PT Puradelta Lestari Tbk.

Company Visit Note

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As of 9M17, DMAS recorded 37.5ha of industrial land sales (62.5% of FY17 target) amounted to IDR 810bn. Worth to note, current demand of industrial estate prefers big size land plot which we believe it will give the advantage for DMAS since it has huge land bank and the flexibility to re-allocate it in accordance to company's strategy. As we can see, company's three-year average net profit margin (NPM) stood at 57%, premium to its peers. Currently, DMAS has 1.610ha land bank with average acquisition cost of IDR 0.6mn/sqm and ASP of IDR 2.2mn/sqm. According to our discussion with management, there will be huge land sales booking in 4Q17 or 1Q18. As a result, we believe DMAS will succesfully achieve 100% of FY17 land sales target of 60ha. In order to keep company's land bank sustainability, the management has spent IDR 200bn to acquire 124ha land near Greenland International Industrial Center (GIIC). To add, DMAS has zero DER and positive operating cash flow since 2012. The key to its strong balance sheet and positive operating cash flow is the company's recurring income. DMAS's water treatment plant (WTP) and estate management fees contribute to net income of IDR 69bn in FY16, and projected to grow further as the industrial estate will be more occupied by new tenants. Serviced apartment and rental factories are also adding the company's recurring income. Furthermore, DMAS plans to add five more rental factory building in 2018 with average rent rate of IDR 70 thousands/sqm. After AEON Mall Cakung is officially opened at 5th Oct 2017, we predict that AEON Mall Deltamas will be the next one to open in near future since AEON has bought 20ha land in Deltamas last year. All in all, the company will continue to develop its commercial development, Greenland Square, after the success of El Premio Shophouses which already sold out. A cooperation with Panahome Asia Pacific Pte. Ltd. (a housing company under Panasonic Group) to build a 37ha sustainable smart town residential estate in Deltamas City, will also support the future residential development on that area.

Our view: we see that DMAS has a strong fundamental to thrive in upcoming years. We also believe that DMAS will most likely to achieve FY17 industrial land sales target, despite flattish ASP compared to last year. We like DMAS compared to its peers because of huge land bank, its flexibility to re-allocate it in accordance to company's strategy, and growing recurring income. However, we are still reviewing our valuation based on the information from the management.

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