

8 November 2019
Infrastructure, Toll Road

Price IDR 5,200
Target Price IDR 7,260
JKSE Index 6,165.625



Investment Consideration

Subsidiary level increase

- As of 9M2019, toll revenue increased 11.6% to IDR 7.96 trillion from IDR 7.130 trillion. The Parent level contributed 82% of toll revenue or IDR 6.07 trillion. Meanwhile toll revenue at the subsidiary level increased 41.4% yoy to IDR 1.29 trillion from IDR 913 billion in 9M2018.
- The contribution of the subsidiaries to toll revenue increased from 14% in 9M2018 to 18% in 9M2019. If JSMR's deconsolidated subsidiaries (through the RDPT and DINFRA schemes) are also included, the contribution of the subsidiaries to toll revenue increased to 33% or IDR 3.04 trillion.
- Higher toll road revenue at the Subsidiary level came from new toll road operations and the connection of new toll roads to existing ones.
- As of 9M2019, toll revenue from Semarang, Surabaya – Mojokerto, Surabaya – Gempol, and Gempol – Pandaan toll roads grew +31.8%, +52.5%, +29.8% and +53.3% respectively, because of the increased connectivity of the Trans Java toll roads.

9M2019 Results: Improved EBITDA

- JSMR's EBITDA increased with the higher toll revenue.
- While operating income fell slightly-0.7% YoY to IDR 4.18 billion in 9M2019 because of the gain on divestment in 2018.
- EBITDA grew +16.9% YoY to IDR 5.00 trillion from IDR 4.28 billion in 9M2018, and the EBITDA margin improved to 62.9% from 60.1% in 1H2018.
- We are expecting a higher EBITDA margin in 2020 as direct costs continue to improve and from increasing toll revenue as Jakarta – Cikampek elevated road starts to operate in January, 2020.

Valuation: TP 7,260, Maintain BUY

- We upgrade our one year target price for JSMR to IDR. 7,260, offering investors a potential return of 40%. This would mean the stock trading at 19.7x 2020F PE. We recommend BUY

Stock Information

Bloomberg Code JSMR JJ
Market Cap (IDR bn) 38,648
52-week high (IDR) 6,450
52-week low (IDR) 3,800
Shares issued (mn) 7,257.9
6-m avg. daily Val (IDR) 5,646
Free float (%) 30%

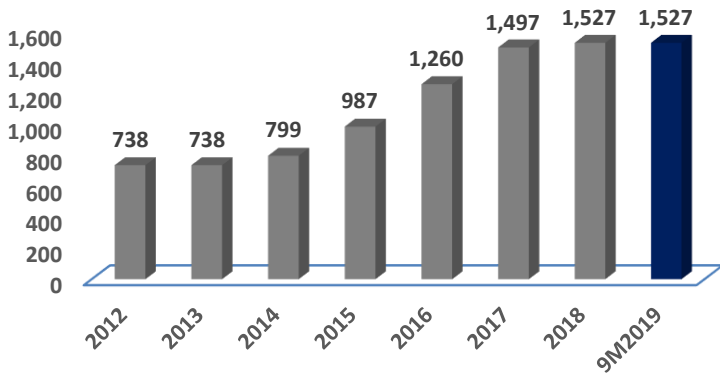
Major share holders (%)
Government RI 70%
Public 30%

USD/ IDR – YE (IDR)
2018 14,390
2019F (6m-avg) 14,168

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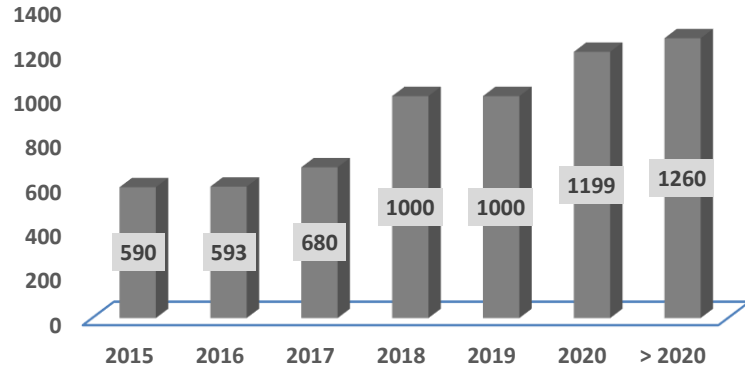
Financial Highlights	2015A	2016A	2017A	2018A	2019F	2020F
Toll and other operating revenue (IDR Mn)	7,630,678	8,832,348	8,921,665	9,784,488	9,898,723	10,639,581
Operating Income (IDR Mn)	3,477,665	4,165,507	4,648,080	5,415,226	5,269,620	5,591,394
EBITDA (IDR Mn)	4,210,862	5,034,625	5,506,241	6,105,462	6,501,135	7,078,245
Net Income (IDR Mn)	1,466,382	1,889,313	2,200,257	2,202,600	2,079,010	2,673,259
EPS (IDR)	216	260	303	303	286	368
Operating Margin (%)	46%	47%	52%	55%	53%	53%
EBITDA Margin (%)	55%	57%	62%	62%	66%	67%
NPM (%)	19%	21%	25%	23%	21%	25%
Tot. Deb / Equity (X)	2.3	2.7	4.0	3.7	4.2	4.0
Int. Coverage (x)	0.9	1.2	1.7	1.1	1.0	1.3

