

Jasa Marga, Tbk (JSMR)

Waiting on New Normal to Accelerate Income

The increase in FY19's net profit can be attributed to JSMR's ability to maximize operational revenues and toll roads, while the company has also been successful in optimizing its costs. Operational Profit Margin grew by 24.5% YoY. The upcoming New Normal policy can act as a positive catalyst for the Company. Based on those considerations, we put a BUY recommendation with a target price of IDR4,550 representing a Forward P/E of 18.3x.

FY19 Performance. The company recorded an increase in net profit to IDR2.3 trillion, or a raise of 0.8% YoY. The increase was supported by operating income and toll road revenues with respective surges of 14.1% & 12.1% YoY, and 43.2% & 37.6% QoQ. This net income increase was accompanied by efforts to reduce operating costs by 35.9% YoY to IDR19.9 trillion. We see that the Company in FY19 is able to optimize costs well.

Lower Operating Costs Resulting in Margin Ratio Increase. Operating costs fell 35.9% YoY with a gross profit growth of 8.9% YoY to IDR6.4 trillion, resulting in a 24.5% YoY increase in the Company's operating margin. We also acknowledge a jump in EBITDA to IDR7.3 trillion or up 11.9% YoY, above our estimated target of 10.2% in FY19. The efficiency of operating costs played an important role in operational performance. A major point that can be highlighted from operational expenses is the reduction in construction costs to IDR15.3 trillion, fell by 43.5% YoY.

JSMR Toll Road Revenues Will Return to Normal After PSBB. The government is preparing a New Normal policy to save the Indonesian economy. So far, many sectors are affected by the implementation of the PSBB, including the infrastructure sector, with the toll road sub-sector, especially JSMR, has also been affected due to the closure of toll road access which has been the biggest contributor to the company's revenue growth. The New Normal policy is the most anticipated factor to accelerate company's revenue. Moreover, the company is developing a contactless transaction device using Radio Frequency Identification (RFID) technology, which is a payment system based on Mobile Application and Sticker to reduce direct interaction and preventing transmission of COVID-19. We estimate revenue from the company's toll roads will recover after the PSBB with an estimate of IDR8.6 trillion in FY20.

Attractive P/E Valuation. JSMR is currently traded at a price level of IDR3,760 with a P/E value of 15.2x, which is relatively low compared to the average 3-year P/E at 17.0x. The company is currently on a shares buyback program until June 2020 with total allocation of IDR500 billion. We are confident that along with the upcoming New Normal, the Company will be able to accelerate its revenue growth, which mostly comes from toll roads. Therefore, we put a BUY recommendation with a target price of IDR4,550 which represents an 18.3x forward P/E ratio in FY20.

Jasa Marga Tbk | Summary (IDR bn)

| | 2018 | 2019 | 2020/12E | 2021/12F |
|----------------|--------|--------|----------|----------|
| Revenue | 36,974 | 26,345 | 25,028 | 26,279 |
| Revenue growth | | -28.7% | -5.0% | 5.0% |
| EBITDA | 6,511 | 7,285 | 7,339 | 8,235 |
| Net profit | 2,292 | 2,309 | 1,881 | 2,025 |
| EPS (IDR) | 316 | 318 | 248 | 267 |
| EPS growth | | 0.8% | -22.0% | 7.7% |
| BVPS (IDR) | 2,783 | 3,195 | 3,677 | 4,042 |
| EBITDA margin | 17.6% | 27.7% | 29.3% | 31.3% |
| NPM | 23.0% | 20.8% | 18.4% | 18.6% |
| ROE | 11.9% | 10.6% | 7.5% | 7.2% |
| ROA | 2.8% | 2.5% | 1.7% | 1.6% |
| ROIC | 3.2% | 3.1% | 2.3% | 2.3% |
| P/E | 13.6x | 16.3x | 18.3x | 17.0x |
| P/BV | 1.5x | 1.6x | 1.2x | 1.1x |
| EV/EBITDA | 8.8x | 10.4x | 10.8x | 10.1x |
| DPS (IDR) | 61 | 55 | 57 | 47 |
| Dividend yield | 1.4% | 1.1% | 1.3% | 1.0% |

