

Kino Indonesia_(KINO IJ)

30 March 2016

Results Note

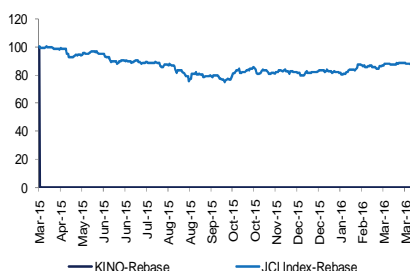
BUY (Unchanged)

Stock Data

Target price (Rp)	Rp5,600
Prior TP (Rp)	Rp5,600
Shareprice (Rp)	Rp4,440
Upside/downside (%)	+26.1
Sharesoutstanding (m)	1,429
Marketcap. (US\$ m)	404
Free float (%)	16.0
Avg. 6m dailyT/O (US\$ m)	0.2

Price Performance

	3M	6M	12M
Absolute (%)	-1.6	-0.5	-0.5
Relative to JCI (%)	-6.2	-8.1	-8.1
52w high/low (Rp)	4,445 - 3,400		



Major Shareholders

Kino Investindo	87.5%
Harry Sanusi	12.5%

Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	264	323
Vs. Prior EPS (%)	15.8	12.4
Vs. Consensus (%)	14.3	12.9

Source: Bloomberg

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Robust earnings on rising margin

- **FY15 core profit doubled, well ahead of expectations**
- **Robust personal care and beverage sales support margin**
- **Accounts Receivable Turnover worsens due to economic slowdown**
- **Maintain BUY with TP of Rp5,600**

Stronger than expected result. KINO reported net profit of Rp263bn in FY15 (+152.8% yoy), which was 19% above our/consensus estimates. Although revenue only grew by 8% (vs. 2014: 47%), most importantly the growth was driven by its high margin personal care and beverage businesses which grew by 21.6% and 15.1%, respectively (better than expected), while the low margin food distribution business declined by 27.4%. As of FY15, the pharma division only accounted for 0.2% of total sales; however we expect a higher contribution to come from this division post the acquisition.

Higher GPM on better sales mix. The better than expected earnings were attributable to higher than expected margins. The company's GPM expanded 600bps to 40.7% due to a better sales mix of high margin personal care and beverage. In FY15, GPM of personal care and beverage were 53.1% (+3% yoy) and 39.3% (+4.5% yoy), respectively, which were higher than our estimates. To note, the company imposed an ASP hike of 5-6% for personal care and 3-4% for beverages. In addition, raw material costs improved 5bps (as % of non-food sales) on lower commodity prices such as aluminum, sugar and alcohol. Meanwhile, operating expenses remained stable at 29.8% of total sales on stable A&P and G&A expenses. Going forward, we expect the A&P expense to be maintained at 16% of total opex in order to stimulate demand and increase brand awareness.

Accounts receivable worsen. Receivable turnover lengthened to 94 days from 49.5 days in 2104. However, it is still an improvement compared to 158 days and 116 days in 6M15 and 8M15, respectively. We suspect this is a reflection of the economic slowdown during FY15 thus the company offered more leniency on payment terms in face of the economic slowdown. Meanwhile, its inventory and payable turnover days were more stable at 58 days and 78 days (vs. 2014: 54 days and 70 days), respectively. We expect AR and AP turnover days to shorten thus resulting in a better net operating cycle.

Maintain BUY at TP Rp5,600. Our DCF based target price implies 17F P/E of 20.6x and EV/EBITDA of 18.0x. We like Kino as it is well-positioned in high-growth Indonesia FMCG segments with strong revenue growth as proven during FY15. We forecast revenue/EBIT to grow at a 19%/20% CAGR in 2015-2017F on the back of improving margins. We believe growth will be sustained by the company's product mix, strong innovation culture and nationwide distribution network. Therefore, we maintain our BUY rating on the stock.

