

RESEARCH

QUARTERLY ECONOMIC & FINANCE BRIEFING

Investment: Waiting for game-changers

- FDI and DDI performed modestly (-4.9% and 18.6% YoY, respectively)...
- While investment is still likely to underperform in the short-run...
- The key seems to rest in fiscal policy...

HEADLINE NEWS

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- RI to follow Russian model to establish sovereign wealth fund

INDUSTRY

- Gov't to adjust tariff on Tangerang – Merak toll road
- Hospital holding to be set by Dec-20
- Domestic investment in property increased at 79% YoY in 2019

COMPANY

- BBTN to improve loan quality
- BMRI targets 150mn transactions with Bukalapak's partners
- CENT acquired 1,054 EXCL towers
- TINS to allocate IDR2tn capex in 2020
- PBID aims 21kton/year additional capacity from new factory

INDICES	Last	Chg (%)	YTD (%)	Vol (US\$ mn)
ASIA				
IDX	5,952	(0.79)	(5.52)	338
LQ45	968	(0.89)	(4.55)	262
Hang Seng	27,241	(0.59)	(3.36)	3,915
KOSPI	2,201	(0.49)	0.15	4,367
Nikkei 225	23,686	(0.60)	0.12	10,957
PCOMP	7,431	(1.02)	(4.92)	101
SET	1,535	-	(2.82)	1,691
SHCOMP	2,890	0.51	(5.23)	44,591
STI	3,163	(0.58)	(1.85)	527
TWSE	11,574	(0.33)	(3.53)	3,957
EUROPE & USA				
DAX	13,494	(0.15)	1.85	208
Dow Jones	29,277	0.60	2.59	665
FTSE 100	7,447	(0.27)	(1.27)	315
NASDAQ	9,628	1.13	7.31	2,516
S&P 500	3,352	0.73	3.75	3,303
ETF & ADR				
EIDO US (USD)	24.54	(0.16)	(5.87)	(4.36)
TLK US (USD)	27.68	0.87	(4.06)	(2.88)

Source: Bloomberg

COMMODITIES	Last	Chg (%)	MoM (%)	YTD (%)
Brent (USD/b)	53	(2.20)	(17.09)	(18.41)
WTI (USD/b)	50	(1.49)	(15.97)	(18.43)
Coal (USD/ton)	68	(0.58)	(3.95)	0.59
Copper (USD/mt)	5,667	0.07	(8.57)	(8.21)
Gold (USD/toz)	1,572	0.11	0.63	3.62
Nickel (USD/mt)	12,885	0.90	(9.20)	(8.13)
Tin (USD/mt)	16,325	0.93	(5.22)	(4.95)
Corn (USd/mt)	382	(0.46)	(1.04)	(1.55)
Palm oil (MYR/mt)	2,800	(2.51)	(10.57)	(7.93)
Soybean (USd/bu)	884	0.26	(6.53)	(7.46)
Wheat (USd/bsh)	552	(1.21)	(2.21)	(1.21)

Source: Bloomberg

CURRENCY & RATES	Last	1D	1M	2019
IDR/USD	13,712	13,675	13,772	13,866
AUD/USD	1.50	1.50	1.45	1.43
CAD/USD	1.33	1.33	1.31	1.30
CNY/USD	6.98	7.00	6.92	6.96
USD/EUR	1.09	1.09	1.11	1.12
JPY/USD	109.77	109.75	109.45	108.61
SGD/USD	1.39	1.39	1.35	1.35
JIBOR (%)	4.83	4.80	4.80	4.88
7D Repo Rate (%)	5.00	5.00	5.00	5.00
10Y Bond (%)	6.60	6.58	6.93	7.06
CDS - 5Y (bps)	63.98	64.00	62.47	67.72

