NUS INVESTMENT SOCIETY

PT Acset Indonusa Tbk

BUY: IDR 1,917 (+30.4%)

Equity Research Department | **27 October 2018**

Analysts

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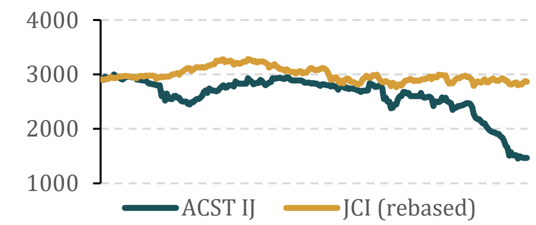
Basic Information

Last Closed Price	IDR 1,470
12M Target Price	IDR 1,917
+/- Potential	+30.4%
Bloomberg Ticker	ACST IJ Equity
GICS Sector	Industrials
GICS Sub-Industry	Construction & Engineering

1Y Price v Relative Index



Company Description

Acset is an integrated construction company providing technical and construction services across various sectors such as foundation works, general building/mixed-use, and infrastructure.

Key Financials

Market Cap (USD)	172.5M
Basic Shares O/S	217.0M
Free Float	31.0%
52-Wk High-Low	IDR1,465 – IDR3,100
Fiscal Year End	31-Dec-18

(IDR bns)	**FY16A**	**FY17A**	**FY18E**	**FY19E**
Revenue	1,794	3,026	5,123	6,968
Gr Rate (%)	32%	69%	69%	36%
EBITDA	236	404	639	870
Margin (%)	13.1	13.3	12.5	12.5
Net Income	68	154	179	271
Margin (%)	3.8	5.1	3.5	3.9
ROA (%)	2.7	2.9	2.8	3.5
ROE (%)	5.2	10.7	11.5	15.6
P/B Ratio	1.5x	1.2x	0.9x	0.8x
P/E Ratio	25.4x	11.2x	5.8x	4.9x
D/E Ratio	0.24x	1.30x	1.69x	1.51x

Key Executives

Gidion Hasan	President Commissioner
Jeffrey Gunadi	President Director

Setting Up for Success

We are initiating coverage of ACST with a Buy rating and a IDR1,917 12M price target.

1H/9M18 Earnings Review

- 1H18 total revenue up 62% YoY; revenue from Infrastructure sector up 189% YoY, contributing 57% of total revenue – driven primarily by key contract win of turnkey project Jakarta-Cikampek II Elevated Toll Road.
- 1H18 EBIT increased 110% YoY to IDR304.7b, driven by higher gross margin of 23.6% vs. 19.9% in 1H17 – greater revenue contribution of higher-margin Foundation projects led to the increased gross margin, while SG&A expenses increased broadly in line with revenues.
- Net income up 15% YoY, with NI margin declining from 6.3% to 4.5% due to higher interest costs from taking on more debt.
- 9M18 new contract bookings stand at IDR 813m, or c.8.1% of FY18 target of IDR 10tn; management remains confident of attaining the target, keeping full-year guidance unchanged.

Investment Thesis

- Jokowi's push for private vs. SOE/govt. funding is finally gaining traction in 2018, with >50% of project funding taken on by the private sector, benefiting private contractors such as ACST through more contract wins and public-private partnerships
- As one of the largest of Indonesia's private contractors with high infrastructure revenue exposure and favorable project record, ACST is better positioned to outperform in the infrastructure boom than other private firms
- Solid backing from parent company Astra Group / United Tractors Tbk to support working capital loans at favorable financing rates

Catalysts

- Announcement of further new contract bookings – slow progress on FY18 order book targets has been fully priced in; subsequent contract wins should facilitate re-rating
- Continued strong revenue growth from new contract wins and steady release of in-progress construction project value
- Receivables days and gross contractual amount due from customers to normalize from currently elevated levels as project cash flows come in
- Stable margins, controlled interest costs and effective debt rate from shareholder loan financing to support EPS growth

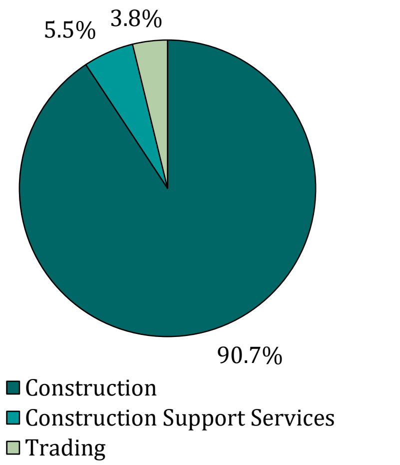
Valuations

Our 12-month price target from date of coverage is IDR 1,917, reflecting 5.0x our 2019E EPS of IDR 387. Our 5.0x multiple represents the average P/E multiple for the Indonesian construction sector, including both SOEs and private contractors

Investment Risks

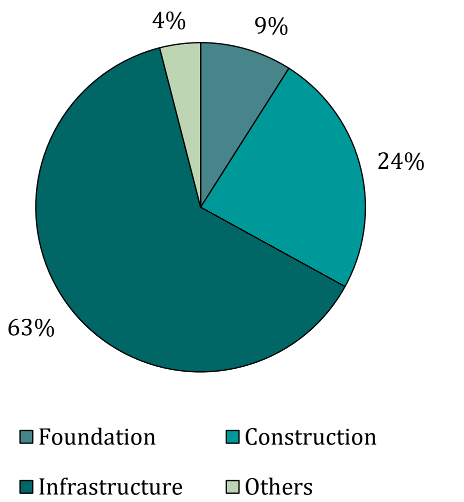
- Majority of ACST's debt is floating-rate, tied to the JIBOR – rising interest burden (given the rate environment) is a material risk
- Contract win or project delays due to infrastructure project complexity could result in ACST missing near-term targets
- Prolonged IDR depreciation could weigh on raw material costs and margins
- Deviations in govt. pro-infrastructure stance could impact growth

Figure 1. Revenue by Segment, FY17



Source: Acset Indonusa Annual Report 2017

Figure 2. Revenue by Sector, FY17



Source: Acset Indonusa Company Presentation

Figure 3. Acset Shareholding Structure

Source: Company reports

Company Overview

Having begun its commercial operations in 1995, ACST mainly engages in construction and related support services both within Indonesia and in several international markets. While the bulk of its revenue to date comes from its core construction business, it has gradually broadened its revenue streams to include related support services as well as the trading and wholesale of heavy equipment. Its direct parent company is PT Karya Supra Perkasa, and its overall parent shareholder is Indonesian conglomerate PT Astra International Tbk.

The company stands to benefit from strong order book growth in the near to mid-term, with the Indonesian government's push for infrastructural development anticipated to provide a boost to construction revenues. ACST's ability to secure key infrastructure development projects, particularly those instituted by the Indonesian government, will be key moving forward as it seeks to position itself favourably against its private-sector competitors to capture the infrastructure boom.

Although ACST has operations in overseas markets, these operations are dormant. Thus, its revenue in FY17 was generated solely from its Indonesian operations, and management has not provided any indication about overseas operations and whether they might be restarted in the near future.

1H/9M18 Earnings Review

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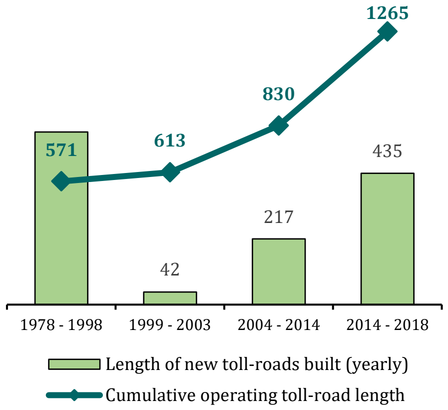
Industry Outlook

Strong Demand for New Toll Roads
Total operative toll-road length in Indonesia summed up to just 780 km in the past 46 years before the Jokowi administration era. Inadaptability to new government structure, lower infrastructure budget and highly complex development permits are some hurdles that delayed the development of toll-roads and other infrastructure in Indonesia.

As shown in Figure 4, the cumulative length of operative toll roads has increased 52.4% since President Jokowi's election in 2014. In fact, plans for the expansion of the toll road network are behind schedule as of June 2018. The country's road expansion programme planned to increase 1,852km of new tolls roads by 2019 when the current administration ends its term in office. However, only 870 km of the planned toll roads have been built so far, implying that supply cannot meet its demand.

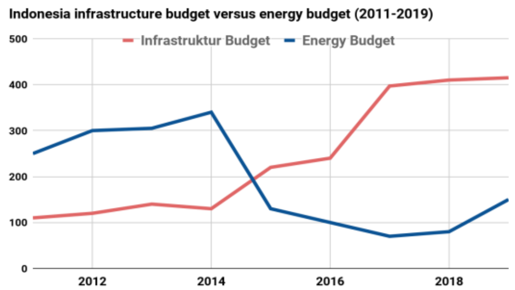
Nation's Infrastructure Budget Continues to Rise…
Ever since Jokowi administration was elected in 2014, the construction of toll roads in Indonesia experienced a substantial rise. The government sees an urgent need for longer and more developed toll-roads in order to

Figure 4. Length of Operating Toll Roads in Indonesia



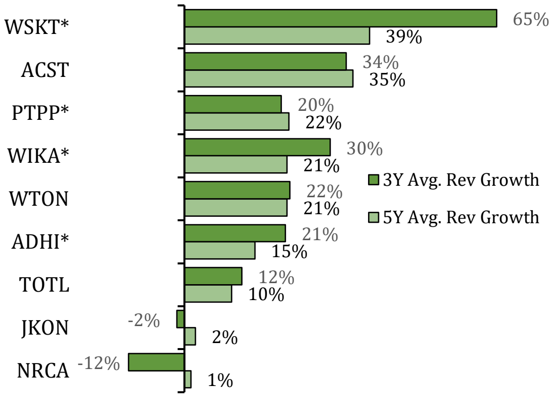
Source: Indonesia Toll Road Authority (BPJT)

Figure 5. Indonesia Infrastructure Budget vs. Energy Budget



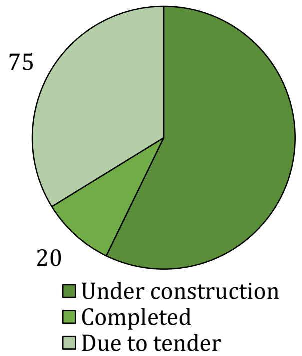
Source: Indonesia Toll Road Authority (BPJT)

Figure 6. Average Rev. CAGR for Indonesian Construction Firms



Source: Bloomberg, company reports
*Note: * = state-owned enterprises (SOEs)*

Figure 7. Indonesia 2015 – 2019 Project Pipeline



Source: Indonesian Government

improve industrial competitiveness, which is regarded as the crucial factor in shifting Indonesia's economic growth parameters from the primary sectors (commodities) to the secondary sectors (manufacturing & services) and enhancing nationwide connectivity that will reduce logistics costs and dwelling time.

