

Thursday, 24 May 2018

BUY
Maintain

Last price (IDR) 1,930
Target Price (IDR) 2,900
Upside/Downside +50.3%
Previous Target Price (IDR) 2,900

Stock Statistics

Sector Construction
Bloomberg Ticker ADHI IJ
No of Shrs (mn) 3,561
Mkt. Cap (IDRbn/USDmn) 6,872/484
Avg. daily T/O (IDRbn/USDmn) 32.6/2.3

Major shareholders (%)

Government 51.0
Public 49.0
Estimated free float 49.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	211.5	258.5	297.7
Consensus	231.4	290.4	372.2
Danareksa/Cons	(8.6)	(11.0)	(20.0)

ADHI relative to JCI Index



Source : Bloomberg



Maria Renata

(62-21) 2955 5888 ext.3513

maria.renata@danareksa.com

Adhi Karya(ADHI IJ)

A new train project is coming to town

Jakarta's municipal government plans to invite investors to participate in the development of the Greater Jakarta LRT stage 2. ADHI as a contractor in stage 1 will have the opportunity to participate as the contractor or investor in the project. For stage 1 of the project, ADHI expects the second tranche of payment from Kereta Api Indonesia (KAI) amounting to around IDR1.8tn to be made in the near future. We maintain our BUY call on ADHI with an unchanged TP of IDR2,900.

Greater Jakarta LRT stage 2. The investment needed for the Greater Jakarta LRT stage 2 is estimated at IDR9.8tn (USD700mn). The line will connect the Velodrome (in Rawamangun) to Tanah Abang. There will be 10 stations (revised up from 6 stations in the initial plans) and the Jakarta Governor plans to invite the private sector to participate in the project through the PPP scheme. The financing scheme in stage 2 will be totally different from the financing scheme for stage 1 for which the project is owned by the government through KAI. Regarding the PPP scheme, our concerns relate to the subsidies given to ensure low ticket prices. We also note that the investor will have the privilege to appoint the contractor for the project.

Progress of the Greater Jakarta LRT stage 1. As of early May 18, the LRT stage 1 progress reached 37.4%, with the progress of each service line as follows: Cawang – Cibubur 59.0%, Cawang – Kuningan – Dukuh Atas 21.2%, and Cawang – Bekasi Timur 33.3%. For this project, ADHI has won IDR22.8tn of civil works contracts with construction expected to be finished by 2019.

Received part payment for the Greater Jakarta LRT stage 1. ADHI received the first tranche of payment for the project amounting to IDR3.4tn in early Mar 18. The payment is based on works carried out as of Sep 2017. The second payment of around IDR1.8tn based on works carried out from Oct – Dec 2017 is expected to be received in 2Q18. ADHI booked receivables of IDR4.4tn from the project as of Mar 18.

New contracts in 4M18 reached IDR3.8tn, or reaching 16.3% of the management's full year target of IDR23.3tn. Compared to the previous year, the new contracts in 4M18 are 13.4%yoy lower than the IDR4.4tn of new contracts booked in 4M17. ADHI booked IDR800bn of new contracts in Apr 18, including contracts for some major projects such as RSKIA stage 2 (IDR279.5bn), Cordova Apartment (IDR164bn), and Novotel Bali (IDR153bn).

Maintain BUY. We maintain our forecast and recommendation on ADHI as we expect more new contracts to be booked in the coming months. ADHI also has a bigger chance to participate as the contractor or investor in the Greater Jakarta LRT stage 2 project. ADHI currently trades at an attractive valuation of 2018 PE of 9.1x, lower than its historical -1SD PE of 13.1x.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	11,064	15,156	17,408	20,677	22,762
EBITDA (IDRbn)	671	1,589	1,640	1,904	2,078
EBITDA Growth (%)	15.8	136.8	3.2	16.1	9.1
Net profit (IDRbn)	313	515	753	920	1,060
EPS (IDR)	88.0	144.7	211.5	258.5	297.7
EPS growth (%)	(56.6)	64.4	46.1	22.2	15.2
BVPS (IDR)	1,525.8	1,645.5	2,010.6	2,442.9	2,934.8
DPS (IDR)	26.2	26.4	28.9	42.3	51.7
PER (x)	21.9	13.3	9.1	7.4	6.5
PBV (x)	1.3	1.2	1.0	0.8	0.7
Dividend yield (%)	1.4	1.4	1.5	2.2	2.7
EV/EBITDA (x)	11.6	7.0	6.9	6.1	5.5

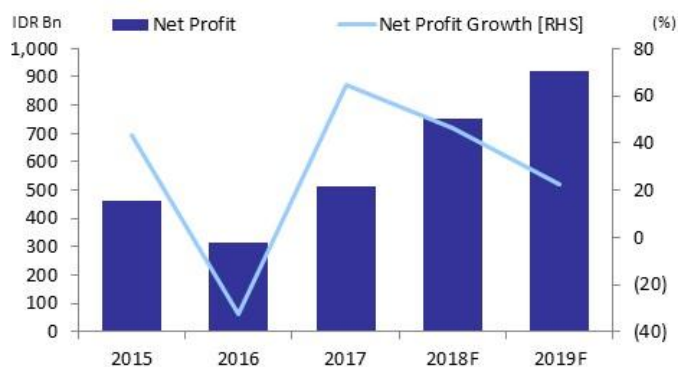
Source : ADHI, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



