

FROM EQUITY RESEARCH

Sarana Menara Nusantara: 4Q18 Preview - peculiar but remaining upbeat (MAINTAIN)

Based on partial disclosure on TOWR, headline numbers came slightly short on qoq basis with growth in tenancies on net basis using build-to-suit (bts) towers. TOWR reported progress in installing new fiber adding another 2,2km for fiberization of towers in 4Q18. Our TP has been achieved and is currently under review to incorporate new contracts recently came to light.

To see the full version of this report, please [Click here](#)

United Tractors : Recovery in Dec 18's Komatsu sales volume (UNTR IJ.IDR 26,000 .BUY.TP IDR 36,000)

United Tractors (UNTR) reported Komatsu sales volume of 376 units (+17.1% mom and +17.1% yoy) in Dec 2018. Despite the weak Komatsu sales volume in the last two months of 2018, the sales volume in 2018 rose by 28.8% yoy to 4,878 units. While we expect weak earnings in 4Q18 on the back of lower operational volume, we believe the company will book solid earnings in 2018. Maintain BUY with a target price of IDR36,000.

To see the full version of this report, please [Click here](#)

MARKET NEWS

MACROECONOMY

- Government: State revenues grew by 6.24%yoy

SECTOR

- Consumer: TCID estimates 5-10% yoy revenues growth in 2019

CORPORATE

- SSIA to draw down Less Than Half of Its Loan Facility This Year

PREVIOUS REPORT

- Poultry: Berdikari: A New Potential SOE Integrator [Click here](#)
- Wijaya Karya: Still in transition [Click here](#)
- Unilever Indonesia: Improving outlook [Click here](#)
- Garuda Maintenance Facility: 4Q18: Higher expenses reduced the profits [Click here](#)
- SIDO MUNCUL: Profits boosted by margins expansion [Click here](#)
- XL Axiata: Going all the way, the only good fight [Click here](#)
- Astra International: Stable car market share despite lower volume [Click here](#)
- Kalbe Farma: Unremarkable performance [Click here](#)
- Telkom Indonesia: A more positive sentiment on Telkom [Click here](#)
- Danareksa Research Institute: Trade Outlook – January 2019 Set to pick up [Click here](#)
- Telco: Simulation of the rumored FREN-ISAT merger [Click here](#)
- Indocement Tunggal Prakarsa: Lower sales on heavy rainfall [Click here](#)

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.513	0,3	5,1	605
Thailand	1.645	0,6	5,2	1.864
Philippines	7.939	1,3	6,3	137
Malaysia	1.726	1,1	2,1	581
Singapore	3.278	0,6	6,8	817
Regional				
China	2.761	0,2	10,7	53.448
Hong Kong	28.514	1,0	10,3	13.852
Japan	21.431	0,6	7,1	11.231
Korea	2.216	(0,6)	8,6	4.031
Taiwan	10.272	1,2	5,6	4.296
India	35.756	1,1	(0,9)	287
NASDAQ	7.489	0,0	12,9	102.264
Dow Jones	25.954	0,2	11,3	9.690

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14.044	0,1	1,3	2,4
BI7DRRR %	6,00	-	-	-
10y Gov Indo bond	7,90	(0,1)	(0,2)	(0,1)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	95	-	(4,6)	(6,7)
Gold	US\$/toz	1.341	0,2	5,1	4,5
Nickel	US\$/mt.ton	12.828	2,0	9,0	21,0
Tin	US\$/mt.ton	21.299	0,5	2,7	9,1

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.329	0,4	2,8	(1,5)
Corn	US\$/mt.ton	133	-	(1,7)	(0,3)
Oil (WTI)	US\$/barrel	57	0,1	6,4	26,0
Oil (Brent)	US\$/barrel	67	0,9	7,0	24,7
Palm oil	MYR/mt.ton	2.111	(0,2)	3,2	8,1
Rubber	US\$/kg	145	0,8	5,5	16,3
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	79	(0,2)	(0,7)	0,4
Sugar	US\$/MT	360	0,3	1,9	8,3
Wheat	US\$/ton	132	(1,6)	(7,5)	(5,1)
Soy Oil	US\$/lb	30	0,7	3,3	8,7
Soy Bean	US\$/by	903	0,2	(1,6)	2,3

Thursday, 21 February 2019

BUY
Maintain

Last price (IDR) 825
Target Price (IDR) U/R
Upside/Downside n/a
Previous Target Price (IDR) 810

