

Summarecon Agung

BUY (unchanged)

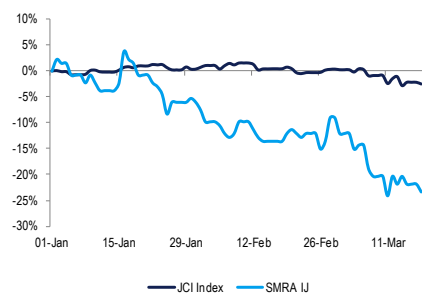
Company Update | Property | SMRA IJ | 19 March 2024

Stock Data

Target price	Rp610
Prior TP	Rp805
Current price	Rp510
Upside/downside	+19%
Shares outstanding (mn)	16,509
Market cap (Rp bn)	8,584
Free float	64%
Avg. 6m daily T/O (Rp bn)	19

Price Performance

	3M	6M	12M
Absolute	-20.3%	-8.9%	-13.6%
Relative to JCI	-17.9%	-6.3%	-9.0%
52w low/high (Rp)	500 - 725		



Major Shareholders

Semarang Agung	33.8%
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Ryan Dimitry

PT Indo Premier Sekuritas
 ryan.dimitry@ipc.co.id
 +62 21 5088 7168 ext. 717

Anthony

PT Indo Premier Sekuritas
 anthony@ipc.co.id
 +62 21 5088 7168 ext. 715

FY23 results: miss despite in-line top-line; presales guidance remains muted

- FY23 net profit of Rp766bn (+22% yoy) beat our estimates but was below cons' at 112/90% of FY23F. This was despite in-line revenue.
- GPM declined to 50% in FY23 (-200bps yoy) due to drop in margin in shophouse/land plot.
- We fine-tune our FY24-25F by +4/5% but changed our valuation method to combination of P/E and disc. to NAV; resulted in lower TP of Rp610.

FY23 results: better-than-ours on higher interest income and lower tax

SMRA booked FY23 net profit of Rp766bn (+22% yoy) – above our estimates at 112% despite in-line EBIT. Beat was coming from higher-than-expected interest income and lower effective tax. However, it came below cons at 90% (due to lower-than-expected EBIT). Meanwhile, gross profit came broadly in-line with our/cons forecasts at 103/100% of FY23F due to lower GPM at -200bps yoy; due to lower shophouse/land plot margins. FY23 revenue of Rp6.6tr (+16% yoy) was in-line with ours/cons' at 102/101% on the back of non-recurring/recurring revenue growth of +15/19% yoy. Notably, the housing segment revenue recognition grew by +77% yoy.

4Q23 results: lower qoq, as non-recurring revenue slowed down

4Q23 net profit came in at Rp113bn (-64% yoy/-48% qoq) on sluggish revenue recognition and lower GPM. Its 4Q23 GPM stood at 50% vs. 56/49% in 4Q22/3Q23 given the drop in non-recurring margin by -822bp yoy/+326bp qoq to 53%, dragged by the lower contribution of shophouses, which typically has higher margins.

Increase in overall net gearing

SMRA's net gearing increased to 40% in 4Q23 (vs. 30/34% in 4Q22/3Q23), as total debt grew to Rp7.2tr (+22% yoy/+11% qoq) given its recent bond issuance, which amounted to Rp900bn, to finance land bank acquisition for a new township in Tangerang, West Java. Its cash level increased rose to Rp3.3tr (+5% yoy/+4% qoq) in the quarter.

Reiterate Buy with lower TP of Rp610/share

We revised up our FY24/25F earnings by +4/5%, mainly to factor-in FY23 actual data points, and introduce our FY26F. We also changed our valuation methodology from disc. to NAV to a blended-valuation of P/E multiple (new P/E target of 11x; -1SD) and disc. to NAV (new target of 84% disc vs. -78% previously; now at -1SD vs. 5-yr mean previously). In sum, we reaffirm our Buy rating on SMRA but with a lower TP of Rp610/share (vs. Rp805/share previously). SMRA currently trades at 85% discount to NAV (vs. 5-yr mean of 78%). Risks are weak presales demand and higher overall debt balance.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	5,719	6,659	7,284	7,709	8,025
EBITDA	1,984	2,164	2,431	2,628	2,828
Net profit	625	766	897	1,058	1,172
EPS growth (%)	93%	22%	17%	18%	11%
ROE	7%	8%	9%	10%	10%
PER (x)	13.5	11.0	9.4	8.0	7.2
EV/EBITDA (x)	5.6	5.7	5.3	5.1	4.9
Dividend yield	1%	1%	2%	2%	2%
IPS vs. consensus			101%	103%	115%

