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Equity | Indonesia | Research Daily

15 June 2017

Premier Insight

Tiga Pilar (AISA IJ; Buy)

All about rice.

- **Rice sales drop 17% yoy in 1Q17 due to one-off sales in 1Q16.**
- **IPO plan for its rice milling unit PT. Dunia Pangan later this year.**
- **Earnings adjustment as company postpones additional rice facilities.**
- **Maintain BUY at new TP of Rp2,100.**

One-off rice sales in 1Q16. AISA's 1Q17 revenue showed deceleration of 12.3% yoy in 1Q17 due to lower rice sales by 17.2% yoy while food sales reported growth of 1.9% yoy in 1Q17. According to the company, the revenue deceleration was due to one-off bulk rice sales to Indonesian Bureau of Logistics (Bulog) in 1Q16. Despite revenue slippage, gross margin expanded to 23.4% in 1Q17 from 22.8% in 1Q16 on wider foods margin and relatively stable rice margin. This year, the company will focus on branded pack rice which offers higher margin. As of 1Q17, branded rice has accounted for 43.5% to total rice sales (vs. FY16: 30%). We expect the growing contribution from branded rice will sustain gross margin going forward.

Rice milling business to go public. We expect the IPO plan to have a positive impact on AISA considering the additional fund for working capital and further support the business expansion. In FY16, rice business sales accounted for 65% to total revenue. AISA plans to divest approx. 20%-30% shares of its rice milling unit in an IPO later this year. However, we have not incorporated the IPO proceed in our model, which might provide another potential upside given the additional production capacity to support more robust growth in its rice business.

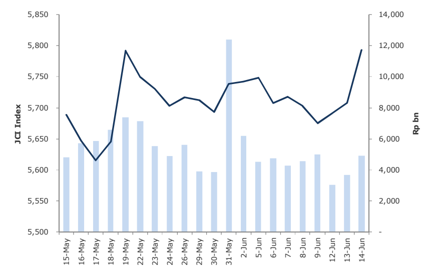
Earnings upgrade. We cut our FY17F earnings forecast by 2.9% on the back of 13.5% lower rice sales in FY17F as we take out the assumption on additional rice production capacity as the company will postpone the construction of 2 rice facilities in South Sulawesi. So far, AISA remains the largest rice producer in Indonesia with capacity of 480k tons/year. Despite the earnings downgrade, we upgrade our gross margin particularly in rice business to 19.5% from 17.0% and lower foods margin due to possibility of higher material costs. As of 1Q17, rice margin posted gross margin of 19.5%. We believe the higher margin to sustain driven by rising contribution from branded rice.

Maintain BUY with new TP of Rp2,100. Our new TP of Rp2,100 (from Rp2,200) implies FY17F P/E of 13.6x on our FY17F EPS of Rp155bn, which is in-line with AISA's shares selling at 5-year historical P/E. The stock is currently traded at FY17F P/E of 10.9x, providing a good entry point. We continue to like the company given the prospect of its foods as well as rice division which are both supported by rising per capita income. Maintain BUY. Key risks: Indonesia's macro-economic conditions, rising material costs and IDR depreciation.

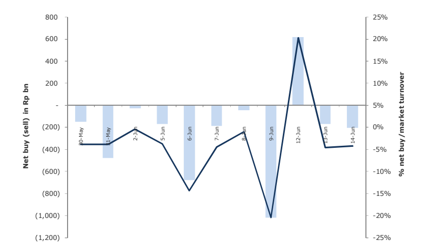
Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue(RpBn)	6,011	6,546	7,150	7,858	8,699
EBITDA (RpBn)	861	1,144	1,310	1,473	1,619
EBITDA Growth (%)	14.4	32.8	14.5	12.5	9.9
Net Profit (RpBn)	322	594	498	571	633
EPS (Rp)	100	184	155	177	197
EPS Growth (%)	(8.9)	84.1	(16.1)	14.6	10.8
Net Gearing (%)	66.0	43.5	36.0	40.8	35.7
PER (x)	16.8	9.1	10.9	9.5	8.6
PBV (x)	1.4	1.3	1.2	1.0	0.9
Dividend Yield (%)	0.0	0.0	1.6	0.9	1.1
EV/EBITDA (x)	3.3	3.1	2.8	2.2	2.1

