

## FROM EQUITY RESEARCH

### Strategy: The Big Day: Jokowi Leads in Quick Counts

A new milestone for Indonesia democracy, the first direct election for both presidential as well as national and regional parliament in single day, with more than 192m registered vote. The excitement was palpable with the turnout rate is more than 80%. Based on 9 quick count results, Jokowi won the election with margin of victory of 8.24% - 11.20%. Meanwhile Prabowo also claimed victory based on internal real count. In our view, Jokowi's winning will ensure policy and infra development continuation and we expect more inflow to support market and currency.

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### Automotive: Impressive Domestic Car Sales in Mar 2019

Gaikindo reported domestic car sales of 90,189 units in March 2019 (+10.4% mom, but -11.4% yoy). However, due to weak domestic car sales in the first two months of 2019, sales dropped by 13.1% yoy to 253,863 units in 1Q19. The 1Q19 sales are slightly below our estimate as they are only 21.9% of our full year forecast. All in all, we expect flattish car sales of around 1.16mn units in 2019 given high interest rates and uncertainty surrounding the outlook for commodity prices.

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### Kino Indonesia: Enticing turnaround story

( KINO IJ. IDR 2,520 BUY.TP IDR 3,400 )

KINO offers investors an enticing turnaround story thanks to successful distribution revamping which puts the company in a better position to tap segmented niche markets in consumer products. All in all, we believe the improving performance will translate into strong FY19 earnings growth of 25% yoy. Upgrade to BUY.

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## MARKET NEWS

### MACROECONOMY

- Government: increase Non-oil and gas export target

### CORPORATE

- HMSP to seek shareholder approval in EGM in 9 May 2019

## PREVIOUS REPORT

- Strategy: [Progression Continues](#)
- Bank Tabungan Negara: [Greater clarity](#)
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## KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	6.482	0,7	4,6	528
Thailand	1.673	0,8	7,0	1.667
Philippines	7.835	0,1	4,9	95
Malaysia	1.621	(0,5)	(4,1)	433
Singapore	3.349	0,5	9,1	841
<b>Regional</b>				
China	3.263	0,3	30,8	64.562
Hong Kong	30.125	(0,0)	16,6	13.298
Japan	22.278	0,3	11,3	13.062
Korea	2.240	(0,3)	9,7	6.243
Taiwan	10.997	0,6	13,1	5.424
India	39.276	1,0	8,9	524
NASDAQ	7.996	(0,1)	20,5	120.260
Dow Jones	26.450	(0,0)	13,4	10.980

## CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.085	0,3	1,1	2,1
BI7DRRR	%	6,00	-	-	-
10y Gov	Indo bond	7,62	(0,0)	(0,2)	(0,4)

## HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	85	0,6	(9,9)	(17,1)
Gold	US\$/toz	1.274	0,0	(2,2)	(0,6)
Nickel	US\$/mt.ton	12.813	(0,4)	(0,2)	20,8
Tin	US\$/mt.ton	20.485	(0,8)	(3,0)	4,9

## SOFT COMMODITY

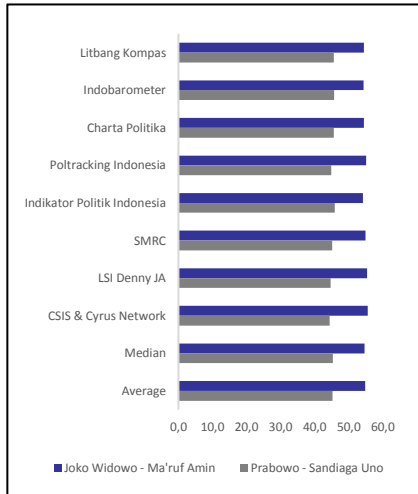
	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.311	(1,4)	4,9	(2,3)
Corn	US\$/mt.ton	130	-	(2,1)	(2,4)
Oil (WTI)	US\$/barrel	64	(0,1)	7,8	40,2
Oil (Brent)	US\$/barrel	72	(0,1)	5,9	33,0
Palm oil	MYR/mt.ton	2.022	-	10,0	3,6
Rubber	US\$/kg	151	(1,4)	2,4	20,8
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	70	(1,0)	(5,6)	(6,2)
Sugar	US\$/MT	332	(1,0)	(2,4)	(0,0)
Wheat	US\$/ton	123	0,1	(2,8)	(13,1)
Soy Oil	US\$/lb	29	0,1	(3,2)	3,4
Soy Bean	US\$/by	879	0,0	(2,9)	(0,4)

