

3Q20 results: On the right track. In 3Q20, JSMR showed strong toll roads revenue recovery, booked at IDR 2.5tn (+55.1% QoQ, -10.9% YoY) mainly driven by strong traffic improvement in Jakarta-Cikampek and Jakarta-Bogor-Ciawi toll roads by ~110% QoQ, ~31% YoY which boost toll road's GPM to 56.4% (+142 bps QoQ, -26 bps YoY). OPM rose to 29.8% (+164 bps QoQ, +107 bps YoY) as the company trimmed salary & allowances expenses by 23.3% QoQ, 17.8% YoY. This also drives EBITDA margin to 43.1% (+190 bps QoQ, +680 bps YoY). On the other hand, finance cost increased to IDR 925bn (+8.5% QoQ) due to issuance of IDR 2tn of new bonds and dragged down NPATMI to IDR 52bn (vs. IDR -484bn in 2Q20, IDR 463bn in 3Q19). In all, 9M20 toll roads revenue/NPATMI booked at IDR 6.8tn/158bn (-14.0%/-89.8% YoY), forming 72.6%/10.5% of ours and 69.7%/20.5% of consensus estimates

Upcoming holiday season. Recently, government is reviewing to shorten holiday from 24 Dec 2020 - 3 Jan 2021 to 24-25 Dec 2020 and 1-3 Jan 2021 in order to prevent Covid-19 cases spiked again. However, we believe this should not prevent people to take a short trip to neighborhood cities. In addition, stricter procedure to board a plane should encourage people to drive more. Thus, we forecast it will boost traffic volume by ~60% from normal level as we recall the long holiday season in Oct-20 boosted traffic volume by ~50% from normal level.

Revising our estimates. Due to strong traffic recovery paired with implementation of new tariff integration, we adjust our FY20E/FY21F revenue estimates by 4.2%/4.4% and operating profit by 18.9%/10.0%. However, we revise down our NPATMI estimates by 80.3%/29.5% due to higher debt level that will lift the finance cost.

We maintain our BUY rating on PT Jasa Marga Tbk (JSMR) with higher target price of IDR 5,400. Our TP represents 25.0% potential upside, implying 12.6x FY21F EV/EBITDA (+1 SD from its 10-yr avg EV/EBITDA). JSMR is currently trading at 11.8x FY21F EV/EBITDA (+0.1 SD from its 10-yr avg EV/EBITDA) which provides attractive risk and reward in our view. Overall, despite the weak bottom-line, we believe the company can quickly recover from this pandemic, driven by strong traffic volume recovery, new toll roads tariff integration, and cost-cutting initiatives to improve operating margin. Downside risk to our call are lower-than-expected traffic volume and tighter large-social-scale restrictions.

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Sector	Construction
Bloomberg Ticker	JSMR IJ
Market Cap. (IDR tn)	32.8
Share Out./Float (mn)	7,257.9/1,770.1
Current Price	4,310
FY21F Target Price	5,400
Upside	25.0%

Share Price Performance

52W High (12/23/2019)	5,400
52W Low (3/26/2020)	2,230
52W Beta	1.6
YTD Change	-12.7%

Relative Valuations

Trailing P/E	38.0x
Forward P/E	43.1x
P/BV	1.7x

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Core Revenue	9,784	10,984	9,813	13,707	15,380
% growth	9.7%	12.3%	-10.7%	39.7%	12.2%
Core Gross Profit	5,918	6,350	5,502	8,217	9,301
Net Profit	2,203	2,112	298	1,424	1,682
% growth	7.9%	-4.1%	-85.9%	378.5%	18.1%
Gross Margin (%)	60.5%	57.8%	56.1%	59.9%	60.5%
Net Margin (%)	22.5%	19.2%	3.0%	10.4%	10.9%
Return on Equity (%)	13.0%	11.3%	1.5%	6.7%	7.4%
Return on Assets (%)	2.7%	2.1%	0.3%	1.1%	1.2%
EPS (IDR)	303	291	41	196	232

JSMR 3Q20 Earnings Summary

IDR Bn	3Q19	2Q20	3Q20	%QoQ	%YoY	9M19	9M20	%YoY	%DH	%Cons
Core Revenue	2,800	1,609	2,496	55.1%	-10.9%	7,956	6,840	-14.0%	72.6%	69.7%
Core Gross Profit	1,653	680	1,409	107.1%	-14.7%	4,702	3,870	-17.7%	73.0%	61.9%
EBIT	1,197	319	1,214	280.1%	1.3%	3,927	3,079	-21.6%		
EBITDA	1,489	626	1,625	159.5%	9.1%	4,861	4,130	-15.0%		
NPATMI	463	(442)	52	N/A	-88.8%	1,545	158	-89.8%	10.5%	20.5%
Core GPM	59.0%	42.3%	56.4%			59.1%	56.6%			
EBIT Margin	16.4%	12.3%	32.2%			18.6%	29.2%			
EBITDA Margin	20.3%	24.1%	43.1%			23.0%	39.2%			
NPATMI Margin	6.3%	N/A	2.5%			7.3%	1.5%			

