

11 August 2014

Sinarmas Land Limited

Deeply undervalued assets in an upcoming market (Indonesia)

SINGAPORE | REAL ESTATE | INITIATION



Rating: **BUY**

(Initiate at S\$0.97)

Target Price (SGD)	0.97
Forecast Dividend (SGD-cents)	0.50
Closing Price (SGD)	0.615
Potential Upside	58.5%

Company Description

Sinarmas Land Ltd. Invests in, develops and manage real estate. The company owns commercial buildings, hotel and resorts in Indonesia, Malaysia, Singapore, UK, China.

- Sinarmas Land Limited ("SML") is a diversified property developer and owner of townships, residential, commercial, retail, industrial, hospitality and leisure real estate in Indonesia, Singapore, China, Malaysia and UK.
- Including its subsidiaries, SML has a total land bank of c.710 mil sq ft for development. Additionally, historic trend of strong profit margins demonstrated management's resolve towards extracting good value from its immense land bank.
- Undervalued at current market price. Based on our analysis, the valuation for its c.52% stake in Bumi Serpong Dami PT is higher than SML's current market cap of S\$1.87B
- Initiate at "BUY", with a TP of S\$0.97

Investment Merits

High potential returns from enormous land development bank

SML, including those of its subsidiaries, have a total land bank of c.710 mil sq ft for development. Based on the strategic location of the sites and development-sales record, we believe that current levels of revenue and profit from these sites will show significant growth.

Strong growth profile, healthy margins to realise the value of their land bank

Since the restructuring of the company, management has shown a high level of resolve towards realising the value of their land bank. Management has demonstrated great understanding of the market and came up with the right product for the market. Therefore, SML was able to maintain a healthy profit margin in their development segment. We continue to see healthy demand for the real estate assets and reckon that SML will continually monetize their land bank.

Prudent financial management with huge war chest

Taking into account borrowings, loans and obligations to financial leases, SML boasts of a net cash position. In 2013, SML (through its subsidiaries) has taken on more debts (bond issuance program). Having factored the extent of issuing the full amount under the program, the company should continue to hold a net cash position by end FY2014. The cash holdings and potential to take on more debt has gifted the management a war chest, to further invest in overseas ventures and to carry out development projects aggressively.

Undervaluation

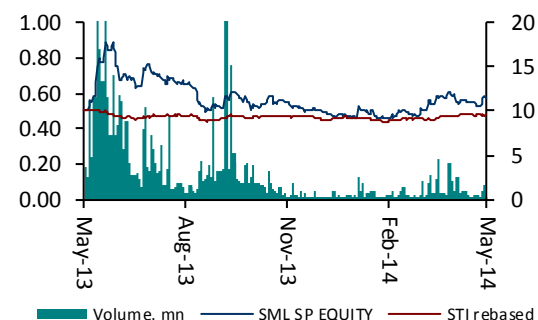
SML is trading at a steep discount to our SOTP valuation. There are a number of reasons that the market has overlooked this company: economic situation of Indonesia, presidential campaign that recently concluded, and many others. However, this is a heavily undervalued company backed by tangible assets. As the management continually demonstrates healthy margins in its development segment, we believe the market will soon realise its full value.

Investment Action

We value the Indonesian assets at SG\$3.6B and the overseas assets at SG\$600M. Including the net cash situation and the potential effects of conversion of warrants, we arrive at an equity value of S\$4.45B. Based on a maximum number of shares of 3,194M shares, we initiate coverage on SML with a BUY call and a target price of S\$0.97.

Company Data

Raw Beta (base on listing period to date)	1.49
Market Cap. (USD mn / SGD mn)	1495 / 1871
3M Average Daily T/O (mn)	1.7
Closing Px in 52 week range	0.45 - 0.72



Major Shareholders	(%)
1. Flambo International Ltd	65.6
2. Dimensional Fund Advisors LP	0.4
3. Vanguard Group Incorporated	0.1

Valuation Method

SOTP

Analyst

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FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Income Statement (JPY mn)					
Revenue	534	631	985	658	1,046
EBITDA	169	229	520	273	458
Depreciation & Amortisation	(17)	(18)	(17)	(26)	(33)
EBIT	151	211	503	247	426
Net Finance (Expense)/Inc	8	11	8	(10)	(7)
Other items	16	(21)	44	0	0
Associates & JVs	18	46	(42)	7	7
Exceptional items	0	22	12	0	0
Profit Before Tax	193	269	524	244	425
Taxation	(27)	(36)	(59)	(34)	(60)
Profit After Tax	167	232	465	210	366
Non-controlling Interest	(78)	(120)	(213)	(105)	(183)
Net Income, reported	89	113	252	105	183
Net Income, adj.	89	113	252	105	183

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Per share data (JPY)					
EPS, reported	0.03	0.04	0.08	0.03	0.06
EPS, adj.	0.03	0.04	0.08	0.03	0.06
DPS (SGD Cents)	0.29	0.38	0.50	0.50	0.50
BVPS	0.69	0.76	0.76	0.84	0.97

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Cashflow Statements (JPY mn)					
CFO					
PBT	193	269	524	244	425
Adjustments	(18)	6	15	26	33
WC changes	123	67	(151)	55	92
Cash generated from ops	298	342	389	324	550
Others	(26)	(33)	(51)	(34)	(60)
Cashflow from ops	271	309	338	290	490
CFI					
CAPEX, net	(28)	(13)	(9)	(17)	(13)
Others	(83)	(266)	(517)	(273)	(325)
Cashflow from investments	(111)	(279)	(527)	(290)	(338)
CFF					
Share issuance	0	0	0	0	0
Loans, net of repayments	(4)	(6)	223	(186)	48
Dividends	(8)	(24)	(39)	(15)	(15)
Others	(90)	65	123	0	0
Cashflow from financing	(101)	34	306	(201)	32
Net change in cash	59	64	117	(200)	185
Effects of exchange rates	3	(40)	(136)	0	0
CCE, end	628	652	688	487	672

Source: Company Data, PSR est

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Balance Sheet (JPY mn)					
Investment properties	187	160	535	690	890
Properties under development	740	1,047	859	859	859
Associated companies	452	532	592	592	592
Others	407	391	273	382	487
Total non-current assets	1,787	2,130	2,260	2,524	2,829
Cash and cash equivalent	629	654	688	487	672
Receivables	12	11	12	12	19
Current restricted cash	0	0	0	0	0
Others	522	601	600	508	590
Total current assets	1,163	1,266	1,300	1,007	1,281
Total Assets	2,950	3,396	3,559	3,531	4,109
Loans and borrowings	6	2	136	2	78
Current trade payables	20	33	19	23	35
Bond payables	70	28	0	0	0
Others	324	340	380	304	413
Total current liabilities	420	403	535	330	527
Long term loans	110	107	194	142	114
Others	326	568	510	510	510
Total non-current liabilities	436	674	705	652	624
Non-controlling interest	637	824	837	837	837
Shareholder Equity	1,457	1,495	1,483	1,712	2,122

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.	21.1	16.6	7.4	17.8	10.2
P/B (X)	0.89	0.81	0.81	0.73	0.63
EV/EBITDA (X), adj.	18.6	13.7	6.0	11.5	6.9
Dividend Yield (%)	0.5%	0.6%	0.8%	0.8%	0.8%
Growth & Margins (%)					
Growth					
Revenue	26.4%	18.1%	56.0%	-33.2%	59.1%
EBITDA	7.9%	35.6%	127.4%	-47.5%	68.1%
EBIT	22.7%	39.3%	138.3%	-50.8%	72.1%
Net Income, adj.	-66.2%	26.8%	124.1%	-58.4%	74.1%
Margins					
EBITDA margin	31.5%	36.2%	52.8%	41.5%	43.8%
EBIT margin	28.3%	33.4%	51.0%	37.6%	40.7%
Net Profit Margin	31.2%	36.8%	47.2%	31.9%	34.9%
Key Ratios					
ROE (%)	6.3%	7.6%	17.0%	6.6%	9.5%
ROA (%)	3.1%	3.6%	7.3%	3.0%	4.8%
Net Debt/(Cash)	(513)	(545)	(358)	(343)	(480)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

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Company Brief

Sinarmas Land Limited (“SML”) is listed on the Singapore Exchange and headquartered in Singapore. With restructuring all but completed, SML is a diversified property developer and owner of townships, residential, commercial, retail, industrial and hospitality/leisure real estate in Indonesia, Singapore, China, Malaysia and UK. The company has two notable listed subsidiaries on the Indonesia Stock Exchange; Bumi Serpong Damai Tbk (“BSDE”) and PT Duta Pertiwi Tbk (“DUTI”). The company derived most of its revenue from the sales of development properties. Currently, most of SML geographical footprint is within Indonesia. Going forward, SML will continually embark on strategic initiatives to diversify its geographical exposure, expanding into more mature property markets, while seeking to increase its recurring income.

