



Mandiri Sekuritas Analyst

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Sector : Construction

BUY

Current Price Rp785
Price Target Rp1,040 (+32.5%)
52-wk range Rp920 - Rp545

Stock Data

Bloomberg Code TOTL IJ
Mkt.Cap (Rp bn/US\$ mn) 2,643 / 198
Issued Shares (mn) 3,410
Avg. Daily T/O (Rp bn/US\$ mn) 3.6/0.3

Major shareholder

PT Total Inti Persada 56.5%
Founders 9.8%
Public 33.7%

EPS consensus

	Mansek	Cons	Diff
2016F	61.7	66.9	(7.7)
2017F	72.4	83.9	(13.7)
2018F	82.6	96.4	(14.3)

Share price performance

	3m	6m	12m
Absolute (%)	(1.3)	2.0	25.0
Relative to JCI (%)	(0.1)	(5.0)	8.1

Cementing a Solid Foothold

Total Bangun Persada (TOTL) is bound to become one of the main beneficiaries of improvement in property industry which we believe has hit rock bottom. This would be supported by formidable tender-winning rate, strong balance sheet profile, and resilient profitability. TOTL is currently trading at an attractive 9x 2017F PER. Initiate with a BUY call and TP of Rp1,040, offering 32% potential upside.

The big name in the game. With over 800 prestigious building projects under its belt, TOTL perseveres to be one of the most preferred contractors by major developers, as shown by 39-61% tender-winning rate over the past five years. Going forward, we believe this favorability would be put to good use and we expect TOTL's new contract to grow by 27% CAGR 2015-18F (2017F: Rp4tn, 2018F: Rp4.5tn). This would in turn drive the company's revenue to grow by 14% CAGR 2015-18F (2017F: Rp2.9tn, 2018F: Rp3.4tn).

The home straight. We believe that favorable monetary & fiscal regulations, as well as tax amnesty program, would help to nurture property demand in upcoming years. Based on Colliers' 9M16 property data, we estimate that approximately Rp14tn worth of office, apartment, and shopping center projects are currently in the pipeline and might start the bidding process in 2017F, of which TOTL's repeat customers contributed approximately Rp8tn worth of projects. Therefore, we believe that our and management's 2017F

new contracts target of Rp4tn is achievable.

Second to none. TOTL has proven itself as one of the few companies with a strong track record of profitability and solid earnings growth for the future. For the period of 2011 – 9M16, the company delivered the highest average net profit margin (8.5% vs. peers' 6.5%) among three other major private contractors (ACST, JKON, NRCA) while maintaining low net profit margin volatility and conservative balance sheet profile. Going forward, we expect TOTL's gross profit margin to normalize to 17.8-18.2% in 2017-18F with 8.4-8.5% net profit margin in 2017-18F.

BUY with TP of Rp1,040. For the valuation, we impute 14x 2017F PER (equal to 4-year PER average) vs. current valuation of 9x 2017F PER on the expectation of property industry recovery.

Risks to our call: 1) Delay in property recovery; 2) Slower than expected revenue recognition; 3) Tight competition among private contractors.

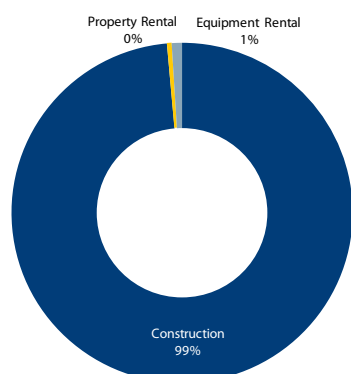
FINANCIAL SUMMARY

YE Dec (Rp Bn)	2014A	2015A	2016F	2017F	2018F
EBITDA	186	250	307	362	406
Net Profit	165	191	210	247	282
Fully-diluted EPS (Rp)	48	56	62	72	83
Fully-diluted EPS growth (%)	(14.9)	15.8	9.9	17.4	14.1
P/E Ratio (x)	16.0	13.8	12.6	10.7	9.4
EV/EBITDA (x)	11.1	7.9	7.0	5.8	4.9
P/B Ratio (x)	3.4	3.1	2.8	2.5	2.2
Dividend Yield (%)	4.5	3.9	4.0	4.7	5.3
ROAE (%)	22.1	23.7	23.3	24.3	24.5

Source: Company (2014-2015), Mandiri Sekuritas (2016-2018)

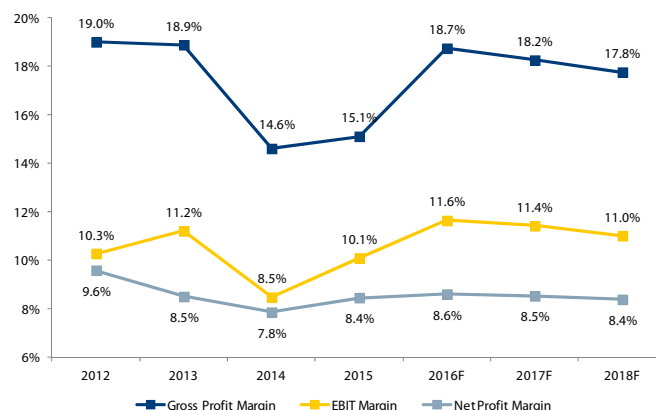
TOTL - At a Glance

FIGURE 1. REVENUE BREAKDOWN (2015)



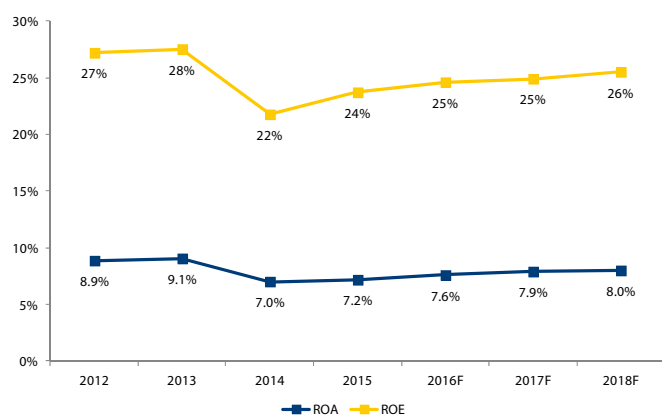
Source: Company

FIGURE 2. MARGIN COMPARISON



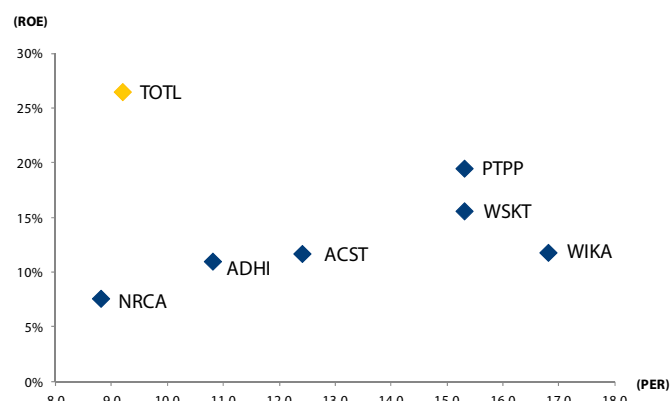
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. ROA AND ROE



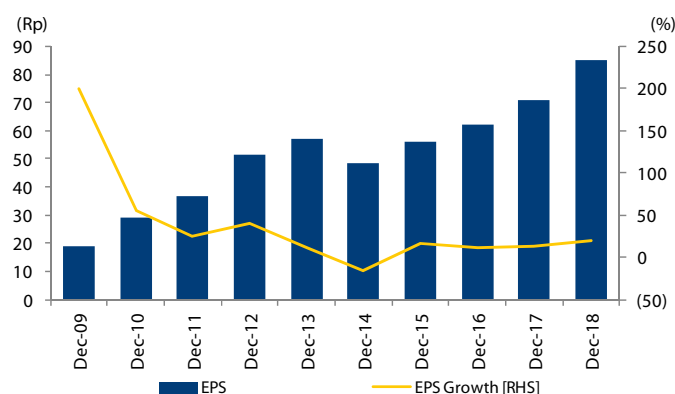
Source: Company

FIGURE 4. PEERS ROE AND PER COMPARISON (2017)



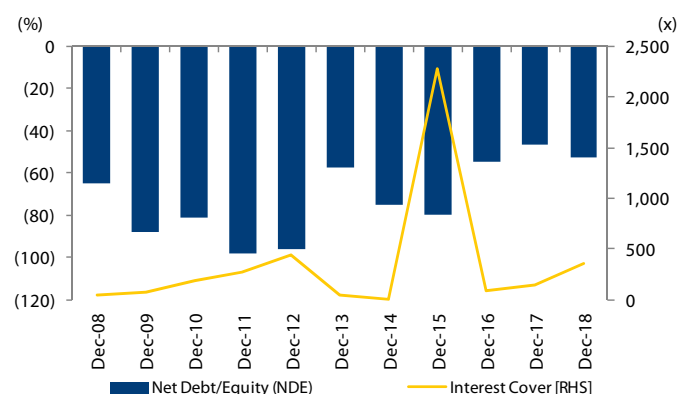
Source: Bloomberg, Mandiri Sekuritas estimates

FIGURE 5. EPS GROWTH TREND



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. LEVERAGE TREND



Source: Company, Mandiri Sekuritas estimates

Valuation

We initiate our coverage on TOTL with a BUY rating, supported by strong reputation as shown by the company's formidable tender-winning rate (39-61%), property industry recovery on the back of favorable government regulation & tax amnesty program, and solid profitability resilience amid economic slowdown.

Priced at a bargain. The stock is currently trading at 9x of 2017 PER, a tad below the weighted average of private construction peers' 2017F PER (10x) and -1 standard deviation of the 4-year PER band. For valuation, we use 2017F PER of 14x (equals to TOTL's 4-year average PER) on the expectation of property industry recovery with 2017F EPS of Rp72. This translates to a Target Price of Rp1,040, offering 32% potential upside from January 10th 2017's closing price of Rp785.

