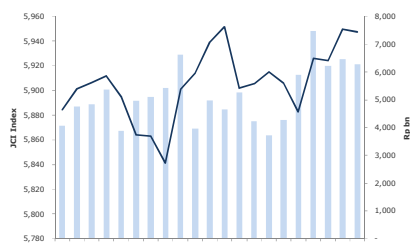
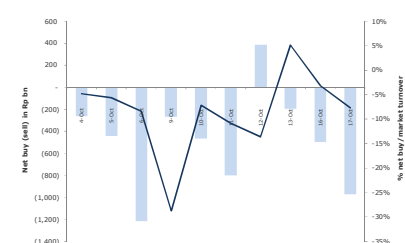


JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,947	0.0%	9.5%	12.3%
LQ45	992	0.0%	5.9%	12.1%
DJI	22,997	0.2%	26.6%	16.4%
SET	1,724	-0.1%	16.7%	11.8%
HSI	28,697	0.0%	22.7%	30.4%
NKY	21,336	0.4%	25.8%	11.6%
FTSE	7,516	-0.1%	7.4%	5.2%
FSSTI	3,323	0.1%	17.4%	15.6%
EIDO	27	-0.6%	1.1%	11.2%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	51.9	0.0%	3.9%
CPO/tonne	649.1	-0.8%	-1.0%
Soy/bushel	9.5	-1.2%	-1.2%
Rubber/kg	1.7	-0.8%	-8.8%
Nickel/tonne	11,703	-0.9%	14.2%
Tins/tonne	20,429	-1.2%	5.0%
Copper/tonne	6,996	-1.8%	50.3%
Gold/try.oz (Spot)	1,285	-0.8%	1.8%
Coal/tonne	96.2	0.0%	5.7%
Corn/bushel	3.2	0.0%	-3.3%
Wheat/bushel	433.5	-0.3%	3.2%

Source : Bloomberg

Plantation Update

Getting cheaper despite profit recovery

- CPO production to rise 16% in 2H (vs. 1H) as rains return
- Export volumes to improve on higher seasonal demand in 2H17
- Diesel fuel and CPO price gap expanded, biodiesel demand to increase
- Attractive valuation, LSIP remains our top pick in the sector

Strong CPO production growth in 2H17. We expect Indonesia palm oil production to remain strong in 2H17 with average monthly production of around 3.5mn tons, higher than 3.02mn tons per month in 1H17 and 3.2mn tons in 2H16. We forecast post El-Nino impact to fully diminish which will allow Indonesia palm oil production to increase to 39mn tons (+10% yoy) in FY17F. Production reached 18.1mn tons (+18.6% yoy) in 1H17, represent 47% of our FY17 forecast. With strong production volumes in 2H17 we expect plantation companies within our coverage to book strong earnings results in the period, after weaker 2Q17 earnings due to lower ASP (vs. 1Q17).

Palm oil export to improve in 2H17. We forecast palm oil export will reach 31mn tons (+17% yoy) in FY17F despite weak export volumes in the two months of June and July 2017. Palm oil export decreased to 2.13/2.4mn tons in Jun/Jul from monthly export volumes average of 2.68mn tons recorded in 5M17. Weak export in Jun-Jul 2017 is temporary and seasonal, in our view. We estimate export volumes to recover in 2H17 on the back of higher import from India and China due to festive seasons in these countries. Please note that last year, Indonesia palm oil export reached 2.13mn tons per month in Jan-May 2016 but it decreased to only 1.81mn tons per month in Jun-Jul'16 before increasing again to 2.48mn tons per month in Aug-Dec 2016 (Fig. 3).

Biodiesel to regain attractiveness. Following weak Indonesia biodiesel consumption of 2.8mn KL in FY17F (-6.9% yoy) we estimate biodiesel demand to improve in FY18F as the gap between diesel fuel and CPO prices expanded (Fig. 5). We forecast Indonesia biodiesel production and consumption to reach 3.3/3.1mn KL, respectively in FY18F. Indonesia biodiesel blend rate of around 10% in 2016 (Fig. 9) remained lower than government target of 20/30% for 2016 and 2020, respectively (Fig. 8). With the assumption of 16% actual blend rate, Indonesia biodiesel consumption would reach 5.3mn KL per annum, almost double from consumption volumes in 2016. Thus, we remain optimistic on Indonesia's biodiesel outlook despite lower overseas demand due to anti-dumping campaign by US and Europe. We note CPO demand improvement from China in Aug'17 with export volumes increased 169% mom to 449k tons, the highest monthly shipment this year. Higher China demand was partly due to higher demand for biodiesel.

