

Bakrieland Development

BUY

SECTOR: PROPERTY

Current Price	Rp420
Price Target	Rp 530(+25%)
52-wk range	Rp107-Rp530

Stock data

Bloomberg Code	ELTY IJ
Market Cap (Rp bn)	8,232
Market Cap (US\$ mn)	876
Issued Shares (mn)	19,600

Major Shareholder

CGMI	25%
Others	75%

EPS Consensus

	07F	08F
Consensus (Rp)	10.2	10.7
MS est. vs Consensus (%) (21.5)		3.1

Share price performance

	3m	6m	12m
Absolute (%)	37.7	107.8	239.5
Relative to JCI (%)	31.3	84.2	186.3

Relative to JCI performance chart



Source: Bloomberg

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Accelerated land banking activities = higher NAV

We positively view ELTY's recent strategic initiatives, which we believe should improve the company's long term prospects. Furthermore, accelerated land banking activities, primarily in the Bogor area, have prompted us to increase our target price to Rp530 per share (+25% upside), derived from fully diluted NAV calculation. Currently, ELTY is trading at 20% discount to its FY08F NAV.

Strategic initiatives approved. During yesterday's EGM, the shareholders have approved the following: 1) re-allocation of its Rp2.8tn rights issue proceeds from equity injections into subsidiaries into loans (exhibit 3), 2) approval of land acquisitions and 3) MSOP for 980mn shares, equivalent to 5% of total outstanding shares, at an exercise price of not more than Rp400/share.

Why subsidiary loans make sense. There are two main contentions why loans in lieu of capital to subsidiaries make sense. First, the initial earning squeeze by the additional debt burden at subsidiary level, with added interest expense as much as Rp250bn at 13.5% p.a, will be negated by the avoidance of paying huge transfer taxes of land ownership from subsidiaries to parent company had ELTY acquired subsidiary shares directly. Second, since loans will be reflected in the books and given the three year loan maturity, ELTY believes that subsidiaries are inclined to adopt better cash management discipline and better efficiency in project completion and marketing sales to ease the burden of the related borrowing costs.

Accelerating land bank acquisitions. Having acquired a total of 250ha in the past nine months has reaffirmed ELTY's commitment in accelerating land bank acquisitions in the Bogor area. It plans to acquire another 150 ha within the next 3 months, bringing a total to 400 ha land bank in Bogor by year end. We now believe that this is achievable and have also revised our land bank Bogor base to 400 ha by end 2007 from 300 ha previously. Prior to this, we expect the additional land bank of 100 ha was to be acquired by 2009F.

Raising target price to Rp530. Owing to the fact of ELTY's capacity to speed up its land acquisitions faster than expected, we have upgraded our target price to Rp530 per share, providing 25% upside potential. We maintain our FY07F and FY08F earnings estimates. We have not included any non property NAV due to low visibility at the moment.

FINANCIAL SUMMARY

Year to 31 Dec	2005	2006	2007F	2008F	2009F
EBITDA (Rp bn)	21	79	227	314	483
Net profit (Rp bn)	93	67	178	230	337
EPS (Rp)	4	3	8	11	16
EPS Growth (%)	153	(27)	164	30	46
P/E Ratio (x)	98.9	136.0	51.6	39.8	27.2
EV/EBITDA (x)	320.9	87.4	26.2	19.5	10.7
P/B Ratio (x)	7.3	6.9	1.9	1.8	1.7

