

20 December 2018

Consumer Cyclical | Logistics, Rental, Multi-finance

Indomobil Multi Jasa

Buy (Maintained)

Target Price: IDR970

Price: IDR645

Market Cap: USD224m

Bloomberg Ticker: IMJS IJ

Greater Clarity On Rights Issue, Maintain BUY

Maintain BUY with SOP-derived TP of IDR970, 50% upside, implying 14.7-10x FY19F-20F P/E, and 1.6-1.3x FY19F-20F P/BV. IMJS is seeking IDR527bn funding via a rights issue, by issuing 752.5m new shares (~13.04% of total capital) at IDR700/share (9% higher than yesterday's closing price), with 20:3 ratio. The company's parent IMAS would act as the standby buyer. We see this should solve an overhang on IMJS' share price in spite of the slightly-lower exercise price than the initial plan. This additional capital should ease the execution of its aggressive expansion. The company is trading at 10.1x FY19F rolling forward P/E, or ~0.1SD below its 5-year mean. Key risks include the availability of drivers, termination of contracts from third-party customers, fuel price hikes, a weakened IDR, and higher-than-expected cost of funds.

Indomobil Multi Jasa is seeking IDR527bn funding via a rights issue, by issuing 752.5m new shares (~13.04% of total capital) at IDR700/share (9% higher than yesterday's closing price), with 20:3 ratio. The proceeds would be used for debt repayment ie IDR281.5bn to settle its loan and interest with Maybank, and IDR242bn to be used to strengthen the capital structure of Indomobil Finance Indonesia, its subsidiary in the multi-finance business.

The company's parent Indomobil Sukses Internasional (IMAS IJ, NR) would act as the standby buyer. As at 9M18, 91.03% of the company's stake is owned by IMAS, while the remaining 8.97% is owned by public. Listing date is targeted on 7 Jan 2019, while the cum and recording dates in the regular market are targeted on 28 Dec 2018 and 3 Jan 2019.

We see this should solve the overhang on IMJS' share price, in spite of the slightly-lower exercise price that it had previously announced at IDR750-1,000/share, and translating to IDR564-753bn in total proceeds. This additional capital should ease the execution of its aggressive expansion, especially in the logistics business. As at Jun 2018, IMJS through its subsidiary, Seino Indomobil operated 1,470 trucks. It targets to operate 7,000 trucks in 2019 and 10,000 trucks in 2020.

Management said that it has secured bulk new orders for truck logistics, thanks to its well-developed logistics IT system and secured truck supply. It has received new orders from Unilever (UNVR IJ, BUY, TP: IDR46,900) and Mayora Indah (MYOR IJ, BUY, TP: IDR3,300), which need fleet services for land logistics. In addition, IMJS has secured contracts from Indah Kiat Pulp & Paper Corp (INKP IJ, NR), McDonald's, Nestle Indonesia, P&G Indonesia, and Otsuka Indonesia.

We expect IMJS' net debt to equity ratio (NDER) to be lower at ~4x after debt repayment compared to its current NDER of ~5x. As at 9M18, the company had IDR14.2trn in debt with IDR382bn in cash. Post money, cash level should be higher, as we expect it to be recorded at ~IDR630bn, with lower debt of ~IDR13.9trn.

Maintain BUY with SOP-derived TP of IDR970/share, offering 50% upside. FY19 earnings are estimated to rise 60% YoY (from 21.6% YoY in FY18), driven by faster growth in its logistic business. IMJS is currently trading at 10.1x FY19F rolling forward P/E, ~0.1SD below its 5-year mean.