Attractive valuation. We raise our plantation sector rating to Overweight (from Neutral) as we expect palm oil counters within our coverage will continue to deliver strong earnings due to higher volumes and relatively stable CPO price. We apply flat CPO price assumption of MYR2,700/ton for 2017F-18F as higher productivity will be offset by seasonal higher demand in 2H17. LSIP remains our top pick in the plantation sector with the highest margin among its peers and 34% potential upside to our DCF-based TP of Rp1,900. We maintain our Buy rating for AALI (DCF-based TP: Rp18,500) and Hold recommendation for SIMP (TP: Rp500).

Stock	Ticker	Rating	Price (Rp)	TP (Rp)	17F P/E (x)	18F P/E (x)	17F P/B (x)	18F P/B (x)	18F ROA (%)	18F ROE (%)
Astra Agro Lestari	AALI	BUY	14,500	18,500	12.7	11.9	1.4	1.3	9.0	10.7
London Sumatra	LSIP	BUY	1,420	1,900	12.1	11.4	1.2	1.1	8.2	8.1
Salim Ivomas	SIMP	HOLD	535	500	11.9	11.0	0.5	0.5	2.2	4.0

Source : Bloomberg, IndoPremier

Note: Share prices as of closing 17 October 2017

Waskita Karya (WSKT IJ; Buy)

Unexpected surprise in 3Q

- **Robust 9M17 earnings (+167% yoy), exceeding expectations**
- **Strong precast revenue growth and stable construction GPM**
- **More toll road concessions in next three years**
- **Raise earnings, maintain BUY at higher TP of Rp3,100 (from Rp2,500)**

Strong 9M17 earnings (+167% yoy), ahead of expectations. Waskita Karya (WSKT) posted strong 9M17 earnings of Rp2.9tn (+167% yoy), exceeding ours and consensus full-year estimates by 9% and 5%, respectively. Net margin jumped to 10.2% in 9M17 from 7.8% in 9M16, due to interest income from shareholder loan to WSKT's subsidiaries in 2Q17 and robust revenue growth (+103% yoy) that has achieved 78% of ours and consensus forecast and the highest in the last five years, respectively. Driven by strong revenue growth, WSKT's gross and operating margin expanded to 20.2% and 17.6% in 9M17 from previously 17.3% and 14.7% only in 9M16. Both 9M17 revenue and earnings have achieved 63% and 81% of company's FY17 target, respectively.

Strong precast growth and stable construction GPM. WSKT saw precast revenue more than doubling to Rp1.7tn in 9M17, on the back of solid Waskita Beton's (WSBP) orderbook at Rp27tn in FY16 (vs. Rp8.5tn only in FY15) while its gross margin expanded to 68.4%, way higher than normal of around 24-28%. On the other hand, revenue from construction also grew 98% yoy with stable gross margin at 16.1%, in-line with historical performance. In spite of WSKT's lower new contract target FY17, we believe WSBP could grow its earnings further given its solid orderbook in 9M17 that stands at Rp27tn, which should provide earnings visibility for the next 3 years given its short term work nature.

More toll road concessions in next three years. WSKT targets to add 300km toll road concession in next 3 years which is worth Rp30tn approximately. Divestment of Waskita Toll Road (WTR) which is expected to finish in 1H18, is now crucial as the proceeds is expected to help finance new toll roads. However, at current stage, we think further investment into toll road may burden WSKT's working capital as it already has high gearing compared to its peers.