Source: Company, Mandiri Sekuritas

EXHIBIT I. REVISED NAV COMPUTATIONS

	Net Allotable Area (in ha)	2008F Price/Sqm	Total Value (Rpbn)	Effective to ELTY	Attributable Value to ELTY (Rpbn)
Estimated Land Bank end 2008					
Jakarta CBD					
Current Undeveloped	11.2				
Acquisition FY07	8.2				
Total Land Bank Jakarta CBD	19.4	14,300,000	2,774	95.9%	2,659
Bogor					
Residential	379.7	1,535,396	5,830	99.8%	5,817
Leisure	0.3	2,093,674	5	99.8%	5
Commercial	0.2	2,093,674	5	99.8%	5
Total Land Bank Bogor	380.2				
SUBTOTAL : NET ASSET VALUE OF LAND BANK					8,487
DCF value of CBD Assets					
18th Residence			30	95.9%	29
Office Tower 1 & 2			70	95.9%	67
The Grove Apartment			414	95.9%	396
Residential Condo 1 & 2			514	95.9%	493
Bakrie Tower			62	95.9%	59
Lifestyle and Entertainment Center			381	95.9%	365
Legian Nirwana			240	95.9%	231
Pasar Festival			60	95.9%	57
Aston Hotel			86	95.9%	83
SUBTOTAL : DCF Value of CDB Assets					1,780
Book Value/Appraised Value of Other Property Assets					
Wisma Bakrie 1 & 2 (Appraised Value)			292	95.9%	280
Bali Nirwana (Appraised Value)			730	17.8%	130
Krakatoa Nirwana (Book Value)			105	90.0%	95
SUBTOTAL : Appraised/Book Value of Other Property Assets					504
ADD: CASH					849
LESS: DEBT					(168)
TOTAL NET ASSET VALUE					11,452
no of shares (bn), fully diluted					21.56
NET ASSET VALUE PER SHARE					531

Source: Company

Our NAV per share of Rp531 excludes potential non property NAV drivers such as toll road project and utilities. Currently, ELTY is seriously looking into an investment in the 205.5km Kanci-Semarang toll road project in Central Java, valued at approximately Rp11tn, as well as investment in water company, PT Thames. These investments are intended to improve the flow of ELTY's recurring income and ROE as well as guarding earnings from property's cyclicalities. As of current, ELTY has earmarked a total of Rp2tn for potential investment in toll road projects, partly to be funded via external banks loans for as much as Rp1.5tn while maintaining a manageable 0.5:1 net debt to equity position should ELTY tap the funds. ELTY has also indicated readiness of credit availability with a number of banks awaiting a call from the company. Nevertheless, visibility remains low at this juncture and hence we exclude these projects into our NAV calculation.

EXHIBIT 2. PEER COMPARISON RELATIVE TO NAV

Selected Property Co's	NAV/share	(Discount) Premium to NAV at current price (Sept 11 closing)
Bakrieland (ELTY)	531 *	-20%
Summarecon Agung (SMRA)	1,400 *	2%
Ciputra Development (CTRA)	1,100 *	-31%
Moderland Realty (MDLN)	789 **	-29%
Sentul City (BKSL)	744 **	-29%
Lippo Karawaci (LPKR)	2,400 **	-24%
Kawasan Jababeka (KJJA)	325 **	-37%
Average		-24%

Source: Mandiri Sekuritas (*), Companies (**)

