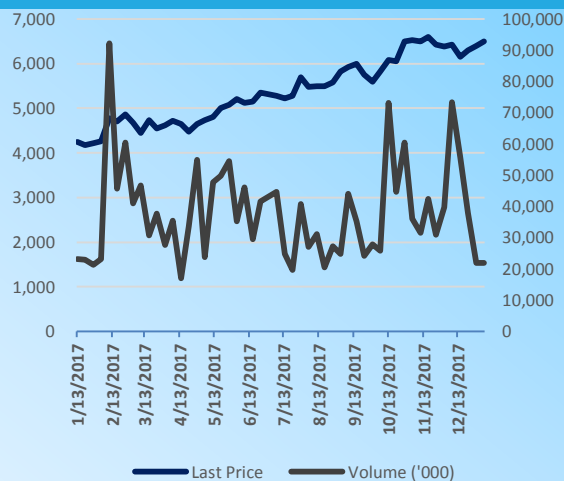


17 January 2018  
Infrastructure, Toll Road

Price	IDR	6,350
Target Price	IDR	7,400
JKSE Index		6,429.692



## Stock Information

Bloomberg Code	JSMR IJ
Market Cap (IDR bn)	45,543.1
52-week high (IDR)	6,775
52-week low (IDR)	4,150
Shares issued (mn)	7,257.1
6-m avg. daily Val (IDR)	6,007
Free float (%)	30%

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

USD/ IDR – YE (IDR)	
2017	13,480
2018F (6m-avg)	13,439

Key Indicators	2018F
ROE (%)	16%
Curent Ratio (x)	0.8
Total Debt/Equity (x)	3.8

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## Investment Consideration

### Boosted from Infrastructure

As a State Owned Enterprises company and the market leader in toll roads, JSMR is a big player in Indonesian Infrastructure. This year, many new toll roads will start operating, especially in Java, and because of this JSMR plans to do an initial public offering (IPO) of its subsidiary, PT Jasamarga Transjawa Tol in 2018. JSMR has a 65% stake in PT Jasamarga Transjawa Tol, 35% is owned by PT Waskita Toll Road (WTR). JTT has 14 concessions consisting of toll roads which connect Jakarta – Surabaya (Trans Java). With all the company actions in 2018, We estimate toll and other operating revenue in 2018F will reach IDR. 9.8 trillion double digit growth from our estimate of toll and other operating revenue in 2017F of IDR. 9.09 trillion. While revenue from construction in 2018 will reach IDR. 18.57 trillion from massive toll road development. We are expecting a high sustainable total revenue growth rate with CAGR (2014-2018F) of 32%.

### New Concession Rights

In January 2018, JSMR got new concessions, South Jakarta-Cikampek toll road and Probolinggo-Banyuwangi toll road. The South Jakarta-Cikampek toll road has 64 km length with an investment cost of IDR. 14.7 trillion. JSMR has 80% ownership in the concession. The Probolinggo-Banyuwangi toll road has 172.91 km length with an investment cost of IDR. 23.4 trillion, and JSMR has 55% ownership. With these added concessions, JSMR has 1,497 km of total concession rights. Some of the concessions are still in the tender progress in Badan Pengaturan Jalan Toll (BPJT), such as Serang – Panimbang toll road with 33.7 km length. JSMR has a big chance to win the concession.

### New Funding Push

For 2018, JSMR is allocating capital expenditure worth IDR. 70 trillion, which consists of IDR 43 trillion non cash and IDR. 27 trillion from cash. To cover capital expenditure, in 2018 JSMR plans to do corporate actions such as offering JSMR bonds & raising money through subsidiaries via an IPO.

### Valuation: TP 7,400, Upside 16.5% HOLD

We have a one year target price for JSMR, using DCF valuation with WACC at 6.65%, we are targeting JSMR share price to reach IDR. 7,400, offering investors a potential return of 16.5%. This would mean the stock trading at 21.8x 2018F PE. We recommend HOLD.

