Danareksa Snapshot

Equity Research
Friday, May 15, 2015

MORNING HIGHLIGHT

FROM RESEARCH

Consumer Sector: Unexciting macro clouding over (NEUTRAL)

On the back of less impressive economic growth, we note that most investors prefer to keep their position on the sidelines. Especially with target realization below expectations, macro headwinds continues to overshadow the market. Thus, we advise investors to go for defensive names. Within the consumer staple space, our preferred pick lies with INDF, being the most lucrative from valuation perspective, as well as defensive product lines from ICBP's instant noodle.

Indo Tambangraya Megah: Tough times continue

(ITMG J. Rp 15,000. HOLD. Rp 16,000)

We attended the analyst meeting of Indo Tambangraya Megah (ITMG) and came away with the following key takeaways: a) new company estimates for its reserves to reflect the current coal prices, b) a further decline in the stripping ratio to mitigate the impact of weak coal ASP and recovery in the crude oil price, c) plans for further cost efficiency initiatives in 2015 and d) maintaining its dividend payout ratio. Our lower Target Price of Rp16,000 assumes a WACC of 12.3% for our DCF valuation and implies 10.1x 2015F PE. Maintain HOLD.

Gajah Tunggal: Challenging conditions persisted

(GJTL IJ. Rp 1,080. BUY. TP Rp 1,500)

The domestic economy slowdown impacted GJTL sales performance. Albeit the export still grew 8%y-y, the 11%y-y lower domestic revenues resulting in GJTL's revenues to drop by 3%y-y in 1Q15. Meanwhile, gross margin remain high at 18% during the period thanks to lower material prices, both in rubber and oil-related products. Going forward, we believe this condition will continue, with more pressure on the profitability level given rising oil prices in the recent weeks. We may further tweak down our earnings assumption in the near-term.

Previous Reports:

- **Cement Sector: Modest demand in April (OVERWEIGHT) – *Snapshot20150513***
- **Construction Sector - April 2015 Contracts: Following the seasonal trend (OVERWEIGHT) - *Snapshot20150513***

MARKET NEWS

***Analysts' comment inside**

- Companies' DER Set at 4:1 in January 2016 (ID)
- INTP Disburses 94% Profit as Dividends (TJP)
- TELE to Issue Rp500bn Bonds (ID)
- TOWR Acquires Network Solution Provider Company (BI)

IDX ANNOUNCEMENT

Cash Announcement

Code	Ex-Date	Date Payable	Amount (Rp)
AALI	22-Apr-15	15-May-15	472
SMGR	24-Apr-15	20-May-15	375.34
TLKM	27-Apr-15	21-May-15	89.46

Source: KSEI

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US$ m)
Asean - 5				
Indonesia	5,246	0.8	0.4	406
Thailand	1,497	0.1	(0.0)	1,044
Philippines	7,831	0.3	8.3	217
Malaysia	1,808	0.3	2.6	562
Singapore	3,456	0.1	2.7	740
Regional				
China	4,378	0.1	35.4	128,737
Hong Kong	27,287	0.1	15.6	16,649
Japan	19,691	0.6	12.8	702
Korea	2,128	0.4	11.1	4,689
Taiwan	9,611	(1.2)	3.3	3,200
India	27,206	(0.2)	(1.1)	466
NASDAQ	5,051	1.4	6.6	69,336
Dow Jones	18,252	1.1	2.4	7,740

Currency and Interest Rate

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	(Rp/1US$)	13,055	0.7	(0.5)	(5.4)
SBI rate	(%)	6.67	(0.3)	(0.3)	(0.6)
10-y Govt Indo bond		7.98	(0.2)	0.6	0.2

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US$/ton	62	n/a	(0.6)	(27.0)
Gold	US$/toz	1,221	(0.0)	1.5	3.0
Nickel	US$/mt.ton	13,739	(2.0)	9.5	(8.9)
Tin	US$/mt.ton	15,821	1.0	(2.5)	(18.6)

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US$/mt.ton	3,110	0.6	9.7	8.8
Corn	US$/mt.ton	137	1.0	(2.8)	(14.1)
Crude Oil	US$/barrel	67	0.1	10.7	16.4
Palm oil	MYR/mt.ton	2,191	(0.1)	2.0	(14.8)
Rubber	USd/kg	152	(0.4)	10.0	(0.2)
Pulp	US$/tonne	853	n/a	(1.4)	(5.9)
Coffee	US$/60kgbag	131	1.0	(2.3)	33.4
Sugar	US$/MT	370	-	(0.4)	(5.4)
Wheat	US$/mt.ton	189	(0.0)	5.1	(14.0)

Source: Bloomberg

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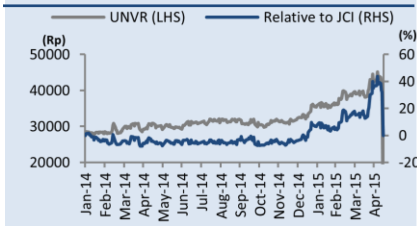
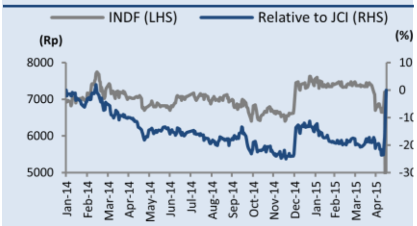
Neutral

UNVR relative to JCI Index

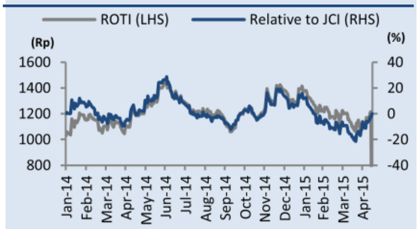


INDF relative to JCI Index

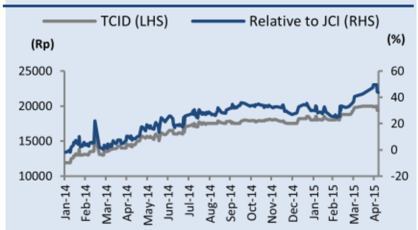


ICBP relative to JCI Index

ROTI relative to JCI Index



TCID relative to JCI Index



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Consumer Sector

Unexciting macro clouding over

With economic growth continuing to slow, we note that most investors may prefer to stay on the sidelines. Given this backdrop, we advise investors to seek exposure to defensive names. Within the consumer staples space, our preferred pick is still INDF, which we like for its enticing valuation in addition to the defensive product lines coming from ICBP's instant noodles.

