

FROM EQUITY RESEARCH

Consumer: Seeking cost efficiencies in a challenging environment (Overweight)

Kadin estimates that around 6mn workers have been furloughed/laid off during the Covid-19 pandemic, translating into weak purchasing power in April – May 2020. Even consumer companies have reported tough business conditions, including during this year's Ramadan season. As such, we expect continued cost efficiencies to preserve earnings. As we believe health-related products will benefit the most, our top picks are KLBF and UNVR.

To see the full version of this report, please [click here](#)

Retail: Varying Pace of Recovery (Neutral)

We visited a few malls in South and West Jakarta on the first payday weekend post PSBB relaxation and our observations suggest: 1) a more rapid recovery in South Jakarta, more moderate in West Jakarta, 2) middle-up targeted shops are crowded, and thus a clear indication of pent-up demand, while the middle and mid-low segments have yet to meaningfully recover, 3) more discount offerings to attract more sales. All in all, our observations corroborate our view of a stronger middle-up recovery as captured in MAPI and ACES but a slower middle and mid-low recovery pace as represented by LPPF and RALS. We maintain our Neutral rating on the sector given its cheap valuation, even though 2020's performance has been hit by Covid-19.

To see the full version of this report, please [click here](#)

Waskita Beton Precast: Weak 1Q20 results

(WSBP IJ.IDR 196 BUY TP.IDR 240)

WSBP booked weak net income of IDR105bn in 1Q20, slumping by 64.1%yoy on the back of lower revenues. The top line is down by 61.8%yoy to IDR754bn. New contracts booked in 5M20 reached IDR713bn, accounting for 6% of the management's FY target of IDR11.9tn. The DER stood at 0.83x as of Mar20, with an interest coverage ratio of 4.90x. We maintain our forecast while we await new guidance from the management to be released soon.

To see the full version of this report, please [click here](#)

1Q20 Results

- Pakuwon Jati (PWON IJ. IDR 424 BUY TP. IDR 490): [Revenues growth streak ended](#)
- Aneka Tambang (ANTM IJ. IDR 595 BUY TP. IDR 750): [1Q20: Lower nickel volume and forex losses](#)
- Waskita Beton Precast (WSBP IJ. IDR 196 BUY TP IDR 240): [Weak 1Q20 results](#)

MARKET NEWS

MACROECONOMY

- Budget Revision 2020: Key takeaways from 2nd revision in 2020 Budget

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	4.902	(0,0)	(22,2)	303
Thailand	1.330	(0,0)	(15,8)	1.587
Philippines	6.105	(1,4)	(21,9)	104
Malaysia	1.494	0,4	(5,9)	556
Singapore	2.574	(1,2)	(20,1)	729
Regional				
China	2.962	(0,6)	(2,9)	61.303
Hong Kong	24.301	(1,0)	(13,8)	17.221
Japan	21.995	(2,3)	(7,0)	11.571
Korea	2.093	(1,9)	(4,7)	8.193
Taiwan	11.543	(1,0)	(3,8)	7.029
India	34.962	(0,6)	(15,3)	559
Nasdaq	9.874	1,2	10,0	172.291
Dow Jones	25.596	2,3	(10,3)	13.970

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.245	(0,7)	2,5	(2,7)
BI7DRRR	%	4,25	(0,3)	(0,3)	(0,8)
10y Gov	Indo bond	7,23	0,0	(0,1)	0,2

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	53	(2,8)	1,3	(22,2)
Gold	US\$/toz	1.773	0,0	2,5	16,8
Nickel	US\$/mt.ton	12.642	2,0	3,0	(9,4)
Tin	US\$/mt.ton	16.928	1,5	8,4	(1,5)

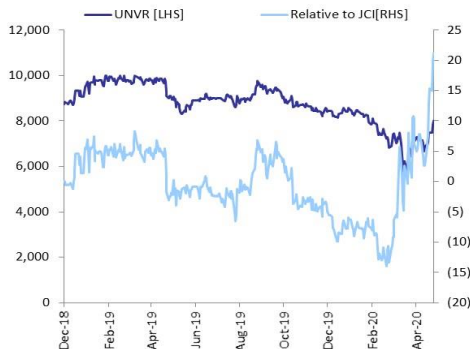
SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Corn	US\$/mt.ton	126	4,2	1,9	(12,3)
Oil (WTI)	US\$/barrel	40	3,0	11,7	(35,1)
Oil (Brent)	US\$/barrel	42	1,6	17,9	(36,9)
Palm oil	MYR/mt.ton	2.479	0,4	12,0	(18,1)
Rubber	US\$/kg	111	(1,4)	(0,1)	(23,4)
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Sugar	US\$/MT	352	0,3	(2,8)	(1,9)
Wheat	US\$/ton	132	2,2	(7,1)	(14,5)
Soy Oil	US\$/lb	28	1,5	0,8	(20,0)
Soy Bean	US\$/by	866	0,1	3,0	(8,2)

