

Adi Sarana Armada

Blue Chip in Presence, Meaningful in Impact

The goal is to be number #1 in everything

ASSA is the largest corporate B2B rental company (13% market share) and car auction player (40% market share) in Indonesia. The company is on the verge to become the largest last-mile delivery in the next 5 years. The end goal is to become a comprehensive logistic technology to tackle the nation's layers of logistic inefficiencies and reduce poverty through large employment of drivers. Society has speeded up digital cultural society during this Covid-19 period and ASSA with years of investments in technology has fruitfully reaped the benefits from this changing trend. What we noticed is increasing traffic from its online car auction traffic and higher than expected increase in its AnterAja's last-mile deliveries. Its AnterAja's parcel delivery has increased to 150k parcels/day currently from ~100k pre-covid. Furthermore, its B2B rental remains solid with only 1% rental default thanks to its dominant exposure to blue-chip clients (eg; BCA, Alfamart, Unilever, HM Sampoerna, Semen Indonesia, etc.) and increasing corporate trend in 3rd parties fleet usage. Although many corporates had difficulty in obtaining new funding since Covid19 outbreak, ASSA was able to obtain a IDR1tn loan from Bank Mandiri in May, 2020 with an attractive 8.5% rate (current blended CoF is 8.9%) for its car rental business. This is proof of strong GCG.

How will this last-mile delivery roll-out in the next 1-2 years?

Ever since AnterAja's inception just ~1 year ago, ASSA has managed to rapidly to book multiple folds of revenue growth from just Rp5bn revenue in 2Q19 to Rp100bn in 1Q20 (~14% of total revenue). Also due to Covid-19, stay-at-home culture has even stimulated more digital online delivery transactions in 2Q. Note that AnterAja delivered ~200k parcels/day in May (double vs deliver pre-Covid lock-down), which is something we did not expect. As soon as ASSA hit the 300k parcels/day mark by 2021, we estimate AnterAja would reach break-even point before booking meaningful operating profits by 2022-23 of Rp31bn/271bn respectively. Note that AnterAja's last mile-delivery is capex light in nature, although there are marketing costs and set up costs they must bear initially.

Maintain BUY with TP of Rp 770

We maintain Buy with lower SOTP-based TP of Rp 770 (implying 19.0x 2021 P/E) as we slightly reduce earnings on B2B and car auction following adjustment due to Covid-19, yet roll-over our valuation to 2021. Our SOP breakdowns are: 5-years DCF value for B2B rental using scrap value as terminal (55% avg. scrap value to acquisition cost) with Rp752bn valuation. For its car auction, we derive Rp293bn valuation (51% stake adjusted) using target 2021 P/E of 19.0x (7% discount to peers). The last-mile delivery, AnterAja, is the backbone to our SOP valuation. We use 5-years DCF method for its last-mile with valuation of Rp1.56trn (55% stake adjusted) – note that AnterAja's FCF will start running positive 2023 onwards.

Company Data

Year end Dec	2018	2019	2020F	2021F	2022F
Revenue (Rp bn)	1,863	2,330	2,957	3,475	4,362
Net Profit (Rp bn)	144	110	108	138	164
EPS Growth (%)	39	-23	-2	27	19
P/E (x)	10.0	13.0	13.3	10.4	8.7
P/BV (X)	1	1	1	1	1
EBITDA (Rp bn)	787	866	892	1,008	1,191
EV/EBITDA	4.5	4.7	4.8	4.5	4.1
Div Yield (%)	2.8	0.0	0.0	0.0	2.4

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BUY (Maintain)

Current TP IDR770 (+82 ups.%)
 Previous TP IDR1,000
 Current Price IDR422



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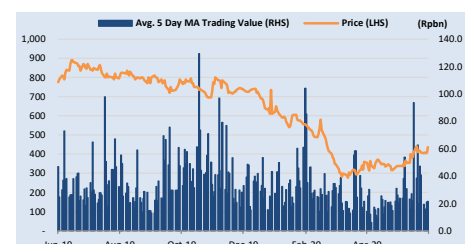
Bloomberg Code	ASSA.IJ
JCI Member	JAKINFR
MSCI Indonesia	No
JII	No
LQ45	No
Kompas 100	No

