INDOPREMIER

Premier Insight

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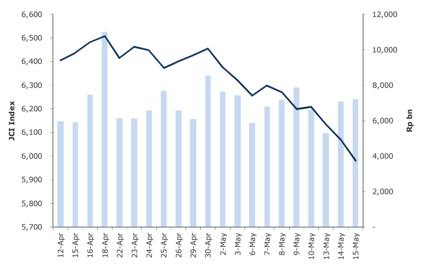
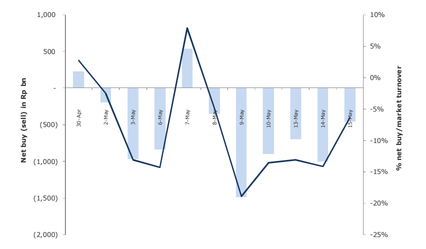
JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,981	-1.5%	2.4%	-3.4%
LQ45	932	-1.9%	-0.3%	-5.1%
DJI	25,648	0.5%	3.5%	9.9%
SET	1,621	-0.8%	-7.4%	3.7%
HSI	28,269	0.5%	-9.1%	9.4%
NKY	21,189	0.6%	-6.7%	5.3%
FTSE	7,297	0.8%	-5.7%	8.5%
FSSTI	3,219	-0.2%	-8.9%	4.9%
EIDO	23	-2.1%	-5.2%	-6.3%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	62.0	0.4%	-13.0%
CPO/tonne	490.2	0.6%	-15.9%
Soy/bushel	7.9	0.5%	-20.5%
Rubber/kg	1.6	-1.1%	-22.2%
Nickel/tonne	12,158	2.1%	-15.3%
Tins/tonne	20,040	0.2%	-4.3%
Copper/tonne	6,054	0.9%	-10.6%
Gold/try.oz (Spot)	1,297	0.0%	0.5%
Coal/tonne	84.5	-0.4%	-19.0%
Corn/bushel	3.4	0.0%	-8.3%
Wheat/bushel*	146.5	5.8%	-7.0%

** : 1 month change*

Source : Bloomberg

Economic Update

Trade's series of misfortunes

- **Substantial trade deterioration, Apr19 deficit at US$2.5bn.**
- **Trade in real term improved, but disadvantaged by lower prices.**
- **NOG trade contributive to decline, as commodities exports dropped.**
- **Immediate negative reaction, BI to hold rate on Thursday meeting.**

Sizeable trade deficit. Poor deficit of US$2.5bn registered in the Apr19 trade account, reading from recent data suggest. The substantial deficit quickly presented negative sentiment toward domestic market, notably as consensus and we had under estimated the steep reduction in exports (consensus: US$-0.5bn; ours: US$-0.01bn). Exports plunged by 11% mom, fortifying the already growing imports (+12% mom), whose 57% of which was part of NOG trade. April's trade had traditionally been low and this time it was reinforced by *Ramadan* effect, but the deficit was enormous (record low in the last five years) that it set a precarious beginning of 2Q19's trade realisation. Cumulative trade deficit had now appointed to US$2.6bn by Apr19 as data launched.

Real-term trade improved. We believe trade in real term was indeed in continuous improvement momentum, as its exports grew +9.5% yoy (vs -13.1% yoy nominal figure, see Fig. 2) and net real surplus expanded 16% yoy. This improvement was offset by price disadvantage, where NOG import average price rose 9.6% mom and aggregate export prices dropped by 1% mom. The impact of two events altogether contributed to the deterioration of terms of trade (Fig. 3), which might be a combination of misfortune and weak structural fundamentals, as at least 30% of exports were still commodities-based and exposed to volatile pricings. To note, this happens around a background of expectedly prolonged US-China trade tension, current thesis suggests, as measures becomes more *tit-for-tat*.

NOG trade large contributor to decline. Although outstanding deficit was larger in OG trade (US$1.49bn; NOG trade: US$1bn), Apr19 hefty deficit was largely (or about 65%) explained by weaker NOG trade, as this component booked US$1.1bn surplus in the month before (Fig, 4). Partially, it was seasonality behind every fasting (*Ramadan)* season and the preparation of *Eid*, as seen in the growth of consumer goods import (+24% mom). In contrast, OG trade had been traditionally in deficit as the country has remained net oil importer. Its deficit expansion in Apr19, therefore, was a double impact of higher oil prices and lower OG export volume as oil lifting under achieved. As this is structural issue, we expect some gap time to occur for OG trade enhancement.

