

Premier Insight

Indofood (INDF IJ; Buy)

Expecting recovery in Agribusiness

- 9M16 earnings are stronger than expected due to forex gain.
- Bogasari and Agribusiness proves better EBIT outlook.
- Revising FY16F earnings to include forex gain.
- Maintain Buy with unchanged TP of Rp9,600

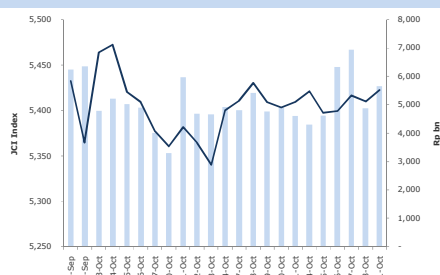
9M16 net profit jumped 92% yoy due to forex gains. INDF reported earnings of Rp3.2tn in 9M16 (+92.5% yoy), mainly due to forex gains of Rp490bn, compared to last year forex loss of Rp1.8tn in 9M15. This is above our forecast, making up 84%/82% of our FY16 estimates/consensus, respectively. On quarterly basis, the company booked EBIT of Rp1.9tn in 3Q16 (-13% qoq, +36% yoy) and top-line of Rp15.8tn (-10% qoq, +6% yoy), due to Lebaran seasonality affects Bogasari and ICBP performance. As a result, we believe operational improvements showed in margin expansion should sustain into 4Q16 as we expect better sales volume in all businesses (Bogasari, ICBP, and Agribusiness).

Higher EBIT growth in Bogasari and Agribusiness. Looking at Bogasari performance, revenue reached Rp4.3tn in 9M16 (+2.3% yoy), whilst EBIT reached Rp1.2tn (+36% yoy), mainly due to higher volume and better margin at 8.6% (+210bps yoy). On quarterly basis, Bogasari booked EBIT of Rp348.2bn in 3Q16 (-20.0% qoq) and top-line of Rp4.3tn (-14.7% qoq), reflecting weaker demand post Lebaran seasonality. On the Agribusiness side, the company reported EBIT of Rp424.7bn in 3Q16 (+47% qoq, +10.1% yoy), mainly supported by better Edible Oils & Fats (EOF) sales growth (+29% yoy). Thus, we are confident that Agribusiness could sustain its positive EBIT growth in 4Q16, on the back of production recovery in 2H16, post El-Nino.

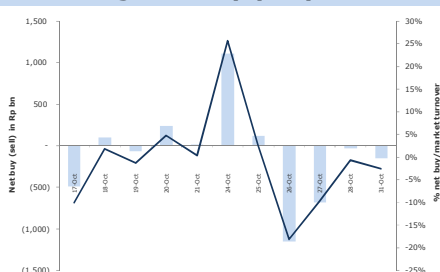
Earnings revision to factor in forex gain. We upgrade our earnings forecast by 9% for FY16F to reflect the only revision on one-off gains from forex. However, there are no changes in top-line and EBIT level as the 3Q16 results from other businesses (ICBP, Bogasari, and Agribusiness) were in-line with our forecasts. As a result, we raise our FY16F earnings, while maintaining our forecasts for FY17F.

Maintain Buy with unchanged TP at Rp9,600. We reiterate our Buy recommendation on INDF as we expect better production volume recovery in Agribusiness. Combined with steady positive EBIT growth from ICBP and Bogasari, we are confident that our estimates are achievable. We maintain our SOTP-based TP despite earnings upgrade in FY16F as we have rolled-over our valuation to 2017. Risks include: depreciating Rupiah, slower-than-expected production volume improvement for Agribusiness in FY17F.

