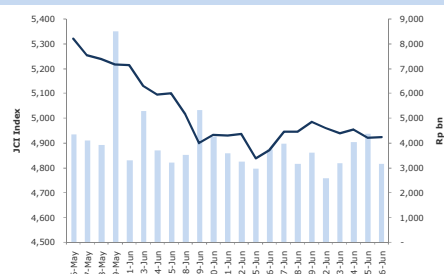
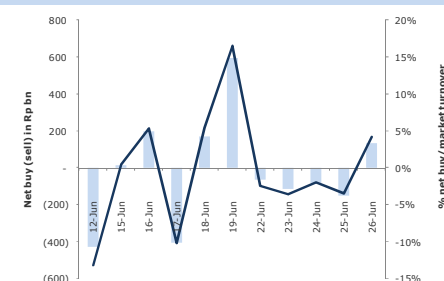


JCI Index



Foreign net buy (sell)



Index	Closing	1 day	1 year	YTD
JCI	4,923	0.1%	1.6%	-5.8%
LQ45	842	0.2%	3.2%	-6.3%
DJI	17,947	0.3%	6.5%	0.7%
SET	1,518	-0.1%	2.3%	1.4%
HSI	26,664	-1.8%	14.8%	13.0%
NKY	20,706	-0.3%	37.2%	16.0%
FTSE	6,754	-0.8%	-0.1%	2.9%
FSSTI	3,321	-0.9%	1.5%	-1.3%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	59.6	0.1%	-43.7%
CPO/tonne	602.1	0.6%	-7.8%
Soy/bushel	10.0	0.6%	-30.4%
Rubber/kg	1.8	-1.1%	-13.1%
Nickel/tonne	12,402	-2.0%	-33.8%
Tins/tonne	14,879	0.1%	-33.6%
Copper/tonne	5,745	-0.2%	-17.8%
Gold/try.oz (Spot)	1,176	0.2%	-10.7%
Coal/tonne*	61.8	-1.0%	-25.4%
Corn/bushel	3.8	2.3%	-13.8%
Wheat/bushel**	215.1	-3.7%	-35.7%

* : 1 week change

** : 1 month change

Source : Bloomberg

Express Transindo (TAXI IJ: Buy)

Expecting closure of takeover deal

- Saratoga's acquisition should bring synergistic benefits
- Challenges from Uber imply mild threat
- Successful strategies could drive sustainable growth
- Undemanding valuation; reiterate Buy

Positive catalyst from deal closure. We expect the ongoing due diligence to lead to a deal closure soon. Our conversation with SRTG (SRTG IJ; Rp4,985; Buy) indicates they are targeting to complete the acquisition of Rajawali's 51% stake in the company at the end of June. We believe if the deal goes through, it should allow better access to financing and potential synergistic benefits with Mitra Pinasthika's (MPMX IJ;Rp610;Buy) rental business MPM Rent, which is also owned by SRTG.

Challenges from Uber. TAXI is facing competition from the new taxi operator utilizing modern online ride apps. Our view remains bullish, driven by steady TAXI's regular fleets utilization rate at 90% even after Uber enters the Indonesian market. We believe that Uber could impose limited threat via price competition and superior IT systems. Yet, in our view, the expected legal issues for not holding public transport permits and violating current tariffs are the main drawbacks for Uber's expansion such as Uber X. We believe this opportunity and TAXI's rigorous strategy through a partnership with Grab Taxi should help the company buy time to improve its IT systems.

Coping with slowing economy. We believe TAXI's driver fixed fee scheme, backed by Grab Taxi mobile apps, will ensure regular taxi earnings to grow sustainably amid slowdown in economic growth. In addition, we expect higher utilization rate from the value-added transportation business (VATB), which consists of rental cars and chartered buses, to help drive higher top-line growth, especially as TAXI has doubled its VATB to 282 fleets (from 176) since 4Q14. We estimate each new bus should lead to an additional Rp576mn in revenue, assuming each bus fees at Rp2mn/day and 80% utilization rate. We expect VATB' stop-line growth to accelerate to a 37% CAGR over FY15-20F.

Valuation/Risks. We reiterate our Buy rating on TAXI with a DCF-based TP of Rp1,300, offering 34.7% potential upside to the current price. SRTG's acquisition of a 51% stake in TAXI should trigger a potential tender offer, which by regulation should not be below: 1) the acquisition price; or 2) the average share price in the 90 days prior to the announcement (estimated at Rp975). The downside risks include: failure of takeover deal, inability to finance further fleet expansion, subsiding legal issues for Uber.

