

PP Properti

Sector: Property (Underweight)

BUY

(Initial Coverage)

Robin Sutanto

 E-mail: robin@bahana.co.id
 Phone: +6221 250 5081 ext. 3620

 PX:IDR-TP:IDR250
 JCI: 5,238

Small but swift
Long historical track record of 25 years with sufficient land bank

Owned by Pembangunan Perumahan (PTPP) and established in 1990 as a business unit, PP Properti (PPRO), has come a long way from just building commissioned housing units to developing apartments, commercial buildings and hotels. Its total land bank of 55ha, of which the largest is in Bekasi (25ha), is sufficient for development up to 2035. Its main property portfolio includes 3 superblocks: 1 in Bekasi (Grand Kamala Lagoon) and 2 in Surabaya (Dharma Husada and Grand Sungkono Lagoon). PPRO should benefit from its main Bekasi location due to the area's strong middle-income growth, supported by 3mn inhabitants (Indonesia's 4th most densely populated city) with IDR3mn/month minimum wage, presently the highest in the country.

Concept-driven development with high building area coefficients

A concept-driven developer, PPRO, focuses on ensuring higher quality of life for its residents by providing plenty of green space with water areas. The company's strong take-up rates across its projects are also backed by well-designed common grounds for social interactions and environmentally-friendly facilities. Hence, PPRO's projects are comprised of a relatively large proportion of end-users, which would in turn bode well for the company's future launches. Additionally, the management's track record suggests their uncanny ability to develop lesser prime land banks into highly successful projects with high building area coefficients (KLB) of usually more than 10.

Beneficiary of SOE status and synergies from PTPP

PPRO benefits from parent-company synergies as it commissions PTPP as the builder for most of its projects, ensuring not only timely completion but also cost-efficiency advantages. Looking ahead, with PTPP's growing toll-road construction portfolio, the company would also benefit from PTPP's discretion to locate toll exits and entrances close to PPRO's project locations. In addition, the company's SOE status paves the way for JVs, and more recently JOs with other SOEs owning under-utilized land banks such as Pertamina, the state-owned oil company, and BPJS, the Healthcare and Social Security Agency. We note that PPRO has an edge over other SOE developers, helped by its strong historical track record and innovative development concepts.

Fastest growing developer; Safe from luxury tax; BUY on 35% upside

Armed with innovation and concept-based developments focusing on providing improved quality of life for its middle-class buyers, PPRO is poised to enjoy the fastest 2015 earnings growth of 181% y-y within our Property universe. Additionally, PPRO is free from the government's upcoming implementation of luxury property tax given its low unit pricing of between IDR700mn-1.5bn, targeted at IDR7-30mn/month income earners, a group forecast to grow from 42mn in 2012 to 68mn by 2020. To fund its 2015-16 expansion plans, PPRO has obtained IDR909bn from its recent IPO, of which 75% would be utilized for land bank purchases across various projects (exhibit 39). On valuation, our target price of IDR250 is based on 50% discount to NAV (exhibit 3). BUY on 35% upside to our TP. Risk: Slower-than-expected project completion.

Exhibit 1. Company and shareholders info

Bloomberg code	:	PPRO IJ
Pembangunan Perumahan (%)	:	65.0
Pembangunan Perumahan	:	0.1
Employee Welfare Found.(%)	:	
Free float (%)	:	34.9

Source: Bloomberg

Exhibit 2. Key forecasts and valuations

Year to 31 Dec	2013	2014	2015F	2016F
Revenue (IDRbn)	192	555	1,545	1,887
EBIT (IDRbn)	46	128	419	526
Net profit (IDRbn)	49	106	298	377
EPS (IDR)	5	12	21	27
EV/EBITDA (x)	27.4	13.1	7.7	7.0
PER (x)	34.3	15.9	8.7	6.9
FCFPS (IDR)	23	(19)	(66)	(44)
FCF yield (%)	0.2	(0.2)	(0.5)	(0.3)
BVPS (IDR)	101	113	157	178
PBV (x)	1.8	1.6	1.2	1.0
DPS (IDR)	-	-	2	6
Yield (%)	-	-	1.2	3.4
ROAA (%)	3.2	5.1	8.2	7.3
ROAE (%)	5.3	10.8	18.4	16.0
EBIT margin (%)	24.1	23.1	27.1	27.9
Net gearing (%)	nc	7.5	39.1	51.9

Source: Bloomberg, Bahana estimates

Exhibit 3. NAV calculation

Portfolio	Value (IDRbn)
Land bank	669
High rise	7,143
Recurring income	733
Total	8,545
Add: Cash (2015F)	196
Less: Debt	(1,058)
Less: Customer deposit	(751)
Adjusted NAV	6,932
No. of shares outstanding (m shares)	14,044
Discounted value	3,466
Discount to NAV	50%
Target price	250

Source: Bahana estimates

PP Properti

Year to 31 December	2013	2014A	2015F	2016F	2017F
PROFIT & LOSS (IDRbn)					
Sales	192	555	1,545	1,887	2,219
Gross profit	49	143	459	575	706
EBITDA	60	135	448	559	689
Depreciation	14	7	29	33	40
EBIT	46	128	419	526	649
Net interest inc./(expense)	0	1	(46)	(57)	(69)
Forex gain/(losses)	-	-	-	-	-
Other income/(expense)	4	2	2	2	2
Pre-tax profit	51	131	375	471	582
Taxes	(2)	(25)	(77)	(94)	(111)
Minority interest	-	-	-	-	-
Extraordinary gain/(losses)	-	-	-	-	-
Net profit	49	106	298	377	471

Robust 100% revenue CAGR in 2014-17F on rapid development projects

BALANCE SHEET (IDRbn)

Cash and equivalents	32	229	196	33	96
S-T investments	-	-	-	-	-
Trade receivables	199	439	1,270	1,551	1,824
Inventories	817	1,529	1,866	2,190	2,589
Fixed assets	207	218	441	737	984
Other assets	181	315	803	1,254	1,535
Total assets	1,437	2,731	4,577	5,765	7,027
Interest bearing liabilities	0	307	1,058	1,328	1,328
Trade payables	21	752	892	1,079	829
Other liabilities	491	640	420	865	2,019
Total liabilities	512	1,699	2,371	3,271	4,176
Minority interest	0	(0)	(0)	(0)	(0)
Shareholders' equity	925	1,031	2,206	2,494	2,851

Cash levels to fall in 2016F ...

CASH FLOW (IDRbn)

EBIT	46	128	419	526	649
Depreciation	14	7	29	33	40
Working capital	(5)	536	(186)	71	734
Other operating items	(8)	(22)	(121)	(149)	(178)
Operating cash flow	47	649	141	481	1,245
Net capital expenditure	161	(821)	(1,067)	(1,095)	(957)
Free cash flow	207	(172)	(926)	(614)	287
Equity raised/(bought)	913	-	909	-	-
Net borrowings	0	296	168	540	(110)
Other financing	(1,104)	72	(183)	(89)	(114)
Net cash flow	16	196	(32)	(164)	63
Cash flow at beginning	16	32	229	196	33
Ending cash flow	32	228	196	33	96

... to support elevated capex levels, although ...

RATIOS

ROAE (%)	5.3	10.8	18.4	16.0	17.6
ROAA (%)	3.2	5.1	8.2	7.3	7.4
Gross margin (%)	25.3	25.7	29.7	30.5	31.8
EBITDA margin (%)	31.4	24.3	29.0	29.6	31.0
EBIT margin (%)	24.1	23.1	27.1	27.9	29.2
Net margin (%)	25.6	19.1	19.3	20.0	21.2
Payout ratio (%)	-	-	30.0	30.0	30.0
Current ratio (x)	8.0	2.1	2.1	2.0	1.6
Interest coverage (x)	na	na	9.1	9.3	9.4
Net gearing (%)	nc	7.5	39.1	51.9	43.2
Debts to assets (%)	0.0	11.2	23.1	23.0	18.9
Debtor turnover (days)	335	210	300	300	300
Creditor turnover (days)	38	343	300	300	200
Inventory turnover (days)	2,691	1,039	571	564	577

... net gearing is expected to remain healthy at around 50% in 2016

MAJOR ASSUMPTIONS

Marketing sales (IDRb)	407	1,203	2,233	2,902	3,272
Marketing sales growth (%)	-	195.9	85.6	30.0	12.8

Marketing sales growth to fall to more manageable levels in 2016-17F

Source: Company, Bahana estimates

Robin Sutanto (robin@bahana.co.id) +6221 2505081 ext. 3620

BUSINESS OUTLOOK

Developments since 1991; Middle-income as a more recent target market

PPRO was founded as a development-focused branch office of a well-established SOE construction company PTPP in 1990. Its first projects, completed in 1991, included housing units for the Jatiluhur Housing Authority (JHA), Bandung's Kopo Kencana 1 and 2 shop houses, and the Permata Puri residential cluster in Bogor.

PPRO's history dates back to 1991 ...

Exhibit 4. PPRO's first residential projects, 1991-94

Jatiluhur Housing Authority
employee residential complex,
Purwakarta



Permata Puri, Cibubur



Bumi Kopo Kencana 1 shop
houses



Bumi Kopo Kencana 2 shop
houses

... with small housing clusters and low-rise buildings in Purwakarta, Bandung and Bogor

Source: Company

In 1995, the company was formally recognized as a business unit within PTPP, following the groundbreaking of housing clusters Taman Griya Permata in Bali and Perumahan Permata Puri Laguna in Cibubur. The company then followed up with Bukit Permata Puri Semarang, another housing cluster development, in 1996. It is still in continuation with expected completion in 2016.

After being formally recognized as a business unit ...

Exhibit 5. PPRO's projects as a business unit, 1994



Taman Griya Permata, Bali



Permata Puri Laguna, Cibubur

... PPRO's project sizes grew steadily

Source: Company

Exhibit 6. Bukit Permata Puri, Semarang, 1995



Source: Company

Its next project, located in Semarang, is still ongoing this year

High-rise projects

PPRO began its first forays into high-rise developments with Paladian Park, an apartment complex located in Kelapa Gading, Jakarta, with total Gross Floor Area (GFA) of 155,030sqm. Paladian Park's ground breaking was in 1997 and through various phases of development, saw completion in 2009. Its next high-rise project was Patria Park in the Cawang, Jakarta, commencing in 2004 and completed in 2007. The mid-2000s also saw PPRO extending its forays into commercial Properties with Mall Serang, Banten, in 2009, and Grand Slipi Tower, an office building, in 2010. In addition, PPRO ventured into hotels in 2010 with the opening of Park Hotel Jakarta, a 3 star, 162-room hotel in Cawang, marking the first of its Park hotel line. A second 3 star hotel under its Park brand was opened in Bandung in 2013, comprising 12,727sqm in GFA across 127 rooms. We note that since 2012, PPRO's high-rise projects have been growing steadily, having dominated total marketing sales by 2014.