FIGURE 7. PEER VALUATION

BBG Code	Peers company	Price	Market cap (RpBn)	PE		PBV		ROAE		EV/EBITDA		EPS Gr (%)	
				2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F
Construction peers - Consensus													
PTPP IJ Equity	Pembangunan Perumahan	3,760	23,322	20.3	16.4	2.8	2.5	17.8	19.3	12.0	9.5	27.2	24.3
WSKT IJ Equity	Waskita Karya	2,580	35,020	21.0	16.7	2.6	2.2	14.5	15.6	15.5	11.7	36.0	26.2
WIKA IJ Equity	Wijaya Karya	2,530	22,694	23.9	18.5	1.9	1.9	11.1	12.1	13.6	10.1	12.3	29.4
ADHI IJ Equity	Adhi Karya	2,240	7,976	20.4	12.4	1.4	1.3	7.5	10.7	9.9	6.2	-45.9	64.4
Weighted average - Indonesia construction				21.5	16.7	2.4	2.1	13.9	15.3	13.6	10.2	20.3	29.9
Private construction peers													
TOTL IJ Equity	Total Bangun Persada	785	2,677	11.7	9.4	2.8	2.4	24.1	26.5	7.0	6.0	19.2	25.4
ACST IJ Equity	Acset Indonusa	2,850	1,995	17.5	12.4	1.4	1.3	9.5	11.7	7.8	6.0	103.2	41.1
NRCA IJ Equity	Nusa Raya Cipta	386	964	10.5	10.6	0.9	0.8	8.7	7.6	3.3	3.1	-54.1	-1.2
Weighted average - Private construction peers				13.6	10.7	2.0	1.8	16.3	18.0	6.7	5.5	36.4	26.4

Source: Bloomberg as of January 10th, 2017

FIGURE 8. TOTL PER BAND



Source: Bloomberg

FIGURE 9. PRIVATE CONTRACTORS PER BAND

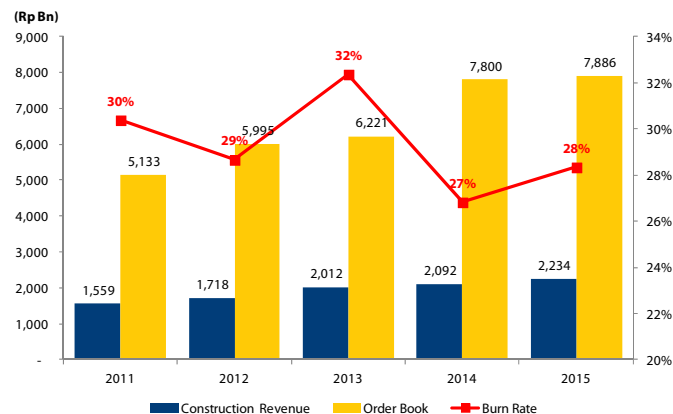


Source: Bloomberg

Sensitivity analysis. We conducted a sensitivity analysis on TOTL's target price with 2017F new contract and burn rate as the parameters. For the base scenario, we use 29% contract burn-rate (equals to 3-year average burn-rate) and Rp4tn 2017F new contracts (in-line with the management's guidance). While for the burn rate scenario, we apply 2% increments and decrements for 2017F burn rate (equals to 5-year standard deviation of burn-rate). For the new contracts, we apply 25% deviation on the upper and lower limit from our base assumption of Rp4tn. This deviation mirrors the largest

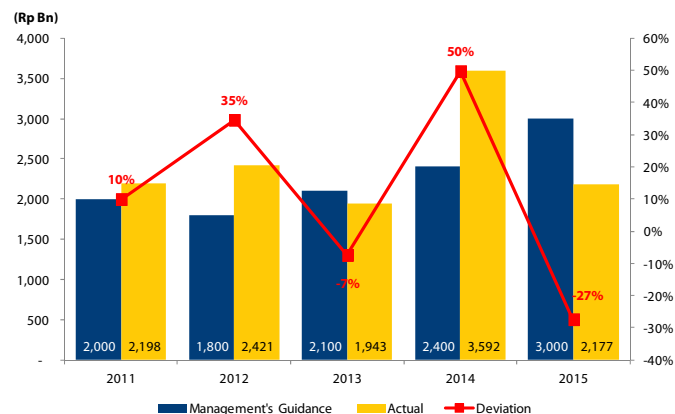
deviation from the management's new contracts guidance vs. actual new contracts achievement for the past five years.

FIGURE 10. TOTL'S BURN RATE (2011-2015)



Source: Company, Mandiri Sekuritas

FIGURE 11. GUIDANCE VS ACTUAL NEW CONTRACTS



Source: Company, Mandiri Sekuritas

Our sensitivity analysis result revealed a PER range of 7-18x based on January 10th 2017's closing price. In addition, our sensitivity analysis also implies that the stock would still be trading at 13x 2017F PER under the most conservative scenario of Rp3tn of 2017F new contracts, still below the company's 4-year average PER of 14x. It is also worth noting that the company's 2016 new contracts stood at Rp2.8tn, equal to 93% of management's 2016 new contracts target.

FIGURE 12. SENSITIVITY ANALYSIS ON PE RATIO

PER		2017 Contract Burn Rate				
		25%	27%	29%	31%	33%
2017 New Contracts	5,000	12.0	10.4	9.2	8.2	7.4
	4,875	12.2	10.6	9.3	8.4	7.6
	4,750	12.5	10.8	9.5	8.5	7.7
	4,625	12.8	11.1	9.7	8.7	7.9
	4,500	13.1	11.3	9.9	8.9	8.0
	4,375	13.4	11.6	10.1	9.0	8.2
	4,250	13.8	11.8	10.4	9.2	8.3
	4,125	14.1	12.1	10.6	9.4	8.5
	4,000	14.5	12.4	10.8	9.6	8.7
	3,875	14.9	12.7	11.1	9.8	8.8
	3,750	15.3	13.0	11.4	10.1	9.0
	3,625	15.7	13.4	11.6	10.3	9.2
	3,500	16.2	13.7	11.9	10.5	9.4
	3,375	16.7	14.1	12.2	10.8	9.7
	3,250	17.2	14.5	12.6	11.1	9.9
	3,125	17.7	14.9	12.9	11.3	10.1
	3,000	18.3	15.4	13.3	11.6	10.4

Source: Company, Mandiri Sekuritas

*as of January 10th, 2017

FIGURE 13. SENSITIVITY ANALYSIS ON EPS GROWTH

EPS Growth		2017 Contract Burn Rate				
		25%	27%	29%	31%	33%
2017 New Contracts	5,000	6%	23%	39%	55%	71%
	4,875	4%	20%	36%	52%	68%
	4,750	2%	18%	33%	49%	65%
	4,625	-1%	15%	31%	46%	62%
	4,500	-3%	13%	28%	44%	59%
	4,375	-5%	10%	25%	41%	56%
	4,250	-7%	8%	23%	38%	53%
	4,125	-10%	5%	20%	35%	50%
	4,000	-12%	3%	17%	32%	47%
	3,875	-14%	0%	15%	29%	44%
	3,750	-17%	-2%	12%	26%	41%
	3,625	-19%	-5%	9%	24%	38%
	3,500	-21%	-7%	7%	21%	35%
	3,375	-24%	-10%	4%	18%	32%
	3,250	-26%	-12%	1%	15%	29%
	3,125	-28%	-15%	-1%	12%	26%
	3,000	-31%	-17%	-4%	9%	23%

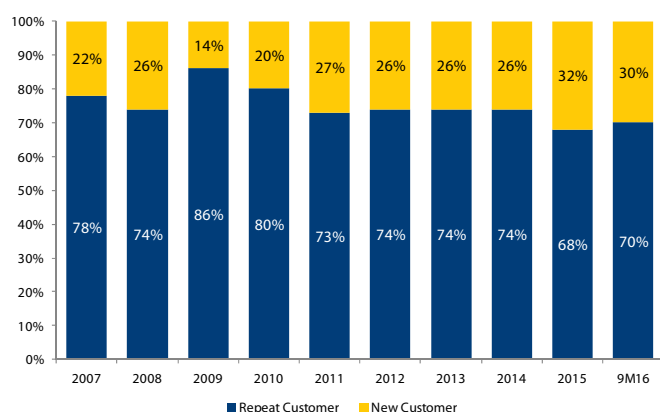
Source: Company, Mandiri Sekuritas

The Big Name in the Game

Total Bangun Persada has been long known as one of Indonesia's most prominent private construction company which specializes in premium building construction. With over 800 prestigious building projects under its belt, TOTL persevered to be one of the most preferred contractors by major developers, as shown by 39-61% tender-winning rate over the past five years.

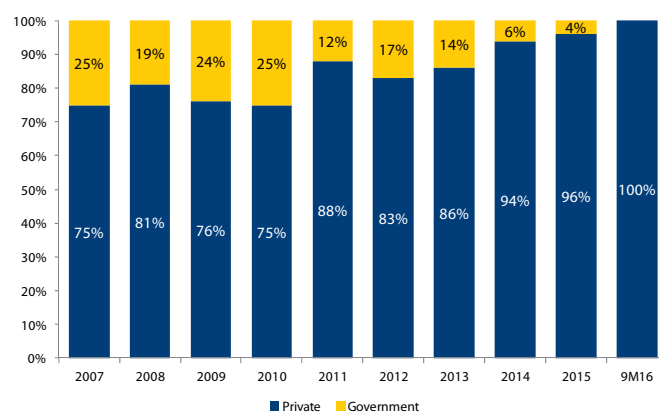
A well seasoned company. Established in 1970, TOTL stood as one the first private contractors in Indonesia. This early start has enabled TOTL to garner both experience and reputation along the way. The company has been able to balance between maintaining existing customers and obtaining new ones, as shown by the proportion of repeat and new customers which accounted for 75% and 25% on average to the annual revenue from 2007 to 9M16. In addition, we also noticed that the company has been slowly shifting its customer focus toward private project owners, as shown by the steadily decreasing government projects from 2012.

