

Tiga Pilar Sejahtera^(AISA IJ)

15 November 2016

Results Note

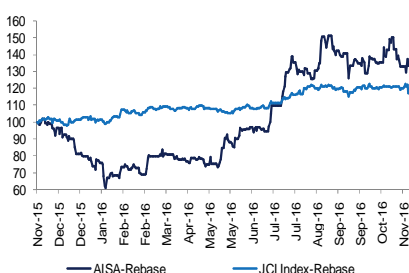
BUY (Unchanged)

Stock Data

Target price (Rp)	Rp2,200
Prior TP (Rp)	Rp2,100
Shareprice (Rp)	Rp1,880
Upside/downside (%)	+17.0
Sharesoutstanding (m)	3,219
Marketcap. (US\$ m)	447
Free float (%)	53.8
Avg. 6m dailyT/O (US\$ m)	0.7

Price Performance

	3M	6M	12M
Absolute (%)	-	40.8	21.7
Relative to JCI (%)	-	29.8	7.0
52w high/low (Rp)	2,290 - 925		



Major Shareholders

Major Shareholders group	47.3%
KKR	25.2%
Public	27.5%

Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	134	160
Vs. Prior EPS (%)	5.0	5.4
Vs. Consensus (%)	(2.0)	(3.3)

Source: Bloomberg

Sandra Thio

PT Indo Premier Securities
sandrathio@ipc.co.id
+62 21 5793 1170

Continuing strong earnings growth

- Earnings grew 51.4% yoy, ahead of our/consensus estimates.
- Gross margin expansion on lower raw mat cost and better sales mix.
- Earnings upgrade on better than expected margin and stable OpEx.
- Maintain BUY at upgraded TP of Rp2,200.

3Q16 results beat. Tiga Pilar Sejahtera's 3Q16 net profit was up by 51.4% yoy to reach Rp345.1bn (vs. 3Q15: Rp254.8bn), accounting for 85.6%/81.6% of ours/consensus estimates. Revenue grew by 4.7% yoy in 3Q16 supported by growth in food processing division by 41.2% yoy in 3Q16, which is mostly driven by contribution of new product launched, *Bihunkku*. Meanwhile, the rice business reported revenue contraction of 15% yoy in 3Q16, which we suspect due to post-Lebaran effect. We are still positive on the potential in its rice milling business given the growing demand of branded rice pack, which will be supported of company's robust expansion plan.

Improving gross margin. AISA's overall gross margin expanded to 26.7% in 3Q16 from 22.7% in 3Q15, which is attributable to lower raw material costs and favorable sales mix particularly in rice processing business due to growing branded rice contribution. The gross margin in rice processing expanded by 2.1% yoy to 18.4% in 3Q16, while GM in food processing expanded by 1.0% yoy to 36.9% in 3Q16. As a result, the operating margin up by 3.6% yoy to reach 16.9% in 3Q16. We see AISA's branded rice sales are mainly driven by proliferation of Mitra Usaha Maknyus (MUM). As of October 2016, MUM has reached 2,600 distribution points (vs. 1H16: 2,000 points).

Earnings Upgrade. We upgrade our earnings in FY16F/FY17F by 5.0%/5.4%, respectively due to better than expected gross margin on favorable raw materials cost and better sales mix. As of 9M16, raw materials cost reported at 59% of total sales (vs. 3Q15: 61.9% of total sales). Although, we upgrade earnings on gross margin expansion, we are still cautious with the possibility of higher raw material cost in FY16F due to weakening IDR, given that imported raw materials account for c.30% of total COGS. We estimate gross profit to expand to 23.8% in FY16F before further improving to 24.2% in FY17F. Given the expected stable operating expense, we also expect operating margin to improve to 14.2% and 14.8% in FY16F and FY17F, respectively.

Maintain BUY. The stock is currently traded at FY17F P/E of 11.8x, much lower than average consumer peers in Indonesia. We continue to like the company due to its exposure to rice milling business and the improving profitability post the palm oil divestment. Therefore, we iterate BUY ratings on the AISA with upgraded TP of Rp2,200, which implies FY17 P/E of 13.8x. Key risks: Indonesia's macro-economic conditions, rising material costs and further IDR depreciation.

