

Indonesia Morning Cuppa

Top Story

BTPN Syariah (BTPT IJ, BUY, TP: IDR2,600)

Positive Momentum To Continue In 2019; Maintain BUY

Company Update

Reiterate BUY and TP of IDR2,600, 44% upside, as we roll over towards FY19F BVPS. We expect BTPN Syariah to continue its positive momentum, as it is likely to deliver robust financing growth (FY17-20F CAGR of 21%) stemmed from ultra-micro segment (average ticket size of c.USD200-300), with ample growth opportunities, and modest competition. Yield also remains attractive (c.47%), and with manageable asset quality (NPF: <2%), leading to high profitability (ROE: 24%). Downside risks are deterioration in asset quality, macroeconomic downturn and regulatory.

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Today's Report: [BTPN Syariah : Positive Momentum To Continue In 2019; Maintain BUY \(28 Dec 2018\)](#)

Previous Report: [BTPN Syariah : 9M18 Earnings Surge 49% YoY To Beat Estimates \(23 Oct 2018\)](#)

Chart 1: Industry group relative to the JCI

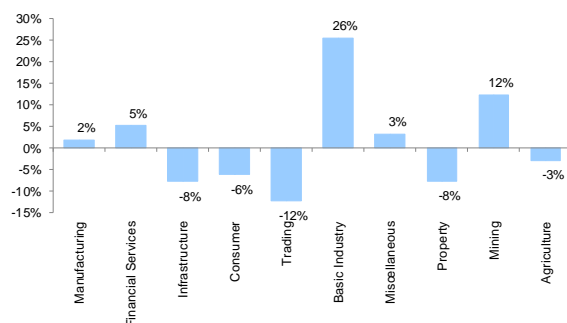


Table 1: Regional markets (27 Dec 2018)

Bloomberg Code	Last value	DoD (%)	YTD (%)	YoY (%)
Dow Jones : DJI	23,139	1.1	(6.4)	(6.8)
Nasdaq : Nasdaq	6,579	0.4	(4.7)	(5.3)
United Kingdom : FTSE	6,585	(1.5)	(14.3)	(13.6)
Hong Kong : HIS	25,479	(0.7)	(14.8)	(14.7)
Indonesia : JCI	6,191	1.0	(2.6)	(2.0)
MSCI : EIDO	24.7	(0.0)	(13.2)	(12.4)
Malaysia : FBMKLCI	1,691	1.1	(5.9)	(5.0)
Korea : KOSPI	2,028	0.0	(17.8)	(17.8)
Philippines : PCOMP	7,483	0.4	(12.6)	(12.3)
Thailand : SET	1,548	(0.5)	(11.7)	(11.2)
China : SHCOMP	2,483	(0.6)	(24.9)	(24.7)
Singapore : STI	3,045	1.1	(10.5)	(10.4)

Note: *Data as per 27 Dec 2018 closing

Table 2: Commodities & currencies (27 Dec 2018)

	Last value	DoD (%)	YTD (%)	YoY (%)	MoM (%)
Oil Price (Brent)	52.2	(4.2)	(22.0)	(21.5)	(13.4)
Oil Price (WTI)	44.6	(3.5)	(24.8)	(24.1)	(9.6)
Coal Price (USD/ton)	101.6	0.5	0.7	1.3	0.0
CPO Price (MYR/ton)	2,012.0	(0.2)	(17.7)	(18.7)	11.5
Nickel (USD/ton)	10,673.0	(1.2)	(16.0)	(11.4)	(0.3)
Tin (USD/ton)	19,333.0	(0.4)	(3.8)	(2.1)	5.9
Gold (USD/oz)	1,275.7	(0.1)	(2.2)	(1.6)	4.4
Wheat (USD/bu)	510.5	0.1	3.5	3.1	0.8
Corn (USD/bu)	374.5	0.3	(4.8)	(5.5)	1.6
USD/IDR	14,561.0	0.1	(6.8)	(6.9)	(0.3)
EUR/IDR	16,594.0	0.1	(2.2)	(3.0)	(1.0)
HKD/IDR	1,859.0	0.1	(6.7)	(6.6)	(0.2)
SGD/IDR	10,606.6	0.2	(4.3)	(4.7)	(0.5)
JPY/IDR	131.4	0.4	(8.4)	(8.8)	(2.7)
MYR/IDR	3,496.3	(0.2)	(4.2)	(5.0)	(0.9)
THB/IDR	447.7	(0.0)	(7.0)	(7.3)	(1.4)

