

# Astra International

BUY (unchanged)

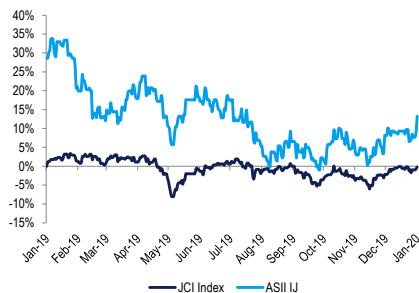
Company Update | Automotive | ASII IJ | 14 January 2020

## Stock Data

Target price	Rp8,100
Prior TP	Rp8,100
Current price	Rp7,175
Upside/downside	+13%
Shares outstanding (mn)	40,484
Market cap (Rp bn)	290,469
Free float	50%
Avg. 6m daily T/O (Rp bn)	183

## Price Performance

	3M	6M	12M
Absolute	11.7%	-3.4%	-12.0%
Relative to JCI	8.4%	-1.9%	-11.8%
52w low/high	Rp6,275 - Rp8,475		



## Major Shareholders

Jardine Cycle & Carriage Ltd	50.1%
Blackrock Inc	2.1%
Vanguard Group Inc	1.8%

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## Dec19 auto: manageable inventory and discount amid improving retail demand

- National 4W wholesale volume was -1% yoy (-5% mom) in Dec19 – non-ASII was better (+8% yoy/+6% mom) vs. ASII (-10% yoy/-14% mom).
- Retail 4W volume was -8% yoy but grew 8% mom – ASII saw stronger mom pick-up (-9% yoy/+12% mom) vs. non-ASII (-7% yoy/+4% mom).
- Our analysis also suggests that inventory levels have continued to improve, while discounting has remained manageable. Maintain Buy.

### Slow wholesale volume for ASII in Dec19, while non-ASII was growing

National wholesale 4W volume was down 1% yoy (-5% mom) in Dec19. ASII saw sluggish wholesale volume (-10% yoy/-14% mom), largely due to weakness in Daihatsu (-33% yoy/-32% mom) amid competition from other brands, especially in the MPV segment. Non-ASII brands grew 8% yoy (+6% mom), with Wuling (+98% yoy/+137% mom) and Suzuki (+22% yoy/flat mom) being the strongest. Cumulatively, national wholesale 4W volume was down 11% yoy in FY19 – ASII's volume was down 8% yoy as well as non-ASII's (-14% yoy). ASII's market share increased to 52% in FY19 vs. 51% in FY18.

### Weak yoy retail volume, though it picked-up on mom basis

National retail 4W volume was down 8% yoy but picked-up by 8% mom in Dec19 – ASII was able to see a stronger mom pick-up of 12% mom (-9% yoy), largely driven by both Toyota (+13% mom/-5% yoy) and Daihatsu (+12% mom/-16% yoy), non-ASII was slower (+4% mom/-7% yoy). Cumulatively, national retail 4W volume was down 10% yoy in FY19 – ASII's was down 8% yoy, while non-ASII's was down 11% yoy.

### Discounting has remained manageable

Dec19 marks the third consecutive month retail volume has picked-up mom (national/ASII's sales has picked-up mom by 7%/10% in Oct, 5% in Nov, and 8%/12% in Dec). Our analysis suggests that the inventory level (as indicated by the gap between retail and wholesale volume) has continued to improve for both national and ASII, though not for the non-ASII brands. Our checks with local dealers also suggest that discounting has remained manageable (up to Rp27mn discount/unit on Avanza vs. 4Q18 peak of Rp30-35mn/unit).

### Maintain Buy

Maintain Buy as we expect a volume recovery in 2020. ASII trades at 11x 2020 P/E vs. 10-year average of 15x P/E. Catalysts are improving 4W/2W volumes. Risk is an economy slowdown, unfavourable changes in regulations, and disruptions from extreme weather.

