

Friday, 08 June 2018

**BUY**  
**Maintain**

Last price (IDR)	1,750
Target Price (IDR)	1,930
Upside/Downside	+10.3%
Previous Target Price (IDR)	2,000

**Stock Statistics**

Sector	Property
Bloomberg Ticker	BSDE IJ
No of Shrs (mn)	19,247
Mkt. Cap (IDRbn/USDmn)	33,682/2,428
Avg. daily T/O (IDRbn/USDmn)	29.3/2.1

**Major shareholders (%)**

Paraga Artamida	26.6
Ekacentra Usahamaju	25.0
Estimated free float	39.0

**EPS Consensus (IDR)**

	2018F	2019F	2020F
Danareksa	147.7	110.4	123.6
Consensus	155.3	161.7	158.8
Danareksa/Cons	(4.9)	(31.7)	(22.2)

**BSDE relative to JCI Index**



Source : Bloomberg



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# Bumi Serpong Damai (BSDE IJ)

**Right on Track**

**We believe that BSDE will record indicative marketing sales of ~Rp3.5tn in 1H18, largely in-line. In 2H18, the marketing sales will mostly come from residential launchings and potentially Rp1.8tn of land plot sales. We like BSDE for its huge landbank, providing operational flexibility & sustainability, and good stock liquidity. Maintain BUY with a lower TP of Rp1,930.**

**1H18 marketing sales should be in-line.** We expect BSDE's 1H18 marketing sales to be in-line with its FY18 target of Rp7.2tn, underpinned by the strong 1Q18 marketing sales of Rp2.5tn. For 2Q18, the company has provided guidance for marketing sales of Rp1.0tn, primarily from the sale of existing products (high-rise: Klaska, Southgate and Casa De Parco) and residential property, culminating in expected 1H18 marketing sales of ~Rp3.5tn (49% of the FY18 target). In 2Q18, BSDE only launched the cluster Zeva @ The Savia on 3 Jun 18. According to our checks, from a total of 82 units on sale (with prices ranging from Rp1.4-1.6bn/unit), 52 units have been sold (63% take-up rate), implying marketing sales of around Rp73bn.

**The 2H18 marketing sales will mostly come from land plot and residential sales.** In 2H18, we expect more land plot sales and residential launchings to contribute towards the 2H18 marketing sales. The company indicated another Rp1.8tn of land plot marketing sales in 2Q18 and 2H18. Land plot sales typically range from between 0.3-17Ha, but BSDE will focus on selling smaller plots. The remaining portion of marketing sales will come from new residential launchings in BSD City and from existing high-rise projects.

**FY18 revenues guidance of Rp8.4tn; boosting its recurring income.** For FY18, BSDE has provided guidance for revenues of Rp8.4tn vs. ours Rp7.9tn (FY17 revenues reached Rp10.3tn). The lower expected FY18 revenues reflects the expectation of lower revenues recognition from land plot sales in FY18. Land plot sales revenues reached 44% of BSDE's FY17 revenues of Rp10.3tn. Overall, we expect the development revenues to fall by 29% YoY to Rp6.3tn, with the recurring income to grow by 13%YoY to Rp1.6tn, mainly bolstered by: 4% higher rental rates, the higher occupancy of BSDE office towers and additional revenues streams (~Rp130bn) from the newly acquired MSIG and Bakrie office Towers. As of Mar 18, BSDE's net gearing was 21.5%.

**Maintain BUY with a lower TP of Rp1,930.** We maintain our BUY call on BSDE with a lower TP of Rp1,930 (reduced from Rp2,000), based on a higher discount to NAV of 69% (from 68%) to account for higher interest rates. BSDE currently trades at a 73% discount to NAV vs. the sector's 70%. We like BSDE for its huge landbank, providing operational flexibility and long-term sustainability, as well as its good stock liquidity. BSDE has total landbank of 4,740 Ha as of Dec 17.

