

# Alam Sutera Realty<sup>(ASRI IJ)</sup>

1 July 2015

## Company Update

**BUY** (Unchanged)

### StockData

Target price (Rp)	Rp820
Prior TP (Rp)	Rp820
Share price (Rp)	Rp605
Upside/downside (%)	+35.5
Shares outstanding (m)	19,649
Market cap. (US\$ m)	781.5
Free float (%)	48.3
Avg. 6m dailyT/O (US\$ m)	4.53

### Price Performance

	3M	6M	12M
Absolute (%)	(0.8)	4.3	26.8
Relative to JCI (%)	9.0	10.4	26.5
52whigh/low (Rp)	605 - 434		



### Major Shareholders

Tangerang Fajar Industrial	25.2%
Manunggal Prime Development	18.7%
UBS A/G London	8.5%

### Estimate Change; Vs. Consensus

	2015F	2016F
Latest EPS (Rp)	68.7	88.9
Vs. Prior EPS (%)	7.9	2.2
Vs. Consensus (%)	(3.7)	4.7

Source: Bloomberg

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## Land sales to underpin earnings

- We upgrade our FY15F earnings by 7.9%
- Strong revenue growth to underpin FY16F earnings
- Potential for more commercial land sales
- Maintain BUY with unchanged TP of Rp820

**We upgrade FY15F earnings by 7.9%.** We forecast higher revenue recognition in FY15F (+14.9%), stronger than we previously expected, on the back of last year's large commercial land sales (62% of FY14 marketing sales of Rp4.2tn). Rising contribution of high-margin land sales should improve profit margin significantly and more than offset the impact of higher financing cost and forex losses, leading to our earnings upgrade by 7.9% for FY15F. We estimate FY15 net profit of Rp1.3tn (+23% yoy) with improved net margin of 33% (FY14: 30%).

**Strong revenue growth to underpin FY16F earnings.** For FY16F, we expect revenue recognition from sales of high-rise residential and commercial projects (Paddington Height apartment, The Tower Office, The Prominence Office), whose revenue contribution is expected to rise to 38% (from 7-11% in FY12-14), to underpin the company's strong 29% earnings growth in FY16F (unchanged). However, due to slow sales reported by the company at end Feb 2015 (Fig. 5), we conservatively forecast ASRI will book revenue recognition from these high-rise projects in stages (Fig. 7). Bear in mind that ASRI implements revenue recognition for its high-rise projects upon completion instead of percentage of construction progress.

**Potential for more commercial land sales.** Although we expect revenue contribution from land sales to decline to 35% in FY16F, from 40-50% in FY12-14, there is upside potential from the company's plan to sell around 320ha land (20ha Serpong – Alam Sutera and 300ha in Pasar Kemis) to joint-venture parties. Assuming ASRI takes a 30% stake in those JVs (Fig. 8), we estimate potential land sales of up to Rp7.3tn. This would support the company's cash flow to develop its existing projects in Jakarta and Serpong.

**Maintain BUY.** At the current price, ASRI is trading at an attractive valuation of FY15-16F P/E of 7.7 – 6x, a 45% discount to the sector and 73% to our RNAV estimate of Rp2,136/share. Expectations of continued strong earnings growth in the subsequent quarters with potential commercial land sales could be a positive catalyst for the share price going forward. Maintain BUY with TP of Rp820.

Year To 31 Dec	2013A	2014A	2015F	2016F	2017F
Revenue (RpBn)	3,684	3,631	4,111	5,570	5,919
EBITDA (RpBn)	1,593	1,978	2,396	2,604	2,874
EBITDA Growth (%)	25.8	24.2	21.1	8.7	10.3
Net Profit (RpBn)	877	1,097	1,350	1,746	2,084
EPS (Rp)	45	56	69	89	106
EPS Growth (%)	(26.9)	25.2	23.0	29.3	19.3
Net Gearing (%)	69.3	89.9	61.6	54.1	53.6
PER (x)	11.9	9.5	7.7	6.0	5.0
PBV (x)	2.0	1.6	1.4	1.2	1.0
Dividend Yield (%)	2.8	1.3	2.6	3.2	4.2
EV/EBITDA (x)	4.2	2.4	2.4	2.1	1.6

