

Developers

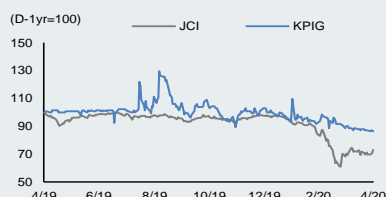
Company Report
May 4, 2020

Not Rated

| | |
|----------------------------|-----|
| Target Price (12M, IDR) | N/A |
| Share Price (4/30/20, IDR) | 114 |
| Expected Return | N/A |

| | |
|---------------------------------------|----------|
| Consensus Net Profit (20F, IDRbn) | N/A |
| NP Mirae Asset vs. consensus (20F, %) | N/A |
| EPS Growth (20F, %) | N/A |
| P/E (20F, x) | N/A |
| Industry P/E (Current, x) | 10.0 |
| Benchmark P/E (20F, x) | 12.7 |
| Market Cap (IDRbn) | 9,191.3 |
| Shares Outstanding (mn) | 80,625.7 |
| Free Float (%) | 65.7 |
| Beta (Adjusted, 24M) | 0.4 |
| 52-Week Low (IDR) | 94 |
| 52-Week High (IDR) | 192 |

| (%) | 1M | 6M | 12M |
|----------|------|-------|-------|
| Absolute | -1.7 | -15.4 | -12.9 |
| Relative | -5.2 | 11.2 | 16.4 |



PT. Mirae Asset Sekuritas Indonesia

Property

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MNC Land (KPIG IJ)

Trump franchise, another multi-bagger in the making?

Second Trump residential franchise in Southeast Asia, located in non-CBD areas

In August 2015, KPIG and Trump Hotel Collection have reached an agreement to manage six-star luxury resorts and residential development, which obliges KPIG to pay annual licensing fee based on certain percentage of sales. Trump Residences Indonesia is the second Trump residential franchise in Southeast Asia, preceded by Trump Tower Philippines, a high-rise residential building opened in 2017. Despite maintaining the luxurious Trump brand standards, both projects employ different marketing strategies. Unlike Trump Tower Philippines which is located in Makati CBD, Trump Residences Indonesia will be located in non-CBD areas, i.e. Lido, West Java and Tanah Lot, Bali.

Favorable income demographics and fiscal incentives for luxury property

ASP/unit of Trump Residence Bali and Lido ranges between IDR8-15bn for condo and IDR30-80bn for villa. As Indonesia still falls in the second quartile of World GNI per capita, with such huge price tags, we believe that Trump Residences Indonesia is only affordable for top 10% of income earners. Fortunately, according to the World Bank, they have 30% income share to total population (considered the first quartile in the world) as of 2018. Moreover, in June last year, the Indonesian government launched two fiscal incentives: 1) raising luxury property tax (PPnBM) threshold from IDR10bn (for apartments) and IDR20bn (for landed houses) to IDR30bn for all types of property; and, 2) cutting income tax rate for luxury houses from 5% to 1%.

How do Trump Residence Bali and Lido justify premium pricing?

Premium price doesn't come up from nothing. Both Trump Residence Bali and Lido use top-notch materials and designed by Oppenheim Architecture and Hirsch Bedner Associates. Construction costs can go as high as IDR40mn/sqm (vs. max IDR5mn for standard housing quality).

For Trump Residence Bali, some justifications include that: 1) the site is just next to Tanah Lot Temple, which gives peaceful and relaxing atmosphere, making it suitable for people who long for seclusion and privacy; and, 2) future residents will be beneficiaries of future development of Bali Ring Road as Trump Residence Bali will stand near the upcoming Kuta-Gilimanuk toll road, which is targeted to be completed in 2023 (according to Govt.). With the new toll road, Kuta-Canggu-Tanah Lot can be reached in 20 minutes.

On the other hand, Trump Residence Lido, which is located 60 km from Jakarta, can be directly accessed in just about 60 mins via Jagorawi-Bocimi toll road. Furthermore, it will benefit from future development of Bocimi-Bandung (via Cianjur) toll road. Additionally, Trump Residence Lido is located in the soon-to-be-established (probably in 3Q20 according to KPIG's management) Caringin-Cigombong Special Economic Zone (*Kawasan Ekonomi Khusus/KEK*), which should reap economic benefits, including reduced tax rates.

