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Market Outlook 2019

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A Defining Year

2019 is set to be a defining year, as more stable macroeconomic conditions should help to restore confidence. The accomplishment of Infra projects will pave the way for stronger macro foundations, in our view. As a political year, both the presidential and legislative elections will take place concurrently for the first time - a new milestone for Indonesia's democracy. A greater budget allocation at the grassroots level will ensure elevated domestic consumption. All in all, we are constructive on the equity market outlook with a year-end index target of 6,974.

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A Defining Year

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We are constructive on Indonesia's equity market in 2019 for four main reasons:
1. From a macro perspective, Indonesia is still heading in the right direction. With various coherent policies taken by the government and central bank, concerns on the growing CAD are likely to dissipate and subsequently lead to greater IDR stability, the all-important factor to lure foreign inflows; 2. Populist government policies to promote consumption will ultimately help to support economic growth, especially given the huge amount of household consumption in Indonesia; 3. The elections are likely to create exuberance in the equity market provided they are conducted in a timely and conducive manner. While frictions among the political parties are likely to be unavoidable, we are nonetheless hopeful that political stability will be maintained in 2019. Elections spending will also support consumption, in our view; and 4. We expect more stable corporate performance, with upside in the event of IDR strengthening. We estimate overall earnings growth of 10.8% in 2019.

Macro recovery is underway. The macro outlook is expected to be more stable in 2019. With interest rate hikes already taking place in 2018, overall economic growth may slow, albeit gradually. We expect GDP growth of 5.1% in 2019, down from 5.2% in 2018, with domestic consumption and government consumption to drive the growth. Concerns on the CAD are gradually easing and eventually this will pave the way for greater IDR stability. The recent fall in crude oil prices will underpin the outlook for softer inflation, opening up the possibility for easing policy by the central bank.

Populist policies in a Political Year. The 2019 elections will set a new milestone for Indonesia's democracy, whereby for the very first time, direct elections will be done concurrently for both the president and the national and regional parliaments. The continuation of populist policies will ensure robust domestic consumption as the allocation for subsidies, healthcare, education and the social fund budgets increase.

Constructive view on equity market with JCI target of 6,974. The various coherent policies implemented by the government and central bank should result in a more stable outlook for 2019, albeit with some moderation in growth. Given the external volatility and the upcoming domestic elections, we believe that stability will be the key consideration for investors. We also believe that the consensus has factored in some moderation in growth, and we see less risk on earnings downgrades in 2019. Indonesia will continue to offer an attractive investment proposition, backed by an improved macro outlook and stronger domestic consumption trend, as well as record low foreign ownership. We expect the JCI to reach 6,974, and we continue to favour domestic consumption plays with reasonable valuations and a clear growth outlook. Our top picks are ASII, EXCL, BBRI, BBNI, GGRM, INDF, ITMG, LSIP, WIKA, and SIDO.

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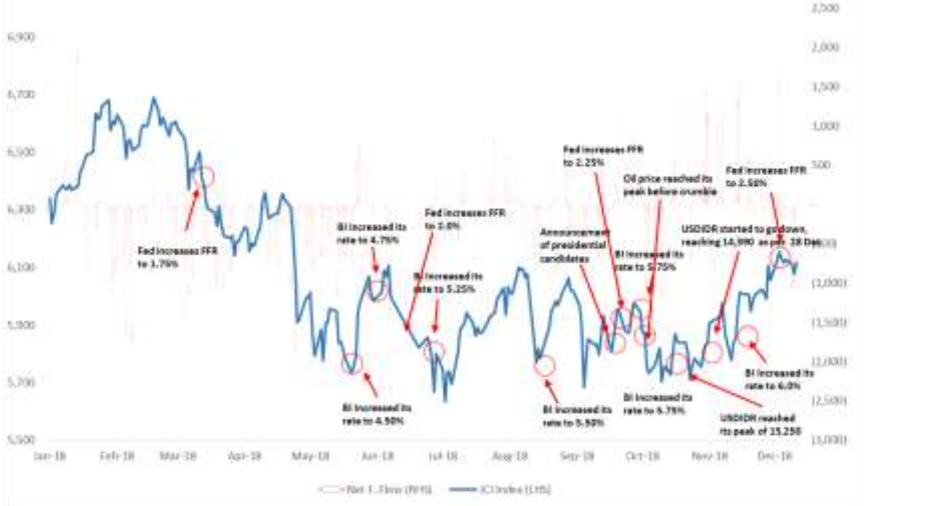
2018 – a year of volatility

2018 was marked by volatility in Indonesia's equity market. The year began with optimism for stronger economic growth, especially with the government's two-pronged policy approach which was directed toward boosting consumption. The market moved in a positive direction and reached an all-time high of 6,689 in February, only to be followed by very high volatility, driven by both external and domestic factors.

The heightened volatility was initially triggered by the more hawkish outlook for the Fed Funds rate, which boosted the USD and subsequently precipitated foreign portfolio outflows from Emerging Markets, including Indonesia. The IDR came under significant pressure and depreciated beyond IDR15,000/USD, the first time since 1998. While investors were aware of the rising CAD, the pace of IDR depreciation stoked concerns that the CAD would rise even further, spooking investors.

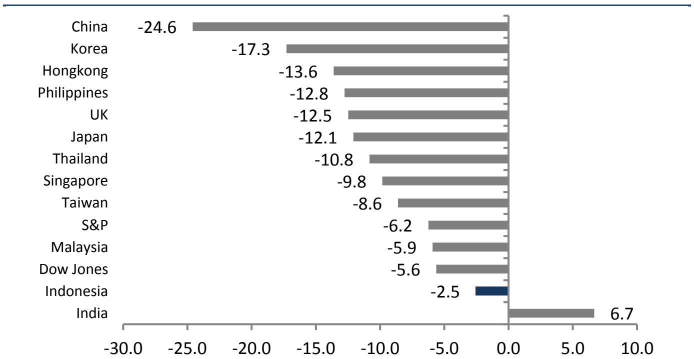
Exhibit 1. JCI in 2018



Source: Bloomberg

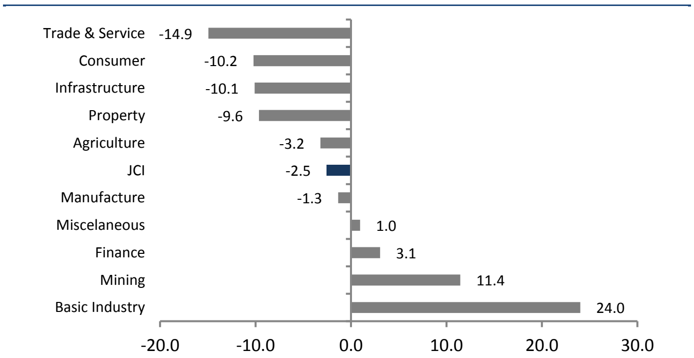
The market valuation quickly de-rated, further exacerbated by some earnings downgrades given the weak IDR. We had initially projected earnings growth of 12% earlier in 2018, only to downgrade our estimate to 8%. At its lowest point, the JCI touched 5,600, translating into a 14.5x earnings multiple - a good entry point for mid-term investments in Indonesia, which has almost completed the first batch of infrastructure development reforms.

Exhibit 2. Regional Market (YTD 2018), %



Source: Bloomberg

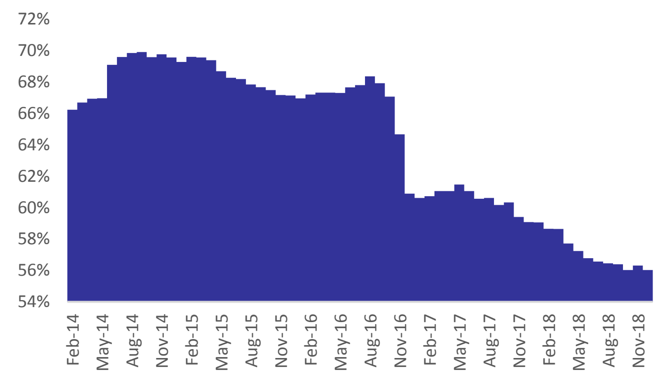
Exhibit 3. Regional Market (YTD 2018), %



Source: Bloomberg

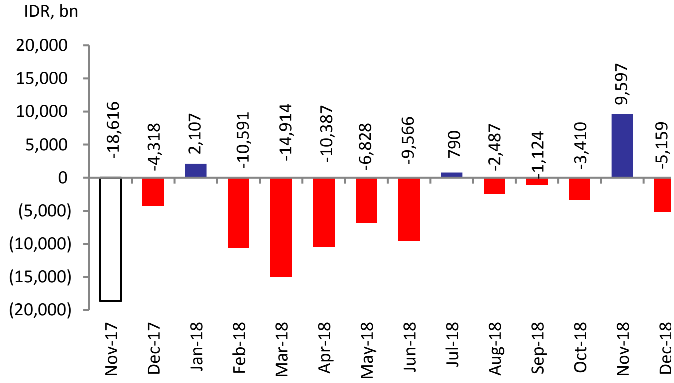
The weak IDR propelled foreign outflows, which peaked in Oct with total outflows surpassed of USD4b mark, with the overall foreign ownership in listed companies falling to an all-time low of 56%% in November 2018 from 68 – 69% back in 2016. In the past 6 years, foreign outflows and inflows have been intermittent, so 2018 was quite different as it marked two consecutive years of foreign outflows. We believe this mostly reflects the relatively expensive valuations back in 2017, when the market continued to hit record highs despite foreign outflows - something not seen in previous years.

Exhibit 4. Foreign Ownership



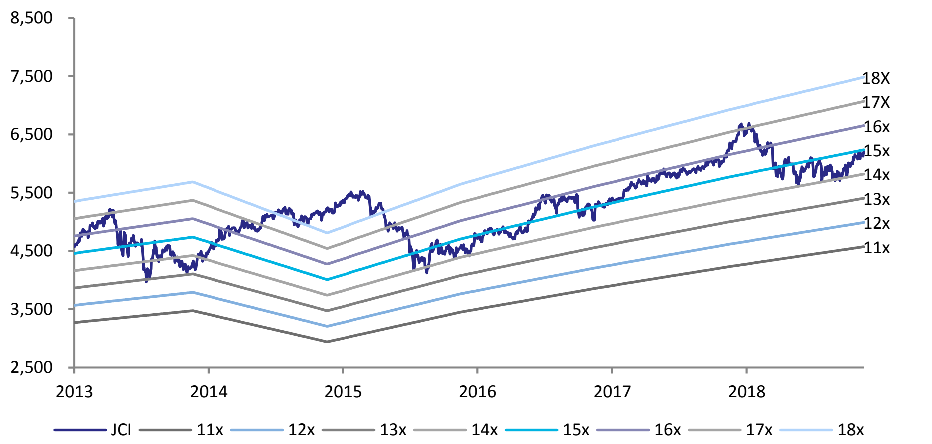
Source: KSEI

Exhibit 5. Foreign Net Buy/Sell



Source: Bloomberg

Exhibit 6. PE Band



Source: Danareksa Sekuritas

There were several period whereby market movement was bound withing 5,600-6,000 range, and even when IDR reached its highest points, market didn't corrected beyond this level. In the last two months of 2018, JCI gained ground, mainly fuelled by stronger IDR and relatively robust GDP figures, and closed at 6,194, down 2.5%.

In our view, Indonesia is still a strong value proposition over the longer term, with GDP growth expected to stabilize to 5.1% and a muted outlook for inflation which should eventually mean the central bank will have room to ease its policy rate. If this were to happen, and coupled with smooth election process, there could be an upside risk to our index target level.

In 2019, we are constructive on the equity market and see 13-14% upside for the JCI to 6,974 mainly supported by:

1. Improving macro trends with the CAD to normalize at 2.5% of GDP, which will pave the way for greater currency stability.
2. There could be elections exuberance from a peaceful and conducive direct election process.
3. The continuation of various populist government policies which will help to support domestic consumption.
4. With the expected positive macro trends, we anticipate a reversal of the outflows seen in 2018 as Indonesia will remain attractive in the emerging market space.
5. The domestic consumption story will continue to serve as the core investment theme in 2019 (as such, we are overweight on telcos, banks, and consumer stocks).

Exhibit 7. Top Pick

Company	Ticker	Rec	Last Price IDR	Market Cap. IDRbn	Upside %	Target Price IDR	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2018F
BRI	BBRI IJ	BUY	3,670	452,679	17.2	4,300	13.7	12.2	2.4	2.1	18.5
Astra International	ASII IJ	BUY	8,425	341,074	12.8	9,500	15.5	14.1	2.5	2.3	16.9
BNI	BBNI IJ	BUY	8,700	164,243	9.2	9,500	10.6	9.7	1.5	1.3	14.2
Gudang Garam	GGRM IJ	BUY	83,350	160,373	21.2	101,000	19.2	15.8	3.5	3.1	20.9
Indofood	INDF IJ	BUY	7,300	64,097	12.3	8,200	14.1	12.7	1.6	1.5	12.5
Indo Tambangraya Megah	ITMG IJ	BUY	20,025	22,712	49.8	30,000	5.4	5.9	1.6	1.5	26.9
XL Axiata	EXCL IJ	BUY	2,040	21,803	86.3	3,800	N/M	37.0	1.0	1.0	2.7
Wijaya Karya	WIKA IJ	BUY	1,655	14,845	32.9	2,200	9.3	7.0	1.1	0.9	11.9
Sido Muncul	SIDO IJ	BUY	815	12,131	22.7	1,000	17.5	14.8	3.9	3.7	25.8
PP London Sumatra	LSIP IJ	BUY	1,350	9,207	48.1	2,000	13.9	11.8	1.1	1.1	9.2

Source: Danareksa Sekuritas

2019: A defining year

With the continuation of infra development since 2014 with progress made in various areas, we expect Indonesia to enter a new cycle of growth. Infra development will lay stronger foundations for structural change in the domestic economy going forward. Furthermore, the government's commitment to shift subsidy-based spending toward more productive asset spending will finally pave the way for higher quality economic growth. While the initial moderation of household consumption was unavoidable with lower fuel subsidies, the level of household consumption growth returned to the 5% level in 2018 and this should continue going forward.

Since 2018, we have argued that the government's two-pronged policy approach (i.e. the continuation of infra development spending coupled with a focus on populist policies which will promote higher consumption and appease the nation's grassroots) will underpin economic growth. With the all-important presidential election in 2019, we believe the government will persist with its policies.

We are constructive on Indonesia's equity market in 2019 for four main reasons:

1. From a macro perspective, Indonesia is still heading in the right direction. With various coherent policies taken by the government and central bank, concerns on the growing CAD are likely to dissipate and subsequently lead to greater IDR stability, the all-important factor to lure foreign inflows.
2. Populist government policies to promote consumption will ultimately help to support economic growth, especially given the huge amount of household consumption in Indonesia;
3. The elections are likely to create exuberance in the equity market provided they are conducted in a timely and conducive manner. While frictions among the political parties are likely to be unavoidable, we are nonetheless hopeful that political stability will be maintained in 2019. Elections spending will also support consumption, in our view, and
4. We expect greater stability on corporate performance, with upside risk in the event of IDR strengthening. We expect overall earnings growth of 10.9% in 2019.

The biggest risk will still emanate from external factors, especially concerning the possibility of heightened trade tensions between the US and China. Also, the potential expansion of US fiscal policies could lead to a further uptick in US Treasury yields. In turn, this may push up Indonesia government bond yields.

Macro improvements are underway

The macro outlook is expected to be more stable in 2019. With interest rate hikes already taking place in 2018, overall economic growth may slow, albeit gradually. We expect GDP growth of 5.1% in 2019, down from 5.2% in 2018, with domestic consumption and government consumption to drive the growth. Concerns on the CAD are gradually easing and eventually this will pave the way for greater stability of the IDR which we expect to average from 14,100 to 14,600/USD in 2019. The recent fall in crude oil prices will underpin the outlook for softer inflation (this had initially been a concern, given the potential hikes in subsidized fuel prices).

Exhibit 8. Danareksa Economic Forecasts

Indicators	2014	2015	2016	2017	2018F	2019F	2020F
GDP Growth (%)	5.02	4.79	5.02	5.07	5.15 - 5.25	5.05 - 5.25	5.15 - 5.25
Inflation Rate (%YoY)	8.36	3.35	3.02	3.61	3.00 - 3.50	4.00 - 4.50	3.20 - 3.70
Bi Rate (%pa)	5.75	5.5	4.75	4.25	6.00	6.00 - 6.50	6.00 - 6.50
USDIDR, (1yr avg.)	11,885	13,458	13,330	13,398	14,300 - 14,500	14,100 - 14,600	13,900 - 14,400

Source: Danareksa Research Institute

Inflation will remain benign

Over the past two years, the government has successfully controlled the prices of basic necessities, by: 1. undertaking market operations for certain commodities which saw price inflation and 2. permitting imports of staples outside the harvesting season and during fasting and Idul Fitri. While the latter is perceived as unpopular, especially by farmers, the government is committed toward keeping prices under control, which we believe, will also support consumption. The government's policies have been able to ensure benign inflation throughout 2017 and 2018, and we expect the continuation of such policies until 2019 and 2020, so inflation in the food expenditure group will be reined in. Also, the trans Java toll road will finally be connected for the first time in 2019, linking the west part of Java to the eastern part. This will hasten logistics, which will also reduce transportation costs, and possibly put downward pressure on inflation.

Exhibit 9. Weightings in the CPI Calculation

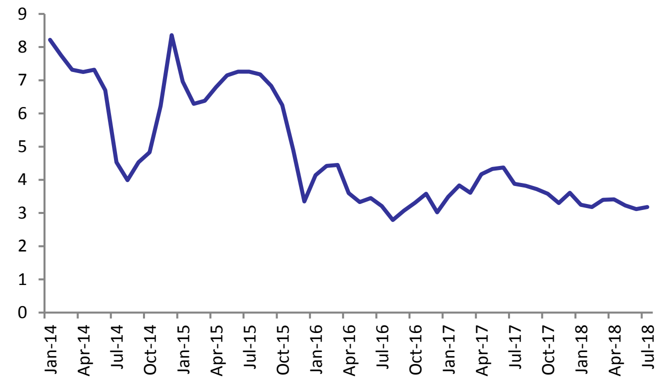
Household Expenditure	2007	2012
Food	19.57	18.85
Processed food and cigarettes	16.55	16.19
Utilities	25.41	25.37
Clothing	7.09	7.25
Medical Care	4.45	4.73
Education and recreation	7.81	8.46
Tranport, Telco and Financial Services	19.12	19.15

Source: Danareksa Research Institute

As part of its populist stance, we don't expect the government to raise the prices of administered goods due to political factors and also to maintain the people's purchasing power. Under the scenario of rising oil prices, possible increases in the prices of administered goods will only materialize in the second half of 2019. After the drafting of the government cabinet for the period 2019-2024, the government may adjust the prices of some administered goods, so that inflation by the end of 2019 will begin to increase.

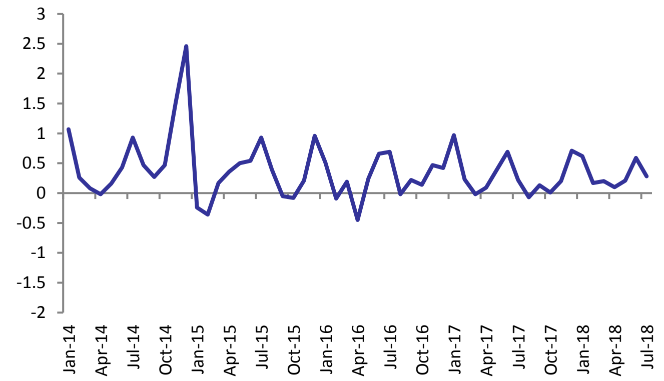
However, with crude oil prices currently soft (the WTI drifted below USD50/barrel at the time of writing), the government will definitely have greater policy flexibility. Conservatively, our economist expects inflation to increase slightly to 4.0% - 4.5% in 2019 and to 3.2% - 3.7% in 2020 from 2018's level of 3.0% - 3.5%.

Exhibit 10. CPI YoY, %



Source: Central Bureau of Statistics

Exhibit 11. CPI MoM, %



Source: Central Bureau of Statistics

Subsidized fuel price hikes have always had a big impact on domestic inflation. Given BI's Inflation Targeting Framework, any inflationary spike may be combated by hikes in interest rates. The reverse is also true. As such, if the crude oil price continues to remain at a low level, the government may cut administered fuel prices, not only to further boost consumption but also to increase its popularity.

Two Sources of macro instability

We believe the IDR weakness in 2018 stemmed not only from domestic factors but also from external factors:

External:

Normalization of US monetary policy with increases in interest rates as well as reduction of the Fed's balance sheet. Moreover, the US fiscal expansion has an impact on the overall state budget deficit which coupled with the reduction in the Fed's balance sheet, puts upward pressure on US Treasury yields.

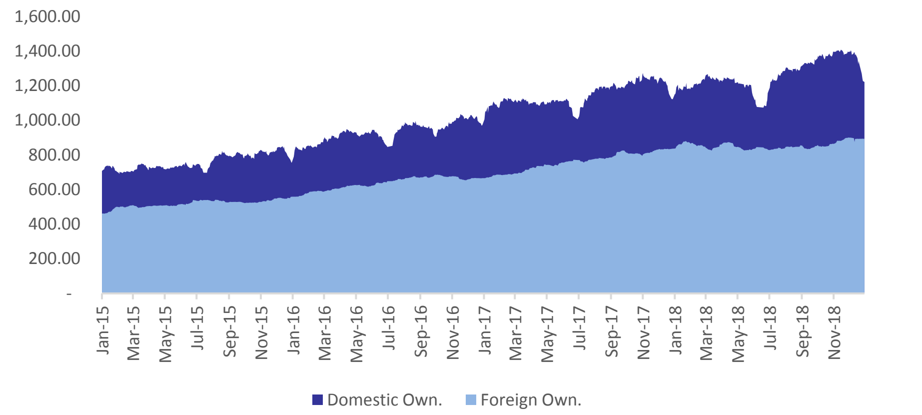
The tensions between the US and China regarding trade have sparked major concerns that the dispute could possibly escalate. While Indonesia's net exports play a relatively small role in the overall economy, trade war concerns definitely raise the risk profile of emerging market currencies, including the IDR, especially after several emerging markets have experienced some economic turbulence (Turkey, Argentina).

Internal:

Of the domestic factors, the twin deficit issue has always been the major specter, with both budget and current account deficits, especially with the latter continuing to grow.

Foreign ownership of government bonds is also high, and this exacerbates currency concerns in the event of a foreign sell-off. Indeed, foreign ownership of government bonds did decline in 2018 from as high as 41% earlier in 2018 to 39%.

Exhibit 12. Bond domestic and foreign ownership



Source: DJPPR, Danareksa Sekuritas

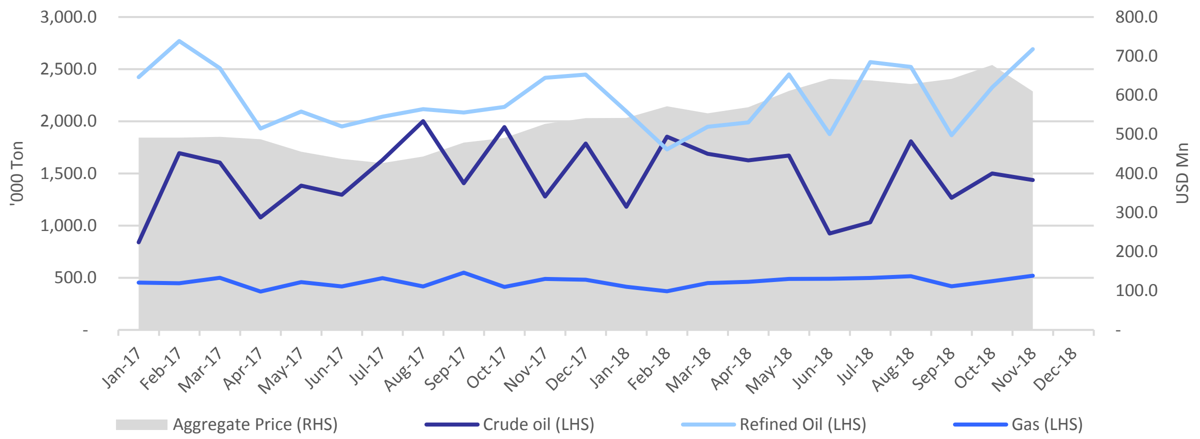
The widening CAD led to an overall Balance of Payments deficit

November's trade deficit of USD2.05b was the worst in 5 years, and significantly above consensus expectations of a USD0.7b deficit. Lower commodity prices weighed on the value of Indonesia's two main export commodities, coal and CPO, while oil and gas imports remained high. Exports dropped 6.7% m-m in November, with declines in both value and volume terms. Overall exports only reached USD14.8b in November, with oil & gas exports falling 10.8% m-m to USD1.4b and non-oil & gas exports down 6.3% m-m to USD13.5b.

The decline in November's oil & gas exports reflects lower volumes for both crude oil and gas, as aggregate prices still increased 2.2-2.7% m-m. Similarly, non-oil & gas exports volume also declined (-10.4% m-m), with aggregate prices up 4.6% m-m. Among the non-oil & gas exports, Indonesia's two prime export commodities, coal and CPO, suffered the most, down 5.9% and 9.8% m-m, respectively. In 11M18, coal and CPO accounted for 27% of Indonesia's total non-oil & gas exports.

With weaker oil prices in November, it had been expected that lower oil & gas imports would reduce the trade imbalance. In fact, although down 2.8% from Oct's level, the oil and gas imports in November were still on the high side at USD2.8b vs the average monthly figure of USD2.2b. This mostly reflects higher import volumes, especially of processed oil and gas, which surged 15.2% and 23.3% m-m, respectively, since aggregate prices actually fell 11% m-m in November. Processed crude oil imports of 2.7m tonnes in November reached a peak, owing, we believe, to either prolonged maintenance at Pertamina's processing facility or front loading activities ahead of the year-end holidays. It is worth noting that a similar phenomenon was seen last year. Pertamina will reportedly change its current preventative maintenance system, which could lead to unplanned shutdowns of its refineries, to a new predictive maintenance system. In our view, this new system will eventually reduce volatility in oil & gas imports going forward.

Exhibit 13. Imports of oil and gas



Source: Indonesian Central Bureau of Statistics

The government's various policies to tame the high level of imports has started to bear fruit, as seen in the decline of imports of consumption and capital goods (-4.7% and -5.9%, respectively), outpacing the decline in imports of raw materials (-4.1%). Imports of machinery/electrical equipment, cereal, food industry wastage and minerals fuel declined the most in November, a trend that we believe will continue into December.

With another steep trade deficit in November, concerns on the widening Current Account will linger. With the overall trade deficit of USD2.7b in 3Q18 contributing to the widening CAD of 3.4% of GDP, there are valid concerns that the CAD may widen further unless there is a significant improvement in the December 2018 data.

For the trade deficit to reach a similar level as seen in 3Q18, December needs to post a surplus of USD1.18b. In 2018, there have only been two months with a trade surplus above the USD1b level: USD1.1b in March and USD1.7b in June. While concerns on the CAD will linger in the short-term, we anticipate an improvement in 2019, with the CAD expected to normalize at 2.5% of GDP.

The CAD worsened in 3Q18, and as already highlighted, lower oil prices did not bring about a reduction in imports. As such, the November 20118 trade deficit hit a 5-year high. Nonetheless, we believe that the increasing CAD had been widely anticipated: the 3Q18 CAD figure was announced at 3.37%, still depicting a widening deficit, albeit less than our estimate of 3.5-3.6%.

Exhibit 14. Indonesia's trade balance, USD bn

Items	2016				2017				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current Goods	**-4,7**	**-5,2**	**-5,1**	**-1,8**	**-2,3**	**-4,8**	**-4,3**	**-5,8**	**-5,7**	**-8,0**	**-8,8**
A. Goods	2,6	3,8	3,9	5,1	5,6	4,8	5,3	3,1	2,3	0,3	-0,4
B. Services	-1,1	-2,4	-1,6	-1,9	-1,2	-2,2	-2,2	-2,2	-1,6	-1,8	-2,2
C. Primary Income	-7,4	-7,7	-8,4	-6,1	-7,8	-8,6	-8,4	-7,8	-7,9	-8,2	-8,0
D. Secondary Income	1,2	1,2	1,0	1,1	1,0	1,1	1,0	1,2	1,4	1,6	1,8
II. Capital Account	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
III. Financial Account	**4,3**	**6,7**	**9,9**	**7,7**	**7,1**	**5,8**	**10,4**	**6,9**	**2,3**	**4,5**	**4,2**
- Assets	-0,7	-4,8	3,1	19,3	-3,7	-7,2	-2,5	-2,0	-4,5	-1,3	-6,0
- Liabilities	5,0	11,5	6,8	-11,6	10,9	13,1	12,9	8,8	6,9	5,3	10,2
1. Direct Investment	2,8	3,1	6,6	3,5	2,8	4,8	6,8	4,9	2,9	2,5	3,9
2. Portfolio Investment	4,4	8,3	6,6	-0,3	6,6	8,1	4,1	2,0	-1,2	0,1	-0,1
a. Assets	-0,2	0,4	1,9	0,0	-1,0	-0,2	-0,7	-1,4	-1,4	-1,3	-1,5
b. Liabilities	4,6	7,9	1,6	-0,4	7,6	8,3	4,7	3,3	0,3	1,3	1,4
3. Financial Derivatives	0,0	0,0	0,0	0,1	-0,1	0,0	0,0	0,0	0,1	0,0	0,1
4. Other Instrument	-2,9	-4,7	-3,2	4,4	-2,1	-7,1	-0,4	0,0	0,6	1,5	0,2
a. Assets	-0,4	-4,0	0,5	6,4	-2,5	-7,3	-1,1	-0,1	-2,6	0,8	-2,9
b. Liabilities	-2,5	-0,7	-3,7	-2,0	0,4	0,1	0,7	0,2	3,1	0,7	3,1
IV. Total (I+II+III)	**-0,4**	**1,5**	**4,8**	**5,9**	**4,8**	**1,0**	**6,1**	**1,1**	**-3,3**	**-4,0**	**-4,7**
VI. Net Error and Omissions	**0,1**	**0,6**	**0,9**	**-1,4**	**-0,3**	**-0,3**	**-0,7**	**-0,1**	**-0,6**	**-0,9**	**-0,3**
VI. Overall Balance (IV+V)	**-0,3**	**2,2**	**5,7**	**4,5**	**4,5**	**0,7**	**5,4**	**1,0**	**-3,9**	**-4,3**	**-4,4**
VII. Reserves and Related Items	**0,3**	**-2,2**	**-5,7**	**-4,5**	**-4,5**	**-0,7**	**-5,4**	**-1,0**	**3,9**	**4,3**	**-4,4**
- Reserves Assets Position	107,5	109,8	115,7	116,4	121,8	123,0	129,4	130,2	126,0	119,8	114,8
In Months of Imports & Official Debt Repayment	7,7	8,0	8,5	8,4	8,6	8,6	8,6	8,3	7,7	6,9	6,3
- Current Account (%GDP)	**-2,2**	**-2,2**	**-2,1**	**-0,8**	**-1,0**	**-1,9**	**-1,7**	**-2,3**	**-2,2**	**-3,0**	**3,4**

Source: Bank Indonesia

The 3Q18 CAD reached USD8.8b, up 10% q-q from 2Q18's level, mainly due to: 1. the Goods account turning into a deficit of USD0.4b, a steep deterioration from the USD0.3b and USD2.3b surplus recorded in 2Q and 1Q, respectively; and 2. the Services account deficit widening to USD2.2b from a deficit of USD1.8b in 2Q18 mainly on transportation services on the back of higher imports activity and the Haj pilgrimage. The deficit would have been wider if there had been no spike in tourism arrivals for the Asian games. By comparison, Primary and Secondary income showed a sequential improvement, with the latter supported by grants for recovery from the Lombok earthquake as well as stronger remittances.

Within Financial Accounts (FA), Direct investment was the star of the show with the surplus increasing further to USD3.9b, the highest level this year. Nonetheless, it was still much smaller compared to last year's figure of USD6.8b, boosted by investments in several start-up unicorns in 2017. Portfolio Investment recorded a small deficit of USD0.1b, despite inflows into government bonds in 3Q18 of USD2.0b (vs 2Q18: -USD0.7b). Going forward, driven by a more stable currency outlook, portfolio investment is expected to be back in positive territory, underpinned by more robust FA figures which will support the overall Balance of Payments. With foreign inflows starting to be seen in both bond and equity markets in 4Q18, FA will likely continue to show improvements, helping to tame the deficit in the overall Balance of Payments (BoP), which has seen deficits in three consecutive quarters.

The BoP deficit worsened to USD4.4b in 3Q18 (vs a deficit of USD4.3b in 2Q18 and a surplus of USD5.4b in 3Q17). With further deterioration in the BOP, forex reserves were reported at USD114.8b at the end of 3Q18, considerably lower than the peak of USD130b at the end of 2017.

Policy coordination to strengthen macro foundations

The government and the central bank have implemented a range of coherent policies to restore investor confidence while gradually fixing the trade imbalance. These policies, in our view, will have a more pronounced impact in 2019, paving the way for greater macro stability in Indonesia.

The policies that have been carried out by BI and the government to stabilize the rupiah exchange rate included:
Bank Indonesia:

- Raised the benchmark interest rate by 175 bps
- Dual intervention which aims to reduce the volatility of the rupiah whilst also maintaining economic liquidity and stabilizing the SUN market
- Launching DNDF for domestic hedging facilities and macroprudential relaxation.

Government:

- B20 Program (reducing oil imports and driving up CPO export prices)
- Delay of electricity projects in Java
- Imposition of Income Tax (Pph 22) on some imported consumer goods
- Improving the investment climate (with a deregulation package)

Remedial policies: Firing on all cylinders

The government and central bank have made a synchronized move to combat the rising CAD and currency volatility. While the central bank maintained its tightening policy by hiking the 7-D RR rate to 6.0%, the government will limit imports and provide incentives for exports. The former, in our view, could affect economic growth although populist policies in the form of social spending should help to support consumption.

Policy remedies – on dual fronts

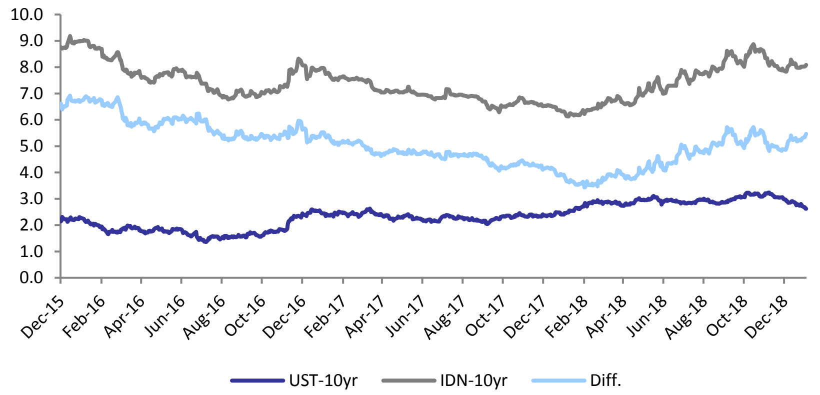
A twin deficit has always been the main spectre overshadowing Indonesia's investment story, especially in relation to its currency. While the windfall income as a result of rising oil prices was enough to increase energy subsidies in 2018, thus leading to stable inflation given no hikes in administered prices last year, the growing current account deficit in 2018 took the center stage, creating considerable IDR volatility.

Bank Indonesia measures:

Hiking rates

With the Balance of Payments in deficit for 3 consecutive quarters in 2018, and is depleting the country's forex reserves, monetary market operations to support the currency are less desirable, with BI opting to continue its tightening monetary policy by hiking the 7-day Reverse Repo Rate by a total of 175bps to 6.0%. What is more critical is the central bank's shift in focus toward the short-term priority of stabilising the currency. By hiking rates to widen the yield gap, this encouraged inflows back into Indonesia. The gap between the 10 year Indo bond over the US Treasury now stands at 513bps vs 390bps at the beginning of 2018.

Exhibit 15. Bond domestic and foreign ownership



Source: Bloomberg, Danareksa Sekuritas

Deepening forex instruments

Aside from raising rates, the central bank also introduced new measures to deepen foreign exchange instruments. As an integral part of its currency stability policies, BI has introduced Domestic Non- Deliverable Forward (DNDF) to enhance deepening of the forex market mainly in a bid to address the need for hedging tools. DNDF will require an underlying transaction (i.e. trade, investment, forex loan repayment) as the pre-condition to prevent speculation. The Jakarta Interbank Spot Dollar Rate (JISDOR) will be used as the fixing rate with settlement in rupiah. With DNDF, future forex needs will be directed outside of the spot market, and only banks possessing a forex license can offer DNDF transactions. BI has also launched a swap instrument with Indonia as the reference.

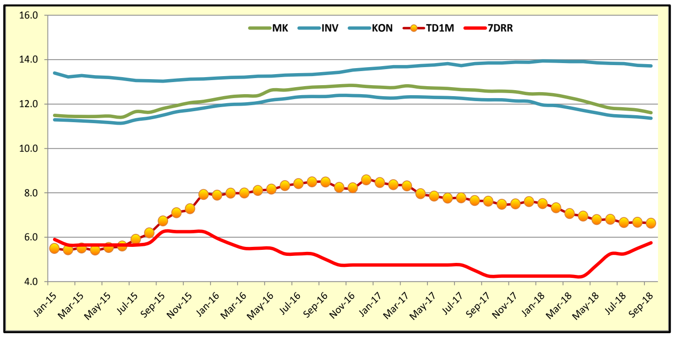
Adjustment to the RRR

Bank Indonesia also adjusted its average two-weeks Reserve Requirement Ratio (RRR) to 3%. Previously, BI's RRR policy comprised a 4.5% daily RRR and 2% average two-weeks RRR. With the new average two-weeks RRR of 3%, the daily RRR should be at 3.5% of customer deposits. This should thus improve flexibility in terms of managing liquidity within the banking system. Furthermore, the new policy should ultimately have a bigger impact on BUKU III banks (core capital IDR5-30tn) as the LDR for this category stood at 103.2% as of September 2018.

Maintaining liquidity through dual intervention

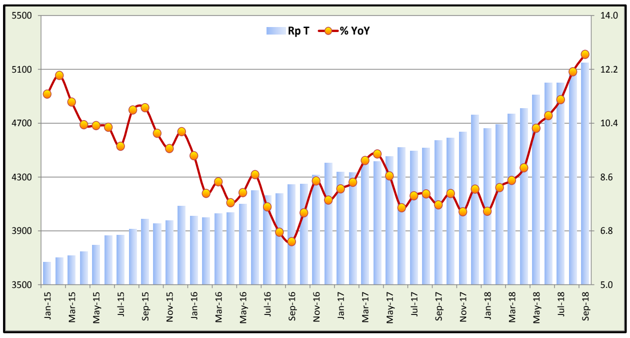
While BI raised the 7DRR rate by 175 bps, we have not seen a spike in deposit rates. Our monthly tracker on the banking system reveals that there is sufficient liquidity within the banking system (IDR277.7tn 4-week average as of the 1st week of Dec 2018). In our view, the central bank's dual intervention plays a major part in maintaining liquidity, whereby rising rates will not quickly lead to a spike in bank interest rates. While dual intervention might limit the effectiveness of supporting the IDR, maintaining economic momentum is the main goal, in our view, especially since USD strength is across a basket of currencies, and not solely the IDR.

Exhibit 16. Banking Saving Accounts and Interest Rate



Source: Danareksa Research Institute

Exhibit 17. Loans Growth

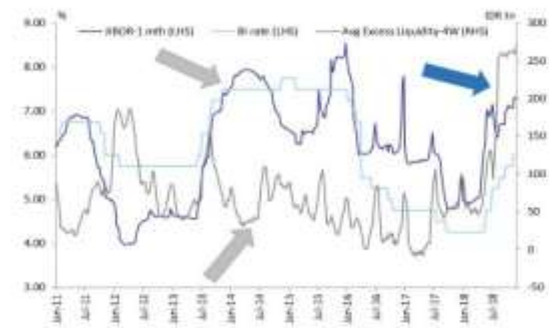


Source: Danareksa Research Institute

Exhibit 18. M2 Circulation

Source: Danareksa Research Institute

Exhibit 19. Banking Excess Liquidity



Source: Bank Indonesia, Danareksa Sekuritas

Government measures:

Limit imports – a temporary measure
As a temporary measure, the government has limited imports, mainly of 500 consumer goods. The government has also temporarily stopped importing government and SOE-controlled capital goods, including by PT Pertamina and PT PLN, as well as providing incentives to exporting companies.

The import control on 500 consumer goods is mainly directed toward consumable products with the availability of domestic substitution as the government does not want to see a downturn in economic activity. We view that there are 3 main points on this measure: 1. Import controls are directed toward consumption products and the selection of the affected items would emphasize the availability of domestic product substitution. Imported goods that are deemed to have a greater impact on the production process will see no tariff increases; 2. The import controls will ultimately boost the price competitiveness of domestic producers by 15-20% compared to import items; 3. The fiscal tools for the import controls is Income Tax article 22 (Pph 22), which not only creates an equal playing field for all importers but also minimizes potential inquisition risk from WTO, and it should not be interpreted as an effort to generate additional revenues for the government.

For import controls, the government divided the goods into 3 categories:

1. Imported goods that are used as raw materials and deemed important for the production process will see no tariff increases, still at 2.5% (57 goods);
2. Consumption goods that are also deemed as intermediate products will see higher tariffs of 7.5% from 2.5%. There are 719 items in this category such as textiles, tires and ceramics; and
3. 428 goods will have maximum tariffs of 10%, which include imported final products for consumption that can be produced locally, such as cosmetics, toiletries and utensils; as well as luxury items such as CBU automotives.

B20 policies
Effective on 1 Sep 18, the Indonesian government is enforcing the full implementation of B20, through widening of the scope of the B20 mandate to the non-PSO sector, in addition to the PSO sector (subsidized solar). The non-PSO sector includes vehicles, heavy equipment, power plants, locomotives and others. This policy is aimed at reducing the current account deficit and curbing IDR depreciation, in addition to improving palm oil demand and stabilizing the CPO price. The move is expected to save on crude oil imports of around USD5.5bn/year. To implement its policy, the government has issued Presidential Regulation No.66/2018 (a Revision of Presidential Regulation No.61/2015).

The Indonesia Estate Crop Fund (BPDP-KS) believes that the full implementation of B20 will be positive for the CPO price and demand. Assuming national diesel consumption of 30-31mn KL, it estimates additional demand of 1.0mn KL, of which 0.3mn KL will come from PLN and 0.7mn KL from non-PSO, hence raising its FY18 biodiesel absorption target from 3.5mn KL to 4.5mn KL (vs. 2.4mn KL in FY17). Subsequently, it expects biodiesel absorption to increase to 6.0mn KL in FY19. With the increased biodiesel demand, it projects the CPO price to rise to USD650/ton by Jun 19 (from USD514/ton in Jun 18).

According to BPDP-KS, the implementation of B20 will be supervised by the Directorate General of Renewable Energy and the Directorate General of Oil & Gas (under the Ministry of Energy and Mineral Resources). For strict enforcement, diesel importers will be required to provide Purchase Orders (PO) for 20% FAME, before being allowed to import diesel. Any blending violation will be subject to a fine amounting to

IDR6,000/liter of unblended diesel. The provision of incentives is not expected to be an issue given the sizable fund balance and low national biodiesel plant utilization of 31% from total capacity of 12mn KL.

With the full implementation of B20, around 12-13 fuel distributors/importers (including Pertamina and AKR) will now be required to comply with the blending mandate. The biodiesel quota tender will be negotiated on a B-to-B basis between biodiesel producers and fuel distributors/importers annually (from a semiannual basis previously). Further allocations between PSO and non-PSO will be determined by the Directorate General of Oil & Gas.

Ultimate goal to reduce CAD to 2.5% of GDP in 2019

The central bank and government will persist with their policy coordination to tame the CAD and expect the CAD to moderate below 3% of GDP by 2018 before it falls further to an estimated 2.5% in 2019. In regard to its rates policy, BI also took into consideration the potential global interest rate hikes in the near term, which we believe reiterates its ahead-of-the-curve and proactive stance. Higher rates are also intended to maintain the attractiveness of government bonds in a bid to lure inflows. While the IDR has indeed appreciated in recent weeks, its volatility remains high, and higher rates are therefore needed to ensure greater stability going forward.

BI sees less pressure on the IDR in 2019, mainly on the back of a potential reversal of outflows back into emerging markets (including Indonesia) as well as a lower CAD which is expected to fall to 2.5% of GDP. BI also sees minimal pressure on inflation, including exchange rate pass through inflation, noting the government's commitment toward keeping administered prices in check. BI's survey on corporates reveals that fewer companies intend to raise ASP to pass on higher exchange rate costs compared to companies who prefer to absorb rising costs through sacrificing margins or by boosting efficiency measures.

However, the risk of protracted weakness in the rupiah still exists over the short term, in our view, given that:

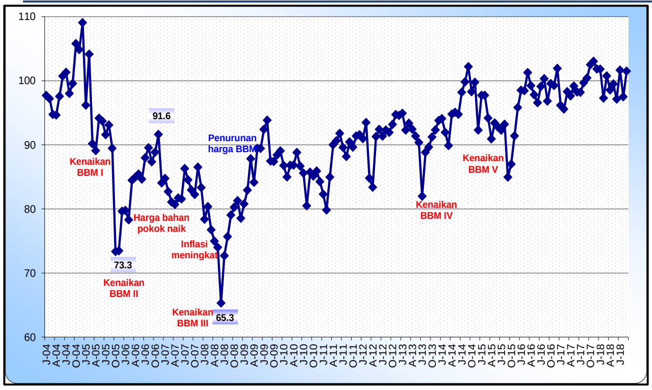
1. While continued weakness in the oil price is positive for the government's budget, the net impact on the economy might not be entirely positive, especially due to Indonesia's high dependency on commodity exports such as coal and palm oil. With lower prices of these two prime commodity exports, the trade deficit might be prolonged, creating negative sentiment on the IDR.

2. While outflows in the equity market were seen in Aug- Oct and MTD Dec, the fixed income market has just started to see a reversal of inflows with IDR11t of outflows recorded from 1-12 December, with foreign investors reducing their holdings in government bonds from 39.5% to 38.6%, yet still high on an historical comparison. Any further outflows could put more pressure on the IDR.

Moderation in economic growth

While overall combined policies from government and Central Bank is expected to tame pressure on CAD, however, given higher interest rate policies, economic growth will be affected. Our economist expects 2019 GDP to slightly lower at 5.1% vs 5.2% in 2018. Our leading indicator still indicate good momentum on economic growth, and with government populist policies in the form of higher subsidy and social fund budget, domestic consumption is expected to remain robust this year.

Exhibit 20. Consumer Confidence Index

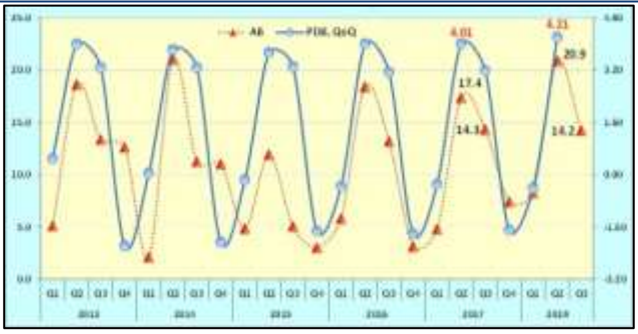


Source: Danareksa Research Institute

Exhibit 21. Business Sentiment Index

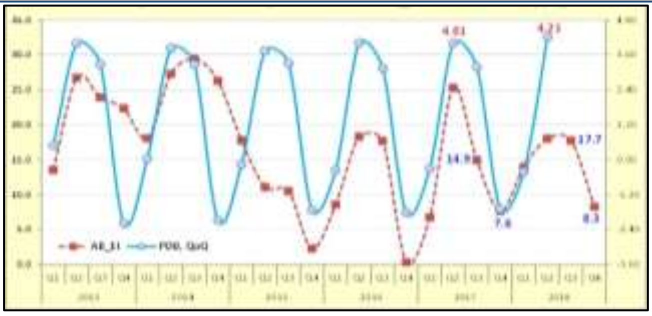
Source: Danareksa Research Institute

Exhibit 22. Business Activity Index vs GDP



Source: Danareksa Research Institute

Exhibit 23. Expectation Business Activity Index vs GDP

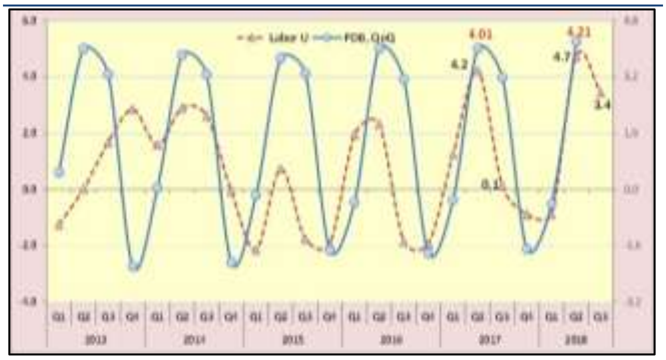


Source: Danareksa Research Institute

Exhibit 24. Export Trend

Source: Danareksa Research Institute

Exhibit 25. Employment vs GDP



Source: Danareksa Research Institute

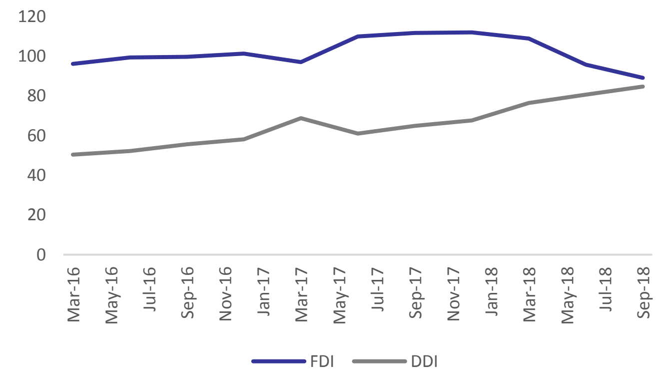
FDI – two side of the coin

While the narrative that as long as the Current Account Deficit is being financed by Financial Accounts such as FDI is believed to hold true, in our view, the destination of the FDI into Indonesia would also influence the Current Account in the medium term. Indonesia has always been seen as a country with strong demographics with huge domestic consumption, as well as widely available labour, which made it suitable for both domestic and foreign investors to bring their investments. However, while this FDI will initially help to cover the CAD, new investment in the real sector would also drive up imports, particularly of raw materials and machinery. As such, during economic expansion with strong domestic demand for consumption, imports will consequently surge, and this will result in a widening trade imbalance, and in turn will result in a worsening CAD.

The government has continued to improve the investment climate in Indonesia with the ultimate goal of attracting more FDI, which would further enlarge the size of the economy. In our view, FDI flows would mostly be dependent on three factors: 1. Political stability; 2. The currency; and 3. The ease in doing business.

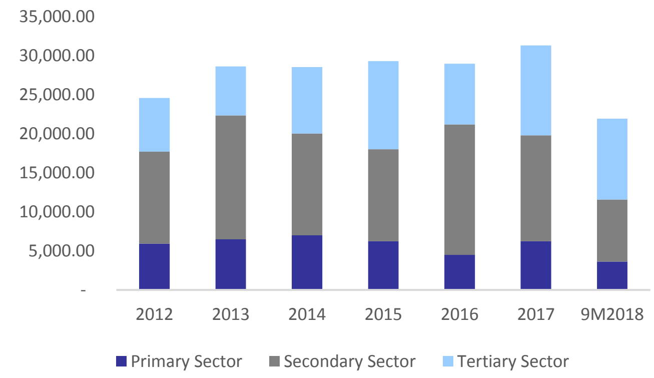
FDI into Indonesia has been in an improving trend since 2010, only to weaken during the 2014-2015 economic downturn. The IDR was also volatile during this period, mainly dragged down by concerns over the escalating CAD, or similar to what happened in 2018. With an improvement in the economic outlook, FDI has continued to show a positive trend in recent years.

Exhibit 26. FDI and DDI, IDR Tn



Source: BKPM

Exhibit 27. FDI per sector, USD Mn



Source: BKPM

Proliferation of FDI into tertiary sector

Over the last couple of years, FDI into Indonesia was mainly directed toward secondary sectors, driven by a readily available workforce, in our view. Lower wage costs were perceived to be the determinant factor for rising FDI into secondary sectors or manufacturing. In the pasts five year, FDI to secondary sectors accounted for 60% of total FDI, higher than the investment into the primary and tertiary sectors. However, we started to see greater investment into tertiary sector in 2018, which bring hopes that this will partially solve the issue on current account account defict.

Exhibit 28. Foreign Direct Investment, USD mn

	2012	2013	2014	2015	2016	2017	9M2018
Primary Sector	**5,933**	**6,472**	**6,991**	**6,236**	**4,502**	**6,232**	**3,626**
Food Crops & Plantation	1,602	1,605	2,207	2,072	1,589	1,886	1,288
Livestock	20	11	31	75	49	107	54
Forestry	27	29	53	19	78	82	32
Fishery	29	10	35	53	43	51	20
Mining	4,255	4,816	4,665	4,017	2,742	4,105	2,231
Secondary Sector	**11,770**	**15,859**	**13,019**	**11,763**	**16,688**	**13,562**	**7,936**
Food	1,783	2,118	3,140	1,521	2,115	2,379	972
Textile	473	751	423	433	321	410	245
Paper and Printing	1,307	1,169	707	707	2,787	698	501
Chemical and Pharmaceutical	2,770	3,142	2,323	1,956	2,889	2,242	1,513
Metal and Elecricity	2,453	3,327	2,472	3,092	3,897	3,846	2,732
Vehicles and Equipment	1,840	3,732	2,061	1,757	2,369	1,752	829
Others	1,145	1,620	1,894	2,296	2,309	2,234	1,144
Tertiary Sector	**6,862**	**6,287**	**8,519**	**11,276**	**7,774**	**11,504**	**10,360**
Electricity, Gas & Water Supply	1,515	2,222	1,249	3,029	2,140	3,915	2,978
Construction	240	527	1,384	955	187	261	131
Trade & Repair	484	606	867	625	670	1,038	487
Hotel & Restaurant	768	463	513	650	888	933	701
Transport, Storage & Communication	2,808	1,450	3,001	3,290	750	1,622	1,964
Real Estate, Ind. Estate & Business Activities	402	678	1,168	2,434	2,322	2,743	3,514
Other Services	646	342	337	294	818	992	586

Source: BKPM

We believe FDI into the tertiary sectors will further accelerate once the government is able to realize most of its infrastructure development (this is still ongoing but already accomplished in several regions). In our view, FDI into the tertiary sectors such as tourism, will also underpin a surplus in Service accounts, one of the components within the Current Account. Also, FDI with export-oriented industry will also help boost exports while reducing the trade imbalance. The government, we believe, will therefore continue to pursue FDI in that space.

Exhibit 29. Trans Java inauguration

Source: CNBCIndonesia.com

While Indonesia has been able to improve its rank in ease of doing business, the latest results show a rather stagnant ranking, especially with the rising attractiveness of neighboring countries such as Vietnam and Cambodia. While Indonesia secured higher points overall, the overall rank declined one notch. Some of the improvements in the ranking were seen in: starting a business, obtaining loans, getting electricity, and registering property. By contrast, the areas that have been lagging are obtaining construction permits and giving protection to investors.

With the potential worsening trade war between the US and China, Indonesia may benefit from the relocation of manufacturing facilities, as seen in the recent announcement that several Chinese producers plan to reallocate their facilities to Indonesia, including phone assembling and steel production. This would help to support FDI in the medium term, whilst also boosting exports over the longer term.

Exhibit 30. Ease of Doing Business in Indonesia

Category	EODB 2019 Rank	EODB 2018 Rank	Change in Rank	EODB 2019 Point	EODB 2018 Point	Change in point
Overall	73	72	-1	67.96	66.47	-1.49
Starting Business	134	144	10	81.22	77.93	-3.29
Dealing with construction permits	112	108	-4	66.57	66.08	-0.49
Access to electricity	33	38	5	86.38	83.87	-2.51
Registering property	100	106	6	61.67	59.01	-2.66
Access to credit	44	55	11	70	65	-5
Protecting investors	51	43	-8	63.33	63.33	0
Pating taxes	112	114	2	68.03	68.04	0.01
Trading across borders	116	112	-4	67.27	66.59	-0.68
Enforcing contracts	146	145	-1	47.23	47.23	0
Resolving insolvency	36	38	2	67.89	67.61	-0.28

Source: World Bank

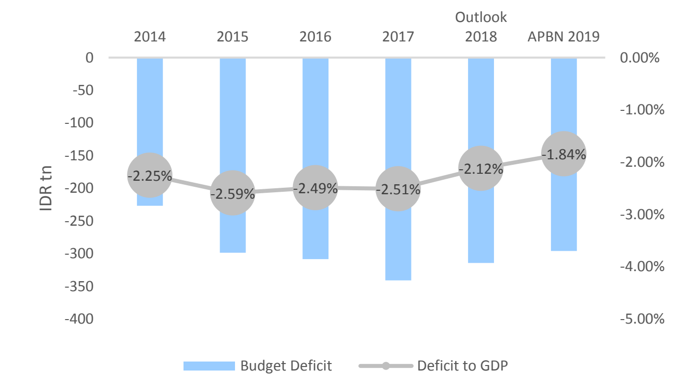
2019 Government budget: Striving for Balance

The government will maintain its course in 2019, with the continuation of its two-pronged approach, addressing two key matters: supporting consumption and infrastructure spending. The latter, initially perceived to be lower in 2019, will still grow slightly. The government is targeting a budget deficit of 1.8%, with economic growth at 5.3% and stable inflation of 3.5%. We continue to favour domestic consumption names post the announcement of the 2019 budget proposal.

2019 budget: the macro assumptions look realistic

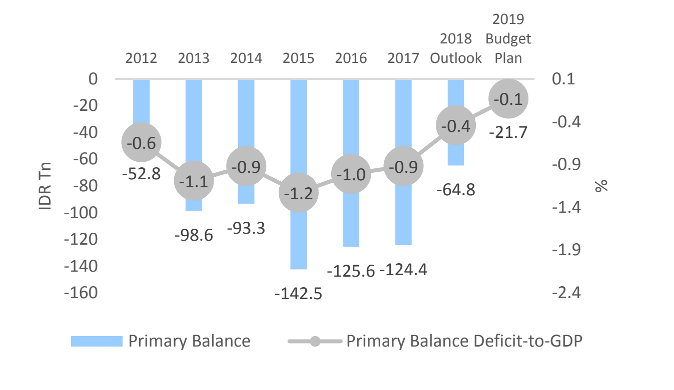
In the 2019 budget the government will continue to focus on supporting consumption. The government still targets benign inflation of 3.5% +-1% despite a higher oil price assumption of USD70/b (2018: USD45/bl) and an exchange rate of Rp15,000/USD (2018: Rp13,400/USD). The economic growth target is set at 5.3% in 2019, or at the lower range of the initial target of 5.4 – 5.8%. The oil and gas lifting target of 750 bpd and 1,250 boepd are still within the initial targets. The budget deficit is set at 1.8%, the lowest in recent years, an encouraging development. The primary budget deficit is targeted to only reach IDR20tn (0.12% of GDP, an improvement compared to 2015 when the primary balance deficit hit a recent high of IDR142tn or 1.23% of GDP.

Exhibit 31. Budget Deficit



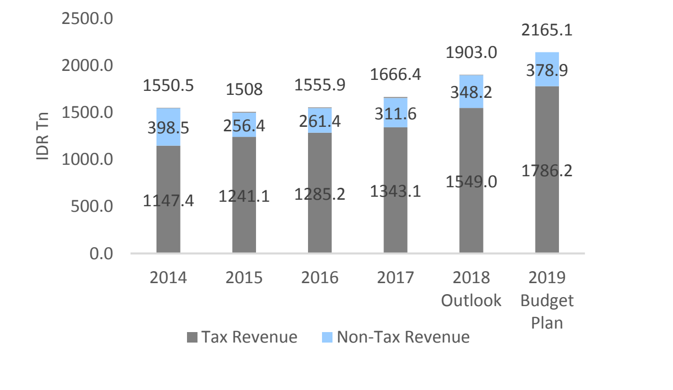
Source: Ministry of Finance

Exhibit 32. Primary Balance



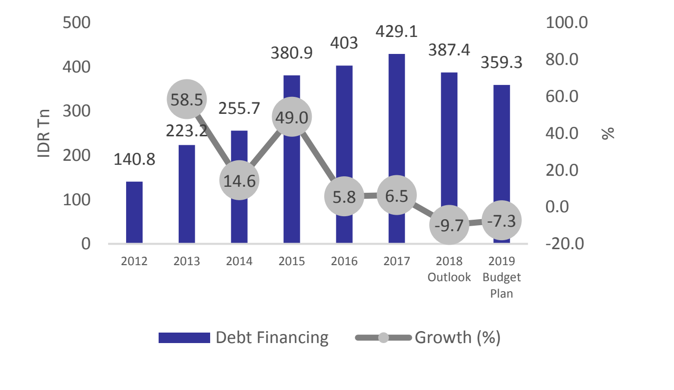
Source: Ministry of Finance

Exhibit 33. State Revenue



Source: Ministry of Finance

Exhibit 34. Debt Financing

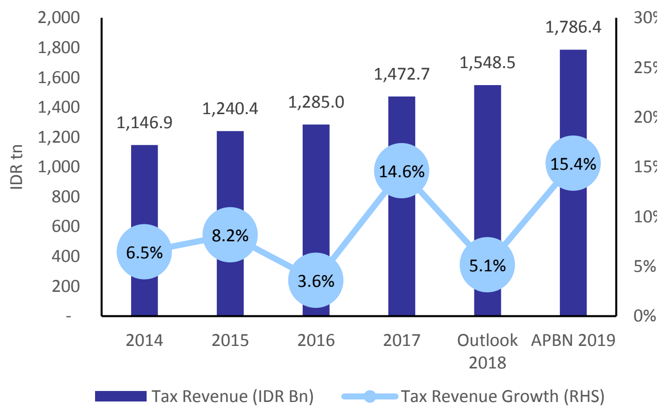


Source: Ministry of Finance

Tax contribution to increase

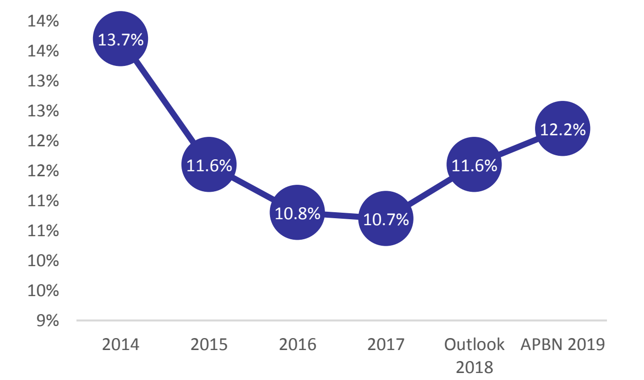
On the revenues side, the tax contribution will increase further to 83% of overall state revenues, up from 74% in 2014. Tax revenues are targeted at Rp1,786tn, up 15% y-y, mainly underpinned by 16.7% growth of non-oil and gas tax revenues , which mostly come from two areas: income tax of Rp808tn (+17.4%) and VAT of Rp655tn (+16%). Excise tax growth, by comparison, is rather modest at only 6.4% to Rp165tn. We believe the aggressive income tax and VAT targets are a sign of stricter tax compliance enforcement since the overall tax ratio to GDP is targeted to increase further to 12.2%, up from 11.6% in 2018.

Exhibit 35. Tax Revenue



Source: Ministry of Finance

Exhibit 36. Tax Ratio



Source: Ministry of Finance

While overall excise tax is targeted to increase by 6.4%, the government finally decided to keep the cigarette excise tax flat compared to 2018. Cigarette tax is the main contributor for excise tax, contributing 95% of the overall excise tax. As such, the government will need to find around another IDR10tn from other sources to meet the 2019 target. In our view, the decision to maintain cigarette excise tax is a populist one, intended to maintain consumption whilst keeping inflationary pressures low. Cigarettes have an overall 3.1% weighting in the basket of inflation.

The focus is still on supporting consumption and infrastructure

The government is continuing with its two-pronged approach, focusing on supporting consumption and infrastructure spending. In regard to the former, the government has raised the allocation for energy subsidies, education and healthcare spending as well as social coverage in a bid to support consumption. A similar strategy was adopted in 2018, which paved the way for stronger consumption growth.

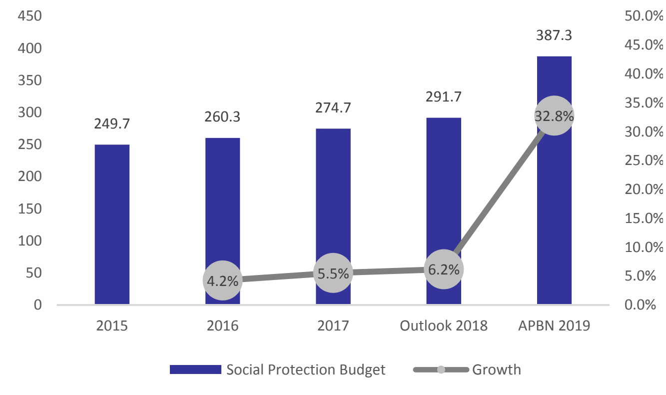
With the elections in 2019, we expect a further protraction in this strategy, with populist budget measures covering even more areas, such as the addition of village funds. Over the past 4 years, the government has distributed a total of IDR187tn of village funds. These funds have supported infrastructure development and encouraged economic activities. Combined with social aid including non-cash subsidies on food and rice (BPNT), education and health, income per capita has increased in rural areas and the poverty rate has declined.

For 2019, the government will increase the 2019 social fund budget by 33% yoy to IDR387.3tn. Specifically, the budget for the Indonesia Conditional Cash Transfer Programme (Program Keluarga Harapan – PKH) soared 98% yoy to IDR34.3tn, with the budget for food vouchers up 54% yoy. Village funds, which are used to support development in rural areas, are up by 17% yoy to IDR70tn.

Higher energy subsidies

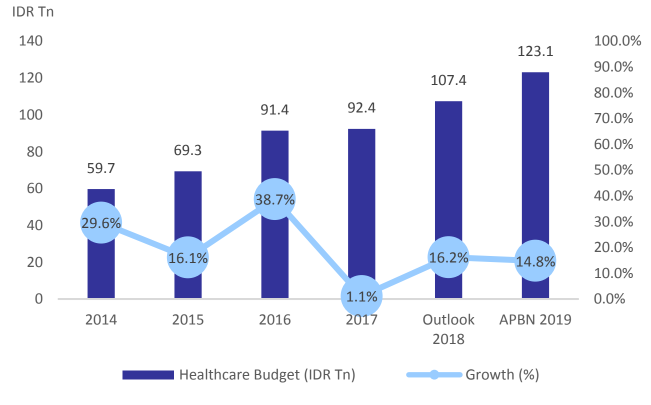
For energy subsidies, the government has allocated a total of IDR157tn, a steep increase from the initial 2018 allocation of less than Rp100tn. To raise the 2018 energy subsidy budget by Rp74tn to Rp160tn, the government made use of a windfall scheme. As low inflation is one of the government's key priorities, higher energy subsidies are unavoidable given the rising crude oil price and weaker IDR.

Exhibit 37. Social Protection Program Budget



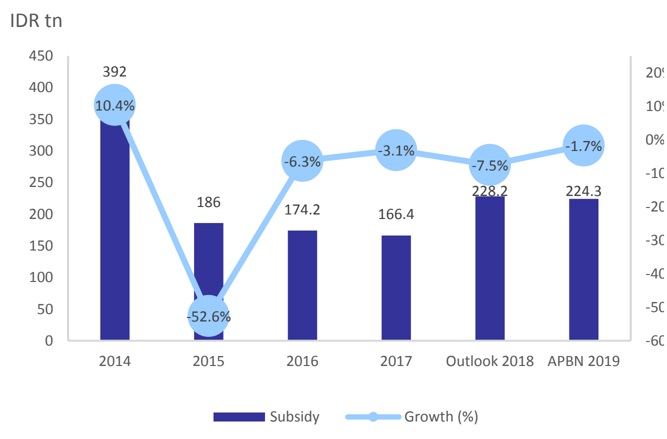
Source: Ministry of Finance

Exhibit 38. Healthcare Budget



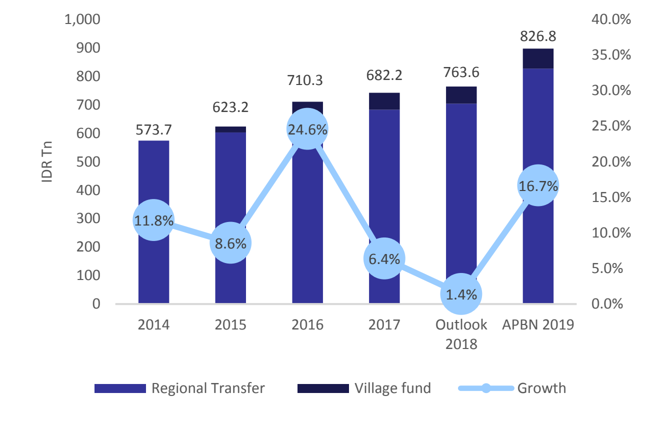
Source: Ministry of Finance

Exhibit 39. Subsidy



Source: Ministry of Finance

Exhibit 40. Total Regional Transfer

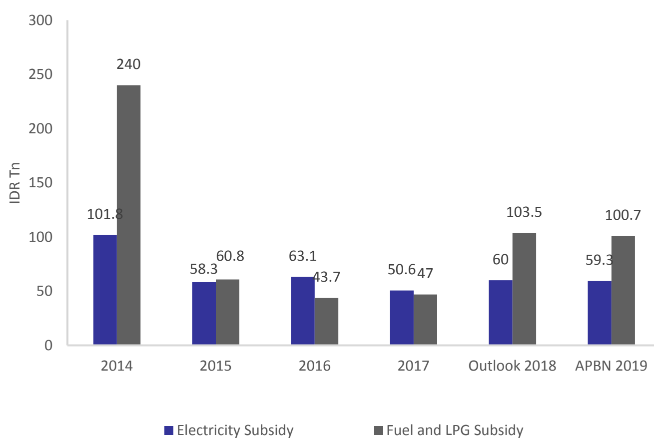


Source: Ministry of Finance

As in 2018, the government will continue to increase energy subsidies. While the switch from spending on energy subsidies to more productive infrastructure spending is the keystone development of the Indonesian government, the provision of certain additional energy subsidies will still be needed to propel mass-market consumption. As long as it is done in a measured and timely manner, it will not totally derail the budget reform that the government has adopted.

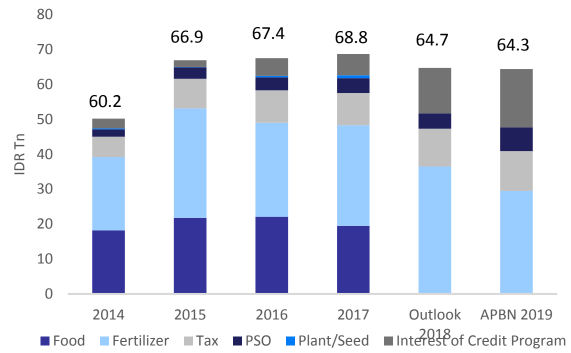
For energy subsidies, the government has allocated a total of IDR160tn, a steep increase from the initial 2018 allocation of less than Rp100tn. In 2018, due to higher oil prices, the government enjoyed higher revenues, of which some were used to raise the 2018 energy subsidy budget by Rp74tn to Rp160tn.

Exhibit 41. Energy Subsidy



Source: Ministry of Finance

Exhibit 42. Non energy Subsidy

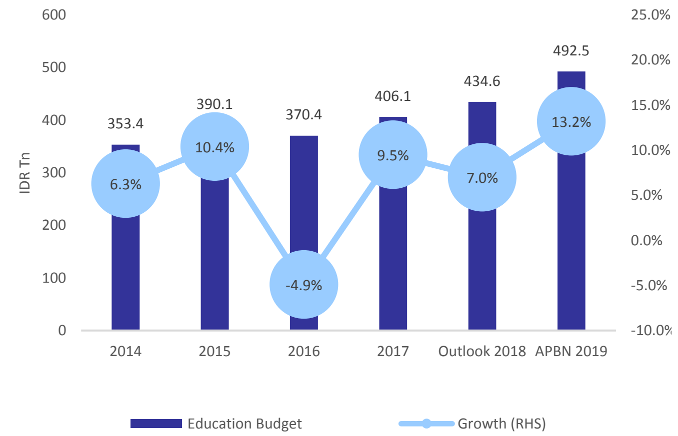


Source: Ministry of Finance

Higher education and healthcare subsidies

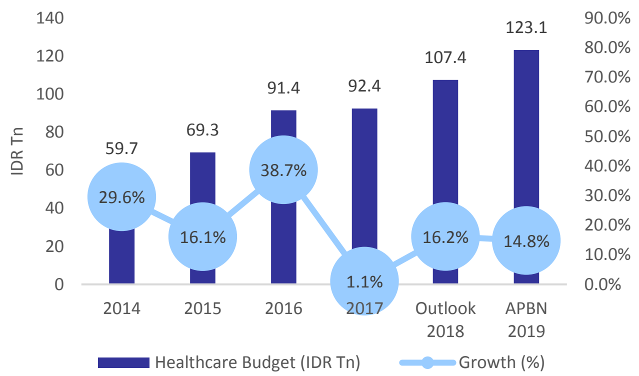
The education budget was raised by 13.2% in 2019 to Rp492tn, the largest increase under the Jokowi government. The Smart Indonesia Program coverage will be further raised to cover 20.1m students, up from 19.6m students targeted in 2018. The allocation for healthcare was raised 14.8% to Rp123tn with National Healthcare Coverage to reach 96.8m people, or up from 86.4m people in 2018. At the same time, the government also targets a further reduction in the poverty rate to 8.5 - 9.5%, with the budget for the Social Coverage Program raised by 32.8% to Rp387tn.

Exhibit 43. Education Budget



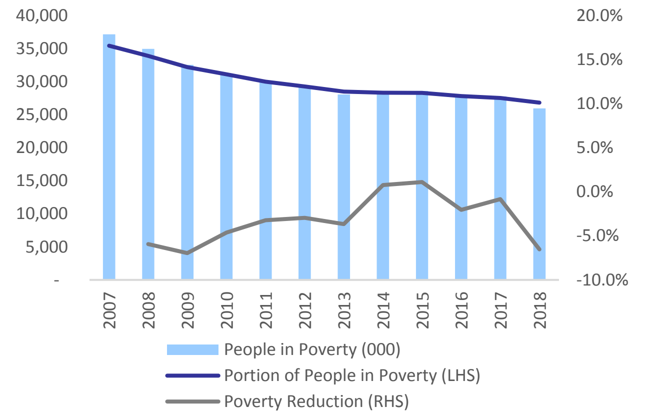
Source: Ministry of Finance

Exhibit 44. Healthcare budget



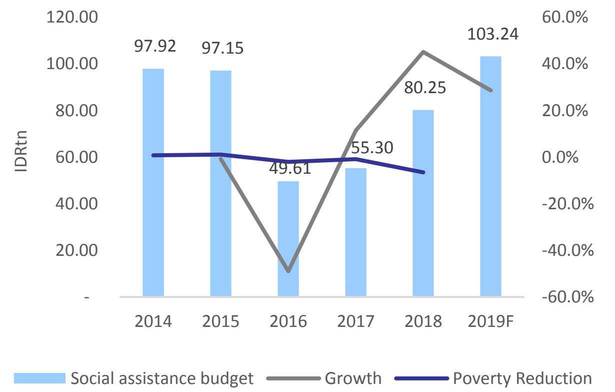
Source: Ministry of Finance

Exhibit 45. Poverty line



Source: Ministry of Finance

Exhibit 46. Poverty line and social assistance



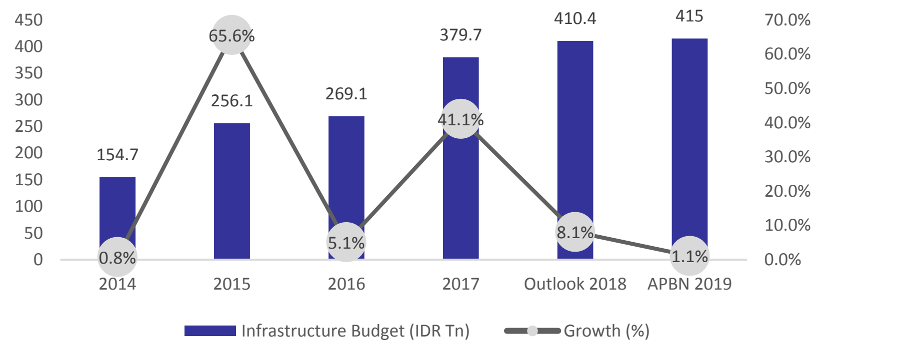
Source: Ministry of Finance

Infra budget – another record high

With the election year in 2019, we initially believed that the government would solely focus on populist policies by raising several subsidy budgets: healthcare, education and village funds, at the expense of lower infra spending. Nonetheless, the government continued to increase its infra budget to an all time high of IDR415tn in 2019, although it is a mere 1.1% increase from 2018's allocation.

The government targets further extension of 1,843km of roads, 37km of bridges, 395 km of railway, 4 airports and 179k ha of irrigation systems in 2019. In our view, the government has largely been able to improve its execution capabilities. 2018 was a new milestone in Indonesia's infra development with full toll road connectivity from the western part of Java to the eastern part, spanning --- km, which can cut travel time, paving the way for lower transportation costs.

Exhibit 47. Infrastructure Budget



Source: Ministry of Finance

Exhibit 48. Infrastructure Target

Infrastructure	2017	2018	2019
Roads (Km)	2,754	2,271	1,835
Bridges (m)	19,875	52,449	37,177
Toll road through State Asset Management (projects)	43	12	16
Toll road (Trans Sumatera) (Km)	199	405	229
Housing (000 units)	24	50	69
Apartment (Unit)	13,251	13,405	6,873
Dam (unit)	36	48	48
Railways (Km)	270	614	40
Airport (location)	3	4	4
Irigation (000 ha)	329	199	170

Source: Ministry of Finance

Exhibit 49. Economic Sensitivity, %

Description	Economic growth (+1%)	Inflation (+1%)	SPN (+1%)	USDIDR (+IDR 100/USD)	ICP (+USD 1)	Lifting (+10,000 bl)
State Revenue	**10.4-14.0**	**8.6 - 11.9**		**3.6 - 4.8**	**3.8 - 4.1**	**2.2 - 2.5**
Tax Revenue	10.4 - 14.0	8.6 - 11.9		1.8 - 2.3	0.8 - 0.8	0.2 - 0.4
Non Tax Revenue	0.3 - 0.3	0.2 - 0.4		1.7 - 2.5	3.0 - 3.3	1.9 - 2.1
State Expenditure	**0.3 - 0.3**	**0.2 - 0.4**	**1.2 - 2.2**	**1.8 - 2.6**	**2.8 - 3.4**	**1.1 - 1.2**
Central Government Expenditure	0.1 - 0.1	0.1 - 0.1	1.2 - 2.2	1.1 - 1.7	1.9 - 2.3	0.3 - 0.4
Regional Transfer and Village Fund	0.2 - 0.2	0.2 - 0.3		0.7 - 1.0	0.9 - 1.1	0.8 - 0.8
Budget Surplus/Deficit	**10.1 - 13.7**	**8.4 - 11.4**	**(2.2) - (1.2)**	**1.8 - 2.2**	**0.7 - 1.0**	**1.1 - 1.3**
Financing				(0.2)-(0.2)		
Financing Excess/Deficit	**10.1 - 13.7**	**8.4 - 11.4**	**(2.2) - (1.2)**	**1.6 - 2.0**	**0.7 - 1.0**	**1.1 - 1.3**

Source: Danareksa Research Institute

Exhibit 50. State Budget Realization, IDR

Item	2017			2018		
	State Budget	Jan-Oct	%realization	State Budget	Jan-Oct	%realization
State Revenue	**1736.1**	**1,238.20**	**71%**	**1,894.70**	**1,483.90**	**78%**
Domestic Income	**1,733.00**	**1226.1**	**71%**	**1,893.50**	**1,476.10**	**78%**
Tax Revenue	1,472.70	991.6	67%	1,618.10	1,160.70	72%
Domestic tax income	1,436.70	864.40	60%	1,579.40	1,016.70	64%
International trade tax income	36.00	127.20	353%	38.70	144.10	372%
Non Tax Revenue	260.20	234.50	90%	275.40	315.40	115%
Grant	3.10	2.90	94%	1.20	7.80	650%
State Expenditure	**2,133.30**	**1,537.30**	**72%**	**2,220.70**	**1,720.80**	**77%**
Central Government expenditure	1,367.00	898.50	66%	1,454.50	1,074.40	74%
Institution Expenditure	798.60	511.40	64%	847.40	586.40	69%
Non Institution Expenditure	568.40	387.10	68%	607.10	488.10	80%
Regional Transfer and Village Fund	766.30	638.80	83%	766.20	646.40	84%
Regional Transfer	706.30	591.30	84%	706.20	602.00	85%
Village fund	60.00	47.50	79%	60.00	44.40	74%
Primary Balance	**(178.00)**	**(125.20)**	**70%**	**(87.30)**	**(23.80)**	**27%**
Surplus/Deficit	(397.20)	(308.30)	78%	325.90	(237.00)	-73%
%GDP	(2.90)	(2.30)		(2.90)	(1.60)	
Budget Financing	397.20	413.70	104%	325.90	320.00	98%

Source: Ministry of Finance

2019 elections: The New Milestone

The 2019 elections will set a new milestone for Indonesia's democracy, whereby for the very first time, direct elections will be done concurrently for both the president and the national and regional parliaments. The elections will take place on 17 April 2019, and it is expected that 190 million Indonesian voters will participate in the elections process to select their leader for the next 5 years.

There are several reasons why the decision was made to change the elections process into simultaneous elections in 2019: to improve effectiveness and efficiency, to reduce political noise, as well as to achieve better synergy between central and regional government policies.

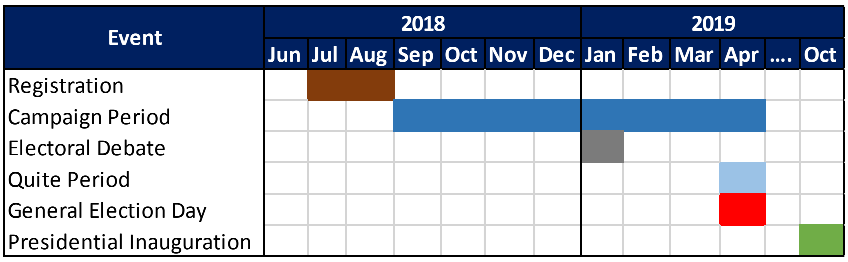
There are several main differences in the 2019 elections when compared to the previous elections: adding more complexity to the process with simultaneous elections in one day, more political parties that participate in the elections, a higher threshold level and the way the votes are calculated. Some of the main changes are:

1. Simultaneous Presidential and Legislative elections
What sets apart the 2019 election is the scale, whereby voters will simultaneously cast their vote for both the president and parliament members on the same day. Back in 2014, the Presidential and Legislative elections were actually held separately, with the latter held earlier on April 9, 2014, while the Presidential Elections were held 3 months later on July 9, 2014.

In the 2019 Election, both the Presidential and Legislative Elections will be held simultaneously on Wednesday, April 17 2019. With this change, voters must bring 5 ballots at the same time to the voting booth. The five ballots are to elect:

1. The President and Vice-President,
2. 136 members of the national Regions House,
3. 575 members of the House of Representatives.
4. 2,207 provincial level MPs from the 34 Provinces
5. 17,610 local councillors across more than 500 local authorities.

Exhibit 51. Election Schedule



Source: KPU

2. More political parties to contest the 2019 elections
The number of political parties competing in the 2019 Election compared to the 2014 Election is also different. In the 2014 election, the election was attended by 12 national political parties and 3 Acehnese local political parties. The 12 national political parties are the Nasdem Party, PKB, PKS, PDIP, Golkar, Gerindra, the Democratic Party, PAN, PPP, Hanura, and PKPI. The 3 local Aceh political parties are the Aceh Peace Party, the Aceh National Party, and the Aceh Party.

In the 2019 election, the number increased with the addition of several new political parties. There will be 16 national political parties, plus 4 local political parties in Aceh. An additional 4 political parties at the national level are new political parties: the Garuda Party, the Working Party, the Indonesian Solidarity Party (PSI), and the Perindo Party. Meanwhile, the Acehnese political parties that have survived in the 2019 Election are only the Aceh Party, while the other three are new: the SIRA Party, the Aceh Regional Party, and the Nangroe Aceh Party.

Exhibit 52. Political Parties

Emblem	Name of Party	Leader	Notable Figure
	Partai Berkarya	Tommy Soeharto	Titiek Soeharto
	Partai Demokrat	Susilo Bambang Yudhoyono	Agus H. Y.
	Partai Garuda	Ahmad Ridha Sabana	Abdulah Mansuri
	Partai Gerindra	Prabowo Subianto	Fadli Zon
	Partai Golkar	Airlangga Hartanto	Aburizal Bakrie
	Partai Hanura	Oesman Sapta Odang	Wiranto
	Partai Nasional Demokrat	Surya Paloh	Siti Nurbaya Bakar
	Partai Amanat Nasional	Zukifli Hasan	Amien Rais
	Partai Bulan Bintang	Yusril Izha Mahendra	Hamdan Zoelva
	Partai Demokrasi Indonesia Perjuangan	Megawati Soekarnoputri	Joko Widodo
	Partai Persatuan Indonesia	Hary Tanoesoedibjo	Liliana Tanoesoedibjo
	Partai Kebangkitan Bangsa	Muhaimin Iskandar	Abdurahman Wahid
	Partai Keadilan dan Persatuan Indonesia	A.M. Hendropriyono	Try Sutrisno
	Partai Keadilan Sejahtera	Sohibul Iman	Mardani Ali Sera
	Partai Persatuan Pembangunan	Muhammad Romahurmusly	Hamzah Haz
	Partai Solidaritas Indonesia	Grace Natalie	Raja Juli Antoni

Source: KPU, Various

3. Presidential Threshold Uses the 2014 Legislative Election Results

One of the major changes in the 2019 election is the Presidential Threshold for political parties to be eligible to nominate their presidential and vice presidential candidates by themselves or through coalition. In the 2014 Election, the Presidential Threshold used the results of the Legislative Election that was held three months earlier. The stipulation is that political parties or coalition political parties can nominate presidential candidates if they secure 20% of the seats (112 seats) in the House of Representatives or 25% of nationally legitimate votes.

Given the simultaneous elections in 2019, the Presidential Threshold will use the results from 2014 legislative election. The Presidential Threshold magnitude did not change from the 2014 election.

Exhibit 53. 2014 Legislative Election result

Party	Election Result (%)	Parliament Seats	Seats %
Nasdem	6.72	35	6
PKB	9.04	47	8
PKS	18.95	40	7
PDIP	18.95	109	19
Golkar	14.75	91	16
Gerindra	11.81	73	13
Demokrat	10.19	61	11
PAN	7.59	49	9
PPP	6.53	39	7
Hanura	5.26	16	3
PBB	1.46	0	0
PKPI	0.91	0	0

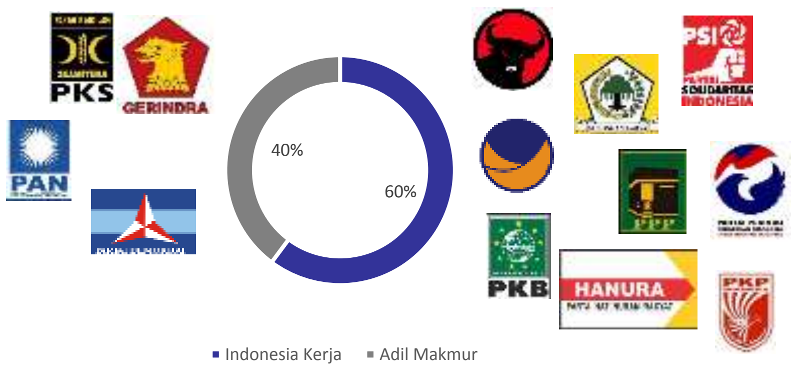
Source: KPU

With such considerable changes, bigger political parties will benefit. As a result, the new Presidential Threshold regulation raised pros and cons which led 4 factions in the House of Representatives (PAN, Gerindra, the Democrat Party, and PKS) to walk out during the plenary session on the ratification of the Election Law. Those four political parties argued that the application of the Presidential Threshold in the 2019 Election was inappropriate, arguing that it is impossible to determine the presidential threshold of 20% while there were no legislative election results beforehand as the legislative election will be held at the same time as the presidential election.

The rejection of the Presidential Threshold prompted several parties to bring the matter of the provisions contained in the Election Law to the Constitutional Court. In the end the Constitutional Court rejected the claim and stated that the presidential threshold was constitutional.

In the 2019 Election, there are two coalitions: the Coalition Indonesia Kerja, which contains 9 political parties, nominated Joko Widodo and KH Maruf Amin as the president and vice president candidates. While 4 other parties under the Coalition Indonesia Adil Makmur nominated Prabowo Subianto and Sandiaga Uno. The Indonesia Kerja coalition combined has secured a total of 337 seats, while Indonesia Adil Makmur also surpassed the threshold with 223 seats.

