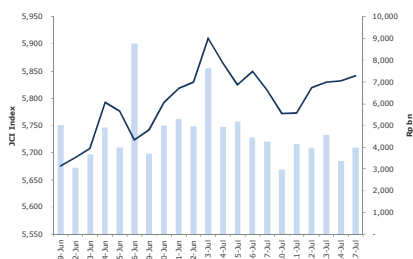


Premier Insight

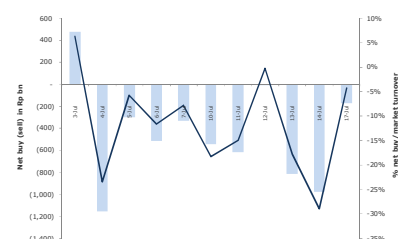
18 July 2017

News & Analysis
Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,841	0.2%	13.9%	10.3%
LQ45	980	0.2%	11.3%	10.8%
DJI	21,630	0.0%	16.7%	9.4%
SET	1,574	-0.2%	5.5%	2.0%
HSI	26,471	0.3%	21.4%	20.3%
NKY	20,119	0.1%	21.9%	4.9%
FTSE	7,404	0.3%	10.6%	3.7%
FSSTI	3,298	0.3%	12.6%	14.5%
EIDO	27	-0.7%	7.3%	12.5%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	46.0	-1.1%	0.2%
CPO/tonne	591.4	-0.5%	11.4%
Soy/bushel	9.5	-0.4%	-10.6%
Rubber/kg	1.8	1.8%	-5.3%
Nickel/tonne	9,555	0.3%	-6.7%
Tins/tonne	19,990	0.5%	10.3%
Copper/tonne	5,971	1.1%	21.8%
Gold/try.oz (Spot)	1,234	0.4%	-7.1%
Coal/tonne	84.3	0.4%	37.5%
Corn/bushel	3.5	-0.3%	2.1%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

ERAA: We visited Erajaya (ERAA IJ; Rp615; Not Rated) last week and here are the highlights of the visit:

- Revenue expected to grow 10-11% in FY17 to Rp22-23tn, with net profit to grow by 15% or equivalent to Rp300bn. 2Q17 sales is expected to be relatively better than 1Q17. Seasonality should occur in 2Q and 4Q of the year. Net profit margin is expected to maintain at 1.3-1.5% in FY17. If the company could achieve Net profit of Rp300bn, this should translate to PER FY17 of 6.0x. Furthermore, the company is trading below book value of 0.48x for FY17.
- Dividend policy to maintain DPO at 20-25%. The management will need to conserve cash to finance working capital requirement. Inventory levels are suggested at 40 days turnover. Furthermore, company would like to have buffer cash for non-core investing opportunities.
- Capex is aimed to be at Rp60-70bn in long term. This year company expects capex of Rp100bn. Capex is mostly used for renovation which cost about Rp4mn per sqm.
- Most of working capital financing is provided by BCA with interest cost of 9.5%. We think that borrowing cost is relatively cheap for a short term facility.
- Favorable handset is priced at Rp1mn per unit. Since the migration to smartphones, market for secondary handset has disappeared. Purchase of new handset has been supported by financing from banks and home financing. Banks charge interest about 3% per month while home financing charges 5% per months. ERAA prefers to sell handset through home financing due to lower cost structure and possible rebate after 6-months installment. Handset turnover is about 10-11 months vs prior to IPO of 7-13 months.
- ERAA has initiated couple of strategies to enhance net margin:
 1. Improve sales through financing especially using third party home financing
 2. Increase sales proportion of internet of things (IOT) products. These merchandises carries higher margin of 25-30%. IOT are drone, GoPro, and other apps controlled devices which includes accessories for smartphones.
 3. Enhanced value added service by handset insurance. This is a similar to warranty enhancement of apple care but applicable for any brand. This service is provided by M-Trust using the product Tech Protect. ERAA has invested 40% shareholding in this value added financial service company. Handset priced at Rp2-4mn tends to be covered for extended warranty.
 4. Exclusive partnership with operators such as Indosat and XL Axiata. Operators cooperate with ERAA for handset bundling. The benefit for the operators is to aimed at high quality customers of ERAA with potential high ARPU. Meanwhile, ERAA could simply gain higher sales volume. (Company)

