



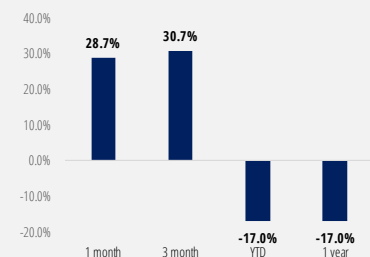
PT SUMMARECON AGUNG, TBK.

Ticker: SMRA
Last Price (3/12/20): 830
Shares (million): 14,427
Market Cap (million rupiah): 11,974,229

RECOMMENDATION BUY
12-Month Target Price 920
Upside Potential 10.8%

SHAREHOLDERS
Public 54%
PT Semarang Agung 34%
PT Sinarmegah Jayasentosa 7%
APG Stichting 6%

PRICE PERFORMANCE



SMRA vs. JCI (LAST ONE YEAR)



MARGINS IMPROVED BUT BENIGN BOTTOM LINE

As of 9M20, SMRA booked net profit of Rp3.3T (-26.1% Y/Y; 75.3% of 2020F estimate). Opex was down by -20.3%, but EBIT margin remained benign at 18.9% vs. 9M19's 24.7%. SMRA recorded a net loss of Rp12B; by contrast, in 9M19 SMRA booked a net profit of Rp315B.

BETTER MARKETING SALES REALIZATION

As of 10M20, SMRA booked a marketing sales realization of Rp2T, which declined by -44.8% (Y/Y) from Rp3.6T in the same period last year and covered 80% of 2020 target at Rp2.5T. Summarecon Serpong contributed 50% to the marketing sales realization. 3Q20 realization stood at Rp903B, higher than that of 1Q20 and 2Q20 at Rp855B and Rp256B, respectively. But if compared with the 3Q19, the figure actually was down by -19.8% (Y/Y). Still, we still see this as a sign of a recovery on the back of better marketing sales results.

MARGINS VARIED SIGNIFICANTLY

As of 9M20, property development margin stood at 27.9%, slightly higher than 25.8% as of 6M20. The figure is actually higher than that of in the same period last year at 20.5%. By contrast, Investment property only recorded a margin of 9.5% vs. 10.5% as of 6M20, which significantly lower than 9M19 margin at 44.7%. Seen quarterly, property development margin was recorded at 31.8%, up from 19.7% in 3Q19. By contrast, investment property margin was only at 7.0%, compared to 54.1% in 3Q19.

WEAK BOTTOM LINE

Despite SMRA managed to lower its operating expenses in 3Q20 by -17.1% (Q/Q) and -34.1% (Y/Y), it was not enough to offset declining revenue, which was lower by -5.6% (Q/Q) and -37.8% (Y/Y). Furthermore, finance cost was seen to have increased by +38.9% (Q/Q) and +18.6% (Y/Y), dragging down bottom line to a net loss of Rp25B, continuing a net loss recorded in 2Q20 at Rp24B.

VALUATION

We maintain our BUY recommendation with 12-month target price of Rp920/share (previous TP: Rp920/share, 75.5% discount to RNAV near its 3-year mean), as although 3Q20 bottom line has been benign, marketing sales realization shows a glimpse of optimism going forward. The TP reflects 12-month P/E of 32.2x and P/B of 1.3x.

Fiscal Year Ending	2018	2019	2020F	2021F	2022F
Revenues	5,661	5,942	4,327	4,567	4,942
EBITDA	1,636	1,667	1,228	1,309	1,428
Net Profit	449	515	245	412	484
EPS	31.1	35.7	17.0	28.5	33.6
BVPS	628	655	665	690	718
P/E (x)	27	23	49	29	25
P/B (x)	1.3	1.3	1.2	1.2	1.2
EV/EBITDA (x)	11.6	11.6	13.9	13.0	12.0

Sources: SMRA, MPIS Research

ANALYST
Jason Wijaya
jason@minnapadi.com

APPENDIX

Figure A-1
INCOME STATEMENT

(Rp Billions)	2018	2019	2020F	2021F	2022F
Revenues	5,661	5,942	4,327	4,567	4,942
Cost of Sales	(2,922)	(3,092)	(2,243)	(2,359)	(2,538)
Gross Profit	2,739	2,850	2,084	2,208	2,404
Selling Expenses	(343)	(354)	(260)	(275)	(296)
General and Administrative Expenses	(855)	(916)	(667)	(699)	(760)
Others	18	9	8	7	8
Income from Operations	1,558	1,589	1,165	1,240	1,356
Finance Income	96	125	106	156	163
Finance Costs	(685)	(795)	(836)	(668)	(651)
Equity Net Profit	(0)	4	4	5	5
Pre-tax Profit	969	923	439	732	872
Taxes	(278)	(310)	(140)	(230)	(282)
Minority Interest	242	98	54	90	106
Net Profit	449	515	245	412	484

