BINA ARTHA SEKURITAS

PT Adhi Karya (Persero)Tbk

Equity Research

BUY

21 October 2022
Construction, Equity

Price	IDR. 610
Target Price	IDR.1230
JKSE Index	6964.98



Stock Code	
Bloomberg code	ADHI IJ
Market cap (IDR.bn)	2210
52-Week High (IDR)	1205
52-Week Low (IDR)	610
6-m Avg Daily. Val (IDR)	980
Free Float (%)	49.00

Major Shareholders (%)	
Government	51.00%
Public	49.00%

USD/IDR-YE	
2021A	14278
2022F (Avg)	15491

Key Indicators	
2023F	
Total Debt/ Equity (x)	2.01
Current ratio (x)	1.04

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Investment Consideration

9M22 new contracts up 57% YoY

As of 9M22, ADHI new contracts amounted to IDR 18.1 trillion, up by 57.3% YoY. IKN projects contributed IDR 1.4 trillion, mostly from the construction of the IKN Section 3A Toll Road Karangjoang – Kariangau Segment with a value of IDR 1.1 T. In addition, ADHI has also obtained a contract for the construction of workers' housing projects and fenders for the Balang Island bridge. ADHI's new contracts come from construction (90%), property (6%), and other businesses (4%). We maintain our estimate that this year will see moderate growth just like 2021. We estimate the total order book for 2022 will reach IDR 52.3 trillion or up by 8% yoy.

Right issue IDR 3.874 trillion

ADHI has obtained permission to conduct a right issue worth IDR 3,874 trillion, with State Capital Participation "PMN" of IDR 1.976 trillion and Public participation of IDR 1.898 trillion, by issuing a maximum of 7,004,510,932 (seven billion forty-four million five hundred and ten thousand nine hundred and thirty-two) new series B shares as well as pre-emptive rights with an exercise price of IDR 550 / share. Current shareholders holding ten million old shares of the Company whose name is recorded in the Company's Register of Shareholders (DPS) on the last recording date of October 26, 2022, are entitled to 19,783,232 (nineteen million seven hundred and eighty-three thousand two hundred and thirty-two) preemptive rights with an exercise price of IDR 550 per share. The proceeds will be used to increase the Company's capacity to complete National Strategic Projects, including the Solo-Yogyakarta-YIA Kulonprogo Toll Road Project, Yogyakarta-Bawen Toll Road and Karian-Serpong (East) SPAM, and other business developments both in the field of infrastructure and environmental-based businesses.

Valuation: 101%upside

We maintain our target price of IDR 1,230/share which is equal to a PER of 29x. With 101% upside potential, our recommendation is maintained as BUY.

Ratio Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Profitability						
Operating Margin(%)	9.42%	9.31%	9.72%	9.00%	9.00%	9.00%
EBITDA margin(%)	10.57%	10.81%	11.18%	10.76%	10.81%	10.92%
NET Profit margin(%)	4.34%	0.22%	0.48%	1.08%	1.07%	1.06%
ROA(%)	1.82%	0.06%	0.14%	0.32%	0.34%	0.36%
ROE(%)	9.71%	0.43%	0.98%	2.57%	3.13%	3.94%
EPS	186.42	6.73	15.50	38.10	42.37	47.58
Liquidity						
Current ratio (X)	1.24	1.10	0.99	1.09	1.04	0.98
cash ratio (x)	0.13	0.08	0.08	0.16	0.15	0.11
Stability						
Debt/ Equity	1.47	1.69	1.04	1.83	2.01	2.26

Company Profile

PT Adhi Karya (persero) Tbk is one of the largest construction companies in Indonesia and was established in 1960 from a Netherlands owned chartering company named Architecten-Ingenieurs-en Aannemersbedrijf “Associatie Selle en de Bruyn, Reyerse en de Vries NV” (Associatie NV) . The company changed its name to PT Adhi Karya (Persero) in 1974. In 2004, it was the first Construction SOE to be listed on the Indonesia Stock Exchange (IDX) on March 18, 2004 as PT Adhi Karya (Persero) Tbk. Since then, ADHI has established various subsidiaries starting in 2012 with PT Adhi Persada Property (APP), in 2014, PT Adhi Persada Gedung (APG) and PT Adhi Persada Beton (APB), in 2018, PT Adhi Commuter Properti (ACP) and in 2019, PT Dumai Torta Perasada (DTP). In 2015, ADHI began ground breaking on the Jabodebek LRT. Currently, ADHI has 5 business lines. Construction ,Railroads, Property and. Industrial, Engineering, Procurement and Construction (EPC), and Investment which Invests in other companies in the field of infrastructure, toll roads, renewable energy industry, conversion industry, waste management including hazardous and toxic materials. ADHI has 12 TOD (Transit Oriented Development) projects with a total development area of 95 Ha and 26000 apartment units.

