

Thursday, 01 August 2019

**BUY**  
**Maintain**

Last price (IDR)	334
Target Price (IDR)	400
Upside/Downside	+19.8%
Previous Target Price (IDR)	400

**Stock Statistics**

Sector	Property
Bloomberg Ticker	ASRI IJ
No of Shrs (mn)	19,649
Mkt. Cap (IDRbn/USDmn)	6,563/468
Avg. daily T/O (IDRbn/USDmn)	3.8/0.3

**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	58.7	66.2	64.3
Danareksa/Cons	4.1	5.4	30.9

**ASRI relative to JCI Index**



Source : Bloomberg



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# Alam Sutra Realty(ASRI IJ)

## The first to revise down its marketing sales target

ASRI booked net losses of IDR8bn in 2Q19 from net profits of IDR218bn in 2Q18 due to the lower revenues recognition from land plot sales, which led to lower revenues and lower margins, higher operating expenses, and higher interest expenses. The net losses brought the 1H19 profits down to IDR151bn (-71% y-o-y) which is well below (13%) both our full year estimate and consensus estimates. Recently, ASRI announced its new marketing sales target for FY19 of IDR4tn, down from IDR5tn previously. This is still in line with our full year forecast of IDR4.1tn.

**Lower revenues from development property.** ASRI booked revenues of IDR598bn in 2Q19 (-49% y-o-y) as the company only booked revenues from development property of IDR466bn (-57% y-o-y) offset by 38% y-o-y higher revenues from investment property of IDR132bn. The weak recognition put ASRI's contribution from development property at 78% in 2Q19, the lowest in five years. Consequently, the gross margin was lower at 49% in 2Q19, or down from 63% in 2Q18.

**Marketing sales target revised down to IDR4tn.** ASRI revised down its marketing sales target in FY19F from IDR5tn to IDR4tn given more challenging property market conditions. The new marketing sales target is in line with our initial estimates of IDR4.1tn. As of Jun-19, ASRI had booked marketing sales of IDR1.3tn. ASRI's marketing sales revision stems from lower marketing sales from CFLD transactions (down from IDR1.6tn to IDR1tn), residential (down from IDR2.6tn to IDR2.3tn), and commercial (down from IDR800bn to IDR700bn). The lower target of CFLD transactions indicates that the sales of Lavon, Swan City, in Pasar Kemis were not as good as expected, which prompted CLFD to delay its land purchases.

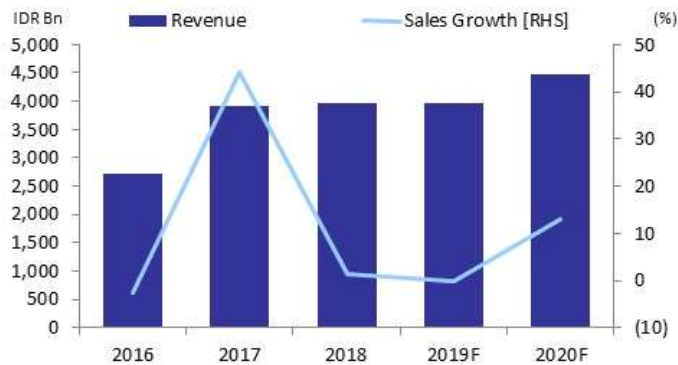
**Slightly lower net gearing.** Despite the additional debt in its books, ASRI's net gearing came in lower at 73% as of end Jun-19 from 76% as of end Dec-18 owing to higher cash and a stronger equity balance.

**Maintain BUY with a TP of IDR400.** Despite its recent marketing sales revisions, we maintain our BUY call on the stock given its cheap valuation of 0.6x FY19F book value. Our TP is derived from applying a 47% discount to its RNAV of IDR750 implying 0.7x FY19F book value.