FIGURE 14. REPEAT VS NEW CUSTOMERS



Source: Company

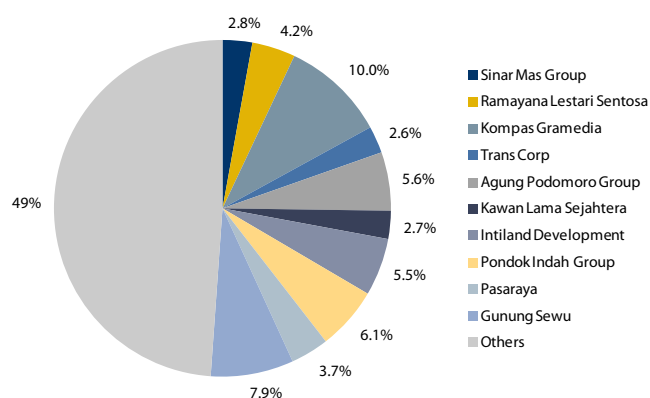
FIGURE 15. PRIVATE VS GOVERNMENT PROJECTS



Source: Company

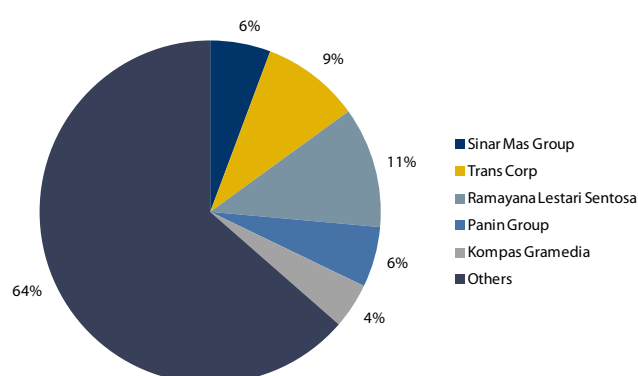
The favorite child. TOTL's solid track record and high product quality have proven to be helpful in obtaining major developers' preference. From 2010 – 2016, top 10 major groups contributed 51% of the company's total project value. Kompas Gramedia Group led the pack through its subsidiaries as it accounted for 10% of the total project value, followed by Gunung Sewu, Pondok Indah Group, and Agung Podomoro Group with 8%, 6.1%, and 5.6% respectively. While in terms of project numbers, Ramayana Lestari Sentosa topped the list with 16 projects (12%), followed Trans Corp with 13 projects (9%), Sinar Mas Group and Panin Group with both 8 projects each (6%).

FIGURE 16. TOP 10 GROUPS BY PROJECT VALUE (2010-2016)



Source: Company, Mandiri Sekuritas

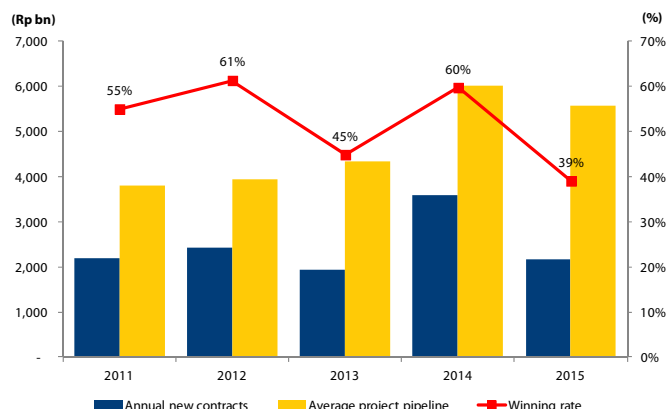
FIGURE 17. TOP 10 GROUPS BY PROJECT NUMBER (2010-2016)



Source: Company, Mandiri Sekuritas

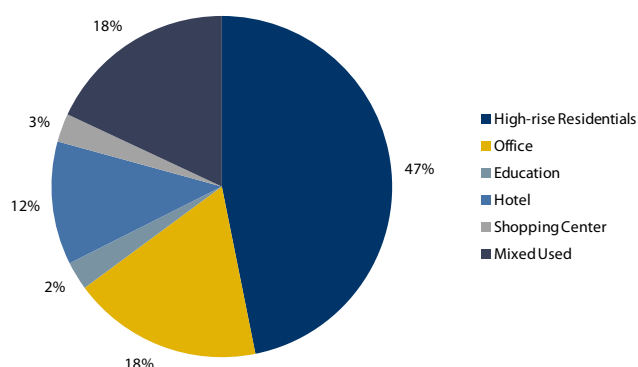
Hot hands. The aforementioned favor from major conglomerates and developer groups had translated into solid tender-winning rate since 2011. We notice that TOTL managed to maintain an average of 52% tender-winning rate over the course of five years. Our discussion with the management also revealed that TOTL's tender-winning rates for new customers and repeat customers may vary between 30 – 40% and 80 – 90% respectively. Going forward, we expect this tender-winning rate to remain steady as the project pipeline expand, given the company's strong reputation and market leader position. Also note that in 9M16, the company has an estimated Rp11.1tn worth of projects in their pipeline.

FIGURE 18. TOTL TENDER-WINNING RATE



Source: Mandiri Sekuritas

FIGURE 19. PROJECT PIPELINE COMPOSITIONS AS OF NOV'16



Source: Company

Buckle up. Based on Colliers' data, approximately 38 office, apartment, and shopping center projects are in planning process and might start their bidding process in 2017. The data show that 12 office projects from 8 major developers group are currently in the planning process with an estimated total saleable gross area (SGA) of 307k SQM and Rp3.1tn construction cost, under the assumption of Rp8mn construction cost/SQM for most of the projects. TOTL's repeat customers (Gunung Sewu and Lippo Group) might contribute a total of 72k SQM with an estimated construction value of Rp1.2tn.

FIGURE 20. UPCOMING OFFICE PROJECTS

Projects (In Planning Process)				Estimated Construction Cost (Rp Bn)
Owner	Name	Area (SQ M)	Projected Complete	
Office				
Tiara Marga Trakindo Group	Grand Rubina Tower 2	32,000	2019	256
Gunung Sewu*	The Hundred	45,000	2019	1,000
Gani Djemat	Plaza Gani Djemat 2	8,000	2019	64
Ciputra Group	Ciputra International Puri 2 Phase 1	20,000	2018	160
	Ciputra International Puri 3 Phase 1	30,000	2018	240
	Ciputra International Puri Phase 2	15,000	2019	120
	Ciputra International Puri 1 Phase 3	15,000	2019	120
	Ciputra International Puri 2 Phase 3	15,000	2019	120
Lippo Group*	Lippo Tower Holland Village	27,000	2019	216
Imeco Group	Beltway Office Park Tower 4	30,839	2019	247
Loka Mampang Indah Realty	Arkadia Tower G	30,000	2019	240
Sumber Mesin Raya	The Manhattan Square Tower 2	39,375	2019	315
Total Estimated Construction Cost				3,098

Source: Colliers International, Mandiri Sekuritas estimates

*TOTL's repeat customer

While for apartment projects, the data show that 13 projects are under planning process with a total estimated area of 409k SQM and Rp6.3tn construction cost, also under the assumption of Rp8mn construction cost/SQM for most projects. TOTL's repeat customer (Sinar Mas Group) might contribute more than 61k SQM with estimated construction value of Rp3.5tn. Colliers' data also show that 13 shopping center projects are currently in the planning process with a total estimated net leasable

area (NLA) of 549k SQM and Rp4.4tn construction cost. TOTL's repeat customers, namely Pondok Indah Group, Agung Podomoro Group, Priamanaya Group, Kawan Lama Sejahtera, Lippo Group, and Sinar Mas Group would dominate the upcoming launches with a total estimated NLA of 393k SQM and Rp3.1tn construction value.

FIGURE 21. UPCOMING APARTMENT AND SHOPPING CENTER PROJECTS

Projects (In Planning Process)				Estimated Construction Cost (Rp Bn)
Owner	Name	Area (SQ M)	Projected Completion	
Apartment				
Jakarta Setiabudi International	Sycamore Suite Puri Botanical	17,650	2017	141
Sahid Group	Sahid Garden Residence	17,869	2018	143
Agung Sedayu Group	Sedayu City (Tower Melbourne)	43,092	2018	345
	Sedayu City (Tower Darwin)	44,226	2018	354
	Green Sedayu (Pasadena Tower)	32,844	2019	263
Bhakti Usaha Dinamika	The Ease Brawijaya	9,785	2018	78
Sinar Mas Group*	Aerium Taman Permata Buana	60,884	2018	1,400
	Southgate Residence	N.A	2018	2,100
Agung Sedayu Group	Fatmawati City Center - Corona	33,170	2019	265
Anugerah Berkah Madani Group	Royal Park at Kebayoran (Arlington)	37,703	2019	302
Synthesis Development	Samara Suites	20,800	2019	166
Kemang Karya Utama	Lavish Kemang Residence	48,585	2019	389
Pulau Intan Group	Permata Hijau Suites	42,552	2019	340
Total Estimated Construction Cost				6,286
Shopping Center				
Duta Paramindo Sejahtera	Mall @ Green Pramuka City	30,000	2018	240
Pondok Indah Group*	Mal Puri Indah 2	50,000	2018	400
	Pondok Indah Mall 3	60,000	2019	480
Agung Podomoro Group*	Shopping Mall @ Podomoro Park	40,000	2018	320
Priamanaya*	Grand Metro Cipulir	30,000	2019	240
Kawan Lama Sejahtera*	Living World Jababeka	18,000	2018	144
Jababeka	Hollywood Central	25,000	2019	200
Lippo Group*	Embarcadero	30,000	2019	240
	Lippo Grand Mall	120,000	2019	960
Damai Putera Group	Kota Harapan Indah	51,000	2019	408
Menara Depok Asri	Mall @ Pesona Square	30,000	2019	240
Sinar Mas Group*	Shopping Mall @ Kota Wisata	45,000	2019	360
Cempaka Group	Shopping Mall @ Green Lake	20,000	2019	160
Total Estimated Construction Cost				4,392

Source: Colliers International, Mandiri Sekuritas estimates

*TOTL's repeat customer

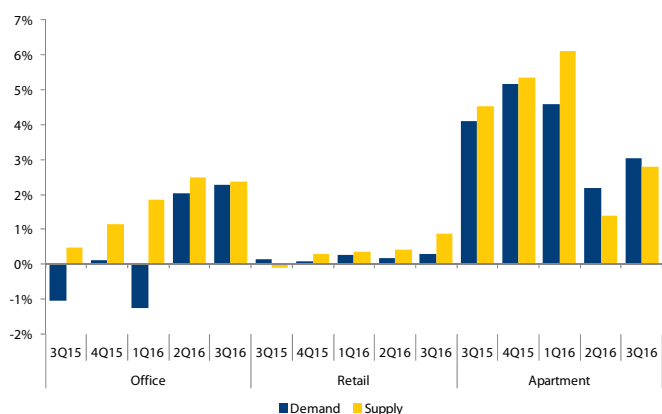
Therefore, we believe that TOTL would be able to achieve Rp4tn of new contracts in 2017F with approximately Rp14tn worth of projects already on the doorstep. Even under our most conservative tender-winning rate assumption of 30%, TOTL would still be able to book Rp4.1tn of new contracts in 2017F. In addition, we believe TOTL's favorability among repeat customers would be put into good use. Note that TOTL's repeat customers' combined projects' construction value reached Rp7.8tn altogether; we believe that TOTL would be able to muster at least Rp4.1tn from its repeat customers under a conservative assumption of 52% tender-winning rate.

