

May 21, 2013

IPO Report

Construction

Acset Indonusa

NOT RATED

Strong Foundation

Offering Price Rp2,200-2,750
Number of Shares 150 m
Target Proceeds Rp330-413 bn

Indicative Timetable

Book Building 21 May-03 June
Pricing 03 June 2013
Effective Statement 12 June 2013
Offering Period 14,17,18 Jun 2013
Allotment 20 Jun 2013
Distribution & Refund 21 Jun 2013
Listing 24 Jun 2013

Use of Proceeds (%)

Working Capital 50.0
Loan repayment 37.5
Capex 12.5

Shareholders Post IPO (%)

PT Cross Plus Indonesia 39.0
PT Loka Cipta Kreasi 30.0
Hilarius Arwandhi 0.80
Public 30.0

▪ **Foundation Specialist**

ACSET was established in 1995 and became diverse specialist construction firm with a strong reputation as a foundation and ground engineering specialist. The company's main capability is to integrate the specialist works and general construction works effectively to produce the most efficient and cost effective construction. It has successfully undertaken and completed a significant list of challenging and prestigious projects. In 2012 foundation works accounted for 30% of ACSET total revenue with the remaining 70% balance came from general construction services. According to management, foundation work commands a higher gross margin between 17-22% as compared to construction service's margin of 10-15%. This explains why ACSET had gross margin of between 13-21% in the last four years, which was higher than state-owned contractor's margin of 9-13% and other private contractor's (TOTL) of around 12-19%.

▪ **Firm order book from high rise building projects**

According to management, ACSET's order book stood at Rp1.7 tn as at end of March 2013 and is expected to increase to around Rp3 tn by end of this year. The order books are mostly general construction work for high rise building projects. Since 2000, the company has obtained strong reputation for constructing grade A office buildings, high-rise apartments and malls of great prestige. ACSET was the main contractor for among others Pacific Place, Gandaria City, Equity Tower, Residence 8 and Office 8, and British Embassy.

▪ **Strong earnings growth**

During the last four years ACSET posted a robust 36% CAGR in revenue to Rp670 bn in 2012. On yoy basis, revenue grew 56% from Rp429 bn in 2011 with general construction segment being the main contributor to revenue growth. This combined with margin improvement has led net profit growing by 35% CAGR to Rp53 bn in 2012 (see table below). For 2013, the company expects revenue to grow 49% yoy to Rp1 tn with net profit rising 73% to Rp90 bn.

▪ **Attractive IPO valuation**

The company will float 150 mn shares, representing 30% of outstanding shares after IPO. The proceed from IPO will be used for working capital (50%), bank loan repayment (37.5%) and capex (12.5%). The company gave indicative IPO price range of between Rp2,200-2750 per share. Using company's net profit guidance for 2013 of Rp90 bn, the offer price will translate to 2013-PER of 12.2-15.2x. This is more attractive compared to average construction peer's valuation of 19.8x.

Acset Financial Summary (in Rp bn)

	2009	2010	2011	2012
Revenue	267.5	303.1	429.1	669.9
Revenue growth	-20.0%	13.3%	41.6%	56.1%
Gross profit	35.8	63.9	80.4	115.5
Gross margin	13.4%	21.1%	18.7%	17.2%
Operating profit	24.2	37.1	50.8	77.0
Operating margin	9.0%	12.2%	11.8%	11.5%
Net profit	14.0	27.0	35.8	52.7
Net profit growth	-13.4%	92.4%	32.4%	47.3%
Net margin	5.3%	8.9%	8.3%	7.9%

Source : Company Prospectus

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Sucorinvest rating definition, analysts certification, and important disclosure**Ratings for Sectors**

- Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Ratings for Stocks

- Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.
Sell : We expect this stock to give return of -10% or lower over the next 12 months.

Analyst Certification

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