

Earnings came to negative territory. As of 1Q20, BEST recorded revenue of IDR 53.5bn (-78% YoY) with only IDR 16.9bn (1ha) of accounting land sales booked during the period. Recurring income posted at IDR 32bn which was relatively flat compared to last year of IDR 30bn. Both hotel and office rental businesses have not improved yet in the current condition. EBIT was left at IDR 5.2bn, G&A expenses were decreased by 4% YoY but accounted for 47% to the company's revenue. Below EBIT, there were finance costs of IDR 38bn and a forex loss of IDR 196bn which accounted as the main causes for the company's net loss of IDR 226.4bn (vs IDR 95.3 profit in 1Q19).

Expecting weak pre-sales performance. BEST recorded zero marketing sales in 1Q20, while land inquiries of 63ha recorded as of April-20. However, with the COVID-19 pandemic situation, we believe marketing sales will be delayed towards the end of the year, which should be aligned with the improvement of the pandemic itself. As of current, BEST has not revised its FY20E marketing sales target of 30ha. We lowered our estimate from 20ha marketing sales to 15ha for BEST for 2020.

Cut earnings assumption. We reduce our earnings estimate by 56% for 2020E and 66% for 2021F due to weak marketing sales performance and a forex loss. As of current, BEST holds 32ha sales backlog worth of IDR 928bn (ASP 2.9mn/sqm). We assume 75% of the sales backlog could be recognized as revenue within this year, while the rest and new marketing sales should turn to revenue in 2021. However, if BEST recognized accounting land sales less than 18ha, and IDR remains to be the current level, BEST could be ending the year 2020 with a net loss.

A decent financial position should enable BEST to survive. BEST has refinanced its 2021-matured JPY loan with another JPY 3.9mn loan that has lower interest and matured in 2025. With a cash position of IDR 771bn in March-20, we expect BEST should be able to hold out at the current condition as no near-term matured debt. The company will prioritize its liquidity and has a plan to cut Capex.

Maintain BUY with lower TP. We lower our TP for BEST to IDR 150 which reflects a 78% discount to its NAV and 0.3x FY20 PBV. At current, BEST is traded at an undemanding valuation of 0.2x PBV. We are of the view that BEST profitability should be improving with the recognition of its sales backlog in the following quarters. However, the uncertainty is on the marketing sales realization which depends on how fast economic conditions improved.

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Sector	Property
Bloomberg Ticker	BEST IJ
Market Cap. (IDR tn)	1.1
Share Out./Float (mn)	9,647/4,032
Current Price	111
52-week Target Price	150
Upside (%)	50.7%

Share Price Performance

52W High (07/09/19)	338
52W Low (03/20/20)	85
52W Beta	1.6
YTD Change (%)	-48.6%

Relative Valuations

Trailing P/E	18.4x
Forward P/E	12.0x
P/BV	0.3x

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Pre-sales	883	464	435	580	580
growth (%)	-19.6%	-47.5%	-6.3%	33.3%	0.0%
Revenue	963	951	860	675	746
Revenue growth (%)	-4.3%	-1.3%	-9.5%	-21.5%	10.5%
EBITDA	581	524	499	365	410
Net Profit	423	380	120	136	177
EPS (IDR)	44	39	12	14	18
EPS growth (%)	-12.6%	-10.0%	-68.4%	13.3%	30.2%
P/E (x)	3.4	3.8	12.0	10.6	8.2
P/BV (x)	0.3	0.3	0.3	0.3	0.3

BEST earnings forecast revision

IDR bn	Old		New		Change	
	2020E	2021F	2020E	2021F	2020E	2021F
Revenue	798,000	982,000	860,295	675,020	7.8%	-31.3%
Gross profit	552,000	698,000	592,579	452,780	7.4%	-35.1%
<i>GPM</i>	69.2%	71.1%	68.9%	67.1%		
Operating profit	430,000	430,000	481,242	345,826	11.9%	-19.6%
<i>OPM</i>	53.9%	43.8%	55.9%	51.2%		
Profit before tax	276,000	405,000	121,571	137,718	-56.0%	-66.0%
Net profit	273,000	401,000	120,142	136,099	-56.0%	-66.1%
<i>NPM</i>	34.2%	40.8%	14.0%	20.2%		

