

Adi Sarana Armada Tbk (ASSA IJ)

Express Segment Thrives for Two Quarters; Company Sees Major Bottom-Line Boost for 24F

Solid results in the second quarter of 2024, where ASSA managed to book a +224% YoY net profit of Rp 57.42 billion, compared to 2Q23 profit of Rp 17.74 billion. The net profit growth is a result of efficiency in business segments, especially Anteraja, which can cover the weakness in ASSA's revenue that fell by 4.5% to Rp 1.18 trillion from 2Q23 revenue of Rp 1.24 trillion.

Sustaining Topline Growth

- Despite the year-on-year decline, the company's revenue still grew +0.36% on a quarterly basis (QoQ) to Rp 1.186 trillion from the previous quarter of Rp 1.182 trillion. The decline was due to ASSA's main segment, vehicle rental, which got corrected by -1.37% this quarter to Rp 467.5 billion. This quarter's revenue composition was still dominated by 40% in vehicle leasing, 31% Express, 18% Used vehicle sales, 6% Logistics, and 5% Vehicle Auctions. Stronger growth is expected to continue in the second half of 2024 with volume levels in vehicle leasing as well as vehicle sales and auctions.

Turnaround Achieved, Express Segment Recorded Positive for Two Consecutive Quarters

- In early 2023, various strategies were implemented by the company including focusing on the B2B segment which does not prioritize the volume of goods shipped per day, resulting in a volume decline which is expected to be only around 400-500 thousand parcels per day. In addition, some unprofitable branches were closed, and couriers who were previously contract employees were converted into "Partners" (becoming variable costs) in the express segment. These strategies yielded excellent results in profitability for the first half of the year.
- As for the Operating Income in this segment, it reached a positive level by growing +11.57% QoQ to Rp 27.9 billion from Rp 25 billion last quarter. This increase was also reflected on a year-on-year basis, as the Express segment incurred a loss of -Rp 41.5 billion in the same quarter last year.

Logistics and Auctions are segments that lead the growth

- In this quarter, the largest growth was achieved by the vehicle auction and logistics segments on a year-on-year basis, where the logistic segment achieved 22.32% growth to Rp 67.4 billion from Rp 55.1 billion, while auction grew 51.32% to Rp 62.8 billion from 41.5 billion. The logistics segment has great growth potential with services provided ranging from supply chain services (crossborder, warehouse management) and cold chain.
- Currently, ASSA is taking the initiative to become a logistics aggregator that involves truck owners where ASSA becomes a platform that connects truck owners with freight forwarding requests. This is a very interesting strategic move so that the company's CAPEX can be lowered and concentrated on other segments.

Profitability is on Track to 2024 Target

- During this quarter, the company's operating expenses fell -5.5% YoY from Rp 192.37 billion to Rp 181.80 billion, while revenue expenses also fell -7.1% YoY. The decrease in expenses also helped the company's operating profit to grow +97.6% to Rp 155.39 billion from Rp 78.65 billion in the previous quarter, where the company was able to maintain EBIT Margin above 12% for these 2 consecutive quarters compared to full year 2023 at 7.3%.
- This strong performance in the first semester of 2024 reflects the company's commitment in pursuing profitability through each of its business segments. We see the company's targets to be achievable with positive growth per segment, as Car rental recorded a full year growth of 3%, then logistics and express which already appears to be improving its bottom line in 2024F supported by the implementation of halal logistics regulations in Indonesia in October 2024, and ASLC which we project to grow by double digits in revenue and net profit.

