

# Sinarmas Land Limited

Recovering demand in Indonesia



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## SINGAPORE | REAL ESTATE | 1Q17 RESULTS

16 May 2017

- 1Q17's PATMI met 23% of our FY17 full year estimates and is line with our expectations
- BSDE and DMAS recorded IDR2.2 billion in marketing sales; Met 22% and 37% of full year marketing sales target for FY17 respectively
- Strong traction for soft launch of development project in Batam indicates demand for property in the city

### Results at a glance

(SGD mn)	1Q17	1Q16	YoY (%)	Comments
Revenue	237	180	↑ 32%	Higher number of residential units handed over in BSD City
Gross Profit	160	119	↑ 35%	Gross profit margin was up to 67.4% from 66%
EBIT	104	73	↑ 43%	
PATMI	37	16	↑ 137%	

Source: Company Data

### BSDE and DMAS recorded IDR2.2 billion in marketing sales; Met 22% and 37% of full year marketing sales target for FY17 respectively

Sinarmas Land's subsidiary, Kota Deltamas (DMAS), recorded IDR559 billion (1Q16: IDR66 billion) in marketing sales which was mainly contributed from the sale of industrial land, meeting 37% of its full-year marketing sales target of IDR1,506 billion. Sinarmas Land via its subsidiary, BSDE, recorded IDR1.6 trillion of marketing sales in 1Q17. The amount represented a 33% growth year-on-year which was mainly due to booking of the remaining land plots that were sold previously. Contributions from the sale of land represented 53% of total revenue contributed by BSDE. Out of the remaining 47%, residential pre-sales only met 12% of its full year target, however, the Group expects demand to accelerate moving forward. This is on the back of improving sentiments in the economic landscape which could fuel demand for industrial land moving forward.

### Strong traction for soft launch of development project in Batam indicates demand for property in the city

During the quarter, the Group has soft launched (c.40% of development) Phase 1 of Nuvasa Bay in Batam, The Nove, which consists mainly of condominium units. The development project is a high-end integrated residential and mixed-use development that will be launched in several launches. The Group has sold 65% of units that were soft launched where buyer profiles are mostly Indonesians with a small portion of Singaporeans. The strong take up rate in the soft launch indicates demand for properties in Batam and is expected given the lack of higher end developments in the city. We estimate that The Nove will add S\$2.6 cents to our RNAV estimates when completely sold.

### Investment Actions

After the introduction of various rounds of economic stimulus packages by the Indonesian Government, private consumption and investment growth is finally showing signs of recovery on the back of a stronger economic landscape which will subsequently benefit real estate activities in Indonesia. We maintain our **BUY** rating with an upgraded TP of **\$0.73** based on our FY17 RNAV estimates.

## BUY (Maintained)

CLOSING PRICE	SGD 0.47
FORECAST DIV	SGD 0.027
TARGET PRICE	SGD 0.73
<b>TOTAL RETURN</b>	<b>62.3%</b>

### COMPANY DATA

O/S SHARES (MN) :	4,256
MARKET CAP (USD mn / SGD mn) :	1370 / 1915
52 - WK HI/LO (SGD) :	0.54 / 0.42
3M Average Daily T/O (mn) :	0.47

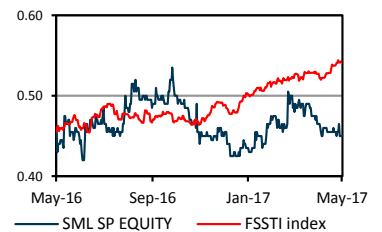
### MAJOR SHAREHOLDERS (%)

FLAMBO INTERNATIONAL LTD	70.3%
DIMENSIONAL FUND ADVISORS LP	0.3%
VANGUARD GROUP INCORPORATED	0.1%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(5.3)	(3.2)	(0.7)
STI RETURN	3.03	6.15	22.62

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

SGD MN	FY15	FY16	FY17E	FY18E
Revenue	957	878	963	1,030
EBITDA	461	391	432	460
NPAT	0	0	0	0
EPS (Cents)	3.36	2.70	3.87	4.19
PER (X)	0.1	0.2	0.1	0.1
P/BV (X)	0.6	0.5	0.5	0.5
DPS (Cents)	0.19	0.19	0.27	0.29
Div Yield, %	0.4%	0.4%	0.6%	0.6%
ROE, %	8%	6%	8%	8%

Source: Company Data, PSR est.

