

PT Surya Semesta Internusa Tbk

BUY

Investment Considerations

Subang Smartpolitan Project

- SSIA has a new project through its subsidiary PT Suryacipta Swadaya called "Subang Smartpolitan".
- Subang Smartpolitan is built on 2,700 ha of land in Subang, West Java and will be developed in 4 Phases. Phase I will cover an area of 400 ha. The development has begun in 4Q2020 (November) and its expected to be ready for handover in 1Q2023.
- Phase I includes commercial, industrial, residential areas and supporting infrastructure and facilities.
- Currently, management indicates that a number of investors from various industries and countries have expressed interest such as Japan, China, and South Korea.
- This project will contribute to land sales in 3Q-4Q 2021 and will boost 2021 revenue.

Patimban toll road progress

- Patimban toll road and Patimban Port are keys to the growth of the industrial estate business in West Java, especially Subang.
- The Subang Smartpolitan is located 89 km from Jakarta, with direct toll access, close to Patimban Seaport, Kertajati International Airport, and connected via the planned Jakarta – Surabaya High-speed-train.
- Patimban toll track has been decided and will pass through SSIA land. SSIA will take part in the Patimban Access toll road project consortium through a 25% stake.
- The construction of Subang-Patimban toll road will start in the middle of 2021.

9M2020: Margin Drop

- SSIA recorded revenue of IDR 2.12 tn, down -23.3% YoY due to the Covid-19 outbreak which has hit SSIA's three main business pillars. Revenue from construction and hospitality was down by 12.5% and 70.6% respectively. While property business still recorded +8% growth as land sales grew 45% YoY to IDR 62.4 bn.
- Gross profit decreased by -50% YoY to IDR 338.5 bn, EBITDA dropped -86.4% YoY to IDR 39.7 bn with a lower EBITDA margin from 10.5% in 9M2019 to 1.9% in 9M2020.
- SSIA recorded a net loss of IDR -197.9 bn, with a lower net income margin of -9.3% from -0.3% in 9M2019. We expect SSIA net loss in 2020F to be IDR -63 bn and then turn profitable in 2021F as we expect additional income from the Subang project in line with higher industrial estate sales and property demand.

Valuation: BUY with 21% Upside

- We estimate SSIA shares will reach IDR 706, offering investor a potential return of 21% within a year. This would be mean the stock trading at 55x 2021F PE. We recommended to BUY

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2020F
Revenue (IDR Bn)	3.797	3.274	3.682	4.006	2.753	3.361
EBITDA (IDR Bn)	416	1.513	295	435	303	586
Net Profit (IDR Bn)	62	1.178	38	92	-63	60
OPM (%)	11,6%	62,0%	9,6%	10,5%	5,0%	10,0%
NPM (%)	1,6%	36,0%	1,0%	2,3%	-2,3%	1,8%
Ebitda Margin (%)	11,0%	46,2%	8,0%	10,9%	11,0%	17,4%
ROA (%)	0,9%	13,3%	0,5%	1,1%	-0,8%	0,7%
ROE (%)	2,1%	29,4%	1,0%	2,3%	-1,6%	1,5%
Current Ratio (x)	1,78	1,93	1,70	2,37	1,81	1,87
Interest Coverage (x)	0,52	6,99	0,73	0,93	-0,13	0,37
EPS	13	250	8	20	-13	13

Construction, Building Construction
21 December 2020

Price	IDR. 580
Target	IDR. 706
JKSE Index	6,104.322



Stock code

Bloomberg code	SSIA IJ
Market cap (in Bn)	2,730.0
52-week high	715
52-week low	274
6-m avg.dail.val (IDR)	439

Major Share Holders (%)