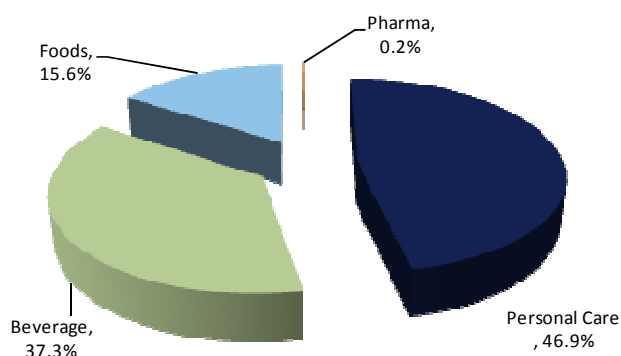
Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue (RpBn)	3,339	3,604	4,335	5,097	5,760
EBITDA (RpBn)	236	461	542	669	744
EBITDA Growth (%)	29.7	95.2	17.5	23.5	11.1
Net Profit (RpBn)	104	263	378	461	514
EPS (Rp)	73	184	264	323	360
EPS Growth (%)	79.1	152.8	43.5	22.2	11.5
Net Gearing (%)	92.7	7.3	(25.3)	(19.8)	(18.2)
PER (x)	51.9	20.5	14.3	11.7	10.5
PBV (x)	8.2	3.0	1.8	1.6	1.4
Dividend Yield (%)	0.0	0.0	0.0	2.1	2.6
EV/EBITDA (x)	0.0	11.4	11.4	9.1	8.2

Source: KINO, IndoPremier

Share Price Closing as of : 29 March 2016

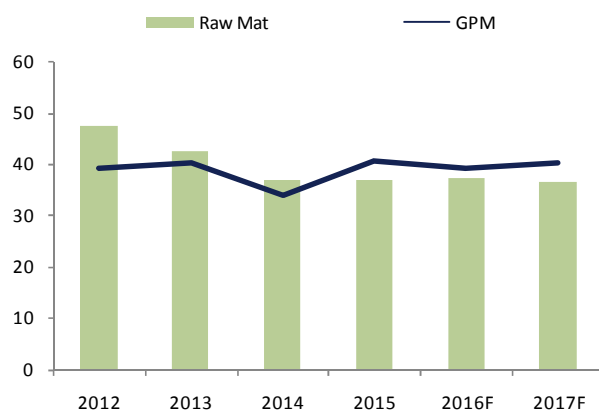
KINO Results Note

Fig. 1: Sales Breakdown in FY15



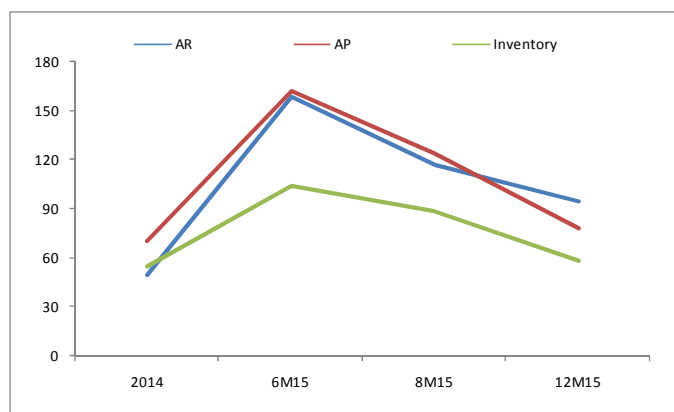
Source: Indo Premier, Company

Fig. 2: Higher GPM on improving raw material cost



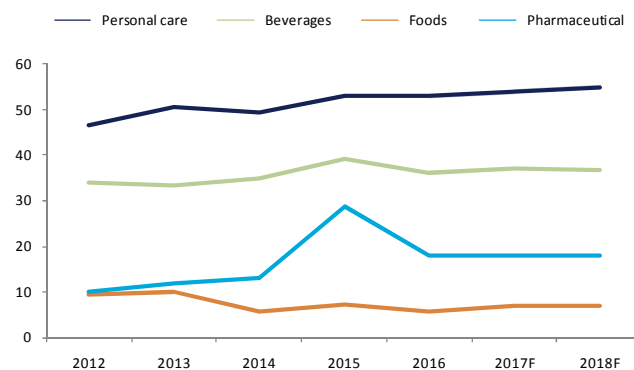
Source: Indo Premier, Company

Fig. 3: AP, AR, Inventory Turnover Trend (days)