Source: Bloomberg

MARKET	2019F	2020F	MACRO	2019F	2020F
EPS growth (%)	3.1	3.7	GDP Growth (%)	5.0	4.9
Cons EPS growth (%)	4.2	10.5	Govt Spending (%)	5.6	4.3
P/E (x)	24.7	23.8	Private Spending (%)	5.1	4.9
P/E ex UNVR, HMSP (x)	21.7	20.4	Investment (%)	4.2	3.9
EV/EBITDA (x)	17.6	16.6	CPI (%)	2.7	3.6
P/B (x)	5.9	0.5	BI 7-day RR (%)	5.0	4.5
P/B ex UNVR, HMSP (x)	3.5	3.2	IDR/USD	13,866	14,445
Yield (%)	3.2	3.1	FX Reserve (USDbn)	129.2	140.6
Gearing ex Bank (%)	21.8	23.5	CAD (%)	(2.7)	(2.9)
ROE (%)	15.3	14.7	Fiscal Budget (%)	(2.2)	(2.5)
ROA (%)	3.8	3.6	10-Y Govt bond	7.0	6.5

Source: BCA Sekuritas

FUND FLOWS & SECTORAL TREND				
Foreign Flows	Last	1W	1M	YTD
Equity - In/(Out) (IDRbn)*	330	474	(1,349)	507
Bonds - In/(Out) (IDRbn)	(100)	(5,960)	(7,740)	3,560
Sector Performance	Last	1D (%)	1M (%)	YTD (%)
JAKAGRI Index	1,324	(3.37)	(10.53)	(13.17)
JAKBIND Index	870	(1.33)	(8.54)	(11.08)
JAKCONS Index	1,973	(0.72)	(5.89)	(3.87)
JAKFIN Index	1,343	(0.39)	(0.72)	(0.89)
JAKINFRA Index	297	(1.30)	(8.22)	(8.15)
JAKMIND Index	1,097	(2.46)	(9.09)	(10.35)
JAKMINE Index	1,415	(0.91)	(10.69)	(8.64)
JAKPROP Index	452	(0.80)	(8.75)	(10.37)
JAKTRAD Index	711	(1.26)	(5.81)	(7.68)

Source: Bloomberg

HEADLINE NEWS

MACRO

RI to follow Russian model to establish sovereign wealth fund

Indonesia will follow Russia's model, Russian Direct Investment fund (RDIF) to establish the sovereign wealth fund announced by President Joko Widodo during his visit to the United Arab Emirates (UAE) in mid-January. Indonesia would raise the required funds from private investors instead of from the country's reserve funds and will be used as a catalyst for attracting direct investment into the country. Note that RDIF has attracted over USD40b in foreign capital into the Russian economy through long-term strategic partnership since its establishment in 2011. The sovereign wealth fund will work together with Ministry of SOE, in which the minister team would provide suggestions on the business framework for the fund and will be directly overseen by the Finance Ministry.

Additional key points on the sovereign wealth funds are:

- Will be established as an independent institution
- Investors will act as anchor investors for entire project, including infrastructure, energy and resources, healthcare, tourism, and technology
- To finance both greenfield and brownfield projects as well as recycling projects in the future
- To direct the investment toward construction of new capital city
- To be regulated through the omnibus bill on job creation

At this juncture, there are several countries/group investors, which have shown commitment to invest in Indonesia, namely UAE (USD6.8bn), IDFC (USD5.5bn), and Softbank Group (up to USD40bn).

Comment: *the sovereign wealth fund could potentially transfer the burden of licensing and land acquisition to the local entity. The key would hinge on the execution and regulatory support for the fund establishment. At a glance, basing on RDIF, the fund has successfully served its purpose, attracting foreign capital, forming long-term strategic partnership, and employing more than 800k people in the portfolio. It is too early to conclude that the Indonesia's sovereign wealth fund will mirror the success of RDIF, but we are undoubtedly positive on this new breakthrough.*

