

Wednesday, 31 July 2019

BUY
Maintain

Last price (IDR) 324
Target Price (IDR) 370
Upside/Downside +14.2%
Previous Target Price (IDR) 330

Stock Statistics

Sector Industrial Estate
Bloomberg Ticker BEST IJ
No of Shrs (mn) 9,647
Mkt. Cap (IDRbn/USDmn) 3,126/223
Avg. daily T/O (IDRbn/USDmn) 5.3/0.4

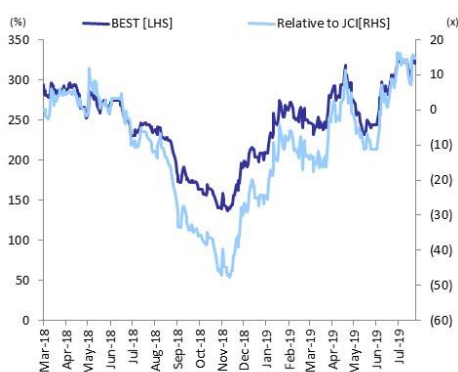
Major shareholders (%)

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

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	58.2	69.3	91.4
Consensus	51.9	57.6	60.8
Danareksa/Cons	12.2	20.1	50.5

BEST relative to JCI Index



Source : Bloomberg



Victor Stefano

(62-21) 29 555 714

victor.stefano@danareksa.co.id

Bekasi Fajar Industrial Estate (BEST IJ)

Weak recognition but ample backlog

BEST booked net profits of IDR19bn in 2Q19 (-56% y-o-y) bringing the 1H19 net profits to IDR114bn (-17% y-o-y) - below our full year forecast and consensus estimates. The weak 2Q19 earnings delivery owed to the lower recognition from industrial land sales of which 4ha were booked in 2Q19 vs 6ha in 2Q18. Consequently, the gross margin dropped to 61.8% in 2Q19 from 77.5% in 2Q18. The 13% reduction in opex and turnaround in forex to IDR12bn of gains (2Q18: IDR33bn of losses) was unable to offset the lower gross profit as industrial land sales remain the backbone of BEST's profitability. The good news is that BEST still has industrial land sales backlog of 37ha valued at IDR1.06tn.

Lower revenues from lower industrial land sales recognition. BEST booked weaker revenues of IDR124bn (-35% y-o-y) mainly due to the lower industrial land sales recognition of 4ha in 2Q19 vs 6ha in 2Q18. Revenues from maintenance remained robust with 16% y-o-y growth. On the back of slow revenues recognition during the quarter, BEST still has 37ha of industrial land sales backlog with a value of IDR1.06tn.

Cost efficiencies and forex gains partially offset lower revenues. BEST was able to reduce its opex by 14% y-o-y in 2Q19 by obtaining efficiencies from employee expenses and from lower consultancy fees. BEST's net profit was also helped by the shift from forex losses of IDR33bn in 2Q18 to forex gains of IDR12bn in 2Q19. However, both items were not enough to prevent weaker earnings delivery arising from sluggish industrial land sales recognition.

Higher gearing as of the end of Jun-19. BEST's net gearing stood at 21% as of end Jun-19, higher than 18% at end Dec-18 but lower than 31% at end Jun-18. With the current expansion plans to develop new industrial estates, we expect BEST's net gearing to head higher. The company has allocated IDR600bn for land acquisition this year.

Maintain BUY with a TP of IDR370. We maintain our BUY call on BEST with an unchanged TP of IDR370 which is derived by applying a 73% discount (3-year average) to its NAV. Our TP implies 0.8x FY19F book value and 6.4x FY19F PE.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	1,006	963	1,282	1,341	1,704
EBITDA (IDRbn)	611	588	733	833	1,084
EBITDA Growth (%)	15.3	(3.7)	24.6	13.6	30.1
Net profit (IDRbn)	483	423	561	668	882
EPS (IDR)	50.1	43.8	58.2	69.3	91.4
EPS growth (%)	43.9	(12.6)	32.8	19.0	32.0
BVPS (IDR)	398.6	432.4	481.9	539.5	617.1
DPS (IDR)	3.4	10.0	8.7	11.6	13.8
PER (x)	6.5	7.4	5.6	4.7	3.5
PBV (x)	0.8	0.7	0.7	0.6	0.5
Dividend yield (%)	1.1	3.1	2.7	3.6	4.3
EV/EBITDA (x)	6.8	6.6	5.0	4.0	2.6

