

Thursday, 15 March 2018

BUY
Maintain

Last price (IDR)	278
Target Price (IDR)	320
Upside/Downside	+15.1%
Previous Target Price (IDR)	320

Stock Statistics

Sector	Industrial Estate
Bloomberg Ticker	BEST IJ
No of Shrs (mn)	9,647
Mkt. Cap (IDRbn/USDmn)	2,682/195
Avg. daily T/O (IDRbn/USDmn)	6.3/0.5

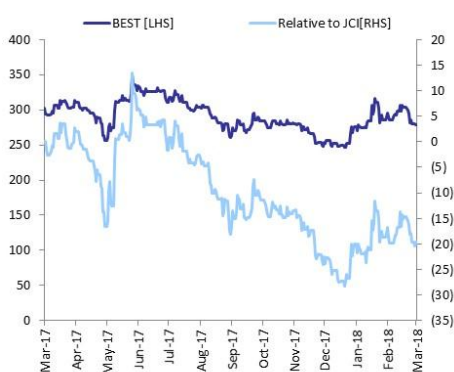
Major shareholders (%)

Argo Manunggal Land Development	48.1
Daiwa House Industry Corporate	10.0
Estimated free float	41.8

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	50.6	56.3	52.5
Consensus	43.2	54.5	58.8
Danareksa/Cons	17.3	3.3	(10.8)

BEST relative to JCI Index



Source : Bloomberg



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Bekasi Fajar Industrial Estate (BEST IJ)

Land sales recognition boosted net profits in 4Q17

BEST recorded net profits of IDR483bn in 2017, +44.8%yoy, INLINE with our estimate of IDR488bn (99.6%), yet above the consensus estimate of IDR420bn (115.9%). In 4Q17 alone, BEST recorded net profits of IDR203bn, +83.1%qoq. The strong performance in 4Q17 was mainly attributable to revenues recognition from land sales of 13ha in 4Q17 that contributed around IDR300bn, higher than the recognized land sales in 3Q17 of 7ha. In 2018, we still expect the company to deliver strong financial performance on the back of its outstanding 31ha land sales backlog. Maintain BUY.

4Q17: land sales recognition boosted net profits. BEST recorded net profits of IDR203bn in 4Q17, +83.1%qoq. This stellar performance mainly owed to significant land sales recognition in 4Q17 of 13ha, higher than the land sales recognized in 3Q17 of 7ha. The higher contribution of industrial land revenues coupled with lower operational expenses (-11.3%qoq) resulted in better gross and operating margins (+6.2-15.1%qoq). For below-the-line items, BEST recorded other expenses of IDR0.8bn in 4Q17 vs. other income of IDR38.9bn in 3Q17. Nonetheless, also note that in 3Q17, BEST recorded one-off gains of IDR21bn from the divestment of a 31% stake in Daiwa Manunggal Logistic.

Cumulative 2017: inline with our forecast yet above the consensus. Thanks to its strong revenues recognition in 4Q17, BEST recorded net profits of IDR483bn in 2017, +44.8%yoy. This performance is INLINE with our forecast of IDR488bn (99.6%) yet above the consensus of IDR420bn (115.9%). We remain upbeat on the outlook for 2018 with BEST's financial performance to be underpinned by its outstanding backlog that reached 31ha in addition to recognition of land sales conducted in 2018. We expect BEST to record 40ha of land sales in 2018, flattish compared to 2017 (42ha).

Gearing has trended down. We note that BEST's net gearing ratio reached 26.3% in 4Q17, down by 7.1% compared to net gearing of 33.5% in 3Q17. While nominally the total debt outstanding has remained the same, good operational cash flow collection from its land sales has resulted in higher cash outstanding. Going forward, we expect the company to sustain its low gearing considering this year's flattish capex allocation of IDR800bn.

Maintain BUY. We maintain our BUY call on BEST with a target price of IDR320 (NAV based calculation with 72% target discount to NAV). Our target discount to NAV is near to its -0.5SD historical discount to NAV of 72.8%. BEST currently trades at a 75.8% discount to NAV, or slightly higher than the historical mean discount to NAV of 74.6%. We believe its undemanding valuation offers an attractive entry point, particularly with the expectation of solid financial performance in 2018.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	687	824	1,075	1,224	1,202
EBITDA (IDRbn)	406	530	635	727	698
EBITDA Growth (%)	(15.1)	30.6	19.8	14.6	(4.0)
Net profit (IDRbn)	212	336	488	543	506
EPS (IDR)	21.9	34.8	50.6	56.3	52.5
EPS growth (%)	(45.9)	58.8	45.4	11.3	(6.9)
BVPS (IDR)	315.1	351.2	399.9	453.4	502.7
DPS (IDR)	(2.3)	(1.2)	(2.0)	(2.8)	(3.2)
PER (x)	11.8	7.4	5.1	4.6	4.9
PBV (x)	0.8	0.7	0.6	0.6	0.5
Dividend yield (%)	(0.9)	(0.5)	(0.8)	(1.1)	(1.2)
EV/EBITDA (x)	8.7	7.1	6.0	5.2	5.4

