

Tuesday, 28 May 2019

BUY
Maintain

Last price (IDR) 328
Target Price (IDR) 400
Upside/Downside +22.0%
Previous Target Price (IDR) 400

Stock Statistics

Sector Property
Bloomberg Ticker ASRI IJ
No of Shrs (mn) 19,649
Mkt. Cap (IDRbn/USDmn) 6,445/448
Avg. daily T/O (IDRbn/USDmn) 4.3/0.3

Major shareholders (%)

Tangerang Fajar Industrial Estate 25.2
Manunggal Prime Development 18.7
Estimated free float 52.8

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	61.1	69.8	84.1
Consensus	64.8	70.9	73.2
Danareksa/Cons	(5.7)	(1.6)	15.0

ASRI relative to JCI Index



Source : Bloomberg



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Alam Sutra Realty (ASRI IJ)

Weak recognition from property development

ASRI reported net profits of IDR159bn in 1Q19 (-47% y-o-y, -52% q-o-q) on the back of slow revenues recognition of IDR685bn (-32% y-o-y, -11% q-o-q) and higher operating expenses of IDR129bn (+25% y-o-y, +21% q-o-q). ASRI's net profits were supported by IDR76bn of forex gains offset by IDR52bn of losses from bonds redemption. Excluding these items, ASRI's net profits would come in at IDR140bn (-60% y-o-y, -22% q-o-q). ASRI's 1Q19 net profits are only 13% of our full year forecast and consensus estimates – the same as in 1Q17 as there was a lack of land plot recognition from CFLD transactions in both quarters. We estimate that ASRI has around a IDR900bn sales backlog from CFLD. We maintain our BUY call with a TP of IDR400 based on a 47% discount to its RNAV implying 0.7x FY19F book value.

Slower revenues recognition. ASRI booked revenues of IDR685bn in 1Q19 (-32% y-o-y, -11% q-o-q) as revenues from property development fell 37% y-o-y and 10% q-o-q. The weak revenues recognition was seen across all property development segments: land plot revenues (-42% y-o-y, +90% q-o-q), house and shophouses (-21% y-o-y, -49% q-o-q), and high rise (-43% y-o-y, -54% q-o-q).

Higher operating expenses. ASRI reported 1Q19 operating expenses of IDR129bn (+25% y-o-y, +21% q-o-q) mainly due to a IDR15bn increase in salaries, wages and allowances and a IDR10bn increase in consultancy fees. Combined with the weak top line due to slow revenues recognition, ASRI's opex to sales ratio surged to 19% from 10% in 1Q18 and 14% in 4Q18.

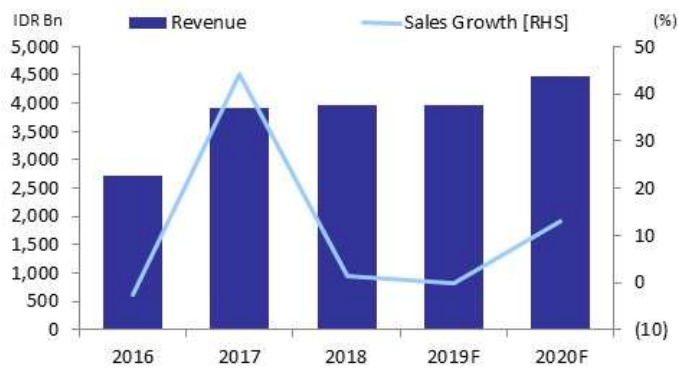
Bonds refinancing. ASRI issued USD125mn of 2y11m bonds (6.625% coupon) on 8 May 2019 and USD175mn of 2y3m bonds (11.5% coupon) on Jan 22 2019, the proceeds of which were used to redeem USD162mn of its 2020 bonds on Feb 22 2019 and to redeem the remaining USD73mn on Jun 7 2019. ASRI's net gearing stood at 71% as of end-Mar 19, lower than 76% as of end-Dec 18. Going forward, we expect ASRI's net gearing to increase to account for the additional bonds issuance offset by its planned bonds redemption.

Maintain BUY with a TP of IDR400. Our TP is unchanged at IDR400 based on a 47% discount to its RNAV (5-year average). Thus, we maintain our BUY call as the stock is currently trading at a 56% discount to its RNAV (-0.5SD) and 0.6x FY19F BV (-1SD).

