



GNAM Investment Competition



“THE RISING OF AGRIBUSINESS INDUSTRY IN INDONESIA”

AND

“ADDITIONAL INVESTMENT IDEA SUMMARIES”



MEDCOENERGI
Oil & Gas



PT WIJAYA KARYA (Persero) Tbk



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EXECUTIVE SUMMARY

PT. Astra Agro Lestari, Tbk (AALI.JK) is the largest, publicly listed company in palm oil industry with over 35 years of experience and strong track record of growth. AALI is a subsidiary of Astra International Group, which is well-known for its good corporate governance practices. One of the key risks of any business involved in commodities is the volatility of commodity prices. The palm oil agricultural sector has faced major challenges throughout the year of 2015 and 2016, mostly due to weaker demand, lower commodity prices, and bad weather. The settlement price of Crude Palm Oil (CPO) price went down 24.2% from USD 821 per MT to USD 622 per MT.

In terms of productivity, AALI booked growth. AALI's Fresh Fruit Bunch (FFB) production along year 2015 reached 5.6 million tons (4.2 million tons from nucleus production and 1.4 million tons from plasma plantation), an increase of 0.7% from year 2014. However, revenue decreases by 19.9% compared to 2014. Furthermore, net profit declines by 75.3% to IDR 619 billion due to the decline of CPO prices, higher financial expenses, and currency exchange losses due to company loans nominated in USD.

OILSEEDS OVERVIEW

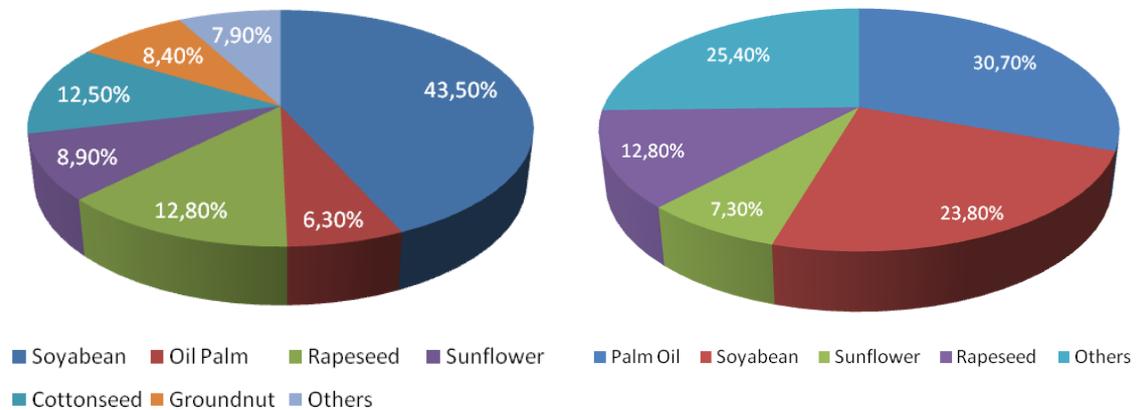


Figure 1. Harvested Area of 10 Major Oilseeds

Figure 2. Production

Source: Oilworld 2015

Palm oil is the most efficient oilseed crop in the world and dubbed as the poor man's oil. From the figure, above, palm oil industry accounts for 6.30% of the land used for cultivation but produces 30.70% of global oil and fats output. However, on the downside, an oil palm tree takes four years to mature and produce crude palm oil. Indonesia and Malaysia produces 85% of the palm oil in the world. China, India, and EU accounts for 47.9% palm oil consumption.



Palm oil is increasingly used for feedstock and biofuel. Recent refining and biodiesel policies (B15 mandate) will continue to inflate domestic consumption of palm oil in the coming years (BMI Research Survey). Indonesia plans to increase the amount of palm oil-based biodiesel in diesel to reduce its dependency on oil and gas import by maintaining palm oil prices at the profitable level for planters and processors.

