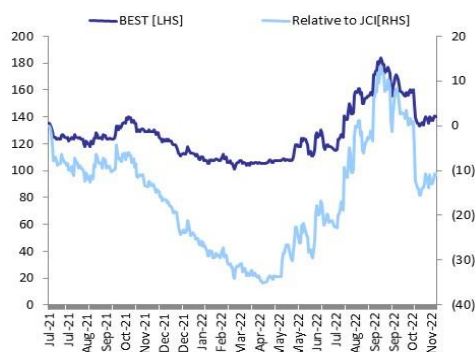


Tuesday, 29 November 2022

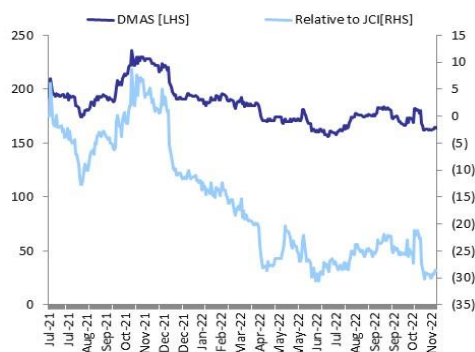
## OVERWEIGHT

<Maintain>

BEST relative to JCI Index



DMAS relative to JCI Index



Source : Bloomberg

## Industrial Estate

### Still prospective amid the election year

Supported by potential demand from data centers and EV, resiliency during the election year, strong FDI and cheap valuations, we are overweight on the industrial estates sector. We select DMAS as our top pick, noting that the company still has many inquiries from the data center industry.

**Amid a slowing global economy Indonesia remains resilient.** The global economy has experienced unprecedented supply chain and labor disruptions leading to higher inflation globally caused by supply and distribution constraints. We believe, however, that Indonesia is better placed to face the challenge given its abundant commodities and strong domestic consumption. This is reflected in the record-breaking quarterly FDI in 2022. In 9M22, FDI reached US\$33tn or already above FY21's FDI of US\$31tn driven by higher FDI in the metal, paper, and chemical industries. We also note that Indonesia's PMI has been consistently in expansion mode since September 2021 post the covid-19 delta variant outbreak.

**New economy sectors i.e. DC and EV will drive growth.** The huge FDI in the basic metals industry in the past 3 years (contributing 44-47% of the total FDI in the secondary sector) should manifest in the development of EV manufacturing facilities, thus land sales, in the future and we believe industrial estate developers in the east corridor of Jakarta will be main beneficiaries given their close proximity to Jakarta and the Patimban seaport. We see the 2024 election (or at least the political campaign) as the starting point as it will provide a clearer investment picture for EV development in the next five years. As such, we still prefer developers with a strong franchise in the DC sector i.e. DMAS in 2023 given its robust demand. Risks to our view include more diverse locations of data centers around Jakarta's city center.

**Elections have a minimal impact on industrial land sales due to their long-term nature.** Despite the belief that investors will take a wait and see position during elections, we believe Indonesia's robust long-term business prospects will drive demand for industrial land. Based on the last three elections held in 2009, 2014, and 2019, industrial land sales absorption was only down in 2014 while in 2009 and 2019 there were higher numbers in the four preceding quarters before the election was held.

**Overweight on resilient demand for industrial land and cheap valuations.** As we had anticipated, industrial land sales in 2022 were supported by the DC sector (39% of the 1H22 industrial land absorption). We believe this trend will continue in 2023 to cater to the increasing demand for the Indonesian digital economy. Despite expecting relatively flat volume and ASP in 2023, the sector is currently trading at -1SD of its 5-year discount to RNAV. As such, we are overweight on the sector and choose DMAS as our top pick given its strong franchise in the data center industry.