Financial Summary (Rp bn)	2017A	2018A	2019F	2020F	2021F
Revenue	206,057	239,205	238,799	248,997	262,474
EBITDA	28,192	36,290	34,396	38,143	39,524
Net profit	18,881	21,673	21,161	26,010	27,587
EPS (Rp)	466	535	523	642	681
EPS growth (%)	24.6%	14.8%	-2.4%	22.9%	6.1%
ROE	12.7%	13.1%	11.5%	12.7%	12.1%
PER	15.4	13.4	13.7	11.2	10.5
EV/EBITDA	11.8	9.7	10.1	8.9	8.4
Dividend yield	2.3%	2.6%	3.0%	2.9%	3.6%
IPS vs. consensus			98%	113%	112%

Sources: Company, IndoPremier

Share price closing as of: 14 January 2020

## Slow wholesale volume for ASII in Dec19, while non-ASII was growing

National wholesale 4W volume was down 1% yoy (-5% mom) in Dec19. ASII saw sluggish wholesale volume (-10% yoy/-14% mom), largely due to weakness in Daihatsu (-33% yoy/-32% mom) amid competition from other brands, especially in the MPV segment.

Non-ASII brands grew 8% yoy (+6% mom), with Wuling (+98% yoy/+137% mom) and Suzuki (+22% yoy/flat mom) being the strongest. Cumulatively, national wholesale 4W volume was down 11% yoy - ASII's volume was down 8% yoy vs. non-ASII's -14% yoy, with ASII's market share increasing to 52% in FY19 vs. 51% in FY18.

**Fig. 1: National wholesale 4W volume was -1% yoy (-5% mom) – ASII saw sluggish Dec19 volume (-10% yoy/-14% mom) largely due to weakness in Daihatsu (-33% yoy/-32% mom), while non-ASII volumes grew (+8% yoy/+6% mom)**

4W wholesale sales (in units)	FY19	FY18	yoy%	4Q19	4Q18	yoy%	3Q19	qoq%	Dec-19	Dec-18	yoy%	Nov-19	mom%
Toyota	331,797	352,161	-6%	87,367	94,761	-8%	90,122	-3%	27,453	26,661	3%	28,970	-5%
Daihatsu	177,284	202,738	-13%	44,296	55,225	-20%	45,965	-4%	10,855	16,289	-33%	15,911	-32%
Isuzu	25,270	26,098	-3%	7,713	7,618	1%	6,275	23%	2,568	2,491	3%	2,664	-4%
UD Trucks	2,271	3,370	-33%	377	911	-59%	655	-42%	126	321	-61%	139	-9%
Peugeot	129	139	-7%	51	51	0%	33	55%	18	5	260%	18	0%
<b>Astra total</b>	<b>536,751</b>	<b>584,506</b>	<b>-8%</b>	<b>139,804</b>	<b>158,566</b>	<b>-12%</b>	<b>143,050</b>	<b>-2%</b>	<b>41,020</b>	<b>45,767</b>	<b>-10%</b>	<b>47,702</b>	<b>-14%</b>
Mitsubishi	161,765	194,331	-17%	39,284	41,573	-6%	41,552	-5%	13,327	12,467	7%	11,974	11%
Suzuki	100,383	118,014	-15%	28,914	26,937	7%	24,912	16%	10,116	8,316	22%	10,077	0%
Nissan	12,302	6,885	79%	1,776	1,493	19%	3,350	-47%	589	507	16%	707	-17%
Honda	137,339	162,170	-15%	40,018	44,428	-10%	38,234	5%	12,305	13,087	-6%	13,210	-7%
Wuling	22,344	17,002	31%	8,536	4,685	82%	6,041	41%	4,612	2,325	98%	1,948	137%
Hino	31,068	39,751	-22%	8,834	11,818	-25%	8,558	3%	3,115	3,881	-20%	2,834	10%
Others	24,993	28,754	-13%	6,200	5,158	20%	6,810	-9%	1,498	1,496	0%	2,346	-36%
<b>Non-Astra total</b>	<b>490,194</b>	<b>566,907</b>	<b>-14%</b>	<b>133,562</b>	<b>136,092</b>	<b>-2%</b>	<b>129,457</b>	<b>3%</b>	<b>45,562</b>	<b>42,079</b>	<b>8%</b>	<b>43,096</b>	<b>6%</b>
<b>National wholesale</b>	<b>1,026,945</b>	<b>1,151,413</b>	<b>-11%</b>	<b>273,366</b>	<b>294,658</b>	<b>-7%</b>	<b>272,507</b>	<b>0%</b>	<b>86,582</b>	<b>87,846</b>	<b>-1%</b>	<b>90,798</b>	<b>-5%</b>

