

Equity Research

Company Update

Adi Sarana Armada

From mobility business to end-to-end logistic

A brief introduction about ASSA. We recently hosted a conference call with Adi Sarana Armada (ASSA), which is one of the most comprehensive mobility and logistic service providers in Indonesia. ASSA is part of Triputra Group, a large conglomerate group owned by T.P Rachmat. The company started with the name ADIRA Rent with only 800 fleets in 2003, altered its name to ASSA Rent in 2010, and did an IPO in 2012. ASSA now has several business divisions, which include: (1) rent and autopool (2) sales of used vehicles (3) driver (4) logistic services (5) auction and (6) delivery services (*Anteraja*) and (7) car sales service. Each of the division contributes 47%, 18%, 9%, 6%, 6%, and 14% of revenue, respectively.

Car rental business: Remains as the bread and butter. It all started with ASSA's car rental business, where currently ASSA has 25,964 fleets and 45 operational networks. Bear in mind that, ASSA provides corporate car rental, which is very different from consumer-based car rental business. The rental time frame varies from 1-5 years, with only 0.6% contract termination rate on average. We believe that there is still plenty room of growth from this business, as large companies are still depending on their own transportation, despite the efficiency and fewer risks it can get from letting a third party, like ASSA, to handle its transportation arrangement. Meanwhile, ASSA's strong competitive advantage lies on its own platforms (auctions and automotive marketplaces), which helps to sell their assets easier and at better prices.

The newest growth driver: online express logistic, *Anteraja*. Given ASSA's latest last-mile package delivery business, *Anteraja* and the rising e-commerce shopping transactions, we believe that ASSA is currently in the sweet spot to capture further growth in this category. In 1Q20, *Anteraja* contributes 14% to ASSA's total revenue, from only 3% in FY19, where sales volume also increased due to shifting shopping preference towards e-commerce platforms, during social distancing implementation. *Anteraja* is currently present in more than 120 cities, delivering 200k parcels/day, with around 4,000 drivers. Currently more than 70% of *Anteraja*'s customers are multiple e-commerce platforms, while the company hopes to start increasing its B2B and B2C consumer base, going forward.

Though this business starts in less than a year, on profitability side, ASSA expects this particular business to reach its break-even point soon, when its delivery reaches 300k parcels/day (volume-play business). What differs *Anteraja* with its competitors is, with the cooperation with SF Express, China's leading technology courier company; it also focuses on technology, to ensure overall efficiency.

Being a new player in the courier business, we believe that it would not be efficient for *Anteraja* to purchase their own new vehicles. Hence, with its collaboration with ASSA, *Anteraja* operates with light-asset strategy, where most of the fleets are under rental agreement from ASSA's logistic business segment. Meanwhile, all the couriers are in-house employees, trained to ensure productiveness. The couriers focus on delivering several packages from one point to another point in the designated area, rather than going for every single trip to different areas. This whole system maximizes the utilisation and overall performance.

Remains lucrative in the long-term, trading below its peers. Assuming flat bottom line figure for this year, ASSA is currently trading at 12.6x 2020 PE, which is still below the industry' average of 30.9x. Despite of a toll of its performance last year due to ASSA's new business venture, we believe that ASSA's performance should remain solid, going forward, given its diversified business profile and further establishment of its networks and systems.

VALUATION HIGHLIGHTS

(IDR bn)	2015	2016	2017	2018	2019
Revenue	1,393	1,570	1,690	1,863	2,330
EBITDA	563	642	712	791	873
Net income	34	62	103	143	110
EPS growth (%)	(21)	82	66	40	(24)
PER (x)	40.8	22.4	13.5	9.6	12.6
PBV (x)	0.4	0.7	0.7	1.1	2.1
EV/EBITDA (x)	6.1	4.3	3.7	3.8	3.7
Dividend yield (%)	5.0	2.1	3.5	3.3	1.4
Net gearing (x)	2.1	2.0	1.9	1.9	2.0



