

## Astra International (ASII IJ; Hold)

## Need to win market share

- Possible seven-seater LCGC
- Targeting multiple segments in two-wheelers
- Finance is still a significant derivative from auto
- Hold maintained, new target price Rp7,000 (Rp7,550 previously)

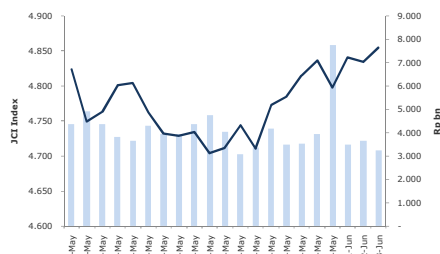
**New seven-seater LCGC speculation.** According to local media reports (Otomotif.Kompas.com), Toyota-Daihatsu is preparing to launch a seven-seater LCGC model, possibly named Toyota Calya or Daihatsu Sigras, with probable introduction during the August 2016 auto show. Astra International has declined to comment on this. Our channel checks indicate this launch could be a possibility. The model could be priced at Rp100-120n per unit, opening a new segment for seven-seaters at Rp100mn price point, which is currently dominated by Avanza-Xenia duo. We believe that Toyota has the capacity to launch new segments and weaker purchasing power might suit such a strategy. Winning market further share could be the possible outcome, but with continued stagnant industry volumes.

**Winning markets in two-wheelers.** Astra Honda Motor (AHM) has been dominant in the two-wheeler mass market for scooters. Although in niche segments such as high-end underbone and sport, Honda has been lagging rival products from Yamaha and Suzuki. The recent launch of CB150, CBR150, Sonic 150 and GTR 150 has proven to be a good strategy, as AHM has gained market share in these segments. Another long-awaited model of twin cylinder 250cc is expected to be launched in 3Q16. Honda has been flooding the market with new models in multiple segments. Despite the declining market, Honda has gained significant market share in each segment. Only in the high end scooters segment, Honda has no competitive models, leading to the leadership of Yamaha's Nmax'.

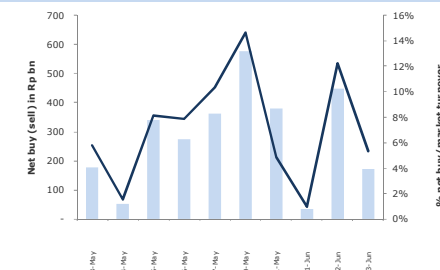
**Finance still dependent on auto.** Automotive financing remains highly dependent on four-wheeler and two-wheeler sales. By winning market share, eroding industry numbers should have a lesser impact. Up to 1Q16, the two-wheeler financing company under Federal Finance International (FIF) continued to perform on strong market share and diversification into consumer financing. But, the four-wheeler financing companies under Astra Credit Company (ACC) are struggling to maintain NIM due to weak volumes and stiff competition. Heavy equipment financing continues to face headwinds from weak commodity prices, reducing replacement and investment in heavy equipment. Currently, growth for financing companies looks flat, with relatively stable provisions for bad debt.

**Maintain Hold.** Astra International continues to face headwinds from weak automotive sector and low commodity prices. Nevertheless, prudent management led to strong cash flow and balance sheet, leaving challenges only in profitability. Therefore, we retain our Hold call on the company.

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,854	0.4%	-4.8%	5.7%
LQ45	831	0.4%	-5.7%	4.9%
DJII	17,807	-0.2%	-0.2%	2.2%
SET	1,436	0.9%	-4.7%	11.5%
HSI	20,947	0.4%	-23.2%	-4.4%
NKY	16,642	0.5%	-18.7%	-13.9%
FTSE	6,210	0.4%	-8.7%	-0.5%
FSSTI	2,795	0.0%	-16.2%	-2.5%
EIDO	23	1.9%	-5.5%	10.4%

## Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	48.6	-1.1%	-18.5%
CPO/tonne	615.8	0.9%	10.0%
Soy/bushel	11.2	-1.1%	20.2%
Rubber/kg	1.6	0.0%	-15.6%
Nickel/tonne	8,455	0.3%	-34.8%
Tins/tonne	16,601	2.0%	6.6%
Copper/tonne	4,697	1.7%	-21.7%
Gold/try.oz (Spot)	1,244	2.7%	6.2%
Coal/tonne*	54.0	0.9%	-6.8%
Corn/bushel	4.1	0.7%	15.9%
Wheat/bushel**	163.4	-0.4%	-16.6%