Figure 1: Company Logo



Source: Company Data

Investment Highlights

1. High potential returns from enormous land bank

SML, including those of its subsidiaries, have a total land bank of c.710 mil sq ft for development. Based on the strategic location of the sites and development-sales record, we believe that current levels of revenue and profit from these sites will show significant growth.

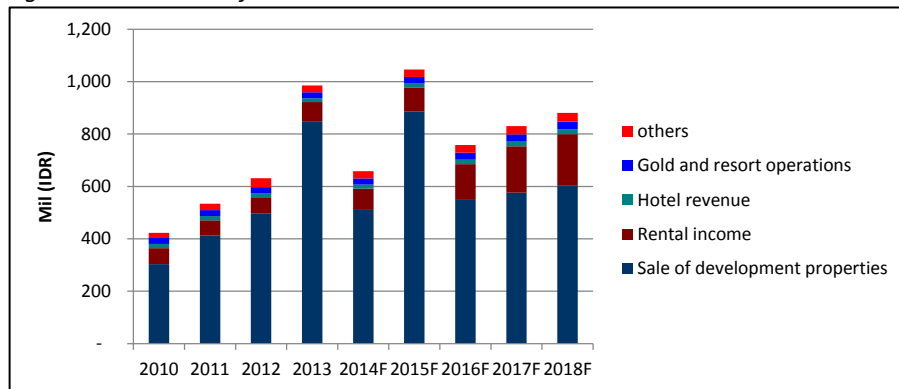
Majority of this land bank resides in the 51.5% ownership of its subsidiary, BSDE. BSDE is the largest listed property company in Indonesia, with a market capitalization of IDR 29,120b market cap (~\$3.08b). BSDE has a total of c.500 mil sq ft of land for development. Numerous development projects makes up the land bank, with the prominent ones being BSD City, Grand Wisata, Benowo Surabaya, and Grand City Balikpapan. BSD City is the company’s flagship project and represents its biggest one to date, with a remaining 315M sq ft space (awaiting development). BSD City will continue to be its biggest revenue driver, contributing to c.50% of its sales. Outside of BSDE, the bulk of SML’s remaining land bank resides within the Kota Deltamas project. This is a mixed development as well, and is located in Bekasi region, West Java.

2. Strong growth profile (investment properties), healthy margins for development projects

Since the restructuring of the company, management has shown a high level of resolve towards realising the value of their land bank. Management has demonstrated great understanding of the market and came up with the right product for the market. Therefore, SML was able to maintain a healthy profit margin in their development segment. We continue to see healthy demand for the real estate assets and reckon that SML will continually monetize their land bank.

Majority of the revenue stream comes from the sale of development properties. Additionally, most of these developments are taking place within Indonesia. The management has recognised the need for greater geographical diversification and look towards increasing their exposure in more mature markets. Furthermore, to provide stability to the company’s operations, SML will look to acquire or develop investment properties to provide higher proportion of recurring income. This can be seen in the June 2013 acquisition of office property in United Kingdom.

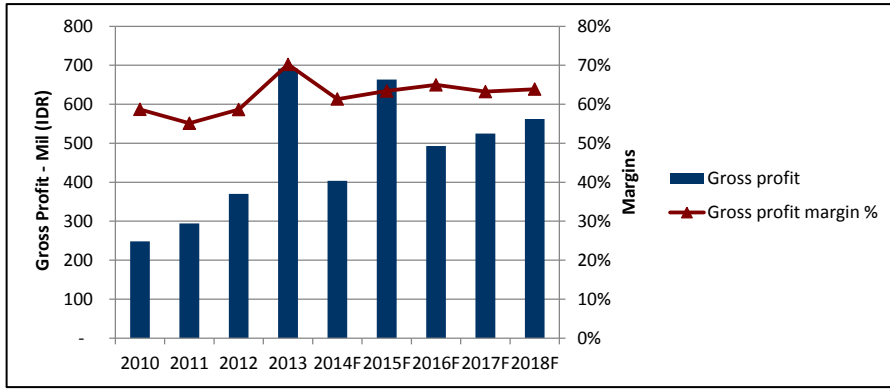
Figure 2: Revenue Profile



Source: Company data, PSR estimates

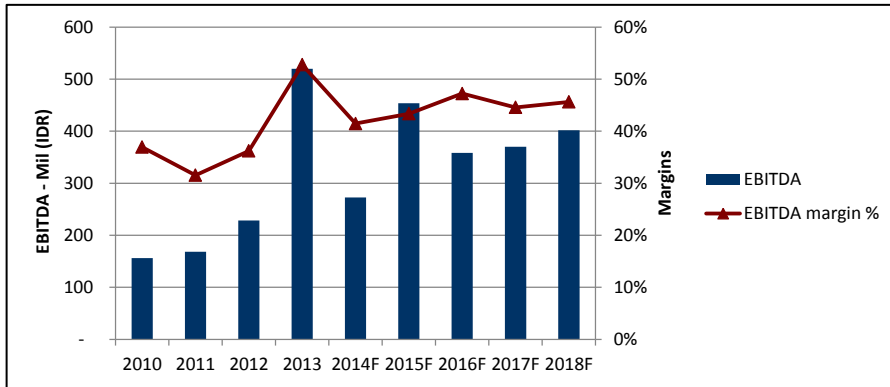
SML has maintained healthy earnings margin since 2010. Their gross profit margin hovers around 60% while EBITDA margin is about 40%. We do not expect to see much variation in the long run. The company is looking to increase their rental revenue from acquiring investment properties. The profit margins from investment properties are typically lower than development. However, the process of seeking value accretive acquisition deals takes a longer time and the management is not seeking for a seismic change in business model. We reckon that sales of development properties will continue to be the dominant source of revenue and margins should remain at c.60%.

Figure 3: Gross Profit (margins)



Source: Company data, PSR estimates

Figure 3: EBITDA (margins)



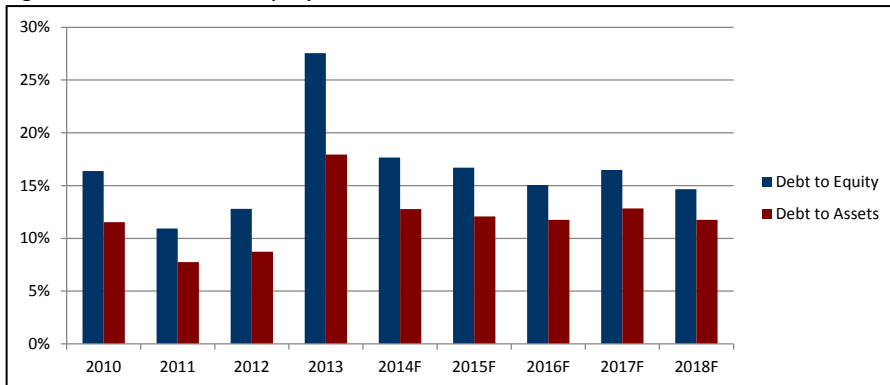
Source: Company data, PSR estimates

3. Prudent financial management with huge war chest

*net cash and available debt headroom

Beside SML's focus on strong earnings, the management have adopted prudent financial management practises. Prior to 2013, the company maintained a total debt-to-equity ranging from 10-16% and total debt-to-asset 8-12%. The uptick of both ratios in 2013 is mainly due to funding of development projects and acquisition.

