

Waskita Karya (WSKT JJ; Buy)

Sustained strong growth

- 1H16 performance was above estimates
- Continuous construction margin improvement
- Outstanding achievement in June 2016
- Raise earnings by 8% and TP to Rp3,400

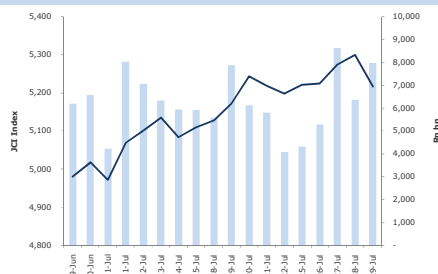
Outstanding 2Q16 performance. Waskita Karya (WSKT) reported 2Q16 net profit of Rp459bn (+261% qoq, +188% yoy). The strong earnings were mainly supported by performance growth of 63% qoq in 2Q16. As a result, gross margin improved by 243bps qoq to 19.3% and net margin expanded to 13.2% from 8.5% in 2Q15. 1H16 earnings reached Rp586bn, up 242% yoy, above our estimate as it formed 34% of our FY16 earnings. Historically, 1H earnings represent 15% of FY earnings.

Strong margin improvement. WSKT's construction business revenues grew 148% yoy to Rp7.6tn in 1H16, accounting for 95% of its total revenues (vs. 93% in 1H15). Gross margin improved to 17.8% from 16.3%, making WSKT the construction company with the highest margin among SOE contractors. Moreover, we also saw higher recurring income from toll road operations, which nearly tripled to Rp64.7bn from Rp28.2bn in 3M16, resulting from recent operations from the Pejagan-Pemalang toll road.

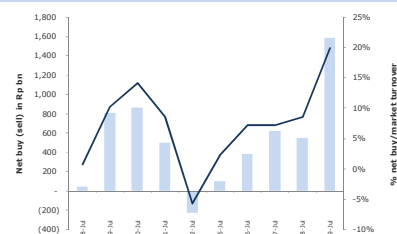
Strong new contract growth. WSKT exceeded its own 1H16 new contract target of Rp40tn, with new contracts achievement of Rp45 in 1H16 (+306% yoy), accounting for 72% of the FY16 new contract target. We think WSKT's strong achievements will continue on the back of the Ministry of Public Works and Housing's (PUPR) commitment to absorb more than 94% of the budget by the end of the year. Note that PUPR's budget absorption stands at 30.3% until 22 July 2016, thus providing room for more projects to be tendered in 2H16. WSKT's orderbook stands at Rp79.7tn in 1H16 (+167.1% yoy). Thus, we believe WSKT will maintain its strong earnings growth momentum in 2016-17.

Raise earnings by 8% and TP to Rp 3,400. We have increased our FY16 new contract target to Rp62.4tn from Rp57.1tn on the back of stronger-than-expected new contract achievement. We have also raised our FY16 and FY17 earnings forecasts by 5-8% to Rp1.8tn and Rp2.6tn, respectively. We raise our TP to Rp3,400 (from Rp2,500) on the back of the earnings upgrade and roll over our valuation base to 2017 (from 2016), as we believe strong earnings performance from WSKT is likely to persist in 2017. Our new TP implies a PE FY17 of 18x and 21% upside potential from the current price.

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,216	-1.6%	8.6%	13.6%
LQ45	893	-2.3%	9.8%	12.7%
DJI	18,432	-0.1%	4.2%	5.8%
SET	1,524	0.0%	5.8%	18.3%
HSI	21,891	-1.3%	-11.1%	-0.1%
NKY	16,453	-0.7%	-20.1%	-13.6%
FTSE	6,724	0.1%	0.4%	7.7%
FSSTI	2,869	-1.7%	-10.4%	-0.5%
EIDO	26	0.5%	15.3%	24.5%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	41.6	1.1%	-14.7%
CPO/tonne	574.6	0.7%	10.0%
Soy/bushel	10.3	2.9%	3.3%
Rubber/kg	1.9	-0.8%	13.8%
Nickel/tonne	10,587	-0.6%	-5.5%
Tins/tonne	17,840	0.5%	9.2%
Copper/tonne	4,915	0.6%	-7.5%
Gold/try.oz (Spot)	1,351	1.1%	23.3%
Coal/tonne	66.4	-0.5%	10.1%
Corn/bushel	3.2	1.0%	-10.0%
Wheat/bushel*	157.5	-3.6%	-18.4%

