INDONESIA

EQUITY RESEARCH

PT MEGAPOWER MAKMUR Tbk

Sector	:	Infra - Energy
Fair Value	:	295 - 485
Recommendation	:	Buy

Tentative IPO Schedule

Book Building	23 May - 5 June 2017
Effective Date	12 June 2017
Offering Periode	14 June - 16 June 2017
Listing Date	21 June 2017

IPO Structure

Max shares offered	245.100.000
Max total shares post IPO	816.997.053
Offering price per share	200 -250

Post IPO ownership structure

Bina Puri Power Sdn. Bhd	56.00%
Kang Jimmi	8.40%
Low Soon Heng	5.60%
Public	30.00%

Use of Proceed

1 50% shall be used to pay a part of the Company's debt to Bina Puri Power Sdn. Bhd., the Company's shareholders.

2 50% shall be used as additional working capital.

KGI ID Research
Phone : +6221 250 6337
Email : id.research@kgi.com

INVESTMENT HIGHLIGHTS

- **Develop Potential Renewable Energy**

  Megapower has a Mini Hydro Power in Bantaeng area (PLTM Bantaeng –1) and planning to add more Mini Hydro Powers in several years in the future.

- **Electricity Production Efficiency and Diversification**

  Megapower has 2 generator sources which is Mini Hydro Power and Diesel Power Generator. Mini Hydro Power is a nature friendly generator and Megapower's Diesel Power Generator consumes fuel more efficiently than other Diesel Power Generators.

- **Electricity needs in Indonesia is still not ful lled**

  This time, the electricity needs in Indonesia is still de cit. This creates a big chance for Megapower to do expansion and make wider business coverage.

- **Valuation is still interesting with upside potential.**

  We estimate the fair value of company shares is Rp 295 to Rp 485 with assumption full year 2017 as the result of blended valuation method comprised of Guideline Company Method, Graham Formula and Discounted Cash Flow Model. We use EPS 2FY 2017F Rp 24 and Book Value FY 2017 F Rp 190 as the basic assumption of PER valuation and PBV valuation. We also use 11.2% WACC, 1.00 beta, 3% terminal growth for DCF assumptions. The total equity fair value of the Company implies PE17F of 12.28x to 20,15x and PBV17F of 1.55x to 2.55x

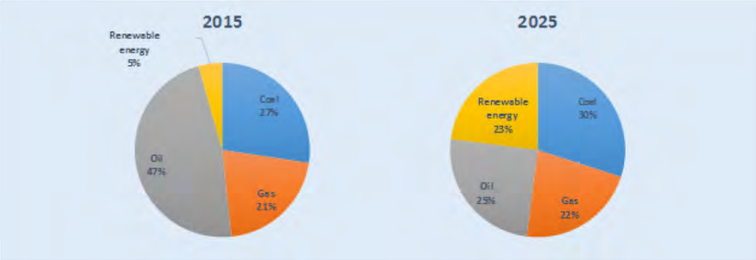
Key Financial Highlight		2015	2016	2017 F	2018 F	2019 F
Revenue	Rp (ml)	53,634	59,276	82,987	83,817	84,655
COGS	Rp (ml)	20,135	26,347	32,682	33,267	35,515
Gross pro t	Rp (ml)	33,498	32,929	50,305	50,550	49,140
EBIT	Rp (ml)	12,982	22,163	35,368	35,212	33,902
Net Income	Rp (ml)	40,615	7,383	19,653	20,703	20,583
Total asset	Rp (ml)	326,290	350,204	339,664	375,289	427,102
Total liabilities	Rp (ml)	252,215	268,745	184,849	204,947	241,322
Total equity	Rp (ml)	74,076	81,459	154,815	170,342	185,779
EPS	Rp	92	0.15	24	25	25
BV/S	Rp	168	185	189	208	227
DER	%	340	330	119	120	130
DAR	%	77	77	54	55	57
ROE	%	55	9	13	12	11
ROA	%	12	2	6	6	5
GPM	%	62	56	61	60	58
OPM	%	24	37	43	42	40
NPM	%	76	12	24	25	24

THE INDUSTRY

Indonesia is Southeast Asia's largest energy producer and consumer, and is also the world's largest exporter of steam coal, and still a large exporter of LNG. The rich potential of Indonesia's energy resources, including oil, gas, coal, hydro and geothermal, has played a critical role in the country's economic growth and export revenues. However, despite being rich in hydrocarbons, Indonesia remains an energy-poor country. The energy system has been built on exports rather than domestic supply, and delivering adequate, affordable, and reliable energy to the local market has been a perennial challenge: in 2015, per capita energy use in Indonesia was only 0.9 toe versus 1.8 toe in Thailand and 3.1 toe in Malaysia. The main energy policy challenge therefore is meeting the rising domestic energy demand of a growing population and economy. Declining oil, gas, and recently coal production, threatens to undermine the energy sector's capacity to support domestic economic growth and poses serious challenges to Indonesia's role as an important energy exporter.

