Real Estate

Indonesia

Indonesia Property

Industrial estates: front, forward and centre

POSITIVE *[Unchanged]*

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Watch for incoming high tide of foreign investment

Strong interest expressed by major companies in the electric vehicle and logistics & warehouse sectors will bring multi-years of industrial land demand, we believe. Plus, the incentive for Indonesia to invite FDI from new sectors into the country is higher than ever before to help sustain economic growth. Significant improvement has been made to improve Indonesia's competitiveness and we expect many more reforms during President Joko Widodo's second term. With positive presales growth outlook, we expect the industrial-estates sector to rerate from its depressed valuations since its downturn in 2015-2018 with DMAS and BEST to benefit the most from this trend.

At the frontline to benefit from FDI

In order to move away from the country's high dependency on commodities, the government has made significant efforts to promote industrialisation. There are plans to make Indonesia an export base for many sectors, such as auto, FMCG and textiles. Before other parts of the economy feel the positive impact of strong FDI inflow, the industrial estate sector will be the primary beneficiary as the government requires all industrial facilities to be located in an industrial estate.

Expect +50% (YoY) sector presales growth in FY19E

After five consecutive years of decline in industrial presales from 1,220ha pa to 176ha in 2012-2016 and stagnation at 200ha in 2017-2018, we anticipate a sharp jump in industrial land sales by +50% YoY to 300ha in 2019E. These will be driven by the auto sector, and logistics & warehousing relating to the e-commerce boom in the country. The arrival of the sector's leaders into Indonesia will no doubt be followed by their entire supply chain, thereby creating a multi-years ripple effect demand for industrial land. Industrial land sales in 1H19 had jumped by +123% YoY to 150ha.

BUY DMAS and BEST for maximum exposure

Industrial estates in Bekasi-Karawang will still be the most desired industrial hubs in Indonesia due to their advanced infrastructure and prime locations as the gateway to the large consumer market in Java. Our top picks for industrial estate developers are DMAS and BEST due to their strategic and large land banks in these areas. Both stocks are BUY rated.

Company name	Ticker	Rating	Mkt Cap	Price	TP	Upside to TP	RNAV / share	Implied Disc. to RNAV	Disc. to RNAV of TP	Land bank	PER		P/BV		ROE	DVD yield
			(USD m)	(local)	(local)	(%)	(local)	(%)	(%)	(ha)	FY19E	FY20E	FY19E	FY20E	FY19E	FY19E
Bekasi Fajar	BEST IJ	BUY	198	292	400	37%	869	66%	54%	1,043	4.97	4.30	0.6	0.5	13%	3%
Puradelta Lestari	DMAS IJ	BUY	1,031	304	360	18%	545	44%	34%	1,478	20.6	16.2	2.0	1.9	10%	3%
Lippo Cikarang	LPCK IJ	HOLD	287	1,520	1,600	5%	3,163	52%	49%	434	11.2	9.4	0.4	0.4	4%	0%
Average								**54%**	**46%**		**12.2**	**10.0**	**1.0**	**0.9**	**9%**	**2%**

Source: Bloomberg, Maybank Kim Eng. Prices as of 7 August 2019

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1. Investment thesis

1.1 Supportive government to invite foreign investments

Indonesia is coming forward, front and centre in attracting multi-national corporations to directly invest into the country. Numerous reforms have been made by President Joko Widodo in his first term to improve the country's competitiveness as 'the world's factory'. This includes the USD141b spending for a major upgrade in infrastructure and issuance of attractive fiscal reforms in the form of tax allowances and tax holiday to attract new investments. Also, many sectors have been removed from the negative investment list. Finally, the recent sovereign rating upgrade by S&P to BBB (all-time high) has further cemented the positive outlook for the country.

There are no signs the drive for impactful reforms will end. If anything, we expect acceleration during President Joko Widodo's second term as he has announced his ambitious targets to significantly improve Indonesia's global competitiveness ranking and ease of doing business (EODB) ranking to 40 from 73 in 2018.

To achieve this, on the president's agenda, infrastructure development will still be a major emphasis to further connect different parts of this archipelago country. Next, he plans to reform the bureaucrats and eliminate all unnecessary and inefficient red-tape that hinder the inflow of investment. There are also talks to cut corporate income tax and reforming the notoriously stringent labour laws.

1.2 Major drivers of industrial land demand

Indonesia's significant improvements in infrastructure, fiscal policy, political stability and business environment have been recognized by leading multi-national corporations. Many companies that are sector leaders have expressed interest in investing in Indonesia. This mainly comes from the automotive sector, including electric vehicles producers, and the logistics & warehouse and consumer sectors. Most of the interests are coming from China.

In particular for the auto sector, we note more of the world's major automakers want to make Indonesia their home for their export base, especially from Chinese automakers. Despite the current low capacity utilization of the national auto production, new investments in the sector will mostly be dedicated to the production of electric vehicles. Numerous fiscal stimuli have been issued by the government to fulfill its aspirations to expand the manufacturing of electric vehicles in the country.

Also, the e-commerce boom has called for large expansions in the logistics & warehouse sector. More retail sales are done online today and Euromonitor expects the market share of online retail sales to grow substantially over the next three years.

Lastly, the consumer sector will still be the nation's most lucrative industry due to its large and aspiring young population. In recent years, we saw entrants of multiple Chinese consumer staples companies into Indonesia.

1.3 POSITIVE on the industrial estate sector

The industrial estate sector is set to be the first to benefit from foreign investment inflow into Indonesia. This will end seven years of decline in annual industrial land sales and we expect a significant jump of 50% (YoY) in industrial land sales in FY19E. Much of this will be enjoyed by industrial estates located in Bekasi-Karawang. Looking back at the last investment cycle in 2007-2011, we believe the wave of investments will bring multi-years of industrial land demand.

1.4 Upside potential not fully priced in despite strong rally

While most of the industrial estate stocks have rallied substantially since Sep'18, we believe the recent news of investment commitments by many major multi-national corporations have not been fully priced in by the market. BEST and DMAS reported total land enquiries of 96ha and 150ha as per July'19. Upon realisation of these investments, earnings will jump significantly by more than 100% YoY into record-high levels, we estimate.

We believe that the sector's positive outlook with multi-years presales growth outlook since 2015 has warranted for a rerating. And we believe that the high industrial land demand will be sustainable with the support from government's strong will to invite new sectors from the secondary and tertiary sectors into Indonesia through numerous fiscal stimuli, especially for the electric vehicle sector.

Our top pick for sector exposure is DMAS as it's the only developer that can supply large industrial land plots in the Bekasi area. DMAS has high earnings visibility and dividend yield. We peg our TP for DMAS at IDR360 which is based on 34% RNAV is at premium to the sector's target price discount rate at 52% on average as we see higher earnings visibility and dividend yield for DMAS than its peers. As a comparison, Bekasi Fajar (BEST IJ), its closest peer had traded as narrow as 21% discount to RNAV back in 2015. Our blue sky valuation where we assume its industrial land price to match its peers' points to an +8% higher RNAV estimate.

We also have a BUY on BEST, which is undervalued and as its strategically located land assets will also enjoy presales growth. BEST is still undervalued, trading at 66% discount to RNAV and 0.7x P/B FY19E a deep discount to DMAS, its closest peer's valuation at 44% disc. to RNAV. We lift our presales assumptions for FY19E-21E by 13%/36%/43% which lifts our EPS by +17%/+36%/43%. Our new TP is IDR400, up 54% from IDR260, based on a 54% disc. to RNAV, +1SD of its 5-year mean vs. a 68% disc. its 5-year mean, previously.

We rate LPCK HOLD as it is fairly valued and its exposure to industrial estate is diminished with its change of focus to residential properties. Our TP of IDR1,600 is still based on a 49% discount to RNAV, near -1SD of its 5-year mean. While we model double-digit presales growth for its peers, we model +8% YoY for LPCK for FY19E and +16%/+4% YoY for FY20-21E.

Fig 1: Stocks selection

Criteria	BEST	DMAS	LPCK
Property development mix (2019E)			
Industrial	100%	78%	32%
Commercial	0%	18%	6%
Residential	0%	3%	62%
Land bank (hectares) 2019E			
Industrial	1,050	473	142
Commercial	0	483	35
Residential	0	512	262
Annual presales (IDRb)			
2019E	1,200	1,835	1,128
2020E	1,292	2,018	1,306
2021E	1,324	2,301	1,354
Annual presales (YoY)			
2019E	16%	79%	8%
2020E	8%	10%	16%
2021E	2%	14%	4%
Profitability (2019E)			
EBIT margin	61%	56%	31%
Core ROE	13%	10%	4%
EPS growth	34%	44%	-83%
Leverage (2019E)			
Net debt (cash)	10%	zero debt	-18%
% of debt in FX	100%	zero debt	0%
Recurring income/Total Revenue	7%	1%	43%
Size			
Total Assets (USDm)	482	562	845
Market Cap (USDm)	212	1038	295
EV (USDm)	212	879	168
ADTV (USDm)	0.5	0.9	0.6

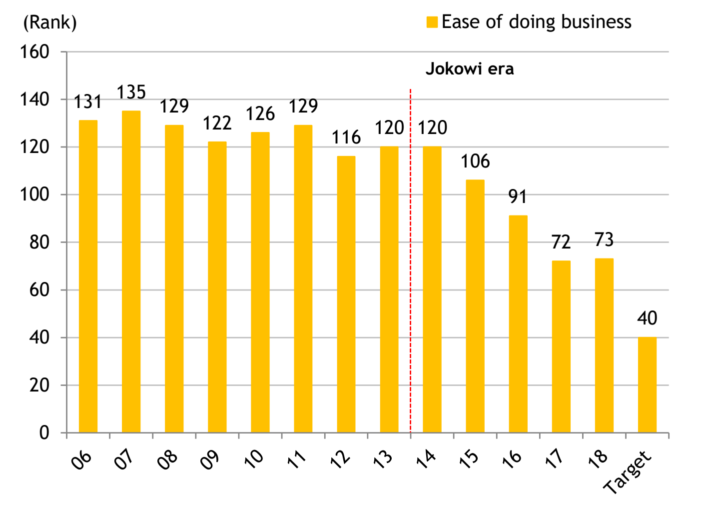
Source: Bloomberg, Company data, Maybank Kim Eng

Prices as of 2 Aug 2019.

2. A supportive government to foreign investments

2.1 Reforms to improve global competitiveness

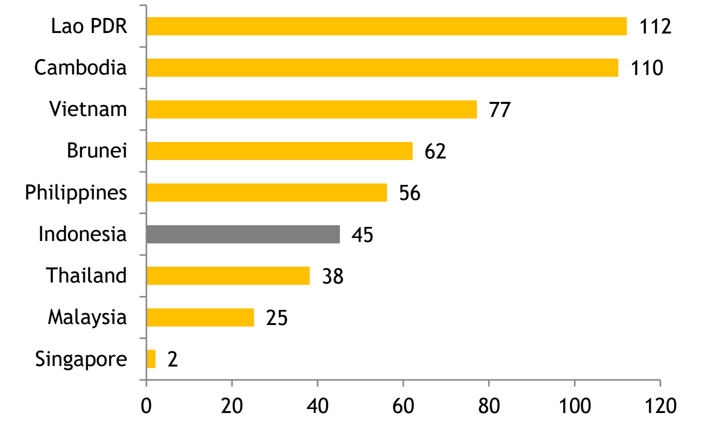
Fig2: Indonesia ease of doing business ranking



Source: World Bank, Government

- Reforms have been underway since President Joko Widodo took office in 2014. By the end of his first term, efforts to improving the ease of doing business (EODB) have been visible.
- President Joko Widodo shared his vision for the second presidential term of improving Indonesia's EODB ranking to 40 as soon as possible from 73 in 2018.
- This will be done through the better use of the Online Single Submission (OSS) system that will simplify the investment-application process.

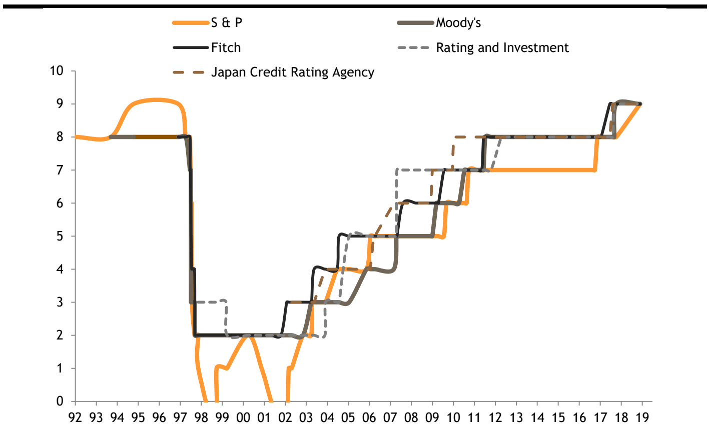
Fig3: ASEAN global competitiveness ranking



Source: World Economic Forum

- In order to further improve the global competitive ranking, the government will be more supportive of businesses.
- There are plans to lower the corporate income tax rate from 25% to 20%. This will put Indonesia on par with its closest competitors, Thailand and Vietnam.
- This is not impossible as there were two corporate income tax rate cuts from 30% pre-2009.
- Another agenda is to reform the notoriously stringent labour laws regarding hiring and firing employees to encourage more businesses.
- Investment in infrastructure development, healthcare and education will also be prioritised to ensure sustainable economic growth in the ever-competitive market.

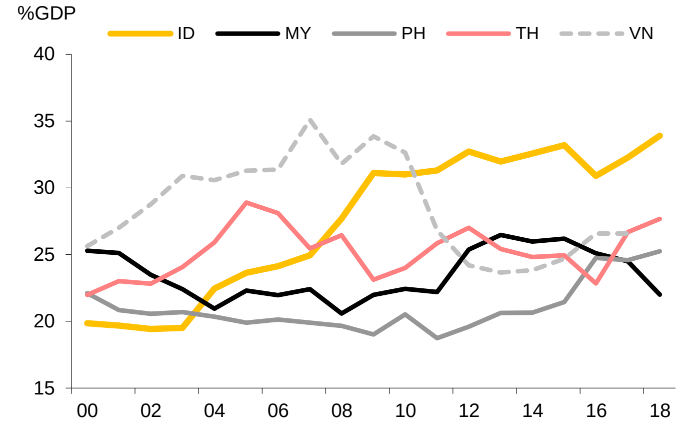
Fig4: Indonesia sovereign rating



Source: Credit rating agencies

- The significant improvement of Indonesia's sovereign rating over the past 11 years by international credit rating agencies such as S&P, Moody's and Fitch, have reassured investors and brought foreign funds into the country, both directly and indirectly. Indonesia has come a long way since its SD rating during the Asian financial crisis in 1998.
- Indonesia's sovereign rating from all the major credit rating agencies is at all-time-high levels of one notch above the investment grade with a stable or positive outlook.
- The latest upgrade by S&P to BBB (from BBB-) in May'19 will affirm new flow of investments into the country, we believe.

Fig5: Investment to nominal GDP



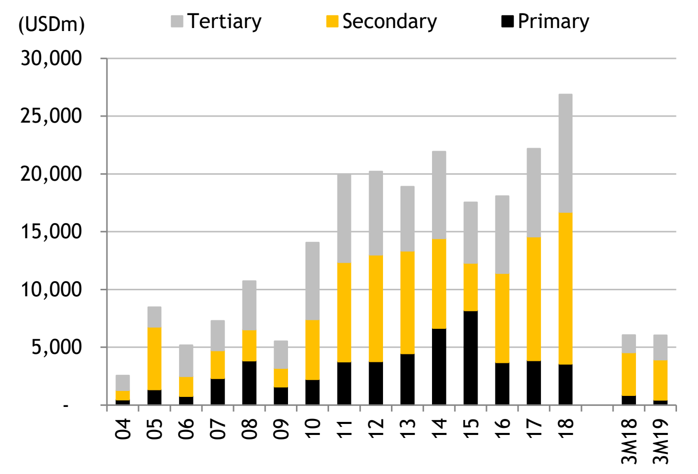
Source: CEIC

- Indonesia's investment-to-GDP ratio is the highest among neighbouring countries at 34% of nominal GDP.
- We believe the upward trend will continue with the government's commitment to continue improving the country's investment climate.
- This includes perfecting the one-stop solution (OSS) system that allows foreign investors to apply for business licences efficiently with just one application.

2.2 All eyes on inflow of investment

President Joko Widodo has pressed on about his concerns regarding the stagnating inflow of foreign direct investments. For his second presidential term, he highlighted that he will prioritise growth of investments. Also, he will personally monitor and remove any red tape, complicated and slow government licensing lead time and illegal fees that hinder investments into the country.

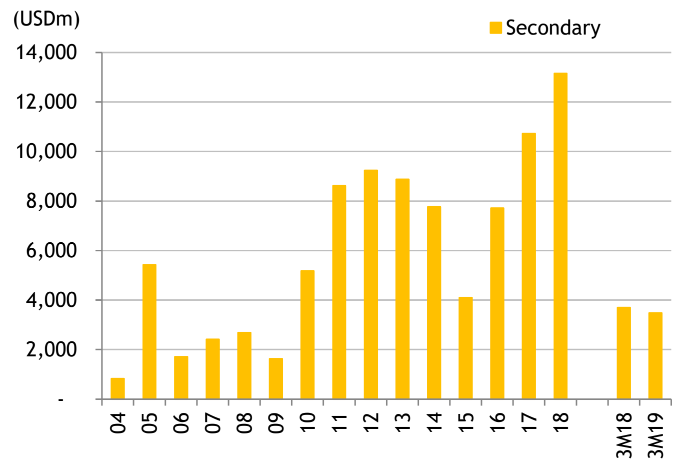
Fig6: Annual FDI



Source: Bank Indonesia

- While we expect the outlook for commodity prices like coal and CPO to remain bleak, the government's extensive stimulus may help to drive investment growth in the secondary and tertiary sectors.
- We expect the shift of foreign investments in primary sector to secondary and tertiary sector to continue.
- Indonesia's Coordinating Investment Board targets double-digit growth for direct investments in FY19E (from -9.1% YoY in FY18).

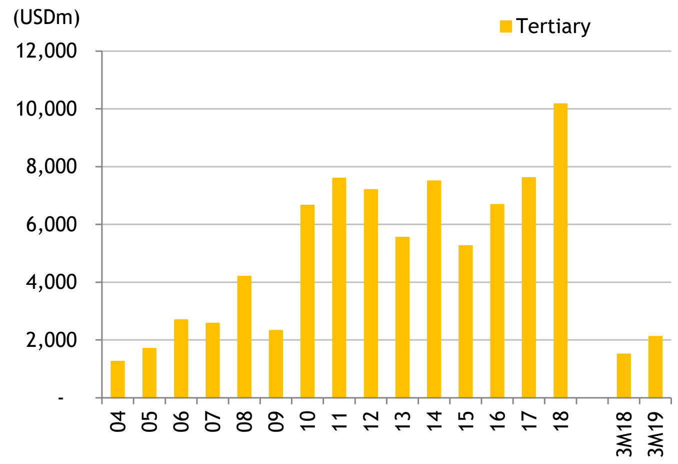
Fig7: FDI in the secondary sector



Source: Bank Indonesia

- The non-labour intensive industries were the top investments in the secondary sector in the past five years.
- These are the cement, petrochemical, automotive and food and beverage industries.
- Indonesia's global ranking in EODB will help to stimulate stronger investment growth in the secondary sector.
- We note growing interest from car battery manufacturers for electric vehicles and consumer sector.
- The removal in of many sectors from the negative investment list will attract more foreign investment inflow, we believe. These are the cold storage which pushes for manufacturing of fresh consumer products and the pharmaceutical manufacturing sector among others.

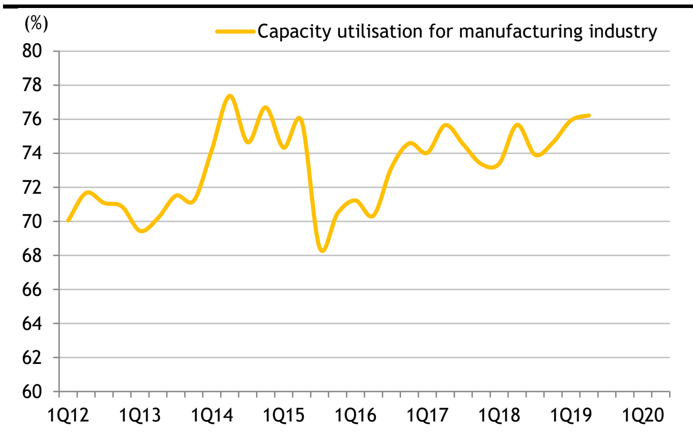
Fig8: FDI in the tertiary sector



Source: Bank Indonesia

- The main industries that contribute to the strong investment growth in the tertiary sector are logistics, real estate and utilities. These are among the top five highest investors, contributing 37.3% of total investments in 2018.
- We note the interest in the tertiary sector continues to be strong, coming from global e-commerce players and logistics companies that plan to expand their business into Indonesia.
- The ground transportation sector is recently open for foreign investors.

Fig 9: Capacity utilisation of the manufacturing industry



Source: Bank Indonesia

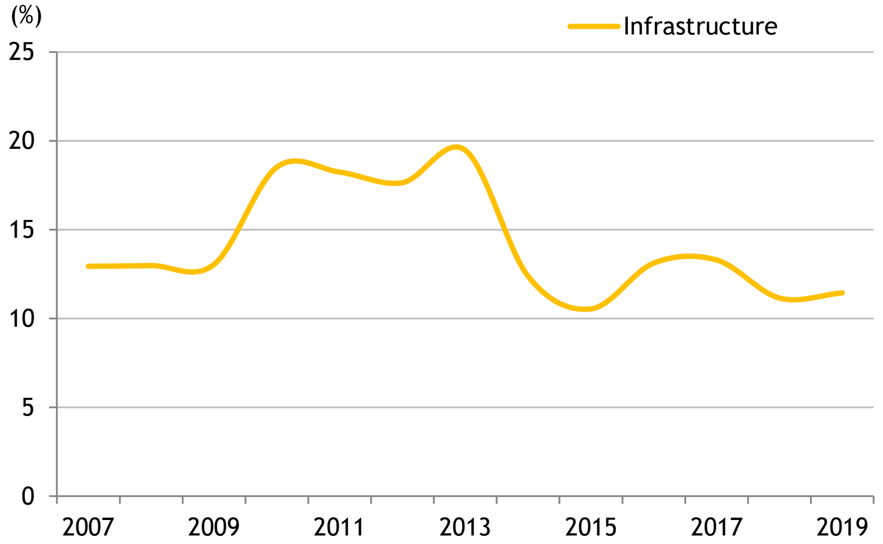
- The capacity utilisation for the manufacturing industry is on an upwards trend and it's near its all-time-high level since 2012.
- Aside from new investments from new industries, demand for industrial land may also be driven by a new capex cycle for the existing industries.

2.3 Major infrastructure upgrade

Infrastructure development has been President Joko Widodo's main agenda since he took office in 2014. His efforts have borne fruit, as shown in Bank Indonesia's survey of limiting factors in investing in Indonesia where previously infrastructure had always appeared as the second highest factor after the high interest rate. After five years of major developments, with much improvement in infrastructure, investors now complain more about administration matters.

As a matter of fact, during his presidential election victory speech, Joko emphasised that he will personally monitor any government officials who hinder the flow of investments by demanding illegal fees, putting in place unnecessary red tape and causing inefficient lead time. We believe the administration processes will become less complicated as a result.

Fig10: Infrastructure as limiting factors to investing in Indonesia



Source: Bank Indonesia

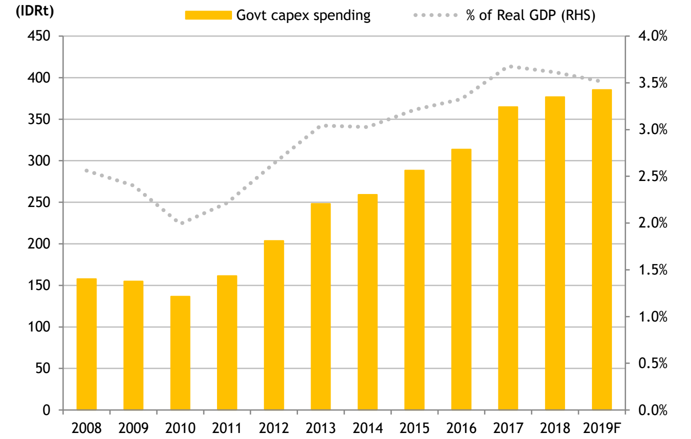
Fig 11: Logistics cost and time across Java

Jakarta to Pasuruan	Before Trans Java toll	After Trans Java toll	Δ
Distance	973 km	938 km	-4%
Traveling time	40 hours	15 hours	-62%
Fuel cost	IDR2.0m	IDR1.6m	-20%

Source: Ministry of Transport, Maybank Kim Eng

- With the completion of the Trans Java toll road by the end of 2018, we estimate the fuel-cost savings for trucks to be around 20% with 62% shorter travel time.
- The government plans to build more toll roads to connect up the southern part of Java.

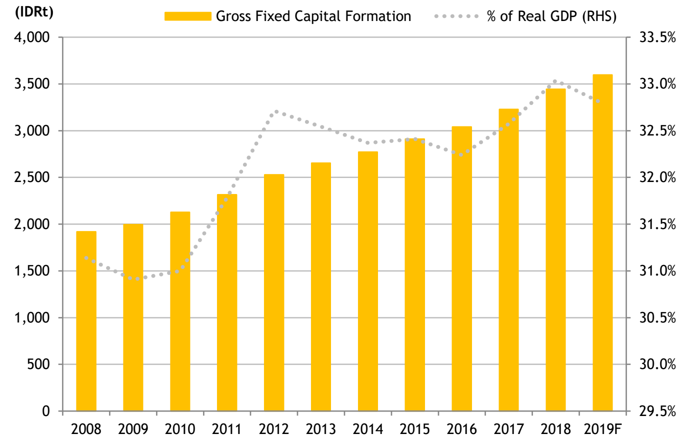
Fig12: Public investment spending



Source: BPS, Maybank Kim Eng

- President Joko Widodo has spent c.IDR2,000t (USD141b) of the 2014-2019 state budget on infrastructure development.
- Entering the second term of his presidency, he remains highly committed to infrastructure development as he has pledged to spend more of the budget and at an even faster pace of execution.

