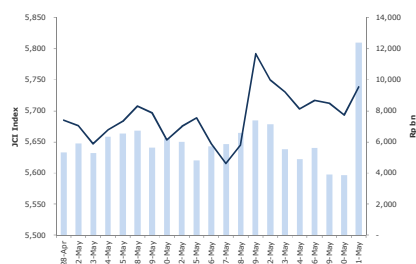
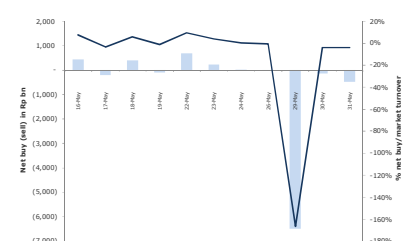


JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,738	0.8%	18.6%	8.3%
LQ45	958	0.9%	15.5%	8.3%
DJI	21,144	0.6%	18.5%	7.0%
SET	1,563	0.1%	9.8%	1.3%
HSI	25,809	0.6%	23.7%	17.3%
NKY	19,860	1.1%	19.9%	5.0%
FTSE	7,544	0.3%	22.0%	5.6%
FSSTI	3,236	0.8%	15.8%	12.3%
EIDO	27	1.3%	18.9%	11.5%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	48.4	0.1%	-1.3%
CPO/tonne	586.0	0.6%	-3.3%
Soy/bushel	8.9	0.1%	-18.5%
Rubber/kg	2.1	-1.9%	28.1%
Nickel/tonne	8,793	-1.4%	4.3%
Tins/tonne	20,550	0.6%	26.7%
Copper/tonne	5,675	0.3%	22.5%
Gold/try.oz (Spot)	1,266	-0.2%	4.5%
Coal/tonne	74.5	1.4%	40.3%
Corn/bushel	3.5	-0.4%	-13.6%
Wheat/bushel*	138.4	-5.5%	-15.3%

*: 1 month change

Source : Bloomberg

Astra International (ASII IJ; Buy)

Recovery in value added chain

- Strong auto value chain
- Commodity related gaining from pricing
- Investing in future synergy
- Maintain Buy, new TP Rp9,800

Chain reaction from auto recovery. The launching of the new model in 7-seater LCGC, Calya-Sigra, was a key momentum for Astra to regain its 4W sales in 1Q17, seven out of top10 selling cars belongs to Astra group. Star-selling models remain in Toyota Avanza with 35,713 units followed by Toyota Calya 26,928 units and Kijang Innova 13,256 units. During the first 4 months, Astra's auto sales grew 21.1% yoy supported by new model launching. Good 4W sales volume should create a chain reaction of value added from normalized distribution margin (less discounts and incentive), increase demand for car financing (under Astra Sedaya and Toyota Astra Financial Service), recovery in demand for components (under Astra Otoparts (AUTO IJ; Rp2,490; Hold), higher demand in car insurance (under Garda Oto brands), and others value added service. Therefore recovery in auto sales will create additional value in the whole value chain.

Recovery in commodity to sustain. Strong recovery in commodity prices has supported Astra Agro Lestari (AALI IJ; Rp14,450; Buy) and United Tractors (UNTR IJ; Rp27,075; Buy). We believe that commodity prices should sustain at current prices providing a sustainable recovery in the commodity related sector. We do not expect any significant capex in these two companies which then should result a strong cash flow for the parent company.

Creating new synergy. Astra International invested quite heavily in toll roads, power plant and property sector. We see this strategic move to diversify away from the automotive sector and to ensure steadier cash flow from infrastructure related projects. Moreover, these investments are also intended to create vertical synergy among business units. For instance, investment in the construction company should benefit the group in property and toll road construction. Investment in power plant should help to induce vertical integration with the coal mining unit. The toll road and property units could tie together to create further value. In short, Astra aims to diversify its business units to secure steadier cash flows and create new synergies. We do not expect a significant impact in the short run.

Maintain Buy. With strong recovery in the automotive sector, commodity relate and financial sector of Astra International, we upgrade our target price to Rp9,800. We remain confident on Astra's business model and recovery and maintain our Bu call on the counter. We upgraded our earnings by 5.3% for FY17 and 8.6% for FY18.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	184,196	181,084	241,857	241,582	269,012
EBITDA (RpBn)	24,387	21,423	26,021	28,615	32,194
EBITDA Growth (%)	(10.5)	(12.2)	21.5	10.0	12.5
Net Profit (RpBn)	14,464	15,156	20,159	23,037	26,435
EPS (Rp)	357	374	498	569	653
EPS Growth (%)	(24.6)	4.8	33.0	14.3	14.8
Net Gearing (%)	21.0	18.3	37.7	32.9	28.1
PER (x)	24.3	23.2	17.4	15.2	13.3
PBV (x)	2.8	2.5	2.3	2.1	1.9
Dividend Yield (%)	2.5	2.9	3.8	4.3	5.0
EV/EBITDA (x)	15.5	17.6	15.7	14.2	12.6

Source: ASII, IndoPremier

Share Price Closing as of 30 May 2017

News & Analysis

Corporates

AISA: Tiga Pilar (AISA IJ; Rp2,200; Buy) reported 1Q17 earnings of Rp103bn (-15.6% yoy), accounting for 18%/20% of our/consensus estimates, where revenue decelerated by 12.3% yoy to Rp1.4tn in 1Q17. Rice sales lowered by 17.2% yoy where foods segment still grew by 1.9% yoy in 1Q17. Despite revenue deceleration, gross margin grew by 90bps to 25.4% in 1Q17 driven by 120bps margin expansion in foods segment and slightly lower material cost. (Company)

Comment: The lower sales seen in rice business in 1Q17 is due to company's strategy to slowly replace the bulk rice sales with branded rice sales. We are reviewing our forecast for FY18F earnings as the company postpones the launch of its 2 new rice facilities in Eastern Indonesia.

