

FROM EQUITY RESEARCH
Consumer - Retail: The good and the bad

Recent regulation no. 34/PMK.010/2017 concerning collection of tax income, PPh 22, will mostly bring negative impacts for retailers, especially ACES and MAPI, we think. ERAA will also negatively be impacted, yet only for Apple products. Meanwhile, RALS and LPPF should be the least impacted. Meanwhile from consumer point of views, we think this will benefit most of listed consumer companies, as most of the products are produced locally. Local products can be more competitive going forward.

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Telco: Strong data volumes while pricing recovers (Overweight)

We expect a substantial jump in TLKM's data contribution thanks to fast adoption of 4G data. Indihome also shows momentous subscriber additions contributing to group earnings. EXCL, meanwhile, stands to benefit most when data prices rise as data revenues represent 74% of its service revenues while its OPEX has grown modestly. Both Telkomsel and EXCL appear ready to take market share from Indosat. Data prices are slowly on the rise signaling a better profitability outlook post sim-card re-registration with TLKM and EXCL having an edge due to better data network coverage and services. We initiate coverage on the Telco sector with BUYs on EXCL and TLKM.

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Telkom Indonesia: EBITDA margin recovery by 200-400bps in 2H18 (TLKM IJ. IDR 3,360. BUY. TP IDR 4,300)

We initiate with BUY recommendation on Telkom as we expect the data services contribution to increase faster than expected and dominate in total revenues. This is catalyzed by the data price upward movements combined with superlative growth in data traffic. The stock which offered payout ratio minimum 70% in recent times, its EV/EBITDA-19 currently trades at 5.9x below the 3yr average. Our DCF valuation starts from 2019 earnings and suggests a TP of Rp4,300 which implies forward EV/EBITDA of 7.0x.

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XL Axiata: Biggest beneficiary in data price recovery (EXCL IJ. IDR 2,800. BUY. TP IDR 3,800)

XL Axiata is ahead in data migration with ~64% of its revenues derived from data. Hence, its profit and loss is the most elastic to benefit from data price increases and strong volume trends. We expect EXCL to eye ISAT's market share as EXCL had fewer subscriber losses post-sim registration and its network is more financially fit and able to monetize data. We initiate coverage with BUY and TP of Rp3,800, implying EV/EBITDA-19 of 6.4x.

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

Indosat Ooredoo: Conservative as challenges may remain (ISAT IJ. IDR 3,020. BUY. TP IDR 3,300)

ISAT operating and financial performance was the worst hit among the 3 main operators in 1H18. Its very low valuation may price in all these negatives but due to the persistence of challenges ahead it will be too early to turn positive on the stock. Nonetheless, ISAT has shown good OPEX control. Initiate coverage with a HOLD call and a Target Price of Rp3,300.

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

Aneka Tambang: 1H18 Result – Turnaround into profit

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

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,776	1.6	(9.1)	448
Thailand	1,694	0.4	(3.4)	1,678
Philippines	7,639	(1.5)	(10.7)	122
Malaysia	1,799	0.2	0.1	704
Singapore	3,148	(0.3)	(7.5)	709
Regional				
China	2,692	(0.5)	(18.6)	22,263
Hong Kong	26,975	(1.0)	(9.8)	13,388
Japan	22,488	(0.4)	(1.2)	10,854
Korea	2,288	(0.2)	(7.3)	4,797
Taiwan	10,924	(0.6)	2.6	4,211
India	38,243	0.6	12.3	405
NASDAQ	7,923	(0.9)	14.8	134,209
Dow Jones	25,996	0.1	5.2	10,790

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14,893	(1.5)	(2.9)	(9.9)
SBI rate %	5.50	0.3	0.3	1.3
10y Gov Indo bond	8.57	0.4	0.8	2.3

