

Wednesday, 07 April 2021

BUY Maintain

| | |
|-----------------------------|--------|
| Last price (IDR) | 970 |
| Target Price (IDR) | 1,300 |
| Upside/Downside | +34.0% |
| Previous Target Price (IDR) | 1,350 |

Stock Statistics

| | |
|------------------------------|------------|
| Sector | Property |
| Bloomberg Ticker | SMRA IJ |
| No of Shrs (mn) | 14,427 |
| Mkt. Cap (IDRbn/USDmn) | 13,994/965 |
| Avg. daily T/O (IDRbn/USDmn) | 51.4/3.5 |

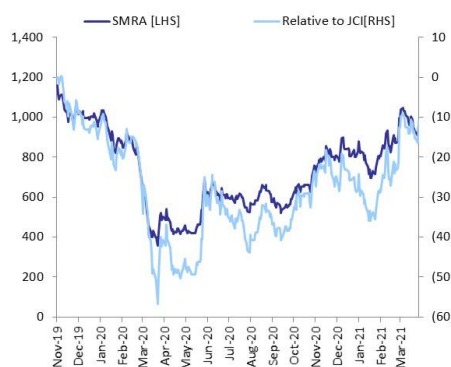
Major shareholders (%)

| | |
|------------------------|------|
| Semarop Agung | 25.4 |
| Sinarmegah Jayasentosa | 6.6 |
| Estimated free float | 65.1 |

EPS Consensus (IDR)

| | 2021F | 2022F | 2023F |
|----------------|--------|--------|--------|
| Danareksa | 13.9 | 25.1 | 37.3 |
| Consensus | 22.5 | 35.6 | n/a |
| Danareksa/Cons | (38.1) | (29.5) | (29.5) |

SMRA relative to JCI Index



Source : Bloomberg



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Summarecon Agung (SMRA IJ)

Strong core net profits amid the pandemic

SMRA booked core net profits of IDR461bn (+130% y-o-y) in 4Q20 - a turnaround from the two previous quarters of net losses. Reported net profits in 4Q20 came in lower at IDR192bn (-4% y-o-y) resulting in net profits of IDR180bn (-65% y-o-y). This is above our FY20 forecast and consensus estimates. We maintain our BUY call on SMRA with a lower TP of IDR1,300.

Higher-than-expected gross margins and lower-than-expected opex. Despite inline FY20F revenues, SMRA's net profits came in higher than our forecast as the company was able to book higher gross margins. The high margins were helped by strong recovery in the investment property segment which recorded a gross margin of 34% in 4Q20, a significant improvement over 10% in 3Q20 albeit still lower compared to the normal situation in 4Q19 of 55%. SMRA also reported lower-than-expected opex as its 4Q20 opex came in 17% lower y-o-y bringing its FY20 opex to IDR1tn (-20% y-o-y), lower than our forecast of IDR1.1tn (-13% y-o-y).

Strong core profits in 4Q20. Excluding the non-cash interest from contracts, SMRA booked core net profits of IDR461bn (+130% y-o-y). Considering the COVID-19 pandemic, the achievement in 4Q20 is remarkable. The solid quarterly profits reflect strong revenues recognition from development property as well as recovery in investment property. Development property recorded 65% q-o-q and 52% y-o-y growth while investment property posted 61% q-o-q growth albeit still 35% lower compared to 4Q19 when there was no impact from COVID-19.

