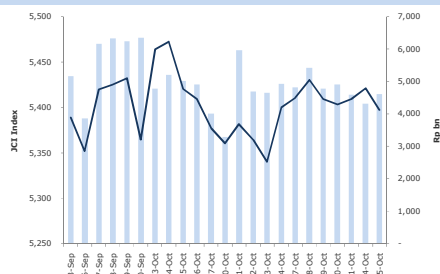


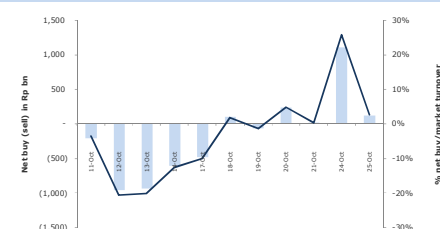
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

| Index | Closing | 1 day | 1 year | YTD |
|-------|---------|-------|--------|-------|
| JCI | 5,398 | -0.4% | 15.1% | 17.5% |
| LQ45 | 925 | -0.5% | 13.8% | 16.8% |
| DJI | 18,169 | -0.3% | 3.1% | 4.3% |
| SET | 1,506 | 0.4% | 5.8% | 17.0% |
| HSI | 23,565 | -0.2% | 1.9% | 7.5% |
| NKY | 17,365 | 0.8% | -8.3% | -9.1% |
| FTSE | 7,018 | 0.4% | 9.4% | 12.4% |
| FSSTI | 2,854 | -0.1% | -7.4% | -1.6% |
| EIDO | 26 | -0.3% | 19.6% | 26.0% |

Commodity price

| Commodities (in USD) | Last price | Ret 1 day | Ret 1 year |
|-------------------------|------------|-----------|------------|
| Oil/barrel (WTI) | 49.5 | -1.2% | 13.4% |
| CPO/tonne | 664.9 | -2.2% | 18.6% |
| Soy/bushel | 9.7 | -0.1% | 8.9% |
| Rubber/kg | 1.7 | 1.7% | 29.3% |
| Nickel/tonne | 10,189 | 1.2% | -2.9% |
| Tins/tonne | 20,535 | 1.7% | 29.7% |
| Copper/tonne | 4,722 | 2.2% | -8.9% |
| Gold/try.oz (Spot) | 1,274 | 0.7% | 9.5% |
| Coal/tonne | 93.2 | 0.4% | 76.5% |
| Corn/bushel | 3.3 | 0.3% | -11.7% |
| Wheat/bushel* | 127.9 | -4.3% | -26.3% |

* : 1 month change

Source : Bloomberg

ADRO: The cabinet of Thailand approved EGAT's (Electricity Generating Authority of Thailand) plan to purchase 12% of Adaro Indonesia (AI) for \$325m. AI is the mining subsidiary of Adaro Energy (ADRO IJ; Rp1,525; Under Review). No further information related to this transaction at this stage. Source: KLSE Screener

Comment: We believe ADRO will likely use the money to finance its expansion on power plant projects. However, we view the transaction price which reflects AI's EV/Reserve of \$3.6/ton as less attractive.

BDMN: Bank Danamon (BDMN IJ; Rp3,870; Hold) reported net profit of Rp2.5tn in 9M16 (+33% yoy) on the back of 9% yoy decline in its loan portfolio, widening NIM to 8.8% (+70bps yoy) and slightly higher credit cost of 3.6% (+10bps yoy). However, earnings declined 15% qoq to Rp782bn (2Q: Rp921bn) due to 7% qoq rise in credit cost as NPL ratio increased to 3.5% (2Q: 3.3%). (Company)

Comment: BDMN's result was ahead of our and market's expectations, accounting for 83%/79% of our/consensus full year forecasts, respectively, although this was already evident from the bank's 2Q results. In spite of this, we keep our Hold rating unchanged given the bank's shrinking loan portfolio.

BMRI: Bank Mandiri (BMRI IJ; Rp11,175; Buy) reported net profit of Rp12tn in 9M16 (-17.6% yoy) on the back of its modest loan growth (+11.5% yoy), significant widening of NIM to 6.54% (+73bps yoy) and despite 87% yoy rise in loan provisions. In 3Q16, the bank's earnings recovered strongly by 51% qoq to Rp4.93tn (2Q: 3.26tn; 1Q: Rp3.82tn) on the back of a big jump in NIM to 7.06% (2Q: 6.05), in part due to interest income from RGM Group. Excluding this one-off interest income, the bank's NIM still rose to 6.5% in 3Q (+50bps qoq). Core profit, before provisions (PPOP) grew 17.5% yoy to Rp30tn in 9M16 (3Q: +30% qoq) on the back of these loan recoveries from RGM. Loan provisions remain elevated at Rp6tn in 3Q (2Q: Rp5.3tn; 1Q: Rp4.6tn) while NPL ratio was almost unchanged at 3.81% in 3Q (2Q: 3.86%) with provisions/NPL coverage at 126% (2Q: 111%). (Company)

