

11 July 2022

Jasa Marga (JSMR IJ)

Jakarta Traffic Picks Up, Share Price Still Weak

- **BUY, new IDR5,400 TP from IDR5,300, 53% upside.** Jasa Marga is reducing its stake in the Japek Elevated toll road to 40% from 80%, with the sale of a 40% stake to the Salim conglomerate. It expects to book gains of IDR1.9trn. It has also started its Trans-Java spin-off exercise by transferring four toll operators and nine concessions to Jasamarga Trans-Java Toll (JTT). The segment's cashflow is likely to turn positive due to *Lebaran*, which has boosted traffic. We are optimistic JSMR will record a strong 2Q22 and 2H22, supported by improvements in the Trans-Java and Jabodetabek toll road segments.
- **The Japek Elevated divestment.** JSMR has entered a conditional sales and purchase agreement (CSPA) with Margautama Nusantara to divest its 40% stake in Japek Elevated. The total transaction is expected to be worth IDR4.03trn – divided into three payments – with an additional IDR359bn after tariff adjustments in 2024. Based on our calculations, JSMR is likely to record gains of IDR1.9trn, at 1.9x P/BV, from the divestment. The proceeds will likely be used for the Gedebage tollroad project, for which construction will start in 2023. Note that the required funds for the project is IDR56trn, and JSMR has a 32.5% stake.
- **Trans-Java segment officially spun-off.** JSMR has completed affiliated divestment transactions worth IDR18.1trn, involving four toll operators and nine concessions, to JTT. Currently, JTT operates the longest stretch of connected tollroads, with a total length of 676km. In 1Q22, most of the sections were seeing negative cashflow. However, as weekly revenue rose 93% above the baseline during the *Lebaran* holiday, we expect it to turn positive in 2Q22. This should also increase operational efficiencies for the Trans-Java tollroad.
- **2Q22 traffic improvements.** The Jabodetabek toll road's weekly revenue remained at 93% of pre-pandemic levels before the *Lebaran* holiday. As offices have started implementing 100% "Work From Office" arrangements and general activities resumes, we believe traffic has likely exceeded normal conditions. In addition, the Inner Ring Road's tariff was increased by 3% in February. We are optimistic that JSMR will book a robust performance in 2Q22 and 2H22. However, we believe the positive outlook for 2Q22 has not been reflected in its share price.
- **Our TP incorporates a 2% ESG premium,** based on our in-house methodology, bringing it to IDR5,400.
- **Key risk** is potential interest rate hikes that may increase JSMR's interest expenses. However, this is partially mitigated, as 30% of its debt is at fixed rates.

Forecasts and Valuation	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Total turnover (IDRb)	9,588	11,776	14,322	15,860	17,189
Recurring net profit (IDRb)	(586)	(439)	1,733	2,089	2,634
Recurring net profit growth (%)	(136.4)	(25.0)	-	20.5	26.1
Recurring P/E (x)	na	na	14.74	12.23	9.70
P/B (x)	1.3	1.2	1.1	1.0	1.0
P/CF (x)	na	9.71	5.21	4.95	4.70
Dividend Yield (%)	0.4	na	na	1.5	2.0
EV/EBITDA (x)	14.72	12.13	8.68	7.92	7.35
Return on average equity (%)	(3.0)	0.6	7.1	8.2	9.9
Net debt to equity (%)	236.0	212.0	196.1	183.5	169.0

Source: Company data, RHB

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Buy (Maintained)

Target Price (Return): IDR5,400 (53.4%)
Price (Market Cap): IDR3,520 (USD1,706m)
ESG score: 3.10 (out of 4)
Avg Daily Turnover (IDR/USD) 20,494m/1.41m

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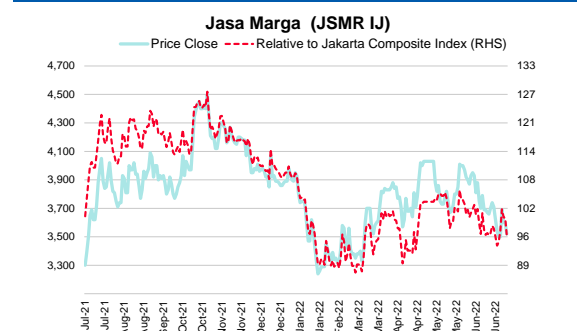