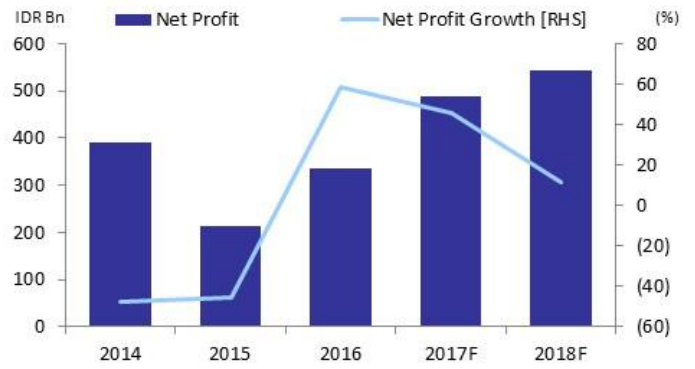
Source : BEST, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



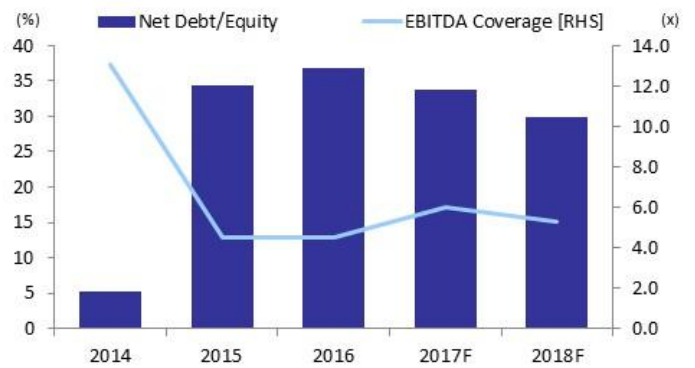
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



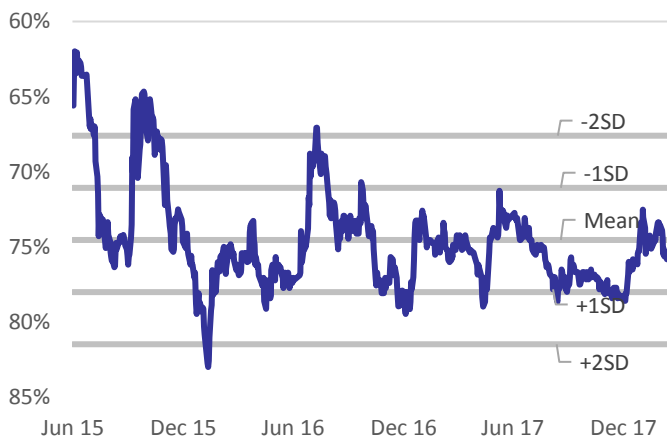
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. BEST's historical discount to NAV



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Industrial estate sector's historical discount to NAV



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. BEST Financial performance

