

# Total Bangun Persada

Sector: Construction (Neutral)

**BUY**

(From HOLD)

Rating momentum\*: ↔

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Price: IDR960-TP: IDR1,100 (Unchanged)

TP/consensus: 99%; TP momentum\*: ↔

JCI: 5,439

## 4Q14 results: Above expectation on lower opex and asset divestment

- Better-than-expected 4Q14 net profit from disposal of subsidiary:** TOTL booked 4Q14 net profit of IDR46bn (+14.2% q-q, +5.3% y-y) supported by IDR22bn gain from the disposal of its property subsidiary, Total Camakila Development (TCD). This translates to 2014 net profit of IDR164bn (-15.7% y-y), 114% of our estimate and 103% of consensus.
- Lower 2014 gross margin of 14.6% from project delays:** Due to project delays from the prolonged Indonesia election, TOTL recorded lower-than-expected 4Q14 gross margin of 12.8% (4Q13: 19.2%), resulting in 2014 gross margin before JO of 14.6% (2013: 18.9%). Our discussion with management suggests that TOTL still has not seen any margin improvement this year, causing us to cut our 2015-16 gross margin assumption to 14.7% (from 16%).
- Improvement in operating costs and higher JO profits:** Following the disposal of TCD, TOTL no longer consolidated its expenses, causing lower 2014 opex of IDR153bn (-17% y-y), 7.3% of its 2014 sales of IDR2.1tn, which we expect would continue to improve in 2015-16. TOTL's profits from JO should improve from IDR23bn in 2014, on the back of progress completion of MNC Media Tower and Menara Astra.

## Outlook: Foray into formwork business to support core business

Despite having a healthy balance sheet with no debt, TOTL is having difficulty expanding its construction business as it struggles to find highly-skilled workers to meet its high standards. This caused TOTL to seek new revenue streams by establishing two JV companies to engage in the provision and installation of formwork equipment. TOTL has injected IDR24bn into these two new companies, which are expected to support both internal and external demand.

## Recommendation: Upgrade to BUY with TP of IDR1,100

In 2015-16, we expect lower opex and higher JO profits to support TOTL's bottom line, resulting in 14-16% earnings upgrades (exhibit 6). On valuation, while we maintain our IDR1,100 TP, based on 2015F PER of 19x, we have widened our discount to the sector to 30% (previously 20%) on our lower gross-margin estimate. However, 17% ytd market underperformance (exhibit 4) has created buying opportunities for investors at this stage. Risks to our call include higher costs due to rising USD and higher-than-expected salaries.

## Exhibit 5. Results summary

(IDRb)	4Q13	3Q14	4Q14	q-q (%)	y-y (%)	4Q14/ 4Q14F	2014	y-y (%)	2014/ 2014F	2014/ Cons.
<b>Sales</b>	<b>552</b>	<b>440</b>	<b>540</b>	<b>22.8</b>	<b>(2.2)</b>	<b>118.0</b>	<b>2,106</b>	<b>(7.9)</b>	<b>104.1</b>	<b>98.4</b>
<b>Gross profit</b>	<b>106</b>	<b>71</b>	<b>69</b>	<b>(2.5)</b>	<b>(35.0)</b>		<b>308</b>	<b>(28.8)</b>		
Gross profit after JO	107	79	75	(4.9)	(29.9)		330	(25.1)		
Operating expense	49	36	32	(9.3)	(33.9)		153	(16.8)		
<b>Operating profit</b>	<b>58</b>	<b>43</b>	<b>43</b>	<b>(1.3)</b>	<b>(26.6)</b>	<b>99.7</b>	<b>177</b>	<b>(31.0)</b>	<b>99.9</b>	<b>86.8</b>
Other income/(expenses)	8	8	41	431.3	402.5		64	90.0		
<b>Pretax profit</b>	<b>67</b>	<b>51</b>	<b>84</b>	<b>64.4</b>	<b>26.4</b>		<b>241</b>	<b>(16.9)</b>		
Taxation	(20)	(13)	(28)	115.7	41.8		(77)	0.6		
Minority interest	(3)	2	(10)	(589.4)	230.6		(0)	(99.6)		
<b>Net profit</b>	<b>44</b>	<b>40</b>	<b>46</b>	<b>14.2</b>	<b>5.3</b>	<b>177.8</b>	<b>164</b>	<b>(15.7)</b>	<b>114.0</b>	<b>102.9</b>
<b>BS &amp; Ratio analysis</b>	<b>4Q13</b>	<b>3Q14</b>	<b>4Q14</b>			<b>2013A</b>	<b>2014A</b>	<b>2015F</b>	<b>2016F</b>	
Gross margin (%)	19.2	16.1	12.8			18.9	14.6	16.0	16.0	
Operating margin (%)	10.6	9.9	7.9			11.2	8.4	8.2	8.0	
Net margin (%)	7.9	9.2	8.5			8.5	7.8	6.7	6.5	
Total cash (IDRbn)	548	399	579			548	579	602	657	
Total debt (IDRbn)	93	87	27			93	27	90	90	
Net gearing (%)	nc	nc	nc			nc	nc	nc	nc	

