

GLOBAL

| Index    | Last   | Change  | % chg |
|----------|--------|---------|-------|
| Dow      | 25,987 | -137.65 | -0.53 |
| S&P 500  | 2,901  | -12.91  | -0.44 |
| Eido US  | 23.3   | -0.79   | -3.27 |
| H.S.I    | 28,164 | -252.39 | -0.89 |
| Nikkei   | 22,870 | 21.28   | 0.09  |
| STI      | 3,226  | -18.20  | -0.56 |
| KLCI     | 1,820  | -0.98   | -0.05 |
| Kospi    | 2,307  | -1.68   | -0.07 |
| SET Thai | 1,720  | -1.83   | -0.11 |

COMMODITIES

| Index                    | Last    | Change  | % chg |
|--------------------------|---------|---------|-------|
| Brent Crude Oil (\$/bbl) | 77.8    | 0.63    | 0.82  |
| WTI Crude Oil (\$/bbl)   | 70.3    | 0.74    | 1.06  |
| CPO (MYR/ton)            | 2,200   | 23.00   | 1.06  |
| Gold (US\$/tr ounce)     | 1,200   | -6.69   | -0.55 |
| Nickel (US\$/ton)        | 13,200  | -215.00 | -1.60 |
| Tin (US\$/ton)           | 19,270  | 280.00  | 1.47  |
| Pulp (US\$/ton) weekly   | 1,205.0 | 0.00    | 0.00  |
| Coal (US\$/ton)          | 117.5   | -0.15   | -0.13 |

BEI STATISTICS

|                   |         |
|-------------------|---------|
| JCI               | 6,019   |
| Change (1 day)    | -0.76%  |
| Change YTD        | -5.30%  |
| P/E Market (X)    | 15.6    |
| Volume (mn shr)   | 5,857.8 |
| Value (Rp bn)     | 5,397.2 |
| ↑ 145 ↓ 223 ↔ 233 |         |
| LQ45              | 854     |
| % Change (1 day)  | 0.28%   |

INTEREST RATE

|                        | Current | Previous |
|------------------------|---------|----------|
| BI 7D Reverse Repo (%) | 5.50    | 5.25     |
| Fed fund rate (%)      | 2.00    | 1.75     |
| inflation mom (%)      | 0.28    | 0.21     |
| Inflation yoy (%)      | 3.18    | 3.23     |

EXCHANGE RATE

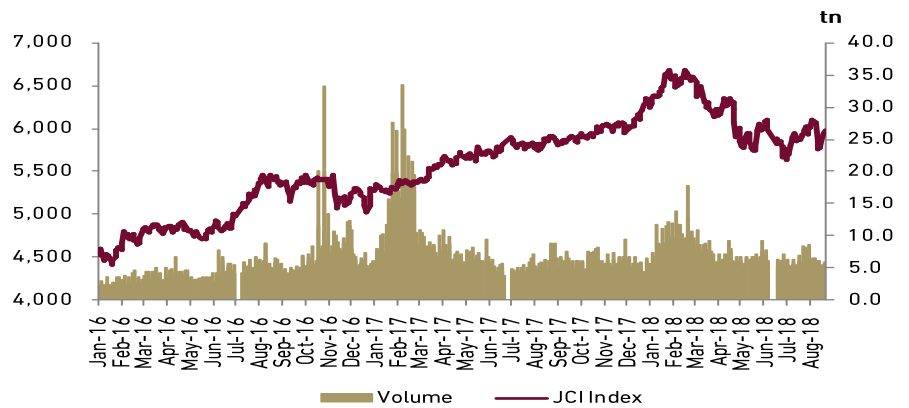
|             | Last   | Change | % chg |
|-------------|--------|--------|-------|
| 1 USD = IDR | 14,680 | 35.00  | 0.24  |
| 1 USD = SGD | 1.37   | 0.00   | 0.01  |
| 1 USD = JPY | 110.95 | -0.03  | -0.03 |
| 1 USD = AUD | 1.38   | 0.00   | 0.15  |
| 1 USD = EUR | 0.86   | 0.00   | 0.06  |

DUAL LISTING

| Stocks   | Close | Chg.  | % chg | In Rp. | Vol. (ADR) |
|----------|-------|-------|-------|--------|------------|
| TLKM     | 23.4  | -0.90 | -3.70 | 3,438  | 413,460    |
| ISAT     | 0.2   | 0.00  | 0.00  | 2,936  | 2,150      |
| BUMI Plc | 36.8  | 0.00  | 0.00  | 7,522  | -          |

- BPS to announce Inflation data by Monday
- Credit growth accelerates to 11.34% YoY as of July-18
- BMRI bank only's earnings grew 22% YoY in 7M18; in-line
- BBNI bank only's earnings grew 14% YoY in 7M18; in-line
- BBTN earnings grew 18% YoY in 7M18; above
- Petrosea posts strong 2Q18 results
- DSNG net profit declines 32% yoy in 1H18
- GGRM 1H18 results: Double-digit top and bottom-line growth

JCI STATISTIC



DAILY TECHNICAL VIEW

We expect JCI to trade between 6,000 (support) – 6,120 (resistance) level today

**BBRI: Sell on strength at Rp 3,330-Rp 3,380**

Comment: Testing resistance level

**HMSP: Speculative buy at Rp 3,820-Rp 3,800**

Comment: Closed above minor resistance level

**ANTM: Speculative buy at Rp 875-Rp 860**

Comment: Held above support level

**PGAS: Speculative buy at Rp 2,130-Rp 2,100**

Comment: Closed above minor resistance level

MARKET REVIEW & MARKET OUTLOOK

Regional

Dow Jones down 0.5% to 25,986 on Thursday trading, sent by reports that President Trump is likely to go through with steep tariffs on USD200 bn imports that moved the markets. The expected date for the trade action is 6 Sep 18 when public commentary on the move ends. US income and consumer spending are favorable in yesterday's report, with growth easing very slightly where personal income grew 0.3% MoM and consumer spending by 0.4%, thereby limiting the perceived risk of unwanted inflation. From commodity market, WTI crude oil price up by 1.06% to USD70.3/bbl. while nickel price was down by 1.60% to USD13,200/ton.

Domestic

JCI closed lower at 6,019 by 46 points or 0.76% on Thursday trading and recorded Rp462 bn of net foreign buy. The laggard sectors were Finance (-0.72%), Consumer (-0.95%), and Infrastructure (-1.55%) which were mainly driven by BBRI (-3.04% to 3,190), HMSP (-2.61% to 3,730), and TLKM (-1.96% to 3,510) as the key movers. Rupiah weakened by 35 points to 14,680/USD. Our technical desk suggests for trading within the band of 6,000 – 6,150 with possibility to end at lower level.

