



Mandiri Sekuritas Analyst

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Sector : Property

BUY (from sell)

Current Price	Rp151
Target Price	Rp210 (+39.1%)
	Prev.TP: Rp80
52-wk range	Rp294 - Rp87

Stock Data

Bloomberg Code	ASRI IJ
Mkt.Cap (Rp bn/US\$ mn)	2,967 / 202
Issued Shares (mn)	19,649
Avg. Daily T/O (Rp bn/US\$ mn)	12.9/0.9

Major shareholder

PT Tangerang Fajar Industrial Estate	25.2%
PT Manunggal Prime Development	21.3%

EPS consensus

	Mansek	Cons	Diff
2020F	2.1	8.4	(74.8)
2021F	34.7	27.6	25.8
2022F	41.8	24.7	69.4

Share price performance

	3m	6m	12m
Absolute (%)	17.1	37.3	(47.2)
Relative to JCI (%)	17.4	25.8	(29.0)



Upgrading as Liquidity Risks Ease

We upgrade ASRI as the company is on track to seeing its liquidity risks dissipating with its bond exchange close to meeting its target for roll-overs to 2024-2025. Our prior call had reflected such liquidity risks. We now revert to DCF-based SOTP NAV in our PT derivation for ASRI from a qualitative approach previously to reflect heightened repayment risks. ASRI is now a Buy.

Repayment obligations effectively deferred. As outlined in prior notes, ASRI is on track to achieving its target of seeing rollover of bond maturities to 2024-2025 from current due dates in 2021-2022. Bondholders will receive benefits such as step-up coupons and partial asset securitization. On aggregate, ASRI has achieved 85.3% of approval from holders of both bonds, hence despite falling slightly short of its target on its 2021 bonds, should be on track to fully easing its repayment risks in the near term.

Presales beat despite mixed project performance. ASRI has achieved IDR 1.9tn in 9M20 presales, 77% of its revised IDR 2.5tn FY target (previously IDR 4tn). It should be on track to reach its target, despite having seen mixed project performance with a pipeline weaker than peers'. Booking orders at a new apartment scheduled for launch this weekend is low, likely due to the high ASPs starting at IDR

2bn/unit. Further ahead, a relatively more affordable landed housing cluster in Suvarna Sutera should better help propel presales performance. Sales of unsold stock along with further progress of its contracted bulk land sales should provide further support. We revise upward our presales forecast slightly to IDR 2.7tn (from IDR 2.1tn).

Upgrade to Buy. We upgrade to Buy as we revert our PT derivation back to SOTP NAV, based on DCF for its land banks, high-rise projects and investment properties, from previously qualitative discounting due to repayment risks. Our DCF analysis assumes 6.7% rf rate and 11.2% WACC. ASRI is now a Buy at our IDR 210 PT, which translates to 87% discount to NAV. On earnings, we expect ASRI to post strong revenue growth in 2021F as its Lloyd apartment project sees hand over, while easing forex losses should lead to substantial PATMI growth.

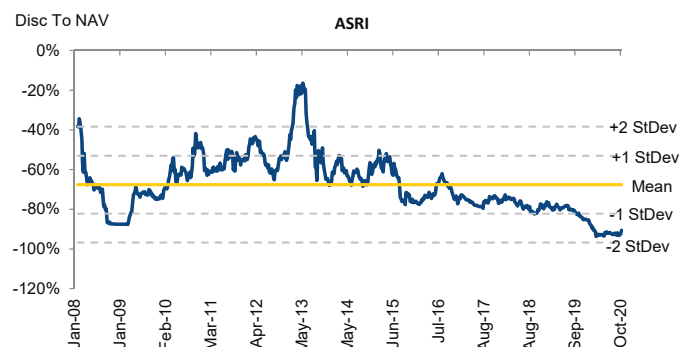
FINANCIAL SUMMARY

YE Dec (Rp Bn)	2018A	2019A	2020F	2021F	2022F
EBITDA	2,065	1,795	1,043	1,387	1,424
Net Profit	970	1,012	42	683	821
Fully-diluted EPS	49	51	2	35	42
Fully-diluted EPS growth (%)	(29.7)	4.2	(95.9)	1,534.2	20.3
P/E Ratio (x)	3.1	2.9	71.0	4.3	3.6
EV/EBITDA (x)	5.0	5.4	9.7	7.0	6.4
P/B Ratio (x)	0.3	0.3	0.3	0.3	0.2
Dividend Yield (%)	0.0	1.3	1.3	1.3	1.3
ROAE (%)	10.8	10.2	0.4	6.3	7.1

