

BUY

Target Price, IDR 12,200

Upside 14.0%

BIRD IJ/BIRD JK

Last Price, IDR 10,700

No. of shares, mn 2,502

Market Cap, IDR bn 26,771

(US\$ mn) 2,125

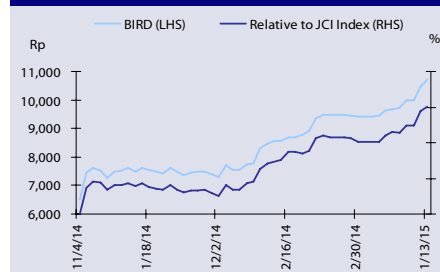
3M T/O, US\$mn 0.8

Last Recommendation

08-Jan-15 BUY IDR 10,200

15-Dec-14 BUY IDR 10,200

BIRD relative to JCI Index



Market Recommendation



Danareksa vs Consensus

	Our	Cons	% Diff
Target price, IDR	12,200	9,900	23.2
EPS 2015F, IDR	500	431	16.0
PE 2015, x	21.4	24.8	-13.7



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Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

Blue Bird

Direct beneficiary of lower fuel costs

The slump in crude oil prices coupled with the government's new policy on fixed fuel subsidies will be a windfall for BB. Fuel costs are BB's second-largest cost component, comprising 28% of BB's total direct costs, or 18% of BB's net revenues. Hence, post the taxi tariff increase in December 2014, we believe that BB can enjoy margins expansion from lower fuel costs. In our new estimate, BB will deliver 30% earnings CAGR in FY13-16F, assuming a gasoline fuel price of Rp7,000/ltr. All in all, utilizing our DCF-based valuation with 11.2% WACC and 4.0% terminal growth rate, we raise our Target Price to Rp12,200, implying FY15F/16F PE of 24.3/19.6x. Maintain BUY.

Windfall from lower fuel costs

The government's fixed fuel subsidy policy that became effective on 1 January 2015 will allow the government to set gasoline and diesel prices every month in accordance with changes in the crude oil price and currency fluctuations. Hence, with the slump in crude oil price, the government has some room to lower fuel prices in the coming months. If this scenario pans out, BB will be a direct beneficiary, especially since fuel costs are BB's second-largest cost component. As for taxi tariffs, even though they tend to rise after fuel price hikes, we expect them to remain unchanged in an environment of falling fuel prices based on the historical evidence. Nonetheless, given the easing pressure from fuel costs on top of the last tariff hikes in December 2014, we still expect BB to utilize the lower band tariff in 1H15F, and then shift to the upper band tariff start in July 2015.

Upgrading earnings estimates on lower fuel costs

In light of the recent slump in oil prices, we set our average gasoline fuel price at Rp7,000/ltr compared to Rp8,500/ltr previously, starting in 2015. In the near-term, we also believe that BB will adjust the driver's commission rate to allow the drivers to benefit from the company's greater profitability. All in all, we expect better profitability in FY15F as BB will enjoy margins expansion on the back of the latest tariff increase and from lower fuel costs. Our 18% lower gasoline fuel price assumption at Rp7,000/ltr leads to a 3.1pps improvement in our estimated FY15F gross margin and a 13% higher FY15F net profit estimate. Our sensitivity analysis shows that for every Rp500/ltr change in our gasoline fuel price assumption, the gross margin will change by 1.3pps, leading, in turn, to a 4.8% change in the FY15F net profits, *ceteris paribus*.

