

15 May 2023

Property | Real Estate

Surya Semesta (SSIA IJ)

Too Cheap To Ignore; Keep BUY

Buy (Maintained)

Target Price (Return): IDR680 (60.5%)
Price (Market Cap): IDR430 (USD137m)
ESG score: 2.90 (out of 4)
Avg Daily Turnover (IDR/USD) 10,627m/0.70m

- **Keep BUY with new TP of IDR680 from IDR450, 60% upside.** Our new TP incorporates Surya Semesta's latest c.1,500ha land acquisition in Subang, with 75% discount to NAV at mean level. The company's current market cap is at IDR2trn, while its industrial book value is IDR3trn (valued at c.220k per sq m). Its hospitality segment has also shown meaningful recovery as occupancy rate rose to >50% for most hotel assets. SSIA plans to increase average room rate in 2023, which will support hotel revenue 17.6% amidst the COVID-19 endemic transition.
- **Subang acquisition cost 50% above current market cap.** As of March, SSIA has acquired c.1,500ha of land in Subang area – with total book value of IDR3trn (including Karawang), 50% above the current IDR2trn market cap. It estimates the development cost as between USD30-35 per sq m, while the latest sale in Subang was priced USD125 per sq m (for 2ha). Our TP revision considers SSIA's latest landbank on Subang Smartpolitan.
- **Hotel segment recovery.** After the occupancy rate bottomed in 2020-21, we have seen improvement across SSIA hotels (Melia Bali: 57%, Grand Melia: 46%, BATIQA: 61%, and Jumana Bali: 15%) – FY22 hospitality revenue rose 211% to IDR595bn. Transitioning to the COVID-19 endemic period, the company plans to increase the average room rate as occupancy improves. It guided hotel revenue to grow 17.6% in 2023, and margin has recovered to pre-pandemic levels of above 60%.
- **Patimban toll development to drive Subang demand.** The announcement of Patimban toll road development has boosted inquiries in Subang Smartpolitan – causing SSIA's share price to rally since the beginning of the year. During our latest conversation, the company has received total inquiries for 400ha in Subang – the majority from electric vehicles and battery-related industries. It is worthy to note that Subang is the closest industrial land to Patimban Port – expected to be Indonesian exports' main hub. The new toll road access would significantly reduce the travel time from Subang to the port, making it efficient for goods transport.
- **Forecast revision.** We raise our FY23 earnings forecast 28% – driven by the hotel and construction segments, as hotel occupancy recovery is better-than-expected, and the construction progress is also higher. Key risks to our call are slower FDI and also the execution risk on Subang Smartpolitan.
- **ESG framework update.** As there is now greater focus on the E pillar on critical climate change issues, we tweaked our ESG weightage. Henceforth, we assign a 50% weightage to the E pillar, followed by 25% each to the S and G pillars. See our [2 May thematic research](#) for more details.

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	56.9	15.0	10.3	46.3	15.0
Relative	59.0	16.4	12.8	51.7	13.4
52-wk Price low/high (IDR)				254 – 520	

Surya Semesta Internusa (SSIA IJ)



Source: Bloomberg

Overall ESG Score: 2.90 (out of 4)

E: GOOD

SSIA is involved in numerous programmes executed in various project sites. It is also involved in housing development and construction of sanitation facilities in rural areas, healthcare socialisation and assistance, environmental cleanliness (including beaches), and planting of trees. In 2021, the company, through its subsidiary, signed an agreement with a solar power developer to develop solar rooftop panels in their industrial estate in Karawang.

S: GOOD

On the educational front, SSIA facilitates various educational measures, both formal and non-formal, to provide benefits that will directly impact the surrounding communities as well as the children of its employees.

G: GOOD

SSIA is committed to implementing good corporate governance (GCG) consistently. Based on high standards of business conducts, it applies GCG principles to provide internal benefits in order to mitigate business risks and provide sustainable value as a necessity in improving the company's performance. Management and the investor relations team are very transparent and available for meeting arrangements.

