

## Economic Data

	Latest	2019F
7-DRRR (%), eop	5.50	5.25
Inflation (YoY %)	3.49	3.40
US\$ 1 = Rp, period avg	14,072	14,286

## Stock Market Data (17 September 2019)

JCI Index	6,236.7	0.28%
Trading T/O (Rp bn)	7,249.6	
Market Cap (Rp tn)	7,151.3	

## Market Data Summary\*

	2019F	2020F
P/E (x)	17.0	15.8
P/BV (x)	2.4	2.3
EV/EBITDA (x)	13.5	13.0
Div. Yield (%)	2.6	2.7
Net Gearing (%)	19.8	18.4
ROE (%)	14.9	14.8
EPS Growth (%)	8.4	7.2
EBITDA Growth (%)	5.0	4.0
Earnings Yield (%)	5.9	6.3

\* Aggregate of 76 companies in MS research universe, representing 63.0% of JCI's market capitalization

## HIGHLIGHT

- *Poultry: Damsel in Distress*
- *Charoen Pokphand: The Dominator (CPIN; Rp5,250; Neutral; TP: Rp4,950)*
- *Japfa Comfeed: The Efficient One (JPFA; Rp1,555; Buy; TP: Rp1,950)*
- *Malindo Feedmill: The Survivor (MAIN; Rp940; Buy; TP: Rp1,150)*
- *Market Recap September 17<sup>th</sup> 2019; JCI 6,236.69 Points +17.26 pts (+0.28%); Valued \$513mn; Mkt Cap \$493bn; USD/IDR 14,072*

## SECTOR

### Poultry: Damsel in Distress

- We initiate coverage on the Poultry sector with a Neutral rating, preferring JPFA and MAIN over CPIN. While we saw that oversupply condition continues to exist, we expect broiler price to stabilize on the back of government intervention via short-term culling, reference price, and tighter control of grandparent stock (GPS) supply. Recent culling decisions, reduction of 2019 GPS quota, and stiff supervision of trader circulation indicate the Government's solemnity to stabilize this industry.
- **Curbing down the oversupply concern.** 2018 was a super-cycle for poultry industry due to broiler meat supply squeeze from reduction of GPS import quota, AGP ban, and after-effect of series of culling periods. 2019 is different, as YoY comparison will be unsavory in terms of low base raw material price and high base of day-old chicks (DOC) and broiler prices. We've already seen an oversupply condition since Mar-Apr'19 as a result of additional GPS import quota back in 2017 and normalization of AGP ban control. Post-Eid al-Fitr 2019, the oversupply condition has worsened, possibly due to traders' action to gain higher margin after last year's lowest since 2013. Nevertheless, the Government has already initiated five culling decisions in 9M19, more aggressive compared to 2017 with the possibility of more culling if broiler price drops far below the reference price. The Government has also asked industry players to cooperate by giving the middleman name to better anticipate another significant broiler price drop. We believe 2019 oversupply condition will not be similar with 2014-2015 given the clearer regulation and active government intervention. We assumed conservative broiler price decline of 15% YoY and flat DOC ASP growth in 2019.
- **Expansionary cycle ahead.** Post severe oversupply condition in 2015, we saw increasing capex trend of 54% CAGR in 2016-2018. In 1H19, we've already noticed 44% YoY aggregate capex increase in three of our covered companies. Since 2017, we've found a shifting capex allocation from DOC & broiler to feed segment. We believe significant investment in feed would not yield an oversupply result, like back in 2014-15, but rather increase procurement and cost efficiencies. We also perceive this aggressive expansion period as an opportunity for integrators to secure market share while at the same time increase efficiency in the poultry industry.

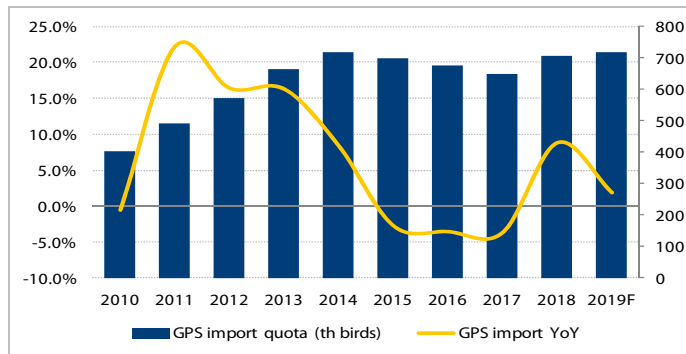
- **Initiate the sector with Neutral rating...** As we still foresee mild oversupply to happen in 2019 and 2020, DOC and broiler ASP YoY growths would not be as exciting as in 2018. We believe supportive supply interventions by the Government should help stabilize DOC and broiler ASPs onward. Valuation-wise, we think the risk-reward is not that attractive, as the 12-month forward PE industry valuation still hovers around 17-18x, above the historical industry downturn level at 11-15x. The expensive industry valuation is mostly driven by CPIN, which is trading at 20x, while JPFA and MAIN are trading at massive discount compared to market leader at 9x and 7x, respectively.
- **...with JPFA and MAIN as the most preferred.** We initiate coverage with Buy ratings on JPFA (PT: Rp1,950; +24%) and MAIN (PT: Rp1,150; +22%), while Neutral on CPIN (PT: Rp4,950; -6%). JPFA and MAIN are our top picks given their cost-innovation and agility to survive in this industry and attractive valuation as a result of widening valuation discount to CPIN.

**SUMMARY OF CULLING REGULATIONS**

Culling	Stage of life	Cull target	ASP incr.
Oct'15	Parent Stock (PS)	6mn	8%
Oct'15	PS	8% of FS	1%
Mar'17	Final Stock (FS)	20% of FS	9%
May'17	FS	40% of FS	-4%
Jun'17	FS Hatching Eggs (HE)	3mn	1%
Sep'17	PS	6% of FS	5%
Oct'17	FS HE	9.5% of FS	16%
Mar'19	FS HE	10% of FS	3%
Jun'19	PS	c.1.5mn	1%
Jun'19	FS HE	6.85mn	1%
Sep'19	FS	20mn	
Sep'19	FS HE	10mn	TBD

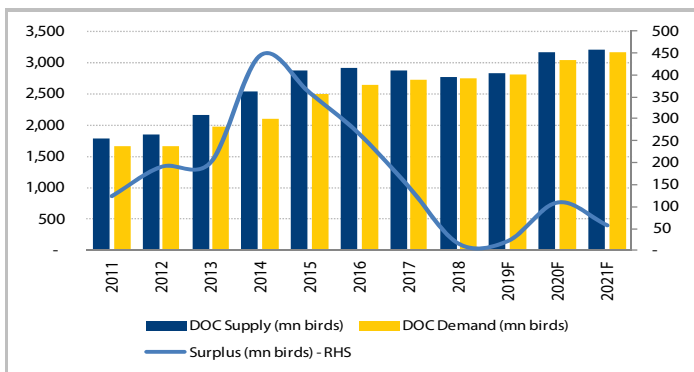
Source: Ministry of Agriculture, Mandiri Sekuritas estimates