Tuesday, 30 June 2020

Overweight
Maintain

UNVR relative to JCI Index



ICBP relative to JCI Index



Source : Bloomberg

Consumer

Seeking cost efficiencies in a challenging environment

Kadin estimates that around 6mn workers have been furloughed/laid off during the Covid-19 pandemic, translating into weak purchasing power in April – May 2020. Even consumer companies have reported tough business conditions, including during this year’s Ramadan season. As such, we expect continued cost efficiencies to preserve earnings. As we believe health-related products will benefit the most, our top picks are KLBF and UNVR.

Tough May 2020, health-related products benefited the most. We talked to several consumer/cigarette companies and learnt that May 2020 was a tough month given fewer working days with continued PSBB due to the Covid-19 pandemic. In May 2020, the utilization rate for several manufactures was below 50% (Textile/steel 20-30%, shoes/ceramic 30% and basic chemicals 30-50%). Only F&B and upstream/downstream petrochemical firms reported 50-90% utilization rates in this period. Based on our research, only products that support healthy lifestyles and work-from-home activities enjoyed solid demand in April-May 2020. By comparison, beauty related products, non-necessities and products usually bought on impulse faced weak demand given the soft purchasing power. Following the easing of PSBB, many companies are hopeful of seeing stronger demand in June 2020.

Expect more cost efficiencies. To tap the increasing demand for health related products, companies have shifted their focus toward new products in this category: SIDO with charcoal active for daily detoxification, KLBF with cordyceps and fatigon red ginger to improve immunity while UNVR is focusing on providing a variety of health sanitizer products through its existing brands (lifebuoy) or new brands (Sahaja). Meanwhile, KLBF is conducting clinical trials of its herbal products named H2 Cordyceps and Fatigon Red Ginger in Wisma Atlet. If all goes well, positive results from these trials will support sales of these products which are claimed to have ingredients which can improve immunity against Covid-19. Given weak demand, most companies have opted to focus on greater cost efficiencies. Indeed, many stated that they would be very selective in their advertising and promotional activities. Further efforts to create a healthier working environment may result in additional costs or capex this year, depending on the size of the facilities.

Our top picks: KLBF and UNVR. We prefer KLBF as we believe the company will benefit from increasing demand for healthy lifestyle products. On the costs side, the company has secured the raw materials and their prices, expecting only a slight movement in costs. At the same time, we also like UNVR for its health-related products. In our view, UNVR’s strengths in cost-discipline may preserve earnings this year. In addition, we also believe that demand for ICBP’s products is relatively resilient amid the weak purchasing power. However, the overhang from the Pinehill acquisition may create headwinds for the share price performance. In our view, INDF is a value choice to obtain exposure to the consumer sector and sticky CPO prices.



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Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2020F
					2020F	2021F	2019F	2020F	
Unilever Indonesia	UNVR	BUY	9,100	302.3	38.5	35.7	53.3	49.6	144.0%
Indofood CBP	ICBP	BUY	11,600	109.6	20.3	18.7	3.9	3.5	19.8%
Kalbe Farma	KLBF	BUY	1,700	67.5	26.8	25.1	3.9	3.5	14.8%
Indofood Sukses	INDF	BUY	7,600	59.3	11.3	10.6	1.5	1.4	13.2%
Mayora Indah	MYOR	BUY	2,600	50.5	21.3	21.6	4.4	3.9	19.1%
Kino Indonesia	KINO	SELL	2,700	4.9	19.2	18.5	1.8	1.7	9.3%
Sido Muncul	SIDO	HOLD	1,330	18.3	22.2	20.8	5.7	5.5	26.8%