Exhibit 54. Indonesia Kerja Coalition and Adil Makmur Coalition



Source: KPU, various sources

Exhibit 55. Joko Widodo brief background

Name: Joko Widodo
Date of birth (age): 21 June 1961 (57 yo)
Education: Bachelor, Faculty of Forestry, Univesitas Gadjah Mada
Political background:
- Mayor of Surakarta (2005-2010)
- Mayor of Surakarta, second term (2010-2012)
- Governor of Jakarta (2012-2014)
- President of Indonesia (2014-present)

Source: Various, Danareksa Sekuritas

Exhibit 56. Ma'aruf Amin brief background

Name: Ma'ruf Amin
Date of birth (age): 11 March 1943 (75 yo)
Education: Faculty of Ushuluddin, Universitas Ibnu Chaldun
Recent political background:
- Member of People's Consultative Assembly (MPR) RI from PKB (1997-1999)
- Member of Indonesia House of representative (DPR RI) from PKB (1999-2004)
- Chief of 4th commission of DPR RI from PKB
- Member of the Budget Committee of DPR RI from PKB
- Member of 2nd Komisi of from PKB (1999)

Recent organization background:
- Commission Chairmain of Fatwa MUI (2001-2007)
- Mustasyar PKB (2002-2007)
- Council Chairman of Syariah Nasional MUI (2004-2010)
- Chairman of MUI (2007-2010)
- Presidential Advisory Council Member (2007-2009, 2010-2014)
- Chief of leadership board of MUI (2015-present)

Source: Various, Danareksa Sekuritas

Exhibit 57. Prabowo Subianto brief background

Name: Prabowo Subianto
Date of birth (age): 17 October 1951 (66 yo)
Education: Military Academy of Magelang
Recent military background:
- Commander of Group-3/ Special forces training center (1993-1994)
- Deputy Commander of Special Force Command (1994)
- Commander of Special Force Command (1995-1996)
- General Commander of Special Force Command (1996-1998)
- Commander of Command of Backup Strategy Indonesia Army (1998)
- Commander of Indonesia Army Military Academy (1998)

Recent political background:
- Member of Golongan Karya party (Golkar) (2004-2008)
- President candidate, General election from Golkar (2004)
- Chairman of Gerakan Indonesia Raya party (Gerindra) (2008-present)
- President candidate, General election from Gerindra (2009)
- President candidate, General election from Gerindra (2014)

Source: Various, Danareksa Sekuritas

Exhibit 58. Sandiaga Uno brief background

Name: Sandiaga Salahuddin Uno
Date of Birth: June 28, 1969 (49 yo)
Education:
- Wichita State University
- George Washington University

Business background:
- Summa Bank (1990)
- Investment Manager in MP Group Holding Limited (1994)
-Executive Vice President in NTI Resources Ltd (1995 – 1997)
- Co-founder of PT Recapital Advisors along with Rosan Perkasa Roeslani (1997)
- Co-founder of Saratoga Capital (1998)

Political background:
- Member of Gerindra party in 2015
- Deputy Governor of Jakarta (2017 – present)

Source: Various, Danareksa Sekuritas

4. Parliamentary Threshold Increases to 4 Percent
Undoubtedly, the 2019 Election will surpass previous elections on many fronts and the competition for political parties to qualify for the parliamentary seats will be increasingly fierce. The parliamentary threshold that must be achieved by political parties to secure seats in parliament rises to 4% in the 2019 Election, up from the 3.5% threshold used in the 2014 election.

Indeed, a higher parliamentary threshold is not new as it has always been raised in each election. In the 2004 legislative election there was no parliamentary threshold level, and the threshold level had only been used in the 2009 legislative election at 2.5 percent. It was then raised to 3.5 percent in the 2014 legislative election. One of the purposes for using parliamentary thresholds is to create a simple multiparty system.

The existence of this threshold means the UN and PKPI do not qualify for the 2014 election because the vote does not reach 3.5 percent. The UN only gained 1.46 percent while PKPI was received 0.91 percent of the votes. With more political parties contesting the 2019 elections combined with a higher parliamentary threshold level, more political parties will not qualify.

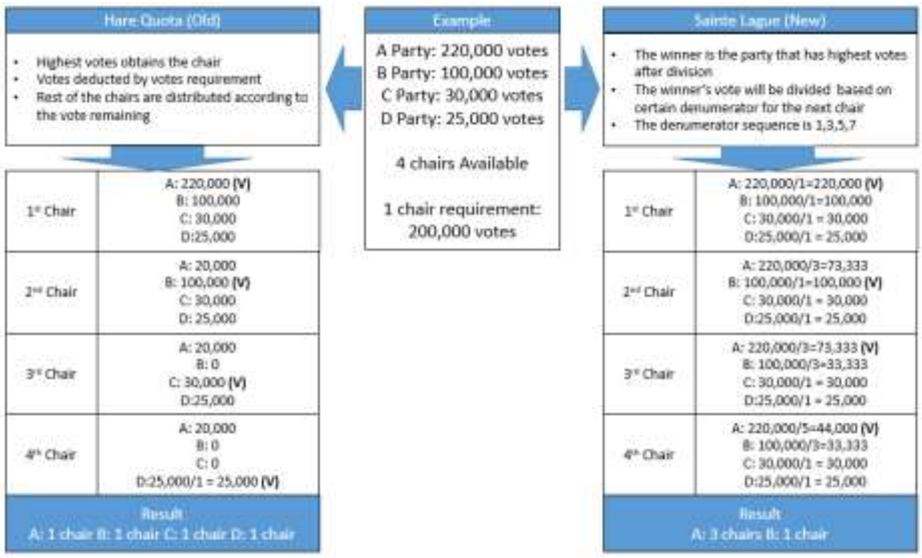
5. Method of calculating the number of seats
The method of calculating the number of seats in the 2019 Election is also different from the 2014 election. If the 2014 election used the Voter Dividing Numbers method or Harre Quote in determining the number of seats, then the 2019 election will use the Sainte Lague technique to count votes.

Political parties that meet the parliamentary threshold of four percent of their votes will be divided by the number 1 divisor followed in sequence with odd numbers 3.5, 7 and so on.

This is regulated in Article 415 paragraph (2) of the Election Law which reads "In the case of calculating DPR seats, the valid vote of each political party that meets the vote acquisition threshold as referred to in Article 414 paragraph (1) is divided by number 1 and followed by odd numbers 3, 5, 7, and so on.

The primary reason for this method change is to promote justice, especially as the previous method used in the 2014 election did not entirely reflect the votes in the number of seats. With the previous method, the parties that won a higher number of votes could, in the end, get an equal number of seats as the parties that won a smaller number of votes.

Exhibit 59. Methods of calculating the number of seats



Source: KPU, Danareksa Sekuritas

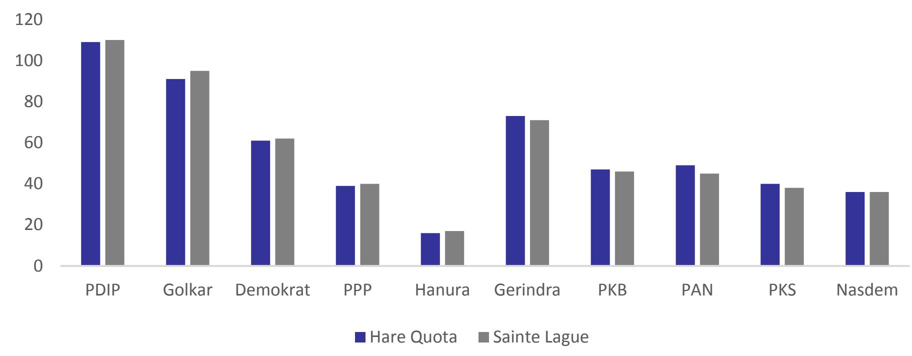
Based on the simulation done by the Election and Democracy Organisation, there are some changes to the overall composition of parliament, based on the 2014 legislative election, if it uses the Sainte Lague technique:
PDI Perjuangan, which in the 2014 Election won 109 DPR seats with 23,673,018 votes (18.95%) would increase its seats to 110 under this method.

Likewise, the Golkar Party would increase its seats to 95 from 91 seats with 18,424,715 votes (14.75%); the Democratic Party would increase its seats to 62 seats from 61 seats with 12,724,509 votes (10.18%); PPP would increase its seats to 40 seats from 39 seats with 8,152,957 votes (6.52%); and Hanura Party would increase its seats to 17 seats from 16 seats with 6,575,391 votes (5.26%).

By contrast, the Gerindra Party which received 14,750,043 votes (11.81%) would see its seats reduced by two from 73 to 71 seats; PKB which received 11,292,151 votes (9.04%) would see its seats reduced from 47 seats to 46 seats; PAN which received 9,459,415 votes (7.57%) would see its seats reduced from 49 seats to 45 seats; and PKS which received 8,455,614 votes (6.77%) would see its seats reduced from 40 seats to 38 seats.

The NasDem Party which received 8,412,949 votes (6.73%) in the 2014 election would see no change in its 36 DPR seats when using the pure Sainte Lague counting method.

Exhibit 60. Simulation on Hare Quota (old) and Sainte Lague (new) method



Source: Election and Democracy Organisation

6. Amount of Campaign Funds

For the 2019 Election, the maximum amount of campaign funds has been more than doubled. In the 2014 election, donations from individuals were set at a maximum of Rp 1 billion, while in the 2019 Election this figure was raised to Rp 2.5 billion.
Meanwhile, donations from legal entities or corporations in the 2014 Election were set at a maximum of Rp 7.5 billion, but in the 2019 Election this figure was raised to Rp 25 billion.

7. Addition of Elections and Chairs

The electoral district which will become an area for candidates to fight for Legislative seats at the National, Provincial, and Regency / City level has also been changed. The number of electoral districts in the 2019 Election is higher than the number of electoral districts in the 2014 Election.

In the 2019 Election, the General Election Commission (KPU) determined 80 electoral districts throughout Indonesia for the National Legislative elections. That number is up from the number in the 2014 election of only 77 electoral districts throughout Indonesia. Additions to the electoral area occurred in three regions: West Kalimantan, North Kalimantan and West Nusa Tenggara.

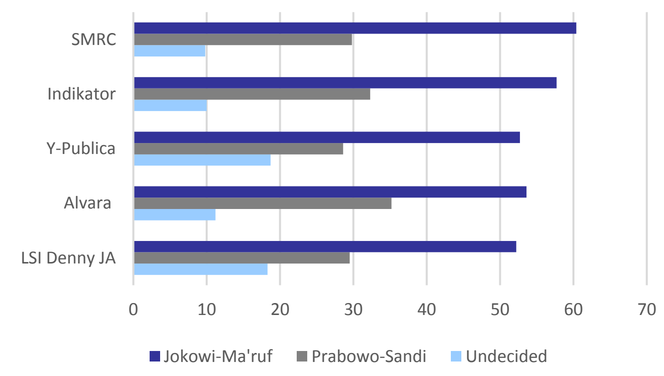
The addition of the electoral districts will also automatically increase the number of DPR seats that will be contested by the candidates. In the upcoming 2019 Election, there will be 575 seats contested. In the 2014 election, the number of seats contested was 560.

The changes in the electoral districts and seats is not only at the national level. The number of electoral districts for the seats in the Provincial parliament has also changed. In the 2019 Election, the number of electoral districts set by the KPU was 272 electoral districts, up from only 259 in the 2014 Election.

What the pools says

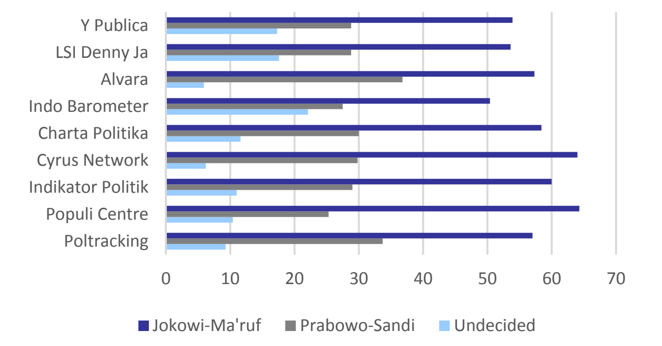
Based on the various pools, the incumbent President Jokowi and his VP candidate, Ma'aruf Amin is still leading the pools with an average of 57.7% vs Prabowo – Sandi's 31.1%, an improvement from pools during Aug – Sep 18. The number of undecided voter, however, is still quite significant, and can still dictate the ultimate winner in the April election.

Exhibit 61. Polls during August-September 2018



Source: Various sources

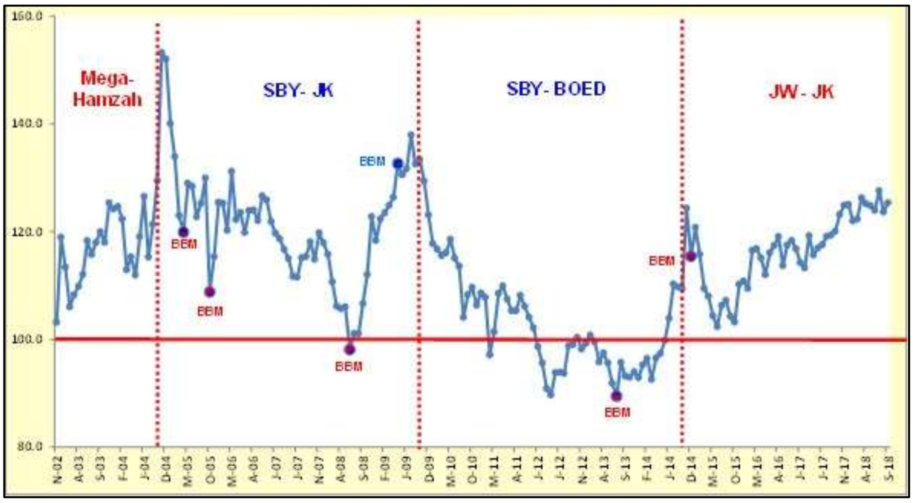
Exhibit 62. Polls during October-December 2018



Source: Various sources

Arguably, the recent IDR weakening has put some dent into President Jokowi favorability, especially as the main consideration for this year election has shifted from religious matter (as seen in Jakarta Governor election) into economy. As such, it is imperative for the current government to continue manage the strength of economy and IDR to ensure their winning rate were to be maintained.

Exhibit 63. Government Confidence Index

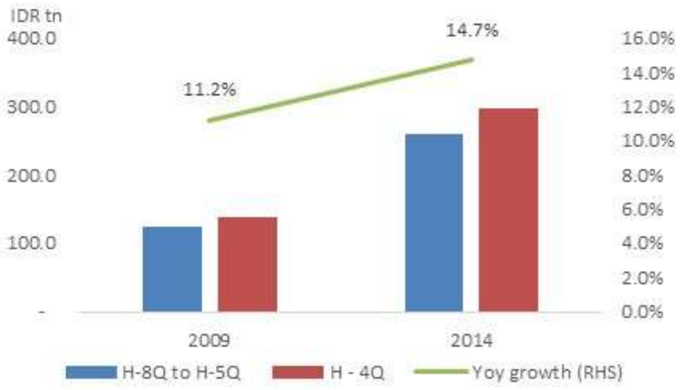


Source: Danareksa Research Institute

Impact on the economy & equity market

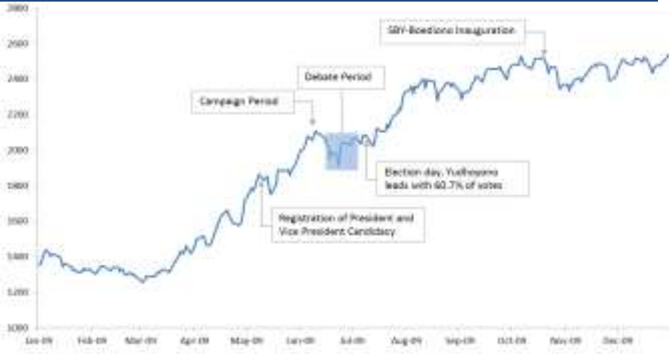
Learning from the past two presidential elections (2009 and 2014), the market has always generated positive returns. In our view, a peaceful and smooth elections process will create investor confidence. Given the populist policies taken during the election years, domestic consumption plays will benefit. Data from consumer companies depicts significant revenues growth on a yearly basis in the 4 quarters before the elections. In 2009, the sector's revenues increased by 11.2% yoy while in 2014 the growth was higher at 14.2% yoy (in the 4 quarters prior to the elections). Should this pattern be repeated in 2018-19, consumer companies will be positively impacted.

Exhibit 64. Revenue growth – 4Q before presidential election



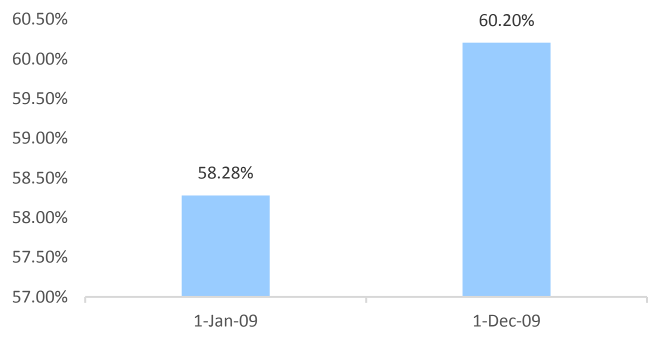
Source: Company, Danareksa

Exhibit 65. JCI during 2009 Election



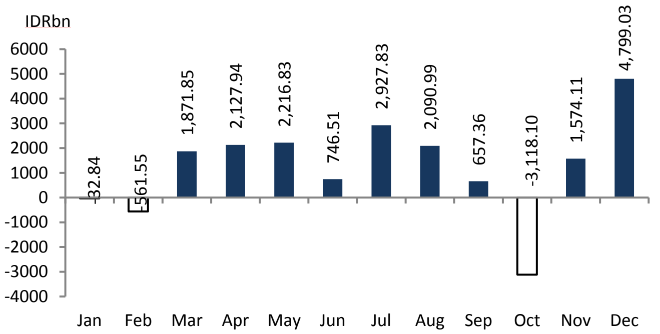
Source: Bloomberg

Exhibit 66. Foreign Ownership IDX 30 during 2009



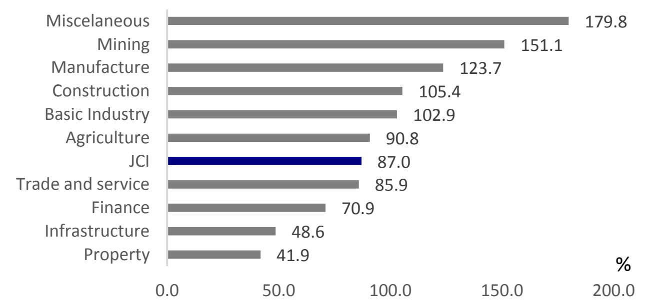
Source: Bloomberg

Exhibit 67. Inflow/Outflow during 2009 election



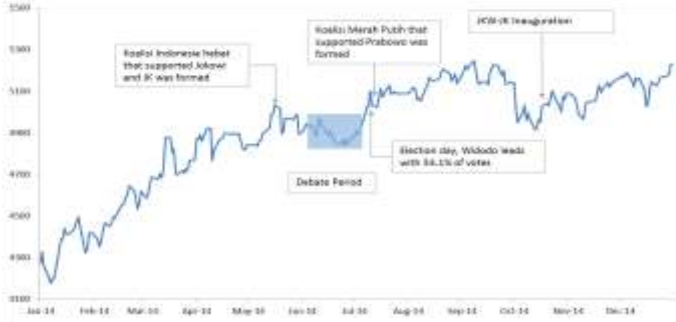
Source: Bloomberg

Exhibit 68. Sectoral Performance during 2009 election



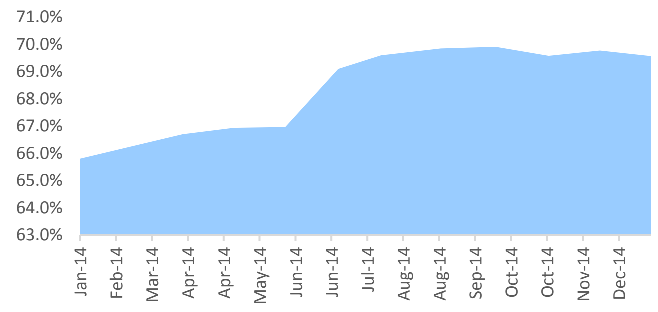
Source: Bloomberg

Exhibit 69. JCI during 2014 Election



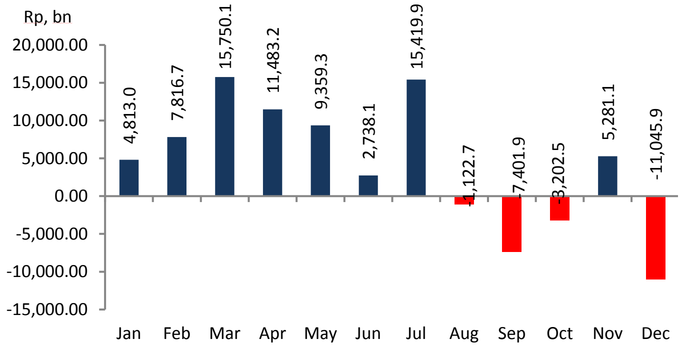
Source: Bloomberg

Exhibit 70. Foreign Ownership IDX 30 during 2014



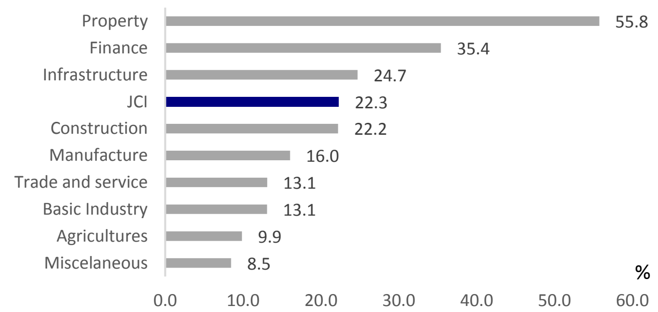
Source: Bloomberg

Exhibit 71. Inflow/Outflow during 2014 election



Source: Bloomberg

Exhibit 72. Sectoral Performance during 2014 election



Source: Bloomberg

2019: More stable growth outlook – a reflection of macro policy

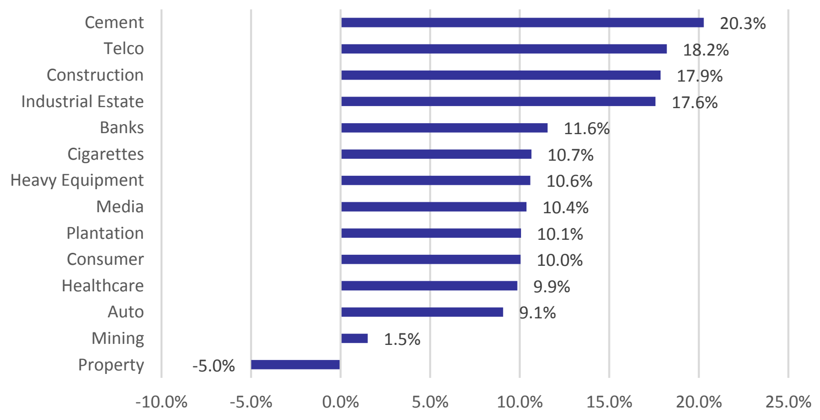
The various coherent policies implemented by the government and central bank should result in a more stable outlook for 2019, which is crucial for outlook of corporate earnings. Given the external volatility and the upcoming domestic elections, we believe that stability will be the key consideration for investors. We also see less risk on earnings downgrades in 2019, given more stability on macro, especially on currency. We expect the JCI to reach 6,974, based on our top down and bottom up approaches. We continue to favour domestic consumption plays with reasonable valuations and a clear growth outlook. Our top picks are ASII, EXCL, BBRI, GGRM, INDF, ITMG, LSIP, WIKA, SIDO and BBNI.

Stability/Quality over growth

We believe that corporate earnings will always reflect macro policy decisions. In this regard, the tightening bias of the central bank usually follows by a period of deceleration in overall corporate earnings growth. However, given Central Bank policies which continue to keep liquidity intact, impact on rising interest rate will be relatively small to overall earnings growth in 2019. We also expect earnings stability to be a key consideration for investors this year, especially given external volatility and the upcoming elections in Indonesia. Stability in IDR, in our view, also plan an important factor for 2019 earnings growth, which we expect, will be slightly better than 2018's. Moreover, our earnings growth estimates as well as the consensus estimates are reasonable. We forecast 2019 earnings growth of 10.9% vs 2018's growth of 7.7%.

In 2018, we had initially expected companies under the Danareksa universe to register 12% earnings growth in 2018 vs consensus estimates of 14%, only to see this figure reduced to 7.7% due to currency weakening and higher interest rates. For 2019, however, we are sanguine on the prospects for overall improvements on the macro front, especially from reduced volatility, which is crucial for the predictability of corporate earnings.

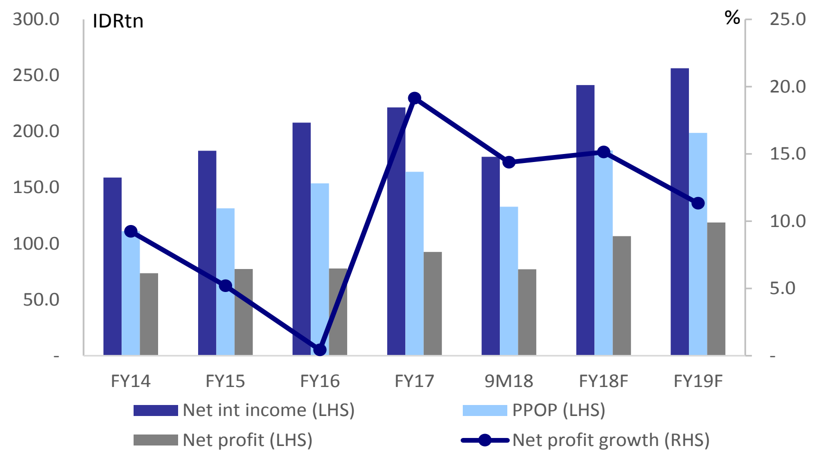
Exhibit 73. EPS Growth by sector chart



Source: Companies, Danareksa Sekuritas

In Banks, the largest sector under our coverage, with moderate GDP growth projected this year, we estimate loans growth of 12.1% yoy for our banking universe, mainly driven by government-related programs such as subsidised mortgages and KUR. Overall earnings growth will see some moderation to 11% level, down from 15% in 2018.

Exhibit 74. Earnings growth projection for our banking universe



Source : Danareksa Sekuritas estimates

Capex cycle: Entered a moderation phase following a 3-year uptrend

We expect the capex cycle to moderate in terms of growth, especially after a three-year uptrend in the capex cycle. Starting in 2015, the overall capex of the companies under our coverage surged, mostly driven by significant expansion undertaken by construction, automotive and industrial estate companies, with the first of these recording the most significant increase in capex.

For 2019, we foresee a moderation in the capex cycle, especially with the expected slower economic growth due to higher domestic interest rates. The sectors which are expected to still show capex expansion are cigarettes and telcos.

For the cigarettes sector, we expect a more positive outlook for 2019, marked by stronger estimated FY19F sales volume growth of 8.1% yoy for GGRM and 2.5% yoy for HMSP. The government has issued an official regulation on cigarette excise tax (PMK No 156/PMK.010/2018) to reaffirm its decision to maintain the cigarette excise tax in 2019. Other key points are: (1) no further simplification for the excise tax structure in 2019 – previously it had been planned to simplify the excise tax structure to 8 from 10 in 2018; (2) the government also scrapped the regulation that combined the total production of SKM and SPM for the volume threshold of excise tax. This should provide some room for a further improvement in sales volume in 2019. Nonetheless, the main reason for higher capex in 2019 and 2020 is the development of an airport by GGRM, as the capex earmarked for production will remain flat.

Telcos will still see strong capex commitments over the medium term. We expect telco players to allocate more resources to the 4G space, as the faster transition to 4G will imply less reliance on costlier 2G and 3G technologies and help to lift margins.

Exhibit 75. Capital expenditure of covered stocks

Sector		CAPEX						
		2014	2015	2016	2017	2018F	2019F	2020F
Auto		**13,235**	**9,499**	**11,630**	**15,302**	**15,000**	**15,000**	**15,000**
	Growth (%)	*12*	*(28)*	*22*	*32*	*(2)*	*-*	*-*
Cement		**6,042**	**7,902**	**6,081**	**4,267**	**3,017**	**3,460**	**3,460**
	Growth (%)	*32*	*31*	*(23)*	*(30)*	*(29)*	*15*	*-*
Cigarettes		**7,309**	**3,820**	**3,664**	**3,291**	**3,642**	**4,353**	**4,901**
	Growth (%)	*11*	*(48)*	*(4)*	*(10)*	*11*	*20*	*13*
Construction		**8,428**	**9,307**	**34,760**	**70,226**	**83,186**	**87,300**	**87,300**
	Growth (%)	*(10)*	*10*	*273*	*102*	*18*	*5*	*-*
Consumer		**5,660**	**9,361**	**7,220**	**10,745**	**10,612**	**10,906**	**11,568**
	Growth (%)	*(54)*	*65*	*(23)*	*49*	*(1)*	*3*	*6*
Healthcare		**1,053**	**1,255**	**1,334**	**2,009**	**2,165**	**1,829**	**1,553**
	Growth (%)	*6*	*19*	*6*	*51*	*8*	*(16)*	*(15)*
Heavy Equipment		**3,125**	**2,534**	**2,794**	**6,765**	**12,000**	**10,000**	**9,000**
	Growth (%)	*(11)*	*(19)*	*10*	*142*	*77*	*(17)*	*(10)*
Industrial Estate		**1,547**	**1,525**	**1,984**	**2,027**	**2,500**	**2,300**	**2,100**
	Growth (%)	*(37)*	*(1)*	*30*	*2*	*23*	*(8)*	*(9)*
Media		**1,449**	**2,122**	**1,154**	**1,137**	**1,187**	**1,219**	**1,260**
	Growth (%)	*72*	*46*	*(46)*	*(1)*	*4*	*3*	*3*
Mining		**6,645**	**6,443**	**5,158**	**7,848**	**19,740**	**15,540**	**15,210**
	Growth (%)	*(27)*	*(3)*	*(20)*	*52*	*152*	*(21)*	*(2)*
Plantation		**5,104**	**4,170**	**3,461**	**3,202**	**2,623**	**2,471**	**2,577**
	Growth (%)	*21*	*(18)*	*(17)*	*(7)*	*(18)*	*(6)*	*4*
Property		**13,252**	**7,342**	**7,368**	**8,532**	**6,510**	**6,465**	**6,525**
	Growth (%)	*37*	*(45)*	*0*	*16*	*(24)*	*(1)*	*1*
Telco		**496**	**510**	**589**	**598**	**626**	**797**	**864**
	Growth (%)	*(0)*	*3*	*15*	*1*	*5*	*27*	*8*
Overall		**133,491**	**122,126**	**162,970**	**256,962**	**310,842**	**308,283**	**307,637**
	Growth (%)	(5)	(9)	33	58	21	(1)	(0)

Source: Companies, Danareksa Sekuritas

Index target of 6,974

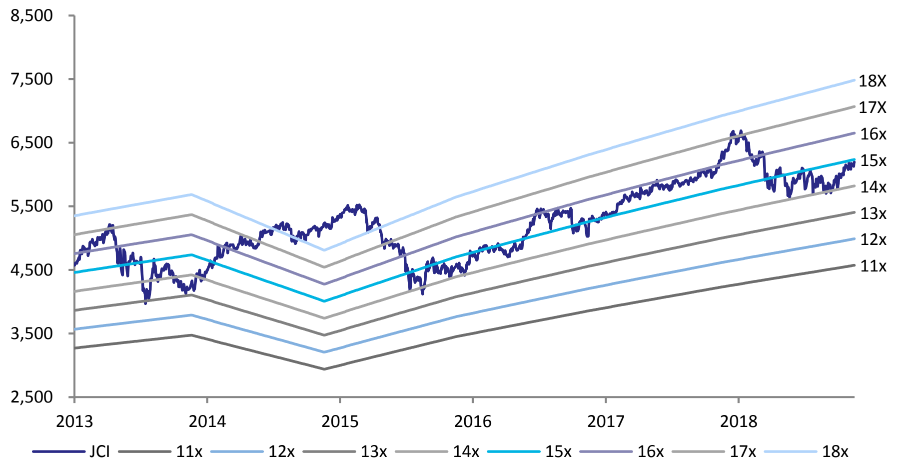
Top down approach: We employed a PE multiple of 16.3x on our 10.8% EPS growth multiple. This translates to a JCI target of 6,936. In our view, the key factors which will ultimately lure inflows are a smooth elections process and political stability, lower currency volatility and the fact that foreign ownership in the equity market is currently at a record low.

Exhibit 76. PE Based Model

	20	19	18	17	16	15	14	13	12	11	10
16.0%	8932	8485	8039	7592	7146	6699	6252	5806	5359	4913	4466
15.0%	8855	8412	7970	7527	7084	6641	6199	5756	5313	4870	4428
14.0%	8778	8339	7900	7461	7022	6584	6145	5706	5267	4828	4389
13.0%	8701	8266	7831	7396	6961	6526	6091	5656	5221	4786	4351
12.0%	8624	8193	7762	7330	6899	6468	6037	5606	5174	4743	4312
11.0%	8547	8120	7692	7265	6838	6410	5983	5556	5128	4701	4274
10.0%	8470	8047	7623	7200	6776	6353	5929	5506	5082	4659	4235
9.0%	8393	7973	7554	7134	6714	6295	5875	5455	5036	4616	4197
8.0%	8316	7900	7484	7069	6653	6237	5821	5405	4990	4574	4158
7.0%	8239	7827	7415	7003	6591	6179	5767	5355	4943	4531	4120
6.0%	8162	7754	7346	6938	6530	6122	5713	5305	4897	4489	4081
5.0%	8085	7681	7277	6872	6468	6064	5660	5255	4851	4447	4043
4.0%	8008	7608	7207	6807	6406	6006	5606	5205	4805	4404	4004

Source: Danareksa Sekuritas

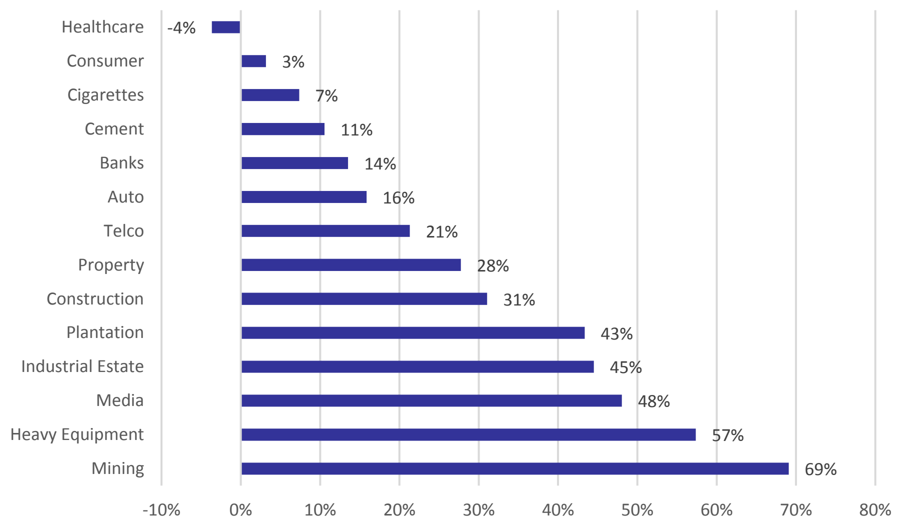
Exhibit 77. JCI PE Band



Source: Bloomberg, Danareksa Sekuritas

Bottom up approached: On bottom-up approached, we employ weighted average upside to our target price from our universe, which reveal overall 15.1% upside from the 2018's JCI of 6,194. This translates to 2019 JCI index of 7,123

Exhibit 78. Upside/downside to Target Price by sector



Source: Bloomberg, Danareksa Sekuritas

From those two approached, we then assign greater weighting to our top down approach, which translate to overall JCI index target of 6,974 in 2019, 12.6% upside from 2018. We continue to favour domestic consumption plays with reasonable valuations and a clear growth outlook. Our top picks are ASII, EXCL, BBRI, BBNI, GGRM, INDF, ITMG, LSIP, WIKA, and SIDO.

Exhibit 79. Sector Summary

Sector	Title	Summary
Automotive	Competition remains fierce	We expect only moderate growth in domestic car sales volume of 3% yoy to 1.16mn units in 2019 versus this year's expectation of 4 – 5%. The moderate growth reflects: a) modest economic growth of 5.1% yoy in 2019 (2018F: 5.2 – 5.3% yoy), b) heightened competition and c) the risks associated with higher interest rates which will indirectly impact domestic car sales. Nonetheless, the development of more infrastructure projects is expected to help to sustain domestic car sales volume growth. Maintain NEUTRAL.
Banking	Another good year in prospect	Higher policy rates and a moderate GDP growth outlook are the two key factors for the banking sector in 2019. Loans growth will be modest at 12.1% for our banking universe mostly driven by government-related programs. The NIM is expected to dip by 22bps to 6.0% on the back of an uptick in blended CoF. Assets quality will remain manageable in our view as the banks are more cautious and prudent in managing risk. As such, credit costs are expected to touch 147bps with a 2.2% gross NPLs ratio. All in all, we estimate 11.3% yoy net profits growth this year for our banking universe. OVERWEIGHT.
Cement	Wait and see	The cement industry is undergoing consolidation as marked by the acquisition of Holcim Indonesia by SMGR. Post-acquisition, SMGR and INTP will control ~80% of the market. The two companies will also account for ~70% of the total production capacity in the country. We expect the consolidation to create more stable cement selling prices. Nonetheless, the excess capacity of ~32mn tons and the aspirations of Chinese players to obtain market share of ~20% may mean that the sector faces the threat of a price war suddenly breaking out. Given this backdrop, we maintain our Neutral stance on the sector.
Cigarette	Brighter prospects	As the elections approach, the decision not to increase cigarette excise tax will pave the way for strong momentum in cigarette sales volume, as pressure to increase selling prices will ease. Besides this, the continuation of populist government policies translating to higher social aid in the 2019 state budget should help to maintain consumer purchasing power. Given this backdrop, the outlook for cigarette players looks bright. Maintain Overweight.
Coal Mining	Higher production to offset price consolidation	We expect consolidation in coal prices in 2019 given: a) softening in China's coal imports on higher domestic coal production and government policies, and b) commencement of nuclear power plants in Japan and in South Korea after maintenance works. Nonetheless, solid coal imports by India and ASEAN countries are expected to provide upside potential for coal prices. With the sector is trading at -1SD, we maintain our OVERWEIGHT stance on the sector. Our Top Pick is ITMG (BUY/TP: IDR30,000).
Consumer	To receive an elections boost	We believe the consumer sector stands to benefit the most in 2019 from stronger expected domestic demand ahead of 2019's presidential elections. Soft commodity prices and a stable currency will also provide upside for our 2019 earnings estimates. However, with limited upside to our TPs, we Maintain our Neutral call on the sector.
Cigarette	Brighter prospects	As the elections approach, the decision not to increase cigarette excise tax will pave the way for strong momentum in cigarette sales volume, as pressure to increase selling prices will ease. Besides this, the continuation of populist government policies translating to higher social aid in the 2019 state budget should help to maintain consumer purchasing power. Given this backdrop, the outlook for cigarette players looks bright. Maintain Overweight.
Construction	Construction continues apace	The infrastructure budget in 2019 of IDR415.0tn is only IDR4.3tn higher than 2018's budget, but it is still the highest amount ever allocated. This demonstrates the government's strong commitment toward continuing infrastructure development. The government is in the midst of forming two holding companies.
Media	Boost from populist policies and the digital market	We are positive on the outlook for the media sector next year given: 1) FTA TV ad spending will improve in 2019 driven by local FMCG and internet companies due to populist policies, 2) content cost efficiencies which can drive better margins and profitability, and 3) Sound plan to tap digital industry.
Metal Mining	Overhang from trade tensions	While the recent truce between the US and China on trade has created better sentiment on nickel and tin prices, we believe that trade tensions will remain a concern for China in 2019. In turn, this may lead to a slowdown in nickel and tin demand. Nonetheless, lower nickel inventory and long-term demand for electric vehicles (EV) will cushion against the negative impact from trade war tensions, in our view. Our top pick: Vale Indonesia (INCO).
Plantation	Time for a Re-Rating	We maintain our OVERWEIGHT recommendation on the plantation sector given a more positive sector outlook for FY19. We expect demand growth to prevail over supply, mainly driven by the B20 program, higher palm oil imports by China as a result of the ongoing US-China trade war and higher Indian palm oil demand on expectations of reduced edible oil import tariffs post the general election. We assume a CPO price of MYR2,550/ton in FY19 (vs. MYR2,300/ton in FY18).
Property	Positive Sentiment Play	We believe that the share prices of property companies are likely to rally ahead of their fundamentals, given the more dovish outlook. We foresee a pick-up in demand only in 2H19, after the presidential elections are completed. Upgrade to OVERWEIGHT (from NEUTRAL) with BSDE as our top pick.

Telco	Seeking to restore growth in 2019	Telcos are allocating more resources to 4G, with the contenders seeking larger ex-Java coverage. These two factors feed into greater volumes but unavoidably exert pressure on data yields. The urgency to restore growth in 2019 and greater discipline to rationalize prices should prevail, we believe, holding up yields with signs of an inflection seen in 3Q18. Maintain OVERWEIGHT.
Towers	2019 business volume boost from 4G	Users continue to migrate to 4G, and telcos continue to roll out 4G while penetrating ex-Java. This should feed to robust tower & infra demand as 4G requires network densification and towers are essential to provide new coverage. Pricing pressures and consolidation trends are expected to continue. We prefer tower-companies with scale and financial might.

Source: Danareksa Sekuritas

Exhibit 80. Top Pick

Company	Ticker	Rec	Last Price (Rp)	Market Cap. (RpBn)	Upside (%)	Target Price (Rp)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2018F
BRI	BBRI IJ	BUY	3,670	452,679	17.2	4,300	13.7	12.2	2.4	2.1	18.5
Astra International	ASII IJ	BUY	8,425	341,074	12.8	9,500	15.5	14.1	2.5	2.3	16.9
BNI	BBNI IJ	BUY	8,700	164,243	9.2	9,500	10.6	9.7	1.5	1.3	14.2
Gudang Garam	GGRM IJ	BUY	83,350	160,373	21.2	101,000	19.2	15.8	3.5	3.1	20.9
Indofood	INDF IJ	BUY	7,300	64,097	12.3	8,200	14.1	12.7	1.6	1.5	12.5
Indo Tambangraya Megah	ITMG IJ	BUY	20,025	22,712	49.8	30,000	5.4	5.9	1.6	1.5	26.9
XL Axiata	EXCL IJ	BUY	2,040	21,803	86.3	3,800	N/M	37.0	1.0	1.0	2.7
Wijaya Karya	WIKA IJ	BUY	1,655	14,845	32.9	2,200	9.3	7.0	1.1	0.9	11.9
Sido Muncul	SIDO IJ	BUY	815	12,131	22.7	1,000	17.5	14.8	3.9	3.7	25.8
PP London Sumatra	LSIP IJ	BUY	1,350	9,207	48.1	2,000	13.9	11.8	1.1	1.1	9.2

Source: Danareksa Sekuritas

Exhibit 81. Top Pick

Stock	Title	Summary
ASII	Regaining market share despite stiff competition	We continue to like Astra International (ASII) given the company's ability to regain market share. Although we expect moderate growth in the domestic car market of only 3% yoy in 2019, ASII's market share should still increase to 50% from around 49% in 2018 thanks to the launch of more models in the popular segments in 2019. In 2019, we expect ASII's car sales volume to grow 5.1% yoy. Maintain BUY with a target price of IDR9,500 (based on SOTP valuation).
EXCL	Going for stronger footing in ex-Java	With an early run in 3G/4G data, XL Axiata created a solid subscriber base with the highest data consumption and the company is set to benefit from rising volumes. Its operations are highly efficient, meaning it has the most to gain from growth scenarios. These factors underpin our BUY recommendation. XL Axiata is also increasing its spending budget for ex-Java areas in 2019 to achieve more robust growth.
BBRI	Stay micro, stay profitable	We maintain our BUY call on BBRI with a GGM-derived TP of IDR4,300, liking the bank's strong core business in micro lending. BBRI's loans portfolio will continue to grow, underpinned by the government's KUR program. In our estimate, BBRI's exposure to KUR will increase to 10.2% of its total loans book by the end of the year. With a lower NIM of 7.1%, 12.1% loans growth, manageable operating expenses and modest credit costs of 203bps, the net profits are estimated to grow by 12.7% this year to IDR37.1tn based on our forecast.
GGRM	More growth to come	With no increase in excise tax in 2019, we expect GGRM to maintain its strong volume growth momentum. We estimate strong FY19F earnings growth of 21.6% yoy. A higher government budget on social aid will cushion purchasing power at the grassroots level, paving the way for solid cigarette volume growth. Maintain BUY with a TP of IDR101,000.
INDF	Positive catalysts	INDF is a good-value proxy to ICBP, as the latter makes a significant contribution to the company's revenues and operating profits. We also note that INDF stands to benefit from the bourse's adjustment to the free float calculation for the LQ45 and IDX 30. At present, INDF has higher free float (49.9%) vis-à-vis ICBP's 19.4%. Maintain BUY.
ITMG	A dividend play	Amid expectations of coal price consolidation, we continue to like Indo Tambangraya Megah (ITMG) as: a) it is a dividend play with a 17.6% yield for 2019, b) further coal mining acquisitions would increase the mining life to at least 15 years and c) earnings are solid on the back of stable coal production and lower risks for coal with higher CV. Maintain BUY with a target price of IDR30,000 (based on DCF valuation with WACC of 13.7%).
LSIP	Keeping It Steady	We expect LSIP's core earnings to grow to Rp803.5bn in FY19 (+76.0% YoY), driven by higher CPO prices and slight growth in FFB production. Despite its ageing plantation profile, we expect LSIP to remain conservative with its capex spending and keep new planting and replanting at a rate of 400Ha and 700Ha in FY19, respectively. We also expect LSIP's financials to remain strong with a maintained 40% dividend payout policy. Maintain BUY.
WIKA	Busy year ahead	WIKA hopes to obtain two new toll road projects with an investment value of IDR22.0tn in the near future. From the two projects, WIKA can expect to get construction contracts with a value of around IDR6.6 – IDR8.8tn. For funding, WIKA plans IPOs for two of its subsidiaries, along with the divestment of two toll roads and the issuance of perpetual bonds. BUY.
SIDO	Healthy growth ahead	Sido Muncul is on track to book solid earnings growth in FY18-20F given: (1) additional production capacity and (2) the full commercialization of its expanded extraction plant which will support higher margins. The plan to improve distribution and penetrate export markets will also drive growth. Maintain BUY with a TP of IDR1,000.
BBNI	A focus on assets quality	We maintain our BUY call on BBNI with a GGM-derived TP of IDR9,500. Our view is that the main priority for BBNI's management is to maintain its assets quality with manageable credit costs. This means the bank will selectively reprice its lending rate. Hence, NIM will mainly be supported by BBNI's ability to manage its blended CoF. As such, we expect asset yields to expand by 23bps in FY19F to 8% with a 15bps uptick in the blended CoF to 3.1%, resulting in NIM of 5.0%.

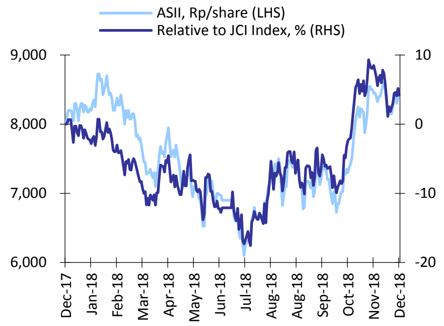
Source: Danareksa Sekuritas

Sector Outlook

(in alphabetical order)

NEUTRAL
Maintain

ASII relative to JCI Index



Automotive

Competition remains fierce

We expect only moderate growth in domestic car sales volume of 3% yoy to 1.16mn units in 2019 versus last 2018 expectation of 4 – 5%. The moderate growth reflects: a) modest economic growth of 5.1% yoy in 2019 (2018F: 5.2 – 5.3% yoy), b) heightened competition and c) the risks associated with higher interest rates which will indirectly impact domestic car sales. Nonetheless, the development of more infrastructure projects is expected to help to sustain domestic car sales volume growth. Maintain NEUTRAL.

New popular models and solid commodity prices lifted car sales in 2018. In 2018, we expect domestic car sales volume growth of 4 – 5% yoy to 1.12mn units. In 11M18, domestic car sales were up by 7.2% yoy to 1.06mn units, backed by: a) the launch of new models in the popular segments (such as Expander, Rush & Terios and Ertiga) and b) solid commodity prices which boosted the sales volume of commercial cars. In 11M18, passenger car sales grew by only 4.0% yoy, while sales in the commercial car segment managed to post double-digit growth (+18.7% yoy).

Moderate growth in domestic car sales volume. Economic growth is heavily correlated to domestic car sales volume growth. With the expectation of economic growth of around 5.1% yoy in 2019, we expect domestic car sales volume growth of only 3% yoy to 1.16mn units in 2019. We believe that higher interest rates may rein in domestic sales volume growth.

Higher interest rates may restrict domestic car sales volume growth. Bank Indonesia (BI) has increased its 7-day Reverse Repo rate (7DRRR) by 175bps to 6.00%. We think this was mainly done to address the CAD and to take into consideration the likelihood of global interest rate hikes in the near term. BI has reiterated its ahead-of-the-curve and proactive stance. We believe that higher interest rates will negatively impact domestic car sales. When interest rates previously went up by 200bps in a year and reached a peak at the end of 2014, domestic car sales volume posted negative growth of 16.1% yoy in 2015.

Competition reflected in a low automotive EBIT margin. With distributors maintaining their car inventory levels from manufacturers to dealerships, the automotive EBIT margin showed an improvement in 2018 from the previous year. However, it is still at a low level compared to 2012. ASII managed to improve its automotive EBIT margin to 1.3% in 9M18 (9M17: 0.7%) thanks to better inventory management and less discounts on car selling prices.

Maintain Neutral as we expect a slowdown in domestic car sales volume growth to only 3% yoy in 2019 given: a) moderate economic growth of 5.1% yoy in 2019 (2018F: 5.2 – 5.3% yoy), b) heightened competition and c) the risks associated with higher interest rates which will indirectly impact domestic car sales. Although consolidation in commodity prices (mainly in the coal sector) may negatively impact car sales volume, we expect the development of more infrastructure projects to help cushion the slowdown. Our top pick in the sector is Astra International (ASII IJ BUY TP: IDR9,500).

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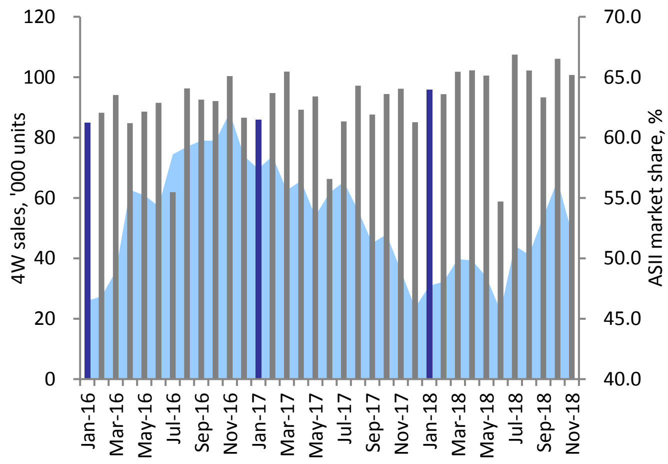
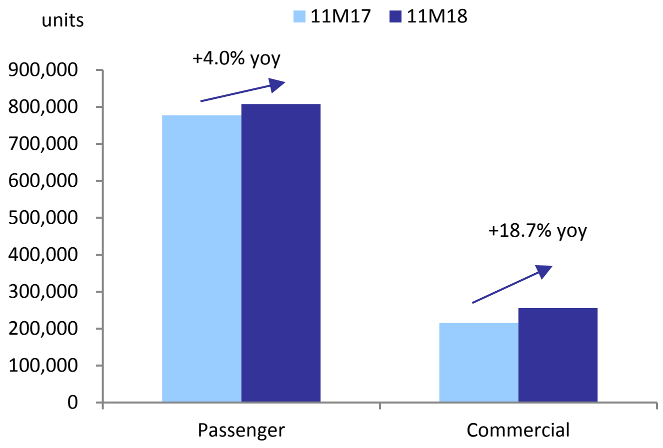
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Astra International	ASII IJ	BUY	9,500	341,074	15.5	14.1	2.5	2.3	16.9

Exhibit 1. Domestic Car Market



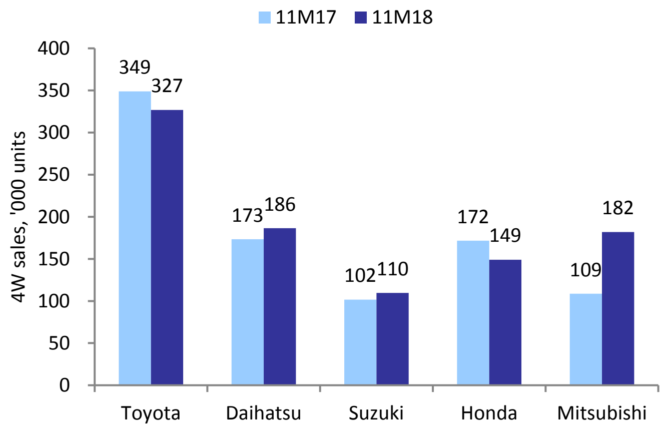
Source: Gaikindo

Exhibit 2. Commercial car segment improved 4W sales volume



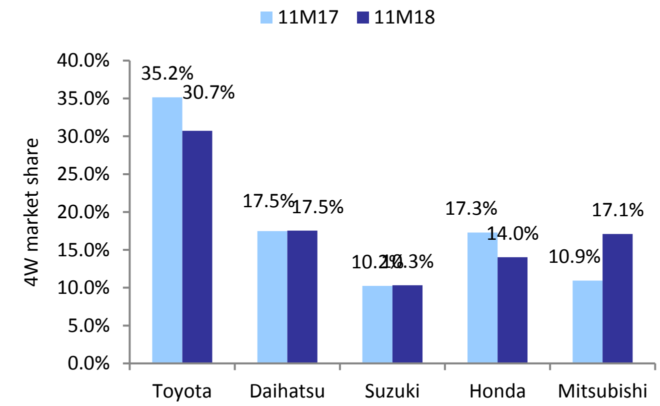
Source: Gaikindo

Exhibit 3. Car Sales Volume by Brands



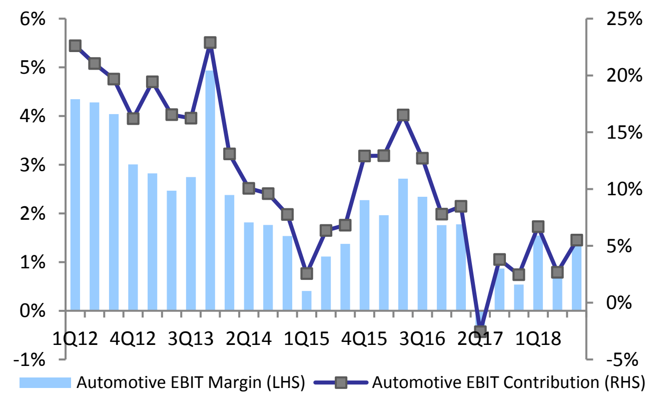
Source: Gaikindo

Exhibit 4. Toyota remains the largest market share in 4W



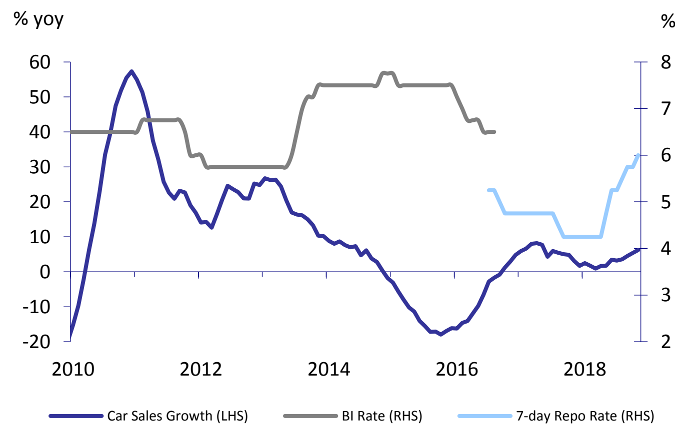
Source: AISI

Exhibit 5. Better Auto EBIT margin, but still at low level



Source: Astra International

Exhibit 6. BI has agressively increased interest rate since 2Q18

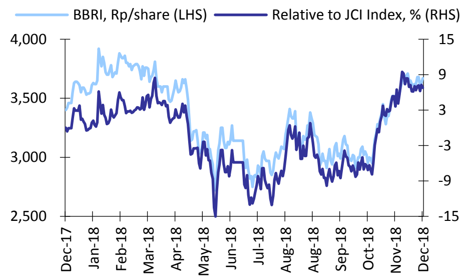


Source: Bank Indonesia, Gaikindo

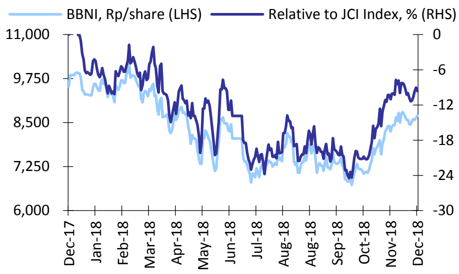
OVERWEIGHT

Maintain

BBRI relative to JCI Index



BBNI relative to JCI Index



Banking

Another good year in prospect

Higher policy rates and a moderate GDP growth outlook are the two key factors for the banking sector in 2019. Loans growth will be modest at 12.1% for our banking universe mostly driven by government-related programs. The NIM is expected to dip by 22bps to 6.0% on the back of an uptick in blended CoF. Assets quality will remain manageable in our view as the banks are more cautious and prudent in managing risk. As such, credit costs are expected to touch 147bps with a 2.2% gross NPLs ratio. All in all, we estimate 11.3% yoy net profits growth this year for our banking universe. OVERWEIGHT.

Modest loans growth projected. With moderate GDP growth projected this year, we estimate loans growth of 12.1% yoy for our banking universe, mainly driven by government-related programs such as subsidised mortgages and KUR. BBRI and BBTN are the main beneficiaries from these two programs. Consumer loans will still be mainly dominated by mortgages, particularly in the middle-low income segment in our view. The 175bps policy rate hikes last year may also present a challenge to stronger loans growth this year.

Expect a lower NIM. Given a higher policy rate at 6.0%, NIM is expected to drop by 22bps to 6.0% for our banking universe. This mainly reflects an uptick in the blended CoF to 3.2%. In addition, liquidity within the banking system will remain manageable given the relaxation of several policies by Bank Indonesia, i.e. the Reserve Requirement Ratio (RRR) and the Loan-to-Value (LTV) on mortgages. It is worth noting that the average-4 weeks excess liquidity as of December 7th 2018 was still high at IDR277tn with a 7.3% JIBOR-1 month rate.

11.3% earnings growth expected this 2018 or 2019. Amid the higher interest rate environment and moderate GDP growth projection, we expect a 11.3% yoy net profits growth this year coming from: 1) 12.1% yoy loans growth, 2) 6.0% NIM, 3) modest opex growth of 8.9% resulting in a flat Cost-to-Income Ratio (CIR) of 44.7%, and 4) manageable credit costs of 147bps with 2.2% gross NPLs ratio and 158% Loan Loss Coverage (LLC) ratio. The Capital Adequacy Ratio (CAR) will still be at a safe level of 21.4% with 18.6% tier-1 capital by the end of the year.

OVERWEIGHT: BBRI is our top pick. We maintain our OVERWEIGHT call on the sector with BBRI as our top pick due to its resilient business model in micro lending and decent NIM level. Our other top pick is BBNI given its attractive valuation and similar ROAE as BMRI at 14.2% based on our forecast.

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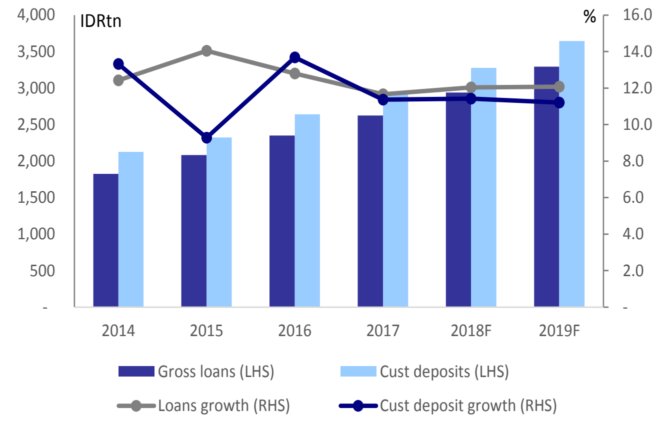
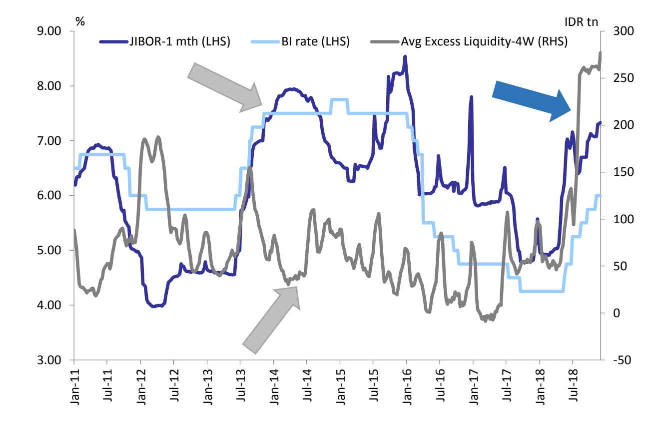
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Bank Rakyat Indonesia	BBRI IJ	BUY	4,300	452,679.1	13.7	12.2	2.4	2.1	18.5
BNI	BBNI IJ	BUY	9,500	162,243.3	10.6	9.7	1.5	1.3	14.2
Bank Tabungan Negara	BBTN IJ	BUY	3,600	28,169.4	8.6	8.1	1.2	1.0	13.6
Mandiri	BMRI IJ	BUY	8,700	346,500.0	14.2	13.0	1.9	1.8	14.2
BTPN Syariah	BTPS IJ	BUY	2,100	13,982.2	15.4	11.9	3.6	3.0	27.3
BPD Jatim	BJTM IJ	BUY	850	10,482.2	8.3	7.7	1.2	1.2	15.5
BTPN	BTPN IJ	HOLD	3,800	20,050.4	8.7	8.0	1.1	1.0	13.2
BCA	BBCA IJ	HOLD	28,000	652,305.9	24.6	21.7	4.2	3.6	17.9

Exhibit 1. Loans, Cust Deposits and Respective growth



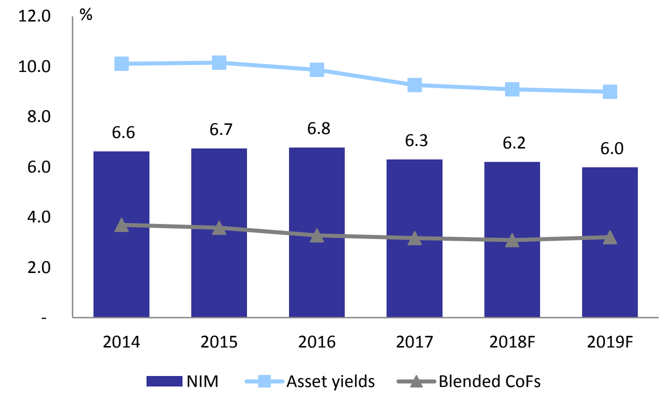
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Excess Liquidity within System



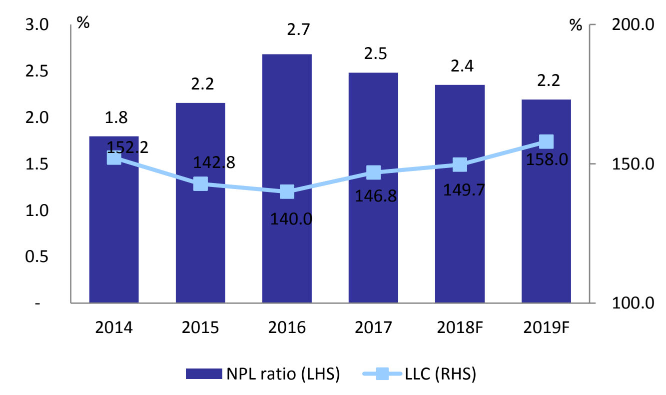
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Asset yields, NIMS and COFS



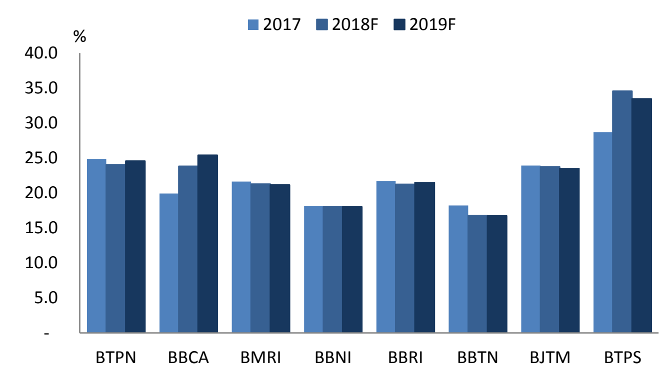
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLS and LLC Ratio



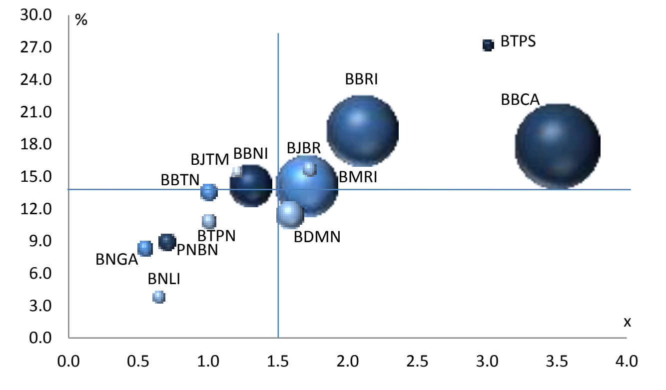
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Capital Adequacy Ratio



Source: Company, Danareksa Sekuritas estimates

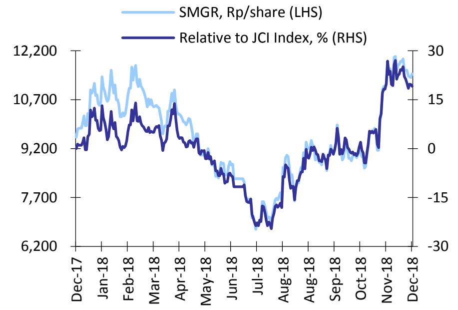
Exhibit 6. PBV and ROAES Matrix



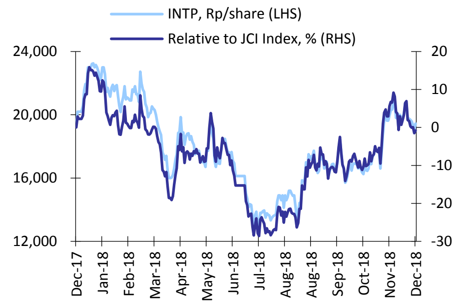
Source: Bloomberg, Danareksa Sekuritas estimates

NEUTRAL
Maintain

SMGR relative to JCI Index



INTP relative to JCI Index



Cement
Wait and see

The cement industry is undergoing consolidation as marked by the acquisition of Holcim Indonesia by SMGR. Post-acquisition, SMGR and INTP will control ~80% of the market. The two companies will also account for ~70% of the total production capacity in the country. We expect the consolidation to create more stable cement selling prices. Nonetheless, the excess capacity of ~32mn tons and the aspirations of Chinese players to obtain market share of ~20% may mean that the sector faces the threat of a price war suddenly breaking out. Given this backdrop, we maintain our Neutral stance on the sector.

The two biggest players now control 70% of the production capacity. Post SMGR's acquisition of an 80.6% stake in Holcim Indonesia (SMCB), there will be only two major cement producers, having ~80% of the cement market share. The production capacity of SMGR and INTP accounts for ~70% of the domestic capacity, while the remainder comes from 12 smaller players. We don't expect the market consolidation to stop in the near future.

Excess capacity still poses a threat. The excess capacity of ~32mn tons is still our main concern on the sector as it may mean that a price war could suddenly break out in the future. Another concern is that the Chinese players have not yet met their target of having ~20% market share due to their failure to acquire Holcim Indonesia which would have provided them with additional 15% market share.

Upward trend in export sales. We acknowledge the uptrend in exports over the past few months. Higher exports can support the revenues of cement producers and minimize idle capacity. The exported cement, including clinkers, reached 5.1mn tons in 11M18, almost double 11M17's 2.6mn tons. The 11M18 exports accounted for 7.5% of total sales volume, higher than 4.1% in 11M17. Meanwhile, domestic consumption of 63.5mn tons as of Nov 18, grew by 4.8%yoy (11M17: 60.6mn tons). The cement association targets cement sales of 74.6mn tons in FY18. Note that the 11M18 sales of 68.6mn tons are 92.0% of the full year target.

We expect 5%yoy growth in ASP in 2019 and 4-5%yoy growth in volume. We expect the ongoing consolidation in the cement industry to lead to more stable cement selling prices. Hence, we expect the ASP to increase by 5.0%yoy in 2019 for both SMGR and INTP. In terms of sales volume, we forecast 4-5%yoy growth in 2019. Given this, we now expect the 2019 revenues to grow by 8.7%yoy for SMGR and by 9.1%yoy for INTP. We have not included SMGR's acquisition of Holcim into our forecast.

Maintain Neutral on the sector. We maintain our Neutral stance on the sector given 32mn tons of idle capacity and the risk of a price war. We have a BUY call on SMGR and a HOLD on INTP. SMGR's EV/ton stands at USD145.8/ton, while INTP's is at USD183.5/ton.

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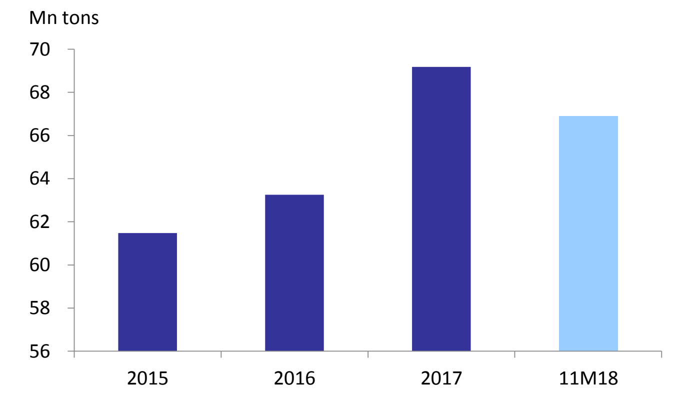
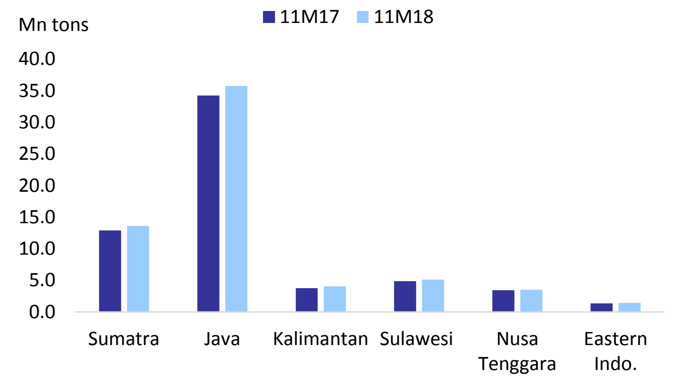
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Semen Indonesia	SMGR IJ	BUY	13,500	68,212.5	23.2	19.7	2.2	2.0	10.8
Indocement	INTP IJ	HOLD	18,700	71,600.0	81.3	63.7	2.9	2.9	4.5

Exhibit 1. Cement sales (incl. export)



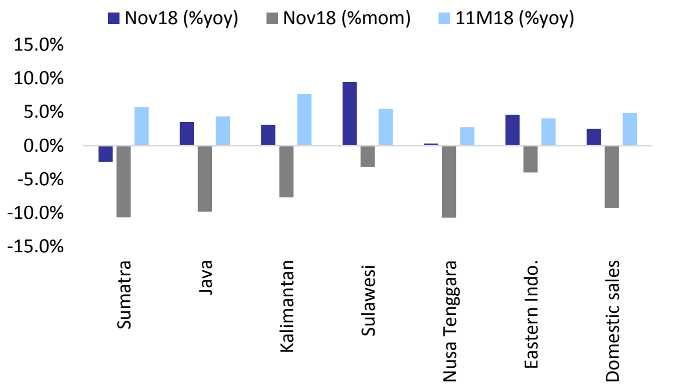
Source: Indonesian Cement Association

Exhibit 2. 11M18 domestic cement sales volume by region



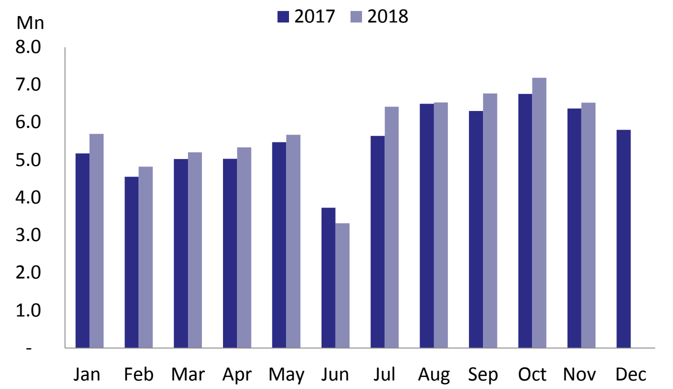
Source: Indonesian Cement Association

Exhibit 3. Domestic cement sales volume growth



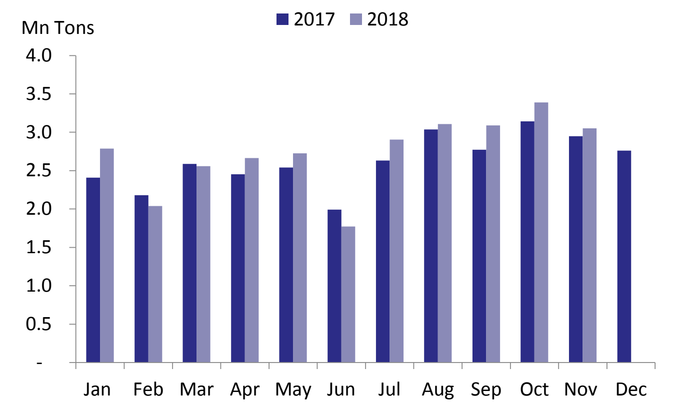
Source: Indonesian Cement Association

Exhibit 4. Domestic monthly cement sales



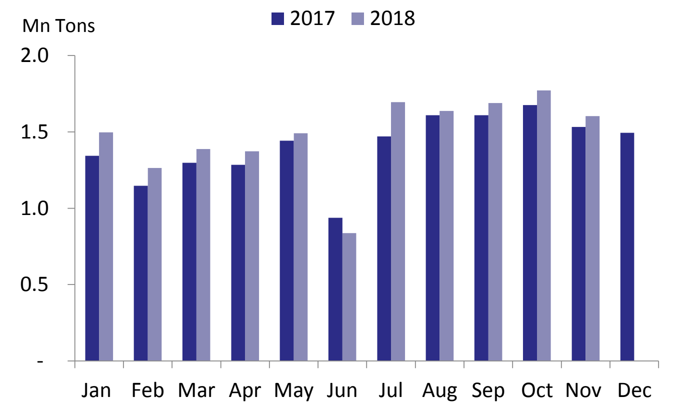
Source: Indonesian Cement Association

Exhibit 5. SMGR monthly cement sales volume



Source: SMGR

Exhibit 6. INTP monthly cement sales volume

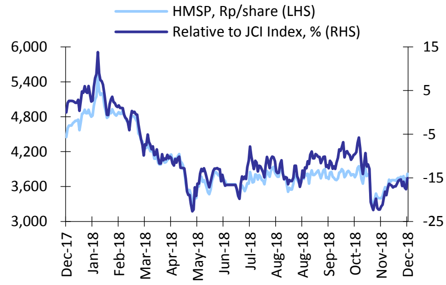


Source: INTP

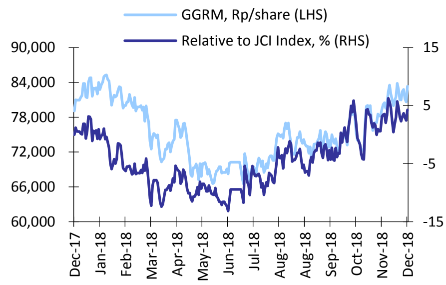
OVERWEIGHT

Maintain

HMSP relative to JCI Index



GGRM relative to JCI Index



Cigarette

Brighter prospects

As the elections approach, the decision not to increase cigarette excise tax will pave the way for strong momentum in cigarette sales volume, as pressure to increase selling prices will ease. Besides this, the continuation of populist government policies translating to higher social aid in the 2019 state budget should help to maintain consumer purchasing power. Given this backdrop, the outlook for cigarette players looks bright. Maintain Overweight.

2019: Take a breather. The government has issued an official regulation on cigarette excise tax (PMK No 156/PMK.010/2018) to reaffirm its decision to maintain the cigarette excise tax in 2019. Other key points are: (1) no further simplification for the excise tax structure in 2019 – previously it had been planned to simplify the excise tax structure to 8 from 10 in 2018; (2) the government also scrapped the regulation that combined the total production of SKM and SPM for the volume threshold of excise tax. This should provide some room for a further improvement in sales volume in 2019.

Positive outlook for 2019. In 3Q18, the domestic cigarette industry started to show an improvement with positive sales volume growth of 1.5% yoy. Both GGRM and HMSP posted better 2018 ytd sales volume. GGRM reported strong 9M18 sales volume growth of 7% yoy, while HMSP's growth was flattish at 0.1% yoy, an improvement from 1H18 (-0.5% yoy) and FY17 (-4% yoy). As such, with a more positive outlook for 2019, we estimate FY19F sales volume growth of 8.1% yoy for GGRM and 2.5% yoy for HMSP.

Expect higher margins. Based on our survey, HMSP increased retail selling prices by an average of 8.1% Ytd in Nov 2018, while GGRM raised prices by an average of 5.1% Ytd in Nov 2018. With the 2018 excise/stick growth ranging from 5.8% yoy (SKT) to 12.6% yoy (SKM), ASP needed to be raised at a similar pace to maintain profitability. Indeed, this was the common practice (exhibit 3-4). However, going into 2019, we expect HMSP and GGRM to implement minimal ASP increases given the absence of excise tax pressure. Therefore, we estimate improved gross margins to 25.6% (HMSP) and 21.9% (GGRM), respectively.

FY19F: 16.9% estimated earnings growth. We estimate that the cigarette sector will book 6.4% yoy top line growth in 2019, mostly supported by solid volume growth. With higher gross margins, we expect the sector to book robust FY19F earnings growth of 16.9% yoy. We expect GGRM to book higher growth of 21.6%, given its greater proportion of mature products with higher margins. For HMSP, we estimate 14% yoy earnings growth.

Maintain overweight, GGRM is our Top pick. Taking into account our new forecast, we maintain GGRM's TP at IDR101,000 – based on DCF valuation, while we maintain our TP on HMSP. Ahead of the elections with higher social aid in the 2019 state budget, stronger purchasing power should positively impact cigarette sales volume. Therefore, we maintain our overweight stance with GGRM as our top pick given its attractive valuation and higher earnings growth on the back of solid expected sales.

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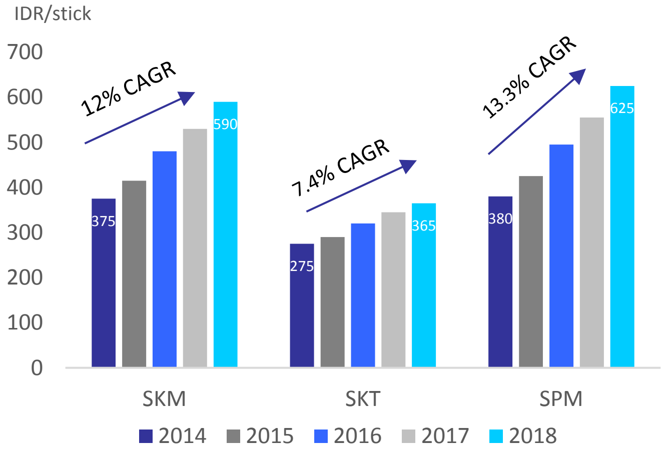
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
HM Sampoerna	HMSP IJ	BUY	4,200	444,335	33.0	28.9	12.6	11.9	42%
Gudang Garam	GGRM IJ	BUY	101,000	160,373	19.2	15.8	3.5	3.1	21%

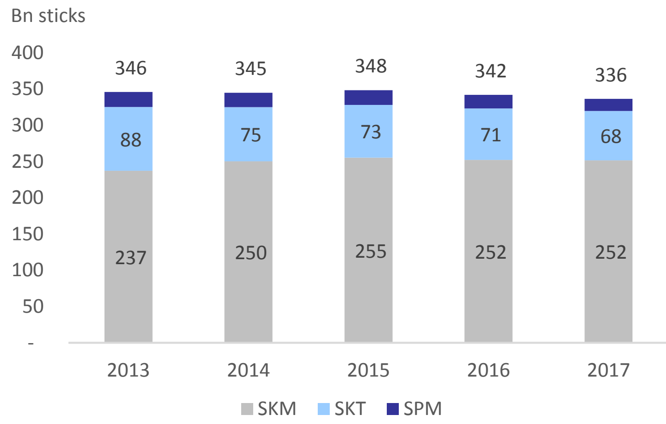
Source: Bloomberg, Danareksa Sekuritas

Exhibit 1. Excise tax/stick and CAGR growth, 2014-18



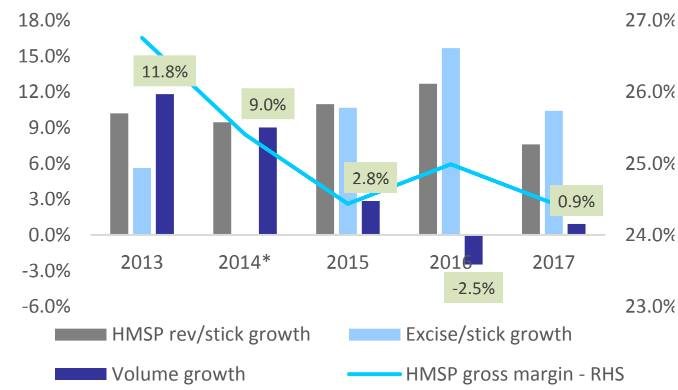
Source: Ministry of Finance

Exhibit 2. Domestic industry sales volume, 2013-17



Source: Custom and Tax, Ministry of Finance

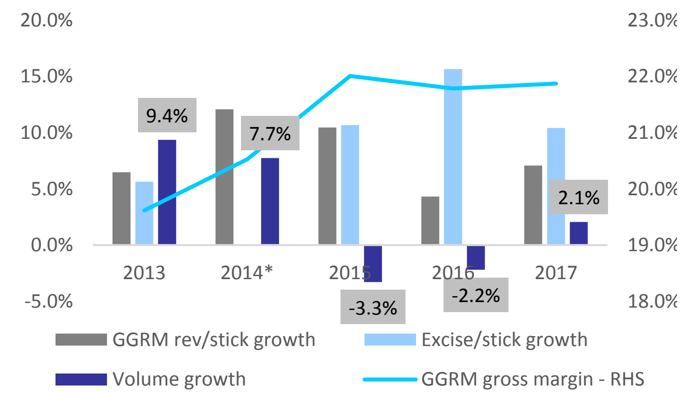
Exhibit 3. Impact of higher excise on HMSP(SKM) volume & margin



Source: Danareksa, Ministry of Finance, company

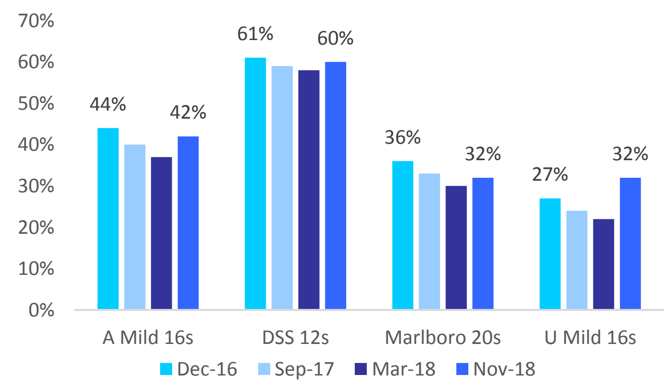
**no excise increase in 2014, but additional 10% regional tax*

Exhibit 4. Impact of higher excise on GGRM (SKM) volume & margin



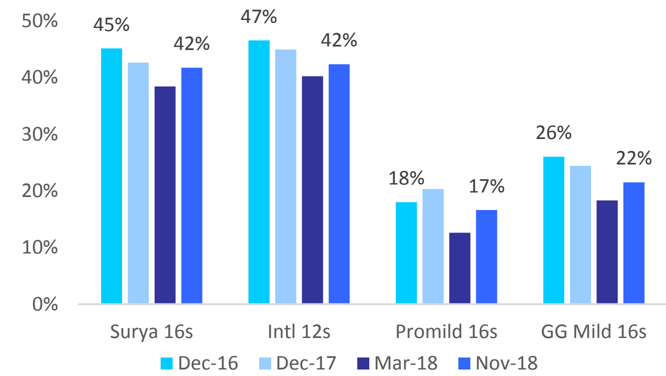
Source: Danareksa, Ministry of Finance, company

Exhibit 5. Improved net revenues margin for HMSP …



Source: Danareksa

Exhibit 6. .. Also for GGRM



Source: Danareksa

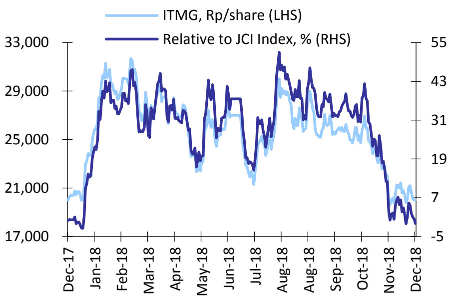
OVERWEIGHT

Maintain

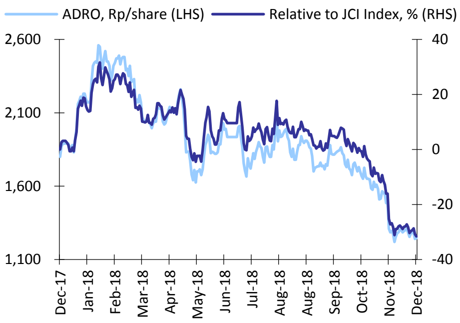
Coal Mining

Higher production to offset price consolidation

ITMG relative to JCI Index



ADRO relative to JCI Index



We expect consolidation in coal prices in 2019 given: a) softening in China's coal imports on higher domestic coal production and government policies, and b) commencement of nuclear power plants in Japan and in South Korea after maintenance works. Nonetheless, solid coal imports by India and ASEAN countries are expected to provide upside potential for coal prices. With the sector is trading at -1SD, we maintain our OVERWEIGHT stance on the sector. Our Top Pick is ITMG IJ. BUY.TP: IDR30,000).

Softening in China's coal imports. We expect China's coal imports to decline in the future given: a) government policies to control pollution by reducing the use of coal and tightening coal imports, and b) higher domestic coal production with the addition of new capacity. Recently, China restricted imports of coal following strong coal imports and adequate stocks of coal. The coal inventory level at six-major power plants in China toward 2018's winter season reportedly stood at a record high of around 17.1mn tonnes with 28 days of burn recently compared to only 10.1mn tonnes and 13 days of burn in the beginning of 2018. Nonetheless, we expect the Chinese government to relax import restrictions owing to high domestic coal prices and the severe winter conditions in the country.

However, India's coal imports are solid and… India's coal imports will remain solid in the near future, increasing by an estimated 1.1% per annum on average in the next two years driven by the continuation of strong industrial production growth. Coal remains as India's primary source of energy and it accounted for about 65% of Indian energy needs in FY17. Moreover, we expect logistical, regulatory and environmental issues to impede domestic coal production even though the country has large coal reserves. As such, the domestic coal production may not be enough to meet demand.

…South East Asian countries to help sustain coal prices. We expect ASEAN countries such as Thailand, Vietnam, Malaysia, the Philippines and Indonesia to support global coal demand growth in the future driven by the development of coal-based power plant projects in the region in order to generate electricity. Although there will be more renewables energy power plants by 2025, we still expect coal-based power plants to supply the bulk of ASEAN countries' energy needs going forward.

Trading at an undemanding -1SD. We expect coal prices to consolidate at USD90/tonne (-10.0% yoy) in 2019 and then decline further to USD85/tonne (-5.6% yoy) in 2020. This will result in lower net profits for the companies under our coverage (-3.7% yoy in 2019 and -2.2% yoy in 2020). The impact of 5.7% yoy higher coal production in 2019 and 6.9% yoy in 2020 will help to cushion further declines in the net profits. The sector is trading at -1SD. Maintain OVERWEIGHT with ITMG as our top pick in the sector owing to its high dividends and lower risk related to the widening gap between low-grade coal and Newcastle coal prices.

