

MORNING HIGHLIGHT

FROM EQUITY RESEARCH

BMRI: The last shot

(BMRI IJ. RP10,500. HOLD.TP Rp 10,950)

Bank Mandiri is still conducting some reviews of its SME loans portfolio. The latest assessment indicates that the bank might end this year with 4.2% NPLs vs our initial guidance of 4.0%. The cost of credit is estimated at 3.5%, unchanged from 9M16. The peak in NPLs is behind our estimate, although we are confident that this will be the last significant provisioning done by the bank. Nevertheless, it remains open to question whether the management's strategy and plans can be effectively executed. Maintain HOLD.

SMGR: Neutral impact from acquisition

SMGR IJ. Rp 8,875. SELL. TP Rp8,100

On 28 November 2016, Semen Indonesia (SMGR) acquired a 48.7% stake in Varia Usaha, a cement distribution and logistics company, from Semen Indonesia's Pension Fund. The value of the transaction was Rp475.1bn. Following the acquisition, SMGR now has a 73.65% stake in Varia Usaha. Nevertheless, we expect the acquisition to have a neutral impact on SMGR's financial performance. Furthermore, with the expectation of weak sales in November, we downgrade our FY16 sales volume growth estimate (from 2.6% to 1.5%). We reiterate our SELL call on SMGR with a lower target price of Rp8,100. This implies 16.2x 2017F P/E.

MARKET NEWS

*Analysts' comment inside

- WSKT secured Rp4.7tr of funding facility (Investor Daily)*
- Bukit Asam: Plans to spend higher capex Rp4.5tn in 2017 (Investor Daily, Bisnis Indonesia)
- Credit card interest rate cut to maximum 2.25% (Kontan)
- BMRI's loan growth in mining sector increase double digits this year (Kontan)
- UNVR distributes interim dividend (Kontan)
- KIJA prepared two new projects (Bisnis Indonesia)

Previous Reports:

- November 2016 Inflation Outlook: To Remain Soft- [Snapshot20161130](#)
- Property Sector: Recovery in sight- [Snapshot20161128](#)
- LPPF: Issues on the corporate governance- [Snapshot20161125](#)
- UNTR: Better Komatsu sales volume in October 2016- [Snapshot20161124](#)

IDX ANNOUNCEMENT

AGM EGM Announcement

Code	Action	Date	Time (WIB)
PWON	EGM	1-Dec-16	14.00
INTP	EGM	2-Dec-16	14.00

Key Index

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,149	0.2	12.1	685
Thailand	1,510	0.9	17.3	1,959
Philippines	6,781	(0.6)	(2.5)	240
Malaysia	1,619	(0.5)	(4.3)	384
Singapore	2,905	0.9	0.8	1,760
Regional				
China	3,250	(1.0)	(8.2)	51,772
Hong Kong	22,790	0.2	4.0	11,478
Japan	18,308	0.0	(3.8)	17,158
Korea	1,983	0.3	1.1	3,776
Taiwan	9,241	0.5	10.8	3,168
India	26,653	1.0	2.0	379
NASDAQ	5,324	(1.0)	6.3	87,890
Dow Jones	19,124	0.0	9.7	14,640

Currency and Interest Rate

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,555	(0.5)	(3.9)	1.7
SBI rate %	5.90	-	(0.3)	(1.3)
10y Gov Indo bond	8.14	0.1	0.9	(0.6)

Hard Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	87	(1.2)	(19.5)	72.8
Gold	US\$/toz	1,172	(0.1)	(9.0)	10.4
Nickel	US\$/mt.ton	11,028	(4.8)	6.1	25.6
Tin	US\$/mt.ton	20,780	(2.2)	(0.3)	42.4

Soft Commodities

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,441	0.5	(9.4)	(25.3)
Corn	US\$/mt.ton	125	-	(2.8)	(6.9)
Oil (WTI)	US\$/barrel	49	(0.3)	5.6	33.0
Oil (Brent)	US\$/barrel	52	9.6	7.3	39.1
Palm oil	MYR/mt.ton	3,091	(0.0)	10.2	40.5
Rubber	US\$/kg	170	(3.1)	13.5	43.9
Pulp	US\$/tonne	809	N/A	(0.1)	0.6
Coffee	US\$/60kgbag	138	0.2	(11.1)	26.9
Sugar	US\$/MT	526	0.2	(9.1)	24.7
Wheat	US\$/ton	110	(1.5)	(7.1)	(22.4)

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

Agus Pramono, CFA

agus.pramono@danareksa.com
(62-21) 29555 888 ext.3500
Strategy, Banking

Stefanus Darmagiri

stefanus.darmagiri@danareksa.com
(62-21) 2955 5831
Auto, Coal, Heavy Equip., Metal, Cement

