

8 March 2023

JCI Index: 6,767

BUY (Maintain)

Target Price (IDR) **4,900**
Potential Upside (%) **51.2%**

Price Comparison

Cons. Target Price (IDR)	4,916
SSI vs. Cons. (%)	99.7

Stock Information

Last Price (IDR)	3,240
Shares Issued (Mn)	7,258
Market Cap. (IDR Bn)	23,588
52-Weeks High/Low (IDR)	4,090/2,770
3M Avg. Daily Value (IDR Bn)	14.5
Free Float (%)	30.0

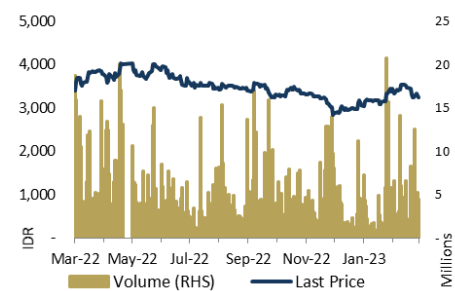
Shareholder Structure:

Government (%)	70.0
Public (%)	30.0

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	9.1	(4.4)	12.8	(4.4)
JCI Return	(1.5)	(2.7)	(0.8)	(0.9)
Relative	10.5	(1.7)	13.6	(3.5)

Stock Price & Volumes, 12M



Company Background

PT Jasa Marga Tbk (JSMR) is a State-Owned Enterprise (SOE) engaged in the toll road business. JSMR is the largest toll road operator in Indonesia (by length of toll road concessions).

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It's a Divestment Game

JSMR booked IDR 2.2tn gain from the divestment of PT JJC in 4Q22, bringing its FY22 net profit to IDR 2.7tn (+70.1% YoY). In FY23, JSMR seeks to divest 30% from its 99% stake in JTT at ~3x PBV, with a potential gain of up to IDR10.2tn. The proceeds from the divestment will likely be used to support the construction of the toll road projects in the company's pipeline. JSMR has allocated IDR 8-10tn of Capex for 2023 and plans to increase tariffs on 10 of its operating toll roads. We reiterate our BUY rating with a DCF-based TP of IDR 4,900, implying an FY23F EV/EBITDA of 9.0x (-1.08SD of its 5-year EV/EBITDA mean).

Positive impact from the divestment of JJC. After booking an IDR 2.2tn gain from the divestment of PT JJC in 4Q22 (total transaction value: IDR 4.03tn [2.1x PBV]), JSMR's net profit rose +70.1% YoY, reaching IDR 2.7tn. In FY23, JSMR seeks to divest 30% from its 99% stake in JTT at ~3x PBV, which we believe could yield a positive EPS impact for the company. Using JTT's current book value of IDR 17tn, the proceeds from the divestment could reach up to IDR15.3tn with a potential gain of up to IDR 10.2tn (using PBV of 3x). We haven't incorporated the gain from the divestment into our forecast, but it could increase the company's FY23 net profit to IDR 12.5tn vs. our forecast for FY23 of IDR 2.2tn.

Potential for balance sheet deleveraging. The fund proceeds from the divestment will likely be used to support the construction of the toll road projects in the company's pipeline; Kediri-Kertosono, Probolinggo-Besuki, dan Yogyakarta – Banyurejo. In FY23, JSMR plans to operate two new toll roads spanning ~35 km, and the company has allocated IDR 8-10tn of Capex, more than FY22 (IDR 4-5tn), although still lower than the 5-year average (2018-2022) (IDR 12.2tn). It is worth noting that in FY22, the company's net gearing ratio stood at 1.7x, and the proceeds could help lower the ratio to 0.9x in FY23.

Toll road tariffs adjustment in 2023. This year, JSMR will increase tariffs on 10 of its operating toll roads; BORR, Ngawi-Kertosono, Sedyanto, Medan Kualanamu Tebing Tinggi, Cinere-Serpong, Semarang-Solo, Semarang-Batang, Gempol-Pasuruan, dan Solo-Ngawi, to keep up with the domestic inflation (4-5%). Hence, we see the company will be able to reach its toll road revenue growth target of 10-15% YoY. Furthermore, mobility seems to have recovered with JSMR's average daily traffic (LHR) until December 2022 reaching 3.3 million vehicles (15.58% YoY). We also predict that traffic volume will continue to increase in FY23, especially ahead of Eid.

