

MORNING HIGHLIGHT

FROM EQUITY RESEARCH

UNVR: Staying ahead

(UNVR II. Rp37,475. BUY. TP Rp42,000)

We reinitiate coverage on Unilever (UNVR) with a BUY recommendation and TP of Rp42,000, implying FY16F P/E of 48.4x, a premium to its peers. Despite the challenging market conditions, we believe UNVR's business prospects remain sound, supported by well-known brands and extensive distribution channels, which have helped the company to maintain its position as the market leader. Indonesia's better growth prospects this year and expectations of improving purchasing power will underpin the company's performance going forward. In FY14-17F, we forecast healthy earnings CAGR of 8.6% backed by stable net margin of 16%. At the same time, the company also stands to benefit from the government's commitment toward upgrading Indonesia's creaky infrastructure since such improvements will allow UNVR to expand and strengthen its distribution network.

FROM DANAREKSA RESEARCH INSTITUTE

CCI: Consumer Confidence Climbs to a Fourteen-month High

Consumer confidence rose to a fourteen-month high in January 2016 – its fourth straight monthly increase. As a result, the Consumer Confidence Index (CCI) now stands at 98.5, up 2.8% over the previous month, as consumer concerns over high fuel prices and fuel scarcity eased significantly (in our latest survey, only 6.5% of consumers cited this issue as a major concern in January 2016 vis-à-vis 11.6% in December 2015).

MARKET NEWS

*Analysts' comment inside

- Major banks start cutting lending rates (TJP)
- EXCL to trim Rp13.29tn debt (ID)
- WIKA aims Rp600bn in Saudi Arabia, ready to build power plant (ID/BI)
- WSKT provide loans to subsidiary amounted to Rp300 bn (ID)

Previous Reports:

- Healthcare: Finding a new balance, FY15 Result-[Snapshot20160202](#)**
- HEXA: Dragged down by heavy equipment sales volume, Bank Mandiri – FY15 unaudited result-[Snapshot20160201](#)**
- TINS: Refined tin demand to remain weak-[Snapshot20160129](#)**
- ACES: Getting back on track-[Snapshot20160128](#)**
- SMBR: The King of Cement in Southern Sumatera-[Snapshot20160127](#)**

IDX ANNOUNCEMENT

Corp Action

Code	Action	Date	Time (WIB)
ALKA	EGM	12-Feb-16	16
SIPD	EGM	15-Feb-16	--
BKSW	AGM	16-Feb-16	--

Source: KSEI

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	4,587	(0.8)	(0.1)	302
Thailand	1,285	(0.9)	(0.2)	1,256
Philippines	6,642	(0.9)	(4.5)	127
Malaysia	1,653	(0.9)	(2.3)	957
Singapore	2,579	(0.9)	(10.5)	693
Regional				
China	2,750	2.3	(22.3)	33,213
Hong Kong	19,447	(0.8)	(11.3)	8,975
Japan	17,751	(0.6)	(6.7)	15,783
Korea	1,907	(0.9)	(2.8)	4,274
Taiwan	8,131	(0.3)	(2.5)	2,174
India	24,539	(1.2)	(6.0)	432
NASDAQ	4,517	(2.2)	(9.8)	89,017
Dow Jones	16,154	(1.8)	(7.3)	9,670

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,691	1.4	1.8	0.7
SBI rate %	6.65	(0.4)	(0.5)	(0.6)
10y Gov Indo bond	8.11	(0.4)	(0.6)	(0.6)

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	50	0.9	(0.4)	(0.4)
Gold	US\$/toz	1,127	(0.1)	6.2	6.2
Nickel	US\$/mt.ton	8,419	(1.9)	(4.1)	(4.1)
Tin	US\$/mt.ton	14,854	(0.3)	1.8	1.8

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,924	3.8	(10.5)	(10.5)
Corn	US\$/mt.ton	141	0.4	5.3	5.3
Crude Oil	US\$/barrel	30	(0.6)	(19.8)	(19.8)
Palm oil	MYR/mt.ton	2,350	1.5	6.8	6.8
Rubber	US\$/mt ton	109	(0.1)	(7.8)	(7.8)
Pulp	US\$/tonne	793	N/A	(1.3)	(1.3)
Coffee	US\$/60kgbag	96	0.1	4.1	4.1
Sugar	US\$/MT	403	0.2	(4.6)	(4.6)
Wheat	US\$/ton	129	-	1.1	1.1

Source: Bloomberg

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CONSUMER/REINITIATING COVERAGE

BUY

Target Price, Rp 42,000

Upside (Downside) 12.0%

UNVRIJ/UNVR.JK

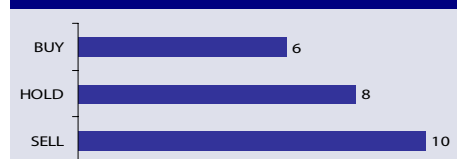
Last Price, Rp 37,475

No. of shares (mn) 7,630

Market Cap, Rp bn 285,934

(US\$ mn) 20,885

3M T/O, US\$mn 8.7

UNVR relative to JCI Index**Market Recommendation****Danareksa vs Consensus**

	Our	Cons	% Diff
Target price, IDR	42,000	37,721	11.3
EPS 2016F, IDR	868	851	1.9
PER 2016F, x	43.1	44.0	-2.0

Unilever Indonesia**Staying ahead**

We reinitiate coverage on Unilever (UNVR) with a BUY recommendation and TP of Rp42,000, implying FY16FP/E of 48.4x, a premium to its peers. Despite the challenging market conditions, we believe UNVR's business prospects remain sound, supported by well-known brands and extensive distribution channels, which have helped the company to maintain its position as the market leader. Indonesia's better growth prospects this year and expectations of improving purchasing power will underpin the company's performance going forward. In FY14-17F, we forecast healthy earnings CAGR of 8.6% backed by stable net margin of 16%. At the same time, the company also stands to benefit from the government's commitment toward upgrading Indonesia's creaky infrastructure since such improvements will allow UNVR to expand and strengthen its distribution network.

The leader in FMCG with strong brand equity and an extensive distribution network

Unilever Indonesia has a diversified brand portfolio comprising 23 brands in its Home and Personal Care (HPC) business and 13 brands in Food and Refreshments (FnR). The company's focus on basic necessities - and with an array of brands well-known to the Indonesian public - give UNVR great defensive characteristics, making the stock an attractive safe haven for investors seeking shelter from market turbulence. Supported by 10 factories in Java and Sumatera, Unilever's strong distribution channels resulting in deep market penetration that sustains the company's position as the leading FMCG player. In our view, the government's accelerated infrastructure program will also benefit UNVR as the company will be able to expand and strengthen its distribution network.

Solid earnings thanks to above-GDP top line growth

Over the past 5 years (2010-14), UNVR booked solid revenues growth of 8-19%, outpacing the country's GDP growth. For 2015F, we estimate top line growth of 7% albeit with lower operating profits growth of 4.6% on the back of royalty adjustments. This will filter through to the bottom line and we estimate soft FY15 earnings growth of 5.2% with stable net margin at 16.3%. In 2016, improving consumer confidence will support the continued recovery of purchasing power and benefit UNVR, in our view. We forecast FY16-17F top line growth of 11% and 12% yoy, respectively, based on our assumption of 4-6% increases in average selling prices and volume growth in line with GDP growth. At the bottom line, we expect UNVR to book solid earnings growth of CAGR 8.6% in FY14-17F.

Reinitiate coverage with a BUY recommendation and TP of Rp42,000

We reinitiate coverage on Unilever with a BUY recommendation and target price of Rp42,000, based on a blended historical 3-year average PE of 42.6x, and DCF valuation with a WACC of 10.3%. Unilever's position as the country's leading FMCG player and proven track record will sustain its reputation as a sound defensive play during times of turbulence. The company's solid fundamentals will also continue to be reflected in strong financial performance, including a high ROE (which has been above 100% since 2011) in the coming years. Risks to our recommendation are rupiah depreciation, raw material price movement, and tighter competition.

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

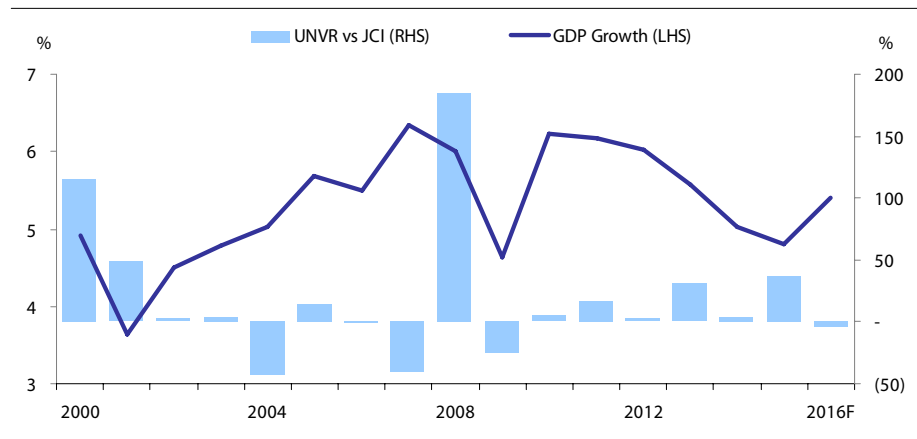
	2013	2014	2015F	2016F	2017F
Revenue, Rp bn	30,758	34,512	37,035	41,126	46,009
EBITDA, Rp bn	7,622	8,117	8,506	9,369	10,572
EBITDA growth, %	13.0	6.5	4.8	10.1	12.8
Net profit, Rp bn	5,353	5,739	6,036	6,624	7,448
Core profit, Rp bn	5,353	5,739	6,036	6,624	7,448
Core EPS, Rp	702	752	791	868	976
Core EPS growth, %	10.6	7.2	5.2	9.7	12.4
Net gearing, x	0.2	0.2	0.1	0.1	0.2
Core PER, x	53.4	49.8	47.4	43.2	38.4
PBV, x	70.3	60.2	56.6	53.1	48.8
EV/EBITDA, x	37.7	35.4	33.8	30.6	27.2
Yield, %	1.8	2.0	2.1	2.3	2.6

A renowned safe haven

Pure FMCG player

As the market leader in Indonesia’s huge consumer sector, UNVR, with a market capitalization of nearly 6% of Indonesia’s JCI, is an attractive safe haven for investors seeking shelter from market turbulence. Its considerable strengths mean the company is more resilient to economic downturns, especially since the company is supported by well-known brands and extensive distribution channels. Looking forward, we expect UNVR to maintain its preminent position in 2015, which means the shares enjoy a considerable premium. In recent years, the shares have sold at over a 30% premium to the JCI, given sluggish GDP growth of only 4.8% in 2015 compared to 5.0% in 2014.

