

Mirae Asset Sekuritas Indonesia

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CASS IJ · Transportation & Logistics

Cardig Aero Services

Flying to Greater Heights

Not Rated

Target price
N/AUpside
N/ACurrent price (7/29/24)
IDR1,110

JCI Index	7,289	Market cap (IDRbn)	2,316	Shares outstanding (mn)	2,087	Free Float (%)	48.7
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Report summary

Growing Aviation Industry Benefits CASS

Indonesia's aviation sector, the largest in Southeast Asia, has rebounded to 80% of pre-pandemic passenger numbers. Despite high domestic ticket prices and infrastructure challenges, domestic passengers reached 25.2mn and international 7.4mn from January to May 2024.

1Q24 Financials: Solid Top and Bottom Line

As of 1Q24, CASS reported a 29.5% YoY increase in operating revenue to IDR 618.5bn, driven by cargo and ground handling growth. Operating profit rose 61.3% to IDR 162.3bn, with profit before tax up 50.2% to IDR 177.3bn. Profit after tax increased 59.7% to IDR 138.3bn and profit attributable to the parent surged 90.1% to IDR 73.6bn.

Recent Acquisition of EMTK Benefits

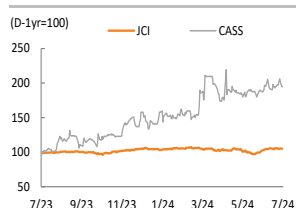
EMTK's subsidiary Rokat Cipta Sentosa acquired a 51% stake in PT Cardig Aero Services Tbk (CASS) for IDR 872.76bn and allocated IDR 317.01bn for further investment. EMTK plans a mandatory tender offer for up to 17.2% of CASS shares. We see this acquisition as mutually beneficial, enhancing CASS's management and growth potential.

Valuation & Recommendation

Despite not placing a rating for CASS, We positively view CASS to grow further as we anticipate flight frequencies to gradually increase in tandem with purchasing power, surpassing pre-pandemic level. CASS is currently trading at +1 S.D from its average 5 year P/BV.

Key data

Price performance



(%)	1M	6M	12M
Absolute	3.7	22.0	94.7
Relative	0.5	20.6	89.1

Earnings and valuation metrics

(FY Dec. 31)	2020A	2021A	2022A	2023A	1Q24
Revenue (IDR bn)	1,223	1,407	1,738	2,199	619
Operating Profit (IDR bn)	29	240	400	549	162
Net Profit (IDR bn)	-60	142	290	427	138
EPS (IDR)	-42.24	16.17	60.68	100.24	35.27
BPS (IDR)	165.57	184.26	244.80	342.87	377.39
P/E (x)	-6.39	28.94	6.86	8.98	30.05
P/BV (x)	1.63	2.54	1.70	2.62	2.81
ROA (%)	-5.69	2.21	7.77	11.60	12.71
ROE (%)	-22.47	9.25	28.29	34.11	36.46

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

C O N T E N T S

Cardig Aero Services	1
Company at a glance	3
Company Profile	3
Business profile	5
It's customer	6
Industry at a glance	7
Indonesia is Experiencing Post Covid Aviation Sector Growth	7
Aviation recovery in Indonesia may pose a challenge	8
Financial & Operational Analysis	9
Operating Revenue	9
Operating Expenses	9
Operating Profit, Profit Before Tax and Net Profit	10
Balance Sheet	11
Investment Thesis	12
EMTK's majority stake acquisition	12
Better management team should positive impact CASS's performance	12
Anticipating Flight Demand to Continue to grow	13
Valuation and Recommendation	14
Trading at Undemanding Valuation	14

Company at a glance

Company Profile

Established in 2009, PT Cardig Aero Services Tbk (CASS), commonly referred to as CAS, is a holding company that offers a variety of services to assist air transportation through its many subsidiaries. Airport assistance, airline food, property management, and flying training programs are some of these services. The Company guarantees all-encompassing assistance for the aviation sector in Indonesia's principal cities.

With the founding of PT Cardig Air in 1973, the company started to grow, concentrating on airport warehousing at Jakarta International Airport Halim Perdanakusuma. To satisfy the needs of air transportation support services at Soekarno-Hatta International Airport, the company expanded in 1984 and founded PT Jasa Angkasa Semesta Tbk. The company began operations in the same year and provided crucial ground and cargo handling services.

