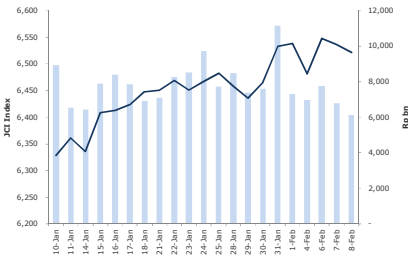


# Premier Insight

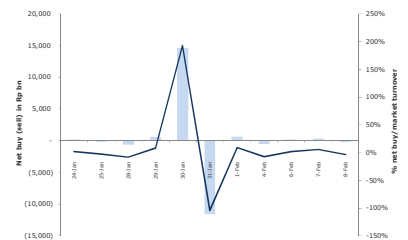
## News & Analysis

### Corporates

#### JCI Index



#### Foreign net buy (sell)



#### Key Indexes

| Index | Closing | 1 day | 1 year | YTD  |
|-------|---------|-------|--------|------|
| JCI   | 6,522   | -0.2% | 0.2%   | 5.3% |
| LQ45  | 1,028   | -0.5% | -6.4%  | 4.6% |
| DJI   | 25,106  | -0.3% | 3.8%   | 7.6% |
| SET   | 1,652   | -0.1% | -7.5%  | 5.6% |
| HSI   | 27,946  | -0.2% | -5.3%  | 8.1% |
| NKY   | 20,751  | -0.6% | -3.0%  | 1.6% |
| FTSE  | 7,071   | -0.3% | -0.3%  | 5.1% |
| FSSTI | 3,202   | 0.0%  | -5.2%  | 4.3% |
| EIDO  | 27      | -1.1% | -5.8%  | 8.4% |

#### Commodity price

| Commodities        | Last price | Ret 1 day | Ret 1 year |
|--------------------|------------|-----------|------------|
| <i>(in USD)</i>    |            |           |            |
| Oil/barrel (WTI)   | 52.7       | 0.2%      | -13.8%     |
| CPO/tonne          | 563.3      | -1.2%     | -8.2%      |
| Soy/bushel         | 8.7        | 0.2%      | -10.2%     |
| Rubber/kg          | 1.6        | -1.1%     | -22.2%     |
| Nickel/tonne       | 12,492     | -3.2%     | -4.7%      |
| Tins/tonne         | 21,097     | 0.5%      | -1.5%      |
| Copper/tonne       | 6,191      | -0.6%     | -9.0%      |
| Gold/try.oz (Spot) | 1,315      | 0.3%      | -0.1%      |
| Coal/tonne         | 97.2       | -0.6%     | -3.7%      |
| Corn/bushel        | 3.5        | -0.6%     | 1.2%       |
| Wheat/bushel*      | 146.5      | 5.8%      | -7.0%      |

\* : 1 month change

Source : Bloomberg

**EXCL:** XL Axiata (EXCL IJ; Rp2,180; Buy) issued total of Rp1.2tn from bond and sukuk on 8 Feb 2019. The total proceed is below initial target of Rp2tn. EXCL said continuous bond program I (PUB I) Phase II/ 2019 bond issuance amount was Rp634bn with 4 series (970 days until 10 years) with coupon 7.9-10% p.a. Continuous sukuk program (PUS II) Phase II/2019 sukuk issuance amount is Rp640bn (5 series between 370 days to 10 years). EXCL said it still has alternative source of funding from internal cash, bank loan or debt, to finance capex this year. The company mentioned different issuance strategy this year vs. last year as EXCL implemented (bond) pricing strategy which supported effective cost management considering positive trend from decreasing yield trend in Gov't bond since October 2018. (IDX, Company, Investor Daily, Bisnis Indonesia).

*Comment: Neutral. The bond's issuance is aligned with disclosure released by EXCL on 7 Feb regarding completion of offering period for the bond and sukuk. We expect minimum impact from the below-than-target bond proceed considering recently stronger Rupiah trend which may lower forex risk in capex (c.45% of EXCL's capex) in short term. EXCL said the objective with bond/sukuk facility is to diversify funding and risk management as sukuk/bond is fixed rated. For this issuance, given current positive environment, EXCL's objective was to achieve tight credit spread vs. Gov't bond (to pursue best rate though lower amount). EXCL said FCF position is still healthy.*

