

Summarecon Agung (SMRA IJ)

17 April 2017

Company Update

BUY (Sell)

Stock Data

Target price (Rp)	Rp1,810
Prior TP (Rp)	Rp1,500
Shareprice (Rp)	Rp1,385
Upside/downside (%)	+30.7
Sharesoutstanding (m)	14,426
Marketcap. (US\$ m)	1,505
Free float (%)	24.9
Avg. 6m dailyT/O (US\$ m)	1.9

Price Performance

	3M	6M	12M
Absolute (%)	3.7	-22.2	-15.3
Relative to JCI (%)	-3.3	-26.7	-30.9
52w high/low (Rp)	1,385 - 1,235		



Major Shareholders

Semarop Agung	25.4%
Sinarmegah Jayasentosa	6.6%
Public	24.9%

Estimate Change; Vs. Consensus

	2017F	2018F
Latest EPS (Rp)	24	48
Vs. Prior EPS (%)	(27.1)	6.4
Vs. Consensus (%)	(23.9)	(0.2)

Source: Bloomberg

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Tell-tale sign of recovery

- **Property pre-sales recovery to Rp224bn in March (1Q17: +12% yoy)**
- **Strong interest for launch of shop houses projects in Bandung**
- **No changes in customer payment profile**
- **Upgrade to Buy Rp1,810 from Sell Rp1,500**

Property pre-sales recovery to Rp224bn in March (1Q17: +12% yoy). A tell-tale sign of recovery was detected by Summarecon Agung (SMRA) which booked a strong pre sales of Rp224bn in March alone, a big jump from February of Rp67bn only. The outstanding pick up were mostly contributed by regular sales from Springlake apartment in Bekasi, landed houses on existing projects in Serpong as well as new office launch. Hence, this brought 1Q17 marketing sales to Rp450bn (+12% yoy) that represents 10% of FY17 target, in-line with SMRA's four years historical performance. We believe the uptick indicates early sign of recovery, particularly in landed houses in Serpong which also shown by its neighbor and Bekasi sales, after having sharp decline last year. Note that 55% SMRA's products are strategically priced around Rp1-2bn which is notably acceptable by market currently.

Strong interest for launch of shop houses projects in Bandung. This month, company will launch Magna shop houses in Bandung and has received 150 bookings out of 108 unit offered. The exceptional demand is expected to bring Rp216bn of presales and to achieve 15% of FY17F target if all sold out. Overall, we have upgraded our pre sales assumption to Rp4.2tn FY17F (vs. Rp3.7tn previously), slightly below company's guidance of Rp4.5tn as we believe strong monthly pre sales and early demand from future launches indicates returning property demand. We forecast Serpong to contribute 40% of FY17 pre sales, followed by Bandung (28%) and Bekasi (12%).

No changes in customer payment profile. Despite improvement in sales, 1Q17 payment profile remains the same with 75% of buyers choosing four years cash installment, 15% of mortgage and 10% of hard cash. Given low mortgage on its payment profile, we believe SMRA will benefit from lower LTV thus reliving company of heavy working capital and healthier profitability, respectively.

Upgrade to Buy at new TP of Rp1,810. We cut FY17 earnings by 27% due to weak historical pre sales and interest expense, but raised our FY18 earnings estimate by 6% and lower our discount rate to 60% (vs 65%) on the back of recovery of marketing sales in FY17. We upgraded our call from Sell at Rp1,500 to Buy at Rp1,810 and expect earnings to grow 38% p.a for next three years. Further upside to our call may come from stronger than expected presales and refinancing that could lead to lower interest rate.