This year's launching will be one year delayed due to COVID-19 pandemic

COVID-19 pandemic surely makes 2020 a tough year for developers, including KPIG, as some of its property development projects are located in Bali, which is hit the most during this dire time of uncertainty. The launching of Trump Residence Bali and Lido will depend on how quickly the pandemic can subside, with 1-2 years of construction period to follow. The opening of Park Hyatt Hotel, Jakarta will also be postponed although the construction progress has reached 90% as of 9M19. However, KPIG management is committed to holding down the fort as much as possible despite the uncertainties.

Abundant leverage space for future planned capex

KPIG will allocate IDR6.5tr capex throughout FY20-23, with limited FX exposure. Aside from Trump Residence Bali and Lido, it has also included the development of Lido Lake Adventure Park, Trump International Golf Club Bali and Lido (both to be opened in 2022), and Trump International Resort Bali and Lido (the only Trump Luxury Resort in Asia, to be inaugurated in 2024). Assuming IDR6.5tr future capex to be piled up by now and funded entirely through debt, B/S position won't be compromised much as leverage level will increase to merely 0.5x.

Share price trading at 67% discount to NAV (including future projects)

Trump residential brand has proven to live up to its name. Century Properties Group, the developer of Trump Tower Philippines, has its own success story as it was able to pre-sell 94% of 250 launched units two years ahead of completion. As for KPIG, it aims to pre-sell 50-60% of total offered units of condo and villa within 3-4 years. Valuation-wise, if we include almost all future projects up to 2024, KPIG is currently trading at 67% discount to its NAV of 347, -2.1 SD of its 5-year mean. For NAV calculation details, please refer to page 7.

| | 12/17 | 12/18 | 9M19 |
|--------------------|-------|-------|-------|
| Revenue (IDRbn) | 938 | 992 | 836 |
| Gross Profit | 365 | 426 | 332 |
| Op. Profit (IDRbn) | 29 | 88 | 120 |
| Net Profit (IDRbn) | 1,295 | 620 | 321 |
| EPS (IDR) | 17 | 8 | 4 |
| BPS (IDR) | 167 | 175 | 273 |
| P/E (x) | 6.6 | 13.7 | 35.4* |
| P/B (x) | 0.7 | 0.7 | 0.6* |
| ROA (%) | 8.5 | 3.5 | 1.7* |
| ROE (%) | 10.5 | 4.8 | 2.1* |
| Dividend Yield (%) | - | - | - |
| Net gearing (%) | 17.7 | 27.1 | 17.5 |