EXHIBIT 3. ALLOCATION OF THE RP2.8BN STOCK RIGHTS

Approved Original Plan:	Approved Revised Plan:
<p>1. Approximately 83.7% of funds will be used for increasing ownership of the company in PT Bakrie Swasakti Utama (BSU) will be increased from 95.85% to 98.73% by subscribing the newly issued 127,666,666 series D shares with Rp14,166 nominal value and Rp18,000 exercise value</p> <p>BSU will use the proceeds from the funds for the following:</p> <ol style="list-style-type: none"> Approximately 85% will be used to accelerate the Rasuna Epicentrum developments, including the developments of Bakrie Tower, Lifestyle Center, The Grove Condominium, Concert Hall, Office Tower I, II and III. Approximately 15% will be used for loan payment from AJB Bumiputera 1912 to purchase land, license fee and soft development cost. <p>2. Approximately 15.6% of funds will be used for increasing ownership of the company in PT Graha Andrasentra Propertindo (GAP) from 99.78% to 99.92% by subscribing 4,277,000,000 of the shares with Rp100 nominal value and Rp100 exercise price per share.</p> <p>GAP will use the proceeds from the funds for the following:</p> <ol style="list-style-type: none"> Approximately 52.6% will be used to accelerate the Nirwana Epicentrum (Bogor) developments. Approximately 18.7% will be used to purchase 44,070 shares from K.R.M.H. Japto S. Soerjosoermarno S.H and 8,060 shares from Eddy Rumpoko, that in total equivalent to 65% of the capital provided by PT Dutaperkasa Unggul Lestari (DPUL) with acquisition price of Rp1,534,624 per share. Approximately 28.7% will be used to increase stakes in PT Samudra Asia national (SAN) by 122,700 shares with nominal value of Rp1,000,000 per share and exercise value of Rp1,000,000 per share so that Gap's ownership within SAN will become 202,949 	<p>1. Approximately 43.446% (Rp1,192,893,500,000) will be used as shareholders' loans to PT Bakrie Swasakti Utama (BSU).</p> <p>BSU will use the proceeds for the following:</p> <ol style="list-style-type: none"> Approximately 70.157% (Rp836,893,500,000) will be used to accelerate the Rasuna Epicentrum developments, including the developments of Bakrie Tower, Lifestyle Center, The Grove Condominium, Office Tower I, II and III. Approximately 29.843% (Rp356,000,000,000) will be used for loan payment from AJB Bumiputera 1912 to purchase land, license fee and soft development cost. <p>2. Approximately 18.612% (Rp511,020,000,000) will be used as shareholders' loans to the PT Graha Andrasentra Propertindo (GAP).</p> <p>GAP will use the proceeds from the funds for the following:</p> <ol style="list-style-type: none"> Approximately 50.1% (Rp256,020,000,000) will be used to speed up the Nirwana Epicentrum (Bogor) developments. Approximately 15.655% (Rp80,000,000,000) will be used to purchase 44,070 shares from K.R.M.H. Japto S. Soerjosoermarno S.H and 8,060 shares from Eddy Rumpoko, that in total equivalent to 65% of the capital provided by PT Dutaperkasa Unggul Lestari (DPUL) with purchase price of Rp1,534,624 per share. Approximately 34.245% (Rp175,000,000,000) will be used to acquire 400ha land at Bogor Nirwana Residence, Bogor, West Java. <p>3. Approximately 0.728% (Rp20,000,000,000) will be used as loans to PT Krakatau Lampung Tourism Development (KLTD) which able to be converted into shares. KLTD will use the proceeds to speed up the development of Krakatoa Nirwana Resort.</p> <p>4. Approximately 2.783% (Rp76,400,000) will be used as loans to SAN for working capital in Legian Nirwana Suites development. Nirwana Resort.</p>

<p>shares. SAN will use the proceeds to speed up the developments of Legian Nirwana Suites.</p> <p>3. Approximately 0.7% (Rp20,000,000,000) will be used as loans to PT Krakatau Lampung Tourism Development (KLTD) which able to be converted into shares. KLTD will use the proceeds to step up the development of Krakatoa Nirwana Resort.</p>	<p>5. Approximately 1.686% (Rp46,299,000,000) will be used as loans to Bakrie Nirwana Semesta (BNS).</p> <p>BNS will use the proceeds from the funds for the following:</p> <p>a. Approximately 64.796% (Rp30,000,000,000) will be used for the purchase of 303,999 shares for 99.99% ownership in PT Libratindo Gemilang.</p> <p>b. Approximately 2.808% (Rp1,300,000,000) will be used as loans for LG Capital.</p> <p>c. Approximately 28.078% (Rp13,000,000,000) will be used for the purchase 14,999 shares for 99.99% of PT Berkah Puhu Lestari (BPL).</p> <p>d. Approximately 4.318% (Rp1,999,000,000) will be used as loans to PT Berkah Puhu Lestari (BPL).</p> <p>6. Approximately 32.228% (Rp884,887,500,000) will be used for land banks expansion by acquiring the capital of the companies that owned the lands as follows:</p> <p>a. Approximately 39.238% (Rp347,212,000,000) will be used for the purchase of 99.99% ownership in PT Superwish Perkasa and approximately 21.017% (Rp185,980,500,000) to increase the capital of PT Superwish Perkasa (SP).</p> <p>b. Approximately 39.745% (Rp351,695,000,000) will be used for the purchase of 99.99% ownership in PT Bumi Daya Makmur (BDM).</p> <p>7. Approximately 0.517% (Rp14,200,000,000) will be used as working capital for the company.</p>
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Source: Company

Bakrieland Development

Profit and loss					
YE Dec (Rp bn)	2005	2006	2007F	2008F	2009F
Net Revenue	320	393	707	1,331	1,639
Gross Profit	136	167	260	441	612
Operating Profit	46	72	198	308	448
EBITDA	21	79	227	314	483
Net interest	(10)	0	10	(20)	(22)
Interest income	2	11	30	15	8
Interest expense	(12)	(11)	(20)	(35)	(29)
Forex gain/(loss)	-	-	-	-	-
Net others	90	7	22	10	10
Equity income	-	-	-	-	1
Pretax income	126	79	230	298	436
Income taxes	25	9	41	53	78
Minority Interest	9	3	12	15	22
Extraordinary Items	-	-	-	-	-
Net profit	93	67	178	230	337

