

# PT. Dewata Freight International Tbk.

## Integratedly Cornucopia

26 December 2018

### Strong Buy

#### INVESTMENT THESIS

**Expansion in freight forwarding & warehousing.** The Company's expansion is in the form of Platform Industry 4.0 implementation, serving e-commerce, national distribution and modern warehousing management. It is still the backbone of the Company's business growth.

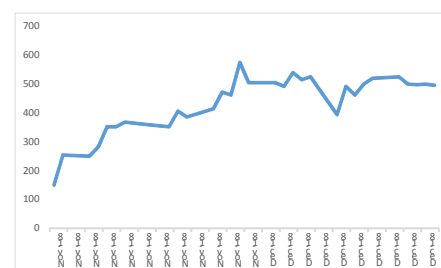
**Expansion in energy business.** The company entered the energy industry by becoming an EPC and IPP company. In 2019 or 2020 the Company will operate the 15 MW Tulang Bawang PLTMG, Lampung. Will be a source of recurring income.

**Business opportunities in gas-based power plant.** Opportunities for growth of gas power plants related to energy-friendly energy trends. The utilization rate of gas power plants has reached a crucial point, it needs to add new capacity.

Price (21/12) IDR 496  
 Target Price IDR 935  
 Ticker (Bloomberg) DEAL.IJ  
 Industry Infrastructure

Danny Eugene  
 danny.eugene@megasekuritas.id

Adrian M. Priyatna  
 Adrian@megasekuritas.id



#### FINANCIAL PROJECTION

**Balanced Sheet.** Proceed of IPO funds made Equity jump to IDR 128 billion in 2018 from IDR 17 billion previously. For 2019 we project Equity to reach IDR 150 billion. Total Assets grew to IDR 448 billion in 2019.

**Profit & Loss.** We project Total Revenue to grow 93% YoY to IDR 367 billion while Net Income grew 562% YoY to IDR 18 billion in 2019.

#### INVESTMENT RISK

**Trade war between the US and China.** Trade war between the USA and China is a negative catalyst for global trade. Even so, the World Export-Import Index experienced improvements since mid-2018.

**Slower global economy growth.** One of the effects of trade war is a slowdown in global economic growth. The IMF cut its forecast for global economic growth by 20 bps for 2019 to 3.7%. The biggest negative impact will be felt by developing countries.

#### Company Description:

The Company, together with two subsidiaries (ACM & DMB) is engaged in three main business areas: i) Freight Forwarding & Project Cargo Management, ii) Warehouse & Distribution and iii) EPC, Power Rental & IPP.

The company conducts an IPO to obtain funds for DMB subsidiaries that focus on the construction of gas power plants.

#### VALUATION & RECOMMENDATION

By using the Discounted Cash Flow Model, we set **12mo DEAL price target at IDR 935**. Our WACC assumption of 9.4% and terminal growth 5.1%. Comparing the closing price of DEAL on Friday (21/12) at the level of IDR 496, where there is still an upside potential of 88.5%, **we recommend Strong Buy for DEAL**

#### Exhibit 01– Key Metrics

	FY17	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
Revenue (IDR tn)	146.2	190.4	367.4	634.3	676.8	789.4	933.3
Profit before income tax (IDR bn)	1.1	5.7	34.2	102.7	119.7	156.4	206.7
Net income (IDR mn)	0.4	2.7	18.0	54.8	63.9	83.7	110.7
EPS (IDR)	0.3	2.3	15.3	46.5	54.2	70.9	93.8
BV (IDR)	14.6	108.1	126.9	184.0	255.6	342.7	458.0
Revenue growth (%)	-5.5%	30.2%	93.0%	72.7%	6.7%	16.6%	18.2%
Net Income growth (%)	-162.3%	565.5%	561.8%	204.3%	16.6%	30.8%	32.3%
Current ratio (X)	0.8	1.5	1.1	1.5	1.9	2.4	4.9
Debt-to-equity (X)	7.1	1.2	1.8	1.1	0.7	0.4	0.2
ROE (%)	2.4%	2.1%	12.0%	25.3%	21.2%	20.7%	20.5%
P/E (X)	2,697.6	405.3	61.2	20.1	17.3	13.2	10.0
P/BV (X)	63.9	8.6	7.4	5.1	3.7	2.7	2.0

Source : Bloomberg, MCS Research

#### Stock Data

52-week Range (IDR) 590 | 192  
 Mkt Cap (IDR bn) 555  
 JCI Weight 0.01%  
 Adj. Beta 11.7x  
 Shares O/S (bn) 1.12  
 Shares Float 42.9%

#### Share Holders:

PT. Bimada Paramitra Adhyana 73.21%  
 Public/Others (<5%) 26.79%

## I. BUSINESS MODEL

### I.1. Client Segments

*Clients category : BUMN and non-BUMN.*

Based on the data we obtained from the Company's IPO Prospectus, in general the Company's customers can be divided into two major parts; namely BUMN and non-BUMN. A number of BUMN customers are PT. Wijaya Karya (Persero) Tbk., PT. National Electricity Company (Persero) and PT. Railway Industry (Persero). While non-BUMN customers include PT. Indocement Tunggal Prakasa Tbk., PT Petrosea Tbk., And PT. Tripatra.

*New clients.*

In addition, in our discussions with management also revealed a number of new customers who have not been included in Prospectus IPO such as Lazada, DHL, IKEA and Electrolux.

Picture 1. Company's Clients



Source : Company

### I.2. Value Proposition

*Three value propositions by category.*

We divide the value proposition offered by the Company into three broad categories; namely 1) Freight Forwarding & Project Cargo Management, 2) Warehouse & Distribution and 3) EPC, Power Rental & IPP. Each is run by the Company as the holding company (PT. Dewata Freight International Tbk.) and two subsidiaries (PT. Arrow Chain Management & PT. Dewata Makmur Bersama).

Picture 2. Value Propositions



Source : Company

Freight forwarding & project cargo management.

Five services incl. heavy transportation & customs clearance.

**Freight Forwarding & Project Cargo Management.** Freight forwarding is one of the backbones of the Company's business, where the Company runs business activities aimed at managing all the activities needed for the delivery and receipt of goods through land, rail, sea and air transportation.

To support this freight forwarding business, the Company operates a number of operating activities as follows:

**Project Transportation.** The uniqueness of the Company is the experience possessed in large-scale logistics businesses such as shipping goods such as of power plants, petrochemicals and other heavy industries.

**Heavy Lifting.** The Company is able to deliver large and heavy cargo shipments through a number of transportation modes such as ships, trucks, barges and multi-axle trains.

**Inter Island.** The Company has branch offices and representatives in various regions in the country so as to facilitate the delivery of cargo both land, sea and air.

**Ocean Freight Service.** The Company serves shipping cargo from inside and outside the country by ship. Customers can choose three shipping methods such as Less Container Load (LCL), Full Container Load (FCL) and Bulk Cargo.