Source: Company (2018-2019), Mandiri Sekuritas (2020-2022)

ASRI - At a Glance

FIGURE 1. NAV BAND



Source: Company, Mandiri Sekuritas estimates

FIGURE 2. PBV BAND



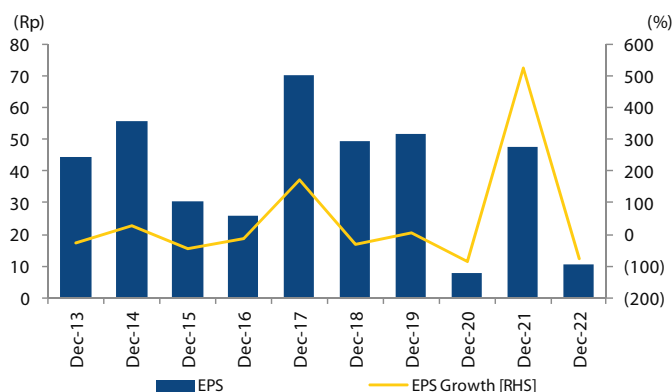
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. NAV BREAKDOWN

Alam Sutera Realty Net asset valuation	Landbank (ha)		ASP (IDRmn)	Value (IDRbn)
	Gross	Net	Net	
Serpong, Tangerang	122	73	11.5	8,183
Pasar Kemis, Tangerang	1,615	969	2.6	24,564
North Serpong, Tangerang	272			5,304
Others	248			1,487
Total	2,257	1,042		39,538
Discount to land bank value NAV - land banks				70% 11,750
Highrise & Investment properties				1,516
Total value				13,265
Net Debt				(6,688)
Less Advance from customers				(2,528)
Appraised value				4,049
No of shares (mn shares)				19,649
Adj NAV/share				210

Source: Company, Mandiri Sekuritas estimates

FIGURE 4. EPS GROWTH TREND



Source: Company, Mandiri Sekuritas estimates

FIGURE 5. EARNINGS CHANGES

Earnings changes (IDRbn)	2020F			2021F		
	Old	New	% change	Old	New	% change
Pes sales	2,109	2,674	26.8%	2,336	2,926	25.3%
Revenue	3,169	2,651	-16.3%	3,876	3,448	-11.1%
Gross Profit	1,751	1,342	-23.4%	2,045	1,710	-16.4%
EBITDA	1,443	1,043	-27.7%	1,723	1,387	-19.5%
Net Profit	150	42	-72.2%	922	683	-25.9%

Source: Company, Mandiri Sekuritas estimates

Bond exchange offer on track. As outlined in prior reports ([here](https://www.mandirisekuritas.co.id/r/yGxq?c=rsch): <https://www.mandirisekuritas.co.id/r/yGxq?c=rsch> and [here](https://www.mandirisekuritas.co.id/r/XQGc?c=rsch): <https://www.mandirisekuritas.co.id/r/XQGc?c=rsch>) ASRI began offering its bond exchange programme in late Sep-20, offering existing bondholders a swap to new bonds which it will issue, expiring in 2024-2025, effectively extending its repayments due in 2021-2022 by 3-4 years. Step-up of terms apply, as per Figure 6 below, along with asset securitization, albeit to the tune of just 65% of outstanding principal. The company has set a target of 85% approval from each bond, with the 15% balance being its targeted repayment portion over 2021-2022, rather than a regulatory minimum. Despite having been downgraded by the prime credit rating agencies, more recently by Fitch Ratings and Moody's having placed ASRI at default level rating at C and Caa1 respectively (S&P still places it a notch higher at CC, the lowest credit rating for companies prior to beginning default-like procedures), ASRI seems to have obtained sufficient traction in its exchange offer.