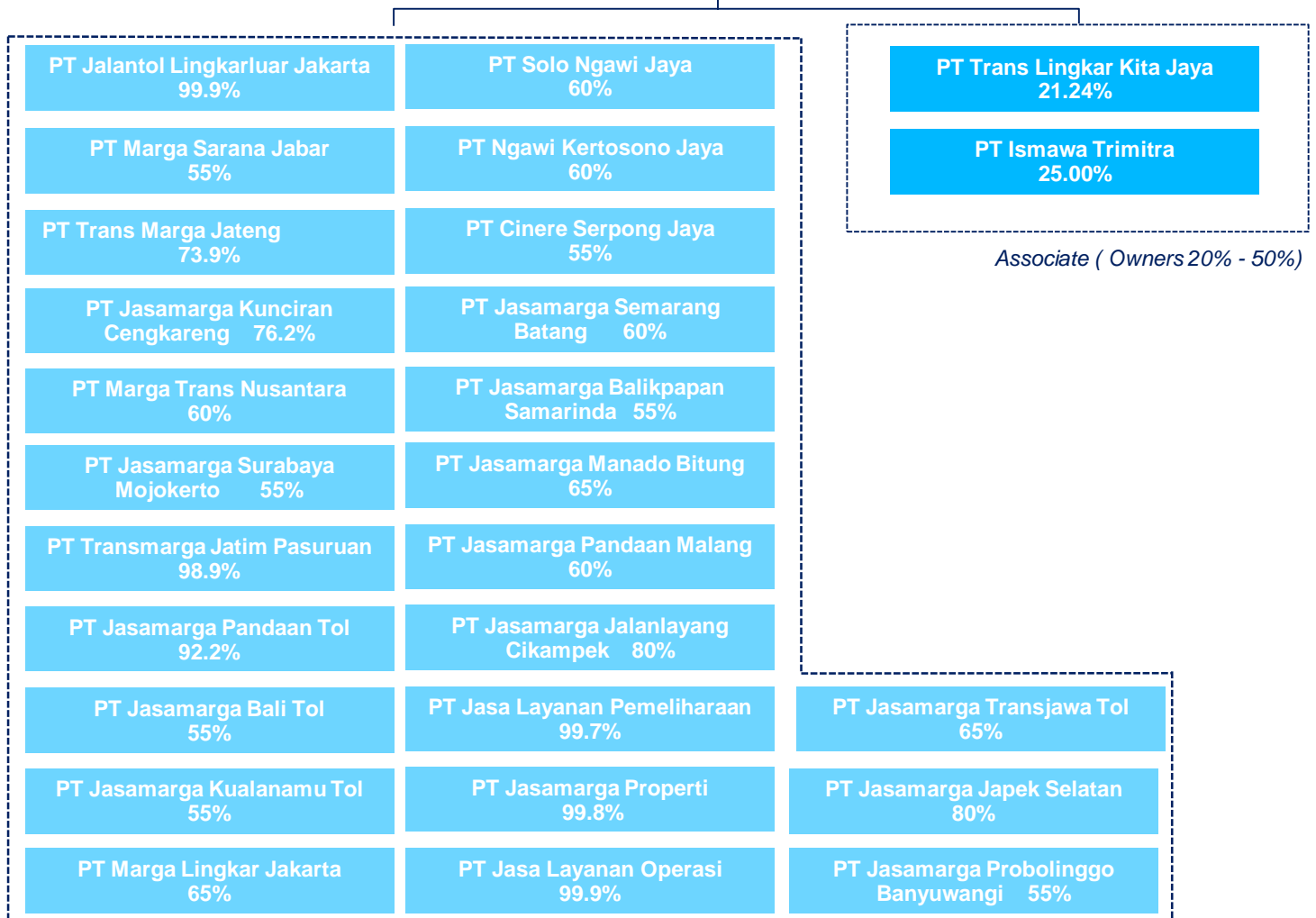
Income Statement (IDR. Mn)	2014A	2015A	2016A	2017F	2018F	2019F
<b>Total Revenue</b>	9,173,817	9,848,242	16,661,403	25,381,322	28,371,303	30,687,674
<b>Total Cost of revenue</b>	(5,483,825)	(5,720,422)	(11,805,012)	(20,329,383)	(22,771,355)	(24,819,357)
<b>Gross Profit</b>	3,689,992	4,127,820	4,856,391	5,051,940	5,599,947	5,868,317
Operating Expense	(617,268)	(650,155)	(690,884)	(177,669)	(510,683)	(306,877)
<b>Operating Income</b>	3,072,724	3,477,665	4,165,507	4,874,270	5,089,264	5,561,441
Other Income	(1,222,062)	(1,409,361)	(1,515,828)	(1,649,786)	(1,702,278)	(1,841,260)
<b>Profit Before Tax</b>	1,850,661	2,068,304	2,649,679	3,224,484	3,386,986	3,720,180
Taxes	(613,647)	(749,104)	(846,625)	(967,345)	(1,016,096)	(1,116,054)
<b>NIAT</b>	1,237,014	1,319,201	1,803,054	2,257,139	2,370,890	2,604,126
Non-controlling Interest	185,455	147,181	86,258	76,144	85,114	92,063
<b>Net Income</b>	1,422,469	1,466,382	1,889,313	2,333,283	2,456,004	2,696,189
EPS (in IDR)	209	215.6	260.3	321.5	338.4	371.5
<b>EBITDA</b>	3,896,517	4,210,862	5,034,625	6,884,071	7,431,484	7,863,210

