

FROM EQUITY RESEARCH
Plantation: Time for a Rerating (Overweight)

We upgrade our sector recommendation to OVERWEIGHT (from NEUTRAL) on a more upbeat sector outlook for FY19. In particular, we foresee stronger demand growth over supply, mainly driven by the B20 program, higher palm oil imports from China as a result of the ongoing US-China trade war and improved Indian palm oil demand on expectations of lower edible oil import tariffs post the general election. We assume a CPO price of MYR2,450/ton and MYR2,550/ton in FY18 and FY19, respectively.

To see the full version of this report, please [click here](#)

London Sumatra: The Cleanest One of All

(LSIP IJ. IDR 1,395. BUY. TP IDR 2,000)

We maintain our BUY recommendation on LSIP, raising our TP to Rp2,000 based on 17.0x sector rolling forward PE and FY19 EPS. We expect better earnings in FY19 on higher CPO prices and slight volume growth. We think LSIP's share price will benefit not only from better earnings, but also from a sector re-rating. We like LSIP for the combination of its strong financials, undemanding valuation and good stock liquidity.

To see the full version of this report, please [click here](#)

Astra Agro Lestari: Focusing on Costs and Replanting

(AALI IJ. IDR 13,225. BUY. TP IDR 16,500)

We upgrade our recommendation on AALI to BUY from HOLD with a revised TP of Rp16,500 based on 17.0x sector rolling forward PE and FY19 EPS. We expect better earnings in FY19 on higher CPO prices and some volume growth. Meanwhile, the company remains focused on lowering fixed costs through: 1) higher external FFB purchases and 2) CPO trading and replanting programs. We think AALI's share price will benefit not only from better earnings, but also from a sector rerating.

To see the full version of this report, please [click here](#)

Sampoerna Agro: Second-Tier Choice

(SGRO IJ. IDR 2,370. BUY. TP IDR 3,000)

We upgrade our recommendation on SGRO to BUY from HOLD, raising our TP to Rp3,000 based on 14.0x sector rolling forward PE and FY19 EPS. We expect better earnings in FY19 on higher CPO prices and some volume growth. Being a second-tier CPO company, we think SGRO's share price movement will lag and the stock will begin to benefit from the more sanguine CPO price outlook, only after the AALI and LSIP valuations have peaked.

To see the full version of this report, please [click here](#)

Timah: 2Q18: Boosted by strong sales volume

(TINS IJ. IDR 780. BUY. TP IDR 1,400)

Timah (TINS) reported net profit of IDR116bn in 2Q18 (+111.9% qoq and +37.4% yoy). Cumulative net profit was IDR170bn (+12.9% yoy) in 1H18. The net profit was below our (on lower than expected on refined tin sales volume and margin). With the company plans to accelerate refined tin sales volume in 2H18, we expect strong quarterly net profit for next quarter. Maintain BUY with target price of Rp1,400 (based on DCF valuation with WACC of 11.4%).

To see the full version of this report, please [click here](#)

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6,018	(0.0)	(5.3)	494
Thailand	1,722	0.1	(1.8)	1,434
Philippines	7,856	0.0	(8.2)	149
Malaysia	1,820	(0.1)	1.3	640
Singapore	3,213	(0.4)	(5.6)	1,025
Regional				
China	2,725	(0.5)	(17.6)	21,587
Hong Kong	27,889	(1.0)	(6.8)	13,820
Japan	22,865	(0.0)	0.4	12,299
Korea	2,315	(0.3)	(6.2)	4,704
Taiwan	11,064	(0.3)	4.0	3,923
India	38,645	(0.1)	13.5	487
NASDAQ	8,110	0.3	17.5	110,090
Dow Jones	25,965	(0.1)	5.0	12,650

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14,710	(0.4)	(2.1)	(8.5)
BI7DRRR %	5.50	0.3	0.3	1.3
10y Gov Indo bond	8.20	0.3	0.4	1.9

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	115	(0.3)	(2.0)	14.3
Gold	US\$/toz	1,199	(0.2)	(1.2)	(8.0)
Nickel	US\$/mt.ton	12,708	(3.7)	(8.8)	0.0
Tin	US\$/mt.ton	19,053	(1.1)	(5.6)	(5.2)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,239	(2.6)	0.0	17.9
Corn	US\$/mt.ton	119	3.8	(10.1)	(4.7)
Oil (WTI)	US\$/barrel	70	0.2	2.1	15.7
Oil (Brent)	US\$/barrel	78	0.2	6.2	16.3
Palm oil	MYR/mt.ton	2,178	(0.4)	1.2	(8.9)
Rubber	US\$/kg	133	(0.5)	1.0	(9.7)
Pulp	US\$/tonne	1,205	N/A	2.8	20.5
Coffee	US\$/60kgbag	78	(0.7)	0.6	(9.2)
Sugar	US\$/MT	326	0.5	2.5	(17.4)
Wheat	US\$/ton	148	2.0	(4.8)	13.2
Soy Oil	US\$/lb	28	0.3	(1.3)	(14.2)
Soy Bean	US\$/by	833	1.6	(7.8)	(12.5)