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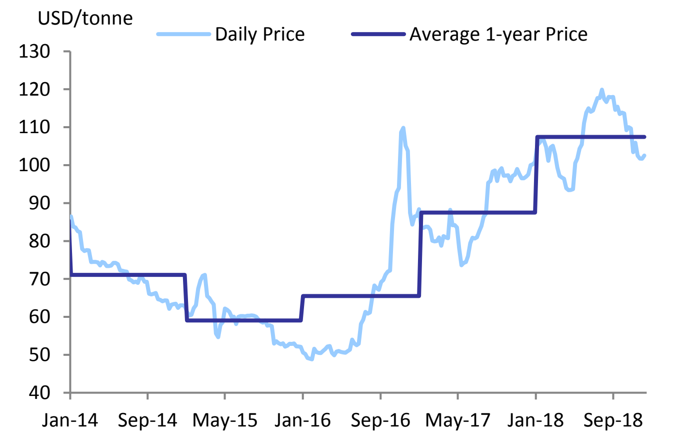
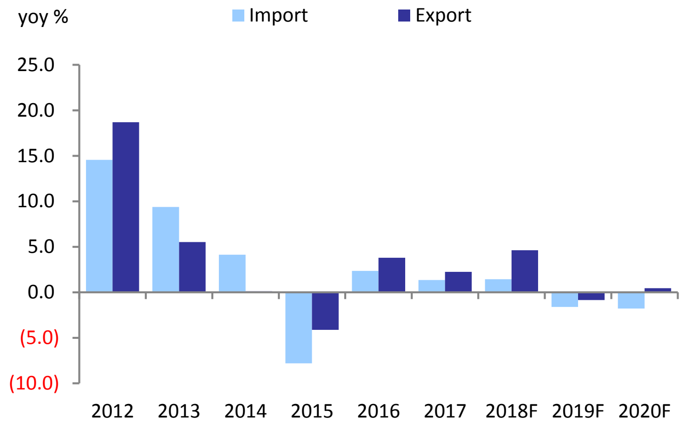
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	2018F	P/E (x) 2019F	2018F	P/BV (x) 2019F	ROE (%) 2019F
Indo Tambangraya	ITMG IJ	BUY	30,000	22,711.5	5.4	5.9	1.6	1.7	27.6
Adaro Energy	ADRO IJ	BUY	2,000	39,822.5	6.2	6.5	0.8	0.7	11.3
Bukit Asam	PTBA IJ	BUY	5,400	45,874.2	8.8	8.5	3.0	2.7	33.2
Harum Energy	HRUM IJ	BUY	2,000	3,947.3	9.0	8.1	0.9	0.9	10.9
United Tractors	UNTR IJ	BUY	43,000	106,868.0	9.2	8.1	2.0	1.7	22.9

Exhibit 1. Coal price



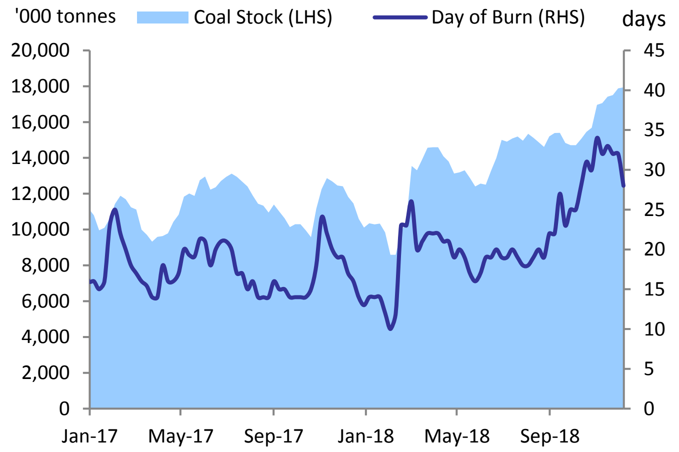
Source: Bloomberg

Exhibit 2. Global coal trading activities



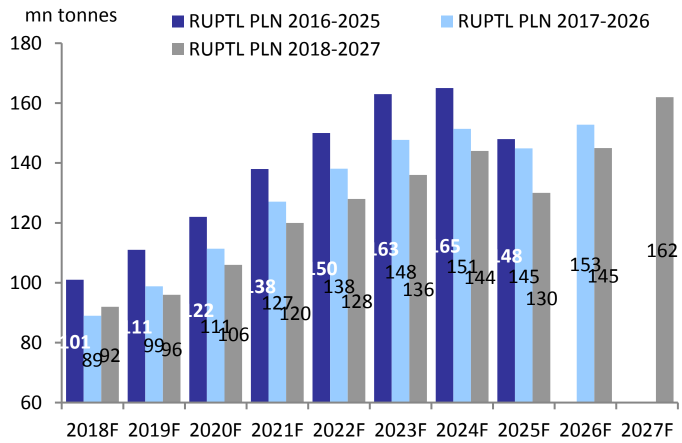
Source: Resources and Energy Quarterly, ABS, IEA, Danareksa Sekuritas

Exhibit 3. Coal stock at six-major power plants in China



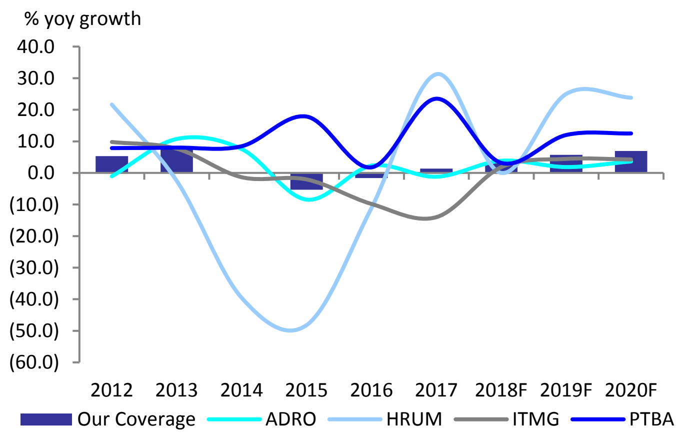
Source: Bloomberg

Exhibit 4. Indonesia's coal requirement for power plant



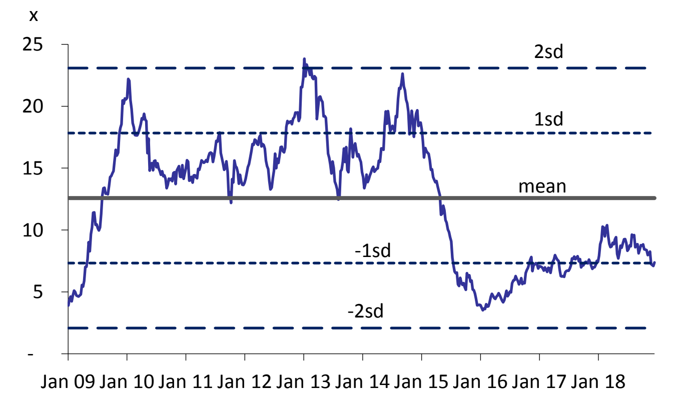
Source: PLN

Exhibit 5. Expect better coal production from Indonesia



Source: Respective companies, Danareksa Sekuritas estimates

Exhibit 6. Coal sector is currently trading at -1SD

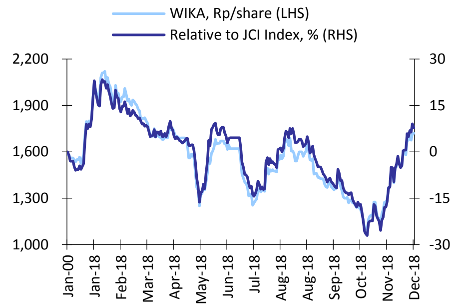


Source: Bloomberg, Danareksa Sekuritas

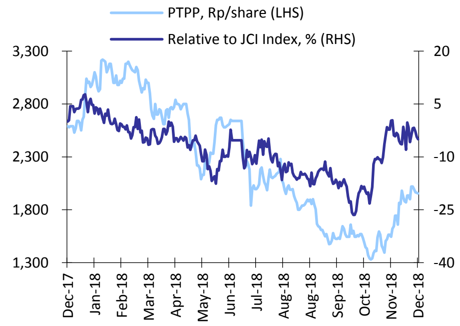
OVERWEIGHT

Maintain

WIKA relative to JCI Index



PTPP relative to JCI Index



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Construction

Construction continues apace

The infrastructure budget in 2019 of IDR415.0tn is only IDR4.3tn higher than 2018's budget, but it is still the highest amount ever allocated. This demonstrates the government's strong commitment toward continuing infrastructure development. The government is in the midst of forming two holding companies.

The 2019 infrastructure budget is slightly higher than 2018's. The government set the infrastructure budget for 2019 at IDR415.0tn, or slightly higher than the IDR410.7tn allocated for 2018 (+1.0%yoy). Compared to 2014's budget of IDR154.7tn, the amount has steadily increased each year. The 2019 budget is the highest amount ever allocated for infrastructure development.

The government is in the midst of forming two holding companies. The formation of the two holding companies is expected to bring about greater bargaining power in the supply chain, business, and financing by creating synergy within the group. The housing holding company will be under Perumnas as the holding company, while the infrastructure holding company will be under Hutama Karya. Both holding companies have a similar time line with the transfer of ownership and the consolidation of the businesses and financial reports set to take place in the period 2018-2019.

Perumnas and Hutama Karya as the holding companies. Both Perumnas and Hutama Karya are fully owned by the government. The four SOE contractors we cover are divided into both holding companies: PTPP and WIKA will be placed under Perumnas, while ADHI and WSKT (along with JSMR) will be under Hutama Karya. The government - as the current owner of those companies - will transfer its ownership to Perumnas and Hutama Karya as the holding companies. As such, they will need to conduct an EGM concerning the change to their status.

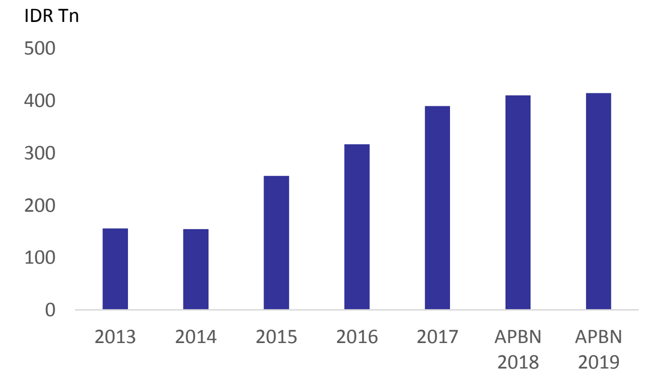
Four SOE contractor subsidiaries are scheduled to conduct an IPO in 2019. They are: Wijaya Karya Realty, Wijaya Karya Industri Konstruksi, both subsidiaries of WIKA, as well as two subsidiaries of ADHI: Adhi Persada Gedung (APG) and Adhi Commuter Properti (ACP). Each company will offer 30% to 35% free float in their IPO. Meanwhile, PTPP has decided to postpone the IPOs for its subsidiaries, PP Energy and PP Infrastructure, setting no schedule.

The SOE subsidiary IPOs might need approval from parliament. The government plans to revise Law (UU) no.19/2003 regarding SOE. Under the draft of the revised law, any divestment including IPOs of SOE subsidiaries must seek approval from parliament. We believe the IPOs of SOE subsidiaries may be seen as contradicting the aim of establishing holding companies which is to mitigate risks from the prolonged process of fund raising through equity actions.

Our top pick is WIKA. As 2019 is an election year, we anticipate that all SOE contractors will book soft new contracts in 1H19. However, the realization of carry over contracts will support revenues. WIKA's estimated earnings growth of 33.5%yoy in 2019 is the highest among the 4 SOE contractors under our coverage.

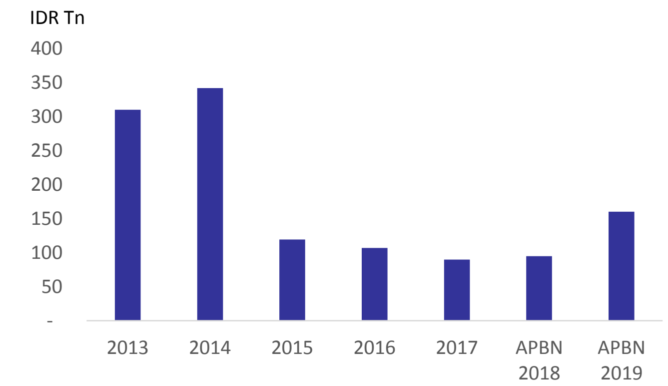
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Wijaya Karya	WIKA IJ	BUY	2,200	15,428.3	9.2	6.9	1.1	1.0	15.0
Pembangunan Perumahan	PTPP IJ	BUY	2,700	12,120.8	8.3	6.6	0.9	0.8	13.4
Adhi Karya	ADHI IJ	BUY	2,150	5,857.6	7.8	6.4	0.8	0.7	11.6
Waskita Karya	WSKT IJ	BUY	2,400	24,365.2	5.0	6.4	1.3	1.2	19.5
Wika Beton	WTON IJ	BUY	600	3,185.2	7.5	6.5	1.1	0.9	15.5
Waskita Beton	WSBP IJ	BUY	480	9,414.1	9.0	8.9	1.2	1.2	13.4

Exhibit 1. Infrastructure budget



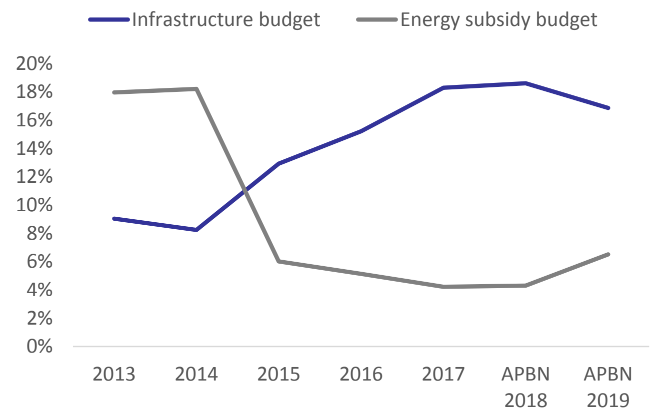
Source: Ministry of Finance

Exhibit 2. Subsidy budget



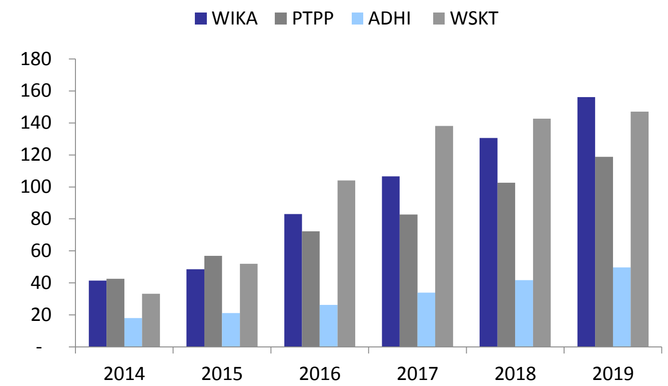
Source: Ministry of Finance

Exhibit 3. Infrastructure and subsidy budget to state budget



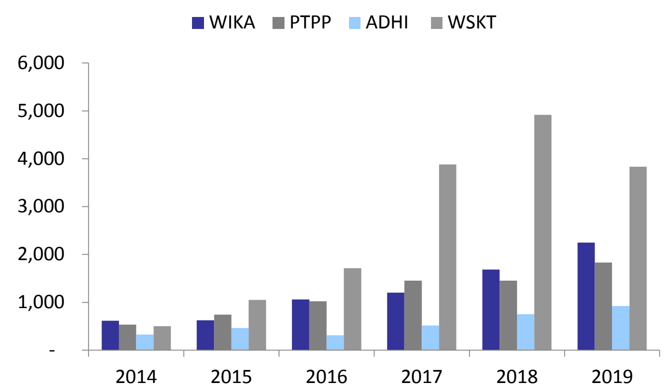
Source: Ministry of Finance

Exhibit 4. Order Book



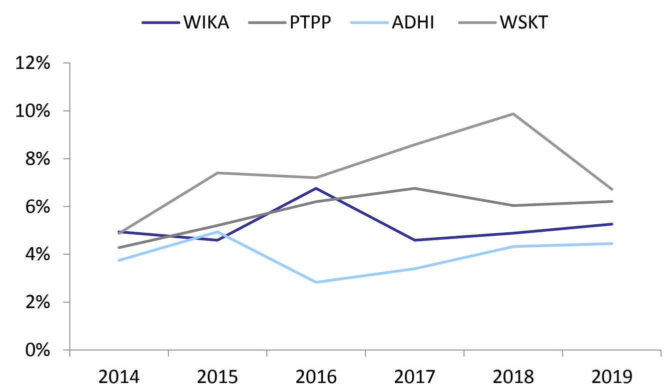
Source: Respective companies, Danareksa Sekuritas estimates

Exhibit 5. Net profits



Source: Respective companies, Danareksa Sekuritas estimates

Exhibit 6. Net margins



Source: Respective companies, Danareksa Sekuritas

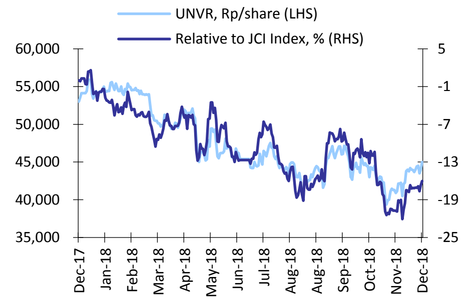
Consumer

To receive an elections boost

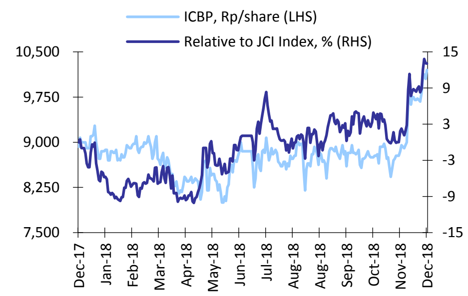
NEUTRAL

Maintain

UNVR relative to JCI Index



ICBP relative to JCI Index



We believe the consumer sector stands to benefit the most in 2019 from stronger expected domestic demand ahead of 2019's presidential elections. Soft commodity prices and a stable currency will also provide upside for our 2019 earnings estimates. However, with limited upside to our TPs, we Maintain our Neutral call on the sector.

Government policies to sustain domestic demand. Over the past 4 years, the government has distributed a total of IDR187tn of village funds. These funds have supported infrastructure development and encouraged economic activities. Combined with social aid including non-cash subsidies on food and rice (BPNT), education and health, income per capita has increased in rural areas and the poverty rate has declined. Many populist government policies have supported household consumption growth which reached 5-5.1% in 2Q-3Q18 amid manageable inflation of 2.88% yoy in September 2018. For 2019, the government will increase the 2019 social fund budget by 33% yoy to IDR387.3tn. Specifically, the budget for the Indonesia Conditional Cash Transfer Programme (Program Keluarga Harapan – PKH) soared 98% yoy to IDR34.3tn, with the budget for food vouchers up 54% yoy. Village funds, which are used to support development in rural areas, are up by 17% yoy to IDR70tn.

Signs of improvement in the sector. Within our coverage, we see signs of improvement with strong 3Q18 noodles sales and dairy volume and positive growth of 1.5% yoy in cigarette sales in the same period. Among the listed consumer companies under our coverage, many improvements and efficiencies have been made to sustain revenues and earnings growth amid increasing competition. Data from other sectors also shows stronger buying power, namely: higher domestic car sales volume (10M18: +7.1% yoy) and higher cement sales (10M18: +5.1% yoy).

Expect a better 4Q18, continuing into 2019. In the last two presidential elections, consumer companies recorded brisker growth in the 4 quarters before the election quarter. In 2018, the improvement began in 2Q18 followed by higher growth in 3Q18. And in 4Q18, we estimate double-digit growth of 10.6% yoy in consumer sector revenues. For 2019, we estimate top line growth for the sector of 8.1% yoy, higher than FY18F's growth of 7.1% yoy. We also expect consumer sector margins to be maintained, a lower oil price, soft commodity prices and a stable currency, which, we believe, should benefit consumer companies in 2019. We estimate FY19F earnings growth of 8.3%yoy.

Our Top Pick is INDF. We continue to like INDF for its attractive valuation and as a proxy to ICBP. Among the small caps with less liquidity, we continue to like SIDO on potentially higher revenues from additional capacity.

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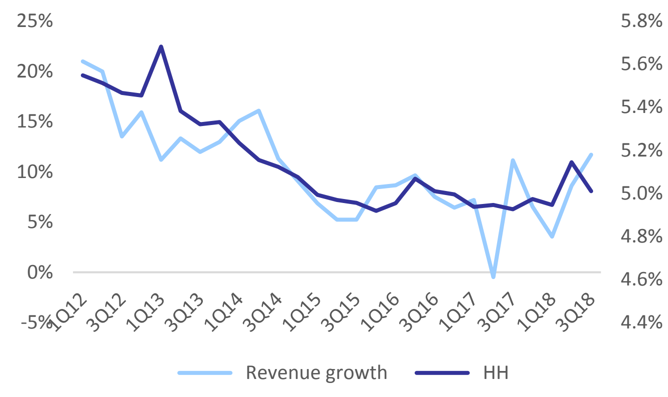
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Unilever Indonesia	UNVR IJ	SELL	38,900	338,580	38.4	47.5	46.9	46.7	98.5%
Indofood CBP	ICBP IJ	HOLD	11,000	101,170	28.5	26.6	5.4	4.9	19.4%
Kalbe Farma	KLBF IJ	HOLD	1,400	59,770	28.4	26.9	4.7	4.3	16.7%
Mayora Indah	MYOR IJ	HOLD	2,730	59,030	37.2	34.0	7.1	6.2	19.4%
Indofood Sukses	INDF IJ	BUY	8,200	49,390	16.6	15.0	1.9	1.8	12.5%
Kimia Farma	KAEF IJ	SELL	2,310	13,830	41.9	34.6	5.4	4.8	14.6%
Sido Muncul	SIDO IJ	BUY	1,000	12,080	17.8	15.1	4.0	3.8	25.8%
Kino Indonesia	KINO IJ	HOLD	2,800	2,570	28.9	23.6	1.9	1.8	7.9%

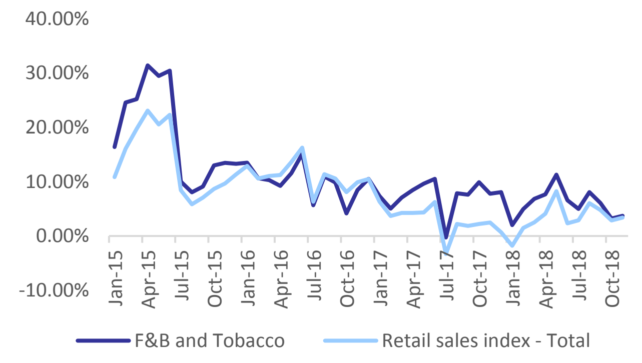
Source: Bloomberg, Danareksa estimates

Exhibit 1. Revenues and Household consumption (yoy growth)



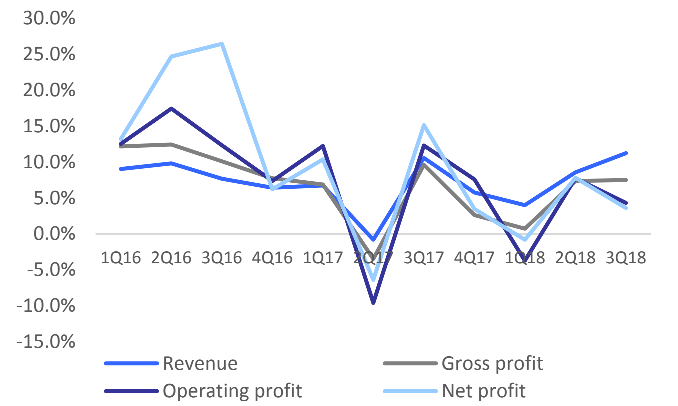
Source: BPS, Danareksa Sekuritas

Exhibit 2. Retail Sales Index -F&B/Tobacco & Total (yoy growth)



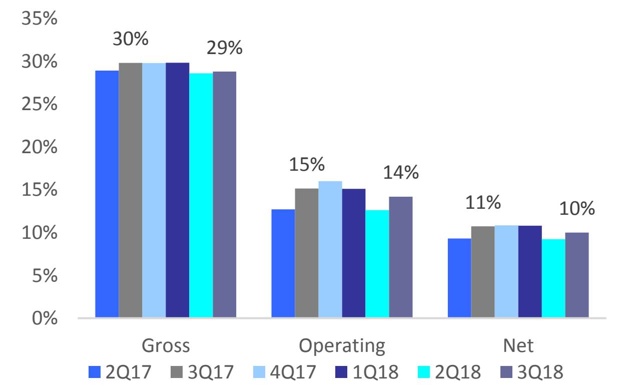
Source: Bank Indonesia

Exhibit 3. Sector quarterly growth yoy (%)



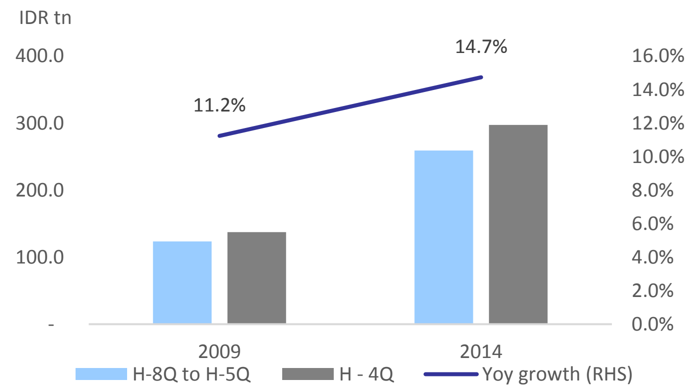
Source: Company

Exhibit 4. Sector quarterly margins (%)



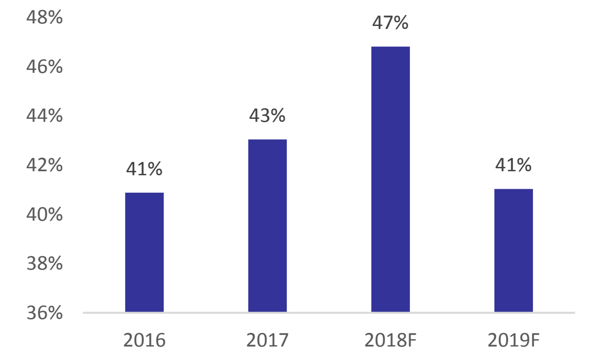
Source: Company

Exhibit 5. Revenue growth – 4Q before presidential election



Source: Company, Danareksa

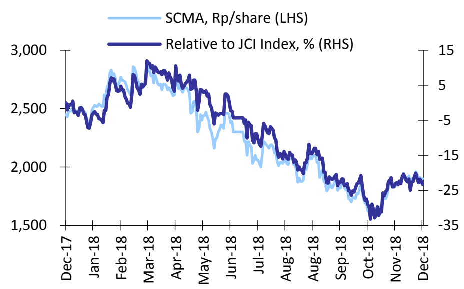
Exhibit 6. Sector Gearing ratio (%)



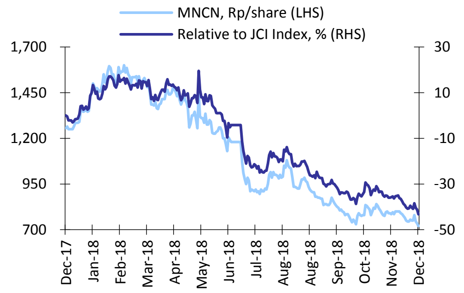
Source: Company, Danareksa Sekuritas estimates

OVERWEIGHT
Maintain

SCMA relative to JCI Index



MNCN relative to JCI Index



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Media

Boost from populist policies and the digital market

We are positive on the outlook for the media sector in 2019 given: 1) FTA TV ad spending will improve in 2019 driven by local FMCG and internet companies due to populist policies, 2) content cost efficiencies which can drive better margins and profitability, and 3) sound plans to tap the digital industry.

Ad spend to grow in 2019. FTA TV ad spending is expected to improve in 2019, thanks to higher consumption growth in 2019. This should be supported by higher fiscal subsidies in 2019. Hence, local FMCG companies will record higher revenues and ad spending growth in 2018 for the companies under our coverage, assuming cost efficiency strategies are still implemented. We believe FMCG companies will seek to expand further, particularly by launching new products. We also expect that digital companies will also raise adex in 2019. We believe TV dominancy in the adverting industry persists with nearly 80% market share despite an increase in digital ads.

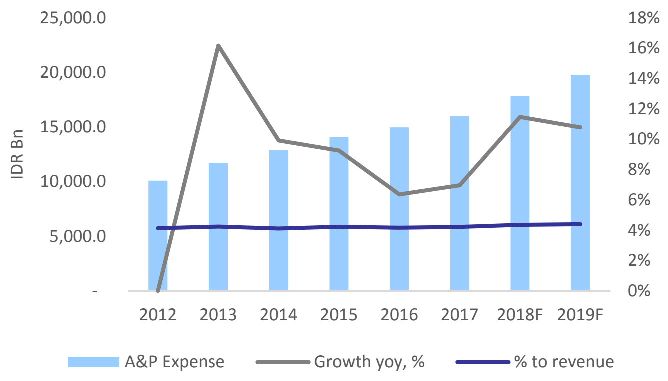
SCMA and MNCN to maintain their leading audience share positions; higher revenues growth in 2019. SCMA and MNCN can be expected to maintain their large-scale advantage during the demand upturn in 2019 despite stiffer competition. We expect SCMA to maintain its audience share at 30-31% in 2018-19F. MNCN will also come up with a strategy to adjust content programs to better meet viewers' preferences. We forecast aggregate revenues growth in 2018 of +6.15% yoy for SCMA and MNCN, taking into account: 1) better expected SCTV and IVM revenues growth in 2019 due to improvements in social assistance and 2) expected additional content revenues for MNCN 3) new revenue streams in SCMA's new digital business supported by its parent company.

Adjusting to digital entertainment expansion. Both SCMA and MNCN are planning to tap digital entertainment markets this year, seeking more growth. SCMA plans to acquire KLY and Vidio.com, expecting a revenues contribution of 35-40% to the topline when mature in around 3 years. MNCN will focus on monetizing its local content library by selling it to various video drama streaming and Over the Top (OTT) platforms. We estimate slightly better gross and EBITDA margins in 2019 due to cost normalization, which will translate into better earnings delivery. With capex intensity likely to be modest, we expect SCMA to maintain its net cash and MNCN to have stable net gearing going forward.

SCMA – Cheap valuation with solid fundamentals. We pick SCMA as our top pick in the media industry given its cheap valuation, net cash position, sound digital expansion, stronger estimated revenues growth and improving profitability in 2018, followed by MNCN. The risks to our call include: 1) audience share stagnating or worsening, 2) lower margins due to higher content and operating costs, 3) headwinds from the election period and 4) weakening of the USD/IDR.

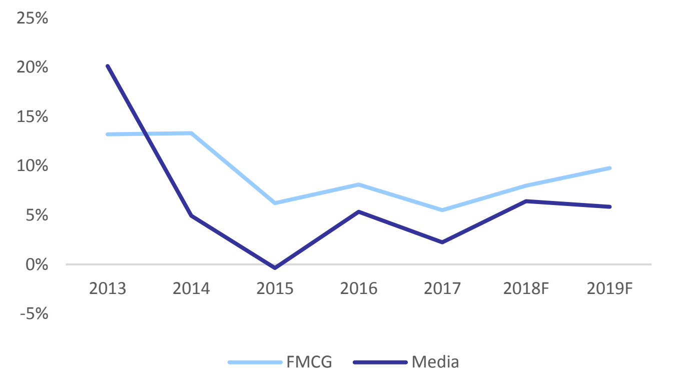
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Surya Citra Media	SCMA IJ	BUY	2,350	27,269.3	16.9	15.2	5.9	5.1	35.9
MNCN	MNCN IJ	BUY	1,450	11,906.3	8.6	6.2	1.2	1.1	18.3

Exhibit 1. FMCG and Cigarrette Ad Spending



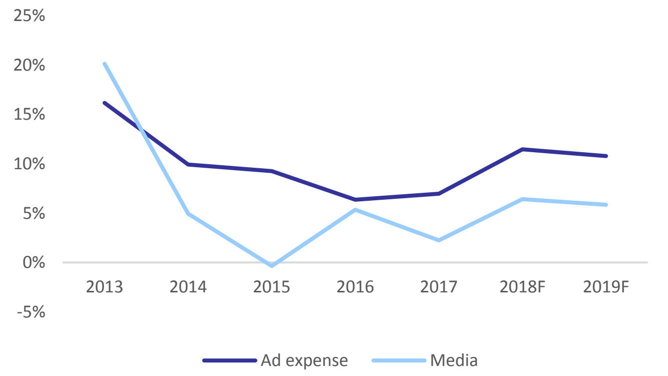
Source: JPFA Survey in West Java

Exhibit 2. FMCG & Media Sector Revenue Growth



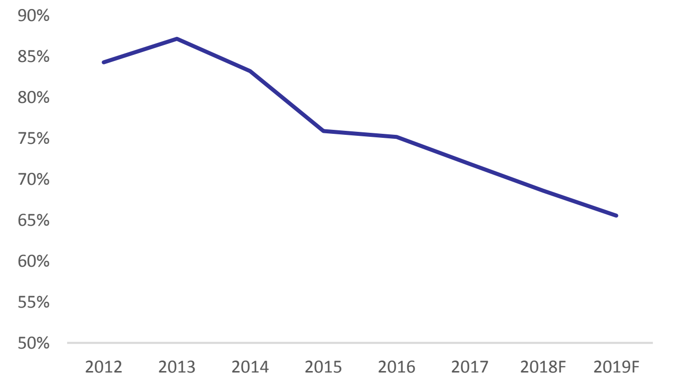
Source: JFPA Survey in West Java

Exhibit 3. Ad spending growth & media sector growth



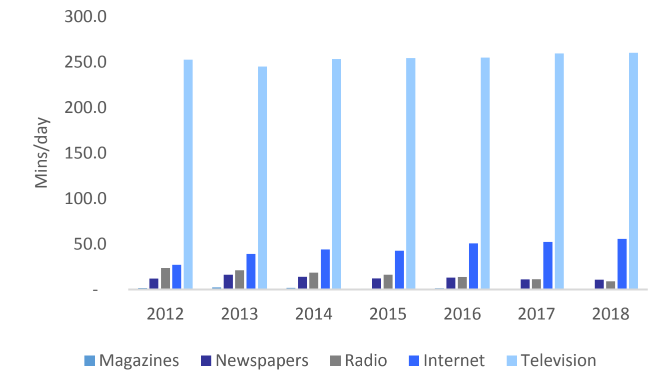
Source: Company, Danareksa Sekuritas Estimates

Exhibit 4. Media Revenue/FMCG Ad expense



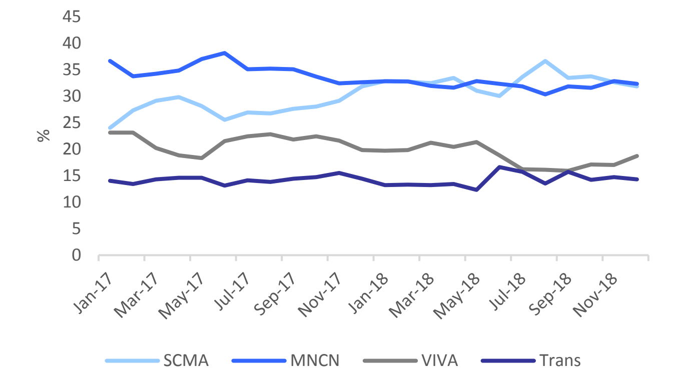
Source: Company, Danareksa Sekuritas Estimates

Exhibit 5. Daily Time spent with media in Indonesia



Source: Statista

Exhibit 6. All Time Audience Shares, %



Source: Company, Danareksa Sekuritas Estimates

OVERWEIGHT

Maintain

Metal Mining

Overhang from trade tensions

While the recent truce between the US and China on trade has created better sentiment on nickel and tin prices, we believe that trade tensions will remain a concern for China in 2019. In turn, this may lead to a slowdown in nickel and tin demand. Nonetheless, lower nickel inventory and long-term demand for electric vehicles (EV) will cushion against the negative impact from trade war tensions, in our view. Our top pick: Vale Indonesia (INCO).

NICKEL: Trade wars weakened nickel prices in 2H18. In 1H18, the nickel price increased to its highest level in a year of USD15,688/tonne in June 2018 thanks to strong stainless steel production. Based on data from ISSF, global stainless steel (SS) production climbed 13.3% yoy to 26mn tonnes in 1H18. Nonetheless, the escalation of trade wars which would dampen the demand for refined tin from China (the world's largest refined tin consumer) pushed down the nickel price to around USD11,000/tonne currently.

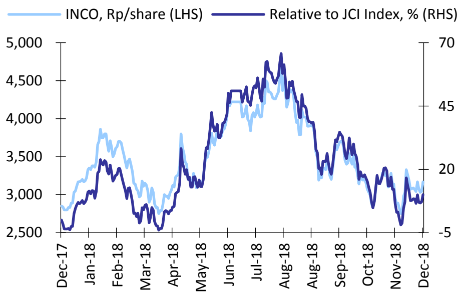
Lower inventory and long-term demand to support nickel prices in 2019. While trade war tensions between the China and USA have subsided, we think that uncertainty will still affect nickel demand in China, which, in turn, will put pressure on the nickel price. However, with the combined LME and SHFE nickel inventory falling further by 56.1% from its highest level to 224,205 tonnes (which represents 5.4 weeks vs. 13.0 weeks when the inventory level reached a high in 2016) and given increasing long-term demand for the production of electric vehicles (EV), we expect better nickel prices of USD13,500/tonne for 2019 (2018F: USD13,250) and USD14,500/tonne for 2020.

TIN: More refined tin supply. Strengthening of the US Dollar relative to the rupiah has encouraged refined tin producers in Indonesia to increase their production. Hence, we expect more refined tin production from Indonesia in 2019. With regulatory issues resolved in 2Q18, there were strong exports of refined tin from Indonesia from May to Sep 2018. Indonesia's refined tin export volume rose slightly by 0.5% yoy in 11M18. Moreover, additional supply of tin concentrate from African countries such as Congo and Nigeria will put further pressure on refined tin prices.

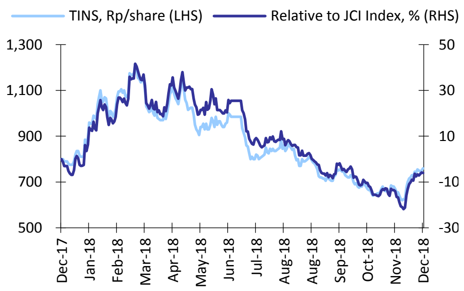
Tin prices may stagnate in 2019. Uncertainty arising from the threat of trade wars between China and the USA in 2019 as well as concerns regarding a slowdown in economic growth in China are expected to negatively impact China's electronics sector. In turn, this may dampen the demand for refined tin. The recent decline in industrial production in China's electronics sector - for example washing machines (-9.1% yoy), refrigerators (-18.7% yoy) and mobile telephones (-11.6% yoy) - was reflected in weak demand for solder. As such, with strong supply and muted demand, we foresee a lackluster outlook for global refined tin, with the refined tin price stagnating at around USD20,000/tonne in 2019 (2018F: USD20,000/tonne).

Top Picks: INCO. In our metal-mining universe, we prefer nickel commodity plays given the declining total inventory at LME and SHFE (-45.6% ytd) and the long-term prospects supported by demand from EV. Our top pick in the sector is Vale Indonesia (INCO IJ.BUY.TP: IDR4,700)

INCO relative to JCI Index



TINS relative to JCI Index



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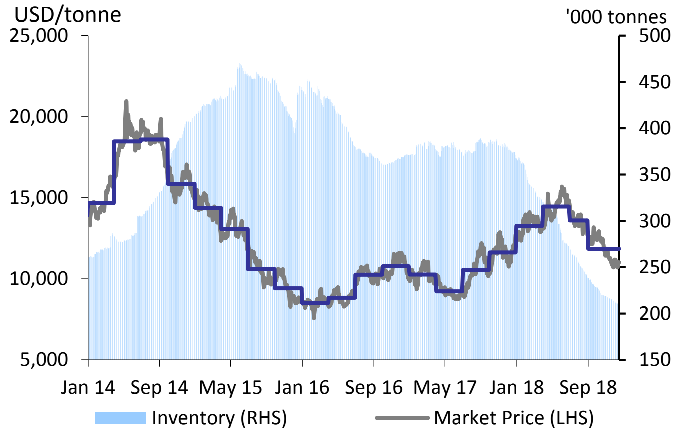
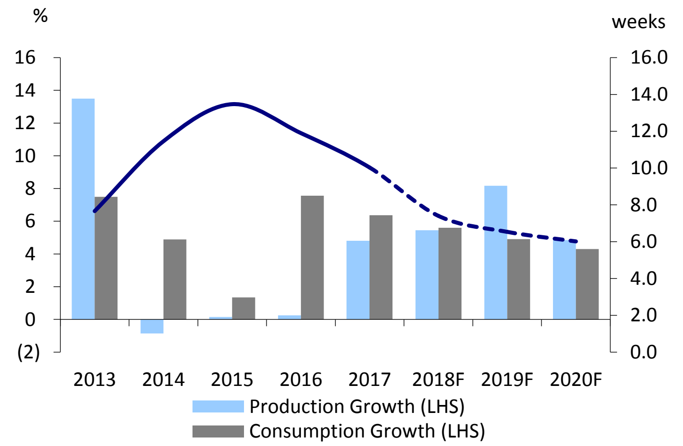
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Vale	INCO IJ	BUY	4,700	31,498.2	29.5	22.6	1.2	1.1	5.0
Timah	TINS IJ	BUY	900	5,660.3	13.5	13.1	0.9	0.9	6.7
Aneka Tambang	ANTM IJ	BUY	1,000	18,263.4	25.8	23.3	1.0	0.9	4.0

Exhibit 1. Nickel price



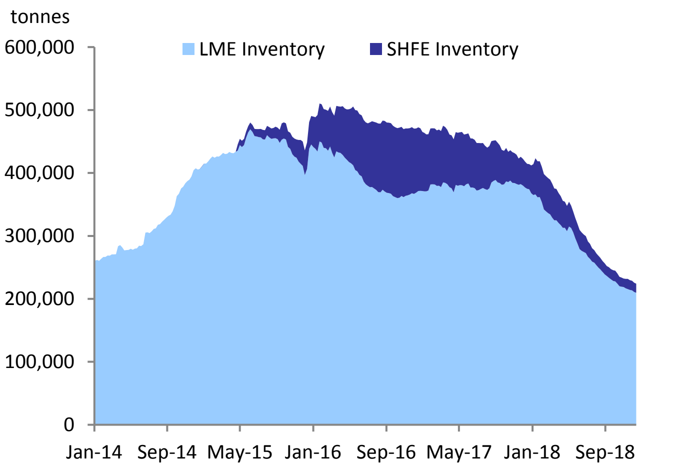
Source: Bloomberg

Exhibit 2. Global refined nickel market balance



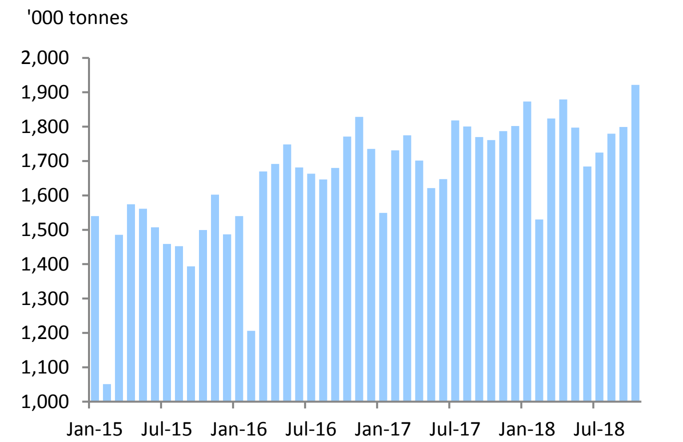
Source: Resources and Energy Quarterly, ABS, IEA, Danareksa Sekuritas

Exhibit 3. Combined nickel inventory level



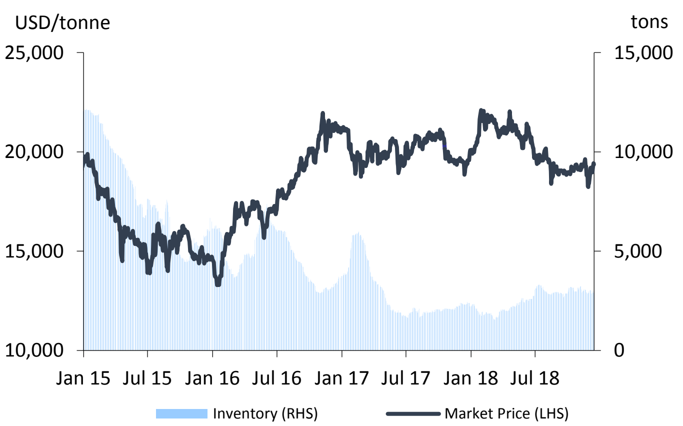
Source: Bloomberg

Exhibit 4. China's nickel based stainless steel production



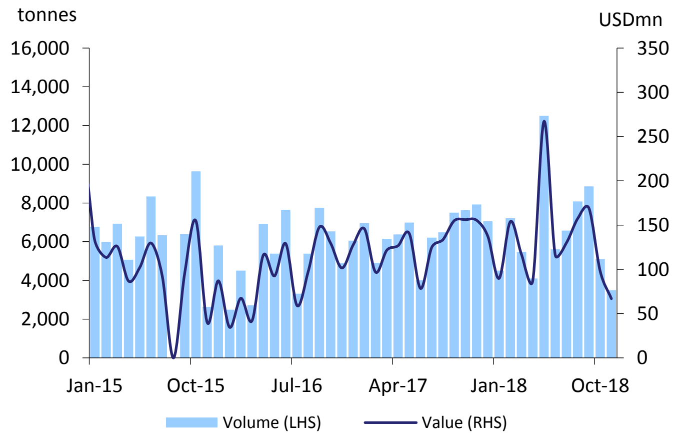
Source: Antaike, Bloomberg

Exhibit 5. Tin price



Source: Bloomberg

Exhibit 6. Refined tin exports from Indonesia



Source: Bloomberg, Indonesia's Ministry of Trade

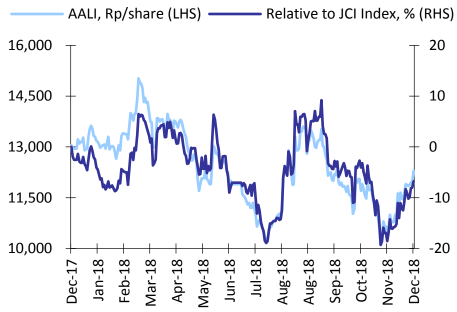
Plantation

OVERWEIGHT

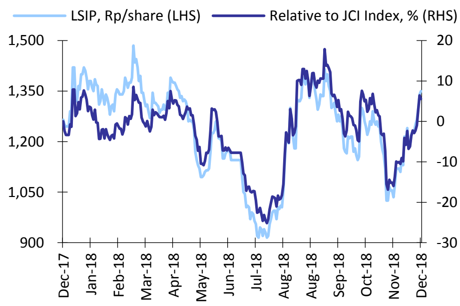
Maintain

Time for a re-rating

AALI relative to JCI Index



LSIP relative to JCI Index



We maintain our OVERWEIGHT recommendation on the plantation sector given a more positive sector outlook for FY19. We expect demand growth to prevail over supply, mainly driven by the B20 program, higher palm oil imports by China as a result of the ongoing US-China trade war and higher Indian palm oil demand on expectations of reduced edible oil import tariffs post the general election. We assume a CPO price of MYR2,550/ton in FY19 (vs. MYR2,300/ton in FY18).

Stronger demand growth over supply. We are more upbeat on the plantation sector outlook in FY19 as we expect stronger demand growth over supply. Based on OilWorld estimates, global palm oil supply is expected to reach 74.4mn tons in FY19 (+4.3% yoy), mostly from growth in Indonesia due to its younger plantation age profile and rise in mature area while Malaysia's palm oil output will grow at a slower pace on declining CPO yields and more aging plantations profile. Meanwhile, OilWorld expects global demand to reach 74.5mn tons in FY19 (+8.6% yoy) driven by higher biodiesel demand in Indonesia and an improved outlook for Indian palm oil imports. Based on the latest projections, the palm oil stock-to-use ratio is estimated to fall to 18.7% in FY19 from 20.4% in FY18.

Full implementation of B20 remains the key driver. We believe that the full implementation of B20 will be positive for CPO demand and prices, if properly executed. Despite the recent fall in crude oil prices and the government's temporary CPO export levy waiver, we believe that the Indonesia Estate Crop Fund will have enough funds to support the B20 program at least in FY19. We estimate that there are over USD1bn of leftover funds. We estimate additional potential CPO demand of 3.0mn KL (2.6mn tons of CPO or ~4% of global CPO output) from tapping into the non-PSO segment. However, we only forecast additional CPO demand of 2.0mn KL (1.7mn tons) in FY19.

US-China trade war; an opportunity for palm oil. We expect China to increase its palm oil imports in FY19. We see palm oil benefitting from the ongoing US-China trade war, as China is likely to seek alternative edible oils as a result of the lost US soy imports due to the 25% tariffs on US soybeans. In fact, China has turned to both Malaysia and Indonesia to boost its palm oil purchases. We estimate that around 38.0mn tons of US soybeans or 7.0mn tons of soyoil are at risk.

Indian palm oil imports to rebound. We believe palm oil demand will also get support from higher Indian palm oil imports, despite the aggressive hike in India palm oil imports duty. We think India's move to raise import duty is mainly political in nature in view of the upcoming general election in April or May 19. We suspect that the Indian government is likely to lower the edible oil import tariffs post the elections, hence giving a boost to palm oil demand.

Maintain OVERWEIGHT. We maintain our OVERWEIGHT call on the plantation sector on a brighter sector outlook, with LSIP as our top pick given its clean balance sheet, cheap valuation and good stock liquidity. We assume a CPO price of MYR2,550/ton in FY19 (vs. MYR2,300/ton in FY18).

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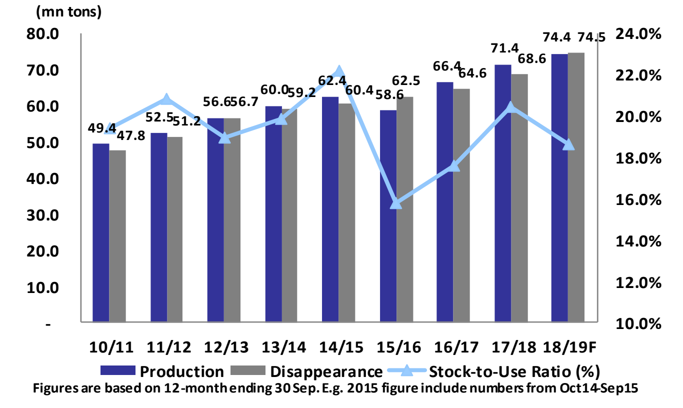
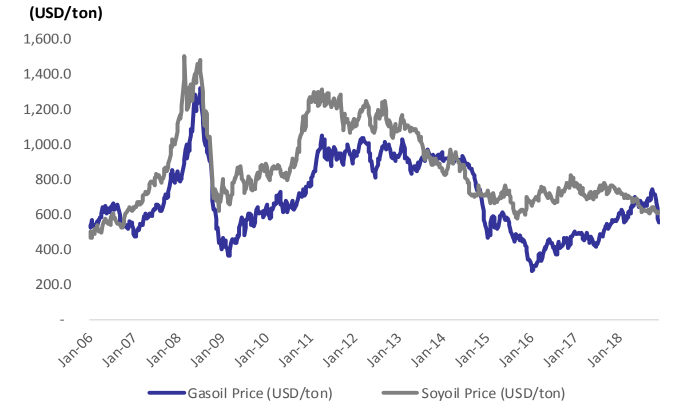
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Astra Agro Lestari	AALI IJ	BUY	16,500	25,983.3	17.3	13.9	1.4	1.3	9.5
London Sumatra	LSIP IJ	BUY	2,000	9,513.8	13.9	11.8	1.1	1.1	9.2
Sampoerna Agro	SGRO IJ	BUY	3,000	4,164.6	16.3	10.5	1.0	0.9	9.4

Exhibit 1. Global palm oil supply & demand



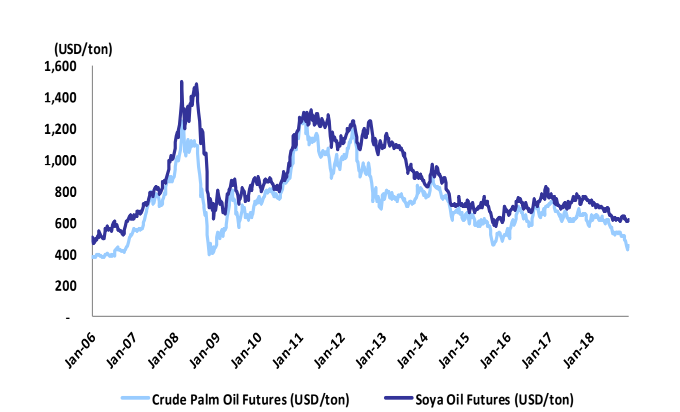
Source: OilWorld

Exhibit 2. Gasoil-CPO price spread



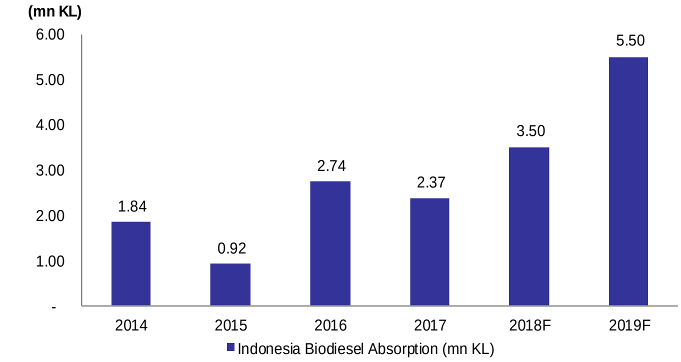
Source: Bloomberg

Exhibit 3. Soyoil-CPO price spread



Source: Bloomberg

Exhibit 4. Indonesia domestic biodiesel forecast



Source: Indonesia Estate Crop Fund, Various News, Danareksa Sekuritas

Exhibit 5. Plantation PE band chart

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Plantation EV/HA band chart

Source: Company, Danareksa Sekuritas estimates

OVERWEIGHT

Maintain

Property

Positive sentiment play

We believe that the share prices of property companies are likely to rally ahead of their fundamentals, given the more dovish outlook. We foresee a pick-up in demand only in 2H19, after the presidential elections are completed. Maintain our OVERWEIGHT call with BSDE as our top pick.

Positive sentiment to drive property share prices up. We think property share prices are likely to move ahead of their fundamentals, following changes in sentiment from the outlook for interest rates and the USD/IDR exchange rate as well as government policies towards the sector. With the FED becoming more dovish, stating that benchmark interest rates are nearing a “neutral” level, we believe that BI rate hikes may be fewer than expected in the future. This will trigger fund flows into emerging markets such as Indonesia, easing pressure on currencies and interest rates. Our analysis suggests that property share prices tend to rise when the IDR strengthens and vice-versa, with a moderate correlation of -0.34.

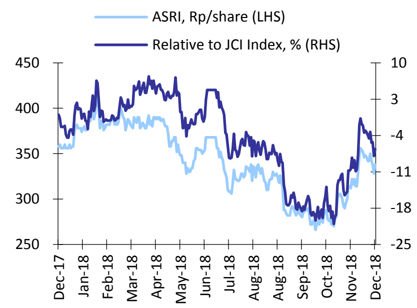
Attractive valuations. Despite the recent run-up in property share prices, we think the valuation on the sector is still attractive, trading at a 72% discount to NAV, vs. the mean level of a 64% discount to NAV. Undemanding valuations coupled with IDR strengthening and the expectation of fewer rate hikes to come could present more upside for property share prices.

Ending FY18 with more marketing sales misses. Despite the decent 9M18 marketing sales, we estimate overall FY18 marketing sales for the companies under our coverage to fall slightly short of the initial targets. Among the companies, ASRI is likely to exceed its target helped by strong take-up from Lloyd low-rise apartments. We expect BSDE’s marketing sales to remain in-line, with the company focusing on selling existing products and relying more on commercial land plot sales. However, we now see risks on the numbers from CTRA, SMRA and PWON. We expect aggregate marketing sales to reach IDR24.1tn (+3.9% yoy), reaching 95% of our FY18 target, almost in-line.

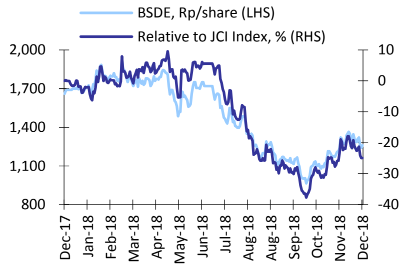
Stronger demand expected in 2H19. We believe property demand is likely to remain soft in 1H19 as buyers are likely to hold off purchases until the presidential elections are completed. We envisage the prospect for a turnaround in property demand in 2H19 once the elections overhang has been removed. Based on discussions with listed developers, we learnt that they expect further weakness in property demand in 4Q18 due to both political and macro-related uncertainty and, hence, would prefer to remain selective in their product launchings until after the elections. Collectively, we expect aggregate marketing sales to grow to IDR25.1tn (+4.2% yoy) in FY19.

Maintain OVERWEIGHT. We maintain our overweight call on the sector as we believe that share prices are likely to rally ahead of their fundamentals, given the more dovish outlook on US interest rates, which should in turn support the IDR and ease pressure on BI to hike interest rates. We should see demand improve in 2H19 post the presidential elections. BSDE is our top pick mostly due to valuation reason and being the most laggard, followed by SMRA, CTRA, PWON and ASRI. Although PWON has the strongest fundamental, we think its valuation is rather stretch.

ASRI relative to JCI Index



BSDE relative to JCI Index



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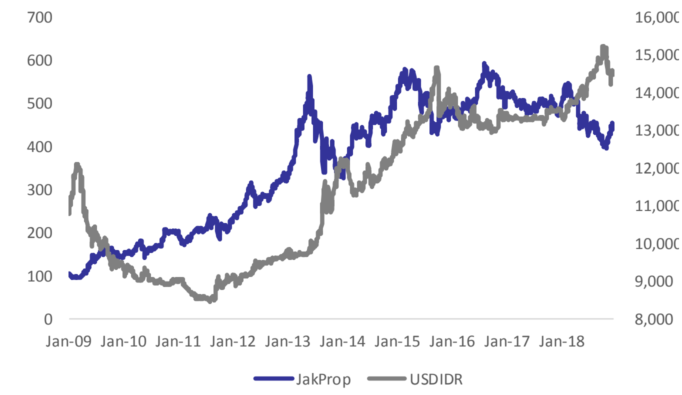
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Alam Sutra	ASRI IJ	HOLD	330	7,427.5	5.5	5.1	0.8	0.7	14.3
Bumi Serpong Damai	BSDE IJ	BUY	1,580	31,275.9	16.5	16.2	1.2	1.1	6.9
Ciputra Development	CTRA IJ	BUY	1,180	22,550.8	21.1	20.0	1.6	1.5	7.5
Pakuwon Jati	PWON IJ	BUY	680	29,618.2	12.7	12.0	2.4	2.0	18.3
Summarecon Agung	SMRA IJ	BUY	980	12,912.0	37.5	39.8	1.9	1.8	4.6

Exhibit 1. Jakprop index vs USDIDR



Source: Bloomberg

Exhibit 2. Jakprop index vs Interest rate

Source: Bloomberg

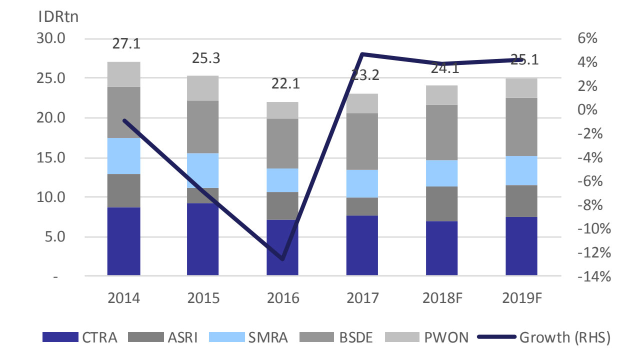
Exhibit 3. FY18 Presales Forecast

FY18F Marketing Sales Performance Summary (IDRtn)						
	12M18F	FY18 Company Target	% Achievement	Comment	12M17	% YoY)
CTRA	6.91	7.72	90%	BELOW	7.64	-9.5%
ASRI	4.48	4.00	112%	ABOVE	2.21	102.4%
SMRA	3.34	4.00	84%	BELOW	3.56	-6.1%
BSDE	7.02	7.20	97%	IN-LINE	7.23	-3.0%
PWON	2.31	2.50	92%	BELOW	2.51	-7.9%
Total	**24.06**	**25.42**	**95%**	**IN-LINE**	**23.15**	3.9%

Note that we give +/- 5% in evaluating the marketing sales achievement

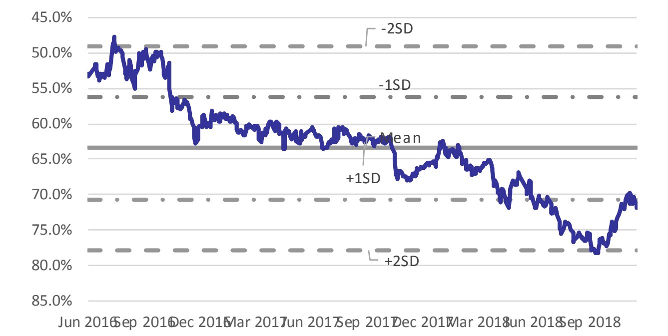
Source: Danareksa Sekuritas Estimate, Company

Exhibit 4. FY19 presales outlook



Source: OilWorld

Exhibit 5. Property sector NAV band

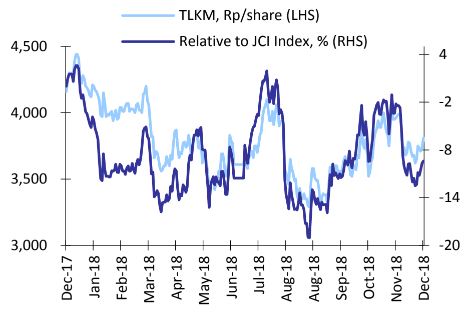


Source: Bloomberg

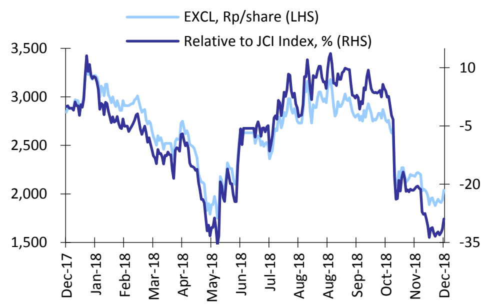
OVERWEIGHT

Maintain

TLKM relative to JCI Index



EXCL relative to JCI Index



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Telecommunication

Seeking to restore growth in 2019

Telcos are allocating more resources to 4G, with the contenders seeking larger ex-Java coverage. These two factors feed into greater volumes but unavoidably exert pressure on data yields. The urgency to restore growth in 2019 and greater discipline to rationalize prices should prevail, we believe, holding up yields with signs of an inflection seen in 3Q18. Maintain OVERWEIGHT.

Accelerated subscriber growth/migration to data and higher usage in 2019. EXCL's data services generated 64% of total revenues (73% of service revenues) whereas ISAT's Data contributed 42% of its total revenues (53% of its cellular revenues) in 3Q18 whereas Telkom's cellular data was 54% of TSEL's topline (34% for the group). BTS installations are still skewed to 3G but BTS additions are now mostly 4G. This raises the prospect of stronger growth in 2019, as we expect 4G to spur consumption.

Prospective ex-Java markets to maintain growth in volumes. The incumbent's presence in ex-Java areas has paved the way for data services, attracting the contenders to ride on that footprint. The contenders are increasing focus in ex-Java, looking to benefit from rising internet penetration as users still make relatively heavy use of voice services. We think this dynamic will gain strength and offer contender telcos new growth pockets. Contenders though might be spreading their network a bit too thin but this risk should apply to all.

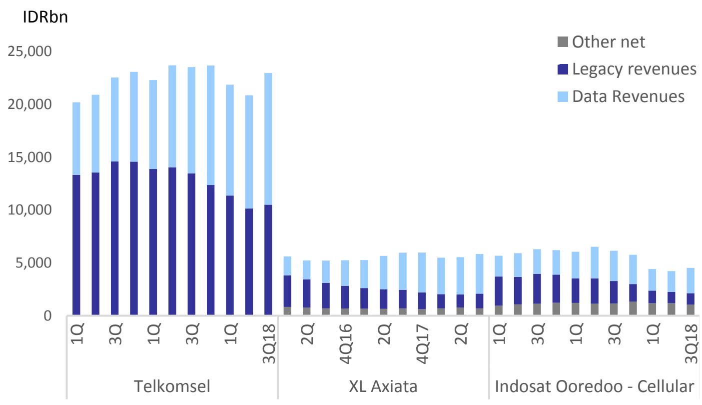
Looking to turnaround in 2019. Realized yields hit the bottom in 2018 owing largely to the fallout from the sim reregistration process in 2017-18. Expansion of network coverage and 4G technology unavoidably puts pressures on data yields, thus requiring greater discipline from telcos to rationalize pricing and prevent data yields from trending down. Given the poor earnings in 2018, there is greater urgency to shore up yields and restore growth.

CAPEX allocations for 4G getting larger – the medium term catalyst. Many data package offerings by telcos are geared for 4G data consumption since using 4G is more efficient than previous technologies for data. The faster transition to 4G will imply less reliance on costlier 2G and 3G technologies and help to lift margins as we settle towards 4G. Increased investments in 4G and fiber optic networks work towards this end. In Dec 18 Opensignal claimed improvements in 4G availability and overall speed albeit marginal. TSEL as the frontrunner with the best network together with peers will have another reason to increase prices as utility for users increases. Also in medium term, volume growth rates will moderate as penetration increases which should provide another reason to increase prices to maintain growth.

Maintain OVERWEIGHT on the sector: Telco stocks have been undervalued on concerns for data revenues and yield exacerbated during sim reregistration. 4G technology and ex-Java expansion offer room for recovery and growth in 2019. We still like Telkom for its diversified sources of growth and since its legacy services handicap is bound to decline. ISAT, by comparison, is aiming for a turnaround, with elevated capex spending the key catalyst. EXCL has plenty of potential going forward with limited downside risks and is our top pick in the sector.

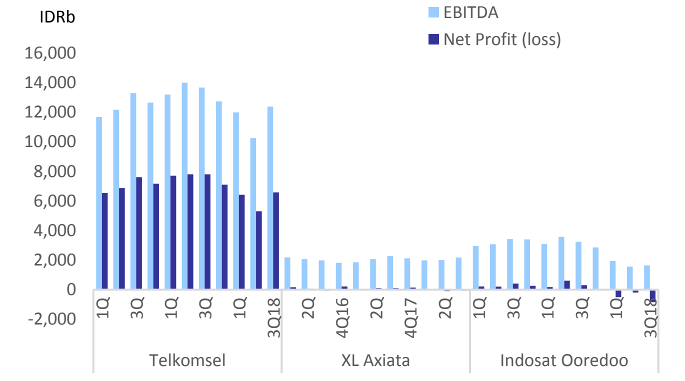
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Telkom	TLKM IJ	BUY	4,300	384,048	18.2	15.9	3.5	3.2	23.4
XL Axiata	EXCL IJ	BUY	3,800	21,803	1,856.5	37.0	1.0	1.0	2.7
Indosat Ooredoo	ISAT IJ	BUY	3,100	9,428	n/m	n/m	0.8	0.5	(8.8)

Exhibit 1. Quarterly revenue & breakdown data vs. legacy



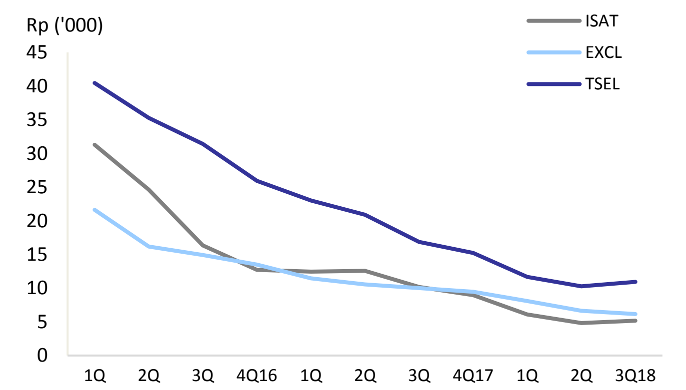
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Quarterly EBITDA & Net Profit/Loss



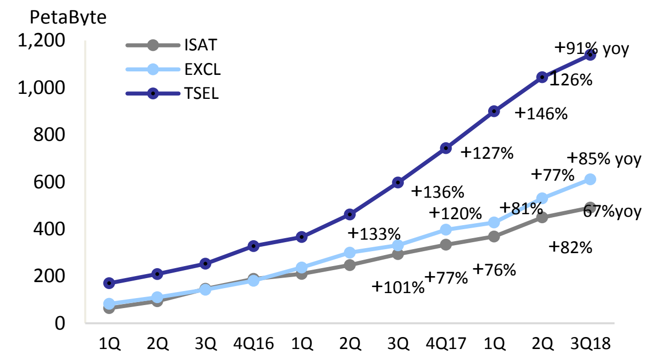
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Realized data yields



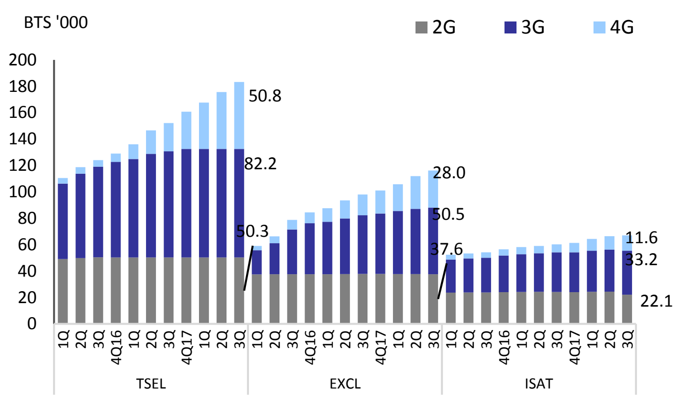
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Data Traffic



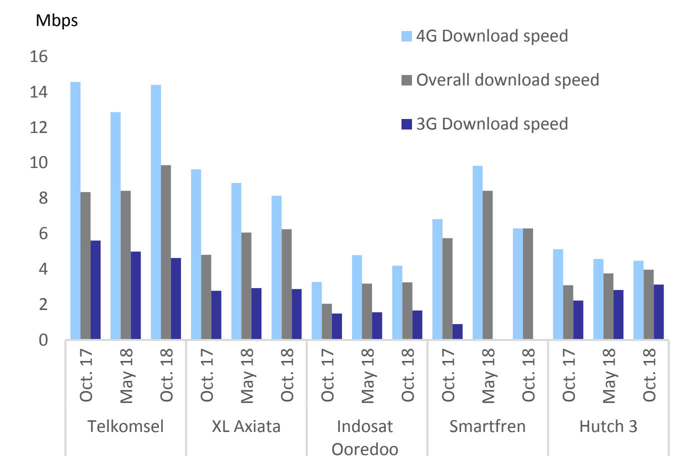
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. BTS evolution



Source: Company

Exhibit 6. Internet download speed



Source: Opensignal

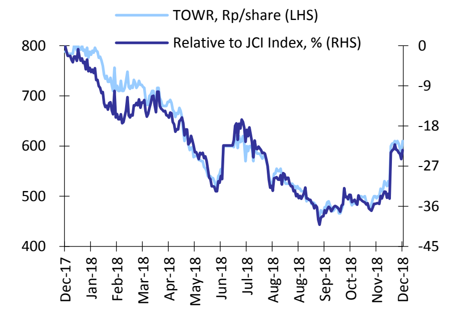
Towers

2019 business volume boost from 4G

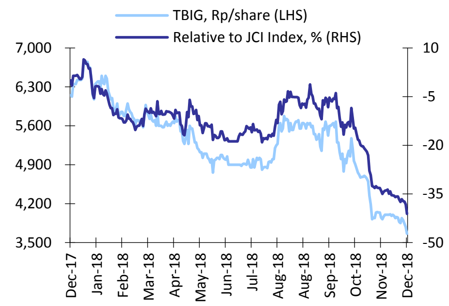
OVERWEIGHT

Maintain

TOWR relative to JCI Index



TBIG relative to JCI Index



Users continue to migrate to 4G, as telcos continue to roll out 4G while penetrating ex-Java. This should feed to robust tower & infra demand as 4G requires network densification and towers are essential in this process to provide new coverage. Pricing pressures and consolidation trends are expected to continue. We prefer tower-companies with scale and financial might.

Underlying trends to impact demand for infra. CISCO says Indonesia's per capita IP data traffic will grow from 2GB in 2016 to 11GB/month by 2021, driven by usage for on-demand HD (Ultra) video, streaming, gaming and online devices that need to be mobile. Demand for new towers and fiber will be fuelled by network densification due to stronger cell signal needs to deliver seamless data to smartphone users. Surging data traffic and densification create more needs for backhaul which is treated with larger bandwidth in wireless antenna or cable/fiber. Telcos may opt for more fiber connections between tower sites and core mobile network due to ample capacity and 5G future requirements.

What telcos are doing. This year is a stepping stone for 4G, with more users shifting from 2G/3G to 4G. TSEL is going full throttle to bring subs to data and 4G. EXCL is strategically following TSEL's footprint in ex-Java areas. ISAT and Hutch 3 with new spectrum have increased their focus on ex-Java too. ISAT has reiterated its USD2bn mid-term plans to enlarge its network almost two-fold with 4G. Hutch 3 is back with renewed interest to deploy reportedly 8,000 new 4G BTS in 2019. FREN goes to the market determined to fully utilize valuable spectrum for its only network in 4G. The downside risks lie in: a) BOLT switching off its BWA network, b) tower-companies making price concessions for new orders and telcos threatening to move tenancies, and c) the implications from ongoing KPK investigations.

Targeting Ex-Java where internet penetration is low. Internet penetration is lagging in ex-Java based on BPS statistics, and as local economies get stronger data consumption is bound to go up. EXCL is strategically following TSEL's footprint by collocating at TSEL hotspots, and taking advantage of the fast rollout (only 2-3 weeks for collocation). These hotspots nurture data adoption and we think ISAT, Hutch 3 and FREN will also attempt to benefit from this.

Market dynamics favor those with financial might. Tower orders have gained steam but uncertainty in how tower prices develop has impacted tower-company valuations. EBITDA margin pressures for telcos can be alleviated with discounts in tower leases or even tower disposals. Indosat can achieve both by disposing of up to ~8,500 towers to a tower-company negotiating favorable lease terms while obtaining liquidity to finance its capex plans.

Tower-company consolidation likely to continue. In 2018 bigger tower-companies continued to absorb smaller players. KIN Komet (1,369 towers) is now controlled by TOWR; Gihon (GHON:IJ) (491 towers) and PT Visi (GOLD:IJ) (~300 towers) are now controlled by TBIG. Hence negotiating power over telcos may have more leverage with fewer alternatives for telcos. TOWR and TBIG generate net profits while the 3rd largest tower-company SUPR is often in the red, which leads us to conclude that more consolidation will follow. We prefer big players as they are in a better position to carry on organic and inorganic growth on a large scale.

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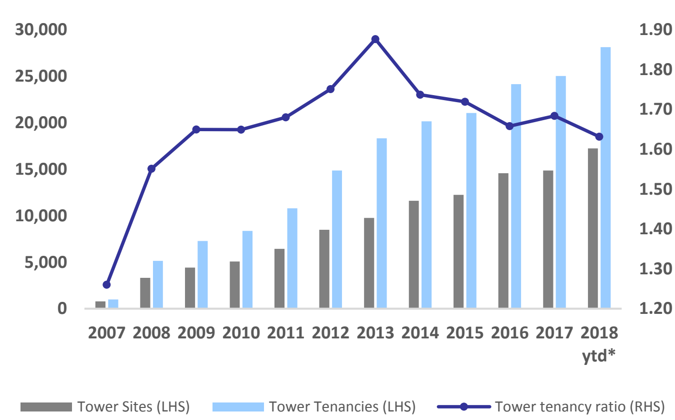
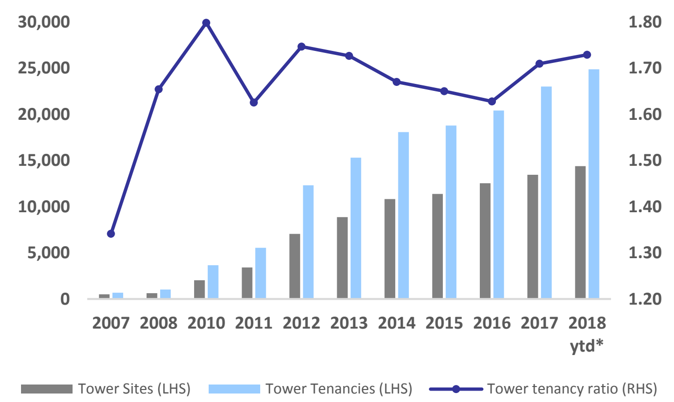
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x) 2018F	P/E (x) 2019F	P/BV (x) 2018F	P/BV (x) 2019F	ROE (%) 2019F
Sarana Menara Nusanatara	TOWR IJ	BUY	810	31,119	13.6	11.9	3.8	3.3	29.6
Tower Bersama	TBIG IJ	BUY	4,500	15,964	17.8	14.9	5.7	4.9	35.4

Exhibit 1. TOWR tower and tenancy evolution



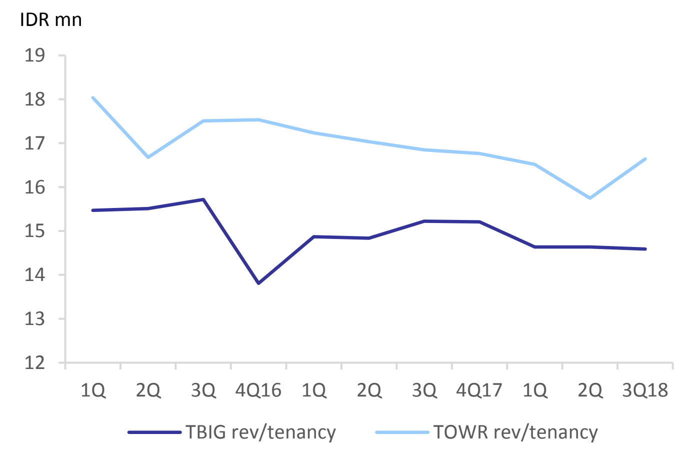
Source: Company

Exhibit 2. TBIG tower and tenancy evolution



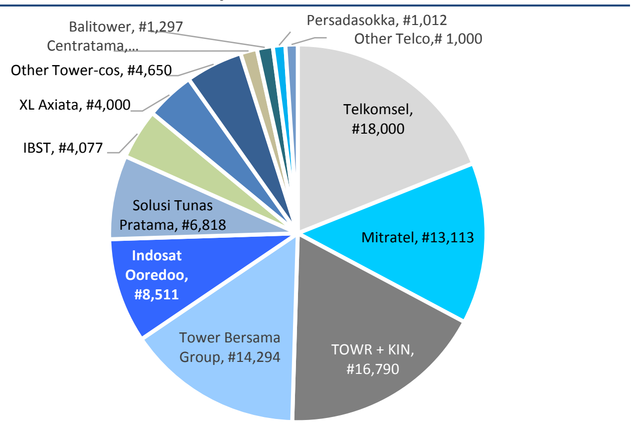
Source: Company

Exhibit 3. Revenue per tenancy



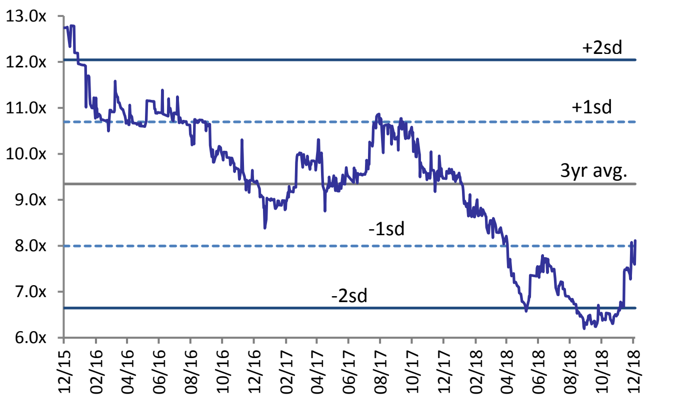
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Tower ownership



Source: TowerExchange, Tower-Cos disclosures, Danareksa estimates

Exhibit 5. Forward EV/EBITDA band TOWR



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Forward EV/EBITDA band TBIG

Source: Bloomberg, Danareksa Sekuritas estimates

Company Outlook

(in alphabetical order)

Adaro Energy (ADRO IJ)

Diversification to support long-term earnings

BUY

Maintain

Last price (IDR)	1,245
Target Price (IDR)	**2,000**
Upside/Downside	**+60.6%**
Previous Target Price (IDR)	*2,500*

Stock Statistics

Sector	Coal Mining
Bloomberg Ticker	ADRO IJ
No of Shrs (mn)	31,986
Mkt. Cap (IDRbn/USDmn)	39,823/2,758
Avg. daily T/O (IDRbn/USDmn)	104.3/7.2

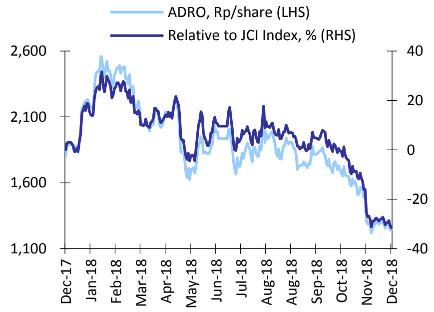
Major shareholders (%)

Adaro Strat. Inv.	43.9
Estimated Free Float	42.9

EPS Consensus (USDcents)

	2018F	2019F	2020F
Danareksa	1.4	1.3	1.3
Consensus	1.4	1.4	1.5
Danareksa/Cons (%)	(0.9)	(5.4)	(14.5)

ADRO relative to JCI Index



Although the widening coal price gap between Newcastle and low-CV coal will impact the ASP of Adaro Energy (ADRO), we expect the Kestrel acquisition and the higher contribution from the coking coal of Adaro Met Coal (AMC) to cushion against a further decline in 2019 earnings. In the long-run, the diversification into power plants and coking coal will help to sustain earnings. Maintain BUY with a TP of IDR2,000 (based on DCF with WACC of 10.2%).

Widening of the coal price gap between NWC and low-CV coal to impact ASP. The tepid demand for coal on China's coal import restrictions and adequate inventory levels were reflected in the widening discount over low-CV coal from Indonesia with coal quality of 5,000 and 4,200 kcal/kg. The discount widened to 32.6% and 54.1% recently from only 20.6% and 36.9% in the beginning of 2018. While this will adversely impact ADRO's ASP for 5,000 and 4,200 kcal/kg coal, ADRO's superior products under Envirocoal brands and a higher contribution from coking coal will help to limit the impact of the wider discount.

Expect ADRO to maintain coal production in 2019. Although the company has not provided guidance for coal production in 2019, we expect the company to maintain coal production at a level similar to that in 2018. We assume coal production of 55mn tonnes in 2019 (+1.9% yoy from this year's expectation of 54mn tonnes) with AMC's coking coal production expected to reach 1.0 – 1.5mn tonnes (2018F: 1.0mn tonnes).

Earnings contribution from the recent acquisition of Kestrel. After the completed acquisition of an effective interest of 38.4% in Kestrel in Aug 2018 for USD2.6bn, we expect an earnings contribution of around USD53mn from Kestrel in 2019 under the assumption of coking coal production of 5mn tonnes and hard-coking coal price of USD150/tonne. Our coking coal production estimate is still conservative vs. the management's initial guidance of 7mn tonnes for 2018. The additional earnings will help to offset the impact of lower coal prices, we believe.

Diversification to support long-term earnings. We expect diversification into coking coal and power plants to support the company's long-term earnings. We expect additional coking coal production from the development of AMC's remaining 6 concessionary areas in Central and East Kalimantan. Moreover, the operation of two coal-based power plants (a 2x100MW plant in South Kalimantan in 2019 and a 2x1,000MW plant in Central Java in 2020) will provide additional earnings for the company.

Maintain BUY. While the widening gap between NWC and low-CV coal prices and consolidation in the coal price will impact ASP in 2019 and 2020, diversification into coking coal and power plants will help to sustain ADRO's earnings in the long-run. Maintain BUY with a TP of IDR2,000 (based on DCF valuation with WACC of 10.2%). Our target price implies 11.4x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (USDmn)	2,524	3,258	3,547	3,408	3,460
EBITDA (USDmn)	869	1,293	1,300	1,177	1,171
EBITDA Growth (%)	18.2	48.8	0.5	(9.5)	(0.5)
Net profit (USDmn)	335	483	444	424	410
EPS (USDcents)	1.0	1.5	1.4	1.3	1.3
EPS growth (%)	119.5	44.4	(8.1)	(4.6)	(3.2)
BVPS (USDcents)	9.8	10.8	11.4	11.9	12.5
DPS (USDcents)	0.2	0.2	0.3	0.8	0.8
PER (x)	8.2	5.7	6.2	6.5	6.7
PBV (x)	0.9	0.8	0.8	0.7	0.7
Dividend yield (%)	2.7	2.7	3.7	9.6	8.9
EV/EBITDA (x)	3.6	2.3	2.2	2.4	2.3

Source : ADRO, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Revenue	**2,524**	**3,258**	**3,547**	**3,408**	**3,460**
COGS	(1,839)	(2,117)	(2,414)	(2,442)	(2,533)
Gross profit	**685**	**1,142**	**1,133**	**966**	**927**
EBITDA	**869**	**1,293**	**1,300**	**1,177**	**1,171**
Oper. profit	**534**	**958**	**931**	**761**	**717**
Interest income	9	19	20	17	16
Interest expense	(50)	(53)	(52)	(45)	(35)
Forex Gain/(Loss)	2	0	0	0	0
Income From Assoc. Co's	0	12	0	50	60
Other Income (Expenses)	51	(6)	0	0	0
Pre-tax profit	**547**	**930**	**898**	**783**	**758**
Income tax	(206)	(393)	(404)	(313)	(303)
Minority interest	(6)	(53)	(50)	(46)	(45)
Net profit	**335**	**483**	**444**	**424**	**410**
Core Net Profit	**136**	**483**	**444**	**424**	**410**

Exhibit 2. Balance Sheet

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,077	1,207	1,038	961	763
Receivables	305	321	325	312	317
Inventory	73	85	96	97	100
Other Curr. Asset	137	365	125	125	125
Fixed assets - Net	1,544	1,507	2,008	2,213	2,380
Other non-curr.asset	3,385	3,328	3,207	3,087	2,966
Total asset	**6,522**	**6,814**	**6,799**	**6,795**	**6,651**
ST Debt	154	237	223	391	589
Payables	208	279	309	312	324
Other Curr. Liabilities	283	257	257	257	257
Long Term Debt	1,296	1,156	952	596	65
Other LT. Liabilities	796	793	793	793	793
Total Liabilities	**2,736**	**2,723**	**2,534**	**2,350**	**2,029**
Shareholder'sFunds	3,146	3,468	3,642	3,822	3,999
Minority interests	639	623	623	623	623
Total Equity & Liabilities	**6,522**	**6,814**	**6,799**	**6,795**	**6,651**

Exhibit 3. Cash Flow

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Net income	335	483	444	424	410
Depreciation and Amort.	448	341	369	416	454
Change in Working Capital	34	(211)	256	15	3
OtherOper. Cash Flow	(100)	274	(28)	28	43
Operating Cash Flow	**716**	**888**	**1,041**	**883**	**910**
Capex	(229)	(186)	(750)	(500)	(500)
Others Inv. Cash Flow	10	(228)	20	17	16
Investing Cash Flow	**(219)**	**(415)**	**(730)**	**(483)**	**(484)**
Net change in debt	(119)	(78)	(162)	(188)	(356)
New Capital	164	12	0	0	0
Dividend payment	(75)	(101)	(266)	(244)	(233)
Other Fin. Cash Flow	(92)	(177)	(52)	(45)	(35)
Financing Cash Flow	**(123)**	**(343)**	**(480)**	**(477)**	**(624)**
Net Change in Cash	**374**	**130**	**(169)**	**(77)**	**(198)**
Cash - begin of the year	702	1,077	1,207	1,038	961
Cash - end of the year	1,077	1,207	1,038	961	763

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(6.0)	29.1	8.9	(3.9)	1.5
EBITDA	18.2	48.8	0.5	(9.5)	(0.5)
Operating profit	30.2	79.3	(2.8)	(18.3)	(5.7)
Net profit	119.5	44.4	(8.1)	(4.6)	(3.2)
Profitability (%)					
Gross margin	27.1	35.0	32.0	28.3	26.8
EBITDA margin	34.4	39.7	36.7	34.5	33.8
Operating margin	21.2	29.4	26.2	22.3	20.7
Net margin	13.3	14.8	12.5	12.4	11.9
ROAA	5.4	7.2	6.5	6.2	6.1
ROAE	11.1	14.6	12.5	11.3	10.5
Leverage					
Net Gearing (x)	0.1	0.0	0.0	0.0	0.0
Interest Coverage (x)	10.7	18.1	17.8	16.9	20.5

Source : ADRO, Danareksa Estimates

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	1,645
Target Price (IDR)	**2,150**
Upside/Downside	**+30.7%**
Previous Target Price (IDR)	*2,150*

Stock Statistics

Sector	Construction
Bloomberg Ticker	ADHI IJ
No of Shrs (mn)	3,561
Mkt. Cap (IDRbn/USDmn)	5,858/406
Avg. daily T/O (IDRbn/USDmn)	13.2/0.9

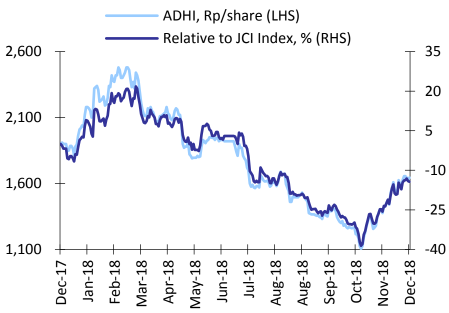
Major shareholders (%)

Government	51.0
Public	49.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	211.5	258.5	297.7
Consensus	218.5	297.9	330.4
Danareksa/Cons (%)	(3.2)	(13.2)	(9.9)

ADHI relative to JCI Index



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Adhi Karya (ADHI IJ)

Awaiting a new toll road project

ADHI is awaiting the tender of the Solo-Kulonprogo toll road. As the initiator of the new IDR19.0tn toll road, ADHI and its consortium is most likely to get the project. The development of the Jakarta LRT is ongoing, with the payment received totalling IDR5.9tn for works carried out up to Jun 18. The latest LRT payment of IDR2.5tn in Dec 18 should boost ADHI's working capital and help the company to carry out its projects. Two subsidiaries are expected to hold IPOs, raising IDR3.5-3.7tn. BUY maintained on ADHI.

ADHI is eyeing the Solo – Kulonprogo toll road. ADHI and its consortium were the initiator for the new Solo – Kulonprogo toll road. The project has received a permit from the Ministry of Public Works and Public Housing and will shortly be tendered to investors. As the initiator of the project, ADHI has the right to match the winner of the tender. As such, the development of the toll road is targeted to start in mid-2019. The toll road will be 120km in length, needing an investment of IDR19.0tn. As ADHI owns a 40% stake in the consortium, it would need to make a capital injection of IDR2.3tn into the project. This would be ADHI's largest ever toll road project. To date, ADHI only has one toll road project in its investment portfolio: the Bali Mandara toll road, in which its ownership is only 2%.

Awaiting payment for the Jakarta LRT project. In 2018, ADHI received two payments for the LRT Jakarta project from Kereta Api Indonesia (KAI) as the representative of the Ministry of Transportation (MoT). The first payment was made in Mar 18 amounting to IDR3.4tn, based on the works carried out up to Sep 17. The second payment of IDR2.5tn was made in Dec18 based on works carried out in the period Oct 17 to Jun 18. The next payment will be based on works carried out from Jul to Dec 2018. However, as of Sep18, ADHI had booked receivables of IDR6.9tn from MoT which, we believe, came from the project. The recent payment will boost ADHI's working capital and help the company to carry out its projects. ADHI's DER stood at 1.34x as of Sep18.