Natalia Sutanto

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

Maria Renata

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

Adeline Solaiman

adeline.solaiman@danareksa.com
(62-21) 2955 ext. 3503
Retail

Puti Adani

putia@danareksa.com
(62-21) 2955 5824
Consumer

Antonia Febe Hartono

antonia.hartono@danareksa.com
(62-21) 29555 888 ext.3504
Cement, Property

Lucky Bayu Purnomo

lucky.purnomo@danareksa.com
(62-21) 29555 888 ext.3512
Technical Analyst

Melati Laksmindra Isnandari

melati.isnandari@danareksa.com
(62-21) 2955 888 ext. 3506
Research Associate

Sales team

Novrita E. Putrianti

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

Ehrliech Suhartono

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

Yunita L. Nababan

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

Laksmita Armandani

laksmिता@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

BANKING/COMPANY UPDATE

HOLD

Target Price, Rp 10,950

Upside 7.6%

UNTR IJ/UNTR.JK

Last Price, Rp 10,500

No. of shares (bn) 23,099

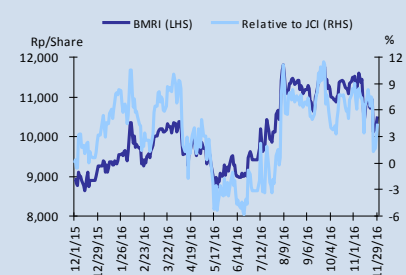
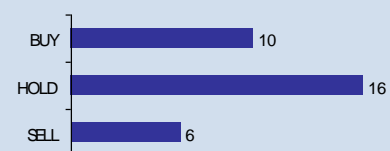
Market Cap, Rpbn 242,540

(US\$ mn) 17,966

3M T/O, US\$mn 17.8

Last Recommendation

04-Nov-16	HOLD	Rp11,250
29-Aug-16	HOLD	Rp11,250

BMRI relative to JCI Index**Market Recommendation****Consensus**

	Our	Cons	% Diff
Target Price, IDR	10,950	11,117	(1.5)
EPS 2017F, IDR	756	911	(17.0)
PE 2017F, x	13.9	11.5	17.4

Agus Pramono

(62-21) 2955 5777 ext 3500
 agus.pramono@danareksa.com

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

Bank Mandiri**The last shot**

Bank Mandiri is still conducting some reviews of its SME loans portfolio. The latest assessment indicates that the bank might end this year with 4.2% NPLs vs our initial guidance of 4.0%. The cost of credit is estimated at 3.5%, unchanged from 9M16. The peak in NPLs is behind our estimate, although we are confident that this will be the last significant provisioning done by the bank. Nevertheless, it remains open to question whether the management's strategy and plans can be effectively executed. **Maintain HOLD.**

NPLs reaching a peak

Last week, shares in Bank Mandiri (BMRI) fell by 7.3% following the CEO's comments in an interview with the media that the bank's NPLs would reach 4.2% due to assets quality deterioration in the SME and commercial segments. As such, the bank will have to incur some provisioning expenses in 4Q16. To maintain Loan Loss coverage at 125%-130%, the bank will make sufficient provisioning expenses in 4Q16. As a result, the provisioning expenses may reach Rp7tn in 4Q16, putting pressure on its 4Q16 net profits.

The SME and commercial segments

Bank Mandiri's new management is conducting full reviews of its loans, so that it can clean up its loan book. While investors had earlier expected the reviews to be completed in 3Q16 with NPLs peaking in this quarter, the management's announcement might change expectations. This development might actually have been foreseen by the increase in the restructured loans portion which reached 6.3% of total loans in 3Q16 (+15.2% qoq) vs 5.6% in 2Q16. While the worst of the NPLs problem might well be over, questions remain on the ability of the bank's mid-management to execute the bank's strategy including risk management. We understand that the problems were inherited from the previous management, but, in our view, it will take a lengthy learning process to establish best banking practices.

Revisions to our forecast, maintain HOLD

We have revised our forecast by adjusting our estimates for loans growth, NIM and provisioning expenses. We think NPLs will fall to 4.0% in 2017 followed by a decline in provisioning expenses. We trim our loans growth forecast to 12% yoy from 14.7% yoy and raise our assumption for the loans yield to 11.9% from 11.5%. We maintain our HOLD call with a new TP of Rp10,950, implying 1.6x mid-FY17 P/B (ROE=17.0%, G=9.3% and Ke=14.0%) with a re-entry price of Rp9,855 (1.4x P/B). The new management is still cleaning up the bank's books because of its aggressive growth in the past which triggered the increase in NPLs.

	2014	2015	2016F	2017F	2018F
Net Interest Income, Rp bn	39,132	45,363	49,289	53,058	57,916
PPOP, Rp bn	31,507	38,382	40,301	41,083	44,434
PBT, Rp bn	26,008	26,370	18,811	23,234	29,553
Net Income, Rp bn	19,872	20,336	14,286	17,646	22,445
EPS, Rp	852	872	612	756	962
EPS growth, %	9.2	2.3	-29.8	23.5	27.2
Dividend yield, %	2.2	2.0	1.5	1.8	2.3
ROAE, %	20.9	18.5	10.6	11.0	12.8
PBV, x	2.4	2.1	1.6	1.5	1.3
PER, x	12.3	12.0	17.1	13.9	10.9
BVPS, Rp	4,400	5,017	6,667	7,417	8,261