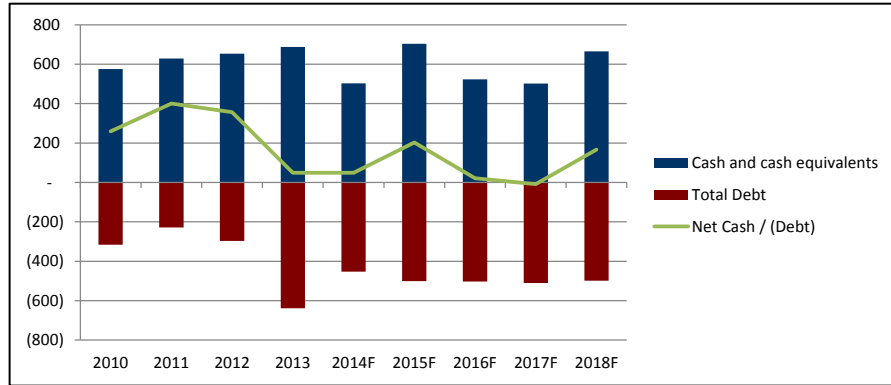
Figure 4: Total Debt to Equity, Total Debt to Assets



Source: Company Data, PSR estimates

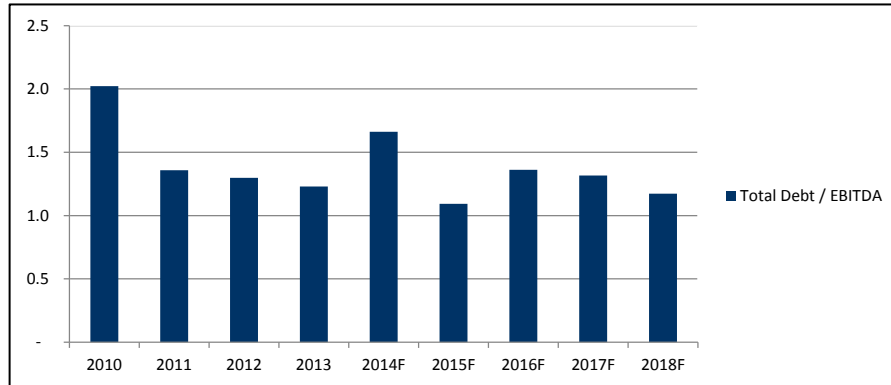
Including all borrowings, loans and obligations to financial leases, SML still boasts of a net cash position. In 2013, SML (through its subsidiaries) has taken on more debts (bond issuance program). Having factored the extent of issuing the full amount under the program, we reckon that the company will continue to stand in a net cash position by end FY2014. The cash holdings and potential to take on more debt has gifted the management a war chest, to further invest in investment holdings and to carry out development projects aggressively. This presents a huge upside as other developers are struggling to obtain funding in the Indonesian market.

Figure 5: Net Cash



Source: Company data, PSR estimates

Figure 6: Total Debt/EBITDA



Source: Company data, PSR estimates

4. Deeply undervalued legacy assets

The value of the land bank will be realised through real estate development and sales. Beside these developments, SML holds on to numerous investment properties in Indonesia. Furthermore, SML has ventured overseas and made various acquisitions previously. According to the company's adopted accounting policies, these assets are held at historic costs (less any impairment losses). This means that any revaluation gain is not recorded in its books.

Beside the recent acquisition of the UK office property, the company has accumulated a sizeable portfolio of property across Singapore, Malaysia and China, over the years. We reckon that the value of these assets has increased tremendously and the market ought to reflect that. In Singapore, SML's ownership of 38 strata titled office and 21 retail shops is held at S\$64 mil. Based on recent comparable, and current market cap rates, this prime area investment is worth about S\$190mil. Similarly, SML's Malaysian properties are held at S\$54 mil. Based on our estimates, the current market valuation for the Malaysia properties would be c.S\$180 mil. While the management did not indicate any intention of selling these assets, we estimate that a potential value of S\$300 mil could be unlocked should these asset be sold.

Risks Factors

Political / policy risks

In July 2014, the results of the presidential election was announced, naming Jakarta Governor Joko Widodo as the winner. With the new president slated to sworn in October 2014, the business climate would see various structural changes. The Indonesian economy posted a trade deficit in 2Q14 and continues to struggle in the midst of slowing growth. Indonesia economic growth in 2013 fell below 6% for the first time since 2009. While some may attribute that to global events, the policy uncertainty and lack of economic reform seems to be the main reasons for the slow growth. Expectations on the new president to turn things around are high. With the elections coming to a conclusion, we are optimistic that pro-business policies will be introduced to entice investors back. However, investors should remain cautious on the level of acceptance (by the Indonesian population) towards new policies.

Currency risks

Due to country economic fundamentals, IDR has always seen higher level of volatility as compared to the developed countries. Additionally, emerging markets tend to see unstable capital flow and monetary policies. In recent times, these factors have piled on to the depreciating IDR. Long term weakness in the IDR, paired against the SGD will translate into lower asset valuation and greater translation losses.

Figure 7: IDR vs SGD



Source: Bloomberg

Valuation

We utilized sum-of-the-parts valuation model to derive our target price. This valuation methodology provides us the flexibility to capture the value of its listed subsidiaries while applying the appropriate valuation for its direct holdings.

BSDE

We value SML's 51.5% stake in BSDE at IDR 2,433/share, 30% discount to RNAV of IDR 3,476/share. The sales progress of current development projects, coupled with the development pipeline, provided us with strong impetus for a bullish view. There are two other listed entities, DUTI and PIR. SML have an indirect stake in them through BSDE. Hence, their contribution to SML's target price is captured through BSDE.

Rest of Indonesia

Other investments in Indonesia (direct, JV and associates) are valued individually, utilizing a mixture of DCF, cap rates and comparable market transactions to arrive at their RNAV value. While the ideal situation would allow SML to fully monetize its investments. However, we acknowledge the multitude of barriers that prevents a perfectly efficient realisation of the RNAV. We have assigned a discount of between 10-40% to these investments, varying due to the sub-sector, location, management expertise amongst other factors of these assets.

International

For the investment property in Malaysia, Singapore and UK, market comparable selling prices were used, in conjunction with cap rates (where available), to arrive at the valuation. For its development projects in China, we use a DCF to arrive at the present day value.

We value the Indonesian assets at SG\$3.6B and the other overseas assets at SG\$640M. Including the net cash situation and the potential effects of conversion of warrants, we arrive at an equity value of S\$4.45B. Based on a maximum number of shares of 3,194M shares, we initiate coverage on SML with a BUY call and a target price of S\$0.97

Figure 8: SOTP Valuation & Target Price

		Valuation	
Indonesia	BSDE	2,446.51	c.30% discount to RNAV of IDR 3480/share
	Office	165	-
	Commercial	35	-
	Hotel	37	-
	JV projects	292	-
	Land (excluding those under BSDE)	620	-
	Others	28	-
Others	Malaysia	192	-
	Singapore	180	-
	London	224	-
	China	40	-
		4,259	
	Add: Cash	487	
	Less: Debt	-453.154	
		4293	
		3,042	
		152	
		1,521	
		0.97	

Source: PSR estimates

Company Background

Formerly known as Asia Food & Properties Limited (AFP Properties Limited), the company changed its name to Sinarmas Land Limited in April/May 2011. With the change in name, the company has also completed its restructuring exercise; spun off the food business segment and exited two real estate investments in China. Going forward, the company is focused real estate development within Indonesia, seeking strategic land for development while conducting profitable sales of land parcel within Indonesia. Outside of Indonesia, the team continues to pursue new income streams in international markets.

