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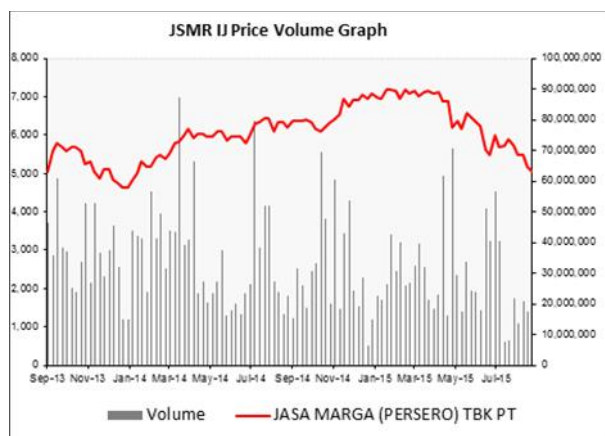


PT Jasa Marga (Persero) Tbk is an Indonesian nationwide toll road operator. The company mainly i) collects toll fees, ii) maintains toll roads through repairs and upkeep, iii) offers towing and ambulance services across the highways it operates.

**Current Price: IDR 5,775**

**52-Week Target Price: IDR 4,690**

**Previous TP: IDR 4,470**



### Share Price Performance

Price (IDR)	5,775
52-Week High (02/20/15)	7,225
52-Week Low (11/30/15)	4,500
52-Week Beta	1.05
YTD Change/%	11.00%

### Stock Information

Market Cap (IDR)	39,440 B
Shares Out/Float (M)	6,800 / 2,039

## Company Update

### PT Jasa Marga (Persero) Tbk (JSRM)

#### Traffic Jam Ahead

#### UNDERWEIGHT

We maintain our **UNDERWEIGHT** call on JSRM with a 52-week target price of IDR 4,690/sh despite better-than-expected FY15 earnings, on concerns over valuation and the emergence of yet another uncertainty that, if it were to unfold, would have a detrimental impact on the company.

**FY15A earnings beat our & consensus' estimates by 16%/9% to grow 6.6% YoY, yet earnings growth will continue to be subdued on investment costs.** The sudden uptick in Q4 results was a result of the toll tariff rate hike in early November and a more conservative approach to depreciation accounting methods. While we forecast revenues to grow 10% YoY in FY16E as the full impact of the toll tariff hike kicks in, we forecast limited to no earnings growth through FY18E on investment costs.

**Concerns on valuation—in line with historical average despite difference in underlying asset quality & current earnings growth outlook.** At current prices, JSRM is trading in-line with its historical PER/PBV at 26x/3.6x. This is keeping in mind that over history, JSRM has been operating hugely profitable, mature toll roads, such as Jakarta-Cikampek, Jagorawi & Jakarta-Tangerang. 40% of total FY18E toll road concessions will be newer toll roads (by road length), whose shorter term profitabilities we remain wary of. This, coupled with forecasted subdued earnings, raises our concern over the valuations that JSRM is currently trading at.

