

PT. Puradelta Lestari Tbk.

Investment Consideration

Improving Marketing Sales

PT Puradelta Lestari Tbk (DMAS), which has one of the largest industrial land banks in the country, managed to exceed its initial target for marketing sales during 8M2016 of 50 hectares, selling 51 hectares. While this was a decline from the 90 hectares sold in 2015FY because of slower demand, we believe industrial land sales could jump this year as DMAS has a pipeline of potential sales of 100 hectares already under negotiation. We believe there will be an improvement in marketing sales over the next two years as realization of the government's property regulations drives higher demand. We estimate a CAGR of 13%.

Stronger Contribution from Recurring Income

As of 9M16, DMAS recurring income was 2% of revenue compared to just 0.3% in 9M15. But DMAS is expecting the contribution from recurring income will grow to double digits within the next 5 years. This is part of a strategic long term plan to boost revenue alongside industrial land sales. The contribution from recurring income will be achieved through the development of current and future commercial properties. We believe, recurring income will be DMAS the key earning driver in the future.

Valuation: TP 285, 29.5% upside

We expect DMAS will return to double digit growth in 2017, helped by government regulation support for the property sector. We target DMAS to trade at 12x 2017F PE, which gives a target share price of Rp285 or 29.5% potential upside.

Profit & Loss (In IDR bn)	2012A	2013A	2014A	2015A	2016F	2017F	2018F
Revenues	1,350.6	1,826.5	1,538.3	2,285.9	1,722.8	1,997.6	2,195.0
Cost of Revenues	(883.4)	(829.0)	(462.0)	(836.8)	(603.0)	(699.1)	(768.2)
Gross Profit	467.2	997.5	1,076.2	1,449.0	1,119.8	1,298.4	1,426.7
Operating Expenses	(97.0)	(74.9)	(149.5)	(264.6)	(206.7)	(159.8)	(175.6)
Operating Income	370.2	922.6	926.7	1,184.5	913.1	1,138.6	1,251.1
Other Income	41.9	114.2	44.1	196.2	25.8	30.0	32.9
Profit Before Tax	412.1	1,036.7	970.8	1,380.7	938.9	1,168.6	1,284.1
Tax Expense	(67.9)	(95.3)	(6.2)	(12.5)	(16.9)	(22.1)	(24.3)
NIAT	359.7	941.5	964.6	1,368.2	922.0	1,146.5	1,259.8
Minority Interest	(0.1)	(0.1)	(0.5)	(0.3)	(0.6)	(0.6)	(0.7)
Net Income	359.6	941.3	964.1	1,367.9	921.5	1,145.8	1,259.1
EPS (IDR)	15.3	21.7	22.2	28.4	19.1	23.8	26.1
EBITDA	448.7	1,074.2	999.1	1,403.7	973.8	1,219.1	1,355.2

Source: Company and Binaartha

January 5, 2017
Construction – Property And Real Estate

Price	IDR	220
Target Price	IDR	285
JKSE Index		5301.183



Stock Information

Bloomberg Code	DMAS IJ
Market Cap (IDR bn)	11,374
52-week high (IDR)	296
52-week low (IDR)	183
Shares issued (mn)	48,198
6-m avg. daily Val (IDR)	239
Free float	20%

Major share holders	(%)
AFP Int. Capital Pte. Ltd	53.87%
Jermina Limited	2.47%
PT Sumber Arusmulia	1.16%
Sojitz Corporation	22.50%
Public	20.00%

USD/ IDR – YE (IDR)	
2016	13,436
2017F (6m-avg)	13,199

Key Indicators	2017F
ROE	15.85%
Net TA (IDR bn)	8,035
Curent Ratio (x)	9.70
Total Debt/Equity (x)	0.06

