

Tuesday, 13 February 2018

BUY
Maintain

Last price (IDR)	1,760
Target Price (IDR)	2,000
Upside/Downside	+13.6%
Previous Target Price (IDR)	2,000

Stock Statistics

Sector	Property
Bloomberg Ticker	BSDE JJ
No of Shrs (mn)	19,247
Mkt. Cap (IDRbn/USDmn)	33,874/2,484
Avg. daily T/O (IDRbn/USDmn)	25.8/1.9

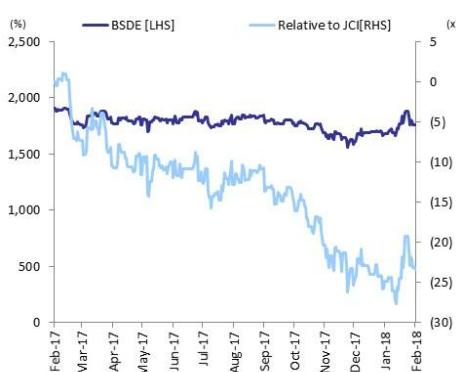
Major shareholders (%)

Paraga Artamida	26.6
Ekacentra Usahamaja	25.0
Estimated free float	39.0

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	203.5	146.1	85.8
Consensus	154.3	149.3	151.8
Danareksa/Cons	31.9	(2.2)	(43.5)

BSDE relative to JCI Index



Source : Bloomberg



Antonia Febe Hartono, CFA
(62-21) 2955 5888 ext.3504
antonia.hartono@danareksa.com



Natalia Sutanto
(62-21) 2955 5888 ext.3508
natalia.sutanto@danareksa.com

Bumi Serpong Damai (BSDE JJ)

Indications of a strong first quarter

We reiterate our BUY call on BSDE with target price of IDR2,000. We believe upside for BSDE to remain considering expectation of encouraging marketing sales up to 1Q18 that is expected to reach IDR1.6tn, equivalent to 22.2% of the targeted marketing sales this year (IDR7.2tn, -0.5%yoy compared to achievement in 2017), thanks to commercial land plot sales as well as strong proceed from three products launching in January and February 2018. At the moment, BSDE is trading at 71.4% discount to our NAV, higher than its historical +1SD discount of 70.0%.

Aims for IDR7.2tn marketing sales. This year, BSDE aims to record marketing sales of IDR7.2tn, which still will be mainly contributed from the residential land sales in BSD City (26.4%), commercial land plot sales in BSD City (25.0%). Should we exclude the commercial land plot sales transaction in 2017, land sales to JV in 2017 as well as targeted commercial land plot sales in 2018, we notice that BSDE aims for 64.4%yoy marketing sales growth. To achieve this target, the company includes marketing sales target from new project launchings, including (i) The Zora (landed residential project, JV with Mitsubishi) amounted to IDR200bn, (ii) Klaska apartment in Surabaya worth IDR400bn, and (iii) Southgate apartment worth IDR500bn. The management's marketing sales target was inline with ours of IDR7.2tn.

Expecting a stellar marketing sales achievement in 1Q18. The company indicates that it will record strong marketing sales performance in 1Q18 of at least IDR1.6tn, flat on yoy basis. This performance accounts for 22.2% of the management's and our marketing sales target. The strong performance will be mainly contributed from (i) launching of The Zora in end January 2018 (84 units available for sale, 32.1% take up rate, price ticket of IDR3.8-7.1bn/unit, total proceed of IDR120bn), (ii) launching of Jadeite cluster in early Feb 2018 (67 units available for sale, 89.6% take up rate, price ticket of IDR4.2-11.7bn/unit, and total proceed of IDR280bn), (iii) launching of Klaska apartment in early Feb 2018 (1,043 units available for sale, 76.7% take up rate, price ticket of IDR470-2,395mn/unit, total proceed of IDR400bn), (iv) marketing sales recognition from Southgate launching in November 2017 (300 units available, 43.3% take up rate, price ticket of IDR1.5-3.9bn/unit, total proceed of IDR200bn), (v) commercial land plot sales of IDR600bn.