BUY: Retaining positive momentum

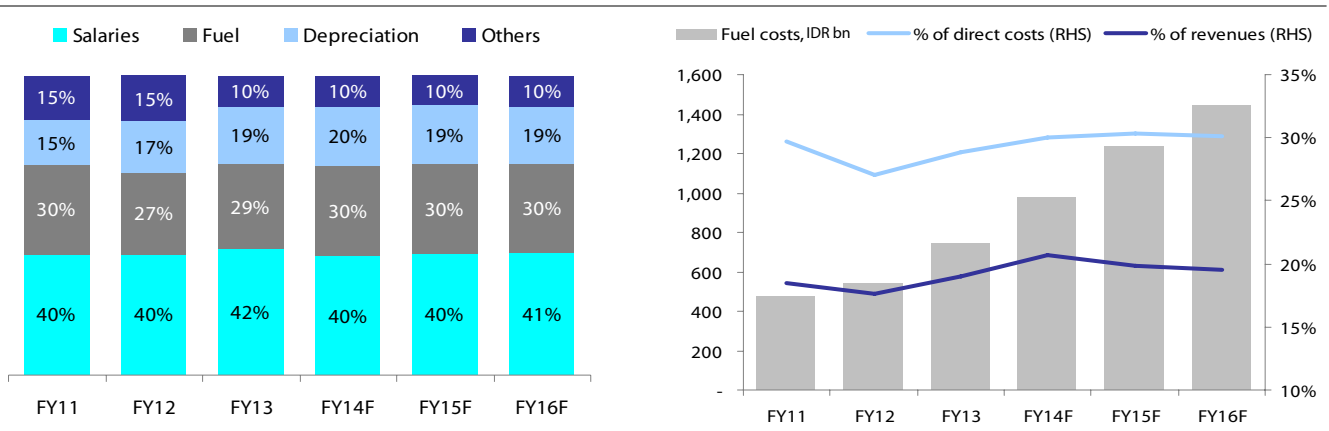
Higher taxi tariffs and lower fuel prices auger well for BB in 2015. Furthermore, news that taxi services in Jakarta would be exempt from ERP regulations (when implemented) also bodes well for taxi demand, we believe, especially in such a densely populated city as Jakarta. All in all, we raise our earnings growth estimate to 30% CAGR in FY13-16F (vs. 25% previously) to price in the lower fuel costs. Utilizing our DCF-based valuation with 11.2% WACC and a 4.0% terminal growth rate, we raise our Target Price to Rp12,200, implying FY15F/16F PE of 24.3/19.6x. In our view, BB's valuation may move towards that of the consumer sector given the company's market dominance and strong brand equity, characteristics shared by strong consumer names.

	2012	2013	2014F	2015F	2016F
Net Revenues, IDR bn	3,099	3,921	4,731	6,229	7,411
EBITDA, IDR bn	964	1,492	1,758	2,468	2,955
EBITDA Growth, %	19.8	54.8	17.8	40.4	19.7
Net Profit, IDR bn	118	708	774	1,253	1,554
Core Profit, IDR bn	431	727	744	1,222	1,522
Core EPS, IDR	172	291	297	488	608
Core EPS Growth, %	10.3	68.8	2.3	64.2	24.5
Net Gearing, %	137.0	202.7	54.9	43.9	24.5
PER, x	227.1	37.8	34.6	21.4	17.2
Core PER, x	62.1	36.8	36.0	21.9	17.6
PBV, x	25.7	22.2	8.1	6.0	4.8
EV/EBITDA, x	29.3	19.6	16.3	11.6	9.5
Yield, %	-	0.9	3.9	0.6	1.4

Windfall from lower fuel costs

The government’s fixed fuel subsidy policy became effective on 1 January 2015. Under this policy, gasoline and diesel prices will be set every month in accordance with changes in the crude oil price and currency fluctuations. Hence, with the crude oil price slumping to below US\$50/barrel, the government has some room to lower fuel prices in the coming months. If this scenario pans out, BB will be a direct beneficiary, especially since fuel costs are the second-largest component in BB’s cost structure after driver commissions. In the past, fuel costs have comprised around 28% of BB’s total direct costs, or 18% of net revenues.

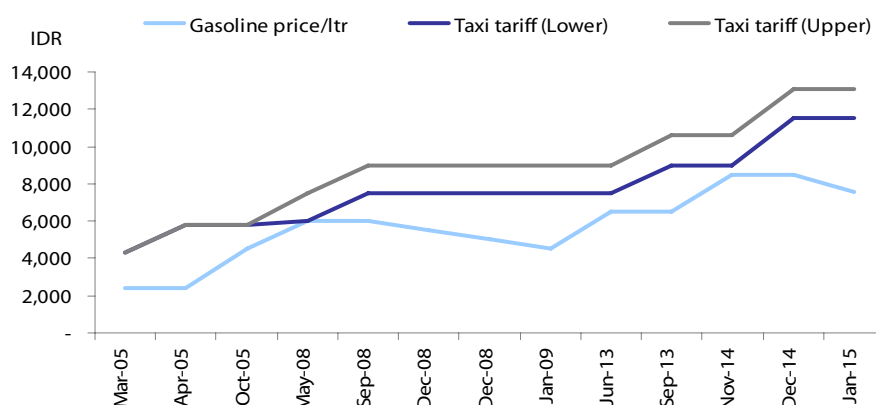
Exhibit 1. Fuel costs – BB’s second-largest cost component