ADHI targets IPOs for two subsidiaries in 2019, namely Adhi Persada Gedung (APG) and Adhi Commuter Properti (ACP) through the sale of 30% stakes to the public. APG seeks to raise IDR1.0-1.2tn, while APC targets proceeds of IDR2.5tn. The IPOs are targeted to be held in mid-2019 based on the Dec 18 financial reports or in Mar 19. The IPO of APG was originally scheduled for 2H18, but was delayed due to unconducive market conditions at the time.

Maintain BUY. We expect the 2019 revenues to grow by 18.8%yoy, resulting in 22.2%yoy growth in earnings, supported by 10%yoy growth in 2019's new contracts. We have a BUY call on ADHI, with a TP of IDR2,150. Our TP implies 8.3x 2019 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	11,064	15,156	17,408	20,677	22,762
EBITDA (IDRbn)	671	1,589	1,640	1,904	2,078
EBITDA Growth (%)	15.8	136.8	3.2	16.1	9.1
Net profit (IDRbn)	313	515	753	920	1,060
EPS (IDR)	88.0	144.7	211.5	258.5	297.7
EPS growth (%)	(56.6)	64.4	46.1	22.2	15.2
BVPS (IDR)	1,525.8	1,645.5	2,010.6	2,442.9	2,934.8
DPS (IDR)	26.2	26.4	28.9	42.3	51.7
PER (x)	18.7	11.4	7.8	6.4	5.5
PBV (x)	1.1	1.0	0.8	0.7	0.6
Dividend yield (%)	1.6	1.6	1.8	2.6	3.1
EV/EBITDA (x)	10.1	6.4	6.3	5.6	5.0

Source : ADHI, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**11,064**	**15,156**	**17,408**	**20,677**	**22,762**
COGS	(9,949)	(13,098)	(15,112)	(17,988)	(19,819)
Gross profit	**1,115**	**2,058**	**2,296**	**2,688**	**2,943**
EBITDA	**671**	**1,589**	**1,640**	**1,904**	**2,078**
Oper. profit	**729**	**1,708**	**1,760**	**2,052**	**2,249**
Interest income	0	0	41	37	38
Interest expense	(258)	(445)	(534)	(552)	(548)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	142	(306)	(62)	(73)	(78)
Pre-tax profit	**613**	**957**	**1,206**	**1,464**	**1,660**
Income tax	(298)	(440)	(450)	(540)	(596)
Minority interest	(2)	(2)	(2)	(3)	(3)
Net profit	**313**	**515**	**753**	**920**	**1,060**
Core Net Profit	**313**	**515**	**815**	**993**	**1,138**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	3,365	4,131	3,672	3,802	3,471
Receivables	9,802	15,067	15,377	18,264	19,600
Inventory	2,276	3,683	3,435	3,598	3,964
Other Curr. Asset	1,349	1,936	2,000	2,063	2,111
Fixed assets - Net	1,460	1,521	1,962	2,387	2,796
Other non-curr.asset	1,786	1,994	2,385	2,859	3,433
Total asset	**20,038**	**28,333**	**28,832**	**32,973**	**35,375**
ST Debt	2,844	3,787	4,601	5,668	5,050
Payables	8,657	11,925	11,679	13,871	15,282
Other Curr. Liabilities	1,486	1,921	1,762	1,618	1,486
Long Term Debt	1,428	4,665	3,487	2,988	2,988
Other LT. Liabilities	180	164	132	119	108
Total Liabilities	**14,595**	**22,463**	**21,662**	**24,264**	**24,914**
Shareholder'sFunds	5,433	5,859	7,159	8,699	10,451
Minority interests	10	11	11	11	11
Total Equity & Liabilities	**20,038**	**28,333**	**28,832**	**32,973**	**35,375**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	313	515	753	920	1,060
Depreciation and Amort.	58	119	120	147	171
Change in Working Capital	(2,645)	(3,278)	(490)	(1,022)	(422)
OtherOper. Cash Flow	30	69	1,027	1,180	1,275
Operating Cash Flow	**(2,243)**	**(2,575)**	**1,410**	**1,226**	**2,084**
Capex	443	(149)	(739)	(795)	(859)
Others Inv. Cash Flow	29	(152)	(128)	(167)	(206)
Investing Cash Flow	**472**	**(301)**	**(867)**	**(962)**	**(1,065)**
Net change in debt	1,154	4,181	(364)	568	(618)
New Capital	1	0	0	0	0
Dividend payment	(93)	(94)	(103)	(151)	(184)
Other Fin. Cash Flow	(242)	(444)	(534)	(552)	(548)
Financing Cash Flow	**819**	**3,643**	**(1,002)**	**(134)**	**(1,350)**
Net Change in Cash	**(952)**	**766**	**(459)**	**130**	**(332)**
Cash - begin of the year	4,317	3,365	4,131	3,672	3,802
Cash - end of the year	3,365	4,131	3,672	3,802	3,471

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	17.8	37.0	14.9	18.8	10.1
EBITDA	15.8	136.8	3.2	16.1	9.1
Operating profit	19.2	134.4	3.1	16.6	9.6
Net profit	(32.4)	64.4	46.1	22.2	15.2
Profitability (%)					
Gross margin	10.1	13.6	13.2	13.0	12.9
EBITDA margin	6.1	10.5	9.4	9.2	9.1
Operating margin	6.6	11.3	10.1	9.9	9.9
Net margin	2.8	3.4	4.3	4.5	4.7
ROAA	1.7	2.1	2.6	3.0	3.1
ROAE	5.9	9.1	11.6	11.6	11.1
Leverage					
Net Gearing (x)	0.2	0.7	0.6	0.6	0.4
Interest Coverage (x)	2.8	3.8	3.3	3.7	4.1

Source : ADHI, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Alam Sutera Realty (ASRI IJ)

Still reliant on land sales

HOLD
Maintain

Last price (IDR)	338
Target Price (IDR)	**330**
Upside/Downside	**-2.4%**
Previous Target Price (IDR)	*260*

Stock Statistics

Sector	Property
Bloomberg Ticker	ASRI IJ
No of Shrs (mn)	19,649
Mkt. Cap (IDRbn/USDmn)	6,642/460
Avg. daily T/O (IDRbn/USDmn)	2.4/0.2

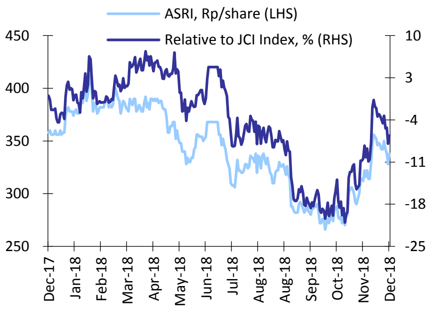
Major shareholders (%)

Tangerang Fajar Industrial Estate	25.2
Manunggal Prime Development	18.7
Estimated free float	56.1

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	69.0	74.8	81.7
Consensus	57.0	65.9	76.3
Danareksa/Cons (%)	21.2	13.5	7.1

ASRI relative to JCI Index



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We maintain our HOLD call on ASRI with a higher TP of IDR330 (from IDR260) on sector re-rating given a more dovish outlook for interest rates. We expect ASRI's FY18 presales to exceed the target due to the strong take-up rate for Lloyd low-rise launchings and land sales to CFLD, but forecast lower FY19 presales as we do not expect a repeat of strong high-rise sales in FY19. Considering its weak fundamentals and poor stock liquidity, we think ASRI's shares are currently fairly priced.

FY18 marketing sales to exceed expectations. We expect ASRI's FY18 presales to reach IDR4.5tn (+102.4% YoY), exceeding the company's target of IDR4.0tn, thanks to the strong take-up rate of Lloyd low-rise apartment launchings and land sales to CFLD. Our channel check suggests that during its grand launching in mid-July, a total of 292 units were sold out of 525 units for sale (take-up rate of 59%), reaping marketing sales of ~ IDR650bn from the launching. In 4Q18, we expect presales of ~ IDR800bn from the remaining 40ha of land sales to CFLD and some contribution from the launch of Cluster Eldora and Victoria Lane shophouses.

Lower presales, but higher revenues in FY19. We forecast ASRI to post lower presales in FY19 of IDR4.0tn (-10.0% YoY), as we believe that strong apartment presales in FY18 (for the Llyod project in particular) will not be repeated in FY19. However, ASRI's marketing sales will continue to be supported by 100Ha of land sales to CFLD amounting to IDR2.1tn in FY19 and beyond. We predict ASRI's FY19 revenues to reach IDR4.6tn (+7.5% YoY), boosted by development revenues (+7.8% YoY). As of 9M18, ASRI had a backlog of around 1-2 years (around IDR6.0-7.0tn in our estimate).

Maintain HOLD. At this juncture, we maintain our HOLD call on ASRI, but revise up our TP to IDR330 based on a 77% discount to NAV (from 82%). We assign a lower discount to NAV to reflect some re-rating in the sector, given a more dovish outlook for US interest rates, which should support the IDR and ease pressure on BI to hike rates. We think ASRI's shares are currently fairly priced. We also believe that the company has the weakest fundamentals among the companies under our coverage due to its low recurring income portion, high leverage & forex exposure as well as poor stock liquidity. The counter currently trades at a 78% discount to NAV.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	2,716	3,917	4,310	4,633	4,380
EBITDA (IDRbn)	1,177	2,070	2,353	2,485	2,349
EBITDA Growth (%)	(31.0)	75.8	13.7	5.6	(5.5)
Net profit (IDRbn)	509	1,380	1,356	1,470	1,606
EPS (IDR)	25.9	70.2	69.0	74.8	81.7
EPS growth (%)	(14.7)	171.1	(1.7)	8.4	9.3
BVPS (IDR)	360.5	430.8	489.3	553.8	624.3
DPS (IDR)	0.0	(1.5)	(10.5)	(10.4)	(11.2)
PER (x)	14.6	5.4	5.5	5.1	4.6
PBV (x)	1.0	0.9	0.8	0.7	0.6
Dividend yield (%)	0.0	(0.4)	(2.8)	(2.7)	(3.0)
EV/EBITDA (x)	12.0	6.9	6.0	5.5	5.8

Source : ASRI, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**2,716**	**3,917**	**4,310**	**4,633**	**4,380**
COGS	(1,251)	(1,541)	(1,614)	(1,766)	(1,617)
Gross profit	**1,465**	**2,376**	**2,696**	**2,867**	**2,762**
EBITDA	**1,177**	**2,070**	**2,353**	**2,485**	**2,349**
Oper. profit	**1,096**	**1,986**	**2,270**	**2,400**	**2,263**
Interest income	53	43	36	58	120
Interest expense	(226)	(314)	(444)	(474)	(502)
Forex Gain/(Loss)	157	(32)	(221)	(200)	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(358)	(107)	(118)	(136)	(102)
Pre-tax profit	**723**	**1,575**	**1,523**	**1,648**	**1,779**
Income tax	(213)	(190)	(161)	(172)	(167)
Minority interest	(1)	(5)	(5)	(6)	(6)
Net profit	**509**	**1,380**	**1,356**	**1,470**	**1,606**
Core Net Profit	**351**	**1,411**	**1,578**	**1,671**	**1,606**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,189	718	1,157	2,394	2,121
Receivables	197	232	255	275	260
Inventory	1,208	961	812	723	670
Other Curr. Asset	241	172	129	132	130
Fixed assets - Net	1,149	1,225	1,300	1,346	1,390
Other non-curr.asset	15,955	17,185	18,116	19,164	20,449
Total asset	**20,186**	**20,728**	**22,004**	**24,268**	**25,253**
ST Debt	323	435	160	514	229
Payables	631	564	702	767	703
Other Curr. Liabilities	2,480	2,145	1,913	2,053	1,944
Long Term Debt	7,511	7,194	7,638	8,032	8,124
Other LT. Liabilities	2,053	1,818	1,870	1,912	1,879
Total Liabilities	**12,998**	**12,156**	**12,282**	**13,279**	**12,878**
Shareholder'sFunds	7,083	8,465	9,615	10,881	12,267
Minority interests	105	107	107	107	107
Total Equity & Liabilities	**20,186**	**20,728**	**22,004**	**24,268**	**25,253**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	509	1,380	1,356	1,470	1,606
Depreciation and Amort.	81	84	82	84	86
Change in Working Capital	(411)	(23)	75	273	(103)
OtherOper. Cash Flow	827	298	616	572	430
Operating Cash Flow	**1,006**	**1,739**	**2,130**	**2,399**	**2,019**
Capex	(787)	(1,436)	(1,245)	(1,291)	(1,496)
Others Inv. Cash Flow	53	(161)	36	58	120
Investing Cash Flow	**(733)**	**(1,598)**	**(1,209)**	**(1,234)**	**(1,376)**
Net change in debt	466	(205)	169	749	(194)
New Capital	109	39	0	0	0
Dividend payment	10	(36)	(207)	(203)	(221)
Other Fin. Cash Flow	(307)	(411)	(444)	(474)	(502)
Financing Cash Flow	**278**	**(613)**	**(483)**	**72**	**(916)**
Net Change in Cash	**551**	**(471)**	**439**	**1,237**	**(273)**
Cash - begin of the year	638	1,189	718	1,157	2,394
Cash - end of the year	1,189	718	1,157	2,394	2,121

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(2.4)	44.2	10.0	7.5	(5.5)
EBITDA	(31.0)	75.8	13.7	5.6	(5.5)
Operating profit	(32.6)	81.1	14.3	5.7	(5.7)
Net profit	(14.7)	171.1	(1.7)	8.4	9.3
Profitability (%)					
Gross margin	53.9	60.7	62.5	61.9	63.1
EBITDA margin	43.4	52.8	54.6	53.6	53.6
Operating margin	40.4	50.7	52.7	51.8	51.7
Net margin	18.7	35.2	31.5	31.7	36.7
ROAA	2.6	6.7	6.3	6.4	6.5
ROAE	7.5	17.7	15.0	14.3	13.9
Leverage					
Net Gearing (x)	0.9	0.8	0.7	0.6	0.5
Interest Coverage (x)	4.9	6.3	5.1	5.1	4.5

Source : ASRI, Danareksa Estimates

Equity Research
Company Update

BUY
Upgrade

Last price (IDR)	760
Target Price (IDR)	**1,000**
Upside/Downside	**+31.6%**
Previous Target Price (IDR)	*1,000*

Stock Statistics

Sector	Metal Mining
Bloomberg Ticker	ANTM IJ
No of Shrs (mn)	24,031
Mkt. Cap (IDRbn/USDmn)	18,263/1,265
Avg. daily T/O (IDRbn/USDmn)	52.5/3.6

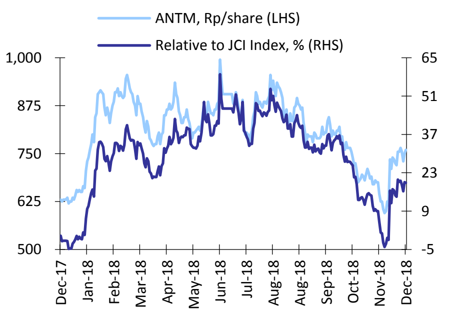
Major shareholders (%)

Inalum	65.0
Estimated Free Float	35.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	29.5	32.6	33.9
Consensus	30.0	49.6	75.3
Danareksa/Cons (%)	(1.7)	(34.3)	(55.0)

ANTM relative to JCI Index



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Aneka Tambang (ANTM IJ)
Expansion boost

With the P3FH project starting to operate in 2H19, the ferronickel production of Aneka Tambang (ANTM) is expected to increase by 13.8 – 21.9% yoy to 28,000 – 30,000 tonnes in 2019. Given expectations of solid nickel prices supported by a sharp decline in nickel inventory at the London Metal Exchange (LME), ANTM's earnings should improve further in 2019. Upgrade to BUY given that the share price offers upside of 31.6% to our target price of IDR1,000 (based on DCF valuation).

Operation of Ferronickel Haltim to boost ferronickel production in 2019. Ferronickel production is expected to increase further to around 28,000 – 30,000 tonnes in 2019 (2018F: 24,600 tonnes) driven by the operation of the Ferronickel Haltim Project (P3FH) in 2H19. The company is expected to complete the construction of P3FH by the end of 2018 with commissioning in 2H18. With the first stage of P3FH having nameplate capacity of 13,500 tonnes per annum, the company will have annual ferronickel capacity of 40,500 tonnes. Following the operation of P3FH, we expect ANTM to receive an additional quota for low-grade nickel ore for 2019. In 2018, the company obtained an export quota of 3.9mn wmt

Slight increase in ferronickel cash costs in 2018 and 2019. Total ferronickel cash costs are expected to increase to around USD3.7 – 3.8/lb in 2018 (2017: USD3.5/lb) as a result of higher crude oil prices. With the rising crude oil prices, we expect further increases in cash costs in 2019. The ferronickel cash cost was around USD3.74/lb in 1H18 and was still below the average global ferronickel cash cost of around USD4.76/lb.

Forming a joint venture to process low-grade nickel ore. ANTM recently signed a head of agreement (HoA) with Ocean Energy Nickel International (OENI) for the East Halmahera Blast Furnace Nickel Pig Iron (NPI) Plant Development project. ANTM will have a 30% stake with the option to increase its ownership to become a majority stake after 5 years of operation. This project will have production capacity of 320,000 tonnes of NPI (or equivalent to 30,000 tonnes of nickel in ferronickel) consisting of 8 lines and an investment value of USD320mn. In the first stage, there will be 4 lines and production is expected to commence by 2022.

Upgrade to BUY while maintaining our target price. As the share price of Aneka Tambang (ANTM) provide upside potential of 31.6% to our target price of IDR1,000 (based on DCF valuation with WACC of 11.1% and long-term growth of 3%). Our target price implies 30.7x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	9,106	12,654	23,187	23,776	24,122
EBITDA (IDRbn)	676	1,431	2,858	2,958	3,089
EBITDA Growth (%)	1,076.3	111.8	99.7	3.5	4.4
Net profit (IDRbn)	65	137	708	783	814
EPS (IDR)	2.7	5.7	29.5	32.6	33.9
EPS growth (%)	(102.5)	110.6	418.9	10.5	4.0
BVPS (IDR)	766.1	769.4	796.6	817.4	838.3
DPS (IDR)	0.0	0.0	2.3	11.8	13.0
PER (x)	281.8	133.8	25.8	23.3	22.4
PBV (x)	1.0	1.0	1.0	0.9	0.9
Dividend yield (%)	0.0	0.0	0.3	1.6	1.7
EV/EBITDA (x)	30.7	15.6	8.9	9.0	8.9

Source : ANTM, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**9,106**	**12,654**	**23,187**	**23,776**	**24,122**
COGS	(8,254)	(11,010)	(19,972)	(20,400)	(20,563)
Gross profit	**852**	**1,644**	**3,215**	**3,376**	**3,559**
EBITDA	**676**	**1,431**	**2,858**	**2,958**	**3,089**
Oper. profit	**8**	**601**	**1,816**	**1,886**	**1,988**
Interest income	343	260	167	109	108
Interest expense	(319)	(608)	(584)	(584)	(646)
Forex Gain/(Loss)	97	(57)	0	0	0
Income From Assoc. Co's	(282)	(488)	(338)	(318)	(315)
Other Income (Expenses)	390	747	(50)	(50)	(50)
Pre-tax profit	**237**	**454**	**1,012**	**1,044**	**1,086**
Income tax	(172)	(318)	(304)	(261)	(271)
Minority interest	0	0	0	0	0
Net profit	**65**	**137**	**708**	**783**	**814**
Core Net Profit	**(32)**	**(583)**	**708**	**783**	**814**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	7,623	5,551	3,120	1,947	1,926
Receivables	990	1,377	2,096	2,150	2,115
Inventory	1,388	1,258	2,920	2,994	3,038
Other Curr. Asset	628	816	1,276	1,296	1,306
Fixed assets - Net	12,959	14,093	16,466	17,894	19,293
Other non-curr.asset	6,389	6,919	7,213	7,337	7,483
Total asset	**29,982**	**30,014**	**33,320**	**33,852**	**35,399**
ST Debt	3,275	4,119	4,232	4,192	4,133
Payables	648	866	1,463	1,453	1,465
Other Curr. Liabilities	429	568	1,695	1,696	1,709
Long Term Debt	6,850	5,556	6,033	6,097	7,172
Other LT. Liabilities	370	415	754	770	776
Total Liabilities	**11,573**	**11,524**	**14,176**	**14,209**	**15,254**
Shareholder'sFunds	18,409	18,490	19,144	19,643	20,145
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**29,982**	**30,014**	**33,320**	**33,852**	**35,399**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	65	137	708	783	814
Depreciation and Amort.	687	858	1,138	1,183	1,229
Change in Working Capital	96	(98)	(1,117)	(155)	5
OtherOper. Cash Flow	211	614	(470)	562	600
Operating Cash Flow	**1,059**	**1,510**	**259**	**2,372**	**2,647**
Capex	(1,257)	(1,907)	(3,400)	(2,500)	(2,500)
Others Inv. Cash Flow	440	(611)	650	(214)	(227)
Investing Cash Flow	**(817)**	**(2,519)**	**(2,750)**	**(2,714)**	**(2,727)**
Net change in debt	(206)	(506)	327	4	1,030
New Capital	27	(55)	0	0	0
Dividend payment	0	0	(55)	(283)	(313)
Other Fin. Cash Flow	(527)	(504)	(212)	(552)	(658)
Financing Cash Flow	**(705)**	**(1,064)**	**61**	**(831)**	**59**
Net Change in Cash	**(463)**	**(2,073)**	**(2,431)**	**(1,172)**	**(21)**
Cash - begin of the year	8,087	7,623	5,551	3,120	1,947
Cash - end of the year	7,623	5,551	3,120	1,947	1,926

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(13.5)	39.0	83.2	2.5	1.5
EBITDA	1,076.3	111.8	99.7	3.5	4.4
Operating profit	(101.2)	7,263.9	202.4	3.9	5.4
Net profit	(104.5)	110.6	418.9	10.5	4.0
Profitability (%)					
Gross margin	9.4	13.0	13.9	14.2	14.8
EBITDA margin	7.4	11.3	12.3	12.4	12.8
Operating margin	0.1	4.7	7.8	7.9	8.2
Net margin	0.7	1.1	3.1	3.3	3.4
ROAA	0.2	0.5	2.2	2.3	2.4
ROAE	0.4	0.7	3.8	4.0	4.1
Leverage					
Net Gearing (x)	0.1	0.2	0.4	0.4	0.5
Interest Coverage (x)	0.0	1.0	3.1	3.2	3.1

Source : ANTM, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Astra Agro Lestari (AALI IJ)

Boosted by higher pricing

BUY
Maintain

Last price (IDR)	12,300
Target Price (IDR)	**16,500**
Upside/Downside	**+34.1%**
Previous Target Price (IDR)	*11,800*

Stock Statistics

Sector	Plantation
Bloomberg Ticker	AALI IJ
No of Shrs (mn)	1,925
Mkt. Cap (IDRbn/USDmn)	23,674/1,640
Avg. daily T/O (IDRbn/USDmn)	13.9/1.0

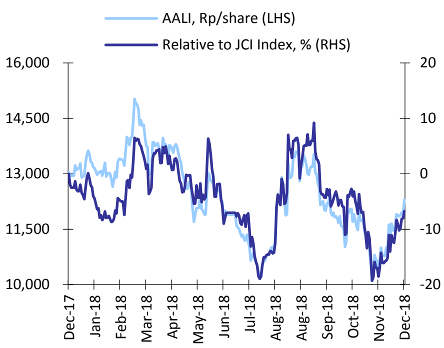
Major shareholders (%)

Astra International	79.7
Public	20.3
Estimated free float	20.3

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	779.1	970.4	915.1
Consensus	773.6	910.5	969.5
Danareksa/Cons (%)	0.7	6.6	(5.6)

AALI relative to JCI Index



We expect AALI's earnings to improve to IDR1.87tn in FY19 (+24.6% yoy) mainly boosted by higher CPO prices and slight growth in FFB production. Due to AALI's ageing plantation profile, we expect the company to increase its external FFB purchases and CPO trading in order to maximize the mill utilization rate, while, at the same time, focusing on more replanting. Maintain BUY.

Better expected earnings in FY19. We expect AALI's earnings to improve to IDR1.87tn in FY19 (+24.6% yoy) mainly boosted by higher CPO prices and slight FFB growth. We assume FY19 CPO ASP of IDR8,483/kg (+11.9% yoy), which corresponds to our FY19 CPO price assumption of MYR2,550/ton. In terms of FFB production volume, we assume only mild growth of 3%, given AALI's ageing plantation profile.

Higher FFB purchases and CPO trading ahead. We also expect AALI to maintain its strategy of: 1) increasing purchases of external FFB and 2) increasing CPO trading even though it only yields 1.5-2.0% gross margins in the hope of maximizing the mill utilization rate, while the company replants its ageing trees. We expect FY19 FFB purchases to account for 60% of FFB production and FY19 CPO trading volume of 300k tons. Overall, we estimate gross and net margins to improve to 20.3% and 9.1% in FY19 (from 19.9% and 8.3% in FY18).

Potentially higher replanting rate. With AALI's ageing plantation profile, we may see a higher replanting rate in the future in an effort to improve yields in years to come. We input a replanting rate of 5,000 Ha for FY19, with a gradual increase to 7,000 Ha in FY20 and 10,000 Ha beyond. AALI's plantation age currently stands at 15.2 years. There is not expected to be any new planting in the years ahead.

Maintain BUY. We maintain our BUY call on AALI with an unchanged TP of IDR16,500 based on 17.0x PE and FY19 EPS. We are more positive on the CPO price outlook for FY19 driven by higher demand, particularly from full implementation of the B20 mandate, as well as slower supply growth ahead. The counter is trading at 12.7x FY19 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	14,121	17,306	18,029	20,480	20,759
EBITDA (IDRbn)	3,662	4,178	3,590	4,112	3,950
EBITDA Growth (%)	34.6	14.1	(14.1)	14.6	(3.9)
Net profit (IDRbn)	2,007	2,010	1,500	1,868	1,761
EPS (IDR)	1,042.8	1,044.5	779.1	970.4	915.1
EPS growth (%)	165.2	0.2	(25.4)	24.6	(5.7)
BVPS (IDR)	8,902.9	9,386.4	9,852.2	10,588.9	11,212.8
DPS (IDR)	99.0	518.0	313.3	233.7	291.1
PER (x)	12.9	12.9	17.3	13.9	14.8
PBV (x)	1.5	1.4	1.4	1.3	1.2
Dividend yield (%)	0.7	3.8	2.3	1.7	2.2
EV/EBITDA (x)	8.1	7.1	8.2	6.8	6.7

Source : AALI, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**14,121**	**17,306**	**18,029**	**20,480**	**20,759**
COGS	(10,445)	(13,160)	(14,440)	(16,320)	(16,785)
Gross profit	**3,676**	**4,145**	**3,589**	**4,161**	**3,974**
EBITDA	**3,662**	**4,178**	**3,590**	**4,112**	**3,950**
Oper. profit	**2,659**	**3,051**	**2,434**	**2,907**	**2,695**
Interest income	26	24	7	26	78
Interest expense	(145)	(132)	(262)	(262)	(262)
Forex Gain/(Loss)	201	5	0	0	0
Income From Assoc. Co's	(13)	(84)	(34)	20	22
Other Income (Expenses)	(519)	75	75	75	75
Pre-tax profit	**2,209**	**2,939**	**2,220**	**2,766**	**2,608**
Income tax	(94)	(825)	(644)	(802)	(756)
Minority interest	(107)	(103)	(77)	(96)	(90)
Net profit	**2,007**	**2,010**	**1,500**	**1,868**	**1,761**
Core Net Profit	**1,806**	**2,005**	**1,500**	**1,868**	**1,761**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	532	262	84	1,209	2,705
Receivables	579	705	625	710	720
Inventory	2,097	2,018	2,674	3,331	3,426
Other Curr. Asset	844	1,261	1,383	1,563	1,608
Fixed assets - Net	12,057	11,745	11,166	11,139	11,104
Other non-curr.asset	8,117	8,945	9,954	9,737	9,540
Total asset	**24,226**	**24,935**	**25,886**	**27,689**	**29,102**
ST Debt	1,985	600	0	0	0
Payables	1,071	998	1,198	1,341	1,378
Other Curr. Liabilities	887	712	1,090	1,218	1,288
Long Term Debt	2,116	3,369	3,375	3,375	3,375
Other LT. Liabilities	574	720	713	731	746
Total Liabilities	**6,633**	**6,399**	**6,376**	**6,665**	**6,787**
Shareholder'sFunds	17,135	18,066	18,962	20,380	21,581
Minority interests	458	470	548	644	734
Total Equity & Liabilities	**24,226**	**24,935**	**25,886**	**27,689**	**29,102**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	2,007	2,010	1,500	1,868	1,761
Depreciation and Amort.	1,001	1,068	1,212	1,264	1,317
Change in Working Capital	(779)	(429)	(454)	(760)	(109)
OtherOper. Cash Flow	349	(28)	581	363	265
Operating Cash Flow	**2,578**	**2,621**	**2,839**	**2,735**	**3,234**
Capex	(1,827)	(1,466)	(1,753)	(1,074)	(1,134)
Others Inv. Cash Flow	(562)	(177)	117	80	127
Investing Cash Flow	**(2,388)**	**(1,644)**	**(1,635)**	**(994)**	**(1,006)**
Net change in debt	(3,632)	(132)	(594)	0	0
New Capital	3,970	2	0	0	0
Dividend payment	(191)	(997)	(603)	(450)	(560)
Other Fin. Cash Flow	(101)	(120)	(185)	(166)	(171)
Financing Cash Flow	**47**	**(1,247)**	**(1,382)**	**(615)**	**(731)**
Net Change in Cash	**237**	**(269)**	**(179)**	**1,125**	**1,496**
Cash - begin of the year	294	532	262	84	1,209
Cash - end of the year	532	262	84	1,209	2,705

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	8.1	22.5	4.2	13.6	1.4
EBITDA	34.6	14.1	(14.1)	14.6	(3.9)
Operating profit	43.5	14.8	(20.2)	19.4	(7.3)
Net profit	224.2	0.2	(25.4)	24.6	(5.7)
Profitability (%)					
Gross margin	26.0	24.0	19.9	20.3	19.1
EBITDA margin	25.9	24.1	19.9	20.1	19.0
Operating margin	18.8	17.6	13.5	14.2	13.0
Net margin	14.2	11.6	8.3	9.1	8.5
ROAA	8.8	8.2	5.9	7.0	6.2
ROAE	14.1	11.4	8.1	9.5	8.4
Leverage					
Net Gearing (x)	0.2	0.2	0.2	0.1	0.0
Interest Coverage (x)	18.4	23.0	9.3	11.1	10.3

Source : AALI, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	8,425
Target Price (IDR)	**9,500**
Upside/Downside	**+12.8%**
Previous Target Price (IDR)	*9,500*

Stock Statistics

Sector	Automotive
Bloomberg Ticker	ASII IJ
No of Shrs (mn)	40,484
Mkt. Cap (IDRbn/USDmn)	341,074/23,622
Avg. daily T/O (IDRbn/USDmn)	230.0/15.9

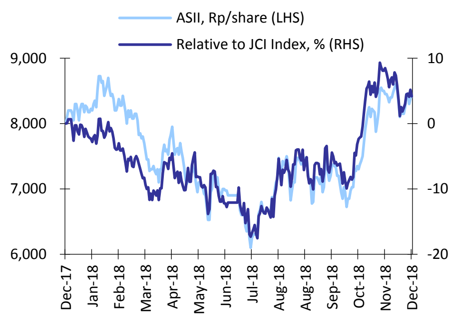
Major shareholders (%)

Jardine Cycle & Carriage	50.1
Estimated free float	49.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	542.7	596.9	651.5
Consensus	547.3	600.9	653.1
Danareksa/Cons (%)	(0.8)	(0.7)	(0.2)

ASII relative to JCI Index



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Astra International (ASII IJ)

Regaining market share despite stiff competition

We continue to like Astra International (ASII) given the company's ability to regain market share. Although we expect moderate growth in the domestic car market of only 3% yoy in 2019, ASII's market share should still increase to 50% from around 49% in 2018 thanks to the launch of more models in the popular segments in 2019. In 2019, we expect ASII's car sales volume to grow 5.1% yoy. Maintain BUY with a target price of IDR9,500 (based on SOTP valuation).

2019: solid market share with better car sales volume. While we foresee only moderate growth in the domestic car market of 3% yoy in 2019, we expect ASII's domestic car sales volume growth to reach 5.1% yoy. This should give the company market share of around 50% in 2019, or higher than our conservative estimate for 2018 of 49%. There are also reports that ASII will give a facelift to its Avanza and Xenia models in the beginning of 2019. We believe that such a move would help to shore up ASII's domestic car market share.

Better margins in the automotive division. Given better inventory management and less discounts on cars, we expect ASII to book better operating margins in the automotive division of around 1.4% in 2018 and 2.0% in 2019. Even so, these numbers would be lower compared to 2012. In 9M18, ASII managed to increase the margin to 1.3% (9M17: 0.7%).

Solid earnings from heavy equipment. While we expect consolidation in the coal price in 2019 and downside risks from the widening gap between low-CV coal and Newcastle coal prices to negatively impact the demand for heavy equipment, we expect UNTR to book solid earnings in 2019 backed by: a) more coking coal production to lift the company's coal ASP, b) more large-sized machinery in the product mix (28% in 2019 vs 25% in 2018F) and c) additional earnings from the completed acquisition of Martabe Gold Mining by Jan 2019 at the latest.

Maintain BUY. ASII is still a proxy to the automotive sector with the net profits from this division accounting for about 41% of the company's total net profits in 9M18. As such, with the expectation of improving car market share in 2019, we continue to like ASII. Our target price is IDR9,500 (based on SOTP valuation). The main downside risks are: a) further rupiah weakness and b) higher domestic interest rates which might dampen domestic car sales volume growth. Our target price implies 15.9x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	181,084	206,057	220,751	239,185	254,174
EBITDA (IDRbn)	24,219	27,371	33,265	37,103	40,916
EBITDA Growth (%)	(1.1)	13.0	21.5	11.5	10.3
Net profit (IDRbn)	15,156	18,881	21,971	24,166	26,373
EPS (IDR)	374.4	466.4	542.7	596.9	651.5
EPS growth (%)	4.8	24.6	16.4	10.0	9.1
BVPS (IDR)	2,765.3	3,054.2	3,363.7	3,689.3	4,042.3
DPS (IDR)	168.0	168.0	233.2	271.4	298.5
PER (x)	22.5	18.1	15.5	14.1	12.9
PBV (x)	3.0	2.8	2.5	2.3	2.1
Dividend yield (%)	2.0	2.0	2.8	3.2	3.5
EV/EBITDA (x)	15.8	14.0	11.3	10.1	9.0

Source: ASII, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**181,084**	**206,057**	**220,751**	**239,185**	**254,174**
COGS	(144,652)	(163,689)	(172,859)	(185,766)	(195,563)
Gross profit	**36,432**	**42,368**	**47,893**	**53,420**	**58,612**
EBITDA	**24,219**	**27,371**	**33,265**	**37,103**	**40,916**
Oper. profit	**17,534**	**20,326**	**25,463**	**28,677**	**31,783**
Interest income	1,699	1,982	1,765	1,420	1,606
Interest expense	(1,745)	(2,042)	(1,601)	(1,690)	(1,732)
Forex Gain/(Loss)	(155)	(9)	(17)	373	566
Income From Assoc. Co's	3,349	6,694	6,896	7,417	7,453
Other Income (Expenses)	1,571	2,245	2,245	2,245	2,245
Pre-tax profit	**22,253**	**29,196**	**34,752**	**38,441**	**41,922**
Income tax	(3,951)	(6,031)	(6,950)	(7,688)	(8,384)
Minority interest	(3,146)	(4,284)	(5,830)	(6,587)	(7,165)
Net profit	**15,156**	**18,881**	**21,971**	**24,166**	**26,373**
Core Net Profit	**15,311**	**18,890**	**21,988**	**23,793**	**25,807**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	29,357	31,574	25,394	28,737	34,252
Receivables	56,126	61,472	60,267	65,191	69,468
Inventory	17,771	19,504	17,856	19,189	20,202
Other Curr. Asset	6,250	8,438	5,376	5,825	6,190
Fixed assets - Net	66,695	76,488	82,702	87,965	93,674
Other non-curr.asset	84,757	97,865	101,592	108,966	115,869
Total asset	**261,855**	**295,646**	**293,493**	**316,179**	**339,959**
ST Debt	45,820	43,584	35,063	34,482	33,999
Payables	30,085	39,281	32,651	35,089	36,940
Other Curr. Liabilities	13,174	15,857	15,857	15,857	15,857
Long Term Debt	25,090	31,394	25,844	26,906	27,864
Other LT. Liabilities	7,780	9,201	9,201	9,201	9,201
Total Liabilities	**121,949**	**139,317**	**118,616**	**121,535**	**123,860**
Shareholder'sFunds	111,951	123,645	136,176	149,356	163,646
Minority interests	27,955	32,684	38,701	45,288	52,453
Total Equity & Liabilities	**261,855**	**295,646**	**293,493**	**316,179**	**339,959**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	15,156	18,881	21,971	24,166	26,373
Depreciation and Amort.	3,889	5,610	7,802	8,427	9,133
Change in Working Capital	232	3,206	(715)	(4,269)	(3,803)
OtherOper. Cash Flow	(1,076)	(5,552)	721	(2,179)	(2,109)
Operating Cash Flow	**18,201**	**22,145**	**29,779**	**26,145**	**29,594**
Capex	(8,546)	(15,403)	(14,016)	(13,690)	(14,841)
Others Inv. Cash Flow	(3,700)	(5,514)	(2,847)	(3,505)	(3,062)
Investing Cash Flow	**(12,246)**	**(20,917)**	**(16,864)**	**(17,195)**	**(17,903)**
Net change in debt	261	4,068	(14,071)	481	475
New Capital	0	0	0	0	0
Dividend payment	(6,801)	(6,801)	(9,441)	(10,986)	(12,083)
Other Fin. Cash Flow	2,840	3,722	4,417	4,897	5,432
Financing Cash Flow	**(3,700)**	**989**	**(19,095)**	**(5,608)**	**(6,176)**
Net Change in Cash	**2,255**	**2,217**	**(6,180)**	**3,343**	**5,515**
Cash - begin of the year	27,102	29,357	31,574	25,394	28,737
Cash - end of the year	29,357	31,574	25,394	28,737	34,252

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(1.7)	13.8	7.1	8.4	6.3
EBITDA	(1.1)	13.0	21.5	11.5	10.3
Operating profit	1.9	15.9	25.3	12.6	10.8
Net profit	4.8	24.6	16.4	10.0	9.1
Profitability (%)					
Gross margin	20.1	20.6	21.7	22.3	23.1
EBITDA margin	13.4	13.3	15.1	15.5	16.1
Operating margin	9.7	9.9	11.5	12.0	12.5
Net margin	8.4	9.2	10.0	10.1	10.4
ROAA	6.0	6.8	7.5	7.9	8.0
ROAE	14.2	16.0	16.9	16.9	16.9
Leverage					
Net Gearing (x)	0.3	0.3	0.2	0.2	0.1
Interest Coverage (x)	10.0	10.0	15.9	17.0	18.3

Source : ASII, Danareksa Estimates

Bank Central Asia (BBCA IJ)

Still playing it safe

HOLD
Maintain

Last price (IDR)	26,150
Target Price (IDR)	**28,000**
Upside/Downside	**+7.1%**
Previous Target Price (IDR)	*28,000*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBCA IJ
No of Shrs (mn)	24,945
Mkt. Cap (IDRbn/USDmn)	652,306/45,177
Avg. daily T/O (IDRbn/USDmn)	383.5/26.6

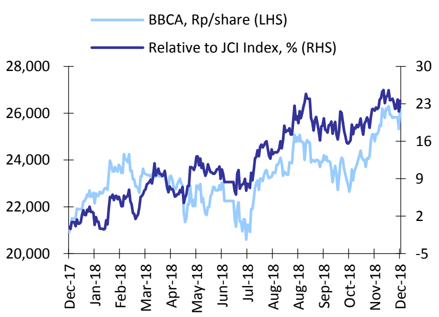
Major shareholders (%)

PT Dwimuria Investama	54.9
Anthony Salim	1.8
Estimated free float	43.3

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	1,065.0	1,205.6	1,398.3
Consensus	1,042.4	1,188.5	1,355.7
Danareksa/Cons (%)	2.2	1.4	3.1

BBCA relative to JCI Index



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We maintain our HOLD call on BBCA with an unchanged GGM-derived TP of IDR28,000 (implying 3.8x 2019F PBV). Loans growth will moderate to 11.8% due to BBCA's conservative management style in our view. On the customer deposits side, BBCA's market share is continuing to decline given its defensive strategy to maintain high CASA deposits and a low blended CoF. As such, we do not expect more room for a lower blended CoF given the minimal impact from the recent cut in the bank's savings rate to 1.45% p.a.

Modest loans growth projected. With softer GDP growth projected this year, we estimate loans growth of 11.8% yoy, mainly driven by the corporate and consumer segments. BBCA's existing corporate borrowers will continue to obtain loans, particularly for their working capital needs. In addition, BBCA's loans exposure to the financial services sector, including Pegadaian (the non-listed SOE pawnshop) and a few multi-finance companies, will remain high given the sector's manageable risk profile in our view. While consumer lending will continue to be supported by mortgages, particularly for the middle up income segment with loans above IDR1bn.

Lower market share in customer deposits. BBCA's market share in customer deposits has declined gradually over the past ten years to 11.2% as of September 2018 from 12.6% as of September 2009. We believe this reflects the management's focus on maintaining a low blended CoF and the aggressive marketing strategies adopted by its competitors. Based on our observations, BBRI and BBNI have successfully increased their market shares in customer deposits by leveraging their status as SOE banks and tapping SOE clients.

Limited room for a lower blended CoF. Given BBCA's status as the transactional bank of choice, the bank benefits from substantial CASA deposits in its funding structure. Its current maximum 1-month TD rate is 5.5% as of October 2018, already at the same level as that of other banks after policy rate hikes of 175bps in total. As a result, we see limited room for further declines in its blended CoF going forward. We therefore project a stable blended CoF of 2.1% with 77.3% of BBCA's customer deposits coming from CASA deposits as of December 2019F.

Maintain HOLD, TP: IDR28,000. We reiterate our HOLD call on BBCA with an unchanged GGM-derived TP of IDR28,000 (implying 3.8x 2019F PBV) assuming 7.0% CoE, 18.5% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	30,400	31,791	36,042	40,173	46,749
Net profit (IDRbn)	20,606	23,310	26,257	29,725	34,474
EPS (IDR)	835.8	945.4	1,065.0	1,205.6	1,398.3
EPS growth (%)	14.4	13.1	12.6	13.2	16.0
BVPS (IDR)	4,560.3	5,325.6	6,202.2	7,259.5	8,499.7
PER (x)	31.3	27.7	24.6	21.7	18.7
PBV (x)	5.7	4.9	4.2	3.6	3.1
Dividend yield (%)	0.5	0.6	0.6	0.6	0.6
ROAE (%)	20.4	19.1	18.5	17.9	17.7

Source : BBCA, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	50,426	53,768	58,729	63,463	71,068
Interest Expense	(10,347)	(11,941)	(13,236)	(14,131)	(15,349)
Net Interest Income	**40,079**	**41,826**	**45,493**	**49,332**	**55,719**
Non-Interest Income (NII)	13,700	15,155	18,059	20,960	24,242
Oper. Income	**53,779**	**56,982**	**63,552**	**70,292**	**79,961**
Oper. Expenses	(23,379)	(25,190)	(27,510)	(30,119)	(33,212)
Pre-provisions profit	**30,400**	**31,791**	**36,042**	**40,173**	**46,749**
Provisions & Allowances	(4,561)	(2,633)	(2,999)	(3,000)	(3,639)
Operating Profits	**25,839**	**29,159**	**33,043**	**37,173**	**43,110**
Non-Operating Income	0	0	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	**25,839**	**29,159**	**33,043**	**37,173**	**43,110**
Income Tax	(5,207)	(5,838)	(6,774)	(7,435)	(8,622)
Minorities	(27)	(11)	(12)	(13)	(14)
Net Profit	**20,606**	**23,310**	**26,257**	**29,725**	**34,474**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	415,896	467,509	523,191	585,132	658,399
Provisions	(12,505)	(13,244)	(15,607)	(16,612)	(18,455)
Net Loans	**403,391**	**454,265**	**507,584**	**568,520**	**639,944**
Govt. Bonds	0	0	0	0	0
Securities	113,836	137,106	159,768	177,241	203,804
Other Earnings Assets	11,788	12,815	13,439	14,279	14,973
Total Earnings Assets	**599,065**	**664,651**	**744,619**	**828,939**	**932,675**
Fixed Assets	25,234	25,949	27,776	29,604	31,281
Non-Earnings Assets	13,099	18,597	14,285	15,327	16,070
Total Assets	**676,739**	**750,320**	**825,845**	**915,169**	**1,023,712**
Customer Deposits	530,134	581,115	635,309	696,313	772,171
Banks Deposits	4,901	5,758	4,281	4,379	4,758
Int. Bearing Liab. - Others	548,431	600,932	655,528	718,100	795,887
Total Liabilities	**564,024**	**618,918**	**672,832**	**736,088**	**814,052**
Share capital & Reserves	13,930	15,305	14,467	14,673	14,570
Retained Earnings	98,503	115,998	138,448	164,309	194,991
Shareholders' Funds	**112,433**	**131,304**	**152,915**	**178,982**	**209,561**
Minority interests	282	98	98	98	98
Total Equity & Liabilities	**676,739**	**750,320**	**825,845**	**915,169**	**1,023,712**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	9.0	8.5	8.3	8.1	8.1
Cost of funds	2.0	2.1	2.1	2.1	2.0
Interest Spread	7.0	6.4	6.2	6.0	6.0
Net Interest Margin	7.1	6.6	6.5	6.3	6.3
Cost/Income Ratio	43.5	44.2	43.3	42.8	41.5
Oper. Exp./Oper. Gross Inc.	59.7	57.7	57.0	56.0	54.8
Gross NPL Ratio	1.3	1.5	1.4	1.3	1.2
LLP/Gross NPL	229.4	190.7	217.1	223.3	232.1
Cost of Credit	1.1	0.6	0.6	0.5	0.6
Loan to Deposit Ratio	78.5	80.5	82.4	84.0	85.3
Loan to Funding Ratio	78.1	80.4	82.3	84.0	85.2
CASA Mix	76.3	75.6	76.9	77.3	77.6
ROAE	20.4	19.1	18.5	17.9	17.7
ROAA	3.2	3.3	3.3	3.4	3.6
CAR	22.2	23.6	23.8	25.4	26.9

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	4.1	4.1	4.2	4.3	4.4
Tax Retention rate	79.8	80.0	79.5	80.0	80.0
Post-Tax ROAA	3.2	3.3	3.3	3.4	3.6
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	6.3	5.9	5.5	5.2	5.0
ROAE	20.4	19.1	18.5	17.9	17.7
Growth (%)					
Interest income	7.1	6.6	9.2	8.1	12.0
Net Interest Income	11.7	4.4	8.8	8.4	12.9
Other Oper. Expenses	7.7	7.7	9.2	9.5	10.3
Fee Based Income	12.5	10.5	15.8	12.1	14.3
Pre-Provision Oper. Profit	16.2	4.6	13.4	11.5	16.4
Net Profit	14.4	13.1	12.6	13.2	16.0
Shareholders' Equity	25.8	16.8	16.5	17.0	17.1
Loan	7.3	12.4	11.9	11.8	12.5
Earnings Asset	14.4	10.9	12.0	11.3	12.5
Deposit	12.0	9.7	9.0	9.6	10.9
Int. Bearing Liab.	11.9	9.6	9.1	9.5	10.8
CASA	13.3	8.7	10.8	10.2	11.3
Total Asset	13.9	10.9	10.1	10.8	11.9

Source : BBCA, Danareksa Estimates

Bank Mandiri (BMRI IJ)

Building on its strengths

BUY
Maintain

Last price (IDR)	7,425
Target Price (IDR)	**8,700**
Upside/Downside	**+17.2%**
Previous Target Price (IDR)	*8,700*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BMRI IJ
No of Shrs (mn)	46,667
Mkt. Cap (IDRbn/USDmn)	346,500/23,990
Avg. daily T/O (IDRbn/USDmn)	257.5/17.8

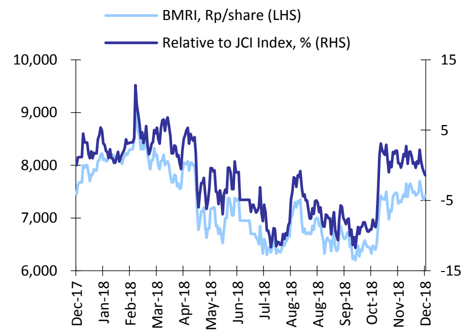
Major shareholders (%)

Government of Indonesia	60.0
Estimated free float	40.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	524.2	572.0	633.6
Consensus	515.0	597.8	684.6
Danareksa/Cons (%)	1.8	(4.3)	(7.5)

BMRI relative to JCI Index



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We maintain our BUY call on BMRI with an unchanged GGM-derived TP of IDR8,700. Despite its strong corporate banking business, BMRI shall continue to expand into lower-risk retail lending segments, i.e. micro for fixed-income earners and mortgages. Hence, the contribution from retail segments is expected to increase to 36.5% of the loans portfolio by December 2019F. On the customer deposits side, we expect CASA to account for 71.2% of customer deposits by December 2019F supported by the bank's aggressive marketing strategy targeting millennials. All in all, NIM should touch 5.3% this year coming from an uptick in its blended CoF to 3.1%.

Expanding into lower-risk retail lending segments. Aside from its core corporate lending business, BMRI also seeks to grow its lower-risk retail lending segments such as the micro and consumer segments. For micro lending, BMRI will continue to push its salary-based loans for military personnel. As for mortgages, BMRI will continue to offer promotional rates for middle-class first-time home buyers. As such, we expect the bank's exposure to retail lending to reach 36.5% of its loans book by December 2019F.

Decent level of CASA deposits. The bank's strong footprint in Indonesia supports its customer deposits, particularly CASA. As of September 2018, CASA deposits were 66.5% of the total customer deposits. The cost of deposits was well managed at just 2.7% in 3Q18. For both retail customers and institutions, BMRI offers a range of comprehensive products and services to grow its current and savings accounts. Given this, we expect CASA to account for 71.2% of customer deposits by December 2019F.

Expecting a 5.3% NIM this year. We expect the bank's NIM to decline to 5.3% due to higher pressures on funding costs after policy rate hikes of 175bps in total. Hence we expect 3.1% blended CoF for this year. In terms of asset yields, we only expect a slight uptick as we believe that BMRI's management will generally reprice its lending rate for only its corporate borrowers. As for the retail segments, i.e. mortgages and micro, they are already mostly charged on fixed rate terms.

Maintain BUY, TP of IDR8,700. We maintain our BUY call on BMRI with unchanged GGM-derived TP of IDR8,700 (implying 2.07x 2019F PBV) assuming a 9.0% CoE, 15.3% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	43,258	43,122	46,811	49,319	53,601
Net profit (IDRbn)	13,807	20,640	24,463	26,694	29,568
EPS (IDR)	295.9	442.3	524.2	572.0	633.6
EPS growth (%)	(32.1)	49.5	18.5	9.1	10.8
BVPS (IDR)	3,224.0	3,572.5	3,860.9	4,204.1	4,584.2
PER (x)	25.1	16.8	14.2	13.0	11.7
PBV (x)	2.3	2.1	1.9	1.8	1.6
Dividend yield (%)	1.8	2.7	3.2	3.1	3.4
ROAE (%)	10.3	13.0	14.1	14.2	14.4

Source : BMRI, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	76,710	79,502	84,920	91,063	99,318
Interest Expense	(24,885)	(27,174)	(27,443)	(31,494)	(34,406)
Net Interest Income	**51,825**	**52,327**	**57,477**	**59,570**	**64,912**
Non-Interest Income (NII)	21,939	24,747	26,929	30,422	32,950
Oper. Income	**73,764**	**77,074**	**84,406**	**89,992**	**97,862**
Oper. Expenses	(31,268)	(35,014)	(38,506)	(41,660)	(45,210)
Pre-provisions profit	**43,258**	**43,122**	**46,811**	**49,319**	**53,601**
Provisions & Allowances	(24,645)	(15,952)	(14,961)	(15,064)	(15,817)
Operating Profits	**18,613**	**27,170**	**31,850**	**34,255**	**37,784**
Non-Operating Income	(40)	(13)	(13)	(13)	(13)
Exceptionals	0	0	0	0	0
Pre-tax Profit	**18,573**	**27,157**	**31,837**	**34,242**	**37,771**
Income Tax	(3,923)	(5,714)	(6,492)	(6,633)	(7,207)
Minorities	(844)	(803)	(882)	(915)	(997)
Net Profit	**13,807**	**20,640**	**24,463**	**26,694**	**29,568**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	649,323	712,038	788,710	877,235	981,429
Provisions	(32,617)	(33,745)	(34,237)	(37,379)	(40,453)
Net Loans	**616,706**	**678,293**	**754,473**	**839,856**	**940,976**
Govt. Bonds	98,933	103,411	98,625	93,839	89,054
Securities	56,552	59,610	53,490	54,559	62,315
Other Earnings Assets	12,362	17,139	17,337	21,006	24,195
Total Earnings Assets	**935,156**	**1,018,585**	**1,066,889**	**1,165,640**	**1,291,597**
Fixed Assets	44,737	46,991	49,344	51,863	54,499
Non-Earnings Assets	18,877	22,888	20,521	20,772	21,394
Total Assets	**1,038,706**	**1,124,701**	**1,168,399**	**1,270,636**	**1,399,228**
Customer Deposits	702,060	749,584	816,712	898,605	1,006,019
Banks Deposits	9,339	8,350	5,963	6,380	6,827
Int. Bearing Liab. - Others	837,515	896,592	960,671	1,046,852	1,158,147
Total Liabilities	**885,336**	**954,695**	**984,056**	**1,069,361**	**1,179,216**
Share capital & Reserves	53,523	55,361	55,361	55,361	55,361
Retained Earnings	96,931	111,358	124,812	140,829	158,570
Shareholders' Funds	**150,454**	**166,719**	**180,174**	**196,190**	**213,931**
Minority interests	2,916	3,287	4,170	5,084	6,081
Total Equity & Liabilities	**1,038,706**	**1,124,701**	**1,168,399**	**1,270,636**	**1,399,228**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	8.8	8.1	8.1	8.2	8.1
Cost of funds	3.1	3.1	3.0	3.1	3.1
Interest Spread	5.6	5.0	5.2	5.0	5.0
Net Interest Margin	5.9	5.4	5.5	5.3	5.3
Cost/Income Ratio	42.0	44.8	45.1	45.8	45.8
Oper. Exp./Oper. Gross Inc.	81.3	74.2	71.8	72.0	71.6
Gross NPL Ratio	4.0	3.5	3.3	2.8	2.6
LLP/Gross NPL	124.6	134.8	131.9	149.9	157.4
Cost of Credit	4.0	2.3	2.0	1.8	1.7
Loan to Deposit Ratio	92.5	95.0	96.6	97.6	97.6
Loan to Funding Ratio	91.3	92.9	94.3	95.4	95.6
CASA Mix	65.2	67.5	70.0	71.2	72.9
ROAE	10.3	13.0	14.1	14.2	14.4
ROAA	1.4	1.9	2.1	2.2	2.2
CAR	20.8	21.6	21.3	21.2	20.7

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	1.9	2.5	2.8	2.8	2.8
Tax Retention rate	78.9	79.0	79.6	80.6	80.9
Post-Tax ROAA	1.5	2.0	2.2	2.3	2.3
Goodwil, Assoc& Min	0.1	0.1	0.1	0.1	0.1
Leverage	7.3	6.8	6.6	6.5	6.5
ROAE	10.3	13.0	14.1	14.2	14.4
Growth (%)					
Interest income	7.2	3.6	6.8	7.2	9.1
Net Interest Income	14.2	1.0	9.8	3.6	9.0
Other Oper. Expenses	8.7	12.0	10.0	8.2	8.5
Fee Based Income	7.2	6.1	10.8	11.7	12.0
Pre-Provision Oper. Profit	12.7	(0.3)	8.6	5.4	8.7
Net Profit	(32.1)	49.5	18.5	9.1	10.8
Shareholders' Equity	28.5	10.8	8.1	8.9	9.0
Loan	10.7	9.7	10.8	11.2	11.9
Earnings Asset	14.6	8.9	4.7	9.3	10.8
Deposit	12.0	6.5	8.5	10.0	11.9
Int. Bearing Liab.	12.1	7.1	7.1	9.0	10.6
CASA	10.2	10.2	12.6	11.9	14.6
Total Asset	14.1	8.3	3.9	8.8	10.1

Source : BMRI, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Bank Negara Indonesia (BBNI IJ)

A focus on assets quality

BUY

Maintain

Last price (IDR)	8,700
Target Price (IDR)	**9,500**
Upside/Downside	**+9.2%**
Previous Target Price (IDR)	*9,500*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBNI IJ
No of Shrs (mn)	18,649
Mkt. Cap (IDRbn/USDmn)	162,243/11,236
Avg. daily T/O (IDRbn/USDmn)	184.7/12.8

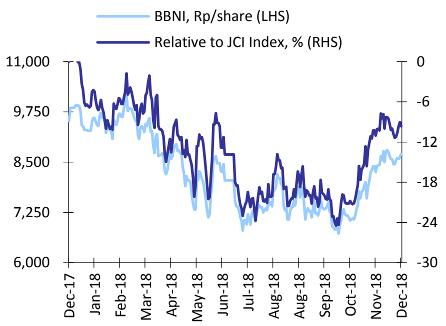
Major shareholders (%)

Government of Indonesia	60.0
Estimated free float	40.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	818.4	896.6	975.2
Consensus	824.2	928.6	1,034.4
Danareksa/Cons (%)	(0.7)	(3.4)	(5.7)

BBNI relative to JCI Index



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We maintain our BUY call on BBNI with a GGM-derived TP of IDR9,500. Our view is that the main priority for BBNI's management is to maintain its assets quality with manageable credit costs. This means the bank will selectively reprice its lending rate. Hence, NIM will mainly be supported by BBNI's ability to manage its blended CoF. As such, we expect asset yields to expand by 23bps in FY19F to 8% with a 15bps uptick in the blended CoF to 3.1%, resulting in NIM of 5.1%.

Assets quality is the key priority. Given BBNI's experience in handling NPLs with credit costs almost doubling back in 2015, the bank now prefers to have manageable assets quality. The painful period (higher credit costs, a sizeable amount of restructured loans and write-offs) taught the bank's management an important lesson, we believe. That said, with IDR43.7tn of loans at risk (9.0% of its loans book as of September 2018) coupled with the stable GDP growth outlook for next year, we expect the gross NPLs ratio to remain flat at 2.2% by the end of 2019 with higher credit costs of 167bps in FY19F.

A sound customer deposits structure. BBNI's customer deposits mix should remain manageable in our view supported by 62.9% CASA deposits of total customer deposits as of September 2018. Furthermore, BBNI's management also emphasised that the bank would continue to improve its products and services for CASA deposits, especially for SOE institutions and employees. In 3Q18, BBNI's cost of deposits stood at 2.3%, the second lowest after BBCA whose cost of deposits stands at 1.6%. That said, CASA deposits are forecast to reach 61.9% of total customer deposits as of December 2019F according to our forecast.

Expect a 5.1% NIM. We expect BBNI to reprice its lending rate selectively for a few borrowers, ranging from 25-50bps. While on the funding side, we expect an uptick in the blended CoF to 3.1% owing to the bank's strategy of offering a special TD rate to selective institutional customers with a maximum rate of 7.25% currently. CASA deposits should constitute around 61.9% of total customer deposits by the end of year in our model. As such, we assume a 5.1% NIM this year.

Maintain BUY, TP of IDR9,500. We maintain our BUY call on BBNI with an unchanged GGM-derived TP of IDR9,500 (implying 1.4x 2019F PBV) assuming a 10.3% CoE, 13.5% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	22,082	24,349	26,571	29,955	33,146
Net profit (IDRbn)	11,339	13,616	15,262	16,720	18,185
EPS (IDR)	608.0	730.2	818.4	896.6	975.2
EPS growth (%)	25.1	20.1	12.1	9.6	8.8
BVPS (IDR)	4,673.7	5,286.8	5,941.5	6,658.8	7,438.9
PER (x)	14.3	11.9	10.6	9.7	8.9
PBV (x)	1.9	1.6	1.5	1.3	1.2
Dividend yield (%)	2.4	2.9	1.9	2.1	2.2
ROAE (%)	13.9	14.7	14.6	14.2	13.8

Source : BBNI, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	43,768	48,178	52,787	60,724	67,424
Interest Expense	(13,773)	(16,240)	(18,473)	(22,187)	(24,715)
Net Interest Income	**29,995**	**31,938**	**34,314**	**38,537**	**42,710**
Non-Interest Income (NII)	10,702	12,592	14,992	17,410	19,507
Oper. Income	**40,697**	**44,530**	**49,305**	**55,947**	**62,217**
Oper. Expenses	(19,217)	(20,863)	(22,734)	(25,992)	(29,070)
Pre-provisions profit	**22,082**	**24,349**	**26,571**	**29,955**	**33,146**
Provisions & Allowances	(7,853)	(7,126)	(7,271)	(8,790)	(9,808)
Operating Profits	**14,229**	**17,223**	**19,301**	**21,165**	**23,339**
Non-Operating Income	74	(57)	25	14	(6)
Exceptionals	0	0	0	0	0
Pre-tax Profit	**14,303**	**17,165**	**19,325**	**21,179**	**23,332**
Income Tax	(2,893)	(3,395)	(3,865)	(4,236)	(4,900)
Minorities	(71)	(154)	(199)	(223)	(247)
Net Profit	**11,339**	**13,616**	**15,262**	**16,720**	**18,185**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	393,275	441,314	495,908	554,761	621,797
Provisions	(16,681)	(14,524)	(15,644)	(17,277)	(18,509)
Net Loans	**376,595**	**426,790**	**480,264**	**537,484**	**603,288**
Govt. Bonds	63,006	79,849	64,182	51,602	41,500
Securities	23,765	36,050	54,075	69,224	89,991
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	**545,213**	**641,844**	**720,475**	**801,243**	**911,712**
Fixed Assets	28,426	30,205	31,921	33,031	34,684
Non-Earnings Assets	9,824	13,322	10,995	11,550	10,709
Total Assets	**603,032**	**709,330**	**808,052**	**896,089**	**1,025,707**
Customer Deposits	415,453	492,748	569,636	637,023	718,445
Banks Deposits	9,735	11,683	12,163	12,810	13,578
Int. Bearing Liab. - Others	497,772	588,358	678,483	769,178	884,001
Total Liabilities	**513,778**	**608,427**	**694,741**	**769,178**	**884,001**
Share capital & Reserves	36,359	38,279	38,279	38,279	38,279
Retained Earnings	50,798	60,314	72,523	85,899	100,447
Shareholders' Funds	**87,157**	**98,592**	**110,802**	**124,178**	**138,726**
Minority interests	2,097	2,311	2,510	2,733	2,980
Total Equity & Liabilities	**603,032**	**709,330**	**808,052**	**896,089**	**1,025,707**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	8.8	8.1	7.7	8.0	7.9
Cost of funds	3.0	3.0	2.9	3.1	3.0
Interest Spread	5.8	5.1	4.8	4.9	4.9
Net Interest Margin	6.1	5.4	5.0	5.1	5.0
Cost/Income Ratio	46.5	46.1	46.1	46.5	46.7
Oper. Exp./Oper. Gross Inc.	74.2	72.0	71.5	72.9	73.2
Gross NPL Ratio	3.0	2.3	2.2	2.2	2.1
LLP/Gross NPL	143.3	143.8	145.6	142.8	143.9
Cost of Credit	2.2	1.7	1.6	1.7	1.7
Loan to Deposit Ratio	94.7	89.6	87.1	87.1	86.5
Loan to Funding Ratio	93.2	89.0	86.4	86.5	86.0
CASA Mix	64.4	62.7	62.9	61.9	62.9
ROAE	13.9	14.7	14.6	14.2	13.8
ROAA	2.0	2.1	2.0	2.0	1.9
CAR	18.6	18.1	18.0	18.0	17.9

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	2.6	2.6	2.5	2.5	2.4
Tax Retention rate	79.8	80.2	80.0	80.0	79.0
Post-Tax ROAA	2.1	2.1	2.0	2.0	1.9
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	6.8	7.1	7.2	7.3	7.3
ROAE	13.9	14.7	14.6	14.2	13.8
Growth (%)					
Interest income	18.6	10.1	9.6	15.0	11.0
Net Interest Income	17.4	6.5	7.4	12.3	10.8
Other Oper. Expenses	16.4	8.6	9.0	14.3	11.8
Fee Based Income	16.8	13.0	13.6	11.1	6.7
Pre-Provision Oper. Profit	17.8	10.3	9.1	12.7	10.7
Net Profit	25.1	20.1	12.1	9.6	8.8
Shareholders' Equity	14.1	13.1	12.4	12.1	11.7
Loan	20.6	12.2	12.4	11.9	12.1
Earnings Asset	22.2	17.7	12.3	11.2	13.8
Deposit	18.7	18.6	15.3	11.7	12.6
Int. Bearing Liab.	19.3	18.2	15.3	13.4	14.9
CASA	24.4	15.5	15.6	9.9	14.5
Total Asset	18.6	17.6	13.9	10.9	14.5

Source : BBNI, Danareksa Estimates

Equity Research
Company Update

Bank Pembangunan Daerah Jatim (BJTM IJ)

Local attraction

BUY

Maintain

Last price (IDR)	700
Target Price (IDR)	**850**
Upside/Downside	**+21.4%**
Previous Target Price (IDR)	*850*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BJTM IJ
No of Shrs (mn)	14,975
Mkt. Cap (IDRbn/USDmn)	10,482/726
Avg. daily T/O (IDRbn/USDmn)	3.5/0.2

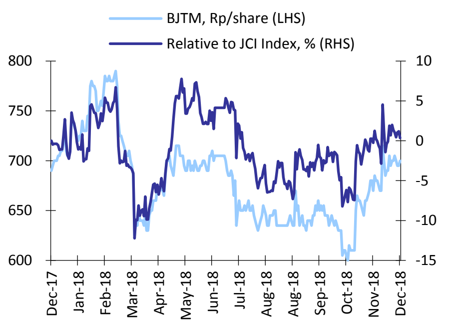
Major shareholders (%)

East Java provincial government	51.4
East Java regencies government	28.5
Estimated free float	20.2

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	84.3	90.4	98.4
Consensus	93.1	101.7	113.8
Danareksa/Cons (%)	(9.4)	(11.1)	(13.6)

BJTM relative to JCI Index



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We maintain our BUY call on BJTM with an unchanged GGM-derived TP of IDR850. We like the bank for its strong foothold in East Java's civil servants salary-based lending segment with a lower risk weight. CAR will remain high at 24.2% with 9.3% loans growth expected this year. Yet, NIM is expected to dip to 7.6% on the back of lower asset yields coming from lower rates on salary-based loans. The dividend payout ratio will remain enticing, however, especially in view of its status as a regional bank and its ample capital. We assume a 55% payout ratio, resulting to a 7.1% dividend yield.

Consumer lending will continue to be the driver. While salary-based loans will continue to account for most of BJTM's loans, the bank can also leverage its strong customer-base covering regional civil servants to boost its mortgage lending. On the other hand, commercial lending may only be driven by the syndicated loans scheme (along with other big SOE banks) for certain infrastructure projects such as the toll roads. Next year, we estimate 10.4% yoy growth in consumer loans, thus pushing up the contribution from consumer loans to total loans to 71.6% by December 2019F.

Lower projected NIM. Amid tight competition in salary-based lending, BJTM recently cut its lending rate in this segment by 200bps to 11-12%. Yet, we still expect the bank's funding structure to remain secure thanks to strong support from the local government, both institutional and retail customer-based. Taking these factors into account, we project a NIM compression to 7.6% given a lower assets yield of 11.2% in 2019F.

Good dividend yield. Given its status as a regional bank, we believe that BJTM will maintain its attractive dividend payout ratio. Additionally, with estimated loans growth of 9.3%, CAR will remain high at 24.2% by the end of year. Note that historically, the dividend payout ratio has ranged from 52% to 73.5% in the past five years. As such, with the expectation of a 55% payout ratio over the next three years, the dividend yield looks attractive within our banking universe at 7.1%.

BUY with a TP of IDR850. We maintain our BUY call on BJTM with a GGM-derived TP of IDR850 assuming 11.3% CoE, 14.7% sustainable ROAE and 3% long-term growth. Our TP implies 1.4x 2018F PBV.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	1,961	1,860	1,983	2,121	2,290
Net profit (IDRbn)	1,028	1,159	1,259	1,350	1,469
EPS (IDR)	68.9	77.7	84.3	90.4	98.4
EPS growth (%)	16.2	12.8	8.6	7.2	8.8
BVPS (IDR)	483.0	523.6	561.5	602.2	646.5
PER (x)	10.2	9.0	8.3	7.7	7.1
PBV (x)	1.4	1.3	1.2	1.2	1.1
Dividend yield (%)	6.2	5.8	6.6	7.1	7.7
ROAE (%)	15.2	15.4	15.5	15.5	15.8

Source : BJTM, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	4,904	4,890	5,385	5,697	6,277
Interest Expense	(1,446)	(1,405)	(1,721)	(1,814)	(2,011)
Net Interest Income	**3,458**	**3,485**	**3,664**	**3,884**	**4,266**
Non-Interest Income (NII)	350	371	414	461	522
Oper. Income	**3,808**	**3,856**	**4,078**	**4,345**	**4,787**
Oper. Expenses	(1,846)	(1,996)	(2,095)	(2,224)	(2,497)
Pre-provisions profit	**1,961**	**1,860**	**1,983**	**2,121**	**2,290**
Provisions & Allowances	(510)	(217)	(254)	(266)	(271)
Operating Profits	**1,452**	**1,643**	**1,728**	**1,855**	**2,019**
Non-Operating Income	1	(6)	20	7	7
Exceptionals	0	0	0	0	0
Pre-tax Profit	**1,452**	**1,637**	**1,748**	**1,862**	**2,026**
Income Tax	(424)	(478)	(489)	(512)	(557)
Minorities	0	0	0	0	0
Net Profit	**1,028**	**1,159**	**1,259**	**1,350**	**1,469**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	29,675	31,754	34,141	37,316	41,247
Provisions	(1,322)	(1,394)	(1,460)	(1,532)	(1,566)
Net Loans	**28,353**	**30,360**	**32,681**	**35,784**	**39,681**
Govt. Bonds	0	0	0	0	0
Securities	3,528	4,742	4,505	5,167	4,909
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	**38,301**	**45,550**	**48,602**	**53,434**	**58,203**
Fixed Assets	1,281	1,425	1,460	1,495	1,532
Non-Earnings Assets	780	689	412	392	402
Total Assets	**43,033**	**51,519**	**54,806**	**60,118**	**66,292**
Customer Deposits	32,799	39,845	43,373	47,455	52,300
Banks Deposits	1,218	1,449	662	675	689
Int. Bearing Liab. - Others	35,312	43,002	46,291	50,989	56,641
Total Liabilities	**35,823**	**43,703**	**46,424**	**51,128**	**56,641**
Share capital & Reserves	4,766	4,839	4,839	4,839	4,839
Retained Earnings	2,443	2,978	3,544	4,151	4,812
Shareholders' Funds	**7,210**	**7,816**	**8,382**	**8,990**	**9,651**
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**43,033**	**51,519**	**54,806**	**60,118**	**66,292**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	13.0	11.7	11.4	11.2	11.2
Cost of funds	4.1	3.6	3.9	3.7	3.7
Interest Spread	9.0	8.1	7.6	7.4	7.5
Net Interest Margin	9.2	8.3	7.8	7.6	7.6
Cost/Income Ratio	48.5	51.8	51.4	51.2	52.2
Oper. Exp./Oper. Gross Inc.	72.4	68.8	70.2	69.9	70.3
Gross NPL Ratio	4.8	4.6	4.4	4.2	3.9
LLP/Gross NPL	93.5	95.6	97.0	98.0	98.0
Cost of Credit	1.8	0.7	0.8	0.7	0.7
Loan to Deposit Ratio	90.5	79.7	78.7	78.6	78.9
Loan to Funding Ratio	90.5	79.7	78.7	78.6	78.9
CASA Mix	75.4	67.4	69.7	70.4	71.6
ROAE	15.2	15.4	15.5	15.5	15.8
ROAA	2.4	2.5	2.4	2.3	2.3
CAR	24.3	24.7	24.4	24.2	24.2

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	3.4	3.5	3.3	3.2	3.2
Tax Retention rate	70.8	70.8	72.0	72.5	72.5
Post-Tax ROAA	2.4	2.5	2.4	2.3	2.3
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	6.4	6.3	6.6	6.6	6.8
ROAE	15.2	15.4	15.5	15.5	15.8
Growth (%)					
Interest income	4.3	(0.3)	10.1	5.8	10.2
Net Interest Income	10.7	0.8	5.1	6.0	9.8
Other Oper. Expenses	10.8	8.1	5.0	6.2	12.3
Fee Based Income	25.8	25.9	20.0	17.5	16.5
Pre-Provision Oper. Profit	9.2	(5.2)	6.6	7.0	8.0
Net Profit	16.2	12.8	8.6	7.2	8.8
Shareholders' Equity	14.5	8.4	7.2	7.2	7.4
Loan	4.4	7.0	7.5	9.3	10.5
Earnings Asset	3.3	18.9	6.7	9.9	8.9
Deposit	(3.1)	21.4	6.6	9.3	10.1
Int. Bearing Liab.	(2.1)	21.8	7.6	10.1	11.1
CASA	(2.3)	8.6	10.3	10.3	11.9
Total Asset	0.5	19.7	6.4	9.7	10.3

Source : BJTM, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Bank Rakyat Indonesia (BBRI IJ)

Stay micro, stay profitable

BUY
Maintain

Last price (IDR)	3,670
Target Price (IDR)	**4,300**
Upside/Downside	**+17.2%**
Previous Target Price (IDR)	*4,300*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBRI IJ
No of Shrs (mn)	123,346
Mkt. Cap (IDRbn/USDmn)	452,679/31,351
Avg. daily T/O (IDRbn/USDmn)	377.0/26.1

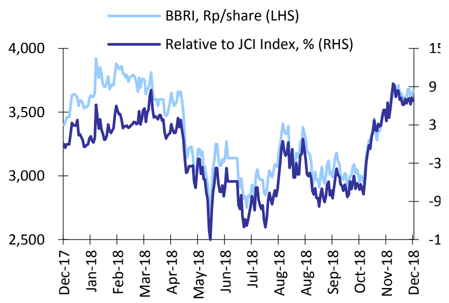
Major shareholders (%)

Government of Indonesia	56.8
Estimated free float	43.2

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	266.9	300.8	356.3
Consensus	263.6	296.0	335.7
Danareksa/Cons (%)	1.3	1.6	6.1

BBRI relative to JCI Index



We maintain our BUY call on BBRI with a GGM-derived TP of IDR4,300, liking the bank's strong core business in micro lending. BBRI's loans portfolio will continue to grow, underpinned by the government's KUR program. In our estimate, BBRI's exposure to KUR will increase to 10.2% of its total loans book by the end of the year. With a lower NIM of 7.1%, 12.1% loans growth, manageable operating expenses and modest credit costs of 203bps, the net profits are estimated to grow by 12.7% this year to IDR37.1tn based on our forecast.

KUR disbursement target at IDR120tn for 2019. As we already highlighted in our previous report, the projected KUR disbursement for 2019 is flat at IDR120tn with a subsidy allocation of IDR13.2tn. Historically, interest rate subsidies for the KUR program are a substantial proportion (c.70% of the allocation). With the KUR lending rate remaining at 7%, we expect the bank's KUR exposure would reach 10.2% of the total loans portfolio by the end of 2019 (September 2018: 8.8%).

Normalised margins. The bank's significant exposure to micro lending at 32.9% of the bank's total loans book as of September 2018 should provide an adequate buffer for its asset yields in our view. Meanwhile, BBRI's management highlighted its intent to reprice its lending rate for medium and corporate loans as well as mortgages by 25-50bps post the policy rate hikes of 175bps in total. All in all, we expect the NIM to dip to 7.1% next year driven by a 30bps drop in asset yields to 10.2%.

Earnings expected to grow a moderate 12.7% this year. With 12.1% yoy loans growth and a 7.1% NIM projection, a higher fee-income contribution will help to drive BBRI's performance in FY19F. We expect fee-income to grow by 13.3% yoy to IDR14.8tn. This should translate into a higher contribution to total operating income of 13.6%. Aside from that, operating expenses are expected to remain manageable due to limited expansion of outlets. Thus, the cost-to-income ratio (CIR) should dip to an estimated 41.3% in FY19F. In addition, we also expect 203bps credit costs as we do not foresee a major deterioration in its assets quality. All in all, we estimate net profits growth of 12.7% in FY19F.

BUY: TP of IDR4,300. We maintain our BUY call on BBRI with a GGM-derived TP of IDR4,300 (implying 2.5x 2019F PBV) assuming 18.9% ROAE, 9.4% CoE and 3% long-term growth. BBRI is one of our top picks in our banking universe.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	47,755	54,040	59,910	64,166	73,272
Net profit (IDRbn)	26,196	28,997	32,924	37,100	43,947
EPS (IDR)	212.4	235.1	266.9	300.8	356.3
EPS growth (%)	3.1	10.7	13.5	12.7	18.5
BVPS (IDR)	1,187.1	1,351.9	1,525.4	1,720.9	1,970.3
PER (x)	17.3	15.6	13.7	12.2	10.3
PBV (x)	3.1	2.7	2.4	2.1	1.9
Dividend yield (%)	2.3	2.6	2.5	2.9	2.9
ROAE (%)	20.2	18.5	18.6	18.5	19.3

Source : BBRI, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	93,995	102,899	111,394	119,305	131,346
Interest Expense	(28,577)	(29,894)	(31,690)	(36,262)	(38,237)
Net Interest Income	**65,418**	**73,005**	**79,704**	**83,043**	**93,109**
Non-Interest Income (NII)	16,799	18,641	22,520	26,241	30,890
Oper. Income	**82,217**	**91,646**	**102,224**	**109,284**	**123,999**
Oper. Expenses	(34,941)	(38,442)	(42,313)	(45,118)	(50,727)
Pre-provisions profit	**47,755**	**54,040**	**59,910**	**64,166**	**73,272**
Provisions & Allowances	(13,791)	(17,234)	(16,987)	(17,336)	(18,460)
Operating Profits	**33,965**	**36,806**	**42,923**	**46,830**	**54,812**
Non-Operating Income	9	216	184	205	202
Exceptionals	0	0	0	0	0
Pre-tax Profit	**33,974**	**37,022**	**43,107**	**47,035**	**55,013**
Income Tax	(7,746)	(7,978)	(10,130)	(9,877)	(11,003)
Minorities	(32)	(48)	(53)	(58)	(64)
Net Profit	**26,196**	**28,997**	**32,924**	**37,100**	**43,947**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	643,471	718,983	804,744	902,018	1,016,975
Provisions	(22,184)	(29,423)	(32,233)	(35,988)	(39,191)
Net Loans	**621,287**	**689,559**	**772,512**	**866,031**	**977,785**
Govt. Bonds	3,318	3,318	2,189	2,189	2,189
Securities	131,483	186,919	194,732	221,120	240,142
Other Earnings Assets	19,327	19,673	18,426	19,716	22,443
Total Earnings Assets	**903,452**	**1,024,428**	**1,097,275**	**1,236,008**	**1,378,649**
Fixed Assets	32,262	33,972	36,809	39,723	42,759
Non-Earnings Assets	14,491	20,200	17,345	18,773	18,059
Total Assets	**1,003,644**	**1,126,248**	**1,206,607**	**1,352,019**	**1,502,948**
Customer Deposits	732,559	815,368	909,939	1,016,045	1,137,403
Banks Deposits	2,230	5,593	4,879	4,975	5,073
Int. Bearing Liab. - Others	836,326	932,874	995,286	1,114,830	1,235,874
Total Liabilities	**856,832**	**958,901**	**1,017,799**	**1,139,030**	**1,259,124**
Share capital & Reserves	20,446	22,215	22,215	22,215	22,215
Retained Earnings	125,975	144,534	165,935	190,050	220,813
Shareholders' Funds	**146,421**	**166,749**	**188,150**	**212,264**	**243,027**
Minority interests	391	599	659	724	797
Total Equity & Liabilities	**1,003,644**	**1,126,248**	**1,206,607**	**1,352,019**	**1,502,948**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	11.2	10.7	10.5	10.2	10.0
Cost of funds	3.6	3.4	3.3	3.4	3.3
Interest Spread	7.6	7.3	7.2	6.8	6.8
Net Interest Margin	7.8	7.6	7.5	7.1	7.1
Cost/Income Ratio	42.3	41.6	41.4	41.3	40.9
Oper. Exp./Oper. Gross Inc.	69.5	69.9	67.9	67.8	66.2
Gross NPL Ratio	2.0	2.2	2.2	2.1	2.1
LLP/Gross NPL	169.0	183.5	184.4	187.2	185.3
Cost of Credit	2.3	2.5	2.2	2.0	1.9
Loan to Deposit Ratio	87.8	88.2	88.4	88.8	89.4
Loan to Funding Ratio	85.0	85.0	85.5	86.1	87.1
CASA Mix	59.8	59.6	60.2	60.9	61.4
ROAE	20.2	18.5	18.6	18.5	19.3
ROAA	2.8	2.7	2.8	2.9	3.1
CAR	21.6	21.7	21.2	21.5	22.0

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	3.6	3.5	3.7	3.7	3.9
Tax Retention rate	77.2	78.5	76.5	79.0	80.0
Post-Tax ROAA	2.8	2.7	2.8	2.9	3.1
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	7.3	6.8	6.6	6.4	6.3
ROAE	20.2	18.5	18.6	18.5	19.3
Growth (%)					
Interest income	10.0	9.5	8.3	7.1	10.1
Net Interest Income	12.2	11.6	9.2	4.2	12.1
Other Oper. Expenses	11.8	10.0	10.1	6.6	12.4
Fee Based Income	25.4	13.2	25.5	13.3	15.8
Pre-Provision Oper. Profit	21.2	13.2	10.9	7.1	14.2
Net Profit	3.1	10.7	13.5	12.7	18.5
Shareholders' Equity	29.8	13.9	12.8	12.8	14.5
Loan	14.0	11.7	11.9	12.1	12.7
Earnings Asset	15.6	13.4	7.1	12.6	11.5
Deposit	11.2	11.7	11.4	11.6	11.9
Int. Bearing Liab.	11.8	11.5	6.7	12.0	10.9
CASA	15.2	11.2	12.7	12.8	12.9
Total Asset	14.3	12.2	7.1	12.1	11.2

Source : BBRI, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	2,660
Target Price (IDR)	**3,600**
Upside/Downside	**+35.3%**
Previous Target Price (IDR)	*3,600*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBTN IJ
No of Shrs (mn)	10,590
Mkt. Cap (IDRbn/USDmn)	28,169/1,951
Avg. daily T/O (IDRbn/USDmn)	95.7/6.6

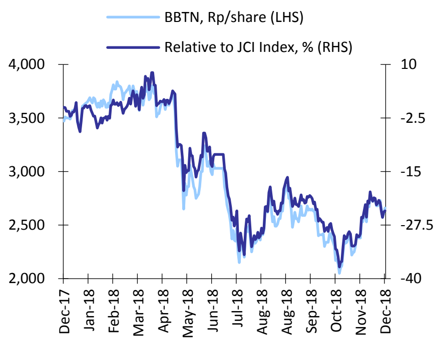
Major shareholders (%)

Government of Indonesia	60.0
Estimated free float	40.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	310.7	329.8	410.3
Consensus	304.9	330.4	382.3
Danareksa/Cons (%)	1.9	(0.2)	7.3

BBTN relative to JCI Index



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Bank Tabungan Negara (BBTN IJ)

Solid foundations for growth

We continue to like BBTN for its resilient business model for the housing-related segment. BBTN's growth will be driven mainly by 17% yoy subsidized mortgages growth this year. Additionally, BBTN will obtain borrowings from SMF for the 25% portion in the FLPP scheme with a 4.45% rate, an indication of the bank's funding flexibility in a higher interest rates environment. Further ahead, to reach a 100% coverage ratio by early 2020, BBTN will need additional provisions of IDR2.4tn. BUY with an unchanged GGM-derived TP of IDR3,600 (implying 1.4x 2019F PBV).

Subsidized mortgages remain the bank's core business. BBTN's management reaffirmed its commitment toward providing subsidized mortgages under the FLPP and interest rate subsidy schemes. The IDR5.2tn allocation for FLPP funding scheme is likely to maintain its 75:25 ratio between the government and SMF. As for the SSB scheme (IDR3.4tn), the government will continue to use the 12-months SBI (current rate: 6.93%) as its reference rate for interest rate subsidies. As such, with more flexibility in the government's schemes coupled with the affordable funding provided by SMF, we expect 17.0% growth in subsidized mortgages in 2019F.

Manageable additional provisions. Given the future implementation of PSAK 71 on January 1st 2020, BBTN will gradually increase its coverage ratio every quarter. In addition, by July 2019, BBTN's management will share the additional provisions amount based on the external consultant's recommendation. Nonetheless, our scenario analysis suggests that BBTN will need to allocate IDR614bn for every 10% additional coverage to our base case coverage ratio of 60.7% by the end of 2019 assuming a 2.2% gross NPLs ratio and 16.9% yoy loans growth. This would reduce its CAR by 160bps to 15.2%.

Lower expected margins. NIM is expected to decline to 4.0% arising from the full impact of higher policy rates in 2018. We expect the blended CoF to tick up to 4.8% this year with a 50% TD contribution to customer deposits by December 2019. Aside from that, SMF's borrowings with a 4.45% rate (as one of BBTN's wholesale funding instruments) should provide a sufficient buffer to a further spike in funding costs going forward. On the assets yield side, meanwhile, we already assume a 10bps decline to 8.7%.

BUY: IDR3,600TP. Maintain BUY with unchanged GGM-derived TP of IDR3,600 assuming 11.3% CoE, 14.5% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	4,060	4,776	5,421	5,817	6,891
Net profit (IDRbn)	2,619	3,027	3,289	3,492	4,344
EPS (IDR)	247.4	285.9	310.7	329.8	410.3
EPS growth (%)	41.5	15.6	8.6	6.2	24.4
BVPS (IDR)	1,806.9	2,046.1	2,294.7	2,565.1	2,901.6
PER (x)	10.8	9.3	8.6	8.1	6.5
PBV (x)	1.5	1.3	1.2	1.0	0.9
Dividend yield (%)	1.9	2.1	2.3	2.2	2.8
ROAE (%)	15.9	14.8	14.3	13.6	15.0

Source : BBTN, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	17,139	19,272	22,655	25,808	29,229
Interest Expense	(8,975)	(9,931)	(11,859)	(13,893)	(15,525)
Net Interest Income	**8,164**	**9,341**	**10,796**	**11,914**	**13,705**
Non-Interest Income (NII)	1,000	1,201	1,758	2,046	2,374
Oper. Income	**9,164**	**10,542**	**12,554**	**13,960**	**16,079**
Oper. Expenses	(5,387)	(6,169)	(7,133)	(8,144)	(9,188)
Pre-provisions profit	**4,060**	**4,776**	**5,421**	**5,817**	**6,891**
Provisions & Allowances	(708)	(884)	(1,236)	(1,396)	(1,364)
Operating Profits	**3,352**	**3,892**	**4,185**	**4,420**	**5,527**
Non-Operating Income	(22)	(30)	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	**3,330**	**3,862**	**4,185**	**4,420**	**5,527**
Income Tax	(711)	(834)	(895)	(928)	(1,183)
Minorities	0	0	0	0	0
Net Profit	**2,619**	**3,027**	**3,289**	**3,492**	**4,344**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	150,222	181,003	213,540	249,689	288,734
Provisions	(1,725)	(2,025)	(2,799)	(3,732)	(4,470)
Net Loans	**148,497**	**178,978**	**210,741**	**245,957**	**284,264**
Govt. Bonds	9,244	8,184	5,069	4,910	4,910
Securities	4,172	7,706	8,043	8,204	7,383
Other Earnings Assets	13,833	17,656	20,775	23,475	26,455
Total Earnings Assets	**195,373**	**239,811**	**275,706**	**318,222**	**360,775**
Fixed Assets	6,557	6,941	7,310	7,546	7,764
Non-Earnings Assets	4,157	5,159	6,404	7,948	9,866
Total Assets	**214,168**	**261,365**	**300,576**	**346,543**	**393,152**
Customer Deposits	159,988	192,474	226,266	266,620	312,110
Banks Deposits	3,653	5,445	3,356	3,323	3,290
Int. Bearing Liab. - Others	190,026	233,597	270,106	312,887	355,595
Total Liabilities	**195,038**	**239,702**	**276,282**	**319,385**	**362,432**
Share capital & Reserves	10,201	10,295	10,295	10,295	10,295
Retained Earnings	8,930	11,369	14,000	16,863	20,426
Shareholders' Funds	**19,131**	**21,663**	**24,295**	**27,158**	**30,720**
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**214,168**	**261,365**	**300,576**	**346,543**	**393,152**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	9.7	8.9	8.8	8.7	8.6
Cost of funds	5.2	4.7	4.7	4.8	4.6
Interest Spread	4.5	4.2	4.1	3.9	4.0
Net Interest Margin	4.6	4.3	4.2	4.0	4.0
Cost/Income Ratio	57.0	56.4	56.8	58.3	57.1
Oper. Exp./Oper. Gross Inc.	81.8	81.4	82.9	84.1	82.5
Gross NPL Ratio	2.8	2.5	2.3	2.2	2.2
LLP/Gross NPL	37.1	41.4	50.8	60.7	65.7
Cost of Credit	0.5	0.5	0.6	0.6	0.5
Loan to Deposit Ratio	93.9	94.0	94.4	93.6	92.5
Loan to Funding Ratio	85.9	85.0	85.9	85.6	86.3
CASA Mix	49.3	48.3	49.4	50.0	50.3
ROAE	15.9	14.8	14.3	13.6	15.0
ROAA	1.4	1.3	1.2	1.1	1.2
CAR	21.8	18.2	16.8	16.8	16.2

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	1.7	1.6	1.5	1.4	1.5
Tax Retention rate	78.6	78.4	78.6	79.0	78.6
Post-Tax ROAA	1.4	1.3	1.2	1.1	1.2
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	11.7	11.7	12.2	12.6	12.8
ROAE	15.9	14.8	14.3	13.6	15.0
Growth (%)					
Interest income	14.5	12.4	17.6	13.9	13.3
Net Interest Income	19.9	14.4	15.6	10.4	15.0
Other Oper. Expenses	20.0	14.5	15.6	14.2	12.8
Fee Based Income	10.8	26.9	18.1	17.5	16.6
Pre-Provision Oper. Profit	18.4	17.6	13.5	7.3	18.5
Net Profit	41.5	15.6	8.6	6.2	24.4
Shareholders’ Equity	38.0	13.2	12.1	11.8	13.1
Loan	17.6	20.5	18.0	16.9	15.6
Earnings Asset	24.7	22.7	15.0	15.4	13.4
Deposit	26.4	20.9	16.0	17.6	16.8
Int. Bearing Liab.	23.6	22.9	15.6	15.8	13.6
CASA	29.9	18.5	18.8	18.9	17.5
Total Asset	24.7	22.0	15.0	15.3	13.4

Source : BBTN, Danareksa Estimates

HOLD

Maintain

Last price (IDR)	3,450
Target Price (IDR)	**3,800**
Upside/Downside	**+10.1%**
Previous Target Price (IDR)	*3,900*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BTPN IJ
No of Shrs (mn)	5,745
Mkt. Cap (IDRbn/USDmn)	19,821/1,367
Avg. daily T/O (IDRbn/USDmn)	3.2/0.2

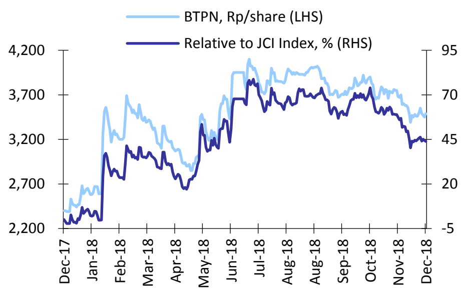
Major shareholders (%)

Sumitomo Mitsui	40.0
Summit Global Capital Management BV	20.0
Estimated free float	40.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	401.3	438.3	471.1
Consensus	348.0	389.0	429.9
Danareksa/Cons (%)	15.3	12.7	9.6

BTPN relative to JCI Index



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Bank Tabungan Pensiunan Nasional (BTPN IJ)

Challenges remain

We reiterate our HOLD call on BTPN with a lower GGM-derived TP of IDR3,800, noting concerns on the post-merger outlook and lower NIM projection. Loans will mostly driven by lower yield segments, i.e. the SME segments. Meanwhile, the productive poor segment – the bank's niche market - will be another growth engine, despite only accounting for 11.5% of BTPN's loans portfolio by the end of 2019F. All in all, we expect the NIM to fall to 10.6% this year due to a 70bps decline in asset yields.

