

11 August 2020
Infrastructure, Toll Road

Price IDR 4,010
Target Price IDR 5,000
JKSE Index 5,157.834



Stock Information

Bloomberg Code JSMR IJ
Market Cap (IDR bn) 29,830
52-week high (IDR) 5,900
52-week low (IDR) 2,230
Shares issued (mn) 7,257.9
6-m avg. daily Val (IDR) 3,880
Free float (%) 30%

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

USD/ IDR – YE (IDR)
2019 14,390
2020F (6m-avg) 14,467

Analyst: Eka Rahmawati R
eka.rahmah@binaartha.com

Investment Consideration

Traffic decline improves

- Amid the Covid-19 outbreak, JSMR's toll and other operating revenue declined -15.7% YoY to IDR 4.34 trillion from IDR 5.16 trillion in 1H2019.
- Revenue at the parent level (JSMR) decreased -19.3% YoY to IDR 3.17 trillion, while revenue at the toll road subsidiary level decreased -8.8% YoY to IDR 741 billion.
- The decline of toll revenues from the pre-COVID has improved to around 39% both at mature and subsidiary levels, compared to the peak decline in the last week of May 2020, which was 58%.
- We still believe, as the re opening will allow for a resumption of economic activities, that the rate of decline of JSMR's toll road revenues will continue to improve.

1H2020FY: Bellow Expectation

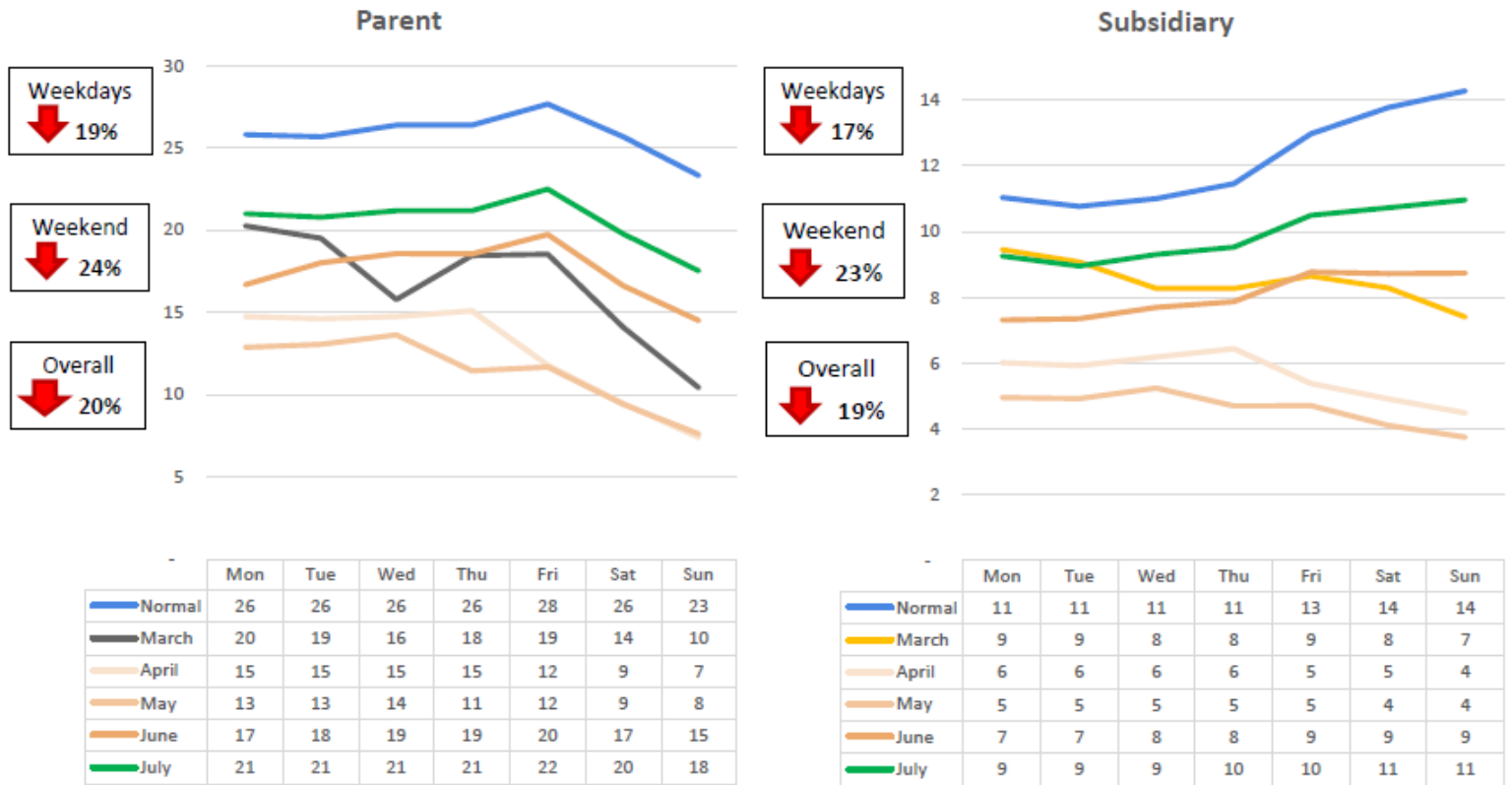
- Because of the drop in JSMR revenues, operating profit also declined by -20% YoY to IDR 2.48 trillion. The operating profit margin fell -5% to 48% in 1H2020.
- EBITDA also declined -23.1% YoY to IDR 2.57 trillion from IDR 3.34 trillion in 1H2019. The EBITDA margin dropped to 59.2% from 64.9%.
- Net income fell sharply -90% YoY to IDR 105.7 billion from IDR 1.1 trillion in 1H2019. In line with the drop in the Net profit margin from 21% in 1H2019 to only 2% in 1H2020.
- In terms of liquidity, JSMR already negotiated with several banks to lower the interest rate by 100 bps at parent and subsidiaries' levels and several banks agreed to increase loan facilities. All syndication banks at the subsidiary level agreed to postpone principal payments.
- As the 1H2020 result is bellow expectation, we revise down our toll road revenue and profit 2020F targets to IDR 8.8 trillion and IDR 355 billion, which are decreases of -19% and -84% respectively.

