

More good results to come. DMAS 2Q18 result is much better both yearly and quarterly as expected, given the weak 1Q18 and 2Q17 results. As of 2Q18, revenue came out at IDR 234.5bn (+2,205% YoY, +1,816% QoQ), and bottom-line was recorded at IDR 90.9bn (vs -2.3bn in 2Q17, +3,087% QoQ). This time, revenue recognition was improving, industrial revenue was posted at IDR 227bn, increased 488 times YoY. However, recurring revenue decreased 76.5% YoY due to renovation on its serviced apartment and drop in occupancy rate. Nevertheless, gain from estate management increased 243.5% YoY. Going forward, we believe result to be stronger backed by ample sales backlog and improving revenue recognition.

The preferred one. Kota Deltamas has been one of the most preferred industrial estate in East Jakarta corridor, providing sizeable un-scattered land with complete supporting facilities. Compared to its peers' land bank in nearby area, DMAS has the biggest saleable land bank of 1,072 Ha (BEST: 725 Ha, SSIA: 170Ha). Going forward, we are expecting commercial and residential segment to have stronger growth. Panahome (Deltamas' JV with Panasonic Group) will start to launch ±100 unit middle-segment house in September. Moreover, Japanese school is already in construction progress and expected to be completed next year, while AEON mall predicted to start construction in late 2018 or early 2019. Hence, we believe the more facilities build in the estate, the more attractive the estate will be to the investor. On the other side, DMAS fundamental remains robust, it has maintained debt-free balance sheet, strong recurring income growth, positive operating cash flow, and high profit margin.

Land inquiries remain solid, patience for action. As of 1H18, DMAS recorded IDR 561bn of pre-sales (-22.2% YoY) achieving 54.7% FY18 pre-sales target. Industrial land sold 21.7ha land worth of IDR 374bn, plus commercial and residential land sales recorded at IDR 187bn. Worth noting, DMAS has a stronger sales performance compared to its competitors (BEST: 6.1ha at IDR 180bn, SSIA: no sales). As of July 2018, land inquiry was recorded at 130 Ha which reflect current demand is still high. However, on the risk side, the uncertain condition during geopolitical tension and election year could create a "wait and see" stance for investors and slowing down pre-sales. Moreover, slow revenue recognition also acts as the headwind for the company that causes an uneven quarterly earning result.

Valuation already bottoming with EV/sqm near half its cost. DMAS' valuation has been pushed to the limit, at current price, DMAS is trading at 83% discount to NAV (IDR 750/share) and EV/sqm calculated at IDR 0.38mn/sqm. Comparing current EV/sqm to its land acquisition cost ±IDR 0.65-0.75 mn/sqm, their EV/sqm has been discounted almost 50%. All in all, with the attractive valuation given, we re-iterate our **BUY** recommendation with TP at IDR 220 (70% discount to NAV).

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Sector	Industrial Estate
Bloomberg Ticker	DMAS IJ
Market Cap. (IDR tn)	6.0
Share Out./Float (mn)	48,198/8,540
Current Price	IDR 125
52-week Target Price	IDR 220
Upside (%)	76.0%

Share Price Performance

52W High (07/31/17)	214
52W Low (07/27/18)	122
52W Beta	0.72
YTD Change (%)	-25.7%

Relative Valuations

Trailing P/E	9.6x
Forward P/E	18.8x
P/BV	1.6x

Highlights (IDR Bn)	2016	2017	2018F	2019F	2020F
Pre-sales	1,072	1,408	1,099	1,003	1,224
growth (%)	-37.6%	31.3%	-21.9%	-8.8%	22.1%
Revenue	1,594	1,336	1,052	1,114	1,125
Revenue growth (%)	-30.3%	-16.2%	-21.2%	5.8%	1.0%
Gross profit	896	815	632	664	664
EBITDA	734	644	526	562	559
Net profit	757	657	565	593	593
EPS (IDR)	15.7	13.6	11.7	12.3	12.3
Gross margin	56.2%	61.0%	60.1%	59.6%	59.0%
Net margin	47.5%	49.1%	53.6%	53.3%	52.7%