Defensive names are more appealing given the macro headwinds

We recently undertook a marketing trip both at home and abroad to pitch more defensive stocks given the prevailing economic headwinds. From the 1Q15 results we can discern that most consumer companies booked robust margins expansion despite stalling growth. We also note that the growth mainly came from ASP hikes as sales volumes growth was weak. Based on our recent local channel checks, price increases have not been uniform across all products, with higher brand loyalty items having larger ASP increases. In our view, companies are being more selective in hiking product prices. In the short-term, however, brisker sales during the fasting month and Lebaran should offer some relief to the consumer sector, although we advise caution on the normalizing period post-Lebaran. For FY15, we expect growth to remain soft, while margins, despite expecting contraction from the weaker rupiah, should remain healthy and among the highest compared to margins in other sectors of the JCI, with the consumer sector still offering a place of shelter amidst times of economic turbulence.

Growth concerns come to the fore

At our meetings we noted that macro developments remain a main concern for most clients and we expect them to take a cautious stance in regard to the prevailing economic slowdown. Concerns on where the BI rate is headed, government execution risks and political uncertainties remain apparent. Continued IDR weakness is seen as another matter for concern, especially among foreign clients. Waning consumer purchasing power also paints a picture of a less exciting market. Furthermore, several clients expressed concerns over the current tax regime, especially with the recent implementation of a super luxury tax on the property sector. Worries on excise taxes are also growing again. Overall, the dimmer macro outlook is overshadowing the market as a whole, and traditionally defensive sectors like the consumer sector are also affected.

Go for defensive stocks; INDF remains our top pick

We appreciate the concerns of investors and recommend exposure toward the most defensive stocks which sell consumer staples and have strong brand loyalty, as these virtues will give them more leeway to raise prices if necessity dictates. Operational wise, we think that both UNVR and ICBP have a sound business structure, since they sell primary goods to Indonesian consumers. Valuation wise, however, UNVR continues to look rather rich and we see INDF as a cheaper proxy to tap into ICBP growth. INDF is currently trading at 16.6x 2015PE, at discount compared to ICBP. Although we acknowledge the risks associated with INDF’s more cyclical business segments, even if only accounting for ICBP's earnings in INDF's valuation, then our SOTP valuation reaches Rp7,200/share, which, we believe, should be the lowest level for INDF shares. We continue to pitch INDF as our top pick in the sector and retain our TP of Rp8,050.

Danareksa Sekuritas

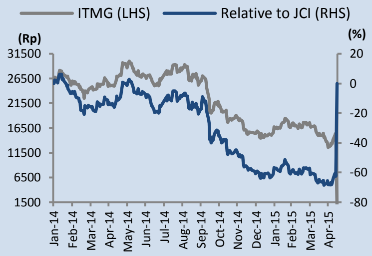
HOLD

Target Price, Rp	16,000
Upside	6.67%
ITMG IJ/ITMG.JK	
Last Price, Rp	15,000
No. of shares (bn)	1.1
Market Cap, Rpbn	**16,949**
(US$ mn)	1,297
3M T/O, US$mn	2.07

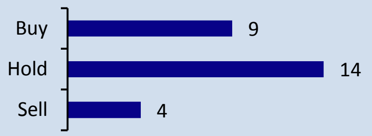
Last Recommendation

12-May-15	HOLD	Rp18,500
25-Feb-15	HOLD	Rp18,500
13-Nov-14	HOLD	Rp21,500

ITMG relative to JCI Index



Market Recommendation



Consensus

	Our	Cons	% Diff
Target Price, IDR	16,000	18,725	-15
EPS 2015F, IDR	1,751	1,739	1
PE 2015F, x	8.56	8.63	-1

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MINING/ COMPANY UPDATE

Indo Tambangraya Megah

Tough times continue

We attended the analyst meeting of Indo Tambangraya Megah (ITMG) and came away with the following key takeaways: a) adjustment on the reserves to reflect the current coal prices, b) a further decline in the stripping ratio to mitigate the impact of weak coal ASP and recovery in the crude oil price in 2Q15, c) plans for further cost efficiency initiatives in 2015 and d) maintaining its dividend payout ratio. While there are no changes in our earnings estimates for 2015 – 2017, we trim our Target Price to reflect the company's adjustments to its reserves and because our valuation is based on the company's mine life. Our lower Target Price of Rp16,000 assumes a WACC of 12.3% for our DCF valuation and implies 10.1x 2015F PE. Maintain HOLD.

Reserves adjusted down to reflect the current coal prices

To reflect the current coal prices, the company updated its estimates for reserves and resources. Based on its estimates – which comply with the JORC code - the company reported reserves of 252mn tons and resources of 1,617mn tons as of end-2014. Given that the company's coal production reached 29.1mn tons in 2014 and that it had reserves of 317mn tons at end-2013, this implies a downward adjustment in reserves by 35.9mn tons (-12%). Assuming stable coal production going forward, ITMG's reserves would therefore be able to support mine life for about 8 – 9 years.

2Q15: lower stripping ratio to cushion against weak ASP and higher crude oil prices

Whilst the average coal price from April to mid-May 2015 was only down slightly compared to its level in 1Q15 and the crude oil price has rebounded to its current level of US$66/bbl from an average of US$55/bbl in 1Q15, we believe that further reductions in the stripping ratio will help shore up the company's financial performance in 2Q15. In 2Q15, the company indicated a slight increase in quarterly production to about 7.1mn tons compared to 6.9mn tons in 1Q15 with a further reduction in the average stripping ratio to 8.3 – 8.4x in 2Q15 (1Q15: 8.7x). In an effort to protect itself from the recent uptrend in crude oil prices, the company plans to enter more fuel swap contracts in 2Q15.

Further cost efficiencies planned for 2015

As coal prices remain depressed, the company plans to undertake further cost reduction initiatives in 2015 by: a) lowering the stripping ratio to about 8.5 – 8.7x in 2015 from 10.0x in 2014, b) reducing the Overburden (OB) distance by 9% yoy, c) continuing fuel pooling with the aim of receiving better prices from suppliers, d) optimizing the use of refurbished parts, and e) reducing overhead costs by around 10% yoy. Hence, the company hopes to reduce total cash costs to around US$50 – 51/ton in 2015 from US$57.7/ton in 2014.

Maintaining its high dividend payout ratio

Although the dividend payout ratio from 2014's net profits was lower at 80% than in the previous three years (at 85%), we believe that the company will stick with its generous dividend policy going forward and expect little change in the payout ratio. As the share price has been weak, the company currently offers a dividend yield of 11.6%.