#### BPS TO ANNOUNCE INFLATION DATA BY MONDAY

BPS is scheduled to release August inflation data on Monday (Sept 3). As of Aug 30, Bloomberg consensus predicted annual inflation at 3.29% YoY and monthly inflation at 0.00% MoM. We view that August inflation will be low due to deflation in food price. According to central bank food price monitor system (hargapangan.id), most of food products had declining price on August led by cayenne (-13.7% MoM), onion (-10.8% MoM) and garlic (-5.1% MoM). Meanwhile, we expect higher inflation on education and recreation due to seasonality of new academic year. We also see higher inflation on communication sector due to easing price war between operators. One of the biggest operators, TLKM, stated it would continue to raise price in August after it also raised the price in July. In sum, we expect August inflation at 3.32% YoY or 0.06% MoM.

#### CREDIT GROWTH ACCELERATES TO 11.34% YOY AS OF JULY-18

Financial Services Authority (OJK) recorded a banking credit growth of 11.34% YoY as of July-18, higher than previous month's growth of 10.75% YoY. In terms of funding, banking deposits grew by 6.89% YoY, down 10 bps compared to June 6.99% YoY. In terms of credit quality, OJK stated that gross non-performing loan (NPL) ratio of banks was recorded at 2.73%, slightly higher than the NPL per Jun-18 of 2.67%. In terms of capital adequacy, banking capital is still recorded at a fairly high level with CAR stands at 22.76% as of Jul-2018.

**Comments:** This is still in-line with our expectations; we expect credit growth to accelerate further to 11-12% YoY by the year end.

#### PETROSEA POSTS STRONG 2Q18 RESULTS

Petrosea (PTRO) reported net profit of USD6.1 mn in 2Q18, more than quadrupled QoQ on the back of rising revenue (+30%) and stronger margin across the board. This brings 1H18 net profit to USD7.5 mn or grew by 58% YoY. 1H18 revenue grew by 46% YoY which helped operating profit to double YoY to USD18.5 mn as revenue outgrew COGS while opex was flat.

**Comment:** We do not cover PTRO. PTRO is trading at 7.8x 2018 PER if we annualize 1H18 earnings and 4.8x 2018 PER if we annualize 2Q18 earnings.

| USD mn           | 1H18  | 1H17  | YoY  | 2Q18  | 1Q18 | QoQ  |
|------------------|-------|-------|------|-------|------|------|
| Revenue          | 205.6 | 140.6 | 46%  | 116.1 | 89.5 | 30%  |
| Gross profit     | 29.1  | 19.2  | 51%  | 19.0  | 10.0 | 90%  |
| Operating profit | 18.5  | 9.1   | 102% | 13.6  | 4.9  | 180% |
| Net profit       | 7.5   | 4.8   | 58%  | 6.1   | 1.5  | 306% |
| GPM              | 14.1% | 13.7% | 0.5% | 9.3%  | 7.1% | 2.1% |
| OPM              | 9.0%  | 6.5%  | 2.5% | 6.6%  | 3.5% | 3.2% |
| NPM              | 3.7%  | 3.4%  | 0.3% | 2.9%  | 1.1% | 1.9% |

BMRI BANK ONLY'S EARNINGS GREW 22% YOY IN 7M18; IN-LINE

Bank Mandiri (BMRI) reported a bank only (unaudited) net income of Rp13.9 tn in 7M18, up 22% YoY, forming 56/57% of ours and consensus estimates, respectively. Loan growth was 11% YoY as of Jul-18, about the same level with industry. Meanwhile deposit growth accelerated to 8% YoY in Jul-18 from 4% YoY in Jun-18, mainly driven by demand deposits and time deposits. Hence there is improvement in liquidity as BMRI's LDR loosen to 92% from 95% in the month before. Cost of credit still improved to 2.1% of avg. loan in 7M18, with provision expense decline by 15% YoY to Rp7.5 tn in 7M18 and support most of the bottom line growth.

**Comments:** The monthly number is in-line with both ours and consensus' expectation, considering that last year achievement was 55% in the first seven months and BMRI has one-off income from tax case reversal in 1H18 amounted Rp1.1 tn (about 4% of 2018F earnings). We have a Buy recommendation on BMRI with Rp8,025/share target price.

BMRI (Bank only, unaudited)

| Results summary (Rp bn)    | 7M17          | 7M18          | YoY        | 7M18/<br>2018F | Apr-18       | May-18       | Jun-18       | Jul-18       | YoY       | MoM         |
|----------------------------|---------------|---------------|------------|----------------|--------------|--------------|--------------|--------------|-----------|-------------|
| Interest income            | 39,451        | 38,209        | -3%        | 46%            | 5,311        | 5,528        | 5,527        | 5,853        | 1%        | 6%          |
| Interest expense           | 13,531        | 11,688        | -14%       | 41%            | 1,610        | 1,732        | 1,769        | 1,810        | -11%      | 2%          |
| <b>Net interest income</b> | <b>25,920</b> | <b>26,521</b> | <b>2%</b>  | <b>48%</b>     | <b>3,700</b> | <b>3,795</b> | <b>3,758</b> | <b>4,043</b> | <b>8%</b> | <b>8%</b>   |
| Other operating income     | 11,797        | 13,290        | 13%        | 45%            | 1,398        | 2,716        | 1,785        | 1,655        | -1%       | -7%         |
| Opex                       | 14,715        | 15,316        | 4%         | 41%            | 2,268        | 2,322        | 2,145        | 2,342        | -5%       | 9%          |
| PPoP                       | 23,002        | 24,495        | 6%         | 51%            | 2,831        | 4,190        | 3,399        | 3,356        | 13%       | -1%         |
| Provision expense          | 8,824         | 7,489         | -15%       | 49%            | 903          | 1,744        | 640          | 933          | 47%       | 46%         |
| <b>Operating profit</b>    | <b>14,178</b> | <b>17,007</b> | <b>20%</b> | <b>52%</b>     | <b>1,928</b> | <b>2,446</b> | <b>2,759</b> | <b>2,423</b> | <b>4%</b> | <b>-12%</b> |
| Income tax & other non op  | 2,786         | 3,112         | 12%        | 45%            | 396          | 271          | 559          | 513          | -3%       | -8%         |
| <b>Net income</b>          | <b>11,392</b> | <b>13,895</b> | <b>22%</b> | <b>56%</b>     | <b>1,532</b> | <b>2,175</b> | <b>2,200</b> | <b>1,910</b> | <b>6%</b> | <b>-13%</b> |