Sources: Gaikindo, IndoPremier

**Fig. 2: Wholesale market share summary – ASII's market share improved to 52% in FY19 from 51% in FY18**

4W wholesale market share	FY19	FY18	yoy (bp)	4Q19	4Q18	yoy%	3Q19	qoq%	Dec-19	Dec-18	yoy (bp)	Nov-19	mom (bp)
Toyota	32%	31%	172	32%	32%	(20)	33%	(111)	32%	30%	136	32%	(20)
Daihatsu	17%	18%	(34)	16%	19%	(254)	17%	(66)	13%	19%	(601)	18%	(499)
Isuzu	2%	2%	19	3%	3%	24	2%	52	3%	3%	13	3%	3
UD Trucks	0%	0%	(7)	0%	0%	(17)	0%	(10)	0%	0%	(22)	0%	(1)
Peugeot	0%	0%	0	0%	0%	0	0%	1	0%	0%	2	0%	0
<b>Astra total</b>	<b>52%</b>	<b>51%</b>	<b>150</b>	<b>51%</b>	<b>54%</b>	<b>(267)</b>	<b>52%</b>	<b>(135)</b>	<b>47%</b>	<b>52%</b>	<b>(472)</b>	<b>53%</b>	<b>(516)</b>
Mitsubishi	16%	17%	(113)	14%	14%	26	15%	(88)	15%	14%	120	13%	220
Suzuki	10%	10%	(47)	11%	9%	144	9%	144	12%	9%	222	11%	59
Nissan	1%	1%	60	1%	1%	14	1%	(58)	1%	1%	10	1%	(10)
Honda	13%	14%	(71)	15%	15%	(44)	14%	61	14%	15%	(69)	15%	(34)
Wuling	2%	1%	70	3%	2%	153	2%	91	5%	3%	268	2%	318
Hino	3%	3%	(43)	3%	4%	(78)	3%	9	4%	4%	(82)	3%	48
Others	2%	2%	(6)	2%	2%	52	2%	(23)	2%	2%	3	3%	(85)
<b>Non-Astra total</b>	<b>48%</b>	<b>49%</b>	<b>(150)</b>	<b>49%</b>	<b>46%</b>	<b>267</b>	<b>48%</b>	<b>135</b>	<b>53%</b>	<b>48%</b>	<b>472</b>	<b>47%</b>	<b>516</b>
<b>National</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>0</b>

Sources: Gaikindo, IndoPremier

## Weak yoy retail volume, though it picked-up on a mom basis

National retail 4W volume was down 8% yoy but rose 8% mom in Dec19 - ASII was able to see a stronger mom pick-up of 12% mom (-9% yoy), largely driven by both Toyota (+13% mom/-5% yoy) and Daihatsu (+12% mom/-16% yoy). Non-ASII brands' retail 4W volume dropped 7% yoy (+4% mom). Cumulatively, national retail 4W volume was down 10% yoy in FY19 – ASII's was down 8% yoy, while non-ASII's was down 11% yoy.

**Fig. 3: National retail 4W volume dropped 8% yoy but rose 8% mom – ASII (-9% yoy/+12% mom) was able to see a stronger mom pick-up vs. non-ASII brands (-7% yoy/+4% mom)**

