

## Premier Insight

1 August 2017

## Bumi Serpong (BSDE IJ; Buy)

## Improved efficiency

- Strong 1H17 earnings (+144% yoy) from other income and efficiency
- Robust revenue growth from realized sales back log and land sales
- Increase EPS by 20/9% FY17/18F, maintain BUY at higher TP of Rp2,300 (vs. Rp2,100)

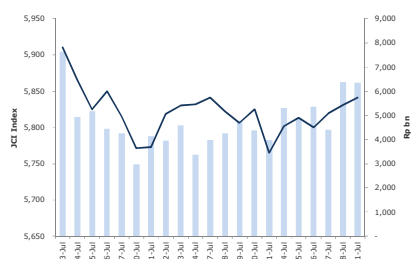
**Strong 1H17 earnings from other income and operating efficiency.** Bumi Serpong Damai (BSDE) announced outstanding earnings of Rp2tn (+144% yoy) in 1H17 with net margin improved to 47.7% (vs. 28.7% in 1H16). This was above ours and consensus, as well as its five years historical performance. The strong performance was due to other income in 1H17, namely: 1) lower interest expense from reduced cost of borrowing at 7.3% p.a compared to 7.9% p.a in 1H16, 2) one off gain in net income of associates and JV amounting to Rp260bn in 1H17 (vs. Rp20bn in 1H16), resulted from profit on bargain purchase PT Kerawang Bukit Golf and additional share ownership on PT Plaza Indonesia from 41.7% to 44.1% in June 2017. Excluding gain from associates and JV, core profit fell to Rp1.7tn, still above ours and consensus estimates. Aside from other income, company also posted strong revenue growth of 47% yoy and maintain its operating efficiency, which resulted in superb growth of operating profit (+53% yoy) and improved operating margin to 46.3% in 1H17 (vs. 44.5% in 1H16).

**Robust revenue growth from sales backlog and land sales.** BSDE's 1H17 revenue reached Rp4.2tn, increased 47% yoy, driven by development property (+58% yoy) and modest recurring income growth (+6% yoy). In 1H17, 36% of revenue was contributed from landed residential as company is able to recognize more sales backlog, while another 36% of revenue came from partial Mitsubishi land sales of Rp683bn. Remaining revenue was contributed by commercial product (13%) and strata title. Despite higher contribution of land sales in 1H17, consolidated gross margin slightly decreased to 73.4% in 1H17 (vs. 74% in 1H16) due to lower recurring income margin from operation of new malls.

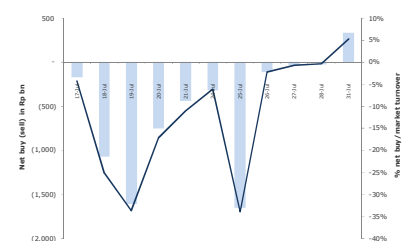
### Upgrade EPS by 20/9% FY17/18F, maintain BUY at higher TP of Rp2,300.

We maintain our marketing sales forecast given weak 1H17 marketing sales achievement but increase our burn rate for existing sales backlog which resulted in higher revenue forecast of 9/5% FY17/18F. Hence we increased our estimates for operating profit by 15/8% given operating efficiency and net profit by 20/9% as we incorporated lower interest rate and one off gain from net income of associates. Overall, we like BSDE's strong fundamentals and its operating efficiency that promises for better profitability, and maintain BUY on BSDE with new TP of Rp2,300 and 55% discount rate (vs. 60% previously), implying 18x P/E FY17F. At current price, company is trading 66% discount to our estimated RNAV.

