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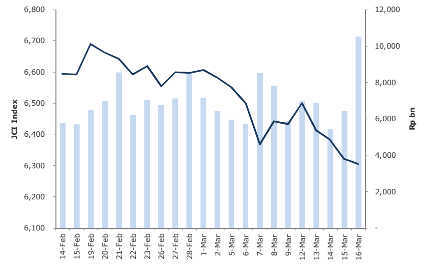
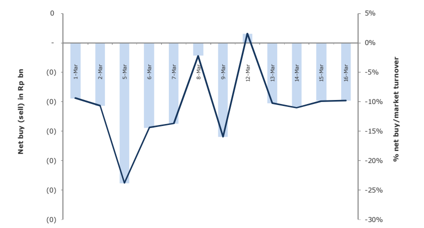
Premier Insight

19 March 2018

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,305	-0.3%	13.8%	-0.8%
LQ45	1,037	-0.2%	12.4%	-3.9%
DJI	24,947	0.3%	19.3%	0.9%
SET	1,812	-0.2%	16.1%	3.3%
HSI	31,502	-0.1%	29.6%	5.3%
NKY	21,677	-0.6%	11.0%	-5.5%
FTSE	7,164	0.3%	-3.5%	-6.8%
FSSTI	3,518	0.0%	11.0%	3.2%
EIDO	27	-0.3%	6.9%	-3.7%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	62.3	1.9%	27.9%
CPO/tonne	617.3	-1.0%	-13.6%
Soy/bushel	10.2	0.8%	3.7%
Rubber/kg	1.7	0.0%	-43.7%
Nickel/tonne	13,569	-0.1%	33.5%
Tins/tonne	21,079	-0.1%	4.3%
Copper/tonne	6,864	-0.3%	16.5%
Gold/try.oz (Spot)	1,314	-0.1%	6.9%
Coal/tonne	97.2	-0.7%	19.8%
Corn/bushel	3.6	-1.1%	2.9%
Wheat/bushel (USd)	464.0	-0.8%	6.4%

Source : Bloomberg

Bekasi Fajar (BEST IJ; Buy)

Notable Result with glistening outlook

- **Earnings of Rp483bn (+44 yoy), above market expectation.**
- **Great outlook with plenty of sales backlog for 2018.**
- **Capex of Rp600 in FY18 to replenish its current land bank.**
- **Reiterate Buy with unchanged TP of Rp380.**

FY17 earnings cumulating 105/109% of our/consensus' estimate. BEST reported outstanding earnings of Rp483bn (+44% yoy) in FY17, above market expectation, cumulating 109% consensus estimate and 105% of our forecast. Despite, increase in revenue (+22%), gross margin and EBIT were decrease to 71.6% and 59.6% in FY17 (FY16:74.4% and 63.1%) due to faster growth in COGS (+22% yoy) and opex (+32% yoy). However, net margin still improved to 48% (FY16: 40.8%) as BEST booked other income of Rp23.6bn (vs. loss of Rp29.8bn inFY16) and one-off income of Rp21.8bn from the divestment of its warehouse business. In quarterly basis, BEST booked earnings of Rp200bn (80% qoq, 378% yoy), cumulating to 41% of FY17 earnings.

Plenty of sales carryover (37.5ha) to support 2018 performance. For 2018, BEST is targeting Revenue of Rp1.15tn (+15% yoy), which we believe very achievable given BEST's current sales backlog of 37.5ha from 2017, which amounts around Rp975bn (ASP of 2.6mn/sqm). Moreover, BEST has booked marketing sales of 2.2ha with ASP of Rp2.7mn/sqm as of 2M18. After exceeding its target of 30-40ha in FY17, BEST is setting a higher target of 35-45ha in FY18 (Ours: 40ha). After a relatively stable price in FY17 (Rp2.6mn/sqm), they are confident to increase their selling price range to Rp2.6-3.2mn/sqm in FY18 due strong marketing sales achievement in FY17 (42ha) and the large amount of inquiries of 77ha. However, we applied a more conservative ASP of Rp2.8mn/sqm given slow property sector condition and upcoming political campaign season.