Thursday, 18 April 2019

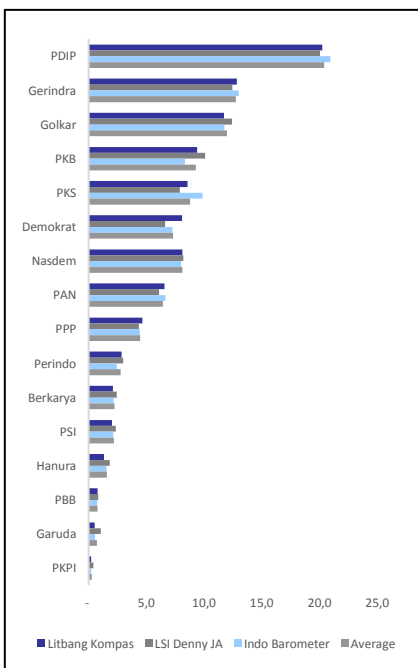
# Strategy

## The Big Day: Jokowi Leads in Quick Counts

### Presidential Election QC Result



### Legislative Election QC Result



A new milestone for Indonesia democracy, the first direct election for both presidential as well as national and regional parliament in single day, with more than 192m registered vote. The excitement was palpable with the turnout rate is more than 80%. Based on 9 quick count results, Jokowi won the election with margin of victory of 8.24% - 11.20%. Meanwhile Prabowo also claimed victory based on internal real count. In our view, Jokowi's winning will ensure policy and infra development continuation and we expect more inflow to support market and currency.

**Indonesia election: smooth and peaceful events.** 2019 election has set a new milestone for Indonesia democracy, whereby for the very first time, direct election was done concurrently for both presidential as well as national and regional parliament in one day, requiring complex coordination and logistical planning and execution. Yesterday election was also one of the largest in the worlds, with a total of 192m registered voters (both overseas and domestic). We note the excitement for Indonesian in 2019 election was considerably higher, not only for domestic voters but also for Indonesian overseas. It reflects to stronger turnout rate, with several quick counts results revealed for more than 80% participation, much higher than 2014's 70%. In our view, the most important thing from yesterday event was its peaceful and smooth events, with only minor logistical problems were reported.

**Jokowi is leading based on unofficial quick count results.** Several unofficial quick count results concurrently released at 3pm, a time that is set by Constitutional Court for the release of the results. From 9 quick counts results release, **Jokowi – Amin lead with 54.12% - 55.60% vs Prabowo – Sandi 44.40% - 45.88%**, implying margin of victory of 8.24% - 11.20%. Indeed the margin was smaller when compared to previous pre-election surveys, nonetheless it was more decisive than Jokowi's 6.3% margin of victory in 2014 presidential election. After the release of quick count results, in his press conference, Prabowo claimed to win the election, garnering 62% vote based on internal real count, a *deja vu* to 2014's event. Supporters of both camps celebrates their victory, very much alike to the last election. The situation remains conducive however, and no incident reported between the two supporters, with the police force has been standby on the highest alert all across the country. General Election Commission will have 35 days to release the actual result, at the latest on 22 May 2019.

**Positive market impact.** The Jokowi winning will ensure policy continuation, which has been focusing in infra development, healthcare, education and social safety fund. With Jokowi lead in various quick count release, we believe this will further strengthened confidence level to Indonesia equity market, with the expected more inflow going in and will also attract domestic investors which previously adopted cautious stance. We anticipate for further inflow, both to equity and bond market, which will undoubtedly give a support to Rupiah. Improvement in CAD outlook, in our view, will become a prelude of Rupiah appreciation and will also pave the way for greater room for rate cut by Central Bank, which we believe to take place toward year-end. 3 basket themes to play: 1. Post election (construction & cement: WIKA IJ, WSKT IJ, SMGR IJ), 2. Lebaran demand (Consumer: ASII IJ, ICBP IJ, HMSP IJ); and 3. Rate sensitive (Banking & property: BBNI IJ and CTRA IJ).