Exhibit 1. Unilever tends to outperform the JCI when the economy weakens

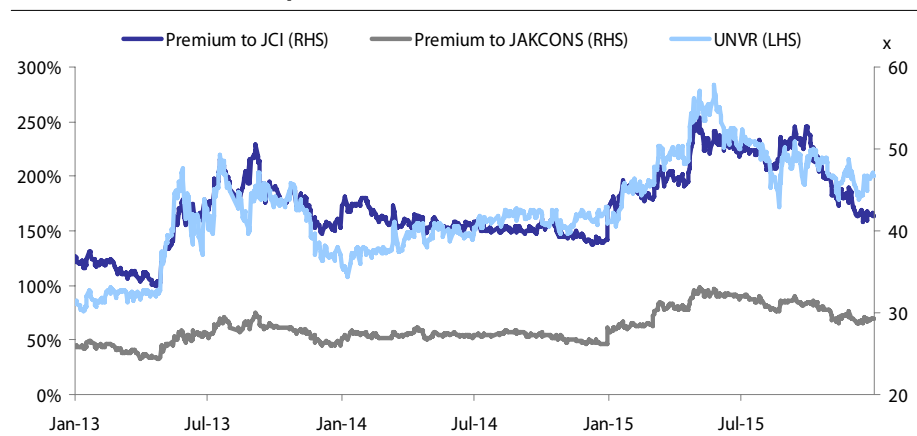


* 2016F is Danareksa estimate

Source: Bloomberg, Danareksa Sekuritas, Danareksa Research Institute

As a pure FMCG player, UNVR is a well-known defensive stock which means the shares have consistently enjoyed a premium to the market and its peers in the JAKCONS. In the last 3 years, UNVR’s shares have enjoyed above a 170% average premium PE to the JCI and nearly a 62% average premium PE to the JAKCONS. Currently, the stock is near +1sd its three-year average forward PE of 40.5x and its three-year average historical PE of 42.6x.

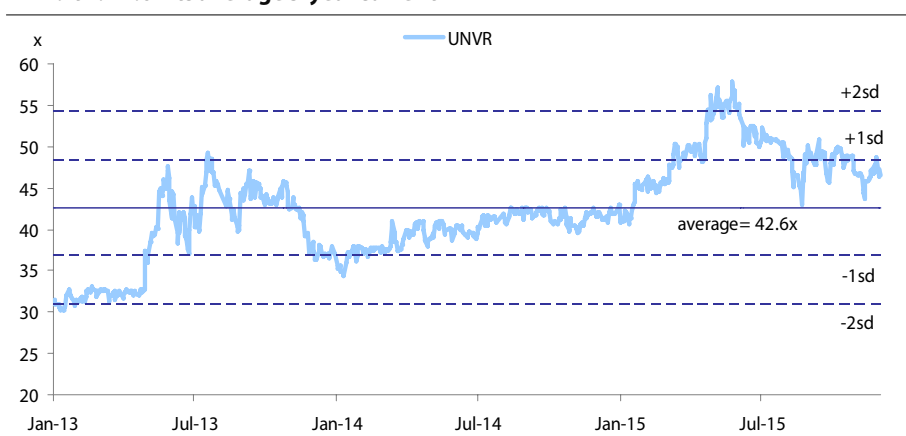
Exhibit 2. Premium PE compared to both the JCI and JAKCONS



Source: Bloomberg, Danareksa Sekuritas

Exhibit 3. Average 40.5x 3-year Forward PE

Source: Bloomberg, Danareksa Sekuritas

Exhibit 4. 42.6x its average 3-year current PE

Source: Bloomberg, Danareksa Sekuritas

With 'at least one product in every house' market penetration

With a diversified brand portfolio - 23 Home and Personal Care (HPC) brands and 13 Food and Refreshment (FnR) brands – and with an extensive range of SKUs (stock-keeping units), UNVR has had a strong footprint in Indonesia since its establishment in 1933.

UNVR is well-known for its deep market penetration and the company claims that at least one of its products can be found in every house in Indonesia. With most of its brands recognised as market leaders in their respective market segments (except for the fabric cleaning line), some of its well-known brands are household names which have consistently been named as TOP brands, including Blue Band for Margarine, Pepsodent for Toothpaste, Rexona for Women's Deodorant and Ponds for Face Moisturizer, all of which were the only TOP brands in their respective categories in 2015.

Exhibit 5. Diversified brands and SKUs portfolio



Source: Company

Exhibit 6. Some notable award winning brands

Brand	Category	Predicate	Rank	Brand Award 2015
Bango	Sweet Soy Sauce	TOP	1	Top Brand Index 2015
Blue Band	Margarine*	TOP	1	Top Brand Index 2015
Ponds	Face soap	TOP	1	Top Brand Index 2015
	Face Cleanser	TOP	1	Top Brand Index 2015
	Face Moisturizer*	TOP	1	Top Brand Index 2015
	Anti-Aging	TOP	1	Top Brand Index 2015
	Whitening cream	TOP	1	Top Brand Index 2015
	BB Cream	TOP	1	Top Brand Index 2015
Rexona	Men's Deodorant	TOP	1	Top Brand Index 2015
	Women's Deodorant*	TOP	1	Top Brand Index 2015
Pepsodent	Toothpaste*	TOP	1	Top Brand Index 2015

*the only TOP brand in the category

Source: Frontier Consulting Marketing Magazine

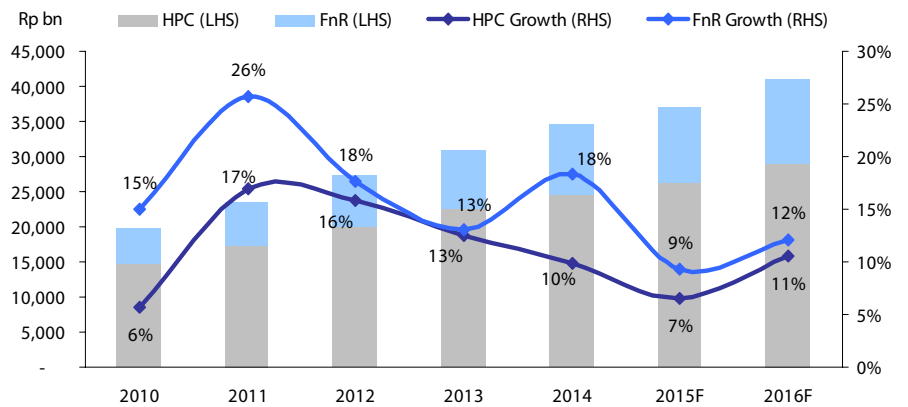
..., bolstering its brand portfolio to cater to the wider market

In the past, UNVR has acquired some local brands to add to its nearly 90% global brands portfolio. These local brands include Sariwangi, Bango and Buavita. Post acquisition, branding efforts of the local brands have been on par with UNVR's global brands. In 2014, UNVR broadened its portfolio of brands with the introduction of loma, an exclusive and personalized skin care line, further widening its consumer segment and catering to higher income groups.

Besides having strong branding, UNVR also benefits from having an extensive range of products with over 1,000 SKUs (Stock Keeping Units) from shampoo sachets to advanced drinking water technology for Pureit. When promoting new products or other innovations, UNVR strictly adheres to its corporate strategy "margin accretive innovation value", which implies that new product additions should have higher margins than the existing products in order to protect the margins of the overall product lines.

While around 70% of UNVR's revenues are still contributed by its HPC business, its FnR business segment has consistently recorded a faster growth rate than the HPC segment supported by its leading ice cream product line. Going forward, we expect this trend to continue with UNVR already having a strong presence in the HPC market, and its efforts in the perennially interesting Indonesian FnR market supported by the company's expertise in cold chain distribution in the ice cream business.

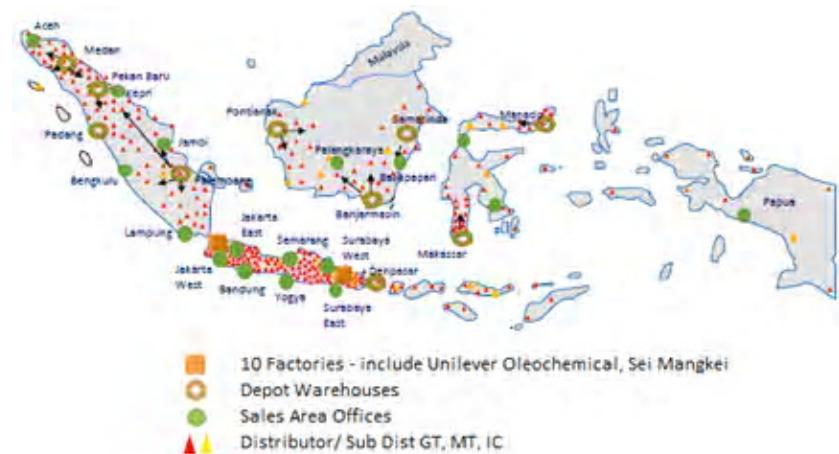
Exhibit 7. Revenues Contribution and Growth per segment