**TIGHTER CONTROL OF GPS IMPORT QUOTA**



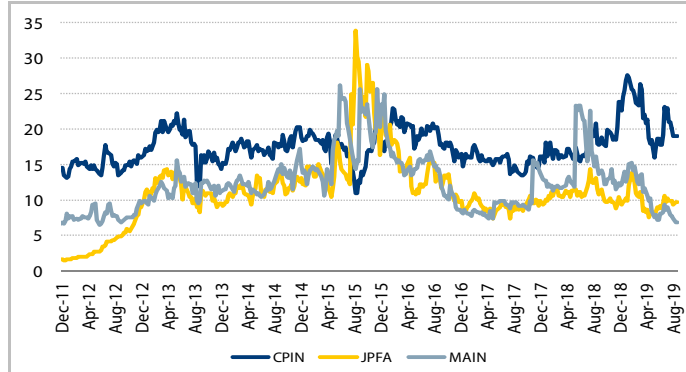
Source: Ministry of Agriculture, Mandiri Sekuritas estimates

**ESTIMATION OF DOC SURPLUS ON WEEKLY BASIS**



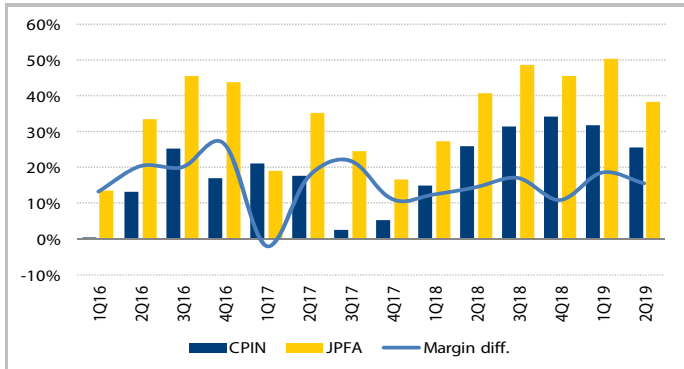
Source: Mandiri Sekuritas estimates

**WIDENING VALUATION DISCOUNT BETWEEN CPIN, JPFA & MAIN**



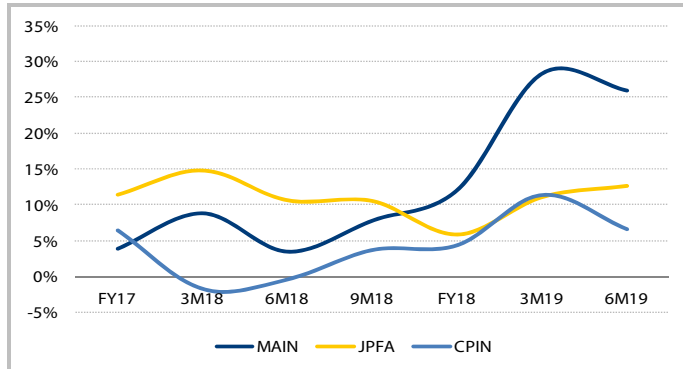
Source: Bloomberg

**JPFA'S PREMIUM DOC OPERATING MARGIN**



Source: Company, Mandiri Sekuritas estimates

**MAIN FEED VOLUME GROWTH - OUTPERFORMED PEERS**



Source: Mandiri Sekuritas estimates

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## CORPORATE

**Charoen Pokphand: The Dominator (CPIN; Rp5,250; Neutral; TP: Rp4,950)**

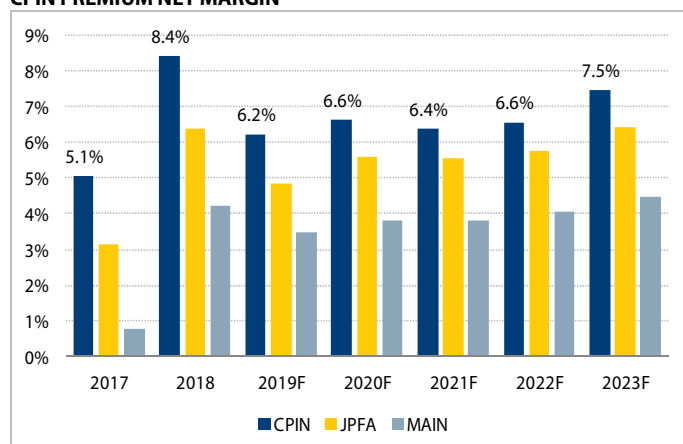
- CPIN is strategically placed to capture industry growth given its position as market leader. We saw CPIN's aggressive strategy to obtain higher market share would benefit the company in the long run. Valuation-wise, the market is still trading CPIN at an up-cycle trend despite weak earnings outlook. Hence, we initiate coverage on CPIN with a Neutral recommendation with TP of Rp4,950.
- **Well-positioned to capture industry growth.** We forecast respectively 10% and 7.3% revenue and net profit CAGR in FY18-23F on the back of higher feed margin, easing oversupply condition, and broiler price stabilization. We think CPIN, as the market leader, is placed at the most strategic position to benefit from industry demand growth and stabilization ahead.
- **Gaining momentum on market expansion.** We estimate that feed grew at 8% YoY, while DOC booked 14% YoY and broiler posted 22% YoY volume growths in 6M19. CPIN's management revealed to us that they have been aggressively trying to obtain market share from their competitors by giving better terms of payment with their new contract farmers. CPIN's DOC and broiler aggregate revenue shares increased from 57%/52% in 12M18 to 60%/53% in 6M19. We remain positive on the growth forward given CPIN's agility to react after last year's volume decline.
- **Commercial farming: better view ahead.** After a series of culling and better supervision from the Government, we believe broiler price will not decline steeper than in 6M19. YoY broiler ASP comparison will remain unsavory given the all-time high broiler ASP in 2018. We believe the depressing price in 6M19 was an opportunity for integrators with strong financial to gain market share. We remain conservative in estimating CPIN's broiler ASP growth at -15% YoY and its volume growth of 16% YoY.
- **Focusing on downstream.** Even with small contribution to revenue, processed food will help CPIN's performance in times of downturn given the stable gross margin of c.31%. We estimate 13% revenue CAGR in FY18-23F with c.15-17% contribution to CPIN's operating profit.
- **Initiating coverage with a Neutral rating.** We understand that as a market leader CPIN deserves a valuation premium. However, the market still values CPIN expensively at the up-cycle trend (19-20x 2019F P/E, 97% and 177% higher than JPFA and MAIN) despite weak sector outlook. Historically, CPIN only trades >18x P/E when poultry entered a super-cycle period. Hence, we initiate CPIN with Neutral rating and PT of Rp4,950 (6% upside), derived from a 3-stage DCF based with WACC of 11.9% and terminal growth of 6.75%. Our target price implies 18.2x and 17.1x 2020F and 2021F P/E.

