Summarecon Agung Tbk
(SMRA)
Awaiting Still

NH KORINDO SEKURITAS

Company Report | Jun 04, 2018

Downtrend Performance of Property Development Segment

SMRA posted the decline in 1Q18 top line performance. Its net revenues tumbled by 2.5% y-y to IDR1.2 trillion, while its gross margin also plummeted to 44.9% on the annual basis. The decline in net revenues and gross margin were attributable to the downtrend performance of the property development segment, particularly in sales of **houses and land plots**. Besides, its 1Q18 net profit performance also edged down by 41.8% y-y to IDR41.8 billion; thus, the net profit margin depleted from 5.8% in 1Q17 to 3.5% in 1Q18.

However, **its marketing sales grew by 1.8% to IDR459 billion**. The growth was backed by the hike in sales of shoplots segment. Additionally, the investment properties segment also surged by 10.2% y-y backed the soaring average rent prices in its 3 malls.

Shift in Project Development to Bandung

SMRA shifts its focus of project development from Serpong to Bandung. **The launch of two commercial projects in Serpong were called off** from their initial plan and the launching date of 3 residential projects and one commercial project were postponed until 2H18. However, **it plans to launch two residential projects and 3 commercial projects situated in Bandung** in 2018.

Target Price of IDR1.050

We use an estimate of discount to RNAV of 74.3% (1SD higher than the last 3-year average of 64.9%) as the basis for valuation method. SMRA's stocks are currently traded at a discount to a 2018F RNAV of 76%.

Summarecon Agung Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Net Revenues	5,398	5,641	5,955	6,268
Net Revenues growth	*-4.0%*	*4.5%*	*5.6%*	*5.2%*
EBITDA	1,678	1,679	1,772	1,852
Net profit	312	362	489	518
EPS (IDR)	22	25	34	36
EPS growth	*-63.6%*	*16.2%*	*35.1%*	*6.0%*
BVPS (IDR)	566	579	605	642
EBITDA margin	*31.1%*	*29.8%*	*29.8%*	*29.5%*
Net Profit Margin	*5.8%*	*6.4%*	*8.2%*	*8.3%*
ROE	*4.0%*	*4.4%*	*5.7%*	*5.8%*
ROA	*1.6%*	*1.7%*	*2.2%*	*2.3%*
ROIC	*9.4%*	*8.5%*	*9.3%*	*9.5%*
P/E	61.3x	37.7x	29.1x	27.4x
P/BV	2.3x	1.6x	1.6x	1.5x
EV/EBITDA	15.7x	12.6x	12.1x	11.8x
DPS (IDR)	5.0	5.0	6.9	6.9
Dividend yield	*0.4%*	*0.5%*	*0.7%*	*0.7%*

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Hold

Dec 2018 TP (IDR)	1,050
Consensus Price (IDR)	1,140
TP to Consensus Price	-7.9%
vs. Last Price	+6.6%

Shares data	
Last Price (IDR)	985
Price date as of	May 31, 2018
52 wk range (Hi/Lo)	1,335 / 805
Free float	59.3%
Outstanding sh.(mn)	14,427
Market Cap (IDR bn)	14,210
Market Cap (USD mn)	1,023
Avg. Trd Vol - 3M (mn)	12.78
Avg. Trd Val - 3M (bn)	12.08
Foreign Ownership	99.8%

Property

Real Estate Owner & Developer

Bloomberg	**SMRA.IJ**
Reuters	**SMRA.JK**

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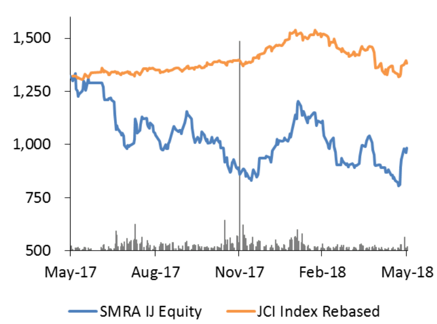
Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	4.2%	8.8%	-7.9%	-25.4%
Rel. Ret.	10.1%	9.0%	1.5%	-29.7%

A Glance at SMRA

SMRA prominent with its integrated townships is one of real-estate developers in Indonesia. Starting to operate in 1975 by developing land of 10 hectares in Kelapa Gading, Jakarta, now, it has portfolios covering the development of integrated townships in Kelapa Gading, Serpong, Bekasi, Bandung, and Karawang. In 2018, it also expands its business to Makassar through the project of Summarecon Mutiara Makassar.