Rebalancing of the loans mix towards the lower yielding segments. BTPN's loans only grew by 3% yoy mainly supported by the SME and productive poor lending segments with +12% and +21% yoy growth as of September 2018, respectively. Going forward, we expect lower exposure from its matured business segments - pension and micro loans –due to more competitive landscape in both segments. As such, we expect the loans yield to drop to 19.0% in FY19F given the higher contribution from the SME loans segment of 20.4% by end of 2019F vs. 19% as of September 2018.

Soon to be upgraded to a BUKU IV bank. Post-merger with SMBCI, BTPN's equity will be close to IDR26-27tn. In addition, BTPN will have more access to cheaper funding instruments given the synergies from SMBC as its parent. We expect BTPN to be upgraded to a BUKU IV bank (core capital above IDR30tn) by mid-2020 at the soonest assuming a smooth transition process with SMBCI which has a different core business (corporate banking).

Lower NIM projected. NIM is projected to decline to 10.6% this year mainly driven by a 70bps fall in asset yields on the back of higher exposure to SME loans. Meanwhile, the pressure on its blended CoF remains high following policy rate hikes (a total of 175bps last year) due to its high dependency on expensive funding instruments, i.e. TD and bonds. We expect 84.4% of its total customer deposits to be time deposit instruments as of December 2019F. It is worth noting that SMBCI's customer deposits only consist of current accounts and time deposits owing to its corporate banking business model.

Maintain HOLD, TP of IDR3,800. We maintain our HOLD call on the stock with a GGM-derived TP of IDR3,800 (implying 1.1x 2019F PBV) assuming a CoE of 10.9%, a 11.7% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	3,479	3,076	4,843	5,241	5,811
Net profit (IDRbn)	1,752	1,221	2,305	2,518	2,707
EPS (IDR)	305.0	212.5	401.3	438.3	471.1
EPS growth (%)	4.7	(30.3)	88.8	9.2	7.5
BVPS (IDR)	2,797.9	2,875.6	3,156.5	3,476.5	3,844.0
PER (x)	11.3	16.2	8.6	7.9	7.3
PBV (x)	1.2	1.2	1.1	1.0	0.9
Dividend yield (%)	2.9	2.2	3.5	3.4	3.0
ROAE (%)	11.7	7.5	13.3	13.2	12.9

Source : BTPN, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	13,695	14,046	14,303	15,060	16,367
Interest Expense	(4,841)	(4,524)	(4,428)	(4,857)	(5,119)
Net Interest Income	**8,854**	**9,522**	**9,875**	**10,203**	**11,248**
Non-Interest Income (NII)	689	640	688	729	802
Oper. Income	**9,543**	**10,162**	**10,563**	**10,932**	**12,051**
Oper. Expenses	(6,064)	(7,086)	(5,721)	(5,691)	(6,240)
Pre-provisions profit	**3,479**	**3,076**	**4,843**	**5,241**	**5,811**
Provisions & Allowances	(870)	(1,098)	(1,365)	(1,482)	(1,668)
Operating Profits	**2,610**	**1,978**	**3,477**	**3,759**	**4,143**
Non-Operating Income	(5)	(42)	(37)	(28)	(35)
Exceptionals	0	0	0	0	0
Pre-tax Profit	**2,605**	**1,937**	**3,440**	**3,731**	**4,107**
Income Tax	(729)	(515)	(843)	(821)	(904)
Minorities	(124)	(201)	(292)	(392)	(497)
Net Profit	**1,752**	**1,221**	**2,305**	**2,518**	**2,707**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	63,168	65,352	72,156	79,640	88,627
Provisions	(685)	(794)	(890)	(982)	(984)
Net Loans	**62,483**	**64,558**	**71,266**	**78,658**	**87,643**
Govt. Bonds	0	0	0	0	0
Securities	5,953	6,367	7,013	7,372	6,648
Other Earnings Assets	765	749	0	0	0
Total Earnings Assets	**80,492**	**83,964**	**92,066**	**101,061**	**107,403**
Fixed Assets	2,880	2,994	3,278	3,550	3,841
Non-Earnings Assets	3,736	3,898	3,817	3,858	3,837
Total Assets	**91,371**	**95,490**	**104,273**	**114,698**	**125,000**
Customer Deposits	61,806	62,670	67,083	72,055	78,915
Banks Deposits	915	823	74	76	77
Int. Bearing Liab. - Others	73,490	76,639	82,876	91,089	101,055
Total Liabilities	**74,823**	**78,095**	**85,166**	**93,361**	**101,055**
Share capital & Reserves	2,208	2,263	2,263	2,263	2,263
Retained Earnings	13,866	14,258	15,872	17,710	19,821
Shareholders' Funds	**16,074**	**16,521**	**18,135**	**19,973**	**22,084**
Minority interests	475	671	963	1,355	1,852
Total Equity & Liabilities	**91,371**	**95,287**	**104,264**	**114,689**	**124,992**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	18.0	17.1	16.3	15.6	15.7
Cost of funds	7.0	6.0	5.6	5.6	5.3
Interest Spread	11.1	11.1	10.7	10.0	10.4
Net Interest Margin	11.6	11.6	11.2	10.6	10.8
Cost/Income Ratio	63.5	69.7	54.2	52.1	51.8
Oper. Exp./Oper. Gross Inc.	81.9	86.5	76.8	76.2	75.9
Gross NPL Ratio	0.8	0.9	0.9	0.9	0.8
LLP/Gross NPL	136.5	134.6	135.3	135.3	135.3
Cost of Credit	1.4	1.7	2.0	2.0	2.0
Loan to Deposit Ratio	102.2	104.3	107.6	110.5	112.3
Loan to Funding Ratio	98.2	100.2	104.1	107.7	111.7
CASA Mix	12.2	12.4	14.3	15.6	17.1
ROAE	11.7	7.5	13.3	13.2	12.9
ROAA	2.0	1.3	2.3	2.3	2.3
CAR	24.4	24.9	24.0	24.6	24.5

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	3.0	2.1	3.4	3.4	3.4
Tax Retention rate	72.0	73.4	75.5	78.0	78.0
Post-Tax ROAA	2.2	1.5	2.6	2.7	2.7
Goodwil, Assoc& Min	0.1	0.2	0.3	0.4	0.4
Leverage	5.8	5.7	5.8	5.7	5.7
ROAE	11.7	7.5	13.3	13.2	12.9
Growth (%)					
Interest income	5.3	2.6	1.8	5.3	8.7
Net Interest Income	15.1	7.5	3.7	3.3	10.2
Other Oper. Expenses	17.6	16.9	(19.3)	(0.5)	9.6
Fee Based Income	(2.4)	(7.1)	7.5	6.0	10.0
Pre-Provision Oper. Profit	7.2	(11.6)	57.4	8.2	10.9
Net Profit	3.0	(30.3)	88.8	9.2	7.5
Shareholders' Equity	16.2	2.8	9.8	10.1	10.6
Loan	7.8	3.5	10.4	10.4	11.3
Earnings Asset	12.5	4.3	9.6	9.8	6.3
Deposit	9.6	1.2	5.8	7.4	9.5
Int. Bearing Liab.	11.8	4.3	8.1	9.9	10.9
CASA	(1.7)	2.3	22.2	17.4	19.8
Total Asset	12.7	4.5	9.2	10.0	9.0

Source : BTPN, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

BTPN Syariah (BTPS IJ)
Blooming gracefully

Last price (IDR)	1,815
Target Price (IDR)	**2,100**
Upside/Downside	**+15.7%**
Previous Target Price (IDR)	*2,100*

Stock Statistics

Sector	Banking
Bloomberg Ticker	BTPS IJ
No of Shrs (mn)	7,704
Mkt. Cap (IDRbn/USDmn)	13,982/968
Avg. daily T/O (IDRbn/USDmn)	45.4/3.1

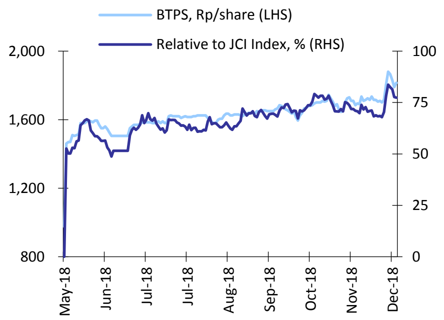
Major shareholders (%)

PT. BTPN Tbk.	70.0
PT. Triputra Persada Rahmat	10.0
Estimated free float	20.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	117.6	152.5	186.6
Consensus	119.5	145.0	174.6
Danareksa/Cons (%)	(1.6)	5.2	6.9

BTPS relative to JCI Index



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We reiterate our BUY call on BTPS with a GGM-derived TP of IDR2,100 (implying 3.4x 2019F PBV) due to its strong core business in the productive poor segment. NIM will remain high in our view despite the gradual decline to 36.4% this year coming from a 130bps drop in asset yields to 41.5%. The funding mix will still be dominated by TD with a 79.8% contribution to total funding by the end of the year. CAR is forecast to remain at a high level of 33.4% as of December 2019F assuming a 30% payout ratio.

Maintaining its captive market. BTPS will continue to focus on its niche market - the productive poor segment for women. Despite the government's Ultra Micro (Umi) loans program that channels loans through cooperatives and two non-listed SOE financing companies, PT Pegadaian and PT Permodalan Nasional Madani (PNM), the management of BTPS argues that the bank's current scale has room to be increased. As such, we expect 20.8% yoy financing growth with 3.8mn borrowers. This should translate into a higher ticket size of IDR2.3mn vs. IDR2.1mn as of September 2018.

Margins will remain high. Given its one-of-a-kind business model, the NIM will remain far above the industry level. However, we do expect the NIM to gradually decline to 36.4% for FY19F supported by higher individual financing exposure. Please note that the bank's individual financing is still in the pilot project stage as this type of financing is only offered to borrowers who have already passed cycle 5 (each cycle has a 52-week tenor). While funding is still heavily skewed towards wealthy individuals who place their funds in TD products (the mudharabah akad scheme). We assume that the blended CoF touches 6.0% this year in light of the recent 175bps policy rate hikes.

Safe level of capital. As of September 2018, CAR stood at 39.7% post the May 2018 IPO with IDR751.1bn of proceeds. Given the bank's aggressive financing growth projection, we view its maximum 30% payout ratio policy starting in 2019 as reasonable (we assume financing growth of 20.8% 3-year CAGR). As such, CAR is expected to touch 33.4% by the end of the year assuming a 30% payout ratio based on our forecast.

Maintain BUY with a TP of IDR2,100. We maintain our BUY call on BTPS with a GGM-derived TP of IDR2,100 assuming 9.3% CoE, 24.5% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	673	1,143	1,495	1,924	2,395
Net profit (IDRbn)	412	670	906	1,174	1,437
EPS (IDR)	59.5	96.7	117.6	152.5	186.6
EPS growth (%)	39.2	62.5	21.6	29.7	22.4
BVPS (IDR)	229.7	325.2	505.9	612.7	743.4
PER (x)	30.5	18.8	15.4	11.9	9.7
PBV (x)	7.9	5.6	3.6	3.0	2.4
Dividend yield (%)	0.0	0.0	0.0	2.5	3.1
ROAE (%)	29.9	34.8	29.4	27.3	27.5

Source : BTPS, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	2,226	2,905	3,509	4,287	5,055
Interest Expense	(290)	(346)	(413)	(527)	(612)
Net Interest Income	**1,936**	**2,560**	**3,096**	**3,760**	**4,443**
Non-Interest Income (NII)	5	7	8	9	10
Oper. Income	**1,941**	**2,567**	**3,103**	**3,769**	**4,452**
Oper. Expenses	(1,268)	(1,423)	(1,608)	(1,845)	(2,057)
Pre-provisions profit	**673**	**1,143**	**1,495**	**1,924**	**2,395**
Provisions & Allowances	(119)	(235)	(268)	(332)	(399)
Operating Profits	**555**	**908**	**1,228**	**1,592**	**1,996**
Non-Operating Income	1	0	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	**556**	**909**	**1,228**	**1,592**	**1,996**
Income Tax	(143)	(239)	(322)	(418)	(559)
Minorities	0	0	0	0	0
Net Profit	**412**	**670**	**906**	**1,174**	**1,437**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	4,997	6,053	7,346	8,875	10,677
Provisions	(114)	(158)	(219)	(269)	(336)
Net Loans	**4,883**	**5,896**	**7,127**	**8,607**	**10,341**
Govt. Bonds	0	0	0	0	0
Securities	0	39	1,361	1,905	2,381
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	**5,031**	**7,114**	**9,283**	**11,400**	**13,771**
Fixed Assets	350	434	538	660	794
Non-Earnings Assets	442	264	460	472	607
Total Assets	**7,323**	**9,157**	**12,242**	**14,667**	**17,389**
Customer Deposits	5,388	6,546	7,971	9,554	11,250
Banks Deposits	0	0	0	0	0
Int. Bearing Liab. - Others	5,388	6,546	7,971	9,554	11,250
Total Liabilities	**5,731**	**6,902**	**8,345**	**9,946**	**11,662**
Share capital & Reserves	915	905	1,642	1,643	1,643
Retained Earnings	678	1,350	2,256	3,078	4,084
Shareholders' Funds	**1,593**	**2,255**	**3,898**	**4,720**	**5,727**
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**7,323**	**9,157**	**12,242**	**14,667**	**17,389**

Exhibit 3. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	48.8	47.8	42.8	41.5	40.2
Cost of funds	6.3	5.8	5.7	6.0	5.9
Interest Spread	42.4	42.0	37.1	35.4	34.3
Net Interest Margin	42.4	42.2	37.8	36.4	35.3
Cost/Income Ratio	65.3	55.5	51.8	48.9	46.2
Oper. Exp./Oper. Gross Inc.	75.1	68.8	65.1	62.9	60.6
Gross NPL Ratio	1.5	1.7	1.9	1.9	2.0
LLP/Gross NPL	149.0	156.4	159.5	158.7	159.5
Cost of Credit	2.7	4.3	4.0	4.1	4.1
Loan to Deposit Ratio	92.7	92.5	92.2	92.9	94.9
Loan to Funding Ratio	92.7	92.5	92.2	92.9	94.9
CASA Mix	19.6	21.3	20.5	20.2	20.2
ROAE	29.9	34.8	29.4	27.3	27.5
ROAA	6.6	8.1	8.5	8.7	9.0
CAR	24.0	28.7	34.6	33.4	33.2

Exhibit 4. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	8.9	11.0	11.5	11.8	12.5
Tax Retention rate	74.2	73.8	73.8	73.8	72.0
Post-Tax ROAA	6.6	8.1	8.5	8.7	9.0
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	4.5	4.3	3.5	3.1	3.1
ROAE	29.9	34.8	29.4	27.3	27.5
Growth (%)					
Interest income	42.4	30.5	20.8	22.2	17.9
Net Interest Income	47.1	32.2	20.9	21.5	18.1
Other Oper. Expenses	25.2	12.3	13.0	14.7	11.5
Fee Based Income	(45.0)	150.7	(100.0)	0.0	0.0
Pre-Provision Oper. Profit	83.0	69.8	30.8	28.7	24.5
Net Profit	143.9	62.5	35.1	29.7	22.4
Shareholders' Equity	36.9	41.6	72.9	21.1	21.3
Loan	35.9	21.1	21.4	20.8	20.3
Earnings Asset	22.6	41.4	30.5	22.8	20.8
Deposit	41.4	21.5	21.8	19.9	17.8
Int. Bearing Liab.	41.4	21.5	21.8	19.9	17.8
CASA	34.5	31.7	17.6	18.0	17.5
Total Asset	41.1	25.0	33.7	19.8	18.6

Source : BTPS, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Bekasi Fajar Industrial Estate (BEST IJ)

Too cheap to ignore

BUY
Maintain

Last price (IDR)	214
Target Price (IDR)	**300**
Upside/Downside	**+40.2%**
Previous Target Price (IDR)	*330*

Stock Statistics

Sector	Industrial Estate
Bloomberg Ticker	BEST IJ
No of Shrs (mn)	9,647
Mkt. Cap (IDRbn/USDmn)	2,065/143
Avg. daily T/O (IDRbn/USDmn)	2.9/0.2

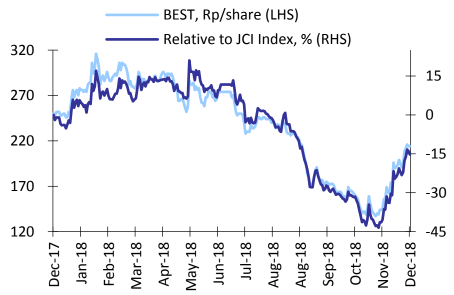
Major shareholders (%)

Argo Manunggal Land Development	48.1
Daiwa House Industry Corporate	10.0
Estimated free float	41.8

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	47.3	48.4	63.2
Consensus	46.7	46.8	48.9
Danareksa/Cons (%)	1.2	3.4	29.2

BEST relative to JCI Index



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We expect BEST's FY18 marketing sales to come in at 34.5 Ha, at the lower end of the company's target of 35-45 Ha. However, we expect better industrial presales in FY19 stimulated by the government's tax holiday facilities, and supported by its large landbank availability of 725 Ha nett. As the company currently trades at a depressed valuation, we believe the stock has some upside potential. Maintain BUY.

FY18 marketing sales – at the lower end of the target. We expect BEST's FY18 marketing sales to come in at 34.5 Ha, at the lower end of the company's target of 35-45 Ha. Our checks indicate that the company managed to book 26 Ha of industrial presales in 4Q18 following lagging 9M18 industrial presales of 8.1 Ha. Assuming land ASP of ~IDR 2.6mn/sqm, we estimate FY18 industrial presales of IDR906bn.

Higher presales and revenues expected in FY19. In FY19, we expect BEST to post better industrial presales given the overall increase in industrial land inquiries given government tax holiday facilities. As of Oct 18, BEST reported inquiries of 78 Ha. However, we only target FY19 industrial presales of 40 Ha (+15.9% yoy), translating into marketing sales of IDR1.07tn (+18.0% yoy). In terms of land bank, BEST recorded nett land bank of around 725 Ha, meaning the company can fulfil higher land sale inquiries in the future.

For FY18, we expect revenues to reach IDR1.09tn (+8.4% yoy), driven by recognition of ~36.6 Ha of industrial sales. Given a backlog of 56 Ha and 9M18 revenues recognition of 14.9 Ha, we expect the company to recognize ~22 Ha of sales in 4Q18. Assuming land ASP of 2.6mn/sqm, we estimate 4Q18 revenues of at least ~IDR570bn. For FY19, we forecast revenues of IDR1.12tn (+2.5% yoy).

Maintain BUY. We maintain our BUY call on BEST with an unchanged TP of IDR 300, based on a 75% discount to NAV. We like BEST for its relatively large landbank at 725 Ha nett, which will allow the company to cater to bulk size inquiries in the future. However, we prefer the clean balance sheet of DMAS in comparison to the balance sheet of BEST, which has net gearing of 30.3% and remains exposed to forex risk as ~30% of its foreign-denominated loans are unhedged. Nonetheless, given the depressed valuation, we think the current share price offers plenty of upside. The counter currently trades at an 82% discount to NAV vs. the sector's 78%.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	824	1,006	1,091	1,119	1,271
EBITDA (IDRbn)	530	611	656	671	779
EBITDA Growth (%)	30.6	15.3	7.3	2.3	16.2
Net profit (IDRbn)	336	483	456	467	610
EPS (IDR)	34.8	50.1	47.3	48.4	63.2
EPS growth (%)	58.8	43.9	(5.6)	2.4	30.4
BVPS (IDR)	351.2	398.6	441.0	484.7	543.2
DPS (IDR)	(1.2)	(3.4)	(4.9)	(4.7)	(4.8)
PER (x)	6.7	4.7	4.9	4.8	3.7
PBV (x)	0.7	0.6	0.5	0.5	0.4
Dividend yield (%)	(0.5)	(1.5)	(2.1)	(2.0)	(2.0)
EV/EBITDA (x)	6.6	5.4	5.3	5.3	4.6

Source : BEST, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
venue	**824**	**1,006**	**1,091**	**1,119**	**1,271**
COGS	(211)	(286)	(322)	(330)	(367)
Gross profit	**613**	**721**	**769**	**789**	**904**
EBITDA	**530**	**611**	**656**	**671**	**779**
Oper. profit	**521**	**599**	**642**	**654**	**761**
Interest income	0	0	0	0	0
Interest expense	(118)	(140)	(146)	(146)	(127)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(3)	4	7	7	7
Other Income (Expenses)	(30)	45	(19)	(17)	3
Pre-tax profit	**369**	**509**	**485**	**498**	**644**
Income tax	(33)	(26)	(29)	(30)	(34)
Minority interest	0	0	0	0	0
Net profit	**336**	**483**	**456**	**467**	**610**
Core Net Profit	**336**	**483**	**456**	**467**	**610**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	442	502	392	285	281
Receivables	235	350	379	389	442
Inventory	736	927	1,035	1,143	1,242
Other Curr. Asset	435	266	289	296	337
Fixed assets - Net	172	163	194	224	255
Other non-curr.asset	3,184	3,512	3,937	4,358	4,749
Total asset	**5,205**	**5,719**	**6,227**	**6,695**	**7,306**
ST Debt	457	448	0	0	566
Payables	19	48	55	56	62
Other Curr. Liabilities	69	244	262	268	297
Long Term Debt	1,235	1,067	1,584	1,614	1,048
Other LT. Liabilities	35	39	45	54	66
Total Liabilities	**1,815**	**1,847**	**1,946**	**1,992**	**2,040**
Shareholder'sFunds	3,388	3,845	4,254	4,677	5,240
Minority interests	3	3	3	3	3
Total Equity & Liabilities	**5,205**	**5,695**	**6,203**	**6,671**	**7,283**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	336	483	456	467	610
Depreciation and Amort.	9	10	14	17	19
Change in Working Capital	(337)	68	(137)	(117)	(157)
OtherOper. Cash Flow	23	(254)	(227)	(221)	(209)
Operating Cash Flow	**32**	**308**	**106**	**146**	**262**
Capex	(73)	(36)	(72)	(72)	(72)
Others Inv. Cash Flow	(57)	106	(20)	(20)	(20)
Investing Cash Flow	**(130)**	**70**	**(92)**	**(92)**	**(92)**
Net change in debt	268	(176)	69	30	0
New Capital	25	7	0	0	0
Dividend payment	(12)	(33)	(48)	(45)	(46)
Other Fin. Cash Flow	(118)	(140)	(146)	(146)	(127)
Financing Cash Flow	**163**	**(342)**	**(125)**	**(162)**	**(173)**
Net Change in Cash	**64**	**36**	**(110)**	**(107)**	**(4)**
Cash - begin of the year	378	442	502	392	285
Cash - end of the year	442	502	392	285	281

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	20.0	22.0	8.4	2.5	13.6
EBITDA	30.6	15.3	7.3	2.3	16.2
Operating profit	31.5	15.1	7.1	1.8	16.4
Net profit	58.8	43.9	(5.6)	2.4	30.4
Profitability (%)					
Gross margin	74.4	71.6	70.5	70.5	71.1
EBITDA margin	64.3	60.7	60.1	60.0	61.3
Operating margin	63.1	59.6	58.8	58.4	59.9
Net margin	40.8	48.0	41.8	41.8	48.0
ROAA	6.8	8.8	7.6	7.2	8.7
ROAE	10.5	13.4	11.3	10.5	12.3
Leverage					
Net Gearing (x)	0.4	0.3	0.3	0.3	0.3
Interest Coverage (x)	4.4	4.3	4.4	4.5	6.0

Source : BEST, Danareksa Estimates

Bukit Asam (PTBA IJ)

Steady progress

BUY

Maintain

Last price (IDR)	4,220
Target Price (IDR)	**5,400**
Upside/Downside	**+28.0%**
Previous Target Price (IDR)	*5,000*

Stock Statistics

Sector	Coal Mining
Bloomberg Ticker	PTBA IJ
No of Shrs (mn)	10,871
Mkt. Cap (IDRbn/USDmn)	45,874/3,177
Avg. daily T/O (IDRbn/USDmn)	159.6/11.1

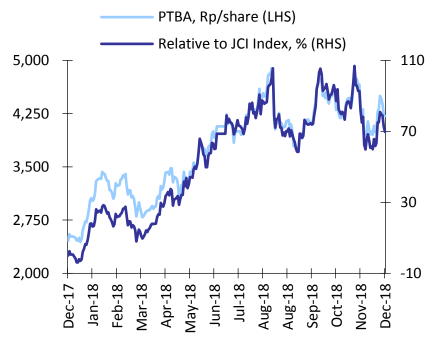
Major shareholders (%)

Inalum	65.0
Estimated Free Float	26.5

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	482.0	495.2	507.8
Consensus	463.1	481.2	470.8
Danareksa/Cons (%)	4.1	2.9	7.9

PTBA relative to JCI Index



Despite expected consolidation of the coal price in 2019, we foresee higher earnings for Bukit Asam (PTBA) supported by: a) increasing coal production at, b) greater sales volume of high calorific value coal to premium markets, and c) business diversification into power plants and coal gasification to provide long-term earnings growth. As we roll over our valuation to 2019, we maintain our BUY call with a target price of IDR5,400 (based on DCF valuation with WACC of 12.7% and long-term growth of 3.0%).

Expect higher coal production in 2019. While PTBA has not provided guidance for coal production in 2019, we expect solid coal production growth of 12.0% yoy in 2019 and 10.7% yoy in 2020 mainly due to higher railway capacity. In 2018, coal production is expected to grow by 5.3% yoy to 25.5mn tonnes with coal sales volume of 25.9mn tonnes (+9.5% yoy), of which 53.1% is for the domestic market and the remaining 46.9% for exports. The export market will drive sales thanks to PTBA's plan to sell medium to high calorific value coal to premium markets.

Further infrastructure development to support production growth. To support coal production growth, PTBA together with Kereta Api Indonesia (PTKAI) continues to make efforts to further develop infrastructure. The annual railway capacity is expected to increase further by 9.5% yoy to 25.3mn tonnes by the end of 2019 from 23.1mn tonnes in 2018. By 2020, PTKAI plans to further increase the railway capacity to 30mn tonnes by developing double track railway between Tanjung Enim and Tarahan.

Diversification to enhance long-term earnings growth. We believe business diversification beyond thermal coal (in the areas of the power business and coal-to-gasification) will support PTBA's long-term earnings. Several of its development projects in the power business are: a) Sumsel 8 mine mouth power plants consortium with China Huadian Hongkong with capacity of 2 x 620MW and a total investment of USD1.68bn. PTBA has a 45% stake in this consortium with the project's completion expected in 2021 – 2022. And b) East Halmahera coal fired power plants (CFPP) with capacity of 3 x 60 MW and diesel power plants (3 x 17MW) with a total investment of USD419mn.

Maintain BUY with a target price of IDR5,400 (based on DCF valuation with WACC of 12.7% and long-term growth of 3.0%). We expect higher earnings for PTBA in 2019 despite expected consolidation in the coal price owing to higher production and higher calorific value coal in the product mix. Our new target price implies 10.9x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	14,059	19,471	21,961	23,557	25,492
EBITDA (IDRbn)	2,876	6,569	7,405	7,618	7,323
EBITDA Growth (%)	1.8	128.4	12.7	2.9	(3.9)
Net profit (IDRbn)	2,006	4,476	5,240	5,383	5,521
EPS (IDR)	184.6	411.8	482.0	495.2	507.8
EPS growth (%)	(1.5)	123.1	17.1	2.7	2.6
BVPS (IDR)	958.7	1,251.8	1,425.0	1,558.7	1,818.9
DPS (IDR)	56.2	55.4	308.8	361.5	247.6
PER (x)	22.9	10.2	8.8	8.5	8.3
PBV (x)	4.4	3.4	3.0	2.7	2.3
Dividend yield (%)	1.3	1.3	7.3	8.6	5.9
EV/EBITDA (x)	15.4	6.6	5.7	5.9	6.3

Source : PTBA, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**14,059**	**19,471**	**21,961**	**23,557**	**25,492**
COGS	(9,657)	(10,965)	(12,229)	(13,517)	(14,971)
Gross profit	**4,401**	**8,507**	**9,732**	**10,040**	**10,521**
EBITDA	**2,876**	**6,569**	**7,405**	**7,618**	**7,323**
Oper. profit	**2,531**	**5,899**	**6,930**	**6,997**	**7,323**
Interest income	202	185	178	310	176
Interest expense	(149)	(104)	(103)	(103)	(103)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	150	122	122	122	122
Other Income (Expenses)	(37)	(34)	(34)	(34)	(34)
Pre-tax profit	**2,697**	**6,068**	**7,093**	**7,292**	**7,484**
Income tax	(673)	(1,521)	(1,773)	(1,823)	(1,871)
Minority interest	(18)	(71)	(80)	(86)	(93)
Net profit	**2,006**	**4,476**	**5,240**	**5,383**	**5,521**
Core Net Profit	**2,006**	**4,476**	**5,240**	**5,383**	**5,521**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	3,675	3,555	6,193	3,520	2,885
Receivables	2,285	5,344	2,407	2,582	2,794
Inventory	1,102	1,156	1,572	1,737	1,924
Other Curr. Asset	1,288	1,063	1,063	1,063	1,063
Fixed assets - Net	6,088	6,199	10,083	13,752	17,179
Other non-curr.asset	4,139	4,670	4,808	4,952	5,173
Total asset	**18,577**	**21,987**	**26,125**	**27,606**	**31,017**
ST Debt	1,439	299	2,000	2,000	2,500
Payables	539	886	1,461	1,615	1,788
Other Curr. Liabilities	3,065	3,328	3,227	3,016	2,831
Long Term Debt	751	580	580	580	580
Other LT. Liabilities	2,231	3,094	3,094	3,094	3,094
Total Liabilities	**8,024**	**8,187**	**10,362**	**10,305**	**10,794**
Shareholder'sFunds	10,421	13,608	15,491	16,944	19,773
Minority interests	131	192	272	357	450
Total Equity & Liabilities	**18,577**	**21,987**	**26,125**	**27,606**	**31,017**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	2,006	4,476	5,240	5,383	5,521
Depreciation and Amort.	345	671	475	621	773
Change in Working Capital	(72)	(3,417)	4,696	(398)	90
OtherOper. Cash Flow	(404)	603	(221)	(351)	(294)
Operating Cash Flow	**1,875**	**2,334**	**10,190**	**5,255**	**6,090**
Capex	(301)	(685)	(4,350)	(4,290)	(4,200)
Others Inv. Cash Flow	188	333	178	310	176
Investing Cash Flow	**(113)**	**(351)**	**(4,172)**	**(3,980)**	**(4,024)**
Net change in debt	(353)	(1,271)	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(611)	(602)	(3,357)	(3,930)	(2,692)
Other Fin. Cash Flow	(239)	(229)	(23)	(17)	(10)
Financing Cash Flow	**(1,203)**	**(2,102)**	**(3,380)**	**(3,947)**	**(2,701)**
Net Change in Cash	**559**	**(119)**	**2,637**	**(2,673)**	**(636)**
Cash - begin of the year	3,115	3,675	3,555	6,193	3,520
Cash - end of the year	3,675	3,555	6,193	3,520	2,885

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	2.4	38.5	12.8	7.3	8.2
EBITDA	1.8	128.4	12.7	2.9	(3.9)
Operating profit	4.8	133.1	17.5	1.0	4.7
Net profit	(1.5)	123.1	17.1	2.7	2.6
Profitability (%)					
Gross margin	31.3	43.7	44.3	42.6	41.3
EBITDA margin	20.5	33.7	33.7	32.3	28.7
Operating margin	18.0	30.3	31.6	29.7	28.7
Net margin	14.3	23.0	23.9	22.9	21.7
ROAA	11.3	22.1	21.8	20.0	18.8
ROAE	20.5	37.3	36.0	33.2	30.1
Leverage					
Net Gearing (x)	(0.1)	(0.2)	(0.2)	(0.1)	0.0
Interest Coverage (x)	17.0	56.9	67.6	68.3	71.4

Source : PTBA, Danareksa Estimates

Bumi Serpong Damai (BSDE IJ)

Ranked high on flexibility

BUY
Maintain

Last price (IDR)	1,260
Target Price (IDR)	**1,580**
Upside/Downside	**+25.4%**
Previous Target Price (IDR)	*1,450*

Stock Statistics

Sector	Property
Bloomberg Ticker	BSDE IJ
No of Shrs (mn)	19,247
Mkt. Cap (IDRbn/USDmn)	24,251/1,680
Avg. daily T/O (IDRbn/USDmn)	23.7/1.6

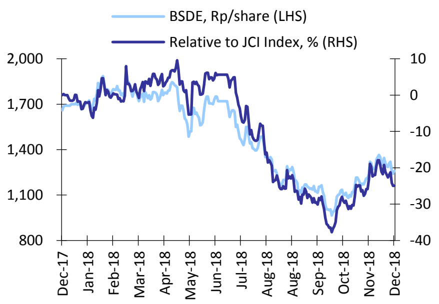
Major shareholders (%)

Paraga Artamida	26.6
Ekacentra Usahamaju	25.0
Estimated free float	39.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	98.6	100.4	150.4
Consensus	105.8	125.5	132.0
Danareksa/Cons (%)	(6.8)	(20.0)	13.9

BSDE relative to JCI Index



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We maintain our BUY call on BSDE with a higher TP of IDR1,580 (from IDR1,450) on sector re-rating given a more dovish outlook for interest rates. We estimate BSDE's FY18 presales to be in-line supported by commercial land plot sales, despite weaker residential sales in 4Q18. We expect better presales in FY19 on stronger demand in 2H19 and from the reduction in super luxury tax rates (PPh22). We like BSDE for its large landbank which gives the company plenty of operational flexibility and sustainability.

Expect in-line FY18 presales; boosted by commercial land plot sales. We estimate BSDE's FY18 presales to reach IDR7.0tn (-3.0% yoy), still in-line with the company's target of IDR7.2tn. Due to tougher conditions in 4Q18, we see weaker presales coming from residential sales due to a lack of new launchings, but countered by the company's attempt to boost more commercial land plot sales to achieve its target. The notable presales contribution in 4Q18 includes ~IDR200bn block sale of Southgate Tower 2 (80 units) to Itochu and Kei Kyu and the launching of Marigold Tower 5, for which we estimate marketing sales of ~IDR100bn. As for residential property, the 4Q18 presales will mostly come from existing products such as Cluster Caelus and Visana in BSD City.

More growth in FY19 presales and revenues. We expect BSDE to post FY19 presales of IDR7.3tn (+4.6% yoy), boosted by residential and commercial land plot sales. We should see signs of property demand recovery towards 2H19. BSDE is also one of the beneficiaries of the government's recent move to reduce the super luxury tax (PPh22) from 5% to 1% for property valued above IDR5.0bn. Approximately 15% of BSDE's presales came from property priced > IDR5.0bn. In addition, BSDE also has a huge landbank of 4,740 Ha, particularly in BSD City (2,414 Ha), which gives the company plenty of flexibility to launch products in that particular segment. Meanwhile, we estimate FY19 revenues at IDR7.5tn (+4.8% yoy), supported by growth of its recurring revenues (+6.1% yoy) and development revenues (+4.5% yoy). As of 9M18, BSDE has a backlog of ~IDR10tn.

Maintain BUY; TP raised to IDR1,580. We maintain our BUY call on BSDE with a higher TP of IDR1,580 based on a 74% discount to NAV (from76%). We assign a lower discount to NAV to reflect some re-rating in the sector, given a more dovish outlook for US interest rates, which should support the IDR and ease pressure on BI to hike rates. We like BSDE for its huge landbank which gives the company operational flexibility and sustainability going forward, despite concerns on its rising debt level and forex exposure. The counter currently trades at an 80% discount to NAV.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	6,603	10,347	7,201	7,550	8,975
EBITDA (IDRbn)	3,035	5,783	3,543	3,737	4,842
EBITDA Growth (%)	(2.2)	90.5	(38.7)	5.5	29.6
Net profit (IDRbn)	1,796	4,920	1,898	1,932	2,895
EPS (IDR)	93.3	255.6	98.6	100.4	150.4
EPS growth (%)	(16.0)	173.9	(61.4)	1.8	49.9
BVPS (IDR)	1,072.4	1,316.7	1,401.6	1,496.6	1,641.7
DPS (IDR)	5.0	5.0	13.7	5.3	5.4
PER (x)	17.4	6.4	16.5	16.2	10.8
PBV (x)	1.5	1.2	1.2	1.1	1.0
Dividend yield (%)	0.3	0.3	0.8	0.3	0.3
EV/EBITDA (x)	11.6	6.0	9.8	9.0	6.7

Source: BSDE, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**6,603**	**10,347**	**7,201**	**7,550**	**8,975**
COGS	(1,882)	(2,757)	(1,933)	(2,032)	(2,267)
Gross profit	**4,721**	**7,590**	**5,268**	**5,518**	**6,708**
EBITDA	**3,035**	**5,783**	**3,543**	**3,737**	**4,842**
Oper. profit	**2,810**	**5,475**	**3,143**	**3,251**	**4,326**
Interest income	224	266	232	389	462
Interest expense	(613)	(549)	(781)	(1,042)	(1,100)
Forex Gain/(Loss)	(116)	(48)	(138)	(86)	0
Income From Assoc. Co's	241	495	74	74	74
Other Income (Expenses)	(98)	2	0	0	0
Pre-tax profit	**2,448**	**5,641**	**2,530**	**2,586**	**3,762**
Income tax	(391)	(452)	(298)	(314)	(356)
Minority interest	(261)	(269)	(335)	(341)	(511)
Net profit	**1,796**	**4,920**	**1,898**	**1,932**	**2,895**
Core Net Profit	**1,913**	**4,968**	**2,036**	**2,018**	**2,895**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	3,578	5,793	9,725	11,556	12,872
Receivables	420	530	369	387	460
Inventory	7,634	7,910	8,173	8,422	8,659
Other Curr. Asset	4,310	2,968	2,491	4,262	5,048
Fixed assets - Net	824	772	685	596	625
Other non-curr.asset	21,149	27,215	29,612	32,807	35,478
Total asset	**38,537**	**45,951**	**51,817**	**58,794**	**63,904**
ST Debt	1,121	2,051	2,190	2,483	2,456
Payables	299	1,768	1,372	1,888	2,105
Other Curr. Liabilities	4,271	3,751	4,529	7,224	8,546
Long Term Debt	6,537	7,027	10,949	11,455	11,749
Other LT. Liabilities	1,846	2,158	1,947	3,083	3,595
Total Liabilities	**14,074**	**16,754**	**20,986**	**26,133**	**28,452**
Shareholder'sFunds	20,641	25,341	26,976	28,805	31,597
Minority interests	3,822	3,855	3,855	3,855	3,855
Total Equity & Liabilities	**38,537**	**45,951**	**51,817**	**58,794**	**63,904**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,796	4,920	1,898	1,932	2,895
Depreciation and Amort.	225	304	399	486	516
Change in Working Capital	(1,673)	1,886	759	1,172	444
OtherOper. Cash Flow	413	201	531	1,083	785
Operating Cash Flow	**761**	**7,312**	**3,587**	**4,673**	**4,639**
Capex	(969)	(3,625)	(2,201)	(2,201)	(2,261)
Others Inv. Cash Flow	(1,740)	(2,240)	(496)	(331)	(167)
Investing Cash Flow	**(2,710)**	**(5,865)**	**(2,697)**	**(2,532)**	**(2,428)**
Net change in debt	(370)	1,651	4,104	803	267
New Capital	0	0	0	0	0
Dividend payment	(96)	(96)	(264)	(102)	(103)
Other Fin. Cash Flow	39	(790)	(795)	(1,010)	(1,060)
Financing Cash Flow	**(427)**	**765**	**3,045**	**(309)**	**(896)**
Net Change in Cash	**(2,376)**	**2,212**	**3,935**	**1,832**	**1,315**
Cash - begin of the year	6,137	3,578	5,793	9,725	11,556
Cash - end of the year	3,578	5,793	9,725	11,556	12,872

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	6.3	56.7	(30.4)	4.8	18.9
EBITDA	(2.2)	90.5	(38.7)	5.5	29.6
Operating profit	(3.1)	94.9	(42.6)	3.4	33.1
Net profit	(16.0)	173.9	(61.4)	1.8	49.9
Profitability (%)					
Gross margin	71.5	73.4	73.2	73.1	74.7
EBITDA margin	46.0	55.9	49.2	49.5	53.9
Operating margin	42.6	52.9	43.7	43.1	48.2
Net margin	27.2	47.6	26.4	25.6	32.3
ROAA	4.8	11.6	3.9	3.5	4.7
ROAE	9.1	21.4	7.3	6.9	9.6
Leverage					
Net Gearing (x)	0.2	0.1	0.1	0.1	0.0
Interest Coverage (x)	4.6	10.0	4.0	3.1	3.9

Source : BSDE, Danareksa Estimates

Ciputra Development (CTRA IJ)

Staying prudent

BUY

Maintain

Last price (IDR)	1,010
Target Price (IDR)	**1,180**
Upside/Downside	**+16.8%**
Previous Target Price (IDR)	*990*

Stock Statistics

Sector	Property
Bloomberg Ticker	CTRA IJ
No of Shrs (mn)	15,425
Mkt. Cap (IDRbn/USDmn)	15,580/1,079
Avg. daily T/O (IDRbn/USDmn)	13.7/0.9

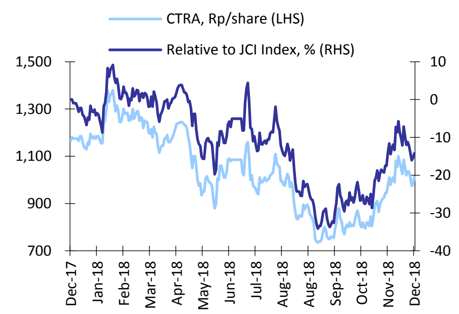
Major shareholders (%)

Founder	30.6
Credit Suisse AG, Singapore	7.9
Estimated free float	49.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	57.5	60.7	67.0
Consensus	55.8	59.8	68.4
Danareksa/Cons (%)	3.1	1.5	(2.0)

CTRA relative to JCI Index



We maintain our BUY call on CTRA with a higher TP of IDR1,180 (from IDR990) on an expected sector re-rating given a more dovish outlook for interest rates. We expect CTRA's FY18 presales to fall short due to weak demand and project delays, but an improvement in FY19 presales on stronger demand in 2H19 and the reduction in super luxury tax rates. We also like CTRA for its prudence and sizeable recurring income.

FY18 presales likely to miss the target. We estimate CTRA's FY18 presales to reach IDR6.9tn (-9.5% yoy), falling short of the initial target of IDR7.7tn due to a combination of weaker-than-expected take-up and project launch delays. We suspect FY18 lost presales of at least IDR400bn, mostly due to Sentul project delays with an initial target of IDR200bn and weaker-than-expected demand at its Gama City Medan project launching, for which we estimate presales of IDR200bn from an initial target of IDR400bn. However, we expect CTRA to book presales of ~IDR900bn in 4Q18 from the launch of Newtown 2 apartment, Cluster Sanur and Jimbaran in Maja as well as residential clusters in CitraRaya Tangerang.

Better presales and revenues growth in FY19. We expect CTRA to post better presales in FY19 of IDR7.5tn (+8.6% yoy), particularly in 2H19 after the elections overhang has been lifted. We think CTRA will benefit from the government's recent move to reduce the super luxury tax (PPh 22) from 5% to 1% for property valued at above IDR5.0bn. Our check with the company indicates that it has ~IDR2.2tn of unsold houses and high-rise property valued at above IDR5.0bn/unit. Meanwhile, we estimate FY19 revenues of IDR7.5tn (+3.0% yoy), mostly supported by growth in recurring income (+12.1% yoy), with development revenues expected to be flat. As of 9M18, CTRA's backlog stood at ~IDR15tn.

Maintain BUY; TP raised to IDR1,180. We maintain our BUY call on CTRA with a higher TP of IDR1,180 based on a 68% discount to NAV (from 73%). We assign a lower discount to NAV to reflect an expected re-rating of the sector, given a more dovish outlook for US interest rates, which should support the IDR and ease pressure on BI to hike rates. We like CTRA for its prudence as its net gearing remains under control at 34.4% as of Sep 18 and for its sizeable recurring income portion at 27% of total revenues. The counter is currently trading at a 73% discount to NAV.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	6,739	6,443	7,303	7,523	8,269
EBITDA (IDRbn)	2,048	1,822	2,126	2,255	2,384
EBITDA Growth (%)	(20.5)	(11.1)	16.7	6.1	5.7
Net profit (IDRbn)	1,021	894	1,068	1,126	1,244
EPS (IDR)	66.2	48.2	57.5	60.7	67.0
EPS growth (%)	(38.3)	(27.2)	19.4	5.5	10.4
BVPS (IDR)	831.4	724.0	777.4	833.1	894.9
DPS (IDR)	(7.9)	(4.7)	(4.2)	(5.0)	(5.2)
PER (x)	18.4	25.2	21.1	20.0	18.1
PBV (x)	1.5	1.7	1.6	1.5	1.4
Dividend yield (%)	(0.7)	(0.4)	(0.3)	(0.4)	(0.4)
EV/EBITDA (x)	10.7	14.8	13.0	12.2	11.6

Source : CTRA, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**6,739**	**6,443**	**7,303**	**7,523**	**8,269**
COGS	(3,450)	(3,423)	(3,813)	(3,858)	(4,280)
Gross profit	**3,290**	**3,019**	**3,490**	**3,665**	**3,989**
EBITDA	**2,048**	**1,822**	**2,126**	**2,255**	**2,384**
Oper. profit	**1,806**	**1,559**	**1,848**	**1,967**	**2,130**
Interest income	217	224	271	199	202
Interest expense	(566)	(551)	(680)	(638)	(642)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co’s	(2)	(19)	(19)	(19)	(19)
Other Income (Expenses)	46	130	130	130	130
Pre-tax profit	**1,501**	**1,343**	**1,549**	**1,639**	**1,801**
Income tax	(330)	(324)	(334)	(357)	(384)
Minority interest	(149)	(124)	(148)	(156)	(173)
Net profit	**1,021**	**894**	**1,068**	**1,126**	**1,244**
Core Net Profit	**1,021**	**894**	**1,068**	**1,126**	**1,244**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	3,468	3,239	2,512	2,545	2,541
Receivables	1,702	1,797	1,651	2,031	2,232
Inventory	7,945	9,327	10,570	11,689	12,696
Other Curr. Asset	595	665	733	848	918
Fixed assets - Net	3,034	3,144	3,171	3,196	3,257
Other non-curr.asset	12,328	13,700	14,656	15,758	16,803
Total asset	**29,072**	**31,872**	**33,293**	**36,067**	**38,448**
ST Debt	1,686	1,231	2,462	2,432	4,384
Payables	1,372	1,343	1,214	1,567	1,738
Other Curr. Liabilities	4,253	5,274	5,045	5,828	6,404
Long Term Debt	4,976	6,388	5,180	5,148	3,192
Other LT. Liabilities	2,487	2,086	2,726	3,245	3,578
Total Liabilities	**14,774**	**16,322**	**16,628**	**18,220**	**19,297**
Shareholder'sFunds	12,824	13,438	14,428	15,462	16,609
Minority interests	1,474	2,113	2,237	2,385	2,542
Total Equity & Liabilities	**29,072**	**31,872**	**33,293**	**36,067**	**38,448**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,021	894	1,068	1,126	1,244
Depreciation and Amort.	243	263	279	288	254
Change in Working Capital	(1,291)	(914)	(880)	(108)	(295)
OtherOper. Cash Flow	348	327	409	439	440
Operating Cash Flow	**321**	**570**	**875**	**1,745**	**1,642**
Capex	(701)	(390)	(311)	(311)	(311)
Others Inv. Cash Flow	(287)	(1,141)	(715)	(787)	(785)
Investing Cash Flow	**(988)**	**(1,531)**	**(1,026)**	**(1,098)**	**(1,096)**
Net change in debt	1,403	254	(31)	158	(32)
New Capital	0	0	0	0	0
Dividend payment	(123)	(88)	(77)	(92)	(97)
Other Fin. Cash Flow	(181)	573	(475)	(679)	(421)
Financing Cash Flow	**1,100**	**739**	**(583)**	**(614)**	**(550)**
Net Change in Cash	**433**	**(222)**	**(734)**	**33**	**(4)**
Cash - begin of the year	3,034	3,468	3,239	2,512	2,545
Cash - end of the year	3,468	3,239	2,512	2,545	2,541

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(10.3)	(4.4)	13.3	3.0	9.9
EBITDA	(20.5)	(11.1)	16.7	6.1	5.7
Operating profit	(23.3)	(13.7)	18.5	6.5	8.3
Net profit	(37.9)	(12.4)	19.4	5.5	10.4
Profitability (%)					
Gross margin	48.8	46.9	47.8	48.7	48.2
EBITDA margin	30.4	28.3	29.1	30.0	28.8
Operating margin	26.8	24.2	25.3	26.2	25.8
Net margin	15.2	13.9	14.6	15.0	15.0
ROAA	3.7	2.9	3.3	3.2	3.3
ROAE	8.4	6.8	7.7	7.5	7.8
Leverage					
Net Gearing (x)	0.2	0.3	0.3	0.3	0.3
Interest Coverage (x)	3.2	2.8	2.7	3.1	3.3

Source : CTRA, Danareksa Estimates

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	83,350
Target Price (IDR)	**101,000**
Upside/Downside	**+21.2%**
Previous Target Price (IDR)	*98,400*

Stock Statistics

Sector	CIGARETTE
Bloomberg Ticker	GGRM IJ
No of Shrs (mn)	1,924
Mkt. Cap (IDRbn/USDmn)	160,373/11,107
Avg. daily T/O (IDRbn/USDmn)	71.2/4.9

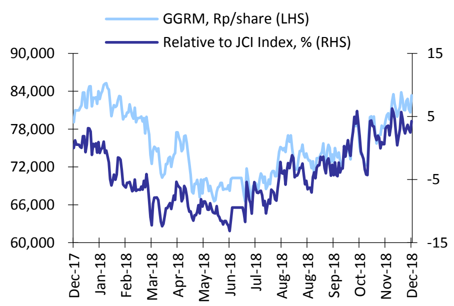
Major shareholders (%)

Suryaduta Investama	69.3
Suryamitra Kusuma	6.3
Estimated free float	24.4

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	4,342.1	5,277.9	6,170.0
Consensus	4,285.8	4,943.0	5,452.6
Danareksa/Cons (%)	1.3	6.8	13.2

GGRM relative to JCI Index



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Gudang Garam (GGRM IJ)

More growth to come

With no increase in excise tax in 2019, we expect GGRM to maintain its strong volume growth momentum. We estimate strong FY19F earnings growth of 21.6% yoy. A higher government budget on social aid will cushion purchasing power at the grassroots level, paving the way for solid cigarette volume growth. Maintain BUY with a TP of IDR101,000.

FY18F volume growth of 7% yoy. We estimate FY18F volume growth of 7% yoy, as the company continued to record strong volume growth in 9M18, mainly supported by solid sales of value-for-money products. In November 2018, the company launched a new Low Tar Low Nicotine cigarette product, GG Move 12 sticks with a competitive retail selling price of IDR13,500/pack (banderol price of IDR13,450/pack). Based on our calculations, the net revenues margin for this product is around 26%. While it is still too early to gauge the market's response, the company's strategy of launching a new product at an affordable price point should complete its product portfolio. According to our survey, GGRM's SKM cigarettes are offered at retail selling prices ranging from IDR15,500/pack (GG Signature Blue 16s or GG Surya 12s) to IDR23,000/pack (GG Surya 16s).

FY19F earnings expected to grow 21.6% yoy. With no excise tax increase in 2019, we expect GGRM to maintain its strong sales volume growth momentum (we forecast FY19F sales volume growth of 8% yoy). Strong FY19F sales volume coupled with no growth in blended ASP should lead to brisk 8.1% yoy revenues growth in 2019. However, we also expect the FY19F gross margin to improve to 21.9% given easing cost pressures from no excise tax increase. We estimate higher opex/revenues of 8.4% as the company battles the competition and in order to support new products. At the bottom line, we estimate strong FY19F earnings of IDR10.1tn, +21.6% yoy.

Maintain BUY with a TP of IDR101,000. All cigarette players should benefit from the decision not to increase 2019's excise tariffs. Bear in mind that over the past 5 years, the government has raised cigarette excise tariffs by around 10-15% each year, resulting in falling industry sales volume. As such, over the long term, the decision not to raise 2019's excise tariffs will provide room for better sales volume growth next year. Taking into account our new forecast, we upgrade our TP to IDR101,000 – based on DCF valuation (WACC 10.5%, Terminal growth 3%). In 2019, a higher government budget on social aid will cushion purchasing power at the grassroots level, paving the way for solid cigarette volume growth. Reiterate BUY.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	76,274	83,306	95,696	103,463	117,540
EBITDA (IDRbn)	12,058	13,363	13,848	16,030	18,263
EBITDA Growth (%)	3.5	10.8	3.6	15.8	13.9
Net profit (IDRbn)	6,677	7,754	8,355	10,155	11,872
EPS (IDR)	3,470.3	4,029.8	4,342.1	5,277.9	6,170.0
EPS growth (%)	3.8	16.1	7.8	21.6	16.9
BVPS (IDR)	20,522.4	21,917.4	23,675.8	26,712.5	31,378.3
DPS (IDR)	2,600.0	2,599.2	2,600.0	2,241.2	1,504.2
PER (x)	24.0	20.7	19.2	15.8	13.5
PBV (x)	4.1	3.8	3.5	3.1	2.7
Dividend yield (%)	3.1	3.1	3.1	2.7	1.8
EV/EBITDA (x)	14.8	13.4	12.8	10.6	9.0

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**76,274**	**83,306**	**95,696**	**103,463**	**117,540**
COGS	(59,657)	(65,084)	(76,265)	(80,773)	(91,826)
Gross profit	**16,617**	**18,222**	**19,431**	**22,691**	**25,714**
EBITDA	**12,058**	**13,363**	**13,848**	**16,030**	**18,263**
Oper. profit	**9,972**	**11,119**	**11,664**	**13,965**	**16,021**
Interest income	161	166	218	275	411
Interest expense	(1,191)	(801)	(636)	(571)	(453)
Forex Gain/(Loss)	2	(15)	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(14)	(33)	0	0	0
Pre-tax profit	**8,931**	**10,437**	**11,245**	**13,669**	**15,979**
Income tax	(2,258)	(2,681)	(2,889)	(3,512)	(4,105)
Minority interest	4	(2)	(2)	(2)	(3)
Net profit	**6,677**	**7,754**	**8,355**	**10,155**	**11,872**
Core Net Profit	**6,675**	**7,768**	**8,355**	**10,155**	**11,872**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,595	2,329	2,812	6,685	7,512
Receivables	2,090	2,229	2,561	2,768	3,145
Inventory	37,545	37,920	38,848	36,900	39,516
Other Curr. Asset	703	1,286	1,415	1,636	1,666
Fixed assets - Net	20,499	21,409	21,865	23,101	24,655
Other non-curr.asset	520	1,587	1,814	1,979	2,253
Total asset	**62,952**	**66,760**	**69,315**	**73,069**	**78,748**
ST Debt	19,753	20,600	19,139	16,554	11,754
Payables	1,125	1,215	1,430	1,551	2,630
Other Curr. Liabilities	760	796	892	1,012	1,158
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	1,749	1,961	2,149	2,402	2,677
Total Liabilities	**23,387**	**24,572**	**23,610**	**21,519**	**18,218**
Shareholder'sFunds	39,487	42,171	45,554	51,397	60,375
Minority interests	77	17	151	153	155
Total Equity & Liabilities	**62,952**	**66,760**	**69,315**	**73,069**	**78,748**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	6,677	7,754	8,355	10,155	11,872
Depreciation and Amort.	2,063	1,870	2,185	2,065	2,242
Change in Working Capital	(2,064)	(419)	(1,044)	1,862	(1,915)
OtherOper. Cash Flow	999	82	385	195	158
Operating Cash Flow	**7,675**	**9,287**	**9,880**	**14,277**	**12,357**
Capex	(2,455)	(2,780)	(2,641)	(3,301)	(3,797)
Others Inv. Cash Flow	472	(901)	(10)	111	137
Investing Cash Flow	**(1,983)**	**(3,681)**	**(2,651)**	**(3,191)**	**(3,660)**
Net change in debt	(808)	847	(1,461)	(2,585)	(4,800)
New Capital	(1)	(15)	31	0	0
Dividend payment	5,003	5,001	5,003	4,312	2,894
Other Fin. Cash Flow	(1,012)	(702)	(314)	(316)	(176)
Financing Cash Flow	**3,182**	**5,131**	**3,259**	**1,411**	**(2,081)**
Net Change in Cash	**8,874**	**10,737**	**10,488**	**12,498**	**6,616**
Cash - begin of the year	2,726	1,595	2,329	2,812	6,685
Cash - end of the year	1,595	2,329	2,812	6,685	7,512

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	8.4	9.2	14.9	8.1	13.6
EBITDA	3.5	10.8	3.6	15.8	13.9
Operating profit	0.7	11.5	4.9	19.7	14.7
Net profit	3.8	16.1	7.8	21.6	16.9
Profitability (%)					
Gross margin	21.8	21.9	20.3	21.9	21.9
EBITDA margin	15.8	16.0	14.5	15.5	15.5
Operating margin	13.1	13.3	12.2	13.5	13.6
Net margin	8.8	9.3	8.7	9.8	10.1
ROAA	10.6	12.0	12.3	14.3	15.6
ROAE	17.3	19.0	19.0	20.9	21.2
Leverage					
Net Gearing (x)	0.5	0.4	0.4	0.2	0.1
Interest Coverage (x)	8.4	13.9	18.3	24.5	35.4

Source : GGRM, Danareksa Estimates

Harum Energy (HRUM IJ)

Production to be ramped up

BUY

Upgrade

Last price (IDR)	1,460
Target Price (IDR)	**2,000**
Upside/Downside	**+37.0%**
Previous Target Price (IDR)	*3,100*

Stock Statistics

Sector	Coal Mining
Bloomberg Ticker	HRUM IJ
No of Shrs (mn)	2,653
Mkt. Cap (IDRbn/USDmn)	3,947/268
Avg. daily T/O (IDRbn/USDmn)	6.9/0.5

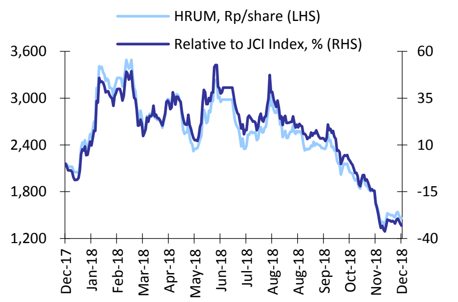
Major shareholders (%)

Karunia Bara Perkasa	71.0
Estimated Free Float	29.0

EPS Consensus (USDcents)

	2018F	2019F	2020F
Danareksa	1.1	1.3	1.4
Consensus	2.3	2.6	2.7
Danareksa/Cons (%)	(51.3)	(51.8)	(48.9)

HRUM relative to JCI Index



With the share price of Harum Energy (HRUM) correcting by 28.8% ytd, we upgrade the stock to BUY as the current share price offers 37.0% upside to our revised target price of IDR2,000 (based on DCF mine-life valuation with WACC of 13.9%). We expect strong coal production to sustain earnings in 2019 amid consolidation in the coal price and higher costs which will lead to further declines in the gross and operating margins.

Coal production to increase in 4Q18. The management indicated coal production of around 4.5mn tonnes in 2018 (+7.1% yoy). With the company experiencing a 9.5% yoy decline in coal production to 2.9mn tonnes in 9M18 due to operational issues at the MSJ mining site as well as unfavorable weather conditions, the company has indicated that it would lift coal production from only 1.1mn tonnes in 3Q18. Nonetheless, for 2018, we only expect flattish coal production of 4.2mn tonnes.

Reopening SB and ramping up KUP mining areas to boost production in 2019. We expect 25.0% yoy higher coal production of 5.3mn tonnes in 2019 backed by: a) the reopening of Santan Batubara (SB) mining areas. After 4 years of care and maintenance and supported by additional contractor resources put to work, the company will commence operations at SB mining areas ahead of the mine plans. The first sales from SB will begin in 4Q18. And b) ramping up of Karya Usaha Pertiwi (KUP) mining areas in 1H19. Delays were experienced by KUP in 2H18 as its access to land was slower-than-expected, as reflected in a longer time to clear and develop its pits and waste dump. Meanwhile, coal production from Mahakam Sumber Jaya (MSJ) is expected to be flattish.

Lower gross and operating margins for 2019. The gross and operating margins are expected to decline in 2019 given: a) consolidation in the coal price which will push down the ASP and b) expectations of higher costs. We expect higher crude oil prices and a slight increase in the stripping ratio to increase costs in 2019.

Upgrade to BUY. With HRUM's share price down by 28.8% ytd, the share price now offers 37.0% upside to our revised target price of IDR2,000 (based on DCF mine-life valuation with WACC of 13.9%). Nonetheless, we remain concerned by the company's limited reserves with mining life of only 12 years based on the current production rate. Our new target price implies 13.1x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (USDmn)	217	326	327	383	443
EBITDA (USDmn)	45	84	67	74	81
EBITDA Growth (%)	259.7	89.2	(20.5)	10.9	8.9
Net profit (USDmn)	13	45	30	34	37
EPS (USDcents)	0.5	1.7	1.1	1.3	1.4
EPS growth (%)	(169.4)	239.2	(33.1)	11.9	10.2
BVPS (USDcents)	10.4	11.7	11.2	11.8	12.5
DPS (USDcents)	0.0	0.3	1.7	0.6	0.7
PER (x)	20.5	6.0	9.0	8.1	7.3
PBV (x)	1.0	0.9	0.9	0.9	0.8
Dividend yield (%)	0.0	2.6	16.6	5.9	6.6
EV/EBITDA (x)	0.9	0.1	(0.1)	(0.6)	(1.1)

Source : HRUM, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Revenue	**217**	**326**	**327**	**383**	**443**
COGS	(149)	(214)	(225)	(269)	(314)
Gross profit	**68**	**112**	**102**	**114**	**128**
EBITDA	**45**	**84**	**67**	**74**	**81**
Oper. profit	**32**	**72**	**55**	**62**	**68**
Interest income	3	4	6	7	8
Interest expense	(2)	(2)	(3)	(3)	(3)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(3)	0	0	0	0
Other Income (Expenses)	(1)	(1)	(4)	(4)	(4)
Pre-tax profit	**29**	**73**	**54**	**62**	**69**
Income tax	(11)	(17)	(14)	(15)	(17)
Minority interest	(5)	(10)	(11)	(12)	(14)
Net profit	**13**	**45**	**30**	**34**	**37**
Core Net Profit	**13**	**45**	**30**	**34**	**37**

Exhibit 2. Balance Sheet

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	231	266	279	320	363
Receivables	24	26	21	22	23
Inventory	8	12	20	22	22
Other Curr. Asset	5	10	10	10	10
Fixed assets - Net	89	81	90	90	90
Other non-curr.asset	56	64	64	61	59
Total asset	**413**	**459**	**486**	**525**	**566**
ST Debt	0	0	0	0	0
Payables	37	33	31	41	48
Other Curr. Liabilities	16	25	25	25	25
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	5	6	6	6	6
Total Liabilities	**58**	**64**	**62**	**72**	**79**
Shareholder'sFunds	282	315	301	319	339
Minority interests	73	81	122	134	148
Total Equity & Liabilities	**413**	**459**	**486**	**525**	**566**

Exhibit 3. Cash Flow

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Net income	13	45	30	34	37
Depreciation and Amort.	11	11	12	12	13
Change in Working Capital	13	(6)	(5)	8	7
OtherOper. Cash Flow	1	(11)	(10)	(10)	(12)
Operating Cash Flow	**38**	**39**	**27**	**44**	**45**
Capex	(10)	(10)	(20)	(10)	(10)
Others Inv. Cash Flow	6	7	13	13	15
Investing Cash Flow	**(3)**	**(2)**	**(7)**	**3**	**5**
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	0	(7)	(45)	(16)	(18)
Other Fin. Cash Flow	0	6	38	9	11
Financing Cash Flow	**0**	**(1)**	**(7)**	**(7)**	**(7)**
Net Change in Cash	**35**	**35**	**13**	**40**	**43**
Cash - begin of the year	196	231	266	279	320
Cash - end of the year	231	266	279	320	363

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(12.9)	50.0	0.5	17.1	15.5
EBITDA	259.7	89.2	(20.5)	10.9	8.9
Operating profit	5,517.8	123.4	(23.7)	12.5	10.0
Net profit	(169.4)	239.2	(33.1)	11.9	10.2
Profitability (%)					
Gross margin	31.3	34.4	31.1	29.8	29.0
EBITDA margin	20.5	25.9	20.5	19.4	18.3
Operating margin	14.9	22.1	16.8	16.2	15.4
Net margin	6.1	13.9	9.3	8.8	8.4
ROAA	3.4	10.4	6.4	6.7	6.8
ROAE	4.8	15.2	9.8	10.9	11.4
Leverage					
Net Gearing (x)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)
Interest Coverage (x)	20.5	44.8	18.3	20.6	22.7

Source : HRUM, Danareksa Estimates

HM Sampoerna (HMSP IJ)

Successful products secure solid growth

BUY

Maintain

Last price (IDR)	3,820
Target Price (IDR)	**4,200**
Upside/Downside	**+9.9%**
Previous Target Price (IDR)	*3,800*

Stock Statistics

Sector	Cigarette
Bloomberg Ticker	HMSP IJ
No of Shrs (mn)	116,318
Mkt. Cap (IDRbn/USDmn)	444,335/30,773
Avg. daily T/O (IDRbn/USDmn)	85.0/5.9

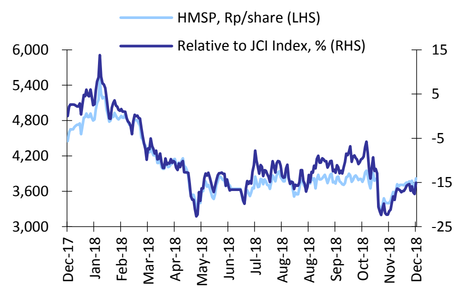
Major shareholders (%)

Philip Morris Indonesia	92.5
Estimated free float	7.5

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	115.8	132.0	141.5
Consensus	113.3	125.8	135.0
Danareksa/Cons (%)	2.2	5.0	4.8

HMSP relative to JCI Index



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Continued positive volume growth with no excise tax hikes in 2019 should support the revenues of cigarette players. Therefore, we estimate 14% yoy earnings growth in 2019. In addition, we also see that the company's strategy of launching new products is yielding encouraging results, paving the way for brisker growth ahead. Maintain BUY.

Positive volume & higher ASP to support FY18F earnings growth of 6.3% yoy. We estimate HMSP to book positive volume growth of 0.3% yoy, following higher 9M18 volume. Combined with 9.1% yoy blended ASP growth, we expect HMSP to book FY18 revenues of IDR108.2tn, +9.2% yoy. This should help HMSP to book a 24% gross margin in FY18F, following stronger net revenue margins of the company's major products in September 2018: A Mild 16s (43% vs 40% in 9M17), Dji Sam Soe 12s (60% vs 59% in 9M17) and U Mild 16s (33% vs 24% in 9M17). Combined with maintained opex/revenues of 8.1%, we expect HMSP to book FY18 net profits of IDR13.5tn, +6.3% yoy.

FY19 earnings growth estimated to reach 14% yoy. With flat excise tax in 2019, we forecast robust volume growth of 2.5% yoy. In our view, the company's strong product portfolio, which had sustained 2018 volume growth, should show better performance in 2019. Given our estimate of 2.4% yoy ASP growth, we estimate FY19F revenues of IDR113.6tn, +5% yoy. Moreover, flat excise tax with solid volume and ASP adjustments pave the way for the FY19F gross margin to improve to 25.6%. This should filter through to a FY19 bottom line of IDR15.3tn, +14% yoy.

Maintain BUY. By end of September 2018, the company maintained its share of the market (SOM) at 33.1%, supported by the strong performance of its new products (DSS Magnum Mild 3.7% SOM, Marlboro Filter Black 2.6% SOM), filling in the gaps in its product portfolio. As a result, these two brands have successfully offset Sampoerna A's declining SOM. We believe HMSP will be a major beneficiary of populist policies ahead of the 2019 presidential elections. Improved purchasing power at the grassroots level should support cigarette sales volume in 2019. Maintain BUY with a target price of IDR4,200 (FY19 PE of 31.8x), based on the median value of DCF (WACC 9.9%, TG 4%) and +1SD average 2yr PE of 37.6x

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	95,467	99,091	108,253	113,625	125,717
EBITDA (IDRbn)	16,745	16,976	18,062	20,648	22,361
EBITDA Growth (%)	13.9	1.4	6.4	14.3	8.3
Net profit (IDRbn)	12,762	12,671	13,468	15,357	16,456
EPS (IDR)	109.7	108.9	115.8	132.0	141.5
EPS growth (%)	23.1	(0.7)	6.3	14.0	7.2
BVPS (IDR)	293.8	293.3	302.1	320.5	332.4
DPS (IDR)	89.0	107.7	106.9	113.7	129.6
PER (x)	34.3	34.5	32.5	28.5	26.6
PBV (x)	12.8	12.8	12.4	11.7	11.3
Dividend yield (%)	2.4	2.9	2.8	3.0	3.4
EV/EBITDA (x)	25.8	25.3	23.9	20.8	19.2

Source : HMSP, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**95,467**	**99,091**	**108,253**	**113,625**	**125,717**
COGS	(71,612)	(74,876)	(82,286)	(84,568)	(94,404)
Gross profit	**23,855**	**24,216**	**25,966**	**29,057**	**31,314**
EBITDA	**16,745**	**16,976**	**18,062**	**20,648**	**22,361**
Oper. profit	**16,020**	**16,111**	**17,199**	**19,732**	**21,373**
Interest income	854	817	765	751	576
Interest expense	(8)	(9)	0	0	0
Forex Gain/(Loss)	(15)	(16)	0	0	0
Income From Assoc. Co's	0	6	7	7	8
Other Income (Expenses)	159	(14)	(15)	(15)	(16)
Pre-tax profit	**17,011**	**16,895**	**17,957**	**20,476**	**21,941**
Income tax	(4,249)	(4,224)	(4,489)	(5,119)	(5,485)
Minority interest	0	0	0	0	0
Net profit	**12,762**	**12,671**	**13,468**	**15,357**	**16,456**
Core Net Profit	**12,777**	**12,687**	**13,468**	**15,357**	**16,456**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	5,056	7,502	5,808	7,261	7,130
Receivables	4,996	3,781	4,103	4,326	4,289
Inventory	19,442	18,023	20,129	20,681	23,093
Other Curr. Asset	2,519	2,500	3,796	4,110	4,372
Fixed assets - Net	6,988	6,891	6,973	7,109	7,225
Other non-curr.asset	1,873	2,070	2,190	2,283	2,175
Total asset	**42,508**	**43,141**	**45,373**	**48,143**	**50,658**
ST Debt	0	0	0	0	0
Payables	3,871	3,666	4,194	4,227	4,766
Other Curr. Liabilities	1,898	2,405	2,814	3,139	3,390
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	2,564	2,956	3,221	3,497	3,840
Total Liabilities	**8,333**	**9,028**	**10,229**	**10,863**	**11,996**
Shareholder'sFunds	34,175	34,113	35,143	37,280	38,662
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**42,508**	**43,141**	**45,373**	**48,143**	**50,658**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	12,762	12,671	13,468	15,357	16,456
Depreciation and Amort.	616	619	863	916	988
Change in Working Capital	39	2,430	(1,899)	(743)	(1,835)
OtherOper. Cash Flow	785	(530)	(1,618)	(692)	(540)
Operating Cash Flow	**14,203**	**15,190**	**10,813**	**14,838**	**15,068**
Capex	(1,209)	(511)	(1,001)	(1,052)	(1,105)
Others Inv. Cash Flow	506	(132)	701	659	684
Investing Cash Flow	**(703)**	**(642)**	**(300)**	**(393)**	**(421)**
Net change in debt	0	0	0	0	0
New Capital	(19)	(18)	0	0	0
Dividend payment	10,352	12,527	12,437	13,220	15,074
Other Fin. Cash Flow	209	444	230	228	296
Financing Cash Flow	**10,543**	**12,953**	**12,667**	**13,448**	**15,370**
Net Change in Cash	**24,042**	**27,501**	**23,181**	**27,893**	**30,017**
Cash - begin of the year	1,719	5,056	7,502	5,808	7,261
Cash - end of the year	5,056	7,502	5,808	7,261	7,130

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	7.2	3.8	9.2	5.0	10.6
EBITDA	13.9	1.4	6.4	14.3	8.3
Operating profit	14.0	0.6	6.8	14.7	8.3
Net profit	23.1	(0.7)	6.3	14.0	7.2
Profitability (%)					
Gross margin	25.0	24.4	24.0	25.6	24.9
EBITDA margin	17.5	17.1	16.7	18.2	17.8
Operating margin	16.8	16.3	15.9	17.4	17.0
Net margin	13.4	12.8	12.4	13.5	13.1
ROAA	31.7	29.6	30.4	32.8	33.3
ROAE	38.6	37.1	38.9	42.4	43.3
Leverage					
Net Gearing (x)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Interest Coverage (x)	2,096.1	1,715.3	0.0	0.0	0.0

Source : HMSP, Danareksa Estimates

Indo Tambangraya (ITMG IJ)

A dividend play

BUY

Maintain

Last price (IDR)	20,025
Target Price (IDR)	**30,000**
Upside/Downside	**+49.8%**
Previous Target Price (IDR)	*30,000*

Stock Statistics

Sector	Coal Mining
Bloomberg Ticker	ITMG IJ
No of Shrs (mn)	1,130
Mkt. Cap (IDRbn/USDmn)	22,712/1,567
Avg. daily T/O (IDRbn/USDmn)	49.3/3.4

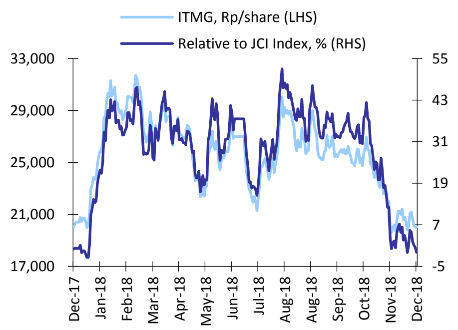
Major shareholders (%)

Banpu Minerals	65.1
Estimated Free Float	31.9

EPS Consensus (USDcents)

	2018F	2019F	2020F
Danareksa	25.3	23.1	22.4
Consensus	23.6	23.2	22.2
Danareksa/Cons (%)	7.0	(0.3)	0.7

ITMG relative to JCI Index



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Amid expectations of coal price consolidation, we continue to like Indo Tambangraya Megah (ITMG) as: a) it is a dividend play with a 17.6% yield for 2019, b) further coal mining acquisitions would increase the mining life to at least 15 years and c) earnings are solid on the back of stable coal production and lower risks for coal with higher CV. Maintain BUY with a target price of IDR30,000 (based on DCF valuation with WACC of 13.7%).

Solid earnings in 4Q18 amid a minor correction in ASP. Following the recent coal price correction which was driven by China's coal import restrictions, we expect a minor correction in the company's ASP in 4Q18 compared to USD88.6/tonne in 3Q18 given a price delay of around 3 months. Hence, in view of stronger coal production (estimated to reach 6.8mn tonnes in 4Q18, +6.3% qoq), we expect ITMG to book solid earnings in 4Q18. Going into 2019, despite expectations of further coal price consolidation, we expect ITMG to maintain its earnings supported by a slight improvement in coal production in 2019 as well as the lower risks for coal with higher CV given that the weak demand for low-CV coal will widen the gap between low-CV coal and Newcastle coal prices.

Expect a slight improvement in coal production. While the management is in the process of setting the coal production target for 2019, we expect a slight improvement in coal production to around 23.0 – 23.5mn tonnes in 2019. We believe that slightly higher production will come from: a) the commencement of operations at its new mining area at Tepian Indah Sukses with coal production of around 0.5mn tonnes and b) greater coal production from Bharinto following the preparation of additional vehicles from the mining contractors to support future growth.

More acquisitions will increase reserves. After ITMG managed to acquire Nusa Perdana Resources (NPR), ITMG's mining life rose to around 13 years based on the current production rate. The company continues to make acquisitions of coal mining companies in order to increase the mining life to at least 15 years. Several coal mining acquisitions are still in process.

Maintain BUY with TP of IDR30,000 (based on DCF valuation with WACC of 13.7%). We like the company as: a) it is a dividend play with a 17.6% yield for 2019, b) further coal mining acquisitions would increase the mining life to at least 15 years, and c) earnings are solid. We select ITMG as our top pick in the coal sector, noting it has lower risks on the widening gap between low-CV coal and NWC prices. Our TP implies 9.1x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (USDmn)	1,367	1,690	1,970	1,910	1,893
EBITDA (USDmn)	272	448	493	423	401
EBITDA Growth (%)	5.7	64.3	10.2	(14.4)	(5.0)
Net profit (USDmn)	131	253	285	261	253
EPS (USDcents)	11.6	22.4	25.3	23.1	22.4
EPS growth (%)	107.1	93.3	12.9	(8.4)	(3.4)
BVPS (USDcents)	80.3	84.8	84.4	83.4	83.0
DPS (USDcents)	3.7	17.6	25.6	24.2	22.7
PER (x)	11.9	6.2	5.4	5.9	6.2
PBV (x)	1.7	1.6	1.6	1.7	1.7
Dividend yield (%)	2.7	12.8	18.6	17.6	16.5
EV/EBITDA (x)	4.5	2.6	2.5	3.0	3.1

Source : ITMG, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Revenue	**1,367**	**1,690**	**1,970**	**1,910**	**1,893**
COGS	(1,037)	(1,184)	(1,374)	(1,404)	(1,410)
Gross profit	**331**	**505**	**597**	**506**	**482**
EBITDA	**272**	**448**	**493**	**423**	**401**
Oper. profit	**209**	**388**	**436**	**361**	**334**
Interest income	2	3	3	3	3
Interest expense	(1)	(1)	0	0	0
Forex Gain/(Loss)	(4)	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(14)	(29)	(20)	(15)	0
Pre-tax profit	**192**	**362**	**419**	**348**	**337**
Income tax	(61)	(109)	(134)	(87)	(84)
Minority interest	0	0	0	0	0
Net profit	**131**	**253**	**285**	**261**	**253**
Core Net Profit	**139**	**253**	**285**	**261**	**253**

Exhibit 2. Balance Sheet

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	328	374	309	295	315
Receivables	132	195	202	189	178
Inventory	62	109	109	108	100
Other Curr. Asset	17	119	119	119	119
Fixed assets - Net	224	223	276	315	330
Other non-curr.asset	447	339	328	317	306
Total asset	**1,210**	**1,359**	**1,344**	**1,343**	**1,347**
ST Debt	0	0	0	0	0
Payables	98	161	150	162	170
Other Curr. Liabilities	141	167	167	167	167
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	64	73	73	73	73
Total Liabilities	**302**	**401**	**390**	**401**	**410**
Shareholder'sFunds	907	958	954	942	937
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**1,210**	**1,359**	**1,344**	**1,343**	**1,347**

Exhibit 3. Cash Flow

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Net income	131	253	285	261	253
Depreciation and Amort.	64	59	58	62	67
Change in Working Capital	(9)	(125)	(19)	26	27
OtherOper. Cash Flow	(47)	95	(3)	(3)	(3)
Operating Cash Flow	**139**	**282**	**321**	**346**	**344**
Capex	(22)	(50)	(100)	(90)	(70)
Others Inv. Cash Flow	4	15	3	3	3
Investing Cash Flow	**(18)**	**(34)**	**(97)**	**(87)**	**(67)**
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(42)	(199)	(290)	(273)	(257)
Other Fin. Cash Flow	(18)	(2)	0	0	0
Financing Cash Flow	**(60)**	**(201)**	**(290)**	**(273)**	**(257)**
Net Change in Cash	**60**	**46**	**(65)**	**(14)**	**20**
Cash - begin of the year	268	328	374	309	295
Cash - end of the year	328	374	309	295	315

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(14.0)	23.5	16.6	(3.0)	(0.9)
EBITDA	5.7	64.3	10.2	(14.4)	(5.0)
Operating profit	7.7	86.1	12.3	(17.2)	(7.4)
Net profit	107.1	93.3	12.9	(8.4)	(3.4)
Profitability (%)					
Gross margin	24.2	29.9	30.3	26.5	25.5
EBITDA margin	19.9	26.5	25.0	22.1	21.2
Operating margin	15.3	23.0	22.1	18.9	17.7
Net margin	9.6	15.0	14.5	13.7	13.3
ROAA	10.9	19.7	21.1	19.5	18.8
ROAE	15.0	27.1	29.8	27.6	26.9
Leverage					
Net Gearing (x)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	228.7	489.4	0.0	0.0	0.0

Source : ITMG, Danareksa Estimates

HOLD
Maintain

Last price (IDR)	19,450
Target Price (IDR)	**18,700**
Upside/Downside	**-3.9%**
Previous Target Price (IDR)	*18,700*

Stock Statistics

Sector	Cement
Bloomberg Ticker	INTP
No of Shrs (mn)	3,681
Mkt. Cap (IDRbn/USDmn)	71,600/4,959
Avg. daily T/O (IDRbn/USDmn)	31.9/2.2

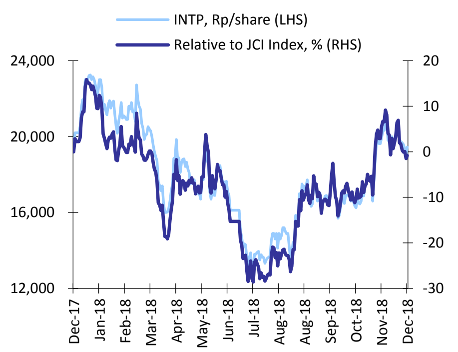
Major shareholders (%)

Birchwood Omnia Limited	51.0
Mekar Perkasa	13.0
Estimated free float	36.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	239.3	305.2	378.7
Consensus	317.2	403.7	539.1
Danareksa/Cons (%)	(24.6)	(24.4)	(29.8)

INTP relative to JCI Index



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Indocement Tunggal Prakarsa (INTP IJ)

Sufficient capacity to support future growth

INTP currently has no plans to raise its production capacity in the near future in view of the ~32mn tons of excess capacity in the industry and because the company was only running at ~70% of full capacity in 2018. As such, INTP has allocated ~USD100mn for capex in 2019, similar to 2018's capex. We expect revenues in 2019 to grow by 9.1%yoy, supported by 4.0%yoy growth in sales volume and 5.0%yoy growth in ASP. Maintain HOLD.

No plans to raise production capacity in the near future. INTP has no plans to increase production capacity in the near future. Currently, the company operates 13 plants with total installed capacity of 24.9mn tons. Ten of the factories are located in Citeureup, Bogor, West Java; 2 in Palimanan, Cirebon, West Java; and one in Tarjun, Kota Baru, South Kalimantan. As such, the capex allocated for 2019 is around USD100mn or similar to 2018's capex allocation. Most of the capex will be used for maintenance.

Has started to operate its new terminals in Palembang and Lampung. In Mar 18, INTP started the operation of a new cement terminal located in Palembang. The terminal includes two silos with capacity of 500,000tons/year. Another new terminal built in Katibung, South Lampung, includes one jetty, 3 cement silos, a packer, one bulk loading system line, a truck scale, and warehouse. The Lampung terminal covers a total area of 4.2ha.

Expecting a better utilization rate in 2019. INTP was running at ~70% of production capacity in 2018 and expects a higher rate in 2019. Higher production is expected in 2019 on the back of 5.1%yoy GDP growth and further infrastructure development. The government's infrastructure budget set in 2019 is IDR420.5tn, slightly higher than the IDR410.7tn allocated in 2018.

Our 2019 targets. We expect revenues in 2018 to reach IDR16.4tn, +9.1%yoy, supported by higher ASP and sales volume. Cement producers have increased selling prices since mid-2018 and we expect the upward trend to continue in 2019. We expect ASP to grow by 5.0%yoy in 2019. This compares to a 1.0%yoy decline in 2018 given soft selling prices in 1H18. The higher ASP expected in 2019 will be helped by the ongoing consolidation in the cement industry. Meanwhile, the 2019 sales volume is targeted to grow by 4.0%yoy to 19.1mn tons. Hence, earnings are estimated to reach IDR1.1tn, +27.5%yoy.

Maintain HOLD. We maintain our forecast and target price of IDR18,700, based on the 2019 targets. INTP trades at USD183.5/ton.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	15,362	14,431	15,076	16,442	17,879
EBITDA (IDRbn)	4,611	3,106	1,981	2,326	2,607
EBITDA Growth (%)	(22.7)	(32.6)	(36.2)	17.4	12.1
Net profit (IDRbn)	3,870	1,860	881	1,123	1,394
EPS (IDR)	1,051.4	505.2	239.3	305.2	378.7
EPS growth (%)	(11.2)	(51.9)	(52.6)	27.5	24.1
BVPS (IDR)	7,100.5	6,670.7	6,698.7	6,734.3	6,778.4
DPS (IDR)	414.9	928.7	211.4	269.6	334.5
PER (x)	18.5	38.5	81.3	63.7	51.4
PBV (x)	2.7	2.9	2.9	2.9	2.9
Dividend yield (%)	2.1	4.8	1.1	1.4	1.7
EV/EBITDA (x)	13.4	20.4	32.2	27.3	24.2

Source : INTP, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**15,362**	**14,431**	**15,076**	**16,442**	**17,879**
COGS	(9,030)	(9,423)	(10,954)	(11,717)	(12,528)
Gross profit	**6,331**	**5,008**	**4,122**	**4,725**	**5,350**
EBITDA	**4,611**	**3,106**	**1,981**	**2,326**	**2,607**
Oper. profit	**3,618**	**1,928**	**717**	**1,022**	**1,355**
Interest income	496	416	415	424	443
Interest expense	(12)	(14)	0	0	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	17	12	12	12	13
Other Income (Expenses)	27	(53)	0	0	0
Pre-tax profit	**4,146**	**2,288**	**1,144**	**1,459**	**1,810**
Income tax	(276)	(428)	(263)	(336)	(416)
Minority interest	0	0	0	0	0
Net profit	**3,870**	**1,860**	**881**	**1,123**	**1,394**
Core Net Profit	**3,870**	**1,860**	**881**	**1,123**	**1,394**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	9,674	8,295	7,717	8,058	8,466
Receivables	2,605	2,485	2,596	2,809	3,029
Inventory	1,780	1,769	2,010	2,158	2,322
Other Curr. Asset	365	335	578	593	608
Fixed assets - Net	14,644	14,979	14,972	14,693	14,399
Other non-curr.asset	1,082	1,001	1,217	1,262	1,312
Total asset	**30,151**	**28,864**	**29,090**	**29,573**	**30,137**
ST Debt	0	0	0	0	0
Payables	2,089	2,207	2,341	2,536	2,754
Other Curr. Liabilities	1,099	1,272	1,273	1,436	1,620
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	824	828	816	811	809
Total Liabilities	**4,012**	**4,307**	**4,430**	**4,783**	**5,184**
Shareholder'sFunds	26,139	24,557	24,659	24,790	24,953
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**30,151**	**28,864**	**29,090**	**29,573**	**30,137**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	3,870	1,860	881	1,123	1,394
Depreciation and Amort.	922	1,078	1,264	1,304	1,253
Change in Working Capital	218	436	(384)	(12)	6
OtherOper. Cash Flow	(485)	(402)	(415)	(424)	(443)
Operating Cash Flow	**4,526**	**2,972**	**1,346**	**1,991**	**2,210**
Capex	(1,758)	(1,412)	(1,257)	(1,025)	(959)
Others Inv. Cash Flow	111	495	199	379	393
Investing Cash Flow	**(1,647)**	**(917)**	**(1,057)**	**(646)**	**(566)**
Net change in debt	(14)	1	(88)	(12)	(5)
New Capital	0	0	0	0	0
Dividend payment	1,527	3,419	778	992	1,231
Other Fin. Cash Flow	(319)	(16)	0	0	0
Financing Cash Flow	**1,194**	**3,403**	**690**	**980**	**1,227**
Net Change in Cash	**4,073**	**5,458**	**979**	**2,326**	**2,870**
Cash - begin of the year	8,656	9,674	8,295	7,717	8,058
Cash - end of the year	9,674	8,295	7,717	8,058	8,466

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(13.7)	(6.1)	4.5	9.1	8.7
EBITDA	(22.7)	(32.6)	(36.2)	17.4	12.1
Operating profit	(28.1)	(46.7)	(62.8)	42.5	32.5
Net profit	(11.2)	(51.9)	(52.6)	27.5	24.1
Profitability (%)					
Gross margin	41.2	34.7	27.3	28.7	29.9
EBITDA margin	30.0	21.5	13.1	14.1	14.6
Operating margin	23.5	13.4	4.8	6.2	7.6
Net margin	25.2	12.9	5.8	6.8	7.8
ROAA	13.4	6.3	3.0	3.8	4.7
ROAE	15.5	7.3	3.6	4.5	5.6
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	306.0	136.8	0.0	0.0	0.0

Source : INTP, Danareksa Estimates

Indofood CBP Sukses Makmur (ICBP IJ)

Benefiting from consumption recovery

HOLD
Maintain

Last price (IDR)	10,200
Target Price (IDR)	**11,000**
Upside/Downside	**+7.8%**
Previous Target Price (IDR)	*10,100*

Stock Statistics

Sector	Consumer
Bloomberg Ticker	ICBP IJ
No of Shrs (mn)	11,662
Mkt. Cap (IDRbn/USDmn)	118,951/8,238
Avg. daily T/O (IDRbn/USDmn)	37.5/2.6

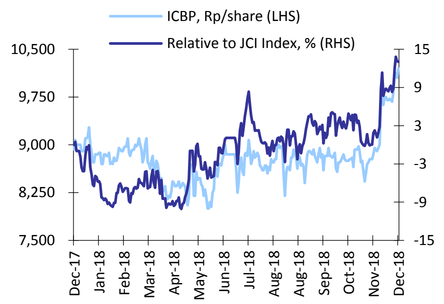
Major shareholders (%)

Indofood Sukses Makmur Tbk	80.5
Estimated free float	19.5

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	358.0	383.0	419.4
Consensus	370.1	403.1	438.7
Danareksa/Cons (%)	(3.3)	(5.0)	(4.4)

ICBP relative to JCI Index



Solid volume growth in Noodles, Dairy and Nutritional products combined with higher ASP will help the 2019 top line to grow 8.8% yoy, in our estimate. While we still expect maintained margins in 2019F, soft commodity prices and a stable currency should provide upside potential for earnings. As such, ICBP still stands to benefit from the expected recovery in purchasing power. However, with less than 10% upside our TP, we maintain our HOLD recommendation.