Monday, 29 June 2020

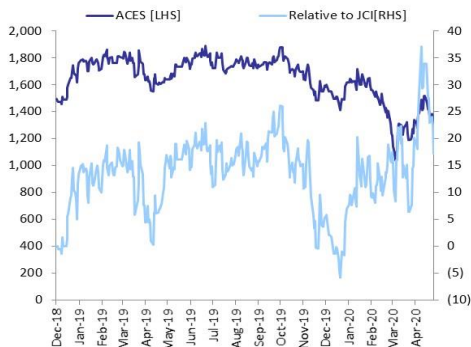
NEUTRAL

Maintain

Retail

Varying Pace of Recovery

ACES relative to JCI Index



LPPF relative to JCI Index



Source : Bloomberg



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We visited a few malls in South and West Jakarta on the first payday weekend post PSBB relaxation and our observations suggest: 1) a more rapid recovery in South Jakarta, more moderate in West Jakarta, 2) middle-up targeted shops are crowded, and thus a clear indication of pent-up demand, while the middle and mid-low segments have yet to meaningfully recover, 3) more discount offerings to attract more sales. All in all, our observations corroborate our view of a stronger middle-up recovery as captured in MAPI and ACES but a slower middle and mid-low recovery pace as represented by LPPF and RALS. We maintain our Neutral rating on the sector given its cheap valuation, even though 2020's performance has been hit by Covid-19.

The middle-up segment is still willing and able to spend as our visit to Kota Kasablanka (Kokas) in South Jakarta and Lippo Mall Puri (Lippo) suggest. MAPI group stores stole the limelight in Kokas, with almost all of its flagship fashion brands namely Pull & Bear, Mango, and Zara all busy with shoppers looking to take advantage of attractive discounts. Sports Station (MAPA) was also crowded in both Kokas and Lippo.

ACES traffic too is seeing some increase, albeit 10-20% lower than normal, which is better than what the management internally expected. Overall, South Jakartans have returned back to malls, while the malls in West Jakarta have only witnessed a moderate recovery.

Middle and mid-low improved, but still weak. We spent our "Malam Minggu", i.e. Saturday Night at Lippo. We noticed a lukewarm footfall, miles off the normal level, with hallways fairly quiet, while its key competitor, Uniqlo enjoyed a healthy return of customers. On Sunday we visited a RALS' City Plaza and also saw a modest footfall, still miles below the normal level.

The middle and mid-low retailers are the most affected by the pandemic and will take longer to recover to a respectable level due to: 1) more online purchases due to PSBB, 2) overall lower incomes, partly resulting from layoffs and paycuts. Furthermore, Tanah Abang Fashion Market is also reportedly still seeing sluggish post PSBB spending, with sales slumping 50-70%.

A year to forget, a PSBB encore unlikely we believe. Covid-19 will ultimately drag 2020 earnings into negative territory even though a recovery should ensue. The likelihood of further massive scale PSBB is slim in our view due to economic hardships directly associated with PSBB, despite the possibility that the Covid-19 pandemic worsens. Nevertheless, the 3Q and 4Q performance recovery will create positive sentiment. Higher discounts to amass more sales are both logical and acceptable but will mean some decline in margins.

Maintain Neutral on the valuation as all retailers (except ACES) are still trading at sub -1.5 STD 2020 earnings which makes them cheap, and we expect strong growth coming in 2021 by virtue of the 2020 low base. Within the next 2 months earnings rollover will come, thus focus will shift to 2021 performance.

Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2020F	2021F	2020F	2021F	2021F
Ace Hardware Indonesia	ACES IJ	SELL	1,150	25,810.8	29.1	22.8	4.7	4.4	19.9
Matahari Department Store	LPPF IJ	BUY	2,100	4,388.6	4.4	3.5	2.1	1.6	50.9
Mitra Adiperkasa	MAPI IJ	BUY	925	12,865.0	14.8	11.4	1.9	1.7	15.6
Ramayana	RALS IJ	BUY	750	4,328.6	11.0	8.2	1.0	0.9	11.5

Monday, 29 June 2020

BUY
Maintain

Last price (IDR)	424
Target Price (IDR)	490
Upside/Downside	+15.6%
Previous Target Price (IDR)	490

Stock Statistics

Sector	Property
Bloomberg Ticker	PWON IJ
No of Shrs (mn)	48,160
Mkt. Cap (IDRbn/USDmn)	20,420/1,436
Avg. daily T/O (IDRbn/USDmn)	41.2/2.9

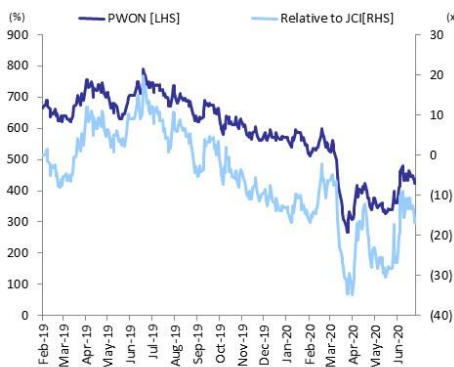
Major shareholders (%)