Source: Bloomberg

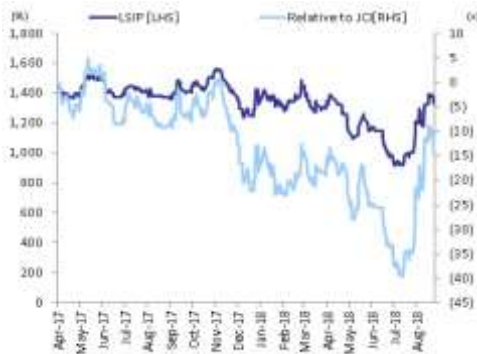
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OVERWEIGHT

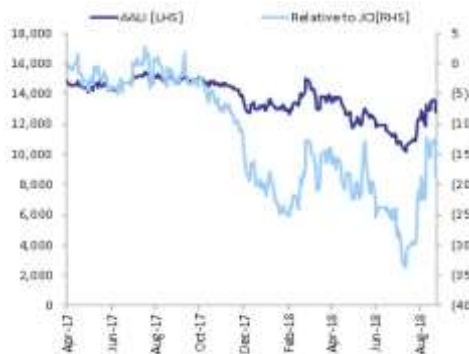
Plantation

Time for a Rerating

LSIP relative to JCI Index



AALI relative to JCI Index



Source : Bloomberg

We upgrade our sector recommendation to **OVERWEIGHT** (from **NEUTRAL**) on a more upbeat sector outlook for FY19. In particular, we foresee stronger demand growth over supply, mainly driven by the B20 program, higher palm oil imports from China as a result of the ongoing US-China trade war and improved Indian palm oil demand on expectations of lower edible oil import tariffs post the general election. We assume a CPO price of MYR2,450/ton and MYR2,550/ton in FY18 and FY19, respectively.

Stronger demand growth over supply. We are more positive on the plantation sector outlook in FY19 as we foresee stronger demand growth over supply. Based on OilWorld estimates, global palm oil supply is expected to reach 72.7mn tons in FY19 (+4.3% YoY), mostly from growth in Indonesia due to its younger plantations age profile while Malaysia's palm oil output will grow at a slower pace on declining CPO yields and the ageing plantation profile. Meanwhile, Oilworld expects global demand to reach 72.4mn tons (+5.9% YoY) driven by higher biofuel demand in Indonesia and the improved outlook for Indian palm oil imports. Based on the latest projections, the palm oil stock-to-use ratio is estimated to fall to 17.5% in FY19 from 18.3% in FY18.

Full implementation of B20 – A game changer. We believe that the full implementation of B20 will have an overall positive impact on CPO demand and prices, if properly executed. Our channel check suggests that enforcement will be strict such that **diesel importers will be required to provide proof of Purchase Orders (PO) for 20% FAME, before being allowed to import diesel.** We estimate additional CPO demand of 3.0mn KL (2.6mn tons of CPO or ~4% global CPO output) from tapping into the non-PSO segment in FY19, if full potential is reached. However, we only forecast additional CPO demand of 2.0mn KL (1.7mn tons) next year.

US-China trade war; an opportunity for palm oil. We also expect China to increase its palm oil imports in FY19. We see palm oil benefitting from the ongoing US-China trade war, as China will seek alternative edible oils as a result of the lost US soy imports due to the 25% tariffs on US soybeans. We estimate that around 38.0mn tons of US soybeans or 7.0mn tons of soyoil are at risk. In fact, China has turned to both Malaysia and Indonesia to boost its palm oil purchases.

Indian palm oil imports to rebound in FY19. We believe palm oil demand will get a boost from better Indian palm oil imports ahead, despite the aggressive hike in India palm oil import duty. We think India's move to raise import duty is mainly political in nature in lieu of the upcoming general election sometime in April or May'19. We suspect that the Indian government is likely to lower the edible oil import tariffs post the general election, hence giving a boost to demand for imported palm oil.

Upgrade recommendation to OVERWEIGHT. We upgrade our recommendation on the palm oil plantation sector to **OVERWEIGHT** (from **NEUTRAL**) on a more upbeat sector outlook, with LSIP as our top pick given its strong financials and good stock liquidity. We assume a CPO price of MYR2,450/ton and MYR2,550/ton in FY18 and FY19, respectively. Despite the recent run-up in CPO stock prices, the plantation sector is still undervalued and we should expect a sector re-rating from the more bullish outlook.



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Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2018F	2019F	2018F	2019F	2019F
London Sumatra	LSIP IJ	BUY	2,000	9,449.7	11.5	11.7	1.1	1.0	9.2
Astra Agro Lestari	AALI IJ	BUY	16,500	25,165.3	15.9	13.9	1.4	1.3	9.5
Sampoerna Agro	SGRO IJ	BUY	3,000	4,479.3	12.0	10.3	1.0	0.9	9.4

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BUY
Maintain

Last price (IDR)	1,395
Target Price (IDR)	2,000
Upside/Downside	+43.4%
Previous Target Price (IDR)	1,150

Stock Statistics

Sector	Plantation
Bloomberg Ticker	LSIP IJ
No of Shrs (mn)	6,820
Mkt. Cap (IDRbn/USDmn)	9,514/647
Avg. daily T/O (IDRbn/USDmn)	20.8/1.4

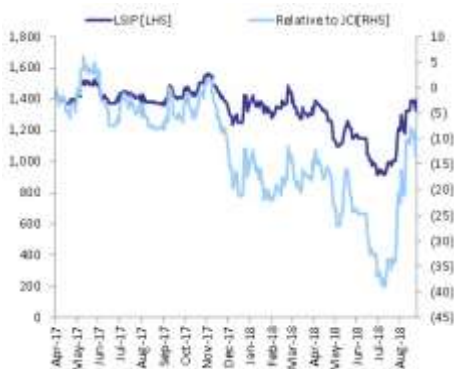
Major shareholders (%)

