

In-line 2023 marketing sales

18 January 2024



SMRA IJ	BUY
Sector	Property.
Price at 17 Jan 2024 (IDR)	575
Price target (IDR)	700
Upside/Downside (%)	21.7

Stock Information

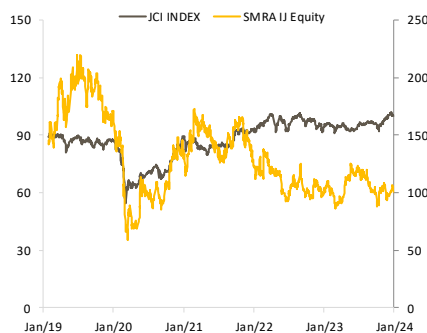
PT Summarecon Agung Tbk and its subsidiaries develop and invest in real estate. The Company develops and operates residential houses, apartments, shopping centres, recreational centres and office buildings.

Market cap (IDR bn)	9,493
Shares outstanding (mn)	16,509
52-week range (IDR)	498 - 740
3M average daily vol. ('000)	47,156
3M average daily val. (IDR mn)	27,032

Shareholders (%)

Semarop Agung	33.8
Public	66.2

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	2.7	0.9	(0.9)

Analyst

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SMRA's 2023 marketing sales came in-line with our expectation of IDR4.5 tn (-8.7% yoy). Further, SMRA aims to achieve a marketing sales target of IDR5.0 tn in 2024, aligning with our expectation of IDR4.95 tn (+10% yoy). SMRA plans to launch several products this year, including new apartment developments in Summarecon Kelapa Gading, the Trevor apartment in Summarecon Serpong, and new housing products in key areas such as Summarecon Serpong, Bogor, Bekasi, Bandung, and Crown Gading. We also saw another mid-term potential growth driver for SMRA after its subsidiary established 2 JV companies with Setiawan Dwi Tunggal. Reiterate BUY on SMRA with DCF-based TP of IDR700 (WACC: 11.2%; LTG: 5%), which implied to 1.1x '24F PB and 82.8% discount to '24F RNAV.

In-line marketing sales of IDR4.5 tn (-8.7% yoy) in 2023

SMRA's booked IDR1.45 tn of marketing sales in 4Q23 (-0.1% yoy/-0.2% qoq) resulting a IDR4.5 tn of marketing sales (-8.7% yoy) in 2023, in-line with our expectation. In Dec '23, marketing sales surged to IDR826 bn (+3.1% yoy/131.7% mom), contributed by the successful launch of Viola (residential) in Summarecon Crown Gading and Maple (residential) in Summarecon Bogor with total proceeds around IDR320 bn as well as significant contribution from Serpong area of IDR241.8 bn during Summarecon 2023's expo and regular sales.

Targeting marketing sales of IDR5.0 tn in 2024F (+11% yoy)

SMRA aims to achieve a marketing sales target of IDR5.0 tn in 2024, aligning with our projection of IDR4.95 tn. SMRA plans to launch several products in 2024, including new apartment developments in Summarecon Kelapa Gading, the Trevor apartment in Summarecon Serpong, and new housing products in key areas such as Summarecon Serpong, Bogor, Bekasi, Bandung, and Crown Gading. Additionally, SMRA is well-positioned with an eligible inventory of IDR1.9 tn for the VAT exemption program where IDR1.1 tn of it is residential unit as well as IDR389 bn of shophouse and apartment of IDR364 bn.

Another mid-term potential growth driver

In mid-Dec'23 SMRA through its subsidiaries, Summarecon Investment Property (SMIP) and Summarecon Property Development (SMPD), established 2 JV companies with Setiawan Dwi Tunggal (SDT). The initial JV, between SMIP and SDT (Surya Selatan Cemerlang), resides in South Tangerang and will engage in the development of apartments, residential properties, and shophouses. Simultaneously, the second JV between SMIP and SDT (Mahakarya Selatan Cemerlang), also located in South Tangerang, focuses on the operation of a shopping mall. Based on our channel check, SDT has notably succeeded in developing "SouthCity", strategically positioned at the convergence of South Jakarta, Cinere, and Pondok Cabe. The establishment of these JV companies serves as another mid-term growth driver for SMRA.

