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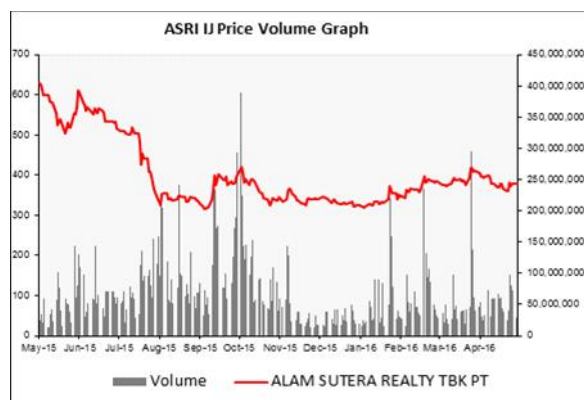


PT Alam Sutera Realty Tbk is a full service real estate company. The company develops and manages residential, commercial, leisure, and recreational projects.

Current Price: IDR 382

52-Week Target Price: IDR 450

Previous Target Price: IDR 540



Share Price Performance

Price (IDR)	382
52-Week High (05/25/15)	655
52-Week Low (09/29/15)	307
52-Week Beta	1.92
YTD Change/%	39 / 11.37%

Stock Information

Market Cap (IDR)	7,506.1 B
Shares Out/Float (M)	19,649.4 / 9,533

Company Update

PT Alam Sutera Realty Tbk (ASRI)

Cautious on the High Leverage

BUY

BUY TP IDR 450/share (18% Upside).

We lower our 52-week target price to IDR 450/share (65% discount to NAV), adopted from the weak of both presales and financial results in 1Q16 which increase the risk of potential weakening in balance sheet in the future. However, we still maintain BUY for the stock on the back of 2H16 property outlook is estimated to be better to support company's presales, especially if the tax amnesty law can be successfully implemented and if the banks' mortgage rate can be reduced.

1Q16 Results: Gain in Foreign Exchange Supported Stronger Net Profit Despite Weaker Revenue and Gross Profit.

Net profit increased by 66% YoY to IDR 528.8bn mainly on the back of foreign exchange gain reported by IDR 182.3bn compared to the IDR 250.9bn of foreign exchange loss recorded in 1Q15. However due to slower revenue recognition, revenue decreased by 15% YoY to IDR 842.9bn and gross profit also decreased by 28% YoY to IDR 547.5bn. Gross profit margin decreased to 65% from 77% in 1Q15 while net profit margin increased to 63% from 32% in 1Q15.

4M16 Presales Below Expectation.

The 4M16 consolidated presales was at by IDR 418.1bn, a significant decreased by 52% YoY from 4M15 presales of IDR 876.4bn. The 4M16 presales was equal to 8.4% of its FY16E presales target of IDR 5.0tn. The company targets FY16E presales revenue contribution coming from Serpong and Pasar Kemis to reach IDR 1.55tn (31%) and IDR 1.3tn (26%) in respectively, while high rise and GWK presales are targeted to reach IDR 2.1tn (42%) and IDR 50bn (1%) in respectively.

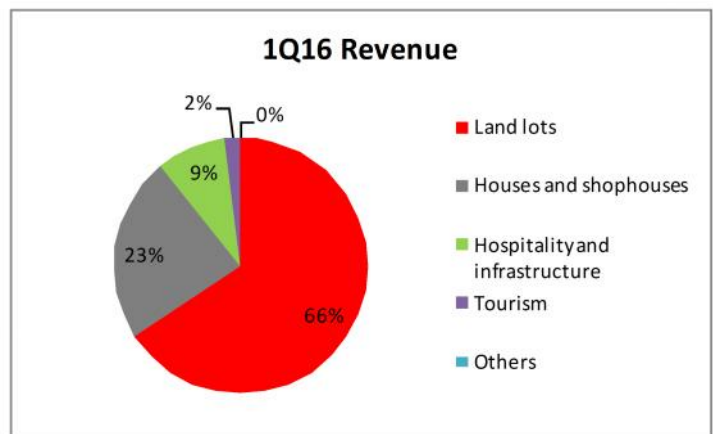
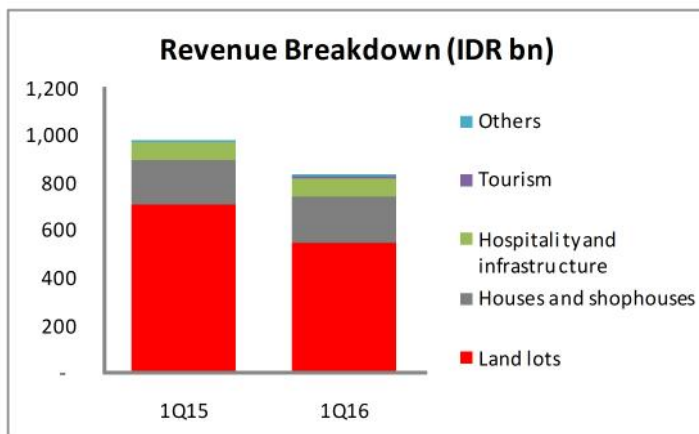
Downside Risk.

We remain concern on the high leverage risk (DER FY16E: 106%) coming from its huge USD bond outstanding of USD 460mn or equal to approximately IDR 6.0tn, the potential recording of foreign exchange loss, and the slowing cash flow generation.