AALI COMPANY ANALYSIS

(Tools: Porter's Five Forces)



Figure 3. AALI Porter's Five Forces Analysis

Threat of New Entry

New entrants pose a little threat for AALI is considered low because palm oil industry is already at the mature stage. Additionally, oil palm needs four years to mature and produce crude palm oil. AALI only has a few noteworthy competitors in the world since high capital needed to enter this industry.

Bargaining Power of Buyers (low)

The palm oil trade is regulated by the commodity market (national and international), therefore the buyer has little room for bargaining.

**Bargaining Power of Suppliers (low)**

The bargaining power of palm oil producers is low because palm oil is a commodity, whereas AALI's crude palm oil differs a little from its competitors.

Threat of Substitutes (medium)

Palm Oil and Palm Kernel Oil are the most commonly used vegetable oil. However, other kind of vegetable oil and animal oil could become a substitute for crude palm oil and kernel palm oil, and apply for vice versa condition. The European Union has realized this and in an effort to protect their product, several European countries have banned palm oil to protect their soyabean industry.

Internal Rivalry (High)

Many players in CPO business from all around the world have similar product quality, pricing, time-to-market, and production capacity. They all compete to produce the most palm oil with the lowest cost. However, in terms of competition between Indonesian companies, AALI is still the market leader.



COMPETITORS ANALYSIS

Table 1. AALI vs Competitors

PARAMETER	HISTORICAL		CURRENT	FORECAST	
	Dec-14	Dec-15	28/10/2016	Dec-16	Dec-17
ROA (%)					
AALI	14.94	3.09	6.65	7.01	8.43
LSIP	11.03	7.12	2.59	6.28	8.17
SGRO	8.53	3.88	-2.24	3.55	4.40
BWPT	1.68	-1.06	-2.53	-2.40	-1.80
ROE (%)					
AALI	23.49	5.45	9.05	11.25	12.10
LSIP	13.25	8.57	3.11	6.99	9.37
SGRO	12.06	8.12	-5.28	8.20	9.95
BWPT	4.21	-2.69	-6.52	-6.40	-4.70
EPS					
AALI	1514.95	374.61	803.76	850.91	1,026.91
LSIP	134.00	91.00	33.14	71.92	107.20
SGRO	180.00	131.00	-88.64	140.20	184.54
BWPT	9.08	-5.70	-13.12	-12.80	-8.90
PBV					
AALI	2.26	2.29	1.77	1.77	1.69
LSIP	1.42	1.40	1.44	1.35	1.26
SGRO	1.22	1.17	1.44	1.09	1.01
BWPT	0.89	0.93	0.97	0.99	1.03
P/E					
AALI	10.31	41.71	19.28	18.36	15.22
LSIP	11.23	16.54	46.32	19.31	14.04
SGRO	10.69	14.69	-21.66	13.73	10.43
BWPT	21.15	-33.68	-14.86	-15.00	-21.57
BV					
AALI	6911.12	6823.14	8765.29	8826.39	9248.27
LSIP	1059.73	1075.10	1062.98	1028.72	1194.51
SGRO	1577.21	1644.78	1689.21	1766.01	1905.70
BWPT	215.78	206.43	201.17	193.94	186.38

AALI	: Astra Agro Lestari Indonesia
LSIP	: London Sumatra Indonesia
SGRO	: Sampoerna Agro
SSMS	: Sawit Sumbermas Sarana
BWPT	: Eagle High Plantation

The table beside shows that AALI has the highest profitability in terms of ROA and ROE among its competitors. Valued at 19.28 times its earnings, AALI's price to book value historically is the highest among other competitors due to strong track record of growth and good corporate governance.

Currently price to book value of AALI is marginal from 5 years low. This is due to having just recently issued new shares to cover its debts.

Profitability of Astra Agro Lestari historically is the highest among its competitors. However, profitability drops significantly due to having debt nominated in USD whereas profitability recovers in 2016.