Exhibit 1. Changes in forecast

	OLD			New			New		
	FY16F	FY17F	FY18F	FY16F	FY17F	FY18F	FY16F	FY17F	FY18F
Income Statement									
Interest Income	72,286	75,841	80,981	75,309	84,800	94,191	4%	12%	16%
Interest Expense	(25,166)	(27,098)	(30,445)	(26,020)	(31,742)	(36,275)	3.4%	17.1%	19.2%
Net Interest Income	47,120	48,742	50,536	49,289	53,058	57,916	4.6%	8.9%	14.6%
Non Interest Income	21,914	24,534	27,554	22,114	23,026	24,982	0.9%	-6.1%	-9.3%
Operating Expense	(31,281)	(34,157)	(37,451)	(31,101)	(35,001)	(38,464)	-0.6%	2.5%	2.7%
Pre Provision Operating Profit	37,753	39,119	40,639	40,301	41,083	44,434	6.8%	5.0%	9.3%
Provision and Allowances	(15,813)	(8,807)	(6,540)	(3,950)	(4,879)	(6,206)	-75.0%	-44.6%	-5.1%
EBIT	21,972	30,346	34,135	18,811	23,234	29,553	-14.4%	-23.4%	-13.4%
Tax	(4,394)	(6,069)	(6,827)	(3,950)	(4,879)	(6,206)	-10.1%	-19.6%	-9.1%
Post Tax Profit	17,577	24,277	27,308	14,861	18,355	23,347	-15.5%	-24.4%	-14.5%
Minorities	(679)	(938)	(1,055)	(574)	(709)	(902)	-15.5%	-24.4%	-14.5%
Reported Net Profit	16,898	23,339	26,253	14,286	17,646	22,445	-15.5%	-24.4%	-14.5%
Financial ratios (%)									
Loan growth (Gross)	11.4	14.8	14.9	12.1	12.0	11.5	6.2%	-18.5%	-22.7%
Loan yield	11.5	10.7	9.9	11.9	12.0	11.9	3.8%	12.5%	20.3%
NIM	5.7	5.1	4.6	6.0	5.7	5.4	5.4%	11.2%	17.8%
CASA	66.6	67.6	67.9	64.9	62.6	60.5	-2.5%	-7.5%	-11.0%
LDR	86.5	87.6	88.6	89.3	89.1	86.0	3.3%	1.8%	-2.9%

Source: Danareksa Sekuritas

Exhibit 2. Income Statement (Rp bn)

	2014	2015	2016F	2017F	2018F
Interest income	62,638	71,570	75,309	84,800	94,191
Interest expense	(23,506)	(26,207)	(26,020)	(31,742)	(36,275)
Net interest income	39,132	45,363	49,289	53,058	57,916
Non-interest income (NII)	17,749	21,774	22,114	23,026	24,982
Operating income	56,882	67,137	71,402	76,084	82,898
Operating expenses	(25,374)	(28,755)	(31,101)	(35,001)	(38,464)
Pre-provisions profit	31,507	38,382	40,301	41,083	44,434
Provisions and allowances	(5,529)	(12,043)	(21,522)	(17,883)	(14,916)
Operating profits	25,978	26,340	18,779	23,201	29,518
Non-operating income	29.9	30.5	32.0	33.6	35.3
Exceptionals	0	0	0	0	0
Pretax profit	26,008	26,370	18,811	23,234	29,553
Tax	(5,353)	(5,217)	(3,950)	(4,879)	(6,206)
Minorities	(783)	(817)	(574)	(709)	(902)
Net profit	19,872	20,336	14,286	17,646	22,445

Source: Company, Danareksa Sekuritas

Exhibit 3. Balance Sheet (Rp bn)

	2014	2015	2016F	2017F	2018F
Short-term funds	141,404	128,897	190,787	250,035	375,264
Gross loans	529,190	594,854	666,718	746,903	832,734
<i>Provisions</i>	<i>(17,902)</i>	<i>(22,552)</i>	<i>(35,285)</i>	<i>(38,956)</i>	<i>(39,793)</i>
Net loans	511,288	572,301	631,433	707,947	792,941
Government bonds	85,004	102,604	102,604	102,604	102,604
Securities	61,431	46,285	46,353	46,427	46,509
Other earning assets	12,474	13,832	13,832	13,832	13,832
Fixed assets	8,929	9,762	10,250	10,762	11,300
Other non-earning assets	34,510	36,384	36,384	36,384	36,384
Total assets	855,040	910,063	1031,641	1167,990	1378,834
Demand deposits	128,067	172,166	172,166	180,774	198,852
Savings deposits	252,445	271,708	312,464	343,710	386,674
Time deposits	255,870	232,514	261,578	313,894	382,950
Customer deposits	636,382	676,387	746,208	838,378	968,476
Bank deposits and repos	23,887	17,817	32,067	61,991	124,832
Debt	9,859	8,601	8,601	8,601	8,601
Other liabilities	86,180	92,629	93,480	94,374	95,312
Total liabilities	756,308	795,435	880,356	1003,344	1197,220
Net Assets	98,732	114,629	151,285	164,647	181,614
Share capital and reserves	28,615	27,846	53,666	53,666	53,666
Retained earnings	74,043	89,225	99,940	113,174	130,008
Shareholders' funds	102,658	117,070	153,606	166,840	183,674
Minority interests	2,187	2,422	2,543	2,670	2,803
Total equity	104,845	119,492	156,148	169,510	186,477

