

NON RATED

Totalindo Eka Persada

Construction (Overweight)

PX: IDR3,220

JCI: 5,952

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The flying contractor

Well-seasoned and well-rounded private contractor

Established in 1996, Totalindo Eka Persada (TOPS IJ, IDR3,220) is a well-seasoned, well-rounded and efficient private contractor, serving multiple property market segments, backed by its founder and current CEO (exhibit 8), who started his construction company after ten years of experience in working for other contractors (Shimizu Indonesia, Balfour Beatty Sakti and Total Bangun Persada). Given its solid track record, TEP was entrusted by the Mulia Group to build and construct Taman Anggrek Mall as an initial project, the largest superblock in ASEAN at that time. On the basis of this strong Taman Anggrek project delivery, the Mulia Group appointed work on its landmark project, Hotel Mulia Senayan, which was completed within six months, the fastest building structure construction in Indonesia until today. This project marked TEP's breakthrough milestone (exhibit 5) as a private contractor.

Faster construction by using Aluma System cutting edge technology

Unlike other contractors which still employ conventional structuring methods, TEP utilizes an Aluma-based formwork system for its construction of multi-storey buildings. Thus, according to management, fabrication of concrete slabs can be carried out 30-50% faster than through conventional methods as the supporting structure can be built in modular form. The indirect benefits of this cutting edge technology might also include: (1) lower labor costs as an Aluma-based method eliminates labor required in disassembling supporting structures and (2) reduced rental expenses for heavy equipment on faster project completion. Excluding foundation players, TEP has been able to consistently deliver higher EBIT margins than its peers.

Hopping on the bandwagon of low-end government housing projects

Going forward, TEP plans to increase its exposure into low-end government housing projects given (1) enormous market potential, (2) higher margins and (3) shorter project duration, allowing for superior cashflow. TEP targets 30% revenue contribution from these low-end government housing projects by 2018F, and 50% of revenue by 2020F. This is five times higher than the 6% average contribution from government projects in the past five years. In terms of regulation, the company views that the upcoming implementation of the approved public housing savings (Tapera) law will provide a solution for the one-million housing funding. Under a conservative assumption of 50% participants from the working population joining Tapera, coupled with an average income of IDR2mn/ month, Tapera could potentially raise a minimum of IDR61tn.

Share price has risen 10x since its listing in mid-June; recently included into MSCI Global Small Cap Indexes

Preparing for a boost in low-end government housing projects and a recovery in the overall property market, Totalindo underwent an IPO on 16 June 2017, raising IDR516bn from offering a 24.99% stake to the public. The company expects that the proceeds will ensure that TEP will have sufficient working capital to fund its future projects as well as to repay loan facilities. The management expects TEP's total orderbook to grow at close to a 22% CAGR over 2017/19F. The share price has soared approximately 10x since its listing; recently the stock was also included into MSCI Global Small Cap Indexes. Based on financial figures from TEP management, the stock is currently trading at 44.4x 2018F PER and 11.8x 2018F PBV.

Exhibit 1. Company information

Market cap (IDRtn/USDbn)	: 21.5/1.6
3M avg.daily t.o.(IDRbn/USDmn)	: 44.2/3.3
Bloomberg code	: TOPS IJ

Source: Bloomberg

Exhibit 2. Shareholders information

Totalindo Investama Persada (%)	: 73.40
Donald Sihombing	: 1.58
Sabang M. Sihombing	: 0.03
Free float (%)	: 24.99

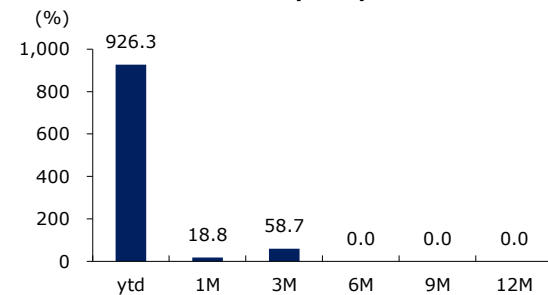
Source: Company

Exhibit 3. Key forecasts and valuations

	2015	2016	6M17	2017*	2018*
Revenues (IDRbn)	1,496	3,126	1,284	3,905	5,067
EBIT (IDRbn)	240	379	200	554	668
Net profit (IDRbn)	135	201	112	348	483
EPS (IDR)	20.2	30.2	33.7	52.2	72.5
EPS growth (%)	50.2	49.4	(35.6)	72.9	38.8
EV/EBITDA (x)	88	56	55	39	32
P/E (x)	159.3	106.6	95.7	61.6	44.4
BVPS (IDR)	57.9	95.2	187.0	215.9	272.7
P/BV (x)	55.6	33.8	17.2	14.9	11.8
DPS (IDR)	-	50.26	-	9.06	15.67
Div. yield (%)	-	1.6	-	0.3	0.5

Source: Company data, Bloomberg. Note: Pricing as of 30 November 2017
*2017 and 2018 financial numbers are based on Totalindo's estimates

Exhibit 4. Relative share price performance



Source: Bloomberg, Bahana

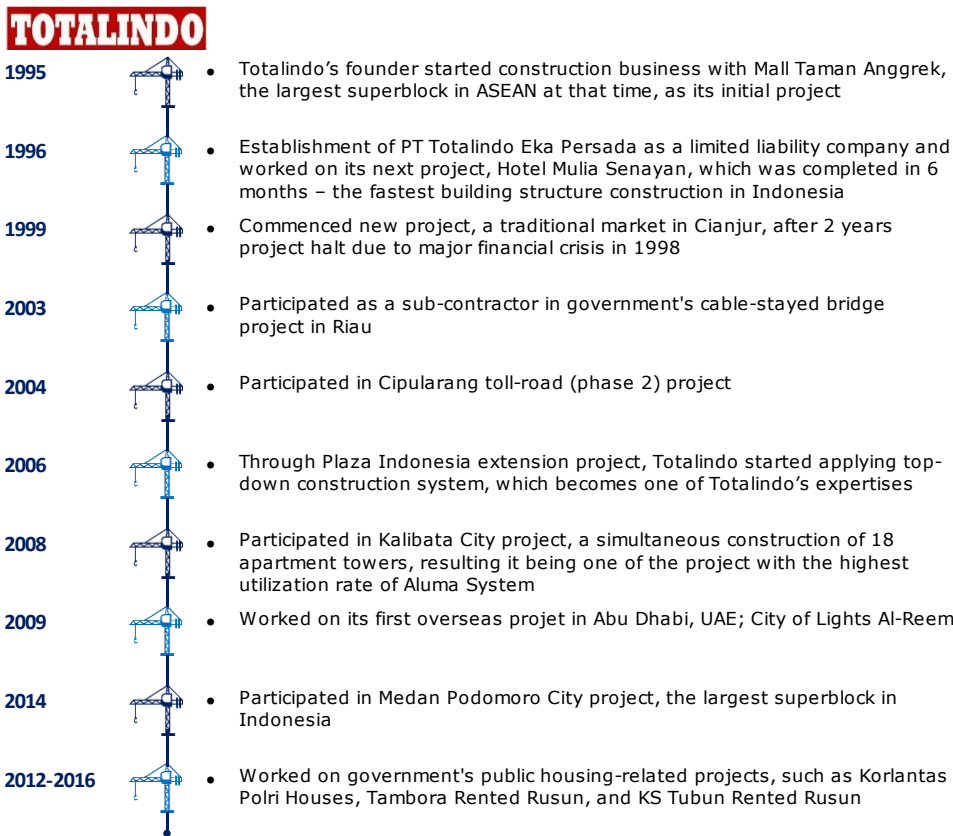
Introduction

Well-seasoned private contractor

Established in 1996, Totalindo Eka Persada (TEP) is a well-seasoned and efficient private contractor, serving multiple property market segments. Back in 1995, Mr. Donald Sihombing, Totalindo's founder and current CEO, started his own construction company after a total of ten years of working for other contractors (Shimizu Indonesia, Balfour Beatty Sakti and Total Bangun Persada). Given his strong track record and breadth of experience, he was entrusted by Mulia Group to build and construct Taman Angrek Mall, the largest superblock in ASEAN at that time, as its initial project. Donald established Totalindo Eka Persada as a limited liability company the following year. On the basis of his company's strong delivery of the Taman Angrek project, Mulia Group appointed the company to work on its landmark project, Hotel Mulia Senayan, which was completed in six months and also recognized as the fastest building structure construction in Indonesia. This project marked the initial journey of Totalindo as a private contractor in Indonesia.

Established in 1996, Totalindo Eka Persada (TEP) is a well-seasoned and efficient private contractor, serving multiple property market segments

Exhibit 5. Totalindo milestones



Source: Company data

T. Angrek Mall (1995)



Cianjur Market (1999)



Cipularang Toll (2004)



Kalibata City (2008)



Tambora Rusun (2013)



Hotel Mulia (1996)



Riau Bridge (2003)



The Plaza (2006)



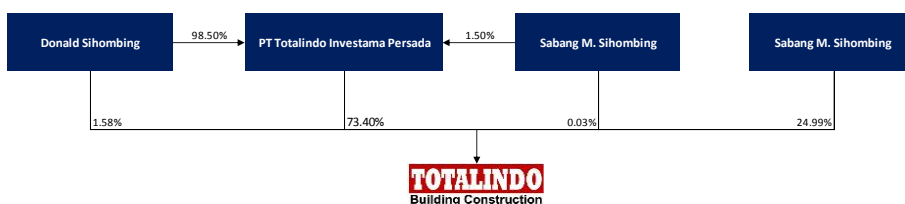
Al-Reem (2009)



Podomoro City (2014)



Exhibit 6. Current shareholding structure



Donald Sihombing, Totalindo founder, has an effective 73.40% stake in the company, with the remainder owned by his brother, Sabang M. Sihombing, and a free float of 24.99%

Source: Company data

Diversification and flexibility advantages from serving multiple market segments

Over more than 20 years of operation, Totalindo has been able to attract a diverse mix of customers, ranging from low-end to high-end clients. In the past five years, high-end project contribution to its new contracts was at 50%, with the rest mainly split into middle-end (21%) and low-end (16%) segments. The company aims to increase low-end government housing projects to up to 30% of revenue by 2018F. In addition, by contract value, 63% of the projects that Totalindo has built were residential, followed by 25% and 9% from mixed-use and hotel projects, respectively. Therefore, regardless of whatever cycle the Indonesian economy finds itself in, we believe the company possesses the advantages of sufficient diversification and flexibility from its strategy to serve multiple market segments.