Company’s TOD coverage area

EASTERN GREEN	Sta. Bekasi
URBAN SIGNATURE	Sta. Ciracas
ROYAL SENTUL PARK	Sta. Sentul
GATEWAY PARK	Sta. Jaticempaka
GREEN AVENUE	Sta. Jatimulya
MTH 27	Sta. Ciliwung
THE PREMIERE MTH	Sta. Cikoko
OASE PARK	Sta. Ciputat
CISAUK POINT	Sta. Serpong
RIVIA	Sta. Sentul
GRAND CENTRAL BOGOR	Sta. Bogor
ADHI CITY	Sta. Sentul (Dev)



+95 Ha Total Development Area

More Than 26,000 Apartment units

Source: Company

Chart: Total order book vs new contract (IDR. Trillion)

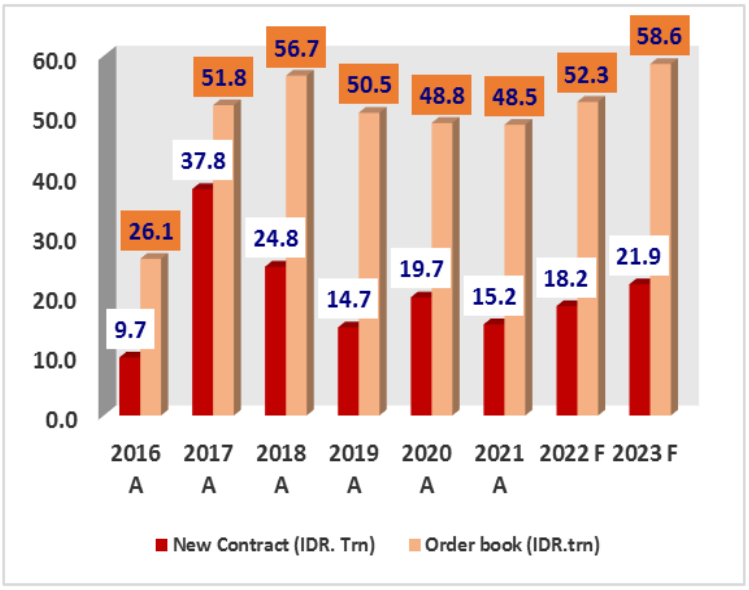


Chart: New contract based on Type of business line as of 9M 2022

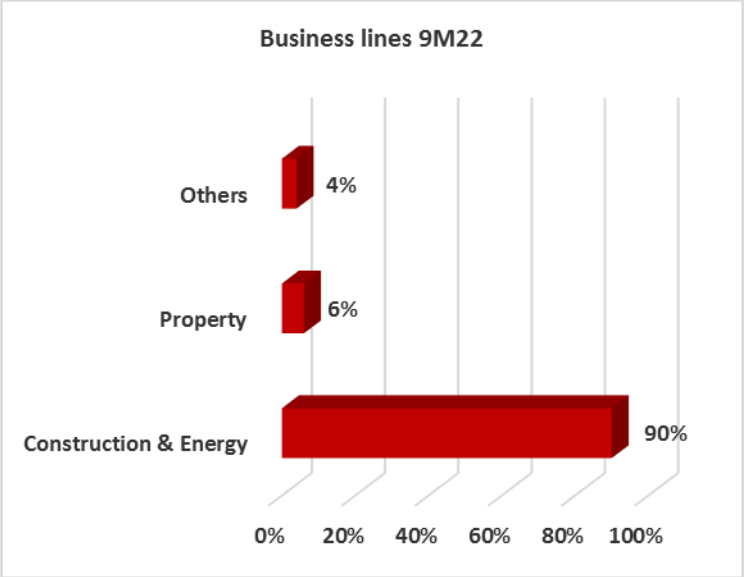


Chart: New contract based on project owner As of 9M22 (%)

