

**Infrastructure**

Company Report  
August 3, 2020

**Not Rated**

Target Price (12M, IDR)	N/A
Share Price (7/30/20, IDR)	535
Expected Return	N/A

Consensus Net Profit (20F, IDRbn)	108.0
NP Mirae Asset vs. consensus (20F, %)	N/A
EPS Growth (20F, %)	N/A
P/E (20F, x)	N/A
Industry P/E (20F, x)	18.3
Benchmark P/E (20F, x)	18.1
Market Cap (IDRbn)	1,817.7
Shares Outstanding (mn)	3,397.5
Free Float (%)	35.8
Beta (Adjusted, 24M)	1.0
52-Week Low (IDR)	268
52-Week High (IDR)	865

(%)	1M	6M	12M
Absolute	26.8	-11.9	-39.2
Relative	22.6	3.8	-19.3



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# Adi Sarana Armada Tbk

(ASSA IJ)

## 2020: Staying on track

ASSA booked solid 3M20 revenue of IDR701.6bn (+37.9% YoY from 3M19 revenue of IDR508.7bn), backed by all segments, especially the strong growth of corporate B2B vehicle lease, sale of used vehicles, and auctions at 9.4%, 47.1%, and 152.5%, respectively. It's also important to note that ASSA's delivery services have shown significant growth due to low base in 2019. After all, we believe that delivery services are in high demand as most people are staying at home due to COVID-19, hence benefiting ASSA.

### Anteraja to gain from the pandemic

As delivery services are in high demand due to COVID-19, Anteraja, which was initiated in March 2019, has been growing rapidly and booked IDR100.3bn revenue in 3M20, vs. IDR295mn in 3M19. At the current delivery of around 200k packages/day, Anteraja still booked net losses. However, the company claims that starting next year, it should be able to deliver above 300k packages/day, which is the estimated breakeven point. So far, Anteraja has only been providing delivery services on Tokopedia and Blibli, but its business partnerships will be expanded to Shopee (in August 2020) and Bukalapak (in late 2020). We believe that the new partnerships can boost ASSA's 2H20 delivery volume.

### Auction business proves to be resilient

In the midst of COVID-19 pandemic, auction business remains resilient. Despite slow sales in Indonesia's automotive industry, ASSA, through JBA Bidwin Auction, managed to book strong 3M20 sales of IDR42.1bn, vs. IDR16.7bn in 3M19. According to the company, one of the factors behind resilient auctions is the ease to join auctions virtually, despite PSBB implementation, thanks to ASSA's investment and early development of its online auction platform. Nonetheless, we expect 2Q20 numbers to go down as the company claims that during PSBB, the number of cars offered was lowered to around 150 cars/auction, from previously 200 cars/auction. However, ASSA mentioned a rebound in activities along with the easing of PSBB. We believe that, given economic uncertainties, auction cars will reap benefits due to lower pricing.

### ASSA's businesses to prevail due to limited effect of COVID-19

ASSA's main businesses, namely corporate B2B vehicle lease and sale of used vehicle, stay robust because, according to the company, most clients stood strong amidst COVID-19, such as BCA, HM Sampoerna, and Orang Tua Group. Most of these companies were operating normally, and payments were on time. Other than vehicle leasing, first mile and last mile also show resilience as logistics business remains in high demand in spite of COVID-19. With all of those strong fundamentals, ASSA looks promising going forward, in our view.

### Valuation

Currently, ASSA is trading at IDR535/share, with 13.1x trailing P/E. Risks are: 1) lower-than-expected earnings; 2) prolonged COVID-19 outbreak; and, 3) share dilution from planned capital raising.

