



**BUY**

Target Price : IDR 3,500

## Stock Data

Curent Price : IDR 2,740  
 52wk Range H-L : IDR 4,570 –  
 IDR 2,230  
 Share Outstanding : 2.50 Billion  
 Free Float (%) : 18.73  
 Mkt Capitalization : 6,905.80  
 (IDR bn)

## Major Shareholders

PT Pusaka Citra : 37.17%  
 Djokosoetono  
  
 Public : 18.73%  
 Others : 44.10%



### Research Analyst

Rr. Nurulita Harwaningrum  
 Roro.harwaningrum@mncgroup.com  
 (021) 2980 3111 ext. 52237

## PT Blue Bird Tbk (BIRD)

### Transportation

## Let's Break The Disruptive Challenge!

### Performance Recovery in 1H18

BIRD posted a -5.3% YoY decline in revenue, to Rp1.97 trillion in 1H18. Lower revenue was caused by taxi segment which decreased by 5.5% YoY amounting to Rp1.6 trillion, where the taxi segment contributes 81% to total revenue. Meanwhile, the vehicle rental segment also settled by 4.3% YoY. Net income also decreased slightly, by 1.3% to Rp.191.7 billion in 1H18. Considering the downward trend in net profit which is decreased by -48.4% YoY in 1H16, but better performance in 1H17 with weaken net income by -15.6% YoY, we consider the downward trends experienced by BIRD since 2016 will see recovery as happened in 1H18.

### Positive Catalysts from the 2018 Asian Games

In order to overcome traffic congestion in Jakarta and welcome the 2018 Asian Games, an odd-even rule was applied, which several sections of principal Jakarta arteries are limited to private vehicles with number plates that fit (either an odd or even number, depending on the date). Therefore, Bluebird enjoyed an increase in August 2018 (1-month odd-even trial), at Rp597 thousand per fleet/day (vs. Rp589 thousand per fleet/day in July 2018).

### How to Tackle the Disruptive Challenge

The emergence of online taxis in 2016 led to a decrease in BIRD performance. However, with the retreat of Uber's online transportation platform from Southeast Asia in May 2018, and the weakening of the performance of competing companies for conventional taxis, the number of four-wheeled public vehicle market players are thinning out. In addition, once a minimum online taxi fare was set, the difference in online taxi rates (Go-Car and Grab) and BIRD taxi fares became inconsequential.

### Recommendation: Buy with Target Price IDR3,500

We recommend a **BUY** for BIRD at a target price of Rp3,500, which represents an implied PER at a 18.88x / 18.05x level for FY18E/FY19F. BIRD is traded at a level below the average trade price for the last 3 years, with a PER of 13.77x (October 24, 2018) which is in the STD -0.5 quadrant in the PER band. We consider that BIRD's performance will improve, along with the increasingly thin tariff difference with online taxis.

Key Financial Highlight					
In million USD	FY15	FY16	FY17	FY18E	FY19F
Revenue	5,472	4,796	4,204	4,418	4,611
EBITDA	1,868	1,530	1,217	1,172	1,169
Net Income	824	507	425	464	485
ROA (%)	11.52	6.95	6.52	6.91	6.97
ROE (%)	19.36	11.05	8.75	9.01	8.91
PER (x)	8.32	13.52	16.14	14.78	14.13
PBV (x)	1.61	1.49	1.41	1.33	1.26

