

Sales volume pressure continues

30 May 2024

OVERWEIGHT

(Maintain)

TOP PICK

| Company             | Ticker | Rec | Share Price (IDR) | Target Price (IDR) |
|---------------------|--------|-----|-------------------|--------------------|
| Astra International | ASII   | BUY | 4,460             | 7,350              |

Indonesia’s auto industry continues to record poor sales volume. Despite the expectation that Lebaran event momentum will boost the May ‘24 auto sales figure, both 2W and 4W sales in ‘24F are likely to remain under pressure, especially following the latest 25bps 7DRR hike. We are not concerned at all about Toyota and other Japan car market share, as the latest data confirms that the domination remains intact. Data also showed a well-known non-Japanese 4W brand sales volume decline deeper than Toyota. EV and hybrid hype is likely to continue, yet it would not offset the traditional fuel car in the near term, in our view. Maintain our OW on Auto Sector and BUY on ASII with SOTP-based TP of IDR7,350 (8.8x ‘24F PE), while currently trading at 4.9x ‘24F PE or at deep discount much below –2SD historical mean of 6.7x.

Another poor sales volume growth

The Indonesian auto industry continues to record poor sales volume, both in the 4M24 and April ‘24 periods. Total 4W sales recorded another weak growth figure (-22.8% yoy) or consistently declined from 1M24 to 3M24 year-on-year growth and far below last year’s flat growth of -1.4% yoy (4M23). Yet, the weak growth was considerably better on a monthly basis, at -34.9% MoM vs. -41.8% MoM in April 2023 (-17.5% YoY vs. -28.7% in April 2023). It is worth noting that in the month of April, domestic car sales consistently recorded a lower figure in the past 10 years, with the exception of April 18 (0.4% MoM). In all, 4M24 car sales arrive below our expectations at 24.9% vs. a run rate of 34.0% last year.

Better growth remains intact.

Motorcycle sales recorded another in-line figure. Total 2W sales grew flat (-1.1% yoy) while on a monthly basis it recorded solid growth of 18.3% yoy and -28.2% MoM (better vs. -44% MoM in April 23). In all, 4M24 2W sales volume came in within our ‘24F for motorcycle sales at 34.5% vs. 34.9% last year.

Expect the Lebaran event to take effect in May. Yet 1H24 growth could remain soft.

We expect to see a turnaround in sales volume on Lebaran momentum, as historically, one month following the event period, sales volume has grown very strongly. Assuming the post-ledul Fitri monthly growth will be the same as last year, May 24F sales growth could reach 67,775 units or 39.3% MoM, higher and in line with our ‘Apr 24F 4W sales growth of 40.3% MoM. It is important to note that our conservative forecast is far below the 3-year historical pre-Covid of 53.7% and around 4.2% less optimistic than the 3-year post-Covid average growth of 43.6%. However, we believe that on a cumulative basis, 1H24 sales volume growth is likely to continue under pressure, especially following the latest +25bps 7DRR increase. We think both 2W and 4W sales volume growth will record softer growth (24F) following the high-based effect of sector recovery momentum and the upcoming transmission benchmark rate hike on consumer (auto) loan yield.

Toyota to continue to dominate market share

Regardless of the poor growth, we believe Astra’s market share will continue to dominate the industry landscape competition. With an average of 55.5% of M/S in Jan24-Apr24 and 56% in 4M24, we forecast Astra M/S at 55.4% in ‘24F. Despite the massive penetration of non-Japanese cars lately, we believe Japan-related 4W will remain taking the largest chunk of the sales volume (M/S: 7.7% vs. 7.9% in 4M23). As a matter of fact, well-known non-Japanese car sales book much worse growth than Toyota (4M24).

