

**Recovery progress on target.** We expect a robust earnings recovery along with margin improvement in 3Q18 stemmed by higher utilization rate and average revenue per car. Diminishing discount from online ride-hailing coupled with the implementation of extended odd-even plate policy during Asian Games have effectively improved BIRD's performance faster than our initial projection. During July and August, BIRD's utilization rate stood at 72% (vs 67% in 1H18), number we have not seen since the adoption of online ride-hailing in 2016. We expect higher utilization rate will support margins recovery in 2H18.

**The best is yet to come.** In second week of October, BIRD will provide transportation service (limousine and car rental) for the 2018 IMF-World Bank Annual Meetings in Bali. This event is predicted to contribute an additional of IDR 50 bn revenue for BIRD. This figures has not included the potential additional income from taxi services during the event. Note that the odd-even plate policy will also be implemented in Bali where as the trial has already began. There is also some discussion that this policy will be implemented in Bandung to reduce traffic jam. These all will provide further positive catalysts for BIRD.

**Competition has begun to subside.** Affirming our thesis on loosening competition from our previous report ([BIRD - Ready for Takeoff](#)), the management indicated that number of driver applicants began to increase this year. This proves a less aggressive driver acquisition strategy from other taxi players as well as online ride-hailing. In addition, easing competition might come from current Go-Jek and Grab's strategy to tap more into other services, such as food and good delivery services. Meanwhile, management stated that pricing discount from online ride-hailing in some cities outside Jakarta has been declining, though some remains intense.

**We reiterate our BUY call for BIRD and raised our end-of-FY19 TP to IDR 3,850,** deriving from its three years average PER of 19.0x which provides potential upside of 23.8% from current market price. Despite the recent significant stock rally in the past few months, we believe BIRD remains attractive due to faster than expected recovery and brighter outlook ahead. Downside risks to our call include more intense price competition and rising fuel price.

Highlights (IDR Bn)	2016	2017	2018E	2019F	2020F
Revenue	4,796	4,204	4,210	4,304	4,547
% growth	-12%	-12%	0%	2%	6%
Gross Profit	1,370	1,138	1,185	1,238	1,334
Net Profit	507	425	456	506	563
% growth	-38%	-16%	7%	11%	11%
Gross Margin (%)	31%	29%	27%	28%	29%
Net Margin (%)	15%	11%	10%	11%	12%
Return on Equity (%)	19%	11%	9%	9%	9%
Return on Assets (%)	12%	7%	7%	7%	7%
EPS (IDR)	329	203	170	182	202

**Richard Suherman**

Equity Analyst

+62 21 392 5550 ext. 610

[richard.suherman@sinarmassekuritas.co.id](mailto:richard.suherman@sinarmassekuritas.co.id)**Stock Information**

Sector	Transportation
Bloomberg Ticker	BIRD IJ
Market Cap. (IDR tn)	7.78
Share Out./Float (mn)	2,502/468
Current Price	IDR 3,110
End-of-FY19 Target Price	IDR 3,850
Upside (%)	23.8%

**Share Price Performance**

52W High (10/02/17)	4,930
52W Low (09/07/18)	2,230
52W Beta	0.72
YTD Change (%)	-10.1%

**Relative Valuations**

Trailing P/E	18.6x
Forward P/E	15.4x
P/BV	1.6x
EV/EBITDA	7.2x

<b>Income Statement (IDR Bn)</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019F</b>	<b>2020F</b>
<b>Revenue</b>	<b>4,796</b>	<b>4,204</b>	<b>4,210</b>	<b>4,304</b>	<b>4,547</b>
Direct cost	3,426	3,066	3,025	3,066	3,213
<b>Gross Profit</b>	<b>1,370</b>	<b>1,138</b>	<b>1,185</b>	<b>1,238</b>	<b>1,334</b>
Operating Expense	563	570	593	603	633
Gain on disposals of fixed assets	32	47	38	42	43
Penalties and claims	21	17	18	18	19
Other Income/Expense	37	42	41	42	44
<b>EBIT</b>	<b>896</b>	<b>673</b>	<b>688</b>	<b>737</b>	<b>807</b>
<b>EBITDA</b>	<b>1,143</b>	<b>857</b>	<b>860</b>	<b>906</b>	<b>979</b>
Net Financing	(203)	(111)	(77)	(58)	(51)
<b>EBT</b>	<b>692</b>	<b>562</b>	<b>611</b>	<b>679</b>	<b>756</b>
Tax	182	135	153	170	189
Non controlling interest	3	3	3	3	3
<b>Net Profit</b>	<b>507</b>	<b>425</b>	<b>456</b>	<b>506</b>	<b>563</b>

