

15 June 2020
Construction, Equity

Price IDR. 620
Target Price IDR. 1230
JKSE Index 4880,36



Stock Code
Bloomberg code ADHI IJ
Market cap (IDR.bn) 2225.5
52-Week High (IDR) 1730
52-Week Low (IDR) 625
6-m Avg Daily. Val (IDR) 284
Free Float (%) 49.00

Major Shareholders (%)
Government 51.00%
Public 49.00%

USD/IDR-YE
2019A 13866
2020F 13878

Key Indicators
2020F
Total Debt/ Equity (x) 1.85
Current ratio (x) 1.19

Analyst: Revita Dhiah Anggrainy
revita.anggrainy@binaartha.com

Investment Consideration

Targeting IDR35 Trillion New Contracts

ADHI is targeting new contracts in 2020 of IDR. 35 trillion with construction for infrastructure projects accounting for 85%, property 6,7%, Industry 4.7%, and Energy 3.8%. As of April 2020, IDR. 2,6 Trillion of new contracts were already booked or 7,4% of the initial target with April new contracts of IDR. 141 bn including the Covid hospital –UGM (IDR. 88 bn). In 2020, ADHI will focus on toll road projects such as Solo – Jogjakarta (in process of tender offer) and Ulujami – Jati Asih Toll road (in early development) and the Construction of a Drinking water supply sistem (SPAM) in Dumai. Large new contract projects which have been obtained up to April 2020 consist of MRT Jakarta North – South Phase 2 (IDR. 1.44 trillion), EPC early work Phase II (IDR. 556 bn), Probolinggo – Banyuwangi Toll road (IDR. 536.8 bn), Residential Gas construction (IDR. 142 bn), and the Interchange project in Sragen (IDR. 129.4 bn). We believe the corona virus outbreak may result in construction delays which will mean a more moderate growth in 2020. We estimate the total order book 2020 will reach IDR. 56 trillion or up 11% yoy.

LRT JABODEBEK progress

Up to May 2020, LRT JABODEBEK progress has reached 71,2%. Out of 3 lines, Line 1 (Cawang – Cibubr) has reached 85,7%, line 2 Cawang – Kuningan – Dukuh Atas) has reached 65,9%, and line 3 (Cawang – Bekasi Timur) has reached 64,8%. ADHI has received an LRT JABODEBEK Phase I interim payment of IDR. 8,9 trillion from 2018 - 2019 with IDR. 5,9 trillion in 2018 and IDR. 3 trillion in 2019.

Ensuring profitability

As of April 20, most new contract's are still dominated by projects from government and SOEs that are lower risk. We therefore believe the burn rate will still be above the average 30% and this can help maintain the margin amid the current pandemic. We estimate the burn rate will be 32% in 2020 compared to 37.4% in 2019. The pandemic has affected the Share of profit from JVs which dragged down other income 69% yoy and resulted in a lower 1Q20 bottom by 81% yoy. But we still believe in 2020 that the bottom line will improve. We estimate net margin will average 3.6% in 2020-2021 compared to 4.3% in 2019.

Valuation: Significant upside

We estimate a Target price of IDR.1230/share, which is equal to a PER of 6,6x. With significant upside potential, our recommendation is BUY.

Profit and Loss							
	(IDR.bn)	2017A	2018A	2019A	2020F	2021F	2022F
Revenue		15.156	15.655	15.308	15.183	15.524	17.155
Cost of revenues	(13.098)	(13.149)	(12.972)	(12.905)	(13.195)	(14.582)	
Gross Profit		2.058	2.507	2.336	2.277	2.329	2.573
Operating expense	(581)	(708)	(894)	(911)	(900)	(1.029)	
Operating Profit		1.477	1.799	1.442	1.366	1.428	1.544
Other income	(519)	(1.149)	(755)	(907)	(717)	(803)	
taxes	(440)	(4)	(21)	(15)	(20)	(22)	
Minority interest	(2)	(1)	(1)	(1)	(1)	(1)	
Net Profit		515	644	664	443	689	717
EPS		145	181	186	124	194	201
EBITDA		1.596	1.976	1.619	1.543	1.610	1.756