No significant threat from non-Japanese and EV, hybrid cars

We believe the EV and hybrid car trend will continue. Yet, we think it is unlikely for the non-fuel car to control the industry’s total sales. Main key factors (that we believe would not happen in the near term) to rule the 4W industry are: (1) well developed infrastructure charging station (2) smaller price gap (3) cheaper battery replacement (4) consumer behaviour and life style changes.

Maintain OW for Auto and BUY for ASII with a TP of IDR7,350.

Key to achieving ours and the association’s ‘24 sales volume for 2W and 4W will be the upcoming auto event held in 2Q24-4Q24. The latest uncertainty will continue and higher loan yield expectations will add more pressure to auto demand this year. Softer DXY appreciation, clearer higher for longer sentiment, continuing discounts and various promotions from dealers as well as car loan providers will overall underpin industry growth. Lastly, the consumer segment tends to be more sensitive to interest rate hikes. As such, we expect slower transmission of the BI rate hike to loan yield which could add more catalyst to the sector. Maintain our OW stance on the automotive industry and BUY for ASII with an SOTP-based TP of IDR7,350 (8.8x ‘24F PE), which currently trades at 4.9x ‘24F PE, far below its –2SD of 10-year historical mean of 6.7x. Risks to our call include: a) lower-than-expected 2W and 4W sales; b) higher and faster than expected rising policy rate transmission; c) higher inflation, slowing economic activity; and d) deteriorating spending confidence.

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| Ticker  | Closing     | Target      | Upside        | Market                 | P/E   |       | P/B   |       | RoE   |       | Dividend Yield |       |
|---------|-------------|-------------|---------------|------------------------|-------|-------|-------|-------|-------|-------|----------------|-------|
|         | Price (IDR) | Price (IDR) | Potential (%) | Capitalization (IDRtn) | 2024F | 2025F | 2024F | 2025F | 2024F | 2025F | 2024F          | 2025F |
| ASII IJ | 4,460       | 7,350       | 64.8          | 180.6                  | 4.9   | 4.7   | 0.7   | 0.6   | 13.5  | 13.1  | 9.7            | 7.2   |
| AUTO IJ | 1,855       | 3,117       | 68.0          | 8.9                    | 4.9   | 4.3   | 0.6   | 0.5   | n/a   | n/a   | 8.1            | 8.6   |
| DRMA IJ | 860         | 1,588       | 84.7          | 4.1                    | 6.6   | 5.8   | 2.1   | 1.7   | 27.2  | 26.0  | 4.0            | 4.3   |
| IMAS IJ | 1,290       | n/a         |               | 5.15                   | n/a   | n/a   | n/a   | n/a   | n/a   | n/a   | n/a            | n/a   |
| Average |             |             |               |                        | 5.5   | 4.9   | 1.1   | 0.9   | 20.4  | 19.6  | 7.3            | 6.7   |

Source: ASII, Bloomberg, KBVS Research (Cons: \*consensus TP figure for AUTO IJ and DRMA IJ)

Exhibit 2: Indonesia 4W sales volume (unit)