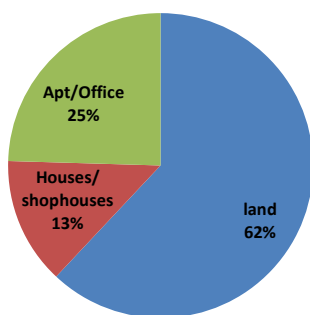
Source : ASRI, IndoPremier

Share Price Closing as of : 29-June-2015

Refer to Important disclosures on the last of this report

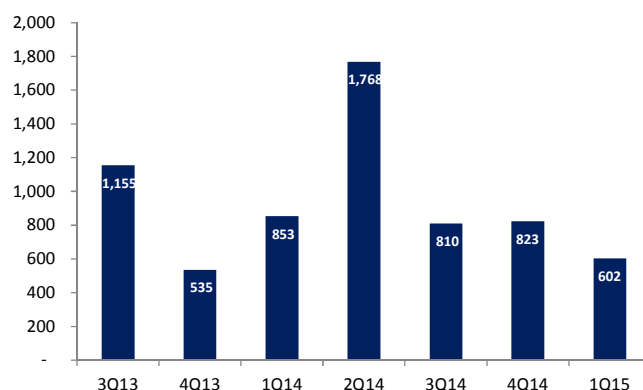
## ASRI Company Update

**Fig 1. Marketing sales contribution, 2014**



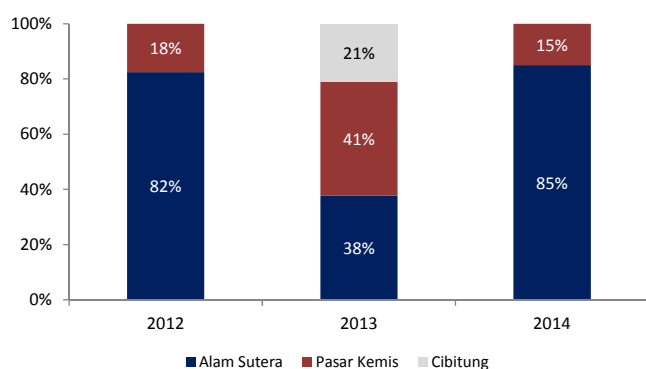
Source: ASRI, IndoPremier

**Fig 2. Quarterly marketing sales, 3Q13-1Q15(Rpbn)**



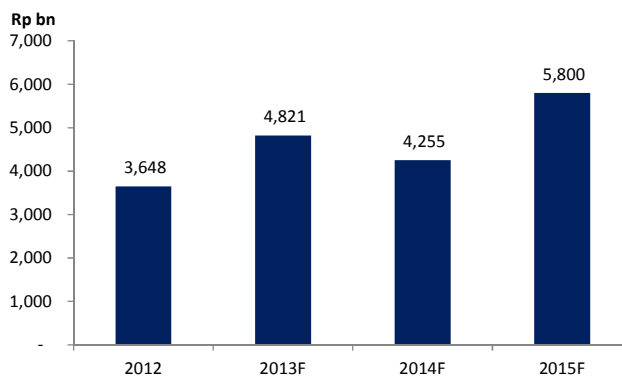
Source: ASRI, IndoPremier

**Fig 3. Marketing sales contribution, 2012-14**



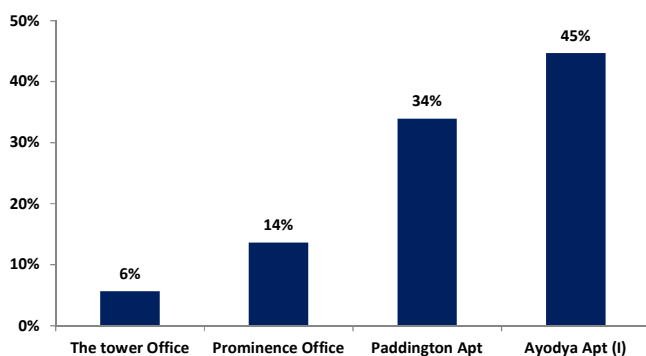
Source: ASRI, IndoPremier

**Fig4. Marketing sales, 2012-15F**



Source: ASRI, IndoPremier

**Fig 5. % sold out rate of ASRI's high-rise projects**



Source: ASRI, IndoPremier \*Up to Feb 2015

**Fig 6. Land bank position**

	Sept 2014	%
Serpong, Tangerang	186	8%
North Serpong, Tangerang	239	10%
PasarKemis, Tangerang	1,691	71%
Cikokol, Tangerang	17	1%
Cianjur, West Java	80	3%
Puncak, Cimacan	9	0%
Sanur, Bali	6	0%
Ungasan, South Kuta, Bali	63	3%
Tanjung Pinang, Riau	75	3%
Jakarta CBD	2	0%
<b>Total</b>	<b>2,368</b>	<b>100%</b>

Source: ASRI, IndoPremier

## ASRI Company Update

**Fig 7. Our assumption of revenue recognition for ASRI high-rise projects**

	2015	2016	2017	2018	Completion schedule
Prominence Office	30%	40%	30%	-	Jun-15
Paddington Apt	-	50%	40%	10%	Mar-16
The tower Office	-	50%	50%	-	Jun-16
Ayodya Apt (I)	-	70%	30%	-	Aug-16

Source: ASRI, Indopremier estimates

**Fig 8. Changes in earnings forecast**

Year to Dec 31	(old)		(new)		(% change)	
	2015F	2016F	2015F	2016F	2015F	2016F
Revenue	3,578	5,546	4,111	5,570	14.9%	0.4%
Gross profit	2,014	2,646	2,789	3,171	38.5%	19.8%
Operating profit	1,600	2,188	2,292	2,487	43.3%	13.7%
Net profit	1,251	1,708	1,350	1,746	7.9%	2.2%
<i>Margins</i>						
GPM	56.3%	47.7%	67.8%	56.9%		
EBIT margin	44.7%	39.4%	55.8%	44.7%		
NPM	35.0%	30.8%	32.8%	31.4%		