**Air Cargo Services.** The Company offers cargo shipping services by air.

**Customs Clearance.** The Company offers services related to administrative matters in Customs Clearance, including payment and processing of all duties and tariffs for goods entering Indonesia.

Finished and existing projects.

The following is a list of freight forwarding projects that have been and are still handled by the Company:

No	Projects	Client	Year	Description
1	Delivery of 8,375 coating pipes for the Gresem Pipeline Project.	WIKA-Rabana-KELSRI	2015	First pipeline shipments in Indonesia by train from Cigading to Semarang
2	Construction of the Indarung VI Cement Plant	PT. Semen Padang	2015	Custom, interinsular & trucking for shipping plant construction materials
3	PLTU Jeneponto	PT. Ciptaniaga Makmur Abadi cq PT. Bosowa Energi	2017	Custom clearance & delivery to the site of transformers, boilers and accessories
4	Shipping Wessel LRT Palembang	PT. Waskita Karya	2018	Delivery of Palembang LRT Wessel by airplane
5	Transport of concrete goods / iron for the 2x125 MW East Kalimantan PLTU Project	PT Wijaya Karya	2018	Transport of concrete goods / iron from Bekasi to Bontang for the 2x125 MW East Kalimantan PLTU Project
6	Development of Jabodebek LRT	PT. Adhi Karya	2016	U Shape shipments weighing 140 tons / pcs using multi-axle transportation modes
7	Custom and delivery of rice from the port to the Bulog warehouse	PT. Bulog	2018	Custom process & delivery of rice from Tanjung Priok port to Bulog warehouse
8	Inland transportation III work on the Lombok GECC Power Plant project	PT. PP	2018	Ex transportation local Pasuruan BBI, offshore shipping & shipping transport of machinery, generators & other accessories

Source : Company

Most of the Freight Forwarding & Project Cargo Management projects are carried out under the holding company of PT. Dewata Freight International Tbk.

Warehousing & distribution services. *micro*

**Warehouse and Distribution.** The Company offers warehousing services including in the area of Free Trade, public warehouses and contracts for short or long term storage. Some of the services provided include loading, unloading, containers and other services such as repackaging and re-labeling of cargo for re-export purposes, door-to-door shipping, storage of dangerous and harmless cargo. The company is also capable of handling cargo that requires low temperatures (refrigerated cargo).

Finished and existing projects.

The following is a list of warehouse & distribution projects that have been and are still handled by the Company:

No	Projects	Client	Year	Description
1	Land transportation & warehousing services for IKEA	PT. Mglobal Logistics Indonesia	2014-2018	Shipping & assembling IKEA products from the store to customers
2	DHL-Wings DC Marunda	PT. DHL Supply Chain Indonesia	2017-2018	Provide vehicles & deliver goods from warehouse to specified destination

Source : Company

Most of the Warehouse & Distribution projects are carried out under PT. Arrow Chain Management, a subsidiary of PT. Dewata Freight International Tbk.

Diversifying to energy sector through EPC & IPP.

**EPC, Power Rental and IPP.** The company will focus on diversifying its business into the energy sector, especially through EPC and IPP. For this reason, the Company conducted an Initial Public Offering to obtain funds for the development of the energy business through a subsidiary of PT. Dewata Makmur Bersama.

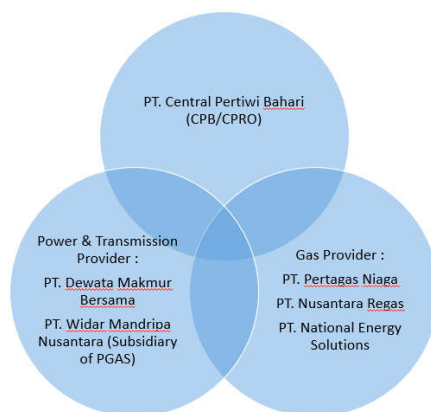
EPC projects.

For the current EPC DMB has two projects, namely EPC PLTD Bacan & Jailolo (2018) worth IDR 10 billion and EPC PT. PLN PLTMG Tarakan (2019-2020) worth IDR IDR 75 billion + JPY 65 million.

IPP Tulang Bawang for CPRO.

For the IPP business DMB will build and operate a 15 MW PLTMG in Tulang Bawang, Lampung; which is planned to start operating in 2020. DMB has now received a Letter of Intent from PT. Global Power Solutions for joint operations. This PLTMG will be used by PT. Central Pertiwi Bahari to replace the current power plant that uses diesel. By switching to gas fuel, it is expected that efficiency from the cost of electricity can occur.

Picture 3. PLTMG Tulang Bawang Schematic



Source : Company

### I.3. Channels & Client Relationship

*One stop logistic services.*

The Company's main marketing strategy is to provide one-stop service for all customer-related logistics needs with the motto "Safe, Fast and Precision." The Company has a network both domestically and abroad as well as a variety of cargo shipping services both by land, sea and air.

*Direct internal marketing teams.*

The company relies on internal marketing teams with direct marketing methods and referrals. The company also participates in events or exhibitions related to the logistics industry in attracting new customers. To support this marketing strategy, the Company is currently a member of 1) World Cargo Alliances, 2) Indonesian Chamber of Commerce and Industry and 3) Indonesian Forwarders Association (ALFI).

*Branches across major city.*

The Company has branch offices and representative offices spread across a number of Indonesian regions which are an economic center. Branch offices are in Jakarta, Bandung, Semarang, Surabaya and Yogyakarta as well as operational support offices in Denpasar. For international reach the Company is part of the World Cargo Alliance.

### I.4. Revenue Streams

*Three Revenue Streams.*

We divide Revenue Streams of the Company by value proposition, namely: 1) Freight Forwarding & Project Cargo Management (under DFI), 2) Warehouse & Distribution (under ACM), and 3) EPC, Power Rental & IPP (under DMB).

*DFI to contribute up to 70% of total Revenue.*

*Freight Forwarding & Project Cargo Management (under DFI).* The Revenue structure of DFI comes from two main sources, namely Project Cargo and Forwarding. Project Cargo is defined as revenue from large cargo transportation, especially those originating from infrastructure projects such as LRT projects. We have categorized other cargo transportation into Forwarding. In our projection, Revenue from DFI in 2018 can reach IDR 180 billion, and grow to IDR 247 billion in 2019. Until 2023 DFI still contributes between 50% and 70% of the Company's total Revenue.

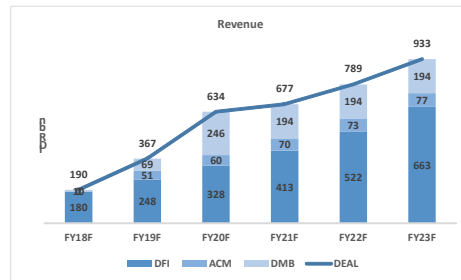
*ACM to contribute up to 10% of total Revenue.*

*Warehouse & Distribution (under ACM).* Based on our discussions with management, one of the focuses of growth for the Company is to enter and grow businesses related to micro distribution, warehousing and warehouse management. At present the Company through its ACM subsidiary runs a micro distribution (distribution within a 30 km radius) with customers such as IKEA and DHL. The future strategy of the Company will develop national distribution and warehousing business. In our calculations, Revenue from ACM is able to contribute up to 10% of the Company's total Revenue in 2023.