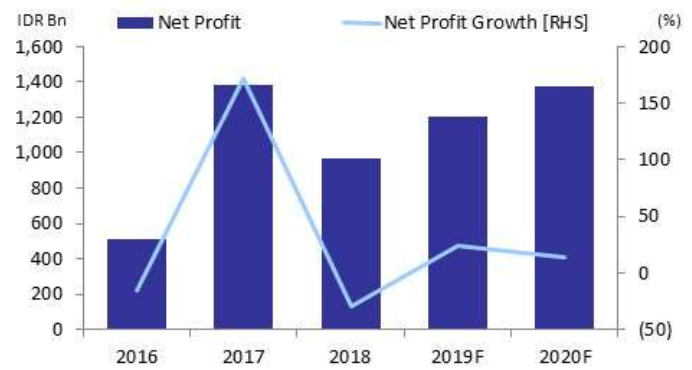
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	3,917	3,975	3,967	4,481	5,356
EBITDA (IDRbn)	2,070	2,064	2,164	2,381	2,728
EBITDA Growth (%)	75.8	(0.3)	4.8	10.0	14.6
Net profit (IDRbn)	1,380	970	1,200	1,371	1,653
EPS (IDR)	70.2	49.4	61.1	69.8	84.1
EPS growth (%)	171.2	(29.7)	23.7	14.2	20.6
BVPS (IDR)	430.8	480.6	541.7	611.4	695.6
DPS (IDR)	1.5	0.0	0.0	0.0	0.0
PER (x)	4.7	6.6	5.4	4.7	3.9
PBV (x)	0.8	0.7	0.6	0.5	0.5
Dividend yield (%)	0.5	0.0	0.0	0.0	0.0
EV/EBITDA (x)	6.5	6.6	6.2	5.4	4.2

Source : ASRI, 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 Level


Source: Company, Danareksa Sekuritas estimates

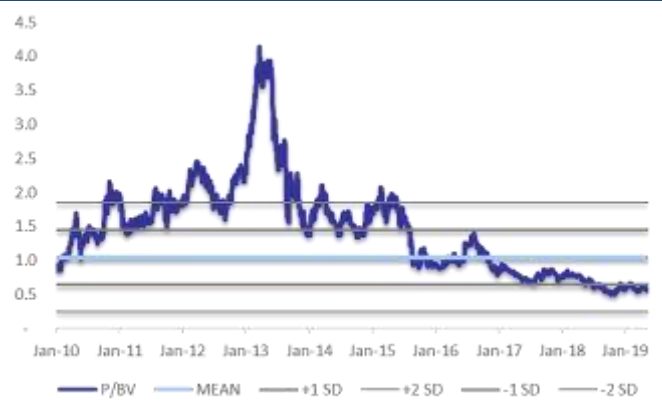
Exhibit 5. ASRI 1Q19 results summary

ASRI (IDR bn)	1Q18	4Q18	1Q19	y-o-y	q-o-q	3M18	3M19	y-o-y	FY19F	FY19C	A/F	A/C
Revenue	1,015	772	685	-32%	-11%	1,015	685	-32%	3,967	4,110	17%	17%
COGS	(382)	(353)	(233)	-39%	-34%	(382)	(233)	-39%	(1,413)	(1,588)	16%	15%
Gross Profit	633	419	452	-29%	8%	633	452	-29%	2,553	2,522	18%	18%
Total Opex	(103)	(107)	(129)	25%	21%	(103)	(129)	25%	(482)	(615)	27%	21%
Operating Profit	530	313	323	-39%	3%	530	323	-39%	2,071	1,907	16%	17%
Pretax Profit	340	371	193	-43%	-48%	340	193	-43%	1,385	1,373	14%	14%
Net Profit	300	331	159	-47%	-52%	300	159	-47%	1,200	1,239	13%	13%
Gross margin	62.4%	54.3%	66.0%	3.6%	11.7%	62.4%	66.0%	3.6%	64.4%	61.4%		
Operating margin	52.2%	40.5%	47.2%	-5.0%	6.7%	52.2%	47.2%	-5.0%	52.2%	46.4%		
Net margin	29.5%	42.9%	23.3%	-6.3%	-19.6%	29.5%	23.3%	-6.3%	30.3%	30.1%		

Source: Company, Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Discount to RNAV Band Chart (5-year)


Source: Company, Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. PBV Band Chart (5-year)


