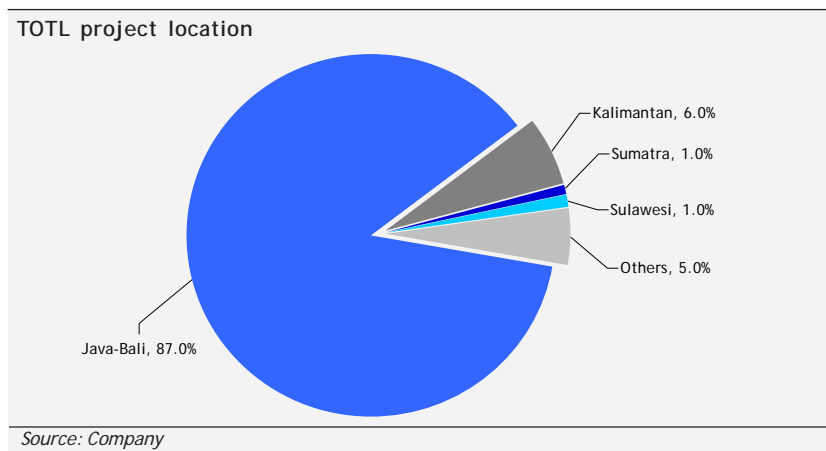
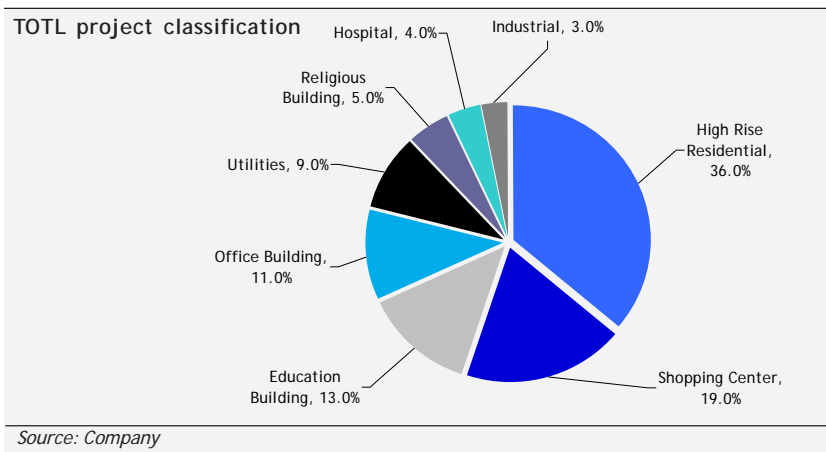


## TOTL: Catching Up The Demand

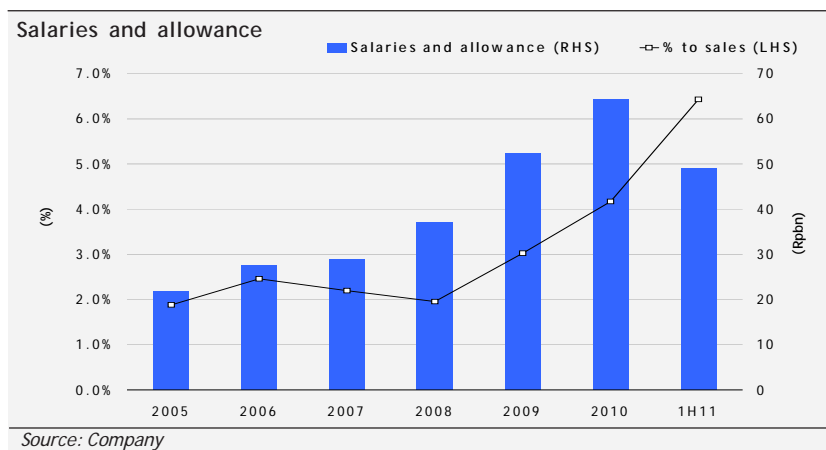
### The Growing Demand...

The demand for high-rise building is growing because 1) there will be more empty slot in private high-rise building construction since the other three government-listed construction companies more focus on the government infrastructure plays and 2) the domino effect of infrastructure projects in MP3EI, especially the prioritize trans-Java toll roads projects, will contribute to the build up of more high-rise building.