4W retail sales (in units)	FY19	FY18	yoy%	4Q19	4Q18	yoy%	3Q19	qoq%	Dec-19	Dec-18	yoy%	Nov-19	mom%
Toyota	331,004	356,063	-7%	91,587	94,262	-3%	82,730	11%	33,420	35,106	-5%	29,672	13%
Daihatsu	177,588	200,178	-11%	49,949	55,462	-10%	39,613	26%	18,157	21,612	-16%	16,214	12%
Isuzu	25,315	25,286	0%	7,627	7,486	2%	6,583	16%	2,694	3,030	-11%	2,684	0%
UD Trucks	2,066	3,036	-32%	489	766	-36%	461	6%	181	236	-23%	183	-1%
Peugeot	129	141	-9%	51	52	-2%	33	55%	18	6	200%	18	0%
<b>Astra total</b>	<b>536,102</b>	<b>584,704</b>	<b>-8%</b>	<b>149,703</b>	<b>158,028</b>	<b>-5%</b>	<b>129,420</b>	<b>16%</b>	<b>54,470</b>	<b>59,990</b>	<b>-9%</b>	<b>48,771</b>	<b>12%</b>
Mitsubishi	160,671	197,937	-19%	39,267	49,712	-21%	39,825	-1%	12,042	15,545	-23%	13,862	-13%
Suzuki	102,865	116,688	-12%	28,043	29,013	-3%	26,747	5%	10,401	10,107	3%	9,141	14%
Nissan	12,570	6,999	80%	2,963	1,673	77%	3,614	-18%	823	666	24%	1,070	-23%
Honda	149,439	162,956	-8%	39,748	41,083	-3%	38,152	4%	14,363	15,954	-10%	13,010	10%
Wuling	21,112	15,162	39%	6,406	3,662	75%	5,881	9%	2,868	1,354	112%	1,876	53%
Hino	31,471	40,072	-21%	9,210	11,719	-21%	8,246	12%	3,322	3,850	-14%	2,839	17%
Others	26,051	28,153	-7%	6,501	6,106	6%	7,312	-11%	1,982	1,895	5%	2,281	-13%
<b>Non-Astra total</b>	<b>504,179</b>	<b>567,967</b>	<b>-11%</b>	<b>132,138</b>	<b>142,968</b>	<b>-8%</b>	<b>129,777</b>	<b>2%</b>	<b>45,801</b>	<b>49,371</b>	<b>-7%</b>	<b>44,079</b>	<b>4%</b>
<b>National retail</b>	<b>1,040,281</b>	<b>1,152,671</b>	<b>-10%</b>	<b>281,841</b>	<b>300,996</b>	<b>-6%</b>	<b>259,197</b>	<b>9%</b>	<b>100,271</b>	<b>109,361</b>	<b>-8%</b>	<b>92,850</b>	<b>8%</b>

