

NOT RATED

Close 9 Oct 2019

Price: IDR750

Market cap	US\$180mn
6M avg daily turnover	US\$0.2mn
Outstanding shares	3,398mn
Free float	35.9%
Major shareholders	PT Adi Dinamika Investindo, 25.08%
Net debt/equity	186.47%
BVPS (1H19)	IDR337.2
P/B (1H19)	2.49x
P/E (T12M)	19.84x

Financial outlook

Year to Dec	2016	2017	2018	1H19
Sales (IDR bn)	1,570	1,690	1,863	1,081
Net profit (IDR bn)	62.1	103.2	143.5	51
EPS (IDR)	18	30	42	15
ROE (%)	6.9	10.5	12.6	4.7
Div. yield (%)	3.6	5.9	3.3	n/a

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Bloomberg code: YUTA

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Joining the e-commerce ride

Event

We met the CEO and CFO to discuss new business opportunities for the company from rising e-commerce strategies.

Our take

- Still-robust growth from bread and butter business.** ASSA is a big transport and logistics firm in Indonesia carrying out mostly car rental with a fleet size of 25,000 units and staff of 4,500 drivers. Its biggest revenue generator is car rental, comprising 69% of its total revenue. ASSA targets revenue growth of 15–20%, driven by 10% fleet growth in FY19F, while maintain fleet utilization slightly above 90%. Growth for rental cars is expected to be sourced from existing and new customers. Taking care of service-level agreements (SLA) to a high standard is the key driver to beating the competition, which includes managing drivers. Also, ASSA recently launched an application for hourly car rental, Sharecar, to maximize utilization of its idle fleet.
- Joining the e-commerce ride.** Around 4.5 mn parcels are delivered each day in Indonesia, thanks to the rapid development of e-commerce. To leverage this opportunity, ASSA recently launched a new business unit, Anteraja, a last-mile logistics company that delivers parcel directly from seller to buyer, which is owned by ASSA (55%), Tokopedia (25%) and SF Express (20%). The latter is one of China's biggest logistics companies and is known for its technology-based services. Backed by SF Express' big data technology, Anteraja can minimize costs using optimized routes and will support distribution at Anteraja "Titipaja" warehouses, which will be launched later. ASSA expects Anteraja to deliver 103,894 parcels a day by 2019 and 2 mn parcels per day by 2023.
- Leading auction house.** After acquiring PT JBA Indonesia, ASSA has become operator of the No. 1 auction house in Indonesia (by number of vehicles sold), with a sharp increase in units auctioned, from 11,055 in 2017 to 38,496 in 2018. Despite its small contribution to the top line, ASSA's auction business offers the highest margin (82.7% and 35.4% in 1H19 gross and EBIT margin, respectively) compared to its other business lines. ASSA plans to capture B2C and C2C markets for its auction business through Caroline, an application for the auction of used vehicles.
- Valuation.** We see that the company has taken several strategic investments to jack up its revenue. However, positive cash flow from Anteraja might come in late in 2021F, causing its profitability to soften a bit. The company targets for 15–20% top line growth and expects flat bottom line due to the development costs of its new courier business. Using that guidance, ASSA is currently traded at 17.6x forward P/E, a little pricey compared to global peers' 15x P/E on average, very expensive compared to its three-year average of 7.8x.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

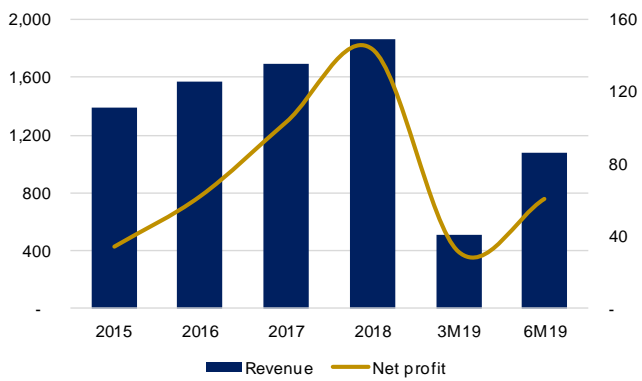
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Figure 1. ASSA 1H19 results