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,423	0.2%	21.7%	18.1%
LQ45	927	0.1%	22.0%	17.1%
DJI	18,142	-0.1%	2.7%	4.1%
SET	1,496	0.1%	7.2%	16.1%
HSI	22,935	-0.1%	1.3%	4.7%
NKY	17,425	-0.1%	-8.7%	-8.8%
FTSE	6,954	-0.6%	9.3%	11.4%
FSSTI	2,814	-0.1%	-6.2%	-2.1%
EIDO	26	0.7%	30.3%	25.8%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	46.9	-3.8%	0.6%
CPO/tonne	659.0	-0.9%	16.9%
Soy/bushel	9.8	0.1%	11.1%
Rubber/kg	1.8	0.6%	34.6%
Nickel/tonne	10,437	0.4%	3.9%
Tins/tonne	20,885	0.2%	39.1%
Copper/tonne	4,841	0.2%	-5.6%
Gold/try.oz (Spot)	1,277	0.1%	11.8%
Coal/tonne	108.6	4.4%	104.7%
Corn/bushel	3.3	-0.1%	-10.9%
Wheat/bushel*	123.2	-3.7%	-24.8%

* : 1 month change

Source : Bloomberg

Jasa Marga (JSMR IJ; Buy)

Sound operational performance

- Bottom line reflects tariff increase and volume growth
- Increasing gearing to support expansion
- Rights issue around the corner
- Maintain Buy, TP Rp6,150

Net profit grew 27.7% yoy from healthy operations. Total toll road revenue grew 17.5% yoy to Rp6.4tn in 9M16. However, toll revenue only grew 2.3% qoq due to saturated traffic in the Greater Jakarta network of toll roads. By the end of FY15, JasaMarga enjoyed an average tariff increase of 13.5% and traffic volume of approximately 4% yoy, which led to sound revenue growth. The bottom line was able to grow by 27.7% yoy in 9M15, also supported by EBITDA margin expansion by 4.4ppt to 59.6% in 9M16. We believe there should be some room for further efficiency, especially from higher penetration of e-toll gates. With saturated toll roads, JasaMarga will need to build a new source of growth from the new sections in its pipeline.

Net gearing stood at 106.5% as of Sep16. Currently, JasaMarga has about 10 new toll road in its pipeline with 3 to 4 toll roads in bidding process. This year JasaMarga's capex is budgeted at Rp13.9tn of which Rp5.0tn has already being spent up to Sep16. For next year, the company indicated capex of Rp28tn, but this is yet to be finalized. If such a number is true, we expect net gearing to increase as construction progresses. Despite such aggressive capex plans, construction can only start if the land is already acquired. We do not see any significant changes that will speed up the land acquisition process, so capex could be delayed.

Rights issue approved by the Government. As the Government is keen to see toll road development to bring logistic costs down, JasaMarga as a toll road operator got full support from the Government to participate in the rights issue of Rp1.8tn. The Government's portion will be Rp1.25tn with public at Rp550bn and potential dilution of 6.74%. Assuming that this capital could be levered by 4x, JasaMarga should have the potential to raise fresh financing of Rp9.0tn. However, this amount is still not sufficient to finance next year's capex of Rp28tn. Therefore, higher gearing is expected as JasaMarga needs to increase its borrowing. This will have a negative impact on short-term profitability and dividend distribution.

Maintaining Buy call. We maintain our Buy call on the counter with a target price of Rp6,150. Nevertheless, JasaMarga is definitely for long-term holders due to negative short-term cash flow triggered by aggressive capex for new toll roads. These new toll roads will be a new source of growth as the Greater Jakarta toll roads become saturated.

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue (RpBn)	9,174	9,848	8,388	9,035	9,766
EBITDA (RpBn)	3,504	3,833	4,292	4,275	4,538
EBITDA Growth (%)	94.2	9.4	12	-0.4	6.2
Net Profit (RpBn)	1,237	1,319	1,536	1,201	1,371
EPS (Rp)	182	194	226	177	202
EPS Growth (%)	33.1	6.7	16.4	-21.8	14.1
Net Gearing (%)	91.3	102.2	70.3	104.9	100.7
PER (x)	31.6	29.6	25.5	32.6	28.5
PBV (x)	3.5	3.2	2.4	2.3	2.2
Dividend Yield (%)	1.6	1.5	1.6	1.2	1.4
EV/EBITDA (x)	8.3	6.9	6.5	5	4.7

Source : JSMR,IndoPremier

Share Price Closing as of : 31-October-2016

News & Analysis

Corporates

ADHI: Adhi Karya (ADHI IJ; Rp2,270; Buy) reported 3Q16 net profit of Rp 60bn (+33% qoq) which brings 9M16 earnings to Rp115bn (-17% yoy). the result was below our estimate and consensus of 21% achievement. Revenue only grew by 5% yoy while operating profits fell by 4% yoy.

