

Premier Insight

22 August 2017

Sarana Menara Nusantara (TOWR IJ; Hold)

Stable performance

- Net income below expectation from interest expense
- Operation numbers were inline
- Strong balance sheet
- Downgrade to Hold

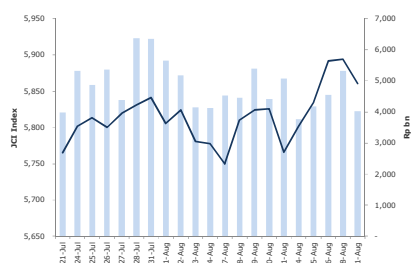
Slightly below expectation. Sarana Menara Nusantara (Protelindo) booked net profit of Rp1.3tn in 1H17, which was slightly below our numbers from higher-than-expected interest cost and other income/expenses, but was inline with consensus. Overall the company posted stable result with stable EBITDA margins of 85.9% in 1H17. Total tower revenue was Rp2.5tn (+6.3% yoy) while strong growth resulted from VSAT and MWIFO revenue stream of Rp88bn (+68.0% yoy) and Rp40bn (+45.4% yoy), respectively. These revenue are generated under the newly acquired entity iForte. We expect that iForte business model to gain growth momentum, especially with the development of 4G network in large cities.

Operational numbers were inline. 1H17 numbers of revenue and EBITDA represented 48% and 47.2% of our forecast, mainly inline. Total number of towers was 14.6k (+0.7% yoy) with net add of 106 new towers in the past 4Q. Meanwhile total tenant was 24.4k in 1H17 (+0.9% yoy) with net add of 218 tenants. Tower colocation stood at 1.67x, relative unchanged in the past 4Q with rental cost flat at Rp17.1mn per month. It seems that tower industry remains competitive as rental cost has gradually slipped from Rp17.5mn to current level.

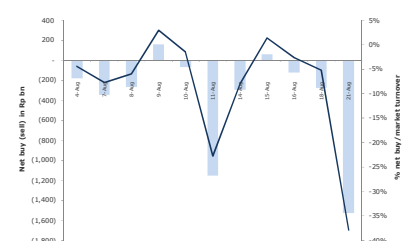
Well managed balance sheet. Post-acquisition of XL towers, Protelindo maintained a very healthy balance sheet. Net debt/LQA EBITDA remained low at 1.2x as of Jun17 with interest coverage ratio of 7.4x. Currently, net debt stands at Rp5.4tn with average interest cost of 6.5%. Having such a strong balance sheet will open up the possibility for further acquisition. The management will keep up its option to seek for further acquisition. Nevertheless the company has also improved its share liquidity though private placement. This will create potential share swap possible deals in acquisition. However, we have not hear about any acquisition near soon.

Downgrade to Hold. Protelindo has displayed a strong and steady performance. The share has moved enclosed to our target price. Based on the current result we do not see any earning surprises. Therefore, we downgrade our recommendation to HOLD with unchanged target price of Rp4,550. The company remains committed to maintain strong balance sheet with LQA EBITDA below 3.0x, while keeping options open for on-organic growth and progressive dividends.

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,861	-0.6%	8.0%	10.7%
LQ45	976	-0.7%	4.5%	10.3%
DJI	21,704	0.1%	17.1%	9.8%
SET	1,570	0.2%	2.0%	1.7%
HSI	27,155	0.4%	18.1%	23.4%
NKY	19,393	-0.4%	16.8%	1.4%
FTSE	7,319	-0.1%	7.2%	2.5%
FSSTI	3,247	-0.2%	14.3%	12.7%
EIDO	27	-0.1%	3.6%	12.2%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	47.4	-2.4%	-2.4%
CPO/tonne	633.0	1.1%	5.2%
Soy/bushel	9.2	0.4%	-8.9%
Rubber/kg	1.9	-0.5%	5.6%
Nickel/tonne	11,264	3.1%	9.3%
Tins/tonne	20,638	1.3%	11.0%
Copper/tonne	6,551	1.5%	36.9%
Gold/try.oz (Spot)	1,292	0.6%	-3.5%
Coal/tonne	98.4	0.1%	45.6%
Corn/bushel	3.2	-0.9%	0.3%
Wheat/bushel*	146.5	5.8%	-7.0%