MAPB: PT MAP Boga Adiperkasa (MAPB IJ; Rp2,540; Not rated) targets to open 6 new stores this year; 30 stores are 'Starbucks' and the rest are other F&B store (Pizza Express, Krispy Kreme, Cold Stone, Godiva). Management will not acquire new F&B brand for the time being. Up to 1H17, Company has opened 30 new stores with a total of 344 stores. (Kontan)

EXCL: XL Axiata (EXCL IJ; Rp3,290; Buy) has spent 80% of its budgeted capex in 1H17. Out of the total capex of US\$500mn for FY17, about US\$400mn has been spent to support data growth. The company has not revised its capex budget for FY17. XL has added 7,000 new BTS in the 1H17 and will add another 7,000-8,000 BTS in 2H17. About 70% of the total new BTS were 4G BTS to support data growth. The company will also concentrate to add new BTS outside Java to improve data penetration. (Kontan).

Comment: We expect that XL could possibly increase its capex budget. We remain confident that XL has the balance sheet to support such action. Therefore we maintain our Buy call on the counter.

PTPP: PT Pembangunan Perumahan (PTPP IJ; Rp2,990; Buy) reported strong new contract growth to Rp20.2tn (+43 yoy, +53% qoq) in 1H17. New contracts in June are marine facilities and crude oil storage tanks (Rp2.3tn), Bakauheni – Terbanggi (Rp1.1tn), Depok starter city (Rp1tn), third runway in Soetta airport (Rp658bn) and others. Majority of new contract still came from SOE (62%), private (26%) and government (11%). Company estimates revenue of Rp8.1tn (+25% yoy) and earnings of Rp625bn (+76% yoy) in 1H17. (Company)

Comment: The outstanding PTPP's solid achievement is above its three years performance. Estimated 1H17 earnings were above ours and consensus, but well expected given weak 1Q17 result. Maintain Buy at TP of Rp4,400.

Markets & Sector

Consumer Sector: during January-June 2017, demand of wheat flour in Indonesia grew slightly by 0.01% yoy. However, it is predicted the wheat price to further increase due to drought in Australia and America. (Bisnis Indonesia)

Comment: we think the uptrend in wheat price will have insignificant impact to ROTI given the company has usually secured fixed term contract for 6 months. However, due to near term growth uncertainty we maintain HOLD on ROTI.

Industrial Property: Based on the data from Industrial Estate Union (HKI), marketing sales during 1H17 has shown an increase compare to 1H16. Marketing sales from IE in Jakarta, Bekasi, Karawang, Tangerang and Bogor has reached 110ha (+220% yoy), which is 60% of FY16 total marketing sales of 183ha. (Bisnis Indonesia)

Mining sector: Heavy equipment demand in June 2017 remains strong, allowing heavy equipment sales to reach 2,467 units, increased 67% yoy, according to Indonesia Heavy Equipment Association (Hinabi). Thus, United Tractors (UNTR IJ; Rp27,950; Buy) raised its 2017 heavy equipment sales target to 3,000 units (from 2,800 units). UNTR recorded 5M17 heavy equipment sales of 1,488 units (+71% yoy). (Kontan)

Comment: UNTR remains our top pick in the mining sector. We have revised up our heavy equipment sales forecast for UNTR and maintain our Buy recommendation for the counter with higher TP of Rp32,000 (from Rp28,000).

Economic

Trade balance: Trade recorded a surplus of US\$1.63bn in Jun17 after imports declined by a larger amount than did exports. Exports declined 11.8% yoy and imports -17.2% yoy caused by decline in both oil and gas as well as non-oil and gas categories as volumes went down in both. It is predicted that the Eid holiday and restrictions for trucks on toll roads are behind the decline. (Central Statistics Agency)

Comment: The news would have negative sentiment to the market as it had been expected that trade would expand as both exports and imports grew. We will be taking more thorough analysis in our report due to launch today.

Head Office**PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.