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	115	0.0	(1.7)	13.9
Gold	US\$/toz	1,201	0.1	(0.8)	(7.8)
Nickel	US\$/mt.ton	12,356	(0.0)	(9.1)	(2.8)
Tin	US\$/mt.ton	18,857	(0.0)	(3.8)	(6.2)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,255	(0.7)	8.3	18.7
Corn	US\$/mt.ton	124	2.3	(3.1)	(1.3)
Oil (WTI)	US\$/barrel	68	0.2	(1.8)	12.4
Oil (Brent)	US\$/barrel	77	(1.0)	3.7	14.4
Palm oil	MYR/mt.ton	2,223	0.1	2.8	(7.0)
Rubber	US\$/kg	132	0.2	(0.5)	(10.0)
Pulp	US\$/tonne	1,205	N/A	2.8	20.5
Coffee	US\$/60kgbag	77	(0.1)	(0.2)	(10.4)
Sugar	US\$/MT	330	(1.5)	0.8	(16.4)
Wheat	US\$/ton	140	(1.5)	(14.0)	6.6
Soy Oil	US\$/lb	28	(0.1)	(0.5)	(14.9)
Soy Bean	US\$/by	827	0.2	(5.8)	(13.1)

Source: Bloomberg

Friday, 07 September 2018

Consumer - Retail

The good and the bad

LPPF relative to JCI Index



RALS relative to JCI Index



Source : Bloomberg

Recent regulation no. 34/PMK.010/2017 concerning collection of tax income, PPh 22, will mostly bring negative impacts for retailers, especially ACES and MAPI, we think. ERAA will also negatively be impacted, yet only for Apple products. Meanwhile, RALS and LPPF should be the least impacted. Meanwhile from consumer point of views, we think this will benefit most of listed consumer companies, as most of the products are produced locally. Local products can be more competitive going forward.

ACES and MAPI will be most negatively impacted among retailers, in our view. The amendment of the regulation no. 34/PMK.010/2017 concerning collection of tax income PPh22 will be unfavorable for retailers. Among companies in our coverage, we think that ACES and MAPI will be most negatively impacted. The regulation has stated that PPh 22 will increase from 7.5% to 10.0% mainly for clothing and accessories, as well as few home improvement products. We think, in order to maintain gross margin level, this will eventually lead the companies to pass on the cost through price hike going forward.

Only Apple products that will be mostly negatively impacted for ERAA. We have recently conducted a phone call with the management. There are 3 major suppliers for ERAA, 1) Zhuhai Xiaomi Communication Co. Ltd, 2) PT Samsung Electronics Indonesia, and 3) Apple South Asia Pte. Ltd. Singapore. For Xiaomi, ERAA need to import the smartphone “components” that will eventually be assembled in Indonesia. PPh 22 for components are 2.5% and there has no changes in new regulation release. Hence, among brands, we think Apple will be the most negatively impacted as ERAA needs to import the “finished goods” for Apple and the PPh 22 has increased from previously 7.5% to 10.0%. Last but not least, for Samsung, ERAA does not import Samsung directly, but source the products from PT Samsung Electronics Indonesia.

Benefitting most of listed consumer companies in our coverage. Based on the new regulation, the raw materials for production process will see no tariff increase. Therefore, we believe this will benefit listed consumer companies that have most of their products produced locally. However, there are some products under the listed company that are still imported i.e several UNVR’s cosmetic products (Ponds BB Powder, for example) from Thailand and KLBF’s Blackmores Vitamin from Australia. In case these products were affected by additional tax, revenue contribution of these imported products are insignificant to UNVR and KLBF.

Local products can be more competitive. Our recent conversation with companies confirmed that the additional tax will be imposed to imported finished good that have locally-source substitutes. Therefore, we believe this will increase the competitiveness of local products and provide positive impact to our consumer names. In our view, higher crude oil price that leads to higher packaging cost combined with Rupiah depreciation are imminent risk to companies’ cost. Therefore, many companies plan to adjust products’ ASP amidst soft recovery in purchasing power. Maintain GGRM and INDF as our top picks.



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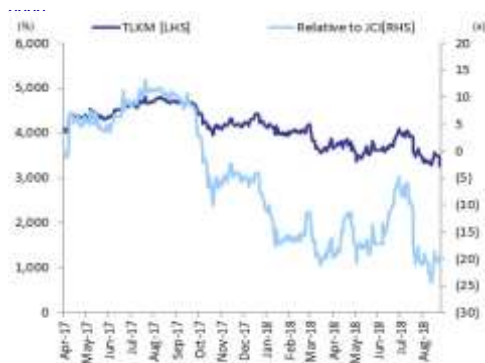
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Friday, 07 September 2018

OVERWEIGHT

Initiation

TLKM relative to JCI Index



EXCL relative to JCI Index



Source : Bloomberg

Telco

Strong data volumes while pricing recovers

We expect a substantial jump in TLKM's data contribution thanks to fast adoption of 4G data. Indihome also shows momentous subscriber additions contributing to group earnings. EXCL, meanwhile, stands to benefit most when data prices rise as data revenues represent 74% of its service revenues while its OPEX has grown modestly. Both Telkomsel and EXCL appear ready to take market share from Indosat. Data prices are slowly on the rise signaling a better profitability outlook post sim-card re-registration with TLKM and EXCL having an edge due to better data network coverage and services. We initiate coverage on the Telco sector with BUYs on EXCL and TLKM.

