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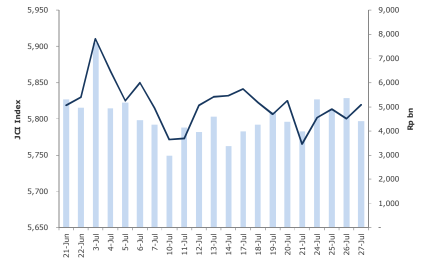
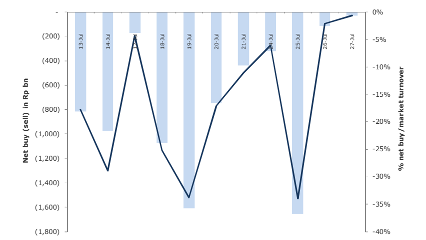
Premier Insight

28 July 2017

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,820	0.3%	9.8%	9.9%
LQ45	972	0.0%	6.4%	9.9%
DJI	21,797	0.4%	18.1%	10.3%
SET	1,581	-0.1%	3.7%	2.5%
HSI	27,131	0.7%	22.4%	23.3%
NKY	20,080	0.1%	21.9%	4.7%
FTSE	7,443	-0.1%	10.7%	4.2%
FSSTI	3,355	0.5%	14.9%	16.5%
EIDO	27	-0.9%	3.3%	10.7%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.0	0.6%	17.0%
CPO/tonne	625.6	1.8%	15.5%
Soy/bushel	9.7	0.6%	-3.5%
Rubber/kg	1.8	-1.0%	-6.6%
Nickel/tonne	10,088	0.9%	-2.2%
Tins/tonne	20,820	1.6%	17.8%
Copper/tonne	6,298	0.0%	30.2%
Gold/try.oz (Spot)	1,259	-0.1%	-5.7%
Coal/tonne	87.3	0.1%	42.6%
Corn/bushel	3.5	0.3%	6.8%
Wheat/bushel*	146.5	5.8%	-7.0%

** : 1 month change*

Source : Bloomberg

Adhi Karya (ADHI IJ; Buy)

Incoming tailwinds

- **Strong 1H17 earnings of Rp131bn (+136% yoy) from LRT recognition**
- **KAI targets to secure Rp18tn bank loan in November 2017**
- **New contract jumped in 1H17 on the back of LRT project**
- **Maintain BUY with higher TP of Rp2,700 (vs. Rp2,500)**

Strong 1H17 earnings. Adhi Karya (ADHI) booked outstanding earnings growth (+136% yoy) to Rp131bn in 1H17 with net margin expanded to 2.5% from 1.8% in 1H16. This is above ours and consensus estimates (25/20%) and higher compared to its normal first half achievement of 11-18%. Financial charges grew 60% yoy given Rp3tn bond issuance in June 2017 which brought DER to 1.5x from 0.9x in FY16, but was offset by strong revenue growth of 66% yoy. Non LRT construction still contributes most of revenue (61%), followed by LRT (28%), EPC (5%), property (4%) and industry (2%). As a result, company saw significant improvement in gross and operating margin to 11.5% and 8.3% (vs. 8.6% and 3.3%).

KAI targets to secure Rp18tn bank loan in November 2017. Commission VI of Indonesia House of Representative (DPR) has finally agreed to inject state equity (PMN) of Rp4tn to PT Kereta Api Indonesia (KAI) which partly sourced from relocation of 2015 PMN. KAI targets to secure bank loan of Rp18tn in November 2017, to pay LRT construction job of Rp21.7tn. After obtaining the loan, KAI is planning to pay ADHI according to the progress, which we believe should enable ADHI to obtain bulk revenue given current LRT progress of 15%. Note that LRT's gross margins stands at 12-15%, higher compared to general construction GPM. This year, ADHI targets FY17 revenue of Rp14.4tn consists of Rp5tn of revenue from LRT, and net profit of Rp505bn, which is in-line with our FY17 forecast.

