

MORNING HIGHLIGHT

FROM RESEARCH

Surya Semesta Internusa: Property business drives the growth (SSIA IJ. Rp 1,200. Under Review. TP 1,040)

Whilst the full 1Q15 financial report will only be published at the end of this month, SSIA has announced its preliminary numbers. Net profits surged to Rp204 bn in 1Q15 from just Rp12 bn in 1Q14, mainly thanks to the higher contribution from the property segment. Since the margins generated by property are higher, overall profitability margins recorded a dramatic improvement. The earnings exceeded both our forecast and the consensus estimates, whilst the top line was pretty much in line. We will need to review our numbers in view of this better-than-expected result.

MARKET NEWS

*Analysts' comment inside

- AISI Cuts 2015 2W Sales Target (BI)
- Garuda Targeting Revenue Increase Above 12% (ID)
- Reorganization may put PPP projects at risk (TJP)
- SSIA Will Sell Land Bank worth Rp500bn (ID)

IDX ANNOUNCEMENT

Cash Announcement

Code	Ex-Date	Date Payable	Amount (Rp)
AAJI	22-Apr-15	15-May-15	472
SMGR	24-Apr-15	20-May-15	375.34
TLKM	27-Apr-15	21-May-15	89.46
UNTR	29-Apr-15	22-May-15	545
WIKA	30-Apr-15	22-May-15	22.03

Source: KSEI

PREVIOUS REPORTS:

Friday, May 08th 2015

- **Adhi Karya: An early peek at the ADHI's LRT** (ADHI IJ. Rp 1,815. BUY. TP Rp 3,700)
- **Japfa Comfeed: Oversupply takes its toll** (JPFA IJ. Rp 560. Not Rated)

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,182	0.6	(0.9)	305
Thailand	1,511	0.8	0.9	1,163
Philippines	7,763	(0.7)	7.4	137
Malaysia	1,808	0.1	2.6	550
Singapore	3,452	0.6	2.6	751
Regional				
China	4,206	2.3	30.0	87,104
Hong Kong	27,577	1.1	16.8	18,175
Japan	19,379	0.5	11.1	15,785
Korea	2,104	0.9	9.8	5,029
Taiwan	9,692	(0.1)	4.1	2,745
India	27,105	1.9	(1.4)	463
NASDAQ	5,004	1.2	5.6	77,611
Dow Jones	18,191	1.5	2.1	8,390

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah (Rp/1US\$)	13,195	(1.8)	(1.2)	(6.1)
SBI rate (%)	6.67	(0.3)	(0.3)	(0.6)
10-y Govt Indo bond	8.19	0.5	0.9	0.4

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	62	n/a	(0.6)	(27.0)
Gold	US\$/toz	1,190	0.2	(1.4)	0.5
Nickel	US\$/mt.ton	14,260	1.1	13.9	(5.4)
Tin	US\$/mt.ton	15,872	(0.5)	(4.7)	(18.3)

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,979	0.4	5.2	4.2
Corn	US\$/mt.ton	136	0.1	(3.9)	(14.7)
Crude Oil	US\$/barrel	65	(0.2)	12.8	13.8
Palm oil	MYR/mt.ton	2,159	(0.6)	(2.3)	(16.1)
Rubber	US\$/kg	152	(0.1)	9.9	0.1
Pulp	US\$/tonne	855	n/a	(2.8)	(5.7)
Coffee	US\$/60kgbag	130	1.1	(3.9)	32.1
Sugar	US\$/MT	383	1.9	4.4	(2.2)
Wheat	US\$/mt.ton	177	0.1	(8.1)	(19.4)

Source: Bloomberg

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Under Review

Target Price, Rp 1,040

SSIA IJ/SSIA.JK

Last Price, Rp 1,200
 No. of shares (bn) 4.7
Market Cap, Rp bn 5,646
 (US\$ mn) 430
 3M T/O, US\$mn 0.84

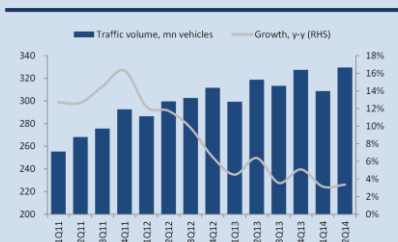
Last Recommendation

08-Jan-15 HOLD Rp 1,040
 02-Jan-15 HOLD Rp 1,040

1Q15 Results, A/F, % (ABOVE)