**FINANCIAL SUMMARY**

YE Dec (Rp Bn)	2017A	2018A	2019F	2020F	2021F
EBITDA	4,504	7,284	6,007	6,805	7,165
Net Profit	2,501	4,554	3,624	4,219	4,490
Fully-diluted EPS	153	278	221	257	274
Fully-diluted EPS growth (%)	11.3	82.1	(20.4)	16.4	6.4
P/E Ratio (x)	34.4	18.9	23.8	20.4	19.2
EV/EBITDA (x)	20.0	12.0	14.7	12.7	11.8
P/B Ratio (x)	5.5	4.4	4.0	3.6	3.2
Dividend Yield (%)	1.1	1.1	1.9	1.5	1.8
ROAE (%)	16.8	26.0	17.8	18.5	17.5

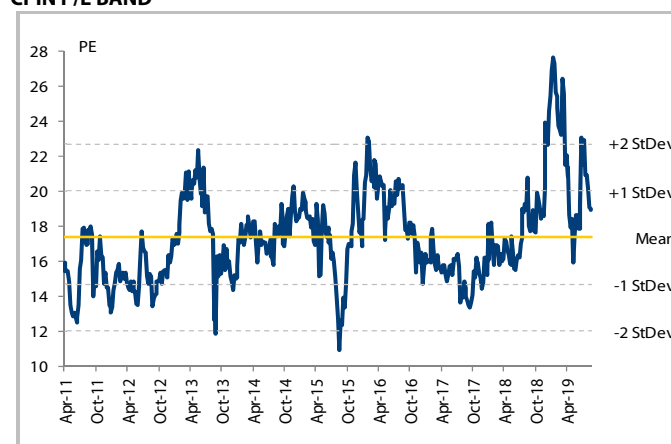
Source: Company (2017-2018), Mandiri Sekuritas (2019-2021)

## CPIN PREMIUM NET MARGIN



Source: Company, Mandiri Sekuritas estimates

## CPIN P/E BAND



Source: Bloomberg

## CPIN KEY REVENUE AND COST ASSUMPTIONS

CPIN Key Assumptions	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
<b>Volume growth</b>								
Feed	0%	3%	4%	7%	6%	6%	7%	8%
DOC	12%	2%	3%	12%	7%	9%	7%	7%
Broiler	n.a.	n.a.	-5%	16%	7%	8%	8%	8%
Processed chicken	16%	8%	7%	8%	9%	9%	9%	9%
<b>ASP growth</b>								
Feed	2%	6%	2%	5%	4%	3%	2%	2%
DOC	13%	3%	23%	1%	-3%	-2%	5%	5%
Broiler	n.a.	n.a.	16%	-15%	3%	5%	5%	6%
Processed chicken	-3%	4%	2%	3%	6%	7%	5%	4%
<b>EBIT margin</b>								
Feed	15%	15%	12%	12%	13%	13%	11%	12%
DOC	14%	12%	28%	25%	19%	14%	16%	17%
Broiler	-1%	-7%	5%	-7%	-4%	-2%	0%	3%
Processed chicken	16%	15%	17%	15%	16%	15%	14%	14%

Source: Mandiri Sekuritas estimates

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## Japfa Comfeed: The Efficient One (JPFA; Rp1,555; Buy; TP: Rp1,950)

- During this industry's downturn, we think JPFA deserves smaller valuation discount to CPIN, as JPFA should benefit from the Government's continuous effort to balance the broiler supply and demand. JPFA is also foremost as a cost-effective player in terms of its margin premium compared to CPIN and MAIN. We also like JPFA due to its long-term efficiency strategy, especially on corn procurement. Hence, we initiate coverage on JPFA with Buy rating and TP of Rp1,950 (+22% upside).
- **The most diverse player with long-term growth ahead.** We forecast revenue and net profit to grow at 8% and 6% CAGR in FY18-23F, correspondingly, due to better industry outlook, the Government's help during oversupply condition, feed cost efficiency, and stability in other businesses' margins (i.e. in cattle and aquaculture). As the 2<sup>nd</sup> biggest player in the industry, we believe JPFA has the ability to grow and survive in a time of industry downturn.

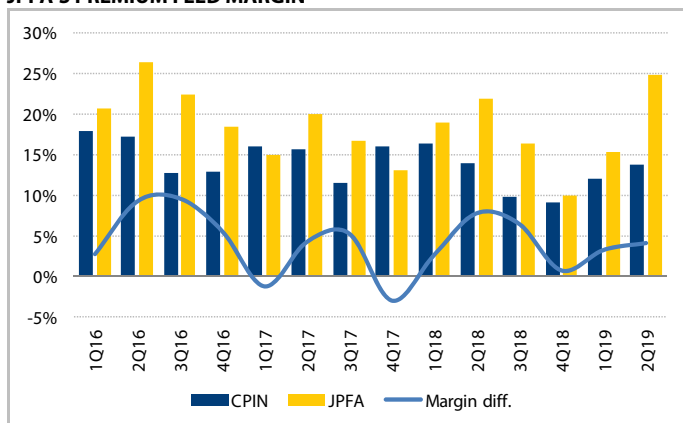
- The cost-conscious one.** As a company, we like JPFA for its cost efficiency strategy. Both JPFA's feed and DOC have higher operating margins compared to CPIN's. During 1Q16-19, JPFA's average operating margin differences for feed and DOC were c.4.1% and c.15.7%, respectively. JPFA's feed managed to achieve higher margin even with c.4% retail pricing discount from CPIN. For DOC, JPFA's Indian River strain is c.5-10% more productive, leading to better cost efficiency. We expect JPFA's feed and DOC margins to stabilize, each at c.17% and 29% levels in 2019-23F.
- Future strategies.** Since the corn import ban in 2016, JPFA has been preparing facilities to anticipate the unavailability of corn supply by building more corn silos and dryers across Indonesia. So far till 2019, JPFA has been one of the most active in adding feed supporting facilities. In Jun'19, it has just acquired Celebes Agro Semesta, a corn dryer company; while there will also be 3 new corn dryers and 10 corn silos to be built this year. We expect the trend will translate to higher inventory days of 82 days in 2021F from 75 days in 2018.
- Attractive valuation; initiating coverage with a Buy rating.** JPFA's P/E valuation has widened to a 49% discount from the usual 20-35% industry downturn gap. We expect JPFA's earnings to reach Rp1.7trn (-21 YoY) in 2019F and Rp2trn in 2020F. Our PT of Rp1,950 (22% upside) is derived from a 3-stage DCF based with WACC of 8.5% and terminal growth of 4.5%. JPFA's multiple valuation has de-rated by -13% compared to its average 9Y P/E, given the negative sentiment from broiler price and KKR divestment.

#### FINANCIAL SUMMARY

YE Dec (Rp Bn)	2017A	2018A	2019F	2020F	2021F
EBITDA	2,854	4,486	3,778	4,148	4,576
Net Profit	933	2,168	1,717	2,042	2,127
Fully-diluted EPS	82	185	146	174	181
Fully-diluted EPS growth (%)	(54.8)	126.1	(20.8)	19.0	4.1
P/E Ratio (x)	19.0	8.4	10.6	8.9	8.6
EV/EBITDA (x)	8.0	5.5	6.7	6.1	5.4
P/B Ratio (x)	2.2	1.9	1.7	1.5	1.3
Dividend Yield (%)	3.2	6.3	3.3	2.6	3.1
ROAE (%)	11.7	24.5	16.8	17.6	16.1

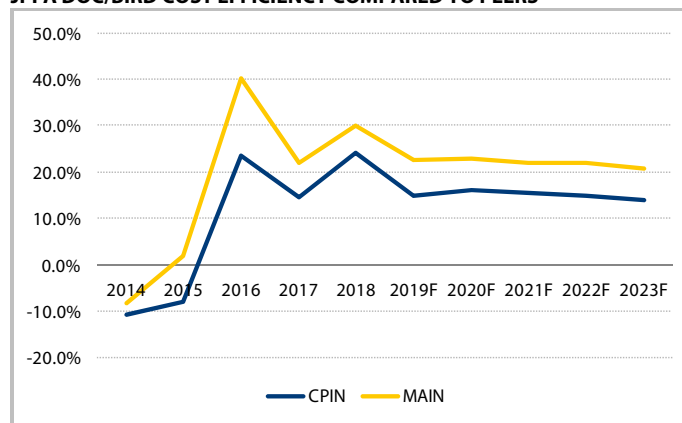
Source: Company (2017-2018), Mandiri Sekuritas (2019-2021)