Valuation: TP 5,000, Maintain BUY

- Despite this, our one year target price IDR 5.000 offers investors a potential return of 25%, so we maintain our recommendation to BUY. This would also translate into a 2021F PE of 15x. Buy.

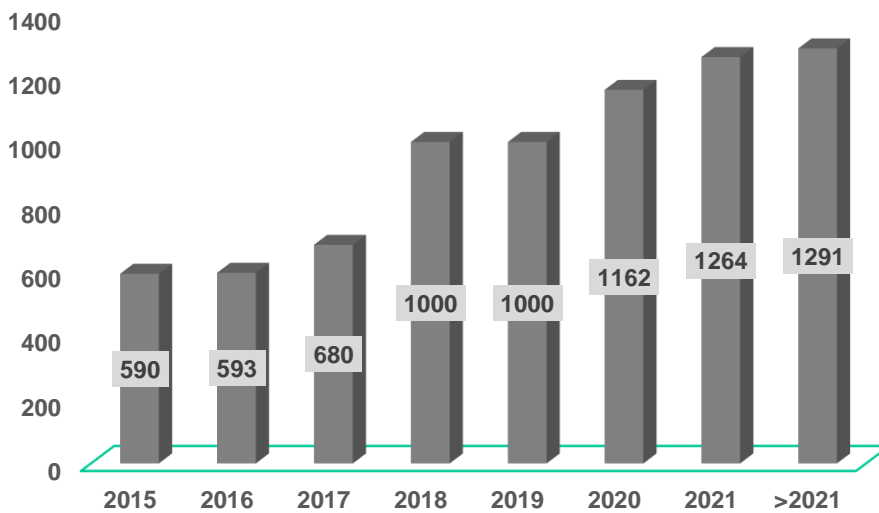
Financial Highligths	2016A	2017A	2018A	2019A	2020F	2021F
Toll and other operating revenue (IDR Mn)	8.832.348	8.921.665	9.784.488	10.984.104	8.852.388	10.039.445
Operating Income (IDR Mn)	4.165.507	4.648.080	5.415.226	5.857.262	4.366.464	5.315.571
EBITDA (IDR Mn)	5.034.625	5.506.241	6.105.462	6.906.932	4.943.729	7.449.847
Net Income (IDR Mn)	1.889.313	2.200.257	2.202.600	2.207.117	355.412	2.433.420
EPS (IDR)	260	303	303	304	49	335
Operating Margin (%)	47%	52%	55%	53%	49%	53%
EBITDA Margin (%)	57%	62%	62%	63%	56%	74%
NPM (%)	21%	25%	23%	20%	4%	24%
Tot. Deb / Equity (X)	2,7	4,0	3,7	4,1	4,2	4,2
Int. Coverage (x)	1,2	1,7	1,1	0,9	(0,0)	0,7

