

Adi Sarana Armada

Remain Optimistic yet rationalizing short-term earnings

Earnings revision

We cut 2019 earnings by 26% and maintain our 2020 earnings level. The reason why we cut 2019 earnings is due to opex jump from Anteraja's expansion which started in 2Q19. This is more of a learning (have passed that stage) and start-up cost. We expect 3Q19 earnings to remain slightly pressured on higher opex as they expanded its last-mile expansion throughout the whole Java in July. Yet 4Q19 earnings should rebound on a QoQ basis mainly due to significant ramp up in parcel delivery volumes following its whole Java expansion and venture into same-day delivery.

Last-mile delivery business: On the verge of becoming big

We recently visited one of Anteraja's sorting warehouse in Halim (East Jakarta) to learn its next-day parcel delivery process. We were surprised on how efficient they run their sorting process, using digital tools such as its Wi-Fi Handheld Scanner in sorting enormous quantity of parcel units that are to be delivered to buyers. We also took a look at their stage box (the storage points for pre and post warehouse delivery), which is one of their competitive advantage. Company has ~26 staging boxes and another 50 stage boxes to be installed soon. Starting from Jul' 19, Anteraja has expanded its network outside of Jabodetabek with location points exceeding more than 120. Anteraja's parcel deliver volume jumped to ~30k parcels/day in July from ~13k/day in Apr-June. We expect volumes to jump to ~70k/day next month before reaching ~100k by end of this year, ~200k/day by end of 2020, and ~430k/day by end of 2021.

B2B car rental continue to be bread & butter of 1-2 years earnings

We expect its corporate car leasing/rental business to continue to grow in 2019 and 2020 by +17%/+20% YoYs contributing 67%/55% of 2019/20 revenue. The strong growth is driven by fleet expansion. We see enormous opportunity in the corporate car rental business as there are still many corporates that have not outsourced their vehicle management to professional 3rd parties such as ASSA. We see its large base car fleet is still relatively low compared to Indonesia's total ~3m vehicle rental opportunities that ASSA can grab. We estimate ASSA to almost double its fleet by 2024 (23.6k units in 2018 to 43.1k units in 2024).

Valuation

We maintain our SOP based TP of Rp1,000 despite lowering our 2019 earnings. We maintain our SOP based TP with the following details: 1) Reduce our 2019 earnings for courier business yet roll-over courier segment's DCF to end-2020, 2) Roll-over rental business DCF to end-2020. ASSA is trading at PEG CAGR 2020-23 of only 0.37x and trading at 15.8x 2020 P/E. Key risks: Delay in last-mile delivery expansion, mounting opex and higher than expected investment costs.

Company Data

Year end Dec	2018	2019F	2020F	2021F	2022F
Revenue (IDR bn)	1,863	2,335	3,378	4,515	6,819
Net Profit (IDR bn)	144	107	172	204	290
EPS Growth (%)	39.1	(25.3)	60.2	18.8	41.9
P/E (x)	18.9	25.3	15.8	13.3	9.4
P/BV (X)	2.4	1.9	1.4	1.3	1.0
EBITDA (IDR bn)	787	903	1,219	1,482	1,843
EV/EBITDA	6.2	6.1	5.0	4.4	3.7
Div Yield (%)	1.5	1.4	1.0	1.6	1.9

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BUY (Maintain)

Current TP IDR1,000 (+25%)
 Previous TP IDR1,000
 Current Price IDR800



Willinoy Sitorus

willinoy.sitorus@trimegah.com
 021 - 2924 9107

Stock Data & Indices

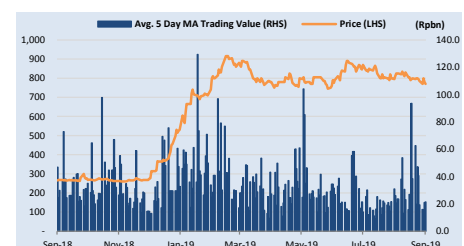
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JCI Member	JAKINFR
MSCI Indonesia	No
JII	No
LQ45	No
Kompas 100	No

Key Data

Issued Shares (mn)	3,397.5
Free Float (est)	35.9
Mkt. Cap (IDRbn)	2,718.0
Mkt. Cap (USDmn)	193.2
ADTV 6 months (USDmn)	2.5
52 Wk-range	940 / 260

Performance (%)