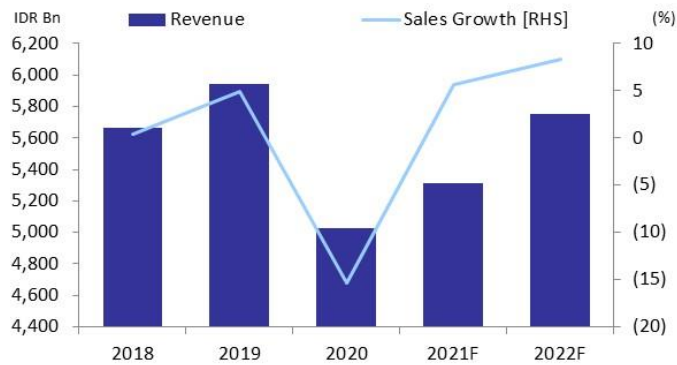
Higher gearing with lower interest coverage. SMRA's net gearing stood at 86% at the end of Dec-20 which is higher compared to 77% at the end of Dec-19. The EBITDA coverage ratio also came in lower at 2.0x in 2020 from 2.3x in 2019. With the expected rights issue, SMRA will be better placed in terms of liquidity going forward.

Maintain BUY with a lower TP of IDR1,300. We maintain our BUY call on SMRA as we believe its share price is still undervalued given the potential strong recovery in both earnings and marketing sales going forward. Our TP is trimmed to IDR1,300 (from IDR1,350) due to the lower net cash position.

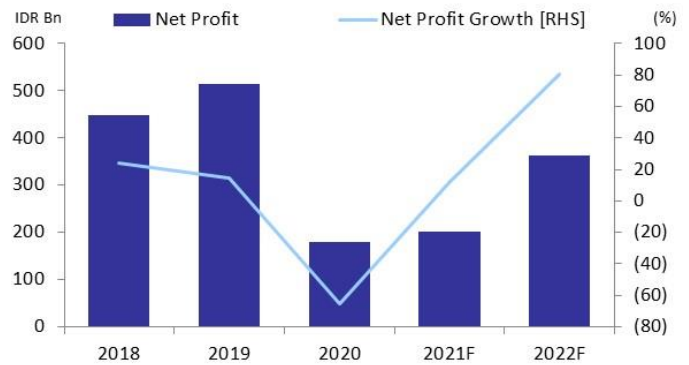
Key Financials

| Year to 31 Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|--------------------|-------|--------|-------|-------|-------|
| Revenue (IDRbn) | 5,942 | 5,030 | 5,313 | 5,755 | 6,143 |
| EBITDA (IDRbn) | 1,858 | 1,546 | 1,682 | 1,895 | 2,105 |
| EBITDA Growth (%) | 0.8 | (16.8) | 8.8 | 12.7 | 11.0 |
| Net profit (IDRbn) | 515 | 180 | 201 | 362 | 538 |
| EPS (IDR) | 35.7 | 12.5 | 13.9 | 25.1 | 37.3 |
| EPS growth (%) | 14.8 | (65.1) | 11.8 | 80.2 | 48.6 |
| BVPS (IDR) | 510.7 | 474.5 | 488.5 | 513.6 | 550.9 |
| DPS (IDR) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PER (x) | 28.0 | 80.2 | 71.7 | 39.8 | 26.8 |
| PBV (x) | 2.0 | 2.1 | 2.0 | 1.9 | 1.8 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EV/EBITDA (x) | 11.7 | 14.4 | 13.4 | 11.8 | 10.4 |

Source : SMRA, Danareksa Estimates

Exhibit 1. Revenues and Growth


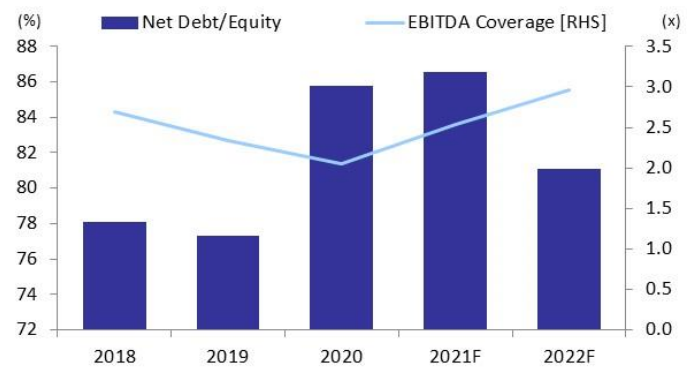
Source: Company, Danareksa Sekuritas estimates

