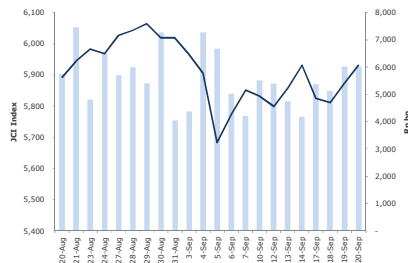


Premier Insight

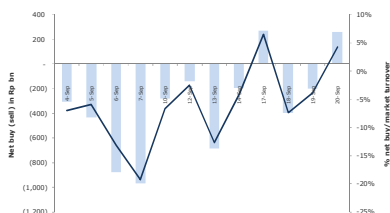
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

| Index | Closing | 1 day | 1 year | YTD |
|-------|---------|-------|--------|--------|
| JCI | 5,931 | 1.0% | 0.4% | -6.7% |
| LQ45 | 939 | 1.6% | -4.6% | -13.0% |
| DJI | 26,657 | 1.0% | 19.2% | 7.8% |
| SET | 1,752 | 0.1% | 4.9% | -0.1% |
| HSI | 27,478 | 0.3% | -2.3% | -8.2% |
| NKY | 23,675 | 0.0% | 16.4% | 4.6% |
| FTSE | 7,367 | 0.5% | 1.4% | -4.2% |
| FSSTI | 3,180 | 0.1% | -1.0% | -6.5% |
| EIDO | 23 | 2.3% | -13.2% | -18.0% |

Commodity price

| Commodities | Last price | Ret 1 day | Ret 1 year |
|--------------------|------------|-----------|------------|
| <i>(in USD)</i> | | | |
| Oil/barrel (WTI) | 70.3 | -1.1% | 39.1% |
| CPO/tonne | 519.3 | -0.6% | -22.5% |
| Soy/bushel | 8.0 | 2.6% | -15.3% |
| Rubber/kg | 1.5 | -1.1% | -22.2% |
| Nickel/tonne | 12,541 | 1.0% | 10.9% |
| Tins/tonne | 19,012 | 0.5% | -8.3% |
| Copper/tonne | 6,075 | -0.4% | -6.3% |
| Gold/try.oz (Spot) | 1,207 | 0.3% | -6.5% |
| Coal/tonne | 113.2 | -1.2% | 15.5% |
| Corn/bushel | 3.0 | 0.0% | -7.2% |
| Wheat/bushel (USD) | 523.0 | -0.2% | 15.6% |

Source : Bloomberg

DMAS: Puradelta Lestari (DMAS IJ; Rp129; buy) currently handling 100ha inquiries from customers which dominated by foreign companies. As of 1H18, DMAS reported marketing sales of Rp561bn, forming 45% of company's FY18F marketing sales guidance. The sales were mainly supported by 21.7ha industrial land sales and several commercial land plot. In addition, DMAS also managed to sell 60% of their residential cluster, Naraya Park in July which targets middle-low segment with house prices start form Rp380mn. (Investor Daily).

Comment: We are positive that DMAS will achieve its FY18F marketing sales guidance of Rp1.25tn. However, due to marketing sales recognition which has lagged time 6-9 months, we believe DMAS would not be able to achieve our FY18 earnings estimate of Rp448bn, as DMAS only recorded earnings of Rp94bn in 1H18. We will review our forecast given this news update.

ISAT: Indosat (ISAT IJ; Rp2,980; Hold)'s EGM 17 Oct agenda is related to change in BoD/BoC. Company said disclosed agenda for upcoming EGM on 17 Oct is changes in BoD (Board of Director) and/or Commissioner (BoC). Company yet has additional information other than the agenda dislosed, said by company. Meanwhile, an online news article (Indotelko) on 18 Sep reported market talk from anonymous source that ISAT's CMO (Chief Marketing Officer) Mr. Andreas Gregori might resign from ISAT, and CEO Mr. Joy Wahyudi might be replaced (IndoTelko, Company).

Comment: We will monitor the EGM result in Oct 2018. If EGM decides to replace CEO with candidate whose skills and experience perceived not as strong as current CEO, there might be slight negative sentiment to ISAT (but slight positive sentiment to TLKM and EXCL), in our view. We have a Buy for EXCL TP Rp3,500, but Hold for ISAT TP Rp3,500 and TLKM TP Rp3,700.

JRPT: Jaya Real Property (JRPT IJ; Rp560; Buy) booked marketing sales of Rp420bn from the sales of Alexandria tower in SilkTown mixed complex. JRPT managed to sell 689 units out of 879 total units. Alexandria tower was designed to target middle class customer with apartment unit prices below Rp700mn, representing Rp15-20mn/sqm. The hand over for the apartment is expected to be held on May 2019. (Kontan).