	YTD	1m	3m	12m
Absolute	119.8	-1.2	3.2	198.5
Relative to JCI	119.2	-0.2	4.9	193.4



Income Statement

Year end Dec (IDR bn)	2018	2019F	2020F	2021F	2022F
Revenue	1,863	2,335	3,378	4,515	6,819
Gross Profit	599	728	963	1,171	1,517
Opr. Profit	357	367	561	680	882
EBITDA	787	903	1,219	1,482	1,843
Net Int Inc/(Exp)	(173)	(231)	(288)	(335)	(365)
Earnings From Subsidiary	-	-	-	-	-
Other Income (Expense)	-	-	-	-	-
Pre-tax Profit	182	136	273	345	517
Income Tax Expense	(40)	(34)	(68)	(86)	(129)
Minority Interest	1	5	(33)	(55)	(98)
Net Profit	144	107	172	204	290
Dividend payout ratio (%)	28.4	25.7	25.7	25.7	25.7

Balance Sheet

Year end Dec (IDR bn)	2018	2019F	2020F	2021F	2022F
Cash and equivalents	228	125	109	220	281
Other curr asset	309	642	1,002	1,115	1,537
Net fixed asset	3,412	4,101	4,750	5,354	5,868
Other non-current assets	114	119	125	132	139
Total Asset	4,063	4,988	5,986	6,820	7,825
ST debt	20	20	20	20	20
Other curr liab	1,130	1,126	1,160	1,174	1,050
LT debt	1,604	2,204	2,704	3,254	3,804
Other LT Liab	170	195	223	257	297
Minority interest	52	129	260	295	431
Total Liabilities	2,924	3,544	4,107	4,704	5,170
Shareholders Equity	1,086	1,315	1,619	1,821	2,224
Net debt / (cash)	2,123	2,825	3,341	3,781	4,069
Total cap employed	2,912	3,842	4,806	5,626	6,755
Net Working capital	(613)	(378)	(69)	141	748

Cash Flow

Year end Dec (IDR bn)	2018	2019F	2020F	2021F	2022F
Net Profit	144	107	172	204	290
Depr / Amort	431	536	658	802	962
Chg in Working Cap	188	(338)	(325)	(100)	(345)
Others	(297)	24	29	34	40
CF's from oprs	123	(44)	200	647	653
Capex	(736)	(852)	(973)	(1,114)	(1,183)
Others	623	(5)	(6)	(7)	(7)
CF's from investing	(113)	(857)	(979)	(1,120)	(1,190)
Net change in debt	348	600	500	550	350
Others	(215)	198	263	33	249
CF's from financing	133	798	763	583	599
Net cash flow	143	(102)	(16)	110	62
Cash at BoY	85	228	125	109	220
Cash at EoY	228	125	109	220	281

Ratio Analysis

Year end Dec	2018	2019F	2020F	2021F	2022F
Profitability					
Gross Margin (%)	32.1	31.2	28.5	25.9	22.2
Opr Margin (%)	19.1	15.7	16.6	15.1	12.9
EBITDA Margin (%)	42.2	38.7	36.1	32.8	27.0
Core Net Margin (%)	7.1	4.6	5.1	4.5	4.2
ROE (%)	13.9	8.9	11.7	11.9	14.3
ROA (%)	3.9	2.4	3.1	3.2	4.0
Stability					
Current ratio (x)	0.5	0.7	0.9	1.1	1.7
Net Debt to Equity (x)	2.0	2.1	2.1	2.1	1.8
Net Debt to EBITDA (x)	2.7	3.1	2.7	2.6	2.2
Interest Coverage (x)	2.1	1.6	1.9	2.0	2.4
Efficiency					
Account Payable (days)	10.1	10.1	10.1	10.1	10.1
Account Receivable (days)	41.5	39.7	39.2	38.8	38.4
Inventory Day (days)	9.9	9.4	6.3	4.5	2.9

Company Background

PT Adi Sarana Armada Tbk (ASSA) is one of the largest car rental company with >20k rental units and 44 branch & service points. It entered the car auction business back in 2014.

