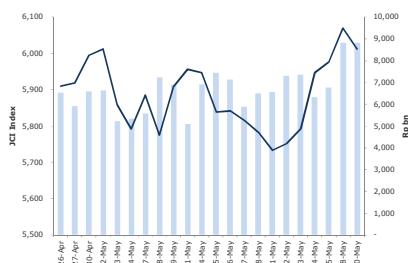


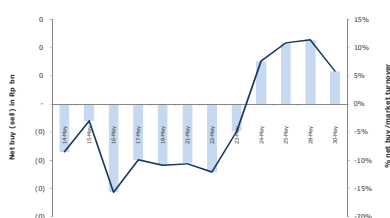
Premier Insight

Kalbe Farma (KLBF IJ; Sell) Slowing earnings growth outlook

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,011	-0.9%	4.8%	-5.4%
LQ45	963	-1.5%	0.6%	-10.7%
DJI	24,668	1.3%	17.4%	-0.2%
SET	1,725	-0.5%	10.5%	-1.6%
HSI	30,057	-1.4%	17.1%	0.5%
NKY	22,019	-1.5%	12.1%	-2.8%
FTSE	7,690	0.7%	2.3%	0.0%
FSSTI	3,444	-2.1%	7.3%	1.2%
EIDO	26	2.1%	-2.7%	-9.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	68.2	2.2%	37.4%
CPO/tonne	612.4	0.9%	-2.6%
Soy/bushel	10.0	-0.8%	13.1%
Rubber/kg	1.7	0.0%	-31.5%
Nickel/tonne	15,067	1.5%	66.1%
Tins/tonne	20,600	0.5%	0.2%
Copper/tonne	6,831	-0.2%	21.3%
Gold/try.oz (Spot)	1,301	0.2%	2.6%
Coal/tonne	108.7	1.7%	46.6%
Corn/bushel	3.7	-2.1%	6.4%
Wheat/bushel (USD)	520.0	-0.4%	21.1%

Source : Bloomberg

- **Rising competition still limit revenue growth outlook.**
- **This coupled with rising material costs should weaken earnings.**
- **Capex uptrend in slow growth environment leads to declining ROAE.**
- **Re-initiate at SELL with TP of Rp1,241 (based on target P/E of 26x).**

Still weak sales growth outlook. We expect Indonesia's universal healthcare (UHC) and rising competition in nutritional segment will continue to dampen KLBF's revenue growth outlook, which we forecast to remain slow at 4.6% CAGR in next 3 years (vs. 5.1% in 2014-17), which is well below its historical growth of 16.8% CAGR prior to UHC implementation in 2014. While UHC has slowed KLBF's pharma sales, which are highly dependent on licensed & branded generic drugs (83% of its pharma sales), management indicated tough competition for its nutritional products (eg. Morinaga powder milk) from key competitors such as Nutrilon (owned by the Danone Group), which offer price discounts of 10-12% in the past year, has made it difficult for the company to raise product prices. As such, we forecast nutritional sales, which was KLBF's key revenue growth driver in the past (CAGR of 23.7% in 2011-14; 10% in 2014-17), to also slow to 6.9% CAGR in next 3 years.

Flat earnings outlook. We forecast KLBF's earnings to decline by 7% in FY18F due to margin pressure arising from its weak sales growth and rising raw material costs owing to weakening currency, which we expect to lower its EBIT margin to c.14% in FY18F-19F (FY17: 15.9%), as evident from the company's lower gross profit margin of 48.4% in 1Q18 (1Q17: 49.2%) on the back of 1.7% yoy rise in USD/IDR exchange rate to Rp 13,500. In addition, milk powder prices globally have risen by 16% YTD, while we view the closing down of China's drugs manufacturers, where KLBF imported 40% of its raw material requirement, is also a key risk factor for costs.

Persistently high capex will lower ROAE. Management indicated capex of Rp1.0-Rp1.5tn for this year to increase production capacity in consumer health division and upgrading the distribution network, thus continuing the uptrend in KLBF's annual capex from Rp1.0tn p.a. in 2014-17 (vs. only Rp0.8tn p.a. in 2012-14) to finance factory expansions in nutritional and pharmaceutical divisions. This rising capex, during period of its revenue and earnings growth slowdown, in part also due to long-payback-period in pharmaceutical divisions (3-5 years), should led to the company's declining ROAE to c.16% in next 3 years, down from c.20% in past 3 years. Although KLBF's first biosimilar factory in Cikarang is expected to start commercial production by end of 2018, the incremental gain from expansion in pharmaceutical margin is only expected to occur in 2021F, which is still a long-way for KLBF to harvest its investment.

Valuations. We re-initiate coverage with SELL rating and TP of Rp 1,241, which is based on our target P/E of 26x, which is lower than KLBF's 5-year historical average P/E of 30x but which in our view is justified by the company's slower growth and declining ROAE expected in the coming years. As such, we do not see any significant catalyst for share price upside in the near term term.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	19,374	20,182	21,146	22,147	23,075
EBITDA (RpBn)	3,497	3,671	3,544	3,724	3,959
EBITDA Growth (%)	15.2	5.0	(3.5)	5.1	6.3
Net Profit (RpBn)	2,300	2,403	2,237	2,330	2,548
EPS (Rp)	49	51	48	50	54
EPS Growth (%)	14.0	4.7	(6.9)	4.2	9.3
Net Gearing (%)	(21.1)	(17.8)	(20.6)	(22.4)	(26.5)
PER (x)	28.7	27.4	29.4	28.3	25.8
PBV (x)	5.3	4.7	4.4	4.0	3.7
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	19.6	18.7	19.5	18.7	17.9

Source : KLBF, IndoPremier

Share Price Closing as of : 30-May-2018

Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
- **1Q18 marketing sales of Rp2.5tn, forming 35% of FY18F guidance.**
- **Plan to increase recurring income to 25% in the next 5 years.**
- **Maintain Buy with TP of Rp2,400.**

1Q18 earnings forming 13% of FY18 estimate. BSDE reported weak earnings of Rp407bn (-44% yoy), which came below our/consensus expectation, forming only 13% FY18 estimate. Revenue slightly decreased to Rp1.7tn (-3% yoy) in 1Q18, with gross margin slightly improved to 68.4% (1Q17: 67%) given increase commercial segment portion which has higher margin. Operating margin were down to 39.1% (1Q17: 42.9%) in 1Q18, due to increase in salaries and advertising expense of Rp146bn (+21% yoy) and Rp97bn (+16% yoy). Net margin were compressed to 23.9% (1Q17: 41.8%) in 1Q18, as BSDE booked forex loss of Rp63bn (vs. gain in forex of Rp19bn in 1Q17) and lower income from associated companies & JV of Rp11bn (-93% yoy).

Strong marketing sales in 1Q18. BSDE reported marketing sales of Rp2.5tn in 1Q18 (+58% yoy), forming 35% of company's FY18 marketing sales target of Rp7.2tn. The strong achievement in 1Q18 was due to jumped marketing sales from strata title (apartment), commercial land plot and residential of Rp718bn (+1229% yoy), Rp652bn (+404% yoy) and residential Rp956bn (+129% yoy). The hike in strata title sales was mostly supported by recent launches in Klaska Residence Surabaya and Southgate Condominium TB Simatupang of Rp366bn and Rp253bn, respectively. Going forward, BSDE plans to launch a new cluster, Vermella in Grand Wisata Bekasi with price starting from Rp1.4-2bn/unit for land area of 88-118sqm.

Plan to increase recurring income through office lease. BSDE targets to increase ownership of office for lease to 400k sqm in the next 5 years (current: 270k sqm) which will support BSDE to increase recurring income portion to 25% (1Q18: 22%). To maintain recurring income portion, new investment properties were being constructed such as GOP 1, Knowledge Hub, and The Breeze Extension with committed tenant such as Apple and Unilever. In addition, recent acquisition of Sinarmas MSIG Tower Jakarta CBD, and Bakrie Tower Jakarta CBD has started to contribute recurring income in 1Q18 of Rp368bn (+16.5% yoy).

Maintain Buy on BSDE with TP of Rp2,400. Despite weak result in 1Q18, we continue to like BSDE give its strong marketing achievement and increasing recurring income portion of 22% (1Q17: 17%). We maintain our Buy call on BSDE with unchanged TP of Rp2,400 as we believe BSDE will have higher revenue recognition in the following quarters. BSDE is currently trades at 67% discount to our estimate RNAV.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	6,522	10,347	8,482	8,786	9,675
EBITDA (RpBn)	2,965	5,626	4,108	4,284	4,879
EBITDA Growth (%)	(1.7)	89.7	(27.0)	4.3	13.9
Net Profit (RpBn)	1,796	4,920	3,054	3,126	3,402
EPS (Rp)	93	256	159	162	177
EPS Growth (%)	(16.0)	173.9	(37.9)	2.4	8.8
Net Gearing (%)	16.1	11.3	0.1	2.7	3.0
PER (x)	18.8	6.8	11.0	10.8	9.9
PBV (x)	1.4	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.9	0.6	2.2	1.4	1.4
EV/EBITDA (x)	12.7	6.6	8.2	8.1	7.2

Source: BSDE, IndoPremier

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News & Analysis

Corporates

BNLI: Bank Permata (BNLI IJ; Rp515; Not Rated) divested 25% of its stake (237.6mn shares) in PT Astra Sedaya Finance with the total proceed of Rp2.8tn on May 25th, 2018. The sold shares had been bought by PT Astra International (ASII IJ; Rp7,000; Buy) and PT Sedaya Multi Investama with the total purchased shares of 178.2mn shares (with the total value of Rp2.1tn) and 59.4mn shares (with the total value of Rp700bn), consecutively. (Kontan).

CSAP: Catur Sentosa Adiprana (CSAP IJ; Rp565; Not Rated) Will expand Mitra10 outlets this year, newly opened outlets is located in Pesanggrahan, Jakarta. Company will focus the locations in Jabodetabek, Central and East Java, Sulawesi. CSAP expect revenue to Rp11tn this year (+15% yoy) while prepare Rp400bn for capex where 60% will be allocated for modern retail. Company will also conduct rights issue for 405mn shares (10%). (Investor Daily).