Ambitious Plan to Expand the Power Sector

Indonesian energy demand is expected to increase strongly driven by rising economic and social development and a growing population. Despite the focus on energy efficiency measures, KEN's initial projections for total energy demand by 2025 were revised in December 2015 from 380 Mtoe to 400 Mtoe (excluding traditional biomass). Proposed targets for how Indonesia can meet rising energy demand while sustaining the country's environmental outlook are remarkably ambitious. DEN plans to transform the energy mix by raising the share of new and renewable energy (NRE) sources to 23 per cent by 2025 (Figure 1). In order to meet the country's targeted energy mix for 2025, natural gas and coal use must more than double and renewable energy use must increase nine-fold. The new policy aims to complete the electrification of the country by 2019, which is a difficult undertaking considering Indonesia's complicated geography. The target is to raise power capacity to 137 gigawatts (GW) by 2025 and 430 GW by 2050, compared with 55.5 GW at end 2015.3 These targets are the point of reference for setting electricity sector policy, and both the Ministry of Energy and Mineral Resources (MEMR) and Perusahaan Listrik Negara (PLN), the state-owned power utility company, have adopted compatible targets in their respective power development plans.



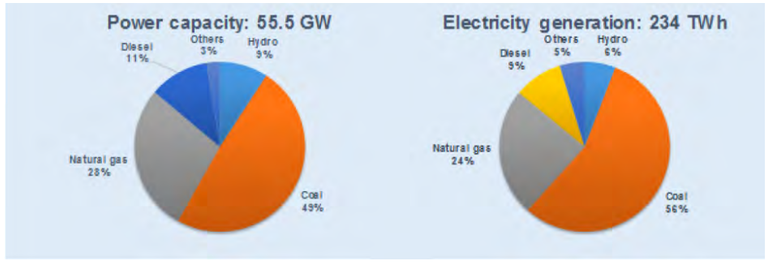
Energy mix in 2015 (actual) and 2025 (KEN)

Source : MEMR

Indonesia is adopting wide ranging policy reforms to meet these ambitious targets. Since President Widodo took office in October 2014, he has launched several reforms to address corruption and informal markets, streamline the regulatory process for investors, and make domestic energy prices more competitive with international prices. These reforms include ending the oil subsidy and scaling down the electricity subsidy, which is now being phased out gradually, according to consumer class, until all but the poorest households receive electricity at market price by 2018. By cutting fuel subsidies, the government has been able to reallocate funds in the state budget toward investment in infrastructure development (ports, roads, power plants, and dams) which is crucial for meeting growing energy demand. There are, however, a number of structural and policy challenges that continue to complicate further progress. The biggest challenges include persisting energy subsidies, a lack of infrastructure, the regulatory environment, corruption, and ongoing questions about economic nationalism.

Electricity demand

Electricity demand has grown at an average of 7.1 per cent per year since the end of the 2000s from 134.6 TWh in 2009 to 202.8 TWh in 2015. The islands of Java and Bali account for about three quarters of Indonesia's power consumption. At the end of 2015, Indonesia's total power generation capacity was 55.5 GW, of which 70 per cent was owned by PLN, 21 per cent procured by PLN from contracted Independent Power Producers (IPPs) and the rest by private power utilities and captive power plants. Power capacity has doubled over the past decade. Coal in particular has increased its role greatly, from 9.75 GW in 2005 to 27.2 GW at the end of 2015. Fossil fuels dominate the generation mix, accounting for 89 per cent of total generation, with coal generating 56 per cent (Figure 2). Since 2012, the share of diesel has been reduced in accordance with the government's policy to phase out the use of oil for electricity. The bulk of RE power generation comes from hydro and geothermal.



Installed power capacity and electricity generation in 2015

Source : MEMR

About 88 per cent of Indonesia's population has access to electricity compared to less than 68 per cent in 2010. Despite this remarkable progress, Indonesia still has a low electrification rate compared to countries with similar income levels. Eastern Indonesia lags behind the western area of the country, with some provinces such as Papua only providing electricity to 43 per cent of its population. Even in grid-connected areas, electricity capacity additions have not kept pace with electricity demand growth, leading to power shortages. Power consumption per capita is also one of the lowest in the region with only 910 kWh/capita in 2015. Despite the huge call for infrastructure development across the value chain, development has been hindered by PLN's limited capacity and poor financial health, caused by rising subsidies stemming from controls over retail prices for electricity.

Therefore, a key priority for Indonesia is to increase the country's power generation capacity to complete the electrification of the country and meet increasing electricity consumption. The National Medium-Term Development Plan for the period 2015-2019 (RPJMN 2015-19) projects reaching nearly full electrification by 2019.10 Furthermore, for the government to maintain its annual economic growth target of up to 6-7 per cent, which it has achieved over the past decade, an estimated 35,000 MW will need to be added over the period 2015-2019. To achieve these goals, a fast track programme (FTP) was launched by the government in 2015.

