

Anticipate Stronger Earnings and Marketing Sales Turnaround in 2024

17 May 2024



In 1Q24, SMRA achieved its highest quarterly profit in a decade of IDR441.4 bn, driven by substantial growth in its property development and investment property segments. The performance exceeded both internal and market expectations. Consequently, the earnings forecast for 2024 has been revised upward to IDR1.03 tn, accounting for anticipated higher financing costs due to a new bond issuance. Marketing sales in the 4M24 were IDR 1.09 tn, only 22% of the annual target. However, new product launches and upcoming projects in regions like Bandung, Bogor, and Tangerang are expected to boost sales in the 2H24. Reiterate BUY on SMRA with DCF-based TP of IDR700 (WACC: 10.9%; LTG: 5%).

SMRA IJ	BUY
Sector	Property.
Price at 17 Jan 2024 (IDR)	575
Price target (IDR)	700
Upside/Downside (%)	17.8

Highest quarterly earnings since 4Q14

In 1Q24, SMRA booked the highest quarterly profit in the last 10 year of IDR441.4 bn (+62.4% yoy; +290.8% qoq). Solid net profit growth mostly driven by higher revenue on property development segment by 58.3% yoy to IDR1.44 tn (which driven by higher recognition) and investment property segment by 21.5% to IDR480 bn. The performance in 1Q24 was above both our estimates and street projections, representing 43.8% (IDR1.01 tn) of our and 52.7% (IDR837 bn) of the street estimate, respectively.

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.

Following on the strong result, we have upgraded our earnings forecast to IDR1.03 tn. This adjustment reflects our anticipation of higher financing costs from the issuance of a new IDR1.3 tn bond in Jun' 2024. Approximately IDR606.2 bn of the proceeds will be used to increase the company's capital in Summarecon Property Development (SMPD), IDR200 bn will go towards repaying the Sustainable Bond III Phase II Series B due in Oct 2024, and around IDR486.6 bn will be used for working capital in Summarecon Kelapa Gading and Summarecon Bekasi.

Market cap (IDR bn)	9,492
Shares outstanding (mn)	16,509
52-week range (IDR)	480 - 740
3M average daily vol. ('000)	59,365
3M average daily val. (IDR mn)	31,135

Anticipate stronger marketing sales in 2H24

SMRA's booked IDR283.9 bn of marketing sales in Apr'23 (-38.5% yoy) resulting a IDR1.09 tn of marketing sales (-2.0% yoy) in 4M24, only achieved 22% of FY24 target. In recent months, SMRA launched new products like Ardea and New Genova, generating marketing sales proceeds of approximately IDR100 bn and IDR 70 bn, respectively. Geographically, the Bekasi and Serpong areas achieved 74% and 31% of their 2024 targets, respectively. We expect marketing sales to increase in the 2H24, driven by new launches in areas such as Bandung, Bogor, Crown Gading, Kelapa Gading (apartment launch), and the newly developed township Summarecon Tangerang (Bitung area).

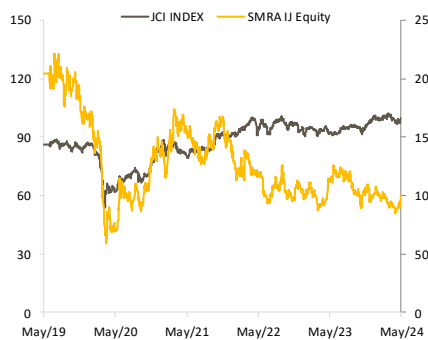
Shareholders (%)

Semarop Agung	33.8
Public	66.2

Enhanced recurring income

Following the successful launch of Summarecon Mall Bandung, featuring approximately 47k sqm of NLA with a 70% occupancy rate as of Jan'24, and Gafoy, with about 8.5 k sqm of NLA in Mar'24, SMRA plans to open Summarecon Mall Bekasi Phase 2 in the 1Q25, adding approximately 42.7k sqm of NLA. The development of this mall will require an investment of IDR1.2 tn, with IDR600 bn allocated for 2024. In the mid-term, we anticipate further potential recurring income from ventures such as the Harris Hotel in Summarecon Bandung, and new Summarecon Malls in Bogor and Makassar.

