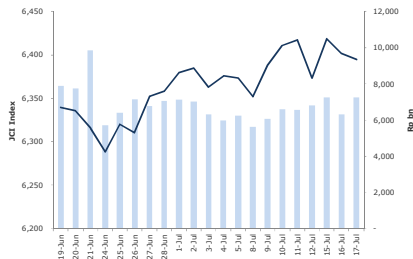


# Premier Insight

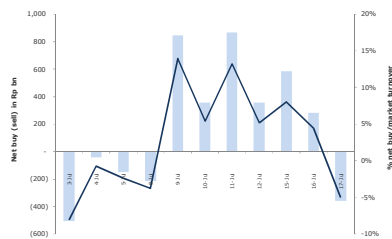
## News & Analysis

### Corporates

#### JCI Index



#### Foreign net buy (sell)



#### Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,395	-0.1%	8.6%	3.2%
LQ45	1,024	-0.2%	10.5%	4.2%
DJI	27,220	-0.4%	8.0%	16.7%
SET	1,719	-0.5%	5.1%	9.9%
HSI	28,593	-0.1%	1.7%	10.6%
NKY	21,469	-0.3%	-5.8%	6.3%
FTSE	7,535	-0.6%	-1.8%	12.0%
FSSTI	3,365	0.1%	3.8%	9.6%
EIDO	26	-0.3%	12.1%	6.0%

#### Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	56.8	-1.5%	-16.6%
CPO/tonne	483.5	0.4%	-8.4%
Soy/bushel	8.7	-0.1%	4.6%
Rubber/kg	1.6	-1.1%	-22.2%
Nickel/tonne	14,419	3.0%	7.7%
Tins/tonne	17,890	-0.4%	-8.7%
Copper/tonne	5,968	-0.5%	-2.4%
Gold/try.oz (Spot)	1,427	1.4%	16.2%
Coal/tonne	74.3	1.4%	-37.4%
Corn/bushel	4.3	0.2%	36.1%
Wheat/bushel*	146.5	5.8%	-7.0%

\*: 1 month change

Source : Bloomberg

**BMRI:** Bank Mandiri (BMRI IJ; Rp7,975; Buy) - 1H19 result slightly below

- 1H19 net profit (+11% yoy) was below our/market expectations with 2Q profit of Rp6.3tn vs Rp7.2tn in 1Q or 22.4% vs 25.7% of our FY19F of Rp28.1tn (same as consensus).
- While 2Q core profit (PPOP) came in-line, at 24.7% of our FY19F (1Q: 24.9%), the bank's credit cost normalised to 1.53% in 1H, after an exceptionally low 1.11% in 1Q, while full year guidance is maintained at 1.6-1.8% for 2019, implying potentially higher 2H provisioning needed to cover for underprovisioned exposures to Krakatau Steel and Dunia Tex (Rp2.2tn as of July, still classified as current).
- NIMs were resilient at 5.45% in 2Q (1Q: 5.58%) while further pressure should be mitigated by maturing VR govt bonds (Rp20tn) in next 2 years, which can be shifted into loans.
- New NPLs of 1.72% in 1H19 (1H18: 2.36%; FY18: 1.9%) still largely came from commercial, SMEs and consumer loans, despite improving vs 2018 except for consumer (worsened), while NPL and provision coverage ratios were stable at 2.7% and 147%, respectively, despite lower write-offs of Rp5.2tn in 1H19 (1H18: Rp8.2tn; FY18: Rp13.2tn).
- At this stage, we keep our earnings forecast, TP and Buy rating unchanged. (Company).

**JSMR:** Jasa Marga's (JSMR IJ; Rp5,925; Buy) subsidiary, Jasa Marga Pandaan Toll (JPT), issued Rp785bn worth of medium-term sukuk bond in two series. Series A (3-yr sukuk) with Rp100bn face value gives 8.5% fixed rate return and Series B (5-yr sukuk) with Rp685bn face value offers 9% fixed rate return. (Investor Daily).

*Comment: JPT booked EBIT and ICR of Rp41bn and 0.6x, respectively, in FY18. This sukuk issuance adds Rp70bn interest payment annually which results to a total of Rp103bn interest expenses. JPT potentially scores lower ICR and higher D/E at 0.5x and 2.9x in FY19F, respectively (vs. the bank's covenant of D/E and ICR at 2.3x and 1x). However, we believe JPT's business remains unaffected as it historically is able to get a waiver from creditor given the strong revenue growth (1Q19 traffic: +51% yoy) and expected higher FY19F EBIT of Rp56bn (+36% yoy) in the foreseeable future. We additionally note that the cost of debt on the issued sukuk is lower than existing bank loan debt at 10.5%.*

**TLKM:** Telkom Indonesia (TLKM IJ; Rp4,230; Buy)'s Indihome targets 7.5mn subscribers until 2019F. Indihome, TLKM's fixed broadband, currently focusing on expanding network and giving attractive contents. (Kontan).

*Comment: We expect insignificant impact to TLKM in the near term as: If we raised our 2019F Indihome subscribers to 7.5mn (same as news mentioned; 10% higher than our 2019F Indihome), it would increase a bit 2019F Indihome's revenue contribution to 12% from 11% to TLKM's revenue, but give insignificant impact to our 2019F TLKM's revenue. We have a Buy with TP Rp4300.*

## Markets & Sector

**Toll road sector:** Nusantara Infrastructure (META IJ; Rp193; Not Rated) pocketed a feasibility study permit from Ministry of Public Work for its Cikunir – Ulujami toll road project. This is an early indication that META will be granted the concession for this unsolicited toll road project. Adhi Karya (ADHI IJ; Rp1,640; Hold) is also known to hold a minority stake as much as 10% in this toll road asset. (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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