Key Data

Issued Shares (mn)	3,397.5
Free Float (est)	35.8
Mkt. Cap (IDRbn)	1,433.7
Mkt. Cap (USDmn)	100.7
ADTV 6 months (USDmn)	3.5
52 Wk-range	905 / 268

Performance (%)

	YTD	1m	3m	12m
Absolute	-43.0	24.9	22.0	-46.6
Relative to JCI	-21.1	16.6	4.7	-24.5



Income Statement

Year end Dec (Rp bn)	2018	2019	2020F	2021F	2022F
Revenue	1,863	2,330	2,957	3,475	4,362
Gross Profit	599	740	844	927	1,216
Opr. Profit	357	349	363	421	521
EBITDA	787	866	892	1,008	1,191
Net Int Inc/(Exp)	-173	-229	-240	-250	-290
Earnings From Subsidiary					
Other Income (Expense)	(3)	0	0	0	0
Pre-tax Profit	182	117	123	171	231
Income Tax Expense	(40)	(26)	(23)	(33)	(39)
Minority Interest	1	19	8	(1)	(27)
Net Profit	144	110	108	138	164
Dividend payout ratio (%)	28	0	0	0	25

Balance Sheet

Year end Dec (Rp bn)	2018	2019	2020F	2021F	2022F
Cash and equivalents	228	255	80	134	71
Other curr asset	309	398	450	515	623
Net fixed asset	3,412	3,894	4,189	4,472	4,849
Other non-current assets	114	303	303	303	303
Total Asset	4,063	4,849	5,022	5,423	5,846
ST debt	747	847	847	947	1,097
Other curr liab	403	394	400	414	434
LT debt	1,604	2,064	2,114	2,264	2,414
Other LT Liab	170	207	207	207	207
Total Liabilities	2,924	3,511	3,568	3,832	4,152
Minority interest	52	146	155	154	127
Shareholders Equity	1,086	1,192	1,300	1,438	1,568
Net debt / (cash)	2,123	2,656	2,880	3,076	3,439
Total cap employed	2,912	3,609	3,775	4,062	4,315
Net Working capital	(613)	(588)	(717)	(712)	(837)

Cash Flow

Year end Dec (Rp bn)	2018	2019	2020F	2021F	2022F
Net Profit	144	110	108	138	164
Depr / Amort	431	517	529	587	670
Chg in Working Cap	188	(99)	(46)	(50)	(88)
Others	(639)	(675)	(340)	(314)	(314)
CF's from oprs	123	(146)	251	360	432
Capex	(736)	(590)	(484)	(555)	(733)
Others	623	441	0	0	0
CF's from investing	(113)	(149)	(484)	(555)	(733)
Net change in debt	348	560	50	250	300
Others	(215)	(237)	8	(1)	(62)
CF's from financing	133	323	58	249	238
Net cash flow	143	28	(175)	54	(63)
Cash at BoY	85	228	255	80	134
Cash at EoY	228	256	80	134	71

Ratio Analysis

Year end Dec	2018	2019	2020F	2021F	2022F
Profitability					
Gross Margin (%)	32.1	31.8	28.5	26.7	27.9
Opr Margin (%)	19.1	15.0	12.3	12.1	11.9
EBITDA Margin (%)	42.2	37.2	30.2	29.0	27.3
Core Net Margin (%)	7.7	4.7	3.7	4.0	3.8
ROE (%)	13.9	9.7	8.7	10.1	10.9
ROA (%)	3.9	2.5	2.2	2.6	2.9
Stability					
Current ratio (x)	0.5	0.5	0.4	0.5	0.5
Net Debt to Equity (x)	2.0	2.2	2.2	2.1	2.2
Net Debt to EBITDA (x)	2.7	3.1	3.2	3.1	2.9
Interest Coverage (x)	2.0	1.4	1.4	1.6	1.7
Efficiency					
Account Payable (days)	10	12	12	12	12
Account Receivable (days)	42	39	39	39	39
Inventory Day (days)	10	8	8	8	8

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.