In 2009, the company branched out to building high-rise buildings ...

Exhibit 7. PPRO's first high-rise residential projects, 1997-2004



Paladian Park, Kelapa Gading, Jakarta



Patria Park, Cawang, Jakarta

... beginning with apartment towers in Jakarta ...

Source: Company

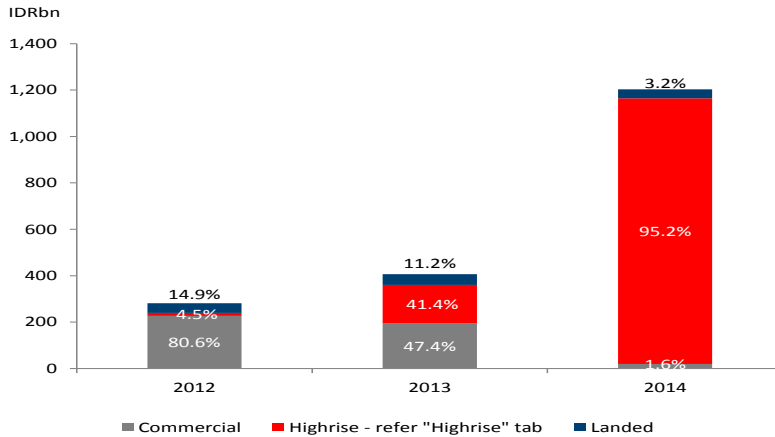
Exhibit 8. PPRO's first commercial projects, 2009-11



... followed by commercial buildings

Source: Company

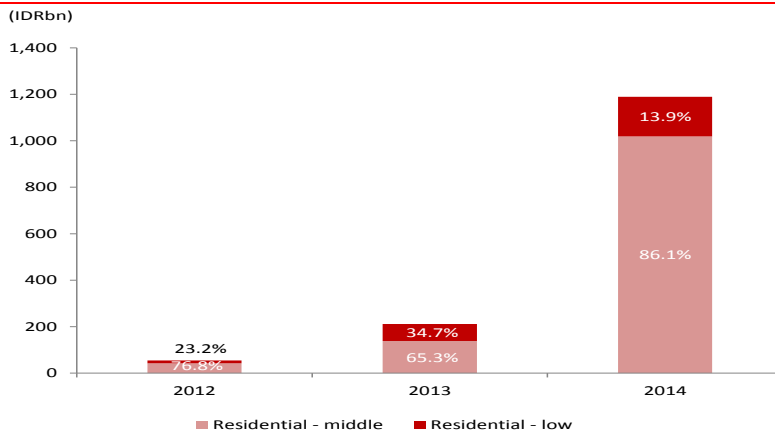
Exhibit 9. Marketing sales breakdown 2012-14



High-rise portfolio has been growing to dominate marketing sales mix

Source: Company

Exhibit 10. Residential breakdown by market segment, 2012-14



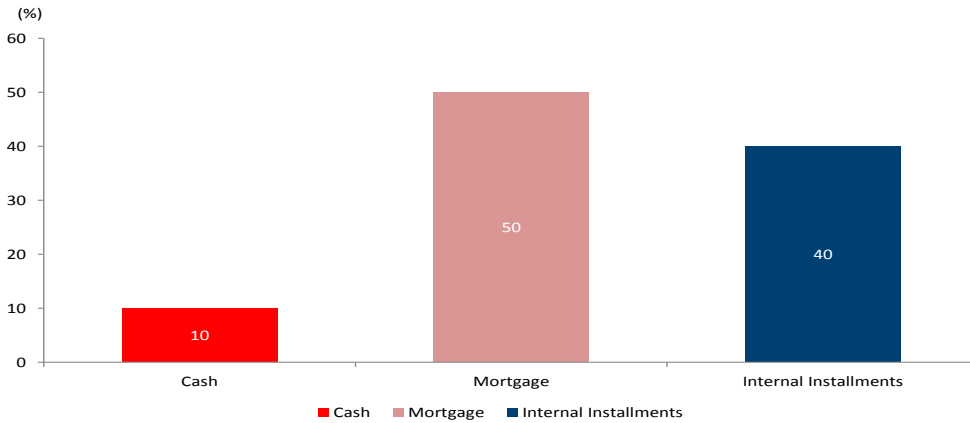
More recently, we note that PPRO has targeted the middle-income class for the majority of its residential projects

Source: Company

On payment terms, mortgages make up the largest Proportion at 50%, followed by in-house installments at 40% and cash at 10%. This is due to PPRO's marketing sales mix having been dominated by its Surabaya projects, at which mortgages formed the most popular payment method.

Due to contribution from its Surabaya projects ...

Exhibit 11. Payment terms across PPRO's projects



Source: Company

... PPRO has seen mortgages being the most popular form of payment

2013: Spin-off & start of aggressive expansion phase

In 2013, with plans to launch superblocs in the works, PPRO was spun off into its own legal entity, separate from its parent PTPP, marking the start of the company's aggressive expansion phase with the superblocs Grand Sungkono Lagoon (GSL), Grand Kamala Lagoon (GKL) and North East Square (NES) amongst its pipeline.

Spin off in 2013 in lieu of aggressive expansion stage

Grand Sungkono Lagoon

GSL was launched in September 2013. Located on a 3.6ha land bank next to Golden City Mall purchased for IDR382bn (IDR8.3mn/sqm), PPRO obtained a 10.48 KLB for GSL and would be PPRO's first high-density development. Displaying its "beyond space" development approach, PPRO designed GSL with a unique concept featuring plenty of amenities to cater for the well-being of its residents. Surrounding around a water lagoon, facilities which would be offered include 5 thematic gardens, a river walk, splash pads, fountains and health tracks for exercise on top of the standard condominium facilities. It was designed in collaboration with Green Building Council Indonesia for optimum window-wall ratio. Upon completion, PPRO expects GSL to total 240,000sqm in residential GFA. It would also include a 22,000sqm NLA commercial area to cater for residents' daily and entertainment needs, and further ahead PPRO plans to include an office tower and a hotel within GSL.

PPRO's first superbloc, kicked off in 2013

Exhibit 12. Location of Grand Sungkono Lagoon



Source: Company

Located along Jl. May Jend Sungkono, GSL is located close to Surabaya's outer ring road

Exhibit 13. Rendering of Grand Sungkono Lagoon



Source: Company

GSL is expected to be one of Surabaya's tallest residential buildings

Venetian, the first tower launched at GSL, was offered at ASP of IDR14mn/sqm in September 2013. It was sold out within a year with final ASP at IDR21mn/sqm, translating to a 50% increase. Totalling 34 stories, Venetian is expected to have 34,703sqm in total GFA. Groundbreaking took place mid-2014. As of February 2015, PPRO was in the process of constructing Venetian's basement.

Venetian, GSL's first tower, was first launched in 3Q13 with ...

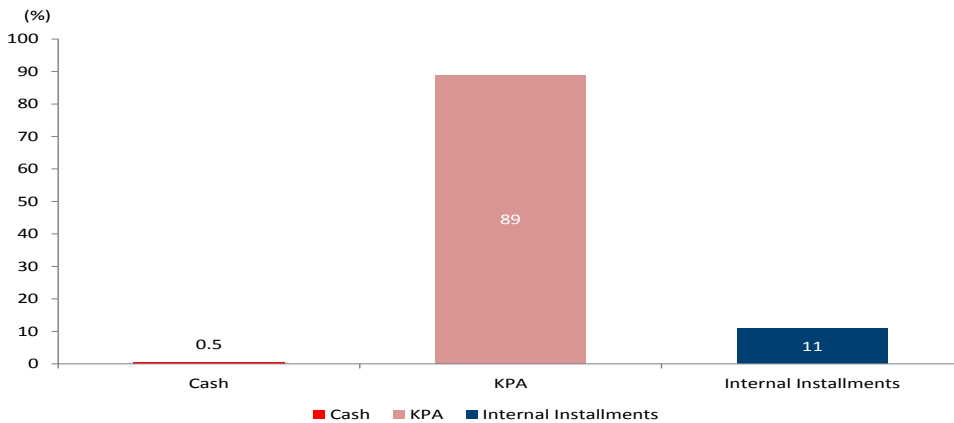
Exhibit 14. Venetian, construction progress, February 2015



Source: Company

... ground breaking in mid-2014, and its construction is currently in the basement stage

Exhibit 15. Venetian's payment terms



Source: Company

Huge majority of buyers chose mortgage payments over the typically more popular internal installments

A second tower, Caspian, was launched on 21 January 2015, at ASP of IDR22.5mn/sqm. Caspian would be 48 stories high with total GFA of 46,750sqm. Groundbreaking is expected to be held in August 2015.

Caspian, GSL's second tower, was launched on 21 January 2015 ...

Exhibit 16. Caspian, launched January 2015



Source: Company

... with groundbreaking planned for August

Grand Kamala Lagoon

Following GSL, PPRO commenced monetization of its 27ha Kalimalang, Bekasi, land bank with the launch of Grand Kamala Lagoon's (GKL) in May 2014. The GKL's development would encompass 7 phases up to 2035, and is expected to generate IDR46tn in total marketing sales. PPRO expects GKL to be its main foothold within the Indonesian property universe, eventually developing it to be its flagship township. PPRO accumulated ownership of the land bank from 1983-2003 for a total of IDR121bn (IDR485k/sqm).

Launched in May 2014, GKL, where PPRO expects to establish its main presence, ...

Exhibit 17. Location of Grand Kamala Lagoon



... is located in Kalimalang, complete with various alternative access ways

Source: Company

Exhibit 18. Architect's model of Grand Kamala Lagoon



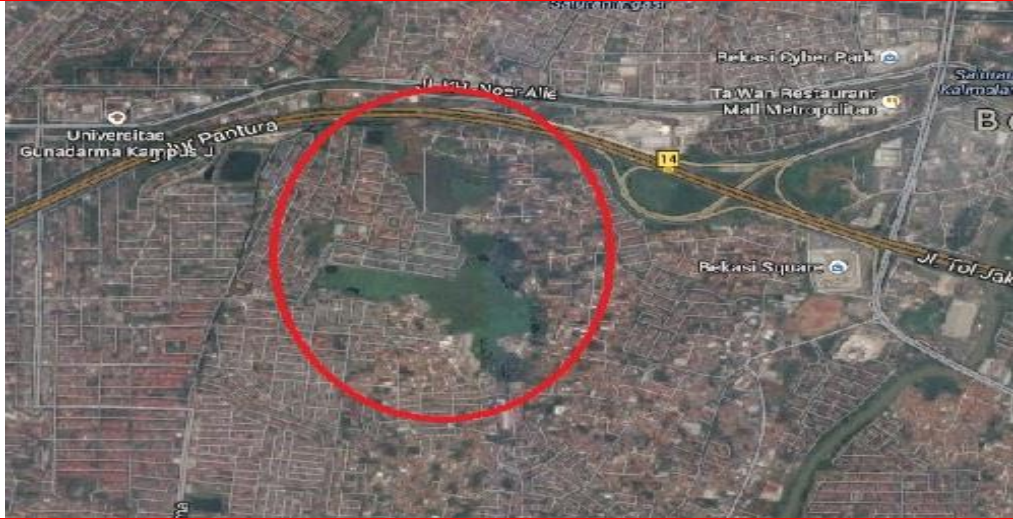
High 10.6KLB obtained for GKL

Source: Company

For GKL's first phase, PPRO has obtained a KLB of 10.6, and expects to build 3 pairs of conjoined condominium towers and an additional standalone tower, each building being 45 stories high, translating to total residential GFA of 418,340sqm across the 4 towers. Following GSL's concept, GKL would also include various water-based attractions and amenities, including a lagoon, several koi ponds, water gardens, tropical terrace, a greenway belt, water taxis, and health tracks. In line with GSL, GKL would also have a commercial area catering for residents' daily and entertainment needs. It would span 26,000sqm in NLA, and has garnered interest from Lotte as well as Aeon.