10% yoy estimated FY18 earnings growth on solid revenues and gross margins. We expect ICBP to book FY18 top line growth of 8.3%yoy, supported by noodles (+9.6% yoy) and Dairy (+9.4% yoy). Speaking to the company's management, we learnt that its strategy of conducting improvements has yielded positive results, which have facilitated deeper penetration in its distribution areas. Combined with a recovery in purchasing power, quarterly sales have started to show improvements up to 3Q18. With continued high 9M18 gross margins, we see that the impact from currency weakening and higher expected packaging costs due to the increasing oil price have not been significant. However, we estimate a slightly lower gross margin of 31.9% in FY18F. This will filter through to FY18F estimated earnings growth of 10% yoy with a slightly improved net margin of an estimated 10.8%.

2019: Upside earnings potential from soft commodity prices & stable currency. Going into 2019, we estimate continued positive growth in Noodles and Dairy, from both ASP and volume. This should support expected top line growth of 8.8% yoy in 2019. While we still estimate maintained margins in 2019F, soft commodity prices and a stable currency should provide upside potential for earnings. Thanks to continued efficiencies in opex, the FY19 operating margin should reach 14.8%. In turn, this will filter through to FY19 earnings of IDR4.47tn, +7% yoy with a 10.6% net margin.

Maintain HOLD. The other division to show promising growth is Nutritional, even though its contribution is still small (2% of the 9M18 top line). The company says the growth driver has been a cereal product actively promoted to younger people called Go Well. For snacks and beverages, however, continued tough competition may hinder growth. We believe the company will benefit from improved purchasing power ahead of the elections in 2019. As such, we expect the stock to rerate further. Maintain HOLD with TP IDR11,000.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	34,375	35,607	38,573	41,964	45,657
EBITDA (IDRbn)	5,541	6,053	6,544	6,859	7,416
EBITDA Growth (%)	24.3	9.2	8.1	4.8	8.1
Net profit (IDRbn)	3,600	3,797	4,175	4,466	4,891
EPS (IDR)	308.7	325.6	358.0	383.0	419.4
EPS growth (%)	20.0	5.4	10.0	7.0	9.5
BVPS (IDR)	1,506.1	1,677.6	1,873.7	2,078.5	2,307.4
DPS (IDR)	13.2	13.9	15.3	16.3	17.9
PER (x)	31.4	29.8	27.1	25.3	23.1
PBV (x)	6.4	5.8	5.2	4.7	4.2
Dividend yield (%)	0.1	0.1	0.2	0.2	0.2
EV/EBITDA (x)	19.2	17.5	16.1	15.2	13.9

Source : ICBP, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**34,375**	**35,607**	**38,573**	**41,964**	**45,657**
COGS	(23,607)	(24,548)	(26,264)	(28,741)	(31,278)
Gross profit	**10,768**	**11,059**	**12,310**	**13,223**	**14,379**
EBITDA	**5,541**	**6,053**	**6,544**	**6,859**	**7,416**
Oper. profit	**4,936**	**5,378**	**5,868**	**6,215**	**6,794**
Interest income	403	324	469	372	382
Interest expense	(179)	(154)	(459)	(343)	(322)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(171)	(341)	(354)	(311)	(322)
Pre-tax profit	**4,989**	**5,207**	**5,524**	**5,933**	**6,533**
Income tax	(1,358)	(1,663)	(1,602)	(1,721)	(1,894)
Minority interest	(31)	253	253	253	253
Net profit	**3,600**	**3,797**	**4,175**	**4,466**	**4,891**
Core Net Profit	**3,600**	**3,797**	**4,175**	**4,466**	**4,891**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	8,372	8,797	12,506	12,266	13,191
Receivables	3,894	4,126	4,470	4,863	5,291
Inventory	3,110	3,262	3,490	3,819	4,156
Other Curr. Asset	196	246	267	290	316
Fixed assets - Net	7,114	8,120	8,802	9,576	10,433
Other non-curr.asset	6,216	6,920	7,497	8,155	8,873
Total asset	**28,902**	**31,620**	**37,192**	**39,144**	**42,450**
ST Debt	970	921	986	1,079	1,174
Payables	3,083	3,519	3,765	4,121	4,484
Other Curr. Liabilities	2,417	2,387	2,580	2,809	3,056
Long Term Debt	872	955	3,624	2,277	1,939
Other LT. Liabilities	3,059	3,513	3,768	4,118	4,481
Total Liabilities	**10,401**	**11,295**	**14,724**	**14,403**	**15,134**
Shareholder'sFunds	17,564	19,564	21,850	24,239	26,909
Minority interests	937	761	618	501	407
Total Equity & Liabilities	**28,902**	**31,620**	**37,192**	**39,144**	**42,450**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	3,600	3,797	4,175	4,466	4,891
Depreciation and Amort.	605	676	676	644	622
Change in Working Capital	(152)	(194)	(185)	(196)	(218)
OtherOper. Cash Flow	(224)	(170)	(10)	(29)	(60)
Operating Cash Flow	**3,829**	**4,108**	**4,656**	**4,885**	**5,235**
Capex	(1,164)	(1,682)	(1,357)	(1,418)	(1,479)
Others Inv. Cash Flow	230	(380)	(108)	(287)	(336)
Investing Cash Flow	**(933)**	**(2,062)**	**(1,465)**	**(1,705)**	**(1,815)**
Net change in debt	(815)	34	2,734	(1,254)	(243)
New Capital	(1,491)	(1,797)	2,287	2,389	2,670
Dividend payment	(1,493)	(1,791)	(1,889)	(2,077)	(2,222)
Other Fin. Cash Flow	1,618	1,932	1,562	1,988	2,191
Financing Cash Flow	**(2,182)**	**(1,622)**	**4,693**	**1,046**	**2,397**
Net Change in Cash	**714**	**425**	**7,884**	**4,226**	**5,817**
Cash - begin of the year	7,658	8,372	8,797	12,506	12,266
Cash - end of the year	8,372	8,797	12,506	12,266	13,191

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	8.3	3.6	8.3	8.8	8.8
EBITDA	24.3	9.2	8.1	4.8	8.1
Operating profit	26.3	8.9	9.1	5.9	9.3
Net profit	20.0	5.4	10.0	7.0	9.5
Profitability (%)					
Gross margin	31.3	31.1	31.9	31.5	31.5
EBITDA margin	16.1	17.0	17.0	16.3	16.2
Operating margin	14.4	15.1	15.2	14.8	14.9
Net margin	10.5	10.7	10.8	10.6	10.7
ROAA	13.0	12.5	12.1	11.7	12.0
ROAE	21.8	20.5	20.2	19.4	19.1
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	27.6	34.9	12.8	18.1	21.1

Source : ICBP, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	7,300
Target Price (IDR)	**8,200**
Upside/Downside	**+12.3%**
Previous Target Price (IDR)	*8,200*

Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	INDF IJ
No of Shrs (mn)	8,780
Mkt. Cap (IDRbn/USDmn)	64,097/4,439
Avg. daily T/O (IDRbn/USDmn)	45.3/3.1

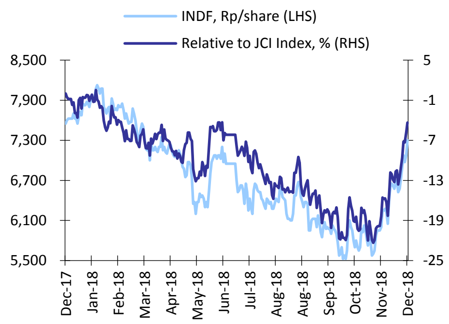
Major shareholders (%)

First Pacific Company Limited	50.1
Vanguard Group	1.6
Estimated free float	48.3

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	438.5	487.6	545.5
Consensus	471.9	517.8	549.8
Danareksa/Cons (%)	(7.1)	(5.8)	(0.8)

INDF relative to JCI Index



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Indofood Sukses Makmur (INDF IJ)

Positive catalysts

INDF is a good-value proxy to ICBP, as the latter makes a significant contribution to the company's revenues and operating profits. We also note that INDF stands to benefit from the bourse's adjustment to the free float calculation for the LQ45 and IDX 30. At present, INDF has higher free float (48.3%) vis-à-vis ICBP's 19.4%. Maintain BUY.

Solid Bogasari volume growth. Bogasari booked 9.4% yoy revenue growth in 9M18, supported by solid volume and ASP, with a 5% operating margin. These numbers are inline with the company's FY18 guidance for volume growth and a 5-7% operating margin. The rising consumption of wheat flour based foods given its easy processing has helped support higher demand in Indonesia, we believe. At present, wheat flour annual consumption in Indonesia is around 25kg/capita. As the market leader with more than 20 brands and a strong distribution network, we estimate that Bogasari will book 2-3% volume growth in 2018-19.

FY18F top line growth of 5.7% yoy. We estimate FY18 top line growth of 5.7%yoy, supported by ICBP (+9.2% yoy) and Bogasari (+9.5% yoy), whereas agri is expected to record negative revenues growth of 6.7% yoy following soft prices. With higher opex, we forecast lower FY18 net profits of IDR3.85tn (-7.6% yoy). With the soft Agribusiness performance and lower margins, we estimate FY18 earnings of IDR3.85tn, down 7.6% yoy.

Positive catalyst from higher free float, Maintain BUY. The expectation of rising consumption in 2019 should support the growth of ICBP and Bogasari, INDF's major revenues contributors. As such, we forecast better earnings growth of 11.2% yoy in FY19F. In addition, we also note that INDF stands to benefit from the bourse's adjustment to the free float calculation for the LQ45 and IDX 30. At present, INDF has higher free float (49.9%) vis-à-vis ICBP's 19.4%. At the current share price, INDF trades at an attractive valuation of FY19F PE of 12.7x, making it the cheapest stock among its consumer peers. Maintain BUY with an unchanged TP of IDR8,200.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	66,659	70,187	74,200	78,122	85,634
EBITDA (IDRbn)	10,377	10,696	10,540	11,555	12,472
EBITDA Growth (%)	18.7	3.1	(1.5)	9.6	7.9
Net profit (IDRbn)	4,145	4,168	3,850	4,282	4,789
EPS (IDR)	472.0	474.7	438.5	487.6	545.5
EPS growth (%)	39.6	0.6	(7.6)	11.2	11.9
BVPS (IDR)	3,299.9	3,550.9	3,755.8	4,027.9	4,333.4
DPS (IDR)	168.0	235.0	236.4	218.3	242.8
PER (x)	13.1	13.0	14.1	12.7	11.3
PBV (x)	1.9	1.7	1.6	1.5	1.4
Dividend yield (%)	2.7	3.8	3.8	3.5	3.9
EV/EBITDA (x)	6.0	6.0	6.2	5.6	5.2

Source : INDF, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**66,659**	**70,187**	**74,200**	**78,122**	**85,634**
COGS	(47,322)	(50,318)	(53,329)	(56,372)	(61,821)
Gross profit	**19,338**	**19,869**	**20,871**	**21,751**	**23,813**
EBITDA	**10,377**	**10,696**	**10,540**	**11,555**	**12,472**
Oper. profit	**8,272**	**8,561**	**8,268**	**9,107**	**9,867**
Interest income	545	500	420	434	420
Interest expense	(1,574)	(1,396)	(1,458)	(1,438)	(1,381)
Forex Gain/(Loss)	273	62	(224)	32	17
Income From Assoc. Co’s	(246)	(103)	0	0	0
Other Income (Expenses)	116	34	230	102	183
Pre-tax profit	**7,385**	**7,659**	**7,236**	**8,236**	**9,106**
Income tax	(2,533)	(2,513)	(2,375)	(2,703)	(2,989)
Minority interest	(708)	(977)	(1,011)	(1,252)	(1,328)
Net profit	**4,145**	**4,168**	**3,850**	**4,282**	**4,789**
Core Net Profit	**3,871**	**4,106**	**4,074**	**4,250**	**4,772**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	13,362	13,690	15,802	14,663	14,786
Receivables	5,205	6,853	7,245	7,260	7,998
Inventory	8,470	9,691	10,271	10,857	11,906
Other Curr. Asset	1,415	1,481	1,684	1,848	1,910
Fixed assets - Net	25,702	29,787	33,330	37,002	41,045
Other non-curr.asset	27,487	25,637	25,860	26,358	26,722
Total asset	**82,175**	**87,939**	**94,991**	**98,787**	**105,167**
ST Debt	9,305	12,074	15,139	16,846	16,881
Payables	4,760	5,466	5,853	5,985	6,686
Other Curr. Liabilities	5,154	4,097	4,198	4,733	5,245
Long Term Debt	11,888	11,607	11,636	8,620	8,744
Other LT. Liabilities	7,126	7,938	8,974	10,363	11,998
Total Liabilities	**38,233**	**41,183**	**45,800**	**46,546**	**49,554**
Shareholder'sFunds	28,974	31,179	32,977	35,366	38,049
Minority interests	14,967	15,578	16,214	16,875	17,564
Total Equity & Liabilities	**82,174**	**87,939**	**94,991**	**98,787**	**105,167**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	4,145	4,168	3,850	4,282	4,789
Depreciation and Amort.	2,278	2,460	2,706	2,937	3,154
Change in Working Capital	(1,111)	(2,261)	(532)	(364)	(875)
OtherOper. Cash Flow	9,959	451	1,212	1,270	1,200
Operating Cash Flow	**15,270**	**4,820**	**7,236**	**8,123**	**8,268**
Capex	(3,188)	(6,841)	(6,443)	(6,746)	(7,274)
Others Inv. Cash Flow	(2,162)	2,379	392	74	133
Investing Cash Flow	**(5,350)**	**(4,462)**	**(6,051)**	**(6,673)**	**(7,141)**
Net change in debt	(5,151)	1,906	2,764	(1,310)	160
New Capital	(1,850)	710	659	686	714
Dividend payment	(1,475)	(2,063)	(2,075)	(1,917)	(2,132)
Other Fin. Cash Flow	(1,158)	(583)	(421)	(49)	255
Financing Cash Flow	**(9,634)**	**(30)**	**927**	**(2,590)**	**(1,004)**
Net Change in Cash	**286**	**328**	**2,112**	**(1,139)**	**124**
Cash - begin of the year	13,076	13,362	13,690	15,802	14,663
Cash - end of the year	13,362	13,690	15,802	14,663	14,786

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	4.1	5.3	5.7	5.3	9.6
EBITDA	18.7	3.1	(1.5)	9.6	7.9
Operating profit	20.3	3.5	(3.4)	10.1	8.4
Net profit	39.6	0.6	(7.6)	11.2	11.9
Profitability (%)					
Gross margin	29.0	28.3	28.1	27.8	27.8
EBITDA margin	15.6	15.2	14.2	14.8	14.6
Operating margin	12.4	12.2	11.1	11.7	11.5
Net margin	6.2	5.9	5.2	5.5	5.6
ROAA	4.8	4.9	4.2	4.4	4.7
ROAE	14.7	13.9	12.0	12.5	13.0
Leverage					
Net Gearing (x)	0.2	0.2	0.2	0.2	0.2
Interest Coverage (x)	5.3	6.1	5.7	6.3	7.1

Source : INDF, Danareksa Estimates

Indosat Ooredoo (ISAT IJ)

BUY
Maintain

Undergoing a turnaround

Last price (IDR)	1,735
Target Price (IDR)	**3,100**
Upside/Downside	**+78.7%**
Previous Target Price (IDR)	*3,100*

Stock Statistics

Sector	Telco
Bloomberg Ticker	ISAT IJ
No of Shrs (mn)	5,434
Mkt. Cap (IDRbn/USDmn)	9,428/653
Avg. daily T/O (IDRbn/USDmn)	2.7/0.2

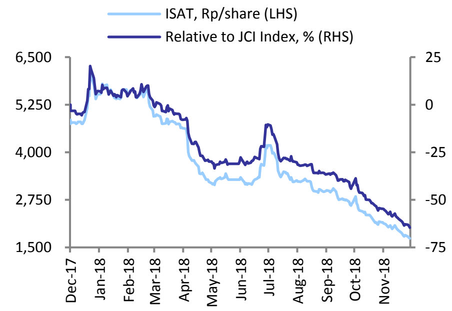
Major shareholders (%)

Ooredoo Asia Pte. Ltd.	65.0
Government	14.3
Estimated free float	20.7

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	(416.0)	(260.4)	(166.6)
Consensus	(273.7)	(188.8)	(124.4)
Danareksa/Cons (%)	52.0	37.9	33.9

ISAT relative to JCI Index



ISAT enjoyed a break in 3Q18 headline numbers after a challenging 1H18 and keep up with its revenue share. Sales discounts were markedly down (-19%qoq), to establish a healthier data consumption for its subs. The 3Q18 capex spike helps the company meet current demand while company turnaround hinges on the execution of its network rejuvenation mid-term plans to penetrate ex-Java with 4G.

ISAT's structural changes starting to bear fruit. ISAT suffered revenue losses in 1H18, abandoning its "push" strategy which relied heavily on discounts to promote its data service. In 3Q18 results, ISAT showed recovery signs as data sales grew in spite of fewer discounts in 3Q18. ISAT also raised spending in 3Q18 to improve its network. Although its network performance needs a lot to catch up vs. peers (Opensignal), we like the trend of healthier data growth (+10%qoq gross basis) and lower discounts. Adding the network improvement element to work, makes the "pull" strategy a viable option in the future.

ISAT eager to improve data economies from their low levels. The management observes that data prices to have increased overall in the industry. ISAT points to its 3Q18 ARPU rose to IDR21.6k/month (+35.8%qoq, +5.1%yoy), while confirming that this trend is set to continue. We also see ISAT data yield in 3Q18 to have stabilized, whilst our monthly price tracker reveals nominal prices for several data packs being adjusted upwards recently.

Operational turnaround hinges on its USD2bn capex plans. ISAT's key growth hinges on 4G coverage expansion in ex-Java areas with USD2bn capex (~IDR29tn) earmarked for 2019-21. The company has 2.5x net debt/EBITDA in 3Q18 (debt covenant of 4x), expecting the ratio to stay elevated en-route to issuing bonds by Jan. '19 of ~IDR10tn to finance the FY19 IDR10.3tn capex. We suspect tower disposals to be part of the 2020-21 capex financing. ISAT's revenues slumped in 9M18 as the company shifted to a "pull" strategy which relies more on quality metrics as opposed to just volume. The FY18 EBITDA margin guidance changed consequently from high to mid-30s. To turnaround business, ISAT aims to get to more sustainable profit levels through further opex/capex efficiencies in its 3yr plan. ISAT will also have to tackle aging receivables for prepaid credit. We also note the sizable workforce reduction in ISAT while it undergoes transformation with network expansion and digitalization plans.

Maintain BUY. With the highest spectrum allocation after TSEL, we expect ISAT to deliver on its commitment for major capex spending. ISAT should turn positive OP by 2020 and +ve FCF in 2021. We recommend BUY call, with a TP of IDR3,100. The stock trades at less than -1SD 3yr average EV/EBITDA, and with indicated recovery in 2H18 after EBITDA plummeting in 1H18, thus we think there is little price downside in our view.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	29,185	29,926	22,628	23,911	25,764
EBITDA (IDRbn)	12,864	12,763	6,973	8,631	9,768
EBITDA Growth (%)	12.1	(0.8)	(45.4)	23.8	13.2
Net profit (IDRbn)	1,105	1,136	(2,261)	(1,415)	(905)
EPS (IDR)	203.4	209.0	(416.0)	(260.4)	(166.6)
EPS growth (%)	(184.4)	2.8	(299.0)	(37.4)	(36.0)
BVPS (IDR)	2,456.8	2,575.8	2,159.8	3,739.7	4,677.3
DPS (IDR)	103.1	0.0	0.0	0.0	0.0
PER (x)	8.5	8.3	n/m	n/m	n/m
PBV (x)	0.7	0.7	0.8	0.5	0.4
Dividend yield (%)	3.2	0.0	0.0	0.0	0.0
EV/EBITDA (x)	2.2	2.1	3.8	2.2	1.8

Source : ISAT, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**29,185**	**29,926**	**22,628**	**23,911**	**25,764**
COGS	(22,666)	(23,186)	(21,993)	(21,938)	(23,198)
Gross profit	**6,519**	**6,740**	**634**	**1,974**	**2,566**
EBITDA	**12,864**	**12,763**	**6,973**	**8,631**	**9,768**
Oper. profit	**3,941**	**4,032**	**(1,316)**	**(161)**	**167**
Interest income	111	65	62	88	157
Interest expense	(2,256)	(2,121)	(2,096)	(1,764)	(1,469)
Forex Gain/(Loss)	274	3	(188)	0	0
Income From Assoc. Co’s	0	0	0	0	0
Other Income (Expenses)	(274)	(39)	1,268	0	0
Pre-tax profit	**1,795**	**1,940**	**(2,270)**	**(1,836)**	**(1,145)**
Income tax	(520)	(638)	324	551	344
Minority interest	(171)	(166)	(314)	(129)	(104)
Net profit	**1,105**	**1,136**	**(2,261)**	**(1,415)**	**(905)**
Core Net Profit	**831**	**1,133**	**(2,072)**	**(1,415)**	**(905)**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,850	1,778	887	4,259	4,717
Receivables	2,750	3,989	3,114	3,219	3,483
Inventory	79	88	87	85	93
Other Curr. Asset	3,378	3,625	3,246	3,164	3,342
Fixed assets - Net	39,078	35,892	35,603	37,235	39,756
Other non-curr.asset	3,687	5,290	4,279	4,116	4,345
Total asset	**50,823**	**50,661**	**47,217**	**52,078**	**55,736**
ST Debt	7,812	4,602	4,981	3,616	3,038
Payables	5,227	5,105	4,761	4,762	4,763
Other Curr. Liabilities	6,048	6,493	6,505	7,074	6,724
Long Term Debt	12,349	14,899	13,033	10,282	9,750
Other LT. Liabilities	5,226	4,746	5,221	4,913	4,832
Total Liabilities	**36,662**	**35,846**	**34,500**	**30,647**	**29,107**
Shareholder'sFunds	13,350	13,997	11,736	20,321	25,416
Minority interests	827	819	980	1,110	1,213
Total Equity & Liabilities	**50,839**	**50,661**	**47,217**	**52,078**	**55,736**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,105	1,136	(2,261)	(1,415)	(905)
Depreciation and Amort.	8,973	8,853	8,289	8,792	9,602
Change in Working Capital	64	(1,120)	423	(139)	(221)
OtherOper. Cash Flow	683	2,123	2,531	2,352	729
Operating Cash Flow	**10,825**	**10,992**	**8,983**	**9,590**	**9,204**
Capex	(5,122)	7,553	(8,000)	(10,300)	(12,000)
Others Inv. Cash Flow	(1,035)	(14,758)	1,073	129	(196)
Investing Cash Flow	**(6,156)**	**(7,205)**	**(6,927)**	**(10,171)**	**(12,196)**
Net change in debt	(4,195)	(1,039)	(895)	(4,365)	(1,128)
New Capital	(192)	63	162	10,129	6,104
Dividend payment	0	(560)	0	0	0
Other Fin. Cash Flow	(2,005)	(2,201)	(2,213)	(1,811)	(1,527)
Financing Cash Flow	**(6,392)**	**(3,737)**	**(2,946)**	**3,954**	**3,449**
Net Change in Cash	**(1,724)**	**50**	**(891)**	**3,373**	**457**
Cash - begin of the year	3,623	1,850	1,778	887	4,259
Cash - end of the year	1,850	1,778	887	4,259	4,717

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	9.0	2.5	(24.4)	5.7	7.7
EBITDA	12.1	(0.8)	(45.4)	23.8	13.2
Operating profit	45.7	2.3	(132.6)	(87.8)	(203.7)
Net profit	(184.4)	2.8	(299.0)	(37.4)	(36.0)
Profitability (%)					
Gross margin	22.3	22.5	2.8	8.3	10.0
EBITDA margin	44.1	42.6	30.8	36.1	37.9
Operating margin	13.5	13.5	(5.8)	(0.7)	0.6
Net margin	3.8	3.8	(10.0)	(5.9)	(3.5)
ROAA	2.1	2.2	(4.6)	(2.8)	(1.7)
ROAE	8.6	8.3	(17.6)	(8.8)	(4.0)
Leverage					
Net Gearing (x)	1.3	1.2	1.3	0.4	0.3
Interest Coverage (x)	1.7	1.9	(0.6)	(0.1)	0.1

Source: ISAT, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Jasa Marga (JSMR IJ)

A long road ahead

BUY

Maintain

Last price (IDR)	4,470
Target Price (IDR)	**5,400**
Upside/Downside	**+20.8%**
Previous Target Price (IDR)	*5,300*

Stock Statistics

Sector	Toll Road
Bloomberg Ticker	JSMR IJ
No of Shrs (mn)	7,258
Mkt. Cap (IDRbn/USDmn)	32,443/2,247
Avg. daily T/O (IDRbn/USDmn)	25.3/1.8

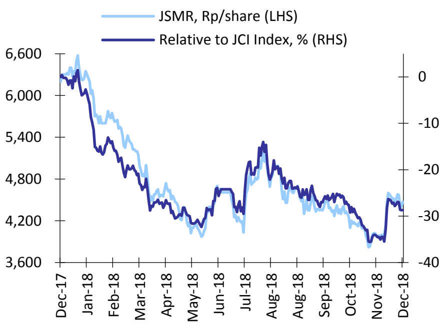
Major shareholders (%)

Government	70.0
Public	30.0
Estimated free float	30.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	279.0	226.0	242.0
Consensus	307.4	284.5	304.3
Danareksa/Cons (%)	(9.2)	(20.6)	(20.5)

JSMR relative to JCI Index



JSMR is now developing 740km of new toll roads, or amounting to 48% of the total concessions owned of 1,527km. Funding is no longer an issue, we believe, given there are many alternative instruments available in the market. However, any fundraising by JSMR would be unfavorable for equity investors in the near-term despite boosting the company's value over the long-term. BUY maintained.

Constructing 740km of toll roads. JSMR had toll roads spanning 1,527km as of Sep 18, of which 788km (52%) are being operated and the remaining 740km (48%) are still under development comprising 15 projects.

Targeted operation of the new toll roads. There are 5 sections with a total length of 208.7km that are targeted to be operated in the near future, namely: Bogor Ring Road, Medan – Kualanamu Tebing Tinggi, Semarang – Batang, Solo – Ngawi, and Ngawi – Kertosono. Another 283.0km are targeted to start operating in 2019-2020 consisting of 8 sections. And the remaining 2 sections spanning 236.9km are targeted to start operating in 2022.

In the past two years, JSMR has issued several new financing products including: 1) IDR2.0tn of future revenues backed securities (known as KIK-EBA) with a tenor of 5 years. This instrument was issued in 3Q18 by monetizing future revenues from the Jagorawi toll road. 2) Project bonds at Marga Lingkar Jakarta, the concession holder of the Kebon Jeruk - Ulujami toll road. JSMR raised IDR1.5tn through five bond tranches which were issued in 4Q17, 3) IDR4.0tn of Komodo Bonds issued in Dec18 with a 3-year tenor, and 4) RDPT (mutual fund limited participation). In Jul 18, JSMR raised IDR3.0tn by issuing RDPT with a 5-year tenor.

Set to issue a new instrument. JSMR is preparing another new alternative financing instrument called Dana Investasi Infrastruktur (infrastructure investment funds) or Dinfra. Basically, this instrument is a hybrid between RDPT and bonds. JSMR seeks to obtain IDR1.5tn of funds through this instrument which will be issued through one of its subsidiaries, Jasamarga Pandaan Tol (JPT). JPT owns a 92.2% stake in the Gempol-Pandaan toll road (13.6km).

Lower dividend payout ratio in 2019. The capex needed in 2019 is expected to reach IDR30.0tn, or similar to 2018's capex allocation of IDR26.0tn-28.0tn. Furthermore, to support JSMR's finances, the Ministry of SOE has approved a reduction in the dividend payout ratio for 2019 to 10% from 20% in 2018.

Maintain BUY. We expect negative earnings growth of -19.0%yoy in 2019 due to huge interest expenses and a one-time gain of IDR877bn booked in 3Q18 generated from the issuance of RDPT.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	8,832	8,922	9,678	10,628	11,865
EBITDA (IDRbn)	3,035	3,328	3,084	3,091	3,514
EBITDA Growth (%)	20.7	9.7	(7.3)	0.2	13.7
Net profit (IDRbn)	1,889	2,200	2,025	1,640	1,756
EPS (IDR)	277.0	303.2	279.0	226.0	242.0
EPS growth (%)	28.4	9.5	(8.0)	(19.0)	7.1
BVPS (IDR)	2,005.4	2,080.2	2,297.3	2,495.4	2,714.8
DPS (IDR)	40.4	78.1	60.6	27.9	22.6
PER (x)	16.1	14.7	16.0	19.8	18.5
PBV (x)	2.2	2.1	1.9	1.8	1.6
Dividend yield (%)	0.9	1.7	1.4	0.6	0.5
EV/EBITDA (x)	17.6	17.4	22.4	25.2	22.9

Source : JSMR, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**8,832**	**8,922**	**9,678**	**10,628**	**11,865**
COGS	(4,023)	(3,772)	(4,208)	(4,725)	(5,329)
Gross profit	**4,809**	**5,150**	**5,469**	**5,903**	**6,536**
EBITDA	**3,035**	**3,328**	**3,084**	**3,091**	**3,514**
Oper. profit	**3,907**	**4,155**	**4,214**	**4,474**	**4,990**
Interest income	203	284	0	0	0
Interest expense	(1,509)	(1,269)	(1,925)	(2,259)	(2,460)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co’s	(7)	(129)	(148)	(170)	(196)
Other Income (Expenses)	55	209	497	0	0
Pre-tax profit	**2,650**	**3,250**	**2,638**	**2,045**	**2,335**
Income tax	(847)	(1,157)	(1,043)	(835)	(843)
Minority interest	86	107	430	430	264
Net profit	**1,889**	**2,200**	**2,025**	**1,640**	**1,756**
Core Net Profit	**1,889**	**2,200**	**2,025**	**1,640**	**1,756**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	4,125	6,873	3,508	1,962	2,281
Receivables	8,279	11,547	9,238	7,390	5,173
Inventory	87	134	107	86	69
Other Curr. Asset	468	275	220	176	141
Fixed assets - Net	885	1,036	1,128	1,195	1,238
Other non-curr.asset	39,650	59,170	71,587	79,630	86,099
Total asset	**53,500**	**79,193**	**85,946**	**90,596**	**95,158**
ST Debt	9,904	3,341	4,849	9,975	5,640
Payables	1,414	1,640	5,086	2,802	3,440
Other Curr. Liabilities	7,308	20,017	14,922	13,407	12,920
Long Term Debt	15,153	29,132	35,208	37,343	44,614
Other LT. Liabilities	3,382	6,704	5,619	5,011	4,500
Total Liabilities	**37,161**	**60,833**	**65,684**	**68,538**	**71,114**
Shareholder'sFunds	13,679	15,098	16,673	18,111	19,703
Minority interests	2,660	3,262	3,588	3,947	4,341
Total Equity & Liabilities	**53,500**	**79,193**	**85,946**	**90,596**	**95,158**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,889	2,200	2,025	1,640	1,756
Depreciation and Amort.	873	827	1,130	1,383	1,476
Change in Working Capital	(6,304)	8,563	72	(2,656)	2,147
OtherOper. Cash Flow	5,935	7,624	1,490	2,376	2,184
Operating Cash Flow	**2,393**	**19,215**	**4,717**	**2,744**	**7,564**
Capex	(10,682)	(22,233)	(14,282)	(9,882)	(8,300)
Others Inv. Cash Flow	268	(305)	400	320	256
Investing Cash Flow	**(10,414)**	**(22,538)**	**(13,881)**	**(9,562)**	**(8,044)**
Net change in debt	9,098	7,430	7,582	7,258	2,933
New Capital	1,772	0	0	0	0
Dividend payment	(293)	(567)	(440)	(202)	(164)
Other Fin. Cash Flow	(1,635)	(579)	(1,342)	(1,784)	(1,970)
Financing Cash Flow	**8,942**	**6,284**	**5,799**	**5,272**	**799**
Net Change in Cash	**920**	**2,961**	**(3,365)**	**(1,546)**	**319**
Cash - begin of the year	3,323	4,125	6,873	3,508	1,962
Cash - end of the year	4,125	6,873	3,508	1,962	2,281

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	15.7	1.0	8.5	9.8	11.6
EBITDA	20.7	9.7	(7.3)	0.2	13.7
Operating profit	20.8	6.3	1.4	6.2	11.5
Net profit	28.8	16.5	(8.0)	(19.0)	7.1
Profitability (%)					
Gross margin	54.5	57.7	56.5	55.5	55.1
EBITDA margin	34.4	37.3	31.9	29.1	29.6
Operating margin	44.2	46.6	43.5	42.1	42.1
Net margin	21.4	24.7	20.9	15.4	14.8
ROAA	4.2	3.3	2.5	1.9	1.9
ROAE	15.7	15.3	12.7	9.4	9.3
Leverage					
Net Gearing (x)	1.3	1.4	1.8	2.1	2.0
Interest Coverage (x)	2.6	3.3	2.2	2.0	2.0

Source : JSMR, Danareksa Estimates

Equity Research
Company update

Kalbe Farma (KLBF IJ)

Playing the waiting game

HOLD
Maintain

Last price (IDR)	1,490
Target Price (IDR)	**1,400**
Upside/Downside	**-5.7%**
Previous Target Price (IDR)	*1,500*

Stock Statistics

Sector	Pharmaceutical
Bloomberg Ticker	KLBF IJ
No of Shrs (mn)	46,875
Mkt. Cap (IDRbn/USDmn)	69,610/4,707
Avg. daily T/O (IDRbn/USDmn)	27.3/1.8

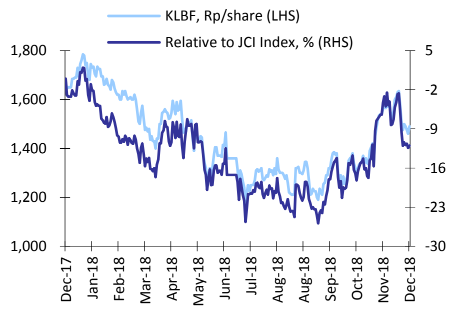
Major shareholders (%)

PT Gira Sole Prima	10.2
PT Santa Seha Sanadi	9.7
Estimated free float	43.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	52.4	55.5	60.8
Consensus	52.2	55.2	60.2
Danareksa/Cons (%)	0.5	0.4	1.0

KLBF relative to JCI Index



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Kalbe Farma's strategy to strengthen its oncology and biosimilar products should sustain growth and margins going forward, we believe. However, until there is full coverage of JKN in Indonesia and a higher government healthcare budget, pharmaceutical companies are likely to remain under pressure. Maintain HOLD.

Soft earnings growth of 2.3% expected in FY18F. Increasing demand from the National Health Insurance (JKN) program coupled with a mounting deficit have put pressure on pharmaceutical companies, in our view. For Kalbe, Unbranded Prescription drugs recorded the strongest growth of 15.6% yoy in 9M18 with its contribution rising to 19% (FY17: 17%). Combined with soft demand for powdered milk – the biggest contribution to the nutrition division, we expect KLBF's top line to grow anemically by 4% yoy to IDR21tn. With lower margins across the board – mostly stemming from currency weakening, we estimate KLBF to book soft FY18 earnings growth of 2.3% yoy to IDR2.4tn with a slightly lower net margin of 11.7%.

FY19 earnings growth of 5.8% yoy. Going into 2019, the government targets 250mn people or 100% coverage in JKN program, compared to 203mn people by the end of Sept 2018. As such, demand is expected to remain strong for Unbranded Prescription drugs. For nutrition, with a lower industry size in the country's powder milk market, the company will depend on other products as well as liquid milk products. In our recent conversation with the company, we learnt that some mid-segment brands such as Entrasol and Zee reported solid growth. For OTC products, by comparison, support from higher prices and solid demand should sustain revenues growth. We estimate FY19 top line growth of 5.3% yoy with stable gross margins. Continued opex efficiencies should help the company to book FY19 earnings growth of 5.8% yoy.

Maintain HOLD. We continue to like the company's strategy to strengthen its specialty products in oncology and biosimilar, which will sustain growth and provide higher margins going forward. However, we expect the company to continue facing headwinds awaiting the full coverage of JKN by end-2019. The expectation of a higher government healthcare budget in the coming years should create a positive catalyst for pharmaceutical companies including KLBF. Maintain HOLD.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	19,374	20,182	20,986	22,092	23,623
EBITDA (IDRbn)	3,454	3,617	3,684	3,813	4,120
EBITDA Growth (%)	15.2	4.7	1.9	3.5	8.0
Net profit (IDRbn)	2,300	2,404	2,458	2,601	2,850
EPS (IDR)	49.1	51.3	52.4	55.5	60.8
EPS growth (%)	14.7	4.5	2.3	5.8	9.6
BVPS (IDR)	254.1	283.3	315.2	349.8	388.4
DPS (IDR)	19.0	22.0	20.5	21.0	22.2
PER (x)	30.3	29.0	28.3	26.8	24.4
PBV (x)	5.8	5.2	4.7	4.2	3.8
Dividend yield (%)	1.3	1.5	1.4	1.4	1.5
EV/EBITDA (x)	19.4	18.6	18.0	17.1	15.6

Source : KLBF, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**19,374**	**20,182**	**20,986**	**22,092**	**23,623**
COGS	(9,886)	(10,370)	(10,988)	(11,567)	(12,325)
Gross profit	**9,488**	**9,812**	**9,998**	**10,525**	**11,298**
EBITDA	**3,454**	**3,617**	**3,684**	**3,813**	**4,120**
Oper. profit	**3,057**	**3,214**	**3,258**	**3,364**	**3,640**
Interest income	106	108	137	182	221
Interest expense	(28)	(36)	(38)	(38)	(19)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(44)	(44)	(41)	0	0
Pre-tax profit	**3,091**	**3,241**	**3,316**	**3,508**	**3,843**
Income tax	(740)	(788)	(806)	(853)	(934)
Minority interest	(51)	(50)	(52)	(54)	(58)
Net profit	**2,300**	**2,404**	**2,458**	**2,601**	**2,850**
Core Net Profit	**2,300**	**2,404**	**2,458**	**2,601**	**2,850**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	2,896	2,785	3,745	4,915	5,630
Receivables	2,726	2,943	3,025	3,007	3,215
Inventory	3,344	3,557	3,623	3,682	3,937
Other Curr. Asset	427	572	600	630	662
Fixed assets - Net	4,556	5,343	5,990	6,644	7,323
Other non-curr.asset	1,098	1,230	1,197	1,165	1,134
Total asset	**15,226**	**16,616**	**18,367**	**20,231**	**22,088**
ST Debt	150	175	228	228	48
Payables	1,579	1,541	1,675	1,830	1,952
Other Curr. Liabilities	591	513	530	556	593
Long Term Debt	134	146	132	132	132
Other LT. Liabilities	311	349	359	370	381
Total Liabilities	**2,765**	**2,724**	**2,925**	**3,117**	**3,106**
Shareholder'sFunds	11,909	13,281	14,777	16,395	18,205
Minority interests	555	613	665	719	777
Total Equity & Liabilities	**15,229**	**16,618**	**18,367**	**20,231**	**22,089**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	2,300	2,404	2,458	2,601	2,850
Depreciation and Amort.	342	408	454	502	554
Change in Working Capital	(514)	(468)	(13)	114	(341)
OtherOper. Cash Flow	(180)	(385)	(118)	(157)	(207)
Operating Cash Flow	**1,947**	**1,959**	**2,781**	**3,060**	**2,856**
Capex	(944)	(1,215)	(1,049)	(1,105)	(1,181)
Others Inv. Cash Flow	87	117	137	182	221
Investing Cash Flow	**(857)**	**(1,097)**	**(912)**	**(923)**	**(960)**
Net change in debt	(114)	37	39	0	(180)
New Capital	35	(1)	0	0	0
Dividend payment	891	1,031	961	983	1,040
Other Fin. Cash Flow	53	22	14	16	39
Financing Cash Flow	**865**	**1,089**	**1,015**	**1,000**	**899**
Net Change in Cash	**1,955**	**1,951**	**2,883**	**3,137**	**2,795**
Cash - begin of the year	2,719	2,896	2,785	3,745	4,915
Cash - end of the year	2,896	2,785	3,745	4,915	5,630

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	8.3	4.2	4.0	5.3	6.9
EBITDA	15.2	4.7	1.9	3.5	8.0
Operating profit	15.5	5.1	1.4	3.3	8.2
Net profit	14.7	4.5	2.3	5.8	9.6
Profitability (%)					
Gross margin	49.0	48.6	47.6	47.6	47.8
EBITDA margin	17.8	17.9	17.6	17.3	17.4
Operating margin	15.8	15.9	15.5	15.2	15.4
Net margin	11.9	11.9	11.7	11.8	12.1
ROAA	15.9	15.1	14.1	13.5	13.5
ROAE	20.6	19.1	17.5	16.7	16.5
Leverage					
Net Gearing (x)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	108.6	88.3	85.9	88.7	191.7

Source : KLBF, Danareksa Estimates

Kimia Farma (KAEF IJ)

Looking to provide integrated solutions

SELL

Maintain

Last price (IDR)	2,680
Target Price (IDR)	**2,310**
Upside/Downside	**-13.8%**
Previous Target Price (IDR)	*2,170*

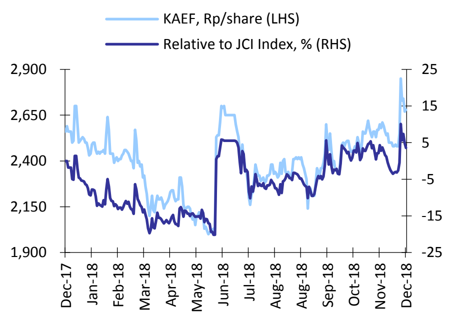
Stock Statistics

Sector	Pharmaceutical
Bloomberg Ticker	KAEF IJ
No of Shrs (mn)	5,554
Mkt. Cap (IDRbn/USDmn)	13,774/949
Avg. daily T/O (IDRbn/USDmn)	1.0/0.1

Major shareholders (%)

Republic of Indonesia	90.0
Wasatch Advisors Inc.	2.2
Estimated free float	7.8

KAEF relative to JCI Index



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Kimia Farma seeks to become an integrated pharmaceutical company, given its expansion from upstream to downstream businesses. With nationwide coverage of the national health program expected in 2019, KAEF is well placed to record brisker growth, we believe. Nonetheless, the valuation is not cheap with potential downside to our TP. Maintain SELL.

Seeking to become an integrated pharmaceutical company. Kimia Farma remains the beneficiary of an increasing number of participants in Indonesia's national health program. The company seeks to provide integrated pharmaceutical solutions in the future. By the end of October 2018, the company had 1,135 pharmacies, 530 clinics, 55 laboratory clinics and 50 opticians, mainly to support the government's National Health Program.

FY18F earnings expected to grow 8.6% yoy. We estimate that KAEF will book 21% yoy revenues growth in FY18, driven by solid sales of generic products (+34% yoy) and Ethical/License products (+11% yoy). Together they will provide a total contribution of 72% to the company's FY18F top line. With its long track record in providing affordable medicines, the company has maintained high gross margins. Recall that the government began the e-catalog tender in 2018 for a period of 2 years, giving Kimia Farma the edge to secure active pharma ingredients as raw materials. On a negative note, however, opex has been increasing to support its pharma and clinics expansion. As such, we estimate FY18F earnings growth of 8.6% yoy to IDR355bn.

New plants to support growth in FY19F. We expect KAEF to book higher growth in 2019, given the expectation of additional capacity from a new plant in Banjaran (Bandung – West Java – in 2H19) and the operation of Shungwun Pharmacopia for active pharmaceutical ingredients (in 1H19). With nationwide coverage of the national health program expected in 2019, the way should be paved for higher medicine prices going forward, underpinned by a higher government healthcare budget. In FY19F, we forecast solid earnings growth of 21% yoy.

Maintain SELL. Kimia Farma, as a state-owned pharmaceutical company, lends its support to the government's healthcare program. As the company has taken on new financing to fund its expansion, its gearing ratio rose to 160% in 9M18. KAEF also has negative free cash flow. At the current share price, Kimia Farma trades at FY19F PE of 34.6x. With potential downside to our TP, we maintain our SELL recommendation.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	5,811	6,127	7,387	9,158	11,241
EBITDA (IDRbn)	436	473	622	846	1,029
EBITDA Growth (%)	21.6	8.7	31.3	36.1	21.7
Net profit (IDRbn)	267	327	355	431	526
EPS (IDR)	48.1	58.8	63.9	77.6	94.6
EPS growth (%)	2.3	22.2	8.6	21.4	22.0
BVPS (IDR)	399.9	452.0	498.2	563.0	642.1
DPS (IDR)	9.0	9.6	17.7	12.8	15.5
PER (x)	55.7	45.6	41.9	34.6	28.3
PBV (x)	6.7	5.9	5.4	4.8	4.2
Dividend yield (%)	0.4	0.4	0.7	0.5	0.6
EV/EBITDA (x)	34.6	33.6	27.4	21.2	18.0

Source : KAEF, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**5,811**	**6,127**	**7,387**	**9,158**	**11,241**
COGS	(3,948)	(3,926)	(4,689)	(5,826)	(7,145)
Gross profit	**1,864**	**2,202**	**2,697**	**3,332**	**4,096**
EBITDA	**436**	**473**	**622**	**846**	**1,029**
Oper. profit	**384**	**410**	**531**	**697**	**859**
Interest income	8	16	44	37	22
Interest expense	(60)	(86)	(169)	(232)	(251)
Forex Gain/(Loss)	(4)	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	54	110	97	109	115
Pre-tax profit	**383**	**450**	**503**	**610**	**744**
Income tax	(111)	(118)	(146)	(177)	(217)
Minority interest	(4)	(5)	(1)	(2)	(2)
Net profit	**267**	**327**	**355**	**431**	**526**
Core Net Profit	**271**	**327**	**355**	**431**	**526**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	648	990	1,945	1,007	745
Receivables	733	979	1,334	1,654	1,874
Inventory	967	1,192	1,498	1,861	2,282
Other Curr. Asset	559	501	501	501	501
Fixed assets - Net	1,281	2,012	2,881	3,788	4,462
Other non-curr.asset	425	422	428	427	427
Total asset	**4,613**	**6,096**	**8,586**	**9,238**	**10,292**
ST Debt	445	1,133	2,302	2,802	3,502
Payables	895	879	1,050	1,311	1,608
Other Curr. Liabilities	356	357	357	357	357
Long Term Debt	378	887	1,765	1,280	880
Other LT. Liabilities	267	268	281	295	310
Total Liabilities	**2,341**	**3,524**	**5,756**	**6,046**	**6,658**
Shareholder'sFunds	2,221	2,510	2,767	3,127	3,566
Minority interests	50	62	64	66	68
Total Equity & Liabilities	**4,613**	**6,096**	**8,586**	**9,238**	**10,292**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	267	327	355	431	526
Depreciation and Amort.	51	64	91	149	170
Change in Working Capital	(19)	(465)	(489)	(422)	(345)
OtherOper. Cash Flow	(109)	110	125	195	229
Operating Cash Flow	**191**	**36**	**81**	**353**	**581**
Capex	(390)	(795)	(965)	(1,056)	(845)
Others Inv. Cash Flow	8	16	44	37	22
Investing Cash Flow	**(382)**	**(779)**	**(921)**	**(1,019)**	**(823)**
Net change in debt	498	1,197	2,047	16	300
New Capital	0	28	1	2	2
Dividend payment	(50)	(53)	(98)	(71)	(86)
Other Fin. Cash Flow	(70)	(89)	(155)	(218)	(237)
Financing Cash Flow	**378**	**1,083**	**1,795**	**(271)**	**(20)**
Net Change in Cash	**187**	**339**	**955**	**(938)**	**(263)**
Cash - begin of the year	461	648	990	1,945	1,007
Cash - end of the year	648	990	1,945	1,007	745

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	19.6	5.4	20.6	24.0	22.7
EBITDA	21.6	8.7	31.3	36.1	21.7
Operating profit	24.0	6.7	29.5	31.3	23.3
Net profit	2.3	22.2	8.6	21.4	22.0
Profitability (%)					
Gross margin	32.1	35.9	36.5	36.4	36.4
EBITDA margin	7.5	7.7	8.4	9.2	9.2
Operating margin	6.6	6.7	7.2	7.6	7.6
Net margin	4.6	5.3	4.8	4.7	4.7
ROAA	6.6	6.1	4.8	4.8	5.4
ROAE	12.6	13.8	13.4	14.6	15.7
Leverage					
Net Gearing (x)	0.1	0.3	0.6	0.9	0.9
Interest Coverage (x)	6.4	4.8	3.1	3.0	3.4

Source : KAEF, Danareksa Estimates

Kino Indonesia (KINO IJ)

Lifted by better distribution

HOLD

Maintain

Last price (IDR)	2,880
Target Price (IDR)	**2,800**
Upside/Downside	**-2.8%**
Previous Target Price (IDR)	*2,100*

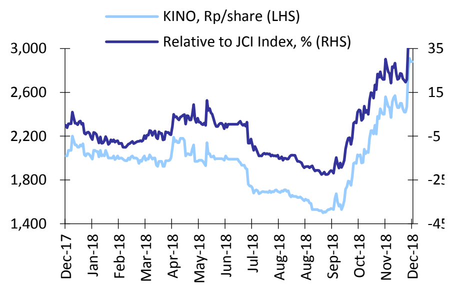
Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	KINO IJ
No of Shrs (mn)	1,429
Mkt. Cap (IDRbn/USDmn)	4,114/285
Avg. daily T/O (IDRbn/USDmn)	0.8/0.1

Major shareholders (%)

PT Kino Investindo	69.5
DBSSG S/A Nusantara FMCG Ltd.	10.7
Estimated free float	19.8

KINO relative to JCI Index



KINO'S turnaround story involving the revamping of its distribution system will lead to higher revenues in 2018. Combined with greater efficiencies at the operating level, KINO reported higher FY18F gross margins. However, there is limited upside to our TP given the recent rally in the share price. Maintain HOLD.

Strong performance of PC and Beverages. KINO's major divisions (Personal care - PC and Beverages), which accounted for 19.8% of the FY18F revenues, are performing well in 2018. The Personal care division, with the major contributions coming from Ellipse (hair vitamin) and Sleek (Baby products), recorded strong volume growth in September, largely thanks to improvements in its distribution system and more extensive marketing coverage. For beverages, Kaki Tiga benefited from seasonally high demand in the 3Q18 dry season, while Panther also performed well with segmented advertising promotions for its limited Wiro Sableng edition. Therefore, we estimate solid FY18F top line growth of 7.4% yoy with a continued high gross margin of 45.6%, which will offset the high FY18F opex. As such, FY18 earnings are expected to reach IDR142bn, +29% yoy.

FY19 earnings growth of 22% yoy. Going into 2019, the company is optimistic that its distribution revamping will continue to support its performance. We forecast FY19 revenues growth of 14.6% yoy. KINO is currently also in the process of boosting its production capacity for several personal care products, which should help the company to record higher sales in 2019. With continued efficiencies and product reformulation using local sources, we believe that the company can maintain its gross margin at 45%. Combined with 22% A&P/revenues, we estimate FY19 earnings of IDR174bn, +22% yoy growth.

Maintain HOLD. We view that the company's turnaround story involving the revamping of its distribution system and greater efficiencies at the operating level have yielded positive results. Ultimately, this should sustain growth going forward, we believe. We also view positively the company's intention to increase the proportion of export revenues going forward. However, the recent rally in the share price means there is limited upside to our TP. As such, we maintain our HOLD recommendation. The main risks to our call include inefficient distribution and soft demand that may hinder strong growth in the future.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	3,493	3,161	3,394	3,889	4,407
EBITDA (IDRbn)	270	212	263	320	348
EBITDA Growth (%)	(41.6)	(21.4)	23.8	21.7	8.8
Net profit (IDRbn)	181	110	142	174	194
EPS (IDR)	126.4	77.3	99.6	121.9	135.8
EPS growth (%)	(90.8)	(38.9)	28.9	22.3	11.4
BVPS (IDR)	1,350.2	1,412.6	1,485.2	1,587.2	1,698.6
DPS (IDR)	37.0	25.0	27.0	19.9	24.4
PER (x)	20.2	33.1	25.7	21.0	18.8
PBV (x)	1.9	1.8	1.7	1.6	1.5
Dividend yield (%)	1.4	1.0	1.1	0.8	1.0
EV/EBITDA (x)	15.0	18.3	14.3	11.7	10.8

Source : KINO, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**3,493**	**3,161**	**3,394**	**3,889**	**4,407**
COGS	(2,089)	(1,830)	(1,847)	(2,143)	(2,463)
Gross profit	**1,404**	**1,330**	**1,547**	**1,746**	**1,944**
EBITDA	**270**	**212**	**263**	**320**	**348**
Oper. profit	**239**	**187**	**236**	**291**	**317**
Interest income	29	17	12	11	15
Interest expense	(90)	(70)	(57)	(66)	(69)
Forex Gain/(Loss)	0	(1)	0	0	0
Income From Assoc. Co's	3	(4)	0	0	0
Other Income (Expenses)	38	13	(1)	(3)	(3)
Pre-tax profit	**219**	**141**	**190**	**233**	**259**
Income tax	(38)	(31)	(48)	(59)	(66)
Minority interest	(1)	1	1	1	1
Net profit	**181**	**110**	**142**	**174**	**194**
Core Net Profit	**181**	**111**	**142**	**174**	**194**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	377	350	611	553	725
Receivables	931	871	732	803	909
Inventory	410	385	399	410	442
Other Curr. Asset	41	65	54	59	57
Fixed assets - Net	1,222	1,247	1,339	1,426	1,528
Other non-curr.asset	186	195	195	195	195
Total asset	**3,284**	**3,238**	**3,455**	**3,572**	**3,980**
ST Debt	732	546	679	615	789
Payables	394	438	408	445	512
Other Curr. Liabilities	95	101	101	101	101
Long Term Debt	48	20	34	31	39
Other LT. Liabilities	64	77	74	75	74
Total Liabilities	**1,332**	**1,182**	**1,296**	**1,267**	**1,517**
Shareholder'sFunds	1,929	2,018	2,122	2,267	2,427
Minority interests	23	37	37	37	37
Total Equity & Liabilities	**3,284**	**3,238**	**3,455**	**3,572**	**3,980**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	181	110	142	174	194
Depreciation and Amort.	31	25	27	29	31
Change in Working Capital	(129)	132	94	(45)	(70)
OtherOper. Cash Flow	26	34	56	50	57
Operating Cash Flow	**108**	**301**	**319**	**208**	**212**
Capex	(246)	(50)	(119)	(117)	(132)
Others Inv. Cash Flow	(50)	0	12	11	15
Investing Cash Flow	**(296)**	**(50)**	**(107)**	**(106)**	**(118)**
Net change in debt	(14)	(213)	147	(67)	182
New Capital	43	33	0	0	0
Dividend payment	(53)	(36)	(39)	(28)	(35)
Other Fin. Cash Flow	(90)	(70)	(57)	(66)	(69)
Financing Cash Flow	**(113)**	**(286)**	**51**	**(161)**	**78**
Net Change in Cash	**(302)**	**(35)**	**264**	**(59)**	**173**
Cash - begin of the year	666	377	350	611	553
Cash - end of the year	377	350	611	553	725

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(3.1)	(9.5)	7.4	14.6	13.3
EBITDA	(41.6)	(21.4)	23.8	21.7	8.8
Operating profit	(44.9)	(21.9)	26.2	23.4	9.0
Net profit	(31.4)	(38.9)	28.9	22.3	11.4
Profitability (%)					
Gross margin	40.2	42.1	45.6	44.9	44.1
EBITDA margin	7.7	6.7	7.7	8.2	7.9
Operating margin	6.8	5.9	6.9	7.5	7.2
Net margin	5.2	3.5	4.2	4.5	4.4
ROAA	5.6	3.4	4.3	5.0	5.1
ROAE	9.8	5.6	6.9	7.9	8.3
Leverage					
Net Gearing (x)	0.2	0.1	0.0	0.0	0.0
Interest Coverage (x)	2.7	2.7	4.1	4.4	4.6

Source : KINO, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Mayora Indah (MYOR IJ)

Buoyant revenues but higher opex too

HOLD

Maintain

Last price (IDR)	2,600
Target Price (IDR)	**2,730**
Upside/Downside	**+5.0%**
Previous Target Price (IDR)	*2,790*

Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	MYOR IJ
No of Shrs (mn)	22,359
Mkt. Cap (IDRbn/USDmn)	58,133/4,026
Avg. daily T/O (IDRbn/USDmn)	4.1/0.3

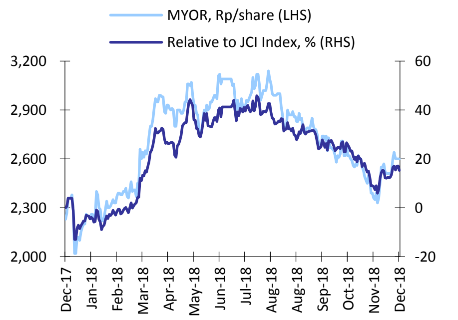
Major shareholders (%)

PT Unita Branindo	32.9
PT Mayora Dhana Utama	26.1
Estimated free float	15.7

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	70.0	76.5	91.1
Consensus	76.8	92.6	106.5
Danareksa/Cons (%)	(8.9)	(17.4)	(14.5)

MYOR relative to JCI Index



We believe Mayora can maintain its positive momentum and record solid growth in 2019, benefiting from stronger consumer spending. A stable currency coupled with soft commodity prices should help to sustain high margins. As such, we estimate 9.3% yoy earnings growth in FY19F. However, given the limited upside to our TP, we maintain our HOLD recommendation.

Strong FY18F sales were offset by higher opex. The management of Mayora reported strong sales in October 2018, reaching IDR2.4tn, or 10% higher than the average monthly sales in 3Q18. Domestic sales and exports were both buoyant. Given the solid performance in October coming after a strong 9M18, we estimate FY18F revenue growth of 19% yoy. To alleviate cost pressures, the company took further efficiency measures in both production and raw materials procurement. Combined with soft commodity prices (including oil) and the stable rupiah, we expect the company to maintain its high gross margin in FY18F at 25.9%. Nonetheless, with increasing competition in both the export and domestic markets and with further efforts to push new products, MYOR estimates higher selling expenses in FY18. Hence, with lower operating profits, we estimate FY18F earnings of IDR1.6tn, down 1.9% yoy. As we believe that there might be some upside from higher-than expected-FY18F sales, if the company could record higher FY18F revenues growth of 25% (vs our current forecast of 19%) this would result in 3.6% yoy FY18F earnings growth (vs -2% yoy growth in our current forecast) – ceteris paribus.

FY19F earnings growth expected to reach 9.3% yoy. In 2019, we expect the company to book 15.8% yoy top line growth, with both the food and beverages divisions growing accordingly. Supported by soft commodity prices and the stable rupiah, we expect the FY19 gross margin to be maintained at 25.2%. After recording higher opex in 2018 to push sales, we believe the company will tone down its opex in 2019. This should lift the FY19F operating margin to 10.1%. Bear in mind that the gearing ratio has increased (9M18: 90%) since the company needed financing to develop three new plants (for coffee, biscuits and wafers). In turn, this has translated into higher interest expenses. For FY19F, we expect earnings to grow 9.3% yoy to IDR1.7tn.

Maintain HOLD. In 2018, the company has launched new products/SKU (Exhibit 10) in a bid to counter the stiffer competition and to meet the growing consumer appetite for new products. This helped to sustain sales growth in 2018. Going into 2019, we believe that increasing consumption ahead of the presidential election should benefit Mayora. However, given the limited upside to our TP, we maintain our HOLD recommendation.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	18,350	20,817	24,768	28,682	32,828
EBITDA (IDRbn)	2,830	3,000	2,924	3,522	4,071
EBITDA Growth (%)	21.4	6.0	(2.5)	20.4	15.6
Net profit (IDRbn)	1,355	1,594	1,564	1,710	2,037
EPS (IDR)	60.6	71.3	70.0	76.5	91.1
EPS growth (%)	11.0	17.7	(1.9)	9.3	19.1
BVPS (IDR)	273.8	321.4	366.6	422.1	490.3
DPS (IDR)	12.0	21.0	24.7	21.0	22.9
PER (x)	42.4	36.0	36.7	33.6	28.2
PBV (x)	9.4	8.0	7.0	6.1	5.2
Dividend yield (%)	0.5	0.8	1.0	0.8	0.9
EV/EBITDA (x)	21.1	19.9	20.6	17.4	15.1

Source : MYOR, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**18,350**	**20,817**	**24,768**	**28,682**	**32,828**
COGS	(13,450)	(15,842)	(18,356)	(21,441)	(24,599)
Gross profit	**4,900**	**4,975**	**6,412**	**7,241**	**8,229**
EBITDA	**2,830**	**3,000**	**2,924**	**3,522**	**4,071**
Oper. profit	**2,315**	**2,461**	**2,341**	**2,897**	**3,339**
Interest income	15	36	68	68	45
Interest expense	(378)	(394)	(473)	(570)	(556)
Forex Gain/(Loss)	(124)	91	219	(34)	(20)
Income From Assoc. Co’s	0	0	0	0	0
Other Income (Expenses)	17	(7)	0	0	0
Pre-tax profit	**1,845**	**2,187**	**2,155**	**2,361**	**2,808**
Income tax	(457)	(556)	(548)	(600)	(714)
Minority interest	(34)	(37)	(43)	(50)	(58)
Net profit	**1,355**	**1,594**	**1,564**	**1,710**	**2,037**
Core Net Profit	**1,479**	**1,503**	**1,345**	**1,744**	**2,056**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,543	2,202	3,267	2,151	1,763
Receivables	4,388	6,103	7,261	8,409	9,624
Inventory	2,124	1,825	2,115	3,407	3,909
Other Curr. Asset	685	544	648	750	858
Fixed assets - Net	3,859	3,989	4,460	4,885	5,204
Other non-curr.asset	322	253	290	326	358
Total asset	**12,921**	**14,916**	**18,041**	**19,928**	**21,716**
ST Debt	1,752	2,228	3,870	5,021	4,883
Payables	1,404	1,829	2,119	2,475	2,839
Other Curr. Liabilities	478	417	496	574	657
Long Term Debt	2,074	2,226	2,133	999	749
Other LT. Liabilities	699	862	1,026	1,188	1,360
Total Liabilities	**6,407**	**7,561**	**9,643**	**10,258**	**10,488**
Shareholder'sFunds	6,121	7,186	8,198	9,439	10,962
Minority interests	144	168	200	232	265
Total Equity & Liabilities	**12,672**	**14,916**	**18,041**	**19,928**	**21,716**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,355	1,594	1,564	1,710	2,037
Depreciation and Amort.	515	539	583	624	732
Change in Working Capital	(1,291)	(1,053)	(1,079)	(2,005)	(1,270)
OtherOper. Cash Flow	436	621	445	543	554
Operating Cash Flow	**1,014**	**1,702**	**1,513**	**872**	**2,052**
Capex	(774)	(561)	(1,071)	(1,066)	(1,062)
Others Inv. Cash Flow	15	36	68	68	45
Investing Cash Flow	**(759)**	**(524)**	**(1,003)**	**(998)**	**(1,016)**
Net change in debt	267	378	1,549	18	(388)
New Capital	28	21	32	32	34
Dividend payment	(268)	(470)	(553)	(469)	(513)
Other Fin. Cash Flow	(422)	(451)	(473)	(570)	(556)
Financing Cash Flow	**(394)**	**(521)**	**555**	**(990)**	**(1,425)**
Net Change in Cash	**(139)**	**657**	**1,065**	**(1,116)**	**(389)**
Cash - begin of the year	1,682	1,543	2,202	3,267	2,151
Cash - end of the year	1,543	2,202	3,267	2,151	1,763

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	23.8	13.4	19.0	15.8	14.5
EBITDA	21.4	6.0	(2.5)	20.4	15.6
Operating profit	24.3	6.3	(4.9)	23.8	15.2
Net profit	11.0	17.7	(1.9)	9.3	19.1
Profitability (%)					
Gross margin	26.7	23.9	25.9	25.2	25.1
EBITDA margin	15.4	14.4	11.8	12.3	12.4
Operating margin	12.6	11.8	9.5	10.1	10.2
Net margin	7.4	7.7	6.3	6.0	6.2
ROAA	11.2	11.5	9.5	9.0	9.8
ROAE	24.2	24.0	20.3	19.4	20.0
Leverage					
Net Gearing (x)	0.4	0.3	0.3	0.4	0.3
Interest Coverage (x)	6.1	6.2	4.9	5.1	6.0

Source : MYOR, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	720
Target Price (IDR)	**1,450**
Upside/Downside	**+101.4%**
Previous Target Price (IDR)	*1,450*

Stock Statistics

Sector	Media
Bloomberg Ticker	MNCN IJ
No of Shrs (mn)	14,276
Mkt. Cap (IDRbn/USDmn)	10,279/712
Avg. daily T/O (IDRbn/USDmn)	18.2/1.3

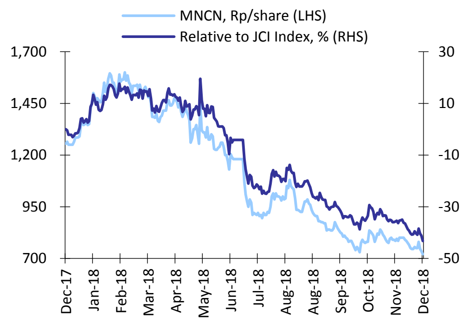
Major shareholders (%)

Global Mediacom	63.8
Estimated free float	43.1

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	97.0	133.5	145.1
Consensus	102.2	115.7	124.6
Danareksa/Cons	(5.1)	15.4	16.5

MNCN relative to JCI Index



Media Nusantara (MNCN IJ)

Good upside potential

We see that more ad spending will support MNCN's topline as populist government policies will be enacted in 2019, especially by local FMCG companies. We also expect the company to maintain its current audience share in the TV industry. Furthermore, the content providing business will get more traction in 2019F. Meanwhile, content business efficiencies remain on track along with the recent program adjustments to better meet viewers' preferences. Maintain BUY with a TP of IDR1,450.

2018F top line revenues growth. As we are positive on the consumer sector as the result of the higher social assistance budget and more government policies are focusing on human development at the grassroot level, we see that consumer companies are in a better position to increase sales. This will be beneficial for MNCN given its high audience share in 2018. Furthermore, we also see more upside from content that will be sold to several OTT platforms in 2019. We estimate stronger 2019F revenues growth of 4.3% yoy.

Refreshing programs to maintain its market position. We think that MNCN will maintain its position in the market. In 2019, MNCN will adjust its programs so they better meet viewers' preferences. In this regard, the company will boost its local drama, ftv and talent search offerings, adding more reality shows while reducing foreign content.

Focusing on providing content to OTT platforms. On the content side, MNCN's newly-built broadcasting facilities and strong in-house production team (MNC Pictures) have so far yielded strong ratings and more importantly, reduced dependency on external content producers. Furthermore, MNCN aims to build more local programs specialized for OTT platforms. MNCN will also monetize its content library to OTT platform providers.

Maintain BUY with a TP of IDR1,450. We maintain our BUY recommendation with a TP of IDR1,450 implying 6.2x 2019PE. In our view, the decline in the share price provides a good entry point for investors. Risks to our call include: 1) audience share stagnating or worsening, 2) lower margins due to higher content and operating costs, 3) headwinds from the elections period and 4) a weakening USD/IDR.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	6,730	7,053	7,123	7,408	7,853
EBITDA (IDRbn)	2,603	3,124	3,134	3,260	3,455
EBITDA Growth (%)	4.2	20.0	0.3	4.0	6.0
Net profit (IDRbn)	1,369	1,453	1,384	1,906	2,071
EPS (IDR)	95.9	101.8	97.0	133.5	145.1
EPS growth (%)	15.4	6.2	(4.7)	37.7	8.7
BVPS (IDR)	617.7	632.2	683.2	774.5	861.5
DPS (IDR)	41.2	41.7	44.3	42.2	58.1
PER (x)	8.7	8.2	8.6	6.2	5.7
PBV (x)	1.4	1.3	1.2	1.1	1.0
Dividend yield (%)	4.9	5.0	5.3	5.1	7.0
EV/EBITDA (x)	5.8	4.8	4.7	4.3	3.9

Source : MNCN, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**6,730**	**7,053**	**7,123**	**7,408**	**7,853**
COGS	(2,875)	(2,670)	(2,697)	(2,783)	(2,926)
Gross profit	**3,856**	**4,382**	**4,426**	**4,625**	**4,926**
EBITDA	**2,603**	**3,124**	**3,134**	**3,260**	**3,455**
Oper. profit	**2,332**	**2,666**	**2,700**	**2,837**	**3,039**
Interest income	36	20	33	25	36
Interest expense	(194)	(260)	(169)	(123)	(98)
Forex Gain/(Loss)	44	(31)	(434)	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(66)	20	15	0	0
Pre-tax profit	**2,153**	**2,416**	**2,144**	**2,740**	**2,977**
Income tax	(670)	(848)	(643)	(685)	(744)
Minority interest	(114)	(114)	(116)	(149)	(162)
Net profit	**1,369**	**1,453**	**1,384**	**1,906**	**2,071**
Core Net Profit	**1,324**	**1,484**	**1,819**	**1,906**	**2,071**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	499	469	356	515	555
Receivables	3,054	3,026	3,070	3,193	3,385
Inventory	1,950	2,359	2,176	2,240	2,350
Other Curr. Asset	588	568	351	362	381
Fixed assets - Net	4,824	5,307	5,803	6,327	6,889
Other non-curr.asset	2,777	3,032	2,985	3,003	3,034
Total asset	**14,240**	**15,057**	**15,038**	**15,937**	**16,890**
ST Debt	3,464	320	92	0	0
Payables	435	740	593	612	644
Other Curr. Liabilities	300	399	305	317	334
Long Term Debt	252	3,387	2,992	2,500	2,000
Other LT. Liabilities	302	410	410	410	410
Total Liabilities	**4,753**	**5,256**	**4,391**	**3,838**	**3,387**
Shareholder'sFunds	8,818	9,025	9,754	11,057	12,299
Minority interests	669	776	893	1,042	1,203
Total Equity & Liabilities	**14,240**	**15,057**	**15,038**	**15,937**	**16,890**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,369	1,453	1,384	1,906	2,071
Depreciation and Amort.	271	458	435	422	416
Change in Working Capital	(177)	(144)	25	(172)	(276)
OtherOper. Cash Flow	1,336	678	225	102	68
Operating Cash Flow	**2,799**	**2,445**	**2,069**	**2,259**	**2,279**
Capex	(950)	(941)	(931)	(946)	(979)
Others Inv. Cash Flow	(139)	(234)	80	6	5
Investing Cash Flow	**(1,090)**	**(1,174)**	**(851)**	**(939)**	**(974)**
Net change in debt	(50)	(9)	(624)	(583)	(500)
New Capital	0	0	0	0	0
Dividend payment	(588)	(596)	(632)	(602)	(829)
Other Fin. Cash Flow	(194)	(260)	(169)	(123)	(98)
Financing Cash Flow	**(831)**	**(865)**	**(1,425)**	**(1,308)**	**(1,427)**
Net Change in Cash	**878**	**406**	**(207)**	**11**	**(123)**
Cash - begin of the year	398	499	469	356	515
Cash - end of the year	499	469	356	515	555

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	4.4	4.8	1.0	4.0	6.0
EBITDA	4.2	20.0	0.3	4.0	6.0
Operating profit	6.3	14.3	1.3	5.1	7.1
Net profit	15.4	6.2	(4.7)	37.7	8.7
Profitability (%)					
Gross margin	57.3	62.1	62.1	62.4	62.7
EBITDA margin	38.7	44.3	44.0	44.0	44.0
Operating margin	34.6	37.8	37.9	38.3	38.7
Net margin	20.3	20.6	19.4	25.7	26.4
ROAA	9.5	9.9	9.2	12.3	12.6
ROAE	15.4	16.3	14.7	18.3	17.7
Leverage					
Net Gearing (x)	0.3	0.3	0.3	0.2	0.1
Interest Coverage (x)	12.0	10.3	16.0	23.2	31.0

Source: MNCN, Danareksa Estimates

BUY
Maintain

Last price (IDR)	610
Target Price (IDR)	**680**
Upside/Downside	**+11.5%**
Previous Target Price (IDR)	*640*

Stock Statistics

Sector	Property
Bloomberg Ticker	PWON IJ
No of Shrs (mn)	48,160
Mkt. Cap (IDRbn/USDmn)	29,377/2,035
Avg. daily T/O (IDRbn/USDmn)	18.2/1.3

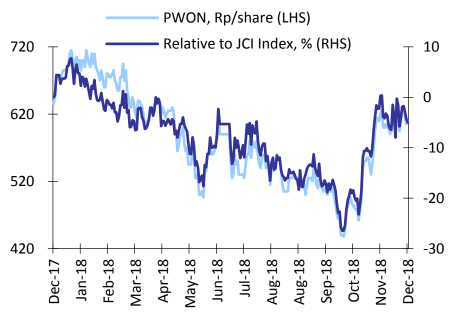
Major shareholders (%)

Pakuwon Arthaniaga	69.7
Alexander Tedja	0.0
Estimated free float	30.2

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	48.3	51.3	56.8
Consensus	46.0	51.8	55.1
Danareksa/Cons (%)	4.9	(1.0)	3.1

PWON relative to JCI Index



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Pakuwon Jati (PWON IJ)

Recurring income play

We maintain our BUY call on PWON with a higher TP of IDR680 (from IDR640) on an expected sector re-rating given a more dovish outlook for interest rates. We expect PWON's FY18 presales to fall slightly short, but with more robust presales in FY19 on better demand and new product launches as well as the reduction in super luxy tax rates (PPh22). We like the company for its large recurring income streams and low net gearing.

FY18 marketing sales - slightly below. We estimate PWON's FY18 presales at IDR2.3tn (-7.9% yoy), slightly below the company's full year target of IDR2.5tn. We think this is mostly a reflection of the soft property market, in particular the high-rise market. Throughout FY18, PWON relied mostly on existing launches in order to achieve its presales target. Based on previous presales numbers, we estimate that PWON will book presales at a rate of ~IDR200bn/month. As such, we expect PWON to record presales of ~IDR200bn in Dec 18. As of 11M18, PWON's marketing sales stood at close to IDR2.1tn.

FY19 presales supported by better demand and new launchings. We expect PWON to book some growth in its presales at IDR2.5tn (+10.0% yoy), boosted by higher high-rise and office presales as well as new launches planned for a mixed use project in Bekasi. PWON is one of the beneficiaries of the government's recent move to reduce the super luxury tax (PPh22) from 5% to 1% for property valued above IDR5.0bn. PWON has ~IDR2.3tn worth of inventory valued above IDR5.0bn. Meanwhile, we estimate FY19 revenues at IDR7.0tn (+7.1% yoy), boosted by recurring income (+9.8% yoy) and development income (+4.0% yoy). Recurring income will mostly come from increases in rental and service charges while development income will be from revenues recognition of Anderson, Benson and La Viz apartments in Pakuwon Mall and Amor apartment in East Coast Mansion. As of 9M18, PWON's backlog stood at ~IDR4.0tn.

Maintain BUY; TP raised to IDR680. We maintain our BUY call on PWON with a higher TP of IDR680 based on a 45% discount to NAV (from 48%). We assign a lower discount to NAV to reflect an expected re-rating of the sector, given a more dovish outlook for US interest rates, which should support the IDR and ease pressure on BI to hike rates. We think PWON has the strongest fundamentals among the companies under our coverage due to its large recurring income streams (~49% of total revenues) and the lowest net gearing. Despite the recent run-up in the share price, we think there is still some upside left. The counter currently trades at a 50% discount to NAV.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	4,841	5,718	6,536	7,000	7,309
EBITDA (IDRbn)	2,593	3,175	3,621	3,746	3,905
EBITDA Growth (%)	1.4	22.4	14.1	3.5	4.2
Net profit (IDRbn)	1,671	1,873	2,325	2,471	2,735
EPS (IDR)	34.7	38.9	48.3	51.3	56.8
EPS growth (%)	32.4	12.1	24.2	6.3	10.7
BVPS (IDR)	180.3	214.3	257.5	302.6	352.7
DPS (IDR)	4.5	4.5	5.0	6.3	6.6
PER (x)	17.7	15.8	12.7	12.0	10.8
PBV (x)	3.4	2.9	2.4	2.0	1.7
Dividend yield (%)	0.7	0.7	0.8	1.0	1.1
EV/EBITDA (x)	12.5	10.0	8.4	7.8	7.1

Source : PWON, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**4,841**	**5,718**	**6,536**	**7,000**	**7,309**
COGS	(2,088)	(2,353)	(2,702)	(3,020)	(3,151)
Gross profit	**2,754**	**3,364**	**3,834**	**3,979**	**4,158**
EBITDA	**2,593**	**3,175**	**3,621**	**3,746**	**3,905**
Oper. profit	**2,260**	**2,795**	**3,221**	**3,326**	**3,464**
Interest income	112	139	170	228	281
Interest expense	(342)	(336)	(351)	(323)	(282)
Forex Gain/(Loss)	58	(25)	(98)	(91)	0
Income From Assoc. Co's	(9)	(12)	0	0	0
Other Income (Expenses)	(23)	(154)	(3)	(5)	(7)
Pre-tax profit	**2,057**	**2,406**	**2,940**	**3,135**	**3,456**
Income tax	(276)	(381)	(426)	(463)	(499)
Minority interest	(109)	(152)	(189)	(200)	(222)
Net profit	**1,671**	**1,873**	**2,325**	**2,471**	**2,735**
Core Net Profit	**1,613**	**1,898**	**2,423**	**2,563**	**2,735**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	2,432	3,406	4,561	5,617	7,059
Receivables	237	523	598	640	669
Inventory	2,860	3,741	4,579	5,374	6,130
Other Curr. Asset	395	408	466	499	521
Fixed assets - Net	1,700	1,682	1,879	2,063	2,230
Other non-curr.asset	12,848	13,249	13,483	13,705	13,914
Total asset	**20,674**	**23,359**	**25,985**	**28,401**	**31,126**
ST Debt	769	402	755	1,126	320
Payables	312	505	579	648	676
Other Curr. Liabilities	1,034	1,197	1,333	1,486	1,554
Long Term Debt	4,479	5,029	4,738	4,016	4,703
Other LT. Liabilities	3,059	3,435	3,705	4,081	4,414
Total Liabilities	**9,654**	**10,567**	**11,111**	**11,357**	**11,667**
Shareholder'sFunds	8,684	10,320	12,402	14,573	16,987
Minority interests	2,336	2,472	2,472	2,472	2,472
Total Equity & Liabilities	**20,674**	**23,359**	**25,985**	**28,401**	**31,126**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,671	1,873	2,325	2,471	2,735
Depreciation and Amort.	333	365	400	420	441
Change in Working Capital	(294)	(817)	(760)	(650)	(710)
OtherOper. Cash Flow	182	534	390	391	231
Operating Cash Flow	**1,893**	**1,956**	**2,356**	**2,633**	**2,697**
Capex	(2,154)	(662)	(740)	(732)	(720)
Others Inv. Cash Flow	745	(112)	10	50	83
Investing Cash Flow	**(1,409)**	**(774)**	**(730)**	**(681)**	**(637)**
Net change in debt	332	188	62	(350)	(119)
New Capital	0	0	0	0	0
Dividend payment	(216)	(216)	(243)	(301)	(320)
Other Fin. Cash Flow	(238)	(179)	(290)	(244)	(178)
Financing Cash Flow	**(122)**	**(208)**	**(471)**	**(895)**	**(618)**
Net Change in Cash	**361**	**974**	**1,155**	**1,056**	**1,442**
Cash - begin of the year	2,071	2,432	3,406	4,561	5,617
Cash - end of the year	2,432	3,406	4,561	5,617	7,059

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	4.7	18.1	14.3	7.1	4.4
EBITDA	1.4	22.4	14.1	3.5	4.2
Operating profit	(0.2)	23.7	15.3	3.3	4.1
Net profit	32.4	12.1	24.2	6.3	10.7
Profitability (%)					
Gross margin	56.9	58.8	58.7	56.8	56.9
EBITDA margin	53.6	55.5	55.4	53.5	53.4
Operating margin	46.7	48.9	49.3	47.5	47.4
Net margin	34.5	32.8	35.6	35.3	37.4
ROAA	8.5	8.5	9.4	9.1	9.2
ROAE	21.0	19.7	20.5	18.3	17.3
Leverage					
Net Gearing (x)	0.3	0.2	0.1	0.0	(0.1)
Interest Coverage (x)	6.6	8.3	9.2	10.3	12.3

Source: PWON, Danareksa Estimates

Pembangunan Perumahan (PTPP IJ)

Empowering PTPP

BUY

Maintain

Last price (IDR)	1,955
Target Price (IDR)	**2,700**
Upside/Downside	**+38.1%**
Previous Target Price (IDR)	*2,700*

Stock Statistics

Sector	Construction
Bloomberg Ticker	PTPP IJ
No of Shrs (mn)	6,200
Mkt. Cap (IDRbn/USDmn)	12,121/839
Avg. daily T/O (IDRbn/USDmn)	31.0/2.1

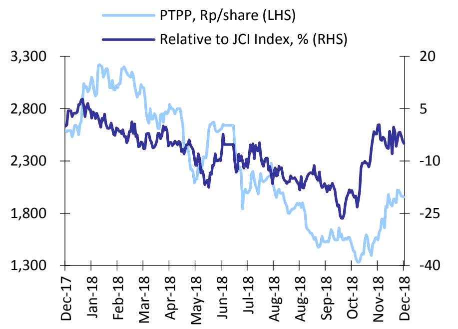
Major shareholders (%)

Government	51.0
Estimated free float	48.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	234.5	295.6	351.9
Consensus	266.1	317.0	382.4
Danareksa/Cons (%)	(11.9)	(6.8)	(8.0)

PTPP relative to JCI Index



PTPP is focusing on enlarging its energy business. In Dec 18, PTPP and its consortium signed an EPC contract with Pertamina worth IDR57.8tn. For this RFCC project, PTPP has a 16% stake in the consortium with potentially IDR10.0-12.0tn of works to come from this project which is expected to be booked in Dec18. None of PTPP's subsidiaries are targeted to conduct an IPO in 2019. Earnings in 2019 are targeted to grow by 11.5%yoy, supported by 16.3%yoy growth in new contracts. BUY.

Enlarging its energy business. In the 2nd week of Dec18, PTPP and its consortium won an EPC contract for the RFCC project in Balikpapan from Pertamina totalling USD4.0bn or IDR57.8tn. PTPP has a 16% stake in the consortium. PTPP is eyeing ~IDR10-12tn of EPC contracts to be booked from the project in the near future. The members of the consortium include Rekayasa Industri and Hyundai. This RFCC project is PTPP's third energy project secured in 2018, following Odira Energy and tank storage in Nipa Island.

Investment in toll roads. PTPP is looking to obtain 3 new toll road concessions with a total length reaching around 230km. The investment needed for these toll roads is approximately IDR42.4tn. PTPP seeks majority ownership in two of them with stakes of around 51-60%. Nonetheless, concessionary rights in these two toll roads have not been tendered yet by the toll road authority. As for the third toll road, PTPP seeks minority ownership with a stake less than 15%.

2019 targets. The management set the 2019 new contracts target at IDR50.3tn, representing growth of +16.3%yoy and resulting in an IDR112.8tn order book (+17.7%yoy). The 2019 revenues and earnings are targeted at IDR29.0tn (+15.3%yoy) and IDR1.7tn (+11.5%yoy). The sectors contributing most of the works are the energy, EPC and infrastructure sectors. In addition, the management revealed that it was possible the company might acquire turnkey projects in the future although they would contribute less than 20% of revenues.

No subsidiary is targeted to conduct an IPO in 2019. Two PTPP subsidiaries, PP Energy and PP Infrastructure, had been expected to conduct IPOs in 1H18 and 2H18. However, the IPOs have been postponed to create more value for the company. As such, none of PTPP's subsidiaries are now expected to hold an IPO in 2019.

Maintain BUY. The capex earmarked in 2019 is IDR8.7tn, +28.2%yoy more than 2018's allocation of IDR6.8tn. Capex spending reached 69% as of Oct 18. PTPP still has room for more leverage since its DER only stood at 0.83x as of 9M18. Our TP of IDR2,700 implies 9.0x 2019 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	16,459	21,502	24,098	29,528	34,375
EBITDA (IDRbn)	2,230	3,181	3,486	4,301	4,881
EBITDA Growth (%)	27.9	42.6	9.6	23.4	13.5
Net profit (IDRbn)	1,020	1,495	1,454	1,832	2,182
EPS (IDR)	164.5	241.1	234.5	295.6	351.9
EPS growth (%)	37.8	46.5	(2.7)	26.0	19.1
BVPS (IDR)	1,556.8	1,847.4	2,068.3	2,353.5	2,686.5
DPS (IDR)	23.9	49.5	46.9	46.9	59.1
PER (x)	11.9	8.1	8.3	6.6	5.6
PBV (x)	1.3	1.1	0.9	0.8	0.7
Dividend yield (%)	1.2	2.5	2.4	2.4	3.0
EV/EBITDA (x)	4.4	3.7	3.5	2.9	2.4

Source : PTPP, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**16,459**	**21,502**	**24,098**	**29,528**	**34,375**
COGS	(14,002)	(18,251)	(20,471)	(25,009)	(29,210)
Gross profit	**2,457**	**3,251**	**3,627**	**4,520**	**5,165**
EBITDA	**2,230**	**3,181**	**3,486**	**4,301**	**4,881**
Oper. profit	**2,120**	**2,887**	**3,120**	**3,881**	**4,406**
Interest income	0	0	0	0	0
Interest expense	(409)	(653)	(674)	(721)	(732)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	3	0	0	0
Other Income (Expenses)	(11)	241	(86)	(237)	(237)
Pre-tax profit	**1,701**	**2,477**	**2,361**	**2,924**	**3,437**
Income tax	(552)	(712)	(619)	(726)	(768)
Minority interest	(128)	(271)	(287)	(365)	(488)
Net profit	**1,020**	**1,495**	**1,454**	**1,832**	**2,182**
Core Net Profit	**1,099**	**1,630**	**1,540**	**2,069**	**2,419**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	9,125	9,383	8,742	7,961	8,427
Receivables	10,975	16,229	15,912	18,886	21,515
Inventory	3,030	2,421	2,393	2,777	3,346
Other Curr. Asset	1,097	1,671	1,095	1,211	1,318
Fixed assets - Net	3,780	5,790	6,513	7,181	7,795
Other non-curr.asset	2,910	6,085	6,325	6,957	7,653
Total asset	**31,216**	**41,783**	**41,204**	**45,221**	**50,326**
ST Debt	3,707	3,513	5,213	6,218	5,484
Payables	10,835	15,070	10,737	11,796	13,392
Other Curr. Liabilities	1,323	2,117	2,957	3,492	4,005
Long Term Debt	3,083	5,419	3,474	1,975	2,375
Other LT. Liabilities	1,489	1,421	2,651	3,132	3,594
Total Liabilities	**20,438**	**27,540**	**25,033**	**26,613**	**28,850**
Shareholder'sFunds	9,652	11,454	12,823	14,592	16,656
Minority interests	1,126	2,789	3,347	4,017	4,820
Total Equity & Liabilities	**31,216**	**41,783**	**41,204**	**45,221**	**50,326**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,020	1,495	1,454	1,832	2,182
Depreciation and Amort.	110	295	366	420	474
Change in Working Capital	(768)	(309)	(2,651)	(1,970)	(1,293)
OtherOper. Cash Flow	(79)	95	2,116	1,068	1,047
Operating Cash Flow	**284**	**1,575**	**1,284**	**1,350**	**2,409**
Capex	(908)	(2,297)	(1,100)	(1,101)	(1,102)
Others Inv. Cash Flow	(1,616)	(2,434)	(492)	(541)	(595)
Investing Cash Flow	**(2,524)**	**(4,731)**	**(1,592)**	**(1,642)**	**(1,697)**
Net change in debt	3,656	2,142	(244)	(495)	(334)
New Capital	4,414	0	0	0	0
Dividend payment	(148)	(307)	(291)	(291)	(366)
Other Fin. Cash Flow	418	1,622	201	297	454
Financing Cash Flow	**8,340**	**3,457**	**(334)**	**(489)**	**(246)**
Net Change in Cash	**6,100**	**301**	**(641)**	**(781)**	**466**
Cash - begin of the year	3,025	9,125	9,383	8,742	7,961
Cash - end of the year	9,125	9,383	8,742	7,961	8,427

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	15.8	30.6	12.1	22.5	16.4
EBITDA	27.9	42.6	9.6	23.4	13.5
Operating profit	27.4	36.1	8.1	24.4	13.5
Net profit	37.8	46.5	(2.7)	26.0	19.1
Profitability (%)					
Gross margin	14.9	15.1	15.1	15.3	15.0
EBITDA margin	13.6	14.8	14.5	14.6	14.2
Operating margin	12.9	13.4	12.9	13.1	12.8
Net margin	6.2	7.0	6.0	6.2	6.3
ROAA	4.1	4.1	3.5	4.2	4.6
ROAE	14.5	14.2	12.0	13.4	14.0
Leverage					
Net Gearing (x)	(0.2)	0.0	0.0	0.0	0.0
Interest Coverage (x)	5.2	4.4	4.6	5.4	6.0

Source : PTPP, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

PP London Sumatra (LSIP IJ)

Keeping it steady

BUY

Maintain

Last price (IDR)	1,350
Target Price (IDR)	**2,000**
Upside/Downside	**+48.2%**
Previous Target Price (IDR)	*1,150*

Stock Statistics

Sector	Plantation
Bloomberg Ticker	LSIP IJ
No of Shrs (mn)	6,820
Mkt. Cap (IDRbn/USDmn)	9,207/638
Avg. daily T/O (IDRbn/USDmn)	20.2/1.4

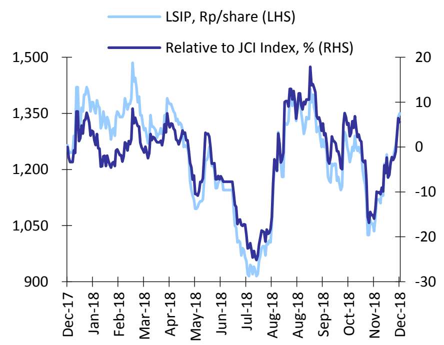
Major shareholders (%)

Salim Ivomas Pratama	59.5
Public	40.5
Estimated free float	40.4

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	100.4	117.8	121.9
Consensus	79.0	95.6	108.0
Danareksa/Cons (%)	27.1	23.2	13.0

LSIP relative to JCI Index



We expect LSIP's core earnings to grow to IDR803.5bn in FY19 (+76.0% yoy), driven by higher CPO prices and slight growth in FFB production. Despite its ageing plantation profile, we expect LSIP to remain conservative with its capex spending and keep new planting and replanting at a rate of 400 Ha and 700 Ha in FY19, respectively. We also expect LSIP's financials to remain strong with a maintained 40% dividend payout policy. Maintain BUY.

