

April 06, 2009

COMPANY COMMENTARY



Bakrieland Development (ELTY)

Report Origin: Company Update

BUY

Volatility Risk : HIGH

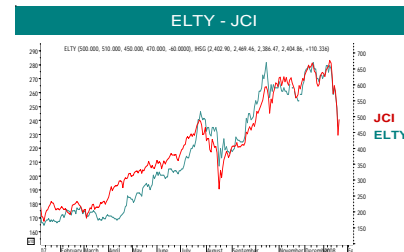
12-Month Price Target : Rp730,-

Strong fundamental in turbulence conditions

Investment highlights:

- + Revenue broke Rp1 trillion in 2008
- + Hand over of Bakrie Tower on schedule
- + Expansion of Bogor Nirwana Residence area
- + Recurring income from Kanci -Pejagan toll road
- + Huge additional cash from selling stake in subsidiary

Current Price (4/3/09)	: Rp 94/shr
52 Wk high (4/17/08)	: Rp 460/shr
52 Wk low (1/23/09)	: Rp 54/shr
YTD %-change	: 30.56%
Share Outstanding	: 19916.070mio shrs
Market capitalization	: Rp 1872.11bio
Floating rate	: 69%
1 year total return	: -77.35%



	2006A	2007A	2008A	2009E	2010E
Revenue (Rp bn)	393	782	1.054	1.553	1.870
Gross profit (Rp bn)	167	321	511	670	842
Operating profit (Rp bn)	72	171	226	340	472
Net profit (Rp bn)	68	134	272	240	380
EPS (Rp)	12,9	8,4	13,3	12,2	19,4
EPS growth (Rp)	-58,1	-34,8	58,3	27,4	58,2
Equity (Rp bn)	1.319	4.133	4.508	4.748	5.127
Net debt (Rp bn)	121	-666	413	809	995
Total asset (Rp bn)	2.396	5.708	8.335	8.681	9.208
Dividend/share (Rp)					
Book value/share (Rp)	67,2	210,6	229,7	242	261
PER (x)	6,4	9,8	6,2	6,7	4,2
PBV (x)	1,2	0,4	0,4	0,3	0,3
PEG (x)	-0,1	-0,3	0,1	0,2	0,1
Gross margin (%)	42,5	41,1	48,5	43,1	45,0
Operating margin (%)	18,4	21,8	21,4	21,9	25,2
Net margin (%)	17,2	17,2	25,8	15,5	20,3
ROE (%)	5,1	3,2	6,0	5,1	7,4
ROA (%)	2,8	2,4	3,3	2,8	4,1
Net debt to equity (x)	0,09	net cash	0,09	0,17	0,19

EPS after rights issue

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Improved FY2008 performance

BAKRIELAND DEVELOPMENT			
Rp billion	2008	2007	chg
Net revenues	1.054	782	34,7%
Gross profit	511	321	59,1%
Operating profit	226	171	32,6%
Net profit	272	134	102,8%
Gross margin	48,5%	41,1%	
Operating margin	21,4%	21,8%	
Net margin	25,8%	17,2%	

In 2008 ELTY recorded significant improvement in revenue of 34.7% yoy to Rp1.05 trillion. The figure showed new achievement of ELTY's performance that the company was able to break revenue more than Rp1 trillion. Sale of land, housing and apartments as the main contributor of the company's revenue increased by 21% yoy to Rp635,4 billion. While sales of office spaces also indicates significant improvement by 70% yoy to Rp280.7 billion. The increase in cost of revenue was not as big as increase in revenue, thus the gross profit rose by 59.1% to Rp511 billion. The gross margin also improved as well. With significant improvement in operating expenses, the operating profit only rose by 32.6% yoy to Rp226 billion. The major increase was salaries, wages and benefit in kinds and advertising expenses. There were some figures which escalated the company's performance. First, in 2008 ELTY recorded very significant improvement in foreign exchange gain to Rp109.8 billion from Rp89.5 million in 2007. The gain was related to the transaction with Limitless in divesting ELTY's stake in Bakrie Swasakti Utama. The second, in 2008 ELTY booked gain on sales of investments in subsidiaries of Rp21 billion, while in 2007 the company did not record that account. Finally ELTY recorded significant jump in net profit of 102.8% yoy to Rp272 billion. This is in line with our expectation of Rp288 billion.

