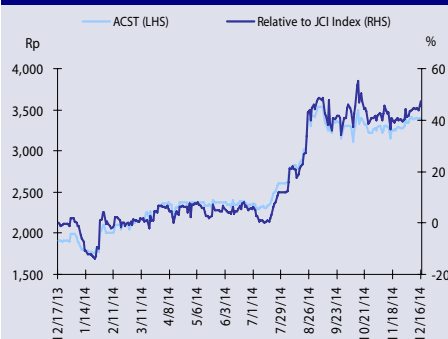


Not Rated

ACSTIJ/ACST.JK

Last Price, Rp	3,380
No. of shares (bn)	500
Market Cap, Rp bn	1,690
(US\$ mn)	133
3M T/O, US\$mn	0.7

ACST relative to JCI Index



Acset Indonusa

Acquisition still On

We attended ACST's analyst meeting yesterday to receive the latest updates, especially regarding its acquisition by UNTR. The main takeaway from the meeting is that the transaction will be done in two stages. In the first stage a 40% shareholding in the company will be acquired from the current majority shareholders (Cross Plus Indonesia and Loka Cipta Kreasi) by year-end and in the second stage a 10.1% tender offer will be undertaken starting in 2015. We have a positive view on ACST but would advise investors to wait until the transaction is completed before entering the stock. All in all, we believe that ACST stands to benefit as Astra's construction arm.

Share price overhang to linger until at least 1Q15

Since UNTR announced plans to become the majority shareholder in ACST with a 50.1% shareholding, ACST's share price has underperformed. ACST's management indicated that the acquisition of a 40% stake held by the current majority shareholders (Cross Plus Indonesia and Loka Cipta Kreasi) would be done by year-end. After that, a tender offer opening at the beginning of 2015 would be undertaken to acquire a further 10.1% shareholding. The floor price is set at Rp2,887 based on the last 90 days average price before the acquisition announcement on 16 October 2014. Assuming at current share price transaction, UNTR would pay a 17% premium to the floor price. If UNTR cannot get the shares from the market due to a lack of liquidity, they will buy them from either Cross Plus Indonesia or Loka Cipta Kreasi. If the transaction materializes, ACST's free float will decline to 21% from 31% currently – possibly more pressure in liquidity issue.

ACST's outlook remains promising

During the meeting, the management also emphasized that this year's targets should be achievable considering the huge backlog of projects. However, for FY15F, the management has not provided any guidance yet considering UNTR's planned acquisition. They also stressed that ACST's business model would still be the same post-acquisition, meaning that the foundations structure business would remain its main focus. In our view, even without any affiliated projects from the Astra Group, ACST already enjoys a strong reputation which will help drive its order book going forward. Astra's strategy of enhancing property and infrastructure projects should help ACST to become the main contractor for some Astra-related projects, we believe.

Wait for a better entry point

Utilizing the management's guidance for 2015F (21% EPS CAGR FY13-FY15F), ACST's shares currently trade at FY15F PE of 11.5x, or a 47% discount to its closest peer TOTL. In our view, even though the shares are attractive at the current level, we would still advise investors to wait until the transaction is completed before entering the stock. We believe that post-acquisition, ACST's discount to TOTL should narrow, with the company therefore enjoying a re-rating supported by the favorable outlook for its construction business as well as potential Astra-related projects.



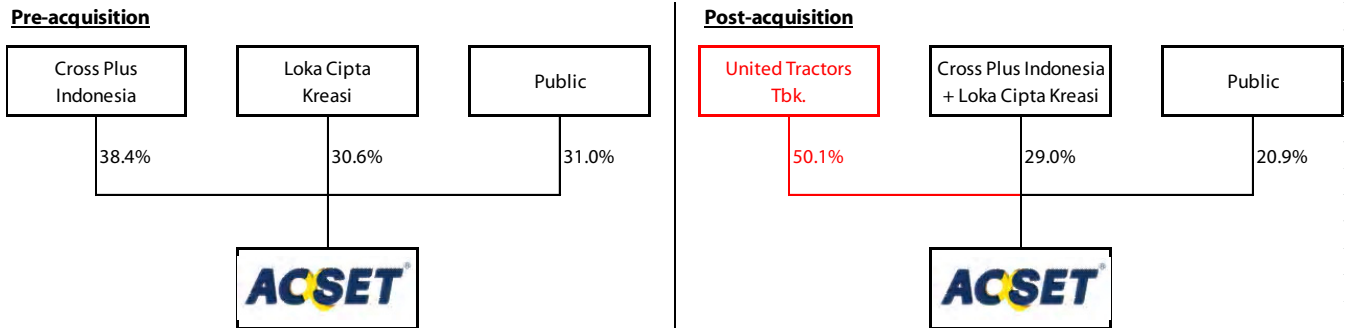
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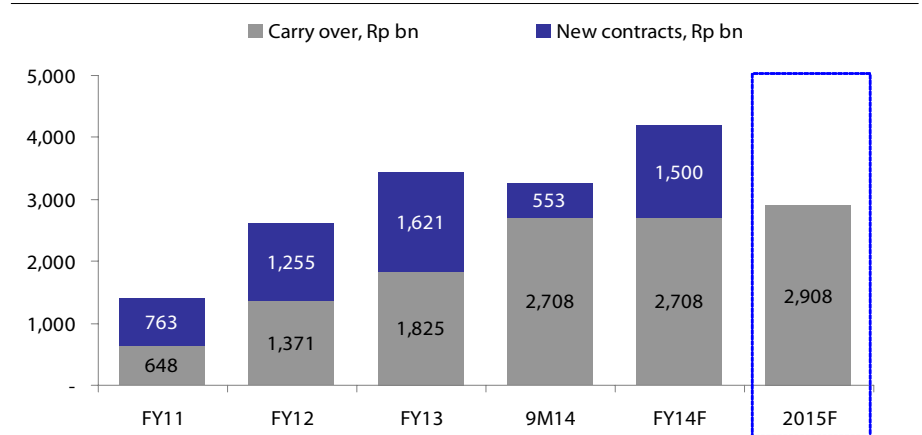
	2010	2011	2012	2013
Revenues, Rp bn	303	429	670	1,015
EBITDA, Rp bn	49	70	101	201
EBITDA Growth, %	134.2	42.9	44.2	99.5
Net Profit, Rp bn	28	36	52	99
Core Profit, Rp bn	26	36	51	104
Core EPS, Rp	52	72	102	209
Core EPS Growth, %	90.0	38.7	42.3	105.3
Net Gearing, %	3.1	6.1	15.7	9.6
PER, x	60.9	46.3	32.3	17.0
Core PER, x	65.5	47.3	33.2	16.2
PBV, x	13.1	10.2	7.7	3.0
EV/EBITDA, x	34.7	24.4	17.2	8.7
Yield, %	-	-	-	-