Another to the real-estate development segment, the investment and real-estate management segment, and the recreational and hospitality segment contribute to SMRA's revenue. It also develops the hospitality segment in Bali through the Movenpick Resort & Spa and Samasta Lifestyle Village.

Indonesia–Based Real–Estate Development Industry di ASEAN

Indonesia is a country with the largest area of land and the most populous nation in ASEAN. Such qualities recognize Indonesia as the preferred location for the real-estate development business. Indonesia–based real-estate developer have a larger number of landbank than its ASEAN's peers do. For instance, BKSL and BSDE respectively have the landbank of 14,666 hectares and 3,966 hectares.

Indonesia and Philippines–based real–estate sector are the most competitive amongst their peers in ASEAN. The property developers in those two countries post better gross margins yet lower total asset than their peers do.

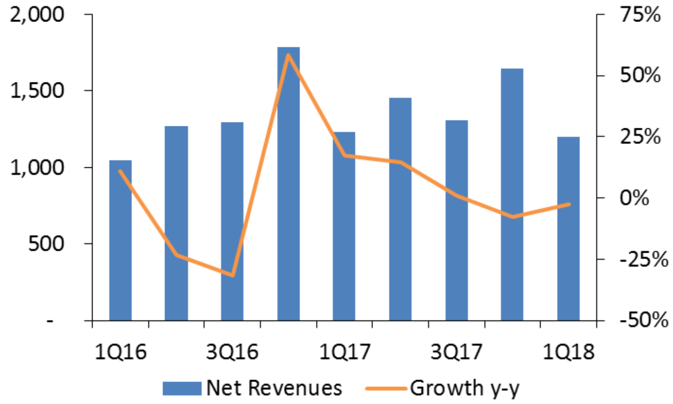
ASEAN Property Developer

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	Net Profit Growth	ROE	P/E	Dividend Yield
BSDE	2,361	3,382	56.71%	73.4%	48.9%	102.4%	19.5%	7.1x	0.3%
CTRA	1,349	2,333	-4.40%	47%	25.2%	-23.2%	6.1%	23.2x	0.5%
PWON	1,941	1,719	18.10%	59%	48.9%	41.5%	21.0%	12.9x	0.8%
SMRA	1,023	1,594	4.50%	46%	23.8%	-6.5%	5.2%	42.6x	0.5%
Singapore									
Capitaland Ltd	10,986	45,972	-12.23%	40%	47%	8.7%	8.1%	10.1x	3.4%
Malaysia									
SP Setia Bhd	2,982	6,826	-20.86%	33%	22%	-13.6%	7.5%	14.2x	5.0%
IOI Properties Group Bhd	2,256	7,823	38.36%	44%	32%	-12.2%	4.8%	10.7x	3.7%
Thailand									
Land & Houses PUB Co Ltd	4,179	3,362	16.76%	34%	30%	32.9%	21.6%	12.0x	6.7%
WHA Corp Ltd	1,941	2,260	-46.72%	47%	39%	38.7%	14.0%	19.6x	3.2%
Philippines									
Megaworld Corp	3,008	6,212	8.65%	62%	41%	12.6%	9.4%	12.0x	1.1%