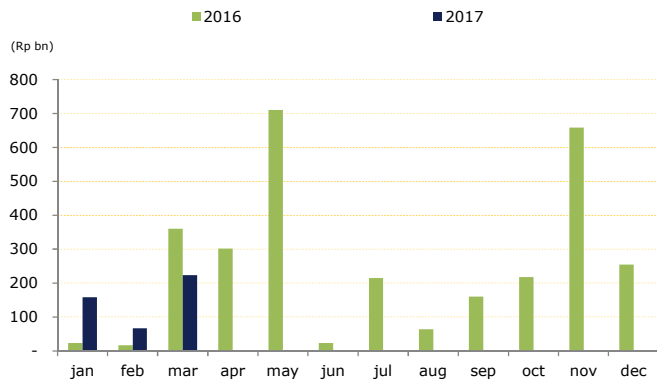
Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	5,624	5,398	5,819	7,488	8,192
EBITDA (RpBn)	1,615	1,313	1,367	2,045	2,277
EBITDA Growth (%)	(16.6)	(18.7)	4.1	49.7	11.3
Net Profit (RpBn)	855	312	340	689	825
EPS (Rp)	59	22	24	48	57
EPS Growth (%)	(38.3)	(63.6)	9.2	102.5	19.7
Net Gearing (%)	66.0	65.6	86.4	58.9	51.0
PER (x)	23.2	63.6	58.3	28.8	24.0
PBV (x)	2.6	2.4	2.2	2.0	1.8
Dividend Yield (%)	1.5	0.4	0.1	0.1	0.3
EV/EBITDA (x)	15.4	19.3	20.2	12.6	11.3