LRT recognition pushed new contract higher. ADHI booked new contract of Rp25.4tn in 1H17 (vs. Rp6.1tn in 1H16), consists of Rp19tn from Jabodetabek LRT. Excluding the LRT, company recorded weak 1H17 new contract of only Rp5.7tn, decreased 7% yoy. This accounts for 27/35% of company and our estimate, notably lower compared to the last two years of 37-44%.

Upgrade earnings, maintain BUY with new TP of Rp2,700 (from Rp2,500). We maintain our FY17 earnings forecast unchanged; however, we increase our earnings estimates for FY18/19F by 20/50% to reflect our new optimism on LRT project as we believe execution of LRT is crucial for Jokowi's presidential term which will face another election in 2019. As such, we come to our new target price of Rp2,700 (vs. Rp2,500) which implies FY17F P/E of 18.8x (+26% upside).

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	9,391	11,064	14,851	19,361	22,027
EBITDA (RpBn)	548	602	685	939	1,231
EBITDA Growth (%)	(10.0)	9.7	13.9	37.0	31.1
Net Profit (RpBn)	465	313	511	754	946
EPS (Rp)	130	88	144	212	266
EPS Growth (%)	(26.9)	(32.5)	63.1	47.5	25.4
Net Gearing (%)	(23.2)	16.7	73.0	98.3	101.4
PER (x)	16.4	24.3	14.9	10.1	8.1
PBV (x)	1.5	1.4	1.3	1.2	1.0
Dividend Yield (%)	0.9	1.2	0.8	1.4	2.0
EV/EBITDA (x)	11.1	12.7	15.3	13.5	11.1

Source : ADHI, IndoPremier *Share Price Closing as of : 26-July-2017*

News & Analysis

Corporates

ACES: Ace Hardware (ACES IJ; Rp1,130; Buy) reported net profit of Rp328bn in 1H17 (+38% yoy), inline with our forecast/consensus (forming 44%/45% respectively), on the back of strong SSSG in 2Q17 at 16% (2Q16: 5%). On the quarterly basis, 2Q17 earnings increased to Rp174bn (+13% qoq/+77% yoy), mainly driven by sales growth (+13% qoq, +25% yoy). Opex increased in 2Q (+18% qoq, +13% yoy), bringing operating margin to 13% (1Q17: 14%).

Comment: We are positive with ACES' strong achievement in 2Q17. At this stage, we maintain Buy for ACES as we expect another sales momentum from Christmas festive in 4Q (seasonally high in 4Q) to book FY17F sales growth at 11%.

ASII: Astra International (ASII IJ; Rp8,075; Buy) has released its 1H17 financial result, which was 46% of our numbers and 48% of consensus. We maintain our Buy call on Astra as we remain confident on the company's recovery. The results highlights are:

- We continue to see strong recovery in automotive, financials, heavy equipment and agribusiness with growth of net income of +8.7% yoy, +62.4% yoy, +8.35% yoy and +31.9% yoy respectively in 1H17. However, it raises our concern as we see declining qoq performance for automotive, financial service and agribusiness.
- Auto distribution business remains tough, indicated by loss of operating margin for auto division in 2Q17 due to high selling expenses. We expect investment in selling expenses to be compensated in the coming quarters. Nevertheless, we do see strong contribution from the manufacturing side especially from associates and jointly controlled entity.
- The financial division performed strongly almost at very business line from 4W, 2W, heavy equipment and consumer financing plus recovery from Bank Permata. However, the slowdown in qoq number raises our concern. This could be affected by seasonality as demand for financing soften in anticipating of Ramadhan holidays.
- Meanwhile in the commodity sector we also see mixed signals as coal-related business showed strong qoq performance while agribusiness net income growth slowed down.
- Overall, Astra International posted good set of result from its recovery performance. Nevertheless some negative signals from several division raises our concern, but we are confident for sustainable recovery in the longer term. We maintain our Buy call on the counter.

