

3Q20: Gradual pick-up in recurring revenue. SMRA reported 3Q20 revenue of IDR 1.1tn (-5.6% QoQ, -37.8% YoY). Recurring revenue was up by 86% QoQ, while non-recurring revenue decreased by 28% QoQ on lower revenue recognition. Mall and retail revenue increased by 264% QoQ but still 57% below 1Q20 level. Gross profit improved to 40.9% (vs 36% in 2Q20, 44.0% in 3Q19) on better operating matrix. Furthermore, operating expenses decreased by 17% QoQ, with an OPM of 20.8% (vs 12.8% in 2Q20). SMRA also booked a higher interest expense of IDR 220bn (+39% QoQ) and a lower finance income in 3Q20. Thus, a net loss was reported of IDR 22bn (vs -26bn in 2Q20). As of 9M20, revenue was booked at IDR 3.3tn (-26.1% YoY), reached 49%/64% of our/consensus, while the bottom-line was below as SMRA booked a net loss of IDR 12.3bn.

Pre-sales should rebound in FY21E on a better economic outlook.

SMRA reported 10M20 pre-sales of IDR 2.3tn (-44.1% YoY) and reached 92% of its revised FY20E pre-sales target (IDR 2.5tn, previously IDR 4tn). The 3Q20 pre-sales performance was strong, recorded at IDR 224bn (+65% QoQ, -28% YoY). To date, Serpong and Bekasi Project dominated the total pre-sales by contributing to 50%/22% to the company's total pre-sales respectively. Towards year-end, we are of the view that SMRA should be able to achieve more than IDR 2.5tn in FY20E as we expect a strong pre-sales performance in November-December, supported by good take-up rate in Bogor project launching. Going forward, we baked in FY21E pre-sales of IDR 3.5tn.

Another year of weak profitability. We lowered our forecast on SMRA's bottom-line in FY20/21E by 79%/44% respectively. Covid-19 has been impacting company's profit, especially on its investment properties business portfolio. Despite the expected gradual pick up on investment properties' operating matrix next year, we still expect SMRA to book a low net margin in FY21E.

Maintain BUY. We reiterate our BUY recommendation on PT Summarecon Agung Tbk (SMRA) and lower our TP to IDR 900, implying a 78% discount to its NAV and 1.3x/44.4x FY21 PBV/PE. We are positive for SMRA to book a strong pre-sales performance going forward on the back of an improving economic outlook. Moreover, the improving operating matrix of its investment properties should gradually recover its profitability. However, SMRA has one of the highest net debt levels among developers which should be monitored further.

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Stock Information

| | |
|-----------------------|--------------|
| Sector | Property |
| Bloomberg Ticker | SMRA IJ |
| Market Cap. (IDR tn) | 11.1 |
| Share Out./Float (mn) | 14,427/9,398 |
| Current Price | 770 |
| 52-week Target Price | 900 |
| Upside (%) | 16.9% |

Share Price Performance

| | |
|---------------------|--------|
| 52W High (11/18/19) | 1,125 |
| 52W Low (04/02/20) | 350 |
| 52W Beta | 1.5 |
| YTD Change (%) | -23.4% |

Relative Valuations

| | |
|--------------|-------|
| Trailing P/E | 59.0x |
| Forward P/E | 38.0x |
| P/BV | 1.1x |

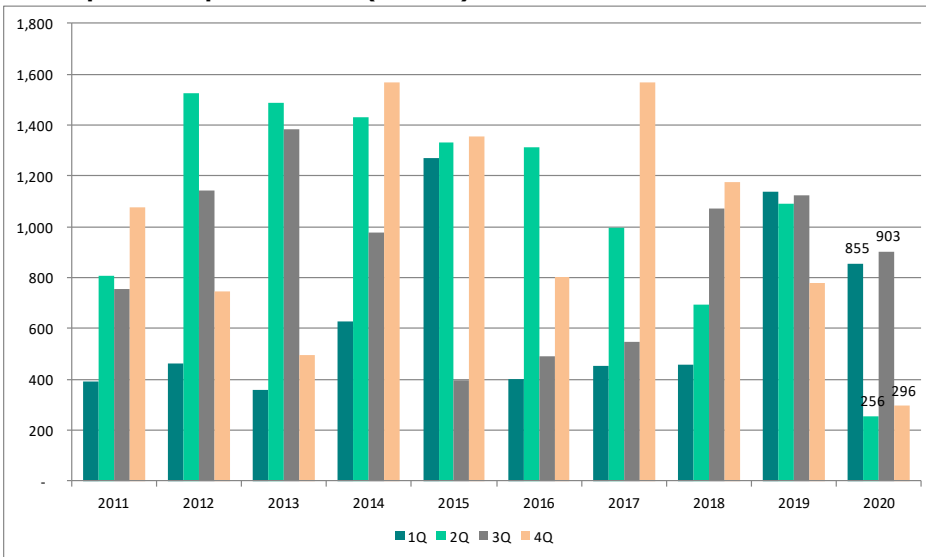
| Highlights (IDR Bn) | 2018 | 2019 | 2020E | 2021F | 2022F |
|---------------------|-------|-------|--------|--------|-------|
| Pre-sales | 3,398 | 4,132 | 3,000 | 3,500 | 3,500 |
| growth (%) | -4.6% | 21.6% | -27.4% | 16.7% | 0.0% |
| Revenue | 5,661 | 5,942 | 4,606 | 5,228 | 5,698 |
| Revenue growth (%) | 0.4% | 5.0% | -22.5% | 13.5% | 9.0% |
| EBITDA | 1,798 | 1,849 | 1,209 | 1,587 | 1,875 |
| Net Profit | 449 | 515 | 104 | 292 | 481 |
| EPS (IDR) | 31.1 | 35.7 | 7.2 | 20.3 | 33.3 |
| EPS growth (%) | 23.9% | 14.8% | -79.8% | 180.5% | 64.5% |
| P/E (x) | 24.8 | 21.6 | 106.6 | 38.0 | 23.1 |
| P/BV (x) | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 |