Sources: SMRA, MPIS Research

Figure A-2
BALANCE SHEET

(Rp Billions)	2018	2019	2020F	2021F	2022F
Cash and Cash Equivalents	1,524	1,664	2,208	2,255	3,322
Receivables	394	221	166	175	190
Inventories	7,890	8,514	5,838	6,140	6,259
Other Current Assets	690	751	501	519	572
Total Current Assets	10,498	11,151	8,714	9,089	10,343
Fixed Assets	11,199	11,231	11,343	11,474	12,033
Other Non-Current Assets	1,603	2,060	1,066	1,188	1,350
Total Non-Current Assets	12,801	13,291	12,409	12,661	13,384
Total Assets	23,299	24,442	21,123	21,750	23,726
Accounts Payables	77	86	(9)	58	58
Short-term Loans	3,714	4,652	3,644	3,645	4,327
Other Current Liabilities	3,439	4,279	2,887	3,036	3,381
Total Current Liabilities	7,229	9,017	6,521	6,740	7,766
Long-term Loans	4,893	4,317	3,698	3,599	4,120
Other Non-Current Liabilities	2,116	1,656	1,310	1,454	1,483
Total Non-Current Liabilities	7,009	5,973	5,009	5,054	5,602
Total Liabilities	14,239	14,990	11,529	11,794	13,368
Capital Stock	1,443	1,443	1,443	1,443	1,443
Additional Paid-In Capital	23	23	23	23	23
Retained Earnings	5,436	5,900	6,043	6,405	6,807
Non-Controlling Interests	2,157	2,084	2,084	2,084	2,084
Others	2	2	2	2	2
Total Equity	9,061	9,451	9,593	9,956	10,358
Total Liabilities and Equity	23,299	24,442	21,123	21,750	23,726

Sources: SMRA, MPIS Research

Figure A-3

CASH FLOW STATEMENTS

(Rp Billions)	2018	2019F	2020F	2021F	2022F
Net Income	449	515	245	412	484
Depreciation	240	261	293	304	315
Changes in NWC	(1,626)	338	1,492	(110)	158
Others	672	(460)	(346)	144	28
Operating Cash Flow	(265)	653	1,685	749	986
Investment	(259)	(293)	(405)	(435)	(875)
Others	(307)	(457)	994	(122)	(162)
Investing Cash Flow	(566)	(750)	589	(557)	(1,037)
Changes in Debt	623	362	(1,627)	(97)	1,201
Changes in Equity	313	(73)	-	-	-
Dividends	(72)	(72)	(103)	(49)	(82)
Others	17	21	-	-	-
Financing Cash Flow	881	238	(1,730)	(146)	1,119
Changes in Cash	50	141	544	46	1,067

Sources: SMRA, MPIS Research

Figure A-4

RESULT COMPARISON

(Rp Billions)	3Q19	2Q20	3Q20	Q/Q	Y/Y	9M19	9M20	Y/Y	2020F	% of forecast
Revenues	1,733	1,142	1,078	-5.6%	-37.8%	4,411	3,260	-26.1%	4,327	75.3%
Cost of Sales	(970)	(731)	(637)	-12.9%	-34.3%	(2,361)	(1,880)	-20.4%		
Gross Profit	763	411	441	7.3%	-42.2%	2,050	1,381	-32.7%	2,084	66.3%
Operating Expenses	(331)	(263)	(218)	-17.1%	-34.1%	(963)	(767)	-20.3%		
Others	(0)	(2)	1	-148.7%	-962.0%	2	2	40.3%		
Operating Profit	432	147	224	52.8%	-48.2%	1,088	615	-43.5%	1,165	52.8%
Finance Income	29	54	34	-36.3%	18.8%	91	126	39.0%		
Finance Cost	(186)	(159)	(220)	38.9%	18.6%	(567)	(575)	1.5%		
Equity Net Income	1	1	2	108.4%		5	5			
Pre-Tax Profit	277	43	40	-6.7%	-85.6%	617	171	-72.2%	439	39.0%
Taxes	(78)	(34)	(51)	47.5%	-34.8%	(202)	(142)	-29.6%		
Minority Interest	34	33	14	-57.2%	-58.4%	101	42	-58.8%		
Net Profit	166	(24)	(25)	1.6%	-115.0%	315	(12)	-103.9%	245	-5.0%

Sources: SMRA, MPIS Research

Our Locations

PT MINNA PADI INVESTAMA SEKURITAS, TBK

HEAD OFFICE

Equity Tower 11th Floor
Sudirman Central Business District Lot 9
Jl. Jend. Sudirman Kav 52-53
Jakarta Selatan, Indonesia
Tel: +62 21 525 5555 Fax: +62 21 527 1527

INVESTMENT GALLERY

Solo
Jl. Monginsidi No 27A/B
Solo, 57129
Tel: +62 271 667 679
Fax: +62 271 635 470

Research Team

Andre Setiawan

andre.setiawan@minnapadi.com
+62 21 525 5555 ext. 301

Geri Eka Putra

gery@minnapadi.com
+62 21 525 5555 ext. 308

Bayu Santoso

bayusantoso@minnapadi.com
+62 21 525 5555 ext. 310

Jason Wijaya

jason@minnapadi.com
+62 21 525 5555 ext. 331

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