	2013	2014	2015F	2016F	2017F
Revenue, USD mn	2,179	1,943	1,784	1,873	1,995
EBITDA, USD mn	375	299	275	308	330
EBITDA Growth, %	-41.0	-20.1	-8.1	12.1	7.1
Net profit, USD mn	205	200	152	172	190
EPS, USD	0.181	0.177	0.134	0.153	0.168
EPS growth, %	-52.6	-2.3	-24.3	13.7	10.1
BVPS, USD	0.795	0.795	0.781	0.797	0.812
DPS, USD	0.238	0.177	0.148	0.137	0.153
Net Gearing, %	-32	-23	-24	-25	-29
PER, x	8.1	8.1	9.5	8.5	8.1
PBV, x	1.8	1.8	1.6	1.6	1.7
EV/EBITDA, x	3.6	4.6	4.4	4.0	3.8
Yield, %	16.3	12.4	11.6	10.5	11.2

1Q15 net profits: within our expectations, but above the consensus
The company reported net profits of US$38mn in 1Q15 (-61% yoy but up 20% qoq). The net profit is within our expectation but above the consensus. The yoy decline in net profits owes mainly to: a) 15% yoy lower ASP of US$60.5/ton while coal sales volume remained flat at 7.1mn tons, b) lower other income as a result of a decline in gains from coal swaps and c) a higher tax rate of 38.9% in 1Q15 (1Q14: 25.4%).

Despite the 20% qoq increase in net profits, the quarterly revenues were still down by 6% qoq (mainly driven by3% qoq lower sales volume and 3% qoq lower ASP). This mainly reflects :a) a 14% qoq lower cash cost of production following the company's efforts to lower the stripping ratio to 8.7x in 1Q15 from 9.7% in 4Q14 and lower fuel prices and b)20% qoq lower operating expenses.

Production tends to be lowest in the first quarter
The company reported coal production of 6.9 mn tons in 1Q15, down just 1% yoy but 6% lower qoq. As the figure is only about 24% of the company's coal production target of 29.5mn tons for 2015, we believe that the company will raise its coal production in the coming quarters to achieve the target given that in the past few years, the coal production in the first quarter tends to be the lowest (accounting for about 22.9% of the yearly production on average).

Despite the efficiency improvements, weak ASP dragged down margins
Thanks to the decline in the stripping ratio to 8.7x in 1Q15 from 10.1% in 1Q14 and because of lower crude oil prices, the company managed to reduce its cash production costs by 19% yoy to US$47/ton in 1Q15. Nonetheless, weak coal ASP still resulted in lower margins, with the gross margin slipping to 23.1% in 1Q15 from 25.8% in 1Q14.

2Q15: Expecting normalization in the tax rate
With the tax rate reaching 38.9% in 1Q15 predominantly due to adjustments of previous years' numbers, we believe the company's tax rate shall normalize in the coming quarters at around 25%. As such, we still assume a company tax rate at about 27% for 2015 compared to 24% in 2014. Our tax rate assumption is based on the three-year average from 2012 – 2014.

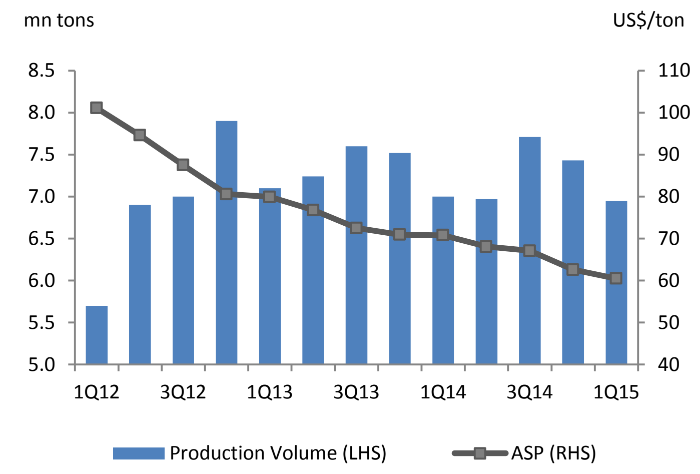
Exhibit 1. Weak ASP depressed net profit

Operational performance	4Q14	1Q15	QoQ,%	1Q14	1Q15	YoY, %	2015F	A/F, %
Sales volume, mn tons	7.3	7.1	*(3)*	7.1	7.1	*0*	29.5	*24*
Production volume, mn tons	7.4	6.9	*(6)*	7.0	6.9	*(1)*	29.5	*24*
ASP, USD/ton	62.6	60.5	*(3)*	70.8	60.5	*(15)*	60.5	*100*
Strip ratio, bcm/ton	9.8	8.7	*(11)*	10.1	8.7	*(14)*	9.6	*91*
Cash production cost, USD/ton	40.4	33.5	*(17)*	44.4	33.5	*(25)*	38.6	*87*
Total cost, USD/ton	54.9	47.0	*(14)*	58.1	47.0	*(19)*	51.7	*91*

Financial performance	4Q14	1Q15	QoQ,%	1Q14	1Q15	YoY, %	2015F	A/F, %
Net sales, USD mn	455	428	*(6)*	504	428	*(15)*	1,784	*24*
COGS, USD mn	(362)	(329)	*(9)*	(374)	(329)	*(12)*	(1,416)	*23*
Gross profit, USD mn	93	99	*7*	130	99	*(24)*	369	*27*
Opex, USD mn	(50)	(40)	*(20)*	(43)	(40)	*(7)*	(166)	*24*
Operating profit, USD mn	43	59	*37*	87	59	*(32)*	203	*29*
Net profit, USD mn	31	38	*20*	96	38	*(61)*	152	*25*
Gross margin, %	20.4	23.1	*2.7*	25.8	23.1	*(2.7)*	20.7	
Operating margin, %	9.5	13.9	*4.4*	17.3	13.9	*(3.5)*	11.4	
Net margin, %	6.9	8.8	*1.9*	19.1	8.8	*(10.3)*	8.5	