### Valuation Method

SOTP

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## Valuations

	Properties	Valuation(\$'m)
Indonesia	BSDE	2,665
	Land (excluding those in BSDE)	643
	Office	213
	Commercial	25
	Hotel	18
	Others	150
Others	London	640
	Malaysia	276
	Singapore	200
	<b>Total RNAV</b>	<u>4,829</u>
	Add: Cash	908
	Add: Associates & JV	387
	Less: Debt	<u>-1,359</u>
		4,766
	Outstanding shares (m)	<u>4,256</u>
	<b>RNAV per share</b>	\$1.12
	Discount to RNAV	<u>35%</u>
	<b>Target Price</b>	\$0.73

Source: Phillip Securities Research (Singapore)

## Financials

### Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
<b>Revenue</b>	<b>957</b>	<b>878</b>	<b>963</b>	<b>1,030</b>	<b>1,100</b>
<b>EBITDA</b>	<b>461</b>	<b>391</b>	<b>432</b>	<b>460</b>	<b>486</b>
Depreciation & Amortisation	(30)	(38)	(36)	(37)	(39)
<b>EBIT</b>	<b>431</b>	<b>353</b>	<b>396</b>	<b>423</b>	<b>447</b>
Net Finance (Expense)/Inc	(38)	(67)	(16)	(14)	(14)
Other items	(9)	7	5	7	8
Associates & JVs	14	29	19	21	23
Exceptional Items	0	0	0	0	0
<b>Profit Before Tax</b>	<b>399</b>	<b>322</b>	<b>403</b>	<b>436</b>	<b>464</b>
Taxation	(69)	(59)	(73)	(79)	(84)
<b>Profit After Tax</b>	<b>330</b>	<b>264</b>	<b>330</b>	<b>357</b>	<b>379</b>
Non-Controlling Interest	(187)	(149)	(165)	(178)	(190)
<b>Net Income</b>	<b>143</b>	<b>115</b>	<b>165</b>	<b>178</b>	<b>190</b>

### Per share data (SGD)

	FY15	FY16	FY17e	FY18e	FY19e
EPS (cents)	3.36	2.70	3.87	4.19	4.45
DPS (cents)	0.19	0.19	0.27	0.29	0.31
BVPS	0.78	0.91	0.93	1.00	1.07

### Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
<b>CFO</b>					
Profit before tax	399	322	403	436	464
Adjustments	42	49	(2)	(6)	(13)
WC changes	(159)	21	34	19	20
Cash generated from ops	312	430	471	486	510
Taxes paid, others	(118)	(115)	(77)	(83)	(83)
<b>Cashflow from ops</b>	<b>194</b>	<b>315</b>	<b>394</b>	<b>403</b>	<b>427</b>
<b>CFI</b>					
CAPEX, net	(23)	(35)	(30)	(29)	(31)
Others	(847)	(320)	(366)	(220)	(295)
<b>Cashflow from investments</b>	<b>(870)</b>	<b>(355)</b>	<b>(396)</b>	<b>(249)</b>	<b>(327)</b>
<b>CFF</b>					
Share issuance	0	0	0	0	0
Loans, net of repayments	397	(191)	0	0	0
Dividends	(15)	(30)	(8)	(12)	(13)
Others	331	166	49	(97)	(29)
<b>Cashflow from financing</b>	<b>712</b>	<b>(55)</b>	<b>41</b>	<b>(109)</b>	<b>(41)</b>
<b>Net change in cash</b>	<b>35</b>	<b>(95)</b>	<b>38</b>	<b>45</b>	<b>59</b>
Effects of exchange rates	3	55	0	0	0
<b>CCE, end</b>	<b>908</b>	<b>867</b>	<b>908</b>	<b>951</b>	<b>1,010</b>

