PE Band (x)



PB Band (x)



Source: Company, DBS Vickers

LPKR: RNAV summary

Portfolio	City	Category	Value (Rpbn)	Stakes	Full Value (Rpbn)	% of total	Landbank (ha)
Urban Developments							
Lippo Village (incl. Millenium Village)	West Jakarta	Residential	12,044	100%	12,044	23.9%	153
Lippo Cikarang (incl. Orange County development)	East Jakarta	Industrial	7,602	54%	14,078	15.1%	509
Tanjung Bunga Makassar	Makassar	Residential	1,810	50%	3,620	3.6%	315
San Diego Hills	East Jakarta	Memorial Park	1,538	100%	1,538	3.1%	97
Subtotal			22,994				
Large Scale Integrated Development							
Kemang Village	South Jakarta	Mixed-use	1,555	90%	1,727	3.1%	6.2
St. Moritz	West Jakarta	Mixed-use	2,017	100%	2,017	4.0%	
St. Moritz	Makassar	Mixed-use	281	100%	281	0.6%	
City of Tomorrow	Surabaya	Mixed-use	255	85%	300	0.5%	
New projects (Apartment & Office)	Jakarta	Residential & Office	377	100%	377	0.7%	
Others (land, retail space inv. & other dev)			800	100%	800	1.6%	
Subtotal			5,285				
Hospitals							
Subtotal			11,478	78%	14,678	22.8%	
Retail malls							
Retail space inventory			2,814	100%	2,814	5.6%	
Subtotal			2,814				
Hotels							
Aryaduta Lippo Village			680	FREIT	680	1.3%	
Aryaduta Jakarta, Medan and Pekanbaru			1,150	100%	1,150	2.3%	
Subtotal			1,830				
REIT units			6,032	FREIT & LMIRT	6,032	12.0%	
Net Debt			9,054				
RNAV			41,379				
Fully Diluted Share base (m)			23.077				
Fully Diluted RNAV per share			1,793				

Source: DBS Vickers

Key Assumptions

FY Dec	2012A	2013A	2014A	2015F	2016F
Marketing sales	4,684	4,718	5,185	5,622	4,186

Segmental Breakdown

FY Dec	2012A	2013A	2014A	2015F	2016F
--------	-------	-------	-------	-------	-------

Revenues (Rp bn)

Land lots	732	862	792	1,248	1,302
Residential+shophouse	709	852	1,288	380	410
Memorial Park	167	134	154	214	241
Apartment	1,015	1,098	1,317	2,133	2,195
Recurring	3,538	3,720	8,104	6,036	7,582

More revenues from apartments and hospitals (recurring revenue) going forward

Total	6,160	6,666	11,655	10,011	11,730
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Gross Profit (Rp bn)

Land lots	423	424	475	749	781
Residential+shophouse	293	501	753	209	225
Memorial Park	137	112	126	175	197
Apartment	538	578	695	1,066	1,097
Recurring	1,430	1,432	3,349	2,246	2,690

Total	2,821	3,047	5,397	4,445	4,991
--------------	--------------	--------------	--------------	--------------	--------------

Gross Profit Margins

Land lots	57.9	49.1	59.9	60.0	60.0
Residential+shophouse	41.3	58.8	58.5	55.0	55.0
Memorial Park	82.2	83.4	81.7	81.7	81.7
Apartment	53.0	52.6	52.8	50.0	50.0
Recurring	40.4	38.5	41.3	37.2	35.5

Total	45.8	45.7	46.3	44.4	42.5
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Income Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
--------	-------	-------	-------	-------	-------

Revenue	6,160	6,666	11,655	10,011	11,730
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Cost of Goods Sold	(3,339)	(3,620)	(6,258)	(5,566)	(6,739)
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Gross Profit	2,821	3,047	5,397	4,445	4,991
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Other Opng (Exp)/Inc	(1,344)	(1,534)	(2,121)	(2,152)	(2,522)
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Operating Profit	1,477	1,513	3,277	2,292	2,469
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Other Non Opg (Exp)/Inc	72	431	532	458	432
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Associates & JV Inc	26	9	8	0	0
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Net Interest (Exp)/Inc	2	(27)	(122)	(112)	(136)
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Exceptional Gain/(Loss)	0	0	0	0	0
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Pre-tax Profit	1,577	1,925	3,695	2,638	2,765
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Tax	(254)	(332)	(560)	(501)	(587)
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Minority Interest	(263)	(364)	(588)	(580)	(608)
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Preference Dividend	0	0	0	0	0
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Net Profit	1,060	1,228	2,547	1,557	1,570
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Net Profit before Except.	1,060	1,228	2,547	1,557	1,570
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EBITDA	1,664	1,837	3,686	2,811	3,167
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Growth

Revenue Gth (%)	47.0	8.2	74.8	(14.1)	17.2
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EBITDA Gth (%)	67.8	10.4	100.7	(23.7)	12.6
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Opg Profit Gth (%)	59.2	2.4	116.6	(30.0)	7.7
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Net Profit Gth (%)	49.7	15.9	107.3	(38.9)	0.8
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Margins & Ratio

Gross Margins (%)	45.8	45.7	46.3	44.4	42.5
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Opg Profit Margin (%)	24.0	22.7	28.1	22.9	21.0
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Net Profit Margin (%)	17.2	18.4	21.9	15.6	13.4
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ROAE (%)	18.6	16.0	25.1	12.8	11.8
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ROA (%)	4.9	4.4	7.4	3.8	3.5
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ROCE (%)	7.6	5.9	10.6	6.1	5.9
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Div Payout Ratio (%)	25.1	25.5	26.0	13.1	25.0
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Net Interest Cover (x)	NM	56.6	26.8	20.4	18.2
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Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Rp bn)

FY Dec	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Revenue	2,011	2,097	2,012	5,534	2,447
Cost of Goods Sold	(1,039)	(1,148)	(1,067)	(3,004)	(1,247)
Gross Profit	972	950	946	2,530	1,200
Other Oper. (Exp)/Inc	(459)	(428)	(548)	(685)	(573)
Operating Profit	513	521	398	1,845	627
Other Non Opg (Exp)/Inc	40	40	219	233	64
Associates & JV Inc	1	0	2	5	2
Net Interest (Exp)/Inc	(23)	(24)	(34)	(41)	(31)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	530	538	585	2,042	661
Tax	(67)	(103)	(65)	(324)	(101)
Minority Interest	(124)	(101)	(139)	(224)	(143)
Net Profit	339	334	381	1,494	417
Net profit bef Except.	339	334	381	1,494	417
EBITDA	513	521	398	1,845	627

Growth

Revenue Gth (%)	6.7	4.3	(4.0)	175.0	(55.8)
EBITDA Gth (%)	30.4	1.6	(23.7)	363.9	(66.0)
Opg Profit Gth (%)	30.4	1.6	(23.7)	363.9	(66.0)
Net Profit Gth (%)	7.4	(1.5)	14.0	292.5	(72.1)

Margins

Gross Margins (%)	48.3	45.3	47.0	45.7	49.1
Opg Margins (%)	25.5	24.9	19.8	33.3	25.6
Net Profit Margins (%)	16.9	15.9	18.9	27.0	17.1