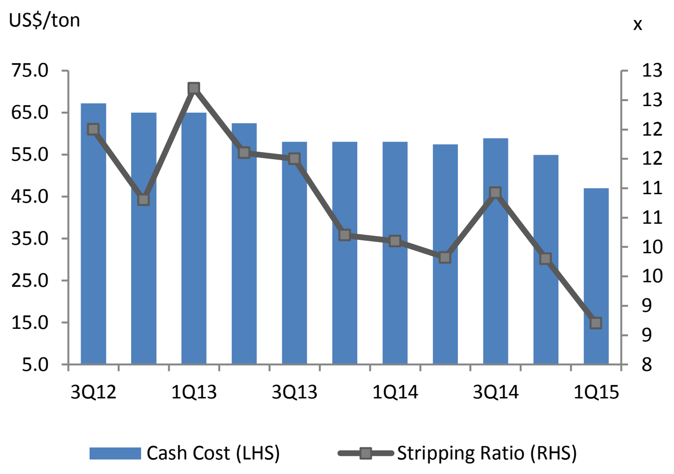
Source: ITMG, Danareksa Sekuritas

Exhibit 2. Expect better coal production in next quarters



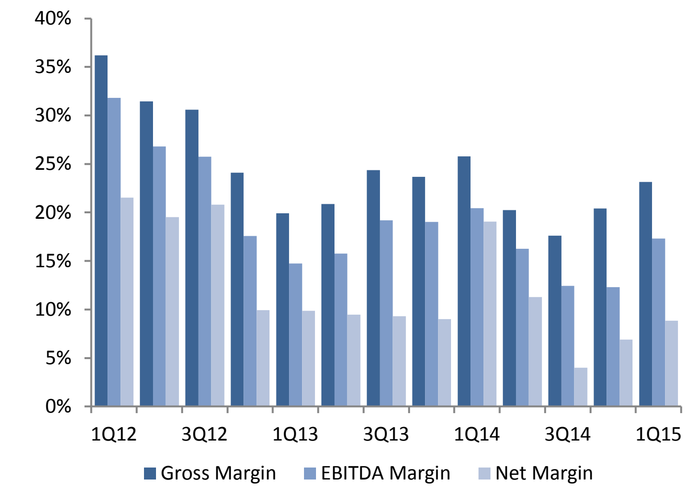
Source: ITMG

Exhibit 3. A decline in stripping ratio helped to lower cost



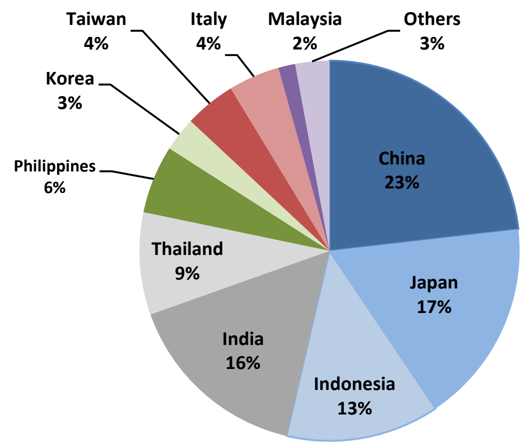
Source: ITMG

Exhibit 4. Quarterly margins improvement



Source: ITMG

Exhibit 5. China was still the largest customers (1Q15)



Source: ITMG

Exhibit 6.Profit and Loss, USDmn

	2013A	2014A	2015F	2016F	2017F
Turnover	2,179	1,943	1,784	1,873	1,995
COGS	(1,695)	(1,535)	(1,416)	(1,465)	(1,563)
Gross profit	484	408	369	408	432
Operating expenses	(172)	(172)	(166)	(176)	(184)
Operating profit	312	236	203	231	248
Other income/expenses	(17)	26	4	4	5
Pre-tax profit	295	262	207	236	253
Taxes	(90)	(62)	(56)	(63)	(63)
Minority interest	0	0	0	0	0
Net profit	**205**	**200**	**152**	**172**	**190**

Source: ITMG, Danareksa Sekuritas

Exhibit 7.Balance Sheet, USDmn

	2013A	2014A	2015F	2016F	2017F
Cash	289	226	230	243	283
Account Receivables	169	170	166	174	184
Inventories	118	150	113	116	124
Other current assets	30	23	23	23	23
Total current assets	607	570	532	556	615
Fixed assets	338	305	317	324	301
Other noncurrent assets	383	433	425	417	408
Total assets	**1,327**	**1,307**	**1,274**	**1,297**	**1,324**
Account payable	183	179	161	166	176
Short term debt	0	0	0	0	0
Other current liabilities	192	185	185	185	185
Total current liabilities	375	364	346	351	361
Long term debt	0	0	0	0	0
Other noncurrent liabilities	54	45	45	45	45
Total noncurrent liabilites	54	45	45	45	45
Share capital	64	64	64	64	64
Excess paid in	329	329	329	329	329
Retained earnings & others	506	506	490	508	525
Total equity	898	899	883	901	918
Total equity & liabilities	**1,327**	**1,307**	**1,274**	**1,297**	**1,324**

Source: ITMG, Danareksa Sekuritas

Exhibit 8.Cash Flow, USDmn

	2013F	2014A	2015F	2016F	2017F
Net income	205	200	152	172	190
Depreciation and amortisation	74	70	72	77	82
Change in working capital	44	(53)	24	(6)	(8)
Others	(180)	(21)	0	0	0
Operating cash flow	**143**	**195**	**247**	**243**	**263**
Capex	(44)	(36)	(76)	(76)	(50)
Others	(2)	(22)	0	0	0
Investing cash flow	**(47)**	**(58)**	**(76)**	**(76)**	**(50)**
Dividends	(269)	(200)	(167)	(155)	(173)
Net change in debt	0	0	0	0	0
Others	0	0	0	0	0
Financing cash flow	**(269)**	**(200)**	**(167)**	**(155)**	**(173)**
Net change in cash	(173)	(63)	4	12	41
Net cash (debt) at beg.	461	289	226	230	243
Net cash (debt) at end.	289	226	230	243	283

Source: ITMG, Danareksa Sekuritas

Exhibit 9.Key Ratios

	2013A	2014A	2015F	2016F	2017F
Gross margin, %	22.2	21.0	20.7	21.8	21.7
Operating margin, %	14.3	12.1	11.4	12.4	12.5
EBITDA margin, %	17.7	15.4	15.4	16.5	16.6
Net margin, %	9.4	10.3	8.5	9.2	9.5
ROA, %	14.8	15.2	11.7	13.4	14.5
ROE, %	22.0	22.3	17.0	19.3	20.9
Net gearing, %	(31.8)	(23.0)	(23.9)	(24.8)	(28.8)

Source: ITMG, Danareksa Sekuritas

BUY

Target Price, Rp	1,500
Upside	38.9%
GJTL IJ/GJTL.JK	
Last Price, Rp	1,080
No. of shares (mn)	3,485
Market Cap, Rp bn	**3,764**
(US$ mn)	290
3M T/O, US$mn	0.69

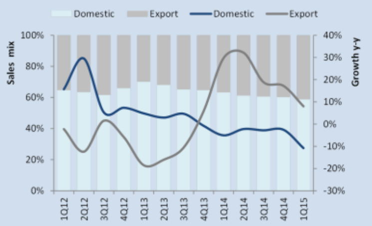
Last Recommendation

31-Mar-15	BUY	Rp1,500
06-Jan-15	BUY	Rp2,000
07-Aug-14	BUY	Rp2,100

1Q15 Results, A/F, % (BELOW)