Note: NP refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

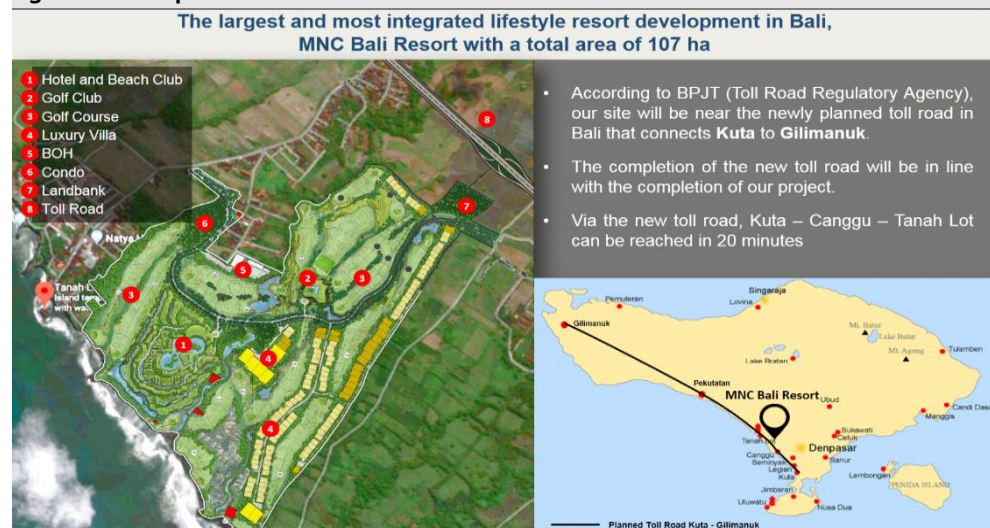
*Annualized

Figure 1. KPIG business structure



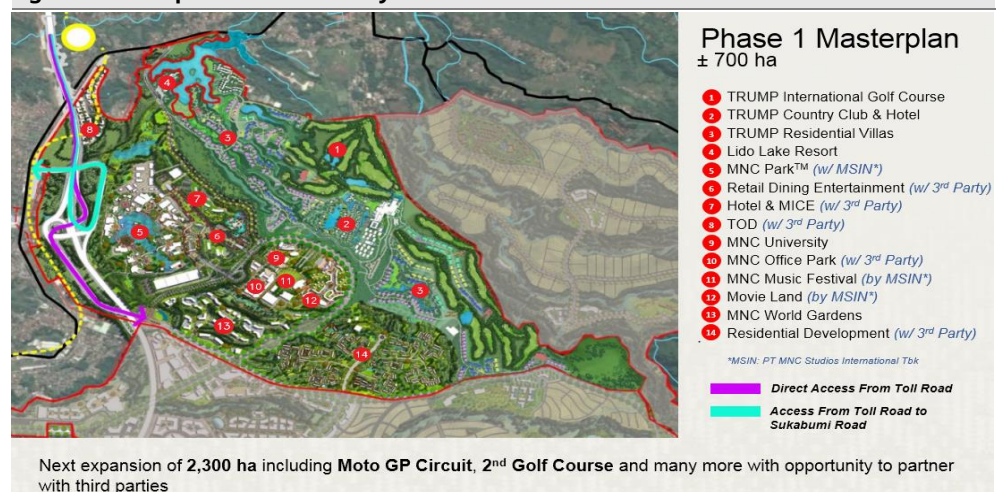
Source: Company presentation

Figure 2. Masterplan of MNC Bali Resort



Source: Company presentation

Figure 3. Masterplan of MNC Lido City



Source: Company presentation

Figure 4. Trump International Residences Bali



Source: Company presentation

Figure 5. Trump International Residences Lido



Source: Company presentation

Figure 6. Trump International Resort Bali



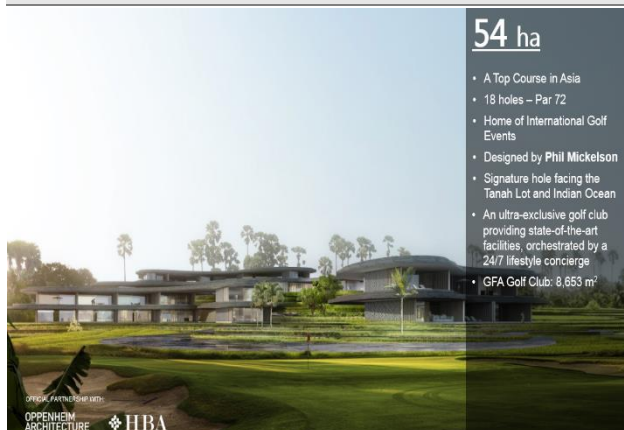
Source: Company presentation

Figure 7. Trump International Resort Lido



Source: Company presentation

Figure 8. Trump International Golf Club Bali



Source: Company presentation

Figure 9. Trump International Golf Club Lido



Source: Company presentation

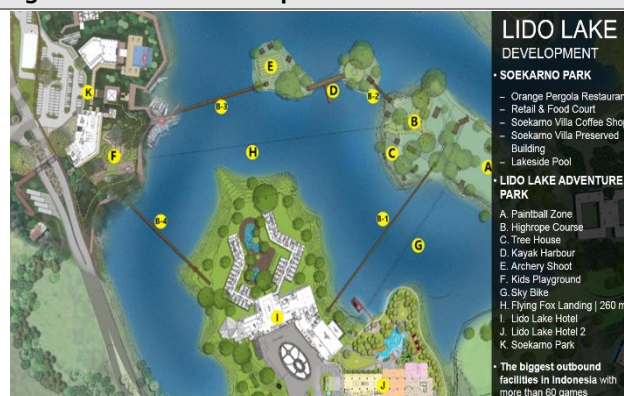
Figure 10. Lido Lake Resort & Convention Center



