

FROM EQUITY RESEARCH
Buyung Poetra Sembada: Better margins in store
 (HOKI IJ. IDR 374. Non Rated)

Buyung Poetra Sembada (BPS) is upbeat on its growth prospect, on the back of greater distribution network to general trades as well as the expectation to see the full-year impact of its wet paddy processing, which should translate to improve gross margin this year. At current price, the stock is trading at FY17F PE of 9.9x, based on the management's guidance of 110% yoy earnings growth.

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MARKET NEWS
Sector

- Retail: Slowly but sure on the death of Jakarta's Brick-and-Mortar Stores

Corporate

- AISA: Lower its FY17 revenue growth to 8%
- Bank Mandiri: to issue global bond
- PP Properti: prepares IDR10tn capex up to 2021

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,814	0.2	9.8	366
Thailand	1,581	0.3	2.5	1,374
Philippines	7,972	0.1	16.5	121
Malaysia	1,763	0.1	7.4	392
Singapore	3,328	0.5	15.5	843
Regional				
China	3,244	(0.2)	4.5	35,974
Hong Kong	26,852	0.0	22.1	10,208
Japan	19,955	(0.1)	4.4	9,253
Korea	2,445	0.2	20.7	4,143
Taiwan	10,463	0.0	13.1	3,047
India	32,228	(0.1)	21.0	635
NASDAQ	6,412	0.0	19.1	91,429
Dow Jones	21,613	0.5	9.4	8,310

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,327	(0.1)	(0.2)	1.1
SBI rate %	5.90	-	-	(1.3)
10y Gov Indo bond	6.94	0.0	0.1	(1.0)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	87	0.5	7.6	(1.8)
Gold	US\$/toz	1,247	(0.3)	0.2	8.2
Nickel	US\$/mt.ton	9,955	2.4	10.2	(0.1)
Tin	US\$/mt.ton	20,500	0.6	6.3	(3.3)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,029	0.1	4.8	(5.5)
Corn	US\$/mt.ton	129	(2.4)	0.6	-
Oil (WTI)	US\$/barrel	48	1.1	11.6	(9.9)
Oil (Brent)	US\$/barrel	51	0.8	10.4	(10.9)
Palm oil	MYR/mt.ton	2,577	(0.9)	(1.6)	(19.4)
Rubber	US\$/kg	153	0.9	9.4	(20.7)
Pulp	US\$/tonne	890	N/A	0.2	10.1
Coffee	US\$/60kgbag	128	0.7	2.6	(15.5)
Sugar	US\$/MT	382	(2.9)	(3.4)	(27.1)
Wheat	US\$/ton	129	0.1	1.9	6.0

Wednesday, 26 July 2017

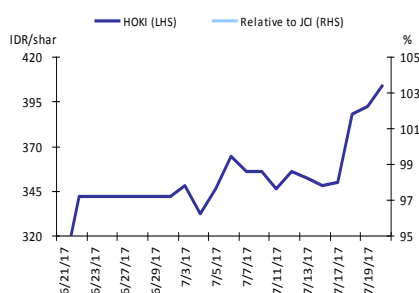
Non Rated

Last price Rp 374
Sector Consumer
Bloomberg Ticker HOKI IJ
No of Shares (mn) 2,350
Mkt. Cap (Rpbn/USDmn) 902/69

Major shareholders

Buyung Investama Gemilang 66.9%
Sukarta 0.7%
Public 29.8%

HOKI relative to JCI Index



Source : Bloomberg

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Buyung Poetera Sembada

Better margins in store

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Upbeat on its growth prospect. We recently met the management of Buyung Poetra Sembada (HOKI IJ) and learnt that the company is optimistic that it will book solid top line growth going forward. The company, which has extensive experience in the rice business going back to 1977, sells a range of reputable brands that are distributed to modern and general traders across Indonesia and which tap all market segments. Since 3Q15, the company has worked closely with local distributors to further penetrate general trade (GT), successfully raising GT's revenues contribution to 54.9% in 2016 from only 40.8% in 2015.

Wet paddy processing: paving the way for better margins. At the end of Dec 2016, HOKI had total installed production capacity of 302,400tons/year with a utilization rate of almost 80%. Starting mid-2016, the company added a new facility to process the wet paddy. In so doing, BPS was able to cut the supply chain which led to quality improvements in its rice milling. This should help to boost the gross margin by 2%. At present, the supply of rice from its wet paddy facility is approximately 30% of the total sales volume. In the coming years, the company plans to develop new production facilities including both wet paddy processing and rice milling (exhibit 2).

HOKI trades at FY17F PE of 9.9x. The company made its 1Q17 unaudited result available at the meeting. The 1Q17 top line reached Rp347.6bn (+72% yoy) with an improved gross margin of 16.3% (FY16: 14.7%) and bottom line of Rp26.2bn (+94% yoy). For 2017, the company is providing guidance of FY17 revenues and net profits of Rp1.3tn (+13% yoy) and Rp92bn (+110% yoy), respectively. Using fully diluted EPS from the company's FY17 earnings guidance, the company is trading at FY17F PE of 9.9x, slightly above that of its main peer in the rice business (AISA: FY17F PE of 8.5x).

