

Summarecon Agung Tbk (SMRA)

Faces Debt Headwind

Company Report | May 02, 2018

Hold

Dec 2018 TP (IDR)	960
Consensus Price (IDR)	1,203
TP to Consensus Price	-20.2%
vs. Last Price	+6.1%

Shares data

Last Price (IDR)	905
Price date as of	Apr 30, 2018
52 wk range (Hi/Lo)	1,400 / 830
Free float	67.8%
Outstanding sh.(mn)	14,427
Market Cap (IDR bn)	13,056
Market Cap (USD mn)	934
Avg. Trd Vol - 3M (mn)	16.74
Avg. Trd Val - 3M (bn)	17.54
Foreign Ownership	99.8%

Property

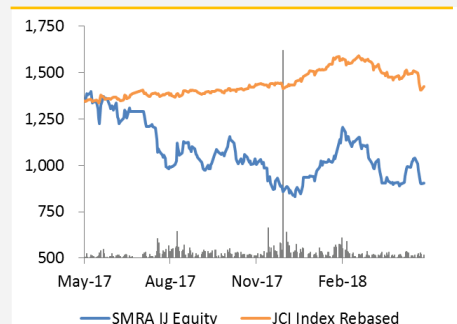
Real Estate Owner & Developer

Bloomberg	SMRA.IJ
Reuters	SMRA.JK

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Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-4.2%	0.0%	-20.6%	-33.0%
Rel. Ret.	1.4%	3.1%	-11.8%	-38.6%

4Q17 Robust Marketing Sales Growth

SMRA posted the 2017 growth of 4.5% y-y in revenue into IDR5.6 trillion and 16.2% in net profit into IDR362 billion. The rosier performance was underpinned by **the marketing sales hiking by 18.5% y-y into IDR3.5 trillion**. The launch of a number of residential projects in 4Q17, such as Symphonia, **Summarecon Serpong, Summarecon Bandung** reflects public interests in its projects.

In 2H18, it will launch residential projects in Serpong, Bekasi, and Bandung areas; indeed, **it will start the development of Summarecon Mutiara Makassar** by launching 152 residential and commercial units.

Suppressed by Debt

However, in 3 years next, it must **face debt stemming from nearly matured bonds**. The debt is worth IDR3.3 trillion from 2018 to 2020. In light its cash position and its recent-year performance, we oversee that **landbank expansion policies funded by the external fund require to long-term implementation** to result in the significant performance

Target Price of IDR960

We use an estimate of discount to RNAV of 76.0% (1SD higher than the last two year average of 68,0%) as the basis of valuation method. Now, its stocks are traded with the discount to 2018/F RNAV of 78%.

Summarecon Agung Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	5,398	5,641	5,949	6,290
<i>Revenue growth</i>	-4.0%	4.5%	5.5%	5.7%
EBITDA	1,678	1,679	1,803	1,981
Net profit	312	362	414	494
EPS (IDR)	22	25	29	33
<i>EPS growth</i>	-63.6%	16.2%	14.3%	15.9%
BVPS (IDR)	566	579	605	635
EBITDA margin	31.1%	29.8%	30.3%	31.5%
Net Profit Margin	5.8%	6.4%	7.0%	7.6%
ROE	4.0%	4.4%	4.8%	5.4%
ROA	1.6%	1.7%	1.9%	2.0%
ROIC	9.4%	8.5%	9.2%	9.8%
P/E	61.3x	37.7x	31.5x	27.2x
P/BV	2.3x	1.6x	1.5x	1.4x
EV/EBITDA	15.7x	12.6x	11.6x	10.5x
DPS (IDR)	5.0	5.0	6.9	6.9
<i>Dividend yield</i>	0.4%	0.5%	0.8%	0.8%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

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's Real Estate Development Industry in ASEAN

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

Indonesia and Philippines' 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.

