

James Wahjudi

Research Analyst

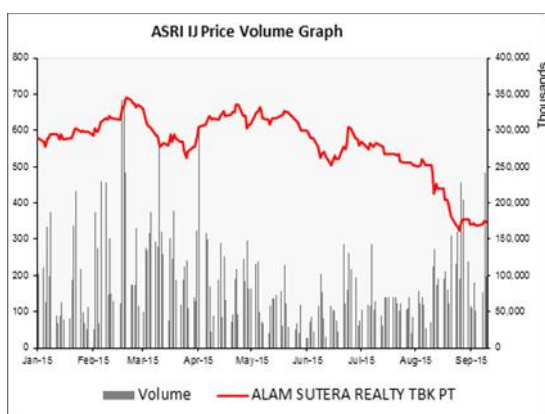
james.wahjudi@sinarmassekuritas.co.id

(021) 3925550 ext. 611

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

ASRI IJ

Current Price: IDR 351

52-Week Target Price: IDR 540


Source: Bloomberg, Sinarmas Investment Research

Share Price Performance

Price (IDR)	351
52-Week High (27/02/15)	700
52-Week Low (24/08/15)	323
YTD Change /%	-209/-37.32%

Stock Information

Market Cap. (IDR bn)	6,896.9
Shares Out./Float. (mn)	19,649.4/9.49
IPO Date	18/12/2007

Source: Bloomberg, Sinarmas Investment Research

Initiating Coverage
PT Alam Sutera Realty Tbk
Attractive Valuation but Challenging Environment
BUY
BUY TP IDR 540 (54% Potential Upside)

We initiate Alam Sutera Realty with a BUY recommendation on the back of its attractive valuation. Its 52-week TP of IDR 540 per share. The target price reflects 70% discount to NAV and implies 7.2x PER FY16F and 6.4x PER FY17F.

Well Balanced Product Mix

The company has a well balanced product mix whereas the portfolio is diversified into residential (landed houses and apartments), commercial (office towers, shophouses, malls, shopping centers, and markets) and land lots.

Huge Landbank to Develop, Huge Opportunities to Grow

As one of the biggest property developer in Indonesia, the company has 2,374 ha of landbank as of 31 December 2014. Around 71% (1,693ha) of its landbank is located in Pasar Kemis, 19% (447ha) is located in Serpong and Cikokol, and another 234ha is spread out in several locations across Cianjur, Riau, Bali, Cimacan, and Jakarta.

Marketing Sales and Capex Revised

The company revised down its FY15E marketing sales target by 22% to IDR 4.5tn from the initial target of IDR 5.8tn, due to 1H15 low achievement (20% of initial target, 26% of revised target).

Moreover, the company has also revised down its FY15E capital expenditure plan by a total of 25% to IDR 2.25tn in order to maintain the company's future cash flow due to the slow demand in property sector and also the low achievement in 1H15 company's marketing sales.

1H15 Results

The company booked 1H15 consolidated net income decrease by 8% YoY from IDR 580bn in 1H14 to IDR 537bn in 1H15 with 31% net profit margin. Eventough consolidated revenue was decrease by 11% YoY to IDR 1.73tn in 1H15, gross profit increased by 27% YoY to IDR 1.3tn. Thus, EBITDA rose by 27% YoY to IDR 1.19tn in 1H15.