## Company Profile

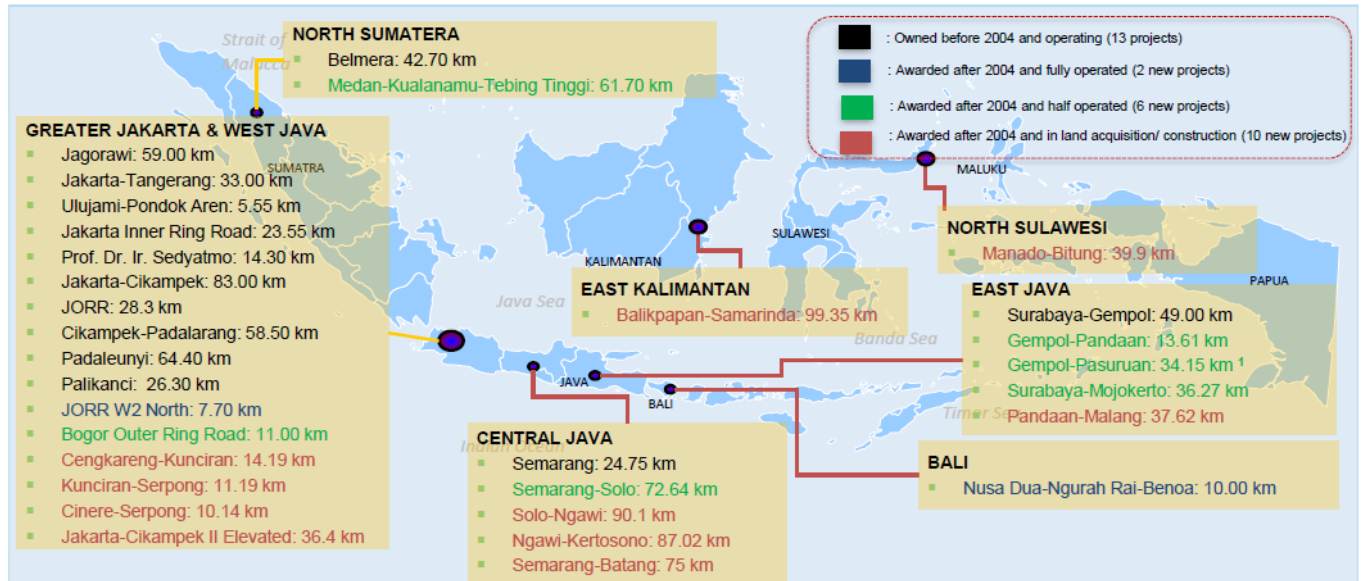
PT Jasa Marga (Persero) Tbk was established in 1978 with Jogorawi as the first toll road in Indonesia. The company focuses on business management, maintenance and procurement of the toll road network. The company has its main business in technical planning, construction, operation and maintenance of toll roads, and acquiring the land in toll areas (Rumijatol) and the Rumijatol border area and services. The Company also has supporting business activities such as : property development in the area adjacent to the toll roads corridors, development services to businesses related to modes of transportation, distribution of solid or liquid gas material, information networking, technology and communication, related to highway corridors, and trading and service construction, maintenance and operation of toll roads.