Rpbn	1H17	1H16	%	2Q17	1Q17	%	FY17	% of forecast
Net revenue	98,031	88,208	11.1	49,251	48,780	1	214,857	45.6%
Gross profit	19,674	16,847	16.8	9,662	10,012	-3.5	40,940	48.1%
Operating profit	9,287	7,466	24.4	4,214	5,073	-16.9	19,022	48.8%
Net interest	-54	-62	-12.9	-36	-18	100	-107	50.3%
Forex	-57	-251	-77.3	-19	-38	-50	-	nm
Others	989	1,008	na	535	454	17.8	1,922	51.5%
Jointly controlled	2,977	1,593	86.9	2,575	402	540.5	6,179	48.2%
Associates	795	478	66.3	-696	1,491	-146.7	1,664	47.8%
EBT	13,937	10,232	36.2	6,573	7,364	-10.7	28,678	48.6%
Tax	-2,580	-1,922	34.2	-1,299	-1,281	1.4	-4,961	52.0%
Net profit	11,357	8,310	36.7	5,274	6,083	-13.3	23,717	47.9%
Minority	-2,000	-1,194	67.5	-1,004	-996	0.8	-3,558	56.2%
Net profit to parent	9,357	7,116	31.5	4,270	5,087	-16.1	20,159	46.4%
Gross margin	20.1	19.1		19.6	20.5		19.1	
Operating margin	9.5	8.5		8.6	10.4		8.9	
Net margin	11.6	9.4		10.7	12.5		11	

Source: Company, Indo Premier

Net income contribution by division (Rpbn)						
	1H17	1H16	+/- %	2Q17	1Q17	+/- %
Automotive	4,200	3,864	*8.7*	1,912	2,288	*-16.4*
Financial Service	2,035	1,253	*62.4*	911	1,124	*-19*
Heavy Equipment	2,057	1,121	*83.5*	1,155	902	*28*
Agribusines	832	631	*31.9*	194	638	*-69.6*
Infra & Logistics	110	174	*-36.8*	43	67	*-35.8*
IT/Others	55	73	*-24.7*	29	26	*11.5*
Property	68			26	42	
Total	9,357	7,116	*31.5*	4,270	5,087	*-16.1*

Source: Company, Indo Premier

APLN: Agung Podomoro (APLN IJ; Rp216; Sell) reported earnings of Rp696bn (+126% yoy) in 1H17, with net margin expanded to 17.7% (vs. 10.5% in 1H16). Company booked moderate revenue growth of 35% yoy which resulted in improvement gross and operating margin to 51.9% and 35.9% (vs. 50.4% and 28.7%). (Company)

Comment: 1H17 result was above ours and consensus estimates. We will review our earnings forecast for the company.

BBCA: BCA (BBCA IJ; Rp18,800; Hold) reported profit of Rp10.5tn in 1H17 (+10% yoy) on the back of: 1) strong B/S growth (loans: +11%; assets: +18%); 2) lower NIM of 6.3% (-70bps), due to lower loan yields (-80bps); 3) opex growth of 10%; and 4) lower provisions (-53%), although its core profit (PPOP) was barely growing in 1H (+0.8% yoy). Quarterly profit was stronger at Rp5.5tn in 2Q vs. Rp5.0tn in 1Q, partly due to lower opex, while NPL ratio worsened slightly to 1.5%, from 1.4% (1H16: 1.3%). (Company)

Comment: BBCA's 1H results are still in-line with its historical pattern of stronger 2H, with its 1Q/2Q profits forming 21.9%/24.2% of FY17F consensus estimate. Reiterate Hold rating.

DMAS: Puradelta Lestari (DMAS IJ; Rp212; Not Rated) reported a net profit of Rp 121bn (-75.% yoy) in 1H17, below the consensus projection, forming only 14% of FY17E. Decrease in earnings was due to top line drop (-76%) caused by low carry over from marketing sales in FY16 and slow revenue recognition (6 months-2 year). Despite the decrease in earnings, gross margin and net margin improved to 69.5% and 52%, from 60% and 50% in 1H16 respectively. Net margin improvement was caused by jump in net interest income (+231%) and other income. (Company)

