



BUY

Target Price : IDR1,000

Stock Data

Current Price	: 770
52wk Range H-L	: 1,030 - 494
Share Outstanding	: 16.51 Bn
Free Float	: 54.3%
Mkt Capitalization (IDR bn)	: 12,960

Major Shareholders

PT Semarang Agung	: 33.83%
PT Sinarmegah Jaya Sentosa	: 5.92%
Public	: 60.25%



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PT Summarecon Agung Tbk (SMRA IJ)

Property Sector

On the Right Track

1Q21 Highlights: Better Performance Driven by Property Sales

SMRA managed to book a revenue of IDR1.07 tn in 1Q21, which grew by +3% YoY (vs IDR1.04 tn in 1Q20). It is supported by the +48.67% YoY increase on property sales, despite the -39.81% YoY drop on the recurring income in 1Q21. On the other hand, COGS grew by +13.51% YoY which caused gross profit to decline by -7.17% YoY to IDR490.05 bn. Thus, net profit was stagnant at IDR37.41 bn in 1Q21 (vs IDR37.04 bn in 1Q20).

Landed House: Always the Major Contributor

SMRA's marketing sales reached IDR2.83 tn in 1H21, reflecting 71%/64% of the company/MNCS estimate in FY21E. Overall, landed houses contributed 62%, with houses in the price range of IDR1-2 bn/unit contributing IDR1.15 tn, followed by houses with price >IDR2 bn contributing IDR1.18 tn. Summarecon Serpong is the major contributor which recorded a sales of IDR1.5 tn. This time around, SMRA seeks to optimize the launch of new clusters in Bogor on 2H21, and North Bekasi on FY22F. With the success of Summarecon Bogor, SMRA also encourages the development of Summarecon Mutiara Makassar (SMM) to become a "new city" for the next several years. Moreover, marketing sales target is increased to IDR4 tn from IDR3.5 tn previously for the FY21E period.

We see that SMRA is on the right track, supported by: 1) Lower interest rates in FY21; 2) PPnBM and LTV relaxation; 3) Vaccination and economic recovery in FY21E. Nevertheless, we should also take SMRA's mortgage purchases increased into account (+31% in 1H21 vs. 25% in FY20) which will become a risk if BI rate hiked, resulting slow property demand.

Positive Impact of Post-Right Issue to Strengthen Balance Sheet But...

SMRA conducted a rights issue with total of 2.1 billion new shares and successfully raised IDR1.5 tn in June-21. Therefore MNCS estimates that the impact of right issue will lower the total debt by 10% from previously IDR9.4 tn to IDR8.5 tn/IDR8.2 tn with DER of 0.77x/0.71x in FY21E/FY22F.

...Still Overshadowed by the Imposition of Restrictions on Community Activities (PPKM)

PPKM level 4 has brought a significant impact to mall and hotel business as fall of occupancy rate in August 2021. In order to maintain and accommodate its tenants, SMRA will potentially cut the rental rate by around 50% in July – Aug 2021. Those tactic will be adjusted in accordance to next policy of Government regarding PPKM. There will be a good sentiment for SMRA if the Government can lower the restriction to PPKM level 3 as the due date of last PPKM level 4 is Aug 9th 2021. At least the shopping centers/ Mall can operate by 25% until 17.00 from totally closed down. Vaccination rate will play one of key role to support the recovery story of mall and hotel business in FY21E.