Source: Company, Danareksa Sekuritas

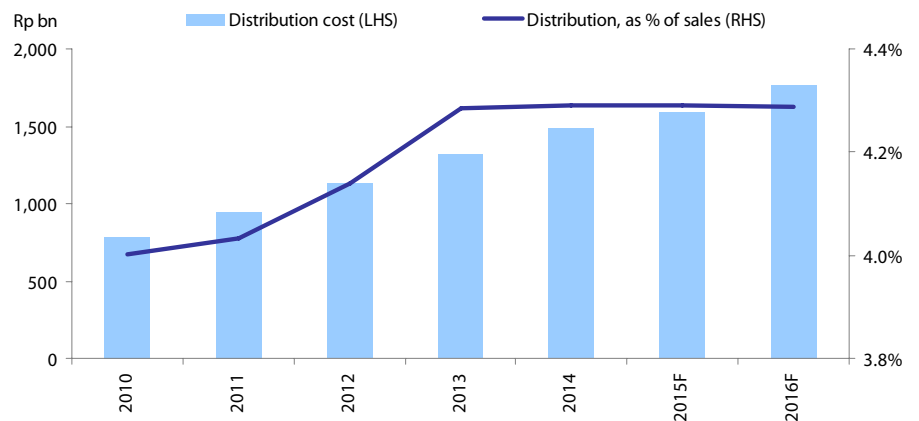
And extensive distribution channels to support further growth

Exhibit 8. Nationwide distribution roadmap



Source: Company

Exhibit 9. Distribution expenses as % of sales



Source: Company, Danareksa Sekuritas

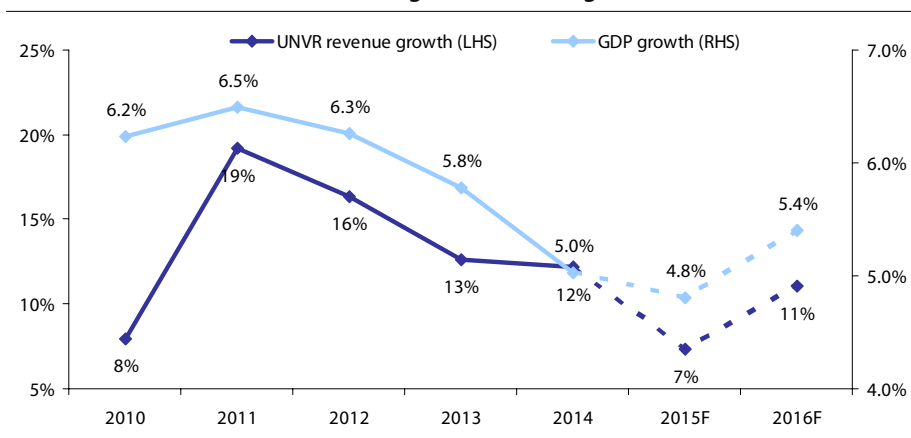
With its long track-record in Indonesia reaching 82 years, UNVR has established very extensive distribution channels to reach potential customers across the vast Indonesian archipelago. While UNVR's distribution costs as a percentage of sales have risen considerably in the last 5 years due to expansion and some unavoidable factors such as oil price adjustments or natural disasters such as flood, earthquake or hurricane, we believe that over the longer term UNVR's distribution can be undertaken more efficiently supported by the government's focus on infrastructure development, especially from the development of the Trans Java and Trans Sumatera toll roads, as well as the Sea toll projects.

UNVR currently has ten factories located in Jabodetabek and Surabaya, with the latest addition being an Oleochemical factory in Sei Mangkei, North Sumatera (owned by its sister company, Unilever Oleochemical Indonesia), and some warehouses located in Java, Sumatera, Kalimantan and Sulawesi. The development of the Trans Java and Trans Sumatra Toll Roads will, we believe, help the company to improve its distribution efficiency efforts further. And over the longer term, the realization of President Jokowi's ambitious Sea toll project will also help to boost the company's marketing performance, not only in terms of distribution but also in terms of the company's ability to tap the eastern part of Indonesia, in our opinion.

Solid earnings performance

Steady sales growth in the past five years

Exhibit 10. Correlation of UNVR's sales growth and GDP growth



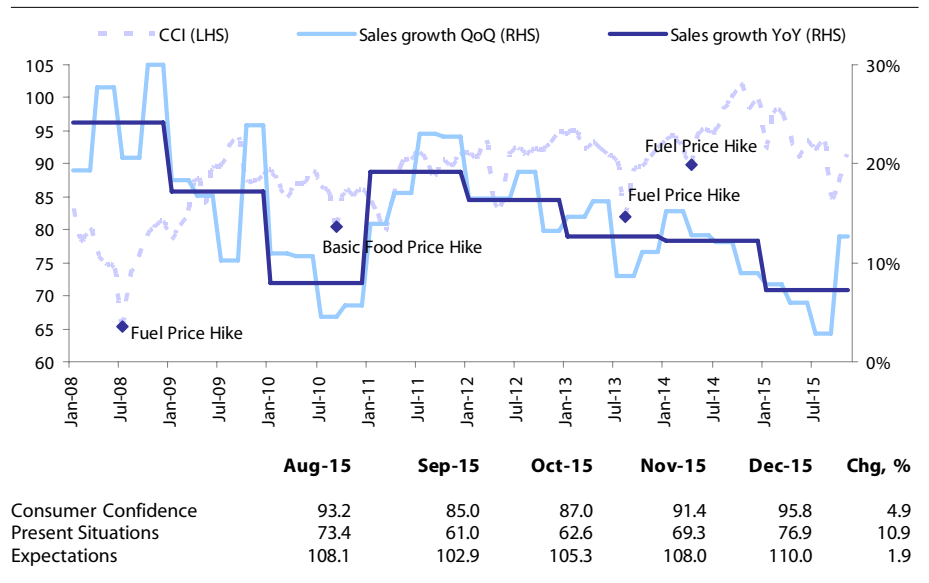
Source: Company, World Bank, Danareksa Sekuritas

Benefiting from its dominant position in the market, Unilever booked strong revenues growth ranging from 8-19% in 2010-14, surpassing the country's GDP growth. Steady sales volume, along with regular price adjustments to pass on increasing costs, have been the foundation of this sustainable revenues growth. It is also worth noting that Unilever's profitability ratios have been stable over the past five years. The HPC segment – which contributes about 70% to Unilever's top line – provides a high gross margin of 50% to 55%. Meanwhile, revenues from the FnR segment have grown steadily yet provide a lower gross margin of around 40% to 45%. As a result, Unilever was able to maintain a solid net margin of around 17-18% in 2010-14. For 2015F, we estimate solid top line growth of 7% albeit with lower operating profits growth of 4.6% due to royalty adjustments. This will filter through to the bottom line and we estimate soft FY15 earnings growth of 5.2% with net margin of 16.3%.

Stronger consumer confidence to support performance in 2016

In 2016, we expect a continued recovery in purchasing power. Based on research from Danareksa Research Institute (DRI), consumer confidence has been improving and has now strengthened in three consecutive months (up to December 2015), with expectations on the country's economic outlook also more upbeat. In DRI's latest survey, 31.6 percent of consumers (over 1,700 respondents in 6 major provinces) expressed plans to purchase a durable good over the next six months, up from 30.7 percent in the previous month. Additionally, more consumers are also more confident of higher family incomes (21.2 percent in December vs. 18.1 percent in November 2015). These positive findings, along with a manageable inflation target of 4.5%, bode well for Unilever, we believe.

Exhibit 11. Danareksa's CCI has picked up



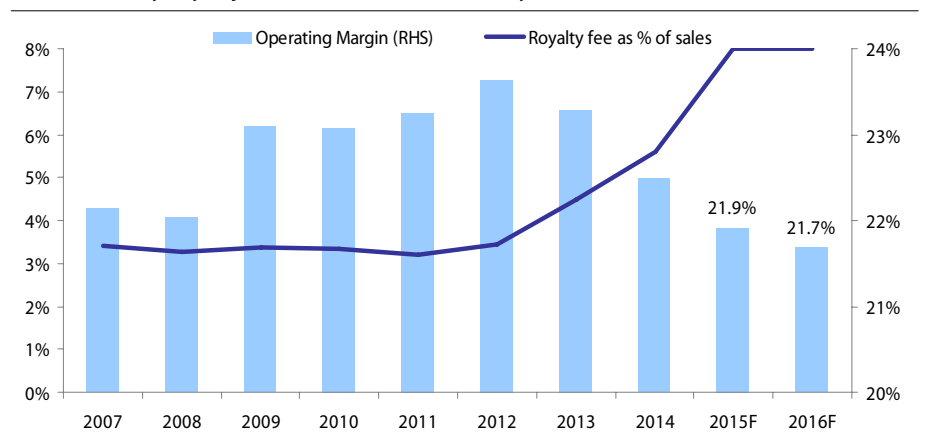
Source: Danareksa Research Institute, Company

Solid 2014-17F earnings CAGR of 8.6%

We expect UNVR to record 11-12% revenues growth in 2016-17F, based on our assumption of average 4-5% increases in average selling prices and volume growth in line with GDP growth, as we remain convinced that the company can grow its sales volume supported by its extensive distribution network and continued product development while, at the same time, continuing to maintain affordable pricing.

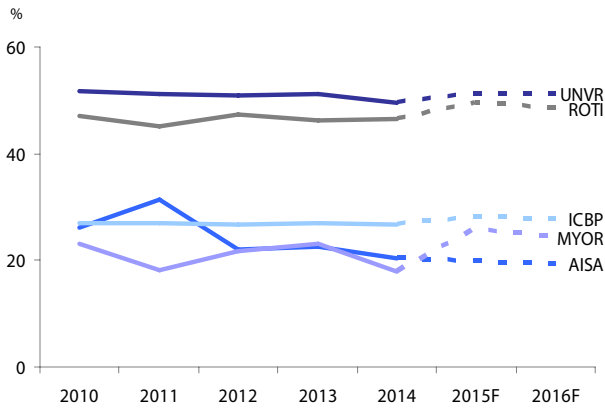
There are, however, concerns over inevitable adjustments to the royalty fee - an obligatory fee to utilize trademarks, technologies and services owned by the parent company. The royalty fee has steadily been adjusted upwards since 2013 to a maximum 8% of total sales by end-2015, and it will be flat thereafter. Going forward, we believe UNVR needs to make some efforts to improve its operating margin through continued improvements in operational efficiencies. This will help the company to book solid earnings growth of 9.7% and 12.4% in FY16-17F, respectively.