Sources: Gaikindo, IndoPremier

**Fig. 4: Retail market share summary – ASII's retail market share improved to 52% in FY19 from 51% in FY18**

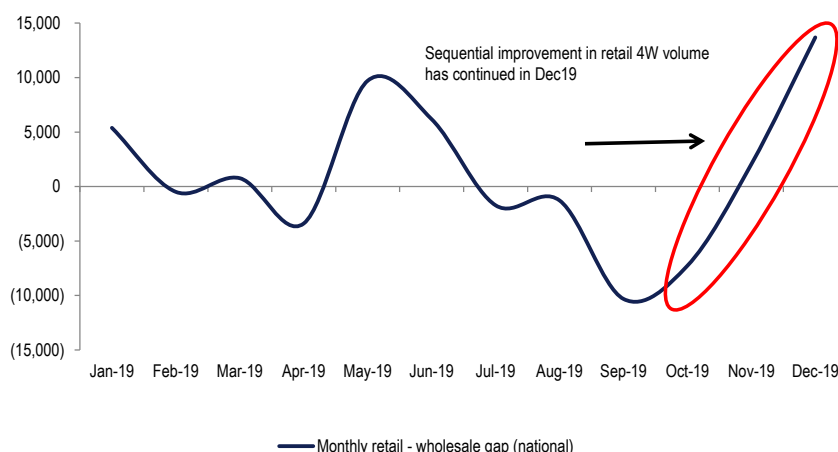
4W retail market share	FY19	FY18	yoy (bp)	4Q18	4Q17	yoy (bp)	3Q18	qoq (bp)	Dec-19	Dec-18	yoy (bp)	Nov-19	mom (bp)
Toyota	32%	31%	93	32%	31%	118	32%	58	33%	32%	123	32%	137
Daihatsu	17%	17%	(30)	18%	18%	(70)	15%	244	18%	20%	(165)	17%	65
Isuzu	2%	2%	24	3%	2%	22	3%	17	3%	3%	(8)	3%	(20)
UD Trucks	0%	0%	(6)	0%	0%	(8)	0%	(0)	0%	0%	(4)	0%	(2)
Peugeot	0%	0%	0	0%	0%	0	0%	1	0%	0%	1	0%	(0)
<b>Astra total</b>	<b>52%</b>	<b>51%</b>	<b>81</b>	<b>53%</b>	<b>53%</b>	<b>61</b>	<b>50%</b>	<b>318</b>	<b>54%</b>	<b>55%</b>	<b>(53)</b>	<b>53%</b>	<b>180</b>
Mitsubishi	15%	17%	(173)	14%	17%	(258)	15%	(143)	12%	14%	(220)	15%	(292)
Suzuki	10%	10%	(24)	10%	10%	31	10%	(37)	10%	9%	113	10%	53
Nissan	1%	1%	60	1%	1%	50	1%	(34)	1%	1%	21	1%	(33)
Honda	14%	14%	23	14%	14%	45	15%	(62)	14%	15%	(26)	14%	31
Wuling	2%	1%	71	2%	1%	106	2%	0	3%	1%	162	2%	84
Hino	3%	3%	(45)	3%	4%	(63)	3%	9	3%	4%	(21)	3%	26
Others	3%	2%	6	2%	2%	28	3%	(51)	2%	2%	24	2%	(48)
<b>Non-Astra total</b>	<b>48%</b>	<b>49%</b>	<b>(81)</b>	<b>47%</b>	<b>47%</b>	<b>(61)</b>	<b>50%</b>	<b>(318)</b>	<b>46%</b>	<b>45%</b>	<b>53</b>	<b>47%</b>	<b>(180)</b>
<b>National</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>0</b>

Sources: Gaikindo, IndoPremier

## Discounting has remained manageable

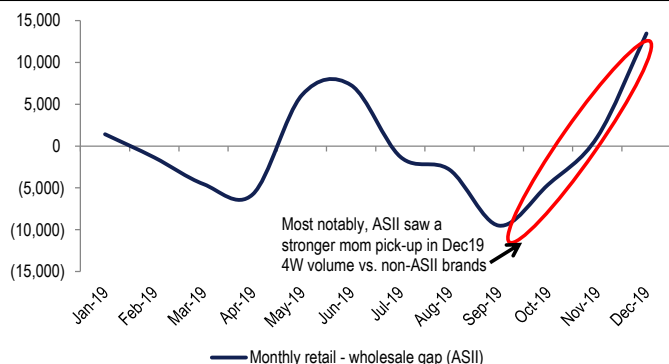
Dec19 marks the third consecutive month retail volume has picked-up mom (national/ASII's sales has picked-up mom by 7%/10% in Oct, 5% in Nov, and 8%/12% in Dec). Our analysis suggests that the inventory level (as indicated by the gap between retail and wholesale volume) has continued to improve for both national and ASII, though not for the non-ASII brands. Our checks with local dealers also suggest that discounting has remained manageable (up to Rp27mn discount/unit on Avanza vs. 4Q18 peak of Rp30-35mn/unit).

