

## Premier Insight

22 June 2016

## PT PP Property (PPRO IJ; Not Rated)

## An affordable living

- High-value landbank will support years of development
- Focus on underlying property demand for affordable homes
- Joint venture with local partner to gain resources
- Synergy with PTPP to help reduce construction cost

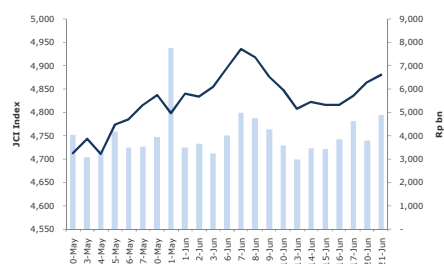
**High-value landbank will support years of development.** PT PP Property (PPRO) owns 81ha of landbank (jointly with partners) across Indonesia with 91% of this located in Java. Despite having smaller landbank compared to other developers, the company's landbank is located in strategic locations, such as Grand Kumala Lagoon (GKL) in Bekasi which accounts for 35% of total landbank. Additionally, most of the landbanks are in early stage, leaving the company with 7 years of development potential. PPRO's strategy is to focus on high rise residential project in order to have better utilization of landbank. The company is very selective in adding landbank by only selecting land with convenience access and focus in greater Jakarta (Bodetabek) and Surabaya region. So far, the company does not have any plan to add landbank on their own but is open for opportunity to work with local partners to develop the land.

**Focus on underlying property demand for affordable homes.** PPRO is selling their products at below Rp1bn per unit whose demand is more resilient in the current property market downturn. With average selling price of Rp450mn/unit, PPRO's first tower has been entirely sold out and now recorded a good 60% take up on 2<sup>nd</sup> tower in GKL. PPRO is proposing to build LRT hub in GKL to improve access and join forces with ICBC bank from China to attract buyers from regional market. Aside from GKL, high take up rate of 73% also seen in its Rusunami project, Gunung Putri in Bogor. Although low cost housing typically generates lower margin of ~20% (vs. normal of ~30%), the company believes large volume should eventually compensate lower margin. Meanwhile in Surabaya, PPRO still sees slower take up in its project, due to weak appetite in apartment. Hence it should attract more buyers once malls in GSL and GDL start operating.

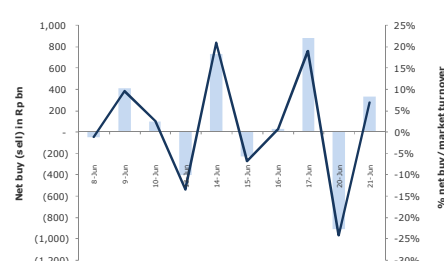
**Joint venture with local partners to gain resources.** PPRO has stepped into joint venture agreement with Kawasan Jababeka (KIJA) and Sentul City (BKSL) to develop low cost housing and mixed used project. Company has also signed MoU with developer to develop 21ha in Bandung. This joint venture strategy should allow PPRO to reduce capex on land acquisition while tapping opportunity in local market.

**Synergy with PTPP to reduce cost.** PPRO is using its parent company, PT Pembangunan Perumahan (PTPP IJ; Rp3,890; Buy) to reduce construction cost by having bargain power in initial cost. This gives PPRO better pricing compared to peers and improving profitability margin over time.

