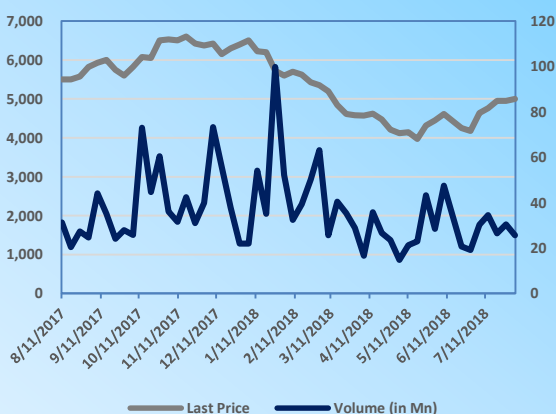


8 August 2018  
Infrastructure, Toll Road

Price IDR 4,980  
Target Price IDR 6,330  
JKSE Index 6,091.250



## Stock Information

Bloomberg Code JSMR IJ  
Market Cap (IDR bn) 36,216.8  
52-week high (IDR) 6,775  
52-week low (IDR) 3,920  
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)  
2017 13,480  
2018F (6m-avg) 13,970

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## Investment Consideration

### Slightly growth in 1H2018

- As of 1H2018, JSMR toll and other operating revenue grew 5.8% yoy to reach IDR 4.79 trillion from 4.53 trillion in 1H2017. Construction revenue grew 62% yoy to IDR 13.87 trillion from IDR 8.57 trillion in line with massive toll road development.
- Inline with growth in construction revenue, construction expenses also grew 62% yoy to IDR 13.77 trillion. While toll and other operating revenue was lower by 5% yoy from the success of cost efficiencies like the impact of full automation of toll payments.
- Net Income was stable at 1.04 trillion with a slight growth of 2.9% yoy.

### Maintain DER with RDPT

- As of 1H2018 JSMR's debt to equity ratio reach 3.5X lower compared to 2017 's 4X, and bellow JSMR's policy of 5X.
- To maintained their DER, in July 2018 JSMR undertook a new financing strategy, Limited Equity Fund ( Reksa Dana Penyertaan Terbatas / RDPT).
- The value of RDPT is IDR 3 trillion and will be issued gradually, with an Internal Rate of Return (IRR) of 10.25%.
- With the RDPT scheme, JSMR divests 20% of its ownership in PT Jasamarga Batang Semarang (JSB), PT Jasamarga Solo Ngawi (JSN), and PT Jasamarga Ngawi Kertosono Kediri (JNKK). This reduces its ownership from 60% of JSB, JSN, and JNKK to 40% ownerships now.
- We expect the RDPT issuance will help to maintain JSMR's DER and Interest Coverage Ratio during the high demand for capital expenditure during the current massive expansion in toll road development.

### Valuation: TP 6,330, Upside 27% BUY

- We have a one year target price for JSMR of IDR. 6,330, offering investors a potential return of 27%. This would mean the stock trading at 18x 2018F PE. We recommend BUY.

Financial Highlights	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Total Revenue (IDR Mn)	9,173,817	9,848,242	16,661,403	35,092,193	39,921,387	43,256,925	47,548,869
Net Income (IDR Mn)	1,422,469	1,466,382	1,889,313	2,200,257	2,343,559	2,551,577	2,793,847
EPS (IDR)	209	216	260	303	323	352	385
EBITDA Margin	42.5%	42.8%	30.2%	15.7%	15.6%	14.4%	13.7%
Net Profit Margin	15.5%	14.9%	11.3%	6.3%	5.9%	5.9%	5.9%
Tot. Debt to Equity Ratio	2.2	2.3	2.7	4.0	4.4	4.0	3.5
Interest Coverage Ratio	1.0	0.9	1.2	1.7	1.7	2.0	2.2
Current Ratio	0.8	0.5	0.7	0.8	0.6	0.6	0.5

