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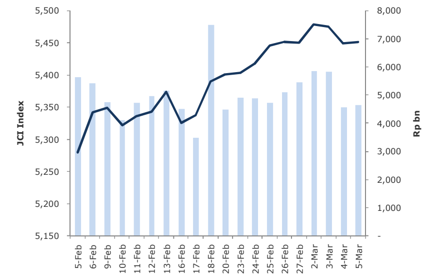
INDOPREMIER

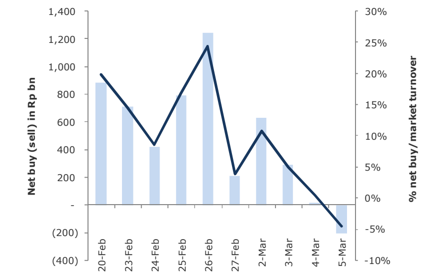
PremierInsight

6 March 2015

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,451	0.1%	16.3%	4.3%
LQ45	947	0.0%	20.0%	5.3%
DJI	18,136	0.2%	10.4%	1.8%
SET	1,553	-0.6%	14.9%	3.7%
HSI	24,193	-1.1%	6.6%	2.7%
NKY	18,752	0.3%	23.9%	8.7%
FTSE	6,961	0.6%	2.5%	6.0%
FSSTI	3,395	-0.6%	8.5%	1.4%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	50.8	-1.5%	-50.0%
CPO/tonne	636.1	-1.7%	-18.0%
Soy/bushel	9.8	-0.9%	-31.1%
Rubber/kg	1.9	-1.2%	-16.5%
Nickel/tonne	14,140	1.9%	-7.2%
Tins/tonne	18,099	2.0%	-22.3%
Copper/tonne	5,857	-0.1%	-17.1%
Gold/try.oz (Spot)	1,198	-0.2%	-11.3%
Coal/tonne*	61.8	-1.0%	-25.4%
Corn/bushel	3.8	0.3%	-18.6%
Wheat/bushel**	248.5	-7.9%	-9.8%

** : 1 week change*

***: 1 month change*

Source : Bloomberg

Indofood CBP (ICBP IJ; Buy)

Still a noodle play

- **Higher ASP will be a key earnings driver in longer run**
- **A recovery in spending power should drive non-noodle sales**
- **ICBP to actively branch out into more lucrative businesses**
- **Retain BUY rating with a higher TP Rp17,400**

Remains a noodle play. We retain our bullish view on ICBP despite the company's relatively conservative guidance, and with contribution of 60% and 90% to the company's revenue and EBIT respectively, we expect higher noodle price to be the company's key earnings driver in longer run. Meanwhile, with another round of noodle's ASP hike of Rp100/pack in January (on top of 3x price hike last year), we view this as the company's reaffirmation of superior pricing power. We also expect a recovery in consumers' purchasing power to drive higher non-noodle businesses sales, which mostly consist of discretionary items. With the Consumer Confidence Index (CCI) and Retail Sales Index (RSI) – which indicates the level of optimism among Indonesian consumers and retail sales growth – remaining on an upward trajectory, we believe this would serve as a positive sign for the consumer staple companies.

Earnings upgraded on new guidance. We revise our FY15F EBIT margin forecast for instant noodle to 16.5% from 16.2% as a result of lower input costs and higher ASP. Further, we increase our dairy sales volume growth assumption to 20%yoy (from 10%), in line with management's guidance. Consistent with our earnings revisions, our consolidated revenue and EBIT growth projections increase by 0.8%/1.7% and 1.6%/3.2% for FY15F/FY16F, respectively. Meanwhile, we estimate that for every 1% decline in raw material prices, ICBP's EPS would grow by 2.7%.

In pursuit of inorganic growth. Sitting on a huge cash pile of Rp5.6tn, we expect ICBP to actively pursue inorganic routes to growth, mainly to provide alternatives for its saturated instant noodle business. We believe its sturdy balance sheet should be enough to help ICBP branch out into more lucrative businesses via JVs. Meanwhile, ICBP reportedly acquired a 9.88% stake in JC Comsa, a Japan-based company engaged in the food business, for US$2.37mn. We believe this should help strengthen its relationship with its Japanese counterpart, where both have already entered into a JV in restaurant management since last year.

Retain BUY rating with a higher TP of Rp17,400. ICBP currently trades at 26.6x /23.7x FY15F/FY16F P/E, which is in line with the Jakarta Consumer Index. Consistent with our earnings revision, we revise our TP to a higher Rp17,400, based on a market-cap weighted average of Indonesian consumer staples stocks of 32x FY15 P/E. Maintain BUY.