in IDR bn, unless stated	4Q16	3Q17	4Q17	qoq, %	yoy, %	2016	2017	yoy, %	2017F*	A/F, %*	2017F**	A/F, %**
Sales	292	214	370	72.8	26.9	824	1,009	22.4	1,075	93.8%	941	107.3%
COGS	(67)	(65)	(89)	37.1	31.9	(211)	(286)	35.2	(327)	87.4%	(269)	106.1%
Gross profit	224	149	281	88.3	25.4	613	724	18.0	749	96.6%	672	107.7%
Operating expenses	(31)	(39)	(34)	(11.8)	10.5	(93)	(121)	30.7	(129)	94.1%	(101)	119.5%
Operating profit	194	111	247	123.1	27.7	521	602	15.7	620	97.1%	570	105.6%
EBITDA	196	113	239	110.8	22.1	530	602	13.7	635	94.9%	588	102.4%
Other income/(expenses)	(141)	7	(39)	(643.5)	(72.2)	(148)	(95)	(36.1)	(116)	81.6%	(117)	81.0%
Pre-tax profit	53	119	209	74.8	295.5	369	512	38.6	519	98.7%	454	112.9%
Net profit	42	111	203	83.1	385.6	336	486	44.8	488	99.6%	420	115.9%
			150.68	260.2%								
Gearing (%)	36.8	33.5	26.3	(7.1)		36.8	26.3					
Gross margin (%)	76.9	69.8	76.0	6.2	(0.9)	74.4	71.7	(2.7)	69.6		71.4	
Opex to sales (%)	(10.5)	(18.0)	(9.2)	8.8	1.4	(11.2)	(12.0)	(0.8)	(12.0)		(10.8)	
Operating margin (%)	66.4	51.8	66.8	15.1	0.4	63.1	59.7	(3.4)	57.7		60.6	
Net margin (%)	14.3	51.8	54.9	3.1	40.6	40.8	48.2	7.4	45.4		44.6	

* Danareksa Estimates

** Consensus

Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	687	824	1,075	1,224	1,202
COGS	(201)	(211)	(327)	(370)	(365)
Gross profit	486	613	749	854	838
EBITDA	406	530	635	727	698
Oper. profit	396	521	620	709	678
Interest income	0	0	0	0	0
Interest expense	(90)	(118)	(105)	(137)	(143)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	5	(3)	4	7	7
Other Income (Expenses)	(65)	(30)	0	(1)	(2)
Pre-tax profit	245	369	519	578	541
Income tax	(33)	(33)	(30)	(34)	(34)
Minority interest	0	0	0	(1)	0
Net profit	212	336	488	543	506
Core Net Profit	212	336	488	543	506

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	378	442	374	461	576
Receivables	106	235	248	282	277
Inventory	366	736	815	887	961
Other Curr. Asset	658	435	487	555	547
Fixed assets - Net	110	172	239	303	364
Other non-curr.asset	3,013	3,184	3,511	3,810	4,116
Total asset	4,631	5,205	5,674	6,297	6,841
ST Debt	236	457	49	30	1,113
Payables	99	21	33	37	37
Other Curr. Liabilities	49	40	43	50	49
Long Term Debt	1,187	1,235	1,626	1,741	728
Other LT. Liabilities	18	62	62	63	63
Total Liabilities	1,589	1,815	1,813	1,920	1,989
Shareholder's Funds	3,040	3,388	3,858	4,374	4,849
Minority interests	2	3	3	3	3
Total Equity & Liabilities	4,631	5,205	5,674	6,297	6,841

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	212	336	488	543	506
Depreciation and Amort.	10	9	14	18	20
Change in Working Capital	(371)	(363)	(128)	(164)	(62)
Other Oper. Cash Flow	(525)	49	(201)	(142)	(144)
Operating Cash Flow	(675)	32	173	256	320
Capex	(58)	(73)	(81)	(81)	(81)
Others Inv. Cash Flow	(55)	(57)	(20)	(20)	(20)
Investing Cash Flow	(113)	(130)	(101)	(101)	(101)
Net change in debt	957	268	(17)	96	69
New Capital	3	25	0	0	0
Dividend payment	(22)	(12)	(19)	(27)	(30)
Other Fin. Cash Flow	(90)	(118)	(105)	(137)	(143)
Financing Cash Flow	848	163	(141)	(68)	(104)
Net Change in Cash	60	64	(69)	87	115
Cash - begin of the year	318	378	442	374	461
Cash - end of the year	378	442	374	461	576

Exhibit 11. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	(18.2)	20.0	30.5	13.8	(1.8)
EBITDA	(15.1)	30.6	19.8	14.6	(4.0)
Operating profit	(16.1)	31.5	19.1	14.3	(4.3)
Net profit	(45.9)	58.8	45.4	11.3	(6.9)
Profitability (%)					
Gross margin	70.7	74.4	69.6	69.8	69.7
EBITDA margin	59.1	64.3	59.0	59.4	58.1
Operating margin	57.6	63.1	57.7	57.9	56.4
Net margin	30.8	40.8	45.4	44.4	42.1
ROAA	5.1	6.8	9.0	9.1	7.7
ROAE	7.2	10.5	13.5	13.2	11.0
Leverage					
Net Gearing (x)	0.3	0.4	0.3	0.3	0.3
Interest Coverage (x)	4.4	4.4	5.9	5.2	4.7

Source : BEST, Danareksa Estimates

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