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Exhibit 7. Diverse mix of clients across various segments

High-end	Mid-end	Low-end
Menteng Park (on going)	El Centro Apartment Bogor (on going)	Bassura City (on going)
La Foret Vivante Apartment (on going)	Vittoria Residence (on going)	Midtown Residence (on going)
South Hills Residence, Jakarta (on going)	Grand Cut Meutia (on going)	Rusunawa KS Tubun, Jakarta
Podomoro City Deli, Medan (on going)	Apartemen Puri Mansion (on going)	Rusunawa Tambora, Jakarta
New World Grand Bali Resort (on going)	Kirana Commercial Avenue Ph 2 (on going)	Hotel Pop BSD, Tangerang
Kota Casablanca 3 (on going)	Kirana Commercial Avenue Ph 1	Boutiq Office Sinarmas, Jakarta
Ratu Prabu 3 (on going)	Madison Park Residences, Jakarta	Hotel Blora, Jakarta
Capital Place & Four Seasons, Jakarta	Metro Park Residences, Jakarta	Condotel Festival Citylink, West Java
Mulia Resort, Bali	Gading Green Hill, Jakarta	Pakubuwono Terrace, Jakarta
Stone Hotel, Bali	Northern Park Residence, Jakarta	Kalibata City Phase 1, Jakarta
Plaza Indonesia Extension, Jakarta	Kalibata City Phase 2, Jakarta	Pasar Banto, West Sumatera
Grand Indonesia Site A, Jakarta	Southern Lake Residences, Jakarta	Pasar Mawar, West Kalimantan
The Chedi Villas, Bali	Sudirman Park, Jakarta	Project Tsunami, Aceh
Ritz Carlton Mega Kuningan, Jakarta		ITC Kebon Kelapa, West Java
Hotel Mulia, Jakarta		Hotel Dwipa, Jakarta
Mall & Condominium Taman Anggrek, Jakarta		

Source: Company data

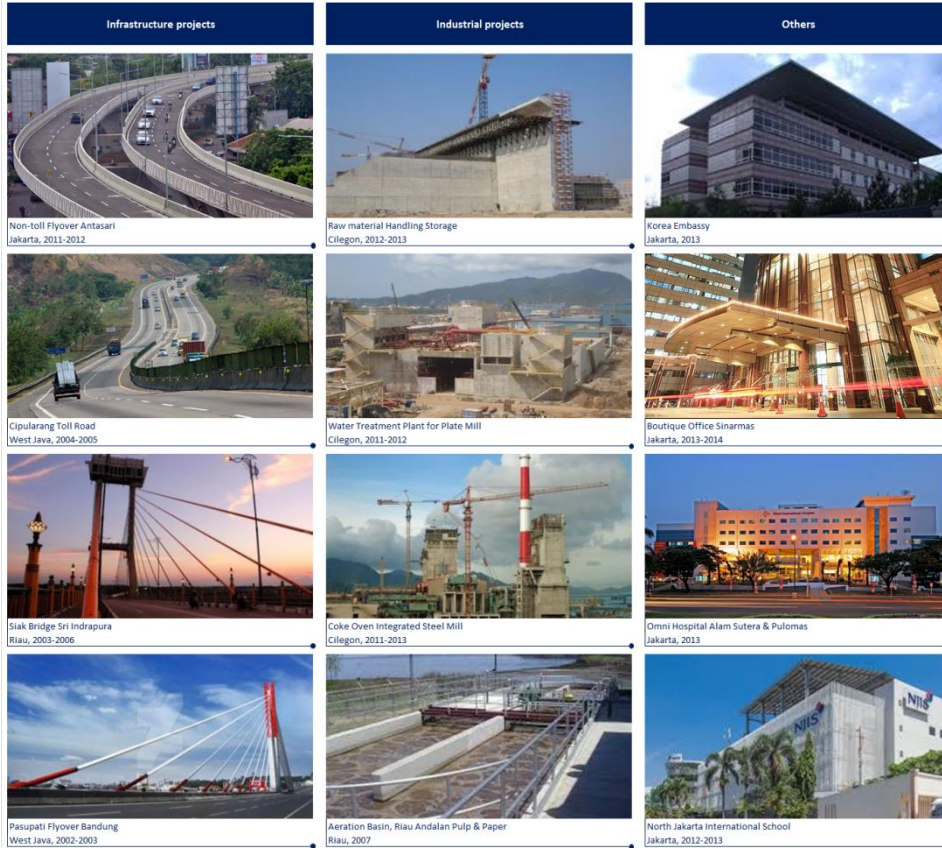
Exhibit 8. Multi-type projects, multi-segments market

	High-end	Middle-end	Low-end
Mixed-use	 Capital Place & Four Season Jakarta, 2013-2015, IDR992.5bn	 Mall & Condominium Taman Anggrek Jakarta, 1995 - 1997, IDR170bn	 Bassura City Tower A, B, C, D, E, F, G Jakarta, 2013-2015, IDR616bn
Hotel	 Mulia Hotel Bali, 2011, IDR125bn	 Condotel Festival Citylink Bandung, 2011, IDR19.4bn	 Hotel POP! BSD, 2013, IDR14bn
Residential	 South Hills Jakarta, 2016-2017, IDR374bn	 Metro Park Residence Jakarta, 2013-2014, IDR320.3bn	 Rusunawa KS Tubun Jakarta, 2015-2016, IDR296bn
Commercial	 Grand Indonesia Site A Jakarta, 2005-2006, IDR240bn	 ITC Kebon Kelapa Bandung, 2001-2002, IDR42bn	 Pasar Banto Bukittinggi, 2007-2007, IDR55bn

Source: Company data

Since 1996, Totalindo has developed a broad range of products across the superblock, hotel, residential, and commercial segments, in key cities across the country

Exhibit 9. Other completed projects



Source: Company data

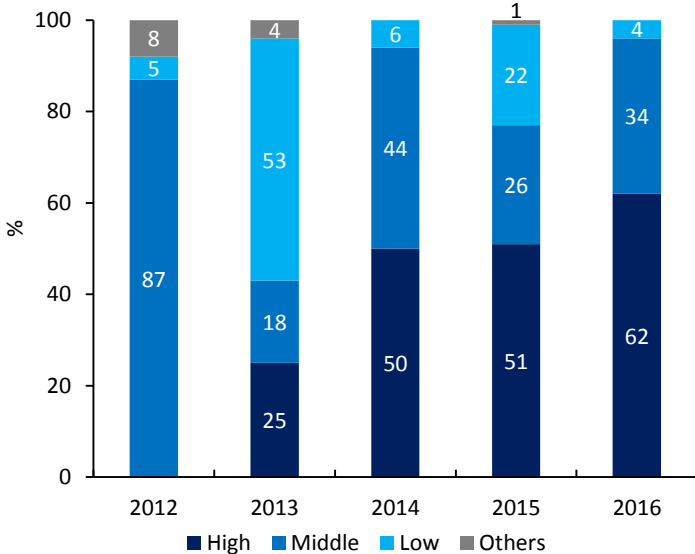
The company also participated as a subcontractor in infrastructure projects such as elevated roadways, flyovers and long-span bridges. Apart from infrastructure projects, Totalindo also has experience in construction of industrial facilities, offices and schools

Nationwide projects, focusing in Jakarta and Greater Jakarta area

Furthermore, surveying its past projects, Totalindo has focused on Jakarta and the Greater Jakarta area; management expects to maintain this objective over the next five years. Nonetheless, the company is also competent in executing different projects in other provinces throughout the archipelago. Totalindo is pursuing current projects in Medan (Podomoro City) and Bali (New World Grand Bali Resort), evidence that the company is able to take up projects outside its main target market when the opportunity arises.