Source : BEST, Danareksa Estimates

Exhibit 1. Revenues and Growth

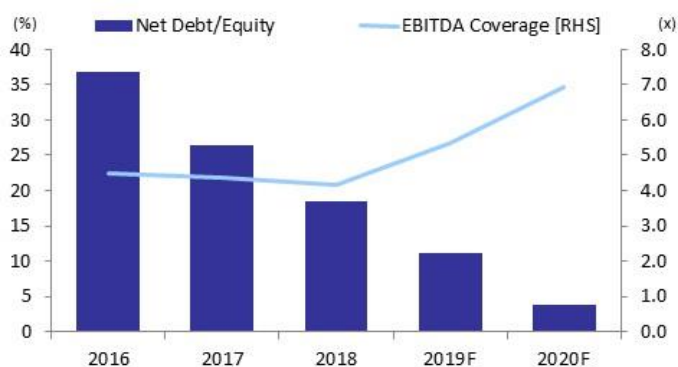

Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

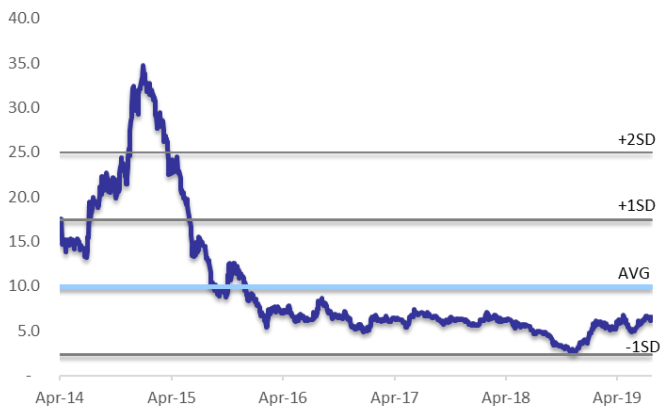
Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. BEST 2Q19 results summary

BEST (IDR bn)	2Q18	1Q19	2Q19	y-o-y	q-o-q	6M18	6M19	y-o-y	FY19F	FY19C	A/F	A/C
Revenue	191	247	124	-35%	-50%	402	371	-8%	1,282	1,112	29%	33%
COGS	(43)	(99)	(47)	10%	-52%	(106)	(146)	37%	(426)	(311)	34%	47%
Gross Profit	148	148	77	-48%	-48%	295	225	-24%	856	801	26%	28%
Total Opex	(33)	(27)	(28)	-13%	6%	(55)	(55)	0%	(149)	(139)	37%	39%
Operating Profit	115	122	48	-58%	-60%	241	170	-29%	707	662	24%	26%
Pretax Profit	51	102	22	-56%	-78%	149	124	-17%	593	556	21%	22%
Net Profit	44	95	19	-56%	-80%	137	114	-17%	561	501	20%	23%
Gross margin	77.5%	60.0%	61.8%	-15.7%	1.8%	73.5%	60.6%	-12.9%	66.8%	72.0%		
Operating margin	60.4%	49.3%	39.0%	-21.4%	-10.3%	59.9%	45.8%	-14.1%	55.1%	59.5%		
Net margin	22.9%	38.6%	15.4%	-7.5%	-23.2%	34.2%	30.9%	-3.3%	43.8%	45.1%		

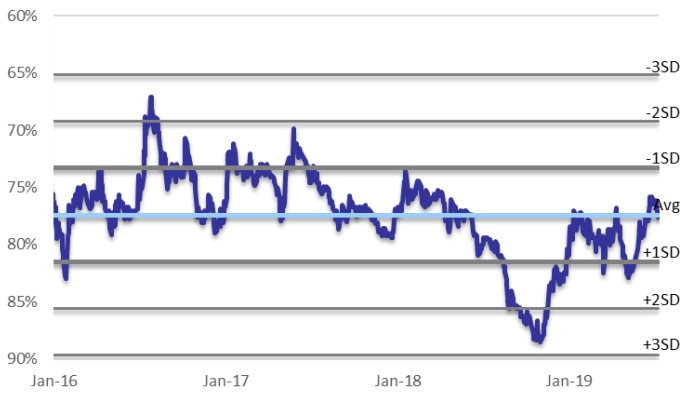
Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart (5-year)