BUY with a TP of IDR 4,900. Considering several factors, including 1) potential gain from JTT divestment which could be used as additional Capex, 2) increase in toll roads tariffs, and 3) recovering mobility, we reiterate our BUY rating on JSMR with a DCF-based TP of IDR 4,900, implying an FY23F EV/EBITDA of 9.0x (-1.08SD of its 5-year EV/EBITDA mean). Risks: 1) delayed divestment plan, 2) lower-than-expected mobility.

Forecast and Valuation (at closing price IDR 3,240 per share)

Y/E Dec	20A	21A	22A	23F	24F
Revenue (IDR Bn)	9,588	11,776	13,783	16,115	17,996
EBITDA (IDR Bn)	5,549	7,836	8,951	9,356	10,380
EV/EBITDA (x)	16.0	10.7	7.8	9.0	7.0
Net Profit (IDR Bn)	501	1,615	2,747	2,158	2,346
EPS (IDR)	69	223	378	297	323
P/E Ratio (x)	46.9	14.6	8.6	10.9	10.0
BVPS (IDR)	2,628	2,839	3,007	3,526	3,849
P/BV Ratio (x)	1.2	1.1	1.1	0.9	0.8
ROAE (%)	2.1	6.4	10.7	7.8	7.7
ROAA (%)	0.5	1.6	2.9	2.2	2.3
Interest Coverage (x)	1.5	1.7	2.3	2.1	2.3
Net Gearing (x)	2.4	2.2	1.7	1.5	1.4

Table 1: FY22 Results

JSMR (IDR bn)	4Q21	3Q22	4Q22	QoQ	YoY	FY21	FY22	YoY	FY22/SSI	FY22/Cons
Core Revenue	3,517	3,559	3,569	26.7%	1.5%	11,776	13,783	17.0%	100.1%	97.1%
Core Gross Profit	2,038	1,924	1,852	-3.7%	-9.1%	6,443	7,391	14.7%	96.5%	87.6%
Core Operating Profit	2,016	1,225	3,162	158.0%	56.8%	6,422	7,258	13.0%	96.7%	121.1%
Net Profit	866	272	1,740	538.9%	100.9%	1,615	2,747	70.1%	103.4%	116.4%
Gross Margin	57.9%	54.0%	52.7%	-1.4%	-5.3%	54.7%	53.6%	-1.1%		
Operating Margin	57.3%	34.4%	89.9%	55.5%	32.6%	54.5%	52.7%	-1.9%		
Net Margin	24.6%	7.7%	49.5%	41.8%	24.8%	13.7%	19.9%	6.2%		

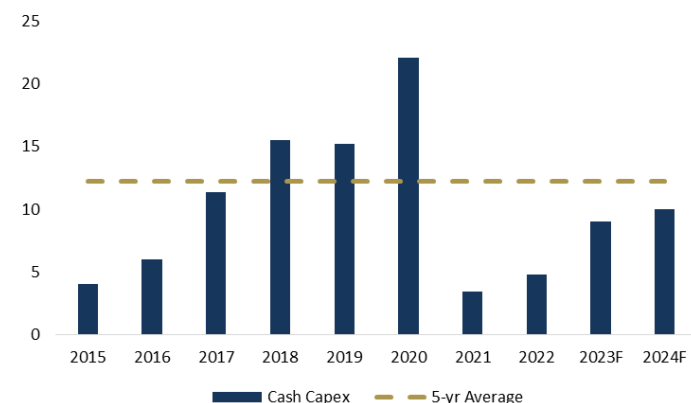
Source: Company, SSI Research

Figure 1: JTT's Divestment Cases

Case	2X	2.5X	3X
Ownership Divestment JTT	30%		
Equity Value	5,100		
Ownership Divestment Value	2.0	2.5	3.0
Transaction Value	10,200	12,750	15,300
Gain on Divestment	5,100	7,650	10,200

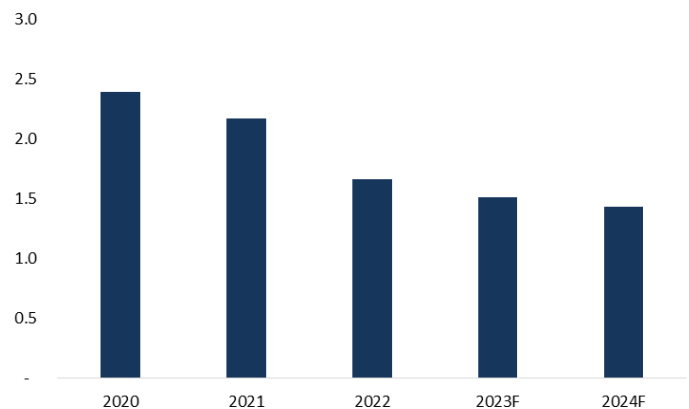
Source: Company, SSI Research

Figure 3: Cash Capex (IDR tn)



