

1Q18 results. BEST recorded net profit of IDR 93.5bn (+12.1% YoY, -53.3% QoQ), a quite weak result to start the year which accomplished 18.3%/17.9% of our/consensus FY18 estimates. Due to slower revenue recognition, BEST's top-line was recorded at IDR 210.9bn (13.9% YoY, -42.5% QoQ) reaching 18.8%/18.1% of our/consensus FY18 estimates. Gross margin was maintained while operating margin was up by 386bps due to low selling expense. On the bottom-line side, net margin stood at 44.3%, 69bps lower compared to 1Q17. Despite finance cost was down by 25.5% YoY, higher other expenses of IDR 4.1bn (vs other income of IDR 14.9bn in 1Q17) had led to net margin shrinkage.

Decent sales backed by plenty land inquiries and sales backlog. BEST successfully booked 4.4ha of land sales in 1Q18, worth of IDR 127.2bn with ASP recorded at IDR 2.89mn (+13.3% YoY). The sales were coming from local metal & steel sector and government infra project. Moreover, BEST had received 72ha land inquiries as 1Q18, mostly from logistic and consumer sector. Worth to note, 38% of its land inquiries were coming from its existing tenants. Besides, BEST also hold 35ha of sales backlog worth of IDR 945bn, assuming ASP of IDR 2.7mn/sqm. All in all, even though BEST only booked 10-13% from FY18 pre-sales target in 1Q18, we believe that BEST could ramp up its sales in the upcoming quarters to achieve its target at 35-45ha.

New investment properties to improve. ENSO Hotel which had been opened since last year had already contributed IDR 3bn of revenue in 1Q18, though still recorded a net loss due to low occupancy ratio. However, its occupancy rate is expected to reach 40-50% this year. To add, BEST's Office which has 5,641sqm NLA will be operated starting mid 2018 with expected occupancy level at 30-40% in the beginning. Therefore, we are still positive for BEST's recurring income to grow by 17% YoY this year.

Reiterate BUY call on BEST with FY18 target price at IDR 420, reflecting 65% discount to NAV. Currently, BEST is trading at 76% discount to NAV and 5.6x forward PE, -1.2SD from its 5 years average PE. At current price, BEST offers a very attractive valuation. We believe BEST's land sales and revenue to improve in the quarters ahead, backed by plenty land inquiries and sales backlog. Not to mention, BEST will also be benefited from JORR 2 (Cibitung-Cilincing segment) development project which is already in the construction stage at MM2100, plus other infra project developments in the nearby area, which we believe will provide future positive catalyst as land prices increase. In addition, BEST also owns healthy balance sheet as they had refinanced their existing debt with lower cost and longer maturity debt.

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Stock Information

Sector	Industrial Estate
Bloomberg Ticker	BEST IJ
Market Cap. (IDR tn)	2.8
Share Out./Float (mn)	9,647/4,032
Current Price	IDR 286
52-week Target Price	IDR 420
Upside (%)	46.9%

Share Price Performance

52W High (06/09/17)	352
52W Low (12/12/17)	244
52W Beta	1.10
YTD Change (%)	14.4%

Relative Valuations

Trailing P/E	5.6x
Forward P/E	7.9x
P/BV	0.7x
EV/EBITDA	5.8x

Highlights (IDR Bn)	2016	2017	2018F	2019F	2020F
Pre-sales	847	1,098	1,258	1,247	1,387
growth (%)	111.4%	29.6%	14.6%	-0.8%	11.2%
Revenue	824	1,006	1,120	1,267	1,337
Revenue growth (%)	20.0%	22.0%	11.3%	13.1%	5.5%
Gross profit	613	721	802	908	959
EBITDA	530	610	680	771	815
Net profit	336	483	511	600	641
EPS (IDR)	35	50	53	62	66
Gross margin	74.4%	71.6%	71.6%	71.7%	71.7%
Net margin	40.8%	48.0%	45.6%	47.3%	48.0%