| 4W 2024 Actual                | Jan-24 | Feb-24 | Mar-24 | Apr-24 | 4W23    | 4W24    | YoY (%) | Apr-23 | Apr-24 | YoY (%) | MoM (%) |
|-------------------------------|--------|--------|--------|--------|---------|---------|---------|--------|--------|---------|---------|
| <b>Astra</b>                  |        |        |        |        |         |         |         |        |        |         |         |
| Toyota and Lexus              | 21,111 | 23,732 | 21,495 | 15,448 | 107,846 | 81,786  | -24.2%  | 21,818 | 15,448 | -29.2%  | -28.1%  |
| Daihatsu                      | 14,363 | 15,088 | 16,552 | 9,481  | 65,119  | 55,484  | -14.8%  | 10,778 | 9,481  | -12.0%  | -42.7%  |
| Izusu                         | 2,350  | 2,245  | 2,251  | 1,849  | 11,007  | 8,695   | -21.0%  | 2,026  | 1,849  | -8.7%   | -17.9%  |
| UD Trucks                     | 148    | 167    | 137    | 126    | 661     | 578     | -12.6%  | 76     | 126    | 65.8%   | -8.0%   |
| Peugeot                       | 12     | 8      | 3      | 4      | 90      | 27      | -70.0%  | 19     | 4      | -78.9%  | 33.3%   |
| LCGC Astra                    | 12,244 | 12,091 | 12,070 | 7,926  | 49,225  | 44,331  | -9.9%   | 9,376  | 7,926  | -15.5%  | -34.3%  |
| Total Astra                   | 37,984 | 41,240 | 40,438 | 26,908 | 184,723 | 146,570 | -20.7%  | 34,717 | 26,908 | -22.5%  | -33.5%  |
| Total Astra (including LCGC)  | 50,228 | 53,331 | 52,508 | 34,834 | 233,948 | 190,901 | -18.4%  | 44,093 | 34,834 | -21.0%  | -33.7%  |
| M/S                           | 54.5%  | 58.3%  | 54.1%  | 55.3%  | 54.1%   | 55.6%   | 1.5%    | 58.9%  | 55.3%  | -3.5%   | 1.2%    |
| <b>Non-Astra</b>              |        |        |        |        |         |         |         |        |        |         |         |
| Honda                         | 8,413  | 9,081  | 10,572 | 4,611  | 51,982  | 32,677  | -37.1%  | 4,955  | 4,611  | -6.9%   | -56.4%  |
| Suzuki                        | 6,138  | 4,993  | 6,670  | 4,986  | 27,104  | 22,787  | -15.9%  | 4,668  | 4,986  | 6.8%    | -25.2%  |
| Mitsubishi                    | 8,996  | 8,244  | 8,464  | 5,993  | 41,146  | 31,697  | -23.0%  | 7,649  | 5,993  | -21.6%  | -29.2%  |
| Hyundai                       | 3,003  | 2,428  | 1,812  | 1,485  | 12,672  | 8,728   | -31.1%  | 2,241  | 1,485  | -33.7%  | -18.0%  |
| Wuling                        | 2,177  | 1,200  | 2,080  | 1,188  | 5,973   | 6,645   | 11.3%   | 1,171  | 1,188  | 1.5%    | -42.9%  |
| Nissan                        | 76     | 131    | 147    | 82     | 657     | 436     | -33.6%  | 160    | 82     | -48.8%  | -44.2%  |
| Others                        | 2,860  | 3,381  | 4,541  | 3,384  | 17,325  | 14,166  | -18.2%  | 3,420  | 3,384  | -1.1%   | -25.5%  |
| LCGC Non Astra                | 4,592  | 4,288  | 4,770  | 1,817  | 18,420  | 15,467  | -16.0%  | 611    | 1,817  | 197.4%  | -61.9%  |
| Total Non Astra               | 31,663 | 29,458 | 34,286 | 21,729 | 156,859 | 117,136 | -25.3%  | 24,264 | 21,729 | -10.4%  | -36.6%  |
| Total Non Astra (with LCGC)   | 36,255 | 33,746 | 39,056 | 23,546 | 175,279 | 132,603 | -24.3%  | 24,875 | 23,546 | -5.3%   | -39.7%  |
| M/S                           | 45.5%  | 41.7%  | 45.9%  | 44.7%  | 45.9%   | 44.4%   | -1.5%   | 41.1%  | 44.7%  | 3.5%    | -1.2%   |
| Total LCGC Industry           | 16,836 | 16,379 | 16,840 | 9,743  | 67,645  | 59,798  | -11.6%  | 9,987  | 9,743  | -2.4%   | -42.1%  |
| Total Industry 4W             | 69,647 | 70,698 | 74,724 | 48,637 | 341,582 | 263,706 | -22.8%  | 58,981 | 48,637 | -17.5%  | -34.9%  |
| Total Industry 4W (with LCGC) | 86,483 | 87,077 | 91,564 | 58,380 | 409,227 | 323,504 | -20.9%  | 68,968 | 58,380 | -15.4%  | -36.2%  |
| Industry market share         | 100.0% | 100.0% | 100.0% | 100.0% | 100.0%  | 100.0%  | 0.0%    | 100.0% | 100.0% | 0.0%    | 0.0%    |