AALI FINANCIAL ANALYSIS

Table 2. AALI Capital Structure

Market Cap	30,135,691
Cash & Short Term Investment	3,285,860
Short Term Debt	200,000
Current Long Term Debt	1,681,966
Long Term Debt	5,030,366
Minority Interest	375,486
Enterprise Value	34,137,649
Shareholders Equity	16,047,836
Total Capital	23,335,654
Debt to Equity	43.07%
Debt to Capital	29.62%

Table 3. AALI Financial Summary Analysis

Financial Summary	Historical		Forecast (Mean)	
	FY Dec-14	FY Dec-15	FY Dec-16	FY Dec-17
Revenue	16305.83	13059.22	14239.38	15644.78
Growth	28.65%	-19.91%	9.04%	9.87%
Gross Income	4951.79	3082.1	3552.99	4190.07
Margin	30.37%	23.60%	25.89%	28.22%
EBITDA	4258.99	2517.30	3130.00	3765.66
Margin	26.12%	19.28%	21.98%	24.07%
EBIT	3722.36	1853.15	2254.86	2834.82
Margin	22.83%	14.19%	15.84%	18.12%
Net Income	2503.70	619.11	1497.91	1897.93
Margin	15.35%	4.74%	10.52%	12.13%
EPS	1514.95	374.61	850.91	1026.91
Growth	38.99%	-75.27%	127.14%	20.68%
Free Cash Flow	715.11	-1826.56	319.33	1066.61

All Financials in IDR million
Data field 30-Jun-2016
Source : Thomson Reuters

*Non Per Share in IDR Billion, Per Share IDR-Consolidated
Source : Thomson Reuters



Table 4. AALI Key Ratios Analysis

Key Ratios	Historical		Forecast	
	FY Dec-14	FY Dec-15	FY Dec-16	FY Dec-17
Enterprise Value/Revenue	2.60	2.51	2.40	2.18
Enterprise Value/ EBITDA	9.96	13.03	10.91	9.07
Enterprise Value/EBIT	11.40	17.71	15.14	12.04
Total Debt/ Enterprise Value	0.10	0.24		
Total Debt/ EBITDA	1.04	3.07	2.47	2.05
EBITDA/Interest Expense	44.33	20.06	24.94	30.00
EBITDA- Capital Expenditures/ Interest Expense	78.45	40.66	45.55	50.61
EBIT/Interest Expense	38.74	14.70	17.97	22.59
PE	10.31	41.71	18.36	15.22
PEG	1.76	0.01	0.27	0.23
Price/Sales	1.85	2.31	2.12	1.93
Price/Cash Flow	8.54	25.13	24.34	17.50
Price/Book Value	2.26	2.29	1.77	1.69
ROA	14.94%	3.09%	7.01%	8.43%
ROE	23.49%	5.45%	11.25%	12.10%
Return on Invested Capital	16.89%	7.18%	8.50%	10.80%

AALI's average CPO sales price was declined by 15.8%, resulting in a decline of 19.9% in net revenue. Besides that, CPO sales volume fell by 24.2% due to allocation of CPO to reprocessed palm oil derivatives products (RBDPO, Olein, Stearin, and PFAD).

EPS Growth declined by 75.27%, which was mostly affected by the decline in gross profit, increase in loan interest expense, and stronger USD whereas AALI has obligation nominated in USD – resulting in foreign exchange loss.

By considering the overall net tangible assets owned by AALI would surely be able to fulfill their liabilities. The gearing ratio was 65% in 2015 and 32% in 2014. However, AALI's management and shareholders approved to issue new shares to reduce liabilities, resulting in stronger capital structure in 2017.

AALI TECHNICAL ANALYSIS



Dividend Growth Rate

Price To Book Value Per Share

Price

Price to Earnings Per Share

Sources: Thomson Reuters, 27/10/2016

Figure 4. AALI Technical Analysis



Historically AALI's price (orange) has reached the minimum price range from IDR 13,000 to IDR 14,000 by four times during 2013 to 2016. AALI's price crashed whenever earnings dropped. In 2015, earnings dropped more severely due to AALI lost money from exchange rate losses. Thus, the stock appeared to be very expensive when factoring high price to earnings per share (white). However, we strongly believe that AALI has bottomed out. AALI's price has yet to increase although its profitability has become normal and price to book value (green) has reached 5 years low.

