

Indonesia Morning Cuppa

Top Story

Indonesia Banks (OVERWEIGHT)

11M18 Results Round-Up: Softer Loan Growth

Sector Update

Maintain OVERWEIGHT; BRI, Mandiri, BNI, Permata, BTPS are Top Picks. We recently compiled banks-only monthly results of the 12 Indonesia banks that we cover (largest on Street). Overall, results are in line, with earnings still up strongly by 11.7% (10M18: +11.6%). Big-4 banks' earnings grew 12.6%, while net profit growth for small-mid banks was at 7.3%. Blended loans grew 13.3% (deceleration from 10M18's +14.5%), led by Big-4 (+15.6%) while small-mid banks recorded a 7.3% increase. Our preferred picks are the big SOE banks (stronger LDR with better loan growth outlook; backed with attractive valuation), with BUYs on BRI, Mandiri and BNI, while our small-mid-cap picks are Permata (M&A angle) and BTPS (niche ultra micro lending with highest ROE).

Analysts: Henry Wibowo +6221 2970 7056, Alvin Baramuli +6221 2970 7062

Today's Report: [Indonesia Banks : 11M18 Results Round-Up: Softer Loan Growth \(3 Jan 2019\)](#)

Previous Report: [Indonesia Banks : 10M18 Industry Stats: Loan Growth Accelerates Further \(21 Dec 2018\)](#)

Other Story

Indonesia Media (OVERWEIGHT)

Dec-18 TVR: ANTV, Indosiar Gain Momentum

Sector Update

New audience share data for Dec 2018. Nielsen TV audience shares for Dec 2018 were recently made public. Visi Media Asa's (VIVA) prime-time audience share grew the most MoM, by 2.5ppts (17.3%), on ANTV's rebound. This was at Surya Citra Media's (SCMA) expense, as it shed 2.2ppts MoM (33.1%), led by SCTV's decline. Media Nusantara Citra (MNCN) was relatively flat at -0.2ppt MoM, but it rose to be the No.1 broadcaster, with a 33.4% share. On a blended FY18 basis, SCMA tops the group with a 34.9% prime-time share (+5.7ppts YoY), followed by MNCN's 33.5% (-3.7ppts YoY), VIVA's 16.8% (-2.8ppts YoY), and Trans Group's 12.3% (+1.2ppts YoY). Maintain OVERWEIGHT on sector, SCMA Top Pick.

Analysts: Henry Wibowo +6221 2970 7056

Today's Report: [Indonesia Media : Dec-18 TVR: ANTV, Indosiar Gain Momentum \(3 Jan 2019\)](#)

Previous Report: [Indonesia Media : Nov 2018 TV Audience Shares: SCTV Remains No. 1 \(4 Dec 2018\)](#)

Economic Research

Indonesia Economics

Nov 2018 Credit Growth Softens; M2 Lower

Economics View

- ◆ Total loan growth in Nov 2018 stood at 12.1% YoY (Oct 2018: 13.1%), while M2 growth moderated to 6.6% YoY (Oct 2018: 7.3%).
- ◆ Lending rates for investment loans have started to increase while consumer loan rates remain low. We expect rates – beginning 2019 – to start gradually rising, while demand for private credit moderates to 10% in 2019.
- ◆ With the US Fed likely to tighten twice in 2019, BI could strategise itself to raise rates well before the presidential election in April and another one after that. However, this will be highly dependent on the outlook of the rates strategy of the US central banking system.

