

Adi Sarana Armada

Sector: Land Transportation (Neutral)

BUY

(unchanged)
Rating momentum*: ←

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PX: IDR242–TP: IDR330(from: IDR280)
TP/consensus: 93%; TP momentum*: ↑
JCI: 5,628

Moving forward

Improving used car prices since 2016, positive for rental business:

Based on our market research, ASPs in the last few months on used Toyota Avanza (exhibit 5), the highest-selling MPV in Indonesia, are supportive of our view of a recovery in the secondary-car market in 2017. We note that the ASP on second-hand 2012 Toyota Avanzas in March improved 4.7% m-m or 5.5% y-y, to IDR134mn. Going forward, we expect the used car price improvement prevalent at the moment to be sustained, paving the way for a positive catalyst for ASSA's vehicle-rental and auction businesses in 2017.

Strong rental growth likely to sustain utilization of 93.4% in 2017F:

For 2016 ASSA booked strong earnings of IDR62.1bn, up by 82% y-y, beating our and consensus expectations by 18% and 13%, respectively. The solid earnings improvement was largely attributable to higher operating profit of IDR256.2bn, up 20.5% y-y, on a strong performance from ASSA's vehicle-rental segment. ASSA managed to increase its utilization rate to 93.4% in 2016, from 92.6% in 2015, with total fleet up 6.7% y-y to 19,199 units (from 17,991) (exhibit 6), supported by the company's ability to retain long-term contracts, coupled with an efficient fleet-management system. For 2017, we expect ASSA to maintain its rental utilization rate at 93.4% and grow its fleet size to 20,900 units (+8.9% y-y), resulting in rental-segment revenue of IDR1.0tn (+15.7% y-y).

BidWin's expansion likely into another 3 cities in 2017: ASSA's car-auction segment, BidWin, plans to add new auction locations in 3 cities, namely Pekanbaru, Lampung and Banjarmasin. Currently, BidWin holds auction in 10 major cities, with weekly events in Jakarta and bi-monthly auctions in Surabaya, Medan and Balikpapan. BidWin managed to post strong performance in 2016 with the number of cars sold reaching 5,969 units (exhibit 7), in-line with our estimates. We expect BidWin to continue its solid performance and sell 7,000 cars (+17% y-y) in 2017. Moreover, BidWin is currently developing its own e-auction system in order to support its major expansion plans. This would increase BidWin's economies of scale, target market as well as flexibility in the auction process without having to spend a sizeable amount on capital expenditures.

Recommendation: Reaffirm BUY call with a higher TP of IDR330

At this stage of the cycle, we continue to like ASSA given the recent improvement in secondary-car market prices, which we believe will drive the company's rental segment growth over the medium term. Hence, we expect ASSA's sharp YTD market outperformance to continue (exhibit 4), particularly as the outlook for the car-rental and auction businesses remain intact, in our view. We raise our 2017-18F earnings (exhibit 9) by 17-20% due to lower interest cost on the debt at 9.2% (from 9.75%), leading us to lift our 12-month TP to IDR330 (from IDR280), based on an unchanged 2017F PER of 12x. With 36% upside potential to our new TP, we reaffirm our BUY rating. Risks to our call would be lower-than-expected secondary market prices, a slower fleet expansion and lower utilization rates.

Exhibit 1. Company information

Market cap (IDRbn/USDmn)	: 822.2/61.9
3M avg.daily t.o.(IDRbn/USDmn)	: 1.0/0.1
Bloomberg code	: ASSA IJ

Source: Bloomberg

Exhibit 2. Shareholders information

Adi Dinamika Investindo (%)	: 24.94
Daya Adicipta Mustika (%)	: 19.17
Others (%)	: 18.45
Free float (%)	: 37.44