(in Rp bn)	1Q17	1Q16	YoY	1Q17	4Q16	QoQ
Revenue	1,457.10	1,660.90	-12.3%	1,457.10	1,567.10	-7.0%
Food Processing	549.1	538.8	1.9%	549.1	698.3	-21.4%
Rice Mills	908	1,096.80	-17.2%	908	868.5	4.5%
Gross Profit	369.7	405.8	-8.9%	369.7	428.7	-13.8%
Food Processing	192.2	182.2	5.5%	192.2	283.4	-32.2%
Rice Mills	177.5	221.4	-19.8%	177.5	166.1	6.8%
Operating Profit	227.6	267.3	-14.8%	227.6	215.2	5.8%
Net Profit	103.5	122.7	-15.6%	103.5	248.2	-58.3%
Gross Margin	25.4%	24.4%		25.4%	27.4%	
Food Processing	35.0%	33.8%		35.0%	40.6%	
Rice Mills	19.5%	20.2%		19.5%	19.1%	
Operating Margin	15.6%	16.1%		15.6%	13.7%	
Net Margin	7.1%	7.4%		7.1%	15.8%	

Source: Company

BISI: Bisi International (BISI IJ; Rp1,665; Buy) expects FY17F corn seed sales volume growth to reach 40% yoy as it posted 39% yoy growth in 1Q17 and the government plans to lift corn import permit in 2017, which will be positive for domestic corn price, thus, encouraging farmers to plant more corn. (Kontan)

Comment: This is higher than our forecast as we apply +20% yoy sales volumes estimate in FY17F. At this stage, we reiterate our Buy rating for BISI with TP of Rp2,100 which implies FY17F P/E of 14.5x. To note, currently, BISI is traded at P/E FY17F of 11.5x

KIJA: Kawasan Industri Jababeka (KIJA IJ; Rp320; Not Rated) prepared a capex of Rp 1.57tn in FY17 to land acquisition and infrastructure development. Rp600 will be allocated for possible land acquisition in Cikarang, Kendal, and Tanjung Lesung. In the last two years, 59% of company's revenue comes from recurring income, 38% contributed from property and real estate business, while the other 3% comes from leisure & hospitality. On separate news, KIJA is looking for new partner to develop Kawasan Ekonomi Khusus (KEK) in Tanjung Lesung as the replacement of DW Development, which deemed to be more suitable as a contractor. Company targets marketing sales of Rp1.5tn in FY17 from the sales of 20ha in Cikarang and 35ha in Kendal. Per 1Q17, company record marketing sales of Rp335bn (+570%) vs. Rp50bn in 1Q16. (Investor Daily, Kontan)

LSIP: London Sumatera Plantation (LSIP IJ; Rp1,525; Buy) will distribute dividend of Rp35/sh, implying dividend yield of 2.3%. This is reflecting dividend payout ratio is 40% while the cum dividend date on June 8, 2017. (Kontan)

MIKA: Mitra Keluarga Karyasehat (MIKA IJ; Rp2,040; Buy) is optimistic to record positive result in FY17 despite flat growth in 1Q17. Company stated outbreak of dengue fever early this year will trigger earnings growth by single digit this year. MIKA targets 18 hospitals in 2020 and currently have operated 12 hospitals with 2,250 bed capacity in Jabodetabek and East Java. (Kontan)

Comment: MIKA's new FY17 earnings guidance is lower from our estimate. Even so, we still like MIKA's healthy fundamentals and its expansion plan to open secondary brand to penetrate BPJS market. We will review our earnings forecast based on this new set of developments.

MYRX: Hanson International (MYRX IJ; Rp123; Not Rated) will sell off its 20% stake on its subsidiary, PT Armidian Karyatama through IPO this year. The company targets IPO proceeds of Rp491-818bn of which 70% of the proceeds will be used to acquire more land in Maja and remaining to pay off loan to its parent, PT Mandiri Mega Jaya. Currently, Armadian owns 517ha land in Maja. (Kontan)

TOWR: Menara Sarana (TOWR IJ; Rp3,700; Not Rated) released its 1Q17 result, which was inline with consensus expectation. Total revenue grew +12.2% yoy in 1Q17 due to increase of new leased, which affected EBITDA to grow +13.3% yoy and net profit of +25.0% yoy. Due to the recent acquisition from XL, total number of tower grew +21.2% yoy to 14,587 towers with tenant to grow by 17.5% yoy to 24,070 tenants leading to stable colocation ratio of 1.65x.

Rpbn	1Q17	1Q16	%	1Q17	4Q16	%
Turnover	1,313	1,170	12.2	1,313	1,321	-0.6
EBITDA	1,134	1,000	13.3	1,134	1,154	-1.7
Operating Profit	1,012	892	13.5	1,012	1,033	-2.0
Net Int. & Invest. Inc.	(172)	(128)	34.3	(172)	(175)	-1.6
Forex gain (losses)	-	-	nm	-	-	nm
Except. & Others	26	(66)	nm	26	125	nm
Group Pretax	866	697	24.2	866	982	-11.9
Taxation	(216)	(178)	21.8	(216)	(238)	-9.3
Minorities			nm		-	nm
Net Profit	649	520	25.0	649	744	-12.7
EBITDA margin	86.3%	85.5%		86.3%	87.3%	

Source: Company

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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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