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. SMRA 4Q20 results summary

| SMRA (IDR bn) | 4Q19 | 3Q20 | 4Q20 | y-o-y | q-o-q | FY19 | FY20 | y-o-y | FY20F | FY20C | A/F | A/C |
|------------------|-------|-------|-------|-------|-------|---------|---------|-------|---------|---------|------|------|
| Revenue | 1,533 | 1,078 | 1,770 | 15% | 64% | 5,942 | 5,030 | -15% | 5,088 | 4,701 | 99% | 107% |
| COGS | (733) | (637) | (858) | 17% | 35% | (3,092) | (2,738) | -11% | (2,967) | (2,550) | 92% | 107% |
| Gross Profit | 800 | 441 | 912 | 14% | 107% | 2,850 | 2,292 | -20% | 2,121 | 2,151 | 108% | 107% |
| Total Opex | (307) | (218) | (255) | -17% | 17% | (1,270) | (1,022) | -20% | (1,099) | (1,166) | 93% | 88% |
| Operating Profit | 493 | 223 | 657 | 33% | 194% | 1,580 | 1,270 | -20% | 1,022 | 984 | 124% | 129% |
| Pretax Profit | 306 | 40 | 268 | -12% | 575% | 923 | 440 | -52% | 352 | 308 | 125% | 143% |
| Net Profit | 200 | (22) | 192 | -4% | n/a | 515 | 180 | -65% | 93 | 101 | 194% | 178% |
| Gross margin | 52.2% | 40.9% | 51.5% | -0.7% | 10.6% | 48.0% | 45.6% | -2.4% | 41.7% | 45.7% | | |
| Operating margin | 32.2% | 20.7% | 37.1% | 5.0% | 16.4% | 26.6% | 25.2% | -1.3% | 20.1% | 20.9% | | |
| Net margin | 13.1% | -2.1% | 10.9% | -2.2% | 12.9% | 8.7% | 3.6% | -5.1% | 1.8% | 2.1% | | |

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

| Year to 31 Dec (IDRbn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 5,942 | 5,030 | 5,313 | 5,755 | 6,143 |
| COGS | (3,092) | (2,738) | (2,813) | (3,012) | (3,153) |
| Gross profit | 2,850 | 2,292 | 2,500 | 2,743 | 2,990 |
| EBITDA | 1,858 | 1,546 | 1,682 | 1,895 | 2,105 |
| Oper. profit | 1,580 | 1,270 | 1,375 | 1,559 | 1,752 |
| Interest income | 125 | 190 | 83 | 80 | 68 |
| Interest expense | (795) | (755) | (664) | (640) | (604) |
| Forex Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Income From Assoc. Co's | 4 | 6 | 0 | 0 | 0 |
| Other Income (Expenses) | 9 | (272) | (268) | (268) | (268) |
| Pre-tax profit | 923 | 440 | 526 | 732 | 948 |
| Income tax | (310) | (194) | (256) | (277) | (292) |
| Minority interest | (98) | (66) | (69) | (92) | (118) |
| Net profit | 515 | 180 | 201 | 362 | 538 |
| Core Net Profit | 515 | 180 | 201 | 362 | 538 |