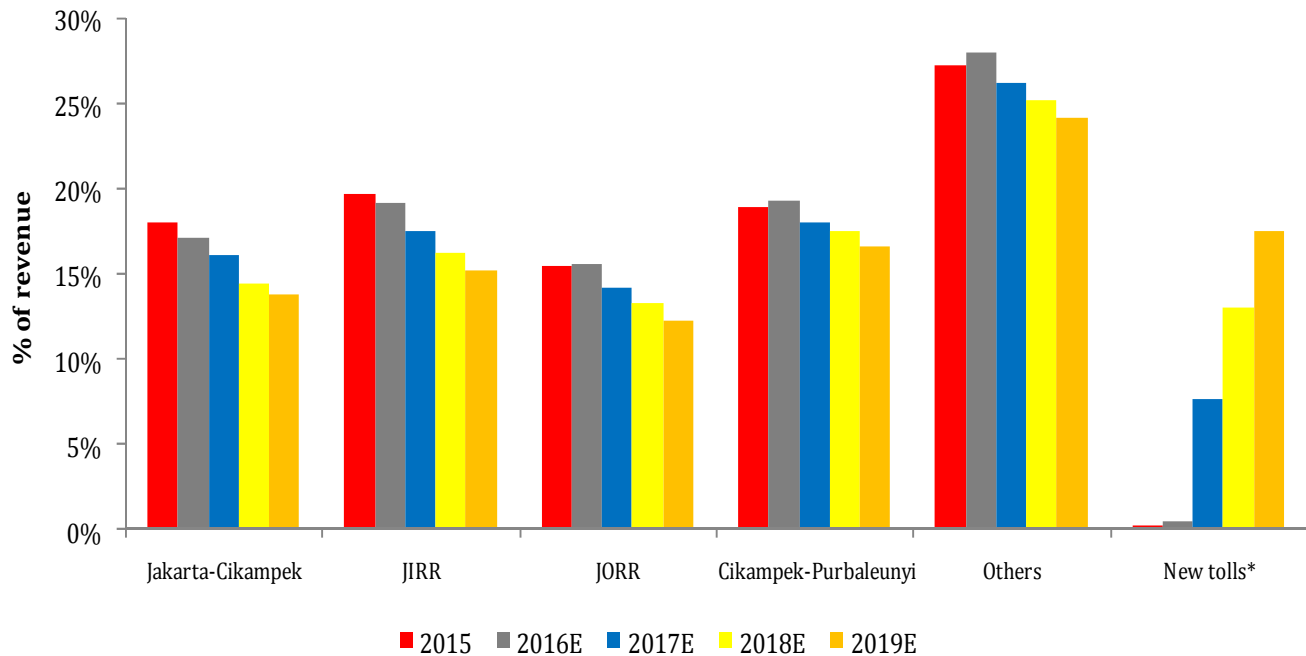
**Yet another noise.** JSRM has just lost a litigation case against PT Tirtobumi, in which it was ordered to pay a fine of IDR 1.25tn (85% of FY15A profits). While the company plans to appeal the decision, such an event will create yet another overhang over a company whose FY15 was rocked with plenty of noises. For example, the government implemented a 35% discount on toll tariffs during the Ramadhan period, which decreased the company's income by an estimated 4.4%.

**Our valuation.** We value JSRM using a DCF (WACC: 12%, LTG: 5.7%), assuming tariff hikes continue to be pegged to inflation. We increased the blended tariff of new tolls from IDR 550 to IDR 650/km, in line with company guidance. We also assume a payback period of 12-15 years for new tolls.

Financial Highlights	2014	2015	2016E	2017E	2018E
Toll Revenues (IDR bn)	7,228	7,631	8,409	9,628	10,942
% growth		6%	10%	15%	14%
Operating Profit (IDR bn)	3,073	3,478	3,727	4,004	4,259
Net Profit (IDR bn)	1,237	1,466	1,344	1,347	1,527
% growth		19%	-8%	0%	13%
Operating Margin (%)	43%	43%	46%	44%	42%
Net Margin (%)	17%	17%	19%	16%	14%
EV/EBITDA (x)		10.9	10.2	9.5	8.9
Return on Equity (%)		12.3%	12.3%	9.8%	8.7%
Return on Assets (%)		4.3%	4.3%	3.5%	3.1%

Source: Company Data, Sinarmas Investment Research

**Appendix I: New tolls to contribute more to revenue as time passes**



\*New tolls refer to toll roads that are currently non-operational, but are expected to operate sometime between 2016-2018.

We see this increased contribution from new tolls are a short-term negative; new toll roads generally require 6-7 years to generate **operational profit**. This is due to low traffic in the earlier years of expansion.