Salim Ivomas Pratama	59.5
Public	40.5
Estimated free float	40.4

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	121.1	119.5	123.5
Consensus	81.0	98.7	111.7
Danareksa/Cons	49.6	21.0	10.6

LSIP relative to JCI Index



Source : Bloomberg



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London Sumatra (LSIP IJ)

The Cleanest One of All

We maintain our BUY recommendation on LSIP, raising our TP to Rp2,000 based on 17.0x sector rolling forward PE and FY19 EPS. We expect better earnings in FY19 on higher CPO prices and slight volume growth. We think LSIP's share price will benefit not only from better earnings, but also from a sector re-rating. We like LSIP for the combination of its strong financials, undemanding valuation and good stock liquidity.

Higher FY19 earnings outlook. On a better CPO price outlook, we expect LSIP's core earnings to grow by 36.3% to Rp815bn, mostly driven by higher CPO price assumptions and slight volume growth. We expect LSIP's FY19 CPO price to average Rp8,230/kg (+4.4% YoY). Meanwhile, we assume FFB growth of 2.5% for LSIP in FY19. Slower growth mainly reflects LSIP's ageing plantation profile.

Conservative plantings. Despite its ageing plantation profile, LSIP set a rather conservative plantings target, in our view. We input new planting and replanting targets of 400 Ha and 700 Ha, in-line with the company's plans to engage in new planting and replanting of around 300-500 Ha and <1,000 Ha respectively. A slower planting rate keeps LSIP's capex needs to a minimal, but this may come at the expense of lower future growth as older plants may cause CPO yields to decline.

Debt-free balance sheet. We continue to like LSIP for its clean balance sheet. The absence of debt provide LSIP with a cushion against interest and forex risk, given the current environment of rising borrowing costs and the depreciating rupiah. As of Jun'18, LSIP was net cash with a cash balance amounting to Rp1.88tn (vs. Rp1.95tn in Mar'18).

Maintain BUY. On a more bullish outlook and higher earnings visibility, we maintain our BUY recommendation for LSIP, but raise our TP to Rp2,000 (from Rp1,150) based on 17.0x sector rolling forward PE vs. the sector's mean PE of 16.5x and FY19 EPS. We think LSIP's share price will benefit not only from higher earnings, but also from a re-rating of the sector. LSIP is our top pick in the sector given its strong financials, cheap valuation and good stock liquidity. The counter is currently trading at 11.7x FY19 PE and EV/Ha of USD5,326.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	3,848	4,738	4,197	4,594	4,681
EBITDA (IDRbn)	1,159	1,373	1,111	1,401	1,439
EBITDA Growth (%)	6.2	18.4	(19.1)	26.1	2.7
Net profit (IDRbn)	594	763	826	815	842
EPS (IDR)	87.1	111.9	121.1	119.5	123.5
EPS growth (%)	(4.7)	28.6	8.2	(1.4)	3.3
BVPS (IDR)	1,120.3	1,190.1	1,266.4	1,337.5	1,413.1
DPS (IDR)	37.0	35.1	44.8	48.5	47.8
PER (x)	16.0	12.5	11.5	11.7	11.3
PBV (x)	1.2	1.2	1.1	1.0	1.0
Dividend yield (%)	2.7	2.5	3.2	3.5	3.4
EV/EBITDA (x)	7.2	5.7	6.7	5.0	4.5

Source : LSIP, Danareksa Estimates

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BUY UPGRADE

Last price (IDR)	13,500
Target Price (IDR)	16,500
Upside/Downside	+22.2%
Previous Target Price (IDR)	11,800

Stock Statistics

Sector	Plantation
Bloomberg Ticker	AALI JJ
No of Shrs (mn)	1,925
Mkt. Cap (IDRbn/USDmn)	25,983/1,766
Avg. daily T/O (IDRbn/USDmn)	15.2/1.0

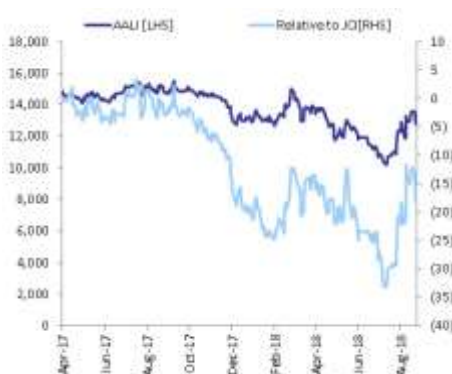
Major shareholders (%)

Astra International	79.7
Public	20.3
Estimated free float	20.3

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	851.3	973.4	916.8
Consensus	833.0	928.6	934.2
Danareksa/Cons	2.2	4.8	(1.9)

AALI relative to JCI Index



Source : Bloomberg



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Astra Agro Lestari(AALI JJ)

Focusing on Costs and Replanting

We upgrade our recommendation on AALI to BUY from HOLD with a revised TP of Rp16,500 based on 17.0x sector rolling forward PE and FY19 EPS. We expect better earnings in FY19 on higher CPO prices and some volume growth. Meanwhile, the company remains focused on lowering fixed costs through: 1) higher external FFB purchases and 2) CPO trading and replanting programs. We think AALI's share price will benefit not only from better earnings, but also from a sector rerating.