**Fig. 5: Retail/wholesale volume gap (national) – sequential improvement in retail volume has continued in Dec19**



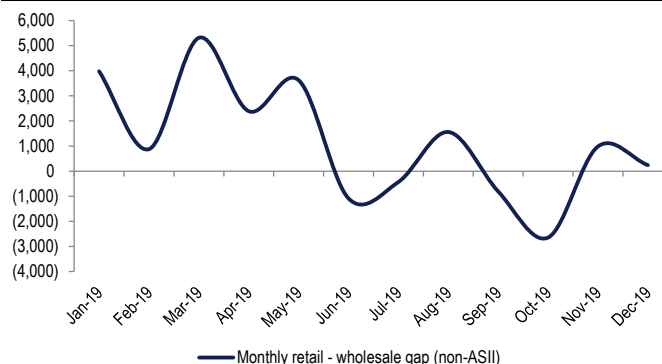
Sources: Gaikindo, IndoPremier

**Fig. 6: ASII saw the stronger retail volume improvement in Dec19...**



Sources: Gaikindo, IndoPremier

**Fig. 7: ...while non-ASII's Dec19 retail volume was weaker**

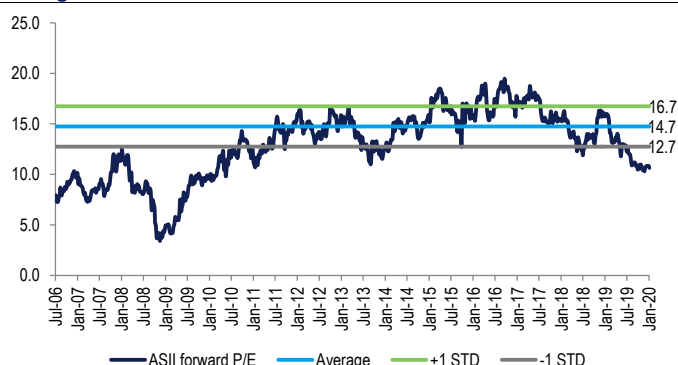


Sources: Gaikindo, IndoPremier

## Maintain Buy

Maintain Buy as we expect a volume recovery in 2020. ASII trades at 11x 2020 P/E vs. 10-year average of 15x P/E. Catalysts are improving 4W/2W volumes. Risk is an economy slowdown, unfavourable changes in regulations, and disruptions from weather extremities.

**Fig. 8: ASII's forward P/E – now trading c.11x 2020 P/E vs. 10-year average of c.15x P/E**



Sources: Bloomberg, Company, IndoPremier

**Fig. 9: ASII's forward P/BV – now trading 1.3x 2020 P/BV vs. 10-year average of 2.3x P/BV**



Sources: Bloomberg, Company, IndoPremier

**Fig. 10: ASII's forward P/E now trades at a 27% discount to JCI's forward P/E (10-year low) vs. 10-year average of par**



Sources: Bloomberg, Company, IndoPremier

**Fig. 11: At this price, we estimate that the auto business is valued at c.4% discount to the non-auto business (10-yr avg: 27% premium)**



Sources: Bloomberg, Company, IndoPremier

Income Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net Revenue	206,057	239,205	238,799	248,997	262,474
Cost of Sales	(163,689)	(188,436)	(189,700)	(195,550)	(206,604)
<b>Gross Profit</b>	<b>42,368</b>	<b>50,769</b>	<b>49,099</b>	<b>53,447</b>	<b>55,870</b>
SG&A Expenses	(22,042)	(23,901)	(24,523)	(25,574)	(26,999)
<b>Operating Profit</b>	<b>20,326</b>	<b>26,868</b>	<b>24,576</b>	<b>27,874</b>	<b>28,871</b>
Net Interest	(60)	(1,246)	(1,242)	(1,082)	(829)
Forex Gain (Loss)	(9)	(87)	0	0	0
Others-Net	8,939	9,460	10,655	13,642	14,794
<b>Pre-Tax Income</b>	<b>29,196</b>	<b>34,995</b>	<b>33,988</b>	<b>40,434</b>	<b>42,836</b>
Income Tax	(6,031)	(7,623)	(7,137)	(8,491)	(8,995)
Minorities	(4,284)	(5,699)	(5,689)	(5,932)	(6,253)
<b>Net Income</b>	<b>18,881</b>	<b>21,673</b>	<b>21,161</b>	<b>26,010</b>	<b>27,587</b>