As we approach Indonesia's election year, Jokowi appears to be leveraging on infrastructure spending to garner greater political support, believing that developing and expanding physical infrastructure is essential to unite the nation of 260 million. Close to IDR178tn (US$15bn) was allocated to infrastructure in the state budget this year. Till today, President Jokowi is still chasing his US$150 billion ambitious nation-building agenda – a 5-year infrastructure plan which has only hit its halfway mark. With China making a massive drive to build infrastructure and new trade routes across Asia through its Belt and Road Initiative, the world's second largest economy looms large as an obvious backer for President Jokowi's plans, providing further support for the sector.

…Providing Support for Domestic Construction Sector

after taking office in October 2014, Indonesian President Joko Widodo launched a large-scale infrastructure development campaign, including goals to build 1,000km of toll roads, 3,000km of railways, 24 seaports, and 35,000 MW worth of power generation capacity, among others. While 14 projects worth around IDR 264tn are expected to be dropped from the strategic development plan due to lack of progress, over 200 infrastructure projects remain in the pipeline (Figure 7), worth an estimated combined value of IDR 4,100tn – this should constitute considerable support for Indonesia's construction sector going forward. As Figure 6. shows, average yearly revenue growth rates for listed Indonesian construction firms are very healthy and have broadly accelerated in the past 3 years vs. past 5 years, indicative of an upswing in general projects (infrastructure contracts specifically).

Jokowi's current term ends in 3Q19 and he is widely expected to be re-elected for another term. A 2017 survey by the ISEAS Institute in Singapore found an overall 68% approval rating for Jokowi, with 74% of residents expressing satisfaction with his government's infrastructure policy efforts. We think a re-election would be incrementally beneficial for the domestic construction sector, with continued government support providing visibility on further priority projects such as major toll-roads – this should bolster project pipelines and sector performance for contract winners.

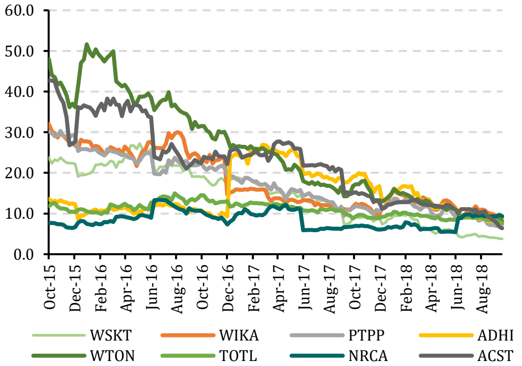
Private Sector's Pivotal Role in Indonesia's Infrastructure Plans

Indonesia's nation-building program might be hindered due to the lacklustre economy; as government revenues were battered by the end of the commodities boom and as tax compliance remains poor. As a result, the private sector is funding a substantial amount of Indonesia's infrastructure plans. As Southeast Asia's biggest economy faces difficulties in churning revenue, Jokowi's administration is relying even more on the private sector. As shown in Figure 6, the government is estimated to fund US$15.1 billion of the projects, while State-Owned Enterprises (SOEs) account for some $44.8 billion. About $109.8 billion will have to be forked out by the private sector.

Excessive borrowing to fund the government's infrastructure push has raised alarm in Indonesia's SOEs – the debt of four major listed SOEs jumped 57% YoY by the end of 2017. With a tight state budget and slow disbursement of government funds, President Jokowi has relied on SOEs' debt-funded projects to fund his ambitious development plans. These companies face mounting debt and negative operating cash flow, with payment only received upon project completion.

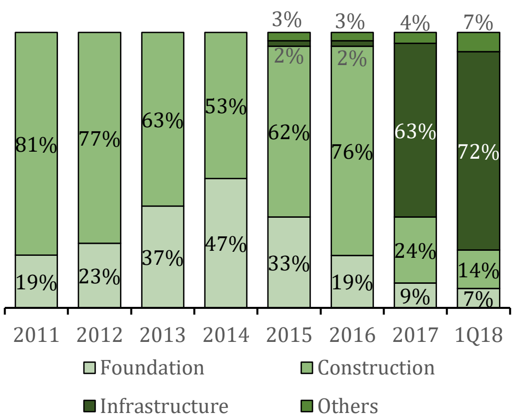
Indonesia's existing regulatory framework remains one of the key hurdles to the efficiency of infrastructure projects. Companies (especially privately held firms) often encounter red tape and regulatory burdens

Figure 8. P/E Ratios of Listed Indonesian



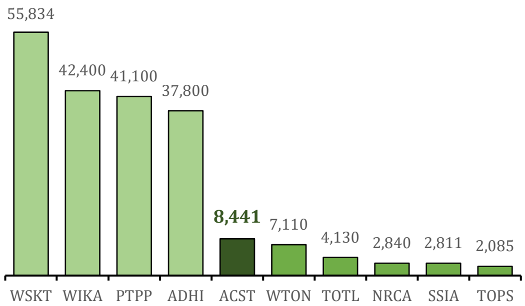
Source: Bloomberg

Figure 9. ACST Historical Revenue Breakdown by Sector



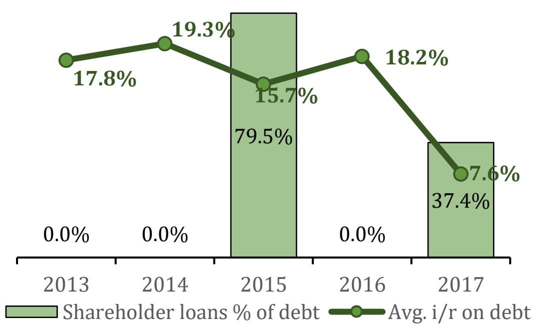
Source: Company reports

Figure 10. Indonesian Construction Companies FY17 Order Book Size (IDR bn)



Source: Company reports

Figure 11. Favourable Debt Rates Coincide with Higher Shareholder Financing



Source: Company reports

even after financing has been secured. Despite this, Jokowi is pinning his hopes on the private sector to fund the country's priority projects.

Industry Still De-Rating on Debt and Cash Flow Concerns
Yet, despite solid revenue growth numbers and favourable government support, Indonesia's construction industry has still seen a considerable de-rating over the past 3 years, with P/E ratios of listed companies falling by up to 3 – 4x and some trading near 5Y/10Y/all-time lows. This is mainly due to concerns over rising debt burdens, cash flow timing issues for turnkey projects, and general emerging market and rupiah weakness. While these concerns are not unfounded, we believe fundamentals remain robust and that the industry is significantly undervalued.

Investment Thesis

1. Best-Positioned among Private Contractors due to Size, Reputation, and Revenue Exposure

High revenue exposure to infrastructure sector – historically, ACST has been a specialist in general construction and foundation works, relying on Indonesia's hot property market and new property developments for growth. In recent years however, ACST has strategically repositioned its order book towards infrastructure projects, with c.72% of revenues coming from the infrastructure sector in 1Q18, and c.57% for 1H18 (Figure 9). This revenue exposure suggests that ACST will continue to be a beneficiary of Indonesia's infrastructure boom, as compared to other privately-held contractors with lower exposure to and expertise in infrastructure, making ACST a top non-SOE pick.

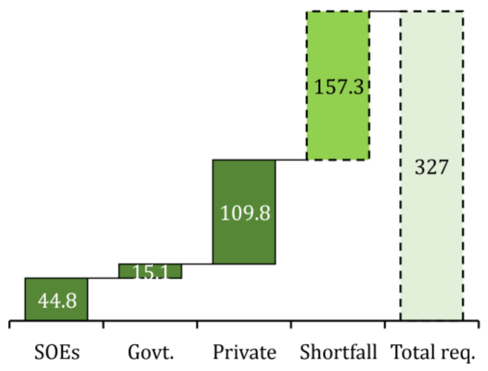
Solid order book suggests greater project win capability – while ACST cannot compare to entrenched incumbent SOEs such as Waskita, ACST nevertheless leads the charge in terms of privately-held contractors, with a FY17 new order book several magnitudes larger than other privately-held peers such as Totalindo (Figure 10), suggesting more robust project win rates in recent years.

Favourable reputation to support further contract wins – in the construction industry, mutual trust and referrals between project owners and contractors are key to contract wins. ACST has built up a strong reputation as a high-quality integrated construction contractor, with key notable property projects such as Gandaria City, Kota Kasablanka, Setiabudi Sky Garden etc. More recently, contract bookings of prestigious infrastructure projects, namely the Jakarta-Cikampek II Elevated Toll Road, JORR II Toll Road (Kunciran-Serpong section), and LRT Jakarta (Cawang-Dukuh Atas section) provide credibility and momentum for further infrastructure contract wins.

2. Robust Financing Support from Parent Conglomerates

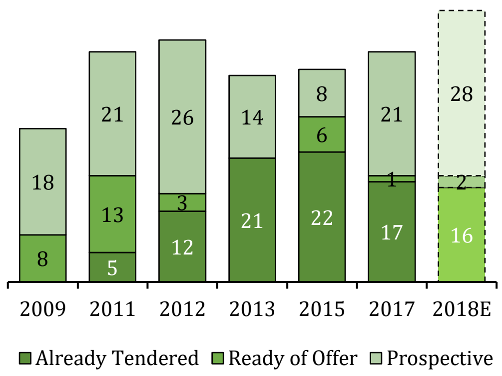
Parent company Astra Group provides financial backing – in 2015, ACST was acquired by Astra Group, the largest diversified conglomerate in Indonesia with subsidiaries across sectors such as automotive, infrastructure, logistics, heavy equipment and mining, financial services, and property, amongst others. ACST benefits from this shareholding structure via steady financial support through shareholder loans, as evident from its financing cash flow trends. While ACST continues to service some revolving working capital loans from banks, shareholder loans from Astra Group (through wholly-owned subsidiaries PT United Tractors Tbk and PT Karya Supra Perkasa) finance a significant portion of ACST's balance sheet, comprising c.37% of total FY17 debt. In the same period, average interest rate on debt fell to only c.7.6% as seen in Figure 11, suggesting favourable financing terms for ACST from its parents. We expect this to continue in the mid to long-term, keeping average interest rate on debt at a conservative c.11.0% to reflect continued favourable debt refinancing and controlled interest costs.