Higher FY19 earnings outlook. On the better CPO price outlook, we expect AALI's earnings to grow by 11.0% to Rp1.87tn, mostly driven by higher CPO price assumptions and some volume growth. We expect AALI's FY19 CPO price to average Rp8,239/kg (+4.4% YoY). Meanwhile, we assume FFB growth of 3.0% for AALI in FY19. Slower growth mainly reflects AALI's ageing plantation profile.

Focusing on lowering fixed costs. Due to the combination of its ageing plantation profile and "no new planting" policy, we expect AALI's FFB nucleus growth to be slow. As such, AALI will remain focused on keeping fixed costs under control through 1) increasing external FFB purchases and 2) engaging in CPO trading. The company targets up to 400k tons of CPO for trading purposes, which yield a gross margin of ~1.5%. We estimate the fixed cost component to account for 42.4% of AALI's production cost. In addition, higher volume also serves to help maximize the utilization of AALI's CPO mills.

More aggressive replanting. For FY18, AALI maintains a more aggressive replanting target of 5,000Ha, while the 1H18 achievement was only 1,156 Ha. The company expects replanting activity to speed up in 2H18. Going forward, the company is aiming to start the replanting program for its plasma farmers.

Upgrade to BUY. On a more bullish outlook and higher earnings visibility, we upgrade our recommendation for AALI to BUY from HOLD, raising our TP to Rp16,500 (from Rp11,800) based on 17.0x sector rolling forward PE vs. the sector's mean PE of 16.5x and FY19 EPS. We believe AALI's share price will benefit not only from higher earnings, but also from a rerating of the sector. The counter is currently trading at 13.9x FY19 P/E and EV/ha of USD9,273.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	14,121	17,306	16,026	17,054	17,301
EBITDA (IDRbn)	3,662	4,178	3,763	4,135	3,980
EBITDA Growth (%)	34.6	14.1	(9.9)	9.9	(3.8)
Net profit (IDRbn)	2,007	2,010	1,639	1,874	1,765
EPS (IDR)	1,042.8	1,044.5	851.3	973.4	916.8
EPS growth (%)	165.2	0.2	(18.5)	14.3	(5.8)
BVPS (IDR)	8,902.9	9,386.4	9,924.4	10,642.4	11,267.2
DPS (IDR)	99.0	518.0	313.3	255.4	292.0
PER (x)	12.9	12.9	15.9	13.9	14.7
PBV (x)	1.5	1.4	1.4	1.3	1.2
Dividend yield (%)	0.7	3.8	2.3	1.9	2.2
EV/EBITDA (x)	8.1	7.1	7.7	6.8	6.7

Source : AALI, Danareksa Estimates

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BUY Upgrade

Last price (IDR)	2,290
Target Price (IDR)	3,000
Upside/Downside	+31.0%
Previous Target Price (IDR)	2,300

Stock Statistics

Sector	Plantation
Bloomberg Ticker	SGRO IJ
No of Shrs (mn)	1,819
Mkt. Cap (IDRbn/USDmn)	4,165/283
Avg. daily T/O (IDRbn/USDmn)	0.1/0.0

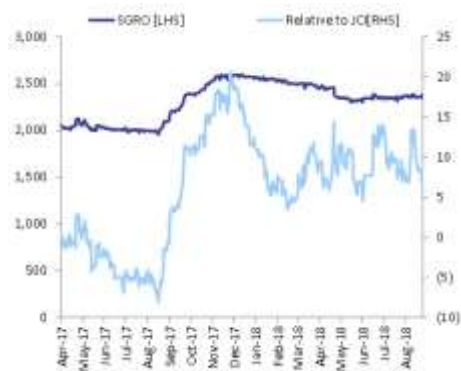
Major shareholders (%)

Sampoerna Agri Resources	67.1
Public	33.0
Estimated free float	27.2

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	190.5	223.1	227.5
Consensus	141.0	178.0	208.2
Danareksa/Cons	35.1	25.4	9.3

SGRO relative to JCI Index



Source : Bloomberg



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Sampoerna Agro(SGRO IJ)

Second-Tier Choice

We upgrade our recommendation on SGRO to BUY from HOLD, raising our TP to Rp3,000 based on 14.0x sector rolling forward PE and FY19 EPS. We expect better earnings in FY19 on higher CPO prices and some volume growth. Being a second-tier CPO company, we think SGRO's share price movement will lag and the stock will begin to benefit from the more sanguine CPO price outlook, only after the AALI and LSIP valuations have peaked.

Higher FY19 earnings outlook. On the better CPO price outlook, we expect SGRO's earnings to grow by 17.1% to Rp406bn, mostly driven by higher CPO price assumptions and some volume growth. We expect SGRO's FY19 CPO price to average Rp8,230/kg (+4.4% YoY). Meanwhile, we assume FFB growth of 3.5% for SGRO in FY19.

Active in new planting and replanting. Unlike AALI and LSIP, SGRO is still actively engaged in new planting to expand its nucleus planted area and boost production. We input a new planting target of 4,000 Ha. As its plantation age profile will soon pass beyond the peak age, SGRO has pledged to start with its replanting program. We input our replanting target of 1,400 Ha in FY18 and 3,500 Ha in FY19. The company guided total planting of 4,000-6,000 Ha.

Continuous improvement in operations. In the meantime, SGRO aims to continue with its efforts to improve its operations through the creation of more stable production growth ahead. This is done through increasing its nucleus contribution. A higher nucleus proportion ensures better control over estates operations and less volatility in production. In 1H18, the ratio of FFB output from nucleus to plasma stood at 59:41 vs. 54:46 in FY15.

