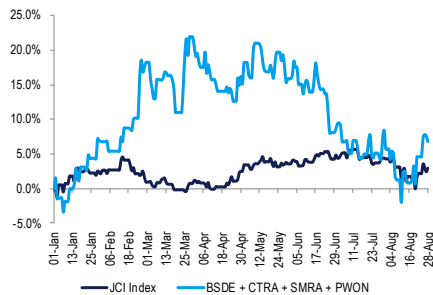


Sector Index Performance

	3M	6M	12M
Absolute	-9.2%	-8.6%	7.4%
Relative to JCI	-8.6%	-9.0%	9.2%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
BSDE IJ	9.3	9.7	9.3
CTRA IJ	12.3	11.7	10.6
PWON IJ	12.3	11.2	9.2
SMRA IJ	11.5	10.0	9.1
EV/EBITDA (x)	2024F	2025F	2026F
BSDE IJ	6.1	5.6	5.3
CTRA IJ	5.6	4.4	3.3
PWON IJ	6.0	5.4	4.6
SMRA IJ	6.5	6.1	5.9
Div. Yield	2024F	2025F	2026F
BSDE IJ	1%	2%	2%
CTRA IJ	1%	1%	1%
PWON IJ	2%	1%	2%
SMRA IJ	1%	2%	2%

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VAT-incentive extension may have muted impact to 2H presales

- The Government has announced the extension of the 100% VAT-incentive for Rp0-5bn properties up until Dec24.
- A total of Rp4tr worth of inventories will benefit from VAT-incentives, however its contribution to presales in 2H24 will not be as high as 1H24.
- Maintain our OW rating on the property sector with top pick of CTRA and PWON on the back of strong presales growth.

The government extends the 100% VAT-incentive until Dec24

The government recently announced the extension of the 100% VAT-incentive for the housing sector until Dec24. Recall that previously, the incentive was slated to be split into two phases: 1) 100% VAT-discount in Nov23-Jun24; and 2) 50% discount in Jul24-Dec24. Incentive requirements, including price category and handover cutoff times, remain unchanged.

A total of Rp3.9tr worth of inventory currently stands to benefit from the VAT-incentive extension

In aggregate, companies under our coverage have an incentive-eligible inventory of about Rp3.9tr (vs. Rp9.4tr at the beginning of the year; i.e., only c.44% of inventory left for 2H24), which implies maximum contribution of VAT-exempt inventory of c.28% in 2H24 (vs. 39% in 1H24), based on the presales achievement of Rp13.4tr in 1H24 (49% of FY24F target). CTRA has the largest VAT-exempt inventory, amounted to Rp1.5tr, followed by PWON, BSDE, and SMRA with Rp0.9/1.0/0.5tr, respectively (vs. their current inventory of Rp1.9/1.5/0.7/3.9tr). Overall, while we believe that the VAT-incentive extension could potentially be a net-positive for FY24F overall presales, but less meaningful impact vs. 1H24, as: 1) additional current inventory is likely to be limited given the time constraints; and 2) current inventory consists mainly of apartment projects.

Current inventories are mainly high-rise for PWON and BSDE

First, considering the abrupt incentive extension, we believe that it seems unlikely for companies to be able to accelerate the construction progress of their ongoing projects in order to add to their current inventory levels in 2H24. Second, based on our discussions with companies, current inventory consists mainly of apartment projects, which we believe has less demand. Notably, PWON and BSDE's current inventory mostly consists of apartment projects (c.90/99%), while only CTRA and SMRA's remaining inventory still have sizable portion of houses and shophouses (c.40/43%).

Maintain OW on the property sector; CTRA and PWON as our top picks

All in, while we believe that the VAT-incentive extension could potentially be a net-positive for FY24F overall presales. For now, we maintain our OW stance on the sector, awaiting updated guidance from the companies. The sector currently trades at P/E of 10.9x (vs. 5Y avg of 13.9x) and a 72% discount to NAV (vs. 5yr average of 71%). CTRA and PWON remain as our preferred picks, as we expect both companies to see relatively better presales growth in 2H24. Key risks are weak presales and low purchasing power.