Source: Company, Danareksa Sekuritas

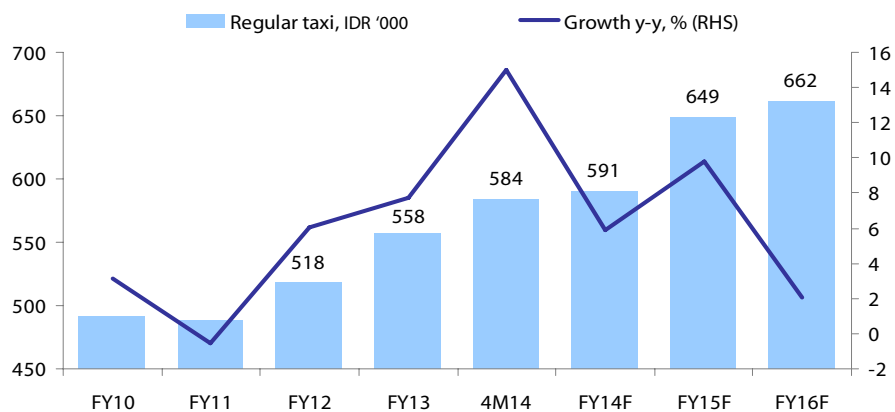
At the same time, it should also be noted that fuel price changes have an impact on the setting of taxi tariffs in Indonesia. In the past, taxi tariff increases have always followed government fuel price hikes. However, the historical evidence also shows us that taxi tariffs have never adjusted downwards when fuel prices have been lowered by the government. In 2008-2009, for example, when the government raised the gasoline fuel price from Rp4,500/ltr to Rp6,000/ltr in May 2008, taxi tariffs were subsequently increased in September 2008. However, when the government then cut the gasoline fuel price on three occasions to Rp4,500/ltr in January 2009, taxi tariffs remained unchanged following their previous hikes.

Moreover, Organda, the body tasked with reviewing and recommending changes to taxi tariffs for the approval of the respective local governments also comprises of business owners, including the taxi operators. In our view, if there is a large discrepancy between potentially lower fuel prices and taxi tariffs, these business owners will be averse to any lowering of taxi tariffs. Thus, against this backdrop, we don’t think that the current taxi tariffs will be changed as a result of potential declines in the gasoline fuel price after last being hiked in December 2014.

Exhibit 2. Taxi tariffs have never been adjusted downwards

Notes: Taxi tariff = Flag fall cost + 1km ritage cost
Source: Company

Nonetheless, given the easing pressure from fuel costs on top of the 10.8% average tariff hikes in December 2014, we believe that BB will continue to use the lower band tariff structure until at least June 2015. This strategy will not only improve BB's utilization rate amidst aggressive expansion, but also make it easier for BB's taxi drivers to get customers than its peers – especially given BB's premium status. In our view, as the current taxi tariff is already sufficient to cover the latest fuel price increase, BB won't need to implement the upper band tariff immediately. As such, we believe that BB will shift to the upper band tariff structure in July 2015 when the company can enjoy another 14.3% increase in its average tariff. Overall, we haven't changed our revenues forecast and still expect the average daily revenues/vehicle for regular taxis to reach Rp649k (+9.8%) in FY15F.

