

Total Bangun Persada

TOTL IJ / TOTL JK

| | | |
|--|--|---|
| Market Cap US\$332.5m Rp3,410,000m | Avg Daily Turnover US\$1.74m Rp17,200m | Free Float 38.0% 3,410 m shares |
|--|--|---|

| | |
|--------------|------------------|
| Current | Rp1,000.0 |
| Target | Rp1,350 |
| Prev. Target | Rp1,350 |
| Up/Downside | 35.0% |

2QFY13 RESULTS NOTE

| SHORT TERM (3 MTH) | LONG TERM |
|--------------------|-------------------|
| TRADING BUY | OUTPERFORM |
| TRADING SELL | NEUTRAL |
| | UNDERPERFORM |

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Share price info

| Share price perf. (%) | 1M | 3M | 12M |
|-----------------------|--------|------|------|
| Relative | -11 | 1.8 | 77.4 |
| Absolute | -15.3 | -6.6 | 88.7 |
| Major shareholders | % held | | |
| Total Inti Persada | 56.5 | | |

Scalable growth

No surprises in TOTL's earnings which meet consensus and our numbers. Both topline and bottom-line growth normalised from the first quarter's high as a higher base in 2Q12 kicked in.

1H13 core forms 48% of our FY13 forecast and 47% of consensus. We are keeping our numbers and target price at 15.7x CY14 P/E (15% discount to the sector's upcycle P/E of 18.5x). Maintain Outperform with re-rating catalysts expected from new contracts signed.

Scalable growth

Revenue, which grew 39% yoy in 1H13 (1Q13: 70%), is broadly in line with historical seasonality. This was on the back of Rp970bn of new contracts signed YTD or 46% of its FY13 target. Opex to sales continued to decline, by 60bp yoy to 7.3% (1H12: 7.9%), lifting operating margins to 11.7% (vs. 3-year historical average of 8.6%). Investment income still trailed behind expectations at Rp16bn or 28% of FY13. Core profit grew 32% yoy to Rp103bn.

Rolling in cash

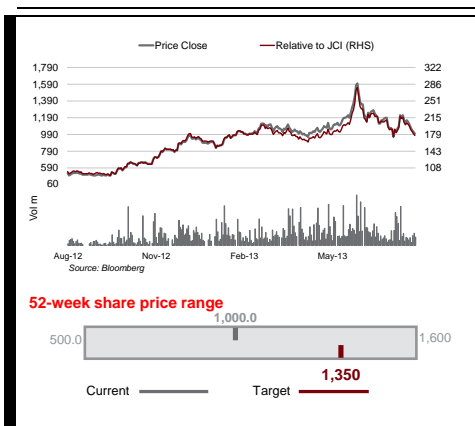
TOTL had cash and equivalent of Rp704bn at end-2Q13 even after its Rp94bn cash dividend payout. Capex in 1H13 amounted to Rp6.4bn or a mere 16% of its FY13 target of Rp40bn. Customer advances representing project owners' deposits grew 20% yoy to Rp510bn. We think the lower capex realisation and high customer advances contributed to its high cash level in 1H13.

Next catalyst

TOTL is trading at 11.7x CY14 P/E or a 7% discount to peers. Relatively unexciting growth guided by management and concerns over its project take-on capability have been weighing on its share price. Still, we are expecting new contracts in the rest of the year to catalyse its topline and share price.

