

Company Flash Note

Indonesia

April 28, 2017 - 5:44 PM

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	Rp238.0
Target price:	Rp355.0
Previous target:	Rp355.0
Up/downside:	49.2%
CIMB / Consensus:	3.6%
Reuters:	ASSA.JK
Bloomberg:	ASSA IJ
Market cap:	US\$60.73m Rp808,605m
Average daily turnover:	US\$0.07m Rp950.4m
Current shares o/s	7,147m
Free float:	40.0%

*Source: Bloomberg

Key financial forecasts

	Dec-17F	Dec-18F	Dec-19F
Net Profit (Rpb)	88.7	115.3	153.1
Core EPS (Rp)	26.11	33.94	45.05
Core EPS Growth	42.6%	30.0%	32.7%
FD Core P/E (x)	9.12	7.01	5.28
Recurring ROE	9.5%	11.4%	13.7%
P/BV (x)	0.83	0.76	0.69
DPS (Rp)	6.11	8.72	11.34
Dividend Yield	2.57%	3.66%	4.76%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.8	22.7	103.4
Relative (%)	-7.8	15.3	85.6

Major shareholders	% held
Adi Dinamika Investindo	24.9
Daya Adicipta Mustika	19.2
Theodore Permadi Rahmat	6.0

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Adi Sarana

Fast car

- ASSA's 1Q17 core profit in line with expectations, at 26% of our FY17F forecast.
- Strong used car market and declining 4x4 vehicle disposals point to further recovery in used car margins.
- The stock is trading at 0.8x FY17 P/BV. Our target price reflects its deep undervaluation and growth potential in a recovery environment. Maintain Add.

1Q17 results in line

- The company booked a revenue of Rp411bn in 1Q17 (+12% yoy, -6% qoq), forming 23% of our FY17F forecast. The revenue growth was supported by a strong rebound in used car sales revenue (+49% yoy, 16% of 1Q17 revenue), and also by positive growth in rental business (+11% yoy, 67% of 1Q17 revenue) and auction services (+124% yoy, 1% of 1Q17 revenue).
- The positive segmental revenue growth offset the decline in logistics service revenue (-7% yoy, 16% of 1Q17 revenue).
- 1Q17 core net profit was Rp23bn (+117% yoy, +1% qoq), forming 26% of our FY17 estimate. We deem the results in line.
- The company's cars under management rose to 19,389 units as at 1Q17, with a net increase of 190 units during the quarter.

Used car margins rise further

- ASSA disposed a total of 661 vehicles in 1Q17. The disposal target this year is 3,000 units. Passenger car disposals made up the bulk of the vehicles disposed during the quarter, at c.80%. Majority of the disposals were of popular MPV products i.e. Toyota Avanza and Toyota Kijang Innova.
- ASSA's used car sales margin jumped to Rp14.9m/car in 1Q17 from Rp6.9m/car in 4Q16. This was supported by strong margins from sales of four-year old Toyota Avanza, which were sold at 72% of their acquisition price (vs. 67-72% in FY14-16).
- We note that fewer disposals of 4x4 ex-mining units (25 units vs. 38 units in 4Q16) as well as narrower loss per car of Rp65m/car (Rp80m loss per car in 4Q16) also contributed to the rebound in used car margin.
- The average used car margin in 1Q17 was in line with our expectation of Rp15m/car in FY17F. We expect this margin to be sustainable over the next three years, supported by a better economic growth outlook and higher new car prices.

Still undervalued

- The company is trading at 0.8x forward P/BV and 8.4x forward P/E. Given the improving visibility of a recovery scenario, used car upside and a rapidly rising ROE, we believe ASSA is still undervalued.
- We maintain our forecasts, and our GGM-based target price (ROE 16%, LTG 0% and COE 14%) implies 10x FY18 P/E and 1.1x FY18 P/BV.
- Re-rating catalysts include faster-than-expected adjustments in borrowing rates and ROE. Downside risks include lower-than-expected used car sales margins.