Stock Statistics

Sector Towers
Bloomberg Ticker TOWR JJ
No of Shrs (mn) 51,015
Mkt. Cap (IDRbn/USDmn) 42,087/2,997
Avg. daily T/O (IDRbn/USDmn) 14.1/1.0

Major shareholders (%)

PT Sapta Adhikari Investama 50.1
Estimated free float 49.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	44.7	51.1	55.1
Consensus	46.7	53.0	57.3
Danareksa/Cons	(4.2)	(3.6)	(3.8)

TOWR relative to JCI Index



Source : Bloomberg



Niko Margaronis

(62-21) 2955 5888 ext. 3512

niko.margaronis@danareksa.co.id

Sarana Menara Nusantara(TOWR JJ)

4Q18 Preview - peculiar but remaining upbeat

Based on partial disclosure on TOWR, headline numbers came slightly short on qoq basis with growth in tenancies on net basis using build-to-suit (bts) towers. TOWR reported progress in installing new fiber adding another 2,2km for fiberization of towers in 4Q18. Our TP has been achieved and is currently under review to incorporate new contracts recently came to light.

Organic and inorganic growth for TOWR in FY18. TOWR revenues and EBITDA were in line with our estimate and consensus. TOWR revenue was recorded higher by +9.9%yoy to Rp5.87tn uplifted by a) the acquisition of KIN Komet in late 2Q18 and ending the year in #2,044 new tenancies (#1,972 in 2Q18) from #1,455 towers (#1,369 in 2Q18), b) via organic growth by adding +#1,264 tenancies on net basis with #1,128 bts towers and c) additional equipment leases on existing tenancies. FY18 performance resulted in Rp4,93tn EBITDA which corresponds to 84% margin. At end of FY18, leverage was up with net debt / EBITDA ratio is up to 2.1x from 1.8x from higher capex for towers as majority of the increase in organic tenancies came in through construction of bts towers, FY18 capex was marked also by aggressive rollout to fiberize towers ytd 4,400km with a view to install and serve ~18,000km fiber in next 1-2yrs. TOWR used funds also to distribute interim dividend in Nov.

Peculiar 4Q18 casts shadow. There is slight decrease (-1.1%qoq) to Rp1.52tn revenue in 4Q18 although while at the same time there was increase in tenancies +#206 mainly through bts towers which requires new tower installation (+#203). We have limited view on the results, but we think that the drop in margin by ~5pp yoy to 82% is either due to churns on lower tenancy ratio 1.62x and/or lower pricing of tenancies. Nonetheless, quarterly revenue base is elevated on yearly basis showing +12%yoy growth as a result of upside in previous quarters which recur also in 4Q18 given the contract nature of the business.

Despite shortcomings in 4Q18, the outlook for new orders is rosy. TOWR depicts tenancy ratio of 1.62x - lowest in recent years, which indicates room for tenancy growth through collocation. TOWR asserts will add 3,000 gross organic tenancies in 2019, with ~1,600 due for delivery from 2018 standing orders and remaining from new orders expected in the year. With strong commitment to invest in 4G and network rollout currently underway for all 5 large operators, the trend is for tenancies to grow given greater need for coverage in ex-Java and network densification, thus confident for TOWR to reach its FY19 tenancy target. We are currently reviewing our projections to incorporate new master lease agreements worth Rp5.8tn that encompasses leases for tower space, fiber and satellite capacity. We remain upbeat on TOWR with room to re-rate valuation multiples for generating strong CF enough to gradually reduce leverage. As news resurfaced that Indosat contemplates sale of its towers, TOWR remains the strongest potential buyer for infrastructure assets.

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)	16.0	16.3	15.0	13.1	12.2
PBV (x)	5.7	4.8	4.2	3.6	3.2
Dividend yield (%)	0.0	2.9	3.5	4.0	5.0
EV/EBITDA (x)	9.3	8.9	8.4	7.7	7.2

Source : TOWR, Danareksa Estimates

Thursday, 21 February 2019

BUY
Maintain

Last price (IDR) 26,000
Target Price (IDR) 36,000
Upside/Downside +38.5%
Previous Target Price (IDR) 36,000

Stock Statistics

Sector Heavy Equipment
Bloomberg Ticker UNTR IJ
No of Shrs (mn) 3,730
Mkt. Cap (IDRbn/USDmn) 96,984/6,906
Avg. daily T/O (IDRbn/USDmn) 168.8/12.0

