

## Premier Insight

11 May 2016

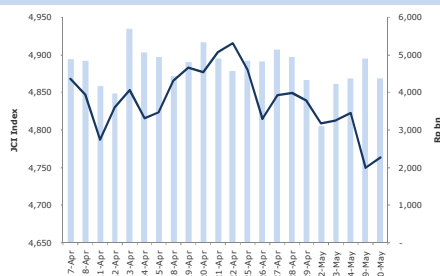
## News &amp; Analysis

## Corporates

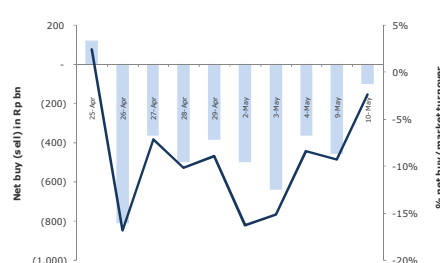
**ISAT:** Indosat (ISAT IJ; Rp6,600; Hold) has released its 1Q16 result with highlight as follows:

- Net profit was Rp255bn supported by strong operational turnaround and re-profiling debt resulting forex gains. Overall the operational result was inline with our expectation. YoY growth was generated by all line of revenue from Voice +8.2% yoy, SMS +13.3% yoy, Data +45.5% yoy and VAS +21.8% yoy. Nevertheless, QoQ voice and sms declined -6.2% qoq and -8.3% qoq from seasonality while data continue to grow by +7.4% qoq.
- Total number of subscriber stood at 69.8mn in 1Q16 almost stable from last quarter with ARPU at Rp26.4k (-5.3% qoq, but +9.9% yoy). RPM and RPS were relatively stable showing further consolidation in pricing. Although, data price slipped to Rp29.5/Mb (-16.4% qoq) which might be attributed by introduction of package plans.
- Cost were relative in control leading to improvement in EBITDA margin of 43.5% in 1Q16 from 40.4% in 4Q15 and 42.7% in 1Q15.
- US\$ debt has been significantly re-profiled into Rupiah debt to reduce forex loss impact on the bottom line. The US\$ debt component has been reduced from 55% (US\$1.17bn) to only 21% of total debt (US\$351mn). Now the company will focus to reduce overall debt by using its improved cash flow.

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,763	0.3%	-7.9%	3.7%
LQ45	819	0.5%	-8.7%	3.5%
DJI	17,928	1.3%	-1.0%	2.9%
SET	1,390	-0.3%	-7.4%	7.9%
HSI	20,243	0.4%	-27.0%	-7.6%
NKY	16,761	1.2%	-14.6%	-11.9%
FTSE	6,157	0.7%	-12.4%	-1.4%
FSSTI	2,741	-0.9%	-21.0%	-4.9%
EIDO	23	2.0%	-10.8%	8.4%

## Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	44.7	2.8%	-24.8%
CPO/tonne	615.8	0.0%	10.0%
Soy/bushel	10.7	5.5%	9.7%
Rubber/kg	1.8	0.4%	5.9%
Nickel/tonne	8,668	1.2%	-39.2%
Tins/tonne	17,195	-0.3%	8.3%
Copper/tonne	4,691	-0.2%	-26.6%
Gold/try.oz (Spot)	1,266	0.2%	6.9%
Coal/tonne*	50.2	-1.2%	-18.8%
Corn/bushel	3.7	3.9%	5.0%
Wheat/bushel**	164.0	3.0%	-19.1%

\*: 1 week change

\*\*: 1 month change

Source : Bloomberg

	1Q16	1Q15	%	1Q16	4Q15	%	FY16F	%
<b>Turnover</b>	6,813	6,093	11.8	6,813	7,187	(5.2)	29,015	23.5
EBITDA	2,961	2,604	13.7	2,961	2,906	1.9	12,652	23.4
Operating profit	743	531	39.8	743	444	67.4	3,183	23.3
Net Int. & Invest. Inc.	(565)	(582)	(2.9)	(565)	(569)	(0.7)	58	-981.7
Forex gain (losses)	330	(718)	(146.0)	330	730	(54.8)	-	nm
Except. & Others	(137)	218	nm	(137)	(737)	nm	(2,266)	nm
<b>Group Pretax</b>	370	(551)	(167.2)	370	(133)	nm	917	40.4
Taxation	115	(124)	(192.6)	115	16	599.2	(229)	nm
Minorities	-	29	(100.0)	-	(108)	(100.0)	(138)	0.0
<b>Net Profit</b>	255	(456)	(156.0)	255	(41)	(717.1)	550	46.4
<b>EBITDA Margin</b>	43.5%	42.7%	1.7	43.5%	40.4%		43.6%	

Source: Company

**UNVR:** Unilever Indonesia (UNVR IJ; Rp43,925; Hold) sets aside US\$500mn for Indonesian expansion until 2021. The fund, which will mostly come from internal funding, is meant to increase the company's capacity, improve distribution networks, R&D and capex. The performance during Q2 is expected to be better due to Eid Mubarak Festival. UNVR also plans on launching more products to drive sales. In addition, UNVR is currently seeking Halal certification for most of its products to gain confidence from Muslim consumers. (Kontan)

## Markets &amp; Sector

**Automotive sector:** 2W sales volume was 478k units in Apr16, lower by 9% yoy and -15.1% mom, again showing no signs of recovery despite slight improvement in purchasing power from cheaper fuel cost. Usually, enclosing the Ramadhan season demand starts to pick up. Major manufacturers such as Honda and Yamaha suffer as volume drops -6.2% mom and -14.2% mom Cumulatively, demand for 2W fell 6.9% yoy up to Apr16. (Bisnis Indonesia)

Refer to Important disclosures on the last of this report

## Economic Update

**Foreign reserves:** Tuesday (11/05) saw the launch of Bank Indonesia's release on Apr16's foreign reserves data, which was reported to be at US\$107.7bn, or US\$0.2bn higher than Mar16's reserves. Contribution mainly comes from auction of Bank Indonesia Securities (SBI). Foreign reserves are sufficient to finance 8.1 months of import or 7.8 months of import and foreign debt servicing. (Bank Indonesia)

**Investment grade:** The government is optimistic that Standard & Poor's will upgrade Indonesia's sovereign credit rating, after a closed meeting was held on Tuesday (10/05) morning. Some points are worth highlighting from the meeting, which may inform public of the concerns from S&P's end, such as revamp of fiscal and monetary policy on top of the comment made by President Joko Widodo who said that infrastructure development is the backbone of the government policy since last year. In addition, Head of Investment Coordinating Agency Franky Sibarani's comment who addressed three specific points with regard to improvement in ease of undertaking investment in Indonesia, which include (1) One-gate integrated licensing service (PTSP), (2) Improvement in licensing process to 3 hours, and (3) Enhancement of 14 industrial zones. (Bisnis Indonesia, Jakarta Globe)

**State budget:** According to the government's early plan for the state budget, GDP is expected to rise by between 5.5-5.9%, an increase of current projection of 5.3%. It also projects inflation to hover at 3-5%. The government will submit the plan to the House of Representatives in August for deliberations. (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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