Comment: We view BMRI's result as in line with our expectation despite the bank's 9M earnings accounting for just 68% of our FY16F forecast of Rp17.7tn (consensus: Rp17tn). We believe our forecast is still achievable, despite higher than expected credit cost of 350bps in 9M16 (vs. guidance of 2.8-3.2%) assuming lower loan provisions in the last quarter. We maintain our Buy rating.

JSMR: Jasa Marga (JSMR IJ; Rp4,580; Buy) announced its 9M16 result which was inline with our expectation and market consensus. 3Q16 revenue increase marginally by 2.3% qoq but accompanied by strong EBITDA growth of 10.5% qoq due to strong operating leverage. However, net income fell 27.3% qoq affected by higher interest expense and income tax. The company has yet to release its operational result on traffic. With continuous expansion, net gearing stood at 106% as of Sep16. We maintain our Buy call on the counter despite some investor probably do not like the short term negative cash flow from capex and rising debt that will affect profitability and dividend distribution capacity.

| | Rp bn | 9M16 | 9M15 | % | 3Q16 | 2Q16 | % | FY16 | % |
|-------------------------|-------|-------|---------|-------|-------|-------|--------|---------|-------|
| Toll revenue | | 6,429 | 5,471 | 17.5 | 2,215 | 2,166 | 2.3 | 8,388 | 76.6 |
| EBITDA | | 3,832 | 3,020 | 26.9 | 1,366 | 1,236 | 10.5 | 4,814 | 79.6 |
| Operating Profit | | 2,841 | 2,069 | 37.3 | 990 | 916 | 8.1 | 3,644 | 78.0 |
| Net Int. & Invest. Inc. | | (986) | (1,034) | -4.6 | (334) | (291) | 14.6 | (1,507) | 65.5 |
| Except. & Others | | 46 | 196 | -76.4 | 36 | (31) | -216.0 | - | nm |
| Group Pretax | | 1,901 | 1,231 | 54.5 | 692 | 594 | 16.5 | 2,137 | 89.0 |
| Taxation | | (670) | (398) | 68.4 | (335) | (103) | 225.5 | (641) | 104.5 |
| Net Profit | | 1,231 | 964 | 27.7 | 357 | 491 | -27.3 | 1,496 | 82.3 |
| EBITDA margin | | 59.6% | 55.2% | | 61.7% | 57.1% | | 57.4% | |

Source: Company, IndoPremier

LPKR: Lippo Karawaci (LPKR IJ; Rp905; Hold) recorded 3.5x oversubscribe to its newest bond issuance. The bond worth of US\$425mn and has 10 years duration with coupon rate of 6.75%. The proceeds will be used to repay bonds that due in 2020 with coupon rate of 6.125%. (Bisnis Indonesia)

PPRO: PT PP Properti (PPRO IJ; Rp1,380; Not Rated) reported net income 3Q16 of Rp103bn, grew strong by 55% qoq. The improvement was seen on 3Q16 revenue and operating profit which increased 34% and 42% qoq. Gross, operating and net margin also improved to 28.2%, 25% and 17.5% from previously 26.5%, 21.6% and 15.1% in 2Q16. (Bisnis Indonesia)

TLKM: Telkom Indonesia (TLKM IJ; Rp4,200; Buy) has released its 9M16 result which was inline with our expectation and market consensus. In 3Q16, revenue inched up 2.8% qoq with EBITDA growing by 10.2% qoq. Nevertheless, net income declined -16.3% qoq influenced by one-offs from forex and other expenses. Overall, we continue to see strong operating result from Telkom. Cumulatively over 9M16, revenue and EBITDA grew 13.8% yoy and 19.7% continuing the growth momentum from the beginning of the year. EBITDA continued to expand to 52.4% in 3Q16 from 50.9% in 2Q16. Meanwhile its balance sheet remained very sound with net gearing of 3.7% as of Sep16. Telkom still needs to release its operational result. We maintain our Buy recommendation on Telkom with this result announcement.