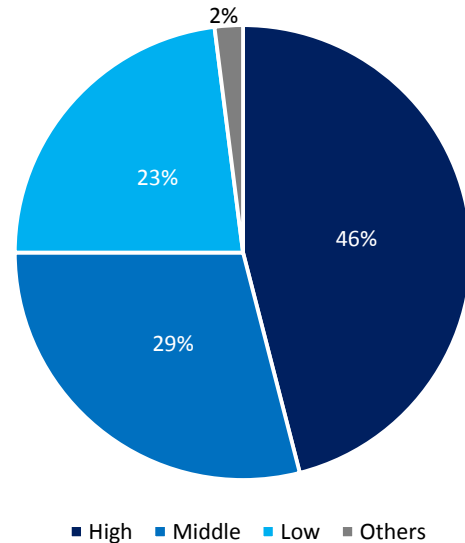
Surveying its past projects, Totalindo has focused on Jakarta and the Greater Jakarta area; management expects to maintain this objective over the next five years

Exhibit 10. Trend in new contracts by segment



Source: Company data

Exhibit 11. New contracts by segment (2012-16)



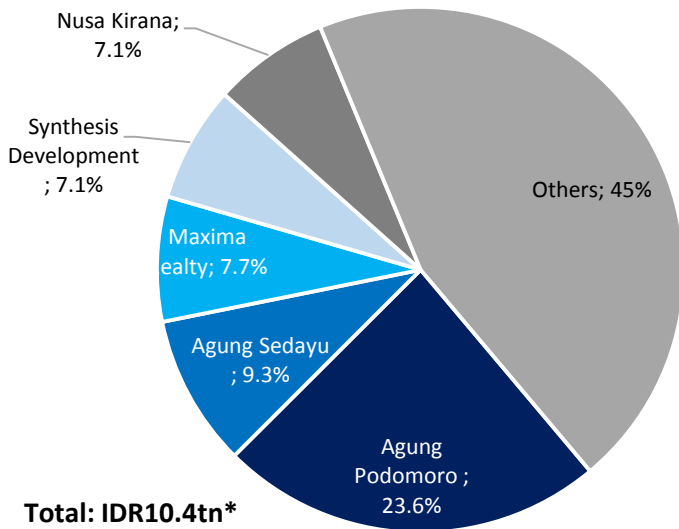
Source: Company data

Top five clients accounted for more than half of Totalindo’s new contracts value over the past five years

During 2012-16, Totalindo’s top five clients accounted for approximately 54% of the company’s total new contracts value (including Joint Operation) of IDR10.4tn. In detail, Agung Podomoro Group contributed almost 24% of this, followed by Agung Sedayu Group, Synthesis Development Group, Maxima Realty Group, and Nusa Kirana Group with 9.3%, 7.7%, 7.1% and 7.1% respectively. Among the top-five clients, in terms of the number of projects, six government projects topped the list (33%), followed by five with Agung Podomoro (28%), three with Mahkota group (17%), with Agung Sedayu and Synthesis Development each contributing two projects (11%).

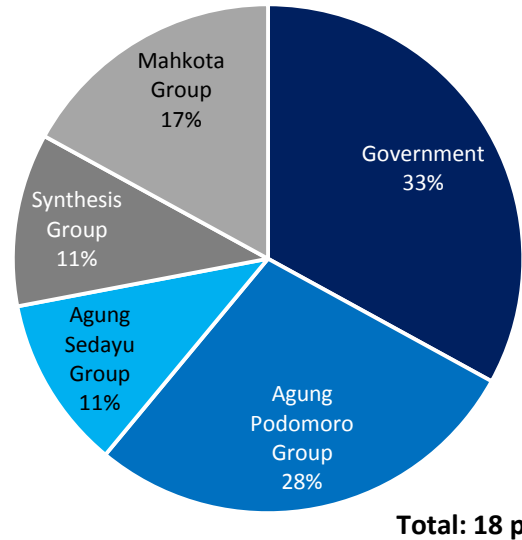
Totalindo’s top-five clients accounted for around 54% of the company’s total new contracts value (including JO) of IDR10.4tn during 2012-16

Exhibit 12. Breakdown of new contracts value by customers (2012-16)



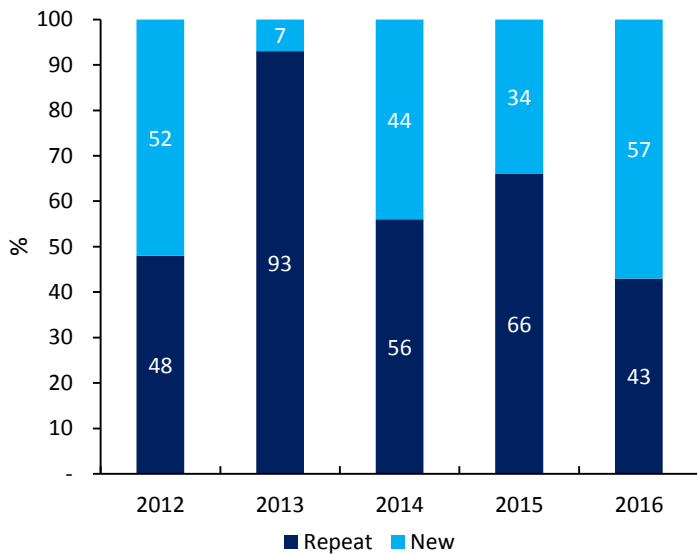
*Total contract value including Joint Operation (KSO) project
Source: Company data

Exhibit 13. Top five customers by project numbers (2012-16)



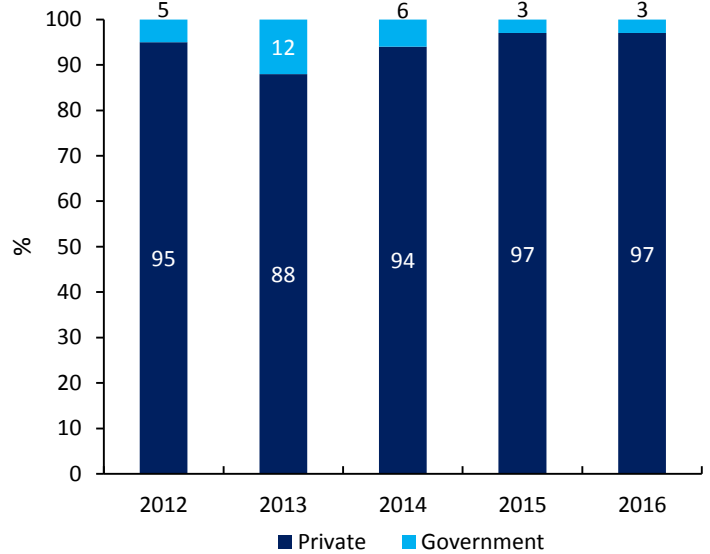
*Total contract value including Joint Operation (KSO) project
Source: Company data

Exhibit 14. Repeat clients vs. new clients



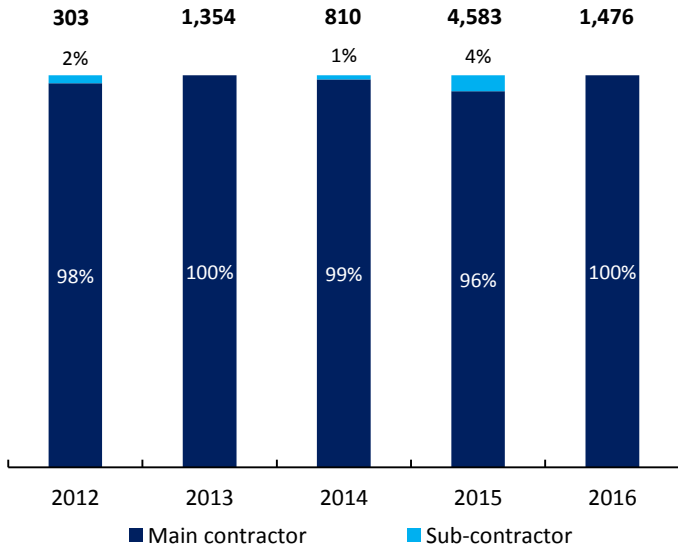
*Total contract value excluding Joint Operation (KSO) project
Source: Company data

Exhibit 15. Private projects vs. government projects



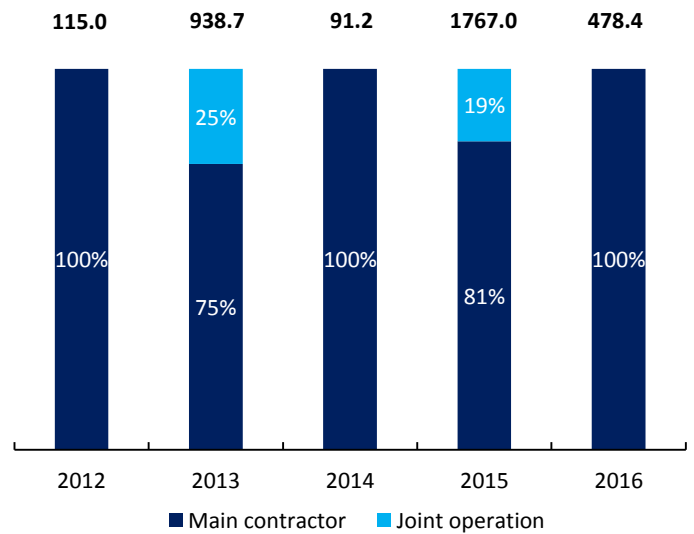
*Total contract value excluding Joint Operation (KSO) project
Source: Company data

Exhibit 16. Total contracts received by value (IDRbn)



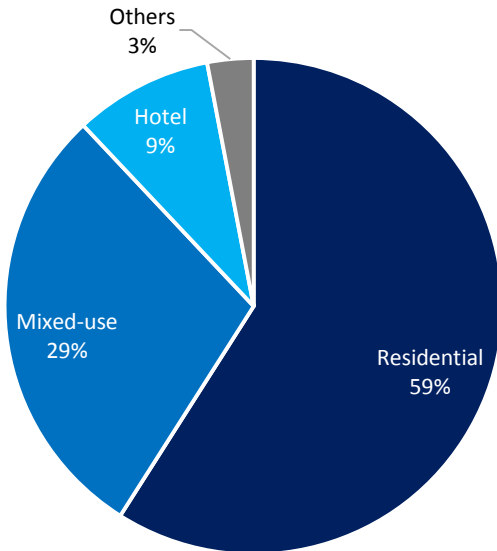
Source: Company data

Exhibit 17. Total contracts received by GFA (k sqm)