Balance Sheet (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Net Fixed Assets	2,524	3,117	3,519	4,972	5,308
Invt in Associates & JVs	0	0	0	0	0
Invt & Devt Properties	2,524	3,117	3,519	4,972	5,308
Other LT Assets	342	1,053	760	(145)	276
Cash & ST Invt	3,337	1,855	3,529	3,130	1,914
Dev Props held for sale	929	1,611	1,136	898	633
Inventory	10,505	13,894	16,553	20,316	24,034
Debtors	594	772	951	1,026	1,202
Other Current Assets	15,213	20,547	25,297	29,373	33,532
Total Assets	24,869	31,300	37,761	43,200	46,972
ST Debt	16	17	186	150	150
Creditor	576	398	395	748	906
Other Current Liab	5,693	7,389	8,258	10,317	11,920
LT Debt	5,998	7,791	9,811	10,848	10,818
Other LT Liabilities	1,116	1,529	1,465	1,684	1,937
Shareholder's Equity	10,656	12,801	15,605	16,829	18,010
Minority Interests	814	1,377	2,041	2,622	3,230
Total Cap. & Liab.	24,869	31,300	37,761	43,200	46,972
Non-Cash Wkg. Capital	9,873	14,372	17,780	19,205	21,339
Net Cash/(Debt)	(2,677)	(5,952)	(6,468)	(7,869)	(9,054)
Debtors Turn (avg days)	34.3	37.4	27.0	36.0	34.7
Creditors Turn (avg days)	57.5	53.9	24.7	54.1	54.8
Inventory Turn (avg days)	1,064.9	1,351.2	950.1	1,469.2	1,452.0
Asset Turnover (x)	0.3	0.2	0.3	0.2	0.3
Current Ratio (x)	3.1	3.1	3.4	3.0	2.8
Quick Ratio (x)	0.6	0.3	0.5	0.4	0.2
Net Debt/Equity (X)	0.2	0.4	0.4	0.4	0.4
Net Debt/Equity ex MI (X)	0.3	0.5	0.4	0.5	0.5
Capex to Debt (%)	9.4	20.3	3.3	16.0	7.0
Z-Score (X)	NA	2.1	2.3	2.0	2.0

Steady net gearing because of asset light strategy

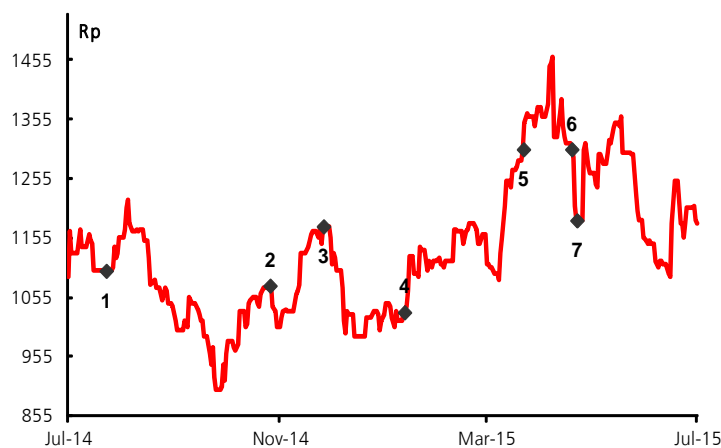
Source: Company, DBS Vickers

Cash Flow Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,577	1,925	3,695	2,638	2,765
Dep. & Amort.	187	324	409	519	698
Tax Paid	(254)	(332)	(560)	(501)	(587)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	(5,211)	(4,499)	(3,409)	(1,424)	(2,134)
Other Operating CF	(263)	(364)	(588)	(580)	(608)
Net Operating CF	(3,964)	(2,946)	(452)	652	134
Capital Exp.(net)	(564)	(1,588)	(333)	(1,761)	(769)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	239	563	665	580	608
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(6)	(220)	(652)	(539)	(769)
Net Investing CF	(331)	(1,246)	(321)	(1,720)	(930)
Div Paid	(178)	(270)	(320)	(333)	(389)
Chg in Gross Debt	2,261	1,793	2,190	1,001	(30)
Capital Issues	20	0	0	0	0
Other Financing CF	920	1,187	577	0	0
Net Financing CF	3,023	2,710	2,447	668	(419)
Currency Adjustments	0	0	0	0	0
Chg in Cash	(1,272)	(1,482)	1,674	(399)	(1,215)
Opg CFPS (Rp)	54	67	128	90	98
Free CFPS (Rp)	(196)	(196)	(34)	(48)	(28)

Source: Company, DBS Vickers

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	31 Jul 14	1100	1120	Hold
2:	03 Nov 14	1075	1120	Hold
3:	04 Dec 14	1175	1200	Hold
4:	20 Jan 15	1030	1200	Hold
5:	30 Mar 15	1305	1200	Hold
6:	27 Apr 15	1305	1360	Hold
7:	30 Apr 15	1185	1360	Hold

Source: DBS Vickers

Indonesia Company Guide

Pakuwon Jati

Edition 1 Version 1 | Bloomberg: PWON IJ | Reuters: PWON.JK

Refer to important disclosures at the end of this report

DBS Group Research. Equity

10 Jul 2015

BUY

(Upgrade from HOLD)

Last Traded Price: Rp400 (JCI : 4,838.3)

Price Target: Rp550 (+38% upside) (Prev Rp550)

Potential Catalyst: T.B. Simatupang launch

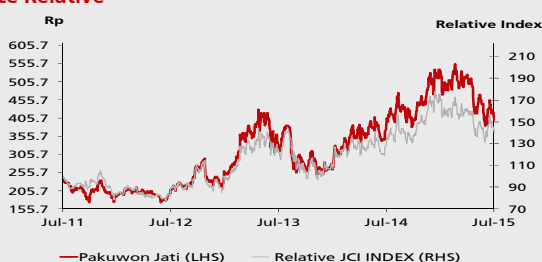
Where we differ: Higher marketing sales forecast this year than company guidance

Analyst

Edward TANUWIJAYA+6221 3003

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Price Relative



Forecasts and Valuation

FY Dec (Rpbn)	2013A	2014A	2015F	2016F
Revenue	3,030	3,872	5,183	5,841
EBITDA	1,700	2,471	3,495	3,991
Pre-tax Profit	1,331	2,859	2,348	2,961
Net Profit	1,133	2,516	1,956	2,510
Net Pft (Pre Ex.)	1,133	1,395	1,956	2,510
Net Pft (ex. BA gains)	N/A	N/A	N/A	N/A
EPS (Rp)	24	52	37	47
EPS Pre Ex. (Rp)	24	29	37	47
EPS Gth (%)	51	122	(29)	28
EPS Gth Pre Ex (%)	51	23	27	28
Diluted EPS (Rp)	24	52	37	47
Net DPS (Rp)	4	5	5	7
BV Per Share (Rp)	80	128	148	188
PE (X)	17.0	7.7	10.8	8.4
PE Pre Ex. (X)	17.0	13.8	10.8	8.4
P/Cash Flow (X)	9.8	5.4	7.0	5.3
EV/EBITDA (X)	11.6	9.4	6.9	5.7
Net Div Yield (%)	0.9	1.1	1.3	1.8
P/Book Value (X)	5.0	3.1	2.7	2.1
Net Debt/Equity (X)	0.1	0.2	0.1	CASH
ROAE (%)	33.4	50.1	27.9	28.2
Earnings Rev (%)			-	-
Consensus EPS (Rp):			42	52
Other Broker Recs:		B: 11	S: 3	H: 2

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

RESILIENT UNDER DURESS

Upgrade to BUY, top pick in the sector. We are keeping our FY15/16F marketing sales assumptions for the company. This means revenue, net profit and RNAV are intact. As a premium developer, PWON's share price has corrected by 25% since April, because of the property tax debacle. But we are convinced the large share of recurring revenue will be a buffer against a slowdown in property sales.

Strong YTD marketing sales. PWON's marketing sales are estimated at Rp2tr YTD, or 59% of full year guidance and 54% of our full year estimate. Sported by the launch pipeline for 2H15, we expect PWON to meet our FY15F marketing sales.

Strong bargaining power in retail mall space. Armed with 512k sqm of net leasable area (NLA) in retail malls and over 90% occupancy rate, PWON is the largest retail space owner and operator in both Jakarta and Surabaya. PWON benefits from limited retail space supply in good areas and strong demand from both foreign and local retailers.

Valuation:

Our target price of Rp550 is based on 12% discount to our RNAV. PWON is currently trading at 35% discount to RNAV (wider than its 4-year average of 20%) and attractive 10.8x FY15F PE (below its mean forward PE).

