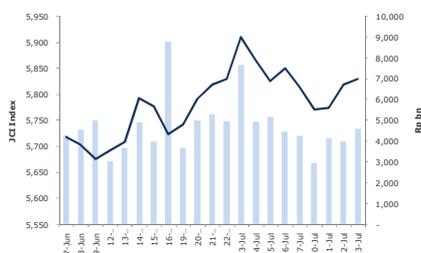


Premier Insight

Bumi Serpong Damai (BSDE IJ; Buy)

A tough year

JCI Index



- 1H17 pre sales was the company's weakest in the last five years
- Sluggish sales on recent cluster launch
- No significant pick up in property pre sales expected until 2019
- We cut our earnings but maintain Buy with TP of Rp2,100 (vs. Rp2,600)

Foreign net buy (sell)



1H17 pre sales was the weakest. Bumi Serpong Damai (BSDE) reported pre sales of Rp2.5tn in 1H17, flat yoy, achieving only 35% of the company's FY17 target. This was the company's weakest achievement in last five years, which typically range between 41-57% in first half. In 2Q17, pre sales were only Rp924bn, dropped 42% qoq from 1Q17, due to the absence of land sales from its JV transaction with Mitsubishi. 1H17 residential pre sales came at Rp1tn, 48% from annual residential sales target which we deem largely in-line, while sales of commercial property only 22% of its FY17 target. Major contributor still came from Serpong (68%), followed by Taman Banjar Wijaya (9%) and Nava park (8%). According to the company, the weak sales performance was caused by limited project launches in 1H17 due to political events and festive season which tone down buying appetite for property.

Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,830	0.2%	14.7%	10.1%
LQ45	978	0.2%	12.1%	10.6%
DJI	21,553	0.1%	16.5%	9.1%
SET	1,579	0.3%	6.1%	2.4%
HSI	26,346	1.2%	22.2%	19.8%
NKY	20,100	0.0%	22.7%	5.3%
FTSE	7,413	0.0%	11.4%	3.8%
FSTTI	3,240	0.1%	11.4%	12.5%
EIDO	27	-0.9%	7.7%	12.4%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
<i>(in USD)</i>			
Oil/barrel (WTI)	46.1	1.3%	3.0%
CPO/tonne	595.8	-0.9%	15.1%
Soy/bushel	9.4	-4.6%	-15.5%
Rubber/kg	1.7	0.0%	-2.3%
Nickel/tonne	9,167	0.1%	-11.1%
Tins/tonne	19,885	-0.7%	10.8%
Copper/tonne	5,854	-0.4%	19.0%
Gold/try.oz (Spot)	1,218	-0.2%	-8.8%
Coal/tonne	83.8	0.7%	37.2%
Corn/bushel	3.4	-4.5%	-4.2%
Wheat/bushel*	146.5	5.8%	-7.0%

* : 1 month change

Source : Bloomberg

Sluggish sales on newest cluster launch. BSDE launched new cluster called "Avezza" in June 2017 which consisted of 128 units of house with price tag from Rp1.3-2.2bn/ unit. Building size varies from 73 to 116sqm while land size ranged around 60-105sqm. During the launch day, the company booked marketing sales of Rp126bn, which represented 57% project take up rate. This was indeed weaker compared to take up rates of at least 70% in previous launches.

No significant pick up in property pre sales. There is no significant pick up among developers (BSDE, PWON, CTRA and SMRA) who have been reporting their 1H17 pre sales achievement. Overall, they reported flat marketing sales (-1% yoy) which translated to weaker achievement compared to 1H16. We expect the weak sector performance to continue until the next presidential election in 2019 with buyers mostly delaying their purchase decision due to uncertain political condition in Indonesia.