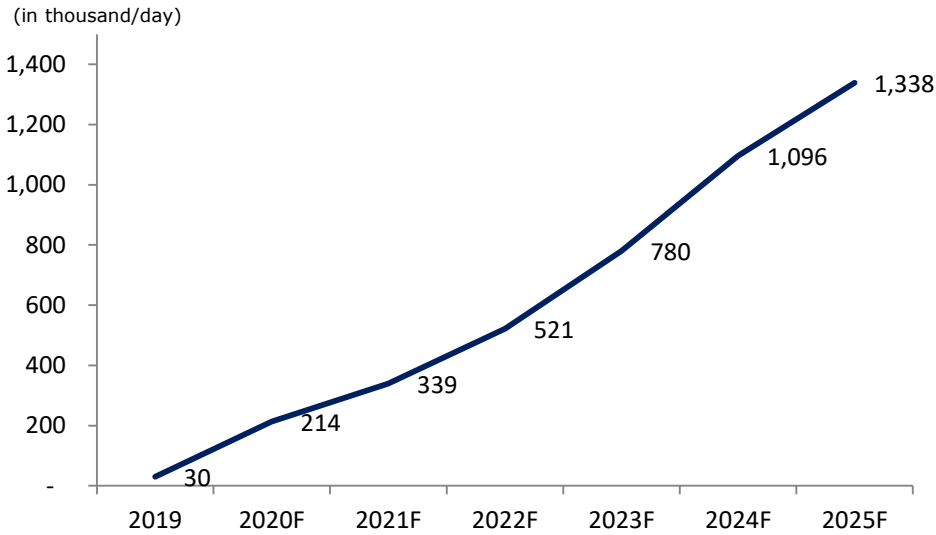
Major Shareholders

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

SWOT Analysis

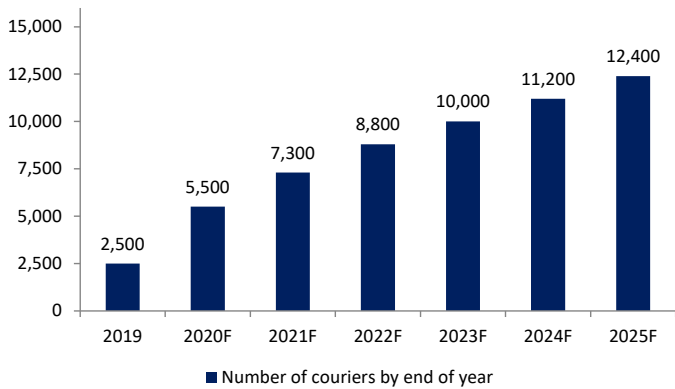
<p>Strength</p> <ul style="list-style-type: none"> -Strong customer base (corporate). -Lower car acquisition price -Synergy within business units -technology driven 	<p>Weakness</p> <ul style="list-style-type: none"> -Exposure to change in interest rates.
<p>Opportunity</p> <ul style="list-style-type: 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. Parcel delivery volume forecast – multi beggar expansion, 2019-2025F



