

Solid 2Q24 Marketing Sales Achievement; Maintain OW

8 August 2024

OVERWEIGHT
(Maintain)

TOP PICK

In 1H24, most property companies under our coverage achieved in-line marketing with their targets, with CTRA leading at 55%, followed by BSDE (51%), PWON (50.4%), and SMRA (34.4%). For 2H24, new product launches and infrastructure projects are expected to boost marketing sales, to anticipate the impact of reducing the VAT discount. The potential VAT rate increase to 12% in next year could slow marketing sales growth in 2025. However, an anticipated decline in the BI rate within the next 6 to 12 months may boost property sector share prices, despite likely minimal impact on mortgage rates. We maintain an Overweight rating for the property sector, with BSDE and CTRA as top picks due to expected solid performance, while SMRA and PWON also show promising prospects.

1H24 marketing sales achievements are largely in-line. All property companies under our coverage achieved in-line marketing sales achievement for 1H24 compared to the company target. Among all developers under our coverage, CTRA is the most performed (55%), followed by BSDE (51%), PWON (50.4%), and SMRA (34.4%). Solid marketing sales achievement is due to a combination of VAT discount in which it contributed 23 to 70% of total marketing sales in 1H24 and a low mortgage rate environment, we still estimate the aggregate marketing sales growth for 2024 to grow by 6.6% yoy to IDR27.2 tn, marking the all-time high performance in history.

Deep into the Q24 achievement, some names recorded stronger or stagnant marketing sales on a qoq basis during the typically slow Lebaran season. CTRA saw an increase of 67.9% yoy but a slower 16.9% qoq. BSDE experienced a yoy increase of 18.1% and a qoq increase of 18.1%, primarily due to JV land plot sales to Mitbana. PWON reported a yoy increase of 27.4% and stagnate qoq achievement. Lastly, SMRA saw a yoy decline of 5% and a qoq increase of 12.6%.

The new product launches are expected to boost marketing sales in 2H24, as the VAT discount has been reduced by 50% to a 5.5% rate (previously 100% VAT discount). CTRA has 5 new products in the pipeline located in major cities, including Greater Jakarta, Greater Surabaya, Medan, and Makassar with potential marketing sales proceeds of IDR2-2.5 tn. Additionally, BSDE plans to introduce more units for products launched in 1Q24 and aims to initially launch two mid-high premium residential products in Grand City Balikpapan and Grand Wisata, priced between IDR3-8 bn (typically, residential products in these areas sell for IDR1-2 bn). This strategy is expected to recover the underperformance in the residential segment in 1H24, which saw a 13% yoy decline to IDR2.6 tn despite an increase in units sold. SMRA is also anticipated to meet its marketing sales target of IDR5 tn, having launched Crystal Boulevard Phase 2 in Bekasi in Jul'24, SMRA plan to launch a new cluster in Bandung in 3Q24, as well as a new township in Tangerang in 4Q24. Meanwhile, PWON expected to introduce a new tower in the Kota Kasablanka extension.

Positive impact from the completion of new infrastructure in 2H24, including the Cimanggis-Cibitung toll road linking Bogor and Cikampek, and Phase 1B of the BSD-Balaraja toll road connecting JORR 1 to BSDE Phase 3 (Legok), is anticipated to significantly boost the marketability and accessibility of properties in these region mainly for BSDE (Phase 3 BSD City and Kota Wisata) and SMRA (Summarecon Crown Gading).

Property companies' share prices tend to perform better in a lower interest-rate environment. With the expected reduction of the VAT incentive in 2H24 and the potential challenge of an increase in the VAT rate to 12% next year will translated to slower growth in marketing sales in 2025. However, the new catalyst could be the anticipated decline in the BI 7-day repo rate within the next 6 to 12 months. Our analysis shows that property companies share prices typically rise when the benchmark rate decreases. However, despite the forthcoming decline in the BI 7-day repo rate, we do not anticipate a significant reduction in mortgage rates as in the 2 last year mortgage rates remain stagnate despite increase in BI rate by 275 bps in the same time.