Figure 1: 1Q17 results comparison

FYE Dec (Rp bn)	4QFY16	qoq % chg	1QFY17	1QFY16	yoy % chg	Current FY17F	
Revenue	437	(6.0)	411	365	12.5	1,779	23% of CIMB forecast
Operating costs	(265)	(6.9)	(247)	(221)	11.7	(1,050)	
EBITDA	172	(4.8)	164	144	13.7	730	23% of CIMB forecast
EBITDA margin (%)	39%		40%	40%		41%	
Depn & amort.	96	(1.0)	95	90	5.9	422	
EBIT	77	(9.4)	69	55	26.6	308	23% of CIMB forecast
Interest expense	(45)	(5.5)	(43)	(48)	(9.8)	(210)	
Interest & invt inc	0	(17.3)	0	0	38.0	1	
Others	5	(51.7)	3	5	(51.7)	15	
Pretax profit	37	(20.2)	29	13	130.5	113	
Tax	(14)	(54.6)	(7)	(2)	262.4	(24)	
Tax rate (%)	39%	0%	22%	14%	0%	22%	
Minority interests	0	128.5	0	0	343.2	-	
Net profit	23	1.5	23	11	108.9	89	26% of CIMB forecast
Core net profit	22	1.2	23	10	117.0	89	26% of CIMB forecast
EPS (Rp)	7	1.5	7	3	108.9	26	
Core EPS (Rp)	7	1.2	7	3	117.0	26	

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rpb)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	1,570	1,779	2,038	2,366
Gross Profit	814	961	1,140	1,342
Operating EBITDA	640	744	891	1,050
Depreciation And Amortisation	(367)	(422)	(494)	(573)
Operating EBIT	273	322	396	477
Financial Income/(Expense)	(184)	(209)	(249)	(282)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	89	113	147	195
Exceptional Items	0	0	0	0
Pre-tax Profit	89	113	147	195
Taxation	(27)	(24)	(32)	(42)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	62	89	115	153
Minority Interests	0	0	(0)	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0
Other Adjustments - post-tax	0	0	0	0
Net Profit	62	89	115	153
Recurring Net Profit	62	89	115	153
Fully Diluted Recurring Net Profit	62	89	115	153

Balance Sheet

(Rpb)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	40	43	36	36
Total Debtors	201	229	262	304
Inventories	31	32	31	33
Total Other Current Assets	20	50	57	66
Total Current Assets	292	354	386	439
Fixed Assets	2,631	3,127	3,672	4,328
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	106	106	106	106
Total Non-current Assets	2,738	3,234	3,778	4,434
Short-term Debt	2	2	2	2
Current Portion of Long-Term Debt	440	671	808	972
Total Creditors	88	109	123	142
Other Current Liabilities	67	67	77	89
Total Current Liabilities	597	849	1,010	1,206
Total Long-term Debt	1,387	1,624	1,954	2,353
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	143	143	143	143
Total Non-current Liabilities	1,529	1,767	2,097	2,496
Total Provisions	0	0	0	0
Total Liabilities	2,126	2,616	3,107	3,702
Shareholders' Equity	904	971	1,057	1,172
Minority Interests	0	0	0	0
Total Equity	904	972	1,057	1,172

Cash Flow

(Rpb)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	640.1	744.4	890.5	1,050.1
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0
Change In Working Capital	0.6	(37.4)	(15.0)	(22.5)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0
Other Operating Cashflow	(252.9)	(903.1)	(1,022.9)	(1,212.1)
Net Interest (Paid)/Received	(184.0)	(209.4)	(249.4)	(282.2)
Tax Paid	(26.7)	(24.3)	(31.6)	(41.9)
Cashflow From Operations	177.2	(429.8)	(428.3)	(508.7)
Capex	(12.4)	(15.1)	(15.9)	(16.7)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/Investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	(12.4)	(15.1)	(15.9)	(16.7)
Debt Raised/(repaid)	(138.8)	468.5	466.6	563.8
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(13.6)	(20.7)	(29.6)	(38.5)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Financing	(152.4)	447.7	437.0	525.3
Total Cash Generated	12.4	2.8	(7.2)	(0.1)
Free Cashflow To Equity	26.0	23.5	22.4	38.4
Free Cashflow To Firm	349.7	(234.8)	(194.1)	(242.5)

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	12.8%	13.3%	14.5%	16.1%
Operating EBITDA Growth	14.0%	16.3%	19.6%	17.9%
Operating EBITDA Margin	40.8%	41.8%	43.7%	44.4%
Net Cash Per Share (Rp)	(526.3)	(663.4)	(802.8)	(968.8)
BVPS (Rp)	265.9	285.9	311.2	344.9
Gross Interest Cover	1.47	1.53	1.58	1.69
Effective Tax Rate	30.0%	21.5%	21.5%	21.5%
Net Dividend Payout Ratio	21.9%	23.4%	25.7%	25.2%
Accounts Receivables Days	42.07	41.81	41.22	40.96
Inventory Days	12.37	14.14	12.73	11.39
Accounts Payables Days	20.18	21.15	24.05	23.95
ROIC (%)	8.01%	9.10%	9.41%	9.72%
ROCE (%)	10.2%	10.8%	11.2%	11.5%
Return On Average Assets	7.07%	7.74%	8.12%	8.38%