Pakuwon Arthaniaga	69.7
Alexander Tedja	0.0
Estimated free float	31.3

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	44.3	57.4	60.5
Consensus	42.2	46.7	45.4
Danareksa/Cons	5.0	22.9	33.2

PWON relative to JCI Index



Source : Bloomberg



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Pakuwon Jati (PWON IJ)

Revenues growth streak ended

PWON reported net profits of only IDR67bn in 1Q20 (-91% y-o-y, -88% q-o-q) as a result of forex losses caused by significant rupiah depreciation at the end of Mar 20. Despite booking 4% lower revenues y-o-y, PWON was able to book core net profits of IDR679bn (+7% y-o-y) mainly due to normalization of minority interests.

PWON recorded negative growth in revenues. PWON reported revenues of IDR1.65tn in 1Q20 (-4% y-o-y, -16% q-o-q) as it recorded -9% y-o-y revenues from development property, slightly offset by 1% y-o-y higher revenues from investment property. The negative y-o-y revenues growth in 1Q20 ended its revenues growth streak which lasted more than 10 years. However, due to the different accounting treatment between 2019 and 2020, we can say that the comparison between revenues recognition from development property is not an apple to apple comparison. The higher investment property revenues in 1Q20 indicate that the impact of COVID-19 was limited during the quarter as the outbreak began in the middle of March.

Higher core profits from normalization of minority interests. Despite recording 2% lower operating profits y-o-y, PWON was able to book positive core net profits of IDR679bn (+7% y-o-y). This mainly reflected the normalization of profits attributable to minority interests. PWON recorded a high minority interests portion in 2019 due to the handover of its apartment, Benson.

Net profits sank due to unrealized forex losses. The surprisingly low reported net profits of IDR67bn in 1Q20 mainly owe to forex losses which arose from its USD denominated bonds and the significant rupiah depreciation at the end of March 2020. The use of corridor hedging prevented PWON from using hedge accounting which had been widely used since early 2020. As such, we expect PWON to reverse the forex losses in 2Q20.

Maintain BUY with an unchanged TP of IDR490. We maintain our BUY call on PWON as we believe the stock's valuation is attractive given its high investment property portion amid the relaxation of high scale social distancing restrictions. Our TP of IDR490 is derived by applying a 57% discount to RNAV (-1SD of its five-year average) to take into account uncertainty arising from the COVID-19 pandemic.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	7,081	7,202	6,380	7,372	7,618
EBITDA (IDRbn)	3,962	3,952	3,400	3,410	3,501
EBITDA Growth (%)	24.8	(0.2)	(14.0)	0.3	2.7
Net profit (IDRbn)	2,543	2,720	2,132	2,763	2,911
EPS (IDR)	52.8	56.5	44.3	57.4	60.5
EPS growth (%)	35.8	6.9	(21.6)	29.6	5.4
BVPS (IDR)	261.5	310.9	348.7	401.1	455.0
DPS (IDR)	6.0	6.0	6.4	5.0	6.5
PER (x)	11.9	11.2	14.2	11.0	10.4
PBV (x)	2.4	2.0	1.8	1.6	1.4
Dividend yield (%)	1.0	1.0	1.0	0.8	1.0
EV/EBITDA (x)	7.9	7.8	8.8	8.3	7.5

Source : PWON, Danareksa Estimates

Monday, 29 June 2020

BUY
Maintain

Last price (IDR) 595
Target Price (IDR) 750
Upside/Downside +26.1%
Previous Target Price (IDR) 800

Stock Statistics

Sector Metal Mining
Bloomberg Ticker ANTM IJ
No of Shrs (mn) 24,031
Mkt. Cap (IDRbn/USDmn) 14,298/1,022
Avg. daily T/O (IDRbn/USDmn) 50.4/3.5

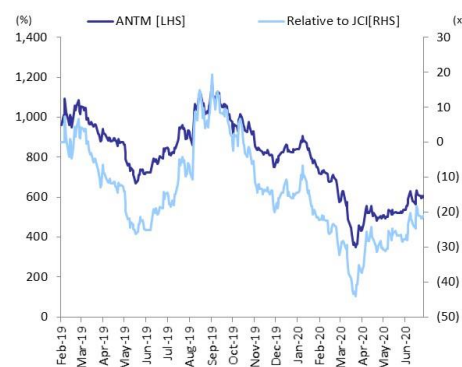
Major shareholders (%)