Major Shareholders

PT Adi Dinamika Investindo	25.1%
PT Daya Adicipta Mustika	19.2%
Drs. Prodjo Sunarjanto SP	9.9%
Public	45.8%

SWOT Analysis

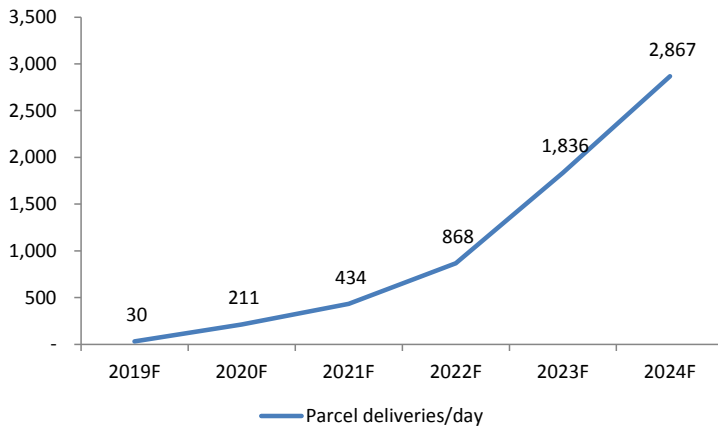
<p>Strength</p> <ul style="list-style-type: none"> -Strong customer base (corporate). -Lower car acquisition price -Synergy within business units -technology driven 	<p>Weakness</p> <ul style="list-style-type: none"> -Exposure to change in interest rates.
<p>Opportunity</p> <ul style="list-style-type: none"> -Increase in second hand car price. -Trend to outsource transportation needs (increase in potential customer base) -Monetize technology to make businesses more efficient 	<p>Threat</p> <ul style="list-style-type: none"> -Increase in cost of funds. -High discount for new car.

Figure 1. Earnings revision

	New			Old			Change		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Revenue	2,335	3,378	4,515	2,384	3,387	4,525	-2%	0%	0%
Gross profit	728	963	1,171	737	954	1,179	-1%	1%	-1%
<i>Gross margin</i>	<i>31.2%</i>	<i>28.5%</i>	<i>25.9%</i>	<i>30.9%</i>	<i>28.2%</i>	<i>26.0%</i>			
Operating profit	367	561	680	446	584	685	-18%	-3.9%	-1%
<i>Op. profit margin</i>	<i>15.7%</i>	<i>16.6%</i>	<i>15.1%</i>	<i>18.7%</i>	<i>17.2%</i>	<i>15.1%</i>			
Pre-tax profit	136	273	345	201	272	348	-32%	0%	-1%
<i>Pre-tax margin</i>	<i>5.8%</i>	<i>8.1%</i>	<i>7.6%</i>	<i>8.4%</i>	<i>8.0%</i>	<i>7.7%</i>			
Net profit	107	172	204	145	172	205	-26%	0%	-1%
<i>Net margin</i>	<i>4.6%</i>	<i>5.1%</i>	<i>4.5%</i>	<i>6.1%</i>	<i>5.1%</i>	<i>4.5%</i>			

