INDOPREMIER

Jasa Marga

BUY

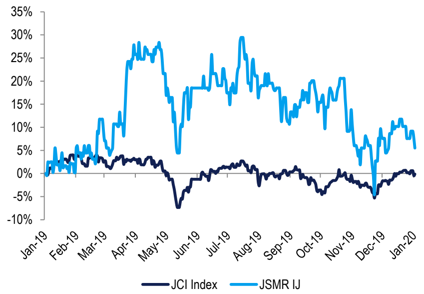
Company Initiation | Toll Road | JSMR IJ | 9 January 2020

Stock Data

Target price	**Rp7,100**
Prior TP	*N/A*
Current price	Rp5,075
Upside/downside	*+40%*
Shares outstanding (mn)	7,258
Market cap (Rp bn)	36,834
Free float	24%
Avg. 6m daily T/O (Rp bn)	23

Price Performance

	3M	6M	12M
Absolute	-9.8%	-11.0%	5.9%
Relative to JCI	-12.9%	-8.4%	6.5%
52w low/high	Rp4,590 - Rp6,225		



Major Shareholders

Republic of Indonesia	70.0%

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Attractive risk-reward preposition

- We expect revenue/EBITDA growth of 11%/13% CAGR 2018-21F driven by traffic volume growth/higher rates (4%/18% CAGR 2018-21F).
- Normalizing capex beyond 2020F coupled with consistent track record in securing funding shall lead to positive FCF starting in 2020F.
- Valuation (at -1STD) has not priced-in the robust growth outlook and macro tailwinds. Re-initiate with a Buy and TP of Rp7,100/sh.

Robust revenues ahead…

We expect JSMR's toll road revenue to grow 11% CAGR 2018-21F on the back of 1) a steady traffic growth (+4% CAGR 2018-21F largely driven by new concessions as well as higher interconnectivity) as well as 2) an increase in rate/km (+18% CAGR 2018-21F) driven by higher revenue contribution from new concessions (4x higher rate/km vs. old concession, based on our estimate) and tariff integration (previous tariff integrations in Jakarta-Tangerang/Jagorawi in 2017 and JORR/Semarang in 2018 have increased rate/km by c.20-40% vs. pre-integration levels).

…coupled with a better outlook on EBITDA margins

Concurrently, EBITDA margin is also set to expand to 62-64% in 2019-21F from 62% in 2018 on the back of higher revenue contribution from new concessions, which bears higher EBITDA margin of 75-85% vs. old concessions 60-65% (due to a higher rate/km). We expect an EBITDA of Rp6.8-9tr p.a. in 2019-21F, implying a 2018-21F CAGR of 13%. Net profit (-1% CAGR 2018-21F) is expected to be much softer amid higher interest expenses and as we have yet price-in any potential divestment gains.

Aggressive capex cycle is behind us, positive cash flow going forward

We estimate capex of Rp33tr in 2020F (guidance: Rp35tr), a steep increase over Rp10-11tr in 2019F due to the potential delay in payment of Jakarta-Cikampek Elevated II (Rp15tr). We believe capex will normalize in 2021F (Rp7tr). This, coupled with robust EBITDA, should point to positive FCF starting in 2021F. Though we expect higher debt and interest expenses in 2020-21F (70% of capex to be funded by debt), balance sheet should remain strong – further divestment could ease pressure on gearing/debt, in our view.

Macro and valuations at its side; re-initiate with a Buy call

Re-initiate coverage with a Buy rating and a DCF-based TP (WACC: 11.15%) of Rp7,100/share (target multiple of 11x 2021F EV/EBITDA, at 10-year average). We think its robust fundamentals and lower rates (current share price implies risk free-rate of 10-10.25% vs. current bond yield of 7%) have yet to be priced-in – it trades at 8.5x 2020F EV/EBITDA vs. 10-year average of 11x. Risks are higher rates, regulation changes, and major capex needs.

Financial Summary (Rp bn)	2017A	2018A	2019F	2020F	2021F
Revenue	8,922	9,784	10,957	12,576	14,137
EBITDA	5,639	6,209	6,826	7,962	9,021
Net profit	2,200	2,203	1,926	1,856	2,138
EPS (Rp)	303	303	265	256	295
EPS growth	16.5%	0.1%	-12.6%	-3.6%	15.2%
ROAE	12.7%	11.4%	9.2%	8.4%	9.1%
PER (x)	16.7	16.7	19.1	19.8	17.2
EV/EBITDA (x)	12.0	10.9	9.9	8.5	7.5
Dividend yield	1.5%	1.2%	1.0%	1.0%	1.2%
IPS vs. consensus			93%	85%	89%

Sources: Company, IndoPremier *Share price closing as of: 08 January 2020*

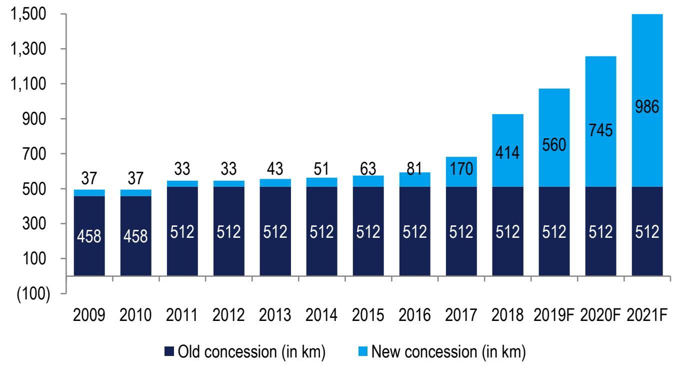
Robust revenues ahead, coupled with a better outlook on EBITDA margins

We expect JSMR's overall toll road revenues to grow 18% CAGR 2018-21F, outpacing the 2009-18 CAGR of 11%. This shall be driven by improvement in both traffic volume (+4% CAGR 2018-21F) as well as higher rate/km on the back of tariff integration and higher revenue contribution of new toll roads (+18% CAGR 2018-21F)**.** Excluding revenues from the concessions already divested (i.e. Semarang-Solo, Solo-Ngawi, Ngawi-Kertosono, and Semarang-Batang, on which now JSMR only has minority stakes), **we still expect JSMR's toll road revenues to grow 11% CAGR 2018-21F.**

<u>Positive traffic volume and rate/km outlook shall be primarily driven by an increase in toll road length to 1,500km by 2021F from 927km in 2018</u> (17% CAGR 2018-2F vs. 7% CAGR 2009-21F). Concurrently, we also expect the new toll road concessions to post revenue CAGR of 30% in 2018-21F vs. old concession's 6% CAGR in 2018-21F.

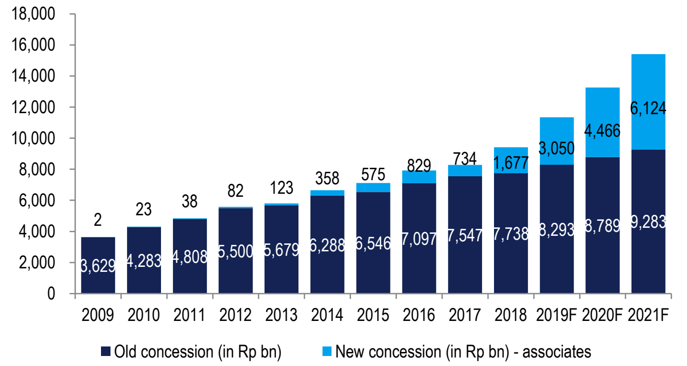
Note that some of the major toll roads that will start operations in the next few years include Jakarta-Cikampek Elevated II (39km started at end of 2019) and Balikpapan-Samarinda (99km in 2020F), based on our checks. Beyond 2020, some of the major toll roads awaiting completion include Jakarta-Cikampek South (106km) and Probolinggo-Banyuwangi (170km total length – construction of the first 30km will be started in 2021F), among others.

Fig. 1: We expect JSMR's operating toll road length to grow by 17% CAGR 2018-21F vs. 7% CAGR 2009-18



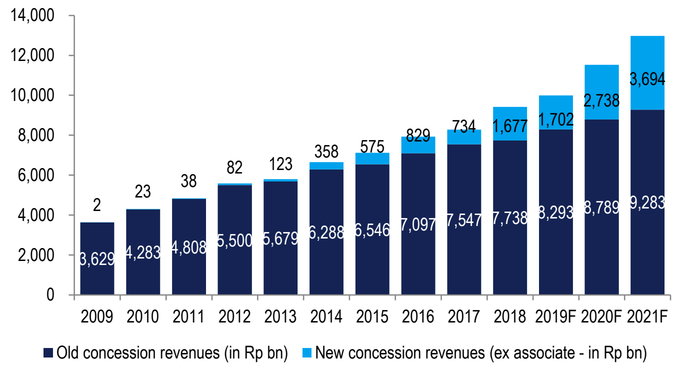
Sources: Company, IndoPremier

Fig. 2: Subsequently, we forecast toll revenue to grow 18% CAGR 2018-21F vs. 2009-2018 CAGR of 11%



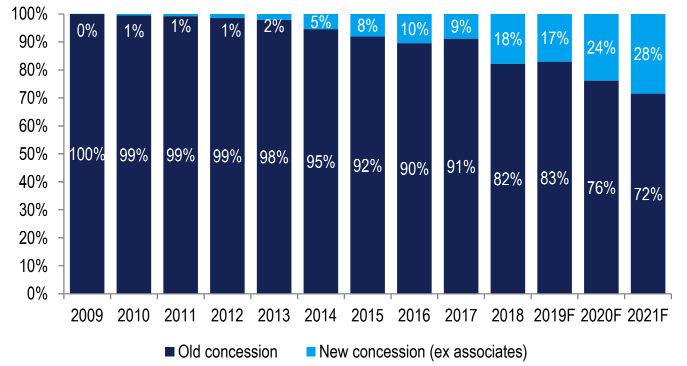
Sources: Company, IndoPremier

Fig. 3: Even after taking into account deconsolidated toll roads, revenue is still expected to grow by CAGR of 11% in 2018-21F



Sources: Company, IndoPremier

Fig. 4: Proportion of revenues coming from new concessions will increase to 17-28% in 2019-21F, based on our estimate



Sources: Company, IndoPremier

Interconnectivity of toll roads shall be positive for traffic volume outlook – recovery in Jakarta-Cikampek traffic expected in 2020F
Benefit of TransJava connectivity has been reflected in rising traffic volume from the older concessions, namely Surabaya-Mojokerto, Surabaya-Gempol, and Gempol-Pandaan. Post interconnection of TransJava in 2018, all three sections saw traffic volume improving by 10-70% yoy as of 9M19. Note that Semarang's drop in traffic volume is the exception (-10% yoy in 9M19), largely due to the tariff integration implemented in 2018 (i.e. shift to open system from closed system previously i.e. change in method of recording traffic).

Going forward, we expect the coming integration of JORR 2 section (with Kunciran-Serpong and Cinere-Serpong coming online in 2020F) to be positive for other JORR 2 sections (Kebon Jeruk-Ciledug, Cengkareng-Kunciran).

Furthermore, we think Jakarta-Cikampek will also continue to see recovery in traffic volume, as the heavy construction work for Jakarta-Cikampek Elevated II (which caused heavy traffic congestion in Jakarta-Cikampek and resulting in lower traffic since 4Q17) is now completed. Further upside for Jakarta-Cikampek will come from the integration with Jakarta-Cikampek Elevated II which has commenced operations in Dec19 (tariffs are due to be implemented in Jan20, based on our checks).

Our base case pencils in a traffic volume growth of 4% CAGR 2018-21F for overall JSMR toll-road – we think this is more on the conservative side as we only pencil in a 1% CAGR 2018-21F in traffic volume from old concessions, while bulk of the traffic growth shall be driven by higher traffic from new concession (+30% CAGR 2018-21F), 72% of which coming from commencement of new concessions.

Indeed, this remains in-line with other ASEAN peers – our analysis shows that Indonesia's current toll road penetration (using JSMR's traffic as a proxy - defined by average daily traffic volume/total car population) stood at 14% as of 2018 – this is relatively similar with Malaysia (15%) and Philippines (15%). Assuming a similar penetration rate in Indonesia in 2019-21F and a national 4W sales growth of c.4% CAGR 2019-21F, JSMR's implied traffic volume should grow c.4% CAGR 2018-21F, already in-line with our forecast.