IDR bn	1H19	1H18	%	2Q19	1Q19	%	2Q18	%
Sales	1,081	885	22.1%	572	509	12.5%	434	31.8%
COGS	(740)	(597)	23.9%	(391)	(349)	11.9%	(291)	34.1%
Gross profit	341	288	18.4%	181	160	13.6%	142	27.3%
Operating expense	(166)	(110)	51.0%	(92)	(74)	23.3%	(57)	61.3%
Operating profit	175	178	-1.6%	90	85	5.1%	86	4.7%
Others	(110)	(81)	35.9%	(57)	(53)	7.4%	(41)	38.8%
Income before tax	65	97	-33.1%	33	32	1.5%	45	-26.7%
Net income	51	76	-32.0%	25	27	-6.0%	35	-27.9%

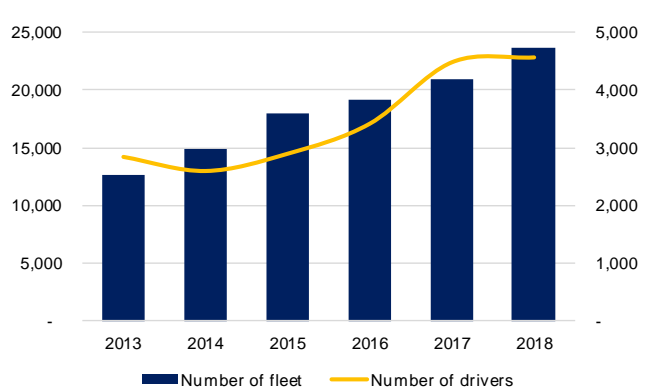
Source: Company, Yuanta

Figure 2. ASSA revenue and net profit



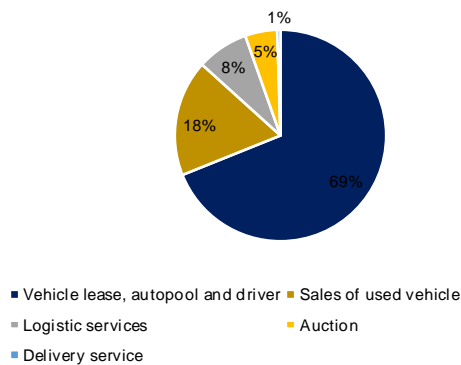
Source: Company data

Figure 3. ASSA's revenue segments