Source: Company, Danareksa Sekuritas

Exhibit 4.Ratios

	2014	2015	2016F	2017F	2018F
Yield on earning assets	9.3	9.6	9.2	9.1	8.8
Cost of funds	3.7	3.7	3.4	3.6	3.5
Interest spread	5.6	5.9	5.8	5.5	5.3
Net interest margin	5.8	6.1	6.0	5.7	5.4
Net interest income growth	19.4	15.9	8.7	7.6	9.2
ROAE	20.9	18.5	10.6	11.0	12.8
ROAA	2.5	2.3	1.5	1.6	1.8
Interest earning assets grow	15.4	8.5	13.6	12.8	16.4
Gross loans growth	12.0	12.4	12.1	12.0	11.5
Interest bearing liab growth	15.8	6.4	11.5	14.9	20.5
Customer deposit growth	14.3	6.3	10.3	12.4	15.5
CASA mix	59.8	65.6	64.9	62.6	60.5
Loan-deposit ratio	83.2	87.9	89.3	89.1	86.0
Non interest income growth	4.4	9.4	13.0	4.1	8.5
Operating expenses growth	18.0	13.3	8.2	12.5	9.9
Cost / average assets	3.20	3.26	3.20	3.18	3.02
Cost / income ratio	44.6	42.8	43.6	46.0	46.4
Non interest income / operat	31.2	32.4	31.0	30.3	30.1
Provision charges	0.82	1.61	2.62	1.92	1.40
Gross NPL ratio	3.4	4.0	4.2	4.0	3.7
Gross NPL growth	100.6	31.8	18.6	6.7	3.1
LLP / Gross NPL	156.7	180.6	126.0	130.4	129.2
LLP / Net loans	3.5	3.9	5.6	5.5	5.0
Tier-1	10.6	9.4	8.3	7.5	6.7
CAR	12.4	11.0	9.9	9.0	8.1

Source: Company, Danareksa Sekuritas

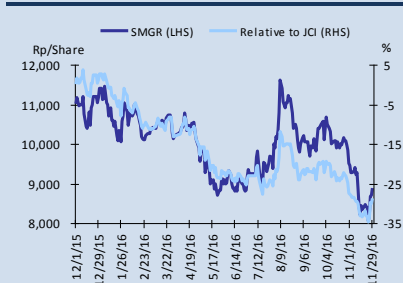
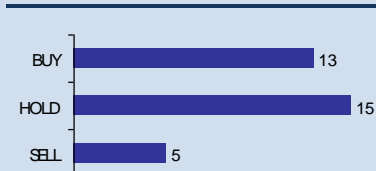
CEMENT/COMPANY RESULT

SELL

Target Price, Rp	8,100
Upside (Downside)	(8.7%)
SMGR IJ/SMGR.JK	
Last Price, Rp	8,875
No. of shares (mn)	5,932
Market Cap, Rpbn	52,647
(US\$ mn)	3,899
3M T/O, US\$mn	5.7

Last Recommendation

31-Oct-2016	SELL	Rp8,900
12-Oct-2016	HOLD	Rp9,000
21-Jun-2016	HOLD	Rp9,000

SMGR relative to JCI index**Market recommendation****Consensus**

	Our	Cons	% Diff
Target Price, IDR	8,100	10,778	(24.8)
EPS 2017F, IDR	499	720	(32.0)
PE 2017F, x	17.8	12.3	44.7

Antonia Febe Hartono
(62-21) 2955 5777 ext3504
antonia.hartono@danareksa.com

Stefanus Darmagiri
(62-21) 2955 5777 ext3530
stefanus.darmagiri@danareksa.com

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

Semen Indonesia

Neutral impact from acquisition

On 28 November 2016, Semen Indonesia (SMGR) acquired a 48.7% stake in Varia Usaha, a cement distribution and logistics company, from Semen Indonesia's Pension Fund. The value of the transaction was Rp475.1bn. Following the acquisition, SMGR now has a 73.65% stake in Varia Usaha. Nevertheless, we expect the acquisition to have a neutral impact on SMGR's financial performance. Furthermore, with the expectation of weak sales in November, we downgrade our FY16 sales volume growth estimate (from 2.6% to 1.5%). We reiterate our SELL call on SMGR with a lower target price of Rp8,100. This implies 16.2x 2017F P/E.

The acquisition is part of SMGR's restructuring strategy

Going forward, the company will integrate its logistics activities under one subsidiary named Semen Indonesia Logistic. Furthermore, since the company also plans to reduce dependency on third party logistics services, the company will increase the logistics capacity of Varia Usaha by adding 100-200 trucks and 1 or 2 vessels each year. Varia Usaha currently has 1,300 trucks and 3 vessels.

The transaction will have a NEUTRAL impact on SMGR's financial performance

We expect the consolidation of Varia Usaha to have a NEUTRAL impact on SMGR's financial performance given that: (i) we only expect 2% additional revenues considering most of Varia Usaha's revenues are generated by SMGR's distribution and logistics, (ii) SMGR will report only a slightly lower gross margin after consolidation (the gross margin of Varia Usaha is 6.6% vs. SMGR's 39.7%), (iii) the lower margin will be offset by lower transportation costs after consolidation.

We expect weak sales in November

After recording weak sales volume in October 2016 (-3.6% yoy), we expect SMGR to continue to book weak sales volume in November 2016 due to several factors, namely: (i) the high base in November 2015 due to the government's infrastructure push, and (ii) heavier rainfall during the period. Although we still expect positive sales volume growth in December, this may not be sufficient to offset the sluggish performance in November. As such, we trim our full year sales volume target by 1.0% to 29.2mn tons (+1.5% yoy).