Valuation and Recommendation: BUY at Target Price IDR1,000

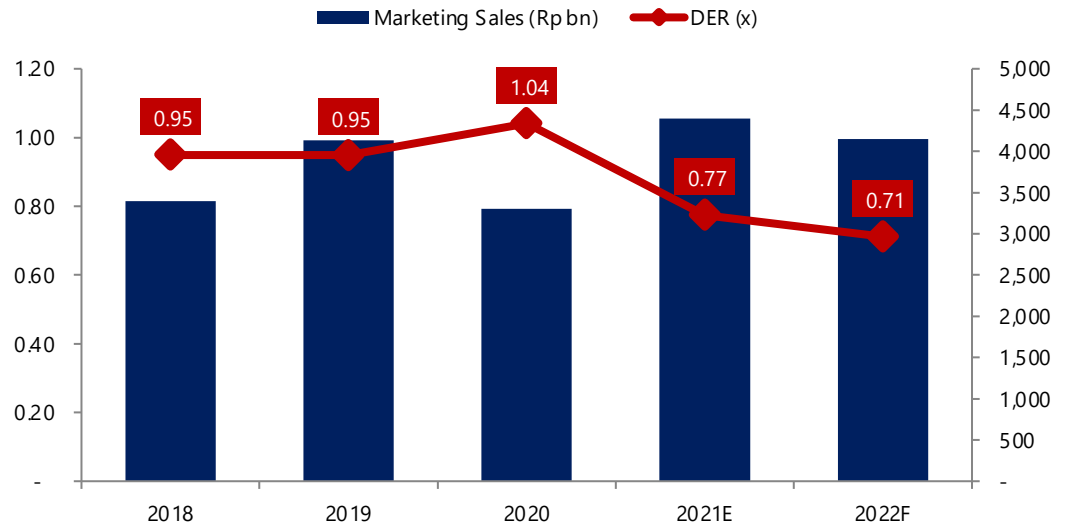
We recommend **BUY** for **SMRA IJ**, with a **TP of IDR1,000** which implies PE/PBV 13.59x/0.83x in FY21E. SMRA's valuation has become more attractive as it is trading currently at -1 STD PBV (average of 5-years) at 1.45x. Risks to our call would include: 1) Worsening COVID-19 has strong negative impact to SMRA's recurring income; 2) Low purchasing power; 3) Sudden change of interest rate policy.

Key Financial Highlight

Billion IDR	FY18	FY19	FY20	FY21E	FY22F
Revenue	5,661.36	5,941.63	5,029.98	5,223.68	5,662.42
Net Income	448.71	514.99	179.84	326.51	415.86
EPS (IDR)	31.10	35.70	12.47	19.78	25.19
PE (x)	32.50	28.31	81.04	51.10	40.12
BVS (IDR)	548.85	572.51	550.36	665.62	702.65
PBV (x)	1.84	1.77	1.84	1.52	1.44
ROA (%)	1.93%	2.11%	0.72%	1.28%	1.58%
ROE (%)	4.95%	5.45%	1.98%	2.97%	3.59%
DER (x)	0.95	0.95	1.04	0.77	0.71

