

Wednesday, 20 December 2017

BUY
Maintain

Last price (IDR)	1,885
Target Price (IDR)	2,800
Upside/Downside	+48.5%
Previous Target Price (IDR)	2,800

Stock Statistics

Sector	Construction
Bloomberg Ticker	ADHI IJ
No of Shrs (mn)	3,561
Mkt. Cap (IDR bn/USDmn)	6,712/494
Avg. daily T/O (IDR bn/USDmn)	32.1/2.4

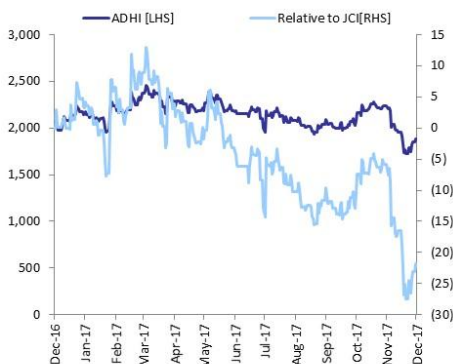
Major shareholders

Government	51.0%
Public	49.0%
Estimated free float (%)	49.0

EPS Consensus(IDR)

	2017F	2018F	2019F
Danareksa	126.7	173.9	147.1
Consensus	146.9	220.0	259.5
Danareksa/Cons	(13.7)	(20.9)	(43.3)

ADHI relative to JCI Index



Source : Bloomberg

Maria Renata

(62-21) 2955 5888 ext.3513
maria.renata@danareksa.com

Adhi Karya (ADHI IJ)

Signed at last!

The Ministry of Transportation, Kereta Api Indonesia (KAI), and ADHI have signed the agreement concerning the Jakarta LRT project. The signing of this agreement gives more certainty on the project, especially concerning the owner, the value of the project, and on the government's support which will accelerate the project's development process. As such, we expect the first payment to ADHI to be accelerated since ADHI has yet to receive any payments whatsoever. We have a BUY call on ADHI.

Certainty on the Jakarta LRT project. The Ministry of Transportation (MoT), KAI and ADHI signed the agreement on the implementation of the Jakarta LRT project. The value of the project is set at IDR29.9tn consisting of IDR25.7tn for the development of infrastructure, 17 stations, rolling stock, and IDR4.2tn for depots. In the agreement, KAI as the concession holder has a concessionary period of 50 years to operate the trains.

Government support. Government support will be provided through capital injection and tariff subsidies. For this project, KAI is entitled to receive a IDR7.6tn capital injection from the government. Note that ADHI already received IDR1.4tn of additional capital from the government in 2015 for the development of depots. Another IDR14.0tn will be provided by the government in the form of subsidies - which will be given yearly in the first 12 years of operation (IDR1.0-1.2tn per year). The subsidies will allow the tickets to be sold at IDR12,000/pax (compared to the commercial rate of IDR25,000/pax).

Impact of the signing of the agreement. The news provides clarity on the project's investor after the Ministry of SOE sent a letter to the MoT and the Ministry of Finance (MoF) suggesting that KAI should only be the operator of the project and not participate as an investor. The financial closing is targeted for 21 or 22 Dec 17 and the first payment to ADHI is expected to be made in mid-Jan 18. So far, ADHI has not received any payment from KAI regarding the project. ADHI booked IDR4.3tn of receivables from the project as of Sep 17.