Comment: despite weak performance, delay in LRT contract should help sustain earnings momentum next year.

ADRO: Adaro Energy (ADRO IJ; Rp1,585; Under Review) posted a good result in 9M16 with earnings accounted for 133% of our FY16 estimate while reaching 107% of the consensus;

- Net profit in 3Q16 reached US\$87mn (+39% qoq, +43% yoy), bringing 9M16 net profit to US\$209mn, up 16% yoy, mostly caused by lower mining, coal processing, freight and handling costs.
- ASP in 3Q16 reached US\$41.9/t (+4.6% qoq, -7.7% yoy), bringing 9M16 ASP to US\$40.9/t (-14.1% yoy), slightly above our FY16F ASP of US\$41.1/t, as we believe with 9M16 ASP of \$40.9/t and ~\$44/ton in 4Q16F, FY16F ASP should reach around \$41.6/t.
- Better than expected results posted in 9M16 are mostly stemming from lower than expected production costs, coupled with relatively low 9M16 SR of 4.44x vs our FY16F SR of 4.65x.
- Despite potential cost acceleration in 4Q16F as the company maintain its SR guidance of ~4.7x for FY16, we will revise our estimates and we also believe the consensus will upgrade ADRO's earnings and valuation given this better than expected results.
- We maintain our positive view on the company while reviewing our forecasts and valuation. (Company)

AMRT: Alfamart (AMRT IJ; Rp498; Not Rated) is collaborating with Sampoerna Bank to develop cash deposit savings services called Tabungan Sampoerna-Alfamartku (Tasaku). With Tasaku, consumers have a choice whether cash change is to be returned, donated, or deposited in Tasaku account. Tasaku successfully encompassed 9000 customers in 25 Alfamart stores in 2015 in the trial pilot project. Currently present in 200 stores, AMRT targets twenty thousand customers for Tasaku in FY16. (Investor Daily)

ASII: Astra International (ASII IJ; Rp8,225; Buy) released its 9M16 result with highlights as follow:

- Astra net income was Rp11.3tn (-6% yoy), below our expectation (63%) and consensus (70%) due lower than expected income contribution from affiliates and joint controlled as well as from other income (registration administration). Nevertheless, net income improved +1.8% qoq, thanks to strong performance from financing division (except Bank Permata), and heavy equipment.
- Auto division's net income grew 12.5% yoy in 9M16 due to successful new model launching restoring margins and boost sales volume +10% yoy enhancing market share to 54% from 50%. 2W sales from Astra Honda Motor were up +3.0% yoy despite shrinking wholesale of -10% yoy.
- Financial service income contribution was down -31% yoy as good performance of Federal Finance (+21% yoy) and Toyota Astra Financial group (+11% yoy) were negated by weak contribution especially from Bank Permata (net loss of Rp1.2tn), Astra Sedaya finance (-11%) and SAN finance (-43% yoy). Although we witness a strong qoq growth of 34.2% qoq in 3Q16, as there was no more incremental drag from Bank Permata.
- The net income from heavy equipment division was down -43.4% yoy as the 9M15 has yet to record write off in the 4Q15. Again we see qoq improvement as net income grew +13.7% qoq in 3Q16 due to better operational performance from mining contracting business.
- Net income from the agribusiness division is still lagging with net income

relatively stagnant qoq. The agribusiness division recorded significant forex gain, while operational result was mainly flattish.

- We maintain our Buy call on the counter with TP Rp9,000 as Astra is on the right track of recovery in almost all segments.