|                          |                |                |           |  |                |                |                  |                |           |            |
|--------------------------|----------------|----------------|-----------|--|----------------|----------------|------------------|----------------|-----------|------------|
| Total deposits           | 673,152        | 724,683        | 8%        |  | 671,806        | 696,184        | 709,603          | 724,683        | 8%        | 2%         |
| - Demand                 | 174,006        | 186,109        | 7%        |  | 178,619        | 179,898        | 176,101          | 186,109        | 7%        | 6%         |
| - Saving                 | 264,875        | 290,667        | 10%       |  | 274,419        | 287,597        | 298,023          | 290,667        | 10%       | -2%        |
| - Time                   | 234,271        | 247,907        | 6%        |  | 218,767        | 228,688        | 235,479          | 247,907        | 6%        | 5%         |
| <b>Total liabilities</b> | <b>773,153</b> | <b>831,297</b> | <b>8%</b> |  | <b>791,110</b> | <b>817,719</b> | <b>843,875</b>   | <b>831,297</b> | <b>8%</b> | <b>-1%</b> |
| Gross loans              | 600,343        | 668,317        | 11%       |  | 617,682        | 642,911        | 671,172          | 668,317        | 11%       | 0%         |
| Loan loss reserves       | (32,371)       | (30,028)       | -7%       |  | (29,842)       | (29,884)       | (30,132)         | (30,028)       | -7%       | 0%         |
| Other earning assets     | 139,808        | 140,929        | 1%        |  | 157,846        | 147,347        | 145,457          | 140,929        | 1%        | -3%        |
| <b>Total assets</b>      | <b>923,373</b> | <b>993,094</b> | <b>8%</b> |  | <b>947,502</b> | <b>975,806</b> | <b>1,003,465</b> | <b>993,094</b> | <b>8%</b> | <b>-1%</b> |
| Shareholders equity      | 150,220        | 161,797        | 8%        |  | 156,393        | 158,087        | 159,590          | 161,797        | 8%        | 1%         |

Key ratios (%)

|                              |      |      |       |  |      |      |      |      |       |       |
|------------------------------|------|------|-------|--|------|------|------|------|-------|-------|
| NIM                          | 6.3  | 5.9  | (0.4) |  | 6.0  | 6.0  | 5.8  | 6.2  | (0.1) | 0.4   |
| CASA to total deposits       | 65.2 | 65.8 | 0.6   |  | 67.4 | 67.2 | 66.8 | 65.8 | 0.6   | (1.0) |
| Cost-to-income               | 39.0 | 38.5 | (0.5) |  | 44.5 | 35.7 | 38.7 | 41.1 | (4.3) | 2.4   |
| Credit cost (% of avg. loan) | 2.7  | 2.1  | (0.6) |  | 1.8  | 3.5  | 1.2  | 1.8  | 0.4   | 0.5   |
| Tax rate                     | 19.7 | 18.3 | (1.4) |  | 20.6 | 11.1 | 20.3 | 21.2 | (1.7) | 0.9   |
| LDR                          | 89.2 | 92.2 | 3.0   |  | 91.9 | 92.3 | 94.6 | 92.2 | 3.0   | (2.4) |
| ROA                          | 2.1  | 2.4  | 0.3   |  | 1.9  | 2.7  | 2.7  | 2.3  | (0.0) | (0.4) |
| ROE                          | 13.3 | 14.8 | 1.6   |  | 11.8 | 16.6 | 16.6 | 14.3 | (0.2) | (2.4) |

**BBNI BANK ONLY'S EARNINGS GREW 14% YOY IN 7M18; IN-LINE**

Bank Negara Indonesia (BBNI) reported a bank only (unaudited) net income of Rp8.3 tn in 7M18, up 14% YoY, forming 54% of both ours and consensus estimates. Loan growth was 12% YoY as of Jul-18, slightly higher compared to industry's loan growth of 11% YoY. Cost of credit still improved to 1.7% of avg. loan in 7M18 (vs. 1.8% in 7M17). We expect there was Rp4.5 tn write-off in 7M18 (higher than Rp4.0 tn in 7M17), with around Rp0.7 tn was written-off in Jul-18. Liquidity is quite good with LDR level of 88.7% as of Jul-18, or stable from the previous months. This is supported by strong deposit growth of 14% YoY as of Jul-18.

**Comments:** The monthly number is in-line with both ours and consensus' expectation (last year achievement was also 54% in the first seven month). We have a Buy recommendation on BBNI with Rp9,750/share target price.

**BBNI (Bank only, unaudited)**

| Results summary (Rp bn)    | 7M17          | 7M18          | YoY        | 7M18/<br>FY18E | Apr-18       | May-18       | Jun-18       | Jul-18       | YoY        | MoM         |
|----------------------------|---------------|---------------|------------|----------------|--------------|--------------|--------------|--------------|------------|-------------|
| Interest income            | 25,257        | 28,418        | 13%        | 52%            | 3,949        | 4,332        | 4,261        | 4,121        | 13%        | -3%         |
| Interest expense           | 8,533         | 9,625         | 13%        | 50%            | 1,445        | 1,411        | 1,417        | 1,431        | 12%        | 1%          |
| <b>Net interest income</b> | <b>16,724</b> | <b>18,793</b> | <b>12%</b> | <b>54%</b>     | <b>2,503</b> | <b>2,920</b> | <b>2,844</b> | <b>2,691</b> | <b>13%</b> | <b>-5%</b>  |
| Non interest income        | 5,924         | 6,290         | 6%         | 43%            | 907          | 1,081        | 806          | 861          | 1%         | 7%          |
| Opex                       | 9,623         | 10,755        | 12%        | 47%            | 1,734        | 1,541        | 1,269        | 1,640        | 25%        | 29%         |
| PPoP                       | 13,025        | 14,328        | 10%        | 54%            | 1,676        | 2,459        | 2,381        | 1,911        | -1%        | -20%        |
| Provision expense          | 3,902         | 3,964         | 2%         | 57%            | 583          | 1,136        | 136          | 510          | -19%       | 275%        |
| <b>Operating profit</b>    | <b>9,123</b>  | <b>10,364</b> | <b>14%</b> | <b>53%</b>     | <b>1,093</b> | <b>1,324</b> | <b>2,245</b> | <b>1,401</b> | <b>8%</b>  | <b>-38%</b> |
| Income tax                 | 1,783         | 2,068         | 16%        | 53%            | 238          | 219          | 448          | 277          | 7%         | -38%        |
| <b>Net income</b>          | <b>7,256</b>  | <b>8,296</b>  | <b>14%</b> | <b>54%</b>     | <b>942</b>   | <b>919</b>   | <b>1,798</b> | <b>1,124</b> | <b>9%</b>  | <b>-37%</b> |