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	14.0	0.9	(11.6)

Undemanding valuation. Reiterate BUY with TP IDR700

We reiterate BUY on SMRA with target price of IDR700 using DCF-based TP (WACC: 10.9%; LTG: 5%), which implied to 1.1x '24F PB and 82.4% discount to '24F RNAV. 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.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2022	2023	2024F	2025F	2026F
Revenue	5,719	6,659	7,919	7,084	7,613
EBITDA	1,710	1,865	2,288	1,976	2,112
Net income	625	766	1,032	748	791
EPS growth (%)	93.2	22.5	34.8	(27.6)	5.8
PER (x)	15.2	12.4	9.2	12.7	12.0
PBV (x)	1.0	1.0	0.9	0.8	0.8
EV/EBITDA (x)	8.7	8.5	6.9	8.4	7.4
Dividend yield (%)	1.0	1.2	1.6	1.2	1.3
Gearing (x)	0.3	0.4	0.3	0.4	0.2

Source: Company, KBVS Research

Analyst
Benjamin Mikael
benjamin.mikael@kbvalbury.com

Exhibit 2: SMRA's Valuation Summary

DCF Valuation	2024	2025	2026	2027	2028
Net Profit	1,032	748	791	924	1,057
Depreciation	271	377	382	387	392
Interest expense (1-tax)	479	517	506	473	422
NWC	(227)	(182)	(212)	(210)	(211)
Capex	(890)	(753)	(300)	(314)	(328)
FCFF	665	727	1,167	1,260	1,333
Discount factor	1.1	1.2	1.4	1.5	1.7
Discounted Free Cash Flow	600	591	855	833	794
Terminal Value	23,655				
Discounted Terminal Value	14,092				
Enterprise Value	17,765				
Net debt	3,525				
Equity value	14,240				
Minority interest	(2,718)				
Fair value per share 2024F (IDR)	698				
Round-up (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
2024						
Feb	Ardea	Serpong	n.a	6.6-9.7 bn	100 ytd proceeds	
Mar	New Genova	Bandung	n.a	Start 2.1 bn	70 ytd proceeds	
Mar	Cozmohome	Bekasi	n.a	Start 350 mn	n.a	

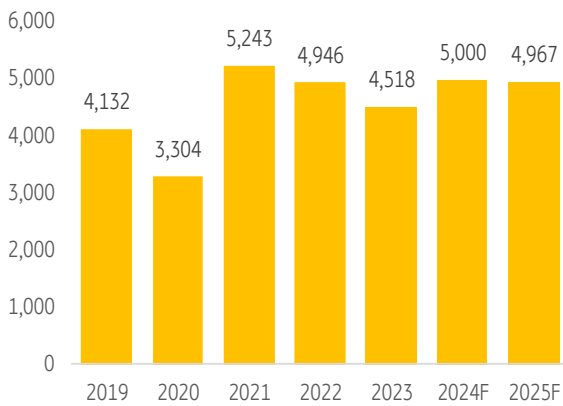
Source: Company, KBVS Research

Exhibit 4: SMRA's 1Q24 Financial Result

(IDR bn)	1Q24	1Q23	YoY (%)	QoQ (%)
Revenue	2,134	1,499	42.3	35.2
Property Development	1,442	911	58.3	67.0
Investment Property	480	395	21.5	0.5
Leisure, Hospitality, Other	212	194	9.7	-10.6
COGS	(1,034)	(726)	42.4	30.8
Gross Profit	1,100	773	42.2	39.6
EBIT	629	405	55.5	124.6
Interest expense (loan)	(120)	(79)	53.2	19.4
Interest income	50	49	2.7	-7.5
Other income (exp.)	(118)	(93)	26.6	-1.5
Associate & JV	5	2	102	129.1
Pre-tax income	446	284	56.8	284.3
Taxes	(0)	(0)	-36.1	-113.0
Minorities	(4)	(12)	-64.8	-21.0
Net income (Parent)	441	272	62.4	290.8
Margins (%)				
Gross Profit Margin	51.6	51.6		
EBIT margin	29.5	27.0		
Net Margin	20.7	18.1		

