

Company Note

Indonesia

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	Rp212.0
Target price:	Rp400.0
Previous target:	Rp355.0
Up/downside:	88.7%
CIMB / Consensus:	na
Reuters:	ASSA.JK
Bloomberg:	ASSA IJ
Market cap:	US\$53.11m
	Rp720,270m
Average daily turnover:	US\$0.01m
	Rp126.0m
Current shares o/s:	7,147m
Free float:	40.0%
*Source: Bloomberg	

Key changes in this note

- ▶ FY17F EPS increased by 9%.
- ▶ FY18F EPS increased by 7%.
- ▶ FY19F EPS increased by 5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.2	-5.4	5
Relative (%)	-8	-8.2	-5.8

Major shareholders	% held
Adi Dinamika Investindo	24.9
Daya Adicipta Mustika	19.2
Theodore Permadi Rahmat	6.0

Adi Sarana

Riding in the fast lane

- ASSA's 9M17 core net profit was ahead of our expectations at 81% of our previous full-year forecast.
- Higher-than-expected margin from used car sales, as well as lower interest rate on debts, indicate an upside to our previous estimates.
- We revise up our EPS forecasts following the 9M17 results release and roll over our target price to FY18F.
- The stock is trading at 5.8x FY18 P/BV. Our GGM-based target price reflects its deep undervaluation and the growth potential in a recovery environment. Maintain Add.

9M17 earnings beat estimates

ASSA's earnings were above our expectations, with 9M17 revenue at Rp1,234bn, forming 69% of our full-year estimate, while core net profit was Rp72bn (+86% yoy) or 81% of our previous FY17F forecast. Vehicles under management rose to 20,687 units, implying net additions of 1,488 units in 9M17.

A golden quarter...

The strong core earnings growth in 3Q17 (+51% yoy, +8% qoq) was mainly driven by: a) a strong contribution from used car sales in 3Q17, and b) faster-than-expected decline in interest rates on debt which offset slower-than-expected 9M17 vehicles disposals of 1,640 units (vs. previously guided 3,000 units). The company posted a strong used car sales margin of Rp20.9m/car (vs. Rp12.5m/car in 2Q17) bringing 9M17 used car sales margins to Rp16.3m/car (vs. our initial forecast of Rp15m/car).

...supported by strong used car market

The improvement in the used car sales margin underlined the strong used car market. The subsiding disposals of 4x4 units (10 units in 3Q17 vs. 14 units in 2Q17) and narrower loss from 4x4 disposals of Rp50m/unit (vs. Rp65m in 1H17) also contributed to stronger margins.

On track to faster recovery

The company is set to take advantage of the strong used car market given that its current unit disposals are mostly 4- and 5-year old cars, which were purchased when new car prices were significantly lower. We expect ASSA to generate Rp18m-Rp19m/used car disposal vs. our previous estimate of Rp15m/car for the next three years, supported by an improving growth outlook and higher new car prices. This, combined with the lower interest rate environment, underpins our FY17-19F EPS forecast upgrades by 5-9%.

Deeply undervalued

ASSA currently trades at 5.8x FY18 P/BV. Given the stronger-than-expected recovery in the used car market and rapidly rising ROE, we believe ASSA is undervalued. We increase our FY18F GGM-based target price to Rp400 (with unchanged ROE 16%, LTG 0% and COE 14%) which implies 8.5x FY19 P/E and 1.1x FY19 P/BV. Re-rating catalysts include faster-than-expected adjustments in ROE. Downside risks include a softening secondary car market, which could result in lower-than-expected used car sales margins.

