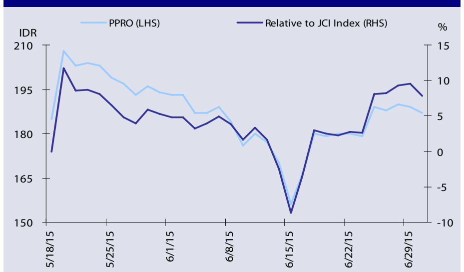
BUY

Target Price, IDR	242
Upside	29.4%

PPRO IJ/PPRO.JK

Last Price, IDR	187
No. of shares, mn	14,044
Market Cap, IDR bn	**2,626**
(US$ mn)	197
3M T/O, US$mn	0.3

PPRO relative to JCI Index



Anindya Saraswati
(62-21) 2955 5820
anindyas@danareksa.com

Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

PROPERTY SECTOR/ INITIATING COVERAGE

PP Properti

Building a future on high-rise projects

PP Properti (PPRO) is one of the leading property developers in Indonesia and has been running its business since 1991. The company was the Property Division of PT Pembangunan Perumahan (Persero) Tbk (PTPP) before it was finally spun off into a new entity in October 2013. Going forward, we believe that the company will grow stronger with: 1) strong support from the shareholder, 2) its high value location projects, and 3) most of the company's projects are still in the initial stage of development. In 2014-2017, we expect PP Properti's marketing sales and earnings to grow by 35.8% and 63.1% CAGR, respectively. We initiate coverage on PPRO with a BUY recommendation and Target Price of Rp242, implying a 50% discount to NAV and FY15-16F PE of 11.8-9.3x.

Strong shareholder support

As the subsidiary of PTPP, a well-known construction company with an extensive track record, PPRO gets to enjoy several benefits including: 1) continued support in construction, facilitating the timely development and execution of projects, 2) the opportunity to utilize the close relationships that PTPP has with its customers in order to attain access to potential partners for joint-venture projects, 3) better access to information about infrastructure development plans which makes it easier to identify high-value land that is suitable for acquisition.

High value location projects

PPRO has a solid track record in identifying project locations that are strategic from a connectivity perspective, either within or out of Central Business Districts. Currently, the company has several projects that are under construction or in the development and planning process. All projects are located in strategic location and offering the high value both to the company and customers. Going forward, PPRO will keep targeting locations that are strategically located near toll road access – an important consideration for customers. And given the land scarcity in strategic locations, PPRO's concept of developing high rise residential buildings allows the company to efficiently utilize the land value.

Initial growth stage

We believe that PPRO's expertise in meeting customer needs is ultimately reflected in the strong demand for its projects. The company's marketing sales surged 396% to Rp1,209 bn in 2014 from only Rp244 bn in 2013. This stemmed from the launch of two big projects: Grand Kamala Lagoon (GKL) Bekasi and Grand Sungkono Lagoon (GSL) Surabaya. Since most of the company's projects are still in the initial stage of development, we believe that PPRO will continue to book strong marketing sales growth in the next couple of years. Up to May 2015, PPRO booked Rp838 bn of marketing sales, or inline with our full year target. Going forward, we expect marketing sales CAGR of 35.8% for the next 3 years.

	2013*	**2014**	**2015F**	**2016F**	**2017F**
Revenue, Rp bn	42	555	1,626	1,963	2,431
EBITDA, Rp bn	13	130	447	573	705
EBITDA growth, %	(62.7)	873.8	244.6	28.1	23.0
Net profit, Rp bn	12	106	288	366	427
Core profit, Rp bn	8	104	305	389	453
Core EPS, Rp	0.6	7.4	21.7	27.7	32.3
Core EPS growth, %	(67)	1,232	192	27	17
Net gearing, %	(3.5)	35.1	8.8	30.1	33.7
Core PER, x	338.9	25.4	8.7	6.8	5.9
PBV, x	1.9	1.7	1.2	1.1	0.9
EV/EBITDA, x	127.0	16.1	6.4	6.0	5.2
Yield, %	-	-	-	1.6	2.1

two months only (Nov - Dec)

Initiating coverage with BUY, Target Price Rp242

We initiate coverage on PPRO with a BUY recommendation and Target Price of Rp242, by applying 50% discount to NAV and implying FY15F/16F PE of 11.8-9.3x. In undertaking the equity valuation of PPRO, we utilize the Sum of The Parts (SOTP) method to take into account the different characteristics of the company's assets and projects. To value PPRO's mixed use development projects in the pipeline, we use the Discounted Cash Flow (DCF) method. We also use the DCF method to value each of PPRO's investment properties since we think the DCF method will better reflect the growth and risk profile of the company. For the company's landbank inventory, which will be developed over a longer period of time, we undertook an NAV calculation using the market value of the land.

NAV valuation

We are comfortable in relying on the Net Asset Value (NAV) valuation approach for PPRO's current landbank inventory for: 1) Grand Kamala Lagoon Bekasi, 2) Payon Amartha Semarang, and 3) Anai Resort. Although the GKL project will be developed as a mixed use development following the current first phase development (2014-2021), we are more comfortable in calculating the project's value using NAV as this is still a long-term execution project. In our calculations, we have made several assumptions:

1. We use a utilization ratio of 80% for the GKL and Payon Amartha project as we notice that the company plans to develop the project as a mixed-use (high rise) development to better utilize the land. While for Anai Resort, we use a utilization ratio of 60%, the average utilization ratio for property development.
2. We use the current land price minus the operating expenses and 5% sales tax for valuing the company's landbank. We believe that the market value will provide a reasonable estimate of the company's asset value since the company has no substantial specific transactions.

DCF valuation

In our DCF valuation, we use a rupiah weighted average cost of capital (WACC) of 11.17% since all of PPRO's projects are built and sold in Indonesia. In our calculation, we have made several assumptions:

1. Based on our economic research assumptions, we use a risk free rate of 6.5% and 7.4% equity risk premium.
2. We assume an equity beta of 1.45x, which is derived from the calculation of re-levered equity beta of the domestic property peers.
3. The tax rate is assumed to be 25%, the normal corporate effective tax rate.

We assume 2% terminal growth, which represents our conservative estimate for the long-term GDP growth rate. Terminal growth is only applied in valuing PPRO's investment properties.

Exhibit 1. WACC assumption

Risk Free Rate	6.5%
Relevered Equity beta	1.45
Equity RP	7.4%
Cost of Equity	17.2%
Debt Premium	3.0%
Cost of Debt	7.1%
Statutory Tax Rate	25.0%
Target Debt/Equity	150%
Target D/DE	60%
WACC	11.17%
Nominal Long run growth	2.0%

Source: Danareksa Sekuritas

We have also undertaken sensitivity analysis on our DCF valuation, assuming a 1.0% change in WACC. Our calculation shows a 1.0% increase in WACC will lead to a 3.0% decline in total NAV, whereas a 1.0% decline in WACC will result in a 3.5% increase in equity value

.

Exhibit 2. WACC sensitivity

	Weighted Average Cost of Capital		
	Base case +1%	Base case	Base case -1%
Asset valuation, Rp bn	7,079	7,283	7,519
Cash, Rp bn	319	319	319
Debt, Rp bn	512	512	512
Advances. Rp bn	284	284	284
Net asset valuation, Rp bn	6,602	6,806	7,041
NAV per share, Rp	470	485	501

Source: Danareksa Sekuritas

Exhibit 3. PPRO's NAV calculation

ASSETS	Area sqm	Utilization Ratio, %	Price/sqm ('000)	RNAV Rp bn	Own %	RNAV Rp bn
Landbank						
Grand Kamala Lagoon	215,350	80	13,455,000	2,318	100	2,318
Payon Amartha	44,573	60	5,545,805	198	100	198
Anai Resort	3,555	60	6,000,000	13	100	13
Total	**263,478**					**2,529**
Mixed use development						
Grand Sungkono Lagoon	40,982			980	100	980
Pavilion Permata	3,250			61	100	61
Dharma Husada	41,630			655	100	655
Grand Kamala Lagoon	36,784			1,396	100	1,396
Permata Puri Cibubur & Laguna	11,423			105	100	105
Ayoma Serpong	6,260			210	100	210
Gunung Putri Square	21,000			109	100	109
Payon Amartha	35,790			38	100	38
Total	**197,119**					**3,555**
Investment properties						
Kaza City Mall				362	100	361
GKL Mall 1				231	100	231
GSL Mall				127	100	127
Dharma Husada				204	100	204
Park Hotel Jakarta				185	100	185
Park Hotel Bandung				91	100	91
Total						1,199
Total Asset Value						**7,283**
Add: Cash 2015F						319
Less: Debt 2015F						(512)
Less: Sales advance 2015F						(284)
Net Asset Value						**6,806**
No. os shares						14,044
NAV per share, Rp						485
Discount to NAV						50%
Target price, IDR						**242**

Source: Danareksa Sekuritas

Strong shareholder support

PPRO is one of the leading property developers in Indonesia and has been running its business since 1991. The company was the Property Division of PT Pembangunan Perumahan (Persero) Tbk (PTPP) before it was finally spun off into a new entity in October 2013. The company has developed several property projects both internally (by maximizing PTPP's idle assets) or through joint ventures with strategic partners (private or state-owned enterprises). In the period 1991-2013, PPRO developed 15 projects under three business segments: residential (7 projects), commercial (6 projects), and hospitality (2 projects).