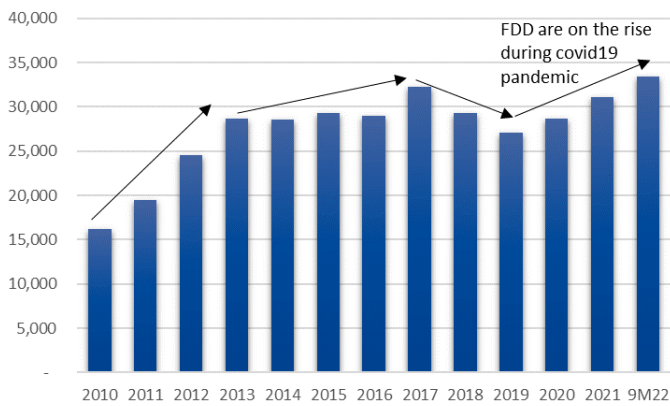
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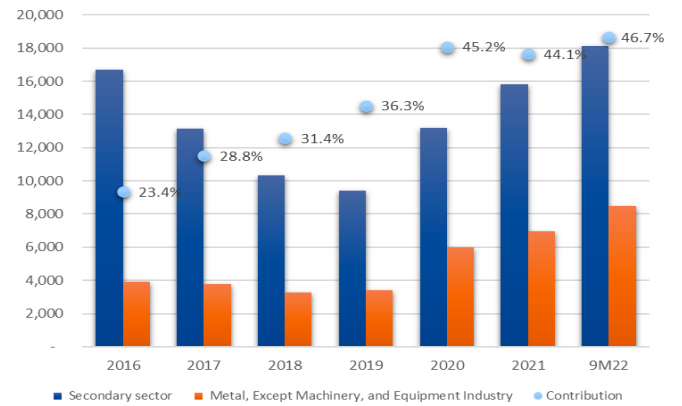
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)
					2022F	2023F	2022F	2023F	2023F
Bekasi Fajar	BEST IJ	HOLD	140	1,215.6	24.9	18.3	0.3	0.3	1.5
Puradelta Lestari	DMAS IJ	BUY	230	8,145.5	8.2	8.7	1.5	1.5	17.2
Surya Semesta Internusa	SSIA IJ	BUY	700	1,806.8	11.0	61.5	0.5	0.5	0.8