*DMB to contribute up to 25% of total Revenue.*

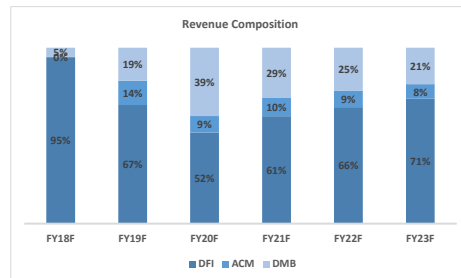
*EPC, Power Rental & IPP (under DMB).* Energy related business is a new business for the Company, in which the Company conducts an IPO process to get funds for the development of this energy business. We divide into two major sections of Revenue this energy streams, EPC and IPP. For the current EPC, the Company through its DMB subsidiary received an EPC contract for the Bacan & Jailolo PLTD and the Tarakan PLTMG. What's interesting is that the DMB IPP business is currently under construction and is projected to start operating in 2019. Tulang Bawang PLTMG has an installed capacity of 15 MW. We project that DMB's income will contribute up to 25% of the Company's total revenue.

Graph 1. Revenue Stream by Subsidiaries



Source : Company, MCS Reserch.

Graph 2. Revenue Stream by Percentage



Source : Company, MCS Reserch.

### I.5. Key Parnetships & Licences

Licences	
SIUP JPT	Surat Izin Usaha Pengurusan Jasa Transportasi
PPJK	Pengusaha Pengurusan Jasa Kepabeanan
CSMS	Contractor Safety Management System
ISO 9001	International Standard Organization
ISO 14001	International Standard Organization
OHSAS 18001	Occupational Health & Safety Assesement
Membership	
WCA	World Cargo Alliances
KADIN	Indonesian Chamber of Commerce & Industry
ALFI	Indonesian Forwarders Association

Source : Company

## II. INVESTMENT THESIS

### II.1. Expansion in Freight Forwarding and Warehousing

*Expansion plan for Freight Forwarding & Warehousing services.*

One of the main catalysts for the growth of the Company is the diversification of the freight forwarding business into warehousing. Based on our discussions with management, there are three phases of expansion in this business, which will mainly be carried out through a subsidiary of PT. Arrow Chain Management (ACM).

*Phase 1 : Platform Industry 4.0 & warehousing for e-commerce.*

In Phase 1, the Company has two plans, namely internal restructuring using Platform Industry 4.0 and starting to enter the warehousing service specifically with targeted e-commerce customers. Especially for the use of Industry 4.0 Platform, it is intended more for the efficiency of internal administration processes. It is expected that with the implementation of Platform Industry 4.0, the Company's Operating Margin can increase; in our projections Operating Margins can grow to levels of 18% to 20% in 2023 from the previous 4% to 6% in 2014 to 2017.

*Phase 2 : National Distribution Services.*

In Phase 2, the Company will expand their wings in the logistics industry from Micro Distribution to National Distribution. At present the Company through its ACM subsidiary conducts logistic services within a radius of 30 km to a maximum of 32 km or commonly called Micro Distribution. Some customers are like IKEA, DHL and Electrolux Indonesia. In 2022 the Company targets to be able to conduct national scale distribution services for the development of the logistics business.

*Phase 3 : Modern warehousing player.*

Phase 3, or the last phase in the Company's long-term plan for the Freight Forwarding & Warehousing business is to become a calculated player in the modern warehousing business. The year 2022 will be the decisive year in which the Company will officially launch modern warehousing. It is expected that the Company will get recurring income from this type of business.

Table 1. Long-term Plan for Freight Forwarding & Warehousing

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2025	2028
Preparing for IPO											
Phase 1											
- Support Platform Industry 4.0											
- Business expansion Freight Forwarding & Warehousing Services to serve e-commerce											
Phase 2											
Business expansion from Micro Distribution Services to National Distribution Services											
Phase 3											
Construction of modern warehousing to meet the needs of warehousing demand											

Source : Company



## II.2. Expansion in Energy Business

*Expansion plan for energy business.*

Year 2020 will be a historic one for the Company, where in that year the Company officially became one of the players in the electricity industry; by operating a 15 MW Tulang Bawang PLTMG, Lampung Sumatra. Unique history begins the Company's work in the electricity industry through its subsidiary PT. Dewata Makmur Bersama (DMB), where the beginning of the DMB was only as a trading company.

*Phase 1 : From trading company to EPC.*

Phase 1. DMB began to be consolidated in 2013 when it was still a trading company. In 2018 DMB turned into a contractor, especially for engineering, procurement & construction (EPC) for the construction of a power plant. The EPC project currently being handled is the Bacan & Jailolo PLTD and the Tarakan PLTMG.

*Phase 2 : Independent Power Producer.*

Phase 2. The entry of the Company into one of the IPP players will be a milestone, where the Company will operate the 15 MW Tulang Bawang PLTMG, Lampung Sumatra. The electricity from the PLTMG will later be sold to PT. Central Pertiwi Bahari (subsidiary of PT Central Proteina Prima Tbk.). Construction of the PLTMG will begin in 2019 and is projected to start operating in 2020. In our calculation, the revenue from PLTMG can range from IDR 190 billion to IDR 240 billion per year, or contribute between 20% and 25% of the Company's Total Revenue.

Table 2. Long-term Plan for EPC, Power Rental & IPP

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2025	2028
Trading Company											
Phase 1 Transformation into EPC											
Phase 2 IPP - Gas based electricity											

Source : Company

## II.3. Business Opportunities from Gas-based Power Plants.

*Opportunity in power plant.*

One of the infrastructure development programs is the construction of a 35,000 MW power plant, where there are coal and gas. Related to this program, the Company tried to take the opportunity for the development of gas-fired power plants.

*Gas-based power plant is the new normal.*

In our view this step is quite appropriate for several reasons. First, power plant using coal has begun to be abandoned in a number of developed countries related to air pollution, even though there is currently clean coal technology. A number of developed countries are now starting to consider building a power plant using wind, solar and in a number of countries with gas fuel.

*High potential growth in gas-based power plant.*

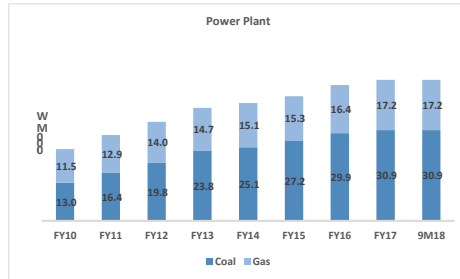
Second, the development of gas-based power plants in Indonesia is currently lagging behind coal power plants. At the end of September 2018 coal power generation capacity was 30,900 MW while gas-based capacity was only 17,200 MW. When compared with 2010, where coal power generation capacity was still 13,000 MW and gas-based power plants of 11,500 MW, it was clear that the growth of gas-based power plants was very lagging behind.