Analyst(s)



Peter P. SUTEDJA, CFA

T (62) 21 3006 1726

E peter.sutedja@cimb.com

Namira LAHUDDIN

T (62) 21 3006 1728

E namira.lahuddin@cimb.com

Financial Summary

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (Rpm)	1,392,597	1,570,388	1,737,514	2,038,810	2,375,274
Operating EBITDA (Rpm)	561,532	640,105	749,322	901,187	1,059,895
Net Profit (Rpm)	34,207	62,186	96,956	123,614	160,504
Core EPS (Rp)	10.07	18.30	28.54	36.38	47.24
Core EPS Growth	(20.4%)	81.8%	55.9%	27.5%	29.8%
FD Core P/E (x)	21.06	11.58	7.43	5.83	4.49
DPS (Rp)	5.00	4.00	6.11	9.53	12.15
Dividend Yield	2.36%	1.89%	2.88%	4.50%	5.73%
EV/EBITDA (x)	4.41	3.92	4.00	3.85	3.80
P/FCFE (x)	31.0	27.7	180.0	34.0	16.3
Net Gearing	206%	198%	232%	257%	278%
P/BV (x)	0.84	0.80	0.74	0.67	0.61
ROE	4.0%	7.1%	10.3%	12.1%	14.2%
% Change In Core EPS Estimates			9.31%	7.19%	4.86%
CIMB/consensus EPS (x)			1.09	1.07	1.05

SOURCE: COMPANY DATA, CIMB FORECASTS

Riding in the fast lane

9M17 results review

Figure 1: Results Comparison

ASSA IJ

FYE Dec (Rp bn)	3QFY17	3QFY16	yoy % chg	2QFY17	qoq % chg	3QFY17 Cum	3QFY16 Cum	yoy% chg	Previous FY17F	
Revenue	421.2	388.1	8.5	401.5	4.9	1,233.7	1,133.1	8.9	1,779.2	69% of previous CIMB forecast
Operating costs	(345.7)	(323.7)	6.8	(333.0)	3.8	(1,020.3)	(953.8)	7.0	(1,471.6)	
EBIT	75.6	64.5	17.2	68.5	10.3	213.4	179.3	19.0	307.6	69% of previous CIMB forecast
EBIT margin (%)	17.9%	16.6%		17.1%		17.3%	15.8%		17.3%	
Interest expense	(45.7)	(46.1)	(0.8)	(43.0)	6.3	(131.6)	(139.6)	(5.7)	(210.1)	
Interest & invt inc	0.3	0.2	55.0	0.2	12.7	0.8	0.6	37.3	0.7	
Others	4.6	3.6	28.9	5.5	(16.4)	12.6	11.6	8.8	14.8	
Pretax profit	34.7	22.1	57.1	31.2	11.1	95.2	51.9	83.4	113.0	
Tax	(8.4)	(5.0)	68.5	(7.2)	16.2	(22.1)	(12.3)	79.8	(24.3)	
Tax rate (%)	24.2%	22.5%		23.1%		23.2%	23.7%		21.5%	
Minority interests	0	0	14.2	0	376.6	0	0	126.7	-	
Net profit	26.3	17.1	53.8	24.0	9.5	73.1	39.6	84.6	88.7	82% of previous CIMB forecast
Core net profit	25.6	16.9	51.3	23.7	8.1	71.9	38.8	85.6	88.7	81% of previous CIMB forecast
EPS (Rp)	7.7	5.0	53.8	7.1	9.5	21.5	11.7	84.6	26.1	
Core EPS (Rp)	7.5	5.0	51.3	7.0	8.1	21.2	11.4	85.6	26.1	

SOURCES: CIMB, COMPANY REPORTS

Earnings revisions

Figure 2: Earnings revision summary

	Previous			Revision			%change		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Revenue	1,779.18	2,037.90	2,366.09	1,737.5	2,038.8	2,375.3	-2%	0%	0%
Gross Profit	549.87	657.97	783.47	549.1	668.8	794.5	0%	2%	1%
Operating profit	322.40	396.27	477.20	327.3	407.0	487.0	2%	3%	2%
Core profit	88.70	115.33	153.07	97.0	123.6	160.5	9%	7%	5%
Operational									
Number of fleet, units	21,734	24,224	27,000	21,734	24,224	27,000	0%	0%	0%
Utilisation ratio, %	94%	94%	94%	94%	94%	94%	0%	0%	0%
Rental rate per year, Rp m	60.8	64.5	68.4	60.8	64.5	68.4	0%	0%	0%
Used car sales volume, units	2,984	3,321	3,822	2,500	3,191	3,797	-16%	-4%	-1%
Used car sales margin, Rp m/unit	15.0	15.0	15.0	17.6	19.0	18.0	17%	27%	20%