Exhibit 1. Ownership pre and post-transaction



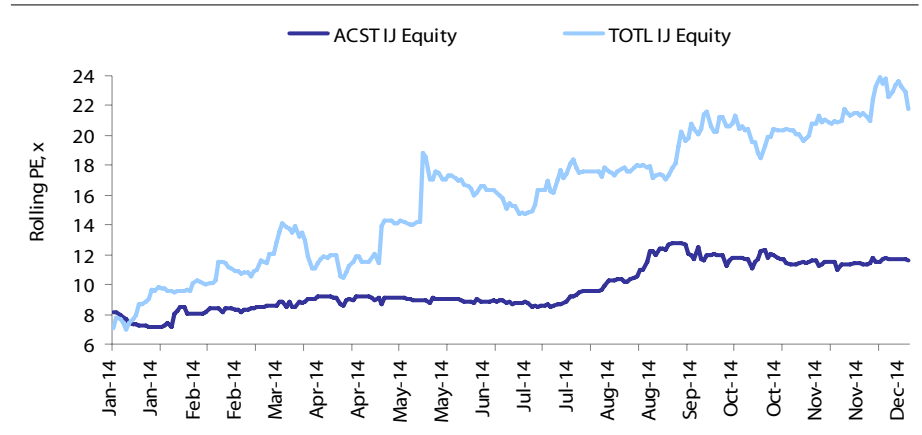
Source: Company

Exhibit 2. Huge order book backlog



Source: Company

Exhibit 3. Share price overhang still linger



Source: Bloomberg

Exhibit 4. Profit and loss (Rp bn)

	2010	2011	2012	2013
Revenue	303	429	670	1,015
Gross Profit	64	80	116	208
Operating Profit	35	50	75	153
EBITDA	49	70	101	201
Net Interest	(2)	(1)	(5)	(16)
Other Income (Expenses)	3	1	2	(7)
Pre-tax Income	35	49	72	130
Net Profit	28	36	52	99
Core Profit	26	36	51	104

Source: Company

Exhibit 5. Balance sheet (Rp bn)

	2010	2011	2012	2013
Cash & Equivalent	17	20	65	49
Trade Receivables	28	19	87	137
Project Receivables	71	206	379	711
Other Current Assets	27	14	77	165
Total Current Assets	143	259	608	1,061
Property, Plant, Equipment	80	89	135	221
Other Non-current Assets	3	10	12	16
Total Non-current Assets	83	100	147	237
TOTAL ASSETS	226	359	755	1,298
Bank Loans	20	28	94	85
Trade Payables	48	53	123	210
Other Current Liabilities	27	108	311	419
Total Current Liabilities	95	189	528	715
Bank Loans	0	2	5	17
Other Non-current Liabilities	1	2	4	6
Total Non-current Liabilities	2	4	9	23
Capital Stock	40	40	40	50
Additional Paid in Capital	-	-	-	232
Retained Earnings	92	128	180	280
Other Equity	(2)	(2)	(2)	(1)
Total Equity	129	166	218	560
TOTAL LIABILITIES AND EQUITY	226	359	755	1,298

Source: Company

Exhibit 6. Key ratios

	2010	2011	2012	2013
Profitability				
Gross Margin, %	21.1	18.7	17.2	20.5
Operating Margin, %	11.4	11.6	11.2	15.1
EBITDA Margin, %	16.1	16.2	15.0	19.8
Net Margin, %	9.2	8.5	7.8	9.8
Core Margin, %	8.5	8.3	7.6	10.3
ROAE, %	28.8	24.7	27.2	25.5
ROAA, %	13.7	12.5	9.4	9.7
Leverage				
Debt to Equity, %	16.1	18.4	45.5	18.3
Net Debt to Equity, %	3.1	6.1	15.7	9.6
Interest Coverage, x	15.0	18.4	10.9	8.5
Turnover				
Trade Receivables, days	33.4	16.3	46.6	48.5
Inventories, days	-	-	-	-
Trade Payables, days	71.8	54.9	79.7	93.9
Growth				
Revenues, %	13.3	41.6	56.1	51.4
Gross Profit, %	78.6	25.9	43.7	79.9
Operating Profit, %	65.6	44.3	50.9	103.7
EBITDA, %	134.2	42.9	44.2	99.5
Net Profit, %	76.0	31.4	43.2	90.2
Core Profit, %	90.0	38.7	42.3	105.3

Source: Company

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