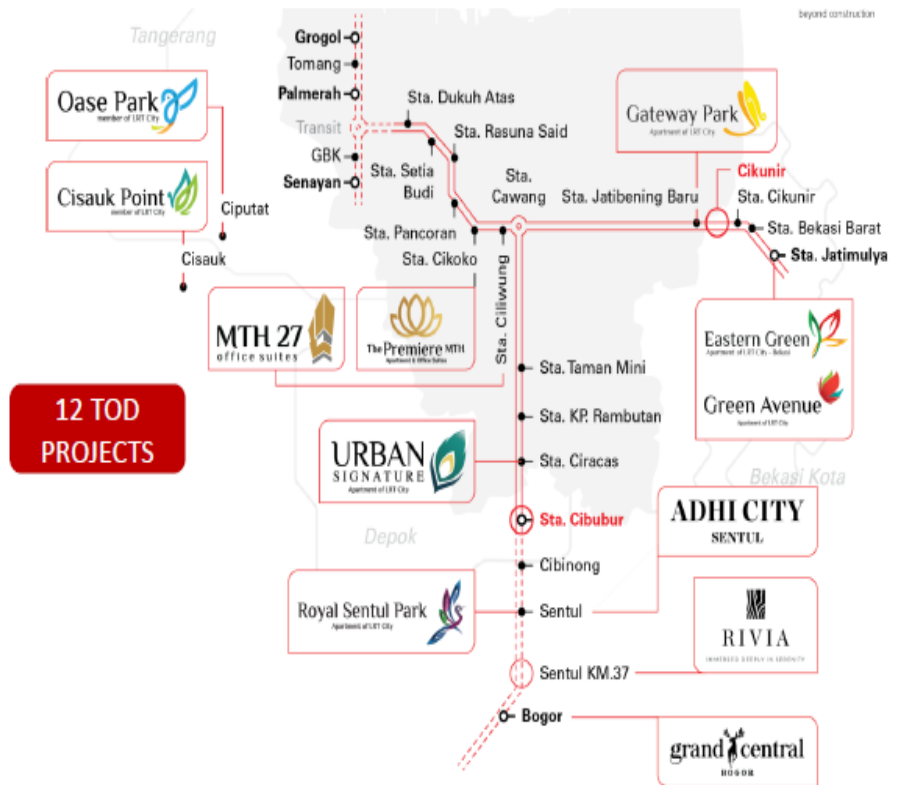
Company Profile

PT Adhi Karya (persero) Tbk is one of the largest construction companies in Indonesia and was established in 1960 from a Netherlands owned chartering company named Architecten-Ingeneurs-en Aannemersbedrijf “Associatie Selle en de Bruyn, Reyerse en de Vries NV” (Associatie NV) . The company changed its name to PT Adhi Karya (Persero) in 1974. In 2004, it was the first Construction SOE to be listed on the Indonesia Stock Exchange (IDX) on March 18, 2004 as PT Adhi Karya (Persero) Tbk. Since then, ADHI has established various subsidiaries starting in 2012 with PT Adhi Persada Property (APP), in 2014, PT Adhi Persada Gedung (APG) and PT Adhi Persada Beton (APB), in 2018, PT Adhi Commuter Properti (ACP) and in 2019, PT Dumai Torta Perasada (DTP). In 2015, ADHI began ground breaking on the Jabodebek LRT. Currently, ADHI has 5 business lines. Construction ,Railroads, Property and. Industrial, Engineering, Procurement and Construction (EPC), and Investment which Invests in other companies in the field of infrastructure, toll roads, renewable energy industry, conversion industry, waste management including hazardous and toxic materials. ADHI has 12 TOD (Transit Oriented Development) projects with a total development area of 95 Ha and 26000 apartment units.

Company’s TOD coverage area

- EASTERN GREEN
- URBAN SIGNATURE
- ROYAL SENTUL PARK
- GATEWAY PARK
- GREEN AVENUE
- MTH 27
- THE PREMIERE MTH
- OASE PARK
- CISAUK POINT
- RIVIA
- GRAND CENTRAL BOGOR
- ADHI CITY

- Sta. Bekasi
- Sta. Ciracas
- Sta. Sentul
- Sta. Jaticempaka
- Sta. Jatimulya
- Sta. Ciliwung
- Sta. Cikoko
- Sta. Ciputat
- Sta. Serpong
- Sta. Sentul
- Sta. Bogor
- Sta. Sentul (Dev)



