

FROM EQUITY RESEARCH

Alam Sutra Realty: Cheap valuation with better earnings prospect (ASRI IJ. IDR 352 BUY.TP IDR 400)

We expect ASRI net profit to grow by CAGR 19.4% in the next three years on the back of higher marketing sales and lower forex losses. Excluding forex losses, we expect ASRI net profit to grow by 13.6% CAGR in FY18-FY21F. The higher marketing sales in the next three years will be supported by its land plot sales to China Fortune Land Development (CFLD) which we expect to book marketing sales of IDR 1.6 trillion per year in the next three years. We upgrade our BUY call with higher TP of IDR 400 which is based on 47% discount (5-year average) to its RNAV.

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MARKET NEWS

SECTOR

- Consumer: Consumer companies estimates higher demand following Ramadhan event

CORPORATE

- Rp47tn capital injection into Hutch 3 by local businessman
- HMSP reported lower 1Q19 sales volume growth of 3.7% yoy

PREVIOUS REPORT

- Strategy: [The Big Day: Jokowi Leads in Quick Counts](#)
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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.507	0,4	5,0	783
Thailand	1.674	(0,1)	7,0	1.131
Philippines	7.835	0,1	4,9	95
Malaysia	1.622	0,1	(4,1)	525
Singapore	3.348	(0,0)	9,1	691
Regional				
China	3.271	0,6	31,2	64.196
Hong Kong	29.963	(0,5)	15,9	11.635
Japan	22.201	0,5	10,9	8.795
Korea	2.217	0,1	8,6	5.718
Taiwan	10.969	0,1	12,8	4.120
India	39.140	(0,3)	8,5	431
NASDAQ	7.998	0,0	20,5	109.485
Dow Jones	26.560	0,4	13,9	13.120

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.045	0,7	1,4	2,4
BI7DRRR	%	6,00	-	-	-
10y Gov	Indo bond	7,58	(0,1)	(0,0)	(0,5)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	84	(0,2)	(10,0)	(17,2)
Gold	US\$/toz	1.277	0,1	(2,8)	(0,4)
Nickel	US\$/mt.ton	12.588	(1,8)	(2,6)	18,7
Tin	US\$/mt.ton	20.350	(0,7)	(4,1)	4,3

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.339	(0,9)	6,6	(1,1)
Corn	US\$/mt.ton	131	0,6	(1,2)	(1,8)
Oil (WTI)	US\$/barrel	64	0,6	9,1	41,8
Oil (Brent)	US\$/barrel	72	0,6	8,1	34,6
Palm oil	MYR/mt.ton	2.053	(0,3)	12,1	5,1
Rubber	US\$/kg	150	(0,6)	1,6	20,0
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	71	0,9	(4,5)	(5,4)
Sugar	US\$/MT	339	1,9	(2,3)	1,9
Wheat	US\$/ton	122	(0,4)	(3,3)	(13,5)
Soy Oil	US\$/lb	29	1,2	(2,2)	4,5
Soy Bean	US\$/by	881	0,2	(2,8)	(0,2)

Monday, 22 April 2019

BUY
Upgrade

Last price (IDR)	352
Target Price (IDR)	400
Upside/Downside	+13.6%
Previous Target Price (IDR)	330

Stock Statistics

Sector	Property
Bloomberg Ticker	ASRI IJ
No of Shrs (mn)	19,649
Mkt. Cap (IDRbn/USDmn)	6,917/492
Avg. daily T/O (IDRbn/USDmn)	4.1/0.3

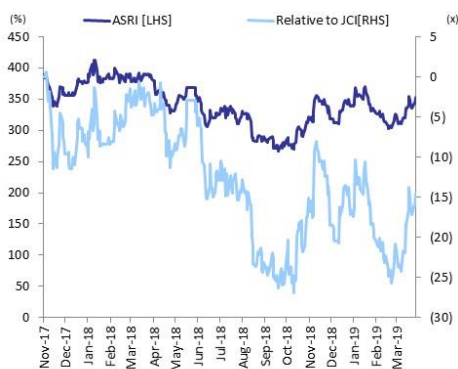
Major shareholders (%)

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	65.1	70.1	68.9
Danareksa/Cons	(6.1)	(0.5)	22.1