JSMR: We attend to Jasamarga (JSMR IJ; Rp4,280; Hold) analyst meeting with the salient points as follows:

- In 1Q18, Surabaya-Mojokerto revenue increased significantly by 500.7% yoy compared to last year figure due to full operation in end of 2017.
- Jagorawi toll road increased by 25.1% yoy due to change in transaction system that was applied since 9M17.
- Jakarta-Tangerang toll road revenue increased by 45% yoy due to integration with JORR that was applied since April 2017.
- Odd-even policy that was applied since March 2018 brought positive impact two the company as the impact of the implementation in average daily revenue in Jakarta-Cikampek toll road increased by 2.4% yoy after 3 weeks implementation. Jakarta-Tangerang and Jagorawi toll road also increased by 0.39% yoy and 0.02% yoy, respectively. The company stated this was mainly resulted due to adjustment of driver behavior.
- The management also stated that there will be no tariff cut for existing toll road. But for the new toll road, the tariff will be capped to Rp1,000/km (expectation Rp1,200) with compensation for longer concession period 50 years (previously 35 years). This policy currently is only effectively applied in Ngawi-Kertosono toll road. (Company).

MPPA: Matahari Putra Prima (MPPA IJ; Rp328; Hold) plans to reduce the total number of SKUs from 50,000-60,000 into 25,000 SKUs in order to improve inventory cycle. The company will be focusing on fast-moving-goods such as cooking oil, dairy as well as fresh foods and reduce number of items in the fashion and electronic categories. Furthermore, management is expecting lower margin into near term as the company will continue to offer price discount to customers in order to improve company's competitiveness in the market. (Bisnis Indonesia).

Sinarmas Land: Sinarmas land (40%) sign a Letter of Understanding with Kawan Lama Group (60%) to create a JV to develop mixed use Kota Wisata Cibubur in 8.5ha area. They will develop Living World in Kota Wisata Cibubur with total NLA of 90k sqm and total investment of Rp1.2tn. (Kontan).

WSKT: Waskita Karya (WSKT IJ;Rp2,310; buy) will receive a loan from Bank Rakyat Indonesia (BBRI IJ; Rp3,140; Buy) of Rp7.1tn which will be used to bail out the land acquisition of toll road projects that are being processed by three of its subsidiaries, PT Trans Jabar Tol, PT Cimanggis Cibitung Tollways dan PT Kresna Kusuma Dyandra Marga. Trans Jabar is currently developing Ciawi-Sukabumi toll road (54km) with investment of Rp16tn and land estimate land price of Rp734bn. Kresna Kusuma Dyandra Marga is currently constructing Becakayu section 1A and 2 with total investment of Rp7.2tn and estimate land price of Rp449bn. While Cimanggis Cibitung Toll ways is developing Cimanggis-Cibitung toll road (25km) with investment of RP4.5tn and land estimate price of Rp1.3tn. (Bisnis Indonesia).

Comment: We are positive towards WSKT's plan to achieve substantial growth through continuous expansion, however our concerns lies on WSKT's increasing debt level, which has reach DER of 2.1x as of 3M18 (highest among SOE contractors).

WSBP: Waskita Beton Precast (WSBP IJ; Rp402; Buy) reported new contract of Rp2.7tn in 5M18, forming 23% of company's FY18 guidance. WSBP is currently targeting Penajam Balikpapan, East Kalimantan, Sukabumi-Ciranjang and Tebing Tinggi-Pematangsiantar toll road.

Comment: WSBP contract achievement is still in line with our/company's FY18 new contract guidance. Maintain Buy on WSBP with TP of Rp620.

Markets & Sector

Poultry sector: Ministry of Trade will issue regulation on ceiling price for chicken during festive season in order to anticipate rising price due to higher demand during festive season. The new ceiling price for chicken is set at Rp 33,000 per kg during festive season, rising only by Rp 1,000 per kg from normal season. (Kontan).

Economics

Monetary policy: Bank Indonesia raised again, for the second time in May, the reference rate by 25bps to 4.75% in the additional May 30th meeting. Along with that, it adjusted the lending and deposit facility rates to 5.5% and 4%, respectively and estimated inflation to reach 3.6% FY18. Key additional points from the conference:

- Decision is based on the motive to undertake pre-emptive measures and to stay ahead of curve. We think the upcoming BI meeting which is to be held on June 28th and should be past the US' FOMC meeting on June 13th counts in its consideration.
- The central bank is shifting stance from neutral to tightening biased. Going forward, (1) BI is to embark on dual intervention in the foreign exchange and government securities market to stabilize the rupiah, (2) Monetary operation will be directed toward maintaining adequate liquidity in the market, (3) More intensive communication with market player, banking, business, and economists to be developed to form a rational expectation, and (4) It signals that it considers further rate hikes if data were supportive.
- BI is to explore more macro prudential policies including reconsidering the current LTV policy. No clear timeline yet for the revision of the policies. (Bank Indonesia).

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.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

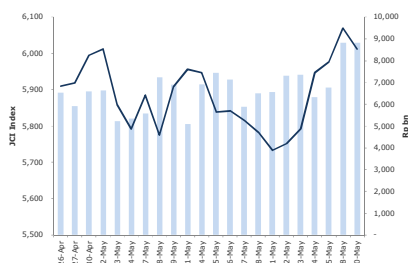
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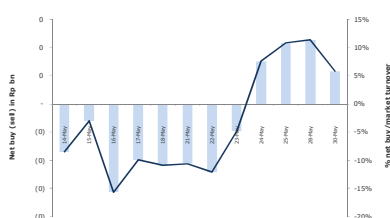
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- Rising competition still limit revenue growth outlook.
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Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	19.6	18.7	19.5	18.7	17.9

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Share Price Closing as of : 30-May-2018

Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
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EPS (Rp)	93	256	159	162	177
EPS Growth (%)	(16.0)	173.9	(37.9)	2.4	8.8
Net Gearing (%)	16.1	11.3	0.1	2.7	3.0
PER (x)	18.8	6.8	11.0	10.8	9.9
PBV (x)	1.4	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.9	0.6	2.2	1.4	1.4
EV/EBITDA (x)	12.7	6.6	8.2	8.1	7.2

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JSMR: We attend to Jasamarga (JSMR IJ; Rp4,280; Hold) analyst meeting with the salient points as follows:

- In 1Q18, Surabaya-Mojokerto revenue increased significantly by 500.7% yoy compared to last year figure due to full operation in end of 2017.
- Jagorawi toll road increased by 25.1% yoy due to change in transaction system that was applied since 9M17.
- Jakarta-Tangerang toll road revenue increased by 45% yoy due to integration with JORR that was applied since April 2017.
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Comment: We are positive towards WSKT's plan to achieve substantial growth through continuous expansion, however our concerns lies on WSKT's increasing debt level, which has reach DER of 2.1x as of 3M18 (highest among SOE contractors).

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Poultry sector: Ministry of Trade will issue regulation on ceiling price for chicken during festive season in order to anticipate rising price due to higher demand during festive season. The new ceiling price for chicken is set at Rp 33,000 per kg during festive season, rising only by Rp 1,000 per kg from normal season. (Kontan).

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- BI is to explore more macro prudential policies including reconsidering the current LTV policy. No clear timeline yet for the revision of the policies. (Bank Indonesia).

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.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

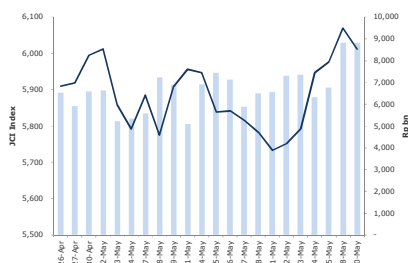
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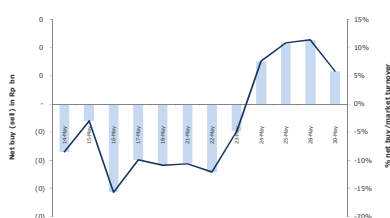
Premier Insight

Kalbe Farma (KLBF IJ; Sell) Slowing earnings growth outlook

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,011	-0.9%	4.8%	-5.4%
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NKY	22,019	-1.5%	12.1%	-2.8%
FTSE	7,690	0.7%	2.3%	0.0%
FSSTI	3,444	-2.1%	7.3%	1.2%
EIDO	26	2.1%	-2.7%	-9.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	68.2	2.2%	37.4%
CPO/tonne	612.4	0.9%	-2.6%
Soy/bushel	10.0	-0.8%	13.1%
Rubber/kg	1.7	0.0%	-31.5%
Nickel/tonne	15,067	1.5%	66.1%
Tins/tonne	20,600	0.5%	0.2%
Copper/tonne	6,831	-0.2%	21.3%
Gold/try.oz (Spot)	1,301	0.2%	2.6%
Coal/tonne	108.7	1.7%	46.6%
Corn/bushel	3.7	-2.1%	6.4%
Wheat/bushel (USD)	520.0	-0.4%	21.1%

Source : Bloomberg

- **Rising competition still limit revenue growth outlook.**
- **This coupled with rising material costs should weaken earnings.**
- **Capex uptrend in slow growth environment leads to declining ROAE.**
- **Re-initiate at SELL with TP of Rp1,241 (based on target P/E of 26x).**

Still weak sales growth outlook. We expect Indonesia's universal healthcare (UHC) and rising competition in nutritional segment will continue to dampen KLBF's revenue growth outlook, which we forecast to remain slow at 4.6% CAGR in next 3 years (vs. 5.1% in 2014-17), which is well below its historical growth of 16.8% CAGR prior to UHC implementation in 2014. While UHC has slowed KLBF's pharma sales, which are highly dependent on licensed & branded generic drugs (83% of its pharma sales), management indicated tough competition for its nutritional products (eg. Morinaga powder milk) from key competitors such as Nutrilon (owned by the Danone Group), which offer price discounts of 10-12% in the past year, has made it difficult for the company to raise product prices. As such, we forecast nutritional sales, which was KLBF's key revenue growth driver in the past (CAGR of 23.7% in 2011-14; 10% in 2014-17), to also slow to 6.9% CAGR in next 3 years.

Flat earnings outlook. We forecast KLBF's earnings to decline by 7% in FY18F due to margin pressure arising from its weak sales growth and rising raw material costs owing to weakening currency, which we expect to lower its EBIT margin to c.14% in FY18F-19F (FY17: 15.9%), as evident from the company's lower gross profit margin of 48.4% in 1Q18 (1Q17: 49.2%) on the back of 1.7% yoy rise in USD/IDR exchange rate to Rp 13,500. In addition, milk powder prices globally have risen by 16% YTD, while we view the closing down of China's drugs manufacturers, where KLBF imported 40% of its raw material requirement, is also a key risk factor for costs.