Downside Risks

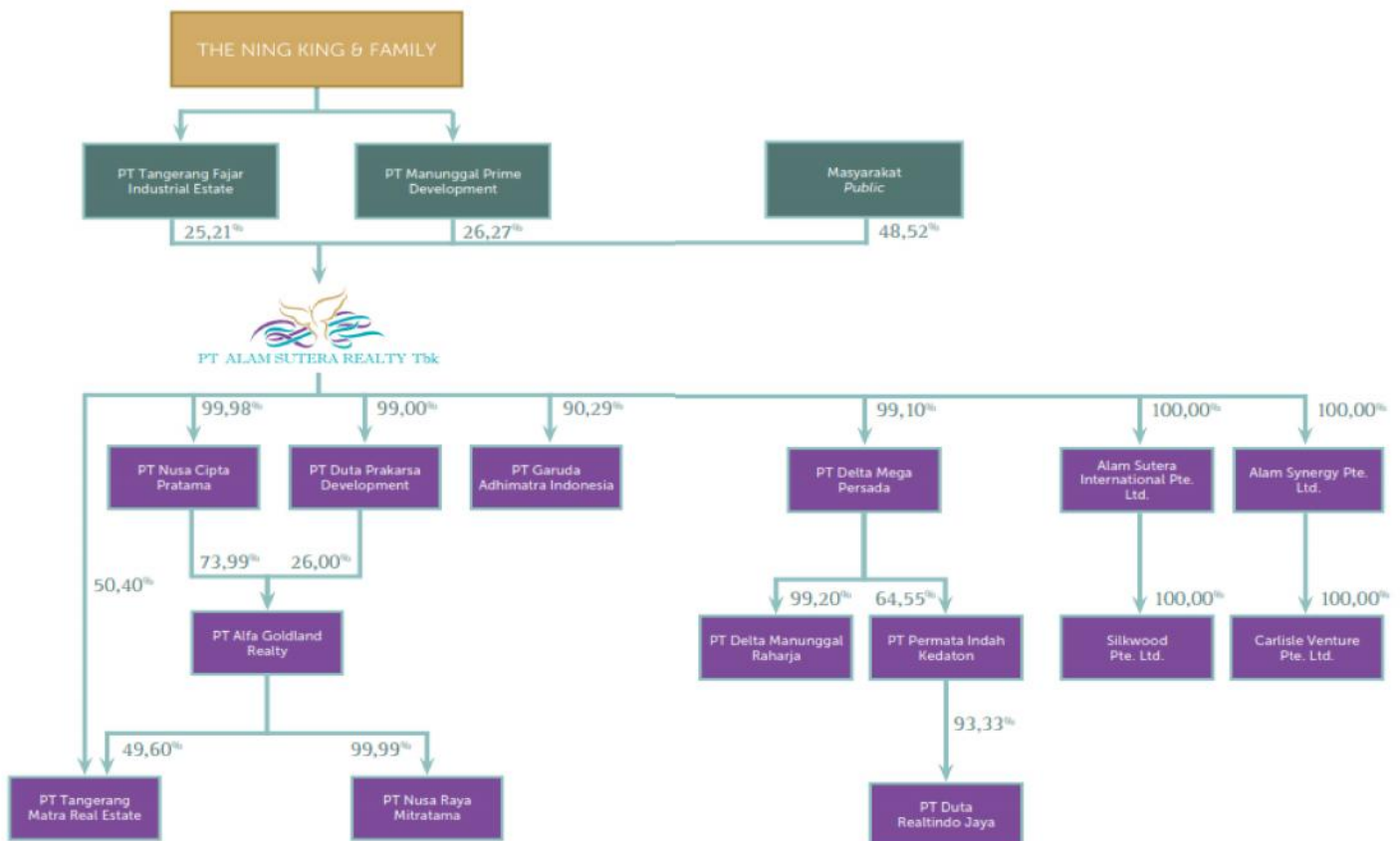
The slow down of Indonesia economy, slower property demand, IDR depreciation, delays in project pipeline, higher inflation and any further changes in government regulations could be the downside risks for ASRI.

Company at A Glance

Alam Sutera Realty is one of the leading integrated property developer companies in Indonesia with the focus of development and management of residential, commercial, and industrial areas, shopping centers, recreational centers and hotels (mixed-use development). The company was established on 3 Nov 1993 with its name PT Adhihutama Manunggal and then 14 years later, the name was changed to PT Alam Sutera Realty on 19 Sep 2007.

The company's latest development projects in 2014 were projects situated in Tangerang area (Alam Sutera Township, Suvarna Sutera Township, and Kota Ayodhya), Jakarta, and Bali.

The company was listed in Indonesia Stock Exchange (IDX) on 18 December 2007 with its stock code ASRI. As of 10 Sep 2015, its market capitalization was IDR 6.90tn.



Board of Commissioners

1. Harjanto Tirtohadiguno - President Commissioner
2. Angeline Sutedja - Commissioner
3. The Nicholas - Commissioner
4. Pingki Elka Pangestu - Independent Commissioner
5. Prasasto Sudyatmiko - Independent Commissioner

Board of Directors

1. Purbaja Pantja - President Director
2. Benny Redjo Setyono - Vice President Director
3. Joseph Sanusi Tjong - Director
4. Lilia Setiprawarti Sukotjo - Director
5. RM Frangky AD - Director
6. Andrew Charles Walker - Non-Affiliated Director

Successful Development in Alam Sutera Township

Alam Sutera Township is an integrated property development area which located in Serpong, Tangerang. This was the company's first development project area which began in 1994. Alam Sutera has its total development land area of 800 hectares (ha).