INDUSTRY

Gov't to adjust tariff on Tangerang – Merak toll road

Under the Public House and Public Works Ministry (PUPR) regulation no 70/KTSP/M/2020, starting 12-Feb-20, the Government will implement a tariff adjustment for Tangerang – Merak toll road. Group I and II's tariffs will be raised to IDR44k and IDR69k respectively, while Group III and IV to be lowered to IDR88.5k and IDR89k respectively. (Bisnis Indonesia)

Comment: *Tangerang – Merak toll road is the first of 10 toll roads that will have tariff adjustment this year, which is fully expected and in line with biennial tariff adjustment plan*

Hospital holding to be set by Dec-20

Ministry of SOE targets the formation of hospital holding to reach completion by end of Dec-20, with an estimation holding's revenue of IDR8.0tn. The government has chosen Pertamina Bina Medika IHC (Petramedika) as the leader company of the holding. The first phase will include the consolidation and integration between Pelni's hospitals and Pertamina's hospitals, which is projected to be done by Jun-20 with an estimated revenue of up to IDR5.6tn and EBITDA of IDR510bn. Following the first phase, the two hospitals will then be integrated with the other 5 SOE hospitals. Note that currently, SOE owns 64 hospitals and 6,500 beds. (Investor Daily, Kontan)

Domestic investment in property increased at 79% YoY in 2019

Investment Coordinating Board (BKPM) stated that the domestic investment for property industry during 2019 increased 79% YoY, from IDR24.57tn to IDR43.96tn. The number of projects has also increased from 1,142 to 3,942 projects. In the other hand, foreign direct investment for property declined from IDR74.37tn to IDR48.82tn (-34% YoY), yet the number of projects increase from 3,129 to 5,012 projects. (Investor Daily)

Comment: *The increase in domestic investment results from investor confidence regaining after the uncertainty from the presidential election.*

HEADLINE NEWS

COMPANY

Bank Tabungan Negara (BBTN) to improve loan quality

BBTN's CFO, Nixon L. Napitupulu, stated that along with the credit expansion, the company will also focus on the loan quality improvement and cutting the interest rate. The company plans to focus on the settlement of the loan rather than conducting too much loan restructuring. On the funding side, BBTN launched BTN Solusi, a bundling deposit program that can help the company to acquire more CASA. BBTN's CEO, Pahala N. Mansury, stated that the company targets to acquire IDR1.9tn CASA from BTN Solusi and increase CASA contribution to more than 45%. (Bisnis Indonesia, Investor Daily)

Bank Mandiri (BMRI) targets 150mn transactions with Bukalapak's partners

BMRI collaborates with Bukalapak to empower 1.5mn Bukalapak partner's stores to become Laku Pandai agent. BMRI's Director of Consumer and Retail Transaction, Hery Gunardi, stated that the company plans to gradually acquire all the Bukalapak partner's stores to become its banking agent and targets 150mn transactions per month. (Investor Daily)

Centratama Telekomunikasi (CENT) acquired 1,054 XL's (EXCL) towers

CENT, through its subsidiary, Centratama Menara Indonesia, has won the tender for EXCL's 1,054 towers, where the CSPA will signed on 7 Feb 2020. The funding for the acquisition will be through bank loans from DBS and ING. No further details has been released on the tower acquisition. Based on the news, TBIG and TOWR are also participating in EXCL's tower auction. (Investor Daily)

Comments: With CENT as the winner of EXCL's 1,054 towers, we see the possibility of the remaining 2,000-2,100 tower sales would also be split. Hence, the possibility of both TOWR and TBIG to acquire the remaining towers.