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | June 12, 2020

Buy

| | |
|--------------------------|--------------|
| Dec 2020 TP (IDR) | 4,550 |
| Consensus Price (IDR) | 4,451 |
| TP to Consensus Price | +2.2% |
| vs. Last Price | +21.0% |

Shares data

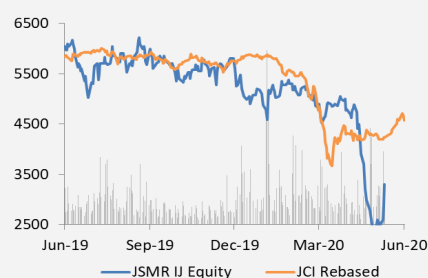
| | |
|------------------------|---------------|
| Last Price (IDR) | 3,760 |
| Price date as of | June 11, 2020 |
| 52 wk range (Hi/Lo) | 6,225 / 2,230 |
| Free float | 24.6% |
| Outstanding sh.(mn) | 7,258 |
| Market Cap (IDR bn) | 27,290 |
| Market Cap (USD mn) | 1,918 |
| Avg. Trd Vol - 3M (mn) | 20.0 |
| Avg. Trd Val - 3M (bn) | 67.7 |
| Foreign Ownership | 9.4% |

Infrastructure

Toll Road

| | |
|-----------|---------|
| Bloomberg | JSMR IJ |
| Reuters | JSMR.JK |

Share Price Performance



| | YTD | 1M | 3M | 12M |
|----------|--------|------|--------|--------|
| Abs. Ret | -24.6% | 7.1% | -13.3% | -31.6% |
| Rel. Ret | -2.7% | 0.1% | -7.6% | -9.8% |

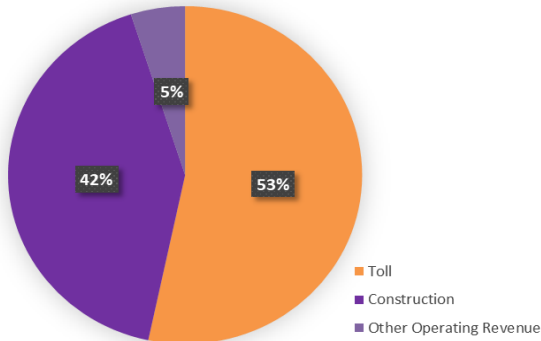
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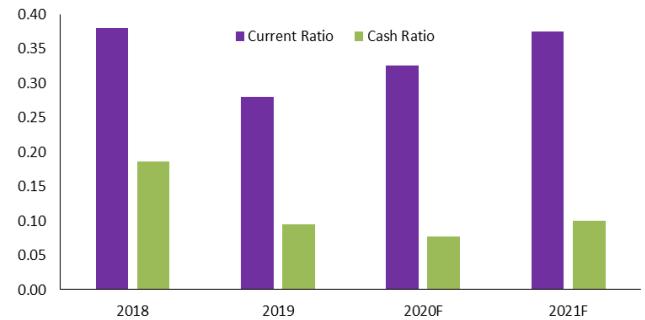
Performance Highlights