Alam Sutera offers its easy access from and to the location by having its direct exit toll road at 15.4 kilometer on Jakarta-Merak toll road, which was opened in September 2009. The direct exit toll road is one of company's competitive advantages compare to peers in the surrounding area.

For residential segment, this area has grown into 34 residential clusters and 2 apartment buildings up until end of 2014. Each residential cluster is supported with a range of premium facilities including education, entertainment, and healthcare. Moreover, the company also has developed office buildings, Mall @ Alam Sutera, Flavor Bliss, and Pasar 8 & T8 for its commercial segment.

The company has 2 projects which are still currently in the on-going development progress are Paddington Heights Apartment and The Prominence office building.

Silkwood Residences and Paddington Heights

Silkwood Residences is an apartment building in 3.5 ha land area with 2 towers which each has 459 unit. It is located next to Bina Nusantara University and opposite of Mall @ Alam Sutera.

Paddington Heights is a high-end apartment located between Bina Nusantara University and Silkwood Residences. This 30-floor high apartment construction will be completed in early 2016.

Office Buildings

Synergy Building, a 20-floor high office building, began its operation in 2013. Another office building called The Prominence which is a 30-floor high building with comprehensive facilities to provide comfortable workplace.

Mall @ Alam Sutera

This 3-floor mall, an area of 67,684 square meters (sqm), was officially opened in December 2012 with the 'lifestyle' concept and premium facilities.

Flavor Bliss

The Flavor Bliss, a 7.7 ha of land area, was established in 2 phases: (1) the first phase was opened in 2009 on 1.8 ha of land area, and (2) the second phase was completed in 2012 on 5.9 ha of land area. This area which is located at the entrance gate of Alam Sutera offers a complete range of choices of family food and entertainment center with leading brands such as Starbucks Coffee, Sushi Tei, Bandar Djakarta, and Total Buah Segar.

Pasar 8 & T8

Pasar 8, opened in 1Q10, is a modern market developed for its community which consist of 149 shop houses, 238 kiosk, and 304 stalls while T8 was developed to support the activities at Pasar 8 which provides 26 warehouse units and 16 land lots around Pasar 8 complex.

Suvarna Sutera Township

Suvarna Sutera Township, the second township developed by company, is located in Pasar Kemis, Tangerang (15 kilometers from Alam Sutera Township). 900 ha land area was developed as the first phase of development. In 2011, the company began its construction and marketing process, and then at the end of 2014, the company launches 3 superclusters inside Suvarna Sutera Township area which called Suvarna Padi, Suvarna Jati and Suvarna Padma with a total of 15 subclusters. More than 3,000 units of houses and land lots have been sold with total value at IDR 3.4tn.

Kota Ayodhya

Kota Ayodhya is an apartment building located in Cikokol, Tangerang (6.2 km from Alam Sutera and 2.5 km from Serpong toll). In July 2014, the company started developing the first phase by launching four 24-floor towers called Jade Tower, Coral Tower, Sienna Tower and Indigo Tower. Kota Ayodhya is surrounded by a range of facilities such as schools, universities, hospitals, worship places, office buildings, intercity bus terminals, train station, and a government complex. This project is to be completed by July 2016.

Other Development Projects

The other company's projects are The Tower and Wisma Argo Manunggal office buildings, both are located in CBD Jakarta, and Garuda Wisnu Kencana (GWK) Cultural Park in Ungasan, Bali island.

In 2012, the company has completed 90.3% shares acquisition of PT Garuda Adhimatra, the license holder for the land on which the GWK Cultural Park is located with a total price of IDR 812.6 billion. This mixed-use development consist of residential, hotel, and commercial areas within a 60 ha land area. In the future, GWK will have several attractions which will capture domestic and foreign tourists attention.

Well Balanced Product Mix

The company has a well balanced product mix whereas the portfolio is diversified into residential (landed houses and apartments), commercial (office towers, shophouses, malls, shopping centers, and markets) and land lots. These wide range of high quality real estate products are offered for sale or lease within the township with well developed infrastructure, property management and other value added services to enhance the townships long-term value and attractiveness.