Cashflow Analysis					
YE Dec (Rp bn)	2005	2006	2007F	2008F	2009F
+ - Change in recurring operations	(720)	28	(1,329)	(118)	1,644
- Net Interest Paid	(10)	0	10	(20)	(22)
- Tax Paid	(25)	(9)	(41)	(53)	(78)
+ Other	81	4	10	(5)	(12)
Net Cash in Op Activities	(673)	23	(1,349)	(196)	1,533
Capex Acquisition PPE devt, net	(182)	7	(20)	20	(600)
+ - Others	304	10	38	-	-
Net cash in investing	123	17	(917)	20	(600)
+ Equity Movements	620	6	3,292	15	22
+ Debt Movements					
Funds from Borrowing	(47)	3	(45)	60	(60)
+ Other	204	(255)	(65)	-	-
Net cash in financing	776	(246)	3,183	75	(38)
Net Increase in Cash	226	(206)	917	(101)	894
Net Cash/Borrowing movement	226	(206)	917	(101)	894

Valuation					
YE Dec	2005	2006	2007F	2008F	2009F
PER (X)	98.9	136.0	51.6	39.8	27.2
EV/EBITDA (X)	320.9	87.4	26.2	19.5	10.7
P/BV (X)	7.3	6.9	1.9	1.8	1.7
P/CF (X)	(13.9)	405.6	(7.0)	(47.8)	6.1

Balance Sheet					
YE Dec (Rp bn)	2005	2006	2007F	2008F	2009F
Total assets	2,543	2,396	6,510	7,105	7,604
Current assets	1,839	1,715	4,943	5,562	5,497
Cash & ST investment	239	33	950	849	1,743
Account receivable	117	168	501	567	698
Inventories	1,201	1,324	1,192	1,072	1,609
Others	282	191	2,300	3,075	1,447
LT investments	-	-	-	-	-
Net fixed assets	652	638	629	604	1,168
Land for development	4	4	939	939	939
Others	36	28	-	-	-
Total liabilities	1,258	1,036	1,681	2,030	2,171
Current liabilities	806	861	1,619	1,886	2,063
Accounts payable	53	139	139	139	139
ST borrowings	18	43	46	23	-
Advances from Customers	62	85	258	180	216
Others	672	596	1,177	1,544	1,708
Long-term liabilities	451	175	62	145	107
Long-term debts	132	110	62	145	107
Others	320	65	-	-	-
Minority interest	39	40	52	67	89
Shareholder's equity	1,285	1,359	4,829	5,074	5,433

Key ratios					
YE Dec	2005	2006	2007F	2008F	2009F
Net Revenue	319.8	393.2	707.0	1,330.8	1,639.4
OP Income	46.5	72.2	198.2	308.2	447.6
EBITDA	20.9	79.0	227.0	313.6	482.9
NP	92.6	67.4	177.6	230.3	336.6
Profitability (%)					
Operating margin	14.5	18.4	28.0	23.2	27.3
EBITDA margin	6.5	20.1	32.1	23.6	29.5
Net Profit margin	29.0	17.1	25.1	17.3	20.5
ROA	3.6	2.8	2.7	3.2	4.4
ROE	7.2	5.0	3.7	4.5	6.2
Leverage					
Net debt/equity (%)	12	11	2	3	2
EBITDA/interest coverage (X)	1.8	7.4	11.5	9.0	16.6
Per share data (Rp)					
EPS, actual	17	12	12	11	16
EPS, adjusted	4	3	8	11	16
CFPS	(31)	1	(63)	(9)	71
BVPS	60	63	224	235	252
DPS	-	-	-	-	-

Source: Company, Mandiri Sekuritas estimates

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INVESTMENT RATINGS: Indicators of expected total return (price appreciation plus dividend yield) within the 12-month period from the date of the initial rating, are: Buy (10% or higher), Neutral (-10% to 10%) and Sell (-10% or lower).

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