Revenue Contributions | 4Q19



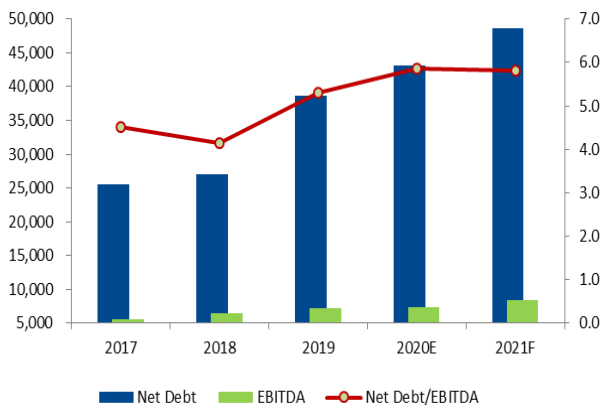
Source: Company, NHKSI Research

Liquidity | 2018 - 2021F



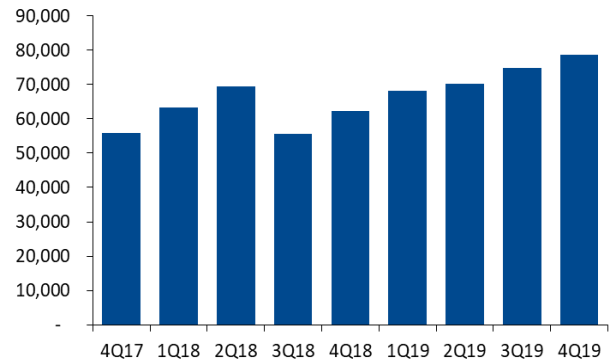
Source: Company, NHKSI Research

Leverage | FY2017 - 2021F



Source: Company, NHKSI Research

Toll Road Concessions Rights | 4Q17 - 4Q19



Source: Company, NHKSI Research

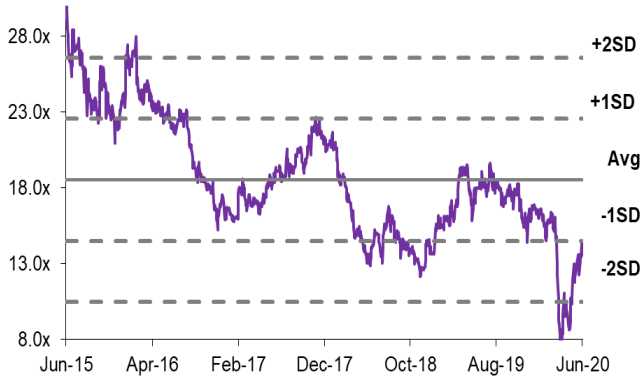
Asia Pacific Peers Comparison

| | Market Cap (USD mn) | Total Asset (USD mn) | EBITDA Margin | Debt/Equity | ROE | EV/EBITDA | P/BV | Dividend Yield | P/E | Net Profit Growth | Revenue Growth |
|---------------------------------|---------------------|----------------------|---------------|-------------|-------|-----------|------|----------------|-------|-------------------|----------------|
| Indonesia | | | | | | | | | | | |
| Jasa Marga Tbk | 1,916 | 7,199 | 25.6% | 185% | 12.4% | 11.9x | 1.5x | 1.2% | 12.4x | 0.2% | -28.7% |
| Hongkong | | | | | | | | | | | |
| Anhui Expressway Co | 1,094 | 2,293 | 55.0% | 18% | 10.5% | 4.3x | 0.5x | 6.7% | 5.1x | -1.9% | 19.7% |
| Hopewell Highway Infrastructure | 1,078 | 753 | NA | 6% | 12.2% | NA | 1.6x | 8.0% | 12.4x | -6.7% | NA |
| Shenzen Expressway Co-H | 2,639 | 6,451 | NA | 71% | 10.5% | NA | 0.9x | 5.1% | 8.5x | -45.9% | 6.5% |
| Yuexiu Transport Infrastructure | 1,112 | 5,284 | 85.6% | 135% | 11.0% | 11.7x | 0.7x | 7.6% | 6.9x | 7.9% | 6.2% |
| Zhejiang Expressway Co-H | 3,133 | 15,018 | NA | 149% | 16.5% | NA | 1.0x | 6.9% | 7.6x | -22.1% | NA |
| Sichuan Expressway Co-H | 1,284 | 5,437 | 36.0% | 104% | 7.3% | 7.6x | 0.3x | 6.6% | 4.7x | 27.8% | 14.5% |
| China | | | | | | | | | | | |
| Jiangsu Expressway Co Ltd | 6,859 | 7,988 | NA | 59% | 11.2% | NA | 1.8x | 4.6% | 16.2x | -28.7% | 1.1% |