The company is the largest toll road operator in Indonesia with a 63% market share in term of toll road length and 80% market shares of toll road transaction volume. As of December 2017, the company has 31 toll road concessions with a total length of 1,497 km, 25 subsidiaries, and 2 associate companies.

## Company Structure



## Location of JSMR's Toll Roads



Sources: Company

Table: JSMR's Projects Awarded Post 2004

Section	Consession Period	Length (km)	Investment Cost (IDR Tn)	JM Ownership (%)
<b>Fully Operated</b>				
Nusa Dua-Ngurah Rai Benoa	2057	10.00	2.01	55.00%
JORR W2 North	2044	7.70	2.01	65.00%
<b>Half Operated</b>				
Gempol - Pandaan	2049	13.61	1.36	92.20%
Bogor Outer Ring Road	2054	11.00	4.75	55.00%
Semarang - Solo	2055	72.60	7.70	58.90%
Surabaya - Mojokerto	2049	36.30	4.46	55.00%
Gempol - Pasuruan	2058	34.15	6.25	98.80%
Medan-Kualanamu-Tebing Tinggi	2054	61.70	7.18	55.00%
<b>In Land Acquisition and Construction</b>				
JORR 2 (Cengkareng-Kunciran)	35 years form effective date	14.19	7.97	76.20%
JORR 2 (Kunciran-Serpong)	35 years form effective date	11.19	5.75	60.00%
Solo-Ngawi	35 years form effective date	90.10	14.63	60.00%
Ngawi-Kertosono	35 years form effective date	87.02	11.38	60.00%
JORR 2 (Serpong-Cinere)	35 years form effective date	10.14	4.46	55.00%
Batang-Semarang	45 years form effective date	75.00	19.06	60.00%
Pandaan-Malang	35 years form effective date	37.62	10.07	60.00%
Balikpapan-Samarinda	40 years form effective date	99.35	16.75	55.00%
Manado-Bitung	40 years form effective date	39.90	8.68	65.00%
Jakarta-Cikampek II Elevated	45 years form effective date	36.40	27.59	80.00%

Sources: Company

**Table: 2015 – 2019 Toll Road Project by Government RI**

Location	Length (KM)	2017	2018	2019	Target 2015-2019
Sumatera	496.19	38.52	73.52	44.92	174.99
Jawa	1,348.81	173.19	173.19	83.93	775.75
Kalimantan	99.02	29.71	29.71	19.80	99.02
Bali	9.70	-	-	-	-
Sulawesi	39.00	11.70	11.70	-	39.00
<b>Total</b>	<b>1,992.72</b>	<b>253.12</b>	<b>288.12</b>	<b>148.65</b>	<b>1,088.76</b>

Sources: Bappenas

**Table: Toll Road Projects in Indonesia**

Route	Trans Java	Non-Trans Java	Greater Jakarta Area	Trans Sumatra
Length (km)	498	363	299	821
No of Section	33	33	47	17
Investment Costs (IDR. Tn)	45.50	60.00	94.34	98.21
Land Acquisition on Progress	86%	51%	24%	35%
Construction Costs (IDR. Tn)	26.20	34.55	49.96	53.93
Construction Progress	37.60%	4.80%	5.60%	8.50%
Operating Target	2017-2018	2016-2019	2018-2021	2017-2019