Upgrade to BUY. On a more bullish outlook and higher earnings visibility, we upgrade our recommendation on SGRO to BUY from HOLD, raising our TP to Rp3,000 (from Rp2,300) based on 14.0x sector rolling forward PE vs. the sector's mean PE of 16.5x and FY19 EPS. Discounted valuation was mainly to account for poor liquidity. As second-tier CPO company, we think SGRO's share price movements will lag and will begin to benefit from the more upbeat CPO price outlook, only after AALI and LSIP valuations have peaked. The counter is currently trading at 10.3x FY19 PE and EV/Ha of USD5,815.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	2,915	3,616	3,633	3,916	4,050
EBITDA (IDRbn)	577	935	1,002	1,138	1,199
EBITDA Growth (%)	(17.9)	62.2	7.2	13.6	5.4
Net profit (IDRbn)	442	288	346	406	414
EPS (IDR)	242.7	158.2	190.5	223.1	227.5
EPS growth (%)	84.5	(34.8)	20.4	17.1	1.9
BVPS (IDR)	1,983.4	2,122.3	2,281.2	2,466.2	2,649.1
DPS (IDR)	25.0	25.0	31.6	38.1	44.6
PER (x)	9.4	14.5	12.0	10.3	10.1
PBV (x)	1.2	1.1	1.0	0.9	0.9
Dividend yield (%)	1.1	1.1	1.4	1.7	1.9
EV/EBITDA (x)	11.3	7.2	6.8	6.2	6.1

Source : SGRO, Danareksa Estimates

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BUY
Maintain

Last price (IDR) 780
Target Price (IDR) 1,400
Upside/Downside +79.5%
Previous Target Price (IDR) 1,400

Stock Statistics

Sector Metal Mining
Bloomberg Ticker TINS IJ
No of Shrs (mn) 7,448
Mkt. Cap (IDRbn/USDmn) 5,809/395
Avg. daily T/O (IDRbn/USDmn) 15.3/1.0

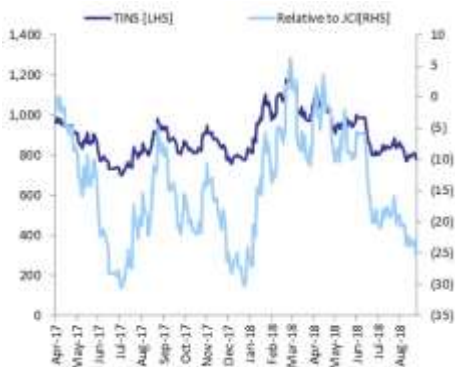
Major shareholders (%)

Government of Indonesia 65.0
Estimated Free Float 35.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	80.9	92.6	104.5
Consensus	54.7	63.7	n/a
Danareksa/Cons	47.9	45.3	45.3

TINS relative to JCI Index



Source : Bloomberg



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Timah (TINS IJ)

2Q18: Boosted by strong sales volume

Timah (TINS) reported net profit of IDR116bn in 2Q18 (+111.9% qoq and +37.4% yoy). Cumulative net profit was IDR170bn (+12.9% yoy) in 1H18. The net profit was below our (on lower than expected on refined tin sales volume and margin). With the company plans to accelerate refined tin sales volume in 2H18, we expect strong quarterly net profit for next quarter. Maintain BUY with target price of Rp1,400 (based on DCF valuation with WACC of 11.4%).

2Q18: boosted by strong refined tin sales volume. Net profit went up by 111.9% qoq to IDR116bn in 2Q18. This was mainly attributable to a) strong refined tin sales volume by 19.6% qoq to 6,940 tonnes in 2Q18. Higher tin sales volume was mainly due to the completion of revision of Ministry of Trade regulation, of which the company has granted renewal for export of refined tin in May 2018. B) other income on gain from revaluation of investment properties of IDR49bn booked in 2Q18 and c) lower tax rate of 25.4% in 2Q18 (1Q18: 35.5%).

1H18: Asset revaluation improved earnings. The net profit went up by 12.9% yoy to IDR170bn in 1H18 due to a) gain from revaluation of investment properties (in Depok and South Tangerang) of IDR49bn, b) higher finance cost (+4.6% yoy) and c) lower tax rate of 29.0% in 1H18 (1H17: 35.4%). However, TINS' operating profit declined by 18.5% yoy in 1H18 due to a) lower refined tin sales volume (-11.5% yoy) on change in regulations and weather condition and b) higher operating expenses (+35.0% yoy). The management indicated to improve production in 2H18 in order to achieve target. We believe this will improve earnings in 2H18.

Moderating production growth in 2018 to maintain refined tin prices. After the company indicated strong growth in refined tin production of around 27.4% yoy to 30,249 tonnes in 2017, the management targets more moderate growth of 10 – 12% yoy in 2018 to 33,300 – 33,900 tonnes. By curtailing production growth, TINS hopes to shore up refined tin prices given its status as the largest global refined tin exporter and the second-largest global refined tin producer. Going 2019, we apply more conservative refined tin production growth by only 3.0% yoy to 34,000 tonnes.