#### JPFA'S PREMIUM FEED MARGIN



Source: Company, Mandiri Sekuritas estimates

#### JPFA DOC/BIRD COST EFFICIENCY COMPARED TO PEERS



Source: Company, Mandiri Sekuritas estimates

## JPFA P/E BAND



Source: Company, Mandiri Sekuritas estimates

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### Malindo Feedmill: The Survivor (MAIN; Rp940; Buy; TP: Rp1,150)

- We initiate coverage on MAIN, Indonesia's third largest poultry integrator with a Buy rating and TP of Rp1,150 (+23% upside). Given its lowest revenue contribution to broiler and outstanding feed volume growths, we expect MAIN to book better earnings growth compared to CPIN and JPFA in 2019F. Valuation-wise, MAIN was also traded at an attractive entry point given the substantial valuation gap to CPIN.
- **2019: still growing.** We expect MAIN to perform better in terms revenues compared to other players. We forecast its revenue to grow at 16% while net profit slightly decline by -2% in 2019F, correspondingly, on the back of lower exposure to broiler segment, growing feed business, and positive gross margin in processed food.
- **Thriving despite tough times.** We estimate c.26%, c.10%, c.18% volume growths for each feed, DOC, and broiler in 6M19 despite last year's high base. Its management also shared with us that MAIN's feed mill production in 8M19 still grew similarly with 6M19's run-rate on the back of high demand. We think MAIN's versatility and agility as a small player in growing and surviving in the past 20 years against two big players will help in the future.
- **Growth ahead: focusing on Sumatra.** We see feed will remain as MAIN's bread and butter. MAIN will continue to grow its feed segment by completing its feed mill factory construction next year. The new factory will focus on serving Sumatra areas, while the current factory in Java has already reached 70% utilization. The Sumatra factory will be completed in 2020 with 20k MT tons/year capacity. We estimate MAIN's feed segment to grow by 24% in 2019F on the back of 18% volume growth.
- **Positive processed food earnings.** We expect MAIN to book positive gross margin in 2019F and EBIT breakeven in 2020F given the lower operating expenses and better economies of scale. We still expect the processed food will continue to contribute c.2% to revenues in 2019-23F.
- **Undemanding valuation; initiating coverage with Buy rating.** We think the market has excessively discounted MAIN's current valuation, thus resulting in a 64% gap to CPIN. Note that during the 2014-2015 industry downturn, MAIN was traded at only 15-35% discount to CPIN. Our price target of Rp1,150 (23% upside) is derived from a 3-stage DCF based with WACC of 7.6% and terminal growth of 4%. Our TP implies target of 8.6x and 7.9x for each 2020F and 2021F P/E. MAIN's multiple valuation has de-rated by -31% compared to its average 9Y P/E given the negative sentiment from broiler prices and oversupply condition.

**FINANCIAL SUMMARY**

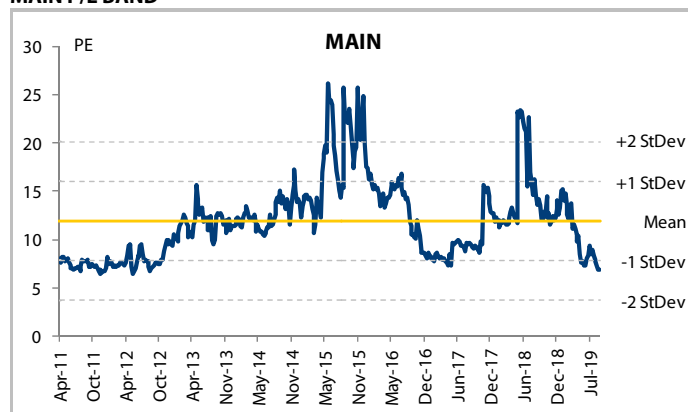
YE Dec (Rp Bn)	2017A	2018A	2019F	2020F	2021F
EBITDA	361	645	722	763	806
Net Profit	43	285	280	300	327
Fully-diluted EPS	19	127	125	134	146
Fully-diluted EPS growth (%)	(79.7)	563.0	(1.8)	7.1	9.3
P/E Ratio (x)	48.7	7.3	7.5	7.0	6.4
EV/EBITDA (x)	10.4	5.7	5.2	4.6	4.1
P/B Ratio (x)	1.3	1.1	0.9	0.8	0.8
Dividend Yield (%)	4.1	1.7	1.7	1.8	2.0
ROAE (%)	2.6	15.7	13.2	12.7	12.4

Source: Company (2017-2018), Mandiri Sekuritas (2019-2021)

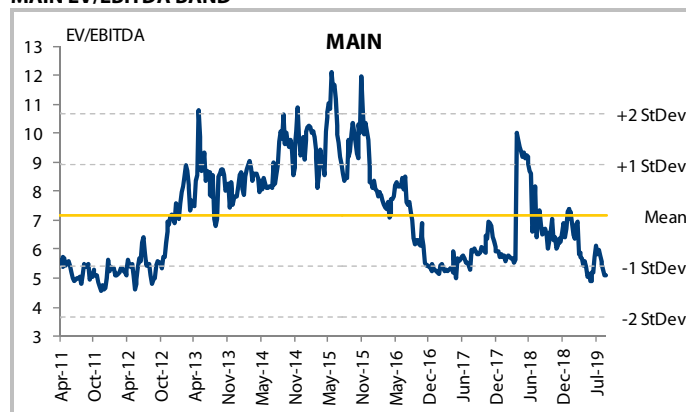
**MAIN KEY REVENUE AND COST ASSUMPTIONS**

MAIN Key Assumptions	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
<b>Volume growth</b>								
Feed	-3%	4%	12%	18%	5%	8%	7%	6%
DOC	15%	9%	-9%	7%	2%	8%	6%	6%
Broiler	19%	-1%	70%	16%	3%	8%	8%	7%
Processed chicken	32%	27%	-8%	5%	2%	5%	3%	3%
<b>ASP growth</b>								
Feed	6%	2%	-1%	5%	3%	3%	3%	2%
DOC	11%	-13%	39%	0%	-3%	-4%	5%	5%
Broiler	-4%	5%	11%	-15%	5%	6%	4%	1%
Processed chicken	-3%	22%	16%	6%	5%	9%	6%	6%
<b>EBIT margin</b>								
Feed	14%	8%	6%	7%	7%	7%	7%	7%
DOC	5%	-8%	22%	17%	12%	5%	7%	9%
Broiler	0%	3%	2%	-8%	-4%	2%	2%	0%
Processed chicken	-61%	-49%	-37%	-28%	1%	2%	1%	5%

Source: Mandiri Sekuritas estimates

**MAIN P/E BAND**

Source: Bloomberg

**MAIN EV/EBITDA BAND**

Source: Bloomberg

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**MARKET**

**Market Recap September 17<sup>th</sup> 2019; JCI 6,236.69 Points +17.26 pts (+0.28%); Valued \$513mn; Mkt Cap \$493bn; USD/IDR 14,072**

■ TOP TURNOVER: BBKA BBRI GGRM PGAS TLKM HMSP BMRI ASII UNVR ERAA BBNI UNTR MDKA BTPS ADRO (40%).

