

Wednesday, 31 July 2019

BUY
Maintain

Last price (IDR) 825
Target Price (IDR) 950
Upside/Downside +15.2%
Previous Target Price (IDR) 950

Stock Statistics

Sector Industrial Estate
Bloomberg Ticker SSIA IJ
No of Shrs (mn) 4,705
Mkt. Cap (IDRbn/USDmn) 3,882/277
Avg. daily T/O (IDRbn/USDmn) 21.8/1.6

Major shareholders (%)

Arman Investments Utama 9.8
Persada Capital Investama 7.9
Estimated free float 99.3

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	11.3	55.5	51.3
Consensus	11.9	32.8	42.0
Danareksa/Cons	(5.2)	69.5	22.3

SSIA relative to JCI Index



Source : Bloomberg



Victor Stefano

(62-21) 29 555 714

victor.stefano@danareksa.co.id

Surya Semesta Internusa (SSIA IJ)

Sufficient land backlog to make a turnaround

SSIA booked net losses of IDR23bn in 2Q19 (2Q18: IDR47bn losses, 1Q19: IDR11bn losses) resulting in 1H19 losses of IDR34bn. The earnings delivery is still below our forecast and consensus estimates of FY19 net profits of IDR53bn and IDR51bn respectively. Despite booking higher revenues of IDR990bn in 2Q19 (+62% y-o-y, +20% q-o-q), SSIA still booked a net loss as we believe revenues were mainly contributed by its construction business which carries lower margins and a higher effective tax rate. SSIA's bottom line should turn positive in 2H19 as we believe a larger revenues contribution from industrial land sales will be booked in 2H19.

Continuous support from the construction business. SSIA booked revenues of IDR990bn in 2Q19 (+62% y-o-y) mainly due to the doubling of revenues from the construction business. Consequently, the gross margin dropped to 21.6% in 2Q19 from 28.9% in 2Q18. No industrial land sales were recognized during the quarter while revenues from hotels and maintenance were flat.

Industrial land sales recognition in 2H19 will boost earnings. Despite booking marketing sales of 13ha YTD, SSIA has not been able to book a single sale in its books this year resulting in consecutive quarters of net losses. We believe industrial land sales will be booked in 2H19 which will lift its bottom line into positive territory in FY19 from negative territory in 1H19.

Higher net gearing due to a higher contribution from the construction business. SSIA's net gearing stood at 12% as of end Jun-19, up from 3% as of the end of Dec-18 due to lower cash position. We believe the lower cash position is attributable to a higher contribution from the construction business which carries lower margins and longer terms of payment compared to industrial land sales.

Maintain BUY with a TP of IDR950. Despite its consecutive quarters of losses, we maintain our BUY call on SSIA as we believe the FY19F bottom line will turn positive owing to industrial land sales which we expect to be booked in 2H19. Our TP is derived by applying a 56% discount (5-year average) to its RNAV which implies 1.1x FY19F book value.

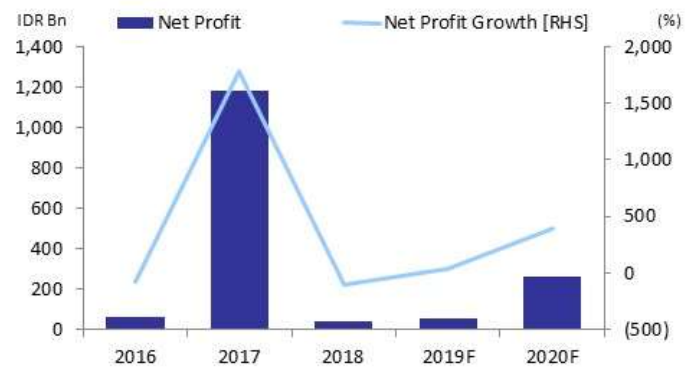
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	3,274	3,682	3,989	4,903	4,837
EBITDA (IDRbn)	393	439	564	793	729
EBITDA Growth (%)	(31.0)	11.7	28.5	40.5	(8.1)
Net profit (IDRbn)	1,178	38	53	261	241
EPS (IDR)	250.4	8.0	11.3	55.5	51.3
EPS growth (%)	1,786.3	(96.8)	40.9	392.3	(7.6)
BVPS (IDR)	851.9	838.2	847.9	901.1	941.4
DPS (IDR)	11.0	11.0	1.6	2.3	11.1
PER (x)	3.3	103.0	73.1	14.9	16.1
PBV (x)	1.0	1.0	1.0	0.9	0.9
Dividend yield (%)	1.3	1.3	0.2	0.3	1.3
EV/EBITDA (x)	12.7	9.1	7.4	4.9	4.9

