

Thursday, 16 August 2018

BUY
Maintain

Last price (IDR)	230
Target Price (IDR)	300
Upside/Downside	+30.4%
Previous Target Price (IDR)	300

Stock Statistics

Sector	Industrial Estate
Bloomberg Ticker	BEST IJ
No of Shrs (mn)	9,647
Mkt. Cap (IDRbn/USDmn)	2,219/152
Avg. daily T/O (IDRbn/USDmn)	2.7/0.2

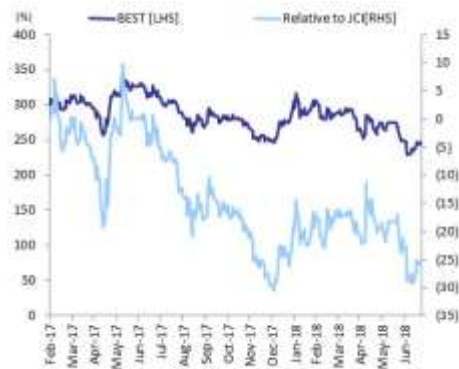
Major shareholders (%)

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

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	51.6	60.2	63.7
Consensus	51.1	53.5	58.5
Danareksa/Cons	0.9	12.4	8.9

BEST relative to JCI Index



Source : Bloomberg



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Bekasi Fajar Industrial Estate (BEST IJ)

Catching up in 2H18

BEST posted 2Q18 net profits of Rp44bn (-50.9% YoY, -53.3% QoQ), resulting in 1H18 net profits of Rp137bn (-20.4% YoY), or reaching 27.6% of our full year target and 27.8% of consensus estimates, mainly due to slower revenues recognition in 1H18 (-5.5% YoY) and higher other expenses of Rp22bn, mainly forex losses and interest expenses. We expect revenues to catch up in 2H18, given the backlog of 31Ha as of Jun'18. Maintain BUY.

Lower-than-expected 1H18 results. BEST reported 1H18 net profits of Rp137bn (-20.4% YoY), or reaching 27.6% of our full year target and 27.8% of consensus estimates. This mainly reflects slower revenues recognition in 1H18 (-5.5% YoY) and higher other expenses of Rp22bn, in particular forex losses (Rp32bn) and interest expenses. BEST has around USD35mn of loans that are still unhedged; hence it is exposed to some forex risk. The 1H18 revenues were Rp402bn (-5.5% YoY), only 36% of our full year target and 35% of the consensus, mainly driven by higher ASP of Rp2.71mn/sqm (+13% YoY) but offset by lower land sales of 12.5Ha (vs.15.6Ha in 1H17). The 1H18 gross margin stood at 73.5% (vs. 68.9% in 1H17), driven by higher land ASP and lower land acquisition costs.

Lower 2Q18 earnings. BEST booked 2Q18 net profits of Rp44bn (-50.9% YoY, -53.3% QoQ). The lower earnings mainly stemmed from lower revenues recognition in 2Q18 (-20.5% YoY, -9.6% QoQ) and higher other expenses associated with forex and interest. Other expenses totalled Rp65bn in 2Q18. The 2Q18 revenues reached Rp191bn (-20.5% YoY, -9.6% QoQ) as the company only booked land sales of 5.7Ha (vs. 8.7Ha in 2Q17). The 2Q18 gross margin stood at 77.5% (vs. 69.9% in 1Q18 and 68.8% in 2Q17).

Revenues to catch up in 2H18. We expect its revenues recognition to catch up in 2H18. With its backlog standing at 31 Ha as of Jun'18 and assuming ASP of Rp2.7mn/sqm, BEST may be able to add another Rp830bn of revenues. We maintain our FY18 revenues forecast of Rp1.1tn (+10.9% YoY). The downside risk to earnings will arise from possible further depreciation of the IDR against the USD.

Maintain BUY. We are maintaining our BUY call on BEST with an unchanged TP of Rp300, based on a 72% discount to NAV. BEST is currently trading at an 80% discount to NAV vs the sector's 79%.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	824	1,006	1,116	1,238	1,271
EBITDA (IDRbn)	530	611	674	760	779
EBITDA Growth (%)	30.6	15.3	10.3	12.8	2.6
Net profit (IDRbn)	336	483	498	581	615
EPS (IDR)	34.8	50.1	51.6	60.2	63.7
EPS growth (%)	58.8	43.9	3.0	16.6	5.9
BVPS (IDR)	351.2	398.6	445.3	500.4	558.2
DPS (IDR)	(1.2)	(3.4)	(4.9)	(5.1)	(5.9)
PER (x)	7.0	4.9	4.7	4.1	3.8
PBV (x)	0.7	0.6	0.5	0.5	0.4
Dividend yield (%)	(0.5)	(1.4)	(2.0)	(2.1)	(2.4)
EV/EBITDA (x)	6.8	5.5	5.2	4.7	4.5