Source: Bloomberg, NHKSI Research

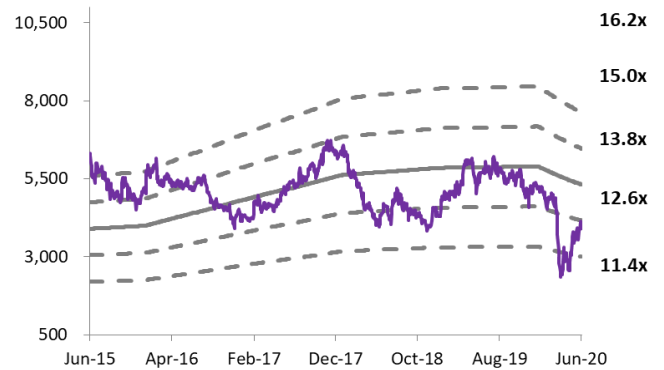
Multiple Valuation

Forward P/E band | Last 5 years



Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



Source: NHKSI research

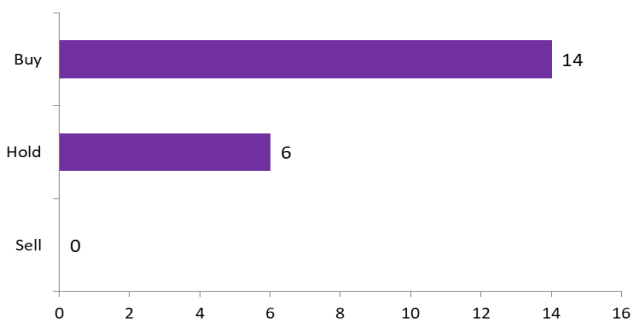
Rating and Target Price Update

Target Price

| Date | Rating | Target Price | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|------------------|------------|-----------|---------------|--------------|
| 06/12/2020 | Buy | 4,550 (Dec 2020) | 3,760 | 4,451 | +21.0% | +2.2% |

Source: NHKSI research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Financial Summary

| INCOME STATEMENT | | | | | PROFITABILITY & STABILITY | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------------------|----------|---------|----------|----------|
| (IDR bn) | 2018/12 | 2019/12 | 2020/12E | 2021/12F | | 2018/12E | 2019/12 | 2020/12E | 2021/12F |
| Revenue | 36,974 | 26,345 | 25,028 | 26,279 | ROE | 11.9% | 10.6% | 7.5% | 7.2% |
| <i>Growth</i> | 5.4% | -28.7% | -5.0% | 5.0% | ROA | 2.8% | 2.5% | 1.7% | 1.6% |
| COGS | (31,057) | (19,901) | (18,906) | (19,851) | ROIC | 3.2% | 3.1% | 2.3% | 2.3% |
| Gross Profit | 5,918 | 6,445 | 6,122 | 6,429 | Cash Dividend (IDR bn) | 440 | 396 | 416 | 338 |
| <i>Gross Margin</i> | 16.0% | 24.5% | 24.5% | 24.5% | Dividend Yield | 1.4% | 1.1% | 1.3% | 1.0% |
| Operating Expenses | (502) | (587) | (903) | (764) | Payout Ratio | 19.2% | 17.2% | 22.1% | 16.7% |
| Operating Income | 5,415 | 5,857 | 5,219 | 5,664 | DER | 1.6x | 1.9x | 1.9x | 1.9x |
| <i>Operating Income Margin</i> | 14.6% | 22.2% | 20.9% | 21.6% | Net Gearing | 2.4x | 2.8x | 3.0x | 3.0x |
| Depreciation | (1,095) | (1,428) | (2,120) | (2,571) | LT Debt to Equity | 131.3% | 121.4% | 129.3% | 128.3% |
| EBITDA | 6,511 | 7,285 | 7,339 | 8,235 | Capitalization Ratio | 62.0% | 64.9% | 65.7% | 65.8% |
| <i>EBITDA Margin</i> | 17.6% | 27.7% | 29.3% | 31.3% | Equity Ratio | 24.5% | 23.3% | 22.6% | 22.2% |
| Interest Expenses | (1,750) | (2,332) | (2,307) | (2,653) | Debt Ratio | 0.4x | 0.4x | 0.4x | 0.4x |
| EBT | 3,299 | 3,200 | 2,577 | 2,790 | Financial Leverage | 419.4% | 419.7% | 436.7% | 446.9% |
| Income Tax | (1,174) | (1,024) | (825) | (893) | Current Ratio | 0.4x | 0.3x | 0.3x | 0.4x |
| Minority Interest | (166) | (133) | (128) | (128) | Par Value (IDR) | 500 | 500 | 500 | 500 |
| Net Profit | 2,292 | 2,309 | 1,881 | 2,025 | Total Shares (mn) | 7,258 | 7,258 | 7,258 | 7,258 |
| <i>Net Profit Margin</i> | 23.0% | 20.8% | 18.4% | 18.6% | Share Price (IDR) | 4,280 | 5,175 | 4,550 | 4,550 |
| | | | | | Market Cap (IDR tn) | 31.1 | 37.6 | 33.0 | 33.0 |