The Home Straight

Indonesia's economic growth has slowly regained its momentum as 3Q16 GDP growth reached 5.02%yoy. Hence, we believe that property industry recovery is imminent following a weak performance in 9M16, as shown by marketing sales of property companies under our coverage, which stood at Rp18tn (-26%yoy). We expect this recovery to mainly be driven by favorable government regulations and tax amnesty program.

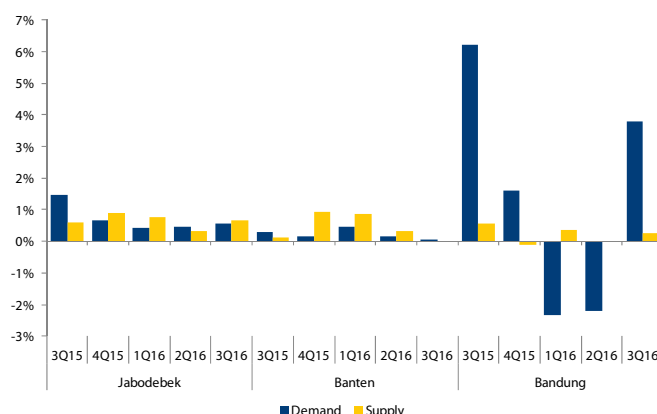
Slowly but surely. Bank Indonesia's commercial property survey revealed that both commercial property supply and demand have started to pick up in 3Q16. The growth of the commercial property supply index (CPSI) accelerated to 0.48% (vs. 0.28% in 2Q16), while the growth of commercial property demand index (CPDI) reached 0.46% (vs. 0.28% in 2Q16). It is also worth noting that apartment demand growth surpassed apartment supply growth in 2Q16 and 3Q16, hinting for a recovery in both consumers' and developers' confidence prior to the end of the first phase of tax amnesty program.

FIGURE 22. COMMERCIAL PROPERTY GROWTH (QOQ)



Source: Bank Indonesia's Commercial Property Survey (3Q16)

FIGURE 23. PROPERTY GROWTH BY REGION (QOQ)



Source: Bank Indonesia's Commercial Property Survey (3Q16)

Loan to Value (LTV) loosening. The Indonesian government has been putting much effort to invigorate domestic demands through both monetary and fiscal policies. On August 29th, 2016, Bank Indonesia decided to revise LTV regulation No.17/10/PBI/2015 with Regulation No.18/16/PBI/2016, which provides additional 5-15% debt utilization for residential purchases and lowering down payment for 1st, 2nd, and 3rd house purchase to merely 15%, 20%, and 25% respectively.

FIGURE 24. REVISION ON LTV REGULATION

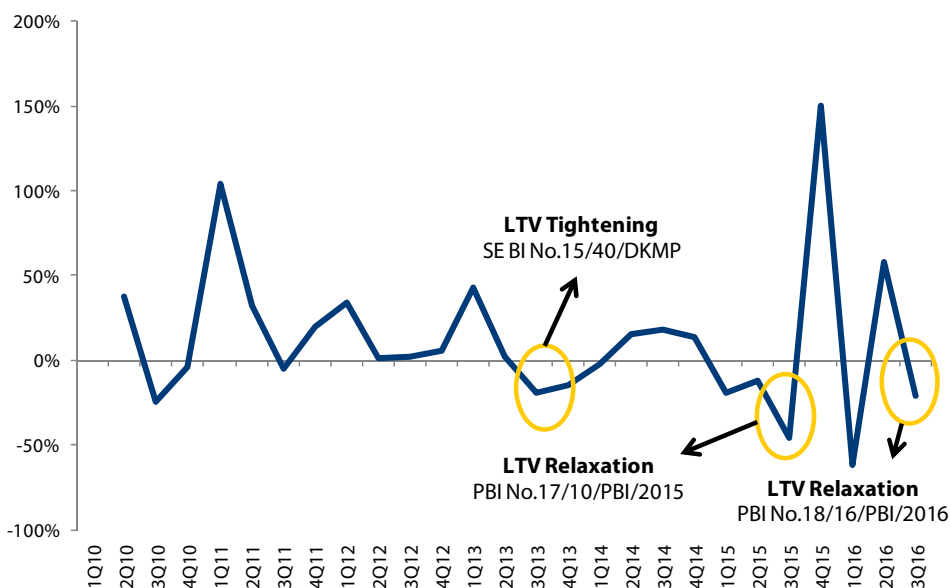
Type of Property	No.17/10/PBI/2015			No.18/16/PBI/2016		
	1st Purchase	2nd Purchase	3rd Purchase	1st Purchase	2nd Purchase	3rd Purchase
Apartment >70 sqm	80%	70%	60%	85%	80%	75%
Landed House >70 sqm	80%	70%	60%	85%	80%	75%
Apartment 22-70 sqm	90%	80%	70%	90%	85%	80%
Landed House 22-70 sqm	-	80%	70%	-	85%	80%
Apartment < 21 sqm	-	80%	70%	-	85%	80%
Landed House < 21 sqm	-	-	-	-	-	-

Source: Bank Indonesia

Looking back, LTV relaxation has proven to be quite effective in stimulating property demand for the past three years. On June 18th 2015, BI revised the Circular Letter No. 15/40/DKMP to BI Regulation No.17/10/PBI/2015, which provides additional 10% debt portion for residential purchases. This revision managed to spur property demand, as shown by the marketing sales rebound of property companies under Mansek's

coverage (CTRA, ASRI, SMRA, LPCK, BSDE, MDLN, PWON, CTRS, JKSL). However, it is also worth noting that the effect may take up to two quarters to be fully transmitted. Hence, we expect this regulation to take effect within 1H17.

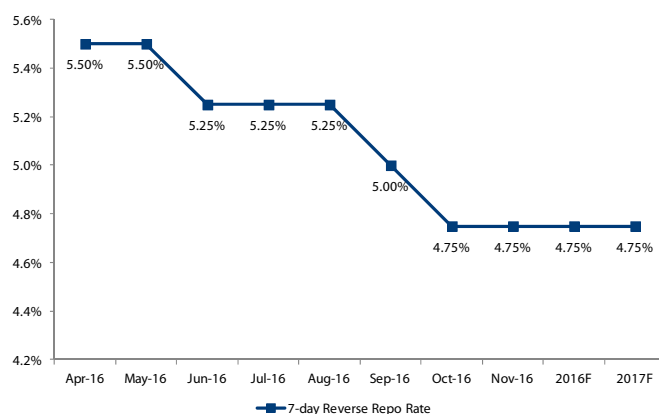
FIGURE 25. LTV EFFECT ON MARKETING SALES OF COMPANIES UNDER OUR COVERAGE



Source: Mandiri Sekuritas

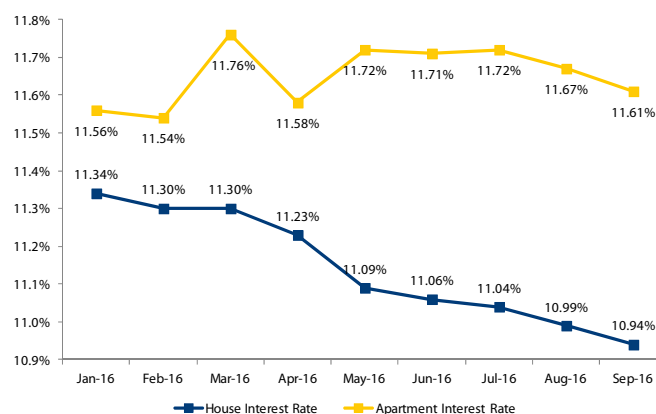
Central bank awaits global certainties. Commercial banks' average credit interest rates to non-industrial household for house and apartment ownership have been trending down over the course of 2016. Going forward, we expect this trend to continue as we believe that the central bank would prefer to wait and see for further evidences of monetary transmission impact & US policies unfolding. That being said, we expect Bank Indonesia to maintain its stance and that the 7-days reverse repo (7-DRRR) would remain unchanged next year.

FIGURE 26. 7-DRRR MOVEMENT



Source: Bank Indonesia, Mandiri Sekuritas

FIGURE 27. AVERAGE MORTGAGE LOAN INTEREST RATE



Source: Indonesia Banking Statistics (SPI) 9M16

Fiscal stimulus to add the cherry on top. On 8th September 2016, the Indonesian government implemented Government Regulation No.34/2016 (PP No.34/2016) regarding Income Tax on the Transfer of Rights on Land and/or Buildings, and Sale and Purchase Binding Agreements on L&B. This amendment reduces the general final tax from 5% to 2.5%, while the final tax rates for low-cost residences and government

transactions remain at 1% and 0% respectively. Therefore, we expect this tax relaxation to support property demand recovery in 2017.

FIGURE 28. GOVERNMENT REGULATION NO.34/2016

Description	Income Tax	
	PP No.34/2016	PP No.71/2008
Non-subsidized residential properties (general)	2.5%	5.0%
Subsidized residential properties (low-cost housing)	1%	1%
Government related transaction	0%	0%

Source: Directorate General of Tax

Tax amnesty - a glimmer of hope. Indonesia has concluded the first phase of tax amnesty with flying colors, making it among the most successful in history to date. Total declared asset in the first phase reached Rp3,575.2tn, of which 38.5% (Rp1,376.5tn) was contributed by cash and cash equivalents. Out of the declared cash and cash equivalents, onshore declaration contributed Rp999tn (72.6%). Hence, we believe that this asset liquidity, combined with low interest cost environment would surely invigorate domestic property's appetite.