Major shareholders (%)

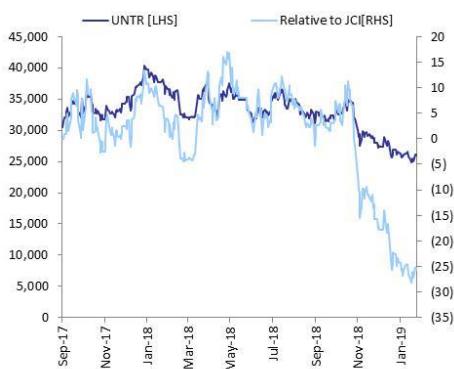
Astra International 59.5

Estimated free float 40.5

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	3,116.2	3,262.0	3,516.3
Consensus	2,931.3	3,169.5	3,297.7
Danareksa/Cons	6.3	2.9	6.6

UNTR relative to JCI Index



Source : Bloomberg



Stefanus Darmagiri

(62-21) 29 555 831

stefanus.darmagiri@danareksa.com

United Tractors (UNTR IJ)

Recovery in Dec 18's Komatsu sales volume

United Tractors (UNTR) reported Komatsu sales volume of 376 units (+17.1% mom and +17.1% yoy) in Dec 2018. Despite the weak Komatsu sales volume in the last two months of 2018, the sales volume in 2018 rose by 28.8% yoy to 4,878 units. While we expect soft earnings in 4Q18 on the back of lower operational volume, we believe the company will book solid earnings in 2018. Maintain BUY with a target price of IDR36,000.

Slight recovery in Komatsu sales volume in Dec 2018. After Komatsu sales volume declined significantly to 321 units in Nov 2018 (-35.8% mom), its sales volume recovered by 17.1% mom to 376 units in Dec 2018. In 2018, the impact of solid coal prices in the beginning of the year resulted in higher Komatsu sales volume (+28.8% yoy to 4,878 units). This number was within our expectations and the management's estimates. Given the widening price gap between low and high CV coal, some of UNTR's clients have taken a wait-and-see stance. As such, UNTR expects Komatsu sales volume to decline to 4,000 units in 2019.

Favorable weather in 2H18 boosted coal production. The subsidiary in the mining contracting (MC) division, Pamapersada Nusantara (PAMA) managed to increase its coal production by 11.1% yoy to 125.1mn tons with OB removal up by 22.3% yoy to 979.4mn bcm. This translated into a stripping ratio of 7.8x in 2018 (2017: 7.1x). The number was within our expectations. For 2019, UNTR maintains its coal production target of 126mn tonnes and OB removal target of 950 – 980mn bcm even though PAMA has OB removal capacity of 1.0bn bcm.

4Q18 preview: expect soft earnings, but sturdy earnings in 2018. We expect soft quarterly earnings in 4Q18 on: a) a decline in Komatsu sales volume (-6.6% qoq) with a lower contribution from the mining sector of 46.4% in 4Q18 (3Q18: 48.3%). And b) a lower stripping ratio of 7.6x in 4Q18 (3Q18: 8.0x) amid higher coal production (+2.1% qoq) and strengthening of the rupiah vs. the US Dollar in 4Q18 to impact on MC's earnings. However, for the full year of 2018, we expect solid earnings for UNTR backed by higher operational volume. In 2019, we believe the completion of the recent acquisition of Martabe gold mining company at the end of December 2018 can sustain the company's earnings amid the expectation of lower Komatsu sales volume.

Maintain BUY with a target price of IDR36,000 (based on DCF valuation with WACC of 12.8% and long-term growth of 3%). The stock is trading below -1SD. Our new TP implies 11.0x 2019F PE. While we expect coal price consolidation going forward, upside potential may come from the recent narrowing of the gap between low CV and Newcastle coal prices which would help to improve Komatsu sales volume from customers who have postponed purchases of heavy equipment.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	45,539	64,559	82,054	83,696	85,812
EBITDA (IDRbn)	9,150	13,832	21,207	22,410	24,310
EBITDA Growth (%)	(26.2)	51.2	53.3	5.7	8.5
Net profit (IDRbn)	5,002	7,403	11,624	12,168	13,116
EPS (IDR)	1,341.0	1,984.6	3,116.2	3,262.0	3,516.3
EPS growth (%)	29.8	48.0	57.0	4.7	7.8
BVPS (IDR)	10,954.0	12,161.1	14,299.2	16,293.6	18,478.5
DPS (IDR)	583.0	675.0	976.3	1,263.7	1,334.6
PER (x)	19.4	13.1	8.3	8.0	7.4
PBV (x)	2.4	2.1	1.8	1.6	1.4
Dividend yield (%)	2.2	2.6	3.8	4.9	5.1
EV/EBITDA (x)	8.6	5.8	3.7	3.3	2.8