- **Location:** Lido, Bogor approx. 60 km or an hour drive from Jakarta.
- **Total room keys:** 101 rooms with sizes ranging from 32 sqm to 180 sqm.
- The hotel went through a major renovation in 2017 and was **soft opened in November 2018**.
- **Supporting facilities:** outbound facilities, wedding venue
- **Event Space:** 2 Ballrooms and 3 meeting rooms with total capacity of up to 500 pax.
- Received Certificate of Excellence 2019 from TripAdvisor.

Source: Company presentation

Figure 11. Lido Lake Development



Source: Company presentation

Figure 12. Park Hyatt Jakarta



- The first and the only Park Hyatt brand hotel in Indonesia
- **Location:** MNC Center, Central Jakarta, very close to Governments' offices and embassies, CBD Jakarta and elite residential landmark of Menteng.
- **6-star Hotel** with total room keys of 222 rooms with sizes ranging from 57 sqm to 317 sqm.
- **Supporting facilities:** Ballroom, Meeting rooms, Spa and Fitness Center as well as world-class dining and entertainment experience.

Source: Company presentation

Figure 13. Co-working space



- The initiation to launch a new business venture in Co-working Space is in line with high demand for co-working space and virtual office. Last year alone, a research by Jones Lang LaSalle (JLL) shows that virtual and co-working space absorbed 33% of total office space requests in 2018 and the demand is expected to further increase this year.
- The 1st Co-working space area in **Park Tower** was soft opened on 1 October 2019, in collaboration with Kolega.
- Supporting facilities including state-of-the-art Leisure space, Event space, and Meeting room.
- Next in the pipeline: **GoWork** co-working space soon to be opened in **BEI Building Surabaya**.



Source: Company presentation

Figure 14. The Westin Resort & BICC



- **Location:** ITDC complex in Nusa Dua area and approx. 13 km or 30 minutes away from Ngurah Rai International Airport.
- **5-star Hotel Resort** with total room keys of 433 rooms with sizes ranging from 38 sqm to 171 sqm.
- **Latest awards:** Best Family Hotel by Exquisite Awards 2018, Best Conference Hotel in Asia, Ranked #9 by Smart Travel Asia 2018 Best Travel Poll, Luxury Wellness Spa for Heavenly Spa, Regional Winner by World Luxury Spa Awards 2018.
- **MICE facilities** with a total area of ~15,700 m², largest convention hall: 2,394 m² with capacity of up to 2,500 pax.
- **Hosted Events:** Miss World 2013, APEC CEO Summit Indonesia 2013 and IMF-World Bank Meeting 2018, Indonesia Africa Infrastructure Dialogue 2019.