Capex of Rp600bn to replenish its land bank by 50-60ha. Company has budgeted capex of Rp600bn for FY18, which will be used mainly to add land bank of 50-60ha. The management claimed that the capex will be prioritized for 1) land acquisition, 2) infrastructure development, and 3) project development. Please note that, BEST has a total of 2,300ha development permit with current gross land bank of 1,046ha, which 500ha of the area has been developed and ready for sell.

Reiterate Buy on BEST with TP of Rp380. BEST is our top pick in industrial estate sector given company's resilient marketing sales achievement, prime position in Bekasi, and plentiful sales backlog in hand. We reiterate our Buy call on BEST with unchanged TP of Rp380. BEST currently trades at a single digit 5.0x FY18F P/E, providing an attractive point of entry. Key risk to our call might come from slower than expected revenue recognition and marketing sales.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	824	1,006	1,253	1,206	1,485
EBITDA (RpBn)	526	606	773	752	941
EBITDA Growth (%)	30.8	15.3	27.4	(2.6)	25.0
Net Profit (RpBn)	339	479	572	533	698
EPS (Rp)	35	50	59	55	72
EPS Growth (%)	63.8	41.3	19.4	(6.9)	31.0
Net Gearing (%)	36.8	26.3	20.9	16.1	12.0
PER (x)	8.4	6.0	5.0	5.4	4.1
PBV (x)	0.8	0.7	0.7	0.6	0.5
Dividend Yield (%)	1.2	1.4	1.3	1.7	1.9
EV/EBITDA (x)	7.8	6.4	4.9	4.8	3.2

Source: BEST, IndoPremier *Share Price Closing as of : 16- March-2018*

Refer to Important disclosures in the last page of this report

News & Analysis

Corporates

ERAA: Erajaya Swasembada (ERAA IJ; Rp1,215; Not Rated) plans to conduct private placement with the target proceed of Rp305bn as the company will issue 290mn shares (equivalent to 10% of paid-in-capital) with the offering price of Rp1,054 per share. The management stated that the existing shareholders' stake will be diluted up to 9.09% with this private placement. This private placement is done to expand business activity and ease financing activity as the company to hold Rp920bn cash outstanding (from Rp614bn) and Rp3,7tn equity (from Rp3,4tr) as the placement is executed. (Investor Daily).

RALS: Ramayana Lestari Sentosa (RALS IJ; Rp1,260; Hold) projects Rp1.49tr revenue in first quarter 2018 (+1.7% yoy). The January and February sales numbers were Rp539bn and Rp454bn, respectively. The management claimed that February sales figure was better than expected as company efficiently run its stocking and effectively picked merchandising. The company is optimistic to register Rp500bn sales for March as national holiday expected to increase the store traffic. (Bisnis Indonesia).

SMGR: Semen Indonesia (SMGR IJ; Rp10,525; Hold) released its financial result FY17 which was below our and market expectation. The result was weaker-than-expected in ASP but had higher-than-expected-volume and cost. As result EBITDA margin were pulled down to 18.6% in FY17 and 16.8% in 4Q17. The result highlights were as follow:

- Total sales improved +6.4% yoy but dropped -7.4% qoq. Total sales volume improved +7.0% mainly supported by export sales while domestic grew +5.2% yoy. There might some additional sales driven from ready mix.
- Nevertheless, weak ASP from competition plus increased cost from energy price, squeezed out EBITDA margins to 18.6% in FY17 and 16.8% in 4Q17. Intensive competition is expected to continue from oversupply condition.
- Due to aggressive capex in the past to add capacity, Semen Indonesia's net gearing stood at 17% causing net interest cost to jump by 227%, also causing pressure on profitability.
- At the moment we maintain our Hold call on the counter. We do not expect any recovery anytime soon as ASP remains to stay at current levels with volume driven growth facing challenges from increase energy prices.