Chart: Impact on JSMR's Revenue due to Covid-19 Outbreak



Sources: Company

Chart: Operated Toll Road (in KM)



Sources: Company

Table: Additional Operated Toll Road in 2020 (102 km)

	Section	Length (km)
1	Pandaan - Malang (Section V)	2,97
2	JORR2: Cinere - Serpong	10,14
3	JORR2: Kunciran - Cengkareng	14,19
4	Balikpapan - Samarinda (Section I & V)	33,12
5	Manado - Bitung	39,00
6	Bogor Ring Road (Section IIIA)	2,65

Sources: Company

Table: Additional Operated Toll Road in 2021 (28 km)

	Section	Length (km)
1	Jakarta - Cikampek II South (Section III)	27,85

Sources: Company

Table: Additional Operated Toll Road in > 2021 (236 km)

	Section	Length (km)
1	Bogor Ring Road (Section IIIB)	2,25
2	Jakarta - Cikampek II South (Section I-II)	34,15
3	Probolinggo - Banyuwangi (Section I-III)	172,00
4	Ngawi - Kertosono (Section V)	27,90

Sources: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR. Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Toll and other operating revenues	8.832.348	8.921.665	9.784.488	10.984.104	8.852.388	10.039.445
Construction revenue	7.829.055	26.170.528	27.189.585	15.361.156	5.775.052	10.395.094
Total Revenue	16.661.403	35.092.193	36.974.074	26.345.260	14.627.440	20.434.539
Toll and other operating expenses	-4.022.857	-3.772.061	-4.052.643	-4.634.241	-3.806.527	-4.316.961
Construction expenses	-7.782.154	-26.012.247	-27.003.921	-15.266.376	-5.723.077	-10.291.143
Total Cost of revenue	-11.805.012	-29.784.308	-31.056.564	-19.900.617	-9.529.603	-14.608.104
Gross Profit	4.856.391	5.307.885	5.917.510	6.444.643	5.097.836	5.826.435
Operating Expense	-690.884	-659.805	-502.284	-587.381	-731.372	-510.863
Operating Income	4.165.507	4.648.080	5.415.226	5.857.262	4.366.464	5.315.571
Other Income	-1.515.828	-1.397.627	-2.204.919	-2.759.659	-3.949.409	-2.247.799
Profit Before Tax	2.649.679	3.250.453	3.210.306	3.097.603	417.056	3.067.772
Taxes	-846.625	-1.156.796	-1.173.815	-1.023.715	-500.467	-1.043.042
NIAT	1.803.054	2.093.657	2.036.491	2.073.888	-83.411	2.024.729
Non-controlling Interest	86.258	106.600	166.109	133.229	438.823	408.691
Net Income	1.889.313	2.200.257	2.202.600	2.207.117	355.412	2.433.420
EPS (in IDR)	260,3	303,2	303,5	304,1	49,0	335,3
EBITDA	5.034.625	5.506.241	6.105.462	6.906.932	4.943.729	7.449.847