Source: Indopremier estimates

**Fig 9. Potential sales to JV Companies**

	Serpong	PasarKemis	Total
Land (Ha)	20	300	
Estimated sales (Rptn)	4.6	5.8	
ASRI stake	30%	30%	
<b>Recognized as marketing sales (Rptn)</b>	<b>3.2</b>	<b>4.1</b>	<b>7.3</b>

Source: Indopremier estimates

## ASRI Company Update

Year To 31 Dec (RpBn)	2013A	2014A	2015F	2016F	2017F
<b>Income Statement</b>					
Net Revenue	3,684	3,631	4,111	5,570	5,919
Cost of Sales	(1,847)	(1,324)	(1,322)	(2,399)	(2,462)
Gross Profit	1,837	2,307	2,789	3,171	3,457
SG&A Expenses	(304)	(399)	(496)	(684)	(715)
Operating Profit	1,533	1,908	2,292	2,487	2,742
Net Interest	(130)	(214)	(224)	(199)	(215)
Forex Gain (Loss)	(277)	(138)	(260)	(130)	0
Others-Net	(45)	(170)	(134)	4	4
Pre-Tax Income	1,082	1,386	1,674	2,163	2,530
Income Tax	(192)	(209)	(236)	(320)	(340)
Minorities	(13)	(80)	(87)	(96)	(106)
Net Income	877	1,097	1,350	1,746	2,084
<b>Balance Sheet</b>					
Cash & Equivalent	1,520	1,871	1,479	1,162	1,307
Receivable	96	191	65	88	93
Inventory	3,237	3,751	3,951	5,785	7,420
Other Current Assets	1,427	1,292	1,289	1,605	1,916
Total Current Assets	6,280	7,105	6,784	8,640	10,736
Fixed Assets - Net	7,734	9,403	10,390	11,197	12,096
Goodwill	0	0	0	0	0
Non Current Assets	413	415	435	457	480
Total Assets	14,428	16,924	17,611	20,296	23,313
ST Loans	45	230	100	0	1,000
Payable	163	143	0	111	118
Other Payables	427	558	222	301	320
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	635	932	404	412	1,438
Long Term Loans	4,542	6,376	5,980	5,980	5,980
Other LT Liab.	3,919	3,245	3,751	4,985	5,291
Total Liabilities	9,096	10,553	10,135	11,377	12,709
Equity	2,518	2,518	2,518	2,518	2,518
Retained Earnings	2,640	3,600	4,676	6,084	7,732
Minority Interest	174	253	278	306	337
Total SHE + Minority Int.	5,332	6,371	7,472	8,909	10,587
Total Liabilities & Equity	14,428	16,924	17,607	20,286	23,296

Source : ASRI, IndoPremier

## ASRI Company Update

Year to 31 Dec	2013A	2014A	2015F	2016F	2017F
<b>Cash Flow</b>					
Net Income (Excl.Extraordinary & Min.Int)	890	1,177	1,438	1,842	2,190
Depr.& Amortization	60	70	99	111	124
Changes in Working Capital	116	(300)	(661)	(1,965)	(1,864)
Others	(149)	(48)	435	10	56
Cash Flow From Operating	916	899	1,310	(2)	506
Capital Expenditure	(3,322)	(1,741)	(1,107)	(939)	(1,046)
Others	(599)	(312)	1,022	36	34
Cash Flow From Investing	(3,921)	(2,052)	(86)	(903)	(1,012)
Loans	2,406	2,020	(526)	(100)	1,000
Equity	0	0	0	0	0
Dividends	(287)	(138)	(274)	(338)	(437)
Others	86	(873)	273	1,026	84
Cash Flow From Financing	2,206	1,009	(528)	588	648
Changes in Cash	(799)	(144)	697	(317)	142
<b>Financial Ratios</b>					
Gross Margin (%)	49.9	63.5	67.8	56.9	58.4
Operating Margin (%)	41.6	52.5	55.8	44.7	46.3
Pre-Tax Margin (%)	29.4	38.2	40.7	38.8	42.7
Net Margin (%)	23.8	30.2	32.8	31.4	35.2
ROA (%)	6.9	7.0	7.8	9.2	9.6
ROE (%)	17.4	18.8	19.5	21.3	21.4
ROIC (%)	11.0	10.2	10.6	12.8	12.9
Acct. Receivables TO (days)	4.5	10.7	6.8	1.8	2.0
Acct. Receivables - Other TO (days)	1.3	3.7	4.5	3.2	3.5
Inventory TO (days)	0.6	0.4	0.3	0.5	0.4
Payable TO (days)	19.6	42.2	31.2	14.7	17.0
Acct. Payables - Other TO (days)	42.8	69.3	55.1	22.1	25.5
Debt to Equity (%)	86.0	103.7	81.4	67.1	65.9
Interest Coverage Ratio (x)	0.1	0.1	0.1	0.1	0.1
Net Gearing (%)	69.3	89.9	61.6	54.1	53.6

Source : ASRI, IndoPremier

## Head Office

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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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