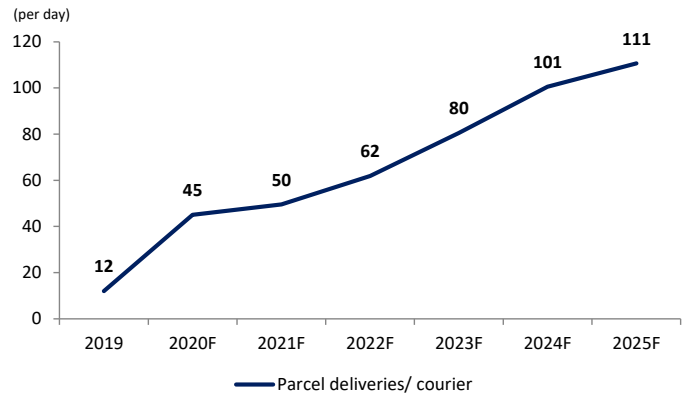
Source: Trimegah Research

Figure 2. We expect its couriers to ~double by 2024



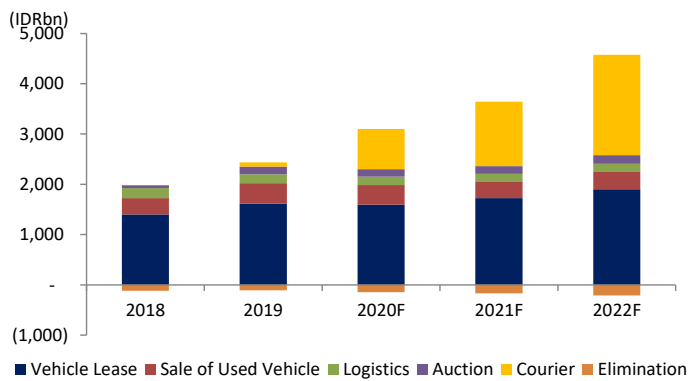
Source: Company's data, Trimegah Research

Figure 3. As well as its parcel deliveries/courier



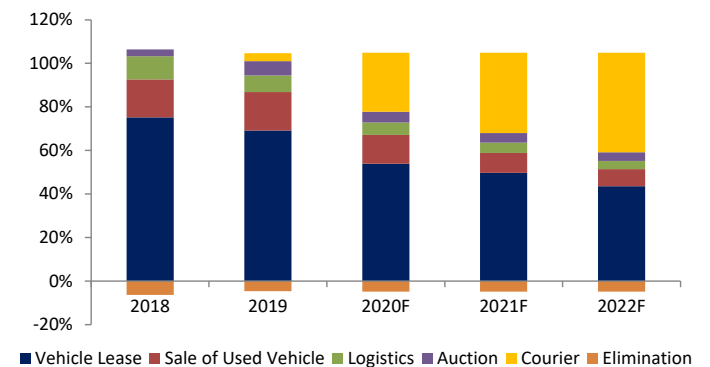
Source: Company's data, Trimegah Research

Figure 4. Revenue breakdown, 2018-2022F



Source: Company's data, Trimegah Research

Figure 5. Revenue breakdown by %, 2018-2022F



Source: Company's data, Trimegah Research

Figure 6. Earnings revision

(Rp bn)	New			Old			Change		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Revenue	2,957	3,475	4,362	3,378	4,515	6,819	-12%	-23%	-36%
Gross profit	844	927	1,216	963	1,171	1,517	-12%	-21%	-20%
<i>Gross margin</i>	<i>28.5%</i>	<i>26.7%</i>	<i>27.9%</i>	<i>28.5%</i>	<i>25.9%</i>	<i>22.2%</i>			
Operating profit	363	421	521	561	680	882	-35%	-38%	-41%
<i>Op. profit margin</i>	<i>12.3%</i>	<i>12.1%</i>	<i>11.9%</i>	<i>16.6%</i>	<i>15.1%</i>	<i>12.9%</i>			
Pre-tax profit	123	171	231	273	345	517	-55%	-50%	-55%
<i>Pre-tax margin</i>	<i>4.2%</i>	<i>4.9%</i>	<i>5.3%</i>	<i>8.1%</i>	<i>7.6%</i>	<i>7.6%</i>			
Net profit	108	138	164	172	204	290	-37%	-33%	-43%
<i>Net margin</i>	<i>3.7%</i>	<i>4.0%</i>	<i>3.8%</i>	<i>5.1%</i>	<i>4.5%</i>	<i>4.2%</i>			

Source: Trimegah Research

Figure 7. Valuation

SOP method

Business unit	Method	Valuation (Rp bn)
Car rental & related	DCF using scrap value as TV Target 2021 P/E of 19x DCF using 12.5% WACC, 1% LT growth rate	752
Car auction		293
Last-mile delivery (courier)		1,566
Total		2,611
Shares outstanding (b)		3.4
Target price (Rp/share) - rounded		770