- ADVANCING SECTOR: plantation+3%; telco+2.1%; construction+1.5%; consumer+0.5%; financial & property+0.3%.
- DECLINING SECTOR: auto-2.9%; mining & cement-0.1%.
- Since the beginning of the day, the movement of the JCI was solely dependent on the movement of heavyweight cigarette makers HMSP and GGRM. Yesterday, investors dumped shares of Indo tobacco firms after the govt said last week it would raise tobacco tariff by 23% and retail prices by 35% next year. Tobacco giants HMSP and GGRM saw a combined loss of \$6.3BN in market capitalization as their shares plunged more than 18%. And today we saw easing selling pressure, with HMSP recovering better than GGRM as HMSP is in better position to weather both partial and full pass-through on its EPS. According to our consumer analysts, a full pass-through would reduce 2020 EPS by 9-11% for GGRM and 7% for HMSP, while a partial pass-through would cut their EPSs by 29-35% and 22%, respectively: GGRM+0.05% at 54625 level (in one time avg five-week vol) and HMSP+1.8% at 2330 level (in one time avg five-week vol). Later on, CPO plays helped support the JCI staying around positive zone. CPO plays regained momentum after palm oil climbed the most since May, with Monday's record gain in crude oil as well as soyoil's climb prompting investors to buy futures of the tropical oils. Firmer petroleum prices make palm more attractive for blending into biofuel. Palm for Dec delivery rose as much as 3.2% to 2292 ringgit/ton before trading at 2279 ringgit by midday break. Soybean oil's premium over palm ~\$129/ton vs. avg of ~\$120 in past year while palm's discount to gasoil ~\$102/ton vs. avg of ~\$93 past year: LSIP+6.6% AALI+6.1% BWPT+6% TBLA+3.8% SIMP+3.5% SMAR+3.4% BISI+0.7%. In the end, the JCI rose 0.3% at 6237 level. Market turnover (excluding \$10.7MN MDKA; \$5MN TGRA; \$4MN MYRX; \$3.7MN POOL; \$3.3MN FIRE crossing) stayed strong at \$513MN. Foreign participants at 32% came up better seller for 27%. Gainers beat losers by 11 to 10.
- This quarter, the JCI fell 2%, heading for the biggest decline since 2Q18. This year, it rose 0.6%, heading for the best year since 2017. It advanced 6.9% in the past 52 weeks. The MSCI AC Asia Pacific Index lost 1.1% in the same period. It is now 6.2% below its 52-week high on April 18, 2019 and 10.7% above its low on Oct 25, 2018. It is down 1.7% in the past five days and fell 0.9% in the past 30 days. It is trading at a PER of 19.7x on a trailing basis and 15.1x estimated earnings of its members for the coming year. Its dividend yield is 2.5 percent on a trailing 12-month basis. Its members have a total market capitalization of IDR7.16 quadrillion. The 30-day price volatility rose to 10.83% compared with 9.61% in the previous session and the average of 12.77% over the past month. The IDR weakened against the USD from 14040 to 14072. The benchmark 10-year bond fell and the yield rose 0.8bps to 7.281%. Investors otherwise broadly remained on the sidelines ahead of an expected interest rate cut from the US Fed on Wed and the next round of US-China trade talks on Thursday. Some traders said it would be difficult to take big positions in the currency pair before the outcome of two important central bank meetings this week. The Fed is expected to cut interest rates at a policy meeting ending on Wed, which could put pressure on the BoJ to ease policy at a meeting the following day.

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## FROM THE PRESS

### Omnibus Law To Revise Law Regarding Regional Governments

In the planned omnibus law, the government would re-arrange the authority of president, minister until regional governments. The law No 23/2014 about regional government should be reviewed and revised, especially for 10-12 articles. The government also plans to revise the law No.30 /2014 about government administration. Furthermore, omnibus law also includes other dimensions which affect investment environment, such as: 1) investment perception (negative investment list, solving dispute, etc.); 2) fixing starting a business process; 3) improving other supporting factors regarding investment.

### Ministry of Communication and Informatics will call telco operators to discuss 'Simjacker'

Ministry of Communication and Informatics (Kominfo) will call all telco operators in Indonesia and BRTI to discuss about SIM card hijack phenomenon, or simply 'Simjacker'. The Ministry also will invite expertise in order to resolve the issue. (Warta Ekonomi)



### Banks to push loan growth nearing year end

Director of BRI (BBRI), Haru Koesmahargyo expects loan growth to reach +12%yoy in 2019. He claimed to have adjusted lending rates by 50bps following the benchmark rate cut. Meanwhile, CFO of BTN (BBTN), Nixon Napitupulu targets loan growth of 10-12%yoy for this year. (Kontan)

### Bank Bukopin (BBKP) to conduct rights issue

BBKP plans to conduct rights issue for 4.6bn shares, equivalent to 40% ownership in the bank, and target funds of Rp1.5-2tn. The bank targets CAR to be at 15-16% after the right issue. The bank will seek for approval on EGM on Oct 24. (Bisnis Indonesia)

### Hutchison Tri Indonesia continue to build BTS

Hutchison Tri Indonesia will continue to build BTS in the second half. Danny Buldansyah, Deputy CEO of Hutchison Tri Indonesia, stated that the company has built 5,000 BTS during the first half, or as much as 62.5% of initial target. The company will use the new BTS both for coverage expansion and increase network capacity. (Bisnis)

### Telco operators show interest on Palapa Ring Timur

Up to 18 telco operators in Indonesia show their interest on Palapa Ring Timur, especially after the government announced its tariff (see table below). The new tariff will be applied in October. To note, Palapa Ring will offer capacity up to 10 Gbps. (Bisnis Indonesia)

Fiber Optic Technology	Tariff (Rp mn/mo)
Project 9: Waingapu, Sabu, Baa, & Kupang	26-208
Project 10: Alor, Wetar, Tiakur, Saumlaki, Tual, Dobo, & Timika	49-392
Project 11: Ransiki, Raise, Nabire, Botawa, Serui, Biak, Sorendiweri, Numfor	69-552
Project 12: Terminabun, Tangguh, Fef, Sorong, Aifat	22-176
Project 13: Tangguh, Bintuni, Ransiki, Anggi	18-144
Project 15: Nabire, Kigamani, Enarotali, Tigi, Timika	20-160
Project 16: Jayapura-Waris	10-80
Project 17: Timika, Argats, Kepil, Tanah Merah, Waropko, Merauke	38-304

Microwave Technology	Tariff (Rp mn/mo)
Project 14: Burmeso, Sarmi	55.3-138.2
Project 15: Enarotali, Sugapa, Kota Mulia, Ilaga, Karubaga, Tiom, Kobakma	71.1-177.7
Project 16: Jayapura, Elelim, Wamena, Kenyam, Sumohai, Dekai, Oksibi, Waropko	71.2-178
Project 17: Kepi, Tanah Merah	27.6-69