Sources: Company

## Boost from Infrastructure

The Government has infrastructure projects until 2019. The Government plans to develop 1,099.76 km of toll roads around Indonesia. Java is the longest with 775.75 km, Sumatera 174.99 km, Kalimantan 99.02 km, and Sulawesi 39.0 km. In 2018, The Government must finish 457.61 km and 148 km in 2019. As a State Owned Enterprises company and the market leader in the toll road sector, JSMR has the biggest contribution to Infrastructure projects. In 2018, some of the toll roads will start to operate, such as Gempol – Pandaan Toll Road Section 2, Gempol – Pasuruan Toll Road Section 3, Cengkareng – Kunciran Toll Road, Bogor Outer Ring Road (BORR) Toll Road, Medan – Kualanamu Toll Road, Kualanamu – Tebing Tinggi Toll Road, Semarang – Batang Toll Road, Semarang – Solo Toll Road, Salatiga – Kertosono Toll Road, and Ngawi – Kertosono Toll Road which will operate in February 2018. With all toll roads operating in 2018, especially in Java, JSMR has decided to do initial public offering (IPO) of their subsidiary, PT Jasamarga Transjawa Tol (JTT) in 2018. JSMR has 65% ownership and 35% is owned by PT Waskita Toll Road (WTR). JTT has 14 toll road concessions which connect Jakarta – Surabaya (Trans Java). With all these corporate actions in 2018, We estimate toll and other operating revenue in 2018F will reach IDR. 9.8 trillion, double digit growth from our estimate of toll and other operating revenue in 2017F at IDR. 9.09 trillion. While revenue from construction in 2018 will reach IDR. 18.57 trillion from the massive toll road development. We are expecting a sustainable total revenue growth rate with CAGR (2014-2018F) of 32%.

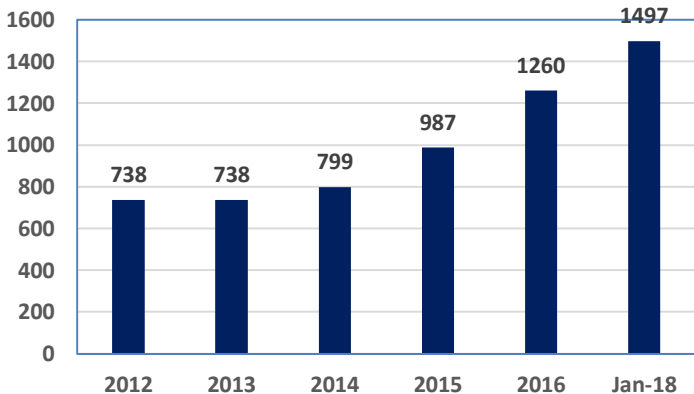
## New Concession Rights

In January 2018, JSMR got 2 new concessions, South Jakarta-Cikampek toll road and Probolinggo-Banyuwangi toll road. South Jakarta-Cikampek toll road has 64 km length with an investment cost of IDR. 14.7 trillion. JSMR has 80% ownership in the concession. While Probolinggo-Banyuwangi toll road has 172.91 km length with investment cost of IDR. 23.4 trillion, and JSMR has 55% ownership. With the added concessions, JSMR has 1,497 km of total concession rights. Some of the concessions are still in the tender in Badan Pengaturan Jalan Toll (BPJT), such as Serang – Panimbang toll road with 33.7 km length, and JSMR has a big chance to win.

## 100% Automatic Tolls

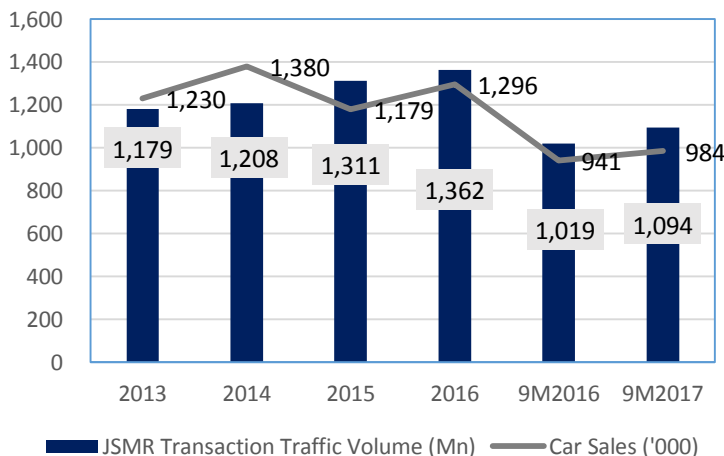
Since 2009, JSMR has introduced Automatic Toll Gate (GTO) for higher efficiency of collection and faster transaction time to increase traffic flow. The penetration of GTO has increased and by 31 October 2017 reached 100% of toll gates.