Exhibit 7. Balance Sheet

| Year to 31 Dec (IDRbn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & cash equivalent | 1,664 | 1,656 | 1,601 | 1,365 | 1,704 |
| Receivables | 221 | 257 | 271 | 294 | 313 |
| Inventory | 8,514 | 9,187 | 9,725 | 10,156 | 10,500 |
| Other Curr. Asset | 751 | 789 | 804 | 828 | 849 |
| Fixed assets - Net | 338 | 332 | 356 | 365 | 373 |
| Other non-curr.asset | 12,953 | 12,702 | 12,883 | 13,077 | 13,254 |
| Total asset | 24,442 | 24,923 | 25,639 | 26,084 | 26,993 |
| ST Debt | 4,652 | 3,969 | 4,103 | 4,750 | 6,170 |
| Payables | 86 | 81 | 83 | 89 | 93 |
| Other Curr. Liabilities | 3,767 | 3,854 | 4,049 | 4,377 | 4,655 |
| Long Term Debt | 4,317 | 5,483 | 5,550 | 4,472 | 2,973 |
| Other LT. Liabilities | 1,656 | 1,995 | 2,094 | 2,252 | 2,390 |
| Total Liabilities | 14,478 | 15,381 | 15,880 | 15,939 | 16,280 |
| Shareholder's Funds | 7,368 | 6,846 | 7,047 | 7,409 | 7,948 |
| Minority interests | 2,084 | 2,240 | 2,257 | 2,280 | 2,310 |
| Total Equity & Liabilities | 23,929 | 24,467 | 25,184 | 25,628 | 26,538 |

Exhibit 8. Cash Flow

| Year to 31 Dec (IDRbn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|----------------------------|--------------|--------------|--------------|----------------|--------------|
| Net income | 515 | 180 | 201 | 362 | 538 |
| Depreciation and Amort. | 261 | 251 | 307 | 336 | 353 |
| Change in Working Capital | 165 | (664) | (370) | (144) | (103) |
| Other Oper. Cash Flow | (256) | 904 | 641 | 656 | 619 |
| Operating Cash Flow | 685 | 670 | 779 | 1,211 | 1,407 |
| Capex | (193) | (270) | (385) | (385) | (385) |
| Others Inv. Cash Flow | 25 | 467 | (3) | (12) | (30) |
| Investing Cash Flow | (168) | 197 | (389) | (397) | (416) |
| Net change in debt | 362 | 483 | 201 | (432) | (79) |
| New Capital | 0 | 0 | 0 | 0 | 0 |
| Dividend payment | (51) | (698) | 0 | 0 | 0 |
| Other Fin. Cash Flow | (795) | (755) | (664) | (640) | (604) |
| Financing Cash Flow | (484) | (970) | (463) | (1,072) | (682) |
| Net Change in Cash | 33 | (104) | (73) | (259) | 309 |
| Cash - begin of the year | 1,534 | 1,664 | 1,656 | 1,601 | 1,365 |
| Cash - end of the year | 1,664 | 1,656 | 1,601 | 1,365 | 1,704 |

Exhibit 9. Key Ratios

| Year to 31 Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|--------------------------|-------|--------|-------|-------|-------|
| Growth (%) | | | | | |
| Sales | 5.0 | (15.3) | 5.6 | 8.3 | 6.7 |
| EBITDA | 0.8 | (16.8) | 8.8 | 12.7 | 11.0 |
| Operating profit | 2.6 | (19.6) | 8.3 | 13.4 | 12.3 |
| Net profit | 14.8 | (65.1) | 11.8 | 80.2 | 48.6 |
| Profitability (%) | | | | | |
| Gross margin | 48.0 | 45.6 | 47.0 | 47.7 | 48.7 |
| EBITDA margin | 31.3 | 30.7 | 31.7 | 32.9 | 34.3 |
| Operating margin | 26.6 | 25.2 | 25.9 | 27.1 | 28.5 |
| Net margin | 8.7 | 3.6 | 3.8 | 6.3 | 8.8 |
| ROAA | 2.2 | 0.7 | 0.8 | 1.4 | 2.0 |
| ROAE | 7.2 | 2.5 | 2.9 | 5.0 | 7.0 |
| Leverage | | | | | |
| Net Gearing (x) | 0.8 | 0.9 | 0.9 | 0.8 | 0.7 |
| Interest Coverage (x) | 2.0 | 1.7 | 2.1 | 2.4 | 2.9 |

Source : SMRA, Danareksa Estimates

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