SMRA 3Q20 Earnings Summary

| IDR bn | 3Q19 | 2Q20 | 3Q20 | QoQ | YoY | 9M19 | 9M20 | YoY | % DH | % Cons |
|-------------------|-------|-------|-------|-------|--------|-------|-------|--------|------|--------|
| Revenue | 1,733 | 1,142 | 1,078 | -5.6% | -37.8% | 4,411 | 3,260 | -26.1% | 52% | 64% |
| Gross profit | 763 | 411 | 441 | 7.3% | -42.2% | 2,050 | 1,381 | -32.7% | | |
| Operating profit | 432 | 147 | 224 | 52.8% | -48.2% | 1,088 | 615 | -43.5% | | |
| Profit before tax | 199 | 6 | (13) | N/A | N/A | 420 | 29 | -93.1% | | |
| Net profit | 166 | (27) | (22) | N/A | N/A | 315 | (12) | N/A | - | - |
| Gross margin | 44.0% | 36.0% | 40.9% | | | 46.5% | 42.3% | | | |
| Operating margin | 24.9% | 12.8% | 20.8% | | | 24.7% | 18.9% | | | |
| Net profit margin | 9.6% | -2.3% | -2.1% | | | 7.1% | -0.4% | | | |

Source: Company data, Sinarmas Investment Research

SMRA pre-sales performance (IDR bn)



Source: Company data, Sinarmas Investment Research

SMRA earnings revision

| IDR bn | Old | | New | | Change | |
|-------------------|-------|-------|-------|-------|--------|--------|
| | 2020E | 2021F | 2020E | 2021F | 2020E | 2021F |
| Revenue | 6,301 | 6,521 | 4,606 | 5,228 | -26.9% | -19.8% |
| Gross profit | 2,939 | 3,015 | 1,971 | 2,387 | -32.9% | -20.8% |
| GPM | 46.6% | 46.2% | 42.8% | 45.7% | | |
| Operating profit | 1,649 | 1,666 | 914 | 1,298 | -44.6% | -22.1% |
| OPM | 26.2% | 25.5% | 19.8% | 24.8% | | |
| Profit before tax | 1,024 | 1,069 | 339 | 632 | -66.9% | -40.9% |
| Net profit | 502 | 524 | 104 | 292 | -79.2% | -44.2% |
| NPM | 8.0% | 8.0% | 2.3% | 5.6% | | |

Source: Company data, Sinarmas Investment Research

| Income Statement (IDR Bn) | 2018 | 2019 | 2020E | 2021F | 2022F |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 5,661 | 5,942 | 4,606 | 5,228 | 5,698 |
| % growth | 0.4% | 5.0% | -22.5% | 13.5% | 9.0% |
| Cost of revenues | 2,922 | 3,092 | 2,636 | 2,841 | 3,003 |
| % growth | -4.9% | 5.8% | -14.7% | 7.8% | 5.7% |
| Gross profit | 2,739 | 2,850 | 1,971 | 2,387 | 2,695 |
| % growth | 6.7% | 4.1% | -30.9% | 21.1% | 12.9% |
| Operating expenses | 1,181 | 1,261 | 1,057 | 1,089 | 1,111 |
| % growth | -3.7% | 6.8% | -16.2% | 3.0% | 2.0% |
| Operating profit | 1,558 | 1,589 | 914 | 1,298 | 1,584 |
| % growth | 16.2% | 2.0% | -42.5% | 42.1% | 22.0% |
| EBITDA | 1,798 | 1,849 | 1,209 | 1,587 | 1,875 |
| % growth | 8.1% | 2.9% | -34.6% | 31.3% | 18.1% |
| Net interest | (608) | (670) | (575) | (666) | (618) |
| Earnings before tax | 950 | 923 | 339 | 632 | 966 |
| % growth | 18.9% | -2.9% | -63.3% | 86.6% | 53.0% |
| Tax | (260) | (310) | (167) | (245) | (292) |
| Net income | 449 | 515 | 104 | 292 | 481 |
| % growth | 23.9% | 14.8% | -79.8% | 180.5% | 64.5% |
| EPS (IDR) | 31 | 36 | 7 | 20 | 33 |