Source: Company presentation

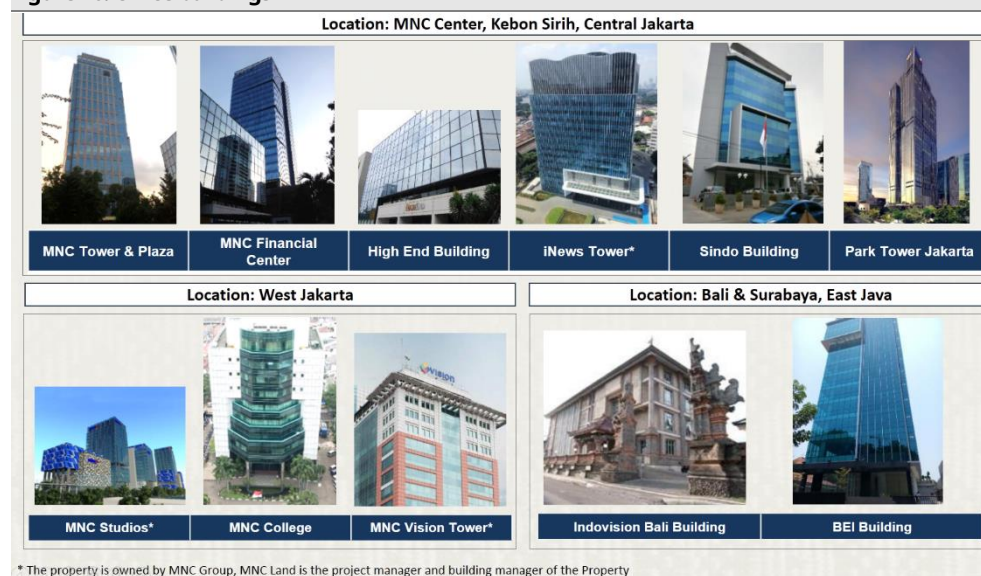
Figure 15. Oakwood Hotel & Residence



- **Location:** Kertajaya Indah, an elite area in Surabaya, East Java
- **5-star Hotel** with total room keys of 144 rooms with sizes ranging from 44 sqm to 110 sqm.
- Managed by **Oakwood**, an award-winning and the largest serviced apartment operator in the world.
- **Grand opening** of the hotel was held on 9 September 2019.
- **Supporting facilities:** sky lounge, kids room, skypool, private cinema and fitness center.
- **Event Space:** Grand Ballroom with total capacity of up to 500 pax.

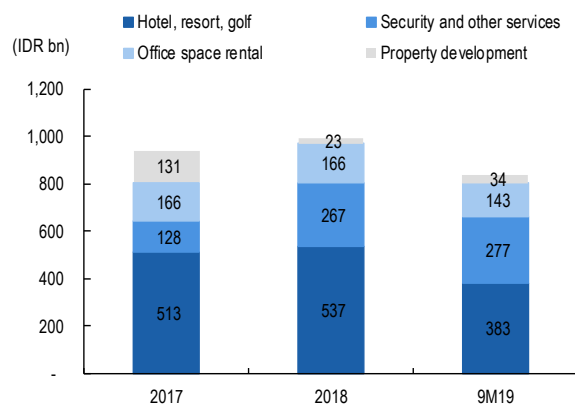
Source: Company presentation

Figure 16. Office buildings



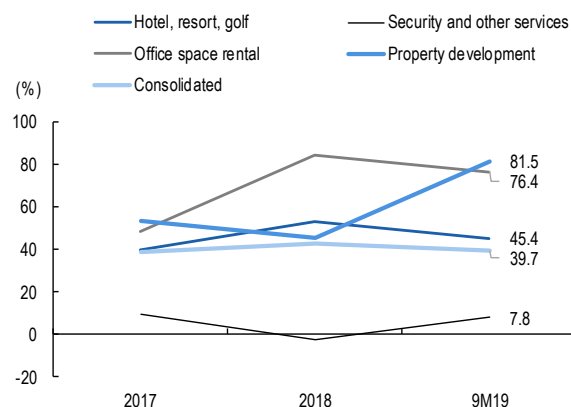
Source: Company presentation

Figure 17. Revenue structure



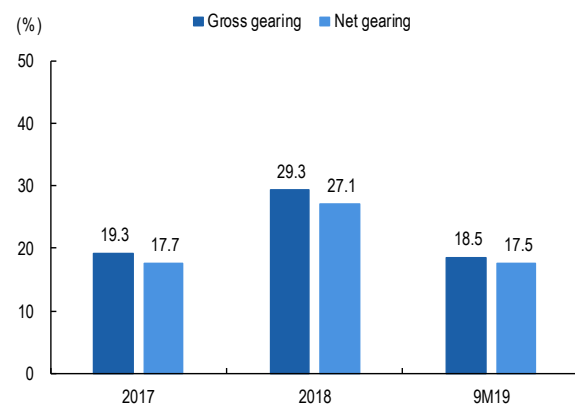
Source: Company, Mirae Asset Sekuritas Indonesia Research