Persistently high capex will lower ROAE. Management indicated capex of Rp1.0-Rp1.5tn for this year to increase production capacity in consumer health division and upgrading the distribution network, thus continuing the uptrend in KLBF's annual capex from Rp1.0tn p.a. in 2014-17 (vs. only Rp0.8tn p.a. in 2012-14) to finance factory expansions in nutritional and pharmaceutical divisions. This rising capex, during period of its revenue and earnings growth slowdown, in part also due to long-payback-period in pharmaceutical divisions (3-5 years), should led to the company's declining ROAE to c.16% in next 3 years, down from c.20% in past 3 years. Although KLBF's first biosimilar factory in Cikarang is expected to start commercial production by end of 2018, the incremental gain from expansion in pharmaceutical margin is only expected to occur in 2021F, which is still a long-way for KLBF to harvest its investment.

Valuations. We re-initiate coverage with SELL rating and TP of Rp 1,241, which is based on our target P/E of 26x, which is lower than KLBF's 5-year historical average P/E of 30x but which in our view is justified by the company's slower growth and declining ROAE expected in the coming years. As such, we do not see any significant catalyst for share price upside in the near term term.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	19,374	20,182	21,146	22,147	23,075
EBITDA (RpBn)	3,497	3,671	3,544	3,724	3,959
EBITDA Growth (%)	15.2	5.0	(3.5)	5.1	6.3
Net Profit (RpBn)	2,300	2,403	2,237	2,330	2,548
EPS (Rp)	49	51	48	50	54
EPS Growth (%)	14.0	4.7	(6.9)	4.2	9.3
Net Gearing (%)	(21.1)	(17.8)	(20.6)	(22.4)	(26.5)
PER (x)	28.7	27.4	29.4	28.3	25.8
PBV (x)	5.3	4.7	4.4	4.0	3.7
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	19.6	18.7	19.5	18.7	17.9

Source : KLBF, IndoPremier

Share Price Closing as of : 30-May-2018

Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
- **1Q18 marketing sales of Rp2.5tn, forming 35% of FY18F guidance.**
- **Plan to increase recurring income to 25% in the next 5 years.**
- **Maintain Buy with TP of Rp2,400.**

1Q18 earnings forming 13% of FY18 estimate. BSDE reported weak earnings of Rp407bn (-44% yoy), which came below our/consensus expectation, forming only 13% FY18 estimate. Revenue slightly decreased to Rp1.7tn (-3% yoy) in 1Q18, with gross margin slightly improved to 68.4% (1Q17: 67%) given increase commercial segment portion which has higher margin. Operating margin were down to 39.1% (1Q17: 42.9%) in 1Q18, due to increase in salaries and advertising expense of Rp146bn (+21% yoy) and Rp97bn (+16% yoy). Net margin were compressed to 23.9% (1Q17: 41.8%) in 1Q18, as BSDE booked forex loss of Rp63bn (vs. gain in forex of Rp19bn in 1Q17) and lower income from associated companies & JV of Rp11bn (-93% yoy).

Strong marketing sales in 1Q18. BSDE reported marketing sales of Rp2.5tn in 1Q18 (+58% yoy), forming 35% of company's FY18 marketing sales target of Rp7.2tn. The strong achievement in 1Q18 was due to jumped marketing sales from strata title (apartment), commercial land plot and residential of Rp718bn (+1229% yoy), Rp652bn (+404% yoy) and residential Rp956bn (+129% yoy). The hike in strata title sales was mostly supported by recent launches in Klaska Residence Surabaya and Southgate Condominium TB Simatupang of Rp366bn and Rp253bn, respectively. Going forward, BSDE plans to launch a new cluster, Vermella in Grand Wisata Bekasi with price starting from Rp1.4-2bn/unit for land area of 88-118sqm.

Plan to increase recurring income through office lease. BSDE targets to increase ownership of office for lease to 400k sqm in the next 5 years (current: 270k sqm) which will support BSDE to increase recurring income portion to 25% (1Q18: 22%). To maintain recurring income portion, new investment properties were being constructed such as GOP 1, Knowledge Hub, and The Breeze Extension with committed tenant such as Apple and Unilever. In addition, recent acquisition of Sinarmas MSIG Tower Jakarta CBD, and Bakrie Tower Jakarta CBD has started to contribute recurring income in 1Q18 of Rp368bn (+16.5% yoy).

Maintain Buy on BSDE with TP of Rp2,400. Despite weak result in 1Q18, we continue to like BSDE give its strong marketing achievement and increasing recurring income portion of 22% (1Q17: 17%). We maintain our Buy call on BSDE with unchanged TP of Rp2,400 as we believe BSDE will have higher revenue recognition in the following quarters. BSDE is currently trades at 67% discount to our estimate RNAV.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	6,522	10,347	8,482	8,786	9,675
EBITDA (RpBn)	2,965	5,626	4,108	4,284	4,879
EBITDA Growth (%)	(1.7)	89.7	(27.0)	4.3	13.9
Net Profit (RpBn)	1,796	4,920	3,054	3,126	3,402
EPS (Rp)	93	256	159	162	177
EPS Growth (%)	(16.0)	173.9	(37.9)	2.4	8.8
Net Gearing (%)	16.1	11.3	0.1	2.7	3.0
PER (x)	18.8	6.8	11.0	10.8	9.9
PBV (x)	1.4	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.9	0.6	2.2	1.4	1.4
EV/EBITDA (x)	12.7	6.6	8.2	8.1	7.2

Source: BSDE, IndoPremier

Share Price Closing as of : 28-May-2018

News & Analysis

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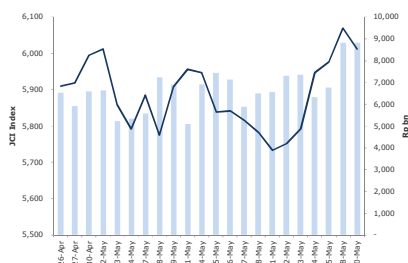
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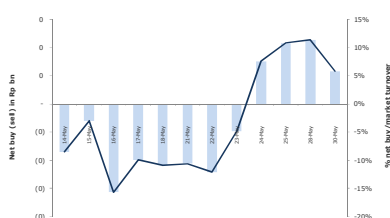
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Rubber/kg	1.7	0.0%	-31.5%
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Tins/tonne	20,600	0.5%	0.2%
Copper/tonne	6,831	-0.2%	21.3%
Gold/try.oz (Spot)	1,301	0.2%	2.6%
Coal/tonne	108.7	1.7%	46.6%
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Wheat/bushel (USD)	520.0	-0.4%	21.1%

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Still weak sales growth outlook. We expect Indonesia's universal healthcare (UHC) and rising competition in nutritional segment will continue to dampen KLBF's revenue growth outlook, which we forecast to remain slow at 4.6% CAGR in next 3 years (vs. 5.1% in 2014-17), which is well below its historical growth of 16.8% CAGR prior to UHC implementation in 2014. While UHC has slowed KLBF's pharma sales, which are highly dependent on licensed & branded generic drugs (83% of its pharma sales), management indicated tough competition for its nutritional products (eg. Morinaga powder milk) from key competitors such as Nutrilon (owned by the Danone Group), which offer price discounts of 10-12% in the past year, has made it difficult for the company to raise product prices. As such, we forecast nutritional sales, which was KLBF's key revenue growth driver in the past (CAGR of 23.7% in 2011-14; 10% in 2014-17), to also slow to 6.9% CAGR in next 3 years.

Flat earnings outlook. We forecast KLBF's earnings to decline by 7% in FY18F due to margin pressure arising from its weak sales growth and rising raw material costs owing to weakening currency, which we expect to lower its EBIT margin to c.14% in FY18F-19F (FY17: 15.9%), as evident from the company's lower gross profit margin of 48.4% in 1Q18 (1Q17: 49.2%) on the back of 1.7% yoy rise in USD/IDR exchange rate to Rp 13,500. In addition, milk powder prices globally have risen by 16% YTD, while we view the closing down of China's drugs manufacturers, where KLBF imported 40% of its raw material requirement, is also a key risk factor for costs.

Persistently high capex will lower ROAE. Management indicated capex of Rp1.0-Rp1.5tn for this year to increase production capacity in consumer health division and upgrading the distribution network, thus continuing the uptrend in KLBF's annual capex from Rp1.0tn p.a. in 2014-17 (vs. only Rp0.8tn p.a. in 2012-14) to finance factory expansions in nutritional and pharmaceutical divisions. This rising capex, during period of its revenue and earnings growth slowdown, in part also due to long-payback-period in pharmaceutical divisions (3-5 years), should led to the company's declining ROAE to c.16% in next 3 years, down from c.20% in past 3 years. Although KLBF's first biosimilar factory in Cikarang is expected to start commercial production by end of 2018, the incremental gain from expansion in pharmaceutical margin is only expected to occur in 2021F, which is still a long-way for KLBF to harvest its investment.

Valuations. We re-initiate coverage with SELL rating and TP of Rp 1,241, which is based on our target P/E of 26x, which is lower than KLBF's 5-year historical average P/E of 30x but which in our view is justified by the company's slower growth and declining ROAE expected in the coming years. As such, we do not see any significant catalyst for share price upside in the near term term.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	19,374	20,182	21,146	22,147	23,075
EBITDA (RpBn)	3,497	3,671	3,544	3,724	3,959
EBITDA Growth (%)	15.2	5.0	(3.5)	5.1	6.3
Net Profit (RpBn)	2,300	2,403	2,237	2,330	2,548
EPS (Rp)	49	51	48	50	54
EPS Growth (%)	14.0	4.7	(6.9)	4.2	9.3
Net Gearing (%)	(21.1)	(17.8)	(20.6)	(22.4)	(26.5)
PER (x)	28.7	27.4	29.4	28.3	25.8
PBV (x)	5.3	4.7	4.4	4.0	3.7
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	19.6	18.7	19.5	18.7	17.9

Source : KLBF, IndoPremier

Share Price Closing as of : 30-May-2018

Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
- **1Q18 marketing sales of Rp2.5tn, forming 35% of FY18F guidance.**
- **Plan to increase recurring income to 25% in the next 5 years.**
- **Maintain Buy with TP of Rp2,400.**

1Q18 earnings forming 13% of FY18 estimate. BSDE reported weak earnings of Rp407bn (-44% yoy), which came below our/consensus expectation, forming only 13% FY18 estimate. Revenue slightly decreased to Rp1.7tn (-3% yoy) in 1Q18, with gross margin slightly improved to 68.4% (1Q17: 67%) given increase commercial segment portion which has higher margin. Operating margin were down to 39.1% (1Q17: 42.9%) in 1Q18, due to increase in salaries and advertising expense of Rp146bn (+21% yoy) and Rp97bn (+16% yoy). Net margin were compressed to 23.9% (1Q17: 41.8%) in 1Q18, as BSDE booked forex loss of Rp63bn (vs. gain in forex of Rp19bn in 1Q17) and lower income from associated companies & JV of Rp11bn (-93% yoy).