Exhibit 3. Average daily revenues growth from hikes in taxi tariffs

Source: Company, Danareksa Sekuritas

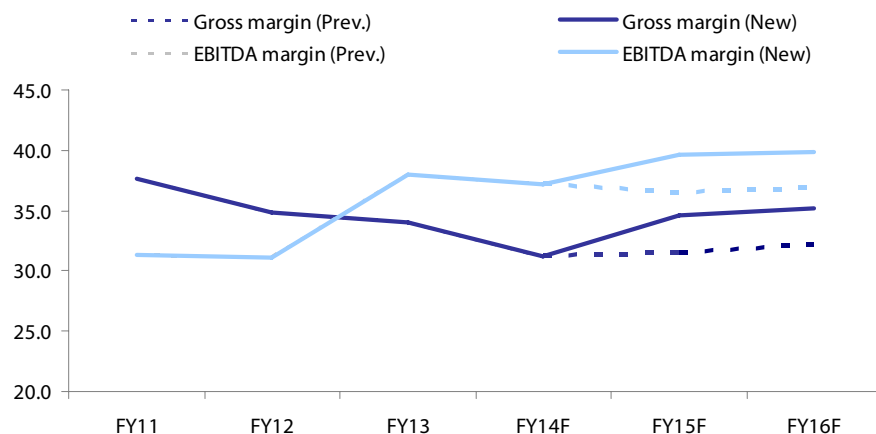
Upgrading earnings estimates on lower fuel costs

In light of the recent slump in oil prices, we set our average gasoline fuel price at Rp7,000/ltr compared to Rp8,500/ltr previously, starting in 2015. We believe this is still quite a conservative assumption, however, given that with a crude oil price of US\$60/barrel and an exchange rate assumption of Rp12,000/USD, the fair price of Indonesian gasoline would be Rp6,823/ltr, based on the calculations of Danareksa Research Institute.

In the near-term, we also believe that BB will adjust the driver's commission rate to allow the drivers to benefit from the company's greater profitability achieved from fuel cost savings and the recent tariff hikes. Hence, we set a fixed daily commission rate at 25.5% from the average daily revenues for regular taxis in 2015F onward. Nonetheless, we don't expect any change in either the company's expansion rate or its two-tariff scheme in 2015F (lower band tariffs in 1H15F and upper band tariffs in 2H15F).

All in all, we expect better profitability in FY15F as BB will enjoy margins expansion on the back of the latest tariff increase and from lower fuel costs. Our 18% lower gasoline fuel price assumption at Rp7,000/ltr leads to a 3.1pps improvement in our estimated FY15F gross margin and a 13% higher FY15F net profit estimate. Our sensitivity analysis shows that for every Rp500/ltr change in our gasoline fuel price assumption, the gross margin will change by 1.3pps, leading, in turn, to a 4.8% change in the FY15F net profits, *ceteris paribus*.

Exhibit 4. Margins expansion on lower fuel costs



Source: Company, Danareksa Sekuritas

Exhibit 5. BB's fuel price sensitivity

FY15F	Fuel price IDR/ltr	Fuel cost to revenue,%	Gross margin %	Chg to base %	Net profit IDR bn	Chg to base %
	8,000	22.4	32.1	-2.5	1,133	-9.6
	7,500	21.1	33.4	-1.3	1,193	-4.8
Base case	7,000	19.8	34.6	-	1,253	-
	6,500	18.6	35.9	+1.3	1,313	+4.8
	6,000	17.3	37.2	+2.5	1,373	+9.6

Source: Danareksa Sekuritas

Exhibit 6. Changes in our forecast

Year Ended 31 Dec	2013	Current			Previous			Changes, %		
		2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Regular taxi										
Fleet size e.p., units	21,756	25,432	30,932	34,432	25,432	30,932	34,432	-	-	-
Fleet size avg., units	19,291	23,359	28,182	32,682	23,359	28,182	32,682	-	-	-
Utilization rate, %	79	76	77	78	76	77	78	-	-	-
Avg. daily revenue, IDR '000	558	591	649	662	591	649	662	-	-	-
Fuel costs, IDR/ltr	5,556	6,750	7,000	7,000	6,750	8,500	8,500	-	(17.6)	(17.6)
(IDR bn)										
Net revenues	3,921	4,731	6,229	7,411	4,731	6,229	7,411	-	-	-
Gross profit	1,332	1,478	2,158	2,607	1,478	1,962	2,380	-	10.0	9.6
Operating profit	990	1,090	1,661	2,019	1,090	1,466	1,791	-	13.3	12.7
EBITDA	1,492	1,758	2,468	2,955	1,758	2,273	2,727	-	8.6	8.3
Net profit	708	774	1,253	1,554	774	1,106	1,379	-	13.4	12.7
(%)										
Gross margin	34.0	31.2	34.6	35.2	31.2	31.5	32.1	-	3.1	3.1
Operating margin	25.2	23.0	26.7	27.2	23.0	23.5	24.2	-	3.1	3.1
EBITDA margin	38.0	37.1	39.6	39.9	37.1	36.5	36.8	-	3.1	3.1
Net margin	18.0	16.4	20.1	21.0	16.4	17.7	18.6	-	2.4	2.4