Source: Company, SSI Research

Figure 2: Net Gearing (x)



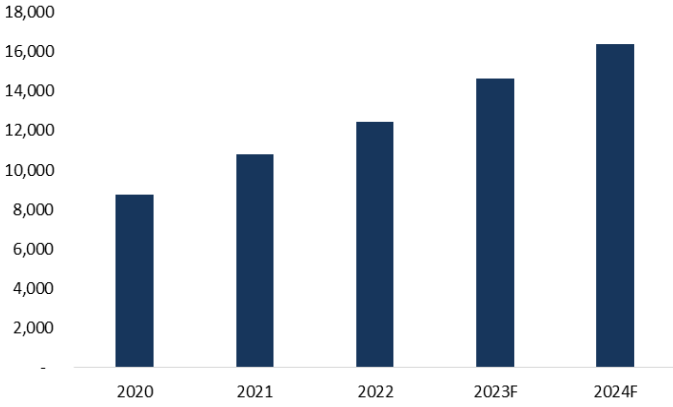
Source: Company, SSI Research

Figure 4: JSMR's Toll Road Project Pipeline

Year	Section	Length
2023	Jakarta-Cikampek II South (Section III)	31.25
	JORR2: Cinere-Serpong Section II	3.64
2024	Jakarta-Cikampek II South (Section IIB)	12.45
	Jogja-Bawen (Section I)	8.25
>2024	Bogor Ring Road (Section IIIB)	1.01
	Jakarta-Cikampek II South (Section I-IIA)	18.3
	Probolinggo-Banyuwangi (I-III)	171.5
	Ngawi-Kertosono (Section V)	27.9
	Jogja-Bawen (Section II-VI)	67.57
	Jogja-Solo (Section I-III)	96.57
	Akses Patimban	37.05

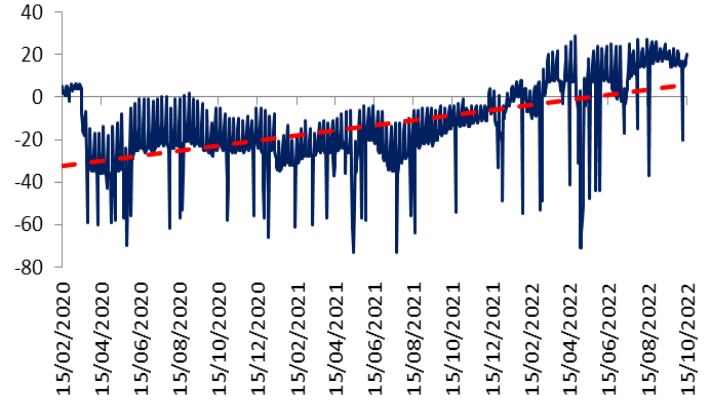
Source: Company, SSI Research

Figure 5: Toll Road Revenue (IDR Bn)



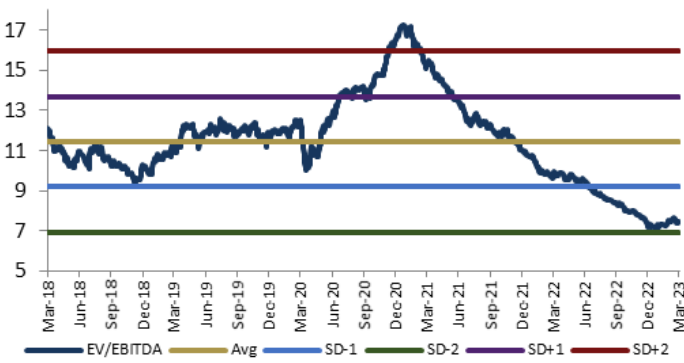
Source: Company, SSI Research

Figure 6: Indonesia Mobility Index (Workplace)