Strong marketing sales in 1Q18. BSDE reported marketing sales of Rp2.5tn in 1Q18 (+58% yoy), forming 35% of company's FY18 marketing sales target of Rp7.2tn. The strong achievement in 1Q18 was due to jumped marketing sales from strata title (apartment), commercial land plot and residential of Rp718bn (+1229% yoy), Rp652bn (+404% yoy) and residential Rp956bn (+129% yoy). The hike in strata title sales was mostly supported by recent launches in Klaska Residence Surabaya and Southgate Condominium TB Simatupang of Rp366bn and Rp253bn, respectively. Going forward, BSDE plans to launch a new cluster, Vermella in Grand Wisata Bekasi with price starting from Rp1.4-2bn/unit for land area of 88-118sqm.

Plan to increase recurring income through office lease. BSDE targets to increase ownership of office for lease to 400k sqm in the next 5 years (current: 270k sqm) which will support BSDE to increase recurring income portion to 25% (1Q18: 22%). To maintain recurring income portion, new investment properties were being constructed such as GOP 1, Knowledge Hub, and The Breeze Extension with committed tenant such as Apple and Unilever. In addition, recent acquisition of Sinarmas MSIG Tower Jakarta CBD, and Bakrie Tower Jakarta CBD has started to contribute recurring income in 1Q18 of Rp368bn (+16.5% yoy).

Maintain Buy on BSDE with TP of Rp2,400. Despite weak result in 1Q18, we continue to like BSDE give its strong marketing achievement and increasing recurring income portion of 22% (1Q17: 17%). We maintain our Buy call on BSDE with unchanged TP of Rp2,400 as we believe BSDE will have higher revenue recognition in the following quarters. BSDE is currently trades at 67% discount to our estimate RNAV.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	6,522	10,347	8,482	8,786	9,675
EBITDA (RpBn)	2,965	5,626	4,108	4,284	4,879
EBITDA Growth (%)	(1.7)	89.7	(27.0)	4.3	13.9
Net Profit (RpBn)	1,796	4,920	3,054	3,126	3,402
EPS (Rp)	93	256	159	162	177
EPS Growth (%)	(16.0)	173.9	(37.9)	2.4	8.8
Net Gearing (%)	16.1	11.3	0.1	2.7	3.0
PER (x)	18.8	6.8	11.0	10.8	9.9
PBV (x)	1.4	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.9	0.6	2.2	1.4	1.4
EV/EBITDA (x)	12.7	6.6	8.2	8.1	7.2

Source: BSDE, IndoPremier

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BNLI: Bank Permata (BNLI IJ; Rp515; Not Rated) divested 25% of its stake (237.6mn shares) in PT Astra Sedaya Finance with the total proceed of Rp2.8tn on May 25th, 2018. The sold shares had been bought by PT Astra International (ASII IJ; Rp7,000; Buy) and PT Sedaya Multi Investama with the total purchased shares of 178.2mn shares (with the total value of Rp2.1tn) and 59.4mn shares (with the total value of Rp700bn), consecutively. (Kontan).

CSAP: Catur Sentosa Adiprana (CSAP IJ; Rp565; Not Rated) Will expand Mitra10 outlets this year, newly opened outlets is located in Pesanggrahan, Jakarta. Company will focus the locations in Jabodetabek, Central and East Java, Sulawesi. CSAP expect revenue to Rp11tn this year (+15% yoy) while prepare Rp400bn for capex where 60% will be allocated for modern retail. Company will also conduct rights issue for 405mn shares (10%). (Investor Daily).

JSMR: We attend to Jasamarga (JSMR IJ; Rp4,280; Hold) analyst meeting with the salient points as follows:

- In 1Q18, Surabaya-Mojokerto revenue increased significantly by 500.7% yoy compared to last year figure due to full operation in end of 2017.
- Jagorawi toll road increased by 25.1% yoy due to change in transaction system that was applied since 9M17.
- Jakarta-Tangerang toll road revenue increased by 45% yoy due to integration with JORR that was applied since April 2017.
- Odd-even policy that was applied since March 2018 brought positive impact two the company as the impact of the implementation in average daily revenue in Jakarta-Cikampek toll road increased by 2.4% yoy after 3 weeks implementation. Jakarta-Tangerang and Jagorawi toll road also increased by 0.39% yoy and 0.02% yoy, respectively. The company stated this was mainly resulted due to adjustment of driver behavior.
- The management also stated that there will be no tariff cut for existing toll road. But for the new toll road, the tariff will be capped to Rp1,000/km (expectation Rp1,200) with compensation for longer concession period 50 years (previously 35 years). This policy currently is only effectively applied in Ngawi-Kertosono toll road. (Company).

MPPA: Matahari Putra Prima (MPPA IJ; Rp328; Hold) plans to reduce the total number of SKUs from 50,000-60,000 into 25,000 SKUs in order to improve inventory cycle. The company will be focusing on fast-moving-goods such as cooking oil, dairy as well as fresh foods and reduce number of items in the fashion and electronic categories. Furthermore, management is expecting lower margin into near term as the company will continue to offer price discount to customers in order to improve company's competitiveness in the market. (Bisnis Indonesia).

Sinarmas Land: Sinarmas land (40%) sign a Letter of Understanding with Kawan Lama Group (60%) to create a JV to develop mixed use Kota Wisata Cibubur in 8.5ha area. They will develop Living World in Kota Wisata Cibubur with total NLA of 90k sqm and total investment of Rp1.2tn. (Kontan).

WSKT: Waskita Karya (WSKT IJ;Rp2,310; buy) will receive a loan from Bank Rakyat Indonesia (BBRI IJ; Rp3,140; Buy) of Rp7.1tn which will be used to bail out the land acquisition of toll road projects that are being processed by three of its subsidiaries, PT Trans Jabar Tol, PT Cimanggis Cibitung Tollways dan PT Kresna Kusuma Dyandra Marga. Trans Jabar is currently developing Ciawi-Sukabumi toll road (54km) with investment of Rp16tn and land estimate land price of Rp734bn. Kresna Kusuma Dyandra Marga is currently constructing Becakayu section 1A and 2 with total investment of Rp7.2tn and estimate land price of Rp449bn. While Cimanggis Cibitung Toll ways is developing Cimanggis-Cibitung toll road (25km) with investment of RP4.5tn and land estimate price of Rp1.3tn. (Bisnis Indonesia).

Comment: We are positive towards WSKT's plan to achieve substantial growth through continuous expansion, however our concerns lies on WSKT's increasing debt level, which has reach DER of 2.1x as of 3M18 (highest among SOE contractors).

WSBP: Waskita Beton Precast (WSBP IJ; Rp402; Buy) reported new contract of Rp2.7tn in 5M18, forming 23% of company's FY18 guidance. WSBP is currently targeting Penajam Balikpapan, East Kalimantan, Sukabumi-Ciranjang and Tebing Tinggi-Pematangsiantar toll road.

Comment: WSBP contract achievement is still in line with our/company's FY18 new contract guidance. Maintain Buy on WSBP with TP of Rp620.

Markets & Sector

Poultry sector: Ministry of Trade will issue regulation on ceiling price for chicken during festive season in order to anticipate rising price due to higher demand during festive season. The new ceiling price for chicken is set at Rp 33,000 per kg during festive season, rising only by Rp 1,000 per kg from normal season. (Kontan).

Economics

Monetary policy: Bank Indonesia raised again, for the second time in May, the reference rate by 25bps to 4.75% in the additional May 30th meeting. Along with that, it adjusted the lending and deposit facility rates to 5.5% and 4%, respectively and estimated inflation to reach 3.6% FY18. Key additional points from the conference:

- Decision is based on the motive to undertake pre-emptive measures and to stay ahead of curve. We think the upcoming BI meeting which is to be held on June 28th and should be past the US' FOMC meeting on June 13th counts in its consideration.
- The central bank is shifting stance from neutral to tightening biased. Going forward, (1) BI is to embark on dual intervention in the foreign exchange and government securities market to stabilize the rupiah, (2) Monetary operation will be directed toward maintaining adequate liquidity in the market, (3) More intensive communication with market player, banking, business, and economists to be developed to form a rational expectation, and (4) It signals that it considers further rate hikes if data were supportive.
- BI is to explore more macro prudential policies including reconsidering the current LTV policy. No clear timeline yet for the revision of the policies. (Bank Indonesia).

