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Research Analyst

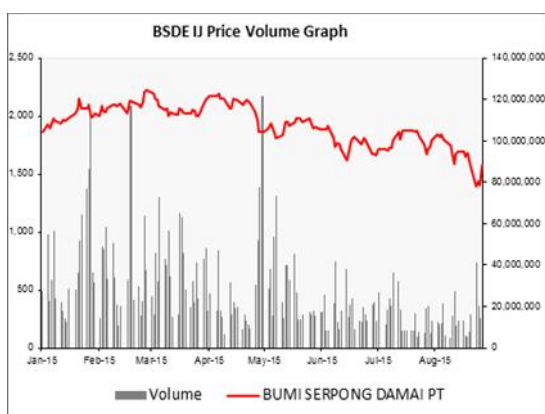
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**PT Bumi Serpong Damai Tbk** develops real estate including housing infrastructure, commercial, and industrial estates, golf courses, and public facilities.

**BSDE IJ**

Current Price: IDR 1,575

**52-Week Target Price: IDR 1,800**


Source: Bloomberg, Sinarmas Investment Research

**Share Price Performance**

Price (IDR)	1,575
52-Week High (27/02/15)	2,230
52-Week Low (24/08/15)	1,285
YTD Change /%	-215.00/-12.01%

**Stock Information**

Market Cap. (IDR bn)	28,935.67
Shares Out./Float. (mn)	19,246.7/7,325
IPO Date	06/06/08

Source: Bloomberg, Sinarmas Investment Research

## Initiating Coverage

**PT Bumi Serpong Damai Tbk**
**The King of Developer**
**HOLD**
**BUY TP IDR 1,800 (14.3% Potential Upside)**

We initiate BSDE, the biggest property company by market cap, with HOLD recommendation. Its 52-week target price of IDR 1,800 per share, which it still have potential upside of 14.3% from its current price. The target price reflects 55% discount to NAV and implies 11.6x PER FY16F and 10.2x PER FY17F.

**Well Diversification of Its Assets Portfolio**

The company has wide range of property portfolio across major cities in Indonesia where they can develop its assets, then they can sell or rent those assets to customers and booked as their revenue stream. For the big picture, the company's revenue streams are coming from sales development revenue (83% in FY14) and recurring revenue (17% in FY14).

**A Successful Development in BSD City Serpong**

The company hold development license of BSD City Serpong for almost 6,000 ha. BSD City Serpong is a successful property development area in Indonesia which developed by a well-known reputation and more than 30 years experienced developer with its township development concept. The area is supported with good infrastructure and facilities for housing and commercial. BSD City Serpong made the biggest marketing sales contribution in FY13 and FY14 by 59% and 65% in respectively.

**The King of Marketing Sales**

Total marketing sales was robustly increased by 23% CAGR during FY11-FY14. New housing sold each year was the biggest contributor by approximately 50% to company's total marketing sales in term of value.

**1H15 Results Review**

The company booked 1H15 net profit by IDR 1.42tn, a decrease by 45% YoY from IDR 2.58tn in 1H14, mainly due to a one-off gain of PLIN share purchased of IDR 1.6tn booked in 1H14. If we exclude that gain, the 1H15 net profit will have increased by 15% YoY. Amidst the downturn in net profit, BSDE's 1H15 sales revenue was robustly increased by 38% YoY to IDR 3.37tn on the back of its solid marketing sales.

**Downside Risks**

The slow down of Indonesia economy, slower property demand, IDR depreciation, delays in project pipeline, higher inflation and any further changes in government regulations could be the downside risks for BSDE.



### **Company at A Glance**

PT Bumi Serpong Damai Tbk is one of the biggest self-sufficient city developer in Indonesia, a business group under Sinar Mas Land. The company was established in 1984 to built the BSD City area which located in the southwest Jakarta. BSD City is the most ambitious urban planning scheme in Indonesia to combine housing, business and commercial properties. The company has a total development area of approximately 6,000 ha with around three quarters of the area yet to be developed.

Since 2008 the company has been listed its stocks in the Indonesia Stock Exchange (IDX) with its stock code BSDE. Among all listed property companies in IDX, the company has the biggest market capitalization by IDR 28.94tn as of 27 Aug 2015.