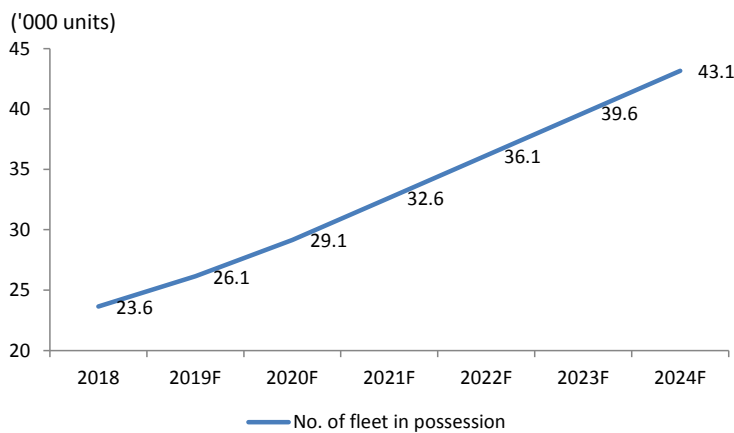
Source: Trimegah research

Figure 2. Parcel delivery volume forecast – multi-beggar expansion



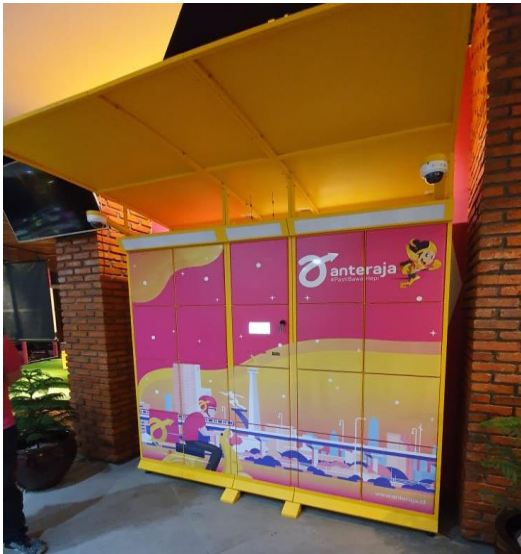
Source: Trimegah research

Figure 3. We expect its fleets to ~double by 2024



Source: Company, Trimegah research

Figure 4. Anteraja’s staging box



Source: Trimegah research

Figure 5. Anteraja’s staging box



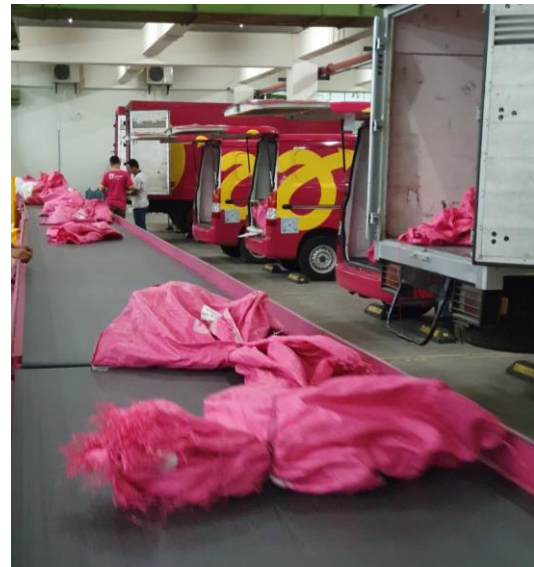
Source: Trimegah research

Figure 6. Anteraja’s warehouse hub



Source: Trimegah research

Figure 7. Anteraja’s warehouse conveyor



Source: Trimegah research

Figure 8. Valuation

SOP method

Business unit	Method	Valuation (Rp bn)
Car rental & related	DCF using scrap value as TV	1,603
Car auction	Target 2020 P/E of 20x	539
Last-mile delivery (courier)	DCF using 12.5% WACC, 3% LT growth rate	1,505
Total		3,646
Shares outstanding (b)		3.4
Target price (Rp/share) - rounded		1,000