Exhibit 4. List of projects before spin-off

PP PROPERTI

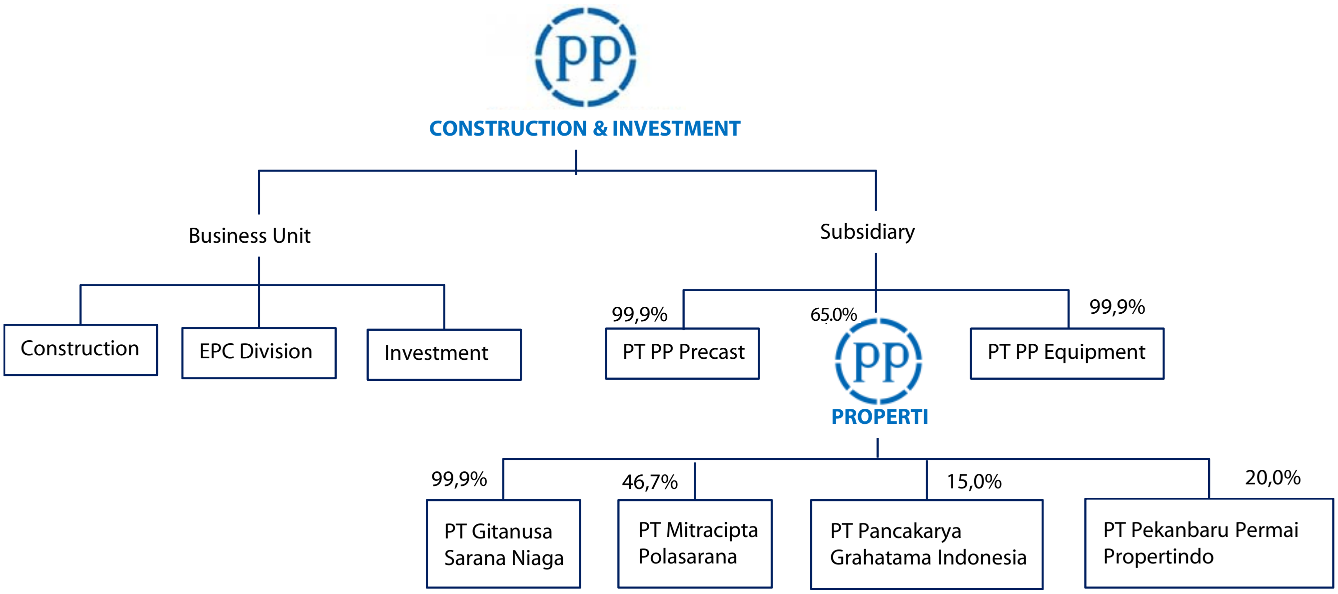
Residential	Commercial	Hospitality
Patria Park Apartment, Jakarta	Bumi Kopo Kencana I & II	Park Hotel, Jakarta
Employee residential complex Perum Otorita Jatiluhur, Purwakarta	Shophouse, Bandung	Park Hotel, Bandung
Permata Puri Residence, Cibubur	Graha Bukopin, Surabaya	
Taman Griya Permata, Bali	Serang Mall, Banten	
Permata Puri Laguna Residence, Cibubur	Sungkono Business Park	
FX Residence, Jakarta	Shophouse, Surabaya	
Paladian Park Apartment, Jakarta	KAZA City Mall, Surabaya	
	Grand Slipi Tower, Surabaya	

Source: Company

PPRO is currently focused on developing superblock projects in densely populated urban areas, especially in Jabodetabek and Indonesia's major cities. Although concentrating on residential property, the company also develops retail areas, offices, trade centers, and hotels as complementary businesses. Its target consumers are varied, ranging from the middle-low to middle-up segments, with a focus on middle income groups.

The Company is a subsidiary of PTPP, a state-owned company engaged in the construction, real estate, and property businesses, which also provides Engineering, Procurement, Construction (EPC), industrial pre-cast concrete products, equipment and investment services. Established in 1953, PTPP is one of the largest construction companies in Indonesia, and has a solid track record in the construction of a variety of projects such as multi-storey buildings, power plants, bridges, roads, irrigation systems, and seaports. PTPP has been listed on the Indonesian Stock Exchange since 2010.

Exhibit 5. PTPP's structure



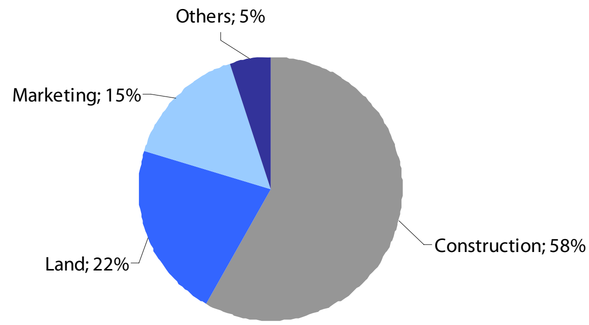
Source: Company

As a subsidiary, PPRO gets the full support from its parent company PTPP in building a track record to deliver timely execution of high quality products, which are still within budget. Moreover, the key employees and management of PPRO have worked for a long time with PTPP, gaining significant knowledge about construction and property, in addition to attaining close relationships with the prospective partners, regulators, and shareholders. Going forward, PPRO will continue to collaborate with its parent company in project planning, construction, and development. This includes cooperation in bidding for new projects, providing comfort for potential partners by offering integrated solutions and a proven track record.

Continued support in construction

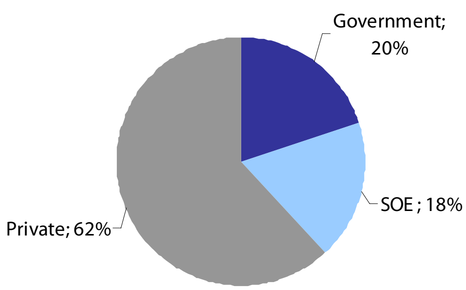
The quality of building in property projects is very important for developers, as this will affect the customer's perception of the company's projects. At the same time, construction costs are critical for developers, as they cover around 60% of a project's total costs. With its close relationship with its parent company, a well-known construction company that has an extensive track record of more than 60 years, PPRO will be able to manage costs efficiently while, at the same time, maintaining the quality of the projects. The key employees in the company have a deep understanding of the property contractor business, and this will allow them to develop and execute projects efficiently and on time. The company has a proven track record in fomenting good relationships with clients and maintaining a solid reputation with a lot of projects coming from repeat customers, either in the private sector, government, or SOE.

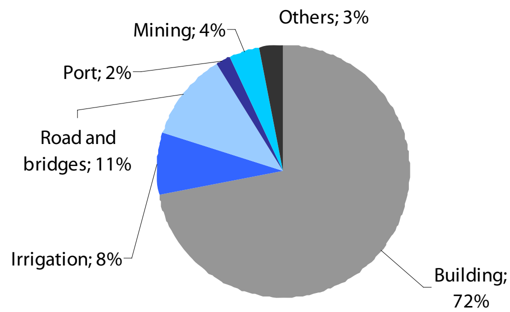
Exhibit 6. Realty business cost structure



Source: Company

Exhibit 7. PTPP's market segmentation by owner (A) and project (B)



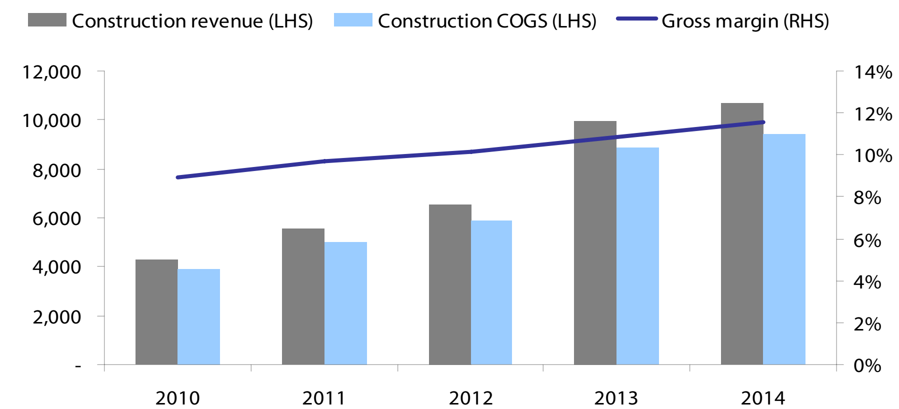


Source: Company

PPRO commissions a team for each new project that will be developed. The Company is committed to developing the capabilities of project managers, improving their skills to manage various projects, and also involving them in the creative process for project development. In particular, the project manager will be able to lead the consultants and contractors in determining the most efficient construction process to rein in construction costs and maximize profits and the performance of the Company.

Furthermore, PPRO will continue to cooperate with its parent PTPP to offer complete solutions to property development at competitive prices. The close relationship between the company and its parent allows PPRO to get a special rate for construction costs without adversely affecting PTPP's profitability. PPRO will get charged at a 10% gross margin from PTPP (compared to 11.6% for PTPP's construction business gross margin in 2014) - a very attractive proposition in the currently high construction cost environment. This allows PPRO to either: 1) book higher profitability with the lower contractor costs, or 2) offer high quality products to customers at more competitive prices than its competitors. Going forward, PTPP will remain the contractor for all of PPRO's projects, except small projects with value less than Rp150 bn.

Exhibit 8. PTPP's construction business margin



Source: Company

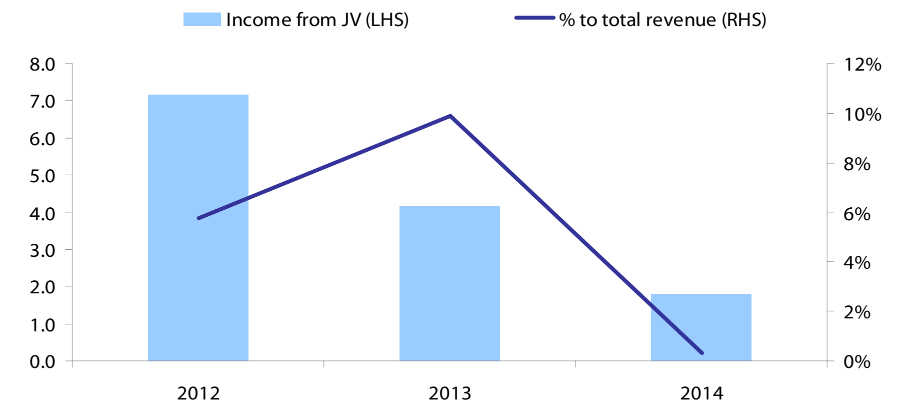
Gaining advantage from SOE synergy

PPRO has divided its business into three categories: 1) Projects – ordinary projects which are developed on the company's own land, 2) Subsidiary –creating new entities by cooperating with other developers or companies to develop a project, and 3) Joint operations with third parties. Besides continuing to search for land acquisition opportunities for property development, PPRO is also looking for opportunities to develop land into property projects through joint venture or joint operations.