| Results Comparison | 2QFY13 | 2QFY12 | yoy % | 1QFY13 | qoq % | 2QFY13 | 2QFY12 | yoy % | Prev. |
|---------------------|--------|--------|---------|--------|--------|---------|--------|---------|---|
| FYE Dec (Rp bn) | | | chg | | chg | Cum | Cum | chg | FY13F Comments |
| Revenue | 604 | 512 | 18.0 | 585 | 3.4 | 1,189 | 856 | 38.8 | 2,192 Slightly ahead of ours at 54% but in line with consensus at 52% |
| Operating costs | (523) | (448) | 17.0 | (519) | 0.9 | (1,047) | (762) | 37.4 | (1,934) Slightly ahead, 54% of our FY13 estimates |
| EBITDA | 81 | 65 | 26 | 66 | 22.5 | 142 | 95 | 50.2 | 258 Slightly ahead, 55% and 54% of ours and consensus |
| EBITDA margin (%) | 13.4 | 12.6 | | 11.3 | | 12.0 | 11.1 | | 11.8 |
| EBIT | 76 | 61 | 26.1 | 62 | 23 | 134 | 87 | 54.2 | 238 |
| Interest & invt inc | 7 | 7 | 12.3 | 9 | (16.4) | 16 | 17 | (3.5) | 57 |
| Forex | (4) | 2 | (288.8) | - | na | (4) | 5 | (178.9) | - |
| Other income/ (exp) | 2 | 4 | (56.2) | (9) | 122 | 12 | (8) | 238.5 | - |
| Pretax profit | 78 | 73 | 7.3 | 72 | 7.6 | 150 | 114 | 31.6 | 294 In line, 51% and 49% of ours and consensus |
| Tax | (20) | (17) | 16.3 | (19) | 6.2 | (39) | (28) | 39.6 | (68) |
| Tax rate (%) | 25.7 | 23.8 | | 26.1 | | 25.9 | 24.4 | 6.1 | 23.2 |
| Minority interests | (6) | (4) | | (6) | | (12) | (2.2) | | (9) |
| Net profit | 52 | 52 | 0.0 | 48 | 8.0 | 100 | 84 | 18.5 | 217 |
| Core profit | 56 | 49 | 13.7 | 47 | 17.6 | 103 | 78 | 32.5 | 217 In line, 48% and 47% of ours and consensus |

SOURCE: CIMB, COMPANY REPORTS

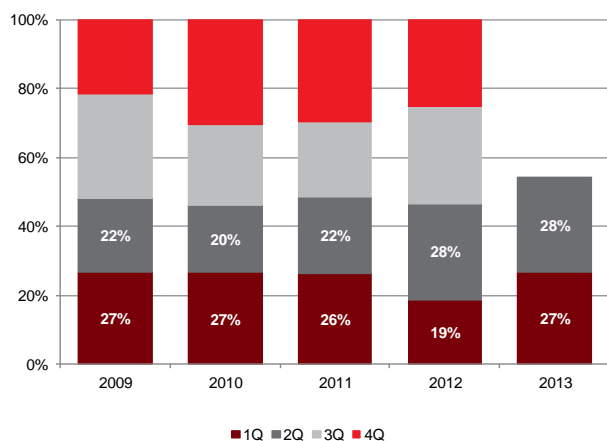


Financial Summary

| | Dec-11A | Dec-12A | Dec-13F | Dec-14F | Dec-15F |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rpb) | 1,569 | 1,834 | 2,192 | 2,629 | 3,164 |
| Operating EBITDA (Rpb) | 151.7 | 204.2 | 258.1 | 341.4 | 407.0 |
| Net Profit (Rpb) | 124.8 | 175.7 | 216.6 | 290.7 | 333.4 |
| Core EPS (Rp) | 35.77 | 51.51 | 63.53 | 85.26 | 97.77 |
| Core EPS Growth | 54.7% | 44.0% | 23.3% | 34.2% | 14.7% |
| FD Core P/E (x) | 27.96 | 19.41 | 15.74 | 11.73 | 10.23 |
| DPS (Rp) | 14.67 | 43.93 | 30.91 | 38.12 | 51.16 |
| Dividend Yield | 1.47% | 4.39% | 3.09% | 3.81% | 5.12% |
| EV/EBITDA (x) | 17.50 | 13.13 | 9.51 | 6.53 | 4.83 |
| P/FCFE (x) | 14.99 | 18.39 | 9.71 | 9.14 | 7.50 |
| Net Gearing | (118%) | (110%) | (122%) | (125%) | (130%) |
| P/BV (x) | 5.39 | 5.18 | 4.43 | 3.66 | 3.13 |
| Recurring ROE | 20.5% | 27.2% | 30.3% | 34.2% | 33.0% |
| % Change In Core EPS Estimates | | | 0% | 0% | 0% |
| CIMB/consensus EPS (x) | | | 1.00 | 1.12 | 1.06 |