**Exhibit 1. Foreign Direct Investment in Indonesia (US\$ million)**



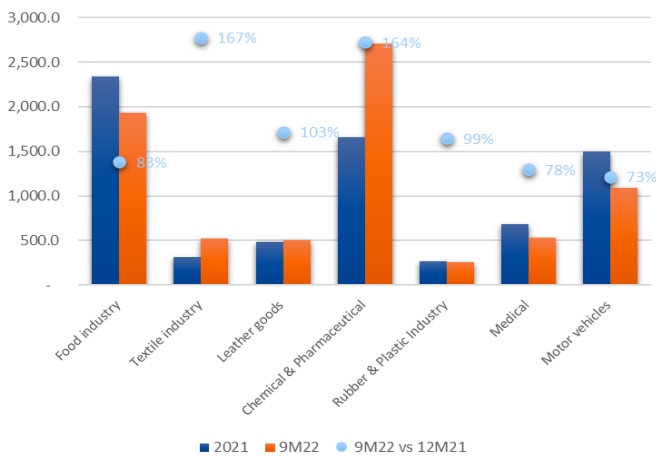
Source: BKPM, BRI Danareksa Sekuritas

**Exhibit 2. Metal processing industry contribution to secondary FDI**



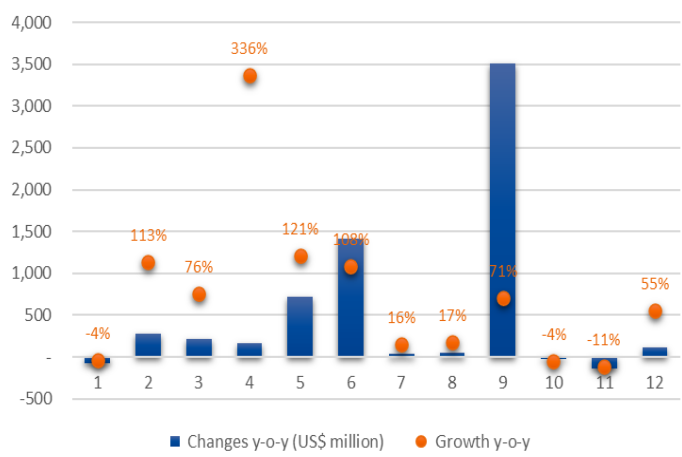
Source: BKPM, BRI Danareksa Sekuritas

**Exhibit 3. FDI of several industries in 9M22 vs 12M21 (US\$ million)**



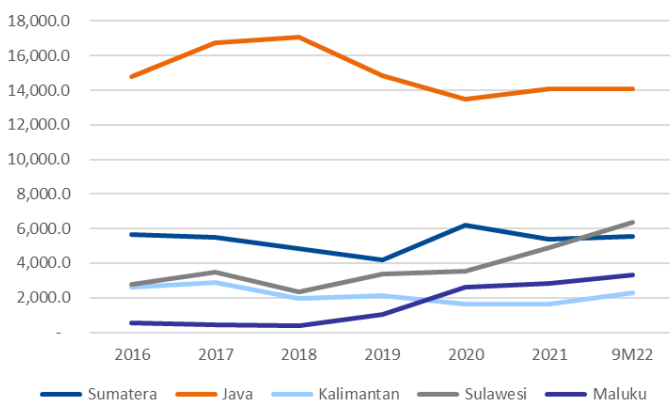
Source: BKPM, BRI Danareksa Sekuritas

**Exhibit 4. Growth in 9M22 FDI vs 9M21**



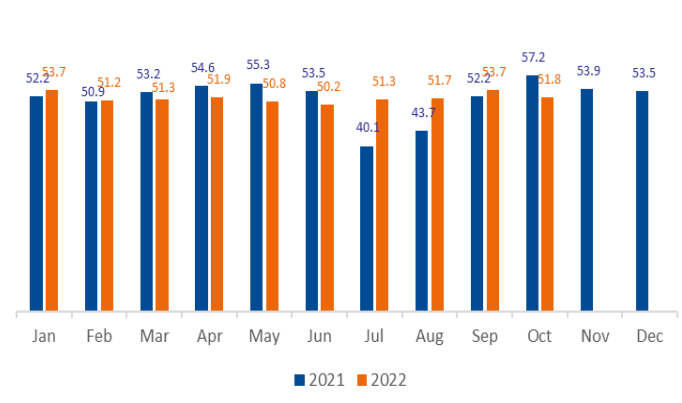
Source: BKPM, BRI Danareksa Sekuritas

**Exhibit 5. Industrial estate buyers` sector in 1H22 transactions**



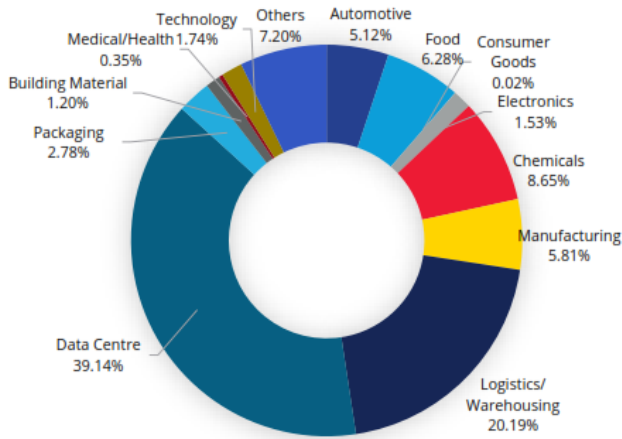
Source: BKPM, BRI Danareksa Sekuritas

**Exhibit 6. Indonesia PMI**



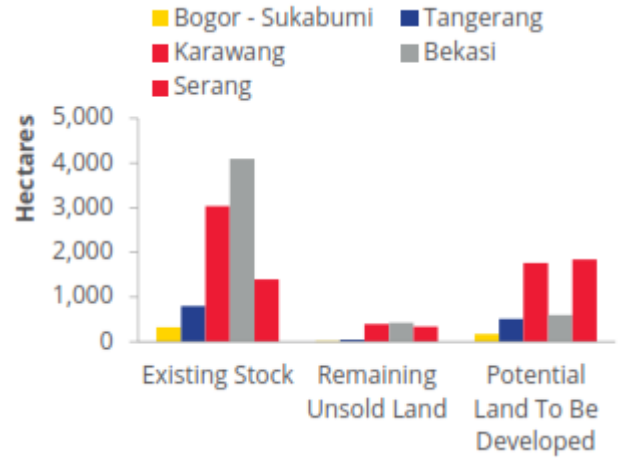
Source: IHS Markit

**Exhibit 7. Industrial estate buyers` sector in 1H22 transactions**



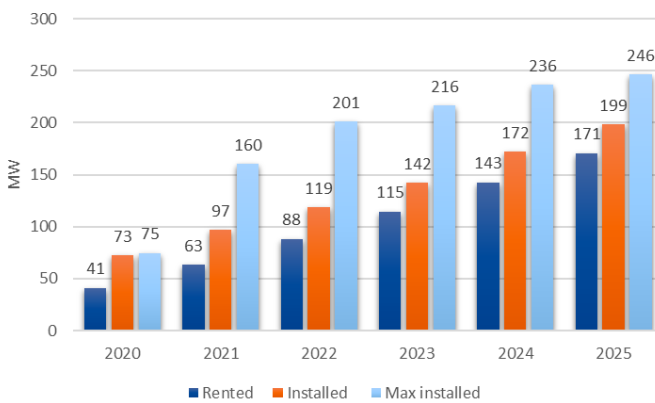
Source: Colliers Indonesia

**Exhibit 8. Industrial land stock in active and future estates**



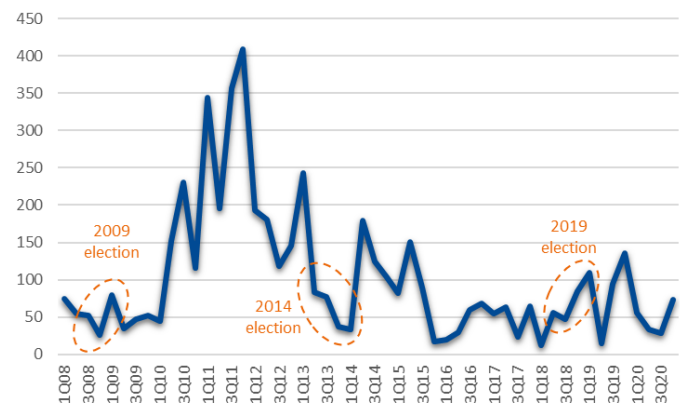
Source: Colliers Indonesia

**Exhibit 9. Data center demand forecast in Jakarta**



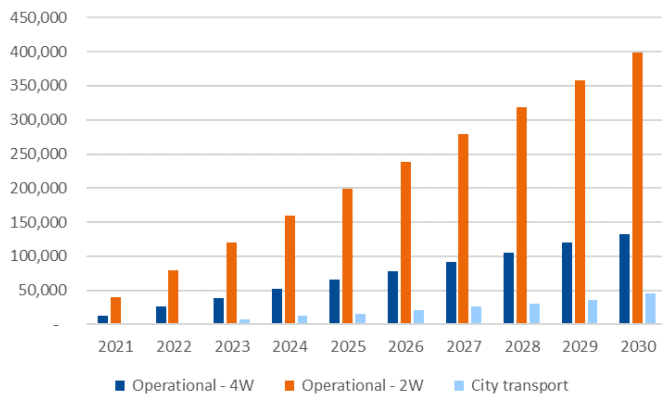
Source: IDPRO, Bisnis Indonesia

