

## Flash Note - Deal Struck for First Payment of LRT Jabodetabek

According to news from local newspaper, ADHI will receive the first payment of IDR 3.8tn from LRT development progress until September 2017. The realization of this payment is slightly deviated from the target. Initially, ADHI projected to get payment on January 18, 2018 amounted to IDR 4tn. Moving forward, currently, the Minutes of Audit Report from BPKP has been signed and ADHI will submit it to PT Kereta Api Indonesia (KAI) as the LRT project manager. Worth to note, ADHI and PT Kereta Api Indonesia (KAI) have agreed on a three-month payment scheme. As such, second payment is expected to take place in May 2018 based on the development of the LRT project as of October-December 2017.

Our view: The realization of first installment regarding to LRT project could definitely become a positive catalyst for ADHI as it would improve company's cash flow position. ADHI's operating cash flow position in 9M17 stood at minus IDR 3.02tn, where its DER position at the same period was at 1.4x. Assuming ADHI's EPC loss for this year has finished after recording IDR 412bn EPC loss in FY16 and another IDR 250bn EPC loss according to management guidance for FY17E, followed by the successful of TOD with targeted marketing sales for this year of IDR 1.7tn, ADHI's NPAT could jump significantly. Currently, we are still reviewing our model for adjustment while waiting for full year 2017 results which will be released in near future as well as the management guidance for 2018.

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