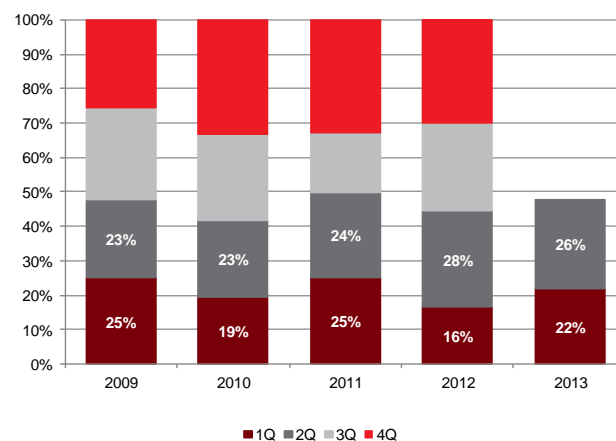
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Figure 1: Revenue slightly ahead of historical seasonality



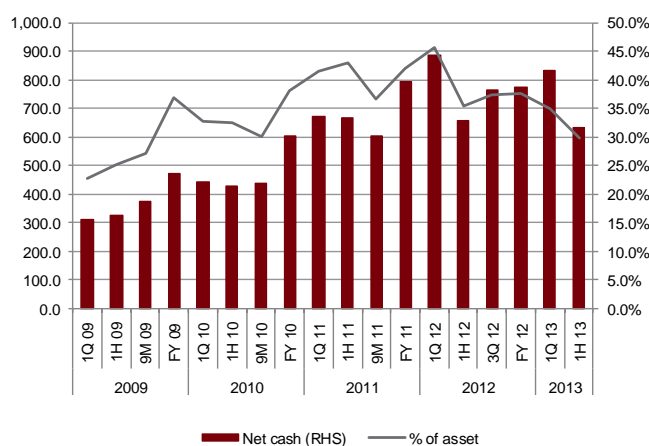
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Figure 2: Earnings broadly in line with historical seasonality



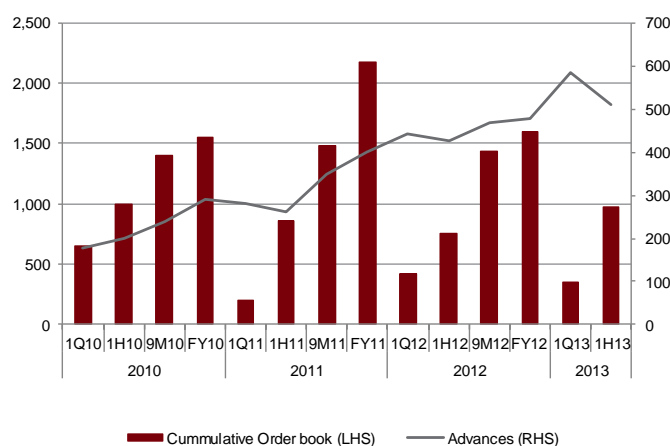
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Figure 3: Cash and equivalent as a % of asset are declining: its cash pile is not sitting idly on its balance sheet



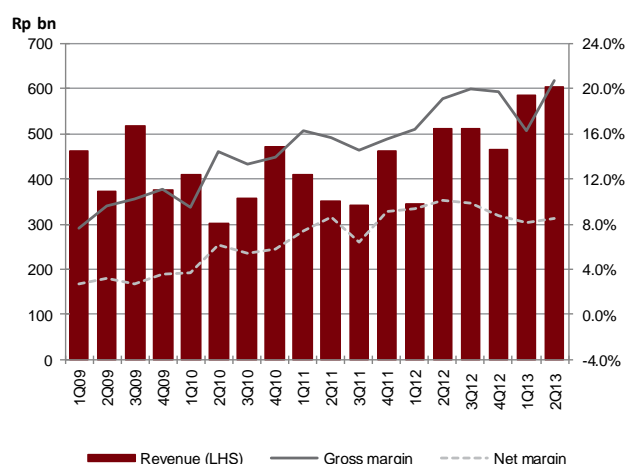
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Figure 4: Advances continued to climb despite a benign order book, signifying clients' eagerness to secure TOTL's services