Source: Company, Bahana estimates

## Exhibit 1. Company information

Market cap (IDRbn/USDmn)	: 3,274/248
3M avg.daily t.o.(IDRbn/USDmn)	: 5.4/0.4
Bloomberg code	: TOTL JJ

Source: Bloomberg

## Exhibit 2. Shareholder information

Total Inti Persada (%)	: 56.5
Tanuwidjaja Djadjang (%)	: 7.9
Pinarto Sutanto (%)	: 1.8
Est. free float (%)	: 33.8

Source: IDX

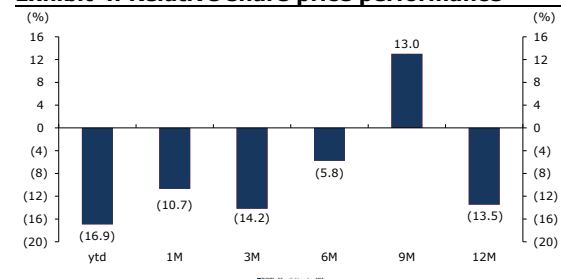
## Exhibit 3. Key forecasts and valuations

	2013	2014	2015F	2016F
Sales (IDRbn)	2,287	2,106	2,422	2,664
Net profit (IDRbn)	194	164	194	217
EPS (IDR)	57	48	57	64
EPS growth (%)	10.6	(15.7)	18.4	12.1
EPS momentum*	-	-	↔	↔
EV/EBITDA (x)	9.9	14.6	10.0	9.1
P/E (x)	16.9	20.0	16.9	15.1
BVPS (IDR)	221	234	272	312
PBV (x)	4.3	4.1	3.5	3.1
DPS (IDR)	29	35	19	23
Yield (%)	3.1	3.6	2.0	2.4

Source: Company, Bloomberg, Bahana estimates

Note: Pricing as of close on 17 Mar 2015

## Exhibit 4. Relative share price performance



Source: Bloomberg, Bahana

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\*Based on consensus' recent changes ↑ (up), ↓ (down), ↔ (unchanged)

**Total Bangun Persada**

Year to 31 December	2012	2013	2014	2015F	2016F
<b>PROFIT &amp; LOSS (IDRbn)</b>					
<b>Sales</b>	<b>1,834</b>	<b>2,287</b>	<b>2,106</b>	<b>2,422</b>	<b>2,664</b>
<b>Gross profit</b>	<b>349</b>	<b>441</b>	<b>330</b>	<b>396</b>	<b>436</b>
<b>EBITDA</b>	<b>204</b>	<b>275</b>	<b>184</b>	<b>239</b>	<b>263</b>
Depreciation	16	18	7	19	22
<b>EBIT</b>	<b>188</b>	<b>256</b>	<b>177</b>	<b>220</b>	<b>242</b>
Net interest income/(expense)	29	32	37	44	52
Forex gain/(losses)	9	10	(3)	(1)	1
Other income/(expense)	14	(8)	30	7	5
<b>Pre-tax profit</b>	<b>241</b>	<b>290</b>	<b>242</b>	<b>269</b>	<b>300</b>
Taxes	(59)	(77)	(77)	(75)	(83)
Minority interest	(6)	(19)	(0)	(0)	(0)
Extraordinary gain/(losses)	4	5	5	6	6
<b>Net profit</b>	<b>176</b>	<b>194</b>	<b>164</b>	<b>194</b>	<b>217</b>

**12-19% y-y net profit growth in 2015-16**

**BALANCE SHEET (IDRbn)**

Cash and equivalents	698	548	579	890	884
S-T investments	99	100	67	69	71
Trade receivables	228	280	418	390	532
Inventories	134	185	-	-	-
Fixed assets	100	93	71	105	126
Other assets	806	1,020	1,348	1,384	1,553
<b>Total assets</b>	<b>2,064</b>	<b>2,226</b>	<b>2,484</b>	<b>2,838</b>	<b>3,166</b>
Interest bearing liabilities	2	93	-	-	-
Trade payables	66	94	70	80	88
Other liabilities	1,291	1,220	1,615	1,830	2,010
<b>Total liabilities</b>	<b>1,358</b>	<b>1,407</b>	<b>1,685</b>	<b>1,910</b>	<b>2,098</b>
<b>Minority interest</b>	<b>47</b>	<b>66</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Shareholders' equity</b>	<b>659</b>	<b>753</b>	<b>797</b>	<b>926</b>	<b>1,066</b>

**No debt in 2014 and TOTL expects this to continue into 2015-16F**

**CASH FLOW (IDRbn)**

EBIT	188	256	177	220	242
Depreciation	16	18	7	19	22
Working capital	72	(199)	191	66	(113)
<b>Operating cash flow</b>	<b>132</b>	<b>(41)</b>	<b>318</b>	<b>300</b>	<b>124</b>
Net capital expenditure	(29)	(10)	18	(50)	(40)
<b>Free cash flow</b>	<b>103</b>	<b>(51)</b>	<b>335</b>	<b>250</b>	<b>84</b>
Equity raised/(bought)	-	-	-	-	-
Net borrowings	-	-	-	-	-
Other financing	(67)	(99)	(304)	61	(90)
<b>Net cash flow</b>	<b>37</b>	<b>(150)</b>	<b>31</b>	<b>311</b>	<b>(6)</b>
Cash flow at beginning	661	698	548	579	890
<b>Cash flow at end</b>	<b>698</b>	<b>548</b>	<b>579</b>	<b>890</b>	<b>884</b>