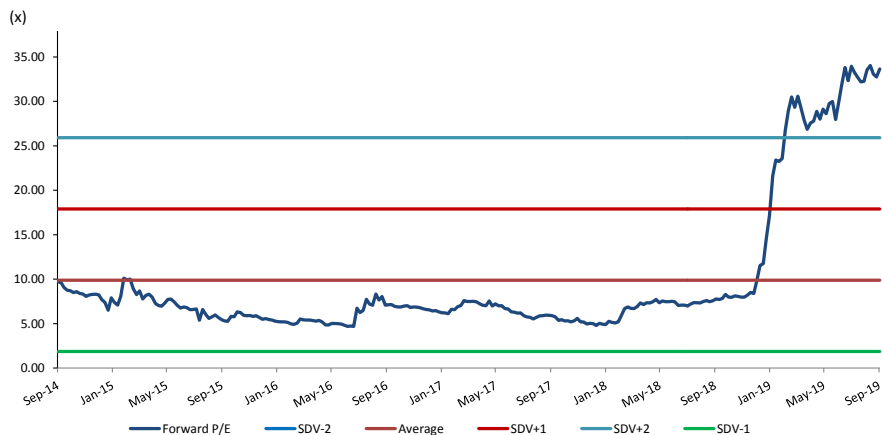
Source: Trimegah research

Figure 9. Peers comparison

Auction										
	Country	Market Cap (USDmn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
			2019Y	2020Y	2019Y	2020Y	2019Y	2020Y	2019Y	2020Y
Car Auction										
KAR Auction Services Inc	US	3,420.97	20.60	16.66	9.63	9.18	2.04	1.92	6.83	N/A
Non-car auction										
Ritchie Bros Auctioneers Inc	US	4,133.38	29.95	25.78	16.54	16.42	N/A	N/A	17.04	18.97
Simple Average			25.27	21.22	13.09	12.80	2.04	1.92	11.94	18.97
Auto Rental										
	Country	Market Cap (USDmn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
			2019Y	2020Y	2019Y	2020Y	2019Y	2020Y	2019Y	2020Y
Avis Budget Group	US	2,242.21	7.29	6.85	24.16	22.87	3.99	2.77	59.74	44.84
Hertz Global Holdings	US	1,917.80	10.69	8.21	34.55	29.87	0.54	0.63	8.42	9.19
Europcar Mobility Group	Europe	1,011.60	6.18	5.19	14.65	13.11	0.96	0.87	12.67	14.06
CAR Inc	Hong Kong	1,593.68	14.29	13.49	6.05	5.32	1.27	1.15	10.34	10.60
Cia De Locacao	Brazil	1,924.89	23.25	17.73	9.55	7.88	2.84	2.54	12.28	15.37
Simple Average			12.34	10.29	17.79	15.81	1.92	1.59	20.69	18.81
Courier										
	Country	Market Cap (USDmn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
			2019Y	2020Y	2019Y	2020Y	2019Y	2020Y	2019Y	2020Y
SF Holding Co	China	25,162.85	34.09	28.69	17.80	14.28	4.38	3.86	13.22	14.05
ZTO Express Cayman	US	17,339.48	24.58	20.55	15.56	12.38	3.24	2.88	13.65	14.55
Yamato Holdings Co	Japan	6,627.76	19.29	16.40	5.55	5.03	1.20	1.16	6.17	7.11
SG Holdings Co	Japan	8,010.86	18.92	18.17	9.82	9.23	2.37	2.22	12.32	11.84
Bpost SA	SA	2,094.96	9.70	9.25	4.68	4.70	2.54	2.39	27.89	27.90
Simple Average			21.32	18.61	10.68	9.12	2.75	2.50	14.65	15.09

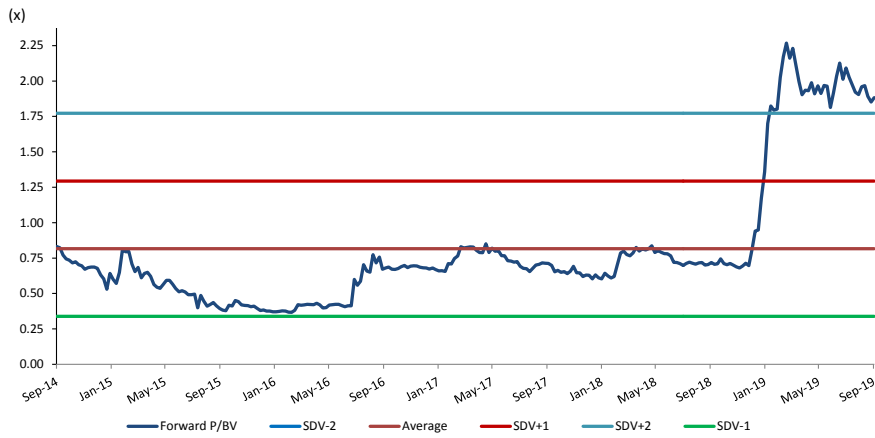
Source: Trimegah research, Bloomberg

Figure 10. ASSA's 5-year average forward P/E



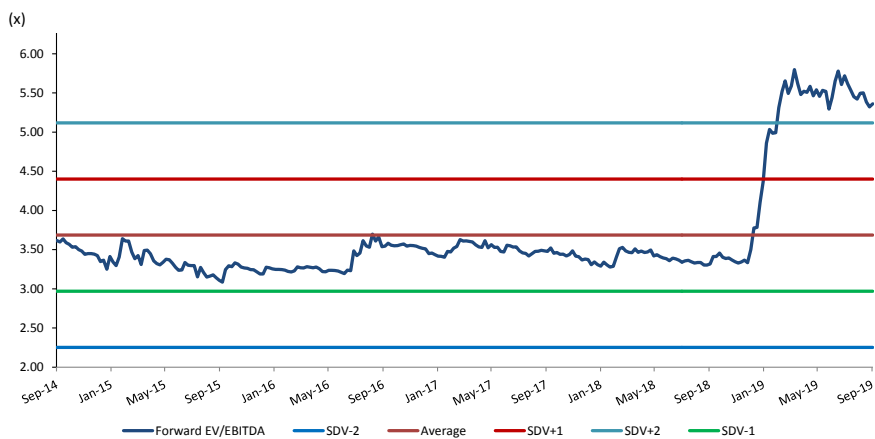
Source: Company, Trimegah Research, Bloomberg

