

Lippo Cikarang

Sector: Industrial Estates (Neutral)

BUY

(Unchanged)

Rating momentum*: ↑

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Price: IDR11,975-TP: IDR14,000 (Unchanged)

TP/consensus: 102%; TP momentum*: ↑

JCI: 5,086

1Q15 results: Earnings above expectations

- **Net profit +68% q-q, +21% y-y; surpassing expectations:** On the back of higher-than-expected revenues, LPCK booked 1Q15 net profit of IDR275bn, +68% q-q and +21% y-y. This was above our forecast of IDR232bn for the first quarter, and represented 29.6% of our full-year forecast and 29.9% of the consensus estimate.
- **Solid top line, more contribution from non-industrial business:** LPCK's strategy to focus more on its residential projects appears justified as it booked 1Q15 revenue of IDR518bn, +9.8% q-q and +9.6% y-y. The company recorded 1Q15 industrial land sales of IDR275bn (-25% y-y) while its revenue from the sales of residential and shop-houses reached IDR112.3bn (+109% y-y).
- **Orange County a top contributor to 1Q15 marketing sales:** We also saw solid operating results in 1Q15, as LPCK managed to book IDR1.3tn in marketing sales as of end-March. This is mainly backed by its presales of apartment units within its Orange County mega project, amounting to IDR793bn (62% of total 1Q15 marketing sales). Marketing sales of IDR234bn (18% of total 1Q15 marketing sales) at Delta Silicon 8, its JV with Mandiri Group, also represented a solid contribution. On the industrial estates side, LPCK still has 100ha of saleable landbank in Delta Silicon 8, and is targeting full-year marketing sales of IDR500bn.

Outlook: Raising top line, fine-tuning 2015 marketing sales target

On the back of higher-than-expected 1Q15 results and the positive outlook, we raise LPCK's 2015-16 top line forecasts by 1.2% and 11.5% respectively (exhibit 5). Nevertheless, we revise down our 2015 earnings forecast by 3.6% to account for the lag in recognizing land sales from Delta Silicon 8. We also raise our 2015 marketing sales target to IDR2.5tn (in line with management's target) from IDR2.3tn, and thereby raise our 2016 earnings forecast by 12.1%.

Rating: Maintain BUY and TP of IDR14,000

We maintain our positive view on LPCK's Orange County mega project, as its apartments are priced at around IDR600mn/unit and should be relatively safe from the government's upcoming luxury tax. Therefore, we expect the stock to continue its strong market outperformance ahead (exhibit 4). At this stage of the cycle, we reiterate our BUY rating on LPCK and retain our 12-month TP of IDR14,000, based on an unchanged 40% discount to our 2015F NAV. Risks to our call include lower-than-expected marketing sales and FDI.

Exhibit 5. Earnings forecast revisions

	Old			New			Change (%)		
	2014A	2015F	2016F	2014A	2015F	2016F	2014A	2015F	2016F
Revenue (IDRb)	1,792	1,715	2,130	1,792	1,736	2,374	-	1.2	11.5
Gross Profit (IDRb)	1,057	961	1,181	1,057	998	1,335	-	3.9	13.0
Gross margin (%)	59.0	56.0	55.4	59.0	57.5	56.2	-		
Opt profit (IDRb)	914	833	1,024	914	860	1,152	-	3.2	12.5
Opt margin (%)	51.0	48.6	48.1	51.0	49.5	48.5	-		
Net profit (IDRb)	844	963	1,103	844	928	1,236	-	(3.6)	12.1
Net margin (%)	47.1	56.2	51.8	47.1	53.5	52.1	-		

Source: Company, Bahana estimates

Exhibit 1. Company information

Market cap (IDRbn/USDmn)	:	8,335/643
3M avg.daily t.o.(IDRbn/USDmn)	:	10.6/0.8
Bloomberg code	:	LPCK JJ

Source: Bloomberg

Exhibit 2. Shareholders information

Kemuning Satiatama (%)	:	42.2
Shares outstanding (%)	:	696
Est. free float (%)	:	57.8

Source: Bloomberg

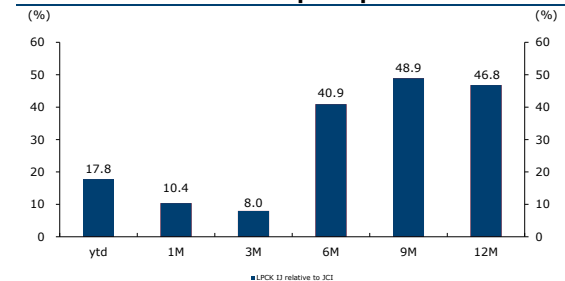
Exhibit 3. Key forecasts and valuations

	2013	2014	2015F	2016F
Sales (IDRbn)	1,328	1,792	1,736	2,374
Net profit (IDRbn)	591	844	928	1,236
EPS (IDR)	849	1,212	1,333	1,776
EPS growth (%)	45.1	42.9	10.0	33.2
EPS momentum*	-	-	↑	↑
EV/EBITDA (x)	12.5	8.7	9.1	6.5
P/E (x)	14.1	9.9	9.0	6.7
BVPS (IDR)	2,613	3,838	5,161	6,938
PBV (x)	4.6	3.1	2.3	1.7
DPS (IDR)	-	-	-	-
Yield (%)	na	na	na	na

