

Transportation

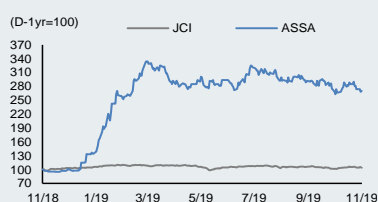
Company Report
November 7, 2019

Not Rated

Target Price (12M, IDR)	N/A
Share Price (11/7/19, IDR)	740
Expected Return	N/A

Consensus Net Profit (20F, IDRbn)	N/A
EPS Growth (20F, %)	N/A
P/E (20F, x)	N/A
Industry P/E (20F, x)	13.8
Benchmark P/E (20F, x)	14.0
Market Cap (IDRbn)	2,514.2
Shares Outstanding (mn)	3,397.5
Free Float (%)	35.9
Beta (Adjusted, 24M)	0.7
52-Week Low (IDR)	260
52-Week High (IDR)	940

(%)	1M	6M	12M
Absolute	2.8	-4.5	170.1
Relative	0.7	-3.8	166.3



PT. Mirae Asset Sekuritas Indonesia

Transportation

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Adi Sarana Armada

(ASSA IJ)

Site visit note

We recently visited Adi Sarana Armada, one of the most comprehensive transportation service providers in Indonesia. ASSA's current business divisions span from corporate/individual vehicle lease, car pooling services, sale of used vehicles, driver lease services, logistic services, automotive auction, to delivery business. We only visited auction (JBA Bidwin Auction) and delivery businesses (Anteraja).

JBA Bidwin Auction, a promising growth engine

Since mid 2014, ASSA has engaged in the automotive auction business via its subsidiary, PT Adi Sarana Lelang (97% ownership), with its commercial brand "Balai Lelang Bidwin". The growth has been extraordinary since then, with annual growth always above 50%, far outstripping its legacy car rental, used car sale, driver lease, and logistics businesses at between -15% - 34% annually. Realizing this promising segment, in early 2019, ASL acquired 51% ownership in PT JBA Indonesia (JBAI), a part of Japan Bike Auction, a Japanese automotive auction company. ASL owned 10 branches then, while JBA owned 9 branches. Since the acquisition, ASL and JBAI have consolidated their operations under a new brand, JBA Bidwin Auction. This has become the largest automotive auction company in Indonesia in terms of branch networks and the number of cars auctioned.

The latest data in 9M19 show strong revenue growth at 169%, compared to 9M18. Auction business contribution rose from 3% in 9M18 to 6% in 9M19. JBA Bidwin currently operates 17 branches in 16 different cities in Indonesia and plans to add one by the end of 2019. In 2018, the company managed to sell c. 149k vehicles. We expect the number to increase, given wider networks and partnerships with several leasing companies as the main vehicle procurement source. It is also important to note that OJK does not allow multifinance companies to organize their own auction. Therefore, JBA Bidwin is the perfect platform for them to liquidify their vehicle. Multifinance companies have contributed up to 70% of the cars listed in JBA Bidwin.

JBA Bidwin also has a competitive advantage as a favorite car auction platform for sellers and buyers as it provides the most car varieties from low to high segment and from passenger to commercial vehicle. The success rate of selling a car through JBA Bidwin is approximately 80%. Meanwhile, unsold vehicle will usually get sold out the next week after the prices are reduced.

Anteraja, a newest addition to the family

As e-commerce gains popularity, ASSA is committed to entering the last-mile package delivery through its subsidiary, PT Tri Adi Bersama (55% ownership), with the commercial brand "Anteraja". The growth is also promising. In 1Q19, Anteraja contributed IDR295mn, only 0.1% of total revenue. However, by September 2019 YtD, Anteraja's contribution has reached IDR25bn, translating into 1.5% of total revenue. Unlike GoJek and Grab that use a single delivery person end-to-end regardless of the distance, Anteraja employs a point-to-point delivery model, in which each delivery person will only travel in a designated local area, while another person will deliver to another area. This runs like a relay race until the package reaches the recipient. With the help of technology, Anteraja is able to offer cheap flat prices for local deliveries, ranging between IDR10,000-IDR15,000/delivery depending on delivery time. Anteraja also collaborates with e-commerce platforms, such as Tokopedia, and is in the process of collaborating with more e-commerce platforms, such as Shopee and Blibli. Anteraja expects to raise its daily delivery volume from an average of 70,000/day to 100,000/day by the end of 2019. This would boost ASSA's delivery revenue as Anteraja's business is growing.

