

Another year of weak profitability. In 1Q20, SSIA posted total revenue of IDR 882bn (+7.1% YoY) which accounted for 21%/26% of our/consensus estimates. The growth was primarily driven by 12% increase in construction revenue which accounted for 74% of total revenue. On the other hand, revenue from hospitality business decreased by 15.1% YoY due to low occupancy rate on hotels amid COVID-19 and revenue from industrial land sales remained insignificant. Due to the weak performance in the hospitality business, GPM was down to 20.2% in 1Q20 (vs 23% in 1Q19). At the operating level, Opex decreased by 3% YoY and EBIT stood at only IDR 31bn. To add, final income tax and interest cost plunged SSIA's bottom-line to a loss of IDR 17.4bn (vs 10.9bn loss in 1Q19).

Tough times. With the COVID-19 pandemic, SSIA's hospitality business, which accounted for 21% of total revenue, was directly hit. Worth to note, more than 50% of this segment revenue came from two hotels in Bali (Melia Bali and Banyan Tree Ungasan Resort). Our base case scenario assumes a 52% decrease in hotel revenue for 2020 as some hotels are closed for some period. On the construction business, which so far is the biggest revenue contributor to the company, we expect a 18% drop in revenue due to lower achievement in NC with a stable burn rate. We are of the view that the hospitality business should start to improve slowly in the 3Q19 and better in 4Q19, while the construction business should be more resilient.

Subang will need more time. Prior to COVID-19 pandemic, SSIA planned to have Subang industrial estate a soft launching in Jul-20. However, the plan was delayed to Sep-20 and can be pushed further depending on the situation. As many corporates may delay investment activities, monetization may require a longer period of time with 2021 will be the most likely scenario. We assume zero land sales for Subang estate for this year and cut Karawang estate land sales to 10ha. Moreover, the Patimban toll-road access tender process might be postponed to 2021 given current circumstances.

Downgrade to REDUCE with lower TP. We cut our TP to 260 deriving from SOTP valuation method (75% discount for its property business and DCF method for the construction), which implied 0.3x FY20E PBV. Despite the undemanding valuation, we are of the view that the company performance will remain weak in 2020. With the shape of recovery still remains a question, valuation could be more depressed.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Pre-sales	142	309	191	338	519
growth (%)	243.5%	117.6%	-38.2%	77.1%	53.5%
Revenue	3,682	4,006	3,234	3,240	3,722
Revenue growth (%)	12.5%	8.8%	-19.3%	0.2%	14.9%
EBITDA	439	536	355	549	779
Net Profit	38	92	22	165	301
EPS (IDR)	8	20	5	35	64
EPS growth (%)	-96.8%	145.0%	-75.9%	641.1%	82.5%
P/E (x)	32.5	13.3	55.0	7.4	4.1
P/BV (x)	0.3	0.3	0.3	0.3	0.3

Richardson Raymond

Equity Analyst

+62 21 392 5550 ext. 159

richardson.raymond@sinarmassekuritas.co.id**Stock Information**

Sector	Property
Bloomberg Ticker	SSIA IJ
Market Cap. (IDR tn)	1.4
Share Out./Float (mn)	4,705/4,341
Current Price	296
52-week Target Price	260
Downside (%)	-12.2%

Share Price Performance

52W High (07/26/19)	855
52W Low (04/28/20)	274
52W Beta	0.9
YTD Change (%)	-56.0%

Relative Valuations

Trailing P/E	15.6x
Forward P/E	52.9x
P/BV	0.3x

SSIA 1Q20 Earnings summary

IDR mn	1Q19	4Q19	1Q20	QoQ	YoY	3M19	3M20	YoY	% DH	% Cons
Revenue	823,711	1,237,521	882,050	-28.7%	7.1%	823,711	882,050	7.1%	21%	26%
Gross profit	189,546	411,451	179,866	-56.3%	-5.1%	189,546	179,866	-5.1%		
Operating profit	57,145	202,605	65,539	-67.7%	14.7%	36,232	30,930	-14.6%		
Profit before tax	1,731	114,794	(4,403)	-	-354.4%	1,731	(4,403)	N/A		
Net profit	(10,877)	100,423	(17,413)	-	-	(10,877)	(17,413)	N/A		
Gross margin	23.0%	33.2%	20.4%			23.0%	20.4%			
Operating margin	6.9%	16.4%	7.4%			4.4%	3.5%			
Net profit margin	-1.3%	8.1%	-2.0%			-1.3%	-2.0%			

Source: Company data, Sinarmas Investment Research

SSIA earnings forecast revision

IDR bn	Old		New		Change	
	2020E	2021F	2020E	2021F	2020E	2021F
Revenue	4,180	4,380	3,234	3,240	-22.6%	-26.0%
Gross profit	1,299	1,350	765	945	-41.1%	-30.0%
GPM	31.1%	30.8%	23.6%	29.2%		
Operatig profit	503	518	166	350	-67.1%	-32.5%
OPM	12.0%	11.8%	5.1%	10.8%		
Profit before tax	342	381	33	242	-90.5%	-36.6%
Net profit	333	371	22	165	-93.3%	-55.5%
NPM	8.0%	8.5%	0.7%	5.1%		

Source: Company data, Sinarmas Investment Research

Cut earnings estimate. We reduce our earnings estimate by 93% for 2020E and 56% for 2021F due to impact of COVID-19 pandemic.