Source: Bloomberg, NHKS research

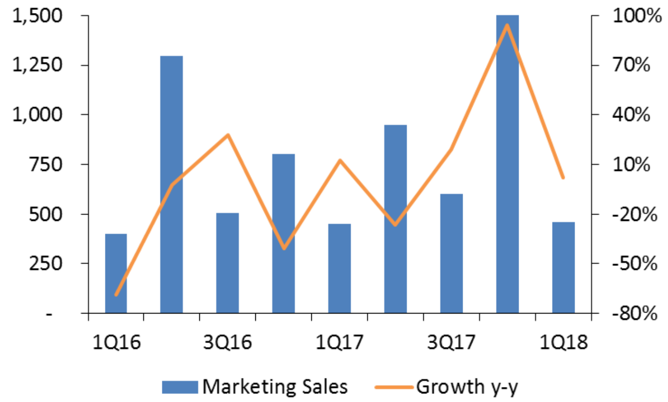
Operational Performance

Quarterly Net Revenues (IDR bn) | 1Q16 - 1Q18



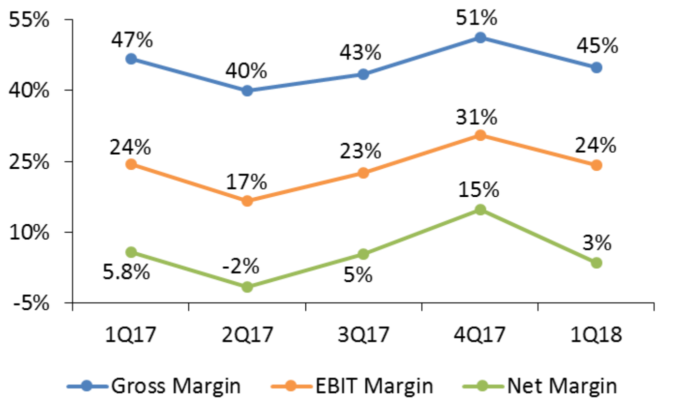
Source: Company, Bloomberg, NHKS research

Quarterly Marketing Sales (IDR bn) | 1Q16 - 1Q18



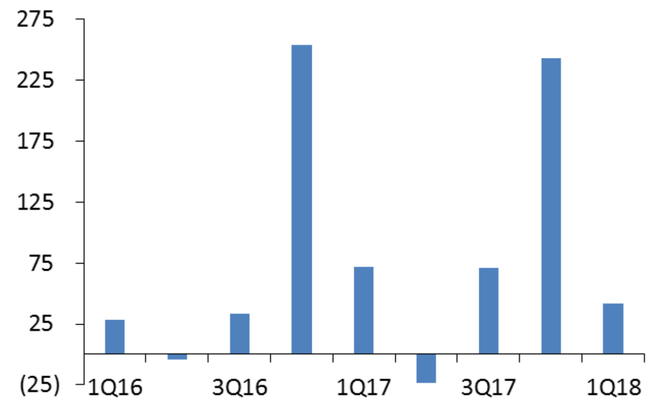
Source: Company, NHKS research

Margin Ratios | 1Q17 - 1Q18



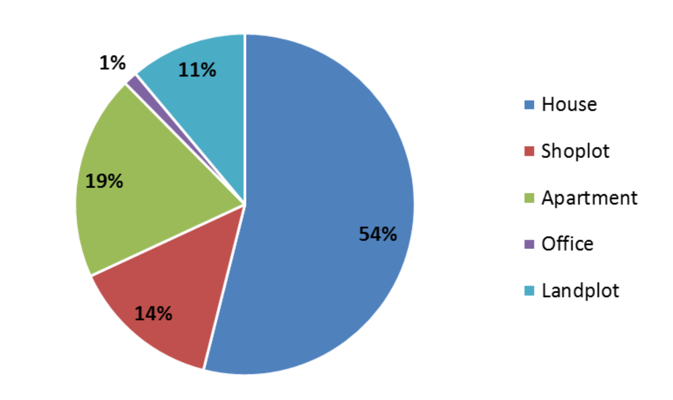
Source: Company, NHKS research

Quarterly Net Profit | 1Q16 - 1Q18



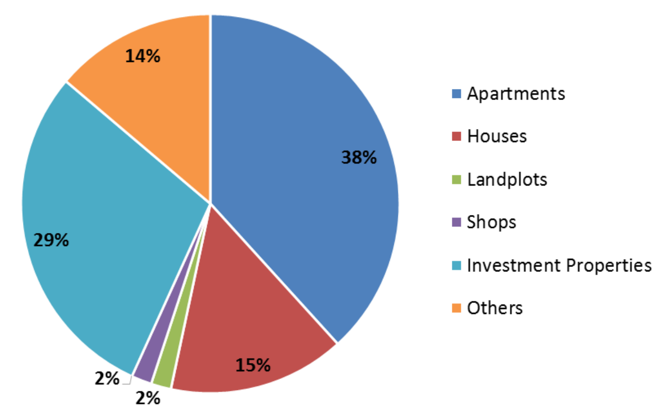
Source: Company, Bloomberg, NHKS research