Exhibit 3: Indonesia 4W sales volume (units) and market share by brand (%)

| 4W 2023 by brand (units) | Sales Volume  |               |               |               | Cumm. Sales Vol. |                | YoY           | Sales Volume  |               | YoY           | MoM           | Market Share |             | Chg (+/-) | Market Share |             | Chg (+/-) |
|--------------------------|---------------|---------------|---------------|---------------|------------------|----------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|-----------|--------------|-------------|-----------|
|                          | Jan-24        | Feb-24        | Mar-24        | Apr-24        | 4M23             | 4M24           |               | Apr-23        | Apr-24        |               |               | 4M23         | 4M24        |           | Apr-23       | Apr-24      |           |
| Toyota                   | 20,988        | 23,525        | 21,142        | 15,201        | 107,295          | 80,856         | -24.6%        | 21,518        | 15,201        | -29.4%        | -28.1%        | 31.4%        | 30.7%       | -0.7%     | 36.5%        | 31.3%       | -5.2%     |
| Daihatsu                 | 14,363        | 15,088        | 16,552        | 9,481         | 65,119           | 55,484         | -14.8%        | 10,778        | 9,481         | -12.0%        | -42.7%        | 19.1%        | 21.0%       | 2.0%      | 18.3%        | 19.5%       | 1.2%      |
| Honda                    | 8,413         | 9,081         | 10,572        | 4,611         | 51,982           | 32,677         | -37.1%        | 4,955         | 4,611         | -6.9%         | -56.4%        | 15.2%        | 12.4%       | -2.8%     | 8.4%         | 9.5%        | 1.1%      |
| Mitsubishi Motors        | 6,962         | 5,994         | 6,153         | 4,006         | 28,068           | 23,115         | -17.6%        | 6,132         | 4,006         | -34.7%        | -34.9%        | 8.2%         | 8.8%        | 0.5%      | 10.4%        | 8.2%        | -2.2%     |
| Suzuki                   | 6,138         | 4,993         | 6,670         | 4,986         | 27,104           | 22,787         | -15.9%        | 4,668         | 4,986         | 6.8%          | -25.2%        | 7.9%         | 8.6%        | 0.7%      | 7.9%         | 10.3%       | 2.3%      |
| Hyundai - HMDI           | 3,003         | 2,428         | 1,812         | 1,485         | 12,672           | 8,728          | -31.1%        | 2,241         | 1,485         | -33.7%        | -18.0%        | 3.7%         | 3.3%        | -0.4%     | 3.8%         | 3.1%        | -0.7%     |
| Izusu                    | 2,350         | 2,245         | 2,251         | 1,849         | 11,007           | 8,695          | -21.0%        | 2,026         | 1,849         | -8.7%         | -17.9%        | 3.2%         | 3.3%        | 0.1%      | 3.4%         | 3.8%        | 0.4%      |
| Mitsubishi Fusho         | 2,034         | 2,250         | 2,311         | 1,987         | 13,078           | 8,582          | -34.4%        | 1,517         | 1,987         | 31.0%         | -14.0%        | 3.8%         | 3.3%        | -0.6%     | 2.6%         | 4.1%        | 1.5%      |
| Wuling                   | 2,177         | 1,200         | 2,080         | 1,188         | 5,973            | 6,645          | 11.3%         | 1,171         | 1,188         | 1.5%          | -42.9%        | 1.7%         | 2.5%        | 0.8%      | 2.0%         | 2.4%        | 0.5%      |