Management

Sinarmas Land Limited is one of the six business units of Sinarmas Group and is helmed by the Widjaja family members. The top two personnel are Mr. Franky Oesman Widjaja (Executive Chairman) and Mr. Muktar Widjaja (Executive Director and Chief Executive Officer). They have been involved in the Sinarmas Group's businesses since 1980s and held senior management positions for the past ~20 years.

Other top management personnel include Ms. Margaretha Natalia Widjaja (Executive Director), Mr. Ferdinand Sadeli (Executive Director and Chief Financial Officer), Mr. Robin Ng Cheng Jiet (Executive Director), Mr. Foo Meng Kee (Indp. Director and Chairman of Audit and Nominating Committee), Kunihiko Nato (Indp. Director) and Rodolfo Castillo Balmater (Indp. Director and Chairman of Remuneration Committee). The company are led by savvy business owners who have demonstrated great resilience in times of adversity over the past decade. Additionally, the senior management also boasts of a great array of experience in development projects, deal sourcing, financial management and general business acumen.

Figure 9: Company Management



FRANKY OESMAN WIDJAJA
Executive Chairman



MUKTAR WIDJAJA
Executive Director and Chief Executive Officer



MARGARETHA NATALIA WIDJAJA
Executive Director



FERDINAND SADELI
Executive Director and Chief Financial Officer



ROBIN NG CHENG JIET
Executive Director



FOO MENG KEE
Independent Director and Chairman of Audit Committee and Nominating Committee



KUNIHIKO NAITO
Independent Director



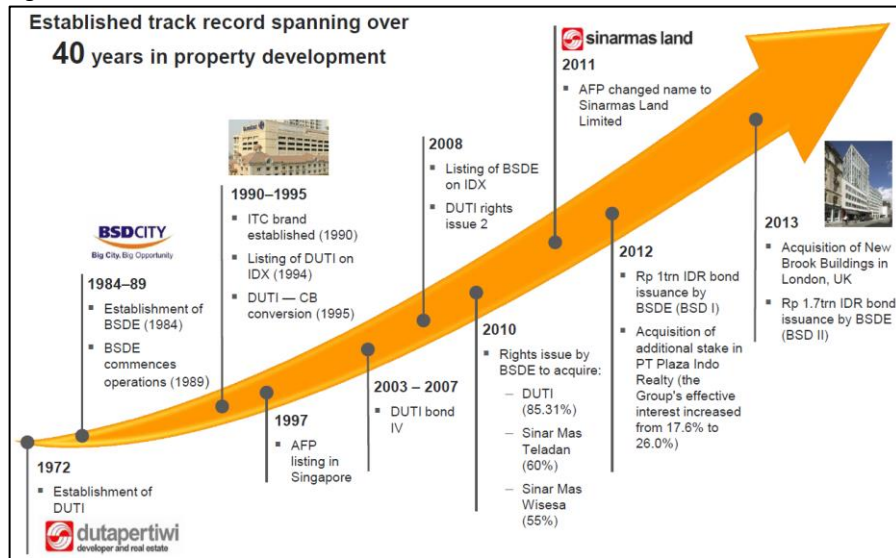
RODOLFO CASTILLO BALMATER
Independent Director and Chairman of Remuneration Committee

Source: Company Data

Track Record & Strategic Partners

From a relatively modest developer outfit starting out in 1972, the company has achieved impressive growth over the past four decades. Along the way, the company made various acute strategic corporate actions which include listing of its two subsidiaries (DUTI and BSDE) to gain access to funding for its land bank acquisitions. During the early years, SML was able to identify and secure strategic land bank at favourable prices. To date, the company continues to boast of sizable legacy land banks, allowing the company to operate at healthy profit margins. In recent times, with total project costs escalating at current rates, SML is increasingly linking up with strategic partners to undertake such developments. These joint venture arrangements allow SML to diversify their risk exposure, reduce its capital outlay while leveraging on its partners expertise.

Figure 10: Track Record



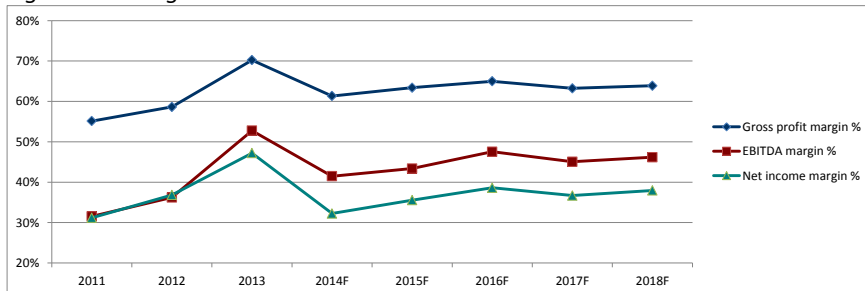
Source: Company data

Figure 11: Strategic Partners

Residential JV	Retail JV	Build-to-Suit	Industrial JV	Commercial JV
<ul style="list-style-type: none"> JV for high-end residential project with Hong Kong Land BSD's stake: 51% JV project to be developed over 65-68 ha in BSD City Target launch: 2014/2015 	<ul style="list-style-type: none"> JV for retail mall with AEON Japan BSD's stake: 33% ~ 125,000 to 150,000 sqm retail mall to be developed over 10 ha in BSD City and 2nd mall to be developed in Kota Deltamas Target launch: 2014/2015 	<ul style="list-style-type: none"> MOU with Courts Asia to build two "Big-Box" megastores in Indonesia (Bekasi and BSD City) Build and lease back to Courts Asia for 28 and 30 years respectively Target opening for 1st "Big-Box" megastore in Bekasi: 2014 	<ul style="list-style-type: none"> JV for GIC, an industrial estate within Kota Deltamas with Sojitz Japan SML's stake in GIC: 50% GIC is home to many major Japanese and other MNCs in the automotive, consumer electronics, and consumer goods sectors 	<ul style="list-style-type: none"> JV to develop the largest exhibition hall – Indonesia International Exhibition with Kompas Gramedia Group BSD's stake: 49% ~ 100,000 to 150,000 sqm exhibition hall to be developed on a 22-ha land area with supporting commercial facilities