**Table: JSMR Toll Road Projects**

Section	Concession Period	Length (km)	Completion Target
<b>Old Concession</b>			
13 Old Concession	2044	512.1	
<b>Fully Operated</b>			
Nusa Dua-Ngurah Rai - Bena	2057	10.00	2013
JORR W2 North (part of JORR)	2044	7.70	2014
Surabaya - Mojokerto (part of Trans Java)	2049	36.30	2017
<b>Half Operated</b>			
Gempol - Pandaaan	2049	13.61	2019
Bogor Outer Ring Road	2054	11.95	2018
Semarang - Solo	2055	72.60	2018
Gempol - Pasuruan (part of Trans Java)	2058	34.20	2019
Medan-Kualanamu-Tebing Tinggi	2054	61.70	2018
Ngawi - Kertosono - Kediri (part of Trans Java)	2066	114.92	2018
Solo-Ngawi (part of Trans Java)	2055	90.43	2018
<b>In Land Acquisition and Construction</b>			
JORR 2 (Cengkareng-Kunciran)	35 years form effective date	14.20	2019
JORR 2 (Kunciran-Serpong)	35 years form effective date	11.20	2019
JORR 2 (Serpong-Cinere)	35 years form effective date	10.14	2019
Batang-Semarang (part of Trans Java)	45 years form effective date	75.00	2019
Pandaan-Malang	35 years form effective date	37.62	2019
Balikipapan-Samarinda	40 years form effective date	99.40	2021
Manado-Bitung	40 years form effective date	39.90	2021
Jakarta-Cikampek II Elevated	45 years form effective date	36.40	2021
Jakarta-Cikampek II South	35 years form effective date	64	2021
Probolinggo - Banyuwangi	35 years form effective date	172.9	2022

Sources: Company

**Table: Income Statement in IDR Million YoY**

Income Statement (IDR. Mn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Toll and other operating revenues	7,227,786	7,630,678	8,832,348	8,921,665	10,086,985	10,439,083	11,449,243
Construction revenue	1,946,031	2,217,564	7,829,055	26,170,528	29,834,402	32,817,842	36,099,626
<b>Total Revenue</b>	<b>9,173,817</b>	<b>9,848,242</b>	<b>16,661,403</b>	<b>35,092,193</b>	<b>39,921,387</b>	<b>43,256,925</b>	<b>47,548,869</b>
Toll and other operating expenses	(3,562,758)	(3,518,021)	(4,022,857)	(3,772,061)	(4,135,664)	(4,280,024)	(4,694,190)
Construction expenses	(1,921,067)	(2,202,401)	(7,782,154)	(26,012,247)	(29,625,561)	(32,588,117)	(35,846,929)
<b>Total Cost of revenue</b>	<b>(5,483,825)</b>	<b>(5,720,422)</b>	<b>(11,805,012)</b>	<b>(29,784,308)</b>	<b>(33,761,225)</b>	<b>(36,868,141)</b>	<b>(40,541,119)</b>
<b>Gross Profit</b>	<b>3,689,992</b>	<b>4,127,820</b>	<b>4,856,391</b>	<b>5,307,885</b>	<b>6,160,162</b>	<b>6,388,784</b>	<b>7,007,751</b>
Operating Expense	(617,268)	(650,155)	(690,884)	(659,805)	(718,585)	(692,111)	(760,782)
<b>Operating Income</b>	<b>3,072,724</b>	<b>3,477,665</b>	<b>4,165,507</b>	<b>4,648,080</b>	<b>5,441,577</b>	<b>5,696,673</b>	<b>6,246,969</b>
Other Income	(1,222,062)	(1,409,361)	(1,515,828)	(1,397,627)	(2,395,283)	(2,379,131)	(2,615,188)
<b>Profit Before Tax</b>	<b>1,850,661</b>	<b>2,068,304</b>	<b>2,649,679</b>	<b>3,250,453</b>	<b>3,046,294</b>	<b>3,317,542</b>	<b>3,631,781</b>
Taxes	(613,647)	(749,104)	(846,625)	(1,156,796)	(822,499)	(895,736)	(980,581)
<b>NIAT</b>	<b>1,237,014</b>	<b>1,319,201</b>	<b>1,803,054</b>	<b>2,093,657</b>	<b>2,223,794</b>	<b>2,421,806</b>	<b>2,651,200</b>
Non-controlling Interest	185,455	147,181	86,258	106,600	119,764	129,771	142,647
<b>Net Income</b>	<b>1,422,469</b>	<b>1,466,382</b>	<b>1,889,313</b>	<b>2,200,257</b>	<b>2,343,559</b>	<b>2,551,577</b>	<b>2,793,847</b>
EPS (in IDR)	209	215.6	260.3	303.2	322.9	351.6	384.9
<b>EBITDA</b>	<b>3,896,517</b>	<b>4,210,862</b>	<b>5,034,625</b>	<b>5,506,241</b>	<b>6,223,226</b>	<b>6,208,576</b>	<b>6,499,433</b>