Better earnings outlook in FY19. We expect LSIP's core earnings to grow to IDR803.5bn in FY19 (+76.0% yoy), driven by higher CPO prices and slight FFB growth. We assume FY19 CPO ASP of IDR8,318/kg (+12.1% yoy), which corresponds to our FY19 CPO price assumption of MYR2,550/ton. In terms of FFB production volume, we assume only mild growth of 2.5%, given LSIP's ageing plantation profile. The low base for the FY18 core profits takes into consideration of the estimated one-time gains of IDR300bn from the sale of land to ICBP.

Steady rate of plantings. Going forward, we expect LSIP to maintain its planting program at a steady pace. We expect LSIP to engage in new planting and replanting amounting to 400 Ha and 700 Ha in FY19 respectively (the same rate as in FY18). Overall, we expect LSIP's capex to remain minimal at IDR493.7bn.

Maintaining its cash rich position. Entering into FY19, we expect LSIP to remain debt-free and cash rich due to its minimal capex requirement. As of 9M18, LSIP had no interest-bearing debt and had a cash position of IDR1.58tn. We estimate that the company will maintain its 40% dividend payout policy.

Maintain BUY. We maintain our BUY call on LSIP with an unchanged TP of IDR2,000 based on 17.0x PE and FY19 EPS. We are more positive on the CPO price outlook for FY19 driven by higher demand, particularly from full implementation of the B20 mandate, as well as slower supply growth ahead. The counter is currently trading at 11.5x FY19 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	3,848	4,738	3,955	4,586	4,673
EBITDA (IDRbn)	1,159	1,373	920	1,388	1,426
EBITDA Growth (%)	6.2	18.4	(33.0)	50.8	2.7
Net profit (IDRbn)	594	763	685	803	832
EPS (IDR)	87.1	111.9	100.4	117.8	121.9
EPS growth (%)	(4.7)	28.6	(10.3)	17.3	3.5
BVPS (IDR)	1,120.3	1,190.1	1,245.7	1,323.4	1,398.2
DPS (IDR)	37.0	35.1	44.8	40.2	47.1
PER (x)	16.0	12.5	13.9	11.8	11.4
PBV (x)	1.2	1.2	1.1	1.1	1.0
Dividend yield (%)	2.7	2.5	3.2	2.9	3.4
EV/EBITDA (x)	7.2	5.7	8.2	5.1	4.6

Source : LSIP, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**3,848**	**4,738**	**3,955**	**4,586**	**4,673**
COGS	(2,737)	(3,395)	(3,106)	(3,264)	(3,324)
Gross profit	**1,111**	**1,343**	**850**	**1,322**	**1,349**
EBITDA	**1,159**	**1,373**	**920**	**1,388**	**1,426**
Oper. profit	**790**	**987**	**514**	**961**	**979**
Interest income	28	57	81	99	122
Interest expense	(1)	(1)	(2)	(2)	(2)
Forex Gain/(Loss)	(7)	2	0	0	0
Income From Assoc. Co's	(60)	(9)	(6)	(6)	(6)
Other Income (Expenses)	28	(31)	312	3	0
Pre-tax profit	**779**	**1,006**	**899**	**1,055**	**1,092**
Income tax	(186)	(243)	(215)	(252)	(261)
Minority interest	1	0	0	0	0
Net profit	**594**	**763**	**685**	**803**	**832**
Core Net Profit	**601**	**761**	**685**	**803**	**832**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,141	1,633	1,971	2,444	2,970
Receivables	203	175	160	184	188
Inventory	569	308	448	490	469
Other Curr. Asset	7	51	51	51	51
Fixed assets - Net	4,392	4,090	4,031	4,109	4,206
Other non-curr.asset	3,147	3,486	3,529	3,452	3,342
Total asset	**9,459**	**9,744**	**10,189**	**10,730**	**11,227**
ST Debt	0	0	0	0	0
Payables	241	213	300	287	279
Other Curr. Liabilities	539	203	181	206	201
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	1,032	1,206	1,206	1,206	1,206
Total Liabilities	**1,813**	**1,622**	**1,687**	**1,699**	**1,686**
Shareholder'sFunds	7,640	8,116	8,496	9,025	9,536
Minority interests	6	6	6	6	6
Total Equity & Liabilities	**9,459**	**9,744**	**10,189**	**10,730**	**11,227**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	594	763	685	803	832
Depreciation and Amort.	370	386	406	427	448
Change in Working Capital	(206)	228	(109)	(57)	18
OtherOper. Cash Flow	217	(222)	(12)	(101)	(137)
Operating Cash Flow	**975**	**1,155**	**971**	**1,073**	**1,160**
Capex	(419)	(249)	(423)	(421)	(427)
Others Inv. Cash Flow	134	(126)	97	98	116
Investing Cash Flow	**(284)**	**(375)**	**(326)**	**(324)**	**(311)**
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(252)	(239)	(305)	(274)	(321)
Other Fin. Cash Flow	(34)	(49)	(2)	(2)	(2)
Financing Cash Flow	**(287)**	**(288)**	**(307)**	**(276)**	**(323)**
Net Change in Cash	**404**	**493**	**337**	**473**	**526**
Cash - begin of the year	737	1,141	1,633	1,971	2,444
Cash - end of the year	1,141	1,633	1,971	2,444	2,970

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(8.2)	23.1	(16.5)	16.0	1.9
EBITDA	6.2	18.4	(33.0)	50.8	2.7
Operating profit	3.3	25.0	(47.9)	86.8	1.9
Net profit	(4.7)	28.6	(10.3)	17.3	3.5
Profitability (%)					
Gross margin	28.9	28.3	21.5	28.8	28.9
EBITDA margin	30.1	29.0	23.3	30.3	30.5
Operating margin	20.5	20.8	13.0	20.9	20.9
Net margin	15.4	16.1	17.3	17.5	17.8
ROAA	6.5	8.0	6.9	7.7	7.6
ROAE	7.9	9.7	8.2	9.2	9.0
Leverage					
Net Gearing (x)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	973.6	1,831.6	257.1	480.4	489.3

Source : LSIP, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Puradelta Lestari (DMAS IJ)

Higher land sales ahead?

BUY

Maintain

Last price (IDR)	160
Target Price (IDR)	**220**
Upside/Downside	**+37.5%**
Previous Target Price (IDR)	*240*

Stock Statistics

Sector	Industrial Estate
Bloomberg Ticker	DMAS IJ
No of Shrs (mn)	48,198
Mkt. Cap (IDRbn/USDmn)	7,712/534
Avg. daily T/O (IDRbn/USDmn)	4.0/0.3

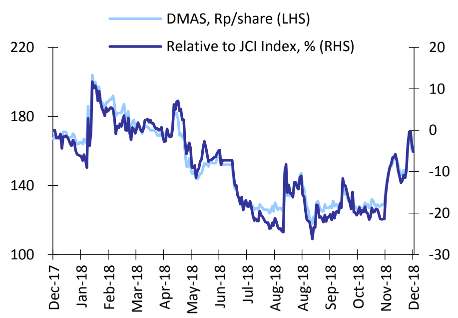
Major shareholders (%)

Sumber Arusmulia	57.3
Sojitz Corporation	25.0
Estimated free float	17.7

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	10.1	12.4	10.5
Consensus	12.1	14.1	15.6
Danareksa/Cons (%)	(16.2)	(12.0)	(33.2)

DMAS relative to JCI Index



We expect DMAS to miss its FY18 presales target, only reaching an estimated 33 Ha vs. the company's target of 40 Ha. However, we expect better industrial land presales and revenues in FY19 driven by 2 potential bulk sales from inquiries which have been confirmed by the company. We like DMAS for its debt-free balance sheet and large landbank which should enable the company to cater to bulk size inquiries. Maintain BUY.

FY18 presales to fall short of the target. We expect DMAS to miss its industrial land presales target in FY18. Our checks indicate that the company managed to book 8.0 Ha of industrial land presales in 4Q18 so far, resulting in FY18 industrial presales of 33 Ha (vs. the company's target of 40 Ha). Assuming land ASP of ~IDR1.7-1.8mn/sqm, we estimate FY18 industrial presales at ~IDR600bn. Overall, we expect the FY18 total marketing sales (including residential and commercial) at IDR916bn, or only accounting for 73.3% of the company's target of IDR1.25tn.

Higher industrial land sales in FY19? We expect DMAS to post better industrial land presales in FY19 as the company reported inquiries of more than 100 Ha. The company confirms that it has received 2 bulk inquiries for 30-40 Ha each (the size is still subject to change), which would probably be booked as presales in FY19 if the deals are closed. However, we only assume industrial presales of 60 Ha, which would translate into IDR1.08tn (assuming land ASP of IDR1.8mn/sqm). Together with residential and commercial presales, we forecast FY19 presales of IDR1.26tn (+37.7% yoy).

Better revenues recognition in FY19. By end-FY18, we expect the company to have recognized revenues of IDR989bn (-26.0% yoy). In 4Q18 alone, DMAS confirmed sales of 20 Ha (from Kohler), which translates into at least ~IDR340bn of revenues (assuming a land price of IDR1.7mn/sqm). With estimated backlog close to 20 Ha and potentially better land sales in FY19, we forecast FY19 revenues of IDR1.25tn (+26.7% yoy).

Maintain BUY. We maintain our BUY call on DMAS with an unchanged TP of IDR220 based on a 68% discount to NAV. We like DMAS for its debt-free balance sheet with net cash position of IDR391bn as of 9M18 as well as its landbank of 522 Ha (gross), which should enable the company to cater to bulk size inquiries. The counter currently trades at a 77% discount to NAV vs. the sector's 78%.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	1,594	1,336	989	1,253	1,131
EBITDA (IDRbn)	800	681	515	664	592
EBITDA Growth (%)	(38.6)	(14.8)	(24.4)	28.9	(10.8)
Net profit (IDRbn)	757	657	488	600	504
EPS (IDR)	15.7	13.6	10.1	12.4	10.5
EPS growth (%)	(44.6)	(13.2)	(25.7)	22.9	(16.0)
BVPS (IDR)	153.2	145.3	147.2	153.6	156.6
DPS (IDR)	11.0	21.5	8.2	6.1	7.5
PER (x)	11.2	12.9	17.4	14.1	16.8
PBV (x)	1.1	1.2	1.2	1.1	1.1
Dividend yield (%)	6.3	12.2	4.6	3.5	4.2
EV/EBITDA (x)	9.1	11.3	15.6	11.8	13.4

Source : DMAS, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**1,594**	**1,336**	**989**	**1,253**	**1,131**
COGS	(698)	(522)	(368)	(484)	(445)
Gross profit	**896**	**815**	**621**	**769**	**686**
EBITDA	**800**	**681**	**515**	**664**	**592**
Oper. profit	**790**	**661**	**475**	**604**	**512**
Interest income	10	24	16	9	12
Interest expense	0	0	0	0	0
Forex Gain/(Loss)	(27)	2	6	7	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	69	21	19	14	10
Pre-tax profit	**841**	**708**	**516**	**634**	**535**
Income tax	(84)	(50)	(27)	(34)	(31)
Minority interest	0	0	0	0	0
Net profit	**757**	**657**	**488**	**600**	**504**
Core Net Profit	**785**	**655**	**482**	**593**	**504**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,219	785	447	624	549
Receivables	0	0	0	0	0
Inventory	2,380	2,602	2,718	2,785	2,868
Other Curr. Asset	115	149	129	153	152
Fixed assets - Net	305	320	374	410	427
Other non-curr.asset	3,785	3,616	3,806	3,928	4,071
Total asset	**7,804**	**7,471**	**7,475**	**7,900**	**8,068**
ST Debt	0	0	0	0	0
Payables	39	18	13	17	16
Other Curr. Liabilities	356	419	324	425	432
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	20	27	37	51	69
Total Liabilities	**415**	**465**	**374**	**493**	**516**
Shareholder'sFunds	7,385	7,002	7,096	7,403	7,547
Minority interests	3	4	4	4	4
Total Equity & Liabilities	**7,804**	**7,471**	**7,475**	**7,900**	**8,068**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	757	657	488	600	504
Depreciation and Amort.	10	20	39	60	80
Change in Working Capital	392	(213)	(197)	14	(77)
OtherOper. Cash Flow	(452)	154	(163)	(86)	(107)
Operating Cash Flow	**707**	**618**	**168**	**588**	**400**
Capex	(143)	(36)	(127)	(127)	(127)
Others Inv. Cash Flow	10	24	16	9	12
Investing Cash Flow	**(133)**	**(12)**	**(112)**	**(118)**	**(115)**
Net change in debt	0	0	0	0	0
New Capital	1	(3)	0	0	0
Dividend payment	(530)	(1,036)	(394)	(293)	(360)
Other Fin. Cash Flow	0	0	0	0	0
Financing Cash Flow	**(529)**	**(1,039)**	**(394)**	**(293)**	**(360)**
Net Change in Cash	**44**	**(433)**	**(338)**	**177**	**(75)**
Cash - begin of the year	1,175	1,219	785	447	624
Cash - end of the year	1,219	785	447	624	549

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(30.3)	(16.2)	(26.0)	26.7	(9.7)
EBITDA	(38.6)	(14.8)	(24.4)	28.9	(10.8)
Operating profit	(39.2)	(16.3)	(28.1)	27.1	(15.2)
Net profit	(44.6)	(13.2)	(25.7)	22.9	(16.0)
Profitability (%)					
Gross margin	56.2	61.0	62.7	61.3	60.7
EBITDA margin	50.2	51.0	52.1	53.0	52.4
Operating margin	49.6	49.5	48.1	48.2	45.3
Net margin	47.5	49.2	49.4	47.9	44.6
ROAA	9.6	8.6	6.5	7.8	6.3
ROAE	10.4	9.1	6.9	8.3	6.7
Leverage					
Net Gearing (x)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Interest Coverage (x)	0.0	0.0	0.0	0.0	0.0

Source : DMAS, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	2,410
Target Price (IDR)	**3,000**
Upside/Downside	**+24.5%**
Previous Target Price (IDR)	*2,300*

Stock Statistics

Sector	Plantation
Bloomberg Ticker	SGRO IJ
No of Shrs (mn)	1,819
Mkt. Cap (IDRbn/USDmn)	4,383/304
Avg. daily T/O (IDRbn/USDmn)	0.3/0.0

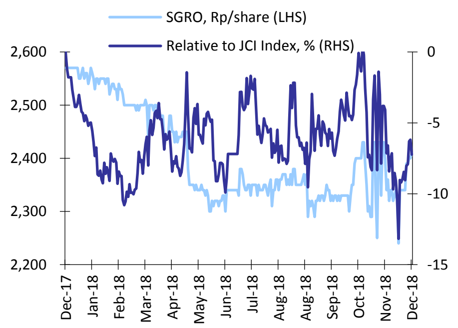
Major shareholders (%)

Sampoerna Agri Resources	67.1
Public	33.0
Estimated free float	27.2

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	140.2	218.4	221.0
Consensus	118.6	178.7	224.0
Danareksa/Cons (%)	18.2	22.2	(1.4)

SGRO relative to JCI Index



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Sampoerna Agro (SGRO IJ)

Secondary beneficiary

We expect SGRO's earnings to increase to IDR397.2bn in FY19 (+55.8% yoy) mainly supported by higher CPO prices and some volume growth. We also expect SGRO to remain active in its planting programs to boost production, nucleus area and to replant older trees for better yields. Maintain BUY.

Improved earnings in FY19. We expect SGRO's earnings to increase to IDR397.2bn in FY19 (+55.8% yoy) mainly boosted by higher CPO prices and some volume growth. We assume FY19 CPO ASP of IDR8,318/kg (+12.1% yoy), which corresponds to our FY19 CPO price assumption of MYR2,550/ton. In terms of FFB production volume, we assume FFB growth of 3.5% in FY19.

Considerable plantings ahead. Going ahead, we expect SGRO to remain active in its new planting in order to continue expanding its nucleus planted area and production. Meanwhile, we anticipate SGRO to start replanting sizeable area as some of its plantations have started to age. We assume SGRO's new planting and replanting targets at 4,000 Ha and 3,500 Ha in FY19, respectively. We estimate SGRO's total capex to reach IDR928.5bn in FY19.

Less volatility in production ahead. In-line with its sizeable new plantings (mostly nucleus), we believe that SGRO's ratio of nucleus planted area to plasma area will increase as well. As such, future production is likely to be less volatile and more under the company's control. As of 9M18, nucleus FFB output accounted for 57% of the total FFB output, while the remaining 43% came from plasma.

Maintain BUY. We maintain our BUY call on SGRO with an unchanged TP of IDR3,000 based on 14.0x PE and FY19 EPS. We are more positive on the CPO price outlook for FY19 driven by higher expected demand, particularly from full implementation of the B20 mandate, as well as slower supply growth ahead. Being a secondary plantation company and given its lack of stock liquidity, we believe SGRO's share price is likely to lag behind its more liquid peers such as AALI or LSIP. The counter currently trades at 11.0x FY19 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	2,915	3,616	3,348	3,877	4,010
EBITDA (IDRbn)	577	935	869	1,110	1,170
EBITDA Growth (%)	(17.9)	62.2	(7.0)	27.7	5.4
Net profit (IDRbn)	442	288	255	397	402
EPS (IDR)	242.7	158.2	140.2	218.4	221.0
EPS growth (%)	84.5	(34.8)	(11.4)	55.8	1.2
BVPS (IDR)	1,983.4	2,122.3	2,230.9	2,421.2	2,598.5
DPS (IDR)	25.0	25.0	31.6	28.0	43.7
PER (x)	9.4	14.5	16.3	10.5	10.4
PBV (x)	1.2	1.1	1.0	0.9	0.9
Dividend yield (%)	1.1	1.1	1.4	1.2	1.9
EV/EBITDA (x)	11.3	7.2	7.9	6.4	6.2

Source : SGRO, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**2,915**	**3,616**	**3,348**	**3,877**	**4,010**
COGS	(2,275)	(2,654)	(2,481)	(2,775)	(2,859)
Gross profit	**641**	**962**	**866**	**1,102**	**1,151**
EBITDA	**577**	**935**	**869**	**1,110**	**1,170**
Oper. profit	**280**	**631**	**530**	**744**	**781**
Interest income	47	24	33	19	23
Interest expense	(227)	(194)	(204)	(204)	(237)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	167	21	(2)	(2)	(2)
Pre-tax profit	**267**	**481**	**358**	**558**	**564**
Income tax	193	(178)	(90)	(139)	(141)
Minority interest	(17)	(15)	(14)	(21)	(21)
Net profit	**442**	**288**	**255**	**397**	**402**
Core Net Profit	**442**	**288**	**255**	**397**	**402**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	897	504	345	150	425
Receivables	341	496	352	430	443
Inventory	517	273	449	505	488
Other Curr. Asset	77	121	113	126	130
Fixed assets - Net	4,145	4,628	4,803	4,950	5,267
Other non-curr.asset	2,352	2,263	2,487	2,853	3,095
Total asset	**8,328**	**8,285**	**8,548**	**9,015**	**9,849**
ST Debt	662	657	659	659	1,159
Payables	563	346	468	534	526
Other Curr. Liabilities	209	245	189	211	208
Long Term Debt	2,577	2,388	2,394	2,394	2,394
Other LT. Liabilities	558	644	621	633	634
Total Liabilities	**4,570**	**4,280**	**4,332**	**4,431**	**4,921**
Shareholder'sFunds	3,612	3,860	4,057	4,403	4,726
Minority interests	147	145	159	180	202
Total Equity & Liabilities	**8,328**	**8,285**	**8,548**	**9,015**	**9,849**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	442	288	255	397	402
Depreciation and Amort.	297	304	339	366	389
Change in Working Capital	76	16	(68)	(26)	11
OtherOper. Cash Flow	(124)	114	450	115	134
Operating Cash Flow	**690**	**722**	**976**	**852**	**936**
Capex	(605)	(866)	(835)	(686)	(780)
Others Inv. Cash Flow	(87)	182	(62)	(127)	(87)
Investing Cash Flow	**(692)**	**(684)**	**(897)**	**(813)**	**(867)**
Net change in debt	466	(195)	9	0	500
New Capital	(56)	0	0	0	0
Dividend payment	(45)	(45)	(58)	(51)	(79)
Other Fin. Cash Flow	(226)	(190)	(190)	(182)	(215)
Financing Cash Flow	**139**	**(430)**	**(239)**	**(233)**	**205**
Net Change in Cash	**137**	**(393)**	**(160)**	**(195)**	**275**
Cash - begin of the year	760	897	504	345	150
Cash - end of the year	897	504	345	150	425

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(2.8)	24.1	(7.4)	15.8	3.4
EBITDA	(17.9)	62.2	(7.0)	27.7	5.4
Operating profit	(40.1)	125.2	(15.9)	40.3	4.9
Net profit	78.5	(34.9)	(11.4)	55.8	1.2
Profitability (%)					
Gross margin	22.0	26.6	25.9	28.4	28.7
EBITDA margin	19.8	25.9	26.0	28.6	29.2
Operating margin	9.6	17.4	15.8	19.2	19.5
Net margin	15.2	8.0	7.6	10.2	10.0
ROAA	5.7	3.5	3.0	4.5	4.3
ROAE	13.1	7.7	6.4	9.4	8.8
Leverage					
Net Gearing (x)	0.6	0.6	0.6	0.6	0.6
Interest Coverage (x)	1.2	3.3	2.6	3.7	3.3

Source : SGRO, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

Sarana Menara Nusantara (TOWR IJ)

The go-to provider for infra orders

BUY

Maintain

Last price (IDR)	610
Target Price (IDR)	**810**
Upside/Downside	**+32.8%**
Previous Target Price (IDR)	*750*

Stock Statistics

Sector	Towers
Bloomberg Ticker	TOWR IJ
No of Shrs (mn)	51,015
Mkt. Cap (IDRbn/USDmn)	31,119/2,155
Avg. daily T/O (IDRbn/USDmn)	5.0/0.3

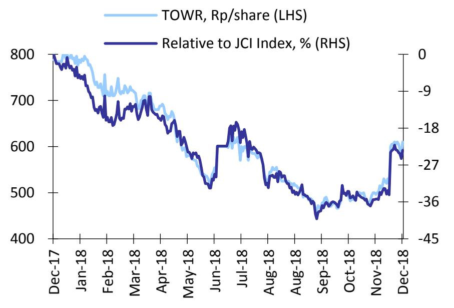
Major shareholders (%)

PT Sapta Adhikari Investama	50.1
T Rowe Price Group Inc	7.9
Estimated free float	42.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	44.7	51.1	55.1
Consensus	46.6	51.7	55.1
Danareksa/Cons	(4.0)	(1.2)	0.0

TOWR relative to JCI Index



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TOWR is the largest tower company with comprehensive services to generate significant cashflow and financial might. The market is ripe for data & 4G and telcos are keen to benefit. TOWR is well placed to cater to infra demand and withstand pricing pressures. TOWR is also the most able M&A player in passive infrastructure.

TOWR: the go-to provider to accommodate telco needs. TOWR has the largest portfolio of 17,234 towers (+2,495, +17%yoy) sourcing revenues from 28,113 tenancies (+3,385, +14%yoy, 9M18 revenues +9%yoy). TOWR's outlook is brighter as contender telcos raise the stakes. EXCL has allocated 50% of its capex in ex-Java and Hutch 3 is reportedly aiming to roll out ~8,000 4G BTS in ex-Java. ISAT has capex plans to enlarge its network almost two-fold. All in all, TOWR has provided guidance for 2,000-3,000 new tenancies in 2019 which will be at the high end in our view. TOWR is laying 16,000km of fiber optic to cater to demand for up to 4-6 tenants for telcos backhaul to manage surge in traffic in 4G and 5G.

TOWR accommodative to telcos limitations. Owning the largest tower portfolio, we expect TOWR to record IDR5.8tn of revenues in FY18 with close to an 85% EBITDA margin generating significant CF to reduce further Net debt/EBITDA to 1.8x post the KIN acquisition. TOWR's scale and relatively low debt position and cost of funds give the company the flexibility to negotiate lease terms and hence retain and upsell more tower business with telcos. Telcos' EBITDA margins are under pressure and they seek lease discounts from tower-companies. In this regard, TOWR seems willing to discuss lease terms in return for more volume in the future. In that sense TOWR protects market share with competitive lease rates keeping smaller players at bay. Under those terms and given TOWR's comprehensive services, the incumbent TSEL may increase its orders with TOWR in our view.

The more EBITDA, the more room for acquisitions. TOWR has built a leadership position which allows it to enjoy financial flexibility. As such, it is the most able tower-company to acquire ISAT's assets should they be disposed. Also, given the inferior economies of scale of the smaller tower companies, TOWR remains the most able acquirer should they exit. Although margins may see pressure from pricing pressures and churn, TOWR's EBITDA and cashflow is substantial, and inorganic growth may only add to EBITDA, thus seeing little downside in ND/EBITDA. Given the contender telcos including Hutch 3 (the largest revenues contributor) have stronger capex commitments, we increased our TP to IDR810. Maintain BUY.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	5,053	5,338	5,793	6,230	6,595
EBITDA (IDRbn)	4,408	4,604	4,904	5,365	5,754
EBITDA Growth (%)	(10.0)	4.4	6.5	9.4	7.2
Net profit (IDRbn)	2,134	2,100	2,280	2,606	2,812
EPS (IDR)	41.8	41.2	44.7	51.1	55.1
EPS growth (%)	(27.9)	(1.6)	8.6	14.3	7.9
BVPS (IDR)	116.8	139.2	160.4	184.6	206.6
DPS (IDR)	0.0	19.7	23.5	26.8	33.2
PER (x)	14.6	14.8	13.6	11.9	11.1
PBV (x)	5.2	4.4	3.8	3.3	3.0
Dividend yield (%)	0.0	3.2	3.9	4.4	5.4
EV/EBITDA (x)	8.7	8.2	7.8	7.1	5.5

Source : TOWR, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**5,053**	**5,338**	**5,793**	**6,230**	**6,595**
COGS	(1,394)	(1,172)	(1,523)	(1,457)	(1,512)
Gross profit	**3,659**	**4,166**	**4,270**	**4,773**	**5,082**
EBITDA	**4,408**	**4,604**	**4,904**	**5,365**	**5,754**
Oper. profit	**3,110**	**3,422**	**3,789**	**4,250**	**4,531**
Interest income	56	68	30	30	31
Interest expense	(669)	(687)	(777)	(803)	(809)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	373	0	0	0	0
Pre-tax profit	**2,870**	**2,803**	**3,043**	**3,478**	**3,753**
Income tax	(733)	(703)	(763)	(872)	(941)
Minority interest	(3)	0	0	0	0
Net profit	**2,134**	**2,100**	**2,280**	**2,606**	**2,812**
Core Net Profit	**2,134**	**2,100**	**2,280**	**2,606**	**2,812**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	2,905	2,348	3,285	1,891	3,474
Receivables	689	701	741	797	844
Inventory	0	0	0	0	0
Other Curr. Asset	0	0	0	0	0
Fixed assets - Net	12,269	12,601	14,079	15,336	16,805
Other non-curr.asset	2,923	3,113	3,500	3,441	3,343
Total asset	**18,787**	**18,763**	**21,605**	**21,464**	**24,466**
ST Debt	1,515	634	845	747	752
Payables	189	276	321	307	319
Other Curr. Liabilities	1,598	1,320	1,530	1,512	1,510
Long Term Debt	8,403	8,365	9,555	8,190	9,928
Other LT. Liabilities	1,121	1,066	1,173	1,290	1,419
Total Liabilities	**12,827**	**11,662**	**13,424**	**12,045**	**13,928**
Shareholder'sFunds	5,960	7,102	8,182	9,419	10,538
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**18,787**	**18,763**	**21,605**	**21,464**	**24,466**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	2,134	2,100	2,280	2,606	2,812
Depreciation and Amort.	1,185	895	1,125	1,115	1,223
Change in Working Capital	113	(203)	214	(88)	(37)
OtherOper. Cash Flow	114	135	192	218	172
Operating Cash Flow	**3,546**	**2,927**	**3,812**	**3,850**	**4,169**
Capex	(3,182)	(871)	(2,502)	(1,735)	(1,981)
Others Inv. Cash Flow	217	7	95	8	24
Investing Cash Flow	**(2,965)**	**(864)**	**(2,406)**	**(1,727)**	**(1,957)**
Net change in debt	16	(920)	1,402	(1,464)	1,744
New Capital	(10)	(6)	107	117	129
Dividend payment	0	(1,006)	(1,200)	(1,368)	(1,694)
Other Fin. Cash Flow	(669)	(687)	(777)	(803)	(809)
Financing Cash Flow	**(663)**	**(2,620)**	**(468)**	**(3,518)**	**(629)**
Net Change in Cash	**(82)**	**(557)**	**937**	**(1,394)**	**1,583**
Cash - begin of the year	2,987	2,905	2,348	3,285	1,891
Cash - end of the year	2,905	2,348	3,285	1,891	3,474

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	13.1	5.6	8.5	7.6	5.9
EBITDA	(10.0)	4.4	6.5	9.4	7.2
Operating profit	(31.0)	10.0	10.7	12.2	6.6
Net profit	(27.9)	(1.6)	8.6	14.3	7.9
Profitability (%)					
Gross margin	72.4	78.0	73.7	76.6	77.1
EBITDA margin	87.2	86.2	84.7	86.1	87.2
Operating margin	61.6	64.1	65.4	68.2	68.7
Net margin	42.2	39.3	39.4	41.8	42.6
ROAA	12.1	11.2	11.3	12.1	12.2
ROAE	43.6	32.2	29.8	29.6	28.2
Leverage					
Net Gearing (x)	1.2	0.9	0.9	0.7	0.7
Interest Coverage (x)	4.7	5.0	4.9	5.3	5.6

Source: TOWR, Danareksa Estimates

Semen Indonesia (SMGR IJ)

Finalizing the acquisition of Holcim

BUY
Maintain

Last price (IDR)	11,500
Target Price (IDR)	**13,500**
Upside/Downside	**+17.4%**
Previous Target Price (IDR)	*13,500*

Stock Statistics

Sector	Cement
Bloomberg Ticker	SMGR IJ
No of Shrs (mn)	5,932
Mkt. Cap (IDRbn/USDmn)	68,212/4,724
Avg. daily T/O (IDRbn/USDmn)	59.2/4.1

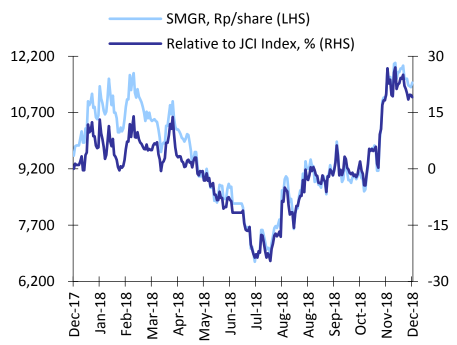
Major shareholders (%)

Republic of Indonesia	51.0
Lazard LTD	2.4
Estimated free float	49.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	495.5	585.2	641.3
Consensus	398.9	446.3	568.6
Danareksa/Cons (%)	24.2	31.1	12.8

SMGR relative to JCI Index



SMGR is finalizing its acquisition of an 80.6% stake in Holcim Indonesia in a deal worth USD917mn. SMGR has obtained a USD1.28bn loans facility to finance the transaction. Hence, its DER will increase from 0.3x currently to 1.2x, yet still lower than the maximum stipulated in its covenant of 2.3x. We expect revenues to grow by 8.7% yoy in 2019 on the back of 4.2%yoy growth in sales volume and 5.0%yoy growth in ASP. BUY.

Finalizing the acquisition of Holcim Indonesia. SMGR is in the midst of acquiring Holcim Indonesia (SMCB). SMGR has signed a purchase agreement with LafargeHolcim to buy an 80.6% stake in Holcim Indonesia for USD917mn. This is based on enterprise value of USD1.75bn on a 100% basis. The assets included in the transaction encompass the entirety of LafargeHolcim's operations in Indonesia, which consist of 4 cement plants, 33 ready-mix plants and 2 aggregate quarries.

SMGR plans to conduct a tender offer in Feb19. Since SMGR will become the majority shareholder of Holcim Indonesia, SMGR must conduct a mandatory tender offer (MTO), expected to take place in Feb 19. SMGR will offer to purchase 1.5bn SMCB shares, equivalent to a 19.4% stake, from the public. Based on the rules of the Financial Services Authority (OJK), the MTO price must not be less than the average highest daily prices based on the 90 trading days prior to the announcement of the finalization of the acquisition or the acquisition price. Based on our calculation, the acquisition price is IDR2,383/sh.

Obtained a USD1.28bn loans facility. SMGR has obtained a USD1.28bn bank loans facility from several banks with an interest rate ranging from Libor + 205bps to Libor +225bps. Most of the funds will be used to purchase Holcim Indonesia. As a result, SMGR's DER will increase from 0.32x currently (as of Sep18) to 1.2x, yet still lower than the maximum stipulated in its covenant of 2.3x.

2019 targets. We expect cement sales volume from its domestic plants to reach 31.71mn tons in 2019 (+4.2%yoy; FY18F; 30.45mn tons). Sales from Thang Long will account for around 7% of the group's sales. We expect ASP to continue increasing in FY19 (+5.0%yoy) despite the risk of a price war breaking out. Hence, revenues are targeted to grow 8.7%yoy to IDR32.4tn, with earnings expected to grow 18.1%yoy. Margins expansion at the operating level reflects efficiency initiatives undertaken by SMGR.

Maintain BUY. We have not included the consolidation of SMCB's results into our forecast. We note that post acquisition, SMGR's financial performance might be dragged down by SMCB's poor performance. The transition process might take one to two years until synergy between the two companies is fully achieved.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	26,134	27,814	29,752	32,353	34,949
EBITDA (IDRbn)	6,611	4,901	6,382	7,407	8,364
EBITDA Growth (%)	(9.8)	(25.9)	30.2	16.1	12.9
Net profit (IDRbn)	4,522	2,014	2,939	3,471	3,804
EPS (IDR)	762.3	339.5	495.5	585.2	641.3
EPS growth (%)	0.0	(55.5)	45.9	18.1	9.6
BVPS (IDR)	4,895.1	4,874.8	5,234.5	5,621.5	6,028.8
DPS (IDR)	306.6	304.9	135.8	198.2	234.1
PER (x)	15.1	33.9	23.2	19.7	17.9
PBV (x)	2.3	2.4	2.2	2.0	1.9
Dividend yield (%)	2.7	2.7	1.2	1.7	2.0
EV/EBITDA (x)	10.8	15.2	11.4	10.1	9.1

Source : SMGR, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**26,134**	**27,814**	**29,752**	**32,353**	**34,949**
COGS	(16,278)	(19,854)	(21,014)	(22,544)	(24,266)
Gross profit	**9,856**	**7,960**	**8,738**	**9,809**	**10,682**
EBITDA	**6,611**	**4,901**	**6,382**	**7,407**	**8,364**
Oper. profit	**4,973**	**3,126**	**4,311**	**5,054**	**5,622**
Interest income	184	169	146	158	143
Interest expense	(363)	(756)	(912)	(986)	(1,116)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	37	(10)	56	59	60
Other Income (Expenses)	254	218	227	236	245
Pre-tax profit	**5,085**	**2,747**	**3,828**	**4,521**	**4,955**
Income tax	(550)	(704)	(881)	(1,040)	(1,140)
Minority interest	(13)	(29)	(9)	(10)	(11)
Net profit	**4,522**	**2,014**	**2,939**	**3,471**	**3,804**
Core Net Profit	**4,522**	**2,014**	**2,939**	**3,471**	**3,804**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	2,834	3,638	5,252	4,777	5,582
Receivables	4,018	4,995	5,343	5,722	6,181
Inventory	2,671	3,686	3,902	4,186	4,506
Other Curr. Asset	835	1,454	1,551	1,678	1,805
Fixed assets - Net	30,847	32,523	32,655	36,701	40,475
Other non-curr.asset	3,007	2,638	2,655	2,677	2,700
Total asset	**44,227**	**48,964**	**51,386**	**55,768**	**61,276**
ST Debt	1,686	1,795	1,776	1,341	1,716
Payables	4,383	5,250	5,556	5,961	6,416
Other Curr. Liabilities	2,083	1,759	1,813	1,846	1,890
Long Term Debt	4,450	8,099	7,982	9,999	12,145
Other LT. Liabilities	1,051	1,622	1,686	1,753	1,824
Total Liabilities	**13,653**	**18,524**	**18,814**	**20,900**	**23,992**
Shareholder'sFunds	29,035	28,915	31,049	33,344	35,760
Minority interests	1,539	1,524	1,524	1,524	1,524
Total Equity & Liabilities	**44,227**	**48,964**	**51,386**	**55,768**	**61,276**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	4,522	2,014	2,939	3,471	3,804
Depreciation and Amort.	2,126	1,791	2,085	2,368	2,757
Change in Working Capital	(388)	(2,069)	(315)	(334)	(393)
OtherOper. Cash Flow	180	588	766	828	973
Operating Cash Flow	**6,439**	**2,324**	**5,476**	**6,334**	**7,140**
Capex	(7,661)	(3,443)	(2,202)	(6,404)	(6,520)
Others Inv. Cash Flow	(521)	513	114	125	110
Investing Cash Flow	**(8,182)**	**(2,930)**	**(2,088)**	**(6,279)**	**(6,410)**
Net change in debt	2,259	3,759	(120)	1,564	2,509
New Capital	0	0	0	0	0
Dividend payment	1,819	1,809	806	1,176	1,388
Other Fin. Cash Flow	172	(541)	(848)	(919)	(1,045)
Financing Cash Flow	**4,250**	**5,027**	**(162)**	**1,821**	**2,852**
Net Change in Cash	**2,507**	**4,421**	**3,226**	**1,876**	**3,582**
Cash - begin of the year	3,964	2,834	3,638	5,252	4,777
Cash - end of the year	2,834	3,638	5,252	4,777	5,582

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(3.0)	6.4	7.0	8.7	8.0
EBITDA	(9.8)	(25.9)	30.2	16.1	12.9
Operating profit	(15.7)	(37.1)	37.9	17.2	11.2
Net profit	0.0	(55.5)	45.9	18.1	9.6
Profitability (%)					
Gross margin	37.7	28.6	29.4	30.3	30.6
EBITDA margin	25.3	17.6	21.4	22.9	23.9
Operating margin	19.0	11.2	14.5	15.6	16.1
Net margin	17.3	7.2	9.9	10.7	10.9
ROAA	11.0	4.3	5.9	6.5	6.5
ROAE	16.3	7.0	9.8	10.8	11.0
Leverage					
Net Gearing (x)	0.1	0.2	0.1	0.2	0.2
Interest Coverage (x)	13.7	4.1	4.7	5.1	5.0

Source : SMGR, Danareksa Estimates

Sido Muncul (SIDO IJ)

Healthy growth ahead

BUY
Maintain

Last price (IDR)	815
Target Price (IDR)	**1,000**
Upside/Downside	**+22.7%**
Previous Target Price (IDR)	*NA*

Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	SIDO IJ
No of Shrs (mn)	14,884
Mkt. Cap (IDRbn/USDmn)	12,131/840
Avg. daily T/O (IDRbn/USDmn)	2.6/0.2

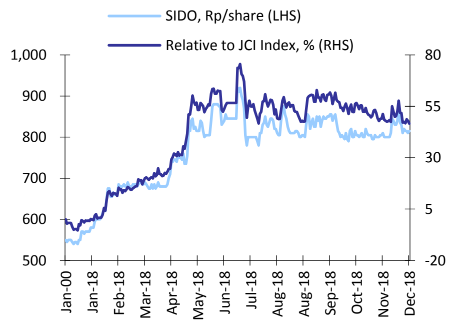
Major shareholders (%)

Hotel Candi Baru	81.6
Public	18.4

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	45.7	54.1	61.3
Consensus	41.3	46.4	53.5
Danareksa/Cons (%)	10.6	16.5	14.6

SIDO relative to JCI Index



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Sido Muncul is on track to book solid earnings growth in FY18-20F given: additional production capacity and the full commercialization of its expanded extraction plant which will support higher margins. The plan to improve distribution and penetrate export markets will also drive growth. Maintain BUY with a TP of IDR1,000.

Strong 11M18 sales; on track to achieve 9.2% yoy FY18F revenues growth. In a recent conversation with the company we learnt that the new factory in Semarang - which will provide additional capacity of 100mn sachets/month - is on track to commence operations by the end of 2018. This will raise the total capacity to around 180mn sachets/month. In addition, the company also reported strong sales in November 2018 in line with the 4Q18 seasonality. As such, we remain confident that SIDO is on track to meet our FY18F revenues growth estimate of 9.2% yoy.

Solid earnings growth forecast in FY19F of 18%. We estimate revenues growth of 14.9% yoy in 2019, supported by the additional capacity and the continued improvement in SIDO's sales force with a greater focus on Modern Trade (around 90% of revenues are still from General Trade). The soft oil price and full commercialization of its expanded extraction plant will improve the gross margin to 52%. Combined with manageable opex, we estimate FY19F earnings of IDR 805bn, +18.3% yoy.

Maintain BUY. In November 2018, the company already started to supply more goods to Philippines' modern trade (MT) channel. Going forward, product availability should increase in 2019 with a more extensive MT network. Combined with the improvement in the national distribution system, the way should be paved for the company to record higher growth ahead. We estimate FY18-20F earnings CAGR of 19.6% with additional capacity supporting sales in the coming years. We view favorably the company's shift from its F&B product Kuku Bima to its herbal product Tolak Angin, noting the latter's higher margins which should underpin earnings growth going forward. At the current share price, SIDO is trading at FY19F PE of 14.8x. Maintain BUY with TP IDR1,000 (FY19F PE of 18.5x).

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRmn)	2,561,806	2,573,840	2,810,520	3,230,021	3,733,452
EBITDA (IDRmn)	506,092	565,202	745,915	895,238	1,023,760
EBITDA Growth (%)	23.7	11.7	32.0	20.0	14.4
Net profit (IDRmn)	480,525	533,799	680,406	805,114	912,525
EPS (IDR)	32.3	35.9	45.7	54.1	61.3
EPS growth (%)	9.8	11.1	27.5	18.3	13.3
BVPS (IDR)	185.3	194.6	203.7	215.0	227.3
DPS (IDR)	24.8	29.0	36.5	42.8	49.0
PER (x)	24.8	22.3	17.5	14.8	13.0
PBV (x)	4.3	4.1	3.9	3.7	3.5
Dividend yield (%)	3.1	3.6	4.6	5.4	6.1
EV/EBITDA (x)	21.6	19.5	14.9	12.5	11.0

Source : SIDO, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRmn)	2016A	2017A	2018F	2019F	2020F
Revenue	**2,561,806**	**2,573,840**	**2,810,520**	**3,230,021**	**3,733,452**
COGS	(1,494,142)	(1,411,881)	(1,396,616)	(1,543,109)	(1,798,192)
Gross profit	**1,067,664**	**1,161,959**	**1,413,903**	**1,686,912**	**1,935,260**
EBITDA	**506,092**	**565,202**	**745,915**	**895,238**	**1,023,760**
Oper. profit	**559,443**	**625,738**	**813,281**	**969,266**	**1,105,762**
Interest income	50,945	42,241	36,516	34,548	31,017
Interest expense	(140)	(588)	(642)	(738)	(853)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	18,834	14,498	20,014	25,398	29,758
Pre-tax profit	**629,082**	**681,889**	**869,168**	**1,028,474**	**1,165,684**
Income tax	(148,557)	(148,090)	(188,763)	(223,360)	(253,159)
Minority interest	0	0	0	0	0
Net profit	**480,525**	**533,799**	**680,406**	**805,114**	**912,525**
Core Net Profit	**480,525**	**533,799**	**680,406**	**805,114**	**912,525**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRmn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	997,135	902,852	780,478	738,432	662,961
Receivables	387,218	431,502	471,181	541,510	625,910
Inventory	317,082	267,915	265,018	292,816	341,220
Other Curr. Asset	87,690	26,632	29,081	33,422	38,631
Fixed assets - Net	1,051,227	1,215,176	1,390,483	1,496,215	1,621,991
Other non-curr.asset	142,262	314,121	368,558	404,864	448,434
Total asset	**2,987,614**	**3,158,198**	**3,304,799**	**3,507,259**	**3,739,147**
ST Debt	0	0	0	0	0
Payables	183,323	135,991	134,521	148,631	173,200
Other Curr. Liabilities	32,363	72,516	79,184	91,003	105,187
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	14,043	53,826	58,776	67,549	78,077
Total Liabilities	**229,729**	**262,333**	**272,481**	**307,183**	**356,464**
Shareholder'sFunds	2,757,878	2,895,858	3,032,311	3,200,069	3,382,676
Minority interests	7	7	7	7	7
Total Equity & Liabilities	**2,987,614**	**3,158,198**	**3,304,799**	**3,507,259**	**3,739,147**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRmn)	2016A	2017A	2018F	2019F	2020F
Net income	480,525	533,799	680,406	805,114	912,525
Depreciation and Amort.	0	0	0	0	0
Change in Working Capital	0	0	0	0	0
OtherOper. Cash Flow	(50,805)	(41,653)	(35,874)	(33,810)	(30,165)
Operating Cash Flow	**429,720**	**492,146**	**644,532**	**771,304**	**882,361**
Capex	0	0	0	0	0
Others Inv. Cash Flow	50,945	42,241	36,516	34,548	31,017
Investing Cash Flow	**50,945**	**42,241**	**36,516**	**34,548**	**31,017**
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(140)	(588)	(642)	(738)	(853)
Financing Cash Flow	**(140)**	**(588)**	**(642)**	**(738)**	**(853)**
Net Change in Cash	**480,525**	**533,799**	**680,406**	**805,114**	**912,525**
Cash - begin of the year	836,975	997,135	902,852	780,478	738,432
Cash - end of the year	997,135	902,852	780,478	738,432	662,961

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	15.5	0.5	9.2	14.9	15.6
EBITDA	23.7	11.7	32.0	20.0	14.4
Operating profit	16.9	11.9	30.0	19.2	14.1
Net profit	9.8	11.1	27.5	18.3	13.3
Profitability (%)					
Gross margin	41.7	45.1	50.3	52.2	51.8
EBITDA margin	19.8	22.0	26.5	27.7	27.4
Operating margin	21.8	24.3	28.9	30.0	29.6
Net margin	18.8	20.7	24.2	24.9	24.4
ROAA	16.6	17.4	21.1	23.6	25.2
ROAE	17.9	18.9	23.0	25.8	27.7
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)
Interest Coverage (x)	3,996.0	1,064.2	1,266.7	1,313.5	1,296.4

Source: SIDO, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	830
Target Price (IDR)	**980**
Upside/Downside	**+18.1%**
Previous Target Price (IDR)	*980*

Stock Statistics

Sector	Property
Bloomberg Ticker	SMRA IJ
No of Shrs (mn)	14,427
Mkt. Cap (IDRbn/USDmn)	11,974/829
Avg. daily T/O (IDRbn/USDmn)	12.4/0.9

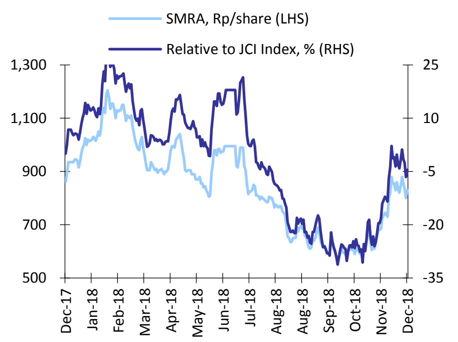
Major shareholders (%)

Semarop Agung	25.4
Sinarmegah Jayasentosa	6.6
Estimated free float	67.8

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	23.9	22.5	22.7
Consensus	25.4	29.2	30.5
Danareksa/Cons (%)	(5.9)	(23.1)	(25.6)

SMRA relative to JCI Index



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Summarecon Agung (SMRA IJ)

Benefitting the most

We upgrade our call on SMRA to BUY (from HOLD) with a higher TP of IDR980 (from IDR660) on sector re-rating given the more dovish outlook for US interest rates. We expect SMRA to miss its FY18 presales, but expect an improvement in its FY19 presales on stronger property demand in 2H19. SMRA's balance sheet is likely to benefit the most from a more dovish outlook for interest rates and the recent relaxation in the mortgages disbursement scheme, given its high net gearing. In addition, the company has strong recurring income and minimal forex exposure.

Falling short of its FY18 marketing sales target. We estimate SMRA's FY18 presales at IDR3.3tn (-6.1% yoy), missing the initial target of IDR4.0tn, due to weaker-than-expected sales for residential and shoplot launchings. Given 11M18 presales of IDR2.88tn, we expect an additional ~IDR400bn of presales to be booked in Dec'18, mostly coming from its Makassar launching (IDR200bn) and launchings of Cluster Olive Residence in Bekasi, North Goldfinch shophouses in Serpong and existing products (IDR200bn).

Presales recovery in FY19. After posting a likely decline in its FY18 presales, we expect to see recovery in FY19 presales, particularly on expectations of better property demand in 2H19. We estimate SMRA's FY19 presales at IDR3.7tn (+9.4% yoy), mostly on growth in residential and high-rise presales. Meanwhile, we estimate FY19 revenues at IDR5.7tn (-4.6% yoy), reined in by expectations of lower development revenues (-9.4% yoy), but bolstered by higher recurring revenues (+4.0% yoy). As of 9M18, SMRA had a backlog of ~IDR5.5tn.

Upgrade to BUY; TP raised to IDR980. We upgrade SMRA to BUY (from HOLD) with a higher TP of IDR980 based on 70% discount to NAV (from 79%). We assign a lower discount to NAV to reflect some re-rating in the sector, given a more dovish outlook on US interest rates, which should support the IDR and ease pressure on BI to hike rates. Due to its high net gearing, we think SMRA's balance sheet is likely to benefit the most from a more dovish outlook for interest rates and the recent relaxation in the mortgage disbursement scheme. In addition, we also like the company for its strong recurring income (~40% of revenues) and minimal forex exposure, which should enable the company to stay afloat, as well as its relatively good stock liquidity. The counter is currently trading at a 75% discount to NAV.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	5,398	5,641	5,965	5,692	5,847
EBITDA (IDRbn)	1,678	1,674	1,840	1,766	1,789
EBITDA Growth (%)	(16.5)	(0.2)	9.9	(4.0)	1.3
Net profit (IDRbn)	312	362	344	324	328
EPS (IDR)	21.6	25.1	23.9	22.5	22.7
EPS growth (%)	(63.6)	16.2	(4.9)	(5.8)	1.0
BVPS (IDR)	432.7	451.2	475.1	497.6	520.3
DPS (IDR)	5.0	0.0	0.0	0.0	0.0
PER (x)	41.4	35.7	37.5	39.8	39.4
PBV (x)	2.1	2.0	1.9	1.8	1.7
Dividend yield (%)	0.6	0.0	0.0	0.0	0.0
EV/EBITDA (x)	10.9	11.6	10.5	11.3	11.0

Source : SMRA, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**5,398**	**5,641**	**5,965**	**5,692**	**5,847**
COGS	(2,800)	(3,074)	(3,144)	(2,960)	(3,058)
Gross profit	**2,598**	**2,567**	**2,821**	**2,732**	**2,789**
EBITDA	**1,678**	**1,674**	**1,840**	**1,766**	**1,789**
Oper. profit	**1,409**	**1,339**	**1,489**	**1,379**	**1,389**
Interest income	101	91	74	70	63
Interest expense	(634)	(632)	(694)	(650)	(639)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co’s	0	0	0	0	0
Other Income (Expenses)	1	2	4	4	4
Pre-tax profit	**878**	**799**	**873**	**804**	**818**
Income tax	(272)	(267)	(280)	(276)	(285)
Minority interest	(293)	(170)	(249)	(203)	(205)
Net profit	**312**	**362**	**344**	**324**	**328**
Core Net Profit	**312**	**362**	**344**	**324**	**328**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	2,076	1,482	1,408	1,259	871
Receivables	548	661	699	667	685
Inventory	5,531	6,498	6,886	7,197	7,445
Other Curr. Asset	546	517	545	527	542
Fixed assets - Net	451	422	370	375	404
Other non-curr.asset	11,658	12,083	12,301	12,644	12,758
Total asset	**20,810**	**21,663**	**22,210**	**22,669**	**22,705**
ST Debt	1,402	2,395	2,784	3,604	2,356
Payables	289	297	304	286	296
Other Curr. Liabilities	2,526	3,584	3,730	3,561	3,670
Long Term Debt	6,024	5,589	5,109	4,615	5,359
Other LT. Liabilities	2,403	1,444	1,522	1,466	1,510
Total Liabilities	**12,645**	**13,309**	**13,449**	**13,533**	**13,190**
Shareholder'sFunds	6,243	6,510	6,854	7,179	7,506
Minority interests	1,923	1,844	1,906	1,957	2,008
Total Equity & Liabilities	**20,810**	**21,663**	**22,210**	**22,669**	**22,705**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	312	362	344	324	328
Depreciation and Amort.	266	323	351	387	400
Change in Working Capital	(1,542)	(41)	(301)	(447)	(164)
OtherOper. Cash Flow	1,454	(575)	654	548	594
Operating Cash Flow	**489**	**69**	**1,048**	**812**	**1,158**
Capex	(471)	(268)	(210)	(465)	(525)
Others Inv. Cash Flow	(440)	(250)	(197)	(230)	63
Investing Cash Flow	**(911)**	**(518)**	**(407)**	**(695)**	**(462)**
Net change in debt	1,229	557	(91)	327	(504)
New Capital	0	0	0	0	0
Dividend payment	(81)	(95)	0	0	0
Other Fin. Cash Flow	(634)	(632)	(694)	(650)	(639)
Financing Cash Flow	**514**	**(170)**	**(785)**	**(323)**	**(1,143)**
Net Change in Cash	**91**	**(620)**	**(143)**	**(207)**	**(447)**
Cash - begin of the year	1,504	2,076	1,482	1,408	1,259
Cash - end of the year	2,076	1,482	1,408	1,259	871

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(4.0)	4.5	5.8	(4.6)	2.7
EBITDA	(16.5)	(0.2)	9.9	(4.0)	1.3
Operating profit	(20.3)	(5.0)	11.2	(7.4)	0.7
Net profit	(63.6)	16.2	(4.9)	(5.8)	1.0
Profitability (%)					
Gross margin	48.1	45.5	47.3	48.0	47.7
EBITDA margin	31.1	29.7	30.8	31.0	30.6
Operating margin	26.1	23.7	25.0	24.2	23.8
Net margin	5.8	6.4	5.8	5.7	5.6
ROAA	1.6	1.7	1.6	1.4	1.4
ROAE	5.1	5.7	5.2	4.6	4.5
Leverage					
Net Gearing (x)	0.7	0.8	0.7	0.8	0.7
Interest Coverage (x)	2.2	2.1	2.1	2.1	2.2

Source : SMRA, Danareksa Estimates

Surya Citra Media (SCMA IJ)

Positive outlook on plans to tap the digital market

BUY

Maintain

Last price (IDR)	1,900
Target Price (IDR)	**2,350**
Upside/Downside	**+23.7%**

Stock Statistics

Sector	Media
Bloomberg Ticker	SCMA IJ
No of Shrs (mn)	14,622
Mkt. Cap (IDRbn/USDmn)	27,781/1,924
Avg. daily T/O (IDRbn/USDmn)	28.3/2.0

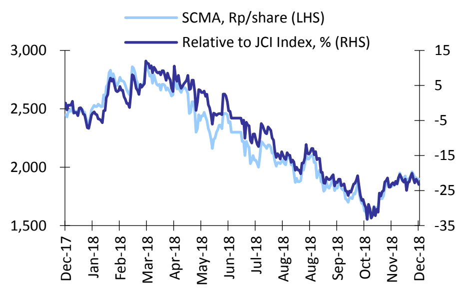
Major shareholders (%)

PT Elang Mahkota Teknologi	60.8
Public	39.1
Estimated free float	39.1

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	110.1	122.8	135.0
Consensus	103.4	112.9	123.6
Danareksa/Cons (%)	6.5	8.8	9.2

SCMA relative to JCI Index



We are positive on SCMA's topline growth outlook given expected improvements in adex as the result of increasing populist government policies in 2019. Furthermore, we are also upbeat on the company's strategy to tap the digital market through the acquisition of Vidio.com and Kapan Lagi Youniverse in the beginning of 2019. We also expect margin improvements due to declining operational expenses. We maintain our BUY recommendation with a TP of IDR2,350 implying 15.2x 2019PE.

Boost from the consumer sector. As the social protection budget will increase in 2019 reaching the grassroots level, we believe that adex from the consumer sector will increase. Thus, we see that SCMA is well placed to benefit as one of the leading media companies with a large audience share. We estimate topline growth of 8% in 2019F with audience share ranging from 30-31%. Furthermore, we also expect a higher contribution from new digital business lines.

Expanding into digital entertainment. SCMA plans to expand into digital markets through the acquisition of Kapan Lagi Youniverse (KLY) and Vidio. KLY is expected to gain revenues from digital news and media advertisements, while Vidio will capture OTT markets using the Hotstar business strategy in India. To acquire KLY, SCMA will buy it from EMTEK and Media Corp (a subsidiary of Temasek) which currently hold 51% and 31% stakes, respectively, through issuing new shares. The details have not been announced yet. Both acquisitions are expected to be completed in 1Q19.

Paying now to get more. The acquisition costs may put pressure on SCMA's bottom line as the companies are not yet fully grown and therefore cannot make significant contributions to SCMA's top line. SCMA expects that the businesses will reach the mature stage in the next 3 years, providing an estimated 35-40% topline contribution when mature. Thus, we expect pressure on margins next year.

SCMA – Top pick in the media sector. We maintain our BUY recommendation with a TP of IDR2,350, implying 19.1x 2019PE given: 1) the windfall from increasing social budgets 2) normalized costs, 3) its net cash position and 4) plans to tap digital markets. The main risks to our call are: 1) audience share stagnating or worsening 2) lower margins due to additional expenses from new business or higher content and operating cost 3) headwinds from the election period.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	4,524	4,454	5,122	5,532	5,919
EBITDA (IDRbn)	2,138	1,966	2,308	2,558	2,807
EBITDA Growth (%)	0.0	(8.1)	17.4	10.8	9.8
Net profit (IDRbn)	1,503	1,331	1,610	1,796	1,975
EPS (IDR)	102.8	91.1	110.1	122.8	135.0
EPS growth (%)	(1.3)	(11.4)	21.0	11.5	9.9
BVPS (IDR)	234.3	266.8	315.5	368.9	427.7
DPS (IDR)	(83.9)	(58.0)	(62.2)	(69.4)	(76.3)
PER (x)	18.1	20.5	16.9	15.2	13.8
PBV (x)	8.0	7.0	5.9	5.1	4.4
Dividend yield (%)	(4.5)	(3.1)	(3.3)	(3.7)	(4.1)
EV/EBITDA (x)	12.6	13.8	11.5	10.2	9.0

Source: SCMA, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**4,524**	**4,454**	**5,122**	**5,532**	**5,919**
COGS	(1,782)	(1,835)	(2,089)	(2,234)	(2,367)
Gross profit	**2,742**	**2,619**	**3,033**	**3,297**	**3,552**
EBITDA	**2,138**	**1,966**	**2,308**	**2,558**	**2,807**
Oper. profit	**2,003**	**1,779**	**2,103**	**2,332**	**2,560**
Interest income	47	15	35	52	60
Interest expense	(29)	(16)	(16)	(16)	(16)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	2	4	3	2	1
Pre-tax profit	**2,024**	**1,782**	**2,125**	**2,370**	**2,605**
Income tax	(510)	(464)	(531)	(592)	(651)
Minority interest	(10)	14	17	19	21
Net profit	**1,503**	**1,331**	**1,610**	**1,796**	**1,975**
Core Net Profit	**1,503**	**1,331**	**1,610**	**1,796**	**1,975**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	455	234	708	1,299	1,989
Receivables	1,534	1,556	1,747	1,855	1,951
Inventory	689	766	809	843	871
Other Curr. Asset	275	153	246	265	284
Fixed assets - Net	967	1,029	1,079	1,125	1,162
Other non-curr.asset	902	1,648	1,536	1,550	1,562
Total asset	**4,821**	**5,386**	**6,125**	**6,937**	**7,818**
ST Debt	230	77	75	75	75
Payables	385	437	456	475	490
Other Curr. Liabilities	375	229	327	353	377
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	125	237	167	171	175
Total Liabilities	**1,115**	**980**	**1,025**	**1,074**	**1,117**
Shareholder'sFunds	3,427	3,901	4,613	5,394	6,253
Minority interests	279	504	487	468	447
Total Equity & Liabilities	**4,821**	**5,386**	**6,125**	**6,937**	**7,818**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,503	1,331	1,610	1,796	1,975
Depreciation and Amort.	135	187	206	226	247
Change in Working Capital	(187)	(48)	(234)	(135)	(119)
OtherOper. Cash Flow	(76)	(23)	5	(18)	(28)
Operating Cash Flow	**1,375**	**1,448**	**1,587**	**1,869**	**2,075**
Capex	(144)	(249)	(256)	(271)	(284)
Others Inv. Cash Flow	(94)	(731)	147	39	47
Investing Cash Flow	**(238)**	**(981)**	**(109)**	**(232)**	**(237)**
Net change in debt	36	(153)	(2)	0	0
New Capital	0	0	0	0	0
Dividend payment	(1,216)	(848)	(910)	(1,015)	(1,116)
Other Fin. Cash Flow	(185)	313	(92)	(31)	(33)
Financing Cash Flow	**(1,365)**	**(689)**	**(1,004)**	**(1,046)**	**(1,148)**
Net Change in Cash	**(228)**	**(221)**	**474**	**591**	**690**
Cash - begin of the year	686	455	234	708	1,299
Cash - end of the year	455	234	708	1,299	1,989

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	6.8	(1.6)	15.0	8.0	7.0
EBITDA	0.0	(8.1)	17.4	10.8	9.8
Operating profit	(0.4)	(11.2)	18.2	10.9	9.8
Net profit	(1.3)	(11.4)	21.0	11.5	9.9
Profitability (%)					
Gross margin	60.6	58.8	59.2	59.6	60.0
EBITDA margin	47.3	44.1	45.1	46.2	47.4
Operating margin	44.3	40.0	41.1	42.2	43.3
Net margin	33.2	29.9	31.4	32.5	33.4
ROAA	32.0	26.1	28.0	27.5	26.8
ROAE	45.7	36.3	37.8	35.9	33.9
Leverage					
Net Gearing (x)	(0.1)	0.0	(0.1)	(0.2)	(0.3)
Interest Coverage (x)	70.2	110.9	131.0	145.3	159.5

Source: SCMA, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

HOLD
Maintain

Last price (IDR)	470
Target Price (IDR)	**500**
Upside/Downside	**+6.4%**
Previous Target Price (IDR)	*580*

Stock Statistics

Sector	Industrial Estate
Bloomberg Ticker	SSIA IJ
No of Shrs (mn)	4,705
Mkt. Cap (IDRbn/USDmn)	2,211/153
Avg. daily T/O (IDRbn/USDmn)	11.6/0.8

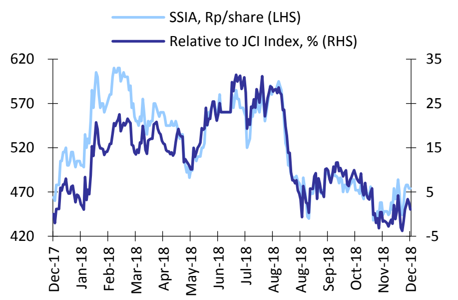
Major shareholders (%)

Arman Investments Utama	9.8
Persada Capital Investama	7.9
Estimated free float	75.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	(16.7)	9.1	21.1
Consensus	(5.6)	10.3	30.3
Danareksa/Cons (%)	199.7	(12.2)	(30.3)

SSIA relative to JCI Index



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Surya Semesta Internusa (SSIA IJ)

Overhang remains

We expect the construction segment to continue to make up the majority of SSIA's estimated FY19 revenues at IDR2.49tn (+6.2% yoy). We are likely to see SSIA's industrial presales reach 8.3 Ha in FY18, within the company's target of 7-12 Ha, and expect 20 Ha of presales in FY19 as the company starts to monetize its land bank in Subang. In general, we believe that the share price overhang is likely to persist until the Subang land bank is ready for sale. Maintain HOLD.

Construction continues to be the backbone. We expect construction revenues to make up the bulk of SSIA's FY19 revenues. We forecast FY19 construction revenues of IDR2.49tn (+6.2% yoy), accounting for 65.4% of the estimated FY19 total revenues, given the assumption of 10% yoy growth in new contracts to IDR3.13tn and a 34% burn rate. In addition, we expect the tender of the Patimban toll road to be delayed to FY19 (from initially 4Q18). For FY18, we expect SSIA to post revenues of IDR2.34tn (+8.2% yoy).

Expect a higher contribution from industrial estates in FY19. We expect SSIA to make only 8.3 Ha worth of industrial presales in FY18 (which had been reported in 3Q18). This is within the company's target of 7-12 Ha. The low presales was due to limited leftover land specification while SSIA's land bank stood at 170 Ha nett as of 9M18. We expect better industrial marketing sales in FY19 assuming industrial presales of 20 Ha, with 10 Ha assumed to come from the Subang land bank, implying marketing sales of IDR345bn (+102% yoy). However, we only expect SSIA to start selling the Subang land bank in 4Q19 at the earliest, as the land clearing is still underway. In terms of revenues, we expect sales of industrial estates to generate revenues of IDR275bn in FY19 (+168.6% yoy).

Maintain HOLD. We maintain our HOLD call on SSIA with an unchanged TP of IDR500, based on a 76% discount to NAV. We believe the share price overhang is likely to continue until the Subang land bank is ready for sale. Given the current land bank situation, we don't think the company will be able to benefit from the government's tax holiday facilities or cater to future land inquiries. SSIA currently trades at a 75% discount to NAV vs. the sector's 78%.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	3,797	3,274	3,447	3,805	4,296
EBITDA (IDRbn)	597	397	352	510	591
EBITDA Growth (%)	(16.0)	(33.4)	(11.5)	45.2	15.8
Net profit (IDRbn)	62	1,178	(78)	43	99
EPS (IDR)	13.3	250.4	(16.7)	9.1	21.1
EPS growth (%)	(79.3)	1,786.4	(106.7)	(154.4)	132.9
BVPS (IDR)	618.9	851.9	791.3	800.4	820.2
DPS (IDR)	9.6	10.9	37.5	0.0	1.4
PER (x)	35.3	1.9	n/m	51.6	22.1
PBV (x)	0.8	0.5	0.6	0.6	0.6
Dividend yield (%)	2.1	2.3	8.0	0.0	0.3
EV/EBITDA (x)	5.3	8.4	7.7	6.0	5.4

Source : SSIA, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**3,797**	**3,274**	**3,447**	**3,805**	**4,296**
COGS	(2,728)	(2,410)	(2,615)	(2,797)	(3,191)
Gross profit	**1,069**	**864**	**832**	**1,009**	**1,106**
EBITDA	**597**	**397**	**352**	**510**	**591**
Oper. profit	**433**	**234**	**185**	**341**	**424**
Interest income	0	0	0	0	0
Interest expense	(181)	(243)	(181)	(161)	(166)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(64)	(3)	3	3	3
Other Income (Expenses)	8	1,794	72	28	26
Pre-tax profit	**197**	**1,782**	**78**	**210**	**286**
Income tax	(96)	(541)	(127)	(136)	(148)
Minority interest	(38)	(63)	(30)	(31)	(39)
Net profit	**62**	**1,178**	**(78)**	**43**	**99**
Core Net Profit	**62**	**1,178**	**(78)**	**43**	**99**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,520	1,145	988	893	777
Receivables	284	320	337	372	420
Inventory	392	415	410	363	380
Other Curr. Asset	1,185	3,206	1,346	1,475	1,640
Fixed assets - Net	1,182	1,250	1,211	1,260	1,246
Other non-curr.asset	2,633	2,516	3,188	3,570	3,816
Total asset	**7,195**	**8,851**	**7,481**	**7,933**	**8,279**
ST Debt	753	776	748	428	752
Payables	745	741	804	860	981
Other Curr. Liabilities	399	1,122	751	820	914
Long Term Debt	1,705	1,494	747	1,328	1,015
Other LT. Liabilities	242	240	238	262	290
Total Liabilities	**3,843**	**4,375**	**3,289**	**3,699**	**3,952**
Shareholder'sFunds	2,912	4,009	3,723	3,766	3,859
Minority interests	441	468	468	468	468
Total Equity & Liabilities	**7,195**	**8,851**	**7,481**	**7,933**	**8,279**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	62	1,178	(78)	43	99
Depreciation and Amort.	164	163	167	169	168
Change in Working Capital	(267)	(1,360)	1,539	8	(14)
OtherOper. Cash Flow	124	339	159	162	167
Operating Cash Flow	**83**	**321**	**1,785**	**382**	**420**
Capex	(170)	(389)	(240)	(300)	(200)
Others Inv. Cash Flow	(200)	173	(560)	(300)	(200)
Investing Cash Flow	**(369)**	**(216)**	**(800)**	**(600)**	**(400)**
Net change in debt	1,079	(186)	(775)	261	11
New Capital	0	0	0	0	0
Dividend payment	(45)	(51)	(177)	0	(6)
Other Fin. Cash Flow	(151)	(242)	(191)	(138)	(140)
Financing Cash Flow	**882**	**(479)**	**(1,143)**	**123**	**(135)**
Net Change in Cash	**596**	**(375)**	**(157)**	**(95)**	**(115)**
Cash - begin of the year	924	1,520	1,145	988	893
Cash - end of the year	1,520	1,145	988	893	777

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(22.0)	(13.8)	5.3	10.4	12.9
EBITDA	(16.0)	(33.4)	(11.5)	45.2	15.8
Operating profit	(22.4)	(45.8)	(21.1)	84.6	24.1
Net profit	(79.3)	1,786.4	(106.7)	(154.4)	132.9
Profitability (%)					
Gross margin	28.2	26.4	24.1	26.5	25.7
EBITDA margin	15.7	12.1	10.2	13.4	13.8
Operating margin	11.4	7.2	5.4	9.0	9.9
Net margin	1.6	36.0	(2.3)	1.1	2.3
ROAA	0.9	14.7	(1.0)	0.6	1.2
ROAE	2.1	34.1	(2.0)	1.1	2.6
Leverage					
Net Gearing (x)	0.3	0.3	0.1	0.2	0.2
Interest Coverage (x)	2.4	1.0	1.0	2.1	2.6

Source: SSIA, Danareksa Estimates

Telekomunikasi Indonesia (TLKM IJ)

More optimistic times for TSEL

BUY
Maintain

Last price (IDR)	3,810
Target Price (IDR)	**4,300**
Upside/Downside	**+12.9%**
Previous Target Price (IDR)	*4,300*

Stock Statistics

Sector	Telco
Bloomberg Ticker	TLKM IJ
No of Shrs (mn)	100,800
Mkt. Cap (IDRbn/USDmn)	384,048/26,598
Avg. daily T/O (IDRbn/USDmn)	365.0/25.3

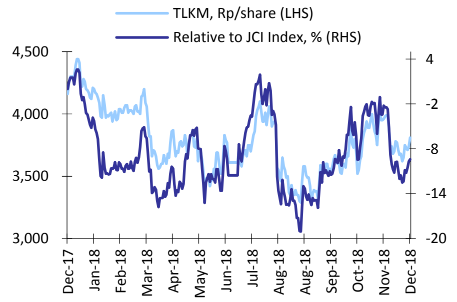
Major shareholders (%)

Indonesian Govt.	52.1
Bank of New York Mellon Corp.	5.5
Estimated free float	42.4

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	206.2	234.4	256.9
Consensus	200.9	227.2	249.1
Danareksa/Cons (%)	2.6	3.2	3.1

TLKM relative to JCI Index



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TSEL will return to positive growth in 2019 as the majority of its diverse subscriber base will ultimately shift to data usage and increase consumption with 4G. TSEL will go at great lengths to protect market share in ex-Java areas during this shift. TSEL will leverage its nationwide network to support data yields. The contributions to Telkom from the enterprise and household segments are expected to become more meaningful.

Versatile TSEL to source value across 2G/3G/4G in 2019. Digital revenues represented 54% of TSEL's 3Q18 revenues and 34% for the group. TSEL has a diverse 168mn subscriber base of which 113mn are data users or 104mn smartphone users. OTT calls, content, gaming and more 4G and fiber optic (78% in Aug-Oct '18 period up from 70% 4G network availability in Feb-Apr '18) will drive usage higher (estimated average usage 3.4GB/month). Moreover, although saturation in legacy services is unavoidable, there remains a large bank left of voice subscribers generating substantial revenues. TSEL will continue to optimize usage across networks and services in conjunction with prevailing market prices.

Leveraging on its nationwide strong network. Based on Opensignal, TSEL maintains a strong network much better than the competition in all KPIs but one. TSEL's growth will remain subject to market intensity with contenders increasing focus in ex-Java areas in 2019. Our view is also that TSEL can derive value either from ex-Java areas, mainland Java or through mixed-leveraging of its nationwide presence to optimize prices and stifle competition. TSEL has been credible and gone at great lengths in 2018 to protect market share. Thus, we believe TSEL is in a position to control prices to a large degree, effectively managing yields at sustainable levels.

Substantial boost from the households and business segments. Telkom's non-mobile units generated 37%/25% of the Group's revenues and EBITDA. ICT and digitalization growth trends are ongoing in both the private & public sector and Telkom can leverage on its fixed & mobile network to tap those markets. Indihome is maturing reaching 5mn subs before Christmas in line with the target and Telkom is looking to increase ARPU from IDR258k/month in 3Q18 (Link Net ARPU ~IDR420k). We have the strong conviction that significant value is left to be unlocked as both segments are still growing and expected to add further to the group's EBITDA.

Maintain BUY. We like Telkom for its diversified sources of growth and TSEL's potential recovery. We have a BUY call on TLKM with a TP of IDR4,300, implying EV/EBITDA-19 of 6.3x. The stock trades at ~-1SD below its 3yr average.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	116,333	128,256	132,982	144,745	154,973
EBITDA (IDRbn)	59,498	64,609	63,826	70,503	76,314
EBITDA Growth (%)	15.7	8.6	(1.2)	10.5	8.2
Net profit (IDRbn)	19,352	22,145	20,783	23,624	25,900
EPS (IDR)	192.0	219.7	206.2	234.4	256.9
EPS growth (%)	24.9	14.4	(6.2)	13.7	9.6
BVPS (IDR)	837.1	919.8	961.1	1,040.9	1,122.0
DPS (IDR)	111.2	134.4	164.7	154.6	175.8
PER (x)	19.4	17.0	18.2	15.9	14.6
PBV (x)	4.0	3.7	3.5	3.2	3.0
Dividend yield (%)	3.5	4.3	4.1	4.6	5.1
EV/EBITDA (x)	6.7	6.1	6.2	5.5	5.0

Source : TLKM, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**116,333**	**128,256**	**132,982**	**144,745**	**154,973**
COGS	(63,872)	(70,723)	(78,798)	(84,689)	(90,242)
Gross profit	**52,461**	**57,533**	**54,184**	**60,056**	**64,731**
EBITDA	**59,498**	**64,609**	**63,826**	**70,503**	**76,314**
Oper. profit	**39,195**	**43,933**	**41,469**	**46,249**	**49,931**
Interest income	1,716	1,434	1,370	1,759	2,255
Interest expense	(2,810)	(2,769)	(3,349)	(3,686)	(3,725)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	88	61	58	61	64
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	**38,189**	**42,659**	**39,548**	**44,383**	**48,525**
Income tax	(9,017)	(9,958)	(9,887)	(11,096)	(12,131)
Minority interest	(9,820)	(10,556)	(8,878)	(9,664)	(10,493)
Net profit	**19,352**	**22,145**	**20,783**	**23,624**	**25,900**
Core Net Profit	**19,352**	**22,145**	**20,783**	**23,624**	**25,900**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	29,767	25,145	41,755	47,169	54,526
Receivables	7,363	9,222	8,551	9,308	9,966
Inventory	584	631	630	686	734
Other Current Asset	8,516	10,390	9,886	10,761	11,521
Fixed assets - Net	114,498	130,171	135,581	143,187	149,222
Other non-current asset	17,412	20,752	19,082	19,917	19,500
Total asset	**179,611**	**198,484**	**218,896**	**234,284**	**248,123**
ST Debt	5,432	7,498	15,568	15,361	15,591
Payables	13,518	15,574	15,082	16,416	17,576
Other Curr. Liabilities	20,812	22,304	22,352	24,330	26,049
Long Term Debt	26,367	27,974	36,911	37,465	38,027
Other LT. Liabilities	7,938	13,004	10,471	11,738	11,104
Total Liabilities	**74,067**	**86,354**	**100,384**	**105,308**	**108,347**
Shareholder'sFunds	84,384	92,713	96,875	104,924	113,100
Minority interests	21,160	19,417	21,637	24,053	26,676
Total Equity & Liabilities	**179,611**	**198,484**	**218,896**	**234,284**	**248,123**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	19,352	22,145	20,783	23,624	25,900
Depreciation and Amort.	18,532	20,446	22,517	24,398	26,526
Change in Working Capital	5,222	(934)	(507)	1,779	2,015
OtherOper. Cash Flow	(12,810)	(15,632)	1,979	1,926	1,470
Operating Cash Flow	**30,296**	**26,025**	**44,772**	**51,727**	**55,912**
Capex	(15,426)	(19,152)	(27,926)	(30,396)	(30,995)
Others Inv. Cash Flow	(1,135)	(1,906)	3,040	924	2,673
Investing Cash Flow	**(16,561)**	**(21,058)**	**(24,886)**	**(29,472)**	**(28,322)**
Net change in debt	(2,039)	8,739	14,474	1,613	159
New Capital	1,996	0	0	0	0
Dividend payment	(11,213)	(13,546)	(16,597)	(15,587)	(17,718)
Other Fin. Cash Flow	(829)	(4,782)	(1,154)	(1,258)	(1,108)
Financing Cash Flow	**(12,085)**	**(9,589)**	**(3,276)**	**(15,232)**	**(18,667)**
Net Change in Cash	**1,650**	**(4,622)**	**16,610**	**7,022**	**8,924**
Cash - begin of the year	28,117	29,767	25,145	41,755	47,169
Cash - end of the year	29,767	25,145	41,755	47,169	54,526

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	13.5	10.2	3.7	8.8	7.1
EBITDA	15.7	8.6	(1.2)	10.5	8.2
Operating profit	20.9	12.1	(5.6)	11.5	8.0
Net profit	24.9	14.4	(6.2)	13.7	9.6
Profitability (%)					
Gross margin	45.1	44.9	40.7	41.5	41.8
EBITDA margin	51.1	50.4	48.0	48.7	49.2
Operating margin	33.7	34.3	31.2	32.0	32.2
Net margin	16.6	17.3	15.6	16.3	16.7
ROAA	11.2	11.7	10.0	10.4	10.7
ROAE	24.3	25.0	21.9	23.4	23.8
Leverage					
Net Gearing (x)	0.0	0.1	0.1	0.0	0.0
Interest Coverage (x)	13.9	15.9	12.4	12.5	13.4

Source: TLKM, Danareksa Estimates

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	760
Target Price (IDR)	**900**
Upside/Downside	**+18.4%**
Previous Target Price (IDR)	*900*

Stock Statistics

Sector	Metal Mining
Bloomberg Ticker	TINS IJ
No of Shrs (mn)	7,448
Mkt. Cap (IDRbn/USDmn)	5,660/392
Avg. daily T/O (IDRbn/USDmn)	8.6/0.6

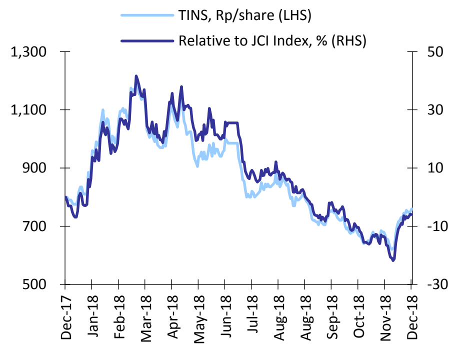
Major shareholders (%)

Inalum	65.0
Estimated Free Float	35.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	56.4	58.2	63.9
Consensus	51.6	57.6	58.1
Danareksa/Cons (%)	9.3	1.0	9.9

TINS relative to JCI Index



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Timah (TINS IJ)

Moderate growth

Although we expect flattish refined tin prices owing mostly to strong supply and muted demand, the earnings outlook for Timah (TINS) is expected to be bright as we expect the company to continue to increase its refined tin production in 2019. Furthermore, the development of Fuming and Ausmelt technology also bodes well for the long-term outlook. Maintain BUY with a target price of IDR900 (based on DCF valuation with WACC of 12.7%).

Moderating production growth in 2019. After the company indicated strong growth in refined tin production of around 27.4% yoy to 30,249 tonnes in 2017, the management targeted more moderate growth of 7.8% yoy to 32,600 tonnes in 2018, a decline from the initial target of 35,000 tonnes. Given that escalating trade wars might curtail economic growth in China, the world's largest consumer of tin, we apply a more conservative refined tin production growth estimate of only 6.3% yoy to 34,000 tonnes in 2019.

Developing Fuming and Ausmelt technology. To support growth, the company is developing two innovative technologies. The first is Fuming technology. With an investment cost of IDR62bn, this technology will process the tin slag into tin ore. With annual capacity of 31,000 tonnes and tin slag 1 inventory of around 15,000 tonnes, the company has indicated potential additional tin ore of 4,000 tonnes. The commissioning of this technology and commercial production is expected to start in 4Q18 or 1Q19. The second technology is Ausmelt technology which can process low-grade tin ore of 40 – 60% Sn. With an investment cost of USD56mn and estimated completion in 2022, the company foresees potential tin crude production of 30,000 – 40,000 tonnes by 2022.

Tin prices may stagnate in 2019. With strong supply and muted demand, we expect the refined tin price to stagnate at around USD20,000/tonne in 2019 (2018F: USD20,000/tonne). Uncertainty arising from the threat of trade wars between China and USA in 2019 as well as concerns regarding a slowdown in economic growth in China are expected to negatively impact China's electronics sector. Moreover, we expect greater refined tin supply from Indonesia and from African countries, such as Congo and Nigeria.

Maintain BUY with a target price of IDR900 (based on DCF valuation with WACC of 12.7%). The main downside risks are escalating trade wars which might dampen economic growth in China and negatively impact the tin price. Our target price implies 15.5x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	6,968	9,217	10,142	10,745	10,829
EBITDA (IDRbn)	958	943	1,363	1,508	1,578
EBITDA Growth (%)	73.3	(1.6)	44.5	10.7	4.6
Net profit (IDRbn)	252	502	420	433	476
EPS (IDR)	33.8	67.5	56.4	58.2	63.9
EPS growth (%)	147.9	99.5	(16.5)	3.2	9.8
BVPS (IDR)	759.1	813.8	853.9	883.9	918.7
DPS (IDR)	6.8	16.9	33.7	28.2	29.1
PER (x)	22.5	11.3	13.5	13.1	11.9
PBV (x)	1.0	0.9	0.9	0.9	0.8
Dividend yield (%)	0.9	2.2	4.4	3.7	3.8
EV/EBITDA (x)	7.1	8.5	5.9	5.3	4.9

Source : TINS, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**6,968**	**9,217**	**10,142**	**10,745**	**10,829**
COGS	(5,873)	(7,692)	(8,505)	(8,970)	(8,991)
Gross profit	**1,095**	**1,526**	**1,637**	**1,774**	**1,837**
EBITDA	**958**	**943**	**1,363**	**1,508**	**1,578**
Oper. profit	**498**	**731**	**789**	**901**	**952**
Interest income	10	25	31	14	13
Interest expense	(118)	(200)	(242)	(257)	(233)
Forex Gain/(Loss)	(16)	0	0	(11)	(23)
Income From Assoc. Co's	3	12	0	0	0
Other Income (Expenses)	6	143	49	0	0
Pre-tax profit	**384**	**710**	**627**	**646**	**710**
Income tax	(132)	(207)	(207)	(213)	(234)
Minority interest	0	0	0	0	0
Net profit	**252**	**502**	**420**	**433**	**476**
Core Net Profit	**238**	**404**	**371**	**444**	**498**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	564	1,357	566	647	592
Receivables	883	1,514	1,427	1,512	1,523
Inventory	2,309	2,509	3,379	3,564	3,572
Other Curr. Asset	1,476	1,614	1,690	1,719	1,710
Fixed assets - Net	2,221	2,462	2,553	2,610	2,650
Other non-curr.asset	2,090	2,417	2,001	1,984	1,979
Total asset	**9,549**	**11,876**	**11,615**	**12,035**	**12,026**
ST Debt	1,733	2,192	1,500	1,500	1,500
Payables	661	733	862	983	985
Other Curr. Liabilities	667	477	517	547	548
Long Term Debt	0	1,500	1,500	1,500	1,200
Other LT. Liabilities	834	912	876	921	950
Total Liabilities	**3,895**	**5,815**	**5,255**	**5,452**	**5,183**
Shareholder'sFunds	5,653	6,061	6,360	6,583	6,842
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**9,549**	**11,876**	**11,615**	**12,035**	**12,026**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	252	502	420	433	476
Depreciation and Amort.	457	206	566	599	617
Change in Working Capital	562	(1,060)	(372)	(147)	(8)
OtherOper. Cash Flow	(295)	500	559	269	217
Operating Cash Flow	**977**	**148**	**1,173**	**1,153**	**1,302**
Capex	(535)	(780)	(650)	(650)	(650)
Others Inv. Cash Flow	154	(257)	(130)	45	42
Investing Cash Flow	**(381)**	**(1,037)**	**(780)**	**(605)**	**(608)**
Net change in debt	(381)	1,959	(692)	0	(300)
New Capital	0	0	0	0	0
Dividend payment	(30)	(76)	(251)	(210)	(217)
Other Fin. Cash Flow	(118)	(200)	(242)	(257)	(233)
Financing Cash Flow	**(530)**	**1,683**	**(1,185)**	**(467)**	**(749)**
Net Change in Cash	**66**	**794**	**(792)**	**81**	**(55)**
Cash - begin of the year	497	564	1,357	566	647
Cash - end of the year	564	1,357	566	647	592

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	1.4	32.3	10.0	5.9	0.8
EBITDA	73.3	(1.6)	44.5	10.7	4.6
Operating profit	510.8	46.8	7.9	14.2	5.7
Net profit	147.9	99.5	(16.5)	3.2	9.8
Profitability (%)					
Gross margin	15.7	16.6	16.1	16.5	17.0
EBITDA margin	13.8	10.2	13.4	14.0	14.6
Operating margin	7.1	7.9	7.8	8.4	8.8
Net margin	3.6	5.5	4.1	4.0	4.4
ROAA	2.7	4.7	3.6	3.7	4.0
ROAE	4.6	8.6	6.8	6.7	7.1
Leverage					
Net Gearing (x)	0.2	0.4	0.4	0.4	0.3
Interest Coverage (x)	4.2	3.6	3.3	3.5	4.1

Source : TINS, Danareksa Estimates

Tower Bersama Infrastructure (TBIG IJ)

Buying out the competition

BUY

Maintain

Last price (IDR)	3,660
Target Price (IDR)	**4,500**
Upside/Downside	**+22.9%**
Previous Target Price (IDR)	*4,500*

Stock Statistics

Sector	Towers
Bloomberg Ticker	TBIG IJ
No of Shrs (mn)	4,362
Mkt. Cap (IDRbn/USDmn)	15,964/1,106
Avg. daily T/O (IDRbn/USDmn)	8.6/0.6

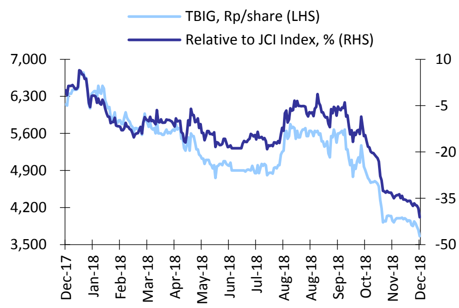
Major shareholders (%)

PT Wahana Anugerah Sejahtera	29.4
PT Provident Capital Indonesia	25.5
Estimated free float	45.1

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	205.0	246.4	274.0
Consensus	207.6	249.1	273.7
Danareksa/Cons	(1.3)	(1.1)	0.1

TBIG relative to JCI Index



TBIG faced churn due to high prices, while growth from its biggest tenant TSEL has been subdued until recently. Net tenancy trends should improve due to 4G and ex-Java penetration, while TBIG consolidates GHON and GOLD to improve its competitiveness. EV/EBITDA is single-digit, an opportunity to pick up the stock in our view.