Huge Landbank to Develop, Huge Opportunities to Grow

As one of the biggest property developer in Indonesia, the company has 2,374 ha of landbank as of 31 December 2014. Around 71% (1,693ha) of its landbank is located in Pasar Kemis, 19% (447ha) is located in Serpong and Cikokol, and another 234ha is spread out in several locations accross Cianjur, Riau, Bali, Cimacan, and Jakarta. Moreover, the company is still looking to acquire other areas to increase their landbank for future expansion.

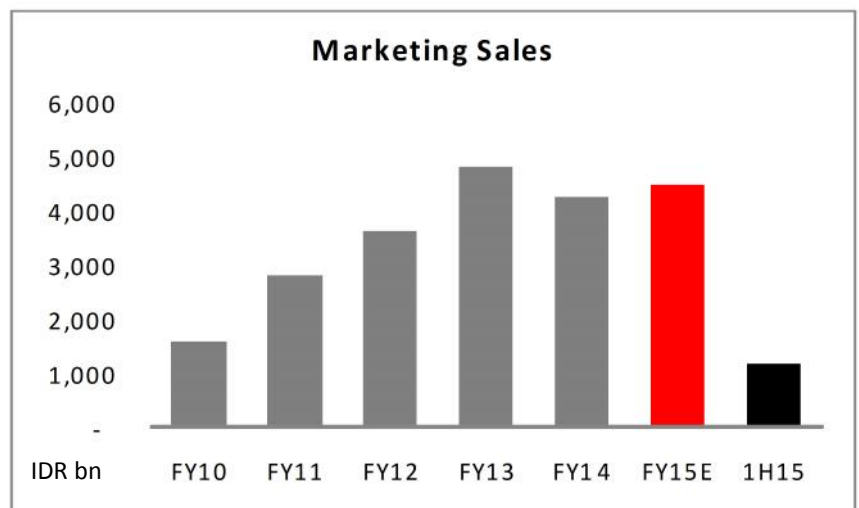
No.	Location	Landbank (ha)	% Total
as of 31 Dec 2014			
1	Serpong, Tangerang	182	8%
2	North Serpong, Tangerang	248	10%
3	Pasar Kemis, Tangerang	1,693	71%
4	Cikokol, Tangerang	17	1%
5	Cianjur, West Java	80	3%
6	Puncak, Cimacan	9	0%
7	Sanur, Bali	6	0%
8	Ungasan, South Kuta, Bali	63	3%
9	Tanjung Pinang, Riau	75	3%
10	Jakarta CBD	2	0%
	TOTAL	2,375	100%

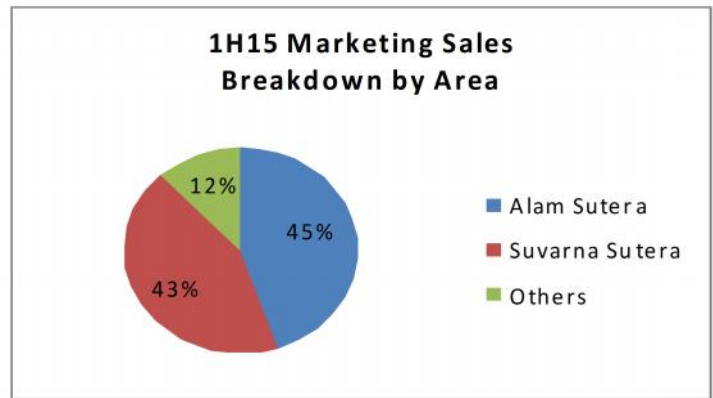
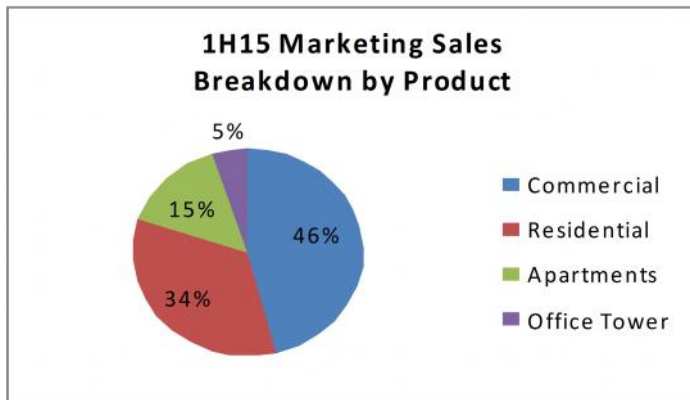
FY15E Marketing Sales Target Revision

The company revised down its FY15E marketing sales target by 22% to IDR 4.5tn from the initial target of IDR 5.8tn, due to 1H15 low achievement (20% of initial target, 26% of revised target). The economy slow down and rupiah depreciation are the two major concerns to slower demand from customers during the 1h15 period.