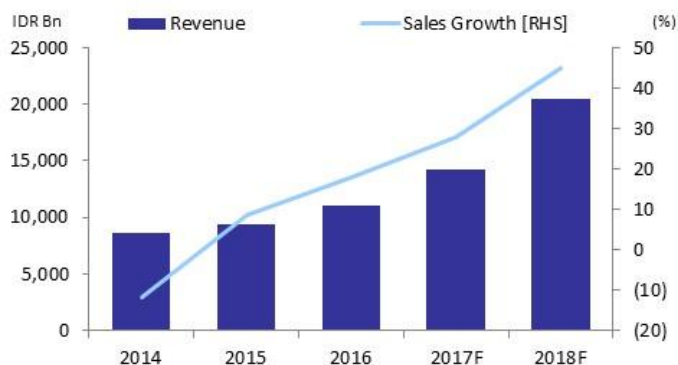
Valuation. We expect the 2018 revenues to grow by 44.8%yoy and the net income to grow by 37.3%yoy given the higher contribution from the Jakarta LRT. We expect the project to generate IDR10.0tn of revenues in 2018 or double the amount in 2017. Our target price of IDR2,800 implies 2018 PE of 15.7x.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue, (IDRbn)	9,390	11,064	14,160	20,506	17,544
EBITDA, (IDRbn)	579	671	982	1,428	1,249
EBITDA Growth, (%)	(8.0)	15.8	46.3	45.4	(12.5)
Net profit (IDRbn)	464	313	451	619	524
EPS (IDR)	202.8	88.0	126.7	173.9	147.1
EPS growth (%)	12.7	(56.6)	43.9	37.3	(15.4)
BVPS, (IDR)	2,254.5	1,525.8	1,738.9	2,028.7	2,243.1
DPS, (IDR)	18.2	26.2	20.2	29.0	39.8
PER (x)	9.7	22.4	15.5	11.3	13.4
PBV (x)	0.9	1.3	1.1	1.0	0.9
Dividend yield (%)	0.9	1.3	1.0	1.5	2.0
EV/EBITDA (x)	10.0	11.8	9.6	7.9	8.9

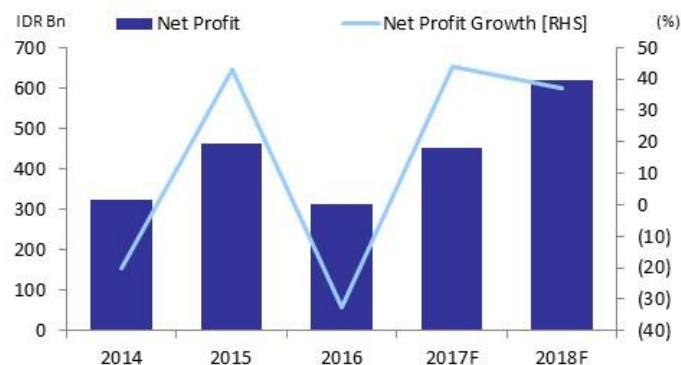
Source : ADHI, Danareksa Estimates

Exhibit 1. REVENUE AND GROWTH



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. NET PROFIT AND GROWTH



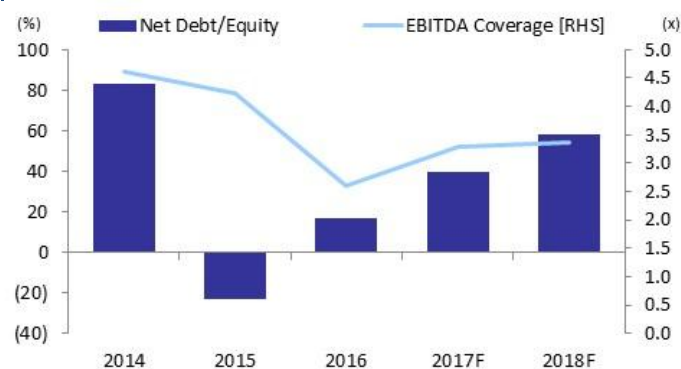
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. MARGINS



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. GEARING LEVEL



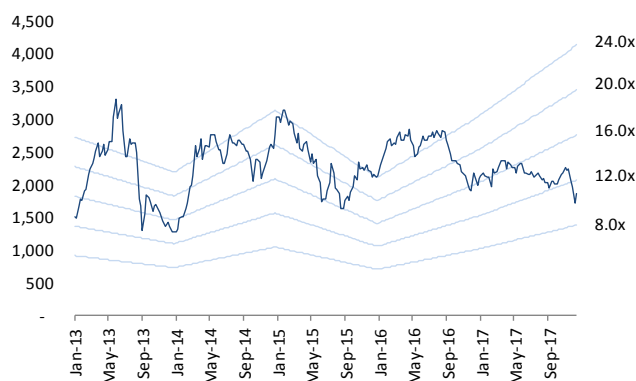
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE BAND CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. SHARE PRICE CHART



