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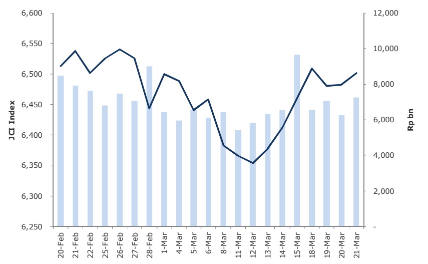
Premier Insight

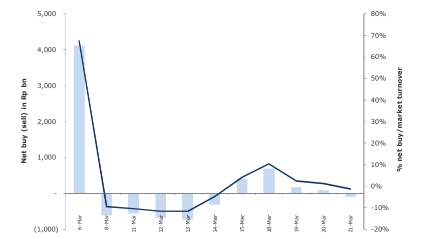
22 March 2019

Equity | Indonesia | Research Daily

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	6,502	0.3%	4.0%	5.0%
LQ45	1,025	0.4%	-0.2%	4.3%
DJI	25,963	0.8%	8.4%	11.3%
SET	1,634	0.4%	-9.1%	4.5%
HSI	29,072	-0.9%	-6.4%	12.5%
NKY	21,609	0.2%	1.1%	8.0%
FTSE	7,355	0.9%	5.8%	9.3%
FSSTI	3,214	0.2%	-8.0%	4.7%
EIDO	26	0.5%	-0.4%	6.6%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	59.8	0.0%	-8.1%
CPO/tonne	534.5	0.4%	-11.3%
Soy/bushel	8.6	0.6%	-13.5%
Rubber/kg	1.6	-1.1%	-22.2%
Nickel/tonne	12,911	-1.6%	-3.8%
Tins/tonne	21,432	0.1%	1.7%
Copper/tonne	6,433	-0.8%	-4.8%
Gold/try.oz (Spot)	1,309	-0.2%	-1.5%
Coal/tonne	93.5	-0.1%	-3.8%
Corn/bushel	3.4	0.0%	-1.4%
Wheat/bushel*	146.5	5.8%	-7.0%

** : 1 month change*

Source : Bloomberg

News & Analysis

Corporates

HMSP: Hanjaya Mandala Sampoerna (HMSP IJ; Rp3,760; Buy) reported FY18 earnings result with the following highlights:

- Net profit recorded at Rp13tn (+6.8% yoy) forming of 103% of ours and 104% of consensus.
- Revenue reported at Rp106tn (+7.7% yoy) while forming 103% of ours and 101% consensus.
- NPM and GPM slightly decline to 12.6% and 23.8% respectively (vs. 12.7% and 24.4% in FY17). This is relatively higher than our expectation for 12.3% and 23.6%. We presume that this is due to a price increase in 4Q18 that affected sales volume performance.
- We will adjust the number accordingly while currently maintain our BUY call on HMSP. The stock is currently trading at current P/E of 32x (slightly below its 7-yr average of 34x). (Company).

	FY18	FY17	% yoy	4Q18	3Q18	% qoq	Ours (%)	Cons. (%)
Sales	106,742	99,091	7.7	29,207	28,377	2.9	103	101
Gross Profit	25,491	24,216	5.3	7,183	6,879	4.4	32	100
Operating Profit	16,882	16,111	4.8	4,770	4,571	4.4	69	100
Net Profit	13,538	12,671	6.8	3,848	3,577	7.6	104	103
GPM (%)	23.9	24.4		24.6	24.2			
OPM (%)	15.8	16.3		16.3	16.1			
NPM (%)	12.7	12.8		13.2	12.6			

ICBP: Indofood CBP (ICBP IJ; Rp10,375; Buy) – Robust FY18 performance, above expectations.

- ICBP recorded net sales of Rp8.9tn in 4Q18 (-11% qoq; +9% yoy) and Rp38.4tn cumulatively in FY18 (+8% yoy), forming 100% and 99% of consensus and our estimates respectively.
- GPM improved quite significantly in FY18 to 31.9% (+80bps yoy), while net margin recorded an even more aggressive improvement to 12.1% (+210bps yoy).
- Significant cost efficiency can be seen, as operating cost managed to decline slightly by -0.3% yoy in FY18. This managed to inflate OPM by +210bps yoy to 16.8% in FY18.
- The company booked net profit of Rp1.1tn in 4Q18 (-11% qoq; +129% yoy) and Rp4.7tn cumulatively in FY18 (+31% yoy), forming 106% of consensus estimate and 105% of ours.
- We are still maintaining our BUY on ICBP with TP of Rp11,500.