Negative market reaction. With its record deficit size, market immediately took an overturn upon data retrieval. This poor trade realisation was a disappointment which came amidst tumbling market after trade tension rebuilt between US and China; which was prevalent in Indonesia, but less comparably in our peers. Bank Indonesia had upcoming monetary decision today, which certainly would choose to sustain rate at its 6% level. Expectation for any rate cut would look dim currently as the central bank had reserved ammunition for a projected weaker CAD of 2Q19. Expect policy rate to remain at 6% until this June.

Fig. 1: Apr19's trade overview

	Apr19 US$bn	Apr19 change% mom	Apr19 Change% yoy
Export	**12.6**	**-10.8**	**-13.1**
Export oil and gas	0.7	-34.9	-37.1
Export non-oil and gas	11.9	-8.7	-11.0
Export Manufacturing	9.5	-8.2	-11.5
Export Agriculture	0.3	-7.4	-15.8
Export Mining	2.2	-7.2	-6.5
Import	**15.1**	**12.2**	**-6.6**
Import oil and gas	2.2	47.0	-4.0
Import non-oil and gas	12.9	7.8	-7.0

Source : Statistics Indonesia, IndoPremier

News & Analysis

Corporates

DILD: Intiland (DILD IJ; Rp314; Not Rated) allocated Rp1.5tn capex this year to work on numbers of projects in Jakarta and Surabaya (currently DILD have total 2,060ha land bank, which 79% in Jakarta and 21% in Surabaya). DILD targets Rp2.5tn marketing sales this year, while as of 1Q19, DILD have only booked Rp254bn marketing sales (10.2% of target). To reach the target, company have launched "Stay on the blue line" program, which is a special offer for Intiland's property that are near to the MRT facilities (there are 7 properties by Intiland that are located near to MRT). Meanwhile in 2H19, DILD will launch 2 new projects, in Jakarta and Surabaya. In separate note, DILD is still looking for investor / partner to develop their 1,000ha land bank in Maja. (Kontan, Investor Daily, Business Indonesia).

Comment: This should be a positive sentiment for DILD. The "Stay on the blue line' program hopefully will be able to boost sales of its 7 high-rise properties near the MRT facilities. Moreover, the 2 project launches in 2H19 hopefully able to boost DILD marketing sales.

INTP: We participated in Indocement (INTP IJ ; Rp19,025; Hold) 1Q19 conference call with the following wrap up:

- They stated to have increased its ASP by c.12% (lower for Rajawali to adjust its price with second-tier players) from 2Q18 to 1Q19 of which they expect to increase its ASP 2-3 times in 2H19 and stay cautious on the possibility of second-tier players benefiting the price hike. At this price level, INTP claimed that second-tier players still cannot service their debt.
- INTP also saw lower energy and raw material costs as it intensifies low-calorific coal usage (1Q19: 65% as of total coal usage vs. 1Q18: 36%; c.4-6% decrease in coal costs per tonne) and has a direct ownership on quarries. Production overhead costs increased as it prepares for maintenance on low demand cycle and its P11 plant at Citeureup is slated for dust emission installment.
- INTP guided a industry sales volume growth of 3-4% in FY19F and 6-8% in 2H19F in the lights of the resumption of many infrastructure projects. INTP is also to benefit Bandung HSR project and Sumarecon Bandung project that asked INTP to stay as its supplier.
- In the lights of ODOL implementation, INTP hopes the government giving them three to four years of transition as to make its drivers ready to ride a truck. INTP, if realized, will pass on the ODOL effect to a gradual ASP increase.
- In the light of spiking exportation market as China urge to shut down the clinker mills, INTP said to stay focusing on providing clinker to domestic market (as well as to competitors). (Company).