ASRI relative to JCI Index



Source : Bloomberg



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Alam Sutra Realty(ASRI IJ)

Cheap valuation with better earnings prospect

We expect ASRI net profit to grow by CAGR 19.4% in the next three years on the back of higher marketing sales and lower forex losses. Excluding forex losses, we expect ASRI net profit to grow by 13.6% CAGR in FY18-FY21F. The higher marketing sales in the next three years will be supported by its land plot sales to China Fortune Land Development (CFLD) which we expect to book marketing sales of IDR 1.6 trillion per year in the next three years. We upgrade our BUY call with higher TP of IDR 400 which is based on 47% discount (5-year average) to its RNAV.

Future earning supported by recognition of land plot and Lloyd. We expect revenue to grow by 10.4% CAGR in FY18-FY21F backed by revenue recognition land plot sales and Lloyd apartment. We expect the marketing sales (of c. IDR1 trillion) from Lloyd launches to be booked in 2020-2021. Assuming ASRI can booked IDR 1.6 trillion marketing sales per year from its CFLD transaction and USD does not spike up, we expect ASRI net profit to grow by 19.4% CAGR in FY18-FY21F.

We expect ASRI to book marketing sales of IDR 4.1 trillion in FY19F. We are expecting a lower marketing sales of IDR 4.1 trillion in FY19F, lower than management guidance of IDR 5 trillion due to the absence of the first launch of mid-rise apartment, Lloyd, and lower commercial land plot sales.

FY18 results came in below our expectation. ASRI booked net profit of IDR 970 billion in FY18. This is well below our expectation on the back of slower revenue recognition, higher operating expenses, and higher than expected forex losses. Despite the 17.1% growth in investment property revenue, ASRI overall revenue only grow by 1.5% y-o-y in FY18 due to the slow revenue recognition from development property (flat y-o-y) which forms 89% of its FY18 revenue.

Trading at cheap valuation, upgrade to BUY with TP of IDR 400. We upgrade our BUY call on ASRI with higher TP of IDR 400 as we roll forward our valuation base to FY19. Our TP is derived by applying 47% discount to its RNAV of IDR 750/share which is at its 5-year average and is implying 0.8x FY19F Book Value. ASRI is currently trading at 53% discount to its RNAV (-0.5 SD) and 0.6x FY19F Book Value (-1SD) of their respective 5-year average.

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)	5.4	7.7	6.2	5.4	4.5
PBV (x)	0.9	0.8	0.7	0.6	0.5
Dividend yield (%)	0.4	0.0	0.0	0.0	0.0
EV/EBITDA (x)	6.9	7.1	6.7	5.9	4.6

Source : ASRI, Danareksa Estimates

MARKET NEWS

SECTOR**Consumer: Consumer companies estimates higher demand following Ramadhan event**

The management of Siantar Top (STTP) stated that the company booked FY18 earnings growth of 17.95% yoy following higher revenue growth from export (20.75% yoy) and higher average selling prices (from IDR500/pack to IDR1,000/pack). Toward the Ramadhan festive season, the company estimates 10-20% higher revenue growth, mostly supported by biscuit and crackers. For FY19, STTP targets 10-15% yoy revenue growth. Other consumer company, Garudafood (GOOD) also estimates higher demand around 10-15% toward the Ramadhan season, starting from 2months before the event. (Bisnis Indonesia)

CORPORATE**Rp47tn capital injection into Hutch 3 by local businessman**

Hutchison 3 Indonesia issued new shares to incorporate capital injection of Rp47tn. The new shareholder Hutchison Asia Telecom representing interests of businessman Garibaldi Thohir is the main subscriber to the new share capital issue with existing shareholder Tiga Telekomunikasi Indonesia. The issuance of new shares is awaiting signature approval from Kemkominfo as per 21/4. Post new share capital issue, Hutchison Asia Telekom will hold 66% control of Hutchison 3, 33% to be owned by PT Tiga Telekomunikasi and 1% by PT Cyber Access.

Comment: If the issuance of new share capital goes through, it will signify a major change in the telco sector in terms of capital intensity as well as consolidation dynamics. Hutchison 3 is allocated with 10MHz spectrum in the 1800MHz frequency and 15MHz spectrum in the 2100MHz after having acquired 5MHz in latest auction, and overall it is the least privileged.

