

Monday, 04 November 2019

BUY
Maintain

Last price (IDR) 274
Target Price (IDR) 320
Upside/Downside +16.8%
Previous Target Price (IDR) 400

Stock Statistics

Sector Property
Bloomberg Ticker ASRI IJ
No of Shrs (mn) 19,649
Mkt. Cap (IDRbn/USDmn) 5,384/383
Avg. daily T/O (IDRbn/USDmn) 2.4/0.2

Major shareholders (%)

Tangerang Fajar Industrial Estate 25.2
Manunggal Prime Development 18.7
Estimated free float 52.9

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	33.8	48.5	42.7
Consensus	35.8	45.3	50.3
Danareksa/Cons	(5.8)	7.0	(15.1)

ASRI relative to JCI Index



Source : Bloomberg



Victor Stefano

(62-21) 5091 4100 ext.

victor.stefano@danareksa.co.id

Alam Sutra Realty (ASRI IJ)

Weak recognition from CFLD land plot sales

ASRI booked net profits of IDR47bn in 3Q19, or -61% y-o-y, yet still a reversal from losses of IDR8bn in 2Q19 with land plot sales recognition lower y-o-y but higher q-o-q. ASRI still has an IDR768bn backlog from its land plot sales to CFLD and the company guide that the company will book the delayed land plot sales in 4Q19. However, its slow recognition and delays in marketing sales put ASRI's future earnings delivery at high risk. Maintain BUY with a TP of IDR320 based on 52% discount to its RNAV.

Lower recognition led to weak earnings delivery. ASRI booked development property revenues of IDR541bn in 3Q19 (-39% y-o-y) as the company recognized less revenues from both land plots and landed houses. Despite booking higher revenues from investment property of +16% y-o-y (mainly from higher rental revenues), ASRI's net profits came in lower as the gross margin dropped to 64% in 3Q19 from 71% in 3Q18 from a lower contribution of higher margin development revenues.

Higher risks on delayed CFLD land plot purchases. Despite still having land plot backlog sales from CFLD of IDR768bn, ASRI was only able to book IDR236bn in 9M19 (IDR 150bn in 3Q19) and only secured IDR34bn of land plot sales to CFLD from its new target of IDR1tn (revised down from IDR1.6tn). This raises the question as to whether ASRI will be able to secure its deal to sell its land plots to CFLD – something which is crucial to earnings delivery. We tone down our FY19F marketing sales assumption to IDR3tn as we lower our CFLD land plot sales assumption from IDR1.6tn to IDR500bn.

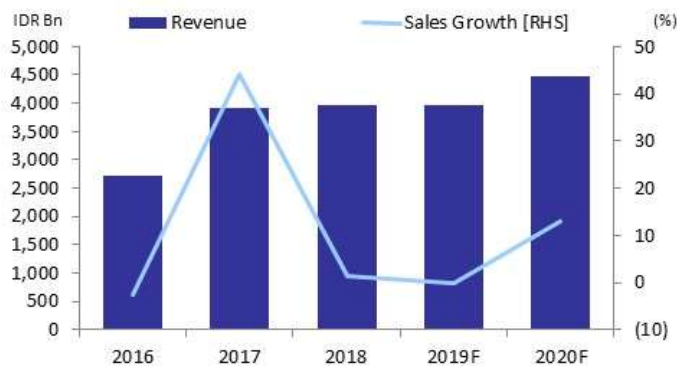
Lower-than-expected operating expenses. ASRI's opex stood at IDR100bn in 3Q19 (-22.6% y-o-y, -29.2% q-o-q). This brings ASRI's 9M19 opex to IDR369bn (+3% y-o-y) owing to less sales and commission expenses.

Maintain BUY on cheap valuation with a lower TP of IDR320. We trim our ASP assumption as we put a higher discount of 52% (from 50% previously) on its RNAV (5-year average) and we conservatively estimate transactions with CFLD at IDR500bn/year (from IDR1.6tn/year previously). As such, our TP declines from IDR400 to IDR320. Maintain BUY on the counter given the cheap valuation of 0.5x FY19F book value.