Located in Kalimalang, GKL boasts various alternative access ways

Exhibit 19. Birds' eye view of PPRO's Kalimalang land bank



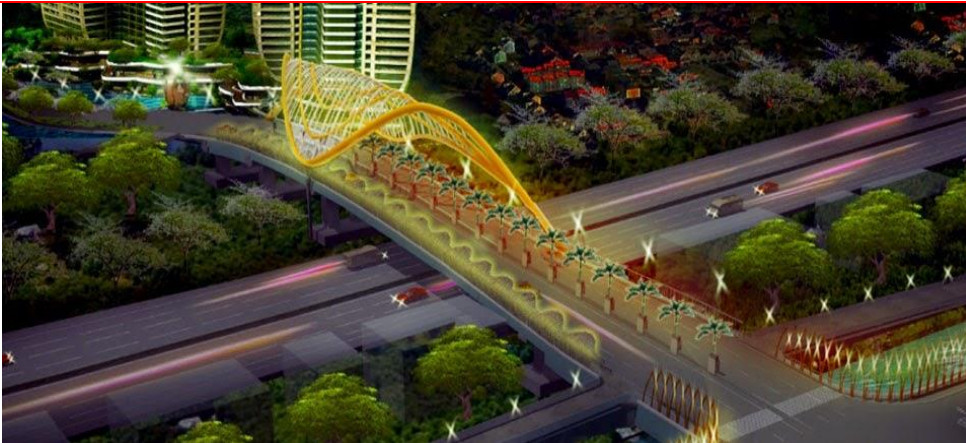
PPRO's Kalimalang land bank, marked by the green area circled, is expected to last the company 35 years

Source: Company

For improved access, GKL would also include IDR90bn, 26x300m bridge connecting GKL with the Jakarta-Cikampek toll road and the planned Bekasi-Cawang-Kampung Melayu (Becakayu) toll road. A monorail stop, part of the Jakarta Monorail project, is also planned to be stationed at the foot of the bridge. Furthermore, a Shinkansen line is currently being planned to pass along GKL's entrance, according to PPRO's management.

A bridge would be established to vastly improve GKL's access with ...

Exhibit 20. Rendering of Grand Kamala Lagoon's access bridge



... Jakarta-Cikampek and Becakayu toll-roads, as well as monorail stops

Source: Company, Bahana

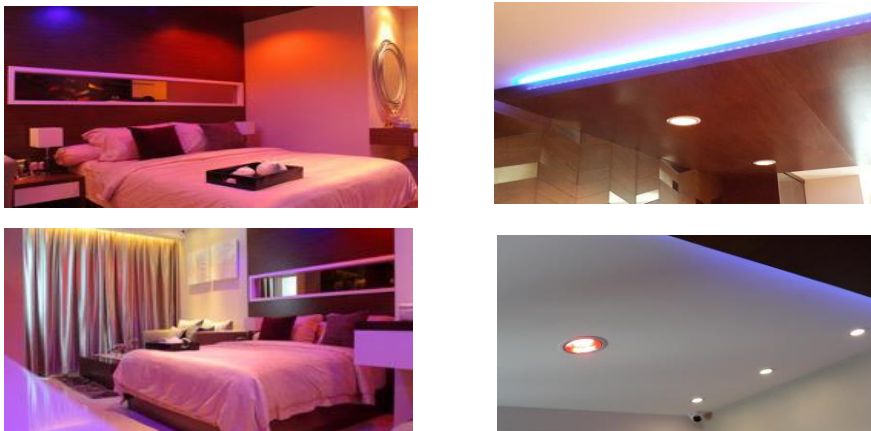
Exhibit 21. Grand Kamala Lagoon's access bridge, currently 95% completed



Source: Bahana

Construction progress of GKL's access bridge, currently at 95%

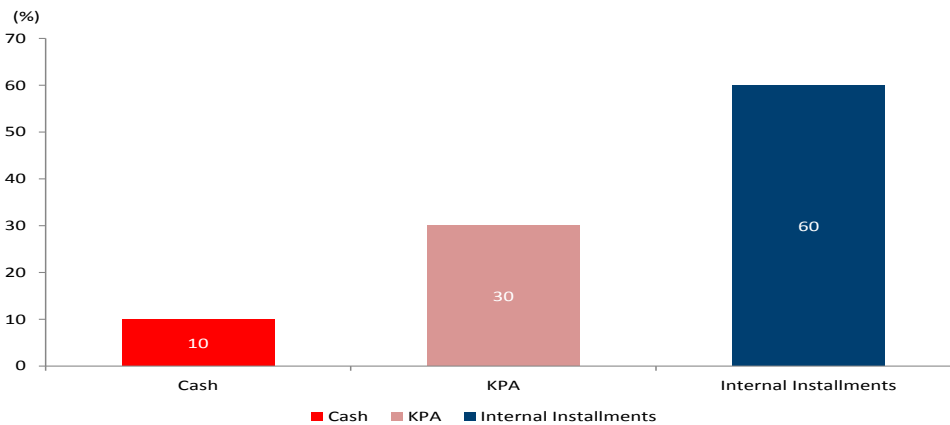
Exhibit 22. Phase-mood lighting at Grand Kamala Lagoon



Source: Company

An example of a comfort-enhancing feature at PPRO's unit at GKL, also available at its other projects

Exhibit 23. Grand Kamala Lagoon – buyers' payment terms



Source: Company, Bahana

Unlike GSL, majority of GKL's buyers prefer internal installments

PPRO launched GKL's first tower, Emerald, on 20 May 2014 at ASP of IDR14 mn/sqm and currently only has a few penthouses remaining unsold. Totaling 45 stories, Emerald's planned total GFA is expected to reach 70,000sqm. Groundbreaking took place in August 2014 and construction progress is currently underway at the foundation level.

Solid sales performance at Emerald, GKL's first tower, with all but the highest-end penthouses sold

Exhibit 24. Emerald, construction progress, February 2015



Source: Company

With groundbreaking in mid-2014, construction of Emerald is currently in the basement stage

GKL's second offering, Barclay, was formally launched on 23 March 2015 with 1,000 units at its North tower offered at IDR16mn/sqm. 700 units were sold during the launch, translating to a 70% launch-day take-up rate. PPRO expects to launch Barclay South in July and break ground for Barclay North and South in August 2015.

Decent take-up at GKL's second offering

North East Square

PPRO plans to launch its third superblock, North East Square (NES), on a 4.2ha land bank in East Surabaya by Jln. Dharma Husada, which PPRO purchased in 2014 at IDR15/sqm. The location is within walking distance to the Al Azhar educational institution, Institut Teknologi Sepuluh Nopember (ITS) and Universitas Airlangga, the latter 2 of which are 2 of Surabaya's largest universities. Other educational facilities in the vicinity include Universitas Surabaya and Universitas Muhammadiyah, amongst others. This would be NES' main attraction and selling point with reliance on the surrounding student population. For this project, PPRO has also obtained a KLB of 10.

North East Square, PPRO's third upcoming superblock is ...

PPRO plans to launch 8 residential towers at NES, 2 of which would be higher end. The first tower is planned for launch in August-September 2015 at ASP of IDR15mn/sqm. IDR9.2tn in total marketing sales is expected from NES. It would also include a 5,000sqm NLA commercial area which would include a thematic indoor area simulating the outdoors, karaoke area and a theater catering for students' lifestyle needs, to compliment nearby shopping malls rather than being a head-to-head competitor.

... expected to generate IDR9.2tn in total marketing sales

Exhibit 25. NES location



Source: Company, Bahana

Located within close proximity of several educational institutions, NES is targeted towards students

Exhibit 26. Dharma Husada land bank, February 2015



Source: Company

Present stage of PPRO's Dharma Husada land bank

Pavilion Permata

Apart from its superblocks, PPRO's 2015 pipeline also includes the second tower at Pavilion Permata (PP), Pavilion Permata 2, which is planned for groundbreaking in 2H15. It is a follow up to Pavilion Permata 1, which was launched in 2013 and planned for handover later this year. Along with GSL, PP also sits next to Golden City Mall, albeit on the opposite side of the mall from GSL. Upon completion, PP2 would feature a connecting bridge to Golden City Mall to enhance access for residents. Although targeted at the middle class, PP would offer housekeeping and laundry services, as well as plenty of common areas for relaxation and exercise, features not commonly found in middle-class apartments, highlighting PPRO's advanced development concept with its residents' well-being in mind.

Pavilion Permata, PPRO's middle-class apartment project close to GSL, has advanced development concept

Exhibit 27. Pavilion Permata 1 apartment tower, February 2015



Source: Company

Present stage of PP1, planned for handover in 2H15

Exhibit 28. Facilities at Pavilion Permata, February 2015



Source: Company

Examples of common area and exercise space at PP

Exhibit 29. Site for Pavilion Permata 2, February 2015



Source: Company

Spot planned for PP2, viewed from PP1's partly-completed building

Other projects in 2015 pipeline

On top of the superblocks, PPRO's project 2015 pipeline over 2015-16 also includes 3 high-rise projects: 1. Ayoma Residence, an middle-up project in Serpong; and 2. Gunung Putri Square, Bogor, targeted at the low-income population. Its pipeline also includes landed housing projects under way: 1. Payon Amarta in Semarang, a mid-high end residential cluster, and 2. Bukit Permata Puri, also in Semarang, a continuation of PPRO's project which dates back to 1996, catering to the middle class. However, high-rise residences would be PPRO's main focus going forward.

Other projects in 2015 pipeline include high-rise and landed houses projects, which are ...