Fig. 5: Toll road penetration of ASEAN countries

Implied toll road penetration (2018 data)	Indonesia	Malaysia	Philippines	Singapore
Car population (m cars)	25.5	13.0	8.0	0.6
Average daily traffic volume as % of car population (m cars/day)	3.5	1.9	1.2	0.3
Average daily traffic volume as % of car population	14%	15%	15%	49%

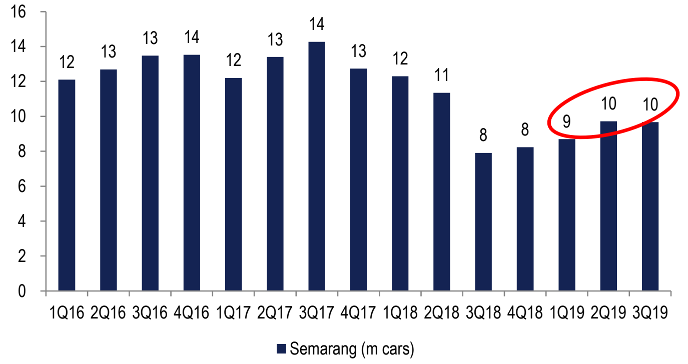
Sources: CEIC, Various Sources, IndoPremier

Also note that previously, integration of existing sections (i.e. interconnectivity of JORR/Trans Java) has resulted in 10-70% increase in traffic volume for some of JSMR's toll road sections, which suggests further that our forecast remain on the conservative side, in our view.

Our analysis also shows that its traffic volume (excluding impact of integration, which changes the way JSMR records its traffic) has been resilient throughout the years – since 2008, JSMR's traffic volume has never posted a negative yoy growth (with the exception 2017-18 when tariff integration started on some of its concessions), despite fluctuations in the overall economy.

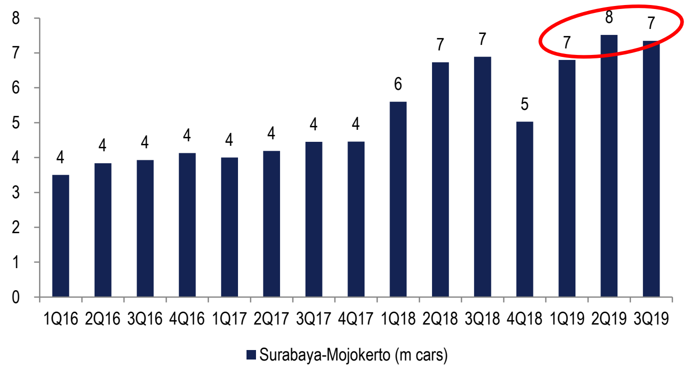
We believe this is attributed towards Indonesia's growing population and heavy congestion, which increases the demand for toll roads to shorten travel time.

Fig. 6: Post interconnection of Trans Java in 2018, Semarang toll road saw traffic volume down 10% yoy in 9M19 (though this is a one-off due to tariff integration for Semarang toll road)



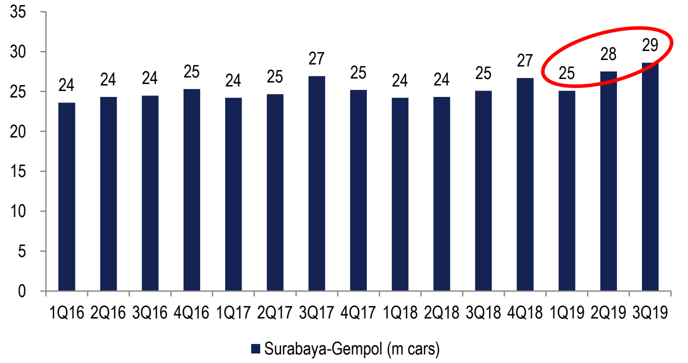
Sources: Company, IndoPremier

Fig. 7: Post interconnection of TransJava in 2018, Surabaya-Mojokerto traffic saw a 13% yoy increase in 9M19



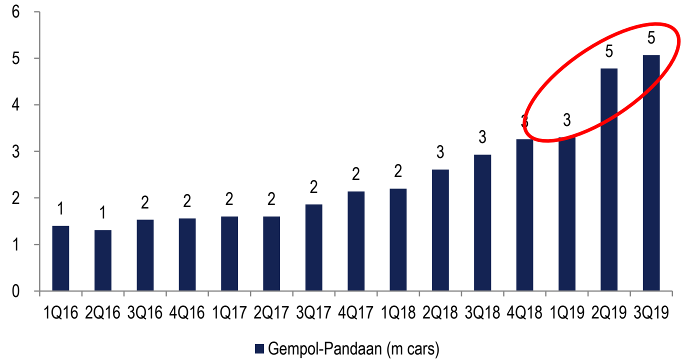
Sources: Company, IndoPremier

Fig. 8: Post interconnection of TransJava in 2018, Surabaya-Surabaya-Gempol traffic saw a 10% yoy increase in 9M19



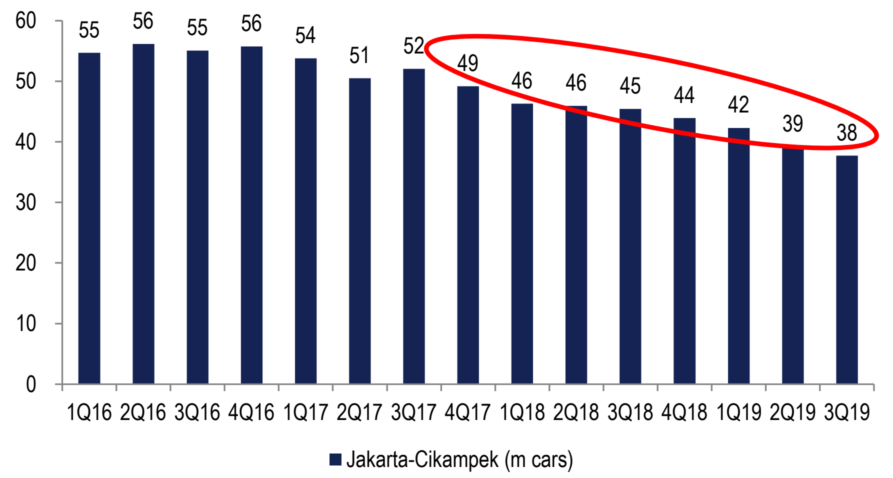
Sources: Company, IndoPremier

Fig. 9: Post interconnection of TransJava in 2018, Surabaya-Gempol-Pandaan traffic saw a 70% yoy increase in 9M19



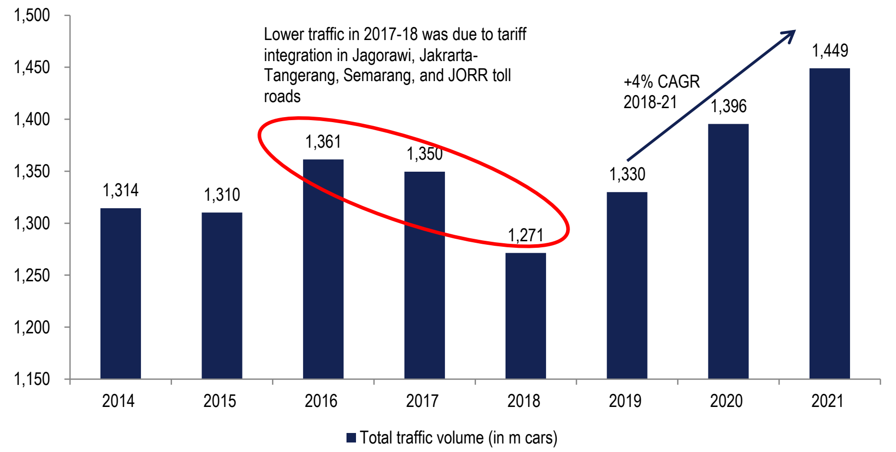
Sources: Company, IndoPremier

Fig. 10: Jakarta-Cikampek's traffic volume has seen a decline starting in 4Q17 largely due to heavy construction works on Jakarta-Cikampek Elevated II – amid completion of the project, we expect traffic volume to recover



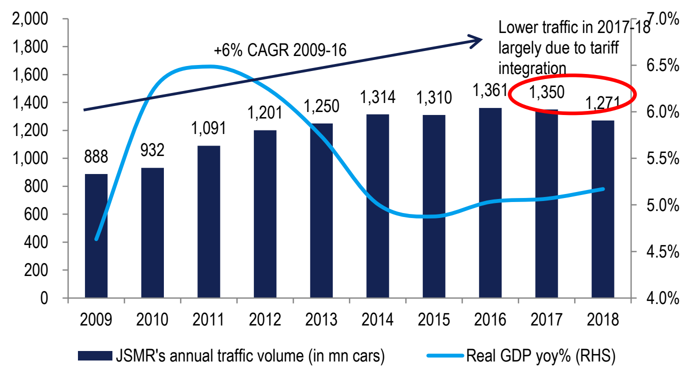
Sources: Company, IndoPremier

Fig. 11: We expect JSMR's traffic volume to grow 4% CAGR 2018-21



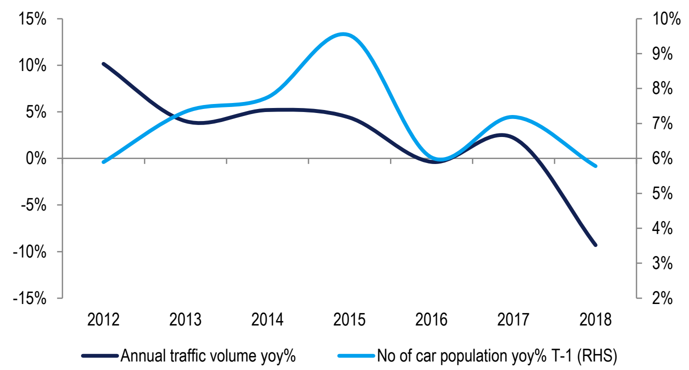
Sources: Company, IndoPremier

Fig. 12: Traffic volume has been resilient despite the slowdown in overall economy



Sources: CEIC, Company, IndoPremier

Fig. 13: Traffic volume also highly correlated with growth in car population

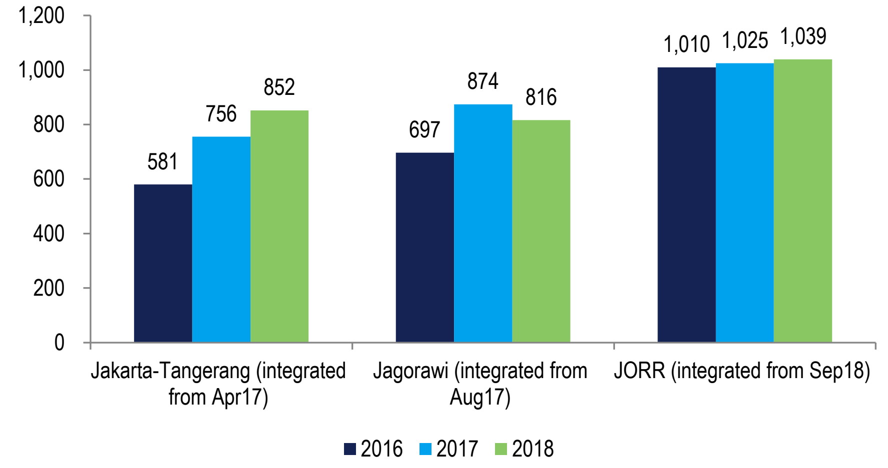


Sources: CEIC, Company, IndoPremier

On top of growing traffic volume, we believe that higher rate/km – driven by contribution of new concession and tariff integration – shall also be a major driver of revenue growth. Previous iterations of toll road integration (i.e. Jagorawi and Jakarta-Tangerang in 2017, JORR and Semarang into TransJava in 2018, Jakarta-Cikampek in 2019) have resulted in a 25-30% increase in overall revenues (mainly driven by a 20-40% increase in rate/km post integration, though partially offset by lower traffic volumes as initial integration on average has resulted on lower traffic).