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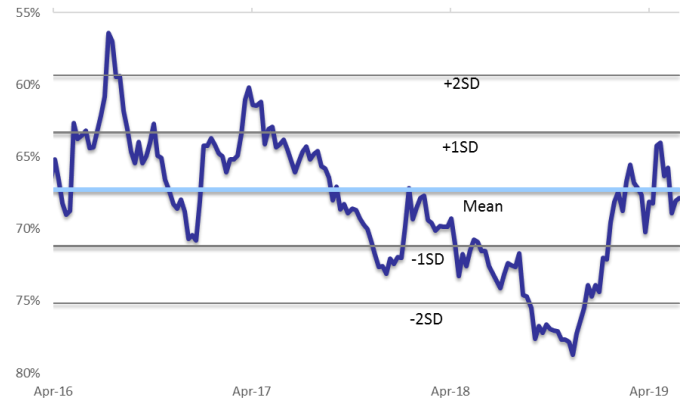
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. PBV Band Chart (5-year)


Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Discount to NAV Chart (3-year)


Source: Company, Danareksa Sekuritas estimates

Exhibit 9. Industrial estate discount to NAV Chart (3-year)


Source: Company, Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	1,006	963	1,282	1,341	1,704
COGS	(286)	(272)	(426)	(369)	(459)
Gross profit	721	691	856	972	1,245
EBITDA	611	588	733	833	1,084
Oper. profit	599	570	707	797	1,039
Interest income	0	0	0	0	0
Interest expense	(140)	(141)	(137)	(120)	(140)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	4	18	7	7	7
Other Income (Expenses)	45	1	15	17	16
Pre-tax profit	509	447	593	701	923
Income tax	(26)	(25)	(32)	(33)	(41)
Minority interest	0	0	0	0	0
Net profit	483	423	561	668	882
Core Net Profit	483	423	561	668	882

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	502	1,129	1,336	1,662	2,384
Receivables	350	145	193	202	257
Inventory	927	1,248	952	967	965
Other Curr. Asset	266	233	310	325	412
Fixed assets - Net	163	181	201	217	231
Other non-curr.asset	3,512	3,354	3,789	3,971	4,086
Total asset	5,719	6,290	6,781	7,345	8,334
ST Debt	448	194	44	456	0
Payables	48	35	55	48	59
Other Curr. Liabilities	244	126	152	152	176
Long Term Debt	1,067	1,703	1,814	1,405	2,051
Other LT. Liabilities	39	39	47	58	73
Total Liabilities	1,847	2,098	2,112	2,119	2,360
Shareholder's Funds	3,845	4,172	4,649	5,205	5,953
Minority interests	3	0	0	0	0
Total Equity & Liabilities	5,695	6,270	6,761	7,324	8,314

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	483	423	561	668	882
Depreciation and Amort.	10	11	26	36	45
Change in Working Capital	68	(215)	217	(46)	(104)
Other Oper. Cash Flow	(254)	214	(155)	77	163
Operating Cash Flow	308	433	650	736	985
Capex	(36)	(62)	(161)	(161)	(161)
Others Inv. Cash Flow	106	123	(20)	(20)	(20)
Investing Cash Flow	69	62	(181)	(181)	(181)
Net change in debt	(176)	382	(40)	4	190
New Capital	7	(2)	0	0	0
Dividend payment	(33)	(96)	(84)	(112)	(133)
Other Fin. Cash Flow	(140)	(141)	(137)	(120)	(140)
Financing Cash Flow	(342)	142	(261)	(229)	(83)
Net Change in Cash	36	636	208	326	721
Cash - begin of the year	442	502	1,129	1,336	1,662
Cash - end of the year	502	1,129	1,336	1,662	2,384

Exhibit 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	22.0	(4.3)	33.1	4.6	27.0
EBITDA	15.3	(3.7)	24.6	13.6	30.1
Operating profit	15.1	(4.9)	24.0	12.7	30.4
Net profit	43.9	(12.6)	32.8	19.0	32.0
Profitability (%)					
Gross margin	71.6	71.8	66.8	72.5	73.1
EBITDA margin	60.7	61.1	57.2	62.1	63.6
Operating margin	59.6	59.2	55.1	59.4	61.0
Net margin	48.0	43.9	43.8	49.8	51.8
ROAA	8.8	7.0	8.6	9.5	11.3
ROAE	13.4	10.5	12.7	13.6	15.8
Leverage					
Net Gearing (x)	0.3	0.2	0.1	0.0	(0.1)
Interest Coverage (x)	4.3	4.0	5.2	6.6	7.4

Source : BEST, Danareksa Estimates

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