\* : 1 week change

\*\* : 1 month change

Source : Bloomberg

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue(RpBn)	201,701	184,196	183,217	199,236	220,496
EBITDA(RpBn)	24,314	22,579	21,46	22,75	24,896
EBITDA Growth (%)	0.8	(7.1)	(5.0)	6.0	9.4
Net Profit(RpBn)	19,181	14,464	17,783	19,412	21,718
EPS (Rp)	474	357	439	480	536
EPS Growth (%)	(1.2)	(24.6)	22.9	9.2	11.9
Net Gearing (%)	40.9	34.4	19.2	13.0	7.9
PER (x)	16.0	21.3	17.3	15.8	14.2
PBV (x)	2.6	2.4	2.2	2.0	1.8
Dividend Yield (%)	3.3	2.3	2.8	3.1	3.5
EV/EBITDA (x)	10.6	11.7	13.1	12.7	11.8

Source : ASII,IndoPremier

Share Price Closing as of : 02-June-2016

# Agung Podomoroland (APLN JJ; Sell)

## Imminent slowdown

- **Corruption investigation puts reclamation project on hold**
- **Court ruling revokes APLN's permit on reclamation**
- **Profitability will be greatly impacted**
- **Downgrade to Sell with now TP of Rp204 (from Rp400)**

**Corruption investigation puts reclamation project on hold.** President Director of Agung Podomoro Land (APLN), Ariesman Widjaja, has been held in custody due to graft case on Indonesia House of Representative member (DPR) in April 2016. The transaction amounted to Rp1.1bn and was an attempt to increase zoning ratio on reclamation islands. On the following event, government has decided to halt the project by six months and overlook and review all licenses related the development. This will be applied to all developers involved in the reclamation project, namely; Pembangunan Jaya Ancol (PJAA) and Intiland Development (DILD).

**Unfavorable court ruling on APLN.** The court has granted a request from Indonesia fisherman association (KNKI) to revoke governor regulation (SK) no.2.238 year 2014 on APLN's construction license for island G. Their claims were based on deteriorating economy conditions due to environmental impact from the project. However, Jakarta government is planning to appeal the ruling as it appears to have no solid legal foundation to stop the reclamation project. Note that reclamation was partly contributed by central government, thus cancelling it will require central government approval as well.

**Profitability will be greatly impacted.** The uncertainty for the reclamation project will delay or even nullify revenue recognition if the company decides to postpone the project. APLN has booked marketing sales of Rp3.5tn in FY15 which includes Pluit City as company started selling apartments and other mixed project on the island. Either way, both scenarios will negatively impact company's profitability and long term pipeline as Pluit City accounts for 54.1% of RNAV. We have excluded Pluit city in our marketing sales assumptions FY16 as we stay cautious on the outlook for the project, thus lowering marketing sales to Rp2.8tn from Rp4.1tn as company relies more on existing project (Podomoro Golf View and Podomoro Medan). Lower marketing sales and higher financing cost lead us to lower FY16-17F earnings by 18.3% and 10.3% to Rp660.1bn and Rp592.3bn, respectively.

**Downgrade to Sell.** We still recorded island G in our RNAV estimate under the assumption that the government will pay off the construction costs if the project is cancelled or redirect to other developer. Currently, the company has ramped up 18% of island G (~29ha) and has spent Rp1.8tn for the project. Under this scenario and implying discount rate of 55%, APLN's RNAV fell by 43% to Rp202/share, revealing downside of 16% to current price. As such, we downgrade our rating on APLN to Sell at TP of Rp202 (from Buy Rp400).