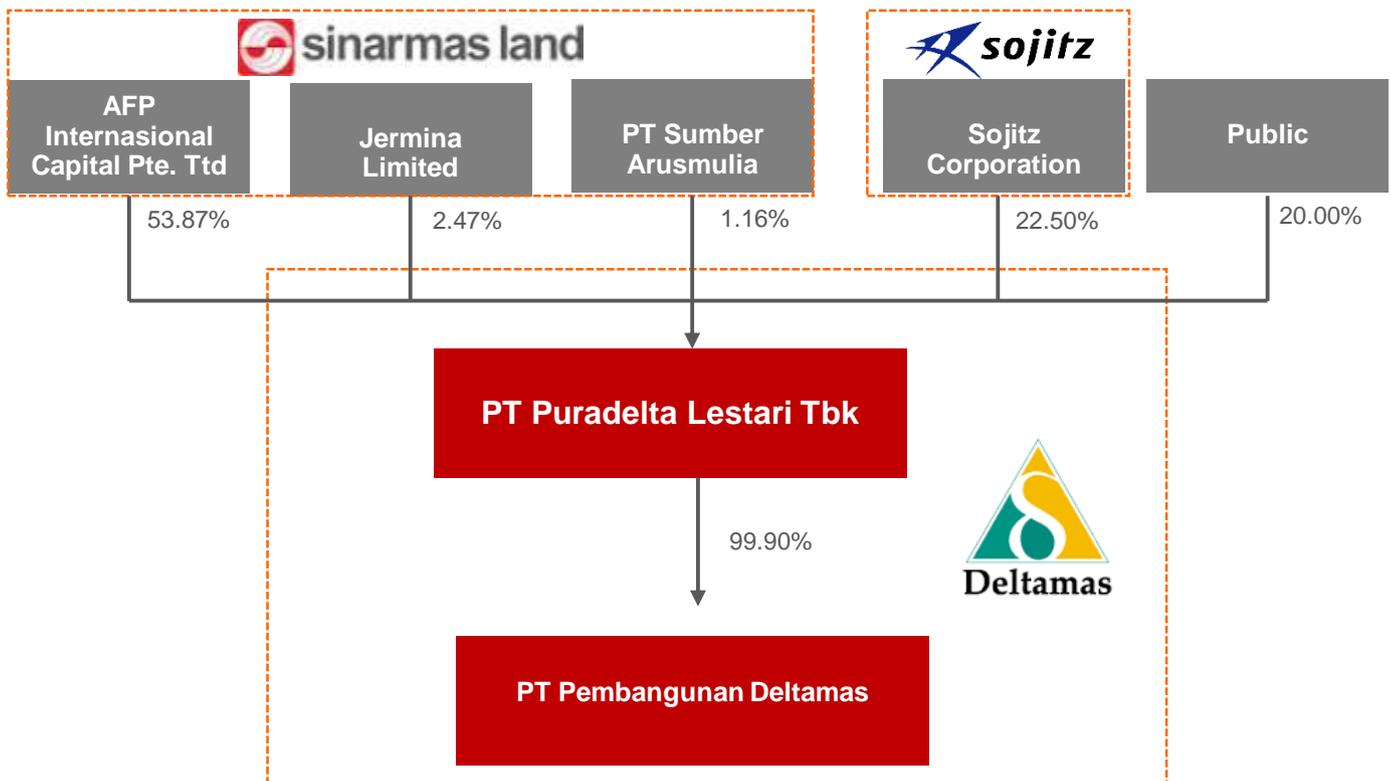
Company Profile

PT Puradelta Lestari Tbk was founded in 1993 as a local investment corporation in Indonesia. In 1994, The company acquired land utilization permits to operate over 3,000 ha of land in the Bekasi Regency and in 1996 the company changed its status to a foreign capital investment company. Sojitz Corporation became a 25% shareholder of the company.

The company's main project is Kota Deltamas, a 3,053 hectare project consisting of industrial, residential, & commercial developments. The company began development of a light industry area (Greenland Standard Factory Building) in 2004 and commenced work on Greenland International Industrial Center (GIIC) in 2012. GIIC is one of the largest industrial estates along the Jakarta – Cikampek Toll Road with a total gross area of 1,440 hectares. GIIC takes up 47% of Kota Deltamas' total landbank. Most tenants are Japanese companies such as Suzuki, Takata, YKK, Nippon Express Logistics, Maxxis International Indonesia, Mitsubishi Motors etc.

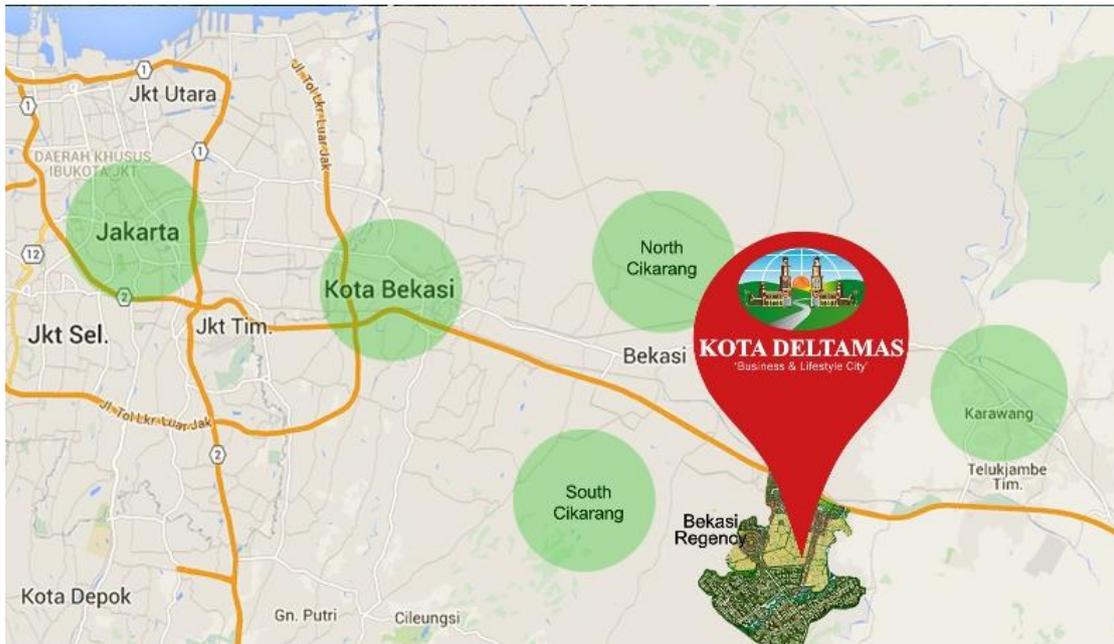
The Company has been listed on the Indonesia Stock Exchange since its IPO in May 29, 2015.