On aggregate, these projects are expected to generate over IDR5tn in marketing sales over the next few years. For the high-rise projects, PPRO has also obtained KLBs of over 10, with the exception of Ayoma Residence for which KLB stands at 7.2.

... expected to generate IDR5tn over the next few years

PPRO also expects to build a hotel located next to Kaza, scheduled to be operational by 2017, on top of 2 Park hotel chains, 1 in Lombok and another in Bengkulu, should be operational by 2017 and 2018 respectively. PPRO estimates IDR50bn in capex for each hotel. Inorganically, the company also plans to acquire an existing hotel in Kalimantan by 2015.

Additional hotel construction and acquisition in the pipeline

Notably, Ayoma Residence was met with strong demand as it was put up for offers at PPRO's exhibition booth at a property expo held in Jakarta Convention Center, prior to rendering of the project being completed. PPRO sold a remarkable 79% of Ayoma's units at the event. In addition, Gunung Putri Square (Bogor) is a government-supported project offered at the low-income population working in the nearby industrial areas, underlying a potentially guaranteed source of buyers, along with increased affordability due to lower down payment requirements.

Robust performance at Ayoma Residence, suggesting high public trust in PPRO

Future plans

Going forward, PPRO would continue offering high-density mixed use and high-rise projects targeted at the middle and middle-up income segments, priced between IDR700mn-1.5bn per unit, a range which it has identified as its "sweet spot". In particular, the company's target market includes households with monthly income of IDR7-30mn, which is forecast to grow from 42mn in 2012 to 68mn by 2020.

Going forward, PPRO to offer housing units to middle-to-middle-up earners, a segment forecast to grow from to 68mn by 2020

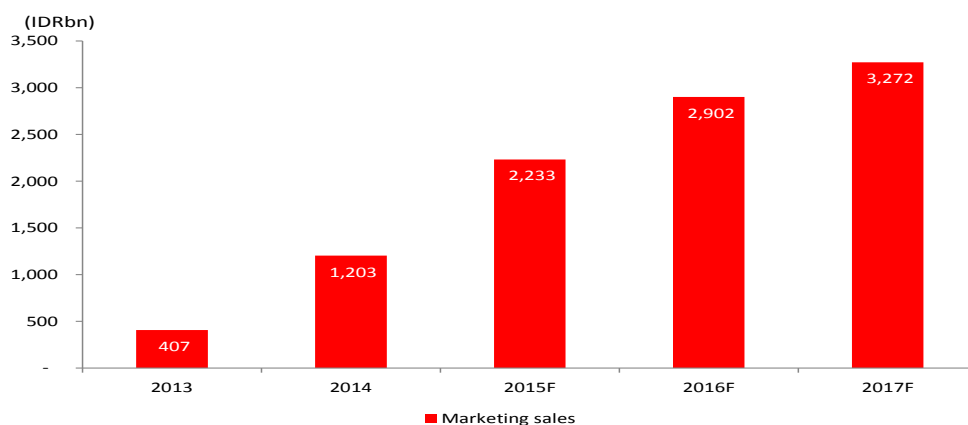
FINANCIAL OUTLOOK

100% 2014-17F top line CAGR from robust marketing sales since 2014

With the launch of its superblock projects, PPRO's marketing sales increased 123% y-y from 2013 to 2014. We expect strong take-up at PPRO's projects to continue given the company's commitment to innovative high-density developments, which should translate to continued strong marketing sales momentum with additional pre-sales progress across its projects, most notably at GKL, GSL and NES (which together we expect would contribute 79-85% to total marketing sales in 2015-17F) as PPRO launches additional towers and phases. Assuming 5-10% annual ASP growth, in line with typical market conditions, we expect PPRO's marketing sales to grow 64% CAGR from 2014-17F.

Robust 2014 marketing sales performance ...

Exhibit 30. Marketing sales growth, 2013-17F



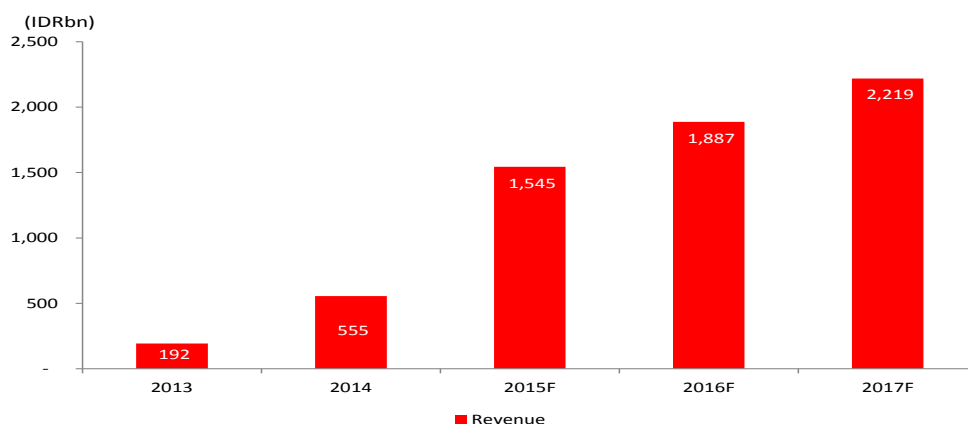
Source: Company, Bahana estimates

... which we expect to continue ahead with the company's additional launches ...

2014's strong marketing sales growth is expected to strongly drive revenue growth going forward as physical construction progresses across PPRO's superblock projects (including GKL and GSL). In this aspect, PPRO's forte lies in its parent being commissioned for building its projects, thereby providing PPRO with a reliable contractor with little project delays. Marketing sales growth should therefore translate to accelerated revenues with minimal hiccups. On the back of this, we expect top line growth to strongly come in at 100% CAGR in 2014-17F.

... should cause a significant boost to 2015-17 revenue ...

Exhibit 31. Revenue growth, 2013-17F



Source: Company, Bahana estimates

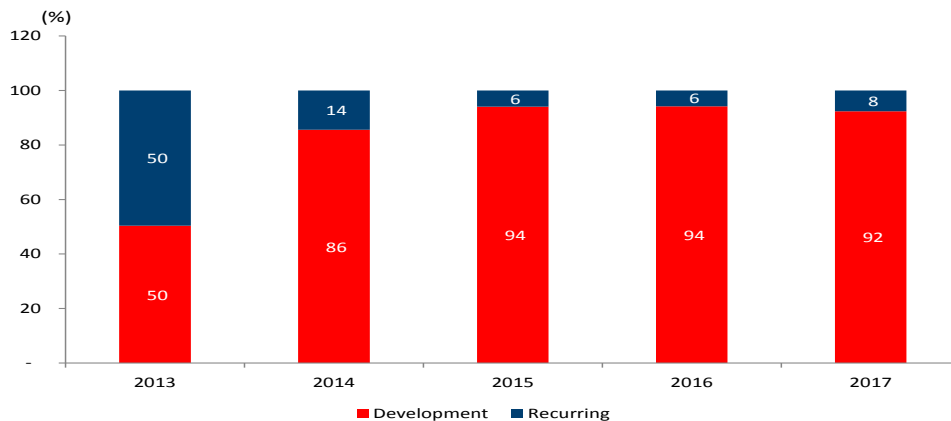
... translating to 108% 2014-17F revenue CAGR

Slight recurring base comeback in 2017

On the back of faster development activities, we expect recurring income base to drop to 6% in 2015-16F from 50% in 2013 and 14% in 2014. In 2017, with PPRO expecting the completion of the commercial areas in GKL and GSL, as well as Park Hotel Lombok and Kaza Hotel, recurring income base should be fortified with an additional IDR51bn in recurring income, bringing recurring income base up slightly to 8% of total 2017F revenue. In the longer term, with the addition of malls, hotels and commercial areas in its pipeline, PPRO aims for its recurring income base to reach 25-30% of total revenue.

While 2015-16F recurring base should fall on the back of fortified development revenue, ...

Exhibit 32. Revenue breakdown, recurring VS development, 2013-17F



... we expect some rebound in recurring contribution to slightly occur in 2017

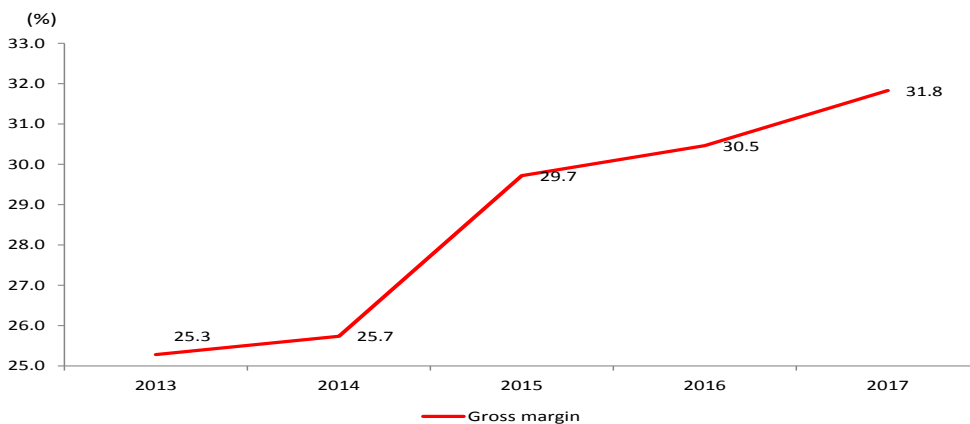
Source: Company, Bahana estimates

Improving margins from higher yielding high-rise projects

On the back of increased revenue contribution from its high-rise projects as well as its hotels turning profitable as they mature, we expect PPRO's gross margin to grow to 30-32% in 2015-17F from 25-26% in 2013-14, which should filter through to expansions in both operating and net margins. In addition, we note that PPRO's gross margin had been taking a hit from having employed a price game in charging lower ASPs than comparable projects of its competitors in nearby areas, a move through which the company hopes to gain market share in an industry which warrants premiums for market stature. Going forward, as its market share improves, PPRO's bargaining power would increase, and it aims to see gross margins rise to industry-average levels of 40-45% for its high-rise projects, which should be achievable helped by the company's ability to come up with creative concepts for its developments.

While gross margin has been depressed ...

