

8 August 2019
Infrastructure, Toll Road

Price **IDR 5,600**
Target Price **IDR 6,895**
JKSE Index **6,204.195**



Stock Information

Bloomberg Code **JSMR JJ**
Market Cap (IDR bn) **43,547.2**
52-week high (IDR) **6,450**
52-week low (IDR) **3,800**
Shares issued (mn) **7,257.9**
6-m avg. daily Val (IDR) **4,741**
Free float (%) **30%**

Major share holders (%)
Government RI **70%**
Public **30%**

USD/ IDR – YE (IDR)
2018 **14,390**
2019F (6m-avg) **14,168**

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Investment Consideration

Higher Subsidiary Contribution

- JSMR recorded toll road revenues of IDR 4.74 trillion in 1H2019, +9.2% YoY from IDR 4.34 trillion in 1H2018. Toll road revenue at the parent level was IDR 3.93 trillion up slightly +3.9% YoY. Meanwhile toll road revenue at the subsidiary level increased +45% yoy from IDR 561 billion in 1H2018 to IDR 813 billion in 1H2019. The contribution of subsidiary revenue to total revenue also increased from 12.9% in 1H2018 to 17% in 1H2019.
- Higher toll road revenue at the Subsidiary level came from additional new toll road operations.
- The connectivity of new toll road with existing ones also helped to boost toll revenues in some area.
- Toll revenue on Palimanan – Kanci, Semarang, Surabaya – Mojokerto grew +19.5%, +45.7% and +55.1% respectively, from the increased Trans Java toll road connectivity in 1H2019.
- Toll revenue from Surabaya – Gempol and Gempol Pandaan also increased +33.2% and +45.7% YoY in 1H2019.

1H2019 Results: Improved Margin

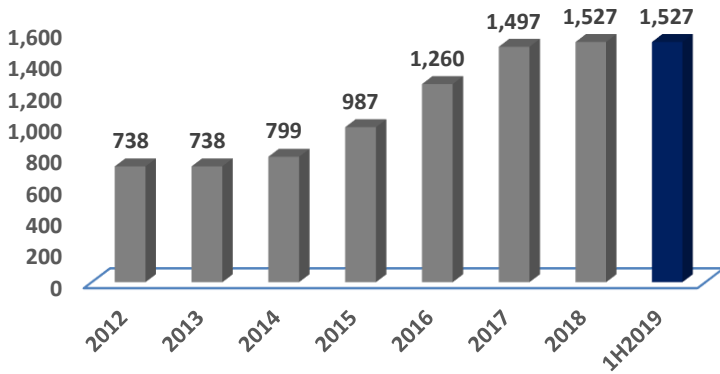
- JSMR maintained their operation costs in 1H2019 from lower salaries and allowance costs. Together with gains on divestment of Gempol – Pandaan, and the deconsolidation of 3 Toll Road Subsidiaries through the DINFRA funding scheme with a total value of IDR 301.1 billion, this helped JSMR to record a better EBITDA margin and Operating margin.
- Operating income grew +15% YoY to IDR 2.76 billion in 1H2019, with Operating margin at 53% up from 50% in 1H2018.
- EBITDA grew +15.4% YoY to IDR 3.34 billion from IDR 2.98 billion in 1H2018, and EBITDA margin improvement to 64.9% from 60.5% in 1H2018.
- We are expecting JSMR's EBITDA margin to reach 67% in 2019F as they continue to improve direct costs. Net income will grow 11.3% YoY to IDR 2.45 trillion.

Valuation: TP 6,895, Upside 23.1% BUY

- We have a one year target price for JSMR of IDR. 6,895, offering investors a potential return of 23.1%. This would mean the stock trading at 18.7x 2020F PE. We recommend BUY.

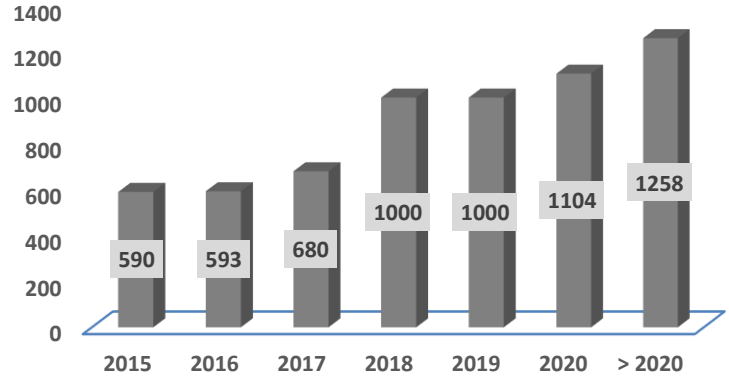
Financial Highlights	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Toll and other operating revenue (IDR Mn)	7,227,786	7,630,678	8,832,348	8,921,665	9,784,488	9,898,723	10,639,581
Operating Income (IDR Mn)	3,072,724	3,477,665	4,165,507	4,648,080	5,415,226	5,269,620	5,591,394
EBITDA (IDR Mn)	3,896,517	4,210,862	5,034,625	5,506,241	6,105,462	6,595,968	6,754,443
Net Income (IDR Mn)	1,422,469	1,466,382	1,889,313	2,200,257	2,202,600	2,451,009	2,673,259
EPS (IDR)	209	216	260	303	303	338	368
Operating Margin (%)	43%	46%	47%	52%	55%	53%	53%
EBITDA Margin (%)	54%	55%	57%	62%	62%	67%	63%
NPM (%)	20%	19%	21%	25%	23%	25%	25%
Tot. Deb / Equity (X)	2.2	2.3	2.7	4.0	3.7	3.8	3.6
Int. Coverage (x)	1.0	0.9	1.2	1.7	1.1	1.4	1.5

