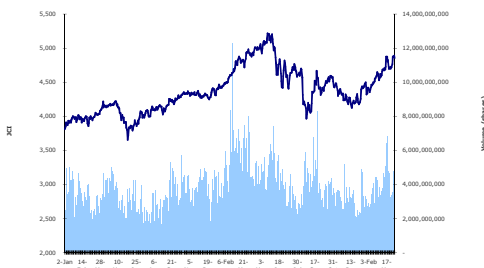


### PremierInsight

7 April 2014

JCI Index



	Closing
JCI	4,858
Transaction value (Rpbn)	4,405
Transaction volume (mn shares)	3,530
Foreign net buy (sell) (Rpbn)	(41)
Total market cap (Rpt)	4,499

Key Indexes				
Index	Closing	1 day return	1 year return	YTD return
JCI	4,858	-0.7%	-1.4%	13.7%
LQ45	820	-1.0%	-1.3%	15.3%
FSSTI	3,213	-0.2%	-2.6%	1.4%
SET	1,392	0.1%	-6.5%	7.2%
HSI	22,510	-0.2%	3.6%	-3.4%
NKY	15,064	-0.1%	17.4%	-9.1%
FTSE	6,696	0.7%	7.1%	-0.8%
DJI	16,413	-1.0%	12.7%	-1.0%

Macro Indicators		
Indicators	Latest	2014F
BI Rate (%)	7.50%	7.50%*
Inflation (%)	7.32%	9.66%
Govt Bond Yield (10yr %)	7.86%	8.50%

Exchange Rates			
Currency	Last price	Ret 1 day (%)	Ret 1 year (%)
USD/IDR	11,317	-0.06%	16.08%
SGD/IDR	8,951	-0.14%	13.97%
GBP/IDR	18,777	-0.13%	27.80%
HKD/IDR	1,459	-0.06%	16.16%
EUR/IDR	15,511	-0.49%	24.37%

Commodity price			
Commodities (in USD)	Last price	Ret 1 day (%)	Ret 1 year (%)
Oil/barrel (WTI)	101.1	0.8%	8.4%
CPO/tonne	814.1	0.9%	11.1%
Soy/bushel	14.8	-0.1%	7.4%
Rubber/kg	2.3	-0.3%	-10.1%
Nickel/tonne	16,342	0.5%	2.0%
Tins/tonne	23,154	-0.2%	1.9%
Copper/tonne	6,619	-0.4%	-10.7%
Gold/try.oz (Spot)	1,304	1.3%	-17.6%
Coal/tonne*	73.1	0.2%	-16.8%
Corn/bushel	4.9	0.4%	-21.8%
Wheat/bushel**	292.3	6.1%	-8.4%

\*: 1 week change  
\*\*: 1 month change

Source : Bloomberg

### Company Focus: BWPT

#### Leveraged to strong growth prospects

- Strong production growth outlook is driven by newly maturing trees.
- Rising tree productivity boosted margins and earnings in 4Q13.
- We raise our earnings forecasts by 9-7% for FY14-15F, respectively.
- Reiterate Buy with revised TP of Rp1,600 (from Rp1,450).

**We view BW Plantation (BWPT) as highly leveraged to production growth, as the new trees planted in the past five years are maturing, in turn boosting the company's operating efficiency and margins, as was evident in 4Q13. We raise our earnings forecasts by 9% for FY14F (7% for FY15F) due to its stronger CPO production outlook. With the new estates entering the harvest period, we expect stronger cash flow generation in the coming years to strengthen BWPT's balance sheet and lower its debt financing dependency. We reiterate BWPT as our top BUY in the sector.**

**Strong production growth outlook.** We raise our CPO production assumptions for BWPT by 3.1% to 178k tons for FY14F (+22% yoy) and by 3.5% to 219k tons for FY15F (+23% yoy) as the company's new estates are entering the harvest period, thus increasing its mature plantation area (by 16.6% CAGR in FY13-16F), while yields from its existing prime age trees are also improving. In addition, we expect its mills expansion to be completed on time this year – this should enable the increase in harvested fruits to translate into higher CPO production, sales volume and earnings. We are also positive on the company's long-term production growth outlook given the relatively low average age of its trees (10 years), its large land bank reserves (equivalent to 5 years of new planting) and still substantial number of immature trees (27,800 ha or 40% of total planted areas).