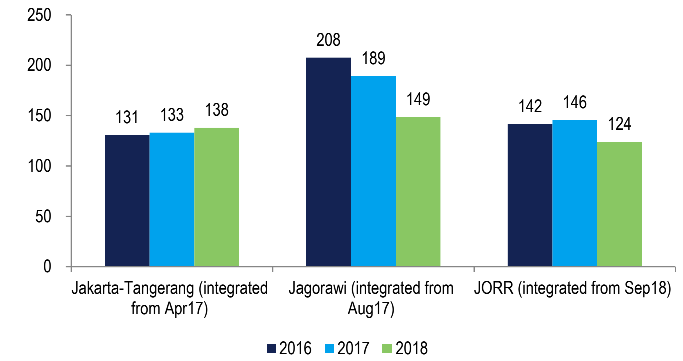
We think this could provide upside to JSMR's current tariff rates – **we expect blended tariff/km to increase by 18% CAGR 2018-21F – annual inflation accounts for c.3% of the increase, while the rest of the increase shall be coming from a combination of tariff integration of old concession and higher revenue contribution from new concessions.** Our discussion with the management suggests that there are more opportunities for further integration, with the most immediate one being integration of Jakarta-Cikampek toll road with the Jakarta-Cikampek Elevated II toll road, which we expect to have a similarly positive impact to revenues.

Fig. 14: Jakarta-Tangerang and Jagorawi (2017) and JORR (2018) saw significant increases in revenues post integration (figures in Rp bn)



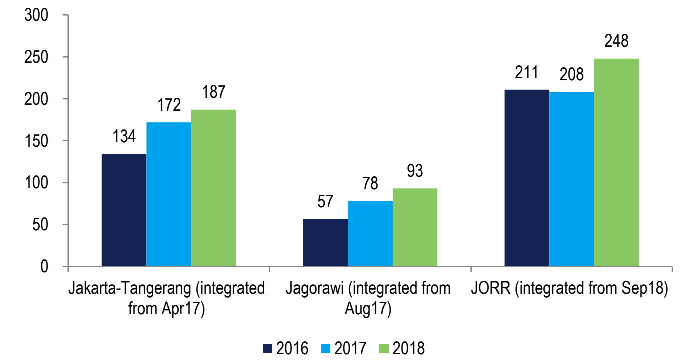
Sources: Company, IndoPremier

Fig. 15: Traffic volumes usually trend lower post integration (amid lower transaction volumes as toll gates are removed)….



Sources: Company, IndoPremier

Fig. 16: ...but more than offset by a significant increase in rate/km



Sources: Company, IndoPremier

Fig. 17: Summary of Jakarta-Tangerang tariffs pre and post integration – we estimate that weighted average tariffs rose by 43% post integration in Apr17

Jakarta-Tangerang tariff summary pre and post integration			
Ramp Meruya/Meruya Utara/Kebon Jeruk	**Before Apr17**	**After Apr17**	**Changes**
I	2,500	7,000	180%
II	2,500	9,500	280%
III	2,500	12,000	380%
IV	3,000	16,000	433%
V	3,500	20,000	471%
Average	**2,800**	**12,900**	**361%**
Tomang IC - Tangerang Barat	**Before Apr17**	**After Apr17**	**Changes**
I	5,500	7,000	27%
II	6,500	9,500	46%
III	9,000	12,000	33%
IV	11,000	16,000	45%
V	13,000	20,000	54%
Average	**9,000**	**12,900**	**43%**

Sources: Company, IndoPremier

Fig. 18: Summary of Jagorawi's tariffs pre and post integration – we estimate that weighted average tariffs rose by 66% post integration in Aug17

Jagorawi's tariff summary pre and post integration			
Ramp Taman Mini/Dukuh (16.4km)	Before Aug17	After Aug17	Changes
I	2,500	6,500	160%
II	2,500	9,500	280%
III	2,500	13,000	420%
IV	2,500	16,000	540%
V	3,000	19,500	550%
Average	2,600	12,900	396%
Jakata IC - Cimanggis (open system transaction - 26.4km	Before Aug17	After Aug17	Changes
I	3,500	6,500	86%
II	4,000	9,500	138%
III	5,000	13,000	160%
IV	6,000	16,000	167%
V	7,500	19,500	160%
Average	5,200	12,900	148%
Cimanggis Ciawi (close system transaction -29.9km)	Before Aug17	After Aug17	Changes
I	5,000	6,500	30%
II	7,000	9,500	36%
III	10,000	13,000	30%
IV	13,000	16,000	23%
V	15,000	19,500	30%
Average	10,000	12,900	29%
Weighted average tariff (based on toll road length)	Before Aug17	After Aug17	Changes
I	4,297	6,500	51%
II	5,593	9,500	70%
III	7,655	13,000	70%
IV	9,718	16,000	65%
V	11,483	19,500	70%
Average	7,749	12,900	66%

Sources: Company, IndoPremier

Fig. 19: Summary of Semarang tariffs pre and post integration – we estimate that weighted average tariffs rose by 17% post integration in Nov17

Semarang tariff summary pre and post integration			
Semarang Seksi A,B	Before Nov17	After Nov17	Changes
I	2,500	2,500	0%
II	2,500	3,500	40%
III	3,500	5,000	43%
IV	4,500	6,000	33%
V	5,000	7,000	40%
Average	3,600	4,800	33%
Semarang Seksi B,C	Before Nov17	After Nov17	Changes
I	2,500	2,500	0%
II	3,500	3,500	0%
III	4,500	5,000	11%
IV	5,500	6,000	9%
V	7,000	7,000	0%
Average	4,600	4,800	4%
Weighted average	Before Nov17	After Nov17	Changes
I	2,500	2,500	0%
II	3,006	3,500	16%
III	4,006	5,000	25%
IV	5,006	6,000	20%
V	6,012	7,000	16%
Average	4,106	4,800	17%

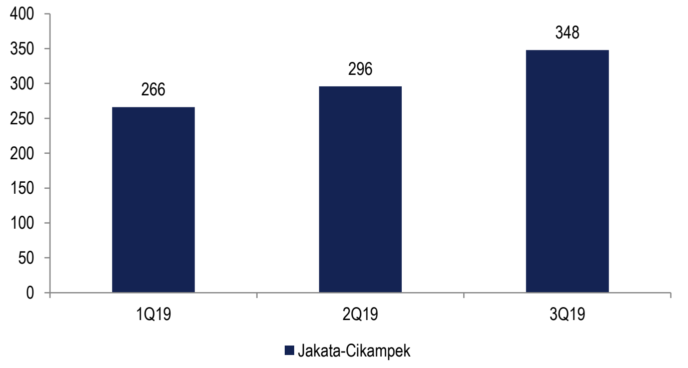
Sources: Company, IndoPremier

Fig. 20: Summary of JORR's tariffs pre and post integration – we estimate that weighted average tariffs rose by 25% post integration in Sep18

JORR's tariff pre and post integration			
Lingkar Luar Jakarta (JORR) - partial	**Before Sep18**	**After Sep18**	**Changes**
I	9,500	15,000	58%
II	11,500	22,500	96%
III	13,500	22,500	67%
IV	17,000	30,000	76%
V	20,500	30,000	46%
Average	**14,400**	**24,000**	**67%**
Lingkar Luar Jakarta (JORR) - full	**Before Sep18**	**After Sep18**	**Changes**
I	19,000	15,000	-21%
II	23,000	22,500	-2%
III	27,000	22,500	-17%
IV	34,000	30,000	-12%
V	41,000	30,000	-27%
Average	**28,800**	**24,000**	**-17%**
Pondok Aren - Ulujami	**Before Sep18**	**After Sep18**	**Changes**
I	3,000	15,000	400%
II	5,500	22,500	309%
III	6,500	22,500	246%
IV	8,500	30,000	253%
V	10,000	30,000	200%
Average	**6,700**	**24,000**	**258%**
Weighted average	**Before Sep18**	**After Sep18**	**Changes**
I	12,418	15,000	21%
II	15,336	22,500	47%
III	18,011	22,500	25%
IV	22,731	30,000	32%
V	27,371	30,000	10%
Average	**19,173**	**24,000**	**25%**

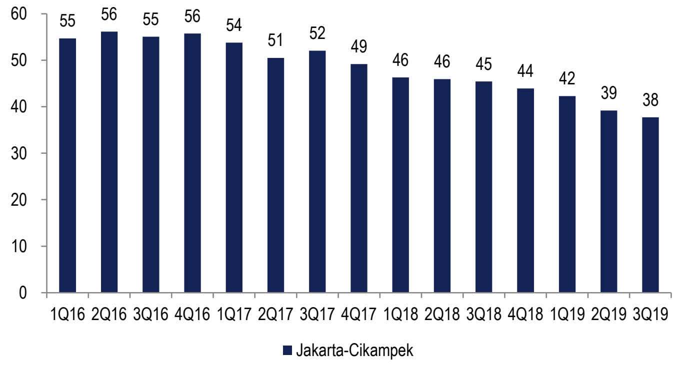
Sources: Company, IndoPremier

Fig. 21: Jakarta-Cikampek's quarterly revenues – post integration in May19, 3Q19 revenues has seen a pick-up of 24% vs. 1Q/2Q19 average



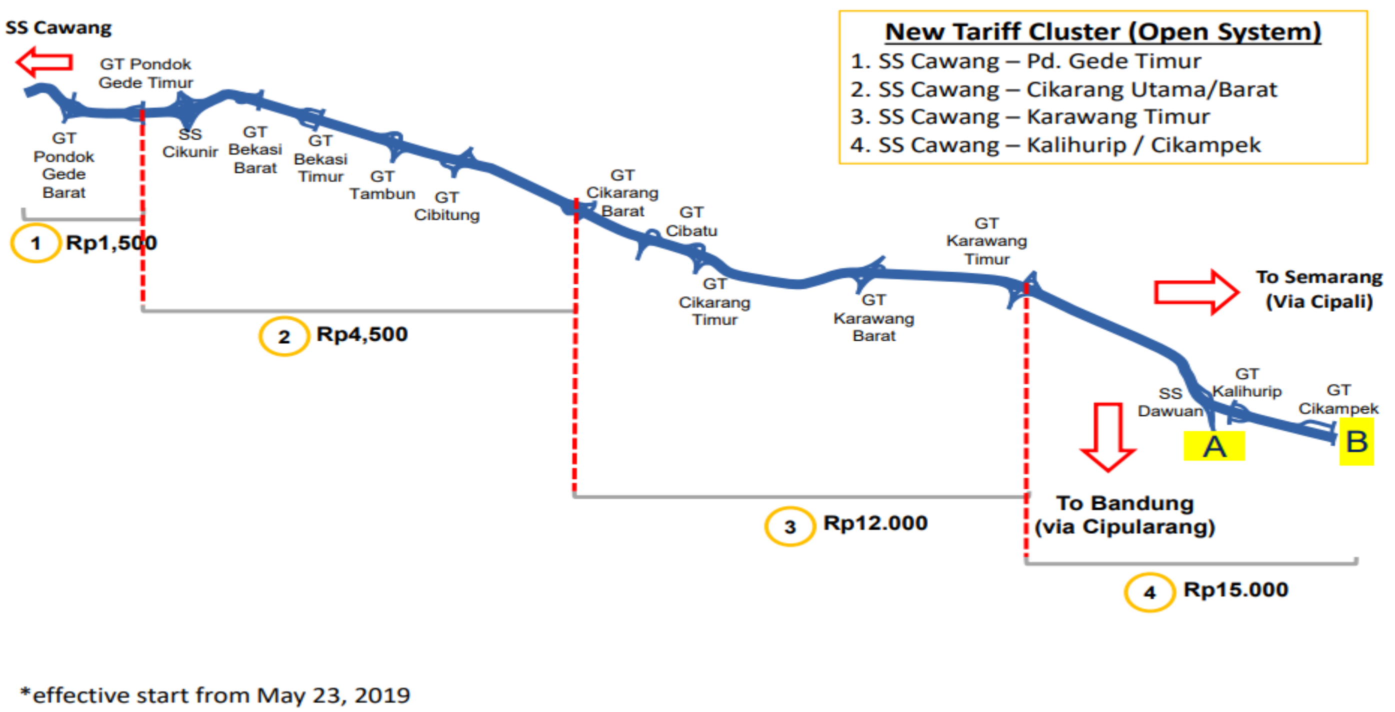
Sources: Company, IndoPremier

Fig. 22: Further upside would come from recovery in Jakarta-Cikampek's traffic volume (decline to heavy traffic amid construction)