Figure 12. Indonesia Infrastructure Project Funding Breakdown, 2016 – 2020 (US$bn)



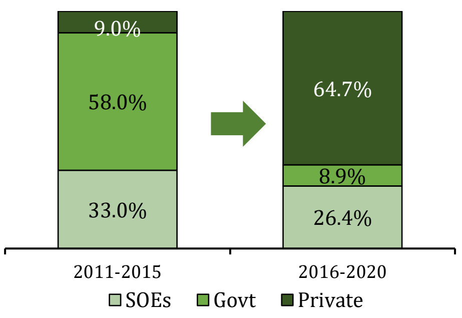
Source: Indonesian Government, Bloomberg
**Data based on funds committed for projects between 2016 to 2020*

Figure 13. Number of Indonesia Infrastructure PPP Projects



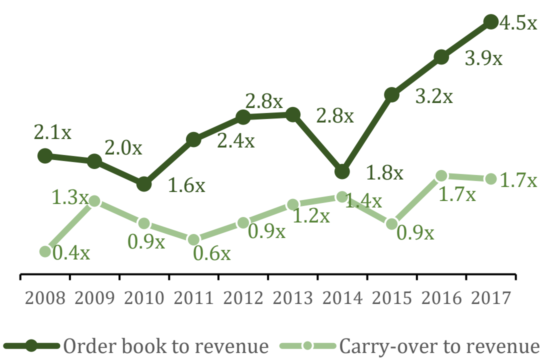
Source: BAPPENAS

Figure 14. Project Funding Source Breakdown



Source: Indonesian Government

Figure 15. ACST Order Book Ratios



Source: Company reports, UOB Kay Hian

Utilization of value chain within Astra Group to reap more benefits – aside from loan provision, ACST also makes use of Astra Group's other subsidiaries such as PT United Tractors Tbk, a JCI-listed distributor of heavy equipment. ACST purchases and trades inventories, equipment, and other fixed assets with United Tractors as well as Astra Group at attractive transfer prices, further bolstering business operations.

3. Government Push for Private vs. State/SOE Funding further supports Project Pipeline

Infrastructure funding gap presents opportunity for privately-held contractors – Indonesia's Ministry of National Development Planning (BAPPENAS) estimates that the government will only be able to fulfil 41.3% (c.US$130bn) of total infrastructure funding needs from 2015 – 2019. As shown in Figure 12, actual funds committed by the government for projects between 2016 – 2020 stand at only US$15bn, compared to an estimated US$327bn total required budget, indicating a clear funding shortfall of c.US$157.3bn that privately-held firms like ACST can step in to fill.

State support for private firms & public-private partnerships (PPP) – the government has also recognized the need for the private sector to shoulder more projects, resulting in various initiatives to encourage more contract wins for privately-held firms, as well as PPP-model projects. BAPPENAS, a national development planning agency responsible for PPP implementation and strategy, formed the Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) in late 2015, with a mandate to develop 30 PPPs by 2019, in addition to establishing several new PPP-specific legislations in 2015, known collectively as the PPP Regulations, to set out industry guidelines and facilitate further development. As seen from Figure 13, the number of PPP projects has seen a broad pick-up in the past few years; notably, ACST won several priority PPP projects: the Jakarta-Cikampek II Elevated toll road in 1Q17, of which the firm owns an estimated 49% of total contract value of IDR12.3tn, as well as the JORR II toll road in 2Q17. We think further large-scale PPP scheme contract wins are likely, especially given state facilitation.

Reversal of funding situation shows further promise – according to the National Construction Services Association, SOEs have historically accounted for c.80% of public projects, using their own funding or state capital injections. However, as seen from Figure 14, the private sector's average proportion of project funding has increased drastically from 9.0% in 2011 – 2015 to 65% in 2016 – 2020, a telling sign of the infrastructure industry's shift towards the private sector and away from SOE/state funding. We foresee a change in the current status quo and expect privately-held firms like ACST to be at the forefront of the paradigm shift. Indeed, this may have already begun to show up in ACST's strong order book to revenue ratio, standing at c.4.5x as of 2017 (Figure 15) more than enough to support multi-year revenues going forward.

Catalysts

- Slow progress on FY18 order book targets (c.8.1% of full-year guidance as of 9M18) has been fully priced in – **subsequent announcement of significant contract wins** should facilitate re-rating to a certain extent (dependent on announced contract size). We have assumed conservative full-year new contract bookings of IDR5tn for our base case despite management's optimism of attaining the IDR10tn target.

- Continued strong revenue growth from **more contract wins** and **steady release of construction project value** – we expect receivables days to fall to normalized levels in the near to mid-term; in particular, **gross contractual amount due from customers should begin to normalize** to sub-300 days.

Figure 16. ACST Notable Projects

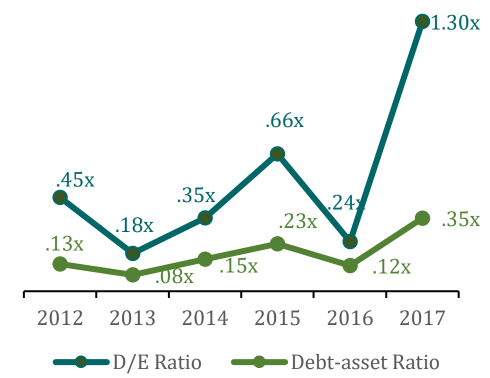
Name	Tender Year	Sector
Jakarta-Cikampek Elevated II Toll Road	2017	Infrastructure
JORR II Toll Road	2017	Infrastructure
Tanjung Jati Coal-fired Power Plant Unit 5/6	2017	Foundation
LRT Cawang-Duku	2017	Infrastructure
Kota Kasablanka	2010	Mixed-use

Source: Company reports

Figure 17. ACST Historical and Forecasted Order Book

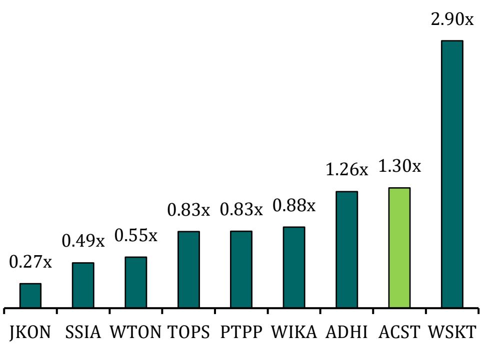
Source: Company reports, NUS Investment Society Estimates

Figure 18. ACST Historical Debt Ratios



Source: Bloomberg, company reports

Figure 19. Peers D/E Ratio, FY17



Source: Bloomberg

- Continued EPS growth driven by **contract wins, revenue growth**, and **stable margins** – infrastructure projects generally have lower operating margins, but given ACST's already high revenue exposure to infrastructure, we do not expect further margin compression. EPS growth should be further supported by **controlled interest costs** and **favourable effective debt rates from shareholder loan financing** from parent company Astra Group and United Tractors Tbk.

Financial Analysis

Financial Ratios	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Profitability							
Net Profit Margin	3.8%	5.1%	3.5%	3.9%	4.2%	4.0%	3.7%
Return on Asset	2.7%	2.9%	2.8%	3.5%	3.7%	3.5%	3.2%
Return on Equity	5.2%	10.7%	11.5%	15.6%	18.5%	18.4%	17.6%
Liquidity							
Current Ratio	1.8	1.3	1.2	1.1	1.1	1.0	1.0
Cash Ratio	0.12	0.06	0.03	0.03	0.02	0.02	0.02
Asset Utilization							
Total Asset Turnover	0.72x	0.57x	0.79x	0.89x	0.88x	0.87x	0.86x
% Increase of Trade Receivable	2.4%	51.2%	96.2%	36.0%	25.8%	19.0%	17.4%
% Increase of Gross Contractual Amount	51.3%	165.4%	11.4%	-10.5%	22.6%	19.0%	17.4%
Trade Receivables	339,828	513,958	1,008,261	1,371,413	1,724,989	2,052,944	2,409,937
Gross Contractual Amount Due From Customers	1,033,685	2,743,750	3,055,693	2,735,218	3,353,742	3,991,356	4,685,426
Financial Leverage							
Debt to Equity	0.24x	1.30x	1.69x	1.51x	1.45x	1.61x	1.76x
Debt to Assets	0.12x	0.35x	0.41x	0.33x	0.29x	0.30x	0.32x
EBITDA Interest Coverage	3.45x	4.90x	2.58x	3.00x	3.60x	3.61x	3.40x
Order Book							
Revenue	1,794,002	3,026,989	5,122,580	6,967,610	8,763,990	10,430,202	12,243,945
Revenue Growth	32.2%	68.7%	69.2%	36.0%	25.8%	19.0%	17.4%
Total Order Book	6,909	13,556	13,851	18,840	23,697	28,202	33,107
New Contracts	3,773	8,441	5,000	9,052	10,510	11,934	13,429
% of Total Order Book Increase	60.1%	96.2%	2.2%	36.0%	25.8%	19.0%	17.4%
New Contracts % of Order Book	27.3%	26.0%	34.7%	29.3%	30.0%	31.3%	30.2%

Overview:
The financial condition chart above reveals ACST prospects moving 5 years forward, highlighting our assumptions (refer to appendix for more details), with specific attention paid to its overall increase in order book and debt levels.

