

FROM EQUITY RESEARCH
Agung Podomoro Land: At a hefty discount for a reason (APLN IJ. IDR230. Non Rated)

We met APLN's management yesterday and they informed us that the deal to sell Pullman Hotel Central Park would be settled this month. With the deal worth IDR1.3tn and the hotel having book value of IDR363.2bn, the company should book a one-off gain of IDR930bn in 3Q17. In our desktop valuation, we arrive at NAV per share for APLN of IDR823. Using this NAV, APLN currently trades at a hefty 71.8% discount.

FLASH NOTES
United Tractors: Sales volume from Mining sector remained strong in July 2017 (UNTR IJ. IDR29,500. BUY. TP IDR30,000)

United Tractors (UNTR) reported Komatsu sales volume of 310 units in July 2017 (+17.9% mom, +77.1% yoy). Higher monthly sales volume was supported from forestry sector and agri sector. While monthly sales volume for mining sector was flattish.

MARKET NEWS
Sector

- Banks: Credit restructuring rules will be tighten
- Plantations: Malaysia and Indonesia in talks to supply biodiesel to China

Corporate

- Kimia Farma: KAEF plans to issue IDR1tn of MTN
- Tower Bersama: Reports EBITDA of Rp1.68tn in 1H17 – inline
- Wijaya Karya: Wika Gedung's IPO is targeted for 4Q17

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,914	0.6	11.7	343
Thailand	1,573	0.0	2.0	1,080
Philippines	7,999	(0.2)	16.9	105
Malaysia	1,773	(0.1)	8.0	441
Singapore	3,260	(0.1)	13.2	728
Regional				
China	3,288	(0.1)	5.9	39,493
Hong Kong	27,402	0.9	24.5	11,574
Japan	19,384	(0.3)	1.4	1,422
Korea	2,372	0.3	17.1	3,613
Taiwan	10,407	0.1	12.5	3,817
India	31,568	0.9	18.6	484
NASDAQ	6,278	(0.3)	16.6	67,087
Dow Jones	21,812	(0.4)	10.4	6,660

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,359	0.1	(0.4)	0.8
SBI rate %	5.90	-	-	(1.3)
10y Gov Indo bond	6.87	(0.0)	(0.1)	(1.1)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	98	(0.1)	13.8	11.3
Gold	US\$/toz	1,289	(0.1)	2.7	11.9
Nickel	US\$/mt.ton	11,607	2.1	22.6	16.5
Tin	US\$/mt.ton	20,670	0.9	1.1	(2.5)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	1,924	(0.9)	(5.1)	(10.4)
Corn	US\$/mt.ton	124	(0.9)	(8.2)	(4.0)
Oil (WTI)	US\$/barrel	48	(0.1)	4.3	(10.0)
Oil (Brent)	US\$/barrel	53	(0.1)	8.1	(7.5)
Palm oil	MYR/mt.ton	2,704	1.8	4.0	(15.5)
Rubber	US\$/kg	155	0.9	1.9	(19.9)
Pulp	US\$/tonne	891	N/A	0.0	10.1
Coffee	US\$/60kgbag	128	(0.7)	(0.4)	(16.0)
Sugar	US\$/MT	34	2.0	2.8	3.2
Wheat	US\$/ton	375	0.3	(4.9)	(28.5)

Source: Bloomberg

Thursday, 24 August 2017
Not Rated

Agung Podomoro Land (APLN)

At a hefty discount for a reason

Last price (IDR) 230

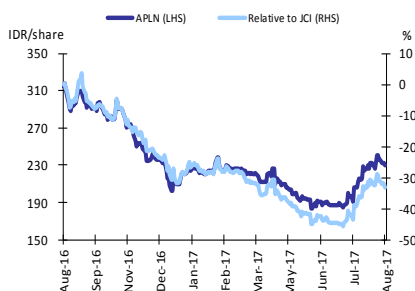
Stock Statistics

Sector Property
Bloomberg Ticker APLN JI
No of Shrs (mn) 20,500
Mkt. Cap (IDR bn/USDmn) 4,715/35.4
Avg. daily T/O (IDR bn/USDmn) 4.1/0.4

Major shareholders

PT Indofica 69.8%
Estimated free float (%) 27.2%

APLN relative to JCI Index



Source : Bloomberg

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The deal to sell Pullman Hotel Central Park should be closed this month

On 23 February 2017, APLN signed a Binding Investment Agreement with Strategic Property Investors Company Limited to sell Pullman Jakarta Central Park. The transaction should reach IDR1.3tn, or inline with the independent appraiser's valuation. The deal is expected to be completed this month. Given that the hotel's book value is IDR363.2bn, we expect the company to book a one-off gain of IDR930bn in 3Q17 (higher than the net profit recorded in 2016 of IDR631.9bn).