FUTURE VALUATION (PALM OIL AND EL NINO) IN INDONESIA

Table 5. Statistical Data Palm Oil in Indonesia ('000 ton)

No	Description	2016							
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1	Opening Stock	4500	4359	3435	3019	2266	1958	1803	1880
2	Production	2991	2473	2317	2335	2495	2687	2779	2976
3	Export (CPO, Lauric Oil, Oleochemical & Biodiesel)	2194	2419	1881	2235	1906	1886	1737	2234
4	Domestic Consumption	938	979	852	852	898	955	966	926
5	Ending Stock	4359	3435	3019	2266	1958	1803	1880	1695

Both the production and price of crude palm oil are subject to a lot of factors including weather, such as El Niño. The lengthy El Niño in 2015-2016 lead to substantial decrease in output of crude palm oil production in East Asia including Indonesia. Thus, Indonesia's palm oil output decreased by 0.1% YoY to 32.9mn tons but CPO price rise to 2700 RM per ton. Most analysts predict that late 2016 is a turnaround moment for palm oil industry, whereas palm oil production will rise gradually due effects of El Niño ending. Based on BMI research, the production of CPO global in 2017 is forecasted to reach 66.9mn tons, up 8.0%.

Market supply and demand states that increase in supply will always be followed by decrease in price. However, El Niño is followed by La Nina which reduces soya beans supply in South America. Since CPO and soya beans substitute each other, analysts predicted that CPO price will rise.

Along with the government support in this industry, the demand from global market also escalates the CPO consumption and demands in Indonesia. Although, there was a catastrophe in 2015 and 2016, the CPO production indicates an upward movement to fulfill the demand from the market. Those will lead to the increase of CPO's price and impact directly in rising the share price of agribusiness – CPO based industry in Indonesia. Astra



Agro Lestari is currently the market leader in this industry, therefore the share prices are predicted to accelerate in the coming year.

Table 6. Indonesia Biodiesel Mandatory Target as stated in Regulation 12/2015

Biodiesel (Minimum)				
Sector	April 2015	2016	2020	2025
Transportation, Public Service Obligation (PSO)	15%	20%	30%	30%
Transportation, Non-PSO	15%	20%	30%	30%
Industry	15%	20%	30%	30%
Electricity	25%	30%	30%	30%

The Indonesian government plans to increase the amount of CPO consumption in Indonesia. This is done by allocating larger amount of CPO into biofuel used in transportation both public and private, industry, and electricity. Additionally, Indonesian government imposed taxes on crude palm oil (CPO) export to subsidize biofuel refinery projects to reduce Indonesia's dependency on oil and gas imports.

Table 7. Indonesia Production, Supply, and Demand Statistics

Biodiesel (Million Liters)					
Calendar Year	2013	2014	2015	2016	2017
Beginning Stocks	55.00	7.00	57.00	34.00	34.00
Production	2.80	3.00	1.18	2.45	2.60
Imports	0	0	0	0	0
Exports	1,800.00	1,350.00	343.00	200.00	100.00
Consumption	1,048.00	1,600.00	860.00	2,250.00	2,400.00
Ending Stocks	7.00	57.00	34.00	34.00	134.00
Balance Check	0	0	0	0	0
Production Capacity					
Number of Biorefineries	26.00	26.00	27.00	28.00	29.00
Nameplate Capacity	5,670.00	5.67	6.75	7.28	7.62
Capacity Use (%)	0.49	0.53	0.17	0.34	0.34
Feedstock Use for Fuel					
Crude Palm Oil	2,576.00	2,760.00	1,086.00	2,254.00	2,392.00
Market Penetration					
Biodiesel, transport use	996.00	1.52	817.00	2,093.00	2,256.00
Diesel, transport use	27,950.00	26,437.00	26,142.00	26,220.00	26,960.00
Blend Rate (%)	3.6	5.7	3.1	8.0	8.4
Diesel, total use	34,150.00	32,767.00	32,472.00	32,569.00	33,495.00

Source : GAIN Report (USDA)

From GAIN report, it can be concluded that palm oil usage for biofuel will increase greatly due to Indonesia government mandate.