Key Risks to Our View:

Slower take-up at PWON's launches

Weaker property affordability (as PWON targets middle- to upper-income segment) and lingering uncertainties over property taxes could cause marketing sales to miss our expectation.

Slower economy and rising competition

This could indirectly reduce PWON's ability to raise rents and maintain the profitability of its investment property portfolio.

At A Glance

Issued Capital (m shrs)	48,160
Mkt. Cap (Rpbn/US\$m)	21,287 / 1,596
Major Shareholders	
Bank Internasional (%)	62.0
Wahana Makmur Sejati (%)	17.2
Free Float (%)	20.8
3m Avg. Daily Val (US\$m)	4.4
ICB Industry	Real Estate / Real Estate Investment & Services

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

Large portion of recurring revenue from investment properties

PWON generated 47% of its consolidated revenue from its investment properties, mostly retail malls. We expect the share to be stable for the next few years as PWON has a balanced property portfolio. The large share of recurring revenue should provide PWON with a buffer against slower marketing sales. PWON's long term target is a 50-50 mix of recurring and non-recurring revenues.

Marketing sales achievement

Property developer recognises non-recurring revenue from marketing sales in the prevailing years. We expect revenue to grow by 23% CAGR over 2014-17F given that its marketing sales grew at 41% CAGR over 2011-14.

We estimate marketing sales can still grow at 16% CAGR over the next three years, supported by its existing residential townships and high-rise developments in Indonesia's two largest cities - Jakarta and Surabaya.

Product mix

About 70% of PWON's non-recurring revenue comes from high-rise projects, and this segment has been generating stable gross profit margins (c.50%). Plus, given the large share of recurring revenue and stable sustainable margins, we expect overall gross profit margins to be stable ahead.

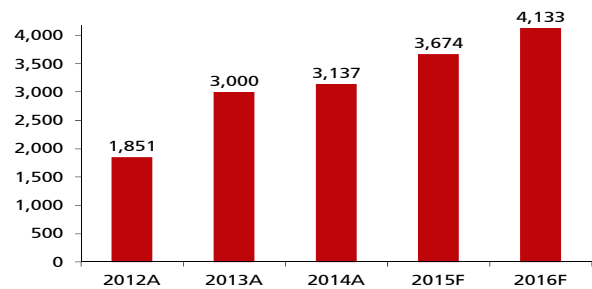
Good control of operating costs

PWON has been able to keep SG&A expenses (as % of revenue) under control. This is crucial for PWON to maintain its operating margins going forward.

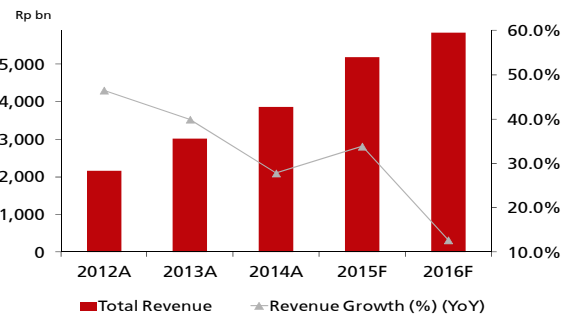
Strong bargaining power for retail mall operators

Given the currently limited supply of retail space supply in good areas, PWON (as one of the largest retail space owner and operator in Jakarta and Surabaya) should benefit from strong demand for retail space from both foreign and local brands.

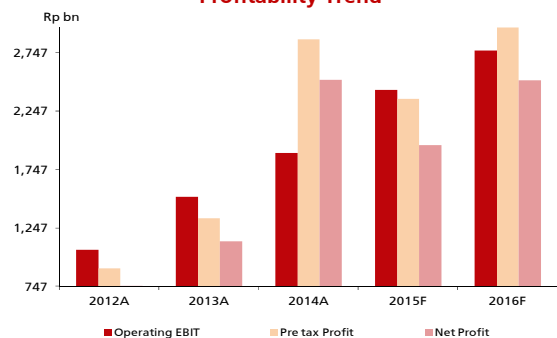
Marketing Sales Trend



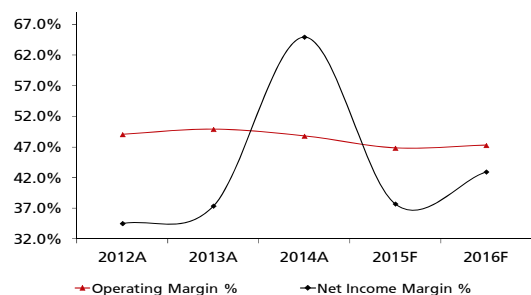
Sales Trend



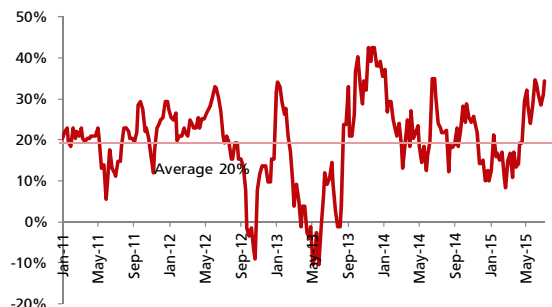
Profitability Trend



Margins Trend



Disc to RNAV trend



Source: Company, DBS Vickers

Balance Sheet:**Expect to be in net cash position by 2016**

As a superblock developer, PWON's gearing has been higher than other developers'. Net gearing has improved significantly since 2008. And, with the current strong cash generation from asset monetisation, PWON should be in net cash position by 2016.

Mandatory Convertible Notes (MCN) will be paid off before maturity

PWON will redeem the US\$58m MCN issued to UOB Kay Hian which will mature on 31st July 2016, to prevent the dilution of its stake in the Gandaria City project.

Capex to normalise this year.

We project capex will normalise from this year onwards, after major acquisitions in 2014 (bought 67% stake in Pakuwon Permai project and 4.2ha landbank in T.B. Simatupang, South Jakarta).

Share Price Drivers:**Marketing sales achievement and pipeline**

Marketing sales achievement is a good indicator for all Indonesia property developers (including PWON) as it gives leading indication for the revenue generation for the next 2-3 years (depending on the revenue recognition).

Key Risks:

Additional tax (and revision of existing tax regulations) on property could suppress demand.

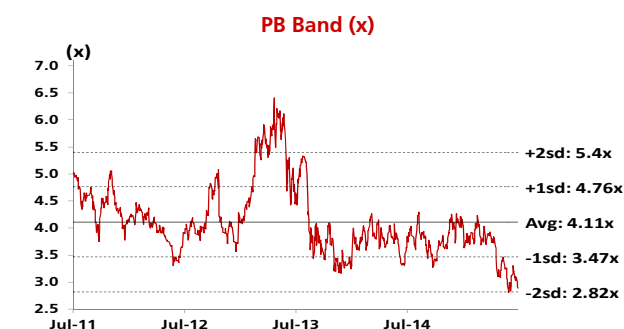
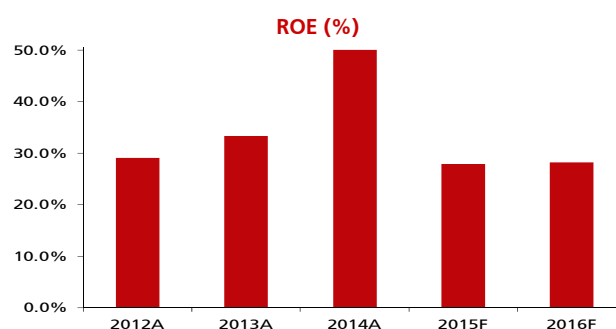
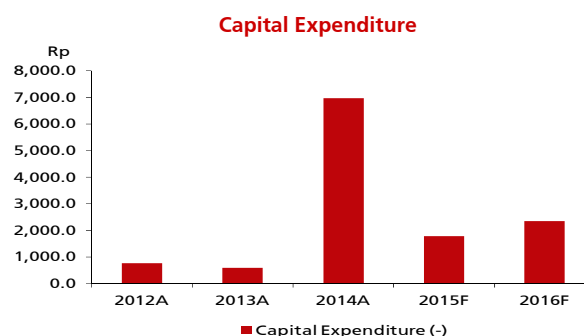
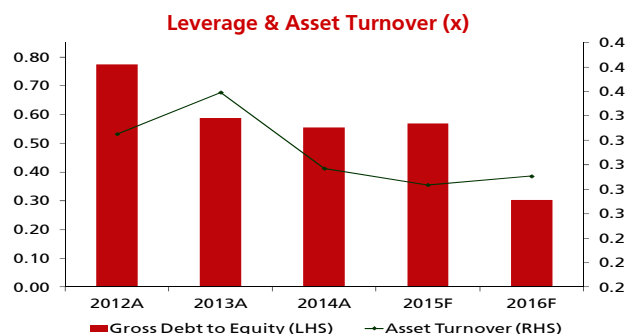
Stricter regulations for high-rise developments. Plot ratio approval and balanced ratio rules, when strictly implemented, could potentially slow property demand. Liquidity tightening could slow demand further.