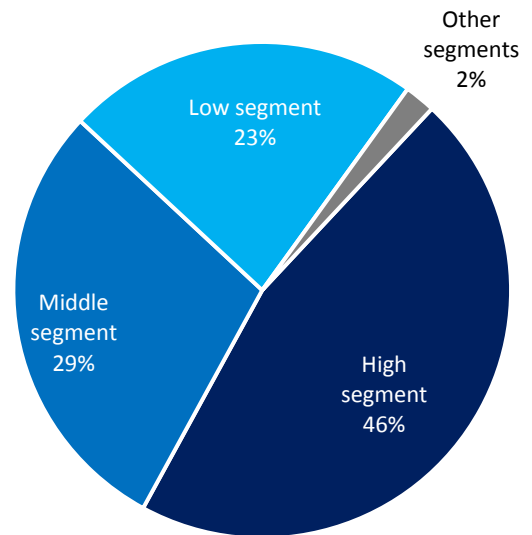
Source: Company data,

Exhibit 18. Contract proportion by type of property



*Total contract value excluding Joint Operation (KSO) project
Source: Company data

Exhibit 19. Contract proportion by segment



*Total contract value excluding Joint Operation (KSO) project
Source: Company data

Exhibit 20. Order book supported by diversified and solid client base



Source: Company data

Consistent record in efficient project execution, utilizing cutting edge construction technology

Unlike other contractors who still employ traditional or conventional methods, Totalindo utilizes an Aluma-based formwork system for the construction of multi-storey buildings. Currently, Totalindo is the only contractor in Indonesia that has Aluma Systems expertise. Aluma, which originally comes from Canada, is reckoned as a world-class engineering technology. It is a breakthrough in construction engineering that has revolutionized the industry by introducing high grade aluminium forming and shoring components to replace expensive and heavy steel ones. However, it is worth noting that there is no exclusive agreement between Totalindo and Aluma Systems. Totalindo purchases directly from Aluma Systems and receives special discounts, given their long and established relationship. It is also important to point out that Jim Baik, Operations Director of Totalindo, worked for Aluma Systems Inc. for 8 years before joining the company.

Totalindo specifically uses a formwork-shaped table (also known as a 'flying-form table') that can be easily moved using tower cranes. It is made of high-tensile aluminium with width, length and height adjustable to fit the needs of a given structure. With the use of this flying-form table system, the fabrication of concrete slabs can be carried out more quickly than through conventional methods, given that the supporting structure has been built on a modular form. With conventional methods, a supporting structure is installed and dismantled piece by piece, a process which might take longer and involve a larger workforce. Indirect benefits include: (1) lower labor expenses as the Aluma-based method eliminates labor required to disassemble the supporting structure and (2) lower rental expenses as faster project completion shortens the rental period for heavy equipment.

Based on conversations with Totalindo management, one cycle of construction work (including the installation of concrete slab formwork) can be completed within approximately 5-7 days with an Aluma system, compared to 10 days using conventional methods. Totalindo allocates 3 sets of formwork for each tower, with the objective of maximizing the efficiency of the Aluma system. Use of the Aluma-based formwork will prove more efficient when applied to the construction of high-rise buildings with simple forms, such as basic flats. Totalindo has enough formwork capacity (3,559 tonnes worth IDR209.7bn) to cover a maximum area of 200,000sqm, which they believe is sufficient to build 45 towers simultaneously, with an assumed per floor area of 1,500 sqm.

Unlike other private contractors that still employ traditional or conventional methods, Totalindo utilizes an Aluma-based formwork system for construction of multi-storey buildings. At the moment, Totalindo is the only construction company in Indonesia that has Aluma Systems expertise

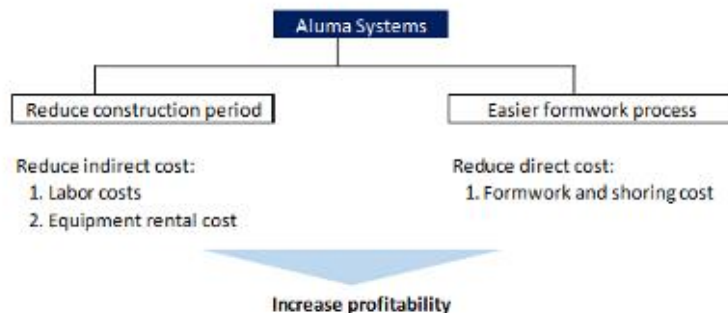
Totalindo specifically uses a formwork-shaped table that can be easily moved using a crane tower, which is also known as flying-form table

Use of the Aluma-based formwork will be more efficient when applied to the construction of high-rise buildings with a relatively simple model, such as basic flats. Totalindo has enough formwork capacity to cover a maximum of 200,000 sqm area, which they believe is sufficient to build 45 towers simultaneously, assuming a floor area of 1,500sqm

Exhibit 21. Pioneer in Aluma Systems expertise in Indonesia



Source: Company data



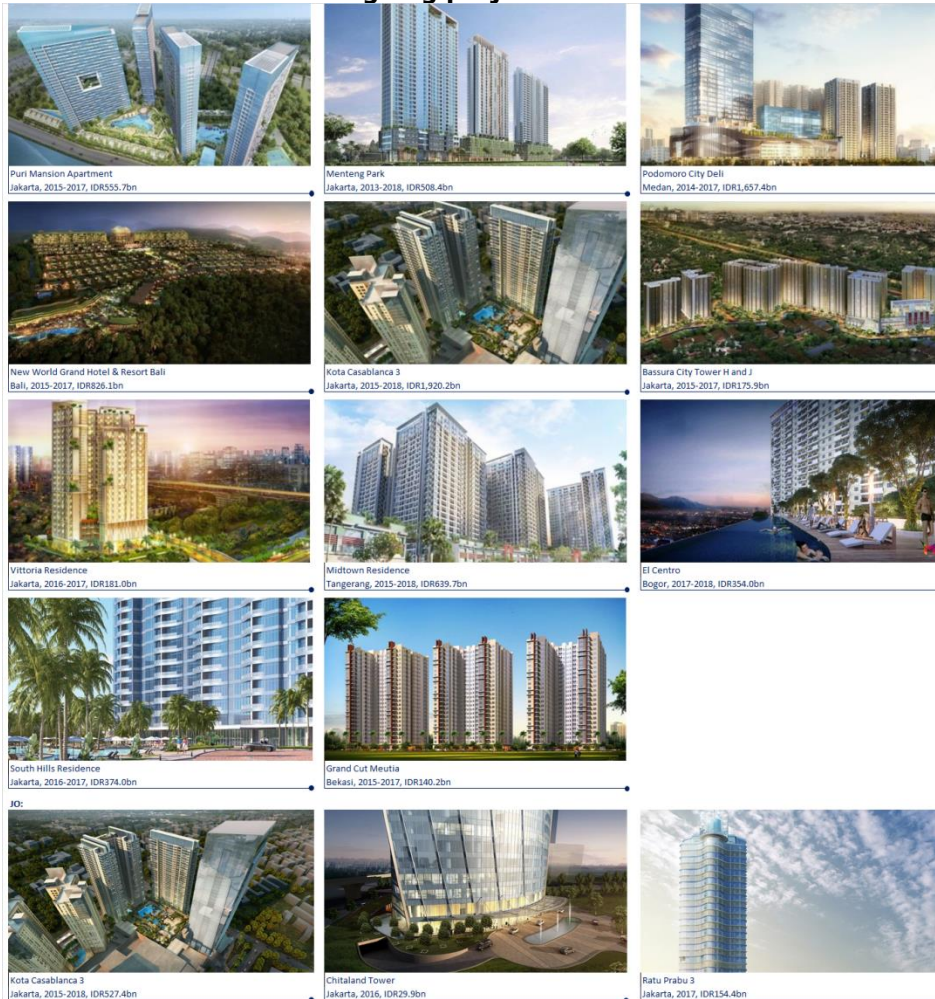
Business outlook

Fourteen on-going projects with initial orderbook of IDR3.3tn

As of the beginning of 2017F, Totalindo has 14 on-going projects with carryover contracts – including joint operation (JO) – of IDR3.3tn. Excluding JO, the initial orderbook for 2017F was at IDR2.7tn. Details on Totalindo’s current projects are outlined in the Exhibit 22 below. Totalindo’s average hit rate in the past five years was at 36%. As of March 2017, the company has participated in bidding ten procurement projects with a total expected contract value of IDR4.3tn. So far, out of ten projects the company has bid on, the company has won approximately IDR721bn in new contracts, stemming from two projects: (1) Marriott Ubud, Bali (IDR461bn) and (2) Green Sedayu Taman Palem, Jakarta (IDR260bn).

As of the beginning of 2017F, Totalindo had 14 on-going projects with carryover contracts including joint operation (JO) of IDR3.3tn

Exhibit 22. Totalindo’s on-going projects



Excluding JO, the initial orderbook for 2017F was at IDR2.7tn. There are currently three JO projects: (1) Kota Casablanca 3, (2) Chitaland Tower, and (3) Ratu Prabu 3. However, it is worth noting that Ratu Prabu project has been postponed due to land clearing issues of the Antasari toll-road and the project owner is thus yet to finalize the design