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.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

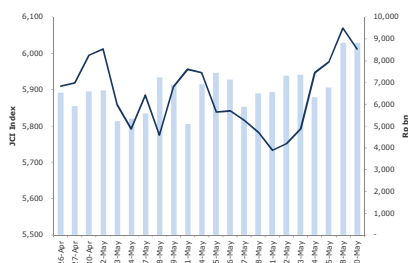
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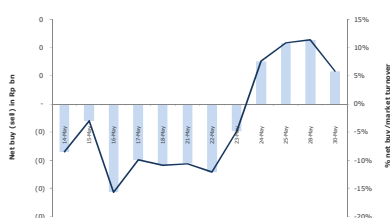
Premier Insight

Kalbe Farma (KLBF IJ; Sell) Slowing earnings growth outlook

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,011	-0.9%	4.8%	-5.4%
LQ45	963	-1.5%	0.6%	-10.7%
DJI	24,668	1.3%	17.4%	-0.2%
SET	1,725	-0.5%	10.5%	-1.6%
HSI	30,057	-1.4%	17.1%	0.5%
NKY	22,019	-1.5%	12.1%	-2.8%
FTSE	7,690	0.7%	2.3%	0.0%
FSSTI	3,444	-2.1%	7.3%	1.2%
EIDO	26	2.1%	-2.7%	-9.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	68.2	2.2%	37.4%
CPO/tonne	612.4	0.9%	-2.6%
Soy/bushel	10.0	-0.8%	13.1%
Rubber/kg	1.7	0.0%	-31.5%
Nickel/tonne	15,067	1.5%	66.1%
Tins/tonne	20,600	0.5%	0.2%
Copper/tonne	6,831	-0.2%	21.3%
Gold/try.oz (Spot)	1,301	0.2%	2.6%
Coal/tonne	108.7	1.7%	46.6%
Corn/bushel	3.7	-2.1%	6.4%
Wheat/bushel (USD)	520.0	-0.4%	21.1%

Source : Bloomberg

- **Rising competition still limit revenue growth outlook.**
- **This coupled with rising material costs should weaken earnings.**
- **Capex uptrend in slow growth environment leads to declining ROAE.**
- **Re-initiate at SELL with TP of Rp1,241 (based on target P/E of 26x).**

Still weak sales growth outlook. We expect Indonesia's universal healthcare (UHC) and rising competition in nutritional segment will continue to dampen KLBF's revenue growth outlook, which we forecast to remain slow at 4.6% CAGR in next 3 years (vs. 5.1% in 2014-17), which is well below its historical growth of 16.8% CAGR prior to UHC implementation in 2014. While UHC has slowed KLBF's pharma sales, which are highly dependent on licensed & branded generic drugs (83% of its pharma sales), management indicated tough competition for its nutritional products (eg. Morinaga powder milk) from key competitors such as Nutrilon (owned by the Danone Group), which offer price discounts of 10-12% in the past year, has made it difficult for the company to raise product prices. As such, we forecast nutritional sales, which was KLBF's key revenue growth driver in the past (CAGR of 23.7% in 2011-14; 10% in 2014-17), to also slow to 6.9% CAGR in next 3 years.

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Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
- **1Q18 marketing sales of Rp2.5tn, forming 35% of FY18F guidance.**
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1Q18 earnings forming 13% of FY18 estimate. BSDE reported weak earnings of Rp407bn (-44% yoy), which came below our/consensus expectation, forming only 13% FY18 estimate. Revenue slightly decreased to Rp1.7tn (-3% yoy) in 1Q18, with gross margin slightly improved to 68.4% (1Q17: 67%) given increase commercial segment portion which has higher margin. Operating margin were down to 39.1% (1Q17: 42.9%) in 1Q18, due to increase in salaries and advertising expense of Rp146bn (+21% yoy) and Rp97bn (+16% yoy). Net margin were compressed to 23.9% (1Q17: 41.8%) in 1Q18, as BSDE booked forex loss of Rp63bn (vs. gain in forex of Rp19bn in 1Q17) and lower income from associated companies & JV of Rp11bn (-93% yoy).

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Comment: We are positive towards WSKT's plan to achieve substantial growth through continuous expansion, however our concerns lies on WSKT's increasing debt level, which has reach DER of 2.1x as of 3M18 (highest among SOE contractors).

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Comment: WSBP contract achievement is still in line with our/company's FY18 new contract guidance. Maintain Buy on WSBP with TP of Rp620.

Markets & Sector

Poultry sector: Ministry of Trade will issue regulation on ceiling price for chicken during festive season in order to anticipate rising price due to higher demand during festive season. The new ceiling price for chicken is set at Rp 33,000 per kg during festive season, rising only by Rp 1,000 per kg from normal season. (Kontan).

Economics

Monetary policy: Bank Indonesia raised again, for the second time in May, the reference rate by 25bps to 4.75% in the additional May 30th meeting. Along with that, it adjusted the lending and deposit facility rates to 5.5% and 4%, respectively and estimated inflation to reach 3.6% FY18. Key additional points from the conference:

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- BI is to explore more macro prudential policies including reconsidering the current LTV policy. No clear timeline yet for the revision of the policies. (Bank Indonesia).

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.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

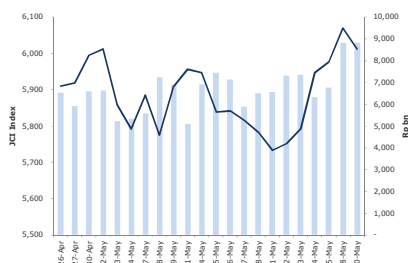
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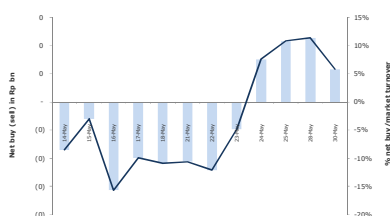
Premier Insight

Kalbe Farma (KLBF IJ; Sell) Slowing earnings growth outlook

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,011	-0.9%	4.8%	-5.4%
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EIDO	26	2.1%	-2.7%	-9.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	68.2	2.2%	37.4%
CPO/tonne	612.4	0.9%	-2.6%
Soy/bushel	10.0	-0.8%	13.1%
Rubber/kg	1.7	0.0%	-31.5%
Nickel/tonne	15,067	1.5%	66.1%
Tins/tonne	20,600	0.5%	0.2%
Copper/tonne	6,831	-0.2%	21.3%
Gold/try.oz (Spot)	1,301	0.2%	2.6%
Coal/tonne	108.7	1.7%	46.6%
Corn/bushel	3.7	-2.1%	6.4%
Wheat/bushel (USD)	520.0	-0.4%	21.1%

Source : Bloomberg

- **Rising competition still limit revenue growth outlook.**
- **This coupled with rising material costs should weaken earnings.**
- **Capex uptrend in slow growth environment leads to declining ROAE.**
- **Re-initiate at SELL with TP of Rp1,241 (based on target P/E of 26x).**

Still weak sales growth outlook. We expect Indonesia's universal healthcare (UHC) and rising competition in nutritional segment will continue to dampen KLBF's revenue growth outlook, which we forecast to remain slow at 4.6% CAGR in next 3 years (vs. 5.1% in 2014-17), which is well below its historical growth of 16.8% CAGR prior to UHC implementation in 2014. While UHC has slowed KLBF's pharma sales, which are highly dependent on licensed & branded generic drugs (83% of its pharma sales), management indicated tough competition for its nutritional products (eg. Morinaga powder milk) from key competitors such as Nutrilon (owned by the Danone Group), which offer price discounts of 10-12% in the past year, has made it difficult for the company to raise product prices. As such, we forecast nutritional sales, which was KLBF's key revenue growth driver in the past (CAGR of 23.7% in 2011-14; 10% in 2014-17), to also slow to 6.9% CAGR in next 3 years.

Flat earnings outlook. We forecast KLBF's earnings to decline by 7% in FY18F due to margin pressure arising from its weak sales growth and rising raw material costs owing to weakening currency, which we expect to lower its EBIT margin to c.14% in FY18F-19F (FY17: 15.9%), as evident from the company's lower gross profit margin of 48.4% in 1Q18 (1Q17: 49.2%) on the back of 1.7% yoy rise in USD/IDR exchange rate to Rp 13,500. In addition, milk powder prices globally have risen by 16% YTD, while we view the closing down of China's drugs manufacturers, where KLBF imported 40% of its raw material requirement, is also a key risk factor for costs.

Persistently high capex will lower ROAE. Management indicated capex of Rp1.0-Rp1.5tn for this year to increase production capacity in consumer health division and upgrading the distribution network, thus continuing the uptrend in KLBF's annual capex from Rp1.0tn p.a. in 2014-17 (vs. only Rp0.8tn p.a. in 2012-14) to finance factory expansions in nutritional and pharmaceutical divisions. This rising capex, during period of its revenue and earnings growth slowdown, in part also due to long-payback-period in pharmaceutical divisions (3-5 years), should led to the company's declining ROAE to c.16% in next 3 years, down from c.20% in past 3 years. Although KLBF's first biosimilar factory in Cikarang is expected to start commercial production by end of 2018, the incremental gain from expansion in pharmaceutical margin is only expected to occur in 2021F, which is still a long-way for KLBF to harvest its investment.

Valuations. We re-initiate coverage with SELL rating and TP of Rp 1,241, which is based on our target P/E of 26x, which is lower than KLBF's 5-year historical average P/E of 30x but which in our view is justified by the company's slower growth and declining ROAE expected in the coming years. As such, we do not see any significant catalyst for share price upside in the near term term.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	19,374	20,182	21,146	22,147	23,075
EBITDA (RpBn)	3,497	3,671	3,544	3,724	3,959
EBITDA Growth (%)	15.2	5.0	(3.5)	5.1	6.3
Net Profit (RpBn)	2,300	2,403	2,237	2,330	2,548
EPS (Rp)	49	51	48	50	54
EPS Growth (%)	14.0	4.7	(6.9)	4.2	9.3
Net Gearing (%)	(21.1)	(17.8)	(20.6)	(22.4)	(26.5)
PER (x)	28.7	27.4	29.4	28.3	25.8
PBV (x)	5.3	4.7	4.4	4.0	3.7
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	19.6	18.7	19.5	18.7	17.9

Source : KLBF, IndoPremier

Share Price Closing as of : 30-May-2018

Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
- **1Q18 marketing sales of Rp2.5tn, forming 35% of FY18F guidance.**
- **Plan to increase recurring income to 25% in the next 5 years.**
- **Maintain Buy with TP of Rp2,400.**

1Q18 earnings forming 13% of FY18 estimate. BSDE reported weak earnings of Rp407bn (-44% yoy), which came below our/consensus expectation, forming only 13% FY18 estimate. Revenue slightly decreased to Rp1.7tn (-3% yoy) in 1Q18, with gross margin slightly improved to 68.4% (1Q17: 67%) given increase commercial segment portion which has higher margin. Operating margin were down to 39.1% (1Q17: 42.9%) in 1Q18, due to increase in salaries and advertising expense of Rp146bn (+21% yoy) and Rp97bn (+16% yoy). Net margin were compressed to 23.9% (1Q17: 41.8%) in 1Q18, as BSDE booked forex loss of Rp63bn (vs. gain in forex of Rp19bn in 1Q17) and lower income from associated companies & JV of Rp11bn (-93% yoy).