(IDR Bn)	4Q17	3Q18	4Q18	% QoQ	% YoY	12M17	12M18	% YoY	vs. cons	vs. ours
Net Sales	**8,176**	**10,019**	**8,935**	**-11%**	**9%**	**35,607**	**38,413**	**8%**	**100%**	**99%**
COGS	5,749	6,717	6,261	-7%	9%	24,548	26,148	7%		
Gross Profit	**2,427**	**3,302**	**2,674**	**-19%**	**10%**	**11,059**	**12,266**	**11%**	**100%**	**102%**
Operating Cost	1,364	1,598	1,201	-25%	-12%	5,837	5,818	0%		
Operating Profit	**1,063**	**1,704**	**1,474**	**14%**	**39%**	**5,222**	**6,448**	**23%**	**107%**	**108%**
Other	-98	21	26	20%	-126%	-15	-1	-93%		
Tax	481	487	395	-19%	-18%	1,663	1,788	7%		
Net Profit	**483**	**1,239**	**1,104**	**-11%**	**129%**	**3,543**	**4,659**	**31%**	**106%**	**105%**
Gross Margin (%)	29.7%	33.0%	29.9%			31.1%	31.9%			
Oper. Margin (%)	13.0%	17.0%	16.5%			14.7%	16.8%			
Net Margin (%)	5.9%	12.4%	12.4%			10.0%	12.1%			

ISAT: Indosat (ISAT IJ; Rp2,880; Hold) Moody's revises ISAT's outlook to negative from stable. Moody's stil affirmed company's Baa3 issuar rating. The negative outlook reflects weaker financial metric driven by plan to increase 4G capex amid intense competitive environment for mobile sector in Indonesia, said by Moody' representative. He added: ISAT is exploring alternative funding options -- including sale of towers and monetization of stakes in some subsidiaries; Although tower sales helps liquidity, given the capitalization of leases, it would be leverage neutral; These intiatives would be time consuming too. XL Axiata, its closest competitor, is rated Baa3 stable. (Moody's)

Comment: Slightly negative sentiment to ISAT as it might raise concern on company's risk during ISAT's effort to recover from impct of prepaid SIM card registration. We have a Hold for ISAT with TP Rp2,800.

PRDA: Prodia Widyahusada (PRDA IJ; Rp2,790) have released their FY18 financial statement with highlights as follow:

- PRDA booked a strong profitability; FY18 net profit booked at Rp175bn (+16.3% yoy), which came above market expectation, forming 110% of consensus estimate.
- Revenue reported at Rp 1.59tn (+9% yoy), in line with consensus, following the increasing test and revenue per visit trend.
- Operating profit grow 20.1% yoy, forming 128% of consensus estimate, reaching Rp180bn as of FY18, due the stable operating cost at 48% of revenue.
- GPM and EBITDA margin maintained stable at 58% and 14% respectively. OPM grow by 100bps to 11.2%
- In quarterly basis, PRDA book Rp 62bn net profit (27% qoq), with revenue and gross profit booked at Rp 483bn and Rp294bn (+20% qoq), meanwhile operating profit grow a significant 56% qoq to Rp78bn in 4Q18. (Kontan)

(Rp bn)	FY18	FY17	% yoy	4Q18	3Q18	% qoq	% of cons
Revenue	1,600	1,466	9.1%	483	404	20%	99.9%
Gross Profit	943	854	10.5%	294	244	20%	
EBITDA	228	203	11.9%	83	68	23%	
Operating Cost	(770)	(713)	8.1%	(215)	(198)	9%	
Operating Profit	180	150	20.1%	78	50	56%	128%
Net Income	175	151	16.3%	62	49	27%	110%
GPM (%)	58.9%	58.2%		60.8%	60.5%		
EBITDA Margin (%)	14.2%	13.9%		17.2%	16.8%		
OPM (%)	11.2%	10.2%		16.1%	12.4%		
NPM (%)	11.0%	10.3%		12.9%	12.2%		

