

Tiga Pilar Sejahtera (AISA IJ)

25 July 2017

Company Update

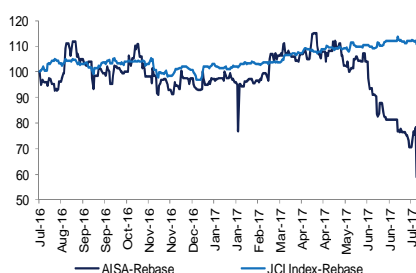
BUY (Unchanged)

Stock Data

| | |
|---------------------------|---------|
| Target price (Rp) | Rp2,000 |
| Prior TP (Rp) | Rp2,100 |
| Shareprice (Rp) | Rp1,255 |
| Upside/downside (%) | +59.4 |
| Sharesoutstanding (m) | 3,219 |
| Marketcap. (US\$ m) | 304 |
| Free float (%) | 53.8 |
| Avg. 6m dailyT/O (US\$ m) | 1.0 |

Price Performance

| | 3M | 6M | 12M |
|---------------------|---------------|-------|-------|
| Absolute (%) | -42.4 | -36.1 | -36.1 |
| Relative to JCI (%) | -44.1 | -45.3 | -47.4 |
| 52w high/low (Rp) | 2,360 - 1,205 | | |



Major Shareholders

| | |
|--------------------------|-------|
| Major Shareholders group | 47.3% |
| KKR | 25.2% |
| Public | 27.5% |

Estimate Change; Vs. Consensus

| | 2017F | 2018F |
|-------------------|-------|-------|
| Latest EPS (Rp) | 155 | 177 |
| Vs. Prior EPS (%) | (4.8) | (1.8) |
| Vs. Consensus (%) | 1.2 | (6.9) |

Source: Bloomberg

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Under great scrutiny

- **Accusation of illegally profiting from government rice subsidy.**
- **Company clarifies some misconception on the rice products.**
- **Brand image may suffer even if TPS is cleared from wrongdoing.**
- **Stock price has dropped by 21.8% since last Friday. Reiterate BUY.**

Accusation of wrongdoings. PT. Tiga Pilar Sejahtera Food (TPS) was allegedly using subsidized rice as its raw materials and labels it as premium rice, namely Maknyuss and Ayam Jago brands when sold to consumers. The inspection took place on one of facility of AISA's subsidiary, PT. Indo Beras Unggul (IBU) in Bekasi last Thursday. During the raid, it is reported that police confiscated 1.16 tons of rice stored by IBU, which is the total inventory for the whole week as mentioned by the company. Since the news broke out, the company has released numerous statements to deny the allegation.

Further clarification on the allegation. AISA has once again denied of using subsidized rice for its rice production during the company's public expose on July 25th. Regarding other accusation that company uses lower quality rice for their premium brands, company explains that quality of the finished rice products is not based on the type of rice but depends on the processing method. So far, the company has complied with Indonesia National Standard (SNI) to produce the desired rice quality. It is also worth nothing the other common misconception that the quality of rice has nothing to do with its nutritional information. Based on our channel check, some minimarts such as Indomart still continue to sell AISA's products namely Maknyuss as usual.

Weak 1H17. Company estimated total revenue of Rp3.34tn in 1H17 (-7% yoy). Rice sales was expected to be at Rp2.1tn (-12% yoy), which we suspect due to fasting season, while foods to reach Rp1.3tn (+6% yoy) in 1H17. Company also mentions possible biscuit contract with estimated value of Rp400bn during 2H17 to further drive the revenue. In regards of the recent incident, we expect its rice business, particularly its premium brand products to suffer. As a result, we lower our FY17/18F earnings by 4.7% and 2.0% as we lower our rice sales estimates to Rp3.7bn (-10.8%) and Rp3.9bn (-6.1%), respectively, as a result of this unfortunate event. Note that rice segment contributed 42.4% to 1Q17 earnings.