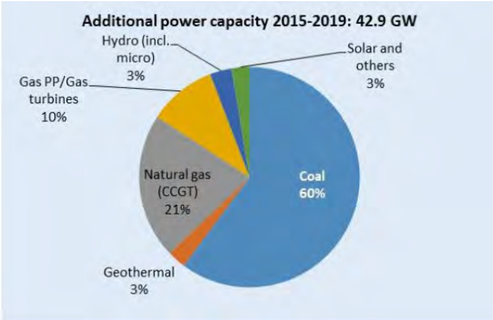
The 35,000 MW programme

The 35,000 MW programme aims to add 35 GW of power capacity from 2015 to 2019, mainly coal-fired (56 per cent or 20 GW) and natural gas (36 per cent). From the government's perspective, coal is considered the quickest, easiest and cheapest way to provide millions of people with electricity. The abundance of coal resources in the country is the basis for the planning of coal-fired power plants. In addition, generating electricity from coal is considerably cheaper than generating it from ei-

ther natural gas or oil products. Gas-based electricity is twice as costly as coal-based electricity, while electricity from diesel or fuel oil is four times as expensive.11

The 35,000 MW programme requires $73 billion of investment in generation, transmission and distribution. Most of the projects are to be developed by IPPs, while PLN will be responsible for the construction of transmission and distribution lines.

This is not the first time the Indonesian government has attempted to accelerate the development of power plants. The Yudhoyono government (2005–2014) also pursued two fast-track electricity programmes to add 10 GW of power capacity each. These programmes, however, experienced delays because of licensing and land acquisition issues, lack of financing, delays in government-backed loans, grid infrastructure constraints, construction setbacks, and various technical difficulties.



Fast track programmes: Additional capacity by plant type (2015-2019)

Source : MEMR

The 35,000 MW programme is very ambitious considering that the additional capacity (42.9 GW taking into account ongoing projects) represent 81 per cent of Indonesia's installed power capacity at end 2014. Many of the projects involved are still in their procurement or planning stage, though the government has taken steps to shorten approval processes in order to accelerate the realization of the programme and facilitate private investment. Supporting regulations include MEMR Regulation No. 3/2015 about the pricing benchmark for the IPP and excess power, Presidential

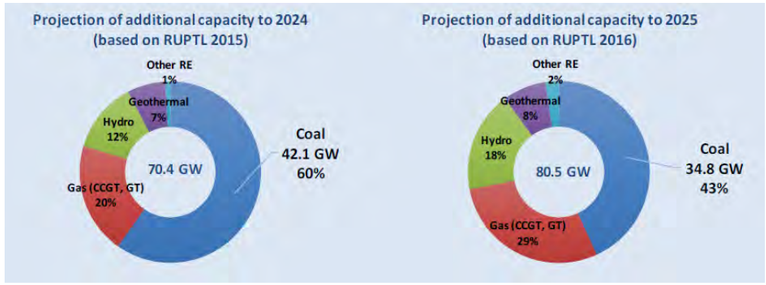
Regulation No. 30/2015 on the implementation of land acquisition for public purposes, as well as Presidential Regulation No. 4/2016 on the acceleration of electrical power infrastructure construction. The government also set up a "one stop shop" for infrastructure projects in 2015, which reduces the steps and time required to obtain necessary project licenses. In addition, power price reform continues, with PLN implementing monthly power tariffs adjustment for its customers from early 2015. But several challenges remain, and may hamper the development of the programme, in particular land acquisition, growing opposition to coal projects and financial issues.

PLN's Power Development Plan 2016-2025

The Directorate General of Electricity (DG Electricity) in MEMR is responsible for developing the General Plan for National Electricity Development (Rencana Umum Ketenagalistrikan Nasional, or RUKN) which is the main policy document guiding electricity sector development in Indonesia, as PLN also uses it as a framework for developing its ten-year electricity supply business plan (RUPTL). The draft RUKN 2015-2034, published in July 2015, is built on three key policy pillars: 1) it maximizes the use of RE to 25 per cent of the electricity generation mix by 2025; 2) it limits the share of coal to 50 per cent by 2025, while that of natural gas (including LNG) is raised to 30 per cent and oil is almost completely phased out; and 3) it encourages energy conservation.15

RUPTL 2016-2025 significantly differs from the plan adopted in 2015. Electricity demand growth has been revised slightly downwards thanks to energy conservation measures. It is nevertheless projected to expand at 8.6 per cent per year from 224 TWh in 2016 to 457 TWh in 2025 (PLN's system only: does not include captive power). Additional generation capacity totals 80.5 GW over the period 2016-2025 or an average increase of 8.1 GW per year, compared with 7 GW per year in the previous plan. More capacity is needed to meet the target of 25 per cent of RE sources in the electricity mix by 2025, as set in the draft RUKN, and almost full electrification of the country. Despite the growing capacity additions, the projected additional coal capacity has been revised downwards (-7.3 GW, Figure 4). Several coal projects have been postponed16, and replaced by gas-fired power plants to meet the limit of 50 per cent of coal in the electricity mix in 2025. Nevertheless, coal still dominates additional capacity with 34.8 GW added over the period 2016-2025 (43 per cent of total additional capacity), followed by natural gas (23 GW), hydro (14.5 GW) and geothermal (6 GW).

