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STOCK VALUATION AND BUSINESS PERFORMANCE OF PROPERTY INDUSTRY POST COVID-19 ERA (CASE STUDY OF PT BUMI SERPONG DAMAI TBK)

William Theodorus Wijaya[1], Erman Arif Sumirat[2], Raden Aswin Rahadi[3]
School of Business & Management, Institut Teknologi Bandung
Email : william_wijaya@sbm-itb.ac.id

KEYWORDS:	ABSTRACT
Property Developers; Recovery Phase; Stock Valuation; Discounted Cash Flow; Added-Value; Net Asset Value	In 2019 the pandemic Covid-19 caused a sharp decline in the Indonesian economy, yet in 2021 the economic condition started to recover, indicating ba y 7% increase in Gross Domestic Product and Consumer Confidence Index. One sector influenced by strong economic recovery is the property industry, furthermore, re government gave stimulus to boost property industry growth. PT Bumi Serpong Damai Tbk (BSDE) is a leading property developer having various projects anlandbankssk across Indonesia. Post Covid-19 era, the financial performance of PT Bumi Serpong Damai Tbk showed a good condition, the evidence is the increase in company profitability and decline in the debt. The fundamentals contrast with the stock price as the price declined even in the recovery phase. This condition encourages the writer to research PT Bumi Serpong Damai Tbk stock valuation and whether the share is classified as overvalued or undervalued. The research will utilize secondary such as financial reports, annual reports, public exposure from idx.co.id, trading view, and other literature sources. The methodology to process the data is Discounted Cash Flow valuation method to find the actual intrinsic value and value-added intrinsic value, to find the fair value using the Net Asset Value valuation method. The added value is a proposal to develop a housing project for Generation with the goal to increase the company share price. The actual intrinsic value is IDR 1,250 per sharwithth a 40% margin of safety and the added-value valuation method is IDR 1,612 per share with a wwiththa7.82% margin safety. res tof the thee f Net Asset Value method a fair value of IDR 2,554 per share and 118.29% margin of safety. Finally, the author will determine if the stock of PT Bumi Serpong Damai Tbk is undervalued or overvalued and give investment recommendations.

INTRODUCTION

Covid-19 is a disease caused by the sars-cov-2 virus. The first official cases were reported in Wuhan, China in December 2019. World health organization (who) was informed that the early cases symptoms were similar to pneumonia. The cases were spreading rapidly. On 7 maMarch020, the cases were recorded to reach 100,000 cases. On 11 March 2019, they declared that the covid-19 asa global pandemic.

in Indonesia, the first two cases were confirmed in eMarchmarch 2020. In a short time, the dispreading rapidly. By 2 March 2020, the confirmed reached 1,155 cases spreading in 28 provinces.

on 31 March 2020, the Indonesian president, ir. Joko Widodo determined the coronavirus disease 2019 (covid-19) outbreak a national pandemic through presidential decree no 11 year 2020 concerning the coronavirus disease 2019 public health emergency in Indonesia. Until 31

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December 2022, there were 6,719,815 cases recorded spreading in 34 provinces in Indonesia.

Since the pandemic spread at a high pace, the Indonesian government implemented strategies to suppress the spread of covid-19 by establishing a large-scale social restrictions policy or widely known as PSB (Large-scale social distancing). This policy limited social interaction by closing crowded places such as schools, worship places, offices, factories, and shopping centers. Furthermore, the government applied travel restrictions by reducing activities of transportation via land, sea, and air with the hope to prevent new clusters for the spread of the pandemic.

Covid-19 caused a large number of workers to be laid off to reduce companies' costs. A huge number of layings-off had side effects such as reducing personal income. Therefore, the affected workers need to use their personal savings in the bank. From the macro side, the pandemic resulted in a decline in Indonesian gdp (Ningsih & Sari, 2019). In 2020, GDP contracted, and the growth declined at the rate of -2.1% in total. In 2021, Indonesia's annual GDP grew sharply by more than 5% to 3.7%. The Indonesia GDP growth is shown in Figure 1.
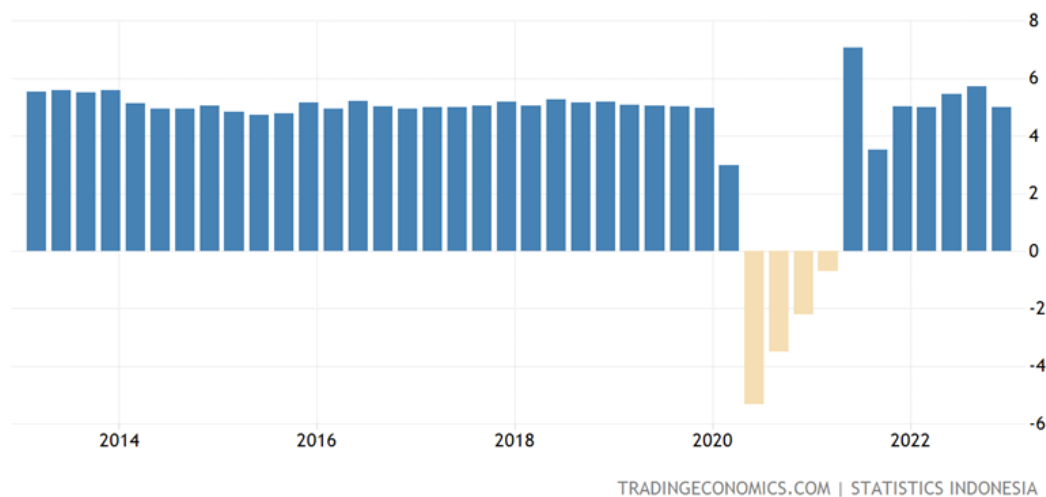

Figure 1
Indonesia GDP Annual Growth
(tradingeconomics.com, 2023)