**High ending cash levels in 2015-16 could support new revenue streams**

**RATIOS**

ROAE (%)	50.2	27.5	21.1	22.5	21.8
ROAA (%)	8.9	9.1	7.0	7.3	7.2
EBITDA margin (%)	11.1	12.0	8.7	9.9	9.9
EBIT margin (%)	10.3	11.2	8.4	9.1	9.1
Net margin (%)	9.6	8.5	7.8	8.0	8.2
Payout ratio (%)	56.9	51.5	72.9	33.8	35.7
Current ratio (x)	1.4	1.6	1.3	1.3	1.3
Interest coverage (x)	na	na	na	na	na
Net gearing (%)	nc	nc	nc	nc	nc
Debts to assets (%)	0.1	4.2	na	na	na
Debtor turnover (days)	51	45	58	65	66
Creditor turnover (days)	18	17	16	14	14
Inventory turnover (days)	14	28	15	na	na

**Net margin expected to hover at 8% in 2015-16F**

**MAJOR ASSUMPTIONS**

Order carry over	1,831	1,797	1,610	2,653	2,279
New contracts	1,800	2,100	3,150	2,048	3,276
Total order books	3,631	3,897	4,760	4,701	5,555

**TOTL is unable to take more new contracts in 2015 on limited workforce**

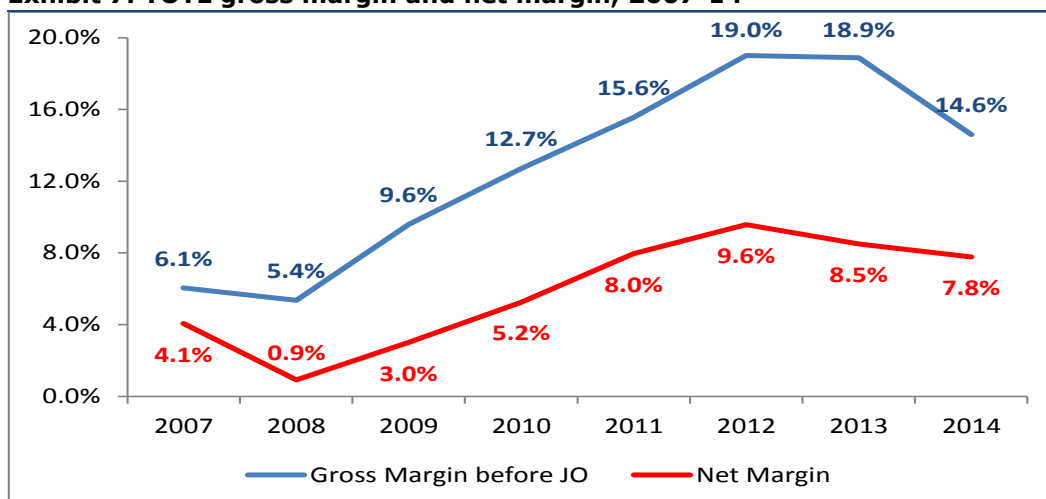
Source: Company, Bahana estimates

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**Exhibit 6. TOTL IJ earnings revisions**

	Old			New			Change (%)		
	2014F	2015F	2016F	2014A	2015F	2016F	2014A	2015F	2016F
<b>Revenue (IDRb)</b>	<b>1,935</b>	<b>2,230</b>	<b>2,503</b>	<b>2,106</b>	<b>2,422</b>	<b>2,664</b>	8.8	8.6	6.5
<b>Gross Profit (IDRb)</b>	<b>368</b>	<b>420</b>	<b>470</b>	<b>330</b>	<b>396</b>	<b>431</b>	(10.2)	(5.7)	(8.5)
<i>Gross margin (%)</i>	19.0	18.8	19	15.7	16.4	16.2			
<b>Opt profit (IDRb)</b>	<b>168</b>	<b>214</b>	<b>239</b>	<b>177</b>	<b>220</b>	<b>237</b>	5.5	2.8	(1.0)
<i>Opt margin (%)</i>	8.7	9.6	10	8.4	9.1	8.9			
<b>Net profit (IDRb)</b>	<b>143</b>	<b>171</b>	<b>186</b>	<b>164</b>	<b>194</b>	<b>217</b>	14.1	13.9	16.3
<i>Net margin (%)</i>	7.4	7.7	7	7.8	8.0	8.1			
<b>EPS</b>	<b>42</b>	<b>50</b>	<b>55</b>	<b>48</b>	<b>57</b>	<b>64</b>	14.1	13.9	16.3



Source: Company, Bahana estimates

**Exhibit 7. TOTL gross margin and net margin, 2007-14**


**2014 margins are lower compared to 2012-2013 levels, which benefited from sales contribution of higher-margin condotel sales**













Source: Company

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