Source: Company, Bloomberg, Bahana estimates

Note: Pricing as of close on 30 Apr 2015

Exhibit 4. Relative share price performance



Source: Bloomberg, Bahana

Lippo Cikarang

Year to 31 December	2012	2013	2014	2015F	2016F
PROFIT & LOSS (IDRbn)					
Sales	1,013	1,328	1,792	1,736	2,374
Gross profit	520	743	1,057	998	1,335
EBITDA	441	641	925	868	1,161
Depreciation	4	7	11	8	9
EBIT	437	634	914	860	1,152
Net interest income/(expense)	4	22	12	23	34
Forex gain/(losses)	2	6	(2)	2	(1)
Other income/(expense)	15	4	19	148	194
Pre-tax profit	458	666	942	1,032	1,378
Taxes	(51)	(75)	(98)	(104)	(142)
Minority interest	-	-	-	-	-
Extraordinary gain/(losses)	-	-	-	-	-
Net profit	407	591	844	928	1,236

We expect solid 2016 top line, driven by the Orange County project

BALANCE SHEET (IDRbn)					
Cash and equivalents	310	308	246	398	749
S-T investments	-	-	-	-	-
Trade receivables	54	60	66	95	130
Inventories	1,940	2,510	2,882	3,257	3,680
Fixed assets	48	53	54	61	67
Other assets	480	923	1,062	2,148	3,050
Total assets	2,832	3,854	4,310	5,960	7,677
Interest bearing liabilities	-	-	-	-	-
Trade payables	0	-	40	-	-
Other liabilities	1,604	2,035	1,598	2,368	2,848
Total liabilities	1,604	2,035	1,638	2,368	2,848
Minority interest	-	-	-	-	-
Shareholders' equity	1,228	1,819	2,671	3,592	4,829

Likely rising customer deposits to support ...

CASH FLOW (IDRbn)					
EBIT	437	634	914	860	1,152
Depreciation	4	7	11	8	9
Working capital	(772)	(556)	(377)	(442)	(455)
Other operating items	632	98	(663)	781	493
Operating cash flow	301	183	(115)	1,207	1,198
Net capital expenditure	(469)	(770)	(314)	(1,422)	(1,270)
Free cash flow	(167)	(587)	(429)	(214)	(72)
Equity raised/(bought)	-	-	8	(8)	-
Net borrowings	(140)	-	-	-	-
Other financing	580	585	358	375	423
Net cash flow	273	(2)	(63)	152	351
Cash flow at beginning	37	310	308	246	398
Cash flow at end	310	308	246	398	749

... raised capex in 2015F

RATIOS					
ROAE (%)	39.7	38.8	37.6	29.6	29.4
ROAA (%)	16.7	17.7	20.7	18.1	18.1
Gross margin (%)	51.4	55.9	59.0	57.5	56.2
EBITDA margin (%)	43.6	48.3	51.6	50.0	48.9
EBIT margin (%)	43.1	47.7	51.0	49.5	48.5
Net margin (%)	40.2	44.5	47.1	53.5	52.1
Payout ratio (%)	-	-	-	-	-
Current ratio (x)	39.1	36.0	25.0	39.1	43.6
Interest coverage (x)	na	na	na	na	na
Net gearing (%)	nc	nc	nc	nc	nc
Debts to assets (%)	-	-	-	-	-
Debtor turnover (days)	23	16	20	20	20
Creditor turnover (days)	75	-	-	-	-
Inventory turnover (days)	na	na	na	na	na

Lower margin trend on the back of higher residential sales contribution

MAJOR ASSUMPTIONS					
Gross margin-ind/com (%)	54.3	59.9	65.5	65.5	65.5
Gross margin-residential(%)	41.8	46.7	56.5	56.5	56.5
Revenue growth	12.3	31.1	35.0	(3.1)	36.8
Marketing sales (IDRb)	2,061	1,698	1,891	2,515	3,093
growth (%)	58.4	(17.6)	11.4	33.0	23.0

We increase our 2015 marketing sales target given positive outlook on Orange County

Source: Company, Bahana estimates

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Exhibit 6. Results summary

(IDRbn)	1Q14	4Q14	1Q15	q-q (%)	y-y (%)	1Q15/ 1Q15F	1Q15/ 2015F	1Q15/ cons
Sales	473	472	518	9.8	9.6	118.9	29.7	26.7
Gross profit	281	233	301	29.4	6.9		30.0	
Operating expense	28	51	38	(24.7)	36.1		27.5	
Operating profit	253	182	263	44.5	3.7	121.7	30.4	30.2
Net interest inc. /(expenses)	3	3	3	16.0	(2.2)		15.5	
Forex gain/(expenses)	0	0	2	na	na		104.2	
Other income/(expenses)	(5)	7	35	374.9	na		23.5	
Pretax profit	252	192	303	57.9	20.4		29.3	29.7
Taxation	(24)	(28)	(28)	(1.2)	16.6		26.8	
Minority interest	0	0	0	na	na		na	
Net profit	228	164	275	68.1	20.9	118.4	29.5	29.9
BS & ratio analysis	1Q14	4Q14	1Q15			2014A	2015F	2016F
Gross margin (%)	59.5	49.3	58.1			59.0	57.5	56.6
Operating margin (%)	53.6	38.5	50.7			51.0	49.6	48.8
Pretax margin (%)	53.2	40.7	58.5			52.6	59.3	58.7
Net margin (%)	48.1	34.7	53.1			47.1	53.3	52.7
Receivable Days	12	12	15			13	17	18
Payable Days	na	8	6			10	na	na
Total cash	223	246	387			246	320	702
Total debt	-	-	-			-	-	-
Net gearing (%)	nc	nc	nc			nc	nc	nc

Source: Company, Bloomberg, Bahana estimates

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