12-mth Fwd FD P/E (x) - Adi Sarana Armada



SOURCE: CIMB RESEARCH, COMPANY DATA

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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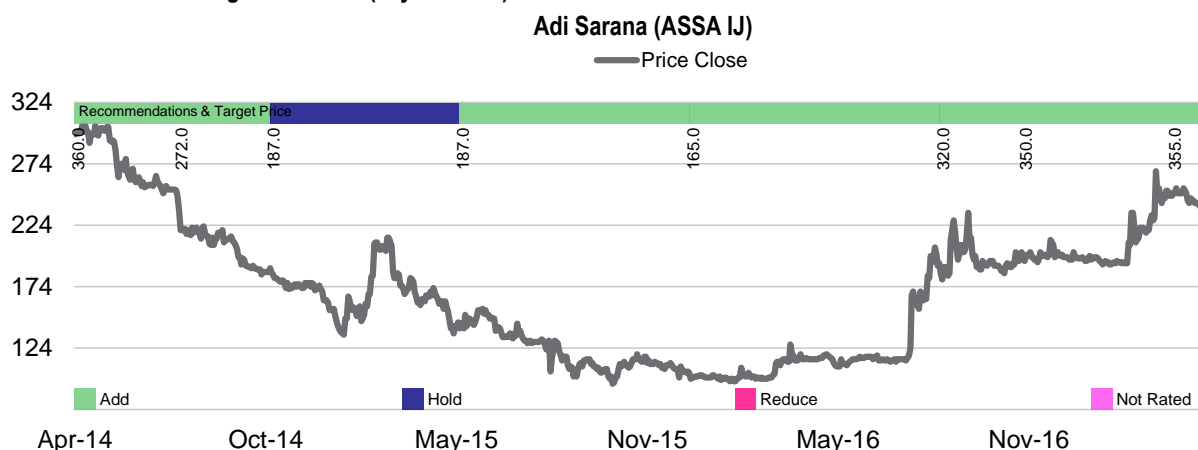
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016		
1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared,

HANA - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** - Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** - Good, n/a, **IVL** - Excellent, Certified, **JAS** - not available, Declared, **JASIF** - not available, n/a, **JUBILE** - Good, Declared, **KAMART** - not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** - Good, Certified, **KKP** - Excellent, Certified, **KSL** - Very Good, Declared, **KTB** - Excellent, Certified, **KTC** - Excellent, Certified, **LH** - Very Good, n/a, **LPN** - Excellent, Declared, **M** - Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** - Good, Declared, **MALEE** - Very Good, Declared, **MBKET** - Very Good, Certified, **MC** - Very Good, Declared, **MCOT** - Excellent, Declared, **MEGA** - Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** - Very Good, Declared, **NYT** - Excellent, n/a, **OISHI** - Very Good, n/a, **PLANB** - Very Good, Declared, **PSH** - not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** - Excellent, Declared, **RATCH** - Excellent, Certified, **ROBINS** - Very Good, Declared, **RS** - Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** - Excellent, Certified, **SAWAD** - Good, n/a, **SC** - Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** - not available, n/a, **SCC** - Excellent, Certified, **SCN** - Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** - Very Good, Declared, **STA** - Very Good, Declared, **STEC** - Excellent, n/a, **SVI** - Excellent, Certified, **TASCO** - Very Good, Declared, **TCAP** - Excellent, Certified, **THAI** - Very Good, Declared, **THANI** - Very Good, Certified, **THCOM** - Excellent, Certified, **THRE** - Very Good, Certified, **THREL** - Very Good, Certified, **TICON** - Very Good, Declared, **TISCO** - Excellent, Certified, **TK** - Very Good, n/a, **TKN** - Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** - Good, n/a, **TIPIP** - not available, n/a, **TRUE** - Very Good, Declared, **TTW** - Very Good, Declared, **TU** - Excellent, Declared, **UNIQ** - not available, Declared, **VGI** - Excellent, Declared, **WHA** - not available, Declared, **WHART** - not available, n/a, **WORK** - not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.