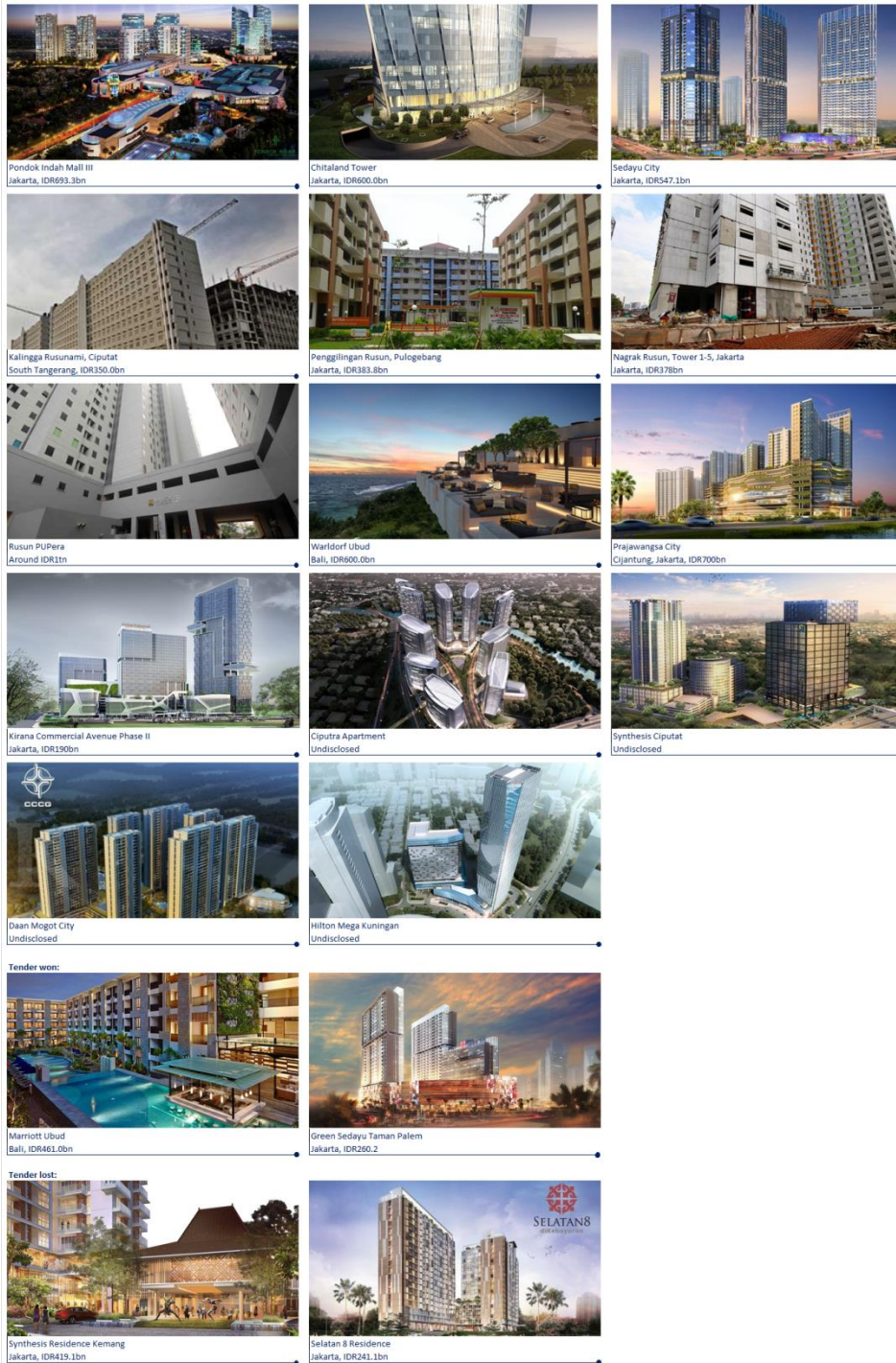
Source: Company data

Exhibit 23. Totalindo’s carryover contracts as of beginning 2017F

Current projects	Project owner	Segment	Start-date	End-date	Contract period (months)	Remaining period (months)	Contract value (IDRbn)	Remaining contract value (IDRbn)
New World Grand Bali Resort Hotel	PT Mugie Bali Indah	High	May-15	Apr-18	36	15	751	535
Menteng Park	PT Cempaka Wenang Jaya (Agung Sedayu group)	High	Jul-14	Feb-18	44	14	462	131
La Forret Vivante	PT Mahkota Propertindo	High	Nov-16	Jan-19	26	25	612	583
Kota Casablanca 3	PT Elite Prima Utama	High	Oct-15	Oct-17	25	10	146	44
South Hills Residence	PT Metropolitan Kuningan Properti	High	Oct-16	Mar-19	29	27	340	333
Podomoro City Deli Medan	PT Sinar Menara Deli (Agung Podomoro group)	Mid-high	Jun-14	Mar-17	34	3	1,507	192
Bassura City	PT Synthesis Karya Pratama (Synthesis group)	Mid	Sep-15	Dec-17	28	12	160	30
Grand Cut Mutia	PT Selaras Mitra Sejati	Mid	Feb-15	Aug-16	18	12	127	49
Puri Mansion Apartment	PT Citra Abadi Mandiri (Agung Sedayu group)	Mid	May-15	May-17	24	5	505	105
Midtown Residence Summarecon Serpong	Summarecon Serpong	Mid	Aug-15	Mar-18	32	15	582	337
Vittoria Residence Apartment	PT Duta Indah Kencana (Duta Indah group)	Mid	Mar-16	May-17	15	5	165	75
Elcentro Apartment	PT Pilar Artha Mandiri	Low	Jun-16	Jun-18	24	12	354	282
Subtotal							5,711	2,695
Joint operation								
Kota Casablanca 3	PT Elite Prima Utama	High	35% progress	Apr-18		16	381	381
Chitaland Tower	JO Chitaland - Totalindo	High					30	30
Ratu Prabu 3, Jakarta	Ratu Prabu Group	High					154	154
Total (including JO)							3,261	3,261

Source: Company data

Exhibit 24. Totalindo's prospective projects



Source: Company data

As of 1Q17, the company has participated in ten procurement projects with total expected contract value of IDR4.3tn. So far, out of ten projects it bid on, the company has won approximately IDR721bn new contracts, stemming from two projects: (1) Marriott Ubud, Bali (IDR461bn) and (2) Green Sedayu Taman Palem, Jakarta (IDR260bn)

Hopping on low-end government housing potential

Going forward, Totalindo management plans to increase their exposure into low-end government housing projects given their (1) market potential, (2) higher margin and (3) shorter project duration and thus better cash conversion, tremendous potential and attractiveness. The company targets 30% revenue contribution from these low-end government housing projects by 2018F; and 50% of revenue by 2020F. This is five times higher than the 6% average contribution from government projects in the past five years. The government has a strict and challenging tender process which creates a high barrier to entry for private contractors to participate. However, the company is optimistic it can repeat its success in securing low-end government housing projects. Since 2013, Totalindo has completed two low-end public housing projects for the Jakarta administration: (1) IDR156bn Rusun Tambora project and (2) IDR172bn Rusun KS Tubun project.

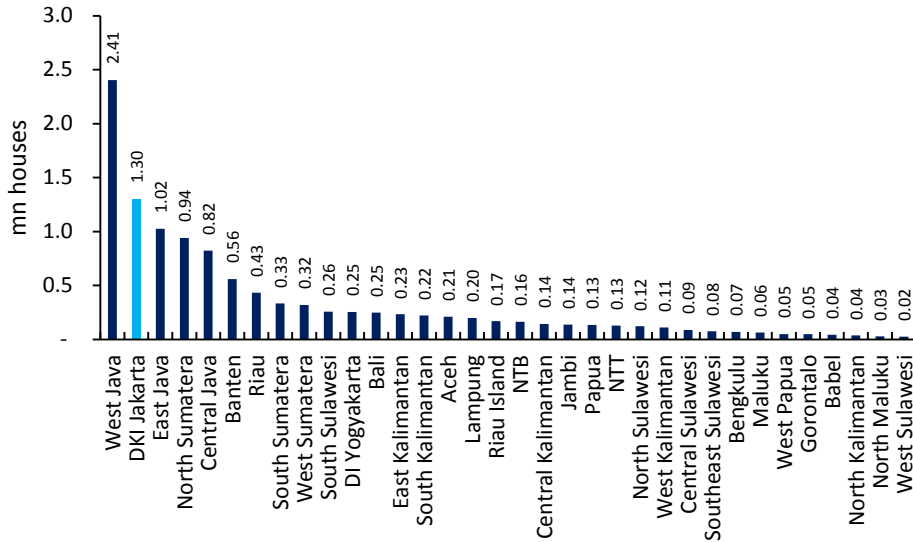
Going forward, Totalindo plans to increase its exposure into low-end government housing projects. The company targets 30% revenue contribution from the low-end government housing projects by 2018F. This is five times higher than the 6% average contribution from government projects in the past five years

Substantial unmet housing needs

Based on data from Statistics Indonesia (BPS), as of end-2015, Indonesia had a backlog of approximately 11.4mn housing units, 16% lower than the 13.5mn unit housing backlog reported in 2010. Surprisingly, the reduction in the Jakarta housing backlog lagged the national level, as it only declined by 4% from 1.35mn units to 1.30mn units during the same period. Assuming the same growth trend, Jakarta will achieve zero housing backlog in 2110F. In addition, the percentage of the Jakarta housing backlog to the national level has actually gone up, from 10.2% in 2010 to 11.4% in 2015.

