

## Summarecon Agung

BUY (unchanged)

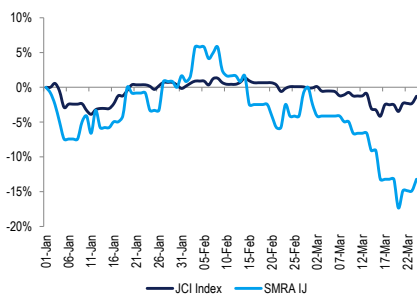
Company Update | Property | SMRA IJ | 24 March 2023

## Stock Data

|                           |        |
|---------------------------|--------|
| Target price              | Rp805  |
| Prior TP                  | Rp805  |
| Current price             | Rp525  |
| Upside/downside           | +53%   |
| Shares outstanding (mn)   | 16,509 |
| Market cap (Rp bn)        | 8,667  |
| Free float                | 65%    |
| Avg. 6m daily T/O (Rp bn) | 13     |

## Price Performance

|                   | 3M        | 6M     | 12M    |
|-------------------|-----------|--------|--------|
| Absolute          | -11.8%    | -23.4% | -33.1% |
| Relative to JCI   | -10.9%    | -17.0% | -29.0% |
| 52w low/high (Rp) | 500 - 790 |        |        |



## Major Shareholders

|               |       |
|---------------|-------|
| Semarop Agung | 33.8% |
|---------------|-------|

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## 4Q22 results: beat on lower-than-expected minority

- FY22 net profit reached Rp625bn (+93% yoy/ +473% qoq) was above ours/cons' estimate.
- GP margin improved to 52% in FY22 from strong recurring recovery.
- We maintain our estimates with unchanged TP of Rp805; reiterate Buy.

## FY22 results: beat on net profit

SMRA posted net profit of Rp625bn in FY22 (+93% yoy/+473% qoq) which came above ours/cons' estimates at 140/143%. Nevertheless, pre-tax profit of Rp1tr (+35% yoy/+137% qoq) was in-line/above ours/cons' estimates at 104/115%. Miss on net profit was mainly due to lower tax and minority interests likely due to lower JO/JV revenue recognition during the year.

## Higher recurring portion driven the revenue

SMRA recorded revenue of Rp5.7tr in FY22 (+3% yoy/+2% qoq) which came in line with ours/cons estimate which mainly driven by the strong recurring performance of Rp2.2tr in FY22 (+54% yoy/+13% qoq). The key drivers of the recurring performance are from the retail and hotel growth at 66/98% yoy. Recurring income proportion increased to 38% in FY22 (vs. 30% in FY21). Meanwhile, non-recurring revenue remained soft at Rp3.5tr (-15% yoy/-5% qoq) mainly due to slower revenue recognition.

## Strong GP margin improvement

GP margin improved by 586bp yoy to 52% in FY22 (vs. 50% in FY21) mainly due to recurring margin improvement by 1,668bp to 45% in FY22 (vs. 28% in FY21) from rental rate recovery and discounts removal. From the recurring side, we note only retail margin that already back to pre-Covid level at 59% (similar to FY19) while the rest still below pre-Covid level. Meanwhile, non-recurring margin improved to 57% in FY22 (vs. 53% in FY21) was driven from higher land plots and shophouse margin.

## Improved balance sheet remains on track

SMRA booked lower interest expense of Rp857bn (-14% yoy), however, excluding the interest from contract liabilities, it actually declined to Rp418bn (-30% yoy). Total gross debt slightly improved to Rp5.9tr in 4Q22 (-16% yoy/ -1% qoq) with net gearing at 30% in 4Q22 (vs. 33% in 3Q22 and 49% in 4Q21).

## Reiterate Buy with unchanged TP

We maintain our forecast pending the 1Q23 results with unchanged TP of Rp805. SMRA currently trades at 85% discount to NAV (vs. 5Y average of 77%). Key downside risks are slower than expected marketing sales and stringent mobility restrictions.