Source: Company data

Figure 12: Margins

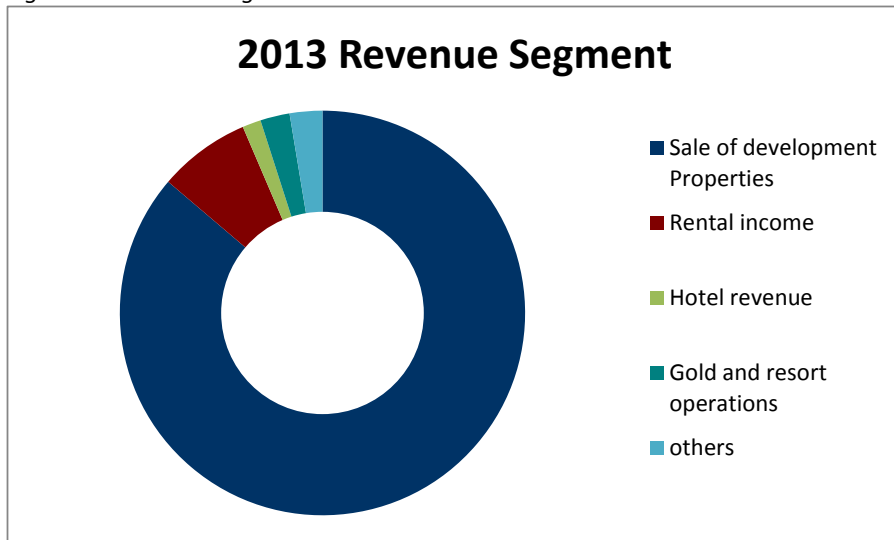


Source: Company data, PSR estimates

Business segments

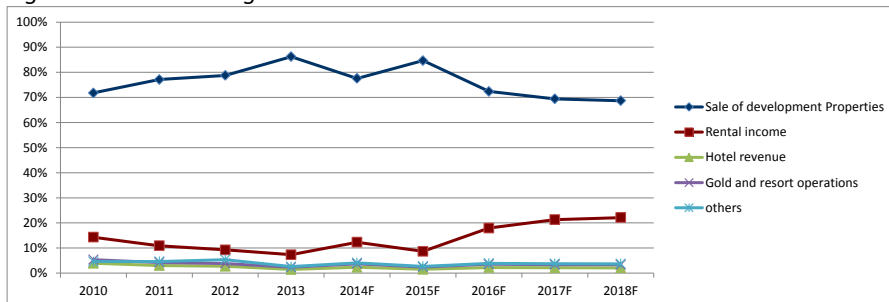
In recent years, the company has channelled its resources towards the development segment. Past 5 years to date, the trend points towards a growing proportion of revenue streaming from the sales of development properties. In FY2013, 86% of its revenue comes from development sales. Management has indicated their intention of increasing rental revenue from investment properties, while maintaining the momentum of its development schedule. We are optimistic of its development sales projects and believe that this revenue stream would continue to contribute substantially. The increase in investment properties should be gradual as management will require greater amount of time to seek out value accretive deals. Revenue contribution from rental generating assets will increase to c.25-30% of its total revenue over the next 2-3 years.

Figure 13: Revenue segments



Source: Company data

Figure 14: Revenue Segments Trend

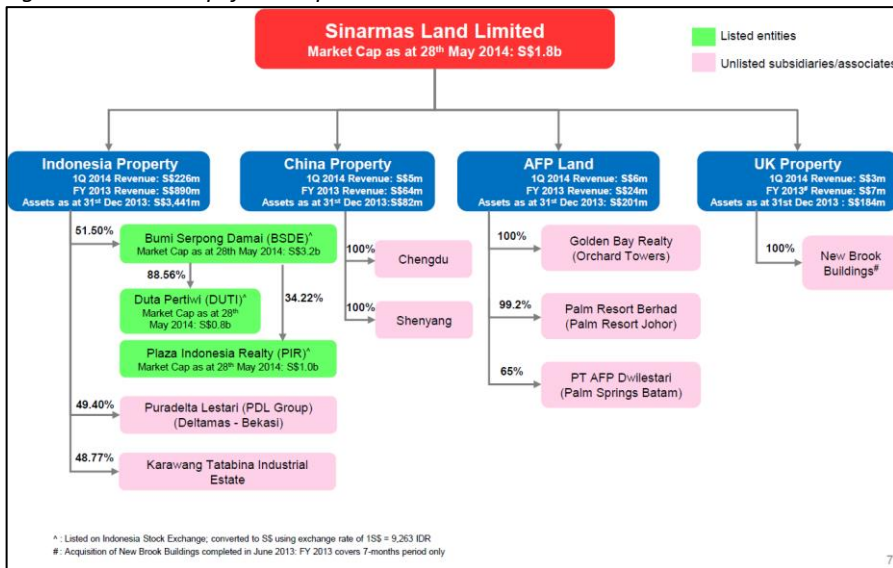


Source: Company data, PSR estimates

Corporate Structure

The biggest segment for SML would be its Indonesia property development and sales. For its Indonesia operations, the largest business units would be the listed subsidiary, BSDE.

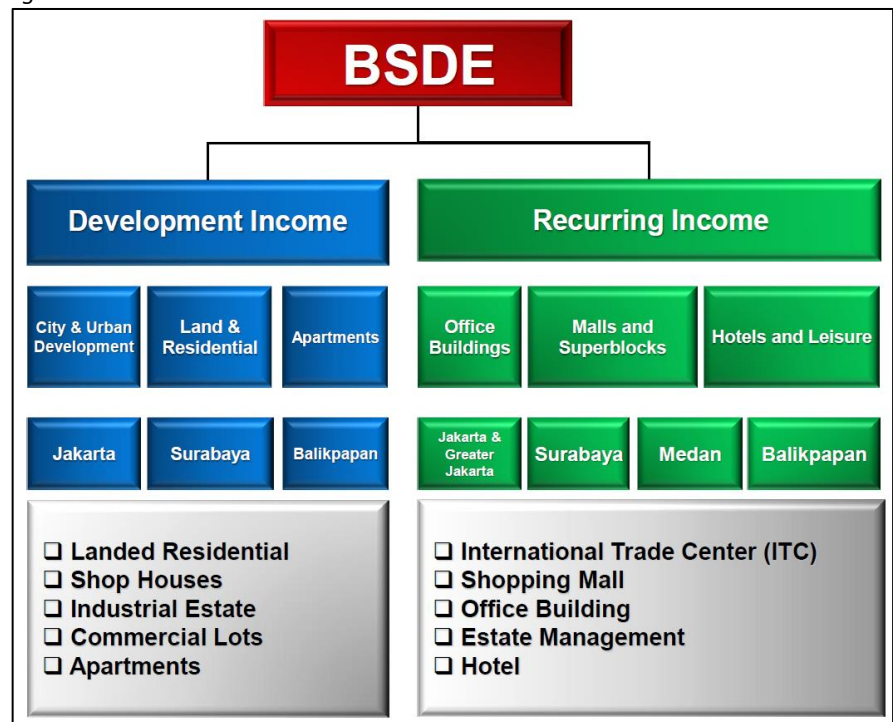
Figure 15: SML simplified Corporate Structure



Source: Company data

BSDE is a key subsidiary of SML, accounting for 55% of its value. BSDE was established in 1984, with the main focus of developing townships in select areas of Southern Jakarta. It started operations in 1989 and has grown to become one of the largest city development company in Indonesia with total license area of 5,950 ha. The company boasts of several well established developments in Greater Jakarta, and now has presence in Surabaya, Manado, Palembang and Semarrang. BSDE is included in various indices on the Ondonesia Stock Index, including Bisnis 27, Kompas 100, LQ45, JII and IDX30.

Figure 16: BSDE

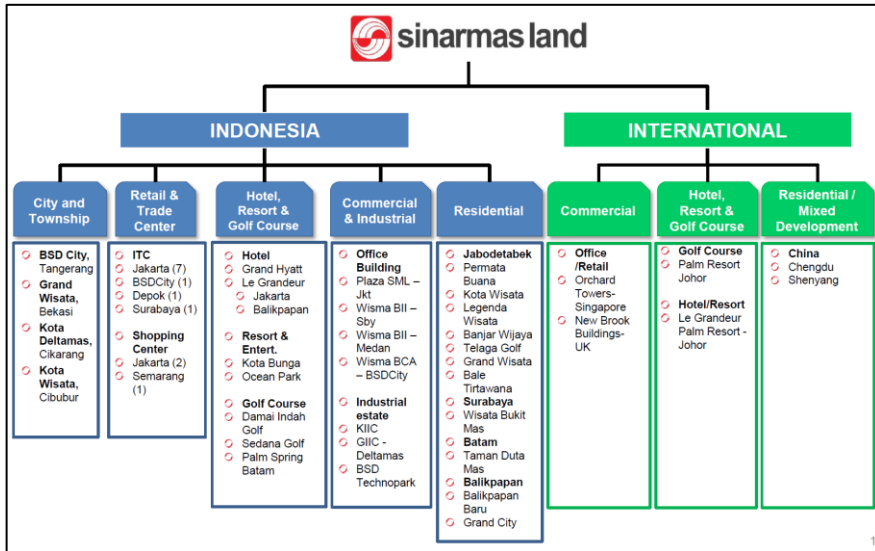


Source: Company data

SML's property portfolio

SML's current portfolio consists of numerous holdings across various sub-sector in Indonesia. The company are still in the midst of increasing their overseas property holdings. While the company continues to pride itself on their large scale township development projects, SML have also amassed a large slew of development projects/investment properties; including 14 retail, 9 offices, 3 industrial, 9 residential and 11 hospitality.