Data prices headed higher. We should expect more... July Indonesian inflation indicated mobile pulsa prices inched up and this is the key catalyst for the sector. Most operators confirm the trend and announced they will continue to work on a sustainable level of pricing. Indonesian data pricing is among the lowest in the region and if prices continue to head higher then profitability will improve significantly. Our data shows that prices have come up for a number of packages for Telkomsel and ISAT.

...while data traffic continues its superlative growth. Data traffic grew in the range of 76-126% yoy in 2Q18 and this trend is to continue while data yields' downtrend continued in 2Q18. We think TLKM and EXCL will continue to lead the race supported by stable 4G investments. Opensignal research revealed Telkomsel is leading in 3G/4G network performance, 4G BTS rollout is palpable especially for Telkomsel and EXCL while ISAT is lagging. EXCL performs better in the 4G network where users tend to consume more data. Capex intensity remains strong as operators continue investments to improve 4G market share.

Operators to benefit even more from OPEX savings: Telcos have kept their OPEX from creeping up, outsourcing functions if needed to maintain stable EBITDA margins. Telkomsel and EXCL reiterated recently potential savings from lower costs in tower leases. Moreover, new simcard registration rules give operators a chance to reduce their marketing costs. OPEX savings may continue despite 4G rollout which is key for the sector to recover.

TLKM and EXCL at the forefront of becoming digital-led companies. Operators are eyeing a greater share of the digital economy and strive to become more efficient and improve capital returns. Telkom is the most able due to its strong balance sheet, large scale, evolution of its Indihome and making acquisitions to enable its digital transformation. EXCL is also keen to develop fixed broadband services possibly via acquisitions to increase its scale. We advise investors to monitor this development as it could play very well for EXCL.

Initiate sector coverage with an Overweight stance with TLKM and EXCL as our Top picks: We are overweight on promising data trends and expectations for better profitability. There is positive sentiment on the outlook for higher data prices which should stimulate interest in telcos which trade at discounts to the 3-yr average forward EV/EBITDA. Risk to our call include stiffer data pricing competition.



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Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)
					2018F	2019F	2018F	2019F	2019F
Telkom	TLKM IJ	BUY	4,300	342,720.0	16.5	14.5	3.5	3.3	23.4
XL Axiata	EXCL IJ	BUY	3,800	30,888.2	68.7	30.0	1.4	1.3	4.6
Indosat Ooredoo	ISAT IJ	BUY	3,300	17,714.6	n/m	243.6	1.4	1.3	0.6

Friday, 07 September 2018

BUY
Initiation

Last price (IDR) 3,360
Target Price (IDR) 4,300
Upside/Downside +28.0%
Previous Target Price (IDR) 4,300

Stock Statistics

Sector Telco
Bloomberg Ticker TLKM IJ
No of Shrs (mn) 100,800
Mkt. Cap (IDRbn/USDmn) 338,688/22,741
Avg. daily T/O (IDRbn/USDmn) 416.9/28.0

Major shareholders (%)

Indonesian Govt. 52.1
Bank of New York Mellon Corp. 5.5
Estimated free float 47.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	206.2	234.4	256.9
Consensus	215.6	240.1	264.6
Danareksa/Cons	(4.4)	(2.4)	(2.9)

TLKM relative to JCI Index



Source : Bloomberg



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Telkom Indonesia(TLKM IJ)

EBITDA margin recovery by 200-400bps in 2H18

We initiate with BUY recommendation on Telkom as we expect the data services contribution to increase faster than expected and dominate in total revenues. This is catalyzed by the data price upward movements combined with superlative growth in data traffic. Concurrently, economies of scale and cost savings initiatives are expected to kick in with quarterly EBITDA margin to recover from historic low. The stock which offered payout ratio minimum 70% in recent times, its EV/EBITDA-19 currently trades at 5.9x below the 3yr average. Our DCF valuation starts from 2019 earnings and suggests a TP of Rp4,300 which implies forward EV/EBITDA of 7.0x.