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Tuesday, 16 April 2019

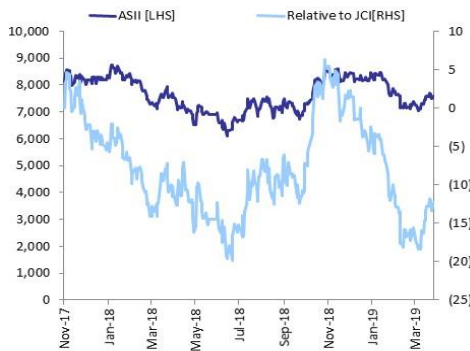
**NEUTRAL**

**Maintain**

## Automotive

### Impressive Domestic Car Sales in Mar 2019

ASII relative to JCI Index



Source : Bloomberg

Gaikindo reported domestic car sales of 90,189 units in March 2019 (+10.4% mom, but -11.4% yoy). However, due to weak domestic car sales in the first two months of 2019, sales dropped by 13.1% yoy to 253,863 units in 1Q19. The 1Q19 sales are slightly below our estimate as they are only 21.9% of our full year forecast. All in all, we expect flattish car sales of around 1.16mn units in 2019 given high interest rates and uncertainty surrounding the outlook for commodity prices.

**Improvement in domestic car sales in March 2019.** Based on the latest Gaikindo data, domestic car sales reached 90,189 units in March 2019 (+10.4% mom, but -11.4% yoy). However, as a result of weak car sales in the first two months of 2019, the cumulative domestic car sales fell by 13.1% yoy to 253,863 units in 1Q19. Most car brands recorded lower car sales, such as Toyota (-8.6% yoy), Daihatsu (-1.8% yoy), Mitsubishi (-14.8% yoy), and Honda (-20.4% yoy). Nissan, by contrast, recorded 1.0% yoy higher sales thanks to the launch of Livina in mid-Feb 2019. The 1Q19 sales are slightly below our estimate as they are only 21.9% of our full year forecast. For April 2019, we expect car sales to remain robust in anticipation of better car sales prior to Ramadhan period.

**ASII maintained market share above 50% amid weak sales in 1Q19.** Given the lower decline in the domestic car sales volume of Astra International (ASII IJ) of 5.4% yoy to 134,287 units in 1Q19 (vs. the industry decline of 13.1% yoy), the company managed to improve its market share to 52.9% in 1Q19 from 48.6% in 1Q18. ASII's better performance reflects solid sales of: a) Avanza and Xenia following another facelift at the beginning of 2019 and b) Rush and Terios (+12.2% yoy) following higher production capacity in 2H18. Nonetheless, we maintain our conservative forecast on ASII's market share at around 50% for 2019.

**Expect flattish domestic car sales in 2019.** We expect flattish domestic car sales of 1.16mn units in 2019 given: a) the impact of high interest rates, b) uncertainty surrounding the outlook for commodity prices (in 1Q19, sales in the commercial car segment fell 13.2% yoy), and c) a lack of new launches in the popular segment. In 1Q19, sales in the lower-end passenger car segment were down by 13.0% yoy hit by both the lack of new launches and sentiment over the upcoming elections.

**Maintain Neutral** as we only expect flattish growth in domestic car sales volume in 2019 given: a) moderate economic growth of 5.1 – 5.2% yoy in 2019 (2018: 5.17% yoy), b) heightened competition and c) the risks associated with higher interest rates which will indirectly impact domestic car sales. Our top pick in the market is Astra International (ASII IJ.BUY.TP:IDR8,800) which, we believe, can maintain market share above 50% in 2019 despite the tight competition in the domestic car market.



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Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2019F	2020F	2019F	2020F	2020F
Astra	ASII IJ	BUY	8,800	307,675.0	13.0	12.1	2.1	1.9	16.2

Thursday, 18 April 2019

**BUY**  
**Upgrade**

Last price (IDR)	2,520
Target Price (IDR)	3,400
Upside/Downside	+34.9%
Previous Target Price (IDR)	2,800

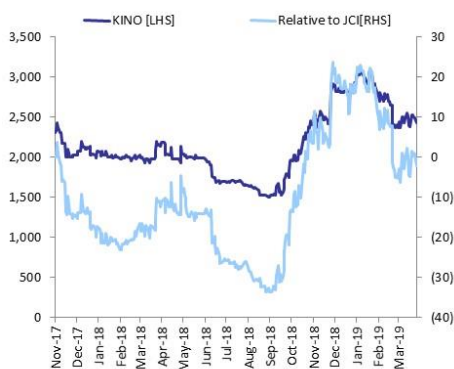
**Stock Statistics**

Sector	CONSUMER
Bloomberg Ticker	KINO IJ
No of Shrs (mn)	1,429
Mkt. Cap (IDRbn/USDmn)	3,600/256
Avg. daily T/O (IDRbn/USDmn)	1.3/0.1