| Financial Summary (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------|-------|-------|-------|-------|-------|
| Revenue                   | 5,568 | 5,719 | 6,507 | 7,123 | 7,565 |
| EBITDA                    | 1,819 | 1,984 | 2,268 | 2,493 | 2,675 |
| Net profit                | 324   | 625   | 681   | 861   | 1,008 |
| EPS growth (%)            | 80%   | 93%   | 9%    | 26%   | 17%   |
| ROE                       | 4%    | 7%    | 7%    | 8%    | 9%    |
| PER (x)                   | 25.2  | 13.9  | 12.7  | 10.1  | 8.6   |
| EV/EBITDA (x)             | 6.8   | 5.8   | 4.4   | 4.0   | 3.6   |
| Dividend yield            | 0%    | 1%    | 0%    | 0%    | 0%    |
| IPS vs. consensus         |       |       | 113%  | 113%  | 123%  |

Source: Company, Indo Premier

Share price closing as of: 24 March 2023

Fig. 1: SMRA 4Q22 results summary

| SMRA 4Q22 results (Rp bn) | FY22         | FY21         | %YoY       | 4Q22       | 4Q21       | %YoY        | 3Q22       | %QoQ        | IPS FY22F    | % of IPS    | Cons. FY22F  | % of Cons   |
|---------------------------|--------------|--------------|------------|------------|------------|-------------|------------|-------------|--------------|-------------|--------------|-------------|
| Revenue                   | 5,719        | 5,568        | 3%         | 1,508      | 1,778      | -15%        | 1,483      | 2%          | 5,731        | 100%        | 5,713        | 100%        |
| COGS                      | (2,720)      | (2,974)      | -9%        | (666)      | (922)      | -28%        | (778)      | -14%        | (2,864)      | 95%         |              |             |
| <b>Gross profit</b>       | <b>3,000</b> | <b>2,594</b> | <b>16%</b> | <b>842</b> | <b>856</b> | <b>-2%</b>  | <b>705</b> | <b>19%</b>  | <b>2,867</b> | <b>105%</b> | <b>2,845</b> | <b>105%</b> |
| <b>GP margin %</b>        | <b>52%</b>   | <b>47%</b>   |            | <b>56%</b> | <b>48%</b> |             | <b>48%</b> |             | <b>50%</b>   |             |              |             |
| Opex                      | (1,274)      | (1,040)      | 23%        | (385)      | (292)      | 32%         | (334)      | 16%         | (1,184)      | 108%        |              |             |
| <b>EBIT</b>               | <b>1,726</b> | <b>1,554</b> | <b>11%</b> | <b>456</b> | <b>564</b> | <b>-19%</b> | <b>372</b> | <b>23%</b>  | <b>1,683</b> | <b>103%</b> | <b>1,653</b> | <b>104%</b> |
| Interest expense          | (857)        | (1,002)      | -14%       | (80)       | (284)      | -72%        | (226)      | -65%        | (838)        | 102%        |              |             |
| Interest & invt inc       | 157          | 192          | -18%       | 63         | 104        | -39%        | 27         | 136%        | 125          | 126%        |              |             |
| Others                    | (8)          | 12           | -170%      | (24)       | 7          | -470%       | 3          | -933%       | 8            | NA          |              |             |
| <b>Pretax profit</b>      | <b>1,018</b> | <b>756</b>   | <b>35%</b> | <b>415</b> | <b>391</b> | <b>6%</b>   | <b>175</b> | <b>137%</b> | <b>978</b>   | <b>104%</b> | <b>882</b>   | <b>115%</b> |
| Tax                       | (246)        | (206)        | 19%        | (66)       | (70)       | -5%         | (61)       | 9%          | (299)        | 82%         |              |             |
| Minority interests        | (146)        | (226)        | -35%       | (34)       | (162)      | NA          | (60)       | NA          | (233)        | 63%         |              |             |
| <b>Net profit</b>         | <b>625</b>   | <b>324</b>   | <b>93%</b> | <b>316</b> | <b>159</b> | <b>99%</b>  | <b>55</b>  | <b>473%</b> | <b>447</b>   | <b>140%</b> | <b>438</b>   | <b>143%</b> |
| <b>Core profit</b>        | <b>616</b>   | <b>315</b>   | <b>95%</b> | <b>311</b> | <b>153</b> | <b>103%</b> | <b>55</b>  | <b>470%</b> | <b>441</b>   | <b>140%</b> | <b>438</b>   | <b>141%</b> |