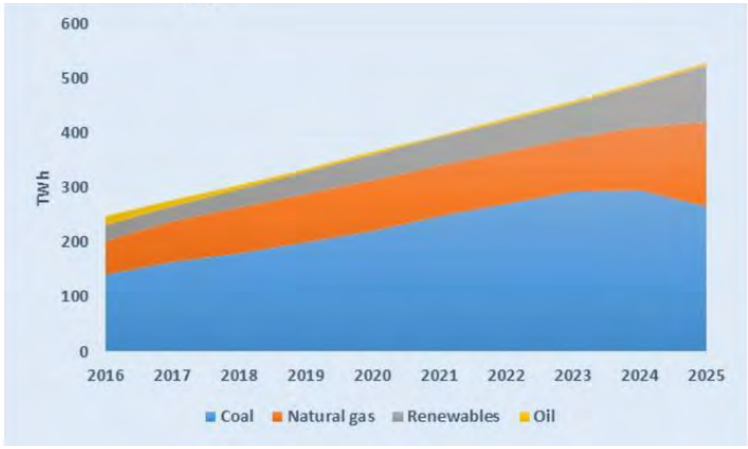
Despite the ambitious target for additional RE capacity, RUPTL 2016-2025 fails to meet the 25 per cent share of RE in power generation set in the draft RUKN, as the



Additional power capacity in RUPTL 2016 vs. RUPTL 2015

Source : PLN

share is raised to just 19 per cent by 2025 (Figure 5). The share of coal in electricity generation rises to 60 per cent by 2019 and even reaches 64 per cent in 2023 before falling to 50 per cent in 2025. It should be mentioned that this decline – based on the fulfilment of the 50 per cent limit set in the draft RUKN - is not consistent with additions to coal capacity after 2020 (6 GW between 2021 and 2025). Alternatively, it would require that many old inefficient coal plants be retired by 2025.



Projection of electricity generation in RUPTL 2016-2025

Source : PLN

Massive capital investment will be required to develop the electricity system. Total investment needed is estimated at $153.7 billion during the period 2016-2025, of

which $120.1 billion is in generation ($78.2 billion expected to come from IPPs and $31.9 billion from PLN), $29.1 billion in transmission and $14.6 billion in distribution. Most large coal-fired power plants are expected to be developed and financed by IPPs.

There are many challenges associated with the implementation of RUPTL 2016-2025. In the past, IPPs were constrained by uncertainties over fuel supply, particularly gas, and sometimes by poor access to the grid. Land acquisition and permission to use were also major issues, as well as lengthy investment permit processes and uncertain regulations. There is also some concern in Indonesia about the availability of coal for the full time of the power plants' life (see below). Moreover, environmental risks, community demands for environmental issues such as health, waste, and pollution, as well as social issues, may challenge the building of several coal-fired power plants. Growing social and environmental opposition from the Indonesian population has delayed some coal projects. For instance, the development of the 2,000 MW Batang plant in Central Java was delayed by four years, having initially been scheduled to start construction in 2012. It finally reached financial closure in June 2016 and is expected to be commissioned in 2019.

The growing reliance on coal will have serious implications for Indonesia's ability to meet its greenhouse gas (GHG) emissions reduction targets and address climate change. Under the Paris Climate Agreement, Indonesia has committed unconditionally to reducing GHG emissions by 29 per cent in 2030 compared to business as usual. The target could be increased to 41 per cent if the country receives international support.17 Most of the reduction is to be achieved through land use and sustainable forest management, at least up to 2020.18 According to RUPTL 2016-2025, Indonesian power sector CO2 emissions are projected to increase from 211 Mt in 2016 to 395 Mt in 2025, primarily due to the growth in coal-fired generation. The growth is however far less than in the BAU scenario which includes less RE and natural gas and brings CO2 emissions to 507 Mt in 2025.

To reconcile growing coal consumption and its commitment to reduce GHG emissions, Indonesia is increasing the share of RE sources to a minimum of 23 per cent of the energy mix by 2025 and is implementing clean coal technologies (CCT). While the existing coal power fleet uses subcritical technology, most of the planned coal-fired power plants are ultra-supercritical (USC) plants with a unit size of 1,000 MW.19 Indonesia commissioned its first supercritical (SC) power plants in 2011/2012 (the 660-MW Cirebon and 815-MW Paiton 3 power plants) and intends to commission its first USC power plant in 2019 (Central Java IPP). Altogether, there are 16.5 GW of USC plants at different stages of development in Java, of which 9 GW are expected to come online by 2019. In addition, there are 4 GW of USC plants (with unit size of 600 MW) to be built in Sumatra. Integrated gasification combined cycle (IGCC) and carbon capture and storage (CCS) have not been planned in RUPTL 2016 as the technologies are not yet mature commercially. However, IGCC is expected to be introduced by 2025. In addition, PLN, jointly with the World Bank, has carried out a study on the construction of CCS-ready power plants.

Although RUPTL does not specifically plan for the retirement of inefficient coal capacity, it is likely that this policy, followed by China and India to improve the efficiency of their coal fleet, will also be adopted by Indonesia once its power supply adequately meets national electricity needs. As the Indonesian coal fleet operates at an efficiency well below its design value, improving existing capacity would require a programme of upgrading and retrofitting while, at the same time, closing the smallest, least efficient units. By reducing specific fuel consumption, it would notionally place less pressure on fuel resources and lessen the impacts of the coal supply chain on the environment.