Site visit note

Synergy between ASSA and Anteraja

Anteraja has been operating in 23 provinces and 57 cities across Indonesia. As a shipping company, accommodating consumers' request is central. With the rise of e-commerce and technology in Indonesia, Anteraja needs to be able to expand quickly. Therefore, as a new player in the industry, it's unfavorable for Anteraja to invest a lot of money in providing new vehicle in each city as net margin in the shipping industry is relatively small, while the company relies heavily on delivery volume. This is where ASSA comes in to help and synergize with Anteraja. Being an expert in logistics operations, ASSA has many fleets, from pick-up trucks to industrial vehicle, across Indonesia. As a result, Anteraja uses ASSA's services for areas which are out of reach. ASSA helps with the first mile package coming from air cargo shipment and then transfers it to one of Anteraja's designated local storage places. The package will then be picked up by a "Satria", a nickname for the couriers. As mentioned before, Anteraja has contributed IDR25bn by September 2019 YtD. If all works according to their forecast, Anteraja's BEP will be in the second year.

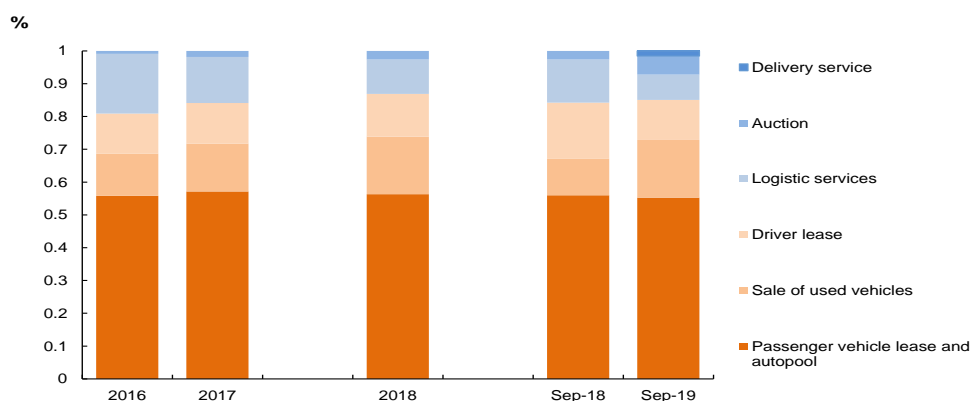
9M19 review: Dragged down by Anteraja and declining logistics business

ASSA's 9M19 net profit dropped by 25% to IDR79bn, given: 1) declining logistics business due to one big customer lose; and, 2) an increase in salary expenses of 55% YoY in 3Q19, 62.5% higher than 2Q19. Note that Anteraja's development correlates strongly with the number of employees. Moreover, ASSA's venture into delivery services took a toll this year as the sharp increase in new hirings by Anteraja adversely impacted earnings. As of now, the company has around 1,800 employees and expects to recruit 300-400 more by the end of 2019. However, we see that the outlook should remain positive for next year as revenue should ramp up when the extensive networks are getting more established. As one of the market leaders in transportation and logistics services, ASSA has managed to deliver a net profit, despite huge investment in early 2019. ASSA is currently trading at trailing P/E and P/B of 22.5x and 1.97x, respectively. Downside risks to the stock include: 1) competition from similar business models; 2) delayed execution of network expansion; 3) technological development; and, 4) deteriorating macro-economic.

Table 1: Financial Highlights

FY (Dec)	16-Dec	17-Dec	18-Dec	9M18	9M19
Revenue (IDRbn)	1,570.40	1,689.80	1,862.90	1355	2058
Op. Profit (IDRbn)	272	311.4	356.3	263	353
Net Profit (IDRbn)	62.1	103.2	143.5	106	115
EPS (IDR)	18	30	42	31	34
BPS (IDR)	265.9	290.1	319.7	N/A	N/A
P/E (x)	10.7	6.7	8.6	10	N/A
P/B (x)	0.7	0.7	1.1	N/A	N/A
EV/EBITDA (x)	3.8	3.7	4.3	3.8	N/A
ROE (%)	7.1	10.9	13.9	13.6	8.9
ROA (%)	2.1	3.3	3.9	3.9	2.5
Dividend Yield (%)	2.1	3.5	3.3	N/A	N/A
Net Gearing (x)	N/A	N/A	N/A	N/A	N/A

Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 1: ASSA's revenue contributors

Source: Company data, Mirae Asset Sekuritas Indonesia Research

Site visit note

Table 2: Financials

(IDRbn)