Strong marketing sales in 1Q18. BSDE reported marketing sales of Rp2.5tn in 1Q18 (+58% yoy), forming 35% of company's FY18 marketing sales target of Rp7.2tn. The strong achievement in 1Q18 was due to jumped marketing sales from strata title (apartment), commercial land plot and residential of Rp718bn (+1229% yoy), Rp652bn (+404% yoy) and residential Rp956bn (+129% yoy). The hike in strata title sales was mostly supported by recent launches in Klaska Residence Surabaya and Southgate Condominium TB Simatupang of Rp366bn and Rp253bn, respectively. Going forward, BSDE plans to launch a new cluster, Vermella in Grand Wisata Bekasi with price starting from Rp1.4-2bn/unit for land area of 88-118sqm.

Plan to increase recurring income through office lease. BSDE targets to increase ownership of office for lease to 400k sqm in the next 5 years (current: 270k sqm) which will support BSDE to increase recurring income portion to 25% (1Q18: 22%). To maintain recurring income portion, new investment properties were being constructed such as GOP 1, Knowledge Hub, and The Breeze Extension with committed tenant such as Apple and Unilever. In addition, recent acquisition of Sinarmas MSIG Tower Jakarta CBD, and Bakrie Tower Jakarta CBD has started to contribute recurring income in 1Q18 of Rp368bn (+16.5% yoy).

Maintain Buy on BSDE with TP of Rp2,400. Despite weak result in 1Q18, we continue to like BSDE give its strong marketing achievement and increasing recurring income portion of 22% (1Q17: 17%). We maintain our Buy call on BSDE with unchanged TP of Rp2,400 as we believe BSDE will have higher revenue recognition in the following quarters. BSDE is currently trades at 67% discount to our estimate RNAV.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	6,522	10,347	8,482	8,786	9,675
EBITDA (RpBn)	2,965	5,626	4,108	4,284	4,879
EBITDA Growth (%)	(1.7)	89.7	(27.0)	4.3	13.9
Net Profit (RpBn)	1,796	4,920	3,054	3,126	3,402
EPS (Rp)	93	256	159	162	177
EPS Growth (%)	(16.0)	173.9	(37.9)	2.4	8.8
Net Gearing (%)	16.1	11.3	0.1	2.7	3.0
PER (x)	18.8	6.8	11.0	10.8	9.9
PBV (x)	1.4	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.9	0.6	2.2	1.4	1.4
EV/EBITDA (x)	12.7	6.6	8.2	8.1	7.2

Source: BSDE, IndoPremier

Share Price Closing as of : 28-May-2018

News & Analysis

Corporates

BNLI: Bank Permata (BNLI IJ; Rp515; Not Rated) divested 25% of its stake (237.6mn shares) in PT Astra Sedaya Finance with the total proceed of Rp2.8tn on May 25th, 2018. The sold shares had been bought by PT Astra International (ASII IJ; Rp7,000; Buy) and PT Sedaya Multi Investama with the total purchased shares of 178.2mn shares (with the total value of Rp2.1tn) and 59.4mn shares (with the total value of Rp700bn), consecutively. (Kontan).

CSAP: Catur Sentosa Adiprana (CSAP IJ; Rp565; Not Rated) Will expand Mitra10 outlets this year, newly opened outlets is located in Pesanggrahan, Jakarta. Company will focus the locations in Jabodetabek, Central and East Java, Sulawesi. CSAP expect revenue to Rp11tn this year (+15% yoy) while prepare Rp400bn for capex where 60% will be allocated for modern retail. Company will also conduct rights issue for 405mn shares (10%). (Investor Daily).

JSMR: We attend to Jasamarga (JSMR IJ; Rp4,280; Hold) analyst meeting with the salient points as follows:

- In 1Q18, Surabaya-Mojokerto revenue increased significantly by 500.7% yoy compared to last year figure due to full operation in end of 2017.
- Jagorawi toll road increased by 25.1% yoy due to change in transaction system that was applied since 9M17.
- Jakarta-Tangerang toll road revenue increased by 45% yoy due to integration with JORR that was applied since April 2017.
- Odd-even policy that was applied since March 2018 brought positive impact two the company as the impact of the implementation in average daily revenue in Jakarta-Cikampek toll road increased by 2.4% yoy after 3 weeks implementation. Jakarta-Tangerang and Jagorawi toll road also increased by 0.39% yoy and 0.02% yoy, respectively. The company stated this was mainly resulted due to adjustment of driver behavior.
- The management also stated that there will be no tariff cut for existing toll road. But for the new toll road, the tariff will be capped to Rp1,000/km (expectation Rp1,200) with compensation for longer concession period 50 years (previously 35 years). This policy currently is only effectively applied in Ngawi-Kertosono toll road. (Company).

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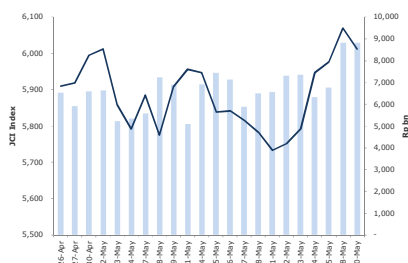
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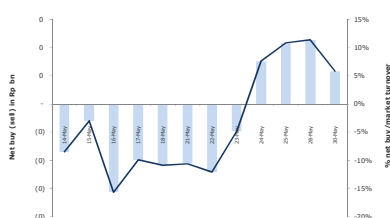
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Net Gearing (%)	(21.1)	(17.8)	(20.6)	(22.4)	(26.5)
PER (x)	28.7	27.4	29.4	28.3	25.8
PBV (x)	5.3	4.7	4.4	4.0	3.7
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	19.6	18.7	19.5	18.7	17.9

Source : KLBF, IndoPremier

Share Price Closing as of : 30-May-2018

Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
- **1Q18 marketing sales of Rp2.5tn, forming 35% of FY18F guidance.**
- **Plan to increase recurring income to 25% in the next 5 years.**
- **Maintain Buy with TP of Rp2,400.**

1Q18 earnings forming 13% of FY18 estimate. BSDE reported weak earnings of Rp407bn (-44% yoy), which came below our/consensus expectation, forming only 13% FY18 estimate. Revenue slightly decreased to Rp1.7tn (-3% yoy) in 1Q18, with gross margin slightly improved to 68.4% (1Q17: 67%) given increase commercial segment portion which has higher margin. Operating margin were down to 39.1% (1Q17: 42.9%) in 1Q18, due to increase in salaries and advertising expense of Rp146bn (+21% yoy) and Rp97bn (+16% yoy). Net margin were compressed to 23.9% (1Q17: 41.8%) in 1Q18, as BSDE booked forex loss of Rp63bn (vs. gain in forex of Rp19bn in 1Q17) and lower income from associated companies & JV of Rp11bn (-93% yoy).

Strong marketing sales in 1Q18. BSDE reported marketing sales of Rp2.5tn in 1Q18 (+58% yoy), forming 35% of company's FY18 marketing sales target of Rp7.2tn. The strong achievement in 1Q18 was due to jumped marketing sales from strata title (apartment), commercial land plot and residential of Rp718bn (+1229% yoy), Rp652bn (+404% yoy) and residential Rp956bn (+129% yoy). The hike in strata title sales was mostly supported by recent launches in Klaska Residence Surabaya and Southgate Condominium TB Simatupang of Rp366bn and Rp253bn, respectively. Going forward, BSDE plans to launch a new cluster, Vermella in Grand Wisata Bekasi with price starting from Rp1.4-2bn/unit for land area of 88-118sqm.

Plan to increase recurring income through office lease. BSDE targets to increase ownership of office for lease to 400k sqm in the next 5 years (current: 270k sqm) which will support BSDE to increase recurring income portion to 25% (1Q18: 22%). To maintain recurring income portion, new investment properties were being constructed such as GOP 1, Knowledge Hub, and The Breeze Extension with committed tenant such as Apple and Unilever. In addition, recent acquisition of Sinarmas MSIG Tower Jakarta CBD, and Bakrie Tower Jakarta CBD has started to contribute recurring income in 1Q18 of Rp368bn (+16.5% yoy).

Maintain Buy on BSDE with TP of Rp2,400. Despite weak result in 1Q18, we continue to like BSDE give its strong marketing achievement and increasing recurring income portion of 22% (1Q17: 17%). We maintain our Buy call on BSDE with unchanged TP of Rp2,400 as we believe BSDE will have higher revenue recognition in the following quarters. BSDE is currently trades at 67% discount to our estimate RNAV.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	6,522	10,347	8,482	8,786	9,675
EBITDA (RpBn)	2,965	5,626	4,108	4,284	4,879
EBITDA Growth (%)	(1.7)	89.7	(27.0)	4.3	13.9
Net Profit (RpBn)	1,796	4,920	3,054	3,126	3,402
EPS (Rp)	93	256	159	162	177
EPS Growth (%)	(16.0)	173.9	(37.9)	2.4	8.8
Net Gearing (%)	16.1	11.3	0.1	2.7	3.0
PER (x)	18.8	6.8	11.0	10.8	9.9
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Dividend Yield (%)	0.9	0.6	2.2	1.4	1.4
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- In 1Q18, Surabaya-Mojokerto revenue increased significantly by 500.7% yoy compared to last year figure due to full operation in end of 2017.
- Jagorawi toll road increased by 25.1% yoy due to change in transaction system that was applied since 9M17.
- Jakarta-Tangerang toll road revenue increased by 45% yoy due to integration with JORR that was applied since April 2017.
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- The management also stated that there will be no tariff cut for existing toll road. But for the new toll road, the tariff will be capped to Rp1,000/km (expectation Rp1,200) with compensation for longer concession period 50 years (previously 35 years). This policy currently is only effectively applied in Ngawi-Kertosono toll road. (Company).