SOURCES: CIMB

Maintain Add, higher GGM-based valuation of Rp400

Figure 3: GGM valuation assumptions

Beta	1.0
Risk premium	7.0%
Risk free rate	7.0%
Cost of equity	14.0%
Sustainable growth rate	0.0%
Long term ROE	16.0%

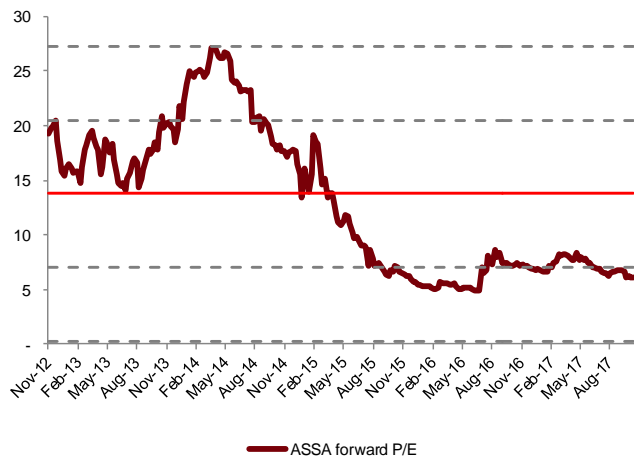
SOURCES: CIMB

Figure 4: Sensitivity of valuations

Long-term ROE	Sustainable growth rate		
	0.0%	0.5%	1.0%
15.0%	375	376	377
15.5%	388	389	391
16.0%	400	402	404
16.5%	413	415	418
17.0%	425	428	431

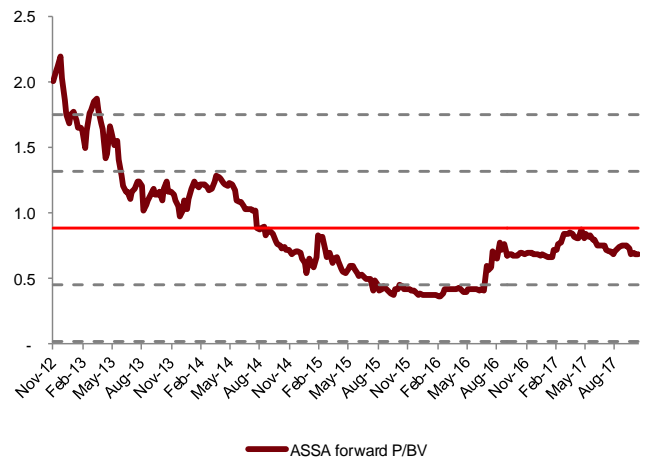
SOURCES: CIMB

Figure 5: ASSA's forward P/E - currently trading at 6.1x



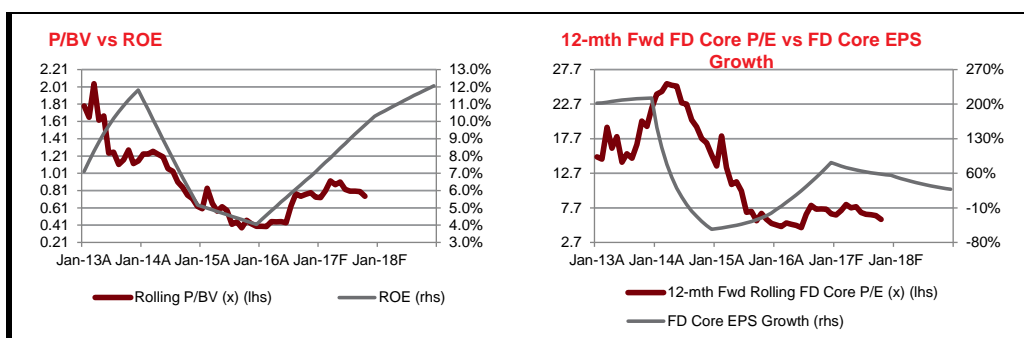
SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

