

## MORNING HIGHLIGHT

### FROM EQUITY RESEARCH

#### PP Properti: 9M15-Below Expectation

(PPRO IJ. Rp 177. BUY. TP Rp 242)

PPRO reported 9M15 sales of Rp1tn, up 246% yoy, represent only 61.7% of our FY15F forecast. On quarterly basis the sales figure decline -3.2% qoq to Rp303bn. Gross margin decline in 3Q15 to 26.6% (-3.2ppt qoq and -0.76ppt yoy), yet on cumulative basis the 9M15 net margin was still higher at 29% (vs 26.7% in 9M14). Overall, the 9M15 result is still below our expectation.

### MARKET NEWS

#### \*Analysts' comment inside

- GIIA: November 2015 Operational Result (Company)
- Eight Economic Policy Package: Refineries, Airlines get support (TJP)
- Telkom targeting another satellite operator in Asia (ID)
- Toll road projects: Auction for 3 sections opened in early February 2016 (BI)
- Waskita injects more funds into toll road subsidiary (TJP)

### Previous Reports:

- Strategy - JCI: Road to Recovery-[Snapshot20151221](#)
- Construction: Infrastructure Driven Scenario-[Snapshot20151216](#)
- AUTO: Still weak on cumulative basis, Construction: PUPR: likely to miss budget target-[Snapshot20151215](#)
- Cement: Maintaining sturdy sales volume in November 2015, Retail: No surprise-[Snapshot20151214](#)
- Coal Sector: Weak coal prices to persist, Infrastructure: SOE Synergy for Indonesia Transformation-[Snapshot20151211](#)
- Bank Rakyat Indonesia: 10M15 Result-[Snapshot20151210](#)
- Cement: Fighting on uphill battle-[Snapshot20151202](#)

### IDX ANNOUNCEMENT

#### Corp Action

Code	Action	Date	Time (WIB)
MIKA	EGM	17-Dec-15	14
BMRI	EGM	18-Dec-15	--

Source: KSEI

### Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	4,491	0.5	(14.1)	180
Thailand	1,264	(1.6)	(15.6)	1,689
Philippines	6,910	0.6	(4.4)	80
Malaysia	1,629	(0.9)	(7.5)	501
Singapore	2,846	(0.3)	(15.4)	440
<b>Regional</b>				
China	3,642	1.8	12.6	91,670
Hong Kong	21,792	0.2	(7.7)	7,794
Japan	18,916	(0.4)	8.4	13,005
Korea	1,978	(0.2)	3.3	3,583
Taiwan	8,282	0.3	(11.0)	2,340
India	25,736	0.8	(6.4)	378
NASDAQ	4,969	0.9	4.9	61,277
Dow Jones	17,252	0.7	(3.2)	9,090

### Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,808	2.2	(0.6)	(11.5)
SBI rate %	7.10	-	-	(0.1)
10y Gov Indo bond	8.70	(0.4)	0.1	0.9

### Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	52	(0.3)	(1.6)	(16.5)
Gold	US\$/toz	1,078	0.0	0.0	(9.0)
Nickel	US\$/mt.ton	8,848	1.4	1.8	(41.3)
Tin	US\$/mt.ton	14,687	(0.8)	0.2	(24.4)

### Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	3,305	0.0	(2.6)	11.3
Corn	US\$/mt.ton	140	(0.4)	1.7	(2.3)
Crude Oil	US\$/barrel	36	(1.4)	(18.6)	(36.6)
Palm oil	MYR/mt.ton	2,154	0.8	2.9	(6.2)
Rubber	US\$/kg	119	2.3	1.7	(21.9)
Pulp	US\$/tonne	804	N/A	(2.3)	(13.7)
Coffee	US\$/60kgbag	91	(0.1)	0.3	39.6
Sugar	US\$/MT	411	(0.7)	0.3	5.1
Wheat	US\$/ton	130	(1.6)	(2.2)	(22.6)

Source: Bloomberg

## 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

#### A. Indrajatri Suwono, CFA

adriana.suwono@danareksa.com  
(62-21) 2955 5616  
**Strategy, Banking**

#### Anindya Saraswati

anindyas@danareksa.com  
(62-21) 2955 5820  
**Property, Retail**

#### Armando Marulitua

armandom@danareksa.com  
(62-21) 2955 5817  
**Pharmaceutical**

#### Stefanus Darmagiri

stefanus.darmagiri@danareksa.com  
(62-21) 2955 5831  
**Coal, Heavy Equipment, Metal Mining**

#### Puti Adani

putia@danareksa.com  
(62-21) 2955 5824  
**Research Associate**

#### Antonia Febe Hartono

antonia.hartono@danareksa.com  
(62-21) 29555 888 ext.3504  
**Research Associate**

