

Company Flash Note

Indonesia

July 28, 2017 - 1:55 AM

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	Rp214.0
Target price:	Rp355.0
Previous target:	Rp355.0
Up/downside:	65.9%
CIMB / Consensus:	0.7%
Reuters:	ASSA.JK
Bloomberg:	ASSA IJ
Market cap:	US\$54.59m
	Rp727,065m
Average daily turnover:	US\$0.02m
	Rp213.2m
Current shares o/s	7,147m
Free float:	40.0%

*Source: Bloomberg

Key financial forecasts

	Dec-17F	Dec-18F	Dec-19F
Net Profit (Rp)	88,701	115,326	153,069
Core EPS (Rp)	26.11	33.94	45.05
Core EPS Growth	42.6%	30.0%	32.7%
FD Core P/E (x)	8.20	6.30	4.75
Recurring ROE	9.5%	11.4%	13.7%
P/BV (x)	0.75	0.69	0.62
DPS (Rp)	6.11	8.72	11.34
Dividend Yield	2.85%	4.07%	5.30%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.2	-10.8	29.7
Relative (%)	-6.2	-13.4	19.7

Major shareholders	% held
Adi Dinamika Investindo	24.9
Daya Adicipta Mustika	19.2
Theodore Permadi Rahmat	6.0

Analyst(s)

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Adi Sarana

Jumping the lights

- ASSA's 1H17 core net profit was in line at 52% of our FY17 forecast.
- In 2Q, used car market disposals slowed. This was due to the timing of rental vehicle contract expiry. Used car margins remained robust nevertheless.
- The stock is trading at 0.7x 12-month forward P/BV. Our target price reflects its deep undervaluation and growth potential in a recovery environment. Maintain Add.

2Q17 results in line

- ASSA posted Rp812bn revenue in 1H17 (+9% yoy), forming 46% of our FY17F forecast.
- In 2Q17, the company booked Rp401bn revenue (+6% yoy, -2% qoq). Slightly weaker revenue qoq was due to slower used car sales segment (-35% qoq, +4% qoq, 10% of 2Q17 revenue) on lower qoq volume of car disposals.
- Rental revenue was robust in 2Q17 (+5% qoq, +8% yoy, 72% of 2Q17 revenue) while logistics (+1% qoq, -4% yoy, 16% of 2Q17 revenue) and auction (+1% qoq, +84% yoy, 1% of revenue) were flat.
- 1H17 core net profit of Rp46bn (+112% yoy) was in line at 52% of our FY17 estimate.
- The company's cars under management rose to 19,771 units in 1H17, with a net increase of 582 units in 2Q17 (vs. 190 units net increase in 1Q17).

Still solid used car sales margins

- ASSA disposed of a total of 426 vehicles in 2Q17 (vs. 661 vehicles in 1Q17). Though the company seems to be behind its disposal target of 3,000 units for this year, this was due to timing of rental vehicle contract expiries which are expected to increase in 2H17.
- Along with slower volume, ASSA's used car sales margin narrowed to Rp12.5m/car in 2Q17 (vs. Rp14.9m/car in 1Q17). This results in 1H17 used car margin of Rp14m/car vs. our estimate of Rp15m/car for FY17F.
- The softer car market in 2Q17 due to political sentiment may have somewhat contributed to the weaker margin, though this is expected to improve in 2H17 as political sentiment normalises and macro conditions stay stable.

Undervalued despite outperforming JCI YTD

- The stock has outperformed JCI by 3% YTD. Nevertheless, it is trading at 0.7x 12-month forward P/BV and 8.2x forward P/E. Given the improving visibility of a recovery scenario and a rapidly rising ROE, we believe ASSA is still undervalued.
- We maintain our forecasts and our GGM-based target price (ROE 16%, LTG 0% and COE 14%) implies 10x FY18F P/E and 1.1x FY18F P/BV.
- Potential re-rating catalysts include faster-than-expected adjustments in borrowing rates and ROE. Downside risks include a softening secondary car market, which could result in lower-than-expected used car sales margins.