Economist: Ahmad Nazmi Idrus +603 9280 2179

Today's Report: [Indonesia Economics : Nov 2018 Credit Growth Softens; M2 Lower \(2 Jan 2019\)](#)

Previous Report: [Indonesia Economics : October Credit Growth Climbed Higher \(3 Dec 2018\)](#)

Indonesia Economics

Inflation: Core Rises But Headline Softened

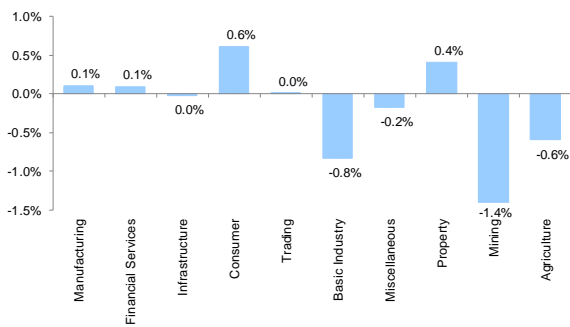
Economics View

- ◆ Indonesia's headline CPI was lower at 3.1% YoY in December (November: 3.2%), while core CPI was higher at 3.1% (November: 3%).
- ◆ Headline price trend was led by lower increase in the raw and processed food component category, although countered by higher transportation costs.
- ◆ We revise our 2019 headline inflation to 3% as we think the impact from higher interest rates will start to dampen aggregate demand this year.

Economist: Ahmad Nazmi Idrus +603 9280 2179

Today's Report: [Indonesia Economics : Inflation: Core Rises But Headline Softened \(2 Jan 2019\)](#)

Previous Report: [Indonesia Economics : Inflation Unchanged At 3.2% YoY; Core CPI Rises \(3 Dec 2018\)](#)

Chart 1: Industry group relative to the JCI

Table 1: Regional markets (2 Jan 2019)

Bloomberg Code	Last value	DoD (%)	YTD (%)	YoY (%)
Dow Jones : DJI	23,346	0.1	0.1	(6.3)
Nasdaq : Nasdaq	6,666	0.5	0.5	(5.7)
United Kingdom : FTSE	6,734	0.1	0.1	(12.2)
Hong Kong : HIS	25,130	(2.8)	(2.8)	(17.8)
Indonesia : JCI	6,181	(0.2)	(0.2)	(1.1)
MSCI : EIDO	25.2	1.7	1.7	(11.6)
Malaysia : FBMKLCI	1,668	(1.3)	(1.3)	(7.0)
Korea : KOSPI	2,010	(0.1)	(1.6)	(19.2)
Philippines : PCOMP	7,489	0.3	0.3	(14.2)
Thailand : SET	1,566	0.1	0.1	(12.0)
China : SHCOMP	2,465	(1.1)	(1.1)	(26.8)
Singapore : STI	3,039	(1.0)	(1.0)	(12.3)

Note: *Data as per 2 Jan 2019 closing

Table 2: Commodities & currencies (2 Jan 2019)

	Last value	DoD (%)	YTD (%)	YoY (%)	MoM (%)
Oil Price (Brent)	54.9	2.1	2.1	(17.5)	(6.5)
Oil Price (WTI)	46.5	2.5	0.8	(25.7)	(13.5)
Coal Price (USD/ton)	101.1	(0.9)	(0.9)	(1.5)	(0.6)
CPO Price (MYR/ton)	2,070.0	3.3	3.3	(16.3)	10.6
Nickel (USD/ton)	10,791.0	1.8	1.8	(14.1)	(3.1)
Tin (USD/ton)	19,508.0	(0.1)	(0.1)	(3.0)	6.0
Gold (USD/oz)	1,287.4	(0.1)	0.3	(2.1)	4.5
Wheat (USD/bu)	506.8	0.7	0.7	1.2	(1.7)
Corn (USD/bu)	375.8	0.2	0.2	(5.0)	(0.5)
USD/IDR	14,458.0	(0.5)	(0.5)	(6.5)	(1.5)
EUR/IDR	16,546.4	(0.3)	(0.6)	(1.6)	(2.1)
HKD/IDR	1,844.7	(0.4)	(0.4)	(6.3)	(1.2)
SGD/IDR	10,604.9	(0.2)	(0.5)	(4.2)	(1.7)
JPY/IDR	132.7	(0.9)	(1.6)	(9.4)	(5.4)
MYR/IDR	3,485.8	0.3	(0.1)	(3.7)	(1.9)
THB/IDR	447.9	0.0	(0.8)	(6.8)	(3.0)