The company's latest expansion in 2014 were the acquisitions of strata title Epicentrum Walk in Rasuna Epicentrum CBD area in Jakarta and the increase in PLIN shares to 25.99% ownership. Moreover, AEON Mall BSD City, opened on 30th May 2015, is the first Japanese style suburban mall in Indonesia.

### **Board of Commisioners**

1. Muktar Widjaja - President Commisioner
2. Franky Oesman Widjaja - Vice President Commisioner
3. Benny Setiawan Santoso - Commisioner
4. Welly Setiawan Prawoko - Commisioner
5. Teky Mailoa - Commisioner
6. Teddy Pawitra - Independent Commisioner
7. Susiyati Bambang Hirawan - Independent Commisioner
8. Edwin Hidayat - Independent Commisioner

### **Board of Directors**

1. Franciscus Xaverius Ridwan Darmali - President Director
2. Michael J.P. Widjaja - Vice President Director
3. Petrus Kusuma - Director
4. Syukur Lawigena - Director
5. Hermawan Wijaya - Director
6. Lie Jani Harjanto - Director
7. Hongky Jeffry Nantung - Director
8. L. Herry Hendarta - Director
9. Monik Wiliam - Independent Director

### Well Diversification of Its Assets Portfolio

By looking at the chart below, we see the company has wide range of property portfolio across major cities in Indonesia where they can develop its assets, then they can sell or rent those assets to customers and booked as their income stream.

For the big picture, the company's revenue streams are coming from sales development revenue (83% in FY14) and recurring revenue (17% in FY14). The 3 segment contributors to sales development revenue are city and urban development segment, land and residential segment, and apartments segment. Moreover, the 3 segment contributors to company's recurring revenue are coming from office buildings segment, shopping malls and superblocs segment, and hotel and leisure segment.



### A Successful Development in BSD City Serpong

The company hold development license of BSD City Serpong for almost 6,000 ha, where the development is divided into three phases. The first phase was already completed in 2008 and the company is now developing the second phase with its development area of 2,000 ha. Furthermore, the third phase development will begin after the second phase is finished, approximately in 2020.



BSD City Serpong is a successful property development area in Indonesia which developed by a well-known reputation and more than 30 years experienced developer with its township development concept. The area is supported with good infrastructure and facilities for housing and commercial.

Among its peers in Serpong area, the company has the biggest landbank for future development. The company claims they still have 25-30 years of life age which will bring long future income stream ahead.

Among all company's developed projects, BSD City Serpong made the biggest marketing sales contribution in FY13 and FY14 by 59% and 65% in respectively.

### Strategic Location of BSD City Serpong

BSD City Serpong is located in southwest of Jakarta, approximately less than 1 hour car driving from Jakarta's CBD via Jakarta-Merak toll road and then take Alam Sutera exit toll if there is no traffic congestion along the journey. It is located near to Alam Sutera, Gading Serpong and Pamulang. The strategic location of BSD City in Serpong area which is near to DKI Jakarta province is one from many reasons to live and invest in the area.