**Rising tree productivity.** We expect the company's fresh fruit bunch (FFB) yield to continue improving, from 15.0 tons per hectare in FY13 to 15.9 tons in FY15F, due to rising yields from its existing prime age trees, which more than offset the rising contribution of lower-yield younger-age trees in its portfolio. Rising yields, coupled with the strong growth in mature planted areas, should underpin BWPT's strong CPO production growth in the coming years, in our view.

**Earnings upgraded by 7-9%.** We raise our earnings forecasts by 9% for FY14F and 7% for FY15F due to our higher FFB and CPO production assumptions. BWPT's operating profit margins expanded to 35% in 4Q13 (3Q: 20%), while its net earnings almost quadrupled compared to 3Q, due to a combination of strong nucleus FFB production of 204k tons (+31% q-o-q) and higher CPO average selling price of Rp8,180/kg (+16% q-o-q) in the last quarter. This shows the effect of high operating leverage, as BWPT's stronger output translates to better economies of scale given relatively fixed operating cost per hectare of planted areas. In addition, financial leverage is high due to estate expansions in recent years.

**Reiterate Buy.** BWPT's strong CPO production growth outlook should boost its cash flow generation and strengthen its balance sheet, thus mitigating concerns over the company's high financial leverage arising from its aggressive expansion in the past five years. We forecast free cash flow will start turning positive from FY14. In addition, its large land bank availability should help reduce its future capex and debt financing requirements. We raise our TP to Rp1,600 (from Rp1,450), based on our FY14F target P/E of 18x, in line with the stock's historical trading range of the past five years. BWPT remains our top BUY in the sector, along with Astra Agro Lestari (AALI JJ; Buy).

Key Financials	2012	2013	2014F	2015F	2016F
Sales	944	1,144	1,408	1,717	2,271
EBITDA	515	478	836	998	1,435
Net profit	262	182	397	479	805
EPS	59	41	89	107	180
Dividend yield	1.2%	1.7%	2.5%	2.2%	2.5%
EBIT margin	44%	28%	44%	43%	50%
ROIC	5%	3%	6%	7%	11%
EV/EBITDA	16.6	19.2	10.7	8.7	0.0
P/E	22.4	32.3	14.8	12.3	7.3

Source: BWPT, IndoPremier

## Corporates

**TLKM:** The AGM of Telkom Indonesia (TLKM) has approved dividend distribution of Rp102.3/share that translates into a yield of 4.5%. The management also pointed out its business strategy to focus on 1) double digit growth in cellular business 2) strengthen broadband infrastructure by the program of Indonesia digital network 2015 and 3) strengthen positioning in the international market. Therefore, Telkom will allocate capex of 20-25% of its revenue to support such strategy. (Bisnis Indonesia)

## Markets & Sectors

**Cement sector:** Holcim Ltd and Lafarge, the two largest cement manufacturers in the world, have agreed to merge and create a combined entity with market value of US\$55bn and annual sales of over US\$40bn. Both companies have approved that the new entity would be led by Lafarge's CEO, Bruno Lafont. It has been reported that executives from both companies are already working on antitrust issues as the industry's biggest ever tie-up will definitely draw scrutiny from global competition watchdogs. Such strategic deal will help both sides to cut costs, trim debt, and tackle global overcapacity issues.

In the Indonesian market, should such merger be passed down to its local subsidiaries, this would mean publicly-listed Holcim Indonesia (SMCB) will gain access to Lafarge's Semen Andalas' markets in Aceh, North Sumatera, and Riau. Semen Andalas currently has total capacity of 1.6 mtpa located in Banda Aceh, Sumatera. (Reuters, IndoPremier)

**Consumer sector:** Indonesia will soon impose definitive measure including a quota on wheat flour imports in a bid to protect local wheat producers from further financial losses. The government would impose a quota of 441,141 tons on wheat flour imports from May until the end of the year. At present, Indonesia imposes a 5% import duty on imported wheat flour. Apart from setting the import quota, the government will also require imported wheat flour to be shipped through seven seaports. (Jakarta Post)

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### INVESTMENT RATINGS

Buy : Expected total return of 10% or more within a 12-month period

Hold: Expected total return between -10% and 10% within a 12-month period

Sell : Expected total return of -10% or worse within a 12-month period

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