Maintain Overweight, with BSDE and SMRA as our top picks. Given the record-high marketing sales anticipated in 2024, robust earnings growth, and relatively attractive valuations, we maintain our overweight rating for the property sector, with BSDE and SMRA as our top picks. Both companies are expected to achieve solid earnings and marketing sales growth in 2024 and the mid-term. BSDE have the potential to exceed their targets for 2024. SMRA appears promising due to potential corporate actions within the next year, and PWON is likely to benefit from a stronger rupiah, solid recurring revenue, and the initial product launch of the Batam & Semarang project in 2025. On the other hand, CTRA share performed quite well on ytd basis and has chance to exceeds the marketing sales target in 2024. Risks to our outlook include: a) lower-than-expected marketing sales growth, b) intense competition from nearby developers, and c) a prolonged high interest rate environment.

Company	Ticker	Rec	Share	Target
			Price (IDR)	Price (IDR)
Bumi Serpong Damai	BSDE	Buy	1,055	1,310
Summarecon Agung	SMRA	Buy	545	700

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Exhibit 1: Sector Comparison

Company Ticker	Price (IDR) as of 7/8/24	TP (IDR)	Rec	Market Cap (IDR tn)	PER (x)		PBV (x)		ROE (%)		Disc To RNAV (%)
					2024F	2025F	2024F	2025F	2024F	2025F	
BSDE	1,005	1,310	BUY	22.3	8.2	8.8	0.6	0.5	7.8	7.0	(82.8)
CTRA	1,220	1,350	BUY	23.4	12.1	12.3	1.0	0.9	9.3	8.4	(75.9)
SMRA	585	700	BUY	9.6	9.4	12.9	0.9	0.9	9.7	8.9	(85.3)
PWON	42	650	BUY	21.3	9.8	9.2	0.9	0.8	8.8	8.6	(61.6)
Average			OVERWEIGHT		9.9	10.8	0.8	0.8	8.9	8.2	(76.4)

Source: Bloomberg, KBVS Research

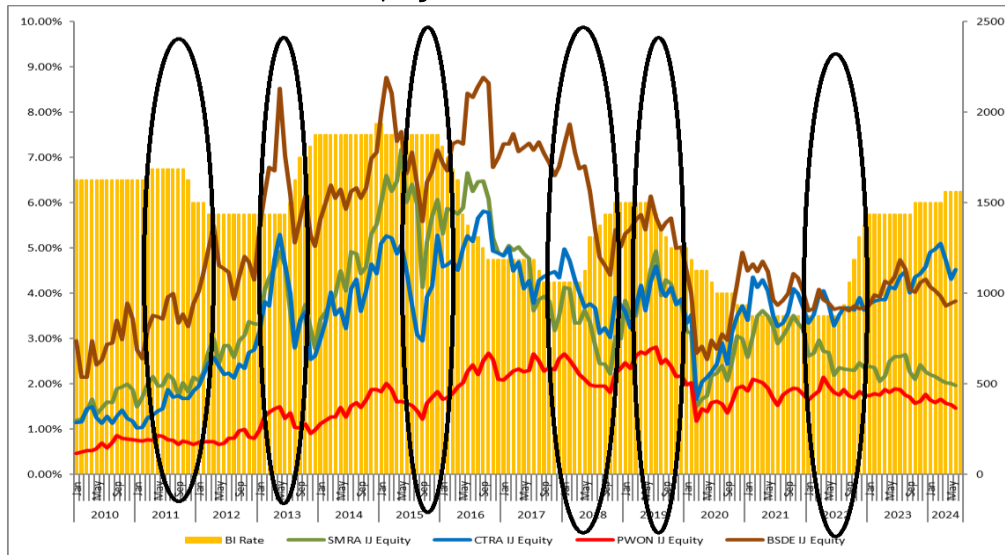
Exhibit 2: 1H24 Marketing Sales Recap (IDR bn)

	% of MS eligible for VAT discount as of 1H24	1H24	1H23	yoy	2Q24	2Q23	yoy	qoq	1Q24	1Q23
BSDE	23%	4,842	4,791	1.1%	2,622	2,220	18.1%	18.1%	2,220	2,570
CTRA	43%	6,080	5,088	19.5%	2,759	1,643	67.9%	-16.9%	3,321	3,445
SMRA	62%	1,721	1,614	6.6%	912	960	-5.0%	12.6%	809	655
PWON	70%	771	600	28.4%	385	302	27.4%	0.0%	385	298