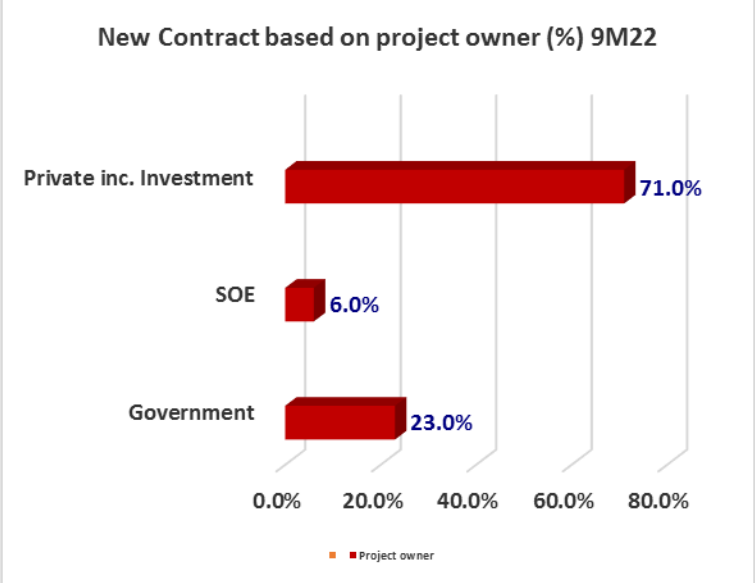
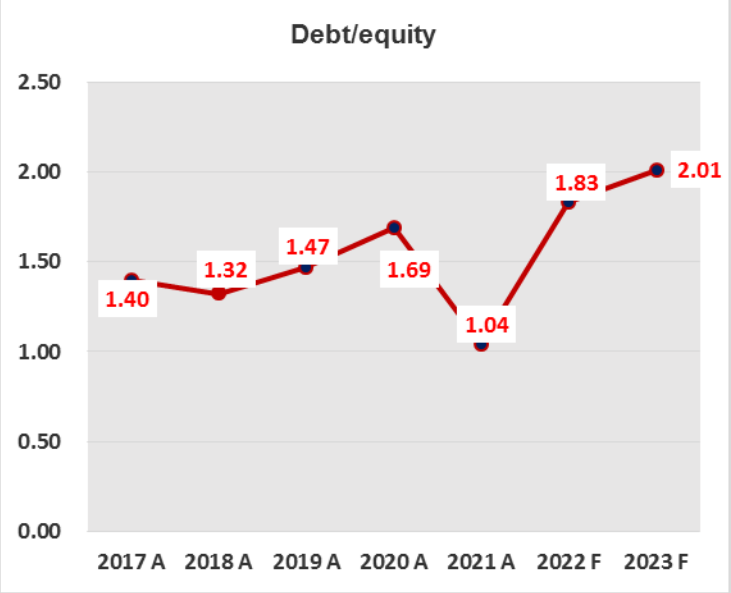


Chart: Debt to Equity (x) yoy



BINAARTHA SEKURITAS

Source: Company and Binaartha

Profit and Loss

Profit and Loss (IDR.bn)	2019A	2020A	2021A	2022F	2023F	2024F
Revenue	**15,308**	**10,828**	**11,530**	**12,558**	**14,074**	**15,927**
Cost of revenues	(12,972)	(9,092)	(9,774)	(10,675)	(11,963)	(13,538)
Gross Profit	**2,336**	**1,736**	**1,756**	**1,884**	**2,111**	**2,389**
Operating expense	(894)	(728)	(635)	(754)	(844)	(956)
Operating Profit	**1,442**	**1,008**	**1,121**	**1,130**	**1,267**	**1,433**
Other income	(755)	(968)	(1,022)	(978)	(1,097)	(1,243)
taxes	(21)	(16)	(13)	(16)	(18)	(21)
Minority interest	(1)	0	(31)	(0)	(0)	(0)
Net Profit	**664**	**24**	**55**	**136**	**151**	**169**
EPS	186	7	15	38	42	48
EBITDA	**1,619**	**1,171**	**1,290**	**1,351**	**1,522**	**1,739**

