

Monday, 23 August 2021

BUY
Initiate

Last price (IDR) 2,590
Target Price (IDR) 3,400
Upside/Downside +31.3%

Stock Statistics

Sector Transportation
Bloomberg Ticker ASSA JJ
No of Shrs (mn) 3,398
Mkt. Cap (IDRbn/USDmn) 8,800/609
Avg. daily T/O (IDRbn/USDmn) 49.2/3.4

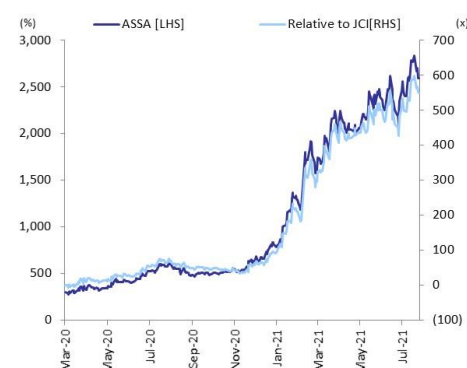
Major shareholders (%)

Adi Dinamika Investindo 25.1
Daya Adicipta Mustika 19.2
Estimated free float 35.7

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	56.3	100.7	137.0
Consensus	41.5	56.2	91.7
Danareksa/Cons	35.7	79.4	49.4

ASSA relative to JCI Index



Source : Bloomberg



Ignatius Teguh Prayoga

(62-21) 5091 4100 ext. 3511

ignatius.prayoga@danareksa.co.id

Adi Sarana Armada (ASSA JJ)

Solid logistics and transportation ecosystem in a growing industry

We initiate coverage on ASSA with a BUY call given the remarkable performance of its new last mile logistics business, Anteraja, and optimization of the current ecosystem. We particularly like the company for its: 1) strong transportation service ecosystem in tapping new digital logistics markets, 2) agile strategy in expanding its logistics business and 3) IDR 300tn of potential GMV in the secondhand car industry. Using the SOTP valuation, we arrive at a TP of IDR 3,400 with a BUY Recommendation.

Unlocking logistics value from the legacy business - Anteraja. Stemming from existing transportation and logistics businesses, ASSA established Anteraja, a last-mile logistics company that showed remarkable performance in the past two years. With operational excellence in its existing business, technology adapted from SF Express and light assets, Anteraja has grown exponentially amid rapid ecommerce development and social restrictions in Indonesia. Since its establishment in 2019, supported by ASSA's ecosystem, Anteraja has managed to position itself in the top 5 Indonesian logistics companies with the highest rating on Google Play Store.

Remarkable performance in 1H21 and this may continue in the next semester. The performance in 1H21 was mainly driven by last-mile delivery services' impeccable growth from 320k p/d in 1Q21 to 600k p/d in 2Q21 thanks to the Ramadhan season. This improved 1H21 earnings by 7x compared to last year or reaching 38% of our full year estimate. We believe the strong performance will continue next semester as the logistics infrastructure has been prepared and the BEP of 350k p/d has been surpassed.

Bright FY22 outlook. Looking at the continuity of ecommerce development and digital purchasing habits formed during the pandemic, we think that the future of digital logistics is still bright. Furthermore, Anteraja's strategies that involve product differentiation and synergy with other logistics partners might dampen the effect of a price war.

Initiate coverage with a BUY and TP of IDR3,400. Using the SOTP valuation combining DCF for the non-delivery business with WACC of 8.5% and EV/Revenues for last-mile delivery using a multiple of 2.3x as the digital logistics industry is still in an early stage providing exponential revenues growth in the next 3 years, we believe. Thus, we have a BUY call on the stock with a TP of IDR 3,400 implying 8.3x EV/EBITDA 22F. Risks to our call include: 1) a prolonged pandemic, 2) heightened competition and 3) execution issues.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	2,330	3,037	4,590	6,146	8,147
EBITDA (IDRbn)	873	922	1,035	1,380	1,611
EBITDA Growth (%)	10.5	5.6	12.3	33.4	16.7
Net profit (IDRbn)	110	87	191	342	465
EPS (IDR)	32.5	25.7	56.3	100.7	137.0
EPS growth (%)	(23.1)	(21.1)	119.5	78.9	36.0
BVPS (IDR)	350.8	377.8	434.1	534.9	883.7
DPS (IDR)	3.6	0.0	0.0	0.0	0.0
PER (x)	79.7	101.0	46.0	25.7	18.9
PBV (x)	7.4	6.9	6.0	4.8	2.9
Dividend yield (%)	0.1	0.0	0.0	0.0	0.0
EV/EBITDA (x)	13.1	12.5	11.1	8.3	6.5

Source : ASSA, Danareksa Estimates

Investment thesis

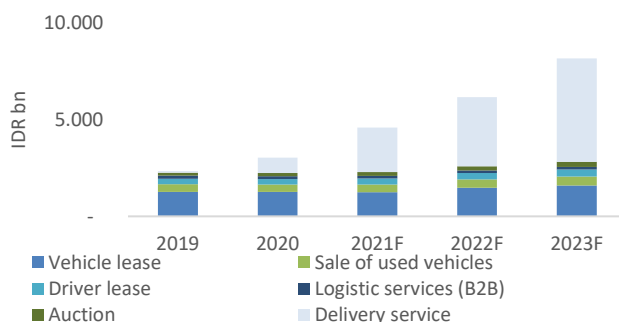
Optimizing its strong transportation ecosystem. ASSA has established a set of businesses that can complement each other. The vehicle rental service, ASSA's core business, has been the foundation of ASSA's recent development. Equipped with its own vehicle auction and online marketplace for vehicles allows ASSA to recycle its vehicles on time with appropriate market value. Furthermore, having a strong service chain across Indonesia allows the development of its last mile logistics company, Anteraja, with remarkable performance growth in the past two years.

Tapping rapid growth markets. With Anteraja, a last mile logistics company, ASSA is able to cater to the ecommerce market which is developing rapidly, especially amid the social restrictions. Backed by the strong foundations of its existing business, technology adapted from SF Express (its partner from China) and light assets, Anteraja has been able to grow rapidly from 180k average parcels delivered per day in 2020 to 600k parcels/day at the end of 1H21. With Anteraja having a presence in all main ecommerce platforms in Indonesia, its strategy is to synergize with notable innercity transportation (Gojek and Grab) and pursue continuous development.

Sitting on IDR 300tn potential GMV in secondhand car industry. Indonesia's new-old car ratio is around 1:3, which reflect that annual used car sales per year would reach ~3mn car per year, with GMV of 300tn/year where most transactions are made offline with transparency challenges. Currently, JBA Bidwin only covers 1.46% market share of used car. As digital and physical auction, we think the potential growth would be significant when penetration to digital auto industry improves.

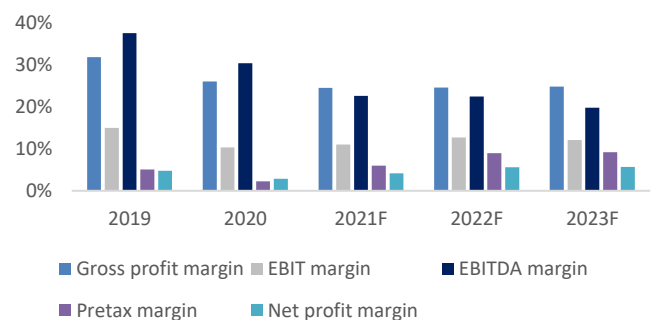
A better year expected in FY22. As vaccine rollout is well underway and experience has been acquired to mitigate the impact of the pandemic, we believe a better industry environment will impact positively on ASSA's delivery and non-delivery business as well. We expect the revenues growth to reach 42% in 21F and 34.5% in 22F, mainly due to exponential growth from the delivery business and the recovering transportation industry.