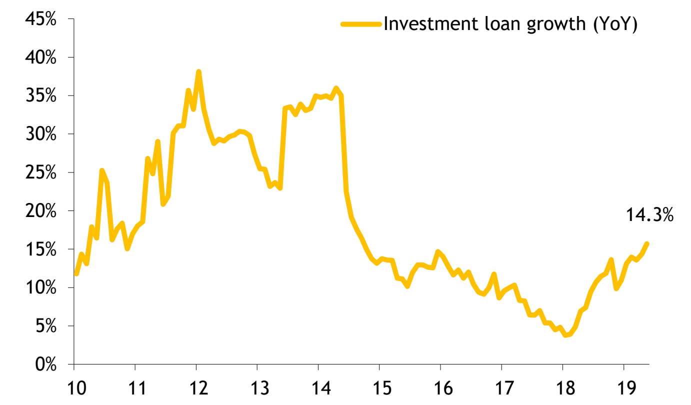
Fig13: Total investment spending



Source: Bank Indonesia, Maybank Kim Eng

- Investment spending in Indonesia continues to trend up. Together with the private sector, investments totaled USD342b in the past five years.
- A large part of this investment was from the private sector (60%).

Fig14: Investment credit growth (last: May'19)



Source: Bank Indonesia

- To our surprise, the investment credit growth continued to accelerate ahead of the election to 14.3% YoY in May'19, as typically investment credit growth slows during an election year.
- This represents the new investments by domestic companies. Our channel checks of local companies indicate that additional production capacity may be in selective sectors such as consumer staples, FMCG, and logistics & warehouse sectors.
- Nestle Indonesia for instance recently announced plans to spend as much as USD100m to expand its three existing plants.

2.4 Reforms to attract FDI

Tax incentives

To further stimulate foreign investments in the manufacturing industries, in late 2018, the Minister of Finance issued a new regulation on tax holiday facility of up to 100%. Additionally, there are two years of corporate income tax reductions of as much as 50% per year for new capital investments following the expiration of the tax holiday.

To simplify the application for tax holiday, the procedure can be submitted through an online system during the capital investment registration or within one year after the issuance of relevant licences. With this new regulation, tax-holiday incentives in Indonesia are now comparable to those in other ASEAN countries.

The latest tax incentive introduced was in May 2019, when the Government Regulation issued a regulation on new fiscal incentives dubbed the super-deductible tax under the PP No.45/2019. Although a more detailed scheme for the incentive is still being discussed at the ministerial level, in general, the idea is to reimburse the tax expenses of companies that invest in labour-intensive industries, vocational training and R&D.

Fig15: Tax incentives under PP No.45/2019

Sector	Deduction in	Tax deduction base	Tax deduction rate
Labor intensive	Taxable income	Total tangible investment	60%
Vocational training	Taxable gross revenue	Total cost for training	200%
Research & development	Taxable gross revenue	Total cost for R&D	300%

Source: Ministry of Coordinating for Economics

Labour law

One of the most critical issues that are currently being addressed is the labour law. Indonesia is notoriously known to be the most uncompetitive in its labour laws when compared with neighbouring countries. A worker who has worked 10 years for a company is eligible for nearly 100 weeks of severance pay. This is more than double than in Malaysia, the Philippines, Vietnam and Thailand.

We are confident the labour laws will be revised but it will take 1-2 years to be passed as the process requires parliament to assess and study the implications.

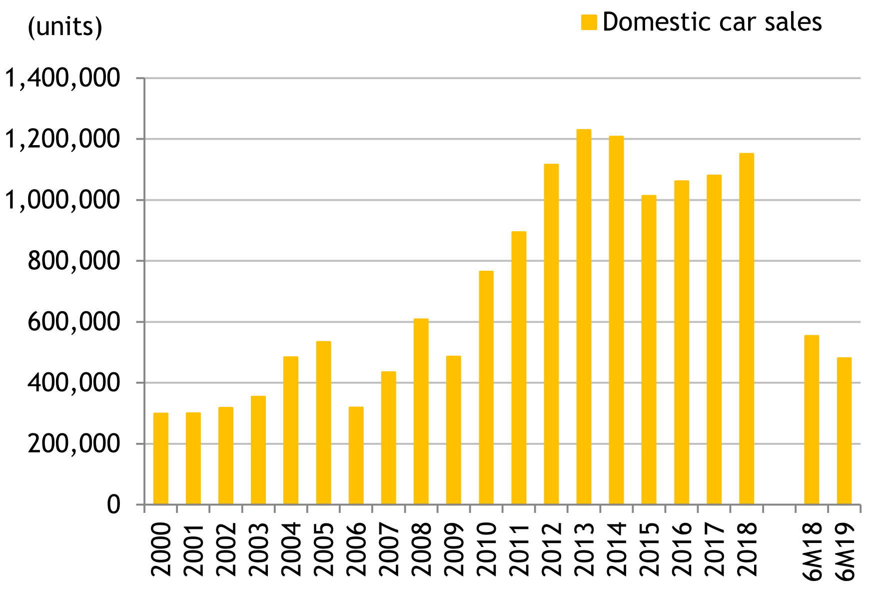
3. Major industries driving industrial land demand

3.1 Automotive

The first wave of investments from the automotive sector started in 2010. This drove industrial land sales to more than double for two consecutive years to 1,220 hectares in 2011 from 220 hectares in 2009. The rise of the auto industry has been the biggest driver of industrial land sales in Indonesia.

In 2012, the national automotive production capacity was 900,000units per annum. With expansion of existing automakers and the incoming of new players, the national capacity has increased to 2.2m units per annum. However, this has not been followed by the same growth of domestic car sales, which has been hovering at around 1.1m units per year since 2012.

Fig 16: Annual car sales (domestic)



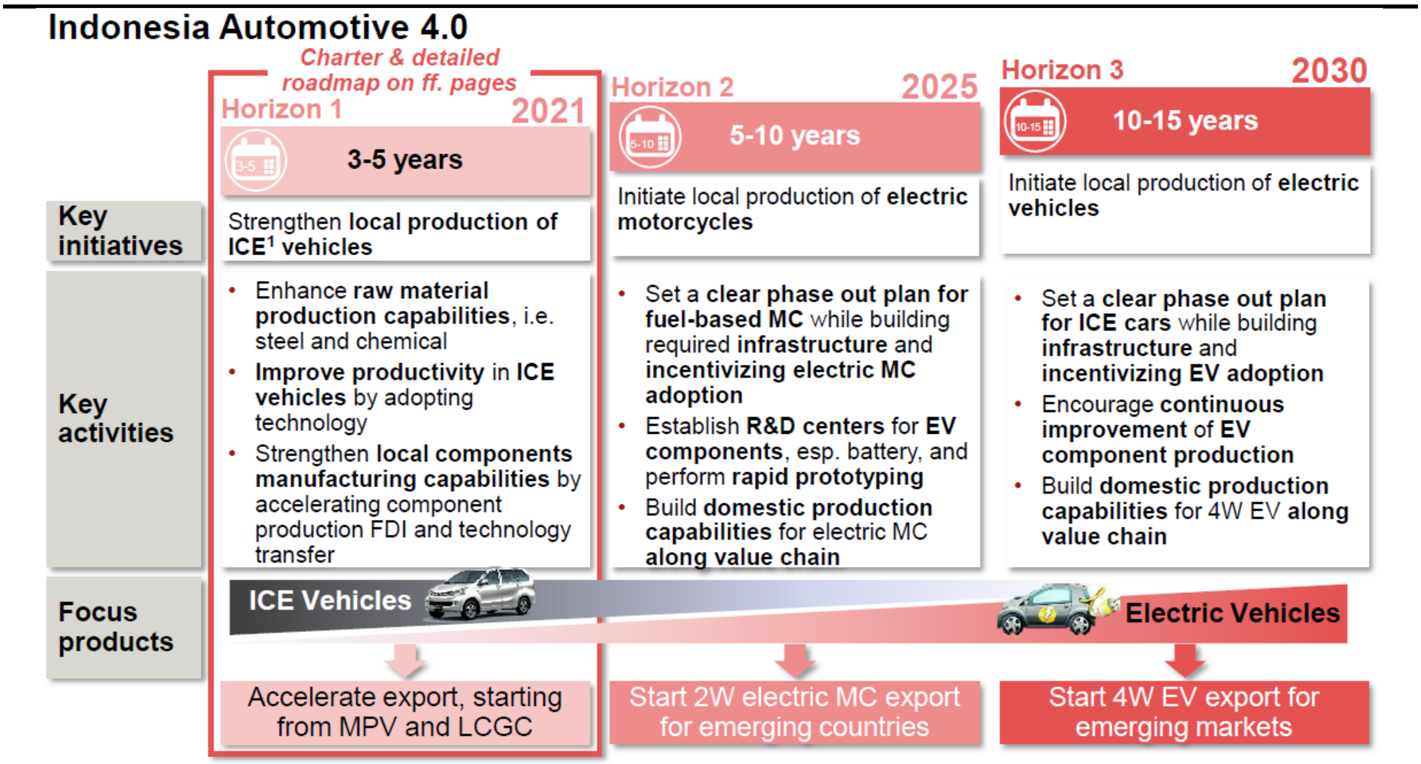
Source: Gaikindo

According to Gaikindo (Indonesia's automotive manufacturer association), national car production is running at 50% capacity. Despite this, we continue to see new inflows of investment in the automakers from Japan, China and South Korea into Indonesia.

In recent years, Mitsubishi, Dongfeng and Wuling set their foothold by establishing dominant manufacturing plants in the country. The latest news is that Hyundai Motors will enter the market this year through investment of around USD800m to produce 250,000 cars per annum by 2021. We estimate one automaker typically requires more than 50 hectares of land for their facilities.

The commitment by Indonesia to move towards EVs is tangible with the full support from President Joko Widodo. According to the roadmap for the automotive industry, the shift towards electric vehicles from internal combustion engine (ICE) vehicles will be done in stages. This is to also protect the existing manufacturing facilities while also inviting new investments to produce hybrid cars and electric vehicles.

Fig17: Roadmap for automotive industry in Indonesia



Source: Ministry of Industry
Note: ICE is internal combustion engine

To cultivate the country's rich nickel reserve (21m metric tonnes or 24% of the world's reserve), the Ministry of Industry and the Ministry of Finance have issued tax holiday and tax allowance incentives for industries related to motor vehicles batteries. Also, there will be income tax deductions of up to 300% for companies carrying our R&D related to electric vehicles.

There are four battery production facilities being built in the country. These will supply batteries for EVs and more plants will be built. Mercedes Benz, Volkswagen, Tesla, Contemporary Amperex Technology (CATL) and LG recently expressed their interest in building car battery manufacturing plants in Indonesia with total investments of around USD4b. CATL, the world's largest battery manufacturer, has reportedly started the groundbreaking of its facilities in Indonesia. Electric vehicles will require different components from ICE vehicles so this will invite new investments.

The latest news came from China's leading electric car producer, BYD, which announced its interest to build a manufacturing facility in Indonesia following its fellow Chinese automakers, Wuling and Dongfeng. BYD plans to use the facility in Indonesia as its export base to Australia and New Zealand.

3.2 Logistics & warehouse

With major upgrades to infrastructure, rising affordability of internet connection and smartphones ownership by of the population, digitalization and consumers' shift to e-commerce in urban Indonesia is advancing. As at the end of 2018, internet penetration in Indonesia had reached 65% of the population, representing roughly 171.7m people. This number has nearly doubled from 35% by end-2014.

McKinsey reported digital retail in Indonesia has grown from almost 'non-existent' in 2007 to c.2% of modern retail value in 2018, or a retail value of IDR112t (USD8b). Euromonitor projects online sales to overtake supermarket and hypermarket sales combined by 2022.

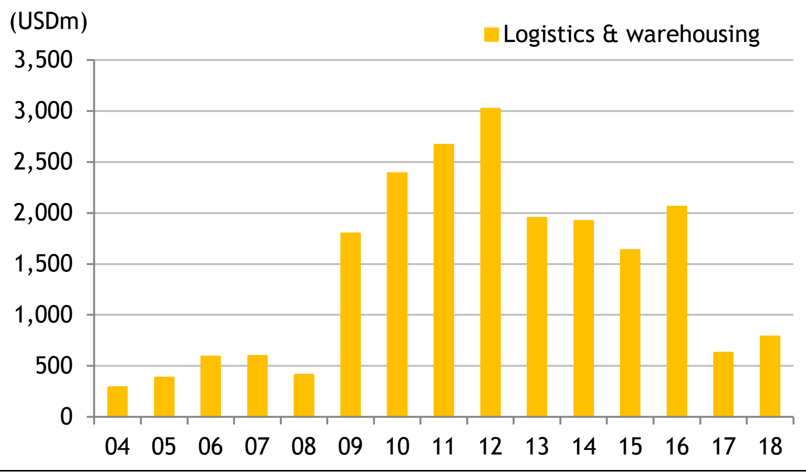
Indonesia's online retail sphere is currently dominated by domestic-based market-place platforms such as Tokopedia, Bukalapak, Shopee and Lazada, etc. For mobile retail, it appears the market is dominated by multi-service courier/transport apps such as Gojek and Grab.

Currently the shipping for online retailing is mostly handled by logistics courier services companies such as JNE, Wahana or the domestic postal service, which covers the whole of Indonesia. McKinsey estimates that by 2022, 1.6m parcels will be shipped per year. This would be more parcels in the next five years than in its entire history.

Aware of the lucrative potential, foreign logistics companies have made their foothold in the logistics industry. Names like Ninja Express (Singapore) and J&T Express (China) come to mind.

Several major players such as Lazada (Alibaba) and JD are expanding their warehousing network in an effort to secure market share. Lazada plans to add five new warehouses on top of its existing three in Jakarta, Surabaya and Medan. JD is building another warehouse in Medan after completing the ones in Cimanggis (West Java), Surabaya and Pontianak. With established warehouse and logistics infrastructure, the companies will be able to offer logistics solutions to sellers/vendors and expand their presence as well as product selection. The warehouse business is now opened to 67% foreign investment ownership. Previously, it was on the negative investment list.

Fig18: FDI in logistics and warehousing industries



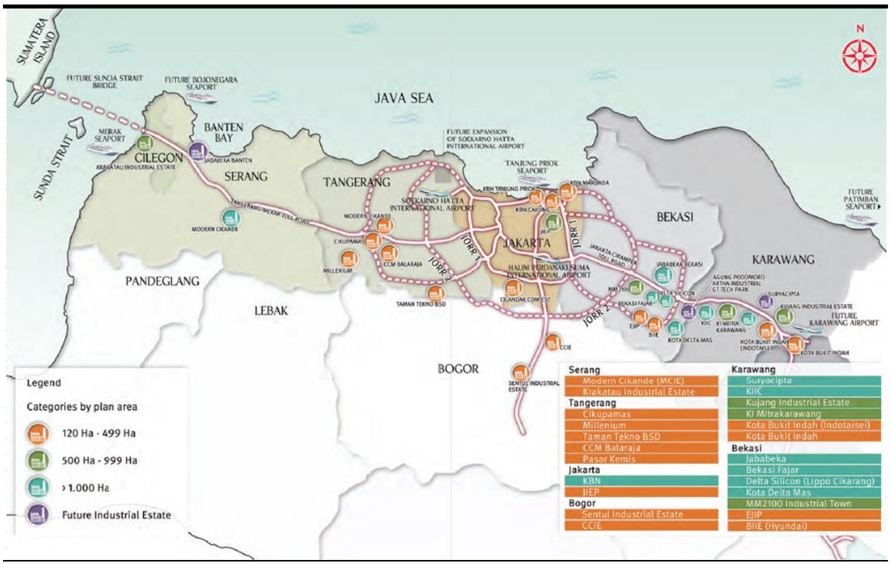
Source: Bank Indonesia

4. Industrial estates in Greater Jakarta

Under the Government Regulation No. 24/2009 relating to industrial estates, industrial facilities are required to be located in an industrial estate to promote proper city planning, accelerate industry growth in rural areas and give ‘location certainty’ in the planning and construction of supporting infrastructures, which are coordinated between the related industry sectors.

Record-high industrial land sales were achieved in 2011 at 1,220 hectares during the high capex cycle to the automotive sector. But since then, volumes have continued to drop as there was no other industry that could spur land sales. These industrial estates are mostly in Bekasi, Cikarang and Karawang, on the eastern part of Jakarta.

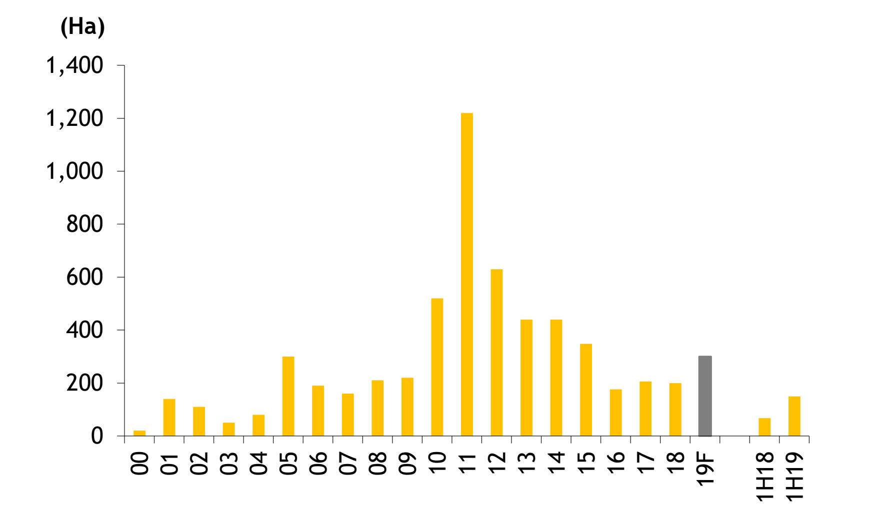
Fig19: Major industrial estates in Greater Jakarta



Source: Knight Frank

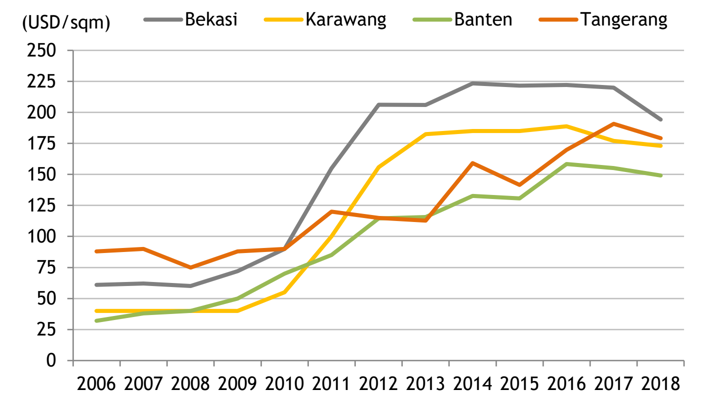
But with strong 1H19 sales volume of 150 ha (+123% YoY), we are confident FY19F sales volume will surge 50% YoY to 300 ha. This will be driven by land sales to the automotive, logistics & warehouse, and consumer sectors.

Fig20: Annual industrial land sales



Source: Colliers International, Maybank Kim Eng

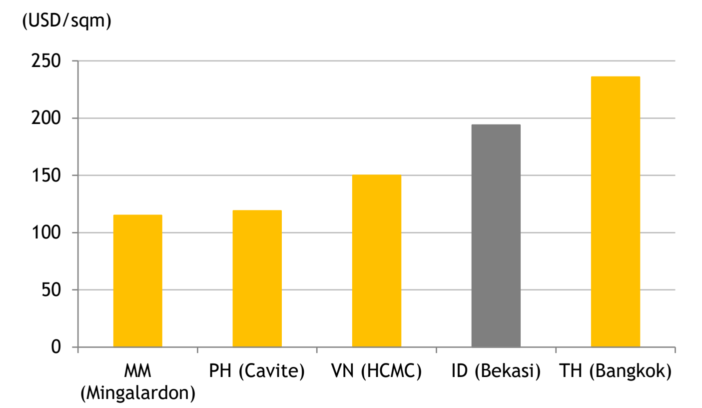
Fig21: Industrial land price in Greater Jakarta



Source: *Colliers International*

- Nestled among the nation's main seaport, toll roads and a new airport on the eastern side of Jakarta, industrial estate land prices in key the areas of Bekasi and Karawang have been rising since 2010 vs the Banten area (west of Jakarta).
- ASP in these areas increased significantly by 77% YoY to USD206/sqm in 2012, well above industrial land prices in Banten, which remain at USD115/sqm on average, according to data from Colliers International.
- We saw some correction in land prices in 2018 mainly due to weak demand and the Indonesian Rupiah devaluation.
- Today, land prices in Bekasi are still the highest due to their strategic locations.

Fig22: Industrial land price in ASEAN (2018)

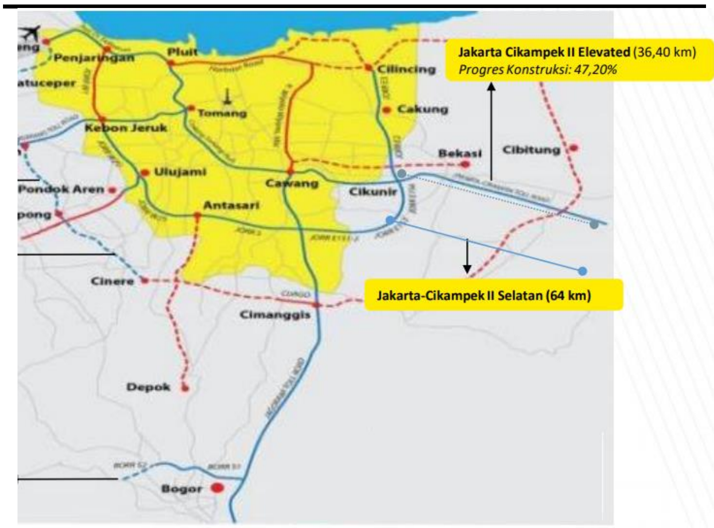


Source: *Colliers International, PWC*

- As land prices in Indonesia are the second highest in the region, going forward, we expect prices to increase only moderately to maintain competitiveness.
- Despite being less competitive than Myanmar, the Philippines and Vietnam in terms of industrial land price and minimum wage, we believe Indonesia will remain an attractive destination for FDIs due to its significantly larger source of raw materials and domestic market size.

4.1 Additional toll road in Greater Jakarta

Fig23: Additional toll road in East of Jakarta

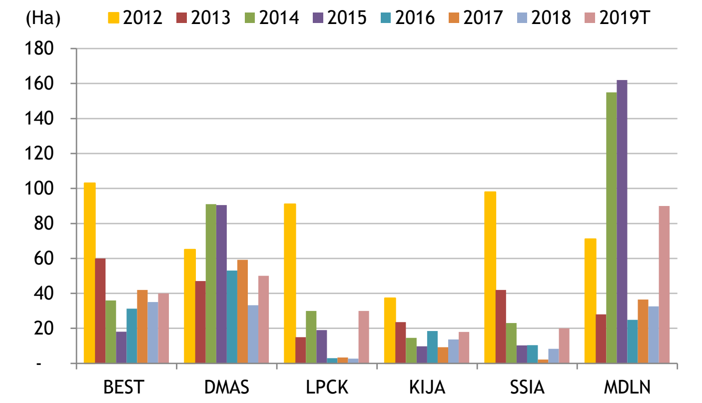


Source: *Jasa Marga*

- Construction of the long-awaited Jatiasih-Cikampek II South toll road is underway and we expect it to be completed in 2021. This toll road will be connected to the existing Jakarta Outer Ring Road.
- This toll road will most likely pass through the southern areas of several industrial estates in Bekasi – Karawang, such as those belonging to Bekasi Fajar (BEST), Lippo Cikarang (LPCK), Puradelta Lestari (DMAS) and Surya Internusa (SSIA).
- The additional access will enhance land values on the southern side of the Bekasi – Karawang area.
- An elevated toll road is also under construction above the existing Jakarta – Cikampek toll road and we expect it to be completed by end-2019. This additional access will help to 'debottleneck' the heavy traffic on the existing toll road.

4.2 Major industrial players in Greater Jakarta

Fig24: Annual industrial land sales

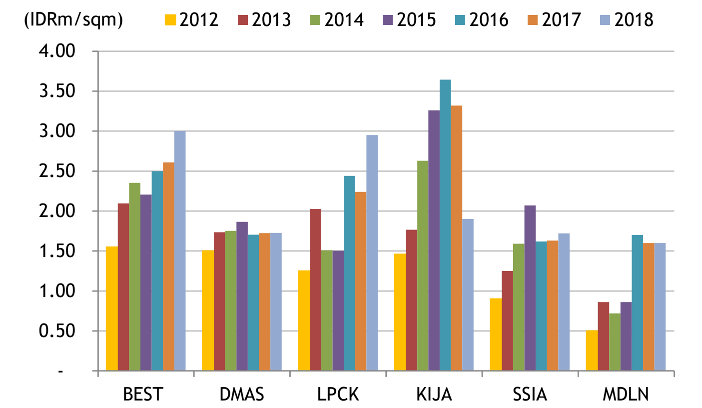


Source: Company data

Note: 2019T is company target for 2019

- There are six main industrial estate developers in Greater Jakarta. Most of them are located at Bekasi and Karawang, while Modernland (MDLN) is at Cikande (Banten).
- While annual industrial land sales have been weakening across the board since the high in 2012, we do note that all of the developers are confident of a sharp recovery in FY19F.