Source: Bloomberg, MNCS as of October 24, 2018

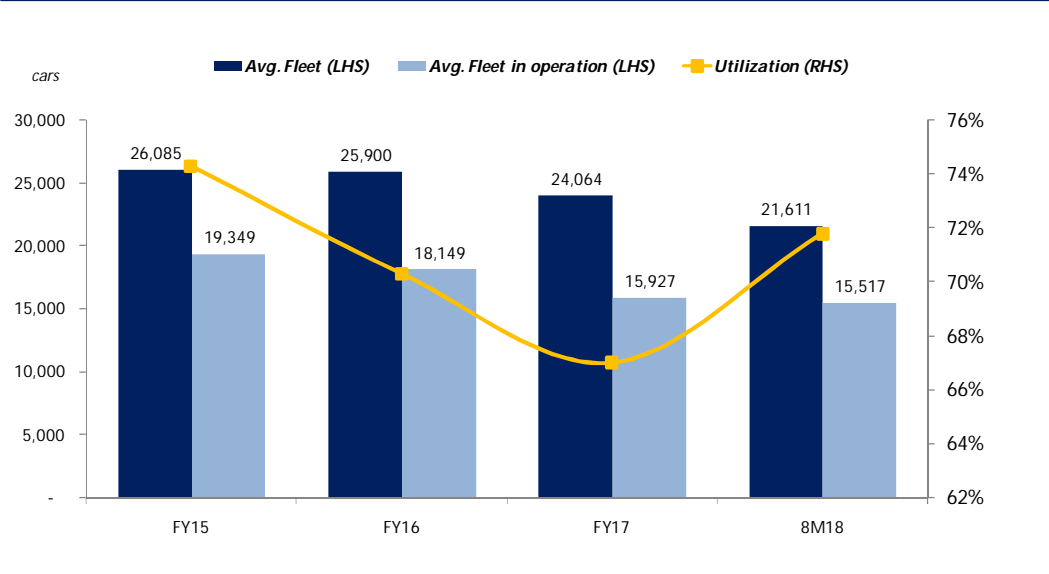
**Performance Recovery in 1H18**

BIRD posted a -5.3% YoY decline in revenue, to Rp1.97 trillion in 1H18. Lower revenue was caused by taxi segment which decreased by 5.5% YoY amounting to Rp1.6 trillion, where the taxi segment contributes 81% to total revenue. Meanwhile, the vehicle rental segment also settled by 4.3% YoY. One of the causes for the decline in income is the utilization level, which is only at a level of 65%. Net income also decreased slightly, by 1.3% to Rp.191.7 billion in 1H18. Considering the downward trend in net profit which is decreased by -48.4% YoY in 1H16, but better performance in 1H17 with weakened net income by -15.6% YoY, we consider the downward trends experienced by BIRD since 2016 will see recovery as happened in 1H18.

**Positive Catalysts from the 2018 Asian Games**

In order to overcome traffic congestion in Jakarta and welcome the 2018 Asian Games, an odd-even rule was applied, in which several sections of principal Jakarta arteries are limited to private vehicles with number plates that fit (either an odd or even number, depending on the date). The regulation was formally enacted on August 1, 2018, with trials starting July 1, 2018. As an alternative, many of the public turned to public transportation for activities that took place in odd-even regions, over 15 hours per day. This can be seen from the increase in average income per fleet / day (average revenue per car/day) Bluebird enjoyed an increase in August 2018 (1-month odd-even trial), at Rp597 thousand per fleet/day (vs. Rp589 thousand per fleet/day in July 2018). We consider that if even-odd rule is applied permanently, it will encourage BIRD performance. In addition, BIRD has signed Rp. 70 billion contract related to transportation for three international events taking place in 2H18, namely, the 2018 Asian Games, 2018 Asian Para Games, and the 2018 IMF and World Bank Group Annual Meeting; it is thus expected to enjoy increased revenue projections reaching IDR 4.46 trillion / IDR 4.62 trillion in FY18E / FY19F.

