

Tuesday, 12 February 2019

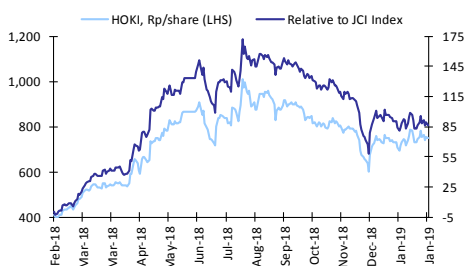
Not Rated

Last price (IDR) 695

Stock Statistics

Sector	Consumer
Bloomberg Ticker	HOKI IJ
No of Shrs (mn)	2,375
Mkt. Cap (IDRbn/USDmn)	1,651/118
Avg. daily T/O (IDRbn/USDmn)	6.1/0.4
Major shareholders (%)	
PT Buyung Invest G	66.17
Estimated free float	33.83

HOKI relative to JCI Index



Buyung Poetra Sembada (HOKI)

Room for Growth

HOKI has reported steady quarterly sales following the implementation of HET (minimum retail selling prices). Also encouragingly, the gross and operating margins showed an improvement thanks to easing competition and less opex spending on marketing/promotions. Additional capacity and a new partnership with Alfa should help to drive growth this year.

Guidance for FY18 revenues growth of 15.8% yoy. Post the implementation of HET (minimum retail selling prices for rice) effective on 1 September 2017, HOKI reported solid quarterly sales of IDR350bn on average in 2018. This should lead to estimated FY18 top line growth of 15.8% yoy. The key driver is higher volume growth on the back of stronger demand in modern trade amid easing competition and the change in preferences toward smaller and more conveniently sized packages (5 Kg) in modern trade (MT). With the implementation of HET, the company does not need to spend as much on marketing and promotions. All in all, the company is optimistic that it can maintain a 6% net margin in FY18.

Room for growth in 2019. This year, the company will have 20tons/hour of additional production capacity augmenting its existing 35tons/hour of capacity in 2 locations (Jakarta and Subang – West Java). This should provide plenty of room for further volume growth, we believe, given that the existing plants are already running at full capacity. Meanwhile, the company recently signed a co-branding partnership to distribute rice to the Alfamart network in Sumatera areas, scheduled for distribution in early 2019. Additional capacity with a bigger footprint in MT should sustain revenues growth this year – the company has provided conservative guidance for 15% top and bottom line growth in 2019.

Power plant with upstream integration. In 1H19, the company expects to commence the operation of its new power plant (3MW) in South Sumatera, which will be fueled by rice husks. In addition, HOKI is also constructing a new factory in Palembang, South Sumatera, with total capacity of 40tons/hour, expected to be completed in 2020. To secure the supply, there are also plans to acquire paddy fields. This should pave the way for sustainable revenues and earnings growth in the future. Nonetheless, we also see risks from unanticipated regulations concerning rice trading since the business is heavily regulated by the government. At the current share price, HOKI trades at FY19F PE of 16.9x (based on the company's guidance).

Key Financials

	2014	2015	2016	2017	9M18
Revenue, IDR bn	518	658	1,147	1,209	1,060
EBITDA, IDR bn	28	42	77	82	110
EBITDA Growth (%)	n/a	47.1	86.3	5.5	72.3
Net profit, IDR bn	14	53	44	48	71
EPS, IDR	n/a	n/a	n/a	24	30
EPS growth (%)	n/a	n/a	n/a	n/a	57.9
BVPS, IDR	n/a	n/a	n/a	203	228
DPS, IDR	n/a	n/a	n/a	6	n/a
PER (x)	n/a	n/a	n/a	28.9	17.4*
PBV (x)	n/a	n/a	n/a	3.7	3.3
Dividend yield (%)	n/a	n/a	n/a	0.8	n/a
EV/EBITDA (x)	68.8	46.8	25.1	23.8	16.3