Exhibit 1. Consolidated revenue breakdown (ASSA – Forecast)



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Consolidated margins



Source: Company, Bloomberg, BRI Danareksa Sekuritas estimates

Exhibit 3. Key forecasts

Metrics	Unit	2019	2020	2021F	2022F	2023F
Parcels per day - average	p/d	16,438	178,767	520,000	800,000	1,200,000
Service points - average	unit	60	300	759	973	1,327
Couriers - average	unit	300	5,000	14,059	20,857	30,207
Operational cars	unit	25,964	26,278	27,330	28,423	29,560
Number of drivers	unit	3,946	4,325	4,541	4,768	5,007
Second hand car sold - auction	unit	37,000	44,000	48,400	58,080	75,504

Source: BRI Danareksa Sekuritas estimates

Valuation: Delivery service deserves a premium

We value the company based on SOTP valuation combining DCF valuation for the existing business (rent, car sales, auction) and EV/Revenues for the last-mile delivery business. For the last mile delivery business, we use a EV/Rev multiple of 2.3x. In our peer group, we collect global last mile logistics companies in the US, Europe and Asia with an average EV/Rev of 1.3. As a digital logistics company, **Anteraja, is still in an early stage, with a good opportunity to expand its growth rate more than twice than its peers. As such, we think Anteraja deserves a premium of 76% for EV/Rev 22F.**

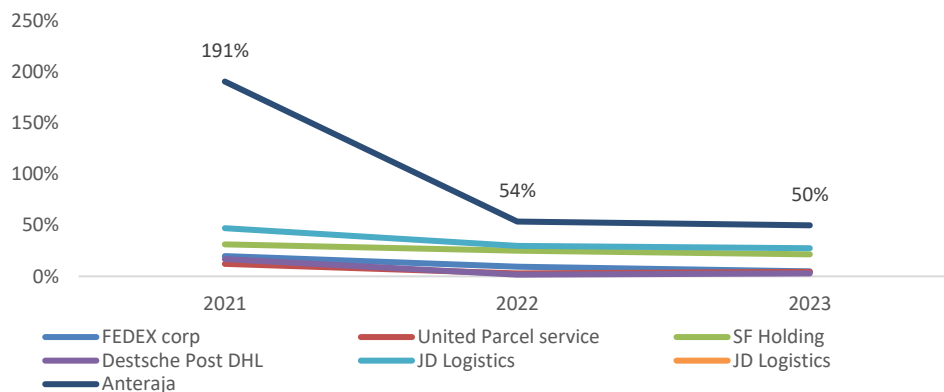
Exhibit 4. Logistics peers

Company	Country	Ticker	Market Cap (US\$m)	EV/Revenue			EV/EBITDA			---- PE ----		
				2021 (x)	2022 (x)	2023 (x)	2021 (x)	2022 (x)	2023 (x)	2021 (x)	2022 (x)	2023 (x)
FEDEX corp	US	FDX US	71,222	1.2	1.1	1.1	10.2	8.7	8.0	14.6	12.4	11.2
United Parcel service	US	UPS US	169,034	2.0	1.9	1.8	12.3	11.8	11.0	17.2	16.4	15.3
SF Holding	China/HK	002352 CH	40,507	1.5	1.2	1.0	22.4	15.2	11.5	53.6	34.9	25.3
Destsche Post DHL	Ger	DPW GR	86,545	1.2	1.2	1.1	7.9	7.8	7.5	16.0	15.9	15.1
JD Logistics	HK	2618 HK	21,115	1.6	1.2	1.0	529.5	67.3	25.7	nm	nm	65.1
Average				1.5	1.3	1.2	13.2*	10.9*	9.5*	25.4	19.9	26.4

*without JD Logistics

Source: Bloomberg, BRI Danareksa Sekuritas estimates

Exhibit 5. Year-on-year revenue growth estimate on peers



Source: Bloomberg, BRI Danareksa Sekuritas estimates

Using DCF valuation with **WACC of 8.5%**, **TG 3%** for non-last-mile delivery business and EV/Revenue multiple of **2.3x** for last-mile delivery business, we arrive at a target price of **IDR 3,400/share** and a **Buy Recommendation**.

Exhibit 6. ASSA SOTP Valuation

Business line	Valuation Method	Enterprise Value	Stake	ASSA EV (IDR bn)
ASSA Non-Last mile delivery business	DCF	7,198	100%-adjusted	7,198
Anteraja	EV/Revenue	8,030	55%	4,417
ASSA SOTP				11,615
Number of shares				bn
TP				IDR/share
				3.398
				3,400

Source: BRI Danareksa Sekuritas estimates

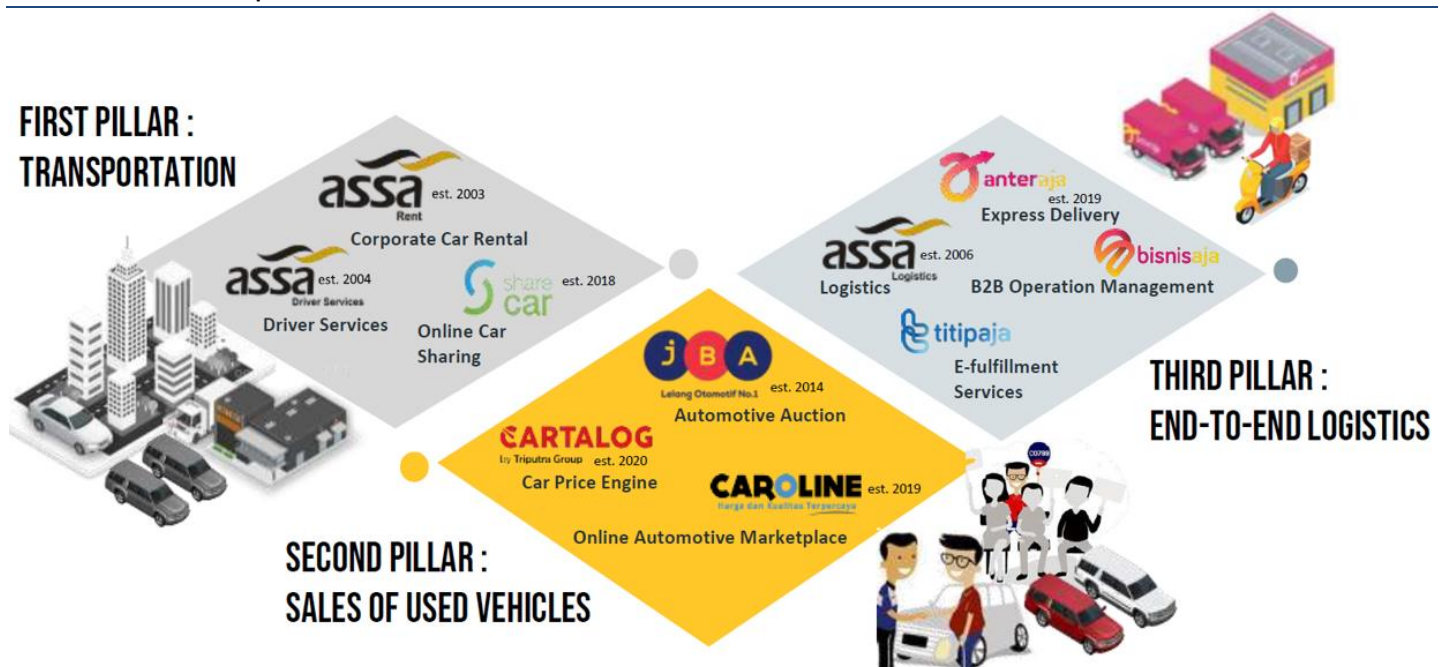
Corporate Strategy: Optimizing its existing ecosystem

Continuous ecosystem synergy. ASSA form business ecosystem that is able to reach continuity and synergy and divide it into three pillars namely **1) transportation 2) Used vehicle sales 3) end-to-end logistics**. The first pillar consists of ASSA core business such as corporate car rental, driver services and online car services. This segment involves sizable funding and heavy capex to purchase fleet for customers and requires renewing them every four years.

That's where second pillar comes to effect, used vehicles sales (JBA) which allows **ASSA rental business to sell its used car and match secondhand car demand and supply across Indonesia**. This pillar also covers not only the B2B, but also C2C segment through Caroline. With both business units, it allows ASSA to recognize market value of secondhand car through Cartalogue as data for this market is hard to be found as the industry is very granular.

