

PT Bumi Serpong Damai Tbk.

The Song Remains The Same

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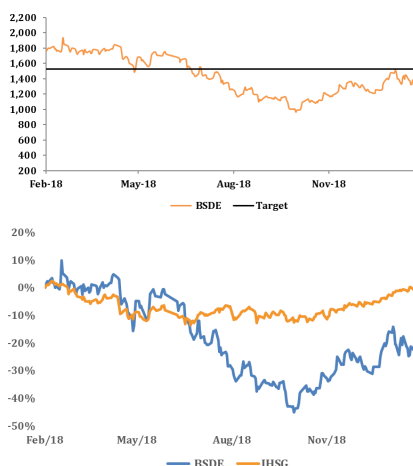
Buy (+15.90%)

For 2019, BSDE have announced their pre-sales target at IDR 6.2 trillion contractual sales or identical from their 2018 actual sales. By the end of 2018, BSDE booked IDR 6.2 Trillion of marketing sales or 86% from their 2018 target of IDR 7.2 Trillion. With the flattish outlook of the company marketing sales target, unsatisfactory 9M2018 financial performance, and political year sentiment ahead on the first half, we reduce our BSDE target price for 2019 into IDR 1,530 per share, reflecting 70% discount to RNAV, P/E 2019F 9.71x, and P/BV 2019F 0.87x. Despite of the reduced target price, we maintain Buy recommendation for BSDE. We believe the 2nd half of 2019 will be better time for the property sector after election results and the dovish interest rate outlook ahead.

Price (13/02)	IDR 1,320
Target Price	IDR 1,530
Ticker	BSDE
Industry	Property

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9M2018 Financial Performance Still Unsatisfactory. Up to the third quarter of 2018, BSDE scored IDR 4.79 trillion of revenues or decreased by 19% from last year of IDR 5.87 trillion. Residential products sales, which contributed 32% of total revenue, decreased by 36% due to the unfavorable sentiment of the property industry in 2018. On the bottom line, BSDE's 9M2018 net profit booked IDR 599 billion or 74% decrease from last year of IDR 2.3 trillion.



2018 Marketing Sales Only Achieved 86% of Initial Target. BSDE closed its FY2018 marketing sales number by 86% achieved, or equal to IDR 6.2 trillion, compared to initial target of IDR 7.2 trillion. Residential pre-sales made amounting to IDR 3.3 trillion or 53% contribution to its total achievement, while commercial business units including commercial land plots, strata title (apartments), and shop houses reached IDR 2.9 trillion, represented 47% contribution.

Flattish Target Ahead Political Year. For 2019, BSDE has announced its target at IDR 6.2 trillion marketing sales in 2019, flattish comparing to FY2018 actual sales of IDR 6.2 trillion, with composition of 56% residential (landed houses) and 44% commercial (land plots, shop houses, condominiums). Uncertainty in political year and unfavorable property industry sentiment has become the reason of the flattish outlook.

Company Description:

BSDE is a property company founded in 1984. Part of the Sinarmas group, BSDE began its operations since 1989 with the development of the new city BSD City in the Serpong area, Tangerang. At present, BSDE is one of the largest property developers in Indonesia which has assets spread across Greater Jakarta, Semarang, Surabaya, Medan, Palembang, Balikpapan, Samarinda, Manado, Makassar and can still expand to other areas. With a landbank of 5,950 Ha, BSDE is one of the largest property company in Indonesia.

Expected To Improve In 2H2019. Despite this, we believe that BSDE will start improve their performance during the 2nd half of 2019 after the election and the dovish interest rate outlook for this year. With the huge landbank supply and strong balance sheet position, we believe that BSDE will doing better along the improvement of property sector's prospects.

Maintain Buy for BSDE With Target Price of IDR 1,530 per Share. We reduced the target price for BSDE to IDR 1,530 per share, reflecting 70% RNAV discount P/E 2019F 9.71x, and P/BV 2019F 0.87x due to the flattish outlook. However, comparing to the closing price at (13/02), we maintain Buy recommendation for BSDE with upside potential target of 15.90%.