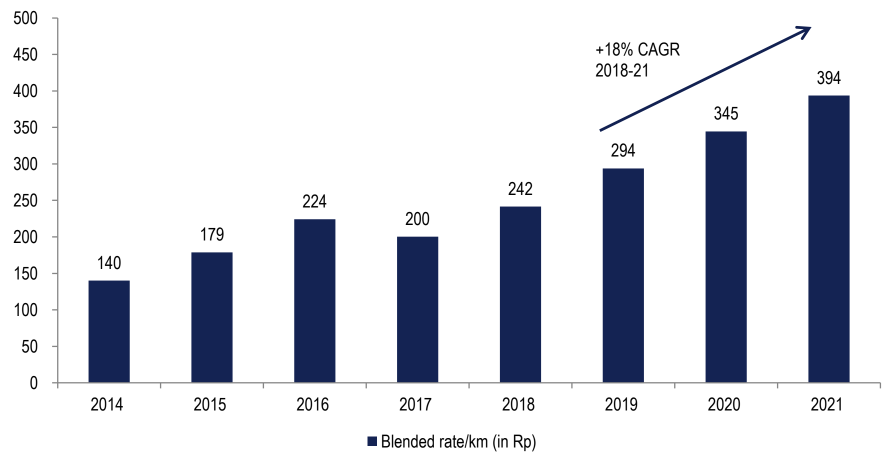
Sources: Company, IndoPremier

Fig. 23: Summary of Jakarta-Cikampek's integration scheme – we expect the integration to continue to positively impact Jakarta-Cikampek's 2020F revenues



Sources: Bloomberg, IndoPremier

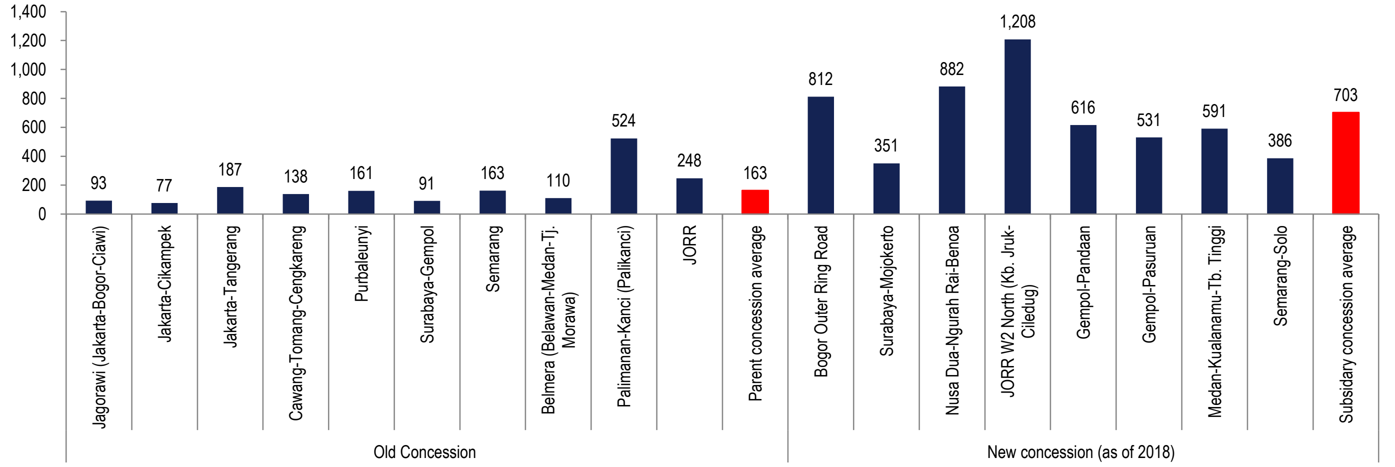
Fig. 24: We expect JSMR's blended tariff/km to grow by 18% CAGR 2018-21F, driven by 1) higher revenue contribution from new toll roads, and 2) impact of tariff integration



Sources: Company, IndoPremier

Concurrently, we expect JSMR's EBITDA margin to continue to expand to 62-64% in 2019-21F vs. 62% in 2018 – this is largely on the back of higher revenue contribution from the new toll road concessions, which bears higher EBITDA margins of 75-85% vs. old concession's EBITDA margins of 60-65% The higher EBITDA margin from the new concessions is largely a function of its higher rates (average of Rp700/km vs. old concession rates of c.Rp160/km). An expansion in EBITDA margin, coupled with strong revenues, point to a robust EBITDA growth outlook – **we expect EBITDA of Rp6.8-9tr p.a in 2019-21F, implying a CAGR of 13% in 2018-21F**.

Fig. 25: Rate/km summary (in rupiah, as of 2018) – a much higher rate/km for new concessions shall contribute towards JSMR's EBITDA margin expansion going forward



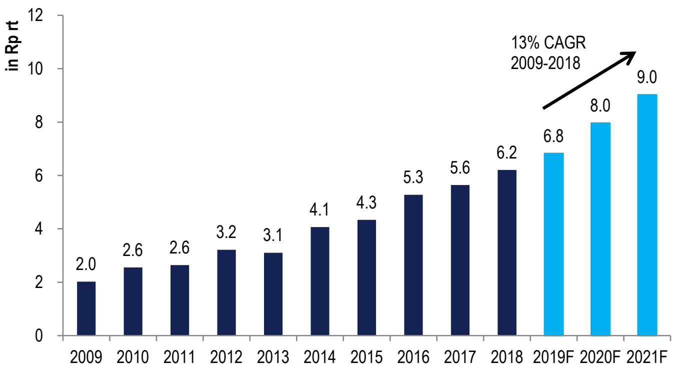
Sources: Company, IndoPremier

Fig. 26: Summary of JSMR's toll roads' IRR – most of the new toll roads have IRR of c. 12-14%

IRR summary	IRR	Length (in km)	Inv cost (in Rp tr)	Cost/km (in Rp bn)
Cinere Serpong	13.5%	6.7	2.2	330
Jakarta-Cikampek II Elevated	13.0%	36.4	16.2	446
Jakarta-Cikampek II (South)	12.1%	64.0	14.7	230
JORR (Cengkareng Kunciran)	13.3%	14.2	5.0	353
JORR (Kunciran Serpong)	13.6%	11.1	3.5	313
Balikpapan-Samarinda	12.3%	66.4	10.0	150
Pandaan Malang	11.8%	38.5	6.0	155
Probolinggo Banyuw angi	13.0%	170.0	23.4	138
Manado Bitung	11.8%	39.0	5.1	131
Medan-Kualanamu-Tebing Tinggi	10.9%	61.7	5.0	80
Surabaya-Mojokerto	13.9%	36.3	4.0	111
Gempol-Pasuruan	12.9%	34.0	4.7	139
Gempol-Pandaan	12.7%	12.0	1.3	109
JORR W2 North (Kebon Jeruk-Ciledug)	15.4%	7.7	2.0	261
Bogor Outer Ring Road	11.7%	12.0	4.0	335
Semarang Batang	12.5%	74.2	11.1	149
Ngaw i Kertosono	13.9%	115.0	9.7	84
Solo-Ngaw i	12.7%	90.1	9.2	102

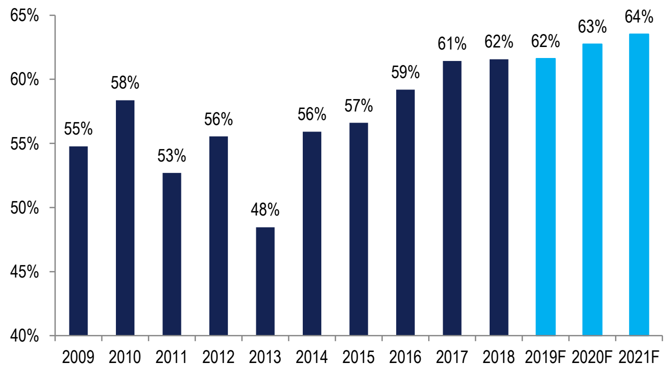
Sources: Company, IndoPremier

Fig. 27: We forecast EBITDA growth of 13% CAGR 2018-21F



Sources: Company, IndoPremier

Fig. 28: We forecast EBITDA margin to expand to 62-64% in 2019-21F



Sources: Company, IndoPremier

Based on our checks, the government still plans to add more than c.3,000km of new toll road length beyond 2020F. This shows the robust growth potential for the overall toll road sector, bulk of it coming from the Trans Sumatera toll road project (2,700km total).

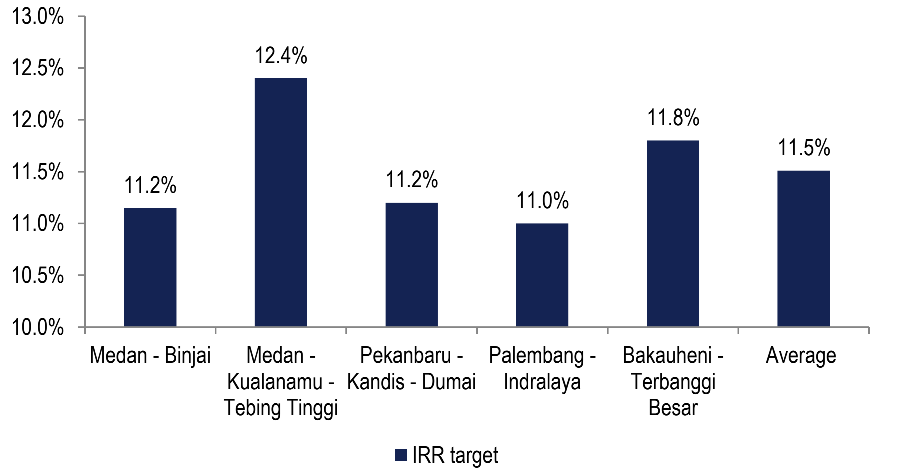
Nonetheless, various sources suggest that bulk of the Trans Sumatera toll concessions will be undertaken by Hutama Karya – we think this in turn is net positive for JSMR as it 1) alleviates pressure for short-medium term capex needs, 2) allows JSMR to concentrate on more profitable projects (Trans Sumatera concessions' IRRs are lower compared to JSMR's projects). We believe that this allows the management's to consistently focus on profitability as well, continuing its current track record.