Potential interest rate hike. Property demand is sensitive to and is negatively correlated to interest rate movements.

Capital intensive projects require large funding. High-rise and retail mall developments require large upfront capital. Cost of external financing has to be kept in check.

COMPANY BACKGROUND

Mixed-use property and residential township developer with assets in Jakarta and Surabaya. PWON has a balanced portfolio with a large share of recurring revenues from retail malls.



Source: Company, DBS Vickers

PWON: RNAV summary

Portfolio	City	Category	Value (Rpbn) - adjusted	Stakes	Full Value (Rpbn)	% of total
Investment Property			19,923		23,061	62%
East Coast Center	Surabaya	Retail Mall	135	100%	135	0%
Tunjungan Plaza (I-IV) mall	Surabaya	Retail Mall	4,020	100%	4,020	12%
Tunjungan Plaza V mall	Surabaya	Retail Mall	679	100%	679	2%
Tunjungan Plaza VI mall	Surabaya	Retail Mall	780	100%	780	2%
Sheraton Hotel	Surabaya	Hotel	745	100%	745	2%
Tunjungan Plaza 4-star hotel	Surabaya	Hotel	402	100%	402	1%
Gandaria City	Jakarta	Retail Mall	2,307	83%	2,780	7%
Kota Kasablanka	Jakarta	Retail Mall	3,214	100%	3,214	10%
Gandaria 8 Office	Jakarta	Office	361	83%	435	1%
Kota Kasablanka Office 88 - Tower A (part leased)	Jakarta	Office	993	100%	993	3%
Kota Kasablanka Office 88 - Tower B (all leased)	Jakarta	Office	1,071	100%	1,071	3%
Gandaria 5-star hotel	Jakarta	Hotel	649	83%	781	2%
Supermal Pakuwon Indah - Phase 1 & Trade Center	Surabaya	Retail Mall	1,617	67%	2,409	5%
Supermal Pakuwon Indah - Phase 2 & 3	Surabaya	Retail Mall	1,113	67%	1,659	3%
Supermal Pakuwon Indah - Phase 4	Surabaya	Retail Mall	166	67%	248	1%
Royal Plaza Mall	Surabaya	Retail Mall	445	50%	884	1%
Somerset Berlian	Jakarta	Serviced Apartment	191	67%	285	1%
Blok M Plaza	Jakarta	Retail Mall	547	67%	815	2%
Ascott Residence	Surabaya	Serviced Apartment	225	67%	336	1%
Pullman 5 star hotel	Surabaya	Hotel	150	67%	223	0%
Ibis 3-star hotel	Surabaya	Hotel	112	67%	167	0%
Development properties & Landbank			12,263		13,016	38%
Educity Condominium (Twin tower 1)	Surabaya	Apartment	0	100%	0	0%
Educity Condominium (Twin tower 2)	Surabaya	Apartment	23	100%	23	0%
Tunjungan V - The Peak	Surabaya	Apartment	158	100%	158	0%
Tunjungan VI - Apartment	Surabaya	Apartment	293	100%	293	1%
Tunjungan V - Pakuwon Center	Surabaya	Office	163	100%	163	1%
Tunjungan VI - Office	Surabaya	Office	264	100%	264	1%
Pakuwon City - Palm Beach	Surabaya	Landed Residential	982	100%	982	3%
Pakuwon City - Community 1	Surabaya	Landed Residential	1,451	100%	1,451	5%
Pakuwon City - Community 2	Surabaya	Landed Residential	1,858	100%	1,858	6%
Pakuwon New Town 1	Surabaya	Landed Residential	1,222	100%	1,222	4%
Pakuwon New Town 2	Surabaya	Landed Residential	1,520	100%	1,520	5%
Kota Kasablanka tower 3	Jakarta	Apartment	119	100%	119	0%
Kota Kasablanka tower 4	Jakarta	Apartment	102	100%	102	0%
Kota Kasablanka tower 5	Jakarta	Apartment	564	100%	564	2%
Gandaria office - expansion	Jakarta	Office	1,057	83%	1,274	3%
Kota Kasablanka office - expansion	Jakarta	Office	1,336	100%	1,336	4%
4.2ha landbank in TB Simatupang	Jakarta	Mixed-use	441	70%	630	1%
Pakuwon Indah - 6 apartments	Surabaya	Apartment	710	67%	1,057	2%
Net Debt			-598			
RNAV			32,784			
Fully Diluted Share base (bn)			53.0			
Fully Diluted RNAV per share			619			

Source: DBS Vickers

Key Assumptions

FY Dec	2012A	2013A	2014A	2015F	2016F
Marketing sales	1,851	3,000	3,137	3,674	4,133

Segmental Breakdown

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenues (Rpbn)					
Apartment & Office	1,022	1,217	1,588	1,852	1,930
Kavling & Building	197	373	493	815	1,043
Hotel	140	154	163	403	434
Rental & Maintenance	807	1,286	1,629	2,114	2,434

Recurring revenue portion will remain high

Total	2,165	3,030	3,872	5,183	5,841
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Gross Profit(Rpbn)

Apartment & Office	653	755	846	1,019	1,062
Kavling & Building	119	271	394	611	782
Hotel	55	64	68	165	178
Rental & Maintenance	408	676	851	1,099	1,266

Stable margins from recurring revenues going forward

Total	1,234	1,765	2,158	2,894	3,288
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Gross Profit Margins

Apartment & Office	63.9	62.0	53.3	55.0	55.0
Kavling & Building	60.2	72.5	79.9	75.0	75.0
Hotel	39.1	41.3	41.9	41.0	41.0
Rental & Maintenance	50.5	52.6	52.2	52.0	52.0

Total	57.0	58.3	55.7	55.8	56.3
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Income Statement (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenue	2,165	3,030	3,872	5,183	5,841
Cost of Goods Sold	(931)	(1,265)	(1,714)	(2,289)	(2,554)
Gross Profit	1,234	1,765	2,158	2,894	3,288
Other Opng (Exp)/Inc	(172)	(253)	(268)	(466)	(526)
Operating Profit	1,062	1,512	1,890	2,427	2,762
Other Non Opg (Exp)/Inc	(30)	(97)	(58)	0	0
Associates & JV Inc	0	(10)	(6)	0	0
Net Interest (Exp)/Inc	(131)	(73)	(87)	(80)	199
Exceptional Gain/(Loss)	0	0	1,120	0	0
Pre-tax Profit	901	1,331	2,859	2,348	2,961
Tax	(135)	(195)	(260)	(321)	(362)
Minority Interest	(19)	(4)	(84)	(70)	(89)
Preference Dividend	0	0	0	0	0
Net Profit	748	1,133	2,516	1,956	2,510
Net Profit before Except.	748	1,133	1,395	1,956	2,510
EBITDA	1,142	1,700	2,471	3,495	3,991