	1Q15, Rp bn	A/F, %
Revenue	1,317	25.9
EBITDA	300	35.0
Net profit	204	44.0

Key chart: Traffic volume



Danareksa vs. Consensus

	Our	Cons	% Diff
Target Price, IDR	1,040	1,284	-19
EPS 2015F, IDR	103.5	91.5	13
PE 2015F, x	12	13	-11



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PROPERTY/1Q15 RESULTS

Surya Semesta Internusa

Property business drives the growth

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Inline revenues

SSIA posted consolidated revenues of Rp1,317 bn in 1Q15, or up 43.5% yoy from Rp918 bn in 1Q14. This number is inline with our expectation, reaching 25.9% of our full year forecast. The source of revenues growth was mainly driven by the company's property business, which posted a massive 274.7% yoy increase in revenues to Rp296 bn, or up from only Rp79.1 bn in 1Q14. At the same time, the company's construction business (NRCA) booked 27.8% yoy revenues growth whilst revenues generated by the company's hospitality business dropped 6.2% yoy. Overall, the largest contribution to total revenues still came from the construction business (66.7% of total revenues), followed by the property business (22.5%) and the hospitality business (10.8%).

Better profitability

Better margins were recorded at all levels in 1Q15, mainly underpinned by strong industrial land sales. The gross margin improved to 28.7% in 1Q15 from 22.2% in 1Q14. The property business booked higher gross margins at 73.8% in 1Q15, up from 58.0% in 1Q14. By contrast, however, the construction and hospitality business posted lower gross margins of 8.0% and 63.0%, respectively, in 1Q15 (down from 8.5% and 66.0% in 1Q14). At the EBITDA level, margins improved by 640 bps from 16.4% in 1Q14 to 22.8% in 1Q15.

Property business: the shining star

After making a very small contribution last year, the contribution from the property business rose significantly in 1Q15. In this period, SSIA recognized 13.6 ha of industrial land sales with an ASP of USD142.9 per sqm, giving rise to total revenues of Rp249 bn. In the same period last year, SSIA only booked Rp38.4 bn from land sales. Furthermore, in 1Q15, the company also generated 5.5 ha of land marketing sales with an ASP of USD154.6 per sqm (up 14.5% yoy). Going forward, however, the company expects that the overall market will remain soft until mid-2015. As of December 2014, SSIA had a total of 153 ha of net landbank at its Suryacipta City of Industry.

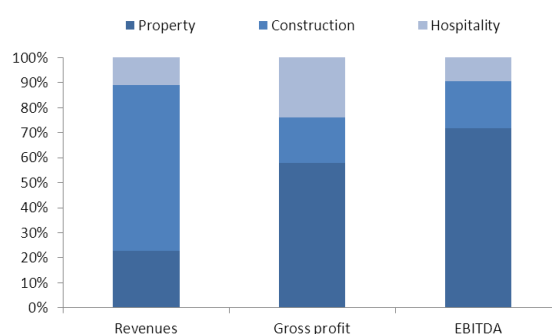
Year ended 31 Dec	2013	2014	2015F	2016F	2017F
Revenue, Rp bn	4,583	4,464	5,083	5,435	6,007
EBITDA, Rp bn	988	668	858	815	881
EBITDA growth, %	(2.6)	(32.3)	28.4	(5.0)	8.0
Net profit, Rp bn	691	415	464	415	477
Core profit, Rp bn	651	313	487	437	499
Core EPS, Rp	138.3	66.6	103.5	92.8	106.1
Core EPS growth, %	(11.1)	(51.8)	55.4	(10.3)	14.3
Net gearing, %	Net Cash	2.6	Net Cash	Net Cash	Net Cash
Core PER, x	7.59	18.0	10.14	11.31	9.90
PBV, x	2.4	2.1	1.9	1.7	1.5
EV/EBITDA, x	5.4	8.3	6.7	7.2	6.9
Yield, %	2.9	2.4	1.4	1.9	1.7

Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

Exhibit 1. SSIA's 1Q15 Result (Rp bn)