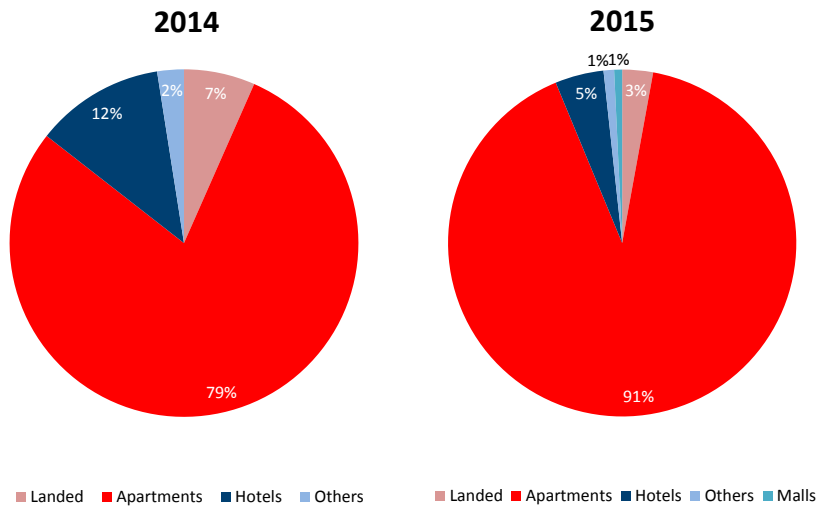
Exhibit 33. PPRO's gross margins, 2013-17F



... we expect improvements to unfold ahead on market share gains and higher yielding projects

Source: Company, Bahana estimates

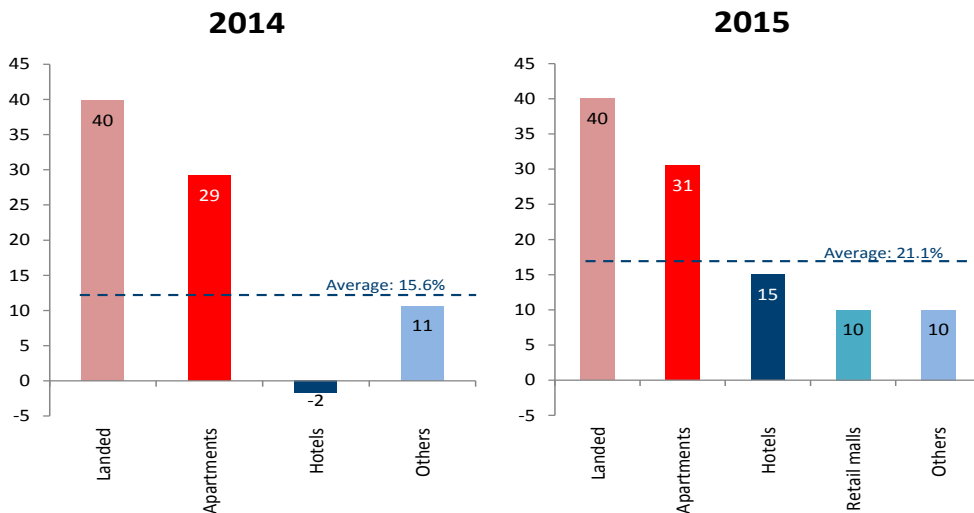
Exhibit 34. PPRO's revenue breakdown per product type, 2014-15F



Greater top line contribution from apartments to 91% this year while hotels should come off from 12% to 5%

Source: Company, Bahana estimates

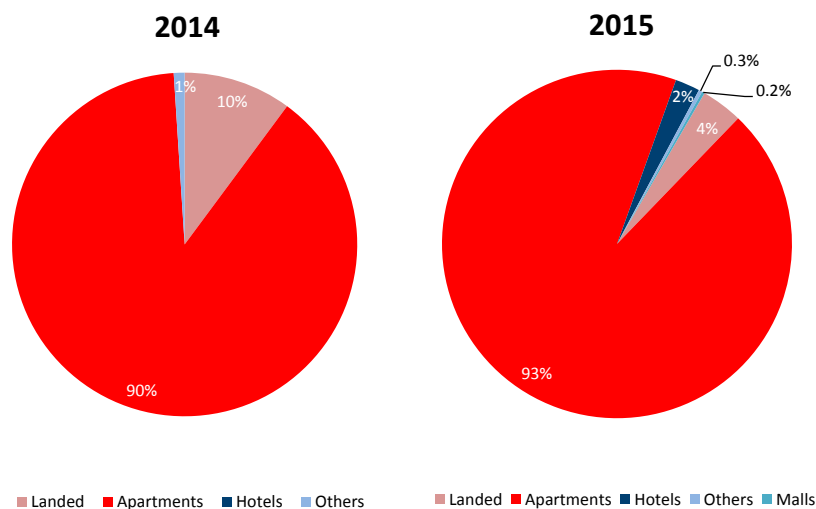
Exhibit 35. PPRO's gross margin breakdown per product type, 2014-15F



Apartments will see higher margin this year due to increased grossing projects while hotels are expected to become profitable as they mature, paving the way ...

Source: Company, Bahana estimates

Exhibit 36. PPRO's gross profit breakdown per product type, 2014-15F



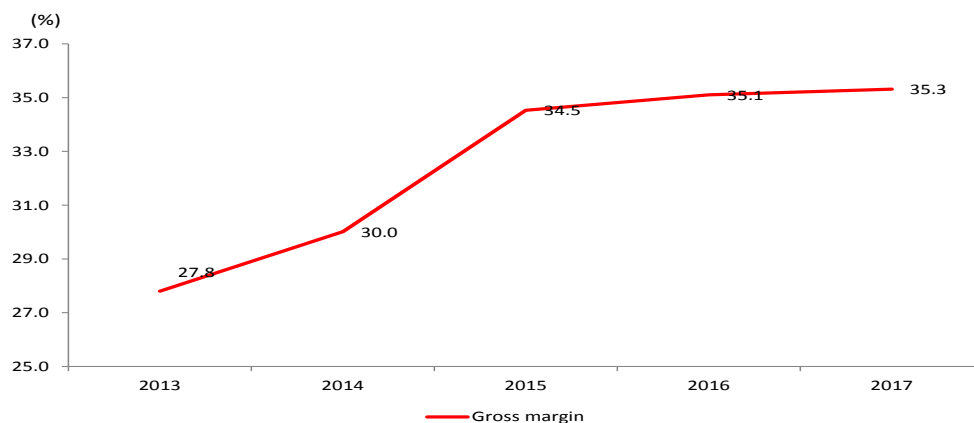
... for greater gross profit contribution in apartments from 90% in 2014 to 93% in 2015

Source: Company, Bahana estimates

In addition, we note that PPRO's COGS includes marketing expenses, which has constituted some 5% to total revenue in 2013-14, and is expected to remain at that level in 2015-17F. Should this be reclassified as operating expenses, PPRO's gross margins would improve to 34-35% in 2015-17F.

COGS includes around 5% marketing expenses ...

Exhibit 37. Gross margins with marketing costs reclassified, 2013-17F



... which, if re-classified as opex, would boost 2015-17F gross margins to 34-35% levels

Source: Company, Bahana estimates

Net debt to increase while maintaining healthy net gearing levels

PP Properti expects additional borrowings to support its heightened capex during its expansion phase going forward. On the back of this, while net gearing is expected to drop slightly in 2015 with the inflow of a IDR1.3tn expected capital injection, it is expected to rise consistently in 2016, although it should remain healthy at levels around 50%.

To support expansion plans, we expect PPRO to obtain additional funding ...

Exhibit 38. Financial highlights

(IDRb)	2013	2014	2015F	2016F	2017F
Sales	192	555	1,545	1,887	2,219
Gross profit	49	143	459	575	706
Operating profit	46	128	419	526	649
Net profit	49	106	298	377	471
Cash	32	229	196	33	96
Assets	1,437	2,731	4,577	5,765	7,027
Debt	0	307	1,058	1,328	1,328
Net gearing (%)	nc	7.5	39.1	51.9	43.2

Source: Company, Bahana estimates

... whilst maintaining healthy gearing levels at around 50% in 2016

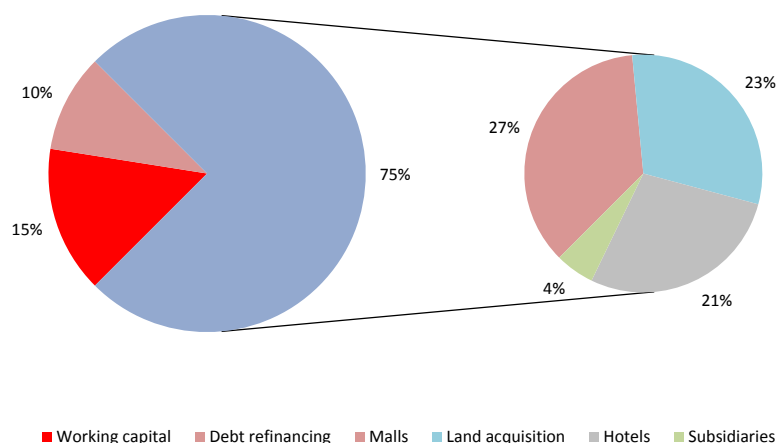
2015 expansion activities

In 2015, PPRO targets IDR1.3tn in capital injection in order to fund its expansion activities. In particular, funds obtained are planned for use as follows:

1. 15% would be utilized for working capital requirements in funding ongoing construction at its existing projects;
2. 10% for partial repayment of PPRO's IDR244bn loan from PTPP, which the latter provided to facilitate construction of Park Hotel Jakarta and Park Hotel Bandung as well as for working capital requirements; and
3. 75% for investments with the following breakdown:
 - a. 27% for construction of new malls and commercial areas on its Bekasi and Surabaya land banks, as well as acquisition of an existing mall in Kalimantan;
 - b. 23% for acquiring parcels of land for its future projects, most of which would be in Greater Jakarta, but could also include land in developing areas in Central Java, East Java, West Java and Bali;
 - c. 21% for construction of new hotels across existing land banks, as well as acquisition of an existing hotel in Kalimantan; and
 - d. 4% for supporting its subsidiaries' development activities.

We expect a IDR1.3tn capital injection this year to fund PPRO's expansion activities

Exhibit 39. Utilization of capital injection



... of which investments would account for 75%, most of which would be evenly distributed for land acquisition, construction of new hotels and malls as well as acquisition of a hotel and mall in Kalimantan

Source: Company

Valuation: Equity fair value of IDR3,511bn

Our estimated equity for PPRO (exhibit 40) is based on 50% discount to PPRO's 2015F NAV, which is valued using market value-based RNAV for PPRO's land banks and DCF-based valuation for its high-rise and recurring projects applying 12.6% WACC. This translates to an equity value of IDR3,511bn or IDR250 per share. In terms of implied P/E, this translates to 8.7x 2015F earnings, at 36.9% discount to sector P/E of 13.8x (exhibit 40).