Source : SSIA, Danareksa Estimates

Exhibit 1. Revenues and Growth

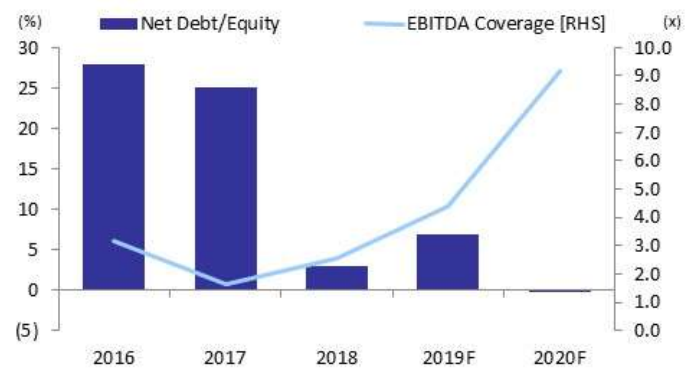

Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


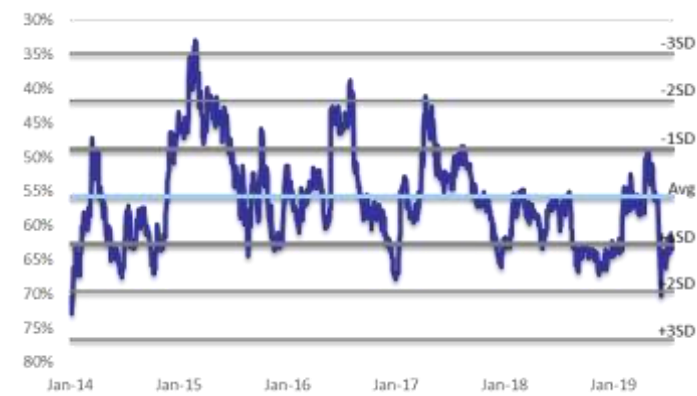
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. SSIA 2Q19 results summary

SSIA (IDR bn)	2Q18	1Q19	2Q19	y-o-y	q-o-q	6M18	6M19	y-o-y	FY19F	FY19C	A/F	A/C
Revenue	611	824	990	62.1%	20.2%	1,520	1,814	19.3%	3,989	3,996	45.5%	45.4%
COGS	(434)	(634)	(776)	78.7%	22.4%	(1,159)	(1,410)	21.7%	(2,870)	(2,910)	49.1%	48.5%
Gross Profit	176	190	214	21.2%	12.8%	361	403	11.6%	1,120	1,087	36.0%	37.1%
Total Opex	(170)	(153)	(177)	4.3%	15.6%	(316)	(331)	4.5%	(741)	(815)	44.6%	40.5%
Operating Profit	6	36	36	475.6%	0.7%	45	73	62.3%	379	271	19.2%	26.8%
Pretax Profit	(16)	22	13	n/a	-40.9%	18	35	102.1%	332	235	10.7%	15.1%
Net Profit	(47)	(11)	(23)	-51.3%	111.3%	(56)	(34)	-39.6%	53	51	n/a	n/a
Gross margin	28.9%	23.0%	21.6%	-7.3%	-1.4%	23.8%	22.2%	-1.5%	28.1%	27.2%		
Operating margin	1.0%	4.4%	3.7%	2.6%	-0.7%	2.9%	4.0%	1.1%	9.5%	6.8%		
Net margin	-7.7%	-1.3%	-2.3%	5.4%	-1.0%	-3.7%	-1.9%	1.8%	1.3%	1.3%		

