INDOPREMIER

PremierInsight

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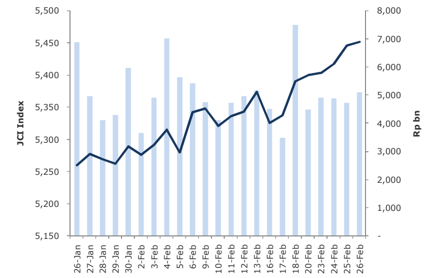
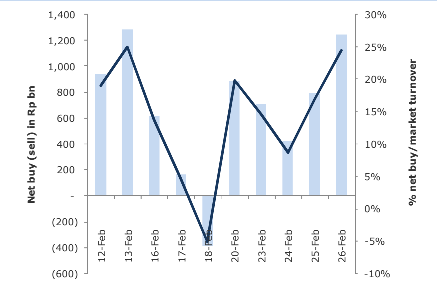
Equity | Indonesia | Research Daily

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,451	0.1%	19.3%	4.3%
LQ45	950	-0.1%	24.2%	5.7%
DJI	18,214	-0.1%	11.9%	2.2%
SET	1,594	0.3%	20.9%	6.4%
HSI	24,902	0.5%	9.1%	5.5%
NKY	18,786	1.1%	25.9%	7.8%
FTSE	6,950	0.2%	2.0%	5.8%
FSSTI	3,426	-0.4%	10.6%	1.8%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	48.2	-4.4%	-53.0%
CPO/tonne	631.6	1.2%	-19.0%
Soy/bushel	10.2	1.6%	-27.6%
Rubber/kg	1.9	0.4%	-11.8%
Nickel/tonne	14,323	0.0%	1.0%
Tins/tonne	18,068	-0.1%	-23.5%
Copper/tonne	5,918	2.0%	-16.7%
Gold/try.oz (Spot)	1,209	0.4%	-9.2%
Coal/tonne*	61.8	-1.0%	-25.4%
Corn/bushel	3.7	1.2%	-16.7%
Wheat/bushel**	248.5	-7.9%	-9.8%

** : 1 week change*

***: 1 month change*

Source : Bloomberg

Adhi Karya (ADHI IJ; Buy)

Improved performance, upgrade to BUY

- **FY14 earnings above estimates….**
- **…. Leading to 27.6-16.9% earnings upgrade in FY15-16**
- **Expect more projects post rights issue**
- **Upgrade to BUY with TP of Rp4,400.**

FY14 Result: Above-estimates earnings. Adhi Karya reported 4Q14 earnings of Rp233bn, slightly down yoy but up 460% qoq, which led to FY14 net profit of Rp324bn, down 20% yoy. Despite reported slow performance, this FY14 result was 21% above our forecast and 10% above consensus estimates. On the top line, ADHI booked FY14 revenue of Rp8.6tn, down 11.7% yoy, on the back of slower-than-expected new contracts in FY14 of Rp9.2tn (FY13: Rp10.8tn). Slow top line combined with higher interest expense resulted in ADHI booking low FY14 net profit margin of 3.7% (FY13: 4.1%).

2015: Hopeful of improved performance. ADHI targets robust FY15 new contracts of Rp15.2tn, translating to 65% yoy growth, which is the second highest target (after WIKA's 70% yoy). On top of a major contribution from construction services to this year's new contracts (82% of the total), the company targets to book the remaining contracts from property (Rp1.7tn) and EPC/Precast (Rp1tn). We are hopeful that increasing government spending on infrastructure would help ADHI book robust new contracts growth this year.

27.6-16.9% upgrade to FY15-16F earnings. On the back of the higher-than-expected FY14 result and strong FY15 new contracts (+40% yoy), we expect ADHI to book strong FY15-16 revenue growth of 31% and 16% to Rp11.3tn and Rp13.2tn, respectively. Improved margin in construction/EPC business with steady revenue contribution from high-margin businesses (property/real estate) would help the company book improved margins across the board, we believe. It is also worth noting that we assume the company will implement prudent risk management and book minimum allowance for receivables allowance from 2015 onward. Hence, we raise our FY15-16F earnings estimates by 27.6% and 16.9% to Rp378bn and Rp437bn, respectively.

Upgrade to BUY with higher TP. Post the rights issue, ADHI will have a larger capacity to secure more projects, which would filter through to greater earnings in the coming years. Therefore, given its potential growth from multiyear projects, we believe we will see further rerating on construction sector. We upgrade our TP on ADHI to Rp4,400, implying FY16F P/E of 18.1x, a 30% discount to the sector. Risks to our recommendation; continued slow new contracts booking and higher interest rates.