Rosy data outlook; data contribution to reach 65-70%. The upside in data services is significant as numbers show Telkomsel (TSEL) subscribers still use a lot of voice. Waiting this usage to be converted to data, we estimate the impact from service migration to last a couple of quarters until 65-70% of TSEL's topline is generated by data services, judging by XL Axiata recent transition experience. In TSEL's case it will be less challenging as 4G coverage has increased significantly due to robust 4G network rollout (added 38,000 BTS in 2yrs to reach 43,100) where propensity to consume data is higher than 2G and 3G. This is further catalyzed by concerted effort among operators to increase data prices to strongly support data yield recovery.

Positive EBITDA impact from undervalued segments like Households and SMEs/enterprises/public segments. Telkom has planted as many as 19mn "home-passes" with 4.1mn subscribers / households registered (5.0mn target in FY18 revised up from 4.7mn) which translates to ~21% home-pass penetration – closest rival First Media records ~29% penetration - which suggests Indihome adoption upside is large. Corporates and SMEs demand for digital and ICT solution is growing in pursuit for more efficient operations. Government also spends about Rp15 tn p.a. on IT to modernize the public sector. We have strong conviction that significant value will be unlocked when both segments reach critical mass and add to group EBITDA without much incremental OPEX and CAPEX.

Expect EBITDA margin recovery by 200-400bps in 2H18. While the EBITDA margin fell significantly due to immense price competition during sim card re-registration (being a one time event), and due to saw sizable 2Q18 OPEX increases, we do not expect it to fall much further. We estimate EBITDA margin to be in high 40s as a) mobile data yields improve, b) there is momentum in Indihome EBITDA and c), there are economies of scale from investments in fiber and satellite infra to be unlocked by Corporates/SMEs as well as wholesale B2B business.

Stronger 1H18. Initiate coverage with a BUY. We expect profitability to jump in 2H18. After normalization of its EBITDA margin, the new norm should range in the 45-50% range for the group - still among the highest among ASEAN Telcos. Our DCF valuation derives a TP Rp4,300 (BETA of 0.8, WACC 10%) implying EV/EBITDA-19 of 7.0x.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	116,333	128,256	132,982	144,745	154,973
EBITDA (IDRbn)	59,498	64,609	63,826	70,503	76,314
EBITDA Growth (%)	15.7	8.6	(1.2)	10.5	8.2
Net profit (IDRbn)	19,352	22,145	20,783	23,624	25,900
EPS (IDR)	192.0	219.7	206.2	234.4	256.9
EPS growth (%)	24.9	14.4	(6.2)	13.7	9.6
BVPS (IDR)	837.1	919.8	961.1	1,040.9	1,122.0
DPS (IDR)	111.2	134.4	164.7	154.6	175.8
PER (x)	17.7	15.5	16.5	14.5	13.2
PBV (x)	4.1	3.7	3.5	3.3	3.0
Dividend yield (%)	3.3	4.0	4.8	4.5	5.2
EV/EBITDA (x)	5.8	5.5	5.5	4.9	4.5

Source : TLKM, Danareksa Estimates

Friday, 07 September 2018

BUY
Initiation

Last price (IDR) 2,800
Target Price (IDR) 3,800
Upside/Downside +35.7%
Previous Target Price (IDR) 3,800

Stock Statistics

Sector Telco
Bloomberg Ticker EXCL IJ
No of Shrs (mn) 10,688
Mkt. Cap (IDRbn/USDmn) 29,926/2,003
Avg. daily T/O (IDRbn/USDmn) 41.0/2.7

Major shareholders (%)

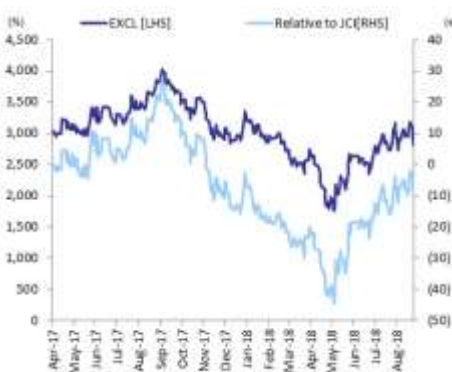
Axiata Investments Indonesia Sdn. Bhd. 66.4