Sources: Company and Binaartha

**Table: Balance Sheet in IDR Million YoY**

Balance Sheet (In IDR Mn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	3,514,061	3,290,784	3,323,221	4,124,886	6,873,021	7,906,030	8,473,112	7,675,979
Trade Accounts Receivable	177,198	48,089	164,374	8,278,539	11,547,364	11,212,825	12,149,687	13,355,177
Inventories	0	21,960	20,154	86,975	134,245	370,229	401,162	440,966
Others Current Assets	97,045	184,951	221,297	475,484	432,435	833,283	910,610	1,000,960
<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>18,987,065</b>	<b>20,322,367</b>	<b>21,934,571</b>	<b>22,473,082</b>
<b>NONCURRENT ASSETS</b>								
Fixed Assets	591,313	701,685	913,843	884,666	1,035,922	836,347	985,217	1,160,586
Intangible Assets	22,603,240	26,111,348	28,821,790	36,898,892	56,089,017	69,578,425	71,287,065	72,797,235
Other Noncurrent Assets	1,075,724	1,501,146	3,260,304	2,750,881	3,080,768	3,992,139	4,325,693	4,754,887
<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>60,205,707</b>	<b>74,406,911</b>	<b>76,597,974</b>	<b>78,712,708</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>79,192,772</b>	<b>94,729,279</b>	<b>98,532,545</b>	<b>101,185,790</b>
<b>LIABILITIES AND EQUITY</b>								
<b>LIABILITIES</b>								
<b>CURRENT LIABILITIES</b>								
Bank Loans	655,840	0	766,400	4,590,849	1,278,659	36,613	84,872	93,293
Contractors Payable	1,153,448	998,081	1,461,349	1,279,575	1,289,211	1,466,625	1,589,165	1,746,842
Account Payable	100,031	182,096	137,466	134,772	350,924	399,216	432,572	475,492
Current maturities of long term liabilities	2,333,830	2,379,261	3,727,864	4,198,390	4,150,882	4,722,103	5,116,648	5,624,321
Others Current Liabilities	628,148	741,571	1,450,333	8,423,404	17,928,265	29,941,040	32,442,694	33,284,209
<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>24,997,940</b>	<b>36,565,598</b>	<b>39,665,951</b>	<b>41,224,156</b>
<b>NONCURRENT LIABILITIES</b>								
Long-term contractors payable	0	0	200,376	394,470	496,700	565,053	612,265	673,014
Long-term liabilities - net of current liabilities	12,009,806	16,073,189	15,933,171	16,722,160	31,063,085	32,166,121	30,230,541	27,788,932
Others Noncurrent Liabilities	619,530	465,034	679,360	1,417,864	4,275,608	4,863,994	5,270,393	5,793,321
<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>35,835,393</b>	<b>37,595,168</b>	<b>36,113,199</b>	<b>34,255,266</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>60,833,333</b>	<b>74,160,766</b>	<b>75,779,150</b>	<b>75,479,422</b>
Non-controlling interest	1,561,169	1,560,584	1,950,159	2,659,715	3,261,786	3,710,655	4,020,690	4,419,622
<b>EQUITY</b>	<b>8,996,779</b>	<b>9,460,146</b>	<b>10,418,505</b>	<b>13,679,125</b>	<b>15,097,653</b>	<b>16,857,858</b>	<b>18,732,705</b>	<b>21,286,746</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>79,192,772</b>	<b>94,729,279</b>	<b>98,532,545</b>	<b>101,185,790</b>