Chart: Toll Road Concession (in KM)



Sources: Company

Chart: Operated Toll Road (in KM)



Sources: Company

Table: Additional Operated Toll Road in 2019

Section	Length (km)
1 Medan - Kualanamu - Tebing Tinggi	9.26
2 Gempol - Pandaan (Section to Malang)	1.6
3 Pandaan - Malang (Section I-V)	37.62
4 Jakarta - Cikampek II Elevated	39
5 Cinere - Serpong (Section I Serpong - IC Pamulang)	6.59
6 Serpong - Kunciran	11.2

Table: Additional Operated Toll Road in 2020

Section	Length (km)
1 Cinere - Serpong (Section II Pamulang - Cinere)	3.55
2 Kunciran - Cengkareng	14.19
3 Manado - Bitung	36.40
4 Balikpapan - Samarinda	99.35

Table: Additional Operated Toll Road in > 2020

Section	Length (km)
1 Bogor Ring Road (Section IIIA-IIIIB)	4.50
2 Jakarta - Cikampek II Selatan (Section I-III)	62.00
3 Probolinggo - Banyuwangi (Section I-III)	172.00
4 Ngawi - Kertosono (Section V)	27.90

Table: Income Statement in IDR Million YoY

Income Statement (IDR. Mn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Toll and other operating revenues	7,227,786	7,630,678	8,832,348	8,921,665	9,784,488	9,898,723	10,639,581
Construction revenue	1,946,031	2,217,564	7,829,055	26,170,528	27,189,585	17,008,336	22,103,624
Total Revenue	9,173,817	9,848,242	16,661,403	35,092,193	36,974,074	26,907,060	32,743,205
Toll and other operating expenses	(3,562,758)	(3,518,021)	(4,022,857)	(3,772,061)	(4,052,643)	(4,058,477)	(4,362,228)
Construction expenses	(1,921,067)	(2,202,401)	(7,782,154)	(26,012,247)	(27,003,921)	(16,906,286)	(21,971,002)
Operating Expense	(617,268)	(650,155)	(690,884)	(659,805)	(502,284)	(672,676)	(818,580)
Operating Income	3,072,724	3,477,665	4,165,507	4,648,080	5,415,226	5,269,620	5,591,394
Other Income	(1,222,062)	(1,409,361)	(1,515,828)	(1,397,627)	(2,204,919)	(1,883,494)	(1,964,592)
Profit Before Tax	1,850,661	2,068,304	2,649,679	3,250,453	3,210,306	3,386,126	3,626,802
Taxes	(613,647)	(749,104)	(846,625)	(1,156,796)	(1,173,815)	(1,015,838)	(1,051,773)
NIAT	1,237,014	1,319,201	1,803,054	2,093,657	2,036,491	2,370,288	2,575,030
Non-controlling Interest	185,455	147,181	86,258	106,600	166,109	80,721	98,230
Net Income	1,422,469	1,466,382	1,889,313	2,200,257	2,202,600	2,451,009	2,673,259
EPS (in IDR)	209	215.6	260.3	303.2	303.5	337.7	368.3
EBITDA	3,896,517	4,210,862	5,034,625	5,506,241	6,105,462	6,595,968	6,754,443