Estimated free float 33.6

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	42.1	96.4	151.5
Consensus	38.3	92.1	158.6
Danareksa/Cons	9.8	4.7	(4.5)

EXCL relative to JCI Index



Source : Bloomberg



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XL Axiata(EXCL IJ)

Biggest beneficiary in data price recovery

XL Axiata is ahead in data migration with ~64% of its revenues derived from data. Hence, its profit and loss is the most elastic to benefit from data price increases and strong volume trends. With ISAT being under pressure from operational and subscriber losses, we expect EXCL to eye ISAT's market share as EXCL had fewer subscriber losses post-sim registration and its network is more financially fit and able to monetize data. We initiate coverage with BUY and TP of Rp3,800, implying EV/EBITDA-19 of 6.4x.

Unnoticed by the market but EXCL is already the 2nd largest data player in Java and ex-Java surpassing ISAT. Its data traffic of 957.742 TB (terabytes) in 1H18 has already surpassed ISAT's 817.337 TB which resulted to even greater data revenue performance vs ISAT. Consequently, total revenue of EXCL has exceeded those of ISAT in 2Q18. We do not expect change in this trend as EXCL maintains better network and thus better pricing and monetization prospects.

Non-stop investment outside Java. Immense Ex-Java growth opportunities to capture. The non-stop uptrend in data consumption is also fueled by EXCL's network coverage expansion in ex-Java areas. EXCL focus is skewed to data services with 4G BTS (up by 1.8x YoY to 24,900 BTS) now cover ~380 cities nationwide frontloaded to capture these data trends. EXCL now has 105,800 BTS with 74,300 for 3G/4G. Only Telkomsel surpasses these KPIs and ISAT is a distant 3rd. If ISAT wants to strengthen presence in Ex-Java, it will be forced to compete at lower data prices to gain market share. The dual brand strategy also allows to target users from both the mid-high segment with XL brand and low-end with AXIS brand to protect market share with no loose ends to competitors.

Better grip with the data savvy population makes it key beneficiary. EXCL data traffic is 50% less than Telkomsel while having less than 1/3 of Telkomsel's subscribers. With higher data traffic/sub EXCL stands to benefit immensely in an environment with improving data prices.

Expect better profitability up to the medium term. Potential acquisition play. Moody's recently upgraded EXCL's debt to investment grade which should potentially reduce interest expenses. We will not be surprised if EXCL partners with or acquires another player and dedicates funding to fast track fixed broadband & Pay-TV business development.

Data Price and profitability recovery are catalysts. Initiate coverage with BUY. EXCL trades at 5.1x EV/EBITDA (-1SD). The stock still offers significant upside to its intrinsic value in spite of +70% price recovery in the last few months. We have a TP of Rp3,800 implying forward EV/EBITDA between 5.2-5.9x.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	21,341	22,876	23,255	24,638	27,006
EBITDA (IDRbn)	8,058	8,321	8,663	9,897	11,735
EBITDA Growth (%)	(4.0)	3.3	4.1	14.2	18.6
Net profit (IDRbn)	376	375	450	1,031	1,619
EPS (IDR)	35.1	35.1	42.1	96.4	151.5
EPS growth (%)	(109.5)	(0.1)	19.8	129.3	57.1
BVPS (IDR)	1,984.4	2,023.9	2,058.4	2,154.9	2,272.6
DPS (IDR)	0.0	0.0	0.0	33.8	68.2
PER (x)	82.3	82.3	68.7	30.0	19.1
PBV (x)	1.5	1.4	1.4	1.3	1.3
Dividend yield (%)	0.0	0.0	0.0	1.2	2.4
EV/EBITDA (x)	5.5	5.2	5.0	4.4	3.5

Source : EXCL, Danareksa Estimates

Friday, 07 September 2018

BUY
Initiation

Last price (IDR) 3,020
Target Price (IDR) 3,300
Upside/Downside +9.3%
Previous Target Price (IDR) 3,300

Stock Statistics

Sector Telco
Bloomberg Ticker ISAT IJ
No of Shrs (mn) 5,434
Mkt. Cap (IDRbn/USDmn) 16,410/1,102
Avg. daily T/O (IDRbn/USDmn) 3.7/0.2