Bulletins

Stock/Sector	News	Comment	Rating
Indonesia Stock Exchange	<p>Indonesia Stock Exchange is to assign alert codes to companies that are considered risky for investors, according to president director Inarno Djajadi.</p> <p>The authority sets seven letter codes encompassing negative equity, audit status, and the postponement of debt-payment obligation delay status (known by the acronym "PKPU"). The more codes a company has, the more investors should be more careful. 38 companies have been marked with alert codes, 28 of them with "E" for negative equity. (<i>Bloomberg</i>)</p>		
Retail	<p>Christmas and New Year festivities are expected to boost retail sales by 15-20%. Indonesia Retail Association head Roy Mandey is optimistic that modern retails sales could reach up to IDR220trn, especially for the fashion and food & beverage segments. Mandey also expects sales to be even better next year, given that 2019 will be a political year. (<i>Investor Daily</i>)</p>		OVERWEIGHT
Telcos	<p>Data usage for telco companies rose significantly at year's end. Telekomunikasi Indonesia (TLKM IJ, NR) reported data usage increased 20% on average when compared to regular days. Indosat (ISAT IJ, NR) also reported a similar trend – on 25 Dec 2018, the company posted a 12.9% rise in data usage. (<i>Kontan</i>)</p>		NOT RATED
Insurance	<p>Insurance coverage for the Banten tsunami is projected to be IDR15.9trn, as estimated by the General Insurance Association of Indonesia. This consists of the Pandeglang (IDR221.45bn) and Serang (IDR15.67trn) areas. (<i>CNBC Indonesia</i>)</p>		NOT RATED
Perusahaan Gas Negara (PGAS IJ)	<p>Perusahaan Gas Negara's shareholders have approved the company's acquisition of Pertamina Gas (Pertagas) and its subsidiaries in a shareholder meeting on 26 Dec.</p> <p>While the company's acquisition of a 51% stake in Pertagas was previously valued at USD1.2bn (c.IDR17.4trn), the additional valuation for the latter's four subsidiaries that are to be acquired have not been disclosed yet.</p> <p>Consequently, PGAS has delayed the acquisition to 31 Dec 2018. (<i>Kontan</i>)</p>		NOT RATED
Medco Energi (MEDC IJ)	<p>The Government has awarded rights to companies to explore four oil & gas blocks. They include including state-energy firm Pertamina, Mitsui Oil Exploration and unit of Medco Energi, Medco E&P Rimau. The latter will run the Rimau block with a new gross split contract scheme after its current contract expires in 2023. The block has an average output at 8,200bpd of oil and 3.67mmscf of gas/day. (<i>Bloomberg</i>)</p>		NOT RATED
Jasa Marga (JSMR IJ)	<p>Jasa Marga is aiming for loan syndication of IDR10trn for 2019. The loan proceeds will be used for the construction of</p>		NOT RATED

	<p>the Cinere-Serpong and Kunciran-Cengkareng toll roads. Note that, on 21 Dec 2018, JSMR also booked a IDR1trn loan from Bank DKI. (<i>Investor Daily</i>)</p>		
<p>Wijaya Karya (WIKA IJ)</p>	<p>Wijaya Karya has launched its first perpetual bond of IDR600bn with interest of 10.5% for three years. The total proceeds are expected to reach IDR2trn.</p> <p>The scheme will have a step-up rate as an option. The bond can be called in the third or fifth year. Funds will be used to finance WIKA's capex and working capital next year. (<i>Investor Daily</i>)</p>		<p>NOT RATED</p>
<p>Mass Rapid Transit Jakarta (Not Listed)</p>	<p>The Jakarta mass rapid transit (MRT) network is now slated for completion in Feb 2019. According to Mass Rapid Transit Jakarta, construction progress has reached 98.01%. Consequently, the Government has announced that Phase 1 of the service – spanning 15.7km from Lebak Bulus to Hotel Indonesia – will officially begin operations in Mar 2019. (<i>Jakarta Post</i>)</p>		

Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Astra International (ASII IJ)	9,500	17	<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	36	<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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