| Balance Sheet (IDR Bn) | 2018 | 2019 | 2020E | 2021F | 2022F |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & equivalents | 1,534 | 1,664 | 2,356 | 2,960 | 2,698 |
| Trade receivables | 394 | 221 | 138 | 157 | 171 |
| Inventories | 7,890 | 8,514 | 7,721 | 7,911 | 8,067 |
| Others | 647 | 703 | 529 | 612 | 653 |
| Total Current Assets | 10,508 | 11,151 | 10,775 | 11,676 | 11,629 |
| LT Investment | 4,392 | 4,416 | 4,253 | 4,098 | 3,944 |
| Net fixed assets | 6,813 | 6,874 | 6,859 | 6,842 | 6,822 |
| Other LT assets | 1,587 | 2,000 | 2,261 | 2,287 | 2,308 |
| Total Assets | 23,299 | 24,442 | 24,148 | 24,902 | 24,702 |
| Short-term debt | 3,714 | 4,652 | 3,712 | 3,429 | 3,108 |
| Payables | 399 | 512 | 230 | 244 | 248 |
| Others | 3,118 | 3,854 | 2,555 | 3,006 | 3,051 |
| Total Current Liabilities | 7,231 | 9,017 | 6,497 | 6,679 | 6,408 |
| Long-term debt | 4,893 | 4,317 | 6,017 | 6,116 | 5,634 |
| Other liabilities | 2,115 | 1,656 | 1,862 | 1,979 | 2,146 |
| Total Liabilities | 14,239 | 14,990 | 14,376 | 14,774 | 14,187 |
| Total Equity | 9,061 | 9,451 | 9,772 | 10,128 | 10,515 |

Source: Company data, Sinarmas Investment Research

| Cash Flow (IDR Bn) | 2018 | 2019 | 2020E | 2021F | 2022F |
|--------------------------|--------------|----------------|--------------|--------------|--------------|
| Net Income | 449 | 515 | 104 | 292 | 481 |
| Depreciation | 240 | 261 | 295 | 289 | 291 |
| Chg in working cap. | 1,663 | (336) | 514 | (169) | 166 |
| CF from operating | (964) | 1,112 | (114) | 751 | 607 |
| Chg in fixed asset | (11) | 38 | 40 | 41 | 42 |
| Chg in LT assets | 548 | 722 | 337 | 102 | 96 |
| Chg in LT liabilities | 2,115 | 1,656 | 1,862 | 1,979 | 2,146 |
| CF from investing | 134 | (1,220) | (171) | (26) | 28 |
| Chg in equity | 313 | (73) | 216 | 64 | (94) |
| Chg in ST loans | 1,319 | 938 | (940) | (283) | (321) |
| Chg in LT loans | (696) | (576) | 1,700 | 99 | (482) |
| Dividend | 55 | 51 | 0 | 0 | 0 |
| CF from financing | 881 | 238 | 977 | (121) | (896) |
| Net Cashflow | 51 | 131 | 691 | 604 | (261) |
| Beginning of Cash | 1,482 | 1,534 | 1,664 | 2,356 | 2,960 |
| Ending Cash | 1,534 | 1,664 | 2,356 | 2,960 | 2,698 |

| Financial Ratios | 2018 | 2019 | 2020E | 2021F | 2022F |
|---------------------------------|-------|-------|--------|-------|-------|
| Profitability | | | | | |
| ROA | 1.9% | 2.1% | 0.4% | 1.2% | 1.9% |
| ROE | 6.5% | 7.0% | 1.4% | 3.8% | 5.8% |
| Gross profit margin | 48.4% | 48.0% | 42.8% | 45.7% | 47.3% |
| Operating margin | 31.8% | 31.1% | 26.3% | 30.4% | 32.9% |
| Net margin | 7.9% | 8.7% | 2.3% | 5.6% | 8.4% |
| Solvency & Liquidity | | | | | |
| Interest cover (x) | 2.6 | 2.3 | 1.6 | 2.1 | 2.6 |
| Debt to equity (x) | 0.9 | 0.9 | 1.0 | 0.9 | 0.8 |
| Net debt to equity (x) | 0.8 | 0.8 | 0.8 | 0.7 | 0.6 |
| Current ratio | 1.5 | 1.2 | 1.7 | 1.7 | 1.8 |
| Quick ratio | 0.4 | 0.3 | 0.5 | 0.6 | 0.6 |
| Valuations | | | | | |
| P/E (x) | 24.8 | 21.6 | 106.6 | 38.0 | 23.1 |
| P/BV (x) | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 |
| Key Assumption | | | | | |
| Pre-sales growth | -4.6% | 21.6% | -27.4% | 16.7% | 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.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

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

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

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