Recommendation to Maintain BUY with an increased TP of IDR 1100

- We continue to recommend Buy for ASSA with an increased target price of IDR 1100/share, given the company's improving profitability. This TP implies a P/E ratio of 18.1x or equivalent to -1.95 Standard Deviation Forward PE 2 Year.
- The risks of our recommendation are 1) changing & counterproductive domestic regulations 2) strategy execution errors in integration between ecosystems. 3) Intense competition

PT Adi Sarana Armada Tbk. | Summary (IDR Bn)

in IDR bn	2023A	2024F	2025F	2026F
Revenue	4,439	4,726	5,191	5,673
Revenue growth	-24.4%	6.5%	9.8%	9.3%
Net profit	103	224	281	348
EPS (IDR)	28	61	76	94
Net Profit growth	-27.8%	117.3%	25.4%	24.0%
NPM	1.8%	4.7%	5.4%	6.1%
ROE	4.5%	8.5%	9.5%	10.4%
ROA	1.5%	3.0%	3.7%	4.3%
P/E	28.1x	18.1x	14.5x	11.7x
P/BV	1.1x	1.4x	1.3x	1.2x
EV/EBITDA	6.3x	5.8x	5.5x	5.0x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Price Target (IDR)	1100
Consensus Price (IDR)	1,100
TP to Consensus Price	0%
Potential Upside	40.13%

Shares data

Last Price (IDR)	785
Price Date as of	30-Jul-24
52 wk Range (Hi/Low)	1335/610

Free Float (%)	36.43
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Outstanding sh.(mn)	3,691
Market Cap (IDR bn)	2,842
Market Cap (USD mn)	174

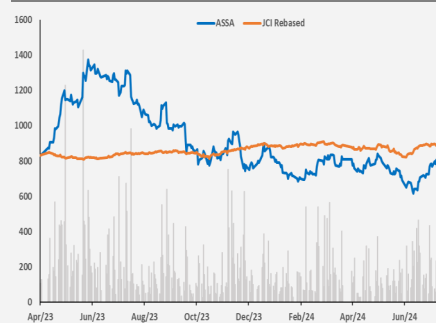
Avg. Trd Vol - 3M (mn)	174.50
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Avg. Trd Val - 3M (bn)	10.62
Foreign Ownership (%)	10.16

Transportation & Logistics

Transportation	ASSA IJ
Bloomberg	ASSA.IJ
Reuters	ASSA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-5.4%	22.7%	1.3%	-40.1%
Rel. Ret.	-4.3%	21.2%	1.2%	-45.0%

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Q2 Quick Update and Outlook for 2024F :

Expansion and Strategic Investment

ASSA continues to show a strong commitment to growth and innovation through strategic investments, service strengthening and business expansion. These steps not only supported its logistics expansion but also strengthened its position in the growing Indonesian market.

The company has finally paid dividends since 2018,

It announced a dividend distribution of Rp73.8 billion (Rp20 per share), with a payout ratio of 71% of net profit for the year 2023, based on the results of the AGMS on June 26, 2024.

Strategic Investment in the Food Supply Chain Ecosystem

In May 2024, ASSA acquired a stake in PT Kedai Pangan Sejahtera (KPS), a company engaged in the food supply chain sector with various subsidiaries in food product distribution. This investment, worth Rp150 billion (65,743 Series D shares) or 23.7% of the total shares, aims to increase delivery volume and capitalize on the huge potential of Indonesia's food sector. ASSA is optimistic that this acquisition will enhance synergies to expand the business and address challenges of distribution costs and price volatility.

Capital Increase for Cargoshare Logistics

In July 2024, ASSA added Rp20 billion in capital to its logistics subsidiary, PT Adi Sarana Transportasi (ASTA - Cargoshare), maintaining a 99.99% shareholding. This move aims to maintain ownership and support the expansion of Cargoshare's logistics business. Cargoshare itself has many variants of vehicle types for logistics needs, including various trucks and blind vans.

Halal Certification Compliance (Halal Logistics)

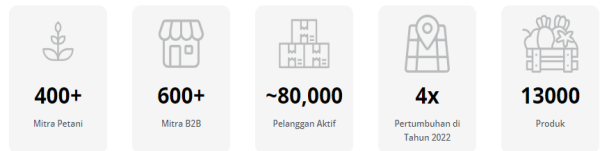
Ahead of the implementation of halal certification by the Halal Product Guarantee Agency (BPJPH) in October 2024, ASSA is strengthening its logistics services with halal certification. Starting November 2023, ASSA Logistics and Cargoshare Logistics have equipped their services with halal certification to ensure the halalness of products throughout the supply chain with more than 1,800 fleet units and 150 service points in Indonesia.