Impressive 33% CAGR for revenues from 2012 to 2014

Growth

Revenue Gth (%)	46.5	39.9	27.8	33.8	12.7
EBITDA Gth (%)	54.6	49.0	45.3	41.4	14.2
Opg Profit Gth (%)	70.2	42.3	25.0	28.5	13.8
Net Profit Gth (%)	116.0	51.5	122.1	(22.2)	28.3

Margins & Ratio

Gross Margins (%)	57.0	58.3	55.7	55.8	56.3
Opg Profit Margin (%)	49.1	49.9	48.8	46.8	47.3
Net Profit Margin (%)	34.5	37.4	65.0	37.7	43.0
ROAE (%)	29.1	33.4	50.1	27.9	28.2
ROA (%)	11.2	13.4	19.3	10.7	12.5
ROCE (%)	17.5	20.7	17.2	14.3	15.0
Div Payout Ratio (%)	19.9	22.6	19.1	11.1	20.0
Net Interest Cover (x)	8.1	20.7	21.8	30.5	NM

Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Rpbn)

FY Dec	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Revenue	825	1,055	836	1,156	1,168
Cost of Goods Sold	(347)	(373)	(371)	(623)	(481)
Gross Profit	478	682	465	533	687
Other Oper. (Exp)/Inc	(52)	(77)	(53)	(87)	(71)
Operating Profit	426	606	412	445	616
Other Non Opg (Exp)/Inc	36	(21)	(3)	(69)	(126)
Associates & JV Inc	1	(1)	(3)	(3)	1
Net Interest (Exp)/Inc	(5)	(1)	(35)	(46)	(51)
Exceptional Gain/(Loss)	0	0	99	1,021	0
Pre-tax Profit	458	583	470	1,349	440
Tax	(54)	(64)	(56)	(87)	(82)
Minority Interest	(15)	(2)	(5)	(62)	(29)
Net Profit	389	516	410	1,200	329
Net profit bef Except.	389	516	311	178	329
EBITDA	426	606	412	445	616

Growth

Revenue Gth (%)	15.4	27.9	(20.7)	38.2	1.0
EBITDA Gth (%)	28.4	42.1	(32.0)	8.1	38.2
Opg Profit Gth (%)	28.4	42.1	(32.0)	8.1	38.2
Net Profit Gth (%)	63.6	32.6	(20.6)	192.7	(72.6)

Margins

Gross Margins (%)	57.9	64.7	55.6	46.1	58.8
Opg Margins (%)	51.7	57.4	49.3	38.5	52.7
Net Profit Margins (%)	47.2	48.9	49.0	103.8	28.1

Balance Sheet (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Net Fixed Assets	4,210	4,376	9,120	9,665	9,646
Invt in Associates & JVs	0	0	0	0	0
Invt&Devt Properties	4,210	4,376	9,120	9,665	9,646
Other LT Assets	(2,605)	(2,117)	(5,312)	(5,690)	(4,540)
Cash & ST Invt	1,315	2,126	2,809	4,974	4,294
Dev Props held for sale	1,256	1,485	3,126	3,293	4,424
Inventory	6	5	7	7	7
Debtors	128	149	263	237	267
Other Current Assets	(819)	(948)	(2,094)	(2,134)	(3,052)
Total Assets	7,566	9,298	16,771	19,773	20,419
ST Debt	263	374	514	514	514
Creditor	34	55	134	80	89
Other Current Liab	1,785	2,503	3,404	3,595	4,041
LT Debt	2,162	2,041	4,082	5,198	3,182
Other LT Liabilities	187	223	354	354	354
Shareholder's Equity	2,912	3,876	6,173	7,852	9,971
Minority Interests	222	226	2,110	2,180	2,269
Total Cap. & Liab.	7,566	9,298	16,771	19,773	20,419
Non-Cash Wkg. Capital	(1,383)	(2,020)	(2,505)	(2,516)	(2,758)
Net Cash/(Debt)	(1,110)	(288)	(1,787)	(739)	598
Debtors Turn (avg days)	19.9	16.7	19.4	17.6	15.7
Creditors Turn (avg days)	21.2	15.0	43.1	24.0	24.7
Inventory Turn (avg days)	1.9	1.7	2.1	2.0	1.8
Asset Turnover (x)	0.3	0.4	0.3	0.3	0.3
Current Ratio (x)	0.8	0.9	0.9	1.5	1.2
Quick Ratio (x)	0.7	0.8	0.8	1.2	1.0
Net Debt/Equity (X)	0.4	0.1	0.2	0.1	CASH
Net Debt/Equity ex MI (X)	0.4	0.1	0.3	0.1	CASH
Capex to Debt (%)	31.2	24.2	151.6	31.1	63.3
Z-Score (X)	NA	3.4	2.3	2.6	3.0

Will be in net cash position in 2016 if current expansion plan does not change significantly

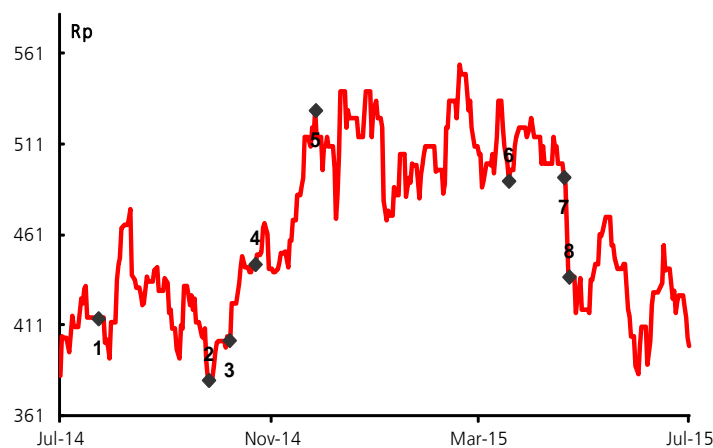
Source: Company, DBS Vickers

Cash Flow Statement (Rpbn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Pre-Tax Profit	901	1,331	2,859	2,348	2,961
Dep. & Amort.	79	188	581	1,067	1,229
Tax Paid	(135)	(195)	(260)	(321)	(362)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	501	638	484	11	242
Other Operating CF	(19)	(4)	(84)	(70)	(89)
Net Operating CF	1,328	1,959	3,581	3,034	3,980
Capital Exp.(net)	(757)	(584)	(6,967)	(1,779)	(2,341)
Other Invt.(net)	3	4	5	6	7
Invt in Assoc. & JV	83	4	1,884	70	89
Div from Assoc& JV	3	4	5	6	7
Other Investing CF	(249)	(389)	222	0	0
Net Investing CF	(917)	(961)	(4,851)	(1,696)	(2,238)
Div Paid	(69)	(169)	(217)	(279)	(391)
Chg in Gross Debt	359	(11)	2,182	1,116	(2,017)
Capital Issues	0	0	0	0	0
Other Financing CF	0	737	(2)	2	0
Net Financing CF	290	557	1,963	839	(2,408)
Currency Adjustments	3	4	5	6	7
Chg in Cash	704	1,560	698	2,183	(659)
OpgCFPS (Rp)	17	27	64	57	71
Free CFPS (Rp)	12	29	(70)	24	31

Source: Company, DBS Vickers

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	31 Jul 14	415	425	Buy
2:	03 Oct 14	381	425	Buy
3:	15 Oct 14	403	475	Buy
4:	30 Oct 14	445	475	Buy
5:	04 Dec 14	530	530	Hold
6:	26 Mar 15	491	530	Hold
7:	27 Apr 15	493	550	Hold
8:	30 Apr 15	438	550	Hold