	1Q15, Rp bn	A/F, %
Revenues	3,075	22.3
EBITDA	341	18.4
Net profit	(290)	n/a

Key chart: Volume growth



Danareksa vs. Consensus

	Our	Cons	% Diff
Target Price, IDR	1,500	1,810	-17.1
Core EPS 2015F, IDR	140	175	-20.0
Core PE 2015F, x	7.7	6.2	24.2

AUTOMOTIVE PARTS/1Q15 RESULT

Gajah Tunggal

Challenging conditions persisted

The domestic economy slowdown impacted GJTL sales performance. Albeit the export still grew 8%y-y, the 11%y-y lower domestic revenues resulting in GJTL's revenues to drop by 3%y-y in 1Q15. Meanwhile, gross margin remain high at 18% during the period thanks to lower material prices, both in rubber and oil-related products. However, company's higher opex driven by 64%y-y increase in transportation costs has trimmed down the operating margin to only 6.0% in 1Q15, down by 2.6pps from 1Q14. As a result, EBITDA slid 17%y-y in 1Q15 – below our expectation. Moreover, the rupiah depreciation also put more pressure both in company's higher financing costs as well as the unrealized forex losses. As a result, GJTL posted a negative net profit of Rp290bn in 1Q15. Going forward, we believe this condition will continue, with more pressure on the profitability level given rising oil prices in the recent weeks. We may further tweak down our earnings assumption in the near-term.

Negative domestic; Positive export

Export sales contribution reached 41.3% in 1Q15 (vs. 36.8% in 1Q14) thanks to the strong recovery in US market (+34%y-y) and European markets (+19%y-y). However, domestic sales continue to slide – a reflection of a slowing down economy. Challenges came from the weak OEM sales as well as the fierce competition in the replacement market. Hence, GJTL's domestic sales has been in declining trend in the six consecutive quarters, since 4Q13. In sum, the 8%y-y increase in export market still cannot offset the 10.8%y-y decline in domestic market, and resulted the 3.9%y-y drop in GJTL's revenues in 1Q15. Nevertheless, GJTL will need higher export exposure in the upcoming quarters as we believe the domestic sales continue to be challenging at the moment.

Opex continue to rise

At gross level, GJTL still posted a healthy high margin at 17.9% in 1Q15, not much change from last year thanks to the lower material costs from current low commodity prices both in rubber and oil-related products. However, this positive development was countered by the continuity of rising opex. The high opex mainly stems from company's significant increase in transportation costs, which up 64%y-y, and contributes around one-third of the opex or 4.0% of GJTL's revenues in 1Q15. Higher transportation costs mainly due to increasing freight charges to the US from growing volume, plus the fact that the export transportation costs are USD denominated. As a result, GJTL's EBITDA slid 17%y-y in 1Q15 – only reaching 18% of our FY15F, below our expectation. With oil prices has continue to pick up in the recent weeks, GJTL's high gross margin may pose a threat in the upcoming quarters.

Net loss from further rupiah depreciation

Further rupiah depreciation in 1Q15 took effect in higher financing costs (+13%y-y) and significant unrealized forex losses (Rp356bn) from its USD financing. Meanwhile, working capital also higher during 1Q15 due to stocking inventory which now stood at almost three months, compared to the normal two months cycle. Nonetheless, GJTL's net gearing increased further to 1.2x as of March 2015.

	2013	2014	2015F	2016F	2017F
Revenues, Rp bn	12,353	13,071	13,785	14,509	15,239
EBITDA, Rp bn	1,870	1,728	1,851	1,879	2,139
EBITDA Growth, %	(11.6)	(7.6)	7.1	1.6	13.8
Net Profit, Rp bn	120	270	266	633	793
Core Profit, Rp bn	639	363	488	442	602
Core EPS, Rp	183	104	140	127	173
Core EPS Growth, %	(37.8)	(43.2)	34.5	(9.4)	36.1
Net Gearing, %	69.2	90.5	95.0	85.6	69.4
PER, x	31.3	13.9	14.1	5.9	4.7
Core PER, x	5.9	10.4	7.7	8.5	6.3
PBV, x	0.7	0.6	0.6	0.6	0.5
EV/EBITDA, x	4.1	5.3	5.2	5.1	4.2
Yield, %	2.5	0.9	0.7	0.7	1.7

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Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

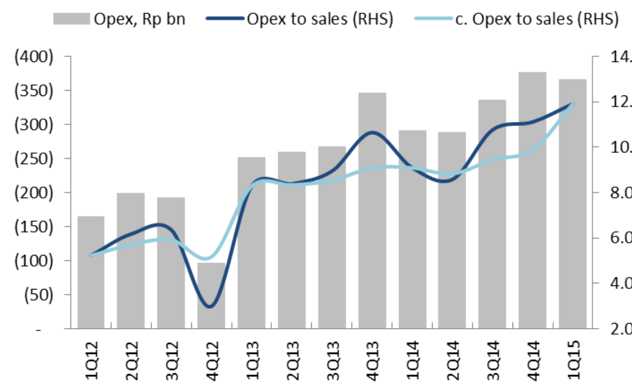
Exhibit 1. GJTL's 1Q15 results

	1Q14	1Q15	y-y, %	1Q14	4Q14	1Q15	q-q, %	y-y, %	2015F	A/F, %	2015C	A/C, %
(in Rp bn)												
Revenues	3,200	3,075	*(3.9)*	3,200	3,388	3,075	*(9.2)*	*(3.9)*	13,785	*22.3*	14,672	*21.0*
Gross profit	565	551	*(2.5)*	565	734	551	*(24.9)*	*(2.5)*	2,639	*20.9*	2,802	*19.6*
Operating profit	274	184	*(32.7)*	274	357	184	*(48.4)*	*(32.7)*	1,196	*15.4*	1,463	*12.6*
EBITDA	412	341	*(17.2)*	412	506	341	*(32.7)*	*(17.2)*	1,851	*18.4*	1,955	*17.4*
Net interest	(147)	(169)	*14.9*	(147)	(150)	(169)	*13.1*	*14.9*	(564)	*30.0*		
Pre-tax income	476	(355)	*(174.6)*	476	58	(355)	*(712.9)*	*(174.6)*	355	*(100.0)*	665	*(53.4)*
Net profit	340	(290)	*(185.3)*	340	45	(290)	*(747.2)*	*(185.3)*	266	*(109.0)*	613	*(47.4)*
Core profit	71	(8)	*(110.7)*	71	134	(8)	*(105.6)*	*(110.7)*	488	*(1.6)*		
(in %)												
Gross Margin	17.6	17.9		17.6	21.6	17.9			19.1		19.1	
Opex to sales	9.1	11.9		9.1	11.1	11.9			10.5		9.1	
Operating Margin	8.6	6.0		8.6	10.5	6.0			8.7		10.0	
EBITDA Margin	12.9	11.1		12.9	14.9	11.1			13.4		13.3	
Net Margin	10.6	(9.4)		10.6	1.3	(9.4)			1.9		4.2	
Core Margin	2.2	(0.2)		2.2	4.0	(0.2)			3.5			
	1Q14	**1Q15**	***y-y, %***	**1Q14**	**4Q14**	**1Q15**	***q-q, %***	***y-y, %***				
(in Rp bn)												
Domestic	2,023	1,805	*(10.8)*	2,023	2,042	1,805	*(11.6)*	*(10.8)*				
Export	1,176	1,270	*8.0*	1,176	1,346	1,270	*(5.6)*	*8.0*				
America	537	721	*34.3*	537	686	721	*5.1*	*34.3*				
Europe	131	157	*19.3*	131	143	157	*9.4*	*19.3*				
Middle East	190	131	*(31.0)*	190	115	131	*14.0*	*(31.0)*				
Asia	234	214	*(8.4)*	234	302	214	*(29.0)*	*(8.4)*				
Africa	61	19	*(69.5)*	61	71	19	*(73.8)*	*(69.5)*				
Oceania	23	29	*25.7*	23	29	29	*0.4*	*25.7*				