	12/15	12/16	12/17	12/18	12/19	3M20
Revenue (IDRbn)	1,392	1,5704	1,689	1,862	2,330	702
Gross profit (IDRbn)	227	272	311	356	782	203
Net profit (IDRbn)	34	62	103	143	110	35
EPS (IDR)	10	18	30	42	33	10
P/E (x)	9.9	10.7	6.7	8.6	22.7	8.6
ROA (%)	4.0	7.1	10.9	13.9	2.5	2.4
ROE (%)	1.3	2.1	3.3	3.9	9.7	9.7
Dividend yield (%)	5.0	2.1	3.5	3.3	1.4	-
Net gearing (%)	205.5	197.8	129.8	122.6	145.6	147.9

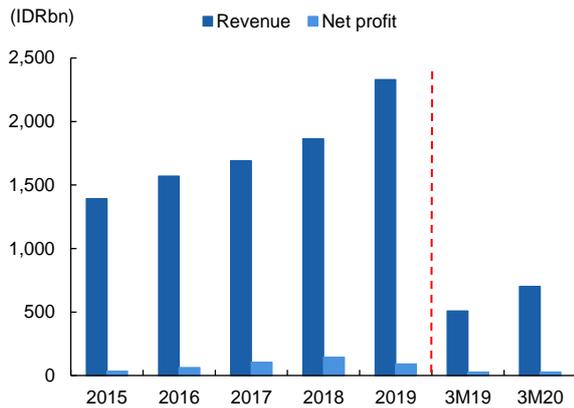
Note: NP refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

### Business as usual

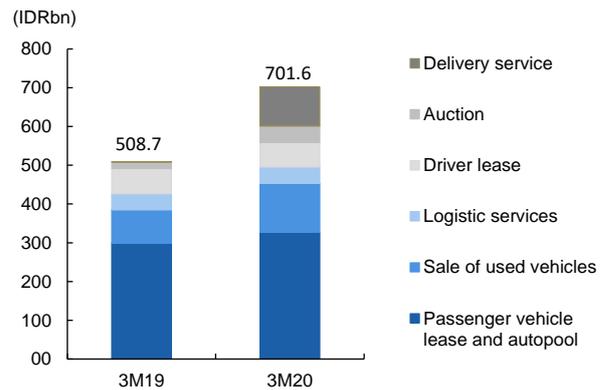
ASSA booked solid 3M20 revenue of IDR701.6bn, rising by 37.9% YoY from 3M19 revenue of IDR508.7bn (see Figure 1). This strong performance was backed by all segments, especially the strong growth of corporate B2B vehicle lease, sale of used vehicles, and auctions at 9.4%, 47.1%, and 152.5%, respectively (see Figure 2). It's also important to note that ASSA's delivery services have shown significant growth due to low base in 2019. After all, we believe that delivery services are in high demand as most people are staying at home due to COVID-19, hence benefiting ASSA.