Starting end of 2021, the economy started to bounce back. One of the indicators of economic recovery is Indonesia's GDP growth rate, which showed signs of improvement in the second quarter of 2021, growing by 7.07% compared to the same quarter in 2020. Another indicator is the government reported an increase in consumer confidence and retail sales. Figure 2 shows that in 2021 and 2022 Indonesia projected to undergo recovery phase and will rise by 2030.
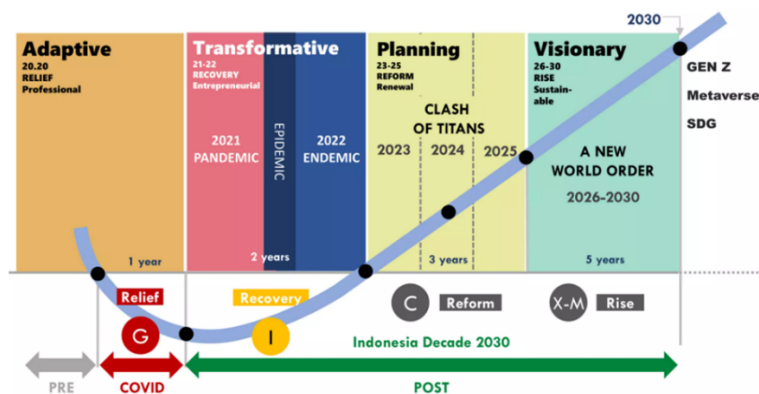
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Figure 2
Indonesia 2030 Roadmap
(Kertajaya, 2020)

Looking at the economic condition in 2022, Indonesia experienced rapid growth of 5.2%. Economic growth was boosted by a sharp acceleration in private consumption. The latest consumer survey conducted by Bank Indonesia in December 2022 showed Consumer Confidence Index of 119.9 compared to December 2021 of 118.5. Strong economic growth and increasing Consumer Confidence Index resulted in high performance in all sectors including property sector. The data from Bank Indonesia indicates the good performance of property sector during the recovery phase in 2022. Strong economic recovery will surely benefit PT Bumi Serpong Damai Tbk as one the largest property developers in Indonesia.

Overview

PT Bumi Serpong Damai Tbk is the leading property developer in Indonesia having almost 40 years of experience in the field of property development. The company established in 1984 as a part of Sinar Mas Group. The company manages a strategic land bank with more than fifty projects in city development, residential, commercial, retail, and industrial estates (Schmidlin, 2014).

The most prestigious project of PT Bumi Serpong Damai Tbk is BSD City. It was developed by the Ciputra Group and acquired by Sinar Mas in 1997. BSD City is an ambitious township project consisting of residential houses, businesses, and commercial properties.

On 28 Mei 2008, PT Bumi Serpong Damai Tbk made its Initial Public Offering (IPO) in Indonesia Stock Exchange with stock code BSDE. Aside from property sales, BSDE has continued to increase its recurring income portfolio through its subsidiaries, including PT Duta Pertiwi Tbk (DUTI) and PT Plaza Indonesia Realty Tbk (PLIN).

Business Scope

BSDE main business in real estate business consists of residential area and industrial estates sales, rental, profit sharing and fee-based; building and infrastructure construction; land preparation; water, electricity and amusement parks.

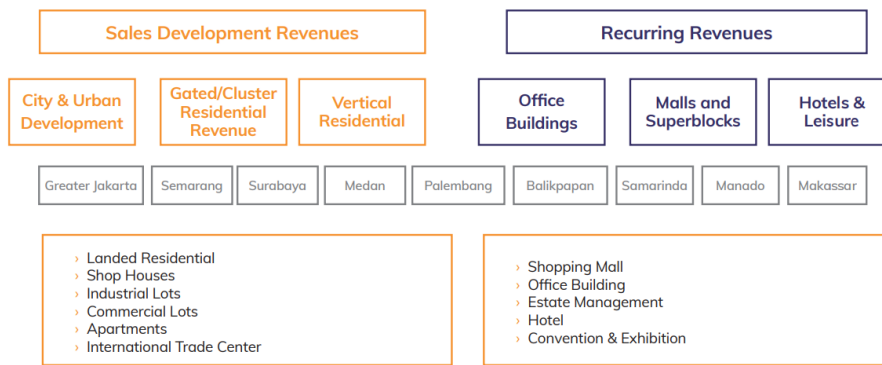BSDE aims to balance between sales revenue and recurring revenue.

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Figure 3
Product Portfolio of PT Bumi Serpong Damai Tbk
(PT Bumi Serpong Damai Tbk, 2022)

BSDE aims to balance between sales revenue and recurring revenue. The contributors of sales development revenues are residential areas, shop houses, industrial and commercial estates, apartments, and trade centre. In the recurring revenues side, the company has a portfolio of office buildings, malls as well as hotels and recreation area (Coskun et al., 2021). PT Bumi Serpong Damai Tbk owns shopping malls, office buildings, building management, hotels also convention and exhibition facilities.

The Company's project development location is not only focused on Greater Jakarta, but has expanded to other areas, such as Semarang, Surabaya, Medan, Palembang, Balikpapan, Samarinda, Makassar and Manado.
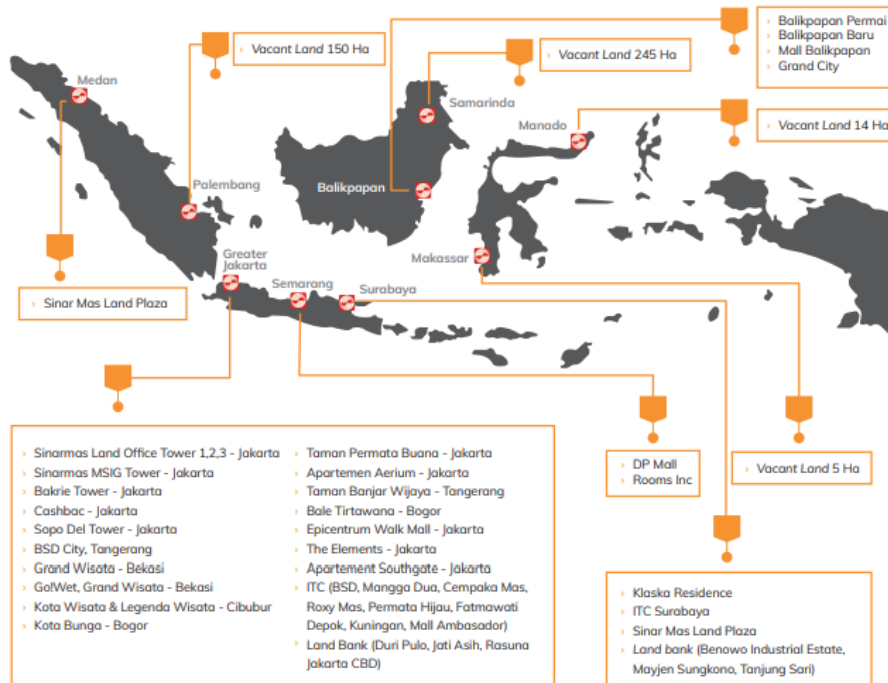