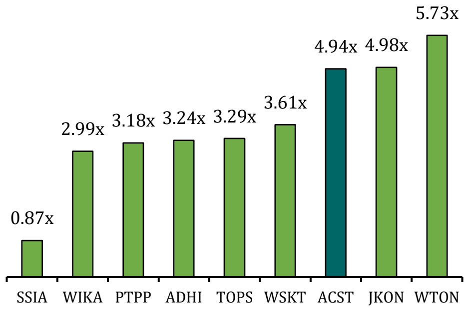
Increase in Total Order Book and New Contracts
As the Indonesian Government focuses more on the private sector, we expect a robust supply of new contract wins for ACST, especially through the PPP scheme, of which ACST has won several large infrastructure projects as mentioned previously, partnering with SOEs such as Waskita and Adhi. With this, we are expecting the total order book of ACST to increase in line with overall Indonesia GDP growth.

Heightened levels of Debt
With the increase in number of contracts tendered to ACST, we expect debt levels to increase in the following years as well to finance increased working capital requirements. The average D/E ratio for the subsequent projected years will average at 1.61, fairly high as compared to historicals but still well below ACST's debt covenant level of 3x, and within comfortable range of peers (Figure 19). While we have not modelled in any equity issues in the forecast period, we do not rule out the possibility of ACST raising capital through share issuance, which would reduce the D/E ratio to more healthy levels as well as allowing for further upside through reduced interest burden and resultant higher net margin.

ACST's FY17 EBITDA interest coverage ratio is fairly robust as well at 4.9x, higher than some SOE peers as seen in Figure 20. While EBITDA interest coverage ratio is forecasted to fall due to higher interest cost, we expect it to remain at a healthy level of around 3.0 - 3.6x going forward.

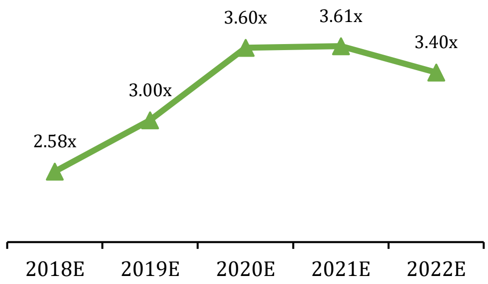
Strong Revenue Growth for the next 5 years
Revenue is expected to see an overall 4x increase from 2017 to 2022. Our projected amounts on revenue translate to a slight overall decline in % YoY growth due to our conservative new contract forecasts; however, absolute values of Revenue Growth will sustain at around IDR1 .85Tn per annum on average throughout 2018-2022.

Figure 20. Peers EBITDA Interest Coverage Ratio, FY17



Source: Bloomberg, company reports

Figure 21. ACST Forecasted EBITDA Interest Coverage Ratio



Source: NUS Investment Society Estimates

High Levels of Trade Receivables and Gross Contractual Amount from Customers

It is industry standard to have extended trade receivables days due to the long duration and lumpy payment disbursal of infrastructure and construction projects. While heightened levels of receivables and contractual amounts due from customers can be a cause for concern, ACST's historically low receivable impairments for receivables and gross contractual amount due provide considerable assurance for future cash flows; it is fairly commonplace for construction firms to see high levels of gross contractual amount due days, especially for turnkey projects which tend to have more delayed and unpredictable payments.

Strong Asset Turnover

ACST has a strong track record of maintaining a healthy asset turnover. This is expected to further improve where the Asset Turnover Ratio will average at 0.86x for the next 5 years.

Rich Return on Equity

ACST will see a high ROE of approximately 15 – 18% as compared to the FY17 industry average of 13.5%, as we expect debt levels to remain heightened across the forecast period.

Tax Savings

The corporate tax rates in Indonesia stand at 25%. However, the tax rate is lowered to 20% for companies with greater than 40% of shares traded on the IDX (Indonesian Exchange). The public controls 44.07% of ACST shares, as such ACST is available to have access to tax savings that the large SOEs do not.

Valuations

Valuation Price Target (FY19 P/E): **IDR 1,917**
TP Range: **IDR 1,849 – IDR 1,948**

Valuation Summary

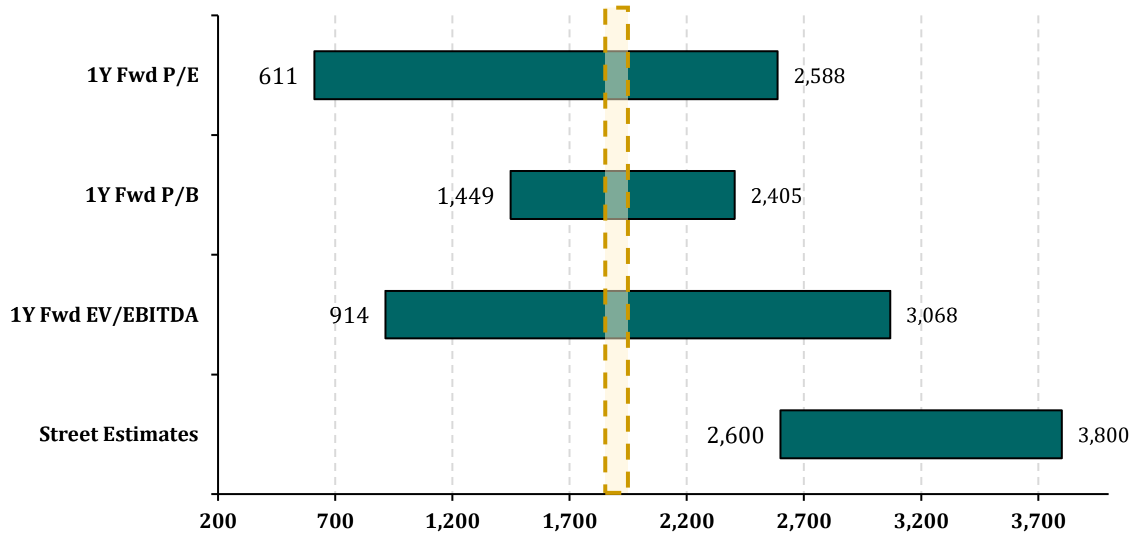
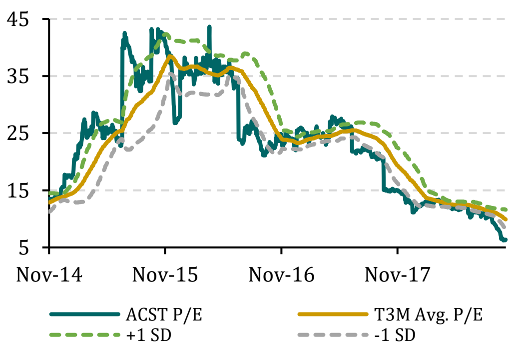


Figure 22. Attractive Valuation Relative to Historicals



Source: Bloomberg

Relative Valuation – (FY19 Price-Earnings Ratio)

We utilized various valuation multiples to obtain our 12M target price of IDR1,917, primarily the price-earnings ratio. In our base case scenario, we apply a 1Y forward P/E multiple of 4.9x to our estimated FY19 EPS of IDR 387, resulting in a target price of IDR 1,917. Our projected P/E ratio is based on the average of the estimated 1Y forward P/E multiples of 6 listed Indonesian construction companies, as shown in Figure 23.

At 6.4x current T12m P/E, ACST trades at c.2.1x SD below its trailing 3-month average P/E, at its cheapest valuation in the past 4 years. Overall, as Figures 22 and 24 show, the industry in general has de-rated significantly in the past 12m and since peak sentiment at end-2015.

Figure 23. Comps Valuation Ratios

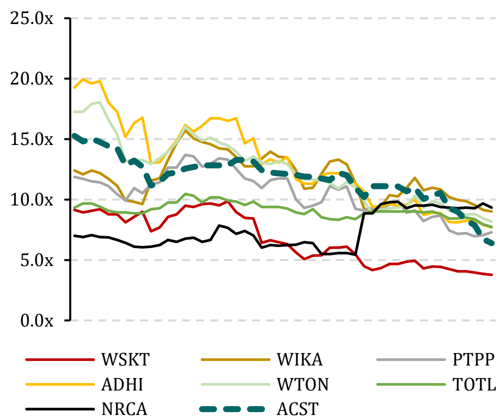
Comparables Ratios

SOES	1Y Fwd P/E	2Y Fwd P/E	1Y Fwd P/B	2Y Fwd P/B	1Y Fwd EV/EBITDA	2Y Fwd EV/EBITDA
WSKT	4.5x	4.6x	1.2x	.9x	7.1x	6.5x
WIKA	7.6x	6.1x	.8x	.7x	4.1x	3.3x
PTPP	5.5x	4.5x	.7x	.7x	4.1x	3.1x
ADHI	5.6x	4.1x	.7x	.6x	4.4x	3.7x
Average	**5.8x**	**4.8x**	**.8x**	**.7x**	**4.9x**	**4.2x**
Private						
WTON	3.5x	2.9x	.3x	.3x	4.9x	4.3x
TOTL	7.9x	7.5x	1.8x	1.6x	3.7x	3.8x
Average	**5.7x**	**5.2x**	**1.0x**	**.9x**	**4.3x**	**4.0x**
Industry Average	**5.8x**	**4.9x**	**.9x**	**.8x**	**4.7x**	**4.1x**
Bull (+20%)	**6.9x**	**5.9x**	**1.1x**	**.9x**	**5.7x**	**4.9x**
Bear (-20%)	**4.6x**	**4.0x**	**.7x**	**.6x**	**3.8x**	**3.3x**

	FY19 P/E	FY19 P/B	FY19 EV/EBITDA
Implied share price (IDR)	**1,917**	**1,948**	**1,849**
Current share price	1,470	1,470	1,470
Implied Upside/(Downside)	**30.4%**	**32.5%**	**25.8%**
Bull	**2,588**	**2,405**	**3,068**
Bear	**611**	**1,449**	**914**

Source: Bloomberg, NUS Investment Society Estimates

Figure 24. Trailing 12M Listed Comps P/E Ratios vs. ACST



Source: Bloomberg

Figure 25. ACST New Contracts Amt. vs. Indonesia GDP – Regression Output

Regression Statistics	
Multiple R	0.8914
R Square	**0.7946**
Adjusted R Square	0.7433
Standard Error	1433.2085
Observations	6

Source: NUS Investment Society Estimates

As shown in Figure 24, despite being a smaller, privately-held contractor, ACST has generally traded on par or even at a premium to larger state-owned competitors such as Waskita (WSKT) and Persero (PTPP) – hence, we believe applying an industry average valuation multiple is fairly reasonable. Applying 1Y forward P/B and EV/EBITDA ratios results in target prices of IDR1,948 and IDR1,849 respectively, from which we obtain our target price range of IDR1,849 – 1,948.