Reiterate SELL with a new Target Price of Rp8,100

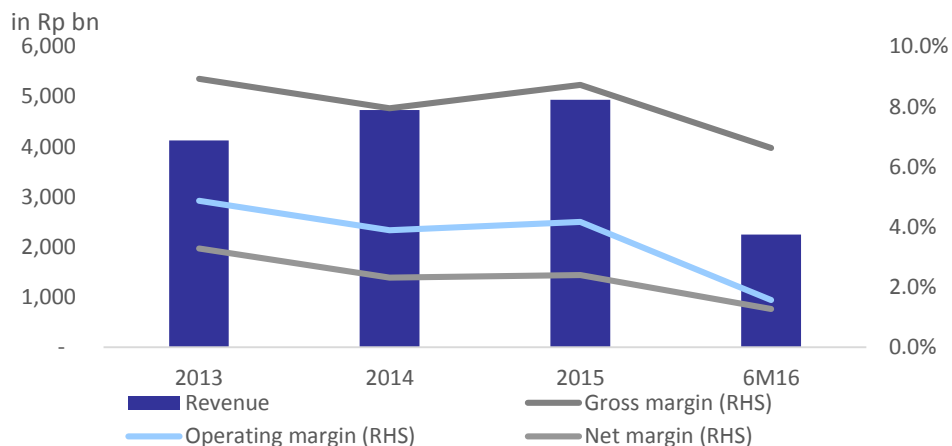
We reiterate our SELL call on SMGR with a lower Target Price of Rp8,100 (based on DCF valuation with WACC of 12.9% and long-term growth of 4%) by (i) adjusting down our sales volume forecast by 1.0% for 2016 and by 1.2% for 2017, (ii) increasing our WACC assumption from 12.4% to 12.9% to take into account the recent increase in the 10-year government bonds yield. Our new target price implies 16.2x 2017F P/E.

Year end to Dec, Rp bn	2014	2015	2016F	2017F	2018F
Revenue, Rp bn	26,987	26,948	26,446	26,832	28,237
EBITDA, Rp bn	8,210	7,326	6,651	6,040	6,117
EBITDA growth, %	2.4	(10.8)	(9.2)	(9.2)	1.3
Net profit, Rp bn	5,560	4,521	3,792	2,958	2,847
Core profit, Rp bn	5,406	4,486	3,755	2,919	2,806
EPS, Rp	937	762	639	499	480
EPS growth, %	3.5	(18.7)	(16.1)	(22.0)	(3.7)
Core EPS, Rp	911	756	633	492	473
Core EPS growth, %	2.0	(17.0)	(16.3)	(22.3)	(3.9)
Net gearing, %	Net Cash	0.1	6.1	7.4	8.6
PER, x	9.5	11.6	13.9	17.8	18.5
PBV, x	2.2	2.0	1.9	1.8	1.7
EV/EBITDA, x	6.4	7.2	7.9	8.7	8.6
Yield, %	4.6	4.2	3.5	2.9	2.3

What is Varia Usaha?

The main business of Varia Usaha is cement distribution and logistics. The company mostly serves the logistics needs of Semen Indonesia, particularly from its Tuban plant. Varia Usaha currently meets 30% of the total logistics needs of the Tuban plant. Besides cement distribution and logistics, Varia Usaha also generates 10-15% of its revenues from Varia Usaha Beton, a subsidiary engaged in the precast and ready mix business.

Exhibit 1. Varia Usaha revenue and profitability margin



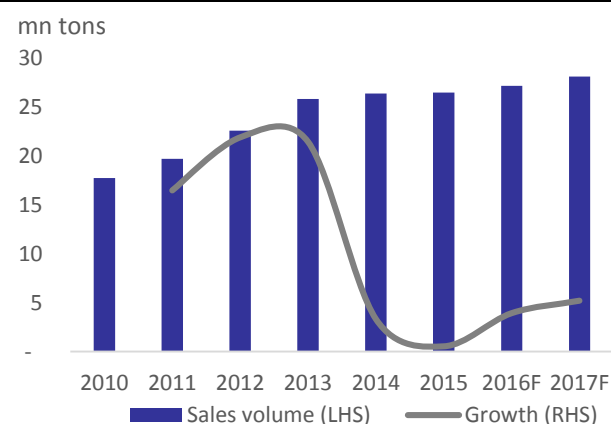
Source: Company

Exhibit 2. We change our forecast to take into account expectation on weak November sales

	2015	Previous		New		Changes (%)	
		2016	2017	2016	2017	2016	2017
ASP (Rp/ton)	925,534	870,002	852,602	870,002	852,602	-	-
Sales volume (mn ton)	28.8	29.5	30.4	29.2	30.1	(1.0)	(1.2)
Coal price (USD/ton)	59.0	60.0	65.0	60.0	65.0	-	-
Electricity cost (Rp/kWh)	1,046	891	927	891	927	-	-
Revenue	26,948	26,146	26,567	26,446	26,832	1.1	1.0
Gross profit	10,646	9,772	9,013	9,680	8,896	(0.9)	(1.3)
EBITDA	7,326	6,725	6,133	6,651	6,040	(1.1)	(1.5)
Net profit	4,521	3,850	3,031	3,792	2,958	(1.5)	(2.4)

