

BUY

(unchanged)

TP: IDR330

(unchanged)

Adi Sarana Armada

Land Transportation (Neutral)

PX: IDR258

JCI: **5,669**

TP/consensus: **93%**

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Born to perform

April used car prices up 6.9% y-y, supporting price recovery in 2017:

Based on our latest market research, the April ASP for used Toyota Avanzas (Exhibit 6), the highest-selling MPV in Indonesia, had a correction to IDR131mn, down 2.2% m-m, but still recorded strong improvement of 6.9% higher than last year's April price level of IDR122.5mn, supporting our view of a recovery in the secondary car market in 2017. We expect the slight price correction that occurred in April to reverse on the lead-up to Ramadan in May-June due to a seasonal increase in MPV demand for homecoming purposes.

1Q17 results: In line with our 12M forecast of IDR93bn, +50.3% y-y:

In 1Q17, ASSA booked in-line earnings of IDR22.9bn, up 109% y-y, translating into 25% and 26% of Bahana and consensus estimates, respectively. This solid earnings improvement was largely attributable to higher operating profit of IDR69.6bn, up 26.6% y-y, on strong performance from its vehicle rental segment, which contributes 56% of ASSA's total revenue. ASSA recorded 1Q17 rental revenue of IDR231bn from its sizeable fleet size of 19.4k units, up 7.6% y-y, with a high utilization rate of 94.4% (1Q16: 92.1%). We expect ASSA to maintain a fleet utilization rate of 93.4% with a higher fleet size (Exhibit 7) of 20.9k units, up 8.9% y-y, resulting in 2017 rental-segment revenue of IDR1.0tn, up 15.7% y-y.

BidWin on track to achieve target of 20k cars auctioned in 2017:

ASSA's car-auction segment, BidWin, has continued to post solid performance since its operation commencement in mid-2014. In 1Q17, BidWin offered 5.5k vehicles (Exhibit 8), in line with management's expectation of having 20k cars auctioned in 2017. Additionally, BidWin has increased the auction frequency held in 9 cities (Jakarta, Surabaya, Semarang, Medan, Makassar, Balikpapan, Palembang, Pekanbaru and Banjarmasin) to 30 times/month, up 57.8% from 2016's auction schedule of just 19 times/month.

Recommendation: Reiterate BUY and TP of IDR330

At this stage of the cycle, we continue to like ASSA given its in-line 1Q17 results on the strong performance of its vehicle rental and auction segments. Hence, we expect ASSA's sharp market outperformance to continue (Exhibit 4), particularly as the outlook for the vehicle rental and auction businesses remain intact, in our view. We are maintaining our BUY rating on the stock at an unchanged 12M TP of IDR330, based on a 2017F PER of 12x. The key risks to our positive call may include lower-than-expected secondary car market prices, slower fleet expansion and lower utilization rates.

Exhibit 5. Regional peers

Indonesia Land Transportation													
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
Blue Bird Tbk PT	732	16.3	14.5	1.8	1.6	5.9	5.4	1.1	1.2	11.0	11.2	9.0	12.0
Adi Sarana Armada Tbk PT	65	9.4	6.0	0.9	0.8	4.2	3.8	4.2	6.6	9.7	13.9	50.3	55.7
Express Transindo Utama Tbk PT	23	38.0	40.1	0.4	0.4	3.5	3.6	0.5	0.4	1.1	1.0	na	(5.2)
		16.4	14.6	1.7	1.5	5.7	5.2	1.4	1.6	10.6	11.1	12.0	15.0

Regional Land Transportation													
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
Cabcharge Australia Ltd	238	na	14.0	1.0	1.0	8.0	8.4	26.7	4.9	(4.9)	10.7	(122.4)	(317.0)
Sichuan Fulin Transportation G	528	22.5	18.8	4.3	3.8	na	na	1.9	2.2	18.6	19.3	21.6	19.3
ComfortDelGro Corp Ltd	4,206	17.4	16.7	2.3	2.2	7.2	7.0	4.0	4.4	13.4	13.4	3.3	4.5
		17.1	16.8	2.4	2.3	6.4	6.3	4.9	4.2	13.0	13.9	(0.8)	(9.3)