While the company is currently extending the offer deadline to 26th October as it attempts to increase participation from 2021 bondholders, note that the balance is inconsequential at just US\$ 7.8mn above its US\$ 17.3mn repayment target. Further, the aggregate of approvals from both bonds combined totals US\$413.8mn, 85.3% of the total outstanding principals of both bonds of US\$ 485mn, and additionally, higher-than-targeted approvals from its 2022 bonds provides a buffer of US\$ 9.3mn. Even if the company fails to increase approvals from 2021 bondholders, we think the shortfall should be immaterial and should not impede the company's roll-over offer, i.e. that the company should be able to gather the funds to repay non-participating bondholders in 2021 as well as 2022.

FIGURE 6. BOND TERMS – OLD VS NEW

	Existing	New	Acceptance per 13 Oct early exchange deadline	Acceptance per 20 October deadline
US\$ 115mn Global Bond V				
Coupon	11.50%	Year 1: 6% Year 3 onward: 11% Year 2: 8%	US\$ 85.5mn, 74% of total outstanding principal Target: US\$ 97.8mn, 85% of total outstanding principal	US\$ 90mn, 78% of total outstanding Target: US\$ 97.8mn, 85% of total outstanding principal
Maturity	Apr-21	Mar-24		
US\$ 370mn Global Bond IV				
Coupon	6.63%	Year 1: 6.25% Year 2: 8.25% Year 3: 11% Year 4 onward: 12%	US\$ 319.5mn, 86% of total outstanding Target: US\$314.5mn, 85% of total outstanding principal	US\$ 323.8mn, 87% of total outstanding Target: US\$314.5mn, 85% of total outstanding principal
Maturity	Apr-22	Sep-25		
Security	N/a	Land and building of Mall Alam Sutera 13ha commercial land in Alam Sutera First rights to payment in the event of sales of The Tower office building (2024 notes only) and above collateralised assets		

Source: Company

FIGURE 7. ASRI'S PRESENT CREDIT RATINGS

Company	S&P	Moody's	Fitch	Pefindo
ASRI	CC/Negative	Caa1/Negative	C	-

Source: Credit rating agencies

Mixed performance at projects. The company's project launches since the start of the year have generally seen mixed performance commercial launches being well-received while residential projects saw a wider range. 2Q20 saw the launches of Weston Lane and Elevee shop houses at Alam Sutera to 100% take-up, underscoring the appeal of commercial properties in the township. Residential launches prior to the pandemic had also done reasonably well, however following that performance has declined, partly due to the higher unit prices.

Additional presales is support will likely come from the Elevee apartment project being planned for launch on 24th October, although thus far it has seen less-than-stellar booking orders at just 200 bookings out of 500 units being offered. Assuming standard 50% rule of thumb actualization rate, the bookings would translate to just 100 unit sales, some 20% take-up, an asymmetrical performance relative to the project's shop houses. Present timing might not prove the most conducive for offering high-end high-rise units, which is currently being avoided by other developers. On the flipside, a more affordable cluster in Suvarna Sutera is planned for launch in Nov-20, which should be more effective in boosting 2020 presales.

Nonetheless, we think ASRI should comfortably reach its IDR 2.5tn presales target, -20% yoy, which would lag the performance of larger developers this year, which would be reflected in its relative valuation.

FIGURE 8. PRESALES PROGRESS VS TARGET

Presales (IDRbn)	9M19	2019	9M20	YOY	2020 Company	Progress %	2020 Mansek	Progress %	YTD Bulk sales
CTRA	4,150	6,131	3,768	-9.2%	4,500	84%	4,994	75%	
BSDE	5,264	6,480	4,710	-10.5%	7,200	65%	5,270	89%	377
PWON	1,022	1,503	725	-29.1%	1,000	73%	1,302	56%	
SMRA	3,353	4,132	2,014	-39.9%	2,500	81%	3,232	62%	
ASRI	1,815	3,112	1,920	5.8%	2,500	77%	2,674	72%	200
JRPT	1,600	2,063	1,220	-23.8%	2,166	56%	1,614	76%	
LPKR	1,139	1,846	2,276	99.8%	2,500	91%	1,199	190%	
Total Presales	17,204	37,879	16,633	-3.3%	22,366	74%	20,285	82%	