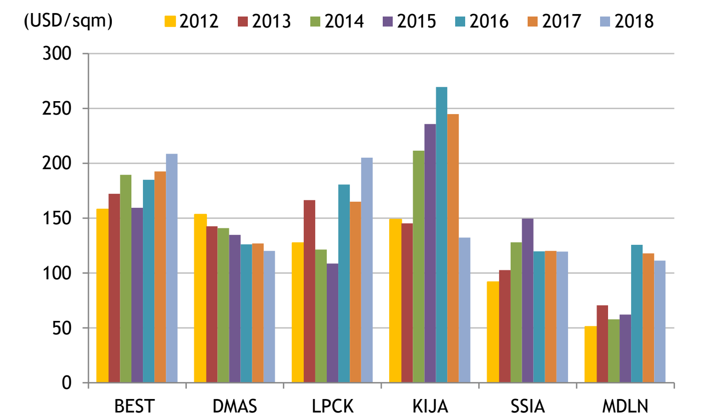
Fig25: Developers' industrial land prices



Source: Company data

- The developers employ different pricing strategies. BEST and KIJA lead the pack due to theirs superior locations and more advanced estate development methods. But KIJA's ASP was lowered in 2018 as it sold a new development area.
- Since 2013, DMAS has been stable in its pricing as it owns one of the largest land banks amongst its peers. DMAS continues to attract large industries to settle in its estate.
- As LPCK does not focus on selling industrial land. Instead it tries to command higher prices for its remaining land bank.
- SSIA and MDLN have the lowest ASP due to their locations in Banten and Karawang.

Fig26: Developers' industrial land price in USD psm



Source: Company data

- In terms of USD, the industrial land prices sold by the listed developers averaged USD150 per sqm in 2018. This is comparable to land prices in Ho Chi Minh City, Vietnam.
- We expect the growth for industrial land prices to be moderate due to tight competition from other countries in the region. Most developers are looking to secure a high volume of sales rather than high prices.

Fig27: Industrial land bank

(Hectares)	Bekasi	Karawang	Subang	Banten
BEST	1,045			
DMAS	1,478			
LPCK	434			
KIJA	1,200			
SSIA		161	1,100	
MDLN	637			317

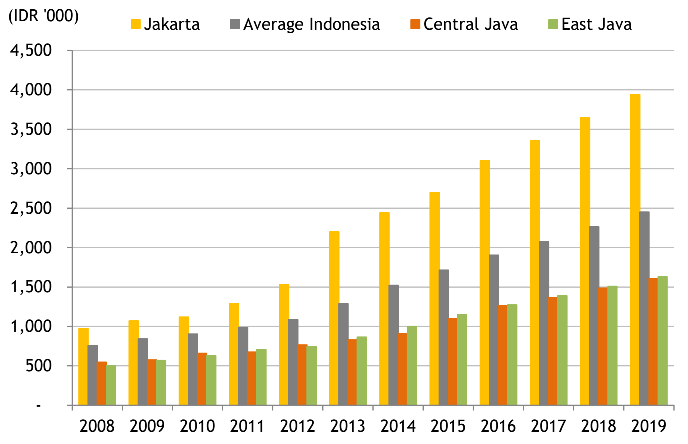
Source: Company data

- Most developers have land in Bekasi but due to the scarcity of new land, future developments will be outside this area in Subang (West Java), Central Java and East Java.
- Current replacement cost is still low at IDR500k psm on average in Bekasi. With infrastructure cost of IDR400k psm, this suggests gross margin is c.66% for the sector.

5. Other locations: Central Java, East Java

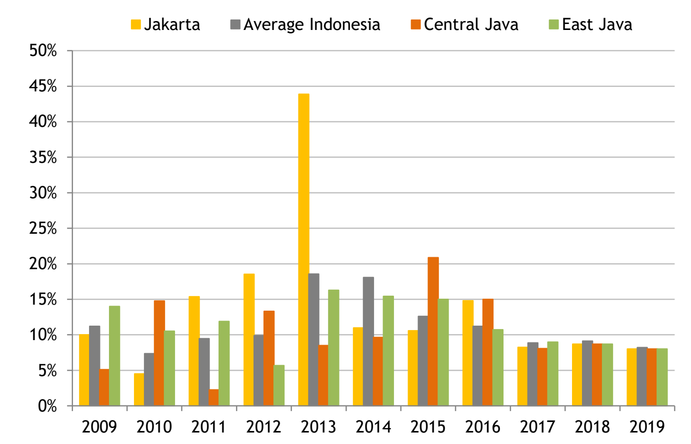
Besides Greater Jakarta, other major industrial estates in Indonesia are in Central Java and East Java. These areas appeal to the labour- intensive industries as the minimum wage is only 40% of those in Jakarta.

Fig28: Annual minimum wage by province…



Source: BPS

Fig29: …and their annual growth



Source: BPS

The main industrial estates in these two provinces are:

Kawasan Industri Jababeka (KIJA)
Under its JV with Sembcorp (SCI SP, NR), KIJA is developing Kendal Industrial Park in Kendal, Central Java. It owns 572 hectares of land with a total development area of 2,700 hectares. The industrial settling in Kendal is more diverse than in Greater Jakarta with sectors ranging from F&B, furniture to paper products and others.

Intiland Development (DILD)
Intiland is one of the leading developers in the Greater Surabaya area. It's developing Ngoro Industrial Park with a total development area of 505 hectares and currently it has a land bank of 86 hectares. Its key tenants are in the consumer goods, electronics and tile manufacturing sectors.

AKR Corporindo (AKRA)
AKR, a leading private fuel and chemicals distributor in Indonesia, expanded its business into industrial estate development at Gresik, East Java through a JV with Pelindo III (SOE seaport operator). In 2018, Java Integrated Industrial Estate (JIIPE) was officially inaugurated by the president of Indonesia and was named as one of the strategic national projects. JIIPE has 1,761 hectares of industrial development area.

6. Top Picks: DMAS and BEST

The industrial estate sector will be on the frontline to benefit from new incoming investments, driven by electric vehicles and the logistics & warehouse sectors. We like developers with large land banks in strategic locations that can cater to the incoming industrial land demand. Our top picks for industrial-estate developers under our coverage are: Puradelta (DMAS IJ) and Bekasi Fajar (BEST IJ).

We use discount to RNAV and 1-year forward and P/BV as a sanity check. In calculating our RNAV, we use simple market values for their current land bank and investment properties. We assigned a discount rate to the RNAV of individual developers according to their earnings visibility and balance-sheet health.

6.1 Puradelta Lestari (DMAS IJ)

As the only developer that can supply large industrial land plots in the Bekasi area, DMAS is set to capture the coming wave of investments and reach a new level of presales of above 80ha per year until FY21E, we believe (from 16ha in FY18). Operating at zero debt gives it ample room for sourcing new capital for future expansion plans. DMAS is also the most generous dividend paying developer in Indonesia at 4% yield.

Initiate at BUY with TP of IDR360, based on 34% discount to RNAV (slightly above +2SD to its 5-year mean), implying 2.3x P/B FY19E (slightly above +2SD to its 5-year mean). Despite the 158% rally since Sep'18, we believe DMAS's strong presales potential from FY19E onwards has not been fully reflected. DMAS deserves to re-rate beyond its historical valuation as we expect to see unprecedentedly higher levels of annual presales since its IPO in 2015.

6.2 Bekasi Fajar (BEST IJ)

We upgrade BEST to BUY from HOLD as it appears set to capitalise on the pick-up FDI in Indonesia through its strategically-located land assets in a prime industrial hub in Bekasi. As of Jun'19, it owns 1,043 hectares of land in Bekasi, of which 240 hectares are ready-for-sale. We are also positive on its plan to expand its business to a second industrial estate either in West Java or Central Java. We estimate the expansion would lift RNAV to 20%.

Despite its strong rally since Oct'18, we believe it has not fully priced in its potential growth ahead in the sector's upcycle. BEST is still undervalued, trading at a 63% discount to RNAV and 0.7x P/B FY19E, a deep discount to DMAS, its closest peer, which is trading at a 44% discount to RNAV. We raise our presales assumptions for FY19E-21E by 13%/36%/43%, which lifts our EPS by 17%/36%/43%. Our new TP is IDR400, up 54% from IDR260, based on a 54% discount to RNAV, +1SD of its 5-year mean vs a 68% discount to its 5-year mean previously.

7. Risks

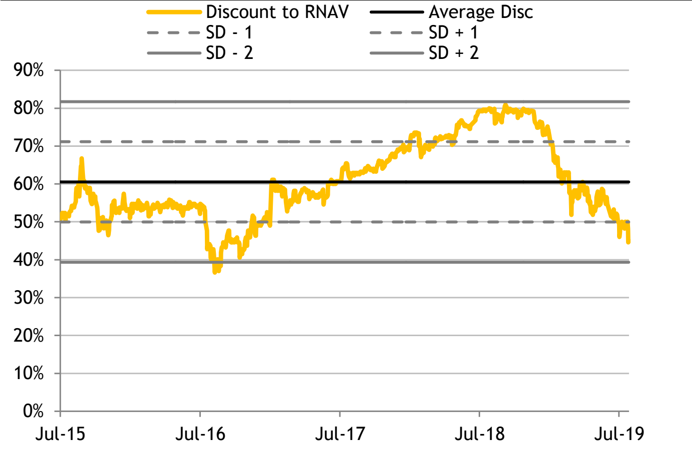
High volatility of the currency
When the currency is highly volatile, most businesses will refrain from making major investment decisions. Likewise, a continuously weakening currency will also lead to an unfavorable investment climate in Indonesia.

Sharp global economic downturn
Changes in the global business strategy of multinational corporations will impact their investments decisions in Indonesia. During the Asian financial crisis in 1998 for instance, P&G halted its manufacturing facilities in Indonesia.

Regulatory environment
Changes to the negative investment list, corporate income tax rate, labour laws and other tax allowances may impact the flow off investments into Indonesia. Indonesia's regulations relating to economic policies must be competitive compared with neighbouring countries, especially ASEAN.

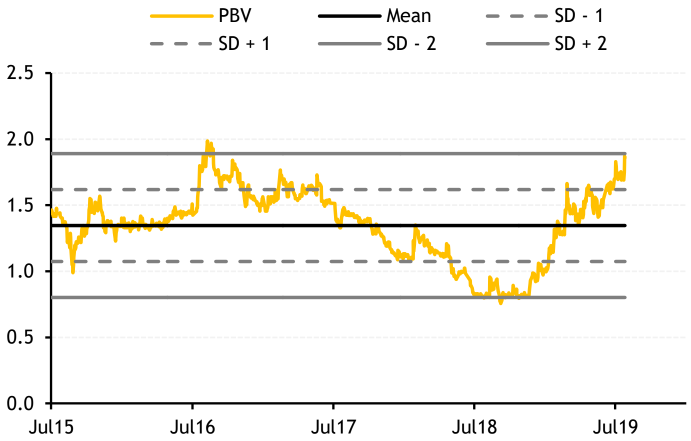
Appendix 1

Fig 230: DMAS discount to RNAV band (1-year forward)



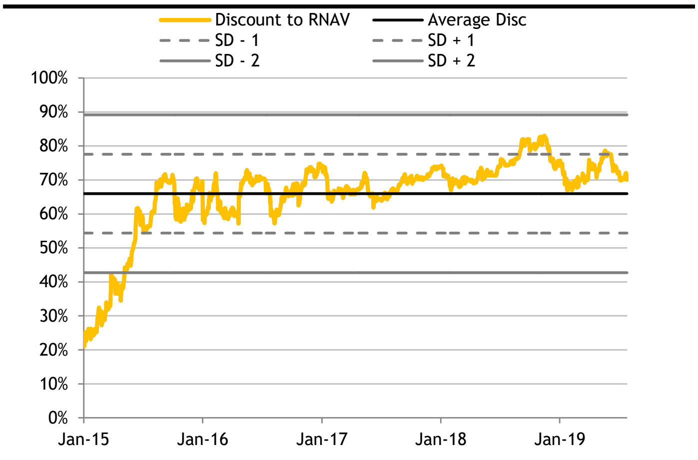
Source: Bloomberg, Maybank Kim Eng

Fig 33: DMAS P/B band (1-year forward)



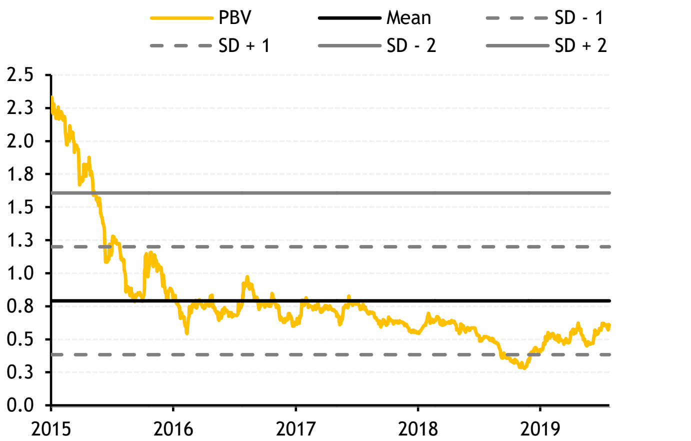
Source: Bloomberg, Maybank Kim Eng

Fig32: BEST discount to RNAV band (1-year forward)



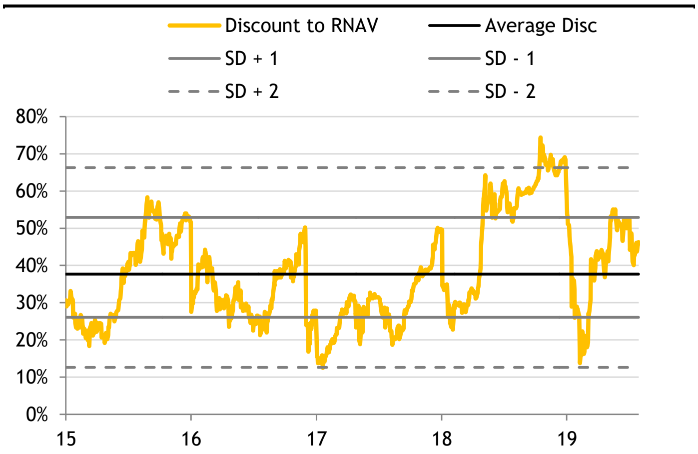
Source: Bloomberg, Maybank Kim Eng

Fig33: BEST P/B band (1-year forward)



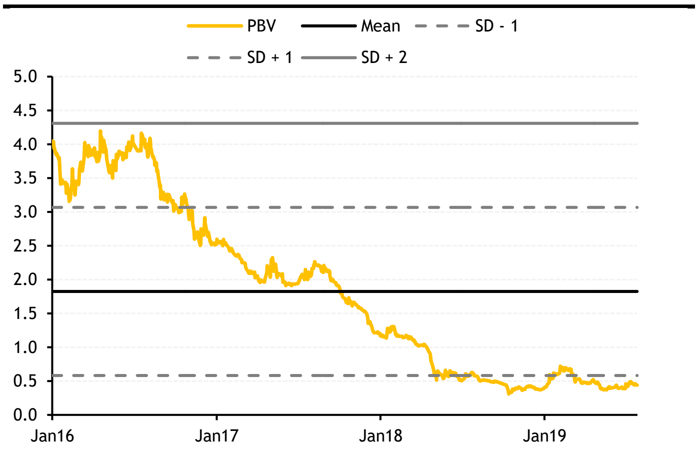
Source: Bloomberg, Maybank Kim Eng

Fig 434: LPCK discount to RNAV band (1-year forward)



Source: Bloomberg, Maybank Kim Eng

Fig35: LPCK P/B band (1-year forward)



Source: Bloomberg, Maybank Kim Eng

Maybank Kim Eng

Bekasi Fajar (BEST IJ)

Ride the wave; U/G to BUY

BUY

[Prior:HOLD]

Share Price	IDR 292
12m Price Target	IDR 400 (+37%)
Previous Price Target	*IDR 260*

U/G to BUY with 54% higher TP of 400

Upgrade BEST to BUY from HOLD as it appears set to capitalise on increasing FDI in Indonesia, with its strategically-located land assets in a prime industrial hub in Bekasi. Despite its strong rally since Oct'18, we believe that it has not fully priced-in its potential growth ahead the sector's upcycle. Valuation wise, BEST is still undervalued, trading at 66% discount to RNAV and 0.7x P/B FY19E a deep discount to DMAS, its closest peer's valuation at 44% disc. to RNAV. We lift our presales assumptions for FY19E-21E by 13%/36%/43% which lifts our EPS by +17%/+36%/43%. Our new TP is IDR400, up 54% from IDR260, based on a 54% disc. to RNAV, +1SD of its 5-year mean vs. a 68% disc. its 5-year mean, previously.

Only pure industrial-estate developer

Unlike its peers, BEST sticks to its core strength of selling industrial land only. It has no plans to develop commercial or residential properties. Its gross land bank as of Jun 2019 was 1,043ha, of which 240ha was ready for sale. As new land in Bekasi is scarce, we believe pricing can be supported.

Execution to continue

BEST holds a good record of meeting its presales targets. This year, it aspires to sell 40ha, up 14% YoY. Together with a high level of land enquiries of 96ha, we are confident it can meet its target. As BEST's ready-for-sale land can only cater to land plots below 20 ha each, it should continue to lead pricing as larger land plot buyers of more than 20ha will negotiate for bigger discount to its quoted selling price.

Expanding to West or Central Java to enlarge RNAV

Management is conducting due diligence to expand to West or Central Java. Additional estates in either will help it diversify its portfolio which will appeal to labor intensive industries. The expansion plan is scheduled to be realised in 2H19 and we estimate this may boost its RNAV by 20% and possibly match its land bank size to DMAS at around 1,300ha.

FYE Dec (IDR b)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	1,006	963	1,217	1,349	1,414
EBITDA	592	551	732	822	861
Core net profit	483	423	567	655	695
Core EPS (IDR)	50	44	59	68	72
Core EPS growth (%)	43.8	(12.4)	34.1	15.4	6.2
Net DPS (IDR)	3	10	9	12	14
Core P/E (x)	5.0	4.7	5.0	4.3	4.1
P/BV (x)	0.6	0.5	0.6	0.5	0.5
Net dividend yield (%)	1.4	4.8	3.0	4.0	4.6
ROAE (%)	13.4	10.6	12.9	13.3	12.7
ROAA (%)	8.8	7.0	8.6	9.2	9.0
EV/EBITDA (x)	5.8	5.0	4.5	3.6	2.9
Net gearing (%) (incl perps)	26.4	18.4	10.5	2.8	net cash
Consensus net profit	-	-	490	556	732
MKE vs. Consensus (%)	-	-	15.7	17.7	(4.9)

Company Description

The company is engaged in the development and management of industrial estates and properties in the most prime industrial areas in Indonesia.

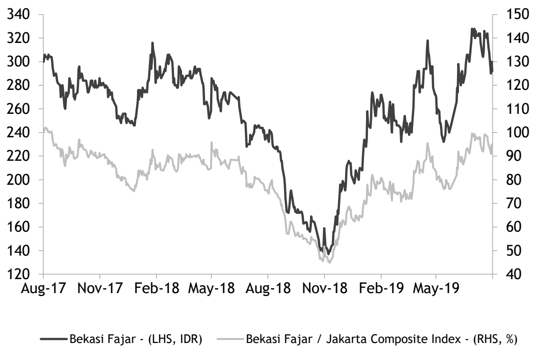
Statistics

52w high/low (IDR)	328/137
3m avg turnover (USDm)	0.5
Free float (%)	42.0
Issued shares (m)	9,647
Market capitalisation	IDR2.8T
	USD198M

Major shareholders:

PT Argo Manunggal Land Development	48.0%
Daiwa House Industry	10.0%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(11)	7	23
Relative to index (%)	(9)	9	20

Source: FactSet

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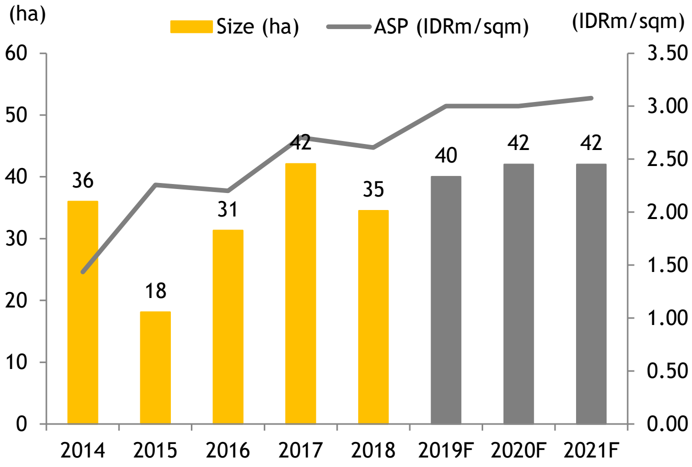
Pure industrial-estate developer

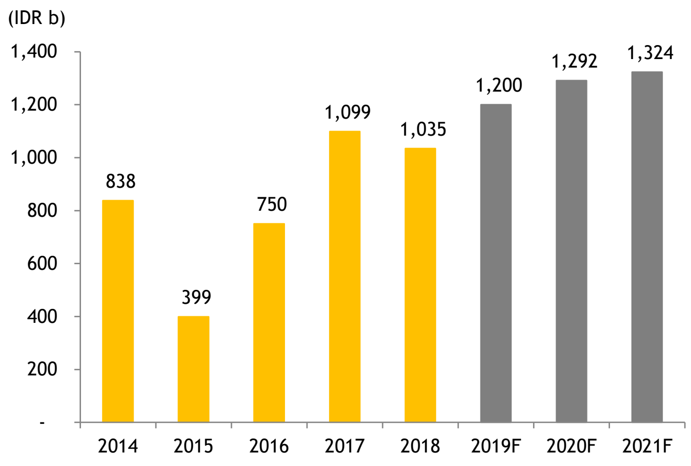
BEST's ready-for-sale land remains 150 ha. Although it charges the highest land price per ha of IDR3.0m psm in Bekasi, it continues to attract new demand. Most of its new tenants are Japanese, who value the high quality of the infrastructure that its Bekasi estate offers. With an improving investment outlook on the back of large potential demand of industrial land from electric vehicle and logistics & warehouse sectors, we believe its annual presales growth will continue to grow.

Fig 5: Annual presales volume and ASPs



Source: Company data, Maybank Kim Eng

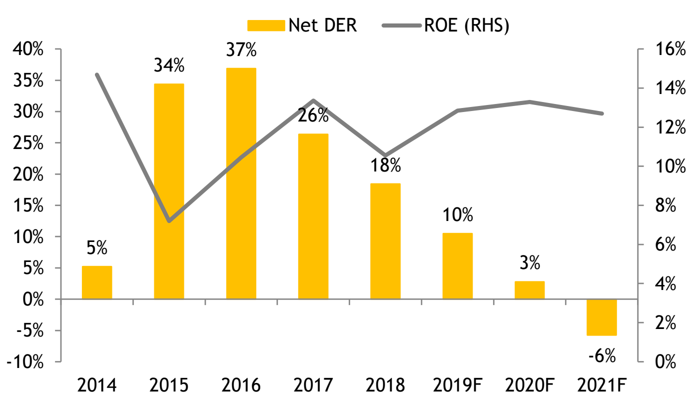
Fig 6: Annual presales



Source: Company data, Maybank Kim Eng

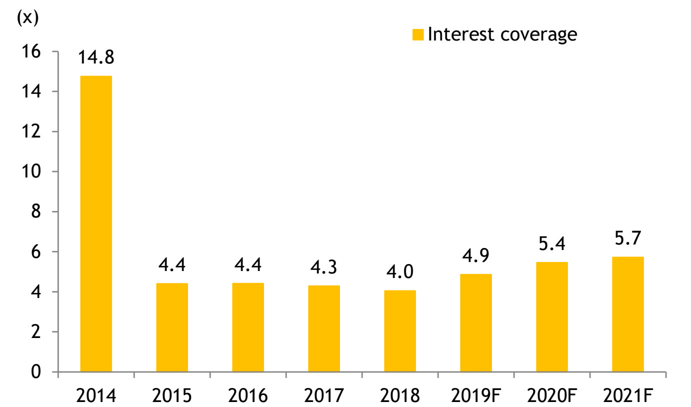
A healthy balance sheet with 10% gearing as at end-2019 should provide room for leveraging to expand to a second industrial estate. Management has set aside IDR600b for expansion this year. Another IDR600b has been budgeted for the acquisition of new land in its existing Bekasi estate.

Fig 7: Net gearing and ROEs



Source: Company data, Maybank Kim Eng

Fig 8: Interest coverage



Source: Company data, Maybank Kim Eng

Changes in our assumptions

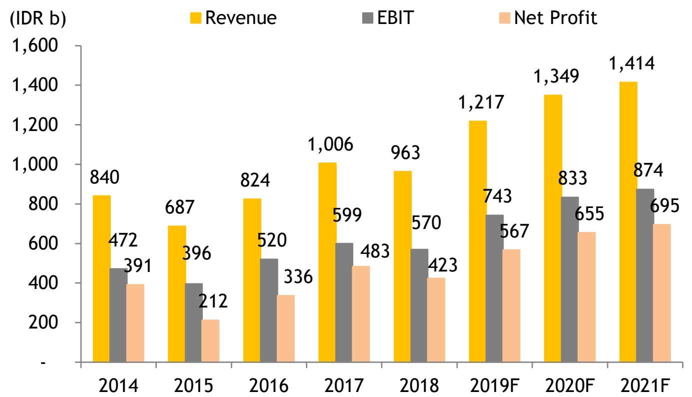
We increase FY19-21E land sales by 25-31% to 40-42ha following its higher level of enquiries. However, we see limited upside for ASPs as BEST's land prices are already IDR3m psm or USD214 psm vs its closest peers' USD120-205. We assume 3% annual price appreciation just to pass on the inflation from high competition in the Bekasi area among the industrial estates KIJA, BEST, DMAS, LPCK, SSIA and other non-listed companies. Despite this, we believe its current selling prices are sustainable from a scarcity of available land bank in Bekasi. Our higher presales lift our EPS estimates by +19%/+42%/+50%. We assume stable margins as costs are expected to be flat.