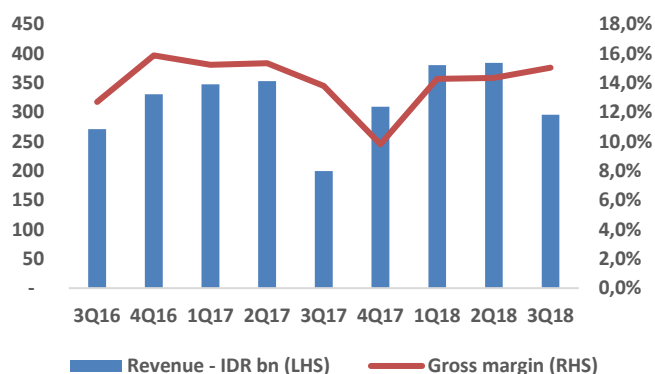
Source : Company, Bloomberg *Annualized



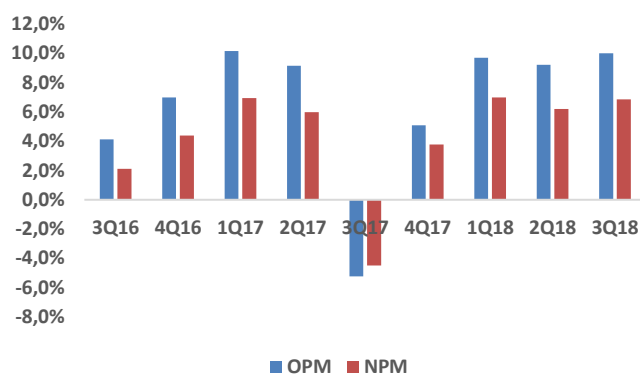
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Exhibit 1. Revenues and gross margins


Source: Company

Exhibit 2. Net and operating margins


Source: Company

Exhibit 3. 3Q18 result

IDR bn	3Q17	2Q18	3Q18	yoy	qoq	9M17	9M18	yoy	FY18 Cons	Yoy
Revenue	199.4	384.0	295.6	48.2%	-23.0%	900.1	1,060.1	17.8%	1,454	20.2%
Gross profit	27.5	55.1	44.4	61.6%	-19.3%	134.6	153.8	14.2%	226	36.7%
Operating profit	(10.5)	35.4	29.6	-383.2%	-16.4%	57.2	101.9	78.2%	133	82.6%
Net profit	(9.0)	23.9	20.3	-326.6%	-15.1%	36.3	70.8	95.1%	89	84.5%
Gross margin	13.8%	14.3%	15.0%			15.0%	14.5%		15.51%	
Operating margin	-5.2%	9.2%	10.0%			6.4%	9.6%		9.2%	
Net margin	-4.5%	6.2%	6.9%			4.0%	6.7%		6.1%	

Source: Company, Bloomberg

Exhibit 4. Topi Koki's brands and prices

Brand	Price/kg	HET/kg *
Topi Koki Pandan Wangi/Sentra Ramos	17,000-18,000	12,800 – 13,600
Rumah limas setra ramos	13,000	12,800 – 13,600
Hoki	10,000-11,000	12,800 – 13,600

Source: Company, Danareksa Sekuritas *Depend on location

Exhibit 5. HET based on Ministry of Trade Regulation

Area	HET Medium IDR/kg	HET Premium IDR/kg
Java, Lampung, South Sumatera	9,450	12,800
Sumatera except Lampung and South Sumatera	9,950	13,300
Bali and West Nusa Tenggara	9,450	12,800
East Nusa Tenggara	9,950	13,300
Sulawesi	9,450	12,800
Kalimantan	9,950	13,300
Maluku	10,250	13,600
Papua	10,250	13,600