Source: Company, Mandiri Sekuritas estimates

FIGURE 9. NEW LAUNCHES TAKE-UP RATES

Company	Project	Take-up	ASP (IDRmn)	Units offered
Mar				
ASRI	Dakota Suvarna Sutera	94%	1,400-1,900	67
Apr-Jun				
ASRI	Weston Lane shophouses	100%	8,000-10,000	21
ASRI	Elevee shophouses	100.0%	4,000-6,000	43
ASRI	Alam extension	48.0%	2,000	75
Jul				
ASRI	Sutera Winona	20%	2,600	150
Oct				
ASRI	Elevee Penthouse		2,000-5,000	500

Source: Company, Mandiri Sekuritas estimates

Upgrading on easing repayment risks. With the company's liquidity risks abating, we upgrade ASRI to Buy. We had previously placed ASRI on Sell in light of such risks, based on 95% discount to NAV, -2 standard deviations below 8-year mean. As such risks dissipate, we revert to our formula incorporating discounted cash flows over the life of the company's land banks, as well as high-rise projects and investment properties. We assume 11.2% WACC at 6.7% risk-free rate and 11% cost of debt. Our new PT of IDR 210/share would translate to 87% discount to NAV, -1.3 standard deviations below its 8-year mean, and some 14% below the current market cap-weighted NAV discount of sector leaders PWON, BSDE, CTRA and SMRA. ASRI is now a Buy. ASRI currently trades at 90.6% discount to NAV, 1.6 standard deviations below 8-year mean (Figure 1).

On presales, we revise upwards slightly to IDR 2.7tn from IDR 2.1tn for 2020, based on the company's 9M20 performance and its launch pipeline. Our presales forecast also includes IDR 350bn in land sales to CFLD, of which IDR 201bn had taken place in Jan-20. Given slower traction in recent years over such land sales despite being contracted, we expect just IDR 500bn annually over 2021-2022, beyond the contracted 2021 maximum. Our 2021-2022F presales expectations assume 9% yoy growth.

We also fine-tune our revenue and earnings forecasts downwards assuming some lengthening in handovers, hence lowering revenue recognition in 2020-2021F, as well as assuming lower blended margins amid the pandemic which impacts mostly its investment property business lines. On top of substantial forex losses in 2020F, this would lead to non-meaningful PATMI this year. However, we still expect strong recovery in 2021F as ASRI's Lloyd low-rise apartment project, launched in 2017-2018, enters the handover stage, while forex pressure should also ease in 2021. Further, lower interest costs in light of the debt restructuring would lead to 4% CAGR in lower interest expenses until 2022F.

Alam Sutera Realty

Profit & Loss					
YE Dec (Rp Bn)	2018A	2019A	2020F	2021F	2022F
Revenue	3,975	3,476	2,651	3,448	3,314
Gross Profit	2,444	2,197	1,342	1,710	1,765
Oper. Profit	1,978	1,692	942	1,286	1,322
EBITDA	2,065	1,795	1,043	1,387	1,424
Net Interest	(423)	(566)	(404)	(365)	(334)
Interest Expense	(442)	(595)	(458)	(418)	(386)
Interest Income	19	29	55	53	52
Forex Losses/Gains	(317)	210	(409)	41	116
Net Other	(83)	(132)	0	(132)	(132)
Pre-Tax Profit	1,155	1,203	129	830	971
Income Tax	(184)	(190)	(87)	(146)	(149)
Others	0	0	0	0	0
Minority Interests	0	(1)	0	(1)	(1)
Net Profit	970	1,012	42	683	821