Figure 1. 3M20 revenue



Source: ASSA, Mirae Asset Sekuritas Indonesia Research

Figure 2. Segments YoY

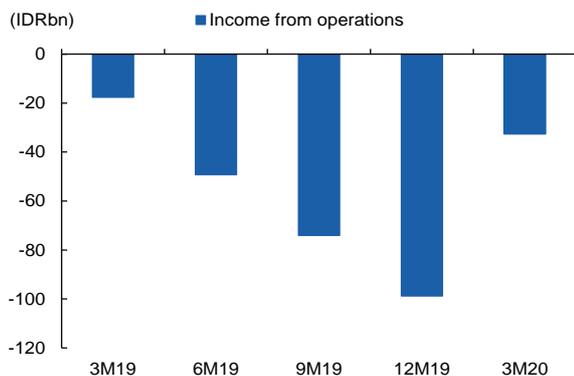


Source: ASSA, Mirae Asset Sekuritas Indonesia Research

### Anteraja to gain from the pandemic

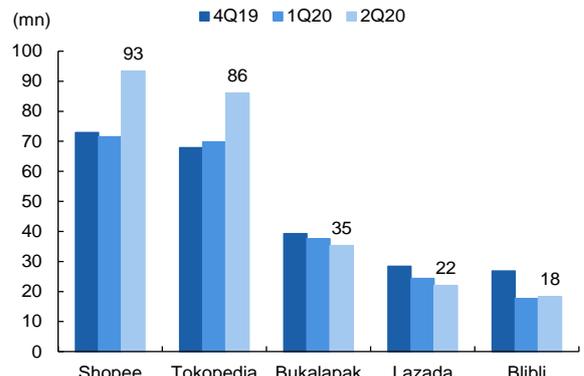
As delivery services are in high demand due to COVID-19, Anteraja, which was initiated in March 2019, has been growing rapidly and booked IDR100.3bn revenue in 3M20, vs. IDR295mn in 3M19. Supported by fleets from ASSA's logistics division, Anteraja's business model looks promising going forward due to digitalization. At the current delivery of around 200k packages/day, Anteraja still booked net losses. However, the company claims that starting next year, it should be able to deliver above 300k packages/day, which is the estimated breakeven point. So far, Anteraja has only been providing delivery services on Tokopedia (which contributes 80% to total delivery counts as of 3M20) and Blibli, but its business partnerships will be expanded to Shopee (in August 2020) and Bukalapak (in late 2020). We believe that the new partnerships can boost ASSA's 2H20 delivery volume. On a side note, Shopee ranks the 1<sup>st</sup> and Bukalapak the 3<sup>rd</sup> in terms of monthly visitors (see Figure 4). Moreover, we expect to see improvement in the second half of 2020 as shopping seasons from many e-commerce players will take place in this period, such as 9.9, 10.10, and 11.11.

Figure 3. Anteraja's financial performance



Source: ASSA, Mirae Asset Sekuritas Indonesia Research

Figure 4. Shopee and Bukalapak placed 1<sup>st</sup> and 3<sup>rd</sup> in traffic

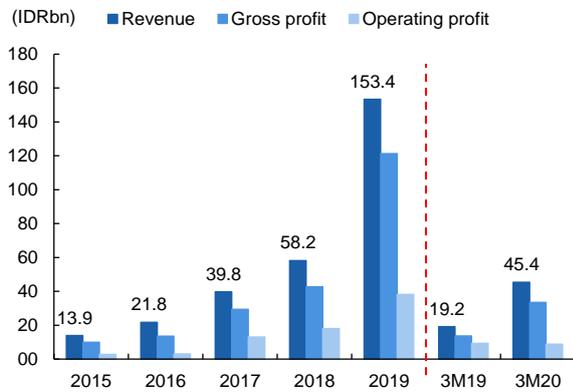


Source: iPrice.co.id, Mirae Asset Sekuritas Indonesia Research

### Auction business proves to be resilient

In the midst of COVID-19 pandemic, auction business remains resilient. Despite slow sales in Indonesia’s automotive industry, ASSA, through JBA Bidwin Auction, managed to book strong 3M20 sales of IDR42.1bn (136.4% YoY compared to IDR16.7bn in 3M19). Management claims that the overall result during pandemic was also relatively resilient, although they have not released any figures at this moment. According to the company, one of the factors behind resilient auctions is the ease to join auctions virtually, despite PSBB implementation in March-May, thanks to ASSA’s investment and early development of its online auction platform (see Figure 6). Regardless of the noticeable decline in traffic, JBA still brought positive contribution to ASSA. Nonetheless, we expect 2Q20 numbers to go down as the company claims that during PSBB, the number of cars offered was lowered to around 150 cars/auction, from previously 200 cars/auction. However, ASSA mentioned a rebound in activities along with the easing of PSBB in June, and this has brought sales volume back to pre-COVID level. We believe that, as purchasing power weakens further, demand for auction cars will continue rising due to lower entry price.

Figure 5. Auctions business P&L



Source: ASSA, Mirae Asset Sekuritas Indonesia Research

Figure 6. JBA’s online auction platform

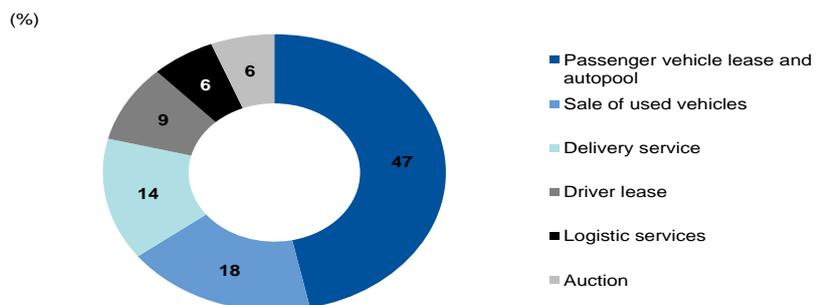


Source: JBA, Mirae Asset Sekuritas Indonesia Research

### ASSA’s main businesses to prevail due to limited effect of COVID-19

ASSA’s main businesses, namely corporate B2B vehicle lease and sale of used vehicle (see Figure 7), stay robust because, according to the company, most clients stood strong amidst COVID-19, such as BCA, HM Sampoerna, and Orang Tua Group. Most of these companies were operating normally, and payments were on time. Other than vehicle leasing, first mile and last mile also show resilience as logistics business remains in high demand in spite of COVID-19. With all of those strong fundamentals, ASSA looks promising going forward, in our view.