Vehicle Rental Business Expansion (ASSA Rent)

ASSA continues to expand its network of B2B vehicle rental services (ASSA Rent) which is one of **the company's core businesses**, with the opening of a new branch in Bali, as well as expansion plans to Solo and Lampung. In addition, ASSA Rent will be adding a new line of business by providing and managing human resources for drivers, replacing the previous system that only provided outsourced labor through PT Duta Mitra Solusindo (DMS).

Kedai Pangan & Cargo Share Logistics

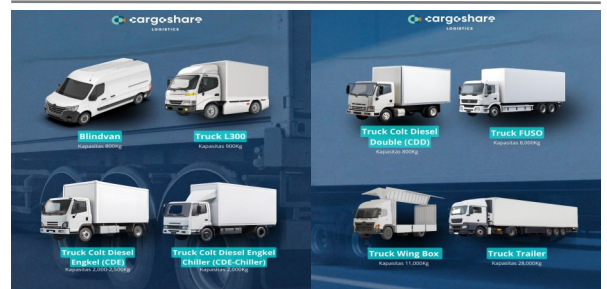
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Source: Company Data

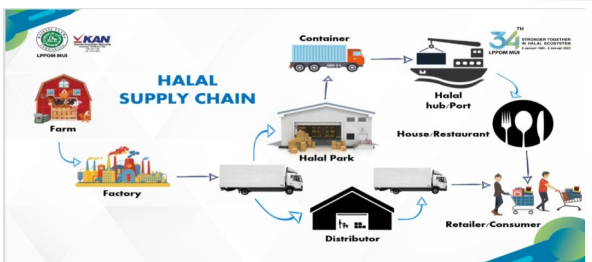
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Cargo Share Logistics



Source: Company Data

Halal Supply Chain



Source: LPPOM MUI

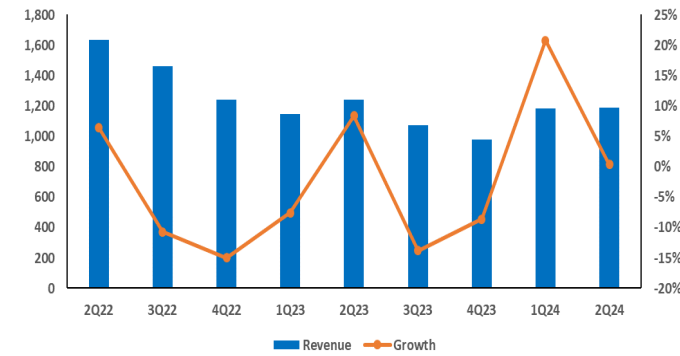
One of ASSA Rent Office in Bali



Source: Company Data

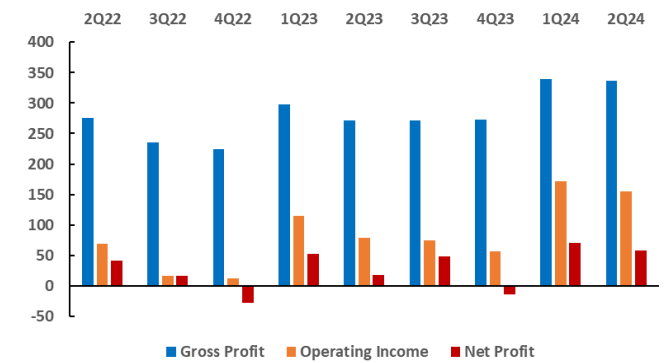
Performance Highlights

ASSA's Revenue Growth (IDR Bn)



