

Wednesday, 27 November 2019

**BUY**  
**Maintain**

Last price (IDR)	1,320
Target Price (IDR)	1,600
Upside/Downside	+21.2%
Previous Target Price (IDR)	1,700

**Stock Statistics**

Sector	Property
Bloomberg Ticker	BSDE IJ
No of Shrs (mn)	19,247
Mkt. Cap (IDRbn/USDmn)	25,406/1,804
Avg. daily T/O (IDRbn/USDmn)	18.4/1.3

**Major shareholders (%)**

Paraga Artamida	26.6
Ekacentra Usahamaju	25.0
Estimated free float	39.8

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	113.2	114.3	143.5
Consensus	134.6	117.1	129.5
Danareksa/Cons	(15.9)	(2.4)	10.8

**BSDE relative to JCI Index**



Source : Bloomberg



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# Bumi Serpong Damai (BSDE IJ)

## Weak recognition from property development

**BSDE booked core net profits of IDR218bn in 3Q19 (-35% y-o-y, -60% q-o-q) owing to weak revenues of IDR1.6tn (-2% y-o-y, -17% q-o-q) and higher operating expenses of IDR400bn (+5% y-o-y, 18% +q-o-q). This brings BSDE's 9M19 core profits to IDR1.4tn or representing 66% of our FY19 forecast and consensus estimates - in line with its historical average. Maintain BUY as the stock is currently undervalued at +1SD of its 5-year average discount to RNAV and 0.9x FY19F book value.**

**Weak revenues from lower recognition of property development.** BSDE booked revenues of IDR1.6tn (-2% y-o-y, -17% q-o-q) as the company recognized lower property development revenues of IDR1.2tn (-4% y-o-y, --22% q-o-q) slightly offset by slight growth in property investment revenues of IDR394bn (+2% y-o-y, +4% q-o-q). The revenues contribution from recurring income has stayed above 20% since 1Q18 as revenues recognition in property development has been weak since then.

**Lower gross margin from development property.** BSDE's overall gross margin dropped to 67% in 3Q19 (3Q18: 76%, 2Q19: 72%) as the gross margin from landed residential property only came in at 65% in 3Q19 (3Q18: 78%, 2Q19: 74%). However, we expect margins to recover given the high marketing sales from shophouses booked in FY18 and 9M19, offset by lower commercial land plot sales in the same period.

**Surge in opex in 3Q19 but still lower YTD.** BSDE's operating expenses surged in 3Q19 (+5% y-o-y, +18% q-o-q). However, due to the lower A&P expenses given the absence of a marketing program this year which are partly offset by higher salary expenses, BSDE's opex are still lower (-3% y-o-y) in 9M19.

**Maintain BUY with a lower TP of IDR1,600.** We adjust our discount from 52% to 54% as we take into account the recent share price decline. Thus, our TP is trimmed from IDR1,700 to IDR1,600. However, we maintain our BUY call on the stock as it is currently undervalued at +1SD of its 5-year average discount to RNAV and 0.9x FY19F book value.

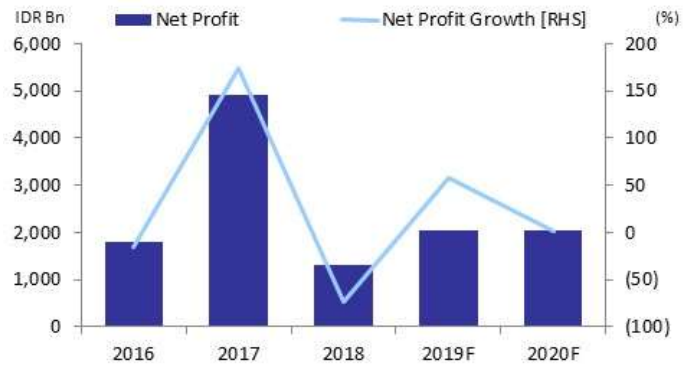
**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	10,347	6,629	7,487	7,404	8,382
EBITDA (IDRbn)	5,780	2,822	3,523	3,357	3,826
EBITDA Growth (%)	90.4	(51.2)	24.9	(4.7)	14.0
Net profit (IDRbn)	4,920	1,294	2,178	2,201	2,761
EPS (IDR)	255.6	67.2	113.2	114.3	143.5
EPS growth (%)	173.9	(73.7)	68.4	1.0	25.5
BVPS (IDR)	1,316.7	1,356.6	1,463.4	1,572.1	1,709.9
DPS (IDR)	5.0	0.0	3.4	5.7	5.7
PER (x)	5.6	21.1	12.5	12.4	9.9
PBV (x)	1.1	1.0	1.0	0.9	0.8
Dividend yield (%)	0.4	0.0	0.2	0.4	0.4
EV/EBITDA (x)	5.3	11.7	9.1	10.1	7.7