In 2015, Indonesia's biodiesel production dropped to 1.18 billion because of low oil price renders biofuel prices to be uncompetitive and ineffective support program. Followed by export dropped to 343 million liters, and blend rate dropped to 3.1%. In early 2015, biodiesel production is at the lowest point: zero.

Indonesia has launched new program in 2016 which increases biodiesel production to 2.45 billion, biodiesel for transport use to 2,093 million liters, and biofuel blend rate increases to 8.0%. This is done by subsidizing the difference of price between gasoline and biofuel with palm oil taxes. Indonesia program's 2016 biodiesel stocks are expected to remain low due to rising biodiesel



demand and low CPO yields in 2016. In 2017, CPO stocks may increase slightly assuming lower exports.

Indonesia future valuation for both CPO and biodiesel will increase CPO price, biodiesel production, biodiesel consumption, bio-refineries production capacity, and the total use of biodiesel and diesel for transport use.

CONCLUSION

In conclusion, there was a decrease of production CPO during the last 2 years because of El Niño and currency exchange losses, however the demand remains stable and will increase sharply soon, which could lead to shortage of CPO in the Q117. Shortage of CPO will increase the price of CPO and directly increase the perceived value of agribusiness companies. Technically, price to book value per share has reached five years low whereas profitability has restored. However, price has yet to increase. Since AALI is one the market leader in this industry, we strongly believe that AALI's share price will increase in the coming year.

Additional Investment Idea Summaries



MEDCOENERGI
Oil & Gas



PT WIJAYA KARYA (Persero) Tbk



JASAMARGA
Indonesia Highway Corporation



MEDCO ENERGY INTERNATIONAL (MEDC.JK)

Table 1. MEDC Key Ratios vs competitors

Competitor Analysis				
Oil & Gas	HISTORICAL		FORECAST	
PARAMETER	Dec-14	Dec-15	Dec-16	Dec-17
ROA (%)				
PGAS	15.64	6.31	7.05	7.27
MEDC	0.39	-1.01	0.70	1.90
ELSA	9.57	8.68	9.90	8.70
ROE (%)				
PGAS	28.37	13.86	12.44	12.88
MEDC	1.13	-3.51	2.90	5.90
ELSA	17.15	14.48	16.00	12.80
EPS				
PGAS	0.01	0.03	0.02	0.02
MEDC	0.00	-0.01	0.01	0.02
ELSA	56.50	51.34	60.30	53.60
PBV				
PGAS	1.74	1.59	1.49	1.37
MEDC	0.37	0.48	0.43	0.39
ELSA	1.33	1.30	1.16	1.06
P/E				
PGAS	6.62	9.92	11.66	10.33
MEDC	33.76	-12.66	16.00	6.23
ELSA	8.21	9.04	7.69	8.66
BV				
PGAS	0.04	0.19	0.16	0.15
MEDC	0.00	0.26	0.37	0.32
ELSA	348.77	357.01	399.75	437.90

Source: Thomson Reuters, 27/10/2016

Medco Energy's share price had dropped significantly from 4000 to all year low of 700 and had bounced back to 1300. We strongly believe that Medco Energy's share price has bottomed out and will be one among the top performers across the globe should oil prices rebound further. Among the other 2 competitors, Medco Energy is the only one with constant growth of ROA and ROE in the past 2 years, regardless of its percentage number. Furthermore, the PER and PBV of Medco energy is considered the lowest among its competitors, which indicates that the stock price is undervalued and has more potential to achieve its previous stock value.

Medco Energy International (MEDC.JK) is the largest among the few publicly listed oil producers in Indonesia. Medco Energy operates oil fields in Indonesia and across the globe, owns coal mines and power plants, and conducts mining services. Even when oil price crashed during 2015, Medco Energy booked operational profits, although impairment of assets caused Medco Energy to book net losses.