Recurring cash flow with gross margin of 20%.

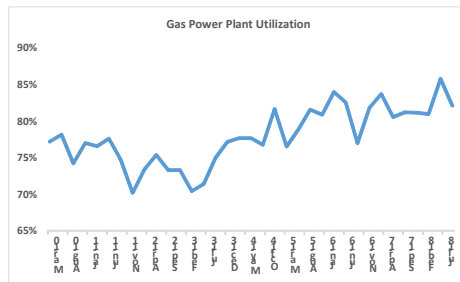
The Company's move to enter the gas-fired power plant business in our view is the right step to expand the business. One of the advantages of this power plant business is recurring cash flow when the power plant is operational. In our discussions with management, the Company's selling price of electricity was around IDR 1,917 / kWh while COGS was only IDR 1,534 / kWh. In other words, the gross margin obtained by the Company from the power plant business is 20%.

Graph 3. Coal & Gas Power Plant Capacity



Source : Bloomberg

Graph 4. Gas-base Power Plant Utilization



Source : Bloomberg

Need new capacity.

In terms of utilization level, there is also an opportunity in the gas-based power plant business, where currently the utilization rate has reached 85%, which is a crucial point and requires additional new capacity.

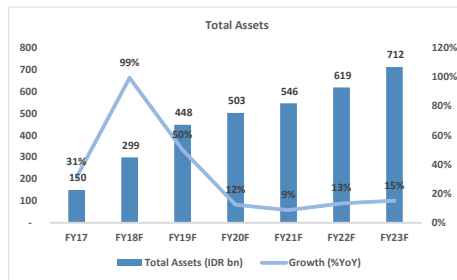
### III. FINANCIAL PROJECTIONS

#### III.1. Balanced Sheet

*Total Assets to grow at CAGR 29.6% between 2017 to 2023.*

Total Assets in 2018 are projected to grow by almost 100% to IDR 299 billion from IDR 150 billion in 2017. This high growth is related to the corporate action of the Company that conducts an initial public offering to strengthen the energy business line through its subsidiary DMB. In 2023 we project Total Assets to reach IDR 712 billion, or grow 29.6% CAGR between 2017 and 2023.

Graph 5. Total Assets

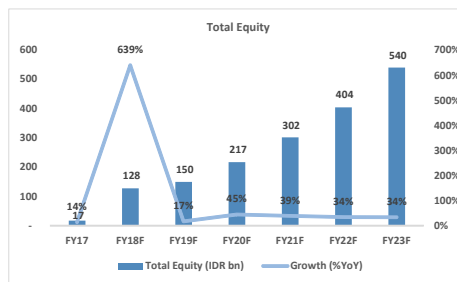


Source : Company, MCS Research

*Total Equity to grow at CAGR 77.9% between 2017 to 2023.*

Regarding the initial public offering process conducted by the Company in November 2018, the Company's Total Equity jumped 639% in 2018 to reach IDR 128 billion compared to 2017, which only amounted to IDR 17 billion. As we mentioned earlier, the cash from the IPO was mostly used for DMB subsidiaries engaged in the energy sector, particularly as investments in the 15 MW Tulang Bawang PLTMG. At the end of 2023 we project Total Equity to reach IDR 540 billion, or grow a CAGR of 77.9% between 2017 and 2023.

Graph 6. Total Equity



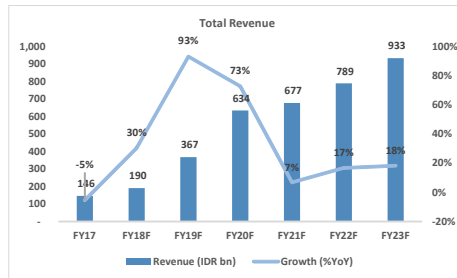
Source : Company, MCS Research

### III.2. Income Statement

Total Revenue to grow at CAGR 36.2% between 2017 to 2023.

By the operation of 15 MW Tulang Bawang PLTMG in 2019 or at the latest 2020, we are projecting a surge in the Total Revenue of the Company, where in 2019 we project Total Revenue to grow 93% YoY to IDR 367 billion and in 2020 it will grow 73% YoY to IDR 634 billion. In general, between 2017 and 2023 we project a growth rate of Total Revenue of CAGR of 36.2% from IDR 146 billion to IDR 933 billion.

Graph 7. Total Revenue

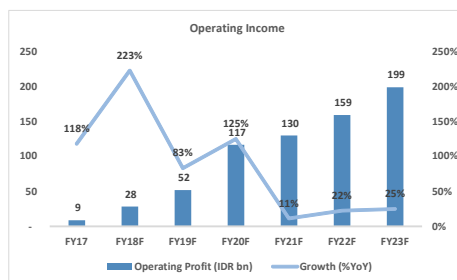


Source : Company, MCS Research

Operating Income to grow at CAGR 67.5% between 2017 to 2023.

We forecast the Company to experience a high growth period of Operating Income in 2017 to 2020, where the growth rate reaches double digits. One of the main factors of the high growth rate of Operating Income is the improvement in Operating Margin; where in 2018-2019 our Operating Margin is projected at the level of 14%-15%, then rises to 18%-21% in 2020-2023. The steps of the Company to enter the IPP business become a positive catalyst in the form of increasing margins in general.

Graph 8. Operating Income

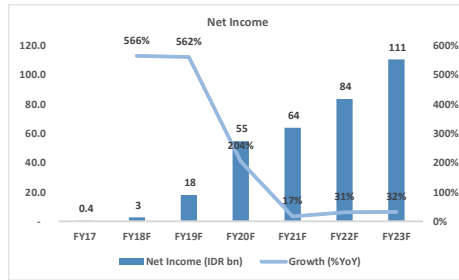


Source : Company, MCS Research

Net Income to grow at CAGR 155% between 2017 to 2023.

As with Operating Income, we project the Company to record very high Net Income growth in 2018 to 2020. We forecast Net Income in 2018 to reach IDR 2.7 billion, growing 566% YoY compared to Net Income 2017 which is only IDR 400 million. High growth still occurs in 2019 and 2020 which we project respectively at 562% YoY and 2041%. The high growth rate is still related to Net Income starting from the energy business in 2019 or at the latest 2020. Net income growth starts normally at 30% in 2022 and 2023. In general, Net Income grows by a CAGR of 155% between 2017 and 2023.