Figure 11. ASSA's 5-year average forward P/BV



Source: Company, Trimegah Research, Bloomberg

Figure 12. ASSA's 5-year average forward EV/EBITDA



Source: Company, Trimegah Research, Bloomberg

Research Team

Sebastian Tobing, CFA	Strategy, Digital, Telcos, Commodities	sebastian.tobing@trimegah.com	+62-21 2924 9105
Willinoy Sitorus	Banks, Automotive and Small caps	willinoy.sitorus@trimegah.com	+62-21 2924 9107
Fakhrul Fulvian	Economics, Fixed Income	fakhrul.fulvian@trimegah.com	+62-21 2924 9097
Darien Sanusi	Consumer Staples, Retail, Healthcare	darien.sanusi@trimegah.com	+62-21 2924 9106
Heribertus Ariando	Consumer Staples and Media	heribertus.ariando@trimegah.com	+62-21 2924 9060
Adi Prabowo	Cement, Property and Infrastructure	adi.prabowo@trimegah.com	+62-21 2924 9136
Yeni Simanjuntak	On-the-ground, Politics	yeni.simanjuntak@trimegah.com	+62-21 2924 9104
Fedro Christian	Small Caps	fedro.christian@trimegah.com	+62-21 2924 9098
Farah Rahmi Oktaviani	Economics, Fixed Income, FIG	farah.rahmi@trimegah.com	+62-21 2924 6325
Rifina Rahisa	Banks	rifina.rahisa@trimegah.com	+62-21 2924 9103
Rovandi, CTA	Technical analysis	rovandi@trimegah.com	+62-21 2924 9096

Institutional Sales Team

Daniel Dwi Seputro	Head of Equity Trading	daniel.dwi@trimegah.com	+62-21 2924 9075
Beatrix Susanto	Equity Institutional Sales	beatrix.susanto@trimegah.com	+62-21 2924 9086
Raditya Andyono	Equity Institutional Sales	raditya.andyono@trimegah.com	+62-21 2924 9146
Meitawati	Equity Institutional Sales	meitawati.edianingsih@trimegah.com	+62-21 2924 9081
Calvina Karmoko	Equity Institutional Sales	calvina.karmoko@trimegah.com	+62-21 2924 9080
Dewi Yusnita	Equity Institutional Sales	dewi.yusnita@trimegah.com	+62-21 2924 9082

Retail Sales Team

Henry Sidarta, CFTe	Head of Retail Equity Sales	henry.sidarta@trimegah.com	+62-21 3043 6309
Hasbie Sukaton	Deputy of Retail of Sales	hasbie.sukaton@trimegah.com	+62-21 2924 9088
Jakarta Area			
Untung Wijaya	Kelapa Gading, Artha Graha, Jakarta	untung.wijaya@trimegah.com	+62-21 4503 345
Windra Djulnaily	Pluit, Jakarta	windra.djulnaily@trimegah.com	+62-21 6660 1456
Ignatius Candra Perwira	BSD, Tangerang	ignatius.perwira@trimegah.com	+62-21 5386 700
Sumatera			
Juliana Effendy	Medan, Sumatera Utara	juliana.effendi@trimegah.com	+62-61 4520 336
Tantie Rivi Watie	Pekan Baru, Riau	tantierw@trimegah.com	+62-761 859 710
East Indonesia			
Pandu Wibisono	Surabaya, Jawa Timur	pandu.wibisono@trimegah.com	+62-31 5623 720
Carlo Ernest Frits Coutrier	Makasar, Sulawesi Selatan	carlo.coutrier@trimegah.com	+62-411 850 222
Central Java, Area			
Mariana Kusuma Wati	Semarang, Jawa Tengah	mariana.kusuma@trimegah.com	+62-24 8452 333
Jogi Huxany Fatah Ng	Solo, Jawa Tengah	jogi.huxany@trimegah.com	+62-271 733 328
West Java			
Asep Saepudin	Bandung, Jawa Barat	asep.saepudin@trimegah.com	+62-22 4267 929
Ariffianto	Cirebon, Jawa Barat	ariffianto@trimegah.com	+62-231 8291 155

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- Sell : Share price is expected to trade below 0% over the next 12 months
- Not Rated : The company is not within Trimegah research coverage

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Company Ticker	Disclosure (as applicable)
ASSA	-

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