*: 1 month change

Source : Bloomberg

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	4,470	5,053	5,508	5,968	6,404
EBITDA (RpBn)	3,776	4,408	4,810	5,205	5,566
EBITDA Growth (%)	10.5	16.7	9.1	8.2	6.9
Net Profit (RpBn)	2,965	2,670	2,873	3,236	3,557
EPS (Rp)	291	262	282	317	349
EPS Growth (%)	169.8	(9.9)	7.6	12.6	9.9
Net Gearing (%)	90.1	65.5	48.4	34.5	22.9
PER (x)	15.8	17.5	16.3	14.8	13.1
PBV (x)	6.1	4.4	3.7	3.1	2.7
Dividend Yield (%)	-	1.5	1.8	2.1	2.3
EV/EBITDA (x)	14.2	12.2	11.0	10.0	9.1

Source: TOWR, IndoPremier

Share Price Closing as of : 18-August-2017

News & Analysis

Corporates

HERO: Hero Supermarket (HERO IJ; Rp1,200; Not rated) launched its first Giant Mart, a minimart business, at Duri Kepa, Kebon Jeruk in 16 August 2017. To note, DNET and Alfamart has 14,214 and 12,710 stores throughout Indonesia. According to Nielsen June data using a sample of 55 items, minimarkets sales growth stood at 7% yoy, while the exact items in supermarket and hypermarket grew flat (0.4%). (Kontan)

TAXI: Express Transindo (TAXI IJ; Rp100; Sell) has acquired an additional paid in capital of Rp46bn to support its business operation and fulfill its bank credit facility agreement (total liabilities to equity at max 5.5x). Up to 1H17, net debt to EBITDA stood at 88x with DER at 2.5x and total liabilities to equity at 3.0x. TAXI continued to booked operating loss of Rp50bn in 2Q17, bringing 1H17 operating loss of Rp105bn. (Kontan)

Markets & Sector

Automotive sector: Further details was disclosed from Gaikindo data, showing that Astra remains on top of the market with +11.6% growth yoy in 7M17, while other manufacturers continue to struggle. Jul17, sales numbers up significantly out of the Eid Holidays for both Astra (+30.9% mom) and non-Astra (+24.3% mom). Nevertheless, the successful launching of Mitsubishi Xpander might affect Astra's sales in the coming months. However, Xpander might also steal markets from Honda Mobilio and Suzuki Ertiga. So the threat will be aimed at the low MPV segment with price between Rp170-250mn per unit.

	17-Jun	17-Jul	% +/-	16-Jul	% +/-	7M16	7M17	% +/-
Astra	36,745	48,095	30.9%	37,108	29.6%	310,571	346,488	11.6%
Others	29,625	36,810	24.3%	25,477	44.5%	283,823	272,225	-4.1%
Total	66,370	84,905	27.9%	62,585	35.7%	594,394	618,713	4.1%

Source: Gaikindo

Overall 2W sales figure continue to be down by -2.0% yoy in 7M17, with Honda inched up +0.5% yoy. Suzuki hit the blockbuster with its introduction of 150cc sport model, GSX150, but coming out from a very low base. Suzuki's market share was 1.4% as of Jul17. In the past, Suzuki used to capture market share close to 10%. It is undeniable that new model launching aiming at the uptrend segment seems to be effective. Nevertheless, models are more expensive as dealers will need more marketing efforts with the risk of failed acceptance from the market. We think Honda will not follow such strategy but will continuously challenge niche segments that were successful.

	17-Jun	17-Jul	% +/-	16-Jul	% +/-	7M16	7M17	% +/-
Honda	263,854	403,487	52.9%	203,659	98.1%	2,398,047	2,409,431	0.5%
Yamaha	105,133	120,608	14.7%	91,015	32.5%	810,317	735,503	-9.2%
Suzuki	6,270	7,312	16.6%	3,800	92.4%	34,915	46,002	31.8%
Kawasaki	4,143	6,690	61.5%	6,584	1.6%	59,635	47,019	-21.2%
TVS	67	79	17.9%	95	-16.8%	1,127	767	-31.9%
Total	379,467	538,176	41.8%	305,153	76.4%	3,304,041	3,238,722	-2.0%

Source: Gaikindo

Industrial Sector: Indonesia Industrial Estate Community (HKI) projected FY17 marketing sales between 250-300ha, due to high inquiry from automotive industry and auto related companies. Auto sector require sizeable land for its affiliated company and subsidiary which support its production activities. President of Kawasan Industri Jababeka (KIJA IJ; Rp312; Not Rated) admitted there is a surge in demand for industrial land from 10-20ha vs 2ha in 2016. Most of the inquiry comes from auto parts sector which is driven by the operation of Wuling and Mitsubishi. (Bisnis Indonesia)

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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.

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