Source: Company, Indo Premier

Share price closing as of: 19 March 2024

Fig. 1: SMRA 4Q23 results summary

SMRA FY23 results (Rp bn)	FY23	FY22	%YoY	4Q23	4Q22	%YoY	3Q23	%QoQ	IPS FY23F	% of IPS	Cons	%of Cons
Revenue	6,659	5,719	16%	1,578	1,508	5%	2,116	-25%	6,507	102%	6,588	101%
COGS	(3,299)	(2,720)	21%	(790)	(666)	19%	(1,085)	-27%	(3,230)	102%		
Gross profit	3,360	3,000	12%	788	842	-6%	1,031	-24%	3,276	103%	3,363	100%
<i>GP margin %</i>	<i>50%</i>	<i>52%</i>		<i>50%</i>	<i>56%</i>	<i>-11%</i>	<i>49%</i>		<i>50%</i>		<i>51%</i>	
Opex	(1,459)	(1,274)	15%	(433)	(385)	12%	(395)	9%	(1,344)	109%		
EBIT	1,900	1,726	10%	355	456	-22%	636	-44%	1,932	98%	2,020	94%
Interest expense	(757)	(857)	-12%	(229)	(80)	187%	(187)	23%	(784)	97%		
Interest & invt inc	181	157	15%	55	63	-13%	37	49%	125	145%		
Others (include forex)	22	(8)	-365%	10	(24)	-142%	6	77%	8	259%		
Pretax profit	1,345	1,018	32%	191	415	-54%	492	-61%	1,281	105%	1,509	89%
Tax	(288)	(246)	17%	(73)	(66)	10%	(80)	-10%	(336)	86%		
Minority interests	(292)	(146)	99%	(5)	(34)	-84%	(192)	-97%	(264)	110%		
Net profit	766	625	22%	113	316	-64%	219	-48%	681	112%	855	90%
Core profit	757	639	19%	107	337	-68%	218	-51%				

Source: Company, Indo Premier

Fig. 2: SMRA 4Q23 results summary

Revenue breakdown (Rp bn)	FY23	FY22	%YoY	4Q23	4Q22	%YoY	3Q23	%QoQ
Non-recurring	4,045	3,529	15%	863	868	-1%	1,437	-40%
House	3,104	1,750	77%	592	438	35%	1,309	-55%
Shophouses	453	873	-48%	110	233	-53%	64	71%
Office	12	20	-42%	(0)	6	-101%	(0)	572%
Apartment	80	406	-80%	14	50	-71%	8	83%
Land plots and others	397	481	-18%	146	141	4%	56	162%
Recurring	2,614	2,191	19%	715	639	12%	680	5%
Total revenue	6,659	5,719	16%	1,578	1,508	5%	2,116	-25%
Gross margin breakdown	FY23	FY22	YoY (bp)	4Q23	4Q22	YoY (bp)	3Q23	QoQ (bp)
Non-recurring	52%	57%	(339)	53%	61%	33	49%	(598)
House	49%	47%	321	51%	49%	1,430	48%	204
Shophouses	56%	65%	(16)	25%	62%	1,099	76%	839
Office	50%	55%	(443)	-403%	61%	0	100%	5,293
Apartment	46%	48%	(2,323)	137%	42%	(11,298)	-63%	(9,871)
Land plots and others	76%	88%	(764)	74%	103%	(1,458)	69%	(930)
Recurring	47%	45%	420	47%	49%	223	47%	(102)
Gross profit margin	50%	52%	(62)	50%	56%	117	49%	(364)

Source: Company, Indo Premier

Fig. 3: Forecast changes

Forecast changes	Old			New			Changes		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Net revenue	7,123	7,565	NA	7,284	7,709	8,025	2%	2%	NA
Cost of sales	(3,528)	(3,730)	NA	(3,551)	(3,717)	(3,794)	1%	0%	NA
Gross profit	3,595	3,835	NA	3,733	3,993	4,232	4%	4%	NA
GP margin (%)	50%	51%	NA	51%	52%	53%			
SG&A Expenses	(1,472)	(1,563)	NA	(1,596)	(1,690)	(1,759)	8%	8%	NA
Operating profit	2,123	2,272	NA	2,136	2,303	2,473	1%	1%	NA
Net interest	(605)	(554)	NA	(537)	(494)	(511)	-11%	-11%	NA
Forex gain (loss)	-	-	NA	-	-	-			NA
Others	8	8	NA	11	12	12	31%	38%	NA
Pre-tax income	1,527	1,726	NA	1,610	1,821	1,974	5%	5%	NA
Income tax	(376)	(410)	NA	(394)	(425)	(451)	5%	4%	NA
Minority interest	(289)	(307)	NA	(319)	(338)	(352)	10%	10%	NA
Net income	861	1,008	NA	897	1,058	1,172	4%	5%	NA
Presales	4,838	4,962	NA	4,894	4,832	4,911	1%	-3%	NA