Inalum 65.0
Estimated Free Float 35.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	9.8	12.1	16.3
Consensus	18.3	18.0	15.4
Danareksa/Cons	(46.5)	(33.0)	6.1

ANTM relative to JCI Index



Source : Bloomberg



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Aneka Tambang(ANTM IJ)

1Q20: Lower nickel volume and forex losses

Aneka Tambang (ANTM) reported net losses of IDR282bn in 1Q20 vs. net profits of IDR176bn in 1Q19 due to: a) lower ferronickel sales volume and the absence of nickel ore sales volume and b) forex losses from its USD loan given weakening of the rupiah/USD exchange rate in 1Q20. The result is below our expectation. In 2Q20, however, we expect the forex losses to reverse given the rupiah's strengthening. Maintain BUY with lower TP of IDR750 with the expectation of a recovery in nickel prices in 4Q20.

1Q20: Lower qoq operating expenses reduced losses. Despite 36.4% qoq lower revenues in 1Q20 mainly due to lower ferronickel sales volume (-2.0% qoq), gold volume (-30.2% qoq) and no nickel ore sales volume, ANTM still managed to book operating profits in 1Q20 thanks to lower GA (-58.4% qoq) and lower selling expenses (-47.9% qoq). Still, the company reported net losses of IDR282bn (-23.3% qoq) due to forex losses from its USD loan as a result of the weakening rupiah/USD exchange rate in 1Q20. However, with the rupiah strengthening against the US dollar in 2Q20, we expect the company to reverse its forex losses in this quarter.

Net losses from lower volumes and forex losses. On a yoy basis, the company booked net losses of IDR282bn in 1Q20 vs. net profits of IDR176bn in 1Q19 due to: a) lower nickel division revenues (-51.9% yoy) from a decline in ferronickel sales volume (-10.4% yoy), with no nickel ore sales volume following implementation of the nickel-ore export ban since the beginning of 2020, and b) forex losses of IDR362bn in 1Q20 compared to forex gains of IDR76bn in 1Q19. Gold sales volume, meanwhile, declined by 21.8% yoy, with the gold division reporting flattish revenues thanks to higher gold prices.

2020: higher ferronickel production with a slight improvement in gold sales. ANTM expects a further improvement in ferronickel production by 5.0% yoy to 27,000 tons for 2020 supported by higher utilization at Pomalaa ferronickel plant. To overcome the nickel-ore export ban, the company plans to increase sales volume of domestic nickel ore. Nonetheless, nickel ore production is still expected to decline by 60.0% yoy to 4.2mn wmt in 2020. Meanwhile, gold production is expected to be at a similar level to 2019's level of 1,893 kg.

Maintain BUY with a lower target price of IDR750 (based on DCF valuation with WACC of 12.6% and long-term growth of 3%) as we lower our earnings forecast by 63% - 68% for 2020 and 2021 as we cut our ferronickel sales volume and nickel ore sales volume estimates. Maintain BUY as we expect a recovery in the nickel price in 4Q20 after the Covid-19 pandemic recedes.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	25,275	32,719	27,907	30,036	32,099
EBITDA (IDRbn)	2,400	2,233	2,092	2,172	2,292
EBITDA Growth (%)	67.7	(7.0)	(6.3)	3.8	5.5
Net profit (IDRbn)	1,636	194	235	290	392
EPS (IDR)	68.1	8.1	9.8	12.1	16.3
EPS growth (%)	1,098.5	(88.2)	21.1	23.4	35.3
BVPS (IDR)	767.7	754.6	761.1	769.3	780.8
DPS (IDR)	2.3	27.2	3.2	3.9	4.8
PER (x)	8.7	73.8	60.9	49.3	36.5
PBV (x)	0.8	0.8	0.8	0.8	0.8
Dividend yield (%)	0.4	4.6	0.5	0.7	0.8
EV/EBITDA (x)	8.5	8.9	10.2	10.0	9.9

Source : ANTM, Danareksa Estimates

Monday, 29 June 2020

BUY
Maintain

Last price (IDR)	196
Target Price (IDR)	240
Upside/Downside	+22.4%
Previous Target Price (IDR)	240

Stock Statistics

Sector	Construction
Bloomberg Ticker	WSBP JJ
No of Shrs (mn)	26,361
Mkt. Cap (IDRbn/USDmn)	5,167/363
Avg. daily T/O (IDRbn/USDmn)	10.7/0.7