Figure 7. 3M20 ASSA revenue contributors



Source: ASSA, Mirae Asset Sekuritas Indonesia Research

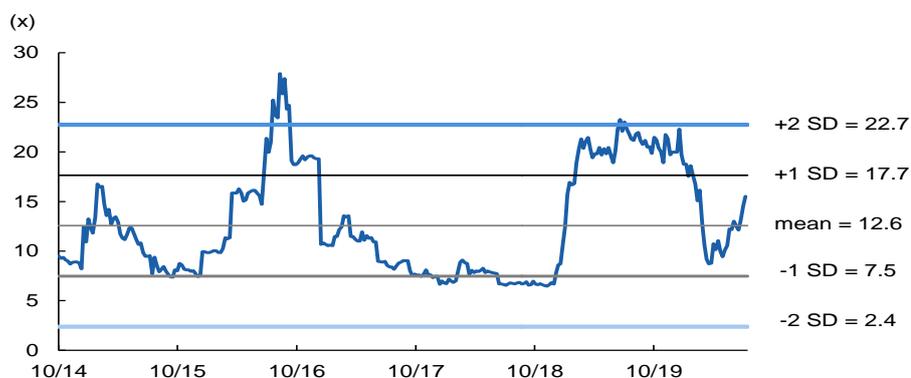
### Strengthening capital

After some delays earlier this year, ASSA plans to conduct its first rights issue in its EGM, which is scheduled to be held in August 2020. The management have not revealed the size of the new capital to be raised at this moment. The proceeds are intended for refinancing its bank loans, which were previously used to acquire JBA and build Anteraja business, while the remaining proceeds will be used for expanding its end-to-end logistics business, including Anteraja. Note that interest expenses from the bank loan weighed down its earnings quite heavily last year. Hence, we view the rights issue as a positive move to strengthen its capital and alleviate its interest burden.

### Valuation

Currently, ASSA is trading at IDR535/share, with 13.1x trailing P/E. Risks are: 1) lower-than-expected earnings; 2) prolonged COVID-19 outbreak; and, 3) share dilution from planned capital raising.

**Figure 8. Trailing P/E band**



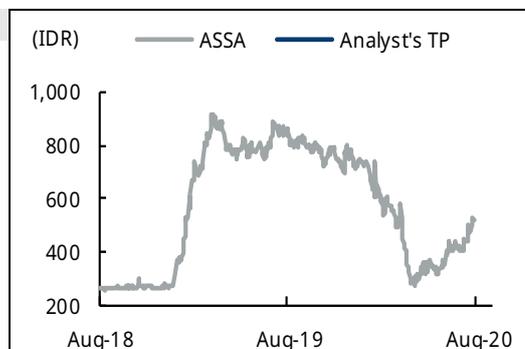
Source: Bloomberg, Mirae Asset Sekuritas Indonesia Research

## APPENDIX 1

### Important Disclosures & Disclaimers

#### 2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
ASSA IJ		Not Rated	



Stock Ratings		Industry Ratings	
Buy	Relative performance of 20% or greater	Overweight	Fundamentals are favorable or improving
Trading Buy	Relative performance of 10% or greater, but with volatility	Neutral	Fundamentals are steady without any material changes
Hold	Relative performance of -10% and 10%	Underweight	Fundamentals are unfavorable or worsening
Sell	Relative performance of -10%		

\* Ratings and Target Price History (Share price (----), Target price (----), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

\* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

\* Although it is not part of the official ratings at PT Mirae Asset Sekuritas Indonesia, we may call a trading opportunity in case there is a technical or short-term material development.

\* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

#### Equity Ratings Distribution

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	38%	20%	35%	7%

\*Based on recommendations in the last 12-months (as of June 30, 2020)

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