Reclamation projects: construction may continue in April 2018 at the earliest

Recall that APLN's reclamation projects were halted due to the lawsuit served by Yayasan Wahana Lingkungan Hidup (WALHI) and the administrative sanctions imposed by the Indonesian Ministry of Environment and Forestry. Although the Supreme Court has since rejected WALHI's appeal, the company is still awaiting the decision by the new governor of Jakarta before it proceeds with the project. If approval is given, the company hopes that reclamation can resume in April 2018 at the earliest given that six months will be needed for the mobilization of the necessary ships. By June 2016, APLN had spent IDR2.5tn on the reclamation of Island G and IDR479.1bn on the reclamation of Island I.

Two projects to be launched in 2H17

No project launches were conducted by APLN in 1H17. Even so, APLN still managed to record marketing sales of IDR2.4tn in 1H17 (+54.6%yoy), thanks largely to industrial land sales of IDR1.4tn to China Fortune Development. Going into 2H17, APLN plans to launch two new projects: a landed residential project in Taruma City, Karawang, and a condominium in Orchard View, Batam. Supported by these new projects and also from its existing projects, APLN expects to record marketing sales of IDR3.0tn in 2017, or growth of 10.0%yoy.

Valuation: a hefty discount

Using a back-of-the-envelope calculation, we arrive at NAV for APLN of IDR823/share (SOTP based valuation and WACC assumption of 11.0% and Terminal Growth of 4.0%). Based on this indicative NAV, APLN currently trades at a hefty 71.8% discount. We believe the reason that APLN has a higher discount than its peers is due to the overhang in relation to its reclamation projects.

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Key Financials

	2013	2014	2015	2016	6M17
Revenue, IDRbn	4,901	5,297	5,972	6,007	3,934
EBITDA, IDRbn	1,500	1,752	2,046	2,064	1,621
EBITDA Growth, (%)	-1.4%	16.8%	16.8%	0.9%	59.0%
Net profit IDRbn	851	852	809	632	696
EPS, IDR	41.5	41.9	41.8	32.6	35.9
EPS growth (%)	4.9%	1.0%	-0.4%	-21.9%	125.8%
BVPS, IDR	279.4	315.6	351.7	387.7	422.0
DPS, IDR	6.0	6.1	8.1	6.0	1.2
PER (x)	5.6	5.5	5.6	7.1	6.5
PBV (x)	0.8	0.7	0.7	0.6	0.5
Dividend yield (%)	2.6%	2.6%	3.5%	2.6%	0.5%
EV/EBITDA (x)	1.5	1.2	1.7	2.6	4.0

Source : Company

FLASH NOTES

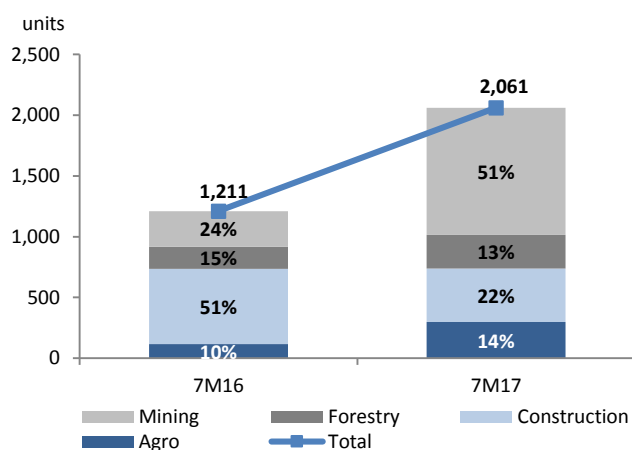
United Tractors: Sales to the mining sector remained strong in July 2017

(UNTR IJ. IDR29,500. BUY. TP IDR30,000)

United Tractors (UNTR) reported Komatsu sales volume of 310 units in July 2017 (+17.9% mom, +77.1% yoy), supported by strong sales to the forestry and agri sectors. Monthly sales to the mining sector were flattish.