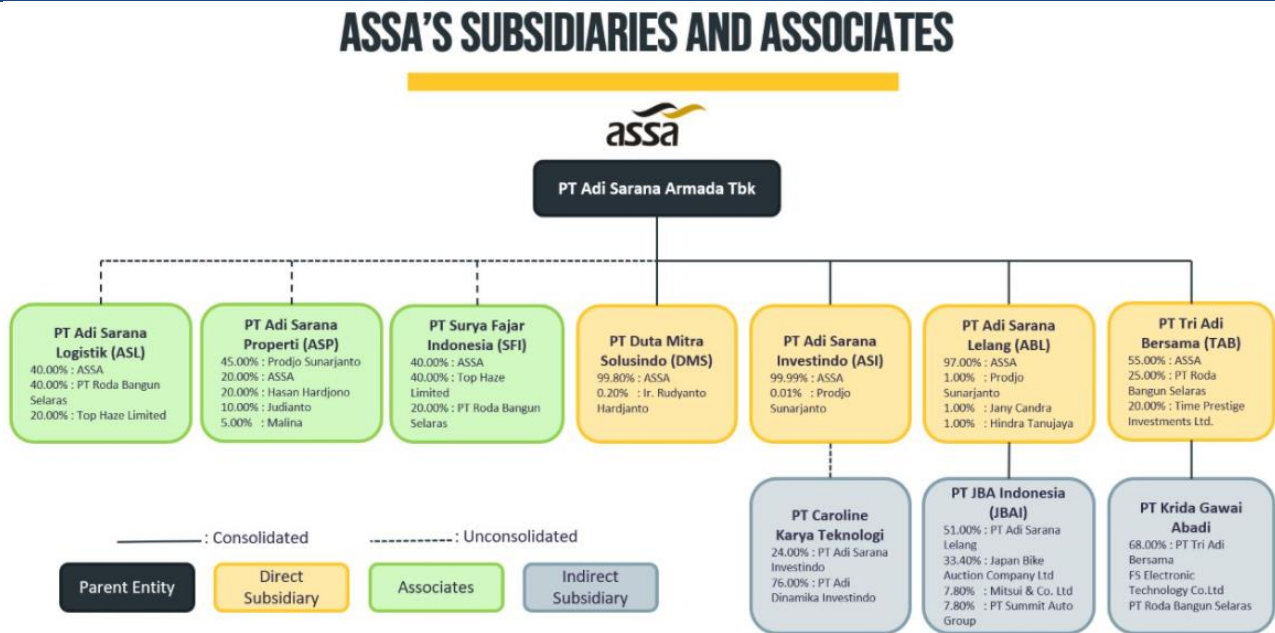
As both transportation and used vehicles sales businesses are scattered in Indonesia, ASSA create a logistic business by leveraging the strong ecosystem across Indonesia. ASSA formed ASSA Logistics since 2006 serving B2B client. Then, in 2019 ASSA embark on a journey to last-mile delivery business, Anteraja, seizing opportunities from new economics from ecommerce and other initiatives. **The growth of parcels delivered per day has shown exponential improvement in the past two years, especially during the pandemic**. We believe the golden egg lies on this business as the development of ecommerce in Indonesia is still massive.

Exhibit 7. ASSA business pillars



Source: Company, BRI Danareksa Sekuritas

Exhibit 8. ASSA's subsidiaries

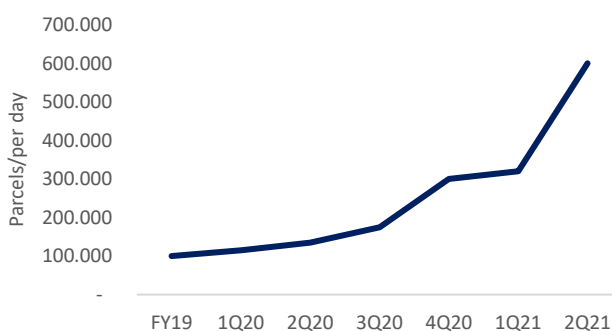


Source: Company, BRI Danareksa Sekuritas

Last-mile delivery service: Riding on rapid ecommerce growth

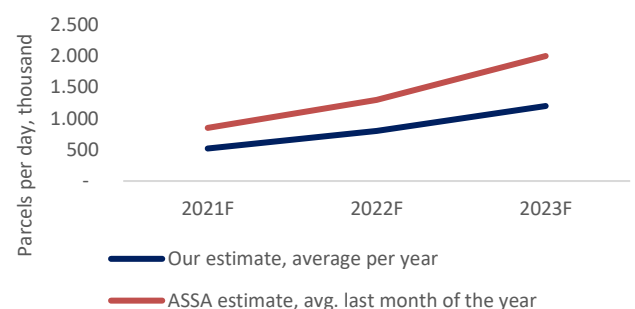
Exploding growth since its establishment. Anteraja has shown rapid growth since its establishment in 2Q19 growing from 13,000 to 320,000 parcels a day in 1Q21, ranking it among the top five logistics companies in Indonesia. Furthermore, the social restrictions during the pandemic also helped boost the growth of deliveries as ecommerce transactions volume increased rapidly. With light assets and the experience to manage the transportation business throughout Indonesia and technology adapted from its counterpart, SF Express, Anteraja has expanded rapidly covering xx cities in Indonesia.

Exhibit 9. Parcels per day delivered



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 10. Our estimate and management guidance



Source: Company, BRI Danareksa Sekuritas estimates

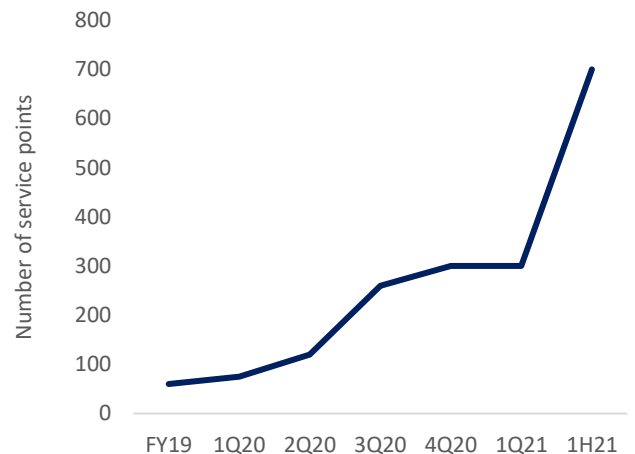
Pioneering the pick-up delivery service in Indonesia. Anteraja is one of the companies which has pioneered the pick-up delivery service, which is currently a preferable service in the market, as people have been accustomed to the same day innercity delivery service offered by Gojek and Grab. With this strategy, goods can be picked up in front of the door by the courier. Furthermore, this business model allows Anteraja to expand with minimum investment requirements, as it doesn't require dedicated and strategic booths. This has enabled Anteraja to grow exponentially within less than three years.

Exhibit 11. Satria, Anteraja courier, is picking up the goods and only uses a small printing device and mobile phone



Source: BRI Danareksa Sekuritas

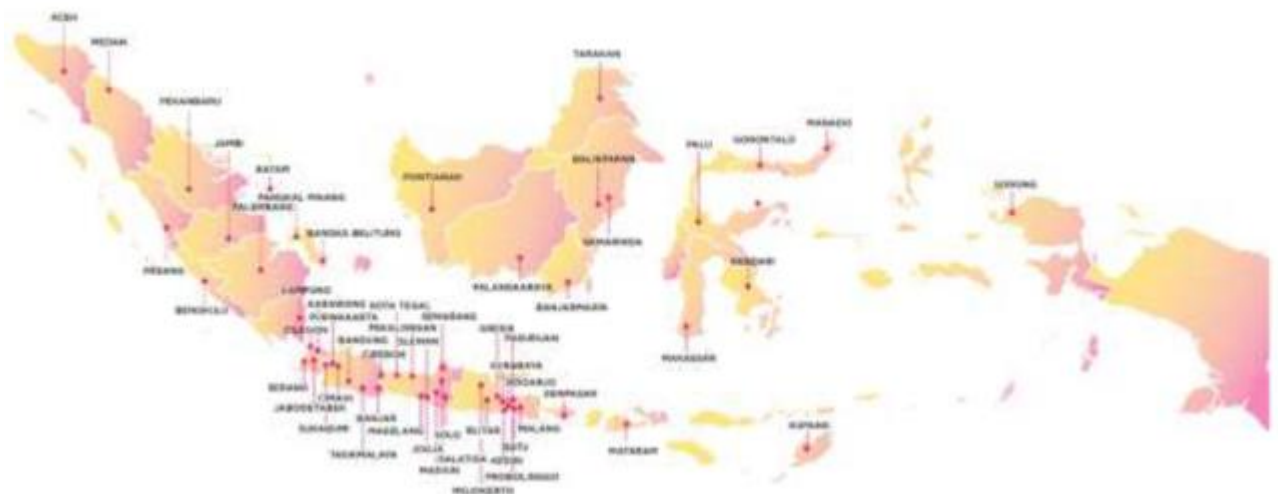
Exhibit 12. Number of Anteraja service points across Indonesia