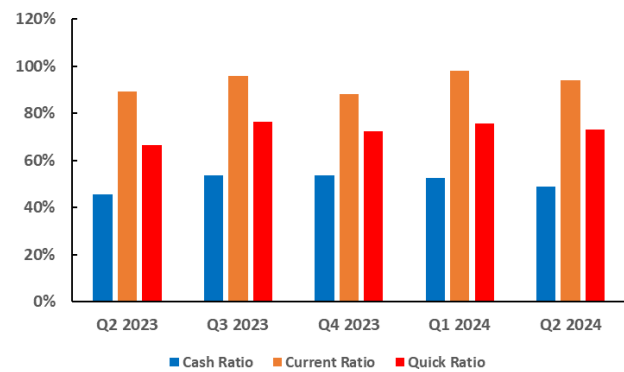
Source: Company Data, NHKSI Research

ASSA's Profitability



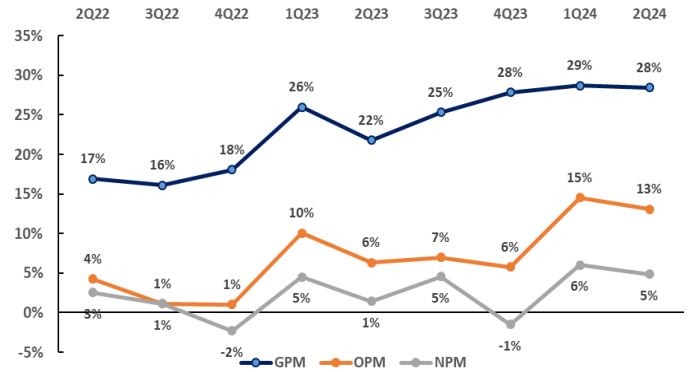
Source: Company Data, NHKSI Research

ASSA's Liquidity Ratio



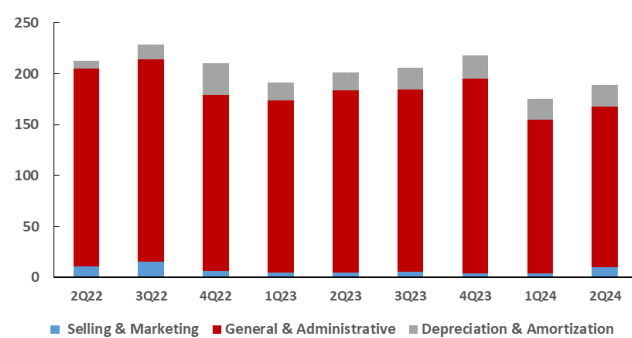
Source: Company Data, NHKSI Research

ASSA's Margin Ratio



Source: Company Data, NHKSI Research

ASSA's OPEX (IDR Bn)



Source: Company Data, NHKSI Research

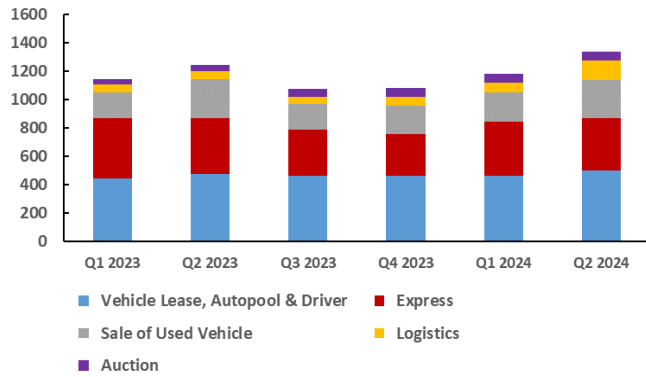
ASSA's Forward PE | 2 Year



Source: NHKSI Research

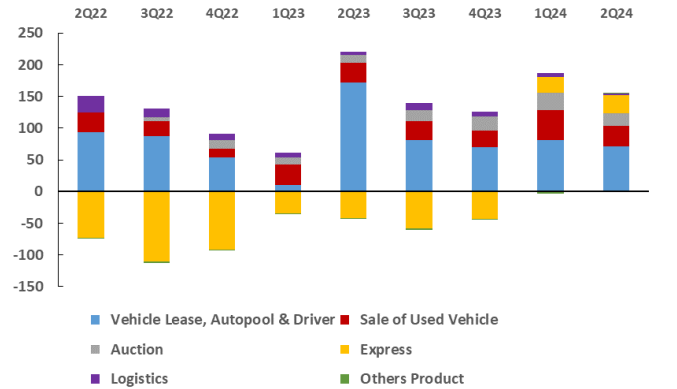
Performance Highlights

ASSA's Revenue by Segment (IDR Bn)