The company will utilize the close relationship between PTPP and its customers to attain access to potential partners that own idle land in strategic locations, especially state-owned enterprises (SOE), by offering complete property development solutions through strategic partnerships. Currently, the company is under three negotiation process for joint venture agreements with SOE companies to develop property projects. In regard to this, PPRO may benefit from profit sharing with the JV in addition to recurring revenues in the future.

Although the contribution from JV income is still very small at this point of time, that is only 9.9% in 2013 and just 0.3% in 2014 compare to PPRO's total revenues, we believe this type of project will provide a significant contribution in the future with a better joint operational structure. For the projects under negotiation, PPRO is expecting a significant ownership in the projects, making it possible to book a higher revenues contribution from JV. However, we haven't included any possible additional income from the joint operations in our calculations.

Exhibit 9. Income from JV



Source: Company

The company is involved in two ongoing JV projects, which are: 1) a JV to develop an office tower in Setiabudi, South Jakarta with BPJS Ketenagakerjaan and 2) a JV with PT. Dwimatra Mandiri to develop Pekanbaru Park condotel. PPRO has minority stakes in both existing JVs: 2% for the JV with BPJS and a 20% stake for Pekanbaru Permai.

Easier to determine the high value land to be acquired

Instead of having a significant amount of landbank in the balance sheet like most listed developers, PPRO prefers to have high value land which can directly be utilized to generate earnings for the company. The company's current landbank of 55 ha is spread across several major and satellite cities, and should be enough to support the company's growth up to 20 years. Going forward, PPRO will continue to undertake land acquisition as well as look for joint venture opportunities to support future growth.

Exhibit 10. Ongoing projects

Project	Location	Development start	Development finish	Total area (sqm)
Grand Sungkono Lagoon	Surabaya	2014	2022	40,982
Grand Kamala Lagoon	Bekasi	2014	2035	252,134
Gunung Putri Square	Bogor	2015	2019	21,000
The Ayoma Apartment	Serpong	2015	2019	6,260
Payon Amartha	Semarang	2015	2019	96,471
Dharmahusada	Surabaya	2016	2025	41,630
Pavilion Permata I	Surabaya	2013	2015	1,865
Pavilion Permata II	Surabaya	2015	2016	2,385
Bukit Permata Puri I	Semarang	1996	2015	361,823
Apartemen Permata Puri Cibubur	Depok	2017	2019	4,249
Apartemen Permata Puri Laguna	Depok	2019	2022	7,174

Source: Company

Given the limited availability of land in the center of Jakarta, translating into very high land prices, PPRO prefers to selectively look for land of 3-5 ha in size in satellite cities around Jakarta or in other big cities in Indonesia for future land acquisition. PPRO will continue to implement its selective discipline land acquisition strategy by conducting feasibility studies to identify potential locations by hiring independent consultants.

Exhibit 11. Current landbank (sqm)

No	Project	Land area
1	Grand Kamala Lagoon	252,134
2	Laguna and Permata Puri	11,423
3	Park Hotel Bandung	3,350
4	Bukit Permata Puri & Payon Amartha	99,953
5	Grand Sungkono Lagoon	40,982
6	Pavilion Permata 1	1,865
7	Kapas Krampung Plaza	25,420
8	Gunung Putri Square	21,000
9	The Ayoma Apartment	6,260
10	Dharmahusada	41,630
11	Pavilion Permata 2	2,385
12	Park Hotel Jakarta	3,332
13	Land, West Sumatera	3,555
14	Branch office	44,159
15	Others	1,540
Total landbank		**558,988**

Source: Company

PPRO will be very selective in undertaking land acquisition – seeking high value landbank that can be utilized promptly. One of the most important factors for successful property development is the access to infrastructure, which is also of concern to PPRO in choosing land. Another competitive advantage of having a well-known construction company as its parent company is that PPRO might get information about infrastructure development plans more quickly. Currently, the company is targeting several new locations which are close to upcoming infrastructure development.

Exhibit 12. Jabodetabek toll road masterplan

Source: Toll Road Authority Departments of Public Works

In the next five years, Indonesia's total population is projected to reach 271mn people, 14.1% growth over 2010. Moreover, the growing economic and infrastructure development will precipitate more urbanization in Jakarta as Indonesia's capital city and in other big cities. According to the Indonesian Statistics Body (BPS), Indonesia's urban population will increase to 56.7% in 2020 from less than 50% in 2010. In turn, this should translate into higher demand for property products in big cities and satellite cities in Indonesia.

Following this trend, PPRO will focus its development and further land acquisition in the big cities and satellite cities in Java for the next 5 years. Currently, the company is targeting some potential land for future development located next to JORR 2 and in East Java. This year, PPRO will spend around Rp270 bn on capex for land acquisition, in our estimate. This figure is lower than the previously planned Rp400 bn capex spending on land. With lower-than-expected IPO proceeds, this year's land acquisition will focus on the existing projects.

Exhibit 13. Targeted land acquisition in Jabodetabek

Source: Company

High value location projects

PPRO has a solid track record in identifying project locations that are strategic from a connectivity perspective, either within or out of Central Business Districts. Going forward, the company will keep targeting locations that are strategically located near toll road access – an important consideration for customers. And given the land scarcity in strategic locations, PPRO's concept of developing high rise residential buildings allows the company to efficiently utilize the land value.

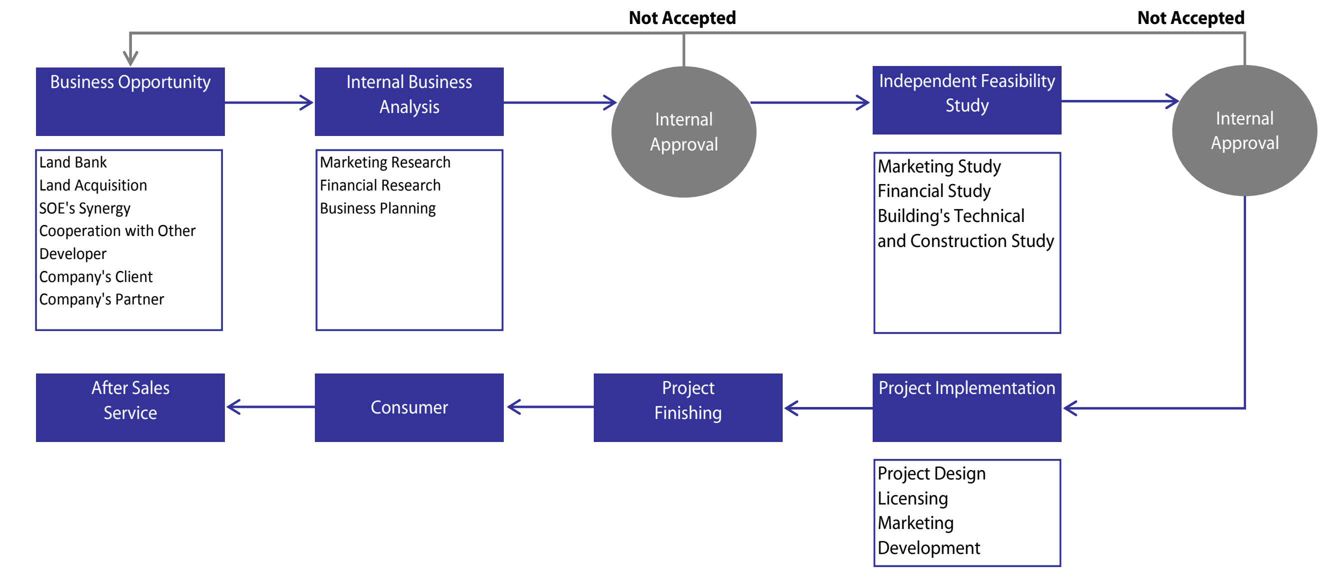
Exhibit 14. Project locations

Source: Company

In developing projects, PPRO always adopts certain procedures to ensure the project can provide high value - both to the company and customers. The process starts with the company looking at business opportunities to get strategic land - either by acquiring land from the third party, forming joint operations with other parties or developers, or by maximizing the company's current landbank. This is followed by a review undertaken by the internal business development division covering the potential target market, licensing requirements, zone designation, and grand concept of the development.

After attaining approval from PPRO's management, the company hires an independent party to conduct a feasibility study that covers marketing, as well as financial and technical aspects and building construction studies. Using the feasibility study report, the management then makes a decision about the project. The company then hires an architecture and design team as well as internal team to be responsible in the development process of the project. This will ensure the quality of each company's project going forward.

Exhibit 15. PPRO's business process



Source: Company

Currently, the company has several projects that are under construction or in the development and planning process:

Grand Kamala Lagoon (GKL): The signature of PP Properti

Grand Kamala Lagoon is the biggest project of PPRO which covers a total area of 25 ha, strategically located in the east of Jakarta – Kalimalang, Bekasi, just beside the Jakarta-Bekasi toll road. The development of the project will be divided into several phases and is expected to be finished in 2035; the first phase of the development (2014-2019) will cover a total area of 3.5 ha consisting of 4 apartment towers (3 twin tower, 1 single tower).

Exhibit 16. GKL first phase's masterplan

Source: Company, Danareksa Sekuritas

The company launched its first tower in the GKL project in May 2014, offering a total of 1,660 units or equal to 70,000 sqm of saleable area. Up to the end of 2014, PPRO had successfully sold 64% and generated Rp500 bn in marketing sales from this project. The ASP was at Rp10 mn per sqm at the launching date; moreover, the current price has since risen by 45% to Rp14.5 mn per sqm.