Major shareholders (%)

Waskita Karya	60.0
Public	40.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	27.5	29.5	33.4
Consensus	27.5	29.5	33.4
Danareksa/Cons	(0.2)	(0.2)	(0.1)

WSBP relative to JCI Index



Source : Bloomberg



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Waskita Beton Precast (WSBP JJ)

Weak 1Q20 results

WSBP booked weak net income of IDR105bn in 1Q20, slumping by 64.1%yoy on the back of lower revenues. The top line is down by 61.8%yoy to IDR754bn. New contracts booked in 5M20 reached IDR713bn, accounting for 6% of the management's FY target of IDR11.9tn. The DER stood at 0.83x as of Mar20, with an interest coverage ratio of 4.90x. We maintain our forecast while we await new guidance from the management to be released soon.

WSBP's 1Q20 earnings sank 64.1%yoy to IDR105bn (1Q19: IDR291bn) on the back of lower revenues and margins. The result is 14.4% of our FY target and 12.6% of the consensus. Previously, we cut our FY20 bottom line target by 19.5% expecting 10.2%yoy lower FY20 earnings at IDR724bn. We are awaiting the company's guidance as it plans to revise down its FY20 targets on the back of the Covid-19 pandemic. The new targets are expected to be released soon.

The 1Q20 top line fell 61.8%yoy to IDR754bn (1Q19: IDR2.2tn) on the back of lower new contracts and the implementation of PSBB (wide-scale social distancing restrictions) due to the pandemic. The revenues are ~10% of our estimate and the consensus. New contracts as of Mar20 reached IDR577bn and IDR713bn as of May20. The 5M20 figure is 6.0% of the management's FY target of IDR11.9tn.

Margins, leverage, and cash flow. Gross margins were higher at 24.9% in 1Q20 vs. 17.8% in 1Q19. WSKT remained as the largest revenues contributor with a contribution of 47.1% (1Q19: 50.8%). Total debts were relatively stable at IDR6.0tn as of Mar20, resulting in a 0.83x DER. The ratio is higher than 0.75x as of Dec19 on the back of lower 1Q20 earnings. The interest coverage ratio in 1Q20 slipped to 4.90x from 11.13x in 1Q19. Interest expenses grew by 17.6%yoy to IDR30.3bn. Operating cash flow was negative IDR155bn or relatively stable compared to negative IDR136bn last year.

Lower ratings from Fitch Ratings Indonesia. Fitch cut WSBP's National Long-Term rating and Standalone Credit Profile (SCP) to BB (Idn) from BBB- (Idn) at the end of May20. The outlook was downgraded to negative on the back of rising risk due to the pandemic.

Maintain our forecast. We maintain our forecast on WSBP as we await the new guidance from the management. WSBP is trading at 2020 PE of 7.1x. Our TP is IDR240, implying 8.4x 2020PE.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	8,000	7,467	7,269	7,642	8,398
EBITDA (IDRbn)	1,650	1,289	1,181	1,241	1,364
EBITDA Growth (%)	7.8	(21.9)	(8.4)	5.1	9.9
Net profit (IDRbn)	1,103	806	724	776	880
EPS (IDR)	42.6	30.6	27.5	29.5	33.4
EPS growth (%)	10.3	(28.2)	(10.2)	7.3	13.3
BVPS (IDR)	304.4	308.6	328.4	351.0	377.0
DPS (IDR)	28.5	20.9	7.6	6.9	7.4
PER (x)	4.6	6.4	7.1	6.7	5.9
PBV (x)	0.6	0.6	0.6	0.6	0.5
Dividend yield (%)	14.5	10.7	3.9	3.5	3.8
EV/EBITDA (x)	5.7	8.4	8.9	8.5	7.6

Source : WSBP, Danareksa Estimates

MARKET NEWS
MACROECONOMY
Budget Revision 2020: Key takeaways from the 2nd revision in the 2020 Budget

The President of Indonesia, Joko Widodo, has issued Presidential Regulation (Perpres) No.72/2020 to change the previous regulation in Perpres No.54/2020 concerning the budget revision this year. In this regulation, the govt set a budget deficit of 6.34% of GDP, with state revenues falling to IDR1,700tn (-3% from Perpres No.54/2020 and -24% from the 2020 Budget), and with IDR2,739tn of state expenditure (+5% from Perpres No.54/2020 and +8% from the 2020 Budget). The budget deficit financing will be higher on **sovereign bond issuances, foreign loans, and investments in SOEs**. The net sovereign bond issuance is set at IDR1,173.7tn (+114% from Perpres No.54/2020). It should be noted that in this new regulation, there is no separation between sovereign bonds and pandemic bonds as there were in Perpres No.54/2020. The foreign loans were set at IDR45.4tn, or 8 times higher than in Perpres No.54/2020. Investments in SOEs is also higher at a budgeted IDR31.5tn, almost two times the amount budgeted in Perpres No.54/2020.