MYOR: Mayora Indah (MYOR IJ; Rp2,050; Sell) reported disappointing 2Q17 earnings of Rp186bn (-30.4% yoy), way below our/consensus estimates. Revenue contracted by 4.0% yoy as food sales contracted by 9.9% yoy while coffee sales slightly grew by 1.9% yoy in 2Q17. Gross margin contracted by 5.1% to 20.9% in 2Q17 (vs. 26% in 2Q16) as raw mats cost accounted for 65% in 2Q17. Note that, average sugar price YTD is higher by 4% compared to same period last year. As a result, net margin contracted to 4.2% in 2Q17 (vs. 2Q16: 5.8%). (Company)

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	YoY	1H17	1H16	QoQ
Revenue	**4,410.70**	**4,594.70**	**-4.0%**	**4,411**	**4,980**	**-11.4%**	**9,390**	**9,276**	**1.2%**
Food Processing	2,190.40	2,432.00	-9.9%	**2,190**	2,706		4,897	4,865	
Coffee	2,360.00	2,316.30	1.9%	**2,360**	2,434		4,794	4,724	
Gross Profit	**921.6**	**1,193.20**	**-22.8%**	**922**	**1,189**	**-22.5%**	**2,110**	**2,528**	**-16.5%**
Food Processing	472.09	557	-15.2%	**472**	673		1,145	1,218	
Coffee	449.5	636.2	-29.4%	**450**	515		965	1,310	
Operating Profit	**333.7**	**502.3**	**-33.6%**	**334**	**334**		**923**	**1,116**	**-17.4%**
Food Processing	51.62	117.8	-56.2%	**52**	336		388	449	
Coffee	282.78	385	-26.6%	**283**	253		536	668	
Net Profit	**186.8**	**268.5**	**-30.4%**	**187**	**187**		**548**	**591**	**-7.3%**
Gross Margin (%)	**20.9%**	**26.0%**		**20.9%**	**23.9%**		**22.5%**	**27.3%**	
Food Processing	21.6%	22.9%		21.6%	24.9%		23.4%	25.0%	
Coffee	19.0%	27.5%		19.0%	21.2%		20.1%	27.7%	
Operating Margin (%)	**7.6%**	**10.9%**		**7.6%**	**6.7%**		**9.8%**	**12.0%**	
Food Processing	2.4%	4.8%		2.4%	12.4%		7.9%	9.2%	
Coffee	12.0%	16.6%		12.0%	10.4%		11.2%	14.1%	
Net Margin (%)	**4.2%**	**5.8%**		**4.2%**	**3.8%**		**5.8%**	**6.4%**	

Comment: We see the disappointing performance is underpinned by slow recovery in consumer power and we don't see much pick up during Ramadan season. Due to its high earnings volatility, we maintain our SELL recommendation on MYOR.

INDF: Indofood Sukses Makmur (INDF IJ; Rp8,600; Buy) reported net profit of Rp2.3tn in 1H17 (+2% yoy), inline with our forecast and consensus estimate (forming 52%/50% respectively), on the back of higher other income. On quarterly basis, 2Q17 net profit dropped to Rp1.1tn (-12% qoq, -7% yoy) with sales growth remains flat, due to slowdown in CBP business. Gross margin fell to 27% (2Q16: 29%). (Company)

Comment: Slower 2Q result was expected and we are still positive with INDF achievement in 2Q17, due to better Agribusiness performance in offsetting poor CBP business. At this stage, we maintain Buy for INDF as we expect better CPO volume in 2H17 that could boost Agribusiness profitability.

ICBP: Indofood CBP (ICBP IJ; Rp8,600; Hold) reported net profit of Rp2.1tn in 1H17 (+6% yoy), slightly above our forecast and consensus estimate (forming 56%/54% respectively), on the back of lower interest expense. On quarterly basis, 2Q17 net profit fell to Rp1tn (-8% qoq/-3% yoy) with sales growth declined (-5% qoq, -3% yoy), which we expect due to lower sales in premium product line. Opex growth surpass top-line growth, bringing operating margin down to 14% (2Q16: 15%). (Company)

Comment: We already expect the slowdown and margin pressure in 2Q17. At this stage, we maintain Hold for ICBP as we expect its premium product line to depressed given weak purchasing power.