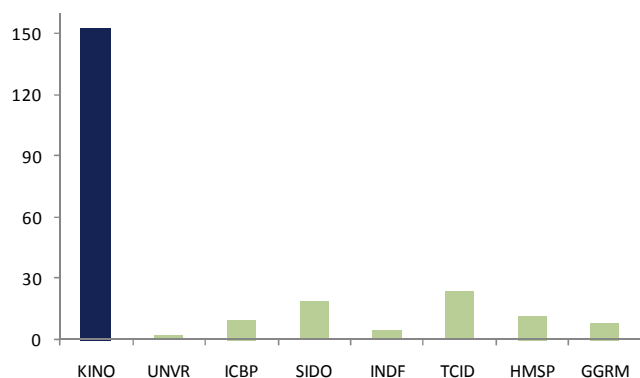
Source: Indo Premier, Company

Fig. 4: GPM trend per division



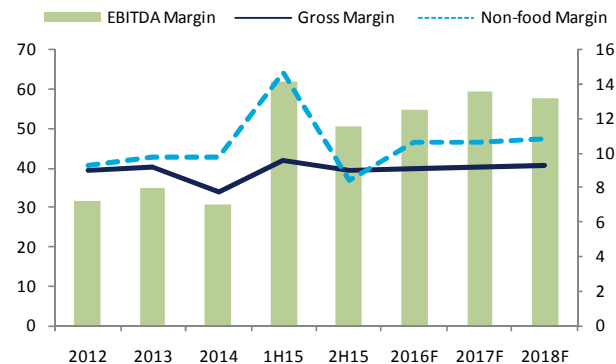
Source: Indo Premier, Company

Fig. 5: Strongest earnings growth vs. peers (%; 2015)



Source: Source: Company, Indo Premier, Bloomberg
KINO, UNVR (UNVR IJ; Rp42,975; HOLD) ICBP (ICBP IJ; Rp15,025; BUY), HMSP (HMSP IJ; Rp99,500; HOLD), GGRM (GGRM IJ; Rp61,000; BUY) and INDF (INDF IJ; Rp6,925; HOLD) are Indo Premier forecasts;
SIDO (SIDO IJ; Not Rated) and TCID (TCID IJ; Not Rated) are Bloomberg forecasts.

Fig. 6: Kino's Profit Margin Trend (% of revenue)



Source: Indo Premier, Company

KINO Results Note

(in Rp bn)	FY15	FY14	YoY	2H15	1H15	HoH	vs. forecast 2015	vs. consensus 2015
Revenue	3,603.8	3,339.4	7.9%	1,857.2	1,746.6	6.3%	99.4%	99.4%
- Personal Care	1689.5	1389.3	21.6%	811.9	877.6			
- Beverage	1344.5	1167.6	15.1%	712.0	632.5			
- Foods	563.1	775.4	-27.4%	329.0	234.1			
Gross Profit	1,468.4	1,146.1	28.1%	734.0	734.4	-0.1%		
Operating Profit	428.1	186.3	129.7%	197.0	231.0	-14.7%	120.9%	120.9%
EBITDA	461.3	236.3	95.2%	214.2	247.1	-13.3%	114.2%	114.2%
Net Profit	263.0	104.1	152.8%	121.7	141.3	-13.9%	119.2%	119.0%

	FY15	FY14	2H15	1H15
Gross Margin (%)	40.7%	34.3%	39.5%	42.0%
Operating Margin (%)	11.9%	5.6%	10.6%	13.2%
Net Margin (%)	7.3%	3.1%	6.6%	8.1%
Turnover (days)				
- Receivables	94.4	49.5		
- Payables	78.7	70.7		
- Inventory	58.6	54.7		