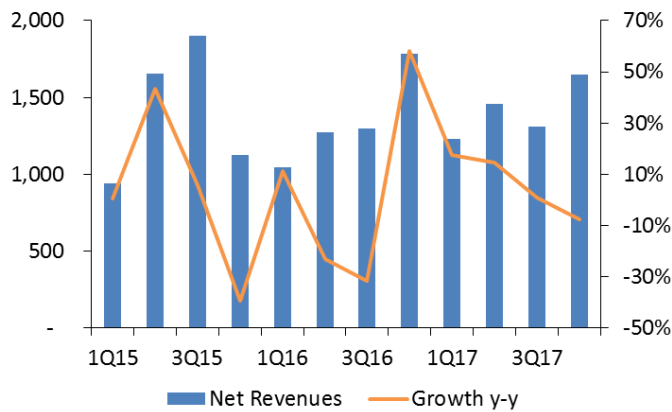
ASEAN Property Developer

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	Net Profit Growth	ROE	P/E	Dividend Yield
BSDE	2,293	3,382	56.71%	73.4%	48.9%	173.9%	21.4%	6.4x	0.3%
CTRA	1,403	2,333	-4.40%	47%	25.2%	-12.4%	6.9%	21.6x	0.5%
PWON	1,994	1,719	18.10%	59%	48.9%	41.5%	21.0%	13.3x	0.8%
SMRA	934	1,594	4.50%	46%	23.8%	16.2%	5.7%	35.8x	0.6%
Singapore									
Capitaland Ltd	11,901	45,972	-12.23%	40%	47%	30.3%	8.6%	10.3x	2.7%
Malaysia									
SP Setia Bhd	3,029	6,826	-20.86%	33%	22%	-9.8%	8.8%	13.1x	5.0%
IOI Properties Group Bhd	2,207	7,823	38.36%	44%	32%	-27.7%	4.7%	10.5x	3.8%
Thailand									
Land & Houses PUB Co Ltd	4,097	3,362	16.76%	34%	30%	21.4%	21.6%	12.4x	6.5%
WHA Corp Ltd	1,764	2,260	-46.72%	47%	39%	12.7%	14.0%	17.5x	5.2%
Philippines									
Megaworld Corp	2,735	6,212	8.65%	62%	41%	12.7%	9.3%	11.0x	1.2%

Source: Bloomberg, NHKS research

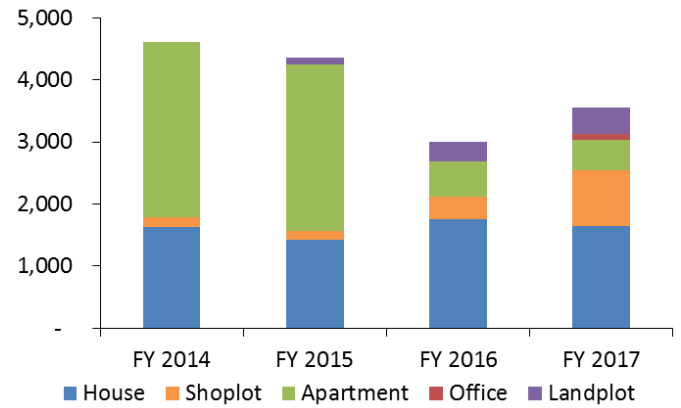
Operational Performance

Quarterly Revenues (IDR bn) | 1Q15 - 4Q17



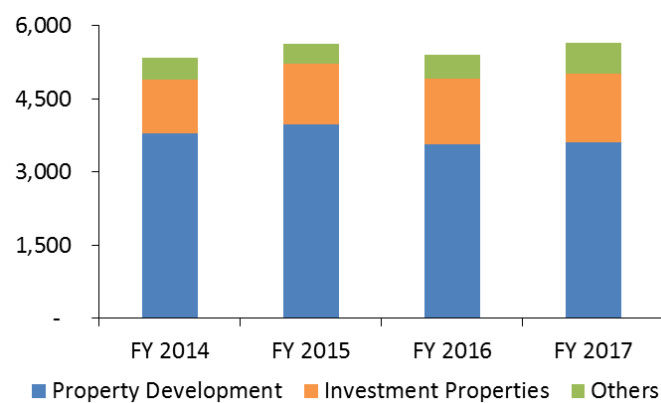
Source: Company, Bloomberg, NHKS research