Source: Company, PSR (Singapore) Estimates

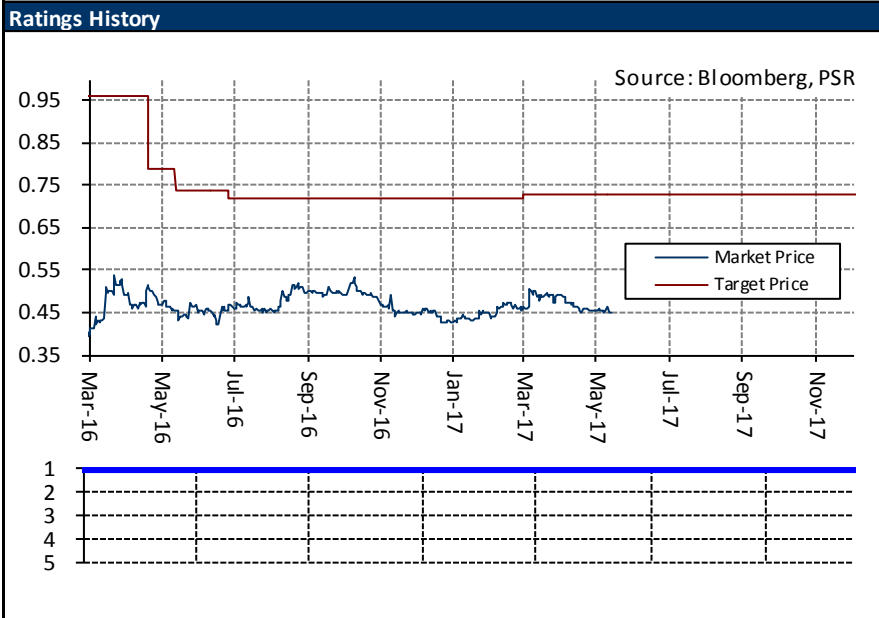
\*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

### Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
<b>ASSETS</b>					
Investment properties	1,073	1,077	1,203	1,207	1,284
Properties under dev for sale	1,591	1,794	1,899	2,051	2,228
Associates & JVs	221	265	265	266	270
Others	310	375	408	437	467
<b>Total non-current assets</b>	<b>3,194</b>	<b>3,512</b>	<b>3,775</b>	<b>3,960</b>	<b>4,249</b>
Current restricted cash	0	0	0	0	0
Accounts Receivables	16	33	36	38	40
Cash balance	908	867	908	951	1,010
Others	1,401	1,668	1,571	1,668	1,665
<b>Total current assets</b>	<b>2,324</b>	<b>2,568</b>	<b>2,514</b>	<b>2,657</b>	<b>2,716</b>
<b>Total Assets</b>	<b>5,518</b>	<b>6,080</b>	<b>6,289</b>	<b>6,617</b>	<b>6,965</b>
<b>LIABILITIES</b>					
Short term loans	218	46	100	67	67
Current trade payables	38	39	44	47	50
Bond payables	0	71	191	44	44
Others	576	640	701	750	801
<b>Total current liabilities</b>	<b>832</b>	<b>797</b>	<b>1,036</b>	<b>907</b>	<b>962</b>
Long term loans	565	506	683	716	716
Long term bond payables	608	723	417	564	564
Others	183	198	178	181	184
<b>Total non-current liabilities</b>	<b>1,356</b>	<b>1,428</b>	<b>1,278</b>	<b>1,461</b>	<b>1,464</b>
<b>EQUITY</b>					
Non-controlling interest	1,582	1,872	1,850	1,977	2,112
Common Shareholder Equity	1,749	1,984	2,126	2,272	2,427
<b>Total equity</b>	<b>3,330</b>	<b>3,855</b>	<b>3,976</b>	<b>4,249</b>	<b>4,539</b>

### Valuation Ratios

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
P/E (X), adj.	0.1	0.2	0.1	0.1	0.1
P/B (X)	0.6	0.5	0.5	0.5	0.4
EV/EBITDA (X)	7.0	8.2	7.5	7.0	6.6
Dividend Yield (%)	0.4%	0.4%	0.6%	0.6%	0.7%
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	15.5%	-8.2%	9.7%	6.9%	6.9%
EBITDA	11.6%	-15.2%	10.5%	6.4%	5.8%
EBIT	9.9%	-18.2%	12.2%	6.8%	5.7%
Net Income	-40.5%	-19.7%	43.4%	8.2%	6.3%
<b>Margins</b>					
EBITDA margin	48.2%	44.5%	44.8%	44.6%	44.2%
EBIT margin	45.1%	40.2%	41.1%	41.1%	40.6%
Net Profit Margin	34.5%	30.0%	34.2%	34.6%	34.5%
<b>Key Ratios</b>					
ROE (%)	8.3%	6.2%	8.0%	8.1%	8.1%
ROA (%)	2.8%	2.0%	2.7%	2.8%	2.8%
Net Debt/(Cash)	482	408	291	395	336
Net Gearing (X)	0.14	0.11	0.07	0.09	0.07



### PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

### Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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