Source: AISA, IndoPremier *Share Price Closing as of : 13-June-2017*

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,793	1.5%	20.3%	9.4%
LQ45	974	1.7%	18.8%	10.1%
DJI	21,375	0.2%	21.2%	8.2%
SET	1,577	0.3%	9.9%	2.2%
HSI	25,876	0.1%	26.4%	17.6%
NKY	19,884	-0.1%	24.9%	4.3%
FTSE	7,474	-0.3%	25.3%	4.6%
FSSTI	3,253	-0.1%	17.3%	12.9%
EIDO	27	1.1%	18.7%	13.3%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	44.7	-3.7%	-7.8%
CPO/tonne	577.4	1.0%	-1.0%
Soy/bushel	9.1	-0.1%	-22.1%
Rubber/kg	1.9	1.9%	19.1%
Nickel/tonne	8,883	1.7%	0.5%
Tins/tonne	19,347	-0.9%	13.9%
Copper/tonne	5,669	-0.3%	26.1%
Gold/try.oz (Spot)	1,261	-0.5%	-2.4%
Coal/tonne	80.5	-0.4%	53.6%
Corn/bushel	3.5	-1.1%	-18.2%
Wheat/bushel*	138.4	-5.5%	-15.3%

** : 1 month change*

Source : Bloomberg

Refer to Important disclosures in the last page of this report

News & Analysis

Corporates

ADHI: Adhi Karya's (ADHI IJ; Rp2,250; Buy) subsidiary, Adhi Persada Properti, together with PT Adhidaya Bangun Nusantara (ABN) will develop land in Jakarta and Surabaya with investment value are estimated to worth Rp91tn. ABN currently owns 250ha land which is spread throughout Jakarta, Bekasi, Kerawang and Surabaya. Both companies aim sales to reach Rp114tn in next five years and will allocate area in Jakarta to build 200,000 subsidied houses and 100,000 houses in Surabaya. Company will also develop mixed use in Surabaya with investment cost to reach Rp9.5tn in total. (Bisnis Indonesia)

Comment: Despite lower margin, the involvement of ADHI into low cost housing is positive for the company given its huge volume involved. However, further detail is needed to clarify profitability from this massive project. In the meantime, maintain Buy at ADHI with TP Rp2,500.

CTRA: Ciputra Development (CTRA IJ; Rp1,160; Buy) reported pre sales of Rp1.02tn in May 2017 alone, bringing 5M17 pre sales to Rp2.6tn which was 31% of FY17 target (Rp8.5tn). This is below last two years performance. Nearly all sales were contributed by landed residential; thanks to successful launch of Citraland Cibubur which sells unit around Rp400mn-2bn. Company will further develop Citraland Cibubur in 200ha JV land. (Company)

Comment: Despite below its historical performance, we like CTRA given its diversified portfolio across Indonesia and its exposure to resilient middle class housing. CTRA is now currently at 56% discount to our estimated RNAV, maintain BUY at TP of Rp1,560.

KLBF: Kalbe Farma (KLBF IJ; Rp1,565; Buy) expects revenue growth in 2Q17 to reach 8%-10% due to Ramadhan season. The highest growth is seen on nutritional division. KLBF has successfully secured a tender from National Healthcare Insurance (JKN) to supply 30 types of drugs. Some problems such as price cap on the drugs and high logistic cost hinder KLBF to enjoy higher margin. On separate news, company is exploring JV for strategic partnerships in ASEAN. 2017 capex will be Rp1.2tn where 80% of the budget will be allocated for the construction of injection drugs in Cikarang and Cikampek. (Bisnis Indonesia, Investor Daily)

Comment: Despite the 10%-15% of contribution to JKN program, KLBF's strong growth ahead will be supported from other divisions such as nutritional division which still has ample room for growth due to wide product offering and still low penetration. Maintain BUY on KLBF.

MYOR: Mayora Indah (MYOR IJ; Rp2,150; Sell) sets earnings target of Rp1.53tn (+10% yoy) in 2017 on the back of 9.6% yoy of revenue growth to reach Rp20.11tn. Company will launch 2 new products namely Torabika Double Up and Tora Café. 2017 Capex will be at Rp600bn for capacity expansion. (Investor Daily)

Comment: Our earnings growth forecast of 8.5% yoy in 2017 is slightly lower than company's guidance as we are cautious on the possibility of higher materials cost as government plans to implement bidding process in sugar procurement. In 1Q17, overall GM has dropped to 23.9% (vs. 1Q16: 28.5%) as sugar prices stood at an avg of $20.45/lb in 1Q17 (vs. 1Q16: $13.80/lb). Maintain SELL.

Markets & Sector

Retail Sector: E-commerce transaction spiked by 30% as we are approaching Ramadhan. Online retailers such as MatahariMall.com posted double digit sales increase compared to any other months. MathariMall.com claims the growth of its online shopping platform to be higher than industry average at 25%. (Investor Daily)

Comment: Despite some problems with logistics and doubt in security of the transaction, we see ample room of growth on the online shopping in Indonesia due to still low penetration. Maintain BUY on LPPF.

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