Contenders adding to 9M18 growth, TSEL awakens in 3Q18. The 9M18 revenues reached IDR3.17tn (+6.5%yoy) driven entirely by organic growth. TBIG reported 2,350 additional gross tenancies in 9M18 (1,133 in 3Q alone) while on a net basis the additions were 1,868 ytd implying 482 tenancies ended with no renewal (churned). The key contributors to growth in 9M18 were FREN, ISAT and EXCL. The 3Q18 revenues reached IDR1.09tn (+4.5%qoq, +5.3%yoy). The net adds were strong from TSEL which boosted the topline after being flat in the previous 3 quarters.

2019 outlook. TBIG's FY19 target is reportedly 2,500 new tenants to be driven by 4G investments and telcos expansion in ex-Java. EXCL has allocated 50% of its capex in ex-Java and Hutch 3 is reportedly aiming to roll out ~8,000 4G BTS in ex-Java. ISAT also has capex plans to enlarge its network almost twofold. TBIG reportedly expects tenancies to come from ~1,000 build-to-suit (BTS) towers (implying TSEL, EXCL and ISAT as anchor tenants) and the rest from collocation. ~45% of TBIG's revenues are generated from TSEL which has built hotspots throughout the country as the first mover incl. in ex-Java regions. Contenders selectively track TSEL's tower footprint as they expand to ex-Java. EXCL did so in 2017 and it accounted for ~50% of TBIG's 2018 tenancy orders.

Churn drag due to pricing. TBIG lost steam and 50bps in its EBITDA margin (86.1% 3Q18) recently mainly due to churn. The positive is revenues per tenancy is stable at IDR14.6mn/mon/tenancy in 3Q18, (IDR14.8mn in FY17), but telcos continue to look for better deals. About 3% of TBIG's tenancies end on an annual basis and their renewal depends on whether smaller players can deliver the tenancies for telcos at lower prices and subject to land availability. GHON and GOLD were sold to TBIG, we suspect because the economies for smaller tower-companies are now less favourable, while TBIG wants to fend off the competition. TBIG's 5.3x ND/EBITDA is less than the key debt covenant of 6.25x allowing room for more small acquisitions.

Maintain BUY with a lower TP. TBIG trades at one-digit EV/EBITDA as it is a less competitive force in the industry. This is bound to improve with tower-company consolidation. The current 4G telco drivers support better growth and lower churn in FY19. Maintain BUY with a lower TP of IDR4,500.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	3,711	4,023	4,295	4,652	4,950
EBITDA (IDRbn)	3,220	3,495	3,701	4,049	4,254
EBITDA Growth (%)	10.6	8.5	5.9	9.4	5.1
Net profit (IDRbn)	714	2,316	894	1,075	1,195
EPS (IDR)	163.7	531.1	205.0	246.4	274.0
EPS growth (%)	(50.1)	224.5	(61.4)	20.2	11.2
BVPS (IDR)	356.7	708.0	643.8	746.7	860.5
DPS (IDR)	152.5	172.0	143.5	160.1	109.6
PER (x)	22.4	6.9	17.8	14.9	13.4
PBV (x)	10.3	5.2	5.7	4.9	4.3
Dividend yield (%)	4.2	4.7	3.9	4.4	3.0
EV/EBITDA (x)	10.7	10.3	10.1	9.4	9.1

Source : TBIG, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**3,711**	**4,023**	**4,295**	**4,652**	**4,950**
COGS	(738)	(668)	(783)	(867)	(927)
Gross profit	**2,973**	**3,355**	**3,512**	**3,785**	**4,023**
EBITDA	**3,220**	**3,495**	**3,701**	**4,049**	**4,254**
Oper. profit	**2,658**	**3,012**	**3,136**	**3,425**	**3,591**
Interest income	6	7	7	7	7
Interest expense	(1,692)	(1,816)	(1,960)	(2,103)	(2,129)
Forex Gain/(Loss)	25	14	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(211)	(309)	(144)	(81)	(81)
Pre-tax profit	**786**	**908**	**1,038**	**1,248**	**1,387**
Income tax	(63)	1,431	(135)	(162)	(180)
Minority interest	(9)	(23)	(9)	(11)	(12)
Net profit	**714**	**2,316**	**894**	**1,075**	**1,195**
Core Net Profit	**689**	**2,302**	**894**	**1,075**	**1,195**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	365	407	655	712	364
Receivables	409	266	284	308	327
Inventory	217	20	24	26	28
Other Curr. Asset	969	1,278	1,316	1,355	1,396
Fixed assets - Net	18,232	19,799	20,627	21,478	22,100
Other non-curr.asset	3,428	3,826	4,564	4,792	5,271
Total asset	**23,620**	**25,596**	**27,469**	**28,671**	**29,486**
ST Debt	1,016	4	22	23	28
Payables	185	193	226	250	268
Other Curr. Liabilities	1,699	1,792	2,089	2,131	2,174
Long Term Debt	17,892	20,376	22,148	22,813	23,041
Other LT. Liabilities	1,204	46	55	67	80
Total Liabilities	**21,996**	**22,411**	**24,541**	**25,284**	**25,590**
Shareholder'sFunds	1,556	3,088	2,808	3,257	3,753
Minority interests	68	97	106	117	129
Total Equity & Liabilities	**23,620**	**25,596**	**27,456**	**28,658**	**29,473**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	714	2,316	894	1,075	1,195
Depreciation and Amort.	562	483	565	624	664
Change in Working Capital	819	(1,547)	(259)	0	(2)
OtherOper. Cash Flow	1,686	1,809	1,954	2,096	2,122
Operating Cash Flow	**3,782**	**3,061**	**3,154**	**3,795**	**3,979**
Capex	(1,365)	(1,790)	(1,588)	(1,704)	(1,764)
Others Inv. Cash Flow	(1,047)	(1,573)	7	7	7
Investing Cash Flow	**(2,412)**	**(3,363)**	**(1,581)**	**(1,697)**	**(1,757)**
Net change in debt	850	1,302	1,790	666	233
New Capital	0	0	0	0	0
Dividend payment	(592)	(665)	(750)	(626)	(698)
Other Fin. Cash Flow	(2,611)	(1,872)	(2,366)	(2,081)	(2,104)
Financing Cash Flow	**(2,353)**	**(1,236)**	**(1,326)**	**(2,041)**	**(2,569)**
Net Change in Cash	**(983)**	**(1,538)**	**247**	**57**	**(348)**
Cash - begin of the year	296	365	407	655	712
Cash - end of the year	365	407	655	712	364

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	8.5	8.4	6.8	8.3	6.4
EBITDA	10.6	8.5	5.9	9.4	5.1
Operating profit	(0.1)	13.3	4.1	9.2	4.8
Net profit	(50.1)	224.5	(61.4)	20.2	11.2
Profitability (%)					
Gross margin	80.1	83.4	81.8	81.4	81.3
EBITDA margin	86.8	86.9	86.2	87.0	85.9
Operating margin	71.6	74.9	73.0	73.6	72.5
Net margin	19.2	57.6	20.8	23.1	24.1
ROAA	3.1	9.4	3.4	3.8	4.1
ROAE	46.3	99.8	30.3	35.4	34.1
Leverage					
Net Gearing (x)	11.4	6.3	7.4	6.6	5.8
Interest Coverage (x)	1.6	1.7	1.6	1.6	1.7

Source: TBIG, Danareksa Estimates

SELL
Maintain

Last price (IDR)	45,000
Target Price (IDR)	**38,900**
Upside/Downside	**-13.6%**
Previous Target Price (IDR)	*38,900*

Stock Statistics

Sector	Consumer
Bloomberg Ticker	UNVR IJ
No of Shrs (mn)	7,630
Mkt. Cap (IDRbn/USDmn)	343,350/23,779
Avg. daily T/O (IDRbn/USDmn)	99.1/6.9

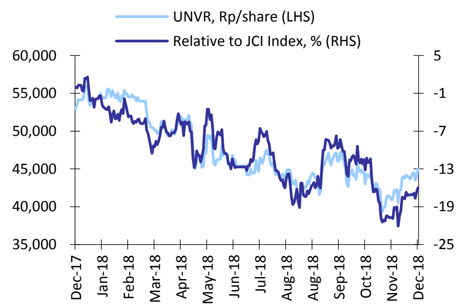
Major shareholders (%)

Unilever Indonesia Holding B.V.	85.0
Estimated free float	15.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	1,171.4	947.3	1,034.2
Consensus	1,027.5	996.1	1,062.7
Danareksa/Cons (%)	14.0	(4.9)	(2.7)

UNVR relative to JCI Index



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Unilever Indonesia (UNVR IJ)

Overhangs remain

We expect UNVR to show better performance in 2019 with 6% yoy earnings growth, supported by improved economic conditions that will give a boost to purchasing power. To counter the intense competition in the FMCG business, the company will seek to launch new SKU and relaunch existing products. However, with 13.6% downside to our TP, we maintain our SELL recommendation.

Robust FY18 earnings growth thanks to the sale of its spreads business. In a bid to generate more revenues, UNVR launched/relaunched 48 SKU by the end of Sept 2018. This should support top line growth of 2% yoy in FY18F, which will be underpinned mainly by volume. With a lower gross margin – from the impact of higher raw material costs and USD appreciation, we estimate FY18F net profits of IDR8.9tn and core profits of IDR6.8tn (down 2.8% yoy). Thanks to one off gains from the sale of its spreads business, UNVR reported FY18F earnings growth of 27.6% yoy.

We estimate FY19 top line growth of 5.7% yoy. Continued intense competition is expected going forward, with more new products coming to the market. Therefore, we only expect soft revenues growth in 2019 (+5.7% yoy). On a more positive note, a stable currency and soft commodity prices should provide upside for the company's margins in the future. Conservatively, we estimate that UNVR can maintain its gross margin at 50%. Lower top line growth and thinner margins will filter through to lower earnings. We estimate FY19 core profits of IDR7.2tn, +6.1% yoy.

Maintain SELL. We believe the company's determination to defend its market share should sustain revenues growth going forward, supported by its extensive distribution network with a proven track-record in the FMCG business. However, it will be difficult, we believe, for UNVR to book double-digit growth ahead given the tough competition. We also see a potential derating in the valuation given the expectation of portfolio rebalancing due to the free float adjustment to the LQ45 and IDX30 weighting. At the current share price, UNVR is trading at FY19F PE of 42.2x. With 13.6% downside to our TP, we maintain our SELL recommendation.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	40,054	41,205	42,010	44,384	48,129
EBITDA (IDRbn)	9,238	10,129	12,709	10,464	11,438
EBITDA Growth (%)	9.7	9.6	25.5	(17.7)	9.3
Net profit (IDRbn)	6,391	7,005	8,938	7,228	7,891
EPS (IDR)	837.6	918.1	1,171.4	947.3	1,034.2
EPS growth (%)	9.2	9.6	27.6	(19.1)	9.2
BVPS (IDR)	616.5	678.0	959.7	962.8	966.3
DPS (IDR)	835.0	915.0	889.8	944.1	1,030.7
PER (x)	47.8	43.6	34.1	42.2	38.7
PBV (x)	64.9	59.0	41.7	41.5	41.4
Dividend yield (%)	2.1	2.3	2.2	2.4	2.6
EV/EBITDA (x)	33.3	30.4	24.1	29.3	26.8

Source : UNVR, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**40,054**	**41,205**	**42,010**	**44,384**	**48,129**
COGS	(19,595)	(19,985)	(21,057)	(22,172)	(23,932)
Gross profit	**20,459**	**21,220**	**20,953**	**22,211**	**24,196**
EBITDA	**9,238**	**10,129**	**12,709**	**10,464**	**11,438**
Oper. profit	**8,708**	**9,496**	**12,042**	**9,739**	**10,644**
Interest income	7	4	21	19	18
Interest expense	(143)	(128)	(104)	(88)	(105)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	**8,572**	**9,372**	**11,959**	**9,670**	**10,557**
Income tax	(2,181)	(2,367)	(3,020)	(2,442)	(2,666)
Minority interest	0	0	0	0	0
Net profit	**6,391**	**7,005**	**8,938**	**7,228**	**7,891**
Core Net Profit	**6,391**	**7,005**	**8,938**	**7,228**	**7,891**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	374	405	601	471	905
Receivables	3,810	4,855	4,417	4,823	5,413
Inventory	2,318	2,394	2,482	2,614	2,821
Other Curr. Asset	86	113	115	122	132
Fixed assets - Net	9,529	10,597	11,097	11,699	12,248
Other non-curr.asset	628	543	545	552	561
Total asset	**16,746**	**18,906**	**19,258**	**20,280**	**22,080**
ST Debt	2,393	3,450	1,322	1,961	2,643
Payables	4,642	4,527	4,500	4,669	5,251
Other Curr. Liabilities	2,358	2,734	2,979	2,998	3,242
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	2,648	3,022	3,136	3,305	3,573
Total Liabilities	**12,041**	**13,733**	**11,936**	**12,934**	**14,708**
Shareholder'sFunds	4,704	5,173	7,322	7,346	7,373
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**16,746**	**18,906**	**19,258**	**20,280**	**22,080**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	6,391	7,005	8,938	7,228	7,891
Depreciation and Amort.	498	496	667	725	795
Change in Working Capital	(861)	(900)	412	(274)	(68)
OtherOper. Cash Flow	1,360	403	523	153	431
Operating Cash Flow	**7,388**	**7,004**	**10,540**	**7,831**	**9,048**
Capex	(1,706)	(1,389)	(1,342)	(1,327)	(1,344)
Others Inv. Cash Flow	29	23	20	18	17
Investing Cash Flow	**(1,677)**	**(1,366)**	**(1,322)**	**(1,309)**	**(1,327)**
Net change in debt	693	1,057	(2,128)	640	681
New Capital	0	0	0	0	0
Dividend payment	(6,371)	(6,981)	(6,789)	(7,204)	(7,864)
Other Fin. Cash Flow	(286)	318	(104)	(88)	(105)
Financing Cash Flow	**(5,964)**	**(5,606)**	**(9,022)**	**(6,652)**	**(7,288)**
Net Change in Cash	**(254)**	**31**	**196**	**(130)**	**434**
Cash - begin of the year	628	374	405	601	471
Cash - end of the year	374	405	601	471	905

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	9.8	2.9	2.0	5.7	8.4
EBITDA	9.7	9.6	25.5	(17.7)	9.3
Operating profit	9.7	9.0	26.8	(19.1)	9.3
Net profit	9.2	9.6	27.6	(19.1)	9.2
Profitability (%)					
Gross margin	51.1	51.5	49.9	50.0	50.3
EBITDA margin	23.1	24.6	30.3	23.6	23.8
Operating margin	21.7	23.0	28.7	21.9	22.1
Net margin	16.0	17.0	21.3	16.3	16.4
ROAA	39.4	39.3	46.8	36.6	37.3
ROAE	134.1	141.8	143.1	98.5	107.2
Leverage					
Net Gearing (x)	0.4	0.6	0.1	0.2	0.2
Interest Coverage (x)	60.8	74.4	115.4	111.3	101.8

Source : UNVR, Danareksa Estimates

United Tractors (UNTR IJ)

Strong earnings growth set to continue

BUY

Maintain

Last price (IDR)	28,650
Target Price (IDR)	**43,000**
Upside/Downside	**+50.1%**
Previous Target Price (IDR)	*43,000*

Stock Statistics

Sector	Heavy Equipment
Bloomberg Ticker	UNTR IJ
No of Shrs (mn)	3,730
Mkt. Cap (IDRbn/USDmn)	106,868/7,401
Avg. daily T/O (IDRbn/USDmn)	150.1/10.4

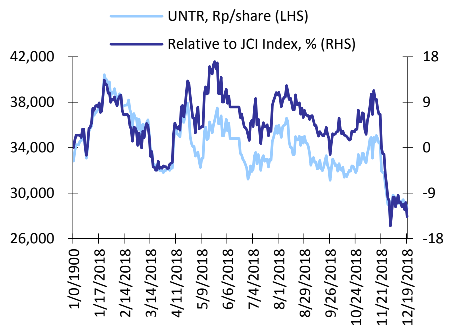
Major shareholders (%)

Astra International	59.5
Estimated free float	40.5

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	3,116.9	3,550.7	3,913.9
Consensus	2,978.8	3,325.7	3,489.7
Danareksa/Cons	4.6	6.8	12.2

UNTR relative to JCI Index



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We expect United Tractors (UNTR) to record stronger earnings growth in 2019 given: a) solid demand for heavy equipment with improvements on the supply side from Komatsu, b) the completed acquisition of a 95% stake in Martabe Gold Mining in Dec 2018. Maintain BUY with a higher target price of IDR43,000 (based on DCF valuation with WACC of 12% and long-term growth of 3%). Our target price implies 12.1x 2019F PE.

Still conservative on the 2019 outlook. UNTR has set a conservative 2019 sales target in view of the widening gap between low CV coal and Newcastle coal prices which may adversely impact coal miners. As such, Komatsu sales are only expected to increase moderately to 5,000 units in 2019F from 4,800 units in 2018F. Coal production under its subsidiary Pamapersada Nusantara (PAMA) is expected to increase by 5% yoy to 126mn tonnes in 2019F from 120mn tonnes in 2018F with a similar stripping ratio of around 7.8x. With improvements made to the Barito river, coal sales are expected to jump to 9.0mn tonnes in 2019 (+34.3% yoy) with 7.0mn tonnes coming from its own mining concessions and the remaining 2.0mn tonnes from trading activities.

More large-sized machinery in the product mix will support ASP. The company indicated that there have been improvements on the supply side from Komatsu in 2H18. This has reduced the backlog of large-sized machinery up to Jul 2019, while the backlog of smaller-sized heavy equipment is around 2 months. As such, UNTR expects large-sized machinery sales of 1,400 units in 2018 (+16.7% yoy). With large-sized machinery expected to account for 28% of the product mix in 2019F (2018F: 25%), Komatsu ASP will be given a boost in 2019.

Additional earnings from the acquisition of Martabe. UNTR has completed the acquisition of Martabe Gold Mining in Dec 2018. Involving a transactional value for a 95% stake of around USD1.0bn with book value of USD349mn as of 1Q18, there will be amortization for the mining properties. Nonetheless, once completed, we believe the acquisition will enhance UNTR's earnings in 2019 considering the current gold price of USD1,200/oz and total costs (including amortization) of USD700-800/oz.

Maintain BUY with a target price of IDR43,000 (based on DCF valuation with WACC of 12% and long-term growth of 3%). While we foresee coal price consolidation in 2019, we continue to like the company owing to the expectation of continued strong demand for heavy equipment, favorable weather conditions which would boost coal production, and a weak IDR/USD exchange rate. Our target price implies 12.1x 2019F.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	45,539	64,559	82,054	89,647	93,433
EBITDA (IDRbn)	9,150	13,832	21,207	23,881	26,322
EBITDA Growth (%)	(26.2)	51.2	53.3	12.6	10.2
Net profit (IDRbn)	5,002	7,403	11,627	13,245	14,600
EPS (IDR)	1,341.0	1,984.6	3,116.9	3,550.7	3,913.9
EPS growth (%)	29.8	48.0	57.1	13.9	10.2
BVPS (IDR)	10,954.0	12,161.1	14,349.8	16,598.8	19,053.1
DPS (IDR)	449.6	611.8	926.5	1,297.8	1,462.8
PER (x)	21.4	14.4	9.2	8.1	7.3
PBV (x)	2.6	2.4	2.0	1.7	1.5
Dividend yield (%)	1.6	2.1	3.2	4.5	5.1
EV/EBITDA (x)	9.7	6.6	4.1	3.5	2.9

Source : UNTR, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**45,539**	**64,559**	**82,054**	**89,647**	**93,433**
COGS	(35,878)	(50,075)	(61,621)	(66,972)	(68,802)
Gross profit	**9,661**	**14,484**	**20,433**	**22,675**	**24,631**
EBITDA	**9,150**	**13,832**	**21,207**	**23,881**	**26,322**
Oper. profit	**6,706**	**10,756**	**16,137**	**18,019**	**19,744**
Interest income	682	1,016	413	507	632
Interest expense	(491)	(874)	(442)	(353)	(360)
Forex Gain/(Loss)	(349)	0	0	43	18
Income From Assoc. Co's	66	171	108	115	131
Other Income (Expenses)	115	(546)	(100)	0	0
Pre-tax profit	**6,730**	**10,523**	**16,116**	**18,331**	**20,165**
Income tax	(1,626)	(2,849)	(4,029)	(4,583)	(5,041)
Minority interest	(102)	(270)	(461)	(503)	(524)
Net profit	**5,002**	**7,403**	**11,627**	**13,245**	**14,600**
Core Net Profit	**5,351**	**7,403**	**11,627**	**13,202**	**14,582**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	19,461	20,831	20,642	25,335	31,613
Receivables	12,115	18,188	22,307	24,371	25,401
Inventory	7,108	7,855	9,323	9,795	10,068
Other Curr. Asset	3,514	4,328	4,103	4,261	4,509
Fixed assets - Net	16,685	22,251	29,181	33,319	35,742
Other non-curr.asset	5,109	8,808	8,310	8,675	8,856
Total asset	**63,991**	**82,262**	**93,867**	**105,757**	**116,190**
ST Debt	992	1,876	376	400	408
Payables	14,605	21,110	24,906	27,068	27,808
Other Curr. Liabilities	2,759	5,390	4,542	5,287	5,497
Long Term Debt	65	2,724	1,023	1,072	1,090
Other LT. Liabilities	2,948	3,623	5,586	5,745	5,867
Total Liabilities	**21,369**	**34,724**	**36,433**	**39,573**	**40,670**
Shareholder'sFunds	40,860	45,362	53,527	61,916	71,071
Minority interests	1,762	2,175	3,907	4,269	4,449
Total Equity & Liabilities	**63,991**	**82,262**	**93,867**	**105,757**	**116,190**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	5,002	7,403	11,627	13,245	14,600
Depreciation and Amort.	2,444	3,076	5,070	5,862	6,578
Change in Working Capital	1,347	1,427	(2,573)	176	(613)
OtherOper. Cash Flow	(727)	(115)	2,139	(247)	(271)
Operating Cash Flow	**8,066**	**11,791**	**16,263**	**19,035**	**20,294**
Capex	(2,703)	(8,052)	(12,000)	(10,000)	(9,000)
Others Inv. Cash Flow	3,005	74	2,200	723	740
Investing Cash Flow	**303**	**(7,978)**	**(9,800)**	**(9,277)**	**(8,260)**
Net change in debt	(669)	4,077	(3,594)	70	24
New Capital	0	0	0	0	0
Dividend payment	(2,175)	(2,518)	(3,456)	(4,841)	(5,457)
Other Fin. Cash Flow	(1,477)	(4,001)	399	(294)	(360)
Financing Cash Flow	**(4,321)**	**(2,442)**	**(6,651)**	**(5,065)**	**(5,793)**
Net Change in Cash	**4,048**	**1,371**	**(189)**	**4,693**	**6,241**
Cash - begin of the year	15,413	19,461	20,831	20,642	25,335
Cash - end of the year	19,461	20,831	20,642	25,335	31,613

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(7.7)	41.8	27.1	9.3	4.2
EBITDA	(26.2)	51.2	53.3	12.6	10.2
Operating profit	(21.9)	60.4	50.0	11.7	9.6
Net profit	29.8	48.0	57.1	13.9	10.2
Profitability (%)					
Gross margin	21.2	22.4	24.9	25.3	26.4
EBITDA margin	20.1	21.4	25.8	26.6	28.2
Operating margin	14.7	16.7	19.7	20.1	21.1
Net margin	11.0	11.5	14.2	14.8	15.6
ROAA	8.0	10.1	13.2	13.3	13.2
ROAE	12.7	17.2	23.5	22.9	22.0
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	13.7	12.3	36.5	51.0	54.8

Source : UNTR, Danareksa Estimates

Equity Research
Company Update

Vale Indonesia (INCO IJ)

Time needed to recover

BUY
Maintain

Last price (IDR)	3,170
Target Price (IDR)	**4,700**
Upside/Downside	**+48.3%**
Previous Target Price (IDR)	*4,700*

Stock Statistics

Sector	Metal Mining
Bloomberg Ticker	INCO IJ
No of Shrs (mn)	9,936
Mkt. Cap (IDRbn/USDmn)	31,498/2,181
Avg. daily T/O (IDRbn/USDmn)	34.1/2.4

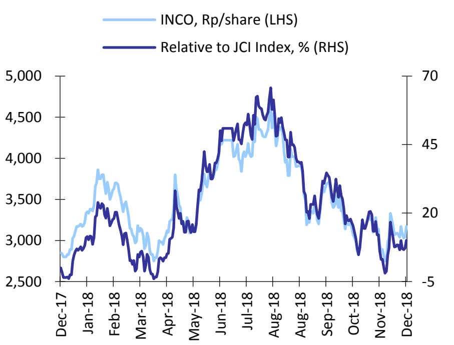
Major shareholders (%)

Vale Canada Ltd	58.7
Sumitomo Metal	20.1
Estimated free float	20.5

EPS Consensus (USDcents)

	2018F	2019F	2020F
Danareksa	0.7	1.0	1.1
Consensus	0.8	1.3	1.9
Danareksa/Cons (%)	(7.0)	(25.1)	(41.3)

INCO relative to JCI Index



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While the uncertainty arising from trade wars will impact the nickel price, we believe the nickel outlook is still fundamentally bright, backed by declining nickel inventory at the LME and SHFE and increasing demand for electric vehicles (EV) which will boost nickel demand over the long-run. Given that the share price of Vale Indonesia (INCO) is highly correlated to the nickel price, we maintain our BUY call with target price of IDR4,700 (based on DCF valuation with WACC of 12%).

Further cost efficiencies of USD50mn within 3 years by 2020. INCO initiated some USD50mn of cost efficiencies from the 2017 baseline which is expected to be delivered within 3 years by 2020. The cost efficiency programs involve: a reduction in equipment costs per hour, optimization in coal freight services optimization, savings on CCP2 in kiln 2, coal specification change for its reductant kiln, cost efficiencies in its supply chain & processing plants as well as other cost efficiencies. INCO targets cost efficiencies of USD8mn in 2018 and USD22mn in 2019. During 9M18, the management managed to conduct cost savings of USD4mn.

Flattish short-term nickel-in-matte production. Given unplanned maintenance activities, the management revised down its nickel-in-matte production target to 75,000 tonnes for 2018 from 77,000 tonnes. In the short term, INCO is targeting flattish nickel-in-matte production of up to 80,000 tonnes. The extension of the Sorowako nickel-in-matte processing facility to 90,000 tonnes will only kick in around 2022 – 2023.

Fundamentally, the nickel outlook is bright. While trade war tensions between the China and USA have subsided, we think that uncertainty will still affect nickel demand in China, which, in turn, will put pressure on the nickel price. However, with the total LME and SHFE nickel inventory falling further by 45.6% year-to-date and given increasing long-term demand for the production of electric vehicles (EV), we expect better nickel prices going forward.

Maintain BUY. We expect a modest improvement in the nickel price to USD13,500/tonne in 2019 and to USD14,500/tonne in 2020. Maintain BUY with target price to IDR4,700 (based on DCF valuation with WACC of 12.0% and long-term growth of 3%) given the bright outlook for nickel backed by declining nickel inventory at the LME and SHFE and increasing demand for electric vehicles (EV) over the long-term. Our new target price implies 31.4x 2019F PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (USDmn)	584	629	775	821	863
EBITDA (USDmn)	143	121	236	267	288
EBITDA Growth (%)	(36.6)	(15.9)	95.9	12.9	7.8
Net profit (USDmn)	2	(15)	74	97	111
EPS (USDcents)	0.0	(0.2)	0.7	1.0	1.1
EPS growth (%)	(96.2)	(901.2)	(584.1)	30.8	14.5
BVPS (USDcents)	18.5	18.3	19.1	19.6	20.1
DPS (USDcents)	0.0	0.0	0.0	0.4	0.6
PER (x)	1,144.5	n/m	29.5	22.6	19.7
PBV (x)	1.2	1.2	1.2	1.1	1.1
Dividend yield (%)	0.0	0.0	0.0	2.0	2.7
EV/EBITDA (x)	14.7	16.8	8.2	6.9	6.1

Source : INCO, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Revenue	**584**	**629**	**775**	**821**	**863**
COGS	(550)	(623)	(652)	(670)	(692)
Gross profit	**34**	**7**	**123**	**152**	**170**
EBITDA	**143**	**121**	**236**	**267**	**288**
Oper. profit	**22**	**(5)**	**111**	**140**	**158**
Interest income	2	3	2	2	3
Interest expense	(9)	(8)	(3)	0	0
Forex Gain/(Loss)	3	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(12)	(14)	(10)	(10)	(10)
Pre-tax profit	**5**	**(23)**	**101**	**132**	**152**
Income tax	(3)	8	(27)	(36)	(41)
Minority interest	0	0	0	0	0
Net profit	**2**	**(15)**	**74**	**97**	**111**
Core Net Profit	**(1)**	**(16)**	**74**	**97**	**111**

Exhibit 2. Balance Sheet

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	186	222	278	331	439
Receivables	147	166	149	158	154
Inventory	130	118	166	171	175
Other Curr. Asset	107	76	72	76	80
Fixed assets - Net	1,533	1,494	1,444	1,391	1,337
Other non-curr.asset	123	110	142	147	153
Total asset	**2,225**	**2,185**	**2,250**	**2,273**	**2,337**
ST Debt	36	37	38	0	0
Payables	64	61	82	84	87
Other Curr. Liabilities	31	32	46	47	49
Long Term Debt	73	36	0	0	0
Other LT. Liabilities	186	200	191	196	203
Total Liabilities	**391**	**365**	**357**	**328**	**339**
Shareholder'sFunds	1,835	1,819	1,893	1,946	1,998
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**2,225**	**2,185**	**2,250**	**2,273**	**2,337**

Exhibit 3. Cash Flow

Year to 31 Dec (USDmn)	2016A	2017A	2018F	2019F	2020F
Net income	2	(15)	74	97	111
Depreciation and Amort.	121	125	125	127	130
Change in Working Capital	(124)	19	6	(15)	0
OtherOper. Cash Flow	(9)	30	(26)	(1)	(2)
Operating Cash Flow	**(10)**	**160**	**180**	**208**	**238**
Capex	(61)	(89)	(75)	(75)	(75)
Others Inv. Cash Flow	105	8	(1)	2	2
Investing Cash Flow	**44**	**(81)**	**(76)**	**(73)**	**(73)**
Net change in debt	(37)	(37)	(36)	(38)	0
New Capital	0	0	0	0	0
Dividend payment	0	0	0	(44)	(58)
Other Fin. Cash Flow	(7)	(6)	(12)	0	0
Financing Cash Flow	**(44)**	**(43)**	**(48)**	**(82)**	**(58)**
Net Change in Cash	**(9)**	**36**	**56**	**53**	**108**
Cash - begin of the year	195	186	222	278	331
Cash - end of the year	186	222	278	331	439

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(26.0)	7.7	23.2	6.0	5.0
EBITDA	(36.6)	(15.9)	95.9	12.9	7.8
Operating profit	(79.4)	(121.8)	(2,429.0)	25.3	13.2
Net profit	(96.2)	(901.2)	(584.1)	30.8	14.5
Profitability (%)					
Gross margin	5.8	1.0	15.9	18.5	19.8
EBITDA margin	24.6	19.2	30.5	32.5	33.4
Operating margin	3.8	(0.8)	14.4	17.0	18.3
Net margin	0.3	(2.4)	9.5	11.8	12.8
ROAA	0.1	(0.7)	3.3	4.3	4.8
ROAE	0.1	(0.8)	4.0	5.0	5.6
Leverage					
Net Gearing (x)	0.0	(0.1)	(0.1)	(0.2)	(0.2)
Interest Coverage (x)	2.4	(0.6)	42.5	0.0	0.0

Source : INCO, Danareksa Estimates

Waskita Karya (WSKT IJ)

Looking for funding solutions

BUY

Maintain

Last price (IDR)	1,795
Target Price (IDR)	**2,400**
Upside/Downside	**+33.7%**
Previous Target Price (IDR)	*2,400*

Stock Statistics

Sector	Construction
Bloomberg Ticker	WSKT IJ
No of Shrs (mn)	13,574
Mkt. Cap (IDRbn/USDmn)	24,365/1,687
Avg. daily T/O (IDRbn/USDmn)	86.4/6.0

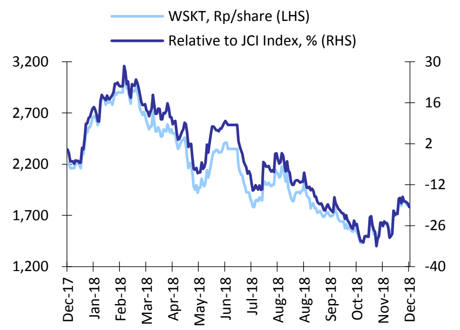
Major shareholders (%)

Govt. Indonesia	66.0
Public	34.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	362.3	282.3	255.9
Consensus	336.0	327.5	315.3
Danareksa/Cons (%)	7.8	(13.8)	(18.8)

WSKT relative to JCI Index



WSKT owns 18 toll roads with a total length of 1,019km and investment value of IDR165tn. As such, WSKT has raised a lot of debt to carry out the development of these projects, with room for more development now limited as the DER reached 2.28x in Sep18. To address this problem, WSKT plans to divest its toll roads through direct sales or the issuance of RDPT. Meanwhile, the payment of receivables should help WSKT's working capital and cash flow. Total outstanding receivables reached IDR46.4tn as of Sep18. BUY.

WSKT still seeks to divest its toll roads through direct divestment or by issuing financial instruments such as RDPT. WSKT plans to sell 18 of its toll roads gradually in 2019. Some of the toll roads ready to be sold are: Pejagan – Pemalang and Pemalang – Batang. The toll roads will be offered not only to toll road operators such as Jasa Marga (JSMR), but also to any interested investors.

RDPT may be issued in the future. In Apr 18, WSKT raised IDR5.0tn of fresh funds by issuing RDPT (mutual funds limited participation), a new financial instrument in Indonesia. Through the RDPT, WSKT divested a 70% stake in Waskita Transjava Toll Road (WTTR), a holding company of three toll roads: Kanci – Pejagan (35km), Pejagan – Pemalang (57.5km), and Pasuruan – Probolinggo (31.3km). We believe that the divestment of more toll roads through RDPT is likely in the future if WSKT fails to sell its toll roads to direct investors.

Funding remains the main issue. WSKT received a total payment of IDR2.5tn for constructing the Terbanggi Besar – Pematang Panggang – Kayu Agung toll road through two payments - both made in Dec 18. Moreover, WSKT has received another payment of IDR5.8tn for the Batang – Semarang toll road. WSKT booked receivables totaling IDR46.4tn in 9M18. The funds received from the payments have been used to repay bank loans to reduce the DER to below 2.0x by the end of 2018. Note that WSKT has limited room for debt raising since its DER has already reached 2.28x as of Sep 18, consisting of IDR61.7tn of debts. Interest expenses reached IDR1.9tn and interest coverage stood at 3.05x in 9M18.

2019 targets. We expect revenues to reach IDR57.1tn in 2019, +14.6%yoy, supported by 10.0%yoy growth in the new contracts target to IDR55.0tn. However, we also expect earnings to decline 22.1%yoy to IDR3.8tn due to high interest expenses and the onetime gains of IDR1.8tn booked in 2018 (arising from the issuance of RDPT in Apr18, we believe).

BUY on WSKT. WSKT owns toll roads of 1,019km in length consisting of 18 sections. The investment needed for these toll roads reached IDR165tn, with WSKT's equity portion reaching IDR22.0tn. Only 7 toll roads have begun operating. Our TP of IDR2,400 implies 8.5x 2019 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	23,788	45,213	49,791	57,054	59,605
EBITDA (IDRbn)	2,974	7,034	8,104	9,492	9,910
EBITDA Growth (%)	133.8	136.5	15.2	17.1	4.4
Net profit (IDRbn)	1,713	3,882	4,918	3,832	3,474
EPS (IDR)	147.5	334.1	362.3	282.3	255.9
EPS growth (%)	63.5	126.5	8.4	(22.1)	(9.3)
BVPS (IDR)	952.9	1,205.6	1,338.8	1,550.6	1,752.1
DPS (IDR)	15.4	37.9	57.2	72.5	56.5
PER (x)	12.2	5.4	5.0	6.4	7.0
PBV (x)	1.9	1.5	1.3	1.2	1.0
Dividend yield (%)	0.9	2.1	3.2	4.0	3.1
EV/EBITDA (x)	13.1	8.8	8.5	7.4	7.1

Source : WSKT, Danareksa Estimates

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**23,788**	**45,213**	**49,791**	**57,054**	**59,605**
COGS	(19,820)	(35,749)	(39,972)	(45,807)	(47,886)
Gross profit	**3,968**	**9,464**	**9,819**	**11,247**	**11,719**
EBITDA	**2,974**	**7,034**	**8,104**	**9,492**	**9,910**
Oper. profit	**3,172**	**7,386**	**8,488**	**9,928**	**10,365**
Interest income	187	334	1,086	160	180
Interest expense	(983)	(1,932)	(2,527)	(2,585)	(2,660)
Forex Gain/(Loss)	(1)	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	104	267	1,562	0	0
Pre-tax profit	**2,480**	**6,055**	**8,609**	**7,504**	**7,885**
Income tax	(667)	(1,854)	(2,668)	(2,319)	(2,585)
Minority interest	(100)	(320)	(1,023)	(1,353)	(1,825)
Net profit	**1,713**	**3,882**	**4,918**	**3,832**	**3,474**
Core Net Profit	**1,714**	**3,881**	**4,918**	**3,832**	**3,474**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	10,656	6,089	3,208	3,594	1,950
Receivables	10,902	13,122	15,570	16,904	17,660
Inventory	2,557	3,236	3,285	3,765	3,936
Other Curr. Asset	15,584	29,963	27,995	29,454	22,895
Fixed assets - Net	3,014	4,742	6,382	7,911	9,425
Other non-curr.asset	18,450	40,381	54,633	60,183	71,031
Total asset	**61,172**	**97,541**	**111,082**	**121,819**	**126,904**
ST Debt	15,350	25,886	28,518	30,690	31,272
Payables	14,715	25,449	28,970	33,132	34,724
Other Curr. Liabilities	1,219	975	1,312	1,462	1,574
Long Term Debt	9,890	18,015	18,864	18,687	17,139
Other LT. Liabilities	3,300	3,011	3,589	3,977	4,309
Total Liabilities	**44,474**	**73,336**	**81,252**	**87,949**	**89,017**
Shareholder'sFunds	11,070	14,006	18,173	21,048	23,783
Minority interests	5,704	8,748	10,061	11,067	12,173
Total Equity & Liabilities	**61,247**	**96,090**	**109,486**	**120,063**	**124,974**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,713	3,882	4,918	3,832	3,474
Depreciation and Amort.	198	351	384	436	455
Change in Working Capital	(12,491)	(7,611)	3,296	1,006	7,296
OtherOper. Cash Flow	1,956	1,315	2,043	2,839	2,840
Operating Cash Flow	**(8,624)**	**(2,062)**	**10,641**	**8,113**	**14,064**
Capex	(1,288)	(2,080)	(2,024)	(1,966)	(1,968)
Others Inv. Cash Flow	(5,707)	(23,374)	(12,675)	(4,804)	(10,457)
Investing Cash Flow	**(6,995)**	**(25,454)**	**(14,699)**	**(6,769)**	**(12,425)**
Net change in debt	17,160	19,615	3,818	1,932	(810)
New Capital	1	(416)	0	0	0
Dividend payment	(184)	(535)	(776)	(984)	(766)
Other Fin. Cash Flow	3,818	848	(1,316)	(1,690)	(1,675)
Financing Cash Flow	**20,795**	**19,512**	**1,726**	**(741)**	**(3,252)**
Net Change in Cash	**5,176**	**(8,004)**	**(2,332)**	**603**	**(1,613)**
Cash - begin of the year	5,511	10,656	6,089	3,208	3,594
Cash - end of the year	10,656	6,089	3,208	3,594	1,950

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	68.1	90.1	10.1	14.6	4.5
EBITDA	133.8	136.5	15.2	17.1	4.4
Operating profit	124.2	132.8	14.9	17.0	4.4
Net profit	63.5	126.6	26.7	(22.1)	(9.3)
Profitability (%)					
Gross margin	16.7	20.9	19.7	19.7	19.7
EBITDA margin	12.5	15.6	16.3	16.6	16.6
Operating margin	13.3	16.3	17.0	17.4	17.4
Net margin	7.2	8.6	9.9	6.7	5.8
ROAA	3.7	4.9	4.7	3.3	2.8
ROAE	16.6	31.0	30.6	19.5	15.5
Leverage					
Net Gearing (x)	0.9	1.7	1.6	1.4	1.3
Interest Coverage (x)	3.2	3.8	3.4	3.8	3.9

Source : WSKT, Danareksa Estimates

Waskita Beton Precast (WSBP IJ)

Flattish earnings growth expected

BUY

Maintain

Last price (IDR)	384
Target Price (IDR)	**480**
Upside/Downside	**+25.0%**
Previous Target Price (IDR)	*480*

Stock Statistics

Sector	Construction
Bloomberg Ticker	WSBP IJ
No of Shrs (mn)	24,516
Mkt. Cap (IDRbn/USDmn)	9,414/652
Avg. daily T/O (IDRbn/USDmn)	19.1/1.3

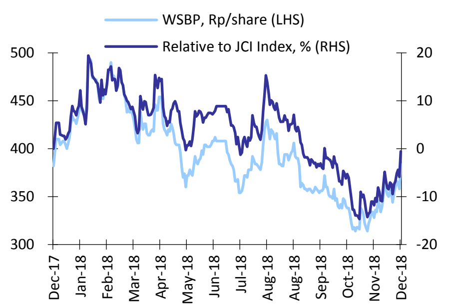
Major shareholders (%)

Waskita Karya	60.0
Public	40.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	42.6	43.1	44.1
Consensus	45.2	51.3	42.5
Danareksa/Cons (%)	(5.9)	(15.9)	3.7

WSBP relative to JCI Index



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WSBP expects to book positive operating cash flow (OCF) of at least IDR1.1tn by end-2018 following the payment of some projects in 4Q18. The Becakayu turnkey project has been fully paid in 2018. WSBP currently has only two turnkey projects worth IDR5.9tn. Meanwhile, external contracts are targeted to increase to 40% in 2019 from 30% in 2018. However, we expect flattish earnings growth of only +1.2%yoy in 2019, given soft new contracts achievement in 2018.

Expect positive operating cash flow by end-18. WSBP received IDR1.35tn as the payment for two turnkey projects in Nov18, namely: 1) Becakayu section 1A worth IDR1.1tn, and 2) Krian – Legundi - Bunder – Manyar (KLBM) of IDR250bn. As such, all receivables for the Becakayu toll road project have now been fully paid. WSBP is also looking to book another IDR1.6tn of payments: IDR1.6tn from the KBLM project and ~IDR200bn from other projects. As such, the management is optimistic the company can book positive operating cash flow of at least IDR1.1tn by Dec 18, up from only IDR82bn as of Sep 18.

Only two turnkey projects remain. Since Becakayu has been fully paid, there are now only two turnkey projects in the pipeline with a total value of IDR5.9tn. They are: KLBM worth IDR3.25tn and the IDR2.6tn Cimanggis Cibitung Toll Way (CCTW) project. Payments from turnkey projects are targeted to take place 3-6 months after project completion. WSBP booked IDR8.0tn of receivables in Sep18, of which 90% were receivables from related parties.

Trying to obtain more external works. WSBP expects its external contracts to increase gradually in the future. In 2018, the portion of external contracts is targeted to increase to 30% from 20% in 2017, and then reach 40% in 2019. By 2020, around 50% of the order book is targeted to be made up of external contracts. WSBP is optimistic the targets can be achieved thanks to the government's high infrastructure budget allocation.

2019 targets. We expect flattish growth in 2019 given the small amount of new contracts booked in 2018. We expect 2018 new contracts to reach only IDR6.6tn, or -40.2%yoy (FY17: IDR11.0tn). Hence, the order book in 2019 is targeted to reach IDR21.1tn (+1.9%yoy), including IDR13.5tn of carry over contracts. As such, revenues are targeted to reach IDR7.6tn (+5.3%yoy) with earnings of IDR1.1tn (+1.2%yoy).

BUY with a TP of IDR480. WSBP still has room for debt raising since its DER stood at 0.75x in Sep18. WSBP's production capacity has reached 3.5mn tons consisting of 11 plants and 68 batching plants. Our TP of IDR480 implies 11.0x 2019 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	4,717	7,104	7,203	7,583	7,783
EBITDA (IDRbn)	1,130	1,530	1,637	1,672	1,736
EBITDA Growth (%)	210.9	35.5	6.9	2.2	3.8
Net profit (IDRbn)	635	1,000	1,044	1,057	1,080
EPS (IDR)	33.8	38.6	42.6	43.1	44.1
EPS growth (%)	60.0	14.2	10.2	1.2	2.2
BVPS (IDR)	394.7	282.6	310.4	332.3	354.8
DPS (IDR)	0.0	12.9	30.6	21.3	21.6
PER (x)	11.3	9.9	9.0	8.9	8.7
PBV (x)	1.0	1.4	1.2	1.2	1.1
Dividend yield (%)	0.0	3.4	8.0	5.5	5.6
EV/EBITDA (x)	7.6	8.7	8.1	8.6	7.0

Source : WSBP, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**4,717**	**7,104**	**7,203**	**7,583**	**7,783**
COGS	(3,498)	(5,156)	(5,316)	(5,672)	(5,822)
Gross profit	**1,219**	**1,948**	**1,887**	**1,911**	**1,961**
EBITDA	**1,130**	**1,530**	**1,637**	**1,672**	**1,736**
Oper. profit	**1,130**	**1,530**	**1,637**	**1,672**	**1,736**
Interest income	58	88	41	24	28
Interest expense	(214)	(462)	(373)	(395)	(427)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(6)	0	0	0	0
Pre-tax profit	**967**	**1,156**	**1,305**	**1,301**	**1,338**
Income tax	(333)	(156)	(261)	(244)	(258)
Minority interest	0	0	0	0	0
Net profit	**635**	**1,000**	**1,044**	**1,057**	**1,080**
Core Net Profit	**635**	**1,000**	**1,044**	**1,057**	**1,080**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	4,206	1,028	284	334	878
Receivables	6,215	8,721	8,575	9,306	6,512
Inventory	232	859	553	590	606
Other Curr. Asset	643	967	760	801	823
Fixed assets - Net	1,933	3,149	4,031	4,864	5,647
Other non-curr.asset	505	196	204	212	860
Total asset	**13,734**	**14,920**	**14,408**	**16,107**	**15,325**
ST Debt	1,907	4,988	2,899	3,691	2,491
Payables	2,434	2,318	2,185	2,176	2,552
Other Curr. Liabilities	537	287	318	352	353
Long Term Debt	1,449	0	1,242	1,582	1,067
Other LT. Liabilities	2	9	154	161	165
Total Liabilities	**6,329**	**7,603**	**6,797**	**7,962**	**6,628**
Shareholder'sFunds	7,406	7,317	7,610	8,145	8,697
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**13,734**	**14,920**	**14,408**	**16,107**	**15,325**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	635	1,000	1,044	1,057	1,080
Depreciation and Amort.	117	375	218	267	317
Change in Working Capital	(5,345)	(2,372)	(893)	(784)	3,135
OtherOper. Cash Flow	1,902	688	469	372	(245)
Operating Cash Flow	**(2,690)**	**(310)**	**837**	**912**	**4,287**
Capex	(828)	(841)	(665)	(566)	(467)
Others Inv. Cash Flow	40	91	40	23	28
Investing Cash Flow	**(788)**	**(750)**	**(624)**	**(542)**	**(439)**
Net change in debt	2,595	183	602	1,132	(1,715)
New Capital	5,819	(776)	0	0	0
Dividend payment	(379)	(317)	(750)	(522)	(529)
Other Fin. Cash Flow	(214)	(459)	(373)	(395)	(427)
Financing Cash Flow	**7,820**	**(1,370)**	**(521)**	**215**	**(2,670)**
Net Change in Cash	**4,342**	**(2,429)**	**(309)**	**584**	**1,177**
Cash - begin of the year	98	4,206	1,028	284	334
Cash - end of the year	4,206	1,028	284	334	878

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	78.4	50.6	1.4	5.3	2.6
EBITDA	210.9	35.5	6.9	2.2	3.8
Operating profit	210.9	35.5	6.9	2.2	3.8
Net profit	89.9	57.6	4.4	1.2	2.2
Profitability (%)					
Gross margin	25.8	27.4	26.2	25.2	25.2
EBITDA margin	23.9	21.5	22.7	22.1	22.3
Operating margin	23.9	21.5	22.7	22.1	22.3
Net margin	13.5	14.1	14.5	13.9	13.9
ROAA	7.0	7.0	7.1	6.9	6.9
ROAE	14.5	13.6	14.0	13.4	12.8
Leverage					
Net Gearing (x)	(0.1)	0.5	0.5	0.6	0.3
Interest Coverage (x)	5.3	3.3	4.4	4.2	4.1

Source : WSBP, Danareksa Estimates

BUY
Maintain

Last price (IDR)	1,720
Target Price (IDR)	**2,200**
Upside/Downside	**+27.9%**
Previous Target Price (IDR)	*2,200*

Stock Statistics

Sector	Construction
Bloomberg Ticker	WIKA IJ
No of Shrs (mn)	8,970
Mkt. Cap (IDRbn/USDmn)	15,428/1,069
Avg. daily T/O (IDRbn/USDmn)	27.7/1.9

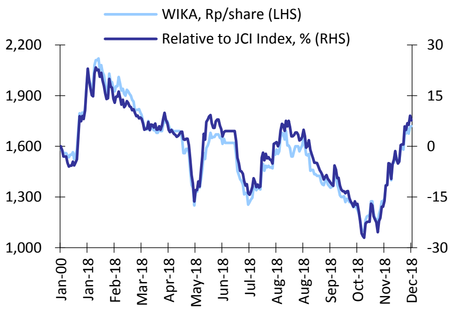
Major shareholders (%)

Govt. Indonesia	65.1
Public	34.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	187.7	250.6	301.3
Consensus	168.3	209.9	246.3
Danareksa/Cons (%)	11.5	19.4	22.3

WIKA relative to JCI Index



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Wijaya Karya (WIKA IJ)

Busy year ahead

WIKA hopes to obtain two new toll road projects with an investment value of IDR22.0tn in the near future. From the two projects, WIKA can expect to get construction contracts with a value of around IDR6.6 – IDR8.8tn. For funding, WIKA plans IPOs for two of its subsidiaries, along with the divestment of two toll roads and the issuance of perpetual bonds. BUY.

IPOs of two subsidiaries. WIKA seeks to raise ~IDR3.0-4.0tn of fresh funds from IPOs of two subsidiaries. The two subsidiaries which are expected to conduct IPOs in 2019 are: 1) Wika Realty, which is targeted to hold an IPO in 1H19 with targeted proceeds of IDR2.0tn, and 2) Wika Industri Konstruksi that is targeted to conduct an IPO in 2H19 with targeted proceeds of IDR1.0 – 2.0tn. Wika Industri Konstruksi is engaged in industrial and steel manufacturing, and was a supplier to Astra International (ASII) for the production of motorcycles.

Divestment of toll roads. WIKA plans to divest its ownership in two toll roads: 1) the Surabaya – Mojokerto (36.3km) toll road. WIKA owns 20% of Jasamarga Surabaya Mojokerto (JSM), the concession holder of the road. The investment needed for this toll road is estimated at IDR3.8tn, and 2) the Serang – Panimbang (83.7km) toll road. This toll road provides access to the Tanjung Lesung economic zone. WIKA owns an 80% stake in the project which will involve an estimated investment of IDR11.4tn. The proceeds from the divestments will be used for investments in new infrastructure projects.

Plans to issue perpetual bonds. WIKA plans to issue perpetual bonds with a total amount of IDR10.0tn over the next five years. In the first stage, WIKA has issued IDR600bn through the bond in 2019.

Jakarta-Bandung HSR project. The development of the Jakarta Bandung high speed railway (HSR) has reached 3.6% as of Nov18, and is targeted to reach 5.0% by the end of 2018. KCIC has received USD810.4mn of loans from China Development Bank (CDB) with funds drawdown on three occasions. Land clearing reached 86% by mid-Dec18. The project is targeted to be completed by mid-2021, while progress is targeted to reach 59% by end-2019.

Eyeing two new toll roads. WIKA is eyeing two new toll road projects with an investment value totaling IDR22.0tn, namely: 1) Harbor Road II toll road (9km) which will be developed via a JV with Citra Marga Nusaphala Persada (CMNP), and 2) Soreang – Pasir Koja toll road stage 2. Both projects are still in the tender offer stage.

BUY on WIKA. WIKA is our top pick in the sector. We expect 2019 earnings to grow by 33.5%yoy, the highest growth among the SOE contractors. The DER as of Sep18 reached 0.96x with a maximum covenant of 2.5x. Our TP of IDR2,200 implies 9.0x 2019 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	15,669	26,176	34,497	42,716	51,485
EBITDA (IDRbn)	1,853	2,500	3,283	4,129	4,812
EBITDA Growth (%)	34.9	34.9	31.3	25.7	16.5
Net profit (IDRbn)	1,059	1,202	1,683	2,248	2,703
EPS (IDR)	162.2	134.1	187.7	250.6	301.3
EPS growth (%)	59.3	(17.3)	39.9	33.5	20.2
BVPS (IDR)	1,753.1	1,409.4	1,569.3	1,782.3	2,033.5
DPS (IDR)	13.9	33.8	26.8	37.5	50.1
PER (x)	10.6	12.8	9.2	6.9	5.7
PBV (x)	1.0	1.2	1.1	1.0	0.8
Dividend yield (%)	0.8	2.0	1.6	2.2	2.9
EV/EBITDA (x)	7.0	5.3	4.6	3.8	3.3

Source : WIKA, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**15,669**	**26,176**	**34,497**	**42,716**	**51,485**
COGS	(13,477)	(23,300)	(30,645)	(37,915)	(45,753)
Gross profit	**2,192**	**2,876**	**3,853**	**4,801**	**5,732**
EBITDA	**1,853**	**2,500**	**3,283**	**4,129**	**4,812**
Oper. profit	**2,044**	**2,772**	**3,567**	**4,676**	**5,381**
Interest income	51	242	259	216	372
Interest expense	(435)	(678)	(820)	(866)	(944)
Forex Gain/(Loss)	(5)	1	0	0	0
Income From Assoc. Co's	(38)	(124)	(40)	(20)	(10)
Other Income (Expenses)	44	(121)	(173)	(182)	(221)
Pre-tax profit	**1,660**	**2,092**	**2,793**	**3,824**	**4,578**
Income tax	(449)	(736)	(908)	(1,337)	(1,611)
Minority interest	(152)	(154)	(202)	(240)	(264)
Net profit	**1,059**	**1,202**	**1,683**	**2,248**	**2,703**
Core Net Profit	**1,111**	**1,308**	**1,723**	**2,304**	**2,778**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	9,270	11,254	15,451	16,195	19,111
Receivables	8,726	15,824	19,497	24,798	29,982
Inventory	1,164	1,663	2,771	3,428	4,137
Other Curr. Asset	4,492	6,169	6,653	8,248	9,768
Fixed assets - Net	3,325	3,932	4,363	4,694	4,925
Other non-curr.asset	4,379	6,842	7,877	9,218	10,776
Total asset	**31,355**	**45,684**	**56,612**	**66,581**	**78,701**
ST Debt	5,814	6,907	10,484	10,974	12,781
Payables	5,534	10,633	12,735	15,758	19,013
Other Curr. Liabilities	3,561	8,436	7,930	9,903	11,950
Long Term Debt	932	2,108	4,732	5,666	6,605
Other LT. Liabilities	2,777	2,968	4,074	5,018	6,024
Total Liabilities	**18,617**	**31,052**	**39,955**	**47,319**	**56,373**
Shareholder'sFunds	11,445	12,634	14,076	15,987	18,241
Minority interests	1,293	1,998	2,580	3,275	4,087
Total Equity & Liabilities	**31,355**	**45,684**	**56,612**	**66,581**	**78,701**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,059	1,202	1,683	2,248	2,703
Depreciation and Amort.	191	272	283	547	569
Change in Working Capital	(2,138)	459	(3,526)	(2,455)	(2,085)
OtherOper. Cash Flow	505	(259)	1,545	1,438	1,410
Operating Cash Flow	**(383)**	**1,674**	**(14)**	**1,776**	**2,596**
Capex	(1,133)	(1,291)	(1,141)	(1,353)	(1,332)
Others Inv. Cash Flow	(814)	(682)	(371)	(596)	(511)
Investing Cash Flow	**(1,948)**	**(1,973)**	**(1,512)**	**(1,950)**	**(1,843)**
Net change in debt	3,235	2,269	6,201	1,425	2,745
New Capital	6,122	0	0	0	0
Dividend payment	33	(304)	(240)	(337)	(450)
Other Fin. Cash Flow	(579)	(388)	(820)	(866)	(944)
Financing Cash Flow	**8,810**	**1,578**	**5,141**	**223**	**1,351**
Net Change in Cash	**6,480**	**1,279**	**3,615**	**50**	**2,104**
Cash - begin of the year	2,560	9,270	11,254	15,451	16,195
Cash - end of the year	9,270	11,254	15,451	16,195	19,111

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	15.0	67.1	31.8	23.8	20.5
EBITDA	34.9	34.9	31.3	25.7	16.5
Operating profit	35.0	35.6	28.7	31.1	15.1
Net profit	69.4	13.5	40.0	33.5	20.2
Profitability (%)					
Gross margin	14.0	11.0	11.2	11.2	11.1
EBITDA margin	11.8	9.6	9.5	9.7	9.3
Operating margin	13.0	10.6	10.3	10.9	10.5
Net margin	6.8	4.6	4.9	5.3	5.2
ROAA	4.2	3.1	3.3	3.6	3.7
ROAE	13.4	10.0	12.6	15.0	15.8
Leverage					
Net Gearing (x)	(0.2)	(0.2)	0.0	0.0	0.0
Interest Coverage (x)	4.7	4.1	4.4	5.4	5.7

Source : WIKA, Danareksa Estimates

Wijaya Karya Beton (WTON IJ)

Bright outlook

BUY
Maintain

Last price (IDR)	382
Target Price (IDR)	**600**
Upside/Downside	**+57.1%**
Previous Target Price (IDR)	*600*

Stock Statistics

Sector	Construction
Bloomberg Ticker	WTON IJ
No of Shrs (mn)	8,338
Mkt. Cap (IDRbn/USDmn)	3,185/221
Avg. daily T/O (IDRbn/USDmn)	4.5/0.3

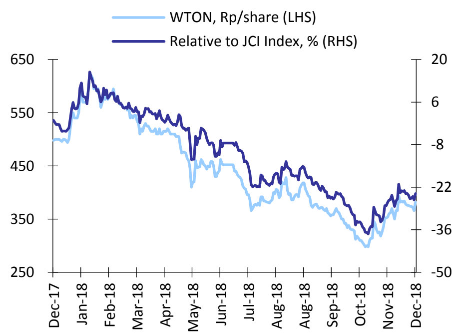
Major shareholders (%)

Wijaya Karya	78.4
Public	21.6

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	50.7	59.1	68.4
Consensus	48.4	56.0	66.4
Danareksa/Cons (%)	4.8	5.6	3.0

WTON relative to JCI Index



WTON's revenues contribution from WIKA is targeted to reach 30-40% in 2019 – or about the same as in 2018. Even though the contribution from Wika Group has risen in the past few years, WTON has no turnkey projects in its order book. Thus it has strong cash flow and a healthy balance sheet. We expect 2019 earnings to grow by 17%yoy, supported by an estimated 28% increase in production capacity to 4.0mn tons in 2019. WTON still has room to raise debts since its DER stood at only 0.60x as of Sep18. BUY.

WTON targets a 30-40% contribution from WIKA. WTON is targeting a contribution of new contracts from WIKA of around 30-40% in 2019 – or about the same as in 2018. The revenues contribution from Wika Group has gradually increased from only 8% in 2014 to 10% in 2015, 12.7% in 2016, and 25.3% in 2017. In 9M18, the contribution from WIKA was 38.2%, followed by PLN (12.7%), and Adhi Karya - ADHI (4.9%). WTON, however, has no turnkey projects in its order book.

Some major projects in the pipeline are: 1) the Jakarta – Bandung high speed railway (HSR), for which WTON has booked IDR804bn of contracts from WIKA. In addition, the company may get more contracts in the future with a value up to IDR700bn as the project is still under development and is targeted to be completed by 2021, 2) The Pettarani elevated toll road project. WTON won IDR1.6tn of contracts for the 4.3km long Pettarani elevated toll road in Makassar, South Sulawesi. For this project, WTON will also act as the contractor by supplying and installing the precast. The project started in May18 and completion is targeted for early 2020. The new toll road is expected to have access to the seaport. There are potential works for 2.0km of elevated road to connect both the toll roads. Potential additional contracts are at least 30% from the current contract or ~IDR480bn.

2019 targets. We expect 2019 revenues to reach IDR7.5tn, +16.7%yoy supported by 15.0%yoy growth in new contracts. We expect the 2019 order book to reach IDR15.1tn (+16.7%yoy, FY18E: IDR12.9tn), including IDR6.5tn of carry over contracts. Hence, earnings are targeted to reach IDR493bn (+16.6%yoy).

Higher capacity to support growth. We believe WTON should book strong growth given its high production capacity. WTON's current production capacity stands at 3.6mn tons/year, as targeted at the beginning of 2018. The capacity is targeted to increase to 4.0mn tons by end-2019, or +27.8%yoy. The additional 400,000 tons will come from the Subang plant through the addition of a new production line.

BUY with a TP of IDR600. The capex earmarked for 2019 is IDR700bn, or similar to 2018's capex of IDR676bn. However, we don't think the 2018 capex will be fully spent as the realization rate only reached 52% in 9M18. Going forward, WTON still has room to raise more debts since its DER as of Sep18 stood at 0.60x. Our TP of IDR600 implies 10.0x 2019 PE.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	3,482	5,362	6,466	7,545	8,732
EBITDA (IDRbn)	545	710	848	990	1,148
EBITDA Growth (%)	66.1	30.1	19.5	16.8	15.9
Net profit (IDRbn)	272	337	423	493	570
EPS (IDR)	32.7	40.4	50.7	59.1	68.4
EPS growth (%)	63.8	23.7	25.5	16.6	15.6
BVPS (IDR)	290.5	320.9	359.5	403.5	454.1
DPS (IDR)	6.3	9.8	12.1	15.2	17.7
PER (x)	11.7	9.4	7.5	6.5	5.6
PBV (x)	1.3	1.2	1.1	0.9	0.8
Dividend yield (%)	1.6	2.6	3.2	4.0	4.6
EV/EBITDA (x)	6.4	5.6	4.7	4.2	3.8

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Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**3,482**	**5,362**	**6,466**	**7,545**	**8,732**
COGS	(2,977)	(4,696)	(5,657)	(6,602)	(7,641)
Gross profit	**504**	**667**	**808**	**943**	**1,092**
EBITDA	**545**	**710**	**848**	**990**	**1,148**
Oper. profit	**408**	**531**	**641**	**748**	**866**
Interest income	16	4	13	15	17
Interest expense	(57)	(89)	(125)	(147)	(171)
Forex Gain/(Loss)	0	(1)	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(16)	(10)	0	0	0
Pre-tax profit	**352**	**435**	**529**	**616**	**713**
Income tax	(71)	(95)	(106)	(123)	(143)
Minority interest	(9)	(3)	0	0	0
Net profit	**272**	**337**	**423**	**493**	**570**
Core Net Profit	**280**	**346**	**423**	**493**	**570**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	342	638	773	858	924
Receivables	663	1,228	1,143	1,332	1,540
Inventory	694	1,034	1,131	1,320	1,528
Other Curr. Asset	740	1,451	1,185	1,327	1,487
Fixed assets - Net	2,219	2,679	3,173	3,631	4,150
Other non-curr.asset	3	37	40	44	48
Total asset	**4,662**	**7,068**	**7,446**	**8,513**	**9,677**
ST Debt	470	1,445	1,293	1,768	1,790
Payables	674	1,298	1,237	1,431	1,644
Other Curr. Liabilities	720	1,473	1,483	1,731	1,975
Long Term Debt	200	0	259	43	306
Other LT. Liabilities	108	104	104	104	104
Total Liabilities	**2,172**	**4,320**	**4,376**	**5,077**	**5,819**
Shareholder'sFunds	2,422	2,676	2,998	3,364	3,786
Minority interests	69	72	72	72	72
Total Equity & Liabilities	**4,662**	**7,068**	**7,446**	**8,513**	**9,677**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	272	337	423	493	570
Depreciation and Amort.	137	179	207	242	282
Change in Working Capital	(653)	(239)	204	(78)	(119)
OtherOper. Cash Flow	79	84	113	132	154
Operating Cash Flow	**(165)**	**361**	**946**	**788**	**886**
Capex	(359)	(639)	(700)	(700)	(800)
Others Inv. Cash Flow	16	3	13	15	17
Investing Cash Flow	**(342)**	**(636)**	**(687)**	**(685)**	**(783)**
Net change in debt	137	776	106	259	285
New Capital	0	1	0	0	0
Dividend payment	(52)	(82)	(101)	(127)	(148)
Other Fin. Cash Flow	(68)	(94)	(125)	(147)	(171)
Financing Cash Flow	**17**	**601**	**(120)**	**(15)**	**(34)**
Net Change in Cash	**(491)**	**325**	**139**	**89**	**70**
Cash - begin of the year	824	342	638	773	858
Cash - end of the year	342	638	773	858	924

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	31.3	54.0	20.6	16.7	15.7
EBITDA	66.1	30.1	19.5	16.8	15.9
Operating profit	71.2	30.0	20.8	16.7	15.7
Net profit	56.7	23.7	25.5	16.6	15.6
Profitability (%)					
Gross margin	14.5	12.4	12.5	12.5	12.5
EBITDA margin	15.7	13.2	13.1	13.1	13.1
Operating margin	11.7	9.9	9.9	9.9	9.9
Net margin	7.8	6.3	6.5	6.5	6.5
ROAA	6.0	5.7	5.8	6.2	6.3
ROAE	11.8	13.2	14.9	15.5	15.9
Leverage					
Net Gearing (x)	0.1	0.3	0.3	0.3	0.3
Interest Coverage (x)	7.2	6.0	5.1	5.1	5.1

Source : WTON, Danareksa Estimates

Danareksa Sekuritas

Equity Research
Company Update

BUY
Maintain

Last price (IDR)	2,040
Target Price (IDR)	**3,800**
Upside/Downside	**+86.3%**
Previous Target Price (IDR)	*3,800*

Stock Statistics

Sector	Telco
Bloomberg Ticker	EXCL IJ
No of Shrs (mn)	10,688
Mkt. Cap (IDRbn/USDmn)	21,803/1,510
Avg. daily T/O (IDRbn/USDmn)	31.8/2.2

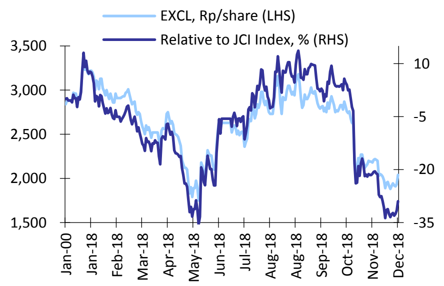
Major shareholders (%)

Axiata Investments Indonesia Sdn. Bhd.	66.4
Estimated free float	33.6

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	1.1	55.1	68.6
Consensus	11.1	58.7	102.3
Danareksa/Cons (%)	(90.1)	(6.2)	(32.9)

EXCL relative to JCI Index



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XL Axiata (EXCL IJ)

Going for stronger footing in ex-Java

With an early run in 3G/4G data, XL Axiata created a solid subscriber base with the highest data consumption and the company is set to benefit from rising volumes. Its operations are highly efficient, meaning it has the most to gain from growth scenarios. These factors underpin our BUY recommendation. XL Axiata is also increasing its spending budget for ex-Java areas in 2019 to achieve more robust growth.

Ahead of its competitors in riding data volumes. The company's early run in data with consistent 3G and now 4G BTS roll-out means EXCL is well placed to gain data market share. XL Axiata is becoming data-centric faster than its peers with 73% of its service revenues (64% of its topline) generated from Data, exerting pressure on Telkomsel while gaining advantage over the other contenders. EXCL's data traffic is ~50% less than Telkomsel's while it has less than 1/3 of Telkomsel's subscribers indicating stronger exposure to a data savy population. In addition, EXCL surpassed Indosat's topline grabbing data growth share in 9M18.

More ex-Java capex for larger market share. EXCL generates 70-80% of its revenues in Java and advises that the ex-Java market is fertile with higher growth and will hence apportion larger capex for 2019 in such areas. This is in line with BPS statistics which suggest relatively lower internet penetration in ex-Java regions. EXCL also has no option but to pursue expansion as the battle for the 2nd largest market share intensifies. EXCL may spread operations thin but it doesn't affect its competitiveness much as the risk applies to all its peers.

Maximizing value in two catalysts. XL Axiata has prioritized investment in growth and market positioning. The data yield decline which continued in 3Q18, is a sacrifice to drive users to higher consumption packages and 4G. We also think that XL Axiata will have greater flexibility to rationalize data yields than in 2018 in the absence of exogenous factors such as sim-reregistration. OPEX has been relatively stable with little tendency to overshoot, increasing the probability to generate operating leverage. We think that if upside in the topline can be realized, XL's business is very elastic to realize significant value

BUY on EXCL as our top pick. XL's model is well tuned to tapping the 3G/4G data trends and is en-route to diversifying its revenues/subscriber base to outside Java. We fine tuned our Revenues & EBITDA estimates with borderline positive earnings in 2018. We maintain our BUY recommendation with a TP of IDR3,800 based on DCF valuation, implying EV/EBITDA-19 of 5.2x. The stock is currently trading close to -2SD below the 3yr average multiple.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	21,341	22,876	23,024	24,793	26,224
EBITDA (IDRbn)	8,058	8,321	8,517	9,879	10,965
EBITDA Growth (%)	(4.0)	3.3	2.4	16.0	11.0
Net profit (IDRbn)	376	375	12	589	733
EPS (IDR)	35.1	35.1	1.1	55.1	68.6
EPS growth (%)	(109.5)	(0.1)	(96.9)	4,917.4	24.5
BVPS (IDR)	1,984.4	2,023.9	2,024.9	2,080.0	2,148.6
DPS (IDR)	0.0	0.0	0.0	0.0	0.0
PER (x)	58.1	58.1	1,856.5	37.0	29.7
PBV (x)	1.0	1.0	1.0	1.0	0.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	4.4	4.1	4.0	3.5	3.0

Source : EXCL, Danareksa Estimates

Exhibit 1. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	**21,341**	**22,876**	**23,024**	**24,793**	**26,224**
COGS	(18,242)	(17,987)	(18,660)	(19,208)	(19,907)
Gross profit	**3,100**	**4,889**	**4,364**	**5,585**	**6,317**
EBITDA	**8,058**	**8,321**	**8,517**	**9,879**	**10,965**
Oper. profit	**12**	**1,370**	**921**	**1,721**	**2,228**
Interest income	261	244	211	65	110
Interest expense	(1,794)	(1,539)	(1,389)	(1,472)	(1,360)
Forex Gain/(Loss)	351	(30)	(445)	0	0
Income From Assoc. Co’s	(255)	(103)	0	0	0
Other Income (Expenses)	1,610	279	546	423	0
Pre-tax profit	**186**	**221**	**(156)**	**737**	**978**
Income tax	190	154	168	(147)	(244)
Minority interest	0	0	0	0	0
Net profit	**376**	**375**	**12**	**589**	**733**
Core Net Profit	**25**	**405**	**457**	**589**	**733**

Exhibit 2. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,400	2,455	747	1,218	2,173
Receivables	663	632	575	638	684
Inventory	161	143	153	169	182
Other Curr. Asset	4,583	3,950	4,186	4,973	4,965
Fixed assets - Net	33,183	34,934	34,068	32,835	31,110
Other non-curr.asset	14,907	14,207	14,557	14,382	14,469
Total asset	**54,896**	**56,321**	**54,286**	**54,216**	**53,582**
ST Debt	3,645	3,771	3,330	3,582	3,561
Payables	6,503	7,476	8,119	7,506	7,867
Other Curr. Liabilities	4,329	3,979	2,960	2,046	1,421
Long Term Debt	11,026	10,980	9,900	10,440	9,396
Other LT. Liabilities	8,184	8,484	8,334	8,409	8,372
Total Liabilities	**33,687**	**34,691**	**32,643**	**31,984**	**30,617**
Shareholder'sFunds	21,209	21,631	21,642	22,231	22,965
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**54,896**	**56,321**	**54,285**	**54,215**	**53,582**

Exhibit 3. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	376	375	12	589	733
Depreciation and Amort.	8,046	6,951	7,596	8,158	8,737
Change in Working Capital	(53)	1,305	(565)	(2,393)	(314)
OtherOper. Cash Flow	551	511	1,148	1,391	1,363
Operating Cash Flow	**8,920**	**9,142**	**8,191**	**7,745**	**10,519**
Capex	(6,821)	(7,918)	(6,700)	(6,908)	(7,124)
Others Inv. Cash Flow	620	944	(139)	239	23
Investing Cash Flow	**(6,200)**	**(6,974)**	**(6,839)**	**(6,669)**	**(7,102)**
Net change in debt	(9,580)	380	(1,671)	867	(1,102)
New Capital	6,721	18	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(1,772)	(1,511)	(1,389)	(1,472)	(1,360)
Financing Cash Flow	**(4,631)**	**(1,113)**	**(3,060)**	**(605)**	**(2,463)**
Net Change in Cash	**(1,912)**	**1,055**	**(1,708)**	**471**	**954**
Cash - begin of the year	3,312	1,400	2,455	747	1,218
Cash - end of the year	1,400	2,455	747	1,218	2,173

Exhibit 4. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(6.7)	7.2	0.6	7.7	5.8
EBITDA	(4.0)	3.3	2.4	16.0	11.0
Operating profit	(99.0)	11,111.9	(32.8)	86.8	29.4
Net profit	(109.5)	(0.1)	(96.9)	4,917.4	24.5
Profitability (%)					
Gross margin	14.5	21.4	19.0	22.5	24.1
EBITDA margin	37.8	36.4	37.0	39.8	41.8
Operating margin	0.1	6.0	4.0	6.9	8.5
Net margin	1.8	1.6	0.1	2.4	2.8
ROAA	0.7	0.7	0.0	1.1	1.4
ROAE	2.1	1.8	0.1	2.7	3.2
Leverage					
Net Gearing (x)	0.6	0.6	0.6	0.6	0.5
Interest Coverage (x)	0.0	0.9	0.7	1.2	1.6

Source : EXCL, Danareksa Estimates

Equity Valuation

Equity Valuation	Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn 2018	Net profit, Rp bn 2019	EPS (Rp) 2018	EPS (Rp) 2019	Core EPS (Rp) 2018	Core EPS (Rp) 2019	EPS Growth 2018	EPS Growth 2019	PER (x) 2018	PER (x) 2019	EV / EBITDA (x) 2018	EV / EBITDA (x) 2019	PBV (x) 2018	PBV (x) 2019	ROE 2018	ROE 2019
Danareksa Universe				**4,451,746**	**252,637**	**280,134**	**242.3**	**268.7**			**7.7%**	**10.9%**	**18.0**	**16.2**	**21.3**	**19.6**	**3.2**	**2.9**	**19.0**	**19.0**
Auto				**341,074**	**21,971**	**24,166**	**543**	**597**			**4.5%**	**9.1%**	**17.1**	**15.7**	**12.7**	**11.6**	**2.5**	**2.3**	**15.3**	**15.4**
Astra International	BUY	8,425	9,500	341,074	21,971	24,166	543	597	543	597	16.4%	10.0%	15.5	14.1	11.3	10.1	2.5	2.3	16.9	16.9
Banks				**1,686,182**	**106,664**	**118,773**	**3,588**	**3,986**			**14.3%**	**11.4%**	**16.4**	**14.7**			**2.6**	**2.3**	**16.5**	**16.3**
BCA	HOLD	26,150	28,000	652,306	26,257	29,725	1,065	1,206	1,065	1,206	12.6%	13.2%	24.4	21.6	N/A	N/A	4.2	3.6	18.5	17.9
BNI	BUY	8,700	9,500	162,243	15,262	16,720	818	897	818	897	12.1%	9.6%	10.7	9.7	N/A	N/A	1.5	1.3	14.6	14.2
BRI	BUY	3,670	4,300	452,679	32,924	37,100	267	301	267	301	13.5%	12.7%	13.7	12.2	N/A	N/A	2.4	2.1	18.6	18.5
Bank Tabungan Negara	BUY	2,660	3,600	28,169	3,289	3,492	311	330	311	330	8.6%	6.2%	8.6	8.1	N/A	N/A	1.2	1.0	14.3	13.6
Bank Mandiri	BUY	7,425	8,700	346,500	24,463	26,694	524	572	524	572	18.5%	9.1%	14.2	13.0	N/A	N/A	1.9	1.8	14.1	14.2
BTPN	HOLD	3,450	3,800	19,821	2,305	2,518	401	438	401	438	88.8%	9.2%	8.6	7.9	N/A	N/A	1.1	1.0	13.2	12.9
BTPS	BUY	1,815	2,100	13,982	906	1,174	118	153	118	153	21.6%	29.7%	15.4	11.9	N/A	N/A	3.6	3.0	29.4	27.3
BPD Jatim	BUY	700	850	10,482	1,259	1,350	84	90	84	90	8.6%	7.2%	8.3	7.7	N/A	N/A	1.2	1.2	15.5	15.5
Cement				**139,812**	**4,062**	**4,865**	**735**	**890**			**-3.4%**	**22.8%**	**52**	**42**	**22**	**19**	**2.6**	**2.5**	**6.7**	**7.7**
Indocement	HOLD	19,450	18,700	71,600	1,123	1,394	239	305	239	305	-52.6%	27.5%	81.3	63.7	32.2	27.3	2.9	2.9	3.6	4.5
Semen Indonesia	BUY	11,500	13,500	68,212	2,939	3,471	496	585	496	585	45.9%	18.1%	23.2	19.7	11.4	10.1	2.2	2.0	9.8	10.8
Cigarettes				**604,708**	**21,823**	**25,512**	**4,458**	**5,410**			**6.5%**	**10.7%**	**28.6**	**25.9**	**19.6**	**17.9**	**7.5**	**6.8**	**27.2**	**27.5**
Gudang Garam	BUY	83,350	101,000	160,373	8,355	10,155	4,342	5,278	4,342	5,278	7.8%	21.6%	19.2	15.8	12.8	10.6	3.5	3.1	19.0	20.9
HM Sampoerna	BUY	3,820	4,200	444,335	13,468	15,357	116	132	116	128	6.3%	14.0%	32.5	28.5	23.9	20.8	12.4	11.7	38.9	42.4
Construction				**102,814**	**12,300**	**12,023**	**1,368**	**1,415**			**12.5%**	**17.9%**	**9.1**	**7.8**	**7.6**	**6.84**	**1.4**	**1.2**	**16.1**	**16.5**
Wijaya Karya	BUY	1,720	2,200	15,428	1,683	2,248	188	251	188	251	39.9%	33.5%	9.2	6.9	4.6	3.8	1.1	1.0	12.6	15.0
Pembangunan Perumahan	BUY	1,955	2,700	12,121	1,454	1,832	235	296	235	296	-2.7%	26.0%	8.3	6.6	3.5	2.9	0.9	0.8	12.0	13.4
Adhi Karya	BUY	1,645	2,150	5,858	753	920	212	258	212	258	46.1%	22.2%	7.8	6.4	6.3	5.6	0.8	0.7	11.6	11.6
Waskita Karya	BUY	1,795	2,400	24,365	4,918	3,832	362	282	362	282	8.4%	-22.1%	5.0	6.4	8.5	7.4	1.3	1.2	30.6	19.5
Waskita Beton	BUY	384	480	9,414	1,044	1,057	43	43	43	43	10.2%	1.2%	9.0	8.9	8.1	8.6	1.2	1.2	14.0	13.4
Wika Beton	BUY	382	600	3,185	423	493	51	59	51	59	25.5%	16.6%	7.8	6.5	4.7	4.2	1.1	1.0	14.9	15.5
Jasa Marga	BUY	4,470	5,400	32,443	2,025	1,640	279	226	279	226	-8.0%	-19.0%	16.0	27.9	22.4	25.2	1.9	1.8	12.7	9.4
Consumer				**600,776**	**19,349**	**18,665**	**2,183**	**2,070**			**9.0%**	**9.7%**	**38.0**	**34.6**	**21.4**	**19.6**	**9.7**	**8.8**	**26.6**	**26.6**
Indofood CBP	HOLD	10,200	11,000	118,951	4,175	4,466	358	383	358	383	10.0%	7.0%	27.1	25.3	16.1	15.2	5.2	4.7	20.2	18.1
Indofood	BUY	7,300	8,200	64,097	3,850	4,282	439	488	439	488	-7.6%	11.2%	14.1	12.7	6.2	5.6	1.6	1.5	12.0	12.5
Unilever	SELL	45,000	38,900	343,350	8,938	7,228	1,171	947	1,171	947	27.6%	-19.1%	34.1	42.2	24.1	29.3	41.7	41.5	143.1	98.5
Kino Indonesia	HOLD	2,880	2,800	4,114	142	174	100	122	100	122	28.9%	22.3%	25.7	21.0	14.3	11.7	1.7	1.6	6.9	7.9
Mayora Indah	HOLD	2,600	2,730	58,133	1,564	1,710	70	77	70	77	-1.9%	9.3%	36.7	33.6	20.6	17.4	7.0	6.1	20.3	19.4
Sido Muncul	BUY	815	1,000	12,131	680	805	46	54	46	54	27.5%	18.3%	17.5	14.8	14.9	12.5	3.9	3.7	25.8	27.7
Healthcare				**83,384**	**2,813**	**3,032**	**116**	**133**			**-7.0%**	**18.5%**	**31.2**	**28.4**	**19.8**	**17.8**	**5.0**	**4.5**	**16.8**	**16.6**
Kalbe Farma	HOLD	1,490	1,400	69,610	2,458	2,601	52	56	52	56	2.3%	5.8%	28.3	26.8	18.0	17.1	4.7	4.2	17.5	16.7
Kimia Farma	SELL	2,680	2,310	13,774	355	431	64	78	64	78	8.6%	21.4%	41.9	34.6	27.4	21.2	5.4	4.8	13.4	14.6
Heavy Equipment				**106,868**	**11,627**	**13,245**	**3,117**	**3,551**			**18.6%**	**10.6%**	**12.3**	**11.1**	**5.2**	**4.5**	**2.2**	**2.0**	**18.9**	**18.6**
United Tractors	BUY	28,650	43,000	106,868	11,627	13,245	3,117	3,551	3,117	3,551	57.1%	13.9%	9.2	8.1	4.1	3.5	2.0	1.7	23.5	22.9
Industrial Estate				**11,988**	**866**	**1,110**	**41**	**70**			**-54.6%**	**17.6%**	**11.4**	**9.7**	**7.5**	**6.7**	**0.8**	**0.7**	**7.0**	**7.9**
Puradelta Lestari	BUY	160	220	7,712	488	600	10	12	10	12	-25.7%	22.9%	12.9	17.4	15.6	11.8	1.2	1.1	6.9	8.3
Bekasi Fajar	BUY	214	300	2,065	456	467	47	48	47	48	-5.6%	2.4%	4.9	4.8	5.3	5.3	0.5	0.5	11.3	10.5
Surya Semesta	HOLD	470	500	2,211	(78)	43	(17)	9	(17)	9	-106.7%	154.4%	n/m	51.6	7.7	6.0	0.6	0.6	(2.0)	1.1
Media				**38,060**	**2,994**	**3,702**	**207**	**256**			**27.5%**	**10.4%**	**10.5**	**9.5**	**6.9**	**6.2**	**2.5**	**2.2**	**25.5**	**24.5**
Media Nusantara Citra	BUY	720	1,450	10,279	1,384	1,906	97	134	97	134	-4.7%	37.7%	8.6	6.2	4.7	4.3	1.2	1.1	14.7	18.3
Surya Citra Media	BUY	1,900	2,350	27,781	1,610	1,796	110	123	110	123	21.0%	11.5%	16.9	15.2	11.5	10.2	5.9	5.1	37.8	35.9
Mining				**167,777**	**18,273**	**18,256**	**4,649**	**4,404**			**24.1%**	**1.5%**	**9.5**	**9.3**	**4.2**	**4.1**	**1.4**	**1.3**	**14.7**	**14.1**
Adaro Energy	BUY	1,245	2,000	39,823	6,216	5,936	196	182	196	182	-8.1%	-4.6%	6.2	6.5	2.2	2.4	0.8	0.7	12.5	11.3
Timah	BUY	760	900	5,660	420	433	56	58	56	58	-16.5%	3.2%	13.5	13.1	5.9	5.3	0.9	0.9	6.8	6.7
Vale Indonesia	BUY	3,170	4,700	31,498	1,036	1,358	98	140	98	140	-584.1%	30.8%	29.5	22.6	8.2	6.9	1.2	1.1	4.0	5.0
Aneka Tambang	HOLD	760	1,000	18,263	708	783	30	33	30	33	418.9%	10.5%	25.8	23.3	8.9	9.0	1.0	0.9	3.8	4.0
Bukit Asam	BUY	4,220	5,400	45,874	5,240	5,383	482	495	482	495	17.1%	2.7%	8.8	8.5	5.9	6.3	3.0	2.7	36.0	33.2
Indo Tambangraya Megah	BUY	20,025	30,000	22,712	3,990	3,654	3,542	3,234	3,542	3,234	12.9%	-8.4%	5.4	5.9	2.5	3.0	1.6	1.7	29.8	27.6
Harum Energy	HOLD	1,460	2,000	3,947	663	709	245	262	245	262	-33.1%	11.9%	9.0	8.1	- 0.1	- 0.6	0.9	0.9	9.8	10.9
Plantation				**37,264**	**2,440**	**3,068**	**1,020**	**1,307**			**-8.2%**	**10.1%**	**13.1**	**11.9**	**6.9**	**5.4**	**1.2**	**1.1**	**9.1**	**9.4**
Astra Agro Lestari	BUY	12,300	16,500	23,674	1,500	1,868	779	970	779	970	-25.4%	24.6%	17.3	13.9	8.2	6.8	1.4	1.3	8.1	9.5
Sampoerna Agro	BUY	2,410	3,000	4,383	255	397	140	218	140	218	-11.4%	55.8%	16.3	10.5	7.9	6.4	1.0	0.9	6.4	9.4
PP London Sumatra	BUY	1,350	2,000	9,207	685	803	100	118	100	118	-10.3%	17.3%	13.9	11.8	8.2	5.1	1.1	1.1	8.2	9.2
Property				**87,824**	**6,991**	**7,323**	**297**	**310**			**-11.7%**	**-5.0%**	**11.4**	**12.0**	**8.5**	**8.5**	**1.3**	**1.2**	**12.3**	**10.5**
Alam Sutera	HOLD	338	330	6,642	1,356	1,470	69	75	69	75	-1.7%	8.4%	5.5	5.1	6.0	5.5	0.8	0.7	15.0	14.3
Bumi Serpong Damai	BUY	1,260	1,580	24,251	1,898	1,932	99	100	99	100	-61.4%	1.8%	16.5	16.2	9.8	9.0	1.2	1.1	7.3	6.9
Ciputra Development	BUY	1,010	1,180	15,580	1,068	1,126	58	61	58	61	19.4%	5.5%	21.1	20.0	13.0	12.2	1.6	1.5	7.7	7.5
Pakuwon Jati	BUY	610	680	29,377	2,325	2,471	48	51	48	51	24.2%	6.3%	12.7	12.0	8.4	7.8	2.4	2.0	20.5	18.3
Summarecon	BUY	830	980	11,974	344	324	24	23	24	23	-4.9%	-5.8%	37.5	39.8	10.5	11.3	1.9	1.8	5.2	4.6
Telco				**462,362**	**21,708**	**26,479**	**41**	**327**			**-14.1%**	**18.2%**	**18.6**	**15.7**	**5.7**	**5.1**	**3.1**	**2.9**	**17.1**	**19.2**
Telekomunikasi Indonesia	BUY	3,810	4,300	384,048	20,783	23,624	206	234	206	234	-6.2%	13.7%	18	16	6.2	5.5	3.5	3.2	21.9	23.4
Indosat	BUY	1,735	3,100	9,428	(2,261)	(1,415)	(416)	(260)	(416)	(260)	-299.0%	-37.4%	n/m	n/m	3.8	2.2	0.8	0.5	(17.6)	(8.8)
XL Axiata	BUY	2,040	3,800	21,803	12	589	1	55	1	55	-96.9%	4917.4%	1,856.5	37.0	4.0	3.5	1.0	1.0	0.1	2.7
Tower Bersama	BUY	3,660	4,500	15,964	894	1,075	205	246	205	246	-61.4%	20.2%	17.8	14.9	10.1	9.4	5.7	4.9	30.3	35.4
Sarana Menara Nusantara	BUY	610	810	31,119	2,280	2,606	45	51	45	51	8.6%	14.3%	13.6	11.9	7.8	7.1	3.8	3.3	29.8	29.6

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