

Bekasi Fajar (BEST IJ)

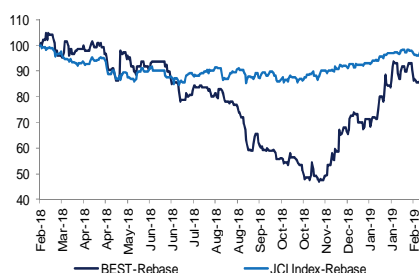
21 February 2019

Company Update

BUY (Unchanged)

Stock Data	
Target price (Rp)	Rp320
Prior TP (Rp)	Rp250
Shareprice (Rp)	Rp256
Upside/downside (%)	+25.0
Sharesoutstanding (m)	9,647
Marketcap. (US\$ m)	176
Free float (%)	41.9
Avg. 6m dailyT/O (US\$ m)	0.3

Price Performance			
	3M	6M	12M
Absolute (%)	64.1	14.3	-14.1
Relative to JCI (%)	55.7	5.2	-12.8
52w high/low (Rp)	306 - 137		



Major Shareholders	
PT Argo Manunggal Dev.	48.1%
Daiwa House Industry	10.0%

Estimate Change; Vs. Consensus		
	2018	2019
Latest EPS (Rp)	48.4	56.3
Vs. Prior EPS (%)	11.3	24.9
Vs. Consensus (%)	8.2	10.7

Source: Bloomberg

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Faster revenue recognition in 4Q18

- **Better than expected marketing sales of 35ha in FY18 (-17% yoy).**
- **Plans to develop new industrial estate in West Java.**
- **We upgrade our FY18F/19F earnings by 11%/25%.**
- **Maintain Buy with higher TP of Rp320 (from Rp250).**

Strong 4Q18 marketing sales of 26.4ha. BEST booked marketing sales of 35ha with ASP appreciation of 15% to Rp3mn/sqm, respectively in FY18, or 25% above our FY18 marketing sales assumptions of 28ha. BEST recorded strong marketing sales of 26.4ha in 4Q18 to Daiwa Group (20.3ha) and Japanese packaging company (6.1ha). As Daiwa Group plans to begin the construction of the warehouse immediately, BEST is expected to recognize the sales of 8ha in FY18. Thus, the fast recognition of 8ha land sale to Daiwa Group is expected to boost FY18F revenue by Rp220bn (Assuming ASP of Rp2.8mn/sqm).

Prepares capex of Rp600bn for second industrial estate. For long-term plan, BEST has prepared capex of Rp600bn in FY19F, which will fund the development existing industrial estate in Bekasi and new industrial estate of 600ha. The new estate is expected to be located in East of Jakarta, given the recent completion of Trans Java toll road and lower worker wage in the areas (vs. Bekasi). In addition, lower land cost in East of Jakarta is also one of the reasons for the development of second industrial estate. For example, land price in Serang were 17-47% lower than land price in West of Jakarta (Fig. 6).

Expect higher earnings due to faster recognition and higher demand. We raise our FY18F/FY19F earnings forecast by 11%/25%, respectively as we expect faster recognition of 8ha land sales to Daiwa Group. In addition, given strong 4Q18 marketing sales and plentiful inquiry of 105ha (2017:70-80ha), we apply higher marketing sales assumptions for FY19F of 37ha (from 32ha) which raised our FY19F earnings forecast.

Maintain Buy with higher TP of Rp320 (from Rp250). We continue to like BEST as our top picks in Industrial estate sector, given its strategic location, resilient marketing sales and cheap valuations. BEST currently trades at 73% discount to our estimate RNAV or FY19F P/E of 4.5x. We raised our TP to Rp320/share as we apply lower discount to RNAV calculation to 60% (from 65%) as we expect better industrial property sector going forward. According to Industrial Estate Organization (HKI) marketing sales of industrial land could grow by 10-15% yoy in 2019, supported by security stability ahead and after the presidential election in April 2019. In addition, HKI also believe that with the availability of infrastructure and large market access, Indonesia will become the main choice of industrial relocation from China due to trade wars with America.

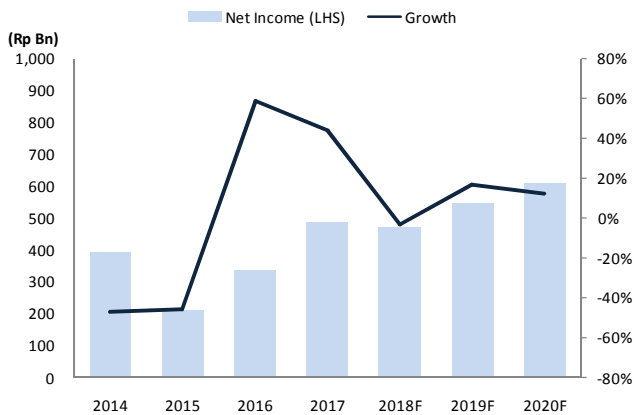
Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	824	1,006	1,062	1,201	1,312
EBITDA (RpBn)	526	606	653	749	827
EBITDA Growth (%)	30.8	15.3	7.7	14.7	10.4
Net Profit (RpBn)	339	479	464	543	610
EPS (Rp)	35	50	48	56	63
EPS Growth (%)	63.8	41.3	(3.1)	17.0	12.2
Net Gearing (%)	36.8	26.3	20.1	19.0	13.7
PER (x)	7.3	5.2	5.3	4.5	4.1
PBV (x)	0.7	0.6	0.6	0.5	0.5
Dividend Yield (%)	1.3	1.9	2.2	2.4	2.8
EV/EBITDA (x)	2.3	2.4	2.5	2.1	2.1