Source : SMRA, IndoPremier

Share Price Closing as of : 12-April-2017

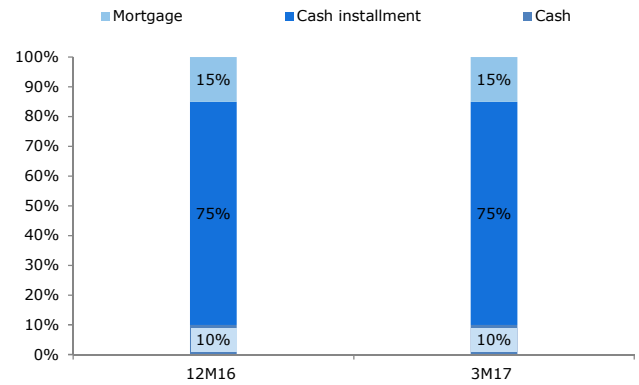
SMRA Company Update

Fig. 1: Monthly SMRA's marketing sales



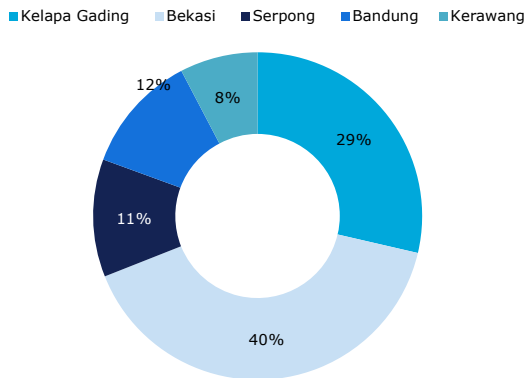
Source: Company, Indo Premier

Fig. 2: Payment profile as of 1Q17



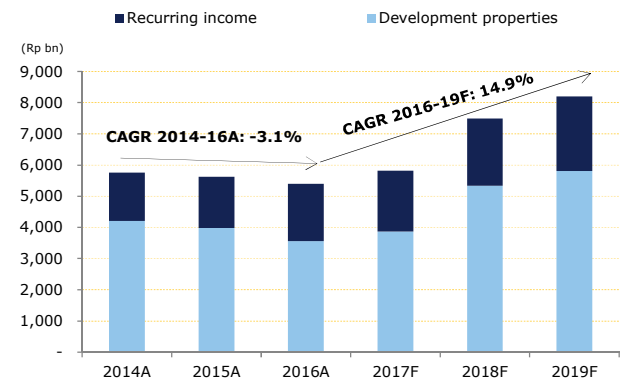
Source: Company, Indo Premier

Fig. 3: FY marketing sales forecast by project



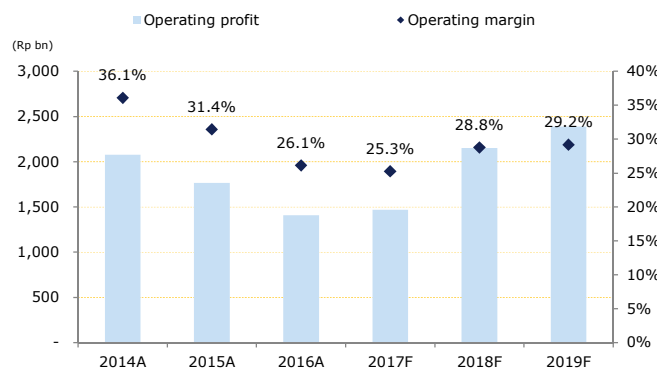
Source: Company, Indo Premier

Fig. 4: pre sales recovery in FY17 to positively impact 2018-19 revenue



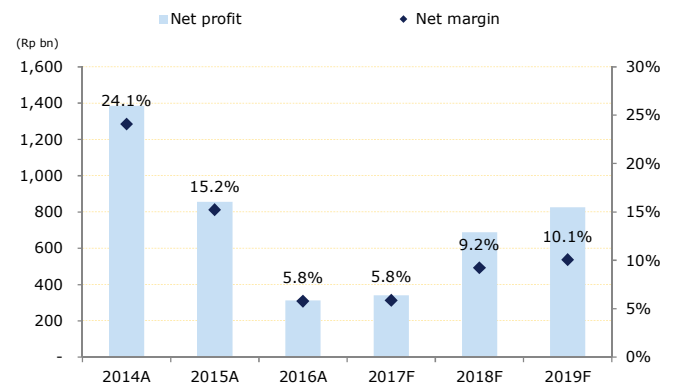
Source: Company, Indo Premier

Fig. 5: Operating profit to grow 15.8% CAGR 2016-19F



Source: Company, Indo Premier

Fig. 6: Net profit to grow 19.2% CAGR 2016-19F



Source: Company, Indo Premier

SMRA Company Update

Fig 7. Changes in earnings forecast

Year to dec 31 (Rp bn)	(Old)		(New)		Change	
	2017F	2018F	2017F	2018F	2017F	2018F
Revenue	6072	6991	5,819	7,488	-4.2%	7.1%
Gross profit	2894	3356	2,766	3,653	-4.4%	8.8%
Operating profit	1546	1817	1,470	2,154	-4.9%	18.6%
Net income	467	648	340	689	-27.1%	6.4%
Margins						
Gross margin	47.7%	48.0%	47.5%	48.8%		
Operating margin	25.5%	26.0%	25.3%	28.8%		
Net margin	7.7%	9.3%	5.8%	9.2%		

Source: Company, Indo Premier

Fig 8. SMRA's RNAV

	Lettable area	Utilization rate	Ownership	Value (Rp bn)
Summarecon Kelapa Gading	8	70%	100%	1,330
Summarecon Serpong:				
SSP - own land	298	100%	100%	33,972
SSP - JO with PT JBC	138	70%	29%	450
SSP - JO with the springs	42	55%	45%	216
Summarecon Bekasi:				
SBK - own land	121	100%	100%	11,495
SBK - JV with PT DSA	268	51%	84%	2,145
Summarecon Bandung	334	60%	100%	10,471
Summarecon Bali	20	60%	100%	262
Summarecon Bogor	415	100%	100%	1,104
Summarecon Makassar:				
Owned	149	100%	100%	566
Land under PT SMC	186	100%	51%	360
Summarecon Kerawang	32	100%	100%	365
Other properties and inventories	32	100%	100%	356
Sub total				63,092
Discount rate				60%
NAV after discount				25,237
Recurring income				10,467
Development prop				2,331
Total value				38,036
Add: cash				1,154
Less: debt and advance payment				(13,151)
NAV				26,038
Num of share				14
Target price				1,810
Current price				1,375
Upside potential				31%

