

PT Saraswanti Indoland Development Tbk

IPO Summary

July 7, 2022

Ride the Next Wave of Growth

Company in brief. PT Saraswanti Indoland Development Tbk is a company engaged in the property and real estate business, especially in the development of High Rise Buildings, Apartments, Condo hotels (condotel), and Convention Halls. The Company has succeeded in developing a mixed-used flagship area located in the city of Yogyakarta, namely The Mataram City. In that area, there are two apartment towers, which is Sadewa, and Yudhistira. There's also Nakula towers that operated as a 4-star hotel managed by PT Archipelago International Indonesia namely The Alana Yogyakarta Hotel. The hotel also provides one conventional Hall namely Mataram City International Convention Center (MICC) which is the biggest grand ballroom in Yogyakarta and Central Java. Besides that, The Company also has The Graha Indoland as a 4-star hotel operated by PT SOL Melia Indonesia under the name Innside by Melia Yogyakarta. The hotel provides the best access to the city center (Malioboro) as well as to major tourist attractions such as Prambanan Temple, Borobudur Temple, beaches in Gunung Kidul, and near Adi Sucipto Airport.

The company's bottom line was still corrected. In FY21, the company reported revenue of IDR 127.28 billion, a 16.89% YoY decrease due to lower revenue from the sale of apartments and condotels of IDR 72.83 billion (-37.12% YoY). The company only sold 147 units in Yudhistira towers, compared to 234 units in FY20. Meanwhile, the company said that the remaining 92 units will be claimed as revenue in FY22 with an estimated value of around IDR 45.58 billion. Moreover, hotel services revenue has increased to IDR 54.45 billion (+45.92% YoY) supported by improvement in hotel operations mainly in 4Q21. In line with the lower top-line performance, the company's cost of revenue also decreased by 2.65% YoY, bringing the company's gross profit to IDR 64.69 billion (-27.19% YoY), or implied GPM at 50.8% (Vs 58% in FY20). Furthermore, the company's net profit contracted by 53.85% YoY to IDR 20.44 billion from the previous IDR 44.28 billion.

All proceeds from the issuance of shares will be used for working capital. In the initial public offering, the company issued 340 million ordinary shares, or 6.31% of the company's issued and paid-up capital. The company's share price is offered at IDR 180 - IDR 200 per share. Thus, the estimated funds raised are around IDR 61.2 - IDR 68.0 billion. The company will use all of the funds for working capital. The working capital is related to payments for maintenance costs for MICC and hotels, purchases of raw materials for food and beverages, purchases of hotel supplies, payments for labor and utilities, working capital for payments to suppliers and contractors for the construction of the Arjuna and Bima apartment projects and also for the development of the Banyu Bening project.

Industry Overview. In 2021, there were about 1.56 million international visitor arrivals in Indonesia, the number significantly decreased in comparison to the previous year before the pandemic in 2019 of 16.11 million due to the COVID-19 travel restrictions. Given that, the tourism and hospitality sectors are among the hardest hit by the pandemic as a result of lockdowns and mobility restrictions. Moving towards 2022, there was a lot of progress that has been made especially with the vaccination rate (dose 1 95.65%, dose 2:79.54%) in Indonesia which continue to increase and leads to the easing restrictions. The room occupancy rate for star hotels also started to show an increase in early 2022 even though it is yet to recover to 2019 levels. Currently, the government made the initial step in the transition to the endemic phase by lifting the mask-wearing mandate in open spaces that are not crowded with people. Aside from the mask-wearing mandate, the government has also lifted the obligation for fully vaccinated travelers, both domestic and international, to show a COVID-19 test result before traveling. Therefore, we see that the relaxation will be a fortune for hospitality sector which can boost the occupancy rate and increase hospitality performance.

IPO Structure

The number of shares offered	340,000,000
Nominal Value	IDR 20
Offering Price	IDR 180 - 200
Size IPO (IDR)	61.2bn - 68.0bn
Market Cap (IDR)	969.3bn - 1.08tn

Temporary Schedule

Book Building	17-23 June 2022
Effective	30 June 2022
Public and offering period	1-5 July 2022
Allotment	5 July 2022
Distribution	6 July 2022
Listing	7 July 2022

Management

President Commissioner	Noegroho Hari Hardono
Commissioner	Ir. Yahya Taufik
Independent Commissioner	Roosusetyo
President Director	Bogat Agus Riyono
Director of Finance	Gentina Ratna Octanti
Director of Operating	Yohanes Indro Laksono
Director of Marketing	Ratri Paramita
Director of Business Development	Agung Cucun Setiawan