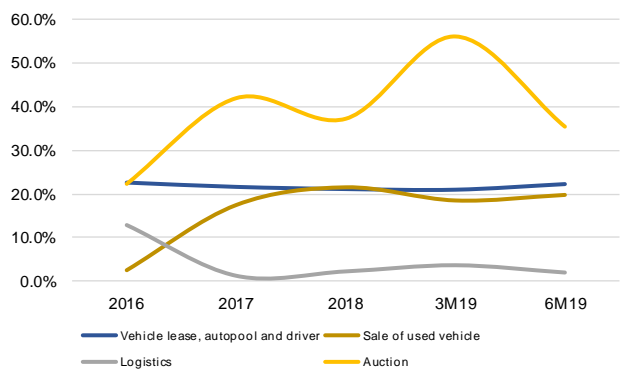
Source: Company data

Figure 4. ASSA's proportion of revenue by business type



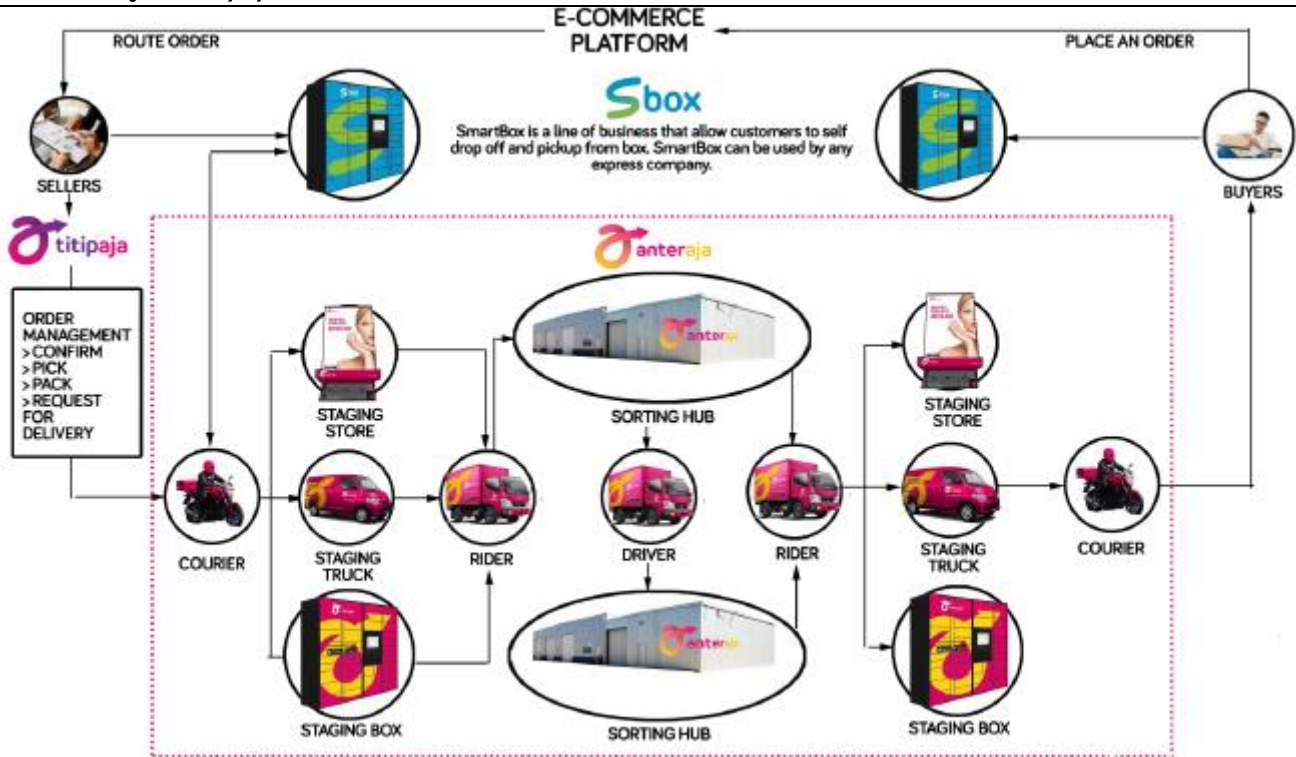
Source: Company data

Figure 5. EBIT margin of ASSA's revenue segments



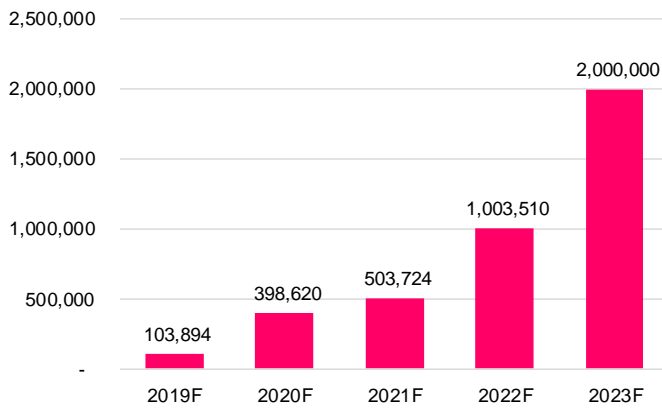
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Figure 6. Anteraja delivery system



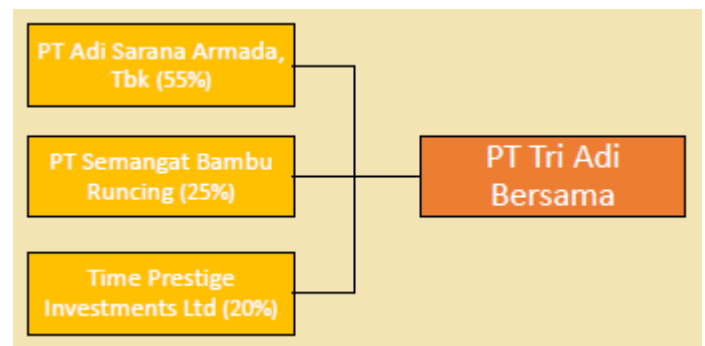
Source: Company data

Figure 7. Anteraja's projected number of parcels delivered



Source: Company data

Figure 8. Anteraja ownership structure



Source: Company data

Appendix A: Important Disclosures

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