Our bull / bear case scenario multiples are based on 20% premium / discount to the industry average, as well as adjusted revenue and order book trends for each case.

As per industry standard, a discounted cash flow (DCF) model was not utilized due to the volatility inherent in the working capital requirements of construction companies – large fluctuations in contractual receivables and payables are fairly commonplace within the industry, rendering a DCF approach unviable.

Key Assumptions

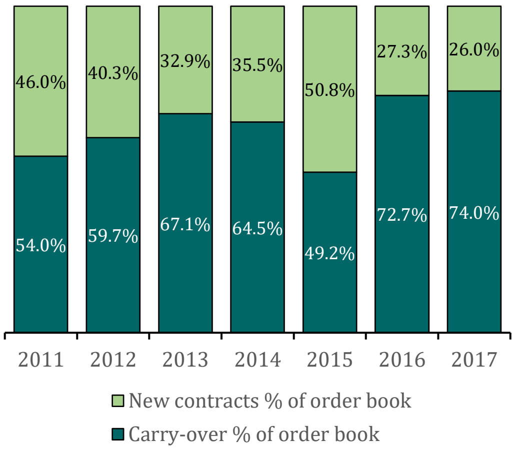
In our 5Y forecast model (FY18 – FY22), key P&L assumptions made were with regards to revenue growth, order book and new contract bookings, gross margin, and interest costs. Working capital ratios were forecasted to normalize within the next 1 – 2 years based on historical CAGRs – all other variables were forecasted using historical averages to approximate aggregate performance across business cycles.

Revenue and Order Book Growth

Assuming a strong connection between ACST's new contracts booked and Indonesia's overall economic growth, we regressed ACST's historical new contracts booked (y-axis) vs. Indonesia's GDP (x-axis) for the past 7 years, resulting in a p-value of 0.017 and R^2 value of 0.79, suggesting a statistically significant causal relationship between Indonesia's GDP and ACST's project wins, with fairly strong predictive ability. We then utilized the intercept and co-efficient outputs from the regression analysis, in conjunction with Indonesia's GDP forecasts from the World Bank, to forecast new orders for ACST over the next 5 years.

ACST's order book comprises 2 main components – new contracts booked and order book carry-over from the previous year. We implement the 3Y average carry-over ratio of 65.3% in FY18, and a 3Y trailing average going forward. Adding these 2 forecasted order book

Figure 26. ACST Historical Total Order Book Breakdown



Source: Company reports, UOB Kay Hian

Figure 27. Sensitivity Tables

Gross Margin

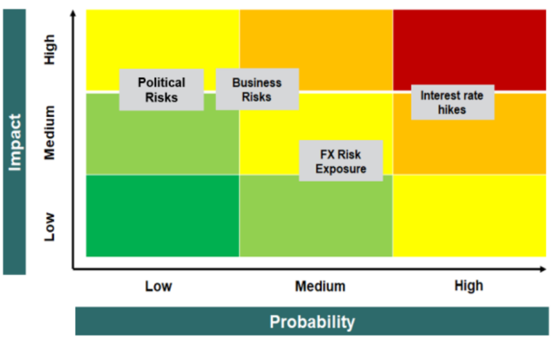
	$1,917	16.0%	16.5%	17.0%	17.5%	18%	18.5%	19.0%	19.5%	20.0%
	13.0%	977	1,147	1,317	1,488	1,658	1,828	1,999	2,169	2,339
	12.5%	1,043	1,213	1,383	1,553	1,723	1,893	2,063	2,233	2,403
	12.0%	1,110	1,279	1,449	1,618	1,788	1,957	2,127	2,296	2,466
	11.5%	1,176	1,345	1,514	1,683	1,852	2,022	2,191	2,360	2,529
Average cost of debt	11.0%	1,242	1,411	1,579	1,748	1,917	2,085	2,254	2,423	2,591
	10.5%	1,307	1,476	1,644	1,812	1,981	2,149	2,317	2,485	2,654
	10.0%	1,372	1,540	1,708	1,876	2,044	2,212	2,380	2,548	2,716
	9.5%	1,437	1,605	1,772	1,940	2,107	2,275	2,442	2,610	2,777
	9.0%	1,502	1,669	1,836	2,003	2,170	2,337	2,504	2,671	2,838

FY18 New Contract Bookings

	$1,917	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000
	3.50x	1,179	1,254	1,329	1,404	1,479	1,504	1,514	1,524	1,534
	3.30x	1,302	1,381	1,461	1,540	1,580	1,591	1,602	1,613	1,623
	3.10x	1,440	1,525	1,609	1,666	1,678	1,689	1,701	1,712	1,724
	2.90x	1,598	1,688	1,757	1,777	1,789	1,801	1,814	1,826	1,838
Order Book:Rev Ratio	2.70x	1,772	1,848	1,881	1,904	1,917	1,930	1,943	1,956	1,969
	2.50x	1,945	1,990	2,025	2,050	2,065	2,079	2,093	2,107	2,122
	2.30x	2,118	2,156	2,193	2,223	2,238	2,254	2,269	2,285	2,300
	2.10x	2,311	2,353	2,394	2,428	2,445	2,462	2,479	2,496	2,513
	1.90x	2,545	2,591	2,636	2,676	2,695	2,714	2,733	2,751	2,770

Source: NUS Investment Society Estimates

Figure 28. Investment Risk Matrix



Source: NUS Investment Society Estimates

components together results in our forecasted total order book for each year. Thereafter, we utilize the FY08 – FY17 order book to revenue ratio of c.2.70x across our forecast period to obtain our yearly projected revenue figures. While ACST's FY17 order book to revenue ratio stood at 4.5x, we do not expect it to remain at this elevated level for an extended period, and project it to revert to a lower level in line with past performance as ACST's order book releases more value in the form of revenue going forward.

Our bull case revenue scenario inputs management's optimistic FY18 guidance of IDR10tn of new contracts, as well as implied new order book growth of 15% YoY, and elevated order book to revenue ratios of 3.0x. Our bear case revenue scenario assumes only IDR3tn of new contracts in FY18, new order book growth of 10% YoY, and a lower order book to revenue ratio of 2.5x.

Gross Margin

Infrastructure projects carry a lower gross margin than Foundation (25 – 30% margin) and Construction projects due to higher cost of materials and much higher project values. Given that ACST's revenue contribution from infrastructure already stood at >70% in FY17, we do not expect further declines in gross margin. However, as infrastructure will be driving future growth, we project gross margin to remain at its current level of c.18.0% for the forecast period, significantly lower than the 6Y historical average of c.20.8%.

Interest Costs

In line with our beliefs that ACST's parent companies will continue to provide financing at attractive rates, we project ACST's average interest rate on debt to remain at 11.0% for the forecast period, higher than the FY17 level but around 280bps lower than FY15 – 17 average (ACST was bought over by Astra in 2015).

Sensitivity Analysis

To stress-test our assumptions, we conducted a series of sensitivity analyses (Figure 27) on our primary P/E-based target price, varying key assumptions of gross margin, cost of debt, order book to revenue ratio, and FY18 new contract orders. At IDR977 – IDR2,838, the total range of resultant share prices is not overly large in our opinion, and the IDR1,449 – IDR2,380 range of more probable variance still indicates significant upside to the current price of IDR1,470 (as of coverage date), giving us further conviction in our Buy rating.

Investment Risks

Rising Interest Rates

The majority of ACST's debt has a floating-rate and is tied to the JIBOR. With further rate hikes anticipated as central banks tighten credit policies and Indonesia's government hikes rates to stem further rupiah weakness, rising interest burden is a material risk, particularly with the sector's high dependence on debt.

Business Risks

Our revenue projections are contingent upon ACST securing key new construction and infrastructure projects to capitalise on the anticipated infrastructure boom. Failure to secure new projects or project delays due to infrastructure project complexity could result in ACST missing both near-term targets and long-term projections.

Political Risks

Given that government support for infrastructure projects has been instrumental in boosting the sector's project pipeline, deviations from this supportive stance could significantly affect both new contract pipelines, current project timelines and cash flows, as well as overall sector sentiment. If Jokowi fails to be re-elected in 2019, a new party could come to power with a different focus from infrastructure development – nevertheless, construction is one the largest contributors to Indonesia's economy, and we expect infrastructure development to remain a priority for the country as long as a reasonable leader is in power.

Exchange-rate Risks

Like many emerging market currencies, the rupiah has struggled in 2018, ranked in the top ten of hardest-hit currencies so far in 2018, having fallen c.12% with respect to the US dollar, attributable to Indonesia's widening current account deficit. A prolonged rupiah depreciation could weigh on raw material costs and margins for ACST. Nevertheless, turnkey project owners tend to take on raw material procurement risks, and ACST has entered forward agreements with its materials suppliers, mitigating this risk somewhat.