Type of Product <i>(in billion of IDR)</i>	Initial Target	1H15 Actual	2H15 Target	Revised Target	% Change
Serpong					
- Commercial	2,000	433	867	1,300	-35%
Pasar Kemis					
- Commercial	1,000	206	294	500	-50%
- Residential	1,000	293	507	800	-20%
High Rise					
- Apartments	750	176	424	600	-20%
- Offices	800	57	1,143	1,200	+50%
GWK					
Hospitality	250	-	100	100	-60%
TOTAL	5,800	1,165	3,335	4,500	-22%

In the period FY10-FY14, the company has sold more than a total of IDR 17tn worth of its asset property which include Suverna Sutera in Pasar Kemis made IDR 3.4tn contribution to total marketing sales.

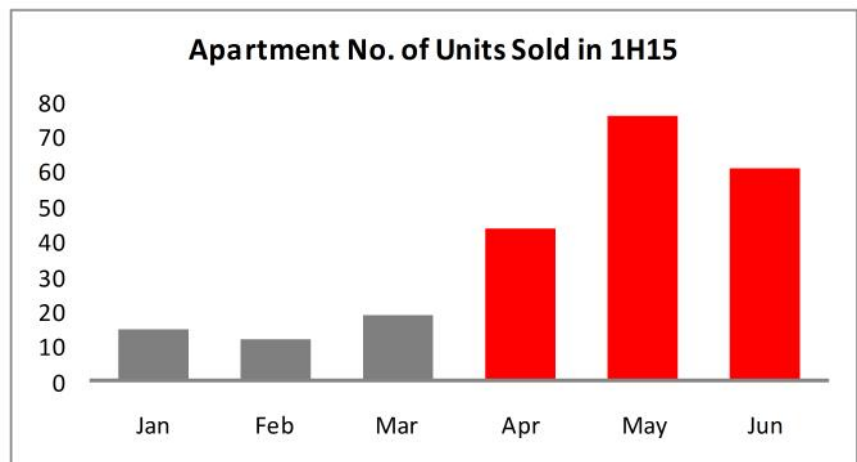




2H15 Marketing Strategies

In order to achieve end-of-year revised marketing sales target, the company has implemented new marketing strategies.

Firstly, the marketing team was being split off started from early 2Q15 in order to improve the sales effectiveness. As seen, the difference between 1Q15 and 2Q15 marketing sales in term of units of apartment sold were the team was able to sell 181 units in 2Q15 compared to only 46 units sold in 1Q15, jump by 293% QoQ.



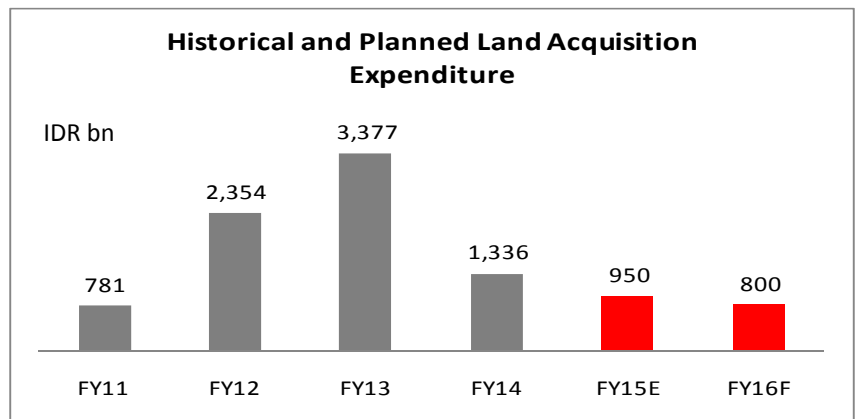
Secondly, the company has 3 potential one-off land sales transactions in 2H15. (a) The company signed MoU to form a Joint Venture (JV) and co-develop superbloc (20 ha) located in Alam Sutera, which includes an International Exhibition and Congress Center, (b) The company signed MoU to form JV and co-develop large scale themepark (300 ha) located in Suvarna Sutera, Pasar Kemis, and (c) the company has a potential 6 ha landbank sale in Sanur.