Figure 17: Property portfolio

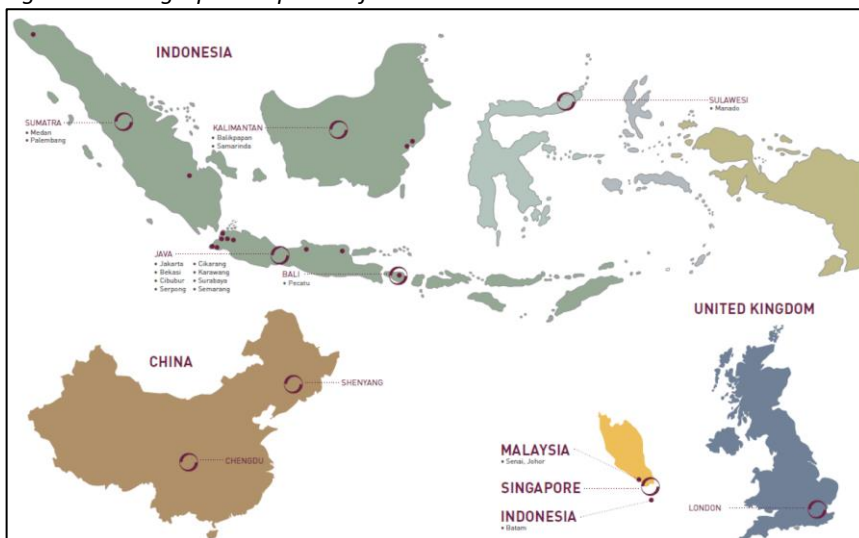


Source: Company data

Geographical Spread

The company's main operations is in Indonesia. However, the company does have presence in Singapore, Malaysia, UK and China. The company is seeking to increase its footprint, but have to do so gradually as acquisition teams require a lengthier time to seek out value accretive deals.

Figure 18: Geographical spread of SML



Source: Company data

Indonesia Property Review

Their property portfolio in Indonesia is well diversified and spans across various subsectors, including; residential, retail, office, industrial, hospitality and leisure.

Figure 19: Examples of Indonesia Projects



Source: Company data

Key Highlights

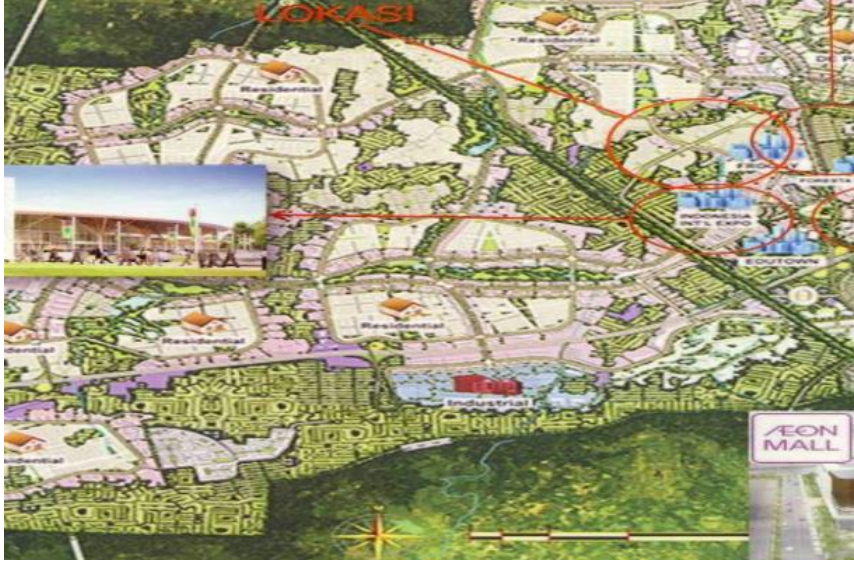
There are two prominent projects within Greater Jakarta, Indonesia. They are the integrated developments in BSD City and Kota Deltamas. These two sites are strategically located, enjoying strong connectivity through train and major toll roads.

BSD City

Location	Tangerang
SML's stake	51.5%
Total development rights	6,000 ha
Land bank as of 31 Dec 2013	3,000 ha
Development overview	Phase 1: 1989-current at completion stage Phase 2: 2008 -2020 (target completion) Phase 3: 2020-2035 (target completion)
Key highlights	<ul style="list-style-type: none"> • Largest privately developed integrated township in Greater Jakarta • Diverse suite of residential products with a focus on mid-to-high end segments • Self-sufficient city with a diverse suite of supporting facilities and amenities such as hospital, schools, shopping malls, golf courses, theme parks, etc. • Strategically located with access from two existing toll roads and train and bus connections to Jakarta • High quality infrastructure such as reliable power supply, fibre optic cables, water treatment plant, etc.
Upcoming developments	<ul style="list-style-type: none"> • Indonesia International Exhibitions (2014/2015) • AEON Mall (2014/2015) • New residential projects: Nava Park (JV with HK Land, Greenwich Park) • Unilever office tower

BSD City is located south west of Jakarta. This site is well connected through the Serpong-Kakarta toll road and by train to the CBD area. There are further plans to build a direct highway from BSD city to the Soekarno-hatta International Airport. The strategic location of this site and the increased connectivity through the upcoming toll road, will continue to attract residential dwellers.

Figure 20: BSD City map



Source: Company data

BSD city is a product of the Indonesian Government’s urban planning scheme. It serve to combine housing, business and commercial activities and BSDE is the main developer of this 645M sq ft land. Within this space, BSDE would build the real estate for residential clusters, office buildings and retail malls. Some of the current development is shown below.

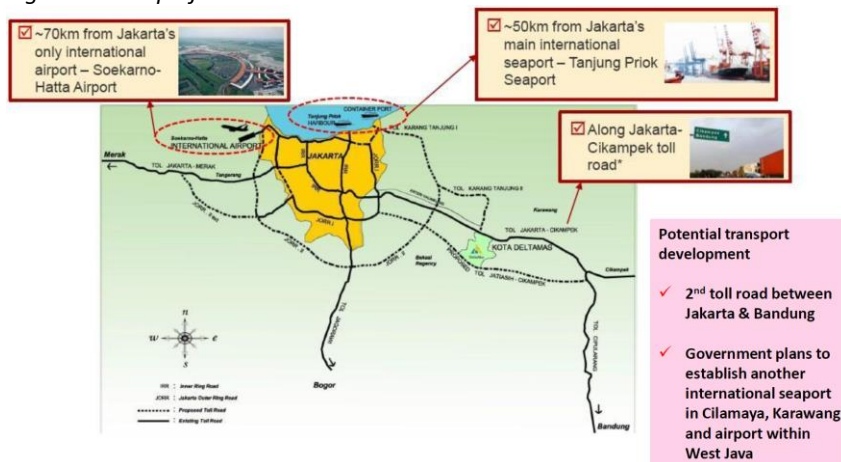
Development	Indonesia International Expo @BSD City	Aeon Mall @ BSD City	The Breeze Lifestyle Mall @ BSD City	NAVA Park @ BSD City
Artist Impression				
Comments	<p>Jointly developed with Kompas Gramedia Group (Indonesia’s largest media conglomerate)</p> <p>A mixed development, consisting of a Convention & Exhibition centre, 2 hotel and ancillary retail area.</p> <p>Total GFA of 1.08M sq ft.</p> <p>Target completion: 2Q14</p>	<p>Jointly developed with Aeon Mall (Japan biggest retailer)</p> <p>Retail mall with total GFA of 1.35M sq ft and NLA of 807,300 sq ft.</p> <p>Target completion: 4Q14</p>	<p>Retail mall with 215,300 sq ft of NLA.</p>	<p>Residential development jointly developed with Hongkong Land.</p>