Source: Company, Bloomberg, BRI Danareksa Sekuritas estimates

Expertise and experience are keys. The remarkable growth of Anteraja is primarily contributed by the existing infrastructure of ASSA group that has been built since 2003. ASSA group has a long track record in renting and auction services throughout Indonesia. This management experience and structure has enabled ASSA to attain the most market share of the renting and car auction business in Indonesia. This capability has now been transferred to Anteraja and further market share has been gained quite rapidly. Furthermore, Anteraja has been rated with the highest score in Google Play recently, indicating stable delivery performance and customer satisfaction.

Exhibit 13. Anteraja's coverage in Indonesia



Source: Company, BRI Danareksa Sekuritas

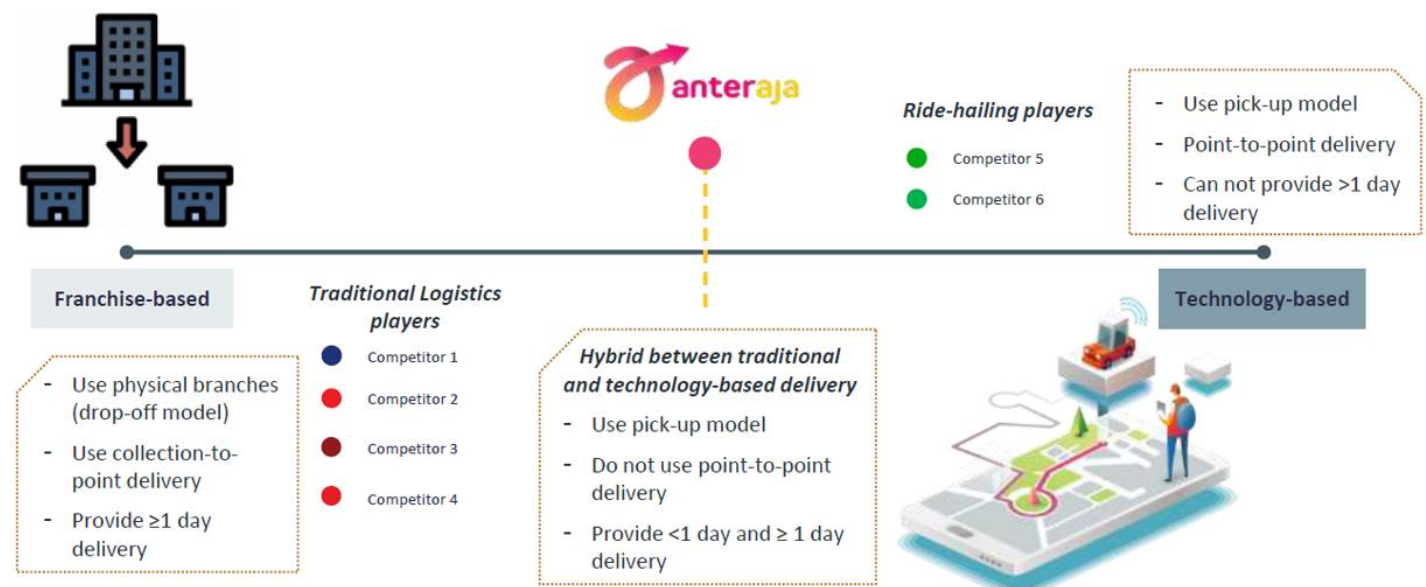
Exhibit 14. Digital logistic companies' rating on Google Play

Company	Rate	Reviews	Download	Company	Rate	Reviews	Download
Anteraja	4.6	28K	500K<	My JNE	2.8	110K	5M<
Paxel	4.2	22K	1M	Wahana Prestasi logistik	2.2	868	100k<
Lion Parcel	3.8	6k	500K<	Sicepat Express	2.1	10K	500K<
Pos Aja - Pos Indoneisa	3.5	1K	100k<	Ninja Van	1.5	7k	500k<
J&T Express	3	77K	10M				

Source: Google Play, BRI Danareksa Sekuritas

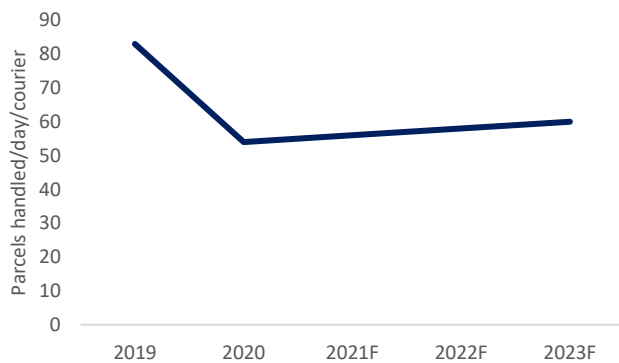
Taking a hybrid form. Anteraja designed its business model by combining a traditional delivery company and technology-based transportation company. **Blending both business models creates a more efficient logistics company model** that can achieve rapid expansion with a more efficient supply chain as it is supported by technology adapted from its partner SF Express, China. Anteraja is also using ASSA Logistics as the intercity transporter for ASSA's assets optimization.

Exhibit 15. Anteraja buisnes form

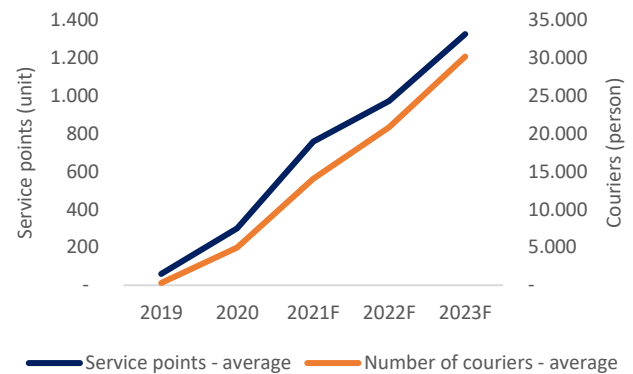


Source: Company, BRI Danareksa Sekuritas

Bottlenecks have been resolved as Anteraja grew its infrastructure. The parcels handled by one courier per day dropped significantly from **83 to 54 parcels in 2019 to 2020 indicating more efficiency per courier**. The company also provides guidance that one courier should be able to **deliver 50-80 parcels per day** depending on the location and density of a city. We also conducted several interviews with Anteraja couriers and found that they could deliver between **50-70 parcels per day** in South Tangerang City and South Jakarta, with population density of 1.8mn and 2.3mn people, respectively. With that information, we expect a courier service to be able to handle **56-63 parcels per day at the lower range** with scope for improvement from **enhancement of technology such as sorting machines**.