Figure 18. Gross margin per segment



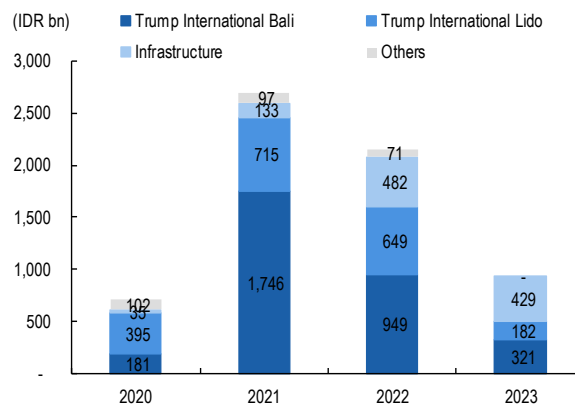
Source: Company, Mirae Asset Sekuritas Indonesia Research

Figure 19. Gross and net gearing



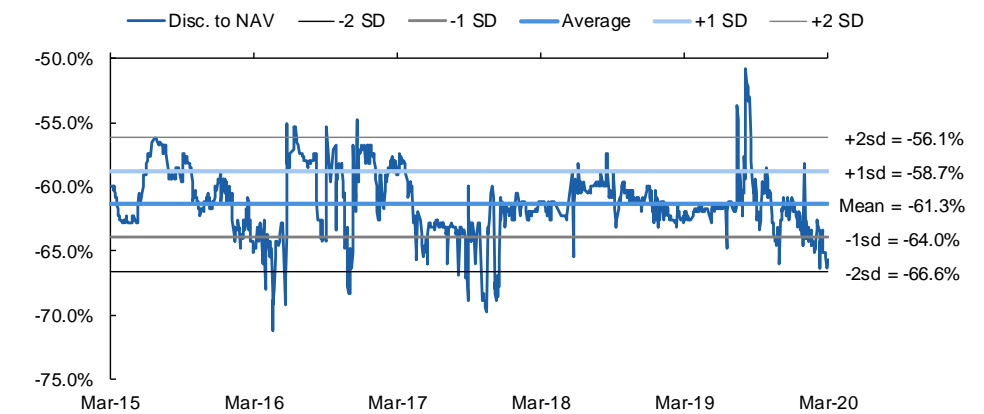
Source: Company, Mirae Asset Sekuritas Indonesia Research

Figure 20. Future planned capex for FY20-23



Source: Company, Mirae Asset Sekuritas Indonesia Research

Figure 21. NAV Band



Source: Company, Mirae Asset Sekuritas Indonesia Research

Figure 22. NAV calculations

Figure 22: NAV calculations

| Locations | | Ownership | Net saleable area (sqm) | Net ASP/sqm (IDR) ¹ | | Value (IDR bn) |
|---|-----------------|-----------|-------------------------|--------------------------------|----------------------------|-----------------------------|
| Land bank | | | | | | |
| Land for development | Bogor, Sukabumi | 100% | 10,377,312 | | | 1,330 |
| Land as fixed asset ² | | 100% | | | | 9,396 |
| | | | | | | |
| Property development | | | | | | |
| MNC Bali Resort ³ | | 100% | | | | |
| Villa | | | 119,498 | 27,000,000 | | 3,226 |
| Condo | | | 20,488 | 30,000,000 | | 615 |
| | | | | | | |
| MNC Lido City ³ | | 100% | | | | |
| Villa | | | 378,470 | 18,000,000 | | 6,812 |
| Condo | | | 59,648 | 24,000,000 | | 1,432 |
| | | | | | | |
| Surabaya | | 100% | | | | |
| One East Apartment | | | 14,435 | 9,000,000 | | 130 |
| | | | | | | |
| Recurring income | | | | | | |
| Investment properties | | | | | | |
| Locations | | Ownership | SGFA (sqm) | Occupancy rate | Avg. rate/sqm/month (IDR) | Value (IDR bn) ⁶ |
| MNC Plaza | Jakarta | 100% | 3,049 | 97.7% | 175,000 | 11 |
| MNC Tower | Jakarta | 100% | 36,068 | 82.8% | 200,000 | 121 |
| MNC Financial Center | Jakarta | 100% | 16,276 | 100.0% | 275,000 | 91 |
| Gedung SINDO | Jakarta | 100% | 4,268 | 100.0% | 115,000 | 10 |
| Wisma Indovision II | Jakarta | 100% | 7,970 | 60.0% | 135,000 | 13 |
| Park Tower | Jakarta | 100% | 29,805 | 32.2% | 205,000 | 40 |
| Gedung Bursa Efek Indonesia | Surabaya | 100% | 7,259 | 66.3% | 160,000 | 16 |
| Gedung Indovision | Bali | 100% | 3,270 | 69.8% | 50,000 | 2 |
| | | | | | | |
| Hospitality | | | | | | |
| Locations | | Ownership | Room number | Occupancy rate | Avg. rate/room/night (IDR) | Value (IDR bn) ⁶ |
| Oakwood Hotel & Residence | Surabaya | 100% | 144 | 33.3% | 750,000 | 62 |
| The Westin Resort | Bali | 54% | 433 | 80.0% | 1,750,000 | 231 |
| Lido Lake Resort | Lido | 100% | 101 | 72.5% | 750,000 | 152 |
| Park Hyatt Hotel ⁴ | Jakarta | 100% | 222 | est. 50-80% | 6,000,000 | 2,392 |
| Trump International Resort ⁵ | Bali | 100% | 151 | est. 50-80% | 7,400,000 | 1,896 |
| Trump International Resort ⁵ | Lido | 100% | 120 | est. 50-80% | 6,300,000 | 1,282 |