Lead Underwriter

PT Shinhan Sekuritas Indonesia

Anissa Septiwijaya

+6221 80869900

Anissa.septiwijaya@shinhan.com

Hotel service is the main engine for the company's performance in FY22E. The room occupancy rate in Indonesia has shown an increase since 4Q21 and continues this year. According to the Central Statistics Agency (BPS) as of March 2022, the room occupancy rate in Indonesia reached 45.15%, compared to 36.07% in March 2021 due to the increase in people's mobility in all categories of places in Indonesia increased. Based on the google mobility index on 9 May 2022, the highest mobility trends came from places like national parks, public beaches, marinas, dog parks, plazas, and public gardens which increased by 85% compared to baseline (before the pandemic). Thus, with the positive data, we assess that the company's performance, especially in hotel service will gradually improve. The company has a recurring income from PT Alana Yogyakarta Hotel & Convention Center and Insside by Melia Yogyakarta which contributed 42.78% to the company's total revenue. Both of the hotels are four-star hotels with each room capacity of 264 rooms and 242 rooms. The room occupancy rate for Alana Hotel and Insside by Melia also showed an increase in FY21 to 49.70% and 30.12% respectively from 33.56% and 18.03% in FY20 and compared to the industry averages of 36.1%. In the Mataram City area, the company also has Mataram City International Convention Centre (MICC) as the main facility of Hotel Alana with a ballroom that has a maximum capacity of 3,000 people. MICC generated revenue of IDR 10.94 billion in FY21, or contributed 20.1% to company's hotel services revenue. Besides that, the company's hospitality GPM recorded a strong 64.34% level in FY21, while the property's GPM was only 40.73%. Going forward, we expect that the company's performance will be better due to the room occupancy rate in Indonesia will continue to improve following the decline in domestic Covid-19 cases, supported by the continued acceleration of vaccination in Indonesia. Therefore, the company targets the recurring income from the hotel service will be increased to around IDR 86.30 billion (+58.5% YoY) in FY22E.

The Alana Hotel Yogyakarta & Convention Center



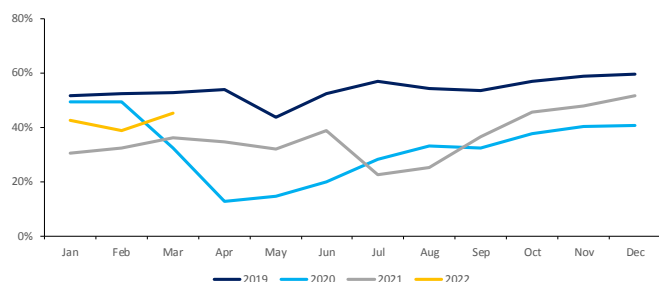
Source: Company prospectus

Insside by Melia Yogyakarta Hotel



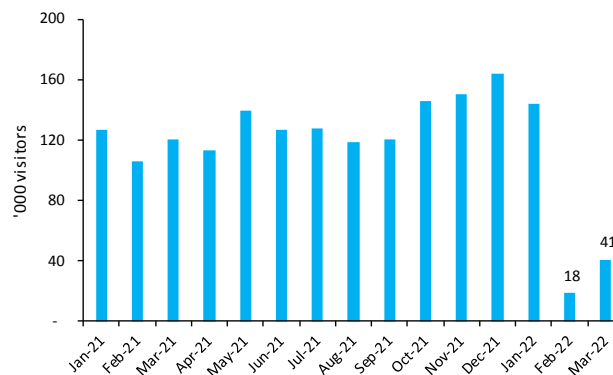
Source: Company prospectus

The occupancy's room in star-rated hotels



Source: BPS, Shinhan Sekuritas Indonesia

Foreign tourist arrivals in Indonesia



Source: BPS, Shinhan Sekuritas Indonesia

Mataram City Convention Centre (MICC) is the biggest grand ballroom in Yogyakarta and Central Java.

Source: Company prospectus

Easing restriction and the re-opening of tourism activities is a positive catalyst for the company. The successful vaccination rollout continues, with nearly 80% total population in Indonesia already received both doses. Combined with the covid-19 cases that have been steadily declining, it has encouraged the government to continue ease the mobility restriction, by allowing large-scale activities such as conferences, trade shows, sporting events, concert festivals, parties and major weddings. The existence of MICC, as the largest grand ballroom in Yogyakarta and Central Java in the company's portfolio, will be a good opportunity for the company to boost its revenue as the MICC has frequently rented for several events before the pandemic.