Figure 4 Project Location
(PT Bumi Serpong Damai Tbk, 2022)

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Business Prospect

PT Bumi Serpong Damai Tbk currently manages five diverse products such as township e.g. BSD City, Grand Wisata; residential e.g Tabebuya in BSD City; commercial e.g. Pasar Modern; asset management (office buildings and ITC); and retail hospitality e.g. The Breeze, QBig.

The company has benefited from portfolio diversification especially during pandemic time. These five products have the potential to further developed since the market demand is high. The Company will continue to develop its recurring income portfolio with goal to reach 20% of total revenue.

Business Issue

Based on reports by Bank Indonesia, there are two property classification. The residential housing and commercial properties. The details shown in the following table (Deb et al., 2022).

Table 1
Property Types

Classification	Type
Residential housing	Small house
	Medium house
	Large house
Commerciall property	Apartment
	Industrial lot
	Warehouse complex
	Convention hall
	Shophouse
	Mall/ Shopping Center
	Hotel

Looking at the Residential Property Price Survey conducted by Bank Indonesia, the price of residential housing (IHPRR) increases year by year. In 2022, the price increased by 2% compared to in 2021. Even during pandemic era, the housing price increased although with lower price growth. The index growth of residential property price shown in Figure 5 below (Gitman et al., 2015).
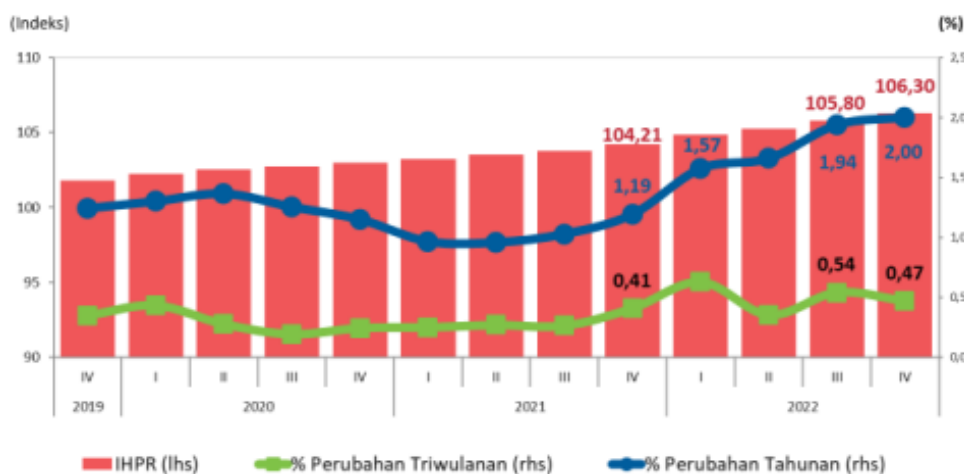

Figure 5
2022 Residential Property Price Index Growth
(Bank Indonesia, 2022)

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From the commercial side, the sales prices growth fluctuating year by year. In general, the price increased since 2020 until 2022. In 2022 the price of commercial products increased by 0.3% lower than 2021. With the lowest growth during pandemic Covid-19 outbreak in 2020. The index growth of commercial property price shown in Figure 6 below.

RESEARCH METHODS

The purpose of research methodology is to provide a systematic approach to conducting research studies in a way that ensures the accuracy, reliability, and validity of the results. The goal of this research is to calculate intrinsic value and valuation of PT Bumi Serpong Damai Tbk therefore the methodology will explain the how to calculate the intrinsic value and valuation. Furthermore, the framework will be used to propose a recommendation related to the company stock (Dobbs, 2014).

Research Design

To answer the business issue, the research is going to utilize the quantitative research method. The first step is to determine business issue consists of problem identification and research objectives which have been explained before in the Chapter 1. The second step is external analysis employing PESTEL and Porter's Five Forces analysis. PESTEL comprises of political, economic, sociocultural, technological, environmental, and legal. The analysis purpose is to understand the business macro-environment to identify the threats and opportunities. Porter's Five Forces analysis is industry analysis to understand the industry competition landscape (Helms & Nixon, 2010).

The next step is internal analysis by evaluating company's resources such as financial, human resource, brand & marketing to identify company's strengths and weaknesses. After completing the external and internal analysis, the writer is going to conduct SWOT analysis to assess company's overall situation (Leung et al., 2011).

Afterwards, the writer is going to evaluate the business valuation by using the financial ratios calculated from financial report to understand the business performance of PT Bumi Serpong Damai Tbk (Buffet et al., 2008). The writer also plans to conduct relative valuation by comparing to several companies in the real estate industry. The relative valuation done by using discounted cash flow method. Furthermore, from valuation process, intrinsic value per share can be found.

Having completed all the calculation and analysis as explained before, lastly the writer is going to provide the recommendation whether the value investors should invest in BSDE stocks at the present time or in the future.

Data Collection Method

In this research, the writer used the secondary data. Secondary data is the data where the researcher was not involved in collecting the data. The secondary data used in this research are:
1. Financial and annual report of PT Bumi Serpong Damai Tbk and its competitors accessed from IDX. The financial reports used are audited reports from period 2019-2022.
2. Stock price of real estate industries listed in the IDX from period 2019-2022. The stock prices are taken from TradingView.com and Yahoo Financial.
3. Other supporting documents from books, journals, and articles.

Data Analysis Method

The data analysis method of this research is quantitative analysis. Quantitative analysis is a

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method of data analysis that involves using statistical and mathematical tools to examine numerical data. The analysis comprises of several steps which are:

1. Assessing Internal and External Business Environment

   Internal analysis basis is BSDE annual reports, furthermore external analysis is done by analysing peer companies in the real estate segment.