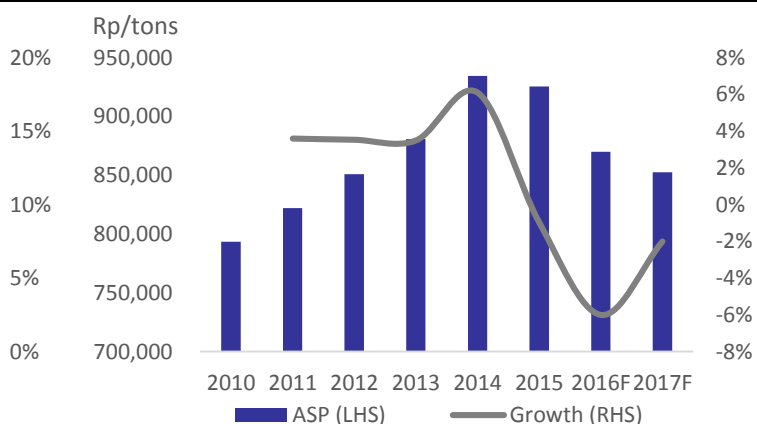
Source: Company, Danareksa Sekuritas

Exhibit 3. We expect 3.5% sales volume growth in 2017 ...



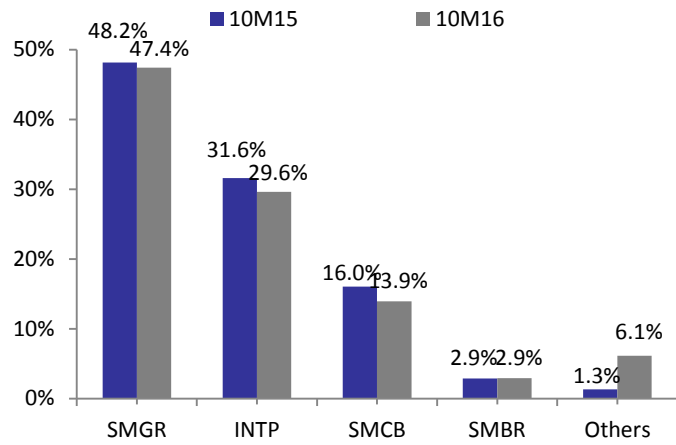
Source: Company, Danareksa Sekuritas

Exhibit 4. ... and 2.0% lower ASP



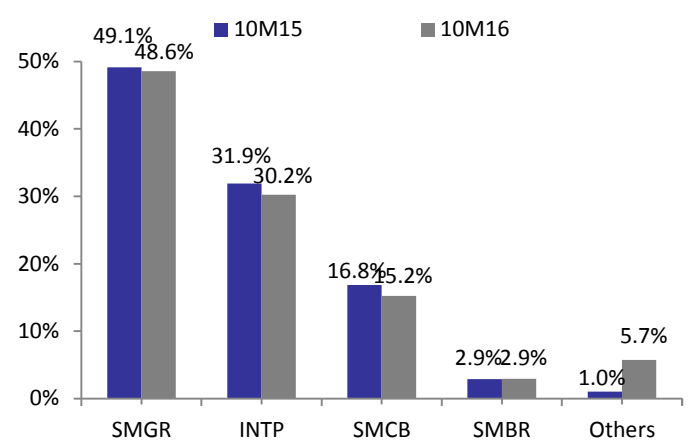
Source: Company, Danareksa Sekuritas

Exhibit 5. Domestic market share



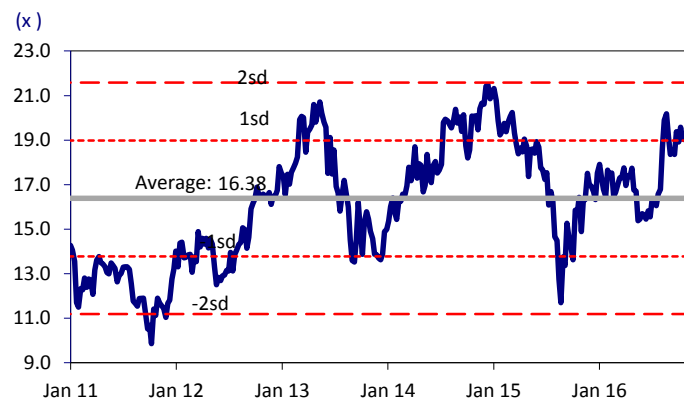
Source: ASI, Danareksa Sekuritas

Exhibit 6. Total sales market share



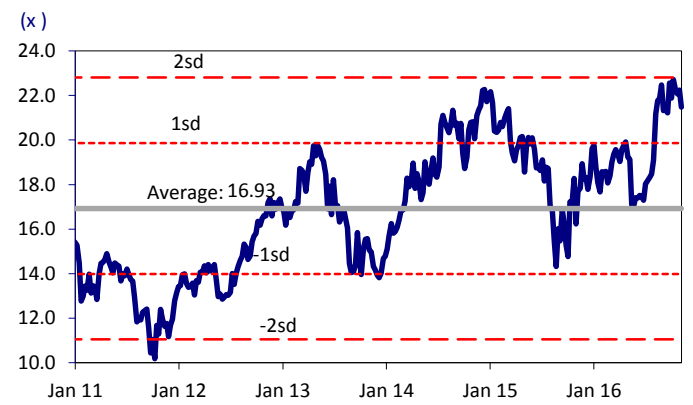
Source: ASI, Danareksa Sekuritas

Exhibit 7. SMGR PE band



Source: Danareksa Sekuritas, Bloomberg

Exhibit 8. Sector PE band



Source: Danareksa Sekuritas, Bloomberg

Exhibit 9. Income Statement (in Rp bn)

