

Premier Insight

24 May 2017

Bumi Serpong Damai (BSDE IJ; Buy)

Inline 1Q17 results

- In-line 1Q17 net profit at Rp733bn (+183% yoy)
- 1Q17 pre sales (+33% yoy) largely helped by one-off land sales
- Cancelled progressive property tax may improve buyer sentiment
- Reiterate BUY at TP Rp2,600

Strong 1Q17 net profit. Bumi Serpong Damai (BSDE) reported strong earnings of Rp733bn in 1Q17 (+183% yoy, +15% qoq), in-line with ours but slightly above consensus estimate. Net margin significantly improved to 41.8% in 1Q17 (vs. 23.4% in 1Q16) supported by Rp125bn net gain from bargain purchase PT Kerawang Bukit Golf and decrease in net of other expense due to lower average cost of borrowing. Top line grew strong by 59% yoy to Rp1.7tn on back of faster revenue recognition from landed houses (+91% yoy) and land sales (+18% yoy) while recurring income were flat. Company saw lower gross margin at 67% in 1Q17 (vs 75% at 1Q16) due to higher contribution from landed houses at 53% (33% in 1Q16). Operating margin decreased from 41% in 1Q16 to 38% in 1Q17, in-line with decline in gross margin, respectively.

1Q17 pre sales largely helped by land sales. BSDE booked marketing sales of Rp1.6tn in 1Q17 (+33% yoy), 22% of company's FY17 target. This is better than 1Q16 at 19%, although this is largely attributed to its remaining land plot sales to Mitsubishi of 53%. Excluding the land sales, BSDE's pre sales dropped 37% yoy, as housing sales fell hard by 49% yoy due lack of launches of only single cluster in 1Q17 (vs. three clusters in 1Q16). Despite so, Alegria cluster has been 100% sold out with 184 unit and price around Rp1.3-1.8bn/unit. The strong take up was indeed better compared to last year average of 70-100%, thus providing further solid evidence of resilient housing demand in BSD city. Company is planning to launch more clusters in 2H17 after the Eid Mubarak passes for better demand.

Cancelled progressive property tax may improve buyers' sentiment. Government has called off its plan to impose progressive property tax due to weak property demand. Initially, the proposed regulation contains of: 1) progressive tax on second and consecutive land ownership; 2) unutilized asset tax that could apply to unoccupied or unsold apartment; 3) capital gain tax. Hence we believe the annulment will improve the overall buying sentiment among investors.

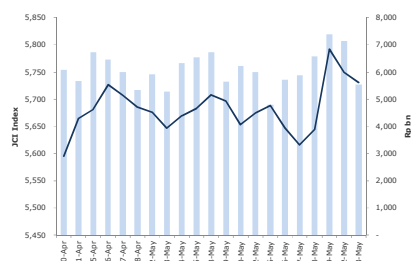
Maintain earnings and Reiterate BUY at TP of Rp2,600/share. We maintain our earnings expectation as we expect faster revenue recognition from housing to support our earnings estimate. Amid weak property demand, we believe BSDE's strong fundamental topped with lower LTV will benefit company as beneficiary of resilient housing demand of end user. As such, we maintain our target price at Rp2,600 which implied FY17 target PE of 18x which serve as 44% upside potential to current price. Reiterate BUY.

| Year To 31 Dec | 2015A | 2016A | 2017F | 2018F | 2019F |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (RpBn) | 6,210 | 6,522 | 7,884 | 9,435 | 10,684 |
| EBITDA (RpBn) | 3,018 | 2,965 | 3,760 | 4,541 | 5,775 |
| EBITDA Growth (%) | 10.9 | (1.7) | 15.3 | 20.8 | 24.6 |
| Net Profit (RpBn) | 2,139 | 1,796 | 2,755 | 3,477 | 4,607 |
| EPS (Rp) | 111 | 93 | 143 | 186 | 239 |
| EPS Growth (%) | (44.0) | (16.0) | 35.1 | 28.7 | 28.7 |
| Net Gearing (%) | 8.2 | 16.1 | (10.0) | (15.4) | (22.8) |
| PER (x) | 16.3 | 19.4 | 12.5 | 9.7 | 7.6 |
| PBV (x) | 1.6 | 1.4 | 1.2 | 1.0 | 0.9 |
| Dividend Yield (%) | 0.3 | 0.8 | 0.5 | 1.6 | 2.1 |
| EV/EBITDA (x) | 12.1 | 13.1 | 8.4 | 6.4 | 4.5 |

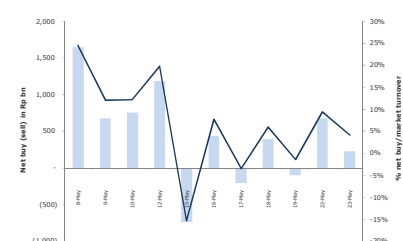
Source : BSDE, IndoPremier

Share Price Closing as of : 22 May 2017

JCI Index



Foreign net buy (sell)