Comparison with competitor

No	Name	Ballroom		Meeting Venue	
		Amount	Maximum Capacity (Connected Rooms)	Amount	Maximum Capacity (Breakout Rooms)
1	MICC - Hotel Alana	3	3,000	8	220
2	The Rich Jogja Hotel	3	700	20	200
3	Hotel Tentrem Yogyakarta	3	1,250	10	300
4	EasParc Hotel Yogyakarta	1	800	21	400
5	Yogyakarta Marriott Hotel	3	500	8	28
6	Grand Mercure Yogyakarta Adi Sucipto	1	700	5	100
7	Indolux Hotel Jogjakarta	1	1,000	8	80

Source: Company prospectus

Preparing to build another tower in the Mataram City Area to complete its portfolio. Using the IPO funds, the company will build an apartment tower named Arjuna to complete its portfolio in the Mataram city area. The construction will begin in July 2022 and is targeted for completion in June 2025. This apartment is designed with premium quality but is still offered at a competitive price. Arjuna tower will be built on an area of 6,500 m² with a 19th floor and a total of 659 units, and also provide facilities which include a swimming pool, gym, jogging track, and adequate parking area. Afterward, the company will also develop Bima towers. As of Mei 2022, the company booked marketing sales of IDR 16 billion from the new project and achieved ~16% of IDR 100 billion guidance. This achievement was mainly supported by the company's reputation which successfully selling out of its apartments in the Sadewa and Yudhistira towers with a total of 293 apartment units and 473 units, respectively.

The type of apartments in Arjuna tower:

1. Studio : 34 m² (SGA)
2. BR : 51 m² (SGA) (1 BR Premium)
3. BR : 49 m² (SGA)

Apartment Design Plan



Source: Company Prospectus

Plan of Apartment Layout



Source: Company Prospectus

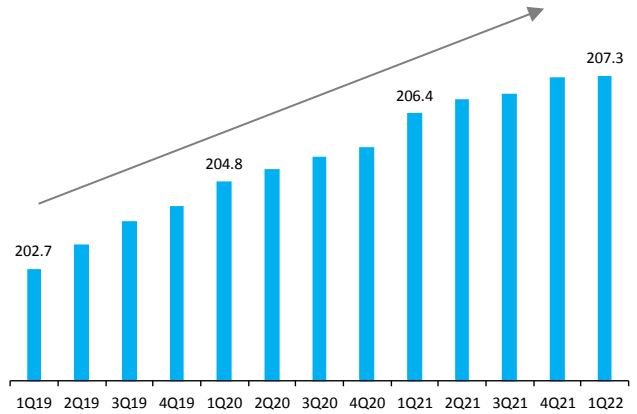
Planning to develop a landed house business. The company plans to add its business portfolio to encourage revenue in the future by developing a residential area of Banyu Bening – The Vila resort. This project will be built on land with a total area of 9,000 m², located at Jl. Jendral M Sarbini, which is the Ambarawa – Semarang ring road. There are expected 58 housing units in Banyu Bening with several types such as type 52, type 56, type 90, and type 103 with a land area around 84 m² – 152 m². Banyu Bening has also a quite strategic location with tourist objects such as Rawa Pening, Saloka, Bandungan, Dusun Sumilir, and others which can add value to the company. Meanwhile, based on data from the residential property price survey, the index for the survey at Semarang continue to show an increase since 2018, and for 4Q21, the residential property price index reached 207.30, from 4Q20 at 205.63. The figure reflects the value of property assets in the region is always recorded positive growth. In addition, the Government's policies in the property sector, such as zero percent down payments and the easing of VAT combined with transportation infrastructure projects will also boost housing demand. Therefore, the positive prospect of the property industry, combined with the strategic location project will be a positive catalyst for the company further.