Maintain BUY. With the expectation that tin price to remain strong and the company to increase refined tin production further, we foresee continuation on stronger net profit for 2018. Maintain BUY with target price of IDR1,400 (based on DCF valuation with WACC of 11.4%). Our target price implies 17.3x 2018F PE. Maintain BUY.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	6,968	9,217	10,184	10,910	11,486
EBITDA (IDRbn)	958	943	1,618	1,782	1,878
EBITDA Growth (%)	73.3	(1.6)	71.6	10.1	5.4
Net profit (IDRbn)	252	502	603	689	778
EPS (IDR)	33.8	67.5	80.9	92.6	104.5
EPS growth (%)	147.9	99.5	19.9	14.4	12.9
BVPS (IDR)	759.1	813.8	878.5	930.6	988.8
DPS (IDR)	6.8	16.9	33.7	40.5	46.3
PER (x)	23.1	11.6	9.6	8.4	7.5
PBV (x)	1.0	1.0	0.9	0.8	0.8
Dividend yield (%)	0.9	2.2	4.3	5.2	5.9
EV/EBITDA (x)	7.3	8.6	5.0	4.4	4.1

Source : TINS, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Bank Indonesia: expecting lower inflation and improving yearly CAD

Bank Indonesia expects that the inflation in August 2018 will be experiencing deflation by 0.02%mom or 3.24%yoy lower than previous month (inflation 0.28%mom). Such deflation was mainly caused by decreasing price in volatile food. The inflation at the end of year is expected to be in the range of 3.5 +/-1%. Meanwhile, BI expects the current account deficit (CAD) may reach 2.5% of GDP by the end of year. Bank Indonesia believes that the b20 program, local content regulation, and tourism will improve the CAD. (Investor Daily)

CORPORATE

MAP Aktif: Strong SSSG and net profits in 1H18

PT MAP Aktif Adiperkasa (MAPA) recorded a net profit of IDR278bn in semester 1H18 or surged 43% compared to 1H17. 1H18 SSSG was 14% and the company had opened 74 new stores, including 19 Sports Stations, 9 Skechers, and 9 Payless. (Kontan)

Sido Muncul: Targets FY18 net profit of IDR600bn

Sido Muncul is optimistic to book FY18 net profit of IDR600bn (+12% yoy), supported by higher production capacity of 100mn sachet/month and increasing domestic and export sales. On the top line, the company targets FY18 revenue growth of high single digit (1H18: +5.4% yoy). The company will spend around IDR300bn capex this year. (Investor Daily)