Source: DBS Vickers

Indonesia Company Guide

Summarecon Agung

Edition 1 Version 1 | Bloomberg: SMRA IJ | Reuters: SMRA.JK

Refer to important disclosures at the end of this report

DBS Group Research. Equity

10 Jul 2015

BUY

Last Traded Price: Rp1,770 (JCI : 4,838.3)

Price Target: Rp2,050 (+16% upside) (Prev Rp2,200)

Potential Catalyst: Spinning-off investment properties

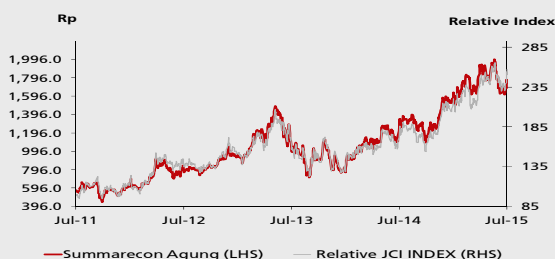
Where we differ: Lower marketing sales and earnings estimates

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (Rp bn)	2013A	2014A	2015F	2016F
Revenue	4,094	5,334	5,542	6,184
EBITDA	1,497	1,999	1,970	2,214
Pre-tax Profit	1,319	1,684	1,496	1,794
Net Profit	1,102	1,398	1,199	1,463
Net Pft (Pre Ex.)	1,102	1,398	1,199	1,463
Net Pft (ex. BA gains)	N/A	N/A	N/A	N/A
EPS (Rp)	76	97	83	101
EPS Pre Ex. (Rp)	76	97	83	101
EPS Gth (%)	(34)	27	(14)	22
EPS Gth Pre Ex (%)	(34)	27	(14)	22
Diluted EPS (Rp)	76	97	83	101
Net DPS (Rp)	21	23	25	31
BV Per Share (Rp)	307	381	439	510
PE (X)	23.2	18.3	21.3	17.4
PE Pre Ex. (X)	23.2	18.3	21.3	17.4
P/Cash Flow (X)	16.8	149.8	7.7	18.5
EV/EBITDA (X)	17.2	14.4	13.7	12.1
Net Div Yield (%)	1.2	1.3	1.4	1.7
P/Book Value (X)	5.8	4.6	4.0	3.5
Net Debt/Equity (X)	CASH	0.4	0.1	0.1
ROAE (%)	27.3	28.2	20.3	21.4

Earnings Rev (%): (1) (3)

Consensus EPS (Rp): 92 106

Other Broker Recs: B: 24 S: 2 H: 3

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

PRIME DEVELOPER WITH PREMIUM VALUATION

Maintain BUY call with lower TP. We trimmed FY15/16F marketing sales assumptions by 7%/16% to Rp5.2tr/Rp5.3tr. This reduced FY16F revenue and net profit by 2% and 3%, respectively, and also RNAV by 6% to Rp2,955/sh. We applied the same target discount to derive at Rp2,050 TP.

Decent YTD marketing sales. SMRA indicated marketing sales has reached Rp2.2tr YTD, or 40% of its full year guidance. Supported by a strong launch pipeline for 2H15 that includes Bandung, low rise apartments in Serpong and Bekasi, we expect SMRA to meet our FY15 forecasts.

On track to spin-off investment property unit. SMRA is targeting to spin off the assets by year end or early next year. We value the investment property unit at c.Rp7tr (about 15% of SMRA's total RNAV). A higher value could be a re-rating catalyst.

Valuation:

Our TP of Rp2,050 is based on 30% discount to our RNAV. SMRA is currently trading at 40% discount to RNAV (wider than its 4-year average of 38%) and 21x FY15F PE (at +1.5SD of mean forward PE).

Key Risks to Our View:

Slower take-up at SMRA's launches. Weaker property affordability and lingering uncertainties over property taxes could cause marketing sales to be lower than our expectation. Also, that could prompt SMRA to extend the target dates for its launch pipeline.

At A Glance

Issued Capital (m shrs)	14,427
Mkt. Cap (Rpbn/US\$m)	23,948 / 1,796
Major Shareholders	
Semarop Agung (%)	26.2
Sinarmegah Jaya (%)	8.6
Free Float (%)	65.2
3m Avg. Daily Val (US\$m)	7.1

ICB Industry : Real Estate / Real Estate

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

Planned investment properties spin-off

SMRA plans to spin-off its investment properties by the end of this year or early next year. We value the investment property unit at c.Rp7tr (about 15% of SMRA's total RNAV). A higher value could be a re-rating catalyst.

Marketing sales achievement

Property developer recognise non-recurring revenue from marketing sales in the prevailing years. We expect revenue to grow by 8% CAGR over 2014-17F given that marketing sales expanded by 15% CAGR over 2011-14, and is expected to grow by 4% CAGR over the next three years.

SMRA has three existing townships in three different regions of Greater Jakarta. All the projects have been successful considering the reception during launch. Going forward, marketing sales will be mostly supported by Serpong and Bekasi townships given that the Kelapa Gading township is matured.

SMRA also plans to launch two more townships in the future, following the acquisition of 40.8% stake in a company that owns 250ha landbank in Bogor (South Jakarta suburb) last year and the upcoming development in Bandung (West Java).

Better product mix leads to better margins

SMRA's non-recurring revenue mix is balanced between housing, shophouses and apartment & offices. Landplots and shophouses churned better gross profit margins (more than 60%) than other segments. Given the launch of more high-rise projects recently, we will monitor revenue mix and profitability going forward. Meanwhile, recurring revenue portion should remain stable at c.20% going forward and generate stable margins.

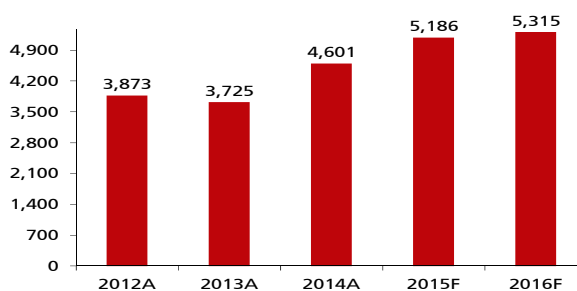
Good control of operating costs

SMRA has been able to keep SG&A expenses (as % of revenue) under control. This is crucial for SMRA to maintain operating margins going forward.

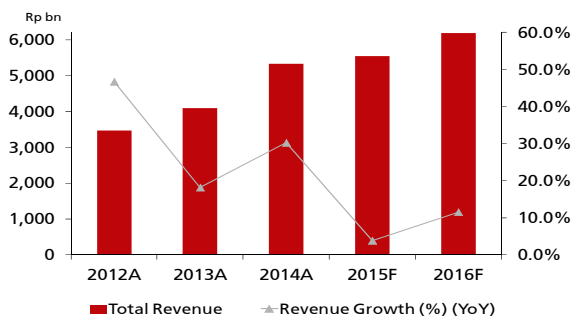
Delivering as promised

SMRA has a good reputation among property buyers, and is known for timely execution of project plans.

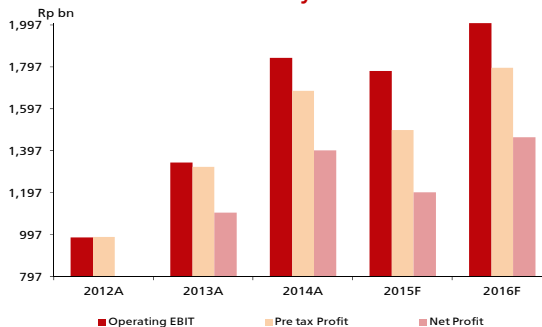
Marketing Sales Trend



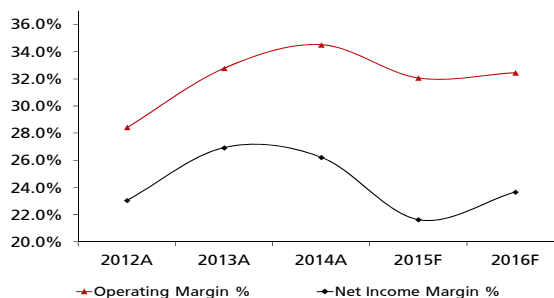
Sales Trend



Profitability Trend



Margins Trend



Disc to RNAV trend



Source: Company, DBS Vickers

Summarecon Agung

Balance Sheet:

Geared up for more high-rise projects and potential acquisitions– not in net cash position anymore
 SMRA had been in net cash position from 2010 to 2013 as strong cash generation outpaced annual capex requirements. But the launch of more high-rise projects and projected land acquisitions lifted gearing. In 2014, net gearing reached 49%, a level not seen since mid-2009.