Project Plan Location



Source: Company Prospectus

Residential Property Index in Semarang



Source: BPS, Shinhan Sekuritas Indonesia

Project Plan of Banyu Bening – The Vila Resort



Source: Company Prospectus

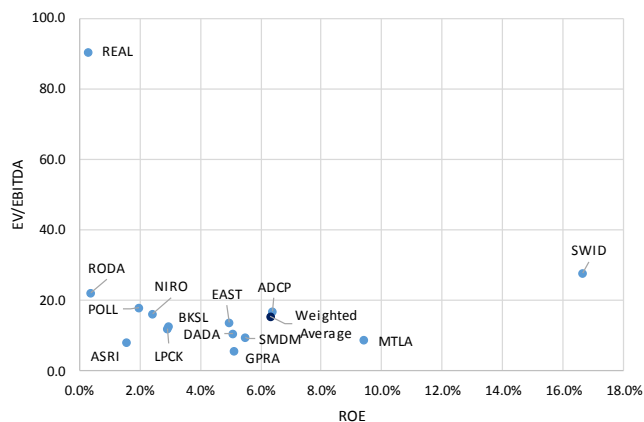
Structure of shareholders.

Description	Before IPO			After IPO		
	Rp20 par value per share			Rp20 par value per share		
	Number of shares	Total nominal value	(%)	Number of shares	Total nominal value	(%)
Authorized share capital	20,180,000,000	403,600,000,000		20,180,000,000	403,600,000,000	
Shareholders:						
1 SU	3,420,338,983	68,406,779,660	67.80	3,420,338,983	68,406,779,660	63.52
2 Bogat Agus Riyono	855,084,746	17,101,694,920	16.95	855,084,746	17,101,694,920	15.88
3 Umar Rahmadhani	222,322,034	4,446,440,680	4.41	222,322,034	4,446,440,680	4.13
4 Hari Gunawan Lianto	205,220,339	4,104,406,780	4.07	205,220,339	4,104,406,780	3.81
5 H. Ulya Abdillah	179,567,797	3,591,355,940	3.56	179,567,797	3,591,355,940	3.33
6 Nadia Citranti Andarini	162,466,101	3,249,322,020	3.22	162,466,101	3,249,322,020	3.02
7 Masyarakat				340,000,000	6,800,000,000	6.31
Number of Shares Issued and Fully Paid	5,045,000,000	100,900,000,000	100	5,385,000,000	107,700,000,000	100

Source: Company Prospectus

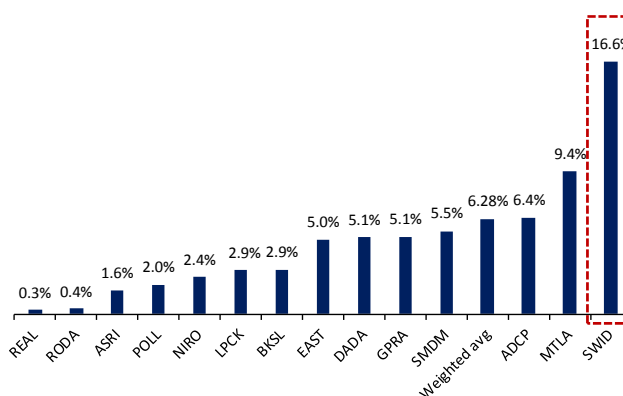
Valuation. Based on our calculation, The IPO price of IDR 180-200 reflects 25.11x – 27.72x EV/EBITDA in FY21, which is higher than the industry’s weighted average EV/EBITDA of 15.44x – 15.59x. The higher EV/EBITDA is justified by the company’s strong profitability, with an ROE of 16.6% in FY21, significantly higher than the industry weighted average ROE of 6.24% - 6.28%. Going forward, we expect the company to maintain its ROE at the high level on the back of a new revenue stream from Arjuna and Bima’s towers. Moreover, both towers are located in a strategic area potentially attracting a high demand for the apartment which has already been proven from the Sadewa and Yudisthira towers that have been sold out. Due to the implementation of PSAK 72 regarding revenue recognition, the company’s ROE will be around at 7.0% level in FY22E, which is still higher than the industry weighted average of 6.24%-6.28%.