BUY at lower TP of Rp2,000. We lower our target price by 4.8% as we adjust our FY17/18F earnings forecast. Despite earnings downgrade and possible risk of brand damage going forward, we think the current valuation has already reflected that risk as the stock price has plunged by 21.8%. 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 and new product launch especially in foods segment to support further growth. Reiterate BUY.

| Year To 31 Dec | 2015A | 2016A | 2017F | 2018F | 2019F |
|--------------------|-------|-------|--------|-------|-------|
| Revenue (RpBn) | 6,011 | 6,546 | 6,709 | 7,601 | 8,434 |
| EBITDA (RpBn) | 861 | 1,144 | 1,260 | 1,448 | 1,594 |
| EBITDA Growth (%) | 14.4 | 32.8 | 10.2 | 15.0 | 10.1 |
| Net Profit (RpBn) | 322 | 594 | 474 | 560 | 621 |
| EPS (Rp) | 100 | 184 | 147 | 174 | 193 |
| EPS Growth (%) | (8.9) | 84.1 | (20.1) | 17.9 | 11.0 |
| Net Gearing (%) | 66.0 | 43.5 | 32.6 | 39.5 | 34.8 |
| PER (x) | 12.5 | 6.8 | 8.5 | 7.2 | 6.5 |
| PBV (x) | 1.0 | 0.9 | 0.9 | 0.8 | 0.7 |
| Dividend Yield (%) | 0.0 | 0.0 | 2.2 | 1.2 | 1.4 |
| EV/EBITDA (x) | 1.7 | 1.9 | 2.0 | 1.4 | 1.3 |