	2014	2015	2016F	2017F	2018F
Revenue	26,987	26,948	26,446	26,832	28,237
Cost of good sold	(15,408)	(16,302)	(16,766)	(17,936)	(19,119)
Gross profit	11,579	10,646	9,680	8,896	9,118
Operating expense	(4,632)	(4,747)	(4,683)	(4,840)	(5,123)
Operating profit	6,947	5,899	4,997	4,056	3,995
Depreciation	1,263	1,427	1,655	1,984	2,122
EBITDA	8,210	7,326	6,651	6,040	6,117
Other income (charges)	130	(48)	(89)	(228)	(311)
Profit before tax	7,077	5,851	4,907	3,828	3,684
Tax	(1,510)	(1,325)	(1,112)	(867)	(835)
Minority	(8)	(4)	(3)	(3)	(2)
Net profit	5,560	4,521	3,792	2,958	2,847

Source: Company, Danareksa Sekuritas

Exhibit 10. Balance Sheet (in Rp bn)

	2014	2015	2016F	2017F	2018F
Cash and equivalent	4,926	3,964	3,157	3,102	2,882
Account receivable	3,301	3,544	3,840	3,896	4,100
Inventories	2,812	2,409	2,845	3,184	3,543
Other current asset	596	596	686	711	760
Total current asset	11,649	10,539	10,554	10,918	11,310
Investment	330	399	389	378	368
Fixed asset, net	20,221	25,168	28,926	30,834	32,771
Others	2,132	2,048	2,022	2,037	2,090
Total asset	34,332	38,153	41,891	44,168	46,539
Trade payable	3,032	3,783	4,580	4,900	5,223
Others	2,240	2,816	3,275	3,473	3,688
Total current liabilities	5,272	6,599	7,855	8,373	8,911
Long term debt	3,183	2,997	3,464	3,750	3,885
Others	872	1,116	1,157	1,198	1,238
Total liabilities	9,327	10,712	12,476	13,320	14,034
Minority interest	958	1,021	1,021	1,021	1,021
Shareholder equity	24,046	26,420	28,393	29,826	31,483
Total liabilities and equity	34,332	38,153	41,891	44,168	46,539

Source: Company, Danareksa Sekuritas

Exhibit 11. Statement of cash flow (in Rp bn)

	2014	2015	2016F	2017F	2018F
Net income	5,560	4,521	3,792	2,958	2,847
+ Depreciation & amortization	1,272	1,443	1,670	1,999	2,137
Changes in working capital	(586)	1,325	26	(37)	(226)
Operating cash flow	6,246	7,289	5,489	4,920	4,759
Investment	-	-	(5)	(5)	(5)
Fixed assets	(2,558)	(5,168)	(5,413)	(3,892)	(4,059)
Others	152	(424)	25	(15)	(53)
Investing cash flow	(2,406)	(5,592)	(5,392)	(3,912)	(4,117)
Bank loans	(500)	(357)	880	419	286
Dividend	(2,427)	(2,236)	(1,819)	(1,525)	(1,190)
Others	(58)	(65)	3	8	6
Financing cash flow	(2,984)	(2,658)	(903)	(1,063)	(862)
Changes in cash	855	(962)	(807)	(55)	(221)
Beginning balance	4,070	4,926	3,964	3,157	3,102
Ending balance	4,926	3,964	3,157	3,102	2,882

Source: Company, Danareksa Sekuritas

Exhibit 12. Ratios (in Rp bn)

	2014	2015	2016F	2017F	2018F
Profitability					
Gross margin	42.9	39.5	36.6	33.2	32.3
Operating margin	25.7	21.9	18.9	15.1	14.1
EBITDA margin	30.4	27.2	25.2	22.5	21.7
Net margin	20.6	16.8	14.3	11.0	10.1
ROA	16.2	11.9	9.1	6.7	6.1
ROE	23.1	17.1	13.4	9.9	9.0
Solvency ratio					
Debt ratio	16.3	15.1	17.2	17.8	17.8
Net gearing ratio	Net Cash	0.1	6.1	7.4	8.6
Activity ratio					
Account receivable days	44.6	48.0	53.0	53.0	53.0
Inventory days	66.6	53.9	61.9	64.8	67.6
Account payable days	71.8	84.7	99.7	99.7	99.7

Source: Company, Danareksa Sekuritas

MARKET NEWS

WSKT secures Rp4.7tr funding facility

Waskita Karya (WSKT) has secured Rp4.7tr of funding from 14 financial institutions, 12 of which are banks and two are non-banks. The loan will carry a 10.5%pa interest rate and have a tenor of 12 years with a 36-month grace period. Bank BNI (BBNI) will provide the most funds: Rp1.0tr or 21.1% of the total loan. The funds will be used for the development of the Pejagan - Pemalang toll road (57.5km). (Investor Daily)

Comment: As of September 2016, WSKT's debt-to-equity ratio stood at 2.68x. (Maria Renata)