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Forecasts and Valuation	Dec-20	Dec-21	Dec-22	Dec-23F	Dec-24F
Total turnover (IDRb)	2,947	2,353	3,615	3,636	3,983
Recurring net profit (IDRb)	(88)	(200)	176	408	675
Recurring net profit growth (%)	(194.8)	128.7	-	132.0	65.5
Recurring EPS (IDR)	(18.74)	(42.88)	37.65	87.33	144.56
DPS (IDR)	4.91	-	-	-	-
Recurring P/E (x)	na	na	11.42	4.92	2.97
P/B (x)	0.54	0.56	0.52	0.45	0.37
Dividend Yield (%)	1.1	na	na	na	na
Return on average equity (%)	(2.3)	(5.5)	4.7	9.8	13.7
Net debt to equity (%)	15.0	32.9	25.8	18.8	9.1

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-20	Dec-21	Dec-22	Dec-23F	Dec-24F
Indonesia	Recurring EPS	(18.74)	(42.88)	37.65	87.33	144.56
Property	EPS	(18.74)	(42.88)	37.65	87.33	144.56
Surya Semesta	DPS	4.91	-	-	-	-
SSIA IJ	BVPS	803.31	767.63	822.36	950.96	1,164.22
Buy	Return on average equity (%)	(2.3)	(5.5)	4.7	9.8	13.7
	Return on average assets (%)	(1.1)	(2.6)	2.2	4.7	7.1
Valuation basis	Valuation metrics	Dec-20	Dec-21	Dec-22	Dec-23F	Dec-24F
We derive our TP of IDR450 based on SOP, and applying a 69% discount to NAV. We used RNAV to value its remaining landbank, market value using the market cap of Nusa Raya Cipta (NRCA IJ, NR) for its construction business, and DCF (13% WACC, and 2% terminal growth rate) to value its hotel and recurring service & maintenance business	Recurring P/E (x)	na	na	11.42	4.92	2.97
	P/B (x)	0.5	0.6	0.5	0.5	0.4
	Dividend Yield (%)	1.1	-	-	-	-
	EV/EBITDA (x)	(0.60)	2.18	(0.08)	(0.48)	(1.03)
Key drivers	Income statement (IDRb)	Dec-20	Dec-21	Dec-22	Dec-23F	Dec-24F
i. Marketing sales recovery in Karawang and Subang;	Total turnover	2,947	2,353	3,615	3,636	3,983
ii. Recovery in the hospitality business;	Gross profit	635	517	918	1,202	1,613
iii. Supporting infrastructure development as a catalyst for Subang Industrial Park.	EBITDA	262	184	443	775	1,156
	Depreciation and amortisation	(141)	(123)	(105)	(172)	(200)
	Operating profit	121	61	338	603	957
	Net interest	(202)	(222)	(234)	(168)	(136)
	Pre-tax profit	(24)	(140)	306	705	1,120
	Taxation	(53)	(51)	(98)	(102)	(121)
	Reported net profit	(88)	(200)	176	408	675
	Recurring net profit	(88)	(200)	176	408	675
Key risks	Cash flow (IDRb)	Dec-20	Dec-21	Dec-22	Dec-23F	Dec-24F
i. Weakening FDI inflow due to macroeconomic uncertainty;	Change in working capital	403	(327)	256	(263)	(157)
ii. Infrastructure project delay in Subang;	Cash flow from operations	(2)	(168)	388	561	1,059
iii. Unfavourable regulatory change that impacts FDI;	Capex	(102)	(22)	51	(233)	(533)
	Cash flow from investing activities	(737)	(250)	(302)	(377)	(684)
	Cash flow from financing activities	63	348	269	61	64
	Cash at beginning of period	1,527	851	782	1,136	1,380
	Net change in cash	(676)	(69)	355	244	438
	Ending balance cash	851	782	1,136	1,380	1,818
Company Profile	Balance sheet (IDRb)	Dec-20	Dec-21	Dec-22	Dec-23F	Dec-24F
PT Surya Semesta Internusa and its subsidiaries develop and manage industrial and residential real estates, provide construction services, and manufacture building materials. The company also operates hotels and provides information technology-related businesses design to support its main businesses	Total cash and equivalents	851	782	1,136	1,380	1,818
	Tangible fixed assets	1,172	1,084	1,038	1,097	1,135
	Total investments	3,281	3,404	3,562	3,709	4,156
	Total other assets	163	256	364	350	353
	Total assets	7,620	7,752	8,290	8,991	10,108
	Short-term debt	246	69	248	248	248
	Total long-term debt	1,241	2,044	1,988	2,044	2,103
	Total liabilities	3,389	3,702	4,030	4,131	4,253
	Shareholders' equity	3,751	3,585	3,840	4,441	5,437
	Minority interests	480	466	419	419	419
	Total equity	4,231	4,051	4,259	4,860	5,856
	Total liabilities & equity	7,620	7,752	8,290	8,991	10,108
	Key metrics	Dec-20	Dec-21	Dec-22	Dec-23F	Dec-24F
	Revenue growth (%)	(26.4)	(20.2)	53.6	0.6	9.6
	Recurring net profit growth (%)	(194.8)	128.7	0.0	132.0	65.5
	Recurrent EPS growth (%)	(194.8)	128.7	0.0	132.0	65.5
	Gross margin (%)	21.6	22.0	25.4	33.1	40.5
	Recurring net profit margin (%)	(3.0)	(8.5)	4.9	11.2	16.9
	Dividend payout ratio (%)	(26.2)	0.0	0.0	0.0	0.0