**Exhibit 10. Quarterly industrial land sales (ha)**



Source: Colliers Indonesia, various sources, BRIDS

**Exhibit 11. Roadmap of government operational EV demand**



Source: Ministry of Transport, Ministry of Energy

**Exhibit 12. Industrial estate sector discount to RNAV (5 year)**



Source: Bloomberg, BRIDS

**Exhibit 13. Company outlook 2023**

Ticker	Target Price	Rating	Summary
<b>BEST</b>	140	HOLD	Cheap valuation but risk of limited land sales.
<b>DMAS</b>	230	BUY	Has the best franchise to capture the robust demand of data centers, has zero debt, and is a dividend play.
<b>SSIA</b>	700	BUY	Its new estate in Subang is well positioned to capture demand from electric vehicles with the earliest handover in 2024.

Source: Company, Danareksa Sekuritas estimates

**Exhibit 14. Financial ratios 2023F**

Financial ratios	BEST	DMAS	SSIA
Sales growth (%)	1.7	-6.6	4.9
EBITDA growth (%)	0.4	-6.7	27.0
Operating profit growth (%)	0.4	-7.8	37.3
Net profit growth (%)	36.6	-6.6	-82.1
Gross margin (%)	59.0	62.2	28.4
EBITDA Margin (%)	44.3	56.0	18.1
Operating margin (%)	40.0	52.2	13.6
Net margin (%)	12.8	54.6	0.9
ROAA (%)	1.0	14.9	0.3
ROAE (%)	1.5	17.2	0.8
Net gearing (x)	0.3	Cash	0.2
Interest Coverage (x)	1.4	n/a	1.6

Source: Company, Danareksa Sekuritas estimates

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