Source: Company, Bloomberg, Danareksa Sekuritas estimates

Exhibit 8. ASRI RNAV summary

Portfolio	% of total	Value (Rpbn)
Investment Property	4%	829
Mall @ Alam Sutera	3%	569
Office for lease (CBD)	1%	260
Garuda Wisnu Kencana (Bali)	0%	0
Development properties & Landbank	96%	20,708
Serpong + North Serpong	43%	9,344
Pasar Kemis	26%	5,706
CFLD	15%	3,320
The Tower	5%	1,096
Kota Ayodhya	4%	802
Cianjur	0%	81
Tanjung Pinang (Riau)	0%	41
Badung (Bali)	0%	39
Tangerang	1%	266
Puncak (South Jakarta suburb)	0%	14
Net Debt		6,803
RNAV	100%	14,734
Fully Diluted Share base (bn)		19.649
Fully Diluted RNAV per share		750

Source: Company, Danareksa Sekuritas estimates

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	3,917	3,975	3,967	4,481	5,356
COGS	(1,541)	(1,531)	(1,413)	(1,679)	(2,162)
Gross profit	2,376	2,444	2,553	2,802	3,194
EBITDA	2,070	2,064	2,164	2,381	2,728
Oper. profit	1,986	1,978	2,071	2,285	2,628
Interest income	43	19	16	17	17
Interest expense	(314)	(442)	(458)	(471)	(484)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(107)	(83)	(97)	(99)	(102)
Pre-tax profit	1,607	1,472	1,533	1,731	2,059
Income tax	(190)	(184)	(184)	(208)	(248)
Minority interest	(5)	0	(1)	(1)	(1)
Net profit	1,380	970	1,200	1,371	1,653
Core Net Profit	1,412	1,287	1,348	1,523	1,810

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	718	459	1,001	1,714	3,352
Receivables	210	212	218	246	294
Inventory	5,502	5,315	6,011	6,523	6,592
Other Curr. Asset	194	158	158	158	158
Fixed assets - Net	2,263	2,372	2,379	2,383	2,384
Other non-curr.asset	11,606	12,170	12,802	13,417	14,028
Total asset	20,728	20,891	22,775	24,647	27,014
ST Debt	435	425	425	425	425
Payables	201	226	197	234	302
Other Curr. Liabilities	3,023	2,224	2,659	2,908	3,332
Long Term Debt	7,194	7,309	7,586	7,800	8,022
Other LT. Liabilities	1,303	1,155	1,155	1,155	1,155
Total Liabilities	12,156	11,340	12,023	12,524	13,236
Shareholder's Funds	8,465	9,444	10,644	12,015	13,668
Minority interests	107	108	109	109	110
Total Equity & Liabilities	20,728	20,891	22,775	24,647	27,014

Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,380	970	1,200	1,371	1,653
Depreciation and Amort.	84	86	93	96	99
Change in Working Capital	(36)	(551)	(296)	(255)	375
Other Oper. Cash Flow	0	0	0	0	0
Operating Cash Flow	1,428	505	997	1,212	2,128
Capex	(1,436)	(762)	(732)	(715)	(711)
Others Inv. Cash Flow	(273)	(144)	1	1	1
Investing Cash Flow	(1,709)	(906)	(731)	(715)	(710)
Net change in debt	(205)	105	277	215	221
New Capital	39	0	0	0	0
Dividend payment	(29)	0	0	0	0
Other Fin. Cash Flow	0	0	0	0	0
Financing Cash Flow	(195)	105	277	215	221
Net Change in Cash	(476)	(295)	542	712	1,639
Cash - begin of the year	1,189	718	459	1,001	1,714
Cash - end of the year	718	459	1,001	1,714	3,352

Exhibit 12. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	44.2	1.5	(0.2)	13.0	19.5
EBITDA	75.8	(0.3)	4.8	10.0	14.6
Operating profit	81.1	(0.4)	4.7	10.3	15.0
Net profit	171.2	(29.7)	23.7	14.2	20.6
Profitability (%)					
Gross margin	60.7	61.5	64.4	62.5	59.6
EBITDA margin	52.8	51.9	54.6	53.1	50.9
Operating margin	50.7	49.8	52.2	51.0	49.1
Net margin	35.2	24.4	30.3	30.6	30.9
ROAA	6.7	4.7	5.5	5.8	6.4
ROAE	17.8	10.8	12.0	12.1	12.9
Leverage					
Net Gearing (x)	0.8	0.8	0.7	0.5	0.4
Interest Coverage (x)	6.3	4.5	4.5	4.9	5.4

Source : ASRI, Danareksa Estimates

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