

20 March 2019

Infrastructure | Toll Road

Jasa Marga (JSMR IJ)

Buy (Maintained)

Wider GPM On Tariff Adjustment; BUY

Target Price (Return)	IDR6,100 (+15%)
Price:	IDR5,300
Market Cap:	USD2,711m
Avg Daily Turnover	35,770.38m/2.51m

- Maintain BUY with high-end Street TP of IDR6,100, 15% upside** implying 11.7x-10.2x FY19F-20F EV/EBITDA. FY18 earnings came in flat, and in line. Higher revenue was thanks to adjusted toll tariffs from toll road integration, which widened GPM, while balance sheet was healthier with lower NDER. Jakarta-Cikampek elevated and Kunciran-Serpong-Cinere toll roads – scheduled to operate in 2019 – should further boost earnings. Key downside risks are higher interest rate, delayed in operations or tariff hike, and change in government policy. It remains a country Top Pick.

- FY18 net profit met.** 4Q18 net profit was IDR431bn (-40.6% QoQ, +44.7% YoY), bringing FY18 earnings flat at IDR2.2trn (+0.1% YoY) – this accounted for 99% and 98% of our and consensus FY18F. Lower QoQ net profit was due to the absence of IDR877bn one-off divestment gain in 3Q18. Excluding the one-time gain, 4Q18 core-profit rose 116% QoQ, driven by lower financing costs. In Jul-Aug 2018, Jasa Marga divested its 20% share in Jakarta Lingkar Barat Satu, while issuing a IDR3trn limited inclusion mutual fund (RDPT), which included 20% stake in subsidiaries Ngawi Kertosono Jaya, Jasamarga Semarang Ngawi, and Jasamarga Solo Ngawi.

- Higher revenue from adjusted toll tariffs.** Jasa Marga's total traffic volume in FY18 declined 7.6% YoY. However, revenue from toll road grew 9.1% YoY. The company has applied toll integration for some sections of its toll roads, including Jakarta Outer Ring Road (JORR), which was applied in Sep 2018, creating a single tariff adjustment. These resulted in higher average toll road tariff that boosted toll revenue. The tariff hike also widened FY18 GPM to 60.5% (FY17: 59.5%).

- Healthier balance sheet.** NDER declined to 1.3x at end 2018 (vs 1.4x as at end-2017) despite slightly higher debts which came in at IDR32.9trn (+1.5% YoY). Lower NDER was driven by higher retained earnings.

- Jakarta-Cikampek elevated toll road to boost earnings.** This elevated toll road is scheduled to commence operations in mid-2019. This gives Jasa Marga room to adjust its tariffs, as customers are likely to opt for roads with less traffic and shorter travelling times. The Jakarta-Cikampek toll road – connecting Jakarta and industrial cities – is the busiest inter-city toll road in Indonesia

- Kunciran-Serpong-Cinere commencement should boost traffic.** These sections – scheduled to start operating at end-2019 or early 2020 – are part of JORR2, connecting satellite residential cities around Jakarta, ie Depok, Serpong, and Tangerang. We believe the potential for traffic to increase on these roads is substantial.

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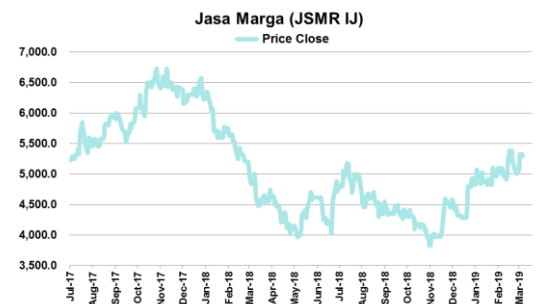


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	23.8	3.9	18.6	21.3	8.8
Relative	19.2	4.1	13.6	11.0	5.8
52-wk Price low/high (IDR)	3,800 – 5,475				