	9M16	9M15	+/- %	3Q16	2Q16	
Automotive	5,995	5,329	12.5	2,131	2,284	-6.7
Financial Service	2,074	2,996	-30.8	821	612	34.2
Heavy Equipment	1,893	3,342	-43.4	772	679	13.7
Agribusiness	913	116	687.1	282	298	-5.4
Infra & Logistics	213	86	147.7	39	92	-57.6
IT/Others	105	123	-14.6	32	39	-17.9
Property	84	5		na	na	-
Total	11,277	11,997	-6.0	4,077	4,004	1.8

Source: Company, IndoPremier

ASRI: Alam Sutera (ASRI IJ; Rp448; Hold) shows 9M16 earnings of Rp659bn, inline with ours and consensus. Net margin improved to 34.6% in 9M16 from 2.9% in 9M15 on the back of forex gain of Rp272bn in 9M2016 as IDR/USD exchange rate has improved to Rp12,998 (as of 30th September 2016) as compared to Rp13,795 (as of 31st December 2015). 9M16 revenue dropped 12% yoy to Rp1.9tn but company saw higher revenue from houses and shop houses to Rp 655.9bn in 9M2016 from Rp298.1bn in 9M2015. This was mostly due to the recognition from Suvarna Sutera Project in Pasar Kemis. (Company)

Comment: we think appreciation in IDR/USD exchange rate will continue benefit ASRI as most of its bonds are dominated by USD. We also like ASRI for its exposure to middle up housing that could be platform from tax amnesty. We will review our TP based on this set of result.

BIRD: PT Blue Bird (BIRD IJ; Rp2,800; Not Rated) results are below consensus (forming only 57% of FY16F). Company booked 3Q16 net profit of Rp132bn (+45% qoq), which resulted in 9M16 net profit of Rp361bn (-42% yoy). This is driven mostly by gross margin expansion to 29.2% (from 26.7% in 2Q16) and efficient operating cost control. To note, 3Q16 top-line still post negative growth of -2% qoq. (Company)

BISI: Bisi International (BISI IJ; Rp2,000; Under Review) posted inline 9M16 results;

- 3Q16 net profit reached Rp95.3bn (+31% qoq, +7% yoy), bringing 9M16 earnings to Rp233bn, up 24.3% yoy.
- 3Q16 revenues reached Rp448bn (+11.4% qoq, +13.3 yoy), helped mostly by corn seed sales of Rp233bn (+62% qoq, +2.6% yoy), allowing 9M16 revenues to reach Rp1.19tn, up 19.7% yoy as corn seed sales grew 24.3% yoy and pesticide sales improved 14.3% yoy.
- Revenues in 9M16 accounted for 70% of our FY16 estimate, this is inline as 9M revenues usually formed 70% of the company's FY top-line. While 9M16 bottom-line represent 60% of our FY16 estimate, also inline, as we expect higher margin in the fourth quarter on the back of higher sales volumes.
- At this stage we maintain our estimates and TP of Rp2,100. (Company)

CTRA: Ciputra Development (CTRA IJ; Rp1,580; Buy) booked 9M16 earnings of Rp668bn in 9M16 (-48% yoy), below consensus and ours with 55/44% achievement. Net margin dropped to 15.1% in 9M16 from 23.9% in 9M15 as company saw loss in equity in net income of associates of Rp93.2bn due to weak performance of Ciputra Property (CTRP IJ; Rp760; Not Rated) and lower revenue (-18% yoy) to Rp4.4tn. Gross margin and operating margin both fell to 48.4% and 24.4% in 9M16 from 50.4% and 31.8% in 9M15, respectively. (Company)

Comment: despite the weak performance, CTRA's subsidiaries, Ciputra Surya (CTRS IJ; Rp3,050; Not Rated) has yet reported market recovery in Makassar and Medan, thus strong market in Surabaya. We expect this to continue and to impact next year earnings. Merger plan should also improve share liquidity once its completed next year. Maintain Buy.

INTP: Indocement (INTP IJ; Rp16.450; Buy) released its 9M16 result with highlight:

- Net income was Rp3.1tn (-2.2%) in 9M16, which short of our and market expectation (70% of FY16). The result was quite disappointing as topline and EBITDA only represent 59% and 54% of our numbers. The weak result was due to low ASP triggered by hefty price war in Java. The bottomline was supported as Indocement booked tax asset for the 9M16 period.
- Total sales volume 12.0mn tons (-1.0% yoy) with quarterly volume being relative stable at 3.9-4.0mn tons per quarter. To stabilize sales volume, Indocement was forced to cut selling price by -11.0% yoy in the 9M16 period.
- Despite that COGS per tons was lower by -6.2% yoy, EBITDA margin contracted to 31% in 9M16 and 29.9% in 3Q16 due to weaker ASP.