Source: Company data, RHB

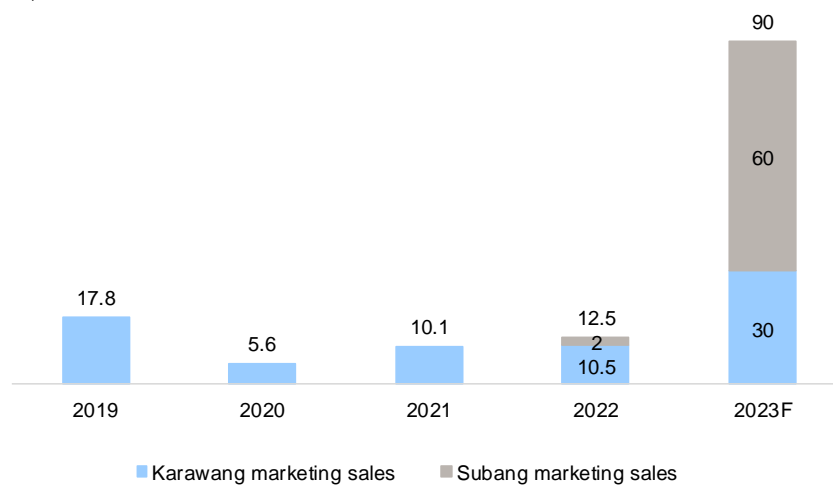
Figure 1: RNAV calculation

Business	Company market cap (IDRbn)	Effective ownership (%)	SSIA's value (IDRbn)
Industrial (NAV)	13,115	100%	13,115
Construction (Based on NRCA Market Cap)	799	63%	506
Hotel Melia (DCF, WACC 12.3%, TG 2%)	610	87%	530
Hotel Banyan (DCF, WACC 12.3%, TG 2%)	211	100%	211
Hotel Batiqa (DCF, WACC 12.3%, TG 2%)	145	100%	145
Service & maintenance (DCF, WACC 12.3%, TG 2%)	582	100%	582
Total NAV			15,090
+ Cash FY23F			1,139
- Debt			2,714
- Cash advances			346
SOTP (IDRbn)			13,169
Number of shares (bn)			4,705
RNAV per shares			2,799
Share price (IDR)			450
Discount to fair value			75%
TP in IDR (after ESG Discount)			680

Source: Company data, RHB

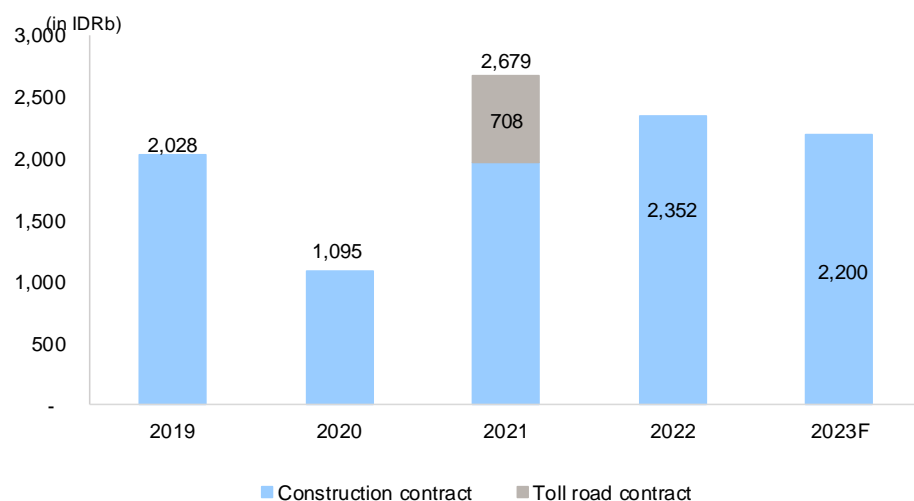
Figure 2: Target presales from Subang as Patimban toll road construction begins