Table 1. CASS's shareholder structure

Shareholders	Amount	%
PT Cardig Asset Management	492.127.268	23,58%
SATS Investments (II) Pte Ltd	451.830.800	21,65%
Cemerlang Pte Ltd	417.390.000	20,00%
PT Dinamika Raya Swarna	366.587.032	17,57%
Masyarakat	359.014.900	17,20%

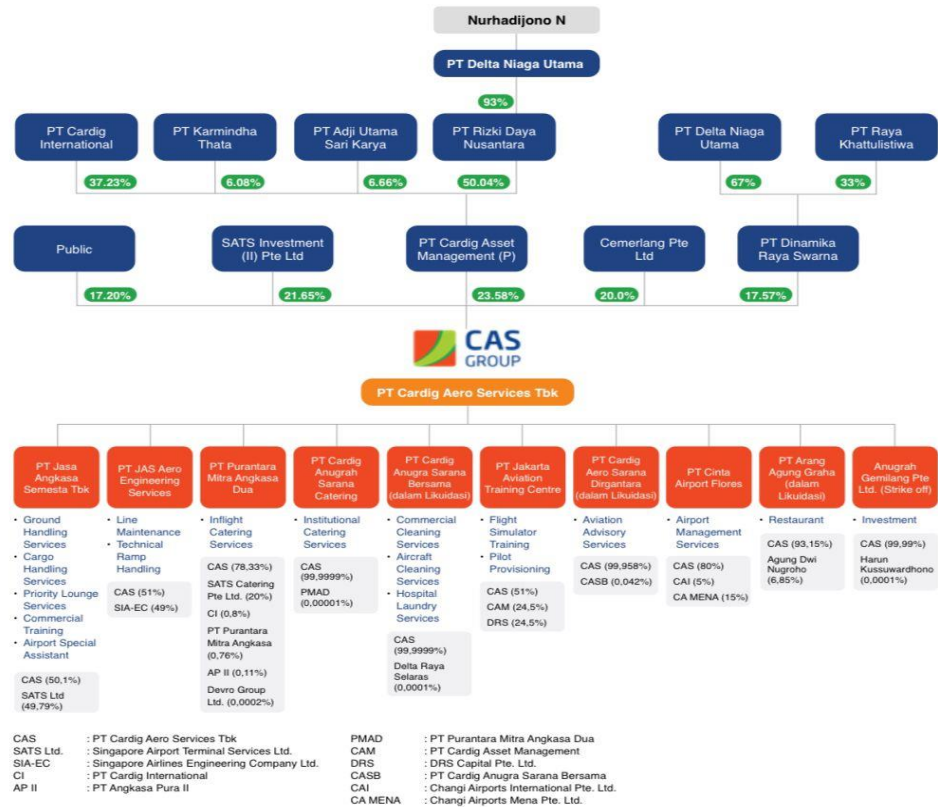
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 1. CASS's group structure



Source: Mirae Asset Sekuritas Indonesia Research

Figure 2. CASS's group structure



Source: Mirae Asset Sekuritas Indonesia Research

Figure 3. CASS Operational map



Source: Company data, Mirae Asset Sekuritas Indonesia Research

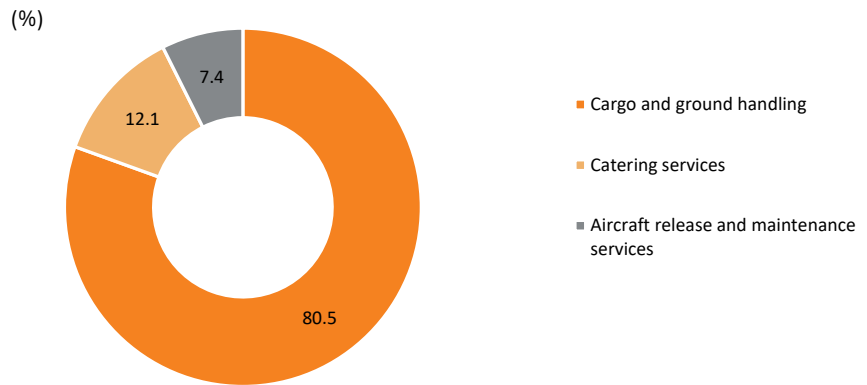
Business profile

CASS operates a wide range of services across aviation services and food solutions. To support its business, CASS owns four subsidiaries where CASS were the majority shareholder. This subsidiaries carry out its business for CASS. which are:

- PT Jasa Angkasa Semesta, in which CASS owned 50.1% of ownership, ground & cargo handling services. CASS provides comprehensive ground handling services, including passenger, baggage, and aircraft handling, ground support equipment, lounge operations, and greeting and escort services. As of December 31, 2023, the company serves over 40 airlines across 9 major Indonesian airports, In addition, their cargo handling services cover loading and unloading, documentation, transit and transfer, storage, and special cargo handling across 5 airports, serving international airlines and over 70 freight and forwarding companies.
- PT JAS Aero-Engineering Services, in which CASS holds 51% of ownership, provides aircraft line maintenance and technical ramp services. JAE offers line maintenance and technical ramp handling services, including regular maintenance checks up to A-checks for domestic and international aircraft. Services include certification, defect rectification, ground support equipment, aircraft cleaning, and engine borescope services. They serve over 40 airlines from Europe, the USA, the Middle East, Australia, and Asia at 14 airports in Indonesia. Approved by 17 aviation authorities, including Indonesia's DGCA, CASA, FAA, and CAAS, PT JAS Aero Engineering Services is certified to maintain many Airbus and Boeing aircraft, including the A380, A350, and B787.
- PT Purantara Mitra Angkasa Dua in which CASS holds 100% of ownership. Provides inflight catering services for both low-cost and full-service domestic and international flights. Serving 7 airline customers and 3 non-airline customers, the company operates at three airports: Soekarno-Hatta International Airport, Halim Perdanakusuma International Airport, and I Gusti Ngurah Rai International Airport.
- PT Cardig Anugrah Sarana in which CASS holds 100% of ownership. Provides catering services for industries, hospitals, schools, and offices, adhering to HACCP and ISO standards for logistics and raw material procurement. Serving major coal mining industries in Kalimantan like Mandiri Intiperkasa (MIP) and Borneo Indobara (BIB), the company produces over 3 million meal portions annually.

PT Jakarta Aviation Training Centre in which CASS holds 51% of ownership. Specializing in various programs, the center provides Type Rating Pilot Training for A-320 and B-737NG, Wet and Dry Lease arrangements, Differences Training, ATPL, Jet Orientation Courses, Aviation English proficiency, and air navigation training per Part143 Certification standards.

Figure 4. CASS's revenue contributor 1Q24



Source: Company data, Mirae Asset Sekuritas Indonesia Research

It's customer

The Company has partnerships with international and domestic airlines, providing a range of services to meet various airline needs. It also maintains strong relationships with courier and cargo companies. Below is a list of the Company's clients in 2023, reflecting its work with key industry players:

Figure 5. CASS's Customer Base

No	Perseroan Company	No	Perseroan Company	No	Perseroan Company
1	Air Asia Phillipine	31	PT Jasa Angkasa Semesta Tbk Longe DPS	61	Saudi Arabian Airlines
2	Air Atlanta Icelandic	32	Jet Executive Travia	62	Scoot
3	Air New Zealand	33	Jetstar Airways	63	Silkway West Airlines-Freighter
4	Air Vistara	34	Jetstar Asia Airways	64	Singapore Airlines
5	Airasia Malaysia	35	K_mile	65	Skytaxi
6	Airasia X Berhard	36	K_mile Airlines - Freighter	66	Srilankan Airlines
7	Airfast Indonesia	37	Kharisma Bahana Aviasi	67	Sriwijaya Air
8	All Nippon Airways	38	Kharisma Wawasan Berjaya	68	Susi Air
9	Asiana Airlines	39	Kokapura	69	Thai Airasia
10	Bbn Airlines - Freighther	40	Korean Airlines	70	Thai Airways
11	Black Stone Airlines - Freighter	41	Lion Group	71	TMMIN Plant Karawang & HO Sunter
12	Borneo Indobara Site Angsana	42	Malaysia Airlines	72	Transnusa
13	Cardig Air - Freighter	43	Malaysia Airlines - Frighther	73	Travira Airlines
14	Cargolux	44	Mandiri Inti Perkasa	74	Tri-MG
15	Cargolux Airlines - Freighter	45	Menara Angkasa Semesta	75	Turkish Airlines
16	Cathay Pacific Airways	46	My Indo Airlines	76	US Government
17	Cathay Pacific-Freighter	47	Nam Air	77	Virgin Australia
18	Cebu Pacific	48	National Airlines-Freighter	78	Wira Adira Jasa
19	China Cargo Airlines-Freighter	49	Oman Air		
20	China Eastern Airlines	50	Pelita Air Service		
21	Easy Charter	51	Philippine Airasia		
22	Egyptair	52	Philippine Airlines		
23	Emirates	53	PT. TBM Aviasi		
24	Etihad Airways	54	Qantas Airways		
25	Eva Air	55	Qantas Airways - Freighter		
26	Fedex	56	Qatar Airways		
27	Fly Pro Srl	57	Raya Airlines		
28	Gapura Angkasa Semesta	58	Royal Brunei Airlines		
29	Garuda Indonesia	59	RS Yarsi		
30	Indonesia Airasia	60	Sari Rahayu Biomantara		