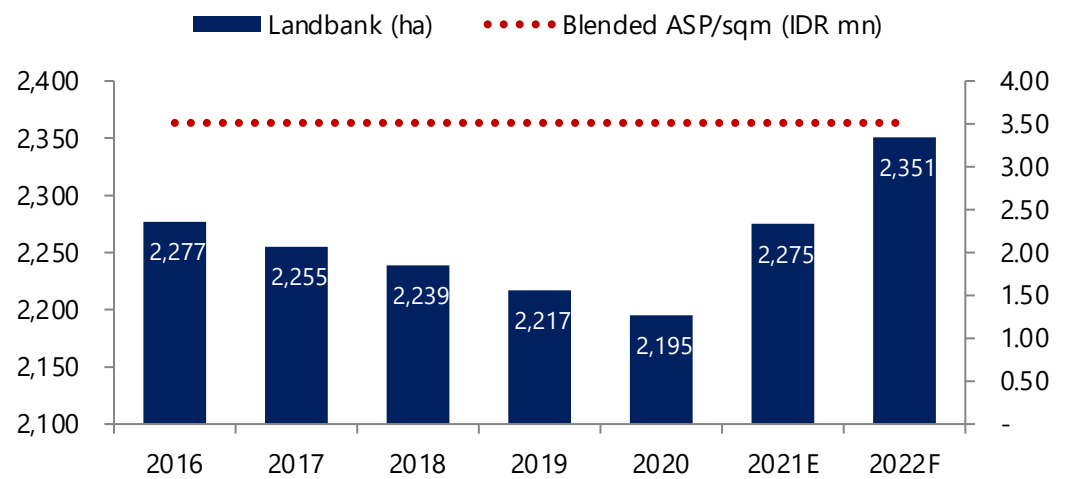
Sources: Bloomberg, MNCS

Exhibit 01. Trend of Marketing Sales and DER SMRA in FY18-FY22F



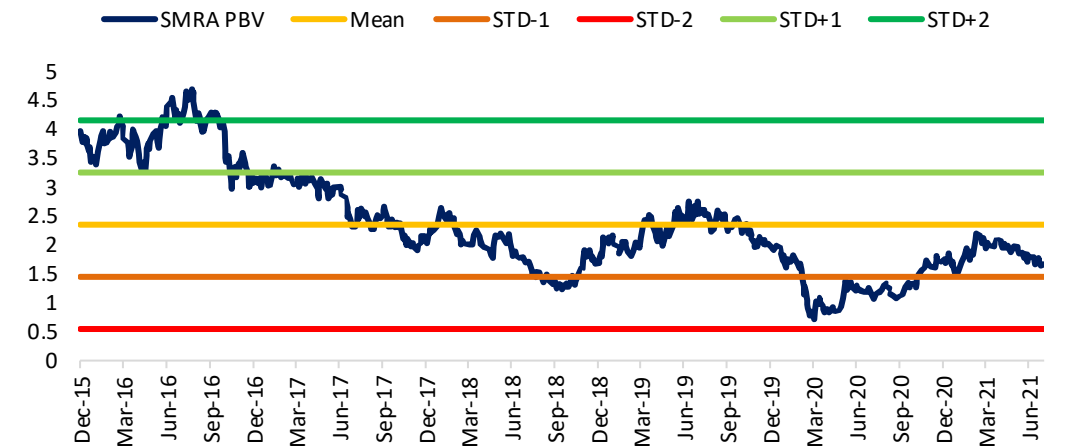
Sources : Company, MNCS

Exhibit 02. Blended ASP and Total Landbank SMRA in FY16-FY22F



Sources : Company, MNCS

Exhibit 03. SMRA is currently traded at -1 STD PBV (5-years Average)



Sources : Company, MNCS

Exhibit 4. Financial Projections

Billion IDR	Income Statement				
	FY18	FY19	FY20	FY21E	FY22F
Revenues	5,661.36	5,941.63	5,029.98	5,223.68	5,662.42
Cost of Revenue	2,922.48	3,091.88	2,737.91	2,732.00	2,970.09
Gross Profit	2,738.88	2,849.75	2,292.08	2,491.68	2,692.33
Operating Expense	1,198.74	1,269.93	1,022.09	1,042.27	1,133.03
Operating Profit	1,540.14	1,579.82	1,269.99	1,449.42	1,559.30
EBITDA	1,851.12	1,582.96	1,346.96	1,866.57	1,991.45
Interest Expense	685.20	795.24	1,032.51	936.35	907.91
Interest Income	96.39	125.33	190.34	82.82	108.83
Other	17.70	13.01	11.96	12.42	13.46
Profit Before Tax	969.03	922.92	439.77	608.30	773.67
Tax Expense	278.40	309.90	193.86	215.73	291.73
Minority Interest	241.91	98.04	66.07	66.07	66.07
Net Income	448.71	514.99	179.84	326.51	415.86
EPS (full amount)	31.10	35.70	12.47	19.78	25.19