We downgrade our earnings but maintain Buy at lower TP of Rp2,100. We downgrade our pre sales forecast from Rp7tn to Rp5.4tn FY17F on the back of weak achievement in 1H17. Therefore, we cut our revenue and earnings forecasts for FY17/18F by 13/21% and 17/29% with lower net margin at 33/33.3% (vs. 34.9/36.9%). We also incorporate our higher discount rate assumption from 50% to 60% to reflect prolonged political risk that hinder buying appetite to come at our new TP of Rp2,100 (+16% upside). At the current price, BSDE is trading at 65% discount to our calculated NAV. Reiterate Buy.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	6,210	6,522	6,873	7,429	7,664
EBITDA (RpBn)	3,018	2,965	3,106	3,402	3,520
EBITDA Growth (%)	10.9	(1.7)	4.7	9.5	3.5
Net Profit (RpBn)	2,139	1,796	2,271	2,476	2,586
EPS (Rp)	111	93	118	129	134
EPS Growth (%)	(44.0)	(16.0)	26.4	9.0	4.5
Net Gearing (%)	8.2	16.1	3.4	1.6	0.1
PER (x)	16.3	19.4	15.3	14.1	13.5
PBV (x)	1.6	1.4	1.2	1.1	1.0
Dividend Yield (%)	0.3	0.8	0.5	1.3	1.4
EV/EBITDA (x)	12.1	13.1	11.5	10.4	9.9

Source : BSDE, IndoPremier

Share Price Closing as of : 12-July-2017

Elnusa (ELSA IJ; Not Rated)

Earnings recovery

- Higher upstream revenue to help earnings recovery in 2H17.
- Expect upstream recovery to persist further in 2018.
- Upside potential on low PBV but dependent to oil price movement.

Stronger 2H outlook. We met with ELSA's Board of Directors and note some interesting observation about the company. Management expects ELSA's 2H17 earnings to improve after a weak performance in 1H17 due to higher contribution from its upstream business which has higher margin. Revenues from upstream business accounted for 40% of 1H revenues vs. 60% downstream, but this revenue split is expected to reverse in 2H with upstream contributing Rp1.2tn (60%) and downstream only Rp800bn (40%). In turn, this should lift up ELSA's profit margins and cash flow given the company's high operating leverage (ie. fixed and depreciation costs represented over half of its cost of revenue).

Earnings upside after 2018. Several oil field block contracts; namely Mahakam (which currently operated by Total EP), Sanga Sanga (operated by VICO) and Attaka & East Kalimantan (operated by Chevron) will expired in 2018. The government has stated that contracts of these oil fields will not be extended and will be handed over to Pertamina which holds 41.1% ownership in ELSA (excluding Pertamina Pension Fund's ownership of 14.9%). ELSA's revenues from these oil fields have declined by 60% in past three years as the operators anticipated expiry of their license in 2018. As such, with expected hand over of these oil fields back to Pertamina in 2018, management expects ELSA's upstream revenue to recover to previous normal level.

Attractively valued. ELSA currently trades at PBV of 0.71x, which is 40% lower than its five-year average PBV of 1.18x. We note that in 2010 Benakat Integra (BIPI IJ) acquired ELSA at Rp330/sh, which was ~10% discount to the market price at that time. BIPI acquired 37.15% of ELSA from Tridaya Esta at PBV of 1.26x. In 2014, Pertamina Pension Fund acquired ELSA from BIPI at Rp395/sh, which was ~20% discount to the market price, also at PBV of 1.26x. We foresee upside potential for ELSA given the stock's currently low book value multiple and its potential earnings recovery in 2H17. Although it should also be noted that ELSA's share price is somehow correlated to oil price. Hence, the upside is also subject to oil price improvement.

Year to 31 Dec	2013	2014	2015	2016	1Q17
Revenue (Rp bn)	4,112	4,221	3,775	3,621	970
Gross profit (Rp bn)	647	760	719	615	72
Operating profit (Rp bn)	293	443	470	419	24
Net income (Rp bn)	238	426	375	311	5
Net income growth (%)	86.1	78.9	(11.8)	(17.2)	(94.5)
Gross margin (%)	15.7	18.0	19.0	17.0	7.4
Operating margin (%)	7.1	10.5	12.5	11.6	2.5
Net margin (%)	5.8	10.1	9.9	8.6	0.5
Gearing ratio (%)	(24.9)	(24.8)	(7.5)	(6.9)	(3.7)
ROE (%)	10.7	16.9	14.4	10.9	0.2

Source : ELSA

Share Price Closing as of 12 July 2017

News & Analysis

Corporates

SILO: Siloam International (SILO IJ; Rp 10,600; Hold) announced the opening of Siloam Hospitals Bogor (SHBG) and the acquisition of Rumah Sakit Hosana Medica (RSHM) in Bekasi. The acquisition is subject to due diligence review result with transaction is estimated to reach Rp150bn. This acquisition and new opened hospital will bring total operating hospitals to 29. (Company)

Comment: the opening of SILO's new hospital (SHBG) mark the second greenfield hospital opening this year, half of our target of four greenfield hospital. The inline and strong execution record may become potential catalyst for SILO. In the meantime, maintain HOLD.