A higher urbanization rate and population growth will also trigger rises in property prices, which will likely result in (1) limited access to housing for the urban poor and (2) proliferation of slums

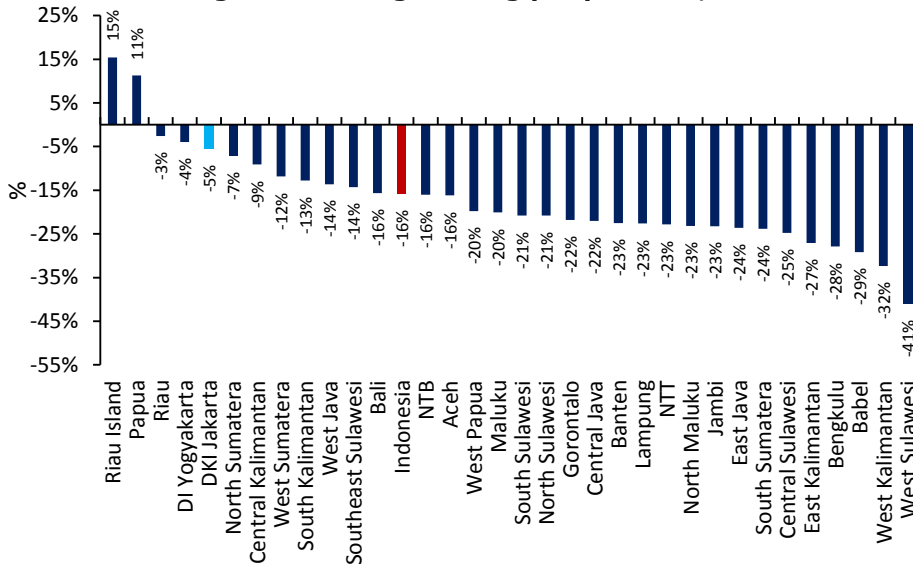
Exhibit 25. Indonesia’s housing backlog per province, 2015



Indonesia has a backlog of approximately 11.4mn housing units, 16% lower than the 13.5mn unit housing backlog reported in 2010. Surprisingly, the reduction in the Jakarta housing backlog lagged the national level, as it only declined by 4% from 1.35mn units to 1.30mn units during the same period

Source: BPS

Exhibit 26. Changes in housing backlog per province, 2010-15



Reduction in Jakarta housing backlog lagged the national level as it only declined by 4% vs. -16% for Indonesia

Source: BPS

GoI has developed programs and institutions to support housing provision

The Government of Indonesia (GoI) has developed a broad set of policies and institutions to support provisioning of new housing, but these have not yet been effective in improving outcomes at a necessary scale. The government measures include, but are not limited to (1) a series of neighbourhood community development programs, (2) highly- to fully-subsidized public rental programs, (3) Community Self Help Housing Subsidies (*Bantuan Stimulan Perumahan Swadaya*, BSPS) – an upfront subsidy for incremental home improvement, and (4) a subsidized mortgage liquidity facility (*Fasilitas Likuiditas Pembiayaan Perumahan*, FLPP) which aims to enhance mortgage affordability for middle-income households by subsidizing interest rates for fixed-rate mortgages.

In addition, several state-owned enterprises, including PT Perumnas, Secondary Mortgage Facility (*Sarana Multigriya Finansial*, SMF), state insurance companies (*Jaminan Kredit Indonesia*, Jamkrindo), and public mortgage guarantee providers (*Asuransi Kredit Indonesia*, Askrido), have been entrusted to play an active role in improving supply of and access to affordable housing through direct housing development, secondary mortgage market development and the extension of mortgage insurance. Finally, some local governments have pioneered programs that have achieved local results, e.g. (1) a microfinance housing scheme in Palembang; and (2) a rental housing program administered by the Jakarta administration.

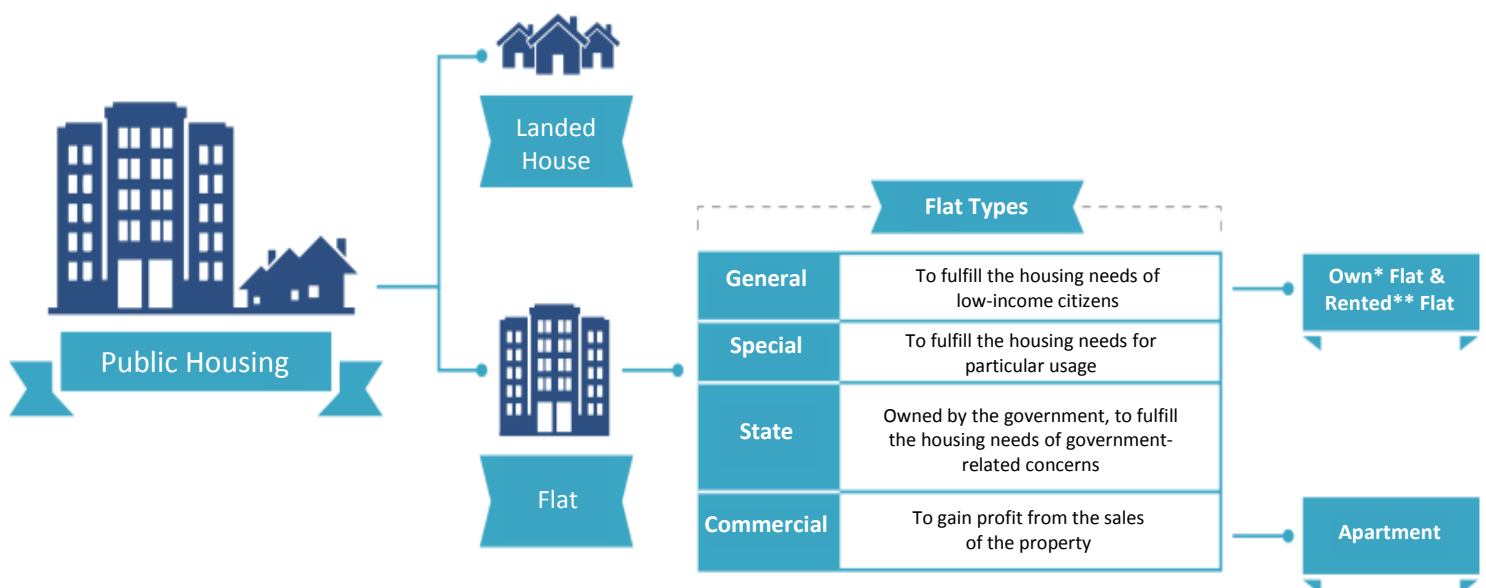
In 2015, the GoI made reducing the housing backlog an explicit policy priority in the National Medium-Term Development Plan (RPJMN) and launched an ambitious initiative called *Sejuta Rumah* (One Million Homes). The specific policies developed in response to the RPJMN and *Sejuta Rumah* include: (1) a mandatory savings-for-housing scheme (similar to a providential fund or social security policy like BPJS) called *Tabungan Perumahan Rakyat* (Tapera), which was passed into law in February 2016, (2) a new mortgage interest subsidy (*Subsidi Selisih Bunga* or SSB) and (3) IDR4mn subsidy (*Bantuan Uang Muka* or BUM) to help allay the cost of down payments for households, accessing both FLPP and SSB.

Government of Indonesia (GoI) has developed a broad set of policies and institutions to support housing provision, but these are not yet effective in improving housing outcomes at the scale necessary

Some local governments have pioneered programs that have achieved local results, e.g. (1) a housing microfinance scheme in Palembang; and (2) a rental housing program administered by the Jakarta administration.

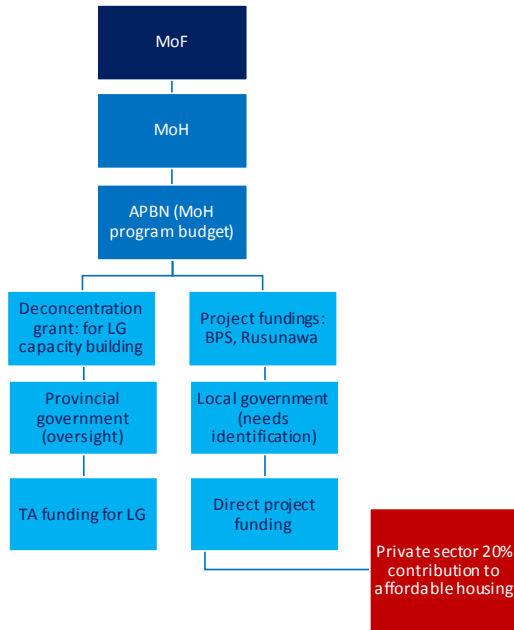
The specific policies also developed in response to government’s housing target: (1) mandatory savings-for-housing scheme (TAPERA), (2) a new mortgage interest subsidy (Subsidi Selisih Bunga or SSB), and (3) IDR4mn subsidy (Bantuan Uang Muka or BUM) to help allay cost of down payments for households, accessing both FLPP and SSB

Exhibit 27. Public housing structure



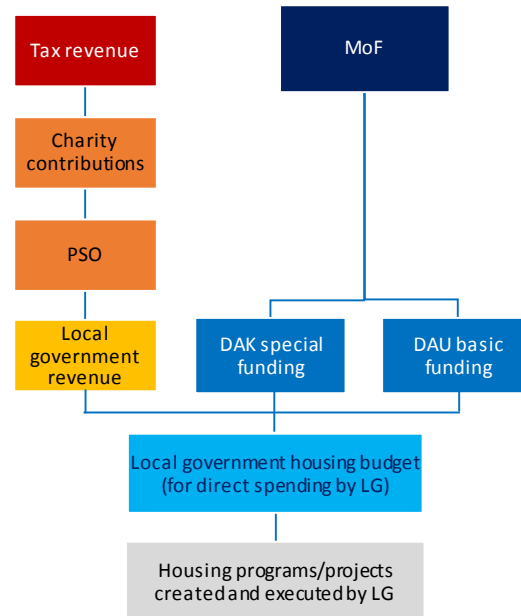
Source: Law No. 20/2011, Independent Research & Advisory Indonesia (IRAI)
*denotes Rusunami while **denotes Rusunawa

Exhibit 28. Flow of funding for MPWH programs



Source: Bappenas

Exhibit 29. Sources of local housing program funding



Source: Bappenas

Tapera law is the game changer for low-end housing

The House of Representatives (DPR) passed a public housing savings (Tapera) bill into law on Tuesday, 23 February 2016. The effective implementation will start in February 2018 at the latest. Tapera will be mandatory for both formal and informal workers who earn a monthly salary above a specified minimum. Those who earn less than the minimum wage can join voluntarily. The salary deduction is yet to be decided, but is estimated to be around 3%, of which 2.5% will be paid by workers, and the remaining 0.5% paid by employers. The cap is said to be at 20x the minimum salary, or about IDR1.5mn per person per month. The bill has entered a finalization process and is expected to be completed in the near future. Indonesia’s entrepreneur association (APINDO) strongly opposed the programme and is said to be filing a judicial review in the constitutional court. However, we doubt that the government will change its mind; it will set up a new institute that will manage the funds, similar to BPJS (universal healthcare). Funds will be used to tackle the housing backlog issue and help the low-income population attain proper housing. Only those who belong to the low-income group (MBR) can access the money to build or repair houses, while non-MBR members can only redeem the fund at a retirement age of 58 years. This scheme is clearly intended to help the poor at the expense of lower disposable income for the middle and upper-class populations. Furthermore, the enactment of Tapera shows that the government is serious about reducing Indonesia’s housing backlog, in our opinion.