Source: Company Data, Sinarmas Investment Research

Description	Old		New		% Change	
	FY20E	FY21F	FY20E	FY21F	FY20E	FY21F
Core Revenue	9,421	13,126	9,813	13,707	4.2%	4.4%
Core Gross Profit	5,301	7,887	5,502	8,217	3.8%	4.2%
Operating Profit (loss)	3,725	5,800	4,430	6,382	18.9%	10.0%
EBITDA	4,641	6,964	5,451	7,598	17.5%	9.1%
NPATMI	1,507	2,044	298	1,424	-80.3%	-30.3%
Core GPM	56.3%	60.1%	56.1%	59.9%	-0.2%	-0.1%
Core OPM	39.5%	44.2%	45.1%	46.6%	5.6%	2.4%
EBITDA Margin	49.3%	53.1%	55.6%	55.4%	6.3%	2.4%
NPATMI Margin	16.0%	15.6%	3.0%	10.4%	-13.0%	-5.2%

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Core Revenue	9,784	10,984	9,813	13,707	15,380
% growth	9.7%	12.3%	-10.7%	39.7%	12.2%
Core COGS	(4,053)	(4,634)	(4,311)	(5,490)	(6,079)
% growth	7.4%	14.4%	-7.0%	27.3%	10.7%
Core Gross Profit	5,918	6,350	5,502	8,217	9,301
Operating Expense	(1,325)	(1,479)	(1,276)	(1,446)	(1,540)
Other Income (Expense)	(324)	(620)	203	(389)	40
EBIT	4,733	4,904	4,064	5,938	7,314
EBITDA	4,917	5,008	5,451	7,598	9,131
Net Financing	(1,523)	(1,901)	(2,761)	(3,133)	(4,101)
EBT	3,210	3,003	1,303	2,805	3,213
Tax	(1,174)	(1,024)	(1,104)	(1,518)	(1,685)
Non Controlling Interest	(166)	(133)	(98)	(137)	(154)
Net Profit for the Year	2,203	2,112	298	1,424	1,682
% growth	7.9%	-4.1%	-85.9%	378.5%	18.1%

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & Cash equivalents	5,943	4,342	7,123	3,685	5,055
Receivables	5,550	6,270	5,593	4,797	6,152
Other CA	321	571	485	613	801
Total CA	11,814	11,613	13,202	9,096	12,009
Fixed assets	755	714	861	1,080	1,212
Intangible Assets	63,453	78,706	95,171	113,667	124,019
Other LT Assets	6,397	8,647	8,680	9,306	8,763
Total Assets	82,419	99,680	117,915	133,150	146,002
Payables	1,786	1,439	2,781	4,491	5,655
ST loans	2,348	5,246	4,880	6,214	6,881
Other CL	26,948	34,841	25,800	26,073	32,175
Total CL	31,081	41,526	33,462	36,778	44,711
LT loans	18,891	25,675	42,916	55,771	56,982
Other	12,247	9,292	17,625	15,799	18,264
Total Liabilities	62,220	76,494	94,003	108,348	119,958
Share & APIC	7,626	7,626	7,626	7,626	7,626
Retained Earnings	9,887	11,764	12,941	14,236	15,661
Others & NCI	2,686	3,796	3,345	2,940	2,757
Total Equity	20,199	23,186	23,912	24,802	26,045
Total Liabilities & Equity	82,419	99,680	117,915	133,150	146,002

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	2,203	2,112	298	1,424	1,682
Depreciation	1,061	1,131	1,387	1,660	1,817
Chg. in NWC	(9,248)	(663)	(882)	(1,790)	(4,210)
CF from Operating	10,311	1,796	2,270	3,452	6,028
Capital Expenditure	8,144	16,343	18,000	20,375	12,300
Chg. in LT Assets	3,316	2,250	33	626	(544)
Chg in LT Liabilities	(2,109)	2,213	628	2,175	465
CF from Investing	(13,569)	(16,380)	(17,405)	(18,827)	(11,291)
Chg. in Share & APIC	-	-	-	-	-
Chg. in ST Loans	3,079	8,382	(7,755)	2,194	2,181
Chg. in LT Loans	(2,589)	1,616	24,946	8,854	3,211
Dividends Paid	(1,760)	(1,875)	(1,176)	(1,294)	(1,424)
Others	77	1,110	(450)	(405)	(183)
CF from Financing	2,328	12,983	17,917	11,937	6,633
Beginning Cash	6,873	5,943	4,342	7,123	3,685
Change in Cash	(930)	(1,601)	2,781	(3,438)	1,370
Ending Cash	5,943	4,342	7,123	3,685	5,055

Financial Ratio	2018	2019	2020E	2021F	2022F
Profitability					
ROE	13.0%	11.3%	1.5%	6.7%	7.4%
ROA	2.7%	2.1%	0.3%	1.1%	1.2%
Gross Margin	60.5%	57.8%	56.1%	59.9%	60.5%
Operating Margin	46.9%	44.3%	43.1%	49.4%	50.5%
Net Profit Margin	24.4%	20.9%	3.1%	11.1%	11.7%
Liquidity					
Current Ratio	0.4x	0.3x	0.4x	0.3x	0.3x
Net Debt to Equity	1.3x	1.6x	2.0x	2.5x	2.5x
Debt to Assets	0.4x	0.5x	0.6x	0.6x	0.6x
Int. Coverage Ratio (EBITDA)	3.2x	2.5x	1.9x	1.9x	2.1x
Valuation					
Price to Earning (PE)	10.9x	11.4x	80.5x	16.9x	14.3x
Price to Book (PBV)	1.5x	1.3x	1.3x	1.2x	1.1x

Source: Company Data, Sinarmas Investment Research

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