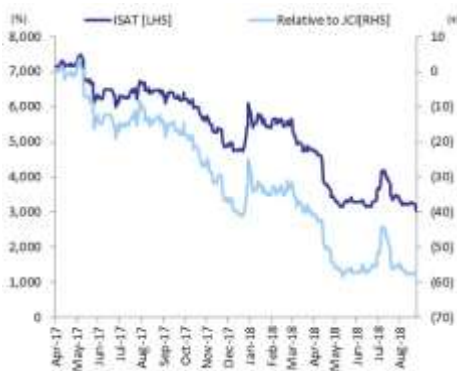
Major shareholders (%)

Ooredoo Asia Pte. Ltd. 65.0
Government 14.3
Estimated free float 20.7

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	(66.2)	13.4	121.1
Consensus	(106.8)	15.2	111.3
Danareksa/Cons	(38.0)	(12.2)	8.8

ISAT relative to JCI Index



Source : Bloomberg



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Indosat Ooredoo (ISAT IJ)

Conservative as challenges may remain

ISAT operating and financial performance was the worst hit among the 3 main operators in 1H18. Its very low valuation may price in all these negatives but due to the persistence of challenges ahead it will be too early to turn positive on the stock. Nonetheless, ISAT has shown good OPEX control, its service packages are very competitive and sticks to its guidance for network rollout with larger investment budget +33% yoy (albeit late and last). Initiate coverage with a HOLD call and a Target Price of Rp3,300.

Operational and financial impact from a shift in the model. ISAT recorded the worst performance in 1H18 and lost significant revenues share vs. its two large competitors. Transition efforts to move towards the reload/top-up model post sim registration clearly impacted heavily on ISAT's topline revenues and the margins were hit too. The shift is a good step for ISAT and the industry trend moving away from starter packages but may time to develop and see rewards.

Margins recovery is a big uncertainty in the short-term and depends on whether ISAT can stop revenue market share loss and continue cost control efforts. ISAT's regular data packages are still very competitive compared to XL and Telkomsel for similar quota offers and the company goes a lot further by giving unlimited Youtube, spotify, iflix, social media and instant messaging to regain market share. In parallel, ISAT instigates increases in data prices in line with current industry sentiment. These tactics should potentially halt the downtrend in operating and financial performance and stabilize market share.

ISAT at last focuses on its network. In 1H18 Indosat lost more than 30mn subscribers during the sim reregistration process while ARPU still remains lower than peers, purely due to inferior network quality. We expect material changes in network rollout and 4G coverage based on an increased capex target (Rp8 tn in FY18 vs. Rp6 tn in FY17) to strengthen its network. ISAT so far underperforms its peers based on Opensignal network KPIs. The network performance should improve as the MHz2100 spectrum becomes fully operational and new capex rollout materializes. This should reverse ISAT's negative operating and financial trends and give us reason to update projections and valuation.

Initiate coverage with a HOLD. ISAT stock price came off by almost 50% in the last year reflecting weak operating and financial performance. We do not think ISAT is on course for immediate recovery yet. We initiate coverage with a HOLD call and Target Price of Rp3,300 implying forward EV/EBITDA of 3.1-3.5x.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	29,185	29,926	25,359	26,854	28,499
EBITDA (IDRbn)	12,864	12,763	9,662	10,872	11,643
EBITDA Growth (%)	12.1	(0.8)	(24.3)	12.5	7.1
Net profit (IDRbn)	1,105	1,136	(360)	73	658
EPS (IDR)	203.4	209.0	(66.2)	13.4	121.1
EPS growth (%)	(184.4)	2.8	(131.7)	(120.2)	805.1
BVPS (IDR)	2,456.8	2,575.8	2,402.6	2,416.0	2,530.4
DPS (IDR)	103.1	106.9	0.0	6.7	60.5
PER (x)	16.0	15.6	n/m	243.6	26.9
PBV (x)	1.3	1.3	1.4	1.3	1.3
Dividend yield (%)	3.2	3.3	0.0	0.2	1.9
EV/EBITDA (x)	2.8	2.8	3.5	3.0	2.7

Source : ISAT, Danareksa Estimates

Friday, 07 September 2018

HOLD
Maintain

Last price (IDR) 800
Target Price (IDR) U/R
Upside/Downside n.a.
Previous Target Price (IDR) 1,000

Stock Statistics

Sector Metal Mining
Bloomberg Ticker ANTM IJ
No of Shrs (mn) 24,031
Mkt. Cap (IDRbn/USDmn) 19,225/1,291
Avg. daily T/O (IDRbn/USDmn) 63.0/4.2