|                          |                |                |            |  |                |                |                |                |            |            |
|--------------------------|----------------|----------------|------------|--|----------------|----------------|----------------|----------------|------------|------------|
| Total deposits           | 428,343        | 487,926        | 14%        |  | 466,939        | 487,049        | 494,785        | 487,926        | 14%        | -1%        |
| - Demand                 | 116,953        | 142,486        | 22%        |  | 135,848        | 150,778        | 150,948        | 142,486        | 22%        | -6%        |
| - Saving                 | 145,260        | 167,193        | 15%        |  | 156,545        | 161,509        | 168,053        | 167,193        | 15%        | -1%        |
| - Time                   | 166,130        | 178,247        | 7%         |  | 174,546        | 174,761        | 175,784        | 178,247        | 7%         | 1%         |
| <b>Total liabilities</b> | <b>497,378</b> | <b>584,823</b> | <b>18%</b> |  | <b>552,455</b> | <b>589,643</b> | <b>590,350</b> | <b>584,823</b> | <b>18%</b> | <b>-1%</b> |
| Gross loans              | 387,004        | 433,015        | 12%        |  | 412,792        | 421,390        | 431,870        | 433,015        | 12%        | 0%         |
| Loan loss reserves       | (16,073)       | (13,434)       | -16%       |  | (12,603)       | (13,558)       | (13,647)       | (13,434)       | -16%       | -2%        |
| Other earning assets     | 108,636        | 132,523        | 22%        |  | 133,712        | 140,862        | 139,364        | 132,523        | 22%        | -5%        |
| <b>Total assets</b>      | <b>585,169</b> | <b>679,847</b> | <b>16%</b> |  | <b>645,064</b> | <b>682,738</b> | <b>684,155</b> | <b>679,847</b> | <b>16%</b> | <b>-1%</b> |
| Shareholders equity      | 87,791         | 95,023         | 8%         |  | 92,609         | 93,095         | 93,805         | 95,023         | 8%         | 1%         |

**Key ratios (%)**

|                              |      |      |       |  |      |      |      |      |       |       |
|------------------------------|------|------|-------|--|------|------|------|------|-------|-------|
| NIM                          | 6.2  | 5.9  | (0.3) |  | 5.6  | 6.5  | 6.2  | 5.8  | (0.1) | (0.4) |
| CASA to total deposits       | 61.2 | 63.5 | 2.3   |  | 62.6 | 64.1 | 64.5 | 63.5 | 2.9   | (1.0) |
| Cost-to-income               | 42.5 | 42.9 | 0.4   |  | 50.8 | 38.5 | 38.8 | 46.2 | (7.1) | 11.4  |
| Credit cost (% of avg. loan) | 1.8  | 1.7  | (0.2) |  | 1.7  | 3.4  | 0.4  | 1.5  | (0.7) | 1.1   |
| Tax rate                     | 19.7 | 20.0 | 0.2   |  | 20.2 | 16.6 | 19.9 | 19.8 | (0.2) | (0.2) |
| LDR                          | 90.3 | 88.7 | (1.6) |  | 88.4 | 86.5 | 87.3 | 88.7 | (1.6) | 1.5   |
| ROA                          | 2.2  | 2.1  | (0.0) |  | 1.7  | 1.7  | 3.2  | 2.0  | 0.4   | (1.2) |
| ROE                          | 14.5 | 15.0 | 0.5   |  | 12.2 | 11.9 | 23.1 | 14.3 | 4.8   | (8.8) |

**BBTN EARNINGS GREW 18% YOY IN 7M18; ABOVE**

Bank Tabungan Negara (BBTN) reported net income of Rp1.7 tn in 7M18, up 18% YoY, forming 51/50% of ours and consensus estimates, respectively. Net interest income grew by 14% YoY, supported by a relatively stable NIM at 4.4% in 7M18. Operational expense started to normalize after skyrocketed in the previous months and grew by 18% YoY in 7M18. On the balance sheet, loan growth still strong at 20% YoY but total deposit (+17% YoY) still could not balance the loan pace. The deposit growth mainly dominated by time deposit (+24% YoY), rather than demand deposit (+6% YoY) and saving deposit (+14% YoY). Hence CASA dropped to 48.3% as of Jul-18 vs. 51.4% last year.

**Comments:** BBTN 7M18 earnings growth (18% YoY) is getting better, as compared to 12% YoY earnings growth in 6M18 and -10% YoY in 5M18. It is also above of ours and consensus' expectation (last year 7M17 earnings was 48% of full year). We have a Buy recommendation on BBTN with Rp3,450/share target price.

BBTN (unaudited)

