

Investment Consideration

Targetting 10% growth of new contracts

In 2022, ADHI new contracts amounted to IDR 23.7 trillion, up by 56% YoY. Up to Feb 2023, new contracts are IDR 4,3 trillion or an increase of 35% YoY and consist of engineering and construction 88%, property 6% and others 6%. ADHI has 3 backbone toll projects such as the Sigli-Banda Aceh toll road which has achieved progress of 95%, Jogja-Solo toll road with 2 packages, package 1.1 has achieved progress of almost 50% and package 2.2 which consists of land acquisition. The Jogja-Bawen toll road section 1 has achieved progress of 25% and section 6 is in site review. In addition to the large toll road projects, ADHI is also completing other toll projects, Serang-Panimbang, Semarang-Demak and Probolinggo-Banyuwangi. In IKN projects, ADHI has obtained 7 IKN projects out of 30 IKN projects tendered with a total value of IDR 2.6 trillion. In addition, ADHI is also involved in railway projects, including LRT Jabodebek, where progress has reached 96.1% with a target to operate in July 2023. ADHI is also involved in a joint operation project with Shimizu for the construction of MRT phase 2A CP201 (Bundaran HI - Harmoni) and MRT phase 2A CP202 (Harmoni- Mangga Besar) where ADHI's share is 35%. ADHI also has a collaborative railway construction contract with PTPP in the Philippines with a 51% share. Going forward, ADHI will also focus on projects related to modular construction and ESG. We estimate ADHI's new contract growth this year will be 10%, and there will be a focus on completion of projects already received including IKN projects. We estimate the total order book for 2023 will reach IDR 67 trillion or up by 16% yoy.

Double digit profit growth

In 2022FY, ADHI posted revenue of IDR 13.55 trillion, up by 18% YoY, while net profit increased by 47% YoY to IDR 81 billion. In 2022, ADHI's Cost of revenue increased by 20% YoY compared to an increase of 8% YoY in 2021. This is due to the rising price of construction materials such as iron as well as the rising price of fuel. However, with efficiency in operating expenses, we believe the influence of rising prices can be successfully offset this year. We expect ADHI's profit within the next 2 years will grow at a CAGR of 41% compared to 2022

Valuation: significant upside

We revised our target price of IDR 810/share which is equal to a PER of 17x. With significant upside potential, our recommendation is maintained as BUY.

| Ratio Highlights | 2019 A | 2020 A | 2021 A | 2022 A | 2023 F | 2024 F |
|----------------------|--------|--------|--------|--------|--------|--------|
| Profitability | | | | | | |
| Operating Margin(%) | 9.42% | 9.31% | 9.72% | 7.90% | 7.00% | 9.00% |
| NET Profit margin(%) | 4.34% | 0.22% | 0.48% | 0.60% | 0.68% | 0.91% |
| ROE(%) | 9.71% | 0.43% | 0.98% | 0.92% | 1.33% | 2.14% |
| EPS | 186.42 | 6.73 | 15.50 | 18.59 | 30.56 | 47.46 |
| Current ratio (X) | 1.24 | 1.11 | 1.02 | 1.20 | 1.15 | 1.05 |
| cash ratio (x) | 0.13 | 0.09 | 0.10 | 0.18 | 0.18 | 0.11 |
| Debt/ Equity | 1.47 | 1.69 | 1.04 | 1.08 | 1.16 | 1.20 |

20 March 2023
Construction, Equity

Price **IDR. 404**
Target Price **IDR. 810**
JKSE Index **6628.137**

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Stock Code **ADHI IJ**
Bloomberg code **3480**
Market cap (IDR.bn) **806**
52-Week High (IDR) **408**
52-Week Low (IDR) **414**
6-m Avg Daily. Val (IDR) **49.00**
Free Float (%) **51.00%**

Major Shareholders (%)
Government **49.00%**
Public **51.00%**

USD/IDR-YE
2022A **15573**
2023F (Avg) **15380**

Key Indicators
2023F
Debt/ Equity (x) **1.20**
Current ratio (x) **1.05**

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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-Ingenieurs-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