Results (Rp bn)	1Q14	1Q15	yoy chg, %	4Q14	1Q15	qoq chg, %	2015F	% forecast	Cons	% forecast
Sales	918	1,317	43.5	1,210	1,317	8.8	5,083	25.9	4,968	26.5
COGS	714	939	31.5	921	939	2.0	3,778	24.9		
Gross profit	204	378	85.3	290	378	30.6	1,305	29.0		
Operating expenses	108	n/a	n/a	149	n/a	n/a	595	n/a		
Operating profit	96	n/a	n/a	141	n/a	n/a	710	n/a		
Other income/(expenses)	(68)	n/a	n/a	12	n/a	n/a	(59)	n/a		
Pre-tax profit	61	n/a	n/a	261	n/a	n/a	699	n/a		
Net profit	12	204	1,545.7	187	204	9.5	464	44.0	453	45.1
Gross margin, %	22.2	28.7		23.9	28.7		25.7			
Opex to sales, %	11.8	n/a		12.3	n/a		11.7			
Operating margin, %	10.4	n/a		11.6	n/a		14.0			
Net margin, %	1.4	15.5		15.4	15.5		9.1			

Source: Company, Danareksa Sekuritas

Exhibit 2. Contribution by segment

Source: Company

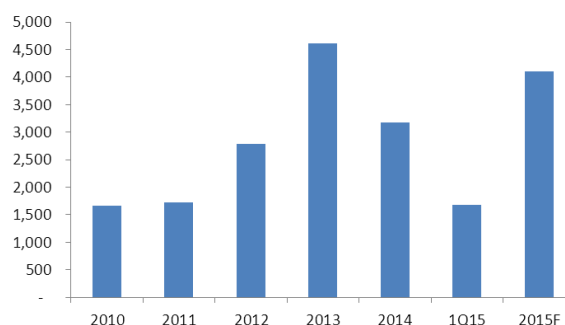
Future plans for the property business

Considering the limited landbank available for sales in its Karawang industrial estate, SSIA is continuing to add landbank inventory in Subang, West Java, for future development. As of the end of April 2015, SSIA had acquired more than 200 ha of land in the area from the 500 ha land acquisition target for this year.

Moreover, in an effort to bolster the contribution from recurring income, the company has concluded a joint venture agreement with Mitsui and TICON to conduct the development, lease, and management of warehouses and factories in Indonesia. The joint venture company named PT SLP Surya TICON Internusa (SLP) will acquire 22 ha of land in Suryacipta Technopark. Since SSIA's ownership in SLP is 50%, the company expects to recognize 50% of the revenues from land sales to the JV as marketing sales in 3Q15.

Growing construction business

The company's construction business, NRCA, has continued to record strong performance this year. In 1Q15, NRCA booked new contracts of Rp1,677 bn, or up 105.8% from last year. This figure is 41% of the company's total new contracts target for this year of Rp4.1 T. Meanwhile, the Cikampek-Palimanan toll road has reached 95% completion as of 30 April 2015 and it is expected to be fully operational in June 2015.

Exhibit 3. New contracts (Rp bn)

Source: Company

Slowdown in the hospitality business

The major contribution to revenues from the hospitality business came from the company's two hotels, Gran Melia Jakarta (GMJ) and Melia Bali Hotel (MBH), accounting for 71% of the total hospitality revenues. The lower revenues in 1Q15 owed to a lower occupancy rate in these two hotels at 50.2% and 60.6%, respectively (compared to 51.4% and 78.2% in 1Q14). The significantly lower occupancy rate at MBH might be a reflection of an increase in the supply of hotel rooms in the Nusa Dua area in Bali.

Besides these two hotels, the company also booked recurring revenues from Banyan Tree Ungasan Resort and its Batiqa Hotel & Apartments Karawang. This year, the company plans to launch four new Batiqa Hotels located in Cirebon (soft launch in March 2015), Jababeka, Palembang, and Pekanbaru.

Exhibit 4. Occupancy rate & ARR

Investment properties	1Q15		1Q14	
	Occupancy rate	ARR / night	Occupancy rate	ARR / night
Gran Melia Jakarta	50.2%	USD 122.5	51.4%	USD 115.7
Melia Bali Hotel	60.6%	USD 95.0	78.2%	USD 99.3
Banyan Tree Ungasan Resort	64.2%	USD 486.0	59.6%	USD 548.6
Batiqa Hotel Karawang	47.1%	Rp 554,895	n/a	n/a

Source: Company

MARKET NEWS

AISI Cuts 2015 2W Sales Target (BI)

Indonesian Motorcycle Industry Association (AISI) revised its 2W sales target this year from 8mn units to around 7mn units. This revision is taken by AISI given the sales performance in 1Q15 which only reached 1.6mn units, or down 17%y-y. AISI estimates that the 2W market will improve in 2H15F given the rebound in economic development with infrastructure projects is expected to boost growth.