Source: Company, Danareksa Sekuritas

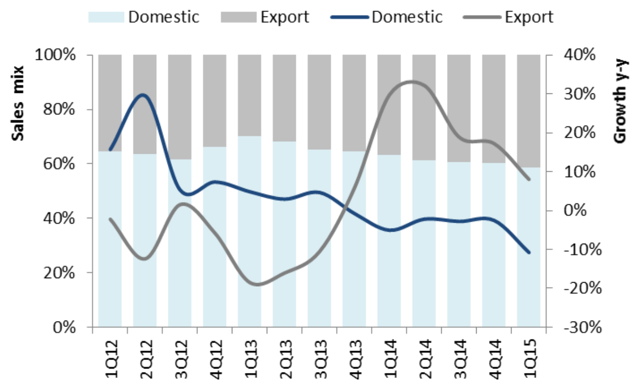
Exhibit 2. Opex continue to rise

Source: Company



Source: Company

Exhibit 3. Sluggish domestic sales while export still positive



Source: Company

MARKET NEWS

Companies' DER Set at 4:1 in January 2016 (ID)

Starting 1 January 2016, Indonesian government will implement debt to equity ratio (DER) regulation. Current parameter caps the ratio at 4:1. If the company exceeds the ratio, the extra debt will not be considered as tax reduction items. But, this regulation will not be implemented in all sectors, with banks and mining sectors to be excluded from the regulation.

INTP Disburses 94% Profit as Dividends (TJP)

Indocement Tunggal Prakarsa (INTP) will distribute Rp4.96tn (US$381.9mn) or Rp1,350/share dividends, translating to 94% dividend payout ratio from its 2014 net profit of Rp5.27tn.

TELE to Issue Rp500bn Bonds (ID)

Tiphone Mobile Indonesia (TELE) will issue up tp Rp2tn shelf-registered bond, which phase I will be conducted in June 2015 will consist of Rp500bn. The proceed from the issuance will be used for refinancing. On the same time, the company is also reviewing on the possibility to procure Rp2tn loan from 4 local and foreign banks, which will also be used for refinancing.

TOWR Acquires Network Solution Provider Company (BI)

TOWR is going to expand into the network solution provider business by acquiring PT iForte Solusi Infotek. Protelindo, TOWR subsidiary, has signed agreement to purchase 100% of iForte shares as well as the transfer of entire bonds and warrants issued by iForte. iForte is a provider for rental infrastructure micro cell pole (BTS hotel) in Jakarta and Surbaya, dark fiber-optic, broadband internet connection (via wireline, wireless, and wifi), and VSAT. IForte customers include Indosat, Telkomsel, XL Axiata, First Media, and Tower Bersama Group.