Fig 9: Changes in our assumptions

	2019F			2020F			2021F		
	Old	New	+/- %	Old	New	+/- %	Old	New	+/- %
PRE-SALES									
Net land sold (in ha)	32	40	25%	32	42	31%	32	42	31%
ASP (IDRm/sqm)	3.1	3.0	-2%	2.9	3.1	5%	2.9	3.2	7%
Value (IDR b)	984	1,200	22%	941	1,292	37%	941	1,324	41%
Total Revenues	**1,092**	**1,217**	**12%**	**1,157**	**1,349**	**17%**	**1,157**	**1,414**	**22%**
EBIT	646	743	15%	625	833	33%	625	874	40%
Net Profit	475	567	19%	462	655	42%	462	695	50%
(%)	**New**	**New**	**+/- ppt**	**New**	**New**	**+/- ppt**	**New**	**New**	**+/- ppt**
Gross margin	71%	71%	0.5	66%	72%	6.0	66%	72%	6.1
EBIT margin	59%	61%	1.8	54%	62%	7.7	54%	62%	7.8
Net margin	44%	47%	3.0	40%	49%	8.6	40%	49%	9.2

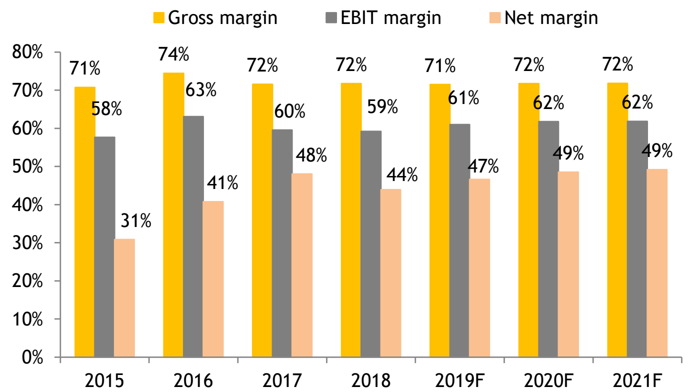
Source: Maybank Kim Eng

Fig 10: Revenue, EBIT, net profit



Source: Maybank Kim Eng, Company

Fig 11: Margins



Source: Maybank Kim Eng, Company

Valuation

We upgrade BEST to BUY as it is strategically positioned to capture the incoming wave of investment into Indonesia. We believe BEST's valuation deserves a further re-rating due to its promising presales growth outlook and superior estate locations.

In our RNAV calculation, we now use simple market values for its remaining land bank and investment properties. With this, our RNAV per share rises by 5% to IDR869 from IDR825. Previously, we discounted cash flows from its development for five years and added the market value of its remaining land bank. This is to estimate the company's liquidation value.

Our new TP of IDR400 is based on a 54% discount to RNAV, +1SD of its 5-year mean vs a 68% discount, its 5-year mean, earlier to account for its high presales outlook on the back of the incoming demand for industrial land from FDI boom in Indonesia. It implies 0.8x FY19E P/BV, its 5-year mean.

Fig 12: RNAV

	Gross Landbank (hectares)	Estimated Value (IDRb)	Ownership (%)	Value of Ownership (IDRb)
PROPERTY DEVELOPMENT				
MM2100 ready-for-sale	240	4,151	100%	4,151
MM2100 not-ready for sale	810	4,860	100%	4,860
TOTAL	**1,050**			**9,011**
INVESTMENT PROPERTIES		15	100%	15
Customer Advance (2019F)				(156)
Net Cash (2019F)				(488)
RNAV				8,381
# of Shares				9,647
RNAV per share				869
Target price				**400**
Discount to RNAV				-54%

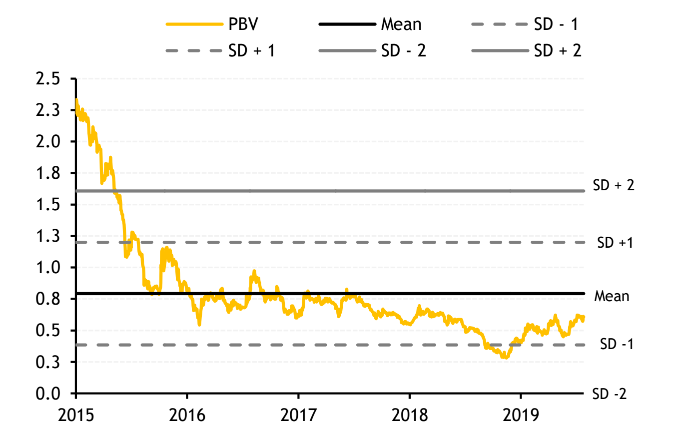
Source: Maybank Kim Eng

Fig 13: Detail for Net Asset Value

	Ready-for-sale	Not-ready-for-sale
Industrial land bank (ha)	240	810
ASP (IDRm/sqm)	3.00	0.60
Gross value (IDRb)	5,031	4,860
Conversion ratio (%)	70%	100%
Development cost (IDRb)	503	
Opex (IDRb)	252	
Taxes (IDRb)	126	
Net Asset Value (IDRb)	**4,151**	**4,860**

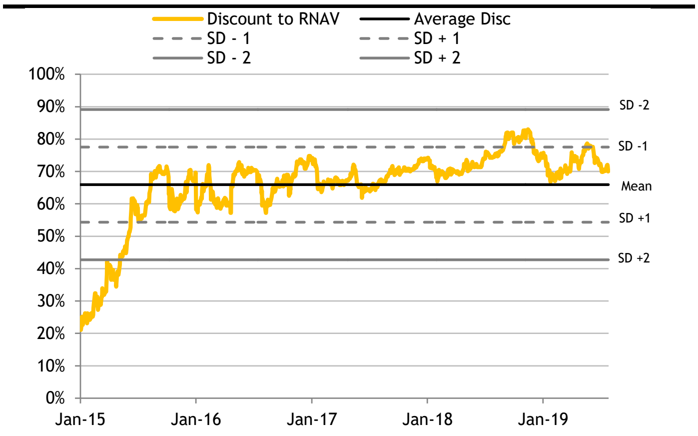
Source: Maybank Kim Eng

Fig 14: P/BV band (1-year forward)



Source: FactSet, Maybank Kim Eng

Fig 15: Discount to RNAV (1-year forward)

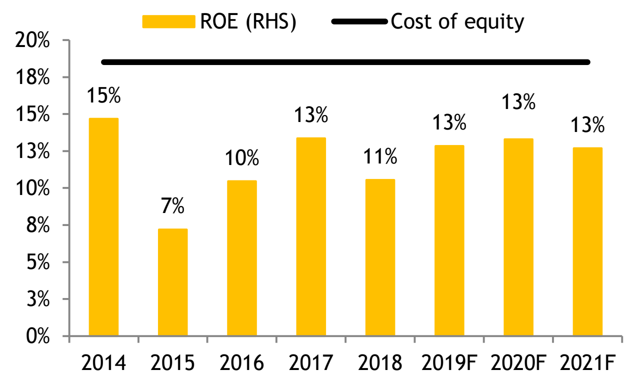


Source: FactSet, Maybank Kim Eng

Value Proposition

- Strategically located and mature industrial estate is in the most-wanted industrial area in Indonesia.
- Land bank is about 1,000 hectares (gross) but mostly scattered with only 240 hectares of ready for sale land bank as of 6M19. Sales expected to increase above 40ha in the next three years from increasing demand.
- Improving ROE from higher annual sales volume.
- We estimate net gearing will decline to 11% in FY19E, which is still at a manageable level. This allows the company to take on higher leverage for its expansion plans.
- We estimate an addition of 300 hectares of land may increase its RNAV by 20%.

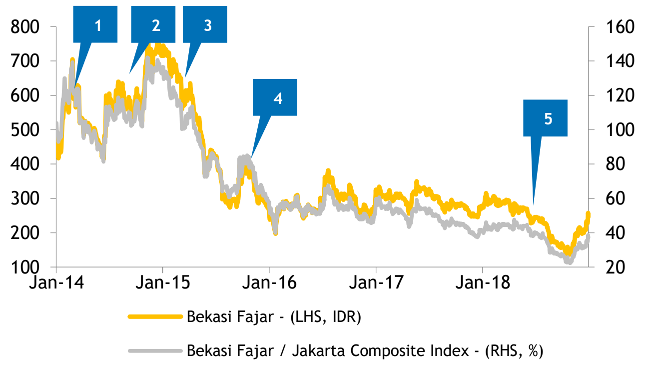
ROE and cost of equity



Source: Company data, Maybank Kim Eng

Price Drivers

Historical share price performance



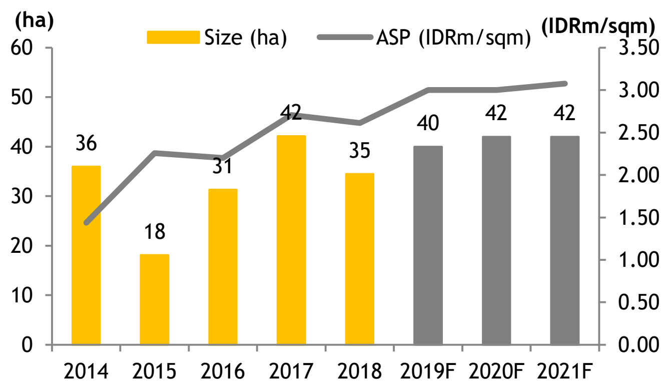
Source: Company, Bloomberg, Maybank Kim Eng

1. Further weakening of presales, expectations of significant decline in pre-sales building up.
2. Slowest presales in nine quarters, with no expectations of recovery.
3. Slowing GDP growth expected to hit industrial estate developers. Company's scattered land bank hasn't improved, making it lose out on sales of big size land.
4. No pre-sales for two quarters.
5. Continued weakness in IDR.

Financial Metrics

- Pre-sales to grow above 40ha per annum in the next three years. Plot sizes are smaller than its closest competitor.
- We expect flat to modest ASP growth going forward from competition in the area.
- FCF is positive in which can be used for its expansion plan to its second industrial estate.
- Requires sales of 15ha of land per year to break even and service its debt.

Annual ASP and pre-sales volume



Source: Company data, Maybank Kim Eng

Swing Factors

Upside

- Significant land plot sales to improve cash flow.
- Stabilising IDR/USD and improving business sentiment.
- Resolving scattered land bank issue.

Downside

- Inability to increase saleable land bank.
- Regulatory risk on investments in Indonesia.
- Tightening cash flow from slower-than-expected pre-sales.

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FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Metrics					
P/E (reported) (x)	5.9	5.4	5.0	4.3	4.1
Core P/E (x)	5.0	4.7	5.0	4.3	4.1
P/BV (x)	0.6	0.5	0.6	0.5	0.5
P/NTA (x)	0.6	0.5	0.6	0.5	0.5
Net dividend yield (%)	1.4	4.8	3.0	4.0	4.6
FCF yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	5.8	5.0	4.5	3.6	2.9
EV/EBIT (x)	5.7	4.9	4.5	3.6	2.8
INCOME STATEMENT (IDR b)					
Revenue	1,006.0	963.0	1,217.4	1,348.7	1,413.7
Gross profit	720.0	691.0	870.3	967.4	1,014.7
EBITDA	592.0	551.0	732.2	821.7	861.3
Depreciation	(7.0)	(19.0)	(10.4)	(11.4)	(12.6)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	599.0	570.0	742.6	833.1	873.9
Net interest income /(exp)	(134.0)	(125.0)	(139.0)	(138.0)	(136.0)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	44.0	4.0	0.0	0.0	0.0
Pretax profit	509.0	449.0	603.6	695.1	737.9
Income tax	(26.0)	(26.0)	(36.5)	(40.5)	(42.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	483.0	423.0	567.1	654.7	695.5
Core net profit	483.0	423.0	567.1	654.7	695.5
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	502.0	1,129.0	1,377.8	1,721.1	2,197.5
Accounts receivable	351.0	146.0	243.5	269.7	282.7
Inventory	4,168.0	4,278.0	4,398.6	4,487.2	4,560.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	163.0	181.0	194.2	208.8	224.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	123.0	0.0	0.0	0.0	0.0
Other assets	412.0	556.0	636.7	734.8	736.5
Total assets	**5,719.0**	**6,290.0**	**6,850.8**	**7,421.6**	**8,001.7**
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	107.0	56.0	86.8	95.3	99.7
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,516.0	1,897.0	1,866.0	1,866.0	1,866.0
Other liabilities	248.0	165.0	243.0	264.0	276.0
Total Liabilities	**1,871.0**	**2,118.0**	**2,196.2**	**2,225.8**	**2,241.4**
Shareholders Equity	3,845.0	4,172.0	4,654.5	5,195.8	5,760.3
Minority Interest	3.0	0.0	0.0	0.0	0.0
Total shareholder equity	**3,848.0**	**4,172.0**	**4,654.5**	**5,195.8**	**5,760.3**
Total liabilities and equity	**5,719.0**	**6,290.0**	**6,850.8**	**7,421.6**	**8,001.7**
CASH FLOW (IDR b)					
Pretax profit	509.0	449.0	603.6	695.1	737.9
Depreciation & amortisation	(7.0)	(19.0)	(10.4)	(11.4)	(12.6)
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(353.0)	7.0	(167.5)	(179.3)	(68.2)
Cash taxes paid	(26.0)	(26.0)	(36.5)	(40.5)	(42.4)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	137.0	449.0	410.0	486.7	639.8
Capex	(33.0)	(69.0)	(41.6)	(26.0)	(28.6)
Free cash flow	104.0	380.0	368.4	460.8	611.3
Dividends paid	(33.0)	(96.0)	(84.6)	(113.4)	(130.9)
Equity raised / (purchased)	9.0	2.0	0.0	0.0	0.0
Change in Debt	(175.0)	381.0	(31.0)	0.0	0.0
Other invest/financing cash flow	156.0	(35.0)	(4.0)	(4.0)	(4.0)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	61.0	632.0	248.8	343.3	476.3

FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Ratios					
Growth ratios (%)					
Revenue growth	22.1	(4.3)	26.4	10.8	4.8
EBITDA growth	15.2	(6.9)	32.9	12.2	4.8
EBIT growth	15.2	(4.8)	30.3	12.2	4.9
Pretax growth	37.9	(11.8)	34.4	15.2	6.2
Reported net profit growth	43.8	(12.4)	34.1	15.4	6.2
Core net profit growth	43.8	(12.4)	34.1	15.4	6.2
Profitability ratios (%)					
EBITDA margin	58.8	57.2	60.1	60.9	60.9
EBIT margin	59.5	59.2	61.0	61.8	61.8
Pretax profit margin	50.6	46.6	49.6	51.5	52.2
Payout ratio	6.8	22.7	14.9	17.3	18.8
DuPont analysis					
Net profit margin (%)	48.0	43.9	46.6	48.5	49.2
Revenue/Assets (x)	0.2	0.2	0.2	0.2	0.2
Assets/Equity (x)	1.5	1.5	1.5	1.4	1.4
ROAE (%)	13.4	10.6	12.9	13.3	12.7
ROAA (%)	8.8	7.0	8.6	9.2	9.0
Leverage & Expense Analysis					
Asset/Liability (x)	3.1	3.0	3.1	3.3	3.6
Net gearing (%) (incl perps)	26.4	18.4	10.5	2.8	net cash
Net gearing (%) (excl. perps)	26.4	18.4	10.5	2.8	net cash
Net interest cover (x)	4.5	4.6	5.3	6.0	6.4
Debt/EBITDA (x)	2.6	3.4	2.5	2.3	2.2
Capex/revenue (%)	3.3	7.2	3.4	1.9	2.0
Net debt/ (net cash)	1,014.0	768.0	488.2	144.9	(331.5)

Source: Company; Maybank

Real Estate

Indonesia

Puradelta Lestari Tbk (DMAS IJ)

Leader of the pack

BUY

Share Price	IDR 304
12m Price Target	IDR 360 (+18%)

Initiate at BUY with TP of IDR360

DMAS is set to capture the coming wave of investments and reach a new level of industrial presales of above 80ha per year until FY21E (from 18ha in FY18), we believe Business is strongly supported by its local and Japanese major shareholders which actively secure tenants for its industrial estate. Operating at zero debt gives it ample room for sourcing new capital for future expansion plans. DMAS is also the most generous dividend paying developer in Indonesia with 4% yield. Initiate at BUY with TP of IDR360, based on 34% discount to RNAV (slightly above +2SD to its 5-year mean), implying 2.3x P/B FY19E (slightly above +2SD to its 5-year mean) for its high earnings visibility and dividend yield.

Prime and large industrial land bank

DMAS has the largest land bank (1,478ha) in the Bekasi area. DMAS didn't start to sell industrial land until 2004 as it waited for optimal prices before letting go of its prime land in the area. Sojitz and Sinarmasland actively securing tenants for its industrial estate. Expansion for up to 400ha is possible at the south part of its estate, ensuring sustainability.

High profitability with high dividend policy

ROE is set to rise to 10% in FY19F from acceleration of sales growth. There is also ample room for ASP growth as DMAS is currently selling at 30% lower than its closest neighbour. With zero debt, almost all of its high EBIT margin of 55% translates to net margin, allowing the company to pay consistently high payout ratio of above 65%.

Valuation and risks

Despite the 158% rally since Sep'18, we believe the multi-years presales growth trend warranted DMAS to rerate beyond its historical valuation as we expect to see unprecedentedly higher levels of annual presales since its IPO in 2015. On a blue sky valuation where its ASP match its closest peer, our TP will be lifted by 8% to IDR390. Risks to our view include: high currency volatility, global economic slowdown and regulatory risks.

FYE Dec (IDR b)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	1,336	1,036	1,361	1,924	2,147
EBITDA	704	543	777	996	1,116
Core net profit	657	496	713	902	1,008
Core EPS (IDR)	14	10	15	19	21
Core EPS growth (%)	(13.3)	(24.5)	43.7	26.6	11.7
Net DPS (IDR)	17	5	8	10	11
Core P/E (x)	12.6	15.5	20.6	16.2	14.5
P/BV (x)	1.2	1.1	2.0	1.9	1.8
Net dividend yield (%)	10.1	3.3	2.5	3.2	3.6
ROAE (%)	9.1	7.0	9.8	11.9	12.7
ROAA (%)	8.6	6.6	9.2	11.1	11.8
EV/EBITDA (x)	10.6	12.7	17.5	13.5	11.8
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	656	808	772
MKE vs. Consensus (%)	-	-	8.7	11.7	30.7

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Company Description

Puradelta engages in the development of commercial, industrial, and residential properties within Deltamas, situated in the largest industrial hub.

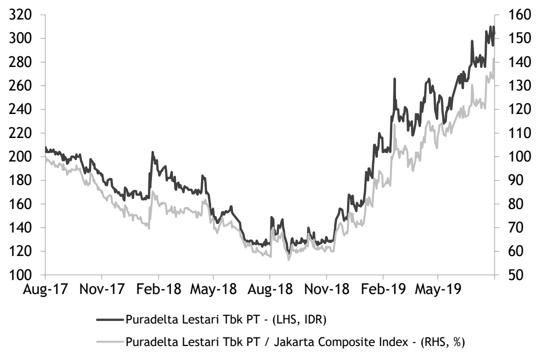
Statistics

52w high/low (IDR)	310/118
3m avg turnover (USDm)	0.9
Free float (%)	17.7
Issued shares (m)	48,198
Market capitalisation	IDR14.7T
	USD1.0B

Major shareholders:

Sumber Arusmulia	57.3%
Sojitz Corporation	25.0%

Price Performance



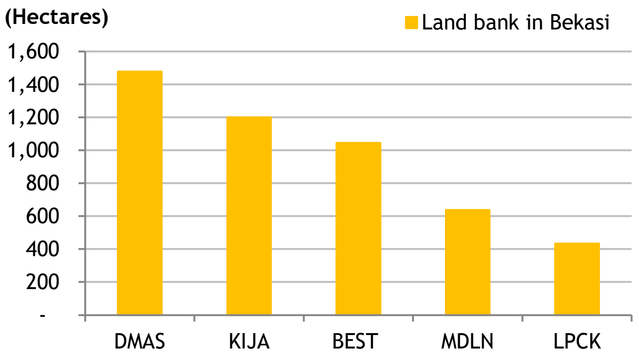
	-1M	-3M	-12M
Absolute (%)	9	25	139
Relative to index (%)	12	26	135

Source: FactSet

Value Proposition

- The largest industrial estate developer in the main industrial hub in Indonesia.
- Strong shareholders support which are actively involved in the business by securing tenants for the industrial estate.
- DMAS is the only industrial estate that can sell more than 30 hectares in a single plot, a typical size required by most large multinational corporations to set up manufacturing facilities in Indonesia.
- The commercial and residential properties complement the maturing industrial estate. AEON Mall is expected to open in 2022, which will attract others into its development.

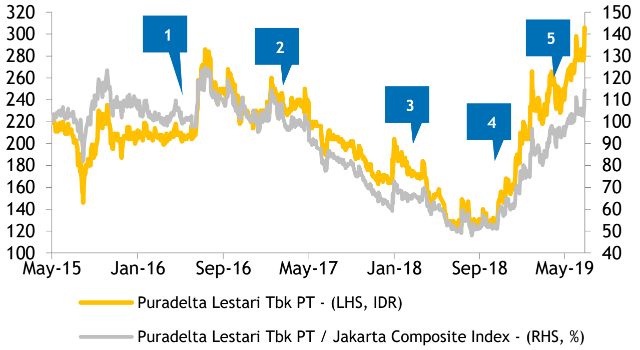
Peers' land bank in Bekasi (1H19)



Source: Company data, Maybank Kim Eng

Price Drivers

Historical share price trend



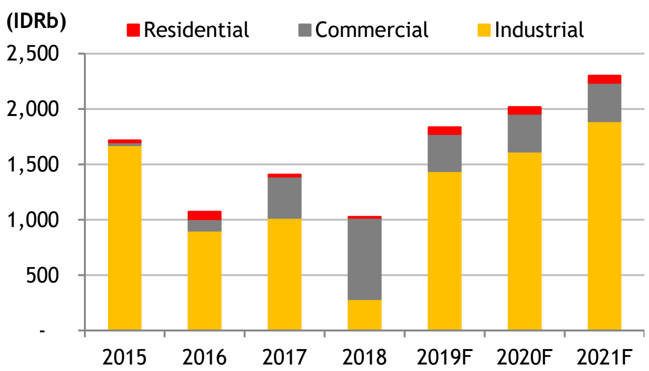
Source: Company, FactSet, Maybank Kim Eng

1. High expectation of higher industrial land sales.
2. Sharp decline in quarterly presales.
3. Weak indication of industrial land sales in 2018.
4. Increasing level of industrial land enquiries.
5. Reported strong 1Q19 presales.

Financial Metrics

- High FCF generation from high turnover with limited capex requirement and no debt allows for sustainable high dividend payout of 65%.The ASP for commercial land is currently three times higher than industrial land, allowing ample room for margin expansion when DMAS sells more commercial land.
- DMAS has faster burn rate than its peers of less than 12 months (peers is 12-18 months), leading to faster revenue recognition.

Annual presales by property type



Source: Company data, Maybank Kim Eng

Swing Factors

Upside

- Strong new investments into Indonesia.
- Higher-than-expected dividend payout.
- Higher selling prices from increase in demand.

Downside

- Inability to increase land bank.
- Delay in securing presales from change of investment decisions due to worsening global economic outlook.

Investment thesis

Initiate with BUY & TP of IDR360

DMAS was founded in 1993 and listed in 2015. Its industrial town is located in the heart of Indonesia's main industrial hub in Bekasi. DMAS has transformed into one of the leading industrial estate developers in the country. DMAS's large and strategic land bank is becoming more valuable as its peers struggle to replenish their industrial land bank in the area. The timing cannot be more perfect as we also expect another big wave of investments coming into the country. DMAS's clean balance sheet with controlled costs promises high ROAE growth over the next three years, in our view.

1.1 The "it" industrial estate in Indonesia

DMAS is one of the leading industrial estates in the country with its vast land bank in prime locations for its industrial town called Kota Deltamas at Bekasi, West Java. It is a well-designed development that has been chosen to be the home of many major multinational corporations, especially the automotive, F&B and logistics companies. We expect its industrial estate to continue to appeal to potential investors with the additions of multiple infrastructure of seaport, airport and toll-road access surrounding the Bekasi area.

1.2 Capturing the rising investments with ability to expand

DMAS didn't start to sell industrial land until 2004 and it secured meaningful sales in 2010 while its peers started back in the 1990s. Industrial land price didn't really start to rise until 2007 and today prices are comparable with those in neighbouring countries.

As the largest land bank owner in the Bekasi area with 1,478 hectares, DMAS is set to capitalise on the expected rise in investments, which are still mainly driven by the automotive, consumer and logistics & warehouse sectors. We are confident DMAS is the top choice of new industrial estate investors.

Additionally, management has stated it has the ability to expand by another 400 hectares (27% of its current land bank) in the southern part of its estate. However, the timeline on when they will start acquiring is not officially disclosed as they would not like to encourage for speculations on the area. The land acquisition process is being done quietly by a third-party. With strong FCF generation, securing the funding needed for expansion should not be a major issue for the company.