+95 Ha
More Than 26,000

Total Development Area
Apartment units

LRT CITY
 Developed by: **adhi** commuter properti

Chart: Total order book vs new contract (IDR. Trillion)

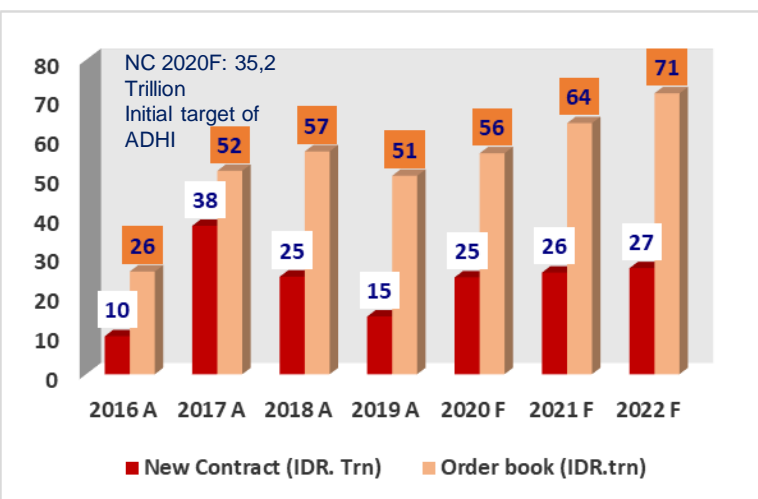


Chart: New contract based on Type of work as of April 2020

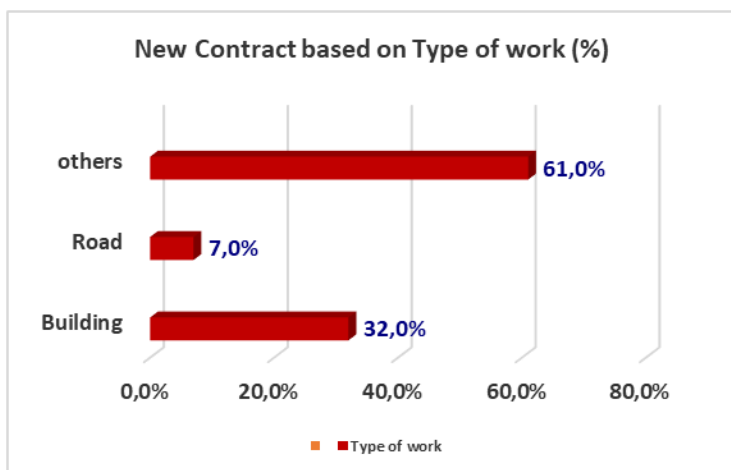


Chart: New contract based on business lines As of April 2020 (%)

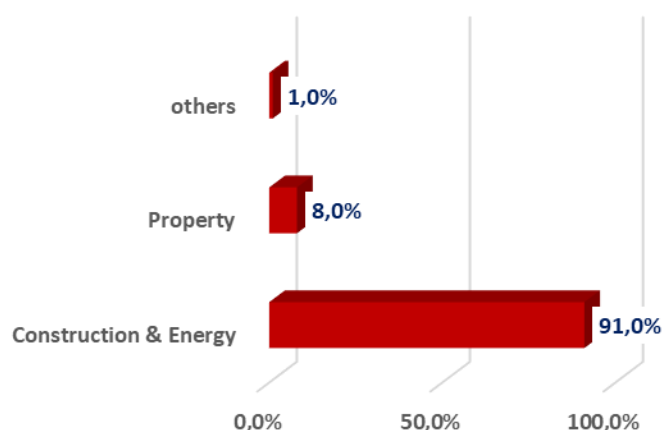


Chart: 2020F's New contract based on project owner / source of fund as of April 2020 (%)