**Key Financials**

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	6,603	10,347	7,904	6,965	7,502
EBITDA (IDRbn)	3,035	5,783	3,912	3,248	3,584
EBITDA Growth (%)	(2.2)	90.5	(32.4)	(17.0)	10.3
Net profit (IDRbn)	1,796	4,920	2,842	2,126	2,379
EPS (IDR)	93.3	255.6	147.7	110.4	123.6
EPS growth (%)	(16.0)	173.9	(42.2)	(25.2)	11.9
BVPS (IDR)	1,072.4	1,316.7	1,450.6	1,553.2	1,670.9
DPS (IDR)	5.0	5.0	13.7	7.9	5.9
PER (x)	17.4	6.4	11.0	14.7	13.1
PBV (x)	1.5	1.2	1.1	1.0	1.0
Dividend yield (%)	0.3	0.3	0.8	0.5	0.4
EV/EBITDA (x)	11.6	6.0	8.5	10.1	9.1

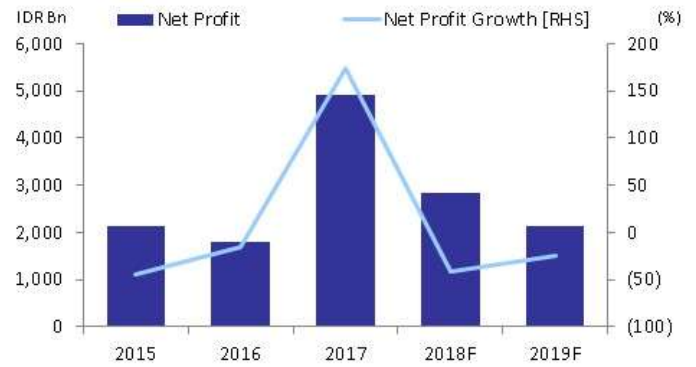
Source : BSDE, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



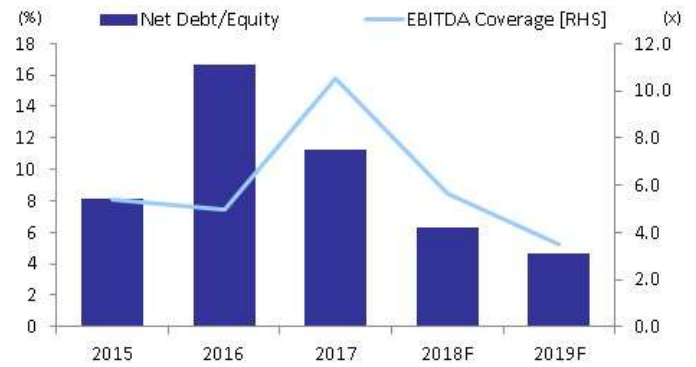
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



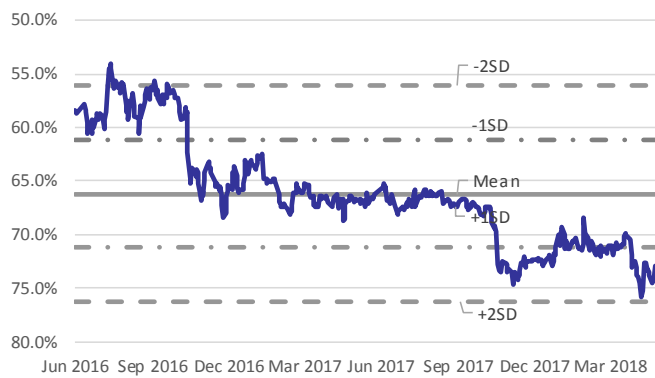
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. BSDE Discount to NAV**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 6. Property Sector Discount to NAV**



Source: Company, Danareksa Sekuritas estimates

**BSDE 1Q18 results summary.** BSDE booked 1Q18 net profits of Rp407bn (-44.5% YoY, -84.4% QoQ), with a net profits margin of 23.0% (vs. 40.6% in 1Q17). The lower net profit margin reflects higher opex and forex losses of Rp63bn in addition to the high-base effect resulting from one-off gains from the bargain purchases of property at Karawang Bukit Golf amounting to Rp125bn in 1Q17.