**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)	4.8	6.8	5.5	4.8	4.0
PBV (x)	0.8	0.7	0.6	0.5	0.5
Dividend yield (%)	0.4	0.0	0.0	0.0	0.0
EV/EBITDA (x)	6.5	6.7	6.3	5.5	4.3

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

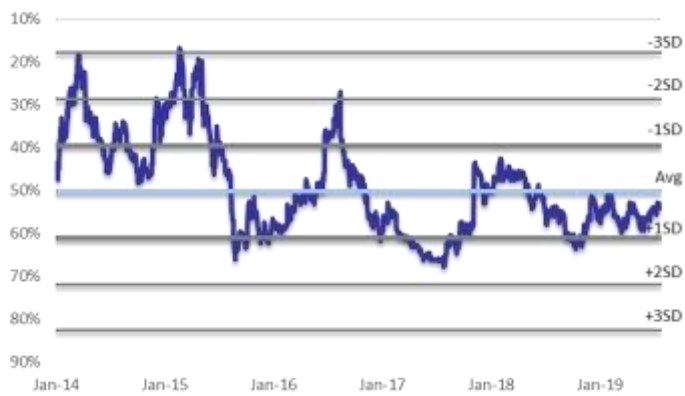
**Exhibit 4. Gearing Level**


Source: Company, Danareksa Sekuritas estimates

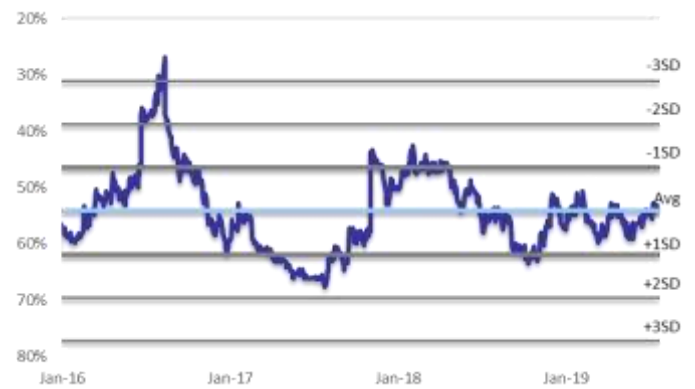
**Exhibit 5. ASRI 2Q19 results summary**

ASRI (IDR bn)	2Q18	1Q19	2Q19	y-o-y	q-o-q	6M18	6M19	y-o-y	FY19F	FY19C	A/F	A/C
Revenue	1,182	685	598	-49%	-13%	2,197	1,283	-42%	3,967	3,910	32%	33%
COGS	(442)	(233)	(306)	-31%	31%	(823)	(540)	-34%	(1,413)	(1,496)	38%	36%
Gross Profit	740	452	292	-61%	-35%	1,373	744	-46%	2,553	2,415	29%	31%
Total Opex	(128)	(129)	(141)	11%	10%	(231)	(270)	17%	(482)	(614)	56%	44%
Operating Profit	613	323	151	-75%	-53%	1,143	474	-59%	2,071	1,800	23%	26%
Pretax Profit	276	193	33	-88%	-83%	616	225	-63%	1,385	1,275	16%	18%
Net Profit	218	159	(8)	n/a	n/a	517	151	-71%	1,200	1,135	13%	13%
Gross margin	62.6%	66.0%	48.8%	-13.9%	-17.2%	62.5%	57.9%	-4.6%	64.4%	61.8%		
Operating margin	51.8%	47.2%	25.2%	-26.7%	-22.0%	52.0%	36.9%	-15.1%	52.2%	46.0%		
Net margin	18.4%	23.3%	-1.3%	-19.8%	-24.6%	23.6%	11.8%	-11.8%	30.3%	29.0%		

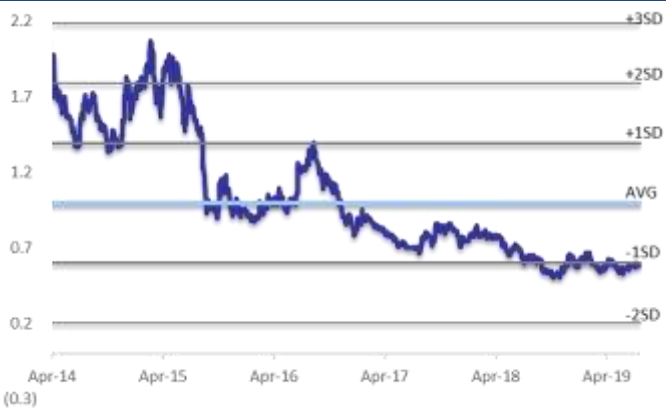
Source: Company, Danareksa Sekuritas estimates