Key Indexes

| Index | Closing | 1 day | 1 year | YTD |
|-------|---------|-------|--------|-------|
| JCI | 5,731 | -0.3% | 21.6% | 8.2% |
| LQ45 | 959 | -0.2% | 19.0% | 8.4% |
| DJI | 20,938 | 0.2% | 18.3% | 5.9% |
| SET | 1,565 | 0.4% | 13.0% | 1.4% |
| HSI | 25,403 | 0.0% | 28.1% | 15.5% |
| NKY | 19,613 | -0.3% | 18.9% | 3.1% |
| FTSE | 7,485 | -0.1% | 20.4% | 4.8% |
| FSSTI | 3,214 | 0.0% | 16.8% | 11.9% |
| EIDO | 27 | -0.8% | 22.8% | 11.9% |

Commodity price

| Commodities | Last price | Ret 1 day | Ret 1 year |
|--------------------|------------|-----------|------------|
| (in USD) | | | |
| Oil/barrel (WTI) | 51.2 | 0.9% | 7.8% |
| CPO/tonne | 607.9 | -1.7% | 5.0% |
| Soy/bushel | 9.2 | -0.9% | -12.0% |
| Rubber/kg | 2.3 | 1.4% | 31.3% |
| Nickel/tonne | 9,302 | -0.5% | 12.3% |
| Tins/tonne | 20,678 | 0.2% | 28.6% |
| Copper/tonne | 5,695 | 0.1% | 24.4% |
| Gold/try.oz (Spot) | 1,251 | -0.8% | 1.9% |
| Coal/tonne | 74.4 | -0.6% | 45.9% |
| Corn/bushel | 3.5 | -1.6% | -10.3% |
| Wheat/bushel* | 146.4 | -0.6% | -10.8% |

*: 1 month change

Source : Bloomberg

News & Analysis

Corporates

MAPI: Mitra Adiperkasa (MAPI IJ; Rp5,900; Hold) sets revenue target of 13-14% yoy, slightly higher than consensus estimates, this year which will be driven by 200 new outlets opening. MAPI has allocated Rp750bn capex for the expansion. This year, company predicts SSSG to improve to 5% from 3% in 2016. In addition, MAPI is currently preparing for IPO process of its subsidiaries, namely MAP Boga and MAP Active. (Kontan)

Comment: We maintain our HOLD rating on MAPI due to still slow recovery in consumer spending power. However, we expect Ramadhan to boost MAPI's performance.

MDRN: Modern international (MDRN IJ; Rp63; Not Rated) might cancel its plan to sell convenience store 7-Eleven to Charoen Pokphand Indonesia (CPIN IJ; Rp3,050; Not Rated) due to disagreement of 7-Eleven holding. Previously, the acquisition is expected to finish in June 2017 after obtaining approval from 7-Eleven holding. (Kontan)

SILO: Siloam International Hospital (SILO IJ; Rp11,225; Hold) announced the acquisition of Rumah Sakit Umum Putera Bahagia (RSUPB) in Cirebon, subject to final due diligence review results. The acquisition is worth Rp130bn of which SILO will own 100% of RSUPB. The hospital has 105 bed capacities and has participated in BPJS Kesehatan. SILO will improve the bed capacity and facility such as adding MRI and CT-scan. (Company)

Comment: SILO will operate 27 hospitals including the RSUPB, exceeding our conservative target of 26 hospitals in FY17. We will review our call based on this set of new development.

SMBR: Semen Baturaja (SMBR IJ; Rp3,390; Sell) is exploring the feasibility of building a new plant in Jambi South Sumatera. At the current stage the company explores the availability of raw materials of limestone and clay. At soonest this new plant of 3.0mn tons is expected to be completed in 2021. Semen Baturaja is currently expanding its distribution network in Palembang, Lubuk Linggau and Jambi with capex of Rp500bn. This year the company expects to sell 2.0mn tons of cement. (Kontan)

Comment: We think the expansion plant is premature given the fact that oversupply remains significant and could last for another 3-4 years. We maintain our Sell call on the counter due expensive valuation.

WIKA: Wijaya Karya (WIKA IJ; Rp2,330; Buy) will obtain additional new contract of Rp900bn from skytrain in Soekarno - Hatta Airport. The train is expected to connect Terminal 3 to Terminal 1. Meanwhile, WIKA has nearly completed skytrain construction that connects Terminal 3 to Terminal 2, thus expect the train to be operational this June. (Company)

Markets & Sector

Industrial Estate: Government is considering to set price cap for land rental rate in SOE industrial estate. Currently, rental rates are set by market price which determined by supply and demand. Nevertheless, government still considering various suggestions from private companies regarding the price cap, size of land bank and building rights (HGB).

Comment: If the Government decided to set the price cap and remove the limit the land bank area for industrial estate, it will make the industry more competitive due to lower rental rates. Note: Industrial Estate's building rights (HGB) in Indonesia is only open for 30 years with an option to extend every 20 years vs. Malaysia 99 years.

Economic

Rupiah Redenomination: The central bank is ready to undertake rupiah redenomination in the 2Q17, which has also seen approval from the parliament. According to Department Head of Monetary Policy Dody Budi Waluyo, implementation will take up around seven years in the preparation stage. It is planned that there will be two price tags attached during implementation stage, where one would include old price and another new price. (Investor Daily)

Comment: No clear timeline has been provided with regard to the implementation and whether the plan is confirmed or not. We have passed this concern to the central bank, which has not yet been responded.

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

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