Source : UNTR, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Government: State revenues grew by 6.24%yoy

The Ministry of Finance (MOF) announced that state revenues in January 2019 reached IDR 108.1tn or up by 6.24%yoy with a realization rate of 4.99%. The state expenditure, meanwhile, reached IDR 152.85tn or up by 10.34% yoy with a realization rate of 6.25%. The Ministry of Finance said states revenues in January 2019 were restricted by the stronger USD/IDR exchange rate and the lower oil price. This resulted in a budget deficit of IDR 45.8tn. According to sensitivity analysis conducted by the MOF, for every IDR100 depreciation in the rate of the rupiah against the USD, state revenues will decline by IDR 3.9-5.9tn. At the same time, a USD 1/barrel lower oil price translates into IDR 3.1-4.2tn lower state revenues. (Kontan)

SECTOR

Consumer: TCID estimates 5-10% yoy revenues growth in 2019

Mandom Indonesia (TCID) targets 5-10% yoy growth in FY19's revenue vs. -2% yoy growth in FY18 (unaudited figures). This year, the company estimates double digit growth in domestic revenues. The domestic revenues are around 73% of the FY18 top line. (Investor Daily)

CORPORATE

SSIA to draw down Less Than Half of Its Loan Facility This Year

Surya Semesta Internusa (SSIA) is planning to draw down loans to fund this year's expansion i.e. land acquisition. SSIA has a USD 100 million loan facility from International Finance Corporation (IFC) given in May. So far, SSIA has not drawn down any loans. The company will also not draw down more than 50% of its total facility this year. According to the agreement, the drawdown of loans can be done gradually on four occasions up to 2020. The loans will fall due in June 2026. Interest on the loan is LIBOR 6 months plus 2.75% per year.

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		20-Feb-19	19-Feb-19					
Matahari Putra Prima	MPPA	356	306	16,3	41,3	117,1	134,2	SELL
Indocement	INTP	19.500	18.000	8,3	4,6	2,8	5,7	HOLD
Puradelta Lestari	DMAS	216	204	5,9	4,9	18,7	35,8	BUY
Media Nusantara Citra	MNCN	995	940	5,9	20,6	20,6	44,2	BUY
Summarecon Agung	SMRA	945	895	5,6	3,8	(2,1)	17,4	BUY
Waskita Karya	WSKT	1.855	1.775	4,5	(0,8)	(8,2)	10,4	BUY
Surya Citra Media	SCMA	1.850	1.780	3,9	5,4	(4,6)	(1,1)	BUY
Adhi Karya	ADHI	1.590	1.530	3,9	1,0	(6,5)	0,3	BUY
Adaro Energy	ADRO	1.345	1.295	3,9	6,7	(8,5)	10,7	BUY
Aneka Tambang	ANTM	1.060	1.025	3,4	5,0	24,0	38,6	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		20-Feb-19	19-Feb-19					
Japfa Comfeed	JPFA	2.310	2.440	(5,3)	(20,9)	3,6	7,4	HOLD
Malindo Feedmill	MAIN	1.660	1.745	(4,9)	(12,4)	5,7	19,0	HOLD
Mitra Adi Perkasa	MAPI	1.030	1.075	(4,2)	0,5	10,8	28,0	BUY
Timah	TINS	1.480	1.520	(2,6)	4,2	53,4	96,0	BUY
Jasa Marga	JSMR	4.990	5.100	(2,2)	-	3,1	16,6	BUY
PP London Sumatra	LSIP	1.345	1.370	(1,8)	(2,5)	(6,6)	7,6	BUY
Gudang Garam	GGRM	83.700	85.000	(1,5)	1,4	1,1	0,1	BUY
Ramayana	RALS	1.740	1.765	(1,4)	(2,2)	13,0	22,5	HOLD
Bank Mandiri	BMRI	7.100	7.200	(1,4)	(2,1)	(9,0)	(3,7)	BUY
Matahari Department Store	LPPF	5.925	6.000	(1,3)	(11,6)	(5,6)	5,8	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Poultry: Berdikari: A New Potential SOE Integrator, Wijaya Karya: Still in transition [SnapShot20190220](#)
- Unilever Indonesia: Improving outlook [SnapShot20190219](#)
- Garuda Maintenance Facility: 4Q18: Higher expenses reduced the profits, SIDO MUNCUL: Profits boosted by margins expansion, XL Axiata : Going all the way, the only good fight [SnapShot20190218](#)
- Astra International: Stable car market share despite lower volume, Kalbe Farma: Unremarkable performance, Telkom Indonesia: A more positive sentiment on Telkom [SnapShot20190215](#)
- Danareksa Research Institute: Trade Outlook – January 2019 Set to pick up, Telco: Simulation of the rumored FREN-ISAT merger, Indocement Tunggal Prakarsa: Lower sales on heavy rainfall [SnapShot20190214](#)
- Bank Negara Indonesia: Balancing all the factors [SnapShot20190213](#)
- Plantation: Jan 19 Inventory: First Signs of a Decline, Adaro Energy: Coal production target maintained for 2019, Buyung Poetra Sembada: Room for Growth [SnapShot20190212](#)
- Strategy: BoP Turned Surplus, Poultry: Risk on Supply-Demand Balancing, Malindo Feedmill Indonesia: The last one to catch up [SnapShot20190211](#)
- Poultry: Key Meeting Takeaways with Pinsar [SnapShot20190208](#)
- Strategy : 2018 GDP: Highest growth pace since 2013, Media: MNCN has begun the year well, Telco Price Tracker: January heralds more product revisions [SnapShot20190207](#)
- Vale Indonesia: 4Q18: Weak profit on lower ASP and higher costs [SnapShot20190206](#)