Source: Company, Danareksa Sekuritas

BUY: Retaining positive momentum

Higher taxi tariffs and lower fuel prices auger well for BB in 2015. Furthermore, news that taxi services in Jakarta would be exempt from Electronic Road Pricing (ERP) regulations (when implemented) also bodes well for taxi demand, we believe, especially in such a densely populated city as Jakarta. All in all, we raise our earnings growth estimate to 30% CAGR in FY13-16F (vs. 25% previously) to price in the lower fuel costs. Utilizing our DCF-based valuation with 11.2% WACC and a 4.0% terminal growth rate, we raise our Target Price to Rp12,200, implying FY15F/16F PE of 24.3/19.6x. In our view, BB's valuation may move towards that of the consumer sector given the company's market dominance and strong brand equity, characteristics shared by strong consumer names. BUY.

Exhibit 7. DCF valuation

Year Ended 31 Dec, IDR bn	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
EBIT	1,661	2,019	2,307	2,613	2,950	3,330	3,705	4,118	4,523	4,743	5,200
Taxes	(415)	(505)	(577)	(653)	(737)	(832)	(926)	(1,029)	(1,131)	(1,186)	(1,300)
Depreciation	807	936	1,002	1,031	1,061	1,092	1,123	1,156	1,190	1,225	1,261
Capex	(2,363)	(1,762)	(954)	(988)	(1,033)	(1,069)	(1,105)	(1,154)	(1,195)	(1,236)	(1,292)
Working Capital	(38)	(27)	(21)	(21)	(22)	(24)	(24)	(26)	(27)	(23)	(30)
FCFF	(348)	661	1,757	1,982	2,219	2,496	2,773	3,063	3,361	3,523	3,839
Terminal value											55,834
DCF	(348)	594	1,422	1,443	1,454	1,471	1,470	1,462	1,442	1,361	20,732
Enterprise value	32,504										
Net debt	1,945										
Minorities	80										
Equity value	30,479										
Equity value/share, IDR	12,200										

Source: Danareksa Sekuritas

Exhibit 8. Peers' valuation

Company	Market cap IDR tn	PE, x FY 15F	EV/EBITDA,x FY15F	EPS CAGR, % FY 13-16F	ROE,% FY15F
BIRD IJ	26.8	21.4	11.6	30.0	32.4
TAXI IJ	2.5	15.7	6.1	17.9	16.0
UNVR IJ	251.8	40.9	28.6	9.8	126.5
GGRMIJ	115.4	18.8	11.9	17.0	17.2
KLBF IJ	84.8	33.2	21.9	16.3	24.3
ICBP IJ	74.2	24.2	15.5	16.9	19.8
MYOR IJ	19.1	22.7	12.4	2.0	18.7
ULTJ IJ	11.6	22.2	13.5	25.8	18.7
ROTI IJ	6.6	25.2	16.4	27.6	23.3

Source: Danareksa Sekuritas, Bloomberg as of 13 January 2015

Financial Summary

Exhibit 9. Profit and loss (IDR bn)

	2012	2013	2014F	2015F	2016F
Net Revenues	3,099	3,921	4,731	6,229	7,411
Direct Costs	2,019	2,588	3,254	4,071	4,804
Gross Profit	1,080	1,332	1,478	2,158	2,607
Operating Expenses	474	343	388	496	588
Operating Profit	606	990	1,090	1,661	2,019
EBITDA	964	1,492	1,758	2,468	2,955
Interest Expenses	(135)	(189)	(271)	(234)	(210)
Other Income (Expenses)	115	155	219	254	276
Pre-tax Income	586	956	1,038	1,682	2,085
Income Tax	(146)	(243)	(260)	(420)	(521)
Net Profit	118	708	774	1,253	1,554
Core Profit	431	727	744	1,222	1,522