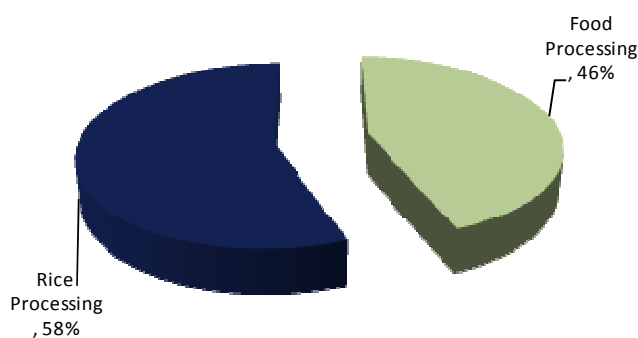
Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue(RpBn)	5,140	6,011	6,566	7,643	8,087
EBITDA(RpBn)	753	861	1,101	1,336	1,464
EBITDA Growth (%)	7.5	14.4	27.8	21.3	9.6
Net Profit(RpBn)	338	322	423	513	552
EPS (Rp)	110	100	131	159	171
EPS Growth (%)	3.7	(8.9)	31.3	21.3	7.5
Net Gearing (%)	26.5	66.0	18.5	31.2	38.8
PER (x)	17.1	18.8	14.3	11.8	11.0
PBV (x)	1.6	1.5	1.4	1.2	1.1
Dividend Yield (%)	0.3	0.0	0.8	1.0	1.3
EV/EBITDA (x)	6.8	4.0	4.8	3.4	2.7

Source: AISA, IndoPremier

Share Price Closing as of : 14 November 2016

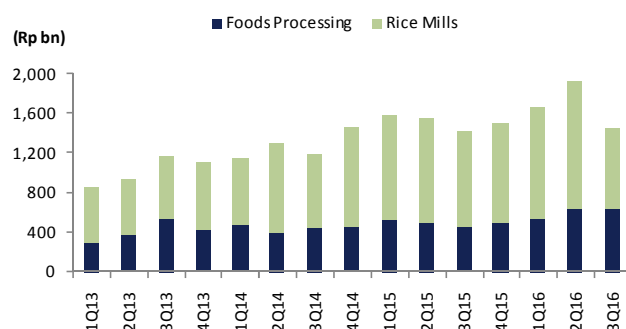
AISA Results Note

Fig. 1: Sales Mix as of 3Q16



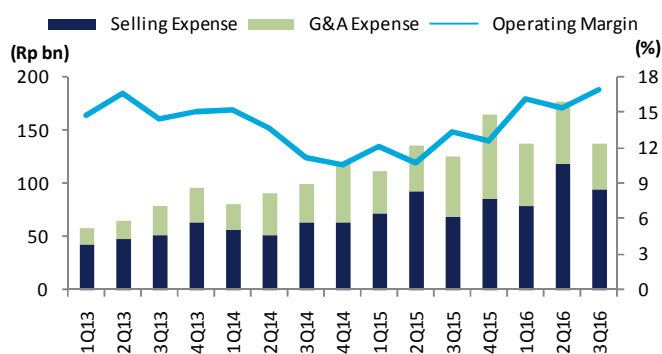
Source: Company, Indo Premier

Fig. 2: Sales Breakdown Trend Quarterly



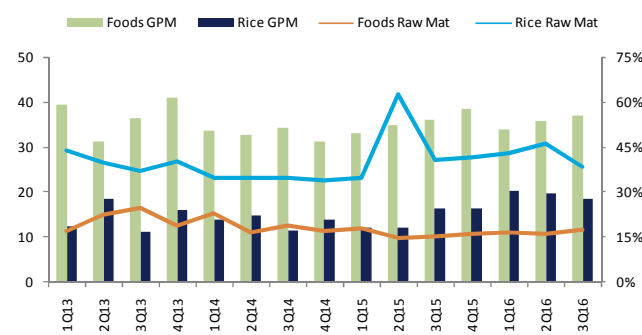
Source: Company, Indo Premier

Fig. 3: Operating Margin Trend on Quarterly



Source: Company, Indo Premier

Fig. 4: GPM and Raw Material Trend Quarterly



Source: Company, Indo Premier

Fig. 5: AISA's PE Band



Source: Bloomberg, Indo Premier

Fig. 6: New Products on the pipeline



Source: Company, Indo Premier

AISA Results Note

Fig. 7: Earnings Result

(in Rp bn)	3Q16	3Q15	YoY	3Q16	2Q16	QoQ
Revenue	1,409.3	1,346.1	4.7%	1,409.3	1,908.7	-26.2%
Food Processing	642.7	455.3	41.2%	642.7	648.3	-0.9%
Rice Mills	816.4	960.5	-15.0%	816.4	1,289.1	-36.7%
Gross Profit	375.6	305.0	23.2%	375.6	473.4	-20.7%
Food Processing	231.3	156.4	47.9%	231.3	225.9	2.4%
Rice Mills	144.3	144.1	0.2%	144.3	248.2	-41.9%
Operating Profit	238.4	179.3	33.0%	238.4	295.0	-19.2%
Net Profit	89.1	58.8	51.4%	89.1	133.3	-33.1%
Gross Margin (%)	26.7%	22.7%		26.7%	24.8%	
Food Processing	36.9%	35.9%		36.9%	35.6%	
Rice Mills	18.4%	16.3%		18.4%	19.7%	
Operating Margin (%)	16.9%	13.3%		16.9%	15.5%	
Net Margin (%)	6.3%	4.4%		6.3%	7.0%	