Income Statement (IDR Bn)	2016	2017	2018F	2019F	2020F
Revenue	824	1,006	1,120	1,267	1,337
Cost of revenues	(211)	(286)	(319)	(359)	(378)
Gross profit	613	721	802	908	959
Operating expenses	(93)	(121)	(134)	(152)	(160)
Operating profit	521	599	668	757	799
EBITDA	530	610	680	771	815
Interest expense	(118)	(140)	(119)	(115)	(114)
Other income (expense)	(62)	29	(32)	(35)	(37)
Profit before tax	341	488	516	606	648
Tax	(4)	(5)	(5)	(6)	(6)
Net profit	336	483	511	600	642
Minority interest	0	0	1	1	1
Attributable net profit	336	483	511	600	641
Earnings per share (Rp.)	35	50	53	62	66

Balance Sheet (IDR Bn)	2016	2017	2018F	2019F	2020F
Cash & equivalents	442	502	392	406	286
Trade receivables	234	349	269	279	294
Inventories	736	927	1,016	1,130	1,258
Advances	365	260	302	343	388
Others	71	7	8	9	9
Current assets	1,849	2,045	1,988	2,166	2,235
Fixed assets	172	163	173	185	199
Investment properties	102	137	170	206	246
Inventories	2,848	3,241	3,604	4,005	4,459
Other long-term assets	234	134	176	129	136
Total assets	5,205	5,719	6,110	6,690	7,274
Payables	18	48	49	56	59
Short-term debt	457	448	-	-	1
Advances received	16	159	112	127	134
Others short-term liabilities	55	85	61	62	64
Total current liabilities	545	741	223	244	256
Long-term debt	1,235	1,067	1,559	1,562	1,551
Other liabilities	35	63	66	72	75
Total Liabilities	1,815	1,871	1,848	1,879	1,882
Capital stock	965	965	965	965	965
Additional paid in capital	220	229	229	229	229
Retained earnings	2,203	2,652	3,066	3,615	4,196
Equity attributable to owners	3,388	3,845	4,260	4,808	5,390
Minority interest	3	3	3	3	3
Shareholder's equity	3,391	3,848	4,262	4,811	5,393

Cash Flow (IDR Bn)	2016	2017E	2018F	2019F	2020F
Net profit	336	483	511	600	642
Depreciation	9	10	12	14	16
Changes in net working capital	336	(68)	123	143	178
Operating cash flow	9	562	400	471	479
Changes in fixed asset	68	(4)	17	18	21
Changes in long-term assets	175	332	444	397	510
Changes in long-term liabilities	17	28	4	6	3
Investing cash flow	(226)	(300)	(457)	(410)	(528)
Changes in equity	23	9	0	0	0
Changes in short-term loans	221	(8)	(448)	-	1
Changes in long-term loans	48	(167)	491	4	(12)
Dividend	10	35	97	51	60
Financing cash flow	281	(202)	(54)	(47)	(71)
Net Cashflow	64	60	(110)	14	(120)
Beginning of Cash	378	442	502	392	406
Ending Cash	442	502	392	406	286

Ratio Analysys (IDR Bn)	2016	2017E	2018F	2019F	2020F
Pre-sales growth	111.4%	29.6%	14.6%	-0.8%	11.2%
Revenue growth	20.0%	22.0%	11.3%	13.1%	5.5%
Net profit growth	59%	44%	6%	17%	7%
Gross profit margin	74.4%	71.6%	71.6%	71.7%	71.7%
Operating margin	63.1%	59.6%	59.6%	59.7%	59.8%
EBITDA margin	64.2%	60.6%	60.7%	60.8%	61.0%
Net margin	40.8%	48.0%	45.6%	47.3%	48.0%
ROA	6.5%	8.5%	8.4%	9.0%	8.8%
ROE	9.9%	12.6%	12.0%	12.5%	11.9%
Interest cover (x)	4.5	4.4	5.7	6.7	7.1
Debt to equity (x)	0.5	0.4	0.4	0.3	0.3
Net debt to equity (x)	0.4	0.3	0.3	0.2	0.2
Current ratio (x)	3.4	2.8	8.9	8.9	8.7
PER (x)	12.1	8.4	7.9	6.8	6.3
PBV (x)	1.2	1.1	1.0	0.8	0.8

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