DPR passed the public housing savings (Tapera) bill into law on Tuesday, 23 February 2016. The effective implementation will start to take place in February 2018 at the latest. Tapera will be mandatory for both formal and informal workers who earn above a minimum wage salary. The salary deduction is estimated to be around 3%, of which 2.5% will be paid by workers, and the remaining 0.5% paid by employers

Only those who belong to the low-income group (MBR) can use the money to build or repair houses, while non-MBR members can only redeem the fund at the retirement age of 58 years old

Solution to the one million houses funding issue

The key risk to the government’s one million houses lies on the supply side, especially in terms of funding. Based on a current plan of building 600k units of low-income housing priced at IDR116-133mn/unit, the government is required to provide a total of IDR60tn of subsidies for mortgage funding per year. It is currently offering two kinds of subsidy schemes:

The key risk to the government’s one million houses lies on the supply side, especially in terms of funding. The government is currently offering two subsidy schemes: FLPP and SSB

- **Housing loan liquidity scheme (FLPP):** FLPP is where the government directly injects 90% of funding to banks at a cheap rate of only 0.5%. The banks would need to fund the remaining 10% by themselves.
- **Mortgage rate subsidy (SSB):** The government subsidizes the difference between banks’ commercial rate and the subsidy rate to customers. The government can basically spread out the subsidy payment to match the length of the tenor.

FLPP is a safer choice, but can only afford to subsidize a small number of housing units, while SSG can afford a greater number of subsidized houses, running a risk that banks must source 100% of the funding by themselves. In addition, SSB will result in larger future liabilities, as the government will need to pay the cumulative amount of mortgages from the previous year. In conclusion, the SSB scheme can provide a short-term solution, but may not be sustainable in the long run.

We view that the approved Tapera bill will provide a solution to the one million houses funding issue. By shifting the burden from the government budget to the private sector, the government should be able to raise enough funds for subsidies. As of end-2016, Indonesia had a working population of 170mn people, or approximately 67% of the nation's total population. Under a conservative assumption of 50% participants with a IDR2mn salary per month, Tapera could potentially raise a minimum of IDR61.2tn.

Low-end housing potential in Jakarta

As we noted earlier, the Jakarta housing backlog is estimated at around 1.3mn units as of end-2015. In addition, according to BPS data, only 51% of the households in Jakarta own their residences. Among the 49% of the households that do not own their house, 13.2% are still able to afford commercial housing on their own. This implies middle-low and low-income households are a potential market for low-end housing, at 42.4% of the total Greater Jakarta population.

FLPP is a safer choice, but can only afford to subsidize a small number of housing units, while SSG can afford a greater number of subsidized houses, but the risk is that banks must source 100% of the funding by themselves

We view that the approved Tapera bill would provide a solution to the one million houses funding issue. Under a conservative assumption of 50% participation of the working class population with IDR2mn salary per month, Tapera could potentially raise a minimum of IDR61.2tn

Middle-low and low-income households as a potential market for low-end housing stood at 42.4% of the total population in Jakarta

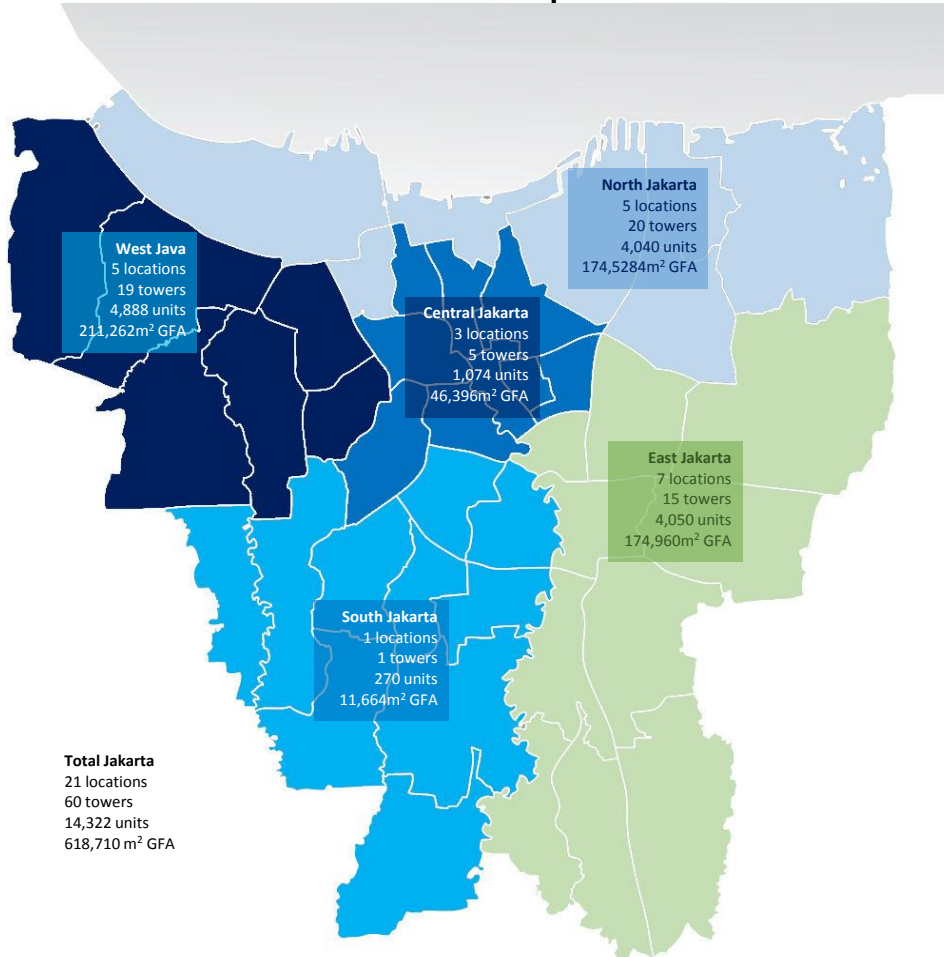
Exhibit 30. Current Rusunawa and Rusunami locations in Jakarta

Rusun type	Region	Rusun	Address	Tower	Total unit	
Rusunawa	Jakarta Barat	Tambora	Jl. Angke Jaya, Kel. Tambora	6	560	
		Flamboyan	Jl. Falmboyan, Kel. Cengkareng	6	560	
		Karang Anyar	Kel. Karang Anyar, Kec. Sawah Besar	4	360	
	Jakarta Pusat	Jati Rawa Sari	Jl. Mardani, Kel. Cempaka Putih Barat, Kec. Cempaka Putih	2	180	
	Jakarta Timur	Cipinang Besar Utara	Jl. Swadaya Cipinang Pulo, Kel. Cipinang Besar Utara, Kec. Jatinegara	4	152	
		Pondok Bambu	Jl. Haji Dogol, Kel. Pondok Bambu, Kec. Duren Sawit	3	200	
		Cipinang Muara	Jl. Cipinang Muara II, Kel. Pondok Bambu, Kec. Duren Sawit	3	230	
		Pulo Jahe	Jl. Rawa Buntu, Kel. Jatinegara, Kec. Cakung	6	96	
		Tipar Cakung	Jl. Tipar, Kel. Cakung Timur, Kec. Cakung	10	1,000	
		Pinus Elok	Jl. Kompleks Aneka Elok, Kel. Penggilingan, Kec. Cakung	8	800	
		Cakung Barat	Jl. Tipar, Kel. Cakung Barat, Kec. Cakung	4	300	
		Pulo Gebang	Jl. Pulo Gebang, Kel. Pulo Gebang, Kec. Cakung	4	400	
		Jatinegara Barat	Jl. Jatinegara Barat No.142, Bali Mester, Jatinegara	2	1,400	
		Jakarta Utara	Waduk Pluit (Muara Baru)	Jl. Muara baru, Kel. Penjarangan	4	400
	Penjarangan		Jl. Tanah pasir, Kel. Penjarangan, Kec. Penjarangan	17	1,694	
	Kapuk Muara		Jl. SMP 122, Kel. Kapuk, Kec. Enjarangan	6	700	
	Marunda		Jl. Raya Marunda, Kel. Marunda, Kec. Cilincing	26	2,580	
	Sukapura		Jl. Manunggal Juang, Kel. Sukapura, Kec. Cilincing	1	100	
	Rusunami	Jakarta Barat	City Park	Jl. Malibu Raya, Kel. Cengkareng Timur, Kec. Cengkareng	5	3,000
			Grand Surya	Jl. Jend. Ahmad Yani No.51, Kel. Pekayon Jaya	4	576
Green Parkview			Jl. Daan Mogot KM.14, Kel. Duri Kosambi, Kec. Cengkareng	3	3,000	
Menara Kebon Jeruk			Jl. Arjuna Utara No.17, Kel. Duri Kupa, Kec. Kebon Jeru	1	682	
Jakarta Selatan		Kalibata City	Jl. Raya Kalibata No.1, Kel. Rawajati, Kec. Pancoran	17	12,500	
		Pancoran Riverside	Jl. Pengadegan Timur I No. 30, Kel. Pengadegan, Kec. Pancoran	3	2,400	
		Kebagusan City	Jl. Baung, Kel. Kebagusan, Kec. Pasar Minggu	5	1,918	
		Woodland Park	Jl. Raya Kalibata, Kel. Rawajati, Kec. Pancoran	4	800	
		Lebak Lestari Garden	Jl. Nasional 12 No.25, Kel. Pondok Pinang, Kec. Kebayoran Lama	3	2,966	
		Royal Olive Residence	Jl. Buncit Raya No.101, Kel. Pejaten Barat, Kec. Pasar Minggu	3	738	
		Pakubuwono Terrace	Jl. H. Amsar No.40, Kel. Cipulir, Kec. Kebayoran Lama	3	1,720	
		Nifarro	Jl. Raya Pasar Minggu KM. 18, Kel. Pejaten Timur, Kec. Pasar Minggu	2	288	
		LA City	Jl. Raya Lenteng Agung, Kel. Jagakarsa	3	1,000	
		L'Avenue	Jl. Raya Pasar Minggu Kav. 16, Kel. Pancoran, Kec. Gatot Subroto	2	594	
Jakarta Timur		Casablanca East Residence	Jl. Pahlawan Revolusi No.2, Kel. Pondok Bambu, Kec. Duren Sawit	4	719	
		Kalimalang Residence	Jl. Sentra Primer Timur, Kel. Pulo Gebang, Kec. Cakung	3	1,008	
		Sentra Timur Residence	Jl. Sentra Primer Timur, Kel. Pulo Gebang, Kec. Cakung	11	4,500	
		Menara Cawang	Jl. SMA 14, Kel. Cawang, Kec. Kramatjati	1	714	
Jakarta Utara		Gading Nias Residence	Jl. Pegangsaan Dua No.3, Kel. Pegangsaan Dua, Kec. Kelapa Gading	14	6,097	