### Fast Growing Prime Area in Greater Jakarta

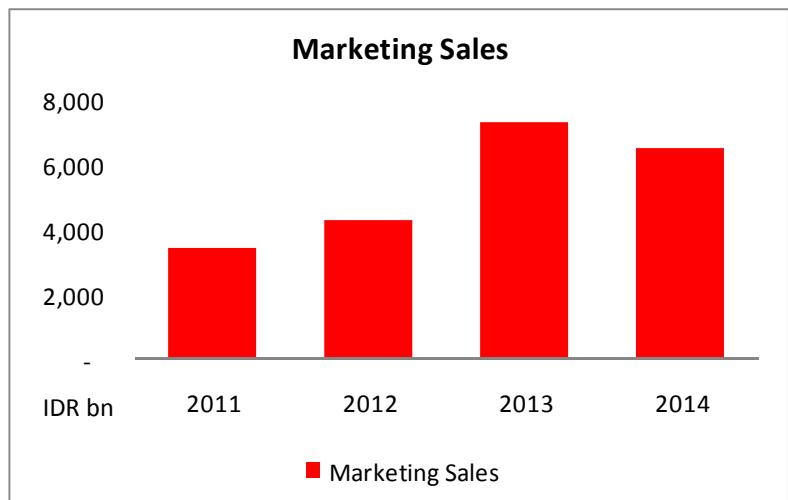
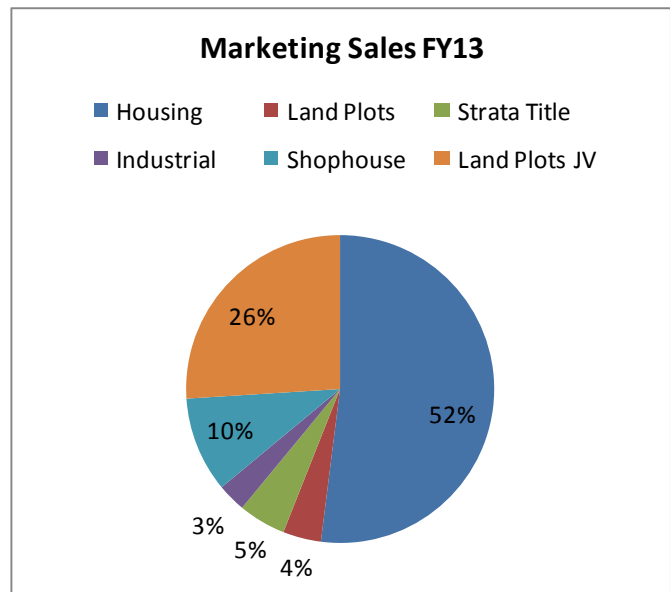
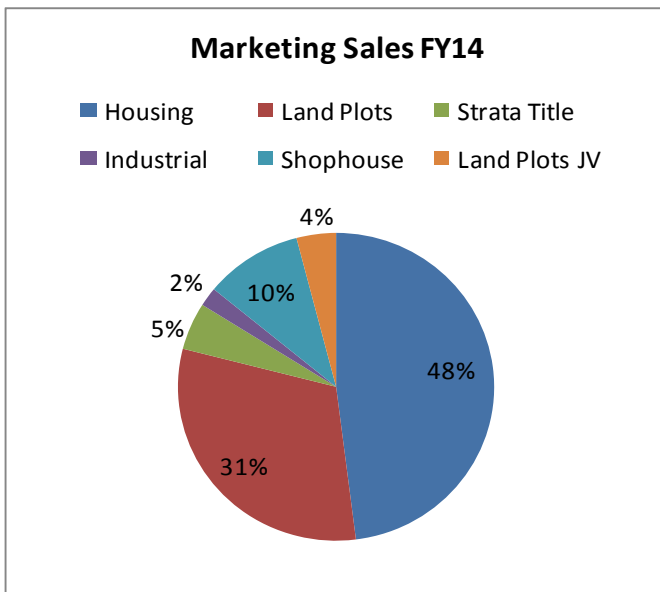
Because of its strategic location near to Jakarta, BSD City Serpong benefited from its boosted selling price. The average selling price for residential in BSD City Serpong has increased from approximately IDR 4mn/sqm in FY12 to IDR 9mn/sqm in FY15E, 31% CAGR. The average selling price will still increase going forward on the back of housing backlog catalyst and also on company's strategy to maintain its growth.