The 1Q18 revenues reached Rp1.7tn (-5.8% YoY, -62.4% QoQ), of which 78% comprised development revenues and 22% recurring income. The development revenues were mainly contributed by sales of shop houses and apartments (Rp660bn), landed houses in BSD (Rp524bn), land plot sales (Rp143bn) with the remainder coming from Grand Wisata Bekasi, Kota Wisata Cibubur, Taman Banjar Wijaya, Legenda Wisata and Grand City Balikpapan.

The 1Q18 gross margin stood at 68.5% (vs. 66.5% in 1Q17), a reflection of its product mix. In this quarter, the margins for residential, land, commercial and recurring income stood at 66%, 81%, 61% and 74%, respectively. The recurring income gross margin declined from 84% in FY17 to 74% in 1Q18 due to depreciation expenses from new investment properties that commenced operation such as GOP 9 BSD City, Sinarmas MSIG Tower and Bakrie Tower.

#### Exhibit 7. BSDE 1Q18 Result Summary

in IDR bn, unless stated	1Q17	4Q17	1Q18	qoq, %	yoy, %	1Q17	1Q18	yoy, %	2018F*	A/F,%*	2018F**
Sales	1,806	4,520	1,702	(62.4)	(5.8)	1,806	1,702	(5.8)	7,904	21.5%	8,250
COGS	(604)	(1,189)	(539)	(54.7)	(10.9)	(604)	(539)	(10.9)	(2,238)	24.1%	(2,183)
Gross profit	1,202	3,331	1,163	(65.1)	(3.2)	1,202	1,163	(3.2)	5,666	20.5%	6,067
Operating expenses	(447)	(537)	(498)	(7.3)	11.3	(447)	(498)	11.3	(2,154)	23.1%	(2,231)
Operating profit	755	2,794	665	(76.2)	(11.9)	755	665	(11.9)	3,512	18.9%	3,836
Other income/(expenses)	(37)	(57)	(99)	75.2	165.2	(37)	(99)	165.2	(200)	49.6%	(143)
Pre-tax profit	879	2,904	577	(80.1)	(34.3)	879	577	(34.3)	3,313	17.4%	3,693
Net profit	733	2,618	407	(84.4)	(44.5)	733	407	(44.5)	2,842	14.3%	3,140
Gearing (%)	30.6	31.1	37.9			30.6	37.9				
Net gearing (%)	12.4	11.3	21.5			12.4	21.5				
Gross margin (%)	66.5	73.7	68.4			66.5	68.4		71.7		73.5
Opex to sales (%)	(24.8)	(11.9)	(29.3)			(24.8)	(29.3)		(27.3)		(27.0)
Operating margin (%)	41.8	61.8	39.1			41.8	39.1		44.4		46.5
Net margin (%)	40.6	57.9	23.9			40.6	23.9		36.0		38.1