Appendix 1: (3 Financial Statements):

IDR mns	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Income Statement											
Net Revenue	669,906	1,014,502	1,350,908	1,356,868	1,794,002	3,026,989	5,122,580	6,967,610	8,763,990	10,430,202	12,243,945
Cost of Revenue	(530,961)	(762,244)	(1,047,944)	(1,084,810)	(1,457,673)	(2,480,569)	(4,200,516)	(5,713,440)	(7,186,472)	(8,552,766)	(10,040,035)
Gross profit	138,945	252,258	302,964	272,058	336,329	546,420	922,064	1,254,170	1,577,518	1,877,436	2,203,910
SG&A	(36,558)	(58,959)	(68,729)	(87,236)	(100,427)	(142,904)	(282,635)	(384,433)	(483,547)	(575,479)	(675,551)
Selling expenses			(1,079)	(1,201)	(1,955)	(4,999)					
General and admin expenses			(67,654)	(90,035)	(91,320)	(143,979)					
Other income/expense	1,870	(6,702)	4	4,000	(7,152)	6,074					
EBITDA	102,387	193,299	234,235	184,822	235,902	403,516	639,430	869,737	1,093,971	1,301,958	1,528,359
Depreciation expenses	(25,354)	(46,899)	(57,424)	(49,906)	(60,958)	(86,720)	(121,500)	(168,807)	(228,311)	(299,127)	(382,259)
EBIT	77,033	146,400	176,811	134,916	174,944	316,796	517,930	700,930	865,660	1,002,830	1,146,101
Finance costs	(6,915)	(17,932)	(31,854)	(52,331)	(68,283)	(82,393)	(247,657)	(289,537)	(303,714)	(360,155)	(449,907)
Finance income	2,300	2,250	1,754	2,167	15,218	7,686	7,132	9,793	10,061	6,994	8,437
Share of results of associates/JV	(88)	(679)	(2,187)	(739)	3,391	6,810	-	-	-	-	-
Profit before tax	72,330	130,039	144,524	84,013	125,270	248,899	277,405	421,186	572,007	649,669	704,630
Income tax expense	(20,097)	(30,823)	(40,627)	(41,791)	(57,715)	(95,108)	(98,768)	(149,961)	(203,660)	(231,311)	(250,879)
Net income	52,233	99,216	103,897	42,222	67,555	153,791	178,637	271,225	368,348	418,358	453,751
Dividends	-	-	(19,750)	(21,000)	(24,450)	(40,600)	(58,655)	(89,056)	(120,946)	(137,366)	(148,987)
Retained earnings		99,216	84,147	21,222	43,105	113,191	119,982	182,169	247,402	280,992	304,764
NCI	(16)	(142)	(890)	304	(774)	(454)	-	-	-	-	-
Weighted avg. shares outstanding (mns)	400	500	500	500	617	700	700	700	700	700	700
Basic EPS	131	199	210	84	111	220	255	387	526	598	648

IDR mns	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Balance Sheet											
Cash and cash equivalents	64,965	48,719	49,575	60,671	139,215	215,119	146,070	349,866	159,634	194,571	232,685
Trade and other receivables	135,225	213,972	222,094	331,851	339,828	513,958	1,008,261	1,371,413	1,724,989	2,052,944	2,409,937
Gross Contractual Amt. Due	195,555	396,595	465,361	683,009	1,033,685	2,743,750	3,055,693	2,735,218	3,353,742	3,991,356	4,685,426
Project under Construction	135,686	237,778	297,578	312,301	368,061	344,763	583,811	1,142,858	1,833,540	2,182,133	2,561,591
Advances	70,275	157,555	160,611	191,490	177,649	752,100	765,827	1,041,659	1,310,218	1,559,317	1,830,472
Prepaid expenses	6,074	6,804	4,094	7,960	12,908	33,266	37,387	50,853	63,964	76,124	89,362
Prepaid taxes	-	-	3,764	158	7,308	94,254	8,118	12,326	16,739	19,012	20,620
Other current assets	-	-	-	-	10,978	15,472	15,472	15,472	15,472	15,472	15,472
Inventories	-	-	11,688	3,470	2,748	4,883	19,118	26,004	32,709	38,927	45,696
Total current assets	607,780	1,061,423	1,214,765	1,590,910	2,092,380	4,717,565	5,639,757	6,745,669	8,511,005	10,129,857	11,891,263
Fixed assets											
At cost	227,516	361,279	439,728	553,429	671,592	858,368					
Cumulative depreciation	(92,934)	(140,439)	(197,721)	(243,368)	(301,286)	(371,570)					
Net fixed assets	134,582	220,840	242,007	310,061	370,306	486,798	713,099	1,017,363	1,384,089	1,793,127	2,242,180
Other non-current assets	12,408	16,096	16,877	28,527	40,485	102,116	97,055	97,055	97,055	97,055	97,055
Investments in associates	1,392	714	932	5,380	20,098	27,598	27,598	27,598	27,598	27,598	27,598
AFS investments	-	-	-	-	-	20,000	20,000	20,000	20,000	20,000	20,000
Investment properties	-	-	-	-	-	32,885	32,885	32,885	32,885	32,885	32,885
Advances	-	-	-	8,051	16,113	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	5,061	-	-	-	-	-
Others	11,016	15,382	15,945	15,096	4,274	16,572	16,572	16,572	16,572	16,572	16,572
Total non-current assets	146,990	236,936	258,884	338,588	410,791	588,914	810,154	1,114,418	1,481,144	1,890,182	2,339,235
Total assets	754,770	1,298,359	1,473,649	1,929,498	2,503,171	5,306,479	6,449,911	7,860,086	9,992,149	12,020,039	14,230,498
Trade and other payables	149,815	228,677	302,791	373,731	346,665	1,008,816	1,302,246	1,771,283	2,227,953	2,651,532	3,112,616
Unearned revenues	274,286	357,356	205,113	404,645	454,013	469,831	795,096	1,499,055	2,613,596	3,129,061	3,673,184
Accruals	6,182	30,885	9,320	8,951	34,507	390,613	74,177	100,894	126,906	151,034	177,298
Income tax payable	3,462	12,977	27,228	22,364	30,552	93,976	54,587	82,880	112,558	127,841	138,656
Finance leases liabilities	411	-	237	99	1,419	880	-	-	-	-	-
Others	-	-	45,337	-	-	-	-	-	-	-	-
Employee benefit obligations	-	-	4,276	5,643	7,464	10,749	10,749	10,749	10,749	10,749	10,749
Total CL excl. current debt	434,156	629,895	594,302	815,433	874,620	1,974,865	2,236,855	3,464,861	5,091,762	6,070,216	7,112,502
Total current liabilities	527,978	715,313	777,115	1,199,387	1,165,334	3,706,890	4,869,009	6,097,015	7,981,676	9,728,574	11,634,269
Finance leases	-	-	216	62	148	377	377	377	377	377	377
Employee benefit obligations	3,543	5,716	9,908	9,043	16,137	23,416	23,416	23,416	23,416	23,416	23,416
Total NCL excl. LT debt	3,543	5,716	10,124	9,105	16,285	23,793	23,793	23,793	23,793	23,793	23,793
Total non-current liabilities	8,583	22,602	54,486	65,252	36,612	162,462	23,793	23,793	23,793	23,793	23,793
Total debt	98,862	102,304	227,175	440,101	311,041	1,870,694	2,632,154	2,632,154	2,889,913	3,658,358	4,521,768
Current debt	93,822	85,418	182,813	383,954	290,714	1,732,025					
Short-term bank loans	93,822	85,418	182,813	-	255,000	1,092,179					
Other borrowings	-	-	-	33,954	35,714	39,846					
Shareholder loans	-	-	-	350,000	-	600,000					
Non-current debt	5,040	16,886	44,362	56,147	20,327	138,669					
Shareholder loans	-	-	-	-	-	100,000					
Bank loans	5,040	16,886	44,362	-	-	-					
Other borrowings	-	-	-	56,147	20,327	38,669					
Total Liabilities	536,561	737,915	831,601	1,264,639	1,201,946	3,869,352	4,892,802	6,120,808	8,005,469	9,752,367	11,658,062
Share capital (issued + additional paid-in)	40,000	281,796	281,796	281,796	878,252	878,252					
Currency translation reserve	(2,352)	(1,265)	(1,267)	(1,001)	(1,013)	(1,479)					
Non-controlling interests	275	264	2,219	948	174	26,537					
Total stock	37,923	280,795	282,748	281,743	877,413	903,310	903,310	903,310	903,310	903,310	903,310
Accumulated retained earnings	180,289	279,647	359,300	383,116	423,812	533,817	653,799	835,968	1,083,370	1,364,362	1,669,126
Total equity	218,212	560,442	642,048	664,859	1,301,225	1,437,127	1,557,109	1,739,278	1,986,680	2,267,672	2,572,436
Total liabilities and equity	754,773	1,298,357	1,473,649	1,929,498	2,503,171	5,306,479	6,449,911	7,860,086	9,992,149	12,020,039	14,230,498
Balance Check?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Cash Flow

