

Equity Strategy

Attractive bargain hunting opportunities

December 27, 2016

Trump effect—lingering capital outflow

Since Mr. Trump's victory in US Presidential election, JCI has declined 7.8% to 5,028, translating to 15.4x 2017 PE. We believe the decline has been mostly caused by rising global uncertainties following Mr. Trump's victory. Among the uncertainties, however, what is very likely is the rise of Fed Fund Rate next year, which has triggered emerging market selloff. JCI seems to be the most significantly affected with Malaysia, Vietnam, and Thai index only declined by 2.2%, 2.0%, and 0.2%, respectively.

Defiance on usual trends

We have been tracking the performance of stocks listed in LQ45 index and under our coverage since 10-Nov—which we believe as the rough starting point of Trump effect, and noticed a few interesting trends. PWON and BSDE fell 23.4% and 22.7%, respectively, which is expected given that they are cyclical (interest-rate sensitive) and high beta. What is interesting, however, is that ASII and most big banks are holding up better, despite them also being interest rate sensitive and high beta. BBKA, BBNI, and BMRI only declined less than 6% (vs. JCI at 7.8%). ASII declined slightly more at 11.2%, but still performed considerably well compared to ICBP (which has comparable liquidity and foreign ownership) at 20.1%.

Bargain hunting for quality stocks that have fallen significantly

We still expect risk of further foreign outflow, but we also start to see bargain hunting opportunities on quality stocks that have declined considerably and we think will still post good operational performance:

1. **PWON**, expect solid marketing sales improvement and brand new launches in FY17
2. **LPPF**, supported by expected better consumer purchasing power and undemanding valuation
3. **GGRM**, expect better sales volume, as it has strong market share in outer-Java areas which are beneficiary of rising commodity price.
4. **AKRA**, as beneficiary of coal price rally and low oil price
5. **UNTR**, good earnings growth supported by better coal price and also expected strong HE sales next year
6. **INDF**, stronger performance from CBP and improving agribusiness
7. **ASII**, also expect demand recovery from commodity-related areas
8. **KLBF**, expect stable growth from its new innovative products

Note that these stocks are all listed in LQ45, which should make them liquid enough to be attractive trading opportunities.

STRATEGY UPDATE

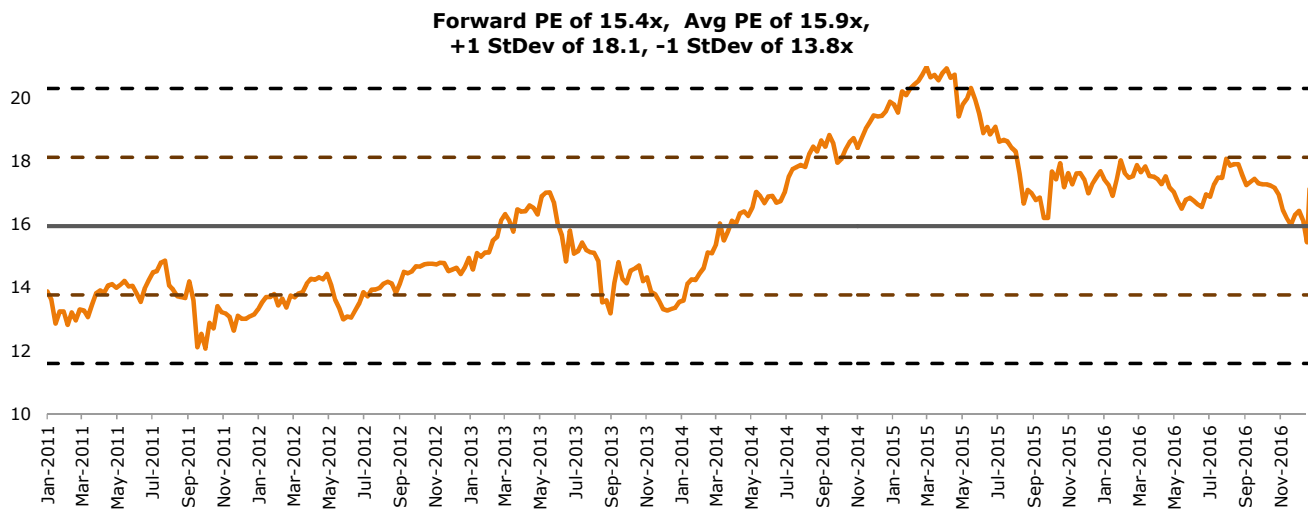
Index Target:

End-2016	5,053 (0% upside)
1Q -2017	5,229 (4% upside)
End-2017	5,964 (19% upside)

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Top picks	Price (Rp)	Mkt. Cap	TP	Ups.	Rec	EPS Growth (%)		P/E (X)		EV/EBITDA (X)		P/BV (X)	
	23-Dec	(Rpbn)		(%)		2016	2017	2016	2017	2016	2017	2016	2017
PWON	540	26,006	790	46.3	Buy	-10.1	14.0	20.7	18.1	8.0	7.2	3.6	3.6
LPPF	14,275	41,653	20,000	40.1	Buy	17.1	15.5	20.0	17.4	14.0	11.9	17.5	15.7
GGRM	60,300	116,023	82,000	36.0	Buy	3.4	19.0	17.4	14.7	11.2	9.6	2.9	2.7
AKRA	5,575	22,254	7,300	30.9	Buy	6.9	16.0	20.1	17.4	10.2	8.3	3.3	2.9
UNTR	19,675	73,390	25,000	27.1	Buy	25.5	47.2	15.2	10.3	5.7	4.2	1.9	1.8
INDF	7,275	63,878	9,200	26.5	Buy	34.9	19.1	17.4	14.6	6.7	6.5	2.1	2.0
ASII	7,325	296,542	9,200	25.6	Buy	14.1	24.4	18.0	14.4	11.5	10.0	2.7	2.4
KLBF	1,440	67,500	1,800	25.0	Buy	14.2	18.8	29.2	24.6	19.3	16.2	5.7	5.1