Source: Company, Indo Premier

Fig. 2: SMRA 4Q22 results summary

| Revenue breakdown          | FY22         | FY21         | %YoY       | 4Q22         | 4Q21         | %YoY        | 3Q22         | %QoQ       |
|----------------------------|--------------|--------------|------------|--------------|--------------|-------------|--------------|------------|
| Non-recurring              | 3,529        | 4,148        | -15%       | 868          | 1,307        | -34%        | 917          | -5%        |
| Recurring                  | 2,191        | 1,420        | 54%        | 639          | 471          | 36%         | 565          | 13%        |
| <b>Total revenue</b>       | <b>5,719</b> | <b>5,568</b> | <b>3%</b>  | <b>1,508</b> | <b>1,778</b> | <b>-15%</b> | <b>1,483</b> | <b>2%</b>  |
| Gross profit margin        | FY22         | FY21         | YoY (bp)   | 4Q22         | 4Q21         | YoY (bp)    | 3Q22         | QoQ (bp)   |
| Non-recurring              | 57%          | 53%          | 422        | 61%          | 51%          | 976         | 49%          | 1,181      |
| Recurring                  | 45%          | 28%          | 1,668      | 49%          | 40%          | 904         | 45%          | 388        |
| <b>Gross profit margin</b> | <b>52%</b>   | <b>47%</b>   | <b>586</b> | <b>56%</b>   | <b>48%</b>   | <b>772</b>  | <b>48%</b>   | <b>829</b> |

Source: Company, Indo Premier

| Income Statement (Rp bn) | 2021A        | 2022A        | 2023F        | 2024F        | 2025F        |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Net revenue              | 5,568        | 5,719        | 6,507        | 7,123        | 7,565        |
| Cost of sales            | 2,974        | 2,720        | 3,230        | 3,528        | 3,730        |
| <b>Gross profit</b>      | <b>2,594</b> | <b>3,000</b> | <b>3,276</b> | <b>3,595</b> | <b>3,835</b> |
| SG&A Expenses            | 1,040        | 1,274        | 1,344        | 1,472        | 1,563        |
| <b>Operating profit</b>  | <b>1,554</b> | <b>1,726</b> | <b>1,932</b> | <b>2,123</b> | <b>2,272</b> |
| Net interest             | (810)        | (700)        | (659)        | (605)        | (554)        |
| Forex gain (loss)        | -            | -            | -            | -            | -            |
| Others                   | 12           | (8)          | 8            | 8            | 8            |
| <b>Pre-tax income</b>    | <b>756</b>   | <b>1,018</b> | <b>1,281</b> | <b>1,527</b> | <b>1,726</b> |
| Income tax               | (206)        | (246)        | (336)        | (376)        | (410)        |
| Minority interest        | (226)        | (146)        | (264)        | (289)        | (307)        |
| <b>Net income</b>        | <b>324</b>   | <b>625</b>   | <b>681</b>   | <b>861</b>   | <b>1,008</b> |

| Balance Sheet (Rp bn)                 | 2021A         | 2022A         | 2023F         | 2024F         | 2025F         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & equivalent                     | 2,774         | 3,143         | 4,690         | 4,708         | 3,425         |
| Receivable                            | 280           | 308           | 327           | 355           | 375           |
| Inventory                             | 9,254         | 9,960         | 9,230         | 10,080        | 10,657        |
| Other current assets                  | 723           | 881           | 723           | 723           | 723           |
| <b>Total current assets</b>           | <b>13,031</b> | <b>14,291</b> | <b>14,970</b> | <b>15,866</b> | <b>15,180</b> |
| Fixed assets                          | 318           | 370           | 912           | 1,173         | 1,411         |
| Other non-current assets              | 12,701        | 13,773        | 12,868        | 12,937        | 12,997        |
| <b>Total non-current assets</b>       | <b>13,019</b> | <b>14,143</b> | <b>13,780</b> | <b>14,111</b> | <b>14,407</b> |
| <b>Total assets</b>                   | <b>26,050</b> | <b>28,434</b> | <b>28,750</b> | <b>29,977</b> | <b>29,587</b> |
| ST loans                              | 1,590         | 2,018         | 1,333         | 1,333         | 1,333         |
| Payable                               | 144           | 163           | 156           | 164           | 169           |
| Other payables                        | 5,532         | 8,074         | 5,433         | 6,836         | 5,362         |
| <b>Total current liab.</b>            | <b>7,266</b>  | <b>10,256</b> | <b>6,922</b>  | <b>8,333</b>  | <b>6,863</b>  |
| Long term loans                       | 3,927         | 2,647         | 4,382         | 3,037         | 2,893         |
| Other LT liab.                        | 3,626         | 3,781         | 4,591         | 4,601         | 4,509         |
| <b>Total liabilities</b>              | <b>14,819</b> | <b>16,684</b> | <b>15,895</b> | <b>15,972</b> | <b>14,266</b> |
| Equity                                | 2,956         | 2,956         | 2,956         | 2,956         | 2,956         |
| Retained earnings                     | 5,705         | 6,241         | 6,833         | 7,694         | 8,702         |
| Minority interest                     | 2,569         | 2,553         | 3,066         | 3,355         | 3,662         |
| <b>Total SHE + minority int.</b>      | <b>11,230</b> | <b>11,750</b> | <b>12,855</b> | <b>14,005</b> | <b>15,321</b> |
| <b>Total liabilities &amp; equity</b> | <b>26,050</b> | <b>28,434</b> | <b>28,750</b> | <b>29,977</b> | <b>29,587</b> |