Exhibit 01. Operational Fleet Development

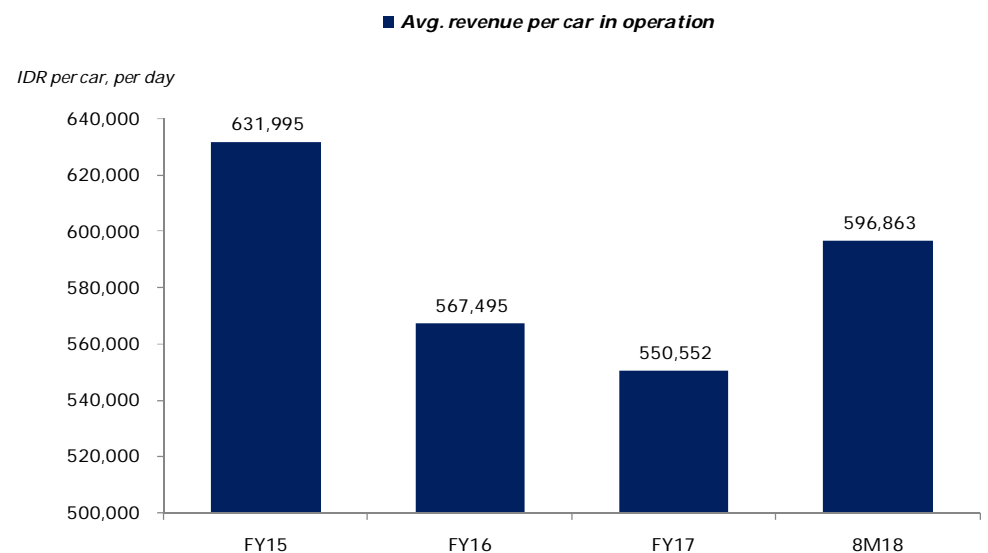


Source : BIRD, MNCS

### How to Tackle the Disruptive Challenge

The emergence of online taxis in 2016 led to a decrease in BIRD performance, which was evident from a loss in average revenue per car/day, reaching 10% YoY in FY16 to Rp567 thousand (vs. Rp631 thousand in FY15). However, with the retreat of Uber's online transportation platform from Southeast Asia in May 2018, and the weakening of the performance of competing companies for conventional taxis, the number of four-wheeled public vehicle market players are thinning out. In addition, once a minimum online taxi fare was set, the difference in online taxi rates (Go-Car and Grab) and BIRD taxi fares became inconsequential. Based on BIRD management research, online taxi fares could reach Rp. 3,500-Rp. 4,500 /km, while the BIRD taxi fare is just Rp. 4,100. The concept of "high demand" for online taxis that resulted in high tariffs and considerable time lag from ordering to entering an online taxi becomes an opportunity for BIRD taxis to secure time-conscious passengers. This can be seen from the 8M18 average revenue per car/day, which increased to Rp. 597 thousand, compared to FY17 which marked just Rp. 550 thousand.