Graph 9. Net Income



Source : Company, MCS Research

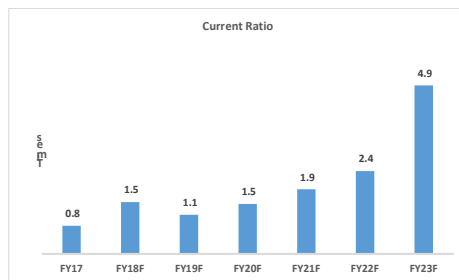
### III.3. Financial ratios

Ratios Analysis.

In the discussion of the ratio we divide into four major parts, namely 1) Liquidity & Turnover ratio, 2) Growth ratio, 3) Profitability ratio and 4) Leverage ratio. We will display all of these ratios in graphical form and in the Appendix in the form of tables.

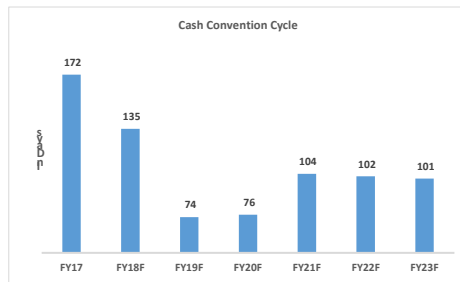
#### Liquidity & Turnover Ratio

Graph 10. Current Ratio



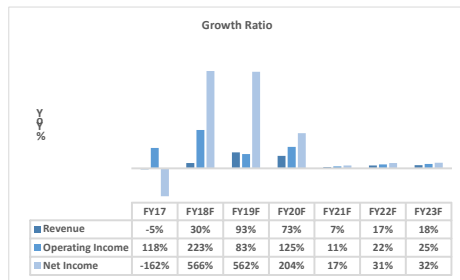
Source : MCS Research

Graph 11. Turnover Ratio



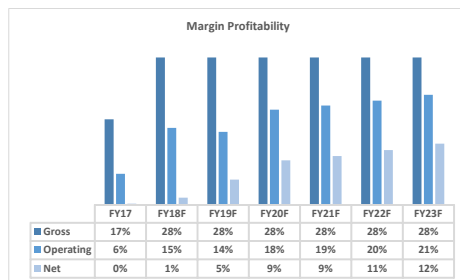
Source : MCS Research

Graph 12. Growth Ratio



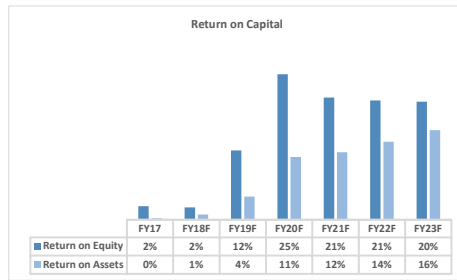
Source : MCS Research

Graph 13. Profitability Ratio



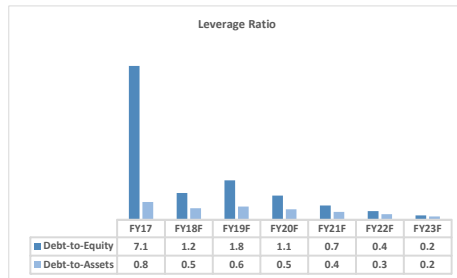
Source : MCS Research

Graph 14. Return on Capital



Source : MCS Research

Graph 15. Leverage Ratio



Source : MCS Research

## IV. VALUATION & RECOMMENDATION

### IV.1. Valuation

*DCF method; WACC 9.4% & Terminal Growth 5.1%.*

In conducting valuations we use the Discounted Cashflow Model method, where we use the WACC assumption of 9.4% and terminal growth 5.1%. From the DCF we received PV of FCFF of IDR 1.15 trillion. By taking into account IDR 106 billion in Cash held and IDR 158 billion in interest-bearing Debt, we get a Value of Equity of IDR 1.1 trillion, or in other words the Company's fair value is IDR 933 per share.

*12mo target price IDR 935/share.*

Based on these calculations, we set a fair value or **12mo target price** for DEAL of **IDR 935 per share** (as rounding). If comparing with the 2019 performance, the price target is indeed quite high, where PER'19E 61.2x and PBV'19E 7.4x. However, we can justify the valuation given the Company's high growth in 2018 to 2020 with the construction of a power plant. When compared with the performance in 2021, the PER'21E fell to 17.3x and PBV'21E to 3.7x. We are quite comfortable with these valuations.

### IV.2. Recommendation

*Recommendation xxx*

By comparing the closing price of the Company on Friday (21/12) at the level of IDR 496, we recommend **Strong Buy** for DEAL shares, where there is still an **upside potential of 88.5%** if our 12mo target price at IDR 935 is reached.

Following is the classification of recommendations that we issue :

Recommendation	Potential Return
Strong Buy	>40%
Buy	10% to 39%
Neutral	0% to 9%
Reduce	<0%
No Rating	No Coverage



## V. INVESTMENT RISKS

### V.1. Trade War between the U.S and China

*Trade wars between the USA & China will impact indirectly to Indonesia.*

One of our concerns for the Company is the negative impact of the trade war between the United States and China, where this will have an impact on the flow of world goods trade, which in turn will adversely affect the Indonesian economy in general and the Company in particular.

*"Make America Great Again"*

This trade war itself began with the election of Donald Trump as President of the USA in 2016, where one of his campaign promises was to fix China's "longtime abuse of the broken international system and unfair practices" and "Make America Great Again."

*Started on January 2018 and slightly toned down on December 2018.*

This trade war began in early 2018 where on January 22, 2018. President Trump placed a 30% tariff on foreign solar panels, to be reduced to 15% after four years. China, the world leader in solar panel manufacture, decried the tariffs. That same day, tariffs of 20% were placed on washing machines for the first 1.2 million units imported during the year. In 2016, China exported \$425 million worth of washers to the United States. The latest development at the end of this year is that on September 17, 2018 the US announced its 10% tariff on \$200 billion worth of Chinese goods would begin on September 24, 2018, increasing to 25% by the end of the year. They also threatened tariffs on an additional \$267 billion worth of imports if China retaliates, which China promptly did on September 18 with 10% tariffs on \$60 billion of US imports. On December 1, 2018 the planned increases in tariffs were postponed. The White House stated that both parties will "immediately begin negotiations on structural changes with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft." (Source : Wikipedia)

*However, the World Export-Import Index slightly rises.*

Based on the data we process from Bloomberg, data such as the World Export-Import Index, are actually not too worrying regarding the impact of trade wars on global goods movements. Indeed, the World Export-Import Index fell below the 100 point index (below 100 indicates a weakening of global goods flows and vice versa) in March 2015, however, since June 2018 it has returned above the 100 index points which indicate an improvement or expansion in global trade. However, we still need to be vigilant because this World Export-Import Index is a coincidence indicator so it cannot be used as an indication of future global trade.