FIGURE 29. DECLARED ASSET COMPOSITION

Asset Declaration (Rp tn)					
Assets	Onshore Declaration	Offshore Declaration (Repatriated)	Offshore Declaration (Non-repatriated)	Total Declaration	% to Total
Cash and cash equivalents	999	97	281	1,376	38.5%
Short term investments and notes	573	18	425	1,016	28.4%
Land, building, and other fixed assets	381	2	185	568	15.9%
Payable and inventory	398	20	55	472	13.2%
Precious metals and other non fixed assets	137	-	5	142	4%
Total	2,488	137	950	3,575	100%

Source: Ministry of Finance, Mandiri Sekuritas

Premium high-rise residences would be the most appealing. We noticed that in the first phase of tax amnesty, approximately 3.2% of participants accounted for 66% and 75.2% of declared assets and penalty fee. This suggests that the upper class income contributed most of the amnesty revenue in the first phase. Therefore, incorporating declared asset composition, favorable LTV regulation, low-cost environment, and high middle-income proportion, we believe that the middle upper high-rise property would pick up in 2017.

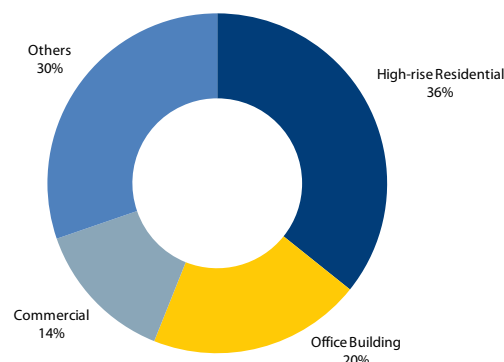
FIGURE 30. TAX AMNESTY PARTICIPANTS PROPORTION

Share of Total			
Redemption Amount	Proportion of Taxpayers	Total Penalty Fee	Total Assets
< 1bn	96.82%	24.9%	34.2%
1bn - <100bn	3.17%	56.4%	50.1%
≥ 100bn	0.01%	18.7%	15.8%

Composition of Asset Declaration		
Declaration	Amount	% to Total
Onshore	2,488	70%
Offshore (Repatriated)	137	4%
Offshore (Non-repatriated)	950	27%
Total	3,575	100%

Source: Ministry of Finance, Mandiri Sekuritas

FIGURE 31. PROJECT PROPORTION BY VALUE (2011-9M16)



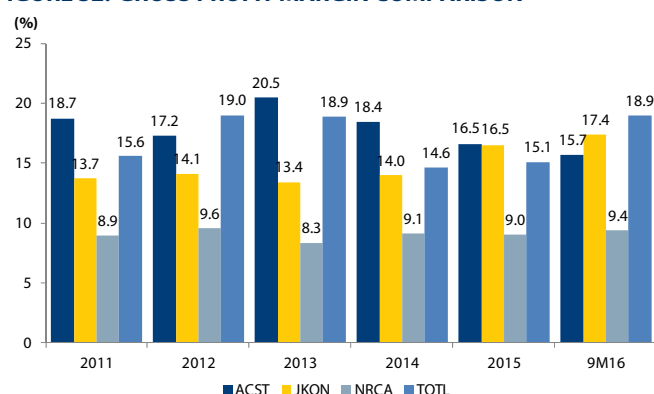
Source: Company, Mandiri Sekuritas

Second to None

TOTL has proven itself as one of the few companies with a strong track record of profitability and solid earnings growth in the future. For the period of 2011 – 9M16, the company delivered the highest average net profit margin (8.5% vs. peers' 6.5%) among three other major private contractors (ACST, JKON, NRCA) while maintaining low net profit margin volatility and conservative balance sheet profile.

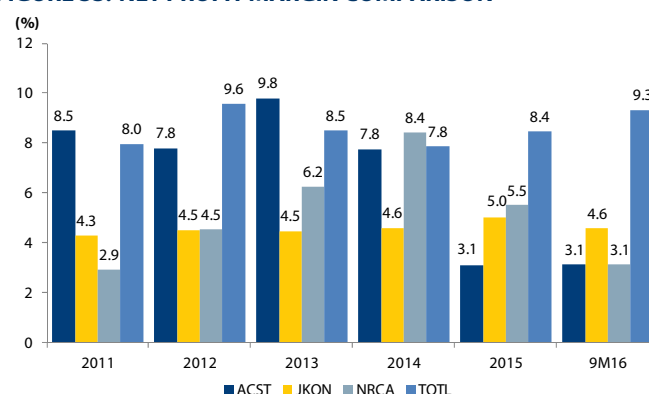
Shiniest margin of them all. At the gross level, private contractors have managed to book an average of 14.6% gross profit margin over the past five years (2011-2015). TOTL stood well above the industry with an average gross profit margin of 16.6%; this was mainly supported by higher project margins as the company targets the middle-upper segment and the steadily increasing direct contract's proportion toward the scope of work. Note that in 9M16, gross profit margin and direct contract's proportion toward the scope of work stood at 18.9% and ~41% respectively.

FIGURE 32. GROSS PROFIT MARGIN COMPARISON



Source: Bloomberg, Mandiri Sekuritas

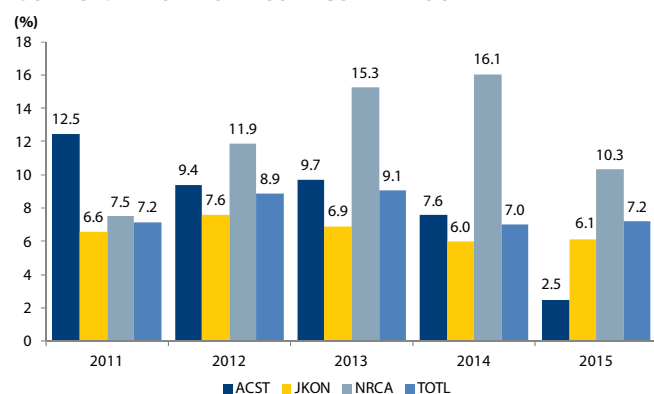
FIGURE 33. NET PROFIT MARGIN COMPARISON



Source: Bloomberg, Mandiri Sekuritas

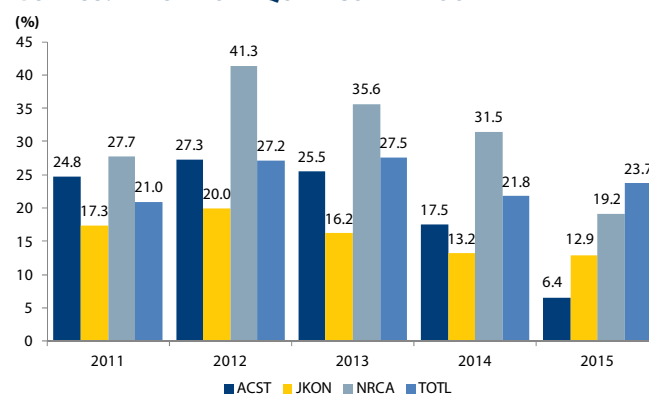
Meanwhile at the net level, private contractors have booked an average of 6.5% net profit margin over the course of 5 years. TOTL once again stood above the competition with an average net profit margin of 8.5%. We believe that this is supported by the company's prudent cost management, income from joint operations (JOs), and net interest income benefit. In addition, income from JO and interest income grew by 63% and 17% CAGR 2011-15 respectively. In terms of profitability, with regards of its size, TOTL managed to maintain 24.2% average Return on Equity (ROE), a tad above industry's average of 22.9%, from 2011 to 2015.

FIGURE 34. RETURN ON ASSET COMPARISON



Source: Bloomberg, Mandiri Sekuritas

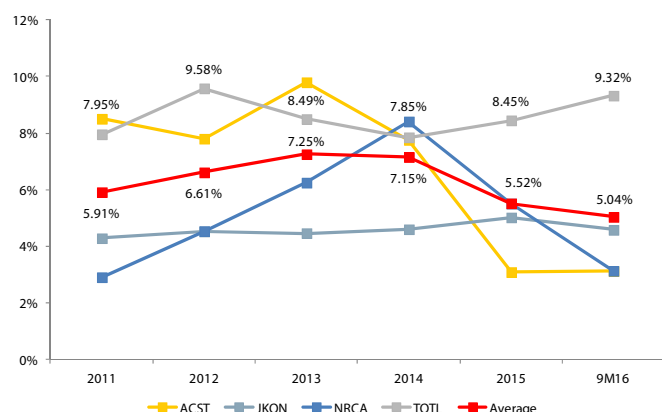
FIGURE 35. RETURN ON EQUITY COMPARISON



Source: Bloomberg, Mandiri Sekuritas

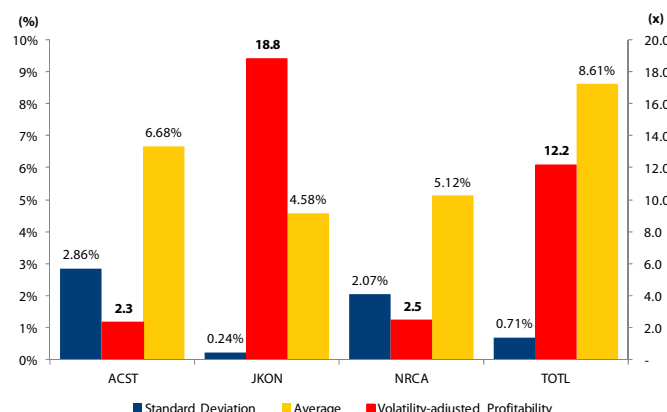
Rock solid profitability. The company not only booked the highest average net profit margin compared to its peers, but also showcased excellent profitability resilience against economic slowdown in 2012 and 2015. The company's NPM increased by 1.6% and 0.9% in 2012 and 2015 respectively, while peers' NPM increased by 0.4% and decreased by 2.4% on average for the same period. For the period of 2011 – 9M16, TOTL booked average net profit margin at 8.6% with NPM standard deviation of 0.7%, which implies 12.2x volatility-adjusted profitability, well above peers' average of 7.9x.