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(9.5)	(10.4)	(5.1)	(10.9)	4.5
Relative	(11.9)	(4.1)	1.4	(11.5)	(7.1)
52-wk Price low/high (IDR)	3,240 – 4,500				



Source: Bloomberg

Overall ESG Score: 3.10 (out of 4)

E: GOOD

JSMR obtained the first Green Toll Road Certification in Indonesia for Gempol-Pandaan and Pandaan-Malang, which were awarded by Green Infrastructure Facilities Indonesia. The assessment included access, feasibility and service, energy and water efficiency, environment, materials, construction and regional cooperation.

S: EXCELLENT

Won the best toll road award for the Semarang-Solo and Jagorawi Toll Roads, which was evaluated in terms of smoothness, comfort, and safety, as well as the rest area services. JSMR also contributed to the Partnership and Community Development Programme Funds of IDR51.55bn and IDR15.25bn.

G: EXCELLENT

JSMR has an effective risk management for organisational performance, and is continuously evaluating and improving corporate governance standards. The company is easily reachable, and provides timely information to the stakeholders.

Financial Exhibits

Asia	Financial summary (IDR)	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Indonesia	Recurring EPS	(80.71)	(60.49)	238.82	287.82	362.93
Construction & Engineering	DPS	15.21	-	-	53.75	69.30
Jasa Marga	BVPS	2,712.73	2,935.29	3,152.69	3,367.69	3,644.89
JSMR IJ	Return on average equity (%)	(3.0)	0.6	7.1	8.2	9.9
Buy						
Valuation basis	Valuation metrics	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Our DCF assumption includes:	Recurring P/E (x)	na	na	14.74	12.23	9.70
i. WACC of 7.1%;	P/B (x)	1.3	1.2	1.1	1.0	1.0
ii. TG of 0%;	FCF Yield (%)	(82.9)	20.4	1.5	2.3	3.1
iii. 10-year cash flow.	Dividend Yield (%)	0.4	-	-	1.5	2.0
	EV/EBITDA (x)	14.72	12.13	8.68	7.92	7.35
	EV/EBIT (x)	20.58	15.22	10.57	9.55	8.81
Key drivers	Income statement (IDRb)	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Our forecasts are most sensitive to changes in:	Total turnover	9,588	11,776	14,322	15,860	17,189
i. Traffic volume, which is driven by the full connection of the Trans-Java Toll Road and traffic recovery;	Gross profit	5,313	6,471	8,828	9,792	10,630
ii. Toll road tariff adjustments, especially for the Jakarta-Cikampek elevated road;	EBITDA	5,699	6,344	8,862	9,744	10,524
iii. Lower debts as a result of divestment or asset securitisation of subsidiaries.	Depreciation and amortisation	(1,623)	(1,285)	(1,580)	(1,664)	(1,750)
	Operating profit	4,076	5,058	7,282	8,080	8,774
	Net interest	(3,198)	(4,197)	(3,772)	(3,936)	(3,716)
	Pre-tax profit	731	2,098	3,114	3,759	4,688
	Taxation	(772)	(1,227)	(1,107)	(1,332)	(1,658)
	Reported net profit	(584)	127	1,578	1,951	2,515
	Recurring net profit	(586)	(439)	1,733	2,089	2,634
Key risks	Cash flow (IDRb)	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
The downside risks include:	Change in working capital	(16,165)	1,589	1,261	1,013	591
i. Higher financing costs;	Cash flow from operations	(14,692)	2,630	4,906	5,163	5,433
ii. Rising toll road construction costs;	Capex	(6,493)	2,591	(4,525)	(4,579)	(4,635)
iii. Change in government regulations on toll roads;	Cash flow from investing activities	(7,368)	2,333	(4,809)	(4,871)	(4,933)
iv. Lower than expected traffic volume.	Dividends paid	(110)	0	0	(390)	(503)
	Cash flow from financing activities	22,315	(3,281)	(635)	20	(3,309)
	Cash at beginning of period	4,342	4,597	6,279	5,741	6,053
	Net change in cash	256	1,682	(538)	312	(2,809)
	Ending balance cash	4,597	6,279	5,741	6,053	3,244
Company Profile	Balance sheet (IDRb)	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
JSMR is the leading toll road operator in Indonesia. The company collects toll payments, maintains road surfaces, and offers other toll road-related services.	Total cash and equivalents	5,421	7,567	7,029	7,342	4,533
	Tangible fixed assets	746	833	904	967	1,022
	Total investments	5,854	7,537	7,766	7,999	8,239
	Total assets	104,087	101,243	104,030	107,677	108,182
	Short-term debt	6,228	4,080	2,910	4,783	4,874
	Total long-term debt	57,661	57,554	58,007	56,541	53,567
	Total liabilities	79,311	75,743	76,544	78,260	76,275
	Total equity	24,776	25,500	27,486	29,417	31,907
	Total liabilities & equity	104,087	101,243	104,030	107,677	108,182
	Key metrics	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
	Revenue growth (%)	(12.7)	22.8	21.6	10.7	8.4
	Recurrent EPS growth (%)	(136.4)	(25.0)	0.0	20.5	26.1
	Gross margin (%)	55.4	54.9	61.6	61.7	61.8
	Operating EBITDA margin (%)	59.4	53.9	61.9	61.4	61.2
	Net profit margin (%)	(6.1)	1.1	11.0	12.3	14.6
	Dividend payout ratio (%)	(18.9)	0.0	0.0	20.0	20.0
	Capex/sales (%)	67.7	(22.0)	31.6	28.9	27.0
	Interest cover (x)	1.12	1.12	1.77	1.88	2.14