	9M16	9M15	%	3Q16	2Q16	%	FY16	%
Turnover	11,347	12,886	-11.9	3,605	3,813	-5.5	19,168	59.2
Gross Profit	4,727	5,752	-17.8	1,492	1,536	-2.9	8,610	54.9
Operating Profit	2,786	3,646	-23.6	835	873	-4.4	5,373	51.9
EBITDA	3,516	4,336	-18.9	1,078	1,111	-3.0	6,498	54.1
Net interest	374	437	-14.5	107	123	-13.2	542	68.9
Forex	-	-	nm	-	-	nm	-	nm
Others	19	64	-70.1	(10)	20	-149.0	24	nm
Pretax	3,179	4,148	-23.4	932	1,016	-8.3	5,946	53.5
Taxation	(32)	(930)	-96.6	99	142	-30.3	(1,486)	2.1
Net Profit	3,147	3,218	-2.2	1,031	1,159	-11.0	4,455	70.6
EBITDA margin	31.0%	33.6%		29.9%	29.1%		33.9%	

Source: Company, IndoPremier

LPPF: Matahari Department Store (LPPF IJ; Rp18.025; Hold) booked earnings of Rp1.6tn (+16.3%yoy), forming 75% and in-line of our FY16 forecasts, while forming 73% and slightly below consensus. Gross sales were slightly weaker than expected at Rp13.2tn (+9.2% yoy) with 6% SSSG as of 9M16. Company expanded its gross margin by 40bps yoy to 35.6% in 9M16. Operating leverage remained strong, increasing BEITDA margin by 50bps to 17.2% yoy in 9M16 despite weaker sales. On e-commerce, LPPF is soon looking to launch a landing site of mataharistore.com which essentially is a landing site page integrated within mataharimall.com to better showcase LPPF's products. Mataharimall.com recently secured US\$100mn in equity financing from Mitsui & Co. for 11% stake in the e-commerce site; at this valuation, the new investor is purchasing at 3 times higher than what LPPF initially invested in mataharimall.com.

MPPA: Matahari Putra Prima (MPPA IJ; Rp18.025; Hold) booked positive earnings of Rp32.568 in 9M16, lower than expected at 14.4% of our FY16F estimates and 17% of consensus. Sales appear weaker due to seasonality factor post Lebaran but still missed seasonality adjusted growth at -9.2% qoq in 3Q16. Gross margin was 155bps lower at 16.5%, operating margin lower by 40bps and net margin lower by 117bps in 3Q16. We are seeing some recovery in operations side, but we think misses in achieving sales target is a red flag for MPPA's earnings into 4Q16.

PGAS: Perusahaan Gas Negara (PGAS IJ; Rp2.560; Buy) released its 9M16 result:

- Net income was down by -19.9% yoy in 9M16 mostly affected by forex losses. The result was below our expectation. Operationally, PGN started to recover as total revenue grew 0.8% yoy and EBITDA hiked 4.4% yoy. Recovery from the oil asset was triggered by higher oil price.
- Gas distribution remained undisturbed as volume hit 793mmscfd in 9M16 (+0.5% yoy). Distribution margin was also steady at US\$3.25/mmcsfd, unaffected by the noise of lower gas price as intended by the Government.
- The oil asset turned positive gross profit of US\$11mn in 3Q16 with EBITDA US\$56mn. Thanks to increasing oil price supporting revenue growth from these assets.
- We maintain our Buy call momentarily while re-evaluate our numbers.

