

NOT RATED

Price: IDR700 (Ytd: -37.5%)

Close 11 November, 2015

Market cap	US\$176 mn
6M avg. daily turnover	US\$0.1 mn
Outstanding shares	3,410 mn
Free float	33.7%
Major shareholders	Total Inti Persada 56.5%
Net debt/equity	-0.8
BVPS (2015 Sept)	IDR234.4
P/B (2015 Sept)	3.0x
P/E (2015 Sept)	12.5x

Financial outlook

Year to	2012	2013	2014	9M15
Sales (IDR bn)	1,834	2,287	2,106	1,622
EPS (IDR)	52	57	48	44
Div. yield (%)	3.3	7.0	-	-
ROE (%)	27.2	27.5	21.1	23.5

Note: Fully diluted weighted average EPS is based on weighted average number of shares.

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Bloomberg code: YUTA

Total Bangun Persada (TOTL IJ)

Premium high-rise contractor

We visited Total Bangun Persada to compare the outlook for listed non-SOE construction companies to their SOE peers. We believe that the company is prudently run based on the fact that it logged a net loss only once in its over four decade experience in construction industry, with the main expertise in high rise projects, primarily in Java – 93% as of 1H15.

Focus in premium segment to maintain its margin. TOTAL's gross margin has ranged from 12.7% – 19% since 2010, excluding the JO profit. In 3Q15 TOTAL was able to maintain its gross margin in the level of 14.4%, 0.8ppt lower against 2Q15's of 15.2%. This is higher compared to the big 4 SOEs with gross margin in the range of 9–12%. The high margin was mainly contributed by high rise projects such as residential and offices as it accounted for 91% of total projects. Going forward, management is focusing on its expertise in premium high rise segment to gain a substantial margin against other construction works such as infrastructure or industrial.

Substantial number of repeated customer. Track record and experience in the particular segment in high rise has earned TOTAL a premium margin compare to other contractors'. Despite this, 69% of its clients are repeated clients as of 1H15, a testament to its superb works. Management believes that the quality of work is the key point, hence the company has the trust from its client to be awarded with projects without having to join tender procedure in most projects.

Quality rather than quantity. Going forward the company has c. IDR5.4tn of potential new contracts that the management is confident to secure. Since most of the projects are in direct arrangement with the projects owners, Total's winning rate has been in the 90% level. Worth to note that as of 9M15, TOTAL has achieved new contract of IDR2tn, or c. 66.7% of its FY15 new contract target of IDR3tn but the 9M15 achievement is lower than 9M14 figure of 73.6% to FY14's. The 1H15 new contracts were mainly came from Binus alam Sutera, Green office park BSD, BRI Satellite Office, Pakubuwono Spring Apartment, La Vie Apartment, and Midtown Hotel projects. It's noteworthy that the FY15 estimate is lower than FY14 actual by -15.9%, due to the slow-down in high rise sector.

Conservative debt management. As of 9M15, TOTAL was sitting on IDR721.8bn of cash, coupled with zero bank loan, we view the conservative debt management as suited in the current market slow-down. The low gearing would be appealing to investors.

Lower valuation than its peers'. The stock is currently trading at 12.5x on trailing 12-month earnings, 16% discount to JAKPROP PE of 15.0x. We believe that the lower valuation stems from investor's concerns over the company's slowing new contract achievement in 9M15.

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Pictures and Operational Metric

Figure 1: Pakubuwono Spring Apartment



Source: Company

Figure 2: La Vie Apartment



Source: Company

Figure 3: Kompas Tower



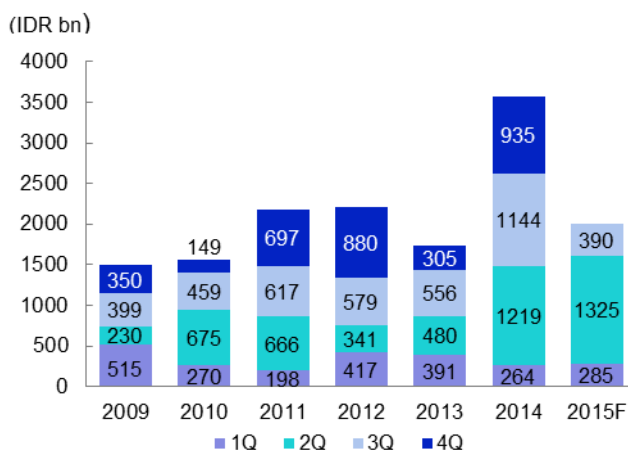
Source: Company

Figure 4: Sequis Development



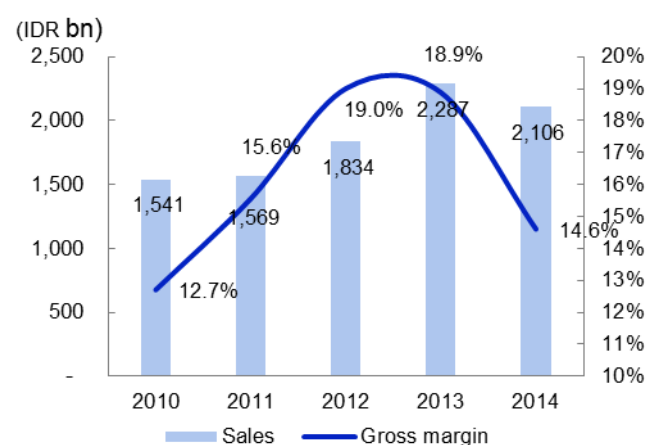
Source: www.skyscrapercity.com

Figure 5: New contract per quarter



Source: Company, Yuanta estimates

Figure 6: Sales vs. Gross margin



Source: Company, Yuanta estimates

Appendix A: Important Disclosures

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