**Major shareholders (%)**

PT KINO INVESTINDO	69.5
DBSSG S/A NUSANTARA FMCG LIMITED	10.7
Estimated free float	10.5

**KINO relative to JCI Index**



Source : Bloomberg



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# Kino Indonesia (KINO IJ)

## Enticing turnaround story

**KINO offers investors an enticing turnaround story thanks to successful distribution revamping which puts the company in a better position to tap segmented niche markets in consumer products. All in all, we believe the improving performance will translate into strong FY19 earnings growth of 25% yoy. Upgrade to BUY.**

**Expect the solid growth to continue.** KINO recorded much better sales performance in 2018 buoyed by successful distribution revamping. This year, the company is optimistic that the improvements will continue, especially with the support from several new products which were launched last year: (1) Lola Remedios – a herbal remedy entering the Philippines’ market in November 2018; (2) Sasha Toothpaste – a halal product targeting the Muslim community with plans for more aggressive promotions starting in 2Q19 and (3) pet food - with its Pro Diet and Pro Balance brands. Furthermore, this year’s food revenues will get a timely boost from the full consolidation of Morinaga Kino Indonesia (MKI).

**FY19F earnings estimated to grow 25% yoy.** Following the release of strong FY18 results, we estimate that KINO’s FY19 revenues will grow briskly by 20% yoy to IDR4.3tn. According to the management, its personal care products – including its Ellips brand (Hair Vitamin) – are enjoying strong demand in both local and export markets. To cater to the growing demand, additional capacity is expected to come onstream in 2Q-3Q19. For beverages, its products are continuing to gain market share - approaching that of its closest competitor Cap Badak (in FY18, the revenues growth of KINO’s beverages reached 25% yoy). To promote its new products, we believe that the FY19F A&P expenses will be little changed from those incurred in FY18. Against this backdrop, we revise up our FY19F earnings estimate by 7.8% to IDR188bn (+25% yoy).

**Upgrade to BUY.** Based on our survey, Sasha toothpaste is already available in major minimarkets at competitive prices. For pet food, Nestle Purina is the leader in Indonesia’s market - with 29% market share, followed by Mars Pedigree (26%) – based on data from Mordor Intelligence. All in all, we like the stock for its attractive valuation of 18.5x FY19F with FY19F earnings growth that is estimated to surpass that of the sector. Taking into account our new forecast, we upgrade our recommendation to BUY with a higher TP of IDR3,400 (FY19F PE 25.9x) – based on DCF valuation (WACC 11.6%, TG 5%).

**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	3,161	3,612	4,342	4,992	5,623
EBITDA (IDRbn)	212	275	339	407	527
EBITDA Growth (%)	(21.4)	29.8	23.2	20.0	29.5
Net profit (IDRbn)	110	150	188	232	315
EPS (IDR)	77.3	105.1	131.4	162.6	220.5
EPS growth (%)	(38.9)	35.9	25.1	23.7	35.6
BVPS (IDR)	1,412.6	1,511.3	1,621.7	1,758.0	1,946.0
DPS (IDR)	25.0	27.0	21.0	26.3	32.5
PER (x)	31.4	23.1	18.5	14.9	11.0
PBV (x)	1.7	1.6	1.5	1.4	1.2
Dividend yield (%)	1.0	1.1	0.9	1.1	1.3
EV/EBITDA (x)	17.4	13.9	10.9	9.3	7.1

Source : KINO, Danareksa Estimates

## MARKET NEWS

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### MACROECONOMY

**Government: increase Non-oil and gas export target**

Government increased non-oil and gas export target to USD 175bn or from 7.5% to 8%. To support new target, government will expand new destination of export and accelerate the building of new trade agreements. Government will utilize digital infrastructure and industrial revolution 4.0 to accelerate development of all industry. There are five prioritized sector: food and beverage, textile and clothing, automotive, electrical and chemical. (Investor Daily)