IDR mns	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Cash flows from operating activities											
Direct Method											
Receipts from projects	692,427	819,516	1,151,700	1,289,836	1,512,504	1,170,967					
Payments of projects	(585,796)	(854,620)	(1,161,592)	(1,270,271)	(1,639,817)	(2,043,634)					
Payments of salaries, allowances etc.	(20,339)	(27,455)	(34,674)	(46,700)	(46,160)	(263,284)					
Payments of taxes	(21,855)	(22,096)	(474)	-	-	-					
Payments for operating exp.	(13,804)	(20,804)			-	-					
Payments for interest exp.	(4,388)	(12,383)			-	-					
Other receipts payments	(1,839)	(6,760)			-	-					
Finance income	-	-	1,753	2,167	15,218	7,686					
Indirect Method											
Profit before tax							277,405	421,186	572,007	649,669	704,630
Depreciation and amortization							121,500	168,807	228,311	299,127	382,259
Taxes paid							(98,768)	(149,961)	(203,660)	(231,311)	(250,879)
Finance costs							247,657	289,537	303,714	360,155	449,907
Finance income							(7,132)	(9,793)	(10,061)	(6,994)	(8,437)
Changes in non-project working capital											
Trade and other receivables							(494,303)	(363,151)	(353,576)	(327,955)	(356,993)
Inventory							(14,235)	(6,886)	(6,704)	(6,219)	(6,769)
Other current assets							68,288	(293,506)	(286,084)	(263,533)	(286,001)
Trade and other payables							293,430	469,037	456,670	423,579	461,084
Other current liabilities							(31,440)	758,968	1,170,232	554,874	581,202
Changes in project working capital											
Gross contractual amt. due							(311,943)	320,475	(618,523)	(637,614)	(694,070)
Project under cons.							(239,048)	(559,047)	(690,682)	(348,593)	(379,458)
Net cash flows from operating activities	**44,406**	**(124,602)**	**(43,287)**	**(24,968)**	**(158,255)**	**(1,128,265)**	**(188,589)**	**1,045,667**	**561,644**	**465,186**	**596,473**
Cash flows from investing activities											
Finance income	2,300	2,250	-	-	-	-	7,132	9,793	10,061	6,994	8,437
Proceeds from sale of fixed assets	479	260	108	5,369	3,952	3,125	-	-	-	-	-
Proceeds from sale of investments/fin. Assets	-	132	-	-	-	-	-	-	-	-	-
Capital expenditures	(70,674)	(133,043)	(78,634)	(118,831)	(121,722)	(175,407)	(347,801)	(473,071)	(595,037)	(708,166)	(831,311)
Placement/withdrawal of time deposits	-	(4,735)	-	14,728	-	-	-	-	-	-	-
Addition of AFS financial assets	(1,480)	-	-	-	-	(20,000)	-	-	-	-	-
Addition to associates/JV	-	-	(2,405)	(3,255)	(11,327)	(13,750)	-	-	-	-	-
Addition to LT advances	-	-	-	(8,051)	(8,062)	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	(24,767)	-	-	-	-	-
Net cash flows from investing activities	**(69,375)**	**(135,136)**	**(80,931)**	**(110,040)**	**(137,159)**	**(230,799)**	**(340,669)**	**(463,278)**	**(584,977)**	**(701,172)**	**(822,875)**
Cash flows from financing activities											
Proceeds from bank loans			453,197	175,548	955,000	1,611,507					
Repayments of bank loans			(281,304)	(400,005)	(700,000)	(774,328)					
Proceeds from other borrowings			-	101,446	-	61,936					
Repayments of other borrowings			-	(11,637)	(34,060)	(39,462)					
Proceeds from shareholder loans			-	382,000	110,000	1,072,000					
Repayments of shareholder loans			-	(32,000)	(460,000)	(372,000)					
Total debt proceeds	73,747	127,182	453,197	658,994	1,065,000	2,745,443					
Total debt repayments	(5,295)	(126,938)	(281,304)	(443,642)	(1,194,060)	(1,185,790)					
Total net debt proceeds	68,452	244	171,893	215,352	(129,060)	1,559,653	212,648	0	474,953	746,453	819,027
Repayments of finance lease liabilities	-	-	-	-	(693)	(1,557)					
Proceeds from share issuance	-	241,796	-	-	600,000	-					
Payments for share issuance	-	-	-	-	(3,544)	-					
Cash dividends paid	-	-	(19,750)	(21,000)	(24,450)	(40,600)	(58,655)	(89,056)	(120,946)	(137,366)	(148,987)
Finance costs	-	-	(26,357)	(45,013)	(68,283)	(82,062)	(247,657)	(289,537)	(303,714)	(360,155)	(449,907)
Net cash flows from financing activities	**68,452**	**242,040**	**125,786**	**149,339**	**373,970**	**1,435,434**	**(93,663)**	**(378,593)**	**50,294**	**248,932**	**220,133**
Net increase/decrease in cash	**43,483**	**(17,698)**	**1,568**	**14,331**	**78,556**	**76,370**	**(622,922)**	**203,796**	**26,961**	**12,946**	**(6,269)**
Beginning cash	**20,345**	**64,965**	**45,052**	**46,840**	**60,671**	**139,215**	**215,119**	**146,070**	**349,866**	**159,634**	**194,571**
Effect of exchange rate changes	1,135	1,450	220	(500)	(12)	(466)	-	-	-	-	-
Ending cash	**64,963**	**48,717**	**46,840**	**60,671**	**139,215**	**215,119**	**146,070**	**349,866**	**159,634**	**194,571**	**232,685**

Appendix 2: Financial Ratios and Trends (Historical and Forecasted)

Ratios	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Income Statement											
Revenue growth		**51.4%**	**33.2%**	**0.4%**	**32.2%**	**68.7%**	**69.2%**	**36.0%**	**25.8%**	**19.0%**	**17.4%**
Gross margin	**20.7%**	**24.9%**	**22.4%**	**20.1%**	**18.7%**	**18.1%**	**18.0%**	**18.0%**	**18.0%**	**18.0%**	**18.0%**
SG&A/Sales	5.5%	5.8%	5.1%	6.4%	5.6%	4.7%	5.5%	5.5%	5.5%	5.5%	5.5%
EBITDA margin	15.3%	19.1%	17.3%	13.6%	13.1%	13.3%	12.5%	12.5%	12.5%	12.5%	12.5%
D&A rate		26.4%	24.8%	18.1%	17.9%	20.2%	20.3%	19.5%	19.0%	18.8%	18.9%
EBIT margin	11.5%	14.4%	13.1%	9.9%	9.8%	10.5%	10.1%	10.1%	9.9%	9.6%	9.4%
Interest rate on debt		17.8%	19.3%	15.7%	18.2%	7.6%	11.0%	11.0%	11.0%	11.0%	11.0%
Interest rate on cash		4.0%	3.6%	3.9%	15.2%	4.3%	3.9%	3.9%	3.9%	3.9%	3.9%
PBT margin	10.8%	12.8%	10.7%	6.2%	7.0%	8.2%	5.4%	6.0%	6.5%	6.2%	5.8%
Tax rate	27.8%	23.7%	28.1%	49.7%	46.1%	38.2%	35.6%	35.6%	35.6%	35.6%	35.6%
NI margin	7.8%	9.8%	7.7%	3.1%	3.8%	5.1%	3.5%	3.9%	4.2%	4.0%	3.7%
Dividend payout rate	0.0%	0.0%	19.0%	49.7%	36.2%	26.4%	32.8%	32.8%	32.8%	32.8%	32.8%
EPS growth		52.1%	5.5%	-60.0%	32.1%	99.0%	15.8%	51.8%	35.8%	13.6%	8.5%
Balance Sheet											
Cash ratio	.12x	.07x	.06x	.05x	.12x	.06x	.03x	.06x	.02x	.02x	.02x
Receivables days	**73.7**	**77.0**	**60.0**	**89.3**	**69.1**	**62.0**	**71.8**	**71.8**	**71.8**	**71.8**	**71.8**
Gross contractual amt. days	**106.5**	**142.7**	**125.7**	**183.7**	**210.3**	**330.8**	**217.7**	**143.3**	**139.7**	**139.7**	**139.7**
Projects under cons. days	**93.3**	**113.9**	**103.6**	**105.1**	**92.2**	**50.7**	**50.7**	**73.0**	**93.1**	**93.1**	**93.1**
Advances days	**48.3**	**75.4**	**55.9**	**64.4**	**44.5**	**110.7**	**66.5**	**66.5**	**66.5**	**66.5**	**66.5**
Prepaid expenses days	**60.6**	**42.1**	**21.7**	**33.3**	**46.9**	**85.0**	**48.3**	**48.3**	**48.3**	**48.3**	**48.3**
Prepaid taxes days	**0.0**	**0.0**	**33.8**	**1.4**	**46.2**	**361.7**	**30.0**	**30.0**	**30.0**	**30.0**	**30.0**
Inventory days	**0.00**	**0.00**	**4.07**	**1.17**	**0.69**	**0.72**	**1.66**	**1.66**	**1.66**	**1.66**	**1.66**
Payables days	**103.0**	**109.5**	**105.5**	**125.7**	**86.8**	**148.4**	**113.2**	**113.2**	**113.2**	**113.2**	**113.2**
Taxes payable days	**62.88**	**153.67**	**244.62**	**195.33**	**193.22**	**360.66**	**201.73**	**201.73**	**201.73**	**201.73**	**201.73**
Unearned revenues/Sales	40.9%	35.2%	15.2%	29.8%	25.3%	15.5%	15.5%	21.5%	29.8%	30.0%	30.0%
Accruals/sales	0.9%	3.0%	0.7%	0.7%	1.9%	12.9%	2.4%	3.7%	3.8%	3.8%	3.8%
EBITDA Int. Cov	14.81x	10.78x	7.35x	3.53x	3.45x	4.90x	2.58x	3.00x	3.60x	3.61x	3.40x
Current ratio	1.15x	1.48x	1.56x	1.33x	1.80x	1.27x	1.16x	1.11x	1.07x	1.04x	1.02x
Net fixed asset turnover	4.98x	4.59x	5.58x	4.38x	4.84x	6.22x	7.18x	6.85x	6.33x	5.82x	5.46x
CL (excl. debt) turnover	1.22x	1.21x	1.76x	1.33x	1.67x	1.26x	1.88x	1.65x	1.41x	1.41x	1.41x
Income tax payable turnover	5.81x	2.38x	1.49x	1.87x	1.89x	1.01x	1.81x	1.81x	1.81x	1.81x	1.81x
D/E ratio	.45x	.18x	.35x	.66x	.24x	1.30x	1.69x	1.51x	1.45x	1.61x	1.76x
Debt/Asset ratio	.13x	.08x	.15x	.23x	.12x	.35x	.41x	.33x	.29x	.30x	.32x
Debt ratio (debt + CL / Total assets)	70.6%	56.4%	55.7%	65.1%	47.4%	72.5%	75.5%	77.6%	79.9%	80.9%	81.8%
RoA	6.9%	7.6%	7.1%	2.2%	2.7%	2.9%	2.8%	3.5%	3.7%	3.5%	3.2%
RoE	23.9%	17.7%	16.2%	6.4%	5.2%	10.7%	11.5%	15.6%	18.5%	18.4%	17.6%

Appendix 3: Assumptions and Drivers

Variable	Assumptions		
P&L Assumptions			
	2018E - 2022E		
Order book/revenue ratio	2.70x		
	2018E		
New Contract Bookings	5,000		
	2019E	2020E	2021E - 2022E
Indo' GDP growth rate	5.3%	5.4%	5.0%
	2018E		
Carry-over retention rate	65.3%		
	2018E - 2022E		
Gross margin	18.0%		
SG&A/Sales	5.5%		
Avg. interest rate on debt	11.0%		
Avg. interest rate on cash	3.9%		
Tax rate	35.6%		
Dividend payout ratio	32.8%		

Variable	Assumptions	
BS Assumptions		
	2018E - 2022E	
Receivables days	71.8	
		2020E - 2022E
Gross contractual amt. days		139.7
Gross contractual amt. days CAGR	34.2%	
Inventory days	1.7	
Project under cons. days	93.1	
Project under cons. days CAGR	43.9%	
Advances days	66.5	
Prepaid expenses days	48.3	
Prepaid taxes days	30.0	
Payables days	113.2	
	2018E - 2020E	2021E - 2022E
Unearned revenues/sales	15.5%	30%
Unearned revenues/sales CAGR	38.6%	
	2018E - 2022E	
Accruals/sales	1.4%	
Taxes payable days	201.7	
Average CAPEX % of Sales	6.79%	