	FY2016	FY2017	2016-2017	FY2018	2017-2018	9M18	9M19	Sept18-Sept19	CAGR 16-18
Revenue	1,570	1,689	8%	1,862	10%	1,355	1,670	23%	4%
Passenger vehicle lease	876	965	10%	1,049	9%	758	922	22%	5%
Sale of used vehicles	201	246	22%	326	33%	150	293	95%	13%
Driver lease	192	209	9%	243	16%	232	204	-12%	6%
Logistic services	286	237	-17%	195	-18%	178	128	-28%	-9%
Auction	14	31	125%	48	54%	35	95	171%	36%
Delivery service							25		
Vehicle buying and selling							0.05		
COGS	-1,114	-1,173	5%	-1,264	8%	-919	-1,131	23%	3%
Gross profit	456	516	13%	598	16%	435	539	24%	7%
GPM	29.0%	30.6%		32.1%		32.1%	32.3%		
Selling exp	-9	-7	-16%	-9	23%	-6.8	-7.2	6%	1%
GA exp	-191	-213	12%	-247	16%	-177	-287	62%	7%
Other opr income	16	16	-2%	15	-6%	12	23	103%	-2%
Operating profit	273	313	15%	357	14%	263	268	2%	7%
OPM	17.4%	18.5%		19.1%		19.4%	16.1%		
Finance exp	-185	-176	-5%	-178	1%	-128	-179	40%	-1%
EBT	89	138	56%	182	32%	97	65	-33%	20%
Tax exp	-27	-35	31%	-40	15%	-31	-19	-39%	11%
Net profit for owners	62	103	66%	144	39%	106	80	-25%	23%
NPM	4.0%	6.1%		7.7%		7.9%	4.8%		
Current asset	292	344	18%	537	56%	540	746	38%	16%
Non-current asset	2,738	2,964	8%	3,526	19%	3,163	3,945	25%	7%
Total asset	3,030	3,307	9%	4,063	23%	3,703	4,692	27%	8%
Current liabilities	597	802	34%	1,150	43%	1,002	1,216	21%	18%
Non-current liabilities	1,529	1,519	-1%	1,774	17%	1,598	2,157	35%	4%
Total liabilities	2,126	2,322	9%	2,924	26%	2,600	3,373	30%	8%
Equity for owners	904	986	9%	1,086	10%	1,050	1,172	12%	5%
CFO	177	178		123		149	-222		
CFI	-12	-111		-113		-99	-10		
CFF	-152	-23		133		48	284		
Net CF	12	45		143		98	52		

Source: Company data, Mirae Asset Sekuritas Indonesia Research

Site visit note

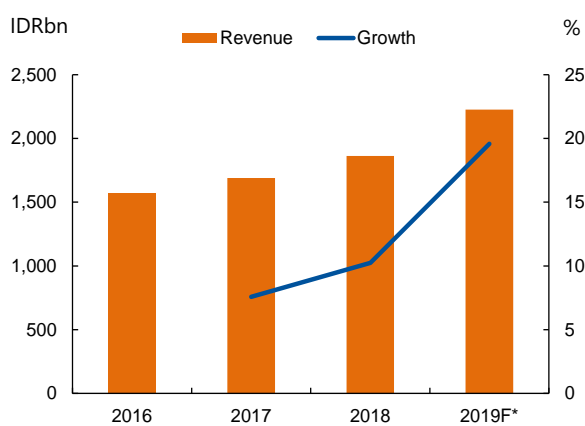
Table 3: Auction data

	Motorcycle	Car	Total
2011	1600	0	1600
2012	15884	1870	17754
2013	23345	6587	29932
2014	39743	13149	52892
2015	51371	31295	82666
2016	52327	43604	95934
2017	56777	44678	101455
2018	79724	69632	149356

Source: Company data

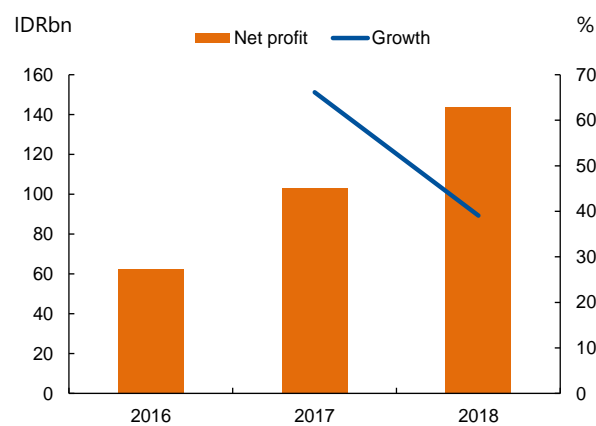
(Units)

Figure 2: Top-line growth trajectory



Source: Company data, Mirae Asset Sekuritas Indonesia Research
Note: * annualized

