

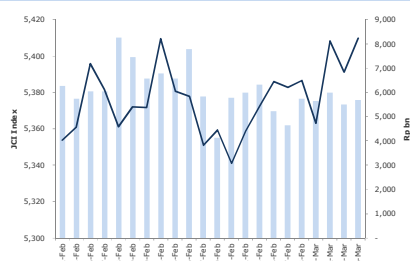
Premier Insight

7 March 2017

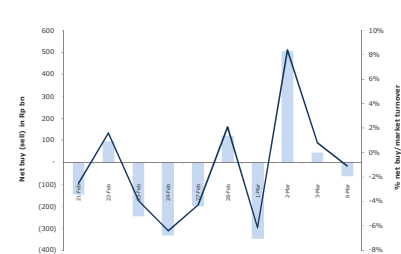
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,410	0.3%	12.0%	2.1%
LQ45	898	0.5%	6.6%	1.6%
DJI	20,954	-0.2%	22.7%	6.0%
SET	1,554	-0.8%	11.3%	0.7%
HSI	23,596	0.2%	17.0%	7.3%
NKY	19,379	-0.5%	14.6%	1.3%
FTSE	7,350	-0.3%	18.9%	2.9%
FSSTI	3,122	0.0%	10.6%	8.4%
EIDO	25	0.7%	4.2%	2.9%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	53.2	-0.2%	48.1%
CPO/tonne	650.1	1.0%	15.4%
Soy/bushel	10.2	0.0%	16.7%
Rubber/kg	2.6	0.7%	75.0%
Nickel/tonne	11,040	0.9%	18.5%
Tins/tonne	19,424	-0.2%	13.3%
Copper/tonne	5,844	-1.0%	16.0%
Gold/try.oz (Spot)	1,225	-0.8%	-3.3%
Coal/tonne	80.2	-0.9%	57.3%
Corn/bushel	3.6	-0.6%	2.2%
Wheat/bushel*	137.1	11.6%	-16.7%

*: 1 month change

Source : Bloomberg

HMSP: HM Sampoerna (HMSP IJ; Rp3,950; Hold) FY16 earnings grew 23% yoy, slightly above our/consensus estimates, on the back of 7.2% yoy revenue growth in 2016. Revenue in SKM grew 9.9% yoy in 2016 while SKT and SPM also reported growth of 1.5% and 5.2%yoy, respectively in 2016. Gross margin expanded by 60bps to 25% in FY16, while operating margin improved to 16.8% in 2016 (vs. 2015: 15.8%). To note, HMSP volume sales decelerated by 3.9% yoy in FY16.

Comment: Despite volume sales contraction in 2016, HMSP still able to book double digit earnings growth. We expect the improving economic condition this year to further support its performance. At this stage, we maintain HOLD on HMSP.

(in Rp bn)	4Q16	4Q15	YoY	4Q16	3Q16	QoQ
Revenue	25,191	23,552	7.00%	25,191	22,939	9.80%
SKM	16,458	14,525	13.30%	16,458	14,942	10.10%
SKT	5,113	5,227	-2.20%	5,113	4,413	15.90%
SPM	3,377	3,566	-5.30%	3,377	3,351	0.80%
Gross Profit	6,674	6,017	10.90%	6,674	5,619	18.80%
Operating Profit	4,622	3,905	18.40%	4,622	3,714	24.40%
Net Profit	3,681	2,767	33.00%	3,681	2,933	25.50%
Gross Margin (%)	26.50%	25.50%		26.50%	24.50%	
Operating Margin (%)	18.30%	16.60%		18.30%	16.20%	
Net Margin (%)	14.60%	11.70%		14.60%	12.80%	

Source: Company, Indo Premier

TLKM: Telkom Indonesia (TLKM IJ; Rp3,920; Buy) has released its financial result which was in line with our and consensus numbers. The result highlights were:

- Revenue, EBITDA and net income grew 13.5% yoy, 15.7% yoy and 24.9% yoy in FY16 mostly driven from strong data growth of 31.0% yoy with surprisingly cellular voice which grew 3.1% yoy driven by attractive offerings. Meanwhile fixed voice only declined by 3.7% yoy with SMS down by 3.3% yoy.
- ARPU for cellular inched up 5.2% yoy to Rp45,000 but was down by 4.1% qoq. Total subscribers were 173.9mn subs as of Dec 16 (+13.9% yoy, +6.2% qoq). Strong progress in sub base indicates superiority of network quality and coverage as Telkomsel was able to attract more customers.
- Total capex spent was Rp29.2tn (+10.6% yoy) with Telkom's capex concentrated to develop acces and backbone infrastructure including satellite and submarine cable to support fixed and mobile broadband, while Telkomsel's capex was utilized for radio access network.
- We think that Telkom will be able to maintain growth momentum and take full advantage from its operational leverage. We maintain our Buy call on the counter with target price Rp5,000.

Rp Bn	FY16	FY15	%	4Q16	3Q16	%	FY16F	%
Turnover	116,333	102,470	13.5	30,145	29,734	1.4	120,775	96.3
EBITDA	59,498	51,415	15.7	15,120	15,583	-3	60,339	98.6
Operating profit	40,966	32,881	24.6	9,945	10,965	-9.3	40,393	101.4
Net Int. & Invest. Inc.	-1,094	-1,074	1.9	-390	-289	34.9	-1,430	76.5
Forex gain (losses)	-52	-46	na	164	-216	na	-	nm
Except. & Others	-1,631	-419	na	-1,147	-511	na	-	nm
Group Pretax	38,189	31,342	21.8	8,572	9,949	-13.8	38,963	98
Taxation	-9,017	-8,025	12.4	-1,569	-2,613	-40	-9,741	92.6
Minorities	-9,820	-7,828	25.4	-2,383	-2,700	-11.7	-9,226	106.4
Net Profit	19,352	15,489	24.9	4,620	4,636	-0.3	19,996	96.8

Source: Company

AKRA: AKR Corporindo (AKRA IJ; Rp6,325; Not Rated) posted net profit of Rp1.01tn in FY16, down 2.2% yoy, helped by margin improvement as revenues dropped 23% yoy. EBIT margin improved to 7.7% (from 6.8% in FY15), while net margin increased to 6.6% in FY16, from 5.2% in FY15, helped by adequate cost control measures, according to the CEO. However, FY16 earnings came in 5.6% below consensus expectation. (Company)

WSBP: Waskita Beton (WSBP IJ; Rp540; Not Rated) ready to build two more factory in Sumatera and Kalimantan this year. Company will allocate Rp1.1tn from IPO funds last September. The factories will each have a capacity of 300.000ton/year, which brings WSBP total capacity to 3.25m ton/year. (Kontan)

Markets & Sector

Construction sector: Kereta Api Indonesia (KAI) will obtain 50 years of concession right to support infrastructure in light rail transit (LRT) project. Aside from concession, KAI will also gain subsidy from government in 12 years and additional equity of Rp5.6tn from government. (Investor Daily)

Comment: better certainty in financing may provide upside for ADHI's share price performance.

Transportation sector: Transportation Ministry aims to finalize the revision on Regulation No.32/2016 at the first week of April 2017. New points include: 1) government will apply the same upper and bottom tariff limit for online taxi players. 2) online taxi players are subject to corporate tax. 3) LCGC is now allowed to be taxi fleets. (Kontan)

Comment: We believe this news is positive for conventional taxi players as the price war is ended. All discounted tariff offered by online taxi should be between upper and bottom tariff, giving a same playing field to gain market share for conventional taxi. Better utilization rate should recover sales growth.

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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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