Exhibit 12. Royalty adjustments over the last four years



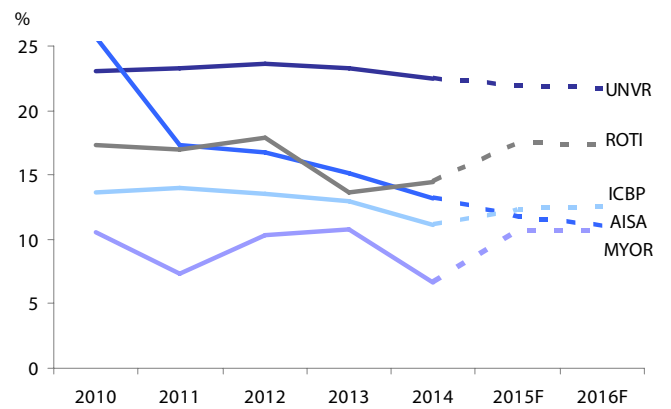
Source: Company, Danareksa Sekuritas

Exhibit 13. UNVR Gross margin comparison



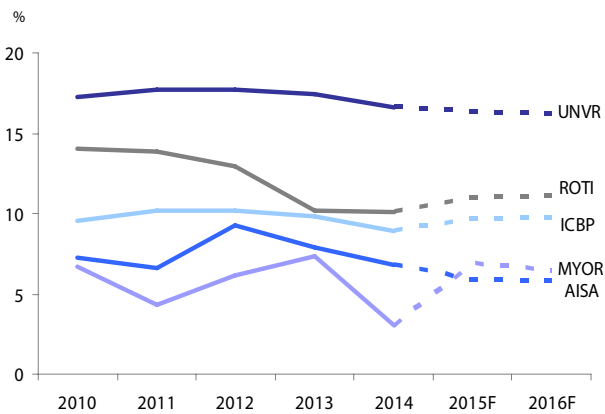
Source: Bloomberg, Danareksa Sekuritas

Exhibit 14. UNVR Operating margin comparison



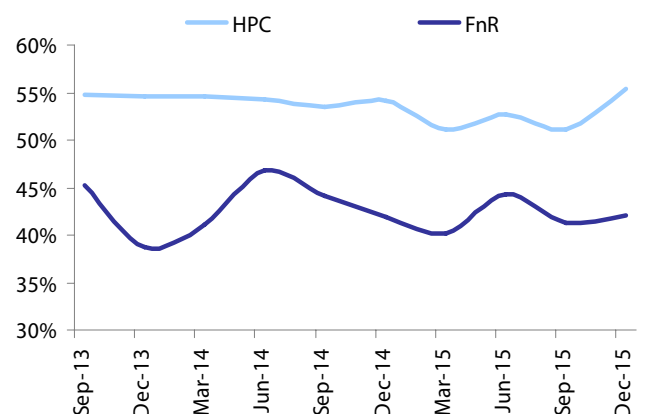
Source: Bloomberg, Danareksa Sekuritas

Exhibit 15. UNVR Net Margin comparison



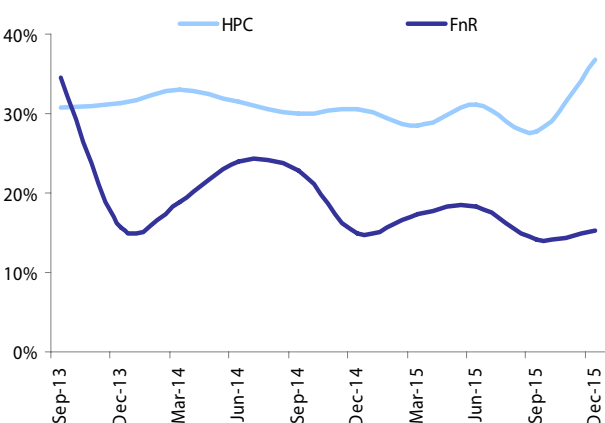
Source: Company, Danareksa Sekuritas

Exhibit 16. UNVR Gross margin by segments



Source: Company, Danareksa Sekuritas

Exhibit 17. UNVR Net margin by segment



Source: Company, Danareksa Sekuritas

As the market leader in the consumer segment, UNVR has recorded outstanding profitability ratios over the last five years, which have surpassed those of its peers. At the gross level, UNVR's gross margin has stood at around 50% over the last 5 years – outperforming its competitors which recorded gross margins of around 20-48%. On a quarterly basis, for the past 2 years its gross margins for each business segment have been stable with its HPC segment gross margin standing at around 50-55% with its FnR segment gross margin at around 40-45%.

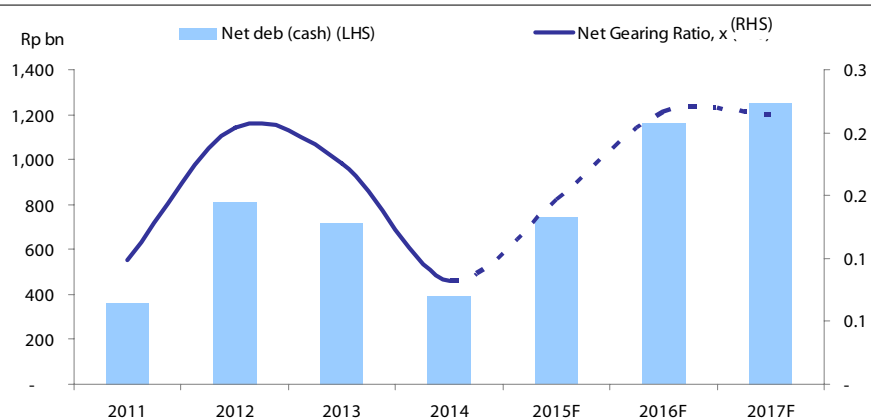
High gross margins have also translated into high operating and net profit margins. UNVR's operating margin stands at around 22-23%, surpassing its peers, which mainly have operating margins below 20%. At the bottom line, UNVR's net profit margin has been stable at around 17-18% over the last five years. On a quarterly comparison, the HPC segment's gross profit margin stood at around 30-35%, while the FnR segment's gross profit margin was in the range of 18-25% over the last 2 years - aside from September 2013's figure of 35% – numbers which are better than those of its peers.

Exhibit 18. UNVR compared to other consumer companies

SECTOR	ROE, % 2016	Net gearing, x 2016
UNVR	40.3	50.1
AISA*	127.0	0.2
ROTI*	11.6	41.2
MYOR*	22.1	70.1
ICBP*	20.6	88.8
	20.4	net cash

Source: Danareksa Sekuritas, *Bloomberg (as of Feb 2, 2016)

Exhibit 19. UNVR Net Gearing



Source: Danareksa Sekuritas

Another UNVR strength is its healthy balance sheet. With ROE surpassing 100% since 2011, the company's net debt-to-equity (gearing) has been around 0.1-0.2 times over the past four years - back in 2010, UNVR still stand at net cash position- while the average gearing of its comparables for 2016 was around 50.1x. While UNVR may not be net cash in the coming years, we believe that the company intends to keep its ratios at around current levels, especially in regard to its generous dividend payments policy (100% dividend payout ratio), which means UNVR has little room to trim its dividend payout ratio.

Exhibit 20. UNVR 9M15 results (Rp bn)

	9M14	9M15	YoY %	3Q14	2Q15	3Q15	QoQ %	YoY %	FY15F	A/F %
Net sales	26,090	27,547	5.6	8,507	9,388	8,745	(6.8)	2.8	37,035	74.4
COGS	13,359	13,583	1.7	4,406	4,662	4,311	(7.5)	(2.2)	18,048	75.3
Gross profit	12,731	13,964	9.7	4,101	4,726	4,435	(6.2)	8.1	18,987	73.5
Opex	7,246	8,312	14.7	2,450	2,871	2,732	(4.9)	11.5	10,868	76.5
Operating profit	5,484	5,652	3.1	1,651	1,855	1,703	(8.2)	3.2	8,118	69.6
EBITDA	5,484	6,004	9.5	1,651	1,970	1,820	(7.6)	10.3	8,506	70.6
Other inc. (expenses)	(64)	(53)	(16.3)	(29)	3	(25)	(860.0)	(14.0)	(43)	123.1
Pretax profit	5,421	5,599	3.3	1,622	1,859	1,678	(9.7)	3.5	8,075	69.3
Tax expense	(1,372)	(1,415)	3.2	(421)	(520)	(425)	(18.2)	1.1	(2,039)	69.4
Net profit	4,049	4,183	3.3	1,201	1,339	1,253	(6.5)	4.3	6,036	69.3
(in %)										
Gross margin	48.8	50.7		48.2	50.3	50.7			51.3	
Operating margin	21.0	20.5		19.4	19.8	19.5			21.9	
EBITDA margin	21.0	21.8		19.4	21.0	20.8			23.0	
Net margin	15.5	15.2		14.1	14.3	14.3			16.3	

Source: Company, Danareksa Sekuritas

In 9M15, UNVR's sales reached Rp27.5 tn (up 5.6% yoy) with net profits of Rp4.18 tn (up 3.3% yoy). These figures were 74.4% and 69.3% of our full year top line and bottom line forecasts, respectively. The 9M15 gross margin was recorded at 50.7%, or up from last year's 48.8%, whereas UNVR's operating margin dropped to 20.5% from 21.0% in 9M14 owing to the adjustment of royalty fees before the 8% rate is fully executed at the end of 2015.

On a quarterly basis, UNVR's performance in 3Q15 weakened in comparison to 2Q15 given the high base level, as the Idul Fitri holidays took place in 2Q15. UNVR posted Rp8.7 tn of sales, up 2.8% yoy but down 6.8% qoq, whilst the net profits reached Rp1.25tn or down by 6.5% qoq albeit up 4.3% yoy compared to 3M14.

All in all, even though UNVR's 9M15 result does not look that appealing, we expect better numbers for FY15 supported by the festive season. We also believe that consumer spending will increase in 4Q15 since Indonesia's macroeconomic conditions appear to be improving on the back of accelerated government spending. This will help boost UNVR's revenues growth in 2016.