Share Price Drivers:

Marketing sales achievement and pipeline

Marketing sales achievement is a good indicator for all Indonesia property developers (including SMRA) as it gives leading indication for the revenue generation for the next 2-3 years (depending on the revenue recognition).

Key Risks:

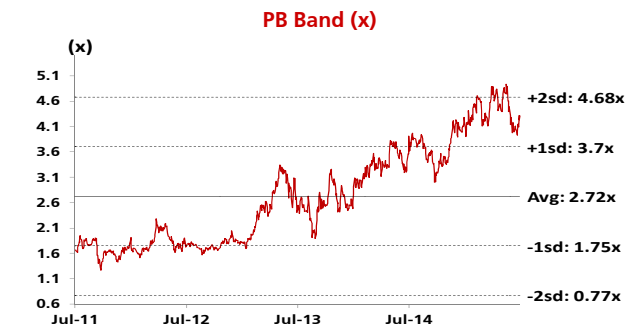
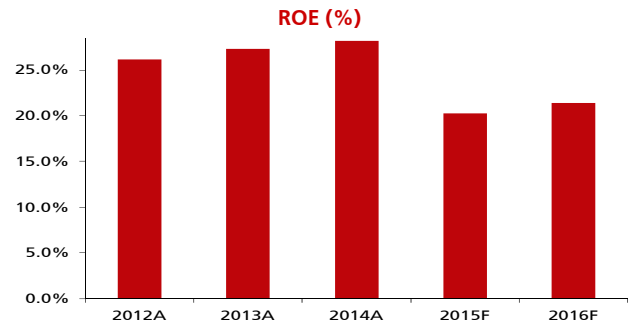
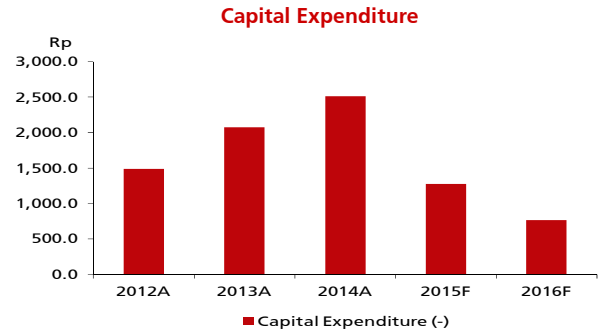
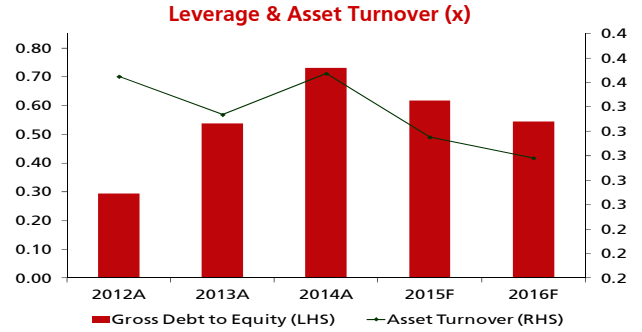
Additional tax (and revision of existing tax regulations) on property could suppress demand.

Stricter regulations for high-rise developments. Plot ratio approval and balanced ratio rules, when strictly implemented, could potentially slow property demand. Liquidity tightening could slow demand further.

Potential interest rate hike. Property demand is sensitive to and is negatively correlated to interest rate movements.

COMPANY BACKGROUND

SMRA is one of Indonesia's most established property developers. It has three existing township developments and several investment properties in its portfolio which generates sizeable recurring income, c.30% of revenues.



Source: Company, DBS Vickers

SMRA: RNAV summary

SMRA portfolio	Stake owned	Gross floor/land area (ha)	RNAV
Investment Properties			
Mal Kelapa Gading	100%		3,209
La Piazza	100%		260
Gading Food City	100%		48
Summarecon Mal Serpong - Phase 1	100%		558
Plaza Summarecon	100%		12
Plaza Summarecon Serpong	100%		31
Menara Satu Office	100%		94
Summarecon Mal Serpong - Phase 2	100%		739
Summarecon Mall Bekasi	100%		1,065
Harris Hotel Kelapa Gading	100%		365
POP Hotel, Kelapa Gading	100%		165
Harris Hotel Bekasi	100%		498
Investment Properties Total Surplus/(Deficit) - 1			7,044
Township developments			
Kelapa Gading	100%		387
The Springs - Serpong	54%		295
Scientia Garden - Serpong	69%		1,340
Summarecon Bekasi	100%		5,592
Summarecon Bandung	100%		1,320
Total PV of future development profits - 2			8,934
High-rise developments			
Kensington Apartments	100%		1,116
Midtown Apartment - Serpong	69%		607
Springlake Apartment - Bekasi	100%		795
High-rise development surplus value (Rpbn) - 3			2,518
Remaining landbank (still utilized for planned future developments)			
Serpong	100%	270.0	11,988
Bekasi - JV with DSA	51%	230.0	4,575
Gedebage	100%	180.0	7,769
Bogor	51%	260.0	354
Makassar	51%	150.0	311
Remaining landbank surplus value - 4			24,997
FY16F Net Cash (Debt) - 5			(853)
Total asset surplus value - 1+2+3+4+5			42,638
Fully Diluted Share base (bn)			14.4
RNAV per share			2,955

Source: DBS Vickers

Summarecon Agung

Key Assumptions

FY Dec	2012A	2013A	2014A	2015F	2016F
Marketing sales	3,873	3,725	4,601	5,186	5,315

Segmental Breakdown

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenues (Rp bn)					
Houses	848	740	1,669	1,738	1,698
Shophouses	338	824	1,413	640	533
Landplots	946	777	587	418	1,007
Apartments & Offices	370	526	116	1,625	1,761
Recurring	960	1,227	1,549	1,121	1,185
Total	3,462	4,094	5,334	5,542	6,184
Gross Profit (Rp bn)					
Houses	145	253	844	869	849
Shophouses	195	506	952	448	373
Landplots	692	653	356	251	604
Apartments & Offices	74	237	59	812	880
Recurring	486	502	578	449	474
Total	1,592	2,151	2,788	2,830	3,182
Gross Profit Margins					
Houses	17.1	34.3	50.6	50.0	50.0
Shophouses	57.7	61.4	67.4	70.0	70.0
Landplots	73.2	84.0	60.6	60.0	60.0
Apartments & Offices	20.0	45.0	51.1	50.0	50.0
Recurring	50.7	40.9	37.3	40.1	40.0
Total	46.0	52.5	52.3	51.1	51.4