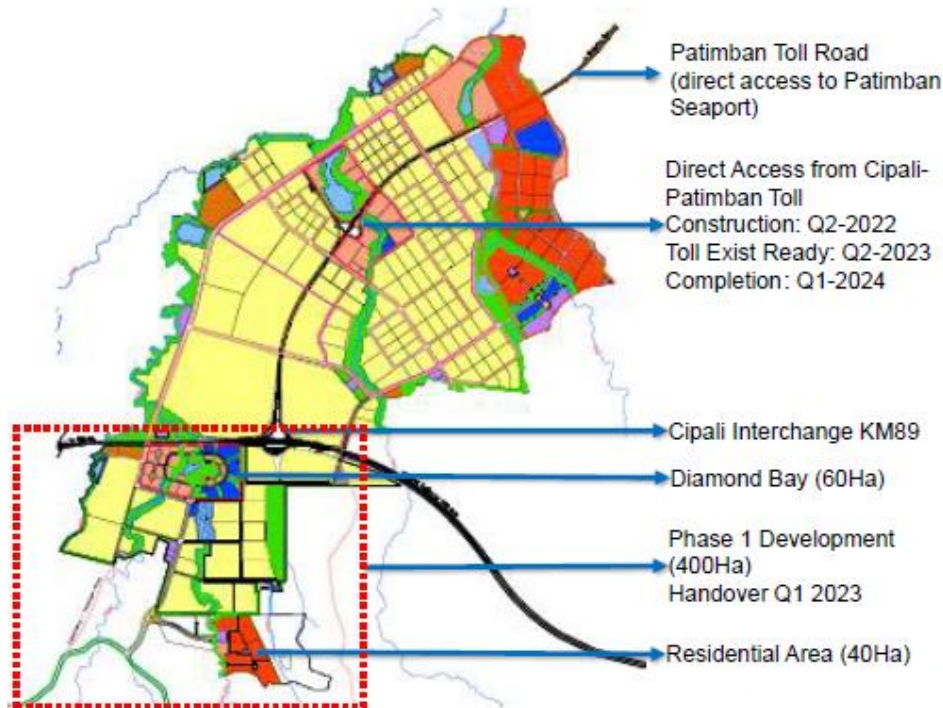
PT Arman Investment Utama	9.0 %
PT Persada Capital Investama	7.9%
Intrepid Investments Limited	7.7%
Reksa Dana HPAM Ekuitas	
Progresif	6.4%
PT Surya Semesta Internusa Tbk	3.3%
Others	65.7%

USD/IDR-YE

2019	13,970
2020F (6m-avg)	14,095

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Pictures: Masterplan of Subang Smartpolitan

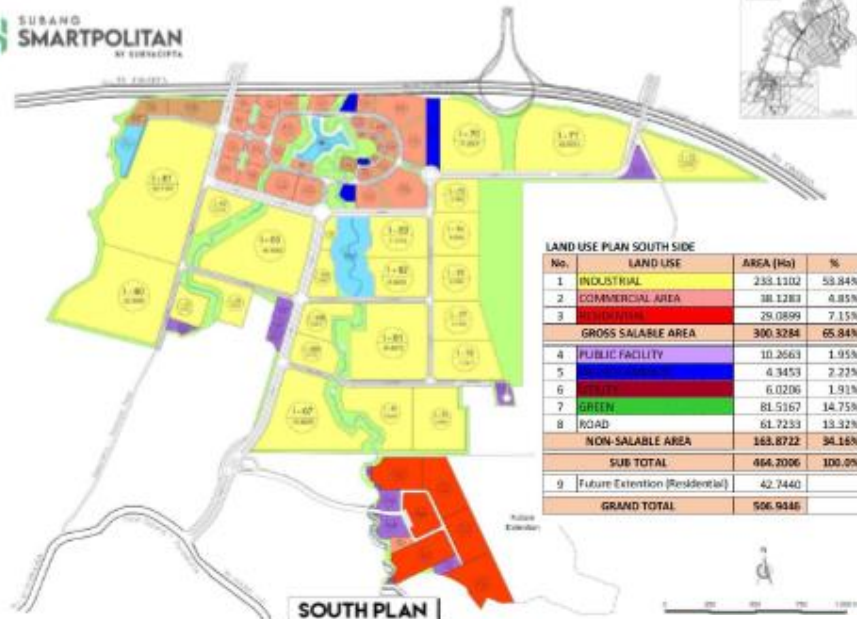


Phase 1 Development (Southern Area)