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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

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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.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

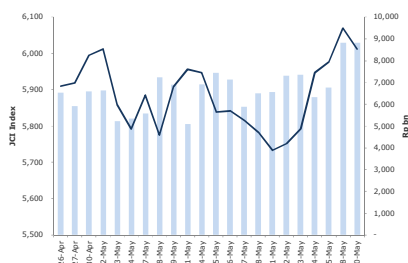
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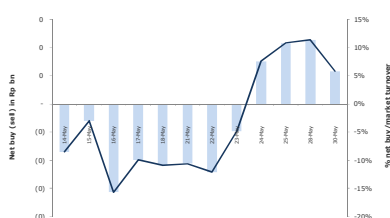
Premier Insight

Kalbe Farma (KLBF IJ; Sell) Slowing earnings growth outlook

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,011	-0.9%	4.8%	-5.4%
LQ45	963	-1.5%	0.6%	-10.7%
DJI	24,668	1.3%	17.4%	-0.2%
SET	1,725	-0.5%	10.5%	-1.6%
HSI	30,057	-1.4%	17.1%	0.5%
NKY	22,019	-1.5%	12.1%	-2.8%
FTSE	7,690	0.7%	2.3%	0.0%
FSSTI	3,444	-2.1%	7.3%	1.2%
EIDO	26	2.1%	-2.7%	-9.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	68.2	2.2%	37.4%
CPO/tonne	612.4	0.9%	-2.6%
Soy/bushel	10.0	-0.8%	13.1%
Rubber/kg	1.7	0.0%	-31.5%
Nickel/tonne	15,067	1.5%	66.1%
Tins/tonne	20,600	0.5%	0.2%
Copper/tonne	6,831	-0.2%	21.3%
Gold/try.oz (Spot)	1,301	0.2%	2.6%
Coal/tonne	108.7	1.7%	46.6%
Corn/bushel	3.7	-2.1%	6.4%
Wheat/bushel (USD)	520.0	-0.4%	21.1%

Source : Bloomberg

- **Rising competition still limit revenue growth outlook.**
- **This coupled with rising material costs should weaken earnings.**
- **Capex uptrend in slow growth environment leads to declining ROAE.**
- **Re-initiate at SELL with TP of Rp1,241 (based on target P/E of 26x).**

Still weak sales growth outlook. We expect Indonesia's universal healthcare (UHC) and rising competition in nutritional segment will continue to dampen KLBF's revenue growth outlook, which we forecast to remain slow at 4.6% CAGR in next 3 years (vs. 5.1% in 2014-17), which is well below its historical growth of 16.8% CAGR prior to UHC implementation in 2014. While UHC has slowed KLBF's pharma sales, which are highly dependent on licensed & branded generic drugs (83% of its pharma sales), management indicated tough competition for its nutritional products (eg. Morinaga powder milk) from key competitors such as Nutrilon (owned by the Danone Group), which offer price discounts of 10-12% in the past year, has made it difficult for the company to raise product prices. As such, we forecast nutritional sales, which was KLBF's key revenue growth driver in the past (CAGR of 23.7% in 2011-14; 10% in 2014-17), to also slow to 6.9% CAGR in next 3 years.

Flat earnings outlook. We forecast KLBF's earnings to decline by 7% in FY18F due to margin pressure arising from its weak sales growth and rising raw material costs owing to weakening currency, which we expect to lower its EBIT margin to c.14% in FY18F-19F (FY17: 15.9%), as evident from the company's lower gross profit margin of 48.4% in 1Q18 (1Q17: 49.2%) on the back of 1.7% yoy rise in USD/IDR exchange rate to Rp 13,500. In addition, milk powder prices globally have risen by 16% YTD, while we view the closing down of China's drugs manufacturers, where KLBF imported 40% of its raw material requirement, is also a key risk factor for costs.

Persistently high capex will lower ROAE. Management indicated capex of Rp1.0-Rp1.5tn for this year to increase production capacity in consumer health division and upgrading the distribution network, thus continuing the uptrend in KLBF's annual capex from Rp1.0tn p.a. in 2014-17 (vs. only Rp0.8tn p.a. in 2012-14) to finance factory expansions in nutritional and pharmaceutical divisions. This rising capex, during period of its revenue and earnings growth slowdown, in part also due to long-payback-period in pharmaceutical divisions (3-5 years), should led to the company's declining ROAE to c.16% in next 3 years, down from c.20% in past 3 years. Although KLBF's first biosimilar factory in Cikarang is expected to start commercial production by end of 2018, the incremental gain from expansion in pharmaceutical margin is only expected to occur in 2021F, which is still a long-way for KLBF to harvest its investment.

Valuations. We re-initiate coverage with SELL rating and TP of Rp 1,241, which is based on our target P/E of 26x, which is lower than KLBF's 5-year historical average P/E of 30x but which in our view is justified by the company's slower growth and declining ROAE expected in the coming years. As such, we do not see any significant catalyst for share price upside in the near term term.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	19,374	20,182	21,146	22,147	23,075
EBITDA (RpBn)	3,497	3,671	3,544	3,724	3,959
EBITDA Growth (%)	15.2	5.0	(3.5)	5.1	6.3
Net Profit (RpBn)	2,300	2,403	2,237	2,330	2,548
EPS (Rp)	49	51	48	50	54
EPS Growth (%)	14.0	4.7	(6.9)	4.2	9.3
Net Gearing (%)	(21.1)	(17.8)	(20.6)	(22.4)	(26.5)
PER (x)	28.7	27.4	29.4	28.3	25.8
PBV (x)	5.3	4.7	4.4	4.0	3.7
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
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Bumi Serpong Damai (BSDE IJ; Buy)

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Jakarta 10210 - Indonesia

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ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

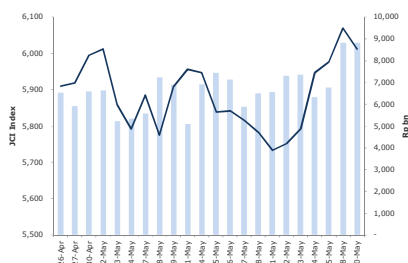
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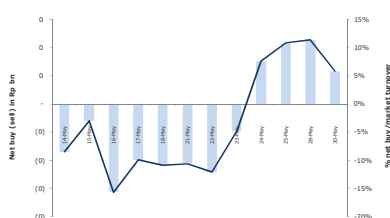
Premier Insight

Kalbe Farma (KLBF IJ; Sell) Slowing earnings growth outlook

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,011	-0.9%	4.8%	-5.4%
LQ45	963	-1.5%	0.6%	-10.7%
DJI	24,668	1.3%	17.4%	-0.2%
SET	1,725	-0.5%	10.5%	-1.6%
HSI	30,057	-1.4%	17.1%	0.5%
NKY	22,019	-1.5%	12.1%	-2.8%
FTSE	7,690	0.7%	2.3%	0.0%
FSSTI	3,444	-2.1%	7.3%	1.2%
EIDO	26	2.1%	-2.7%	-9.1%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	68.2	2.2%	37.4%
CPO/tonne	612.4	0.9%	-2.6%
Soy/bushel	10.0	-0.8%	13.1%
Rubber/kg	1.7	0.0%	-31.5%
Nickel/tonne	15,067	1.5%	66.1%
Tins/tonne	20,600	0.5%	0.2%
Copper/tonne	6,831	-0.2%	21.3%
Gold/try.oz (Spot)	1,301	0.2%	2.6%
Coal/tonne	108.7	1.7%	46.6%
Corn/bushel	3.7	-2.1%	6.4%
Wheat/bushel (USD)	520.0	-0.4%	21.1%

Source : Bloomberg

- **Rising competition still limit revenue growth outlook.**
- **This coupled with rising material costs should weaken earnings.**
- **Capex uptrend in slow growth environment leads to declining ROAE.**
- **Re-initiate at SELL with TP of Rp1,241 (based on target P/E of 26x).**

Still weak sales growth outlook. We expect Indonesia's universal healthcare (UHC) and rising competition in nutritional segment will continue to dampen KLBF's revenue growth outlook, which we forecast to remain slow at 4.6% CAGR in next 3 years (vs. 5.1% in 2014-17), which is well below its historical growth of 16.8% CAGR prior to UHC implementation in 2014. While UHC has slowed KLBF's pharma sales, which are highly dependent on licensed & branded generic drugs (83% of its pharma sales), management indicated tough competition for its nutritional products (eg. Morinaga powder milk) from key competitors such as Nutrilon (owned by the Danone Group), which offer price discounts of 10-12% in the past year, has made it difficult for the company to raise product prices. As such, we forecast nutritional sales, which was KLBF's key revenue growth driver in the past (CAGR of 23.7% in 2011-14; 10% in 2014-17), to also slow to 6.9% CAGR in next 3 years.

Flat earnings outlook. We forecast KLBF's earnings to decline by 7% in FY18F due to margin pressure arising from its weak sales growth and rising raw material costs owing to weakening currency, which we expect to lower its EBIT margin to c.14% in FY18F-19F (FY17: 15.9%), as evident from the company's lower gross profit margin of 48.4% in 1Q18 (1Q17: 49.2%) on the back of 1.7% yoy rise in USD/IDR exchange rate to Rp 13,500. In addition, milk powder prices globally have risen by 16% YTD, while we view the closing down of China's drugs manufacturers, where KLBF imported 40% of its raw material requirement, is also a key risk factor for costs.

Persistently high capex will lower ROAE. Management indicated capex of Rp1.0-Rp1.5tn for this year to increase production capacity in consumer health division and upgrading the distribution network, thus continuing the uptrend in KLBF's annual capex from Rp1.0tn p.a. in 2014-17 (vs. only Rp0.8tn p.a. in 2012-14) to finance factory expansions in nutritional and pharmaceutical divisions. This rising capex, during period of its revenue and earnings growth slowdown, in part also due to long-payback-period in pharmaceutical divisions (3-5 years), should led to the company's declining ROAE to c.16% in next 3 years, down from c.20% in past 3 years. Although KLBF's first biosimilar factory in Cikarang is expected to start commercial production by end of 2018, the incremental gain from expansion in pharmaceutical margin is only expected to occur in 2021F, which is still a long-way for KLBF to harvest its investment.