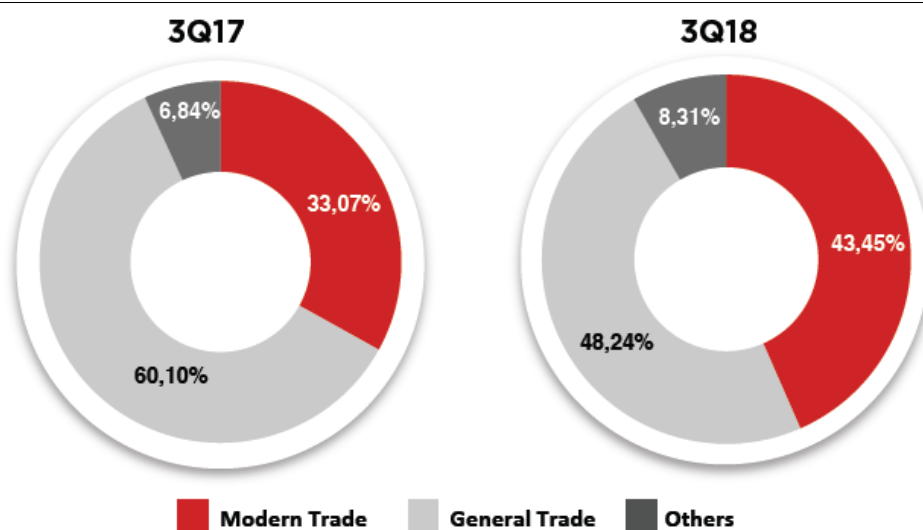
Source: Ministry of Trade

Exhibit 6. Brands under HOKI (own and private label)



Source: Company

Exhibit 7. Revenue contribution – based on distribution channel



Source: Company

Exhibit 8. Strong and long-term relationship with qualified rice supplier



Source: Company

Exhibit 9. Income Statement

IDR bn	2014	2015	2016	2017	9M18
Revenue	518	658	1,147	1,209	1,060
COGS	(444)	(559)	(978)	(1,044)	(906)
Gross profit	74	99	169	165	154
EBITDA	28	42	77	82	110
Oper. profit	26	38	72	73	102
Interest income	0	0	0	0	0
Interest expense	(7)	(8)	(13)	(10)	(9)
Forex Gain/(Loss)	-	-	-	-	0
Income From Assoc. Co's	-	-	-	-	-
Other Income (Expenses)	0	31	(1)	1	2
Pre-tax profit	19	62	59	64	95
Income tax	(5)	(9)	(15)	(16)	(24)
Minority interest	(0)	-	-	-	0
Net profit	14	53	44	48	71

Exhibit 10. Balance Sheet

IDR bn	2014	2015	2016	2017	9M18
Cash & cash equivalent	40	1	2	36	3
Receivables	48	56	128	251	214
Inventory	81	114	51	72	174
Other Curr. Asset	21	10	7	44	171
Fixed assets - Net	43	149	178	170	164
Other non-curr.asset	2	2	4	5	6
Total asset	235	332	370	577	732
ST Debt	75	110	117	73	152
Payables	134	40	24	14	22
Other Curr. Liabilities	-	0	1	2	2
Long Term Debt	-	-	-	-	-
Other LT. Liabilities	5	6	9	13	16
Total Liabilities	214	156	150	101	191
Shareholder's Funds	21	176	220	476	541
Minority interests	0	-	-	0	0
Total Equity & Liabilities	235	332	370	577	732

Exhibit 11. Cash Flow

IDR bn	2014	2015	2016	2017	9M18
Net income	14	53	44	48	71
Depreciation and Amort.	3	4	5	9	8
Non-cash items	-	-	-	-	-
Operating Cash Flow	38	(102)	24	(115)	(85)
Capex	(22)	(124)	(29)	(16)	(24)
Others Inv. Cash Flow	(37)	70	-	0	2
Investing Cash Flow	(59)	(55)	(29)	(16)	(22)
Net change in debt	19	34	5	121	79
New Capital	-	100	-	-	0
Dividend payment	(5)	-	-	-	(14)
Other Fin. Cash Flow	8	15	1	44	9
Financing Cash Flow	22	150	7	165	74
Net Change in Cash	1	(1)	1	34	(33)
Cash - begin of the year	39	2	1	2	36
Cash - end of the year	40	1	2	36	3

Exhibit 12. Key Ratios

	2014	2015	2016	2017	9M18
Growth (%)					
Sales	n/a	27.0	74.2	5.4	17.8
EBITDA	n/a	47.1	86.3	5.5	72.3
Operating profit	n/a	48.0	91.0	1.0	78.2
Net profit	n/a	281.9	(17.7)	9.5	95.1
Profitability (%)					
Gross margin	14.3	15.0	14.7	13.6	14.5
EBITDA margin	5.4	6.3	6.7	6.7	10.3
Operating margin	4.9	5.7	6.3	6.0	9.6
Net margin	2.7	8.1	3.8	4.0	6.7
ROAA	n/a	18.8	12.5	10.1	9.7
ROAE	n/a	54.2	22.1	13.8	13.1
Leverage					
Net Gearing (x)	1.7	0.6	0.5	0.1	0.3
Interest Coverage (x)	3.7	4.9	5.7	7.3	11.6

Source : Company

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