2. Analysing Financial Report

   Financial report analysis is the process of examining a company's financial statements to gain insight into its financial performance. The analysis included in this part are financial ratios and cash flow analysis. Historical data used as a basis for future performance projection.

3. Determine company's Equity Value and Intrinsic Value per Share.

   Valuation and intrinsic value are determined by calculating cash flow by Discounted Cash Flow method.

4. Analysing Peer Companies in Industries

   Analysing companies in the industries is done by relative valuation and by comparing financial ratios such as Price to Equity Ratio (PER), Return on Equity, Return on Investment, and Debt to Equity Ratio (DER).
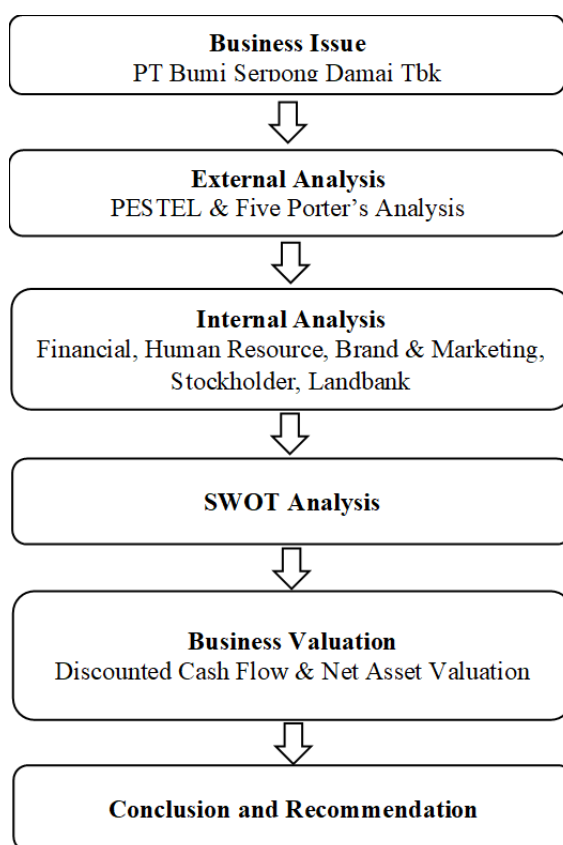

Fifure 6
Findings: Business Solution

In this chapter, there are several steps to find the business solution. As mentioned in the previous chapter, the first step is to conduct external and internal analysis. Next formulate SWOT analysis of BSDE. After completing the internal, external and SWOT, the next step is to calculate

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business valuation.

External Analysis

External analysis is the analysis of outside factors affecting a company's competitive position and influencing its strategic formulation.

PESTEL Analysis

The main goal of PESTEL analysis is to identify the macro-environment factors that might affect the business of PT Bumi Serpong Damai Tbk. PESTEL stands for Political, Economic, Sociocultural, Environmental, and Legal.

Table 2
PESTEL Analysis

Politic	From March 2021 until September 2022, Indonesian Government gave tax incentive for landed house and apartment. 50% - 100% of the housing VAT was borne by the government. This regulation had a positive impact on BSDE business. In 2024 Indonesia will have presidential election. The politic year feared to have effect to economic instability. As mentioned by Bisnis Indonesia, property sector have high uncertainty due to political year in 2024.
Economic	In 2021, Bank Indonesia interest rate reached a record low of 3.50% and increased up to 5.75% in 2022. Low interest rate equal to low installment making buying property interesting for many Indonesian customers.
Sociocultural	Based on report from BPS, Indonesia's demography is dominated by millennials and gen Z for more than 50%. However, as mentioned by the Minister of Finance, Sri Mulyani, gen Z will not be able to buy house due to low purchasing power. BSDE needs to build affordable houses for millennials and gen Z.
Technology	Nowadays, Internet of Things (IoT) are in a full bloom. Many industrial sectors are utilizing IoT since it is more efficient. For example, IoT can be used to control energy usage, customers are able to experience the housing model by Virtual Reality. PT Bumi Serpong Damai Tbk needs to implement IoT in the future to stay relevant.
Environment	Based on the Paris Agreement 2015, countries agreed to limit global warming by 1.5^0C by 2030. One example was to implement carbon neutral across different sectors. In the real estate sectors in Indonesia, one concrete action is to build green buildings. Green building is a building using a process that is environmentally friendly and energy efficient.
Legal	Property developers in Indonesia need to follow several rules such as Land Utilization Permit, Building Permit,

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and several other regulations. Some regulations are: Law No. 5 of 1960 concerning Basic Agrarian Regulations Law no. 1 of 2011 concerning Housing and Residential Areas Government Regulation Number 16 of 2021 concerning Buildings.

RESULTS AND DISCUSSION

Business Solutions

This part consists of two big parts. The first part is financial performance analysis. Financial performance analysis conducted is an analysis using several financial ratios. Furthermore, the ratios will then be compared with peer companies in the same sector.

The second part is valuation. The valuation that will be conducted is a relative valuation that compares the valuation of BSDE with peer companies.

Financial Performance Analysis

Financial performance analysis is an assessment process of company business and financial-related factors to determine overall company performance.

In this chapter, the financial performance analysis will evaluate several ratios that are closely related to company business. The performance that will be evaluated are profitability, management effectiveness, and solvency. The basis of these calculations is the audited financial reports from 2019-2022 available through idx.co.id.

Before doing the analysis, the writer first compiled the financial report from 2019-2022. The balance sheet and income statement of BSDE are shown in the table below.

