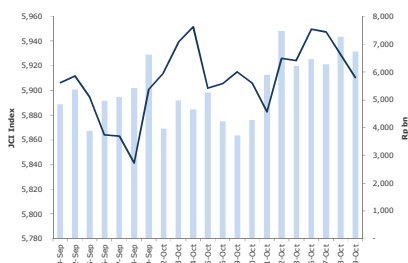
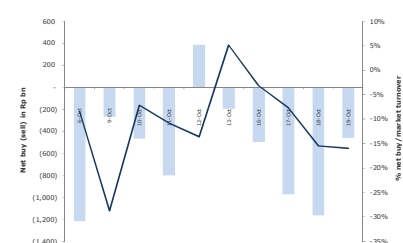


## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,929	-0.3%	9.6%	11.9%
LQ45	987	-0.4%	6.0%	11.6%
DJI	23,158	0.7%	27.2%	17.2%
SET	1,708	-1.0%	14.9%	10.7%
HSI	28,712	0.0%	23.2%	30.5%
NKY	21,363	0.1%	25.7%	12.1%
FTSE	7,543	0.4%	7.4%	5.6%
FSSTI	3,323	0.0%	17.4%	15.6%
EIDO	27	-0.6%	0.3%	10.5%

## Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	52.0	-1.4%	3.5%
CPO/tonne	649.3	-0.7%	1.0%
Soy/bushel	9.5	-0.2%	-0.2%
Rubber/kg	1.7	0.0%	-8.1%
Nickel/tonne	11,586	0.8%	11.8%
Tins/tonne	20,160	-1.2%	2.4%
Copper/tonne	6,949	-0.2%	49.1%
Gold/try.oz (Spot)	1,281	0.7%	0.9%
Coal/tonne	97.1	-0.4%	4.7%
Corn/bushel	3.2	0.3%	-3.9%
Wheat/bushel	430.8	0.3%	2.5%

Source : Bloomberg

## Bukit Asam (PTBA IJ; Buy)

## Earnings beat consensus, time to rebound

- Earnings jumped on higher ASP and sales volumes while SR dropped.
- Stock price to recover as domestic selling price issue diminished.
- Sumsel 8 2x620MW power plant to contribute for growth in 2021.
- Upgrade rating to Buy (from Hold) with 27% upside potential.

**Strong earnings growth in 9M17, above market expectation.** On the back of higher ASP (+15% yoy), increased coal sales volumes (+14% yoy) and lower stripping ratio of 3.8x (vs. 5.5x in 9M16) PTBA recorded earnings growth of 155% yoy to Rp2.63tn in 9M17. This is inline with our forecast (75% of our FY17F earnings) but came in above consensus expectation (82%). On quarterly base, net profit increased 5.7% qoq and jumped 165% yoy to Rp902bn in 3Q17. PTBA booked revenues of Rp13.2tn (+31.7% yoy) in 9M17, represent 75% of our FY17F coal sales forecast (inline) while reaching 73% of consensus' FY17F revenues forecast (slightly above).

**Upside potential for PTBA as Minister of ESDM rejected PLN proposal.**

Following several phases of dispute related to PLN's coal purchase price from domestic coal producers, finally, Minister of Energy and Mineral Resources (ESDM) Ignasius Jonan decided to reject PLN's proposal of fixed domestic coal price which will be based on cost plus margin scheme. PTBA's share price was hit the most when this issue arises but has not fully rebounded to its normal level prior to negative sentiments from PLN pricing issue. Thus, we see upside potential for PTBA as we maintain our forecast and target price of Rp14,000 for the counter.

**Banko Tengah power plant is expected to complete in 2021.** PTBA signed the amendment of power purchase agreement (PPA) with PLN for Sumsel 8 power plant project. The mine mouth which located in Banko Tengah, South Sumatera will have capacity of 2 x 620MW and will consumes 5.1mn ton of coal annually. PTBA holds 45% ownership in the power project with the total investment costs of US\$1.7bn. Ground breaking is expected in 2H18 and completion of development (COD) is targeted in 2021. Note that we have not included Sumsel 8 on our forecast; we will adjust our numbers post the financial closure for the project.

**Upgrade rating to Buy with 27% upside potential.** We maintain our forecast and valuation for PTBA given these inline set of results but we upgrade PTBA's rating to Buy (from Hold) with 27% upside potential to our unchanged DCF-based (WACC: 13.3%, TG: 2%) target price of Rp14,000. On our recent meeting, management of PTBA reveals upside potential on coal ASP to PLN which may lift earnings performance in 4Q17 as PTBA apply conservative domestic coal sales ASP estimate (+9% yoy vs. export price growth of +26% yoy) in 9M17 while selling price to PLN for full-year 2017 remain under negotiation.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	13,734	14,059	17,619	19,340	22,919
EBITDA (RpBn)	2,746	2,920	4,695	4,151	5,188
EBITDA Growth (%)	21.9	6.3	60.8	(11.6)	25.0
Net Profit (RpBn)	2,036	2,006	3,508	3,035	3,837
EPS (Rp)	884	871	1,523	1,317	1,665
EPS Growth (%)	9.4	(1.5)	74.9	(13.5)	26.4
Net Gearing (%)	(12.4)	(19.6)	(28.8)	(27.8)	(31.7)
PER (x)	12.4	12.6	7.2	8.4	6.6
PBV (x)	2.7	2.4	2.0	1.9	1.7
Dividend Yield (%)	2.8	2.4	4.4	11.1	9.6
EV/EBITDA (x)	8.8	8.0	4.6	5.2	4.0