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	9,390	11,064	14,160	20,506	17,544
COGS	(8,415)	(9,949)	(12,685)	(18,405)	(15,708)
Gross profit	975	1,115	1,474	2,102	1,836
EBITDA	579	671	982	1,428	1,249
Oper. profit	611	729	1,063	1,538	1,369
Interest income	51	163	135	90	73
Interest expense	(137)	(258)	(299)	(424)	(433)
Forex Gain/(Loss)	165	64	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	56	(85)	(105)	(61)	(26)
Pre-tax profit	746	613	793	1,143	982
Income tax	(281)	(298)	(341)	(522)	(457)
Minority interest	(1)	(2)	(1)	(2)	(2)
Net profit	464	313	451	619	524
Core Net Profit	311	379	557	680	550

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	4,317	3,365	4,488	3,642	3,814
Receivables	6,405	9,802	10,541	15,266	13,060
Inventory	163	131	189	255	204
Other Curr. Asset	3,807	3,537	4,188	5,011	5,061
Fixed assets - Net	1,099	1,460	1,907	2,338	2,753
Other non-curr.asset	970	1,800	2,161	2,599	3,133
Total asset	16,761	20,095	23,474	29,112	28,025
ST Debt	1,115	2,844	3,082	4,350	4,885
Payables	6,704	8,604	8,712	12,550	10,781
Other Curr. Liabilities	1,595	1,596	1,473	1,360	1,257
Long Term Debt	2,003	1,428	3,861	3,487	2,988
Other LT. Liabilities	181	180	145	130	117
Total Liabilities	11,599	14,653	17,272	21,878	20,028
Shareholder's Funds	5,154	5,433	6,192	7,224	7,987
Minority interests	8	10	10	10	10
Total Equity & Liabilities	16,761	20,095	23,474	29,112	28,025

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	464	313	451	619	524
Depreciation and Amort.	32	58	81	110	120
Change in Working Capital	688	(499)	(964)	(1,388)	835
Other Oper. Cash Flow	493	(105)	473	796	686
Operating Cash Flow	1,677	(233)	42	137	2,165
Capex	(1,146)	(1,702)	(1,214)	(1,274)	(1,326)
Others Inv. Cash Flow	(270)	192	(5)	(77)	(127)
Investing Cash Flow	(1,416)	(1,511)	(1,219)	(1,351)	(1,453)
Net change in debt	849	1,154	2,671	895	36
New Capital	2,714	1	0	0	0
Dividend payment	(65)	(93)	(72)	(103)	(142)
Other Fin. Cash Flow	(254)	(270)	(299)	(424)	(433)
Financing Cash Flow	3,245	791	2,300	368	(540)
Net Change in Cash	3,506	(952)	1,123	(846)	172
Cash - begin of the year	811	4,317	3,365	4,488	3,642
Cash - end of the year	4,317	3,365	4,488	3,642	3,814

Exhibit 10. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	8.5	17.8	28.0	44.8	(14.4)
EBITDA	(8.0)	15.8	46.3	45.4	(12.5)
Operating profit	(6.7)	19.2	45.9	44.7	(11.0)
Net profit	43.1	(32.4)	43.9	37.3	(15.4)
Profitability (%)					
Gross margin	10.4	10.1	10.4	10.2	10.5
EBITDA margin	6.2	6.1	6.9	7.0	7.1
Operating margin	6.5	6.6	7.5	7.5	7.8
Net margin	4.9	2.8	3.2	3.0	3.0
ROAA	3.4	1.7	2.1	2.4	1.8
ROAE	13.4	5.9	7.8	9.2	6.9
Leverage					
Net Gearing (x)	(0.2)	0.2	0.4	0.6	0.5
Interest Coverage (x)	4.5	2.8	3.6	3.6	3.2

Source : ADHI, Danareksa Estimates

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