Source : BSDE, Danareksa Estimates

**Exhibit 1. Revenues and Growth**

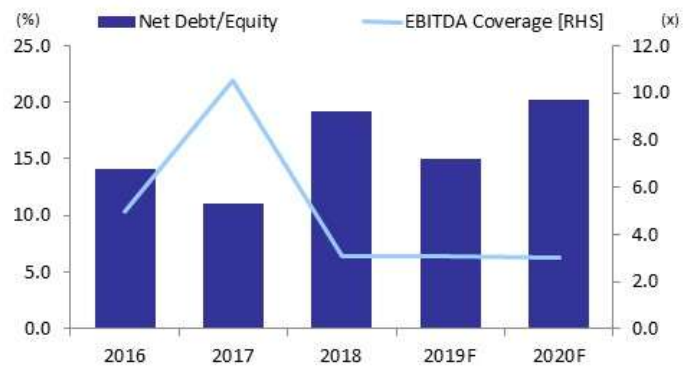

Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


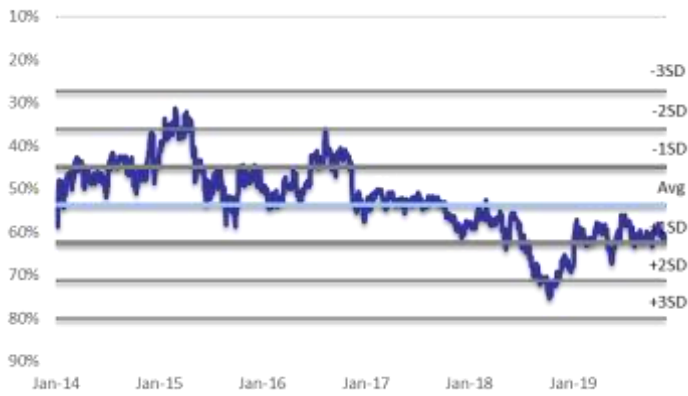
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. BSDE 3Q19 results summary**

BSDE (IDR bn)	3Q18	2Q19	3Q19	y-o-y	q-o-q	9M18	9M19	y-o-y	FY19F	FY19C	A/F	A/C
Revenue	1,667	1,972	1,629	-2%	-17%	4,787	5,231	9%	7,482	7,285	70%	72%
COGS	(398)	(548)	(533)	34%	-3%	(1,277)	(1,488)	17%	(2,022)	(1,950)	74%	76%
Gross Profit	1,270	1,424	1,096	-14%	-23%	3,510	3,742	7%	5,460	5,335	69%	70%
Total Opex	(646)	(575)	(676)	5%	18%	(1,750)	(1,703)	-3%	(2,363)	(2,397)	72%	71%
Operating Profit	624	848	420	-33%	-51%	1,759	2,039	16%	3,097	2,938	66%	69%
Pretax Profit	826	1,605	326	-60%	-80%	1,543	2,723	76%	2,757	2,989	99%	91%
Net Profit	645	1,474	218	-66%	-85%	1,054	2,310	119%	2,178	2,164	106%	107%
Core Profit	345	562	224	-35%	-60%	990	1,434	45%	2,178	2,164	66%	66%
Gross margin	76.2%	72.2%	67.3%	-8.9%	-4.9%	73.3%	71.5%	-1.8%	73.0%	73.2%		
Operating margin	37.4%	43.0%	25.8%	-11.7%	-17.3%	36.8%	39.0%	2.2%	41.4%	40.3%		
Net margin	38.7%	74.8%	13.4%	-25.3%	-61.4%	22.0%	44.2%	22.2%	29.1%	29.7%		