(in ha)



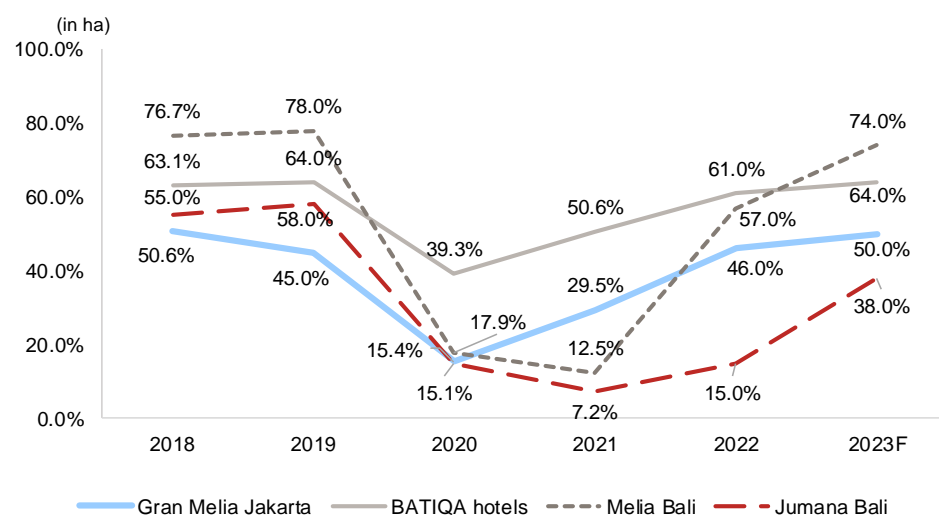
Source: Company data, RHB

Figure 3: Construction service new contracts



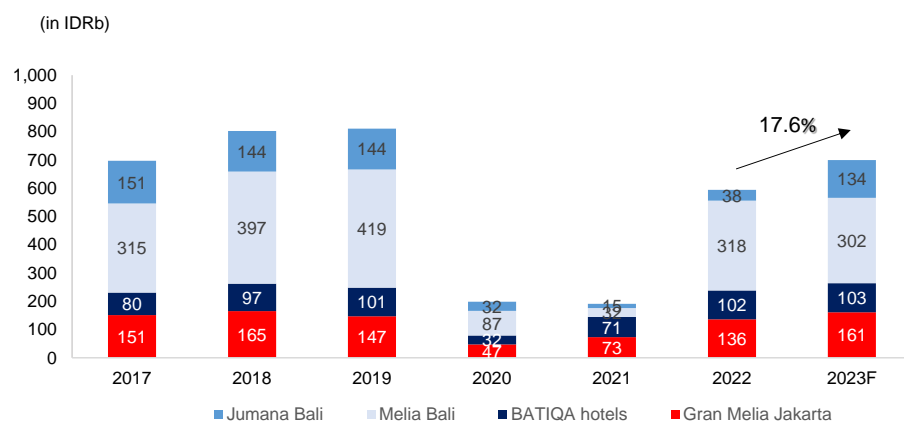
Source: Company data, RHB

Figure 4: Occupancy improvement ahead



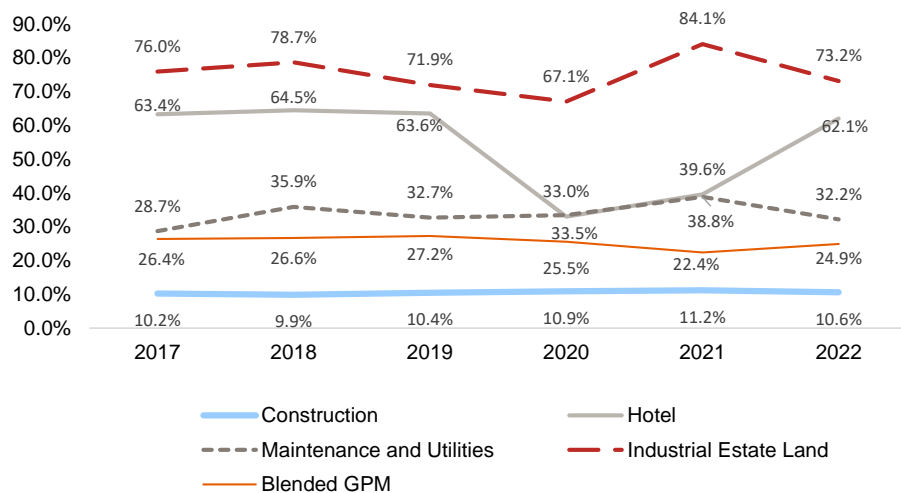
Source: Company data, RHB

Figure 5: Transition into endemic strengthen hotels revenue



Source: Company data, RHB

Figure 6: Margin improvement driven by hotels segment and industrial land



Source: Company data, RHB

Figure 7: Forecast revision

	New			Old			% change		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue (IDRbn)	3,636	3,983	5,239	3,515	3,746	N/A	3%	6%	N/A
Gross profit (IDRbn)	1,137	1,333	2,185	959	1,331	N/A	19%	0%	N/A
Operating profit (IDRbn)	538	676	1,322	389	724	N/A	38%	-7%	N/A
Net profit (IDRbn)	242	356	764	189	429	N/A	28%	-17%	N/A
EPS	52	76	164	40	92	N/A	28.20	-17.03	N/A
GPM (Δbps)	31.3%	33.5%	41.7%	27.3%	35.5%	N/A	14.61	-5.84	N/A
Operating margin (Δbps)	14.8%	17.0%	25.2%	11.1%	19.3%	N/A	33.49	-12.16	N/A
Net margin (Δbps)	6.7%	8.9%	14.6%	5.4%	11.5%	N/A	23.91	-21.97	N/A