Bulletins

Stock/Sector	News	Comment	Rating
Economics – Politics	Bank Indonesia may ease rules on exports, SMEs, to spur growth. BI will review existing policies in the export, tourism and SME sectors, according to BI Governor Perry Warjiyo. He also added that BI expects GDP growth to be seen at 5-5.4% in 2019, while for monetary policy to remain pro-stability and pre-emptive. CPI estimated at 3.5% in 2019. <i>(Bloomberg)</i>		
Economics – Politics	Indonesia is to establish an agency to manage disaster funds this year. The agency will be assigned to supervise IDR1trn in disaster funds in its initial stage. The funds, in the form of endowment, have been allocated in the 2019 state budget. The agency may use funds to purchase insurance and may also issue catastrophe bonds to raise funds. Regional administration may contribute to the pool of funds in the future. <i>(Bloomberg)</i>		
Banks	Indonesia is to review the single-presence policy in the banking industry on M&A. The Financial Services Authority (OJK) is studying the possibility in an attempt to boost consolidation, according to Heru Kristiyana, the commissioner for banking supervision. No further details have been disclosed. <i>(Bloomberg)</i>		OVERWEIGHT
Plantation	Indonesia's government must continue talks with India to get the same level of import duty for all palm oil products as Malaysia, according to Mukti Sardjono, executive director of the Indonesian Palm Oil Association. Under changes introduced in India this week, refined palm oil products from Malaysia now face a duty of 45% compared with 50% for Indonesia; previously the levy was 54% for both countries. The rate on crude palm oil, for both nations, however, was cut to 40% from 44%. The Association still expects total palm oil shipments from Indonesia to India to increase this year, because of the lower duty on crude palm oil. <i>(Bloomberg)</i>		NEUTRAL
Oil, Gas, and Mining	Indonesia sees total investment in energy to rise to USD32bn in 2018 (2017: USD27.5bn) according to the Energy and Mineral Resources ministry. Investment in oil & gas increased to USD12.3bn in 2018 vs USD11bn in 2017; electricity, at USD11.3bn vs USD9.1bn; minerals & coal at USD6.8bn in 2018 (2017: USD6.1bn); and renewable energy at USD1.6bn in 2018 vs 2017's USD1.3bn. <i>(Bloomberg)</i>		NOT RATED
Bank Tabungan Negara (BBTN IJ)	BTN targets two acquisitions this year. The target companies are an insurance company and an investment manager, currently under the valuation process. BTN allocates IDR700bn for the acquisitions. <i>(Investor Daily)</i>		NEUTRAL TP: IDR2,700
Arwana Citramulia (ARNA IJ)	Arwana Citramulia aims for 10% sales growth in 2019. The company said 2018 performance exceeded its internal target of IDR1.9trn sales and IDR150bn net profit, driven by full utilisation of its current capacity. <i>(Bisnis Indonesia)</i>		BUY TP: IDR440
Medco Energy (MEDC IJ)	Medco Energy's potential deal with Ophir is seen as a diversification play. Subsidiary Medco Energy Global confirmed this week that it was in talks with London-listed Ophir Energy about a possible cash offer for the latter's oil & gas exploration and production, based in the UK. Ophir's output is 25,000 barrels per day (bpd), while Medco's stated 2018 target is 85,000 bpd. Details of the transaction value have not been disclosed. Ophir Energy's market cap is USD321m, while MEDC's cash was USD402.7m as of 9M18. Ophir is one of the oil & gas upstream players focusing on Asia and Africa. By the UK's takeover regulations, MEDC has until 28 Jan to make a firm offer or walk away. <i>(Jakarta Globe)</i>		NOT RATED