Source: Company data, Mirae Asset Sekuritas Indonesia Research

Industry at a glance

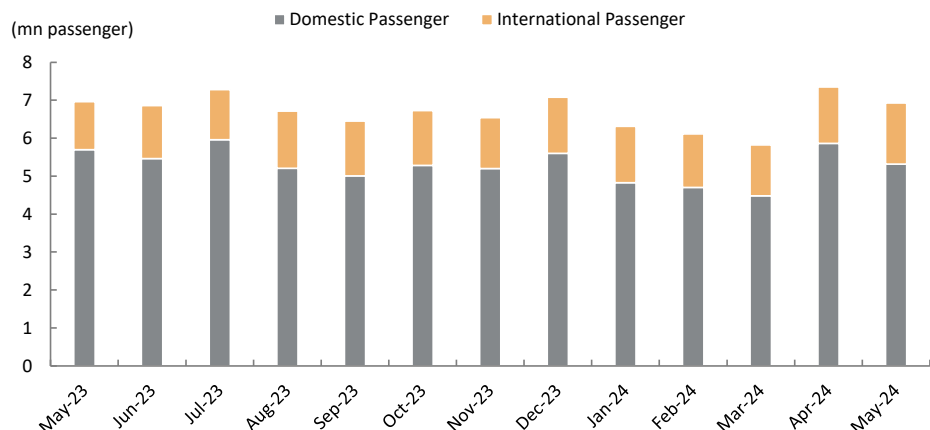
Indonesia is Experiencing Post Covid Aviation Sector Growth

The Indonesian aviation sector, the largest in Southeast Asia, is crucial for connecting its vast archipelago of over 17,000 islands. It ranks as the world's second-fastest growing aviation market after China, driven by significant investments in aircraft and trade activities. Despite infrastructure and human resource challenges, the sector has shown resilience, rebounding to 80% of pre-pandemic passenger numbers. State-Owned Enterprises Angkasa Pura I and II manage 683 airports, indicating strong growth in passenger and cargo movements. However, high domestic airline ticket prices, due to an oligopolistic market dominated by Garuda Indonesia, Lion Air, and Citilink, limit competition and consumer choices. The scarcity of Low-Cost Carriers (LCCs) and reluctance of new entrants further exacerbate this issue. Policies to improve safety have also contributed to higher fares. In contrast, Thailand's success with LCCs like Nok Air shows that increased competition can lower fares, enhance services, and boost tourism, with data indicating that a 10% fare decrease can increase tourist arrivals by 3-5%. Indonesia's aviation industry ranks 7th globally in terms of growth. By 2037, it is predicted that at least 390mn passengers will fly to and from Indonesia.

Badan Pusat Statistics (BPS) reported that domestic flight passengers in Indonesia totaled 5.31mn in May 2024, a 9.36% decrease from April 2024. Notable declines were seen at Kualanamu-Medan (-16.89%), Hasanuddin-Makassar (-12.80%), and Soekarno Hatta-Tangerang (-2.86%), while Ngurah Rai-Denpasar increased by 6.77% and Juanda-Surabaya remained stable.

From January to May 2024, domestic air passengers reached 25.2mn, a 1.11% increase from the same period last year. International air passengers in May 2024 were 1.6mn, up 7.12% from April 2024, with significant increases at Hasanuddin-Makassar (+76.60%) and Ngurah Rai-Denpasar (+10.23%). Declines were noted at Kualanamu-Medan (-10.42%), Juanda-Surabaya (-5.72%), and Soekarno Hatta-Tangerang (-0.20%). From January to May 2024, international air passengers totaled 7.4mn, a 29.17% increase from the same period last year. In the first half of 2024, Indonesia's cargo traffic included 252,553 tonnes of domestic cargo, a 61% growth compared to the first half of 2019, and 59,683 tonnes of international cargo, achieving a 51% recovery rate.

Figure 6. Trends in # of Airplane Passengers on Domestic & International Routes



Source: Mirae Asset Sekuritas Indonesia Research

Aviation recovery in Indonesia may pose a challenge

Despite the predicted recovery of Indonesia's aviation industry in 2024, several significant challenges persist. On the supply side, the industry faces a shortage of operational aircraft, with only 393 commercial passenger planes in service as of August 30, 2023, compared to the ideal 700 needed. This limitation is compounded by disruptions in the aircraft spare parts supply chain due to the ongoing impacts of COVID-19 and the prolonged Russian-Ukrainian war, affecting maintenance and safety standards.

Domestic flights currently serve 261 routes connecting 121 cities in Indonesia with 13 airlines, while international flights cover 121 routes connecting 14 Indonesian cities with 53 cities in 26 countries, involving seven Indonesian and 45 foreign operators. The supply constraints have led to technical issues, such as aircraft failing to take off due to mechanical problems, which can threaten service quality and safety.

On the demand side, high air transportation rates, driven by elevated aviation fuel prices, leasing costs, and other operational expenses, remain a concern. The Ministry of Transportation's Decision No. KM 7 of 2023 allows airlines to impose fuel surcharges, exacerbating the cost issue. Additionally, the weak exchange rate of the rupiah against major currencies like the US dollar has significantly impacted the industry, increasing costs for airplane rentals, components, spare parts, and insurance, which are mostly priced in foreign currency.