### Time deposit rate gradually declines

LPS reported rupiah time deposit rate declining by 13bps to an average of 5.95% in Aug-19. Both minimum and maximum rupiah time deposit rates declined by 8bps and 18bps each to 4.92% and 6.98%. Meanwhile, director of BTN (BBTN), Mahelan Prabantarikso states that the bank cut time deposit rate by 25bps in Jul-19. The industry loan growth was at +9.58%yoy in Jul-19, while deposits increased +8.01%yoy, and LDR at 93.81%. (Investor Daily)

Indices and Fund Flows				Currencies and Bonds				Major Commodities			
Indices	Last	Chg (%)	YTD Chg (%)	Currency	Last	Chg (%)	YTD Chg (%)		Last	Chg (%)	YTD Chg (%)
JCI	6,236.7	+0.3	+0.7	Rp/US\$	14,062	-0.33	+2.5	Oil spot (US\$/bl)	59.34	-5.7	+30.7
Dow Jones	27,110.8	+0.1	+16.2	US\$/EUR	1.107	+0.65	+3.6	Nickel spot (US\$/mt)	17,118	-2.0	+61.4
Nikkei	22,001.3	+0.1	+9.9	YEN/US\$	108.13	+0.01	+1.4	Gold spot (US\$/oz)	1,501	+0.2	+17.1
Hang Seng	26,790.2	-1.2	+3.7	SGD/US\$	1.374	-0.11	-0.8	Tin 3-month (US\$/mt)	16,850	-1.8	-13.5
STI	3,183.0	-0.7	+3.7					CPO futures (Ringgit/ton)	2,285	+2.9	+7.7
Ishares indo	25.4	+1.1	+2.3					Coal (US\$/ton)	65.6	-0.8	-35.7
								Rubber forward (US\$/kg)	151.1	-1.0	+1.8
Foreign Fund Flows (US\$mn)	Last Chg	YTD Chg		Gov. Bond Yield	Last	Chg (bps)	YTD Chg (bps)		Last	Chg (%)	YTD Chg (%)
Equity Flow	-41.6	+3,920		5Yr	6.67	-2	-124	Soybean oil (US\$/100gallons)	29.85	-1.0	+8.3
Bonds Flow	-120.8	+8,756		10Yr	7.27	+0	-75	Baltic Dry Index	2,311.0	+0.0	+81.8