| BALANCE SHEET | | | | | VALUATION INDEX | | | | |
|-----------------------------|---------------|---------------|----------------|----------------|-------------------|----------|---------|----------|----------|
| In IDR bn | 2018/12 | 2019/12 | 2020/12E | 2021/12F | | 2018/12E | 2019/12 | 2020/12E | 2021/12F |
| Cash | 5,943 | 4,342 | 4,105 | 5,751 | Price /Earnings | 13.6x | 16.3x | 18.3x | 17.0x |
| Receivables | 5,550 | 6,270 | 10,767 | 13,468 | Price /Book Value | 1.5x | 1.6x | 1.2x | 1.1x |
| Other Current Assets | 177 | 609 | 264 | 204 | Price/Sales | 0.8x | 1.4x | 1.3x | 1.3x |
| Total Current Assets | 11,814 | 11,613 | 15,548 | 19,856 | PE/EPS Growth | 0.6x | 0.8x | 1.0x | 0.9x |
| Net Fixed Assets | 755 | 714 | 842 | 924 | EV/EBITDA | 8.8x | 10.4x | 10.8x | 10.1x |
| Other Non Current Assets | 6,355 | 8,605 | 8,950 | 10,713 | EV/EBIT | 10.6x | 12.9x | 15.2x | 14.7x |
| Total Assets | 82,419 | 99,680 | 118,115 | 132,275 | EV (IDR bn) | 57,456 | 75,449 | 79,426 | 83,301 |
| Payables | 1,420 | 956 | 1,876 | 1,145 | Sales CAGR (3-Yr) | 9.3% | 7.7% | 4.0% | 3.0% |
| ST Borrowing | 6,415 | 14,797 | 16,531 | 18,865 | EPS CAGR (3-Yr) | 13.6% | 6.9% | -6.5% | -5.4% |
| LT Debt | 26,524 | 28,140 | 34,493 | 37,633 | Basic EPS (IDR) | 316 | 318 | 248 | 267 |
| Total Liabilities | 62,220 | 76,494 | 91,430 | 102,936 | Diluted EPS (IDR) | 316 | 318 | 248 | 267 |
| Capital Stock | 3,629 | 3,629 | 3,629 | 3,629 | BVPS (IDR) | 2,783 | 3,195 | 3,677 | 4,042 |
| Retained Earnings | 9,887 | 11,764 | 13,265 | 14,952 | Sales PS (IDR) | 5,094 | 3,630 | 3,448 | 3,621 |
| Shareholders' Equity | 20,199 | 23,186 | 26,685 | 29,339 | DPS (IDR) | 60.6 | 54.6 | 57.3 | 46.6 |

| CASH FLOW STATEMENT | | | | | OWNERSHIP | | | |
|----------------------------|--------------|----------------|--------------|--------------|---------------|----------------|-----------------------|------|
| In IDR bn | 2018/12 | 2019/12 | 2020/12E | 2021/12F | By Geography | % Shareholders | % | |
| Operating Cash Flow | 2,481 | 3,207 | 4,357 | 4,857 | Indonesia | 90.6 | Republic of Indonesia | 70.0 |
| Investing Cash Flow | (10,163) | (17,401) | (14,263) | (9,312) | United States | 2.4 | BPJS Ketenagakerjaan | 3.4 |
| Financing Cash Flow | 7,230 | 11,103 | 9,670 | 6,101 | Luxembourg | 1.0 | Taspen PT | 2.2 |
| Net Changes in Cash | (452) | (3,091) | (237) | 1,646 | Ireland | 0.4 | Public | 24.4 |

Source: Company Data, NHKSI Research

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