Graph 16. World Export-Import Index



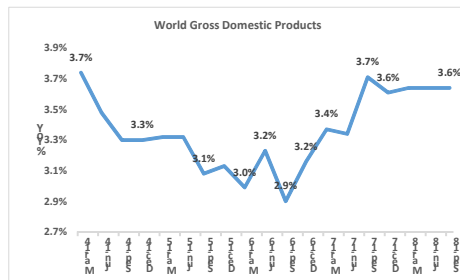
Source : Bloomberg

## V.2. Slower Global Economy Growth

*Global economy growth being revised down by 20 bps.*

One of the direct effects of trade wars is a decline in global economic growth. The IMF in the October 2018 World Economic Outlook then revised the 2019 global economic growth rate to 3.7% from 3.9% previously. For the advanced economy the economic growth rate was revised to 2.1% from 2.2% and for the emerging economy it was revised to 4.7% from 5.1%.

Graph 17. World Economy Growth

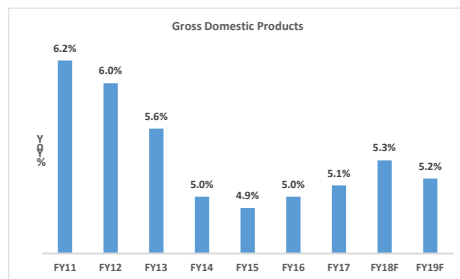


Source : Bloomberg, IMF

*Indonesia GDP slightly lower in 2019 than 2018.*

For Indonesia's economic growth we project 2019 to grow slightly below the 2018 growth rate, where our 2019 GDP growth rate is only 5.16% slightly below the 2018 growth rate of 5.26%.

Graph 18. Indonesia GDP Growth



Source : BPS, MCS Research

## VI. ABOUT THE COMPANY

### VI.1. Brief History

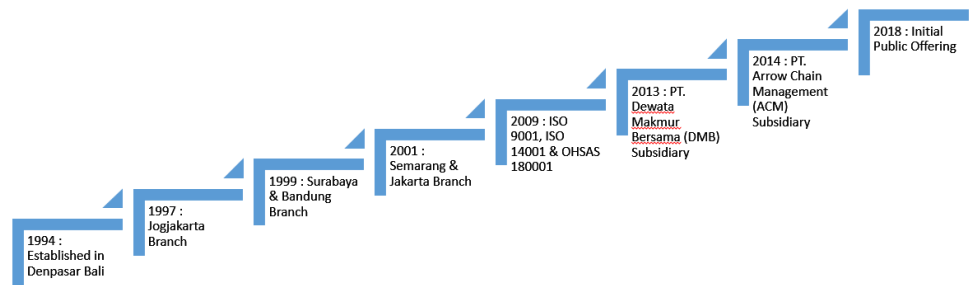
*Establish 1995 in Bali.*

The company was founded in 1995 in Denpasar, Bali. The beginning of the establishment of the Company was to fulfill orders for Balinese handicraft goods for the European market, especially orders from tourists who had visited Bali. From this initial effort, the Company has transformed until now to become one of the integrated international logistics players.

*Expansion to major cities and IPO.*

The Company expanded into a number of cities in Indonesia, especially those that became the center of business and economy. In 1997 the Company opened a branch in Yogyakarta, then in 1999 expanded to Surabaya and Bandung, and in 2001 in Semarang and Jakarta. The Company has transformed into a logistics company, specifically to carry out large-size cargo transportation. In 2018, the Company conducted an Initial Public Offering to obtain financing for expansion into the energy sector.

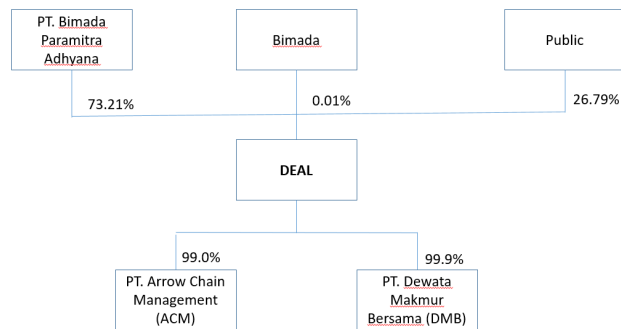
Picture 3. Company Milestone



Source : Company

### VI.2. Corporate Structure

Picture 4. Corporate Structure



Source : Company

### VI.3. Managements and corporate information

#### BOARD OF COMMISSIONERS

President Commissioner : Rico Rustombi  
Commissioner : I Ketut Satyagraha  
Independent Commissioner : Fadel Akbar

#### BOARD OF DIRECTORS

President Director : Bimada  
Director of Finance : Nur Hasanah  
Director of Marketing : Selvi Yuniar  
Director of Operation : Titan Erawati  
Independent Director : Herry Susanto

#### CORPORATE INFORMATION

PT. Dewata Freight International Tbk.  
Head Office  
Kirana Two Office Tower 12th Floor  
Jl. Boulevard Timur no 88, Kelapa Gading  
Jakarta 14240  
Indonesia

Phone : (6221) 29688899  
Fax : (6221) 29677799  
Website : [www.dfilogistics.com](http://www.dfilogistics.com)  
Email : [corsec@dfilogistics.com](mailto:corsec@dfilogistics.com)

## Appendix 1-Balanced Sheet Statement

(In IDR bn)