\* Danareksa Estimates

\*\* Consensus Estimates

Source: Company, Danareksa Sekuritas estimates

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
<b>Revenue</b>	<b>6,603</b>	<b>10,347</b>	<b>7,904</b>	<b>6,965</b>	<b>7,502</b>
COGS	(1,882)	(2,757)	(2,238)	(1,964)	(2,121)
<b>Gross profit</b>	<b>4,721</b>	<b>7,590</b>	<b>5,666</b>	<b>5,002</b>	<b>5,382</b>
<b>EBITDA</b>	<b>3,035</b>	<b>5,783</b>	<b>3,912</b>	<b>3,248</b>	<b>3,584</b>
<b>Oper. profit</b>	<b>2,810</b>	<b>5,475</b>	<b>3,512</b>	<b>2,762</b>	<b>3,068</b>
Interest income	224	266	232	455	495
Interest expense	(613)	(549)	(691)	(924)	(982)
Forex Gain/(Loss)	(116)	(48)	12	0	0
Income From Assoc. Co's	241	495	247	247	247
Other Income (Expenses)	(98)	2	0	0	0
<b>Pre-tax profit</b>	<b>2,448</b>	<b>5,641</b>	<b>3,313</b>	<b>2,541</b>	<b>2,829</b>
Income tax	(391)	(452)	(315)	(299)	(320)
Minority interest	(261)	(269)	(155)	(116)	(130)
<b>Net profit</b>	<b>1,796</b>	<b>4,920</b>	<b>2,842</b>	<b>2,126</b>	<b>2,379</b>
<b>Core Net Profit</b>	<b>1,913</b>	<b>4,968</b>	<b>2,830</b>	<b>2,126</b>	<b>2,379</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	3,578	5,793	11,380	12,381	12,784
Receivables	420	530	405	357	384
Inventory	7,634	7,910	8,173	8,422	8,659
Other Curr. Asset	4,310	2,968	2,724	3,940	4,236
Fixed assets - Net	824	772	685	596	625
Other non-curr.asset	21,149	27,215	29,661	32,632	35,127
<b>Total asset</b>	<b>38,537</b>	<b>45,951</b>	<b>53,791</b>	<b>59,092</b>	<b>62,577</b>
ST Debt	1,121	2,051	2,190	2,397	2,456
Payables	299	1,768	1,588	1,824	1,970
Other Curr. Liabilities	4,271	3,751	4,960	6,684	7,187
Long Term Debt	6,537	7,027	11,195	11,548	11,842
Other LT. Liabilities	1,846	2,158	2,083	2,890	3,108
<b>Total Liabilities</b>	<b>14,074</b>	<b>16,754</b>	<b>22,015</b>	<b>25,343</b>	<b>26,563</b>
Shareholder's Funds	20,641	25,341	27,920	29,894	32,159
Minority interests	3,822	3,855	3,855	3,855	3,855
<b>Total Equity &amp; Liabilities</b>	<b>38,537</b>	<b>45,951</b>	<b>53,791</b>	<b>59,092</b>	<b>62,577</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,796	4,920	2,842	2,126	2,379
Depreciation and Amort.	225	304	399	486	516
Change in Working Capital	(1,673)	1,886	1,136	543	88
Other Oper. Cash Flow	413	201	474	805	542
<b>Operating Cash Flow</b>	<b>761</b>	<b>7,312</b>	<b>4,852</b>	<b>3,961</b>	<b>3,525</b>
Capex	(969)	(3,625)	(2,201)	(2,201)	(2,261)
Others Inv. Cash Flow	(1,740)	(2,240)	(443)	(277)	(160)
<b>Investing Cash Flow</b>	<b>(2,710)</b>	<b>(5,865)</b>	<b>(2,644)</b>	<b>(2,478)</b>	<b>(2,420)</b>
Net change in debt	(370)	1,651	4,350	564	353
New Capital	0	0	0	0	0
Dividend payment	(96)	(96)	(264)	(152)	(114)
Other Fin. Cash Flow	39	(790)	(705)	(893)	(942)
<b>Financing Cash Flow</b>	<b>(427)</b>	<b>765</b>	<b>3,382</b>	<b>(481)</b>	<b>(702)</b>
<b>Net Change in Cash</b>	<b>(2,376)</b>	<b>2,212</b>	<b>5,590</b>	<b>1,001</b>	<b>402</b>
Cash - begin of the year	6,137	3,578	5,793	11,380	12,381
Cash - end of the year	3,578	5,793	11,380	12,381	12,784

### Exhibit 11. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
<b>Growth (%)</b>					
Sales	6.3	56.7	(23.6)	(11.9)	7.7
EBITDA	(2.2)	90.5	(32.4)	(17.0)	10.3
Operating profit	(3.1)	94.9	(35.9)	(21.4)	11.1
Net profit	(16.0)	173.9	(42.2)	(25.2)	11.9
<b>Profitability (%)</b>					
Gross margin	71.5	73.4	71.7	71.8	71.7
EBITDA margin	46.0	55.9	49.5	46.6	47.8
Operating margin	42.6	52.9	44.4	39.7	40.9
Net margin	27.2	47.6	36.0	30.5	31.7
ROAA	4.8	11.6	5.7	3.8	3.9
ROAE	9.1	21.4	10.7	7.4	7.7
<b>Leverage</b>					
Net Gearing (x)	0.2	0.1	0.1	0.0	0.0
Interest Coverage (x)	4.6	10.0	5.1	3.0	3.1

Source : BSDE, Danareksa Estimates

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