Source: Bloomberg, Bahana forecasts for Indonesian-listed stocks; prices as of close on 4 May 2017

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Exhibit 1. Company information

Market cap (IDRtn/USDbn)	:	0.9/0.1
3M avg.daily t.o.(IDRbn/USDmn)	:	1.1/0.1
Bloomberg code	:	ASSA JJ

Source: Bloomberg

Exhibit 2. Shareholders information

Adi Dinamika Investindo (%)	:	24.9
Daya Adicipta Mustika (%)	:	19.2
Others (%)	:	18.5
Free float (%)	:	37.4

Source: Bloomberg

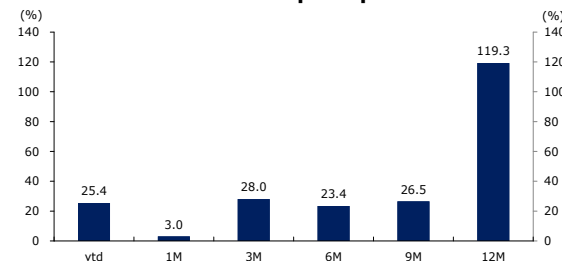
Exhibit 3. Key forecasts and valuations

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	34	62	93	145
Bahana/cns. (%)			105	126
EPS (IDR)	10	18	27	43
EPS growth (%)	(20.5)	81.8	50.3	55.7
EV/EBITDA (x)	4.8	4.3	4.2	3.8
PER (x)	25.7	14.1	9.4	6.0
FCFPS (IDR)	(90)	(5)	(51)	(32)
FCF yield (%)	(35)	(2)	(20)	(12)
BVPS (IDR)	251	266	282	308
PBV (x)	1.0	1.0	0.9	0.8
DPS (IDR)	5	4	11	17
Yield (%)	1.9	1.6	4.2	6.6
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