TBIG: Tower Bersama (TBIG IJ, Rp7,100, Hold) disclosed that the company was able to add new tenants of 1020 up to 1H17, consist of 336 new sites and 684 colocations. This is about 40% of the total company's target of 2400 new tenants.

Comment: This is mostly inline with our target of 1,000 new towers with 2,000 new tenants. On this news we maintain our Hold call on the counter with TP Rp6,400.

Economic

Consumer sector: National coffee production has shown growth recovery of more than 30% yoy in 1H17 supported by favorable weather condition. If this continues, coffee production is predicted to be higher than governments' target by 10% this year. (Kontan)

Comment: we think this will benefit companies that use coffee as their main materials such as Mayora. However, given the intensifying competition in Indonesia's coffee products and tepid growth in MYOR's coffee segment, we maintain SELL on MYOR.

Consumer sector: Most cosmetic companies in Indonesia are hit by weakening consumer purchasing power, where the total industry still decelerated by 10% in 2Q17. In addition, the illegally imported cosmetic goods remain the main problem. (Bisnis Indonesia)

Comment: given the slower than expected consumer spending recovery and growth uncertainty in near term, we maintain HOLD on KINO.

Cement Sector: ASI announced its sales volume which was down -31.8% mom to 3.7mn in Jun17 due to seasonality from Eid Holidays. If we compared to last years Eid holidays, sales volume inched up +3.2%. Cumulatively in the first six months sales volume dropped -1.6% yoy to 29.5mn tons. Meanwhile Indocement's sales volume fell -28.3% yoy in Jun17 and also flat compared to last year's Eid sales volume. Due to stiff competition Indocement's market share fell to 25.5% in 1H17 vs 226.5% in 1H16. Market share mainly dropped in Java and Kalimantan with other areas pretty much stable. Indocement has relatively stopped further decline of its market share due to several initiative. However, we feel that profitability will be at risk. We maintain our Hold call on the counter.

	May-17	Jun-17	+/- %	Jul-16	+/- %	1H16	1H17	+/- %
Java	3,211,961	2,065,899	-35.7	1,802,767	14.6	16,242,326	16,437,190	1.2
Sumatera	1,131,729	796,081	-29.7	799,821	-0.5	6,243,238	6,053,564	-3.0
Kalimantan	325,421	251,762	-22.6	273,396	-7.9	2,001,573	1,817,436	-9.2
Sulawesi Nusa	395,632	312,286	-21.1	374,982	-16.7	2,543,688	2,334,976	-8.2
Tenggara	312,585	239,500	-23.4	271,170	-11.7	1,686,312	1,703,465	1.0
East Ind	97,775	65,829	-32.7	92,445	-28.8	767,771	666,851	-13.1
Indonesia	5,475,102	3,731,358	-31.8	3,614,581	3.2	29,484,907	29,013,482	-1.6

Automotive sector: Due to seasonality, 2W sales volume was down -28.6% mom to 379.5k units. Compared to Jul16 last year, Eid holidays were in late Jul16, volumes are up by 24.4% yoy. Overall, cumulative sales remained weak as volume dropped -9.9% yoy to 3.0mn units in 1H17. AISI, the motorcycle association has reduced its target to 5.9mn units for FY17, from previously 6.2mn units. We stick with our assumption of 6.0mn units for FY17. We also maintain our Buy call on Astra International (ASII IJ, Rp8,725, Buy).

	May-17	Jun-17	% +/-	Jul-16	% +/-	1H16	1H17	% +/-
Honda	394,751	263,854	33.2%	203,659	29.6%	2,194,388	2,005,944	-8.6%
Yamaha	122,186	105,133	14.0%	91,015	15.5%	719,302	614,895	-14.5%
Suzuki	8,526	6,270	26.5%	3,800	65.0%	31,115	38,690	24.3%
Kawasaki	5,915	4,143	30.0%	6,584	37.1%	53,051	40,329	-24.0%
TVS	118	67	43.2%	95	29.5%	1,032	688	-33.3%
Total	531,496	379,467	28.6%	305,153	24.4%	2,998,888	2,700,546	-9.9%

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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

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