Ownership Structure of the Company

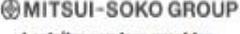


Source: Company and Binaartha

Company's Location Project



Company's Industrial Estate Customer

Automobile	Logistics	Food & Beverage	General consumers
 Automobile manufacturer	 Logistics services provider	 Food products manufacturer	 Stationery producer
 Automobile manufacturer	 Logistics services provider	 Animal feed producer	 Zip producer
 Automobile manufacturer	 Logistics services provider	 Bread manufacturer	 Diapers producer
 Tyre producer	 Logistics services provider		

Source: Company and Binaartha

Table of Mortgage Loan (PBI No.18/16/PBI/2016)

Type	Size (sqm)	Mortgage Loan		
		I	II	III
House	>70	85%	80%	75%
Apartment	>70	85%	80%	75%
Apartment	22 - 70	90%	85%	80%

Source: Bank of Indonesia

Positive sentiment from Government's regulation

To boost property demand, the government released a few regulations for the property sector in 2016.

- 1) Loan to property value ratio has been increased from 5% to 15% for all property segments,
- 2) Tax on land sales has been reduced from 5% to 2.5%.
- 3) Repatriation of funds invested in property allowed.

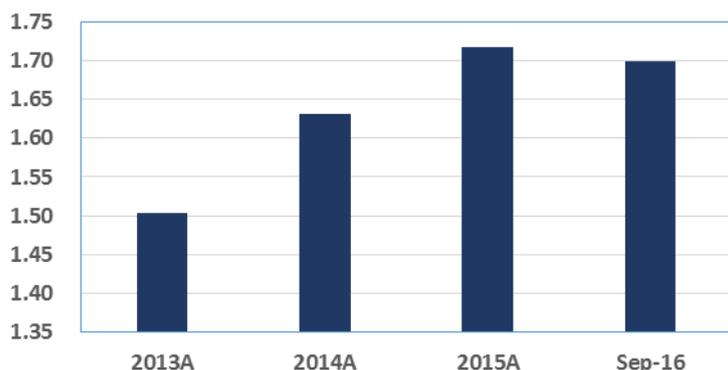
In addition to the government regulations, the Petimban Deep Port and Jakarta – Cikampek Elevated Toll Road projects will add positive sentiment for the Industrial sector. The Petimban Deep Port project in West Java, which will be located around 70km from Bekasi and the Karawang Industrial Estate will help to support the overloaded Tanjung Priok port & will begin operations in 2019. The Jakarta – Cikampek elevated toll road project is estimated to start operation in 2019. These two projects will provide added value to DMAS and other industrial estate companies in the area. We believe the combination of development of the Petimban Deep Port project in West Java, the Jakarta – Cikampek elevated toll road, & government support will stimulate demand in the property sector especially in industrial estates.

Picture of Patimban Deep Port and Jakarta – Cikampek Elevated Toll Road Projects Location



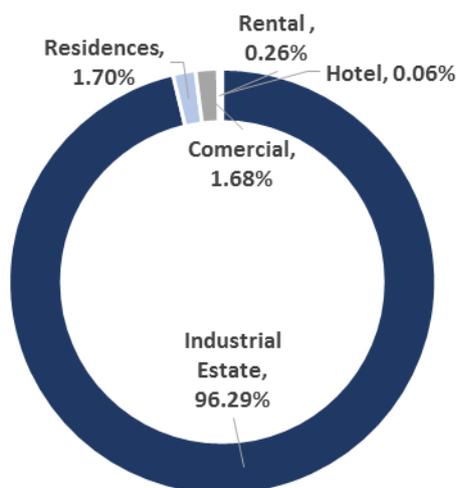
Source: Company and Binaartha

I. Marketing Sales YoY (IDR.tn)



Source: company

II. Revenue contribution 9M2016



Source: company

II. Breakdown DMAS's Revenue (in IDR mn)

Breakdown DMAS's Revenue (IDR mn)	9M2015	9M2016
Industrial	1,668,653	974,840
Residential	30,606	17,215
Commercial	5,083	17,005
Rental	0	2,653
Hotel	0	652