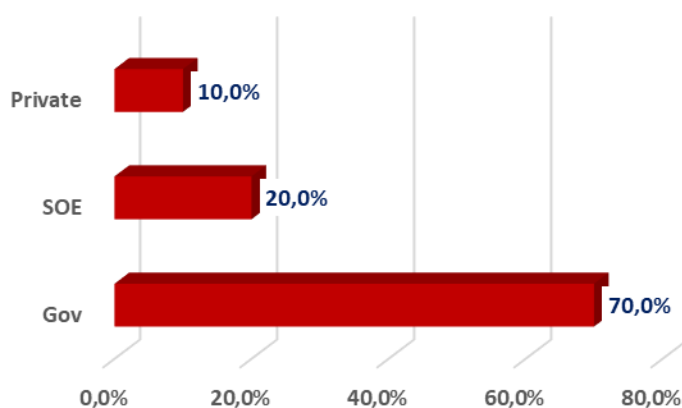


Chart: Burn rate (%) yoy

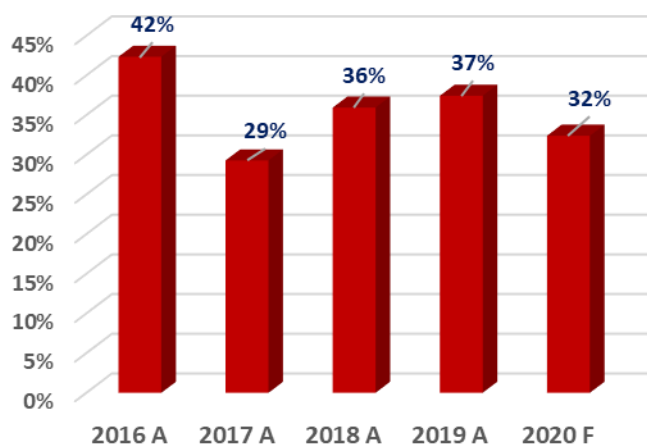
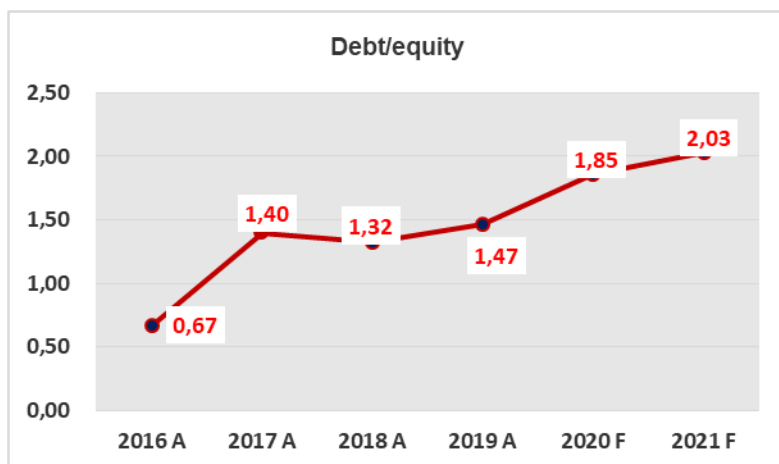


Chart: Debt to Equity (x) yoy



Profit and Loss (IDR. In bn)

Profit and Loss (IDR.bn)	2017A	2018A	2019A	2020F	2021F	2022F
Revenue	15.156	15.655	15.308	15.183	15.524	17.155
Cost of revenues	(13.098)	(13.149)	(12.972)	(12.905)	(13.195)	(14.582)
Gross Profit	2.058	2.507	2.336	2.277	2.329	2.573
Operating expense	(581)	(708)	(894)	(911)	(900)	(1.029)
Operating Profit	1.477	1.799	1.442	1.366	1.428	1.544
Other income	(519)	(1.149)	(755)	(907)	(717)	(803)
taxes	(440)	(4)	(21)	(15)	(20)	(22)
Minority interest	(2)	(1)	(1)	(1)	(1)	(1)
Net Profit	515	644	664	443	689	717
EPS	145	181	186	124	194	201
EBITDA	1.596	1.976	1.619	1.543	1.610	1.756

Balance Sheet (IDR. In bn)