Stock Data

52-week Range (IDR)	930 - 1,965
Mkt Cap (IDR tn)	25.50
JCI Weight	0.36%
Shares O/S (bn)	19.25
YTD Change	+5.58%
Beta	1.29x

Share Holders:

PT. Paraga Artamida	26.57%
PT. Ekacentra Usahamaju	25.01%
Public (<5%)	48.42%

Key Metrics	2016	2017	2018F	2019F	2020F	2021F
Revenue (IDR bn)	6,522	10,347	8,293	9,603	11,087	12,980
EBITDA (IDR bn)	2,698	5,367	3,719	4,354	4,910	5,828
Net Income (IDR bn)	1,796	4,920	2,875	3,346	4,019	4,750
EPS (IDR)	93.32	255.63	135.31	157.49	189.13	223.56
ROAA (%)	6.66%	4.83%	11.68%	5.92%	6.02%	6.86%
ROAE (%)	10.56%	7.73%	18.38%	9.65%	9.49%	10.35%
Current Ratio (x)	2.94	2.37	3.34	3.60	3.10	3.69
Gearing Ratio (x)	0.31	0.31	0.35	0.36	0.24	0.22
P/E (x)	18.81	6.65	11.31	9.71	8.09	6.84
P/BV (x)	1.39	1.12	0.98	0.87	0.80	0.69
EV/EBITDA (x)	14.03	6.71	10.05	8.16	7.56	5.89

Source : BSDE, MCS Research

Financial Highlights

BSDE 9M2018 Performance Comparison						
(in billion IDR)	9M2017	9M2018	%yoy	2Q2018	3Q2018	%qoq
Revenue	5,827.10	4,787.18	-17.85%	1,418.20	1,667.15	17.55%
Gross Profit	4,259.31	3,509.83	-17.60%	1,077.04	1,269.55	17.87%
Operating Profit	2,415.36	1,553.97	-35.66%	411.86	552.34	34.11%
Pretax Income	2,470.57	882.85	-64.27%	81.18	300.15	269.73%
Net Income	2,302.20	599.17	-73.97%	2.03	189.95	9257.14%
Gross Profit Margin	73.09%	73.32%		75.94%	76.15%	
Operating Profit Margin	41.45%	32.46%		29.04%	33.13%	
Net Profit Margin	39.51%	12.52%		0.14%	11.39%	
Total Asset	43,471.56	52,421.95	20.59%	51,374.60	52,421.95	2.04%
Total Liabilities	16,819.89	22,426.63	33.33%	21,652.92	22,426.63	3.57%
Total Equity	26,651.67	29,995.32	12.55%	29,721.68	29,995.32	0.92%
Return on Asset	5.30%	1.14%		0.00%	0.36%	
Return on Equity	8.64%	2.00%		0.01%	0.63%	

Source : BSDE, MCS Research

BSDE Target and Actual Marketing Sales										
Project	2015	2016	2017	2018				2019		
	Actual	Actual	Actual	Target	Actual	+ / -	%	Target	+ / -	%
(in billion IDR)										
Residential										
BSD City	3,290	2,545	1,330	1,900	1,404	6%	23%	1,500	7%	24%
Nava Park	561	462	455	400	553	22%	9%	500	-10%	8%
Kota Wisata	248	256	234	250	298	27%	5%	300	1%	5%
Grand Wisata	321	308	207	300	219	6%	4%	300	37%	5%
Taman Permata Buana	-	52	10	-	112	1076%	2%	-	-100%	0%
Taman Banjar Wijaya	254	263	352	300	215	-39%	3%	200	-7%	3%
Legenda Wisata	237	87	75	100	60	-20%	1%	100	66%	2%
Grand City Balikpapan	274	64	147	200	158	8%	3%	200	27%	3%
The Zora	-	-	-	200	447	0%	7%	400	-10%	6%
Total Residential	5,185	4,037	2,810	3,650	3,467	23%	56%	3,500	1%	56%
Commercial										
BSD Commercial Lot	609	692	3,109	1,800	1,626	-48%	26%	1,300	-20%	21%
BSD Commercial Product	710	780	246	500	287	17%	5%	300	5%	5%
Aerium	-	-	-	-	-	0%	0%	200	0%	3%
The Elements	254	183	156	250	104	-33%	2%	200	92%	3%
Klaska Residence	-	-	-	400	370	0%	6%	200	-46%	3%
Southgate TB Simatupang	-	-	-	500	304	0%	5%	400	32%	6%
Akasa Apartment	-	-	73	100	61	-16%	1%	100	63%	2%
Total Commercial	1,572	1,655	3,584	3,550	2,753	-23%	44%	2,700	-2%	44%
JV Land										
The Zora	-	560	840	-	-	0%	0%	-	0%	0%
Total Marketing Sales	6,757	6,253	7,233	7,200	6,219	-14%	100%	6,200	0%	100%