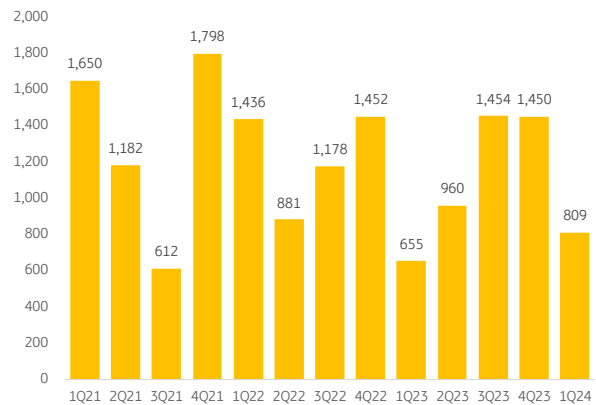
Source: Company, KBVS Research

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



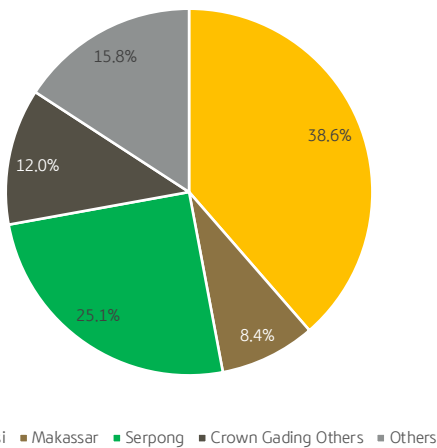
Source: Company, KBVS Research

Exhibit 6: SMRA's quarterly marketing sales (IDR bn)



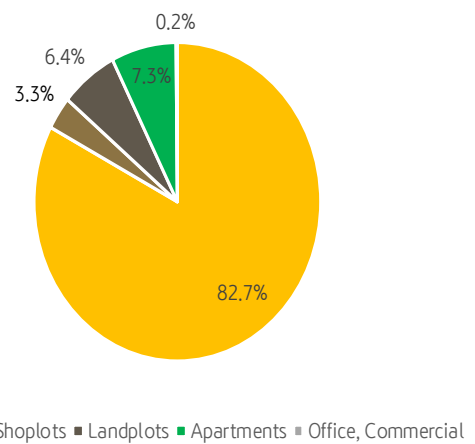
Source: Company, KBVS Research

Exhibit 7: SMRA's marketing sales based on geography 4M24 (%)



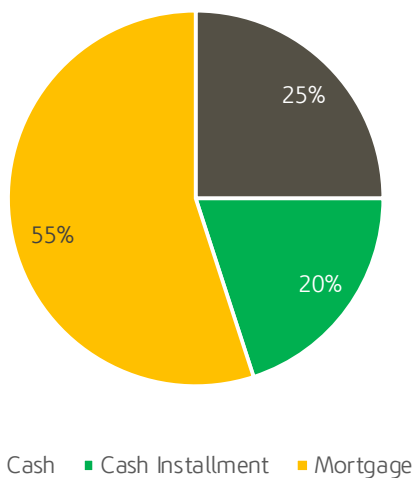
Source: Company, KBVS Research

Exhibit 8: SMRA's marketing sales based on product 4M24(%)



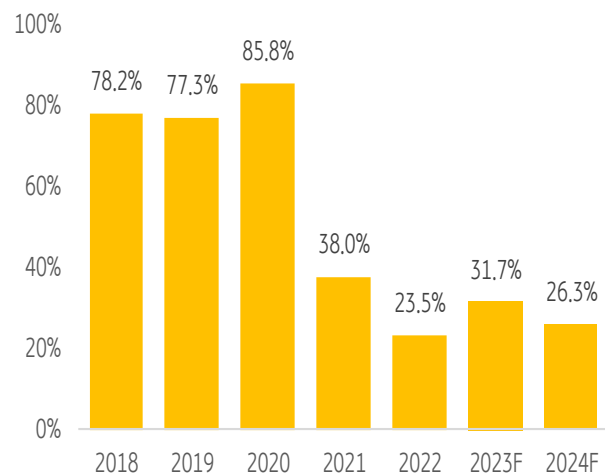
Source: Company, KBVS Research

Exhibit 9: SMRA's payment profile 1Q24 (%)