Deltamas

Location	Bekasi
SML's stake	49.4%
Total development rights	3,000 ha
Land bank as of 31 Dec 2013	2,000 ha
Development overview	Mixed use industrial-based township development (includes Greenland International Industrial Center (GIIC)) Kota Deltamas is a JV between SML and Sojitz Japan. Key tenants in GIIC include Suzuki, Furaba Industrial, Takata
Key highlights	<ul style="list-style-type: none"> • Self-sufficient mixed-use city with residential, commercial, industrial areas with quality facilities and infrastructure • Strategically located with direct access from freeway and easy access to key transport nodes for industrial estate (~50km from Tanjung Priok port and ~60km from Jakarta international airport) • Superior infrastructure in Bekasi area for industrial estates enhances ability to attract quality tenants and command higher selling prices for industrial land
Upcoming developments	<ul style="list-style-type: none"> • Planned development of logistics and standard factory buildings spanning over 74 ha • Aeon Mall (2015/2016)

In this project, SML develops and sells industrial estates to domestic and international customers. Some of the key customers include Suzuki, Frina Lestari Nusantara, Takata, Malundo, Astra, Otoparts, Isewan, Kitic and Toyoink. The project is split into numerous phrases and the first developments started in 2009. Heavy industrial factories takes up 13.3M sqm while light industrial (warehouses / logistics spaces) factory buildings occupies a total GFA of 740,000 sqm.

Figure 21: Map of Kota Deltamas



Source: Company Data

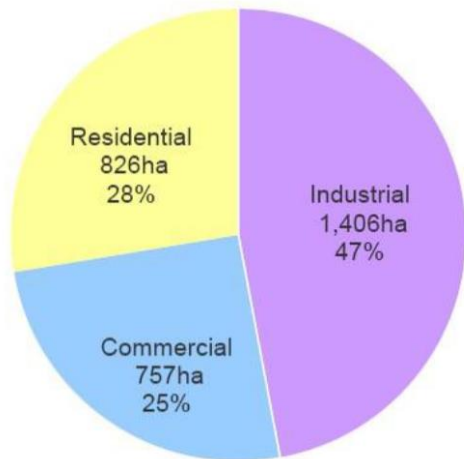
Deltamas is located along the Jakarta-Cikampek toll road, in the midst of various industrial estates. It is 50km and 70km away from the seaport and airport, respectively. The close proximity between Deltamas and various transport node will continue to attract industrial space demand.

Figure 22: Deltamas Location – along Jakarta-Cikampek toll road



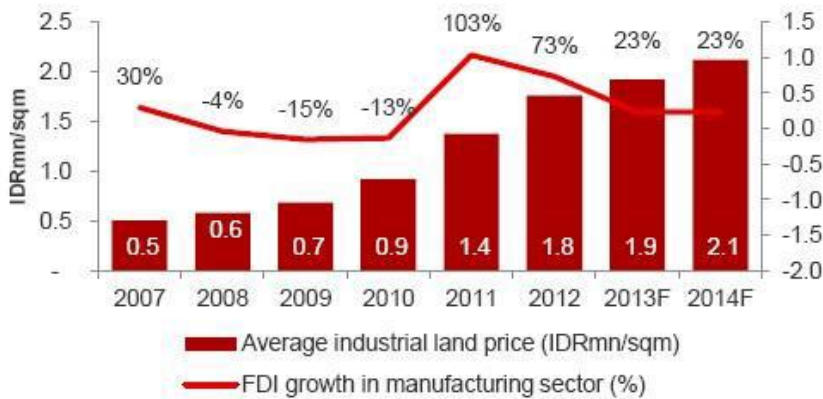
Source: Company data

Figure 23: Deltamas - Land allocation



Source: Company data

Figure 24: Greater Jakarta -Industrial land prices



Source: Company data

In addition to the industrial sites, SML has committed 8.26 mil sqm GFA to developing residential units, as a compliment to the industrial sites. As more companies moves into the factory premises, the demand will grow for such residential units. Based on current sales statistics, ~80% of the industrial sites are sold to international companies. Hence, SML's residential strategy is to split the residential component into various clusters and build landed residential houses to cater to the various nationalities. These residential clusters include a mix of American neighbourhoods, European neighbourhoods and Asian neighbourhoods. This allows SML to target the mid to mid high price ranges. To mitigate the risks, SML will build these units to sell and construction for each unit will commence only upon down payment.

Figure 25: Deltamas – residential units



Source: Company data

International Property

Management has indicated their intention to diversify its operations and seek overseas exposure. Currently, the group owns commercial buildings and hotels in UK, Singapore, Malaysia and China. Also, SML has been involved in residential development and sales in China.

Figure 26: List of International Properties

International			
			
New Brook Building London, United Kingdom	Orchard Towers Singapore	Le Grandeur Palm Resort Johor, Malaysia	Li Shui Jin Yang Shenyang, China
Location 8-18 Great Queen Street, Covent Garden, London	Location 400 Orchard Road / 1 Claymore Drive, Singapore	Location <ul style="list-style-type: none"> Located within the Senai-Skudai Zone under the Iskandar Regional Development Authority Plan 3 mins from Senai International Airport and High tech Park 	Location <ul style="list-style-type: none"> Located within the Shenyang Tie Xi Economic & Technological Development Zone ~ 20 km from the west of Shenyang City
NLA ~ 100,000 sq ft of Grade A offices	NLA ~ 7,500 sq ft (retail) ~ 81,000 sq ft (office)	Site area 748 acres / 303 ha	Site area ~ 9 ha
Acquisition book price £84.0m (~£841 psf)	Strata area 128,069 sq ft	No. of rooms 330 deluxe rooms and suites	Project overview 3 Phases comprising 23 blocks of 2,450 apartments, a hotel and 83 retail units
Lease summary 100% occupied, earliest lease expiry in 2020	No. of titles 59 (strata-titled)	Golf course 54-hole golf course and driving range	
Key tenants Fladgate LLP, Blick, Rothenburg, Empliment, Conditions Abroad Ltd.			

Source: Company data

United Kingdom

In June 2013, SML acquired the New Brook Building. This is an office building, located along Great Queen street-Covent Garden, which is a mere 5-10 min journey from the main CBD area. It is also just due north of the main retail area of Westminster. With the Holborn train station just steps away, the office building enjoys high level of connectivity. This office building is a 99,900 sq ft NLA, freehold, international grade-A office building and is currently fully occupied.

Figure 27: New Brook Building



Source: Company data

Singapore & Malaysia

SML owns 21 strata titled retail shops and 38 offices within Orchard Towers. Orchard Towers is located along the main shopping belt of Singapore. Recently, this investment is put up for sale with an asking price of about S\$200 mil. Current market comparables also suggest similar valuation.

Figure 28: Orchard Towers



	No. of Titles	Strata Area (sq ft)	Leasable Area (sq ft)	Share Value
RETAIL (Part 3 rd & 4 th Storeys)	21	7,449	7,553	2,510
OFFICE (5 th to 24 th /25 th Storeys)	37	70,536	63,314	15,825
OFFICE (8 th & 9 th Storeys)	1	50,084	18,116	2,550
Total	59	128,069	88,983	20,885

Source: Company data

Under SML’s Singapore and Malaysia Property Division, the company also owns Le Grandeur Palm Resort Johor and Palm Springs Batam. The former is an integrated resort of 330 rooms, a 54-hole golf course and a driving range. This investment sits on 80.5M sq ft of land. The other resort development, Palm Springs Batam, has a 27-hole golf course, driving range and a 14 room lodge.