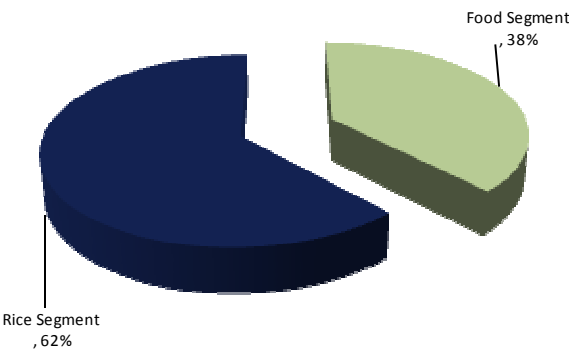
Source: AISA, IndoPremier

Share Price Closing as of : 24-July-2017

Refer to Important disclosures in the last page of this report

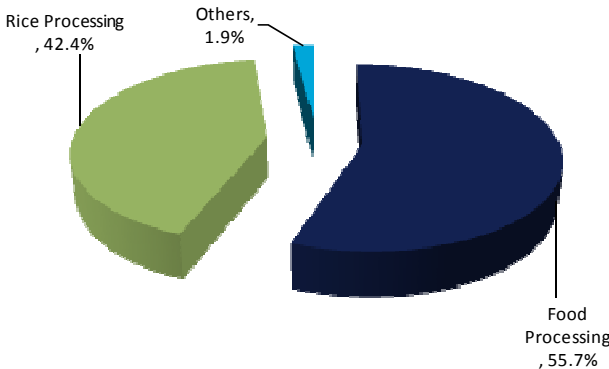
AISA Company Update

Fig. 1: Sales mix in 1Q17



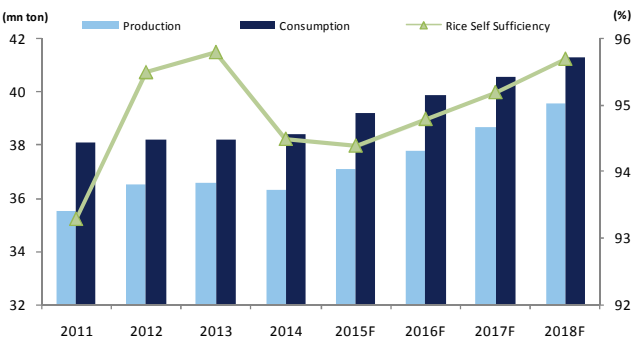
Source: Company, Indo Premier

Fig. 2: Net Income contribution per segment in 1Q17



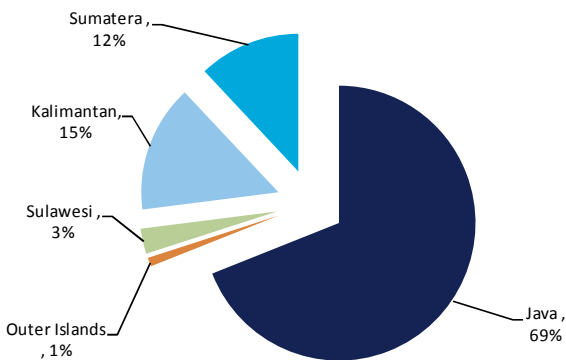
Source: Company, Indo Premier

Fig. 3: Lucrative market of Indonesia rice market



Source: Company, Indo Premier

Fig. 4: Maknyuss’ Sales by Region



Source: Company, Indo Premier

Fig. 5: New variance of Mie Kremezz



Source: Company, Indo Premier

Fig. 6: Completion of its beverage facility, Capri-Sun



Source: Company, Indo Premier

AISA Company Update

Fig. 7: Earnings Revision

| In Rp bn | Old | | New | | Change (%) | |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY17F | FY18F | FY17F | FY18F | FY17F | FY18F |
| Sales | 7,150 | 7,858 | 6,709 | 7,601 | -6.2% | -3.3% |
| Foods | 3,038 | 3,630 | 3,042 | 3,633 | 0.1% | 0.1% |
| Rice | 4,112 | 4,228 | 3,667 | 3,969 | -10.8% | -6.1% |
| Gross profit | 1,835 | 2,059 | 1,742 | 2,009 | -5.1% | -2.4% |
| Operating profit | 1,123 | 1,277 | 1,074 | 1,253 | -4.3% | -1.9% |
| Net profit | 498 | 571 | 474 | 560 | -4.7% | -2.0% |
| Margins | | | | | | |
| Gross margin | 25.7% | 26.2% | 26.0% | 26.4% | 0.3% | 0.2% |
| Foods | 34.0% | 34.0% | 34.0% | 34.0% | 0.0% | 0.0% |
| Rice | 19.5% | 17.0% | 19.3% | 19.5% | -0.2% | 2.5% |
| Operating margin | 15.7% | 16.3% | 16.0% | 16.5% | 0.3% | 0.2% |
| Net margin | 7.0% | 7.3% | 7.1% | 7.4% | 0.1% | 0.1% |

Source: Company, IndoPremier

AISA Company Update

| Year To 31 Dec (RpBn) | 2015A | 2016A | 2017F | 2018F | 2019F |
|-----------------------------|---------|---------|---------|---------|---------|
| Income Statement | | | | | |
| Net Revenue | 6,011 | 6,546 | 6,709 | 7,601 | 8,434 |
| Cost of Sales | (4,737) | (4,862) | (4,967) | (5,592) | (6,202) |
| Gross Profit | 1,274 | 1,683 | 1,742 | 2,009 | 2,233 |
| SG&A Expenses | (540) | (668) | (668) | (756) | (848) |
| Operating Profit | 734 | 1,016 | 1,074 | 1,253 | 1,385 |
| Net Interest | (3) | (30) | (10) | (10) | (11) |
| Forex Gain (Loss) | (239) | (383) | (340) | (391) | (430) |
| Others-Net | 8 | 295 | 12 | 14 | 15 |
| Pre-Tax Income | 500 | 898 | 736 | 865 | 959 |
| Income Tax | (127) | (179) | (186) | (219) | (243) |
| Minorities | (51) | (126) | (76) | (87) | (96) |
| Net Income | 322 | 594 | 474 | 560 | 621 |
| Balance Sheet | | | | | |
| Cash & Equivalent | 589 | 296 | 465 | 190 | 226 |
| Receivable | 1,979 | 2,394 | 1,801 | 2,041 | 2,265 |
| Inventory | 1,569 | 2,070 | 1,293 | 1,456 | 1,614 |
| Other Current Assets | 327 | 1,190 | 1,309 | 1,440 | 1,584 |
| Total Current Assets | 4,464 | 5,949 | 4,868 | 5,126 | 5,688 |
| Fixed Assets - Net | 3,138 | 3,445 | 3,610 | 3,754 | 3,880 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| Non Current Assets | 1,459 | (140) | (244) | (270) | (296) |
| Total Assets | 9,061 | 9,254 | 8,234 | 8,610 | 9,272 |
| ST Loans | 1,668 | 1,888 | 1,006 | 1,140 | 1,265 |
| Payable | 352 | 197 | 0 | 322 | 357 |
| Other Payables | 530 | 347 | 364 | 382 | 401 |
| Current Portion of LT Loans | 188 | 72 | 113 | 128 | 142 |
| Total Current Liab. | 2,738 | 2,504 | 1,769 | 1,972 | 2,166 |
| Long Term Loans | 1,351 | 190 | 872 | 988 | 843 |
| Other LT Liab. | 993 | 2,296 | 913 | 424 | 436 |
| Total Liabilities | 5,082 | 4,990 | 3,554 | 3,385 | 3,445 |
| Equity | 3,967 | 4,264 | 4,680 | 5,225 | 5,827 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Total SHE + Minority Int. | 3,967 | 4,264 | 4,680 | 5,225 | 5,827 |
| Total Liabilities & Equity | 9,048 | 9,255 | 8,234 | 8,610 | 9,272 |