DANAREKSA VALUATION GUIDE

Equity Valuation	Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn		EPS (Rp)		Core EPS (Rp)		EPS Growth		PER (x)		EV / EBITDA (x)		PBV (x)		ROE	
					2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Danareksa Universe				3,744.312	222,974	249,643	221.7	248.2			11.9%	12.0%	16.8	15.0	18.1	16.7	2.7	2.4	17.1	17.2
Auto				293,506	19,727	21,517	396.7	432.7			4.5%	9.1%	14.9	13.6	11.1	10.2	2.2	2.0	15.3	15.4
Astra International	BUY	7,250	8,600	293,506	19,727	21,517	487	532	488	522	4.5%	9.1%	14.9	13.6	11.1	10.2	2.2	2.0	15.3	15.4
Banks				1,546,378	102,688	118,744	458.6	530.3			14.6%	15.6%	15.1	13.0	2.4	2.1	16.5	16.9		
BCA	HOLD	24,800	22,700	611,444	26,257	29,958	1,065	1,215	1,065	1,215	12.6%	14.1%	23.3	20.4	N/A	N/A	4.0	3.4	18.5	18.0
BNI	BUY	7,800	10,400	145,460	15,553	18,009	834	966	834	966	14.2%	15.8%	9.4	8.1	N/A	N/A	1.3	1.2	14.8	15.2
BRJ	BUY	3,180	4,350	392,240	32,924	38,684	267	314	267	314	13.5%	17.6%	11.9	10.1	N/A	N/A	2.1	1.8	18.6	19.3
Bank Tabungan Negara	BUY	2,750	3,500	29,123	3,490	3,794	330	358	330	358	15.4%	8.5%	8.3	7.7	N/A	N/A	1.2	1.1	15.1	14.6
Bank Mandiri	BUY	6,900	8,500	322,000	24,463	28,299	524	606	524	606	18.5%	15.6%	13.2	11.4	N/A	N/A	1.8	1.6	14.1	14.8
BTPN	HOLD	4,020	3,900	23,521	1,723	2,011	300	350	300	350	41.1%	16.7%	13.4	11.5	N/A	N/A	1.3	1.2	10.1	10.9
BTPS	BUY	1,630	2,100	12,557	906	1,174	118	152	118	152	21.6%	29.7%	13.9	10.7	N/A	N/A	3.2	2.7	29.4	27.3
BPD Latim	BUY	670	830	10,034	1,259	1,350	84	90	84	90	8.6%	6.7%	7.9	7.4	N/A	N/A	1.2	1.1	15.5	15.5
Cigarettes				585,957	21,454	23,492	181	199			5.0%	9.5%	27.3	24.9	18.7	17.3	7.0	6.4	26.9	26.9
Gudang Garam	BUY	73,000	80,800	140,458	8,282	9,133	4,304	4,747	4,304	4,747	6.8%	10.3%	17.0	15.4	11.0	10.0	2.9	2.6	18.3	17.7
HM Sampoerna	HOLD	3,830	3,800	445,498	13,173	14,359	113	123	113	123	4.0%	9.0%	33.8	31.0	24.9	22.9	12.8	12.3	38.2	40.4
Construction				103,357	11,919	14,048	160	188			8.7%	17.9%	8.7	7.4	7.4	6.66	1.3	1.1	16.1	16.5
Wijaya Karya	BUY	1,550	2,300	13,903	1,588	2,108	177	235	177	235	32.0%	32.7%	8.8	6.6	3.6	2.9	1.0	0.9	11.9	14.2
Pembangunan Perumahan	BUY	1,800	3,600	11,780	1,741	2,140	281	345	281	345	19.8%	22.9%	6.8	5.5	3.8	3.2	0.9	0.8	14.2	15.2
Adhi Karya	BUY	1,490	2,900	5,306	753	920	212	258	212	258	46.1%	22.2%	7.0	5.8	5.7	5.0	0.7	0.6	11.6	11.6
Waskita Karya	BUY	1,895	3,000	25,723	4,389	5,038	322	371	322	371	13.3%	15.3%	5.9	5.1	7.7	6.8	1.5	1.2	27.6	25.5
Waskita Beton	BUY	390	580	10,281	1,302	1,524	53	62	53	62	37.5%	17.0%	7.3	6.3	6.2	5.5	1.3	1.2	17.2	18.4
Wilka Beton	BUY	400	730	3,486	423	493	51	59	51	59	25.5%	16.6%	7.9	6.8	5.0	4.5	1.1	1.0	14.5	15.2
Jasa Marga	BUY	4,530	5,300	32,878	1,742	1,825	240	251	240	251	-20.8%	4.8%	18.9	18.0	13.0	13.4	2.0	1.9	11.1	10.8
Consumer				558,418	17,984	19,716	347	380			7.9%	9.6%	31.1	28.3	17.5	16.1	7.8	7.1	26.4	26.4
Indofood CBP	BUY	8,675	9,400	101,167	3,979	4,230	341	363	341	363	4.8%	6.3%	25.4	23.9	15.0	14.0	4.7	4.2	19.3	18.6
Indofood	BUY	6,375	8,000	55,975	4,493	4,968	512	566	510	548	7.8%	10.6%	12.5	11.3	5.8	5.4	1.7	1.5	13.9	14.2
Unilever	HOLD	43,850	48,000	334,576	7,673	8,484	1,006	1,112	1,006	1,112	9.5%	10.6%	43.6	39.4	30.5	27.6	60.2	55.7	143.0	146.8
Kino Indonesia	BUY	1,615	2,100	2,307	93	142	65	99	65	99	-16.1%	53.3%	24.9	16.2	10.5	7.9	1.1	1.0	4.5	6.6
Mayora Indah	HOLD	2,880		64,393	1,747	1,892	78	85	75	85	7.9%	8.3%	36.9	34.0	20.0	18.3	7.7	6.7	22.4	21.0
Healthcare				76,154	2,806	3,083	102	121			-7.0%	18.5%	27.1	24.7	17.2	15.4	4.3	3.9	16.8	16.6
Kabe Farma	BUY	1,345	1,500	63,047	2,538	2,733	54	58	54	58	5.6%	7.7%	24.8	23.1	15.6	14.5	4.2	3.8	18.0	17.4
Kimia Farma	HOLD	2,360	2,170	13,107	268	350	48	63	48	63	-18.0%	30.8%	48.9	37.4	28.8	20.5	4.8	4.4	10.2	12.2
Heavy Equipment				128,317	8,783	9,714	2,355	2,604			18.6%	10.6%	14.6	13.2	6.4	5.6	2.6	2.3	18.9	18.6
United Tractors	BUY	34,400	39,000	128,317	8,783	9,714	2,355	2,604	2,355	2,604	18.6%	10.6%	14.6	13.2	6.4	5.6	2.6	2.3	18.9	18.6
Industrial Estate				10,723	1,052	1,237	17	20			-54.6%	17.6%	10.2	8.7	6.8	6.1	0.7	0.7	7.0	7.9
Puradelta Lestari	BUY	133	240	6,410	645	594	13	12	13	12	-1.8%	-7.9%	9.9	10.8	8.1	8.5	0.9	0.9	9.1	8.1
Bekasi Fajar	BUY	210	300	2,026	498	581	52	60	52	60	3.0%	16.6%	4.1	3.5	4.7	4.2	0.5	0.4	12.2	12.7
Surya Semesta	HOLD	486	540	2,287	(91)	62	(19)	13	(19)	13	-107.7%	-168.5%	(25.1)	36.7	8.1	5.8	0.6	0.6	(2.4)	1.7
Media				43,625	3,551	3,919	123	136			27.5%	10.4%	12.3	11.1	8.0	7.2	2.9	2.6	25.5	24.5
Media Nusantara Citra	BUY	905	1,450	12,920	1,960	2,158	137	151	137	151	34.9%	10.1%	6.6	6.0	4.6	4.1	1.3	1.1	20.3	19.7
Surya Citra Media	BUY	2,100	2,700	30,705	1,591	1,761	107	119	107	119	19.5%	10.7%	19.6	17.7	13.0	11.6	6.7	5.6	37.4	35.0
Mining				209,685	18,825	19,111	212	215			24.1%	1.5%	11.1	11.0	4.9	4.9	1.6	1.5	14.7	14.1
Adaro Energy	BUY	1,865	2,800	59,654	7,376	6,806	231	213	231	213	17.4%	-7.7%	8.1	8.8	3.2	3.1	1.3	1.2	16.0	14.2
Timah	BUY	780	1,400	5,809	603	689	81	93	81	93	19.9%	14.4%	9.6	8.4	5.0	4.4	0.9	0.8	9.6	10.2
Vale Indonesia	BUY	3,800	5,900	37,758	1,117	1,708	112	172	112	172	-662.5%	53.0%	33.8	22.1	10.9	8.6	1.6	1.6	4.7	7.1
Aneka Tambang	HOLD	870	1,000	20,907	428	501	18	21	18	21	213.7%	17.0%	48.8	41.7	12.4	12.2	1.1	1.1	2.3	2.6
Bukit Asam	BUY	4,050	5,000	46,659	4,735	5,028	463	463	436	463	5.8%	6.2%	9.3	8.8	6.1	5.9	2.8	2.3	21.2	27.2
Indo Tambangraya Megah	BUY	28,300	33,200	31,977	3,903	3,669	3,455	3,247	3,455	3,247	15.3%	-6.0%	8.2	8.7	3.9	4.4	2.3	2.1	28.9	24.9
Harum Energy	HOLD	2,560	3,100	6,921	663	709	245	262	245	262	12.7%	6.9%	10.4	9.8	2.6	2.0	1.6	1.5	15.8	16.1
Plantation				39,829	2,811	3,094	264	291			-8.2%	10.1%	14.2	12.9	7.4	5.9	1.2	1.2	9.1	9.4
Astra Agro Lestari	HOLD	13,500	11,800	25,983	1,639	1,874	851	973	851	973	-18.5%	14.3%	15.9	13.9	7.7	6.8	1.4	1.3	8.8	9.5
Sampoerna Agro	HOLD	2,290	2,300	4,328	346	406	191	223	191	223	20.4%	17.1%	12.0	10.3	6.9	3.8	1.0	1.0	8.7	9.4
PP London Sumatra	BUY	1,395	1,150	9,518	826	815	121	119	121	119	8.2%	-1.4%	11.5	11.7	6.7	5.0	1.1	1.0	9.9	9.2
Poultry				110,483	5,847	6,722	39	45			65.0%	15.0%	18.9	16.4	11.3	10.0	3.6	3.1		