Source: Indo Premier, Company

KINO Results Note

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
Income Statement					
Net Revenue	3,339	3,604	4,335	5,097	5,760
Cost of Sales	(2,200)	(2,135)	(2,596)	(3,032)	(3,399)
Gross Profit	1,139	1,468	1,739	2,065	2,361
SG&A Expenses	(952)	(1,040)	(1,257)	(1,468)	(1,699)
Operating Profit	187	428	482	597	662
Net Interest	(62)	(85)	(24)	(25)	(24)
Forex Gain (Loss)	(4)	(9)	0	0	0
Others-Net	18	3	17	20	23
Pre-Tax Income	138	337	474	593	660
Income Tax	(34)	(74)	(96)	(130)	(145)
Minorities	0	0	(1)	(1)	(1)
Net Income	104	263	378	461	514
Balance Sheet					
Cash & Equivalent	44	776	1,409	1,528	1,256
Receivable	453	932	772	908	947
Inventory	330	343	427	498	559
Other Current Assets	62	39	88	98	113
Total Current Assets	889	2,090	2,696	3,033	2,874
Fixed Assets - Net	870	1,007	1,481	1,803	2,135
Goodwill	0	0	0	0	0
Non Current Assets	105	114	117	121	125
Total Assets	1,863	3,211	4,294	4,956	5,134
ST Loans	588	707	650	866	576
Payable	426	460	0	581	652
Other Payables	76	123	94	104	117
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	1,090	1,291	1,242	1,552	1,344
Long Term Loans	70	88	0	0	0
Other LT Liab.	40	56	51	55	63
Total Liabilities	1,201	1,435	1,293	1,607	1,407
Equity	462	1,307	2,153	2,153	2,153
Retained Earnings	199	468	845	1,193	1,569
Minority Interest	1	1	2	3	4
Total SHE + Minority Int.	662	1,777	3,000	3,350	3,727
Total Liabilities & Equity	1,863	3,211	4,294	4,956	5,134

Source: KINO, IndoPremier

KINO Results Note

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Cash Flow					
Net Income (Excl. Extraordinary&Min.Int)	104	263	378	463	515
Depr. & Amortization	39	28	(138)	(72)	(82)
Changes in Working Capital	(231)	(411)	85	(113)	(17)
Others	36	76	47	(26)	13
Cash Flow From Operating	(52)	(44)	371	251	429
Capital Expenditure	(328)	(175)	(338)	(254)	(254)
Others	1	(106)	145	13	12
Cash Flow From Investing	(327)	(280)	(193)	(240)	(242)
Loans	296	136	(145)	216	(290)
Equity	55	23	846	0	0
Dividends	(22)	0	0	(113)	(138)
Others	27	750	(64)	(33)	(27)
Cash Flow From Financing	357	909	637	70	(456)
Changes in Cash	(23)	584	815	80	(269)
Financial Ratios					
Gross Margin (%)	34.1	40.7	40.1	40.5	41.0
Operating Margin (%)	5.6	11.9	11.1	11.7	11.5
Pre-Tax Margin (%)	4.1	9.4	10.9	11.6	11.5
Net Margin (%)	3.1	7.3	8.7	9.1	8.9
ROA (%)	6.5	10.4	10.1	10.0	10.2
ROE (%)	18.5	21.6	15.8	14.5	14.5
ROIC (%)	9.8	13.7	13.3	12.1	12.4
Acct. Receivables TO (days)	41.5	70.1	71.7	60.1	58.8
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	8.0	6.3	6.7	6.6	6.4
Payable TO (days)	70.1	75.8	67.4	65.0	66.2
Acct. Payables - Other TO (days)	11.0	17.0	15.3	11.9	11.8
Debt to Equity (%)	99.4	44.8	21.7	25.9	15.5
Interest Coverage Ratio (x)	0.3	0.2	0.1	0.1	0.1
Net Gearing (%)	92.7	7.3	(25.3)	(19.8)	(18.2)

Source: KINO, 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

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