1.3 Multi-development strategy to maximise value

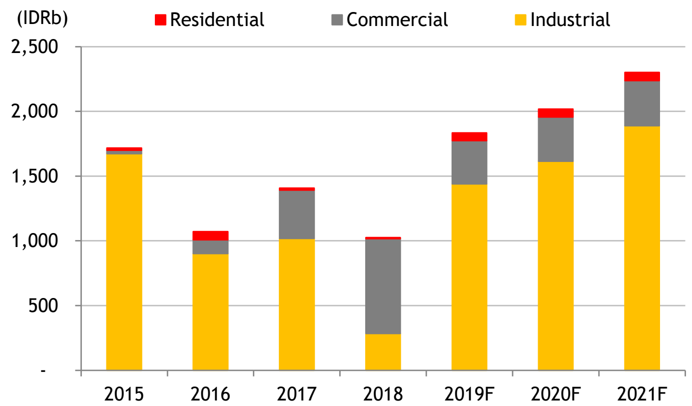
To lure the anchor tenants in choosing Kota Deltamas, DMAS is willing to negotiate for lower selling price than most of its peers. This strategy ensures acceleration of population growth in Kota Deltamas, which will create a market for its commercial and residential developments. Today, DMAS is charging triple for its commercial and residential land plots vs. its industrial land prices.

1.4 Robust earnings growth with strong cash generation

Coming from a low base, we expect presales to bounce significantly by +145% in FY19E, and by +13% and +8% YoY for FY20E-21E due to strong overseas investment interest in Indonesia. This should translate into a robust FY19E earnings growth of +59% YoY, making it the highest growth since 2016. We expect solid earnings growth to continue until FY21E. With limited capex and zero debt, DMAS's business generates strong cash flow where more than half of it is returned to shareholders as dividends.

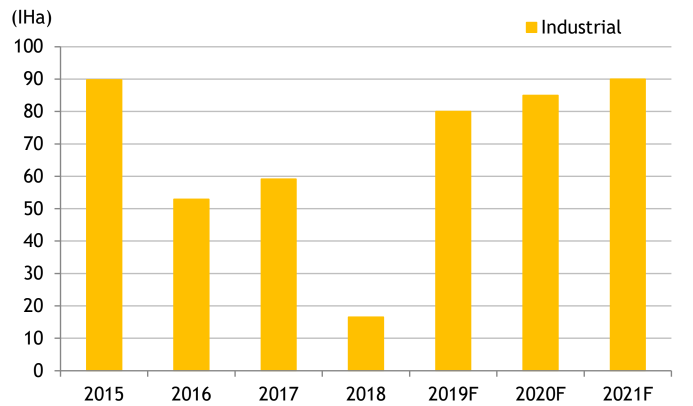
Focus charts

Fig 16: Annual presales



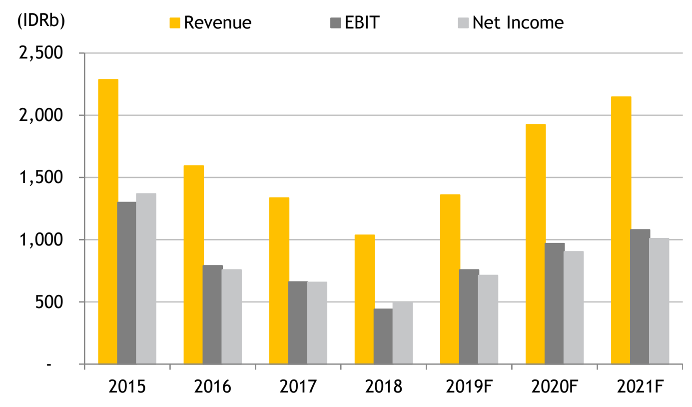
Source: Company data, Maybank Kim Eng

Fig 17: Industrial land sales volume



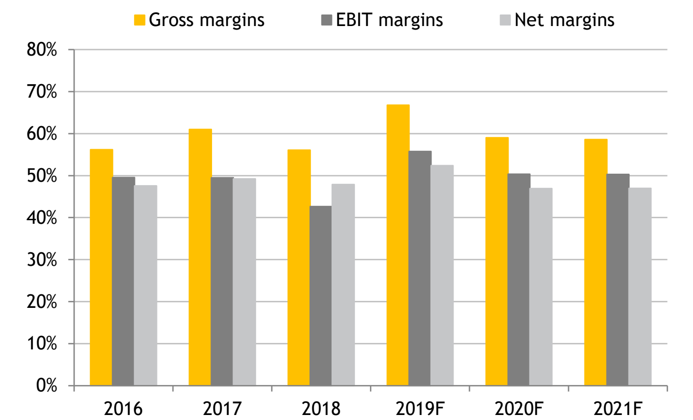
Source: Company data, Maybank Kim Eng

Fig 18: Revenue, gross profit and net income



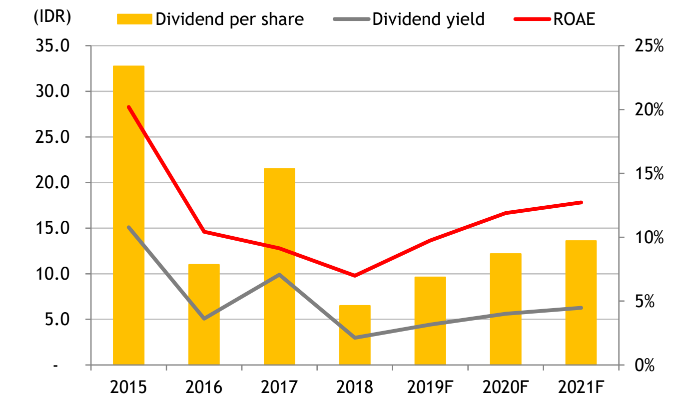
Source: Company data, Maybank Kim Eng

Fig 19: Margins



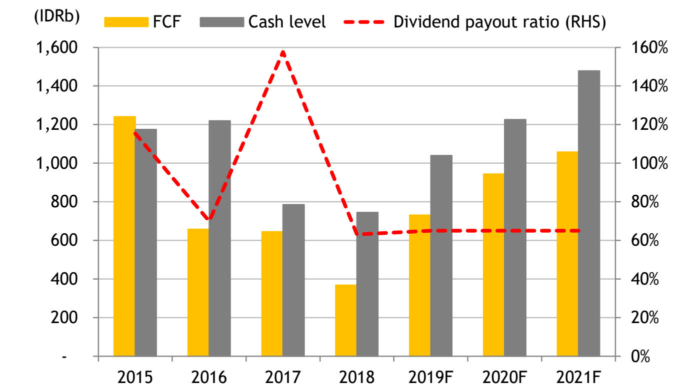
Source: Company data, Maybank Kim Eng

Fig 20: Increasing ROE with growing dividend per share



Source: Company data, Maybank Kim Eng

Fig 21: Solid cash generation and growing cash level



Source: Company data, Maybank Kim Eng

Company background

DMAS has an integrated mixed-use industrial-commercial-housing development, Kota Deltamas, which belongs to Sinarmas Land and Sojitz Corporation. The developers have also built other supporting infrastructure and facilities for the township. This model of development promotes a high quality living standard for the industrial estate workers in Kota Deltamas where they can live in close proximity to their work place.

The total areas for development (concession areas) cover 3,181 hectares in one location, of which 1,703 hectares have been developed and sold, while the remaining 1,478 hectares are land bank. DMAS provides an environmental friendly green concept in developing its estate. There are three sections of Kota Deltamas: 1) the industrial section that is branded as Greenland International Industrial Center (Greenland Industrial); the commercial section; and the residential section.

In the Greenland Industrial area, the company has implemented "green" initiatives in which all customers must agree to comply with prior to the commencement of operations onsite. The company requires all customers to use the waste water treatment plant, and that any company that uses chimneys must install "environmentally friendly" chimneys. The company prohibits the use of coal energy and it ensures that 30% of the industrial area will remain dedicated to open space and facilities.

The development of Kota Deltamas is fully supported by Sinarmas Land and Sojitz. Sinarmas Land has extensive experience in property development, such as township developments and commercial superblock buildings and office buildings. Sojitz Corporation is a Japanese general trading company with a long-standing presence in Indonesia.

Fig 22: Map of Kota Deltamas

Source: Company data

Strong anchor tenants; ample land bank

DMAS owns 3,181 ha of land rights, of which 1,703 ha have been developed as Kota Deltamas. As of 31 March 2019, the company owned 1,478 ha of land bank which is divided into three segments: industrial, commercial and housing. Most importantly, unlike its peers, the company's total development area is located in a single rectangular-like shape, making it available to supply for any potential land size demand.

Its largest tenant is Suzuki Corporation, which bought 131 hectares in 2011. Other anchor tenants include Wuling Motors and Mitsubishi Motors in the industrial areas, and Aeon Mall in the commercial areas. Currently there are 121 industrial tenants, mostly in the auto, consumer and logistics sectors. About 65% of the tenants are Japanese corporates.

Currently 67% of the land bank is allocated to commercial and residential use. However, with current strong demand for industrial estate land, the company has the option to re-zone a portion of the existing land bank which is earmarked to be used for residential purposes. The re-zoning process will requires submission of an application for the revision of the estate's master plan with the relevant authorities, which typically takes around 6-9 months for approval and completion. The ability to re-zone its land licence gives the company the flexibility to realize higher sales from meeting demand.

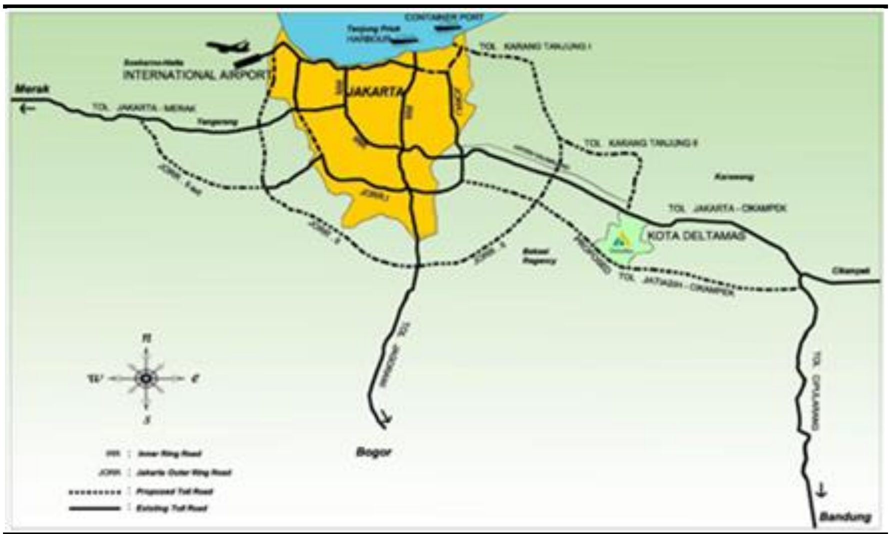
Fig 23: Land bank as of 31 March 2019

(Hectares)	Industrial	Commercial	Residential	Total
Total Area	1,718	757	706	3,181
Land sold	1,237	273	193	1,703
Land bank	480	484	514	1,478

Source: Company data

Further expansion by another 400 hectares is possible through acquisition of additional located at the southern part of the estate to be developed into industrial estate land. This new area will be adjacent from the additional toll-road, the Jakarta – Cikampek II South which are expected to be built in 2020. With no new land acquisition, we estimate its land bank will be sufficient for six years of developments under its current plans.

Fig 24: Kota Deltamas



Source: Company data

Industrial

DMAS has strong major tenants that are mainly Japan-based companies in the automotive industry. To date, Suzuki is a major tenant which was brought in by Sojitz Corporation. Suzuki secured approximately 130 ha of land in 2011 for the manufacturing of passenger vehicles, mini-buses, pick-up trucks and SUVs.

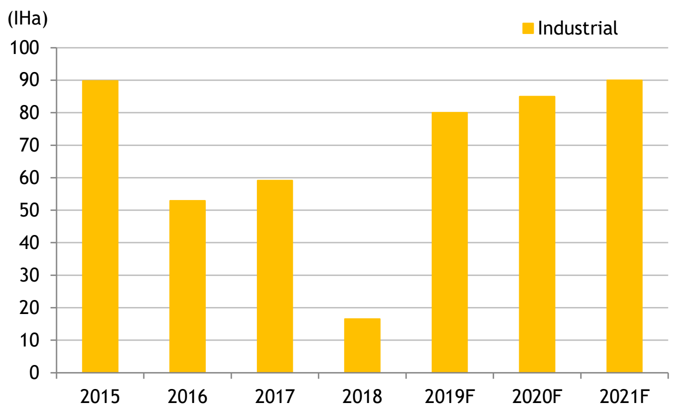
Suzuki's commitment to Greenland International Industrial Center (GIIC) has attracted its suppliers to establish production facilities in Greenland Industrial. Suzuki evidently has created a domino effect in attracting the entire supply chain in the automotive industries to operate closely at its downstream by enabling suppliers to provide "just in time" services to its customers.

Apart from Suzuki, other major automakers that have joined GIIC are Mitsubishi Motors and Wuling Motors. Hyundai Motors is also reportedly looking to set up a plant in Indonesia and we believe it will most likely choose GIIC due to its large land bank availability. We estimate Hyundai Motors will need at least 60 hectares of land for its manufacturing plant.

Greenland Industrial is one of the largest industrial estates along the Jakarta – Cikampek toll road area. Greenland Industrial was developed with a green concept which highly considers the preservation of the environment and green landscape. The company believes the green concept appeals to foreign investors. Currently, most of Greenland Industrial's tenants are international companies and the majority are in the automotive industry.

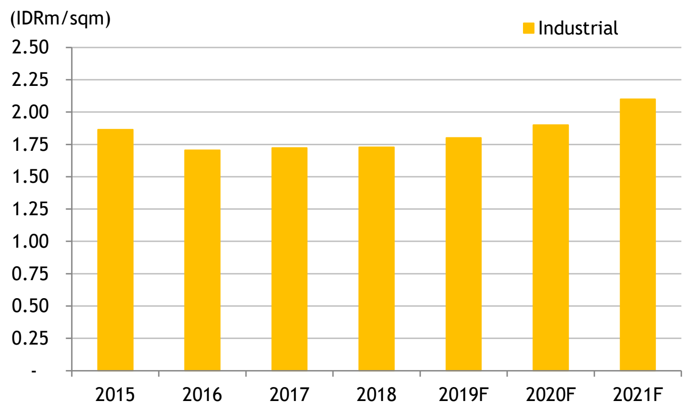
A Greenland standard factory building (Greenland SFB) is a light industrial standard factory buildings with a total gross area of 74 ha mainly used for warehousing or logistics. Going forward, the company plans to lease out Greenland SFBs as a recurring income source.

Fig 25: Annual industrial land sales volume…



Source: Company data, Maybank Kim Eng

Fig 26: …and its ASP



Source: Company data, Maybank Kim Eng

Commercial

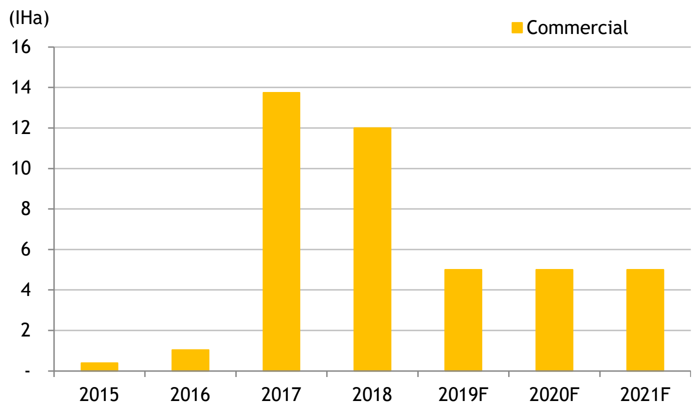
In the commercial developments, the company has sold land to AEON to develop a large-scale mall where it will develop 20 ha of land in Kota Deltamas. We believe the AEON mall will attract more traffic into Kota Deltamas and support further growth in the commercial segment.

Kota Deltamas also has several education facilities operating in the area (the Cikarang Japanese School and ITSB University, which is a technology and science university). There is also a private hospital in Kota Deltamas by Mitra Keluarga Hospital group. The land plots for all these public facilities were sold in 2017 at below ASP of IDR2.7m psm to complement the overall development of Kota Deltamas.

Kota Deltamas has a dedicated area for the Bekasi Regency Governmental offices. With the government office located at Kota Deltamas, it brings competitive advantage to Kota Deltamas as businesses and tenants at Greenland Industrial take care of any legal processes with close proximity to the site.

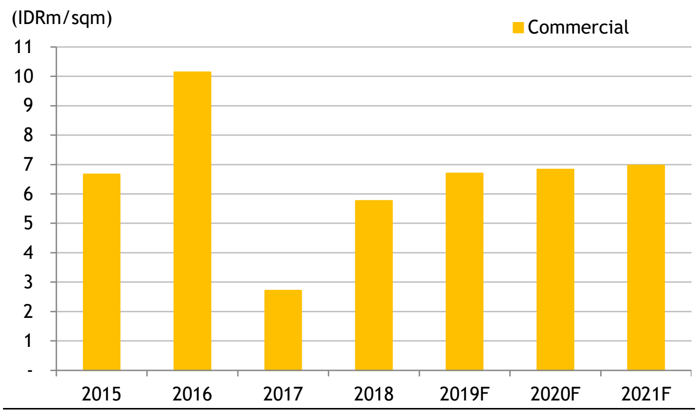
The company divides the commercial segment into two categories where the commercial land can be sold in land lots or non-lots. Currently the company focuses on selling land lots to third parties to develop commercial projects such as shopping mall, education centres and offices. The non-lots are sold in the form of shop houses which is convenient for developing onto small offices and shops such as restaurants and banks.

Fig 27: Annual commercial land sales volume…



Source: Company data, Maybank Kim Eng

Fig 28: …and its ASP

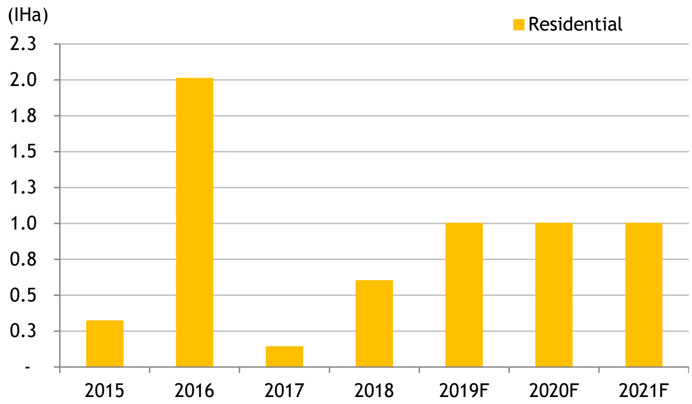


Source: Company data, Maybank Kim Eng

Residential

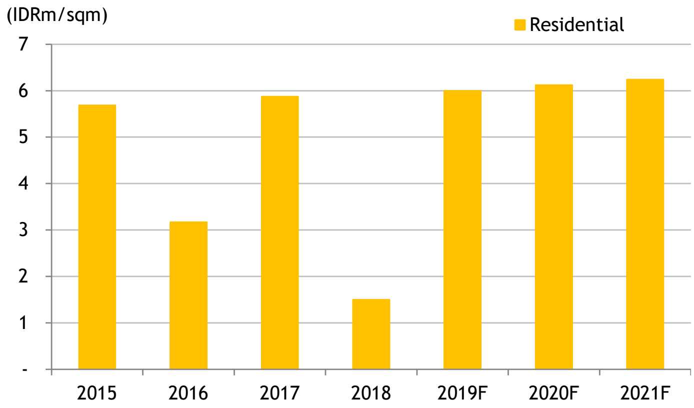
The company develops landed residential projects to support and cater to residential demand from the workers in the industrial estate as well as from the surrounding areas. To date, about 2,600 houses have been sold in Kota Deltamas. To expedite the residential development, the company has entered into a JV with Panahome Asia Pacific to develop a residential estate within Kota Deltamas with a total area of 37 ha. DMAS holds 49% of the JV company.

Fig 29: Annual residential land sales volume…



Source: Company data, Maybank Kim Eng

Fig 30: …and ASP



Source: Company data, Maybank Kim Eng

Future recurring income

Currently, the company does not generate recurring income from its property. However, it will supplement its “build-to-sell” model with a “build-and-hold” investment strategy to help grow its future recurring income. The company intends to retain 10 ha of the land to develop serviced apartments, hotels, warehouses, factories, office space and other properties that will be leased to prospective tenants. The company’s long-term target is to generate 25% of its income from recurring income.

Financial analysis

As the largest land bank owner in the most prime industrial estate location in Indonesia, DMAS is set to monetise its ample land bank at a high gross margin of above 60%. We estimate FY19E presales to grow by 79% to IDR1,835b and expect 10% and 14% growth in FY20E-21E respectively. We expect the strong industrial presales growth to be mostly driven by significant volume growth in FY19E to 80 hectares (FY18: 16.5 hectares), and we assume only 4-6% annual ASP appreciation in FY19E-20E to IDR1.8m and IDR1.9m, and by 11% in FY21E to IDR2.1m psm. This is still lower than its closest peer Lippo Cikarang (LPCK) at IDR2.4m psm today. As such, we see huge upside potential to total presales when DMAS can charge higher-than-expected ASP.

We assume its presales to still be driven by industrial land sales, although we also assume higher commercial land sales of 12ha in FY19E from one-off sales relating to Jakarta - Bandung High Speed Train (HST) project. We have assumed lower commercial land plot sales at 5ha per annum in FY20E-21E. Lastly, we expect only flat residential presales growth in FY19E-21E at 1 hectare per annum.

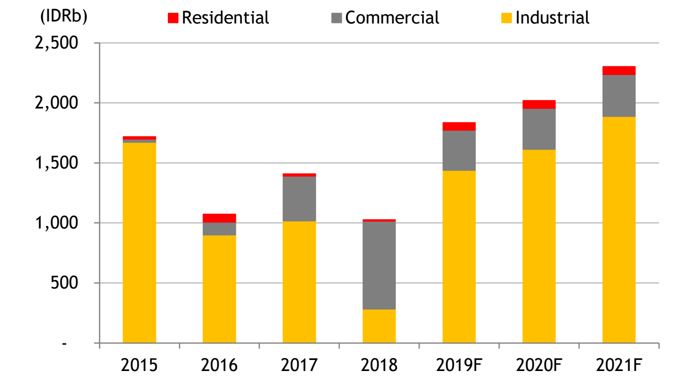
Fig 31: Key assumptions

	2019F	2020F	2021F
PRE-SALES (IDRb)			
Industrial	1,440	1.615	1,890
Commercial	335	342	349
Residential	60	61	62
Total	1,835	2.018	2,301
REVENUE (IDR b)			
Industrial	747	1,510	1,725
Commercial	573	338	344
Residential	24	60	62
Hotel	10	10	10
Others	6	6	6
Total Revenues	1,361	1,924	2,147
EBIT	758	968	1,080
Net Profit	713	902	1,008
Margins			
Gross margin	67%	59%	59%
EBIT margin	56%	50%	50%
Net margin	52%	47%	47%

Source: Maybank Kim Eng

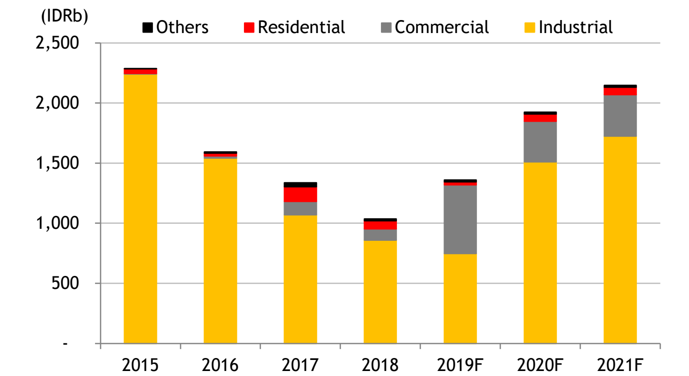
We note that DMAS has a faster burn rate than its peers. Burn rate is the speed of turning presales into revenue. DMAS' burn rate is less than 12 months while its peers typically need between 12 and 18 months. Based on this, we expect +31% YoY revenue growth in FY19E and a strong +41% YoY in FY20E from the high jump in presales in FY19E. Following the same trend with its presales, revenue growth in FY21E will likely normalise at +12% YoY.

Fig 32: Presales breakdown



Source: Company data, Maybank Kim Eng

Fig 33: Revenue breakdown

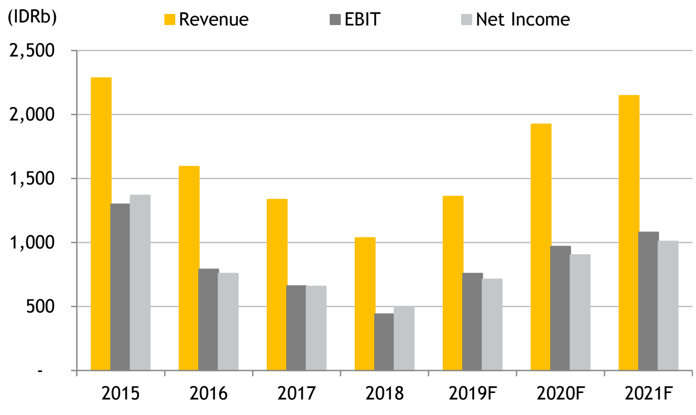


Source: Company data, Maybank Kim Eng

Our channel check suggests that growth in direct costs for the development of its basic infrastructure are still likely to be minimal going forward as contractors are running at lower capacity and raw materials prices remain stable. With this, we expect gross margin to be sustained at a high level of above 60% until FY21E. With higher turnover and efficient operations, we expect EBIT margin to expand at above 55% until FY21E.