Plan of Bakrie Tower



Source: www.bakrieland.com



Bakrie Tower as of March 11, 2009

Source: Research of BNIS

Rasuna Epicentrum for the future growth

Currently the company is in completion of some projects, such as Rasuna Epicentrum (RE), Bogor Nirwana Residence (BNR) and Legian Nirwana Suites & Residences.

RE is ELTY's biggest project, which consists of infrastructure, apartments, office tower and concert hall & office, Bakrie Tower and others. The planned total area of RE is 636,598 m², while the total area of RE is 53.5 ha.

Rasuna Epicentrum...

ELTY has also expansion plan of 15 to 20 ha for RE area. The area is mostly surrounded by public houses. In the near term, Bakrie Tower will be handed over in April to May 2009. The tower had take up rate of 87% as of December 31, 2008 (54% pre-sold and 33% already reserved for rent). One of the tenant is sister company, PT Energi Mega Persada Tbk. Construction progress of Bakrie Tower was 88% as of December 31, 2008. The unique of Bakrie Tower is the building in the use of twisted building concept for its building.



Plan of Lifestyle Center

Source: www.bakrieland.com

ELTY will also deliver Lifestyle Center in RE to customers in 2009. Lifestyle center consists of low rise shop and office buildings. The progress of construction was 98% as of December 31, 2008. A number of tenants who commit to use the spaces are Farmer Market (a high class super market), Apple Store and XXI. RE is constructed through a number of stages, based on the type of building. On the early stage ELTY will launch Bakrie Tower, Lifestyle Center and Media Walk. In the mid term, the company will launch The Grove Stage 1A, The Grove Suites and The Convergence Indonesia. The Grove Condominium has already 52% pre-sold and the construction progress had been completed around 52% as of December 31, 2008. On the other hand, The Convergence Indonesia (a 16-storays of grade A office building with 24,340 m² sellable area) has 100% pre-sold. The building has ground breaking in April 2008 and will be delivered in 4Q10.

From the explanation above, we can see that ELTY really focuses on selling (strata title) its property products rather than renting them. The management said the the objective is to minimize the risks.

Lifestyle Center as of March 11, 2009



The Groove as of March 11, 2009



Source: Research of BNIS



Source: ELTY Presentation Material

In our view, the main benefit of RE is its location in Jakarta Central Business District. Along with population growth in Jakarta, the need of residence in the heart of Jakarta is increasing, which the traffic jam is the main reason for it.

NO	PROJECTS	SGFA (sqm)	SCHEDULE																			
			2007				2008				2009				2010				2011			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Infrastructure																					
A	Bakrie Tower	65,552																				
B	Lifestyle Center	28,123																				
C	Media Walk	15,000																				
D	The Grove (Stage 1A)	53,368																				
E	The Grove Suites	9,466																				
F	The Convergence Ind.	24,340																				
G	Office Tower	9,431																				
H	Concert Hall & Office	19,670																				
I	Condo. (Stage 1B)	53,368																				
J	Condo. (Stage 2)	188,540																				
K	The Wave (Stage 3)	171,740																				
	TOTAL	636,598																				

Remarks : Construction (orange), Fitting Out (yellow), * up to 2012, ** up to 2014

Source: ELTY Presentation Material

Bogor Nirwana Residence: another big project

ELTY does not only have projects in Jakarta, but also in many other provinces throughout Indonesia. Buffer area of Jakarta is interesting location, due to its location near of Jakarta as the capital city of Indonesia. ELTY considers Bogor as a good city to develop. In this city ELTY is developing Bogor Nirwana Residence (BNR) project. Total units sold showed significant improvement from 206 units in 2006 to 740 units in 2008.

Bogor Nirwana...

To attract customers, BNR is facilitated by water park and retail area. ELTY is planning to build golf course as one of the high class society need to exercise. As of December 31, 2008, the total area of BNR is 810 ha. Some of BNR supporting facilities are The Jungle and Orchard Walk Arcade. In 1H09 BNR plans to launch Aston Hotel. It will give another attractive point for the customers.

The company has plan to expand the area to more than 1,000 ha. We can assume that BNR has so many attractive points, such as surrounded by fresh air, supporting infrastructure of toll road that connecting to Jakarta and its own supporting facilities as mentioned above. It is also located in the heart of Bogor city. BNR is an alternative for society to have property outside Jakarta because the land price in Jakarta is so high. For example, land price in Kuningan area is approximately Rp17 million per meter square. It is also an alternative for those who want landed houses, not high rise apartments.