Appendix 4: Order Book and Revenue Forecasts

IDR bns	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	*2018E*	*2019E*	*2020E*	*2021E*	*2022E*
New Contracts				763	1,255	1,621	607	3,105	3,773	8,441	5,000	9,052	10,510	11,934	13,429
Carry-over				262	612	1,252	1,854	1,210	3,136	5,115	8,851	9,788	13,188	16,269	19,678
Carry-over % of order book				54.0%	59.7%	67.1%	64.5%	49.2%	72.7%	74.0%	65.3%	70.7%	70.0%	68.7%	69.8%
New contracts % of order book				46.0%	40.3%	32.9%	35.5%	50.8%	27.3%	26.0%	34.7%	29.3%	30.0%	31.3%	30.2%
Total Order Book	**702**	**535**	**485**	**1,025**	**1,867**	**2,873**	**2,461**	**4,315**	**6,909**	**13,556**	13,851	18,840	23,697	28,202	33,107
Order book growth				111%	82%	54%	-14%	75%	60%	96%	2%	36%	26%	19%	17%
Revenue	334,196	267,489	303,107	429,063	669,906	1,014,502	1,350,908	1,356,868	1,794,002	3,026,989	5,122,580	6,967,610	8,763,990	10,430,202	12,243,945
Revenue growth YoY		-20.0%	13.3%	41.6%	56.1%	51.4%	33.2%	0.4%	32.2%	68.7%	69.2%	36.0%	25.8%	19.0%	17.4%
Order book : revenue	2.1x	2.0x	1.6x	2.4x	2.8x	2.8x	1.8x	3.2x	3.9x	4.5x	2.7x	2.7x	2.7x	2.7x	2.7x
Carry-over : revenue	0.4x	1.3x	0.9x	0.6x	0.9x	1.2x	1.4x	0.9x	1.7x	1.7x	1.7x	1.4x	1.5x	1.6x	1.6x
Indo' GDP (2011 int'l $$$, bns)				2,172	2,302	2,430	2,552	2,677	2,811	2,954	3,107	3,271	3,447	3,620	3,801
New Orders				763	1,255	1,621	607	3,105	3,773	8,441	5,000	9,052	10,510	11,934	13,429
Base															
New order book											5,000	9,052	10,510	11,934	13,429
Implied new order book growth											-40.8%	81.0%	16.1%	13.6%	12.5%
Bull															
New order book											10,000	11,500	13,225	15,209	17,490
Implied new order book growth												15%	15%	15%	15%
Carry-over											8,851	12,308	15,545	18,785	22,195
Total order book											18,851	23,808	28,770	33,993	39,685
Order book to revenue											3.2x	3.0x	3.0x	3.0x	3.0x
Revenue											**5,890,955**	**7,936,110**	**9,590,020**	**11,331,150**	**13,228,415**
Bear															
New order book											3,000	3,300	3,630	3,993	4,392
Implied new order book growth												10%	10%	10%	10%
Carry-over											8,851	7,738	7,207	7,076	7,227
Total order book											11,851	11,038	10,837	11,069	11,619
Order book to revenue											2.5x	2.5x	2.5x	2.5x	2.5x
Revenue											**4,740,422**	**4,415,141**	**4,334,757**	**4,427,473**	**4,647,729**

Appendix 5: Regression Analysis – ACST New Orders vs. Indonesia GDP

ACST New Contracts Booked (y-axis) vs. Indonesia GDP (x-axis)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.8914
R Square	**0.7946**
Adjusted R Squar	0.7433
Standard Error	1433.2085
Observations	6

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	31794563.433	31794563.433	15.479	0.017
Residual	4	8216345.900	2054086.475		
Total	5	40010909.333			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-17972.53	5403.05	-3.33	0.029	-32973.81	-2971.25	-32973.81	-2971.25
X Variable 1	8.26	2.10	3.93	0.017	2.43	14.09	2.43	14.09

Appendix 6: Depreciation Schedule

Group		2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Revenue		669,906	1,014,502	1,350,908	1,356,868	1,794,002	3,026,989	5,122,580	6,967,610	8,763,990	10,430,202	12,243,945
Capex		70,674	133,043	78,634	118,831	121,722	175,407	347,801	473,071	595,037	708,166	831,311
CAPEX % of Sales		10.55%	13.11%	5.82%	8.76%	6.78%	5.79%	6.79%	6.79%	6.79%	6.79%	6.79%
Gross Existing PPE							**858,368**					
Net Beginning Existing PPE								486,798	400,078	313,358	226,638	139,918
Depreciation							(86,720)	(86,720)	(86,720)	(86,720)	(86,720)	(86,720)
Net Ending Existing PPE							**486,798**	400,078	313,358	226,638	139,918	53,198
Total Depreciation	**Straight-Line**	*10*	**years**				86,720	121,500	168,807	228,311	299,127	382,259
2018E								34,780	34,780	34,780	34,780	34,780
2019E									47,307	47,307	47,307	47,307
2020E										59,504	59,504	59,504
2021E											70,817	70,817
2022E												83,131
CAPEX								**347,801**	**473,071**	**595,037**	**708,166**	**831,311**
Total Depreciation								**(121,500)**	**(168,807)**	**(228,311)**	**(299,127)**	**(382,259)**
Net Fixed PPE								**713,099**	**1,017,363**	**1,384,089**	**1,793,127**	**2,242,180**

Appendix 7: Debt Schedule

IDR mns	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E	
Avg. interest rate		17.8%	19.3%	15.7%	18.2%	7.6%						
Cash ratio	0.12x	0.07x	0.06x	0.05x	0.12x	0.06x	0.03x	0.03x	0.02x	0.02x	0.02x	<--assumed minimum cash ratio
Minimum cash balance							**146,070**	**182,910**	**159,634**	**194,571**	**232,685**	
Total debt proceeds	73,747	127,182	453,197	658,994	1,065,000	2,745,443						
Total debt repayments	(5,295)	(126,938)	(281,304)	(443,642)	(1,194,060)	(1,185,790)						
Net proceeds	68,452	244	171,893	215,352	(129,060)	1,559,653	553,873	(0)	(217,194)	21,992	44,382	
Beginning total debt		98,862	102,304	227,175	440,101	311,041	1,870,694	2,632,154	2,632,154	2,889,913	3,658,358	
Ending total debt	98,862	102,304	227,175	440,101	311,041	1,870,694	2,632,154	2,632,154	2,889,913	3,658,358	4,521,768	
Debt/equity ratio	0.45x	0.18x	0.35x	0.66x	0.24x	1.30x	1.69x	1.51x	1.45x	1.61x	1.76x	
Debt/new contracts	7.88%	6.31%	37.43%	14.17%	8.24%	22.16%	52.64%	29.08%	27.50%	30.66%	33.67%	
Debt/total order book	5.30%	3.56%	9.23%	10.20%	4.50%	13.80%	19.00%	13.97%	12.20%	12.97%	13.66%	

Appendix 8: Valuation Methodology

Comps Valuation	2018E	2019E	2020E	2021E	2022E
Basic EPS (IDR)	255	387	526	598	648
Book value of Equity	1,557,109	1,739,278	1,986,680	2,267,672	2,572,436
EBITDA	639,430	869,737	1,093,971	1,301,958	1,528,359

Base <-- Revenue Case Selector

Comparables Ratios

SOES	1Y Fwd P/E	2Y Fwd P/E	1Y Fwd P/B	2Y Fwd P/B	1Y Fwd EV/EBITDA	2Y Fwd EV/EBITDA
WSKT	4.5x	4.6x	1.2x	.9x	7.1x	6.5x
WIKA	7.6x	6.1x	.8x	.7x	4.1x	3.3x
PTPP	5.5x	4.5x	.7x	.7x	4.1x	3.1x
ADHI	5.6x	4.1x	.7x	.6x	4.4x	3.7x
Average	**5.8x**	**4.8x**	**.8x**	**.7x**	**4.9x**	**4.2x**
Private						
WTON	3.5x	2.9x	.3x	.3x	4.9x	4.3x
TOTL	7.9x	7.5x	1.8x	1.6x	3.7x	3.8x
Average	**5.7x**	**5.2x**	**1.0x**	**.9x**	**4.3x**	**4.0x**
Industry Average	**5.8x**	**4.9x**	**.9x**	**.8x**	**4.7x**	**4.1x**
Bull (+20%)	**6.9x**	**5.9x**	**1.1x**	**.9x**	**5.7x**	**4.9x**
Bear (-20%)	**4.6x**	**4.0x**	**.7x**	**.6x**	**3.8x**	**3.3x**

	FY19 P/E	FY19 P/B	FY19 EV/EBITDA
Implied share price (IDR)	**1,917**	**1,948**	**1,849**
Current share price	1,470	1,470	1,470
Implied Upside/(Downsid	**30.4%**	**32.5%**	**25.8%**
Bull	**2,588**	**2,405**	**3,068**
Bear	**611**	**1,449**	**914**

1Y Average

SOES	1Y Avg. P/E	3Y Avg. P/E	1Y Avg. P/B	3Y Avg. P/B	1Y Avg. EV/EBITDA	3Y Avg. EV/EBITDA
WSKT	6.8x	22.4x	2.0x	3.1x	10.0x	17.7x
WIKA	11.9x	26.8x	1.2x	3.9x	6.2x	12.8x
PTPP	10.5x	24.8x	1.3x	4.6x	7.1x	12.0x
ADHI	13.1x	11.4x	1.2x	2.0x	6.8x	13.5x
Average	**10.6x**	**21.3x**	**1.4x**	**3.4x**	**7.5x**	**14.0x**
Private						
WTON	12.5x	40.9x	1.6x	3.6x	5.4x	19.7x
TOTL	9.1x	12.0x	2.3x	2.8x	5.5x	15.7x
NRCA	7.4x	9.2x	.8x	1.3x	1.0x	5.7x
SSIA	2.2x	13.6x	.6x	1.0x	3.6x	5.6x
Average	**7.8x**	**18.9x**	**1.3x**	**2.2x**	**3.9x**	**11.7x**
Industry Average	**9.2x**	**20.1x**	**1.4x**	**2.8x**	**5.7x**	**12.8x**