Marketing Sales Breakdown | 1Q18



Source: Company, NHKS research

Revenues Breakdown | 1Q18



Source: Company, NHKS research

Multiple Valuation

Forward P/E band | Last 3 years

Source: NHKS research

Discount to NAV band | Last 3 years

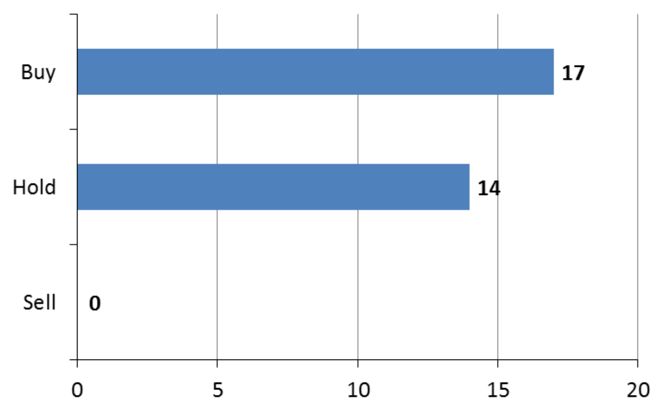
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
04/30/2018	Hold	960	905	1,203	+6.1%	-20.2%
05/31/2018	Hold	1,050	985	1,140	+6.6%	-7.9%

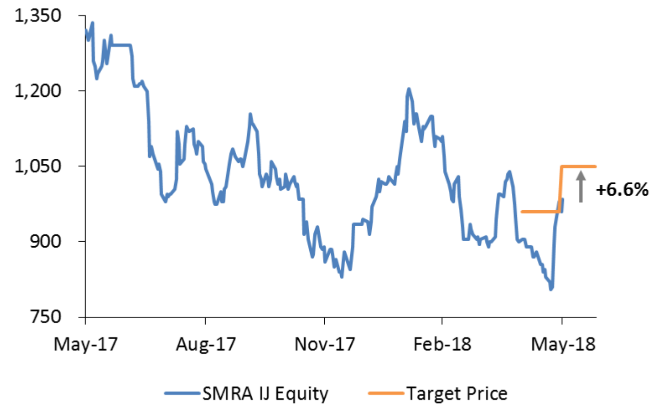
Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
   - Buy : Greater than +15%
   - Hold : -15% to +15%
   - Sell : Less than -15%

Summary of Financials

SMRA Summary		
Last Price (IDR)	May 31, 2018	985
Target Price (IDR)	Dec 2018	1,050
Analyst: Michael Tjahjadi	Rating:	Hold

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Revenues	**5,398**	**5,641**	**5,955**	**6,268**
Growth (% y/y)	*-4.0%*	*4.5%*	*5.6%*	*5.2%*
Cost of Sales	(2,800)	(3,074)	(3,222)	(3,393)
Gross Profit	**2,598**	**2,567**	**2,733**	**2,875**
Gross Margin	*48.1%*	*45.5%*	*45.9%*	*45.9%*
Operating Expenses	(1,189)	(1,226)	(1,292)	(1,363)
EBIT	**1,409**	**1,341**	**1,441**	**1,512**
EBIT Margin	*26.1%*	*23.8%*	*24.2%*	*24.1%*
Depreciation	269	338	331	340
EBITDA	**1,678**	**1,679**	**1,772**	**1,852**
EBITDA Margin	*31.1%*	*29.8%*	*29.8%*	*29.5%*
Interest Expenses	(634)	(632)	(622)	(577)
EBT	**616**	**540**	**656**	**763**
Income Tax	(11)	(7)	(7)	(9)
Minority Interest	(293)	(170)	(159)	(235)
Net Profit	**312**	**362**	**489**	**518**
Growth (% y/y)	*-63.6%*	*16.2%*	*35.1%*	*6.0%*
Net Profit Margin	*5.8%*	*6.4%*	*8.2%*	*8.3%*

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	2,076	1,482	1,094	1,022
Receivables	539	645	650	713
Inventories	5,531	6,498	7,383	8,001
Total Current Assets	**8,699**	**9,158**	**9,673**	**10,301**
Net Fixed Assets	11,096	11,179	11,252	11,336
Other Non Current Assets	1,016	1,325	1,529	1,776
Total Assets	**20,810**	**21,663**	**22,453**	**23,413**
Payables	58	81	61	85
ST Debt	1,402	1,497	1,972	2,697
Other Current Liab.	2,757	4,698	4,184	4,142
LT Debt	6,024	5,589	4,601	4,045
Other Non Current Liab.	2,403	1,444	2,906	3,182
Total Liabilities	**12,645**	**13,309**	**13,724**	**14,151**
Shareholders' Equity	**8,166**	**8,354**	**8,729**	**9,262**