Year To 31 Dec	2012A	2013A	2014F	2015F	2016F
Revenue(RpBn)	7,628	9,800	8,654	11,333	13,242
EBITDA(RpBn)	706	874	613	1,073	1,178
EBITDA Growth (%)	46.0	23.8	(29.8)	74.9	9.8
Net Profit(RpBn)	212	406	324	378	437
EPS (Rp)	117	225	180	210	243
EPS Growth (%)	16.2	91.9	(20.2)	16.7	15.6
Net Gearing (%)	70.3	42.2	127.2	140.0	155.6
PER (x)	29.3	15.3	19.1	16.4	14.2
PBV (x)	5.2	4.0	3.5	3.0	2.6
Dividend Yield (%)	0.7	2.0	1.6	1.8	2.1
EV/EBITDA (x)	7.7	6.0	11.1	6.9	7.0

Source : ADHI,IndoPremier *Share Price Closing as of : 25-February-2015*

News & Analysis

Corporates

ASII: Astra International (ASII IJ; Rp8,050; Buy) has announced its financial result FY14 with highlights:

- Net income declined by -1.2% yoy to Rp19.2tn in FY14, of which the result was below our expectation due to unexpected coal asset impairment of Rp2.7tn due to lower coal price. Stripping out the impairment of coal asset, our number were inline with the result reflect an increase of 4% yoy to Rp20.1tn. Overall strong recovery from commodity sector, sound performance from financing and 2W was negated by weak performance from 4W due to increasing competition and relative weak demand leading to heavy discounting.
- 4W sales volume was down by 6% yoy to 614,000 units faster than the industry decline of 2% yoy. As a result Astra's 4W market share fell by 2pct point to 51%. 2W performance was outstanding, as Astra's sales volume rose 8% yoy to 5.1mn enlarging its market share by 3 pct points to 64%. Automotive component's net income also fell 15% yoy to Rp872 as AUTO was not able to completely pass on cost increases to its principle. All-in-all net income contribution from automotive fell 14% to Rp8.5tn in FY14.
- Despite weak 4W and heavy equipment financing, the contribution from the finance sector was mainly flat. Reported net income contribution increase by 11% to Rp4.7tn which includes on off gains from the acquisition of Astra Aviva Life. Astra Sedaya's net income grew 15% yoy to Rp1.2tn, while FIF's net income grew 8% yoy to Rp1.3tn. Meanwhile, Net income of Bank Permata fell 8% yoy to Rp1.6tn.
- Heavy equipment division experienced a strong rebound with net profit growth of 43% yoy (omitting asset impairment of Rp1.5tn) mainly supported by strong performance in mining contracting and coal mining that experienced revenue growth of 6% and 22%, respectively. Meanwhile, heavy equipment sales continue to suffer with revenue decline of 4%.
- The agribusiness division booked net profit of Rp2.0tn (+39% yoy) thanks to CPO price recovery by 14% yoy despite declining sales volume by 13% yoy.
- Lower oil price could benefit demand for 4W and 2W, while improving profitability of mining contracting division. We expect the company to improve margins in component manufacturing as well as in 4W distribution as competition seems to be easing off. Nevertheless, 4W sales will not pick up due to the long wait for a new low MPV model. We only expect major facelift for the low MPV model, but a new Kijang model should be expected this year. At the moment we maintain our Buy call with TP Rp9,100.

Rpbn	FY14	FY13	%	4Q14	3Q14	%	FY14	% of forecast
Net revenue	201,701	193,880	4.0	51,119	49,054	4.2	193,375	104.3%
Gross profit	38,809	35,311	9.9	10,022	9,643	3.9	36,188	107.2%
Operating profit	20,163	18,603	8.4	5,503	4,740	16.1	19,124	105.4%
Net interest	151	(166)	nm	15	(160)	(109.4)	(218)	-69.2%
Forex	(126)	(751)	nm	(40)	219	(118.3)	-	nm
Others	925	3,540	(73.9)	(1,462)	965	(251.5)	3,502	26.4%
Jointly controlled	5,020	4,994	0.5	1,204	1,038	16.0	5,310	94.5%
Associates	1,219	1,303	(6.4)	398	270	47.4	1,148	106.2%
EBT	27,352	27,523	(0.6)	5,618	7,072	(20.6)	28,866	94.8%
Tax	(5,227)	(5,226)	0.0	(961)	(1,425)	(32.6)	(5,484)	95.3%
Net profit	22,125	22,297	(0.8)	4,657	5,647	(17.5)	23,381	94.6%
Minority	(2,944)	(2,880)	2.2	32	(970)	(103.3)	(2,923)	100.7%
Net profit to parent	19,181	19,417	(1.2)	4,689	4,677	0.3	20,459	93.8%
Gross margin	19.2	18.2		19.6	19.7		18.7	
Operating margin	10.0	9.6		10.8	9.7		9.9	
Net margin	11.0	11.5		9.1	11.5		12.1	