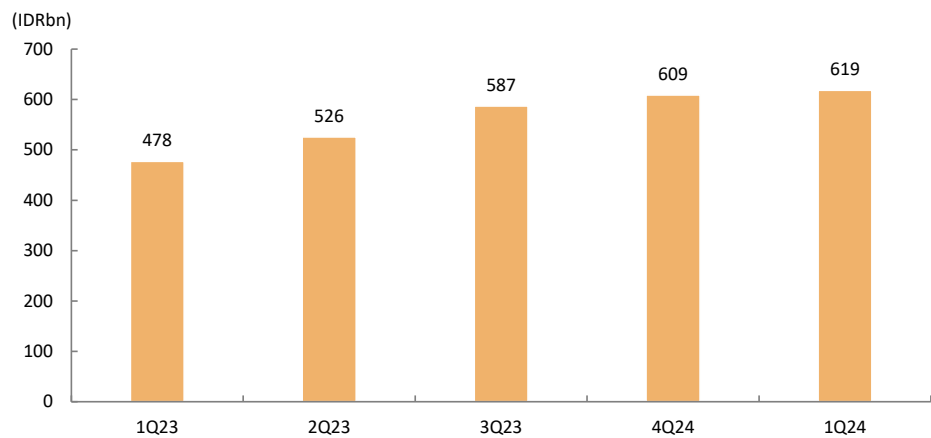
To address these challenges, collaboration among aviation stakeholders in Indonesia is crucial. Government incentives can help reduce operators' burdens, keeping airfare costs lower and more affordable. This approach will support the continued increase in passenger numbers, benefiting the aviation industry and driving regional economic progress. Enhanced air transportation accessibility will also boost investments in business and tourism, fostering overall economic development.

Financial & Operational Analysis

Operating Revenue

As of 1Q24, the company reported a +29.5% YoY increase in operating revenue, rising from IDR 477.6bn in the same period 1Q23 to IDR618.5bn tr. This growth in revenue is primarily attributed to an increase in cargo and ground handling portion of the business increase from IDR383.3bn in 1Q23 to IDR497.9bn in 1Q24. This remained in line with an increase in total passenger for this 1Q24 compared to the previous year.

Figure 7. Operating Revenue



Source: Mirae Asset Sekuritas Indonesia Research

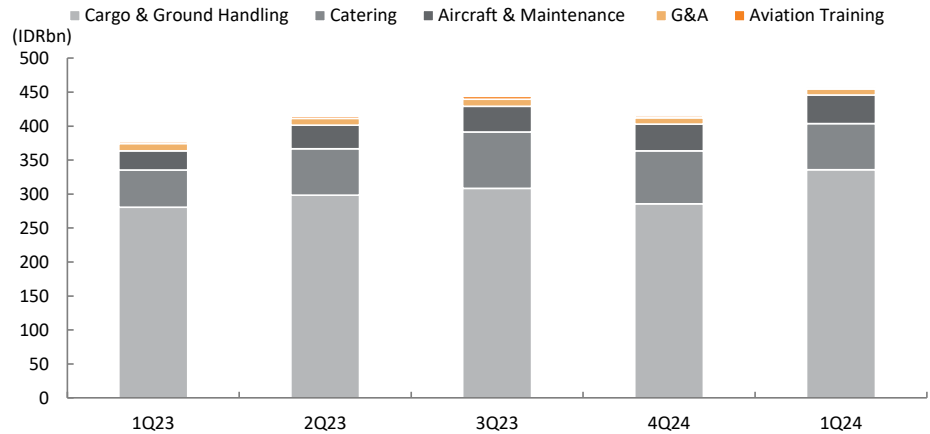
Operating Expenses

In 1Q24, operating expenses rose by 21.0% YoY, from IDR377.0bn in 1Q23 to IDR456.2bn in 1Q24. This increase was primarily driven by growth in cargo and ground handling costs, which went from IDR280.8bn in 1Q23 to IDR335.7bn in 1Q24. Despite this rise, the expense growth was outpaced by revenue growth, indicating strong performance. The largest expense components were salaries and employee benefits, and transportation costs. Salaries and benefits increased from IDR82.0bn in 1Q23 to IDR104.1bn in 1Q24 due to higher employee numbers driven by increased demand, which also led to higher transportation costs.

Interestingly, general and administrative expenses decreased from IDR10.6bn to IDR9.0bn in 1Q24. This reduction suggests that the administrative headcount remained stable or slightly decreased, with most new hires concentrated in cargo and ground handling roles.

For other expenses, catering expenses and Maintenance expenses both increased from IDR54.5bn and IDR28.4bn in 1Q23 to IDR68.2bn and IDR42.0bn in 1Q24, respectively. This increase in expenses is justified by the increase in revenue from both the catering and maintenance services increasing from IDR56.2bn and IDR36.0bn in 1Q23 to IDR74.8bn and IDR45.8bn in 1Q24, respectively.