Exhibit 02. Average Revenue per Car in Operation

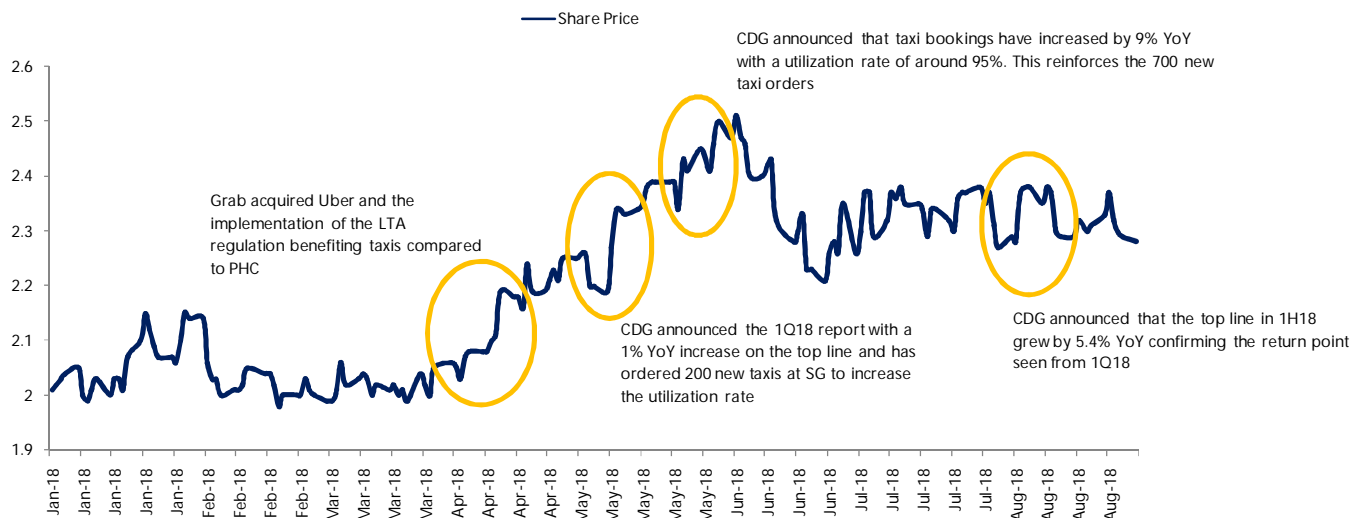


Source : BIRD, MNCS

### Case Study: ComfortDelGro

Collaboration with Go-Jek in the form of Go-Bird and the development of the My Blue Bird application system was put in place to maximize fleet utilization, by 65% in 1H18. The current condition of BIRD is comparable to a Singapore taxi company called ComfortDelGro, which has upgraded performance through maximizing fleet utilization after Uber's withdrawal from Southeast Asia and the narrowing of online and conventional taxi fares. Therefore, we consider that the thinner difference in BIRD taxi fares and online taxis will be an opportunity for BIRD to seize the passenger market share again, considering the number of fleets reach 28,608 thousand, and the flexibility of booking BIRD taxis that can be carried out directly or on-line (My Blue Bird and Go-Bird). Another factor is the increase in interest rates on Motor Vehicle Loans (KKB) and a rise in the number of online taxi partners: this will tend to reduce the potential revenue of partners, and will thus hamper the growth of online taxi partner numbers.

Exhibit 03. Study Case: ComfortDelGro

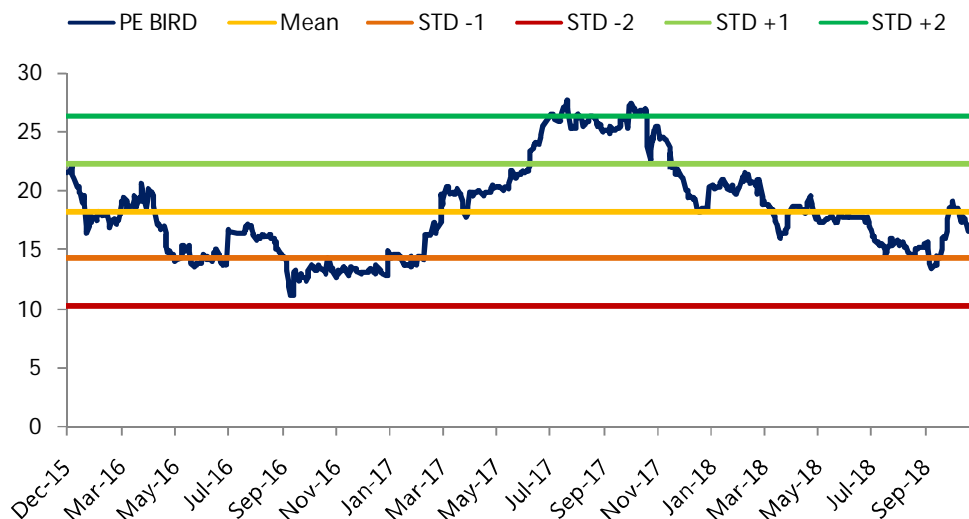


Source : Bloomberg

**Recommendation: Buy with Target Price IDR3,500**

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Exhibit 04. BIRD P/E Band Period 3 Years