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue(RpBn)	5,297	5,971	5,524	5,173	5,602
EBITDA(RpBn)	1,292	1,527	1,395	1,319	1,434
EBITDA Growth (%)	6.2	18.2	-8.6	-5.4	8.7
Net Profit(RpBn)	855	808	660	592	611
EPS (Rp)	42	39	32	29	30
EPS Growth (%)	0.4	-5.5	-18.3	-10.3	3.1
Net Gearing (%)	25.1	37.6	42.3	43.5	36.6
PER (x)	5.8	6.1	7.5	8.3	8.1
PBV (x)	0.6	0.5	0.5	0.5	0.4
Dividend Yield (%)	3.7	3.2	3	2.5	2.2
EV/EBITDA (x)	2.2	1	0.6	0.3	0.6

Source : APLN,IndoPremier

Share Price Closing as of : 02-June-2016

## News & Analysis

### Corporates

**MMLP:** Mega Manunggal Property (MMLP IJ; Rp725; Not Rated) is targeting to have warehouse rental space of 500k sqm in next five years. To do so, company expects capex to reach Rp2.7tn. This year alone, company will build 100k additional warehouse leasing with allocated capex of Rp700-800bn. In next 2-3 years, company expects warehouse rental space of 200k sqm. (Bisnis Indonesia)

**INDF:** PT Indofood Sukses Makmur (INDF IJ; Rp7,175; Hold) plans to form a 50/50% JV e-commerce with Lotte Group, which will start its operation in 2017. In addition, according to CEO Anthoni Salim, the Company plans to expand its business to poultry and hybrid seeds development industry. Together with PT East West Seed Indonesia (Ewindo), a subsidiary of Enza Zaden and East West Seed, the Company will join in developing and promoting a hybrid potato seeds and sets its early investment at US\$10mn. (Kontan)

*Comment: We view this news to be negative, as in our view, poultry farm and hybrid seeds development business is a high capex, low margin (risky) business. In 2015, INDF has Rp13tn cash, which put the early investment of US\$10mn (~Rp138bn), a merely 1% of its total cash. No disclosure is made regarding its investment in poultry farm business.*

**LSIP:** London Sumatra (LSIP IJ; Rp1,535; Buy) will distribute cash dividend of Rp252.3bn or Rp37 per share (yield: 2.41%) with cum dividend date on 9 June 2016, and cash dividend distribution on 28 June 2016. (IDX)

**SIMP:** Salim Ivomas Pratama (SIMP IJ; Rp476; Buy) will distribute cash dividend of Rp77.5bn or Rp5 per share (yield: 1.05%) with cum dividend date on 9 June 2016, and cash dividend distribution on 30 June 2016. (IDX)

**WSKT:** Waskita Karya (WSKT IJ; Rp2,480; Buy) sets ambitious target in new contract June 2016. New contract is expected to reach more than Rp50tn or 75.6% of company's target this year. Until 1Q16, company has reached Rp8tn worth of new contract with 60% are sourced internally. (Kontan)

*Comment: currently, WSKT owns 15 toll road concessions with total length of Rp764.8km. The near term potential new contract may come from 54 km Bocimi (Bogir – Ciawi – Sukabumi) of which land acquisition nearly completed. The construction cost is estimated to be Rp2.9tn from the Bocimi tollroad. We maintain our Buy rating on the stock given its strong target and potential new contract. WSKT is now trading at 22.5x PE on Bloomberg.*

### Markets & Sectors

**Retail sector:** Salim Group is forming a joint e-commerce venture with South Korea's retail Lotte Group to grab a pie of the rapidly growing e-commerce market in Indonesia after finalizing the on-going discussion since February. Without mentioning the total investment value, the two companies plan to set up a comprehensive e-commerce platform solution and logistics service that will allow Lotte's 41 offline retail stores and one department store operating in Indonesia as well as Salim's 12,400 offline convenient stores, Indomaret (PT. Indomaret Prisma), to sell and deliver products to Indonesian consumers. (Investor Daily)

**Retail sector:** PT Lotteria Indonesia (part of South Korea's Lotte Group) is targeting Rp300bn sales in FY16 by putting more chicken based food on their menu such as Special Combo, curry Combo and Mantap Gimjaban. YTD, the group has added 10 new products on their menu in Lotte retail stores. With an average of 200 square meters per store, 70% of Lotte stores are in shopping malls while 30% are standalone stores all located within Jabodetabek, Cikarang, Karawang and Bandung. The Group targets 20 new stores by end of FY16 and has booked 5% higher sales in 1Q16 compare to 1Q15. As of FY15, the company's sales increased by 20% yoy. (Kontan)

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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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