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
<b>Revenue</b>	<b>10,347</b>	<b>6,629</b>	<b>7,487</b>	<b>7,404</b>	<b>8,382</b>
COGS	(2,757)	(1,874)	(2,023)	(2,056)	(2,372)
<b>Gross profit</b>	<b>7,590</b>	<b>4,755</b>	<b>5,464</b>	<b>5,348</b>	<b>6,010</b>
<b>EBITDA</b>	<b>5,780</b>	<b>2,822</b>	<b>3,523</b>	<b>3,357</b>	<b>3,826</b>
<b>Oper. profit</b>	<b>5,475</b>	<b>2,438</b>	<b>3,101</b>	<b>2,896</b>	<b>3,327</b>
Interest income	266	387	568	759	739
Interest expense	(549)	(913)	(1,087)	(1,042)	(808)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	495	63	63	63	63
Other Income (Expenses)	1	(3)	112	111	126
<b>Pre-tax profit</b>	<b>5,688</b>	<b>1,971</b>	<b>2,757</b>	<b>2,786</b>	<b>3,447</b>
Income tax	(452)	(331)	(309)	(314)	(345)
Minority interest	(246)	(408)	(269)	(272)	(341)
<b>Net profit</b>	<b>4,920</b>	<b>1,294</b>	<b>2,178</b>	<b>2,201</b>	<b>2,761</b>
<b>Core Net Profit</b>	<b>4,989</b>	<b>1,232</b>	<b>2,178</b>	<b>2,201</b>	<b>2,761</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	5,793	8,139	9,308	6,446	5,880
Receivables	490	293	591	283	706
Inventory	7,910	9,044	9,073	9,175	9,159
Other Curr. Asset	3,008	2,537	2,537	2,537	2,537
Fixed assets - Net	8,142	8,762	9,339	9,878	10,379
Other non-curr.asset	19,844	22,391	24,183	25,991	27,773
<b>Total asset</b>	<b>45,951</b>	<b>52,101</b>	<b>55,966</b>	<b>55,245</b>	<b>57,369</b>
ST Debt	2,007	817	1,457	5,622	250
Payables	1,768	1,163	1,984	1,152	2,531
Other Curr. Liabilities	5,322	6,114	7,323	5,987	8,850
Long Term Debt	7,024	13,131	12,495	7,413	7,676
Other LT. Liabilities	633	590	590	590	590
<b>Total Liabilities</b>	<b>16,754</b>	<b>21,815</b>	<b>23,850</b>	<b>20,765</b>	<b>19,897</b>
Shareholder's Funds	25,341	26,110	28,167	30,258	32,909
Minority interests	3,855	4,177	4,446	4,718	5,060
<b>Total Equity &amp; Liabilities</b>	<b>45,951</b>	<b>52,101</b>	<b>56,463</b>	<b>55,742</b>	<b>57,866</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	4,920	1,294	2,178	2,201	2,761
Depreciation and Amort.	304	384	423	461	499
Change in Working Capital	1,602	(280)	1,704	(1,962)	3,834
Other Oper. Cash Flow	(68)	0	0	0	0
<b>Operating Cash Flow</b>	<b>6,759</b>	<b>1,398</b>	<b>4,305</b>	<b>699</b>	<b>7,095</b>
Capex	(4,648)	(2,289)	(2,792)	(2,808)	(2,782)
Others Inv. Cash Flow	(1,599)	(1,479)	269	272	341
<b>Investing Cash Flow</b>	<b>(6,247)</b>	<b>(3,768)</b>	<b>(2,523)</b>	<b>(2,536)</b>	<b>(2,441)</b>
Net change in debt	1,997	4,917	4	(917)	(5,109)
New Capital	0	0	0	0	0
Dividend payment	(96)	0	(65)	(109)	(110)
Other Fin. Cash Flow	(76)	(582)	0	0	0
<b>Financing Cash Flow</b>	<b>1,824</b>	<b>4,335</b>	<b>(60)</b>	<b>(1,026)</b>	<b>(5,219)</b>
<b>Net Change in Cash</b>	<b>2,336</b>	<b>1,964</b>	<b>1,722</b>	<b>(2,862)</b>	<b>(566)</b>
Cash - begin of the year	3,578	5,793	8,139	9,308	6,446
Cash - end of the year	5,793	8,139	9,308	6,446	5,880

### Exhibit 11. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	56.7	(35.9)	12.9	(1.1)	13.2
EBITDA	90.4	(51.2)	24.9	(4.7)	14.0
Operating profit	94.9	(55.5)	27.2	(6.6)	14.9
Net profit	173.9	(73.7)	68.4	1.0	25.5
<b>Profitability (%)</b>					
Gross margin	73.4	71.7	73.0	72.2	71.7
EBITDA margin	55.9	42.6	47.1	45.3	45.7
Operating margin	52.9	36.8	41.4	39.1	39.7
Net margin	47.6	19.5	29.1	29.7	32.9
ROAA	11.6	2.6	4.0	4.0	4.9
ROAE	21.4	5.0	8.0	7.5	8.7
<b>Leverage</b>					
Net Gearing (x)	0.1	0.2	0.1	0.2	0.1
Interest Coverage (x)	10.0	2.7	2.9	2.8	4.1

Source : BSDE, Danareksa Estimates

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