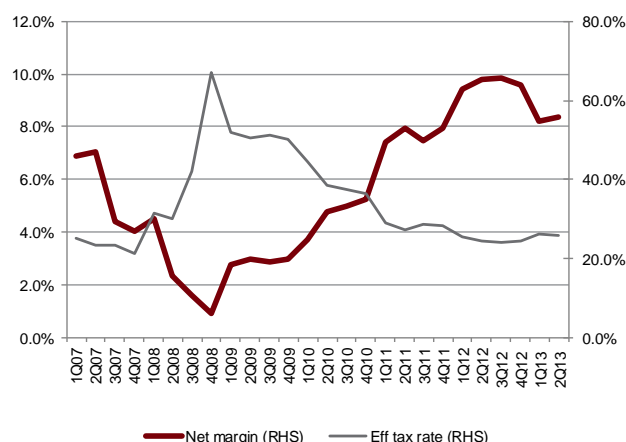
SOURCES: CIMB, COMPANY REPORTS

Figure 5: Gross margins trending up as a result of direct contracting



SOURCES: CIMB, COMPANY REPORTS

Figure 6: Net margins continued to trend up after the adoption of a direct contracting scheme which causes its effective tax rate to trend lower on seemingly benign revenue



SOURCES: CIMB, COMPANY REPORTS

Figure 7: Sector comparisons

| Company | Bloomberg Ticker | Recom. | Price (local curr) | Target Price (local curr) | Market Cap (US\$ m) | Core P/E (x) | | 3-year EPS CAGR (%) | P/BV (x) | | Recurring ROE (%) | | | EV/EBITDA (x) | | Dividend Yield (%) | |
|------------------------------|------------------|--------------|--------------------|---------------------------|---------------------|--------------|-------------|---------------------|--------------|--------------|-------------------|--------------|--------------|---------------|-------------|--------------------|-------------|
| | | | | | | CY2013 | CY2014 | | CY2013 | CY2014 | CY2013 | CY2014 | CY2015 | CY2013 | CY2014 | CY2013 | CY2014 |
| Adhi Karya | ADHI IJ | Neutral | 3,075 | 3,300 | 540 | 15.2 | 10.7 | 33.0% | 3.75 | 2.92 | 28.0% | 30.7% | 25.8% | 4.5 | 3.8 | 1.1% | 1.8% |
| Pembangunan Perumahan | PTPP IJ | Outperform | 1,420 | 1,750 | 670 | 15.8 | 12.0 | 30.6% | 3.44 | 2.82 | 24.1% | 25.8% | 26.9% | 6.9 | 5.6 | 1.4% | 1.9% |
| Total Bangun Persada | TOTL IJ | Outperform | 1,000.0 | 1,350 | 332 | 15.7 | 11.7 | 21.3% | 4.43 | 3.66 | 30.6% | 34.2% | 33.0% | 9.1 | 6.3 | 3.1% | 3.8% |
| Wijaya Karya | WIKA IJ | Outperform | 2,075 | 2,700 | 1,242 | 20.4 | 14.2 | 36.8% | 4.48 | 3.59 | 24.7% | 28.0% | 29.2% | 11.1 | 8.5 | 1.5% | 2.1% |
| Indonesia average | | | | | | 17.5 | 12.6 | 32.3% | 4.04 | 3.25 | 25.8% | 28.6% | 28.3% | 7.7 | 6.1 | 1.6% | 2.2% |
| Sino-Thai Eng & Construction | STEC TB | Outperform | 19.30 | 34.00 | 939 | 16.6 | 15.7 | 25.7% | 3.67 | 3.22 | 22.3% | 21.8% | 23.3% | 10.2 | 7.9 | 1.7% | 2.5% |
| CH. Kamchang | CK TB | Outperform | 18.30 | 35.00 | 964 | 26.6 | 18.2 | 60.7% | 1.80 | 1.68 | 8.9% | 9.6% | 12.0% | 15.3 | 12.0 | 4.9% | 1.4% |
| Italian-Thai Development | ITD TB | Underperform | 4.70 | 8.00 | 728 | 23.5 | 16.0 | 87.8% | 2.10 | 1.90 | 9.1% | 12.5% | 15.7% | 11.4 | 10.8 | 1.1% | 1.1% |
