

PRESS RELEASE

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June 30, 2020

LIPPO KARAWACI REPORTED 1Q20 RESULTS AS REVENUES INCREASED BY 8.5% YoY TO RP3.10 TRILLION FROM RP2.86 TRILLION IN 1Q19

- Revenues grew by 8.5% across the three pillars of our business with Real Estate Development increasing by 12.3%, Real Estate Management & Services up 7.3% and Fund Management / Investments higher by 17.7%.
- Marketing sales increased by 13% YoY to Rp703 billion from Rp623 billion in 1Q19, as previously reported.

Tangerang - PT Lippo Karawaci Tbk (“LPKR” or the “Company”) today announced its results for the first quarter of 2020. LPKR’s revenues increased by 8.5% year on year to Rp3.10 trillion from Rp2.86 trillion in 1Q19. We experienced strong growth from our real estate development business, which increased by 12.3% to Rp678 billion as revenue recognition from the Orange County completion, coupled with strong sales of commercial land and shophouses, and industrial land sales boosted LPCK revenue by 44% YoY to Rp574 billion from Rp399 billion in the same period last year. In addition, our largest contributor to revenues, the healthcare business segment, continued to grow with a 9.7% YoY revenue expansion to Rp1.88 trillion from Rp1.71 trillion in 1Q19. Another positive sign in 1Q20 was the increase in marketing sales by 13% YoY to Rp703 billion from Rp623 billion in the year ago quarter.

LPCK posted strong revenue growth

The Orange County apartment complex has entered into the final stage of development and recorded revenue of Rp279 billion in 1Q20, representing an increase of 62% YoY from Rp172 billion in the same period last year. Moreover, industrial lot sales amounted to Rp59 billion and commercial land sales and shophouses totaled Rp57 billion in 1Q20, compared to none in 1Q19, helping to further support LPCK’s revenue expansion.

Siloam’s recurring revenue continues to grow by double digits

Siloam Hospitals recorded healthy revenue growth in 1Q20 of 9.7% YoY to Rp1.88 trillion from Rp1.71 trillion in the prior year, contributing to 77.5% of total recurring revenues in 1Q20 compared to 75.9% in 1Q19. In 1Q20, Siloam operated 37 hospitals across Indonesia. Overall, revenues from LPKR’s Real Estate Management & Services increased by 7.3% YoY to Rp2.4 trillion, accounting for 77.0% of total revenue in 1Q20 compared to 77.9% in 1Q19.

(In Billion Rp)	Income Statement	1Q2020	1Q2019	Change YoY
Revenue				
Development	Subtotal	678	604	12.3%
	Real Estate Development	678	604	12.3%
Recurring	Subtotal	2,422	2,254	7.5%
	Healthcare	1,876	1,711	9.7%
	Malls	126	124	1.7%
	Others (Real Estate Management & Services)	386	390	-1.2%
	Fund Management/ Investment	34	29	17.7%
	Total Revenue	3,101	2,858	8.5%

Consolidated Gross Profit increased by 7.0% YoY to Rp1.33 trillion

LPKR booked gross profit of Rp1.33 trillion in 1Q20 compared to Rp1.24 trillion in 1Q19, as all three business pillars reported an increase in their gross profit. The Real Estate Development segment reported an increase in Gross Profit of 10.4% YoY to Rp337 billion in 1Q20 from Rp305 billion in 1Q19. Meanwhile, the real estate management & services businesses gross profit recorded healthy growth of 5.6% YoY to Rp958 billion in 1Q20 from Rp907 billion in the year ago period.