Balance sheet (IDR.in bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and cash equivalent	4131,17	3263,04	3255,01	3830,31	3510,46	3482,79
Trade Account Receivable	2922,81	3354,53	3904,18	2911,75	3062,28	3619,04
inventory	3683,14	8806,76	10007,27	8839,23	9761,00	11985,12
Other current asset	14080,55	9962,53	13148,69	16700,95	16455,48	15439,65
Current Asset	24.817,67	25.386,86	30.315,16	32.282,23	32.789,22	34.526,60
Non Current Asset						
Net Fixed Asset	1.520,93	1.573,32	1.836,86	2.232,54	2.753,97	3.332,30
other long term asset	1.994,35	3.131,42	4.363,81	4.554,80	4.657,21	5.146,55
Total non current Asset	3.515,28	4.704,74	6.200,68	6.787,35	7.411,18	8.478,85
Total Asset	28.332,95	30.091,60	36.515,83	39.069,58	40.200,40	43.005,45
Current Liabilities						
AP	11.610,97	6.783,93	8.294,03	8.132,09	8.170,32	9.987,60
Short Term bank loans	3.537,11	3.663,96	5.058,50	7.058,50	7.158,50	7.168,50
Other Current liabilities	2.485,21	8.486,81	11.140,65	11.994,32	11.953,51	13.037,93
Total current liabilities	17.633,29	18.934,70	24.493,18	27.184,91	27.282,33	30.194,03
Non Current Liabilities						
Long term loans bank	925,00	1.147,40	942,34	1.077,03	1.117,03	1.131,03
Bond	3.740,46	3.492,18	4.021,03	4.021,53	5.021,53	5.021,53
Other Long term liabilities	164,28	232,05	224,99	227,74	232,86	257,33
Total long term/ non current liabilities	4.829,74	4.871,63	5.188,36	5.326,30	6.371,42	6.409,89
Total Liabilities	22.463,03	23.806,33	29.681,54	32.511,21	33.653,75	36.603,92
Total Equities	5.869,92	6.285,27	6.834,30	6.558,38	6.546,65	6.401,53
Total Liabilities and equity	28.332,95	30.091,60	36.515,83	39.069,58	40.200,40	43.005,45

Cash Flow (IDR. In bn)

Cash Flow (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F	2022 F
+ Net Income	515	644	664	443	689	717
+Depreciation	119	177	177	177	182	212
- Change in WC	(2.612)	(136)	622	1.300	(729)	1.147
Cash From Operating Activities	(1.978)	685	1.463	1.920	142	2.076
capex (Fixed asset)	(180)	(229)	(440)	(572)	(703)	(790)
Other non current asset	(209)	(1.137)	(1.232)	(191)	(102)	(489)
cash from investing activities	(389)	(1.366)	(1.672)	(763)	(806)	(1.280)
Long term loans bank	496	222	(205)	135	40	14
Bond	2.866	(248)	529	1	1.000	0
Other Long term liabilities	(141)	68	(7)	3	5	24
Equity	(88)	(229)	(115)	(719)	(701)	(862)
cash from financing activities	3.133	(187)	202	(581)	344	(824)
Net Changes in Cash	766	(868)	(8)	575	(320)	(28)
Beginning Balance	3.365	4.131	3.263	3.255	3.830	3.510
Ending balance	4.131	3.263	3.255	3.830	3.510	3.483

Ratio Highlights

Rasio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F	2022 F
Growth (% YoY)						
Sales	36,99%	3,29%	-2,22%	-0,82%	2,25%	10,51%
OP	124,03%	21,82%	-19,84%	-5,24%	4,52%	8,10%
EBITDA	122,60%	23,82%	-18,08%	-4,66%	4,35%	9,05%
NP	64,43%	24,98%	3,05%	-33,22%	55,53%	4,01%
EPS	64,43%	24,98%	3,05%	-33,22%	55,53%	4,01%
Profitability						
Operating Margin(%)	9,74%	11,49%	9,42%	9,00%	9,20%	9,00%
EBITDA margin(%)	10,53%	12,62%	10,57%	10,16%	10,37%	10,23%
NET Profit margin(%)	3,40%	4,11%	4,34%	2,92%	4,44%	4,18%
ROA(%)	1,82%	2,14%	1,82%	1,13%	1,71%	1,67%
ROE(%)	8,78%	10,25%	9,71%	6,76%	10,53%	11,20%
Liquidity						
Current ratio (X)	1,41	1,34	1,24	1,19	1,20	1,14
cash ratio (x)	0,23	0,17	0,13	0,14	0,13	0,12
Stability						
Debt/ Equity	1,40	1,32	1,47	1,85	2,03	2,08
Per Share data (IDR)						
EPS	144,7	180,9	186,4	124,5	193,6	201,4
BVS	1.648	1.765	1.919	1.842	1.839	1.798

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%.

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

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.