Chart: Toll Road Concession (in KM)



Sources: Company

Chart: Operated Toll Road (in KM)



Sources: Company

Table: Additional Operated Toll Road in 2019

Section	Length (km)
1 Medan - Kualanamu - Tebing Tinggi	9.26
2 Gempol - Pandaan (Section to Malang)	1.60
3 Pandaan - Malang (Section I-V)	37.62
4 Jakarta - Cikampek II Elevated	39.00
5 JORR2: Serpong - Kunciran	11.20
6 Balikpapan - Samarinda	98.89

Table: Additional Operated Toll Road in 2020

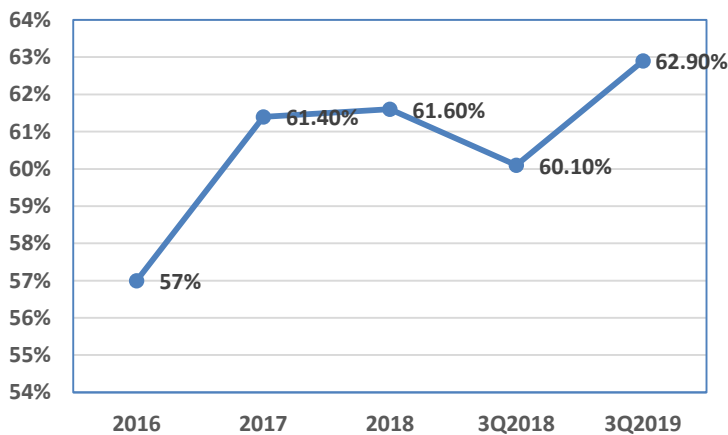
Section	Length (km)
1 JORR2: Cinere - Serpong	10.14
2 JORR2: Kunciran - Cengkareng	14.19
3 Manado - Bitung	36.40

Sources: Company

Table: Additional Operated Toll Road in > 2020

Section	Length (km)
1 Bogor Ring Road (Section IIIA-III B)	4.50
2 Jakarta - Cikampek II Selatan (Section I-III)	62.00
3 Probolinggo - Banyuwangi (Section I-III)	172.00
4 Ngawi - Kertosono (Section V)	27.90

Chart: EBITDA Margin YoY



Sources: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR. Mn)	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Toll and other operating revenues	7,630,678	8,832,348	8,921,665	9,784,488	9,898,723	10,639,581	11,084,994
Construction revenue	2,217,564	7,829,055	26,170,528	27,189,585	17,008,336	22,103,624	23,208,805
Total Revenue	9,848,242	16,661,403	35,092,193	36,974,074	26,907,060	32,743,205	34,293,799
Toll and other operating expenses	(3,518,021)	(4,022,857)	(3,772,061)	(4,052,643)	(4,058,477)	(4,362,228)	(4,544,848)
Construction expenses	(2,202,401)	(7,782,154)	(26,012,247)	(27,003,921)	(16,906,286)	(21,971,002)	(23,069,552)
Total Cost of revenue	(5,720,422)	(11,805,012)	(29,784,308)	(31,056,564)	(20,964,763)	(26,333,230)	(27,614,399)
Gross Profit	4,127,820	4,856,391	5,307,885	5,917,510	5,942,297	6,409,975	6,679,399
Operating Expense	(650,155)	(690,884)	(659,805)	(502,284)	(672,676)	(818,580)	(857,345)
Operating Income	3,477,665	4,165,507	4,648,080	5,415,226	5,269,620	5,591,394	5,822,054
Other Income	(1,409,361)	(1,515,828)	(1,397,627)	(2,204,919)	(2,287,100)	(1,964,592)	(2,400,566)
Profit Before Tax	2,068,304	2,649,679	3,250,453	3,210,306	2,982,520	3,626,802	3,421,488
Taxes	(749,104)	(846,625)	(1,156,796)	(1,173,815)	(984,232)	(1,051,773)	(992,232)
NIAT	1,319,201	1,803,054	2,093,657	2,036,491	1,998,289	2,575,030	2,429,257
Non-controlling Interest	147,181	86,258	106,600	166,109	80,721	98,230	102,881
Net Income	1,466,382	1,889,313	2,200,257	2,202,600	2,079,010	2,673,259	2,532,138
EPS (in IDR)	215.6	260.3	303.2	303.5	286.5	368.3	348.9
EBITDA	4,210,862	5,034,625	5,506,241	6,105,462	6,501,135	7,078,245	6,665,005

