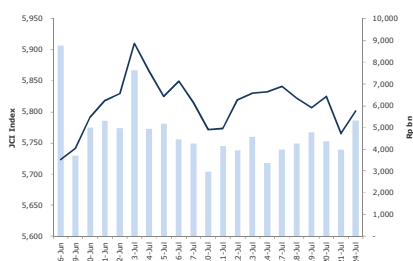


Premier Insight

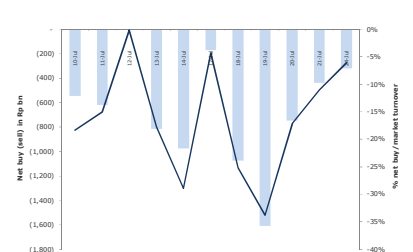
25 July 2017

News & Analysis
Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,802	0.6%	11.1%	9.5%
LQ45	973	1.0%	8.0%	9.9%
DJI	21,513	-0.3%	16.3%	8.9%
SET	1,577	0.2%	4.2%	2.2%
HSI	26,847	0.5%	22.1%	22.0%
NKY	19,976	-0.6%	20.2%	4.7%
FTSE	7,378	-1.0%	9.9%	3.3%
FSSTI	3,311	-0.1%	13.0%	14.9%
EIDO	27	0.9%	6.3%	11.2%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	46.2	1.2%	6.2%
CPO/tonne	596.1	-0.8%	10.0%
Soy/bushel	9.7	-1.2%	-3.1%
Rubber/kg	1.8	-0.8%	-11.3%
Nickel/tonne	9,726	2.7%	-6.3%
Tins/tonne	20,380	-0.3%	14.9%
Copper/tonne	5,995	0.4%	22.1%
Gold/try.oz (Spot)	1,255	0.0%	-4.6%
Coal/tonne	86.4	0.0%	41.0%
Corn/bushel	3.5	-0.8%	8.0%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

AISA: Based on the pubex material, Tiga Pilar Sejahtera (AISA IJ; Rp1,255; Buy) has denied the accusation of mixing subsidized local rice with imported rice. To further clarify the issue, company has organized public expose later today. (Company)

Comment: So far, there has been no proof this accusation, at this stage maintain BUY.

BBTN: Bank Tabungan (BBTN IJ; Rp2,440; Buy) reported net profit of Rp1.27tn in 1H17 (+22% yoy) on the back of its strong loan growth of 19% yoy, which was offset by slightly lower NIM of 4.42% (-23bps yoy), and despite higher loan provisions (+21% yoy). Excluding provisions, core profit (PPOP) grew by a robust 21% yoy in 1H. On quarterly basis, earnings was Rp677bn in 2Q (+14% qoq; +23% yoy), which was driven by loan growth and slightly better NIM. Subsidized mortgages continued to be key loan growth driver (+28% yoy), followed by commercial loans (+30% yoy) particularly to low-risk SOE companies. Asset quality was stable with NPL ratio of 3.23% in 2Q (1Q: 3.34%) due to improving NPL ratio of commercial loans. (Company).

Comment: We view this as a good result, which was in-line with our expectation, with 2Q/1Q profits forming 24%/21% of our FY17F forecast of Rp2.84tn. However, with the bank still have unaccrued interest income from SSB subsidized mortgage scheme since 2015 (amounting to Rp251bn p.a.), which will be accrued in 2H17, we expect our forecast to be well exceeded. We reiterate BBTN as our top sector pick, aside from Bank Mandiri (BMRI IJ; Rp13,275; Buy).

BIRD: Blue Bird (BIRD IJ; Rp4,950; Not Rated) Group to strengthen into logistic business starting this year. company will focus on Java and Sumatera before expanding into other areas. So far, logistic business contributed 10% to total revenue. (Kontan)

Comment: We view the logistic business will further be supported by growing number of e-commerce business in Indonesia.

PPRO: PT PP Properti (PPRO; IJ; Rp218; Not Rated) reported earnings of Rp161bn (+2% yoy) in 1H17, supported by other income and moderate revenue growth of 8% yoy on the back of increase of realty sales by 9% yoy. However, net margin was lower at 15.3% in 1H17 from 16.1% in 1H16 due to increase in COGS that resulted in lower gross and operating margin at 24.3% and 20.3% (vs. 26.8% and 22.8% in 1H16). (Investor Daily, Company)

WIKA: Wijaya Karya (WIKA IJ; Rp2,000; Buy) reported outstanding new contract growth of 74% yoy to Rp20.8tn in 6M17. New contract came from toll, road & bridges (41%), building (21%), and industrial plant (13%). Based on project owner, private and government contribution decelerate to 61% and 14% (vs. 65% and 18% in 1H16), while SOE's portion increased to 25% (vs 15% in 1H16). (Company)

Comment: The solid 1H17 achievement is 48% was the strongest in the last two years. Hence we believe the execution of successful HSR will further enhance WIKA's earnings visibility. Maintain BUY.

SILO: We met with Siloam International hospital (SILO IJ; Rp10,225; Hold) last week to have details on 2Q17 performance of the hospitals.

- According to the company, 2Q17 volume for inpatient and outpatient declined by 1% yoy and 8-9% yoy, whereas emergency department still by increased 8-9% yoy. Lower volume was due to festive season. Company also saw declining bed occupancy rate to 60% from 65% due to more hospital opening this year.
- On the upside, company secured operational license for its long-awaited Jogjakarta hospital which will commence the operation at the end of this month, and will open another two hospital in Jember and Linggau this year. Hence company is also planning to do another right issue to fund its expansion plan. (Company)

Comment: We think the company is improving its execution on opening new hospital which has been doubtful for recent years. However, decelerating patient volume and low utilization rate on new hospital has become our new concern. Maintain HOLD at TP Rp11,950

Markets & Sector

Automotive: Mitsubishi has introduced its small MPV, which has yet to be officially named. The vehicle is power with a 1.5liter petrol engine and equipped with choice of 5-speed manual transmission or 4-speed automatic. It is priced range from Rp189-246mn, so exactly in the price bracket of Avanza-Xenia. This new model could create potential competition to Toyota-Avanza. (Bisnis Indonesia)

Comment: We think the key offering of this model is price and slightly larger engine compared to Toyota-Daihatsu. With this key feature, the new MPV of Mitsubishi might do well. However, demand might not sustain beyond product maturity cycle of 3-4 years. Additionally, it has been reported that Mitsubishi has only 85 dealers (total is 238 which includes dealer for commercial cars) dedicated for passenger cars vs Toyota of around 240 dealers, nationwide.

Mining sector: Philippine President Rodrigo Duterte stated that the government will impose higher tax for mining companies which failed to minimize environmental damage. Separately, Shanghai Metal Market (SMM), a metal mining news and analysis agency from China expects LME nickel price to increase in the short term on the back of China's domestic nickel price premium of US\$120-US\$200 per ton compared to the imported nickel price. (SMM, SMH)

Comment: We believe the sentiment will be positive for Vale Indonesia (INCO IJ; Rp2,170; Buy). We recently upgraded target price for INCO to Rp2,800 and INCO's recommendation to a Buy.

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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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