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Not Rated

Current Price IDR 426
Price Target IDR N/A
Upside N/A

22 June 2020

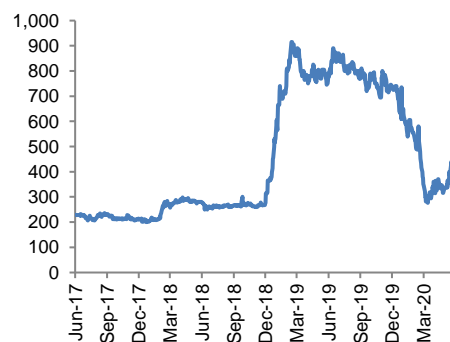
INDONESIA

Transportation

Stock Data

Bloomberg Ticker	ASSA IJ Equity
Outs. Share (bn)	3.3
Mkt Cap (IDR bn)	1,447
52 Week Range (IDR)	268-905
6M Avg Val (IDR bn)	3.5
YTD Returns (%)	-42.4
Beta (x)	0.99

Share Price Performance (IDR/Share)



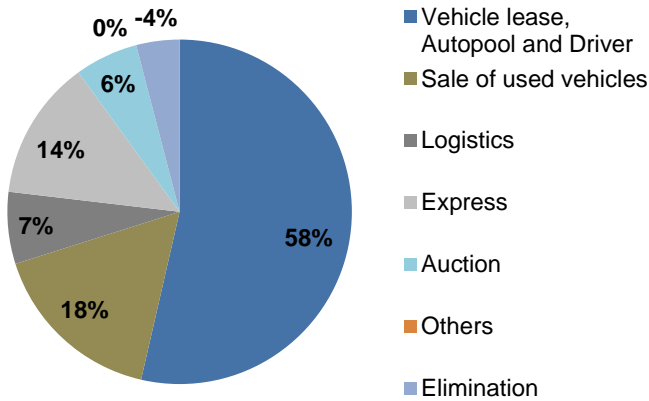
Share Performance (%)

Month	Absolute	Relative
3M	8.5	1.1
6M	-44.9	-27.2
12M	-46.3	-30.8

JENNIFER WIDJAJA

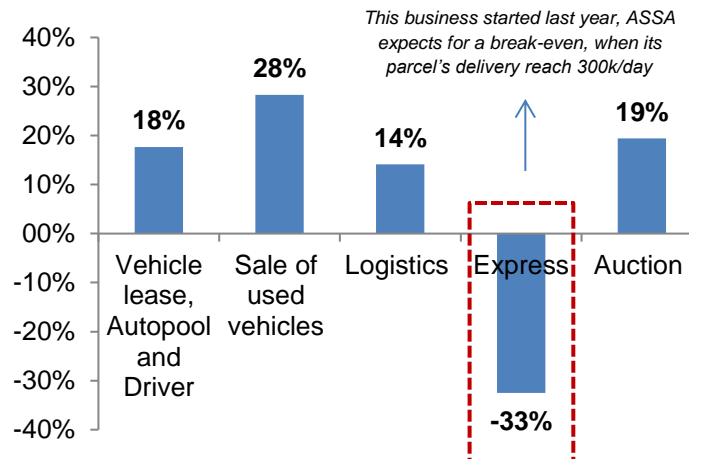
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Fig 1: Revenue contribution (1Q20)



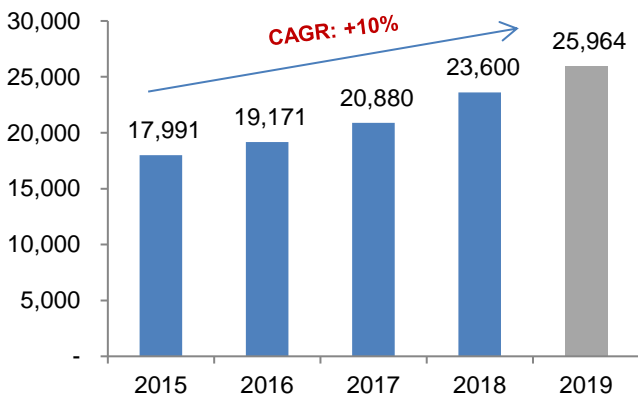
Source: Company, Bloomberg, Sucor Research

Fig 2: Operating profit per segment



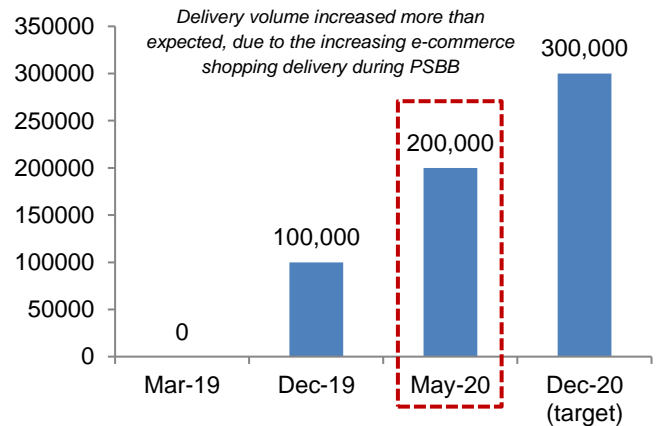
Source: Company, Bloomberg, Sucor Research