BALANCED SHEET	FY15	FY16	FY17	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
<b>Assets</b>									
+ Cash, Cash Equivalents & STI	6.0	7.3	10.8	105.7	119.4	130.4	117.2	181.6	276.9
+ Accounts & Notes Receiv	50.4	57.3	73.0	75.3	84.0	147.5	209.2	240.2	279.9
+ Inventories	0.7	0.4	0.0	0.8	1.6	2.8	3.0	3.5	4.1
+ Other ST Assets	4.1	5.2	7.6	7.9	6.4	11.7	28.4	33.2	39.3
<b>Total Current Assets</b>	<b>61.2</b>	<b>70.0</b>	<b>91.4</b>	<b>189.8</b>	<b>211.4</b>	<b>292.3</b>	<b>357.9</b>	<b>458.5</b>	<b>600.1</b>
+ Property, Plant & Equip, Net	32.9	37.5	34.7	98.9	214.7	171.0	146.4	110.5	52.9
+ Property, Plant & Equip	37.8	43.1	39.8	117.7	262.5	241.9	236.5	215.5	164.8
- Accumulated Depreciation	4.9	5.6	5.2	18.8	47.8	70.9	90.1	105.0	111.9
+ Other LT Assets	3.6	6.5	23.7	10.0	21.7	39.4	42.2	49.7	59.2
+ Prepaid Expense	0.0	0.0	1.1	1.4	2.7	4.7	5.0	5.9	6.9
+ Deferred Tax Assets	1.0	1.1	0.9	1.0	1.1	1.4	1.4	1.5	1.6
+ Misc LT Assets	2.7	5.5	21.8	7.6	17.8	33.3	35.8	42.4	50.7
<b>Total Noncurrent Assets</b>	<b>36.5</b>	<b>44.0</b>	<b>58.4</b>	<b>108.9</b>	<b>236.4</b>	<b>210.4</b>	<b>188.6</b>	<b>160.2</b>	<b>112.1</b>
<b>Total Assets</b>	<b>97.7</b>	<b>114.1</b>	<b>149.7</b>	<b>298.6</b>	<b>447.8</b>	<b>502.8</b>	<b>546.5</b>	<b>618.7</b>	<b>712.3</b>
<b>Liabilities &amp; Shareholders' Equity</b>									
+ Payables & Accruals	8.0	6.1	5.2	8.0	18.3	33.8	36.3	42.8	51.2
+ Accounts Payable	7.5	3.7	3.5	4.4	8.1	13.7	14.6	17.0	20.0
+ Accrued Taxes	0.3	2.2	1.1	3.0	8.8	17.7	19.1	22.8	27.6
+ Other Payables & Accruals	0.2	0.2	0.7	0.6	1.3	2.4	2.6	3.0	3.6
+ ST Debt	47.7	65.1	105.7	116.5	165.2	163.2	150.1	143.1	66.6
+ ST Borrowings	41.8	56.9	97.4	111.1	161.5	160.7	148.4	141.9	65.8
+ ST Capital Leases	0.8	3.0	4.5	2.1	1.5	1.0	0.7	0.5	0.4
+ Current Portion of LT Debt	5.1	5.2	3.8	3.4	2.2	1.5	1.0	0.6	0.4
+ Other ST Liabilities	0.2	0.5	0.2	0.5	1.3	2.4	2.5	3.0	3.6
<b>Total Current Liabilities</b>	<b>55.7</b>	<b>71.2</b>	<b>110.9</b>	<b>125.0</b>	<b>184.8</b>	<b>199.4</b>	<b>189.0</b>	<b>188.9</b>	<b>121.4</b>
+ LT Debt	22.1	23.2	17.1	41.6	107.9	79.4	48.7	17.5	41.7
+ LT Borrowings	18.9	13.7	10.0	36.5	104.3	76.8	46.9	16.2	40.8
+ LT Capital Leases	3.2	9.4	7.1	5.1	3.6	2.6	1.8	1.3	0.9
+ Other LT Liabilities	3.8	4.0	4.2	4.3	5.4	6.9	7.2	7.9	8.7
<b>Total Noncurrent Liabilities</b>	<b>25.9</b>	<b>27.1</b>	<b>21.3</b>	<b>46.0</b>	<b>113.3</b>	<b>86.4</b>	<b>55.9</b>	<b>25.4</b>	<b>50.4</b>
<b>Total Liabilities</b>	<b>81.7</b>	<b>98.3</b>	<b>132.3</b>	<b>171.0</b>	<b>298.1</b>	<b>285.8</b>	<b>244.8</b>	<b>214.3</b>	<b>171.9</b>
+ Share Capital & APIC	2.0	5.0	5.0	112.0	112.0	112.0	118.0	118.0	118.0
+ Common Stock	2.0	5.0	5.0	112.0	112.0	112.0	118.0	118.0	118.0
+ Additional Paid in Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Retained Earnings	15.0	12.3	13.4	15.5	30.0	73.8	125.0	191.9	280.4
Equity Before Minority Interest	17.0	17.3	18.4	127.5	142.0	185.8	243.0	309.9	398.4
+ Minority/Non Controlling Interest	(1.1)	(2.1)	(1.1)	0.1	7.8	31.3	58.7	94.5	142.0
<b>Total Equity</b>	<b>15.9</b>	<b>15.2</b>	<b>17.3</b>	<b>127.6</b>	<b>149.7</b>	<b>217.1</b>	<b>301.6</b>	<b>404.4</b>	<b>540.4</b>
<b>Total Liabilities &amp; Equity</b>	<b>97.5</b>	<b>113.6</b>	<b>149.5</b>	<b>298.6</b>	<b>447.8</b>	<b>502.8</b>	<b>546.5</b>	<b>618.7</b>	<b>712.3</b>
<b>Book Value per Share (BVPS)</b>	<b>13.4</b>	<b>12.9</b>	<b>14.6</b>	<b>108.1</b>	<b>126.9</b>	<b>184.0</b>	<b>255.6</b>	<b>342.7</b>	<b>458.0</b>

Source : Bloomberg, Company, MCS Research

## Appendix 2-Profit & Loss Statement

(In IDR bn)

INCOME STATEMENT	FY15	FY16	FY17	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
<b>Revenue</b>	<b>106.3</b>	<b>154.6</b>	<b>146.2</b>	<b>190.4</b>	<b>367.4</b>	<b>634.3</b>	<b>676.8</b>	<b>789.4</b>	<b>933.3</b>
- Cost of Revenue	92.3	140.1	122.0	136.1	262.7	453.6	484.0	564.5	667.5
<b>Gross Profit</b>	<b>14.0</b>	<b>14.5</b>	<b>24.2</b>	<b>54.2</b>	<b>104.7</b>	<b>180.7</b>	<b>192.8</b>	<b>224.9</b>	<b>265.9</b>
- Operating Expenses	9.6	10.5	15.4	25.9	52.7	64.0	62.9	65.8	67.2
+ Selling, General & Admin	9.6	10.5	15.4	12.3	23.7	40.9	43.7	50.9	60.2
+ Depreciation & Amortization	0.0	0.0	0.0	13.6	29.0	23.1	19.2	14.9	7.0
<b>Operating Income (Loss)</b>	<b>4.3</b>	<b>4.0</b>	<b>8.8</b>	<b>28.4</b>	<b>51.9</b>	<b>116.7</b>	<b>129.9</b>	<b>159.1</b>	<b>198.7</b>
- Non-Operating (Income) Loss	2.9	4.6	7.7	22.7	17.7	14.0	10.2	2.7	(8.0)
+ Interest Expense, Net	2.8	5.3	8.9	22.7	17.7	14.0	10.2	2.7	(8.0)
+ Interest Expense	3.5	5.6	9.0	22.6	24.5	21.3	16.8	12.9	7.5
- Interest Income	0.7	0.3	0.1	(0.1)	6.7	7.3	6.6	10.2	15.6
+ Other Non-Op (Income) Loss	0.1	(0.7)	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pretax Income (Loss), Adjusted</b>	<b>1.4</b>	<b>(0.5)</b>	<b>1.1</b>	<b>5.7</b>	<b>34.2</b>	<b>102.7</b>	<b>119.7</b>	<b>156.4</b>	<b>206.7</b>
- Abnormal Losses (Gains)	0.1	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pretax Income (Loss), GAAP</b>	<b>1.4</b>	<b>(1.2)</b>	<b>0.5</b>	<b>5.7</b>	<b>34.2</b>	<b>102.7</b>	<b>119.7</b>	<b>156.4</b>	<b>206.7</b>
- Income Tax Expense (Benefit)	0.7	0.1	0.7	1.8	8.4	24.4	28.3	36.9	48.6
<b>Income (Loss) Incl. MI</b>	<b>0.7</b>	<b>(1.4)</b>	<b>(0.3)</b>	<b>3.9</b>	<b>25.7</b>	<b>78.3</b>	<b>91.3</b>	<b>119.5</b>	<b>158.1</b>
- Minority Interest	(0.1)	(0.7)	(0.7)	1.2	7.7	23.5	27.4	35.9	47.4
<b>Net Income Avail to Common, GAAP</b>	<b>0.8</b>	<b>(0.7)</b>	<b>0.4</b>	<b>2.7</b>	<b>18.0</b>	<b>54.8</b>	<b>63.9</b>	<b>83.7</b>	<b>110.7</b>
<b>Earnings per Share (EPS)</b>	<b>0.6</b>	<b>(0.6)</b>	<b>0.3</b>	<b>2.3</b>	<b>15.3</b>	<b>46.5</b>	<b>54.2</b>	<b>70.9</b>	<b>93.8</b>