Major shareholders (%)

Government of Indonesia 65.0
Estimated Free Float 35.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	17.8	20.8	23.7
Consensus	30.5	46.9	75.5
Danareksa/Cons	(41.5)	(55.5)	(68.6)

ANTM relative to JCI Index



Source : Bloomberg



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Aneka Tambang (ANTM IJ)

1H18: Turnaround into profit

Aneka Tambang (ANTM) reported net profit of IDR99bn in 2Q18 (-59.8% qoq). Lower quarterly profit was mainly due to loss in associates and joint venture of IDR168bn booked in 2Q18. The cumulative net profit recovered to IDR344bn in 1H18 vs. net loss in 1H17 thanks to strong nickel prices. The results are above our new forecasts, but within consensus expectation. We are reviewing our previous target price of IDR1,000 (based on DCF valuation).

2Q18: Losses in associates and joint venture dragged down profit. ANTM reported lower net profit by 59.8% yoy to IDR99bn in 2Q18. This was mainly attributable to a loss in associates and joint venture, which we believe due to the suspension in production at Indonesia Chemical Alumina (ICA). However, on the operational side, the company managed to increase revenue by 6.2% qoq thanks to a) strong ferronickel production (+193.4% qoq) and nickel price to increase ASP, and b) sturdy revenue from gold division Better gross and operating margin to 14.4% and 9.2% in 2Q18 from 12.7% and 9.2% in 1Q18 also helped to cushion further decline in the net profit.

1H18: Turnaround into profit. The company reported net profit of IDR344bn in 1H18 vs. a net loss of IDR496bn in 1H17. A turnaround in the net profit was mainly attributable to a) higher ferronickel sales volume (+94.1% yoy) as well as higher ASP, b) greater nickel ore sales volume in 1H18 as the company has started the export of low grade nickel ore in 2Q18 and c) greater gold sales volume.

EV and expectation on global nickel market deficit to support nickel price. Despite recent correction on the nickel price due to concern on China's economic and rising global trade tensions, we believe sturdy nickel price going forward as global nickel market deficit is expected to persist in the short term. This will be attributable to a) the declining trend on the LME nickel inventory level by 35.6% year-to-date, b) global nickel demand is expected to remain strong supported by higher stainless steel production and long-term demand from EV and c) on the supply side, the weak nickel price in the past two years prompted several nickel producers to either stop or lower production.

Reviewing our target price. Despite recent correction on the nickel price will impact on the company's ferronickel ASP, we expect the company to book sturdy earnings in 2018. We are reviewing our previous target price of IDR1,000 (based on DCF valuation)

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	9,106	12,654	17,242	17,465	18,362
EBITDA (IDRbn)	676	1,431	2,163	2,320	2,608
EBITDA Growth (%)	1,076.3	111.8	51.2	7.3	12.4
Net profit (IDRbn)	65	137	428	501	570
EPS (IDR)	2.7	5.7	17.8	20.8	23.7
EPS growth (%)	(102.5)	110.6	213.7	17.0	13.9
BVPS (IDR)	766.1	769.4	785.0	798.7	814.1
DPS (IDR)	0.0	0.0	2.3	7.1	8.3
PER (x)	315.2	149.6	47.7	40.8	35.8
PBV (x)	1.1	1.1	1.1	1.1	1.0
Dividend yield (%)	0.0	0.0	0.3	0.8	1.0
EV/EBITDA (x)	33.9	17.2	12.4	12.2	11.3

Source : ANTM, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Bank Indonesia: preparing special account deposit for export proceeds

BI is rendering a policy to attract businessmen to transfer back export proceeds. One of them is to prepare special account deposit for export proceeds. This special account provides special rate to attract businessmen to put the export proceeds in to the account. Such account enables BI to track export proceeds. BI also stated that the accounts might also provide fiscal and banking incentives. If the policy applies, the special account will be targeted to provide facilities to natural resources companies. Previously, BI recorded export proceeds of USD34.75bn out of USD 43.7bn export in the 2Q2018. (Bisnis Indonesia)