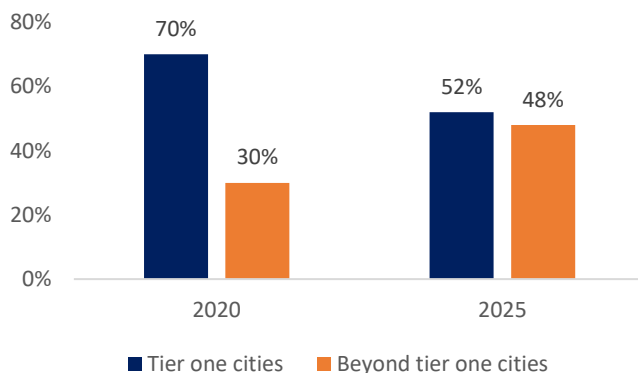
Exhibit 16. Parcels delivered per day per courier


Source: Company, BRI Danareksa Sekuritas estimates

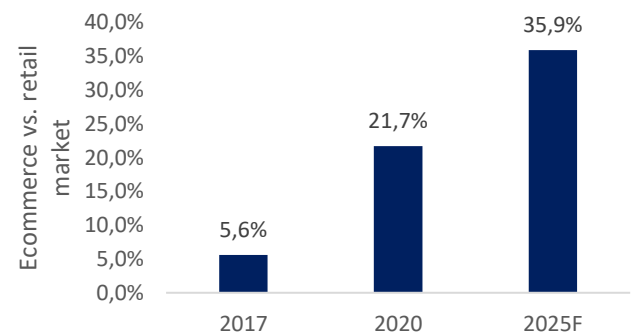
Exhibit 17. Courier and service point estimate


Source: Company, Bloomberg, BRI Danareksa Sekuritas estimates

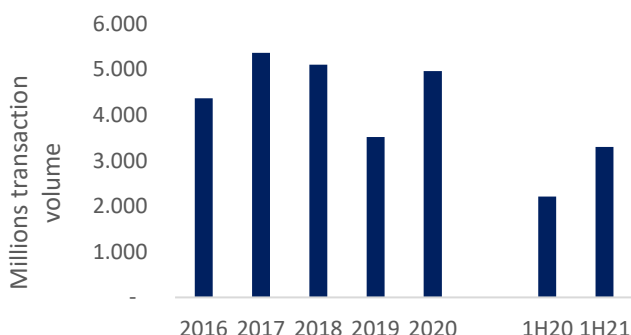
Operating in a growing industry. The last mile logistics industry has enjoyed rapid growth in the ecommerce boom in the past 3 years as people have tended to favor fast and cheap logistics services to bring their purchased goods. During the pandemic, digital transactions volume grew significantly by 41%yoy in 2020 and continued to grow in 1H21 by 49%yoy. **Assuming 40% are of total transactions used in the marketplace, the estimated logistics market may reach 1.98bn parcels or equivalent to 5.4mn parcels per day in 2020**, which corresponds with the estimated number of deliveries per day we obtained from several interviews with last-mile logistics company. In 1H21, we estimate 7.2mn parcels per day delivered based on the digital transactions volume. This suggests that the growth opportunity for the first mile business is still high given the digital economy growth.

Exhibit 18. GMV Contribution from non tier one cities may dominate


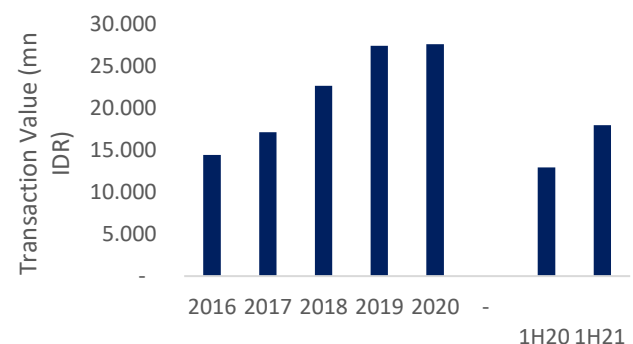
Source: Frost and Sullivan, BRI Danareksa Sekuritas estimates

Exhibit 19. Ecommerce as percentage of the retail market


Source: Frost and Sullivan, BRI Danareksa Sekuritas estimates

Exhibit 20. Digital transaction volume


Source: Bank Indonesia, BRI Danareksa Sekuritas estimates

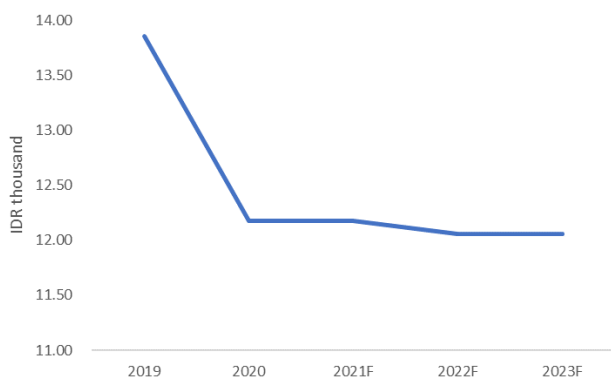
Exhibit 21. Digital transaction value


Source: Bank Indonesia, BRI Danareksa Sekuritas estimates

Price war – should we be concerned? As online logistics players have joined the game with numerous differentiations, we believe a price war may be inevitable in this particular sector. However, from our observations, we think there are four main qualities that need to be fulfilled by logistics companies to prevail in tough competition: **1) pricing, 2) quality of service, 3) differentiation, and 4) synergies with competitors.** For the quality of service, Anteraja managed to get the highest score in Google Playstore among its logistics competitors. Furthermore, Anteraja mentioned that it aims to improve its same day inner and intercity service as both services have better margins compared to the others. Currently, the same day intercity service is only available for the routes of Jakarta-Bandung, Jogja-Solo-Semarang, and Surabaya-Malang. For the same day intercity service, Anteraja only focuses on those three routes as they have prioritized the strengthening of the logistics infrastructure.

To be conservative, we take a price war scenario into account by reducing the blended ASP per parcel. However, the decline in the blended ASP will not be significant as product differentiation has been successfully initiated, we believe. **The key factor is that as long as the company can maintain its service quality, successfully differentiate and achieve synergy with its competitors, then a price war can be avoided.**

Exhibit 22. Blended tariff per parcel assumption



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 23. Anteraja pricing

Jakarta Utara to Jakarta Selatan

Regular (1-2 days)	10,000
Sameday service	20,000
Next day	13,000

Source: Anteraja app, BRI Danareksa Sekuritas estimates

Exhibit 24. Intercity delivery

Jakarta utara to Jakarta Selatan

Instant		Nextday	
Grab Express	74,000	Sicepat	13,000
GoSend	71,000	AnterAja	13,000
Same Day		Reguler	
Anter aja	15,000	Anteraja	10,000
		Sicepat	10,000
		Lion Parce	9,000

*Goods delivered: A box of mask

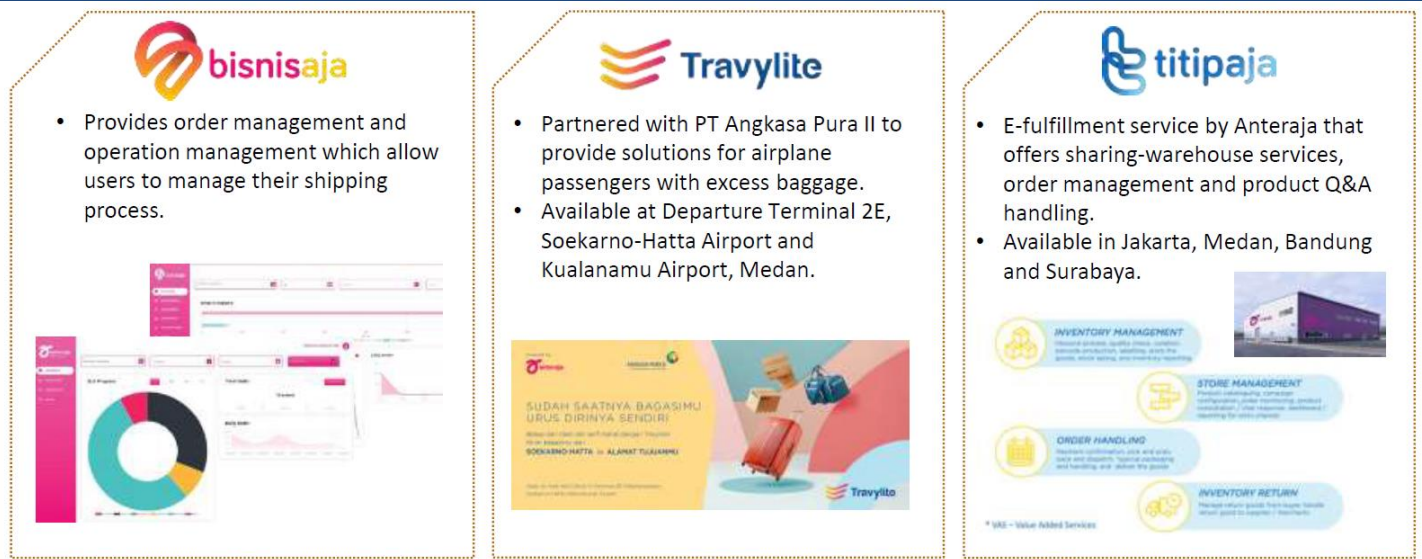
Bandung to Jakarta Selatan

Next day		Kargo	
Sicepat	20,000	Sicepat	30,000
Anteraja	15,000	Rex	27,500
JNE	18,000	JNE	30,000
Reguler		Ekonomi	
Anteraja	11,000	JNE	10,000
Sicepat	14,000	Wahana	5,000
J&T	15,000	Sicepat	9,000
JNE	12,000		
TIKI	11,000		
Pos Indonesia	11,000		
Lion Parcel	10,800		