| Hino                     | 1,404         | 1,483         | 1,651         | 1,319         | 8,987            | 5,857          | -34.8%        | 1,214         | 1,319         | 8.6%          | -20.1%        | 2.6%         | 2.2%        | -0.4%     | 2.1%         | 2.7%        | 0.7%      |
| Chery                    | 299           | 431           | 803           | 590           | 961              | 2,123          | 120.9%        | 515           | 590           | 14.6%         | -26.5%        | 0.3%         | 0.8%        | 0.5%      | 0.9%         | 1.2%        | 0.3%      |
| Mazda                    | 223           | 302           | 479           | 391           | 1,848            | 1,395          | -24.5%        | 535           | 391           | -26.9%        | -18.4%        | 0.5%         | 0.5%        | 0.0%      | 0.9%         | 0.8%        | -0.1%     |
| Morris Garage - MG       | 117           | 228           | 340           | 359           | 392              | 1,044          | 166.3%        | 58            | 359           | 519.0%        | 5.6%          | 0.1%         | 0.4%        | 0.3%      | 0.1%         | 0.7%        | 0.6%      |
| BMW                      | 223           | 218           | 320           | 223           | 1,154            | 984            | -14.7%        | 375           | 223           | -40.5%        | -30.3%        | 0.3%         | 0.4%        | 0.0%      | 0.6%         | 0.5%        | -0.2%     |
| Lexus                    | 123           | 207           | 353           | 247           | 551              | 930            | 68.8%         | 300           | 247           | -17.7%        | -30.0%        | 0.2%         | 0.4%        | 0.2%      | 0.5%         | 0.5%        | 0.0%      |
| Mercedes Benz PC         | 115           | 177           | 271           | 175           | 1,106            | 738            | -33.3%        | 228           | 175           | -23.2%        | -35.4%        | 0.3%         | 0.3%        | 0.0%      | 0.4%         | 0.4%        | 0.0%      |
| UD Trucks                | 148           | 167           | 137           | 126           | 661              | 578            | -12.6%        | 76            | 126           | 65.8%         | -8.0%         | 0.2%         | 0.2%        | 0.0%      | 0.1%         | 0.3%        | 0.1%      |
| KIA                      | 105           | 100           | 178           | 94            | 421              | 477            | 13.3%         | 113           | 94            | -16.8%        | -47.2%        | 0.1%         | 0.2%        | 0.1%      | 0.2%         | 0.2%        | 0.0%      |
| Nissan                   | 76            | 131           | 147           | 82            | 657              | 436            | -33.6%        | 160           | 82            | -48.8%        | -44.2%        | 0.2%         | 0.2%        | 0.0%      | 0.3%         | 0.2%        | -0.1%     |
| DFSK                     | 84            | 128           | 79            | 44            | 561              | 335            | -40.3%        | 65            | 44            | -32.3%        | -44.3%        | 0.2%         | 0.1%        | 0.0%      | 0.1%         | 0.1%        | 0.0%      |
| Mercedes Benz CV         | 51            | 88            | 142           | 25            | 736              | 306            | -58.4%        | 105           | 25            | -76.2%        | -82.4%        | 0.2%         | 0.1%        | -0.1%     | 0.2%         | 0.1%        | -0.1%     |