SECTOR

Pharmaceutical: JKN's payable to pharmaceutical companies reached IDR3.5tn

By end of July 2018, the National Health Program or JKN's payable of medicine and medical equipment to pharmaceutical companies had reached IDR3.5tn, as stated by the association of pharmaceutical companies (GP Farmasi Indonesia). In 2016, the average payable days from JKN were 90 days. However, the payable days stretched to 120 days this year, which has negatively impact the cash flow of pharmaceutical companies. Among the list provided by GP Farmasi, there are around IDR100-300bn total payables to Kimia Farma and Kalbe Farma. (Kontan)

Revision to Housing & Social Works Minister Regulation No.7/2013 to be signed soon

According to local press, revision Housing & Social Works Ministry Regulation No.7/2013 on balanced housing will be signed soon by the Ministry of Housing & Social Works. Currently, the regulation requires housing construction composition of 1:2:3, meaning for every 1 unit of luxury housing, the developer is required to build 2 units of middle-class housing and 3 units of mid-low housing. With the revision, there will be no changes to the composition, but developer will be allowed to choose between composition 1:3 (every 1 unit of luxury housing, developer must build 3 units of mid-low housing) or 2:3 (every 2 units of middle-class housing, developer must build 3 units of mid-low housing). (Bisnis Indonesia)

Comment: We think that the requirements to build mid-low housing would put pressure on developers' margins. However, we expect that the changes would not have further significant impact on margins. (Yudha)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		06-Sep-18	05-Sep-18					
Semen Baturaja	SMBR	2,640	2,500	5.6	(7.0)	(14.6)	(30.5)	SELL
Charoen Pokphand	CPIN	4,840	4,590	5.4	(0.6)	1.0	61.3	HOLD
Kimia Farma	KAEF	2,250	2,140	5.1	(5.5)	(5.9)	(16.7)	HOLD
HM Sampoerna	HMSP	3,800	3,650	4.1	1.9	(3.8)	(19.7)	HOLD
Bank Mandiri	BMRI	6,550	6,325	3.6	(4.4)	(9.0)	(18.1)	BUY
Aneka Tambang	ANTM	800	775	3.2	(7.5)	(13.5)	28.0	HOLD
Pakuwon Jati	PWON	515	500	3.0	(3.7)	(8.0)	(24.8)	BUY
Indofood CBP	ICBP	8,650	8,400	3.0	(1.7)	(3.9)	(2.8)	BUY
Bank Central Asia	BBCA	24,700	24,000	2.9	(1.5)	3.8	12.8	HOLD
Bank Negara Indonesia	BBNI	7,275	7,075	2.8	(4.6)	(10.2)	(26.5)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		06-Sep-18	05-Sep-18					
Matahari Putra Prima	MPPA	167	177	(5.6)	(17.3)	(27.4)	(63.1)	SELL
Ace Hardware	ACES	1,250	1,295	(3.5)	(9.1)	(9.4)	8.2	BUY
Matahari Department Store	LPPF	6,375	6,525	(2.3)	(15.0)	2.0	(36.3)	BUY
Bekasi Fajar	BEST	180	184	(2.2)	(16.7)	(24.4)	(28.0)	BUY
Indo Tambangraya Megah	ITMG	25,425	25,900	(1.8)	(12.3)	(12.2)	22.8	BUY
Ciputra Development	CTRA	740	750	(1.3)	(13.5)	(27.8)	(37.6)	BUY
Pembangunan Perumahan	PTPP	1,645	1,665	(1.2)	(11.3)	(19.0)	(37.7)	BUY
Wika Beton	WTON	372	376	(1.1)	(8.4)	(11.4)	(25.6)	BUY
Puradelta Lestari	DMAS	120	121	(0.8)	(13.0)	(5.5)	(29.8)	BUY
Summarecon Agung	SMRA	610	615	(0.8)	(11.6)	(20.8)	(35.4)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Strategy: Policy Panacea - Import Control Measure [SnapShot20180906](#)
- Strategy: Less Spice, Banking: On track (Overweight), Danareksa Research Institute: Concerns on Higher Prices Weigh on Consumer Confidence [SnapShot20180904](#)
- Plantation: Time for a Rerating, London Sumatra: The Cleanest One of All, Astra Agro Lestari: Focusing on Costs and Replanting, Sampoerna Agro: Second-Tier Choice, Timah: 2Q18: Boosted by strong sales volume [SnapShot20180903](#)
- Gudang Garam: Higher ASP boost performance [SnapShot20180831](#)
- Danareksa Research Institute: Inflation Outlook – Milder [SnapShot20180829](#)

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