Figure 8. Operating Expenses

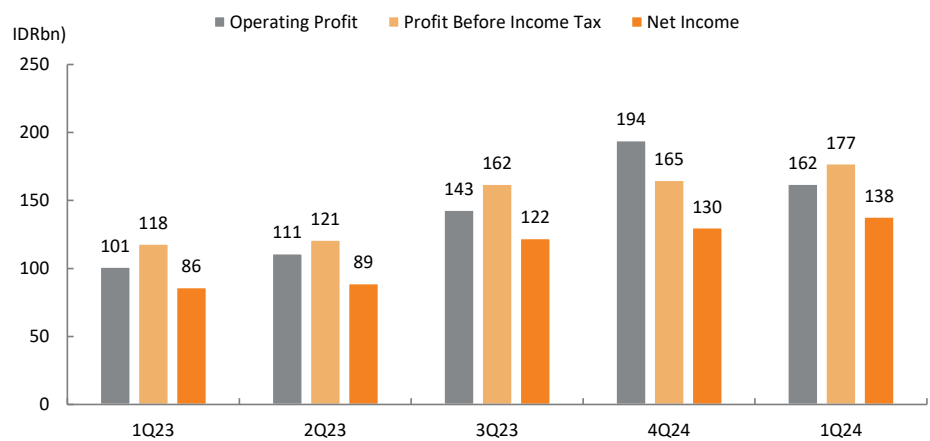


Source: Mirae Asset Sekuritas Indonesia Research

Operating Profit, Profit Before Tax and Net Profit

Due to revenue growth outpacing expense growth, CASS’s operating profit increased from IDR100.6bn in 1Q23 to IDR162.3bn in 1Q24, marking a 61.3% YoY rise. Profit before income tax also grew from IDR118.0bn in 1Q23 to IDR177.3bn in 1Q24, a 50.2% YoY increase, mainly due to improved operating profit and stable financing income and costs. Profit after tax rose from IDR86.6bn in 1Q23 to IDR138.3bn in 1Q24, a 59.7% YoY increase. Profit attributable to the parent company, after deducting non-controlling interest, surged from IDR38.7bn in 1Q23 to IDR73.6bn in 1Q24, a 90.1% YoY increase. Overall, these results reflect strong profitability growth.

Figure 9. Operating Profit, Profit Before Tax and Net Profit



Source: Mirae Asset Sekuritas Indonesia Research

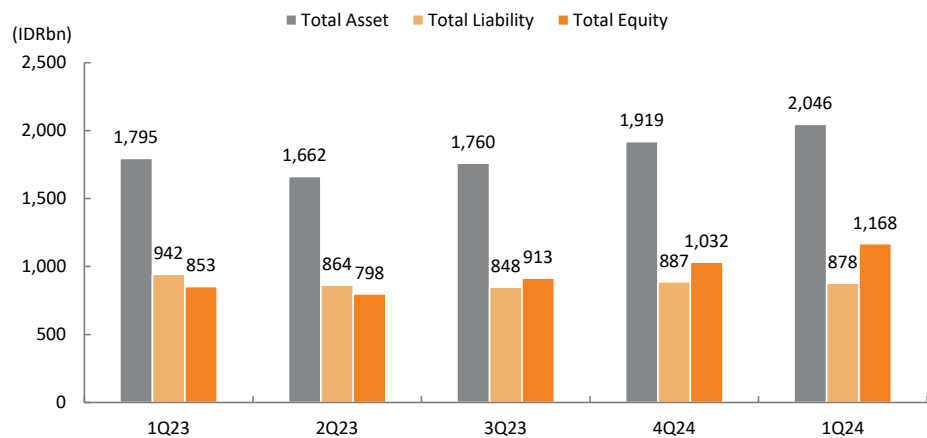
Balance Sheet

CASS's current assets increased by 11.9% YoY, from IDR1.01tr in 1Q23 to IDR1.13tr in 1Q24. This growth was primarily driven by a rise in cash and cash equivalents due to healthy cash flow, as well as an increase in advances and prepaid expenses. Non-current assets saw a slight increase, particularly in fixed assets and right-of-use assets, which grew from IDR449.8bn and IDR96.2bn in 1Q23 to IDR452.9bn and IDR107.8bn in 1Q24, respectively. Overall, total assets rose from IDR1.92tr in 1Q23 to IDR2.05tr in 1Q24.

Current liabilities decreased from IDR758.3bn in FY23 to IDR743.0bn in 1Q24. Non-current liabilities increased from IDR128.7bn in FY23 to IDR135.5bn in 1Q24, mainly due to higher lease liabilities. Despite this, total liabilities decreased from IDR887.0bn in FY23 to IDR878.5bn in 1Q24.