Billion IDR	Balance Sheet				
	FY18	FY19	FY20	FY21E	FY22F
Current Assets	10,498.10	11,150.74	11,888.92	12,581.37	13,117.08
Cash & Cash Equivalents	1,523.85	1,664.42	1,656.48	2,176.58	2,800.45
Accounts & Notes Receiv	393.87	221.70	256.54	478.84	353.27
Inventories	7,890.25	8,514.33	9,186.99	9,106.67	9,075.27
Other ST Assets	690.13	750.29	788.91	819.29	888.10
Non-Current Assets	12,801.15	13,290.91	13,033.62	12,995.78	13,243.28
Fix Asset - net	11,198.51	11,231.09	10,973.92	10,856.77	10,924.62
Other Non-Current Assets	1,602.64	2,059.82	2,059.70	2,139.01	2,318.67
TOTAL ASSETS	23,299.24	24,441.66	24,922.53	25,577.15	26,360.37
Current Liabilities	7,229.22	9,017.33	8,359.16	8,057.76	8,210.54
Account Payable	1,425.79	1,753.52	1,239.88	1,214.22	1,449.63
Short Term Debt	3,713.67	4,652.00	3,970.09	3,573.08	3,215.77
Other current liabilities	2,089.76	2,611.81	3,149.18	3,270.45	3,545.14
Non-Current Liabilities	7,009.32	5,972.97	7,477.69	6,530.95	6,550.15
Long-term Liabilities - Net	4,892.93	4,317.00	5,487.99	4,939.19	5,037.98
Other Non-Current Liabilities	2,116.39	1,655.96	1,989.70	1,591.76	1,512.17
TOTAL EQUITY	9,060.70	9,451.36	9,085.69	10,988.45	11,599.68
TOTAL LIABILITIES & EQUITY	23,299.24	24,441.66	24,922.53	25,577.15	26,360.37

Billion IDR	Cash Flow				
	FY18	FY19	FY20	FY21E	FY22F
Net Income	448.71	514.99	179.84	326.51	415.86
Depreciation	302.21	278.23	275.92	417.15	432.15
Change in Working Capital	(1,400.22)	(124.18)	(1,221.13)	(167.64)	392.38
Change in others	(1,161.17)	461.88	498.75	90.89	205.87
CFO Total	(1,810.47)	1,130.92	(266.62)	666.91	1,446.27
Change in Investment	-	-	-	-	-
Capex	(321.67)	(310.81)	(18.74)	(300.00)	(500.00)
Change in Others	(277.25)	(457.18)	0.12	(79.32)	(179.66)
CFI Total	(598.91)	(767.99)	(18.62)	(379.32)	(679.66)
Net Change in Debt	1,520.29	362.41	489.07	(945.81)	(258.52)
Equity financing	-	-	-	1,490.00	-
Dividend payment	(72.01)	(72.02)	-	-	-
Others	985.64	(533.82)	489.86	(311.69)	115.78
CFE Total	2,433.92	(243.43)	978.94	232.51	(142.74)
Net Cash Increase	41.53	140.58	(7.94)	520.09	623.87
Closing Balance	1,523.85	1,664.42	1,656.48	2,176.58	2,800.45

Billion IDR	Ratios				
	FY18	FY19	FY20	FY21E	FY22F
Revenue Growth (%)	0.37	4.95	(15.34)	3.85	8.40
Operating Profit Growth (%)	15.92	(15.76)	(17.91)	14.13	7.58
Net Profit Growth (%)	32.69	(23.75)	(56.12)	81.56	27.37
Current Ratio (%)	14.52	12.37	14.22	15.61	15.98
Quick Ratio (%)	26.53	20.92	22.89	32.95	38.41
Receivable Days	25.39	13.62	18.62	33.46	22.77
Inventory Days	985.45	1,005.13	1,224.75	1,216.67	1,115.28
Payable Days	178.07	207.00	165.29	162.22	178.15
Debt to Equity (x)	0.95	0.95	1.04	0.77	0.71
Debt to EBITDA (x)	4.65	5.67	7.02	4.56	4.14
Gross Profit Margin (%)	48.38	47.96	45.57	47.70	47.55
Op. Profit Margin (%)	27.20	26.59	25.25	27.75	27.54
EBITDA Margin (%)	32.70	26.64	26.78	35.73	35.17
Net Profit Margin (%)	7.93	8.67	3.58	6.25	7.34
ROA (%)	1.93	2.11	0.72	1.28	1.58
ROE (%)	4.95	5.45	1.98	2.97	3.59

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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