### CORPORATE

**HMSP to seek shareholder approval in EGM in 9 May 2019**

HM Sampoerna will conduct AGM and EGM in 9 May 2019. In the EGM, the company will seek shareholder approval to adjust the Article 3 regarding the company's purpose and objectives and business activities. Below are several Proposal for the adjustment:

- 1.HMSP also include the distribution in the scope of business (previously only agribusiness and trade)
  - 2.The company enlarges the main business activities to include flavoring ingredients, chewed and snuff tobacco,
  - 3.large trade scale trade in tobacco and cigarette business
- Supporting business activities are also extend to logistic and packaging (Company)



**COVERAGE PERFORMANCE**
**LEADERS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		16-Apr-19	15-Apr-19					
Bank Tabungan Negara	BBTN	2.580	2.440	5,7	9,3	7,5	1,6	BUY
Adhi Karya	ADHI	1.770	1.695	4,4	5,0	14,9	11,7	BUY
Wijaya Karya	WIKA	2.330	2.240	4,0	5,4	20,1	40,8	BUY
Wika Beton	WTON	650	625	4,0	4,8	17,1	72,9	BUY
Semen Indonesia	SMGR	13.325	12.825	3,9	(4,5)	0,2	15,9	BUY
Bank Mandiri	BMRI	7.625	7.350	3,7	(0,3)	7,4	3,4	BUY
Kino Indonesia	KINO	2.520	2.430	3,7	-	5,0	(10,0)	HOLD
Gudang Garam	GGRM	82.425	79.500	3,7	3,9	(10,4)	(1,4)	BUY
Pembangunan Perumahan	PTPP	2.390	2.310	3,5	7,7	14,9	32,4	BUY
Waskita Beton	WSBP	442	430	2,8	7,3	15,1	17,6	BUY

Sources: Bloomberg

**LAGGARDS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		16-Apr-19	15-Apr-19					
Kimia Farma	KAEF	3.300	3.560	(7,3)	(8,1)	6,5	26,9	SELL
Semen Baturaja	SMBR	1.135	1.190	(4,6)	(5,4)	(19,8)	(35,1)	SELL
Ace Hardware	ACES	1.680	1.755	(4,3)	(3,7)	(6,7)	12,8	BUY
Matahari Department Store	LPPF	3.590	3.690	(2,7)	(7,2)	(12,4)	(35,9)	BUY
Malindo Feedmill	MAIN	1.265	1.300	(2,7)	(3,8)	(19,9)	(9,3)	HOLD
Vale Indonesia	INCO	3.280	3.370	(2,7)	(1,8)	(6,0)	0,6	BUY
Sampoerna Agro	SGRO	2.260	2.300	(1,7)	(2,2)	(9,6)	(4,6)	BUY
Japfa Comfeed	JPFA	1.770	1.800	(1,7)	(4,3)	(21,3)	(17,7)	HOLD
Puradelta Lestari	DMAS	246	250	(1,6)	7,0	2,5	54,7	BUY
Ramayana	RALS	1.775	1.800	(1,4)	(0,8)	(1,9)	25,0	HOLD

Sources: Bloomberg

## PREVIOUS REPORTS

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- Strategy: Progression Continues [SnapShot20190416](#)
- Bank Tabungan Negara: Greater clarity, BPD Jatim: Picking up the momentum [SnapShot20190412](#)
- Vale Indonesia: Set to recover [SnapShot20190411](#)
- Ciputra Development: Attractive Valuations Despite Earnings Volatility [SnapShot20190410](#)
- Cigarette: Higher margins, improved earnings growth, HM Sampoerna: Margin boost, Gudang Garam: Solid growth but airport risk [SnapShot20190408](#)
- Semen Indonesia (Persero): Year of consolidation [SnapShot20190405](#)
- Poultry: Will this year mimic 2017?, Indocement Tunggul Prakarsa: Steady growth despite a difficult first half, Pembangunan Perumahan: Growing moderately [SnapShot20190404](#)
- Media : The gap between MNCN and SCMA narrows, Sarana Menara Nusantara: Promising outlook, Waskita Karya: Divestment plans still on, Semen Indonesia (SMGR): Solid performance [SnapShot20190402](#)
- Adhi Karya: 4Q18: Hastening LRT development, Harum Energy: Expect production recovery in 2019, Tower Bersama Infrastructure: Inorganic growth drives Tower Bersama in 4Q [SnapShot20190401](#)



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