FIGURE 36. PEERS NPM COMPARISON



Source: Mandiri Sekuritas

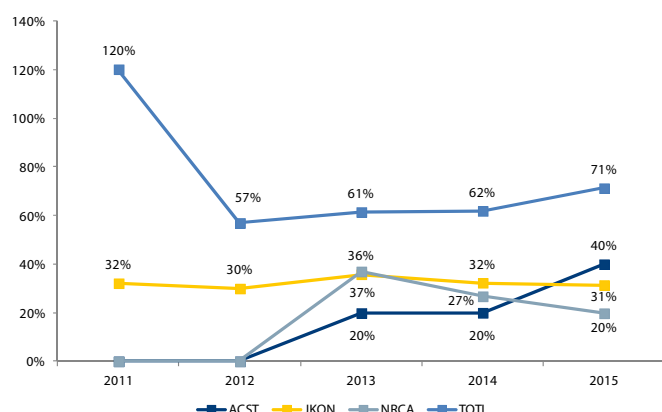
FIGURE 37. VOLATILITY-ADJUSTED PROFITABILITY



Source: Mandiri Sekuritas (2011 – 9M16)

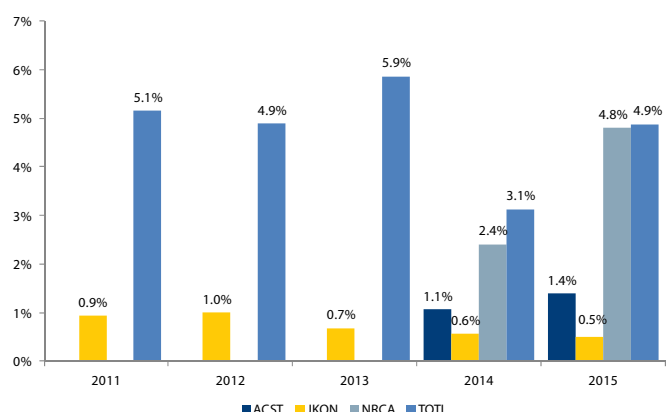
Generous dividend – a luxury only TOTL can afford. TOTL has consistently paid annual dividends with an average dividend payout ratio of 74% over the course of 5 years, towering above the industry's average at 22% for the same period (2011 – 2015). While in terms of dividend yield, TOTL also settled well above the competition with 4.8% vs peers' average at 1.9% for each year's respective closing price. Going forward, we believe that TOTL would maintain its generous dividend policy, given the healthy and debt-free balance sheet profile.

FIGURE 38. DIVIDEND PAYOUT RATIO COMPARISON



Source: Mandiri Sekuritas

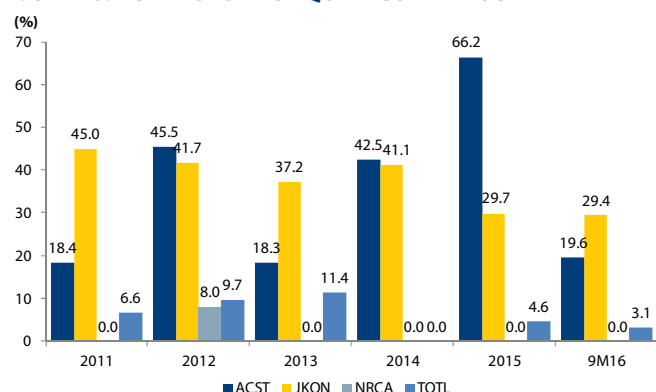
FIGURE 39. DIVIDEND YIELD COMPARISON



Source: Mandiri Sekuritas (2011 – 9M16)

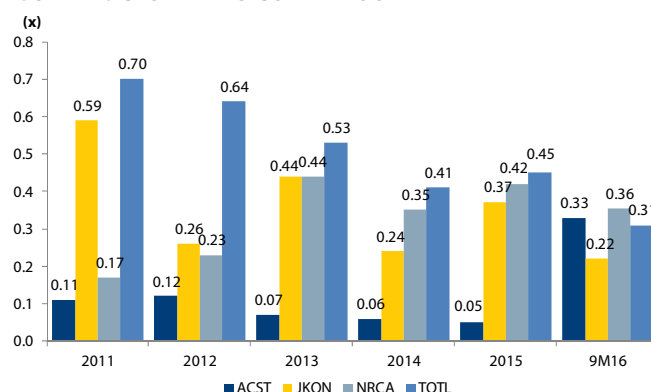
No debt? No worries. TOTL has maintained a conservative balance sheet profile with an average total debt to equity ratio of 6.4%, far below peers' average of 21.3% over the course of five years. Meanwhile, in the liquidity side, the company has always managed to maintain the highest cash ratio among its peers. TOTL's 5-year average cash ratio stood at 0.5x compared to peers at 0.3x. It is also worth noting that in the past five years, the company has managed to maintain net cash position and kept the average interest coverage ratio at 610x. In addition, the company is currently not bound by any covenants.

FIGURE 40. TOTAL DEBT TO EQUITY COMPARISON



Source: Bloomberg, Mandiri Sekuritas

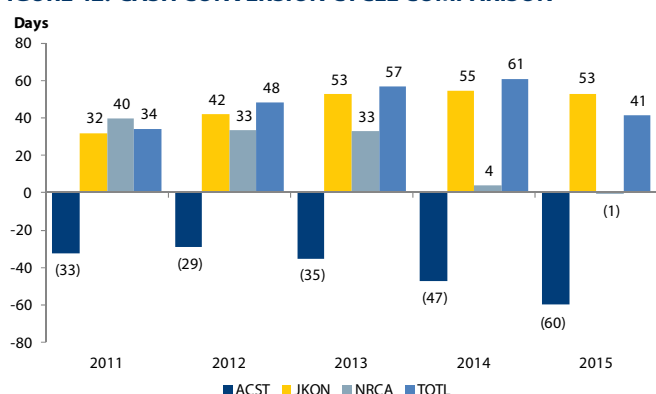
FIGURE 41. CASH RATIO COMPARISON



Source: Bloomberg, Mandiri Sekuritas

However, operating efficiency still needs improvement. We used cash conversion cycle to measure the company's operating efficiency. Private contractors' average for the past five years stood at 19 days while TOTL settled at 48 days, more days compared to industry's average. The company's 5-year average accounts payable, inventory, and account receivable days stood at 18, 13, and 52 days respectively, while the industry's 5-year average stood at 33, 9, and 43 days respectively.

FIGURE 42. CASH CONVERSION CYCLE COMPARISON



Source: Bloomberg, Mandiri Sekuritas

FIGURE 43. WORKING CAPITAL DAYS COMPARISON

Company	Description	2011	2012	2013	2014	2015
TOTL IJ	Payable days	17	16	15	19	21
	Inventory days	0	17	31	19	1
	Receivable days	51	47	41	60	62
ACST IJ	Payable days	53	58	75	79	98
	Inventory days	-	-	-	2	2
	Receivable days	20	29	40	30	36
NRCA IJ	Payable days	-	-	-	38	39
	Inventory days	-	-	-	-	-
	Receivable days	40	33	33	42	38
JKON IJ	Payable days	23	22	26	30	32
	Inventory days	13	17	24	26	24
	Receivable days	42	46	55	59	61

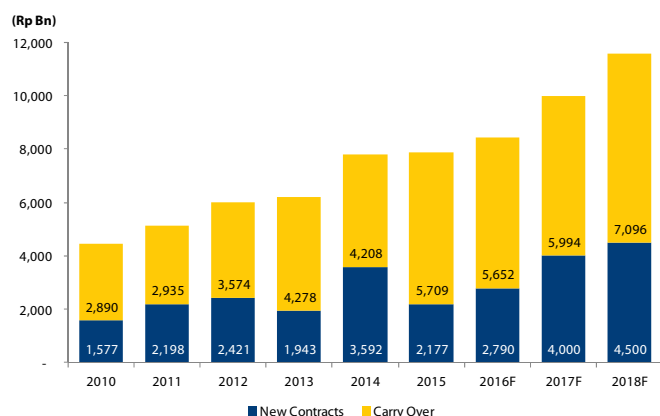
Source: Bloomberg, Mandiri Sekuritas

Financial Outlook

Going forward, we expect TOTL's revenue to grow by 17% CAGR 2016-18F with 29% contract burn rate over the next three years. However, we believe that the company's gross margin would normalize as direct contract's proportion decrease along the property industry comeback. All in all, we forecast net profit and new contracts to grow 16% and 27% CAGR 2016-18F respectively.

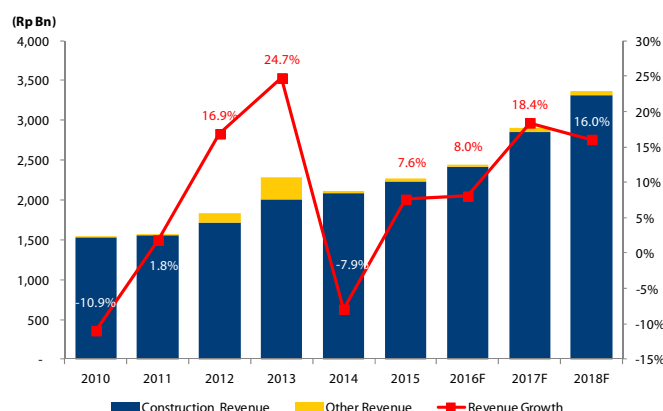
Steady new contracts growth. We expect the company to achieve 27% CAGR 16-18F new contracts growth with high-rise residential projects as the main driver. The company's 2016 actual new contracts reached Rp2.8tn (11M16: Rp2.6tn), 7% lower than the management's 2016 target of Rp3tn. However, the company is still eyeing for bigger projects as shown by the increasing trend of project pipeline (9M16: Rp11.1tn). Therefore, we believe that company's aforementioned favorability combined with the property industry comeback would enable TOTL to book Rp4tn and Rp4.5tn of new contracts in 2017F, in line with the management's target.

FIGURE 44. ORDER BOOK BREAKDOWN



Source: Mandiri Sekuritas estimates

FIGURE 45. REVENUE BREAKDOWN



Source: Mandiri Sekuritas estimates

We expect this order book to translate into stronger revenue growth in 2016-18F (2016-18F CAGR: 17%) under the assumption of steady 29% contract burn-rate over the period span. In addition, we believe that TOTL's short-term revenue stream is secured, mainly supported by recognition from TOTL's top 10 major projects in 9M16, of which seven are due for completion in 2017 and two are due for completion 2018. Therefore, we believe that up to 87% (Rp2.5tn) of TOTL's 2017F revenue would be sourced from these 10 projects.