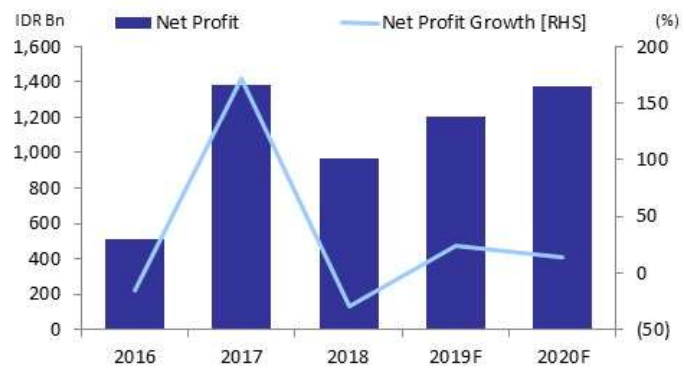
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	3,917	3,975	3,237	3,914	4,251
EBITDA (IDRbn)	2,070	2,064	1,593	1,937	1,863
EBITDA Growth (%)	75.8	(0.3)	(22.8)	21.6	(3.8)
Net profit (IDRbn)	1,380	970	663	953	840
EPS (IDR)	70.2	49.4	33.8	48.5	42.7
EPS growth (%)	171.2	(29.7)	(31.6)	43.7	(11.9)
BVPS (IDR)	430.8	480.6	514.4	562.9	605.6
DPS (IDR)	1.5	0.0	0.0	0.0	0.0
PER (x)	3.7	5.3	7.8	5.4	6.1
PBV (x)	0.6	0.5	0.5	0.5	0.4
Dividend yield (%)	0.6	0.0	0.0	0.0	0.0
EV/EBITDA (x)	5.8	6.0	8.2	6.6	6.7

Source : ASRI, Danareksa Estimates

Exhibit 1. Revenues and Growth


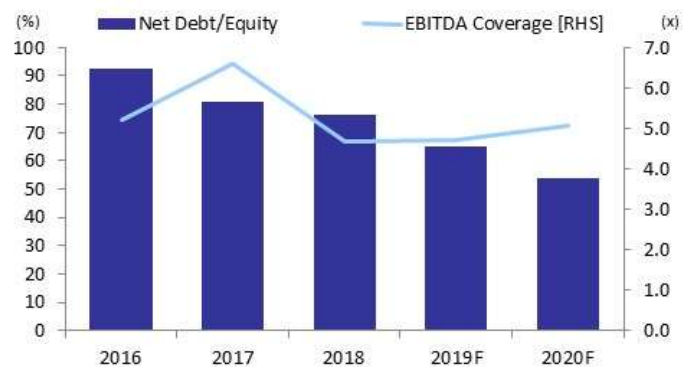
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

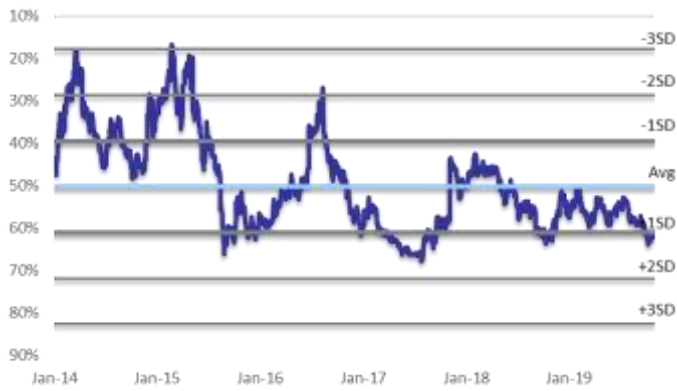
Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