Thirdly, the company has strong marketing sales in pipelines which includes high rises (approximately 5.4 ha), commercial lots (approximately 3 ha) and potential JV with Asian Based Property Developer.

Capital Expenditure Revised Downward

The company has revised down its FY15E capital expenditure plan for both land acquisition and construction by a total of 25% to IDR 2.25tn in order to maintain the company's future cash flow due to the slow demand in property sector and also the low achievement in 1H15 company's marketing sales.

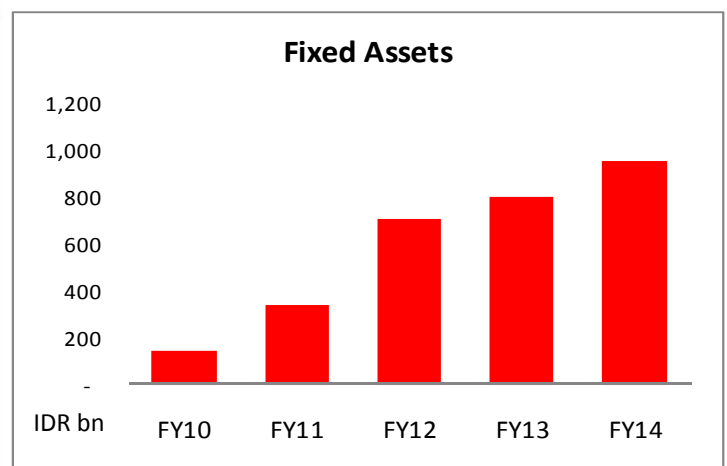
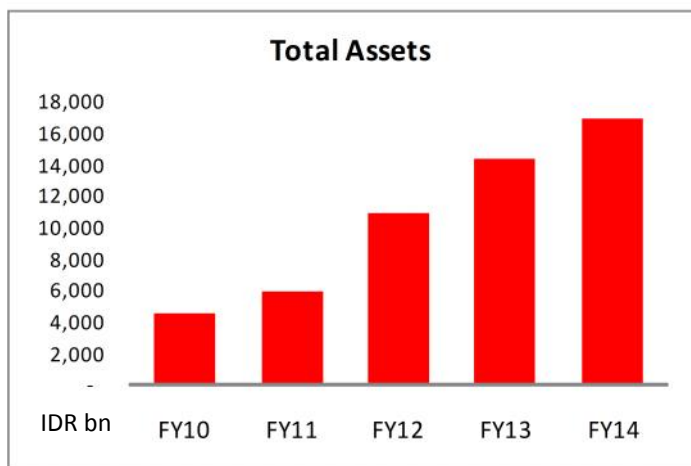
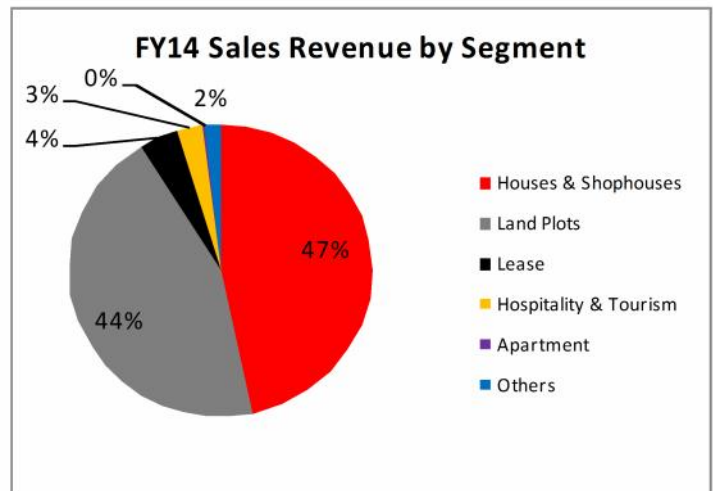
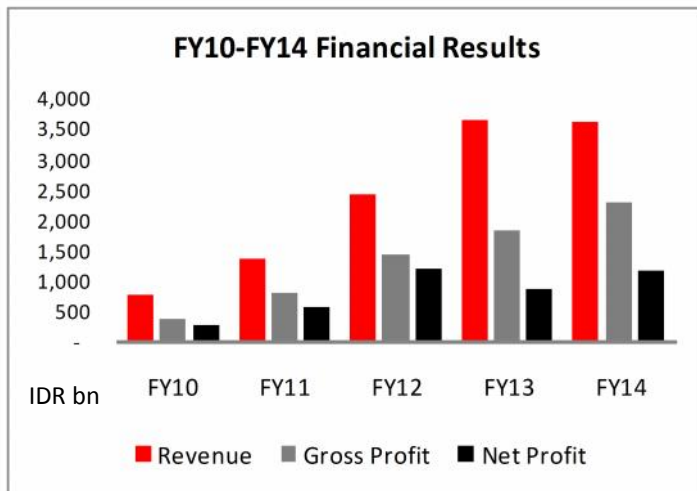
Description (in IDR bn)	FY15E Initial Target	FY15E Revised Target
Land Acquisition	1,000	950
Construction - High Rise	1,000	800
Construction - Low Rise	1,000	500
TOTAL	3,000	2,250



