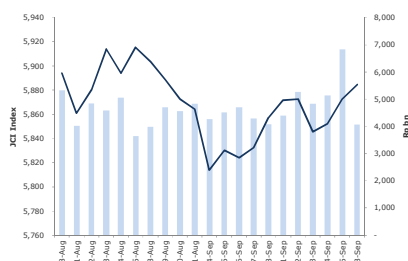


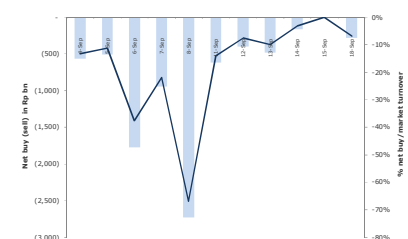
## Premier Insight

19 September 2017

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,885	0.2%	10.6%	11.1%
LQ45	980	0.3%	6.6%	10.8%
DJI	22,331	0.3%	23.2%	13.0%
SET	1,670	0.6%	11.9%	8.2%
HSI	28,160	1.3%	19.6%	28.0%
NKY	19,910	0.5%	20.5%	5.5%
FTSE	7,253	0.5%	6.5%	1.5%
FSSTI	3,242	1.0%	13.7%	12.5%
EIDO	27	-0.7%	4.1%	11.1%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.9	0.0%	16.0%
CPO/tonne	669.6	-1.1%	8.1%
Soy/bushel	9.4	-0.3%	-2.0%
Rubber/kg	1.9	-2.5%	8.9%
Nickel/tonne	11,164	1.4%	15.4%
Tins/tonne	20,840	0.8%	9.2%
Copper/tonne	6,475	0.2%	35.7%
Gold/try.oz (Spot)	1,308	-1.0%	-0.4%
Coal/tonne	98.3	-1.0%	38.1%
Corn/bushel	3.2	-1.2%	1.9%
Wheat/bushel*	146.5	5.8%	-7.0%

\* : 1 month change

Source : Bloomberg

## Indosat (ISAT IJ; Buy)

## Managing market dynamics

- Monetizing data continues
- Better efficiency from opex and capex
- Ex-Java expansion is opportunity
- Maintain Buy

**Continue to monetize data.** Data market remains highly dynamic as operators offer attractive starter packs to acquire new subscribers. Despite the starter pack phenomenon, Indosat continue to monetize data through headline tariff and re-load vouchers. Indosat claims that its network is in healthy utilization rate but competition within starter packs remains stiff. Indosat believes that losing market share is more costly than maintaining it. Therefore, increased efforts in below the line marketing have intensified to protect its market share.

**Higher efficiency from opex and capex.** Given that fact that data pricing remains rigid due to tight competition, Indosat put strict control on opex. Utilizing third party vendors for operation such as power procurement, equipment lease, and lower rental rates for new towers, has helped Indosat to maintain operating cost. Furthermore, technology advancement helps telco operators including Indosat to lower capex per capacity investment. Despite no exact numbers were mentioned, but we believe that capex is more efficient by 30-40%. These two factors will create good balance of capex to sustain positive cash flow generation.

**Working on ex-Java expansion.** Telkomsel, a subsidiary of Telkom Indonesia (TLKM IJ; Rp4,690; Buy) has very strong market presence in ex-Java area, possibly around 60-90%. Having such strong presence, allows Telkomsel to exploit these market with premium pricing. If Indosat increase presence in ex-Java while offering competitive pricing, it will create new revenue stream for the company. Ex-Java presence of Telkomsel has been uncontested due to lack of presence from other operators. Nevertheless, scale of capex remains as a major issue. Collaborating with other operators will be a key factor to succeed. So, ex-Java market opportunities are clear but with challenge of how to spend the right amount of capex.

**Buy, reiterated.** Data market remains competitive, but we believe that Indosat would be able to sustain monetization. Indosat claims that network utilization is healthy, leaving marketing initiative to defend market share. We also see, that Indosat has positive cash flow, allowing the company to invest to sustain growth momentum. Ex-Java expansion might happen gradually as Indosat will need to balance between capex and potential revenue stream. Therefore, we maintain our Buy call on Indosat with TP of Rp8,200.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	26,769	29,185	31,653	34,332	35,439
EBITDA (RpBn)	11,297	12,778	14,165	15,310	15,380
EBITDA Growth (%)	12.3	13.1	10.9	8.1	0.5
Net Profit (RpBn)	(1,451)	964	1,831	2,483	2,602
EPS (Rp)	(267)	177	337	457	479
EPS Growth (%)	(39.6)	(166.4)	89.9	35.7	4.8
Net Gearing (%)	180.5	153.2	107.6	72.0	44.3
PER (x)	n/m	34.4	18.1	13.3	12.7
PBV (x)	2.5	2.3	2.0	1.7	1.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	0.8	0.9	1.1	1.2	1.5

Source: ISAT, IndoPremier

Share Price Closing as of : 15-September-2017

## News & Analysis

### Corporates

**DILD:** Intiland Development (DILD IJ; Rp420; Not Rated) plans to revise its FY17 marketing sales target after finalizing 9M17 total marketing sales. Company already exceeds its FY17 target of Rp2.3tn due to the surge of marketing sales from Fifty Seven Promenade apartment which contributed Rp1.6tn from company's total marketing sales of Rp2.7tn. After working together in the development of Fifty seven promenades, DILD continue to work with GIC as a strategic partner to develop South Quarter (SQ) phase II in TB Simatupang. (Kontan)

**ELSA:** Elnusa (ELSA IJ; Rp276; Not Rated) posted poor performance in 1H17 (their bottom line was down 10x compared to last year figure) and the company expect that their performance will recover in 2H17. One of the project that will support the company's performance in 2H17 is seismic project in Papua. The company believes that this high margin project will bring better performance and profitability in 2017F. (Kontan)

**MPPA:** According to Head of Intermediary Susanto, MPPA has settled 90% of its payable. However, no disclosure made from MPPA regarding its settlement amount. (Bisnis Indonesia)

*Comment: We view the forced payment should impact its payable turnover and we have factored in lower payable days in our forecast, pressuring its working capital. Hold.*

**WSKT:** We went to Waskita Karya (WSKT IJ; Rp 1905; Buy) analyst meeting, and here some key takeaways:

- Despite the delay of Waskita Toll Road (WTR) divestment, the company is confident to reach earnings target for the next two years on the back of: 1) Total standby cash of Rp16tn, 2) Payment due from turnkey project due in 2018 worth Rp30tn, and 3) No new investment and no additional turnkey project.
- Company still plans to divest WTR through bundling seven trans java toll roads into one package, and three other toll road separately, to improve IRR attractiveness by one-on-one negotiation, with IPO process (40%) as a backup plan (1H18).
- Regarding government plan to limit construction raw material supply (including precast) from SOE subsidiaries to its parent by maximum of 50%, WSKT believed that precast private sector does not have the ability to meet capacity, quality and time standards.
- Company plans to reach total new contract of Rp60tn in FY17 while keeping DER below 2x. We will review our earnings estimates based on this new development. (Company)

### Economic

**Export tax:** Directorate General of Customs and Levies of Finance Ministry collected export levies from copper exports of Rp2.3tn in 8M17. In the state budget, total revenues from levies were targeted at Rp2.7tn for FY17. Copper export levies which collected in 8M17 were mainly from Freeport Indonesia and Amman Mineral Nusa Tenggara. (DetikFinance)

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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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