| Rp Bn | 9M16 | 9M15 | % | 3Q16 | 2Q16 | % | FY16F | % |
|-------------------------|---------|---------|------|---------|---------|--------|---------|------|
| Turnover | 86,188 | 75,719 | 13.8 | 29,734 | 28,912 | 2.8 | 120,775 | 71.4 |
| EBITDA | 44,378 | 37,074 | 19.7 | 15,583 | 14,140 | 10.2 | 60,339 | 73.5 |
| Operating profit | 31,021 | 23,570 | 31.6 | 10,965 | 9,806 | 11.8 | 40,393 | 76.8 |
| Net Int. & Invest. Inc. | (704) | (678) | 3.8 | (289) | (144) | 100.7 | (1,430) | 49.2 |
| Forex gain (losses) | (216) | 77 | na | (216) | 114 | na | - | nm |
| Except. & Others | (484) | 351 | na | (511) | 606 | na | - | nm |
| Group Pretax | 29,617 | 23,320 | 27.0 | 9,949 | 10,382 | (4.2) | 38,963 | 76.0 |
| Taxation | (7,448) | (5,983) | 24.5 | (2,613) | (2,412) | 8.3 | (9,741) | 76.5 |
| Minorities | (7,437) | (5,792) | 28.4 | (2,700) | (2,431) | 11.1 | (9,226) | 80.6 |
| Net Profit | 14,732 | 11,545 | 27.6 | 4,636 | 5,539 | (16.3) | 19,996 | 73.7 |
| EBITDA Margin | 51.5% | 49.0% | | 52.4% | 50.9% | | 50.0% | |
| OPM | 36.0% | 31.1% | | 36.9% | 33.9% | | 33.4% | |
| NPM | 17.1% | 15.2% | | 15.6% | 19.2% | | 16.6% | |

Source: Company, IndoPremier

UNVR: Unilever (UNVR IJ; Rp44,425; Hold) reported net profit of Rp1.5tn (+16% yoy) in 3Q16, which is in-line with our/consensus estimate. Revenue grew 7% yoy which bring the total revenue to Rp30.1tn in 9M16, accounting for 74% of our FY16F estimates. (Home and Personal Care) HPC reported revenue growth of 8.2% yoy, while foods and refreshment (FC) grew 4.2% yoy in 3Q16. The overall gross margin expanded by 70 bps yoy driven by lower raw material cost which also resulting in margin expansion by 140bps yoy in HPC segment in 3Q16. Meanwhile, royalty fee remains relatively stable at 6.9% of total sales in 3Q16. (Company)

| (in Rp bn) | 3Q16 | 3Q15 | YoY | 3Q16 | 2Q16 | QoQ |
|-------------------------|-------|-------|--------------|-------|--------|---------------|
| Revenue | 9,356 | 8,745 | 7.0% | 9,356 | 10,757 | -13.0% |
| HPC | 6,587 | 6,088 | 8.2% | 6,587 | 7,344 | -10.3% |
| FC | 2,769 | 2,657 | 4.2% | 2,769 | 3,094 | -10.5% |
| Gross Profit | 4,812 | 4,435 | 8.5% | 4,812 | 5,470 | -12.0% |
| HPC | 3,667 | 3,304 | | 3,667 | 4,116 | |
| FC | 1,145 | 1,131 | | 1,145 | 1,354 | |
| Operating Profit | 1,995 | 1,703 | 17.1% | 1,995 | 2,330 | -14.4% |
| Net Profit | 1,452 | 1,253 | 16.0% | 1,452 | 1,728 | -16.0% |

| | | | | | | |
|-----------------------------|-------|-------|--|-------|-------|--|
| Gross Margin | 51.4% | 50.7% | | 51.4% | 50.9% | |
| HPC | 55.7% | 54.3% | | 55.7% | 56.1% | |
| FC | 41.4% | 42.6% | | 41.4% | 43.8% | |
| Operating Margin (%) | 21.3% | 19.5% | | 41.5% | 42.6% | |
| Net Margin | 15.5% | 14.3% | | 39.6% | 42.0% | |

Comment: UNVR 3Q16's earnings were within our/consensus expectation. As of 9M16, earnings stood at Rp4.2tn (+13.6% yoy), accounting for 73% of our FY16F forecast. We expect demand in FC segment to show improvement as we are approaching Christmas and New Year. Given the highly demanding valuation at this current level, we maintain HOLD on UNVR with TP of PR42,500.

WSKT: Waskita Karya (WSKT IJ; Rp2,590; Buy) booked new contract of Rp59tn as of 9M16. The new contract sourced from dam and toll road project. Company said there are still Rp11tn potential of new contract that can be achieved until end of the year. (Bisnis Indonesia)

Comment: 9M16 new contract has achieved nearly of our and company target of Rp63tn. If WSKT managed to obtain additional Rp11tn of contract, it will be 11% above company target which will support strong earnings growth for the next 2-3 years. Maintain Buy on WSKT.

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

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.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Securities or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.