Fig 3: Number of fleets



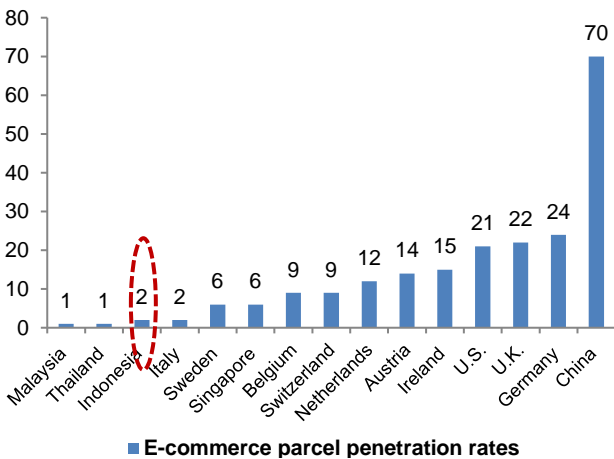
Source: Company, Sucor Research

Fig 4: Number of parcels/day



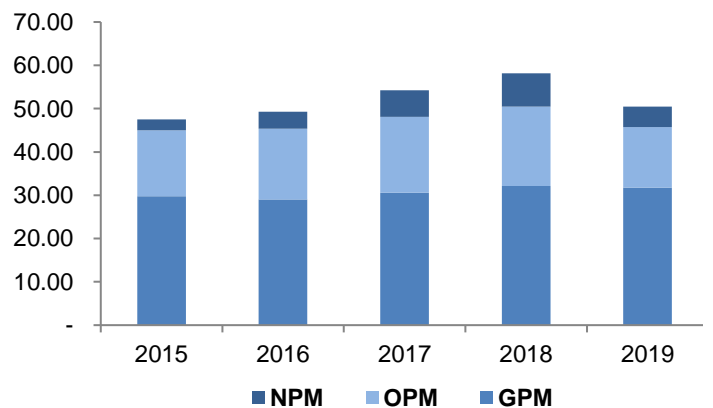
Source: Company, Bloomberg, Sucor Research

Fig 5: E-commerce parcel penetration



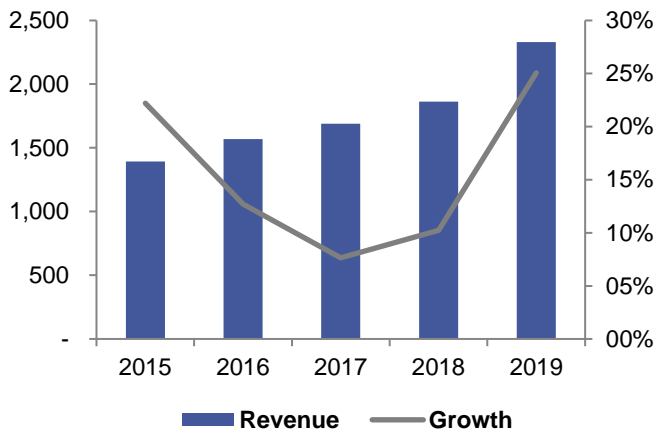
Source: Company, Bloomberg, Sucor Research

Fig 6: ASSA's profitability



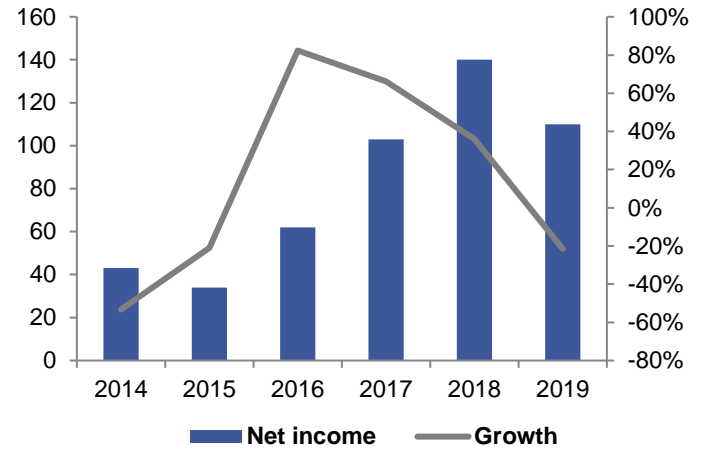
Source: Company, Bloomberg, Sucor Research