Equity Valuation

	Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn 2015	Net profit, Rp bn 2016	EPS (Rp) 2015	EPS (Rp) 2016	EPS Growth 2015	EPS Growth 2016	PER (x) 2015	PER (x) 2016	EV / EBITDA (x) 2015	EV / EBITDA (x) 2016	PBV (x) 2015	PBV (x) 2016	Net Gearing 2015	ROE 2015
Danareksa Universe				**3,075,999**	**198,282**	**225,861**	**329.3**	**375.1**	**11%**	**14%**	**15.5**	**13.6**	**13.4**	**12.2**	**2.8**	**2.4**		**19.0**
Auto				**317,898**	**24,660**	**29,165**	**451.7**	**534.3**	**15%**	**18%**	**12.9**	**10.9**	**10.3**	**8.9**	**2.2**	**2.0**		**18.6**
Astra International	HOLD	7,525	8,300	304,639	23,976	28,096	592	694	16%	17%	12.7	10.8	10.5	9.0	2.3	2.0	33.5	19.1
Gajah Tunggal	BUY	1,080	1,500	3,764	266	633	76	182	-1%	139%	14.2	5.9	4.8	4.5	0.6	0.6	80.8	4.4
Selamat Sempurna	BUY	4,650	5,300	6,694	419	437	291	303	14%	4%	16.0	15.3	9.2	8.7	4.7	4.0	net cash	32.3
Banks				**1,063,158**	**84,332**	**96,420**	**782.9**	**895.1**	**13%**	**14%**	**12.6**	**11.0**			**2.5**	**2.1**		**21.4**
BCA	HOLD	13,725	14,050	338,390	19,127	21,921	767	879	15%	15%	17.9	15.6	NA	NA	3.6	3.0	NA	22.4
BNI	BUY	6,825	7,450	127,277	12,142	13,914	651	746	13%	15%	10.5	9.1	NA	NA	1.9	1.6	NA	19.1
BRI	BUY	12,175	13,800	300,347	27,391	31,497	1,110	1,277	13%	15%	11.0	9.5	NA	NA	2.5	2.1	NA	25.2
Bank Tabungan Negara	BUY	1,145	1,400	12,100	1,357	1,609	129	153	22%	19%	8.8	7.5	NA	NA	0.9	0.8	NA	10.6
Bank Mandiri	BUY	11,250	13,600	262,500	22,087	24,946	947	1,069	11%	13%	11.9	10.5	NA	NA	2.2	1.9	NA	19.8
Bank Tabungan Pensiunan	BUY	3,860	5,450	22,544	2,228	2,533	381	434	19%	14%	10.1	8.9	NA	NA	1.6	1.4	NA	17.2
Cement				**174,494**	**12,525**	**15,375**	**725**	**890**	**7%**	**23%**	**13.9**	**11.3**	**8.5**	**7.4**	**2.7**	**2.3**		**20.0**
Holcim	HOLD	1,640	2,300	12,567	923	1,213	120	158	12%	31%	13.6	10.4	7.1	5.5	1.2	1.1	30.0	9.1
Indocement	BUY	23,000	28,300	84,668	5,741	6,595	1,559	1,792	8%	15%	14.7	12.8	8.8	7.4	3.0	2.7	net cash	21.2
Semen Indonesia	BUY	13,025	18,800	77,258	5,861	7,567	988	1,276	5%	29%	13.2	10.2	8.5	8.0	2.9	2.5	12.3	23.2
Construction				**112,903**	**4,577**	**5,552**	**120**	**146**	**24%**	**21%**	**24.7**	**20.3**	**12.0**	**10.2**	**3.8**	**3.3**		**16.7**
Jasa Marga	BUY	6,375	8,200	43,350	1,600	1,877	422	547	25%	30%	15.1	11.7	14.7	13.2	3.5	3.1	116.4	13.4
Wijaya Karya	BUY	3,080	4,000	18,940	843	1,004	137	164	37%	19%	22.4	18.8	9.3	7.7	3.2	2.7	8.9	15.4
Pembangunan Perumahan	BUY	3,950	4,600	19,128	694	856	143	177	30%	23%	27.6	22.3	10.7	8.9	6.4	5.2	18.0	25.8
Adhi Karya	BUY	2,725	3,700	4,909	399	531	221	295	23%	33%	12.3	9.2	6.4	5.5	2.3	1.9	66.5	20.8
Waskita Karya	BUY	1,760	2,100	17,120	646	792	66	81	28%	23%	26.7	21.8	13.5	10.9	5.1	4.3	39.2	20.9
Wika Beton	HOLD	1,085	1,350	9,456	396	491	45	56	32%	24%	23.9	19.2	12.7	10.3	3.8	3.2	net cash	17.1
Consumer				**475,466**	**13,686**	**15,530**	**498**	**565**	**9%**	**13%**	**34.7**	**30.6**	**20.7**	**18.7**	**9.1**	**8.3**		**27.8**
Indofood CBP	HOLD	13,625	13,800	79,447	3,033	3,308	520	567	16%	9%	26.2	24.0	18.1	17.1	5.0	4.5	net cash	20.3
Indofood	BUY	7,200	8,050	63,219	3,811	4,287	434	488	-2%	12%	16.6	14.7	7.8	7.2	2.2	2.1	19.2	14.1
Unilever	SELL	42,300	30,000	322,749	6,365	7,332	834	961	11%	15%	50.7	44.0	35.4	31.1	59.9	53.6	net cash	129.7
Nippon Indosari Corpindo	HOLD	1,215	1,200	6,150	266	377	53	75	41%	42%	23.1	16.3	13.2	9.3	5.2	4.2	63.0	25.0
Mandom	BUY	19,400	19,300	3,901	210	226	1,045	1,126	8%	8%	18.6	17.2	10.0	9.3	2.7	2.5	2.6	15.3
Heavy Equipment				**90,924**	**5,764**	**6,341**	**1,261**	**1,387**	**4%**	**10%**	**15.8**	**14.3**	**7.0**	**6.0**	**2.1**	**2.0**		**14.1**
Hexindo Adiperkasa	HOLD	3,000	3,650	2,520	220	260	262	309	13%	18%	11.5	9.7	5.5	4.3	0.9	0.9	net cash	8.0
United Tractors	HOLD	23,700	22,200	88,404	5,544	6,081	1,486	1,630	3%	10%	15.9	14.5	7.0	6.0	2.2	2.0	net cash	14.5
Healthcare				**106,621**	**2,633**	**3,039**	**49**	**57**	**11%**	**15%**	**40.5**	**35.1**	**24.3**	**20.2**	**7.4**	**6.6**		**19.3**
Kalbe Farma	HOLD	1,780	1,900	83,438	2,273	2,593	48	55	9%	15%	37.1	32.4	24.3	20.8	7.9	6.9	net cash	22.7
Kimia Farma	BUY	1,135	1,500	6,304	258	313	47	56	12%	19%	24.1	20.3	16.4	13.2	3.1	2.8	2.3	13.5
Siloam Hospital	BUY	14,600	15,750	16,879	102	133	89	115	64%	30%	164.8	127.1	28.8	21.4	9.6	8.9	64.2	6.0
Mining				**121,992**	**8,963**	**10,056**	**138**	**155**	**5%**	**12%**	**13.6**	**12.1**	**6.1**	**5.4**	**1.2**	**1.2**		**9.4**
Adaro Energy	BUY	930	1,150	29,747	2,095	2,202	66	69	2%	5%	14.2	13.5	4.8	4.3	0.8	0.8	33.0	6.2
Timah	BUY	880	1,400	6,554	651	765	87	103	40%	18%	10.1	8.6	5.0	4.4	1.2	1.1	10.2	12.4
Vale Indonesia	BUY	3,410	4,200	33,883	2,375	2,566	239	258	17%	8%	14.3	13.2	6.5	5.7	1.5	1.5	2.6	11.0
Aneka Tambang	HOLD	825	1,100	7,869	194	400	20	42	-148%	106%	40.5	19.7	14.7	10.9	0.6	0.6	62.8	1.6
Bukit Asam	BUY	10,300	13,500	23,733	1,746	1,939	803	892	-13%	11%	12.8	11.5	9.4	8.1	2.6	2.3	net cash	19.7
Indo Tambangraya Megah	HOLD	15,000	16,000	16,949	1,782	1,982	1,577	1,755	-15%	11%	9.5	8.5	4.4	4.0	1.6	1.6	net cash	18.0
Harum Energy	HOLD	1,205	1,750	3,258	119	202	44	75	-53%	69%	27.3	16.2	2.4	1.8	0.9	0.9	net cash	3.1
Plantation				**67,539**	**5,510**	**5,938**	**211**	**227**	**11%**	**8%**	**12.3**	**11.4**	**6.6**	**6.0**	**1.8**	**1.6**		**14.9**
Astra Agro Lestari	BUY	26,000	27,100	40,943	2,770	2,832	1,759	1,798	4%	2%	14.8	14.5	8.9	8.3	3.5	3.2	net cash	24.5
Sampoerna Agro	BUY	1,885	2,600	3,563	464	550	245	291	18%	19%	7.7	6.5	5.0	4.2	1.1	0.9	31.8	14.5
PP London Sumatra	HOLD	1,730	2,090	11,804	1,055	1,133	155	166	8%	7%	11.2	10.4	5.8	4.9	1.5	1.4	net cash	13.9
Salim Ivomas Pratama	BUY	710	850	11,230	1,221	1,423	77	90	33%	17%	9.2	7.9	4.6	4.1	0.7	0.7	37.6	8.2
Property				**88,425**	**5,943**	**6,634**	**80**	**89**	**-25%**	**12%**	**14.9**	**13.3**	**11.1**	**9.8**	**2.0**	**1.8**		**14.4**
Alam Sutera	BUY	635	700	12,477	1,254	1,516	64	77	15%	21%	10.0	8.2	9.3	7.8	1.7	1.5	75.3	18.9
Bumi Serpong Damai	BUY	1,945	2,100	37,435	2,369	2,617	135	150	-36%	10%	14.4	13.0	12.6	11.1	2.5	2.2	net cash	16.6
Metropolitan Land	BUY	415	620	3,145	290	322	38	43	14%	11%	10.8	9.8	7.4	6.8	1.4	1.3	27.7	14.2
Surya Semesta Internusa	HOLD	1,165	1,040	5,482	464	415	99	88	32%	-11%	11.8	13.2	5.5	5.6	1.9	1.7	net cash	16.9
Lippo Karawaci	BUY	1,295	1,200	29,886	1,565	1,763	72	82	-38%	13%	17.9	15.9	13.4	11.4	1.9	1.7	29.1	10.1
Telco & Infrastructure				**433,304**	**19,860**	**22,840**	**145**	**167**	**28%**	**15%**	**21.8**	**19.0**	**6.4**	**5.9**	**3.6**	**3.3**		**17.4**
XL Axiata	BUY	3,905	4,710	33,354	356	680	42	80	-140%	91%	93.5	49.0	6.2	5.6	2.3	2.2	120.7	2.5
Indosat	HOLD	4,030	3,820	21,899	312	588	57	108	-152%	89%	70.2	37.2	3.8	3.5	1.4	1.3	132.4	2.0
Telkom	HOLD	2,835	3,050	285,768	15,554	16,458	158	168	6%	6%	17.9	16.9	5.7	5.3	3.9	3.6	net cash	22.1
Sarana Menara Nusantara	BUY	3,850	4,525	39,281	1,702	2,121	167	208	35%	25%	23.1	18.5	11.6	9.9	6.0	4.8	107.9	29.8
Tower Bersama	HOLD	8,900	9,625	42,689	1,933	2,570	380	462	38%	22%	23.4	19.2	15.0	12.8	3.5	2.9	120.9	23.9
MNC Sky Vision	HOLD	1,460	1,410	10,313	2	423	0	60	-101%	19638%	4,812.0	24.4	9.8	8.2	6.3	5.0	150.1	0.1
Tranportation				**21,831**	**1,253**	**1,554**	**501**	**621**	**62%**	**24%**	**17.4**	**14.0**	**9.7**	**8.0**	**4.9**	**3.9**		**32.3**
Blue Bird	BUY	8,725	12,200	21,831	1,253	1,554	501	621	62%	24%	17.4	14.0	9.7	8.0	4.9	3.9	47.8	32.3
Utility				**103,754**	**11,088**	**10,313**	**457**	**425**	**3%**	**-7%**	**9.4**	**10.1**	**6.3**	**6.8**	**2.5**	**2.3**		**28.7**
PGN	BUY	4,280	6,650	103,754	11,088	10,313	457	425	3%	-7%	9.4	10.1	6.3	6.8	2.5	2.3	net cash	28.7
Retail				**26,143**	**1,376**	**1,698**	**53**	**66**	**28%**	**23%**	**19.0**	**15.4**	**9.5**	**8.0**	**2.8**	**2.5**		**15.7**
Mitra Adi Perkasa	BUY	5,350	6,250	8,881	352	543	212	327	112%	54%	25.2	16.4	8.3	6.9	3.1	2.7	84.7	13.0
Ramayana	BUY	765	910	5,428	409	444	58	63	9%	9%	13.3	12.2	6.6	5.9	1.5	1.5	net cash	11.8
Ace Hardware	BUY	690	920	11,834	615	711	36	41	17%	14%	19.2	16.8	13.7	11.6	4.2	3.5	net cash	23.8