**Chart: JSMR Concession Rights**



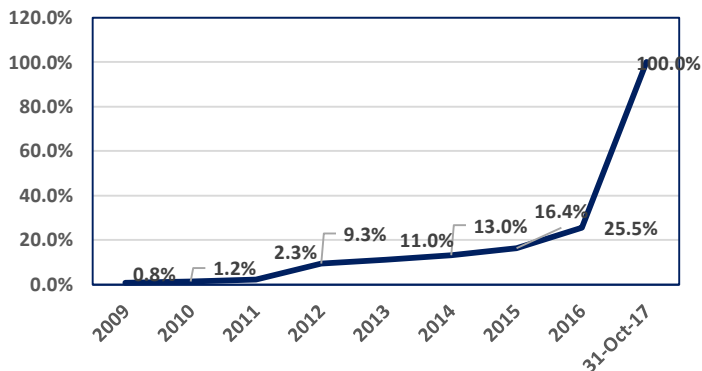
Sources: Company

**Chart: JSMR Transaction Traffic vol. vs Car Sales**



Sources: Company and Gaikindo

Chart: e-Toll Card Penetration YoY



Sources: Company

### New Funding Push

JSMR needs funding support the infrastructure projects up to 2019. Recently JSMR issued Komodo Bonds listed in London Stock Exchange worth IDR. 4 trillion. Before that, JSMR has issued KIK EBA Mandiri JSMR01 backed with 5-year future cash flow from Jogorawi toll road. The amount of total cash flow JSMR01 is up to IDR. 2.6 trillion. For 2018, JSMR is allocating capital expenditure worth IDR. 70 trillion, consisting of IDR 43 trillion non cash and IDR. 27 trillion cash. To cover capital expenditure, in 2018 JSMR plans to do corporate action such as offering JSMR bonds and IPO of subsidiaries.

### Valuation: TP 7,400, Upside 16.5% HOLD

Support from government for infrastructure projects and funding will be positive catalysts for JSMR. We have a one year target price for JSMR, using DCF valuation with WACC at 6.65%, we are targeting JSMR share price to reach IDR. 7,400, offering investors a potential return of 16.5%. This would mean the stock trading at 21.8x 2018F PE. We recommend HOLD.

Table: Income Statement in IDR Million YoY

Income Statement (IDR. Mn)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
Toll and other operating revenues	5,802,732	7,227,786	7,630,678	8,832,348	9,091,529	9,800,938	10,260,273
Construction revenue	4,468,735	1,946,031	2,217,564	7,829,055	16,289,794	18,570,365	20,427,401
<b>Total Revenue</b>	<b>10,271,468</b>	<b>9,173,817</b>	<b>9,848,242</b>	<b>16,661,403</b>	<b>25,381,322</b>	<b>28,371,303</b>	<b>30,687,674</b>
Toll and other operating expenses	(3,231,268)	(3,562,758)	(3,518,021)	(4,022,857)	(4,127,554)	(4,312,413)	(4,514,520)
Construction expenses	(3,914,452)	(1,921,067)	(2,202,401)	(7,782,154)	(16,201,829)	(18,458,943)	(20,304,837)
<b>Total Cost of revenue</b>	<b>(7,145,721)</b>	<b>(5,483,825)</b>	<b>(5,720,422)</b>	<b>(11,805,012)</b>	<b>(20,329,383)</b>	<b>(22,771,355)</b>	<b>(24,819,357)</b>
<b>Gross Profit</b>	<b>3,125,747</b>	<b>3,689,992</b>	<b>4,127,820</b>	<b>4,856,391</b>	<b>5,051,940</b>	<b>5,599,947</b>	<b>5,868,317</b>
Operating Expense	(866,587)	(617,268)	(650,155)	(690,884)	(177,669)	(510,683)	(306,877)
<b>Operating Income</b>	<b>2,259,160</b>	<b>3,072,724</b>	<b>3,477,665</b>	<b>4,165,507</b>	<b>4,874,270</b>	<b>5,089,264</b>	<b>5,561,441</b>
Other Income	(948,522)	(1,222,062)	(1,409,361)	(1,515,828)	(1,649,786)	(1,702,278)	(1,841,260)
<b>Profit Before Tax</b>	<b>1,310,638</b>	<b>1,850,661</b>	<b>2,068,304</b>	<b>2,649,679</b>	<b>3,224,484</b>	<b>3,386,986</b>	<b>3,720,180</b>
Taxes	(381,850)	(613,647)	(749,104)	(846,625)	(967,345)	(1,016,096)	(1,116,054)
<b>NIAT</b>	<b>928,788</b>	<b>1,237,014</b>	<b>1,319,201</b>	<b>1,803,054</b>	<b>2,257,139</b>	<b>2,370,890</b>	<b>2,604,126</b>
Non-controlling Interest	98,873	185,455	147,181	86,258	76,144	85,114	92,063
<b>Net Income</b>	<b>1,027,661</b>	<b>1,422,469</b>	<b>1,466,382</b>	<b>1,889,313</b>	<b>2,333,283</b>	<b>2,456,004</b>	<b>2,696,189</b>
EPS (in IDR)	151	209	215.6	260.3	321.5	338.4	371.5
<b>EBITDA</b>	<b>3,321,360</b>	<b>3,896,517</b>	<b>4,210,862</b>	<b>5,034,625</b>	<b>6,884,071</b>	<b>7,431,484</b>	<b>7,863,210</b>