Company's Historical Fundamental

During FY10-FY14, consolidated net income was robustly grew 42% CAGR on the back of the CAGR increase in sales revenue was higher than that in cost of revenue. Sales revenue was increased by 46% CAGR while cost of revenue was increased by 36% CAGR.

The company booked FY14 sales revenue IDR 3.63tn, a decline by 1.4% YoY due to economic slowdown and also less-than-normal demand in the political year. Total marketing sales booked decline by 11.7% YoY to IDR 4.26tn last year with 85% achievement from its FY14 marketing sales target. Moreover, to deal with this economic and demand slowdown, the company has tightened its COGS spending by 28.3% YoY to IDR 1.32tn. As results, both gross profit and net profit robustly increased by 25.5% YoY to IDR 2.31tn and 32.3% YoY to IDR 1.18tn in respectively. Gross Profit Margin increased from 50% to 64% and Net Profit Margin also increased from 24% to 32%.



1H15 Results

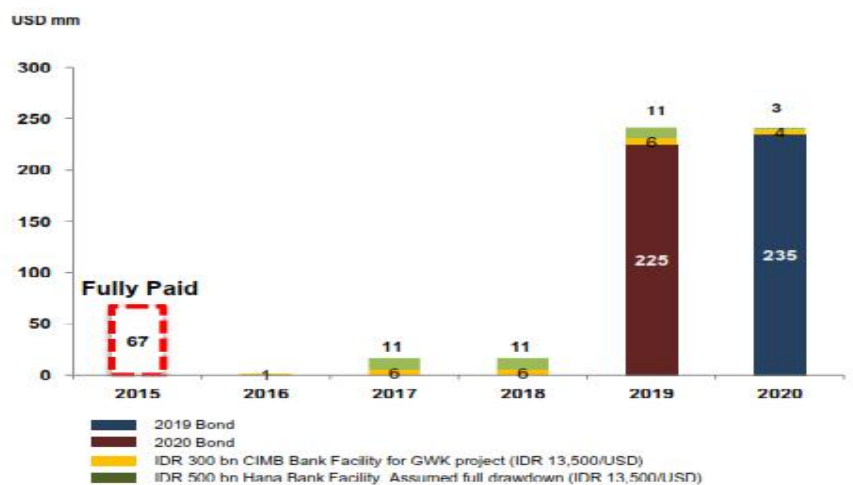
The company booked 1H15 consolidated net income decrease by 8% YoY from IDR 580bn in 1H14 to IDR 537bn in 1H15 with 31% net profit margin. Eventough consolidated revenue was decrease by 11% YoY to IDR 1.73tn in 1H15, gross profit increased by 27% YoY to IDR 1.3tn. Thus, EBITDA rose by 27% YoY to IDR 1.19tn in 1H15.

