

BUY

Construction, Building Construction
November 29th, 2017

Price **IDR. 520**
Target **IDR. 800**
JKSE Index **6070.716**



Stock code
Bloomberg code **SSIA IJ**
Market cap (in Bn) **2,446.7**
52-week high **800**
52-week low **434**
6-m avg.dail.val (IDR) **623**
Free Float (%) **73.5%**

Major Share Holders (%)
PT Arman Investment Utama **7.1%**
PT Persada Capital Investama **7.8%**
PT Union Sampoerna **5.4%**
Lynas Asia Fund **5.4%**
PT Surya Semesta Internusa Tbk **0.8%**
Public **73.5%**

USD/IDR-YE
2016 **13,795**
2017F (6m-avg) **13,390**

Key Indicators 2018F
ROE (%) **4.5%**
Tot.Debt/Tot Equity (x) **0.33**
Current ratio (x) **1.67**

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Investment Considerations

Focus on Subang Industrial Estate

After divesting the Cipali toll road in May 2017, SSIA is focusing on adding land bank in Subang. In Subang, SSIA has location permits for 2,000 ha of industrial estates and plans to develop 350 ha in 2018. The land is located near the Patimban toll road project which will start development in 2018. The Patimban toll road project will be 4.1 km in length with an investment value of IDR 5 trillion. The company is an initiator of this project, together with one of Indonesia's state owned enterprises as a majority shareholder. The development of Industrial estates in Subang is in line with the development of the Patimban toll road and Patimban Port. We expect the Subang Industrial Estates will earn a profit in 2019.

Land Sales To Rise

Amid lower demand for land sales, SSIA land sales has steadily decreased since 2013. As of 9M2017, SSIA booked marketing sales of 2.1 ha. and despite generally lower demand, average selling prices have continued to increase CAGR 2012-9M2017 of 12%. Along with the Patimban Port development, we expect SSIA's ASP to increase further and, going forward, improved land sales demand.

Strong Construction Growth

We estimate NRCA, SSIA's construction subsidiary, will grow in 2018F from developing the 350 ha land bank in Subang. As of 9M2017, NRCA booked new contracts worth IDR 2.13 trillion or growth of 66.4% from new contracts booked in 1H2017 of IDR. 1.28 trillion. This is equivalent to 64.5% of the new contract target for 2017. We expect the construction sector will be the biggest contribution to SSIA's revenue, helping 2017F revenue to reach IDR 3.67 trillion and 2018F to rise to IDR. 4.0 trillion

Valuation: Reiterate BUY with 54% Upside

Based on 9M2017 results, we make some adjustment to our forecast. Using a DCF valuation with WACC at 10.10%, we estimate SSIA shares will rise by 54% to IDR 800 within a year. BUY

Income Statement (IDR Mn)	2014A	2015A	2016A	2017F	2018F
Net Revenues	4,464,400	4,868,183	3,796,952	3,672,819	4,000,848
Cost of Revenues	(3,410,160)	(3,689,000)	(2,728,012)	(2,681,158)	(2,892,613)
Gross Profit	1,054,240	1,179,183	1,068,940	991,661	1,108,235
Operating Expenses	(478,859)	(531,414)	(627,972)	1,163,639	(440,093)
Operating Income	575,381	647,769	440,968	2,155,300	668,142
Other Income	96,048	(255,229)	(347,735)	(477,466)	(360,076)
Income Before Tax	671,429	392,540	93,233	1,677,834	308,065
Tax Expense	(157,798)	(9,061)	7,612	(550,923)	(120,025)
Inc. Before Min. Interest	513,631	383,479	100,845	1,126,911	188,040
Minority Interest	(98,448)	(80,719)	(38,389)	(56,346)	(9,402)
Net Income	415,183	302,760	62,456	1,070,565	178,638
EPS	88	64	13	228	38
EBITDA	1,905,296	641,892	416,196	1,465,206	588,774