Source: Bloomberg

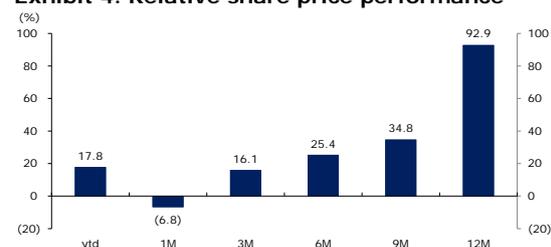
Exhibit 3. Key forecasts and valuations

Year to 31 Dec	2015	2016	2017F	2018F
Revenue (IDRbn)	1,393	1,570	1,796	2,032
EBIT (IDRbn)	213	256	283	369
Net profit (IDRbn)	34	62	93	145
Bahana/cns. (%)		89	115	
EPS (IDR)	10	18	27	43
EPS growth (%)	(20.5)	81.8	50.3	55.7
EV/EBITDA (x)	4.7	4.2	4.2	3.7
PER (x)	24.1	13.2	8.8	5.7
FCFPS (IDR)	(90)	(5)	(51)	(32)
FCF yield (%)	(37)	(2)	(21)	(13)
BVPS (IDR)	251	266	282	308
PBV (x)	1.0	0.9	0.9	0.8
DPS (IDR)	5	4	11	17
Yield (%)	2.1	1.7	4.5	7.0
ROAA (%)	1.2	2.1	2.8	3.9
ROAE (%)	4.0	6.9	9.7	13.9
EBIT margin (%)	15.3	16.3	15.7	18.1
Net gearing (%)	205.6	197.9	208.2	206.7

Source: Bloomberg, Bahana forecasts

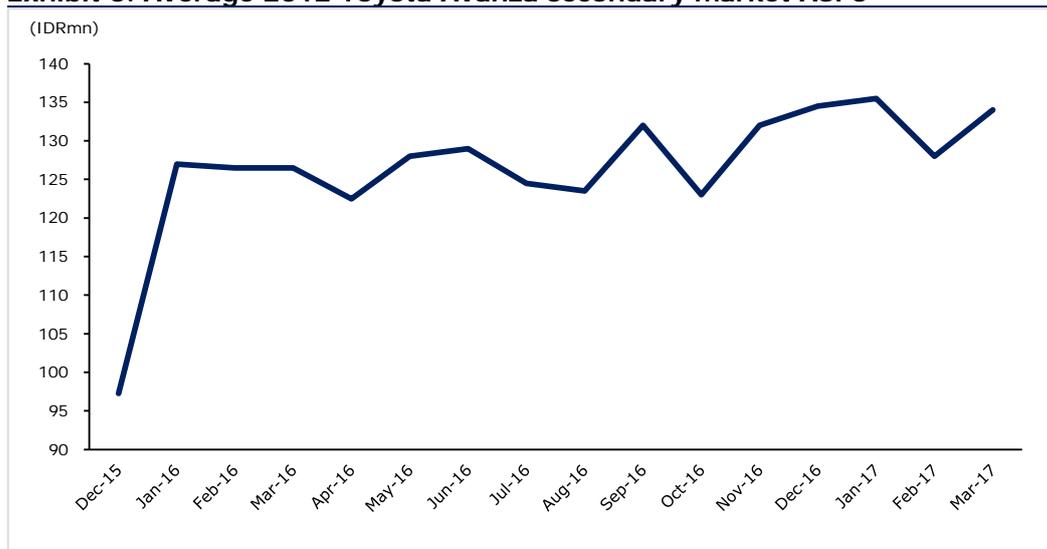
Note: Pricing as of close on 11 April 2017