Source: BEST, IndoPremier

Share Price Closing as of : 20-February-2019

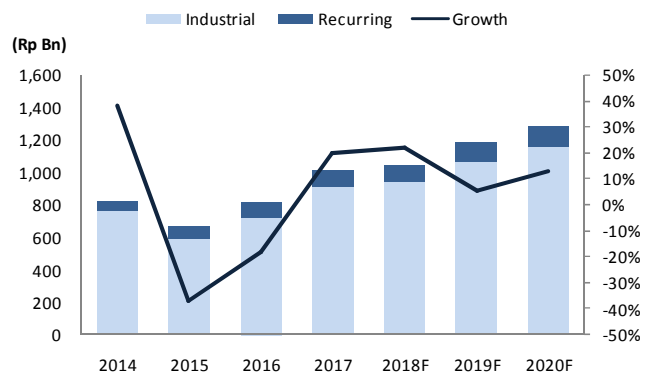
BEST IJ Company Update

Fig. 1: Earnings to grow by 8% CAGR in FY17-20F



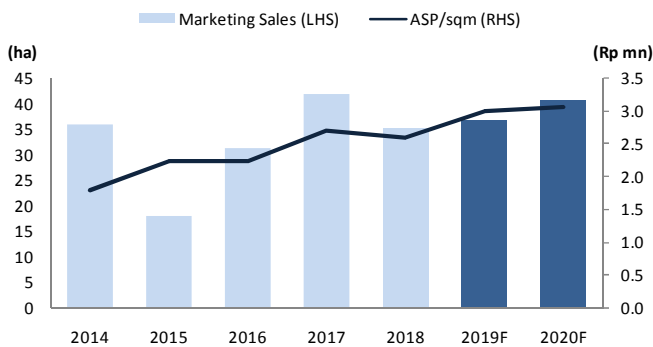
Source: Company, IndoPremier

Fig. 2: Revenue to grow by 9% CAGR in FY17-20F



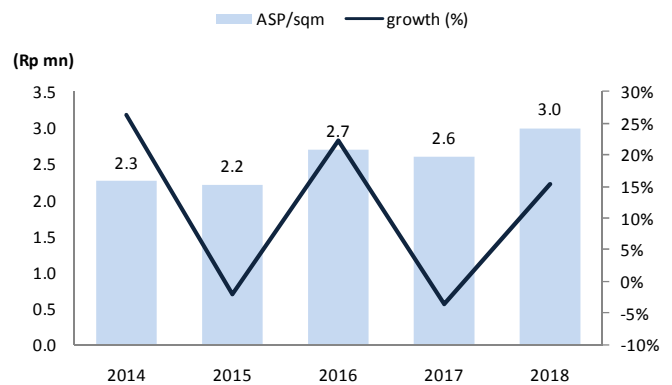
Source: Company, IndoPremier

Fig. 3: Marketing sales to gradually increase going forward



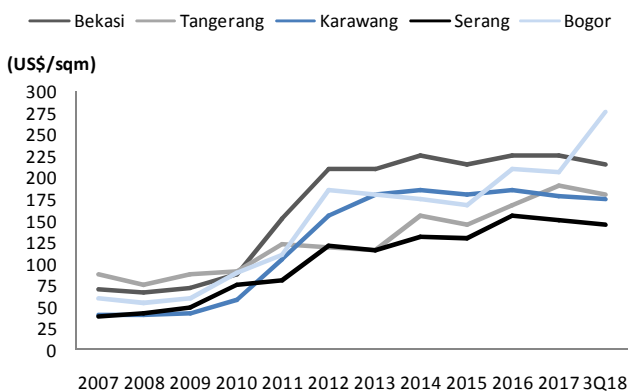
Source: Company, IndoPremier

Fig. 4: ASP trend 2014-2018



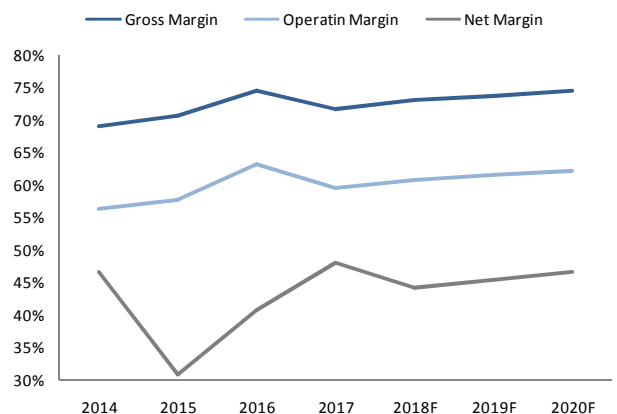
Source: Company, IndoPremier

Fig. 5: Land price in East of Jakarta is relatively lower



Source: Colliers, IndoPremier

Fig. 6: Margin to improve given higher ASP



Source: Company, IndoPremier

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Fig. 7: Earnings Revisions

Rp Bn	FY18F			FY19F		
	old	new	(%) change	old	new	(%) change
Revenues (Rp Bn)	1,001	1,062	6.0%	1,047	1,201	14.8%
Gross profit	727	775	6.5%	766	886	15.7%
Operating profit	602	644	7.1%	638	739	15.8%
Net profit	420	467	11.3%	435	543	24.9%
Margins (%)						
GPM	72.6%	73.0%		73.2%	73.7%	
OPM	60.1%	60.7%		60.9%	61.5%	
NPM	41.9%	44.0%		41.6%	45.2%	

Source: Company, IndoPremier

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Year To 31 Dec (RpBn)	2016A	2017A	2018F	2019F	2020F
Income Statement					
Net Revenue	824	1,006	1,062	1,201	1,312
Cost of Sales	(211)	(286)	(287)	(316)	(336)
Gross Profit	613	721	775	886	977
SG&A Expenses	(93)	(121)	(130)	(147)	(162)
Operating Profit	521	599	644	739	815
Net Interest	(118)	(140)	(145)	(159)	(168)
Forex Gain (Loss)	19	(4)	(15)	0	0
Others-Net	(49)	49	21	10	14
Pre-Tax Income	373	505	506	590	660
Income Tax	(33)	(26)	(41)	(47)	(51)
Minorities	0	0	0	0	0
Net Income	339	479	464	543	610
Balance Sheet					
Cash & Equivalent	442	502	708	810	1,091
Receivable	235	350	369	418	456
Inventory	736	927	704	838	897
Other Current Assets	435	266	281	318	347
Total Current Assets	1,849	2,045	2,062	2,384	2,791
Fixed Assets - Net	3,122	3,540	4,016	4,371	4,658
Goodwill	0	0	0	0	0