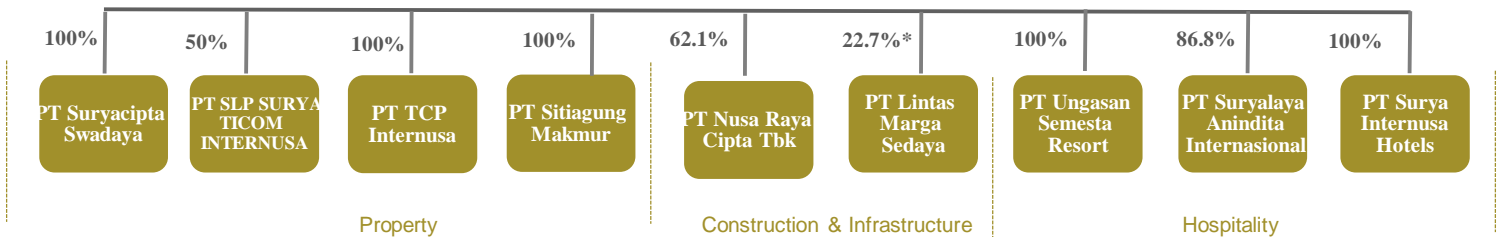
Source: Company and Binaartha

Company Profile

PT. Surya Semesta Internusa Tbk (SSIA) was established on June 15, 1971 and was first known as PT. Multi Investment Ltd. The primary businesses are Construction, Property (industrial estate, real estate and rental property) and hospitality through its subsidiaries. SSIA’s first developments were in the Golden Triangle in Kuningan. In 1994, SSIA acquired a construction business and in 1995 the company changed its name to PT. Surya Semesta Internusa Tbk.

The company went public by listing its shares on the Indonesian stock exchange in 1997. To expand its hospitality business, SSIA began development of the Banyan Tree Resort in Bali and opened six BATIQA Hotels in 2016. Meanwhile In the Construction sector, subsidiary PT Nusa Raya Cipta listed its shares on the Indonesian stock exchange in 2013 and expanded into the toll road sector by opening the Cikopo – Palimanan Toll Road with a total length of 116.45 km. In May 2017, SSIA sold a stake in the Cikopo – Palimanan Toll Road concession to Astratel.

Company Structure



*) SSIA owns 20.5%, NRCA owns 2.5%, Divested on 8 May 2017

Figure: Location of Subang Industrial Estate

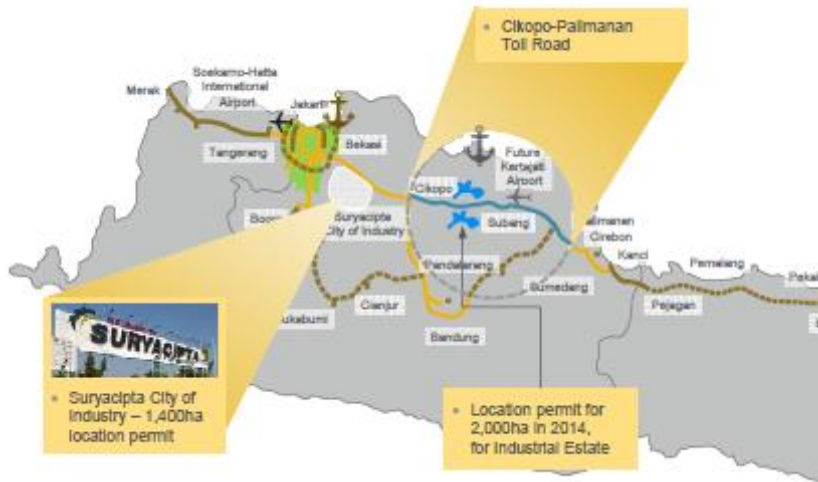


Chart: Subang Industrial Estate Average Selling Price YoY (US\$/sqm)

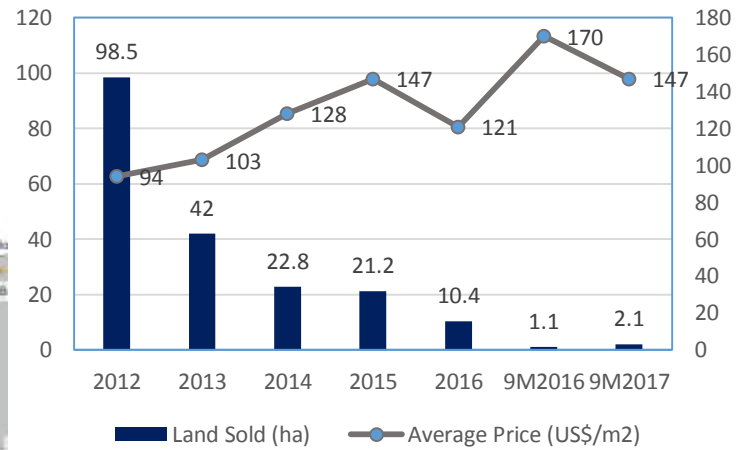
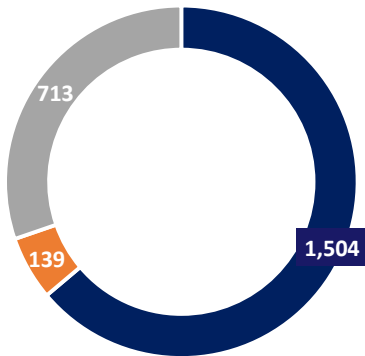