<b>Balance Sheet (IDR Bn)</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019F</b>	<b>2020F</b>
Cash & equivalents	592	474	802	1,053	1,309
Trade receivables	262	256	234	251	265
Other CA	28	40	32	33	35
<b>Total current assets</b>	<b>882</b>	<b>771</b>	<b>1,069</b>	<b>1,337</b>	<b>1,609</b>
Fixed assets	6,185	5,606	5,389	5,313	5,373
Other LT Assets	233	140	218	259	305
<b>Total Assets</b>	<b>7,301</b>	<b>6,516</b>	<b>6,675</b>	<b>6,910</b>	<b>7,286</b>
Trade payables	70	68	82	83	87
ST loans	658	269	210	172	159
Other CL	86	98	99	101	107
<b>Total Current Liabilities</b>	<b>814</b>	<b>436</b>	<b>392</b>	<b>357</b>	<b>353</b>
LT loans	1,186	495	421	344	318
Other	638	655	632	647	683
<b>Total Liabilities</b>	<b>2,638</b>	<b>1,586</b>	<b>1,445</b>	<b>1,348</b>	<b>1,355</b>
Share & APIC	2,763	2,763	2,763	2,763	2,763
Retained Earnings	1,826	2,092	2,389	2,718	3,084
NCI	74	75	78	81	85
<b>Total Equity</b>	<b>4,663</b>	<b>4,931</b>	<b>5,230</b>	<b>5,562</b>	<b>5,932</b>
<b>Total Equity &amp; Liabilities</b>	<b>7,301</b>	<b>6,516</b>	<b>6,675</b>	<b>6,910</b>	<b>7,286</b>

Cash Flow (IDR Bn)	2016	2017	2018E	2019F	2020F
<b>Net Income</b>	<b>507</b>	<b>425</b>	<b>456</b>	<b>506</b>	<b>563</b>
Depreciation	247	184	172	168	172
Chg. in NWC	(116)	4	45	(14)	(6)
<b>CF from Operating</b>	<b>638</b>	<b>613</b>	<b>672</b>	<b>661</b>	<b>729</b>
Capital Expenditure	(236)	396	45	(93)	(231)
Chg. in LT Assets	158	93	(78)	(41)	(46)
Chg in LT Liabilities	59	17	(23)	14	36
<b>CF from Investing</b>	<b>(19)</b>	<b>506</b>	<b>(56)</b>	<b>(120)</b>	<b>(241)</b>
Chg. in Share & APIC	-	-	-	-	-
Chg. in ST Loans	(30)	(389)	(59)	(38)	(13)
Chg. in LT Loans	(95)	(691)	(74)	(77)	(26)
Dividends Paid	(174)	(158)	(159)	(177)	(197)
Others	2	2	3	3	3
<b>CF from Financing</b>	<b>(298)</b>	<b>(1,236)</b>	<b>(289)</b>	<b>(289)</b>	<b>(233)</b>
Beginning Cash	271	592	474	802	1,053
Change in Cash	320	(118)	328	252	255
<b>Ending Cash</b>	<b>592</b>	<b>474</b>	<b>802</b>	<b>1,053</b>	<b>1,309</b>

Financial Ratio & Key Assumptions	2016	2017	2018E	2019F	2020F
<b>Profitability</b>					
ROE	19.0%	10.9%	8.6%	8.7%	9.1%
ROA	11.5%	6.9%	6.5%	6.8%	7.3%
Gross Margin	28.6%	27.1%	28.1%	28.8%	29.3%
Operating Margin	16.8%	13.5%	14.0%	14.8%	15.4%
Net Profit Margin	10.6%	10.1%	10.8%	11.8%	12.4%
<b>Liquidity</b>					
Current Ratio	1.1	1.8	2.7	3.7	4.6
<b>Solvency</b>					
Debt to Equity	0.4	0.2	0.1	0.1	0.1
Debt to Assets	0.3	0.1	0.1	0.1	0.1
<b>Valuation</b>					
Price to Earning (PE)	14.8	20.4	18.1	16.3	14.7
Price to Book (PBV)	1.0	1.3	1.2	1.2	1.1
<b>Key Assumptions</b>					
Utilization rate	70%	66%	68%	70%	72%
Average fleet in operation	18,149	15,927	15,434	15,330	15,996
Average revenue per car per day	615,145	605,225	626,408	645,200	658,104

## SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

**BUY:** Share price may rise by more than 15% over the next 12 months.

**ADD:** Share price may range between 10% to 15% over the next 12 months.

**NEUTRAL:** Share price may range between -10% to +10% over the next 12 months.

**REDUCE:** Share price may range between -10% to -15% over the next 12 months.

**SELL:** Share price may fall by more than 15% over the next 12 months.

### DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

### **Additional information is available upon request.**

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2018). All rights reserved.