| Thailand average | | | | | | 21.4 | 16.6 | 47.9% | 2.31 | 2.10 | 12.2% | 13.2% | 15.7% | 12.1 | 10.5 | 2.8% | 1.7% |
| Gamuda | GAM MK | Outperform | 4.76 | 5.77 | 3,341 | 14.9 | 13.5 | 0.0% | 4.31 | 3.95 | 30.4% | 30.5% | 31.0% | 15.6 | 14.0 | 2.4% | 2.4% |
| IJM Corp Bhd | IJM MK | Outperform | 5.79 | 6.80 | 2,498 | 15.0 | 13.3 | 13.5% | 2.96 | 3.02 | 20.1% | 22.5% | 25.9% | 10.4 | 9.9 | 2.4% | 2.6% |
| Malaysian Resources Corp | MRC MK | Outperform | 1.46 | 1.98 | 625 | 32.5 | 22.9 | 20.5% | 2.06 | 1.89 | 6.6% | 8.6% | 9.6% | 12.1 | 9.1 | 1.6% | 1.9% |
| Muhibbah Engineering | MUHI MK | Outperform | 2.35 | 3.18 | 297 | 12.8 | 11.3 | na | 1.47 | 1.38 | 11.8% | 12.6% | 13.2% | 9.4 | 9.1 | 1.3% | 1.5% |
| Mudajaya Group | MDJ MK | Outperform | 2.65 | 3.25 | 442 | 6.7 | 5.1 | 18.5% | 0.94 | 0.74 | 15.4% | 16.4% | 18.0% | 1.2 | 0.3 | 3.8% | 4.2% |
| Sunway Bhd | SWB MK | Outperform | 3.30 | 3.70 | 1,893 | 14.2 | 12.8 | 4.9% | 1.44 | 1.27 | 11.1% | 10.6% | 9.2% | 10.4 | 9.3 | 2.2% | 2.2% |
| WCT Holdings | WCTHG MK | Outperform | 2.46 | 3.11 | 828 | 11.3 | 9.8 | 11.9% | 1.35 | 1.18 | 12.8% | 12.8% | 12.0% | 8.0 | 7.2 | 3.4% | 3.7% |
| Malaysia average | | | | | | 14.0 | 12.2 | 15.1% | 2.18 | 1.97 | 16.5% | 17.0% | 17.2% | 10.4 | 9.3 | 2.4% | 2.6% |
| NCC Limited | NJCC IN | Outperform | 23.00 | 77.00 | 98 | 8.9 | 5.2 | 66.9% | 0.23 | 0.23 | 2.7% | 4.5% | 6.2% | 2.3 | 2.4 | 2.0% | 3.8% |
| Hindustan Construction | HCC IN | Neutral | 7.95 | 15.10 | 80 | na | 168.7 | na | 0.43 | 0.44 | -7.7% | 0.3% | 6.5% | na | na | 0.0% | 1.9% |
| IVRCL Ltd | IVRC IN | Underperform | 11.65 | 17.00 | 59 | 151.8 | 10.8 | na | 0.16 | 0.16 | 0.1% | 1.5% | 3.0% | 5.7 | 5.5 | 0.9% | 1.5% |
| India average | | | | | | na | 9.6 | na | 16.22 | 16.17 | -0.4% | 2.5% | 5.1% | 4.0 | 4.0 | 0.0% | 0.0% |
| Average (all) | | | | | | 15.8 | 12.8 | 24.6% | 2.10 | 1.90 | 14.2% | 15.6% | 16.7% | 8.9 | 7.6 | 2.3% | 2.3% |

SOURCES: CIMB, COMPANY REPORTS

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| | | | | | |
|---------------------|----------|-----------|-----------|-------------|------------------|
| Score Range: | 90 – 100 | 80 – 89 | 70 – 79 | Below 70 or | No Survey Result |
| Description: | | Excellent | Very Good | Good | N/A |