Figure 29: Le Grandeur Palm Resort Johor



Source: Company data

China Property

SML has 2 development projects in China, located in Chengdu and Shenyang. Li Shui Jin Du (Chengdu) was completed in 1Q09 and is almost fully sold. There would be minimal revenue/profit to be recognised from this project. The other project, Li Shui Jin Yang (Shenyang), saw healthy sales progress for its first 2 phrases. Of the 2,500 units launched, 90% are sold to date. We expect the company to launch the final phrase within the next 4 quarters. The final phrase consists of a 168-room hotel, 87 residential units, a clubhouse and 45,000 sq ft of commercial space.

Figure 30: Artist impression of Li Shui Jin Yang



Source: Company data

Appendix

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Income Statement (JPY mn)					
Revenue	534	631	985	658	1,046
EBITDA	169	229	520	273	458
Depreciation & Amortisation	(17)	(18)	(17)	(26)	(33)
EBIT	151	211	503	247	426
Net Finance (Expense)/Inc	8	11	8	(10)	(7)
Other items	16	(21)	44	0	0
Associates & JVs	18	46	(42)	7	7
Exceptional items	0	22	12	0	0
Profit Before Tax	193	269	524	244	425
Taxation	(27)	(36)	(59)	(34)	(60)
Profit After Tax	167	232	465	210	366
Non-controlling Interest	(78)	(120)	(213)	(105)	(183)
Net Income, reported	89	113	252	105	183
Net Income, adj.	89	113	252	105	183

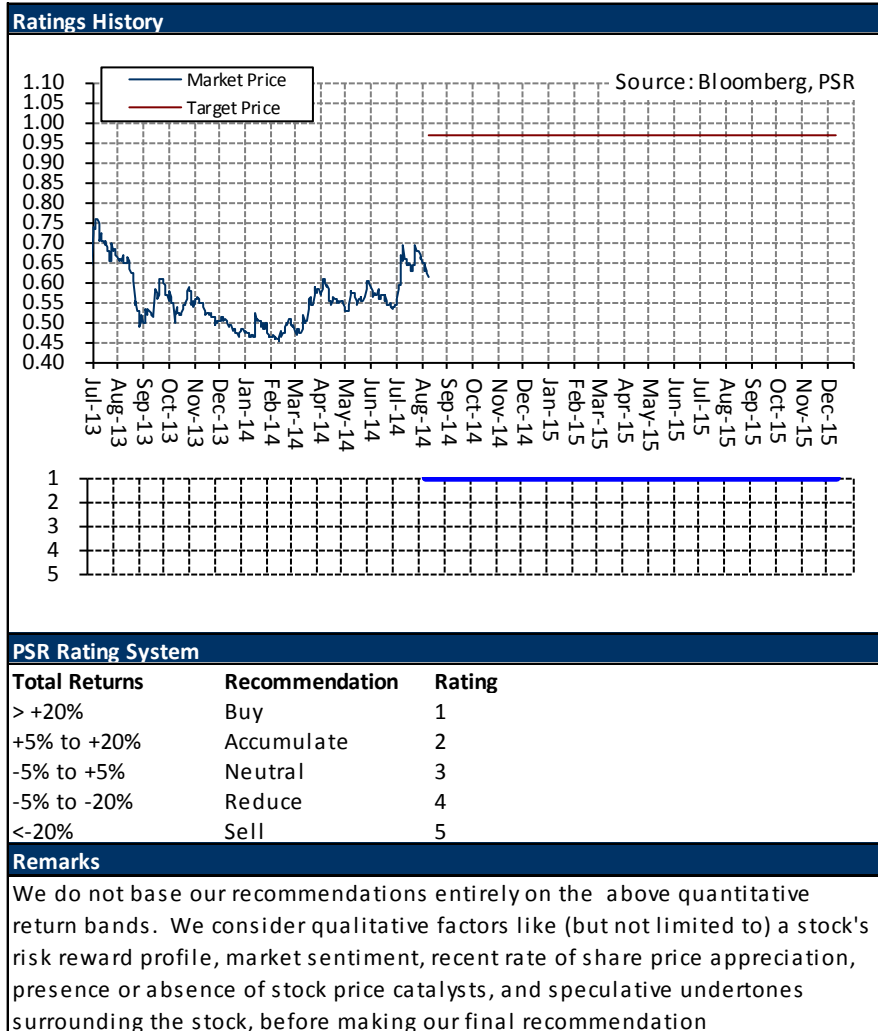
FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Per share data (JPY)					
EPS, reported	0.03	0.04	0.08	0.03	0.06
EPS, adj.	0.03	0.04	0.08	0.03	0.06
DPS (SGD Cents)	0.29	0.38	0.50	0.50	0.50
BVPS	0.69	0.76	0.76	0.84	0.97

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Cashflow Statements (JPY mn)					
CFO					
PBT	193	269	524	244	425
Adjustments	(18)	6	15	26	33
WC changes	123	67	(151)	55	92
Cash generated from ops	298	342	389	324	550
Others	(26)	(33)	(51)	(34)	(60)
Cashflow from ops	271	309	338	290	490
CFI					
CAPEX, net	(28)	(13)	(9)	(17)	(13)
Others	(83)	(266)	(517)	(273)	(325)
Cashflow from investments	(111)	(279)	(527)	(290)	(338)
CFF					
Share issuance	0	0	0	0	0
Loans, net of repayments	(4)	(6)	223	(186)	48
Dividends	(8)	(24)	(39)	(15)	(15)
Others	(90)	65	123	0	0
Cashflow from financing	(101)	34	306	(201)	32
Net change in cash	59	64	117	(200)	185
Effects of exchange rates	3	(40)	(136)	0	0
CCE, end	628	652	688	487	672

Source: Company Data, PSR est

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Balance Sheet (JPY mn)					
Investment properties	187	160	535	690	890
Properties under development	740	1,047	859	859	859
Associated companies	452	532	592	592	592
Others	407	391	273	382	487
Total non-current assets	1,787	2,130	2,260	2,524	2,829
Cash and cash equivalent	629	654	688	487	672
Receivables	12	11	12	12	19
Current restricted cash	0	0	0	0	0
Others	522	601	600	508	590
Total current assets	1,163	1,266	1,300	1,007	1,281
Total Assets	2,950	3,396	3,559	3,531	4,109
Loans and borrowings	6	2	136	2	78
Current trade payables	20	33	19	23	35
Bond payables	70	28	0	0	0
Others	324	340	380	304	413
Total current liabilities	420	403	535	330	527
Long term loans	110	107	194	142	114
Others	326	568	510	510	510
Total non-current liabilities	436	674	705	652	624
Non-controlling interest	637	824	837	837	837
Shareholder Equity	1,457	1,495	1,483	1,712	2,122

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.	21.1	16.6	7.4	17.8	10.2
P/B (X)	0.89	0.81	0.81	0.73	0.63
EV/EBITDA (X), adj.	18.6	13.7	6.0	11.5	6.9
Dividend Yield (%)	0.5%	0.6%	0.8%	0.8%	0.8%
Growth & Margins (%)					
Growth					
Revenue	26.4%	18.1%	56.0%	-33.2%	59.1%
EBITDA	7.9%	35.6%	127.4%	-47.5%	68.1%
EBIT	22.7%	39.3%	138.3%	-50.8%	72.1%
Net Income, adj.	-66.2%	26.8%	124.1%	-58.4%	74.1%
Margins					
EBITDA margin	31.5%	36.2%	52.8%	41.5%	43.8%
EBIT margin	28.3%	33.4%	51.0%	37.6%	40.7%
Net Profit Margin	31.2%	36.8%	47.2%	31.9%	34.9%
Key Ratios					
ROE (%)	6.3%	7.6%	17.0%	6.6%	9.5%
ROA (%)	3.1%	3.6%	7.3%	3.0%	4.8%
Net Debt/(Cash)	(513)	(545)	(358)	(343)	(480)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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