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,879	0.3%	-1.6%	6.2%
LQ45	833	0.3%	-2.2%	5.1%
DJI	17,830	0.1%	-1.6%	2.3%
SET	1,431	0.6%	-4.9%	11.1%
HSI	20,668	0.8%	-23.7%	-5.7%
NKY	16,169	1.3%	-20.8%	-15.6%
FTSE	6,227	0.4%	-8.8%	-0.3%
FSSTI	2,789	-0.4%	-15.9%	-3.2%
EIDO	24	0.6%	-2.0%	13.1%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	48.9	-1.1%	-18.1%
CPO/tonne	615.8	-1.1%	10.0%
Soy/bushel	11.3	-0.9%	16.4%
Rubber/kg	1.6	1.8%	-10.6%
Nickel/tonne	9,145	-1.0%	-27.8%
Tins/tonne	17,184	1.0%	11.8%
Copper/tonne	4,659	0.6%	-17.4%
Gold/try.oz (Spot)	1,268	-1.7%	6.9%
Coal/tonne*	52.8	0.3%	-12.4%
Corn/bushel	3.8	-6.1%	11.5%
Wheat/bushel**	163.4	-0.4%	-16.6%

\* : 1 week change

\*\* : 1 month change

Source : Bloomberg

Year To 31 Dec	2013A	2014A	2015A	2016F	2017F
Revenue (RpBn)	N.A	555	1,505	2,017	2,831
EBITDA (RpBn)	N.A	131	364	N.A	N.A
EBITDA Growth (%)	N.A	N.A	177.7	N.A	N.A
Net Profit (RpBn)	N.A	106	300	383	498
EPS (Rp)	N.A	8	21	36	46
EPS Growth (%)	N.A	N.A	183	71.4	27.8
Net Gearing (%)	N.A	7.5	-0.3	N.A	N.A
PER (x)	N.A	50.8	17.9	11	8.6
PBV (x)	N.A	5.2	2.1	N.A	N.A
Dividend Yield (%)	N.A	0	0	1.01	8
EV/EBITDA (x)	N.A	40.5	14.8	N.A	N.A

## News & Analysis

### Corporates

**CTRA:** Ciputra Development (CTRA IJ; Rp1,460; Buy) is developing middle- low cost housing in East Jakarta. Company will work with Multivision group to develop 13.5ha land in Pulo Gadung. Company will build 16,000 unit of apartment and allocate 20% to low – middle income. The project is estimated to reach Rp4tn in cost. CTRA has not appointed its subsidiaries to handle the project. (Kontan)

*Comment: the development of low - middle housing is inline with Ciputra's group goal to build affordable housing. We will wait for more details regarding this transaction.*

**GGRM:** Gudang Garam (GGRM IJ; Rp66,250; Buy) paid a dividend of Rp2,600 per share (77.52% payout ratio). The management predicts sales volume will be stagnant this year after experiencing a decline last year. This year the excise hike will be 11.19% (vs. 8.72% in 2015). However, the company will increase the efficiency to maintain the profitability. (Bisnis Indonesia)

*Comment: Our forecast also predicts sales volume to be flat this year. As the top three tobacco producers in Indonesia have consolidated market share of around 75% in these past few years, we expect limited impact of excise tax hike on their profitability. In this case, we expect the company to be able to pass on the excise hike to the consumer as it happened previously. In addition, through some efficiency improvement, we predict the earnings to grow 14.2% yoy in 2016F (vs. 2015: 19.9% yoy).*

**JSMR:** Jasa Marga (JSMR IJ; Rp5,200; Buy) plans to issue bonds of Rp3.0tn together with the capital injection of Rp1.25tn by the Government. However, the capital injection with Government participation is still in discussion with the House of Representative. If the Government will not participate, Jasa Marga will look at the possibility to issue right without Government participation, diluting the Government's shareholding possibly down to a maximum of 51%. (Bisnis Indonesia)

*Comment: This remains inline with the management's view to enlarge asset to Rp100tn in 2019. The Company will continue to combine equity and leverage to grow its asset base. We think, Government participation is strategically crucial to sustain growth of Jasa Marga in the toll road business, which is still at the early stage.*

**Head Office****PT INDO PREMIER SECURITIES**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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**INVESTMENT RATINGS**

BUY : Expected total return of 10% or more within a 12-month period  
HOLD : Expected total return between -10% and 10% within a 12-month period  
SELL : Expected total return of -10% or worse within a 12-month period

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