Source: company

Improving Marketing Sales

PT Puradelta Lestari Tbk (DMAS) managed to exceed their marketing sales target from industrial segment during 8M2016 to 51 ha from the initial target of 50 ha for this year. Most of the sales was contributed by PT Astra Honda Motor that has purchased 38.3 ha of industrial land in Greenland International Industrial Centre. Despite the 8M's sales figure is a decline from 2015FY of 90,48 ha, due to slow demand in 2016, we believe industrial land sales could raise next year, as DMAS is negotiating a 100ha land. The industrial land sales segment remain as the highest contributor to revenue, where as of 9M16, it contributed 96.29% of DMAS revenue. We estimate an improvement in marketing sales figure during 2016-2017 due to higher demand as well as realization of government's regulation in property. We estimate DMAS total revenue CAGR in next two year will be 13%.

Recurring Income is The Key Sales Driver

Kota Deltamas is the Company's main project with 3053 ha total area consisting of industrial, residential, and commercial areas. DMAS provide facilities for residents, tenants and workers inside Kota Deltamas. Commercial area which is the source of DMAS recurring income, has a total gross development of 757 ha. As of 9M16, DMAS recurring income is 2.01% of total revenue compared to 0.30% in 9M15. DMAS is expecting sales contribution from recurring income will grow to double digit within the next 5 years as part of strategic long term plan to boost revenue beside industrial land sales.

Included in these commercial properties will be:

- The development of 20 hectares of commercial land in Kota Deltamas for the AEON mall, which began in 2013 and is expected to begin operation in 2018. This mall will have double the capacity of the AEON mall in BSD.
- In industrial property: 4 units of rental factories were built in 2015 and began to contribute to revenue during that year.
- In hotel properties, DMAS launched the first phase of the 17 hectare Greenland Square development located in a premium area near Bekasi. During 9M16, the hotel segment started to gain revenue from serviced apartments in the "Le Premier Apartment" complex, with contracts secured for the next 2 years and a 100% occupancy rate. We target revenue from the hotel properties at IDR 30 billion per year.

We believe, these three business units will be the drivers of growing recurring income sales in the future.

Valuation: TP 285, 29.5% upside

We expect DMAS sales will grow by double digit in 2017, in line with government's regulation which support property sectors. We are targeting DMAS to trade at 12x 2017F PE, which is around 285 or 29.5% upside potential. BUY

Profit & Loss (In IDR Bn) YoY

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Ratio Highlight

Growth (% YoY)	2013A	2014A	2015A	2016F	2017F	2018F
Sales	35.24%	-15.78%	48.60%	-24.63%	15.95%	9.88%
OP	149.18%	0.45%	27.81%	-22.91%	24.70%	9.88%
EBITDA	139.43%	-6.99%	40.49%	-30.63%	25.19%	11.16%
NP	161.77%	2.42%	41.88%	-32.64%	24.35%	9.88%
EPS	41.85%	2.42%	27.70%	-32.64%	24.35%	9.88%

Profitability (%)	2013A	2014A	2015A	2016F	2017F	2018F
Operating Margin	50.51%	60.25%	51.82%	53.00%	57.00%	57.00%
EBITDA margin	58.81%	64.95%	61.41%	56.52%	61.03%	61.74%
NET Profit margin	51.54%	62.68%	59.84%	53.49%	57.36%	57.36%
ROA	12.27%	12.68%	17.08%	11.58%	14.26%	14.46%
ROE	17.34%	15.08%	19.11%	12.32%	15.85%	16.05%

Stability	2013A	2014A	2015A	2016F	2017F	2018F
Current Ratio (X)	1.73	2.49	4.03	5.42	9.70	5.76
Total debt/ Total equity (x)	0.80	0.41	0.19	0.12	0.06	0.11
Int. Coverage (x)	211.79	239.71	945.90	514.61	512.37	450.40
int. & ST debt coverage (x)	0.002	0.003	0.002	0.004	0.003	0.003

Per Share data (Rp)	2013A	2014A	2015A	2016F	2017F	2018F
EPS	21.70	22.23	28.38	19.12	23.77	26.12
BVPS	125.14	147.37	148.50	155.15	149.97	162.79
SPS	42.11	35.46	47.43	35.74	41.44	45.54
Ebitda/share	24.76	23.03	29.12	20.20	25.29	28.12

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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