Figure 1: Results comparison

FYE Dec (Rp bn)	2QFY17	2QFY16	yoy %	1QFY17	qoq %	2QFY17	2QFY16	yoy %	Current
			chg		chg	Cum	Cum	chg	FY17F
Revenue	401	380	5.7	411	(2.3)	812	745	9.1	1,779 46% of CIMB forecast
Operating costs	(235)	(229)	2.7	(247)	(4.7)	(482)	(450)	7.1	(1,050)
EBITDA	166	151	10.3	164	1.3	331	295	12.0	730 45% of CIMB forecast
EBITDA margin (%)	41%	40%		40%		41%	40%		41%
Depn & amort.	98	91	7.8	95	3.4	193	180	6.8	422
EBIT	68	60	14.1	70	(1.5)	138	115	20.1	308 45% of CIMB forecast
Interest expense	(43)	(46)	(6.3)	(43)	0.3	(86)	(93)	(8.1)	(210)
Interest & invt inc	0	0	21.0	0	(20.6)	1	0	29.9	1
Others	6	3	93.2	3	120.6	8	8	(0.2)	15
Pretax profit	31	17	82.0	29	5.9	61	30	102.8	113
Tax	(7)	(6)	30.5	(7)	10.7	(14)	(7)	87.5	(24)
Tax rate (%)	23%	32%	0%	22%	0%	23%	25%	0%	22%
Minority interests	0	0	493.2	0	(88.0)	0	0	355.5	-
Net profit	24	12	N/A	23	4.7	47	23	107.9	89 53% of CIMB forecast
Core net profit	24	11	N/A	23	4.3	46	22	112.2	89 52% of CIMB forecast
EPS (Rp)	7	3	N/A	7	4.7	14	7	107.9	26
Core EPS (Rp)	7	3	N/A	7	4.3	14	6	112.2	26

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rpm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	1,570,388	1,779,183	2,037,896	2,366,087
Gross Profit	814,235	961,232	1,139,951	1,342,456
Operating EBITDA	640,105	744,432	890,502	1,050,115
Depreciation And Amortisation	(367,310)	(422,033)	(494,234)	(572,911)
Operating EBIT	272,795	322,399	396,268	477,204
Financial Income/(Expense)	(183,980)	(209,404)	(249,354)	(282,223)
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	88,815	112,995	146,914	194,982
Exceptional Items	0	0	0	0
Pre-tax Profit	88,815	112,995	146,914	194,982
Taxation	(26,664)	(24,294)	(31,586)	(41,921)
Exceptional Income - post-tax	0	0	0	0
Profit After Tax	62,151	88,701	115,327	153,061
Minority Interests	35	0	(1)	9
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0
Other Adjustments - post-tax	0	0	0	0
Net Profit	62,186	88,701	115,326	153,069
Recurring Net Profit	62,186	88,701	115,326	153,069
Fully Diluted Recurring Net Profit	62,186	88,701	115,326	153,069

Balance Sheet

(Rpm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	40,290	43,046	35,845	35,774
Total Debtors	200,837	228,693	261,948	304,133
Inventories	31,392	31,965	30,661	33,205
Total Other Current Assets	19,692	49,859	57,109	66,306
Total Current Assets	292,211	353,563	385,564	439,419
Fixed Assets	2,631,183	3,127,427	3,671,993	4,327,885
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	106,413	106,413	106,413	106,413
Total Non-current Assets	2,737,596	3,233,840	3,778,406	4,434,298
Short-term Debt	2,000	2,000	2,000	2,000
Current Portion of Long-Term Debt	439,731	671,079	807,541	972,414
Total Creditors	87,727	108,807	123,352	142,331
Other Current Liabilities	67,331	67,419	77,086	89,500
Total Current Liabilities	596,789	849,305	1,009,979	1,206,245
Total Long-term Debt	1,386,632	1,623,753	1,953,939	2,352,870
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	142,758	142,758	142,758	142,758
Total Non-current Liabilities	1,529,391	1,766,511	2,096,697	2,495,628
Total Provisions	0	0	0	0
Total Liabilities	2,126,179	2,615,816	3,106,675	3,701,874
Shareholders' Equity	903,516	971,475	1,057,183	1,171,724
Minority Interests	112	112	111	120
Total Equity	903,628	971,587	1,057,294	1,171,844