Source: ASII, IndoPremier

JPFA: Japfa Comfeed (JPFA IJ; Rp880; Not rated) reported FY14 revenue of Rp24tn, up 14.2%yoy with all business divisions managed to grow, except DOC. With higher input costs and low selling prices, net margin eroded by 142bps, bringing FY14 net profit to Rp332bn (-44.2%yoy). JPFA's net profit was way below consensus estimates, making up only 64% due to higher taxes and other operating losses. We believe the results reflect the unexpectedly long down-cycle in Indonesian poultry industry on the back of weak consumer purchasing power and an oversupply of DOCs last year.

	4Q13 (Rpbn)	3Q14 (Rpbn)	4Q14 (Rpbn)	(q-q%)	Growth (y-y%)	FY14 (Rpbn)	FY13 (Rpbn)	Growth y-y%
Sales	5,435	6,501	5,765	-11.3%	6.1%	24,459	21,412	14.2%
COGS	(4,847)	(5,713)	(4,957)	-13.2%	2.3%	(21,033)	(17,794)	18.2%
Gross Profit	588	789	808	2.4%	37.4%	3,426	3,618	-5.3%
Opex	(454)	(529)	(534)	0.9%	17.7%	(2,150)	(1,815)	18.4%
Operating profit	134	260	274	5.4%	103.7%	1,276	1,803	-29.2%
Net profit	(172)	6	5	-19.3%	-102.8%	332	595	-44.2%
Gross margin	10.8%	12.1%	14.0%			14.0%	16.9%	
Operating margin	2.5%	4.0%	4.7%			5.2%	8.4%	
Net margin	-3.2%	0.1%	0.1%			1.4%	2.8%	

Source: Japfa Comfeed

Markets & Sectors

Healthcare sector: Indonesian hospital operator Mitra Keluarga (largest hospitals by patients volume) aims to raise up to Rp4.7tn (US$366.2mn) after pricing its IPO in a range of Rp14,500-18,000/share. 56% of the proceeds will be used to establish new hospitals, 20% to purchase new medical equipment, 16% for land acquisition and 8% to expand its current hospitals. The company intends to open seven new hospitals in Greater Jakarta and in Surabaya, East Java, in the next five years. (Reuters; IndoPremier)

Economic Update

Primary balance: The House of Representative indicated the plan to revise income repatriation requirement. The revised version can be achieved by setting the minimum time for repatriation (China: 6 months, India: 1 year) and establishing the minimum reserve that should be put in Bank Indonesia for investment in foreign currencies. (Bisnis Indonesia)

Comment: The revision of the regulation (UU) may give the negative sentiment to the market regarding the free flow of capital's regime in Indonesia. On the other hand, it could help the deficit in primary income account (2014:-US$27.8) which in turn will reduce current account deficit (2014:-US$26.2). In this case, tax incentives as mentioned earlier by finance minister in the end of last year is preferable than the explicit restriction that may trigger a negative view.

INDOPREMIER

Head Office

PT INDO PREMIER SECURITIES

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

Institutional Equity & Private Client

Benny B. Soebagjo	Head of Equities	benny.soebagjo@ipc.co.id
Angkula Ruriawan	Equity Sales	angkula.ruriawan@ipc.co.id
Alexander Salim	Equity Sales	alexander.salim@ipc.co.id
Edward Azizy	Equity Sales	edazizy@ipc.co.id
Henry Sutanto	Equity Sales	henry.sutanto@ipc.co.id
Isna Alfiathi	Equity Sales	isna.alfiathi@ipc.co.id
Angky Amarylis	Sales Trader	angky.amarylis@ipc.co.id
Thomas Samuil	Sales Trader	thomas.samuil@ipc.co.id

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

ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analyst;s personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.