Megapower is a company which focuses in power generators. Megapower Makmur has a vision to become a nature-friendly company. Because of that, Megapower in every of its generators is striving to create electricity which is nature-friendly. This vision can be seen in the generators which are owned by Megapower are efficient and meet the standardization from PLN. Moreover Megapower already have Mini Hydro Power in Bantaeng which generates electricity from water energy.

Megapower Makmur established in 2007 engaged in the procurement of goods and services for power generation. In 2010, Megapower Makmur had acquired by Bina Puri Holdings Bhd and start investing through Power plant in one of the Indonesia shortage of electricity area. In 2012, Megapower Makmur totally has become an Indonesia IPP (Independent Power Producer) Company.

Megapower Makmur currently is an indirect subsidiary of Bina Puri Holdings Bhd, a public company listed on the main board of Bursa Malaysia Berhad, with 40 years of work experience in the field of civil construction and the building of both local and international. The Group's business activities which include investment holdings, civil engineering and building management, development and property management, toll road concessions, mining, building materials industry, and power plants. With the support and experience of Bina Puri Holdings Bhd, Megapower Makmur believes becoming a public company with a healthy performance, international standard and environmentally friendly.

VISION

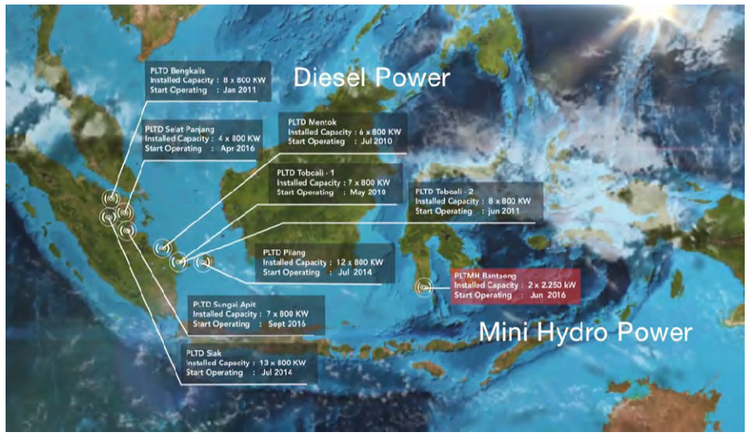
Being a public company with a healthy performance, international standards and environmentally friendly.

MISSION

Doing business in the field of power generation and business development that is friendly to the environment in order to ensure the existence and development of the company long-term.

PROJECTS

Megapower did the business activities as electricity generator through several projects which are spread across areas in Indonesia. This table below describes information about the company project as electricity generator:



List of Megapower power plants

Source : Company, Januari 2017

PLTD Toboali - 1

PLTD Toboali—1 is the first diesel powered generator which brought the company to expand into building Diesel powered generators in other location and even into building an electricity generator which uses renewable energy. PLTD Toboali - 1 is located in Jalan Puput no.3, Toboali, Kabupaten Bangka Selatan, Bangka-Belitung island. With the power 4x 800 kW installed, it started its operation in parallel to PT. PLN Bangka Belitung area in May 12th, 2010

Entering the beginning of its third year, PLTD Toboali—1 get the permission once more to increase its capacity to 7 x 800 kW.

PLTD Mentok

2 months after PLTD Toboali—1 started its operation, the company add more Diesel powered generator in Mentok area located in Jalan Mentok Pal 2 No. 198, Kabupaten Bangka Barat, Bangka-Belitung island, which is the second location with power 4 x 800 kW installed and started its operation in parallel to PT PLN Bangka Belitung area in July 31st, 2010.

After 2 years operating, the company got permission from PT PLN Bangka Belitung Area to increase the power into 6 x 800 kW**.**

PLTD Bengkalis

Bengkalis island is a part of Riau Province and it is the capital city of Bengkalis Area and also supervise Duri area, which the electricity in Bengkalis island is isolated from the main electricity source in Sumatra. The Company saw this as a business opportunity and built the Diesel Powered generator PLTD Bengkalis with 4 x 800 kW power installed, located in Desa Pangkalan batang, Kabupaten Bengkalis, Riau. This Diesel Powered generator started its operation in parallel to PT PLN Rayon Bengkalis in January 19th, 2011 and it was the Company's Third Diesel Powered Generator

Along the time and the vast development of Bengkalis city, in 2014 the company asked by PT PLN Riau Area to increase the power by 4 x 800 kW so the total power installed in PLTD Bengkalis become 8 x 800 kW.

PLTD Toboali -2

1 year after PLTD Toboali—1 started the operation, the economy development in the surrounding area becoming more advanced, and made the company asked by PT PLN Bangka Belitung area to build PLTD Toboali—2 located in Jl. Puput no.3, Kabupaten Bangka Selatan, Bangka-Belitung Island with 4 x 800 kW capacity installed. PLTD Toboali – 2 started its parallel operation in PT PLN Bangka Belitung Area in June 2nd, 2011

1 and half years after started operating, the company once again asked to increase the capacity become 7 x 800 kW.