12 TOD PROJECTS



Developed by: **adhi** commuter properti

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

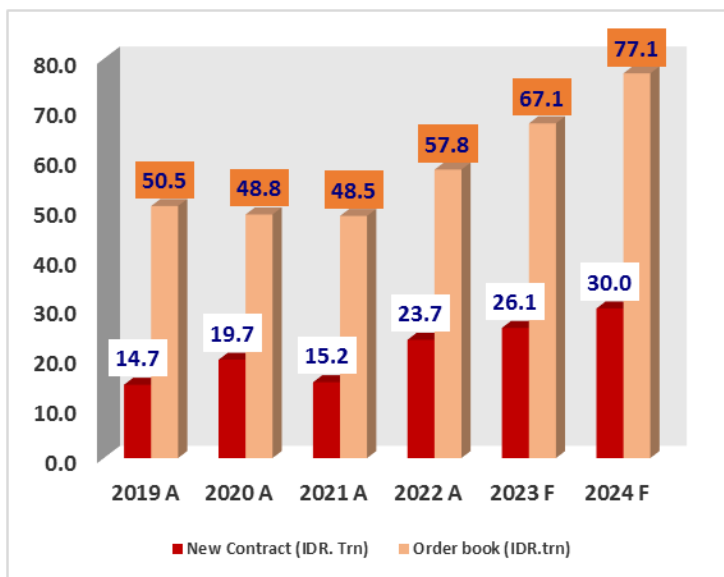


Chart: New contract based on Type of business line as of 2022

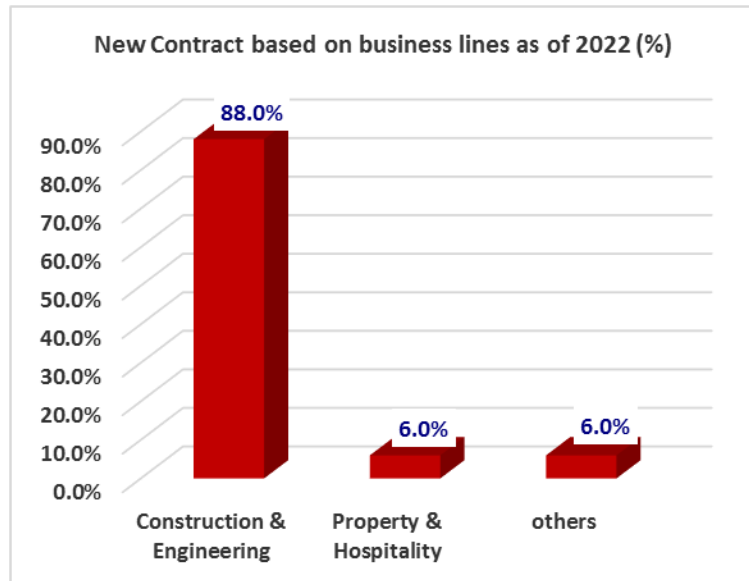


Chart: New contract based on project owner As of 2022 (%)

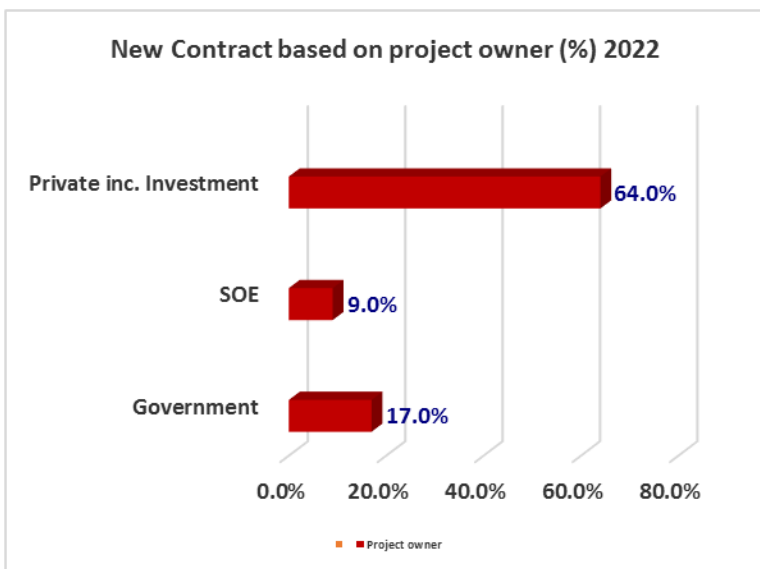
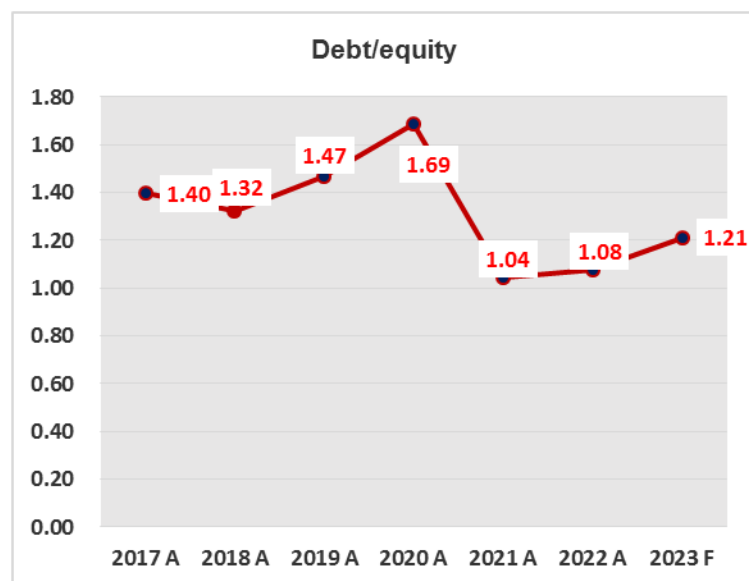