Source : BEST, Danareksa Estimates

Exhibit 1. Revenues and Growth

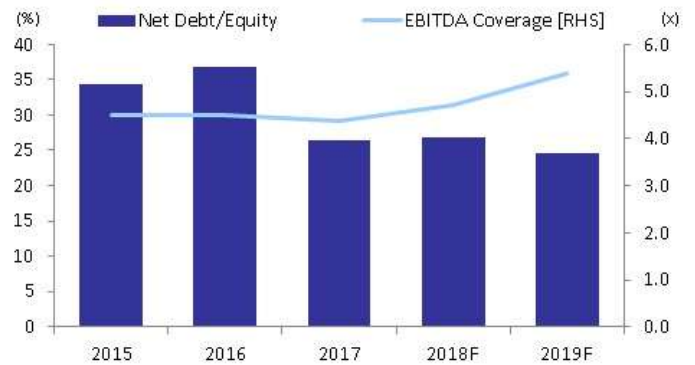

Source: Company, Danareksa Sekuritas estimates

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 1H18 Results Summary

in IDR bn, unless stated	2Q17	1Q18	2Q18	qoq, %	yoy, %	1H17	1H18	yoy, %	2018F*	A/F,%*	2018F*	A/F,%*
Sales	240	211	191	(9.6)	(20.5)	425	402	(5.5)	1,116	36.0%	1,146	35.0%
COGS	(75)	(64)	(43)	(32.5)	(42.7)	(132)	(106)	(19.4)	(328)	32.4%	(331)	32.2%
Gross profit	165	147	148	0.3	(10.3)	293	295	0.8	787	37.5%	815	36.2%
Operating expenses	(23)	(22)	(33)	48.4	39.3	(49)	(55)	12.4	(127)	43.0%	(138)	39.6%
Operating profit	141	125	115	(8.2)	(18.6)	244	241	(1.6)	660	36.4%	677	35.5%
EBITDA	144	130	111	(14.4)	(23.1)	250	241	(3.6)	674	35.7%	688	34.9%
Other income/(expenses)	(46)	(27)	(65)	136.0	40.5	(62)	(92)	47.4	(147)	62.7%	(134)	68.7%
Pre-tax profit	97	98	51	(48.2)	(47.2)	184	149	(18.9)	527	28.3%	543	27.5%
Net profit	89	94	44	(53.3)	(50.9)	172	137	(20.4)	498	27.6%	493	27.8%
Gearing (%)	38.3	23.1	30.9	7.8		38.3	30.9					
Gross margin (%)	68.8	69.9	77.5	7.6	8.7	68.9	73.5	4.6	70.6		71.2	
Opex to sales (%)	(9.8)	(10.4)	(17.1)	(6.7)	(7.3)	(11.4)	(13.6)	(2.2)	(11.4)		(12.1)	
Operating margin (%)	59.0	59.4	60.4	0.9	1.4	57.5	59.9	2.4	59.2		59.1	
Net margin (%)	37.1	44.3	22.9	(21.4)	(14.2)	40.5	34.2	(6.4)	44.6		43.0	

* Danareksa Estimates

** Consensus

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	824	1,006	1,116	1,238	1,271
COGS	(211)	(286)	(328)	(359)	(367)
Gross profit	613	721	787	879	904
EBITDA	530	611	674	760	779
Oper. profit	521	599	660	743	761
Interest income	0	0	0	0	0
Interest expense	(118)	(140)	(143)	(141)	(123)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(3)	4	7	7	7
Other Income (Expenses)	(30)	45	2	4	4
Pre-tax profit	369	509	527	613	649
Income tax	(33)	(26)	(29)	(32)	(34)
Minority interest	0	0	0	0	0
Net profit	336	483	498	581	615
Core Net Profit	336	483	498	581	615

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	442	502	401	367	403
Receivables	235	350	388	431	442
Inventory	736	927	1,034	1,135	1,234
Other Curr. Asset	435	266	295	328	337
Fixed assets - Net	172	163	194	224	255
Other non-curr.asset	3,184	3,512	3,932	4,329	4,721
Total asset	5,205	5,719	6,244	6,813	7,392
ST Debt	457	448	0	0	566
Payables	19	48	56	61	62
Other Curr. Liabilities	69	244	267	290	297
Long Term Debt	1,235	1,067	1,555	1,555	989
Other LT. Liabilities	35	39	45	54	66
Total Liabilities	1,815	1,847	1,922	1,960	1,981
Shareholder's Funds	3,388	3,845	4,296	4,827	5,385
Minority interests	3	3	3	3	3
Total Equity & Liabilities	5,205	5,695	6,221	6,790	7,368

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	336	483	498	581	615
Depreciation and Amort.	9	10	14	17	19
Change in Working Capital	(337)	68	(145)	(147)	(112)
Other Oper. Cash Flow	23	(254)	(225)	(203)	(214)
Operating Cash Flow	32	308	142	248	308
Capex	(73)	(36)	(72)	(72)	(72)
Others Inv. Cash Flow	(57)	106	(20)	(20)	(20)
Investing Cash Flow	(130)	70	(92)	(92)	(92)
Net change in debt	268	(176)	39	0	0
New Capital	25	7	0	0	0
Dividend payment	(12)	(33)	(48)	(49)	(57)
Other Fin. Cash Flow	(118)	(140)	(143)	(141)	(123)
Financing Cash Flow	163	(342)	(151)	(190)	(180)
Net Change in Cash	64	36	(101)	(34)	36
Cash - begin of the year	378	442	502	401	367
Cash - end of the year	442	502	401	367	403

Exhibit 9. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	20.0	22.0	10.9	11.0	2.6
EBITDA	30.6	15.3	10.3	12.8	2.6
Operating profit	31.5	15.1	10.2	12.5	2.4
Net profit	58.8	43.9	3.0	16.6	5.9
Profitability (%)					
Gross margin	74.4	71.6	70.6	71.0	71.1
EBITDA margin	64.3	60.7	60.4	61.4	61.3
Operating margin	63.1	59.6	59.2	60.0	59.9
Net margin	40.8	48.0	44.6	46.9	48.4
ROAA	6.8	8.8	8.3	8.9	8.7
ROAE	10.5	13.4	12.2	12.7	12.0
Leverage					
Net Gearing (x)	0.4	0.3	0.3	0.2	0.2
Interest Coverage (x)	4.4	4.3	4.6	5.3	6.2

Source : BEST, Danareksa Estimates

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