Source: Company data, RHB

Figure 1: Details of the Japek Elevated transaction

Toll road	Transaction (IDRbn)	Price (x)	Expected gains (bn)
Japek Elevated	4,030	1.9	1,921

	Date	Payment (bn)
Payment I	30-Jun-22	15
Payment II	31-Jul-22	791
Payment III	20-Dec-22	3224
Payment IV*	31-Dec-24	359

*Note: Conditional after tariff adjustment is completed

Source: Company data, RHB

Figure 2: Trans-Java asset spin-off

Operation Segments – Trans Java	Assets (IDRbn)	Revenue (IDRbn)	Liabilities (IDRbn)
Jakarta-Cikampek			
Surabaya-Gempol			
Semarang Seksi A, B, C	2,490	5,780	200
Palimanan-Kanci			

Toll Road Business Entities (BUJT)	Equity (IDRbn)	Revenue (IDRbn)	Earnings (IDRbn)
Japek Elevated (JJC)	4,941	679	(620)
Semarang-Batang (JSB)	3,630	968	(180)
Semarang-Solo (TMJ)	835	701	99
Solo-Ngawi (JSN)	3,009	762	(219)
Ngawi-Kertosono (JNK)	1,300	507	(7)
Surabaya-Mojokerto (JSM)	473	441	(84)
Gempol-Pasuruan (JGP)	664	265	(76)
Gempol-Pandaan (JPT)	563	143	5
Pandaan-Malang (JPM)	1,138	249	(265)
Total	16,553	4,715	(1,346)