Looking at the strong demand for its first tower, PPRO has launched the second tower "Barclays" in the GKL project. The grand launch was just done in March 2015. A total of 703 units have been sold up to May, or around 32% of the total available units.

Sticking to the company's strategy of providing easy access to good infrastructure facilities, PPRO is currently establishing direct access from Kalimalang to the GKL project site. The construction of the flyover has reached 88% completion. However, as the company needs to add some additional ornaments in the bridge, they expect an additional 3 months until operation.

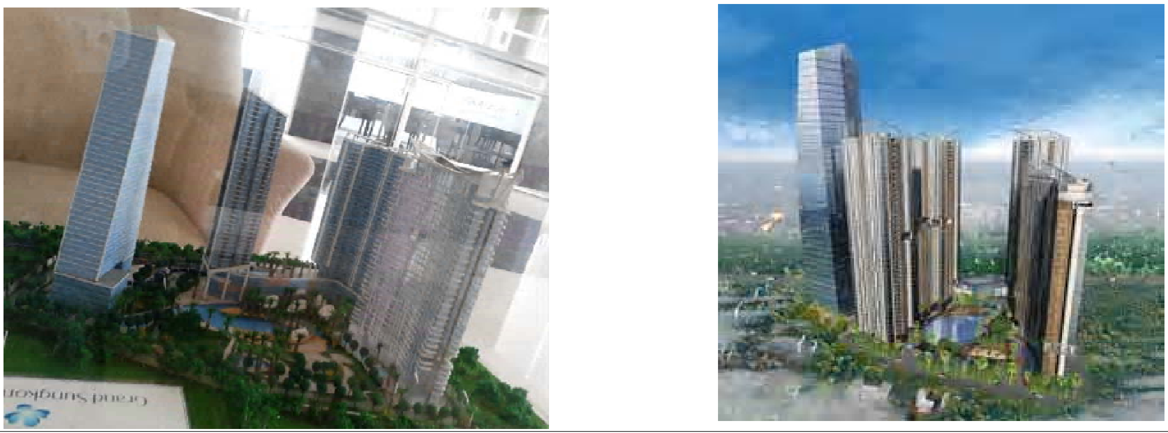
Exhibit 17. GKL's flyover construction progress

Source: Danareksa Sekuritas

Grand Sungkono Lagoon (GSL)

GSL is a mixed-use development project located in the west part of Surabaya. This project combines the concept of one-stop entertainment with a high rise residential development project with shopping facilities and office area. This project is expected to be PPRO's landmark in Surabaya. Covering a total area of 3.5 ha, the development of GSL will consist of 5 residential towers and 1 retail mall, and is expected to be finished in 8 years. Targeting the middle-up class in Surabaya, this project is located 3 minutes from the toll gate (Pintu tol satellite), enabling easy access to Surabaya's CBD.

Exhibit 18. GSL masterplan



Source: Company, Danareksa Sekuritas

The Company launched its first tower "Venetian" back in September 2013, with an ASP of Rp14 mn per sqm. Demand was strong: the Venetian tower was sold out in December 2014 and PPRO booked Rp568 bn of marketing sales from this tower. Starting the ground breaking in August 2014, construction progress has reached 38% as of the end of 2014. Construction of the Venetian tower is expected to be completed in 2016.

Exhibit 19. GSL project construction progress

Source: Danareksa Sekuritas

Following the successful launching of its first tower, PPRO launched its second tower in GSL named "Caspian" in January 2015. As of May 2015, a total of 151 units have been sold, or around 29% from the total units available. To provide more facilities to customers, GSL's second tower will be equipped with a retail mall. Construction of the new tower will start in August 2015, and is expected to be delivered to customers in early 2017. For this tower, the company expects to book around Rp1 T of marketing sales. To prevent cannibalization between the secondary market and its newly launching products, PPRO offers different products to its customers. To attract interest from the middle up groups in Surabaya, the company is providing private lifts in 3 bedroom units in the Caspian tower.

Gunung Putri Square

The Gunung Putri Square site is located in the area of Gunung Putri, Bogor, a strategic location that can be accessed from three different toll exits. For this project, PPRO offers a mixed-use concept consisting of two rusunami towers, targeting the middle class segment of industrial workers around the project area. To make the Gunung Putri Square project more attractive to customers, it will be equipped with facilities such as a playground, multipurpose room, shops, clean stalls and traditional market.

Exhibit 20. Gunung Putri Square masterplan

Source: Company

Launched in September 2014, the company expects the apartment towers to be sold out in June this year. The launching price was very attractive at only Rp130 mn per apartment, while the current price has appreciated by 23% to around Rp160 mn per unit.

The Ayoma Apartment

In Serpong, Tangerang, PPRO will soon be ready to launch the Ayoma Apartment project. The project launching is planned to begin this year and targets the middle class and above segment. In line with the marketing progress, the project's targeted completion is for 2018 with handover to customers in 2019.

Exhibit 21. The Ayoma Apartment masterplan

Source: Company

Payon Amartha

Located in Bukit Permata Puri, West Semarang, Payon Amartha offers a modern living concept with an artistic living environment that enables residents to move about and socialize comfortably. This project is strategically located and offers easy access to Achmad Yani International Airport as well as to some retail areas. Supported by the development plans for the Semarang-Batang toll outer ring road, Payon Amartha will be well connected.

Exhibit 22. Payon Amartha's masterplan

Source: Company

The development started with Payon Amartha landed residential clusters, with a total of 211 units. From the total units offered, 74 units have been sold, while the remaining available units will be sold this year with construction expected to be completed in 2017. Considering its good location, PPRO is preparing the different concept for Payon Amartha – the high rise development to maximize the land value. The company is preparing to launch the commercial buildings and apartments in Payon Amartha in 2016. All in all, the company expects to finish Payon Amartha's development in 2019.

Dharmahusada

In order to tap the market in the eastern part of Surabaya, PPRO will develop a mixed-use project named 'Dharmahusada' on 4.2 ha of land. The acquisition was recently finished in December 2014 with a total investment of Rp650 bn, and construction of this project commenced at the beginning of 2015. The development starts with the construction of a retail mall, to attract traffic – especially given its strategic position of only approximately 100 m from Campus C UNAIR, 200 m from Pakuwon City, and 300 m from the Surabaya Institute of Technology (ITS).

Exhibit 23. Dharmahusada's project location

Source: Danareksa Sekuritas

Going forward, the company plans to build 5 residential towers which target the middle segment and 2 middle-up residential towers on the site. The launch of the apartment tower will take place in the third quarter of this year with expected delivery time of 2.5 years. Currently, the company is in the process of getting the building area coefficient (KLB) from Surabaya's provincial Governor. In this regard, the company is optimistic of getting a higher KLB than it did for Grand Sungkono Lagoon (10 times), citing the fact that the project's location is not close to the airport.

Apartemen Pavilion Permata (APP)

Located near to the heart of Surabaya, and only separated by the Golden City Mall from the GSL project, Apartemen Pavilion Permata is built with a revolutionary concept that combines hotel service facilities and is supported by the latest technology even though it targets the middle market segment. The first tower was sold out by the end of 2014. So far, construction progress has reached more than 90% and the apartments are scheduled to be handed over to customers in April 2015.

Following the success of the first tower, PPRO launched APP's second tower last year. Through intensive marketing programs conducted by the company, sales of the second tower reached 95% (291 units) at the end of 2014. Construction just started in February 2015, and the apartments are expected to be delivered to customers in 2017.

Exhibit 24. Pavilion Permata's masterplan and construction progress

Source: Company, Danareksa Sekuritas

Bukit Permata Puri

Bukit Permata Puri 1 is one of the PTPP's projects which has started its development since 1996. Located in the hilly areas 'Ngaliyan Semarang', this landed residential project consists of 2,099 units. Currently, all units have been built and company has sold more than 97% from total unit available. With limited unit available, company expect to finished the development of the project within this year, covers total area of 36 ha.

Exhibit 25. Bukit Permata Puri's

Source: Company, Danareksa Sekuritas

Apartemen Permata Puri Cibubur & Laguna

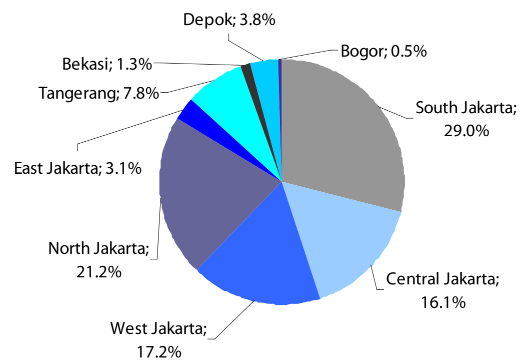
Located in Depok, West Java, the Apartemen Permata Puri Cibubur project is the high rise development project which targeting the middle-low segment. Covers total area of only 4,250 sqm, PPRO will develop this project in 2017-2019. Company has also prepare the next project namely 'Apartemen Permata Puri Laguna' which also located in Depok. Having the same target of middle-low segment, this project is expected to be developed after company finished the development in Puri Cibubur (2019-2022). The project covers total area of 7,170 sqm and will offer total 900 apartment units.

Initial growth stage

Tapping the right segment

The scarcity and high land price in big cities, especially Jakarta, have shifted the customers preference to live in apartments - which translates into higher demand for apartments located in the area which has direct toll access to CBD. In Jakarta, most of existing apartment projects were located in the South Jakarta (29% from total supply). The current limited land available in the city, will shifted the development into the Greater Jakarta area which provides the good accessibility to the city center - this inline PPRO's project development strategy.