Source : Bloomberg

Exhibit 05. Financial Projections

Income Statement						Balance Sheet					
IDRBillion	FY15	FY16	FY17	FY18E	FY19F	IDRBillion	FY15	FY16	FY17	FY18E	FY19F
<b>Revenues</b>	5,472	4,796	4,204	4,418	4,611	<b>Current Assets</b>	566	882	771	1,016	1,253
<b>COGS</b>	3,801	3,426	3,066	3,228	3,477	Cash and cash equivalents	271	592	474	647	868
<b>Gross Profit</b>	1,672	1,370	1,138	1,190	1,133	Trade Receivables	211	185	178	245	256
<b>Operating Expense</b>	498	563	570	619	553	Inventories	12	12	12	12	12
Selling Expenses	1,630	1,463	1,344	1,441	1,592	Other Current Assets	71	93	107	112	117
Other Expenses	2,171	1,963	1,722	1,787	1,886	<b>Non-Current Assets</b>	6,587	6,418	5,745	5,694	5,714
<b>Operating Profit</b>	1,173	807	568	571	580	Fixed Assets-net	6,196	6,185	5,606	5,478	5,476
<b>EBITDA</b>	1,868	1,530	1,217	1,172	1,169	Other Non-Current Assets	390	233	140	216	238
Interest Expense	220	213	133	70	57	<b>TOTAL ASSETS</b>	7,153	7,301	6,516	6,710	6,967
Interest Income	27	10	22	18	24	<b>Current Liabilities</b>	965	814	436	435	396
Other	125	88	105	95	95	Account Payables	104	61	59	142	138
<b>Profit Before Tax</b>	1,105	692	562	614	642	Short-term Debt	688	658	269	221	184
Tax Expense	276	182	135	147	154	Other Current Liabilities	172	95	108	72	73
Minority Interest	5	3	3	3	3	<b>Non-Current Liabilities</b>	1,860	1,824	1,150	1,050	1,046
<b>Net Income</b>	824	507	425	464	485	Long-term Liabilities - Net	1,281	1,186	495	353	323
EPS (full amount)	329	203	170	185	194	Other Non-Current Liabilities	579	638	655	697	723
						<b>Total EQUITY</b>	4,328	4,663	4,931	5,225	5,525
						<b>TOTAL LIABILITIES &amp; EQUITY</b>	7,153	7,301	6,516	6,710	6,967

Cash Flow						Ratio					
IDRBillion	FY15	FY16	FY17	FY18E	FY19F	IDRBillion	FY15	FY16	FY17	FY18E	FY19F
<b>CFO Total</b>	1,476	1,155	1,034	1,082	1,083	Revenue Growth (%)	14.99	(12.36)	(12.35)	5.10	4.36
Net Income	824	507	425	464	485	Operating Profit Growth (%)	11.48	(31.20)	(29.69)	0.63	1.55
Depreciation	694	722	649	601	589	Net Profit Growth (%)	12.18	(38.45)	(16.24)	9.20	4.60
Change in Working Capital	(218)	(88)	9	(25)	(18)	Current Ratio (x)	0.59	1.08	1.77	2.34	3.16
Change in others	62	36	12	42	26	Quick Ratio (x)	0.50	0.95	1.50	2.05	2.84
<b>CFI Total</b>	(1,377)	(537)	82	(550)	(608)	Receiveable Days	13.00	15.09	15.78	15.78	15.78
Change in ST Investment	-	-	-	-	-	Inventory Days	1.19	1.32	1.43	1.43	1.43
Change in LT Investment	-	-	-	-	-	Debt to Equity (x)	0.66	0.57	0.33	0.29	0.26
Capex	(1,310)	(529)	19	(550)	(608)	Debt to EBITDA (x)	1.51	1.72	1.30	1.27	1.23
Change in Others	(66)	(8)	63	-	-	Gross Profit Margin (%)	30.55	28.56	27.07	26.93	24.58
<b>CFF Total</b>	(778)	(297)	(1,233)	(359)	(253)	Operating Profit Margin(%)	21.44	16.83	13.50	12.93	12.58
Net Change in Debt	(81)	(126)	(1,080)	(189)	(67)	EBITDA Margin (%)	34.13	31.89	28.94	26.54	25.35
Equity financing	4	2	2	-	-	Net Profit Margin (%)	15.06	10.58	10.11	10.50	10.53
Dividend payment	(634)	(170)	(153)	(170)	(186)	ROA (%)	11.52	6.95	6.52	6.91	6.97
Others	(68)	(3)	(3)	-	-	ROE (%)	19.36	11.05	8.75	9.01	8.91
Net Cash Increase	(680)	320	(118)	172	221						
<b>Closing Balance</b>	271	592	474	647	868						

