

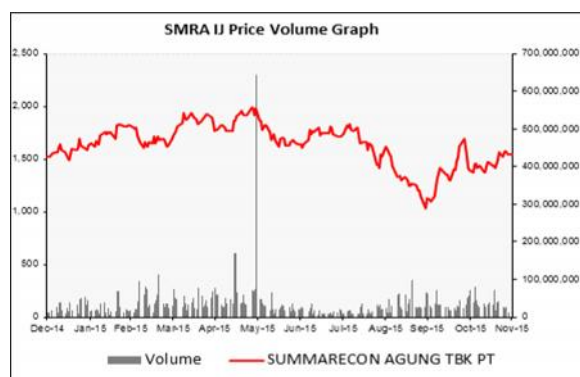
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**PT Summarecon Agung Tbk and its subsidiaries develop and invest in real estate. The Company develops and operates residential houses, apartments, shopping centers, recreational centers and office buildings.**

**Current Price: IDR 1,540**

**52-Week Target Price: IDR 2,000**



#### Share Price Performance

Price (IDR)	1,540
52-Week High (05/20/15)	2,000
52-Week Low (09/29/15)	950
YTD Change/%	20 / 1.32%

#### Stock Information

Market Cap (IDR)	22,217.2B
Shares Out/Float (M)	14,426.8/9,765

## Company Update

### PT Summarecon Agung Tbk (SMRA)

#### Finance Costs Hurt 9M15 Bottom Line

**BUY**

**BUY, FY16F TP 2,000/share**

We reiterate our BUY rating with an upgraded target price of IDR 2,000/share, which represents 50% discount to RNAV against 60% discount to RNAV in previous valuation as we see two major upcoming potential catalysts to industry. First, on potential monetary loosening next year, decline in Bank Indonesia's reference rate will normally be followed by decline in property mortgage rate (KPR). Second, tax amnesty law which will be proposed by government to parliament during this week and could be implemented starting beginning of next year. Moreover, company's strong marketing sales and good operating performances support our recommendation.

#### 9M15: Gross Margin Improved but Finance Costs Burden Net Profit

The company booked 9M15 revenue increased by 15.5% YoY to IDR 4.50tn (89% on our FY15E) on the back of the significant increase in apartment sales by more than 11 times fold YoY to IDR 1.18tn (26.3% of total revenues). Moreover, landed house sales was also booked increase moderately by 7.6% YoY to IDR 1.17tn (26.1% of total revenues). Gross profit was increased by 17.3% YoY to IDR 2.32tn on the back of margin improved from 50.9% to 51.7%. However, due to mainly significant increase in finance costs by 76.2% YoY to IDR 340.4bn, net profit for the period was decreased by 3.7% YoY to IDR 971.4bn (67% of our FY15E).

#### Marketing Sales Achievement

The first phase development of Summarecon Bandung was initially launched on 21 November 2015 with a total of 400 units of landed houses were sold out. The company launched two clusters, Btari cluster (139 units) and Amanda cluster (262 units), with the selling price ranges from IDR 1.3bn to IDR 4.75bn per unit. On the back of total marketing sales achievement of IDR 3.0tn in 9M15 and a potential pre-sales achievement of IDR 800bn from Summarecon Bandung, thus company's total marketing sales is estimated to reach IDR 3.8tn until end of November 2015. This is equal to 84.4% achievement of company's FY15E pre-sales target.

Financial Highlights	2013	2014	2015E	2016F	2017F
Revenue (IDR bn)	4,093	5,333	5,050	5,554	5,065
% growth	18%	30%	-5%	10%	-9%
Gross Profit (IDR bn)	2,150	2,788	2,715	3,344	3,239
Net Profit (IDR bn)	1,095	1,387	1,452	1,924	1,913
% growth	38%	27%	5%	33%	
Gross Margin (%)	53.0%	52.0%	54.0%	60.0%	64.0%
Net Margin (%)	27.0%	26.0%	29.0%	35.0%	38.0%
Return on Equity (%)	25.0%	25.0%	22.0%	24.0%	20.0%
Return on Assets (%)	8.0%	9.0%	8.0%	10.0%	10.0%