Exhibit 26. Existing supply of apartments



Source: Cushman and Wakefield

Although PPRO's projects target varied market segments, from the middle-low to high-end market segments, the company's main focus is on the middle income segment. We believe this is a sensible strategy given the rapid growth of Indonesia's middle class population, forecast to double to 30% in 2016 according to the World Bank. The company designs each of its projects to match customer needs in the area. From the 10 projects which are ongoing and in the planning stage, the target markets are varied – as reflected in the different ASP per sqm.

Exhibit 27. ASP for each PPRO project

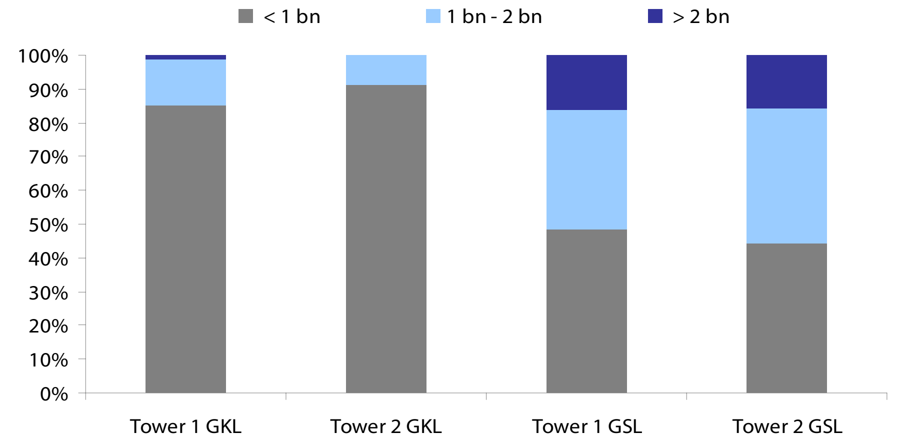
Project	Target market	ASP - start from
Grand Kamala Lagoon	Mid-up	13,000,000
Gunung Putri Square	Mid-low	8,000,000
The Ayoma	Mid-up to high end	15,000,000
Permata Puri	Mid-mid	4,056,659
Payon Amartha	Mid-up to high end	9,800,000
Putri Laguna	Mid-mid	8,100,000
Grand Sungkono Lagoon	Mid-up	18,400,000
Dharma Husada	Mid-mid	15,000,000
Pavillion Permata I	Mid-low	13,000,000
Pavillion Permata II	Mid-low	14,000,000

Source: Company, Danareksa Sekuritas

Looking at its landmark project in Bekasi, GKL, in more detail, we see that attractive product prices were offered to the market. From a total of 1,446 units sold in tower 1 GKL, 85% were sold with an average price under Rp1 bn per unit. And although the price per sqm is up quite significantly this year, 91% of the total units sold in the GKL second tower 'Barclays' were sold at below Rp1 bn. This price is very competitive given the strategic location and direct toll access to the center of the city. Moreover, this also gives assurances to customers regarding the recent issue concerning property luxury tax. We believe that PPRO's expertise in meeting customer needs is ultimately reflected in the strong demand for its projects.

Noted is that the product price per unit at the GSL project in a prime area of Surabaya is higher than for the GKL project, although both projects target the middle-up segment. From a total of 508 units sold in its first tower, the majority of the units sold (52%) at GSL were sold at above Rp1 bn per unit.

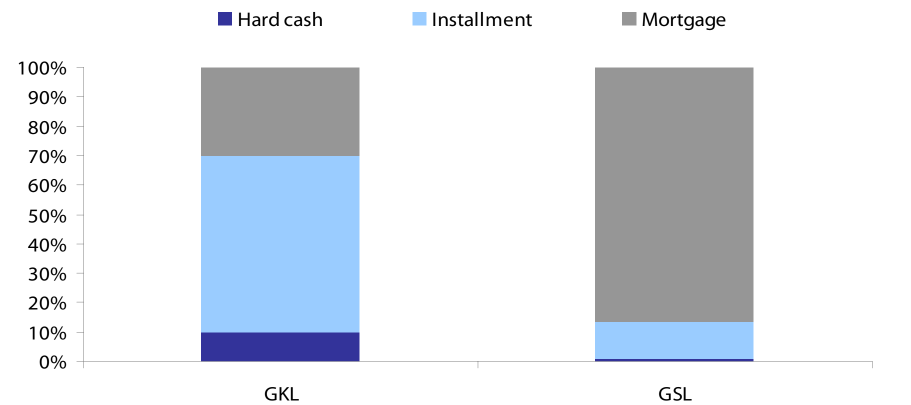
Exhibit 28. Marketing sales breakdown based on unit price in GKL and GSL



Source: Company

Since customer types vary, the payment methods for the GKL and GSL customers are different. Most GKL customers prefer to use a cash installment program offered by PPRO (12 and 24 months of installments), reaching 60% of the total marketing sales booked last year. By comparison, for the GKL project, although the project targets the higher market segment, Surabaya customers tend to use mortgages to finance their property purchases.

Exhibit 29. Customer payment profile for the GKL and GSL projects



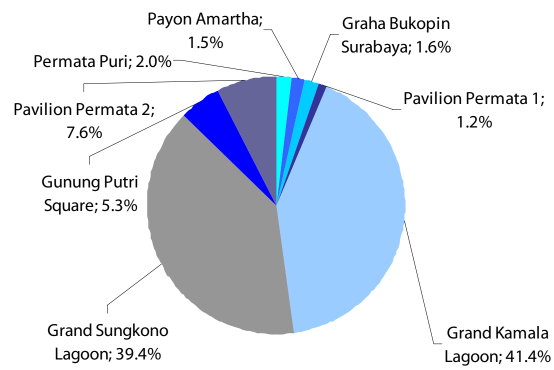
Source: Company

PPRO will continue to provide good quality property to its customers. Since the company believes that the residential concept is not only about "wall and roof", it also adopts a "Beyond Space" concept. The company aims to differentiate its products to improve customer satisfaction - both in regard to owning and living in a PPRO project.

Expecting strong marketing sales

The company's marketing sales surged 396% to Rp1,209 bn in 2014 from only Rp244 bn in 2013. This stemmed from the launch of two big projects: GKL Bekasi and GSL Surabaya, since these two projects accounted for 81% of the company's total marketing sales in 2014. Besides GKL and GSL, contributions also came from Pavilion Permata 2 (7.6%), Gunung Putri Square (5.3%), and other projects (6.4%).

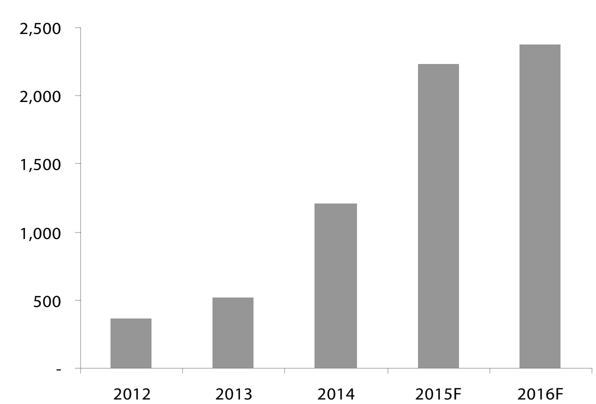
Exhibit 30. Marketing sales breakdown in FY14



Source: Company

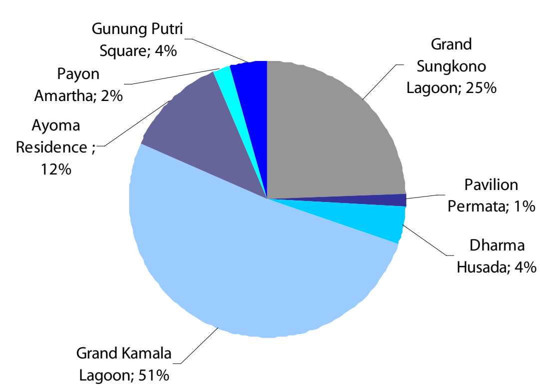
Note that since most of the company's projects are still in the initial stage of development, we believe that PPRO will continue to book strong marketing sales growth in the next couple of years. We expect marketing sales CAGR of 36.8% for the next 3 years. This year, we expect marketing sales to grow by 77% yoy to Rp2,173 bn, generated from more project launches – as we only expect around 10-15% ASP growth for all of PPRO's projects. The majority of the marketing sales in 2015 will be generated by the GKL project – with the launch of the second tower. We expect this project to contribute 51% to the total marketing sales in 2015.

Exhibit 31. Strong marketing sales growth



Source: Company, Danareksa Sekuritas

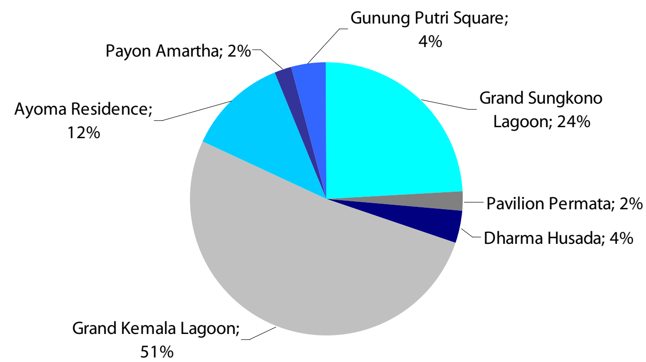
Exhibit 32. FY15F marketing sales breakdown



Source: Danareksa Sekuritas

Up to the end of May 2015, PPRO had booked Rp838 bn of marketing sales, mainly supported by the company's two big projects: GKL and GSL, as expected. This achievement represents 33.8% of the company's full year forecast and 39.1% of our full year forecast. Going forward, we believe that this year's marketing sales target will be easily achieved by the company in consideration of the continued strong demand for the company's properties.