(In Billion Rp)	Income Statement	1Q2020	1Q2019	Change YoY
GROSS PROFIT				
	Real Estate Development	337	305	10.4%
	Healthcare	653	562	16.1%
	Malls	126	122	3.0%
	Others (Real Estate Management & Services)	179	223	-19.6%
	Fund Management/ Investment	34	29	17.2%
Total		1,329	1,241	7.0%
GROSS MARGIN (%)		43%	43%	

(In Billion Rp)	Income Statement	1Q2020	1Q2019	Change YoY
OPERATING EXPENSES				
	Real Estate Development	382	305	25.1%
	Real Estate Management & Services	639	622	2.7%
	Fund Management/ Investment	13	14	-2.6%
Total		1,034	941	9.9%
OPEX / REVENUES		33%	33%	

Consolidated EBITDA increased by 50.4% YoY to Rp705 billion

LPKR's reported EBITDA in 1Q20 increased by 50.4% YoY to Rp705 billion from Rp469 billion in 1Q19. However, we must adjust for the accounting change through the recent adoption of PSAK 73. The PSAK 73 impact is that our rental expense is moved to interest expense, so this implies that our EBITDA will appear higher. The impact is Rp128 billion, which implies that our normalized EBITDA was R577 billion, or an increase of 23% year on year. Real Estate Development led the EBITDA improvement, increasing by 108% YoY to Rp148 billion in 1Q20 from Rp71 billion in 1Q19. In addition, Siloam posted strong underlying EBITDA expansion of 31.3% YoY to Rp304 billion (Margin 21.5%) in 1Q20 from Rp231 billion in 1Q19 (Margin 17.9%).

Overall EBITDA Margin has improved to 23% in 1Q20 from 16% in 1Q19. However, in accordance with mark to market accounting policies we incurred a one off currency loss of Rp2.39 trillion at Lippo Karawaci in 1Q20, as the Rp depreciated against the USD. LPKR reported a consolidated net loss of Rp2.12 trillion, compared to a net profit of Rp50 billion in the year ago period. Given the current exchange rates, we would expect to see a favorable adjustment in 2Q20 due to the mark to market accounting policy.

At Siloam, as reported EBITDA increased 31.3% year on year, led by growth in high margin private revenues including Corporate & Insurance and Out of Pocket, as well as operational efficiencies led to the reported margin expansion. Normalized EBITDA increased by 13%, with the difference being lower operational efficiencies. Across the business, SILO reported underlying EBITDA losses at ramping up hospitals decreased to Rp15 billion in 1Q20 from Rp39 billion in 1Q19, representing an improvement of 61.5% YoY. Flagship hospitals reported EBITDA growth by 14% YoY to Rp169 billion, mature hospitals reported EBITDA growth by 13% YoY to Rp169 billion, the distinct hospital's EBITDA increased by 21% YoY to Rp40 billion, and BPJS' EBITDA grew by 100% YoY to Rp16 billion. Overall, Siloam's EBITDA growth can be attributed to higher revenues and improved cost controls across multiple business segments.

(In Billion Rp)	Income Statement	1Q2020	1Q2019	Change YoY
EBITDA				
	Real Estate Development	148	71	108.0%
	Real Estate Management & Services	534	370	44.5%
	Fund Management/ Investment	23	28	-17.7%
Total		705	469	50.4%
<i>EBITDA MARGIN</i>		<i>23%</i>	<i>16%</i>	

Proactive unwinding of hedges, bond launch, bond retap and First REIT divestment helps to improve balance sheet

In the first quarter of 2020, LPKR strengthened its cash position and improved its debt maturity by refinancing our 2022 bonds to 2025. The cash and cash equivalents balance at 1Q20 totaled Rp5.36 trillion compared to Rp4.69 trillion as of year-end 2019. The Company increased its cash position by Rp860 billion by unwinding existing hedges and replacing them with collar hedges at Rp15,000 to Rp17,500, and added an additional Rp356 billion from the disposal of First REIT shares in 1Q20. The Company reported higher total debt in Rupiah terms, reaching Rp14.54 trillion in 1Q20 compared to Rp12.25 trillion at YE19, primarily due to the weakening of the Rupiah. In 1Q20, the Rupiah depreciated versus the USD by 17.7% to Rp16,367 compared to Rp13,901 at YE19. As a result, the net gearing ratio increased to 0.29x in 1Q20, compared to 0.22x in 4Q19. The Company has explored opportunities to diversify some debt away from USD, and incorporate more Rupiah denominated debt, as currently USD debt is 91% of total debt.