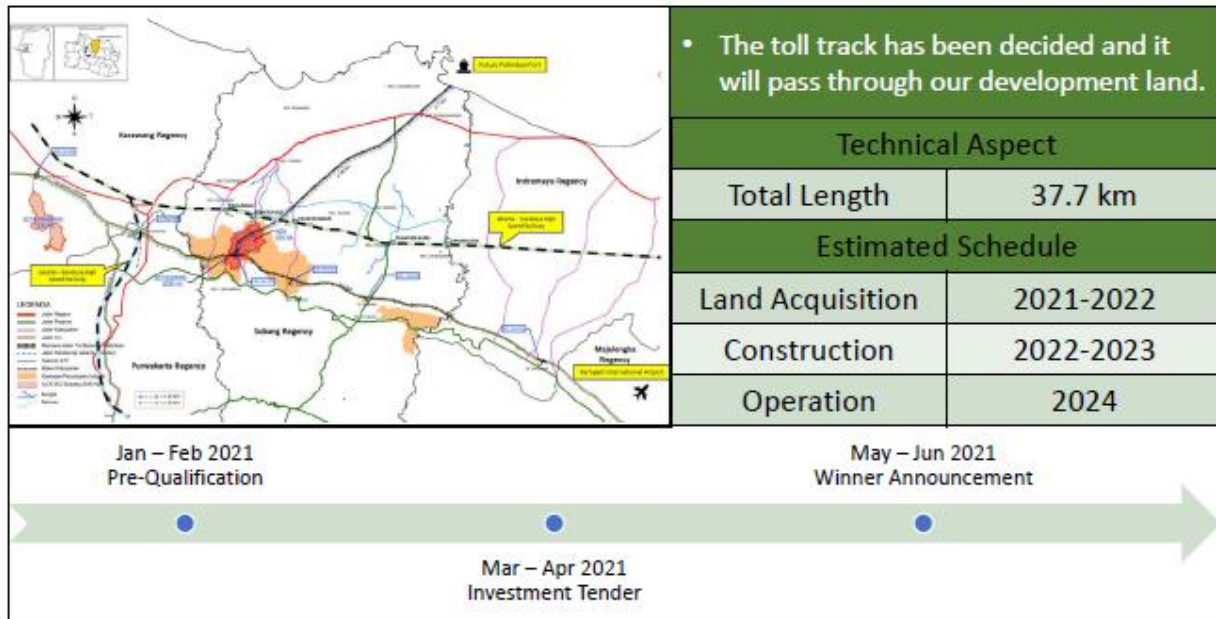


Industrial Plots

- Land Coverage Ratio (KDB) : 60% of total land size
- Floor Coverage Ratio (KLB) : 240% of total land size
- Building Setback (GSB)
 - Front (Main Road) : 15m
 - Front (Secondary Road) : 12m
 - Side : 6m
 - Back : 8m
- Green Area : 7.5% of total land size
- Max. Building Height : 40m
- ROW
 - Main Road : 60m
 - Secondary Road : 40m
 - Tertiary Road : 30m
- Water : 15,400M³/day (Stage 1)
- Wastewater : 10,300M³/day (Stage 1)
- Gas : Ready
- Electricity : 60MVA (Stage 1)
- Telecommunication & FO : Ready