I/S (IDR bn)	2014	2015	2016E	2017F	2018F
Revenue	3,630	2,783	2,567	3,830	6,586
Gross profit	2,306	2,056	1,899	2,834	4,872
Operating profit	1,725	1,484	1,376	2,052	3,529
Net profit	1,176	684	558	1,203	2,504
EPS - full amount	55.85	30.36	28.12	60.50	125.73

Source: Company Data, Sinarmas Investment Research

Income Statement Highlights (in billion of IDR)	1Q16	Margin %	1Q15	Margin %	+/- %
Revenue	842.87		990.66		-15%
Cost of Revenue	295.34	35%	225.04	23%	31%
Gross Profit	547.53 ▲	65%	765.61	77%	-28%
Operating Expenses	25.93	3%	470.02	47%	-94%
Income Before Tax Expenses	521.60 ▲	62%	295.59	30%	76%
Tax Expense/(Benefits)	(7.25)	-1%	(23.46)	-2%	-69%
Income for the Period	528.84 ▲	63%	319.05	32%	66%
Other Comprehensive Income/(Loss)	0.31	0%	0.96	0%	-68%
Total Comprehensive Income	529.15 ▲	63%	320.00	32%	65%
EPS (full amount)	26.84		14.23		89%



Marketing Sales Target (in billion of IDR)	FY16E	%
Serpong		
Commercial	1,100	22%
Residential	450	9%
Pasar Kemis		
Commercial	300	6%
Residential	1,000	20%
High Rise		
Apartment	400	8%
Offices	1,700	34%
GWK		
Hopitality	50	1%
TOTAL	5,000	100%

	Undeveloped Area (Ha)	Utilization Ratio (%)	Price/sqm IDR '000	Net Value IDR bn
Landbank				
Serpong, Tangerang				
Residential	2	60%	11,000	125
Commercial	50	60%	15,000	4,275
North Serpong, Tangerang	248	60%	2,500	3,534
Pasar Kemis, Tangerang	1,535	60%	2,500	21,874
Cikokol, Tangerang	17	60%	2,000	194
Cianjur, West Java	80	60%	400	182
Puncak, Cimacan	9	60%	500	26
Sanur, Bali	6	60%	4,000	137
Ungasan, South Kuta, Bali	63	60%	2,750	988
Tanjung Pinang, Riau	75	60%	100	43
Jakarta CBD	2	60%	25,000	285
Subtotal	2,087			31,662
Recurring Income				3,018
Total				34,680
Add: Cash				638
Less: Debts				7,291
Less: Advance				2,796
NAV				25,232
NAV/share				1,284
Discount to NAV				65%
Target price				449

Appendix I: Financial Statements

Balance Sheet (in billion of IDR)	2014	2015	2016E	2017F	2018F
Cash and cash equivalents	881	638	1,349	675	188
Time deposits	380	300	273	410	702
Inventories	931	1,156	862	1,439	2,343
Prepaid taxes	356	440	323	536	875
Total Current Assets	3,188	2,699	3,110	3,398	4,787
Other non-current financial assets	571	751	549	926	1,500
Inventories	2,821	4,394	3,024	5,280	8,417
Land for development	7,367	8,481	8,981	9,381	9,681
Investment properties	1,079	1,042	1,032	1,020	1,007
Fixed assets	958	1,097	1,247	1,397	1,547
Total Non-current Assets	13,736	16,011	15,277	18,503	23,152
Trade payables					
- Third parties	143	1,031	510	1,086	1,587
- Related parties	17	2	5	5	11
Sales advances	1,850	1,847	1,506	2,395	3,991
Total Current Liabilities	2,803	3,752	2,596	4,459	7,163
Long term bank loans	230	1,072	1,590	1,590	1,590
Sales advances	1,037	949	804	1,253	2,108
Bond payable	6,376	6,218	6,072	6,072	6,072
Total Non-current Liabilities	7,750	8,355	8,564	9,061	10,006
Share capital	1,965	1,965	1,965	1,965	1,965
Retained earnings					
- Appropriated	2	4	6	8	10
- Unappropriated	3,598	4,057	4,547	5,680	8,032
Total Equity Attributable to Owners of the Parent	6,118	6,454	7,071	8,207	10,560
Non-controlling interest	253	148	156	173	209
TOTAL EQUITY	6,371	6,602	7,227	8,380	10,770

Income Statement (in billion of IDR)	2014	2015	2016E	2017F	2018F
Sales, Services and Other Revenues	3,631	2,784	2,568	3,831	6,587
Cost of Sales, Services and Other Revenues	1,324	728	668	997	1,714
Gross Profit	2,307	2,056	1,900	2,834	4,873
Operating Expenses					
Selling Expenses	153	122	112	168	288
General and Administrative Expenses	246	307	283	422	725
Final Tax	183	143	128	192	329
Total Operating Expenses	581	571	524	781	1,343
Operating Income	1,725	1,485	1,376	2,053	3,530
Total Other Income/(Expenses)	(476)	(726)	(757)	(718)	(752)
Income Before Tax Expenses	1,249	759	619	1,335	2,778
Total Tax Expenses/(Benefits)	72	75	61	131	273
Income for The Year	1,177	684	558	1,204	2,504

Appendix II: Financial Ratios

Financial Ratio	2014	2015	2016E	2017F	2018F
Growth Ratio					
Sales, Services and Other Revenues	-1%	-23%	-8%	49%	72%
Gross Profit	26%	-11%	-8%	49%	72%
Operating Income	13%	-14%	-7%	49%	72%
Income for The Year	32%	-42%	-18%	116%	108%
Margin Ratio					
Gross Profit	64%	74%	74%	74%	74%
Operating Income	48%	53%	54%	54%	54%
Income for The Year	32%	25%	22%	31%	38%
Other Ratio					
Return on Equity	18%	10%	8%	14%	23%
Return on Assets	7%	4%	3%	6%	9%
Debt to Equity	104%	112%	106%	91%	71%
Debt to Assets	39%	39%	42%	35%	27%
Current Ratio	114%	72%	120%	76%	67%

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