Fig. 29: Ample of toll road pipeline by the government beyond 2020F – for JSMR, Probolinggo-Banyuwangi will the main pipeline

Toll road concession	Project owner	Section	Length (km)
Probolinggo - Banyuw angi	PT Jasamarga Probolinggo Banyuw angi	Section 1 (Aw al Proyek - SS Kraksaan)	7
		Section 2 (SS Kraksaan - SS Paiton)	16
		Section 3 (SS Paiton - SS Besuki)	22
		Section 4 (SS Besuki - SS Situbondo	43
		Section 5 (SS Situbondo - SS Asembagus)	18
		Section 6 (SS Asembagus - SS Bajulmati)	44
		Section 7 (SS Bajulmati - SS Ketapang)	21
Serpong - Balaraja	PT Trans Bumi Serbaraja	Section 1 (BSD - Legok)	11
		Section 2 (Legok - Tugaraksa Selatan)	11
		Section 3 (Tigaraksa Selatan - Balaraja)	18
Jakarta - Cikampek II Elevated	PT Jasamarga Jalanlayang Cikampek	Phase I (Jatiasih - Setu (JORR2))	9
		Phase II (Setu (JORR2) - Taman Mekar)	25
		Phase III (Taman Mekar - Sadang)	28
Cimanggis - Cibitung	PT Cimanggis Cibitung Tollw ays	Section IA (Junction Cimanggis - On/Off Ramp Jatil	3
		Section II (On/Off Ramp Jatikarya - Junction Cibitur	22
Serang - Panimbang	PT Wijaya Karya Serang Panimbang	Section 1 (Serang - Rangkasbitung)	27
		Section 2 (Rangkasbitung - Cileleas)	24
		Section 3 (Cileles - Panimbang)	33
Cileunyi - Sumedang - Daw uan	PT Citra Karya Jabar Tol	Section 1 (Cileunyi - Ranca Kalong)	11
		Section 2 (Phase I: Ranca Kalong - Sumedang)	6
		Section 3 (Phase II: Ciherang - Sumedang)	11
		Section 4 (Cimalaka - Legok, BUJT)	8
		Section 5 (Legok - Ujung Jaya, BUJT)	15
		Section 6 (Ujung Jaya - Daw uan, BUJT)	6
Sigil - Banda Aceh	PT Hutama Karya (Persero)	Section 1 (Padang Tiji - Seulimeum)	26
		Section 2 (Seulimeum - Jantho)	6
		Section 3 (Jantho - Indrapuri)	16
		Section 4 (Indrapuri - Blang Bintang)	14
		Section 5 (Blang Bintang - Kuto Baro)	8
		Section 6 (Kuto Baro - Baitussalam)	5
Pekanbaru - Dumai	PT Hutama Karya (Persero)	Section 1 (Pekanbaru - Minas)	10
		Section 2 (Minas - Petapahan)	24
		Section 3 (Petapahan - Kandis Utara)	17
		Section 4 (Kandis Utara - Duri Selatan)	26
		Section 5 (Duri Selatan - Duri Utara)	29
		Section 6 (Duri utara - Dumai)	25
Kayu Agung - Palembang - Betung	PT Sriw ijaya Marksmore Persada	Section 1 (Kayuagung - Jakabaring)	34
		Section 2 (Jakabaring - Musilindas)	25
		Section 3 (Musilindas - Betung)	44
Solo - Yogyakarta - NYIA Kulon Progo	N/A		93
Yogyakarta - Baw en	Ministry of Pulblic Works and Public Housing		71
Cileunyi - Garut - Tasikmalaya	N/A	Gedebage - Tasikmalaya	95
		Tasikmalaya - Cilacap	111
Palembang - Tanjung Api-Api	PT Hutama Karya (Persero)		70
Binjai - Langsa	N/A		90
Tebing Tinggi - Dumai	N/A		
Dumai - Sp. Sigambal - Rantau Prapat	Hutama Karya		175
Jambi - Rengat	Hutama Karya		190
Tebing Tinggi - Pematang Siantar - Parapat	Hutama Karya, Jasa Marga, Waskita		144
Pekanbaru - Bukit Tinggi - Padang	N/A		
Total			**1,785**

Sources: SOE Ministry, Various Sources, IndoPremier

Fig. 30: TransSumatera's IRR targets – generally lower than other toll road projects in Java and JSMR's general threshold of 13%



Sources: SOE Ministry, IndoPremier

Last round of major capex, funding track record has been stellar

JSMR spent a total capex of Rp61tr in 2016-18 amid an aggressive increase in new toll road construction (operating toll road length increased by 60% to 927km in 2018 from 575km in 2015), much higher than the combined Rp22tr spent in 2007-15.

For 2019F, management previously guided for a capex budget of Rp20-27tr, though the realization has been lagging (c.Rp7tr in 9M19) – the slower realization is attributed towards the delayed timing of the payment of its turnkey project, namely Jakarta-Cikampek Elevated II, totalling Rp15tr.

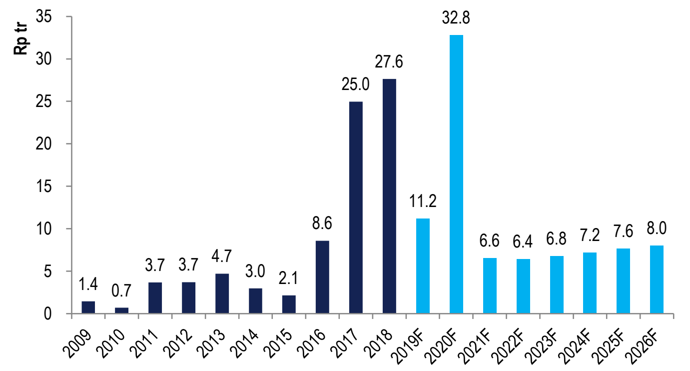
Our latest discussion with the management suggests that payment for Jakarta-Cikampek Elevated II might be delayed to 2020F, which might result a large bulk of the budgeted 2019 capex to be pushed over to 2020F.

Indeed, the management is now guiding for c.Rp35tr of capex in 2020F (including turnkey payments for Jakarta-Cikampek Elevated II and Balikpapan-Samarinda amounting to Rp15tr and Rp7tr, respectively) vs. the expected realization of Rp11tr capex in 2019F. Approximately 70% of the 2020F capex needs will be funded through bank syndication loans, while the remaining 30% will be funded through a combination of internal cash, alternative funding, bond issuance, and other schemes.

Nonetheless, we think this will the last bit of its major capex cycle – **the management guides for a total capex spend of Rp50tr in 2020-22F, which implies significantly lower capex in beyond 2020F** – this is supported by the government's initiative to build Probolinggo-Banyuwangi toll road in stages (170km – Rp23.4tr total investment) – construction of the first phase (30km) will begin only in 2021F, and management guided that JSMR will be more conservative and only start construction of the next section after the traffic from the previous section matures, which could take 3-5 years, in our view. We think this shall alleviate the pressure on JSMR's balance sheet and cash flow going forward, in our view.

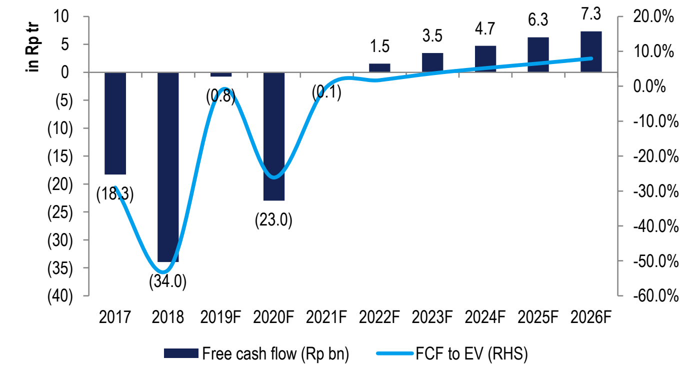
We estimate a capex spending of Rp11tr in 2019F and Rp33tr in 2020F (including Rp15tr payment for Jakarta-Cikampek Elevated II and Rp7tr for Balikpapan-Samarinda), before normalizing to Rp6.6tr in 2021F, in-line with its guidance. Concurrently, we also expect FCF to turn positive beyond 2020F as capex needs normalize and amid maturity of traffic volume on its subsidiary concessions (i.e. positive cash flow).

Fig. 31: We expect 2020F to be the last round of major capex cycle, which already includes turnkey payment for Jakarta-Cikampek Elevated II (Rp15tr) and Balikpapan-Samarinda (Rp7tr)



Sources: Company, IndoPremier

Fig. 32: FCF shall improve significantly beyond 2020F



Sources: Company, IndoPremier

Track record in securing funding has been stellar – previous iterations saw JSMR engineering several value-adding schemes (i.e. KIK Dinfra, RDPT Ekuitas Trans Jawa, asset securitization), which bears marginally lower cost of funds than its weighted average cost of debt (WCD).

Most recently, JSMR reduced its stake in the Semarang-Solo toll road to 50% from 58% previously, a continuation of its first round of KIK Dinfra issuance in Apr19. Total proceed was Rp437bn (implying 2.3x nominal value and P/BV of 7x, based on our checks with the management).

In 2020F, it also guides for another KIK EBA issuance, with JORR non-S as the underlying – management indicates for total proceeds of up to Rp2tr from the KIK EBA. Note that our current forecast has yet to pencil in any potential divestments.

Fig. 33: Summary of recent funding schemes – rate of return on its funding scheme has been lower than its weighted average cost of funds

Name	Type	Underlying asset	Total proceeds	Launch date	Tenor	Rate of return
KIK-EBA JSMR01	Revenue-backed securities	Jagorawi	2,000	Aug-17	5 years	8.40%
MLJ Bonds	Bonds		1,500	Nov-17	3-12 years	7-9%
Komodo bonds	Global bonds		4,000	Dec-17	3 years	7.50%
RDPT Infrastruktur Ekuitas Trans Java	Equity	Solo-Ngawi Ngawi-Kertosono Semarang-Batang	3,000	Jun-18	5 years	9.50%
JSMR-DINFRA-001	Debt/equity hybrid	Gempol-Pandaan	1,000	Apr-19	5 years	9%

Sources: Company, IndoPremier

Fig. 34: Details of KIK D-INFRA scheme - IRR of 9% was lower than JSMR's weighted average cost of debt of 9.5%

KIK Dinfra	
Underlying asset	Gempol-Pandaan
Launch date	Apr-19
Target proceeds (Rp bn)	700-1,000
Divestment proceeds (Rp bn)	480
Rights issue proceeds (Rp bn)	300

	Before DINFRA		After DINFRA	
Gempol Pandaan ownership	**No of shares (mn)**	**%**	**No of shares (mn)**	**%**
JSMR	460.7	92.2%	252.1	40.0%
Regency government of Pasuruan	39.0	7.8%	39.0	6.2%
KIK Dinfra		0.0%	339.1	53.8%
Total	**499.7**	**100.0%**	**630.1**	**100.0%**

Calculation of KIK Dinfra scheme	
No of shares (in mn)	461
Nominal value of shares (Rp bn)	461
No of shares divested (in mn)	209
Nominal value of shares divested (Rp bn)	209
Divestment proceeds (Rp bn)	**480**
Implied valuation (x)	2.3
Gains on divestment (Rp bn)	271
Tax on gains (25% - Rp bn)	(68)
Gains after tax (Rp bn)	**204**

KIK Dinfra cash flow	2019	2020	2021	2022	2023	2024	Total
Proceeds on JSMR divestment (Rp bn)	(480)						
Rights issue proceeds (Rp bn)	(300)						
JSMR buyback (% of total)		*10%*	*10%*	*10%*	*10%*	*60%*	
After tax fixed return rate		*9%*	*9%*	*9%*	*9%*	*9%*	
Buyback value (Rp bn)		85	93	101	110	720	1,109
Cash flow total (Rp bn)	(780)	85	93	101	110	720	329
IRR	**9.0%**						

Sources: Company, IndoPremier

Fig. 35: Details of KIK RDPT scheme - target IRR of 9-9.5% was lower than JSMR's WACC of 11%

	Rp bn
KIK RDPT Mandiri Ekuitas Trans Jawa	**20% of BV**
Solo-Ngawi	267
Ngawi-Kertosono	195
Semarang-Batang	27
Total	**489**
Total divestment proceeds	**913**
Implied P/BV (x)	1.9
One-off gain (after tax)	**318**

KIK RDPT Ekuitas Trans Jawa simulation (assuming total size of Rp3tr)

Year	0	1	2	3	4	5	Total
Units outstanding (in mn units)	3,000						
Scheduled divestment (% of total)		-12%	-11%	-10%	-7%	-60%	
Scheduled divestment (in mn units)		(365)	(335)	(300)	(200)	(1,800)	(3,000)
Value of scheduled divestment (Rp bn)		(398)	(398)	(389)	(282)	(2,770)	(4,236)
Price of buyback (Rp per unit)	1,000	1,090	1,188	1,295	1,412	1,539	
Implied return (%)		9.0%	9.0%	9.0%	9.0%	9.0%	
Potential gain for investor (Rp bn)		33	63	89	82	970	1,236
Target IRR	9.0%						

Year	0	1	2	3	4	5	Total
Units outstanding (in mn units)	3,000						
Scheduled divestment (% of total)		-12%	-11%	-10%	-7%	-60%	
Scheduled divestment (in mn units)		(365)	(335)	(300)	(200)	(1,800)	(3,000)
Value of scheduled divestment (Rp bn)		(400)	(402)	(394)	(288)	(2,834)	(4,316)
Price of buyback (Rp per unit)	1,000	1,095	1,199	1,313	1,438	1,574	
Implied return (%)		9.5%	9.5%	9.5%	9.5%	9.5%	
Potential gain for investor (Rp bn)		35	67	94	88	1,034	1,316
Target IRR	9.5%						

Sources: Company, IndoPremier

We conservatively expect JSMR's cost of funds to remain stable going forward – note that weighted average cost of debt has seen marginal improvement in to 9.3% in 9M19 from 9.4% in FY18. While policy rates have been cut by 100bp in 2019, we think that transmission to lower cost of debt for JSMR will be slower as bulk of its funding are still derived from bank loans, where lower lending rates is usually subject to improvement in cost of funds.