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,841	0.2%	8.9%	10.3%
LQ45	974	0.0%	5.2%	10.1%
DJI	21,891	0.3%	18.9%	10.8%
SET	1,576	-0.3%	4.2%	2.1%
HSI	27,324	1.3%	23.5%	24.2%
NKY	19,925	-0.2%	19.8%	4.4%
FTSE	7,372	0.0%	10.1%	3.2%
FSSTI	3,330	0.0%	15.1%	15.6%
EIDO	27	0.3%	2.0%	11.4%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	50.2	0.9%	20.6%
CPO/tonne	625.4	0.8%	15.5%
Soy/bushel	9.7	-0.7%	-5.6%
Rubber/kg	1.8	-3.1%	-8.1%
Nickel/tonne	10,169	0.1%	-4.0%
Tins/tonne	20,795	0.3%	16.6%
Copper/tonne	6,336	0.6%	28.9%
Gold/try.oz (Spot)	1,269	0.0%	-6.2%
Coal/tonne	93.2	8.4%	52.4%
Corn/bushel	3.4	-1.2%	5.9%
Wheat/bushel*	146.5	5.8%	-7.0%

\*: 1 month change

Source : Bloomberg

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	6,210	6,522	7,480	7,769	8,000
EBITDA (RpBn)	3,018	2,965	3,561	3,666	3,818
EBITDA Growth (%)	10.9	(1.7)	20.1	3.0	4.2
Net Profit (RpBn)	2,139	1,796	2,727	2,691	2,793
EPS (Rp)	111	93	142	140	145
EPS Growth (%)	(44.0)	(16.0)	51.8	(1.3)	3.8
Net Gearing (%)	8.2	16.1	1.9	(0.6)	(2.5)
PER (x)	15.7	18.8	12.4	12.5	12.1
PBV (x)	1.5	1.4	1.2	1.0	0.9
Dividend Yield (%)	0.3	0.9	0.5	1.6	1.6
EV/EBITDA (x)	11.8	12.7	9.6	9.1	8.6

Source : BSDE, IndoPremier

Share Price Closing as of : 28-July-2017

## News & Analysis

### Corporates

**ADHI:** Adhi Karya (ADHI IJ; Rp 2,220; Buy) aims for more new projects in order to achieve its FY17 revenue target of Rp1.1tn this year. Company is now selling LRT City Eastern Green Bekasi and will launch another TOD (Transit oriented development) projects, namely: LRT city royal sentul park, LRT city gateway park Jaticepaka and LRT city Urban signature Ciracas. (Bisnis Indonesia)

*Comment: The successful launch of TOD is crucial for ADHI in order to help earnings visibility from LRT project. Maintain BUY at TP of Rp2,700*

**BSDE:** Bumi Serpong Damai (BSDE IJ; Rp 1,790; Buy) reported net profit of Rp2tn (+143% yoy) in 1H17. Net margin improved to 47.7% (vs. 28.7% in 1H16) due to decline in net other expenses (-67% yoy) and jump from share in net income of associates and JV, as a result from non cash flow gain on bargain purchase PT Kerawang Bukit Golf and increasing stake on PT Plaza Indonesia. Revenue grew 47% yoy in 1H17 driven by property sales (+58% yoy) as company able to recognize more backlog. Gross margin was relatively flat, but operating margin improved to 46.3% (vs. 44.5% in 1H16) from operating efficiency. (Company)

*Comment: 1H17 was above ours and consensus estimates. We increased BSDE earnings by 20/9% FY17/18F to reflect lower interest expense and one off gain on net income of associates. We increased our TP to Rp2,300 from Rp2,100. Reiterate BUY.*

**INTP:** Indocement (INTP IJ; Rp17,500; Buy) announced its 1H17 result which was below expectation due to weak operational result. The result highlights are as follows:

- Net income fell -46.3% yoy in 1H17 but improved +31.2% qoq in 2Q17, although this improvement was attribute by tax benefit rather than operational improvement
- Total sales fell -15.5% yoy in 1H17 and -6.2% qoq in 2Q17 as cement volume decreased -6.1% yoy in 1H17 and -3.2% qoq in 2Q17. ASP remained weak as competition was stiff.
- Weak pricing and volume resulted in lower EBITDA margin of 21.8% in 1H17 (vs 31.5% in 1H16) and 20.6% in 2Q17 vs 22.8% in 1Q17.
- We do not see any immediate turnaround as oversupply remains and property demand is still weak. We maintain our Hold recommendation as company's fundamental remain intact but facing industry challenges.