Key risks include the availability of drivers, termination of contracts from third-party customers, fuel price hikes, a weakened IDR, and higher-than-expected cost of funds.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (IDRb)	2,462	2,712	3,491	4,934	6,545
Reported net profit (IDRb)	138	194	236	378	561
Recurring net profit (IDRb)	138	194	236	378	561
Recurring net profit growth (%)	69.8	41.0	21.6	60.1	48.4
EPS (IDR)	24	34	41	66	97
DPS (IDR)	0	1	2	2	3
P/E (x)	27.0	19.2	15.8	9.8	6.6
P/B (x)	2.0	1.6	1.1	1.0	0.9
Dividend Yield (%)	0.0	0.2	0.3	0.3	0.5
EV/EBITDA (x)	44.1	31.9	18.4	12.0	7.9
Return on average equity (%)	7.3	8.2	7.3	10.5	13.5
Net gearing (x)	4.4	4.2	3.6	4.2	4.1

Source: Company data, RHB; as at 19 Dec 2018

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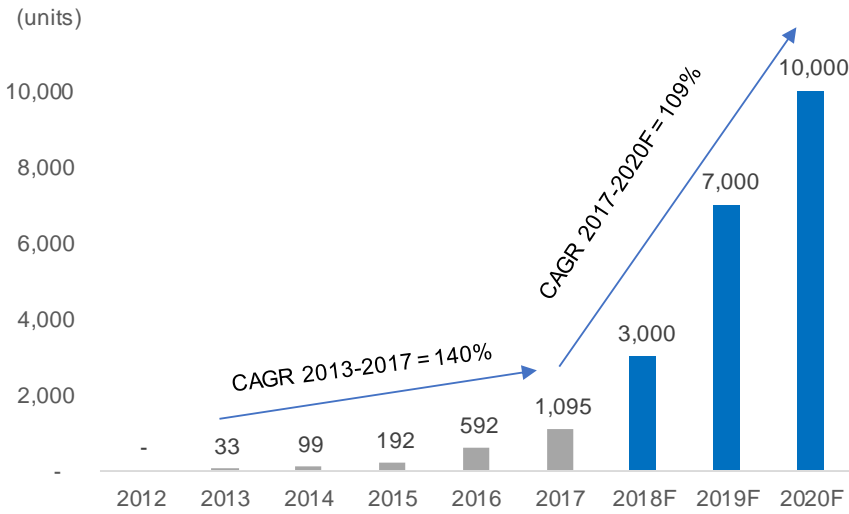
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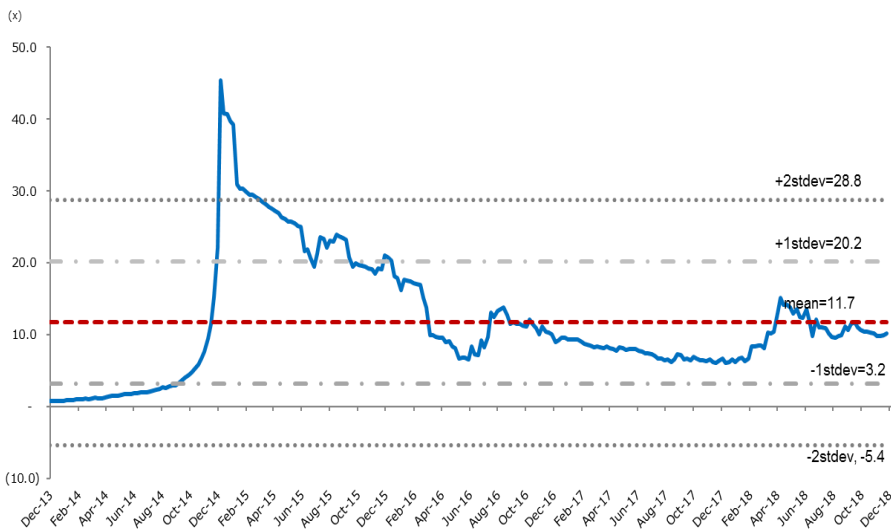


Figure 1: Seino Indomobil's fleet of trucks (units)



Source: Company data, RHB

Figure 2: IMJS' 5-year rolling forward P/E



Source: Company data, RHB

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