Reiterate our BUY call. We reiterate our BUY call on BSDE with unchanged target price of IDR2,000 (SOTP based valuation with WACC of 13.3%, terminal growth of 4.0%, and 68% target discount to NAV). Our target discount to NAV was nears to the historical +1SD discount to NAV of 70%. At the moment, BSDE is trading at 71.4% discount to our NAV. We believe the upside remains considering expected stellar marketing sales achievement in 1Q18.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	6,210	6,522	9,418	7,844	6,170
EBITDA (IDRbn)	3,103	3,060	5,238	4,026	2,802
EBITDA Growth (%)	11.1	(1.4)	71.2	(23.1)	(30.4)
Net profit (IDRbn)	2,139	1,796	3,916	2,812	1,651
EPS (IDR)	111.2	93.3	203.5	146.1	85.8
EPS growth (%)	(46.5)	(16.0)	118.0	(28.2)	(41.3)
BVPS (IDR)	979.4	1,069.3	1,263.3	1,388.7	1,459.6
DPS (IDR)	19.9	11.3	9.5	20.7	14.8
PER (x)	14.6	17.4	8.0	11.1	18.9
PBV (x)	1.7	1.5	1.3	1.2	1.1
Dividend yield (%)	1.2	0.7	0.6	1.3	0.9
EV/EBITDA (x)	10.7	11.6	6.6	8.9	12.9

Source : BSDE, Danareksa Estimates

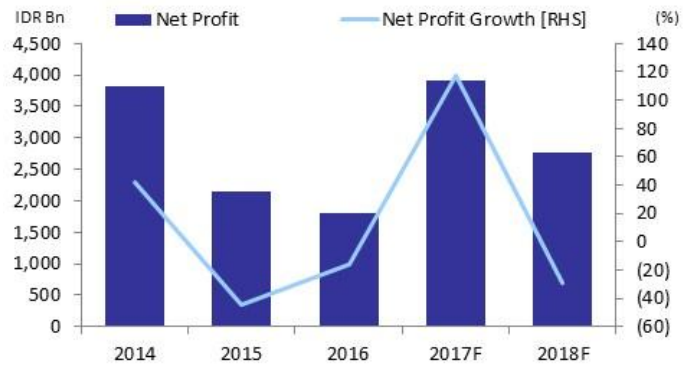
see important disclosure at the back of this report

Exhibit 1. REVENUE AND GROWTH



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. NET PROFIT AND GROWTH



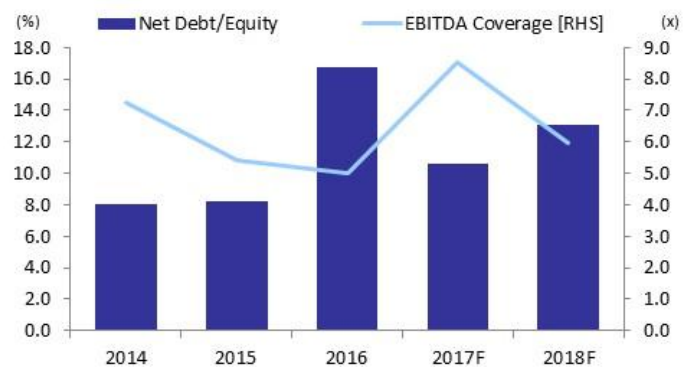
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. MARGIN



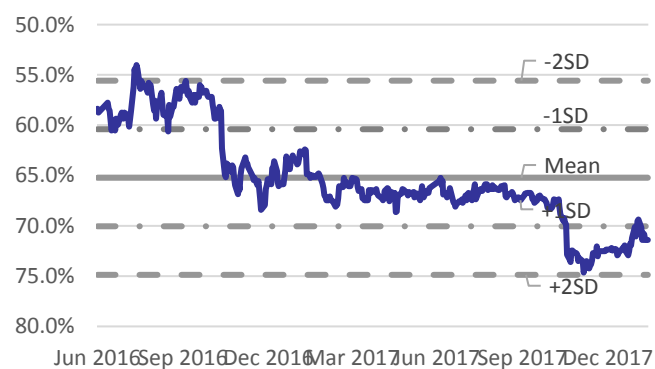
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. GEARING LEVEL