State revenues are set lower at IDR1,700tn. There are some reductions in the revenues components from Perpres No.54/2020, i.e. -5% in income tax, -4% in VAT, and -6% in international tax revenues. Meanwhile, excise tax remains stable. For non-tax revenues, the govt budgeted only a 1% reduction at IDR294.1tn.

For expenditure, the govt set a higher budget for three ministries: **the Ministry of Social Affairs** (+IDR43.7tn), **the Ministry of Health** (+IDR2tn), and **the Ministry of Trade** (+IDR100bn). On the other hand, the govt made another sizable reduction for the **Ministry of Public Works and Public Housing** (PUPR) to IDR75.6tn (-IDR20tn, or -21% from Perpres No.54/2020).

Figure 1. Summary of Govt Budget Revision 2020

Budget Component	Budget 2020 (IDRtn)	Proposed Revision I (Perpres No.54/2020)	Proposed Revision II (Perpres No.72/2020)
Government Revenue	2,233.2	1,760.9	1,699.9
Domestic Revenue	2,232.7	1,760.4	1,698.6
Tax Revenue	1,865.7	1,462.6	1,404.5
Non-tax revenue	367.0	297.8	294.1
Grant	0.5	0.5	1.3
Government Expenditure	2,540.4	2,613.8	2,739.2
Central Government Expenditure	1,683.5	1,851.1	1,975.2
Regional Transfer and Village Fund	856.9	762.7	763.9
Primary Balance	(12.0)	(517.8)	(700.4)
Surplus/(deficit)	(307.2)	(852.9)	(1,039.2)
%of GDP	-1.76	-5.07	-6.34
Budget Financing	307.2	852.9	1,039.2
Government debt	351.9	1,006.4	1,220.5
Investment	(74.2)	(229.3)	(257.1)
Loan disbursement	5.2	5.8	5.8
Insurance liability	(0.6)	(0.6)	(0.6)
Others	25.0	70.6	70.6

Figure 2. Budget financing revision 2020

Budget Financing Allocation	Budget 2020 (IDRtn)	Proposed Revision I (Perpres No.54/2020)	Proposed Revision II (Perpres No.72/2020)
Total Budget Financing	307.2	852.9	1,039.2
Government Debt	351.9	1,006.4	1,220.5
1. Sovereign Bond (net)	389.3	549.6	1,173.7
2. Loan (net)	(37.5)	7.0	46.7
a) Domestic Loan (net)	1.3	1.3	1.3
i) Gross domestic loan	3.0	3.0	3.0
ii) Loan repayment	(1.7)	(1.7)	(1.7)
b) Foreign Loan (net)	(38.8)	5.7	45.4
i) Gross foreign loan	48.4	111.5	145.0
ii) Loan repayment	(87.1)	(105.9)	(99.6)
3. Pandemic Bond	-	449.9	-
Investment	(74.2)	(229.3)	(257.1)
1. Investment to SOEs	(17.7)	(16.0)	(31.5)
2. Investment to other institutions	(5.0)	(5.0)	(5.0)
3. Investment to General Service Fund	(5.0)	(41.0)	(42.0)
4. Investment to International Institutions	(1.0)	(0.8)	(0.7)
5. Investment return	2.0	2.0	2.0
6. Govt investment (Garuda, KAI, PTPN, KRAS)	-	-	(19.7)
7. Other investment financing	-	(168.6)	(160.3)
Loan disbursement (to SOEs)	5.2	5.8	5.8
Insurance Liability	(0.6)	(0.6)	(0.6)
Other - Remaining budget balance (SAL)	25.0	70.6	70.6