Bogor Nirwana Residence



Orchard Walk Arcade

Source: Research of BNIS

Peluncuran kawasan baru untuk dukung pertumbuhan

But on the other hand we see a major constraint for the company to expand BNR further. The main reason is the traffic jam. In rush hour the traffic from and to Bogor is quite crowded. It also relates to its society that approximatley 40% to 50% of them have major activities in Jakarta.



Aston Hotel as of March 11, 2009

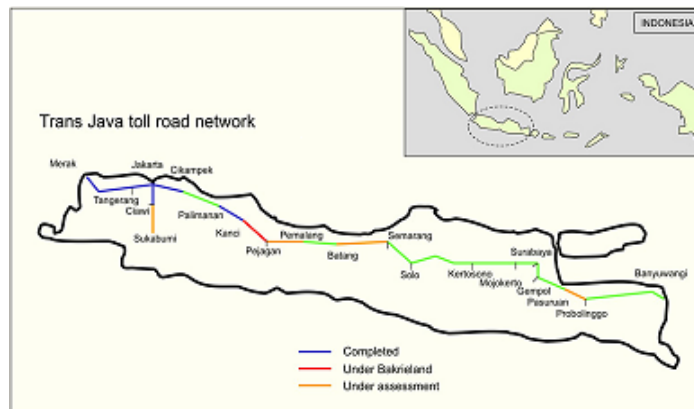
Source: Research of BNIS

Toll road: another investment for recurring income

In expanding another business, ELTY is developing Kanci - Pejagan toll road with length of 35 km and concession period of 35 years. ELTY plans to begin the operation in July 2009, earlier than previous target in September 2009. The company considers that by operating toll road is more secure than getting revenue from recurring income through property products.

Toll road:...

The users of toll road will come every day and the growth will be supported by many properties surrounding the toll road. Its location is very attractive because it is a part of Trans Java toll road network. It will be very busy in the long-run. ELTY projects to have Rp50 billion income from Kanci - Pejagan toll road in 2009. After the toll road development is completed, ELTY will have another recurring income and also expanding its business portfolio.



Source: www.bakrieland.com

Projection and recommendation

We have positive outlook on ELTY performance in the long-term. The company expands its business continuously by capturing the increasing demand of customers. It has strategy to focus on mid to mid up market, a community who are not affected by any slow economic growth significantly. ELTY has a number of projects located in prime area of cities. Therefore it will be very attractive for mid to mid up customers who want exclusive benefit from properties.

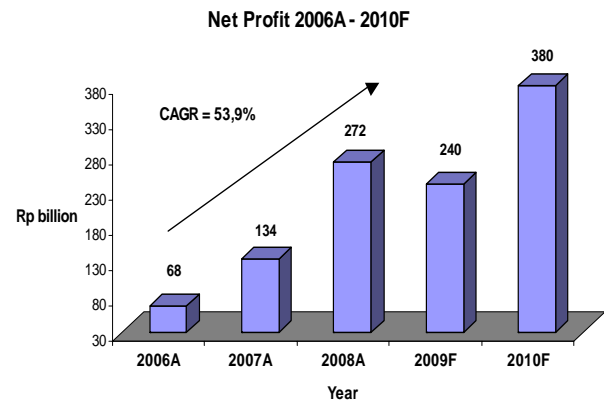
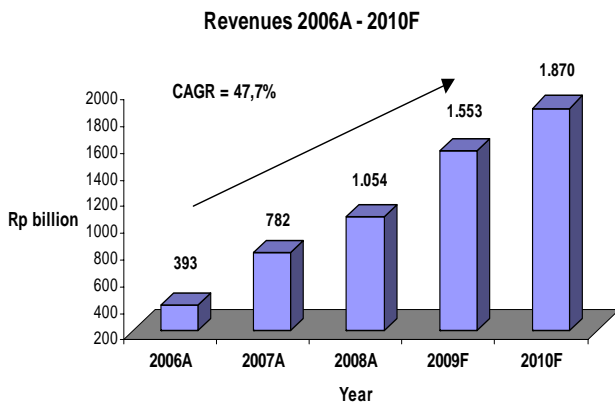
The company has some distinctive investment property like the Jungle Park in Bogor Nirwana Residence which consist of a number of entertainment media such as 4D cinema and big aquarium and Lifestyle Center in Rasuna Epicentrum. They can attract customers from any places and the result will enhance the company's performance. But, ELTY still focuses on strata title or selling its products rather than having recurring income from property investment. The company always expand its area, mostly in BNR. ELTY also has plan to expand its area in RE by acquiring land from surrounded communities.

