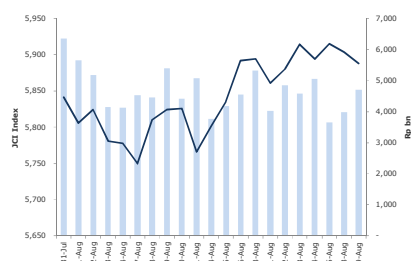
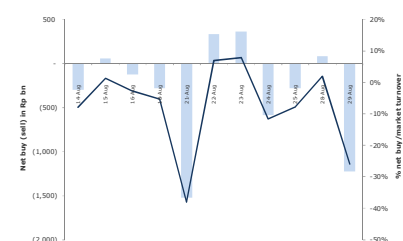


Premier Insight

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,888	-0.3%	9.8%	11.2%
LQ45	983	-0.2%	6.5%	11.1%
DJI	21,865	0.3%	18.5%	10.6%
SET	1,614	1.8%	4.4%	4.6%
HSI	27,765	-0.4%	20.6%	26.2%
NKY	19,363	-0.4%	15.8%	2.0%
FTSE	7,337	-0.9%	7.6%	2.7%
FSSTI	3,249	-0.6%	14.9%	12.8%
EIDO	27	-0.1%	6.8%	12.5%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	46.4	-0.3%	-1.1%
CPO/tonne	635.4	-0.9%	7.8%
Soy/bushel	9.2	-0.4%	-5.3%
Rubber/kg	1.9	-0.2%	11.4%
Nickel/tonne	11,647	1.9%	19.4%
Tins/tonne	20,520	0.3%	8.6%
Copper/tonne	6,772	1.9%	47.1%
Gold/try.oz (Spot)	1,309	0.1%	-0.1%
Coal/tonne	97.1	-0.7%	45.0%
Corn/bushel	3.1	-1.0%	4.4%
Wheat/bushel*	146.5	5.8%	-7.0%

* : 1 month change

Source : Bloomberg

Adaro Energy (ADRO IJ; Buy)
Strong results

- Solid earnings growth in 2Q17 supported by higher ASP.
- SR remained low in 1H17, we expect higher SR in 2H17.
- ADRO is the proxy to Indonesia's expanding power sector.
- ADRO remains our top pick in the mining sector, Buy.

Strong earnings in 2Q17 came in-line with our forecast. ADRO recorded 2Q17 net profit of US\$125mn, grew 29% qoq and 101% yoy which mostly caused by strong ASP growth. Bottom-line reached US\$222mn in 1H17, jumped 82% yoy as coal ASP surged 42% yoy to US\$57.3 per ton. ADRO's net profit in 1H17 represents 55% of our full-year estimate while reaching 53% of consensus full-year expectation. We view this as in-line with our forecast as we anticipate lower coal price in 2H17 while forecast cost increase in the period due to higher stripping ratio (SR).

Heavy rain limits mining activities in 1H17. ADRO booked lower coal production volumes and lower SR in 1H17 as rainfall remained high in the period. ADRO posted coal production of 25.1mn tons in 1H17, down 2.8% yoy which represent 49.5% of our full-year estimate. SR in 2Q17 was recorded at 4.3x (1Q17: 4.6x) which brought 1H17 SR to 4.45x, lower than company's initial SR expectation of 4.85x for FY17, as high precipitation limit mining activities in 1H17. Thus, with our estimate of drier weather in 2H17, we expect SR will increase, resulting in higher costs and lower margin in the period.

Strong position in the growing coal-fired power industry. We like the strategic location of ADRO's Bhimasena (BPI) 2 x 1GW power plant in Batang, Central Java. The power plant is located near the Java Sea, giving it the advantages of access to coal barging transportation as well as shorter distance (7km) between the East and West Java power transmission systems. Post the completion of BPI power plant in 2020 we believe ADRO will strengthen its position as the largest domestic coal supplier in our coverage.

Maintain Buy with 18% upside potential. ADRO is our top pick in the mining sector due to the company well management, strong balance sheet, solid operational performance and unlocked assets potential on its portfolio. Please note that on our forecast, we have not included potential cash-flow from several mining assets (i.e. Mustika Indah Permai, Bukit Enim Energi, and Bhakti Energi Persada). We reiterate our Buy recommendation for ADRO with unchanged DCF-based (WACC: 12.1%, TG: 1.5%) target price to Rp2,200 and 18% potential upside to our target price.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (US\$Mn)	2,684	2,524	2,921	3,040	3,224
EBITDA (US\$Mn)	735	869	1,003	1,083	1,167
EBITDA Growth (%)	(15.8)	18.2	15.3	8.0	7.7
Net Profit (US\$Mn)	152	335	403	395	433
EPS (US\$Cents)	0.5	1.0	1.3	1.2	1.4
EPS Growth (%)	(14.3)	119.5	20.3	(1.9)	9.7
Net Gearing (%)	25.3	9.4	1.4	(6.4)	(14.0)
PER (x)	29.4	13.4	11.1	11.3	10.3
PBV (x)	1.3	1.2	1.1	1.0	0.9
Dividend Yield (%)	1.7	1.7	1.5	1.8	1.8
EV/EBITDA (x)	7.3	5.6	4.5	3.9	3.2