Timah (TINS) to allocate IDR2tn capex in 2020

TINS will allocate IDR2tn for this year, which mainly to fund their ausmelt smelter and monazite smelter. The funding source will come from internal cash and bank loan. Company has started the construction of the ausmelt smelter in Muntok, Bangka on 30-Jan, whereas the construction for monazite smelter in Tanjung Ular, West Bangka will start by end of 2020. Additionally, the Company also plans to expand to a few countries in Africa, such as Nigeria, Tanzania, Rwanda and Congo, while currently the Company is still waiting on the permit to build a factory in Nigeria. The Company is also planning to supply Thorcon International for thorium needed for their power plant (PLTT), and has signed an agreement with The National Atomic Energy Agency (BATAN) to store thorium generated from the separation of monazite. (Bisnis Indonesia, Investor Daily, Kontan)

Panca Budi (PBID) aims 21kton/year additional capacity from new factory

PBID estimates their production capacity to increase by 21k ton/ year starting 2H20 with the completion of their new factory (12ha) in Pemalang, East Java. The new factory will be an addition to its current accumulated capacity of 98k ton/year with utility rate of 85-90%. PBID has allocated IDR100bn capex for the factory and estimates it to reach completion in May-20 or Jun-20. Note that in 2020, PBID projects revenue growth of 10% with their focus on Central Java and East Java. (Kontan)

CORPORATE ACTION

Date	Ticker	Company	Event	Desc
12-Feb-20	CSAP	Catur Sentosa Adiprana	EGM	Venue: Catur Sentosa Adiprana, CSA Academy, Jl. Daan Mogot Raya KM 14, at 10.00
14-Feb-20	SRAJ	Sejahteraraya Anugrahjaya	EGM	Venue: Mayapada Hospital Jakarta Selatan, Jakarta, at 10.00 am
18-Feb-20	BBRI	Bank Rakyat Indonesia Persero	AGM	Venue: BRI I Building, at 02.00 pm
19-Feb-20	AGRO	Bank Rakyat Indonesia Agroniag	AGM	Venue: BRI Agro, Jl. Warung Jati Barat No. 139, at 02.00 pm
19-Feb-20	BMRI	Bank Mandiri Persero	AGM	Venue: Plaza Mandiri, Gatot Subroto, at 02.00 pm
19-Feb-20	PSAB	J Resources Asia Pasific	EGM	Venue: Equity Tower, SCBD Lot 9, at 02.00 pm
20-Feb-20	ARGO	Argo Pantas	EGM	Venue: TBD
20-Feb-20	BBKP	Bank Bukopin	EGM	Venue: Auditorium Bank Bukopin It3, Jl. MT. Haryono Kav 50-51, at 109.30 am
20-Feb-20	BBNI	Bank Negara Indonesia Persero	AGM	Venue: TBD
21-Feb-20	SATU	Kota Satu Properti	EGM	Venue: Sphere Ballroom - AllStay Hotel at 13.00
21-Feb-20	APEX	Apexindo Pratama Duta	EGM	Venue: Office 8 Building, Jl. Jend Sudirman Kav 52-53, at 10.00 am
28-Feb-20	MTRA	Mitra Pemuda	EGM	Venue: MTRA Office, Jl. P. Tubagus Angke No.179, at 10.00 am
24-Feb-20	BEEF	Estika Tata Tiara	EGM	Venue: TBD
28-Feb-20	ICON	Island Concepts Indonesia	EGM	Venue: TBD
26-Feb-20	AISA	Tiga Pilar Sejahtera Food	AGM	Venue: TBD
26-Feb-20	BEKS	Bank Pembangunan Daerah Banten	EGM	Venue: TBD
27-Feb-20	WICO	Wicaksana Overseas Internation	EGM	Venue: TBD
03-Mar-20	ARNA	Arwana Citramulia	AGM	Venue: Puri Indah Financial Tower, Jl. Puri Indah Raya Blok T No.8, at 10.00 am

Source: KSEI, IDX

Equity Research Division
research@bcasekuritas.co.id

Institutional Equity Market Division
ecm@bcasekuritas.co.id

Sales Equity Market Division
sales@bcasekuritas.co.id



Menara BCA – Grand Indonesia, 41st Floor
Jl. MH Thamrin No. 1, Jakarta 10310
Tel. +62 21 2358 7222
Fax. +62 21 2358 7250/300/290



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