By selling its stake at subsidiary, PT Bakrie Swasakti Utama (BSU), ELTY will get additional cash in the amount of US\$110 million from Limitless. Cash received from Limitless in 2008 was approximatley 30% of the total amount. The rest of the amount will be paid in some stages. It will be very positive to the company because the additional cash is needed for expansion.

But we still see a main problem for ELTY to expand further. It relates to the dry liquidity of national banking industry. To manage the problem, the company uses funding by the combination of project financing, pre-selling and internal fund. ELTY will keep on continuing the project if the take-up rate reaches 40%.

Projection and recommendation

For the performance, We project the company to have revenue and net profit of Rp1.55 trillion and Rp240 billion respectively in 2009 supported by increasing demand of mid to mid up property products. The compounded annual growth rate (CAGR) of net revenues from 2006 to 2010 is estimated to reach 47.7%. The valuation is very attractive. ELTY is trading at PER and PBV 2009 of 6.7x and 0.3x respectively. While the PER 2009 of industry is 16.8x along with its PBV 2009 of 6.9x. We have BUY recommendation for ELTY with target price of Rp730 per share by using NAV (net asset value) method.



Source: ELTY Financial Report and BNIS Research estimation

APPENDIX

Income Statement Projection 2006A - 2010F

Rp billion	2006A	2007A	2008A	2009F	2010F
Net revenues	393	782	1.054	1.553	1.870
Gross profit	167	321	511	670	842
Operating profit	72	171	226	488	660
Interest income	0	62	2	57	65
Financial cost			(49)	(65)	(65)
Gain on sale of stake in subsidiary			21		
Foreign exchange gain (loss)			110		
Others - net	-3	1	-3	-3	2
Other income/(expense) - net	7	64	132	-14	9
Income before tax expense	79	235	358	326	481
Tax expense	(9)	(110)	(82)	(78)	(93)
Income before minority interest	70	138	276	248	388
Net profit	68	134	272	240	380

Balance Sheet Projection 2006A - 2010F

Rp billion	2006A	2007A	2008A	2009F	2010F
Cash	33	1.043	740	543	486
Current asset	1.193	3.602	5.329	5.157	5.317
Trade receivables	168	443	709	750	950
Inventories	763	1.602	2.319	2.990	3.311
Fixed asset	638	701	952	1.100	1.250
Land bank	565	1.405	2.054	2.424	2.642
Total asset	2.396	5.708	8.335	8.681	9.208
Liabilities	1.036	1.508	3.134	3.240	3.387
Bank loans	153	357	626	800	900
Bond			494	494	494
Minority	40	67	694	694	694
Equity	1.319	4.133	4.508	4.748	5.127
Retained earnings	(15)	47	320	560	939
Total liabilities and equity	2.396	5.708	8.335	8.681	9.208

Cashflow Projection 2006A - 2010F

Rp billion	2006A	2007A	2008A	2009F	2010F
Cash flows from operating activities					
Cash received from customers	384	617	906	1.398	1.776
Cash paid to suppliers	(264)	(1.678)	(1.109)	(1.677)	(1.747)
Operating expenses paid	(68)	(399)	(253)	(495)	(481)
Land acquisition	(260)	(274)	(587)	(200)	(250)
Net cash provided from /(used for) operating activities	(214)	(1.679)	(1.057)	(980)	(679)
Cash flows from investing activities					
Short term investment		(145)	(170)	200	200
Acquisition of fixed assets	(92)	(200)	(298)	(148)	(188)
Net cash provided from /(used for) investing activities	(73)	(356)	(75)	52	12
Cash flows from financing activities					
Increase in bank loan		18	11	300	320
Payment of bank loan	4	205	302	(70)	(50)
Increase in issued and fully paid capital stock		1.402			
Increase in additional paid in capital		1.403			
Cash receipt from Limitless				500	340
Receipts from bond			500		
Net cash provided from /(used for) financing activities	82	3.045	830	730	610
Net increase (decrease) in cash and cash equivalent	(206)	1.010	(303)	(197)	(57)
Cash and cash equivalent at beginning of the year	239	33	1.043	740	543
Cash and cash equivalent at the end of the year	33	1.043	740	543	486

Source: Company Data & BNIS Estimate

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