* : 1 month change

Source : Bloomberg

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue (RpBn)	10,287	14,153	20,928	28,298	35,940
EBITDA (RpBn)	640	1,261	2,022	2,915	3,967
EBITDA Growth (%)	23.7	96.9	60.4	44.1	36.1
Net Profit (RpBn)	502	1,048	1,829	2,601	3,858
EPS (Rp)	52	77	135	192	284
EPS Growth (%)	0	49.8	74.6	42.2	48.3
Net Gearing (%)	52.2	15.0	48.8	33.0	25.1
PER (x)	54.3	36.3	20.8	14.6	9.9
PBV (x)	9.6	3.9	3.3	2.7	2.2
Dividend Yield (%)	0.4	0.3	0.4	0.8	1.2
EV/EBITDA (x)	40.2	29.0	16.0	11.5	8.5

Source : WSKT ,IndoPremier

Share Price Closing as of : 27-July-2016

Astra Agro Lestari (AALI IJ; Buy)

Earnings jump but below estimates

- **Net profit jumped 78% yoy, mainly on forex.**
- **2Q16 operational performance below expectation.**
- **Downgrade earnings with volumes and ASP adjustment.**
- **Retain Buy recommendation with lower TP.**

Net profit jumped on forex. AALI booked 2Q16 net profit of Rp375bn, down 10% qoq but up 30% yoy, resulting in earnings of Rp792bn, growing 78% yoy, mainly backed by forex gain of Rp260bn (vs. forex loss of Rp360bn in 1H15). AALI's 1H16 accounted for 44% of our FY earnings estimates while reaching 48% of consensus estimates. We expect CPO price to decrease in 2H16. Hence, AALI's 1H16 earnings was below our expectation. AALI's core net profit for 1H16 accounted for only 32% of our FY16 estimate.

Production volumes in 1H16 came in lower than expected. In 1H16, AALI booked CPO production of 670k tons, down 21% yoy, lower than our forecast. We expect the lagging impact of last year's drought caused by El Nino to lower production volumes in 1H16. However, AALI's CPO production volumes of 670k came in lower than our estimate. Thus, we lower our 2016 CPO production volumes assumption to 1.6m tons (-8% yoy). We expect CPO production in 2H16 to reach ~900k tons (2H15: 891k tons), as rainfall has been favorable since November 2015, which should improve productivity six-eight months afterwards.

Downgrade earnings estimates on ASP and volume adjustments. We adjust our estimates given these lower-than-expected set of results. We downgrade AALI's earnings by 18% to Rp1.41tn in 2016, as we lower CPO sales volumes estimates by 6.4% to 1.6m tons and ASP estimate by 4.3% to Rp7,344/kg. We lower our ASP estimate, as MYR/IDR exchange rate came in lower than our estimate. We also lower our 2017 earnings assumption by 2% to Rp1.95tn, as we downgrade ASP estimate by 3.2% to Rp7,735/kg on lower MYR/IDR exchange rate estimate.

Retain Buy with lower TP. With our new earnings assumption and dilutive impact of recent capital fund raising through the rights issue, we lower AALI's DCF-based (WACC: 13.4%, TG: 2%) target price to Rp18,500/share. We retain our Buy recommendation on AALI with 26% potential upside to our TP. Post the right issue, AALI's net-debt dropped to Rp3.66tn, from Rp7.37 in 1Q16. AALI plans to use the rights issue proceed to repay its US\$ debts, which should make its earnings less volatile in the future. We apply CPO price estimate of MYR2,400/ton in 2016 (YTD16 average: MYR2,500/ton) before increasing to MYR2,500/ton in 2017 and MYR2,600/ton in 2018.

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue (RpBn)	16,306	13,059	13,528	15,353	16,245
EBITDA (RpBn)	4,260	2,517	2,491	3,381	3,597
EBITDA Growth (%)	24.6	-40.9	-1	35.7	6.4
Net Profit (RpBn)	2,496	619	1,409	1,952	2,167
EPS (Rp)	1,297	322	732	1,014	1,126
EPS Growth (%)	38.6	-75.2	127.6	38.6	11.0
Net Gearing (%)	32.2	63.6	4.3	-2.3	-8.2
PER (x)	11.3	45.7	20.1	14.5	13.1
PBV (x)	2.4	2.4	1.7	1.5	1.4
Dividend Yield (%)	3.3	2.6	0.6	1.3	1.8
EV/EBITDA (x)	5.7	8.3	11.1	8.5	8.3