Chart: Debt to Equity (x) yoy



Profit and Loss

| Profit and Loss (IDR.bn) | 2019A | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 15,308 | 10,828 | 11,530 | 13,549 | 16,093 | 18,499 | 19,129 |
| Cost of revenues | (12,972) | (9,092) | (9,774) | (11,753) | (14,001) | (15,724) | (16,260) |
| Gross Profit | 2,336 | 1,736 | 1,756 | 1,796 | 2,092 | 2,775 | 2,869 |
| Operating expense | (894) | (728) | (635) | (726) | (966) | (1,110) | (1,148) |
| Operating Profit | 1,442 | 1,008 | 1,121 | 1,070 | 1,127 | 1,665 | 1,722 |
| Other income | (755) | (968) | (1,022) | (887) | (950) | (1,398) | (1,375) |
| taxes | (21) | (16) | (13) | (8) | (16) | (18) | (25) |
| Minority interest | (1) | 0 | (31) | (94) | (52) | (79) | (92) |
| Net Profit | 664 | 24 | 55 | 81 | 109 | 169 | 230 |
| EPS | 186 | 7 | 15 | 19 | 31 | 47 | 65 |
| EBITDA | 1,619 | 1,171 | 1,290 | 1,213 | 1,337 | 1,917 | 2,024 |

Balance Sheet

| Balance sheet (IDR.in bn) | 2019A | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and cash equivalent | 3255.01 | 2363.65 | 3152.28 | 4336.90 | 4965.59 | 3750.84 | 4656.94 |
| Trade Account Receivable | 3904.18 | 2986.51 | 2727.31 | 2983.10 | 3350.97 | 4561.49 | 4716.84 |
| inventory | 10007.27 | 6321.04 | 7451.04 | 6988.29 | 7671.96 | 8616.15 | 8909.59 |
| Other current asset | 13148.69 | 18419.30 | 18270.32 | 15285.21 | 15771.60 | 18499.38 | 17025.18 |
| Current Asset | 30,315.16 | 30,090.50 | 31,600.94 | 29,593.50 | 31,760.12 | 35,427.85 | 35,308.56 |
| Non Current Asset | | | | | | | |
| Net Fixed Asset | 1,836.86 | 2,204.38 | 2,150.18 | 2,073.91 | 2,575.92 | 3,091.11 | 3,709.33 |
| other long term asset | 4,363.81 | 5,799.01 | 6,149.21 | 8,319.01 | 8,582.67 | 9,865.74 | 10,201.74 |
| Total non current Asset | 6,200.68 | 8,003.39 | 8,299.39 | 10,392.91 | 11,158.59 | 12,956.84 | 13,911.07 |
| Total Asset | 36,515.83 | 38,093.89 | 39,900.34 | 39,986.42 | 42,918.71 | 48,384.70 | 49,219.62 |
| Current Liabilities | | | | | | | |
| AP | 8,294.03 | 12,084.41 | 12,415.62 | 10,917.42 | 10,917.42 | 15,078.26 | 15,591.79 |
| Short Term bank loans | 5,058.50 | 4,343.90 | 3,824.45 | 3,919.02 | 3,914.02 | 3,909.02 | 3,919.02 |
| Other Current liabilities | 11,140.65 | 10,640.89 | 14,887.38 | 9,781.64 | 12,874.78 | 14,799.50 | 15,303.54 |
| Total current liabilities | 24,493.18 | 27,069.20 | 31,127.45 | 24,618.08 | 27,706.22 | 33,786.78 | 34,814.35 |
| Non Current Liabilities | | | | | | | |
| Long term loans bank | 942.34 | 749.47 | 841.20 | 772.53 | 786.53 | 800.53 | 814.53 |
| Bond | 4,021.03 | 4,309.02 | 1,241.01 | 4,795.38 | 4,795.38 | 4,795.38 | 4,795.38 |
| Other Long term liabilities | 224.99 | 391.39 | 1,032.96 | 976.64 | 1,448.41 | 1,109.96 | 1,147.77 |
| Total long term/ non current liabilities | 5,188.36 | 5,449.88 | 3,115.18 | 6,544.55 | 7,030.32 | 6,705.87 | 6,757.67 |
| Total Liabilities | 29,681.54 | 32,519.08 | 34,242.63 | 31,162.63 | 34,736.54 | 40,492.65 | 41,572.02 |
| Total Equities | 6,834.30 | 5,574.81 | 5,657.71 | 8,823.79 | 8,182.17 | 7,892.04 | 7,647.60 |
| Total Liabilities and equity | 36,515.83 | 38,093.89 | 39,900.34 | 39,986.42 | 42,918.71 | 48,384.70 | 49,219.62 |