Source: Various ecommerce platform, BRI Danareksa Sekuritas estimates

Sound differentiation strategy. For differentiation, Anteraja plans to tap several market segments, namely: **1) the corporate segment, 2) air travel, and 3) fulfilment centers.** Anteraja plans to expand to the corporate business by providing integrated logistics solutions that offer data analytics to the user as well. For Travylite, this was targeted to passengers that have excess baggage or special use luggage using its logistics ecosystem, so that the goods can be received safely in the city of destination. Travylite is still available in selected airports. Furthermore, riding the momentum of the digital fulfillment business, Anteraja established Titipaja to provide sharing-warehouses for ecommerce sellers. There are currently several ecommerce companies that have built a fulfillment center for their own operations. However, as most ecommerce does not have enough last mile delivery capacity, they outsource the job to other companies. With its main capability in the last mile delivery service, Anteraja can create an ecosystem with fulfillment centers.

Exhibit 25. Anteraja buisnes form



Source: Company, BRI Danareksa Sekuritas

Synergy with other transportation companies to get more exposure. As Anteraja is available on all notable ecommerce platforms in Indonesia and to optimize and expand its ecosystem, Anteraja plans to cooperate with other logistics and transportation companies. It recently integrated with the platforms of Grab and Gojek. **We think these digital transportation companies are willing to expand into intercity services as well by integrating their app with digital logistics companies.** From the digital transportation standpoint, this is the most efficient way to tap the intercity logistics business rather than grow organically. Recently, Gojek established cooperation with Poxel for intercity delivery in certain areas. As Grab and Gojek have more cooperation with more logistics companies and have the advantage in bargaining power, they let the market choose which logistics company to use. **Thus, any logistics company that can provide reasonable prices with good and consistent service quality will prevail.**

Expecting to achieve positive earnings in FY21F. Anteraja showed multiple surprises during 1H21, especially in the Ramadhan season when the parcels delivered peaked up to 1mn parcels per day. Although social restrictions also gave a boost to the logistics industry, Anteraja's score in the Google App has not declined yet, indicating sufficient customer satisfaction. This is an indication of the operational excellence of the ASSA group. Furthermore, the company expects that the average number of parcels per day can reach 550k parcels in

the beginning of the year. It also indicated that the BEP would lie between 300-350k parcels per day. By 1H21, its estimates had been surpassed with the number of parcels per day reaching 600k in Jun21.

Although we expect the financial performance to be positive, the operating profits will still be thin to compensate for months of operations below the BEP and the significant costs to acquire couriers and expand the service points in Java and outside Java. We see that the EBIT margins may improve in 2022 as utilization of assets is optimal.

Exhibit 26. Anteraja financial performance and projection

		2019 Actual	2020 Actual	2021F Forecast	2022F Forecast	2023F Forecast
Revenue	IDR bn	83.14	794.72	2,311.70	3,556.47	5,334.70
Cost of revenue	IDR bn	(144.38)	(737.04)	(2,080.31)	(3,098.48)	(4,511.77)
Gross profit	IDR bn	(61.24)	57.68	231.40	457.98	822.93
Gross profit margins	%	-74%	7%	10%	13%	15%
Operating cost	IDR bn	(66.28)	(119.64)	(208.05)	(284.52)	(533.47)
Operating profit	IDR bn	(127.52)	(61.95)	23.34	173.47	289.46
Operating margins		-153%	-8%	1%	5%	5%

Source: Company, BRI Danareksa Sekuritas

Passenger car rentals: Still one of ASSA's main foundations

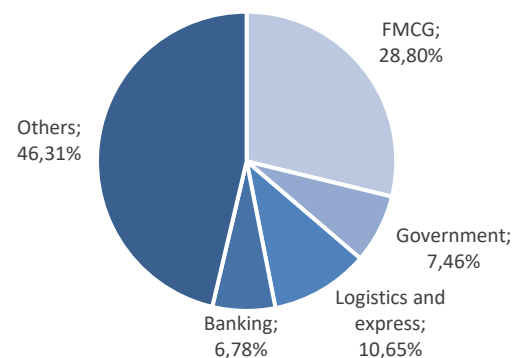
Largest passenger car rentals provider in Indonesia. Equipped with 26,278 vehicles with coverage in 13 cities in Indonesia supported by 45 branches, ASSA Rent claims to be the largest vehicle rental service provider in Indonesia. Most of the clients are FMCG companies, logistics and express, and the government. **From a client standpoint, renting the vehicles is the most efficient way rather than purchasing the car.** All operational and maintenance are conducted by ASSA Rent. Should there be any major malfunctions of the vehicle, ASSA Rent has spare vehicles ready. **As such, a vehicle renting company that has wide coverage in Indonesia is preferable to ensure the quality and consistency of service.** With vast infrastructure in several main cities, we think ASSA Rent meets this main requirement.

Exhibit 27. Coverage of ASSA Rent



Source: Company, BRI Danareksa Sekuritas estimates

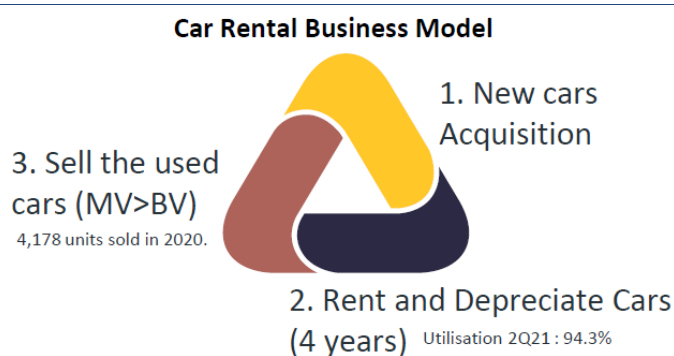
Exhibit 28. Client profile



Source: Anteraja app, BRI Danareksa Sekuritas estimates

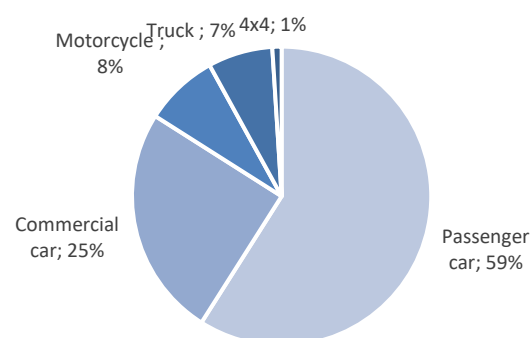
Business model with a unique cycle. ASSA Rent has a fleet cycle business model integrated with the second pillar of the ASSA holding business. ASSA Rent will acquire cars depending on the order and the company's forecasts using the credit facility provided by the banks. Every vehicle has a time limit of 4 years (priced using the straight-line depreciation method) in which it needs to be sold to ensure the quality of the car. The selling of the cars is conducted by the auction company, JBA, ASSA's second business pillar. **ASSA's management claims that the maintenance conducted in ASSA Rent's operational network improves the quality of the car compared to its peers with the same year and brand, enabling the used car to be sold at a price more than its book value.** Furthermore, Cartalogue helps ASSA to sell its used cars at optimum prices.