Exhibit 33. Marketing sales up to May 2015



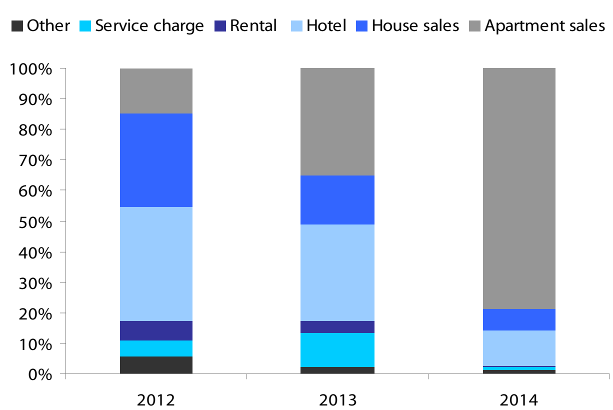
Source: Company

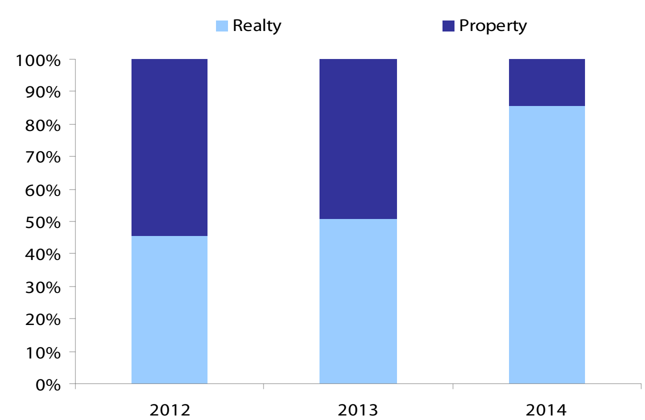
The strong marketing sales provide the certainty of strong realty revenues in the following years. By the end of the year, PPRO expects to have carried-over revenues of around Rp1,500 bn from its outstanding marketing sales. We forecast strong realty revenues CAGR of 64.0% in the next 3 years.

The property revenues contribution will remain stable

The company divides its revenues into 2 types: 1) realty revenues and 2) property revenues. The contribution of realty revenues is generated from apartments and house sales, while property revenues - which provide the recurring income - come from the company's investment properties. Following the massive growth in the company's realty revenues, with more aggressive project launches as well as significant progress in project construction, the contribution from property revenues fell quite significantly in 2014 to only 14% from 50% in 2013.

Exhibit 34. Revenues breakdown





**) Two months only (Nov-Dec)*
Source: Company

The majority of the property revenues were generated by PPRO's hospitality projects: Park Hotel Jakarta and Park Hotel Bandung, reaching 83% of the total recurring income. Park Hotel Jakarta, which is located in Cawang, East Jakarta, has been operated since 2010 with a total of 162 rooms under operation. As of December 2014, this four stars hotel had a 67.7% occupancy rate. The second hotel, Park Hotel Bandung, has been operated since October 2012. This hotel had an occupancy rate of 65% as of December 2014 with ARR of Rp500,000 per night. These two hotels will remain the biggest contributors to property revenues in 2015.

Exhibit 35. Picture of Park Hotel Jakarta and Bandung

Source: Company

Exhibit 36. Key assumptions on PP Properti's existing investment properties

Investment property	2014	2015F	2016F	2017F
KAZA City Mall				
ARR, Rp/sqm/month	74,000	77,700	81,585	85,664
% growth	-	5.0	5.0	5.0
Average occupancy rate, %	70	70	75	75
Park Hotel Jakarta				
Number of rooms	162	162	162	162
ARR, Rp '000/room/night	600	660	693	728
Average occupancy rate	65	68	65	65
Park Hotel Bandung				
Number of rooms	127	127	127	127
ARR, Rp '000/room/night	550	605	635	667
Average occupancy rate	60	65	65	65

Source: Company, Danareksa Sekuritas

Looking at PPRO's project launch plans in the coming years, we don't expect a significant jump in the property revenues contribution. Nevertheless, we expect the property revenues to book strong CAGR growth of 38.3% in the next three years, following the additional investment properties from PPRO's upcoming retail malls within its development projects.

Exhibit 37. Planning additional investment properties

Project	Location	Development timeline	Plan of saleable area sqm
Kaza City	Surabaya		
Mall renovation		2015 - 2017	26,070
Hotel		2015 - 2016	150 rooms
Commercial area I Grand Kamala Lagoon	Bekasi	2015 - 2016	5,850
Mall Dharma Husada	Surabaya	2015 - 2016	10,000
Mall Grand Sungkono Lagoon	Surabaya	2015 - 2016	10,400
Commercial area II Grand Kamala Lagoon	Bekasi	2017 - 2018	5,850

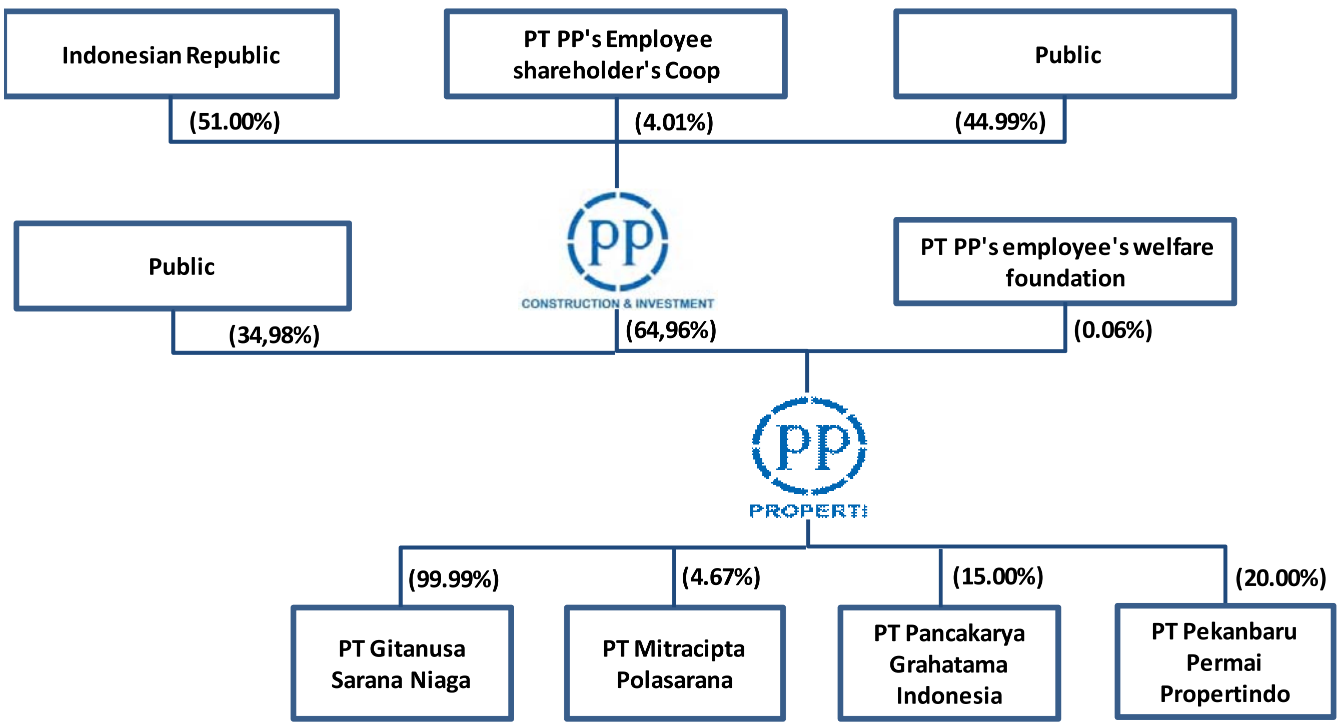
Source: Company

Company Overview

PT PP Properti (PPRO), a subsidiary of PT PP (Persero), was established in 2013 as a result of company restructuring. Originally started in 1991 in a business diversification effort, the property division of PT PP was made a subsidiary in 2013 that focuses on the property and realty business in the residential, commercial, and hospitality segments. With a vision to help its residents live in a healthy environment, the company is committed to developing its business by combining the knowledge and competence of its employees in all its *Beyond Space* projects.

From 1991 to 2013, PPRO established a proven track record with the development of 24 projects consisting of 9 residential projects, 12 commercial projects, and 3 hospitality projects located mainly in Greater Jakarta, Semarang, Bandung, Surabaya and Balikpapan. Now, as a subsidiary, the company continues to make solid progress by developing several ambitious and iconic projects such as Grand Kamala Lagoon in Bekasi, Grand Sungkono Lagoon and Grand North East Residence in Surabaya, in addition to other grand projects in the pipeline.

Exhibit 38. Company shareholder structure



Source: Company

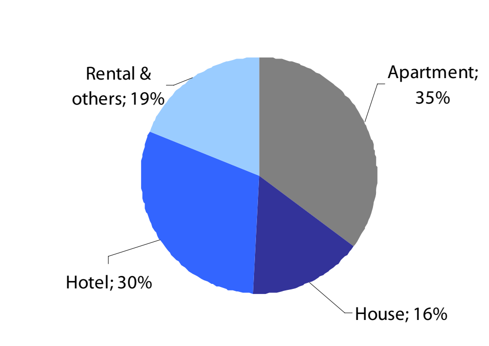
PT PP Properti is 64.96% owned by PT PP, a public state-owned enterprise of the Republic of Indonesia, which engages in the construction business, while the remaining 34.98% is owned by the public after the company listed its shares on the IDX in May 2015 and 0.06% is owned by PT PP’s employees’ welfare foundation.