Figure 1. JCI PE Band


Source: TRIM research, Bloomberg

Figure 2. List of LQ45 stocks under our coverage and their performance since 10-Nov

Ticker	Price (Rp) 23-Dec	%Change since 10-Nov	TP	Ups. (%)	Rec	EPS Growth (%)	P/E (X)	EV/ EBITDA (X)	Div. Yield (%)	P/BV (X)	ROE (%)
						2017	2017	2017	2017	2017	2017
PWON	540	-23.4	790	46.3	Buy	14.0	18.1	7.2	0.0	3.6	19.9
BSDE	1,600	-22.7	1800	12.5	Neutral	-14.0	11.4	8.4	2.2	1.3	11.6
MPPA	1,365	-20.2	1500	9.9	Sell	241.6	26.2	9.2	2.3	2.7	10.3
ICBP	7,550	-20.1	9200	21.9	Neutral	10.3	21.2	13.3	2.1	4.4	20.8
AKRA	5,575	-19.8	7300	30.9	Buy	16.0	17.4	8.3	2.0	2.9	16.9
MNCN	1,620	-18.0	1900	17.3	Neutral	10.4	12.7	8.9	3.8	2.0	15.8
KLBF	1,440	-15.8	1800	25.0	Buy	18.8	24.6	16.2	1.8	5.1	20.8
UNVR	37,875	-14.7	44000	16.2	Neutral	15.3	38.3	26.7	2.6	59.9	156.2
LPPF	14,275	-14.5	20000	40.1	Buy	15.5	17.4	11.9	3.5	15.7	90.3
SMRA	1,255	-14.3	1330	6.0	Sell	71.6	80.4	15.1	0.4	2.9	3.6
BBRI	10,875	-13.7	11900	9.4	Buy	7.3	10.0	N.A	2.8	1.7	17.5
UNTR	19,675	-13.4	25000	27.1	Buy	47.2	10.3	4.2	4.4	1.8	17.9
BBTN	1,630	-13.3	1850	13.5	Buy	19.2	6.0	N.A	3.2	0.8	13.4
INDF	7,275	-11.3	9200	26.5	Buy	19.1	14.6	6.5	3.2	2.0	13.6
ASII	7,325	-11.2	9200	25.6	Buy	24.4	14.4	10.0	2.7	2.4	16.6
TLKM	3,690	-10.4	4200	13.8	Neutral	11.5	16.6	5.6	4.2	4.2	25.5
GGRM	60,300	-10.3	82000	36.0	Buy	19.0	14.7	9.6	4.0	2.7	18.5
INCO	2,720	-9.9	3600	32.4	Neutral	3867.8	12.4	6.0	0.0	1.0	8.0
HMSP	3,640	-9.9	4100	12.6	Neutral	10.1	31.5	23.5	2.9	12.1	38.3
PTBA	11,800	-8.4	16000	35.6	Buy	125.2	6.7	4.4	2.3	1.9	29.2
ADHI	1,980	-8.3	1930	-2.5	Neutral	30.1	18.3	5.9	1.3	0.9	4.9

Figure 2. List of LQ45 stocks under our coverage and their performance since 10-Nov (cont'd)

Ticker	Price (Rp) 23-Dec	%Change since 10-Nov	TP	Ups. (%)	Rec	EPS Growth (%)	P/E (X)	EV/ EBITDA (X)	Div. Yield (%)	P/BV (X)	ROE (%)
						2017	2017	2017	2017	2017	2017
INTP	14,800	-7.5	16400	10.8	Neutral	11.0	14.8	6.7	5.4	1.9	12.6
PTPP	3,540	-7.1	4210	18.9	Neutral	12.1	16.0	5.9	1.2	1.5	12.1
WIKA	2,290	-6.7	2930	27.9	Buy	6.6	18.5	4.3	1.0	2.3	17.0
WSKT	2,300	-6.1	2910	26.5	Buy	80.8	14.7	9.7	0.6	2.5	17.0
BBNI	5,250	-5.8	6000	14.3	Buy	38.5	6.9	N.A	2.6	1.1	16.5
BBCA	14,450	-5.6	15000	3.8	Neutral	15.1	16.1	N.A	1.2	2.9	18.0
BMRI	10,775	-5.1	10500	-2.6	Neutral	74.3	9.8	N.A	2.3	1.7	17.4
SMGR	9,050	-1.9	11300	24.9	Buy	0.2	13.0	7.4	3.1	1.7	13.1
SILO	10,100	-0.8	10800	6.9	Neutral	54.4	79.9	17.9	0.1	4.0	5.0
PGAS	2,520	1.6	3000	19.0	Buy	12.0	8.8	5.8	3.6	1.2	14.9
ADRO	1,655	5.4	2000	20.8	Buy	98.2	7.8	3.0	3.2	1.1	14.5

Source: TRIM research, Bloomberg

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