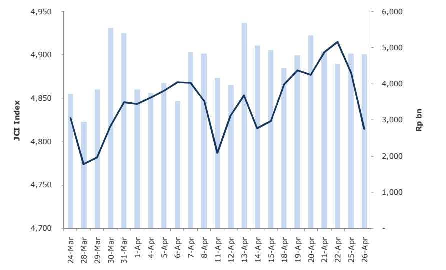
INDOPREMIER

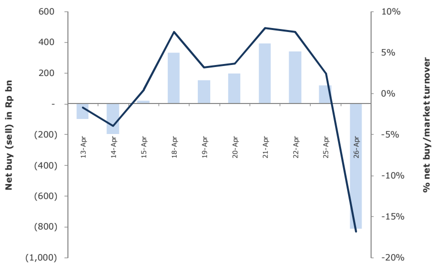
Premier Insight

27 April 2016

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,814	-1.3%	-8.2%	4.8%
LQ45	831	-1.8%	-8.8%	4.9%
DJI	17,990	0.1%	-0.3%	3.2%
SET	1,419	0.7%	-8.4%	10.2%
HSI	21,407	0.5%	-24.7%	-2.3%
NKY	17,353	-0.5%	-13.2%	-8.9%
FTSE	6,285	0.4%	-11.5%	0.7%
FSSTI	2,895	-0.2%	-17.7%	0.4%
EIDO	23	-0.9%	-11.4%	12.0%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	44.0	6.8%	-20.7%
CPO/tonne	615.8	0.8%	10.0%
Soy/bushel	10.1	1.8%	5.6%
Rubber/kg	1.9	0.8%	14.5%
Nickel/tonne	9,156	0.7%	-30.4%
Tins/tonne	17,478	-0.2%	10.6%
Copper/tonne	4,974	-0.7%	-17.5%
Gold/try.oz (Spot)	1,243	0.4%	3.5%
Coal/tonne*	51.1	1.1%	-12.8%
Corn/bushel	3.7	1.4%	4.4%
Wheat/bushel**	159.3	-3.2%	-21.1%

** : 1 week change*

***: 1 month change*

Source : Bloomberg

Bank BTN (BBTN IJ; Buy)

A return to strong profitable growth

- **Net profit was up 22% yoy in 1Q16; ROAE improved to 13.9%**
- **Strong loan/deposit growth (19%/20%) albeit with lower NIMs**
- **Decelerating new NPLs led to our lower credit cost assumption**
- **Earnings raised by 9-16%. Reiterate Buy with new TP of Rp2,000**

Strong results. BBTN's profit of Rp491bn in 1Q16 (+22% yoy) was in line with consensus estimate but ahead of our expectation (1Q15 profit at 23.5% of our FY16F forecast) given stronger earnings expected in the next three quarters. Meanwhile, core profit (PPOP) grew more modestly by only 11% as its operating expenses outpaced revenue growth (20% vs. 16%). More importantly, a decline in credit cost to 38bps in 1Q16 (vs. 64bps a year ago) supported improvement in its profitability ratios with ROAA/ROAE of 1.14%/13.9% in 1Q16. Earnings quality has also improved, in our view, as provisions/NPL coverage rose to 41.3%, from 30% a year earlier - the low coverage vs. peers reflects the bank's focus on home mortgages, which have strong loan recovery track record.

Strong loan growth. BBTN's loan portfolio grew 19% yoy in 1Q16, well ahead of industry growth (8.2% yoy as of February 2016), driven by growth of subsidized mortgage loans (+28%), construction loans (+25%) and non-housing consumer loans (+22%). Meanwhile, the bank's commercial (non-subsidized) housing loans grew 16% - this was still a robust growth in light of property market slowdown - while the bank's problematic commercial loans were stagnant. BBTN's strong loan growth, which was matched by its equally strong deposit growth (+20%), reflects the bank's key role in supporting the government's One Million Houses program. We expect BBTN to sustain its strong loan growth in the next four years.

Lower credit cost. BBTN's credit cost fell to 38bps in 1Q16 (1Q15: 64bps; FY15: 71bps), with its NPL ratio declining to 3.6% (vs. 4.8% a year ago) on the back of loan restructuring/recovery efforts, while its provisions/NPL coverage improved to 41% (from 30%). New NPL formation was 55bps of loans in 1Q16, sharply lower vs. 300bps a year ago – in turn this led us to lower our net credit cost assumption to 31-33bps for FY16-18F (FY15: 54bps), from 48-50bps previously.

Earnings and TP upgrades. We raise our earnings forecasts by 9%/12%/16% for FY16F/17F/18F, respectively, on the back of our lower credit cost assumption. We also raise our GGM-derived TP to Rp2,000 (from Rp1,600) as we increase our LT ROE assumption to 14.5% (from 13.5%) in light of the bank's improving profitability since 2015. We view BBTN as more defensive vs. peer Big Four banks in Indonesia from the negative impact of the government's target for single-digit lending rates while also having the strongest loan growth prospects given its role in supporting the government's low-cost housing program. Reiterate Buy.

