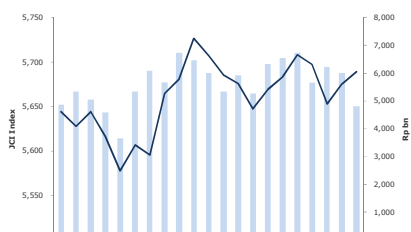


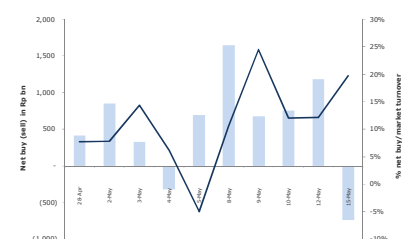
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,689	0.2%	20.2%	7.4%
LQ45	952	0.6%	17.7%	7.7%
DJI	20,982	0.4%	18.5%	6.2%
SET	1,537	-0.4%	10.0%	-0.4%
HSI	25,372	0.9%	27.6%	15.3%
NKY	19,870	-0.1%	20.7%	4.5%
FTSE	7,454	0.3%	21.2%	4.4%
FSSTI	3,264	0.3%	19.3%	13.0%
EIDO	27	0.7%	20.5%	11.4%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	48.9	2.1%	5.7%
CPO/tonne	604.2	1.2%	0.9%
Soy/bushel	9.3	0.2%	-11.0%
Rubber/kg	2.2	0.7%	19.2%
Nickel/tonne	9,177	-1.1%	6.7%
Tins/tonne	20,045	0.4%	20.3%
Copper/tonne	5,593	1.0%	20.6%
Gold/try.oz (Spot)	1,231	0.2%	-3.4%
Coal/tonne	73.3	-0.4%	45.0%
Corn/bushel	3.4	-0.7%	-9.7%
Wheat/bushel*	146.4	-0.6%	-10.8%

* : 1 month change

Source : Bloomberg

INTP: Indocement (INTP IJ; Rp17,800; Hold) sales volume stood at 1.3mn tons (+7.7% yoy, +0.7% mom) in Apr17, which was lower than the national demand growth of 11.0% yoy. Indocement was continuously hurt in Jakarta as demand fall -10.7% yoy, but showed improvement in Banten (+5.5% yoy), West Java (+9.3% yoy), Central Java (+21.4% yoy). In Kalimantan, Indocement faced stiff competition from Anhui Conch leading falling market share to 18.6% from 21.6%. Overall market share fell to 25.4% up to Apr17 vs 26.5% the year earlier.

Comment: Indocement has slowed down its demand decline, which we think was attributed from competitive pricing. This means that profitability will be at risk in order to maintain market share. We expect volume to stabilizing but with pressure on margins. Maintain Hold.

VIVA: Visi Media Asia (VIVA IJ; Rp388; Not Rated) we went to the analyst expose at Studio ANTV, here are some key takeaways:

- VIVA owns two Free-To-Air (FTA) TV, ANTV (90%) and TV One (99.9%), which represent 63% of its FY16 Revenue. Company also owns online Media, Viva.co.id (99%), which contribute to 13% of its FY16 revenue.
- As of 4M17, ANTV and TV One has 15.6% and 3.3% of media group market share respectively. ANTV is targeted more into female with drama series, entertainment and cinemas, while TV One is more towards male with news, talk shows and sports.
- In FY16, revenue from prime time(16.30-22.29) vs. non-prime time are 35% and 65% respectively. Company gross advertising main contributors came from F&B, toiletries, Healthcare and households with 41.8%, 16.9%, 11.9%, and 7.1% respectively.
- In the next two years, VIVA targets Ebitda margin to improve to 40% vs. 31.7% in FY16. Company also targets 14% adex growth, which is double of the industry's growth of 7% in FY17F.
- ANTV develops audience's brand loyalty towards its Indian shows by: 360 degree campaign & integration program, and actors/actress extension to local shows.

Markets & Sector

Construction Sector: President Jokowi and China President, Xi Jinping, have witnessed the signing of funding commitment for Jakarta – Bandung High Speed Railway (HSR). The funding is worth US\$4.9bn and has been signed by President Director of China Development Bank and Kereta Cepat Indonesia China (KCIC). President Jokowi also invites China to participate into further infrastructure project in Indonesia, namely: Kuala Tanjung port and road access from Medan to Sibolga, infrastructure improvement in Belitung – Manado – Gorontalo, and power plant in North Kalimantan. (Kontan)

Comment: This is very positive for Wijaya Karya (WIKA IJ; Rp2,230; Buy) as it removes funding uncertainty and could accelerate revenue recognition from the project. Note that company has received Rp15.8tn new contract from HSR's construction work during end of FY16. Maintain Buy at TP of Rp3,100/share.

Construction Sector: In the past five years, the development of hospital started to captive developer's interest as one of the source of recurring income other than shopping malls and hotels. As mixed-used development increases, the construction of hospital as a supporting facility also went up. From 2013-2017, the total value of hospital project construction in Indonesia reached Rp34.4tn. (Investor Daily)

Refer to Important disclosures in the last page of this report

Tobacco sector: The plain packaging ruling from WTO could negatively effect Indonesia tobacco export. Although the WTO's final ruling is not expected until July, a confidential draft has shown favoring to imposed such rules. (Kontan)

Comment: The ruling is negative for HM Sampoerna (HSMP IJ; Rp3,850; Hold) and Gudang Garam (GGRM IJ; Rp73,600; Hold) export sales. The key risk is that disappearing brand equity will erode pricing power and ease the barrier of entry for newer, cheaper rivals. To note, the contribution from export sales was below 4% for both companies.

Economic

Economy: Indonesia sustained trade surplus in April 2017 (US\$1.24bn; +41% yoy), albeit marginally weaker than in March (-11.3% mom), to bring its surplus to US\$5.3bn in 4M17 (vs. \$3.0bn a year ago) as growth of exports outpaced imports (18.6% vs. 13.5% yoy). The improving trade balance can be attributed to commodity price recovery for palm oil, coal and rubber and stronger global growth. Meanwhile, import growth can be attributed to raw materials/intermediary goods (+15.8% yoy in 4M17) while capital goods grew 6.3% yoy. However, the country's oil & gas trade balance worsened as the deficit widened to US\$3.2bn in 4M17 (4M16: \$0.9bn) due to a sharp rise in imports of oil products. (BPS).

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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.

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.

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