Marketing Sales (IDR bn) | 2014 - 2017



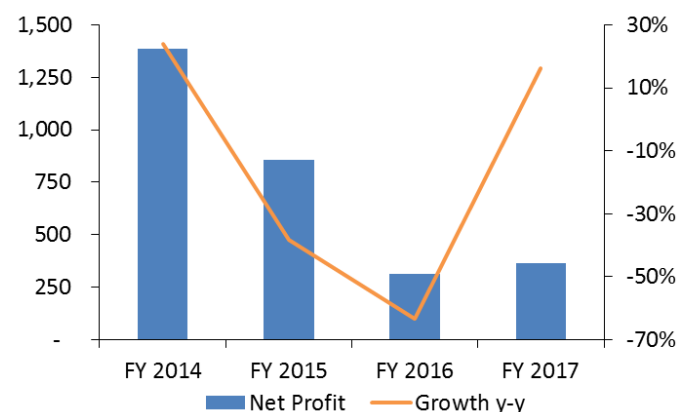
Source: Company, NHKS research

Annual Revenues | 2014 - 2017



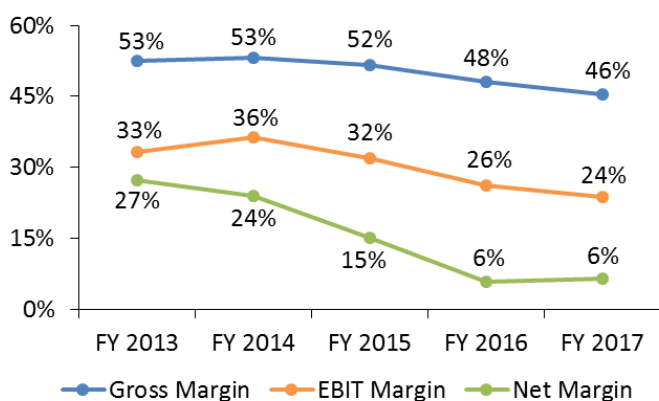
Source: Company, Bloomberg, NHKS research

Annual Net Profit | 2014 - 2017



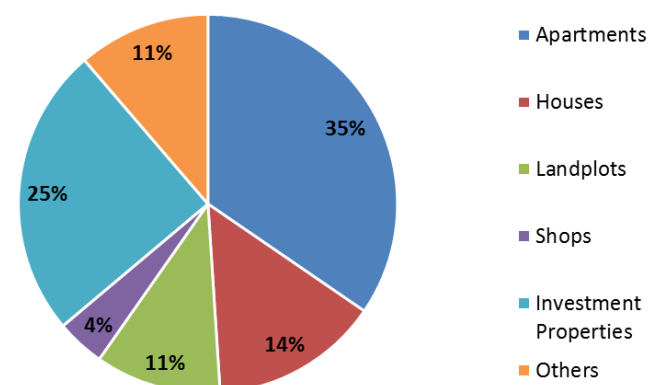
Source: Company, Bloomberg, NHKS research