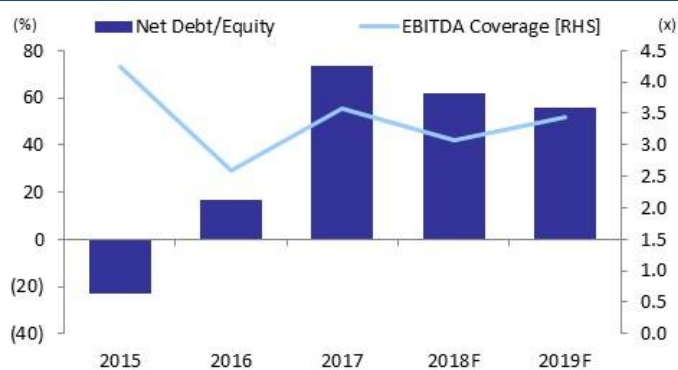
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



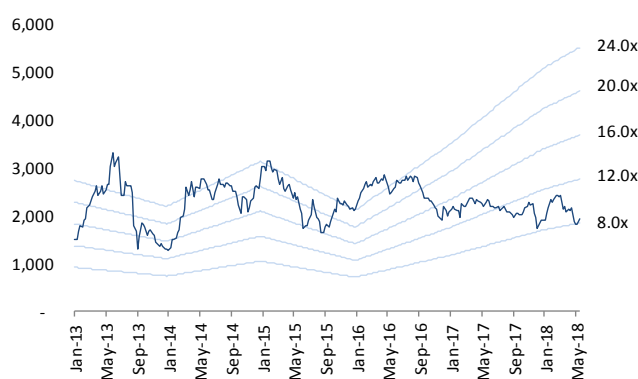
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	11,064	15,156	17,408	20,677	22,762
COGS	(9,949)	(13,098)	(15,112)	(17,988)	(19,819)
Gross profit	1,115	2,058	2,296	2,688	2,943
EBITDA	671	1,589	1,640	1,904	2,078
Oper. profit	729	1,708	1,760	2,052	2,249
Interest income	0	0	41	37	38
Interest expense	(258)	(445)	(534)	(552)	(548)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	142	(306)	(62)	(73)	(78)
Pre-tax profit	613	957	1,206	1,464	1,660
Income tax	(298)	(440)	(450)	(540)	(596)
Minority interest	(2)	(2)	(2)	(3)	(3)
Net profit	313	515	753	920	1,060
Core Net Profit	313	515	815	993	1,138

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	3,365	4,131	3,672	3,802	3,471
Receivables	9,802	15,067	15,377	18,264	19,600
Inventory	2,276	3,683	3,435	3,598	3,964
Other Curr. Asset	1,349	1,936	2,000	2,063	2,111
Fixed assets - Net	1,460	1,521	1,962	2,387	2,796
Other non-curr.asset	1,786	1,994	2,385	2,859	3,433
Total asset	20,038	28,333	28,832	32,973	35,375
ST Debt	2,844	3,787	4,601	5,668	5,050
Payables	8,657	11,925	11,679	13,871	15,282
Other Curr. Liabilities	1,486	1,921	1,762	1,618	1,486
Long Term Debt	1,428	4,665	3,487	2,988	2,988
Other LT. Liabilities	180	164	132	119	108
Total Liabilities	14,595	22,463	21,662	24,264	24,914
Shareholder's Funds	5,433	5,859	7,159	8,699	10,451
Minority interests	10	11	11	11	11
Total Equity & Liabilities	20,038	28,333	28,832	32,973	35,375

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	313	515	753	920	1,060
Depreciation and Amort.	58	119	120	147	171
Change in Working Capital	(2,645)	(3,278)	(490)	(1,022)	(422)
Other Oper. Cash Flow	30	69	1,027	1,180	1,275
Operating Cash Flow	(2,243)	(2,575)	1,410	1,226	2,084
Capex	443	(149)	(739)	(795)	(859)
Others Inv. Cash Flow	29	(152)	(128)	(167)	(206)
Investing Cash Flow	472	(301)	(867)	(962)	(1,065)
Net change in debt	1,154	4,181	(364)	568	(618)
New Capital	1	0	0	0	0
Dividend payment	(93)	(94)	(103)	(151)	(184)
Other Fin. Cash Flow	(242)	(444)	(534)	(552)	(548)
Financing Cash Flow	819	3,643	(1,002)	(134)	(1,350)
Net Change in Cash	(952)	766	(459)	130	(332)
Cash - begin of the year	4,317	3,365	4,131	3,672	3,802
Cash - end of the year	3,365	4,131	3,672	3,802	3,471

Exhibit 10. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	17.8	37.0	14.9	18.8	10.1
EBITDA	15.8	136.8	3.2	16.1	9.1
Operating profit	19.2	134.4	3.1	16.6	9.6
Net profit	(32.4)	64.4	46.1	22.2	15.2
Profitability (%)					
Gross margin	10.1	13.6	13.2	13.0	12.9
EBITDA margin	6.1	10.5	9.4	9.2	9.1
Operating margin	6.6	11.3	10.1	9.9	9.9
Net margin	2.8	3.4	4.3	4.5	4.7
ROAA	1.7	2.1	2.6	3.0	3.1
ROAE	5.9	9.1	11.6	11.6	11.1
Leverage					
Net Gearing (x)	0.2	0.7	0.6	0.6	0.4
Interest Coverage (x)	2.8	3.8	3.3	3.7	4.1

Source : ADHI, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.