Source: Company, Indo Premier

Fig. 4: SMRA P/E band



Source: Company, Bloomberg, Indo Premier

Fig. 5: SMRA discount to NAV



Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	5,719	6,659	7,284	7,709	8,025
Cost of sales	(2,720)	(3,299)	(3,551)	(3,717)	(3,794)
Gross profit	3,000	3,360	3,733	3,993	4,232
SG&A Expenses	(1,274)	(1,459)	(1,596)	(1,690)	(1,759)
Operating profit	1,726	1,900	2,136	2,303	2,473
Net interest	(700)	(576)	(537)	(494)	(511)
Forex gain (loss)	-	-	-	-	-
Others	(8)	22	11	12	12
Pre-tax income	1,018	1,345	1,610	1,821	1,974
Income tax	(246)	(288)	(394)	(425)	(451)
Minority interest	(146)	(292)	(319)	(338)	(352)
Net income	625	766	897	1,058	1,172

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	3,143	3,293	3,213	3,469	3,444
Receivable	308	247	301	318	331
Inventory	9,960	10,906	10,444	10,932	10,839
Other current assets	881	1,116	1,116	1,116	1,116
Total current assets	14,291	15,562	15,075	15,835	15,730
Fixed assets	370	442	498	548	590
Other non-current assets	13,773	15,164	15,543	15,570	15,643
Total non-current assets	14,143	15,606	16,041	16,118	16,234
Total assets	28,434	31,168	31,116	31,953	31,963
ST loans	2,018	2,766	2,018	2,018	2,018
Payable	163	162	167	172	174
Other payables	7,962	8,857	7,871	7,267	6,397
Total current liab.	10,144	11,786	10,057	9,457	8,589
Long term loans	2,647	3,445	3,524	4,268	4,778
Other LT liab.	3,893	3,635	4,157	3,619	2,660
Total liabilities	16,684	18,865	17,738	17,345	16,027
Equity	2,956	2,956	2,956	2,956	2,956
Retained earnings	6,241	6,870	7,626	8,519	9,495
Minority interest	2,553	2,476	2,795	3,133	3,485
Total SHE + minority int.	11,750	12,303	13,378	14,608	15,936
Total liabilities & equity	28,434	31,168	31,116	31,953	31,963

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	1,726	1,900	2,136	2,303	2,473
Depr. & amortization	258	264	294	325	355
Changes in working capital	(738)	(903)	(1,219)	(1,574)	(1,838)
Others	1,411	137	(557)	(216)	(328)
Cash flow from operating	2,657	1,398	654	837	663
Capital expenditure	(839)	(2,047)	(1,093)	(1,093)	(1,093)
Others	(20)	10	-	-	-
Cash flow from investing	(859)	(2,037)	(1,093)	(1,093)	(1,093)
Loans	(1,156)	1,282	500	676	600
Equity	-	-	-	-	-
Dividends	(99)	(115)	(141)	(165)	(195)
Others	(171)	(377)	-	-	-
Cash flow from financing	(1,426)	790	359	511	405
Changes in cash	371	150	(80)	256	(25)

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	52%	50%	51%	52%	53%
Operating margin	30%	29%	29%	30%	31%
Pre-tax margin	18%	20%	22%	24%	25%
Net margin	11%	12%	12%	14%	15%
ROA	6%	6%	7%	7%	8%
ROE	7%	8%	9%	10%	10%
ROIC	11%	12%	12%	12%	12%
Acct. receivables TO (days)	17	15	15	15	15
Inventory TO (days)	1,289	1,154	1,074	1,074	1,043
Payable TO (days)	11	10	10	10	10
Debt to equity	64%	73%	73%	73%	72%
Interest coverage ratio (x)	2.0	2.5	3.0	3.4	3.6
Net gearing	30%	40%	42%	43%	44%

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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