Source: Company, Danareksa Sekuritas

Exhibit 10. Balance sheet (IDR bn)

	2012	2013	2014F	2015F	2016F
Cash & Equivalent	590	267	899	549	701
Trade Receivables	66	165	199	262	311
Inventories	6	7	9	11	13
Other Current Assets	63	118	170	180	187
Total Current Assets	725	557	1,277	1,002	1,213
Fixed Assets -net	3,070	4,342	5,614	7,103	7,854
Other Non-current Assets	65	113	197	197	197
Total Non-current Assets	3,134	4,455	5,811	7,300	8,051
Total Assets	3,859	5,012	7,088	8,301	9,263
Trade Payables	182	157	108	136	160
ST Portion of LT Debt	930	985	971	1,170	830
Other Current Liabilities	283	260	309	384	451
Total Current Liabilities	1,395	1,655	1,543	2,065	1,907
Long-term Debt	1,090	1,725	1,749	1,324	1,244
Shareholder Loan	-	-	-	-	-
Other Non-current Liabilities	331	426	475	485	497
Total Non-current Liabilities	1,421	2,151	2,224	1,809	1,741
Total Liabilities	2,816	3,807	3,767	3,875	3,649
Shareholder's Equity	1,043	1,205	3,320	4,427	5,615
Total Liabilities and Equity	3,859	5,012	7,088	8,301	9,263

Source: Company, Danareksa Sekuritas

Exhibit 11. Cash flow (IDR bn)

	2012	2013	2014F	2015F	2016F
Pre-tax Profit	586	956	1,038	1,682	2,085
Tax	(30)	(85)	(180)	(371)	(477)
Minority Interest	(0)	(6)	(5)	(8)	(10)
Depreciation	358	502	668	807	936
Changes in Working Capital	114	(125)	(85)	(38)	(27)
Operating Cash Flow	1,027	1,242	1,436	2,071	2,507
Capex	(1,007)	(1,774)	(1,940)	(2,296)	(1,687)
Other Non-current Items	1	64	(216)	247	118
Investing Cash Flow	(1,006)	(1,709)	(2,156)	(2,049)	(1,569)
Current portion of LT Debt	218	55	(14)	199	(340)
LT Debt	352	635	24	(425)	(80)
Equity	(77)	(294)	2,391	8	10
Shareholder loan	-	-	-	-	-
Restructuring Proforma	(322)	-	-	-	-
Dividend	-	(252)	(1,050)	(155)	(376)
Financing Cash Flow	171	144	1,352	(373)	(786)
Changes in Cash	193	(323)	632	(350)	152

Source: Company, Danareksa Sekuritas

Exhibit 12. Key ratios

	2012	2013	2014F	2015F	2016F
Profitability, %					
Gross Margin	34.9	34.0	31.2	34.6	35.2
Operating Margin	19.5	25.2	23.0	26.7	27.2
EBITDA Margin	31.1	38.0	37.1	39.6	39.9
Net Margin	3.8	18.0	16.4	20.1	21.0
Core Margin	13.9	18.6	15.7	19.6	20.5
ROAE	11.5	62.9	34.2	32.4	31.0
ROAA	3.5	16.0	12.8	16.3	17.7
Capitalization					
Debt to Equity, %	193.6	224.8	81.9	56.3	36.9
Net Debt to Equity, %	137.0	202.7	54.9	43.9	24.5
EBITDA/Interest, x	4.5	5.2	4.0	7.1	9.6
Turnover, days					
Trade Receivables	8	15	15	15	15
Inventories	1	1	1	1	1
Trade Payables	32	22	12	12	12
Growth, %					
Net Revenues	20.9	26.5	20.7	31.6	19.0
Gross Profit	11.9	23.4	10.9	46.0	20.8
Operating Profit	9.7	63.4	10.1	52.5	21.5
EBITDA	19.8	54.8	17.8	40.4	19.7
Net Profit	98.0	500.1	9.4	62.0	24.0
Core Profit	10.3	68.8	2.3	64.2	24.5

Source: Company, Danareksa Sekuritas

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