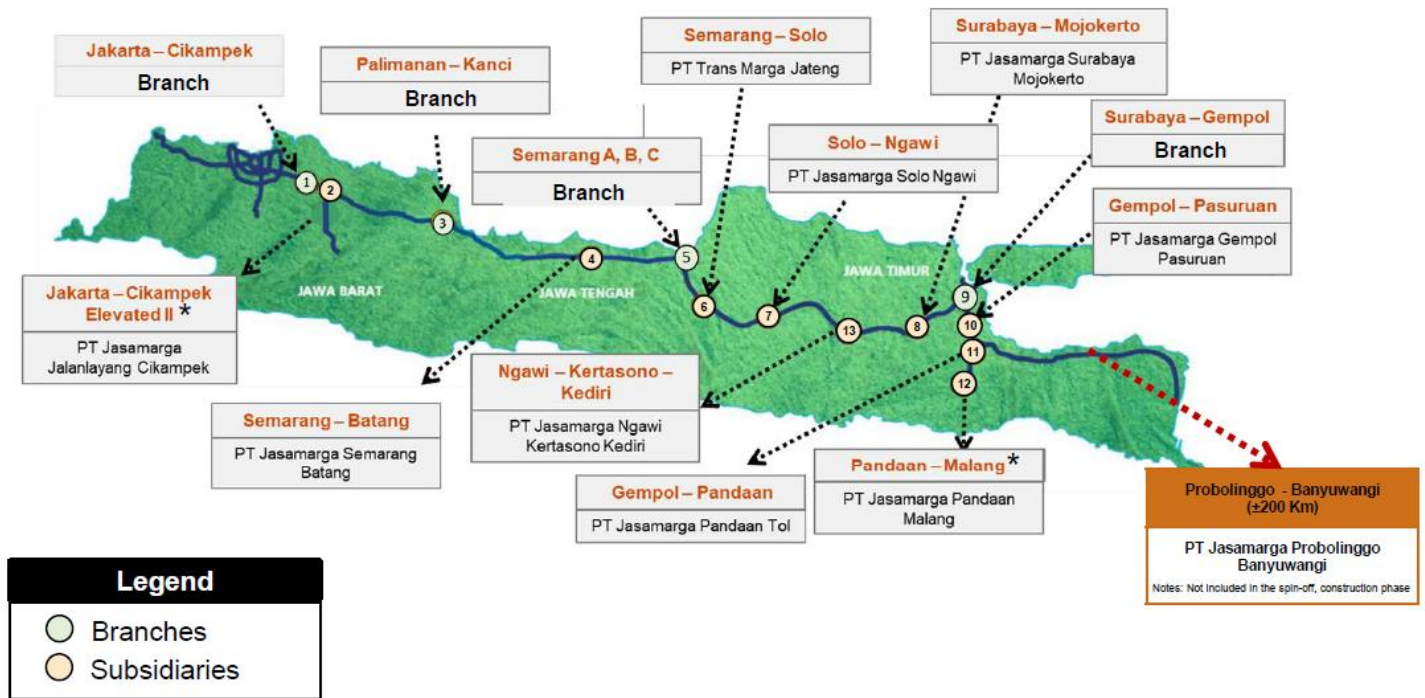
Source: Company data, RHB

Figure 3: Jasamarga Gedebade Cilacap's capital structure

Shareholders	Nominal (IDRbn)	Stake
Jasa Marga (JSMR IJ)	1981.1	32.5%
Waskita Karya (WSKT IJ)	1219.1	20.0%
Pembangunan Perumahan (PTPP IJ)	609.6	10.0%
Wijaya Karya (WIKA IJ)	609.6	10.0%
Dayamulia Turangga	815.3	13.4%
Gama Group	815.3	13.4%
Jasa Sarana	45.6	0.7%