PZZA: We just had a company visit to Pizza Hut (PZZA IJ; Rp1,190; Not Rated), here are some of the key takeaways from the meeting:

- The company just launched a new concept called Pizza Hut Express last year which will open mostly in malls (food courts) and offices. Last year the company already opened 4 stores.
- They are currently operating 3 store concepts, Pizza Hut Restaurant, Pizza Hut Delivery and Pizza Hut Express. With a total 458 stores across the country (79% in Java-Bali).
- Pizza Hut has a market share of around 96% in the pizza restaurant segment and around 70% in pizza delivery segment. They are by far the market leader, followed by Domino's in second place.
- Around 50% of the company's COGS are imported, which mostly makes up of cheese.
- 3M19 SSSG stands at 3.3%, while the company is targeting FY19F SSSG of 4.5%-5.5%.
- The company is targeting to open around 64 new stores this year (vs. FY18: 61 new stores). This will mostly make up of Pizza Hut Delivery, which the company is trying to focus more on this year. (Company).

TOWR: Sarana Menara (TOWR IJ; Rp715; Not Rated) visit takeaway

- TOWR targets net-additional tenants of 2.9-3K tenants. The net-additional tenants (orders) comes from EXCL and Indosat (both for outer Java) and Hutchinson Tri (Java area). 1Q19 additional tenants were affected by (one off) subscription discontinuation from Internux (officially stopped service after inability to pay spectrum license based on news in January 2019). Excluding impact from Internus, we estimate 1Q19 additional tenants (net) of 892 tenancies in 1Q19 (c.30% of company's FY target), assuming all else the same.

- TOWR has received tower lease renewal extension 10-year contract for 9K leases (mainly from Hutchinson c.6K leases, followed by EXCL and FREN) with rental rate aligned with its average current tower rental of Rp12-13mn/tenant.
- TOWR views current tower rental rate of Rp12-13mn/tenants is likely to sustain (no longer to be cheaper) considering less competition from small tower providers. This is supported by several M&As recently done by big tower operators: TOWR acquired KIN (c.1.5K towers in FY18) in Jun 2018; TBIG took control of following 2 tower companies in 4Q18 (PT Visi Telekomunikasi Infrastruktur (GOLD IJ) and PT Gihon Telekomunikasi (GHON IJ) – both added 1.1K tenancies and 859 sites).
- TOWR trades at 2019 EV/EBITDA of 8.7x, similar to TBIG at 8.5x. (Company).

Markets & Sector

Infrastructure sector: SOE players are now keen to tap into railway construction business. Waskita Karya (WSKT IJ; Rp1,760; Hold) is on its way joining the tender of LRT project in The Philippines. Adhi Karya (ADHI IJ; Rp1,445; Hold) is concentrating on domestic LRT project, namely HSR Jakarta – Surabaya (est. Rp120tn) and Medan LRT (est. Rp12tn). (Kontan)

Comment: This is positive news for SOE contractors if all the stated projects come into realization. In the case of ADHI, Jakarta- Surabaya HSR projects are approximately valued Rp120tn which is able to significantly push down ADHI's burn rate to 10.6% (from 31.9%). This implies a more sustained revenue growth for ADHI (OB/revenue: 9.4x post HSR inclusion vs. now: 3.1x) with the cost of revisiting a temporary cash flow problem as many of railway constructions are turnkey-based projects. Though, we have a reservation on ADHI's capability to handle all Jakarta – Surabaya HSR project given its stretched B/S profile (FY19F equity: Rp7.1tn, D/E : 3.8x) In addition, Medan LRT project could boost this year's contract formation as we noted it forms 34% and 46% to ADHI's guidance and our FY19F new contract, respectively.

Property Sector: Following study by SHPR (Survei Harga Properti Residential) conducted by Bank Indonesia, residential property sales is 1Q19 increase 23.7% qoq from 4Q18 due to increase in small size residential sales (+30% qoq) and large size residential sales (+24.56% qoq), while sales in medium size residential remained stable. As for financing scheme, majority of 74% buyers still use the KPR scheme. In addition, SHPR expect price increase in residential property by 0.5%qoq in 2Q19 following increase in material price and wages.

Comment: We remained Buy for CTRA with TP of Rp1,400, following the successful of its Citra Maja residential property that supply lots of small size residential, including the subsidized housing.

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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.

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