Source: AISA, IndoPremier

AISA Company Update

| Year to 31 Dec | 2015A | 2016A | 2017F | 2018F | 2019F |
|---|---------|---------|---------|-------|-------|
| Cash Flow | | | | | |
| Net Income (Excl.Extraordinary&Min.Int) | 374 | 719 | 550 | 646 | 717 |
| Depr. & Amortization | 0 | 0 | 0 | 0 | 0 |
| Changes in Working Capital | (961) | (990) | 1,438 | (389) | (372) |
| Others | 145 | (232) | (1,013) | (147) | (162) |
| Cash Flow From Operating | (442) | (503) | 975 | 111 | 182 |
| Capital Expenditure | (1,203) | 1,292 | (61) | (118) | (101) |
| Others | 0 | 0 | 0 | 0 | 0 |
| Cash Flow From Investing | (1,203) | 1,292 | (61) | (118) | (101) |
| Loans | 1,039 | (1,056) | (158) | 265 | (6) |
| Equity | 0 | 197 | 0 | 0 | 0 |
| Dividends | 0 | 0 | (89) | (47) | (56) |
| Others | 361 | 1,359 | (988) | 36 | 591 |
| Cash Flow From Financing | 1,400 | 499 | (1,235) | 253 | 529 |
| Changes in Cash | (245) | 1,288 | (321) | 246 | 611 |
| Financial Ratios | | | | | |
| Gross Margin (%) | 21.2 | 25.7 | 26.0 | 26.4 | 26.5 |
| Operating Margin (%) | 12.2 | 15.5 | 16.0 | 16.5 | 16.4 |
| Pre-Tax Margin (%) | 8.3 | 13.7 | 11.0 | 11.4 | 11.4 |
| Net Margin (%) | 5.4 | 9.1 | 7.1 | 7.4 | 7.4 |
| ROA (%) | 3.9 | 6.5 | 5.4 | 6.6 | 6.9 |
| ROE (%) | 8.5 | 14.4 | 10.6 | 11.3 | 11.2 |
| ROIC (%) | 5.0 | 8.7 | 7.3 | 7.9 | 8.0 |
| Acct. Receivables TO (days) | 100.9 | 121.9 | 114.1 | 92.2 | 93.2 |
| Acct. Receivables - Other TO (days) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventory TO (days) | 3.4 | 2.7 | 3.0 | 4.1 | 4.0 |
| Payable TO (days) | 21.4 | 20.6 | 17.7 | 19.8 | 20.0 |
| Acct. Payables - Other TO (days) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt to Equity (%) | 80.8 | 50.4 | 42.6 | 43.2 | 38.6 |
| Interest Coverage Ratio (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Gearing (%) | 66.0 | 43.5 | 32.6 | 39.5 | 34.8 |

Source: AISA, IndoPremier

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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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