Real estate developer valuation metrix (Using min.price)



Source: Companies, Shinhan Sekuritas Indonesia

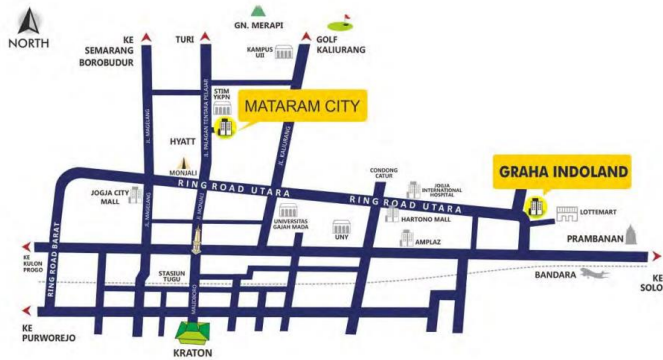
ROE comparison of real estate developer in FY21



Source: Companies, Shinhan Sekuritas Indonesia

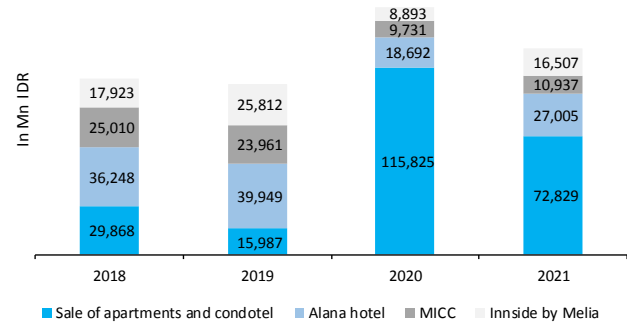
Risk. The economic condition is the key driver of the overall financial performance of the property industry as the economic growth will influence people purchasing power. Besides that, the company also is facing the risk of risking business competition. The intense competition, especially in terms of location, facilities, service, price, and quality pushes the company to increase its capital expenditures. Moreover, the tight competition also means the company will need higher marketing expenses, which is likely to put pressure on the profit margin.

Company Portfolio



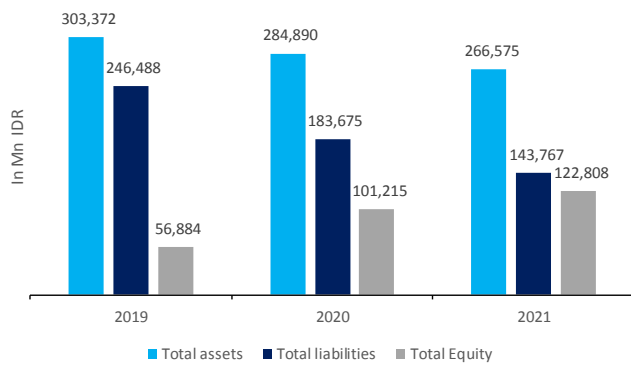
Source: Company Prospectus

Revenue Breakdown



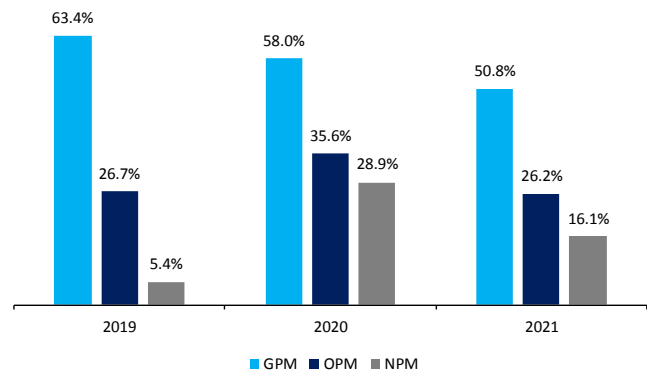
Source: Company, Shinhan Sekuritas Indonesia

Capital Structure



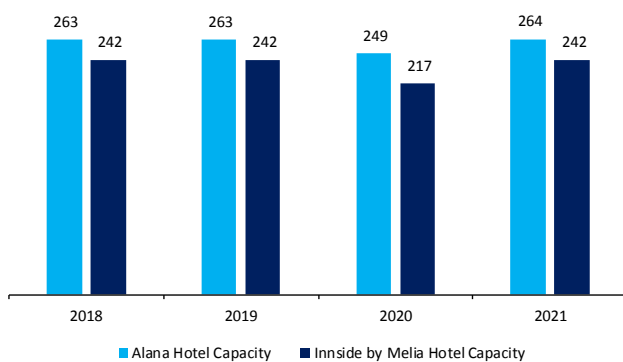
Source: Company, Shinhan Sekuritas Indonesia