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		31-Aug-18	30-Aug-18					
Surya Semesta	SSIA	486	454	7.0	(0.4)	(16.9)	(5.6)	HOLD
Malindo Feedmill	MAIN	1,350	1,265	6.7	(9.4)	32.4	82.4	HOLD
BPD Jatim	BJTM	670	635	5.5	4.7	5.5	(5.6)	BUY
Japfa Comfeed	JPFA	2,200	2,100	4.8	(6.0)	4.3	69.2	BUY
HM Sampoerna	HMSP	3,830	3,730	2.7	4.1	1.6	(19.0)	HOLD
Alam Sutera	ASRI	326	318	2.5	-	0.6	(8.4)	HOLD
Pembangunan Perumahan	PTPP	1,900	1,855	2.4	1.3	(2.6)	(28.0)	BUY
Bank Negara Indonesia	BBNI	7,800	7,625	2.3	5.1	(1.3)	(21.2)	BUY
Charoen Pokphand	CPIN	4,980	4,870	2.3	(7.3)	5.7	66.0	HOLD
Semen Indonesia	SMGR	9,450	9,250	2.2	8.0	5.9	(4.5)	SELL

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		31-Aug-18	30-Aug-18					
Bumi Serpong Damai	BSDE	1,200	1,255	(4.4)	(4.0)	(10.4)	(29.4)	BUY
Summarecon Agung	SMRA	660	690	(4.3)	(2.2)	(13.7)	(30.2)	BUY
Bank Tabungan Negara	BBTN	2,750	2,860	(3.8)	4.6	12.2	(23.0)	BUY
Pakuwon Jati	PWON	515	535	(3.7)	(1.9)	(3.7)	(24.8)	BUY
Puradelta Lestari	DMAS	133	138	(3.6)	(5.0)	5.6	(22.2)	BUY
Wijaya Karya	WIKA	1,550	1,605	(3.4)	(1.3)	(1.3)	-	BUY
Sampoerna Agro	SGRO	2,290	2,370	(3.4)	(2.6)	(3.0)	(10.9)	HOLD
Astra International	ASII	7,250	7,475	(3.0)	(1.7)	1.8	(12.7)	BUY
Waskita Karya	WSKT	1,895	1,950	(2.8)	(1.0)	(8.9)	(14.3)	BUY
Bekasi Fajar	BEST	210	216	(2.8)	(6.3)	(10.3)	(16.0)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Gudang Garam: Higher ASP boost performance [SnapShot20180831](#)
- Danareksa Research Institute: Inflation Outlook – Milder [SnapShot20180829](#)
- Plantation: Impact of the Full Implementation of B20, Indofood Sukses Makmur: Go with the grain, Danareksa Research Institute: Monetary Watch – Further Tightening [SnapShot20180828](#)
- Bank Rakyat Indonesia: A further boost from the KUR program, Erajaya Swasembada: Where is the company headed? [SnapShot20180827](#)
- Adaro Energy: Expect higher production in 2H18, Alam Sutra Realty: Hit by Forex Loss [SnapShot20180824](#)
- Cigarettes: Positive outlook on modest excise tax increases, Astra International: Solid car sales in July 2018, United Tractors: Impressive Komatsu sales in July 2018 [SnapShot20180823](#)

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