Exhibit 3: Upcoming Product Launch in 2H24

Company	Project Name	Unit to be Launch	Pricing (IDR bn)	Target
BSDE	Mid to End Cluster in Grand Wisata	n.a	3-8	n.a
	Mid to End Cluster in Grand City Balikpapan	n.a	3-8	n.a
CTRA	CitraLand Surabaya – Emerald Stone Cluster (Housing)	136	2.6-4.3	600
	CitraLand Gresik – New Project (Housing)	n.a	1-4	250
	CitraLand Gama City Medan – Sentosa Cove Phase 2 (Housing)	77	3.7-6.4	239
	CitraGarden Serpong – Elaia Cluster Phase 2 (Housing)	143	1-2.2	200
	CitraLand City Losari Makassar – Canal Drive Shophouse (Shophouse)	26	8.4-14	196
SMRA	Ruko Crystal Boulevard Phase 2 Bekasi (Shophouse)	36	3.6	130
	Cluster Hillary in Sumarrecon Bandung (Housing)	n.a	n.a	n.a
	Summarecon Tangerang (Housing)	n.a	~1	570
PWON	New Tower Kota Kasablanka Extension	n.a	n.a	n.a

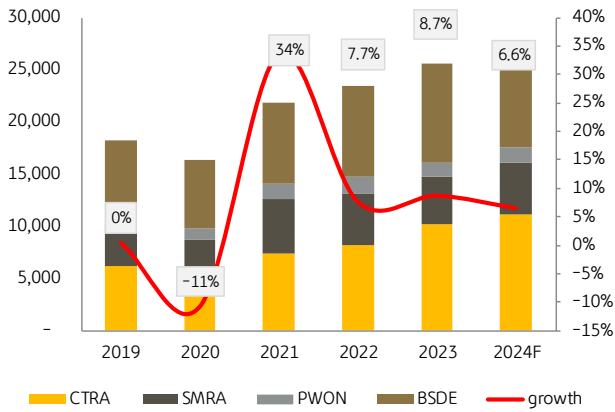
Exhibit 4: BI Rate (LHS) VS Residential Property Share Prices (RHS in IDR)



Source: Company, Bloomberg, KBVS Research

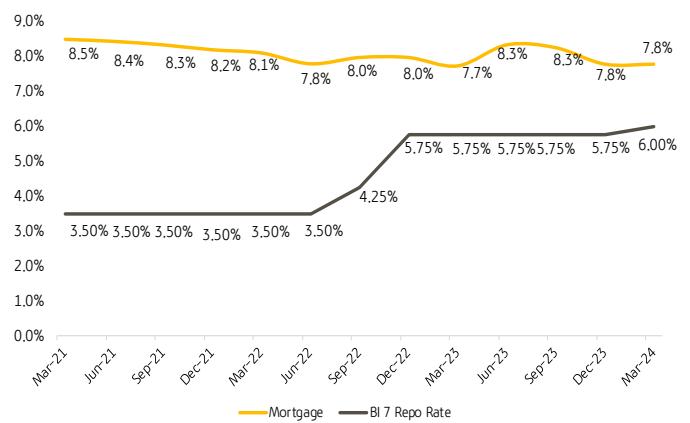
Lower interest rate environment may positively impact on share price. There is an observable inverse relationship between the BI/ BI-7 day Repo Rate and the share prices of these companies. Property share prices typically rise when the benchmark rate decreases, and share prices tend to fall when the benchmark rate increases. For instance, in 2021, as the benchmark rate decreased, the share prices of most property companies increased significantly. Similarly, significant increases in the benchmark rate in 2013 and 2018 corresponded with noticeable declines in property share prices. Conversely, decreases in the BI Rate around 2016 and 2021 led to either stabilization or increases in property share prices.

Exhibit 5: Aggregate Marketing Sales Growth



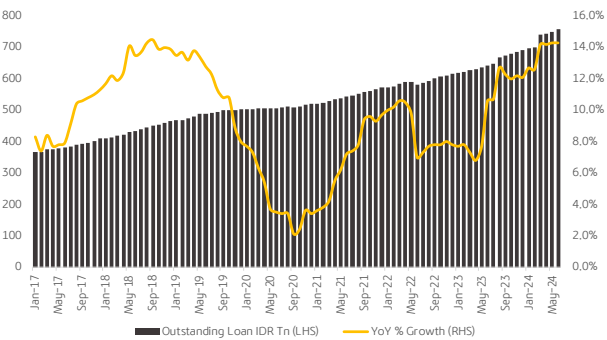
Source: Company, Bloomberg, KBVS Research