| Results summary (Rp bn)           | 7M17    | 7M18    | YoY  | 7M18/<br>2018F | Apr-18  | May-18  | Jun-18  | Jul-18  | YoY  | MoM  |
|-----------------------------------|---------|---------|------|----------------|---------|---------|---------|---------|------|------|
| Interest income                   | 10,989  | 12,543  | 14%  | 54%            | 1,702   | 1,847   | 1,844   | 1,875   | 15%  | 2%   |
| Interest expense                  | 6,046   | 6,915   | 14%  | 55%            | 980     | 1,021   | 992     | 1,013   | 11%  | 2%   |
| Net interest income               | 4,943   | 5,628   | 14%  | 53%            | 721     | 826     | 852     | 862     | 19%  | 1%   |
| Non-interest income               | 920     | 1,127   | 23%  | 59%            | 147     | 169     | 251     | 149     | 10%  | -41% |
| Operating expense                 | 3,478   | 4,110   | 18%  | 57%            | 687     | 684     | 444     | 597     | 23%  | 35%  |
| PPoP                              | 2,385   | 2,646   | 11%  | 50%            | 181     | 312     | 659     | 414     | 10%  | -37% |
| Provision expense                 | 516     | 461     | -11% | 46%            | 103     | 82      | 26      | 43      | -70% | 66%  |
| Operating profit                  | 1,869   | 2,185   | 17%  | 51%            | 77      | 230     | 633     | 371     | 60%  | -41% |
| Income tax                        | 416     | 477     | 15%  | 52%            | 20      | 53      | 128     | 87      | 75%  | -32% |
| Net profit                        | 1,453   | 1,708   | 18%  | 51%            | 57      | 177     | 505     | 284     | 56%  | -44% |
| Total deposits                    | 147,577 | 172,285 | 17%  |                | 177,177 | 172,445 | 173,682 | 172,285 | 17%  | -1%  |
| - Demand                          | 43,368  | 46,118  | 6%   |                | 48,362  | 48,280  | 47,423  | 46,118  | 6%   | -3%  |
| - Saving                          | 32,493  | 37,169  | 14%  |                | 40,829  | 39,236  | 37,356  | 37,169  | 14%  | -1%  |
| - Time                            | 71,716  | 88,999  | 24%  |                | 87,986  | 84,928  | 88,904  | 88,999  | 24%  | 0%   |
| Total liabilities                 | 204,664 | 241,842 | 18%  |                | 236,994 | 239,635 | 245,665 | 241,842 | 18%  | -2%  |
| Gross loans                       | 178,582 | 213,504 | 20%  |                | 205,161 | 209,232 | 211,353 | 213,504 | 20%  | 1%   |
| Loan loss reserves                | (2,359) | (2,479) | 5%   |                | (2,494) | (2,570) | (2,452) | (2,479) | 5%   | 1%   |
| Total assets                      | 224,681 | 264,499 | 18%  |                | 258,744 | 261,556 | 268,044 | 264,499 | 18%  | -1%  |
| Shareholders equity               | 20,017  | 22,657  | 13%  |                | 21,750  | 21,921  | 22,379  | 22,657  | 13%  | 1%   |
| <b>Key ratios (%)</b>             |         |         |      |                |         |         |         |         |      |      |
| NIM                               | 4.6     | 4.4     |      |                | 3.8     | 4.3     | 4.4     | 4.5     |      |      |
| CASA to total deposits            | 51.4    | 48.3    |      |                | 50.3    | 50.8    | 48.8    | 48.3    |      |      |
| Cost-to-income                    | 59.3    | 60.8    |      |                | 79.2    | 68.7    | 40.2    | 59.1    |      |      |
| Credit cost (% of earning assets) | 0.5     | 0.4     |      |                | 0.5     | 0.4     | 0.1     | 0.2     |      |      |
| Tax rate                          | 22.2    | 21.8    |      |                | 25.7    | 22.9    | 20.2    | 23.5    |      |      |
| LDR                               | 121.0   | 123.9   |      |                | 115.8   | 121.3   | 121.7   | 123.9   |      |      |
| ROA                               | 1.1     | 1.1     |      |                | 0.3     | 0.8     | 2.3     | 1.3     |      |      |
| ROE                               |         | 13.2    |      |                | 3.2     | 9.7     | 27.4    | 15.1    |      |      |

GGRM 1H18 RESULTS: DOUBLE-DIGIT TOP AND BOTTOM-LINE GROWTH

Gudang Garam reported revenue of Rp45.3 tn in 1H18 or increased by 12.6% YoY, which was in line with our forecast and consensus analysis, forming 49% of 2018F. As COGS grew at higher pace (+13.6% YoY), gross profit rose by only 6.7% to Rp8.9 tn and thus GGRM record lower GPM of 19.8% (-1.1%YoY) Meanwhile, operating expense grew only by a single digit at 4.2%. This further drove operating profit to grow by 8.8% YoY at Rp 4.9tn. On the other hand, GGRM was able to cut down finance cost by 18.6% to Rp 296 bn. These together helped net profit to grow 13.8 % YoY to Rp 3.55 tn, slightly below with our FY2018 forecast at 44.7%. On quarterly wise, opex increase significantly by 33.5% QoQ, resulting negative net profit growth of -12.1% QoQ to Rp 1.66 tn. Overall, GGRM1H18 results was in line as most of numbers met our expectations.

**Comment:** Despite Ramadhan season in 2Q18, GGRM is still able to record sales and net profit growth. Further, net profit growth reported by GGRM in 1H18 was significantly higher than its competitor, HMSP that recorded 1H18 bottom line growth of 1%. In general, we still optimistic on Indonesia cigarettes sector and thus we maintain BUY rating on GGRM with TP of Rp 95,500/share.

| (in Rp Bn)          | 1H18   | 1H17   | YoY    | 2Q18   | 1Q18   | QoQ     | 2018F  | 1H18/2018F |
|---------------------|--------|--------|--------|--------|--------|---------|--------|------------|
| Revenue             | 45,305 | 40,245 | 12.6%  | 23,324 | 21,981 | 6.1%    | 91,311 | 49.6%      |
| Gross Profit        | 8,989  | 8,427  | 6.7%   | 4,576  | 4,413  | 3.7%    | 20,402 | 44.1%      |
| Gross Profit Margin | 19.8%  | 20.9%  | -1.1%  | 19.6%  | 20.1%  | -0.5%   |        |            |
| Opex                | 4,040  | 3,877  | 4.2%   | 2,310  | 1,730  | 33.5%   |        |            |
| Operating Profit    | 4,949  | 4,550  | 8.8%   | 2,223  | 2,726  | -18.5%  | 11,885 | 41.6%      |
| Operating margin    | 10.9%  | 11.3%  | -0.4%  | 9.5%   | 12.4%  | -2.9%   |        |            |
| Finance Cost        | -296   | -363   | -18.6% | -491   | 195    | -351.8% |        |            |
| Others-net          | 97     | 27     | 259.8% | 54     | 43     | 26.2%   |        |            |
| Pre-tax profit      | 4,750  | 4,213  | 12.7%  | 2,219  | 2,531  | -12.3%  |        |            |
| Pre-tax margin      | 10.5%  | 10.5%  | 0.0%   | 9.5%   | 11.5%  | -2.0%   |        |            |
| Net Profit          | 3,555  | 3,125  | 13.8%  | 1,663  | 1,892  | -12.1%  | 7,953  | 44.7%      |
| Net Margin          | 7.8%   | 7.8%   | 0.1%   | 7.1%   | 8.6%   | -1.5%   |        |            |

**DHARMA SATYA NET PROFIT DECLINES 32% YOY IN 1H18**

Dharma Satya Nusantara (DSNG) reported a 20% drop in revenue to Rp2.12 tn in 1H18 while COGS only declined by 15% YoY hence gross profit down 31% YoY to Rp570 bn with gross margin at 27% (vs. 31% in 1H17). Operating profit only down by 21% to Rp367 bn, helped by Rp30 bn gain in forex. Interest income grew significantly 53% YoY which squeezed net profit to Rp132 bn (-32% YoY). On quarter to quarter basis, revenue grew 20% to Rp1.16 tn while net profit jumped 63% to Rp81 bn.