Bukit Asam: Plans to spend higher capex of Rp4.5tn in 2017

Bukit Asam (PTBA) plans to allocate higher capex of Rp4.5tn for 2017 compared to the estimated Rp3tn this year. Most of the capex proceeds will be used to meet operational requirements such as mining facilities and to expand into power plants. The planned capex for 2017 excludes the acquisition of coal mining firms, for which the company has prepared funds of US\$100mn. Meanwhile, PLN and PTBA are currently in the process of revising the power purchase agreement (PPA) for Sumsel 8 (Central Banko) with planned capacity of 2x620 MW. As the transmission line is not ready yet, PLN prefers to change the design capacity. PTBA, however, is unwilling to change the specification for the design capacity of the power plant. PTBA hopes that the revision of PPA will be completed by end-2016, so that the construction can be commenced in the beginning of 2017. (Investor Daily, Bisnis Indonesia)

Credit card interest rate cut to a maximum 2.25%

Bank Indonesia (BI) has capped the credit card interest rate at 2.25% per month or 26.95% per year for 2017. BI's circular will be published in December 2016. BI will apply two implementation schemes regarding this regulation. First, banks must apply for the new credit card interest rate in six months after the regulation is published. Second, after six months BI will evaluate the effect on banks. As of October 2016, the total amount of credit card transactions stood at Rp 230.9 tn. (Kontan)

BMRI's loans growth to the mining sector in double digits this year

Royke Tumilaar, BMRI's corporate banking director, said that loans growth to the mining sector reached 20.2% compared to 2015 or a total of Rp 13.8 tn. The significant increase is supported by loans extended to Medco. As of July 2016, PT Medco Energi Internasional Tbk received US\$ 360 mn of loans from BMRI. (Kontan)

UNVR to make interim dividend payments

Unilever Indonesia (UNVR) will make interim dividend payments of Rp375 per share for fiscal year 2016. The cum dividend date is December 5th, 2016, while the submission date is December 22nd 2016. This makes up 84% of UNVR's 1H16 net profit, down from 89% of 1H15's net profits for 2015's interim dividend, as the payment is adjusted in regard to the company's funding needs. UNVR is still reluctant to specify its capex allocation for next year. (Kontan)

KIJA prepares two new projects

Jababeka PP Property, the JV of Kawasan Industri Jababeka (KIJA) and PP Property (PPRO), plans to launch two residential projects in 2017 in Kota Jababeka and Tanjung Lesung. The JV plans to develop a 4.6ha area into four apartment towers. This project will be located in front of Plaza Indonesia Jababeka. Meanwhile, the company did not disclose the details of the project in Tanjung Lesung.

Besides this JV, PPRO also agreed to develop a residential area for employees in the Jababeka area. Thus, the companies will develop four apartment towers named Riverview Residence with 3,600 units available. 20% of the units will be entitled for subsidized housing. At the moment, PPRO has started the construction of the first tower and expects to hand over the units in December 2018. The construction cost is expected to reach Rp150-200bn. (Bisnis Indonesia)

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on					YTD, %	Rating
		30-Nov-2016	29-Nov-2016	Chg, %	w-w, %	m-m, %		
Waskita Karya	WSKT	2,550	2,380	7.1	8.1	(1.9)	52.7	BUY
Pembangunan Perumahan	PTPP	4,250	4,000	6.3	4.7	2.7	9.7	BUY
Mitra Adi Perkasa	MAPI	5,275	4,980	5.9	7.9	(4.5)	39.0	HOLD
Kimia Farma	KAEF	2,730	2,600	5.0	1.1	17.2	213.8	SELL
Semen Baturaja	SMBR	2,590	2,480	4.4	4.0	32.1	790.0	SELL
Adhi Karya	ADHI	1,910	1,845	3.5	(4.5)	(13.6)	(10.7)	BUY
Bank Rakyat Indonesia	BBRI	10,900	10,550	3.3	(5.2)	(10.8)	(4.6)	BUY
Gudang Garam	GGRM	65,000	63,050	3.1	0.8	(4.4)	18.2	BUY
Wijaya Karya	WIKA	2,430	2,360	3.0	(1.2)	3.3	(0.6)	BUY
Kalbe Farma	KLBF	1,500	1,460	2.7	-	(13.5)	13.6	SELL

Sources: Bloomberg

LAGGARDS

	Code	Price as on					YTD, %	Rating
		30-Nov-2016	29-Nov-2016	Chg, %	w-w, %	m-m, %		
Adaro Energy	ADRO	1,530	1,630	(6.1)	(6.1)	(6.7)	197.1	HOLD
Harum Energy	HRUM	2,160	2,290	(5.7)	(9.2)	1.4	220.0	HOLD
Timah	TINS	1,205	1,250	(3.6)	(3.6)	33.9	138.6	HOLD
United Tractors	UNTR	21,000	21,775	(3.6)	(4.1)	(5.7)	23.9	HOLD
Vale Indonesia	INCO	3,380	3,500	(3.4)	0.3	26.1	106.7	BUY
Gajah Tunggal	GJTL	1,005	1,035	(2.9)	(7.4)	(18.0)	89.6	BUY
Astra International	ASII	7,550	7,700	(1.9)	(2.9)	(9.3)	25.8	HOLD
Matahari Department Store	LPPF	14,400	14,650	(1.7)	(1.2)	(14.5)	(18.2)	BUY
Ace Hardware	ACES	865	875	(1.1)	(0.6)	1.8	4.8	SELL
Kino Indonesia	KINO	2,750	2,780	(1.1)	(8.3)	(19.1)	(28.4)	BUY

Sources: Bloomberg

Disclaimer

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

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

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