Year To 31 Dec	2013A	2014A	2015F	2016F	2017F
Revenue (RpBn)	687	890	1,120	1,228	1,362
EBITDA (RpBn)	221	283	315	339	347
EBITDA Growth (%)	23.9	27.9	11.3	7.86	2.4
Net Profit (RpBn)	132	118	128	144	149
EPS (Rp)	62	55	59	67	69
EPS Growth (%)	67.3	-10.8	7.3	13.2	2.9
Net Gearing (%)	74.6	171.5	150.4	149.5	134.6
PER (x)	15.6	17.5	16.4	14.4	14
PBV (x)	1.2	1.1	1.0	0.9	0.8
Dividend Yield (%)	1.0	1.2	1.1	1.2	1.3
EV/EBITDA (x)	10.8	11.8	10.4	10.2	9.9

Source : TAXI, IndoPremier

Share Price Closing as of : 26-June-2015

News & Analysis

Corporates

ISAT: Indosat (ISAT IJ; Rp4,000; Hold) plans to buy back its debt of US\$650mn with a purchase price of 103.6875% on 29th July 2015. The loan will be repaid using a new hedged facility of US\$500mn with the remaining balance from Rupiah funding. The company intends to reduce foreign loan exposure from currently 50% to 20-30% of total loan outstanding. Last year, Indosat has issued sustainable bond with a total amount of Rp10tn. Capex for the company is budgeted at 6.5-7.5tn in FY15 of which 80% will be allocated to data. (Investor Daily)

MPPA: Matahari Putra Prima (MPPA IJ; Rp3,240; Not rated) introduces a new high end supermarket brand of Foodmart Primo, while also rebranding some of the older Foodmart Gourmet brand. The new brand offers more quality goods compare to their Foodmart and Foodmart Gourmet line and will carry 50%-60% imported products. Target market is directed towards the price insensitive high-class consumers and expatriates, who cares a lot about a convenient shopping experience. First store was opened last week in Lippo Village Karawaci, investing a capex of Rp30bn/store. (Kontan)

WIKA: The management of Wijaya Karya (WIKA IJ; Rp2,610; Buy) stated that the company is reviewing its target this year due to slow economic condition. Yusmar Anggadinata, the director of WIKA, stated that currently the company faces many challenges to book profit amidst slower economic growth. This year, the company targets FY15 revenue of Rp21.4tn (+72% yoy) with net profit Rp615bn (+24% yoy). For the new contracts, the company targets Rp31tn (+76% yoy). (Bisnis Indonesia)

Comment: At current price, WIKA is trading at FY15-16 P/E of 22-16x, at par with sector. The negative news on downward revision on company's targets would potentially hamper the share price performance.

WSKT: Waskita Karya (WSKT IJ; Rp1,580; Buy) stated that it might revise-up its FY15 revenue target following higher-than-expected 5M15 achievement. Nonetheless, the company reported lower-than-expected 5M15 new contracts of Rp4.5tn versus internal target of Rp6.4tn, on the back of delays of government infrastructure projects to 2H15 as well as the postpone of the announcement of some projects won by the company. On separate news, the company stated that it hinged on government injection through rights issue to support its new contracts achievement in 2H15. (Investor Daily, Bisnis Indonesia)

Comment: In our view, WSKT is likely to meet its FY15 revenue and net profit target of Rp13tn(+25% yoy) and Rp626bn (+25% yoy), respectively, supported by its strong new contracts from several toll road projects, that provide high margins.

Markets & Sector

Retail sector: Government will soon impose stamp duty laws revision on retail transactions, starting the discussion with the Parliament in July where new rules will be effective within FY15. Previously, stamp duties were only excised upon letter of agreement for verification, notarization, and land deeds made by officials. New changes to stamp duty provisions note:

1. Stamp duty will be raised from Rp3,000 to Rp6,000, and from Rp6,000 to Rp18,000.
2. Property transactions and buying and selling of shares in the capital market will be added to the list of transaction objects subject to stamp duty at the rate of 0.1% of the transaction value.
3. Retail transactions above Rp250,000 will be subject to stamp duty. Rate is yet to be determined.
4. Stamp duty will be imposed on letters containing money valued over Rp1mn, commercial papers over Rp1mn, and any form of securities above Rp1mn.

Interestingly, the government and parliament will provide flexibility to the finance minister to determine the list of objects that is subject to a new tax stamp duty laws. The effect of the new stamp duty laws will likely reduce consumer purchasing power. (Kontan)

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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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