Source: AALI, IndoPremier

Share Price Closing as of : 28 July 2016

News & Analysis

Corporates

BISI: Bisi International (BISI IJ; Rp1,760; Buy) posted another strong results. 2Q16 bottom line up 11% qoq and surged 44% yoy. 2Q16 top-line up 18% qoq and operating profit increased 13% qoq. 2Q16 top-line growth mainly attributable to corn seed sales of Rp144bn (36% of total revenues) which increased 35% qoq, allowing 1H16 corn seed sales to reach Rp251.3bn, up 55% yoy, above our expectation as we forecasted corn seed sales will increased by 24% yoy in FY16. 1H16 earnings reached Rp138bn, up 40% yoy. (Company)

Comment: BISI's 1H16 earnings represent 40% of our and consensus FY estimates, this is above our forecast, as seasonally, 1H earnings formed less than 30% of FY earnings. We will upgrade BISI's earnings estimate and target price given this better than expected set of results.

BIRD: PT Bluebird (BIRD IJ; Rp3,930; Not Rated) booked poor 2Q16 net profit of Rp91bn (-34% qoq, -59% yoy), bringing 1H16 earnings to Rp229bn (-48% yoy), due to lower sales at Rp1.2tn (-6.1% qoq, -13.5% yoy). The net profit was below consensus (accounted at 27% of FY16F). (Company)

CPIN: Charoen Pokphand Indonesia (CPIN IJ; Rp3,750; Not Rated) booked strong 2Q16 results. Earnings up 27% qoq and 83% yoy, as EBIT margin in the period reached 13.9%, expanded by 3.6% qoq and 2.5% yoy. 2Q16 top line increased 6% qoq and 27% yoy. CPIN's 1H16 earnings up 81% yoy, accounting for 64% of market expectation (above). (IDX)

KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp314; Not rated) slashed marketing sales target to Rp3.1tn from Rp3.4tn previously as company projects lower electricity sales from Rp1.6tn to Rp1.3tn. despite so, company believes industrial land sales should help to overall performance this year. (Bisnis Indonesia)

KLBF: Kalbe Farma (KLBF IJ; Rp1,675; Buy) reported earnings of 9.1% yoy on the back of 11.9% yoy revenue growth in 2Q16. The revenue growth is mostly driven by the nutritional division, which reported stellar growth of 16.3% yoy in 2Q16. GP expanded 24bps yoy on the back of lower raw materials& packaging and favorable forex. (company)

Comment: The earnings results are slightly ahead of consensus. The growth is mostly supported by volume as the company has not imposed any price increase since the beginning of the year. Possible TP increase adjustment on lower cost of capital from a sharp decline in Indonesia 10-yr yield bond. Maintain BUY.

(in Rp bn)	2Q16	2Q15	YoY	2Q16	1Q16	QoQ
Revenue	5,006	4,473	11.90%	5,006	4,550	10.00%
Pharma	1,169	1,092	7.00%	1,169	1,152	1.50%
Consumer Health	886	808	9.60%	886	795	11.40%
Nutritionals	1,375	1,182	16.30%	1,375	1,267	8.50%
Dist & Logistic	1,577	1,391	13.40%	1,577	1,336	18.00%
Gross Profit	2,469	2,196	12.50%	2,469	2,194	12.60%
Operating Profit	787	692	13.70%	787	728	8.10%
Net Profit	583	534	9.10%	583	563	3.50%
(%)	2Q16	2Q15		2Q16	1Q16	
Gross Margin	49.30%	49.10%		49.30%	48.20%	
Operating Margin	15.70%	15.50%		15.70%	16.00%	
Net Margin	11.60%	11.90%		11.60%	12.40%	

Source: Company

INTP: Indocement (INTP IJ; Rp17,075; Buy) 1H16 result highlights:

- Indocement booked net profit of Rp1.2tn (+20.9%) which was supported by tax asset rather than operational results.
- Operationally, the result was weak as revenues declined -2.9% qoq in 2Q16 due to pressure on pricing which affected profitability. GPM fell to 40.3% in 2Q16 losing almost 3% ppt while OPM dropped to 22.9% also losing 4.5% ppt.
- Price pressure from oversupply led to weaker gross profit by -9.6% qoq in 2Q16 and EBITDA fell -16.3% qoq in 2Q16.
- Overall the result was short of expectation due to weaker than expected ASP. We need to revise our numbers to reflect the 2Q16 result.