### The King of Marketing Sales

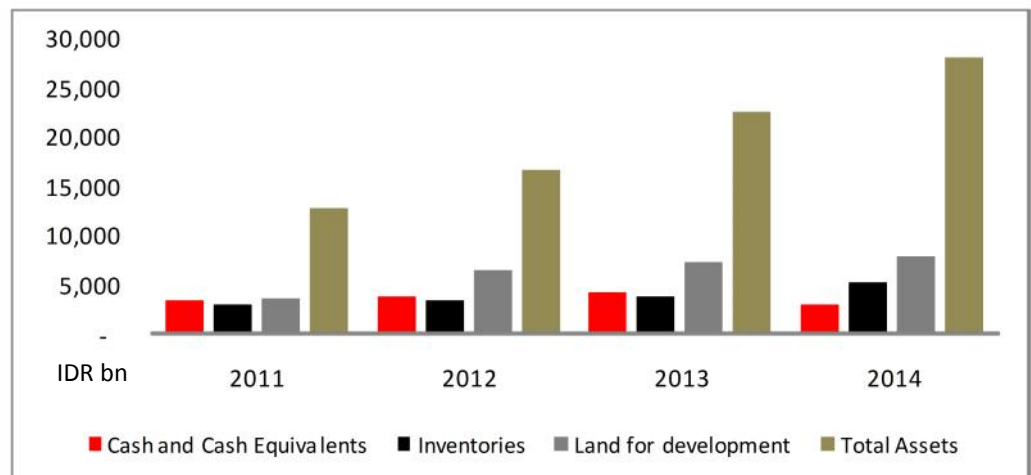
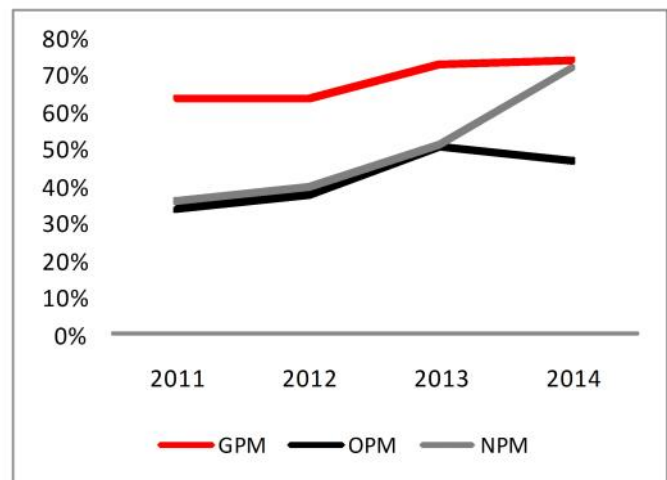
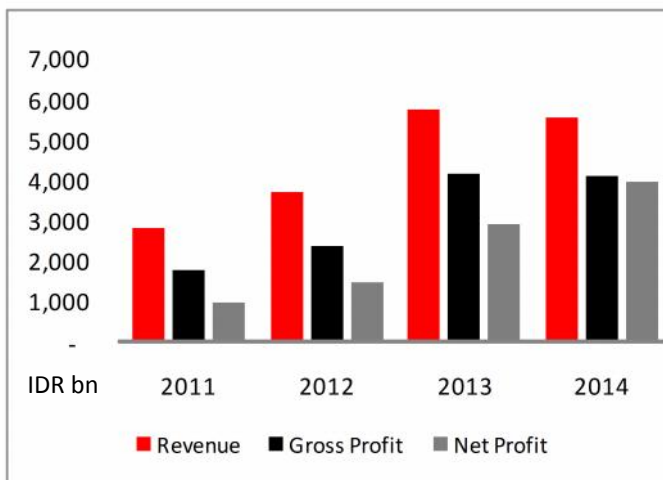
Historically in the last 4 years, the company always exceeded their marketing sales targets each year on the back of consumers' property demand exceeds company's new property launched, especially for its marketing sales in Serpong area. Moreover, as a developer with more than 30-year of experiences in this field has develop its image to the highest level of gaining trust and satisfaction from its customers.

Total marketing sales was robustly increased by 23% CAGR during FY11-FY14. New housing sold each year was the biggest contributor by approximately an average of 50% to company's total marketing sales in term of value. FY15E marketing sales is targeting to reach IDR 7.5tn, an increase by 15% from the marketing sales realization in FY14 amid the slowing down in economy.



### Strong Historical Fundamental

In the last 4 years, the company booked its consolidated revenue grew by +26% CAGR while its net income robustly grew by +58% CAGR on the back of strong property demand, increase in selling price, and cost efficiency amidst the weakening trend of Indonesia economy since 2011, the tightening government and BI regulations which directly and indirectly affected to property sector and also the political headwinds regarding elections in 2014. Moreover, the company succeeded to increase its gross profit margin from 64% in FY11 to 74% in FY14 and also its net profit margin 2 times folded from 36% in FY11 to 72% in FY14. In addition, company's total consolidated assets grew by 30% CAGR in the same period.



**1H15 Results Review**

The company booked 1H15 net profit by IDR 1.42tn, a decrease by 45% YoY from IDR 2.58tn in 1H14, mainly due to a one-off gain of PLIN share purchased of IDR 1.6tn booked in 1H14. If we exclude that gain, the 1H15 net profit will have increased by 15% YoY. Amidst the downturn in net profit, BSDE's 1H15 sales revenue was robustly increased by 38% YoY to IDR 3.37tn on the back of its solid marketing sales. Also, operating profit was booked increase by 48% YoY despite an increase in operating expense by 23% YoY. Gross Profit Margin was increased by 1% YoY to 75%, while Net Profit Margin was decreased by 63% YoY to 42%.