Table 3
Historical Income Statement

In Million IDR

Income statement	2018	2019	2020	2021	2022
Revenues	6,628,782	7,084,864	6,180,598	7,654,802	10,235,480
Cost of revenues	1,874,274	2,018,798	1,928,746	2,914,751	3,409,440
Gross Profit	4,754,508	5,066,066	4,251,843	4,740,051	6,826,040
Selling	1,014,991	948,981	812,354	990,948	1,393,075
GA Expenses	1,301,676	1,324,243	1,235,290	1,119,950	1,393,652
Final Tax	272,667	263,410	221,932	236,897	334,304
Operating Profit	**2,589,333**	**2,536,633**	**2,269,576**	**2,347,794**	**3,121,031**
Net Other income (expenses)	**(467,619)**	**397,021**	**(958,437)**	**(935,986)**	**(1,306,089)**
Share in net income of associates and joint ventures	63,885	246,823	(527,614)	90,736	262.771
EBITA	1,760,421	3,173,277	496,217	1,547,006	2,661,692
Tax and finance cost	(58,603)	(43,201)	(9,959)	(8,166)	(4.806)
Net profit	1,701,818	3,130,076	486,258	1,538,841	2,656,886

Looking at the income statement, the revenues growth from 2018-2022 is not parallel with the gross profit growth. The gross profit growth is slower than the revenues growth. Gross profit is revenues minus cost of revenue. The higher the cost of revenues, the lower the growth profit. The highest portion of the cost of revenues is construction cost. The growth of revenues and gross profit

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can be seen in the table below.

Table 4
Revenues, Gross Profit, Construction Costs in Million IDR

Year	Revenues	Gross Profit	Construction Cost
2018	6,628,782	4,754,508	123,051
2019	7,084,864	5,066,066	120,573
2020	6,180,589	4,251,843	119,287
2021	7,654,802	4,740,051	490,049
2022	10,235,480	6,826,040	980,497
Growth	**54%**	**44%**	**697%**

From 2018 to 2022, revenues grew by 54% and gross profit by 44%. The lower gross profit growth is caused by construction costs. Construction costs grew by almost 700% from 2018 to 2022. The sharp increase in construction costs is caused by the increase in steel prices. BSDE needs a huge amount of steel for construction purposes. Steel is utilized for the structure of the building. The fluctuation of steel prices can be seen in the figure below.

Figure 7
Steel Prices from 2018-2022 in Yuan

Despite the increase in the construction cost, net profit is growing. The sales figure dropped in 2020 due to covid-19 pandemic. To tackle the drop in sales, BSDE introduced the national promotional strategy in 2020.

The national promotional strategy is a sales program that gives the customers additional discounts and gimmicks and implemented in all BSDE projects across Indonesia. This program is valid for housing products, shophouses, lots and apartments (Thompson et al., 2013).

The introduction of a national promotional strategy in 2020 has been proven to be effective in increasing the sales numbers and ultimately increased revenues and profit. National promotional strategy started in 2020 by Move in Quickly, 2021 Wish For Home, and Double Dream in 2022.

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Table 5
Historical Balance Sheet

in Million IDR

Balance Sheet	2018	2019	2020	2021	2022
Assets					
Current Assets					
Cash and Cash Equivalents	8,139,324	6,864,044	10,916,967	7,766,937	9,734,419
Investments	935,128	2,917,382	2,510,974	4,073,952	2,204,869
Account Receivables	598,322	505,666	205,917	208,113	472,104
Inventories	9,048,273	10,176,881	10,697,403	11,857,045	12,609,570
Advances	1,697,953	3,330,712	3,484,694	3,553,303	3,493,788
Prepaid Taxes	506,721	455,421	488,728	786,156	879,303
Current Portion of Prepaid Expenses	22,758	13,530	59,221	151,864	192,237
Other Assets	200	242	386	386	386
Total Current Assets	**20,948,678**	**24,263,878**	**28,364,288**	**28,397,757**	**29,586,676**
Non-Current Assets					
Investments	1,349,843	440,946	1,774,430	167,398	187,011
Other Account Receivables	198	21,749	19,129	17,434	15,373
Due from Related Parties	14,410	18,573	19,840	41,344	13,895
Advances	1,602,982	-	-	-	-
Investment in Shares	7,476,691	7,152,872	6,779,597	6,217,716	6,743,351
Prepaid Expenses	22,881	25,506	79,732	99,195	136,874
Land for Development	11,913,374	12,068,737	12,428,839	14,472,241	15,501,298
Property and Equipment - depreciation	676,536	631,541	584,619	530,203	548,157
Investment Properties - depreciation	8,084,982	8,251,943	8,296,076	7,957,939	7,738,300
Right-of-use Assets - depreciation	-	-	15,108	4,426	14,724
Goodwill	9,303	9,303	9,303	9,303	9,303
Intangible Assets - amortization	-	1,652,226	2,488,454	3,550,937	4,500,404
Other Assets	1,612	3,705	3,511	3,817	4,036
Total Non-Current Assets	**31,152,814**	**30,277,100**	**32,498,638**	**33,071,955**	**35,412,727**
Total Assets	**52,101,492**	**54,540,978**	**60,862,926**	**61,469,712**	**64,999,403**

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Liabilities					
Current Liabilities					
Short-term Bank Loan	250,000	-	-		33,258
Account Payable	1,162,638	695,301	933,984	1,111,568	901,047
Taxes Payable	125,221	108,872	87,208	70,749	77,613
Accrued Expenses	229,822	198,810	309,911	245,792	228,455
Security Deposit	197,584	235,649	264,434	259,966	259,485
Contract Liabilities		-	4,138,768	6,463,622	7,683,275
Advances Received	2,984,663	3,823,018	252,538	117,166	120,767
Rental Advaces	308,934	270,754	212,341	207,354	263,374
Deposit for Future Stock Subscription	7,592	25,166	16,464	1,008	94,859
Current Portion of Long-Term Liabilities	577,065	640,664	5,512,273	2,152,596	1,462,408
Other Liabilities	387,713	179,429	237,704	338,073	208,312
Total Current Liabilities	**6,231,233**	**6,177,662**	**11,965,625**	**10,967,893**	**11,332,854**
Non-Current Liabilities					
Security Deposit	138,454	100,222	116,236	122,855	135,820
Contract Liabilities		-	1,745,837	3,659,859	4,262,203
Advances Received	1,290,881	840,891	-	119,283	122,450
Rental Advaces	571,088	531,518	535,794	500,955	310,872
Long-term Employee Benefits	377,573	436,518	357,268	300,848	244,198
Liabilities for Future Improvements	74,135	62,278	62,278	62,278	62,278
Provision for overlay		-	-	-	1,040
Long-term Liabilities	13,131,230	12,766,473	11,608,785	9,842,025	10,482,252
Total Non-Current Liabilities	**15,583,361**	**14,737,902**	**14,426,199**	**14,608,102**	**15,621,113**
Total Liabilites	**21,814,594**	**20,915,564**	**26,391,824**	**25,575,995**	**26,953,967**
Equity					
Equity Attributable to Owners					
Capital Stock	1,924,670	1,924,670	2,117,137	2,117,137	2,117,137
Additional Paid-in Capital	6,411,156	6,411,156	7,462,974	7,462,974	7,462,974
Treasury Shares	(288,002)	(288,002)	(288,002)	(288,002)	(288,002)
Share in Other Changes in Equity	460	460	460	460	460
Difference in Value From Transaction with Non-Controlling Interests	(138,833)	(125,691)	(123,982)	(124,577)	(125,211)
Translation Adjustment	(325,385)	(70,050)	(149,346)	(207,287)	(457,296)
Unrealized Gain Through Other Income	6,778	6,966	74,244	74,885	93,288
Proforma Capital from transaction among Entities under Common Control		77,908	-	-	-
Retained earnings	18,518,889	21,289,945	21,025,850	22,420,018	24,833,971
Non-Controlling Interests	4,177,165	4,398,052	4,351,768	4,438,109	4,408,116
Total Equity	**30,286,898**	**33,625,414**	**34,471,102**	**35,893,717**	**38,045,436**

