

As we spoke with management, SSIA's limited big-size land plot in Suryacipta City of Industry has caused weak land sales in 1H17 (1.8ha land sales) as some of the land inquiries that came in required big size land plot which the company can not provide. Currently, SSIA relies heavily on smaller land size sales with ASP at US\$ 115/sqm. Moreover, Suryacipta phase IV which could extend SSIA land bank availability (175ha in 1H17), still have no further clarity on the future development of the JV project.

SSIA is currently focusing on the new industrial estate (IE) development in Subang, with 2,000ha gross license area. As of 1H17, the company has acquired 669ha land at Subang with average acquisition cost of IDR 120,000 per square meter and targeted to acquire up to 1,000ha by the end of 2017. To add, SSIA has proposed to construct Subang-Patimban toll road (\pm IDR 5tn investment) in order to improve accessibility of Subang IE to Patimban Seaport and provide new construction project for Nusa Raya Cipta (SSIA's subsidiary contractor). However, the management expect the Subang project itself to be monetize in 2019 and will be a significant catalyst for the company. Furthermore, the management expect to get another IDR 1.9tn in 1Q18 from the sale of stake in Cipali toll road. From the proceed, the management plans to use IDR 1tn to acquire 50ha prime-located land in Subang, IDR 550bn to pay matured bond in November 2017, and the rest for working capital.

Our view: we see that SSIA (not rated) is trading at an attractive valuation as current market price reflects 0.6x PBV. Nonetheless, we see lack of catalyst in the near term as monetization from Subang will most likely to occur in 2019. We believe SSIA limited land bank and soft land sales performance will continue to persist in 2H17, while the progress and success of Subang IE development will enrich the company's valuation going forward.

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