Adoption of PSAK 72 and 73

The impact to the income statement from PSAK 73 adoption and its increase in EBITDA by Rp128 billion is explained in the EBITDA section above. Rental expense is reclassified to interest expense, meaning that the reported EBITDA becomes Rp705 billion. For PSAK 72, the property business must allocate revenues when handover is completed. This was the primary driver in increasing our inventories (+Rp2.438 trillion impact) and customer deposits (+Rp3.148 trillion impact). Our retained earnings decreased by Rp579 billion as a result of those adjustments.

Recent Events

The Company divested its non-core ownership stake in First REIT and increased its stake in PT. Siloam Hospitals Tbk and PT. Lippo Cikarang Tbk. Since the second quarter of 2019, Lippo Karawaci has divested its stake in First REIT from 10.5% to 0%, which has raised over Rp868 billion in the last three quarters and over Rp356 billion of that cash was raised in 1Q20. In the first quarter, Lippo Karawaci increased its stake in Siloam Hospitals by 4.3% to 55.4% ownership. In a separate transaction, LPKR increased its stake in PT. Lippo Cikarang Tbk. by 3.0% to 84%. Both transactions are part of management's strategy to divest non-strategic assets and focus on property and healthcare.

John Riady, CEO of LPKR, commented: "In the first quarter of 2020, Lippo Karawaci continued to show progress on our transformation plan. The marketing sales reached Rp703 billion or 28% of our FY20 target of Rp2.5 trillion. More importantly, our sales were driven by a very successful launch at Waterfront Estates in Cikarang. Looking ahead, in 2H20 we will launch a new landed housing project in our Lippo Village township in Karawaci, targeting the middle class segment with very attractive prices. In this unprecedented time, we continue to emphasize prudence in managing our cash flows, and remain focused on operational excellence in our core businesses, property and healthcare."

Project	Location	FY20 Marketing Sales Target (RpBn)	1Q20	1Q20 Units	1Q20 Land
			Marketing Sales (RpBn)	Sold	ASP (RpMn/sqm)
Lippo Village	West Greater Jakarta	750	68	28	18.0
Lippo Cikarang :		800	374	339	
Residential	East Greater Jakarta	25	8	6	12.7
Waterfront	East Greater Jakarta	600	267	313	6.2
Commercial	East Greater Jakarta	25	5	1	5.0
Industrial	East Greater Jakarta	100	78	8	2.0
Orange County	East Greater Jakarta	50	16	11	18.6
Holland Village Manado	Manado, North Sulawesi	10	-	-	-
Tanjung Bunga	Makassar, South Sulawesi	150	60	91	7.8
San Diego Hills	Karawang, West Java	200	43	440	15.6
Kemang Village	South Jakarta	100	12	2	19.7
St Moritz Jakarta	West Jakarta	100	28	9	17.4
Embarcadero	Tangerang	40	6	5	19.8
Holland Village Jakarta	North East Jakarta	150	6	2	23.9
Lippo Office Thamrin	Central Jakarta	100	94	10	45.0
Millenium Village	West Greater Jakarta	100	13	4	23.3
Total		2,500	703	930	

About Lippo Karawaci (“LPKR”) (www.lippokarawaci.co.id)

Listed on the Indonesia Stock Exchange, Lippo Karawaci (“LPKR”) is Indonesia’s leading integrated real estate company with total assets of US\$3.8bn at 31 March 2020. Our core business comprises urban residential developments, lifestyle malls and healthcare. We are also actively involved in integrated developments, hospitality, township development and management, as well as asset management services.

Currently, the Company has a presence in 40 cities, and is a leading Indonesian property developer with 1,411 ha of landbank ready for development. Through our two publicly listed subsidiaries, PT Lippo Cikarang Tbk, and PT Gowa Makassar Tourism Development Tbk, of which LPKR owns 84.0% and 62.7% respectively, LPKR develops and operates urban developments at Lippo Cikarang in Bekasi and at Tanjung Bunga in Makassar. Additionally, LPKR owns 55.4% of PT Siloam International Hospitals Tbk, Indonesia’s leading private hospitals network, with 37 hospitals across 24 cities nationwide.

LPKR also has an ownership stake in Lippo Malls Indonesia Retail Trust, a listed REIT in Singapore with US\$1.3bn of assets under management at March 31, 2020.

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