

Total Bangun Persada

TOTL IJ / TOTL JK

FLASH NOTE

➤ **Market Cap**
US\$222.4m
Rp2,046,000m


➤ **Avg Daily Turnover**
US\$0.50m
Rp4,569m

➤ **Free Float**
38%
3,410 m shares

Current **Rp600.0**
Target ➤ **Rp675.0**
Previous Target **Rp675.0**
Up/downside **12.5%**

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	25.4	37.7	86.3
Absolute	25.0	42.9	93.5

Major shareholders

	% held
Total Inti Persada	56.5

A nice dividend surprise

TOTL has set the bar high by offering a lofty dividend payout for 2011 that's triple the size of its 2010 payment, suggesting it is comfortable with its cash position. Despite the slower 1Q12 earnings growth, we continue to like the stock for its bottom line margin expansion.

TOTL's dividend payout ratio of 120%, double our expectation of 60%, was a very nice surprise. We fine-tune our earnings estimate and keep our 13.5x P/E-based (sector upcycle 2004-07) target price unchanged. Outperform maintained. This payout is a near-term catalyst as the stock offers 6% dividend yield (above the 1-year government bond yield).

What Happened ➤

TOTL announced a total dividend of Rp150bn (Rp44/share) to be paid out on 21 June 2012; Rp115bn from 2011 net income and Rp35bn from previous years' retained earnings. In other words, a 120% dividend payout ratio from 2011 net income and 7% yield from Friday's closing price of Rp600. The stock turns ex-div on 5 June 2012. TOTL has ample cash (Rp741bn as of 1Q12) for this payout as total 2012 capex will be Rp120bn, at most.

What We Think ➤

This dividend payment will help shore up investor confidence in TOTL's ability to grow via margin expansion on top of a benign top line

growth. TOTL has proven that it can improve its efficiency by raising its net margin to 9.4% (+201bp yoy and +33bp qoq) in 1Q12. Its venture into the realty business that will provide recurring income in the future is a good buffer against the cyclical nature of the construction sector. In this regard, TOTL's reputation as a top quality builder of high-end residential properties will undoubtedly be an asset in its realty market foray without the need for too much A&P expenditure.

What You Should Do ➤

TOTL is currently trading at 12.04x 2013 P/E or 2% discount to JCI and 11% discount to the sector mid-cycle of 13.5x. It is cash rich; has the cleanest balance sheet among listed construction firms; and is enjoying margins expansion backed by the booming high-end residential buildings outlook. The high dividend payment should be an attractive enough catalyst in the near term, we believe. DPO forecast is maintained up to 60% due to the highly cyclical nature of construction sector.

Financial Summary

	Dec-10A	Dec-11A	Dec-12F	Dec-13F	Dec-14F
Revenue (Rpb)	1,541	1,569	2,025	2,057	2,147
Operating EBITDA (Rpb)	110.2	143.0	209.2	216.7	227.4
Net Profit (Rpb)	80.8	124.8	168.3	169.9	172.9
Core EPS (Rp)	23.37	36.57	49.35	49.82	50.69
Core EPS Growth	4.6%	56.5%	34.9%	0.9%	1.8%
FD Core P/E (x)	23.06	16.41	12.16	12.04	11.84
DPS (Rp)	5.14	12.47	37.34	25.17	25.41
Dividend Yield	0.86%	2.08%	6.22%	4.19%	4.23%
EV/EBITDA (x)	13.44	9.03	7.24	7.42	6.79
P/FCFE (x)	8.8	9.4	NA	341.4	12.3
Net Gearing	(101%)	(118%)	(83%)	(63%)	(65%)
P/BV (x)	3.66	3.23	3.14	2.84	2.58
Recurring ROE	15.2%	20.9%	26.2%	24.8%	22.9%
% Change In Core EPS Estimates			(0.19%)	(0.62%)	(1.05%)
CIMB/consensus EPS (x)			1.08	0.92	0.77

SOURCE: CIMB, COMPANY REPORTS

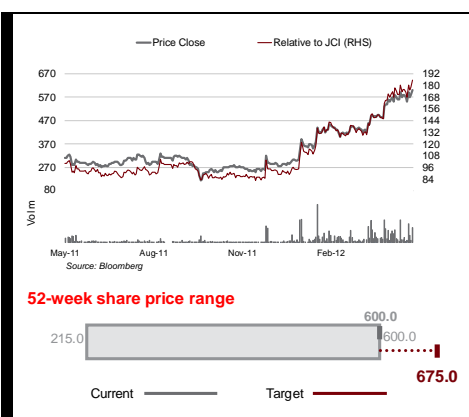
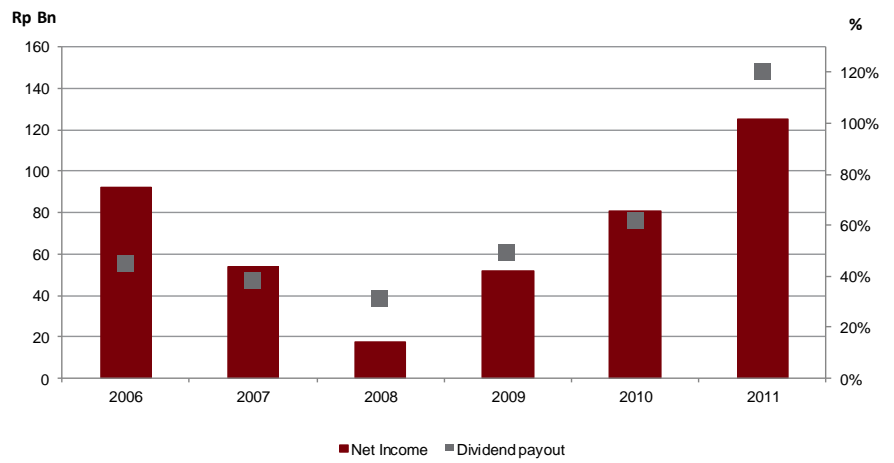


Figure 1: High dividend payout ratio against a net earnings ladder growth backdrop



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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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.

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Recommendation Framework #2 **

Stock	Sector
OUTPERFORM: Expected positive total returns of 15% 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 +15% or better over the next 12 months.
NEUTRAL: Expected total returns of between -15% and +15% 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 +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next 12 months.
UNDERPERFORM: Expected negative total returns of 15% 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 -15% or worse over the next 12 months.
TRADING BUY: Expected positive total returns of 15% 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 +15% or better over the next 3 months.
TRADING SELL: Expected negative total returns of 15% 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 -15% or worse over the next 3 months.

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