Profitability Margin



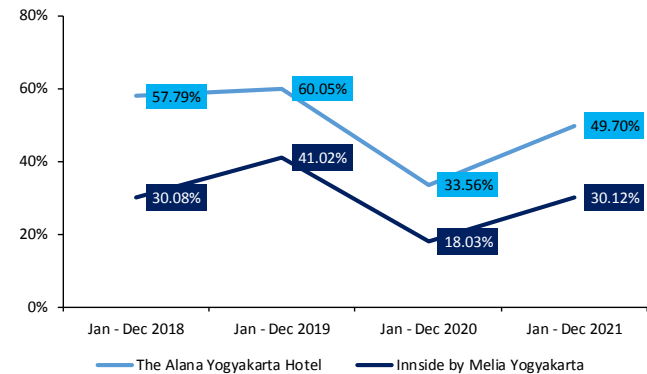
Source: Company, Shinhan Sekuritas Indonesia

Hotel Capacity



Source: Company, Shinhan Sekuritas Indonesia

The company's room occupancy rate



Source: Company, Shinhan Sekuritas Indonesia

Income Statement

Year-End 31 Dec (Mn IDR)	2019	2020	2021
Revenue	105,709	153,141	127,279
Cost of Revenue	(38,696)	(64,285)	(62,583)
Gross Profit	67,012	88,856	64,695
EBITDA	36,867	62,962	41,313
Operating Expenses	(38,813)	(34,326)	(31,328)
Operating Profit	28,199	54,530	33,367
Pre-Tax Profit	7,193	40,740	19,989
Income Tax Expenses	(1,510)	3,542	449
Net Profit	5,683	44,282	20,438
EPS (IDR)	1.13	8.78	4.05

Source: Company Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Mn IDR)	2019	2020	2021
Net Profit	5,683	44,282	20,438
Change in Working Capital	25,264	(37,365)	351
CFs from Operating	30,947	6,917	20,789
CFs from Investing	(8,014)	(1,515)	2,877
CFs from Financing	(18,257)	(12,301)	(15,101)
Net Inc./(Dec.) in Cash	4,676	(6,899)	8,565
Cash at End. Period	13,706	6,807	15,371

Source: Company Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Mn IDR)	2019	2020	2021
Assets			
Cash & Cash Equivalents	13,706	6,807	15,371
Accounts Receivable	6,431	7,387	2,438
Inventories	165,562	157,672	144,440
Other Current Assets	2,781	1,479	3,646
Total Current Assets	188,480	173,344	165,895
Net Fixed Assets	102,206	95,232	87,704
Other Assets	12,686	16,314	12,976
Total Assets	303,372	284,890	266,575
Liabilities and equities			
Accounts Payables	5,086	3,435	8,759
Other Short-Term Liabilities	177,318	116,026	73,593
Total Current Liabilities	182,405	119,461	82,352
Long-Term Borrowings	61,003	60,802	58,502
Other Long-Term Liabilities	3,080	3,412	2,913
Total Liabilities	246,488	183,675	143,767
Shareholders' equity	56,884	101,215	122,808
BVPS (IDR)	11.28	20.06	24.34

Source: Company Shinhan Sekuritas Indonesia

Key Ratio

	2019	2020	2021
Profitability			
Operating Margin	26.7%	35.6%	26.2%
EBITDA Margin	34.9%	41.1%	32.5%
Profit Margin	5.4%	28.9%	16.1%
ROA	1.9%	15.5%	7.7%
ROE	10.0%	43.8%	16.6%
Growth			
Revenue	N/A	44.9%	-16.9%
Operating Profit	N/A	93.4%	-38.8%
EBITDA	N/A	70.8%	-34.4%
Net Profit	N/A	679.2%	-53.8%
Solvability			
Current Ratio (x)	1.0	1.5	2.0
Quick Ratio (x)	0.0	0.0	0.0
Debt to Equity (x)	4.3	1.8	1.2
Interest Coverage (x)	0.4	0.2	0.2

Source: Company Shinhan Sekuritas Indonesia



Research Team		
Helmi Therik, FRM	Head of Research	helmi.therik@shinhan.com
Billy Ibrahim Djaya	Research Analyst	billy.ibrahim@shinhan.com
Anissa Septiwijaya	Research Analyst	anissa.septiwijaya@shinhan.com
Office		
PT. Shinhan Sekuritas Indonesia Member of Indonesia Stock Exchange		
Head Office: Equity Tower Floor. 50 Sudirman Central Business District Lot 9 Jl. Jend. Sudirman Kav. 52-53 Senayan Jakarta 12920 Indonesia Telp.: (+62-21) 80869900 Fax: (+62-21) 51402372		

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