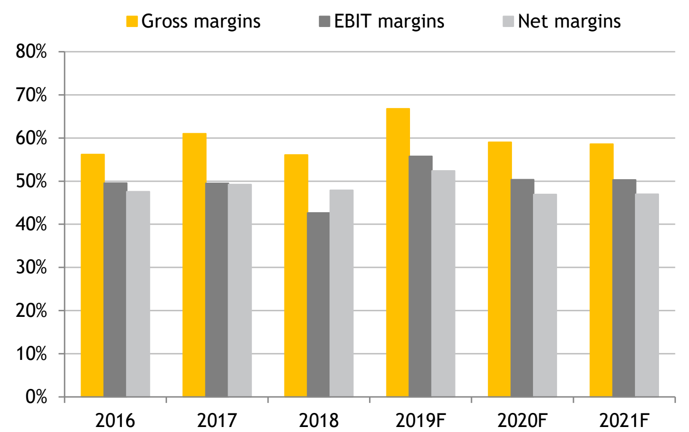
Operating with no financial leverage and no meaningful other income or expenses means that most of the high EBIT margin will translate into net income. In Indonesia, property developers are subjected to 2.5% final tax on its gross revenue and 10% tax on rental revenue. This lead to the low effective tax rate than non-property companies. The final tax rate was recently relaxed by Ministry of Finance to 2.5% (from 5.0%). We do not expect any changes in the tax rates in medium term.

Fig 34: Revenue, EBIT, net income



Source: Company data, Maybank Kim Eng

Fig 35: Margins



Source: Company data, Maybank Kim Eng

Fig 36: Income statement

Income Statement (IDR b)	2017A	2018A	2019F	2020F	2021F
Revenues	1,336	1,036	1,361	1,924	2,147
Cost of revenues	(522)	(455)	(452)	(788)	(889)
Gross Profit	815	581	908	1,136	1,258
Operating Expenses					
Selling	(47)	(22)	(27)	(38)	(43)
G&A Expenses	(107)	(117)	(123)	(129)	(135)
Total Operating Expenses	(154)	(139)	(150)	(167)	(178)
Income from Operations	**661**	**442**	**758**	**968**	**1,080**
Other Income (Expenses)					
Interest income	24	19	9	11	14
Interest expense	-	-	-	-	-
Others	22	80	-	-	-
Other Income (Expenses)	47	99	9	11	14
Equity in associates					
Pre-tax Income	**708**	**541**	**767**	**979**	**1,094**
Tax Expense	(50)	(45)	(54)	(77)	(86)
Earnings before Minorities	658	496	713	902	1,008
Minority Interests	(0)	-	-	-	-
Adjustments					
Net Income	**658**	**496**	**713**	**902**	**1,008**

Source: Company data, Maybank Kim Eng

Our earnings estimates for DMAS in FY19E are 9% higher than consensus following the strong revenue booked in 1H19 at IDR985b (+298% YoY) and earnings of IDR626b (+566% YoY). The strong revenue bookings in 1H19 was due to fast revenue recognition from its commercial land plot presales done in 1Q19. Revenue bookings in 2H19 will still mainly come from its commercial and residential properties.

Our FY20E-21E earnings estimates are higher than consensus by 12%-31% as we assumed higher presales in FY19E-21E. The chances for Hyundai Motors to choose DMAS as their manufacturing base in Indonesia is high as there are not many other industrial estates which can supply more than 60 hectares of land. This single potential sales represent 50% of DMAS' presales in FY19E. We have factored in the Hyundai sales in our FY19E estimates.

Fig 37: MKE vs. Consensus

(IDR b)	MKE	Consensus	Δ
2019E			
Revenue	1.361	1,273	7%
EBIT	758	605	25%
Net profit	713	656	9%
2020E			
Revenue	1.924	1,600	20%
EBIT	968	750	29%
Net profit	902	808	12%
2021E			
Revenue	2.147	1,558	38%
EBIT	1,080	700	54%
Net profit	1,008	772	31%

Source: FactSet, Maybank Kim Eng

DMAS has a clean balance sheet with zero debt. Assets are mostly concentrated in inventories, which include its land bank. Receivables are low thanks to its fast burn rate which is less than 12 months. Customers typically pay 20% in advance and make full payment on the handover of the land. We expect the growth for its inventory will be flattish at 2.0% per annum in the next three years. Also, we do not expect meaningful addition in investment properties in medium term.

Fig 38: Balance sheet

BALANCE SHEET (IDR b)	2017A	2018A	2019F	2020F	2021F
ASSETS					
Cash and equivalents	785	745	1,040	1,225	1,478
Receivables	65	83	109	154	172
Investment in joint venture	52	97	98	99	100
Investment properties	31	111	136	167	204
Advances	81	32	34	35	37
Inventories	6,119	6,091	6,213	6,337	6,464
Fixed Assets	320	313	315	308	293
Other assets	18	28	29	31	32
TOTAL ASSETS	**7,471**	**7,500**	**7,974**	**8,356**	**8,779**
LIABILITIES					
Trade Payable	18	2	5	8	9
Loans	-	-	-	-	-
Medium term notes					
Advances received	272	165	367	404	460
Security Deposit	30	24	25	26	28
Taxes Payable	60	38	54	77	86
Other liabilities	86	83	85	88	91
TOTAL LIABILITIES	**466**	**312**	**537**	**603**	**673**
MINORITY INTERESTS	**3**	**4**	**4**	**4**	**4**
EQUITY					
Paid in capital	4,820	4,820	4,820	4,820	4,820
Additional paid in capital	380	380	380	380	380
Other paid in capital					
Others			-	-	-
Retained earnings	1,803	1,984	2,233	2,549	2,902
TOTAL EQUITY	**7,003**	**7,184**	**7,433**	**7,749**	**8,102**
TOTAL LIABILITIES AND EQUITY	**7,471**	**7,500**	**7,974**	**8,356**	**8,779**

Source: Company data, Maybank Kim Eng

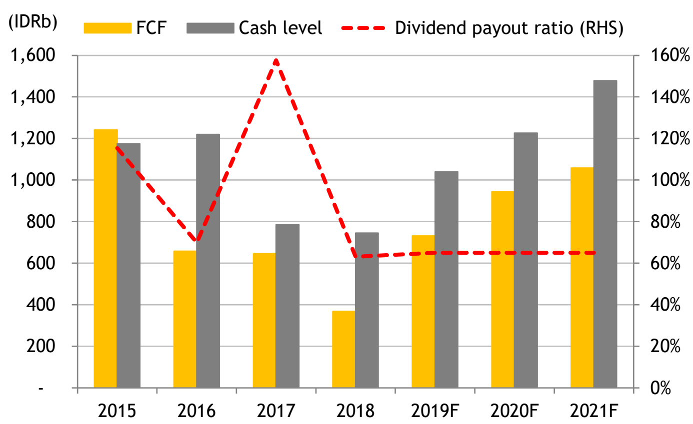
Capex for the next three years are still likely be minimal as management is focusing on monetising its existing land bank. The high FCF will allow any capex required for land bank expansion to be fully funded through its internal cash. When realised capex is low, historically, management would give high dividend payouts were volatile albeit at above 65%, resulting in a high dividend yield of 4.0% in FY19E. We assumed payout ratio of 65% in the next three years.

Fig 39: Cash flow

CASHFLOWS	2017A	2018A	2019F	2020F	2021F
Operating Cashflows					
EBITDA	681	463	777	996	1,116
Change in working capital - asset	(33)	48	(151)	(172)	(148)
Change in working capital - liabilities	122	(151)	222	64	67
Other operating cashflow	(4)	54	(45)	(66)	(72)
Cashflow from operations	**766**	**415**	**803**	**822**	**963**
Investing Cashflows					
Capital expenditure	(36)	(94)	(46)	(52)	(58)
Net acquisitions					
Reduction in other LT assets	(52)	(45)	(1)	(1)	(1)
Addition to other LT liabilities	(72)	(3)	2	3	3
Others					
Cashflow after investing acts	**(160)**	**(142)**	**(45)**	**(50)**	**(56)**
Financing Cashflows					
Cash dividends	(1,036)	(313)	(463)	(587)	(655)
Equity issue	-	0.3	-	-	-
Debt issue	-	-	-	-	-
Convertible debt issue					
Others	(4)	(1)	(0)	1	0
Cashflow from financial acts	**(1,041)**	**(313)**	**(464)**	**(586)**	**(655)**
Net cashflow	**(434)**	**(40)**	**295**	**186**	**252**
Beginning cash	1,219	785	745	1,040	1,225
Ending cash	**785**	**745**	**1,040**	**1,225**	**1,478**

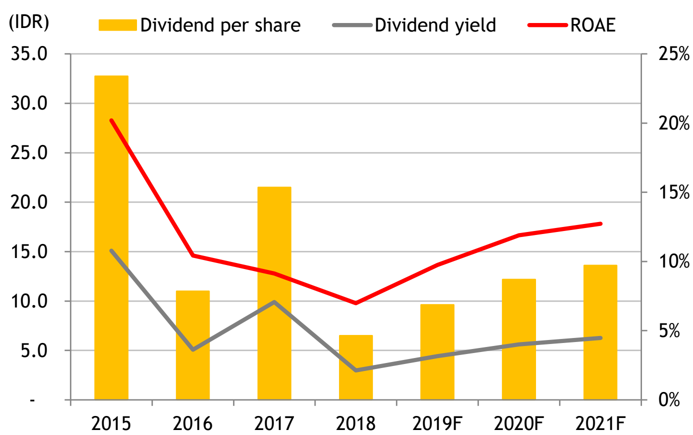
Source: Company data, Maybank Kim Eng

Fig 40: FCF and cash level



Source: Company data, Maybank Kim Eng

Fig 41: DPS, dividend yield and ROAE



Source: Company data, Maybank Kim Eng

Management and shareholders profile

Management

Board of Commissioners

• Muktar Widjaja, president commissioner, has held the position since 2001. He has been the CEO of Sinarmas Land since 1985 and has held several management positions in the Sinarmas Land Group.
• Teky Mailoa, vice president commissioner, has held the position since 2016. Previously he was the president director of the company. He has also held positions of board of commissioners and board of d directors of companies in the Sinarmas Land Group since 1996.
• Masahiro Koizumi, vice president commissioner, has held the position since 2018. He is also the COO of the Overseas Industrial and Urban Infrastructure Development Division in Sojitz Corporation.
• Yoshizo Hatta, commissioner, has held the position since 2017. He has held management positions in the Sojitz Group of companies since 2009.
• Teddy Pawitra, independent commissioner, has held the position since 2013. He has held management positions in the Sinarmas Land Group since 2002.
• Susiyati B. Hirawan, independent commissioner, has held the position since 2013.

Board of Directors

• Hongky Jeffry Nantung, President Director, has held the position since 2016. He has also held positions of board of commissioners and board of directors of companies in the Sinarmas Land Group since 1991.
• Yu Mizuike, vice president director, has held this position since 2018. He has also held positions in Sojitz Corporations since 1984.
• Hermawan Wijaya, d director, has held the position since 2013. He has also held positions as the board of directors and board of commissioners in the Sinarmas Land Group since 2003.
• Tondy Suwanto, independent director, has held the position since 2013. He has held multiple positions in other companies in the finance and accounting divisions.

Shareholders' profile

Sinarmas Land

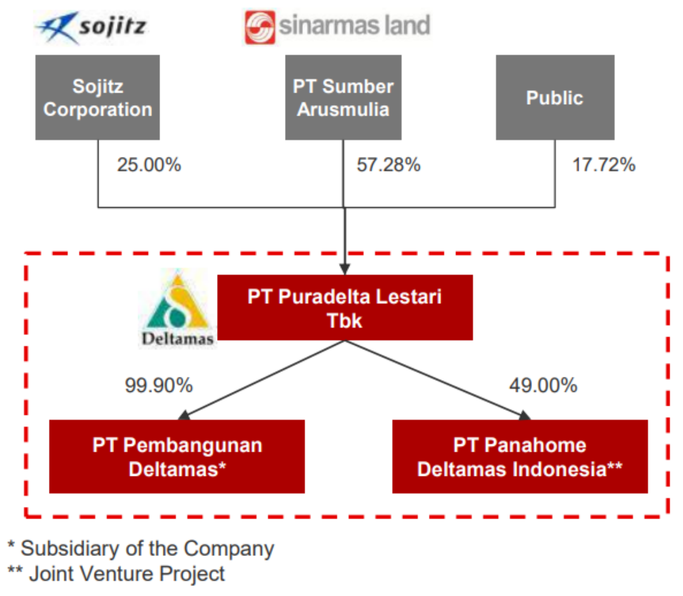
Sinarmas Land Group is a property developer with operations in Indonesia, China, Malaysia and Singapore. Sinarmas Land has an expertise in township development, building and managing commercial buildings and high rise buildings, and hotel management. Sinarmas Land's well-known township developments in Indonesia are BSD City, Grand Wisata and Kota Wisata operated by its subsidiary.

Sojitz Corporation

Sojitz Corporation is the company's strategic shareholder, which is a Japanese general trading company operating in a range of business areas. Sojitz has a strong international marketing platform that is able to attract a wide range of international customers across the industrial, commercial and retail space.

Sojitz has a solid network of customers, especially in Japan, which has helped to attract strong anchor tenants to the Greenland Industrial estate for most of its Japanese tenants. Going forward, Sojitz Corporation will continue to support the marketing of Greenland Industrial estate, not only to potential customers from Japanese companies but also from China and other countries.

Fig 42: Ownership structure



Source: Company data

DMAS has an agreement with both of its major shareholders. For every customer referred by Sinarmas Land to purchase industrial estate land in Greenland Industrial, the company will pay a marketing fee amounting to 2.5% of the total purchase value, which is payable upon the downpayment from the customer. Sojitz will also receive a management fee of 0.5% of the purchase value.

In return, when Sojitz refers a customer, the company pays a 2.0% commission fee of the total sales value and 1.0% management fee to Sinarmas Land. These are recorded as marketing and sales expense.

Initiate with BUY and TP at IDR360

To arrive at our target price, we use the RNAV valuation with P/B valuation as a sanity check. In estimating the value of the company's land bank, we use the current selling prices of its land bank by property type and estimate the net value of the assets using the following key assumptions:

Fig 43: Key assumptions

Gross to net land conversion ratio - industrial		70%
Gross to net land conversion ratio -commercial		60%
Gross to net land conversion ratio - residential		50%
Development cost - industrial	IDRm/sqm	0.5
Development cost -commercial	IDRm/sqm	1.2
Development cost - residential	IDRm/sqm	2.2
Operating expenses	%	10%
Taxes	%	2.5%

Source: Maybank Kim Eng

Fig 44: Detail for Net Asset Value

	Industrial	Commercial	Residential
Gross land bank (ha)	473	483	512
Net saleable area (ha)	331	290	256
Land price at YE 2019 (IDRm/sqm)	2.0	6.7	6.0
Gross value (IDRb)	6,618	19,417	15,360
Conversion ratio (%)	70%	60%	50%
Development cost (IDRb)	1,655	3,478	5,632
Opex (IDRb)	662	1,942	1,536
Taxes (IDRb)	165	485	384
Net Asset Value (IDRb)	**4,136**	**13,512**	**7,808**

Source: Maybank Kim Eng

We estimate DMAS' RNAV at IDR26,283b for FY19E and we applied 34% discount to RNAV to arrive at our TP for DMAS. This is slightly above +2SD of its five-year mean. Our TP implies 2.3x P/B FY19E, also at slightly above its +2SD five-year mean. This reflects the bullish market outlook for industrial estates and we think this is justifiable as we expect the first positive presales growth over the next three years vs. consistent decline in presales since its IPO in 2015 until 2018.

Our TP for DMAS at IDR360 which is based on 34% discount to RNAV is at premium to the sector's target price discount rate at 52% on average as we see higher earnings visibility and dividend yield for DMAS than its peers. As a comparison, Bekasi Fajar (BEST IJ, BUY, TP IDR400), its closest peer had traded as narrow as 21% discount to RNAV back in 2015.

We estimate a blue-sky valuation assuming strong industrial land price growth at 35% higher from our base case valuation at IDR2.7m, at par to peer's (BEST and LPCK) industrial land average selling price. This may be realised from an even higher than expected level of industrial land demand. Assuming this, our RNAV will increase by 8% to IDR28,310b and with the same 34% discount to RNAV, our TP will be lifted to IDR390.

Fig 45: RNAV

	Gross Landbank (hectares)	Estimated Value (IDRb)	Ownership (%)	Value of Ownership (IDRb)
PROPERTY DEVELOPMENT				
Industrial	473	4,136	100%	4,136
Commercial	483	13,512	100%	13,512
Residential	512	7,808	100%	7,808
TOTAL	**1,468**			**25,456**
		Book Value (IDRb)	**Ownership (%)**	**Value of Ownership (IDRb)**
INVESTMENT PROPERTIES		154	100%	**154**
Customer Advance (2019F)				**(367)**
Net Cash (2019F)				**1,040**
RNAV				**26,283**
# of Shares				**48,198**
RNAV per share				545
Target price				360
Discount to RNAV				-34%

Source: Maybank Kim Eng

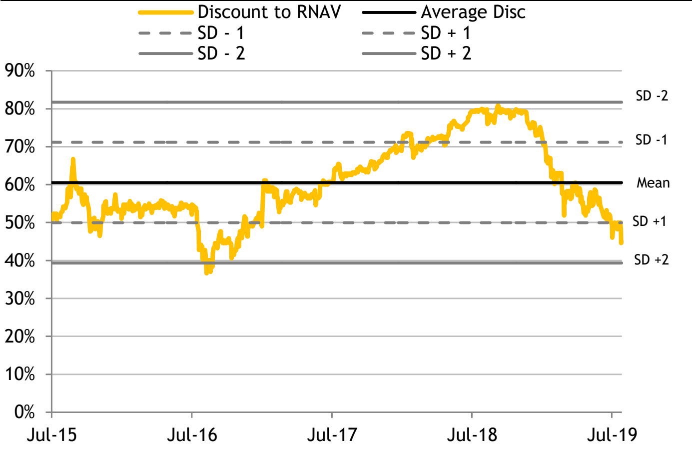
Fig 46: Peers comparison table

Company name	Ticker	Rating	Mkt Cap (USD m)	Price (local)	TP (local)	Upside to TP (%)	RNAV / share (local)	Implied Disc. to RNAV (%)	Land bank (ha)	PER FY19E	PER FY20E	P/BV FY19E	P/BV FY20E	ROE FY19E	DVD yield FY19E	Valuation
Bekasi Fajar	BEST IJ	BUY	198	292	400	37%	869	66%	1,043	4.97	4.30	0.6	0.5	13%	3%	54% disc. to RNAV (+1SD its 5-yr mean).
Puradelta Lestari	DMAS IJ	BUY	1,031	304	360	18%	545	44%	1,478	20.6	16.2	2.0	1.9	10%	3%	34% disc. to RNAV (slightly higher than +2SD of 5-yr mean).
Lippo Cikarang	LPCK IJ	HOLD	287	1,520	1,600	5%	3,163	52%	434	11.2	9.4	0.4	0.4	4%	0%	49% disc. to RNAV (near -1SD 5-yr mean).
Average								**54%**		**12.2**	**10.0**	**1.0**	**0.9**	**9%**	**2%**	

Source: Bloomberg, Maybank Kim Eng

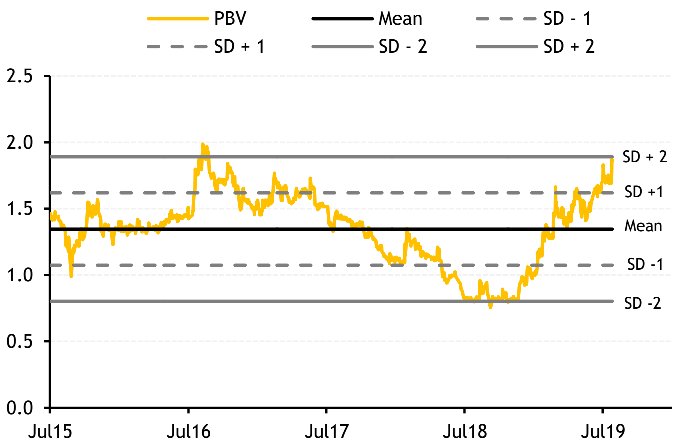
Note: Prices as of 7 Aug 2019.

Fig 47: Discount to RNAV band (1-year forward)



Source: Bloomberg, Maybank Kim Eng

Fig 48: P/B band (1-year forward)



Source: Bloomberg, Maybank Kim Eng

Risks

Unstable currency

When the currency is highly volatile, most businesses will refrain from making major investment decisions. Likewise, a continuously weakening currency will also lead to an unfavourable investment climate in Indonesia.

Sharp economic downturn

Changes in the global business strategy of multinational corporations will impact their investment decisions in Indonesia. During the Asian financial crisis in 1998 for instance, P&G halted its manufacturing facilities in Indonesia.

Regulatory environment

Changes to the negative investment list, corporate income tax rate, labour laws and other tax allowances may impact the flow of investments into Indonesia. Indonesia's regulations relating to economic policies must be competitive compared with neighbouring countries, especially ASEAN.

FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Metrics					
P/E (reported) (x)	15.5	14.7	20.6	16.2	14.5
Core P/E (x)	12.6	15.5	20.6	16.2	14.5
P/BV (x)	1.2	1.1	2.0	1.9	1.8
P/NTA (x)	1.2	1.1	2.0	1.9	1.8
Net dividend yield (%)	10.1	3.3	2.5	3.2	3.6
FCF yield (%)	8.9	4.2	5.2	5.3	6.2
EV/EBITDA (x)	10.6	12.7	17.5	13.5	11.8
EV/EBIT (x)	10.9	13.3	18.0	13.9	12.2
INCOME STATEMENT (IDR b)					
Revenue	1,336.4	1,036.0	1,360.5	1,924.0	2,147.0
Gross profit	814.9	581.0	908.5	1,135.9	1,258.4
EBITDA	703.8	543.0	777.4	996.4	1,116.1
Depreciation	(20.2)	(21.0)	(19.0)	(28.0)	(36.1)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	683.6	522.0	758.4	968.4	1,080.0
Net interest income /(exp)	23.7	19.0	9.0	11.0	14.0
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	707.3	541.0	767.4	979.4	1,094.0
Income tax	(50.2)	(45.0)	(54.4)	(77.0)	(85.9)
Minorities	(0.4)	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	656.7	496.0	713.0	902.5	1,008.1
Core net profit	656.7	496.0	713.0	902.5	1,008.1
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	785.4	745.0	1,039.8	1,225.5	1,477.8
Accounts receivable	64.6	83.0	108.8	153.9	171.8
Inventory	6,119.0	6,091.0	6,212.8	6,337.1	6,463.8
Property, Plant & Equip (net)	319.5	313.0	315.0	308.0	292.9
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	52.5	97.0	98.0	99.0	100.0
Other assets	129.9	171.0	199.2	232.9	273.0
Total assets	**7,470.9**	**7,500.0**	**7,973.6**	**8,356.4**	**8,779.2**
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	18.4	2.0	4.5	7.9	8.9
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	447.0	310.0	532.0	595.0	664.0
Total Liabilities	**465.6**	**312.0**	**536.6**	**603.4**	**673.2**
Shareholders Equity	7,002.6	7,184.0	7,433.0	7,749.0	8,102.0
Minority Interest	2.8	4.0	4.0	4.0	4.0
Total shareholder equity	**7,005.4**	**7,188.0**	**7,437.0**	**7,753.0**	**8,106.0**
Total liabilities and equity	**7,470.9**	**7,500.0**	**7,973.6**	**8,356.4**	**8,779.2**
CASH FLOW (IDR b)					
Pretax profit	707.3	541.0	767.4	979.4	1,094.0
Depreciation & amortisation	20.2	21.0	19.0	28.0	36.1
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	89.1	(102.4)	71.5	(108.3)	(80.6)
Cash taxes paid	(50.2)	(45.0)	(54.4)	(77.0)	(85.9)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	766.0	414.6	803.5	822.2	963.6
Capex	(35.7)	(94.3)	(46.2)	(51.5)	(57.8)
Free cash flow	730.3	320.4	757.3	770.6	905.8
Dividends paid	(1,036.3)	(313.0)	(463.4)	(586.6)	(655.3)
Equity raised / (purchased)	0.0	0.3	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(119.8)	(42.4)	7.0	8.4	10.1
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(425.7)	(34.7)	300.9	192.4	260.6

FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Ratios					
Growth ratios (%)					
Revenue growth	(16.2)	(22.5)	31.3	41.4	11.6
EBITDA growth	(16.4)	(22.8)	43.2	28.2	12.0
EBIT growth	(17.8)	(23.6)	45.3	27.7	11.5
Pretax growth	(15.9)	(23.5)	41.8	27.6	11.7
Reported net profit growth	(13.3)	(24.5)	43.7	26.6	11.7
Core net profit growth	(13.3)	(24.5)	43.7	26.6	11.7
Profitability ratios (%)					
EBITDA margin	52.7	52.4	57.1	51.8	52.0
EBIT margin	51.2	50.4	55.7	50.3	50.3
Pretax profit margin	52.9	52.2	56.4	50.9	51.0
Payout ratio	126.2	50.5	52.0	52.0	52.0
DuPont analysis					
Net profit margin (%)	49.1	47.9	52.4	46.9	47.0
Revenue/Assets (x)	0.2	0.1	0.2	0.2	0.2
Assets/Equity (x)	1.1	1.0	1.1	1.1	1.1
ROAE (%)	9.1	7.0	9.8	11.9	12.7
ROAA (%)	8.6	6.6	9.2	11.1	11.8

DuPont analysis					
Net profit margin (%)	49.1	47.9	52.4	46.9	47.0
Revenue/Assets (x)	0.2	0.1	0.2	0.2	0.2
Assets/Equity (x)	1.1	1.0	1.1	1.1	1.1
ROAE (%)	9.1	7.0	9.8	11.9	12.7
ROAA (%)	8.6	6.6	9.2	11.1	11.8

Leverage & Expense Analysis					
Asset/Liability (x)	nm	nm	nm	nm	nm
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Capex/revenue (%)	2.7	9.1	3.4	2.7	2.7
Net debt/ (net cash)	(785.4)	(745.0)	(1,039.8)	(1,225.5)	(1,477.8)

Source: Company; Maybank

Leverage & Expense Analysis					
Asset/Liability (x)	nm	nm	nm	nm	nm
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Capex/revenue (%)	2.7	9.1	3.4	2.7	2.7
Net debt/ (net cash)	(785.4)	(745.0)	(1,039.8)	(1,225.5)	(1,477.8)

Source: Company; Maybank

Maybank Kim Eng

Real Estate

Indonesia

Lippo Cikarang (LPCK IJ)

Waiting for next big bang

HOLD *[Prior:BUY]*

Share Price	IDR 1,520
12m Price Target	IDR 1,600 (+5%)
Previous Price Target	*IDR 6,529*

Different focus; D/G to HOLD with TP of IDR1,600

Downgrade to HOLD from BUY in view of a lack of near-term catalysts. Asset monetisation is slower than expected as LPCK sells more selling residential properties and not industrial land. Our new TP of IDR1,600 is 76% lower due to a changing presales mix, overhang in Meikarta project as well as rights adjustments. This is still based on a 49% discount to RNAV, near -1SD of its 5-year mean. While we model double-digit presales growth for its peers, we model +8% YoY for LPCK for FY19E and +16%/+4% YoY for FY20-21E. Switch to Puradelta (DMAS IJ, IDR304, BUY, IDR360) in the sector for its stronger presales growth and higher profitability.