Exhibit 4. Relative share price performance



Source: Bloomberg, Bahana

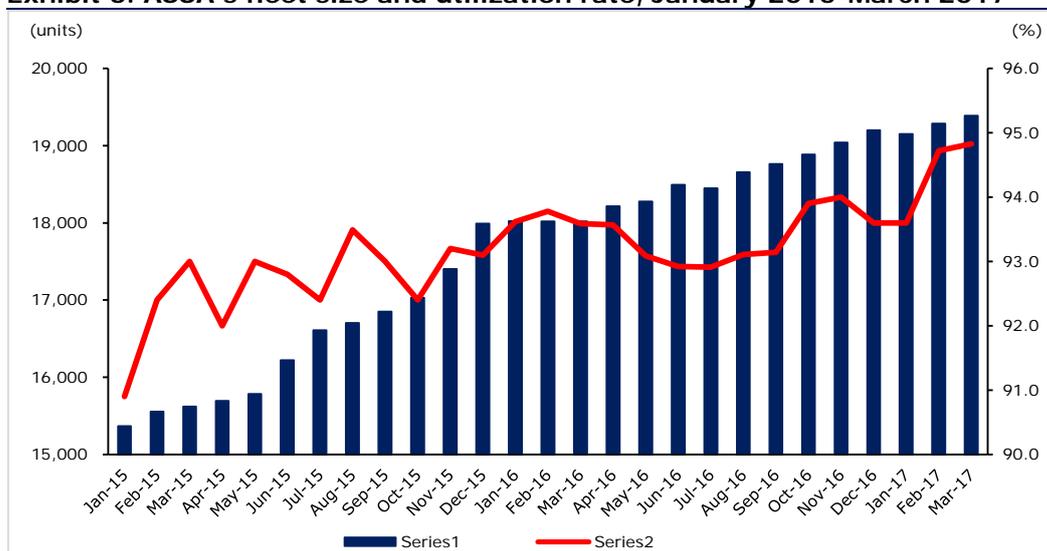
Exhibit 5. Average 2012 Toyota Avanza secondary market ASPs



Source: Company, Bahana

ASPs on used Toyota Avanza support our view of a recovery in the secondary car market in 2017

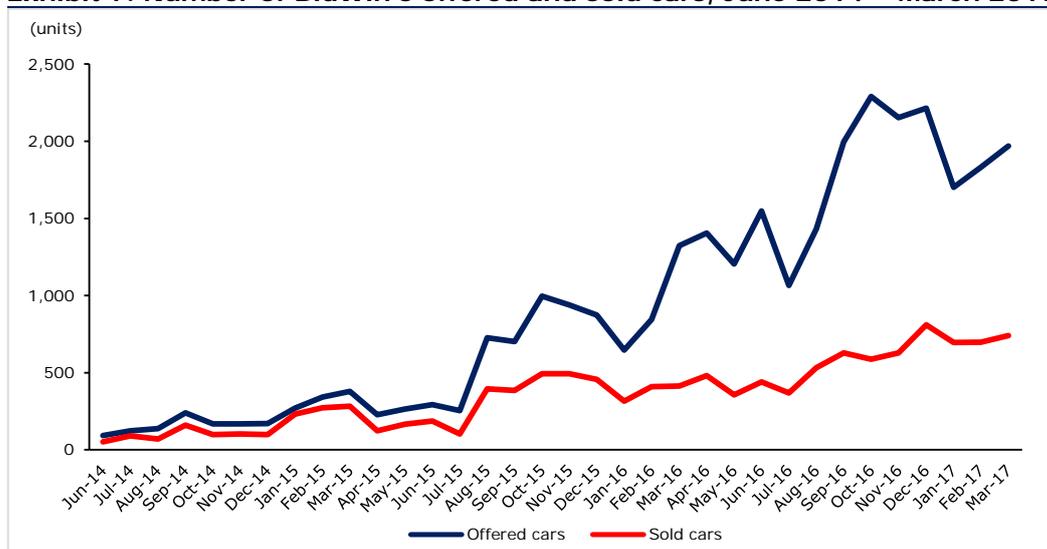
Exhibit 6. ASSA's fleet size and utilization rate, January 2015-March 2017



Source: Company, Bahana

Improving utilization to 93.4% in 2016 from 92.6% in 2015; we expect ASSA to expand its fleet size by 8.9% y-y to 20.9k units in 2017F with a 93.4% utilization rate