Sources: Company and Binaartha

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

Statement of Financial Position (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	4.124.886	6.873.021	5.942.954	4.341.601	3.290.220	4.291.283
Trade Accounts Receivable	8.278.539	11.547.364	5.550.282	6.270.361	6.143.525	6.334.707
Inventories	86.975	134.245	40.949	61.136	61.435	61.304
Others Current Assets	475.484	432.435	279.671	939.468	1.316.470	1.328.245
Total Current Assets	12.965.884	18.987.065	11.813.857	11.612.566	10.811.649	12.015.539
NONCURRENT ASSETS						
Fixed Assets	884.666	1.035.922	754.806	714.262	878.542	1.080.607
Intangible Assets	36.898.892	56.089.017	63.453.029	78.620.143	81.825.565	83.543.902
Other Noncurrent Assets	2.750.881	3.080.768	6.396.909	8.732.599	8.732.581	8.991.197
Total Noncurrent Assets	40.534.438	60.205.707	70.604.744	88.067.004	91.436.689	93.615.706
TOTAL ASSETS	53.500.323	79.192.772	82.418.601	99.679.570	102.248.339	105.631.245
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Bank Loans	4.590.849	1.278.659	2.347.571	5.245.935	4.594.857	4.594.857
Contractors Payable	1.279.575	1.289.211	1.098.460	551.612	585.098	617.441
Account Payable	134.772	350.924	321.811	404.235	292.549	276.109
Current maturities of long term liabilities	4.198.390	4.150.882	6.430.596	11.885.400	11.980.742	9.217.000
Others Current Liabilities	8.423.404	17.928.265	20.883.037	23.439.235	9.507.836	12.260.723
Total Current Liabilities	18.626.989	24.997.940	31.081.475	41.526.417	26.961.081	26.966.131
NONCURRENT LIABILITIES						
Long-term contractors payable	394.470	496.700	266.024	568.239	585.098	510.863
Long-term liabilities - net of current liabilities	16.722.160	31.063.085	28.804.315	29.389.974	45.611.533	48.394.533
Others Noncurrent Liabilities	1.417.864	4.275.608	2.067.801	5.009.203	5.119.604	4.495.599
Total Noncurrent Liabilities	18.534.494	35.835.393	31.138.140	34.967.416	51.316.234	53.400.995
TOTAL LIABILITIES	37.161.483	60.833.333	62.219.615	76.493.833	78.277.316	80.367.126
Non-controlling interest	2.659.715	3.261.786	3.290.481	4.503.057	5.119.604	5.926.016
EQUITY	13.679.125	15.097.653	16.908.505	18.682.680	18.851.419	19.338.103
TOTAL LIABILITIES & EQUITY	53.500.323	79.192.772	82.418.601	99.679.570	102.248.338	105.631.245

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	1.889.313	2.200.257	2.202.600	2.207.117	355.412	2.433.420
Depreciation	157.781	183.720	84.104	96.833	164.280	202.065
Change in WC	2.648.405	3.097.906	12.326.677	9.044.879	-14.815.800	-197.777
Cash From Operating Activities	4.695.498	5.481.883	14.613.381	11.348.829	-14.296.108	2.437.708
Capex	-7.696.283	-19.854.989	-10.483.141	-17.559.093	-3.533.965	-2.381.082
Cash From Investing Activities	-7.696.283	-19.854.989	-10.483.141	-17.559.093	-3.533.965	-2.381.082
Long-term contractors payable	194.094	102.230	-230.676	302.215	16.859	-74.234
Long-term liabilities - net of current liabilities	788.989	14.340.925	-2.258.770	585.659	16.221.559	2.783.000
Others Noncurrent Liabilities	738.504	2.857.744	-2.207.807	2.941.402	110.401	-624.005
Equity	2.080.863	-179.658	-363.054	779.634	429.873	-1.140.324
Cash From Financing Activities	3.802.450	17.121.242	-5.060.307	4.608.911	16.778.692	944.437
Net Changes in Cash	801.665	2.748.135	-930.067	-1.601.353	-1.051.381	1.001.063
Beginning Balance	3.323.221	4.124.886	6.873.021	5.942.954	4.341.601	3.290.220
Ending Balance	4.124.886	6.873.021	5.942.954	4.341.601	3.290.220	4.291.283

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	69%	111%	5%	-29%	-44%	40%
GP	18%	9%	11%	9%	-21%	14%
OP	20%	12%	17%	8%	-25%	22%
EBITDA	20%	9%	11%	13%	-28%	51%
NP	29%	16%	0%	0%	-84%	585%
EPS	20%	9%	11%	13%	-28%	51%
Profitability						
Operating Margin(%)	47%	52%	55%	53%	49%	53%
EBITDA margin(%)	57%	62%	62%	63%	56%	74%
NET Profit margin(%)	21%	25%	23%	20%	4%	24%
ROA(%)	4%	3%	3%	2%	0%	2%
ROE(%)	14%	15%	13%	12%	2%	13%
Stability						
Tot debt/ equity (x)	2,7	4,0	3,7	4,1	4,2	4,2
Int. Coverage (x)	1,2	1,7	1,1	0,9	(0,0)	0,7
Current Ratio (X)	0,7	0,8	0,4	0,3	0,4	0,4
Per Share data (IDR)						
EPS	260	303	303	304	49	335
BV	1.885	2.080	2.330	2.574	2.597	2.664
EBITDA/share	694	759	841	952	681	1.026

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
(62 21) 520 6678 ext. 611

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