<i>I/S (in billion of IDR)</i>	<b>1H15</b>	<b>1H14</b>	<b>YoY</b>	<b>2Q15</b>	<b>1Q15</b>	<b>QoQ</b>
Revenues	3,367	2,443	38%	1,743	1,624	7.3%
Cost of Revenues	856	634	35%	513	343	49.7%
Gross Profit	2,510	1,809	39%	1,229	1,281	-4.0%
Operating Expenses	807	654	23%	449	357	25.8%
Income from Operations	1,703	1,154	48%	779	923	-15.6%
Other Income (Expenses)	6	72	-91%	-1	7	-116.2%
Share in Net Income of Investees	0	1,581	-100%	-3	4	-188.4%
Income Before Tax	1,710	2,808	-39%	774	935	-17.2%
Current Tax Expense	188	141	33%	97	91	7.0%
Net Income	1,415	2,576	-45%	619	795	-22.1%

**1H15 Marketing Sales +28% YoY, Reached 46% FY15E Target**

BSDE's 1H15 marketing sales reached IDR 3.5tn, equal to 46% of company's FY15E marketing sales target of IDR 7.5tn. Landed houses, shophouses, strata title and land plots sales are each contributed by 72%, 15%, 7% and 6% in respectively. As per its portfolio, BSD City Serpong still made the most contribution to marketing sales by 72%, followed by Grand Wisata Bekasi 7%, Nava Park BSD City 7%, Legenda Wisata Cibubur 5%, and others 9%. Going forward, we believe the company will reach its end-of-year marketing sales target as the company will launch more new projects in 2H15.

<b>Marketing Sales</b>	<b>1H15</b>			<b>1H14</b>		
	<b>Unit</b>	<b>IDR mn</b>	<b>%</b>	<b>Unit</b>	<b>IDR mn</b>	<b>%</b>
Housing	1,341	2,488,334	72%	792	1,131,900	42%
Land Plots	3	207,403	6%	4	1,212,742	45%
Strata Title	222	234,190	7%	100	60,381	2%
Industrial	2	8,719	0%	14	61,691	2%
Shophouse	228	520,693	15%	108	236,809	9%
Subtotal	1,796	3,459,340	100%	1,019	2,703,522	100%
Land Plots—JV	-	-	0%	-	-	0%
Total	1,796	3,459,340	100%	1,019	2,703,522	100%

Source: Company, Sinarmas Investment Research



**FY15E and FY16F Financial Projection Overview**

Amid current challenging economy, we estimate consolidated revenue to conservatively boost up by 6% YoY and 10% YoY in FY15E and FY16F in respectively on the back of its marketing sales to increase by 15% YoY and 9.7% YoY in respectively. Net profit in FY15E is projected to decline by 33% YoY due to the one time off gain in PLIN share last year, while after that it is projected to increase by 9% YoY in FY16F. We believe they can maintain its gross margin at minimum level of 74-75% to reach its net margin at minimum level of 46%.

<b>I/S (in billion of IDR)</b>	<b>FY14</b>	<b>FY15E</b>	<b>FY16F</b>
Revenue	5,571	5,901	6,480
<i>Growth %</i>	-3%	6%	10%
Gross Profit	4,131	4,393	4,874
<i>Growth %</i>	-1%	6%	11%
<i>Margin %</i>	74%	74%	75%
Net Income	3,996	2,709	2,962
<i>Growth %</i>	-33%	9%	13%
<i>Margin %</i>	72%	46%	46%

**Advantages from LTV Relaxation & Luxury Tax Regulation Revision**

Related to the latest changes in government regulation in property sector, we believe the company will benefit from LTV relaxation (from 70:30 to 80:20) where as approximately 40% of its consumers were using mortgage loan and furthermore, the most business segment contribution were coming from housing sales less than IDR 5bn, which less affected by luxury tax regulation revision. The company has the ability to modify its portfolio in order to minimize risks from luxury tax implementation.

**Downside Risks**

The slow down of Indonesia economy, slower property demand, IDR depreciation, delays in project pipeline, higher inflation and any further changes in government regulations could be the downside risks for BSDE.

**NAV Valuation**

We calculate company's valuation using NAV method. The company's fair value is IDR 1,800 per share which reflects 55% discount to its NAV and implies 11.6x PER FY16F and 10.2x PER FY17F.

