

Based on our recent meeting with JSMR, the company plans to operate ~200km of new toll roads each year until 2019. Currently, JSMR has operated 625km of 1,260km. Capex requirement for these additional 635km is ~IDR 70tn. Assuming 70% debt financing, JSMR most likely needs to raise ~IDR 49tn. With current equity level of IDR 17.86tn, the D/E ratio would increase to 4.5x. In order to manage further stretch on its balance sheet due to huge capex requirement, there are several funding plans in the pipeline, such as project bond issuance, toll road divestment, sub-holding company formation, and asset securitization. Pertaining to asset securitization, the company has officially raised IDR 2tn with tenor of 5 years and coupon rate at 8.4% per annum. The coupon payment will be done quarterly, while the principal is annually. According to our discussion, this securitization has no impact on Debt to Equity Ratio as the proceeds of IDR 2tn will be stated in Cash&Cash Equivalents (asset) and Deferred Revenue (liability) at Balance Sheet, while the interest payment will be increasing. Interest coverage ratio in 1H17 stood at 2.48x, still above JSMR's covenant limit of 1.25x.

Moving forward, the management said that most of JSMR's toll road will continue to experience tariff adjustment in odd years where we will see the impact on this to revenue at even years. According to data that we gathered, there are 13 toll roads, including Jagorawi and Cikampek-Padalarang toll roads (top 5 revenue contribution) which will have tariff adjustment this year. As we know, starting this month, e-toll penetration will be 100% in accordance to the direction from President Joko Widodo which we see this as a positive catalyst considering salary and allowance expenses took a portion of 30-40% of total COGS. Currently, we are still reviewing our valuation based on these information from management.

Henny Indrawati

Equity Analyst

+62 21 392 5550 ext. 610

henny.indrawati@sinarmassekuritas.co.id



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(2017). All rights reserved.