Source: Company data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	963	951	860	675	746
% growth	-4.3%	-1.3%	-9.5%	-21.5%	10.5%
Cost of revenues	(272)	(317)	(268)	(222)	(241)
% growth	-4.9%	16.8%	-15.6%	-17.0%	8.4%
Gross profit	691	633	593	453	505
% growth	-4.1%	-8.4%	-6.4%	-23.6%	11.6%
Operating expenses	(121)	(126)	(111)	(107)	(115)
% growth	0.2%	4.0%	-11.8%	-3.9%	7.6%
Operating profit	570	507	481	346	390
% growth	-4.9%	-11.0%	-5.1%	-28.1%	12.8%
EBITDA	581	524	499	365	410
% growth	-4.7%	-9.8%	-4.8%	-27.0%	12.3%
Net interest	(141)	(163)	(166)	(193)	(194)
Earnings before tax	427	387	122	138	179
Tax	(5)	(7)	(1)	(1)	(2)
Net income	423	380	120	136	177
% growth	-12.6%	-10.0%	-68.4%	13.3%	30.2%
EPS (IDR)	43.8	39.4	12.5	14.1	18.4

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & equivalents	1,129	679	1,424	1,727	1,694
Trade receivables	64	542	244	205	228
Inventories	1,248	1,144	1,183	1,277	1,284
Others	314	236	163	158	175
Total Current Assets	2,755	2,601	3,013	3,367	3,381
LT Investment	169	166	169	170	173
Net fixed assets	181	185	182	178	175
Inventories	3,030	3,301	3,416	3,474	3,635
Total Assets	6,290	6,399	6,782	7,192	7,365
Short-term loans	194	111	0	0	0
Payables	69	72	38	30	31
Others	92	45	121	99	108
Total Current Liabilities	355	228	159	129	138
Long-term debt	1,703	1,651	2,056	2,393	2,403
Other liabilities	415	280	210	171	183
Total Liabilities	2,118	1,931	2,266	2,564	2,586
Total Equity	4,172	4,469	4,516	4,628	4,778

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	423	380	120	136	177
Depreciation	11	17	18	19	20
Chg in working cap.	215	339	(374)	81	38
CF from operating	219	59	512	74	159
Chg in fixed asset	24	13	5	5	6
Chg in LT assets	(152)	268	(17)	70	174
Chg in LT liabilities	(3)	(8)	(1)	(9)	4
CF from investing	125	(289)	11	(84)	(176)
Chg in equity	(0)	(0)	3	0	0
Chg in ST loans	(254)	(83)	(111)	0	0
Chg in LT loans	636	(53)	405	337	10
Dividend	96	84	76	24	27
CF from financing	283	(220)	222	313	(17)
Net Cashflow	626	(450)	745	304	(34)
Beginning of Cash	502	1,129	679	1,424	1,727
Ending Cash	1,129	679	1,424	1,727	1,694

Financial Ratios	2018	2019	2020E	2021F	2022F
Profitability					
ROA	6.7%	5.9%	1.8%	1.9%	2.4%
ROE	10.1%	8.5%	2.7%	2.9%	3.7%
Gross profit margin	71.8%	66.6%	68.9%	67.1%	67.7%
Operating margin	59.2%	53.3%	55.9%	51.2%	52.3%
Net margin	43.9%	40.0%	14.0%	20.2%	23.8%
Solvency & Liquidity					
Interest cover (x)	4.1	3.2	3.0	1.9	2.1
Debt to equity (x)	0.5	0.4	0.5	0.5	0.5
Net debt to equity (x)	0.2	0.2	0.1	0.1	0.1
Current ratio	7.8	11.4	18.9	26.1	24.5
Quick ratio	4.2	6.4	11.5	16.2	15.2
Valuations					
P/E (x)	3.4	3.8	12.0	10.6	8.2
P/BV (x)	0.3	0.3	0.3	0.3	0.3
Key Assumption					
Pre-sales growth	-19.6%	-47.5%	-6.3%	33.3%	0.0%

Source: Company data, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

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ADD: Share price may range between 10% to 15% over the next 12 months.

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SELL: Share price may fall by more than 15% over the next 12 months.

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