Our sensitivity analysis suggests that every 10bp improvement in CoF shall lead to 0.9-1.5% improvement in JSMR's 2019-21F net profit. We also estimate that a 100bp improvement in JSMR's cost of debt shall improve IRR by c.30bp.

Fig. 36: We estimate that every 100bp improvement in cost of debt shall improve blended IRR by an average of 33bp

Sensitivity of IRR to lower CoF	Base	Adj	Change (in bp)
Cinere Serpong	13.5%	13.8%	22
Jakarta-Cikampek II Elevated	13.0%	13.3%	31
Jakarta-Cikampek II (South)	12.1%	12.4%	27
JORR (Cengkareng Kunciran)	13.3%	13.6%	37
JORR (Kunciran Serpong)	13.6%	13.9%	35
Balikpapan-Samarinda	12.3%	12.5%	21
Pandaan Malang	11.8%	12.1%	26
Probolinggo Banyuw angi	13.0%	13.2%	20
Manado Bitung	11.8%	12.0%	24
Medan-Kualanamu-Tebing Tinggi	10.9%	11.2%	26
Surabaya-Mojokerto	13.9%	14.6%	78
Gempol-Pasuruan	12.9%	13.1%	17
Gempol-Pandaan	12.7%	13.4%	74
JORR W2 North (Kebon Jeruk-Ciledug)	15.4%	15.9%	48
Bogor Outer Ring Road	11.7%	11.9%	23
Semarang Batang	12.5%	12.8%	26
Ngaw i Kertosono	13.9%	14.2%	32
Solo-Ngaw i	12.7%	13.0%	29

Sources: Company, IndoPremier

Fig. 37: Net profit sensitivity – every 10bp improvement in CoF shall translate to a 0.9-1.5% improvement in net profit in 2019-21F

Net profit sensitivity to lower CoF	2019F	2020F	2021F
Base net profit	1,926	1,856	2,138
10bp in CoF	1,944	1,880	2,169
Changes	*0.9%*	*1.3%*	*1.5%*

Sources: Company, IndoPremier

Robust financials, further upside from cost efficiency

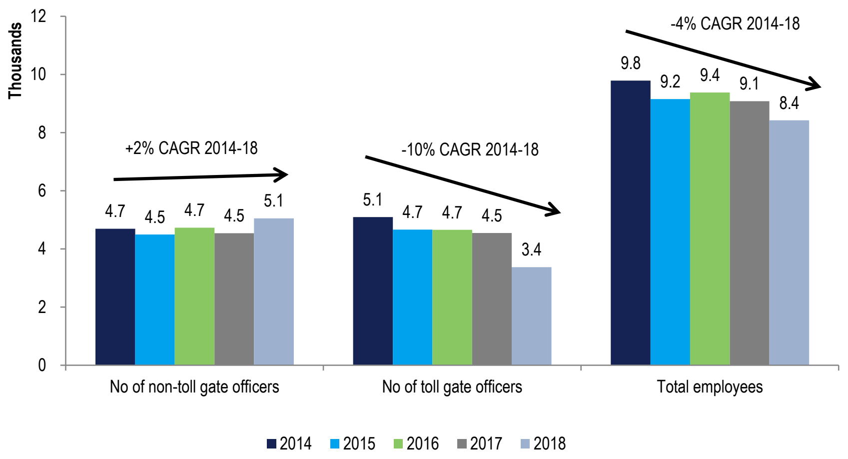
As such, we believe that JSMR is bound to see a robust revenue/EBITDA growth cycle in 2019-21F – our forecast pencils in 2018-21F CAGR of 11% and 13% respectively, on the back of 1) additional revenues from operation of new toll roads, better traffic volume and tariff integration, coupled with 2) margin expansion amid new toll roads' higher EBITDA margin (75-85% vs. old toll roads' 60-65%).

Concurrently, we also expect gradual improvement in costs – since the initial implementation of its cost efficiency program in 2016-17 (i.e. Alife program), number of employees has declined from its peak of 9.8k in 2014 to 8.4k currently, representing decline of -4% CAGR 2014-18. Note that employee costs represent 29%/15% from total costs/revenue as of 9M19, lower compared to its 5Y average of 36%/20%.

Going forward, it has indicated a long-term target of reducing its total number employees by 67% (which implies number of employees to be reduced from current levels of c.8.4-8.5k to 2.8-3k) although no specific timeline has been set. We estimate that full implementation of this initiative to result in cost savings of up to Rp1.3tr p.a. (i.e. assuming that JSMR runs operations with only 1/3 of its current total employee count, starting in 2019) which represents 64%/17% of 2019-21F net profit/EBITDA.

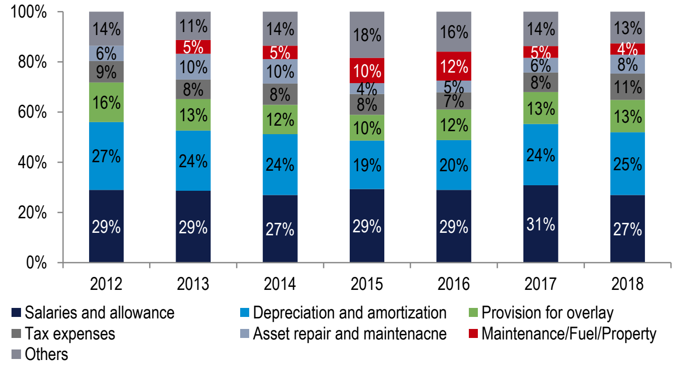
Nevertheless, our forecast pencils in only a decline of -1% CAGR 2018-21F in the total number of employees – we have yet to pencil in significant efficiency measures as our discussion with the management suggests that the A-Life program will only be executed using proceeds from non-core operations (i.e. divestment gains). Amid the lack of certainty in future divestment plans, we also have yet to factor in any divestment gains in the coming years.

Fig. 38: JSMR has reduced the number of toll road officers by 10% CAGR 2014-18 from 5.1k employees to 3.4k employees – long-term target is to reduce no of total employees to only 1/3 of the current number



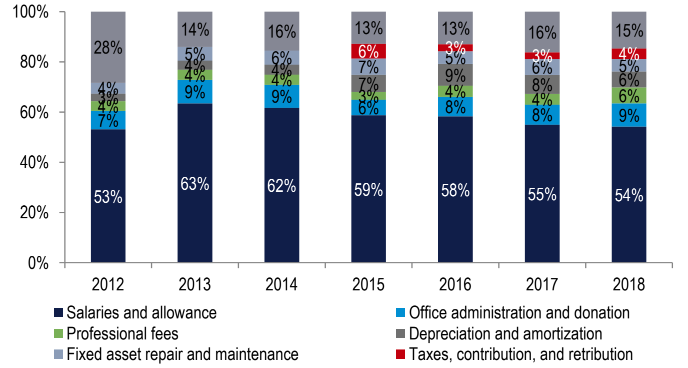
Sources: Company, IndoPremier

Fig. 39: COGS breakdown – personnel expenses remain the biggest component of COGS at 27% of total COGS in 2018



Sources: Company, IndoPremier

Fig. 40: Opex breakdown – salary and personnel expenses remain the biggest component of opex at 54% of total opex in 2018



Sources: Company, IndoPremier

Despite a robust EBITDA growth outlook, net profit growth shall remain muted, in our view, largely due to higher interest expenses (as JSMR will use debt to fund 70% of its 2020F capex needs of Rp35tr).

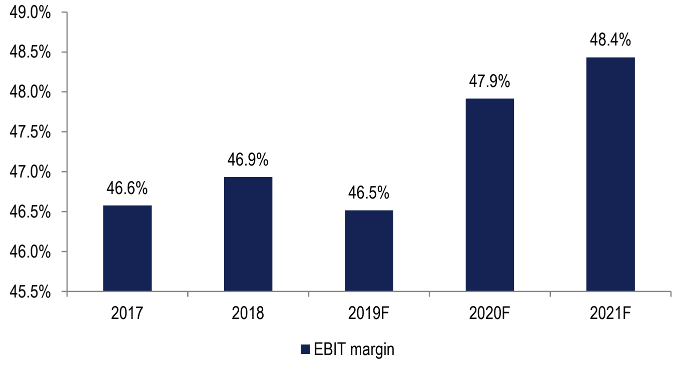
As such, we conservatively expect 2018-21F net profit CAGR of -1%, significantly below its EBITDA CAGR of 13% in 2018-21F. Note that our forecast has not taken into account any potential divestments, which may provide further boost to its net profit.

Fig. 41: JSMR's income statement summary

Income statement summary (Rp bn)	2018	2018	2019F	2020F	2021F
Revenues (ex-construction)	8,922	9,784	10,957	12,576	14,137
COGS	(3,772)	(4,053)	(4,397)	(4,881)	(5,381)
Gross profit	**5,150**	**5,732**	**6,560**	**7,695**	**8,755**
Gross profit margin (%)	*57.7%*	*58.6%*	*59.9%*	*61.2%*	*61.9%*
Opex	(1,152)	(1,325)	(1,538)	(1,740)	(1,950)
EBIT	**4,155**	**4,592**	**5,097**	**6,026**	**6,847**
EBIT margin (%)	*46.6%*	*46.9%*	*46.5%*	*47.9%*	*48.4%*
Depreciation	1,484	1,617	1,729	*1,936*	*2,174*
EBITDA	**5,639**	**6,209**	**6,826**	**7,962**	**9,021**
EBITDA margin (%)	*63.2%*	*63.5%*	*62.3%*	*63.3%*	*63.8%*
Interest income (net of tax)	236	270	340	*340*	*340*
Interest expenses	(1,269)	(1,840)	(2,004)	*(2,673)*	*(3,466)*
Profit/loss from associates	(129)	(365)	(867)	*(1,166)*	*(801)*
Others	256	553	111	-	-
Pre-tax profit	**3,250**	**3,210**	**2,677**	**2,527**	**2,920**
Tax expenses	(1,157)	(1,174)	(937)	*(884)*	*(1,022)*
Minority interests	107	166	186	*214*	*240*
Net profit	**2,200**	**2,203**	**1,926**	**1,856**	**2,138**
Core profit	**1,619**	**1,359**	**1,768**	**1,785**	**2,096**