HMSP reported lower 1Q19 sales volume growth of 3.7% yoy

HMSP reported lower 1Q19 sales volume of 22.1bn sticks, down 3.7% yoy, following lower market share (1Q19: 32.2% vs 1Q18: 33.2%). The company increased the retail selling prices since Oct 2018, widening the price gap with competitors. Combined with trade inventory movement following the absence of excise tax increase in January 2019, the company reported soft volume growth in 1Q19. Higher retail selling prices led Sampoerna A booked lower market share in 1Q19 (11.5% vs 1Q18: 12.4%).

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Apr-19	17-Apr-19					
Surya Semesta	SSIA	660	570	15,8	18,9	13,8	32,0	HOLD
Matahari Putra Prima	MPPA	220	198	11,1	1,9	(24,1)	44,7	SELL
Ciputra Development	CTRA	1.245	1.160	7,3	10,2	20,9	23,3	BUY
Puradelta Lestari	DMAS	262	246	6,5	6,5	15,9	64,8	BUY
Sampoerna Agro	SGRO	2.400	2.260	6,2	0,4	0,4	1,3	BUY
Bekasi Fajar	BEST	294	278	5,8	0,7	20,5	41,3	BUY
Pembangunan Perumahan	PTPP	2.490	2.390	4,2	8,7	19,7	38,0	BUY
BTPS	BTPS	2.340	2.250	4,0	4,9	5,4	30,4	BUY
Wijaya Karya	WIKA	2.420	2.330	3,9	9,0	22,2	46,2	BUY
Summarecon Agung	SMRA	1.210	1.170	3,4	3,4	23,5	50,3	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Apr-19	17-Apr-19					
Gudang Garam	GGRM	79.100	82.425	(4,0)	1,2	(7,9)	(5,4)	BUY
Malindo Feedmill	MAIN	1.225	1.265	(3,2)	(4,3)	(25,3)	(12,2)	HOLD
Vale Indonesia	INCO	3.180	3.280	(3,0)	(2,8)	(10,2)	(2,5)	BUY
Kimia Farma	KAEF	3.200	3.300	(3,0)	(0,9)	(4,8)	23,1	SELL
Indofood	INDF	6.275	6.450	(2,7)	(3,8)	(15,2)	(15,8)	BUY
HM Sampoerna	HMSP	3.630	3.730	(2,7)	0,8	(4,5)	(2,2)	BUY
Ace Hardware	ACES	1.635	1.680	(2,7)	(12,1)	(11,1)	9,7	BUY
Charoen Pokphand	CPIN	6.025	6.175	(2,4)	(6,9)	(22,3)	(16,6)	SELL
Wika Beton	WTON	635	650	(2,3)	3,3	10,4	68,9	BUY
Semen Baturaja	SMBR	1.110	1.135	(2,2)	(5,1)	(20,1)	(36,6)	SELL

Sources: Bloomberg

PREVIOUS REPORTS

- Strategy: The Big Day: Jokowi Leads in Quick Counts, Automotive: Impressive Domestic Car Sales in Mar 2019, Kino Indonesia: Enticing turnaround story [SnapShot20190418](#)
- Strategy: Progression Continues [SnapShot20190416](#)
- Bank Tabungan Negara: Greater clarity, BPD Jatim: Picking up the momentum [SnapShot20190412](#)
- Vale Indonesia: Set to recover [SnapShot20190411](#)
- Ciputra Development: Attractive Valuations Despite Earnings Volatility [SnapShot20190410](#)
- Cigarette: Higher margins, improved earnings growth, HM Sampoerna: Margin boost, Gudang Garam: Solid growth but airport risk [SnapShot20190408](#)
- Semen Indonesia (Persero): Year of consolidation [SnapShot20190405](#)
- Poultry: Will this year mimic 2017?, Indocement Tunggul Prakarsa: Steady growth despite a difficult first half, Pembangunan Perumahan: Growing moderately [SnapShot20190404](#)
- Media : The gap between MNCN and SCMA narrows, Sarana Menara Nusantara: Promising outlook, Waskita Karya: Divestment plans still on, Semen Indonesia (SMGR): Solid performance [SnapShot20190402](#)
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