Fig 7: Revenue growth trend



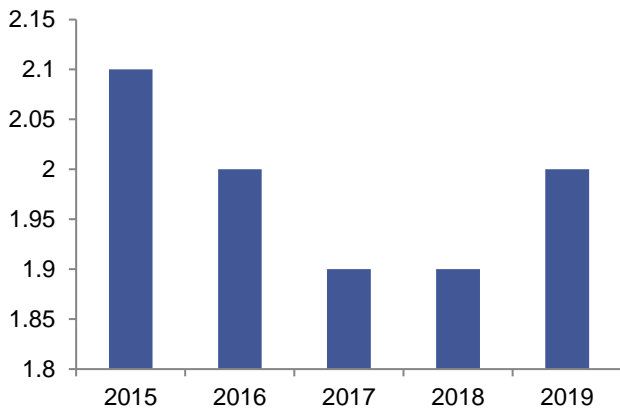
Source: Company, Bloomberg, Sucor Research

Fig 8: Net income growth trend



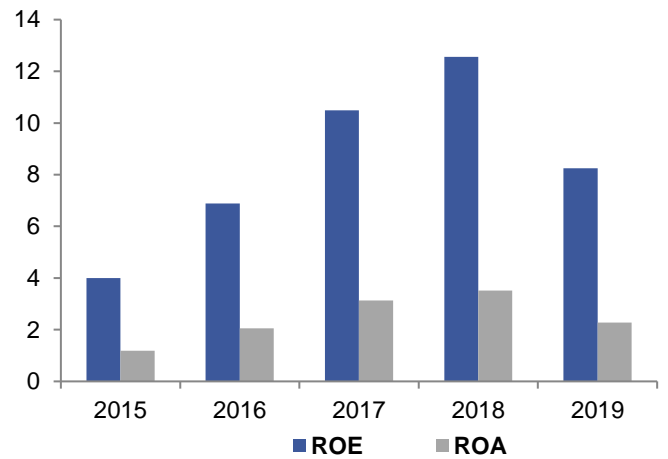
Source: Company, Bloomberg, Sucor Research