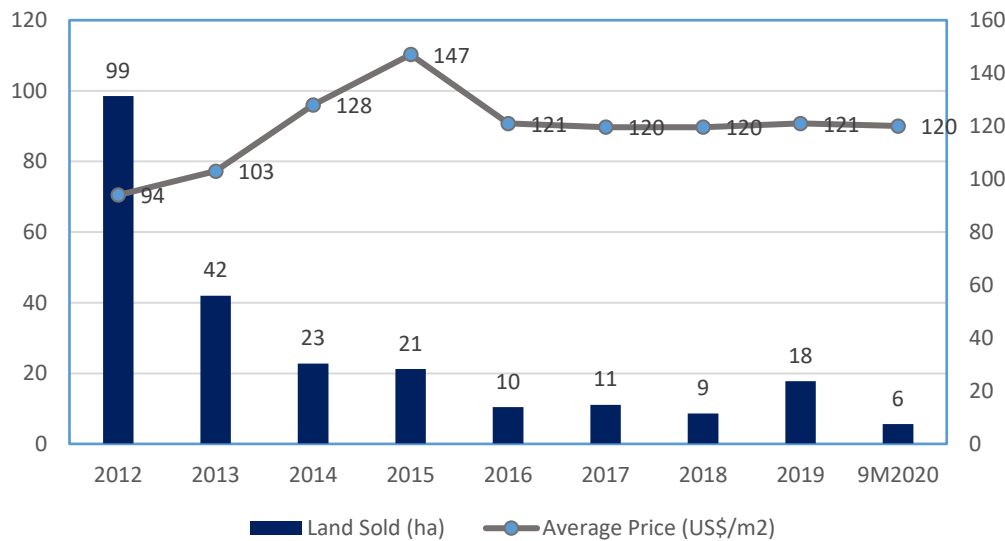


Picture: Patimban Toll Access



Source: Company

Chart: Suryacipta City of Industrial Estate Average Selling Price YoY (US\$/sqm)



Source: Company

Table: Statement of Financial Position In IDR Million YoY

Statement of Financial Position (in IDR. Mn)	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	1.519.976	1.145.367	1.371.984	1.527.063	1.243.732	1.445.646
Trade Accounts Receivable	284.046	319.916	342.803	460.808	412.914	470.481
Retention Receivables	240.506	262.186	259.059	329.311	399.150	453.679
Inventories	391.697	414.534	462.782	422.171	440.441	438.071
Others Current Assets	944.453	2.943.332	1.022.035	1.318.250	1.238.741	1.344.233
Total Current Assets	3.380.678	5.085.335	3.458.662	4.057.604	3.734.978	4.152.109
NONCURRENT ASSETS						
Fixed Assets	1.182.205	1.249.899	1.252.199	1.211.081	1.332.190	1.465.408
Real Estate Aset	606.939	1.297.238	1.566.310	1.674.502	1.926.931	1.949.138
Other Noncurrent Assets	2.025.625	1.218.965	1.126.996	1.149.260	1.031.415	1.008.175
Total Noncurrent Assets	3.814.769	3.766.102	3.945.505	4.034.843	4.290.535	4.422.721
TOTAL ASSETS	7.195.447	8.851.437	7.404.167	8.092.447	8.025.513	8.574.830
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	0	550.000	246.728	245.328	296.090	243.825
Trade Account Payable	745.053	741.222	462.661	626.052	550.552	595.082
Bonds Payable	548.883	0	508.227	0	388.798	500.000
Others Current Liabilities	602.417	1.348.806	815.515	841.792	823.524	879.013
Total Current Liabilities	1.896.353	2.640.028	2.033.130	1.713.172	2.058.964	2.217.920
NONCURRENT LIABILITIES						
Long-term bank	815.151	602.375	364.397	560.170	578.932	0
Bond Payable	889.162	892.009	386.940	387.961	0	715.000
Others Noncurrent Liabilities	241.954	240.191	234.693	952.963	935.938	1.008.175
Total Noncurrent Liabilities	1.946.267	1.734.574	986.031	1.901.094	1.514.870	1.723.175
TOTAL LIABILITIES	3.842.620	4.374.603	3.019.161	3.614.266	3.573.833	3.941.095
Non-controlling interest	440.907	468.251	441.034	513.739	550.552	672.116
EQUITY	2.911.919	4.008.583	3.943.972	3.964.441	3.901.128	3.961.619
TOTAL LIABILITIES & EQUITY	7.195.446	8.851.437	7.404.167	8.092.447	8.025.513	8.574.830