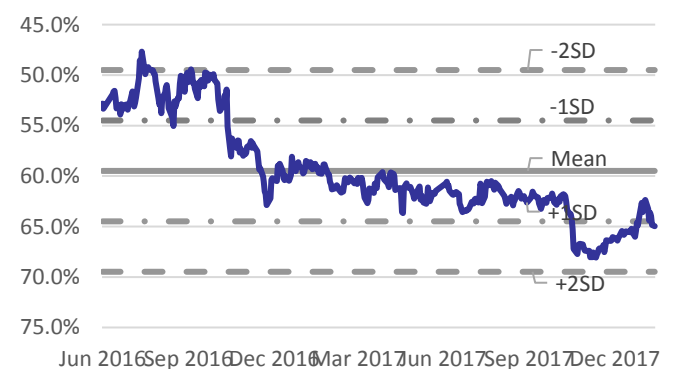
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. BSDE's historical discount to NAV



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Property's sector historical discount to NAV



Source: Company, Danareksa Sekuritas estimates

Another office transaction in January 2018

BSDE also announced that it recently just completed the acquisition of partial floors (13 stories from 47 stories available) in the Bakrie Office tower that located in Epicentrum area from Casa Prima Properti (affiliated company of Bakrie Group). Total NLA of the office tower acquired reached 17,000sqm. The transaction value reached IDR500bn that implied for the acquisition price of IDR29mn/sqm (before VAT). Payment for the transaction has been fully conducted in 4Q17.

#1. Pricing wise was below market value

Pricing wise, we believe that BSDE was acquired the office tower at below the market value. Based on the Colliers report, the asking prices for the office tower

in the CBD area ranges from IDR30-100mn/sqm, with the average price was close to IDR60mn/sqm. Thus, the implied acquisition price of IDR29mn/sqm was below the market price.

#2. A need to improve occupancy rate

At the moment, the occupancy rate for the office area acquired only reached 23%. With average rental rate of IDR300,000/sqm/month, we estimate that the current rental rate of the office area acquired reached 2.8%. The company aims that it expects the occupancy rate of this office space to 80% by 2019. Nonetheless, with the current oversupply in the office market, we only conservatively assume an 10% improvement in the occupancy rate per annum.

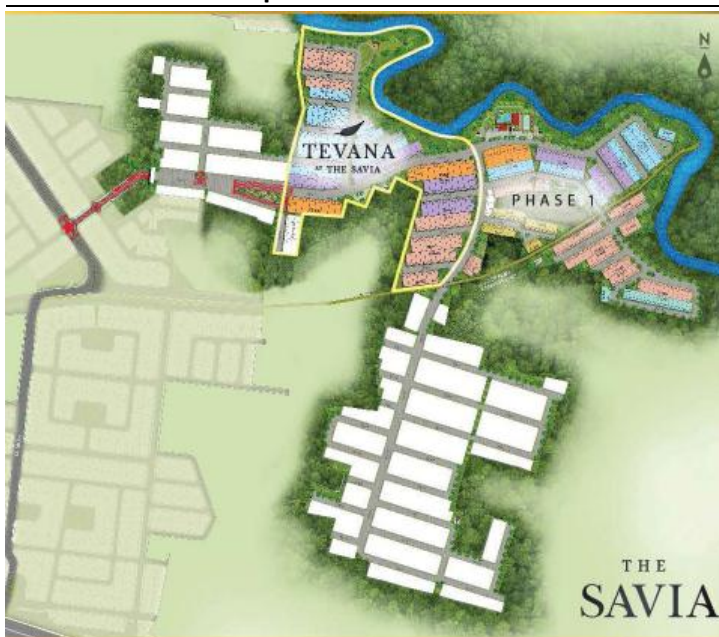
#3. Minimal impact to net profit and NAV

We estimate that this transaction will only result on 0.4% compression in the net profit (despite we expect the revenue to improve by 0.2%, the higher depreciation cost will offset the higher revenue recognized). In term of NAV, we only estimate that the transaction will result on 0.3% compression considering the cash outflow, will be higher than the DCF value of the office tower considering the low occupancy rate.

Project launching under pipeline

After encouraging three product launchings conducted in January and February 2018, BSDE plans to launch an affordable landed residential project named Tevana, The Savia in 11 March 2018 in BSD Phase 1. The company will offer 189 units available for sale with price ticket to range from IDR1.3-1.8bn/unit (with building cost of IDR7mn/sqm, the implied land price of IDR8.8mn/sqm – after VAT).

Exhibit 7. Tevana map



Source: Company

Should we compare the implied land price of Tevana to Savia phase 1 (launching in October 2017, 192 units available for sale, 46.9% take up rate, price ticket of IDR1.1-1.7bn/unit), we note that BSDE has increased its lowest land price by 5.6%.