| | |
|---------------------------------|------------|
| Net debt (IDR bn) | (3,540) |
| Adjusted NAV (IDR bn) | 25,718 |
| Outstanding shares (bn) | 74.1 |
| Adjusted NAV/share (IDR) | 347 |

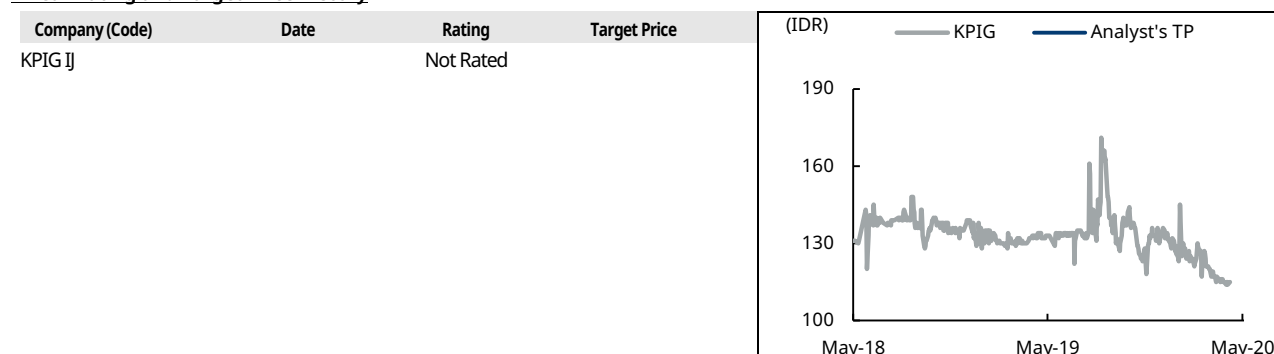
¹Gross margin range between 30-50%²including IDR7tr revaluation surplus in FY19³to be opened in 2022 or 2023⁴to be opened in 2021⁵to be opened in 2023 or 2024⁶Gross margin of 40%

Source: Company, Mirae Asset Sekuritas Indonesia Research

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History



| Stock Ratings | | Industry Ratings | |
|---------------|---|------------------|--|
| Buy | Relative performance of 20% or greater | Overweight | Fundamentals are favorable or improving |
| Trading Buy | Relative performance of 10% or greater, but with volatility | Neutral | Fundamentals are steady without any material changes |
| Hold | Relative performance of -10% and 10% | Underweight | Fundamentals are unfavorable or worsening |
| Sell | Relative performance of -10% | | |

* Ratings and Target Price History (Share price (----), Target price (----), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at PT Mirae Asset Sekuritas Indonesia, we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution

| | Buy | Trading Buy | Hold | Sell |
|-----------------------------|-----|-------------|------|------|
| Equity Ratings Distribution | 57% | 17% | 19% | 7% |

*Based on recommendations in the last 12-months (as of March 31, 2020)

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