Garuda Targeting Revenue Increase Above 12% (ID)

Garuda Indonesia (GIAA) targeting revenue increase over 12% in 2Q15F, and stay optimistic to maintain the position of net profit until the end of this year. In 1Q15, GIAA managed to earn a net profit of US \$ 11.39mn, compared to a net loss of US \$ 168mn in the same period on the previous year. This was driven by a 13% increase in revenue to US \$ 927mn and declining OPEX costs by 6.5%.

Reorganization may put PPP projects at risk (TJP)

The reorganization that proposed by The National Development Planning Board (Bappenas) on terminating the deputy chief for infrastructure position may put Public-Private Partnership (PPP) projects at risk, as the infrastructure deputy was the one who initiated the PPP projects and have a vital role on supporting the infrastructure project. Several projects under the deputy meant to be one of Jokowi's legacy; Cilamaya Port, Jakarta-Bandung express train, National Capital Integrated Coastal Development (NCICD), trans sumatera roll road and railway projects, and the marine highway program. Later on, five directorate under it will be reorganized into; Transportation and Settlement and housing will be moved under Deputy of Regional development and autonomy, Public Private Partnership to Deputy of Development Financing, and Water resources and irrigation and Energy, telecommunication, and information directorates to Deputy of Maritime, natural resources and environment.

SSIA Will Sell Land Bank worth Rp500bn (ID)

SSIA through its subsidiary, PT Surayacipta Swadaya, will sell the land area of 22ha to the joint-venture formed by the company, named PT SLP Surya Ticon Internusa (SLP) with a total sales value reached Rp500bn. Around 50% of the transaction value will be included in marketing sales in 3Q15F. SLP is a joint venture company between SSIA, TICON Industrial Connection Plc., and Mitsui & Co. Ltd. SSIA has a 50% stake, while TICON and Mitsui have 25% stake each. For the first project, the SLP will be engaged in the development and management of warehousing and ready-made factory in Indonesia.

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		08-May-2015	07-May-2015					
Indo Tambangraya Megah	ITMG	14,075	13,325	5.6	11.7	(11.1)	(8.5)	HOLD
MNC Sky Vision	MSKY	1,575	1,500	5.0	(1.6)	(7.4)	(1.6)	HOLD
United Tractors	UNTR	23,925	22,800	4.9	11.8	3.9	37.9	HOLD
Indocement	INTP	22,400	21,350	4.9	6.7	(2.0)	(10.4)	BUY
Bukit Asam	PTBA	9,650	9,200	4.9	3.2	(9.8)	(22.8)	BUY
Tower Bersama	TBIG	8,850	8,500	4.1	4.4	(5.9)	(8.8)	HOLD
Astra Agro Lestari	AALI	21,200	20,450	3.7	4.2	(12.1)	(12.6)	BUY
Semen Indonesia	SMGR	13,325	12,875	3.5	6.6	(0.7)	(17.7)	BUY
Astra International	ASII	7,400	7,200	2.8	8.0	(9.2)	(0.3)	HOLD
Adhi Karya	ADHI	2,900	2,825	2.7	4.9	(5.7)	(16.7)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		08-May-2015	07-May-2015					
Siloam Hospital	SILO	13,900	14,700	(5.4)	(2.1)	10.1	1.5	BUY
Alam Sutera	ASRI	635	655	(3.1)	3.3	-	13.4	BUY
Bumi Serpong Damai	BSDE	1,805	1,855	(2.7)	(3.2)	(16.0)	-	BUY
Kimia Farma	KAEF	1,190	1,220	(2.5)	(3.3)	(7.4)	(18.8)	BUY
Gajah Tunggal	GJTL	1,000	1,025	(2.4)	(9.1)	(20.9)	(29.8)	BUY
Waskita Karya	WSKT	1,745	1,775	(1.7)	1.5	2.6	18.7	BUY
Indofood	INDF	6,650	6,750	(1.5)	(1.5)	(9.8)	(1.5)	BUY
Mitra Adi Perkasa	MAPI	5,300	5,375	(1.4)	(4.9)	(8.6)	4.4	BUY
Bank Tabungan Negara	BBTN	1,095	1,110	(1.4)	(1.8)	(6.0)	(9.1)	BUY
Indosat	ISAT	3,830	3,880	(1.3)	(4.3)	(7.6)	(5.4)	HOLD

Sources: Bloomberg

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