Source: Trimegah Research

Figure 8. Peers comparison

Auction	Ticker	Market cap (\$mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
			2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
KAR AUCTION SERV	KAR US Eq	1,981	42.58	15.36	10.62	8.31	0.95	0.95	0.72	na
RITCHIE BROS	RBA US Eq	4,303	32.18	25.64	16.75	14.72	4.88	4.48	14.96	17
Simple average		3,142	37.38	20.50	13.69	11.52	2.92	2.71	7.84	16.50

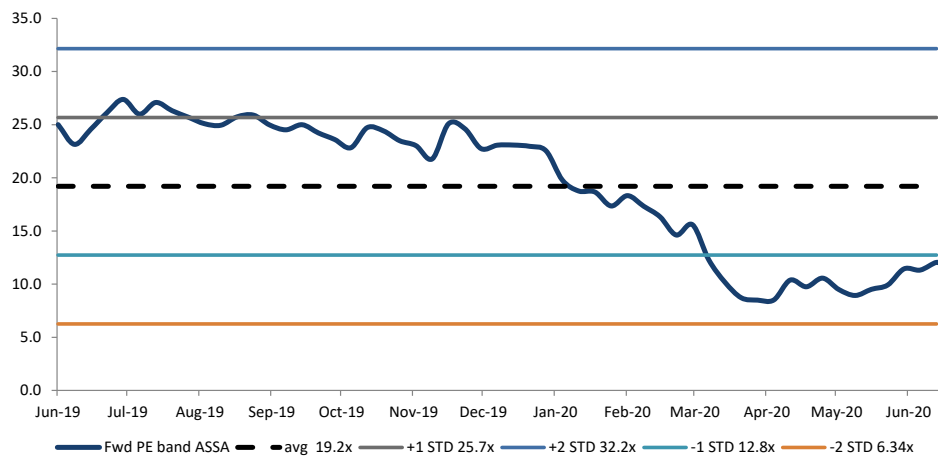
Auto rental	Ticker	Market cap (\$mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
			2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
AVIS BUDGET GROU	CAR US Eq	1,779	na	21.71	na	35.78	na	8.70	na	na
EUROPCAR MOBILIT	EUCAR FP	453	na	10.87	216.10	18.34	0.57	0.56	na	3
CAR INC	699 HK EQ	539	7.49	6.42	na	na	0.46	0.43	na	na
COMPANHIA DE LOC	LCAM3 BZ	1,676	30.73	17.49	10.44	7.86	2.16	1.99	4.93	10
Simple average		1,112	19.11	14.13	113.27	20.66	1.07	2.92	4.93	6.60

Courier	Ticker	Market cap (\$mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
			2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
S F HOLDING CO-A	002352 CH	33,985	39.74	32.73	18.98	15.77	5.08	4.50	13.08	14
ZTO EXPRESS -ADR	ZTO US EQ	30,290	37.77	29.96	25.11	19.37	5.01	4.40	13.98	15
YAMATO HOLDINGS	9064 JP EC	9,179	27.30	23.56	7.60	6.93	1.64	1.63	6.08	7
SG HOLDINGS CO L	9143 JT EQ	10,482	23.79	22.19	12.40	11.44	2.86	2.64	12.64	13
BPOST SA	BPOST BB	1,339	9.76	7.63	4.15	3.71	1.58	1.48	15.83	18
simple average		17,055	27.7	23.2	13.7	11.4	3.2	2.9	12.3	13.4

Source: Trimegah Research, Bloomberg

Figure 9. ASSA 1-year historical forward P/E for the last 1 year

Stocks	ASSA
Latest date	6/22/2020
Latest valuation	11.61
1-year average valuation	19.28
(disc)/premium to 1-year avg	-40%



Source: Trimegah Research, Bloomberg

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- Neutral : Share price is expected to trade within the range of 0%-10% over the next 12 months
- 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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