More balanced product/revenue mix shows flexibility

Consistently generates high margins

Income Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Revenue	3,462	4,094	5,334	5,542	6,184
Cost of Goods Sold	(1,870)	(1,943)	(2,546)	(2,712)	(3,003)
Gross Profit	1,592	2,151	2,788	2,830	3,182
Other Opng (Exp)/Inc	(608)	(809)	(948)	(1,053)	(1,175)
Operating Profit	984	1,342	1,840	1,777	2,007
Other Non Opg (Exp)/Inc	27	5	19	19	19
Associates & JV Inc	0	0	(1)	0	0
Net Interest (Exp)/Inc	(24)	(27)	(174)	(300)	(232)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	987	1,319	1,684	1,496	1,794
Tax	(194)	(224)	(297)	(308)	(344)
Minority Interest	6	6	11	11	13
Preference Dividend	0	0	0	0	0
Net Profit	798	1,102	1,398	1,199	1,463
Net Profit before Except.	798	1,102	1,398	1,199	1,463
EBITDA	1,141	1,497	1,999	1,970	2,214
Growth					
Revenue Gth (%)	46.8	18.2	30.3	3.9	11.6
EBITDA Gth (%)	73.1	31.3	33.5	(1.4)	12.4
Opg Profit Gth (%)	73.5	36.3	37.2	(3.4)	12.9
Net Profit Gth (%)	103.6	38.1	26.9	(14.3)	22.1
Margins & Ratio					
Gross Margins (%)	46.0	52.5	52.3	51.1	51.4
Opg Profit Margin (%)	28.4	32.8	34.5	32.1	32.4
Net Profit Margin (%)	23.0	26.9	26.2	21.6	23.7
ROAE (%)	26.2	27.3	28.2	20.3	21.4
ROA (%)	8.4	9.0	9.6	6.8	7.1
ROCE (%)	18.1	18.1	17.0	13.0	13.9
Div Payout Ratio (%)	40.3	38.8	30.1	25.8	36.8
Net Interest Cover (x)	40.5	49.3	10.6	5.9	8.7

Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Rp bn)

FY Dec	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Revenue	938	1,039	1,669	1,688	942
Cost of Goods Sold	(436)	(551)	(834)	(724)	(363)
Gross Profit	502	487	835	964	579
Other Oper. (Exp)/Inc	(149)	(145)	(354)	(300)	(192)
Operating Profit	353	342	481	664	387
Other Non Opg (Exp)/Inc	1	1	(3)	20	1
Associates & JV Inc	1	(1)	0	0	0
Net Interest (Exp)/Inc	(22)	(22)	(48)	(83)	(92)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	332	320	430	601	296
Tax	(58)	(55)	(94)	(90)	(54)
Minority Interest	1	2	5	3	5
Net Profit	275	267	341	515	247
Net profit bef Except.	275	267	341	515	247
EBITDA	387	342	478	684	421

Best quarter so far

Growth

Revenue Gth (%)	(10.9)	10.7	60.7	1.1	(44.2)
EBITDA Gth (%)	27.2	(11.7)	39.9	43.1	(38.5)
Opg Profit Gth (%)	12.9	(3.0)	40.7	38.0	(41.7)
Net Profit Gth (%)	23.7	(2.9)	27.8	50.7	(52.0)

Margins

Gross Margins (%)	53.5	46.9	50.1	57.1	61.5
Opg Margins (%)	37.6	32.9	28.8	39.3	41.1
Net Profit Margins (%)	29.3	25.7	20.5	30.5	26.2

Balance Sheet (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Net Fixed Assets	2,832	3,501	4,410	4,665	4,627
Invt in Associates & JVs	4	284	0	0	0
Invt & Devt Properties	0	0	0	0	0
Other LT Assets	1,962	3,418	5,504	6,352	6,964
Cash & ST Invt	2,428	2,545	1,695	3,190	3,406
Dev Props held for sale	0	0	0	0	0
Inventory	2,819	3,058	3,103	4,230	5,340
Debtors	106	179	76	242	270
Other Current Assets	726	674	591	1,100	1,100
Total Assets	10,876	13,659	15,379	19,777	21,706
ST Debt	444	244	506	217	164
Creditor	184	63	65	90	99
Other Current Liab	5,649	6,297	4,787	8,510	9,367
LT Debt	678	2,257	3,876	3,989	4,095
Other LT Liabilities	106	140	153	153	153
Shareholder's Equity	3,637	4,429	5,495	6,333	7,356
Minority Interests	177	227	496	485	471
Total Cap. & Liab.	10,874	13,657	15,378	19,776	21,705
Non-Cash Wkg. Capital	(2,182)	(2,449)	(1,081)	(3,028)	(2,756)
Net Cash/(Debt)	1,306	44	(2,687)	(1,016)	(852)
Debtors Turn (avg days)	9.6	12.7	8.7	10.5	15.1
Creditors Turn (avg days)	45.2	25.2	9.8	12.9	12.9
Inventory Turn (avg days)	583.0	598.4	471.0	608.4	692.6
Asset Turnover (x)	0.4	0.3	0.4	0.3	0.3
Current Ratio (x)	1.0	1.0	1.0	1.0	1.1
Quick Ratio (x)	0.4	0.4	0.3	0.4	0.4
Net Debt/Equity (X)	CASH	CASH	0.4	0.1	0.1
Net Debt/Equity ex MI (X)	CASH	CASH	0.5	0.2	0.1
Capex to Debt (%)	132.8	83.0	57.3	30.4	17.9
Z-Score (X)	NA	2.6	2.7	2.1	2.1

Comfortable net gearing for future expansion

Source: Company, DBS Vickers

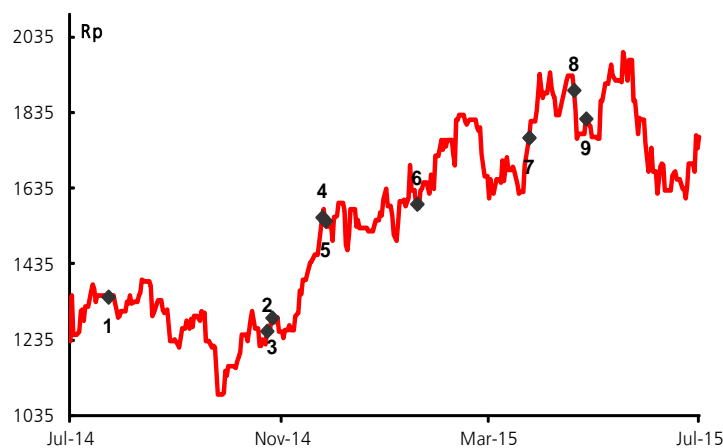
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Cash Flow Statement (Rp bn)

FY Dec	2012A	2013A	2014A	2015F	2016F
Pre-Tax Profit	987	1,319	1,684	1,496	1,794
Dep. & Amort.	130	151	141	175	188
Tax Paid	(194)	(224)	(297)	(308)	(344)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	1,159	267	(1,369)	1,947	(272)
Other Operating CF	6	6	11	11	13
Net Operating CF	2,087	1,520	170	3,321	1,380
Capital Exp.(net)	(1,490)	(2,077)	(2,513)	(1,278)	(762)
Other Invt.(net)	0	(281)	284	0	0
Invt in Assoc. & JV	164	50	269	(11)	(13)
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(187)	(165)	(609)	0	0
Net Investing CF	(1,513)	(2,472)	(2,569)	(1,289)	(776)
Div Paid	(158)	(310)	(332)	(361)	(441)
Chg in Gross Debt	(18)	1,379	1,881	(177)	53
Capital Issues	533	0	0	0	0
Other Financing CF	2	0	0	0	0
Net Financing CF	359	1,069	1,549	(538)	(388)
Currency Adjustments	0	0	0	0	0
Chg in Cash	932	117	(850)	1,494	216
Opg CFPS (Rp)	134	87	107	95	115
Free CFPS (Rp)	86	(39)	(162)	142	43

Source: Company, DBS Vickers

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
1:	31 Jul 14	1350	1520	Buy
2:	31 Oct 14	1260	1520	Buy
3:	03 Nov 14	1295	1520	Buy
4:	02 Dec 14	1560	1780	Buy
5:	04 Dec 14	1550	1780	Buy
6:	26 Jan 15	1595	1780	Buy
7:	01 Apr 15	1770	1780	Buy
8:	27 Apr 15	1895	2200	Buy
9:	04 May 15	1820	2200	Buy

Source: DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

* *Share price appreciation + dividends*

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