Gross, EBIT & Net Margin | 2013 - 2017



Source: Company, Bloomberg, NHKS research

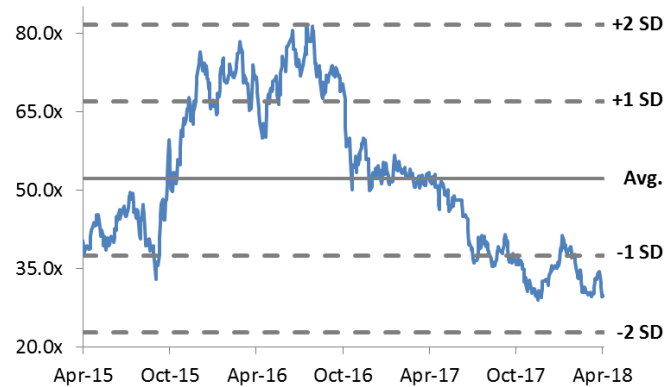
Revenues Breakdown | 2017



Source: Company, Bloomberg, NHKS research

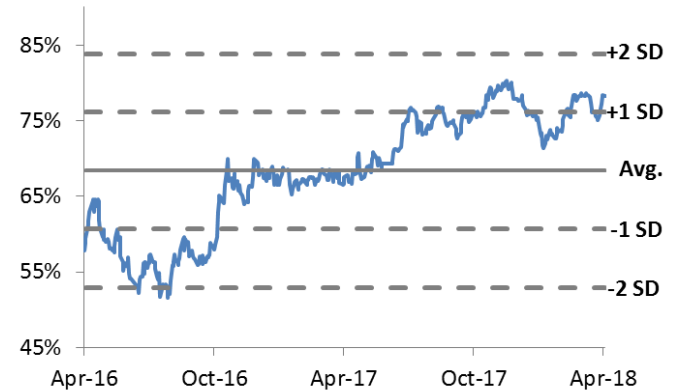
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Discount to NAV band | Last 2 years



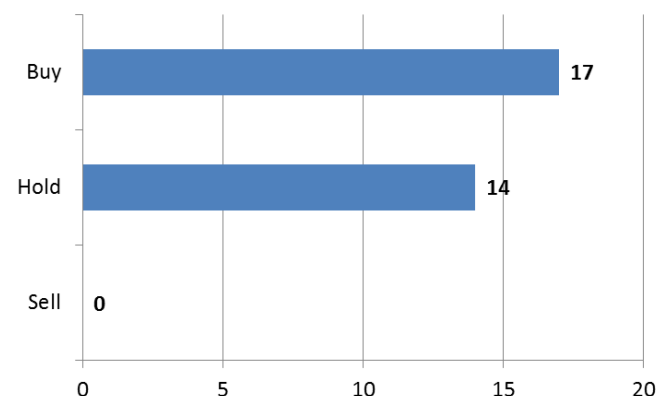
Source: NHKS research

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%

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)	April 30, 2018	905
Target Price (IDR)	Dec 2018	960
Analyst: Michael Tjahjadi	Rating:	Hold

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Revenues	5,398	5,641	5,949	6,290
Growth (% y/y)	-4.0%	4.5%	5.5%	5.7%
Cost of Sales	(2,800)	(3,074)	(3,218)	(3,287)
Gross Profit	2,598	2,567	2,731	3,003
Gross Margin	48.1%	45.5%	45.9%	47.7%
Operating Expenses	(1,189)	(1,226)	(1,261)	(1,368)
EBIT	1,409	1,341	1,469	1,635
EBIT Margin	26.1%	23.8%	24.7%	26.0%
Depreciation	269	338	334	346
EBITDA	1,678	1,679	1,803	1,981
EBITDA Margin	31.1%	29.8%	30.3%	31.5%
Interest Expenses	(634)	(632)	(664)	(720)
EBT	616	540	631	731
Income Tax	(11)	(7)	(10)	(11)
Minority Interest	(293)	(170)	(207)	(240)
Net Profit	312	362	414	480
Growth (% y/y)	-63.6%	16.2%	14.3%	15.9%
Net Profit Margin	5.8%	6.4%	7.0%	7.6%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	2,076	1,482	1,507	1,594
Receivables	539	645	691	736
Inventories	5,531	6,498	7,248	7,971
Total Current Assets	8,699	9,158	9,995	10,866
Net Fixed Assets	11,096	11,179	11,337	11,510
Other Non Current Assets	1,016	1,325	1,573	1,820
Total Assets	20,810	21,663	22,904	24,196
Payables	58	81	85	86
ST Debt	1,402	1,497	2,042	2,755
Other Current Liab.	2,757	4,698	4,968	5,483
LT Debt	6,024	5,589	5,383	4,752
Other Non Current Liab.	2,403	1,444	1,691	1,967
Total Liabilities	12,645	13,309	14,169	15,042
Shareholders' Equity	8,166	8,354	8,735	9,154