Market Seasonality

Market seasonality is the likelihood of stock market to create a consistent pattern over the calendar year. In general, the stock market tends to repeat its pattern over long periods of time. The seasonality of BSDE over 5 years period is presented in the table below.

Table 6
Data of Market Seasonality

	Q1	Q2	Q3	Q4
Average	1,704,612	1,525,171	2,092,237	2,234,884
2022	2,026,785	1,808,838	3,309,943	3,089,913
2021	1,669,085	1,585,037	1,913,087	2,487,593

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2020	1,295,786	842,007	1,942,772	1,901,024
2019	1,629,570	1,971,776	1,629,235	1,854,283
2018	1,701,832	1,418,196	1667,147	1,841,606

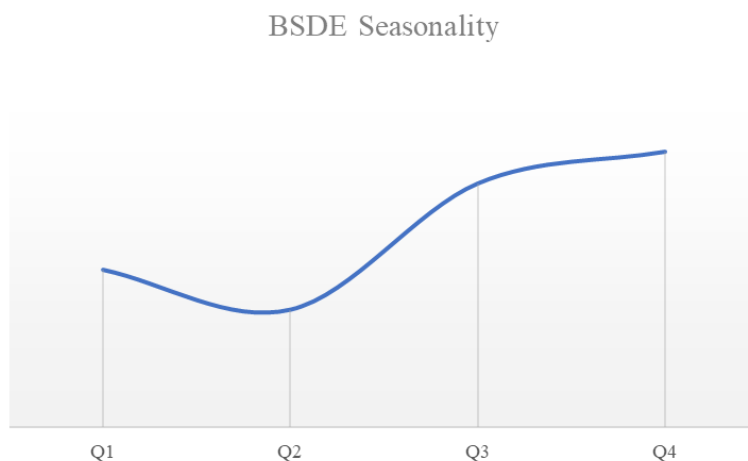The data presented for seasonality is calculated by revenues. Revenues consist of sales and recurring.

Figure 8
General Pattern of BSDE Seasonality

In general, the BSDE market created a pattern as shown in Figure IV.8. The seasonality pattern of BSDE revenues goes down in Q2 and then increases in Q3 and Q4. The revenue peak happened in Q4. From internal sources, the revenues increase in Q3 and Q4 is caused by numerous product launches that took place in that period.
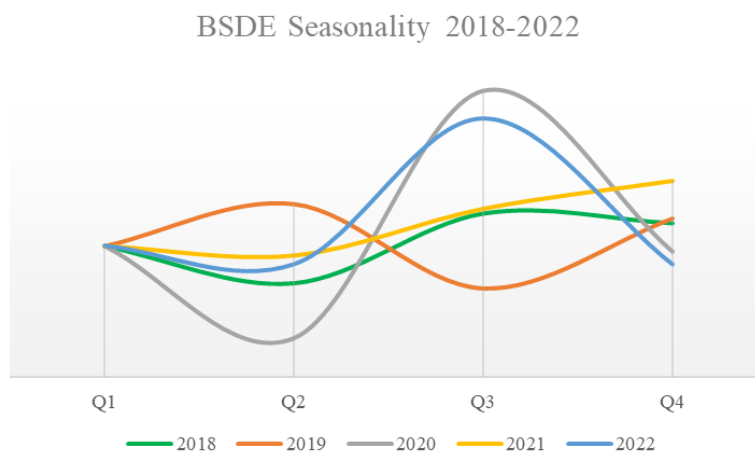

Figure 9
BSDE Seasonality 2018-2022

From the figure above, in general the pattern follows the seasonality shown in Figure IV.8. However, there is an anomaly from the pattern in 2019. In 2019, the revenue peak happened in Q2 instead of Q4. 2019 was a politic year due to presidential election. The presidential election was conducted in May 2019, the result announced in June and due to dispute, the result from Supreme Court and Constitutional Court announced in Q3 2019.

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Based on reports from Rumah.com, in Q2 2019, the property market sentiment increased to 57 from 51 in Q2. Customers tend to make decisions to purchase a property before the election. After the election, customers waited and observed the effect of election on economic conditions and delay the property purchase.

The customers tendency impacted BSDE revenues in 2019. As a result, the revenues peak happened in Q2 and the bottom in Q3 different from the usual pattern.