Table: Balance Sheet in IDR Million YoY

Balance Sheet (In IDR Mn)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	3,514,061	3,290,784	3,323,221	4,124,886	5,006,413	2,450,057	690,617
Trade Accounts Receivable	177,198	48,089	164,374	8,278,539	11,168,486	11,348,521	12,275,070
Inventories	0	21,960	20,154	86,975	162,542	181,690	196,524
Others Current Assets	97,045	184,951	221,297	475,484	511,546	647,745	721,116
<b>Total Current Assets</b>	<b>3,788,304</b>	<b>3,545,784</b>	<b>3,729,047</b>	<b>12,965,884</b>	<b>16,848,987</b>	<b>14,628,014</b>	<b>13,883,326</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	591,313	701,685	913,843	884,666	1,047,568	1,240,466	1,468,885
Intangible Assets	22,603,240	26,111,348	28,821,790	36,898,892	50,680,419	56,650,693	61,275,932
Other Noncurrent Assets	1,075,724	1,501,146	3,260,304	2,750,881	4,531,721	5,065,568	5,479,146
<b>Total Noncurrent Assets</b>	<b>24,270,277</b>	<b>28,314,179</b>	<b>32,995,936</b>	<b>40,534,438</b>	<b>56,259,707</b>	<b>62,956,728</b>	<b>68,223,964</b>
<b>TOTAL ASSETS</b>	<b>28,058,582</b>	<b>31,859,963</b>	<b>36,724,982</b>	<b>53,500,323</b>	<b>73,108,694</b>	<b>77,584,742</b>	<b>82,107,290</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Bank Loans	655,840	0	766,400	4,590,849	2,329,731	2,864,819	3,098,717
Contractors Payable	1,153,448	998,081	1,461,349	1,279,575	1,361,404	1,521,780	1,646,026
Account Payable	100,031	182,096	137,466	134,772	184,177	205,873	222,682
Current maturities of long term liabilities	2,333,830	2,379,261	3,727,864	4,198,390	3,648,123	4,971,521	5,073,500
Others Current Liabilities	628,148	741,571	1,450,333	8,423,404	8,221,529	9,190,044	9,940,365
<b>Total Current Liabilities</b>	<b>4,871,299</b>	<b>4,301,010</b>	<b>7,543,411</b>	<b>18,626,989</b>	<b>15,744,964</b>	<b>18,754,038</b>	<b>19,981,290</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term contractors payable	0	0	200,376	394,470	594,020	663,997	718,209
Long-term liabilities - net of current liabilities	12,009,806	16,073,189	15,933,171	16,722,160	26,961,230	27,302,061	28,730,541
Others Noncurrent Liabilities	619,530	465,034	679,360	1,417,864	11,738,858	11,915,947	12,888,823
<b>Total Noncurrent Liabilities</b>	<b>12,629,336</b>	<b>16,538,224</b>	<b>16,812,907</b>	<b>18,534,494</b>	<b>39,294,108</b>	<b>39,882,005</b>	<b>42,337,573</b>
<b>TOTAL LIABILITIES</b>	<b>17,500,635</b>	<b>20,839,233</b>	<b>24,356,318</b>	<b>37,161,483</b>	<b>55,039,072</b>	<b>58,636,044</b>	<b>62,318,862</b>
Non-controlling interest	1,561,169	1,560,584	1,950,159	2,659,715	3,292,594	3,680,469	3,980,961
<b>EQUITY</b>	<b>8,996,779</b>	<b>9,460,146</b>	<b>10,418,505</b>	<b>13,679,125</b>	<b>14,777,028</b>	<b>15,268,229</b>	<b>15,807,467</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>28,058,582</b>	<b>31,859,963</b>	<b>36,724,982</b>	<b>53,500,323</b>	<b>73,108,694</b>	<b>77,584,742</b>	<b>82,107,290</b>