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


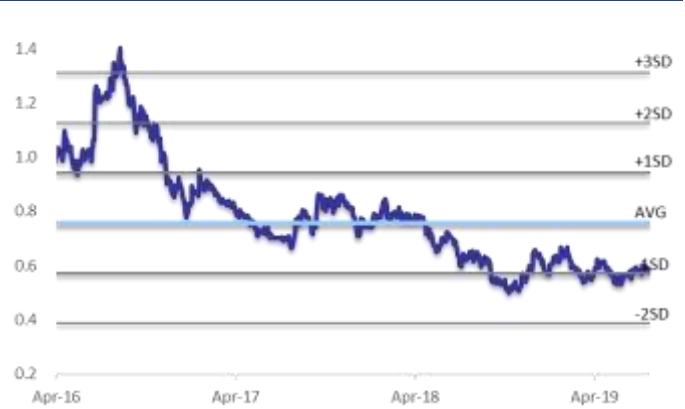
Source: Company, Danareksa Sekuritas estimates

**Exhibit 7. Discount to RNAV Band Chart (3-year)**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 8. PBV Band Chart (5-year)**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 9. PBV Band Chart (3-year)**


Source: Company, Danareksa Sekuritas estimates

### Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>3,917</b>	<b>3,975</b>	<b>3,967</b>	<b>4,481</b>	<b>5,356</b>
COGS	(1,541)	(1,531)	(1,413)	(1,679)	(2,162)
<b>Gross profit</b>	<b>2,376</b>	<b>2,444</b>	<b>2,553</b>	<b>2,802</b>	<b>3,194</b>
<b>EBITDA</b>	<b>2,070</b>	<b>2,064</b>	<b>2,164</b>	<b>2,381</b>	<b>2,728</b>
<b>Oper. profit</b>	<b>1,986</b>	<b>1,978</b>	<b>2,071</b>	<b>2,285</b>	<b>2,628</b>
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)
<b>Pre-tax profit</b>	<b>1,607</b>	<b>1,472</b>	<b>1,533</b>	<b>1,731</b>	<b>2,059</b>
Income tax	(190)	(184)	(184)	(208)	(248)
Minority interest	(5)	0	(1)	(1)	(1)
<b>Net profit</b>	<b>1,380</b>	<b>970</b>	<b>1,200</b>	<b>1,371</b>	<b>1,653</b>
<b>Core Net Profit</b>	<b>1,412</b>	<b>1,287</b>	<b>1,348</b>	<b>1,523</b>	<b>1,810</b>

### Exhibit 11. 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
<b>Total asset</b>	<b>20,728</b>	<b>20,891</b>	<b>22,775</b>	<b>24,647</b>	<b>27,014</b>
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
<b>Total Liabilities</b>	<b>12,156</b>	<b>11,340</b>	<b>12,023</b>	<b>12,524</b>	<b>13,236</b>
Shareholder's Funds	8,465	9,444	10,644	12,015	13,668
Minority interests	107	108	109	109	110
<b>Total Equity &amp; Liabilities</b>	<b>20,728</b>	<b>20,891</b>	<b>22,775</b>	<b>24,647</b>	<b>27,014</b>

### Exhibit 12. 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
<b>Operating Cash Flow</b>	<b>1,428</b>	<b>505</b>	<b>997</b>	<b>1,212</b>	<b>2,128</b>
Capex	(1,436)	(762)	(732)	(715)	(711)
Others Inv. Cash Flow	(273)	(144)	1	1	1
<b>Investing Cash Flow</b>	<b>(1,709)</b>	<b>(906)</b>	<b>(731)</b>	<b>(715)</b>	<b>(710)</b>
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
<b>Financing Cash Flow</b>	<b>(195)</b>	<b>105</b>	<b>277</b>	<b>215</b>	<b>221</b>
<b>Net Change in Cash</b>	<b>(476)</b>	<b>(295)</b>	<b>542</b>	<b>712</b>	<b>1,639</b>
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 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
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
<b>Profitability (%)</b>					
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
<b>Leverage</b>					
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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