I/S (in billion of IDR)	1H14	1H15	% Change
Revenue	1,945	1,733	-11%
Gross Profit	1,077	1,371	27%
<i>Margin</i>	55%	79%	
Operating Income	897	1,133	26%
<i>Margin</i>	46%	65%	
EBITDA	937	1,189	27%
<i>Margin</i>	48%	69%	
Net Income	580	537	-8%
<i>Margin</i>	30%	31%	

Financial Ratios	1H14	1H15
Debt/LTM EBITDA	4.06	2.81
Net Debt/LTM EBITDA	3.05	2.57
Debt to Equity	108%	93%
Net Debt to Equity	81%	85%
EBITDA/Interest	3.46	4.00

Debt Profile

The company has fully redeemed 2017 Bond in April 2015 but it still has 2 outstanding bonds totaled USD 460mn which will due in 2019 and 2020 with the flexibility to call the remaining bonds in 2017. 1H15 DER was decreased by 15% YoY from 108% to 93%. The company targets to achieve lower gearing by improving cash position through slower capital spending and initiative to accelerate asset monetization. However, we notice with the rupiah depreciation against US dolar, company's liabilities risk automatically becomes higher. But on the other hand, we see that the existing bonds are substantially hedged by up to IDR 14,500.



NAV Calculation

We value company's assets by using NAV method and arrive to its target price of IDR 540 per share with 70% discount to NAV which implies 7.3x PER FY16F and 6.4x PER FY17F.

as of 31 Dec 2014	Undeveloped Area (ha)	Utilization Ratio (%)	Price/sqm (IDR '000)	Net Value (IDR bn)
Landbank				
Serpong, Tangerang				
Residential	100	60%	13,000	7,410
Commercial	82	60%	15,000	7,011
North Serpong, Tangerang	248	60%	5,000	7,068
Pasar Kemis, Tangerang	1,693	60%	1,500	14,475
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%	50,000	570
Subtotal	2,375			38,103
Recurring Income				4,531
Total				42,634
Add Cash				890
Less Debts				4,542
Less Advance				3,588
NAV				35,395
NAV/share				1,801
Discount to NAV				70%
Target Price				540

<i>in billion of IDR</i>	FY13	FY14	FY15E	FY16F	FY17F
<u>I/S</u>					
Revenues	3,684	3,630	3,827	4,253	4,678
Cost of Revenues	1,846	1,324	1,389	1,543	1,697
Gross Profit	1,837	2,306	2,438	2,709	2,980
Operating Expenses	304	398	420	467	514
Operating Income	1,533	1,907	2,018	2,242	2,466
Other Income (Expenses)	(451)	(522)	(536)	(488)	(488)
Income Before Tax Expense	1,081	1,385	1,482	1,754	1,978
Tax Expense	192	208	223	264	298
Net Income	889	1,176	1,258	1,489	1,680
Other Comprehensive Income	-	-	-	-	-
Total Comprehensive Income	889	1,176	1,258	1,489	1,680
Basic EPS (Full Amount)	44.62	55.85	63.14	74.73	84.28
<u>B/S</u>					
Cash and cash equivalents	890	880	977	954	721
Time deposits	446	379	481	498	542
Trade receivables	82	129	78	111	128
Inventories	3,237	3,750	3,957	4,176	4,754
Prepaid taxes	331	429	388	492	567
Land for development	5,845	7,366	8,316	9,116	10,207
Investment properties	1,086	1,078	1,092	1,103	1,113
Fixed assets	801	957	1,120	1,279	1,450
Other assets	1,710	1,956	1,844	2,103	2,361
TOTAL ASSETS	14,428	16,924	18,253	19,832	21,843
Trade payables	165	160	114	150	170
Sales Advances	3,588	2,886	3,522	3,675	4,026
Bonds payable	4,541	6,376	6,141	6,141	6,141
Other liabilities	802	1,131	1,024	1,122	1,314
TOTAL LIABILITIES	9,096	10,553	10,802	11,086	11,650
Share capital	1,964	1,964	1,964	1,964	1,964
Additional paid-in-capital	553	553	553	553	553
Retained earnings	2,640	3,599	4,662	5,934	7,357
Other equity	174	255	272	293	318
TOTAL EQUITY	5,331	6,371	7,451	8,744	10,192

Source: Company, Sinarmas Investment Research

DISCLAIMER

This report has been prepared by PT SinarMas Sekuritas, an affiliate of SinarMas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of SinarMas Research department. If and as applicable, SinarMas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of SinarMas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the SinarMas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by SinarMas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the SinarMas Group, including SinarMas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the SinarMas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

SinarMas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of SinarMas Sekuritas and SinarMas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

© SinarMas Sekuritas (2015). All rights reserved.