We strongly believe that oil prices will not plummet further because the glut in oil production has reduced significantly. Furthermore, most of the oil producers around the globe decided to cut capital expense, lowering oil supply in the long run. Additionally, talk of cooperation between OPEC and Non-OPEC countries have intensified albeit not being an easy one.

Table 2. Historical Price vs Forecast For MEDC

Prediction April 2017 For MEDC			
Year	Oct-16	Apr-17	Percentage
2011	2,375.00	2,025.00	-14.74%
2012	1,580.00	1,750.00	10.76%
2013	2,450.00	2,565.00	4.69%
2014	3,850.00	3,120.00	-18.96%
2015	1,075.00	1,475.00	37.21%
2016	1,325.00	1,818.02	37.21%

Source: Thomson Reuters, 27/10/2016



WIJAYA KARYA (WIKA.JK)

Table 3. WIKA Key Ratios vs competitors

Competitor Analysis				
Infrastructure	HISTORICAL		FORECAST	
PARAMETER	Dec-14	Dec-15	Dec-16	Dec-17
ROA (%)				
WIKA	4.32	3.52	4.29	4.46
ADHI	3.21	3.41	2.88	4.00
PTPP	3.94	4.39	5.26	5.44
WSKT	4.70	-	5.39	5.07
ROE (%)				
WIKA	17.73	14.95	15.47	17.21
ADHI	19.74	13.66	9.77	13.20
PTPP	24.32	21.87	19.48	20.47
WSKT	19.20	-	15.15	15.62
EPS				
WIKA	100.19	101.81	123.36	162.73
ADHI	152.65	202.83	151.16	225.41
PTPP	110.00	153.00	197.58	246.76
WSKT	50.59	84.21	120.86	145.23
PBV				
WIKA	4.08	3.72	2.81	2.60
ADHI	2.68	1.52	1.38	1.20
PTPP	8.31	4.53	3.62	3.21
WSKT	9.09	3.68	3.03	2.65
P/E				
WIKA	26.45	26.03	21.48	16.28
ADHI	14.41	10.85	14.55	9.76
PTPP	37.27	26.80	20.75	16.62
WSKT	51.20	30.76	21.43	17.83
BV				
WIKA	649.52	712.40	942.98	1018.94
ADHI	820.78	1447.83	1593.75	1833.33
PTPP	493.35	905.17	1132.54	1277.62
WSKT	284.95	703.89	854.80	977.15

Source: Thomson Reuters, 27/10/2016

Table 4. Historical Price vs Forecast For WIKA

Prediction April 2017 For WIKA			
Year	Oct-16	Apr-17	Percentage
2011	520.00	920.00	76.92%
2012	1,350.00	2,200.00	62.96%
2013	2,025.00	2,265.00	11.85%
2014	2,900.00	3,510.00	21.03%
2015	3,080.00	2,615.00	-15.10%
2016	2,640.00	2,952.89	11.85%

Source: Thomson Reuters, 27/10/2016

showing good growth compared with other competitors. The EPS and BV are also in increasing trends, and the valuation is relatively cheap with other competitors in the same level. This indicates that Wijaya Karya will grow more since there are a lot of projects going on in Indonesia regarding construction project, especially MRT. If possible, we would purchase Wijaya Karya's shares with only half the capital and the remaining goes to purchase the newly issued shares which without a doubt will be priced lower.

One of the key programs of President Jokowi's presidency is the development of Indonesian infrastructure, which is currently ranked as the second lowest among Southeast Asian countries. True to his words, President Jokowi introduces fiscal policies to raise the necessary funds, tax amnesty being the most successful.

The Indonesian construction market is predicted by most analysts and economists to grow in a rapid yet sustainable pace and their prediction is right. Indonesian construction companies have been the market leaders in terms of revenue and profit growth. Among them is the government-owned Wijaya Karya with integrated operations such as construction services, real estates, and construction materials.