Halal certification on all of UNVR's products

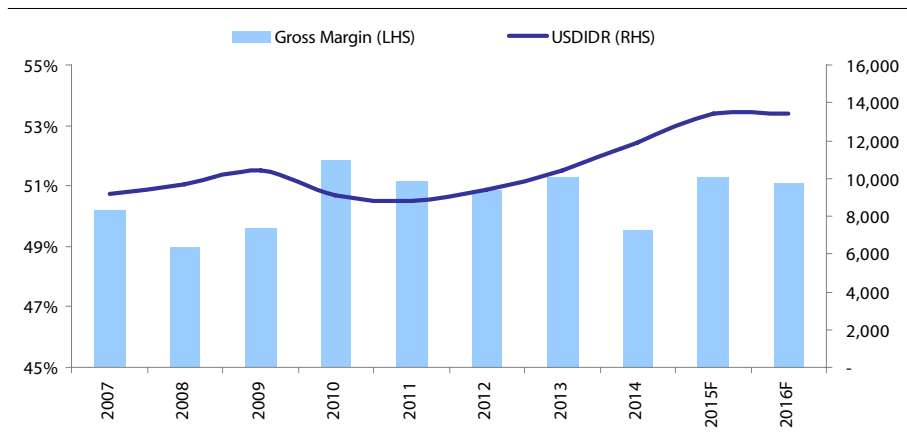
In our last meeting with the company, the management shared its plans to get halal certification for all of UNVR's product lines - both in the HPC and FnR segments - by the end of 2016. This will generate good publicity for the company, we believe, especially given that the majority of the people in Indonesia are Muslims and halal certification is regarded as important when purchasing a product. Currently, all of UNVR's FnR products and dental care products have received halal certification.

Furthermore, we also had a discussion on the addition of Unilever's Oleochemical factory in Sei Mangkei, North Sumatera, owned by a sister company and not consolidated into UNVR's financial statements. UNVR will take around 15% of Unilever Oleochemical's production in the form of fatty acid fractions and blends, which will mainly be used in UNVR's HPC product line. While it will add to UNVR's supply flexibility, pricing will be done on an arms-length basis.

Risks

Rupiah depreciation

Exhibit 21. Gross margin and USD/IDR exchange rate



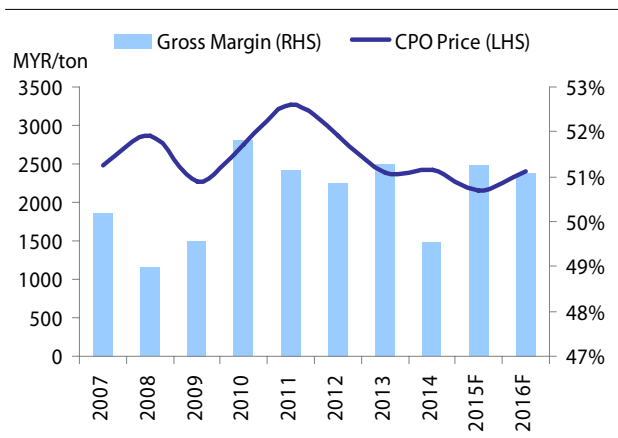
Source: Company, Bloomberg, Danareksa Sekuritas

Considering that UNVR’s raw material costs have strong USD exposure, rupiah depreciation relative to the USD has historically impacted on the company’s gross margins albeit modestly. This was especially noticeable around 2013-2014, when significant rupiah depreciation started in 3Q13 (by about 16% YTD). While it did not immediately bring the 2013 gross margin down, the effect could be seen in 2014’s gross margin, which was recorded at below 50% in every quarter in 2014, whereas in the previous four years UNVR’s gross margin was consistently above 50%.

Although we anticipate a relatively stable exchange rate in 2016, we have undertaken some sensitivity analysis of our 2016 numbers, and note that for every +10% change in the assumed USD/IDR number (our economist predicts a 2016 USD/IDR exchange rate of Rp13,401/USD), the company’s FY16F EPS would be negatively impacted by -15%. To offset this, UNVR would need to adjust its ASP by 5%, ceteris paribus.

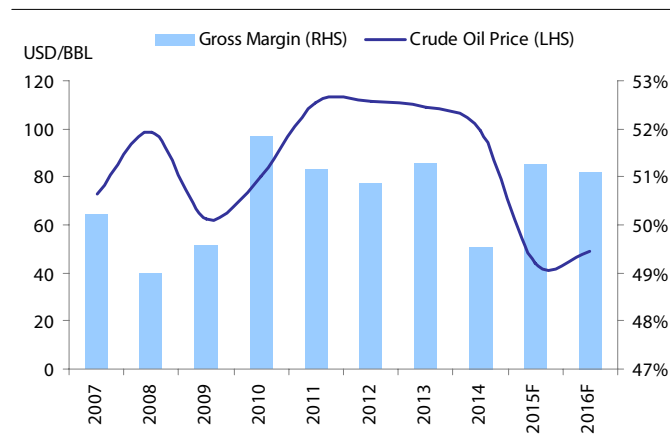
Raw Material Price

Exhibit 22. CPO prices and gross margin



Source: Bloomberg, Danareksa Sekuritas

Exhibit 23. Crude oil price and gross margin



Source: Bloomberg, Danareksa Sekuritas

The movement of CPO and Crude Oil price which comprised UNVR's raw material components should be considered as one of the risks. Although in 2014 and 2015F the company are benefitting from the decreasing price of both commodity and can be considered as the cushions for the USDIDR volatility impact, the possible price bounce is still around the corner.

While we considers CPO and crude oil price to stay stable in 2016, our sensitivity analysis noted that for a 10% increase on the CPO price, it will affect to the cut of our FY16F EPS by about 2.5%, whereas for a 10% increase on the crude oil price, it will cut our FY16F EPS by about 6.6%, ceteris paribus.

Competitive Market

Indonesia is known for its vigorous consumer spending, so it is inevitable that Indonesia's consumer goods market attracts many companies, either local or foreign companies, which seek to obtain a share of the Indonesian market.

Exhibit 22. Some prominent competitors

Company	Category	Product	Rank
Heinz	Soy Sauce	ABC	2
KAO	Body Soap	Biore	3
	Face Soap	Biore	2
Reckitt Benckiser	Antiseptic Soap	Dettol	1
	Toilet Liquid Cleanser	Harpic	1
L'Oreal	Face Cleanser	Garnier	2
	Anti-Aging	Garnier	3
	Whitening	Garnier	2
	BB Cream	Garnier	1
P&G	Anti-Aging	Olay	2
	Shampoo	Pantene	2
	Softener	Downy	2
Wings	Detergent	Daia	2
	Dish Soap	Mama Lemon	2
	Carbol	So Klin	1

Source: Frontier Consulting, Marketing Magazine

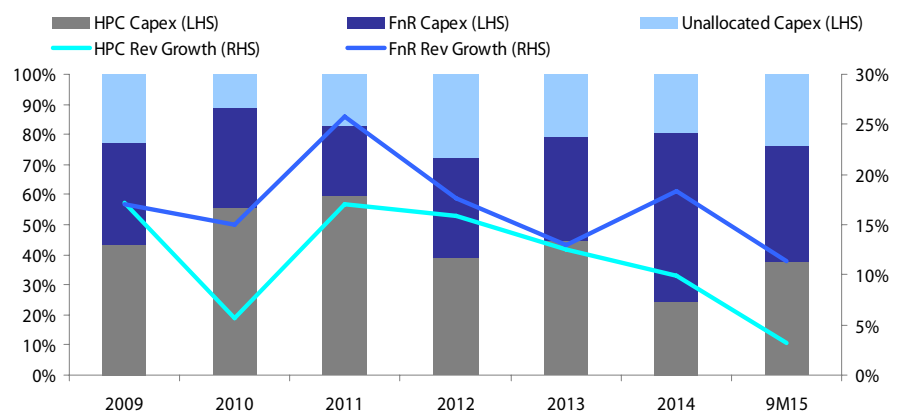
We have identified some prominent names such as Heinz, KAO, Reckitt Benckiserm L'Oreal, P&G and Wings which offer stiff competition to UNVR in some TOP product categories. KAO competes against UNVR in personal care products while L'Oreal - with its Garnier Brand - competes against UNVR's medium to high income skin care line, Ponds. Unilever's Sunsilk shampoo competes against P&G's Pantene while the appearance of Downy around 2010 posed competition to Molto in fabric softeners. And Wings, a local company also challenges UNVR on many fronts.

Wings, which aims to provide quality products at affordable prices, has managed to successfully penetrate tough markets through large investments in advertising and promotion, as well as distribution. The appearance of Mie Sedap, Enerjos, Top Coffee, Florida and its latest offering Javana Tea have always been followed by heavy advertising on TV and a noticeable presence on the shelves. Hence, going forward, Wings needs to be closely watched by other FMCG companies.

After a delay in 2015, Wings will enter the ice cream market, which previously was dominated by Walls and Campina, through a joint venture with Ezaki Glico, a Japanese ice cream company. While Ezaki Glico is already known in Indonesia though its Pocky snack product, it also produces a diverse assortment of ice creams in Japan, and some of these products might eventually challenge UNVR's ice cream products.

We observe that over the last four years, UNVR has been more active in the FnR business, as indicated by its larger capex allocation. A jump in 2014's capex is attributed to UNVR's focus on its ice cream product line as it added and maintained its ice cream cabinets in a bid, we believe, to preserve its market share in the ice cream business, which is the biggest revenues contributor in UNVR's growing FnR segment. However, as stated at the latest meeting with us, UNVR remains confident that it is well placed to meet the seemingly tighter competition as it has a long track record in the ice cream business supported by a solid cold chain distribution line which is needed given Indonesia's challenging infrastructure and tropical climate.

Exhibit 23. Capex allocated per segment and sales growth



Source: Company

Valuation

We reinitiate coverage on Unilever (UNVR) with a BUY recommendation and TP of Rp42,000, based on blended figures from UNVR's historical 3-year average PE of 42.6x, and DCF valuation with a WACC of 10.3%, assuming 11.7% cost of equity, 9.5% cost of debt, and 3.5% terminal growth of 20 years. We believe that UNVR's position as the leading FMCG player in the country with a proven track record in dynamic consumer markets will help the company to sustain its status as a defensive stock. UNVR's solid fundamentals will also continue to be reflected in strong financial performance, including a very high ROE (above 100%) in the coming years, we believe. The main risks to our recommendation are rupiah depreciation and tighter competition.