	FY17	FY16	%	4Q17	3Q17	%	FY17	%
Turnover	27,814	26,134	*6.4*	7,262	7,838	*(7.4)*	25,784	*107.9*
Gross profit	7,960	9,856	*(19.2)*	1,911	2,192	*(12.8)*	8,828	*90.2*
EBITDA	5,177	6,962	*(25.6)*	1,221	1,302	*(6.2)*	5,452	*95.0*
Operating profit	3,126	4,973	*(37.1)*	803	707	*13.6*	3,543	*88.2*
Net Int. & Invest. Inc.	(588)	(180)	*227.0*	(180)	(213)	*(15.4)*	(222)	*265.3*
Forex gain (losses)	-	-	*nm*	-	-	*nm*	-	*nm*
Except. & Others	208	291	*(28.4)*	121	14	*nm*	-	*nm*
Group Pretax	2,747	5,085	*(46.0)*	744	509	*46.4*	3,321	*82.7*
Taxation	(704)	(550)	*28.0*	(172)	(143)	*20.8*	(731)	*96.3*
Minorities	(29)	(13)	*115.9*	(18)	1	*(2,534.5)*	(15)	*196.2*
Net Profit	2,014	4,522	*(55.5)*	554	367	*51.2*	2,576	*78.2*
EBITDA Margin	18.6%	26.6%		16.8%	16.6%		21.1%	

WSKT: Waskita Karya (WSKT; Rp2,540; Buy) flats project in Pasar Rumput is being suspended temporarily due to an accident where 4m long iron fell on a pedestrian resulting in the death of 1 female. WSKT claims that they will pay for the cost of hospital, funeral, and compensation on the victim’s family.

Comment: We view this news as a negative sentiment towards WSKT which shows the poor quality of safety, following prior accidents in infrastructure projects.

WTON: Wika Beton (WTON; Rp510; Buy) booked new contract of Rp1.1tn (+76% yoy) as of 2M18, cummulatin to 15% of FY17 target of Rp7.6tn. In addition, WTON has contract carryover of Rp5.4tn from 2017. WTON has added the 4th production lane in South Lampung factory to increase their production capacity to 3.4mn ton/year.

Markets & Sector

Automotive sector: Total 4W sales was 94.3k units in Feb18 (-1.7% mom, -1.1% yoy), indicating slightly weaker numbers which could be driven by seasonality and introduction of new models as manufacturer adjust production plans to overcome high demand. Cumulatively, total 4W volume was 190.2k units or grew +4.6%. The introduction of Mitsubishi Xpander was a great successful putting pressure on market share. Astra’s market share dropped -9.9 ppt, followed by Honda falling -4.6ppt, while Mitsubishi gained 9.9ppt and Suzuki won 3.5ppt.

	Jan-18	Feb-18	% +/-	Feb-17	% +/-	2M16	2M17	% +/-
Astra	45,760	45,219	-1.2%	55,551	-18.6%	105,007	90,979	-13.4%
Honda	13,572	11,894	-12.4%	16,284	-27.0%	33,180	25,466	-23.2%
Mitsubishi	17,753	18,411	3.7%	9,069	103.0%	17,051	36,164	112.1%
Nissan	1,189	1,155	-2.9%	2,068	-44.1%	3,320	2,344	-29.4%
Suzuki	11,511	11,115	-3.4%	8,069	37.7%	15,188	22,626	49.0%
Others	6,107	6,467	5.9%	4,288	50.8%	7,987	12,574	57.4%
Total	95,892	94,261	-1.7%	95,329	-1.1%	181,733	190,153	4.6%

INDOPREMIER

Head Office

PT INDO PREMIER SEKURITAS

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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