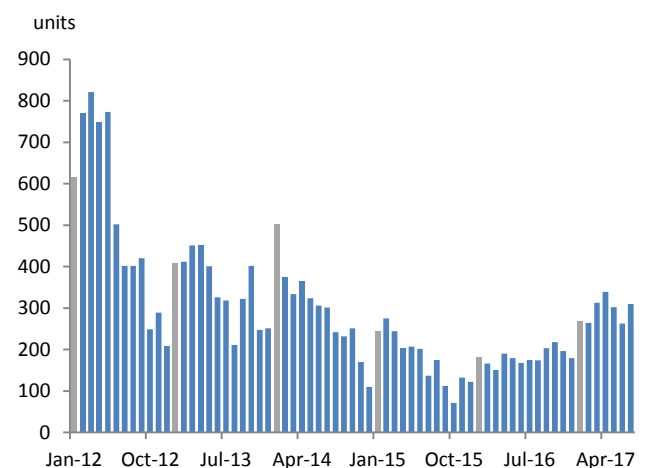
- **Firm commodity prices gave a boost to Komatsu sales.** Rising commodity prices, especially of coal, helped lift Komatsu sales to the mining sector by 257% yoy to 1,046 units in 7M17. Coupled with better sales to the agri sector (+156% yoy) and forestry sector (+52% yoy), Komatsu sales jumped 70.2% yoy to 2,061 units in 7M17. By contrast, however, sales to the construction sector declined by 28.7% yoy. With the sales figures above the management’s new guidance of 3,000 units for 2017, we believe there may be room for the management to revise up its Komatsu sales volume target for 2017.
- **Higher coal production despite more rainy days.** While coal operations in Kalimantan were adversely affected by bad weather, the coal production under Pampersada Nusantara (Pama) nonetheless increased by 5.4% yoy to 62.4mn tonnes in 7M17. With overburden removal up by 8.6% yoy, the stripping ratio increased to 7.0x in 7M17 from 6.8x in 7M16.
- **Higher coal production as the weather improves.** With the coal production in 7M17 only reaching 54.6% of our full year forecast, we expect Pama to increase its coal production further to achieve its targets for Sept and Oct 2017 supported by better weather.
- **Lower trading activities.** Coal sales volume, meanwhile, posted a 17.5% yoy decline to 4.1mn tonnes in 7M17 owing to the company’s lower coal trading activities as coalminers surrounding the company’s mining area prefer to sell their coal directly.
- **Maintain BUY** with a Target Price of Rp30,000 based on DCF valuation (WACC of 12.4% and terminal growth of 3%) supported by stable coal prices which will help to boost the company’s performance in 2H17. The downside risks are: a) a sharp decline in coal prices, b) tighter competition in the heavy equipment business and c) a strong IDR/USD. Our Target Price implies 17.3x 2017F PE.

Exhibit 1. Revival of Komatsu sales to the mining sector



Source: United Tractors

Exhibit 2. Monthly Komatsu sales volume



Source: United Tractors

Source: United Tractors

Source: United Tractors

MARKET NEWS

SECTOR

Banks: Credit restructuring rules will be tightened

The Financial Services Authority (OJK) will reportedly revoke the one pillar credit restructuring rules and move back to three pillars. This will mean more stringent regulation. According to OJK, the worst period for the banking sector is over meaning that more stringent regulation was appropriate. Under one pillar rules, during restructuring, banks only need to look at the likelihood of customers repaying the loan. (Bisnis Indonesia)

Plantations: Malaysia and Indonesia in talks to supply biodiesel to China

Malaysia and Indonesia are holding discussions to export palm-based biodiesel to China as that country is looking to implement the B5 biodiesel mandate in an effort to increase environmental controls. In addition, Malaysia is also looking to expand to new biodiesel markets such as India and the Philippines. (Bloomberg)

Comments: If China were to implement the B5 biodiesel mandate, it would create strong demand for edible oils as a source of fuel. This would be a positive for the oil & seeds sector, including CPO. With China's annual diesel usage estimated at 167mn KL, the B5 mandate would require 8.3mn KL of biodiesel to be blended, translating to around 7.2mn tons of additional CPO demand (assuming 100% use of palm-based biodiesel), roughly 10% of global CPO demand. (Yudha Gautama)

CORPORATE

Kimia Farma: KAEF plans to issue IDR1tn of MTN

Kimia Farma plans to issue IDR1tn of medium term notes (MTN). The money will be utilized for financing, inorganic initiatives and investment in production capacities. Last year, KAEF issued IDR300bn of MTN due in January 2018 with an 8.25% coupon rate. By the end of May 2017, construction of the company's new factory in Banjaran – West Java had reached 80%. The factory is expected to be completed in 2018. (Bisnis Indonesia)

Comments: The issuance of IDR1tn of MTN will push up the debt to equity ratio to 85% from 37% in 2016, leading to higher interest expenses. This may constrain the company's earnings. We maintain our Sell recommendation on the stock. (Natalia Sutanto)