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	312	362	414	480
Deprec & Amortization	269	338	334	346
Chg. In Working Capital	(509)	(1,070)	(537)	(269)
CFO	71	(370)	210	557
Capex	(789)	(469)	(491)	(519)
CFI	(799)	(443)	(491)	(491)
Dividends Paid	(72)	(72)	(72)	(100)
Net Borrowing (PMT)	1,223	534	339	82
CFF	1,301	256	306	21
Net Changes in Cash	573	(557)	25	87

OWNERSHIP

By Geography	% Shareholders	%	
Unknown	65.2	PT Semarop Agung	25.4
United States	11.6	PT Sinarmegah Jayase	6.6
Netherlands	11.4	APG Sticking Strat Rea	5.6
Luxembourg	5.6	Vanguard Group	2.8

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	4.0%	4.4%	4.8%	5.4%
ROA	1.6%	1.7%	1.9%	2.0%
ROIC	9.4%	8.5%	9.2%	9.8%
EBITDA/Equity	21.4%	20.3%	21.1%	22.2%
EBITDA/Assets	8.5%	7.9%	8.1%	8.4%
Cash Dividend (IDR bn)	72	72	100	100
Dividend Yield (%)	0.4%	0.5%	0.8%	0.8%
Payout Ratio (%)	23%	20%	24%	21%
DER	91%	85%	85%	82%
Net Gearing	119%	109%	109%	104%
LT Debt to Equity	74%	67%	62%	52%
Capitalization Ratio	48%	46%	46%	45%
Equity Ratio	39%	39%	38%	38%
Debt Ratio	36%	33%	32%	31%
Financial Leverage	252%	257%	261%	263%
Current Ratio	206%	146%	141%	131%
Quick Ratio	62%	34%	31%	28%
Cash Ratio	49%	24%	21%	19%
Cash Conversion Cycle	696.9	744.4	811.2	876.8
Par Value (IDR)	100	100	100	100
Total Shares (mn)	14,427	14,427	14,427	14,427
Share Price (IDR)	1,325	945	905	905
Market Cap (IDR tn)	19.1	13.6	13.1	13.1

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	61.3x	37.7x	31.5x	27.2x
Price /Book Value	2.3x	1.6x	1.5x	1.4x
Price/Revenue	3.5x	2.4x	2.2x	2.1x
PE/EPS Growth	-1.0x	2.3x	2.2x	1.7x
EV/EBITDA	15.7x	12.6x	11.6x	10.5x
EV/EBIT	18.7x	15.7x	14.2x	12.8x
EV (IDR bn)	26,389	21,081	20,857	20,891
Revenue CAGR (3-Yr)	9.7%	-0.7%	1.9%	5.2%
EPS CAGR (3-Yr)	-34.6%	-36.1%	-21.5%	15.5%
Basic EPS (IDR)	22	25	29	33
Diluted EPS (IDR)	22	25	29	33
BVPS (IDR)	566	579	605	635
Revenue PS (IDR)	374	391	412	436
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	1,446	1,611
+Depr./Amor.	269	338	334	346
-CAPEX	(789)	(469)	(491)	(519)
-Incr. (Decr.) in Working Cap.	(509)	(1,070)	(537)	(269)
(Unlevered) FCFF	355	121	751	1,169
WACC				
Cost of Debt (Tax Adj.)	10.5%	9.3%	9.1%	9.2%
Cost of Equity (COE)	10.6%	10.2%	10.0%	10.2%
WACC (%)	10.6%	9.9%	9.6%	9.8%
RIM				
Spread (FROE-COE) (%)	-6.5%	-5.8%	-5.0%	-4.7%
Residual Income (IDR bn)	(489)	(471)	(418)	(408)
Equity Charge (IDR bn)	801	833	832	888
EVA				
Invested Capital (IDR bn)	13,728	15,592	15,440	16,160
ROIC-WACC (%)	-0.5%	-1.4%	-0.3%	0.1%
EVA (IDR bn)	(72)	(221)	(41)	23

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