Exhibit 24. Peers comparison

	LAST PRICE** Rp/share	P/E** 2016	EV/EBITDA** 2016	EPS CAGR 2015-2017	ROE 2016	NET GEARING 2016
SECTOR		25.9	16.5	13.7	39.5	50.1
UNVR	37,475	43.2	30.7	11.1	122.9	0.2
AISA*	1,035	8.6	7.3	13.8	11.6	41.2
ROTI*	1,350	28.0	13.8	20.8	22.1	70.1
MYOR*	27,000	23.3	12.7	9.8	20.6	88.8
ICBP*	14,400	26.7	18.1	13.0	20.4	net cash

Source: Danareksa, Bloomberg (as of Feb 2, 2016)

Exhibit 25. Profit and Loss, Rp bn

	2013	2014	2015F	2016F	2017F
Sales	30,758	34,512	37,035	41,126	46,009
COGS	14,979	17,412	18,048	20,114	22,388
Gross profit	15,779	17,099	18,987	21,012	23,621
Operating Expense	8,614	9,337	10,868	12,091	13,557
Depreciation	457	354	388	448	508
EBITDA	7,622	8,117	8,506	9,369	10,572
Operating income	7,165	7,763	8,118	8,921	10,064
Interest income	14	10	70	46	42
Interest expense	(20)	(96)	(113)	(106)	(142)
Forex gain (loss)	-	-	-	-	-
Other income (exp)	-	-	-	-	-
Pre-tax income	7,159	7,677	8,075	8,861	9,963
Income tax	(1,806)	(1,938)	(2,039)	(2,237)	(2,515)
Net income	5,353	5,739	6,036	6,624	7,448

Source: Company, Danareksa Sekuritas

Exhibit 26. Balance Sheet, Rp bn

	2013	2014	2015F	2016F	2017F
Cash and cash equivalent	261	859	1,018	796	935
Account receivables	2,796	3,052	3,032	3,271	3,659
Inventories	2,084	2,326	2,368	2,737	3,047
Other current assets	76	100	101	113	126
Total current assets	5,218	6,337	6,519	6,917	7,767
PPE	6,874	7,348	8,142	9,007	9,967
Others	611	595	642	653	667
Total assets	12,703	14,281	15,303	16,577	18,401
Account payable	3,765	4,632	4,111	4,426	5,049
Bank Loan	977	1,250	1,763	1,958	2,190
Other current liabilities	3,035	2,983	3,587	3,934	4,331
Total current liabilities	7,777	8,864	9,461	10,318	11,570
Benefit obligation	740	295	557	618	690
Other non current liabilities	119	375	229	251	284
Total non-current liabilities	859	670	786	869	974
Total liabilities	8,636	9,534	10,247	11,187	12,544
Minority Interest	-	-	-	-	-
Capital stock	76	76	76	76	76
Additional paid in	96	96	96	96	96
Retained earnings	3,896	4,574	4,884	5,218	5,685
Total liabilities and equity	12,703	14,281	15,303	16,577	18,401

Source: Company, Danareksa Sekuritas

Exhibit. 27. Cash Flow, Rp bn

	2013	2014	2015F	2016F	2017F
Net Income	5,353	5,739	6,036	6,624	7,448
Depreciation and amortisation	457	354	388	448	508
Change in working capital	153	293	61	42	308
Operating cash flow	5,963	6,387	6,485	7,114	8,264
Capex	(1,048)	(828)	(1,182)	(1,313)	(1,468)
Others	54	16	(46)	(11)	(13)
Investing cash flow	(993)	(813)	(1,228)	(1,324)	(1,482)
Dividends	(4,547)	(5,066)	(5,738)	(6,036)	(6,624)
Net change in debt	315	84	629	278	337
Other	(706)	6	11	(254)	(356)
Financing cash flow	(4,938)	(4,976)	(5,097)	(6,013)	(6,643)
Net change in cash	32	598	159	(222)	139
Net cash (debt) at beg.	230	261	859	1,018	796
Net cash (debt) at end.	261	859	1,018	796	935

Source: Company, Danareksa Sekuritas

Exhibit 28. Ratios

	2013	2014	2015F	2016F	2017F
Profitability, %					
Gross margin	51	50	51	51	51
Operating margin	23	22	22	22	22
Pretax margin	23	22	22	22	22
Net margin	17	17	16	16	16
ROA	42	40	39	40	40
ROE	132	121	119	123	127
Leverage, x					
Net debt/equity	0.2	0.1	0.1	0.2	0.2
Per share data (Rp)					
EPS	702	752	791	868	976
BVPS	533	622	663	706	768
DPS	664	752	791	868	976
Multiples (x)					
P/E, current	51	47	45	41	36
P/BV	67	57	54	50	46
EV/EBITDA, current	36	34	32	29	26

Source: Company, Danareksa Sekuritas

February 2016

Consumer Confidence Climbs to a Fourteen-month High

- **Consumer confidence rose to a fourteen-month high in January 2016 – its fourth straight monthly increase. As a result, the Consumer Confidence Index (CCI) now stands at 98.5, up 2.8% over the previous month, as consumer concerns over high fuel prices and fuel scarcity eased significantly (in our latest survey, only 6.5% of consumers cited this issue as a major concern in January 2016 vis-à-vis 11.6% in December 2015). In another positive development, consumer concerns over job scarcity also eased (down from 28.4% to 26.9%) while fewer consumers were worried by the prospect of drought (down from 5.7% to 4.5%).**
- **The two main components of the CCI posted increases in January 2016. The first one – the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 2.2 percent to 78.6, as sentiment toward both the current state of the economy and the job market improved. The other component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – climbed 3.1 percent to 113.5, a reflection of stronger consumer optimism toward the overall economic outlook over the next six months.**
- **With consumers more upbeat on the country's overall economic outlook, buying intentions for durable goods increased further in January 2016. In our latest survey, 32.3 percent of consumers expressed plans to purchase a durable good over the next six months, up from 31.6 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher, since only 31.7 percent of consumers expressed plans to purchase a durable good back in January 2015.**
- **Consumer confidence in the government's ability to carry out its duties weakened in the January 2016 survey. After increasing 0.6 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) edged down 1.1 percent to 92.8. This index is also lower than its level one year ago. Of the five components that make up the CCGI, only one increased, while four declined.**

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THE JANUARY 2015 RESULTS

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The two main components of the CCI posted increases in January 2016. The first one – the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 2.2 percent to 78.6, as sentiment toward both the current state of the economy and the job market improved. The other component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – climbed 3.1 percent to 113.5, a reflection of stronger consumer optimism toward the overall economic outlook over the next six months.

By region, consumer confidence strengthened in five of the six regions covered by the survey. Sentiment improved the most in South Sulawesi (where the index jumped 8.4 percent to 102.0 in January 2016), followed by Central Java (where the index rose 6.9% to 100.8), North Sumatra (where the index added 4.5 percent to 91.2), East Java (where the index climbed 3.1 percent to 97.7), and Jakarta (where the index edged up 0.5 percent to 116.0). By contrast, confidence deteriorated in West Java (where the index retreated 6.5 percent to 89.0). In our survey, consumers in West Java were more worried by the prospect of drought than consumers in the other regions.

Overall, consumers with income levels above Rp2,000,000 per month were more upbeat than consumers with low incomes (incomes below Rp1,000,000/month). The survey shows that the CCI for high income consumers added 2.4 percent to 103.9 in January 2016, while the CCI for low income consumers actually fell 5.6 percent to 77.7. Changes in confidence were also varied between rural and urban areas. While the CCI for rural consumers rose 6.1 percent to 90.7 in January 2016, the CCI for urban consumers only managed a modest 1.7 percent increase to 101.8.