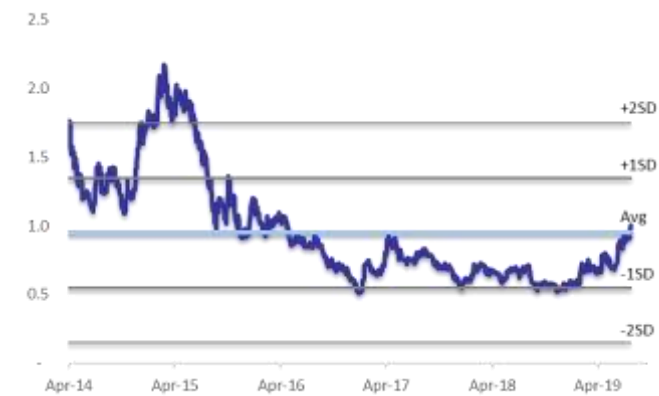
Source: Company, Danareksa Sekuritas estimates

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



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. PBV Band Chart (5-year)



Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	3,274	3,682	3,989	4,903	4,837
COGS	(2,410)	(2,701)	(2,870)	(3,506)	(3,471)
Gross profit	864	981	1,120	1,397	1,367
EBITDA	393	439	564	793	729
Oper. profit	234	277	379	607	543
Interest income	56	73	49	18	11
Interest expense	(243)	(171)	(128)	(87)	(51)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(3)	31	32	39	45
Other Income (Expenses)	1,738	4	0	0	0
Pre-tax profit	1,782	214	332	577	548
Income tax	(541)	(124)	(140)	(172)	(169)
Minority interest	(63)	(52)	(140)	(144)	(137)
Net profit	1,178	38	53	261	241
Core Net Profit	1,178	38	53	261	241

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	1,145	1,372	605	849	670
Receivables	320	343	359	441	435
Inventory	415	463	1,675	2,152	2,205
Other Curr. Asset	3,206	1,281	1,287	1,293	1,300
Fixed assets - Net	2,018	1,985	1,771	1,593	1,416
Other non-curr.asset	1,749	1,961	1,708	1,724	1,742
Total asset	8,851	7,404	7,405	8,053	7,768
ST Debt	776	755	226	74	0
Payables	456	463	488	596	590
Other Curr. Liabilities	1,408	816	1,195	1,415	1,275
Long Term Debt	1,494	751	691	769	378
Other LT. Liabilities	240	235	235	235	235
Total Liabilities	4,375	3,019	2,835	3,088	2,477
Shareholder's Funds	4,009	3,944	3,990	4,240	4,429
Minority interests	468	441	581	725	862
Total Equity & Liabilities	8,851	7,404	7,405	8,053	7,768

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,178	38	53	261	241
Depreciation and Amort.	159	162	203	185	186
Change in Working Capital	(1,337)	1,316	383	239	(147)
Other Oper. Cash Flow	0	0	0	0	0
Operating Cash Flow	0	1,515	639	686	281
Capex	(1,102)	(446)	(932)	(484)	(62)
Others Inv. Cash Flow	1,051	97	172	145	130
Investing Cash Flow	(52)	(349)	(760)	(339)	68
Net change in debt	(186)	(764)	(589)	(75)	(465)
New Capital	(9)	(1)	0	0	0
Dividend payment	(52)	(52)	(8)	(11)	(52)
Other Fin. Cash Flow	0	4	0	0	0
Financing Cash Flow	(246)	(813)	(596)	(86)	(517)
Net Change in Cash	(298)	353	(718)	261	(169)
Cash - begin of the year	1,520	1,145	1,372	605	849
Cash - end of the year	1,145	1,372	605	849	670

Exhibit 11. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	(13.8)	12.5	8.4	22.9	(1.3)
EBITDA	(31.0)	11.7	28.5	40.5	(8.1)
Operating profit	(45.8)	18.3	36.7	60.1	(10.6)
Net profit	1,786.3	(96.8)	40.9	392.3	(7.6)
Profitability (%)					
Gross margin	26.4	26.6	28.1	28.5	28.3
EBITDA margin	12.0	11.9	14.1	16.2	15.1
Operating margin	7.2	7.5	9.5	12.4	11.2
Net margin	36.0	1.0	1.3	5.3	5.0
ROAA	14.7	0.5	0.7	3.4	3.1
ROAE	34.1	0.9	1.3	6.3	5.6
Leverage					
Net Gearing (x)	0.3	0.0	0.1	0.0	(0.1)
Interest Coverage (x)	1.0	1.6	3.0	7.0	10.7

Source : SSIA, 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 to be 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.