Non Current Assets	5	11	9	10	13
Total Assets	5,205	5,719	6,217	6,902	7,605
ST Loans	0	0	0	0	0
Payable	18	48	0	63	69
Other Payables	88	245	283	320	349
Current Portion of LT Loans	457	448	448	448	448
Total Current Liab.	562	741	792	831	866
Long Term Loans	1,235	1,067	1,119	1,271	1,372
Other LT Liab.	18	39	24	29	34
Total Liabilities	1,815	1,847	1,936	2,131	2,272
Equity	1,185	1,194	1,205	1,205	1,217
Retained Earnings	2,203	2,652	3,073	3,563	4,113
Minority Interest	3	3	3	3	3
Total SHE + Minority Int.	3,391	3,848	4,281	4,771	5,333
Total Liabilities & Equity	5,205	5,695	6,217	6,902	7,605

Source: BEST, IndoPremier

BEST IJ Company Update

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	339	479	464	544	610
Depr. & Amortization	9	10	13	16	18
Changes in Working Capital	(323)	(216)	205	(217)	(120)
Others	8	203	364	181	207
Cash Flow From Operating	33	477	1,046	523	715
Capital Expenditure	(186)	(434)	(487)	(372)	(308)
Others	(57)	106	(6)	(6)	(7)
Cash Flow From Investing	(243)	(328)	(493)	(379)	(315)
Loans	268	(176)	52	152	102
Equity	22	9	11	0	12
Dividends	(33)	(46)	(54)	(60)	(70)
Others	(118)	(123)	(162)	(158)	(167)
Cash Flow From Financing	140	(336)	(153)	(66)	(124)
Changes in Cash	(70)	(187)	400	79	276
Financial Ratios					
Gross Margin (%)	74.4	71.6	73.0	73.7	74.4
Operating Margin (%)	63.1	59.6	60.7	61.5	62.1
Pre-Tax Margin (%)	45.2	50.2	47.6	49.1	50.3
Net Margin (%)	41.1	47.6	43.7	45.2	46.5
ROA (%)	6.9	8.8	7.8	8.3	8.4
ROE (%)	10.5	13.2	11.4	12.0	12.1
ROIC (%)	7.1	9.2	8.3	8.8	8.9
Acct. Receivables TO (days)	75.2	105.8	123.3	119.3	121.3
Acct. Receivables - Other TO (days)	0.3	0.3	0.2	0.2	0.2
Inventory TO (days)	0.4	0.3	0.4	0.4	0.4
Payable TO (days)	70.7	41.7	69.4	72.0	71.7
Acct. Payables - Other TO (days)	71.3	30.9	0.7	0.7	0.7
Debt to Equity (%)	49.9	39.4	36.6	36.0	34.1
Interest Coverage Ratio (x)	0.2	0.2	0.2	0.2	0.2
Net Gearing (%)	36.8	26.3	20.1	19.0	13.7

Source: BEST, IndoPremier

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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

ANALYSTS CERTIFICATION.

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