Tower Bersama: Reports EBITDA of Rp1.68tn in 1H17 - inline

Tower Bersama (TBIG) reported 1H17 EBITDA of Rp1.68tn, in-line with expectations, or reaching 49% of consensus estimates. 1H17 revenues reached Rp1.94tn (+6.8% YoY), or 49% of consensus estimates, boosted by higher revenues from Telekomunikasi Selular. In 1H17, TBIG added 1,750 tenancies, of which 619 were telecommunication towers with the tenancy ratio improving to 1.68 (from 1.63 in 1H16). The company is raising its FY17 guidance for the organic addition of 2,700 tenants. As of the end of June 17, TBIG had 22,175 tenants and 13,210 telecommunication sites. (Company Release)

Wijaya Karya: Wika Gedung's IPO is targeted for 4Q17

Wijaya Karya (WIKA) targets the IPO for its subsidiary Wijaya Karya Bangunan Gedung (Wika Gedung) to take place in 4Q17. The IPO will be based on its financial statements as of June 17. Wika Gedung plans to sell a 30% to 35% stake to the general public through this IPO with targeted proceeds of IDR3.0tn to IDR3.5tn. All the proceeds will be used for expansion. Furthermore, another WIKA subsidiary, Wijaya Karya Realty (Wika Realty), plans to conduct an IPO next year. (Kontan)

Comment: WIKA has not yet released its June 17 financial statements since they are still being audited. Based on the targeted proceeds, Wika Gedung's equity value is estimated at around IDR10.0tn – IDR11.7tn. Wika Gedung's assets as of March 17 reached IDR2.2tn. (Maria Renata)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		23-Aug-17	22-Aug-17					
Adaro Energy	ADRO	1,955	1,860	5.1	5.4	6.5	15.3	BUY
Harum Energy	HRUM	2,460	2,380	3.4	3.8	16.6	15.0	SELL
HM Sampoerna	HMSP	3,700	3,610	2.5	6.6	-	(3.4)	HOLD
Matahari Department Store	LPPF	10,775	10,550	2.1	(4.2)	(14.3)	(28.8)	SELL
Bank Central Asia	BBCA	19,150	18,800	1.9	2.5	3.1	23.5	BUY
Kino Indonesia	KINO	1,800	1,770	1.7	3.7	(17.1)	(40.6)	SELL
Unilever	UNVR	49,925	49,275	1.3	3.4	3.3	28.7	HOLD
Alam Sutera	ASRI	370	366	1.1	3.4	19.4	5.1	HOLD
Ace Hardware	ACES	1,075	1,065	0.9	-	(6.1)	28.7	HOLD
Gudang Garam	GGRM	71,100	70,500	0.9	5.6	(7.6)	11.3	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		23-Aug-17	22-Aug-17					
Matahari Putra Prima	MPPA	705	730	(3.4)	27.0	12.8	(52.4)	SELL
Timah	TINS	870	885	(1.7)	6.1	18.4	(19.1)	BUY
Ciputra Development	CTRA	1,210	1,230	(1.6)	2.5	8.5	(9.4)	HOLD
Semen Indonesia	SMGR	10,700	10,850	(1.4)	(1.8)	5.4	16.6	HOLD
Semen Baturaja	SMBR	3,020	3,060	(1.3)	(4.4)	(0.3)	8.2	SELL
Kalbe Farma	KLBF	1,755	1,775	(1.1)	2.0	3.2	15.8	BUY
Ramayana	RALS	1,000	1,010	(1.0)	7.5	(2.0)	(16.3)	HOLD
Summarecon Agung	SMRA	1,085	1,095	(0.9)	(0.9)	2.8	(18.1)	SELL
Waskita Karya	WSKT	2,260	2,280	(0.9)	(4.2)	1.3	(11.4)	BUY
Aneka Tambang	ANTM	720	725	(0.7)	5.9	2.9	(19.6)	HOLD

Sources: Bloomberg

PREVIOUS REPORTS

- Automotive: Recovery in monthly car and motorcycle sales [Snapshot20170822](#)
- UNVR: Bright earnings outlook [Snapshot20170821](#)
- Automotive: GIIAS 2017: More low-end MPV cars launched, INTP: Key takeaways from conference call [Snapshot20170816](#)
- MYOR: Better performance on the cards [Snapshot20170815](#)
- Plantations: India's import duty on edible oils raised, Indo Tambangraya Megah: Weak quarterly net profit in 2Q17 [Snapshot20170814](#)
- Cement: Sales rebound strongly, Plantations: Jul-17 Malaysia CPO Statistics [Snapshot20170811](#)
- MPPA: Competition bites [Snapshot20170810](#)
- Ace Hardware Indonesia: SSSG weakening in July 2017, MTLA: Key takeaways from Public Expose [Snapshot20170809](#)
- Retail: Best to take a cautious stance, KLBF: The good news is priced in, INTP: Key takeaways from public expose [Snapshot20170808](#)

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