## Equity Valuation

Code	Rating	Price	Price	% of	Mkt Cap	Net Profit		PER (x)		P/BV (x)		EV/EBITDA (x)		EPS Growth		Div.Yield	
		(Rp)	Target			PT	(Rp Bn)	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
<b>MANSEK universe</b>		<b>6,237</b>	<b>6,650</b>	<b>6.6</b>	<b>4,506,612</b>	<b>264,339</b>	<b>284,287</b>	<b>17.0</b>	<b>15.8</b>	<b>2.4</b>	<b>2.3</b>	<b>13.5</b>	<b>13.0</b>	<b>8.4%</b>	<b>7.2%</b>	<b>2.6%</b>	<b>2.7%</b>
<b>Financials</b>					<b>1,626,016</b>	<b>104,492</b>	<b>116,425</b>	<b>15.5</b>	<b>14.0</b>	<b>2.3</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>13.2%</b>	<b>11.4%</b>	<b>2.2%</b>	<b>2.5%</b>
BBCA	Neutral	30,150	26,500	(12.1)	743,348	29,483	32,062	25.2	23.2	4.3	3.8	N.A.	N.A.	14.0%	8.7%	1.1%	1.2%
BBNI	Neutral	7,750	9,000	16.1	144,527	16,642	18,879	8.7	7.7	1.2	1.2	N.A.	N.A.	10.8%	13.4%	4.2%	5.2%
BBRI	Buy	4,250	5,000	17.6	524,019	36,551	41,656	14.3	12.6	2.6	2.4	N.A.	N.A.	13.0%	14.0%	3.1%	3.5%
BBTN	Buy	2,210	2,900	31.2	23,404	2,614	3,901	9.0	6.0	0.9	0.9	N.A.	N.A.	-6.9%	49.2%	2.4%	2.4%
BDMN	Neutral	4,670	4,900	4.9	45,642	5,849	4,698	7.7	9.5	1.0	1.0	N.A.	N.A.	49.1%	-19.7%	3.0%	4.5%
BJBR	Neutral	1,600	1,770	10.6	16,090	1,444	1,838	11.1	8.8	1.3	1.3	N.A.	N.A.	-8.8%	27.4%	5.5%	4.9%
BJTM	Neutral	645	630	(2.3)	9,622	1,145	1,221	8.4	7.9	1.1	1.0	N.A.	N.A.	-9.2%	6.7%	7.2%	6.5%
BNGA	Neutral	1,015	1,350	33.0	25,509	3,946	4,261	6.5	6.0	0.6	0.6	N.A.	N.A.	13.3%	8.0%	2.7%	3.1%
BNLI	Neutral	1,040	465	(55.3)	29,164	1,081	1,409	27.0	20.7	1.3	1.2	N.A.	N.A.	69.0%	30.3%	0.0%	0.0%
PNBN	Buy	1,340	1,550	15.7	32,277	2,990	3,318	10.8	9.7	0.8	0.8	N.A.	N.A.	-3.0%	11.0%	0.0%	0.0%
BTPS	Buy	3,110	3,150	1.3	23,959	1,307	1,648	18.3	14.5	4.5	3.6	N.A.	N.A.	35.4%	26.1%	0.0%	1.1%
BFIN	Buy	565	900	59.3	8,455	1,441	1,532	5.9	5.5	1.2	1.0	N.A.	N.A.	-1.9%	6.4%	5.2%	5.1%
<b>Construction &amp; materials</b>					<b>262,894</b>	<b>14,482</b>	<b>17,313</b>	<b>18.2</b>	<b>15.2</b>	<b>1.8</b>	<b>1.7</b>	<b>10.9</b>	<b>10.3</b>	<b>-6.7%</b>	<b>19.5%</b>	<b>1.5%</b>	<b>1.7%</b>
INTP	Buy	20,850	23,500	12.7	76,754	1,868	2,478	41.1	31.0	3.1	2.9	21.7	17.3	65.5%	32.7%	0.5%	0.9%
SMGR	Buy	12,725	16,100	26.5	75,479	2,253	3,708	33.5	20.4	2.3	2.2	12.4	10.2	-26.8%	64.6%	1.1%	1.6%
ADHI	Buy	1,350	2,035	50.7	4,807	721	672	6.7	7.2	0.7	0.7	5.4	5.5	11.9%	-6.8%	2.7%	3.0%
PTPP	Buy	1,810	3,085	70.4	11,222	1,731	2,088	6.5	5.4	0.8	0.7	4.6	4.2	15.3%	20.6%	4.0%	4.6%
WIKA	Buy	2,020	2,885	42.8	18,100	2,101	2,002	8.6	9.0	1.1	1.0	5.7	5.3	21.4%	-4.7%	2.3%	2.2%
WSKT	Buy	1,725	2,280	32.2	23,082	2,699	2,997	8.6	7.7	1.1	1.0	11.6	11.9	-31.9%	11.1%	2.3%	2.6%
WTON	Buy	480	700	45.8	4,183	525	608	8.0	6.9	1.2	1.1	4.4	3.8	8.0%	15.7%	3.5%	3.8%
WSBP	Buy	334	420	25.7	8,805	1,002	1,077	8.8	8.2	1.1	1.0	6.8	5.9	-9.2%	7.4%	6.3%	5.7%
JSMR	Buy	5,575	5,600	0.4	40,463	1,583	1,683	25.6	24.0	2.3	2.1	13.8	15.2	-15.9%	6.3%	0.9%	0.8%
<b>Consumer staples</b>					<b>1,091,714</b>	<b>46,338</b>	<b>49,695</b>	<b>23.6</b>	<b>22.0</b>	<b>6.0</b>	<b>5.5</b>	<b>15.2</b>	<b>14.2</b>	<b>5.3%</b>	<b>7.2%</b>	<b>3.0%</b>	<b>3.0%</b>
ICBP	Buy	11,950	12,350	3.3	139,360	5,042	5,414	27.6	25.7	5.8	5.2	16.3	15.8	10.2%	7.4%	1.8%	1.9%
INDF	Buy	7,775	9,750	25.4	68,264	4,610	4,929	14.8	13.8	1.9	1.8	8.6	8.2	10.7%	6.9%	3.9%	4.3%
MYOR	Neutral	2,400	2,850	18.8	53,662	1,864	2,152	28.8	24.9	5.6	4.9	15.1	13.3	8.6%	15.5%	1.2%	1.3%
UNVR	Neutral	46,950	48,200	2.7	358,229	7,361	7,969	48.7	45.0	61.5	55.6	33.6	30.9	-19.2%	8.3%	2.5%	2.1%
GGRM	Buy	54,625	99,000	81.2	105,103	9,462	10,433	11.1	10.1	2.0	1.8	7.6	6.8	21.4%	10.3%	2.7%	2.7%
HMSP	Buy	2,330	3,500	50.2	271,021	14,702	15,230	18.4	17.8	7.4	7.2	13.8	13.3	8.6%	3.6%	4.9%	5.3%
KLBF	Buy	1,680	1,950	16.1	78,750	2,557	2,742	30.8	28.7	4.9	4.5	19.6	18.2	4.1%	7.2%	1.6%	1.7%
SIDO	Buy	1,155	1,050	(9.1)	17,325	739	827	23.4	20.9	5.3	4.7	17.0	15.1	11.4%	11.9%	3.4%	3.8%
<b>Healthcare</b>					<b>56,119</b>	<b>971</b>	<b>1,126</b>	<b>57.8</b>	<b>49.8</b>	<b>4.5</b>	<b>4.0</b>	<b>20.2</b>	<b>17.2</b>	<b>28.7%</b>	<b>16.0%</b>	<b>0.0%</b>	<b>0.0%</b>
MIKA	Buy	2,380	2,950	23.9	34,631	727	805	47.6	43.0	8.4	6.5	29.8	26.5	18.5%	10.7%	0.0%	0.0%
SILO	Buy	6,875	7,150	4.0	11,172	21	44	521.2	251.8	1.8	1.8	11.6	9.5	33.1%	107.0%	0.0%	0.0%
HEAL	Buy	3,470	5,000	44.1	10,316	222	277	46.5	37.2	5.2	4.5	16.0	13.2	78.5%	24.8%	0.0%	0.0%
<b>Consumer discretionary</b>					<b>366,965</b>	<b>29,914</b>	<b>30,341</b>	<b>12.3</b>	<b>12.1</b>	<b>2.0</b>	<b>1.8</b>	<b>8.7</b>	<b>8.7</b>	<b>5.4%</b>	<b>1.4%</b>	<b>3.5%</b>	<b>3.7%</b>
ACES	Buy	1,725	1,700	(1.4)	29,584	1,113	1,232	26.6	24.0	6.0	5.2	20.4	18.3	14.8%	10.6%	1.3%	1.5%
LPPF	Buy	3,010	7,500	149.2	8,783	2,092	2,278	4.2	3.9	2.5	2.0	1.8	1.4	48.9%	8.9%	11.2%	16.7%
MAPI	Buy	985	1,100	11.7	16,351	815	815	20.1	20.1	3.2	2.9	8.2	8.0	13.4%	0.0%	0.7%	0.7%
MPPA	Sell	176	250	42.0	947	-335	-462	-2.8	-2.0	0.5	0.7	15.5	39.6	-20.3%	-37.9%	-8.8%	10.6%
RALS	Buy	1,250	1,700	36.0	8,870	558	626	15.9	14.2	2.2	2.1	10.2	9.1	9.2%	12.2%	3.5%	3.8%
ASII	Buy	6,475	8,200	26.6	262,131	21,698	21,514	12.1	12.2	1.8	1.6	9.1	9.5	0.1%	-0.9%	3.7%	3.7%
SCMA	Buy	1,285	1,600	24.5	18,934	1,443	1,561	13.1	12.1	3.7	3.4	9.0	8.1	-3.6%	8.2%	5.3%	5.8%
MNCN	Buy	1,275	1,800	41.2	15,815	2,040	2,214	7.8	7.1	1.4	1.2	5.5	4.9	34.2%	8.5%	1.9%	2.1%
MSIN	Buy	466	650	39.5	2,424	291	325	8.3	7.5	1.7	1.5	5.7	4.7	38.2%	11.4%	6.0%	6.7%
PZZA	Buy	1,035	1,400	35.3	3,128	199	239	15.7	13.1	2.4	2.1	7.5	6.6	24.2%	20.0%	0.0%	0.0%
<b>Commodities</b>					<b>325,012</b>	<b>31,020</b>	<b>29,990</b>	<b>10.4</b>	<b>10.9</b>	<b>1.2</b>	<b>1.1</b>	<b>4.7</b>	<b>4.6</b>	<b>-7.6%</b>	<b>-4.0%</b>	<b>3.6%</b>	<b>3.4%</b>
AALI	Buy	11,350	14,200	25.1	21,845	1,817	1,968	12.0	11.1	1.1	1.0	4.7	3.9	16.6%	8.3%	2.9%	3.3%
LSIP	Buy	1,290	1,450	12.4	8,802	650	665	13.5	13.2	1.0	1.0	5.1	4.7	11.4%	2.3%	2.7%	3.0%
SSMS	Neutral	900	1,300	44.4	8,573	1,158	1,263	7.4	6.8	1.5	1.3	4.7	4.1	27.0%	9.1%	3.2%	4.1%
BWPT	Neutral	141	195	38.3	4,445	-67	-189	-65.9	-23.5	0.8	0.8	7.5	6.6	70.0%	-180.3%	0.0%	0.0%
UNTR	Buy	22,850	31,200	36.5	85,234	10,892	10,254	7.8	8.3	1.4	1.2	4.0	4.1	-2.1%	-5.9%	3.8%	3.6%
ADRO*	Neutral	1,435	1,300	(9.4)	45,900	380	313	8.5	10.5	0.8	0.8	3.7	3.8	-9.1%	-17.6%	4.7%	3.5%