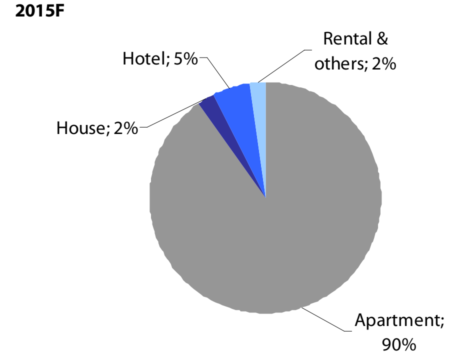
Financial Analysis

Shift in the revenues structure

PPRO's revenues are generated by two types of business, namely the realty business and the property business. In a breakdown of the revenues by product type, it can be seen that the revenues come from: 1) apartment sales, 2) house sales, 3) hotel revenues, and 4) rentals and other revenues. Back in 2013, the company's revenues were pretty much evenly contributed by the realty and property businesses – with similar contributions generated from apartment sales (35%) and hotel revenues (30%). However, since the launch and development of its own realty project, there has been a shift in the company's revenues structure toward apartment sales, reflecting the company's desire to focus on developing mixed-use projects to maximize the value of the land. This year, we expect 90% of PPRO's revenues to be generated from apartment sales.

Exhibit 39. Apartments will contribute the bulk of revenues

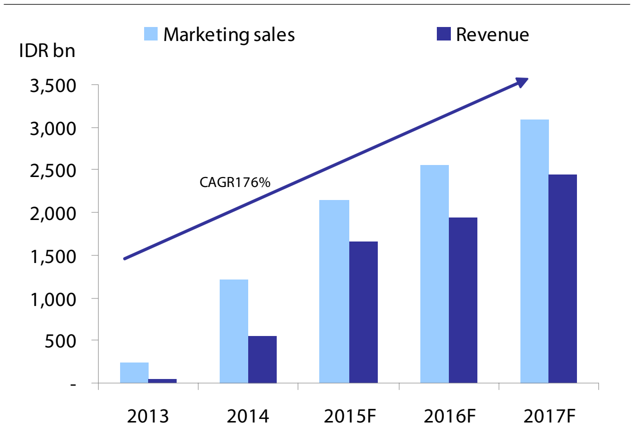




Source: Company, Danareksa Sekuritas

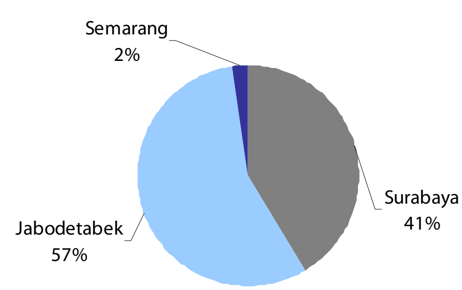
As already stated, the continued strong marketing sales will provide the assurance of strong realty revenues in coming years. Given that most of the company's projects are still in the initial stage, we expect robust marketing sales and solid revenues growth, with 3-year CAGR (2014-2017F) of 35.8% and 63.6%, respectively. The growth will mainly be driven by more project launches, as we use a very conservative ASP growth assumption of around 10-15%. By project location, the revenues will mostly be generated by the Jabodetabek project – from the company's landmark project Grand Kamala Lagoon in Bekasi.

Exhibit 40. Solid revenues growth



**) Two months revenue in 2013 (after spin-off)*
Source: Company, Danareksa Sekuritas

Exhibit 41. Revenues by location

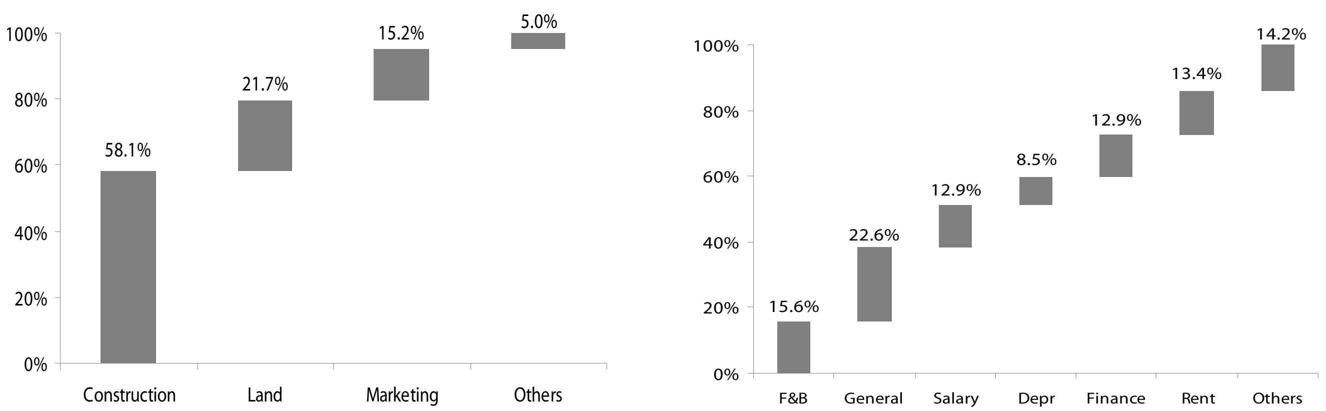


Source: Danareksa Sekuritas

Margins improvement with more projects on the cards

PPRO's cost structure for realty projects is mainly made up of the cost of goods product. Construction takes the largest chunk and reached 58.1% of the total costs spent in 2014. Looking at the strategic project locations and limited land availability in the areas, the recent land acquisition might have been done at relatively high prices. However, with PPRO's strategy to maximize land value by focusing on high rise development, land costs are only 21.7% of the total costs. They are followed, in turn, by marketing costs (15.2%) and other costs which include licensing fees, consultant expenses, etc. (5.0%). For its investment properties, the biggest costs are general costs (22.6%). They are followed by F&B costs (15.6%), rentals (13.4%), salaries (12.9%), finance costs (12.9%), depreciation (8.5%), and other costs (14.25).

Exhibit 42. Realty (LHS) and property (RHS) business cost structure as of 2014



Source: Company

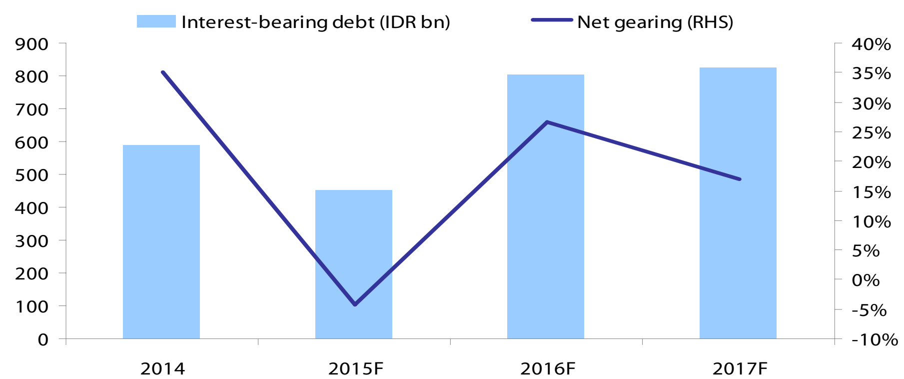
In terms of the operating expenses, 71% were PPRO's employee expenses, including salaries, recruitment and training expenses. The rest were general and administrative expenses (26%) and maintenance expenses (3%). In 2014, PPRO booked a 2.7% opex to revenues ratio, or significantly down from 5.3% in FY13, inline with the jump in revenues which boosted efficiency. This year, we expect further cost efficiencies given the company's strong revenues growth. The opex to revenues ratio should be sustainable at around the 2.0% level.

PPRO's gross margin stood at 25.7% in 2014. The gross margin of realty products reached 30.0% in 2014, with much of the profitability coming from the GKL and GSL projects. Meanwhile, the realty gross margin slumped from 24.3% in 2013 to just 0.4% in 2014, mainly since Park Hotel Bandung just started to operate. We estimate that the gross margin will improve by 340 bps to 29.1% this year. With further operational efficiency, the operating margin will expand to 27.4% from 23.1% in 2014.

Healthy balance sheet

As of December 2014, the company had a cash balance of Rp229 bn. Total interest bearing debts were Rp590 bn as of December 2014, consisting of bank loans, medium term notes (MTN), as well as payables to its shareholder PTPP. This translated into net gearing of 35%. Over the next 3 years we estimate that PPRO will spend around Rp2 T on capital expenditure, including land acquisition, the development of the company's investment properties, and others. With an Rp884 bn cash injection from the IPO proceeds in May 2015, we expect the balance sheet to remain healthy with 9% net gearing at the end of the year.

Exhibit 43. Net gearing trend



Source: Company, Danareksa Sekuritas

PPRO generated Rp884 bn from its IPO back in May 2015. The funds obtained are expected to be used in the following manner:

1. 75% for investments and expansion, with the breakdown:
   a. 27% for construction of new malls in Surabaya and Bekasi, as well as acquiring an existing mall in Kalimantan.
   b. 23% for land acquisition around Jabodetabek and in West Java, Central Java, East Java, and Bali.
   c. 21% for acquisition of a hotel in Kalimantan, and hotel construction on the company's landbank in Sumatera, Bali, Nusa Tenggara Barat, and Java.
   d. 4% for funding the subsidiaries' project development.
2. 15% for the company's working capital at its ongoing projects: Grand Kamala Lagoon, Grand Sungkono Lagoon, Pavilion Permata 2, Dharma Husada, The Ayoma, Gunung Putri Square, and Payon Amartha.
3. 10% for refinancing PPRO's related party liabilities to the parent company, PTPP.

So far, 25% of the IPO proceeds have been used for refinancing and working capital. Moreover, due to the lower-than-expected amount generated by the IPO, the company is now reviewing its execution timeline. All ongoing projects will remain secure, while additional landbank acquisition at new locations might be delayed slightly to next year. Moreover, the urgency for hotel and mall acquisition in Kalimantan is still under the management's review.