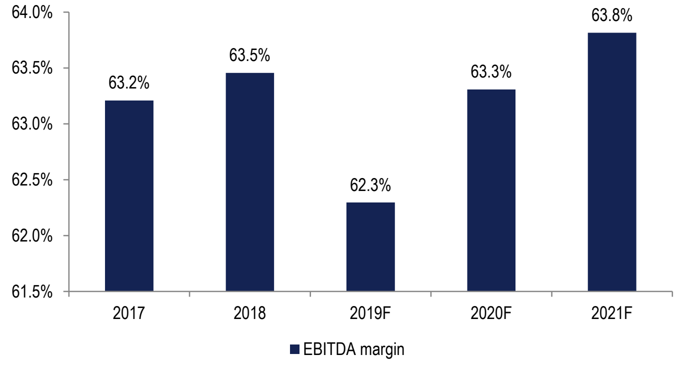
Sources: Company, IndoPremier

Fig. 42: JSMR's EBIT margin summary



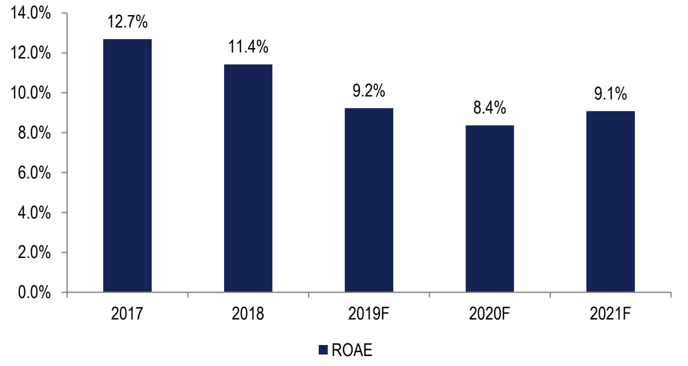
Sources: Company, IndoPremier

Fig. 43: JSMR's EBITDA margin summary



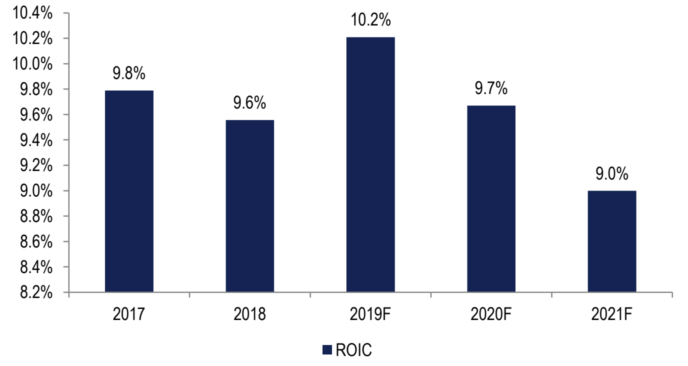
Sources: Company, IndoPremier

Fig. 44: JSMR's ROAE summary



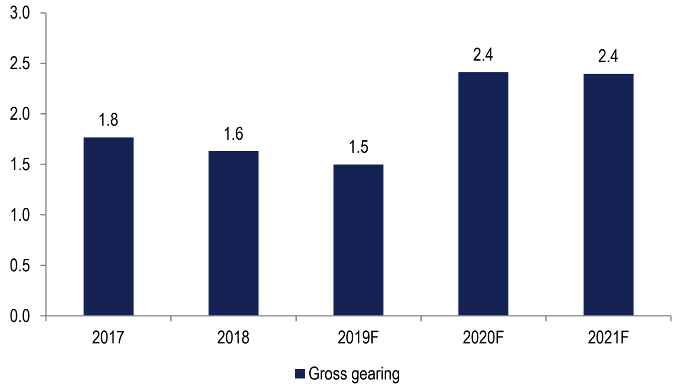
Sources: Company, IndoPremier

Fig. 45: JSMR's ROIC summary



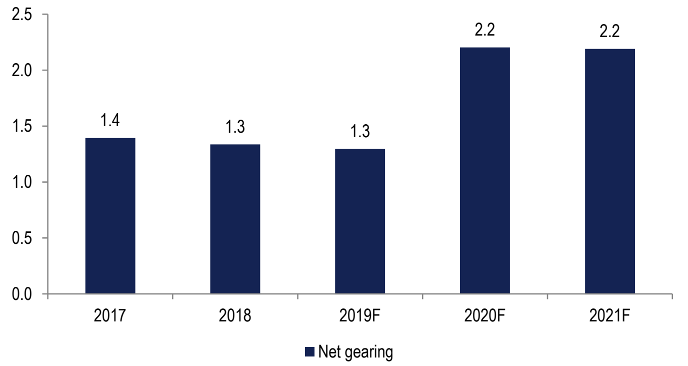
Sources: Company, IndoPremier

Fig. 46: JSMR's gross gearing summary



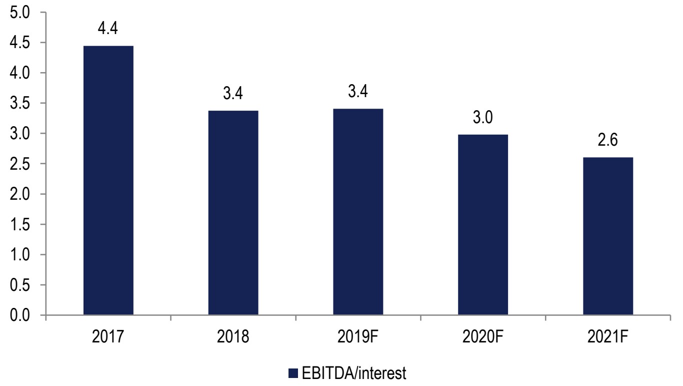
Sources: Company, IndoPremier

Fig. 47: JSMR's net gearing summary



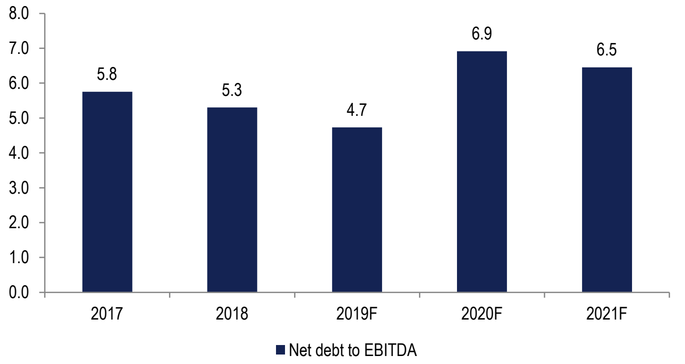
Sources: Company, IndoPremier

Fig. 48: JSMR's interest coverage ratio (EBITDA/interest)



Sources: Company, IndoPremier

Fig. 49: JSMR's net debt to EBITDA



Sources: Company, IndoPremier

Macro tailwinds and valuations are on its side

We re-initiate our coverage on JSMR with a Buy rating and a DCF-based TP of Rp7,100/share (WACC: 11.15% - implying a target multiple of 11x 2021F EV/EBITDA) on the back of robust revenue/EBITDA growth outlook, normalizing capex, and supportive macro tailwinds. Note that the stock currently trades at c.8.5x 2020F EV/EBITDA, below its 10-year average of 11x EV/EBITDA.

Fig. 50: Summary of DCF valuation – we re-initiate our coverage on JSMR with a Buy rating and DCF-based TP of Rp7,100/share

DCF valuation (Rp bn)	2020	2021	2022	2023	2024	2025	2026
EBITDA (from consolidated concessions)	7,962	9,021	10,316	12,146	13,772	15,891	17,951
EBITDA (from deconsolidated concessions)	557	1,246	2,092	3,245	3,977	4,822	5,234
Tax expenses	(2,130)	(2,567)	(3,102)	(3,848)	(4,437)	(5,178)	(5,796)
Tax benefit from depreciation	484	544	625	727	822	918	1,009
Capex	(10,789)	(6,557)	(6,407)	(6,755)	(7,177)	(7,642)	(8,034)
Funding/divestment							
Changes in working capital	(19,060)	(1,797)	(1,982)	(2,050)	(2,232)	(2,553)	(3,038)
FCF	**(22,976)**	**(110)**	**1,542**	**3,465**	**4,725**	**6,258**	**7,326**
Risk free rate	7.50%						
Beta	1						
Market risk premium	7.50%						
Cost of equity	**15.00%**						
Cost of debt	9.50%						
Target equity weight	30.00%						
WACC	**11.15%**						
NPV (Rp bn)	101,707						
Cash FY20 (Rp bn)	4,755						
Debt FY20 (Rp bn)	55,055						
Total equity value (Rp bn)	**51,407**						
No of shares (in mn shares)	7,258						
Target price (Rp/share)	**7,100**						

Sources: Company, IndoPremier

Fig. 51: Current share price implies a risk-free rate of 10-10.25% in the valuation (case 6-7), much higher than the current bond 10-year bond yield of 7% - note that our TP is based on a risk-free rate assumption of 7.5% (case 1)

DCF valuation simulation	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
Risk free rate	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%	10.25%
Beta	1	1	1	1	1	1	1
Market risk premium	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Cost of equity	**15.0%**	**15.5%**	**16.0%**	**16.5%**	**17.0%**	**17.5%**	**17.8%**
Cost of debt	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Target equity weight	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
WACC	**11.2%**	**11.3%**	**11.5%**	**11.6%**	**11.8%**	**11.9%**	**12.0%**
Terminal growth	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
NPV (Rp bn)	101,707	98,818	96,019	93,309	90,682	88,137	86,893
Cash FY20 (Rp bn)	4,755	4,755	4,755	4,755	4,755	4,755	4,755
Debt FY20 (Rp bn)	55,055	55,055	55,055	55,055	55,055	55,055	55,055
Total equity value (Rp bn)	**51,407**	**48,518**	**45,719**	**43,008**	**40,382**	**37,836**	**36,593**
No of shares (in mn shares)	7,258	7,258	7,258	7,258	7,258	7,258	7,258
Target price (Rp/share)	**7,100**	**6,700**	**6,300**	**5,900**	**5,600**	**5,200**	**5,000**

Sources: Company, IndoPremier

JSMR's stock performance is almost perfectly inverted with bond, as seen in Fig. 52 – in 2009-12, 2014, 2017, and 2019, where bond yields saw a decline, JSMR significantly outperformed JCI. The only exception was 2016 (share price fell 17% yoy despite lower bond yields (-100bp) due to concerns on its divestment of JORR section to Hutama Karya at the time). Effectively, JSMR's share price is largely correlated with 1) bond return, as well as 2) foreign flow on bonds.

We also found that contrary to popular belief, JSMR's share price behaviour exhibits a more cyclical nature than a defensive stock – on all the years that it has positive return since 2008, JSMR has consistently outperformed JCI. Concurrently, the opposite is also true, as it has steeply underperformed JCI during years where it posted negative stock performance (2008, 2013, 2015, 2016, 2018).

Fig. 52: Summary of JSMR's performance – JSMR's share price tend to post positive return during periods of lower bond yields (except 2016), and vice versa

Date	JSMR yoy% performance	JCI yoy% performance	Policy rate	Bond yield	Change in bond yield	JSMR EPS growth	JSMR EBITDA growth	Foreign bond flow (US$mn - RHS)
2008	-52%	-51%	9.3%	11.9%	187	155%	38%	1,426
2009	99%	87%	6.5%	10.1%	(183)	40%	5%	2,211
2010	89%	46%	6.5%	7.6%	(245)	20%	26%	9,690
2011	23%	3%	6.0%	6.0%	(158)	0%	3%	3,235
2012	30%	13%	5.8%	5.2%	(84)	34%	22%	5,007
2013	-13%	-1%	7.5%	8.5%	326	-36%	-3%	4,942
2014	49%	22%	7.8%	7.8%	(66)	38%	31%	13,308
2015	-26%	-12%	7.5%	9.0%	120	3%	7%	5,807
2016	-17%	15%	4.8%	8.0%	(102)	29%	22%	8,077
2017	48%	20%	4.3%	6.3%	(165)	16%	7%	12,737
2018	-33%	-3%	6.0%	8.0%	171	0%	10%	3,860
2019	21%	-2%	5.0%	7.2%	(86)	-4%	12%	12,388

Positive JSMR performance concurrent with lower bond yields

Negative JSMR performance concurrent with higher bond yields (except 2016, which was due to sentiment on JORR divestment)

Sources: Bloomberg, Company, IndoPremier

In 2019, JSMR's share price rallied by c.45% from Dec18 to Jul19, outperforming JCI by 41% as bond yield normalized from 8% to 7.4% during the same period (amid US$8.4bn of foreign bond inflow in 7M19 vs. US$260mn in 7M18). Following that, however, from Aug-Dec19 JSMR's share price saw a 19% drop, underperforming JCI by 15% even though bond yields continued to improve to 7% from 7.4% in Jul19.

We attribute the share price weakness in Aug-Dec19 to several factors: 1) a seemingly poor 3Q19 results (as 9M19 profit was down 15% yoy and was behind expectations, although EBITDA still posted robust growth and in-line with expectations), as well as 2) concern on further sell-off from mutual funds suspended by OJK.

As such, the current share price provides a very attractive entry point to be positioned in the stock as the robust fundamentals in 2020-21F and the lower rates (i.e. BI has lowered policy rates by 100bp in 2019) have yet to be priced-in at this level, in our view. Note that every 10bp decline in JSMR's WACC shall translate to c.3-4% upside to our DCF-based TP.