Figure 6: ASSA's forward P/BV – currently at 0.7x



SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rpm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	1,392,597	1,570,388	1,737,514	2,038,810	2,375,274
Gross Profit	741,406	814,235	960,444	1,150,760	1,353,483
Operating EBITDA	561,532	640,105	749,322	901,187	1,059,895
Depreciation And Amortisation	(333,734)	(367,310)	(422,033)	(494,234)	(572,911)
Operating EBIT	227,799	272,795	327,289	406,953	486,984
Financial Income/(Expense)	(170,944)	(183,980)	(203,778)	(249,482)	(282,532)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	56,855	88,815	123,511	157,471	204,452
Exceptional Items	0	0	0	0	0
Pre-tax Profit	56,855	88,815	123,511	157,471	204,452
Taxation	(22,679)	(26,664)	(26,555)	(33,856)	(43,957)
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	34,176	62,151	96,956	123,615	160,494
Minority Interests	30	35	0	(1)	9
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	34,207	62,186	96,956	123,614	160,504
Recurring Net Profit	34,207	62,186	96,956	123,614	160,504
Fully Diluted Recurring Net Profit	34,207	62,186	96,956	123,614	160,504

Cash Flow

(Rpm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	561,532	640,105	749,322	901,187	1,059,895
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	(31,505)	563	(65,179)	(24,532)	(24,235)
(Incr)/Decr in Total Provisions	0	0	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0	0
Other Operating Cashflow	(429,896)	(252,858)	(903,136)	(1,022,902)	(1,212,111)
Net Interest (Paid)/Received	(170,944)	(183,980)	(203,778)	(249,482)	(282,532)
Tax Paid	(22,679)	(26,664)	(26,555)	(33,856)	(43,957)
Cashflow From Operations	(93,491)	177,166	(449,326)	(429,585)	(502,940)
Capex	(45,269)	(12,415)	(15,141)	(15,898)	(16,693)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	0	0	0	0	0
Cash Flow From Investing	(45,269)	(12,415)	(15,141)	(15,898)	(16,693)
Debt Raised/(repaid)	162,026	(138,786)	468,469	466,647	563,805
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(16,988)	(13,590)	(20,742)	(32,376)	(41,279)
Preferred Dividends	0	0	0	0	0
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	145,038	(152,376)	447,727	434,271	522,526
Total Cash Generated	6,278	12,375	(16,740)	(11,212)	2,893
Free Cashflow To Equity	23,266	25,965	4,003	21,164	44,172
Free Cashflow To Firm	32,961	349,710	(259,560)	(195,342)	(236,755)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet					
(Rpm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	27,905	40,290	23,550	12,338	15,231
Total Debtors	179,002	200,837	223,337	262,065	305,314
Inventories	19,737	31,392	61,564	67,425	71,301
Total Other Current Assets	39,026	19,692	48,691	57,135	66,564
Total Current Assets	265,669	292,211	357,143	398,963	458,410
Fixed Assets	2,537,852	2,631,183	3,127,427	3,671,993	4,327,885
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	89,446	106,413	106,413	106,413	106,413
Total Non-current Assets	2,627,298	2,737,596	3,233,840	3,778,406	4,434,298
Short-term Debt	28,308	2,000	2,000	2,000	2,000
Current Portion of Long-Term Debt	456,477	439,731	671,079	807,541	972,414
Total Creditors	85,865	87,727	105,710	122,931	142,522
Other Current Liabilities	54,473	67,331	65,840	77,120	89,847
Total Current Liabilities	625,123	596,789	844,630	1,009,592	1,206,783
Total Long-term Debt	1,299,671	1,386,632	1,623,753	1,953,939	2,352,870
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	113,630	142,758	142,758	142,758	142,758
Total Non-current Liabilities	1,413,300	1,529,391	1,766,511	2,096,697	2,495,628
Total Provisions	0	0	0	0	0
Total Liabilities	2,038,423	2,126,179	2,611,141	3,106,288	3,702,412
Shareholders' Equity	854,462	903,516	979,730	1,070,970	1,190,176
Minority Interests	82	112	112	111	120
Total Equity	854,544	903,628	979,842	1,071,081	1,190,296