**Table: Cash Flow in IDR Million YoY**

Cash Flow (In IDR Mn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Net Income	1,027,661	1,422,469	1,466,382	1,889,313	2,200,257	2,343,559	2,551,577	2,793,847
Depreciation	130,268	130,550	138,770	157,781	183,720	184,394	148,870	175,369
Change in WC	(1,836,195)	(551,047)	3,091,577	2,648,405	3,097,906	11,265,364	2,055,232	222,561
<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>5,481,883</b>	<b>13,793,316</b>	<b>4,755,679</b>	<b>3,191,777</b>
Capex	(4,164,288)	(4,174,451)	(4,820,527)	(7,696,283)	(19,854,989)	(14,385,598)	(2,339,933)	(2,290,102)
<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>(19,854,989)</b>	<b>(14,385,598)</b>	<b>(2,339,933)</b>	<b>(2,290,102)</b>
Long-term contractors payable	0	0	200,376	194,094	102,230	68,353	47,212	60,749
Long-term liabilities - net of current liabilities	4,215,892	4,063,384	(140,018)	788,989	14,340,925	1,103,036	(1,935,580)	(2,441,609)
Others Noncurrent Liabilities	95,844	(154,496)	214,325	738,504	2,857,744	588,386	406,400	522,927
Equity	(257,498)	(959,687)	(118,446)	2,080,863	(179,658)	(134,484)	(366,695)	159,126
<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>17,121,241</b>	<b>1,625,291</b>	<b>(1,848,664)</b>	<b>(1,698,807)</b>
<b>Net Changes in Cash</b>	<b>(788,317)</b>	<b>(223,278)</b>	<b>32,437</b>	<b>801,665</b>	<b>2,748,135</b>	<b>1,033,009</b>	<b>567,082</b>	<b>(797,132)</b>
<b>Beginning Balance</b>	<b>4,302,382</b>	<b>3,514,061</b>	<b>3,290,784</b>	<b>3,323,221</b>	<b>4,124,886</b>	<b>6,873,021</b>	<b>7,906,030</b>	<b>8,473,112</b>
<b>Ending Balance</b>	<b>3,514,065</b>	<b>3,290,784</b>	<b>3,323,221</b>	<b>4,124,886</b>	<b>6,873,021</b>	<b>7,906,030</b>	<b>8,473,112</b>	<b>7,675,979</b>

**Table: Ratio Highlights YoY**

<b>Growth (% YoY)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
Revenue	13%	-11%	7%	69%	111%	14%	8%	10%
GP	5%	18%	12%	18%	9%	16%	4%	10%
OP	10%	36%	13%	20%	12%	17%	5%	10%
EBITDA	-5%	17%	8%	20%	9%	13%	0%	5%
NP	-30%	38%	3%	29%	16%	7%	9%	9%
EPS	-5%	17%	8%	20%	9%	13%	0%	5%
<b>Profitability</b>								
Gross Profit Margin(%)	30%	40%	42%	29%	15%	15%	15%	15%
Operating Margin(%)	22%	33%	35%	25%	13%	14%	13%	13%
EBITDA margin(%)	32%	42%	43%	30%	16%	16%	14%	14%
NET Profit margin(%)	10%	16%	15%	11%	6%	6%	6%	6%
ROA(%)	4%	4%	4%	4%	3%	2%	3%	3%
ROE(%)	11%	15%	14%	14%	15%	14%	14%	13%
<b>Stability</b>								
Tot debt/ equity (x)	1.9	2.2	2.3	2.7	4.0	4.4	4.0	3.5
Int. Coverage (x)	1.0	1.0	0.9	1.2	1.7	1.7	2.0	2.2
Current Ratio (X)	0.8	0.8	0.5	0.7	0.8	0.6	0.6	0.5
<b>Per Share data (IDR)</b>								
EPS	151	209	216	260	303	323	352	385
BV	1,323	1,391	1,532	1,885	2,080	2,323	2,581	2,933
EBITDA/share	488	573	619	694	759	857	855	896

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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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