HMSP: HM Sampoerna (HMSP IJ; Rp3,660; Hold) reported 2Q17 earnings of Rp2.7tn (-8.9% yoy), below our/consensus estimates, bringing the total earnings to Rp6tn in 1H17. 2Q17 Revenue contracted by 5.5% as the sales volume continues to decelerate by 13.1% yoy in 2Q17. All segments namely SKM, SKT and SPM reported contraction of 0.3%, 11.5% and 18.6%, repectively, in 2Q17. However, gross margin is maintained at 23.3% in 2Q17 due to more favorable product mix and stable raw materials cost. (Company)

Comment: We think the volume deceleration was mainly due to Ramadan season coupled with persistently weak purchasing power. As we continue to view Indonesia's tobacco industry to remain challenging, we maintain HOLD on HMSP.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	YoY
Revenue	24,014	25,415	-5.5%	24,014	22,576	6.4%	46,590	47,336	-1.6%
SKM	15,995	16,038	-0.3%	15,995	14,700	8.8%	30,695	29,693	3.4%
SKT	4,565	5,157	-11.5%	4,565	4,588	-0.5%	9,153	9,816	-6.8%
SPM	3,230	3,968	-18.6%	3,230	3,078	4.9%	6,308	7,303	-13.6%
Gross Profit	5,589	5,908	-5.4%	5,589	5,807	-3.8%	11,396	11,561	-1.4%
Op.Profit	3,477	3,762	-7.6%	3,477	4,348	-20.0%	7,639	7,684	-0.6%
Net Profit	2,759	3,029	-8.9%	2,759	3,291	-16.2%	6,050	6,148	-1.6%
Gross Margin	23.3%	23.2%		23.3%	25.7%				
Op. Margin	14.5%	14.8%		14.5%	19.3%				
Net Margin (%)	11.5%	11.9%		11.5%	14.6%				

Source: Company, Indo Premier

PTPP: Pembangunan Perumahan (PTPP IJ; Rp2,870; Buy) reported earnings of Rp573bn (+61% yoy) in 1H17 with net margin expanded from 5.5% in 1H16 to 7% in 1H17. The significant improvement was due to other income that increased more than double and moderate revenue growth of 26% yoy. Company saw gross and operating margin at 14.5% and 11.7%, better compared 1H16 at 14% and 11.1%. (Company)

Comment: 1H17 earnings achievement was above ours and consensus. Additionally, PTPP booked strong 1H17 new contract at Rp20.2tn, 51% of FY17 target, which is the strongest in last two years. Maintain Buy at PTPP with TP of Rp4,400

INCO: Vale Indonesia (INCO IJ; Rp2,390; Buy) reported weak results in 1H17, as follow:

- INCO recorded net loss of $15mn in 2Q17, bigger than net loss of $6.2mn in 1Q17 and net loss of $4.6mn recorded in 2Q16.
- Net loss in 1H17 reached $21.5mn (7.2% bigger than net loss posted in 1H16), which caused by higher energy costs (HFSO, diesel fuel and coal).
- Revenues increased 18% yoy in 1H17 to $292mn on the back of higher sales volumes (+1.3% yoy) and higher ASP of $7.858/t (+16.7% yoy).
- On our calculation, INCO will book positive bottom-line if ASP reached ~$8,500/t *(ceteris paribus)*.
- The current LME nickel price of ~$10k/t should translate to INCO's nickel matte ASP of ~$8k/t, which remain negative for INCO.
- Although our expectation of nickel price improvement in 2H17, we forecast earnings to remain weak in FY17F given the net loss posted in 1H17. (Company)

Comment: Despite weak earnings performance in 2Q17, INCO posted positive cash flow from operation of $127mn in 1H17 (vs. $46.5mn posted in 1H16). We remain optimistic to the nickel price long term outlook. Thus, with INCO's discipline cash-flow management, and strong achievement in cost efficiency programs, we maintain our Buy rating for INCO with TP of Rp2,800.