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Operating income (RpBn)	6,172	7,706	8,833	10,129	11,793
PPOP (RpBn)	2,131	3,216	3,609	4,239	5,075
Net profit (RpBn)	1,116	1,851	2,269	2,674	3,170
Net profit growth (%)	-28.6	65.9	22.6	17.8	18.6
FD EPS (Rp)	105	175	214	252	299
P/E (x)	16.4	9.9	8.1	6.9	5.8
P/B (x)	1.5	1.3	1.1	0.9	0.8
Dividend yield (%)	1.1	1.8	2.2	2.6	3.1
ROAA (%)	0.8	1.2	1.2	1.2	1.2
ROAE (%)	9.5	14.4	14.6	14.6	15.2

Source: BBTN, IndoPremier *Share Price Closing as of : 25-April-2016*

News & Analysis

Corporates

AKRA: AKR Corporindo (AKRA IJ; Rp6,650; Not Rated) posted net profit of Rp255bn, down 13.6% yoy, accounting for 19.7% of consensus' FY16 estimate. AKRA's decreasing earnings were attributable to lower revenues (-25% qoq and -26% yoy), as all segments recorded lower revenues. Revenues from chemical and petroleum segment dropped -24% yoy and -25% qoq, revenues from manufacture division dropped -26% yoy and -23% qoq, logistic services posted -5% yoy and -8.5% qoq lower revenues, while industrial land and coal mining divisions posted no revenues in 1Q16 (vs. Rp121bn revenues generated in 1Q15). The management reveals that in 1Q16, AKRA posted higher sales volumes of industrial fuel, however, revenues from the segment declined due to lower petroleum prices. (AKRA)

AALI: Astra Agro Lestari (AALI IJ; Rp16,300; Buy) posted net profit of Rp402bn, jumped +167% yoy, accounting for 24% of our and consensus' FY16 estimates, which mostly attributable to forex gain of Rp245bn (vs. forex loss of Rp.246bn in 1Q15) as IDR strengthen against US$ while AALI holding US$505m (Rp6.7tn) dollar denominated debt. Operating profit reached Rp339bn, down -31% qoq and -25% yoy caused by lower ASP and lower margins stemming from higher exposure in olein segment. CPO sales volumes in 1Q16 reached 271k tons, up +5% yoy while olein sales jumping +78% yoy to 106k tons. However, average CPO price decreased 16% yoy to Rp6,593/kg. (AALI)

Comment: AALI's operational performance remains relatively in-line with our forecast as 1Q16 olein sales volumes formed 22% of our FY16 estimate while 1Q16 CPO sales volumes represent 23% of our FY16 forecast. Gross and operating margins despite lower than our FY16 forecast remain in-line with our view as we expect margin improvement in 2H16 helped by higher sales volumes and palm oil price.

(Rp Bn)	1Q16	1Q15	% Y-Y	1Q16	4Q15	% Q-Q	FY16F	% of forecast
Revenues	**3,018**	**3,233**	**(6.7)**	**3,018**	**2,712**	**11.3**	**15,023**	**20.1**
COGS	2,417	2,470	(2.1)	2,417	1,918	26.0		
Gross profit	**601**	**764**	**(21.3)**	**601**	**795**	**(24.3)**	**3,644**	**16.5**
G&A expenses	165	177	(6.4)	165	185	(10.7)		
Selling expenses	97	136	(28.9)	97	116	(16.8)		
Operating profit	**339**	**451**	**(24.8)**	**339**	**494**	**(31.3)**	**2,511**	**13.5**
Net interest inc. (exp)	(50)	(19)	na	(50)	(28)	na		
Forex gain (loss)	245	(246)	na	245	377	(35.0)		
Other	36	37	(3.4)	36	(76)	na		
Pretax profit	571	223	156.2	571	767	(25.5)	2,653	21.5
Tax	145	55	163.4	145	272	(46.5)		
Minority Interest	8	12	(29.8)	8	21	(61.3)		
Net profit	418	156	**167.5**	**418**	**474**	**(11.9)**	**1,722**	**24.2**
	1Q16	**1Q15**		**1Q16**	**4Q15**			
GPM (%)	19.9	23.6		19.9	29.3		24.3	
OPM (%)	11.2	14.0		11.2	18.2		16.7	
Pretax mgn (%)	18.9	6.9		18.9	28.3		17.7	
NPM (%)	13.8	4.8		13.8	17.5		11.5	

ASII: Astra International (ASII IJ; Rp7,200; Hold) has released its 1Q16 result which simply lacks evidence of recovery. The highlights are as follow:

- Net income down -22.0% yoy but higher +26.1% qoq, which was dragged by automotive -3% yoy, financial service -46% yoy and Heavy equipment -55.0% yoy. Growth was posted by agribusiness +168% yoy mostly because of forex gains, while infrastructure was up +128% yoy driven b earnings from toll roads and property.
- Weak net income from automotive was triggered by weak Astra's 4W sales volume -7% yoy (vs industry -5% yoy) and 2W sales volume of -0.3% yoy (vs industry of +6% yoy). Astra Otoprats earnings was down by 8% yoy also due to weak automotive market.
- Net income from the financial service was hardly hit as Bank Permata reported net loss of Rp376bn due to rising loan provision. Net income from car finance was

down 27% yoy, heavy equipment finance down -47% yoy, insurance business net income was down 31% yoy. Only finance of motorcycle grew 23% yoy and auto financing under Toyota was up 10% yoy.

- Heavy equipment net income was lower by -55.0% yoy driven by lower sales volume in heavy equipment (-35.0% yoy), while coal production fell -4.0% yoy, overburden down by -7.0% yoy and coal sales lower by -2.0% yoy.

Rp bn	1Q16	1Q15	%	1Q16	4Q15	%	FY16	% of forecast
Net revenue	41,887	45,187	(7.3)	41,887	46,019	(9.0)	183,270	22.9%
Gross profit	7,973	8,561	(6.9)	7,973	9,447	(15.6)	34,443	23.1%
Operating profit	3,379	3,719	(9.1)	3,379	4,469	(24.4)	14,976	22.6%
Net interest	(4)	87	(104.6)	(4)	(45)	(91.1)	1,206	-0.3%
Forex	(182)	47	(487.2)	(182)	(198)	(8.1)	-	nm
Others	476	805	na	476	(3,897)	(112.2)	3,324	14.3%
Jointly controlled	674	986	(31.6)	674	2,358	(71.4)	3,872	17.4%
Associates	144	305	(52.8)	144	(1,448)	(109.9)	1,181	12.2%
EBT	4,487	5,949	(24.6)	4,487	1,239	262.1	24,560	18.3%
Tax	(848)	(1,141)	(25.7)	(848)	(237)	257.8	(5,026)	16.9%
Net profit	3,639	4,808	(24.3)	3,639	1,002	263.2	19,534	18.6%
Minority	(527)	(816)	(35.4)	(527)	1,465	(136.0)	(1,563)	33.7%
Net profit to parent	3,112	3,992	(22.0)	3,112	2,467	26.1	17,971	17.3%
Gross margin	19.0	18.9		19.0	20.5		18.8	
Operating margin	8.1	8.2		8.1	9.7		8.2	
Net margin	8.7	10.6		8.7	2.2		10.7	

Soure: Company

Net Income Contribution	1Q16	1Q15	+/- %	1Q16	4Q15	
Automotive	1,580	1,621	*-2.5*	1,580	2,126	*-25.7*
Financial Service	641	1,191	*-46.2*	641	559	*14.7*
Heavy Equipment	442	983	*-55.0*	442	(1,000)	*na*
Agribusines	333	124	*168.5*	333	409	*-18.6*
Infra & Logistics	82	36	*127.8*	82	357	*-77.0*
IT/Others	34	37	*-8.1*	34	81	*-58.0*
Total	3,112	3,992	*-22.0*	3,112	2,532	*22.9*

Soure: Company

BDMN: Bank Danamon (BDMN IJ; Rp3,370; Hold) reported net profit of Rp814bn in 1Q16 (+18% yoy) on the back of declining operating cost and despite its shrinking loan portfolio (-7.3% yoy). Operating income was relatively flat in 1Q16 as the decline in loan balance was offset by better NIM of 8.35% (+34bps yoy). Operating cost fell 6.1% yoy on the back of the bank's restructuring efforts (branch closures, staff reductions etc.), thus supporting BDMN's core profit growth of 10% in 1Q16 (albeit a decline of 7.7% qoq vs. 4Q15). Meanwhile, loan provisions was flat yoy although credit cost rose to 360bps in 1Q (1Q15: 330bps), largely due to lower loan portfolio, although it was lower than in 4Q15 (450bps). NPL ratio was higher at 3.3% in 1Q16 vs. 2.5% a year earlier (4Q15: 3.0%). (Company)

Comment: BDMN's 1Q result is within expectations (1Q profit at 27%/25% of our/consensus FY16F estimates), in light of uncertainty whether the bank will incur another round of restructuring cost this year albeit it is likely to be lower than in the past two years. While restructuring has improved productivity and efficiency ratios, the bank's loan growth prospect is clouded by rising competition in the industry, particularly in light of the fall in lending rates towards single digit levels, as evident from management's expectation for the bank's SME lending rates to decline. We keep our Hold rating unchanged.