	1H16	1H15	%	2Q16	1Q16	%	FY16	%
Turnover	7,742	8,875	-12.8	3,813	3,929	-2.9	19,168	40.4
Gross Profit	3,235	3,994	-19.0	1,536	1,699	-9.6	8,610	37.6
Operating Profit	1,951	2,559	-23.7	873	1,078	-19.0	5,373	36.3
EBITDA	2,438	3,020	-19.3	1,111	1,327	-16.3	6,498	37.5
Net interest	267	352	-24.3	123	143	-14.0	542	49.2
Forex	-	-	nm	-	-	nm	-	nm
Others	29	55	-47.3	20	9	119.9	24	nm
Pretax	2,247	2,966	-24.2	1,016	1,231	-17.4	5,946	37.8
Taxation	-130	-657	-80.1	142	-273	-152.1	-1,486	8.8
Net Profit	2,117	2,309	-8.3	1,159	958	20.9	4,455	47.5
<i>EBITDA margin</i>	0.3	0.3		0.3	0.3		0.3	

Source: Company

MAPI: Mitra Adiperkasa (MAPI IJ; Rp4,750; Sell) posted 1H16 earnings of Rp46.3bn (+78.1% yoy), below consensus. Revenue grew by 9.1% yoy reaching Rp6.7tn, while gross profit grew 12.7%yoy pushing gross margin up by 146bps to 45.8%. Operating profit grew by 81.9% yoy, increasing profit margin by 207bps yoy to 5.2%. Net margin increased by 27bps yoy to 0.7%. (Company, Investor Daily)

Comment: MAPI's earnings came below our forecasts (24% of FY16 of our forecast) and consensus (21% of FY16 of consensus). We believe MAPI had a healthier revenue growth due to recovery in economic condition and purchasing power, however earnings still came below our expectations due to higher net loss from associated entities and higher tax expense.

MPPA: Matahari Putra Prima (MPPA IJ; Rp1,735; Hold) posted 1H16 net loss of Rp20.7bn (-111.8% yoy). Revenue grew by 2.1% yoy to Rp7tn, but gross profit and operating profit had negative growth of -6% yoy and -98.9% yoy respectively. Gross margin decreased by 140bps to 16.2% while operating margin decreased by 320bps to 0.04%. (Company, Investor Daily)

Comment: MPPA's earnings came below our forecast and consensus. We think MPPA has not seen a recovery due to its sluggish sales growth that affected earnings due to its nature of high operating expense.

PPRO: PT PP property (PPRO IJ; Rp615; Not Rated) reported net profit of Rp157bn in 6M16, growing 11% yoy. It represents 44% of consensus estimates. The growth was triggered on its strong growth of revenue which grew 35% yoy to Rp973bn. (Bisnis Indonesia)

PTBA: Bukit Asam (PTBA IJ; Rp9,850; Not Rated) booked 2Q16 earnings of Rp379bn, up 14% qoq but down 17% yoy. Quarterly improvement was caused by lower financial expenses and higher net profit from joint ventures. 1H16 earnings reached Rp712bn, down 10% yoy despite coal sales volumes increased 10% yoy as domestic ASP decreased 6% yoy while export ASP down 7% yoy. (Company)

Comment: PTBA's 1H16 earnings was in-line with consensus expectation as 1H16 earnings formed 40% and revenues reached 45% of consensus' FY estimates.

SSIA: Surya Semesta Internusa (SSIA IJ; Rp700; Not Rated) reported net profit of Rp92bn in 6M16, lower 64% yoy as company books loss from its joint venture of Rp57bn. As such, net margin dropped to 4.4% from 10.3% previously. Company saw negative revenue growth of 17% to Rp2.1tn (vs. Rp2.5tn in 6M15) Net profit 1H16 has achieved 25% of consensus estimates. (Bisnis Indonesia)

TAXI: PT Express Transindo Utama (TAXI IJ; Rp165; Hold) booked very poor 2Q16 net loss of Rp33bn (from net loss of Rp10bn in 1Q16), bringing 1H16 earnings to negative Rp43bn (from positive Rp32bn in 1H15). The bottom-line is way below consensus/our forecast, as we expect a net profit of Rp37bn in FY16F. (Company)

Comment: We expect a recovery on the recent applied government regulation No.32/2016, thus bringing our earnings forecast too aggressive. The 2Q16 result was poor, on the back of plunging sales at Rp164bn (-22% qoq, -38% yoy), driven by the inability to compete in tariff price war from Uber, Grab, and GoJek. As a result, gross and operating margin shrinks to 19% / 5% (from 25% / 13% in 1Q16, respectively).

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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.

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