Chart: SSIA Revenue Contribution 9M2017



■ Construction ■ Property ■ Hospitality

Chart: NRCA's New Contract YoY

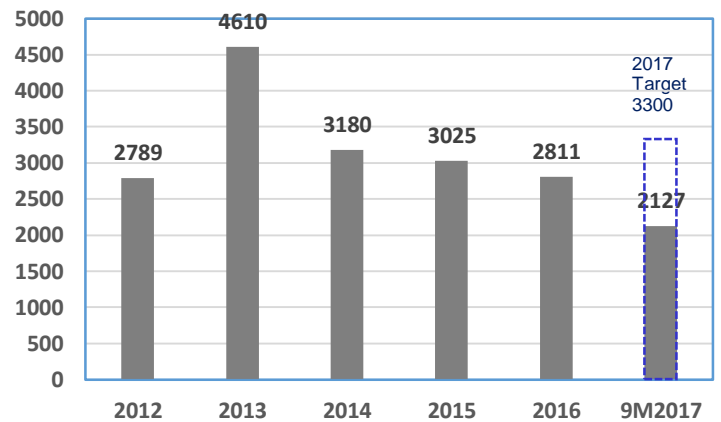


Table: Income Statement YoY

Income Statement (IDR Mn)	2014A	2015A	2016A	2017F	2018F	2019F
Net Revenues	4,464,400	4,868,183	3,796,952	3,672,819	4,000,848	4,070,766
Cost of Revenues	(3,410,160)	(3,689,000)	(2,728,012)	(2,681,158)	(2,892,613)	(2,943,164)
Gross Profit	1,054,240	1,179,183	1,068,940	991,661	1,108,235	1,127,602
Operating Expenses	(478,859)	(531,414)	(627,972)	1,163,639	(440,093)	(407,077)
Operating Income	575,381	647,769	440,968	2,155,300	668,142	720,526
Other Income	96,048	(255,229)	(347,735)	(477,466)	(360,076)	(366,369)
Income Before Tax	671,429	392,540	93,233	1,677,834	308,065	354,157
Tax Expense	(157,798)	(9,061)	7,612	(550,923)	(120,025)	(122,123)
Inc. Before Min. Interest	513,631	383,479	100,845	1,126,911	188,040	232,034
Minority Interest	(98,448)	(80,719)	(38,389)	(56,346)	(9,402)	(11,602)
Net Income	415,183	302,760	62,456	1,070,565	178,638	220,432
EPS	88	64	13	228	38	47
EBITDA	1,905,296	641,892	416,196	1,465,206	588,774	595,016