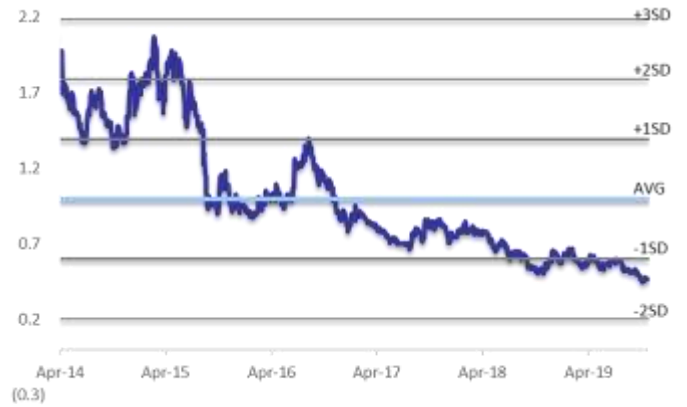
Exhibit 5. ASRI 3Q19 results summary

ASRI (IDR bn)	3Q18	2Q19	3Q19	y-o-y	q-o-q	9M18	9M19	y-o-y	FY19F	FY19C	A/F	A/C
Revenue	1,006	598	677	-33%	13%	3,203	1,960	-39%	3,967	3,201	49%	61%
COGS	(355)	(306)	(308)	-13%	1%	(1,178)	(848)	-28%	(1,413)	(1,358)	60%	62%
Gross Profit	651	292	369	-43%	27%	2,025	1,113	-45%	2,553	1,843	44%	60%
Total Opex	(129)	(141)	(100)	-23%	-29%	(360)	(369)	3%	(482)	(295)	77%	125%
Operating Profit	523	151	269	-48%	79%	1,665	743	-55%	2,071	1,548	36%	48%
Pretax Profit	168	33	88	-48%	169%	784	313	-60%	1,385	720	23%	43%
Net Profit	122	(8)	47	-61%	n/a	639	199	-69%	1,200	704	17%	28%
Gross margin	64.7%	48.8%	54.5%	-10.2%	5.8%	63.2%	56.8%	-6.5%	64.4%	57.6%		
Operating margin	51.9%	25.2%	39.8%	-12.1%	14.6%	52.0%	37.9%	-14.1%	52.2%	48.4%		
Net margin	12.1%	-1.3%	7.0%	-5.1%	8.3%	20.0%	10.1%	-9.8%	30.3%	22.0%		

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Discount to NAV Band Chart


Source: Company, Danareksa Sekuritas estimates

Exhibit 7. PBV Band Chart


Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	3,917	3,975	3,237	3,914	4,251
COGS	(1,541)	(1,531)	(1,281)	(1,576)	(1,961)
Gross profit	2,376	2,444	1,957	2,338	2,291
EBITDA	2,070	2,064	1,593	1,937	1,863
Oper. profit	1,986	1,978	1,500	1,841	1,763
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	961	1,287	1,194
Income tax	(190)	(184)	(150)	(181)	(197)
Minority interest	(5)	0	0	(1)	(1)
Net profit	1,380	970	663	953	840
Core Net Profit	1,412	1,287	811	1,105	996

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	718	459	138	505	1,089
Receivables	210	212	178	215	233
Inventory	5,502	5,315	5,878	6,287	6,154
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	12,935	13,653	14,465
Total asset	20,728	20,891	21,871	23,408	24,691
ST Debt	435	425	425	425	425
Payables	201	226	179	220	274
Other Curr. Liabilities	3,023	2,224	2,311	2,638	2,806
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	11,656	12,239	12,682
Shareholder's Funds	8,465	9,444	10,107	11,060	11,900
Minority interests	107	108	108	109	109
Total Equity & Liabilities	20,728	20,891	21,871	23,408	24,691

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,380	970	663	953	840
Depreciation and Amort.	84	86	93	96	99
Change in Working Capital	(36)	(551)	(489)	(79)	336
Other Oper. Cash Flow	0	0	0	0	0
Operating Cash Flow	1,428	505	266	970	1,275
Capex	(1,436)	(762)	(865)	(819)	(912)
Others Inv. Cash Flow	(273)	(144)	0	1	1
Investing Cash Flow	(1,709)	(906)	(865)	(818)	(912)
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)	(321)	367	584
Cash - begin of the year	1,189	718	459	138	505
Cash - end of the year	718	459	138	505	1,089

Exhibit 11. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	44.2	1.5	(18.6)	20.9	8.6
EBITDA	75.8	(0.3)	(22.8)	21.6	(3.8)
Operating profit	81.1	(0.4)	(24.2)	22.7	(4.2)
Net profit	171.2	(29.7)	(31.6)	43.7	(11.9)
Profitability (%)					
Gross margin	60.7	61.5	60.4	59.7	53.9
EBITDA margin	52.8	51.9	49.2	49.5	43.8
Operating margin	50.7	49.8	46.3	47.0	41.5
Net margin	35.2	24.4	20.5	24.4	19.8
ROAA	6.7	4.7	3.1	4.2	3.5
ROAE	17.8	10.8	6.8	9.0	7.3
Leverage					
Net Gearing (x)	0.8	0.8	0.8	0.7	0.6
Interest Coverage (x)	6.3	4.5	3.3	3.9	3.6

Source : ASRI, Danareksa Estimates

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