Based on 50% discount to 2015 NAV, we arrive at our equity fair value per share of 250

Exhibit 40. P/E peers comparison





Company	M. cap (IDRb)	Net profit growth (%)	2015F P/E (x)
BSDE	37,111	(40.9)	16.7
LPKR	28,847	(45.4)	21.9
PWON	25,765	32.0	11.2
SMRA	24,309	3.3	19.3
CTRA	20,853	18.9	13.6
ASRI	11,397	21.3	7.9
APLN	9,123	7.1	11.5
CTRP	4,397	(9.2)	17.1
PPRO	2,598	180.7	8.7
Avg. (market- cap weighted)		(4.8)	13.8
Discount (%)			36.9

**8.7x 2015F P/E, around 37%
discount to sector's average
P/E**

Source: Bahana estimates

MANAGEMENT DISCUSSION

Name & current position	Industry experience (current & previous)	Relevant work exp. (years)
Board of Commissioners		
1. Betty Ariana <i>President Commissioner</i>	 Joined PTPP in 1980 in one of its branch offices and held various posts before becoming Assistant to the President Director in 2004 and Corporate Secretary in 2006. She was appointed as PPRO's President Commissioner in 2013. Betty graduated from ITS with a Civil Engineering degree and a Master of Engineering from Universitas Indonesia.	33
2. Mohammad Farela <i>Independent Commissioner</i>	 Prior to being appointed as PPRO's Independent Commissioner in 2013, Mohammad has been part of the Attorney General's office since 1973. He currently also serves as a Functional Prosecutor for the Attorney General's office. He obtained his Bachelor Law from Universitas Islam Indonesia and Master of Law from Universitas Indonesia.	32
Total relevant work experience (years)		65
Average relevant work experience (years)		33

Name & current position	Industry experience (current & previous)	Relevant work exp. (years)
Board of Directors		
1. Galih Praharanto , <i>President Director</i>	 Joined PTPP as site engineer in 1988 before rising the ranks to becoming head of PTPP's property Division in 2012. He was appointed as PPRO's President Director in 2013. Galih majored in Civil Engineering, from Institut Teknologi Bandung and Master of Construction Management from the University of New South Wales.	27
2. Indaryanto, <i>Director</i>	 Joined PTPP as Finance Manager in 1984. He was PTPP's Head of Accounting before being appointed as one of PPRO's directors in 2013. Indaryanto graduated from Universitas Gajah Mada in 1983 with a Bachelor of Accounting degree and pursued his further education at ADL Management Education Institute in Boston, Massachusetts.	30
3. Galih Saksono <i>Director</i>	 Joined PTPP as a site engineer in 1991 before being appointed as General Manager of PTPP's property division in 2013. He was appointed as PPRO's Director in 2013. Galih majored in Civil Engineering from Universitas Diponegoro and MBA from Universitas Gajah Mada.	21
4. Giyoko Surahmat <i>Independent Director</i>	 Joined PTPP in 1980 as Project Manager before being a part of PTPP's Engineering and Risk Management Division in 2011. He was appointed as PPRO's Independent Director in 2015. Giyoko majored in Civil Engineering from Universitas Gajah Mada and Master of Civil Engineering from Institut Teknologi Bandung.	35
Total relevant work experience (years)		113
Average relevant work experience (years)		28

INVESTMENT RISKS

Policy risks - tax revisions

On 30 April 2015, the Finance Minister issued Minister of Finance No. 90/PMK.03/2015 which reduced thresholds for 5% income tax on sales of super luxury goods (PPh22) to: IDR5bn or 400sqm in building area for landed houses, and IDR5bn or 150sqm in space for apartments. We think the impact from these taxes should be minimal, given they are deductible from annual income tax payables, and that they are only 5% of each unit's sale price. However, this renders property thresholds under the luxury goods VAT (PPNBM) to be under IDR5bn as well as under 400sqm in building area for houses and 150sqm for apartments. Channel checks reveal that the Finance Ministry is highly considering PPNBM's thresholds to be IDR3-5bn. Although these would be more conducive for the property sector than the IDR1.5bn (apartments) and IDR1.2bn (houses) we were told of previously, these thresholds remain uncertain, and the policy overhang in the property sector as a whole remains. For PPRO, fortunately the management's pricing has mostly been set well below these thresholds helping to protect the company's sales from the adverse impact of these higher taxes.

Despite recent developments, uncertainties on policy risks remain for the sector, although they should be minimal on PPRO, helped by its lower price ranges

Licensing hurdles

Indonesian property developers face regulatory hurdle when it comes to obtaining development licenses, which could be arduous and extremely time consuming. Furthermore, the current Jakarta's governor, Ahok, has been known to be less-than-generous in handing out KLB coefficients. Although PPRO has managed to secure higher-than-average KLBs across its projects, it may face insufficient KLB issues as it expands inwards into Jakarta's metropolitan area going forward. Despite its status as an SOE, PPRO's management hints that they do not expect this to provide the company an edge over other industry players in terms of securing the necessary licenses for their development requirements.

Obtaining development licenses is a prevalent and well-known issue for developers

Competition from other developers

Branding has been known to be crucial in the property sector as it determines developers' integrity, building quality, regular maintenance of facilities, ease of obtaining mortgage loans as well as potential secondary market competition from developers' new launches. Being a relatively new full-fledged developer, PPRO faces risks of buyers preferring property offerings from other more popular and well-established developers.

Other more well-known developers could prevent PPRO from gaining market share

Slower demand from higher interest rates

Being an interest-rate sensitive sector, property developers face risks of demand slowing amid a high interest-rate operating environment. The US Federal Reserve has on its agenda plans to raise its benchmark interest rate sometime this year, and it is possible that Bank Indonesia (BI) would react by also raising its benchmark BI rate in order to counteract likely funds outflows from local markets.

Higher interest rates would normally erode demand for real estate

Executions risks

While its forward development concepts are innovative, PPRO lacks the track record to prove its ability to deliver such concepts as to date none of its futuristic developments has been completed. In addition, many of its ambitious projects would be the first of their kinds in Indonesia, creating uncertainties not only for buyers but also on the ability of the company to be able to complete these unprecedented projects. In this regard, PPRO faces risks that their projects would not meet customers' standards, causing disappointments amongst customers, which could in turn pose additional challenges in selling the company's future portfolio launches.

PPRO's ambitious projects could pose risks for their development in not meeting standards

Margin erosion from fluctuations in prices of building materials

With its project portfolio consisting of mostly high-rise buildings, of which building materials account for a larger PPROortion of COGS (around 60%), PPRO runs risks of contracting margins with increases in prices of building materials. This is especially more prominent for PPRO as it is already earning a lower-than-industry average gross margins on the back of its low price strategy.

Rising costs could pressurize earnings, particularly given a low pricing strategy

Foreign exchange volatility

Amid a volatile currency environment, PPRO faces foreign exchange risks as it does not earn USD-based revenues while some 25% of its COGS are USD-linked. Nevertheless, such risks are mitigated by PPRO's contracts with its builders which stipulate fluctuations in building costs within 10% of initial agreed amount are to be borne by the contractors. We note, however, that in the event the IDR depreciates by more than 10%, PPRO risks earnings erosion amounting to 6.6% at the gross level and 10% on its bottom line for every 1% stronger USD.

Once the built-in protection thresholds within their contracts are broken, every 1% IDR weakness against the USD could mean 10% erosion in bottom line

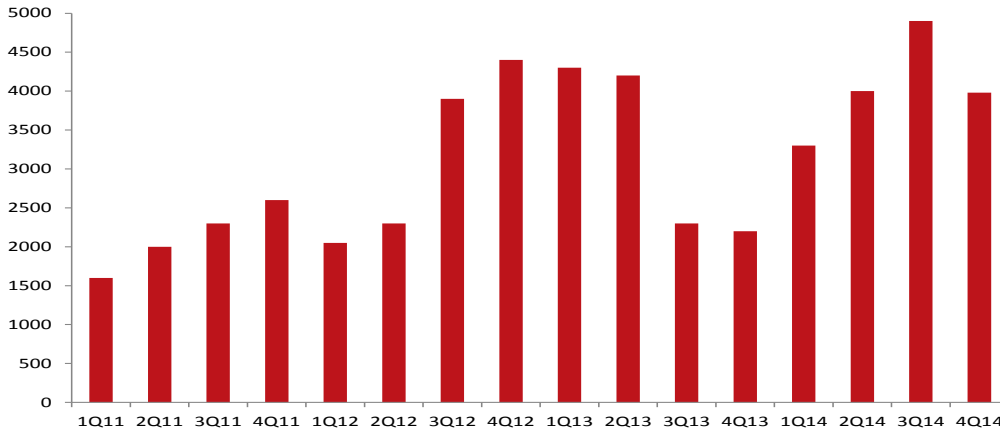
INDUSTRY ANALYSIS

Marketing sales rebound post political elections

Post the presidential and legislative elections and political tension in 2014, recent trends have shown improving take-up rates across developers, evidenced by significant oversubscriptions at several launches. Apartment sales data compiled by Jones Lang Lasalle (JLL) supports this trend, showing 3Q14 and 4Q14 apartment sales matching euphoric 2H12 and 1H13 levels. JLL also found that 2014 apartment take-up was at a record 16,961 units, significantly higher than the next highest period in 2013.

Marketing sales recovering across sector post 2014's political tensions ...

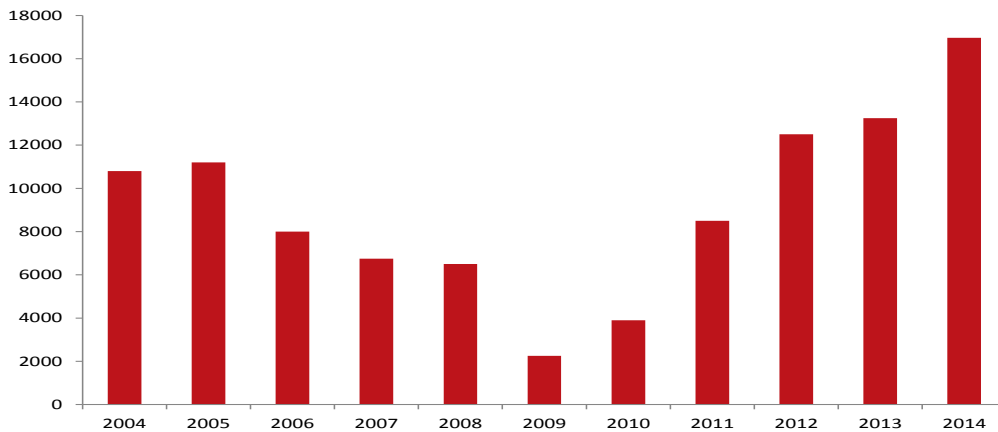
Exhibit 41. Quarterly apartment sales, 1Q11-4Q14



Source: Jones Lang Lasalle

... with apartment sales in 2H14 having exceeded 2H12-1H13's highs, ...