Jasa Marga (JSMR IJ)	Jasa Marga joins tender for two toll roads, namely, Semarang-Demak and Gedebage-Tasikmalaya. The company has made a consortium with Waskita Karya (WSKT IJ, NR) and Brantas Abipraya. The company has set a capex budget of IDR27trn, lower than 2018's IDR32trn, for new toll road projects as well as continuing existing projects. <i>(Kontan)</i>		NOT RATED
Indika Energy (INDY IJ)	Indika Energy has obtained a loan of IDR1trn (or USD75m equivalent). The syndication comes from ICICI Bank, MUFG Bank and Bank Mandiri (BMRI IJ, BUY, TP: IDR 9,850). The interest rate is LIBOR +1.85%. The purpose of the loan is related to business expansion for INDY to build fuel storage. In Apr 2018, INDY booked a partnership with Exxonmobil Lubricants to build fuel storage of USD108m (30% remaining will be funded by equity). <i>(Investor Daily)</i>		NOT RATED
Bekasi Fajar Industrial Estate (BEST IJ)	Bekasi Fajar Industrial Estate booked IDR1.04trn of marketing sales from 38ha land sales during 2018. This translates to a price per sqm of IDR3m. The company targets for 40ha land sales by 2019. BEST's total landbank is 725ha (51ha was acquired in 2018). <i>(Bisnis Indonesia)</i>		NOT RATED
Angkasa Pura II (Not listed)	Airport operator AP II served 115m passengers in 2018, a 9.5% increase. AP II manages 16 airports across Indonesia. Some improvements include: development of digital service (airport app), operation of Soekarno-Hatta sky train connecting Terminals 1, 2, and 3, airport train to Soekarno-Hatta airport and LRT from Sultan Mahmud Badaruddin II Airport in Palembang. <i>(Jakarta Post)</i>		
Traveloka (Not listed)	Traveloka to diversify products in 2019. The company has not disclosed what kinds of products, but said it aims to provide a better customer experience, being a one-stop go-to travel and lifestyle platform for Indonesians. For example, Traveloka has already offered online processing or refunds, easy rescheduling and flight status under its flight ticketing features. <i>(Jakarta Post)</i>		

Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Astra International (ASII IJ)	9,500	16	<ul style="list-style-type: none"> Given the robust all-new Toyota <i>Rush</i> and Daihatsu <i>Terios</i> sales orders, Astra International has raised its monthly sales target. The lowering of the <i>Terios</i>' selling price while positioning the <i>Rush</i> at a higher class are good strategies to reclaim market share. We also see the company's coal mining unit benefiting from higher coal prices. We raise its earnings estimates, and SOP-based TP to IDR9,500, implying 16-15x FY18F-19F P/Es. Key risk is the intense competition in the auto industry. SAIC-GM Wuling just launched its 1.8-litre MPV – the <i>Wuling Cortez</i> – with an attractive selling price. Maintain BUY.
Bank Rakyat Indonesia (BBRI IJ)	4,750	32	<ul style="list-style-type: none"> Credit cost normalisation story with reversal of provisioning trend in the next 1-2 years Strong loan growth profile, backed by unrivalled micro lending dominance One of the highest ROE profiles within Indo Banks at 18-20%, backed with decent c.3% dividend yield
Bank Mandiri (BMRI IJ)	9,850	35	<ul style="list-style-type: none"> Most diversified loan book with all-round strengths from corporate, SME, consumer, <i>shariah</i>, etc Credit cost normalisation story to 1.5% run rate by 2020 Turnaround story post new CEO coming in (Pak Tiko) in 2015
Gudang Garam (GGRM IJ)	100,000	19	<ul style="list-style-type: none"> On valuation, Gudang Garam is trading at an attractive 15x 2019F P/E, which is more than half of Hanjaya Mandala Sampoerna's valuation. YTD, GGRM has been gaining market share, given its conservative approach on ASP hikes. Leading market share in machine-rolled <i>kretek</i> cigarettes full flavour (SKM FF) should benefit the company given the rising preference for SKM FF that provides better value vs machine-rolled <i>kretek</i> cigarettes low tar low nicotine. We believe GGRM may still see 4-5% ASP hikes, which could lead to gross margin expansion.

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