Fig 9: Net gearing



Source: Company, Sucor Research

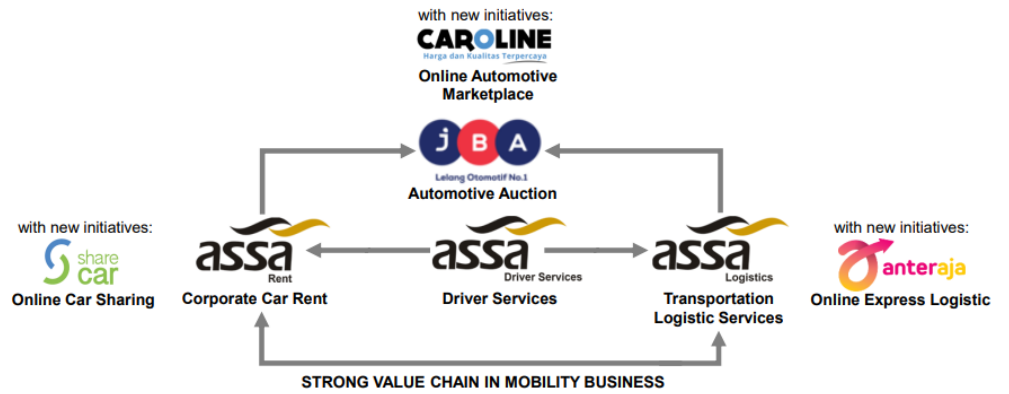
Fig 10: ROA & ROE



Source: Company, Bloomberg, Sucor Research

Fig 11: ASSA businesses' breakdown

The Integrated Mobility & Logistics Service Ecosystem



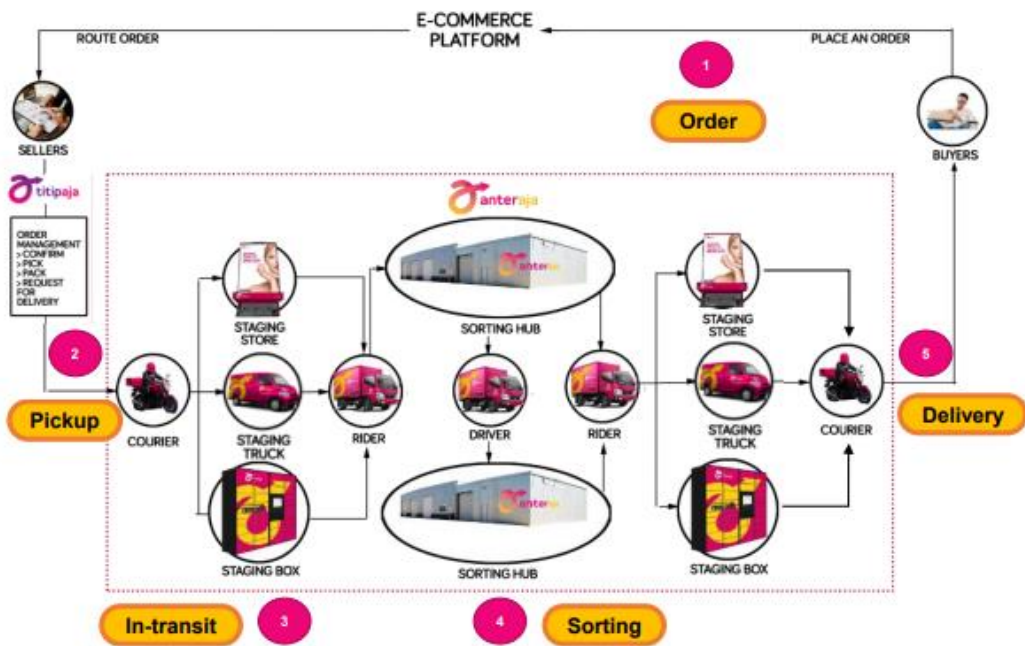
Source: Bloomberg, Sucor Research

Fig 12: ASSA's top customers



Source: Bloomberg, Sucor Research

Fig 13: ASSA online express logistics' business model



Source: Bloomberg, Sucor Research

Fig 14: ASSA's relative valuation (compared to peers)

Courier	Country	PE (X)		EV/EBITDA (X)		ROE (%)		EBIT Margin (%)	EPS Growth (%)	Market Cap (USD bn)
		2020	2021	2020	2021	2020	2021			
SF Holding Co. Ltd	China	40.7	33.5	19.5	16.2	13.1	13.9	4.9	45.3	34.9
FedEx	U.S.	15.0	13.8	10.3	9.3	12.5	12.7	2.4	11.3	35.4
Aramex	U.E.A	15.5	11.4	7.2	6.2	12.1	15.3	9.0	11.1	1.4
UPS	U.S.	19.7	15.4	14.1	11.3	112.3	113.9	5.9	14.6	92.2
Deutsche Post	Europe	16.8	13.1	7.1	6.2	16.1	15.8	3.8	17.7	43.2
ZTO Express	China	36.7	29.2	24.3	18.7	14.0	15.4	9.5	44.3	29.2
Bpost	Europe	10.2	8.0	4.3	3.8	15.8	18.1	7.7	8.2	1.4
YTO Express Group Co.Ltd	China	24.0	21.5	13.0	11.2	14.1	13.6	5.9	30.0	7.5
Österreichische Post	Europe	18.5	15.2	7.5	6.5	16.4	20.8	6.6	15.7	2.3
Yamato Holdings Co.Ltd	Japan	28.0	24.1	7.8	7.1	3.8	6.1	-1.4	43.3	9.4
Singapore Post	Singapore	18.5	16.9	10.5	10.0	7.0	7.3	6.4	21.6	1.3
AVERAGE		22.1	18.4	11.4	9.7	21.6	23.0	5.5	23.9	23.5

Auction	Country	PE (X)		EV/EBITDA (X)		ROE (%)		EBIT Margin (%)	EPS Growth (%)	Market Cap (USD bn)
		2020	2021	2020	2021	2020	2021			
KAR Auction Services Inc.	U.S.	42.3	15.5	11.9	8.5	0.7	N/A	6.3	-65.5	2.1
IAA Inc.	U.S.	42.5	26.9	24.5	18.2	14.1	15.3	20.5	7.6	10.3
Copart Inc.	U.S.	38.6	33.7	24.7	22.2	9.7	12.2	35.5	30.0	8.2
AVERAGE		41.1	25.3	20.4	16.3	8.2	13.7	20.8	-9.3	6.8