Source: Company, Indo Premier

Fig. 8: Earnings Revision

In Rp bn	Old		New		Change	
	FY16F (Rpbn)	FY17F (Rpbn)	FY16F (Rpbn)	FY17F (Rpbn)	FY16F (%)	FY17F (%)
Sales	6,566	7,468	6,566	7,643	0.0%	2.4%
Foods	2,333	2,887	2,333	2,888	0.0%	0.0%
Rice	4,233	4,581	4,233	4,756	0.0%	3.8%
Gross profit	1,538	1,832	1,560	1,848	1.4%	0.9%
Operating profit	892	1,110	931	1,132	4.4%	2.0%
Net profit	403	487	423	513	5.0%	5.4%
Margins						
Gross margin	23.4%	24.5%	23.8%	24.2%	0.3%	-0.4%
Foods	36.0%	36.5%	36.0%	36.0%	0.0%	-0.5%
Rice	16.5%	17.0%	17.0%	17.0%	0.5%	0.0%
Operating margin	13.6%	14.9%	14.2%	14.8%	0.6%	-0.1%
Net margin	6.1%	6.5%	6.4%	6.7%	0.3%	0.2%

Source: Company, IndoPremier

AISA Results Note

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
Income Statement					
Net Revenue	5,140	6,011	6,566	7,643	8,087
Cost of Sales	(4,099)	(4,737)	(5,007)	(5,795)	(6,072)
Gross Profit	1,041	1,274	1,560	1,848	2,015
SG&A Expenses	(388)	(540)	(628)	(716)	(787)
Operating Profit	653	734	931	1,132	1,227
Net Interest	(8)	(3)	(12)	(10)	(11)
Forex Gain (Loss)	(195)	(239)	(275)	(341)	(373)
Others-Net	40	8	11	13	13
Pre-Tax Income	491	500	655	794	856
Income Tax	(106)	(127)	(166)	(201)	(217)
Minorities	(46)	(51)	(66)	(80)	(88)
Net Income	338	322	423	513	552
Balance Sheet					
Cash & Equivalent	1,217	589	1,131	724	259
Receivable	1,344	1,979	1,763	2,052	2,171
Inventory	1,240	1,569	1,303	1,508	1,580
Other Current Assets	176	327	360	396	436
Total Current Assets	3,977	4,464	4,557	4,680	4,446
Fixed Assets - Net	2,451	3,084	3,733	4,332	4,932
Goodwill	0	0	0	0	0
Non Current Assets	944	1,514	136	41	(72)
Total Assets	7,372	9,061	8,426	9,054	9,306
ST Loans	769	1,668	985	1,146	1,213
Payable	203	352	0	333	349
Other Payables	427	530	557	585	614
Current Portion of LT Loans	92	188	111	129	136
Total Current Liab.	1,491	2,738	1,954	2,194	2,313
Long Term Loans	1,307	1,351	854	994	1,051
Other LT Liab.	979	993	1,189	904	414
Total Liabilities	3,777	5,082	3,997	4,092	3,778
Equity	3,593	3,967	4,416	4,948	5,514
Retained Earnings	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	3,593	3,967	4,416	4,948	5,514
Total Liabilities & Equity	7,369	9,048	8,413	9,040	9,292

Source: AISA, IndoPremier

AISA Results Note

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	384	374	489	593	640
Depr. & Amortization	0	0	0	0	0
Changes in Working Capital	(652)	(961)	404	(494)	(209)
Others	20	145	(20)	(39)	(44)
Cash Flow From Operating	(248)	(442)	873	61	387
Capital Expenditure	(814)	(1,203)	729	(504)	(486)
Others	0	0	0	0	0
Cash Flow From Investing	(814)	(1,203)	729	(504)	(486)
Loans	945	1,039	(1,257)	320	132
Equity	658	0	0	0	0
Dividends	(16)	0	(48)	(63)	(77)
Others	578	361	625	229	54
Cash Flow From Financing	2,165	1,400	(680)	485	109
Changes in Cash	1,103	(245)	921	42	10
Financial Ratios					
Gross Margin (%)	20.2	21.2	23.8	24.2	24.9
Operating Margin (%)	12.7	12.2	14.2	14.8	15.2
Pre-Tax Margin (%)	9.5	8.3	10.0	10.4	10.6
Net Margin (%)	6.6	5.4	6.4	6.7	6.8
ROA (%)	5.5	3.9	4.8	5.9	6.0
ROE (%)	11.4	8.5	10.1	11.0	10.5
ROIC (%)	7.2	5.0	6.3	7.6	7.3
Acct. Receivables TO (days)	79.8	100.9	104.0	91.1	95.3
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	3.6	3.4	3.5	4.1	3.9
Payable TO (days)	14.7	21.4	23.8	20.0	20.5
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	60.3	80.8	44.1	45.9	43.5
Interest Coverage Ratio (x)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	26.5	66.0	18.5	31.2	38.8

Source: AISA, IndoPremier

Head Office**PT INDO PREMIER SECURITIES**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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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