Fig. 1: 1H24 aggregate presales

Rp bn	1H24	1H23	%YoY	2Q24	2Q23	%YoY	Co. target	% of target
BSDE	4,842	4,791	1%	2,622	2,642	-1%	9,500	51%
CTRA	6,080	5,088	19%	2,758	1,643	68%	11,100	55%
PWON	771	600	28%	385	302	27%	1,500	51%
SMRA	1,721	1,614	7%	912	960	-5%	5,000	34%
Total	13,414	12,093	11%	6,677	5,547	20%	27,100	49%

Source: Company, Indo Premier

Fig. 2: 1H24 VAT-incentive contribution

Rp bn	1H24 presales	1H24 presales with VAT incentive	Proportion
BSDE	4,842	1,100	23%
CTRA	6,080	2,600	43%
PWON	771	540	70%
SMRA	1,721	1,050	61%
Total	13,414	5,290	39%

Source: Company, Indo Premier

Fig. 3: 2H24 potential VAT-incentive contribution

Rp bn	2H24 presales target	Inventory with VAT incentive	Proportion
BSDE	4,658	1,000	21%
CTRA	5,020	1,500	30%
PWON	729	900	123%
SMRA	3,279	500	15%
Total	13,686	3,900	28%

Source: Company, Indo Premier

Fig. 4: VAT-incentive inventory vs. current inventory

Inventory (Rp bn)	CTRA	PWON	SMRA	BSDE	Total
Land, residential, shophouse	675	151	308	5	1,139
Apartments & offices	1,230	1,372	407	3,923	6,932
Others	-	-	-	-	-
Total	1,905	1,523	715	3,928	8,071
VAT-incentive inventory	1,500	900	500	1,000	3,900
Portion	79%	59%	70%	25%	48%

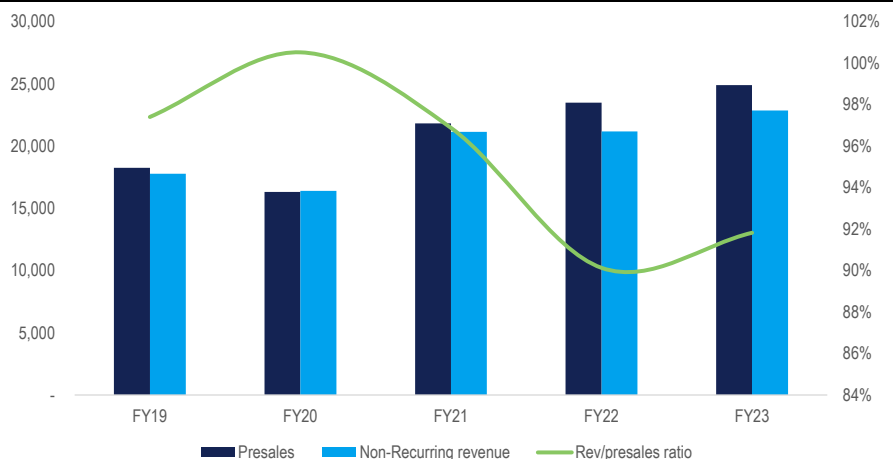
Source: Company, Indo Premier

Fig. 5: VAT-incentive inventory vs. total inventory

Total inventory (Rp bn)	CTRA	PWON	SMRA	BSDE	Total
Land, residential, shophouse	9,554	151	2,584	12,349	24,638
Apartments & offices	2,806	4,126	8,132	2,043	17,108
Others	31	-	31	-	63
Total	12,392	4,276	10,748	14,392	41,809
VAT-incentive inventory	1,500	900	500	1,000	3,900
Portion	12%	21%	5%	7%	9%

Source: Company, Indo Premier

Fig. 6: Presales vs Non-recurring revenue (Rp bn) – (FY21/22 VAT-incentive period)



Source: Company, Indo Premier

Fig. 7: Property P/E



Source: Company, Indo Premier

Fig. 8: Property discount to NAV



Source: Company, Indo Premier

Fig. 9: Peers comparison

Ticker	Current Price	Target Price	Upside	P/E (x)		ROE (%)		Discount to NAV	5yr ave. discount to NAV
				FY24F	FY25F	FY24F	FY25F		
BSDE	1330	1300	-2%	9.3	9.7	8%	7%	-76%	-78%
CTRA	1370	1360	-1%	12.3	11.7	10%	10%	-57%	-63%
PWON	510	500	-2%	12.3	11.2	10%	10%	-67%	-60%
SMRA	655	625	-5%	11.5	10.0	9%	10%	-82%	-79%

Source: Company, Indo Premier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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