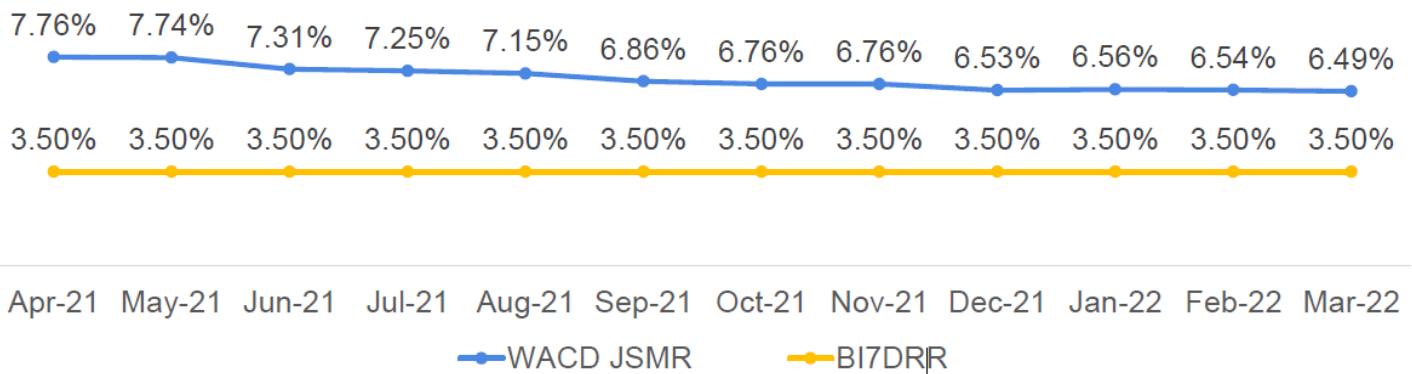
Source: Company data, RHB

Figure 4: The Trans-Java spin-off



Source: Company data, RHB

Figure 5: Lower cost of debt



Source: Company data, RHB

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Figure 6: Forecast revision

(IDRbn)	2022F	New 2023F	2024F	2022F	Old 2023F	2024F	2022F	% Change 2023F	2024F
Revenue	14,322	15,860	17,189	14,037	15,321	16,839	2.0%	3.5%	2.1%
Gross profit	8,828	9,792	10,630	8,243	8,966	9,871	7.1%	9.2%	7.7%
EBITDA	8,947	9,873	10,702	8,604	9,386	10,330	4.0%	5.2%	3.6%
EBIT	7,355	8,196	8,938	6,690	7,271	8,008	9.9%	12.7%	11.6%
Net income (IDRbn)	1,578	1,951	2,515	1,830	2,148	2,515	-13.8%	-9.2%	0.0%
Margin									
EBIT	51.4%	51.7%	52.0%	47.7%	47.5%	47.6%			
EBITDA	62.5%	62.3%	62.3%	61.3%	61.3%	61.3%			
NP	11.0%	12.3%	14.6%	13.0%	14.0%	14.9%			