Year To 31 Dec	2012A	2013A	2014F	2015F	2016F
Revenue (RpBn)	21,717	25,095	30,283	34,507	38,832
EBITDA (RpBn)	2,846	2,734	3,304	3,931	4,512
EBITDA Growth (%)	7.8	-3.9	20.8	19.0	14.8
Net Profit(RpBn)	2,180	2,225	2,722	3,175	3,582
EPS (Rp)	374	382	467	544	614
EPS Growth (%)	10.3	2.1	22.3	16.6	12.8
Net Gearing (%)	-35.4	-23.2	-23.1	-14.5	-13.0
PER (x)	39.4	38.6	31.5	27.0	24.0
PBV (x)	7.2	6.5	5.7	5.1	4.5
Dividend Yield (%)	1.1	1.3	1.2	1.4	1.7
EV/EBITDA (x)	28.7	30.3	24.9	21.2	18.5

Source : ICBP, IndoPremier *Share Price Closing as of : 03-March-2015*

Refer to Important disclosures on the last of this report

News & Analysis

Corporates

BBCA: Bank Central Asia (BBCA IJ; Rp14,500; Hold) reported net profit of Rp16.5tn in FY14 (+15.6% yoy) on the back of 11% loan growth and widening NIMs to 6.5% (FY14: 6.2%), despite a significant rise in its credit cost (+36% yoy) and strong operating expense growth (+25% yoy), in part due to additional costs from its new 2-wheeler financing and general insurance subsidiaries (excluding this, operating cost grew 20% yoy). In 4Q, earnings was relatively flat vs. prior quarter. The bank's modest credit growth was primarily driven by corporate lending (+17% yoy) while its consumer loan growth decelerated to 6% yoy on the back of stagnant mortgage lending (only 3% yoy). NPL ratio remain low at 0.6%, albeit an increase from 0.4% in prior year, while provisions/NPL coverage remain high at 324% (vs. 408% in prior year).

Comment: BBCA's FY14 earnings was marginally below our forecast (Rp16.8tn) but in line with consensus estimate. Although this was a good earnings performance in the face of macro headwinds in Indonesia in the past two years, the bank's earnings growth was not significantly stronger vs. peer Big Four banks despite BBCA perceived to be the biggest beneficiary of rising rates in the country. As such, we view the bank's steep valuation premium vs. peers such as Mandiri (BMRI IJ; Buy), BRI (BBRI IJ; Buy) and BNI (BBNI IJ; Buy) as unjustified. We retain our Hold rating on the stock.

KLBF: Kalbe Farma (KLBF IJ; Rp1,805; Buy) Indonesian Food and Drug Adminstration (BPOM) has terminated Kalbe's distribution permit for Buvanest (and production of the drug) permanently as it failed to comply with the Good Manufacturing Practices (GMP) following BPOM's thorough investigation. At the same time, further audit by BPOM and MoH at Siloam Hospital has concluded that the hospital had followed the correct medical procedures.
(Investor Daily)

Comment: We believe Kalbe's earnings risk from the termination of Buvanest sales should be minimal given the small contribution from the product (c. less than 2% of revenue) but what more worrisome is the damage to reputation and potential lawsuit.

PGAS: Perusahaan Gas Negara (PGAS IJ, Rp5,275 ,Hold) has announced its FY14 result with highlights:

- Net income was US$723mn (-16.0% yoy) in FY14, which was inline with our expectation. Lower net income was associated with non-operating items such as higher interest expense, lower forex gain, and impairment from oil assets. On the operating side, financial performance of PGAS was relatively flat with no significant increase in gas distribution.
- Total revenue grew 13.6% to US$3.4bn slightly ahead of our numbers driven by increase from oil and gas sales of US$297.8mn (+773% yoy), while revenue from gas distribution increased by 5% yoy supported by volume growth. Nevertheless with increasing cost of gas purchase, EBITDA and operating profit only increased by 2.0% yoy and 3.4% yoy, respectively.
- PGAS has booked impairment of oil asset of US$34.6mn in FY14 and restated its FY13also by adding impairment of US$23.5mn. So cumulatively, we are looking at an impairment of US$58.1mn out of the total investment of US$1.2bn in oil assets.

	FY14	FY13	%	4Q14	3Q14	%	FY14F	
Turnover	3,409	3,002	*13.6%*	895	810	*10.5%*	3,125	*109%*
EBITDA	1,117	1,094	*2.0%*	238	287	*-17.1%*	1,195	*93%*
Operating Profit	940	909	*3.4%*	188	244	*-23.0%*	889	*106%*
Net Int. & Invest. Inc.	(50)	5	*-1081.6%*	(25)	(15)	*69.6%*	(1)	*nm*
Forex gain (losses)	50	154	*-67.7%*	28	35	*-20.5%*	26	*192%*
Except. & Others	39	57	*-32.2%*	(2)	28	*-108.8%*	-	*nm*
Group Pretax	979	1,125	*-13.0%*	188	292	*-35.7%*	914	*107%*
Taxation	(231)	(231)	*0.0%*	(52)	(51)	*3.1%*	(183)	*126%*
Minorities	(25)	(33)	*-25.3%*	(5)	(6)	*-20.9%*	(30)	*84%*
Net Profit	723	860	*-16.0%*	131	235	*-44.4%*	702	*103%*
EBITDA Margin	32.8%	36.5%		26.5%	35.4%		38.2%	
Distribution, mmscfd	859	808	*6.3%*	836	866	*-3.5%*		
Transmission, mmscfd	864	867	*-0.3%*	863	896	*-3.7%*		
Gas ASP, US$/MMBTU	8.87	8.97	*-1.1%*	8.84	8.97	*-1.4%*		
Gas Cost, US$ MMBTU	5.86	5.11	*14.7%*	5.66	5.79	*-2.2%*		

Source: Company

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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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