Table: Balance Sheet In IDR Million YoY

Balance Sheet (in IDR. Mn)	2014A	2015A	2016A	2017F	2018F	2019F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	1,172,701	923,632	1,519,976	1,194,658	2,763,717	2,378,855
Trade Accounts Receivable	677,313	421,218	284,046	1,013,791	502,607	610,615
Retention Receivables	42,224	217,266	240,506	220,369	240,051	244,246
Inventories	350,778	475,737	391,697	550,923	600,127	610,615
Others Current Assets	657,920	861,918	944,453	2,558,917	658,917	558,917
Total Current Assets	2,900,936	2,899,771	3,380,678	5,538,658	4,765,419	4,403,248
NONCURRENT ASSETS						
Fixed Assets	2,024,373	1,129,632	1,182,205	1,469,128	1,800,382	2,135,383
Other Noncurrent Assets	1,067,983	2,434,520	2,632,564	2,387,332	2,600,551	2,808,829
Total Noncurrent Assets	3,092,356	3,564,152	3,814,769	3,856,460	4,400,933	4,944,212
TOTAL ASSETS	5,993,292	6,463,923	7,195,447	9,395,117	9,166,352	9,347,460
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	396,790	200,000	0	309,135	659,135	500,000
Trade Account Payable	356,251	615,309	745,053	587,651	600,127	814,153
Bonds Payable			548,883	500,000	0	0
Others Current Liabilities	974,053	1,041,487	602,417	1,469,128	1,600,339	1,628,306
Total Current Liabilities	1,727,094	1,856,796	1,896,353	2,865,914	2,859,601	2,942,460
NONCURRENT LIABILITIES						
Long-term bank	485,052	499,425	815,151	882,610	759,080	701,550
Bond Payable	546,203	547,543	889,162	900,000	900,000	900,000
Others Noncurrent Liabilities	226,223	222,159	241,954	293,826	320,068	284,954
Total Noncurrent Liabilities	1,257,478	1,269,127	1,946,267	2,076,435	1,979,148	1,886,503
TOTAL LIABILITIES	2,984,572	3,125,923	3,842,620	4,942,349	4,838,749	4,828,963
Non-controlling interest	384,657	429,559	440,907	550,923	354,175	360,365
EQUITY	2,624,063	2,908,441	2,911,919	3,901,845	3,973,426	4,158,131
TOTAL LIABILITIES & EQUITY	5,993,292	6,463,923	7,195,446	9,395,116	9,166,351	9,347,459

Table: Cash Flow In IDR Million YoY

Cash Flow (In IDR Mn)	2014A	2015A	2016A	2017F	2018F	2019F
Net Income	415,183	302,760	62,456	1,070,565	178,638	220,432
Depreciation	92,891	118,720	134,591	89,905	105,142	112,549
Change in WC	171,246	(118,202)	154,994	(1,513,737)	2,335,986	60,167
Cash From Operating Activities	679,321	303,278	352,041	(353,267)	2,619,766	393,148
Non-current Assets	(1,089,361)	(590,516)	(385,208)	(131,596)	(649,615)	(655,828)
Cash From Investing Activities	(1,089,361)	(590,516)	(385,208)	(131,596)	(649,615)	(655,828)
Long-term Bank	(19,972)	14,373	315,726	67,459	(123,530)	(57,530)
Bonds Payable	(147,544)	1,340	341,619	10,838	0	0
Others Noncurrent Liabilities	76,078	(4,064)	19,795	51,872	26,242	(35,114)
Equity	(18,236)	26,520	(47,630)	29,377	(303,804)	(29,538)
Cash From Financing Activities	(109,674)	38,169	629,510	159,545	(401,092)	(122,182)
Net Changes in Cash	(519,715)	(249,069)	596,343	(325,318)	1,569,059	(384,862)
Beginning Balance	1,692,417	1,172,701	923,632	1,519,976	1,194,658	2,763,717
Ending Balance	1,172,702	923,632	1,519,975	1,194,658	2,763,717	2,378,855

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017F	2018F	2019F
Sales	-2.6%	9.0%	-22.0%	-3.3%	8.9%	1.7%
OP	-40.9%	12.6%	-31.9%	388.8%	-69.0%	7.8%
EBITDA	99.0%	-66.3%	-35.2%	252.0%	-59.8%	1.1%
NP	-39.9%	-27.1%	-79.4%	1614.1%	-83.3%	23.4%
EPS	-39.9%	-27.1%	-79.4%	1614.1%	-83.3%	23.4%
Profitability (%)						
Operating Margin	12.9%	13.3%	11.6%	58.7%	16.7%	17.7%
EBITDA margin	42.7%	13.2%	11.0%	39.9%	14.7%	14.6%
NET Profit margin	9.3%	6.2%	1.6%	29.1%	4.5%	5.4%
ROA	6.9%	4.7%	0.9%	11.4%	1.9%	2.4%
ROE	15.8%	10.4%	2.1%	27.4%	4.5%	5.3%
Stability						
Total debt/ Total equity (x)	0.17	0.42	0.33	0.38	0.33	0.29
Int. Coverage (x)	0.52	2.81	0.52	6.75	1.04	1.41
int. & ST debt coverage (x)	3.70	0.29	0.46	0.45	0.49	0.41
Current Ratio (X)	1.68	1.56	1.78	1.93	1.67	1.50
Per Share data (IDR)						
EPS	88	64	13	228	38	47
BVPS	558	618	619	829	844	884
Ebitda/share	405	136	88	311	125	126

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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