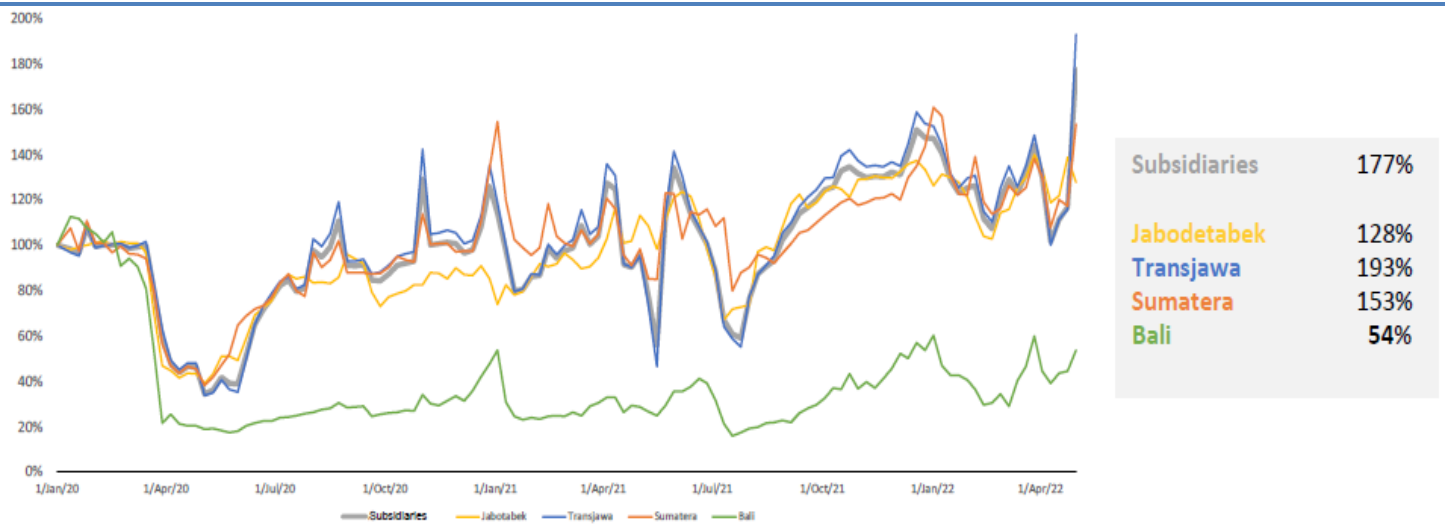
Source: Company data, RHB

Figure 7: JSMR's weekly toll revenues



Source: Company data, RHB

Figure 8: Subsidiaries' weekly toll revenues



Source: Company

Figure 9: DCF

	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
(IDRbn)												
EBIT	7,355	8,196	8,938	9,766	10,547	11,440	12,290	13,049	13,724	14,572	15,328	16,274
Tax on EBIT	(2,206)	(2,459)	(2,682)	(2,930)	(3,164)	(3,432)	(3,687)	(3,915)	(4,117)	(4,372)	(4,598)	(4,882)
Depreciation and Amortisation	1,592	1,677	1,763	1,851	1,941	2,033	2,126	2,221	2,318	2,411	2,498	2,582
Capital expenditures	(4,566)	(4,621)	(4,676)	(4,733)	(4,791)	(4,849)	(4,909)	(4,970)	(5,033)	(5,014)	(4,856)	(4,860)
Changes in net working capital	102	2,896	694	768	1,321	984	1,185	847	974	1,206	1,421	1,629
Free Cash Flow	2,276	5,690	4,038	4,723	5,854	6,175	7,004	7,232	7,866	8,804	9,792	10,742
PV FCF	2,276	5,310	3,517	3,840	4,442	4,374	4,630	4,462	4,530	4,732	4,912	5,030
Terminal value												137,116
Sum of PV FCF	47,027											
PV of TV	68,790											
Enterprise value	115,817											
Cash (IDRbn)	5,741											
Debt (IDRbn)	(60,918)											
Minority Interest (IDRbn)	(22,211)											
Equity value	38,429											
o/s shares (bn shares)	7.3											
Fair Value/share (IDR)	5,300											
ESG Premium	2%											
Final TP (IDR)	5,400											

Source: Company data, RHB

Figure 10: WACC breakdown

% of Debt	70%
% of Equity	30%
Cost of Debt (Kd)	
Kd Before Tax	7.5%
Marginal Tax Rate	30.0%
Kd After Tax	5.3%
Cost of Equity (Ke)	
Risk free rate	6.5%
Market Risk Premium	5.0%
Beta	1.0
Liquidity Premium	0.0%
Ke	11.6%
WACC	7.1%
TG	0.0%

Source: Company data, RHB

Recommendation Chart

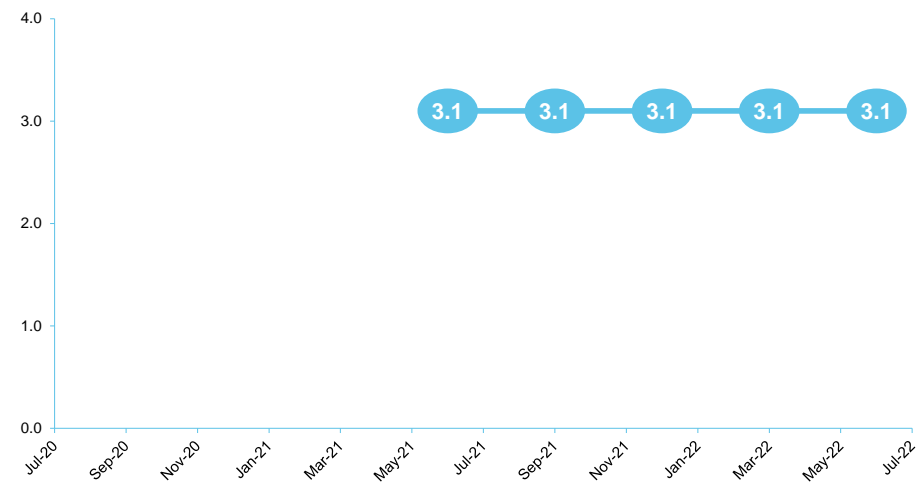


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-03-22	Buy	5,300	3,720
2022-01-05	Buy	5,300	3,900
2021-05-25	Buy	5,300	3,900
2021-03-31	Buy	6,100	4,040
2021-01-19	Buy	6,100	4,830
2020-06-24	Buy	5,250	4,500
2020-05-04	Buy	4,600	3,040
2020-01-29	Buy	7,000	4,900
2020-01-03	Buy	7,000	5,250
2019-12-09	Buy	7,000	5,025
2019-11-08	Buy	7,000	5,100
2019-10-31	Buy	7,000	5,450
2019-07-24	Buy	7,000	6,050
2019-05-28	Buy	7,000	5,375
2019-04-24	Buy	7,000	6,100

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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