*We will monitor for 4Q18 EXCL's result (scheduled on 15 February 2019). We conservatively view market already partly price-in unfavorable (one-off) earning momentum in 4Q18 (share price might still temporarily volatile) due to accelerated depreciation for 2G equipment and will monitor earning call to learn more about 2019F guidance (incl capex) and depreciation cost saving. We have not included additional one-off cost in 4Q18F, but potentially lower depreciation expense in 2019F onward in our estimates.*

*We expect better QoQ earning momentum in 1Q19F. We have a Buy for EXCL with TP Rp2,500.*

**INCO:** Vale Indonesia (INCO IJ; Rp3,740; Buy) targets production volumes of 74-76k tons in FY19. The company expects production volumes to relatively flat this year as it plans 10 weeks shutdown on its Larona Canal Lining which has operated in the last 40 years. (Investor Daily).

*Comment: This is slightly lower than our production volumes forecast of 77k tons for FY19F. We see the recent nickel price correction as normal and we expect nickel price to continue its upward movement post the Chinese New Year Holiday when manufacturing activities in the country are back to normal. We maintain our positive view on nickel sector and reiterate our Buy recommendation for INCO with TP of Rp4,300.*

**WSBP:** Waskita Karya Beton (WSBP IJ; Rp410; Buy) reported new contract of Rp725bn in 1M19 (+60% yoy), forming 7% of company's FY19F guidance of Rp10.4tn. The strong achievements were supported by projects such as Cibitung-Cilincing, Krian-Legundi-Bunder-Manyar (KLBM), electric steam power plant (PLTU) Tambak Lorok. (Investor Daily).

*Comment: We are positive towards the news as WSBP booked a strong early achievement. Maintain Buy on WSBP with TP of Rp440.*

**WSKT:** According to Waskita Karya (WSKT IJ; Rp2,010; Buy), there are several foreign investor who are interested to buy the concession of several WSKT's toll road owned, namely CPP Investment Board and Ontario Teacher's Pension Plan. In addition there are also investor from France, Dubai, and Hongkong which are interested. Financing investment non-government budget (PINA) will help to facilitate the sale of WSKT's toll roads. (Investor Daily).

*Comment: We are neutral on the news as WSKT has been trying to divest its toll road since 2017. Potential upside might come from the successful divestment, however at this stage will wait for further update until the divestment plan becomes more clear.*

### Markets & Sector

**Construction sector:** PT Pembangunan Perumahan (PTPP IJ; Rp2,300; Buy), Wijaya Karya (WIKA IJ; Rp1,865; Buy) and Sarinah formed a JV to renovate Sarinah complex to become an office tower (41 floors) with total investment of Rp1.8tn. With total development area of 2.8ha, the project will maintain the current shopping mall while added another 2 buildings in 1.7ha new development area. In the JV, PTPP and WIKA owns 45% of shares,, while the remaining 55% owns by Sarinah. (Investor Daily).

*Comment: Despite relatively small investment, we are positive toward the investment as office tower will become addition recurring income for PTPP and WIKA. Maintain Buy on WIKA and PTPP as our top picks in construction sector.*

**Consumer sector:** The government is set to make halal labeling mandatory for consumer products and services this year. The government will also assume more control in the certification process from the Muslim-majority Islamic Cleric Council (MUI). Issuing halal certificates to shampoos, toothpaste and cosmetics alone may net the government around Rp22.5tn in annual revenue. The new rules will require certification for all goods and services related to food, beverages, drugs, cosmetics, chemical, biological and genetically engineered products. The labeling requirement will be gradually implemented and it may take three to five years before covering most F&B products and five to seven years for health products. The draft regulation is still awaiting the President's approval.

*Comment: We think that this will have a negative sentiment on consumer staples and F&B companies, as many of them have not received the halal certification. However this should not impose too negative of an impact to large consumer companies such as UNVR, MYOR and KINO, since many of their products have already received this certification.*

### Economics

**Fuel price:** Pertamina announced that it lowered non-subsidized gasoline prices by up to Rp800 per liter. Pertamina Turbo's price in Greater Jakarta is set at Rp11,200 per liter, Pertamina at Rp9,850 per liter, while Peralite remains at Rp7,650 per liter. This is due to the decline of global crude oil price and appreciation of Rupiah against US dollar. Furthermore, the prices could differ in each region based on regional fuel taxes. (The Jakarta Post).

## Head Office

### PT INDO PREMIER SEKURITAS

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

---

#### INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period  
HOLD : Expected total return between -10% and 10% within a 12-month period  
SELL : Expected total return of -10% or worse within a 12-month period

#### ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

#### DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.