Source : BSDE, MCS Research

BSDE RNAV Valuation	
	Effective Value(Rp bn)
Land Bank	91,547
Mall and Office	15,357
Gross Assets Value	106,903
Debt	(13,429)
Cash	10,409
Advance	(6,177)
Net Asset Value	97,707
Shares Outstanding (bn)	19.2
RNAV/Share	5,089
Discount to NAV	70%
Target Price	1,530

Source : BSDE, MCS Research

Financial Highlights

Balance Sheet	2016	2017	2018F	2019F	2020F	2021F
<i>(in billion IDR)</i>						
Cash & Equivalent	3,569	5,793	6,709	10,409	4,898	8,401
Short Term Investments	612	763	1,278	1,600	1,342	1,406
Accounts & Notes Receivable	401	490	406	624	705	704
Inventories	7,444	7,910	10,807	10,325	13,319	14,606
Other Current Assets	4,315	3,008	3,257	3,402	3,602	3,825
Total Current Assets	16,341	17,965	22,457	26,360	23,866	28,944
Long Term Investments	6,102	7,438	7,438	7,439	7,364	7,413
Gross Fixed Assets	16,459	21,130	23,227	25,526	28,046	30,823
Accumulated Depreciation	1,559	1,863	2,034	2,214	2,402	2,615
Net Fixed Assets	14,900	19,266	21,193	23,312	25,643	28,208
Other Long Term Assets	949	1,283	1,381	1,515	1,647	1,791
Total Long-Term Assets	21,951	27,987	30,012	32,265	34,655	37,412
Total Asset	38,292	45,951	52,469	58,625	58,521	66,356
Accounts Payable	261	1,768	1,612	1,894	2,383	2,463
Short Term Borrowings	1,121	2,051	1,330	1,590	1,513	1,578
Other Short Term Liabilities	4,184	3,751	3,786	3,828	3,796	3,811
Total Current Liabilities	5,566	7,569	6,728	7,312	7,692	7,852
Long Term Borrowings	6,527	7,027	10,235	11,838	7,997	8,648
Other Long Term Borrowings	1,846	2,158	2,192	2,271	2,383	2,463
Total Long Term Liabilities	8,373	9,186	12,427	14,109	10,380	11,111
Total Liabilities	13,939	16,754	19,155	21,421	18,071	18,964
Minority Interest	3,772	3,855	5,274	6,042	5,527	8,024
Share Capital & APIC	8,315	8,336	8,336	8,336	8,336	8,336
Retained Earnings & Other Equity	12,266	17,006	19,705	22,827	26,587	31,032
Total Shareholders Equity	24,353	29,197	33,314	37,204	40,450	47,392
Total Liabilities & Equity	38,292	45,952	52,469	58,626	58,522	66,356
Book Value per Share (BVPS)	1,265	1,517	1,568	1,751	1,904	2,231

Source : BSDE, MCS Research

Income Statement	2016	2017	2018F	2019F	2020F	2021F
<i>(in billion IDR)</i>						
Revenue	6,522	10,347	8,293	9,603	11,087	12,980
COGS	(1,840)	(2,757)	(2,203)	(2,581)	(3,023)	(3,483)
Gross Profit	4,681	7,590	6,090	7,022	8,065	9,497
Operating Expenses	(2,208)	(2,528)	(2,542)	(2,847)	(3,343)	(3,881)
Operating Income	2,473	5,062	3,548	4,174	4,722	5,616
Interest Expenses	(570)	(549)	(784)	(908)	(644)	(692)
Other Income (Losses)	162	715	411	429	263	284
Pretax Income	2,065	5,228	3,175	3,696	4,342	5,208
Income Taxes	(28)	(39)	(27)	(36)	(46)	(50)
Income Before Extraordinary Item	2,038	5,189	3,148	3,660	4,296	5,157
Extraordinary Items & Minority Interest	(241)	(269)	(273)	(314)	(277)	(407)
Net Income	1,796	4,920	2,875	3,346	4,019	4,750
Earning per Share (EPS)	93	256	135	157	189	224