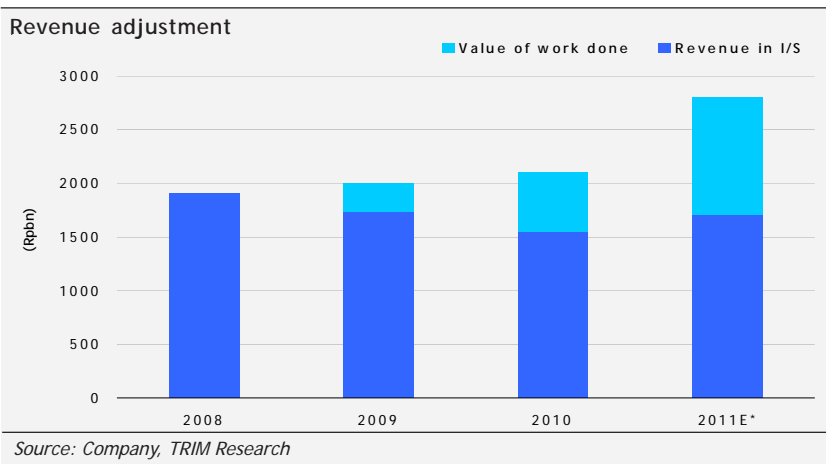
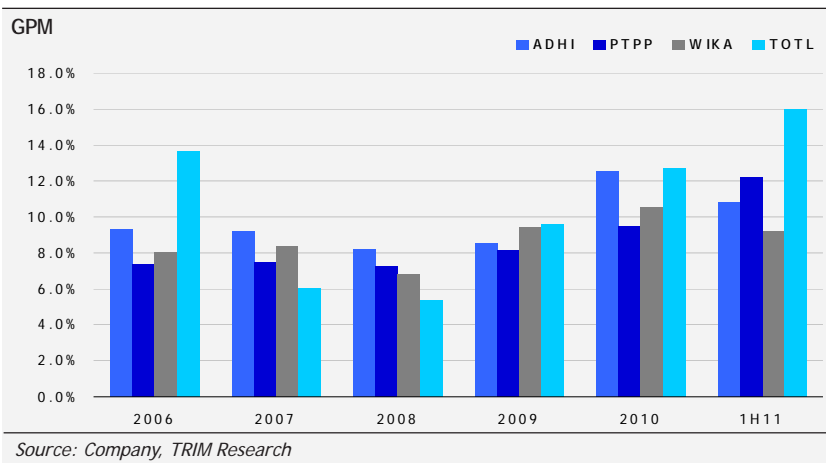
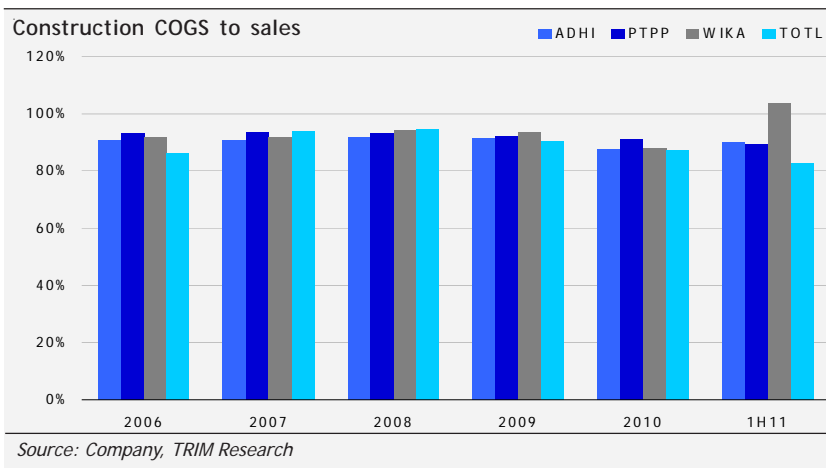
### ...Needs the Supply Side Capex

On the supply side, TOTL is continuing to hire more human resources, building more capacity as they are catching up with the demand. Hence the G&A cost expected to be higher as they are in capex cycle of training people. TOTL already implement the HR training since FY09 and continue to do so to reach 6.3% of sales in 1H11.