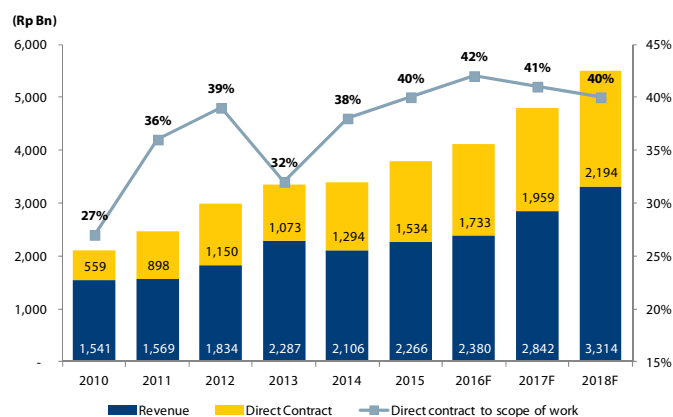
FIGURE 46. TOP 10 MAJOR PROJECTS (9M16)

Project	Value (Rp Bn)	Owner	Period	
			Start	End
Verde II Condominium	1,512	Verde Permai	1-Sep-16	31-Mar-19
Sequis Tower	1,061	Farpoint	21-Feb-14	30-Jun-17
The Pakubuwono Spring	921	Agung Podomoro Group	20-Feb-15	3-Jul-18
Pondok Indah Residences	864	Pondok Indah Group	28-Oct-14	28-Oct-17
The Anvaya Bali	315	Kompas Gramedia Group	9-Jun-14	24-Jan-17
Lavie All Suite Apartment	309	Wilsor Group	1-May-15	15-Mar-18
Living World Pekanbaru	255	Kawan Lama Sejahtera	1-Mar-16	30-Jun-17
Orange County C-D	208	Lippo Group	27-May-16	18-Nov-17
Living Plaza Balikpapan	180	Kawan Lama Sejahtera	1-Oct-15	31-Jan-17
Millenium Lippo Karawaci	151	Lippo Group	2-May-16	2-Nov-17

Source: Company, Mandiri Sekuritas

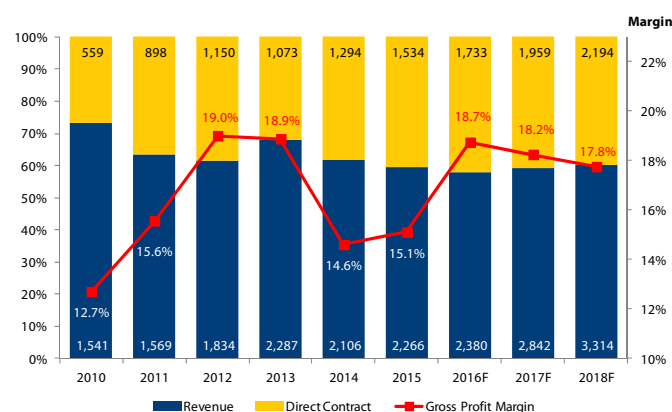
Less direct contract, less margin. We forecast TOTL's direct contract to scope of work proportion to decline from 42% in 2016F to 40% in 2018F following the property industry recovery. As a result, TOTL's gross profit margin (excluding JO) would normalize in 2017-18F to 17.8 – 18.2% (9M16 GPM: 19%). While for the bottom line, we expect TOTL to book 16% CAGR 2016-18F net profit growth, which also implies a normalizing net profit margin at 8.4-8.5% in 2017-18F (9M16 NPM: 9.3%).

FIGURE 47. DIRECT CONTRACT PORTIONS



Source: Mandiri Sekuritas estimates

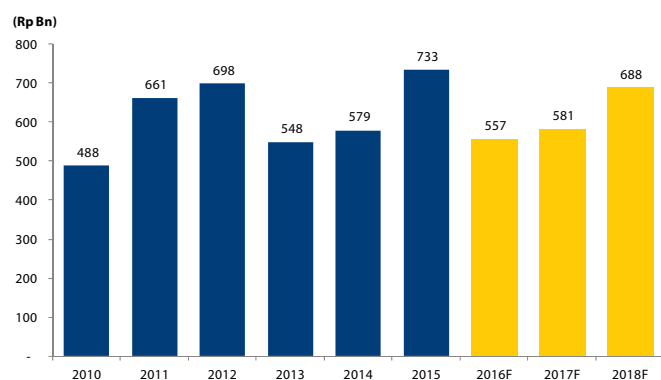
FIGURE 48. GROSS PROFIT MARGIN VS DIRECT CONTRACT



Source: Mandiri Sekuritas estimates

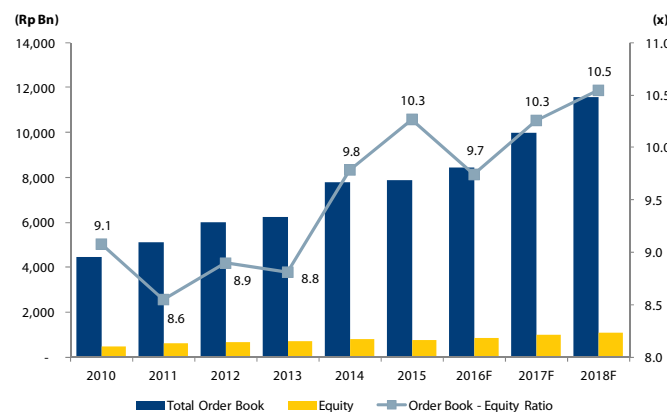
Cash is king. TOTL has persistently displayed prudent cash management and strong cash position as shown by the consistent net cash it has booked since 2009. We believe that this has enabled TOTL to internally fund its working capital while preserving against liquidity problem. Going forward, we expect TOTL to maintain its net cash position as there would be no need to raise debt for working capital and project financing purposes. Moreover, we believe that TOTL would maintain an adequate working capital capacity with total order book to equity ratio at 9.7 – 10.5x in 2016-18F.

FIGURE 49. CASH BALANCE



Source: Mandiri Sekuritas estimates

FIGURE 50. TOTAL ORDER BOOK – EQUITY RATIO



Source: Mandiri Sekuritas estimates

Investment Risks

Delay in property recovery. We believe that property industry recovery does not only depend on economic growth, but also political stability. Therefore, we might expect property developers to be cautious regarding new product launches with the 2017 regional elections (Pilkada) looming in the horizon. This would later translate into delay in property recovery, which might directly affect the company's new contracts.

Slower than-expected revenue recognition. Private developers tend to have higher overdue risk compared to the government counterpart. Note that in 9M16, private projects accounted for 100% of TOTL's ongoing portfolio. Therefore, we believe that this might negatively affect TOTL's account receivable days and contract burn-rate, note that TOTL's revenue collection period is ~60days.

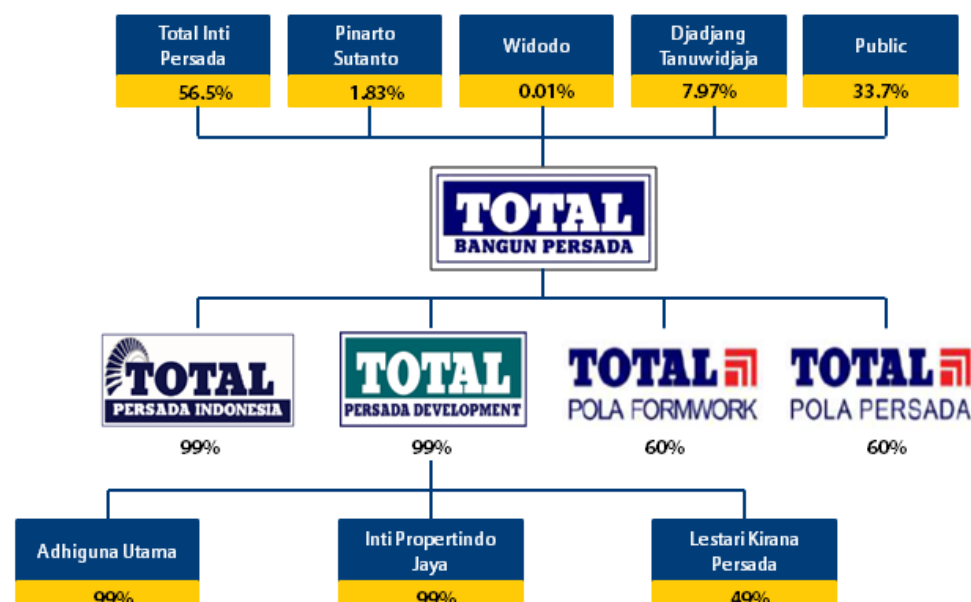
Tight competition among private contractors. Property industry recovery would surely reinvigorate competition among Indonesia's private contractors after years of sluggish property growth. Hence, we might expect that upcoming big ticket projects' tenders to be more challenging compared to 2015 and 2016 when the property's growth was relatively stunted.

Company Background

Total Bangun Persada's history. Total Bangun Persada was first established under the name of Tjahja Rimba Kentjana on September 4th 1970. The company later changed its name to Total Bangun Persada following a restructurization in 1981. It has since focused to cater high-rise building construction and managed to become one of the biggest construction companies in Indonesia. TOTL went public on July 25th 2006 with 2.75bn outstanding shares; it later issued additional 660mn of bonus shares on June 28th, 2010, bringing its current outstanding shares to 3.41bn.

Company structure. The company established 2 subsidiaries and 2 joint ventures to support its growing business and portfolio. TOTL formed Total Persada Indonesia to cater demand from procurement & construction services for industrial buildings, while Total Persada Development is designated to engage in property business. In addition, TOTL also established two joint venture companies with Pola Inti Perkasa, namely Total Pola Persada and Total Pola Formwork which provide formwork equipment supply and installation.