### Sales team

#### Ermawati A. Erman

ermawatiae@danareksa.com  
(62 21) 29555 888 ext. 3151

#### Novrita E. Putrianti

novrita@danareksa.com  
(62 21) 29555 888 ext. 3128

#### Ehrliech Suhartono

ehrlich@danareksa.com  
(62 21) 29555 888 ext. 3132

#### Yunita L. Nababan

yunita@danareksa.com  
(62 21) 29555 888 ext. 3145

#### Martin Joshua

martinjs@danareksa.com  
(62 21) 29555 888 ext. 3126

#### Laksmi Armandani

laksmिताa@danareksa.com  
(62 21) 29555 888 ext. 3125

#### Muhammad Hardiansyah

mhardiansyah@danareksa.com  
(62 21) 29555 888 ext. 3109

#### Tuty Sutopo

tuty@danareksa.com  
(62 21) 29555 888 ext. 3121

#### Upik Yuzarni

upik\_y@danareksa.com  
(62 21) 29555 888 ext. 3137

#### Kevin Giarto

kevin.giarto@danareksa.com  
(62 21) 29555 888 ext. 3139

## 9M15 RESULT

### PP Properti: 9M15 - Below Expectation

(PPRO IJ. Rp 177. BUY. TP Rp 242)

- PPRO reported 9M15 sales of Rp1tn, up 246% yoy, represent only 61.7% of our FY15F forecast. On quarterly basis the sales figure decline -3.2% qoq to Rp303bn.
- Gross margin decline in 3Q15 to 26.6% (-3.2ppt qoq and -0.76ppt yoy), yet on cumulative basis the 9M15 net margin was still higher at 29% (vs 26.7% in 9M14).
- Meanwhile, opex to sales ratio improved to 2.7% in 3Q15, making the cumulative 9M15 opex to sales ratio at 3.1% (vs. 4.6% in 9M14).
- However, the lower opex to sales ratio couldn't lift the operating margin. Thus, the operating margin was lower compare with the 2Q15 at 23.9%.
- At the bottom line, net profit figure was flat on quarterly basis at Rp63bn. The slight improvement in 3Q15 net margin was due to higher other income.
- Overall, the 9M15 result is still below our expectation.

Results (Rp bn)	9M14	9M15	YoY Chg	3Q14	2Q15	3Q15	QoQ Chg	YoY Chg	2015F	% forecast	Cons	% forecast
Sales	290	1,004	246	173	313	303	(3.2)	74.9	1,626	61.7	1,654	60.7
COGS	213	713	235	126	220	223	1.2	76.7	1,153	61.8		
Gross profit	77	292	277	47	93	81	(13.6)	70.1	474	61.6	447	65.3
Operating expenses	13	31	133	5	14	8	(40.1)	51.8	27	114.1		
Operating profit	64	260	307	42	79	72	(8.9)	72.4	446	58.3	324	80.2
Other income/(expenses)	(5)	(6)	6	(2)	(102)	105	(203.3)	(4,724.4)	(68)	8.1		
Pre-tax profit	59	255	334	40	77	78	0.5	96.0	378	67.4		
Net profit	50	206	314	35	63	63	0.3	81.0	288	71.4	265	77.7
<b>Margins (%)</b>												
Gross margin	26.7	29.0		27.4	29.8	26.6			29.1		27.0	
Opex to sales	4.6	3.1		3.1	4.4	2.7			1.7			
Operating margin	22.0	25.9		24.2	25.4	23.9			27.4		19.6	
Net margin	17.1	20.5		20.0	20.0	20.7			17.7		16.0	

**Anindya Saraswati**

anindyas@danareksa.com

(62-21) 2955 5820

## MARKET NEWS

### **GIAA: November 2015 Operational Result (Company)**

The group passenger carried increased 14.22% yoy, the demand (RPK) growth maintained higher than the production (ASK) respectively increased by 11.59% and 2.86% yoy. The Seat Load Factor (SLF) climbed 6.1 percentage point from 71.3% to 77.4%. The frequencies were up to 10.07% and aircraft utilization decrease to 45 minutes. In cost section, the Cost ASK (CASK) was down 15.37% as impact of fuel price drops to 37.65% from USD0.85/L to USD0.53/L. The CASK ex. fuel also declined by 0.66% as result from company non fuel efficiency program which impacted much in domestic platform. Pertamina cuts aviation fuel price by 5.23% (USc45.9/L to USc44.1/L) applied at Soekarno Hatta Airport effective since 1 October 2015. Three airports (Denpasar, Lombok and Banyuwangi) disrupted as Mount Rinjani eruption. In total 271 flights has been cancelled in the period started from 4-11 November 2015.

### **Eight Economic Policy Package: Refineries, Airlines get support (TJP)**

The Eight Economic Policy Package was launched yesterday with the government opens up the oil refinery business to private investors and abolishes import duty on airline parts. Government will allow private companies to build oil refineries in the country and provide both fiscal and non-fiscal incentives to attract potential investors. For the airline industry, the policy package removes 21 import tariffs related to aircraft spare parts to support aircraft maintenance and repairs in Indonesia, while aiming to spur growth in MRO (maintenance, repair, and overhaul) business. Government also announced to speed up the one-map policy which requires uniform maps with scale of 1:50,000 in 2019 to provide certainty for infrastructure development projects.