Source : Bloomberg, Company, MCS Research

## Appendix 3-Financial Ratio

RATIO	FY15	FY16	FY17	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
<b>LIQUIDITY &amp; TURNOVER</b>									
Current ratio (X)	1.1	1.0	0.8	1.5	1.1	1.5	1.9	2.4	4.9
Account Receivable (Day)	173.0	135.2	182.2	144.3	83.5	84.9	112.8	111.1	109.5
Inventory (Day)	2.7	0.9	-	2.2	2.2	2.2	2.2	2.2	2.2
Account Payable (Day)	29.8	9.5	10.4	11.8	11.3	11.1	11.0	11.0	10.9
Cash Convention Cycle (Day)	146.0	126.6	171.8	134.7	74.4	76.1	104.1	102.3	100.7
<b>GROWTH</b>									
Revenue growth (%)		45.4%	-5.5%	30.2%	93.0%	72.7%	6.7%	16.6%	18.2%
Operating income growth (%)		-7.1%	117.9%	222.5%	83.0%	124.8%	11.3%	22.4%	24.9%
Profit before income tax growth (%)		-136.4%	-316.0%	400.1%	501.3%	200.6%	16.5%	30.7%	32.2%
Net income growth (%)		-186.7%	-162.3%	565.5%	561.8%	204.3%	16.6%	30.8%	32.3%
<b>PROFITABILITY</b>									
Gross profit margin (%)	13.2%	9.4%	16.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%
Operating income margin (%)	4.1%	2.6%	6.0%	14.9%	14.1%	18.4%	19.2%	20.1%	21.3%
Net income margin (%)	0.7%	-0.4%	0.3%	1.4%	4.9%	8.6%	9.4%	10.6%	11.9%
Return on equity (%)	4.8%	-4.3%	2.4%	2.1%	12.0%	25.3%	21.2%	20.7%	20.5%
Return on assets (%)	0.8%	-0.6%	0.3%	0.9%	4.0%	10.9%	11.7%	13.5%	15.5%
<b>LEVERAGE</b>									
Debt-to-equity (X)	4.40	5.81	7.11	1.24	1.82	1.12	0.66	0.40	0.20
Debt-to-asset (X)	0.71	0.77	0.82	0.53	0.61	0.48	0.36	0.26	0.15
<b>VALUATION</b>									
Price to earnings ratio (X)	1,457.5	(1,681.9)	2,697.6	405.3	61.2	20.1	17.3	13.2	10.0
Price to book ratio (X)	69.6	72.6	63.9	8.6	7.4	5.1	3.7	2.7	2.0

Source : MCS Research

## Research Division

Danny Eugene	Mining, Finance, Infrastructure	danny.eugene@megasekuritas.id	+62 21 7917 5599	62431
Helen Vincentia	Consumer Goods, Basic Industry, Trade & Service	helen.vincentia@megasekuritas.id	+62 21 7917 5599	62035
Adrian M. Priyatna	Property & Construction, Agriculture, Misc. Industry	adrian@megasekuritas.id	+62 21 7917 5599	62425
Qolbie Ardie	Economist	qolbie@megasekuritas.id	+62 21 7917 5599	62143
Fadlillah Qudsi	Technical Analyst	fadlillah.qudsi@megasekuritas.id	+62 21 7917 5599	62035

## Retail Equity Sales Division

Hendry Kuswari	Head of Sales, Trading & Dealing	hendry@megasekuritas.id	+62 21 7917 5599	62038
Dewi Suryani	Retail Equity Sales	dewi.suryani@megasekuritas.id	+62 21 7917 5599	62441
Brema Setyawan	Retail Equity Sales	brema.setyawan@megasekuritas.id	+62 21 7917 5599	62126
Ety Sulistyowati	Retail Equity Sales	ety.sulistyowati@megasekuritas.id	+62 21 7917 5599	62408
Fadel Muhammad Iqbal	Retail Equity Sales	fadel@megasekuritas.id	+62 21 7917 5599	62164
Andri Sumarno	Retail Equity Sales	andri@megasekuritas.id	+62 21 7917 5599	62045
Harini Citra	Retail Equity Sales	harini@megasekuritas.id	+62 21 7917 5599	62161
Syaifathir Muhamad	Retail Equity Sales	fathir@megasekuritas.id	+62 21 7917 5599	62179

## Corporate Equity Sales Division

Rachmadian Iskandar Z	Corporate Equity Sales	rachmadian@megasekuritas.id	+62 21 7917 5599	62402
Ratna Wijayanti	Corporate Equity Sales	ratna.wijayanti@megasekuritas.id	+62 21 7917 5599	62055
Reza Mahendra	Corporate Equity Sales	reza.mahendra@megasekuritas.id	+62 21 7917 5599	62409

### Fixed Income Sales & Trading

Tel. +62 7917 5559-62 Fax. +62 21 7917 5965

### Investment Banking

Tel. +62 21 7917 5599 Fax. +62 21 7919 3900

#### Kantor Pusat

Menara Bank Mega Lt. 2  
Jl. Kapt P. Tendean, Kav 12-14 A  
Jakarta Selatan 12790

#### Pondok Indah

Plaza 5 Pondok Indah Blok D No. 15 Lt. 2  
Jl. Margaguna Raya Pondok Indah  
Jakarta Selatan

#### Kelapa Gading

Ruko Gading Bukit Indah Lt.2  
Jl. Bukit Gading Raya Blok A No. 26, Kelapa Gading  
Jakarta Utara - 14240

#### DISCLAIMER

This Document is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Under no circumstances is it to be considered as an offer to sell or solicitation to buy any security. Any recommendation contained in this report may not be suitable for all investors and strictly a personal view and should not be used as a sole judgment for investment. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy, completeness and reliability cannot be guaranteed. All rights reserved by PT Mega Capital Sekuritas.