Code	Rating	Price	Price	% of	Mkt Cap (Rp Bn)	Net Profit		PER (x)		P/BV (x)		EV/EBITDA (x)		EPS Growth		Div.Yield	
		(Rp)	Target	PT		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
HRUM*	Neutral	1,425	1,500	5.3	3,657	22	17	11.5	15.6	0.8	0.8	1.1	1.1	-29.7%	-25.1%	4.8%	3.5%
INDY*	Neutral	1,470	1,500	2.0	7,659	46	50	11.7	10.8	0.5	0.5	2.4	2.0	-42.8%	10.3%	2.1%	2.3%
ITMG*	Neutral	13,300	17,500	31.6	14,584	150	127	6.8	8.2	1.1	1.2	2.5	2.9	-42.2%	-15.2%	12.4%	10.4%
PTBA	Neutral	2,570	3,000	16.7	29,613	3,957	3,476	7.1	8.5	1.7	1.6	5.2	5.2	-23.9%	-16.4%	6.7%	5.9%
ANTM	Buy	1,050	1,100	4.8	25,232	924	1,006	27.3	25.1	1.2	1.2	12.2	11.3	5.7%	8.9%	1.3%	1.4%
INCO*	Buy	3,590	4,000	11.4	35,671	54	111	46.5	22.9	1.3	1.3	10.1	7.4	-11.0%	106.7%	0.6%	1.3%
TINS	Buy	1,125	2,200	95.6	8,379	1,262	1,492	6.6	5.6	1.1	1.0	4.0	3.5	137.4%	18.3%	5.3%	6.2%
MDKA*	Buy	5,950	8,000	34.4	25,419	80	99	22.2	18.7	3.6	3.1	10.8	9.5	49.5%	20.3%	0.0%	0.0%
<b>Property &amp; Industrial Estate</b>					<b>147,799</b>	<b>10,292</b>	<b>10,878</b>	<b>13.5</b>	<b>13.6</b>	<b>1.2</b>	<b>1.1</b>	<b>10.8</b>	<b>11.0</b>	<b>20.7%</b>	<b>-0.4%</b>	<b>1.1%</b>	<b>1.1%</b>
ASRI	Sell	310	280	(9.7)	6,091	997	1,578	6.1	3.9	0.6	0.5	7.1	5.5	5.8%	58.3%	0.6%	0.6%
BSDE	Neutral	1,385	1,450	4.7	26,657	1,972	2,043	13.5	13.0	0.9	0.9	11.7	12.1	10.0%	3.6%	0.0%	0.0%
CTRA	Buy	1,105	1,450	31.2	20,509	981	1,039	20.9	19.7	1.4	1.3	13.0	12.6	-14.0%	5.9%	0.9%	0.8%
JRPT	Buy	640	980	53.1	8,800	1,005	919	8.8	9.6	1.2	1.1	7.6	8.2	5.7%	-8.6%	3.2%	2.2%
PWON	Neutral	680	680	0.0	32,749	2,399	2,426	13.7	13.5	2.3	2.0	10.0	10.1	4.8%	1.2%	0.9%	0.9%
SMRA	Buy	1,220	1,200	(1.6)	17,601	313	486	56.2	36.2	2.5	2.4	15.6	13.4	-1.8%	55.3%	0.4%	0.4%
LPKR	Buy	258	360	39.5	18,213	1,498	993	8.6	18.3	0.6	0.6	9.9	14.1	24.6%	-53.4%	0.3%	0.4%
DMAS	Buy	298	390	30.9	14,363	675	855	21.3	16.8	2.0	2.0	19.8	16.0	36.1%	26.6%	4.2%	5.4%
BEST	Buy	292	400	37.0	2,817	452	540	6.2	5.2	0.6	0.6	6.2	5.9	7.0%	19.4%	3.2%	3.8%
<b>Telco</b>					<b>548,259</b>	<b>21,434</b>	<b>22,888</b>	<b>25.6</b>	<b>24.0</b>	<b>3.7</b>	<b>3.5</b>	<b>7.5</b>	<b>7.1</b>	<b>33.9%</b>	<b>6.8%</b>	<b>3.0%</b>	<b>3.2%</b>
EXCL	Buy	3,440	3,600	4.7	36,767	188	497	195.3	73.9	2.0	1.9	6.4	5.9	N/M	164.1%	0.0%	0.0%
TLKM	Neutral	4,270	4,500	5.4	422,996	19,217	20,207	22.0	20.9	4.1	3.9	7.5	7.2	6.6%	5.2%	3.4%	3.6%
ISAT	Neutral	3,280	3,000	(8.5)	17,823	-2,159	-2,253	-8.3	-7.9	2.0	2.6	5.8	5.3	10.2%	-4.4%	0.0%	0.0%
LINK	Buy	4,000	5,500	37.5	11,647	1,126	1,132	10.5	10.4	2.2	2.0	5.0	4.6	42.7%	0.5%	4.8%	4.9%
TBIG	Buy	5,900	5,700	(3.4)	25,612	795	938	32.2	27.3	7.0	6.1	12.4	11.7	16.8%	17.9%	2.0%	1.6%
TOWR	Buy	655	1,000	52.7	33,415	2,266	2,367	14.7	14.1	3.7	3.3	8.2	7.9	2.5%	4.5%	3.6%	3.6%
<b>Chemical</b>					<b>16,753</b>	<b>1,949</b>	<b>1,888</b>	<b>8.6</b>	<b>8.9</b>	<b>0.9</b>	<b>0.8</b>	<b>3.9</b>	<b>3.7</b>	<b>22.9%</b>	<b>-3.2%</b>	<b>0.0%</b>	<b>0.0%</b>
AGII	Buy	615	700	13.8	1,886	105	136	18.0	13.9	0.6	0.6	6.8	6.2	5.0%	29.5%	0.0%	0.0%
BRPT*	Neutral	1,065	2,640	147.9	14,867	129	125	8.1	8.5	0.9	0.8	3.6	3.4	25.4%	-3.4%	0.0%	0.0%
<b>Airlines</b>					<b>5,703</b>	<b>427</b>	<b>529</b>	<b>13.4</b>	<b>10.8</b>	<b>1.1</b>	<b>1.0</b>	<b>7.7</b>	<b>6.5</b>	<b>-2.9%</b>	<b>24.0%</b>	<b>0.0%</b>	<b>0.0%</b>
GMFI*	Neutral	202	275	36.0	5,703	30	38	13.4	10.8	1.1	1.0	7.7	6.5	-2.0%	26.1%	0.0%	0.0%
<b>Oil and Gas</b>					<b>52,846</b>	<b>2,564</b>	<b>2,693</b>	<b>20.6</b>	<b>19.6</b>	<b>1.1</b>	<b>1.1</b>	<b>6.4</b>	<b>6.1</b>	<b>12.6%</b>	<b>5.0%</b>	<b>1.7%</b>	<b>1.9%</b>
PGAS*	Buy	2,180	3,150	44.5	52,846	180	192	20.6	19.6	1.1	1.1	6.4	6.1	13.7%	6.8%	1.7%	1.9%
<b>Transportation</b>					<b>6,530</b>	<b>458</b>	<b>522</b>	<b>14.3</b>	<b>12.5</b>	<b>1.2</b>	<b>1.1</b>	<b>5.8</b>	<b>5.4</b>	<b>0.1%</b>	<b>14.0%</b>	<b>2.0%</b>	<b>2.2%</b>
BIRD	Buy	2,610	3,935	50.8	6,530	458	522	14.3	12.5	1.2	1.1	5.8	5.4	0.1%	14.0%	2.0%	2.2%

**Note:**

- \*) net profit in USD mn
- U/R means Under Review
- n/a means Not Available
- N/M means Not Meaningful
- N.A means Not Applicable

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**INVESTMENT RATINGS:** Indicators of expected total return (price appreciation plus dividend yield) within the 12-month period from the date of the last published report, are: Buy (15% or higher), Neutral (-15% to 15%) and Sell (-15% or lower).

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