Source : BSDE, MCS Research

Financial Highlights

Cash Flow	2016	2017	2018F	2019F	2020F	2021F
+ Net Income	1,796	4,920	2,875	3,346	4,019	4,750
+ Depreciation & Amortization	225	304	171	180	189	212
+ Change in Non-Cash Working Capital	(1,809)	1,825	(3,183)	444	(2,818)	(1,414)
Cash From Operations Activities	212	7,050	(138)	3,970	1,389	3,548
+ Capital Expenditures	(2,451)	(4,670)	(2,097)	(2,299)	(2,520)	(2,777)
+ Change in Investments	(379)	(1,487)	(514)	(323)	332	(114)
+ Other Investing Activities	(42)	(538)	(99)	(133)	(133)	(143)
Cash From Investing Activities	(2,872)	(6,695)	(2,710)	(2,756)	(2,320)	(3,034)
+ Dividends Paid	(96)	(133)	(176)	(224)	(259)	(305)
+ Change in Short-Term Borrowings	(935)	1,043	(720)	260	(78)	65
+ Change in Long-Term Borrowings	657	(278)	3,207	1,604	(3,842)	652
+ Change in Capital Stocks	12	21	-	-	-	-
+ Other Financing Activities	462	395	1,453	846	(402)	2,577
Cash from Financing Activities	1,035	5	3,763	2,486	(4,580)	2,989
Net Changes in Cash	(1,625)	359	916	3,700	(5,511)	3,503

Source : BSDE, MCS Research

Ratio	2016	2017	2018F	2019F	2020F	2021F
Liquidity Ratios						
Current Ratio (x)	2.94	2.37	3.34	3.60	3.10	3.69
Quick Ratio (x)	0.71	0.83	1.06	1.51	0.73	1.16
Altman Z-Score	8.41	8.51	8.72	8.95	9.44	10.05
Leverage Ratios						
Interest Coverage Ratio (x)	4.34	9.22	4.53	4.60	7.34	8.12
Debt to Assets (x)	0.20	0.20	0.22	0.23	0.16	0.15
Debt to Equity (x)	0.31	0.31	0.35	0.36	0.24	0.22
Growth						
Revenue (%)	5.03%	58.66%	-19.85%	15.79%	15.46%	17.07%
Operating Income (%)	-2.92%	104.70%	-29.92%	17.66%	13.11%	18.93%
Net Income (%)	-16.05%	173.92%	-41.57%	16.40%	20.09%	18.20%
Profitability Ratio						
Gross Profit Margin (%)	71.78%	73.36%	73.43%	73.12%	72.74%	73.16%
Operating Profit Margin (%)	37.92%	48.92%	42.78%	43.47%	42.59%	43.26%
EBITDA Margin (%)	41.37%	51.87%	44.84%	45.34%	44.29%	44.90%
Net Profit Margin (%)	27.54%	47.55%	34.67%	34.85%	36.24%	36.60%
Return on Average Assets (%)	6.66%	4.83%	11.68%	5.92%	6.02%	6.86%
Return on Average Equity (%)	10.56%	7.73%	18.38%	9.65%	9.49%	10.35%
Valuation Ratios						
Price to Earning Ratio (x)	18.81	6.65	11.31	9.71	8.09	6.84
Price to Book Ratio (x)	1.39	1.12	0.98	0.87	0.80	0.69
Price/Earnings to Growth Ratio (x)	(1.17)	0.04	(0.24)	0.59	0.40	0.38
EV/EBITDA (x)	14.03	6.71	10.05	8.16	7.56	5.89
Other Ratio						
Asset Turnover (x)	0.18	0.25	0.17	0.17	0.19	0.21
Account Receivable Turnover (x)	24.02	23.23	18.22	18.64	16.68	18.42
Account Payable Turnover (x)	6.37	2.72	1.46	1.47	1.41	1.44
Inventory Turnover (x)	0.26	0.36	0.24	0.24	0.26	0.25

Source : BSDE, MCS Research

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