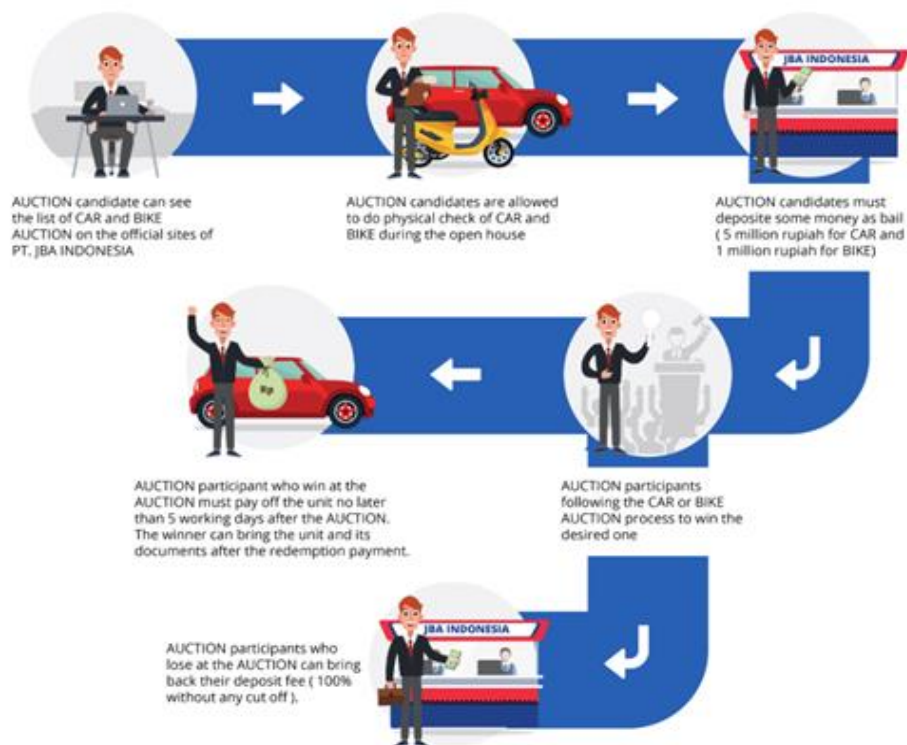
Figure 3: Bottom-line growth trajectory



Source: Company data, Mirae Asset Sekuritas Indonesia Research

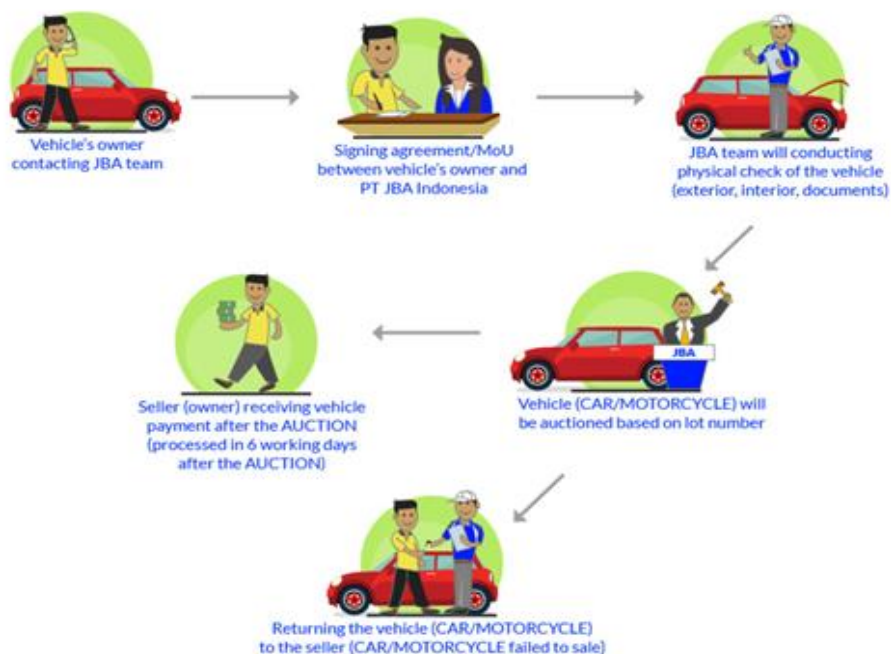
Site visit note

Figure 4: Buying process at JBA



Source: Company data

Figure 5: Selling process at JBA



Source: Company data

Figure 6: JBA's storefront



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 7: Auction process



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 8: Parking lot for auctioned cars



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 9: Auctioned car varieties



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 10: Anteraja's office



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 11: Anteraja's locker technology



Source: Company data, Mirae Asset Sekuritas Indonesia Research

APPENDIX 1

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