Source: Bloomberg

Forecasts and Valuation	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (IDRbn)	8,922	9,784	12,577	14,140	15,072
Reported net profit (IDRbn)	2,200	2,203	2,092	2,284	2,939
Net profit growth (%)	16.5	0.1	(5.7)	9.2	28.7
EPS (IDR)	301	302	287	313	403
P/E (x)	17.6	17.6	18.5	16.9	13.2
P/B (x)	2.2	2.0	1.8	1.6	1.5
Dividend Yield (%)	1.5	1.1	1.6	1.8	2.3
EV/EBITDA (x)	12.6	10.5	9.6	8.5	8.0
Return on average equity (%)	12.7	11.4	9.7	9.7	11.4
Net gearing (%)	1.4	1.3	2.6	2.9	2.2

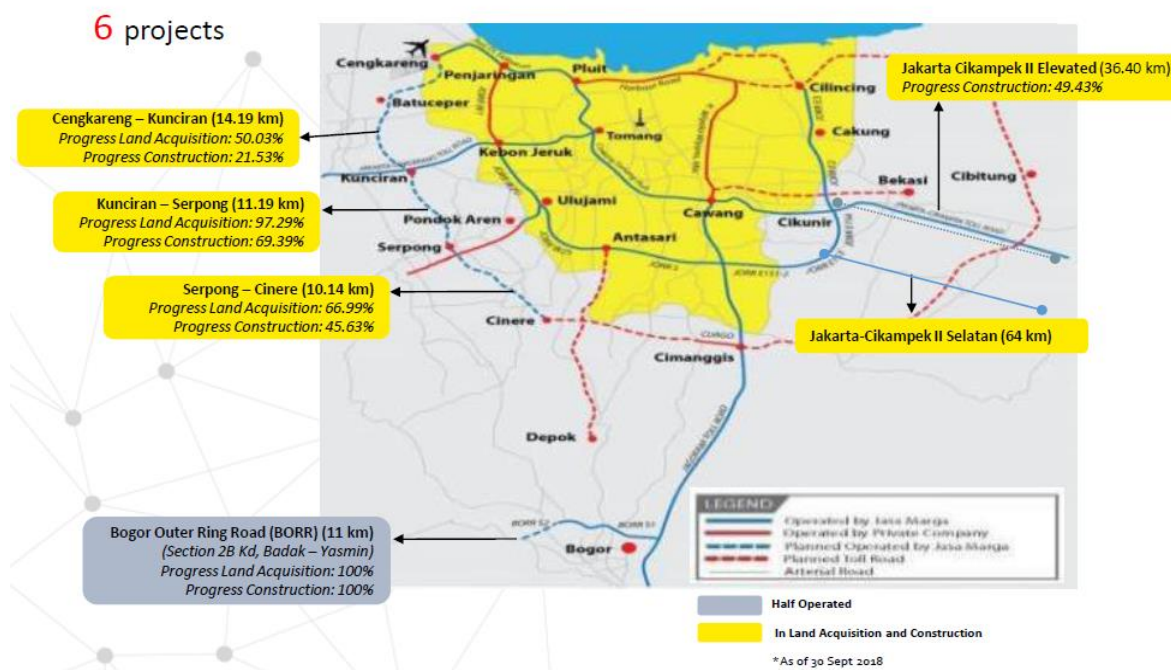
Source: Company data, RHB

Figure 1: Jasa Marga's results review

(IDRbn)	4Q17	3Q18	4Q18	QoQ	YoY	FY17	FY18	YoY	FY18/RHB	FY18/Cons
Revenue	12,020	8,724	9,590	9.9%	-20.2%	35,092	36,974	5.4%		
Toll and other operating revenue	2,139	2,341	2,654	13.4%	24.1%	8,922	9,784	9.7%	88%	98%
Construction revenue	9,881	6,383	6,935	8.7%	-29.8%	26,171	27,190	3.9%		
Cost of Revenue	(10,503)	(7,373)	(7,908)	7.3%	-24.7%	(29,784)	(31,057)	4.3%		
Toll and other operating expense	(692)	(1,034)	(1,019)	-1.4%	47.3%	(3,772)	(4,053)	7.4%		
Construction expenses	(9,811)	(6,339)	(6,888)	8.7%	-29.8%	(26,012)	(27,004)	3.8%		
Gross Profit	1,517	1,351	1,682	24.4%	10.9%	5,308	5,918	11.5%	92%	129%
Other Income	33	29	35	23.8%	6.3%	56	91	63.5%		
Finance Income	88	182	(65)	-135.7%	-173.9%	284	317	11.6%		
Gain on divestment	-	877	-	N/A	N/A	563	877	55.6%		
G&A expenses	(368)	(305)	(397)	29.9%	7.8%	(1,152)	(1,325)	15.0%		
Other expenses	(245)	(315)	(36)	-88.7%	-85.5%	(363)	(416)	14.5%		
Tax expense of financial income	(12)	(11)	(10)	-4.4%	-13.0%	(48)	(46)	-2.5%		
Profit from Operations	1,013	1,808	1,209	-33.1%	19.4%	4,648	5,415	16.5%	108%	114%
Finance cost - net	(373)	(532)	(353)	-33.8%	-5.4%	(1,269)	(1,840)	45.0%		
Share in net loss of associates	(51)	(102)	(150)	47.3%	196.5%	(129)	(365)	183.7%		
Profit before tax	590	1,173	706	-39.8%	19.8%	3,250	3,210	-1.2%	101%	101%
Income tax	(337)	(465)	(348)	-25.2%	3.2%	(1,157)	(1,174)	1.5%		
Current	(200)	(477)	(123)	-74.2%	-38.6%	(1,011)	(913)	-9.7%		