Key Ratios					
	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	22.1%	12.8%	10.6%	17.3%	16.5%
Operating EBITDA Growth	16.9%	14.0%	17.1%	20.3%	17.6%
Operating EBITDA Margin	40.3%	40.8%	43.1%	44.2%	44.6%
Net Cash Per Share (Rp)	(517.0)	(526.3)	(669.1)	(809.8)	(974.9)
BVPS (Rp)	251.5	265.9	288.4	315.2	350.3
Gross Interest Cover	1.33	1.47	1.60	1.63	1.72
Effective Tax Rate	39.9%	30.0%	21.5%	21.5%	21.5%
Net Dividend Payout Ratio	49.7%	21.9%	21.4%	26.2%	25.7%
Accounts Receivables Days	39.13	42.07	42.29	40.76	40.90
Inventory Days	12.69	12.37	21.83	26.51	24.78
Accounts Payables Days	28.26	20.18	21.83	23.84	23.90
ROIC (%)	7.73%	8.01%	9.24%	9.59%	9.83%
ROCE (%)	9.3%	10.2%	10.9%	11.5%	11.7%
Return On Average Assets	6.33%	7.07%	7.85%	8.32%	8.52%

SOURCE: CIMB RESEARCH, COMPANY DATA

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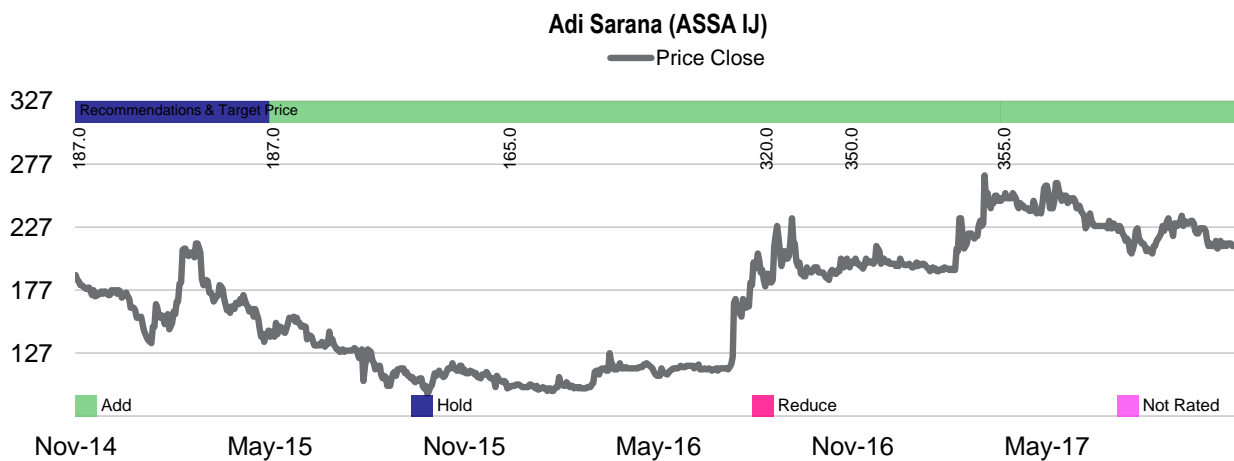
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1285 companies under coverage for quarter ended on 30 September 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	53.5%	4.3%
Hold	35.9%	2.6%
Reduce	9.7%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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