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
Net Income	1,027,661	1,422,469	1,466,382	1,889,313	2,333,283	2,456,004	2,696,189
Depreciation	130,268	130,550	138,770	157,781	162,902	192,899	228,419
Change in WC	(1,836,195)	(551,047)	3,091,577	2,648,405	(5,883,600)	2,673,691	212,498
<b>Cash From Operating Activities</b>	<b>(678,266)</b>	<b>1,001,972</b>	<b>4,696,728</b>	<b>4,695,498</b>	<b>(3,387,415)</b>	<b>5,322,594</b>	<b>3,137,106</b>
Capex	(4,164,288)	(4,174,451)	(4,820,527)	(7,696,283)	(15,888,171)	(6,889,919)	(5,495,655)
<b>Cash From Investing Activities</b>	<b>(4,164,288)</b>	<b>(4,174,451)</b>	<b>(4,820,527)</b>	<b>(7,696,283)</b>	<b>(15,888,171)</b>	<b>(6,889,919)</b>	<b>(5,495,655)</b>
Long-term contractors payable	0	0	200,376	194,094	199,550	69,977	54,212
Long-term liabilities - net of current liabilities	4,215,892	4,063,384	(140,018)	788,989	10,239,070	340,831	1,428,479
Others Noncurrent Liabilities Equity	95,844	(154,496)	214,325	738,504	10,320,994	177,089	972,876
<b>Cash From Financing Activities</b>	<b>4,054,238</b>	<b>2,949,201</b>	<b>156,236</b>	<b>3,802,450</b>	<b>20,157,114</b>	<b>(989,031)</b>	<b>599,108</b>
<b>Net Changes in Cash</b>	<b>(788,317)</b>	<b>(223,278)</b>	<b>32,437</b>	<b>801,665</b>	<b>881,527</b>	<b>(2,556,356)</b>	<b>(1,759,441)</b>
Beginning Balance	4,302,382	3,514,061	3,290,784	3,323,221	4,124,886	5,006,413	2,450,057
Ending Balance	3,514,065	3,290,784	3,323,221	4,124,886	5,006,413	2,450,057	690,617

Table: Ratio Highlights YoY

Growth (% YoY)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
Revenue	13%	-11%	7%	69%	52%	12%	8%
GP	5%	18%	12%	18%	4%	11%	5%
OP	10%	36%	13%	20%	17%	4%	9%
EBITDA	-5%	17%	8%	20%	37%	8%	6%
NP	-30%	38%	3%	29%	23%	5%	10%
EPS	-5%	17%	8%	20%	37%	8%	6%
<b>Profitability</b>							
Gross Profit Margin(%)	30%	40%	42%	29%	20%	20%	19%
Operating Margin(%)	22%	33%	35%	25%	19%	18%	18%
EBITDA margin(%)	32%	42%	43%	30%	27%	26%	26%
NET Profit margin(%)	10%	16%	15%	11%	9%	9%	9%
ROA(%)	4%	4%	4%	4%	3%	3%	3%
ROE(%)	11%	15%	14%	14%	16%	16%	17%
<b>Stability</b>							
Tot debt/ equity (x)	1.9	2.2	2.3	2.7	3.7	3.8	3.9
Int. Coverage (x)	1.0	1.0	0.9	1.2	1.0	1.0	1.1
Current Ratio (X)	0.8	0.8	0.5	0.7	1.1	0.8	0.7
<b>Per Share data (IDR)</b>							
EPS	151	209	216	260	321	338	371
BV	1,323	1,391	1,532	1,885	2,036	2,104	2,178
EBITDA/share	488	573	619	694	949	1,024	1,083



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**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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