Valuations. We re-initiate coverage with SELL rating and TP of Rp 1,241, which is based on our target P/E of 26x, which is lower than KLBF's 5-year historical average P/E of 30x but which in our view is justified by the company's slower growth and declining ROAE expected in the coming years. As such, we do not see any significant catalyst for share price upside in the near term term.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	19,374	20,182	21,146	22,147	23,075
EBITDA (RpBn)	3,497	3,671	3,544	3,724	3,959
EBITDA Growth (%)	15.2	5.0	(3.5)	5.1	6.3
Net Profit (RpBn)	2,300	2,403	2,237	2,330	2,548
EPS (Rp)	49	51	48	50	54
EPS Growth (%)	14.0	4.7	(6.9)	4.2	9.3
Net Gearing (%)	(21.1)	(17.8)	(20.6)	(22.4)	(26.5)
PER (x)	28.7	27.4	29.4	28.3	25.8
PBV (x)	5.3	4.7	4.4	4.0	3.7
Dividend Yield (%)	1.4	1.6	1.7	1.6	1.8
EV/EBITDA (x)	19.6	18.7	19.5	18.7	17.9

Source : KLBF, IndoPremier

Share Price Closing as of : 30-May-2018

Bumi Serpong Damai (BSDE IJ; Buy)

Weak result, but strong marketing sales

- **1Q18 earnings of Rp407bn (-44% yoy), below market estimate.**
- **1Q18 marketing sales of Rp2.5tn, forming 35% of FY18F guidance.**
- **Plan to increase recurring income to 25% in the next 5 years.**
- **Maintain Buy with TP of Rp2,400.**

1Q18 earnings forming 13% of FY18 estimate. BSDE reported weak earnings of Rp407bn (-44% yoy), which came below our/consensus expectation, forming only 13% FY18 estimate. Revenue slightly decreased to Rp1.7tn (-3% yoy) in 1Q18, with gross margin slightly improved to 68.4% (1Q17: 67%) given increase commercial segment portion which has higher margin. Operating margin were down to 39.1% (1Q17: 42.9%) in 1Q18, due to increase in salaries and advertising expense of Rp146bn (+21% yoy) and Rp97bn (+16% yoy). Net margin were compressed to 23.9% (1Q17: 41.8%) in 1Q18, as BSDE booked forex loss of Rp63bn (vs. gain in forex of Rp19bn in 1Q17) and lower income from associated companies & JV of Rp11bn (-93% yoy).

Strong marketing sales in 1Q18. BSDE reported marketing sales of Rp2.5tn in 1Q18 (+58% yoy), forming 35% of company's FY18 marketing sales target of Rp7.2tn. The strong achievement in 1Q18 was due to jumped marketing sales from strata title (apartment), commercial land plot and residential of Rp718bn (+1229% yoy), Rp652bn (+404% yoy) and residential Rp956bn (+129% yoy). The hike in strata title sales was mostly supported by recent launches in Klaska Residence Surabaya and Southgate Condominium TB Simatupang of Rp366bn and Rp253bn, respectively. Going forward, BSDE plans to launch a new cluster, Vermella in Grand Wisata Bekasi with price starting from Rp1.4-2bn/unit for land area of 88-118sqm.

Plan to increase recurring income through office lease. BSDE targets to increase ownership of office for lease to 400k sqm in the next 5 years (current: 270k sqm) which will support BSDE to increase recurring income portion to 25% (1Q18: 22%). To maintain recurring income portion, new investment properties were being constructed such as GOP 1, Knowledge Hub, and The Breeze Extension with committed tenant such as Apple and Unilever. In addition, recent acquisition of Sinarmas MSIG Tower Jakarta CBD, and Bakrie Tower Jakarta CBD has started to contribute recurring income in 1Q18 of Rp368bn (+16.5% yoy).

Maintain Buy on BSDE with TP of Rp2,400. Despite weak result in 1Q18, we continue to like BSDE give its strong marketing achievement and increasing recurring income portion of 22% (1Q17: 17%). We maintain our Buy call on BSDE with unchanged TP of Rp2,400 as we believe BSDE will have higher revenue recognition in the following quarters. BSDE is currently trades at 67% discount to our estimate RNAV.

Year To 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (RpBn)	6,522	10,347	8,482	8,786	9,675
EBITDA (RpBn)	2,965	5,626	4,108	4,284	4,879
EBITDA Growth (%)	(1.7)	89.7	(27.0)	4.3	13.9
Net Profit (RpBn)	1,796	4,920	3,054	3,126	3,402
EPS (Rp)	93	256	159	162	177
EPS Growth (%)	(16.0)	173.9	(37.9)	2.4	8.8
Net Gearing (%)	16.1	11.3	0.1	2.7	3.0
PER (x)	18.8	6.8	11.0	10.8	9.9
PBV (x)	1.4	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.9	0.6	2.2	1.4	1.4
EV/EBITDA (x)	12.7	6.6	8.2	8.1	7.2

Source: BSDE, IndoPremier

Share Price Closing as of : 28-May-2018

News & Analysis

Corporates

BNLI: Bank Permata (BNLI IJ; Rp515; Not Rated) divested 25% of its stake (237.6mn shares) in PT Astra Sedaya Finance with the total proceed of Rp2.8tn on May 25th, 2018. The sold shares had been bought by PT Astra International (ASII IJ; Rp7,000; Buy) and PT Sedaya Multi Investama with the total purchased shares of 178.2mn shares (with the total value of Rp2.1tn) and 59.4mn shares (with the total value of Rp700bn), consecutively. (Kontan).

CSAP: Catur Sentosa Adiprana (CSAP IJ; Rp565; Not Rated) Will expand Mitra10 outlets this year, newly opened outlets is located in Pesanggrahan, Jakarta. Company will focus the locations in Jabodetabek, Central and East Java, Sulawesi. CSAP expect revenue to Rp11tn this year (+15% yoy) while prepare Rp400bn for capex where 60% will be allocated for modern retail. Company will also conduct rights issue for 405mn shares (10%). (Investor Daily).

JSMR: We attend to Jasamarga (JSMR IJ; Rp4,280; Hold) analyst meeting with the salient points as follows:

- In 1Q18, Surabaya-Mojokerto revenue increased significantly by 500.7% yoy compared to last year figure due to full operation in end of 2017.
- Jagorawi toll road increased by 25.1% yoy due to change in transaction system that was applied since 9M17.
- Jakarta-Tangerang toll road revenue increased by 45% yoy due to integration with JORR that was applied since April 2017.
- Odd-even policy that was applied since March 2018 brought positive impact two the company as the impact of the implementation in average daily revenue in Jakarta-Cikampek toll road increased by 2.4% yoy after 3 weeks implementation. Jakarta-Tangerang and Jagorawi toll road also increased by 0.39% yoy and 0.02% yoy, respectively. The company stated this was mainly resulted due to adjustment of driver behavior.
- The management also stated that there will be no tariff cut for existing toll road. But for the new toll road, the tariff will be capped to Rp1,000/km (expectation Rp1,200) with compensation for longer concession period 50 years (previously 35 years). This policy currently is only effectively applied in Ngawi-Kertosono toll road. (Company).

MPPA: Matahari Putra Prima (MPPA IJ; Rp328; Hold) plans to reduce the total number of SKUs from 50,000-60,000 into 25,000 SKUs in order to improve inventory cycle. The company will be focusing on fast-moving-goods such as cooking oil, dairy as well as fresh foods and reduce number of items in the fashion and electronic categories. Furthermore, management is expecting lower margin into near term as the company will continue to offer price discount to customers in order to improve company's competitiveness in the market. (Bisnis Indonesia).

Sinarmas Land: Sinarmas land (40%) sign a Letter of Understanding with Kawan Lama Group (60%) to create a JV to develop mixed use Kota Wisata Cibubur in 8.5ha area. They will develop Living World in Kota Wisata Cibubur with total NLA of 90k sqm and total investment of Rp1.2tn. (Kontan).

WSKT: Waskita Karya (WSKT IJ;Rp2,310; buy) will receive a loan from Bank Rakyat Indonesia (BBRI IJ; Rp3,140; Buy) of Rp7.1tn which will be used to bail out the land acquisition of toll road projects that are being processed by three of its subsidiaries, PT Trans Jabar Tol, PT Cimanggis Cibitung Tollways dan PT Kresna Kusuma Dyandra Marga. Trans Jabar is currently developing Ciawi-Sukabumi toll road (54km) with investment of Rp16tn and land estimate land price of Rp734bn. Kresna Kusuma Dyandra Marga is currently constructing Becakayu section 1A and 2 with total investment of Rp7.2tn and estimate land price of Rp449bn. While Cimanggis Cibitung Toll ways is developing Cimanggis-Cibitung toll road (25km) with investment of RP4.5tn and land estimate price of Rp1.3tn. (Bisnis Indonesia).

Comment: We are positive towards WSKT's plan to achieve substantial growth through continuous expansion, however our concerns lies on WSKT's increasing debt level, which has reach DER of 2.1x as of 3M18 (highest among SOE contractors).

WSBP: Waskita Beton Precast (WSBP IJ; Rp402; Buy) reported new contract of Rp2.7tn in 5M18, forming 23% of company's FY18 guidance. WSBP is currently targeting Penajam Balikpapan, East Kalimantan, Sukabumi-Ciranjang and Tebing Tinggi-Pematangsiantar toll road.

Comment: WSBP contract achievement is still in line with our/company's FY18 new contract guidance. Maintain Buy on WSBP with TP of Rp620.

Markets & Sector

Poultry sector: Ministry of Trade will issue regulation on ceiling price for chicken during festive season in order to anticipate rising price due to higher demand during festive season. The new ceiling price for chicken is set at Rp 33,000 per kg during festive season, rising only by Rp 1,000 per kg from normal season. (Kontan).

Economics

Monetary policy: Bank Indonesia raised again, for the second time in May, the reference rate by 25bps to 4.75% in the additional May 30th meeting. Along with that, it adjusted the lending and deposit facility rates to 5.5% and 4%, respectively and estimated inflation to reach 3.6% FY18. Key additional points from the conference:

- Decision is based on the motive to undertake pre-emptive measures and to stay ahead of curve. We think the upcoming BI meeting which is to be held on June 28th and should be past the US' FOMC meeting on June 13th counts in its consideration.
- The central bank is shifting stance from neutral to tightening biased. Going forward, (1) BI is to embark on dual intervention in the foreign exchange and government securities market to stabilize the rupiah, (2) Monetary operation will be directed toward maintaining adequate liquidity in the market, (3) More intensive communication with market player, banking, business, and economists to be developed to form a rational expectation, and (4) It signals that it considers further rate hikes if data were supportive.
- BI is to explore more macro prudential policies including reconsidering the current LTV policy. No clear timeline yet for the revision of the policies. (Bank Indonesia).

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

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