CTRP: Ciputra Property (CTRP IJ; Rp505; Buy) targets Ciputra world 2 Jakarta to finish end of the year. The project worth of Rp3tn and will include office, apartment and serviced apartment. Currently, 45% of total GFA from Ciputra world II has been sold. CTRP will allocated 50-60% of the tower to be sold on strata title basis while the remaining will be rented. Despite weak market, company still seeing high occupancy rate (~80%) on its serviced apartment in Ciputra world I. (Bisnis Indonesia)

HMSP: HM Sampoerna (HMSP IJ; Rp92,500; Hold) reported earnings of Rp3.1tn (+7.6yoy;+12.7%qoq), in-line with our/consensus estimates, despite negative volume growth of 9%. The revenue stood at Rp 21.9tn (+1.7%yoy;-6.9%qoq), driven by the growth in SKM segment of 4.2%yoy. SKM segments, accounting for 63.1% of total sales, reported flat sales growth of 0.9%, while SKT grew 4.2% yoy. The gross margin expanded by 40bps on lower excise tax at 44.9% of total sales (1Q15:47.8% of total sales) due to change in product mix and slightly lower raw materials at 11% of total sales (1Q15:12.6% of total sales). (Company)

Comment: The earnings were in-line with our expectation, accounting 26.2% of our FY16 estimates. Despite a negative sales volume of 9%, the revenue still grew 1.7%yoy. The improving gross margin was due to modest excise expense and favorable raw materials cost. Going forward, We expect to see more sales recovery due to improving consumer purchasing power in the next couple of months.

							3M/ FY Forecast		3M/FY Consensus	
(in Rp bn)	1Q16	1Q15	YoY	1Q16	4Q15	QoQ	2015	2016	2015	2016
Revenue	21,921	21,562	1.7%	21,921	23,552	-6.9%	24.2%	21.6%	24.3%	21.8%
Gross Profit	5,653	5,469	3.4%	5,653	6,017	-6.0%	25.1%	22.4%	25.2%	23.6%
Operating Profit	3,922	3,917	0.1%	3,922	3,905	0.4%	27.9%	24.5%	27.5%	24.8%
Net Profit	3,119	2,899	7.6%	3,119	2,767	12.7%	28.0%	26.2%	27.1%	26.2%
	1Q16	1Q15		1Q16	4Q15					
Gross Margin (%)	25.8%	25.4%		25.8%	25.5%					
Operating Margin (%)	17.9%	18.2%		17.9%	16.6%					
Net Margin (%)	14.2%	13.4%		14.2%	11.7%					

Source; Company

LPPF: Matahari Department Store (LPPF IJ; Rp17,900; Not Rated) posted 1Q16 earnings of Rp.244bn, up by 31.8% yoy on the back of sales and margin improvements. Sales up by 13.2% yoy, and SSSG picked up to 9.4% (vs. 5.4% 1Q15). Gross margins improved by 40bps to 35.3% helped by robust direct purchase sales contribution (36.7% of gross sales in 1Q16 vs. 34.9% in 1Q15). Cost pressures were off-set by productivity initiatives mainly in electricity savings which drove overall company opex/sales down by 20bps to 23.4% in 1Q16. (Company)

In Rupiah bn	1Q15	1Q16	YOY
Gross Sales	2,881.0	3,261.0	13.2%
Gross Profit	1,018.3	1,162.2	14.1%
EBIT	254.9	308.3	20.9%
Net Income	185.0	243.7	31.8%
Gross Margin	35.3%	35.6%	
EBIT Margin	8.8%	9.5%	

Source; Company

UNTR: United Tractors (UNTR IJ; Rp15,475; Not Rated) posted net profit of Rp731bn, dropped 55% yoy, caused by lower operational performance as top-line decreased -15% yoy (-3.2% qoq), gross profit dropped -27% yoy (-32% qoq) and EBIT slid -31% yoy (-31% qoq), combined with forex loss of Rp398bn (vs. forex gain of Rp268bn in 1Q15). UNTR's 1Q16 earnings represent 13% of the consensus' FY16 earnings expectation. Mining contracting division, which is the largest contributor to UNTR's gross profit, posted -20.5% yoy lower revenues in 1Q16, while the segment's gross margin decreasing to 19.8% in 1Q16 from 23% in 1Q15, resulting in the segment's gross profit of Rp1.17tn, down -32% yoy. (UNTR)

Comment: Previously UNTR reported operational performance of its mining contracting division, OB removal dropped 6.6% yoy while coal extraction volumes decreasing 3.7% yoy. We believe pressure to contract price resumes in 1Q16 as mining contracting division's top line decrease by 20.5% yoy.

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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

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.