Chart 1. Consumer Confidence Strengthened Again in January 2016

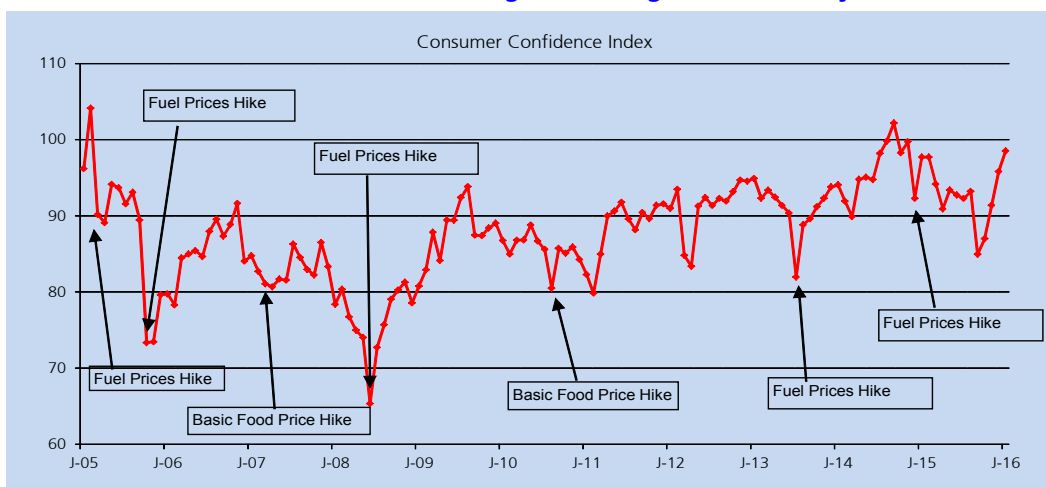


Chart 2. High Income Consumers were More Upbeat in January 2016

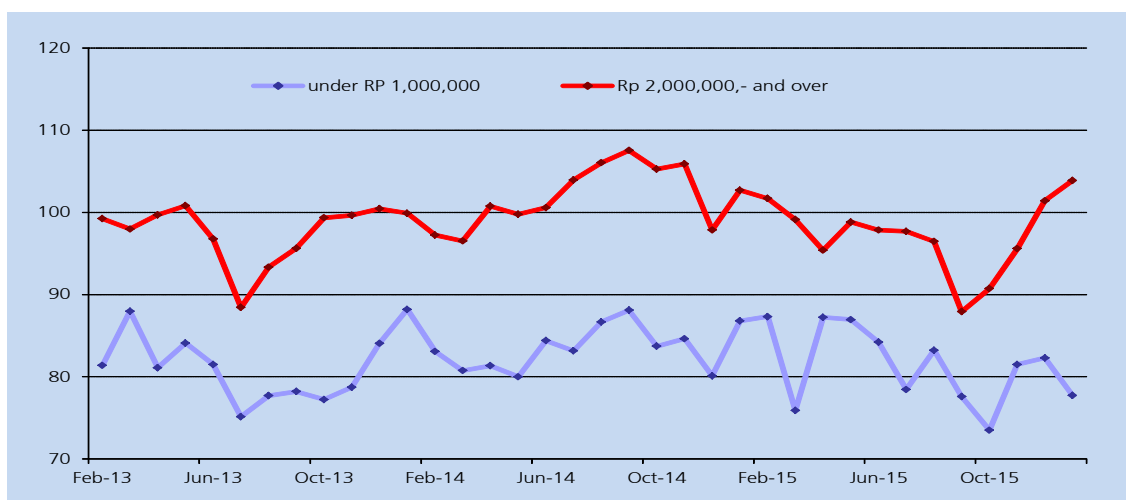


Table 1. The Consumer Confidence Index

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
Consumer Confidence	85.0	87.0	91.4	95.8	98.5	2.8
Present Situation	61.0	62.6	69.3	76.9	78.6	2.2
Expectation	102.9	105.3	108.0	110.0	113.5	3.1

Appraisal of Current Situations: *More Positive on the Economy*

Consumers were more positive on the current state of the national economy in our latest survey (this index added 1.9 percent to 70.0). In our survey, the proportion of consumers who claimed that national economic conditions were “good” stayed at 13.3 percent, while the proportion of consumers claiming that national economic conditions were “bad” declined from 44.7 percent to 43.4 percent. Nevertheless, a significant proportion of consumers (43.3 percent) still said that national economic conditions were “normal”.

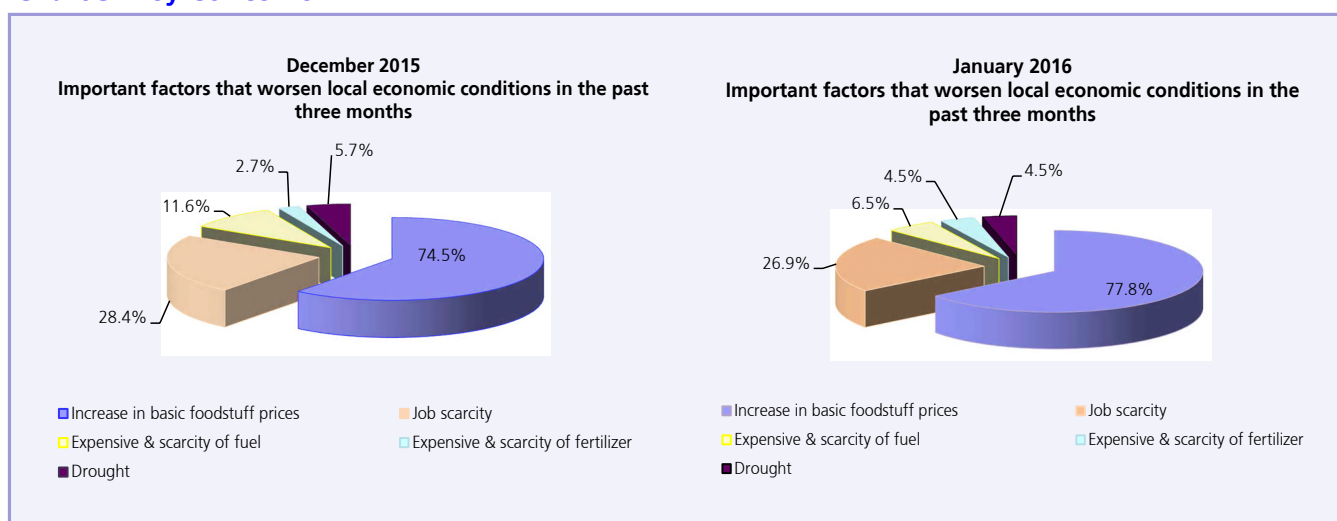
In regard to the current state of the local economy, consumers also gave more positive assessments (this index rose 1.9 percent from 97.0 to 98.8 in January 2016). However, several issues continued to worry consumers in January. Most notably, 77.8 percent of them still cited high foodstuff prices as a major factor weighing on the local economy in the last three months. Besides this, 26.9 percent of consumers mentioned job scarcity as a main concern, while 4.5 percent are worried by drought (down from 5.7 percent in December 2015).

In the January 2016 survey, consumers also gave less downbeat assessments on the job market (the index measuring sentiment toward job market conditions rose 2.9 percent to 66.9). Despite this improvement, however, our survey also reveals that around 53.2% of consumers claimed that jobs were hard to get – or far surpassing the 20.1 percent of consumers who claimed that jobs were easy to get. Furthermore, it should be noted that this index is still way below 100, suggesting that the job market remains tough and that greater efforts are still needed to tackle the perennial problem of unemployment.

Table 2. Appraisal of Current Situations

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
Economic Conditions	50.8	50.8	60.0	68.6	70.0	1.9
Local Area Economic Conditions	82.9	86.7	89.6	97.0	98.8	1.9
Employment Conditions	49.2	50.3	58.3	65.0	66.9	2.9

Chart 3. Key Concerns



Assessments on Near-Term Conditions: *More Upbeat on the Economy*

Looking ahead over the next six months, consumers are more optimistic on the country’s economic outlook. The Expectations Index (EI) climbed 3.1 percent to 113.5 in January 2016. Moreover, all components of the EI posted increases. And it is also the case that all components of the EI are still above the 100 level, suggesting that consumers are still generally upbeat on the outlook for the economy and the job market.

In the January 2016 survey, consumers are more optimistic on the national economic outlook. This component of the EI rose 6.8 percent to 119.7. Indeed, our survey reveals that more consumers are upbeat on the national economic outlook (27.3% in January 2016 vs. 21.2% in December 2015) while only 7.5% of consumers were downbeat (down from 9.2 percent). Nevertheless, 65.1 percent of consumers still foresee no change in national economic conditions over the next six months. For the local economy, consumers are also more upbeat on its prospects: this index added 3.1 percent to 115.4.

In regard to the job market outlook, consumers are also more upbeat. This index climbed 0.1 percent to 108.8 in January 2016. Indeed, our survey shows that more consumers expect jobs to be easier to get (16.6% in January 2016 vs. 15.5% in December 2015), while only 7.8 percent of consumers expect jobs to be hard to get. With a brighter job market outlook, more consumers foresee better prospects for family incomes (23.8 percent in January 2016 vs. 21.2 percent in December 2015). At the same time, however, most consumers (62.3 percent) still expect no change in future family incomes. As such, overall, the index measuring sentiment toward future family incomes edged up 2.5 percent to 110.0.

Table 3. Expectations in the Six Months Ahead

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
Economic Prospects	103.9	107.7	111.4	112.1	119.7	6.8
Local Area Economic Prospects	107.0	107.5	110.6	112.0	115.4	3.1
Employment Prospects	101.2	104.4	105.3	108.8	108.8	0.1
Family Income Prospects	99.6	101.7	104.6	107.3	110.0	2.5

Purchasing Intentions for Durable Goods: *Increased Further*

With consumers more upbeat on the country's overall economic outlook, buying intentions for durable goods increased further in January 2016. In our latest survey, 32.3 percent of consumers expressed plans to purchase a durable good over the next six months, up from 31.6 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher, since only 31.7 percent of consumers expressed plans to purchase a durable good back in January 2015.

Of the ten categories tracked by our survey, buying intentions increased in three of them. Most notably, buying intentions for houses more than doubled from 0.58 percent to 1.28 percent. Meanwhile, the proportion of consumers who want to buy a motorcycle increased significantly in January 2016 (from 2.09 percent to 2.38 percent), while the proportion of consumers who want to buy an audio-visual equipment increased moderately (from 2.49 percent to 3.31 percent).

By contrast, buying intentions for some items still decreased. For example, buying intentions for bicycles declined significantly from 0.64 percent to 0.23 percent in January 2016. Meanwhile, buying intentions for home appliances declined moderately from 6.90 percent to 6.26 percent in January 2016. Our latest survey also shows that fewer consumers expressed an interest in buying land and gold & jewelry. Finally, the proportion of consumers who expressed an interest in wanting to renovate their homes decreased from 2.9 percent to 2.4 percent in January 2016.

Table 4. Buying intentions

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Automobile	0.70	0.35	0.46	0.81	0.46
Motorcycle	1.57	1.74	1.97	2.09	2.38
Bicycle	0.41	0.06	0.17	0.64	0.23
House	0.81	0.41	0.58	0.58	1.28
House Renovation	2.38	1.62	2.20	2.90	2.44
Land	0.17	0.06	0.23	0.35	0.29
Audio-visual	3.48	3.94	2.90	2.49	3.31
Home appliance	7.08	6.79	5.57	6.90	6.26
Gold & jewelry	0.87	1.10	0.58	1.16	0.87
Livestock	0.75	0.64	0.29	0.58	0.29

Expectations on Key Economic Variables: *Inflationary Pressure is Expected to Ease*

In our latest survey, consumers said they expected inflationary pressures to ease further over the next six months. Overall, the index measuring consumer sentiment toward general prices retreated 3.9 percent to 178.0 in January 2016. Furthermore, this index is also lower than its level one year ago. The expectation of lower prices is unsurprising, however, since the prices of certain products, especially foodstuffs and clothing, usually adjust to their normal levels once the Christmas and New Year festivities have passed. Furthermore, the decline in this index may also be attributable to expectations that foodstuff prices will fall due to greater supply of foodstuffs because of the onset of the harvesting season in February.