Comment: PRDA delivered a good FY18 profitability supported by its increasing test per visit and revenue per visit due to its continuous expansion and integrated services. We are positive towards PRDA following their consistent growth over the years. PRDA is the cheapest among its peers, traded at EV/EBITDA of 10x

SSIA: We met with Surya Internusa Semesta (SSIA IJ; Rp590; Buy) and here are some key highlights:

- SSIA targets optimistic industrial land sales of 15ha in FY19F (FY18: 8.3ha) mostly with higher demand from China and local players. Inquiry stands at 30ha coming from FMCG, building material, and electrical sector.
- Management guided for 10% revenue growth in FY19F (vs. 12.5% in FY18), supported by NRCA's new contract targets of Rp3.5tn (FY18: Rp2.7tn) from high-rise building of Rp2.2tn, Patimban toll-road of Rp1.1tn, and minor infrastructure projects of Rp200bn.
- Although still in development, there are 37ha inquiries in Subang (consisting of small plots) mostly from local companies; supported by lower minimum wage and strategically located land.
- However, Patimban toll-road progress is still lagging due to delayed push from government given land acquisition problem and election period. Subang is still SSIA's main focus and they have no interest in acquiring more land in Karawang.

- For financing, SSIA is scheduled to obtain loan from IFC up to Rp250bn this year to refinance Suryacipta Swadaya's bank loan. As its bond (Shelf Registration of Bond I Surya Semesta Internusa Phase I) will mature in September 2019, the management is considering to issue Phase II bond but will wait for the market condition. (Company)

Markets & Sector

Infrastructure: Jakarta Provincial government has submitted a list of infrastructure projects to the central government with total project reaches Rp571tn in the next 10 years, of which Rp400tn is a mass transportation project such as the MRT, LRT, and water transportation lines. However, the state's income and expenditure budget (APBN) only covers Rp160tn, while the rest has rely on government and business entity cooperation (KPBU) funding schemes. If succeeded, by 2030 the government targets 60% of the community movement in Jakarta to use public transportation (vs. 2M19: 24%).

List of Infrastructure Project

	MRT	Investment (Rp Tn)
1	Bunderan HI - Kampung Bandan	22.5
2	Kalideres - Bunderan HI	-
3	Bunderan HI - Ujung Menteng	-
	LRT	
1	Kebayoran - Kelapa Gading	-
2	Velodrome - Tanah Abang	8.5
3	Joglo - Tanah Abang	-
4	Puri Indah - Tanah Abang	-
5	Pesing - Kelapa Gading	-
6	Ancol - Kemayoran	-
	Waterway Transporation	-
	Giant Sea Wall	100
	Jakarta Sewerage System	90
	Sunter Waste Management Facility	3

Source: DKI Jakarta Provincial Government, Kontan

Comment: We are still neutral on the news as most of the projects are still under review. However, our concern liest on the funding scheme which will weighting contractors player, if they are required to make a huge investment or asked to take the project with turnkey payment. At this stage we maintain WIKA as our top pick in construction sector given company's heathly balance sheet and strong earnings outlook.

Economics

Corporate rating: We attended Pefindo's meeting for rating update with the following takeaways:

- Pefindo sees increasing bond issuance this year to c. Rp135tn (vs Rp113.8tn in 2018) driven by companies' refinancing program and improving market this year. Appetite for MTN issuance has slowed, where there was only Rp13.5tn issuance by Feb19. No securitisation plan has been registered until Feb19, but Pefindo remains seeing the potential.
- Throughout 2018, Pefindo downgraded ratings for 21 companies, in which six companies are in property industry and three in banking. Reason for downgrade includes weak marketing sales and unrealised sales in industrial property. In addition, it also revises outlook for 19 companies, where six of which belong to multifinancing sector, three to banking, and three to property. Multifinancing sector is still considered to face liquidity concern as banks become more hesitant to disburse credit to this sector.
- Positive outlooks are given to only four companies: two in metal, one in chemical, and one in construction sector; overall was backed by companies efficiency, potential for revenue growth, and better industry prospect.

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.

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.