**Is JSMR still worth the same as it was before in this heavy capex cycle?**

**JSMR is trading in-line with its historical median.**



Source: Bloomberg, Sinarmas Investment Research

- The stock is trading in-line with its historical valuations. This comes amidst forecasted flat earnings (due to medium term investment costs) and an ever-increasing contribution from less profitable, lower traffic new toll roads.
- We forecast earnings to grow at 3% CAGR from FY15-19E despite 13% CAGR in revenue, as we expect financing costs to grow 13% CAGR from FY15-19E.
- Also, the volume-to-capacity ratios of four of the biggest five toll roads (named in the above graph, less Cikampek-Purbaleunyi and adding jakarta-Tangerang) has reached over 1, thus limiting upside surprises in traffic growth.
- **In our view, under this heavy capex cycle JSMR is not the same company it was before, when it was trading at 29x PER.**

**Appendix II: New Toll Roads Update & Company Plan**

Concessions	Length (km)	Status	Progress	Investment (Rp Bn)
<b>Bogor Outer Ring Road</b>				980
Section 1: Sentul - Kd Halang	3.9	Operation		
Section 2A: Kd Halang - Kd Badak	2.0	Operation		
Section 2B: Kd Badak - Yasmin	2.1	Land Acquisition	Minimal	
Section 3: Yasmin - Darmaga	3.2	-		
<b>Semarang - Solo</b>				6,200
Stage 1				
Semarang - Bawen	23.1	Operation		
Stage 2				
Section 1: Bawen - Salatiga	17.5	Land Acquisition	96.1%	
Section 2: Salatiga - Boyolali	24.4	Land Acquisition	46.9%	
Section 3: Boyolali - Solo	7.6	Land Acquisition	40.5%	
<b>Gempol - Pasuruan</b>				2,770
Section 1: Gempol - Rembang	13.9	Land Acquisition	93.1%	
		Construction	86.3%	
Section 2: Rembang - Pasuruan	8.1	Land Acquisition	Minimal	
Section 3: Pasuruan - Grati	12.2	Land Acquisition	Minimal	
<b>Cengkareng - Kunciran</b>	14.2	Land Acquisition	Minimal	3,510
<b>Kunciran - Serpong</b>	11.2	Land Acquisition	Minimal	2,620
<b>Surabaya - Mojokerto</b>				3,220
Section 1A: Waru - Sepanjang	2.2	Operation		
Section 1B: Sepanjang WRR	4.3	Land Acquisition	85.4%	
		Construction	48.1%	
Section 2: WRR - Driyorejo	5.1	Land Acquisition	52.9%	
Section 3: Driyorejo - Krian	6.1	Land Acquisition	63.8%	
Section 4: Krian - Mojokerto	18.5	Construction	81.2%	
<b>Gempol - Pandaan</b>	13.6	Construction	100.0%	1,170
<b>Medan-Kualanamu-Tb Tinggi</b>				4,070
Tj. Morowa - Kualanamu (Constructed by Government)	17.8	Land Acquisition	83.0%	
		Construction	35.0%	
Perbarakan - Lubuk Pakam	4.9	Construction	2.4%	
Lubuk Pakam - Tebing Tinggi	39.1	Land Acquisition	Minimal	
<b>Solo - Ngawi</b>	90.1	Land Acquisition	92.3%	3,240
		Construction	1.7%	
<b>Ngawi - Kertosono</b>	87.0	Land Acquisition	80.4%	2,460
<b>Serpong - Cinere</b>	10.1	Land Acquisition	Minimal	1,375

**New Toll Road Timeline**

	2015	2016E	2017E	2018E
<b>Newly Operated Tolls</b>	Gempol-Pandaan	Bawen-Salatiga Krian-Mojokerto	Sepanjang-Krian Salatiga-Solo	Serpong-Cinere
		Karanganyar-Sragen	Gempol-Pasuruan	
			Cengkareng-Kunciran	
			Kunciran-Serpong	
			Medan-Kualanamu	
			Perbarakan-Tebing Tinggi	
			Solo-Kertosono	
<b>Added Toll Length (km)</b>	<b>13.6</b>	<b>71.5</b>	<b>312.7</b>	<b>10.1</b>
<b>Total Concession Length</b>	<b>589.5</b>	<b>660.9</b>	<b>973.6</b>	<b>983.7</b>