Assuming similar take-up rate for Tevana launching to The Savia launching, we estimate that the launching will result on additional marketing sales of IDR130bn.

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	6,210	6,522	9,418	7,844	6,170
COGS	(1,572)	(1,840)	(2,551)	(2,167)	(1,657)
Gross profit	4,638	4,681	6,867	5,677	4,513
EBITDA	3,103	3,060	5,238	4,026	2,802
Oper. profit	2,901	2,835	4,902	3,675	2,542
Interest income	251	222	143	203	146
Interest expense	(575)	(613)	(613)	(657)	(772)
Forex Gain/(Loss)	139	(116)	39	11	0
Income From Assoc. Co's	48	241	80	105	136
Other Income (Expenses)	(48)	(145)	0	0	0
Pre-tax profit	2,715	2,425	4,551	3,337	2,052
Income tax	(364)	(387)	(336)	(310)	(275)
Minority interest	(212)	(241)	(300)	(215)	(126)
Net profit	2,139	1,796	3,916	2,812	1,651
Core Net Profit	2,001	1,913	3,877	2,800	1,651

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	6,109	3,569	5,070	3,658	3,539
Receivables	166	417	607	506	398
Inventory	6,548	7,441	8,423	9,356	10,243
Other Curr. Asset	3,283	4,302	3,321	3,211	3,896
Fixed assets - Net	803	823	1,014	481	716
Other non-curr.asset	18,429	21,127	25,391	28,322	30,036
Total asset	36,022	38,292	44,869	46,575	49,869
ST Debt	2,055	1,121	2,300	1,390	2,261
Payables	317	261	724	764	947
Other Curr. Liabilities	3,774	4,184	5,129	4,900	5,914
Long Term Debt	5,869	6,527	6,223	6,635	6,024
Other LT. Liabilities	1,910	1,846	2,406	2,387	2,857
Total Liabilities	13,925	13,939	16,783	16,075	18,004
Shareholder's Funds	18,850	20,581	24,314	26,728	28,093
Minority interests	3,247	3,772	3,772	3,772	3,772
Total Equity & Liabilities	36,022	38,292	44,869	46,575	49,869

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	2,139	1,796	3,916	2,812	1,651
Depreciation and Amort.	196	225	336	351	260
Change in Working Capital	(2,171)	(1,723)	1,196	(911)	(266)
Other Oper. Cash Flow	(259)	414	710	425	824
Operating Cash Flow	(94)	712	6,158	2,677	2,468
Capex	(955)	(969)	(2,340)	(1,137)	(824)
Others Inv. Cash Flow	(364)	(1,736)	(2,417)	(1,424)	(994)
Investing Cash Flow	(1,319)	(2,705)	(4,757)	(2,561)	(1,818)
Net change in debt	3,493	(381)	1,104	(453)	264
New Capital	0	0	0	0	0
Dividend payment	(383)	(217)	(182)	(398)	(285)
Other Fin. Cash Flow	1,591	50	(822)	(678)	(747)
Financing Cash Flow	4,701	(548)	99	(1,529)	(769)
Net Change in Cash	3,289	(2,540)	1,501	(1,412)	(119)
Cash - begin of the year	2,820	6,109	3,569	5,070	3,658
Cash - end of the year	6,109	3,569	5,070	3,658	3,539

Exhibit 11. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	10.6	5.0	44.4	(16.7)	(21.3)
EBITDA	11.1	(1.4)	71.2	(23.1)	(30.4)
Operating profit	8.9	(2.2)	72.9	(25.0)	(30.8)
Net profit	(44.0)	(16.0)	118.0	(28.2)	(41.3)
Profitability (%)					
Gross margin	74.7	71.8	72.9	72.4	73.1
EBITDA margin	50.0	46.9	55.6	51.3	45.4
Operating margin	46.7	43.5	52.1	46.8	41.2
Net margin	34.5	27.5	41.6	35.8	26.8
ROAA	6.7	4.8	9.4	6.1	3.4
ROAE	12.5	9.1	17.4	11.0	6.0
Leverage					
Net Gearing (x)	0.1	0.2	0.1	0.1	0.1
Interest Coverage (x)	5.0	4.6	8.0	5.6	3.3

Source : BSDE, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.