Car Rental	Country	PE (X)		EV/EBITDA (X)		ROE (%)		EBIT Margin (%)	EPS Growth (%)	Market Cap (in US\$, Bn)
		2020	2021	2020	2021	2020	2021			
Movida Participacoes	Brazil	28.6	13.9	9.5	6.7	10.6	16.8	-12.6	12.4	0.8
Companhia de Locacao das Americas	Brazil	29.8	17.0	10.2	7.7	4.6	11.8	13.5	58.9	1.6
Localiza Rent A Car	Brazil	54.8	28.8	19.5	14.1	3.0	11.4	15.5	17.0	5.9
Redde Northgate PLC	U.K.	5.5	5.3	3.6	2.9	4.9	10.2	9.0	9.7	0.6
AVERAGE		29.7	16.2	10.7	7.9	5.8	12.6	6.4	24.5	2.2

Source: Company, Sucor Research

Appendix

Fig 15: Income statement and balance sheet

Profit & Loss (IDR bn)	2016	2017	2018	2019	Balance Sheet (IDR bn)	2016	2017	2018	2019
Revenue	1,570	1,690	1,863	2,330	Cash and equivalents	40	85	228	255
Cost of revenue	(1,114)	(1,173)	(1,264)	(1,590)	Trade receivables	201	212	224	299
Gross profit	456	517	599	740	Inventories	38	27	42	25
Selling expenses	(9)	(7)	(9)	(12)	Net- Fixed assets	2,631	2,765	3,412	3,894
G&A expenses	(191)	(214)	(248)	(402)	Other assets	126	219	157	377
Operating profit	256	296	342	325	Total Assets	3,030	3,307	4,063	4,849
EBITDA	642	712	791	873	Trade payables	78	98	84	207
Other op. income/exp	16	16	15	24	Short-term debt + CMLTD	442	637	747	847
Finance income	1	1	5	15	Long-term debt	1,387	1,365	1,604	2,064
Finance expense	(185)	(176)	(178)	(244)	Other liabilities	220	222	489	394
Others	1	1	(1)	(3)	Total Liabilities	2,126	2,322	2,924	3,511
Pre-tax profit	89	138	182	117	Minority interest	0	0	52	146
Tax expense	(27)	(35)	(40)	(26)	Paid capital	715	715	715	715
Minority interest	0	0	1	19	Retained earnings	189	271	372	477
Net profit	62	103	143	110	Other equities	0	0	0	0
EPS (IDR)	18	30	42	32	Total Equity	904	986	1,138	1,338

Source: Company, Sucor Research

Fig 16: Cash flow statement and key ratios

Cash Flow (IDR bn)	2016	2017	2018	2019	Key Ratios (%)	2016	2017	2018	2019
Net income	62	103	144	110	Revenue growth	12.8	7.6	10.2	25.0
Depreciation & amortization	370	400	434	524	EBIT growth	20.5	15.5	15.5	(4.7)
Change in working capital	(437)	-	-	-	EBITDA growth	14.0	10.9	11.1	10.4
Cash flow from operations	6	6	52	(384)	Net profit growth	82.1	66.3	38.3	(22.8)
Capex	(10)	(110)	(113)	(100)	Gross margin	29.0	30.6	32.1	31.8
Others	(2)	-	-	(49)	EBIT margin	16.3	17.5	18.3	14.0
Cash flow from investments	(12)	(110)	(113)	(149)	EBITDA margin	40.9	42.1	42.4	37.5
Changes in debt	44	173	349	562	Net margin	4.0	6.1	7.7	4.7
Changes in equity	-	-	-	-	ROA	2.1	3.1	3.5	2.3
Dividends paid	(14)	(24)	(41)	-	ROE	6.9	10.5	12.6	8.3
Others	30	-	-	-	Net gearing (x)	2.0	1.9	1.9	2.0
Cash flow from financing	12	149	308	562	Net debt/EBITDA (x)	2.8	2.7	2.7	3.0
Net Cash Flow	(6)	45	143	27	Interest coverage ratio (x)	1.4	1.7	1.9	1.3

Source: Company, Sucor Research

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Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
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