Source: ADRO, IndoPremier

Share Price Closing as of : 29 August 2017

News & Analysis

Corporates

DILD: Intiland Development (DILD IJ; Rp408; Not Rated) booked a marketing sales of Rp2.7tn as of 8M17, exceeding its FY17 target of Rp2.3tn. DILD surge in marketing sales is due to its success to sold 302 apartment units (94%) of Fifty Seven Promenade project, which contributed marketing sales of Rp1.6tn vs. Rp520bn target from this project. (Investor Daily)

EXCL: XL Axiata (EXCL IJ; Rp3,630; Buy) has budgeted capex of Rp7.0tn to support development of new BTS of 17,000 units across Indonesia. About 5,000 BTS will be located in Sumatera, the second largest market for XL. Out of the total 70mn subscribers, about 17mn are in Sumatera. In Nusa Tenggara, XL will add 430 new BTS to enhance the current network which consist of 150BTS. (Kontan)

Comment: The capex numbers has been consistent with management guideline. We do not see any indication to accelerate capex. Expanding in ex-Java has also been a central strategy for XL. We maintain our Buy call as we do see consistent capex policies.

KAEF: Kimia Farma (KAEF IJ; Rp3,200; Not Rated) will start the operation of medicine raw material factory in 1H18. This factory in Cikarang, West Java is build under JV with Sungwun Pharmacopia Co Ltd, a South Korean company. The factory will have the capacity of 15-30ton p.a. to help KAEF reduce raw material import which will make KAEF to have bigger margin. KAEF also will start the operation of its phase one Pharmaceutical salts factory with capacity Of 2,000 ton to fulfill the company production needs. KAEF has form a partnership with Saudi Arabia pharmaceutical company, Dwaa Medical to enter the middle-east market. (Kontan)

JSMR: Jasa Marga (JSMR IJ; Rp5,625; Buy) will offer asset securitization of Rp2.0tn with income stream from Jagorawi toll road as collateral. The EBA bonds will mature in 2022 with coupon of 8.4%. Underwriters of this bond are Mandiri, Danareksa, Bahana, BNI and CIMB Niaga. The company will also follow up with issuance of global bonds of US\$200-300mn. (Bisnis Indonesia)

Comment: Total revenue of Jagorawi was Rp697bn in FY16 (+12.4% yoy). We suspect that EBITDA margin for this section is above 60%, so the EBA bonds is roughly 5x EBITDA. This issuance will be good to support current capex for new toll road development. Maintain Buy.

PTPP: PT Pembangunan Perumahan (PTPP IJ; Rp2,770; Buy) reported new contract of Rp21.8tn (+13% yoy) until July 2017. New contract in July 2017 came from Tunjungan boulevard of Rp465bn and work unit rate in Pekanbaru of Rp450bn. (Bisnis Indonesia)

Comment: PTPP's new contract has achieved 55% of its FY17 target in 7M17, lower than 7M16 at 62% of its actual FY16 new contract. Even so, the potential subsidiary IPO (PP Presisi) could become short term positive catalyst for the company. Maintain BUY.

RALS: Ramayana Lestari (RALS IJ; Rp1,010; Hold) has just close 8 SPAR units (1H17: 22 stores) and halt further expansion in its supermarket business. To note, RALS has been in business with SPAR since September 2014 with 3-year period license. (Bisnis Indonesia)

Comment: We are positive with RALS' initiative in transforming food store to its fashion store format, given the low earnings visibility in SPAR unit. However, SPAR business has small contribution to RALS' bottomline at 13%. We maintain Hold at Rp1,030, given the limited 2H17 fashion sales momentum.

Markets & Sector

Banking sector: BI's has cut interest rate on its 12-mth monetary instrument by 40bps to 6.35% on the back of its 25bps cut on its 7-day reverse repo rate last week. We believe this should lead to lower deposit rates although the OJK is yet to lower its existing deposit rate caps of 7.50% and 7.75% for BUKU4 and BUKU3 banks, respectively (or 75bps/100bps, respectively, above the previous rate on BI's 12-mth monetary instrument) pending its meeting today. (Kontan).

Comment: We view OJK's rate cuts on its deposit rate caps, if any, would be positive for banks. However, in our view in this is unlikely to expand bank NIMs given that average NIMs of the major banks in our coverage has remain unchanged in the past 2 years despite BI's seven benchmark interest rate cuts over this period.

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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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