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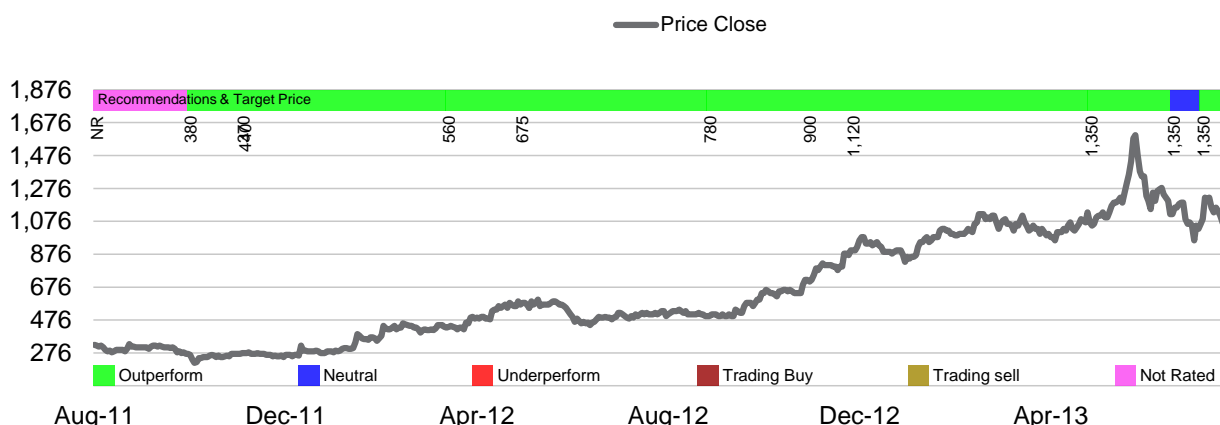
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Spitzer Chart for stock being researched (2 year data)



Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2013

1077 companies under coverage

| | Rating Distribution (%) | Investment Banking clients (%) |
|--------------------------------|-------------------------|--------------------------------|
| Outperform/Buy/Trading Buy | 52.5% | 7.4% |
| Neutral | 33.6% | 4.7% |
| Underperform/Sell/Trading Sell | 14.0% | 5.5% |

Recommendation Framework #1 *

Stock

OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

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Recommendation Framework #2 **

| Stock | Sector |
|--|---|
| OUTPERFORM: Expected positive total returns of 10% or more over the next 12 months. | OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months. |
| NEUTRAL: Expected total returns of between -10% and +10% over the next 12 months. | NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months. |
| UNDERPERFORM: Expected negative total returns of 10% or more over the next 12 months. | UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months. |
| TRADING BUY: Expected positive total returns of 10% or more over the next 3 months. | TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months. |
| TRADING SELL: Expected negative total returns of 10% or more over the next 3 months. | TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months. |

** This framework only applies to stocks listed on the Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2012.

AAV – not available, ADVANC - Excellent, AEONTS – Good, AMATA - Very Good, ANAN – not available, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCH – not available, BCP - Excellent, BEC - Very Good, BGH - not available, BJC – Very Good, BH - Very Good, BIGC - Very Good, BTS - Excellent, CCET - Good, CENTEL – Very Good, CK - Very Good, CPALL - Very Good, CPF - Very Good, CPN - Excellent, DELTA - Very Good, DTAC - Very Good, EGCO – Excellent, ERW – Excellent, GLOBAL - Good, GLOW - Very Good, GRAMMY – Excellent, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, INTUCH – Very Good, ITD – Very Good, IVL - Very Good, JAS – Very Good, KAMART – not available, KBANK - Excellent, KK – Excellent, KTB - Excellent, LH - Very Good, LPN - Excellent, MAJOR - Good, MAKRO – Very Good, MCOT - Excellent, MINT - Very Good, PS - Excellent, PSL - Excellent, PTT - Excellent, PTTGC - Excellent, PTTEP - Excellent, QH - Excellent, RATCH - Excellent, ROBINS - Excellent, RS – Excellent, SAMART – Excellent, SC – Excellent, SCB - Excellent, SCC - Excellent, SCCC - Very Good, SIRI - Good, SPALI - Very Good, SRICHA – not available, SSI – not available, STA - Good, STEC - Very Good, TCAP - Very Good, THAI - Excellent, THCOM – Very Good, TICON – Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TTW – Very Good, TUF - Very Good, VGI – not available, WORK – Good.