Undemanding valuation. Reiterate BUY with TP IDR700

We reiterate BUY on SMRA with target price of IDR700 using DCF-based TP (WACC: 11.2%; LTG: 5%), which implied to 1.1x '24F PB and 82.8% discount to '24F RNAV. We still maintain our net profit forecast of IDR1 tn for 2024 (+19.3% yoy). We like SMRA due to 1) undemanding valuation, and 2) strong brand equity, enabling secure project acquisition with minimal capital risk, 3) lower net gearing level. Yet, risks to our call included 1) weak property demand; 2) higher building material cost; 3) stiff competition from the nearby competitor.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2021	2022	2023F	2024F	2025F
Revenue	5,568	5,719	6,371	6,869	6,950
EBITDA	1,556	1,712	1,886	2,140	2,089
Net income	324	625	846	1,009	1,002
EPS growth (%)	80.0	93.2	35.2	19.3	(0.6)
PER (x)	29.3	15.2	11.2	9.4	9.5
PBV (x)	1.1	1.0	1.0	0.9	0.8
EV/EBITDA (x)	10.5	8.7	8.5	6.9	6.8
Dividend yield (%)	0.0	1.0	1.2	1.4	1.4
Gearing (x)	0.5	0.3	0.4	0.2	0.1

Source: Company, KBVS Research

Exhibit 2: SMRA's Valuation Summary

DCF Valuation	2024	2025	2026	2027	2028
Net Profit	1,009	1,002	1,057	1,197	1,334
Depreciation	246	250	254	259	264
Interest expense (1-tax)	318	290	279	260	242
NWC	(221)	(202)	(210)	(218)	(217)
Capex	(285)	(298)	(311)	(324)	(339)
FCFF	1,067	1,043	1,069	1,174	1,283
Discount factor	1.1	1.2	1.4	1.5	1.7
Discounted Free Cash Flow	959	844	777	767	755
Terminal Value	21,724				
Discounted Terminal Value	12,775				
Enterprise Value	16,878				
Net debt	2,295				
Equity value	14,583				
Minority interest	(3,025)				
12 months forward valuation per share (IDR)	700				

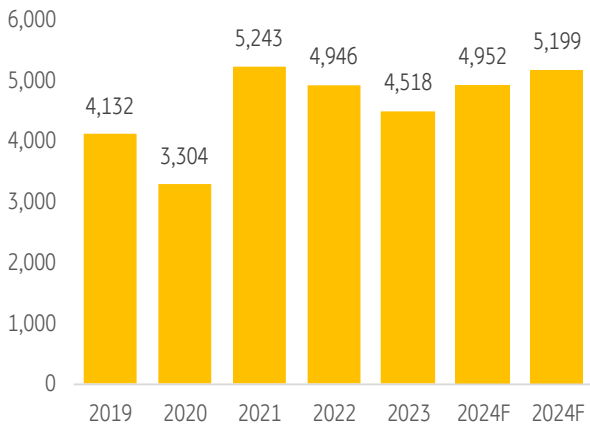
Source: KBVS Research

Exhibit 3: SMRA's Launching Recap

2023						
Months	Cluster	Location	Unit Sold	Avg Price (bn)	Proceeds	Notes
Mar	Grha Boulevard (Shophouse)	Bogor	54	2.7	150	Sold Out
April	Downtown Drive (Shophouse)	Serpong	76	3.3	250	Sold Out
June	Strozzi (Residential)	Serpong	78	2.2 - 2.5	100	50% take-up rate
July	Genova (Residential)	Bandung	26	Start 2.3	65	59% take-up rate
Aug	Alderwood (Residential)	Bogor	241	Start 1.7	600	Sold Out
Sep	Ruko Gading Boulevard (Shophouse)	Crown Gading	66	Start 3,1	200	87% take-up rate
Oct	Crystal (Shophouse)	Bekasi	48	start 3,4	230	Sold Out
Nov	Sapphire (Shophouse)	Bandung	9	3,8 -5,4	35	41% take up rate
Dec	Viola (Residential)	Crown Gading	100	start 1,0	150	95% take up rate
	Maple (Residential)	Bogor	40	start 3,9	170	Sold Out