Source: Dinas Perumahan dan Gedung Pemda (DPGP) DKI Jakarta

For 2017F, the DKI Jakarta administration plans to build approximately 14,322 units of low-end housing to relocate its citizens who live in slum and riverbank areas. From these units, total estimated gross floor area (GFA) built will be at around 618,710sqm. Estimated cost required for the construction of these units will be at around IDR3.5tn assuming construction cost per unit of IDR244.8mn.

Exhibit 31. Jakarta’s rusun construction plan for 2017F



For 2017F, DKI Jakarta administration plans to build approximately 14,322 units of low-end housing to relocate its citizen who live in slum and riverbank areas ...

Source: BPS

Exhibit 32. Jakarta’s rusun construction plan for 2017F

Location	Total tower	Total unit	Estimated GFA (m²)	Estimated cost (IDRbn)
Rusun Pondok Pinang	1	270	11,664	66
Rusun Daan Mogot	6	1,540	66,528	377
Rusun Cakung	3	810	34,992	198
Rusun Pulo Jahe	2	540	23,328	132
Rusun Yos Sudarso	4	1,080	46,656	264
Rusun Cengkareng Barat	4	1,080	46,656	264
Rusun Padat Karya Rorota	8	800	34,560	196
Rusun Kelapa Gading Timur	1	270	11,664	66
Rusun Pulo Gebang	1	270	11,664	66
Rusun Rawa Buaya	4	1,080	46,656	264
Rusun Rorota IV	3	810	34,992	198
Rusun Waduk Plut	4	1,080	46,656	264
Rusun Ujung Menteng Cakung	4	1,080	46,656	264
Rusun PIK Pulo Gadung	2	540	23,328	132
Rusun Tambora	2	540	23,328	132
Rusun Cilitan Cleaning Service	1	270	11,664	66
Rusun Sudin Panjaitan	2	540	23,328	132
Rusun Pasar Grogol	3	648	27,994	159
Rusun Pasar Lontar and Kebon Melati	2	432	18,662	106
Rusun Tanah Abang Blok G and Bridge	1	210	9,072	51
Rusun Pasar Serdang	2	432	18,662	106
Total	60	14,322	618,710	3,507

... with an estimated cost required for construction of these units at around IDR3.5tn assuming cost per unit of IDR244.8mn

Source: BPS

Exhibit 33. Estimated gross flooring area (GFA) of rusuns in Jakarta

	m2/unit	2008	2014	2016	2017F
Beginning unit		14,968	18,321	18,321	20,715
Addition				2,394	14,322
Ending unit		14,968	18,321	20,715	35,037
Beginning GFA (m2)	36	538,848	659,556	659,556	745,740
Addition (m2)	36			86,184	515,592
Estimated circulation area	20%	107,770	131,911	149,148	252,266
Ending GFA (m2)		646,618	791,467	894,888	1,513,598

With additional 618,710sqm this year, gross flooring area of rusuns in Jakarta will be at 1,513,598sqm by end-2017F

Source: Dinas Perumahan dan Gedung Pemda (DPGP) DKI Jakarta, Independent Research and Advisory Indonesia (IRAI)

Exhibit 34. Perumnas' rusun revitalization and strategic housing project

Perumnas' rusun revitalization plans:

Rusun	Location	Area (Ha)	Tower	Unit	Estimated cost (IDRbn)
Sarijadi	Bandung	2.40	4	1,000	185
Kebon Kacang	Jakarta	1.62	3	750	139
Klender	Jakarta	8.00	16	4,000	740
Tanah Abang	Jakarta	3.60	7	1,750	324
Cengkareng	Jakarta	8.00	16	4,000	740
Kemayoran	Jakarta	14.40	29	7,250	1,341
Sukaramai	Medan	3.32	6	1,500	278
Iilir Barat	Palembang	24.60	49	12,250	2,266
Menanggal	Surabaya	2.70	5	1,250	231
Total		68.64	135	33,750	6,244

Perumnas' strategic housing projects:

Location	City	Estimated cost (IDRbn)	Unit
Kalibata (Pertani)	Jakarta	1,677	6,228
Kalimalang (ex. DJKN)	Jakarta	8,067	29,954
Kebon Kacang	Jakarta	566	2,102
Tanah Abang	Jakarta	1,317	4,890
Klender	Jakarta	2,570	9,541
Cengkareng A8	Jakarta	1,167	4,332
Pulogebang	Jakarta	4,088	15,177
Karawang	Kerawang	339	1,539
Bekasi	Bekasi	635	2,882
Total		20,426	76,645

Source: Perumnas, Independent Research and Advisory Indonesia (IRAI)

Financial Statement

Totalindo Eka Persada

Year to 31 December	2013	2014	2015	2016	6M17
PROFIT & LOSS (IDRbn)					
Sales	686	1,047	1,496	3,126	1,284
Gross profit	116	158	267	410	227
EBITDA	-	156	241	385	200
Depreciation	-	19	12	21	-
EBIT	92	136	229	364	200
Net interest inc./expense	(17)	(16)	(50)	(72)	(50)
Forex gain/(losses)	-	1	2	0	(0)
Other income/expense	(3)	0	(2)	3	1
Pre-tax profit	72	121	180	295	151
Taxes	(21)	(31)	(45)	(94)	(39)
Minority interest	-	-	-	-	-
Extraordinary gain/(losses)	-	-	-	-	-
Net profit	52	90	135	201	112

BALANCE SHEET (IDRbn)

Cash and equivalents	101	242	286	419	584
Trade receivables	370	416	1,106	1,290	1,825
Inventories	31	21	49	30	26
Fixed assets	60	158	301	403	396
Other assets	759	518	1,132	654	743
Total assets	1,322	1,356	2,874	2,795	3,574
Interest bearing liabilities	168	289	850	1,266	1,141
Trade payables	408	137	612	232	303
Other liabilities	586	681	1,025	663	1,141
Total liabilities	1,162	1,107	2,487	2,161	2,585
Minority interest	-	-	-	-	-
Shareholders' equity	160	248	386	635	989

CASH FLOW (IDRbn)

Net profit	92	136	229	364	200
Depreciation	-	19	12	21	12
Working capital	3	53	(491)	(297)	(301)
Other operating items	-	-	-	-	-
Operating cash flow	96	209	(250)	88	(90)
Net capital expenditure	(54)	(142)	(178)	(256)	(33)
Free cash flow	41	66	(428)	(169)	(122)
Equity raised/(bought)	-	-	3	492	167
Net Borrowings	42	121	561	416	(125)
Other financing	(40)	(46)	(93)	(606)	246
Net cash flow	43	141	43	133	165
Cash flow at beginning	58	101	242	286	419
Cash flow at end	101	242	286	419	584

RATIOS

ROAE (%)	32.3	36.1	34.9	31.7	18.0
ROAA (%)	3.9	6.6	4.7	7.2	6.3
Gross margin (%)	16.9	15.1	17.9	13.1	17.7
EBITDA margin (%)		14.9	16.1	12.3	15.6
EBIT margin (%)	13.5	13.0	15.3	11.6	15.6
Net margin (%)	7.5	8.6	9.0	6.4	8.7
Payout ratio (%)				248.6	-
Current ratio (%)	112.6	106.3	106.8	117.2	140.4
Interest coverage (x)	5.5	5.9	3.8	4.4	2.8
Net gearing (%)	42	19	146	133	45
Debts to assets (%)	12.7	21.3	29.6	45.3	31.9
Debtor turnover (days)	131	99	148	58	93
Creditor turnover (days)	43	17	23	24	42
Inventory turnover (days)	20	8	15	4	5

MAJOR ASSUMPTIONS

Carry-over contracts (IDRbn)	820	2,084	1,900	4,856	2,690
New contracts (IDRbn)	1,886	863	3,887	1,523	1,449
New contracts growth (%)	543	(56)	416	(66)	
Total order book (IDRbn)	2,706	2,947	5,786	6,379	4,139

Source: Company

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