Source: Bloomberg, SinarMas Investment Research

Source: Company Data, SinarMas Investment Research

**RNAV Valuation**

as of June 2015	Acreage (Ha)	Utilization Ratio (%)	Price/sqm (IDR '000)	Net Value (IDR bn)
<b>Landbank</b>				
Summarecon Kelapa Gading	8	60%	60,000	2,490
Summarecon Serpong				
Own Land	307	60%	13,500	21,999
JO with PT JBC	150	60%	13,000	7,201
JO for The Springs	80	60%	12,500	2,899
Summarecon Bekasi				
Own Land	138	60%	12,000	8,682
JV with PT DSA	263	60%	1,860	1,188
Summarecon Bandung	349	60%	2,520	3,920
Summarecon Bali	20	60%	8,400	612
Summarecon Bogor	416	60%	1,820	1,890
Other Properties & Inventories	195	60%	840	832
<b>SUBTOTAL</b>	<b>1,926</b>			<b>51,713</b>
<b>Investment Properties</b>				
Sentral Kelapa Gading	15			4,243
Sentral Gading Serpong	17			1,784
Summarecon Mal Bekasi	15			1,078
Hotels	3			603
Other Operating Properties	17			504
<b>SUBTOTAL</b>	<b>67</b>			<b>8,212</b>
<b>TOTAL</b>				<b>59,925</b>
Add Cash				2,258
Less Debt				(4,182)
<b>RNAV</b>				<b>58,001</b>
No. of Shares (bn shares)				14.43
<b>RNAV per Share (IDR)</b>				<b>4,020</b>
Discount to RNAV				50%
<b>Target Price (IDR/share)</b>				<b>2,010</b>

**Appendix I: Financial Statements**

<b>Balance Sheet (in billion of IDR)</b>	<b>2013</b>	<b>2014</b>	<b>2015E</b>	<b>2016F</b>	<b>2017F</b>
Cash and cash equivalents	2,544	1,695	2,258	1,300	1,053
Trade receivables	178	76	145	120	128
Inventories	3,058	3,103	3,355	3,461	3,260
Prepaid taxes	369	233	370	408	446
Advances payments	255	322	301	282	234
Undeveloped land	2,858	4,322	5,022	6,022	7,022
Fixed assets	351	366	597	901	975
Investment properties	3,149	4,043	4,386	4,711	5,020
Other assets	897	1,219	1,130	1,256	1,140
<b>TOTAL ASSETS</b>	<b>13,659</b>	<b>15,379</b>	<b>17,564</b>	<b>18,461</b>	<b>19,278</b>
Trade payables	63	64	67	60	51
Sales advances	5,025	3,251	4,639	4,244	4,261
Bank loans	1,911	2,698	2,481	2,318	1,992
Bonds payable	590	1,683	1,700	1,700	1,700
Other liabilities	1,412	1,690	1,643	1,608	1,401
<b>TOTAL LIABILITIES</b>	<b>9,001</b>	<b>9,386</b>	<b>10,530</b>	<b>9,930</b>	<b>9,405</b>
Share capital	1,442	1,442	1,442	1,442	1,442
Additional paid-in-capital	23	23	23	23	23
Retained earnings	2,963	4,029	5,071	6,568	7,910
Minority Interest	226	496	496	496	496
Other equity	2	2	2	2	2
<b>TOTAL EQUITY</b>	<b>4,656</b>	<b>5,992</b>	<b>7,034</b>	<b>8,531</b>	<b>9,873</b>

<b>Income Statement (in billion of IDR)</b>	<b>2013</b>	<b>2014</b>	<b>2015E</b>	<b>2016F</b>	<b>2017F</b>
Revenues	4,093	5,333	5,050	5,554	5,065
Cost of Revenues	1,943	2,545	2,335	2,209	1,826
Gross Profit	2,150	2,788	2,715	3,344	3,239
Operating Expenses	809	948	947	1,014	937
Operating Income	1,341	1,840	1,767	2,329	2,301
Other Income (Expenses)	-22	-156	12	2	13
Income Before Tax Expense	1,319	1,684	1,755	2,331	2,314
Tax Expense	223	296	303	406	401
Net Income	1,095	1,387	1,452	1,924	1,913
Total Comprehensive Income	1,102	1,398	1,461	1,935	1,922
Basic EPS (Full Amount)	76.40	96.92	101.26	134.15	133.23

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