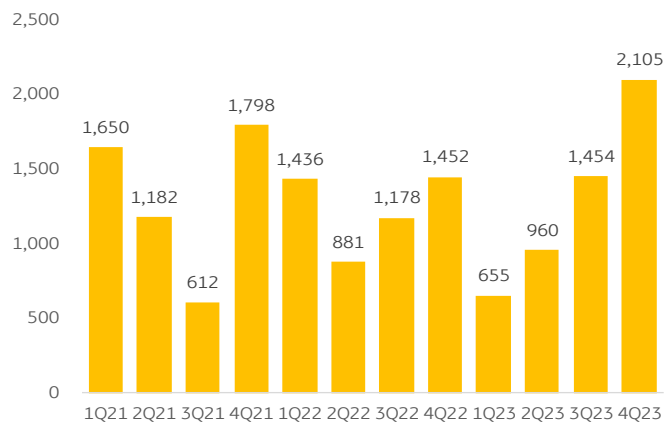
Source: Company, KBVS Research

Exhibit 4: SMRA's marketing sales forecast (IDR bn)



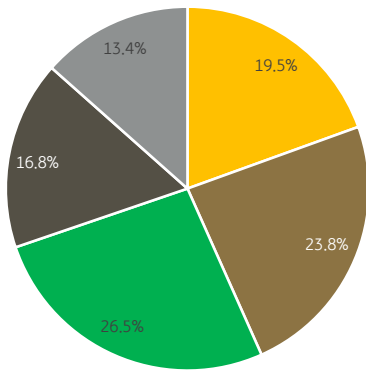
Source: Company, KBVS Research

Exhibit 5: SMRA's quarterly marketing sales (IDR bn)



Source: Company, KBVS Research

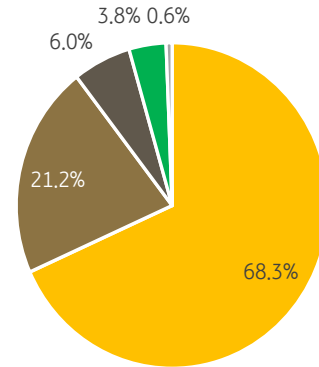
Exhibit 6: SMRA's marketing sales based on geography (%)



■ Bekasi ■ Bogor ■ Serpong ■ Crown Gading Others ■ Others

Source: Company, KBVS Research

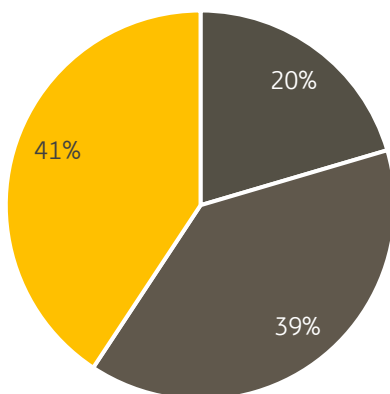
Exhibit 7: SMRA's marketing sales based on product (%)



■ Houses ■ Shoplots ■ Landplots ■ Apartments ■ Office, Commercial

Source: Company, KBVS Research

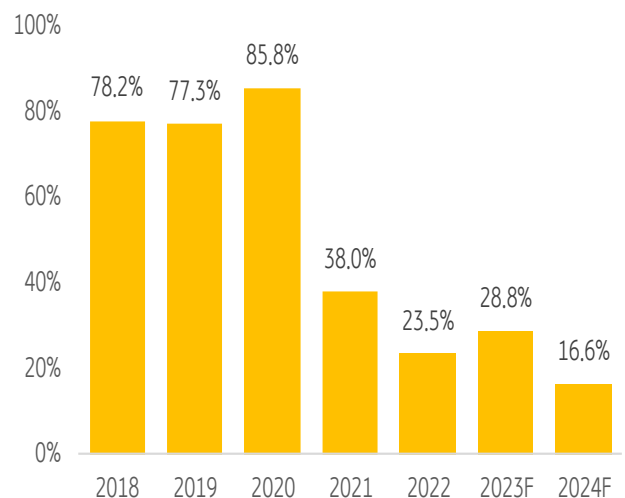
Exhibit 8: SMRA's payment profile (%)