Sources: Company and Binaartha

Table: Statement of Financial Position of JSMR in IDR Million YoY

Statement of Financial Position (In IDR Mn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	3,290,784	3,323,221	4,124,886	6,873,021	5,942,954	6,446,688	3,109,628
Trade Accounts Receivable	48,089	164,374	8,278,539	11,547,364	5,550,282	4,552,783	5,893,777
Inventories	21,960	20,154	86,975	134,245	40,949	29,800	36,263
Others Current Assets	184,951	221,297	475,484	432,435	279,671	267,548	477,791
Total Current Assets	3,545,784	3,729,047	12,965,884	18,987,065	11,813,857	11,296,819	9,517,460
NONCURRENT ASSETS							
Fixed Assets	701,685	913,843	884,666	1,035,922	754,806	1,131,242	1,315,242
Intangible Assets	26,111,348	28,821,790	36,898,892	56,089,017	63,453,029	70,249,243	71,607,492
Other Noncurrent Assets	1,501,146	3,260,304	2,750,881	3,080,768	6,396,909	4,315,465	4,438,058
Total Noncurrent Assets	28,314,179	32,995,936	40,534,438	60,205,707	70,604,744	75,695,951	77,360,793
TOTAL ASSETS	31,859,963	36,724,982	53,500,323	79,192,772	82,418,601	86,992,770	86,878,252
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Bank Loans	0	766,400	4,590,849	1,278,659	2,347,571	1,427,041	1,427,041
Contractors Payable	998,081	1,461,349	1,279,575	1,289,211	1,098,460	1,284,772	1,246,373
Account Payable	182,096	137,466	134,772	350,924	321,811	274,122	302,714
Current maturities of long term liabilities	2,379,261	3,727,864	4,198,390	4,150,882	6,430,596	4,153,213	5,200,000
Others Current Liabilities	741,571	1,450,333	8,423,404	17,928,265	20,883,037	27,569,475	26,194,564
Total Current Liabilities	4,301,010	7,543,411	18,626,989	24,997,940	31,081,475	34,708,623	34,370,691
NONCURRENT LIABILITIES							
Long-term contractors payable	0	200,376	394,470	496,700	266,024	287,220	455,942
Long-term liabilities - net of current liabilities	16,073,189	15,933,171	16,722,160	31,063,085	28,804,315	29,610,895	27,410,895
Others Noncurrent Liabilities	465,034	679,360	1,417,864	4,275,608	2,067,801	1,985,982	2,490,377
Total Noncurrent Liabilities	16,538,224	16,812,907	18,534,494	35,835,393	31,138,140	31,884,096	30,357,214
TOTAL LIABILITIES	20,839,233	24,356,318	37,161,483	60,833,333	62,219,615	66,592,720	64,727,906
Non-controlling interest	1,560,584	1,950,159	2,659,715	3,261,786	3,290,481	3,063,608	4,279,252
EQUITY	9,460,146	10,418,505	13,679,125	15,097,653	16,908,506	17,336,443	17,871,095
TOTAL LIABILITIES & EQUITY	31,859,963	36,724,982	53,500,323	79,192,772	82,418,601	86,992,770	86,878,253

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	1,422,469	1,466,382	1,889,313	2,200,257	2,202,600	2,451,009	2,673,259
Depreciation	130,550	138,770	157,781	183,720	84,104	128,988	184,000
Change in WC	(551,047)	3,091,577	2,648,405	3,097,906	12,326,677	4,647,920	(1,895,632)
Cash From Operating Activities	1,001,972	4,696,728	4,695,498	5,481,883	14,613,381	7,227,917	961,627
Capex	(4,174,451)	(4,820,527)	(7,696,283)	(19,854,989)	(10,483,141)	(5,220,194)	(1,848,842)
Cash From Investing Activities	(4,174,451)	(4,820,527)	(7,696,283)	(19,854,989)	(10,483,141)	(5,220,194)	(1,848,842)
Long-term contractors payable	0	200,376	194,094	102,230	(230,676)	21,196	168,723
Long-term liabilities - net of current liabilities	4,063,384	(140,018)	788,989	14,340,925	(2,258,770)	806,580	(2,200,000)
Others Noncurrent Liabilities	(154,496)	214,325	738,504	2,857,744	(2,207,807)	(81,819)	504,395
Equity	(959,687)	(118,446)	2,080,863	(179,658)	(363,053)	(2,249,945)	(922,963)
Cash From Financing Activities	2,949,201	156,236	3,802,450	17,121,242	(5,060,306)	(1,503,989)	(2,449,845)
Net Changes in Cash	(223,278)	32,437	801,665	2,748,135	(930,066)	503,734	(3,337,060)
Beginning Balance	3,514,061	3,290,784	3,323,221	4,124,886	6,873,021	5,942,954	6,446,688
Ending Balance	3,290,784	3,323,221	4,124,886	6,873,021	5,942,955	6,446,688	3,109,628

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	-11%	7%	69%	111%	5%	-27%	22%
GP	18%	12%	18%	9%	11%	0%	8%
OP	36%	13%	20%	12%	17%	-3%	6%
EBITDA	17%	8%	20%	9%	11%	8%	2%
NP	38%	3%	29%	16%	0%	11%	9%
EPS	17%	8%	20%	9%	11%	8%	2%
Profitability							
Operating Margin(%)	43%	46%	47%	52%	55%	53%	53%
EBITDA margin(%)	54%	55%	57%	62%	62%	67%	63%
NET Profit margin(%)	20%	19%	21%	25%	23%	25%	25%
ROA(%)	4%	4%	4%	3%	3%	3%	3%
ROE(%)	15%	14%	14%	15%	13%	14%	15%
Stability							
Tot debt/ equity (x)	2.2	2.3	2.7	4.0	3.7	3.8	3.6
Int. Coverage (x)	1.0	0.9	1.2	1.7	1.1	1.4	1.5
Current Ratio (X)	0.8	0.5	0.7	0.8	0.4	0.3	0.3
Per Share data (IDR)							
EPS	209	216	260	303	303	338	368
BV	1,391	1,532	1,885	2,080	2,330	2,389	2,462
EBITDA/share	573	619	694	759	841	909	931

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

RESEARCH TEAM
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