In regard to interest rates, fewer consumers foresee higher interest rates over the next six months (31.8 percent in January 2016 vs. 37.8 percent in December 2015), while more consumers foresee lower interest rates (7.9 percent in January 2016 vs. 4.9 percent in December 2015). At the same time, a significant portion of consumers (21.5 percent) still expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates retreated 6.7 percent to 123.9.

As for the rupiah, consumers in the main cities are less pessimistic on the outlook for the local currency. In our survey, the index measuring sentiment toward the rupiah jumped 15.3 percent to 78.0 in January 2016. In regard to the outlook for stock prices, however, consumers are less confident that Indonesian stocks will record gains over the next six months (this index retreated 3.0 percent to 118.3).

Table 5. Expectations on Prices

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
General Prices Expectation	189.8	185.2	186.1	185.3	178.0	-3.9
Interest Rates Expectation	126.2	123.4	123.7	132.9	123.9	-6.7
Exchange Rates Expectation	70.2	81.7	75.8	67.7	78.0	15.3
Stock Prices Expectation	111.4	110.2	115.4	121.9	118.3	-3.0

Confidence in the Government: Weakened

Consumer confidence in the government's ability to carry out its duties weakened in the January 2016 survey. After increasing 0.6 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) edged down 1.1 percent to 92.8. This index is also lower than its level one year ago. Of the five components that make up the CCGI, only one increased, while four declined.

The component of the CCGI to decline the most was the one measuring sentiment toward the government's ability to ensure a safe and orderly environment (it dropped 2.7 percent to 100.8 in January 2016). Also down was the component of the CCGI measuring sentiment toward the government's ability to stabilize prices (it retreated 2.0 percent to 72.6 in January 2016). The component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure, and the component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law also declined in January 2016.

By contrast, however, the component of the CCGI measuring sentiment toward the government's ability to spur economic growth was higher: it added 2.1 percent from 95.2 to reach a nine-month high of 97.2. Furthermore, this component of the CCGI has now increased in eight consecutive surveys, suggesting that consumers have much greater faith in the government's ability to spur economic growth.

Table 6. Confidence Toward The Current Government

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM %Change
Recovery National Economy	85.5	86.6	91.6	95.2	97.2	2.1
Stabilize the Price of Goods	63.7	65.2	74.1	74.1	72.6	-2.0
Maintain Public Infrastructure	107.1	104.2	109.3	109.0	107.2	-1.6
Provide A Sense of Safety	101.1	98.3	102.4	103.6	100.8	-2.7
Provide A Sense of Certainty	80.8	80.8	89.5	87.7	86.4	-1.4
CCGI	87.6	87.0	93.3	93.9	92.8	-1.1

* Note: Starting in April 2007, the Consumer Confidence in the Government Index (CCGI) has been adjusted to the year of 2003 = 100

TABLE 7. CCI - COMPOSITE SERIES

CCI by Regions	Dec-15	Jan-16	MoM %Change
National			
Consumer Confidence Index	91.4	95.8	4.9
Consumer Confidence Index Present Situation	95.8	98.5	2.8
Consumer Confidence Index Expectations	76.9	78.6	2.2
Consumer Confidence Index	110.0	113.5	3.1
Jakarta			
Consumer Confidence Index	115.5	116.0	0.5
Consumer Confidence Index Present Situation	95.8	94.0	-2.0
Consumer Confidence Index Expectations	130.2	132.6	1.9
West Java			
Consumer Confidence Index	95.2	89.0	-6.5
Consumer Confidence Index Present Situation	63.2	58.3	-7.9
Consumer Confidence Index Expectations	119.3	112.1	-6.0
Central Java			
Consumer Confidence Index	94.3	100.8	6.9
Consumer Confidence Index Present Situation	77.5	83.1	7.2
Consumer Confidence Index Expectations	106.8	114.0	6.7
East Java			
Consumer Confidence Index	94.8	97.7	3.1
Consumer Confidence Index Present Situation	79.9	84.4	5.6
Consumer Confidence Index Expectations	105.9	107.6	1.6
North Sumatera			
Consumer Confidence Index	87.3	91.2	4.5
Consumer Confidence Index Present Situation	61.5	62.5	1.6
Consumer Confidence Index Expectations	106.7	112.8	5.7
South Sulawesi			
Consumer Confidence Index	94.1	102.0	8.4
Consumer Confidence Index Present Situation	89.0	94.0	5.6
Consumer Confidence Index Expectations	97.9	108.0	10.3

* An index reading above 100 indicates that positives responses outnumber negative responses

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Dec-15	Jan-16	MoM %Change
Age of Respondents				
20-29	19.4	101.1	102.7	1.6
30-39	25.5	95.7	100.7	5.2
40-49	29.5	96.8	96.7	-0.1
50-59	17.5	92.5	95.6	3.3
60 and over	8.3	90.4	94.7	4.8
Educational Level				
Primary School or less	34.5	89.6	91.4	2.0
High School	57.9	98.0	101.7	3.7
Academy/University	7.5	108.3	107.0	-1.2
Households Income				
under RP 1.000.000,-	4.9	82.3	77.7	-5.6
Rp. 1.000.001 - 1.500.000,-	10.7	84.8	89.9	6.0
Rp 1.500.001 - 2.000.000,-	26.9	90.3	94.2	4.4
Rp 2.000.001,- and over	57.5	101.4	103.9	2.4
Type Area				
Urban	70.6	100.1	101.8	1.7
Rural	29.4	85.5	90.7	6.1
Gender				
Male	49.9	95.1	98.9	4.0
Female	50.1	96.5	98.1	1.7
Occupation				
Worker	28.6	95.9	101.8	6.2
Self employed	34.0	93.7	98.0	4.6
Unemployed	37.2	97.9	96.4	-1.5

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MARKET NEWS

Major banks start cutting lending rates (TJP)

Major lenders have begun to trim their lending rates following central bank decision to cut its benchmark rate last month amid a risk of tightening liquidity in the banking system. Bank Mandiri (BMRI) president director Budi Gunadi Sadikin said tighter liquidity conditions would not stop the lender reducing its lending rate by around 25 to 50 bps in all types loan this February and also plan to cut our time deposit rates within the same range. Bank Rakyat Indonesia (BBRI) President Director and Bank Negara Indonesia (BBNI) President Director also expressed similar view.

EXCL to trim Rp13.29tn debt (ID)

XL Axiata (EXCL) will settle Rp13.29tn debt this year round. This debt consists of debt maturing worth Rp2.49tn and acceleration of debt repayment amounted to Rp10.8 tn. Internal fund will be used to repay maturing debt. Meanwhile acceleration of debt repayment will be paid using proceed from the rights issue and sale of the tower. EXCL plans to hold a rights issue as much as 2.75bn new shares with a nominal value of Rp100 / share.

WIKA aims Rp600bn in Saudi Arabia, ready to build power plant (ID/BI)

Wijaya Karya (WIKA) aiming contracts worth Rp500-600bn in Saudi Arabia. WIKA has obtained permission from the authorities of Saudi Arabia to carry out investment business. WIKA has been partnering up with local company, Adel Mekki Contracting Est of Saudi Arabia to mitigate business risk. Meanwhile, regarding High Speed Rail Jakarta-Bandung project, WIKA will build gas fired power plant to supply the electrical need of the project. WIKA expects to build 4X25 MW. With electricity requirement for High Speed Rail project is estimated to be 75MW, then there will be idle 25MW capacity that are expected to be sold to PLN. For gas supply, WIKA will further discuss to Perusahaan Gas Negara (PGN).

WSKT provide loans to subsidiary amounted to Rp300 bn (ID)

Waskita Karya (WSKT) provides loans to Waskita Beton Precast amounted to Rp300bn on January 29, 2016 with interest rate of 10.5% pa and 6 months tenor. This loan will be used by Waskita Beton Precast to increase production capacity by acquiring assets of another company precast factory in order to meet precast procurement contracts to its customers

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		2-Feb-2016	1-Feb-2016					
Adaro Energy	ADRO	555	515	7.8	16.6	7.8	7.8	BUY
XL Axiata	EXCL	3,930	3,740	5.1	15.9	7.7	7.7	BUY
Kimia Farma	KAEF	1,155	1,105	4.5	24.2	32.8	32.8	BUY
Nippon Indosari Corpindo	ROTI	1,350	1,300	3.8	8.0	6.7	6.7	BUY
Ace Hardware	ACES	800	775	3.2	(0.6)	(3.0)	(3.0)	HOLD
Salim Ivomas Pratama	SIMP	330	320	3.1	10.4	(0.6)	(0.6)	BUY
Waskita Karya	WSKT	1,780	1,730	2.9	2.6	6.6	6.6	BUY
Pembangunan Perumahan	PTPP	3,910	3,825	2.2	(1.0)	0.9	0.9	BUY
Adhi Karya	ADHI	2,600	2,545	2.2	6.3	21.5	21.5	BUY
Hexindo Adiperkasa	HEXA	1,225	1,200	2.1	7.0	(0.8)	(0.8)	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		2-Feb-2016	1-Feb-2016					
United Tractors	UNTR	16,600	17,475	(5.0)	0.6	(2.1)	(2.1)	HOLD
Bank Tabungan Pensiunan Nasional	BTPN	2,035	2,140	(4.9)	(3.1)	(15.2)	(15.2)	BUY
Astra International	ASII	6,125	6,350	(3.5)	-	2.1	2.1	HOLD
MNC Sky Vision	MSKY	1,205	1,245	(3.2)	(3.6)	(9.7)	(9.7)	HOLD
Astra Agro Lestari	AALI	16,500	17,000	(2.9)	(1.2)	4.1	4.1	BUY
Tower Bersama	TBIG	5,850	6,025	(2.9)	4.5	(0.4)	(0.4)	HOLD
Telkom	TLKM	3,235	3,330	(2.9)	0.3	4.2	4.2	HOLD
Summarecon	SMRA	1,410	1,450	(2.8)	(3.4)	(14.5)	(14.5)	BUY
Kalbe Farma	KLBF	1,310	1,345	(2.6)	(4.4)	(0.8)	(0.8)	HOLD
Metropolitan Land	MTLA	198	203	(2.5)	(1.0)	(7.9)	(7.9)	BUY

Sources: Bloomberg

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