■ Cash ■ Cash Installment ■ Mortgage

Source: Company, KBVS Research

Exhibit 9: SMRA's net gearing



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Profit & Loss (IDR bn)	2021	2022	2023F	2024F	2025F
Revenue	5,568	5,719	6,371	6,869	6,950
Cost of revenue	(2,974)	(2,720)	(3,039)	(3,184)	(3,258)
Gross profit	2,594	3,000	3,333	3,685	3,693
Selling expenses	(515)	(565)	(640)	(690)	(699)
G&A expenses	(733)	(952)	(1,048)	(1,100)	(1,155)
Operating profit	1,345	1,483	1,645	1,894	1,839
EBITDA	1,556	1,712	1,886	2,140	2,089
Other op. income/exp	3	(17)	(19)	(21)	(23)
Finance income	192	157	168	120	145
Finance expense	(1,002)	(857)	(704)	(691)	(668)
Inc/loss from assoc.	8	9	11	11	12
Pre-tax profit	547	775	1,101	1,313	1,305
Tax expense	3	(3)	(17)	(20)	(20)
Minority interest	(226)	(146)	(238)	(285)	(283)
Net profit	324	625	846	1,009	1,002
EPS (IDR)	20	38	51	61	61

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Balance Sheet (IDR bn)	2021	2022	2023F	2024F	2025F
Cash and equivalents	2,774	3,143	2,241	2,713	3,406
Trade receivables	344	376	419	452	457
Inventories	9,254	9,960	10,160	10,360	10,560
Net- Fixed assets	318	370	348	326	301
Other assets	13,360	14,585	15,674	15,937	16,127
Total Assets	26,050	28,434	28,842	29,788	30,851
Trade payables	405	303	338	355	363
Short-term debt + CMLTD	2,919	2,625	2,625	1,925	1,725
Long-term debt	4,120	3,284	3,284	3,083	3,083
Other liabilities	7,376	10,472	9,882	10,596	10,738
Total Liabilities	14,819	16,684	16,129	15,959	15,909
Minority interest	2,569	2,553	2,781	3,025	3,268
Paid capital	1,651	1,651	1,651	1,651	1,651
Retained earnings	7,010	7,547	8,281	9,153	10,022
Other equities	0	0	0	0	0
Total Equity	11,230	11,750	12,713	13,829	14,942

Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 12: Profit & Loss summary

Cash Flow (IDR bn)	2021	2022	2023F	2024F	2025F
Net income	324	625	846	1,009	1,002
Depreciation & amortization	211	229	241	246	250
Change in working capital	958	1,825	(1,164)	82	(383)
Cash flow from operations	1,493	2,679	(77)	1,336	870
Capex	(16)	(1,197)	(545)	(295)	(308)
Others	(1)	(50)	61	(60)	(63)
Cash flow from investments	(17)	(1,247)	(484)	(355)	(370)
Changes in debt	(2,413)	(1,130)	-	(901)	(200)
Changes in equity	1,492	-	-	-	-
Dividends paid	-	(99)	(115)	(137)	(136)
Others	98	(7)	233	244	247
Cash flow from financing	(822)	(1,236)	118	(794)	(90)
Net Cash Flow	654	196	(443)	187	410

Source: Company, KBVS Research

Exhibit 13: Cash flow

Key Ratios (%)	2021	2022	2023F	2024F	2025F
Revenue growth	10.7	13.7	11.4	7.8	1.2
EBIT growth	25.3	10.2	10.9	15.2	(2.9)
EBITDA growth	108.8	129.6	10.2	13.4	(2.4)
Net profit growth	80.0	93.2	35.2	19.3	-0.6
Gross margin	46.6	52.4	52.3	53.6	53.1
EBIT margin	24.2	25.9	25.8	27.6	26.5
EBITDA margin	28.0	29.9	29.6	31.1	30.1
Net margin	5.8	10.9	13.3	14.7	14.4
ROA	1.3	2.3	3.0	3.4	3.3
ROE	4.2	7.8	8.8	9.7	8.9
Net gearing (x)	0.5	0.3	0.4	0.2	0.1
Net debt/EBITDA (x)	2.4	1.6	1.9	0.0	0.0
Interest coverage ratio (x)	1.9	2.4	3.5	3.7	4.0

Source: Company, KBVS Research

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