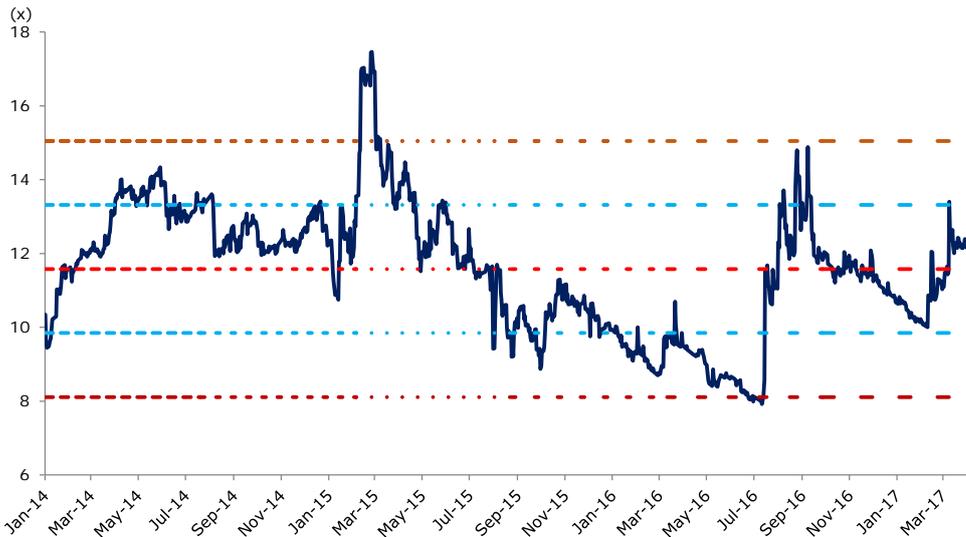
Exhibit 7. Number of BidWin's offered and sold cars, June 2014 – March 2017



Source: Company, Bahana

BidWin recorded strong performance with the auction of c.30k cars since its debut in June 2014

Exhibit 8. ASSA past-3-year forward PER band, 2014-ytd



ASSA shares currently trade near their past-3-year-average forward PER of 11.6x

Source: Bloomberg, Bahana forecasts

Exhibit 9. Earnings revisions

(IDRbn)	Old			New			Change (%)		
	2016	2017F	2018F	2016	2017F	2018F	2016	2017F	2018F
Revenue	1,570	1,752	2,083		1,796	2,032		2.5	(2.4)
Gross profit	456	538	685		518	634		(3.7)	(7.4)
<i>Gross profit margin (%)</i>	29.0	30.7	32.9		28.8	31.2			
Operating profit	256	300	381		283	369		(5.8)	(3.2)
<i>Operating margin (%)</i>	16.3	17.1	18.3		15.7	18.1			
Net profit	62	80	121		93	145		16.7	20.2
<i>Net margin (%)</i>	4.0	4.6	5.8		5.2	7.2			
EPS (IDR)	18	24	36		27	43		16.7	20.2

Source: Company, Bahana forecasts

Exhibit 10. Regional peers

Indonesia Land Transportation														
Ticker	Company	Market cap (USDmn)	PER (x)		PBV (x)		EV/EBITDA (x)		Div. yield (%)		ROE (%)		EPS growth (%)	
			2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F
BIRD IJ	Blue Bird Tbk PT	731	11.1	9.8	1.7	1.5	4.7	4.1	1.1	1.8	15.4	15.2	14.5	10.8
ASSA IJ	Adi Sarana Armada Tbk PT	62	8.8	5.7	0.9	0.8	4.2	3.7	4.5	7.0	9.7	13.9	50.3	55.7
TAXI IJ	Express Transindo Utama Tbk	26	38.0	40.1	0.4	0.4	3.5	3.6	0.5	0.4	1.1	1.0	na	(5.2)
Indonesia average			11.7	10.4	1.6	1.4	4.6	4.1	1.4	2.2	14.5	14.6	16.8	13.7

Regional Land Transportation														
Ticker	Company	Market cap (USDmn)	PER (x)		PBV (x)		EV/EBITDA (x)		Div. yield (%)		ROE (%)		EPS growth (%)	
			2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F
CAB AU	Cabcharge Australia Ltd	261	10.4	14.8	1.1	1.1	8.5	8.9	24.6	4.5	(4.9)	10.8	(29.3)	(29.9)
002357 CH	Sichuan Fulin Transportation C	581	23.9	20.3	4.1	3.6	na	na	1.2	1.2	18.0	17.8	25.9	17.8
CD SP	ComfortDelGro Corp Ltd	4,008	16.6	16.0	2.2	2.1	6.9	6.7	4.2	4.6	13.4	13.4	4.0	3.8
Regional average			17.2	16.5	2.4	2.2	6.1	6.0	4.9	4.2	13.0	13.8	4.8	3.7