Comparison to domestic peers

Compared to other listed property companies in Indonesia, PPRO's revenues were relatively small in FY14, given its early stage of development. However, the company offers the prospect of strong revenues growth in the following years with more project launches. In terms of profitability, PPRO's gross margin is the lowest among its peers as the company includes the marketing expenses in its COGS calculation. The company's net margin lies within the range of its peers, as each property company has a different product mix with different margins. If we compare PPRO to its closest peer, namely Agung Podomoro Land (APLN), then PPRO's net margin in FY14 was more attractive at 19.1%. Going forward, PPRO's margin has the potential to improve from its current level, in our view. Furthermore, relative to its peers, PPRO offers above revenue growth (2014-2016), making the company very attractive to investors.

Exhibit 44. Comparison with other property companies

Company	Total Revenue FY 14, IDR bn	Gross margin FY14, %	Net margin FY 14, %	CAGR revenue FY14-16F, %	ROE 2015 %
PP Properti	**555**	**25.7**	**19.1**	**88.1**	**15.5**
Bumi Serpong Damai	5,572	74.1	68.6	14.4	16.8
Lippo Karawaci	11,655	46.3	21.9	11.7	11.0
Pakuwon Jati	3,872	55.7	65.0	25.8	32.0
Smmarecon Agung	5,334	52.3	26.2	18.2	22.5
Ciputra Development	6,344	52.5	20.9	16.2	18.3
Jaya Real Property	1,936	54.3	37.3	25.0	26.3
Alam Sutera Realty	3,631	63.5	30.2	13.5	20.0
Agung Podomoro Land	5,297	50.1	16.1	18.1	13.8
Lippo Cikarang	1,792	59.0	47.1	11.5	29.3
Modernland Realty	2,840	56.3	25.0	19.4	12.9
Ciputra Surya	1,713	50.7	30.5	9.1	21.6
Intiland Development	1,833	54.2	23.4	20.2	12.4
Ciputra Property	1,662	57.5	23.7	17.2	13.4
Sentul City	712	45.5	7.5	37.5	4.2
Metropolitan Land	1,118	58.0	24.0	10.4	14.6
Average		**55.3**	**31.2**	**17.9**	**17.9**

Source: Company, Bloomberg

1Q15 numbers were inline with the target

PPRO booked Rp555 bn of revenues in 1Q15, up significantly from last year's figure. Following the construction progress of its apartment projects, most of the revenues in 1Q15 were generated by its apartments (92% of the total), compared to only 18% in 1Q14. As the major contributor, the gross margin from apartments also improved from 25.4% in 1Q14 to 32.2% in 1Q15. Moreover, at the operating level, given higher revenues, the opex to sales ratio dropped to only 2.4% in 1Q15 from 12.6% in 1Q14. This led to a significant improvement in margins in 1Q15 - PPRO posted operating and net margins at 28.0% and 20.7% in 1Q15. Net income reached Rp106 bn in 1Q15, or up from only Rp3 bn last year. All in all, PPRO's 1Q15 result was inline with our full year forecast – reaching 23.9% at the top line and 27.9% at the bottom line.

Exhibit 45. PPRO's 1Q15 unaudited results (Rp bn)

Results (Rp bn)	1Q14	2014	1Q15	YoY Chg	2015F	% forecast
Sales	32	555	388	1,115	1,626	23.9
COGS	23	412	270	1,063	1,153	23.4
Gross profit	9	143	118	1,251	474	24.8
Operating expenses	4	15	9	128	27	33.6
Operating profit	5	128	109	2,215	446	24.3
Other income/(expenses)	(1)	3	(9)	1,327	(68)	13.1
Pre-tax profit	4	131	100	2,352	378	26.3
Net profit	3	106	80	2,247	288	27.8
Margins (%)						
Gross margin	27.3	25.7	30.3		29.1	
Opex to sales	12.6	2.7	2.4		1.7	
Operating margin	14.7	23.1	28.0		27.4	
Net margin	10.7	19.1	20.7		17.7	

Source: Company, Danareksa Sekuritas

Key Risk

Macroeconomic conditions and government regulations

The Government of the Republic of Indonesia now faces several macroeconomic challenges, such as continued depreciation of the rupiah following improvements in the US economy. At the same time, the government also needs to try to reach the country's economic targets for the next 4 years. At the current political juncture, with the transformation process underway, there is the risk of unfriendly government policies, which could create an increase in short-term risk for the market. This will affect the overall market as well as the property sector. The company may need to take some actions to accommodate these regulations.

Business competition

As a newly-established company in a relatively competitive industry, PPRO faces competition in many aspects from other players in the market. Competition might come in many forms: in securing land within strategic locations, winning project tenders, and in project marketing. This is aside from other types of competition in the industry. Such competition is unavoidable in the property industry. Going forward, PPRO might need to take some actions to expand and strengthen its position in the industry.

Financial Risk

On developing property projects, the company may need additional funding from third parties. This brings other risks such as interest rates volatility, availability of funding, and possibility of default. The Company may also face credit risk in regard to the timeliness of payments from customers and the possibility of hikes in commodity prices related to construction projects. These risks may affect the execution of projects, and create a negative impact on operational performance, revenue streams, and the company's business prospects.

Completion Risk

On developing projects, PPRO faces completion risk related to construction. This risk includes: the weather, regulations from both the local and national governments, third party contracts with construction and other supplier companies, and any other risks related to the property industry cycle. These risks may affect project completion and impact not only the financial side, but also the reputation of the company.

Landbank acquisition

As part of PPRO's expansion strategy to strengthen its position in the industry, the company will add more strategically-located landbank which can help to support future growth. However, the rapid growth in Jabodetabek and in some major cities in Indonesia has led to limited availability of land in certain areas. The inability of the company to acquire more strategic landbank in the future will affect the company's ability to expand its business.

Exhibit 46. Profit and Loss (IDR bn)

	2013*	2014	2015F	2016F	2017F
Sales & Operating Revenue	42	555	1,626	1,963	2,431
Cost of Goods Sold	31	412	1,153	1,358	1,695
Gross Profit	11	143	474	604	736
Operating Expense	2	15	27	37	45
Operating Profit	9	128	446	567	691
Other income (expenses)	4	3	(68)	(93)	(127)
EBITDA	13	130	447	573	705
Tax Expense	2	25	89	108	136
Minority interest	0	(0)	0	0	0
Net Profit	12	106	288	366	427

** two months only (Nov-Dec)*
Source: Company , Danareksa Sekuritas

Exhibit 47. Balance Sheet (IDR bn)

	2013*	2014	2015F	2016F	2017F
Cash and Equivalent	32	229	319	234	19
Account Receivable	199	439	1,217	1,612	2,000
Other Receivable	1	0	6	16	19
Inventory	817	1,529	1,886	1,940	2,054
Prepaid Taxes	11	3	10	12	15
Prepaid Expenses	49	74	163	196	243
Down Payment	11	37	98	118	146
Other Current Assets	0	0	0	0	1
Land for development	105	172	442	642	898
Investment in Associates	-	24	24	24	24
Other Long Term Investment	5	5	5	5	5
Property Investment	118	191	695	1,141	1,388
Fixed Asset - Net	89	27	55	81	95
Total Asset	**1,437**	**2,731**	**4,919**	**6,022**	**6,905**
LIABILITIES					
Non Bank Loan	-	150	-	-	-
Trade Payable	21	171	536	647	788
Other Payable	375	1,025	1,347	1,285	1,352
Tax Payable	8	41	147	178	224
Accrued Expenses	41	77	227	273	339
Sales advance	52	64	284	336	401
Prepaid Income	8	7	11	13	19
Security Deposit	8	8	8	8	8
Down Payment	-	-	-	-	-
Medium term securities	-	30	30	30	-
Net LT debt	-	127	127	727	877
Other	-	-	-	-	-
Total Liabilities	512	1,699	2,716	3,496	4,006
Minority Interest	0	(0)	0	0	0
Shareholders Equity	925	1,031	2,204	2,526	2,899
TOTAL LIABILITIES & EQUITY	**1,437**	**2,731**	**4,919**	**6,022**	**6,905**

** two months only (Nov-Dec)*
Source: Company , Danareksa Sekuritas

Exhibit 8. Statement of cash flow (IDR bn)

	2013*	2014	2015F	2016F	2017F
Net Income	12	106	288	366	427
Depreciation and amortization	0	7	18	28	39
Minority interest	0	(0)	0	0	0
Adjustment to working capital	(5)	(110)	(140)	(336)	(192)
Net operating cash flow	**7**	**3**	**166**	**59**	**275**
Land for development	(64)	(68)	(270)	(200)	(256)
Investment in associates	-	(24)	-	-	-
Investment property	(29)	(20)	(521)	(474)	(284)
Fixed assets	(0)	(3)	(29)	(26)	(16)
Other long term investment	-	-	-	-	-
Net investing cash flow	**(93)**	**(114)**	**(820)**	**(700)**	**(556)**
LT debt mature in the year	-	-	(10)	-	-
Non bank loan	(8)	180	(150)	-	-
Medium term securities	-	-	-	-	(30)
Bank loan	13	127	20	600	150
Other	43	1	-	-	-
Equity	70	-	884	-	-
Dividend	-	-	-	(43)	(55)
Net financing cash flow	**118**	**307**	**744**	**557**	**65**
Changes in cash and equivalent	32	196	90	(85)	(215)
Beginning balance	**0**	**32**	**229**	**319**	**234**
Ending balance	**32**	**229**	**319**	**234**	**19**

** two months only (Nov-Dec)*
Source: Company , Danareksa Sekuritas

Exhibit 9. Financial Ratios (%)

Y/e Dec	2013*	2014	2015F	2016F	2017F
Gross margin	27.0	25.7	29.1	30.8	30.3
Operating margin	21.7	23.1	27.4	28.9	28.4
Pre-tax margin	32.1	23.6	23.2	24.2	23.2
Net margin	28.5	19.1	17.7	18.6	17.6
ROA	0.8	5.1	7.5	6.7	6.6
ROE	1.0	10.8	17.8	15.5	15.8
Net gearing	(3.5)	35.1	8.8	30.1	33.7

** two months only (Nov-Dec)*
Source: Company , Danareksa Sekuritas