	9M16	9M15	%	3Q16	2Q16	%	FY16F	% of forecast
Turnover	2,156	2,138	0.8%	716	719	-0.3%	3,017	71%
EBITDA	641	614	4.4%	211	200	5.1%	952	67%
Operating Profit	393	422	-6.7%	140	97	43.2%	526	75%
Net Int. & Invest. Inc.	(79)	(71)	11.1%	(26)	(33)	-21.5%	(96)	82%
Forex gain (losses)	(68)	(20)	239.3%	(1)	(45)	-97.9%	2	nm
Except. & Others	50	54	-8.0%	5	28	na	103	48%
Group Pretax	296	384	-23.0%	117	47	151.4%	535	55%
Taxation	(50)	(78)	-35.2%	(27)	8	na	(82)	62%
Minorities	0	0	nm	0	0	na	-	#DIV/0!
Net Profit	245	306	-19.9%	91	54	66.3%	453	54%
EBITDA Margin	29.8%	28.7%		29.4%	27.9%		31.6%	

Source: Company, IndoPremier

RALS: Ramayana Lestari Sentosa (RALS IJ; Rp1,370; Hold) booked earnings of Rp361.7bn (+18.8% yoy) in 9M16, forming 94.3% and 92.4% of FY16 ours and consensus estimate respectively, above expectations. Revenues reached Rp4.6tn, growing in-line (+6.88% yoy) on the back of strong 7.1% SSSG as of 9M16. 3Q16 numbers appears weaker qoq due to seasonality factor post Lebaran festivities this year, but still strong at 6.6% and 7.7% for operating and net margins. We also see gross margin improvement of 127bps to 40% which reflects transformative efforts in clothing and SPAR supermarket merchandising strategy proving to be quite effective. We are positive that RALS could achieve its sales growth target in 4Q16 on the back of higher improvement of SSSG in stores outside Java and more distribution of Kartu Jakarta Pintar at end of year. We reiterate BUY on RALS with TP IDR1,550 (+19.2% upside).

SILO: Siloam Internationals (SILO IJ; Rp10,375; Buy) booked 9M16 earnings of Rp85bn (+17% yoy), inline with our estimates but above consensus. Revenue and gross profit grew by 28% and 22% yoy to Rp3.8tn and Rp1.1tn mainly contributed by outpatient admission that grew by 20% yoy, followed by inpatient by 20% yoy. Net margin was relatively flattish at 2.3% in 9M16 due to higher tax rate. (Company)

Comment: We still like SILO as it grows its developing hospitals to mature hospitals that should translate to better margin in long term. Maintain Buy at Rp11,900/share.

TAXI: PT Express Transindo (TAXI IJ; Rp173; Sell) results are below our expectation. Company booked 3Q16 net loss of Rp39bn (+18% qoq), bringing 9M16 net loss to fall deeper to Rp82bn. This is driven mostly by falling top-line of Rp139bn in 3Q16 (-15% qoq, -34% yoy) and high interest expense. (Company)

Comment: In our view, the company's bottom-line is still depressed by the high interest expense paid at Rp47bn, offsetting the improvement in gross and operating margin (+350bps, +230bps respectively).

UNTR: United Tractors (UNTR IJ; Rp21,625; Under Review) posted inline 9M16 results;

- Net profit in 3Q16 reached Rp1.27tn (+13.4% qoq and -41% yoy), bringing 9M16 earnings to Rp3.13tn, down 44% yoy.
- Revenues in 3Q16 dropped 4.5% qoq and 15% yoy to Rp11.3tn, allowing 9M16 revenues to reach Rp33.9tn, down 11.5% yoy. Revenues decrease in 3Q16 was partly caused by lower coal sales of Rp1.1tn, from Rp2.1tn posted in 2Q16.
- Revenues in 9M16 represent 76% of our FY16 estimate (inline) while core net profit in 9M16 accounted for 77% of our FY16 estimate.
- With this in-line results, at this stage we retain our estimates and TP of Rp21,500. (Company)

WIKA: Wijaya Karya (WIKA IJ; Rp2,570; Buy) reported earnings of 9M16 of Rp402bn (+3% yoy), below estimates as it only formed 49/51% of ours and consensus. 3Q16 net profit were down 22% qoq to Rp145bn as company booked lower construction revenue of Rp1.7tn (-11% qoq) that led to further drop in gross and operating margin to 11.7% and 10.5% in 3Q16 (vs 13.3% and 11.5% in 2Q16).

Comment: we will review our forecast based on this set of results.

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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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