PT Danareksa Sekuritas

Jl. Medan Merdeka Selatan No. 14
Jakarta 10110
Indonesia
Tel (62 21) 29 555 888
Fax (62 21) 350 1709

Equity Research Team

Helmy Kristanto

helmy.kristanto@danareksa.co.id
(62-21) 2955 888 ext. 3500
Head of Research, Strategy

Stefanus Darmagiri

stefanus.darmagiri@danareksa.co.id
(62-21) 2955 888 ext. 3530
Auto, Coal, Heavy Equip, Metal

Natalia Sutanto

natalia.sutanto@danareksa.com
(62-21) 29555 888 ext.3508
Consumer, Tobacco, Property

Maria Renata

maria.renata@danareksa.co.id
(62-21) 29555 888 ext.3513
Construction

Eka Savitri

Eka.savitri@danareksa.co.id
(62-21) 29555 888 ext.3506
Banking

Niko Margaronis

niko.margaronis@danareksa.co.id
(62-21) 29555 888 ext.3512
Telco, Tower

Yudha Gautama

yudha.gautama@danareksa.co.id
(62-21) 29555 888 ext.3509
Plantation, Property

Victor Stefano

victor.stefano@danareksa.co.id
(62-21) 29555 888 ext.3503
Poultry, Property

Ignatius Teguh Prayoga

ignatius.prayoga@danareksa.co.id
(62-21) 29555 888 ext.3511
Media, Research Associate

Sales team

Vera Ongyono

vera.ongyono@danareksa.co.id
(62-21) 29555 888 ext. 3120

Ehrlich Suhartono

ehrliech@danareksa.co.id
(62-21) 29555 888 ext. 3132

Laksmi Armandani

laksmi@danareksa.co.id
(62-21) 29555 888 ext. 3125

Tuty Sutopo

tuty@danareksa.co.id
(62-21) 29555 888 ext. 3121

Upik Yuzarni

upik_y@danareksa.co.id
(62-21) 29555 888 ext. 3137

Wisnu Budhiargo

Wisnu.budhiargo@danareksa.co.id
(62-21) 29555 888 ext. 3117

Rendy Ben Philips

rendy.philips@danareksa.co.id
(62-21) 29555 888 ext. 3148

Adeline Solaiman

adeline.solaiman@danareksa.co.id
(62-21) 29555 888 ext. 3503

Thalia Kadharusman

thalia.kadharusman@danareksa.co.id
(62-21) 29555 888 ext. 3124

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or misstatements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission there from which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.