**Appendix III: Financial Statements**

<b>Balance Sheet (in IDR Mn)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>	<b>2018E</b>
<b>Current Assets</b>					
Cash & Near Cash Items	3,290,784	3,323,221	4,485,781	5,166,078	3,780,531
Accounts & Notes Receivable	148,829	164,374	160,034	183,422	225,636
Prepaid Taxes	122,634	144,419	57,990	77,239	104,839
<b>Total Current Assets</b>	<b>3,641,372</b>	<b>3,729,047</b>	<b>4,856,369</b>	<b>5,579,645</b>	<b>4,257,087</b>
Appropriated Funds	816,904	1,486,631	1,151,767	1,319,199	1,235,483
Investment in Associate Companies	171,345	166,001	172,195	169,847	169,348
Toll Road Concessions - net	23,935,415	28,821,790	30,427,611	33,629,445	36,806,636
Fixed Assets - net	701,727	913,843	1,183,707	1,323,732	1,415,671
<b>Total Assets</b>	<b>31,857,948</b>	<b>36,724,982</b>	<b>40,833,695</b>	<b>45,217,843</b>	<b>47,238,375</b>
<b>Current Liabilities</b>					
Total Payables	1,443,730	1,963,055	1,810,425	1,910,457	2,150,035
Short Term Loans	653,661	3,946,971	1,500,000	1,078,300	1,000,000
Provision for Overlay	209,396	163,710	209,396	606,226	1,109,005
<b>Total Current Liabilities</b>	<b>4,312,917</b>	<b>7,743,787</b>	<b>5,020,946</b>	<b>4,965,270</b>	<b>5,593,829</b>
Total Loans - net	6,484,840	7,303,051	12,484,840	15,484,840	15,484,840
Bonds Payable - net	6,144,430	4,671,253	4,644,430	5,066,130	5,144,430
Employee Benefits Liabilities	390,990	955,641	415,164	535,864	716,477
<b>Total Liabilities</b>	<b>20,432,952</b>	<b>24,356,318</b>	<b>25,801,312</b>	<b>29,309,763</b>	<b>30,337,832</b>
<b>Equity</b>					
Share Capital & APIC	5,853,890	5,853,890	7,643,890	7,643,890	7,643,890
Retained Earnings	4,009,692	4,562,190	5,435,907	6,311,606	7,304,068
<b>Total Liabilities &amp; Equity</b>	<b>31,857,948</b>	<b>36,724,982</b>	<b>40,833,695</b>	<b>45,217,843</b>	<b>47,238,375</b>
<b>Income Statement (in IDR Mn)</b>					
<b>Toll Revenues</b>	<b>7,227,786</b>	<b>7,630,678</b>	<b>8,408,625</b>	<b>9,628,267</b>	<b>10,941,802</b>
Toll Road Expenses	(3,003,861)	(3,518,021)	(3,510,930)	(4,182,240)	(5,052,763)
Operating Costs	(930,612)	(975,198)	(1,170,667)	(1,442,111)	(1,630,178)
<b>Operating Income</b>	<b>3,072,724</b>	<b>3,477,665</b>	<b>3,727,028</b>	<b>4,003,916</b>	<b>4,258,861</b>
Interest Expenses	(1,215,320)	(1,405,043)	(1,806,770)	(2,079,304)	(2,077,626)
<b>EBT</b>	<b>1,850,662</b>	<b>2,068,304</b>	<b>1,920,259</b>	<b>1,924,612</b>	<b>2,181,235</b>
Tax Expenses	(606,642)	(749,104)	(576,078)	(577,384)	(654,371)
<b>Net Income</b>	<b>1,237,014</b>	<b>1,466,382</b>	<b>1,344,181</b>	<b>1,347,228</b>	<b>1,526,865</b>
EPS (Rp.)	182.0	215.6	197.7	198.1	224.5
<b>Financial Ratios</b>					
P/E	25.50	27.82	27.76	24.49	22.76
Yield (%)	2.9%	1.6%	1.5%	1.5%	1.5%
P/B	2.58	1.95	1.98	2.07	2.15
EV/EBITDA	8.96	9.04	9.31	9.64	9.68
ROE	12.3%	9.8%	8.7%	9.3%	9.4%
ROA	4.3%	3.5%	3.1%	3.3%	3.4%
Current Ratio	0.48	0.97	1.12	0.76	0.75
D/E	1.20	1.24	1.36	1.28	1.32
Debt/Assets	0.40	0.46	0.48	0.46	0.47

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