	1H17	1H16	%	2Q17	1Q17	%	FY17	%
<b>Turnover</b>	6,544	7,742	-15.5	3,167	3,376	-6.2	14,763	44.3
Gross Profit	2,241	3,235	-30.7	1,077	1,164	-7.4	5,300	42.3
Operating Profit	889	1,951	-54.5	390	499	-21.8	2,468	36
<b>EBITDA</b>	1,424	2,438	-41.6	653	771	-15.3	3,634	39.2
Net interest	238	267	-10.8	117	121	-3	448	53.1
Forex	-	-	nm	-	-	nm	-	nm
Others	10	29	-64.5	7	3	121	17	nm
<b>Pretax</b>	1,137	2,247	-49.4	514	623	-17.4	2,940	38.7
Taxation	0	(130)	-99.8	131	(131)	-200	(735)	0
<b>Net Profit</b>	1,137	2,117	-46.3	645	492	31.2	2,203	51.6
<b>EBITDA margin</b>	21.8%	31.5%		20.6%	22.8%		24.6%	

*Source: Company*

**LPPF:** PT Matahari Dept Store (LPPF IJ; Rp12,675; Buy) reported net profit of Rp1,3tn in 1H17 (+16% yoy), slightly above our forecast/consensus estimate, on the back of slower opex growth in the quarter. On quarterly basis, 2Q17 net profit increased by 20% yoy, on the back of growing sales (+110% qoq, +17% yoy). Operating margin improved to 35% (34%). SSSG reported at 8% in 1H17.

*Comment: We are quite concern with slow SSSG in 2Q17 that signals weak outlook. However, we are positive with the current good 2Q achievement, given the margin expansion from contained opex growth. At this stage, we maintain Buy for LPPF.*

**MAPI:** Mitra Adiperkasa (MAPI IJ; Rp6,300; Buy) booked net profit of Rp175bn in 1H17 (+278% yoy), inline with our forecast/consensus, on the back of better sales growth. On quarterly basis, 2Q17 net profit increased by +99% qoq/+276% yoy. Sales growth improves (+13% qoq, +17% yoy), which brings gross margin up to 49% (2Q16: 44%). Operating margin surged to 9%.

*Comment: We are positive with MAPI's strong achievement in 2Q17. At this stage, we are reviewing our rating for MAPI. Mostly, food & beverage division propels MAPI's revenue.*

**MPPA:** Matahari Putra Prima (MPPA IJ; Rp640; Hold) reported net loss of Rp170bn in 1H17 (1H16: net loss of Rp21bn), below our forecast/consensus estimate, on the back of depressed sales and high cost structure. On quarterly basis, MPPA booked net profit at Rp7bn (-104% qoq/-92% yoy). Tepid sales growth in 2Q (+17% qoq, -5% yoy), brought gross margin down to 16% (2Q16: 19%). Thus, net margin stood at marginal 0.2% in 2Q17 (2Q16: 2.2%).

*Comment: We are negative with MPPA's poor result in 2Q17. We are reviewing our rating for MPPA as continuing open up new big store format (Hypermart & SmartClub) is costly in our view.*

**SSIA:** Surya Semesta Internusa (SSIA IJ; Rp685; Not Rated) reported an earnings of Rp1,2tn (vs. Rp91bn in 1H16) in 1H17, above consensus estimate of Rp578bn in FY17, on the back of one-off income from Cipali toll road divestment gain amounting Rp1.7tn. However, revenue has decelerate at 25% yoy, resulted in lower gross and operating margin to 27% and 5% from 29% and 14% respectively in 1H16. Note, excluding the divestment of Cipali, the company's core profit stands at loss Rp91bn. (Company)

**TOPS:** Total Bangun Persada (TOPS IJ; Rp1,280; Not Rated) acquired a new contract from its repeat customer, Agung Sedayu Group worth Rp440bn for the construction of middle-class apartment in Kelapa Gading. As of July, TOPS total new contract has reached Rp2tn, which is 67% of their FY17 target of Rp 3tn. Government project contribute 52% of their total new contract, while the remaining 48% comes from private project. (Bisnis, Investor Daily)

**Head Office****PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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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

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