SIMP: Salim Ivomas Pratama (SIMP IJ; Rp525; Hold) posted inline results in 1H17:

- Net profit in 2Q17 dropped 93% qoq and 76% yoy to Rp25bn, allowing 1H17 net profit to reach Rp365bn, up 112% yoy on the back of strong results in 1Q17. IH17 earnings formed 59% of our full-year estimate.
- Revenues in 2Q17 dropped 6.4% qoq but up 15.4% yoy, allowing 1H17 top-line to reach Rp8.52tn, up 27% yoy, which represent 49.5% of our full year estimate.
- Operating profit in 2Q17 dropped 66% qoq and 13% yoy to Rp278bn, bringing 1H17 operating profit to Rp1.1tn, up 120% yoy due to strong results in 1Q17. (Company)

Comment: We will maintain our forecast for SIMP given these relatively in-line results. Thus, we maintain our Hold rating for SIMP.

SIDO: Sido Muncul (SIDO IJ; Rp500; Not Rated) reported net profit of Rp117bn (-16% yoy) in 2Q17, slightly below consensus estimates, on the back of revenue deceleration of 12% yoy in 2Q17. Gross margin was maintained at 43.2% while operating margin contracted by 2.3% to 23.2% in 2Q17, which we suspect due to the increase in marketing activities. Net margin stood at 19.4% in 2Q17 (vs. 2Q16: 20.3%).

Comment: as the company has not released the full report, we suspect F&B segment to continue dragging down the company's performance as Kuku BIma has gradually lost its popularity.

(in Rp bn)	2Q17	2Q16	YoY	2Q17	1Q17	QoQ	1H17	1H16	YoY
Revenue	605.7	689.1	-12.1%	606	603	0.4%	1,209	1,297	-6.8%
Gross Profit	261.7	290.8	-10.0%	262	260	0.8%	521	533	-2.1%
Operating Profit	140.7	175.7	-19.9%	141	157	-10.3%	298	325	-8.3%
Net Profit	117.4	139.7	-16.0%	117	128	-7.9%	245	265	-7.6%
Gross Margin (%)	43.2%	42.2%		43.2%	43.0%		43.1%	41.0%	
Operating Margin (%)	23.2%	25.5%		23.2%	26.0%		24.6%	25.0%	
Net Margin (%)	19.4%	20.3%		19.4%	21.1%		20.3%	20.4%	

Source: Company, Indo Premier

SMSM: Selamat Sempurna (SMSM IJ; Rp1,160; Hold) has released its 1H17 result with highlights as follows:

- Overall revenue was up 11.6% yoy in 1H17 but down -2.7% qoq in 2Q17. The company has indicated a weaker 2Q due to seasonality. Most likely shipment will be shifted towards the 3Q17. Main driver of growth was from exports +29.1% yoy while domestic was down -14.3% yoy affected by Ramadhan holidays.
- Gross margin was flat qoq but fell 1.9 pct point in 1H17 due to weaker

margin from its main filtration product. As result gross profit only grew 4.6% yoy in 1H17 but was slightly compensated with improved opex, leading to operating profit to grow by 7.7% yoy.

- Overall, net income only inched up by 2.0% yoy in 1H17, but was weaker by -10.6% qoq. We expect financials to improve in the 3Q17 as 2Q17 was highly affected by Ramadhansesonality.
- Strong rebound was posted by the bodymaker division as revenue jumped +120.6% yoy in 1H17. Filtration products which account around 58% of total revenue, grew 7.4% yoy.