| MINI                     | 38            | 75            | 85            | 58            | 213              | 256            | 20.2%         | 40            | 58            | 45.0%         | -31.8%        | 0.1%         | 0.1%        | 0.0%      | 0.1%         | 0.1%        | 0.1%      |
| Subaru                   | 41            | 31            | 40            | 28            | 160              | 140            | -12.5%        | 36            | 28            | -22.2%        | -30.0%        | 0.0%         | 0.1%        | 0.0%      | 0.1%         | 0.1%        | 0.0%      |
| Citroen                  | 30            | 41            | 50            | 15            | -                | 136            | n/a           | -             | 15            | n/a           | -70.0%        | 0.0%         | 0.1%        | 0.1%      | 0.0%         | 0.0%        | 0.0%      |
| Scania                   | 26            | 19            | 42            | 27            | 283              | 114            | -59.7%        | 71            | 27            | -62.0%        | -35.7%        | 0.1%         | 0.0%        | 0.0%      | 0.1%         | 0.1%        | -0.1%     |
| FAW                      | 28            | 19            | 27            | 23            | 206              | 97             | -52.9%        | 18            | 23            | 27.8%         | -14.8%        | 0.1%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| Neta                     | 39            | 20            | 10            | -             | -                | 69             | n/a           | -             | -             | n/a           | n/a           | 0.0%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| Seres                    | 27            | 3             | 9             | 5             | -                | 44             | n/a           | -             | 5             | n/a           | -44.4%        | 0.0%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| Volkswagen               | 7             | 15            | 12            | 7             | 113              | 41             | -63.7%        | 10            | 7             | -30.0%        | -41.7%        | 0.0%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| Peugeot                  | 12            | 8             | 3             | 4             | 90               | 27             | -70.0%        | 19            | 4             | -78.9%        | 33.3%         | 0.0%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| AUDI                     | 3             | 3             | 2             | 1             | 14               | 9              | -35.7%        | 6             | 1             | -83.3%        | -50.0%        | 0.0%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| TATA                     | -             | -             | 1             | -             | 13               | 1              | -92.3%        | -             | -             | n/a           | n/a           | 0.0%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| Jeep                     | -             | -             | -             | -             | 157              | -              | n/a           | 31            | -             | n/a           | n/a           | 0.0%         | 0.0%        | 0.0%      | 0.0%         | 0.0%        | 0.0%      |
| <b>Total</b>             | <b>69,647</b> | <b>70,698</b> | <b>74,724</b> | <b>48,637</b> | <b>341,582</b>   | <b>263,706</b> | <b>-22.8%</b> | <b>58,981</b> | <b>48,637</b> | <b>-17.5%</b> | <b>-34.9%</b> | <b>100%</b>  | <b>100%</b> | <b>0%</b> | <b>100%</b>  | <b>100%</b> | <b>0%</b> |