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	3,682	4,006	3,234	3,240	3,722
% growth	12.5%	8.8%	-19.3%	0.2%	14.9%
Cost of revenues	(2,701)	(2,915)	(2,470)	(2,296)	(2,477)
% growth	12.1%	7.9%	-15.3%	-7.1%	7.9%
Gross profit	981	1,091	765	945	1,245
% growth	13.5%	11.3%	-29.9%	23.6%	31.8%
Operating expenses	(704)	(699)	(599)	(595)	(674)
% growth	11.8%	-0.6%	-14.3%	-0.6%	13.2%
Operating profit	277	392	166	350	571
% growth	18.3%	41.3%	-57.7%	111.0%	63.4%
EBITDA	439	536	355	549	779
% growth	11.7%	22.1%	-33.7%	54.4%	41.8%
Net interest	(171)	(177)	(110)	(89)	(106)
Earnings before tax	125	165	33	242	441
% growth	-92.6%	31.7%	-80.2%	641.1%	82.5%
Tax	(35)	(29)	(1)	(6)	(11)
Net income	38	92	22	165	301
% growth	-96.8%	145.0%	-75.9%	641.1%	82.5%
EPS (IDR)	8.0	19.6	4.7	35.1	64.0

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & equivalents	1,372	1,527	416	347	666
Trade receivables	343	461	308	306	347
Inventories	463	422	401	399	454
Others	1,281	1,648	1,176	1,011	1,097
Total Current Assets	3,459	4,058	2,302	2,063	2,564
LT Investment	733	707	693	666	638
Net fixed assets	1,252	1,211	1,456	1,472	1,449
Inventories	1,566	1,675	1,817	1,952	2,087
Total Assets	7,404	8,092	6,676	6,556	7,149
Short-term loans	755	245	603	189	172
Payables	463	626	469	437	472
Others	816	842	667	645	749
Total Current Liabilities	2,033	1,713	1,739	1,270	1,393
Long-term debt	751	948	507	727	864
Other liabilities	2,268	2,666	1,955	1,479	1,638
Total Liabilities	3,019	3,614	2,462	2,207	2,502
Total Equity	4,385	4,478	4,214	4,349	4,647

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	38	92	22	165	301
Depreciation	162	144	190	199	207
Chg in working cap.	(1,267)	254	(313)	(115)	43
CF from operating	1,467	(18)	525	479	465
Chg in fixed asset	131	74	400	179	149
Chg in LT assets	210	160	130	139	150
Chg in LT liabilities	(5)	718	(737)	(7)	36
CF from investing	(347)	485	(1,267)	(325)	(263)
Chg in equity	0	0	0	0	0
Chg in ST loans	(21)	(510)	358	(414)	(17)
Chg in LT loans	(743)	197	(441)	220	137
Dividend	106	51	18	4	33
CF from financing	(894)	(312)	(369)	(224)	117
Net Cashflow	227	155	(1,111)	(69)	319
Beginning of Cash	1,145	1,372	1,527	416	347
Ending Cash	1,372	1,527	416	347	666

Financial Ratios	2018	2019	2020E	2021F	2022F
Profitability					
ROA	0.5%	1.1%	0.3%	2.5%	4.2%
ROE	0.9%	2.1%	0.5%	3.8%	6.5%
Gross profit margin	26.6%	27.2%	23.6%	29.2%	33.5%
Operating margin	7.5%	9.8%	5.1%	10.8%	15.3%
Net margin	1.0%	2.3%	0.7%	5.1%	8.1%
Solvency & Liquidity					
Interest cover (x)	2.6	3.0	3.2	6.2	7.4
Debt to equity (x)	0.3	0.3	0.3	0.2	0.2
Net debt to equity (x)	0.0	(0.1)	0.2	0.1	0.1
Current ratio	1.7	2.4	1.3	1.6	1.8
Quick ratio	1.5	2.1	1.1	1.3	1.5
Valuations					
P/E (x)	32.5	13.3	55.0	7.4	0.0
P/BV (x)	0.3	0.3	0.3	0.3	0.0
Key Assumption					
Contract growth	-5.2%	-24.7%	-25.0%	30.0%	5.0%
Pre-sales growth	243.5%	117.6%	-38.2%	77.1%	0.0%

Source: Company data, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

BUY: Share price may rise by more than 15% over the next 12 months.

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.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2020). All rights reserved.