NAV	Saleable Area ha	Price IDR '000/sqm	Ownership %	Net Value IDR bn
<b><u>Developed Land</u></b>				
BSD City: Phase II	480	9,500	100%	43,320
Grand Wisata	323	4,000	46%	5,646
Kota Wisata	71	3,000	85%	1,720
Duri Pulo	16	9,000	85%	1,163
Balikpapan Baru	130	1,500	55%	1,019
Lenteng Agung	5	20,000	85%	808
Rasuna Epicentrum	5	17,000	100%	808
Taman Permata Buana	3	14,000	85%	339
Banjar Wijaya	13	1,500	85%	157
M.T. Haryono	1	14,000	100%	133
Legenda Wisata	5	2,500	85%	101
Kota Bunga	7	1,000	85%	57
<b><u>Landbank</u></b>				
BSD City Phase III	2,450	400	100%	9,310
Bale Tirta Warna	319	200	100%	606
Lakarsantri	40	1,500	100%	570
Cibubur	160	200	85%	258
Bekasi	83	200	85%	134
Benowo	260	100	85%	210
Tanjung Sari	2	5,500	100%	105
Karawang	107	100	55%	56
Samarinda	35	100	55%	18
Subtotal	4,515			66,537
Recurring Income				10,943
Total				77,480
Less Debt and Advances				6,665
Add Cash				2,967
NAV				73,781
No. of Shares (bn shares)				18
NAV/share (IDR)				4,016
Discount to NAV (%)				55%
Target Price—rounded (IDR/share)				1,800

<i>in billion of IDR</i>	<b>FY13</b>	<b>FY14</b>	<b>FY15E</b>	<b>FY16F</b>	<b>FY17F</b>
<b><u>I/S</u></b>					
Revenues	5,741	5,571	5,901	6,480	7,140
Cost of Revenues	1,575	1,440	1,508	1,605	1,795
Gross Profit	4,165	4,131	4,393	4,874	5,344
Operating Expenses	1,256	1,499	1,439	1,662	1,787
Income from Operations	2,909	2,631	2,953	3,211	3,557
Other Income (Expenses)	322	8	-17	9	117
Share in Net Income of Investees	47	1,666	0	0	0
Income Before Tax	3,278	4,306	2,935	3,221	3,674
Current Tax Expense	373	309	211	231	264
Net Income	2,905	3,996	2,724	2,989	3,409
Other Comprehensive Income	3	-2	0	0	0
Total Comprehensive Income	2,909	3,994	2,724	2,989	3,409
Basic EPS (Full Amount)	153.82	211.31	141.77	155.56	177.43
<b><u>B/S</u></b>					
Cash and cash equivalents	4,331	2,966	5,677	5,635	6,345
Trade accounts receivable	106	108	96	110	125
Inventories	3,796	5,239	4,931	5,264	6,160
Advances	1,712	2,018	1,636	2,025	2,265
Land for development	7,247	8,038	8,979	9,661	10,328
Property and equipment	437	607	694	775	851
Other assets	4,943	9,158	10,136	11,127	11,908
<b>TOTAL ASSETS</b>	<b>22,572</b>	<b>28,134</b>	<b>32,149</b>	<b>34,597</b>	<b>37,982</b>
Trade accounts payable	95	158	152	145	180
Advances received	3,724	3,778	4,966	4,811	5,520
Rental advances	473	517	605	600	685
Bank Loans	1,362	1,523	1,522	1,488	1,454
Bonds payable	2,730	2,734	2,665	2,665	2,186
Other liabilities	772	951	881	947	1,053
<b>TOTAL LIABILITIES</b>	<b>9,156</b>	<b>9,661</b>	<b>10,791</b>	<b>10,656</b>	<b>11,078</b>
Capital stock	1,749	1,837	1,837	1,837	1,837
Additional paid-in-capital	3,167	4,694	4,694	4,694	4,694
Retained earnings	5,368	8,913	11,798	14,381	17,345
Other equity	3,131	3,029	3,029	3,029	3,029
<b>TOTAL EQUITY</b>	<b>13,415</b>	<b>18,473</b>	<b>21,358</b>	<b>23,941</b>	<b>26,904</b>

Source: Company, Sinarmas Investment Research

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