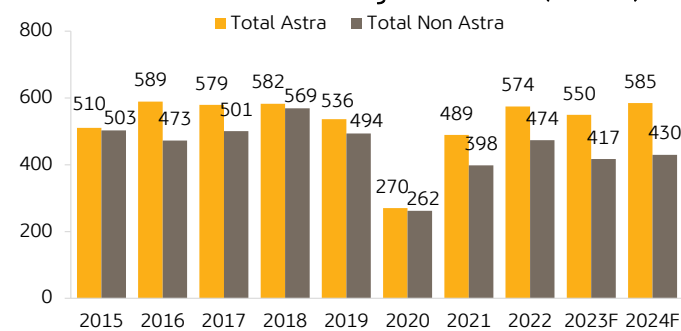
Source: Gaikindo, Company, KBVS Research

Exhibit 4: Indonesia 2W sales volume, domestic and export market (units)

| 2024         | Domestic (units) | Export (units) | 2023         | Domestic (units) | Export (units) | 2022         | Domestic (units) | Export (units) | MoM Dom (%) | MoM Exp (%) | YoY Dom (%)   | YoY Exp (%)   |
|--------------|------------------|----------------|--------------|------------------|----------------|--------------|------------------|----------------|-------------|-------------|---------------|---------------|
| January      | 592,658          | 34,991         | January      | 615,416          | 39,269         | January      | 443,890          | 51,036         | 38.8%       | -18.1%      | -3.7%         | -10.9%        |
| February     | 558,685          | 38,375         | February     | 575,502          | 45,627         | February     | 368,131          | 59,542         | -5.7%       | 9.7%        | -2.9%         | -15.9%        |
| March        | 583,747          | 43,839         | March        | 633,155          | 36,962         | March        | 450,565          | 54,865         | 4.5%        | 14.2%       | -7.8%         | 18.6%         |
| April        | 419,136          | 32,725         | April        | 354,323          | 41,201         | April        | 439,472          | 58,793         | -28.2%      | -25.4%      | 18.3%         | -20.6%        |
| May          |                  |                | May          | 529,771          | 55,743         | May          | 248,235          | 50,693         | -           | -           | -             | -             |
| June         |                  |                | June         | 493,763          | 49,920         | June         | 296,334          | 71,618         | -           | -           | -             | -             |
| July         |                  |                | July         | 475,428          | 53,443         | July         | 326,452          | 71,420         | -           | -           | -             | -             |
| August       |                  |                | August       | 534,379          | 55,247         | August       | 524,821          | 75,481         | -           | -           | -             | -             |
| September    |                  |                | September    | 509,946          | 51,318         | September    | 514,460          | 75,012         | -           | -           | -             | -             |
| October      |                  |                | October      | 516,293          | 52,517         | October      | 537,587          | 75,368         | -           | -           | -             | -             |
| November     |                  |                | November     | 571,983          | 46,020         | November     | 588,269          | 52,361         | -           | -           | -             | -             |
| December     |                  |                | December     | 427,033          | 42,737         | December     | 483,254          | 47,362         | -           | -           | -             | -             |
| <b>TOTAL</b> | <b>2,154,226</b> | <b>149,930</b> | <b>TOTAL</b> | <b>6,236,992</b> | <b>570,004</b> | <b>TOTAL</b> | <b>5,221,470</b> | <b>743,551</b> | <b>-</b>    | <b>-</b>    | <b>-65.5%</b> | <b>-73.7%</b> |

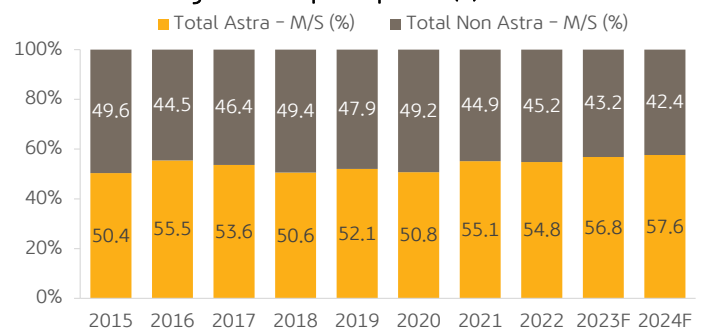
Source: AISI, KBVS Research

Exhibit 5: Astra will continue recorded higher sales volume (000 units)...



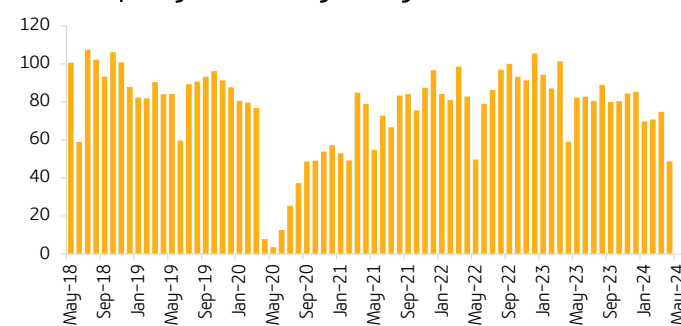
Source: AISI, KBVS Research

Exhibit 6: ..and ruling the landscape competition (%)



Source: AISI, KBVS Research

Exhibit 7: Expecting softer declining monthly sales volume (000 units)



Source: AISI, Gaikindo, KBVS Research

Exhibit 8: ASII traded at 4.9 '24F P/E, far below -2SD hist mean of 6.7X



Source: AISI, KBVS Research

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