Total equity experienced a notable increase, rising from IDR1.03tr in FY23 to IDR1.17tr in 1Q24, an increase of 13.4% YoY. This growth was primarily attributed to an increase in unappropriated retained earnings.

Figure 10. Total Asset, Liabilities and Equity



Source: Mirae Asset Sekuritas Indonesia Research

Investment Thesis

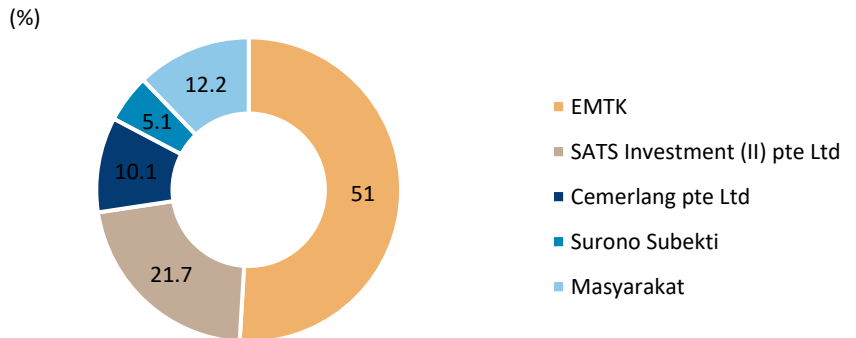
EMTK's majority stake acquisition

Better management team should positive impact CASS's performance

EMTK's subsidiary Rokat Cipta Sentosa, after acquiring a 51% stake in PT Cardig Aero Services Tbk (CASS) for IDR872.76bn, has allocated IDR317.01bn for further investment. Recognizing CASS's strong performance, Rokat Cipta Sentosa, owned by Eddy Sariaatmadja, is launching a mandatory tender offer for up to 359,014,900 shares (17.2% of CASS's total capital) at IDR883 per share, from June 5 to July 4, 2024, as per KSEI's announcement.

We view EMTK's acquisition of CASS as a win-win solution. CASS has a solid business model but suffered from poor management. With EMTK's control, CASS is expected to improve in integrity and longevity, demonstrating rapid growth potential. For EMTK, acquiring CASS means gaining majority stake of a company that can generate nearly IDR0.5tr in annual net profit with solid and proven business model.

Figure 11. CASS composition post EMTK acquisition



Source: Mirae Asset Sekuritas Indonesia Research

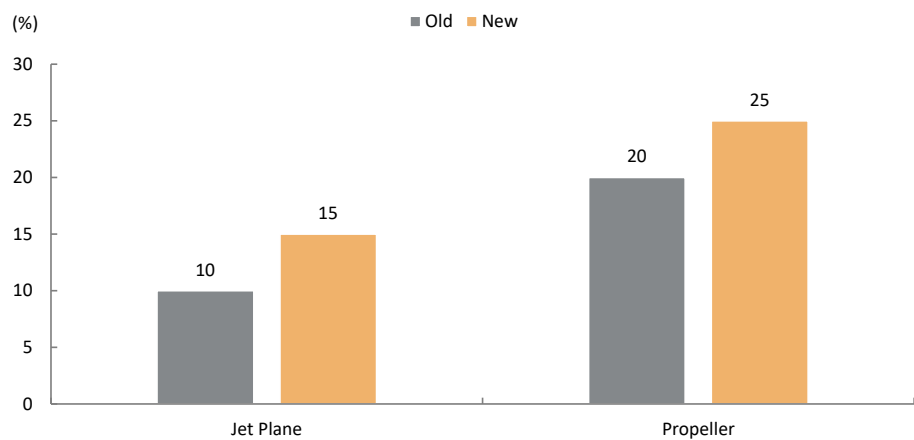
Anticipating Flight Demand to Continue to grow

We anticipate an increase in flights for 2024 and 2025 onwards post COVID recovery. One of the avenues is through pilgrimage. Saudi Arabia aims to increase the number of umrah pilgrims from Indonesia to over 2mn in 2024, up from 1.5mn last year. Alhasan Aldabbagh, President of APAC Markets at the Saudi Tourism Authority, highlighted the strong relations between Indonesia and Saudi Arabia and noted that the Saudi tourism sector is actively promoting in Indonesia to boost visitor numbers. New regulations now allow umrah to be performed with various types of visas, including personal, family, transit, work, and e-visas. The umrah visa is valid for 90 days, while the tourist visa, which also permits umrah, is valid for one year with multiple entries.

We are also noticing other airlines reporting an increase in flights such as Garuda Indonesia managed to carry 5.42mn passengers in 1Q24, an increase of +19% YoY compared to 1Q23. Frequency of flights also increased to 39,700 flights in 1Q24, an increase of +15% YoY. They are expecting and preparing for the operational side starting 2Q24 for the Haji trip. We expect an increase in flights frequency during this particular period until EOY24.