Exhibit 29. ASSA Rent business cycle



Source: Company, BRI Danareksa Sekuritas estimates

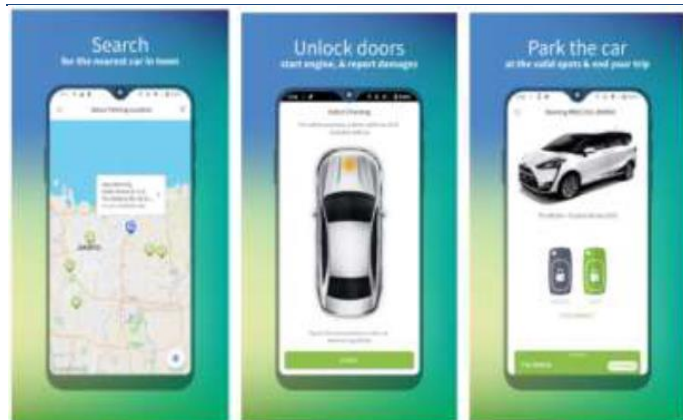
Exhibit 30. Fleet classification



Source: Anteraja app, BRI Danareksa Sekuritas estimates

Expanding to other digital ventures – Share car, online car sharing. Share car is a digital car rental initiative utilizing a small portion of ASSA's rental spare cars. The business seeks to meet the demand of people who would like to rent a car with ease (fuel and insurance provided) and to commute in the city. This business provides a range of vehicle brands, mostly MPV and with affordable prices depending on the rental duration. This business is still in the growth stage, and ASSA is still assessing the development of the business, especially during the pandemic. **We think the business offers a good value proposition as it gives customers great flexibility, 24/7 availability and a pay-as-you-go scheme, which is better than a traditional vehicle rental scheme.** Furthermore, the pricing of 12-hour rent is lower than the average traditional rental service without a driver. Currently, this service is available in several main spots in Jakarta and South Tangerang.

Exhibit 31. Share Car app interface



Source: Company, BRI Danareksa Sekuritas

Exhibit 32. Pricing for MPV car rent

Hour	Pricing
1 Hours	55,000
6 Hours	220,000
12 Hours	347,000
24 Hours	705,000
48 Hours	1,356,000
72 Hours	2,002,000

Source: Share car app, BRI Danareksa Sekuritas estimates

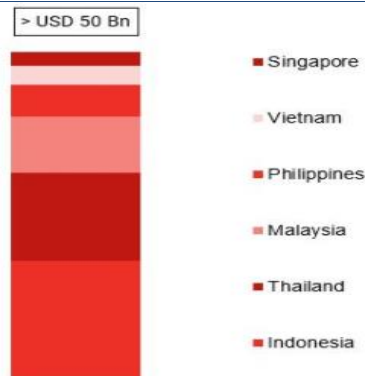
Auction and car sales service: a support function in ASSA's ecosystem with abundant growth potential

Completing transportation ecosystem. Both the car auction (JBA Bidwin) and car sales business (Caroline) optimize the fleet cycle in ASSA Rent, where the company can sell most of the used cars at better prices thanks to real price data collection from both companies. This data is then integrated in one app called Cartalogue where users can find the current market value of secondhand cars, so that the seller and buyer can do a deal at the most recent and fairest value.

Supporting as a B2B function as well. The auction business also operates as a B2B function as most corporations and auto financing firms dispose of their vehicles as well. With wide coverage of 34 networks in main cities across Indonesia, JBA Bidwin has been the most preferable place to conduct vehicle auctions. JBA Bidwin and Caroline use a fee-based per transaction mechanism whereby the sales fee for cars sold below IDR 330mn is set at IDR 2mn per car and 0.6% per car for vehicles that are worth more than IDR 330mn.

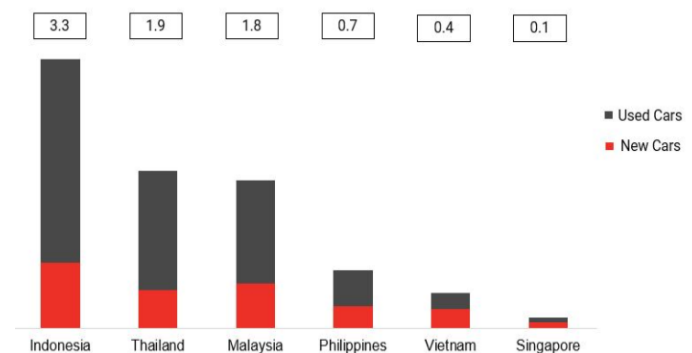
Growing on fertile land but needs more work. According to Redseer, Indonesia has a new-car sales ratio of roughly 1:3. With the average of new car sales of c.1mn a year, it is estimated that used car sales may reach 3mn a year with total **GMV of IDR 300tn, assuming an ASP of IDR 100mn**. Currently, most transactions in Indonesia are done online where the market participants face several challenges: **1) lack of price transparency, 2) lack of vehicle quality and historical data and 3) lack of inventory**. We think the companies to prevail will be those that are able to resolve these problems in the most efficient way; i.e. digital.

Exhibit 33. Secondhand car industry potential in ASEAN



Source: Redseer, 2019, BRI Danareksa Sekuritas estimates

Exhibit 34. Yearly used car sales in ASEAN

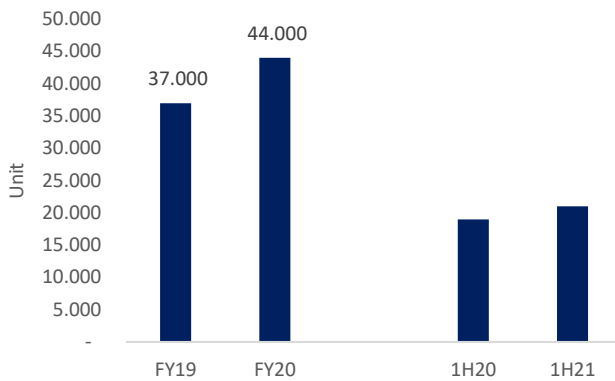


Source: Redseer, 2019, BRI Danareksa Sekuritas estimates

Penetration of the digital auto business is the key. As reflected in car sales of 44k in FY20, JBA Bidwin only has 1.46% of the total market. As a digital and physical auction provider, the reason the performance was not reflected in larger market share is that the penetration of the digital auto market is not yet mature. People still prefer to check the vehicle physically, although there is a certified assessor available in the service.

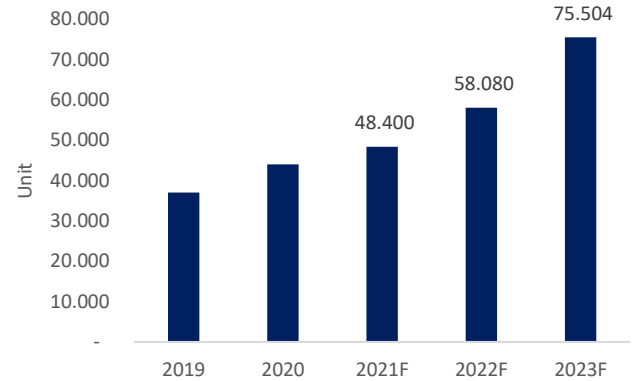
We think it is just a matter of time, as more buyers from local secondhand sellers are acquainted to use digital auctions due to the pandemic. **We believe when the traction on digital auto penetration starts to show, this will translate into better car sales volume in both JBA Bidwin and Caroline.** Furthermore, once the pandemic is over and disposable incomes recover, secondhand car sales should get more traction.

Exhibit 35. Secondhandcar sales in JBA Bidwin



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 36. Our secondhand car sales assumption



Source: Company, BRI Danareksa Sekuritas estimates

Convertible bonds – Stronger capital structure

In July 2021, ASSA issued 600mn units of convertible bonds with an exercise price of IDR 1,200 with a conversion ratio of 80:453 and **maximum dilution of 15%** after the conversion and pre-emptive rights have been exercised. These convertible bonds are conditionally non-interest bearing, where after two years from the issuance date, the company must pay the bond principal + 3.5%ytm per year if the convertible bonds are not converted during the conversion period.

With the issuance, ASSA managed to obtain IDR 720bn of proceeds of which 90.4% was for bank loans repayment, 7.01% for working capital and 2.6% for developing the Titipaja business.