Profitability Ratio

As explained in the previous chapter, profitability ratio is the ability to generate profits from operating activity. The profitability ratio consists of Gross Profit Margin, Operating Profit Margin and Net Profit Margin.
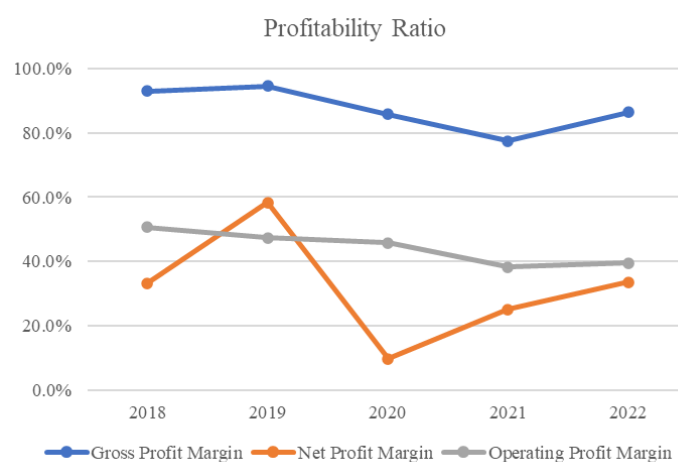

Figure 10
BSDE Profitability Ratio 2018 - 2022

Looking at the profitability ratio, the Gross Profit Margin is proportional with operating profit margin. The net profit margin reached its peak in 2019 and then decreased 83.2% in 2020 due to pandemic. However, in 2021 and 2022 due to recovery in economic conditions, the net profit margin gradually increased in-line with the increase in sales numbers.

Table 7
Comparison of Peer Companies Profitability

Profitability	Industry	BSDE	CTRA	ASRI	PWON
Gross Profit Margin	68.0%	86.4%	63.5%	68.4%	53.8%
Net Profit margin	30.5%	33.6%	29.9%	28.6%	30.6%
Operating profit margin	42.8%	39.5%	46.9%	52.6%	32.1%

Table 23 shows the comparison of peer companies in the property industry. Looking at the table, BSDE has the highest profitability compared to other companies. However, in the operating profit margin, the highest is BSDE still below industry. The highest operating profit margin is ASRI.

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Solvency

According to (Yenni, Arifin, Pakpahan, & Siregar, 2016), solvency is company's ability to pay its debt before the due date. The debt should be paid by profits generated by the company. Solvency is measured by several ratios, debt to equity ratio (DER) and debt to asset ratio (DAR).
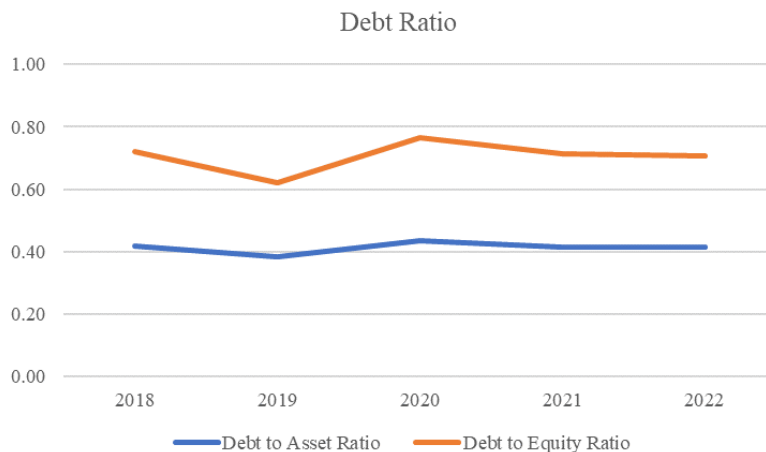

Figure 11
BSDE Debt Ratio 2018 - 2022

The figure above shows the solvency of BSDE from 2019 to 2022. Generally, the debt to asset ratio and debt to equity ratio are stable. There is a spike in 2020 meaning in that year BSDE relied more on the debt financing than equity. However, overall BSDE is in good condition since DER and DAR are still below 1.

Table 8
Comparison of Peer Companies Solvency

Solvency	Industry	BSDE	CTRA	ASRI	PWON
Debt to asset ratio (DAR)	0.44	0.41	0.50	0.54	0.32
Debt to equaty ratio (DER)	0.82	0.71	1.00	1.10	0.48
	2.94	3.39	2.19	0.98	4.65

Table IV.11 shows the comparison of solvency from several real estate companies. BSDE is moderately leveraged since the DER is below industry and below 1 and DAR still below industry. Debt to Asset Ratio below 0.5 means that most of the assets are funded by equity. DER below 1 means that BSDE has low investment risk. BSDE current ratio is high, meaning the company has more assets than liabilities.

Management Performance

One way to measure management performance is by using company financial performance. Management performance is measured by the effectiveness to generate revenues and earn profit. As mentioned in the previous chapter, management effectiveness is measured by Return on Assets (ROA) and Return on Equity (ROE).
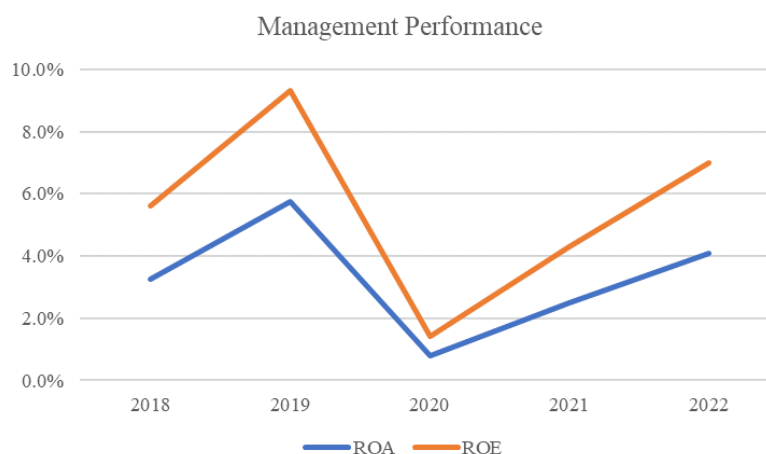
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Figure 12
BSDE Management Effectiveness 2018 – 2022

The Return on Assets and Return on Equity are proportional. In 2020, ROA dropped by 86% and ROE by 85%. Along with the recovery in many sectors including economy, ROA and ROE started to increase in 2021. In 2022, compared to 2020 the ROA increased by 412% from 0.8% to 4.09% and ROE increased by 395% from 1.41% to 6.98% meaning the management is more effective to earn profit in 2022.