Sources: Company and Binaartha

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

Statement of Financial Position (In IDR Mn)	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	3,323,221	4,124,886	6,873,021	5,942,954	5,174,862	4,300,679
Trade Accounts Receivable	164,374	8,278,539	11,547,364	5,550,282	6,677,866	5,893,777
Inventories	20,154	86,975	134,245	40,949	66,366	80,761
Others Current Assets	221,297	475,484	432,435	279,671	434,324	528,528
Total Current Assets	3,729,047	12,965,884	18,987,065	11,813,857	12,353,418	10,803,746
NONCURRENT ASSETS						
Fixed Assets	913,843	884,666	1,035,922	754,806	865,075	1,005,782
Intangible Assets	28,821,790	36,898,892	56,089,017	63,453,029	74,903,663	76,351,904
Other Noncurrent Assets	3,260,304	2,750,881	3,080,768	6,396,909	3,976,501	4,300,563
Total Noncurrent Assets	32,995,936	40,534,438	60,205,707	70,604,744	79,745,239	81,658,249
TOTAL ASSETS	36,724,982	53,500,323	79,192,772	82,418,601	92,098,657	92,461,995
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Bank Loans	766,400	4,590,849	1,278,659	2,347,571	1,734,708	1,734,708
Contractors Payable	1,461,349	1,279,575	1,289,211	1,098,460	893,943	1,087,840
Account Payable	137,466	134,772	350,924	321,811	274,122	302,714
Current maturities of long term liabilities	3,727,864	4,198,390	4,150,882	6,430,596	7,852,432	7,200,000
Others Current Liabilities	1,450,333	8,423,404	17,928,265	20,883,037	28,518,580	26,194,564
Total Current Liabilities	7,543,411	18,626,989	24,997,940	31,081,475	39,273,786	36,519,825
NONCURRENT LIABILITIES						
Long-term contractors payable	200,376	394,470	496,700	266,024	439,735	502,342
Long-term liabilities - net of current liabilities	15,933,171	16,722,160	31,063,085	28,804,315	30,073,504	30,873,504
Others Noncurrent Liabilities	679,360	1,417,864	4,275,608	2,067,801	1,985,982	2,490,377
Total Noncurrent Liabilities	16,812,907	18,534,494	35,835,393	31,138,140	32,499,221	33,866,223
TOTAL LIABILITIES	24,356,318	37,161,483	60,833,333	62,219,615	71,773,007	70,386,048
Non-controlling interest	1,950,159	2,659,715	3,261,786	3,290,481	3,063,608	4,279,252
EQUITY	10,418,505	13,679,125	15,097,653	16,908,506	17,262,043	17,796,695
TOTAL LIABILITIES & EQUITY	36,724,982	53,500,323	79,192,772	82,418,601	92,098,657	92,461,995

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	1,466,382	1,889,313	2,200,257	2,202,600	2,079,010	2,673,259
Depreciation	138,770	157,781	183,720	84,104	128,988	140,707
Change in WC	3,091,577	2,648,405	3,097,906	12,326,677	6,884,657	(2,078,471)
Cash From Operating Activities	4,696,728	4,695,498	5,481,883	14,613,381	9,092,654	735,496
Capex	(4,820,527)	(7,696,283)	(19,854,989)	(10,483,141)	(9,269,482)	(2,053,717)
Cash From Investing Activities	(4,820,527)	(7,696,283)	(19,854,989)	(10,483,141)	(9,269,482)	(2,053,717)
Long-term contractors payable	200,376	194,094	102,230	(230,676)	173,711	62,606
Long-term liabilities - net of current liabilities	(140,018)	788,989	14,340,925	(2,258,770)	1,269,189	800,000
Others Noncurrent Liabilities	214,325	738,504	2,857,744	(2,207,807)	(81,819)	504,395
Equity	(118,446)	2,080,863	(179,658)	(363,053)	(1,952,345)	(922,963)
Cash From Financing Activities	156,236	3,802,450	17,121,242	(5,060,306)	(591,264)	444,039
Net Changes in Cash	32,437	801,665	2,748,135	(930,066)	(768,092)	(874,183)
Beginning Balance	3,290,784	3,323,221	4,124,886	6,873,021	5,942,954	5,174,862
Ending Balance	3,323,221	4,124,886	6,873,021	5,942,955	5,174,862	4,300,679

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	7%	69%	111%	5%	-27%	22%
GP	12%	18%	9%	11%	0%	8%
OP	13%	20%	12%	17%	-3%	6%
EBITDA	8%	20%	9%	11%	6%	9%
NP	3%	29%	16%	0%	-6%	29%
EPS	8%	20%	9%	11%	6%	9%
Profitability						
Operating Margin(%)	46%	47%	52%	55%	53%	53%
EBITDA margin(%)	55%	57%	62%	62%	66%	67%
NET Profit margin(%)	19%	21%	25%	23%	21%	25%
ROA(%)	4%	4%	3%	3%	2%	3%
ROE(%)	14%	14%	15%	13%	12%	15%
Stability						
Tot debt/ equity (x)	2.3	2.7	4.0	3.7	4.2	4.0
Int. Coverage (x)	0.9	1.2	1.7	1.1	1.0	1.3
Current Ratio (X)	0.5	0.7	0.8	0.4	0.3	0.3
Per Share data (IDR)						
EPS	216	260	303	303	286	368
BV	1,532	1,885	2,080	2,330	2,378	2,452
EBITDA/share	619	694	759	841	896	975

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**.

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