Cash Flow					
YE Dec (Rp Bn)	2018A	2019A	2020F	2021F	2022F
Operating Profit	1,978	1,692	942	1,286	1,322
Net Interest	(423)	(566)	(404)	(365)	(334)
Depr & Amort	86	103	101	102	103
Other expenses/income	(83)	(132)	0	0	(132)
Other Gain / Loss	317	(210)	409	(41)	(116)
Tax	(184)	(190)	(87)	(146)	(149)
Chg in Working Capital	(636)	(45)	58	(142)	78
Other Oper. Cash Flow	(483)	(17)	(575)	16	56
Oper. Cash Flow	572	635	445	576	827
Capital Expenditure	(628)	(221)	(347)	(263)	(270)
FCF (OPCF after Capex)	(56)	414	97	313	558
Other Investing CF	0	0	0	0	0
CF From Investing	(628)	(221)	(347)	(263)	(270)
Net Chg in Debts	105	127	115	(124)	(871)
Equity Funds Raised	0	0	0	0	0
Dividend	0	(39)	(39)	(39)	(39)
Other Financing CF	8	39	0	1	1
CF From Financing	114	126	75	(163)	(909)
Non-Recur. Inc (Exp)	(317)	210	(409)	41	116
Extraord. Inc(Exp)	0	0	0	0	0
Net Change in Cash	(259)	750	(237)	192	(236)
Cash at beginning	718	459	1,209	972	1,163
Cash at End	459	1,209	972	1,163	928

Valuation					
YE Dec	2018A	2019A	2020F	2021F	2022F
PER (x)	3.1	2.9	71.0	4.3	3.6
EV/EBITDA (x)	5.0	5.4	9.7	7.0	6.4
P/BV (x)	0.3	0.3	0.3	0.3	0.2
P/CF (x)	5.2	4.7	6.7	5.1	3.6
Dividend Yield (%)	0.0	1.3	1.3	1.3	1.3

Balance Sheet					
YE Dec (Rp Bn)	2018A	2019A	2020F	2021F	2022F
Cash & ST Investment	459	1,209	972	1,163	928
Acct. Receivable	212	82	145	189	182
Inventory	5,315	5,590	5,911	5,955	6,126
Others	365	836	886	940	999
Current Assets	6,350	7,717	7,913	8,248	8,235
Investments	805	324	324	324	324
Fixed Assets	2,372	2,364	2,391	2,329	2,268
Others	14,227	14,447	14,794	15,058	15,327
Total Assets	20,891	21,894	22,338	22,834	22,988
Curr. Liabilities	1,464	1,421	1,498	1,496	1,425
Acct. Payable	226	222	147	195	174
ST Borrowings	425	247	400	350	300
Others	813	951	951	951	951
Long-Term Liabilities					
Long-Term Payable	7,309	7,614	7,576	7,501	6,680
Others	2,567	2,297	2,699	2,627	2,891
Total Liabilities	11,340	11,332	11,773	11,625	10,996
Shareholder's Equity	9,551	10,562	10,565	11,209	11,992

Key Ratios					
YE Dec	2018A	2019A	2020F	2021F	2022F
Growth (% YoY)					
Sales	1.5	(12.6)	(23.7)	30.0	(3.9)
EBIT	(0.4)	(14.5)	(44.3)	36.5	2.8
EBITDA	(0.2)	(13.1)	(41.9)	33.0	2.7
Net Profit	(29.7)	4.2	(95.9)	1,534.2	20.3
Profitability (%)					
Gross Profit Margin	61.5	63.2	50.6	49.6	53.2
Oper. Margin	49.8	48.7	35.5	37.3	39.9
EBITDA Margin	51.9	51.6	39.3	40.2	43.0
Net Margin	24.4	29.1	1.6	19.8	24.8
ROAA	4.7	4.7	0.2	3.0	3.6
ROAE	10.8	10.2	0.4	6.3	7.1
Leverage					
Net Debt / Equity (%)	76.2	63.0	66.3	59.7	50.5
EBITDA/Gross Int. (x)	4.7	3.0	2.3	3.3	3.7
Per Share Data (Rp)					
EPS	49	51	2	35	42
CFPS	29	32	23	29	42
BVPS	481	532	532	565	605
DPS	0.0	2.0	2.0	2.0	2.0

Source: Company, Mandiri Sekuritas estimates

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INVESTMENT RATINGS: Indicators of expected total return (price appreciation plus dividend yield) within the 12-month period from the date of the last published report, are: Buy (15% or higher), Neutral (-15% to 15%) and Sell (-15% or lower).

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