**Exhibit : DSNG 1H18 results**

| Rp bn                   | 1H18    | 1H17    | YoY   | 2Q18  | 1Q18  | QoQ   | FY18F | 1H/18F |
|-------------------------|---------|---------|-------|-------|-------|-------|-------|--------|
| Revenues                | 2,123   | 2,660   | -20%  | 1,160 | 963   | 20%   | 4,718 | 45%    |
| Cost of revenue         | (1,553) | (1,837) | -15%  | (818) | (735) | 11%   |       |        |
| Gross profit            | 570     | 823     | -31%  | 343   | 228   | 51%   | 1,572 | 36%    |
| Gross margin (%)        | 27      | 31      | - 4   | 30    | 24    | 6     | 33    |        |
| G&A expenses            | (159)   | (166)   | -4%   | (103) | (56)  | 84%   |       |        |
| Marketing expenses      | (116)   | (120)   | -3%   | (67)  | (49)  | 37%   |       |        |
| Other op. income (exp.) | 42      | (58)    | -173% | 38    | 4     | 841%  |       |        |
| Forex gain (loss)       | 30      | (14)    | -315% | 7     | 23    | -70%  |       |        |
| Operating expenses      | (203)   | (357)   | -43%  | (125) | (78)  | 62%   |       |        |
| Operating profit        | 367     | 466     | -21%  | 217   | 150   | 45%   | 938   | 39%    |
| Operating margin (%)    | 17      | 18      | - 0   | 19    | 16    | 3     | 20    |        |
| Interest income         | 20      | 11      | 77%   | 9     | 11    | -18%  |       |        |
| Interest expense        | (188)   | (123)   | 53%   | (105) | (83)  | 28%   |       |        |
| Total other inc. (exp)  | (168)   | (111)   | 51%   | (96)  | (72)  | 35%   |       |        |
| Pre-tax profit          | 199     | 354     | -44%  | 121   | 78    | 54%   |       |        |
| Tax                     | (55)    | (123)   | -55%  | (34)  | (22)  | 56%   |       |        |
| Discontinued operations | (11)    | (38)    | -70%  | (6)   | (5)   |       |       |        |
| PBMI                    | 132     | 194     | -32%  | 81    | 52    | 56%   |       |        |
| MI                      | (1)     | (1)     | 43%   | 1     | (2)   | -152% |       |        |
| Net profit              | 132     | 194     | -32%  | 81    | 50    | 63%   | 458   | 29%    |
| Net margin (%)          | 6       | 7       | - 1   | 7     | 5     | 2     | 10    |        |

**Revenue breakdown**

|              |   |       |       |       |     |       |  |  |
|--------------|---|-------|-------|-------|-----|-------|--|--|
| Palm oil     | - | 2,266 | -100% | (741) | 741 | -200% |  |  |
| Wood product | - | 418   | -100% | (222) | 222 | -200% |  |  |

**Gross margin breakdown**

|              |         |     |         |     |     |    |  |  |
|--------------|---------|-----|---------|-----|-----|----|--|--|
| Palm oil     | #DIV/0! | 35% | #DIV/0! | 25% | 25% | 0% |  |  |
| Wood product | #DIV/0! | 4%  | #DIV/0! | 18% | 18% | 0% |  |  |

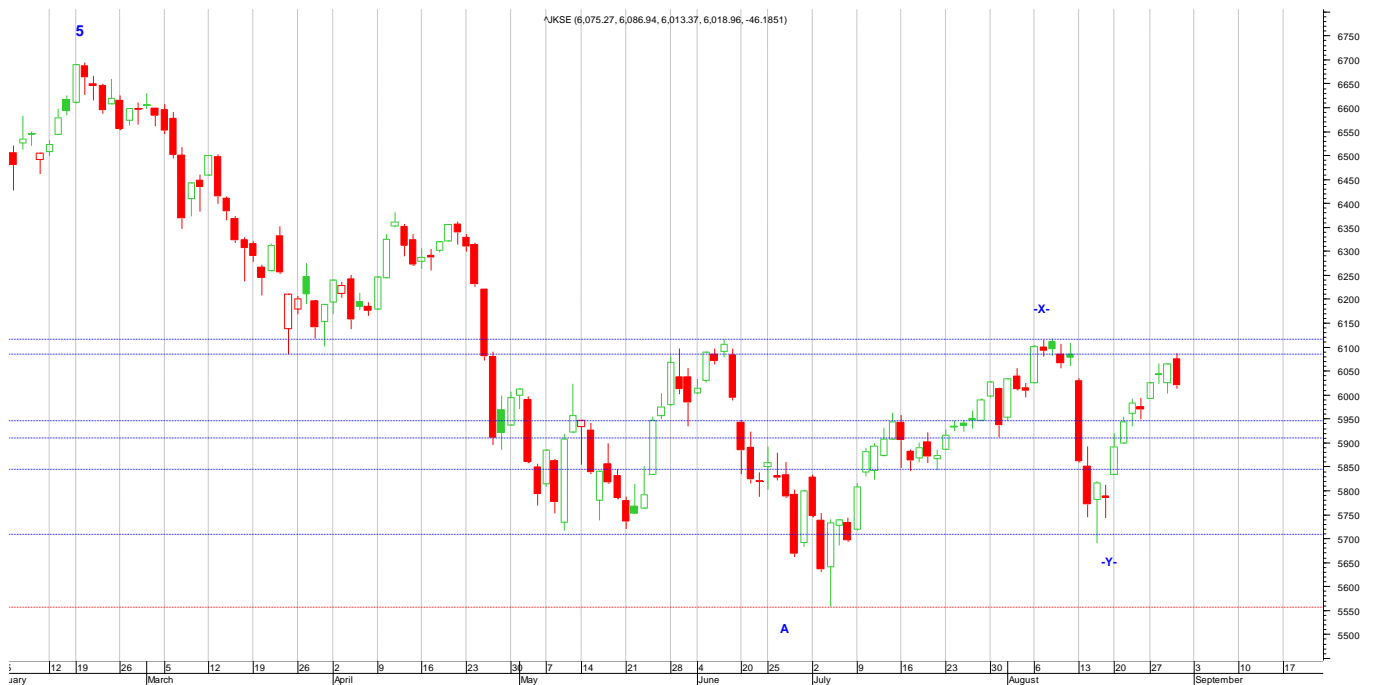
Source: DSNG, Ciptadana estimates

**Comment:** DSNG's top line was relatively in line with our FY18 estimate while net profit came in 21% below ours. We put DSNG under review with potential downgrade to net profit. Currently we have BUY rating on DSNG with TP Rp520, implying 2018F PE of 12.0x.