Figure 3. Tax revenue revision 2020

Description	Budget 2020 (IDRtn)	Proposed Revision I (Perpres No.54/2020)	Proposed Revision II (Perpres No.72/2020)
Domestic Tax Revenue	1,823.1	1,427.0	1,371.0
Income Tax	929.9	703.3	670.4
Oil and gas	57.4	43.7	31.9
Non-oil and gas	872.5	659.6	638.5
Individual income tax (PPh 21)	163.4	139.0	134.6
Import tax (PPh 22)	69.7	48.9	47.4
Corporate income tax (PPh 25)	323.4	232.0	224.5
Final income tax	153.3	118.7	114.9
Other income tax	162.8	121.0	117.1
Value-added tax	685.9	529.7	507.5
Domestic VAT	426.2	344.5	330.1
Import VAT	237.9	169.9	162.8
Luxury goods tax	21.6	15.1	14.5
Other VAT	0.1	0.1	0.1
Excise tax	180.5	172.9	172.2
Tobacco excise	173.1	165.6	164.9
Alcoholic drinks excise	7.1	7.1	7.1
Other excise	0.3	0.2	0.2
International Tax Revenue	45.6	35.6	33.5
Import fee	40.0	33.9	31.8
Export fee	2.6	1.8	1.7

Figure 4. Non-tax revenue revision 2020

Description	Budget 2020 (IDRtn)	Proposed Revision I (Perpres No.54/2020)	Proposed Revision II (Perpres No.72/2020)
Non-tax revenue	367.0	297.8	294.1
Natural Resource	160.4	82.2	79.1
Oil and gas	127.3	53.3	53.3
Non-oil and gas	33.0	28.9	25.8
Mineral mining and coal	26.2	22.1	19.4
Forestry	4.7	4.4	4.2
Fishery	0.9	0.9	0.9
Geothermal	1.2	1.5	1.3
Separated State Wealth	49.0	65.0	65.0
Other non-tax revenue	100.9	94.7	100.1
Non-tax revenue from General Service Fund (BLU)	56.7	55.8	50.0

Figure 5. Script of govt expenditure revision 2020

Ministries/Institutions	Budget 2020 (IDRtn)	Proposed Revision I (Perpres No.54/2020)	Proposed Revision II (Perpres No.72/2020)	Difference in IDRtn*
Ministry of Social	62.8	60.7	104.4	43.7
Ministry of Health	57.4	76.5	78.5	2.0
Ministry of Trade	3.6	2.8	2.9	0.1
Ministry of Public Works and Housing	120.2	95.7	75.6	(20.1)

*Difference from Perpres No.54/2020 and Perpres No.72/2020

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		23-Jun-20	22-Jun-20					
BTPS	BTPS	3.160	3.060	3,3	(2,5)	9,7	(25,6)	BUY
Bank Tabungan Negara	BBTN	1.240	1.210	2,5	12,7	63,2	(41,5)	BUY
Indofood CBP	ICBP	9.400	9.225	1,9	3,3	15,3	(15,7)	BUY
Barito Pacific	BRPT	1.170	1.150	1,7	(4,5)	(13,3)	(22,5)	BUY
Sarana Menara Nusantara	TOWR	1.020	1.005	1,5	(1,0)	6,8	26,7	BUY
United Tractors	UNTR	16.700	16.475	1,4	(1,2)	6,4	(22,4)	BUY
Indofood	INDF	6.750	6.675	1,1	2,7	17,4	(14,8)	BUY
Jasa Armada Indonesia	IPCM	202	200	1,0	1,0	12,2	15,4	HOLD
Matahari Department Store	LPPF	1.580	1.565	1,0	-	9,0	(62,5)	BUY
BTPN	BTPN	2.130	2.110	0,9	(0,9)	15,8	(34,5)	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		23-Jun-20	22-Jun-20					
Bekasi Fajar	BEST	117	122	(4,1)	(8,6)	12,5	(45,8)	BUY
Puradelta Lestari	DMAS	173	179	(3,4)	(1,1)	23,6	(41,6)	HOLD
Summarecon Agung	SMRA	600	620	(3,2)	(9,1)	29,3	(40,3)	BUY
Wijaya Karya	WIKA	1.195	1.230	(2,8)	(4,4)	10,1	(39,9)	BUY
Astra Agro Lestari	AALI	8.200	8.425	(2,7)	(5,2)	10,8	(43,7)	BUY
Bumi Serpong Damai	BSDE	750	770	(2,6)	(4,5)	18,1	(40,2)	BUY
Indosat	ISAT	2.380	2.440	(2,5)	(4,8)	17,8	(18,2)	BUY
Ciputra Development	CTRA	615	630	(2,4)	(10,9)	7,0	(40,9)	BUY
Media Nusantara Citra	MNCN	925	945	(2,1)	(5,1)	8,8	(43,3)	BUY
Astra International	ASII	4.800	4.900	(2,0)	(1,8)	0,6	(30,7)	BUY

Sources: Bloomberg

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