Source: Company, MNCS

## MNC SEKURITAS RESEARCH TEAM

### Thendra Crisnanda

Head of Institutional Research, Strategy  
thendra.crisnanda@mncgroup.com  
(021) 2980 3111 ext. 52162

### Victoria Venny

Telco, Toll Road, Logistics, Consumer, Poultry  
victoria.nawang@mncgroup.com  
(021) 2980 3111 ext. 52236

### Rr. Nurulita Harwaningrum

Banking, Auto, Plantation  
roro.harwaningrum@mncgroup.com  
(021) 2980 3111 ext. 52237

### Muhamad Rudy Setiawan

Research Associate, Property, Construction  
muhamad.setiawan@mncgroup.com  
(021) 2980 3111 ext. 52317

### Edwin J. Sebayang

Head of Retail Research, Technical, Auto, Mining  
edwin.sebayang@mncgroup.com  
(021) 2980 3111 ext. 52233

### Tomy Zulfikar

Research Analyst  
tomy.zulfikar@mncgroup.com  
(021) 2980 3111 ext. 52316

### Khazar Srikandi

Research Associate  
khazar.srikandi@mncgroup.com  
(021) 2980 3111 ext. 52313

### I Made Adi Saputra

Head of Fixed Income Research  
imade.saputra@mncgroup.com  
(021) 2980 3111 ext. 52117

### Krestanti Nugrahane Widhi

Research Associate, Plantation, Consumer  
krestanti.widhi@mncgroup.com  
(021) 2980 3111 ext. 52166

### Sukisnawati Puspitasari

Research Associate, Cement, Mining  
sukisnawati.sari@mncgroup.com  
(021) 2980 3111 ext. 52307

### Ikhsan Hadi Santoso

Research  
ikhsan.santoso@mncgroup.com  
(021) 2980 3111 ext. 52235

## MNC SEKURITAS EQUITY SALES TEAM

### T. Hedy Arifien

Head of High Networth  
hedy.arifien@mncgroup.com  
(021) 2980 3111 ext. 52310

### Harun Nurrosyid

Senior Equity Institutional Sales  
harun.nurrosyid@mncgroup.com  
(021) 2980 3111 ext. 52187

### Agus Eko Santoso

Senior Equity Institutional Sales  
agus.santoso@mncgroup.com  
(021) 2980 3111 ext. 52185

### Okhy Ibrahim

Senior Equity Institutional Sales  
okhy.ibrahim@mncgroup.com  
(021) 2980 3111 ext. 52180

### Gilang Ramadhan

Senior Equity Institutional Sales  
gilang.ramadhan@mncgroup.com  
(021) 2980 3111 ext. 52178

### Muhamad Fauzan Saputra

Junior Equity Sales  
Muh.saputra@mncgroup.com  
(021) 2980 3111 ext. 52150

### Nesya Kharismawati

Senior Equity Institutional Sales  
nesya.kharismawati@mncgroup.com  
(021) 2980 3111 ext. 52182

### Iman Hadimulya, ST

Senior Equity Institutional Sales  
iman.hadimulya@mncgroup.com  
(021) 2980 3111 ext. 52174

### Paksi Jaladara

Junior Equity Sales  
paksi.jaladara@mncgroup.com  
(021) 2980 3111 ext. 52173

### MNC Research Investment Ratings Guidance

**BUY** : Share price may exceed 10% over the next 12 months

**HOLD** : Share price may fall within the range of +/- 10% of the next 12 months

**SELL** : Share price may fall by more than 10% over the next 12 months

**Not Rated** : Stock is not within regular research coverage

### PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16  
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340  
Telp : (021) 2980 3111  
Fax : (021) 3983 6899  
Call Center : 1500 899

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