Balance Sheet

Balance sheet (IDR.in bn)	2019A	2020A	2021A	2022F	2023F	2024F
Cash and cash equivalent	3255.01	2134.67	2424.79	4769.90	4979.09	4135.54
Trade Account Receivable	3904.18	2986.51	2727.31	2511.69	2853.40	3272.63
inventory	10007.27	6321.04	7451.04	7311.43	8193.87	8901.55
Other current asset	13148.69	18419.30	18270.32	18837.69	17592.73	19112.15
Current Asset	**30,315.16**	**29,861.53**	**30,873.45**	**33,430.71**	**33,619.08**	**35,421.87**
Non Current Asset						
Net Fixed Asset	1,836.86	2,204.38	2,150.18	2,601.72	3,122.06	3,746.48
other long term asset	4,363.81	5,799.01	6,149.21	6,697.44	7,505.78	8,493.78
Total non current Asset	**6,200.68**	**8,003.39**	**8,299.39**	**9,299.16**	**10,627.84**	**12,240.25**
Total Asset	**36,515.83**	**37,864.91**	**39,172.85**	**42,729.87**	**44,246.92**	**47,662.12**
Current Liabilities						
AP	8,294.03	12,084.41	12,415.62	11,698.29	13,110.20	14,835.92
Short Term bank loans	5,058.50	4,343.90	3,824.45	3,834.45	3,844.45	3,854.45
Other Current liablities	11,140.65	10,640.89	14,887.38	15,070.15	15,481.60	17,519.47
Total current liabilities	**24,493.18**	**27,069.20**	**31,127.45**	**30,602.89**	**32,436.25**	**36,209.84**
Non Current Liabilities						
Long term loans bank	942.34	749.47	841.20	855.20	869.20	883.20
Bond	4,021.03	4,309.02	1,241.01	4,991.01	4,991.01	4,991.01
Other Long term liabilities	224.99	391.39	1,032.96	1,004.68	1,125.93	1,274.14
Total long term/ non current liabilities	**5,188.36**	**5,449.88**	**3,115.18**	**6,850.89**	**6,986.15**	**7,148.36**
Total Liabilities	**29,681.54**	**32,519.08**	**34,242.63**	**37,453.78**	**39,422.40**	**43,358.20**
Total Equities	**6,834.30**	**5,574.81**	**5,657.71**	**5,276.08**	**4,824.52**	**4,303.92**
Total Liabilities and equity	**36,515.83**	**38,093.89**	**39,900.34**	**42,729.87**	**44,246.92**	**47,662.12**

Source: Binaartha & Company

Cash Flow

Cash Flow (IDR.bn)	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
+ Net Income	664	24	55	136	151	169
+Depreciation	177	163	168	221	255	306
- Change in WC	622	1,909	3,336	(737)	1,854	1,127
Cash From Operating Activities	**1,463**	**2,096**	**3,560**	**(380)**	**2,260**	**1,603**
capex (Fixed asset)	(440)	(530)	(114)	(673)	(775)	(930)
Other non current asset	(1,232)	(1,435)	(350)	(548)	(808)	(988)
cash from investing activities	**(1,672)**	**(1,965)**	**(464)**	**(1,221)**	**(1,584)**	**(1,918)**
Long term loans bank	(205)	(193)	92	14	14	14
Bond	529	288	(3,068)	3,750	0	0
Other Long term liabilities	(7)	166	642	(28)	121	148
Equity	(115)	(1,283)	28	(517)	(602)	(690)
cash from financing activities	**202**	**(1,022)**	**(2,307)**	**3,218**	**(467)**	**(528)**
Net Changes in Cash	(8)	(891)	789	1,618	209	(844)
Beginning Balance	**3,263**	**3,255**	**2,364**	**3,152**	**4,770**	**4,979**
Ending balance	**3,255**	**2,364**	**3,152**	**4,770**	**4,979**	**4,136**

Ratio Highlights

Rasio Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)						
Sales	-2.22%	-29.27%	6.49%	8.92%	12.07%	13.16%
OP	-19.84%	-30.09%	11.21%	0.82%	12.07%	13.16%
EBITDA	-18.08%	-27.66%	10.14%	4.80%	12.59%	14.31%
NP	3.05%	-96.39%	130.16%	145.82%	11.22%	12.30%
EPS	3.05%	-96.39%	130.16%	145.82%	11.22%	12.30%
Profitability						
Operating Margin(%)	9.42%	9.31%	9.72%	9.00%	9.00%	9.00%
EBITDA margin(%)	10.57%	10.81%	11.18%	10.76%	10.81%	10.92%
NET Profit margin(%)	4.34%	0.22%	0.48%	1.08%	1.07%	1.06%
ROA(%)	1.82%	0.06%	0.14%	0.32%	0.34%	0.36%
ROE(%)	9.71%	0.43%	0.98%	2.57%	3.13%	3.94%
Liquidity						
Current ratio (X)	1.24	1.10	0.99	1.09	1.04	0.98
cash ratio (x)	0.13	0.08	0.08	0.16	0.15	0.11
Stability						
Debt/ Equity	1.47	1.69	1.04	1.83	2.01	2.26
Per Share data (IDR)						
EPS	186.4	6.7	15.5	38.1	42.4	47.6
BVS	1,919	1,566	1,589	1,482	1,355	1,209

Stock Ratings:
Buy: a recommendation to purchase the security with upside potential of 20% or greater
Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.
Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

RESEARCH TEAM
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