## TECHNICAL ANALYSIS

JCI : (6,018 -0.76%)

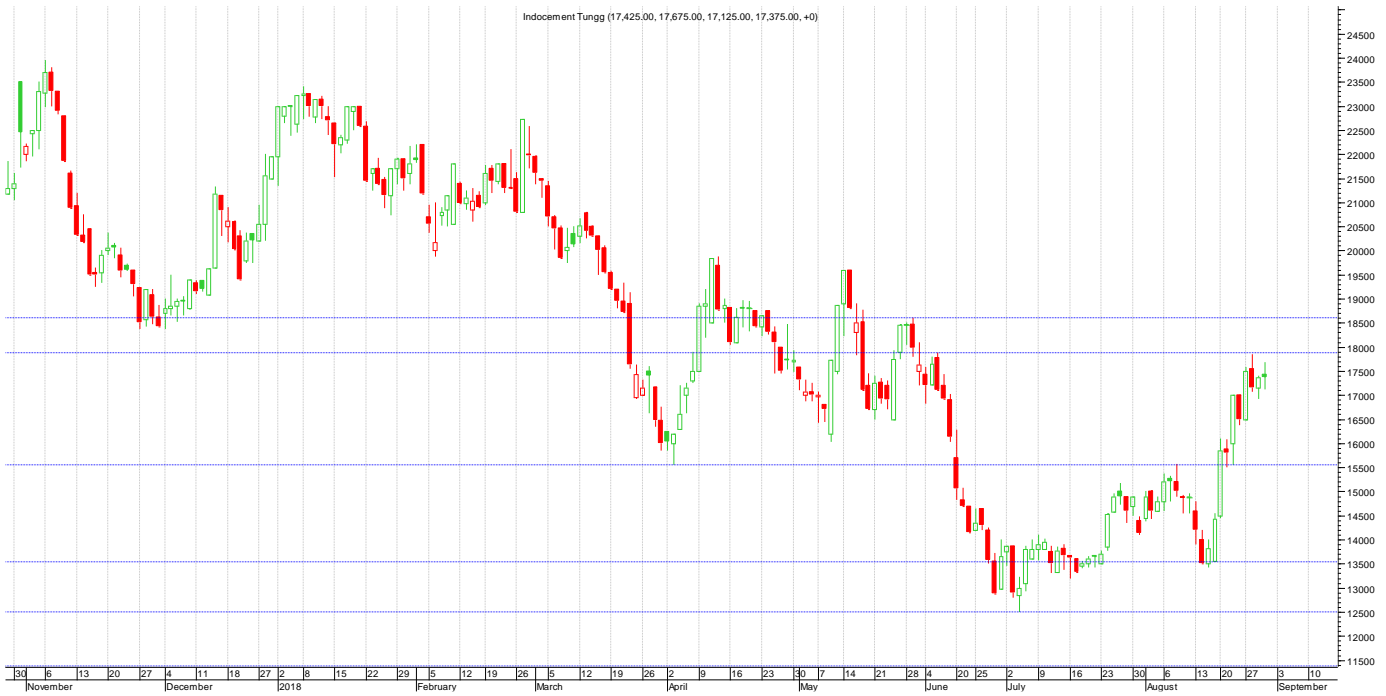
**Comment :** BBRI, HMSP and TLKM consecutively became lagging movers. Technically, JCI failed to break resistance level of the gap 6,084. Support level at 5,900. Next support and resistance level at 5,840-6,117. Based on Elliot wave approach, as we discussed before, JCI is forming corrective wave ABC. Because the index moved below the mid-term uptrend line, we consider that the index is forming a mid-term corrective wave. Meanwhile, we revise our short-term wave counting because the index moved above resistance level of the short-term downtrend line 5,850. We noted that the lowest level of 5,557 as the bottom of wave A. The rising movement that occurred in the last months noted as sub wave X of wave up B. The peaks of wave X likely at the level of 6,117 which occurred on August 8, 2018. According to this wave counting, now JCI is in the process to find the bottom of sub wave Y of wave up B. The bottom of wave Y should be above the bottom of wave A (above 5,557). The lowest level of 5,689 which occurred on August 15 could be the bottom of wave Y. If the level of 5,689 is the bottom of wave Y then JCI begins to form sub wave up Z of B which is the last wave of wave B. We predict the peaks of wave Z around the level of 6,120-6,250. This wave counting is automatically false if the index moves below the level of 5,557.