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	312	362	489	518
Deprec & Amortization	269	338	331	340
Chg. In Working Capital	(509)	(1,070)	(124)	(718)
CFO	71	(370)	696	140
Capex	(789)	(469)	(445)	(424)
CFI	(799)	(443)	(392)	(396)
Dividends Paid	(72)	(72)	(72)	(100)
Net Borrowing (PMT)	1,223	534	(521)	169
CFF	1,301	256	(692)	184
Net Changes in Cash	573	(557)	(389)	(72)

OWNERSHIP

By Geography	%	Shareholders	%
Unknown	70.4	PT Semarop Agung	33.5
United States	9.8	PT Sinarmegah J	6.6
Netherlands	9.7	APG Stiching Strat R	5.6
Luxembourg	4.8	Vanguard Group	2.8

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	4.0%	4.4%	5.7%	5.8%
ROA	1.6%	1.7%	2.2%	2.3%
ROIC	9.4%	8.5%	9.3%	9.5%
EBITDA/Equity	21.4%	20.3%	20.7%	20.6%
EBITDA/Assets	8.5%	7.9%	8.0%	8.1%
Cash Dividend (IDR bn)	72	72	100	100
Dividend Yield (%)	0.4%	0.5%	0.7%	0.7%
Payout Ratio (%)	23%	20%	20%	19%
DER	91%	85%	75%	73%
Net Gearing	119%	109%	95%	92%
LT Debt to Equity	74%	67%	53%	44%
Capitalization Ratio	48%	46%	43%	42%
Equity Ratio	39%	39%	39%	40%
Debt Ratio	36%	33%	29%	29%
Financial Leverage	252%	257%	258%	255%
Current Ratio	206%	146%	156%	149%
Quick Ratio	62%	34%	28%	25%
Cash Ratio	49%	24%	18%	15%
Cash Conversion Cycle	696.9	744.4	817.9	859.2
Par Value (IDR)	100	100	100	100
Total Shares (mn)	14,427	14,427	14,427	14,427
Share Price (IDR)	1,325	945	985	985
Market Cap (IDR tn)	19.1	13.6	14.2	14.2

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	61.3x	37.7x	29.1x	27.4x
Price /Book Value	2.3x	1.6x	1.6x	1.5x
Price/Revenue	3.5x	2.4x	2.4x	2.3x
PE/EPS Growth	-1.0x	2.3x	0.8x	4.6x
EV/EBITDA	15.7x	12.6x	12.1x	11.8x
EV/EBIT	18.7x	15.7x	14.9x	14.5x
EV (IDR bn)	26,389	21,081	21,497	21,852
Revenue CAGR (3-Yr)	9.7%	-0.7%	1.9%	5.1%
EPS CAGR (3-Yr)	-34.6%	-36.1%	-17.0%	18.5%
Basic EPS (IDR)	22	25	34	36
Diluted EPS (IDR)	22	25	34	36
BVPS (IDR)	566	579	605	642
Revenue PS (IDR)	374	391	413	434
DPS (IDR)	5	5	7	7

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	1,384	1,322	1,426	1,493
+Depr./Amor.	269	338	331	340
-CAPEX	(789)	(469)	(445)	(424)
-Incr. (Decr.) in Working Cap.	(509)	(1,070)	(124)	(718)
(Unlevered) FCFF	355	121	1,187	691
WACC				
Cost of Debt (Tax Adj.)	10.5%	8.3%	9.5%	9.2%
Cost of Equity (COE)	10.6%	11.5%	11.8%	12.0%
WACC (%)	10.6%	10.4%	11.1%	11.1%
RIM				
Spread (FROE-COE) (%)	-6.5%	-7.1%	-6.0%	-6.1%
Residual Income (IDR bn)	(489)	(576)	(499)	(529)
Equity Charge (IDR bn)	801	938	988	1,048
EVA				
Invested Capital (IDR bn)	13,728	15,592	15,440	15,302
ROIC-WACC (%)	-0.5%	-1.9%	-1.9%	-1.3%
EVA (IDR bn)	(72)	(299)	(287)	(206)