### Backbone: New Top-Line Program

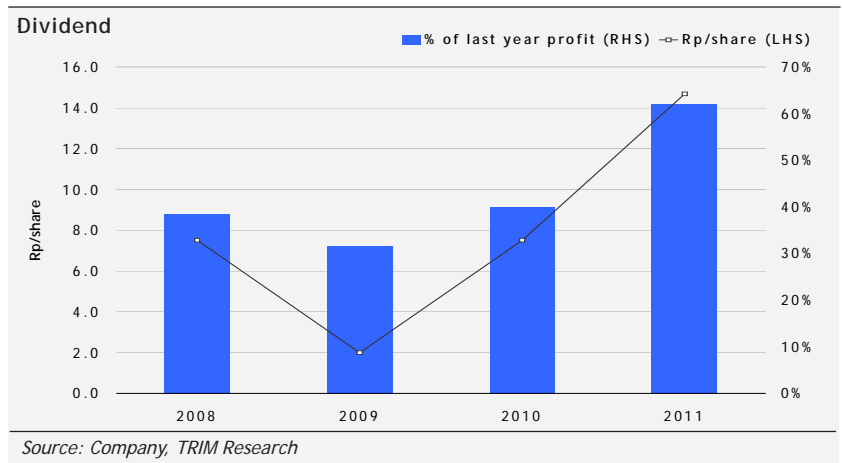
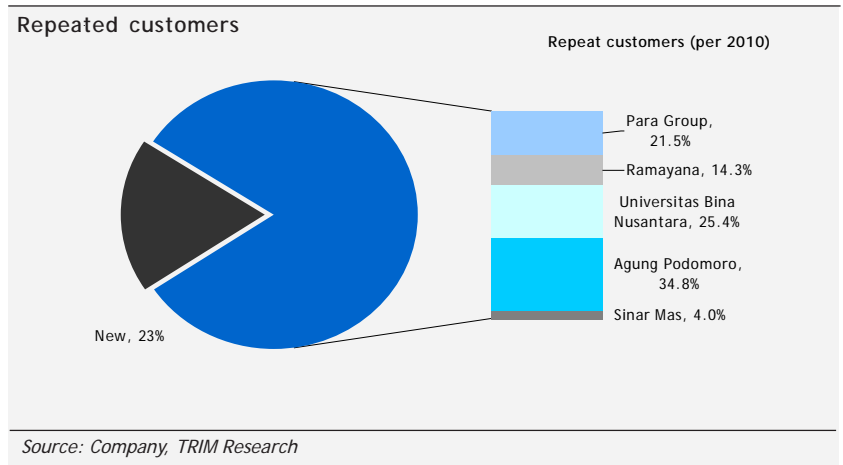
TOTL already implement new cost efficiency program that showed since FY10 and continue to decrease the COGS for additional 3% to 83% of sales in 1H11. This new method makes TOTL not too much exposed with the fluctuation of steel and cement prices by having network with the project owner and exercising the lean construction to increase productivity and minimize waste. This new program revenue, however, can't be seen clearly in financial statement due to the construction accounting policy.



Although the capex for HR is keep high, account 6.3% of sales in 1H11, the NPM still sustain due to the higher GPM. The top line hence will support the sustainable net profit grow at ~15% YoY and deliver 8.7% NPM in 1H11 or increase 2.5% YoY.

## Main Support: The Repeated Customers

TOTL always push to do the best job especially in the detail and high quality building. This make the valuable repeated order to reached 77% of total projects in 1H11, hence also build trustworthiness with the project owners so TOTL won't rely too much on bank loan as TOTL can have non-interest loan from the project owner to fund the project. It makes TOTL stands at the net cash position and currently has zero debt, makes a dividend giver.



## New Property Business in Pipeline

TOTL currently is building the 1) Ramada condo-hotel in Tanjung Benoa, Bali placed in highly strategic location where JSMR Nusa Dua-Tanjung Benoa toll road being built. 2) eco-green office building in T. B. Simatupang, South Jakarta, targeting the high-end expatriate. Both projects will have 10-15% net profit margin, contributes in FY13 and will be a recurring income.

## Valuation

TOTL currently traded at 8.5 x forward PE. The industry currently traded at 7.4 x forward PE. We believe there is still a potential re-rating as the new cost efficiency result will soon appear in FY11 report.

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