**STOCK OF THE DAY**

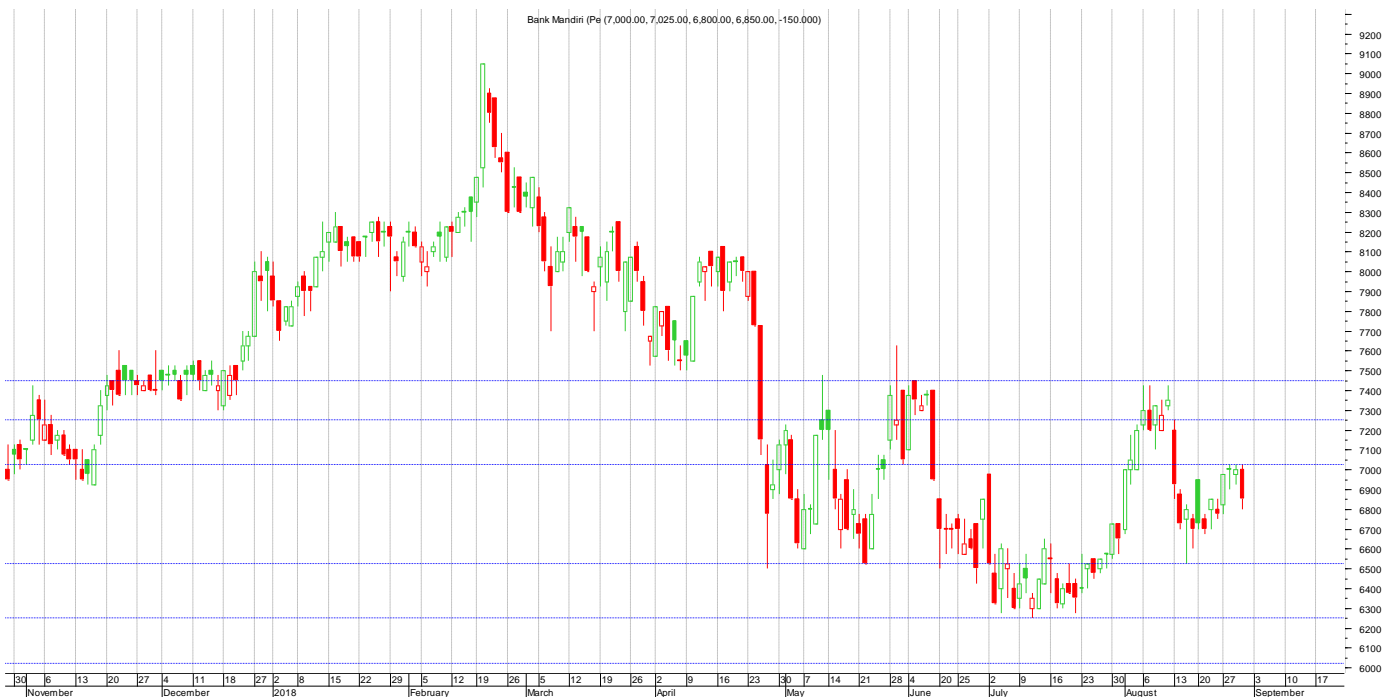
**INTP : Testing resistance level**

The price closed below minor resistance level 17,850. Support level at 16,375. Next support and resistance level at 15,550-18,650. The mid-term trend is still sideways. Take profit/Sell on strength.



**BMRI : Testing support level**

The price failed to break minor resistance level of 7,025. Support level at 6,525. Next support and resistance level at 6,250-7,425. The trend is still sideways. Buy on weakness.

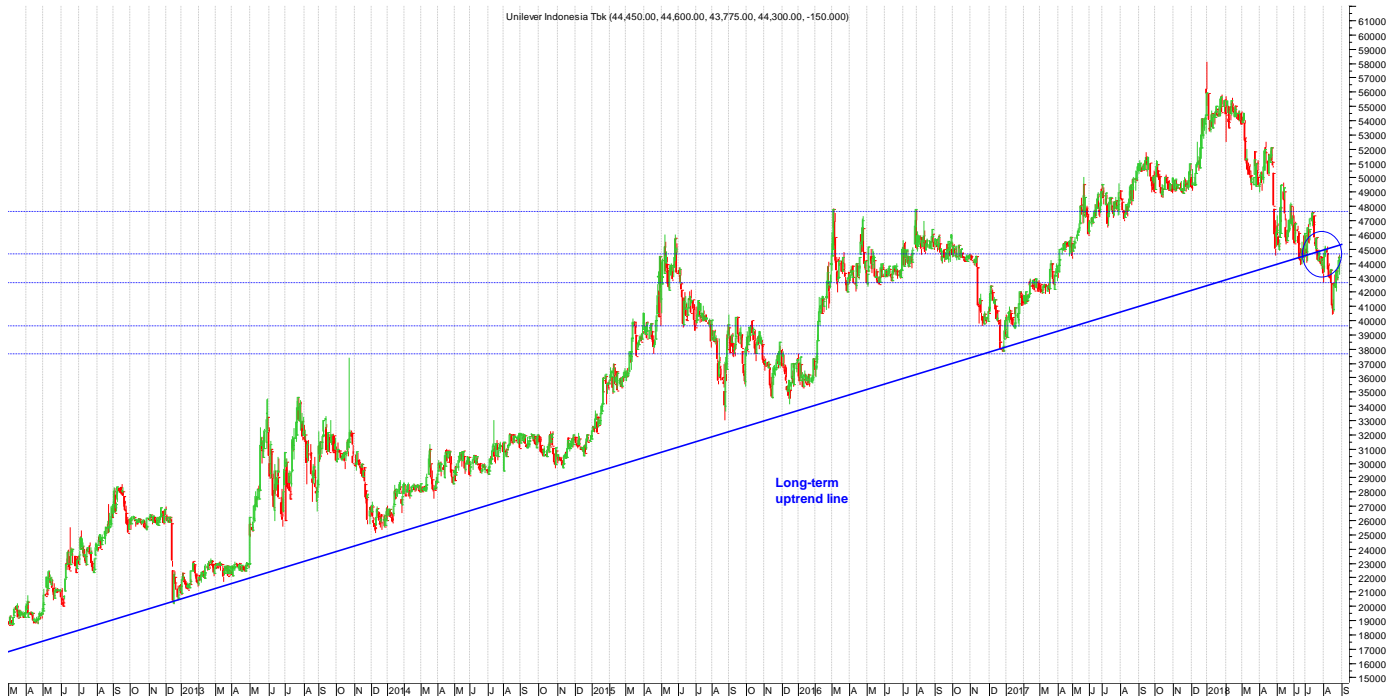


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**UNVR : Testing resistance level**

The price closed below minor resistance level of 45,000. Support level at 42,775. Next support and resistance level at 40,400-47,000. The price moved below support level of the long term uptrend line. If the breakout confirm, the trend will turn into sideways. Take profit



**AALI : Testing resistance level**

The price closed below minor resistance level of 13,800. Support level at 12,700. Next support and resistance level at 11,575-15,175. The trend turn is still positive. The price likely formed a reversal Head and Shoulder pattern. Theoretical target of this pattern around the level of 16,500. ST : Speculative buy.



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## CIPTADANA FIXED INCOME DAILY

### CURRENCY TRADING RANGE OF TODAY

USD/Rp: 14,630 – 14,730

| INDONESIA GOVERNMENT SECURITIES YIELD |           |
|---------------------------------------|-----------|
| Maturity (yrs)                        | Yield (%) |
| 1                                     | 7.00      |
| 3                                     | 7.49      |
| 5                                     | 7.84      |
| 10                                    | 8.01      |
| 15                                    | 8.15      |
| 30                                    | 8.58      |

| AVERAGE DEPOSIT RATE |      |      |      |      |      |
|----------------------|------|------|------|------|------|
|                      | 1M   | 3M   | 6M   | 1YR  | 2YRS |
| IDR                  | 5.79 | 5.96 | 5.99 | 5.84 | 5.53 |
| US\$                 | 1.03 | 1.06 | 0.99 | 1.02 |      |
| JIBOR (RP)           | 6.70 | 7.10 | 7.34 | 7.48 |      |

| BASE LENDING RATE |      |
|-------------------|------|
| BI RATE           | 5.50 |
| FED FUND RATE     | 2.00 |
| LPS INSURED RATE  |      |
| IDR               | 5.50 |
| US\$              | 1.00 |

| EXCHANGE RATE |        |        |
|---------------|--------|--------|
| EXCHANGE RATE |        | % chg. |
| 1 US\$ = IDR  | 14,680 | -0.24  |
| 1 US\$ = SGD  | 1.37   | -0.01  |
| 1 US\$ = JPY  | 110.95 | 0.03   |
| 1 US\$ = AUD  | 0.73   | -0.15  |
| 1 US\$ = EUR  | 1.17   | -0.06  |

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**Analyst Certification**

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