

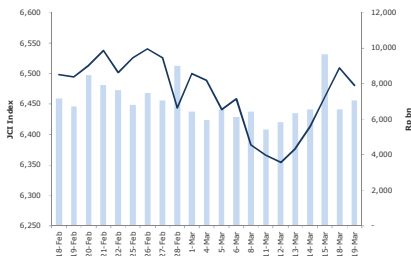
Premier Insight

20 March 2019

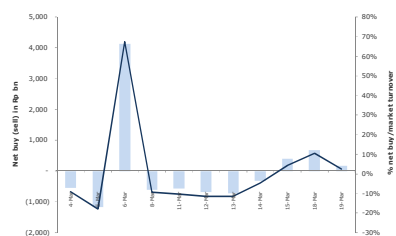
News & Analysis

Corporates

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,480	-0.4%	3.8%	4.6%
LQ45	1,019	-0.5%	-0.8%	3.7%
DJI	25,887	-0.1%	4.7%	11.0%
SET	1,630	0.8%	-9.4%	4.2%
HSI	29,466	0.2%	-6.6%	14.0%
NKY	21,567	-0.1%	0.9%	7.7%
FTSE	7,324	0.3%	3.7%	8.9%
FSSTI	3,221	0.2%	-8.3%	5.0%
EIDO	26	-0.2%	-3.7%	5.4%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	59.0	-0.1%	-4.9%
CPO/tonne	522.5	1.2%	-12.1%
Soy/bushel	8.5	-0.2%	-14.0%
Rubber/kg	1.6	-1.1%	-22.2%
Nickel/tonne	13,049	1.0%	-2.8%
Tins/tonne	21,330	0.5%	2.3%
Copper/tonne	6,469	0.2%	-5.1%
Gold/try.oz (Spot)	1,307	0.2%	-0.4%
Coal/tonne	93.5	-0.4%	-3.4%
Corn/bushel	3.4	0.0%	-2.9%
Wheat/bushel*	146.5	5.8%	-7.0%

* : 1 month change

Source : Bloomberg

DOID: Delta Dunia Makmur (DOID IJ; Rp570; Not Rated) recorded in-line results in FY18;

- Net profit increased 62% yoy to US\$75.6mn in FY18 on the back of lower operating expenses and lower tax. DOID's earnings in FY18 came inline with consensus estimate (100%).
- Gross profit down 4.2% to US\$216mn in FY18, came in below consensus estimate (91%).
- Revenues increased 17% yoy to US\$892mn in FY18, slightly higher than consensus estimate (103%). (Bisnis Indonesia).

Comment: We view the impact of this results announcement would be neutral for DOID as earnings came inline with market expectation.

WIKA: Wijaya Karya (WIKA IJ; Rp2,000; Buy) reported FY18 financial result as follow:

- Strong earnings of Rp1.73tn in FY18 (+44% yoy), which came above market expectation, forming 110%/116% of our/consensus' forecast.
- Margin improvement all across the board with net margin expanded by 100bps to 5.6%, which supported by top line growth of 19% and other income of Rp1.1tn (FY17: Rp416bn)
- Solid balance sheet with net cash position of Rp4.8tn and stable DER at 0.8x in FY18 (FY14-FY17: 0.6-0.8x), along with positive operational cash flow of Rp2.7tn (FY17: Rp1.9tn).
- In quarterly basis, WIKA book robust earnings of Rp870bn (+68% yoy; +153% qoq), with strong net margin at 8.6% (3Q18: 4.3%; 4Q17: 5.0%). (Company).

Comment: We maintain our positive view on the counter given WIKA's robust earnings growth in FY18 supported by margin expansion all across the board. WIKA remains our top picks in construction sector given its bright earnings outlook supported by highest Order Book-to-Revenue ratio of 4.2x (Sector average: 3.3x) and healthy balance sheet.

(In Rp bn)	FY18	FY17	yoy	4Q18	3Q18	qoq	% of Consensus	% of Ours
Revenue	31,158	26,176	19.00%	10,155	8,026	26.5%	94%	103%
Gross profit (before JO)	3,605	2,876	25.30%	1,229	890	38.2%	92%	97%
Operating profit	3,352	2,772	20.90%	1,332	783	70.1%	93%	94%
Net profit	1,730	1,202	43.90%	870	343	153.4%	116%	110%
Gross margin	11.6%	11.0%		12.1%	11.1%			
Operating margin	10.8%	10.6%		13.1%	9.8%			
Net margin	5.6%	4.6%		8.6%	4.3%			

WIKA: Wijaya Karya reported Jakarta-Bandung HSR land acquisition progress of 92% as of March 15th 2019, while targeting land acquisition completion by April 2019. The remaining 8% will be use for social facilities and public facilities, thus the land acquisition is not immediate. So far WIKA has disburse 4 loans from China Development Bank (CDB) with total amount of US\$1.1bn. Going forward, the disbursement will be based on construction progress. (Kontan).

Comment: We are positive towards the news given in-line land acquisition progress. We maintain WIKA as our top pick in the construction sector given its strong earnings outlook supported by Jakarta-Bandung HSR project which will expand its margins.

Refer to Important disclosures in the last page of this report

Markets & Sector

Plantation sector: Chairman of Indonesian Palm Oil Board (DMSI) Derom Bangun estimates Indonesian palm oil inventory further decreased in Feb'19. Palm oil production in Feb'19 is forecasted at around 3.8mn tons, palm oil export at 3mn tons while domestic consumption at around 1mn tons, allowing palm oil inventory to decrease to 2.8mn tons. (Investor Daily).

Comment: We believe Indonesia palm oil inventory to decrease further which would be supportive to palm oil price. At this stage we maintain our Buy ratings for AALI (TP: Rp15,500) and LSIP (TP: Rp1,600).

Telco Sector: Telkomsel and ISAT conducted trial on Palapa Ring network. Palapa Ring is a nation-wide backbone (fiber optic) infrastructure construction project for the purpose to spread ("equalize") broadband access in Indonesia with scope in (currently) less feasible areas from business /financial perspective. Palapa Ring Phase II consists of West (Riau area and Riau island), Central (Kalimantan, Sulawesi, and North Maluku), and East (East Nusa Tenggara, Maluku, West Papua, and Papua). The trial period is Dec 2018-Mar 2019 for free. Afterward, Communication and Informatics Ministry will release special price for Central Palapa Ring. (CNN Indonesia, Communication and Informatics Ministry).

Comment: We expect insignificant impact for now to our estimates for TLKM (owned 65% of Telkomsel) and ISAT. We will monitor final pricing and tenants of the Palapa Ring network. We think usage of Palapa Ring connection might give benefits in the long term as it helps operator to expand network more efficiently in certain areas. We have a Hold for TLKM (TP Rp 4200) and ISAT (TP Rp2800).

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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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