Fig. 53: Share price sensitivity to changes in the WACC – every 10bp change in WACC would increase/decrease target price by 3-4%, based on our estimate

Sensitivity of target price to changes in WACC	-20bp	-10bp	Base	+10bp	+20bp
WACC	11.0%	11.1%	11.2%	11.3%	11.4%
Target price	7,600	7,400	7,100	6,800	6,600
Change from base	7.0%	4.2%	0.0%	-4.2%	-7.0%

Sources: Company, IndoPremier

The biggest risks to our call would be:

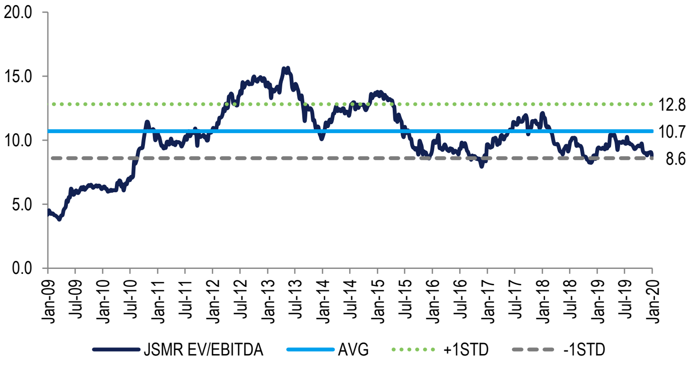
1) Higher interest rates/bond yields, which shall be adverse for JSMR's valuation and stock price performance, as well result in a higher CoF potentially.
2) Unfavorable changes to the regulations (i.e. price caps/cuts)
3) Major capex needs (e.g. acceleration of Probolinggo-Banyuwangi toll road construction)
4) Unattractive valuations on future divestments
5) Lower than expected traffic volume realization, which would significantly decrease the toll road's IRRs (we estimate that every 5% miss in traffic volume would result in 30-50bp reduction in IRR)

Fig. 54: Sensitivity of IRR to a 5% drop in total traffic volume – an average drop in IRR of c.40bp

Sensitivity of IRR to lower CoF	Base	Adj	Change (in bp)
Cinere Serpong	13.5%	13.2%	(35)
Jakarta-Cikampek II Elevated	13.0%	12.5%	(48)
Jakarta-Cikampek II (South)	12.1%	11.7%	(41)
JORR (Cengkareng Kunciran)	13.3%	12.8%	(46)
JORR (Kunciran Serpong)	13.6%	13.1%	(46)
Balikpapan-Samarinda	12.3%	11.9%	(37)
Pandaan Malang	11.8%	11.5%	(39)
Probolinggo Banyuwangi	13.0%	12.6%	(37)
Manado Bitung	11.8%	11.3%	(42)
Medan-Kualanamu-Tebing Tinggi	10.9%	10.4%	(51)
Surabaya-Mojokerto	13.9%	13.4%	(50)
Gempol-Pasuruan	12.9%	12.6%	(28)
Gempol-Pandaan	12.7%	12.1%	(57)
JORR W2 North (Kebon Jeruk-Ciledug)	15.4%	15.0%	(37)
Bogor Outer Ring Road	11.7%	11.4%	(23)
Semarang Batang	12.5%	12.1%	(39)
Ngawi Kertosono	13.9%	13.4%	(53)
Solo-Ngawi	12.7%	12.2%	(45)

Sources: Company, IndoPremier

Fig. 55: JSMR's EV/EBITDA – now trading at 8.5x 2020F EV/EBITDA, slightly below 10-year average of 10.7x EV/EBITDA

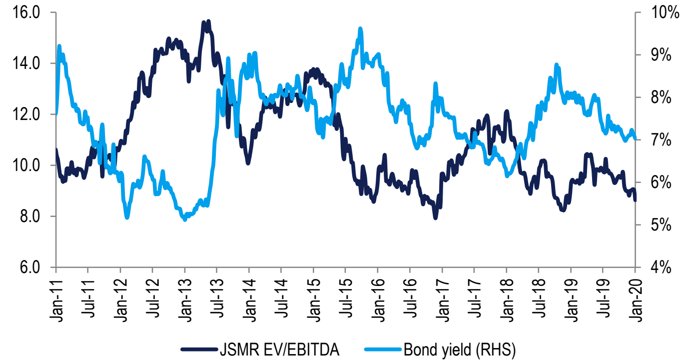


Sources: Bloomberg, Company, IndoPremier

Fig. 56: JSMR's forward P/E – now trading at 20x 2020F P/E, slightly below 10-year average of 21.6x P/E

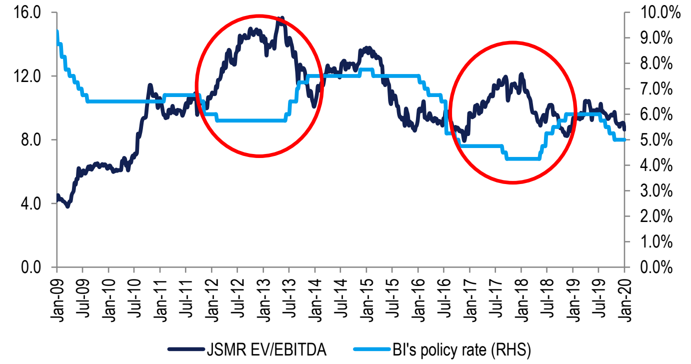
Sources: Bloomberg, Company, IndoPremier

Fig. 57: JSMR's EV/EBITDA vs. bond yield – very strong negative correlation with bond yields



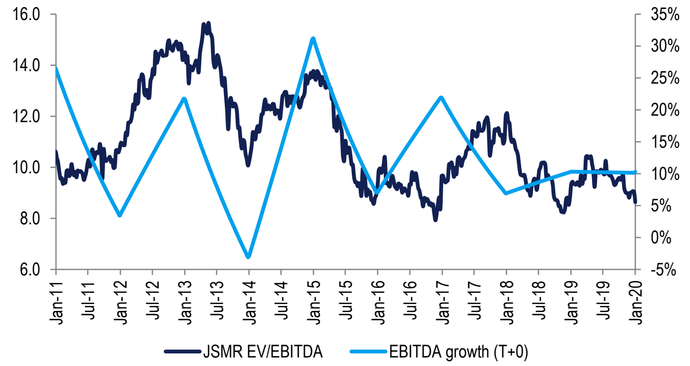
Sources: Bloomberg, Company, IndoPremier

Fig. 58: JSMR's EV/EBITDA vs. BI's policy rate – JSMR's share price tends to perform well during rate cuts



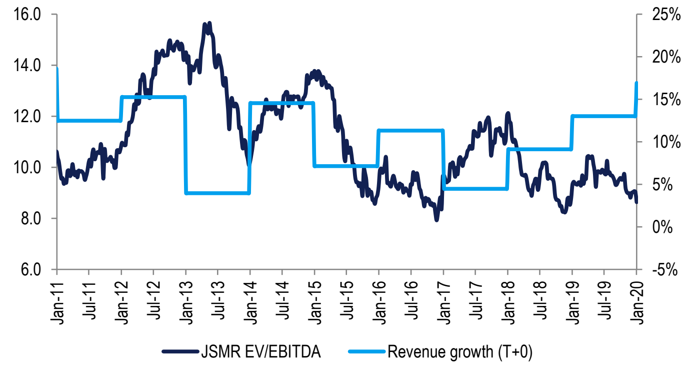
Sources: Bloomberg, Company, IndoPremier

Fig. 59: JSMR's EV/EBITDA vs. EBITDA growth – we think that robust EBITDA growth has not been price din at current valuation



Sources: Bloomberg, Company, IndoPremier

Fig. 60: JSMR's valuations also tend to correlate with revenue growth – robust revenue growth in 2020-21 has not been priced-in



Sources: Bloomberg, Company, IndoPremier

Income Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net revenue	8,922	9,784	10,957	12,576	14,137
Cost of sales	(3,772)	(4,053)	(4,397)	(4,881)	(5,381)
Gross profit	**5,150**	**5,732**	**6,560**	**7,695**	**8,755**
SG&A Expenses	(1,152)	(1,325)	(1,538)	(1,740)	(1,950)
Operating profit	**4,155**	**4,592**	**5,097**	**6,026**	**6,847**
Net interest	(1,033)	(1,569)	(1,664)	(2,333)	(3,126)
Forex gain (loss)	0	0	0	0	0
Others	128	187	(756)	(1,166)	(801)
Pre-tax income	**3,250**	**3,210**	**2,677**	**2,527**	**2,920**
Income tax	(1,157)	(1,174)	(937)	(884)	(1,022)
Minority interest	107	166	186	214	240
Net income	**2,200**	**2,203**	**1,926**	**1,856**	**2,138**

Balance Sheet (Rp bn)	2017A	2018A	2019F	2020F	2021F
Cash & equivalent	6,873	5,943	4,343	4,755	5,010
Receivable	11,547	5,550	5,010	2,833	2,919
Inventory	134	41	41	41	41
Other current assets	432	280	280	280	280
Total current assets	**18,987**	**11,814**	**9,673**	**7,909**	**8,249**
Fixed assets	1,278	1,058	1,375	1,740	2,156
Goodwill	58,928	69,547	78,669	87,158	91,124
Total non-current assets	**60,206**	**70,605**	**80,045**	**88,898**	**93,280**
Total assets	**79,193**	**82,419**	**89,718**	**96,806**	**101,529**
ST loans	3,336	6,415	1,500	3,000	3,000
Payable	15,455	21,019	27,614	10,664	10,750
Other payables	3,284	1,038	1,038	1,038	1,038
Current portion of LT loans	2,922	2,609	2,609	2,609	2,609
Total current liab.	**24,998**	**31,081**	**32,761**	**17,312**	**17,397**
Long term loans	29,113	26,524	30,789	52,055	55,222
Other LT liab.	6,723	4,614	4,614	4,614	4,614
Total liabilities	**35,835**	**31,138**	**35,403**	**56,669**	**59,836**
Equity	6,973	7,021	7,021	7,021	7,021
Retained Earnings	8,125	9,887	11,428	12,913	14,623
Minority Interest	3,262	3,290	3,104	2,891	2,651
Total Equity	**18,359**	**20,199**	**21,554**	**22,825**	**24,295**
Total SHE + Minority Int.	**79,193**	**82,419**	**89,718**	**96,806**	**101,529**

Sources: Company, IndoPremier

Cash Flow Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net income	2,200	2,203	1,926	1,856	2,138
Depr. & amortization	1,484	1,617	1,729	1,936	2,174
Changes in working capital	15,591	5,071	7,136	(14,773)	(0)
Others	(14,919)	(7,980)	(186)	(214)	(240)
Cash flow from operating	**4,356**	**910**	**10,605**	**(11,194)**	**4,072**
Capital expenditure	(24,951)	(27,634)	(11,169)	(10,789)	(6,557)
Others	12,272	20,455	0	0	0
Cash flow from investing	**(12,678)**	**(7,179)**	**(11,169)**	**(10,789)**	**(6,557)**
Loans	7,430	490	(651)	22,767	3,167
Equity	0	0	0	0	0
Dividends	(567)	(440)	(385)	(371)	(428)
Others	4,323	6,164	0	0	0
Cash flow from financing	**11,185**	**6,214**	**(1,036)**	**22,395**	**2,739**
Changes in cash	**2,863**	**(55)**	**(1,600)**	**412**	**254**

Key Ratios	2017A	2018A	2019F	2020F	2021F
Gross margin	57.7%	58.6%	59.9%	61.2%	61.9%
Operating margin	44.8%	45.0%	45.8%	47.3%	48.1%
Pre-tax margin	36.4%	32.8%	24.4%	20.1%	20.7%
Net margin	24.7%	22.5%	17.6%	14.8%	15.1%
ROA	3.3%	2.7%	2.2%	2.0%	2.2%
ROE	12.7%	11.4%	9.2%	8.4%	9.1%
ROIC	9.8%	9.6%	10.2%	9.7%	9.0%
Acct. receivables TO (days)	34	73	73	73	73
Inventory TO (days)	103	84	89	63	52
Payable TO (days)	4	4	8	8	10
Debt to equity	2.4	2.4	2.4	2.4	2.4
Interest coverage ratio (x)	4.4	3.4	3.4	3.0	2.6
Net gearing	1.4	1.3	1.3	2.2	2.2

Sources: Company, IndoPremier

INVESTMENT RATINGS

BUY	:	Expected total return of 10% or more within a 12-month period
HOLD	:	Expected total return between -10% and 10% within a 12-month period
SELL	:	Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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