Source: Company, Indo Premier

| Cash Flow Statement (Rp bn)     | 2021A        | 2022A          | 2023F        | 2024F        | 2025F          |
|---------------------------------|--------------|----------------|--------------|--------------|----------------|
| EBIT                            | 1,554        | 1,726          | 1,932        | 2,123        | 2,272          |
| Depr. & amortization            | 264          | 258            | 336          | 370          | 403            |
| Changes in working capital      | (49)         | (738)          | 345          | (852)        | (759)          |
| Others                          | 673          | 1,411          | (987)        | (973)        | (956)          |
| <b>Cash flow from operating</b> | <b>2,443</b> | <b>2,657</b>   | <b>1,626</b> | <b>668</b>   | <b>960</b>     |
| Capital expenditure             | (521)        | (839)          | (700)        | (700)        | (700)          |
| Others                          | 25           | (20)           | -            | -            | -              |
| <b>Cash flow from investing</b> | <b>(496)</b> | <b>(859)</b>   | <b>(700)</b> | <b>(700)</b> | <b>(700)</b>   |
| Loans                           | (2,421)      | (1,156)        | (367)        | 50           | (1,543)        |
| Equity                          | 1,492        | -              | -            | -            | -              |
| Dividends                       | (0)          | (99)           | (0)          | (0)          | (0)            |
| Others                          | 98           | (171)          | (0)          | (0)          | (0)            |
| <b>Cash flow from financing</b> | <b>(830)</b> | <b>(1,426)</b> | <b>(367)</b> | <b>50</b>    | <b>(1,543)</b> |
| <b>Changes in cash</b>          | <b>1,117</b> | <b>371</b>     | <b>559</b>   | <b>18</b>    | <b>(1,283)</b> |

| Key Ratios                  | 2021A   | 2022A   | 2023F   | 2024F   | 2025F   |
|-----------------------------|---------|---------|---------|---------|---------|
| Gross margin                | 47%     | 52%     | 50%     | 50%     | 51%     |
| Operating margin            | 28%     | 30%     | 30%     | 30%     | 30%     |
| Pre-tax margin              | 14%     | 18%     | 20%     | 21%     | 23%     |
| Net margin                  | 6%      | 11%     | 10%     | 12%     | 13%     |
| ROA                         | 6%      | 6%      | 7%      | 7%      | 8%      |
| ROE                         | 4%      | 7%      | 7%      | 8%      | 9%      |
| ROIC                        | 10%     | 11%     | 12%     | 13%     | 14%     |
| Acct. receivables TO (days) | 16.6    | 17.3    | 16.6    | 16.6    | 16.6    |
| Inventory TO (days)         | 1,131.7 | 1,289.3 | 1,042.9 | 1,042.9 | 1,042.9 |
| Payable TO (days)           | 9.3     | 10.6    | 9.4     | 9.4     | 9.4     |
| Debt to equity              | 81%     | 64%     | 60%     | 56%     | 38%     |
| Interest coverage ratio (x) | 1.6     | 2.0     | 2.5     | 2.9     | 3.3     |
| Net gearing                 | 49%     | 30%     | 12%     | 12%     | 9%      |

Source: Company, Indo Premier

## INVESTMENT RATINGS

|      |   |
|------|---|
| BUY  | : Expected total return of 10% or more within a 12-month period       |
| HOLD | : Expected total return between -10% and 10% within a 12-month period |
| SELL | : Expected total return of -10% or worse within a 12-month period     |

## ANALYSTS CERTIFICATION

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