Source : PTBA, IndoPremier

Share Price Closing as of : 19 October 2017

## News & Analysis

### Corporates

**TLKM:** Telkom Indonesia (TLKM IJ; Rp4,210; Buy) aims to close 3 acquisition deal by the of this year. The company has yet to disclose any names, but all target companies are foreign entities in sector of financial technology and satellite. Total acquisition value is estimated of Rp10tn, with Telkom to participate up to Rp5tn with the possibility to hold minority stakes. (Kontan)

**BEST:** We met with Bekasi Fajar Industrial Estate (BEST IJ; Rp274; Buy) and found an optimistic look for FY17 and FY18 on the back of:

- Current total marketing sales of 30ha, achieving company's FY17 target of 30-40ha. There are total 50ha inquiries from consumer sector, automotive sector and chemical companies, which 50% of them are BEST' existing customers that are looking to expand.
- Company will be key beneficiary of JORR II toll road (Target Operation 2019) as a toll exit for Cibitung-Cilincing and Cimanggis-Cibitung segment will be located in BEST's estate. In addition, BEST is proposing Wijaya Karya (WIKA IJ; Rp1,810; Buy) to build another exit in MM2100 area.
- Company is guiding revenue and earnings of Rp1tn and Rp400bn respectively for FY17 (+21% yoy and +19% yoy) on the back of in line presales achievement and additional capital gain from the divestment on its warehouse business in Daiwa Manunggal Logistic Property (DMLP) of Rp47bn (Company).

*Comment: We will review our call based on further developments, however at his stage, maintain BUY at TP of Rp340 given in line marketing sales. Best is currently trading at 72% discount to our estimate RNAV/share.*

**ROTI:** Nippon Indosari Corpindo (ROTI: Rp1,270; Hold) has signed MoU with South Korea franchise company, Caffebene, to market ROTI's products in Caffebene's 576 outlets (in South Korea) in December 2017. The arrangement of this deal is ROTI will supply various cakes and pastries with brand Caffebene by Sari Roti.(Bisnis Indonesia)

**CTRA:** Ciputra Residence, a subsidiary of Ciputra Development (CTRA IJ; Rp1,175; Buy) targets pre sales of Rp800bio - Rp1tn until end of this year from two projects, namely: Citra Raya Tangerang and Citra Maja Raya. Until 9M17, Ciputra residence has booked pre sales ~80% of FY17 target. Company admits demand for houses with ASP of Rp500mn is high for Citra Raya Tangerang. (Bisnis Indonesia)

**WIKA:** WIKA Realty, a subsidiary of Wijaya Karya (WIKA IJ; Rp 1,810; Buy) will form JV with Kompas Gramedia group to develop apartment in DI Panjaitan, Jakarta. The total investment may reach Rp400bn. Almost 60% of WIKA Realty's project is joint operational with other companies. (Kontan)

### Markets & Sector

**Auto sector:** Mitsubishi Corporation is considering to relocate its Mitsubishi Fuso Factory which currently located in Pulo Gadung, East Jakarta. The relocation plan is due to: 1.) Factory location which is too close to the city and 2.) High cost of expansion due to expensive land price in Pulo Gadung. Mitsubishi Fuso is currently the market leader for commercial vehicle with current factory having production capacity of 40,000-50,000 units annually. (Investor daily)

*Comment: If Mitsubishi to decide to relocate, it would be a positive catalyst for industrial estate sector, as it would create an additional demand for industrial land, especially in Industrial estate in east of Jakarta which are production hub for Indonesian automotive industry. Note: Mitsubishi Motors has recently moved their factory to Cikarang at Kota Deltamas.*

**Transportation sector:** New transportation regulation has been revised and will be effective from November 1<sup>st</sup>. However, we note that the revised regulation is essentially similar to the previous annulled clauses, such as: price cap, vehicle quota per province, and area of operations, but it will put more emphasis on involving every stakeholder in talks, in contrast from previous clauses that emphasis only from governor's proposals. In addition, online-taxi needs to put an identification sticker on its fleet to distinguish themselves from private car. (Kontan)

*Comment: We view this news as positive for conventional taxi players as it provides a fair price competition, given the implementation of upper and lower tariff thresholds for online-taxi players. In addition, online-taxi players are also benefited from the identification stickers as to provide a clear legal standing in public transportation sector.*

## Economic

**7DRRR:** Bank Indonesia maintains 7DRRR at 4.25% after its Board of Governors meeting yesterday, considering the rate suitable to keep macroeconomic stable. With that, economic forecast remains at 5.0-5.4% in 2017 and 5.1-5.5% in 2018, with championing economic sectors including trade, hotel, and restaurant as well as manufacturing. (Bank Indonesia)

*Comment: The rate maintenance is an expected decision (we believe the 4.25% rate would be a concluding rate by year end), and thus it should give a neutral impact to the market. We think BI has also taken into consideration the recent capital outflow, notably in the bond market, where in Oct alone, there had been some Rp11.9tn outgoing funds (~8.4% of net capital inflow in bond market), presumably due to the buy-in of the US' plan to undertake fiscal reform and the increasing expectation of FFR hike the coming Dec. We expect the outflow trend to continue, albeit may see reversal when 3Q's economic data in Nov17 performs higher than expectation (5.2% yoy).*

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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

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