Raise earnings, maintain BUY at higher TP of Rp3,100 (from Rp2,500). We maintain our BUY rating and raised our TP to Rp3,100 on the back of our earnings upgrade of 70% and 67% for FY17/18F as we expect faster burn rate and solid orderbook guidance of Rp204tn for FY17. As of 9M17, WSKT's orderbook stands at Rp169tn, 68% of full-year target or equal to 3.8 times of revenue target FY17, providing strong earnings visibility despite delay in WTR divestment. We expect WSKT's DER to stay at 1.9x, well below management guidance of 2.0x in FY17 and close to company's limit of 3x. Reiterate BUY.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	14,153	23,788	48,824	55,130	60,981
EBITDA (RpBn)	1,261	2,982	6,463	6,988	7,132
EBITDA Growth (%)	96.9	136.5	116.8	8.1	2.1
Net Profit (RpBn)	1,048	1,713	4,026	4,622	4,894
EPS (Rp)	77	126	297	341	361
EPS Growth (%)	109.2	63.5	135.0	14.8	5.9
Net Gearing (%)	15.0	86.8	177.1	195.3	196.1
PER (x)	26.3	16.1	6.8	6.0	5.6
PBV (x)	2.8	1.6	1.4	1.2	1.0
Dividend Yield (%)	0.4	1.1	2.3	5.1	5.8
EV/EBITDA (x)	19.6	12.6	9.1	11.3	10.9

Source : WSKT, IndoPremier

Share Price Closing as of : 16-October-2017

News & Analysis

Corporates

BJBR: Bank Pembangunan Jawa Barat (BJBR IJ; Rp2,540; Not Rated) subsidiary, BJB Syariah, is exposed to corruption risk. The police investigation has lead to an allegation of corruption between BJB Syariah and PT Hastuka Sarana Karya (HSK) at 2014-2015 period. BJB Syariah is suspected to provide a credit facility of Rp566bn without any collateral. Negative for BJBR. (Kontan).

BRPT: Barito Pacific (BRPT; Rp1,905; Not Rated) believes they could finish the acquisition of Star Energy Group in 1Q18. The company prepared around US\$700-800mn for financing this transaction. BRPT currently review three financing options, bonds issuance, right issue or both. The expansion move on to energy sector is a realization of the company's program to diversify their business besides petrochemical sector. (Bisnis Indonesia).

FREN: Smartfren Telecom (FREN IJ;Rp50; Not Rated) again issued mandatory convertible bonds through private placement with total dilution of 49%. The issuance of this convertible bond is expected to reach Rp15tn which will be used to reduce company's debt. (Kontan).

PGAS: The reduction of industrial gas price is still waiting for the implementation of Energy and Mineral Resources Ministry's regulation. No disclosure made regarding the finalization of the draft regulation. Meanwhile, on the separate news, PT Gas Negara (PGAS IJ; Rp1,610; Hold) claims that gas price in Medan has lowered to US\$9.95/MMBTU (-18.6%) since February 2017 to benefit industrial estate in Medan. (Bisnis Indonesia & Investor Daily).

TLKM: Telekomunikasi Selular (TLKM IJ; Rp4,400; Buy) won the tender for 2.3GHz frequency with total bid of Rp1tn. This victory adds up TLKM frequency block by 30Mhz, cumulating total of 82.5GHz. With total 174mn customer, TLKM spectrum ratio becomes 0.47Hz per customer (vs. 0.30Hz prior the tender). Ministry of Communication and information will held two tender for 2.1GHz frequency, each representing 5MHz frequency block. Since TLKM has won the previous tender, TLKM is not allowed to participate in these two tender. (Bisnis Indonesia).

WIKA: Wijaya karya's (WIKA IJ; Rp1,800; Buy) subsidiaries, WIKA Gedung will offer 40% share through Initial Public Offering (IPO) in Oct-Nov 2017. Underwriters are Mandiri Sekuritas, Bahana Sekuritas, CIMB Sekuritas and Buana Capital Sekuritas. Bookebuilding is scheduled at 24 Oct- 7 Nov and listing at 30 Nov 2017. Company targets proceeds of Rp2-3tn. Until 1H17, company has secured orderbook of Rp10tn divided into carryover of Rp5.7tn and new contract of Rp4.3tn. (Investor Daily).

Head Office**PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.