Source: Google Mobility Index, SSI Research

Figure 7: JSMR's EV/EBITDA Band



Source: Company, SSI Research

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Profit and Loss					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Revenue	9,588	11,776	13,783	16,115	17,996
Cost of Revenue	(4,275)	(5,334)	(6,392)	(7,321)	(8,233)
Gross profit	5,313	6,443	7,391	8,794	9,763
Operating expense	(1,237)	(1,385)	(1,935)	(2,156)	(2,479)
Other Income (Expense)	(25)	1,364	1,802	(36)	(173)
Operating Profit	4,051	6,422	7,258	6,603	7,111
EBITDA	5,549	7,836	8,951	9,356	10,380
Share in JV Profit	(122)	(127)	228	228	202
Finance Income	415	298	125	246	275
Finance Expense	(3,648)	(4,520)	(3,885)	(4,417)	(4,531)
Pre-tax profit	696	2,072	3,726	2,659	3,057
Income Tax	(738)	(1,201)	(1,402)	(924)	(1,134)
After tax profit	(42)	871	2,324	1,735	1,923
Minority Interest	(543)	(744)	(423)	(423)	(423)
Net profit	501	1,615	2,747	2,158	2,346

Cash Flow					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Net Profit	501	1,615	2,747	2,158	2,346
D&A	1,498	1,414	1,693	2,754	3,269
Changes in Working Capital	3,107	1,791	(99)	274	241
Others	(19,974)	(531)	1,019	(1,784)	512
Operating Cash Flow	(14,867)	4,290	5,359	3,402	6,369
Capital Expenditure	(6,321)	(4,785)	(4,762)	(9,000)	(7,000)
LT investment and others	(597)	5,324	14,715	2,231	(334)
Investing Cash Flow	(6,918)	539	9,953	(6,769)	(7,334)
Net Borrowing	20,952	(2,256)	(10,536)	2,981	2,082
Dividend Paid	(110)	-	-	-	-
Others equity	1,199	(891)	(2,626)	1,605	-
Financing Cash Flow	22,041	(3,146)	(13,162)	4,586	2,082
Net Changes	256	1,682	2,150	1,219	1,117
Cash at beginning	4,342	4,597	6,279	8,429	9,649
Cash at ending	4,597	6,279	8,429	9,649	10,765

Balance Sheet					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Cash & ST Investment	4,597	6,279	8,429	9,649	10,765
Others receivables	4,418	2,032	1,340	1,005	754
Others	1,691	2,050	2,718	3,041	3,195
Total Current Asset	10,706	10,362	12,487	13,695	14,715
Toll road concession rights - net	83,443	79,644	66,980	73,226	76,956
Investment in Associates & JV	4,591	6,537	8,974	10,769	8,974
Other Asset	5,347	4,700	2,698	3,508	3,858
Total Non Current Asset	93,381	90,881	78,652	87,502	89,789
Total Assets	104,087	101,243	91,139	101,197	104,503
Contractors payables and Accrued	5,421	4,449	5,682	3,932	4,280
Debt - short term	6,228	4,080	3,314	2,261	2,284
Other Current Liability	3,280	3,486	3,147	3,375	3,684
Total Current Liability	14,929	12,015	12,143	9,569	10,248
Debt - long term	57,661	57,554	47,784	51,817	53,876
Other Non Current Liabilities	6,721	6,174	5,591	10,427	8,648
Total Non Current Liability	64,382	63,728	53,375	62,244	62,525
Total Liability	79,311	75,743	65,518	71,812	72,773
Minority interest	5,701	4,894	3,796	3,796	3,796
Total Equity	24,776	25,500	25,621	29,385	31,731

Key Ratios					
Y/E Dec	20A	21A	22A	23F	24F
Gross Profit Margin (%)	55.41	54.71	53.63	54.57	54.25
Operating Margin (%)	42.25	54.53	52.66	40.97	39.51
EBITDA Margin (%)	57.87	66.54	64.94	58.06	57.68
Pre-Tax Margin (%)	7.26	17.60	27.03	16.50	16.99
Net Profit Margin (%)	5.23	13.72	19.93	13.39	13.04
Revenue Growth (%)	(12.71)	22.83	17.04	16.92	11.67
Net Profit Growth (%)	(77.30)	222.38	70.06	(21.43)	8.69
Debt to Equity (x)	2.6	2.4	2.0	1.8	1.8
Net Gearing (x)	2.4	2.2	1.7	1.5	1.4

Major Assumptions					
	20A	21A	22A	23F	24F
Transaction volume (mn)	971	1,066	1,230	1,351	1,406
Revenue per transaction (IDR)	9,023	10,115	10,117	10,835	11,644

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