Year to 31 Dec	2014A	2015A	2016A
Revenue, (Rpbn)	518,297	658,280	1,146,888
Gross profit, (Rpbn)	74,254	98,928	168,839
Operating profit, (Rpbn)	25,525	37,784	72,186
Operating profit Growth, (%)	na	48%	91%
Net profit (Rpbn)	13,950	53,277	43,822
Core net profit (Rp bn)	13,468	23,810	43,775
Core profit growth (%)	na	76.8%	83.8%
EPS (Rp)	1,394,969	32.29	26.56
Operating margin (%)	4.9	5.7	6.3
Net margin (%)	2.7	8.1	3.8
Net debt to equity (%)	172	62	52
Receivable days	na	29	29
Inventory days	na	64	31
Cash conversion cycle - days	na	46	55

Source: Bloomberg

MARKET NEWS

SECTOR

Retail: Jakarta’s brick-and-mortar stores face stiff challenges

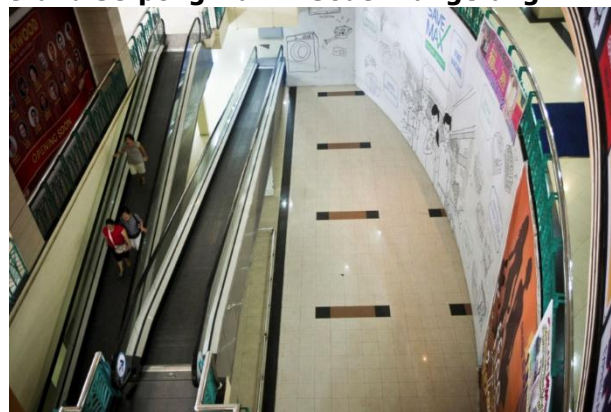
A survey by the Association of Indonesian Internet Service Providers, or AP JII, shows that more than half of Indonesia’s 256.2 million people now use the internet regularly and many of them use it to make purchases, for everything from books to pets from online shops. Online sellers in Indonesia can be found on official platforms such as Tokopedia, Bukalapak and Blibli or semi-unofficially on social media platforms like Instagram, Facebook and Twitter. The downside? The slow-but-sure death of brick-and-mortar stores. For example, Grand Serpong Mall in South Tangerang, Banten, is almost completely deserted. It had a brief busy period in 2005 but since then, merchants have been steadily leaving their shop spaces in the mall to open online stores instead. The mall’s management is now thinking of converting the building into an office block. (Jakarta Post)

Exhibit 1. An abandoned floor - Grand Serpong Mall in South Tangerang



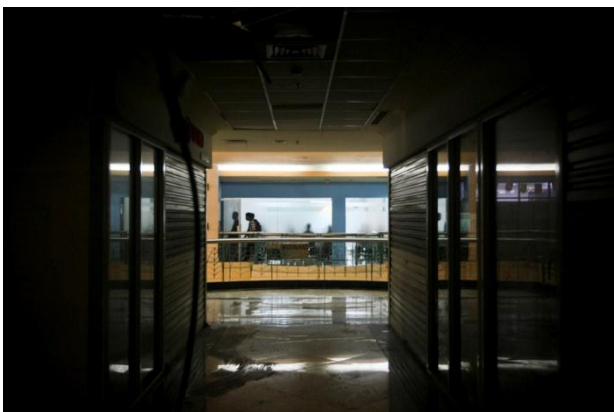
Source: Jakarta Post

Exhibit 2. The escalator no longer operates - Grand Serpong Mall in South Tangerang



Source: Jakarta Post

Exhibit 3. A store space that has already been converted into an office



Source: Jakarta Post

Exhibit 4. An abandoned mall near Serpong



Source: Jakarta Post

CORPORATE

AISA: Lowered its FY17 revenues growth estimate to 8%

Tiga Pilar Sejahtera has revised down its FY17 revenues growth estimate to 8% from 14% previously. The company estimates that its food division, which currently contributes around 40% of total revenues, will become the growth driver in 2H17 given additional contracts for biscuits (around Rp400bn) and new product variants (Dried noodles, Vermicelli and Taro). (Kontan)

Bank Mandiri: to issue global bonds

Bank Mandiri (BMRI) will reportedly issue USD250mn of global bonds in 2H17 subject to market conditions. The CEO of the bank said that using the global bonds market was an alternative to using the domestic market which has seen many issuances recently. The bond issuance is to finance infrastructure projects - especially for Jasa Marga (JSMR)'s toll road projects. Bank Mandiri's infrastructure loans grew 15% yoy to IDR133.7tn. The infrastructure projects comprise IDR36tn for transportation, IDR27tn for electricity and IDR20.9tn for energy projects. (Kontan)

PP Properti: prepares IDR10tn for capex up to 2021

PP Properti (PPRO) is earmarking IDR10tn for capex in the period from 2017 to 2021. This year, the company is allocating IDR3tn on capex. In 1H17, PPRO spent IDR800bn on capex. For 2018 and 2019, the company will allocate IDR1.5tn on capex. Meanwhile, for 2020 and 2021, the company will allocate IDR2tn on capex.