Exhibit 6: BI 7-Day Repo Rate & Mortgage Rate



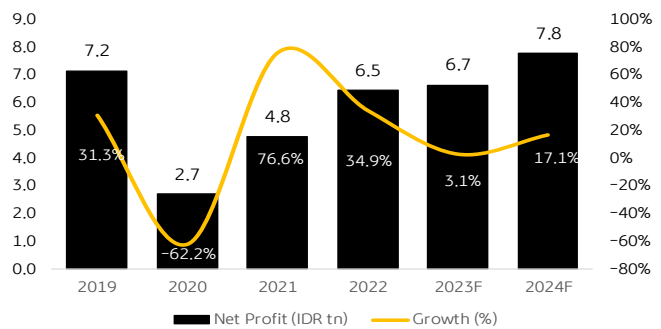
Source: Company, Bloomberg, KBVS Research

Exhibit 7: Strong Mortgage Loan Rate



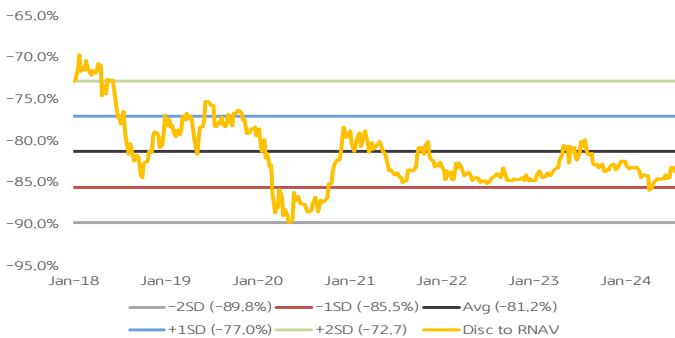
Source: Company, Bloomberg, KBVS Research

Exhibit 8: Properties Company Aggregate Net Profit



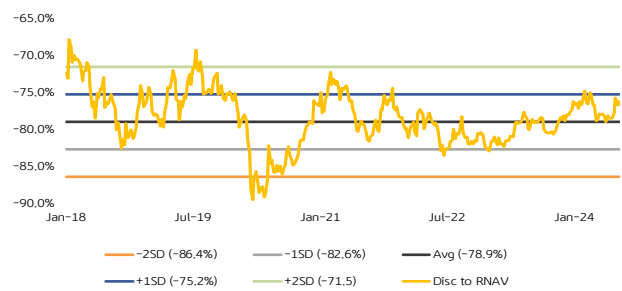
Source: Company, Bloomberg, KBVS Research

Exhibit 9: BSDE disc to RNAV



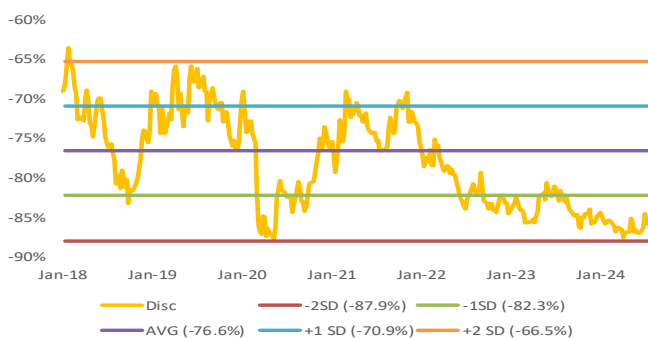
Source: Company, Bloomberg, KBVS Research

Exhibit 10: CTRA disc to RNAV



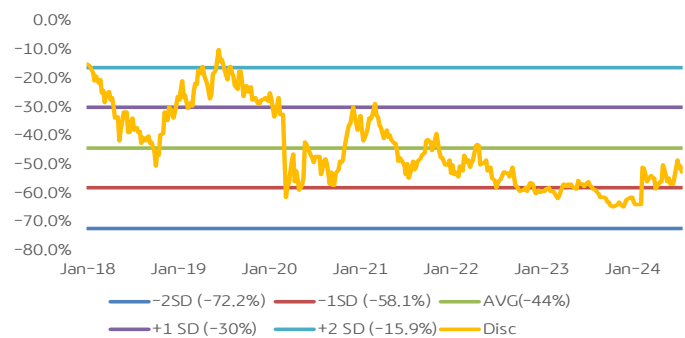
Source: Company, Bloomberg, KBVS Research

Exhibit 11: SMRA disc to RNAV



Source: Company, Bloomberg, KBVS Research

Exhibit 12: PWON disc to RNAV




Source: Company, Bloomberg, KBVS Research

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