PLTD Selat Panjang

At first, the company was asked by PT PLN Riau Area & Riau Islands to built a Diesel Power Generator Sei Pakning located in Jl. Jend Sudirman, Kota Sungai Pakning, Kabupaten Bekalis, Riau Provice with power installed of 4 x 800 kW. PLTD Sei Pakning started operating in July 2nd, 2011. Because of this generator, the people in Kecamatan Bukit Batu can use electricity 24 hours for the first time and the economic growth in this area become better.

Next PT PLN Riau Area & Riau Islands asked the company to move PLTD Sei Pakning to Selat Panjang, which is an area located in Jl. Yos Sudarso, Meranti, Riau islands, and this PLTD Selat Panjang already operating effectively since Aprill 22nd, 2016 with installed capacity 4 x 800 kW installed.

PLTD Siak Sri Indrapura

PLTD Siak Sri Indipura is a Diesel Powered Generator owned by the company which located in Jl. Sultan Syarif Hasim, Kabupaten Siak, Riau Provice, with power 9 x 800 kW Installed. PLTD Siak Sri Indrapura start its parallel operation in PT PLN Rayon Siak Sri Indrapura on July 3rd, 2014

2 years after its operation started, the company was asked to increase the capacity into 13 x 800 kW.

PLTD Sungai Apit

PLTD Sungai Apit is a Diesel Powered Generator owned by the company which located in Jl. Hang Jebat, Kelurahan Sungai Apit, Kecamatan Sungai Apit, Riau with power 6 x 800 kW installed. PLTD Sungai Apit started parallel operation in PT PLN Riau Area & Riau Islands on September 30th, 2016.

PLTD Pilang

PLTD Pilang is located in Belitung island, Kabupaten Belitung. Belitung is one of the tourist spot in Indonesia which many international or local tourist come to visit.

To support the development of the electricity as the impact of the tourist visits, the company built a Diesel Powered Generator which is located in Jl. Hasyim Idris, Tanjung Pandan, Kabupaten Belitung Barat, Bangka-Belitung Islands. With power 12 x 800 kW installed and started its parallel operation in PT PLN Bangka Belitung area on

July 25th, 2014. After 6 months, PT PLN Bangka Belitung Area asked the company to increase the capacity into 13 x 800 kW. On July 2016 the company was asked to decrease the capacity into 11 x 800 kW.

PLTMH Bantaeng-1

Along the development of energy industry in Indonesia, on 2012 the company did an expansion to invest in the development of water energy generator. This is achieved by the signature of the agreement to buy Electricity power (PPTL) with PT PLN Sulselrabar area on May 30th, 2012. The coverage of the company are to build, to own and also to operate the Mini-Hydro Power (PLTMH Bantaeng –1) with power Capacity 2 x 2.250 kW installed.

PLTMH Bantaeng—1 is located in Patanetteang village, Tompobulu, Kabupaten Bantaeng, South Sulawesi. PLTMH Bantaeng—1 is already operating since June 6th, 2016.

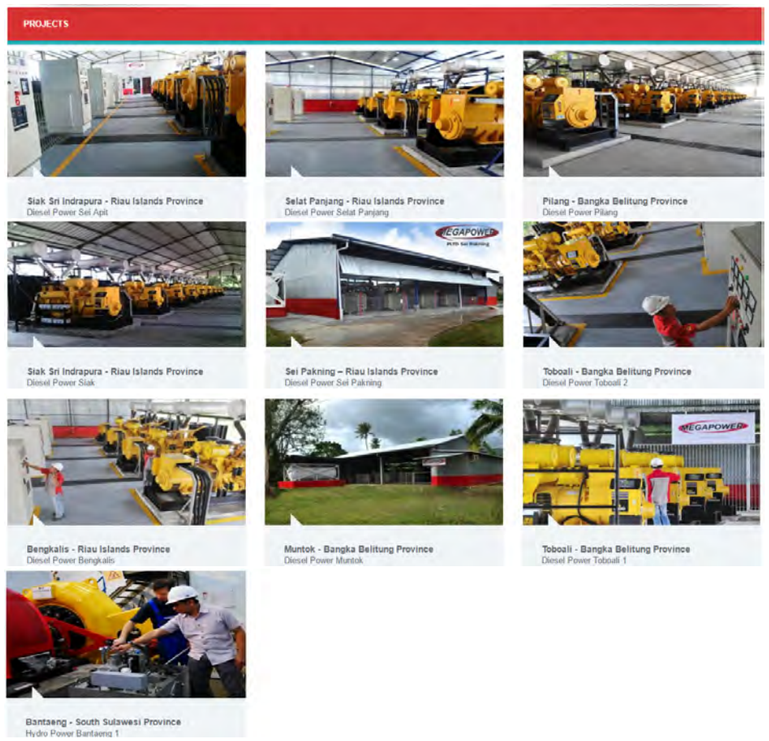


Figure of Company Power Plants Projects

THE RISKS

In running its business, Megapower have several risks as follow:

- Risk of dependency to one main customer for electricity generator business.

  Based on government policies, this time Megapower can only sell the electricity generated by their generators to PLN (Perusahaan Listrik Negara). This will result in Megapower have limited access in giving their product. Moreover, Megapower also have to follow the regulations given by PLN

- Risk of machine, and other supporting facilities dependency.