This year, PPRO aims to acquire an additional 210ha of land bank, of which 200ha will be located in the vicinity of Majalengka. Currently, its land bank is only 80ha.

Since its launch in May 2017, Grand Shamaya apartment in Embong Sawo, has obtained a 65% take-up rate from the 590 units available. Located on 1.7ha of land, the Grand Shamaya development will comprise four apartment towers. The first tower is offered at IDR27.5mn/sqm. The size per unit ranges from 50.91sqm to 167sqm. The ground breaking for the first tower will be conducted in August 2017.

In 1H17, PPRO recorded marketing sales of IDR1.5tn, supported by both new projects and existing projects. New projects, including Grand Shamaya and Bengawan (Malang) contributed IDR284bn and IDR108bn, respectively. The 1H17 marketing sales are 51% of the management's full year target of IDR2.9tn and PPRO is increasing its marketing sales target to IDR3.1tn. (Investor Daily)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		25-Jul-17	24-Jul-17					
Vale Indonesia	INCO	2,300	2,170	6.0	12.2	24.3	(18.4)	HOLD
Matahari Department Store	LPPF	12,975	12,575	3.2	3.0	(8.5)	(14.2)	SELL
Pakuwon Jati	PWON	640	625	2.4	4.9	4.1	13.3	BUY
United Tractors	UNTR	28,900	28,300	2.1	3.3	5.3	36.0	BUY
Bank Tabungan Negara	BBTN	2,490	2,440	2.0	2.5	(4.2)	43.1	BUY
HM Sampoerna	HMSP	3,770	3,700	1.9	(0.3)	(1.8)	(1.6)	HOLD
Erajaya Swasembada	ERAA	650	640	1.6	-	3.2	8.3	BUY
Mayora Indah	MYOR	2,070	2,040	1.5	3.0	(6.3)	25.8	SELL
Timah	TINS	745	735	1.4	-	2.1	(30.7)	BUY
Semen Baturaja	SMBR	3,070	3,030	1.3	(4.7)	(3.8)	10.0	SELL

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		25-Jul-17	24-Jul-17					
Ciputra Development	CTRA	1,080	1,115	(3.1)	(8.5)	(7.7)	(19.1)	BUY
Ramayana	RALS	995	1,020	(2.5)	(7.4)	(18.8)	(16.7)	HOLD
Harum Energy	HRUM	2,060	2,110	(2.4)	(5.9)	3.3	(3.7)	SELL
Indo Tambangraya Megah	ITMG	20,500	20,950	(2.1)	5.7	18.5	21.5	HOLD
Alam Sutera	ASRI	304	310	(1.9)	(4.4)	(4.4)	(13.6)	HOLD
Pembangunan Perumahan	PTPP	2,940	2,990	(1.7)	(2.0)	(6.4)	(22.8)	BUY
Astra International	ASII	8,100	8,225	(1.5)	(6.6)	(9.2)	(2.1)	HOLD
Summarecon Agung	SMRA	1,045	1,055	(0.9)	(8.3)	(19.0)	(21.1)	HOLD
Mitra Adi Perkasa	MAPI	6,200	6,250	(0.8)	(0.4)	(8.8)	14.8	BUY
Indocement	INTP	17,975	18,100	(0.7)	2.6	(2.6)	16.7	SELL

Sources: Bloomberg

PREVIOUS REPORTS

- Bank Mandiri: Forecast adjustments [Snapshot20170725](#)
- Property: Softening Demand, WSKT: Paving new roads, HM Sampoerna: 6M17 sales volume down 10% yoy with lower market share [Snapshot20170724](#)
- Sumber Alfaria Trijaya: Key takeaways on the 2Q17 guidance [Snapshot20170720](#)
- Automotive Sector: Expect tighter competition from the launch of new models [Snapshot20170719](#)
- ASRI: Steady progress but challenges remain [Snapshot20170718](#)
- Waskita Karya: 1H17 earnings up 119%yoy, Waskita Beton Precast: 1H17 earnings jump 28%yoy [Snapshot20170717](#)
- Adhi Karya: Moving in the right direction, SMGR: Weak on seasonality [Snapshot20170714](#)
- Retail Sector: Stay defensive, better outlook for mid-up retailers, Bank Negara Indonesia: Maintaining momentum [Snapshot20170713](#)

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