Exhibit 42. Apartment take-up, 2004-14



Source: Jones Lang Lasalle

... translating to a record year for apartment sales in 2014

Housing deficit: Currently at 13.6mn homes

According to the World Bank, Indonesia currently faces an estimated housing backlog of 15mn homes, with the shortage increasing by 300-400k homes annually. This number is set to grow with Indonesia's rising middle class, increasing urbanization and strong GDP growth. In light of this, the government is planning to implement its "one million housing program" (program satu juta rumah) through which it aims to build a million houses over 2 years in order to bolster housing construction, in particular to aid the low-income population. The program is planned for commencement in April 2015. It would involve state-owned developer Perumnas, regional governments, the national government, BPJS as well as private sector developers.

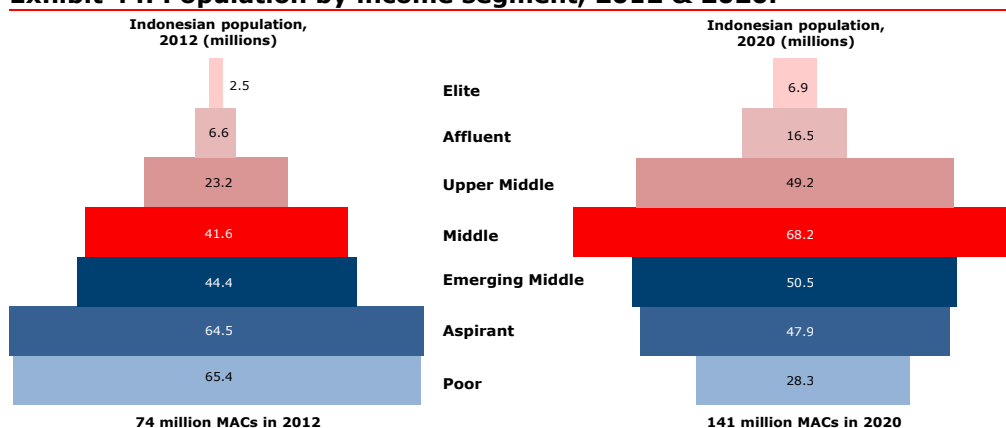
Large housing backlog presents upside for property developers ...

Exhibit 43. Housing affordability

(IDR)	Middle-low	Middle	Middle-up
Annual income/household	50,400,000	100,800,000	181,440,000
Monthly income/household	4,200,000	8,400,000	15,120,000
Housing price	210,000,000	550,000,000	1,250,000,000
Mortgage	147,000,000	385,000,000	875,000,000
Monthly installment	1,275,700	3,341,119	7,593,453
Debt-to-income ratio (%)	30%	40%	50%
Initial teaser rate pa (%)	8.50%	8.50%	8.50%
Floating rate of 13.50%			
Monthly installment	1,774,841	4,648,393	10,564,528
Debt-to-income ratio (%)	42%	55%	70%
Change in installment (%)	39%	39%	39%

Source: Bahana estimates

... which is additionally supported by a growing middle class ...

Exhibit 44. Population by income segment, 2012 & 2020F


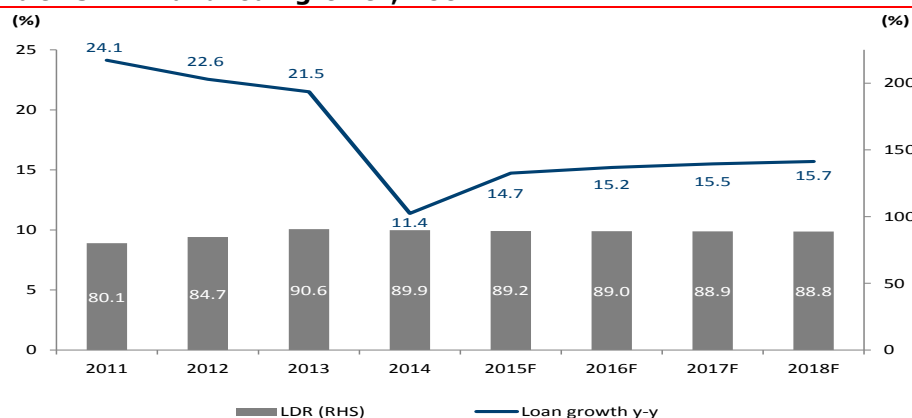
Source: Statistics Indonesia

... forecast to reach 68mn by 2020 from 42mn in 2012

Greater mortgage availability

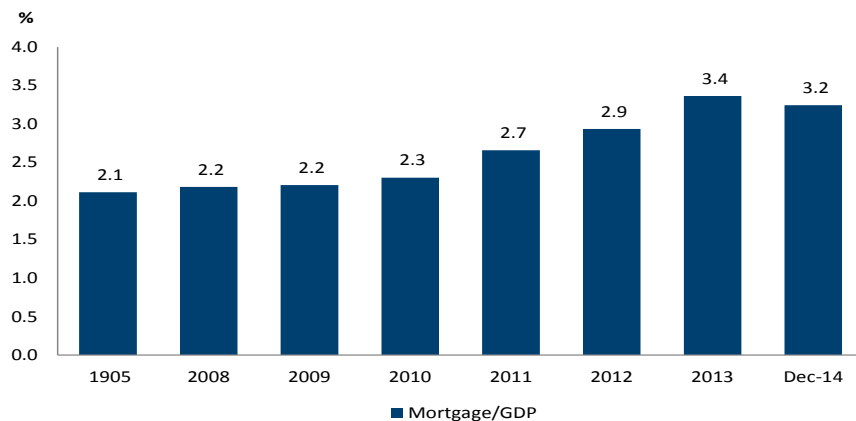
Due to major mortgage run-offs in 2014 (15% on average; highest being 25% at market leader Bank Central Asia (BBCA), greater mortgage availability lies ahead as banks seek to replenish paid off mortgages. In February 2015, BBCA, the largest private sector mortgage lender with 15% share, cut its mortgage rate to 8.8% for the first 3 years, before rising to 9.9% for years 4 and 5 (average annual: 9.24%), from previously 9.75% flat rate. Following BBCA's cut, other banks are likely to follow to remain competitive. Furthermore, sector-wide loan-to-deposit ratio (LDR) stood at 89.9%, lower than the 92% cap by OJK, allowing banks room to maneuver loan disbursements. Lastly, despite higher mortgages, Indonesia's low 2014 mortgage-to-GDP ratio of 3.2% belies potential for robust mortgage growth ahead.

Major mortgage run-offs in 2014 have caused aggressive mortgage seeking amongst banks ...

Exhibit 45. LDR and loan growth, 2007-14


Source: Bank Indonesia, Bahana estimates

... facilitated by LDR levels which are below the 92% cap level ...

Exhibit 46. Mortgage to GDP, 2007-14


Source: Bahana, IMF

Impending revisions to property tax regulations

As mentioned above, we spoke to top officials at the Fiscal Policy Division (BKF) of the Ministry of Finance, who informed us of their planned revisions to property taxes, notably under Minister of Finance Regulation No. 130/PMK.011/2013 on luxury goods taxes for Properties and Income Tax Law Article 22 (PPH22) on sellers of premium real estates. For the former, BKF is planning to revise the thresholds from currently: 150sqm for landed houses and 350sqm for apartments and shop houses, to: IDR1.2bn for landed houses and IDR1.5bn for apartments/shop houses. For PPh22, while the new thresholds are still being discussed, it is likely that it would be: IDR2bn and 500sqm in size for landed houses and IDR2bn and/or over 150sqm in size for apartments and shop houses, from currently: IDR10bn and 500sqm in size for landed houses and IDR10bn and/or over 400sqm in size for apartments/shop houses.

Exhibit 47. Proposed tax threshold – Luxury Goods Tax

Current	Proposed
Houses	Houses
-350sqm in building area	-IDR1.2bn in price
Apartments, shophouses	Apartments, shophouses
-150sqm in space	-IDR1.5bn in price

Source: Ministry of Finance

Exhibit 48. Proposed tax threshold – Income Tax Law Article 22

Current	Proposed
Houses	Houses
-IDR10bn and 500sqm in building area	-IDR2bn and 400sqm in building area
Apartments, shophouses	Apartments, shophouses
-IDR10bn and/or 400sqm in building area	-IDR2bn and/or 150sqm in building area

Source: Ministry of Finance

However, following our recent findings, we believe BKF has appeared to allow the Directorate General of Taxes (DGT) to take over decision making over revisions to the above taxes. Although DGT had earlier announced 1 April 2015 implementation deadline for the revisions, suggestions from Real Estate Indonesia, a lobby group representing Indonesian property developers, would still be acceptable in an effort for all parties to come up with a balancing point on the thresholds which would not be overly burdensome to the property sector.

Our discussion with REI reveals that the DGT is willing to postpone the implementation of the revisions to allow extra time for further review and consideration on the thresholds. Additionally, the DGT is still open for further discussions with REI, although no new implementation time frame has been announced at this stage. Nevertheless, we see this development as a positive light for the property sector, signalling a toning down of the government's aggressive stance on property taxation.

... as well as low mortgage penetration of 3.2% to GDP in 2014

Existence of a policy overhang deemed to significantly result in an adverse impact for the sector

Proposed revisions under luxury goods tax ...

... as well as Income Tax Law, which would ultimately increase the net of taxable properties through increased luxury taxes

Our recent finding shows that the government is open to toning down its aggressive stance on property taxation, ...

... bringing about a more positive sentiment for the sector

Research: +62 21 250 5081



Harry Su
 harry.su@bahana.co.id
 Senior Associate Director
 Head of Research
 Strategy, Consumer
 ext 3600
 direct: +62 21 250 5735



Teguh Hartanto
 teguh.hartanto@bahana.co.id
 Associate Director
 Deputy Head of Research
 Banks, Cement, Aviation
 ext 3610



Leonardo Henry Gavaza, CFA
 leonardo@bahana.co.id
 Senior Research Manager
 Auto, Heavy equipment, Telco
 ext 3608



Arandi Nugraha
 arandi@bahana.co.id
 Research Analyst
 Coal, Metals, Oil & Gas
 ext 3619



Muhammad Wafi
 wafi@bahana.co.id
 Technical Analyst
 ext 3609



Michael W Setjoadi
 michael@bahana.co.id
 Research Analyst
 Consumer, Poultry
 ext 3613



Robin Sutanto
 robin@bahana.co.id
 Research Analyst
 Property
 ext 3620



Wendy Chandra
 wendy.chandra@bahana.co.id
 Research Analyst
 Consumer, Media
 ext 3606



Adrian Mahendra Putra
 adrian@bahana.co.id
 Research Analyst
 Industrial Estate
 ext 3614



Bob Setiadi
 bob.setiadi@bahana.co.id
 Research Analyst
 Cement, Infrastructure, Toll roads
 ext 3605



Agustinus Reza Kirana
 agustinus.reza@bahana.co.id
 Research Analyst
 Transportation
 ext 3616