Positive on new mass-market project

Since 2015, LPCK has been developing apartments to maximise the value of its 434ha land bank. But as the apartment market appears saturated, it will soon supply landed homes for the mass market, in 2H19. We are upbeat as demand for landed homes at IDR600m each is expected to be well absorbed by the market. We believe its presales target of IDR1,000b, down 4% YoY, for this year can be achieved on the back of its new focus.

Meikarta project carries a high risk

LPCK's main purpose of its recent USD213m rights issue was to raise funds for its MSU Meikarta project. About USD200m is needed for the completion of Phase 1A construction (60 towers). We see the apartment market in Lippo CIkarang to be saturated with additional 34 apartment towers totalling 10,000 units supplied in the past four years while Meikarta aspires to build 200,000 apartment units.

Changes in estimates

With changing property projects in its pipeline, our FY19-21E presales estimates have been adjusted by -8%/+2%/-16%. This, along with rights adjustments, changes our EPS by -44%/-13%/-10%.

FYE Dec (IDR b)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	1,501	2,210	1,026	1,308	1,473
EBITDA	426	1,063	351	469	486
Core net profit	367	2,155	364	432	458
Core EPS (IDR)	527	3,096	136	161	171
Core EPS growth (%)	(32.0)	487.2	(95.6)	18.8	5.9
Net DPS (IDR)	0	0	0	0	0
Core P/E (x)	5.7	nm	11.2	9.4	8.9
P/BV (x)	0.3	0.1	0.4	0.4	0.4
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	6.2	30.1	4.4	4.3	4.3
ROAA (%)	4.1	20.6	3.5	3.5	3.4
EV/EBITDA (x)	4.2	0.6	7.1	4.9	4.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	na	na	na
MKE vs. Consensus (%)	-	-	na	na	na

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Company Description

Lippo Cikarang is an industrial estate company which expanded its business to develop integrated mega project called Orange County with area of 300ha.

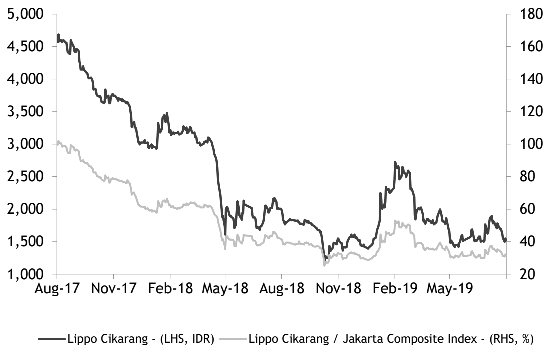
Statistics

52w high/low (IDR)	2,727/1,152
3m avg turnover (USDm)	0.6
Free float (%)	19.0
Issued shares (m)	2,680
Market capitalisation	IDR4.1T
	USD286M

Major shareholders:

Kemuning Setiatama	81.0%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(13)	(8)	(24)
Relative to index (%)	(11)	(7)	(25)

Source: FactSet

Successful USD213m rights issue

LPCK has completed issuing rights which were fully underwritten by its major shareholder, Lippo Karawaci (LPKR IJ, IDR280, BUY, TP IDR400). It raised IDR2,965b (USD213m) and LPKR now holds 81% of LPCK, up from 54%. The rights were priced at IDR1,495, with 1.9836b units issued, 285 for every 100 shares.

A major part of the proceeds will be used as a shareholders' loan to PT MSU (Non-listed), its 49.72% subsidiary which is developing the Meikarta project. The loan will mature in five years and is extendable by another five. Interest rate is 10.0% pa.

Fig 49: Shareholding structure

	Pre-rights issue		Post rights issue	
Shareholder	**No. of shares**	**%**	**No. of shares**	**%**
Kemuning Setiatama	293,706,000	42%	2,085,811,178	78%
Other Lippo related companies	166,041,797	24%	80,388,000	3%
Public	236,252,203	34%	513,400,822	19%
Total	696,000,000	100%	2,679,600,000	100%

Source: Company data

Update on Meikarta

During our recent visit to Meikarta, we saw progress since its launch in mid-2017. District 1 – Phase 1A has 28 apartment towers with about 8,000 units under construction. Handover to buyers is expected by Feb 2020. About more than 90% has been sold. Using proceeds from the rights issue, Meikarta plans to launch another 30 towers dubbed the University District.

Despite its low average pricing of IDR7m/sqm, management claims that Meikarta is profitable with gross margins of 15-20% for District 1. This is made possible by sourcing from China and buying raw materials in bulk. Management plans to increase prices in future launches. Our checks on neighbouring apartments indicate pricing of above IDR15m/sqm, more than double Meikarta's pricing.

Fig 50: Apartment towers in Meikarta set to complete building construction in Aug 2019

Source: Maybank Kim Eng

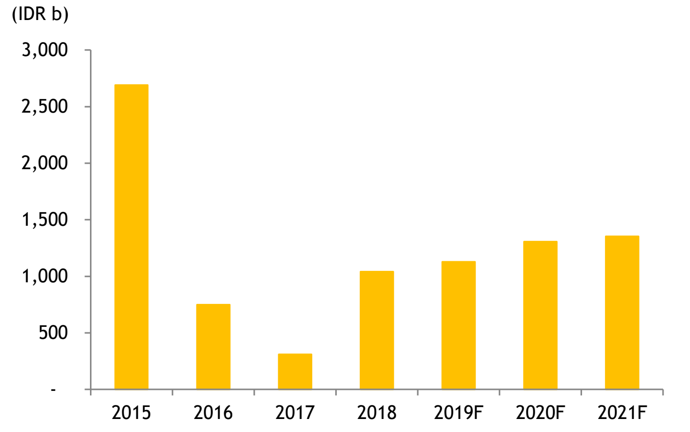
Fig 51: District 1 - Phase 1A apartment towers

Source: Maybank Kim Eng

After selling nearly 8,000 apartment units in just two years, management will shift its focus to selling landed housing in Lippo Cikarang. It plans to launch a new mass-market landed residential project with a total area of 70 ha which can supply about 3,000 units. Pricing will be around IDR600m/unit or USD43k, which is affordable to low-middle-income groups.

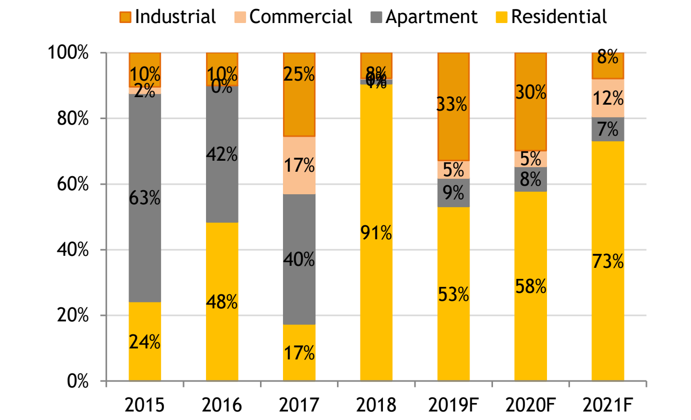
We expect LPCK's presales to be increasingly dominated by landed residential properties. This will be positive for its working capital as the construction of landed housing requires less time and typically yields higher margins than apartments.

Fig 52: Annual presales…



Source: Company data, Maybank Kim Eng

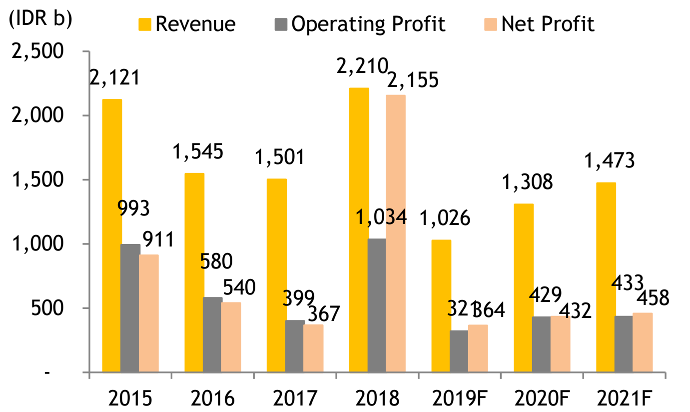
Fig 53: …and contributions of each property type



Source: Company data, Maybank Kim Eng

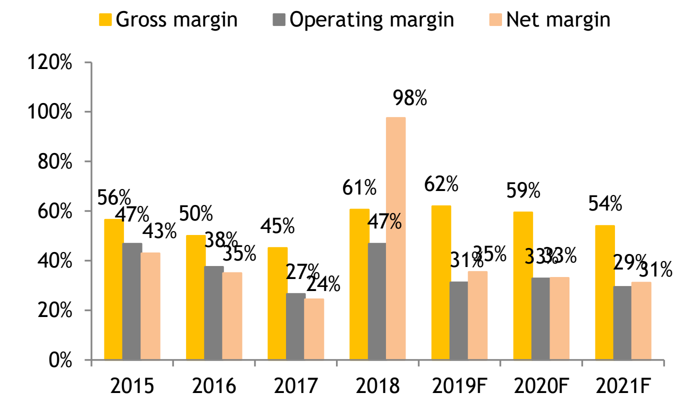
Following extraordinary revenue bookings in FY18 from land-block sales to MSU, we expect revenue to normalise from FY19E. As LPCK operates with minimal leverage, we expect the bulk of its operating profits to trickle down to net profits. Net-profit growth will be mild, in our estimation, in line with presales growth of +8% in FY19E.

Fig 54: Revenue, operating profits, net profits



Source: Company data, Maybank Kim Eng

Fig 55: Margins [pls make numbers smaller so they don't overlap]



Source: Company data, Maybank Kim Eng

Changes in forecasts

Our presales numbers for FY19E-21E have been changed by -8%/+2%/-16% to account for its current property projects. Subsequently, we assume lower revenue. Particularly for FY19E, our revenue is down by 43% from high recognition in FY18 of its large land-plot sales. We expect gross-margin expansion as a result of lower apartment sales in the next three years. With minimal costs below the EBIT line, these changes lead to similar-magnitude cuts of -44%/-13%/-10% in our net-profit estimates.

Fig 56: Changes in forecasts

(IDR b)	2019F			2020F			2021F		
	Old	New	+/- %	Old	New	+/- %	Old	New	+/- %
PRE-SALES									
Residential	565	600	6%	593	756	27%	623	992	59%
Apartments (excl. Meikarta)	478	98	-79%	502	98	-80%	528	98	-81%
Commercial	49	60	22%	51	63	22%	161	157	-3%
Industrial	131	370	183%	137	389	183%	308	107	-65%
Total	**1,223**	**1,128**	-8%	**1,284**	**1,306**	2%	**1,620**	**1,354**	-16%
REVENUE									
Industrial and commercial land	170	401	136%	179	450	152%	187	216	15%
Houses and shophouses	1,265	179	-86%	983	382	-61%	1,033	748	-28%
Property sales	**1,435**	**580**	-60%	**1,162**	**832**	-28%	**1,220**	**964**	-21%
Town management	334	301	-10%	384	332	-14%	442	365	-17%
Others	46	144	213%	46	144	213%	46	144	213%
Total Revenues	**1,815**	**1,026**	-43%	**1,592**	**1,308**	-18%	**1,708**	**1,473**	-14%
EBIT	699	321	-54%	562	429	-24%	572	433	-24%
Net Profit	646	364	-44%	499	432	-13%	511	458	-10%
(%)	**Old**	**New**	**+/- ppt**	**Old**	**New**	**+/- ppt**	**Old**	**New**	**+/- ppt**
Gross margin	51%	62%	10.9	51%	59%	8.5	51%	54%	3.3
EBIT margin	38%	31%	(7.2)	35%	33%	(2.5)	33%	29%	(4.1)
Net margin	36%	35%	(0.1)	31%	33%	1.7	30%	31%	1.2

Source: Maybank Kim Eng

Post its rights issue, its book value is enlarged by nearly 50% to IDR9,872b in FY19E. Even with larger equity, LPCK will still not tap into debt financing anytime soon as its parent company, LPKR plans to de-leverage on the consolidated level. We expect its investment to MSU to increase by nearly IDR3.0t to IDR4.0t from the USD200m shareholder loan. We estimate LPCK's total investment to MSU will total to IDR5,140b with accumulated share in net loss of around IDR1,100b by YE-2019.

Valuation and risks

We downgrade LPCK to HOLD from BUY in view of limited near-term catalysts. Asset monetisation will be slower as LPCK focuses on selling more residential properties rather than industrial land. Moreover, its huge investment in Meikarta project will still likely to be an overhang for a longer period.

Our new TP of IDR1,600 is 76% lower due to a changing presales mix as well as rights adjustments. This is still based on a 49% discount to RNAV, near -1SD of its 5-year mean. While we model double-digit of more than 15% YoY in FY19E growth for its peers, we model +8% YoY for LPCK for FY19E and +16%/+4% YoY for FY20E-21E. Switch to Puradelta (DMAS IJ, IDR304, BUY, TP IDR360) in the sector for its high earnings visibility and dividend yield.

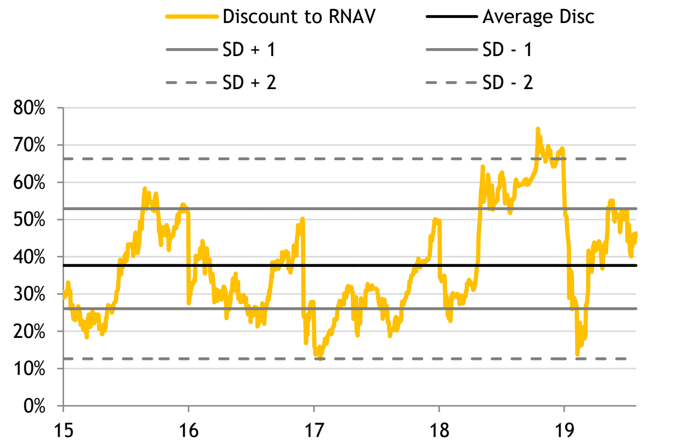
Upside risks to our view include earlier-than-expected Meikarta contributions and stronger-than-expected presales for new projects. Downside risks include delays in construction and weak property demand for its projects.

Fig 57: RNAV

	Gross Landbank (hectares)	Estimated Value (IDRb)	Ownership (%)	Value of Ownership (IDRb)
PROPERTY DEVELOPMENT				
Industrial	262	2,960	100%	2,960
Residential	142	2,302	100%	2,302
Commercial	35	1,254	100%	1,254
TOTAL				6,516
MEIKARTA		2,305	47.2%	1,088
Customer Advance (2019F)				(924)
Net Cash (2019F)				1,796
RNAV				8,477
# of Shares (m)				2,680
RNAV per share				3,163
Target price				**1,600**
Discount to RNAV				-49%

Source: Maybank Kim Eng

Fig 58: Discount to RNAV band (1-year forward)



Source: Bloomberg, Maybank Kim Eng

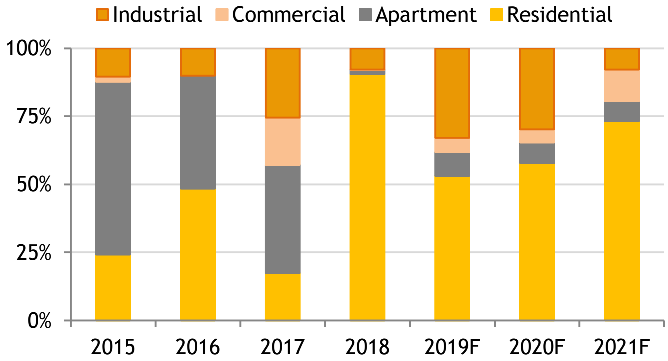
Fig 59: P/BV band (1-year forward)

Source: Bloomberg, Maybank Kim Eng

Value Proposition

- Leading mixed-use and industrial estate developer, Lippo Cikarang, sits on 434 ha of low cost, strategic land bank in the most prime industrial area in Cikarang, West Java.
- Tapping on parent company's strong expertise in township development, LPCK offers apartment for expatriates in the industrial estate, a successful and unique product.
- Selling residential, commercial and industrial properties spreads the revenue risk over a larger product base, achieving a steadier and sturdier business model.

Annual presales contribution by property type



Source: Company data, Maybank Kim Eng

Price Drivers

Historical share price trend

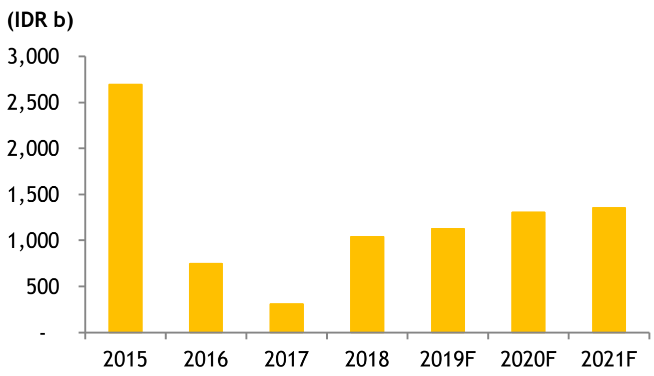
Source: Company, Maybank Kim Eng, Factset

1. Slowing down of GDP growth to below 5.0%.
2. Weak expectations of presales in 2016.
3. Launching of Meikarta in May 2017.
4. Announcement of the USD213m fully underwritten rights issue.

Financial Metrics

- Annual presales bookings will be crucial for Lippo Cikarang as it will set the pace of its earnings momentum in the forward years.
- We forecast presales growth to decline by 59% in FY19E with slower growth ahead from oversold apartment segment and less competitive industrial estate.
- Due to changing presales outlook in FY19E onwards, earnings growth in FY19E-21E will be lower than historical years.

Annual presales of Lippo Cikarang



Source: Company data, Maybank Kim Eng

Swing Factors

Upside

- Strong future presales take up for its properties
- Strong investment inflow triggering purchase of industrial land.
- Promotion of industrialisation and simplification for doing business by foreign enterprise in the country

Downside

- Restriction on size of industrial estates by the Government which will limit expansions.
- Restriction of foreign investments in Indonesia.
- Heightening competition of industrial estates land prices and minimum wage in the region.

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FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Metrics					
P/E (reported) (x)	7.9	nm	11.2	9.4	8.9
Core P/E (x)	5.7	nm	11.2	9.4	8.9
P/BV (x)	0.3	0.1	0.4	0.4	0.4
P/NTA (x)	0.3	0.1	0.4	0.4	0.4
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	nm	341.8	33.0	7.4	11.0
EV/EBITDA (x)	4.2	0.6	7.1	4.9	4.1
EV/EBIT (x)	4.5	0.6	7.8	5.4	4.6
INCOME STATEMENT (IDR b)					
Revenue	1,501.0	2,210.0	1,025.7	1,307.6	1,473.0
Gross profit	677.0	1,340.0	635.1	776.8	795.7
EBITDA	426.0	1,063.0	351.4	468.5	485.7
Depreciation	(27.0)	(29.0)	(30.4)	(39.7)	(52.8)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	399.0	1,034.0	321.0	428.8	432.8
Net interest income /(exp)	7.0	(10.0)	95.0	70.0	100.0
Associates & JV	20.0	(1,137.0)	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(1.0)	2,446.0	0.0	0.0	0.0
Pretax profit	425.0	2,333.0	416.0	498.8	532.8
Income tax	(56.0)	(112.0)	(52.0)	(66.3)	(74.6)
Minorities	(2.0)	(66.0)	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	367.0	2,155.0	364.0	432.5	458.2
Core net profit	367.0	2,155.0	364.0	432.5	458.2
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	579.0	623.0	1,996.0	2,199.0	2,513.9
Accounts receivable	248.0	706.0	168.6	214.9	242.1
Inventory	7,969.0	3,967.0	4,165.4	4,373.6	4,592.3
Property, Plant & Equip (net)	100.0	94.0	158.2	248.1	803.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	990.0	1,103.0	4,046.0	4,046.0	4,046.0
Other assets	2,492.0	2,097.0	1,473.5	1,741.2	2,068.2
Total assets	**12,378.0**	**8,590.0**	**12,007.7**	**12,822.8**	**14,265.7**
ST interest bearing debt	200.0	0.0	200.0	200.0	200.0
Accounts payable	783.0	533.0	390.6	530.8	1,354.6
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	3,674.0	1,163.0	1,312.0	1,555.0	1,716.0
Total Liabilities	**4,657.0**	**1,696.0**	**1,902.9**	**2,285.5**	**3,270.3**
Shareholders Equity	7,646.0	6,661.0	9,871.8	10,304.3	10,762.5
Minority Interest	75.0	233.0	233.0	233.0	233.0
Total shareholder equity	**7,721.0**	**6,894.0**	**10,104.8**	**10,537.3**	**10,995.5**
Total liabilities and equity	**12,378.0**	**8,590.0**	**12,007.7**	**12,822.8**	**14,265.7**
CASH FLOW (IDR b)					
Pretax profit	425.0	2,333.0	416.0	498.8	532.8
Depreciation & amortisation	27.0	29.0	30.4	39.7	52.8
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(3,416.0)	1,208.0	1,044.9	(39.2)	544.1
Cash taxes paid	(56.0)	(112.0)	(52.0)	(66.3)	(74.6)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(3,022.0)	3,392.0	1,439.3	433.0	1,055.1
Capex	(39.0)	(23.0)	(94.6)	(129.6)	(607.9)
Free cash flow	(3,061.0)	3,369.0	1,344.7	303.4	447.2
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	(30.0)	2,846.8	0.0	0.0
Change in Debt	200.0	(200.0)	200.0	0.0	0.0
Other invest/financing cash flow	2,760.0	(3,095.0)	(3,018.4)	(100.4)	(132.2)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(101.0)	44.0	1,373.0	202.9	315.0

FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Ratios					
Growth ratios (%)					
Revenue growth	(2.8)	47.2	(53.6)	27.5	12.7
EBITDA growth	(31.3)	149.5	(66.9)	33.3	3.7
EBIT growth	(31.2)	159.1	(69.0)	33.6	0.9
Pretax growth	(30.3)	448.9	(82.2)	19.9	6.8
Reported net profit growth	(32.0)	487.2	(83.1)	18.8	5.9
Core net profit growth	(32.0)	487.2	(83.1)	18.8	5.9
Profitability ratios (%)					
EBITDA margin	28.4	48.1	34.3	35.8	33.0
EBIT margin	26.6	46.8	31.3	32.8	29.4
Pretax profit margin	28.3	nm	40.6	38.1	36.2
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	24.5	97.5	35.5	33.1	31.1
Revenue/Assets (x)	0.1	0.3	0.1	0.1	0.1
Assets/Equity (x)	1.6	1.3	1.2	1.2	1.3
ROAE (%)	6.2	30.1	4.4	4.3	4.3
ROAA (%)	4.1	20.6	3.5	3.5	3.4
Leverage & Expense Analysis					
Asset/Liability (x)	2.7	5.1	6.3	5.6	4.4
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	103.4	na	na	na
Debt/EBITDA (x)	0.5	0.0	0.6	0.4	0.4
Capex/revenue (%)	2.6	1.0	9.2	9.9	41.3
Net debt/ (net cash)	(379.0)	(623.0)	(1,796.0)	(1,999.0)	(2,313.9)

Source: Company; Maybank

Maybank Kim Eng

AKR Corporindo Tbk (AKRA IJ)

Adds fuel to the fire

BUY

Share Price	IDR 3,770
12m Price Target	IDR 5,200 (+38%)
Previous Price Target	*IDR 7,800*

Reiterate BUY with 33% lower TP

Clarity on possible land sales to Freeport Indonesia (FI) and potential petroleum volume upside are positives for AKRA. However, we lower earnings to factor in more reasonable margin and volume assumptions. Maintain BUY with 33% lower DCF-based TP (WACC: 9.2%, LTG: 5%). Risks to our call include major collapse in coal prices and economic slowdown.