Source: Bloomberg, Bahana forecasts for Indonesian-listed stocks; prices as of close on 11 April 2017

Adi Sarana Armada

Year to 31 December	2014	2015	2016	2017F	2018F
PROFIT & LOSS (IDRbn)					
Sales	1,140	1,393	1,570	1,796	2,032
Gross profit	349	415	456	518	634
EBITDA	471	548	625	678	806
Depreciation	287	336	369	395	437
EBIT	184	213	256	283	369
Net interest inc./ (expense)	(139)	(171)	(184)	(175)	(192)
Forex gain/ (losses)	0	(0)	0	-	-
Other income/ (expense)	11	15	17	17	17
Pre-tax profit	56	57	89	125	194
Taxes	13	23	27	31	48
Minority interest	0	0	0	0	0
Net profit	43	34	62	93	145

Lower interest cost at 9.2% in 2017F

BALANCE SHEET (IDRbn)

Cash and equivalents	22	28	40	30	34
Trade receivables	131	168	193	221	250
Inventories	26	20	31	31	32
Fixed assets	2,193	2,538	2,631	2,904	3,182
Other assets	136	140	134	147	196
Total assets	2,507	2,893	3,030	3,334	3,692
Interest bearing liabilities	1,456	1,784	1,828	2,028	2,198
Trade payables	57	44	39	45	49
Other liabilities	157	210	259	300	397
Total liabilities	1,669	2,038	2,126	2,374	2,645
Minority interest	0	0	0	0	0
Shareholders' equity	838	854	904	960	1,047

Higher debt levels ...

CASH FLOW (IDRbn)

EBIT	184	213	256	283	369
Depreciation	287	336	369	395	437
Working capital	(6)	(50)	(14)	(15)	(19)
Other operating items	(145)	(162)	(182)	(184)	(215)
Operating cash flow	321	336	430	480	573
Net capital expenditure	(591)	(641)	(448)	(653)	(682)
Free cash flow	(270)	(305)	(18)	(173)	(109)
Equity raised/(bought)	-	-	-	-	-
Net borrowings	295	329	44	200	170
Other financing	(29)	(18)	(13)	(37)	(58)
Net cash flow	(4)	6	12	(10)	3
Cash flow at beginning	26	22	28	40	30
Cash flow at end	22	28	40	30	34

... to finance fleet expansion

RATIOS

ROAE (%)	5.1	4.0	6.9	9.7	13.9
ROAA (%)	1.7	1.2	2.1	2.8	3.9
Gross margin (%)	30.6	29.8	29.0	28.8	31.2
EBITDA margin (%)	41.3	39.4	39.8	37.7	39.7
EBIT margin (%)	16.2	15.3	16.3	15.7	18.1
Net margin (%)	3.8	2.5	4.0	5.2	7.2
Payout ratio (%)	71.1	49.7	21.9	39.8	39.8
Current ratio (x)	0.4	0.4	0.5	0.5	0.5
Interest coverage (x)	0.8	0.8	0.7	0.6	0.5
Net gearing (%)	171.1	205.6	197.9	208.2	206.7
Debts to assets (%)	58.1	61.7	60.3	60.8	59.5
Debtor turnover (days)	41.3	43.4	44.3	44.3	44.3
Creditor turnover (days)	25.7	16.3	12.6	12.6	12.6
Inventory turnover (days)	11.6	7.3	10.1	8.9	8.1

Higher net margin at 5.2% in 2017F

MAJOR ASSUMPTIONS

Fleet unit (units)	14,873	17,991	19,199	20,900	22,601
Utilization rate (%)	92.1	92.6	93.4	93.4	93.4
Unit of disposal (unit)	1,793	2,337	2,284	3,000	3,000
ASP used car (IDRmn)	96.9	92.2	88.1	88.9	89.8

Disposal of 3,000 cars per year in 2017-18F

Source: Company, Bahana forecasts

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