  Megapower use Diesel machine for PLTD and also run the policy to only use 1 type of machine which is produced by Komatsu. This is to minimize the operational cost and increase the efficiency because diesel machine that they used is having high efficiency value. This will also result in disturbing the production process if the supplier is late in providing spare parts needed. Moreover, Megapower also have to keep the diesel in good condition so it will met with the target set by PLN

- Risk of weather and nature condition

  Megapower has Mini Hydro power which in its production process need resource from nature. So it means that the result is depends on the weather condition or river water debit. In dry season, the water debit will decrease and the generator won't be operating in its maximal state.

THE VALUATION

We use the blended valuation methods comprised of Discounted Cash Flo Model (DCF), Guideline Company Method (GCM) and Graham Model to estimate the total fair value of the company. We use 2017 financial figure components as the basic assumption of our valuation forecast. Based on our valuation, we estimated that the valuation range of the company is Rp 284 - Rp 488 per share based on 2017 forecast. It implies Price Earning Ratio 2017 Forecast of 11,8 - 20,8 x and Price To Book Value 2017 Forecast of 1,49 - 2,56x.

Guideline Company Method

Guideline Public Company method entails a comparison of the subject company to publicly traded companies. The comparison is generally based on published data regarding the public companies' stock price and earnings, sales, or revenues, which is expressed as a fraction known as a "multiple." If the guideline public companies are sufficiently similar to each other and the subject company to permit a meaningful comparison, then their multiples should be similar. The public companies identified for comparison purposes should be similar to the subject company in terms of industry, product lines, market, growth, margins and risk.

In Indonesia there is only one electrical company which is Cikarang Listrindo (ticker: POWR.JK / POWR.IJ). So we must see the other electrical company that listed in stock exchange. Finally we took Kansai Electric (TYO : 9503, OSE : 9503, NSe 9503) . The Kansai Electric Power Co., Inc. is an electric utility with its operational area of Kansai region, Japan (including the Kobe-Osaka-Kyoto megalopolis). We also took Xcel Energy (NYSE : XEL). Xcel Energy Inc. is a utility holding company based in Minneapolis, Minnesota, serving more than 3.3 million electric customers .

	POWR	Xcel Energy	Kansai Electric	Average
P/E [x]	29.93	20.71	9.86	20.17
P/BV [x]	0.13	2.09	1.05	1.09

Giudeline Company Method Valuation

	Multiple	Est EPS 2017	Est BV 2017	Value
P/E [x]	20.17	24.05		**485**
P/BV [x]	1.09		190.36	**207**

Graham Formula

The Graham number is a figure that measures a stock's fundamental value by taking into account the company's earnings per share and book value per share. The Graham number is the upper bound of the price range that a defensive investor should pay for the stock. According to the theory, any stock price below the Graham number is considered undervalued, and thus worth investing in.

Graham Formula	Lower	Upper
EPS	24	24
Growth Forecast	15	10
Corporate Bond Yield	6	6
Value	668	494

Graham Formula Valuation

Discounted Cash Flow

We use 11,2% WACC as a basic consumption in DCF valuation. We use 2 different method which is Discounted Cash Flow to the Firm and Discounted *Cash Flow* to Equity to find different value. We implied a 15% cost of equity and 7,5% cost of debt . WACC assumption using 51% debt. For the forecast we have defensive assumption which implied form revenue growth and other cost.

Cost of Equity	
Risk Free	4.8%
Beta	1.00
Risk Premium	10.3%
Cost of Debt	
Interest	10.0%
Tax	25.0%
WACC	11.2%

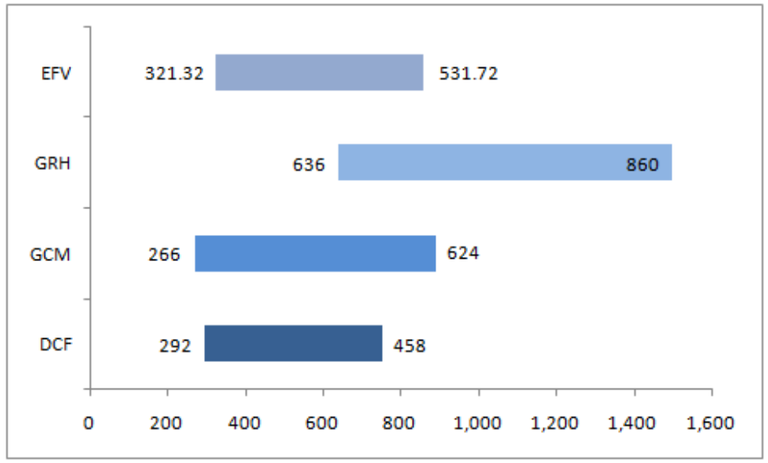
Discounted Cash Flow Assumption and Result

Equity Value:

FCFF	292
FCFE	458
Average	375

Valuation Methods	Equity Value		Weighting	Valuation Range	
	Lower Band	Upper Band		Lower Band	Upper Band
DCF	292	458	70%	205	321
GCM	207	485	20%	41	97
Graham	494	668	10%	49	67
Equity Fair Value Range				**295**	**485**
Est EPS 2017 F					24
Est BV 2017 F					190
Implied PE 2017 F				12.28	20.15
Implied PBV 2017 F				1.55	2.55