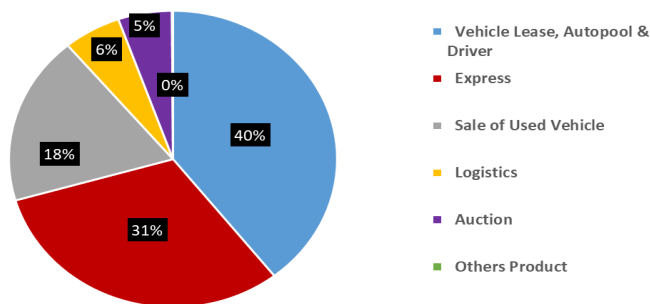
Source: Company Data, NHKSI Research

ASSA's Operating Income by Segment (IDR Bn)



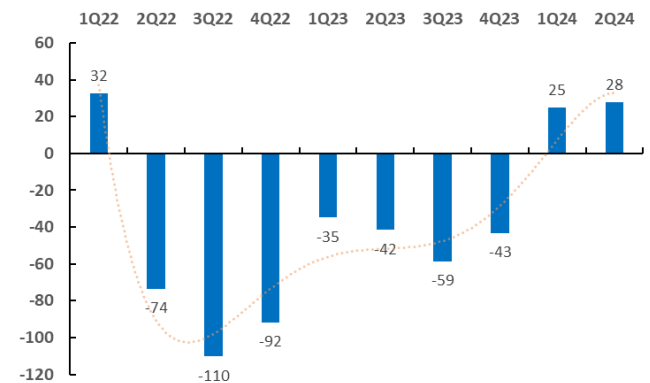
Source: Company Data, NHKSI Research

ASSA's Revenue Breakdown per Segment (1Q24)



Source: Company Data

Express Segment | Operating Income (IDR Bn)



Source: Company Data, NHKSI Research

Financial Results

in Billion IDR	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	QoQ	YoY
Sales	1,634	1,459	1,240	1,146	1,243	1,071	979	1,182	1,186	0.4%	-4.5%
COGS	1,358	1,224	1,016	849	971	800	706	842	849	0.8%	-12.6%
Gross Profit	276	235	224	298	271	271	272	339	337	-0.7%	24.4%
Gross Margin	17%	16%	18%	26%	22%	25%	28%	29%	28%	-1.0%	30.3%
Net Operating Expenses	207	218	212	182	192.37	197	216	167	181.80	8.6%	-5.5%
Operating Income	70	17	13	115	78.65	74	56	172	155.39	-9.7%	97.6%
Operating Margin	4%	1%	1%	10%	6%	7%	6%	15%	13%	-10.0%	107.0%
Depreciation	214	222	226	222	229	231	228	232	232	0.1%	1.4%
EBITDA	283	239	238	337	307	306	284	404	387	-4.1%	26.0%
EBITDA Margin	17%	16%	19%	29%	25%	29%	29%	34%	33%	-4.4%	32.0%
Other Expenses (Income)	53	57	92	68	73	46	73	67	66	-0.5%	-9.3%
EBT	16	(40)	(79)	48	6	29	(17)	105	89	-15.5%	1518.6%
EBT Margin	1%	-3%	-6%	4%	0%	3%	-2%	9%	8%	-15.8%	1595.6%
Income Tax Expenses	4	-12	-14	9	5	2	29	24	18	-26.4%	267.8%
Non-controlling Interest	(29)	(45)	(37)	(13)	(17)	(22)	(32)	10	14	33.8%	-182.0%
Net Profit	42	16	(28)	52	17.74	49	(15)	71	57.42	-19.1%	223.7%
Net Profit Margin	3%	1%	-2%	5%	1%	5%	-1%	6%	5%	-19.4%	239.1%