Table 9
Comparison of Peer Companies Management Effectiveness

Management Effectiveness	Industry	BSDE	CTRA	ASRI	PWON
Return On assets (ROA)	5.0%	4.1%	5.0%	4.9%	6.0%
Rerurn On Equity (ROE)	9.0%	2.0%	10.0%	10.3%	8.8%

As shown in the table above, the ROA and ROE of BSDE in 2022 is below the peer companies and below industry, meaning management effectiveness of BSDE is the lowest. BSDE has the lowest ROA since the company has a lot of assets compared to other companies. Another possibility is that the company is highly leveraged, relying on debt to generate profit. However, point IV.4.1.2 shows that BSDE debt is low compared to other companies.

Low ROE means that the shareholders receive little money compared to capital injected. In this case, BSDE has low ROE since the company has high equity as well.
The highest ROA and ROE is PWON. The company manages high rise buildings. Therefore, the company has less equity and assets. The result, PWON has the high ROA and ROE.
Technology

BSDE is developing a digital environment to be ready for the future. Digital environments currently being built are data centers and dedicated technology centers for tech companies and start up. The long-term goal is to get support from technology companies to implement smart cities and smart homes.

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To build a digital environment, BSDE cooperates with several technology companies. In BSD City, BSDE cooperates with Microsoft and NTT (Nippon Telegraph and Telephone) in building a data center and tech offices. With Apple Developer Academy, AWS Academy, Microsoft Academy, Monash University for developing technological education programs and vocational training.

In Deltamas area, BSDE cooperates with Amazon Web Services to build a data center with total area of 100 ha. In Batam, BSDE focuses on developing tech generation by providing education. The partner in Batam is Purwadhika Digital Technology School.

Price to Book Value and Price to Earnings Ratio

Price To Book Value

Table 10
Price to Book Value

	BSDE	CTRA	ASRI	PWON
Total equity (mio IDR)	38,045,436	20,912,932	10,642,625	20,718,276
Current share outstanding	21,171	18,536	19,649	48,160
Book value	1,797	1,128	542	430
Book Per 31 december 2022	920	940	160	456
Price to book value	0.51	0.83	0.30	1.06

Based on the price to book value, in general the stock price of the real estate industry is still undervalued. The share price of BSDE in 2022 is discounted for almost 50%.

Price to Earnings Ratio

Table 11
Price to Earnings Ratio

	BSDE	CTRA	ASRI	PWON
Net profit	2,656,886	2,087,716	1,098,365	1,831,130
Current shares outstanding	21,171	18,536	19,649	48,160
Earning per share	125	113	56	38
Price per 31 december 2022	921	940	160	456
Price to earnings ratio	7.33	8.55	2.86	11.99

PER analysis has a purpose to review the stock price according to its capability to generate net profit. From the data, BSDE stock is still at a lower price compared to the competitors. With PBV of 0.51 and PER 7.33, BSDE stock still considered to be undervalued (Kincheloe, 1990).

Weighted Average Cost of Capital (WACC)

This research employs Discounted Cash Flow valuation method, according to (Damodaran, 2012), in firm valuation the discount factor used is WACC. Before defining WACC, cost of debt, cost of equity should be defined first. The complete data for calculating WACC will be explained in the table below.

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Table 12
Data for WACC Calculation

No	variable	value	remark	source
1	Risk free rate	6.45%	Government bond 10 years	I bpa.co.id
2	Country default speard	2.33%	Government sovereign	Moody's
3	Company default spread	1.39%	BSDE interest coverage jan 2023	Damodaran
4	Equaty risk premium	9.23%	Indonesia equity risk premium	Damodaran
5	Beta stock	1.143%	Pefindo march 2023	Pefindo
6	Country risk premium	3.29%	Indonesia country risk premium	Damodaran
7	Tax rate	22.00%	Indonesia corporate tax rate dec 2022	Damodaran

Cost of Equity

Cost of Equity = risk free rate + (β x equity risk premium)

$$= 6.45\% + (1.143 \times 9.23\%)$$
$$= 17.00\%$$

Cost of Debt

Cost of Debt = risk free rate + country default spread + company default spread

$$= 6.45\% + 2.33\% + 1.39\%$$
$$= 10.17\%$$

WACC Calculation

The calculation of WACC is shown in the following table.

Table 13
WACC Calculation

Variable	value
Frim equity value (mio IDR)	38,045,436
Firm debt value(mio IDR)	11.938,555
Total debt + Equity (mio IDR)	49,983,991
We	76.12%
Wd	23.88%
Cost Of Equity	17.00%
Cost of debt	10.17%
Tax	22%
WACC	14.83%

CONCLUSION

In general, the financial performance of PT Bumi Serpong Damai Tbk is in good condition. In terms of profitability and solvency, the company is in better condition compared to its peers. The

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Return on Assets and Return on Equity is a little low since PT Bumi Serpong Damai Tbk has the highest assets and equity. The valuation result of the research indicates that the PT Bumi Serpong Damai Tbk stock is undervalued. As calculated using Discounted Cash Flow method, the intrinsic value per share is IDR 1,250 with margin of safety of 6.4% as compared to the closing price on 9 June 2023 which is IDR 1,170.

The proposal to increase the share price is to have a value added which is develop a large cluster with affordable houses to attract the gen Z customers. With the sales numbers assumption of 80%, the company growth skyrocketed to 7%. From the Discounted Cash Flow, the intrinsic value of is 1,612 per share. Compared to the actual intrinsic value, the value-added intrinsic value is 29% higher. The margin of safety compared to the closing price on 9 June 2023 is 38%.

A common valuation method to find a fair price of property or real estate industry is Net Asset Value. Net asset value is the value if all the land banks sold at the 2022 price. The discount rate used in this calculation is 80% and as a result the fair value of PT Bumi Serpong Damai Tbk share is IDR 2,554 per share.

In summary, the stock price of PT Bumi Serpong Damai Tbk as per closing 9 June 2023 is undervalued.

Recommendation

Although the PBV<1 and PER<15, the margin of safety of PT Bumi Serpong Damai Tbk is quite small. The stock price is close to the intrinsic value. The writer will not recommend the value investors to buy this stock in the market with the current valuation. Value investors might want to invest in other stocks with low prices in IDX Value 30 or LQ45. If value investors are attracted to invest in the company stock, they can wait for the market crash to have a better margin of safety.

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