Source: Company, KBVS Research

Exhibit 10: SMRA's net gearing



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 11: Profit & Loss summary

Profit & Loss (IDR bn)	2022	2023	2024F	2025F	2026F
Revenue	5,719	6,659	7,919	7,084	7,613
Cost of revenue	(2,720)	(3,299)	(3,948)	(3,542)	(3,801)
Gross profit	3,000	3,360	3,970	3,542	3,812
Selling expenses	(565)	(708)	(842)	(753)	(809)
G&A expenses	(952)	(1,039)	(1,111)	(1,189)	(1,272)
Operating profit	1,483	1,613	2,017	1,599	1,730
EBITDA	1,710	1,865	2,288	1,976	2,112
Other op. income/exp	(17)	12	13	14	15
Finance income	157	181	198	244	186
Finance expense	(857)	(757)	(952)	(940)	(960)
Inc/loss from assoc.	9	10	18	19	20
Pre-tax profit	775	1,058	1,294	937	992
Tax expense	(3)	(0)	(19)	(14)	(15)
Minority interest	(146)	(292)	(242)	(175)	(186)
Net profit	625	766	1,032	748	791
EPS (IDR)	38	46	63	45	48

Source: Company, KBVS Research

Exhibit 12: Balance sheet

Balance Sheet (IDR bn)	2022	2023	2024F	2025F	2026F
Cash and equivalents	3,143	3,293	4,067	3,101	4,197
Trade receivables	376	324	394	353	379
Inventories	9,960	10,906	11,106	11,306	11,506
Net- Fixed assets	370	442	420	397	372
Other assets	14,585	16,203	17,916	18,051	18,252
Total Assets	28,434	31,168	33,903	33,208	34,706
Trade payables	303	329	394	353	379
Short-term debt + CMLTD	2,625	3,759	2,859	2,659	2,927
Long-term debt	3,284	3,439	4,732	4,732	4,264
Other liabilities	10,472	11,338	12,496	11,232	12,046
Total Liabilities	16,684	18,865	20,481	18,976	19,616
Minority interest	2,553	2,476	2,718	2,894	3,079
Paid capital	1,651	1,651	1,651	1,651	1,651
Retained earnings	7,547	8,176	9,052	9,687	10,359
Other equities	0	0	0	0	0
Total Equity	11,750	12,303	13,422	14,232	15,090

Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 13: Profit & Loss summary

Cash Flow (IDR bn)	2022	2023	2024F	2025F	2026F
Net income	625	766	1,032	748	791
Depreciation & amortization	227	252	271	377	382
Change in working capital	1,825	(782)	298	(1,336)	233
Cash flow from operations	2,678	236	1,601	(212)	1,406
Capex	(1,197)	(1,675)	(900)	(743)	(310)
Others	(50)	177	93	(50)	(52)
Cash flow from investments	(1,247)	(1,498)	(807)	(792)	(362)
Changes in debt	(1,130)	1,289	393	(200)	(200)
Changes in equity	-	-	-	-	-
Dividends paid	(99)	(116)	(156)	(113)	(119)
Others	(7)	(97)	242	175	186
Cash flow from financing	(1,236)	1,076	480	(137)	(134)
Net Cash Flow	195	(186)	1,274	(1,141)	910

Source: Company, KBVS Research

Exhibit 14: Cash flow

Key Ratios (%)	2022	2023	2024F	2025F	2026F
Revenue growth	13.7	16.4	18.9	(10.5)	7.5
EBIT growth	10.2	8.8	25.1	(20.7)	8.2
EBITDA growth	129.4	9.1	22.7	(13.7)	6.9
Net profit growth	93.2	22.5	34.8	-27.6	5.8
Gross margin	52.4	50.5	50.1	50.0	50.1
EBIT margin	25.9	24.2	25.5	22.6	22.7
EBITDA margin	29.9	28.0	28.9	27.9	27.7
Net margin	10.9	11.5	13.0	10.6	10.4
ROA	2.3	2.6	3.2	2.2	2.3
ROE	7.8	8.1	10.1	6.8	6.8
Net gearing (x)	0.3	0.4	0.3	0.4	0.2
Net debt/EBITDA (x)	1.6	2.0	0.0	0.0	0.0
Interest coverage ratio (x)	2.4	3.2	3.0	2.8	2.7

Source: Company, KBVS Research

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 **KB Valbury Sekuritas**
Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098500/301

Jakarta – Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) – 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukanto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5,5 No. 75
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306