The Company's Fair Value Range Scenario



Ballpark Valuation

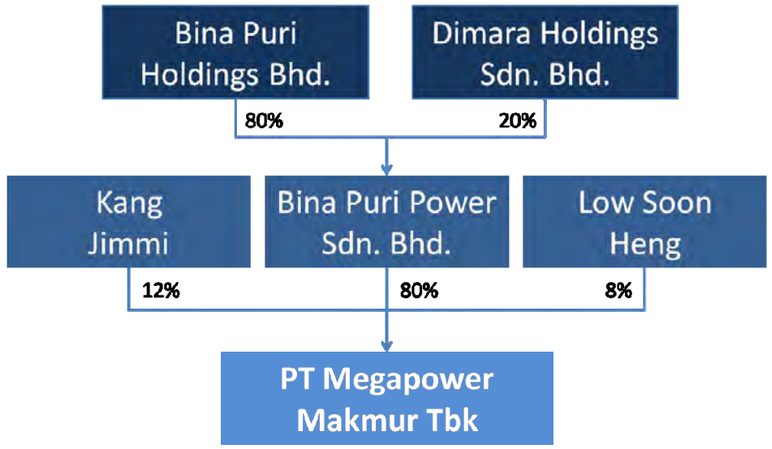
Profit & Loss, Balance Sheet & Ratios

		2015	2016	2017 F	2018 F	2019 F
Revenue	Rp (ml)	53,634	59,276	82,987	83,817	84,655
COGS	Rp (ml)	20,135	26,347	32,682	33,267	35,515
Gross profit	Rp (ml)	33,498	32,929	50,305	50,550	49,140
EBIT	Rp (ml)	12,982	22,163	35,368	35,212	33,902
Net Income	Rp (ml)	40,615	7,383	19,653	20,703	20,583
EPS	Rp	92	0.15	24	25	25
Cash	Rp (ml)	2,237	5,222	7,981	10,635	10,737
Receivables	Rp (ml)	9,564	5,599	7,958	6,889	6,958
Inventory	Rp (ml)	875	1,365	1,791	1,914	2,141
Current asset	Rp (ml)	26,209	20,313	25,858	27,566	27,964
Non current asset	Rp (ml)	300,082	329,891	313,807	347,722	399,138
Total asset	Rp (ml)	326,290	350,204	339,664	375,289	427,102
Current liabilities	Rp (ml)	65,698	80,638	8,761	8,789	9,025
Bank loan	Rp (ml)	0	21,206	20,755	53,272	97,120
Related parties payables	Rp (ml)	185,942	166,359	154,840	142,394	134,685
Non current liabilities	Rp (ml)	186,120	187,616	175,596	195,666	231,805
Total liabilities	Rp (ml)	252,215	268,745	184,849	204,947	241,322
Capital stock	Rp (ml)	9,200	33,396	100,857	100,857	100,857
Retained earnings	Rp (ml)	33,457	19,761	25,657	41,184	56,621
Total equity	Rp (ml)	74,076	81,459	154,815	170,342	185,779
BV/S (Rp)	Rp	168	185	189	208	227
Growth ratio						
Revenue	%	42	11	40	1	1
Gross profit	%	53	-2	53	0	-3
Net income	%	557	-82	166	5	-1
Asset	%	45	7	-3	10	14
Liabilities	%	31	7	-31	11	18
Equity	%	121	10	90	10	9
Financial Ratio						
DER	%	340	330	119	120	130
DAR	%	77	77	54	55	57
Profitability Ratio						
ROE	%	55	9	13	12	11
ROA	%	12	2	6	6	5
GPM	%	62	56	61	60	58
OPM	%	24	37	43	42	40
NPM	%	76	12	24	25	24
Liquidity Ratio						
Quick ratio	%	39	23	275	292	286
Current ratio	%	40	25	295	314	310
Asset turnover	x	0	0	0	0	0
Inventory turnover	x	23	19	18	17	17
Receivable turnover	x	6	11	10	12	12
Inventory days	hari	16	19	20	21	22
Receivable days	hari	64	34	35	30	30

INDONESIA

EXHIBIT

Corporate Ownership Structure



Board of Commissioners & Board of Directors

Board of Commissioners	
President Commissioner	Mr. Tee Hock Seng
Commissioner	Mr. Low Soon Heng
Independent Commissioner	Mr. Tan Hon Yik

Board of Directors	
President Director	Mr. Kang Jimmi
Director	Mr. Ang Kiam Chai
Director	Mr. Matthew Tee Kai Woon
Independent Director	Mr. Emil Malik Ibrahim

KGI

CHINA
DEVELOPMENT
FINANCIAL

SEKURITAS INDONESIA

PT KGI Sekuritas Indonesia

Sona Topas Tower Fl. 11
Jl. Jendral Sudirman Kav. 26
Jakarta 12920

Phone : +6221 2506337
Fax : +6221 2506351 / 2
Website : www.kgi.id
Email : ipo.megapowermakmur@kgi.com