Source: Company Data, NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F	2023/12A	2024/12F	2025/12F	2026/12F	
Revenue	4,439	4,726	5,191	5,673	ROE	4.5%	8.5%	9.5%	10.4%
<i>Growth</i>	-24.4%	6.5%	9.8%	9.3%	ROA	1.5%	3.0%	3.7%	4.3%
COGS	4,788	3,207	3,484	3,727	Inventory Turnover	52.56	40.00	55.00	55.00
Gross Profit	1,112	1,520	1,707	1,946	Days Inventory Outstanding	6.94	9.13	6.64	6.64
<i>Gross Margin</i>	18.4%	32.2%	32.9%	34.3%	Receivables Turnover	14.28	14.00	14.00	14.00
Operating Expenses	(820)	(898)	(1,038)	(1,191)	Account Receivable Days	25.55	20.00	22.06	21.65
EBIT	262	622	669	755	DER	152%	140%	120%	105%
<i>EBIT Margin</i>	4.5%	13.2%	12.9%	13.3%	Current Ratio	0.88	1.01	1.00	1.17
Depreciation	863	927	974	1,022	Quick Ratio	0.58	0.63	0.56	0.77
EBITDA	1,125	1,549	1,642	1,777	DAR	0.54	0.52	0.48	0.46
<i>EBITDA Margin</i>	19.2%	32.8%	31.6%	31.3%	Total Shares (mn)	3691	3691	3691	3691
EBT	7	356	379	442	Share Price (IDR)	790	1100	1100	1100
Income Tax	4	83	50	45	Market Cap (IDR tn)	2.92	4.06	4.06	4.06
Minority Interest	(99)	49	49	49					
Net Profit	103	224	281	348					
<i>Growth</i>	-27.8%	117.3%	25.4%	24.0%					
<i>Net Profit Margin</i>	1.8%	4.7%	5.4%	6.1%					

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F	2023/12A	2024/12F	2025/12F	2026/12F	
Cash	895	972	900	1,264	Price/Earnings	28.1x	18.1x	14.5x	11.7x
Receivables	311	338	371	405	Price/Book Value	1.1x	1.4x	1.3x	1.2x
Inventories	63	80	94	103	EV/EBITDA	6.3x	5.8x	5.5x	5.0x
Total Current Assets	1,466	1,690	1,765	2,072	EV (IDR bn)	7,822	9,002	9,002	8,840
Net Fixed Assets	5,393	5,273	5,371	5,519	BVPS (IDR)	705	765	840	930
Other Non Current Assets	476	620	650	655	Basic EPS (IDR)	28	61	76	94
Total Assets	7,336	7,583	7,787	8,246					
Payables	470	473	519	532					
ST Debt	1,151	1,146	1,106	1,104					
LT Debt	2,792	2,805	2,614	2,659					
Total Liabilities	4,733	4,760	4,686	4,811					
Capital Stock	369	369	369	369					
Retained Earnings	931	1,153	1,375	1,655					
Shareholders' Equity	2,602	2,822	3,101	3,584					

CASH FLOW STATEMENT					TOP OWNERSHIP				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F					
Operating Cash Flow	218	469	486	455	Shareholders				
Investing Cash Flow	(366)	(643)	(639)	(500)	%				
Financing Cash Flow	(26)	168	(162)	121	PT Adi Dinamika Investindo				
Net Changes in Cash	(173)	77	(72)	364	23.08				
					PT Daya Adicipta Mustika				
					17.65				
					Prodjo Sunarjanto				
					9.26				
					Permadi IR T				
					5.1				
					Theodore Permadi Rachmat				
					4.8				
					By Geography				
					Indonesia				
					61.91				
					Unknown				
					33.84				
					Norway				
					3.01				

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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