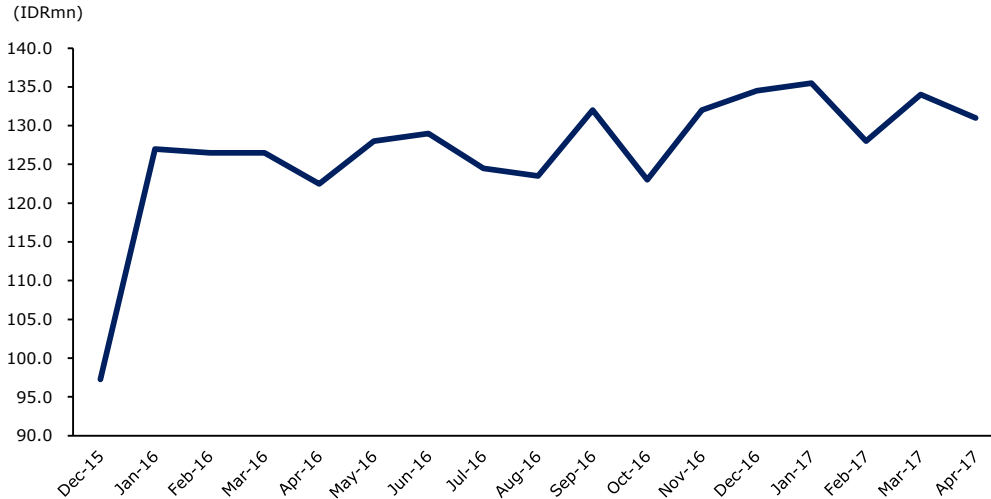
Note: Pricing as of close on 4 May 2017

Exhibit 4. Relative share price performance



Source: Bloomberg, Bahana

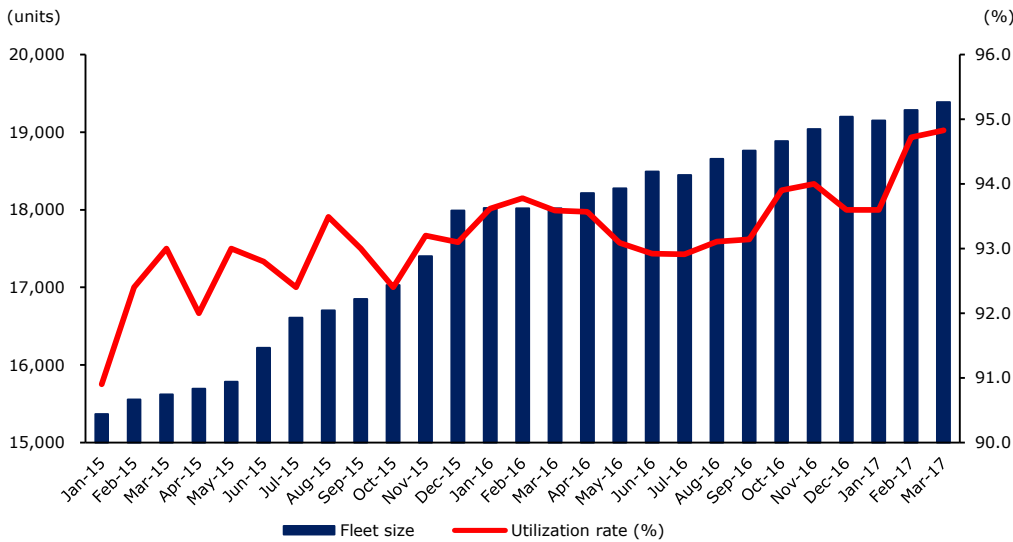
Exhibit 6. Average 2012 Toyota Avanza secondary market ASPs, April 2017



ASPs on used Toyota Avanza in April at IDR131mn, -2.2% m-m but +6.9% y-y, supporting our view of a recovery in the secondary car market in 2017

Source: Company, Bahana

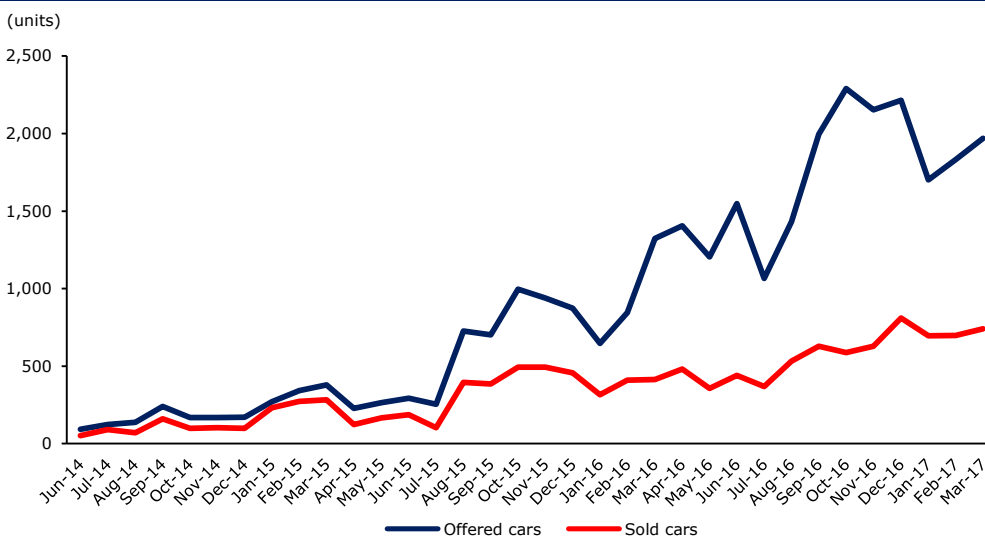
Exhibit 7. ASSA's fleet size and utilization rate, January 2015-March 2017



Stable utilization at 93.4% with 8.9% y-y higher fleet size at 20.9k units in 2017F

Source: Company, Bahana estimates

Exhibit 8. Number of BidWin's offered and sold cars, March 2017



BidWin recorded strong performance with the auction of 5.5k cars for 1Q17, in line to achieve its 2017 target of 20k cars

Source: Company, Bahana

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 9.1% 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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