Deferred	(137)	12	(225)	-1988.7%	64.2%	(146)	(261)	79.0%		
Profit for the year	252	708	358	-49.4%	42.0%	2,094	2,036	-2.7%		
Minority interest	(46)	(18)	(73)	312.1%	59.1%	(107)	(166)	55.8%		
PATMI	298	726	431	-40.6%	44.7%	2,200	2,203	0.1%	99%	98%
Core Profit	298	199	431	116%	44.7%	1,862	1,676	-10.0%		
<i>Gross Margin</i>	70.9%	57.7%	63.4%			59.5%	60.5%			
<i>Operating Margin</i>	47.4%	77.2%	45.6%			52.1%	55.3%			
<i>EBITDA Margin</i>										
<i>Net Margin</i>	13.9%	31.0%	16.3%			24.7%	22.5%			
<i>Core net margin</i>	13.9%	8.5%	16.3%			20.9%	17.1%			

Source: Company data, RHB

Figure 2: Jasa Marga's upcoming projects – JORR2



Source: Company

Figure 3: Jasa Marga's toll roads under construction

Concession	Section	Contractor	Payment Term	Length (km)	Estimated Project Contract (IDRtrn)	Estimated Operational	Progress Land Acquisition	Progress Construction
Cengkareng-Kunciran JORR2	Section 1 to 4	Wijaya Karya	CPF	14.2	5.0	2019	50.03%	21.53%
Kunciran-Serpong JORR2	Section 1	Waskita Karya	CPF	11.2	3.5	2019	97.29%	69.39%
	Section 2	Adhi Karya - Acset	CPF					
Serpong-Cinere JORR2	Section 1, 2	Waskita Karya	CPF	10.1	2.2	2019	66.99%	45.63%
Medan-Kualanamu-Tebing Tinggi	Section 7	PTPP and Adhi Karya	Monthly based on actual progress of completion	61.7	4.1	2019	96.17%	95.52%
Manado-Bitung	Section 2A, 2B	PTPP	Monthly based on actual progress of completion	39.9	4.7	2019	66.97%	25.75%
Pandaan-Malang	Section 1 to 5	PTPP	Monthly based on actual progress of completion	38.5	6.0	2019	70.02%	90.51%
Balikpapan-Samarinda	Section 2, 3, 4	Wijaya Karya	CPF	99.4	10.0	2019	96.82%	74.86%
Jakarta-Cikampek elevated road	Cikunir-Karawang Barat	Waskita Karya - Acset	CPF	36.4	16.2	2019	N/A	49.43%
Probolinggo-Banyuwangi	Section 1	Not been decided	CPF	46.1	5.5	2020	N/A	N/A
	Section 2	Not been decided	CPF	59.5	7.1	2020	N/A	N/A
	Section 3	Not been decided	CPF	66.4	8.0	2020	N/A	N/A
Jakarta-Cikampek Selatan	Section 2 (Jati Asih-Sadang)	Not been decided	CPF	10.0	1.2	2020	N/A	N/A

Source: Company data

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