Wijaya Karya's share price has dropped because the government planned to issue new shares. Given the circumstances, without a doubt we believe that Wijaya Karya will perform in the long run and share price only drops temporarily. Based on the ROA and ROE, Wijaya Karya is



WASKITA BETON PRECAST (WSBP.JK)

Table 5. WSBP Key Ratios vs competitors

Competitor Analysis				
Beton Construction	HISTORICAL		FORECAST	
PARAMETER	Dec-14	Dec-15	Dec-16	Dec-17
ROA (%)				
WSBP	-	-	6.05	6.25
ROE (%)				
WSBP	-	-	10.75	10.60
EPS				
WSBP	-	-	21.40	30.95
PBV				
WSBP	-	-	2.06	1.89
P/E				
WSBP	-	-	26.17	18.09
BV				
WSBP	-	-	271.86	296.24

Source: Thomson Reuters, 27/10/2016

As a government construction company, Waskita Karya booked over 100% increase of comprehensive net profit during 2015 and 35% during 2014. Because of impressive growth and massive analyst coverage due to receiving prestigious projects, Waskita Karya's share prices have increased seven fold from 2014's all year low of 400 to 2016's all year high of 2800. We strongly believe that Waskita Karya's share price is already traded at premium

and must be fueled with impressive growth to be traded at premium in the future.

Looking inside Waskita Karya's subsidiary, Waskita Beton Precast (WSBP.JK), attributed 60% of Waskita Karya's profits and traded at fairer valuations. Additionally, Waskita Beton Precast has just recently go public which its shares are traded at 490 rupiahs per share. We strongly believe that the IPO price creates a psychological pricing among investors which would not sell fewer than 490 because of its newly subscribed IPO over the long run, that has limited their downside risk. At 28 October 2016, Waskita Beton Precast announced that its net income grow over 200% yearly and investors beat each other in a race to purchase the shares, resulting in 13% share price appreciation intraday. Since the company is a first mover of IPO and many investors have high expectation on it because of ongoing projects, Waskita Beton Precast will grow into one of the prestigious company in its industry.



JASA MARGA (JSMR.JK)

Table 6. JSMR Key Ratios vs competitors

Toll Service PARAMETER	HISTORICAL		FORECAST	
	Dec-14	Dec-15	Dec-16	Dec-17
ROA (%)				
JSMR	4.66	4.29	5.51	4.67
ROE (%)				
JSMR	14.64	14.46	15.28	13.00
EPS				
JSMR	206.00	215.64	253.21	242.87
PBV				
JSMR	3.18	3.01	2.65	2.42
P/E				
JSMR	22.38	21.38	18.21	18.98
BV				
JSMR	1449.77	1531.69	1739.98	1904.82

Source: Thomson Reuters, 27/10/2016

Jasa Marga (JSMR.JK) is the nation's largest toll road operator. The utility sector in developed countries mostly grows slowly but consistently. However, Indonesian infrastructure is ranked as the second worst among Southeast Asian countries and it has an enormous room to grow especially outside Java, and that growth includes toll roads. In the last three years, share prices reached as high as 7200 and as low as 4400. The government of Indonesia is currently planning to issue new shares for Jasa Marga and usually the new shares will be issued at a price lower than the market to incentivize buyers. Because of that, currently Jasa Marga is traded at 4570 rupiahs per share. We strongly believe that Jasa Marga has limited downside risk and enormous room to grow. Based on the table, we can see that Jasa Marga performance is not so good despite monopolizing the toll road construction. However, if we look deep into the Jasa Marga projects, the future prospect of Jasa Marga is very bright and the price would hit the upper bottom in the future. ‘

Table 7. Historical Price vs Forecast For JSMR

Prediction April 2017 For JSMR			
Year	Oct-16	Apr-17	Percentage
2011	3,750.00	5,000.00	33.33%
2012	5,800.00	6,350.00	9.48%
2013	5,250.00	5,975.00	13.81%
2014	6,350.00	6,925.00	9.06%
2015	4,840.00	5,300.00	9.50%
2016	4,560.00	4,993.39	9.50%

Source: Thomson Reuters, 27/10/2016

Ultimately, we always believe that every portfolio should be hedged properly to limit the risk. We fully realize the utility sector's nature as a low beta slow grower and we exactly want JasaMarga because it fits our need to hedge our riskier positions.