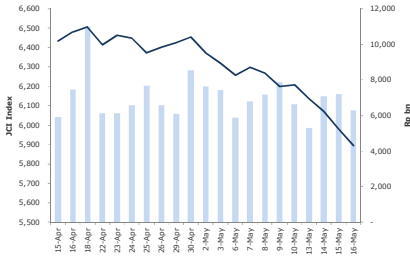


Premier Insight

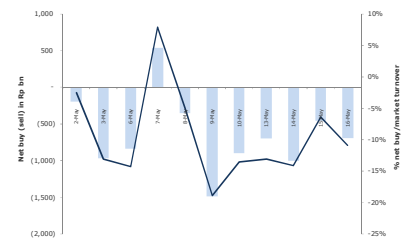
News & Analysis

Corporates

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 (in USD)	Last price	Ret 1 day	Ret 1 year
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

SCMA: Surya Citra Media (SCMA IJ; Rp1,510; Not Rated) targets to complete acquisition of 3 digital companies by end of May 2019.

- The company previously already announced (Mar-Apr 2019) intention to acquire online media companies and non-preemptive right issue (PMTHMETD) plan to fund the acquisition (max. Rp360bn; affiliated transaction) and remaining proceed for working capital and/or acquisition funding aligned with company's growth and strategy.
- EGM on 16 May approved the acquisition plan. The number of shares to be issued as PMTHMETD is max. 10% of capital issued and fully paid (max. 1.46bn shares) with est. proceed of c.Rp3.6tn. Based on max. target proceed and max. number of shares issued mentioned in news above, we calculate the PMTHMETD plan implies average price of Rp2452/sh.
- SCMA targets 2019F revenue growth of 8%YoY and net income of 10%YoY. Company expects healthy growth in 2Q19F from Ramadhan and e-commerce advertisement. SCMA estimates capex of Rp580bn in 2019 for infrastructure development and renovation for its facilities, using internal cash.
- After acquisition of 3 digital companies, digital media division's potential contribution to SCMA revenue is 10% to SCMA's top-line.
- AGM yesterday approved final dividend of Rp31sh (implying yield of 2%; excluding interim dividend) – cum date 24 May. SCMA prev. distributed interim dividend of Rp20/sh in Dec 2018.
- SCMA trades at 2019 PE of 14x. (Kontan, IndoPremier, Bisnis Indonesia, Bloomberg).

Markets & Sector

Cigarette sector: Government decided to implement excise tax in Indonesian Free Trade Zone area, Batam, Bintan, Sabang, and Karimun for cigarettes and beverages. The decision was based on the recommendation Corruption Eradication Commission (KPK) to change FTZ status, and dissolve Batam free port and free trade area (KPBPB) and give the authorities to local government under the surveillance of central government. (CBNC, Kontan).

Comment: We believe this is one of the government strategies to reduce illegal cigarettes in Indonesia. Positive sentiment for cigarette sector, maintain buy GGRM (TP Rp94,600) and HMSP (TP Rp4,200).

Plantation sector: Indonesia palm oil export expanded in March 2019 helped by increasing demand from non-traditional market, South Korea and Japan which increased approximately 60% mom. These offset weaker demand from India, Africa, US and EU, allowing Indonesia palm oil export to reach 2.96mn tons in Mar'19, up slightly by 3% mom. (Bisnis Indonesia).

Comment: This is positive for Indonesia palm oil sector and we maintain our long term positive view on the sector. We reiterate our Buy recommendations for AALI (TP: Rp12,000) and LSIP (TP: Rp1,300).

Economics

BI meeting takeaway: BI concluded a monthly Board of Governors meeting on Thursday, which was continued by investors' session in the evening that ensued. Key points from the session:

- In its monetary decision, Bank Indonesia decided to hold policy rate at 6%, lending facility rate 6.75% and deposit facility rate 5.25%, in line with consensus and our estimate.
- Its means to support the recently turbulent market are therefore by (1) maintaining countercyclical capital buffer ratio at 0%, (2) holding macroprudential liquidity support (PLM) at 4% with repo flexibility at 4%, and (3) keeping macroprudential intermediation ratio (RIM) at 84-94%.
- BI has generally remained optimistic, highlighting improvement performance of 1Q19 CAD and not touched any issue pertaining latest weak trade realisation. Yet, it acknowledged some potential setbacks in growth across Java, Kalimantan, and Papua and the emerging need to pursue serious effort to mitigate risks from growth reduction.
- During investor call, investors concerns mostly evolved around (1) BI's rate view ahead given BI still assumes 1x increase in FFR (market has reversed expectation for the FFR to decline, rather than increase), (2) recent fluctuation in the market, as well as (3) the rupiah volatility. The central bank has appeared to be more wary, albeit remained reserved about issue no 1 & 2. The only hint came in form of its statement about willingness to cut rate to promote growth, although this measure is to be taken given data confidence. (IndoPremier).

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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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