Cash Flow

| Cash Flow (IDR.bn) | 2019 A | 2020 A | 2021 A | 2022 A | 2023 F | 2024 F | 2025 F |
|---------------------------------------|----------------|----------------|----------------|----------------|--------------|----------------|----------------|
| + Net Income | 664 | 24 | 55 | 81 | 109 | 169 | 230 |
| +Depreciation | 177 | 163 | 168 | 143 | 210 | 252 | 303 |
| - Change in WC | 622 | 1,909 | 3,336 | (3,317) | 1,550 | 1,198 | 2,053 |
| Cash From Operating Activities | 1,463 | 2,096 | 3,560 | (3,093) | 1,869 | 1,619 | 2,585 |
| capex (Fixed asset) | (440) | (530) | (114) | (66) | (712) | (768) | (921) |
| Other non current asset | (1,232) | (1,435) | (350) | (2,170) | (264) | (1,283) | (336) |
| cash from investing activities | (1,672) | (1,965) | (464) | (2,236) | (976) | (2,051) | (1,257) |
| Long term loans bank | (205) | (193) | 92 | (69) | 14 | 14 | 14 |
| Bond | 529 | 288 | (3,068) | 3,554 | 0 | 0 | 0 |
| Other Long term liabilities | (7) | 166 | 642 | (56) | 472 | (338) | 38 |
| Equity | (115) | (1,283) | 28 | 3,085 | (750) | (459) | (474) |
| cash from financing activities | 202 | (1,022) | (2,307) | 6,514 | (265) | (784) | (422) |
| Net Changes in Cash | (8) | (891) | 789 | 1,185 | 629 | (1,215) | 906 |
| Beginning Balance | 3,263 | 3,255 | 2,364 | 3,152 | 4,337 | 4,966 | 3,751 |
| Ending balance | 3,255 | 2,364 | 3,152 | 4,337 | 4,966 | 3,751 | 4,657 |

Ratio Highlights

| Rasio Highlights | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F | 2024 F | 2025 F |
|-----------------------------|---------|---------|---------|--------|--------|--------|--------|
| Growth (% YoY) | | | | | | | |
| Sales | -2.22% | -29.27% | 6.49% | 17.51% | 18.78% | 14.95% | 3.41% |
| OP | -19.84% | -30.09% | 11.21% | -4.56% | 5.29% | 47.79% | 3.41% |
| EBITDA | -18.08% | -27.66% | 10.14% | -5.96% | 10.24% | 43.42% | 5.59% |
| NP | 3.05% | -96.39% | 130.16% | 47.22% | 33.94% | 55.30% | 35.95% |
| EPS | 3.05% | -96.39% | 130.16% | 19.94% | 64.41% | 55.30% | 35.95% |
| Profitability | | | | | | | |
| Operating Margin(%) | 9.42% | 9.31% | 9.72% | 7.90% | 7.00% | 9.00% | 9.00% |
| EBITDA margin(%) | 10.57% | 10.81% | 11.18% | 8.95% | 8.31% | 10.36% | 10.58% |
| NET Profit margin(%) | 4.34% | 0.22% | 0.48% | 0.60% | 0.68% | 0.91% | 1.20% |
| ROA(%) | 1.82% | 0.06% | 0.14% | 0.20% | 0.25% | 0.35% | 0.47% |
| ROE(%) | 9.71% | 0.43% | 0.98% | 0.92% | 1.33% | 2.14% | 3.00% |
| Liquidity | | | | | | | |
| Current ratio (X) | 1.24 | 1.11 | 1.02 | 1.20 | 1.15 | 1.05 | 1.01 |
| cash ratio (x) | 0.13 | 0.09 | 0.10 | 0.18 | 0.18 | 0.11 | 0.13 |
| Stability | | | | | | | |
| Debt/ Equity | 1.47 | 1.69 | 1.04 | 1.08 | 1.16 | 1.20 | 1.25 |
| Per Share data (IDR) | | | | | | | |
| EPS | 186.4 | 6.7 | 15.5 | 18.6 | 30.6 | 47.5 | 64.5 |
| BVS | 1,919 | 1,566 | 1,589 | 2,478 | 2,298 | 2,216 | 2,148 |

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.

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