Adi Saputra
 adi.saputra@bahana.co.id
 Research Associate
 ext 3693



Andre Natalia Susanto
 andre@bahana.co.id
 Research Associate
 ext 3601



Sanni Satrio Dwi Utomo
 sanni@bahana.co.id
 Research Associate
 ext 3611



Bagus Adi Yoga Prawira
 yoga.prawira@bahana.co.id
 Research Associate
 ext 3604



Made Ayu Wijayati
 made.ayu@bahana.co.id
 Research Executive
 ext 3607



Zefanya Halim
 zefanya@bahana.co.id
 CA Manager
 ext 3612



Novianty Permata Sari
 novianty@bahana.co.id
 CA
 ext 3618

Dealing Room: +62 21 527 0808 (Foreign Institutional) +62 21 250 5508 (Domestic Institutional)

+62 31 535 2788 (Surabaya Branch)



Edy Sujoso
 edy.sujoso@bahana.co.id
 Head of Equity Sales & Trading
 Institutional Equity Sales
 ext 2545



Ashish Agrawal
 ashish@bahana.co.id
 Vice President
 Institutional Equity Sales
 ext 2550 / 2553



Amelia Husada
 amelia@bahana.co.id
 Vice President
 Institutional Equity Sales
 ext 2552



Yohanes Adhi Handoko
 yohanes@bahana.co.id
 Manager, Surabaya Branch
 ext 7250



John M. Dasaad
 dasaad@bahana.co.id
 Equity Sales
 ext 2549



Reynard Poernawan
 reynard@bahana.co.id
 Institutional Equity Sales
 ext 2528



Suwardi Widjaja
 Suwardi@bahana.co.id
 Equity Sales
 ext 2548



Nurul Farida
 nurul@bahana.co.id
 Equity Sales
 ext 2543



Ari Santosa
 ari.santosa@bahana.co.id
 Sales Trader
 ext 2554



Hanna Marionda
 hanna@bahana.co.id
 Sales Trader
 ext 2525



Adriana Kosasih
 adri@bahana.co.id
 Sales Executive
 ext 2541

Head Office

Graha Niaga, 19th Floor
 Jl. Jend. Sudirman Kav. 58
 Jakarta 12190
 Indonesia
 Tel. 62 21 250 5081
 Fax. 62 21 522 6049



PT Bahana Securities

<http://www.bahana.co.id>
Surabaya Branch

Wisma BII, Ground Floor
 Jl. Pemuda 60-70
 Surabaya 60271
 Indonesia
 Tel. 62 31 535 2788
 Fax. 62 31 546 1157

Disclaimer

THIS DOCUMENT IS CONFIDENTIAL AND IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED OR PASSED ON DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE DISTRIBUTED TO THE PRESS OR OTHER MEDIA.

PT BAHANA SECURITIES IS AN UNDERWRITER IN THE PROPOSED OFFERING OF EQUITY SECURITIES OF PT PP PROPERTI TBK. HOWEVER, THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED UPON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER. THE INFORMATION CONTAINED HEREIN IS DERIVED FROM PUBLICLY AVAILABLE SOURCES AND ANY OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT ARE ENTIRELY THOSE OF THE AUTHORS. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO THE ACCURACY, COMPLETENESS OR FAIRNESS OF THE INFORMATION AND OPINIONS CONTAINED IN THIS DOCUMENT. NONE OF PT PP PROPERTI TBK, PT BAHANA SECURITIES OR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. THIS DOCUMENT HAS BEEN FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. BY ACCEPTING THIS DOCUMENT YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

NOTICE TO EEA RESIDENTS

THIS DOCUMENT IS FOR DISTRIBUTION IN THE EUROPEAN ECONOMIC AREA ONLY TO PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA ("EEA") THAT HAVE IMPLEMENTED DIRECTIVE 2003/71/EC (TOGETHER WITH ANY APPLICABLE IMPLEMENTING MEASURES IN ANY SUCH MEMBER STATE, THE "PROSPECTUS DIRECTIVE") WHO ARE "QUALIFIED INVESTORS" IN THAT MEMBER STATE WITHIN THE MEANING OF ARTICLE 2(1)(e) OF THE PROSPECTUS DIRECTIVE (AS AMENDED, INCLUDING BY DIRECTIVE 2010/73/EU, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE). ANY PERSON IN THE EEA WHO RECEIVES THIS DOCUMENT WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A QUALIFIED INVESTOR. ANY SUCH RECIPIENT WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT HAS NOT RECEIVED THIS DOCUMENT ON BEHALF OF PERSONS IN THE EEA OTHER THAN QUALIFIED INVESTORS OR PERSONS IN THE UNITED KINGDOM AND OTHER MEMBER STATES (WHERE EQUIVALENT LEGISLATION EXISTS) FOR WHOM THE INVESTOR HAS AUTHORITY TO MAKE DECISIONS ON A WHOLLY DISCRETIONARY BASIS. THE ISSUER, THE MANAGERS AND THEIR AFFILIATES AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS. ANY PERSON IN THE EEA WHO IS NOT A QUALIFIED INVESTOR SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS.

NOTICE TO UNITED KINGDOM RESIDENTS

THIS DOCUMENT IS BEING DISTRIBUTED BY [NAME OF DISTRIBUTOR OF RESEARCH REPORT] IN THE UNITED KINGDOM ONLY TO, AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO, AND WILL BE ENGAGED IN ONLY WITH, "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF DIRECTIVE 2003/71/EC (AS AMENDED, INCLUDING AMENDMENTS BY DIRECTIVE 2010/73/EU) AND WHO ARE (I) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN THE MEANING OF ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 OF THE UNITED KINGDOM (AS AMENDED) (THE "ORDER"), OR (II) HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLES 49(2)(A) TO (D) OF THE ORDER, OR (III) PERSONS IN THE UNITED KINGDOM TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND IT IS NOT INTENDED TO BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON IN THE UNITED KINGDOM. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH THE RELEVANT PERSONS. OTHER PERSONS SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS.

THIS DOCUMENT MAY NOT BE CIRCULATED OR DISTRIBUTED TO THE PUBLIC OR ANY MEMBER OF THE PUBLIC IN SINGAPORE OTHER THAN TO AN INSTITUTIONAL INVESTOR, AS DEFINED IN THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE "SFA"), IN SINGAPORE IN COMPLIANCE WITH THE SFA AND THE REGULATIONS MADE THEREUNDER. THE INFORMATION CONTAINED IN THIS RESEARCH REPORT SHOULD NOT BE DISCLOSED BY THE RECIPIENT TO ANY OTHER PERSON.

NO PART OF THIS RESEARCH REPORT MAY BE REPRODUCED OR TAKEN OR TRANSMITTED TO INDONESIA OR TO INDONESIAN CITIZENS OR CORPORATIONS IN A MANNER WHICH CONSTITUTES A PUBLIC OFFERING UNDER THE LAWS OF THE REPUBLIC OF INDONESIA.

BY RECEIVING THIS RESEARCH REPORT YOU ARE AGREEING (X) THAT THIS RESEARCH REPORT HAS BEEN FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND THAT THIS RESEARCH REPORT MAY NOT BE PHOTOCOPIED, REPRODUCED, DISTRIBUTED AND CIRCULATED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AT ANY TIME AND (Y) THAT IF THE INFORMATION UNDER THIS RESEARCH REPORT IS NO LONGER RELEVANT TO YOU, OR IF SO REQUESTED BY PT BAHANA SECURITIES, TO RETURN THIS RESEARCH REPORT TO PT BAHANA SECURITIES.

THIS DOCUMENT HAS BEEN PRODUCED INDEPENDENTLY OF PT PP PROPERTI TBK AND ANY PROSPECTIVE UNDERWRITER IN THE OFFERING (INCLUDING, IN SUCH CAPACITY, BAHANA SECURITIES). INFORMATION IN THIS DOCUMENT MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED OR APPROVED BY PT PP PROPERTI TBK, ITS SHAREHOLDERS OR ANY PROSPECTIVE UNDERWRITER IN THE OFFERING. IN PARTICULAR, ANY PROJECTIONS AND FORECASTS DESCRIBED IN THIS REPORT WERE BASED UPON A NUMBER OF ESTIMATES AND ASSUMPTIONS AND ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES. PROJECTIONS AND FORECASTS ARE NECESSARILY SPECULATIVE IN NATURE, AND IT CAN BE EXPECTED THAT ONE OR MORE OF THE ESTIMATES ON WHICH THE PROJECTIONS AND FORECASTS WERE BASED WILL NOT MATERIALIZE OR WILL VARY SIGNIFICANTLY FROM ACTUAL RESULTS, AND SUCH VARIANCES ARE LIKELY INCREASE OVER TIME. ALL PROJECTIONS AND FORECASTS DESCRIBED IN THIS REPORT HAVE BEEN PREPARED SOLELY BY THE AUTHORS OF THIS REPORT INDEPENDENTLY OF PT PP PROPERTI TBK. THESE PROJECTIONS AND FORECASTS WERE NOT PREPARED WITH A VIEW TOWARDS COMPLIANCE WITH PUBLISHED GUIDELINES OR GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. NO INDEPENDENT ACCOUNTANTS HAVE EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE ON THESE PROJECTIONS OR FORECASTS. YOU SHOULD NOT REGARD THE INCLUSION OF THE PROJECTIONS AND FORECASTS DESCRIBED HEREIN AS A REPRESENTATION OR WARRANTY BY OR ON BEHALF OF PT PP PROPERTI TBK, ITS SHAREHOLDERS, ANY PROSPECTIVE UNDERWRITER IN THE OFFERING, [NAME OF THE SYNDICATE MEMBER PUBLISHING THE REPORT], THE AUTHORS OF THIS REPORT OR ANY OTHER PERSON THAT THESE PROJECTIONS OR FORECASTS OR THEIR UNDERLYING ASSUMPTIONS WILL BE ACHIEVED. NONE OF THESE PERSONS ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. FOR THESE REASONS, YOU SHOULD ONLY CONSIDER THE PROJECTIONS AND FORECASTS DESCRIBED IN THIS REPORT AFTER CAREFULLY EVALUATING ALL OF THE INFORMATION IN THIS REPORT, INCLUDING THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS AND FORECASTS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAWS OR THE LAWS OF ANY SUCH OTHER JURISDICTIONS.

ALTHOUGH REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED AND OPINIONS GIVEN IN THIS DOCUMENT ARE FAIR AND ACCURATE, NEITHER WE NOR ANY OTHER PERSON HAS INDEPENDENTLY VERIFIED THE INFORMATION CONTAINED IN THE DOCUMENT. ACCORDINGLY, NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO THE FAIRNESS, ACCURACY, COMPLETENESS, OR CORRECTNESS OF THE INFORMATION AND OPINIONS CONTAINED IN THIS DOCUMENT.

BY ACCEPTING THIS DOCUMENT YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.