More clarity on Freeport land deal

The acquisition of 51% of Freeport Indonesia (FI) by Inalum (Not-listed) will increase the probability for the former to build a smelter. This could be positive for AKRA as the location of the smelter will most likely be in its industrial estate in East Java. AKRA is in discussions with FI, and could come up with a fixed structure at the end of 3Q19 or the beginning of 4Q19. One possible structure could be AKRA leasing land to FI during the construction period (5 years) with an option to sell thereafter. If realised, we estimate there could be 23% upside to our 2020 earnings forecast.

Volume upside

We assume petroleum distribution volume to grow at a 5.0% CAGR in 2019-21F to 2.0m KL. This is on the back of rising coal production and increasing energy needs in Indonesia. We see potential upside to our assumptions in the medium to long term due to: 1) implementation of B20, which will force players that do not have infrastructure out of business; 2) restructuring of the jet fuel business in Indonesia; and 3) cooperation with BP to build 350 petrol stations across the country.

Changes to our forecasts on volumes and margins

Meanwhile, despite the positive outlook for the petroleum business, we lower our 2019-21F earnings by 30-34% to factor in the temporary declines in volumes and petroleum margins. Our new forecasts suggest margins of IDR644-647/l. Every IDR50/litre change in margins changes our 2019 forecast by 9.4% in the same direction.

FYE Dec (IDR b)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	18,288	23,548	20,784	20,600	20,129
EBITDA	1,457	1,207	1,400	1,516	1,586
Core net profit	877	696	778	870	910
Core EPS (IDR)	219	173	194	217	227
Core EPS growth (%)	(14.6)	(20.8)	11.8	11.8	4.6
Net DPS (IDR)	200	143	70	77	81
Core P/E (x)	29.0	24.7	19.4	17.4	16.6
P/BV (x)	3.4	2.1	1.7	1.6	1.5
Net dividend yield (%)	3.1	3.3	1.9	2.0	2.2
ROAE (%)	12.5	8.9	9.4	9.6	9.5
ROAA (%)	5.4	3.8	4.0	4.6	4.8
EV/EBITDA (x)	19.4	17.3	12.6	11.4	10.7
Net gearing (%) (incl perps)	15.5	20.7	8.7	4.8	0.7
Consensus net profit	-	-	956	1,093	1,280
MKE vs. Consensus (%)	-	-	(15.4)	(19.0)	(27.1)

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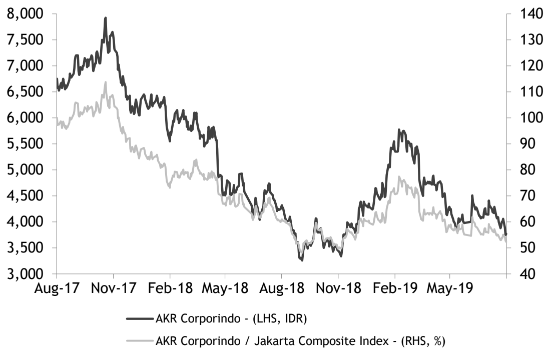
Company Description

AKRA's businesses are fuel & basic chemical distributions, logistics services and manufacturing. It also owns industrial estate in Gresik, East Java.

Statistics

52w high/low (IDR)	5,775/3,260
3m avg turnover (USDm)	2.2
Free float (%)	40.8
Issued shares (m)	4,015
Market capitalisation	IDR15.1T
	USD1.1B
Major shareholders:	
PT Arthakencana Rayatama	58.5%
Management	0.7%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(9)	(12)	(12)
Relative to index (%)	(7)	(11)	(14)

Source: FactSet

The Freeport land deal

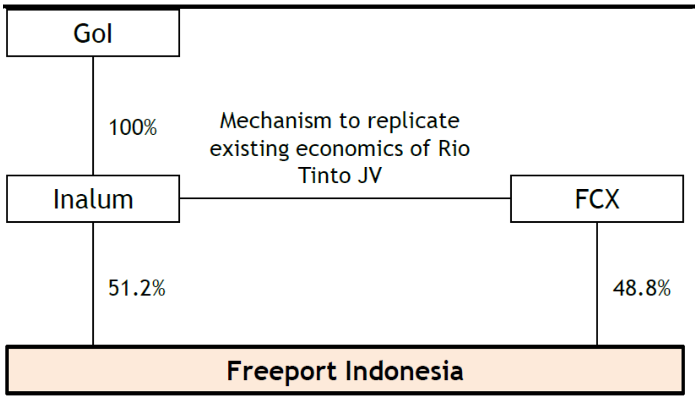
According to mining regulations in Indonesia, mining companies were required to build smelters by 2014. The requirement is to add value for the economy. Even though the smelters should have been ready by 2014, progress has been so slow. Mining companies argue that the return on investment for smelters is low, while the investments are huge, which could be over USD1b depending on capacity. This is not to mention that in 2013-16 commodity prices were low as well.

The situation became more complicated for Freeport Indonesia (FI). This is because there was uncertainty regarding the status of its contract, which will expire in 2041. With the completion of the acquisition of 51% of FI by Inalum, a mining SOE at the end of 3Q18, we believe it is more likely the government will extend FI's contract beyond 2021 because FI can now be considered an SOE.

The potential contract extension will also increase the chance for FI to build a smelter. This will be positive for AKRA as its industrial land is the leading candidate to be used by FI for its smelter. We understand that AKRA is in negotiations with FI on land for the project. AKRA expects legal agreement for the transaction to be completed in 3Q19.

One of the possible structures is AKRA will lease land (220ha) to FI for around USD80m during the construction period (5 years). After this, there is a possibility that the lease will be extended or the land will be sold to FI. We expect more clarity towards the end of 2019. Our estimate suggests if executed the deal would enhance AKRA's 2020 earnings by 23%.

Fig 60: FI's current ownership structure



Source: Company

Fig 61: Potential earnings impact from leasing land to FI

	Amount
AKRA 2020 earnings, IDR b	870
Annual rental fee from FI, USD m	16.0
Tax	-1.6
Annual rental fee from FI (net of tax), USD m	14.4
Annual rental fee from FI (net of tax), IDR b	199
Additional to 2020 earnings	23%

Source: Maybank Kim Eng

If the deal with FI is agreed, AKRA will have to build a 300MW gas-fired power plant. We estimate an investment of around USD400m for the power plant, and AKRA will use a project-financing scheme (70% debt and 30% equity) to support the construction. That said, the equity portion that AKRA will have to inject is around USD120m. We don't think AKRA will have to do a rights issue for this projects because: 1) the equity requirement will be spread out over 2-3 years; 2) AKRA generates annual EBITDA of around USD100m; and 3) AKRA could divest its stake in other businesses to fund the project.

Fig 62: AKRA doesn't require rights issue to build power plant

Description	Amount
Power capacity, MW	300
Estimated investments, USD m	400
Debt portion	70%
Equity portion	30%
Debt portion, USD m	280
Equity portion, USD m	120
Annual EBITDA, USD m	300

Source: Maybank Kim Eng

Potential volume upside

We forecast petroleum volume to grow at a 5.0% CAGR (2019-21F) to 2.0m KL on the back of growing demand from both the coal and power sectors. Both account for 35-40% of annual volume. Coal prices have fallen by 30% YTD to USD70/t due to oversupply. However, we are confident that in the medium term coal prices could move up and stabilize at USD75-80/t due to strong demand for coal not only from China and India but also from other regions, such as ASEAN. That said, we think coal companies will continue to increase their volumes to meet the growing demand.

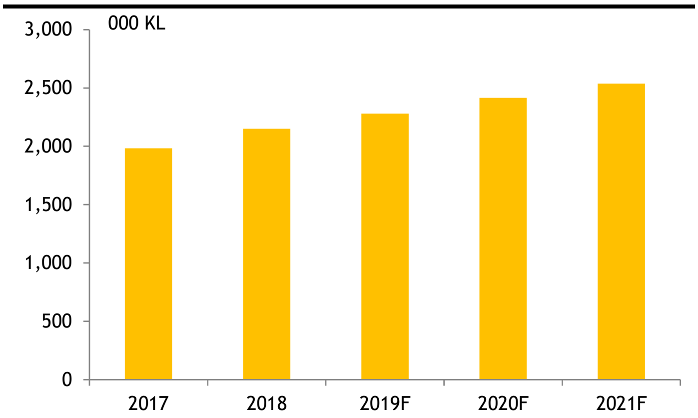
We think there could be upside to our forecasts in medium to long term due to:

- **B20 implementation.** Since 3Q18 the government has required all types of industrial uses, except defence system, gas-fired power plant and Freeport Indonesia, to use B20 fuels. Under the regulation, fuel distributors have to blend diesel with 20% biodiesel component called Fatty Acid Methyl Ester (FAME) in their own facility. They can no longer just import and distribute fuels directly to customers. We think this will have a major implication to small players (around 6% of industrial fuel volume) as they don't have the required infrastructure. This will provide business opportunities for AKRA.

- **Jet-fuel.** This is a new potential source of income for AKRA as the government is planning to allow the private sector to do business in this segment. At the moment jet fuel is provided by Pertamina, the state oil & gas company. Current jet fuel consumption is 13-13.5k KL per day. AKRA already set up a JV with BP for this business. AKRA has 50.1% and BP 49.9%. We understand that AKRA will start first with small airports in eastern Indonesia.

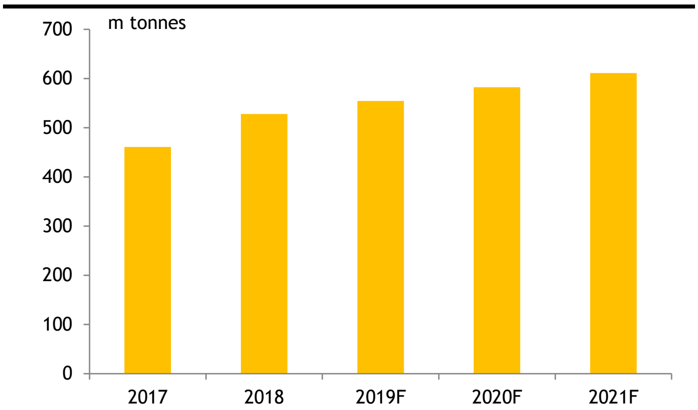
- **Retail business with BP.** Volume to retail segment was 9% of 2018 volume. AKRA has a JV with BP to build 350 petrol stations over the next 10 years. In 2019-20 it plans to open 30 stations. Until now, locations for 20 petrol stations are already secured, including 11 already operating.

Fig 63: Petroleum volume 5.7% CAGR (2018-21F)



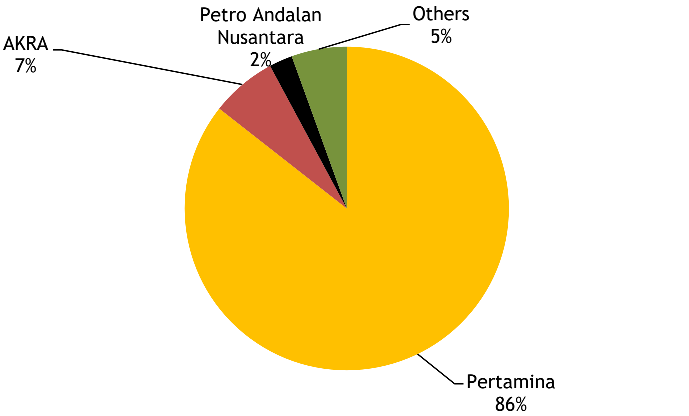
Source: Company, Maybank Kim Eng

Fig 64: Growing coal production



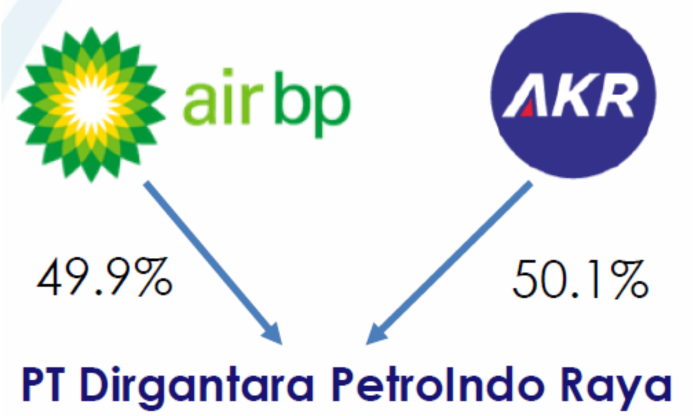
Source: Ministry of Energy & Mineral Resources, Maybank Kim Eng

Fig 65: 2019 Fatty Acid Methyl Ester (FAME) allocation



Source: Company

Fig 66: New jet-fuel business JV



Source: Company

Changes in forecasts

We lowered our 2019-20 earnings forecasts by 30-34% primarily due to 9.5-5.4% lower petroleum margin assumptions. We assume petroleum margin of IDR644/l for 2019. This is lowered from IDR711/l because in the past two years the margin was relatively flat at IDR544-550/litre. We don't see any compelling reason for the margin to be much stronger than 2017-18's. Our sensitivity analysis suggests every IDR50/mmbtu change in petroleum margin would change our 2019 earnings forecast by 10.4%.

Fig 67: Changes in forecasts

	2019F	2020F	2021F
Petroleum volume, 000 KL			
New	1,900	1,995	2,095
Old	2,508	2,617	2,731
Change	*-24.3%*	*-23.8%*	*-23.3%*
Petroleum gross margin, IDR/litre			
New	644	647	645
Old	711	684	684
Change	*-9.5%*	*-5.4%*	*-5.7%*
EBIT, IDR b			
New	1,088	1,178	1,224
Old	1,666	1,667	1,744
Change	*-34.7%*	*-29.3%*	*-29.8%*
Core profit, IDR b			
New	778	870	910
Old	1,119	1,323	1,404
Change	*-30.4%*	*-34.2%*	*-35.2%*

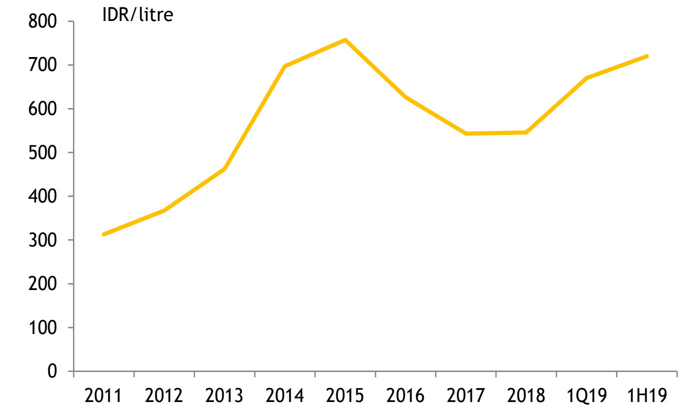
Source: Maybank Kim Eng

Fig 68: Earnings sensitivity to petroleum margin

	2019 earnings forecast, IDR b	Change
Petroleum margin -IDR50/l	706	-9.4%
Base case	778	
Petroleum margin +IDR50/l	851	9.4%

Source: Maybank Kim Eng

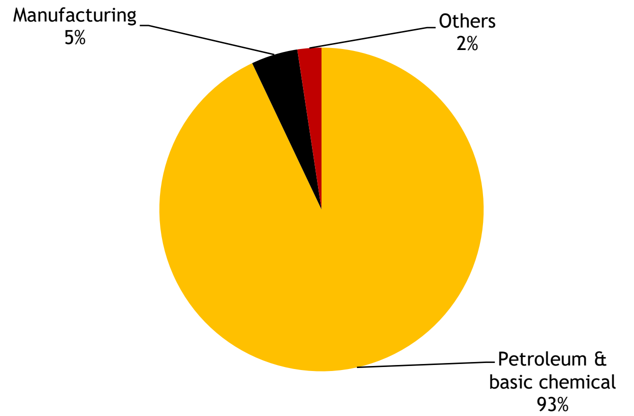
Fig 69: Petroleum distribution margin



Note: the margin is calculated based on an assumption of 6% gross margin for the chemical business

Source: Company historical data, Maybank Kim Eng estimates

Fig 70: 1H19 gross profit breakdown



Source: Company

Fig 71: Forecast assumptions

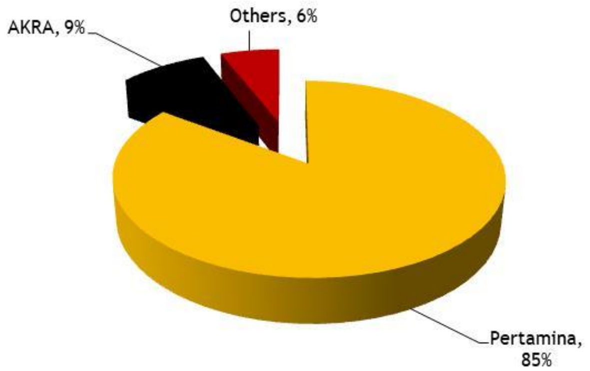
	2019F	2020F	2021F
Average exchange rate, IDR/USD	14,000	13,800	13,500
Fuel volume, 000 KL	1,900	1,995	2,095
Fuel gross margin, IDR/litre	644	647	645
Sale of industrial land (revenue recognition), ha	43	44	45

Source: Maybank Kim Eng

Value Proposition

- AKRA is one of the main players in industrial fuel in Indonesia, which has a high entry barrier.
- Strong industry positioning due to AKRA's infrastructure and limited number of players in industry.
- Basic chemical business, which contributes ~20% of sales, provides earnings stability due to its relatively stable margins.
- Industrial-land business provides a new source of income for AKRA and strengthens its presence in logistics industry in the country.
- Low oil prices have pushed down ROE to be below cost of equity.

The second largest player in industrial-fuel industry



Source: Company

Price Drivers

Historical share price trend

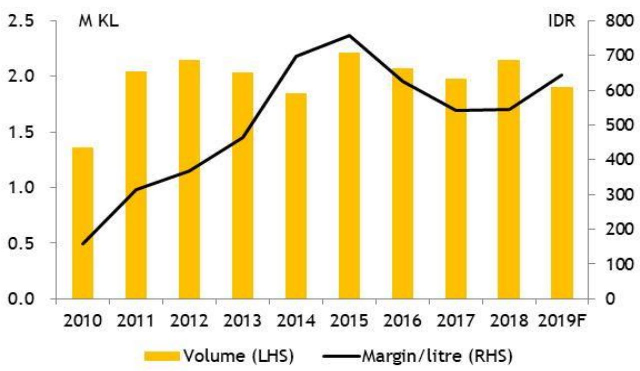
Source: Company, Maybank Kim Eng, FactSet

1. Flat petroleum-volume growth due to weak coal prices.
2. Inclusion of the stock into MSCI.
3. Margin compression amid weak oil prices and demand.
4. Recovery of petroleum volume due to coal-price recovery.
5. Completion of acquisition of Freeport Indonesia by Inalum, increasing chance for the former to build smelter.

Financial Metrics

- We forecast core profit growth of 11.8% for 2019 on the back of higher petroleum volume and margins.
- The volume growth will be contributed by both coal and power sectors.
- Strong balance sheet to remain with low gearing; dividend payout ratio of at least 35%.

Petroleum volume vs margin



Source: Company

Swing Factors

Upside

- Improving margins for petroleum business given limited number of players in the industry.
- Sustained strong coal prices, which will boost demand.
- Accelerated sales of industrial land, which could become a new source of income.

Downside

- Regulated pricing of industrial fuels by the government.
- Collapse in coal prices as demand from the sector contributes ~30% of total volume.
- Slow progress in industrial land sales.

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FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Metrics					
P/E (reported) (x)	29.5	26.5	18.7	17.1	16.2
Core P/E (x)	29.0	24.7	19.4	17.4	16.6
P/BV (x)	3.4	2.1	1.7	1.6	1.5
P/NTA (x)	6.0	3.5	2.9	2.8	2.7
Net dividend yield (%)	3.1	3.3	1.9	2.0	2.2
FCF yield (%)	0.0	nm	8.4	3.8	4.4
EV/EBITDA (x)	19.4	17.3	12.6	11.4	10.7
EV/EBIT (x)	25.4	22.8	16.2	14.7	13.8
INCOME STATEMENT (IDR b)					
Revenue	18,287.9	23,548.1	20,783.9	20,599.6	20,129.3
Gross profit	1,867.2	1,554.4	1,804.7	1,920.9	1,992.2
EBITDA	1,456.9	1,206.7	1,399.8	1,515.8	1,586.5
Depreciation	(344.3)	(291.5)	(312.2)	(337.4)	(362.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,112.6	915.2	1,087.6	1,178.5	1,224.5
Net interest income /(exp)	13.4	(50.8)	(41.2)	(14.6)	(10.7)
Associates & JV	(6.2)	54.7	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	36.4	(28.9)	42.9	24.4	34.1
Pretax profit	1,156.2	890.2	1,089.3	1,188.3	1,247.9
Income tax	(154.9)	(226.8)	(239.7)	(261.4)	(274.5)
Minorities	(102.9)	48.2	(41.6)	(41.2)	(40.3)
Discontinued operations	303.3	933.3	0.0	0.0	0.0
Reported net profit	898.4	711.6	808.1	885.7	933.1
Core net profit	877.4	696.0	778.5	870.5	910.3
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	1,771.2	2,171.1	2,409.7	1,882.8	2,302.5
Accounts receivable	2,696.1	4,404.7	3,064.1	3,036.9	2,967.6
Inventory	1,072.6	1,357.0	1,239.7	1,220.1	1,184.7
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	4,215.1	4,921.6	5,169.4	5,384.0	5,562.0
Intangible assets	12.6	0.0	0.0	0.0	0.0
Investment in Associates & JVs	409.7	412.0	412.0	412.0	412.0
Other assets	6,646.1	6,674.4	6,674.4	6,674.4	6,674.4
Total assets	**16,823.4**	**19,940.8**	**18,969.2**	**18,610.2**	**19,103.2**
ST interest bearing debt	955.1	2,426.6	2,169.7	1,267.2	1,311.9
Accounts payable	3,777.4	4,996.9	4,365.9	4,296.8	4,172.2
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	2,217.7	1,803.1	1,152.6	1,148.3	1,074.4
Other liabilities	843.0	787.0	787.0	787.0	787.0
Total Liabilities	**7,793.7**	**10,014.0**	**8,475.6**	**7,499.7**	**7,345.9**
Shareholders Equity	7,558.0	8,371.1	8,896.4	9,472.0	10,078.5
Minority Interest	1,471.7	1,555.7	1,597.3	1,638.5	1,678.7
Total shareholder equity	**9,029.7**	**9,926.8**	**10,493.6**	**11,110.5**	**11,757.3**
Total liabilities and equity	**16,823.4**	**19,940.8**	**18,969.2**	**18,610.2**	**19,103.2**
CASH FLOW (IDR b)					
Pretax profit	1,156.2	890.2	1,089.3	1,188.3	1,247.9
Depreciation & amortisation	344.3	291.5	312.2	337.4	362.0
Adj net interest (income)/exp	(13.4)	50.8	41.2	14.6	10.7
Change in working capital	(1,886.4)	(3,214.0)	2,088.9	115.9	229.3
Cash taxes paid	(583.6)	(556.7)	(239.7)	(261.4)	(274.5)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	642.3	(503.3)	1,835.6	1,130.5	1,207.0
Capex	(635.7)	(1,222.2)	(560.0)	(552.0)	(540.0)
Free cash flow	6.6	(1,725.5)	1,275.6	578.5	667.0
Dividends paid	(600.0)	(883.2)	(282.8)	(310.0)	(326.6)
Equity raised / (purchased)	82.3	45.0	0.0	0.0	0.0
Change in Debt	(766.0)	1,019.5	(869.4)	(887.3)	0.0
Other invest/financing cash flow	1,681.4	1,944.1	115.3	91.9	79.2
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	404.3	399.9	238.6	(526.9)	419.7

FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Ratios					
Growth ratios (%)					
Revenue growth	20.2	28.8	(11.7)	(0.9)	(2.3)
EBITDA growth	(5.1)	(17.2)	16.0	8.3	4.7
EBIT growth	(6.4)	(17.7)	18.8	8.4	3.9
Pretax growth	0.0	(23.0)	22.4	9.1	5.0
Reported net profit growth	(11.1)	(20.8)	13.6	9.6	5.4
Core net profit growth	(14.2)	(20.7)	11.8	11.8	4.6
Profitability ratios (%)					
EBITDA margin	8.0	5.1	6.7	7.4	7.9
EBIT margin	6.1	3.9	5.2	5.7	6.1
Pretax profit margin	6.3	3.8	5.2	5.8	6.2
Payout ratio	89.2	80.9	35.0	35.0	35.0
DuPont analysis					
Net profit margin (%)	4.9	3.0	3.9	4.3	4.6
Revenue/Assets (x)	1.1	1.2	1.1	1.1	1.1
Assets/Equity (x)	2.2	2.4	2.1	2.0	1.9
ROAE (%)	12.5	8.9	9.4	9.6	9.5
ROAA (%)	5.4	3.8	4.0	4.6	4.8
Liquidity & Efficiency					
Cash conversion cycle	(3.3)	2.4	0.5	(6.5)	(6.5)
Days receivable outstanding	51.8	54.3	64.7	53.3	53.7
Days inventory outstanding	21.2	19.9	24.6	23.7	23.9
Days payables outstanding	76.3	71.8	88.8	83.5	84.1
Dividend cover (x)	1.1	1.2	2.9	2.9	2.9
Current ratio (x)	1.6	1.4	1.4	1.5	1.6
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.0	2.2	2.5	2.6
Net gearing (%) (incl perps)	15.5	20.7	8.7	4.8	0.7
Net gearing (%) (excl. perps)	15.5	20.7	8.7	4.8	0.7
Net interest cover (x)	na	18.0	26.4	80.9	114.1
Debt/EBITDA (x)	2.2	3.5	2.4	1.6	1.5
Capex/revenue (%)	3.5	5.2	2.7	2.7	2.7
Net debt/ (net cash)	1,401.6	2,058.6	912.6	532.7	83.7

Source: Company; Maybank

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