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on 13-May-2015	12-May-2015	Chg, %	w-w, %	m-m, %	YTD, %	Rating
Astra Agro Lestari	AALI	26,000	24,150	7.7	24.0	13.5	7.2	BUY
Timah	TINS	880	825	6.7	7.3	(3.3)	(28.5)	BUY
Gajah Tunggal	GJTL	1,080	1,020	5.9	4.3	(15.3)	(24.2)	BUY
PP London Sumatra	LSIP	1,730	1,635	5.8	18.5	11.6	(8.5)	HOLD
Bumi Serpong Damai	BSDE	1,945	1,840	5.7	2.1	(9.5)	7.8	BUY
Siloam Hospital	SILO	14,600	13,975	4.5	(2.3)	22.4	6.6	BUY
Lippo Karawaci	LPKR	1,295	1,240	4.4	-	(10.7)	27.0	BUY
Bank Tabungan Negara	BBTN	1,145	1,100	4.1	2.7	-	(5.0)	BUY
Indofood	INDF	7,200	6,925	4.0	5.9	(2.7)	6.7	BUY
Indosat	ISAT	4,030	3,885	3.7	2.7	(1.7)	(0.5)	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on 13-May-2015	12-May-2015	Chg, %	w-w, %	m-m, %	YTD, %	Rating
Adhi Karya	ADHI	2,725	2,830	(3.7)	(2.7)	(10.4)	(21.7)	BUY
Blue Bird	BIRD	8,725	8,950	(2.5)	9.1	(10.1)	(7.4)	BUY
Indo Tambangraya Megah	ITMG	15,000	15,350	(2.3)	13.4	(2.9)	(2.4)	HOLD
Bank Tabungan Pensiunan Nasional	BTPN	3,860	3,950	(2.3)	(3.5)	(4.2)	(2.3)	BUY
MNC Sky Vision	MSKY	1,460	1,490	(2.0)	(8.8)	(9.3)	(8.8)	HOLD
Pembangunan Perumahan	PTPP	3,950	4,030	(2.0)	0.9	(0.5)	10.5	BUY
Tower Bersama	TBIG	8,900	9,050	(1.7)	3.5	(4.3)	(8.2)	HOLD
Semen Indonesia	SMGR	13,025	13,225	(1.5)	(0.6)	(0.8)	(19.6)	BUY
Wika Beton	WTON	1,085	1,100	(1.4)	(1.4)	(9.6)	(16.5)	HOLD
Sampoerna Agro	SGRO	1,885	1,905	(1.0)	2.4	0.3	(10.2)	BUY

Sources: Bloomberg

Disclaimer