Income Statement (IDR Bn)	2016	2017	2018F	2019F	2020F
Revenue	1,594	1,336	1,052	1,114	1,125
Cost of revenues	698	522	420	449	461
Gross profit	896	815	632	664	664
Operating expenses	172	191	126	123	126
Operating profit	724	624	506	542	538
EBITDA	734	644	526	562	559
Interest income	10	24	14	14	13
Other income (expense)	41	22	56	50	54
Profit before tax	775	670	577	606	606
Tax	18	13	12	12	12
Net profit	758	657	565	594	594
Minority interest	0	0	0	0	0
Attributable net profit	757	657	565	593	593
Earnings per share (Rp.)	16	14	12	12	12

Balance Sheet (IDR Bn)	2016	2017	2018E	2019E	2020E
Cash & equivalents	1,219	785	409	252	41
Trade receivables	-	50	-	-	-
Inventories	2,380	2,602	2,758	2,758	2,761
Advances	78	81	42	45	45
Others	37	18	26	28	28
Current assets	3,714	3,536	3,235	3,082	2,875
Fixed assets	305	320	310	299	288
Investment properties	30	31	30	29	28
Inventories	3,755	3,517	3,371	3,371	3,375
Other long-term assets	-	67	-	-	-
Total assets	7,804	7,471	6,946	6,782	6,566
Payables	39	18	25	27	28
Short-term debt	-	-	-	-	-
Advances received	163	272	108	114	115
Others short-term liabilities	193	148	122	130	131
Total current liabilities	395	438	255	270	274
Long-term employee benefits	20	27	21	22	23
Total Liabilities	415	465	276	293	296
Capital stock	4,820	4,820	4,820	4,820	4,820
Additional paid in capital	380	380	380	380	380
Retained earnings	2,185	1,803	1,467	1,287	1,068
Equity attributable to owners	7,385	7,002	6,667	6,487	6,267
Minority interest	3	4	2	2	2
Shareholder's equity	7,388	7,006	6,669	6,489	6,269

Cash Flow (IDR Bn)	2016	2017	2018E	2019E	2020E
Net profit	758	657	565	594	594
Depreciation	10	20	20	21	21
Changes in net working capital	(392)	213	258	(11)	0
Operating cash flow	1,159	464	327	625	614
Changes in fixed asset	131	33	10	8	9
Changes in long-term assets	456	(168)	(214)	1	3
Changes in long-term liabilities	3	7	(6)	1	0
Investing cash flow	(585)	142	198	(8)	(12)
Changes in equity	0	0	(2)	0	0
Changes in short-term loans	-	-	-	-	-
Changes in long-term loans	-	-	-	-	-
Dividend	530	1,040	900	774	813
Financing cash flow	(529)	(1,039)	(901)	(773)	(813)
Net Cashflow	44	(434)	(377)	(157)	(211)
Beginning of Cash	1,175	1,219	785	409	252
Ending Cash	1,219	785	409	252	41

Ratio Analysis (IDR Bn)	2016	2017	2018F	2019F	2020F
Pre-sales growth	-37.6%	31.3%	-21.9%	-8.8%	22.1%
Revenue growth	-30.3%	-16.2%	-21.2%	5.8%	1.0%
Net profit growth	-44.6%	-13.3%	-14.0%	5.1%	0.0%
Gross profit margin	56.2%	61.0%	60.1%	59.6%	59.0%
Operating margin	45.4%	46.7%	48.1%	48.6%	47.8%
EBITDA margin	46.0%	48.2%	50.0%	50.5%	49.7%
Net margin	47.5%	49.1%	53.6%	53.3%	52.7%
ROA	9.7%	8.8%	8.1%	8.8%	9.0%
ROE	10.3%	9.4%	8.5%	9.1%	9.5%
Debt to equity (x)	0%	0%	0%	0%	0%
Net debt to equity (x)	0%	0%	0%	0%	0%
Current ratio (x)	9.4	8.1	12.7	11.4	10.5
PER (x)	14.0	16.1	18.8	17.9	17.9
PBV (x)	1.4	1.5	1.6	1.6	1.7

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