	RHB			Cons			RHB vs cons		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue (IDRbn)	3,636	3,983	5,239	4,663	4,944	5,141	-22%	-19%	2%
Gross profit (IDRbn)	1,137	1,333	2,185	1,336	1,496	1,616	-15%	-11%	35%
Operating profit (IDRbn)	538	676	1,322	506	622	725	6%	9%	82%
Net profit (IDRbn)	242	356	764	153	229	296	58%	56%	158%
EPS	52	76	164	33	49	63	59%	56%	159%
GPM (Δbps)	31.3%	33.5%	41.7%	28.6%	30.3%	31.4%	9.16	10.55	32.68
Operating margin (Δbps)	14.8%	17.0%	25.2%	10.8%	12.6%	14.1%	36.41	35.06	78.84
Net margin (Δbps)	6.7%	8.9%	14.6%	3.3%	4.6%	5.8%	103.10	93.42	153.53

Source: Company data, RHB

Recommendation Chart

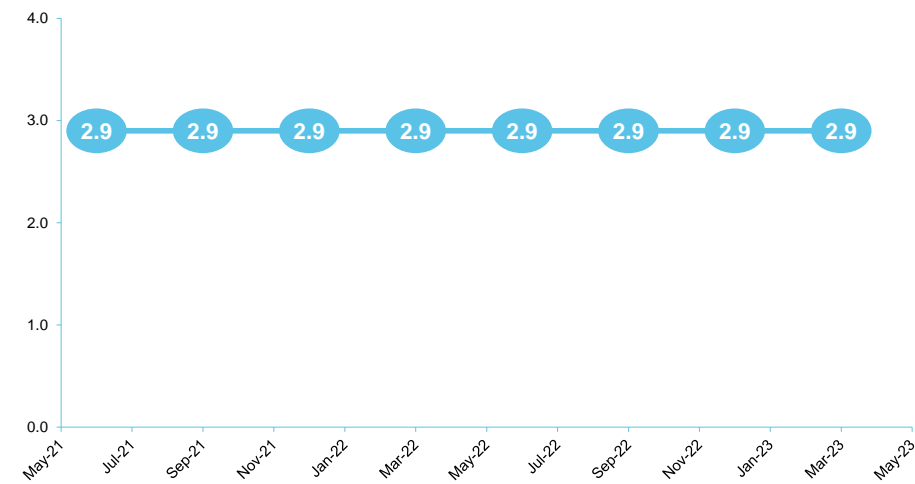


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-09-19	Buy	450	360
2022-04-27	Buy	450	386
2020-10-01	Buy	535	434
2020-06-18	Neutral	406	394
2020-05-06	Buy	406	282
2020-04-03	Neutral	406	372
2020-01-14	Buy	1,085	710
2019-10-30	Buy	1,085	785
2017-11-20	Buy	810	550

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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