Balance Sheet (Rp bn)	2017A	2018A	2019F	2020F	2021F
Cash & equivalent	31,574	25,193	39,095	35,018	46,038
Receivable	25,351	31,220	25,255	33,632	28,442
Inventory	19,504	26,505	19,813	27,933	22,512
Other current assets	45,099	50,691	50,691	50,691	50,691
<b>Total current assets</b>	<b>121,528</b>	<b>133,609</b>	<b>134,854</b>	<b>147,274</b>	<b>147,683</b>
Fixed assets	76,488	96,558	100,669	104,942	109,379
Goodwill	97,814	114,544	125,829	135,619	145,866
<b>Total non-current assets</b>	<b>174,302</b>	<b>211,102</b>	<b>226,499</b>	<b>240,561</b>	<b>255,246</b>
<b>Total assets</b>	<b>295,830</b>	<b>344,711</b>	<b>361,352</b>	<b>387,835</b>	<b>402,929</b>
ST loans	16,321	19,588	13,989	13,387	13,387
Payable	29,468	42,263	29,949	44,490	34,157
Other payables	25,670	28,675	28,675	28,675	28,675
<b>Total current liab.</b>	<b>71,459</b>	<b>90,526</b>	<b>72,613</b>	<b>86,552</b>	<b>76,219</b>
Long term loans	58,657	66,326	82,699	71,764	73,755
Other LT liab.	9,209	13,496	13,496	13,496	13,496
<b>Total liabilities</b>	<b>67,866</b>	<b>79,822</b>	<b>96,195</b>	<b>85,260</b>	<b>87,251</b>
Equity	10,217	9,215	9,215	9,215	9,215
Retained earnings	113,563	127,732	140,224	157,770	174,953
Minority interest	32,725	37,416	43,105	49,038	55,291
<b>Total SHE + minority int.</b>	<b>156,505</b>	<b>174,363</b>	<b>192,544</b>	<b>216,023</b>	<b>239,459</b>
<b>Total liabilities &amp; equity</b>	<b>295,830</b>	<b>344,711</b>	<b>361,352</b>	<b>387,835</b>	<b>402,929</b>

Sources: Company, IndoPremier

Cash Flow Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net income	18,881	21,673	21,161	26,010	27,587
Depr. & amortization	7,866	9,422	9,821	10,269	10,653
Changes in working capital	(1,737)	(11,562)	(2,914)	(3,526)	(1,377)
Others	(1,725)	8,159	(2,875)	(2,907)	(3,003)
<b>Cash flow from operating</b>	<b>23,285</b>	<b>27,692</b>	<b>25,193</b>	<b>29,847</b>	<b>33,860</b>
Capital expenditure	(22,836)	(19,832)	(13,395)	(13,923)	(14,425)
Others	7,895	(9,899)	0	0	0
<b>Cash flow from investing</b>	<b>(14,941)</b>	<b>(29,731)</b>	<b>(13,395)</b>	<b>(13,923)</b>	<b>(14,425)</b>
Loans	4,068	10,936	10,774	(11,537)	1,991
Equity					
Dividends	(6,801)	(7,489)	(8,669)	(8,464)	(10,404)
Others	(3,451)	(8,320)	0	0	0
<b>Cash flow from financing</b>	<b>(6,184)</b>	<b>(4,873)</b>	<b>2,105</b>	<b>(20,001)</b>	<b>(8,414)</b>
<b>Changes in cash</b>	<b>2,160</b>	<b>(6,912)</b>	<b>13,902</b>	<b>(4,078)</b>	<b>11,021</b>

Key Ratios	2017A	2018A	2019F	2020F	2021F
Gross margin	20.6%	21.2%	20.6%	21.5%	21.3%
Operating margin	9.9%	11.2%	10.3%	11.2%	11.0%
Pre-tax margin	14.2%	14.6%	14.2%	16.2%	16.3%
Net margin	9.2%	9.1%	8.9%	10.4%	10.5%
ROA	6.8%	6.8%	6.0%	6.9%	7.0%
ROE	12.7%	13.1%	11.5%	12.7%	12.1%
ROIC	7.4%	8.7%	7.2%	7.6%	7.4%
Acct. receivables TO (days)	39.2	43.2	43.2	43.2	43.2
Inventory TO (days)	41.6	44.6	44.6	44.6	44.6
Payable TO (days)	57.9	69.5	69.5	69.5	69.5
Debt to equity	48%	49%	50%	39%	36%
Interest coverage ratio (x)	13.8	11.7	10.3	12.0	13.5
Net gearing	28%	35%	30%	23%	17%

Sources: Company, IndoPremier

## INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

## ANALYSTS CERTIFICATION

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