Table: Income Statement YoY

Income Statement (IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Revenues	3.796.952	3.274.151	3.681.833	4.006.437	2.752.758	3.360.582
Cost of Revenues	(2.728.012)	(2.410.216)	(2.700.901)	(2.915.075)	(2.257.262)	(2.587.648)
Gross Profit	1.068.940	863.935	980.932	1.091.362	495.496	772.934
Operating Expenses	(627.972)	1.164.630	(627.023)	(671.604)	(357.859)	(436.876)
Operating Income	440.968	2.028.564	353.909	419.758	137.638	336.058
Other Income	(347.735)	(330.468)	(228.741)	(254.926)	(165.165)	(201.635)
Income Before Tax	93.233	1.698.097	125.168	164.832	(27.528)	134.423
Tax Expense	7.612	(456.740)	(35.335)	(28.522)	(8.258)	(40.327)
Inc. Before Min. Interest	100.845	1.241.357	89.833	136.310	(35.786)	94.096
Minority Interest	(38.389)	(63.042)	(52.159)	(44.003)	(27.528)	(33.606)
Net Income	62.456	1.178.315	37.674	92.307	(63.313)	60.490
EPS	13	250	8	20	(13)	13
EBITDA	416.196	1.513.440	295.262	435.483	302.704	586.080

Table: Cash Flow In IDR Million YoY

Cash Flow (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	62.456	1.178.315	37.674	92.307	-63.313	60.490
Depreciation	134.591	29.312	34.416	122.524	121.108	133.219
Change in WC	154.994	-1.335.591	1.246.392	-763.820	385.086	-56.261
Cash From Operating Activities	352.041	-127.964	1.318.482	-548.989	442.881	137.448
Non-current Assets	-385.208	19.355	-213.818	-211.863	-376.800	-265.405
Cash From Investing Activities	-385.208	19.355	-213.818	-211.863	-376.800	-265.405
Long-term Bank	315.726	-212.776	-237.977	195.773	18.762	-578.932
Bonds Payable	341.619	2.847	-505.069	1.021	-387.961	715.000
Others Noncurrent Liabilities	19.795	-1.763	-5.497	718.270	-17.026	72.237
Equity	-47.630	-54.306	-129.502	866	36.814	121.565
Cash From Financing Activities	629.510	-265.999	-878.046	915.929	-349.411	329.870
Net Changes in Cash	596.343	-374.608	226.617	155.078	-283.330	201.914
Beginning Balance	923.632	1.519.976	1.145.367	1.371.984	1.527.063	1.243.732
Ending Balance	1.519.975	1.145.368	1.371.984	1.527.062	1.243.733	1.445.646

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Sales	-22,0%	-13,8%	12,5%	8,8%	-31,3%	22,1%
OP	-31,9%	360,0%	-82,6%	18,6%	-67,2%	144,2%
EBITDA	-35,2%	263,6%	-80,5%	47,5%	-30,5%	93,6%
NP	-79,4%	1786,6%	-96,8%	145,0%	-168,6%	195,5%
EPS	-79,4%	1786,6%	-96,8%	145,0%	-168,6%	195,5%
Profitability (%)						
Gross Profit Margin	28,2%	26,4%	26,6%	27,2%	18,0%	23,0%
Operating Margin	11,6%	62,0%	9,6%	10,5%	5,0%	10,0%
EBITDA margin	11,0%	46,2%	8,0%	10,9%	11,0%	17,4%
NET Profit margin	1,6%	36,0%	1,0%	2,3%	-2,3%	1,8%
ROA	0,9%	13,3%	0,5%	1,1%	-0,8%	0,7%
ROE	2,1%	29,4%	1,0%	2,3%	-1,6%	1,5%
Stability						
Total debt/ Total equity (x)	0,33	0,33	0,37	0,35	0,33	0,30
Int. Coverage (x)	0,52	6,99	0,73	0,93	-0,13	0,37
int. & ST debt coverage (x)	0,46	0,59	0,37	0,42	0,49	0,82
Current Ratio (X)	1,78	1,93	1,70	2,37	1,81	1,87
Per Share data (IDR)						
EPS	13	250	8	20	-13	13
BVPS	619	852	838	843	829	842
Ebitda/share	88	322	63	93	64	125

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

RESEARCH TEAM
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