Cash Flow

(Rpm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	640,105	744,432	890,502	1,050,115
Cash Flow from Inv. & Assoc.	0	0	0	0
Change In Working Capital	563	(37,428)	(14,990)	(22,533)
(Incr)/Decr in Total Provisions	0	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0
Other Operating Cashflow	(252,858)	(903,136)	(1,022,902)	(1,212,111)
Net Interest (Paid)/Received	(183,980)	(209,404)	(249,354)	(282,223)
Tax Paid	(26,664)	(24,294)	(31,586)	(41,921)
Cashflow From Operations	177,166	(429,830)	(428,331)	(508,672)
Capex	(12,415)	(15,141)	(15,898)	(16,693)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/Investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	(12,415)	(15,141)	(15,898)	(16,693)
Debt Raised/(repaid)	(138,786)	468,469	466,647	563,805
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(13,590)	(20,742)	(29,620)	(38,511)
Preferred Dividends	0	0	0	0
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	(152,376)	447,727	437,027	525,294
Total Cash Generated	12,375	2,756	(7,201)	(71)
Free Cashflow To Equity	25,965	23,498	22,419	38,440
Free Cashflow To Firm	349,710	(234,831)	(194,087)	(242,487)

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	12.8%	13.3%	14.5%	16.1%
Operating EBITDA Growth	14.0%	16.3%	19.6%	17.9%
Operating EBITDA Margin	40.8%	41.8%	43.7%	44.4%
Net Cash Per Share (Rp)	(526.3)	(663.4)	(802.8)	(968.8)
BVPS (Rp)	265.9	285.9	311.2	344.9
Gross Interest Cover	1.47	1.53	1.58	1.69
Effective Tax Rate	30.0%	21.5%	21.5%	21.5%
Net Dividend Payout Ratio	21.9%	23.4%	25.7%	25.2%
Accounts Receivables Days	42.07	41.81	41.22	40.96
Inventory Days	12.37	14.14	12.73	11.39
Accounts Payables Days	20.18	21.15	24.05	23.95
ROIC (%)	8.01%	9.10%	9.41%	9.72%
ROCE (%)	10.2%	10.8%	11.2%	11.5%
Return On Average Assets	7.07%	7.74%	8.12%	8.38%

12-mth Fwd FD P/E (x) - Adi Sarana Armada



SOURCE: CIMB RESEARCH, COMPANY DATA

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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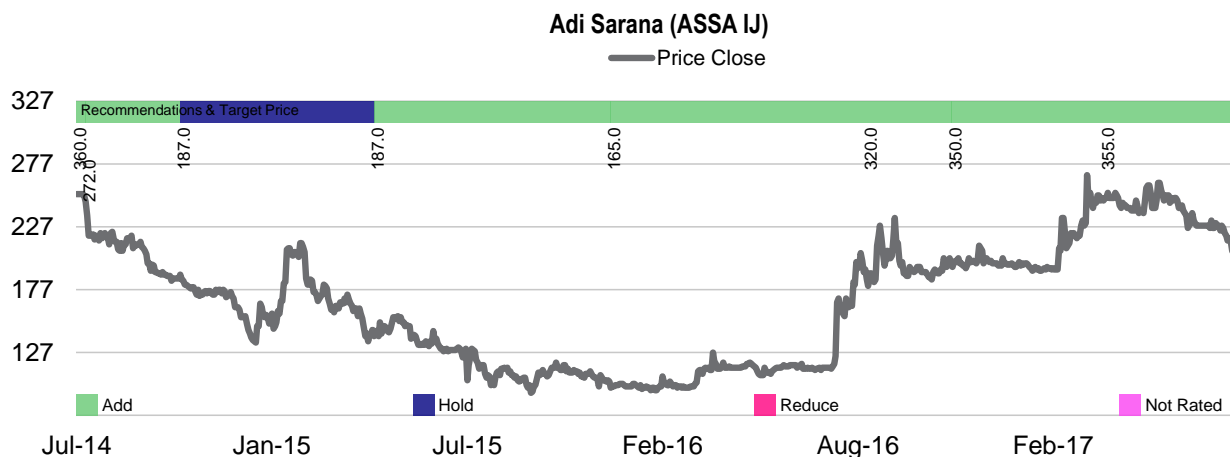
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2017		
1288 companies under coverage for quarter ended on 30 June 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	51.2%	5.5%
Hold	35.7%	3.1%
Reduce	11.9%	0.1%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BJCHI** – Good, Declared, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PLAT** – Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPA** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TNR** – not available, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **TVO** – Very Good, Declared **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.