### **Telkom targeting another satellite operator in Asia (ID)**

Telekomunikasi Indonesia (TLKM) plans to buy satellite operator company in Asia, having previously canceled acquirement of Hong Kong-based satellite company in 2014. In the company's roadmap, TLKM currently preparing Telkom 3S (substitution)'s launching which will replace the Telkom 3 satellite which failed to reach the orbit in August 2012. Telkom 3S with US\$ 199.7mn investment is scheduled for launch in late 2016 or early 2017. TLKM also plans to launch Telkom 4 satellite worth US\$ 200mn in 2018, to replace the Telkom 1 satellite which has been launched since 1999.

### **Toll road projects: Auction for 3 sections opened in early February 2016 (BI)**

Government recently is preparing documents for the auction of three toll roads; Pandaan-Malang, Balikpapan-Samarinda and Manado-Bitung, which is scheduled to begin the bidding process in February 2016. For the segment Pandaan-Malang, there are 8 participants who passed the pre-qualification stage and entitled to participate in the auction process including; Waskita Toll Road, Nusa Raya Cipta, Citra Marga Nusaphala, dan konsorsium Jasa Marga-PP-Sarana Multi Infrastruktur. At the time of the bidding process, prospective investors should already specify the lender partners and contractors.

	<b>Pandaan-Malang</b>	<b>Balikpapan-Samarinda</b>	<b>Manado-Bitung</b>
<b>Length (km)</b>	37.6	99.0	39.0
<b>Sections</b>	3.0	5.0	2.0
<b>Investment, Rp tn</b>	3.0	13.1	8.7
<b>Land cost, Rp tn</b>	0.3	1.2	1.2
<b>Land acquisition progress, %</b>	22.4	85.0	88.9

**Waskita injects more funds into toll road subsidiary (TJP)**

Waskita Karya (WSKT) has injected another Rp 519bn into Waskita Toll Road (WTR). Rp 119bn of the additionally issued paid up capital would be channeled to Kresna Kusuma Dyandra Marga (KKDM), WTR's subsidiary by 60% and currently working on the Becakayu toll road. Waskita had also increased its subsidiary's authorized capital to Rp 6.5tn.



## COVERAGE PERFORMANCE

### LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		21-Dec-2015	18-Dec-2015					
Surya Semesta Internusa	SSIA	650	610	6.6	11.1	15.0	(39.3)	HOLD
Timah	TINS	486	466	4.3	6.1	(9.2)	(60.5)	BUY
Semen Indonesia	SMGR	10,900	10,475	4.1	4.3	(4.4)	(32.7)	BUY
Indocement	INTP	21,800	21,000	3.8	12.4	3.8	(12.8)	HOLD
Indofood CBP	ICBP	12,775	12,400	3.0	9.0	(1.0)	(2.5)	BUY
Bumi Serpong Damai	BSDE	1,695	1,650	2.7	5.6	1.2	(6.1)	BUY
Indosat	ISAT	5,500	5,375	2.3	5.8	5.3	35.8	BUY
Salim Ivomas Pratama	SIMP	332	325	2.2	(5.4)	(15.7)	(52.9)	BUY
Bank Rakyat Indonesia	BBRI	11,100	10,875	2.1	4.0	0.9	(4.7)	BUY
Ace Hardware	ACES	815	800	1.9	7.9	8.7	3.8	HOLD

Sources: Bloomberg

### LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		21-Dec-2015	18-Dec-2015					
Bukit Asam	PTBA	4,600	4,780	(3.8)	6.6	(23.7)	(63.2)	BUY
Lippo Karawaci	LPKR	1,100	1,130	(2.7)	(2.2)	(15.1)	7.8	BUY
Tower Bersama	TBIG	5,950	6,100	(2.5)	1.7	(8.5)	(38.7)	HOLD
Bank Negara Indonesia	BBNI	4,855	4,960	(2.1)	1.1	(6.6)	(20.4)	BUY
Sampoerna Agro	SGRO	1,570	1,600	(1.9)	8.3	15.4	(25.2)	BUY
Wijaya Karya	WIKA	2,600	2,640	(1.5)	(1.3)	(10.5)	(29.3)	HOLD
Indofood	INDF	4,975	5,050	(1.5)	1.7	(11.9)	(26.3)	BUY
Blue Bird	BIRD	7,000	7,100	(1.4)	(2.1)	0.7	(25.7)	BUY
Metropolitan Land	MTLA	220	223	(1.3)	7.3	4.8	(50.1)	BUY
Kalbe Farma	KLBF	1,275	1,290	(1.2)	2.4	(6.3)	(30.3)	HOLD

Sources: Bloomberg

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