Due to a weaker purchasing power in 2024, we observe a reduction in total passenger and flight frequency in 2024. However, we anticipate that flight prices would gradually start to decrease soon to encourage people to travel. Minister of Tourism and Creative Economy, Sandiaga Uno, aims to reduce domestic airline ticket prices by 10% before his term ends in October 2024. This initiative addresses the high-ticket prices in Eastern Indonesia and Sumatra, aiming to alleviate the financial burden on the public. The government has formed a task force to focus on reducing flight costs and improving the efficiency of air travel in Indonesia by potentially raising the Upper Limit Tariff (TBA) so that airline revenue can increase to at least exceed the cost incurred or reduce the cost that arise in ticket component such as lowering avtur prices, elimination taxes and import duties, facilitating aircraft imports and subsidizing passenger services charges (PSC) costs. We believe that this will be the much needed catalyst to propel the aviation industry in 2H24 and FY25.

Figure 12. Tarif Fuel Surcharge Increases



Source: Mirae Asset Sekuritas Indonesia Research

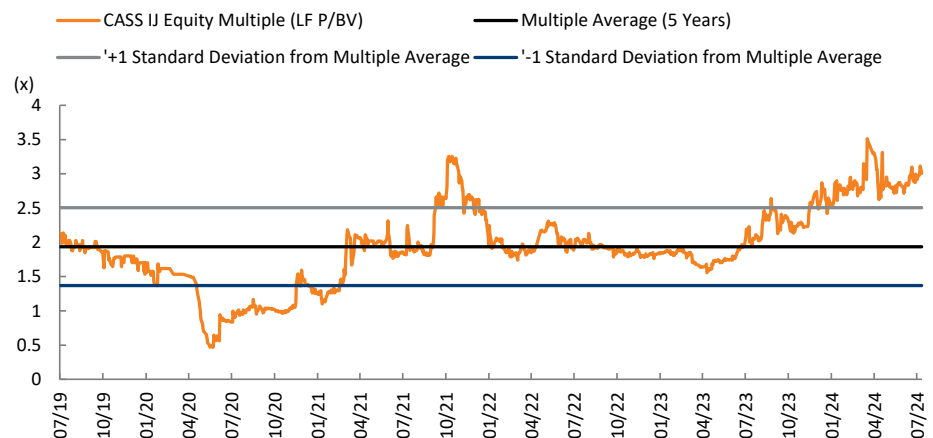
Valuation and Recommendation

Trading at Undemanding Valuation

Although CASS has not been assigned a rating, its business prospects appear promising. Despite trading above the +1-standard deviation, there is potential for CASS to improve as flight frequencies in Indonesia are expected to increase in 2024 and 2025, surpassing pre-pandemic level.

EMTK's investment in CASS and potential changes in the Board of Directors are seen as positive developments as well. Currently, CASS is trading at 3.0 times its price-to-book value (P/BV), higher than the historical 5-year P/Bv average of 1.9 times.

Figure 13. CASS's 5 Year Latest Filing P/BV Band



Source: Mirae Asset Sekuritas Indonesia Research

Table 2. Peers Comparable (Current)

Ticker	Market cap (IDRtr)	EV (IDRtr)	Net profit (IDR bn)	Book Val (IDR tr)	NPM (%)	P/E (x) TTM	EV/EBITDA (x)	ROE (%)	ROA (%)
PT Cardig Aero Services (CASS IJ)	2.37	2.31	73.61	377.39	11.90	9.71	3.24	34.46	12.71
Cellibi Hava Sevisi (CLEBI TI)	26.57	27.09	258.62	109.90	14.48	25.04	15.18	48.75	16.23
Malaysia Airport HLDGS (MAHB MK)	59.16	71.61	582.75	14.49	14.06	27.19	8.96	9.02	3.47
United projects for Aviation (UPAC KK)	3.56	9.35	31.42	14.42	27.58	42.74	44.25	1.49	0.72

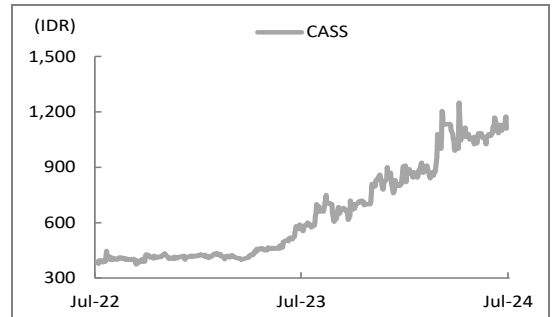
Source: Mirae Asset Sekuritas Indonesia Research

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (IDR)
Cardig Aero Services (CASS IJ)	7/30/24	Not rated	



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of PT Mirae Asset Sekuritas Indonesia, analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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