SSIA: Surya Semesta Internusa (SSIA IJ; Rp472; Buy) booked industrial land sales of 8ha with ASP of US\$120. With this sales SSIA fulfilled 80% of our FY18 sales assumption of 10ha. However, the ASP is 20% lower than our ASP assumption of US\$150. In addition, NRCA reported new contract of Rp1.3tn in 8M18, forming 34% of company's FY18 guidance of Rp3.8tn.

Comment: We are positive on the news despite lower ASP, as industrial land sales is SSIA's only high margin business. In the other hand in construction segment, NRCA is still waiting for the decision for tender process of access toll Patimban with contract estimate of 25% from project investment of Rp5-6tn. Our concern for SSIA lies on its hospitality segment which contributes most losses due to Batiqa hotels expansion. Maintain Buy on SSIA with TP of Rp700.

TLKM: Transportation Ministry canceled proposal to develop competing online transportation app. Ministry's representative for Land Transportation said Gov't position only as regulator for app-based transportation company. If Telkom Indonesia (TLKM IJ; Rp3,600; Hold) or other enterprise has interest to make competing online app to Gojek and Grab, he advised to register to regulator (Transportation Ministry and Communication and Informatics Ministry). Old news on 14 Sep previously stated possibility that Transportation Ministry might involve TLKM in development and provision of online transportation app. (Okezone, Tribunnews).

Comment: Neutral impact to TLKM as it has no impact to our 2018F/19F estimates. We have a Hold for TLKM with TP Rp3,700.

ULTJ: PT Ultra Jaya (ULTJ IJ; Rp1,215; Not Rated) is planning to maintain their prices for the near future, despite the weakening of IDR. According to the company, they still have supplies of raw materials purchased before the weakening of IDR that will last them for another few months, so short term weakening of IDR should not affect their production cost. Many of the company's raw materials are imported, hence making them more expensive with the strengthening of USD. Despite this, the company is still optimistic of achieving double digit sales growth in FY18. (Kontan).

Markets & Sector

Plantation sector: President Joko Widodo signed presidential decree that will stop palm oil plantation expansion for the next three years. The decree ordered ministers and regional government to ban issuing permits for new plantations. The new regulation also mandates a review on existing permits and concessions while it will also halt any ongoing process on currently assessed permits. (Jakarta Post, Kontan).

Comment: This is positive for palm oil sector as the new regulation will limit additional plantings by independent farmers which will result in manageable palm oil supply in the long term. We note that palm oil companies within our coverage had not been adding significant planted area in the past several years. Thus, the impact of this regulation is positive for palm oil planters within our coverage as we believe the sentiment will be positive for palm oil price. We maintain our positive view on the sector and reiterate our Buy rating for AALI and LSIP.

Economics

Economic update: We attended World Bank's IEQ event with economic update and special theme of Urbanisation for All. Prof. Bambang Brodjonegoro spoke alongside WB's staffs presentation. Key take away from the event are as follows;

- Forecast economic growth at 5.2% FY18 (maintenance from previous IEQ), 5.2% in 2019 and 5.3% in 2020.
- Special theme on urbanisation emphasises WB's outlook for months ahead for urbanization policy, as it is predicted that by 2030, urban area to contribute 85% of GDP (now 70%), with main infrastructure procurement to focus around water, sanitation, and affordable housing. The urbanization topic is to be brought too to the stage of IMF-WB AM2018.
- The Bank's take on recently rife opinion of Indonesia's exposure to volatility risk along with other EMs.
 - Indonesia has sound fundamentals, with prompt policy response function & govt that is quick, decisive, and coordinated, e.g. lowering deficit in this year and next year's state budget and adaptive preference for stability by BI (+125bps ytd policy rate);

- Indonesia being not in the same state with 1997/98 nor 2013, it is being much stronger to date as (1) The floating exchange rate has served for automatic stabiliser for the weakening CAD, (2) Low debt level compared to developing and some developed economies, (3) Prudent & credible fiscal policies, (4) Macroprudential measures such as the obligation to hedge a portion of companies' foreign loans
- Indonesia under surveillance after the Turkey and Argentina events is due to (1) Widening CAD, albeit this incidence was not due to overheating but by higher imports of capital goods, and (2) High share of debt owned by non-citizens. With this in hand, it is acknowledged that (1) There is need for CAD to be financed by longer-term inflows (FDI) and that (2) BI's move has been on-point by moderating volatility instead of defending on particular level.
- Indonesia performance in terms of financial assets has been in line with most EMs but not as bad compared to other EMs, arguably because of the quick policy response.
- In summary, there will be unintended consequences of some short-term measures for potential growth, in that infrastructure would not reach potential level. The further tightening would imply risk to growth rather than financial crisis.

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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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