Source: Company, Indo Premier

SMRA Company Update

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
Income Statement					
Net Revenue	5,624	5,398	5,819	7,488	8,192
Cost of Sales	(2,717)	(2,800)	(3,054)	(3,835)	(4,156)
Gross Profit	2,907	2,598	2,766	3,653	4,036
SG&A Expenses	(1,139)	(1,189)	(1,296)	(1,499)	(1,646)
Operating Profit	1,768	1,409	1,470	2,154	2,390
Net Interest	(409)	(532)	(523)	(491)	(439)
Forex Gain (Loss)	0	0	0	0	0
Others-Net	24	1	11	16	25
Pre-Tax Income	1,382	878	958	1,680	1,976
Income Tax	(318)	(272)	(297)	(341)	(374)
Minorities	(209)	(293)	(320)	(649)	(777)
Net Income	855	312	340	689	825
Balance Sheet					
Cash & Equivalent	1,504	2,076	1,154	2,359	1,687
Receivable	152	548	259	212	133
Inventory	4,925	5,531	7,193	9,203	11,791
Other Current Assets	709	543	651	839	896
Total Current Assets	7,290	8,699	9,257	12,614	14,507
Fixed Assets - Net	10,470	11,096	12,823	11,279	9,541
Goodwill	0	0	0	0	0
Non Current Assets	983	966	1,241	1,628	2,139
Total Assets	18,758	20,771	23,333	25,535	26,202
ST Loans	809	1,041	1,541	1,541	2,041
Payable	63	369	0	411	135
Other Payables	3,218	2,446	2,639	3,341	3,633
Current Portion of LT Loans	175	362	1,112	1,612	862
Total Current Liab.	4,264	4,217	5,675	6,905	6,671
Long Term Loans	5,493	6,028	6,181	5,069	4,458
Other LT Liab.	1,471	2,399	2,592	3,609	3,949
Total Liabilities	11,228	12,645	14,448	15,583	15,078
Equity	1,467	1,467	1,467	1,467	1,467
Retained Earnings	4,545	4,776	5,090	5,750	6,518
Minority Interest	1,517	1,923	2,328	2,734	3,140
Total SHE + Minority Int.	7,530	8,166	8,885	9,952	11,124
Total Liabilities & Equity	18,758	20,810	23,333	25,535	26,202

Source : SMRA,IndoPremier

SMRA Company Update

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	1,064	605	661	1,338	1,602
Depr. & Amortization	222	266	290	315	339
Changes in Working Capital	(454)	(726)	(1,286)	(1,548)	(2,603)
Others	(1,141)	(803)	(445)	(175)	(188)
Cash Flow From Operating	(309)	(658)	(779)	(70)	(850)
Capital Expenditure	(1,671)	(875)	(2,293)	843	888
Others	74	101	129	131	130
Cash Flow From Investing	(1,597)	(774)	(2,164)	974	1,018
Loans	1,912	954	1,402	(612)	(862)
Equity	0	0	0	0	0
Dividends	(289)	(72)	(26)	(29)	(58)
Others	(202)	699	(53)	800	177
Cash Flow From Financing	1,422	1,581	1,324	160	(743)
Changes in Cash	(485)	149	(1,620)	1,063	(575)
Financial Ratios					
Gross Margin (%)	51.7	48.1	47.5	48.8	49.3
Operating Margin (%)	31.4	26.1	25.3	28.8	29.2
Pre-Tax Margin (%)	24.6	16.3	16.5	22.4	24.1
Net Margin (%)	15.2	5.8	5.8	9.2	10.1
ROA (%)	4.9	1.6	1.5	2.8	3.2
ROE (%)	12.3	4.0	4.0	7.3	7.8
ROIC (%)	8.3	3.2	3.2	5.3	6.2
Acct. Receivables TO (days)	7.2	23.2	24.8	11.0	7.2
Acct. Receivables - Other TO (days)	0.5	0.5	0.6	0.5	0.5
Inventory TO (days)	0.7	0.5	0.5	0.5	0.4
Payable TO (days)	9.0	28.1	45.0	37.8	24.0
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	86.0	91.0	99.4	82.6	66.2
Interest Coverage Ratio (x)	0.3	0.4	0.4	0.3	0.2
Net Gearing (%)	66.0	65.6	86.4	58.9	51.0

Source : SMRA,IndoPremier

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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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