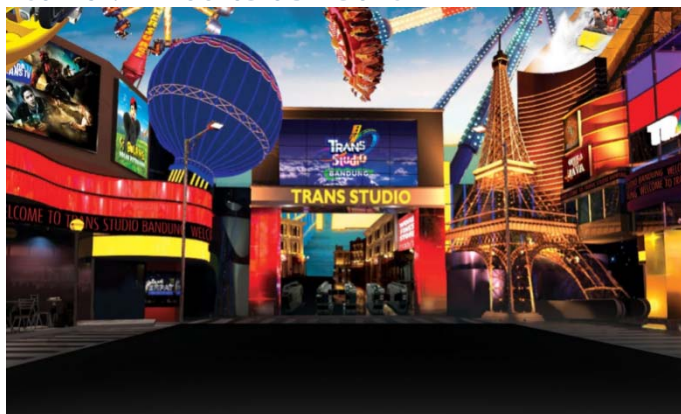
FIGURE 51. COMPANY STRUCTURE



Source: Company, Mandiri Sekuritas

Projects portfolio. TOTL's strong reputation as a qualified contractor with high quality standard and timeliness has proven to be useful in obtaining prestigious projects throughout the years. The company managed to book big ticket projects such as Trans Studio Bandung, The Regatta, The Hermitage Hotel, Verde I & II, Central Park, The Breeze BSD, and International Convention Expo.

FIGURE 52. TRANS STUDIO BANDUNG



Source: Squarespace

FIGURE 53. THE REGATTA JAKARTA



Source: Skyscrapercity

FIGURE 54. THE HERMITAGE HOTEL



Source: Jakarta Hotels

FIGURE 55. CENTRAL PARK JAKARTA



Source: Skyscrapercity

FIGURE 56. THE BREEZE BSD



Source: Aedas

FIGURE 57. ICE BSD



Source: Skyscrapercity

The management team. The majority of TOTL's management team has more than 7 years of experience within the company with proven track records in various industries, specifically construction.

FIGURE 58. BOARD OF DIRECTOR



Janti Komadjaja

President Director

Appointed as President Director in 2009
Previously held several key management positions within the company such as Site Engineer and Commercial Manager, Head of Legal and Estimate (1997 – 2000), Associate Director (2001), and Director (2004)



Handoyo Rusli

Director

Appointed as Director in 2007
Previously held several key management positions within the company such as Site Manager, Project Manager, and Associate Director (2005).



Dedet Syafinal

Director

Appointed as Director in 2007
Previously held several key management positions within the company such as Estimator, Site Manager, Project Manager, and Associate Director (2007).
Outside the company, he previously served as a Site Engineer at PT Karya Agung Kencana (1987 – 1988) and Site Manager at PT Haskon Perdana Contractor.



Akam Wiranjaya

Director

Appointed as Director in 2010
Previously held several key management positions within the company such as Site Manager (1994), Project manager (2002), and Associate Director (2003)
Outside the company, he previously served as Superintendant and Site Manager at PT PP Taisei (1980 – 1994)



Moeljati Soetrisno

Director

Appointed as Director in 2010
Previously held several key management positions, such as Project Control Staff (1988) and Associate Director (2007).
Outside the company, she previously served as technical staff at PT Aura Bramasta (1987 – 1988)



Saleh
Director

Appointed as Director in 2010
Previously held several key management positions, such as Engineering Staff (1993), Project Manager, and Vice Director (1993).
Outside the company, he previously served as Structure and Planning Engineer at PT Lamda Citra Karya Engineering (1991).



Lio Sudarto
Director

Appointed as Director in 2010
Previously held several key management positions, such as Estimator, Engineering and Project manager, and Associate Director (2007).



Teddy Budjamin
Director

Appointed as Director in 2014
Previously held several key management positions, such as Site Engineer (1989), Project Manager (1989 – 2010), and Project Coordinator (2010 – 2014).
Outside the company, he previously served as Construction Staff at PT Raka Utama (1983 – 1985), Construction Manager at PT Agresia International Inc (1985 – 1987), and Project Manager at PT Pembangunan Batam (1987 – 1989)

Source: Company

FIGURE 59. BOARD OF COMMISSIONER



Reyno Stephanus Adhiputranto
President Commissioner & Independent Commissioner

Appointed as President Commissioner in 2013
Previously held several key management positions within the company such as Senior Manager, Director (1984 – 2001), Managing Director (2001 – 2004), President Director (2004 – 2009), and Independent Commissioner (2012)



Pinarto Sutanto
Commissioner

Appointed as Commissioner in 2002
Joined the company in 2002 as head of Solo office
Also serves as Commissioner of PT Total Inti Persada, Commissioner of PT Anugerah Kencana Jaya, and President Director of PT Tujuh Pilar Mas



Liliana Komajaya

Commissioner

Appointed as Commissioner in 2001
Also serves as President Director of PT Total Inti Persada
Graduated with Bachelor of Science Accounting from University of Southern California and Master of Business Administration from Loyola Marymount University.



Wibowo

Commissioner

Appointed as Commissioner in 2002
Graduated from Faculty of Economics, Tarumanegara University
Also serves as Director of PT Total Inti Persada, PT Anugerah Kencana Jaya, and PT Karunia Utama Lestari



Rudi Suryajaya Komajaya

Commissioner

Appointed as Commissioner in 2013
Previously held several key management positions, such as Director (2005 – 2008), and President Director of Total Persada Development (2010 – 2014).
Also serves as Commissioner of PT Jaga Bangunpersada Komajaya and Director of PT Total Inti Persada



Mustofa

Independent Commissioner

Appointed as Commissioner in 2006
Graduated with Bachelor of Economics from Airlangga University
Previously served as Managing Partner at Public Accounting Firm of Hans, Tuanakotta & Mustofa – Deloitte Indonesia.

Source: Company

Total Bangun Persada

Profit & Loss

YE Dec (Rp Bn)	2014A	2015A	2016F	2017F	2018F
Revenue	2,106	2,266	2,448	2,898	3,363
Gross Profit	308	342	459	529	597
Oper. Profit	178	229	285	331	370
EBITDA	186	250	307	362	406
Net Interest	37	54	37	40	49
Interest Expense	0	0	(4)	(4)	(3)
Interest Income	37	54	41	44	52
Forex Losses/Gains	0	0	0	0	0
Net Other	27	(20)	(23)	(20)	(16)
Pre-Tax Profit	243	263	299	351	402
Income Tax	(77)	(72)	(86)	(101)	(118)
Others	0	0	0	0	0
Minority Interests	0	0	(3)	(3)	(3)
Net Profit	165	191	210	247	282

Cash Flow

YE Dec (Rp Bn)	2014A	2015A	2016F	2017F	2018F
Operating Profit	178	229	285	331	370
Net Interest	37	54	37	40	49
Depr & Amort	7	22	23	31	36
Other expenses/income	27	(20)	(23)	(23)	(20)
Other Gain / Loss	0	0	0	0	0
Tax	(77)	(72)	(86)	(101)	(118)
Chg in Working Capital	298	144	(167)	54	62
Other Oper. Cash Flow	0	0	(3)	(3)	(3)
Oper. Cash Flow	470	357	66	332	380
Capital Expenditure	32	(143)	(130)	(180)	(130)
FCF (OPCF after Capex)	503	215	(64)	152	250
Other Investing CF	(210)	(28)	(19)	(20)	(21)
CF From Investing	(178)	(171)	(149)	(200)	(151)
Net Chg in Debts	(93)	40	(5)	(5)	(5)
Equity Funds Raised	(11)	(7)	1	0	0
Dividend	(119)	(102)	(105)	(123)	(141)
Other Financing CF	(39)	37	16	21	23
CF From Financing	(262)	(32)	(93)	(107)	(123)
Non-Recur. Inc (Exp)	0	0	0	0	0
Extraord. Inc(Exp)	0	0	0	0	0
Net Change in Cash	30	154	(176)	25	106
Cash at beginning	548	579	733	557	581
Cash at End	579	733	557	581	688

Valuation

YE Dec	2014A	2015A	2016F	2017F	2018F
PER (x)	16.0	13.8	12.6	10.7	9.4
EV/EBITDA (x)	11.1	7.9	7.0	5.8	4.9
P/BV (x)	3.4	3.1	2.8	2.5	2.2
P/CF (x)	5.6	7.4	40.2	8.0	7.0
Dividend Yield (%)	4.5	3.9	4.0	4.7	5.3

Balance Sheet

YE Dec (Rp Bn)	2014A	2015A	2016F	2017F	2018F
Cash & ST Investment	579	733	557	581	688
Acct. Receivable	418	351	369	437	507
Inventory	0	6	6	6	6
Others	1,026	1,146	1,164	1,280	1,401
Current Assets	2,023	2,236	2,096	2,305	2,601
Investments	65	53	56	58	61
Fixed Assets	71	194	209	222	234
Others	509	689	828	1,011	1,140
Total Assets	2,484	2,846	2,833	3,210	3,621
Curr. Liabilities	1,558	1,777	1,637	1,873	2,125
Acct. Payable	70	156	164	195	227
ST Borrowings	0	16	6	5	4
Others	1,488	1,605	1,467	1,673	1,893

Long-Term Liabilities

Long-Term Payable	0	24	28	24	20
Others	158	179	194	213	234
Total Liabilities	1,716	1,980	1,859	2,110	2,379
Shareholder's Equity	768	866	974	1,099	1,242

Key Ratios

YE Dec	2014A	2015A	2016F	2017F	2018F
Growth (% YoY)					
Sales	(7.9)	7.6	8.0	18.4	16.0
EBIT	(30.4)	28.1	24.7	16.2	11.9
EBITDA	(32.4)	34.8	22.8	17.7	12.3
Net Profit	(14.9)	15.8	9.9	17.4	14.1
Profitability (%)					
Gross Profit Margin	14.6	15.1	18.7	18.2	17.8
Oper. Margin	8.5	10.1	11.6	11.4	11.0
EBITDA Margin	8.8	11.0	12.6	12.5	12.1
Net Margin	7.8	8.4	8.6	8.5	8.4
ROAA	7.0	7.2	7.4	8.2	8.2
ROAE	22.1	23.7	23.3	24.3	24.5
Leverage					
Net Debt / Equity (%)	(75.4)	(80.0)	(53.6)	(50.2)	(53.4)
EBITDA/Gross Int. (x)	n.m	2,284.2	74.0	101.8	137.6

Per Share Data (Rp)

EPS	48	56	62	72	83
CFPS	138	105	19	97	111
BVPS	225	249	280	316	357
DPS	35.0	30.0	30.9	36.2	41.3

Source: Company, Mandiri Sekuritas estimates

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INVESTMENT RATINGS: Indicators of expected total return (price appreciation plus dividend yield) within the 12-month period from the date of the last published report, are: Buy (10% or higher), Neutral (-10% to 10%) and Sell (-10% or lower).

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