The convertible bonds issuance will bring several benefits to ASSA holding as: **1) the interest expenses will be lower, 2) the capital structure will improve, and 3) with the International Finance Corporation, a World Bank subsidiary, as a significant buyer, resources, expertise and a global channel may be provided.**

1H21 result review and FY21 expectations: Huge improvement from the last-mile delivery service

Last-mile delivery is now ASSA's biggest revenues contributor. As in 1H21 the last mile delivery service showed strong growth of parcels delivered per day, with the revenues contribution from Anteraja increasing the most (from 24% in 1H20 to 47% in 1H21), beating the car rental service. This drove revenues growth by 201%yoy in 1H21.

In 2Q21, the delivery service revenues increased by **51%qoq** supported by the Ramadhan Season where annual travel was restricted by the government and the parcels delivery service saw strong performance supported by improved delivery infrastructure. The effect of newly added service points and more couriers can be seen in 2Q21 as the **revenues from Anteraja grew by 2.5x** compared to 2Q20.

Non-last mile delivery service performance fell slightly. As the pandemic worsened in the beginning and mid 2021, **the performance of the non-delivery service showed a slight decline by -0.47%yoy in 1H21 revenues.** The car rentals, sale of used vehicles and ASSA logistics revenues fell by -5.0%yoy in 1H21. However, driver leases and auctions increased by 19.1%yoy.

On a quarterly basis, the non-delivery service slowed by -2.7%qoq due to surging cases of covid-19 in 2Q21. The car rentals and driver leases service are still stable on a quarterly basis but used vehicle sales and auction declined by 26%qoq and -3%qoq. However, this quarterly figure is still better than 2Q20's, up by 4.6%yoy.

Earnings may catch up in 2H21. Although the earnings are still 12% below our estimate, we think they may catch up as: **1)** the number of parcels will still grow following 2Q21's momentum, compensating for lower deliveries in 1Q21, **2)** new infrastructure and collaboration with other transportation and logistics services and **3)** recovery of the non-delivery business due to the easing pandemic and vaccines rollout. We think the last-mile delivery service will provide positive earnings for ASSA as the number of parcels per day has surpassed the BEP of 350k per day (now, 650k per day), as long as Anteraja can maintain its performance.

Exhibit 37. 1H21 results

(All in IDR bn, otherwise stated)	2Q20	1Q21	2Q21	qoq, %	yoy, %	1H20	1H21	yoy, %	2021F*	A/F,%*	2020F**	A/C,%*
Revenue	701	963	1,147	19%	64%	701	2,110	201%	4,590	46.0%	4,074	51.8%
Gross profit	187	221	246	12%	32%	187	467	150%	1,122	41.6%	997	46.9%
Operating profit	60	98	111	13%	84%	60	209	248%	507	41.2%	472	44.2%
EBITDA	212	249	287	15%	35%	212	536	153%	1,035	51.8%	947	56.6%
Pretax income	(7)	42	53	25%	-857%	(7)	95	N/M	275	34.4%	224	42.2%
Net Income	8	33	40	22%	387%	8	73	785%	191	38.0%	154	47.2%
Margin												
Gross profit margin (%)	26.6%	23%	21%	-1%	-5%	27%	22%	-4%	24%		24%	
Operating margin (%)	8.5%	10%	10%	-1%	1%	9%	10%	1%	11%		12%	
Pretax margin (%)	-1.0%	4%	5%	0%	6%	-1%	4%	5%	6%		5%	
Net margin (%)	1.2%	3%	3%	0%	2%	1%	3%	2%	4%		4%	
Revenue												
Passenger Vehicle lease and auto	315	312	315	1%	0%	315	627	99%	1,246	50.4%		
Sale of used vehicles	73	104	77	-26%	5%	73	181	147%	405	44.7%		
Driver lease	71	80	87	9%	24%	71	168	137%	314	53.4%		
Logistic services	35	31	33	8%	-5%	35	65	83%	119	54.3%		
Auction	38	44	43	-3%	13%	38	87	130%	196	44.8%		
Delivery service-Anteraja	170	392	591	51%	248%	170	982	479%	2,312	42.5%		
Total Revenue	701	963	1,147	19.1	63.5	701	2,110	201%	4,590	42%		
Revenue breakdown												
Passenger Vehicle lease and auto	45%	32%	27%			45%	30%					
Sale of used vehicles	10%	11%	7%			10%	9%					
Driver lease	10%	8%	8%			10%	8%					
Logistic services	5%	3%	3%			5%	3%					
Auction	5%	5%	4%			5%	4%					
Delivery service-Anteraja	24%	41%	52%			24%	47%					

* analyst number

** consensus number

Source: Company, BRI Danareksa Sekuritas

Exhibit 38. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	2,330	3,037	4,590	6,146	8,147
COGS	(1,590)	(2,247)	(3,468)	(4,637)	(6,130)
Gross profit	740	790	1,122	1,509	2,017
EBITDA	873	922	1,035	1,380	1,611
Oper. profit	349	313	507	779	986
Interest income	15	12	9	43	68
Interest expense	(244)	(254)	(243)	(272)	(306)
Forex Gain/(Loss)	(1)	1	0	0	0
Income From Assoc. Co's	(1)	(3)	0	0	0
Other Income (Expenses)	(1)	0	2	2	2
Pre-tax profit	117	68	275	552	751
Income tax	(26)	(5)	(60)	(121)	(165)
Minority interest	19	23	(23)	(88)	(120)
Net profit	110	87	191	342	465
Core Net Profit	111	86	191	342	465

Exhibit 39. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	255	192	900	1,419	2,718
Receivables	299	355	322	431	571
Inventory	25	6	59	79	104
Other Curr. Asset	75	75	96	128	170
Fixed assets - Net	3,894	4,060	4,273	4,471	4,708
Other non-curr.asset	303	483	452	459	466
Total asset	4,849	5,171	6,101	6,987	8,737
ST Debt	847	873	139	893	804
Payables	207	253	255	266	295
Other Curr. Liabilities	187	311	361	466	607
Long Term Debt	2,064	2,077	3,499	3,172	3,656
Other LT. Liabilities	207	218	218	218	218
Total Liabilities	3,511	3,732	4,470	5,014	5,579
Shareholder's Funds	1,192	1,284	1,475	1,817	3,003
Minority interests	146	156	156	156	156
Total Equity & Liabilities	4,849	5,171	6,101	6,987	8,737

Exhibit 40. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	110	87	191	342	465
Depreciation and Amort.	524	609	528	601	625
Change in Working Capital	(36)	(6)	(17)	(118)	(137)
Other Oper. Cash Flow	27	53	28	73	99
Operating Cash Flow	625	743	731	898	1,053
Capex	(994)	(860)	(710)	(806)	(869)
Others Inv. Cash Flow	(156)	(8)	0	0	0
Investing Cash Flow	(1,149)	(868)	(710)	(806)	(869)
Net change in debt	440	42	687	427	395
New Capital	89	26	0	0	720
Dividend payment	0	(12)	0	0	0
Other Fin. Cash Flow	22	7	0	0	0
Financing Cash Flow	551	62	687	427	1,115
Net Change in Cash	27	(63)	708	519	1,299
Cash - begin of the year	228	255	192	900	1,419
Cash - end of the year	255	192	900	1,419	2,718

Exhibit 41. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	25.0	30.4	51.1	33.9	32.6
EBITDA	10.5	5.6	12.3	33.4	16.7
Operating profit	(2.0)	(10.4)	61.8	53.8	26.6
Net profit	(23.1)	(21.1)	119.5	78.9	36.0
Profitability (%)					
Gross margin	31.8	26.0	24.4	24.6	24.8
EBITDA margin	37.5	30.3	22.5	22.5	19.8
Operating margin	15.0	10.3	11.0	12.7	12.1
Net margin	4.7	2.9	4.2	5.6	5.7
ROAA	2.5	1.7	3.4	5.2	5.9
ROAE	9.7	7.0	13.9	20.8	19.3
Leverage					
Net Gearing (x)	2.0	1.9	1.7	1.3	0.6
Interest Coverage (x)	1.4	1.2	2.1	2.9	3.2

Source : ASSA, Danareksa Estimates

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