	1H17	1H16	+/- %	2Q17	1Q17	+/- %
Revenue	1,494	1,338	*11.6*	737	757	*-2.7*
Gross profit	439	419	*4.6*	214	225	*-4.7*
Op Profit	293	272	*7.7*	140	153	*-8.1*
Pre tax income	312	293	*6.4*	148	164	*-9.5*
Net income	213	208	*2*	100	112	*-10.6*
GPM	29.4	31.3		29.1	29.7	
OPM	19.6	20.3		19.1	20.2	
NPM	14.2	15.6		13.6	14.8	

Source: Company, Indo Premier

TOTL: Total Bangun Persada (TOTL IJ; Rp710; Not Rated) book a net profit of Rp127bn (+9.2% yoy) in line with consensus estimates, forming 49% of FY17E. Despite increase in top line (+12.1%) gross margin and operating margin decreased to 17% and 10% from 19% and 12% due to increase in COGS (+16%). Net margin remained at 9% due to increase in other income and lower impairment provision. (Company)

TLKM: Telkom Indonesia (TLKM IJ; Rp4,650; Buy) released its 1H17 result which was inline with consensus and our forecast. The highlights are as follows:

- Telkom's revenue was driven by data growth of 9.9% qoq in 2Q17, while fixed voice, cellular and SMS attribute growth of -4.0% qoq, -0.1% qoq and 1.1% qoq. On cumulative basis data grew 15.1% yoy in 1H17, followed by SMS +12.3% yoy, voice +4.7% yoy and decline of fixed voice of -7.4% yoy. Meanwhile other revenues also grew very strong of +31.0% qoq in 2Q17 and +59.5% yoy in 1H17.
- EBITDA margin stood firmly at 51.9% in 1H17 and was relatively stable through outqoq. This shows that revenue growth did not led to unnecessary growth in cost.
- Net income grew +21.9% yoy in 1H17 affected by declining forex losses and increase in other incomes. However, net profit dropped -17.7% qoq increase in interest payment which were due in 2Q17.
- Despite strong yoy growth, we think Telkom is facing stiff competition as reflected by lower qoq performance. Nevertheless we remain positive on the counter as we see the company should be able to maintain growth momentum, maintain Buy.

RpBn	1H17	1H16	%	2Q17	1Q17	%	FY17F	%
Turnover	64,021	56,454	13.4	32,999	31,022	6.4	127,721	50.1
EBITDA	33,235	28,795	15.4	16,475	16,760	-1.7	66,670	49.9
Operating profit	23,605	20,056	17.7	11,618	11,987	-3.1	47,386	49.8
Net Int. & Invest. Inc.	-566	-415	36.4	-382	-184	107.6	-523	108.2
Forex gain (losses)	-9	-170	na	41	-50	na	-	nm
Except. & Others	225	27	na	-297	522	na	-	nm
Group Pretax	23,255	19,498	19.3	10,980	12,275	-10.5	46,863	49.6
Taxation	-5,760	-4,835	19.1	-2,812	-2,948	-4.6	-11,716	49.2
Minorities	-5,391	-4,737	13.8	-2,703	-2,688	0.6	-10,218	52.8
Net Profit	12,104	9,926	21.9	5,465	6,639	-17.7	24,930	48.6
EBITDA Margin	51.9%	51.0%		49.9%	50.9%		52.2%	
OPM	36.9%	35.5%		35.2%	38.6%		37.1%	
NPM	18.9%	17.6%		16.6%	21.4%		19.5%	

Source: Company, Indo Premier

UNTR: United Tractors (UNTR IJ; Rp28,950; Buy) reported 1H17 results as follow:

- 2Q17 net profit reached Rp1.92tn, increased 28% qoq and 71% yoy, helped by improvement on all divisions' performance. Net profit in 1H17 reached Rp3.4tn (+84.7% yoy), formed 47% of our (slightly below) and

51% of consensus' full-year expectations.

- Revenues in 1H17 increased 30% yoy to Rp29.4tn as all segments posted higher revenues with construction machinery division posted the highest revenues growth of 63% yoy. Revenues in 1H17 came in above our (53%) and consensus (53%) expectations. We expect higher contribution from mining contracting division in 2H17 on more favorable weather.
- Operating profit in 1H17 reached Rp4.68tn (+65% yoy), also came above our (54%) and consensus (54%) expectations. (Company)

Comment: Almost all of UNTR's business segments posted better than expected operational performance, except PAMA which posted in-line results. We will revisit our operational forecasts while also adjust our tax rate estimate for UNTR. At this stage we maintain our Buy rating for UNTR.

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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.