

FROM EQUITY RESEARCH
MYOR: Better performance on the cards

(MYOR IJ. IDR1,895. HOLD. TP IDR1,960)

We expect better performance from Mayora in 2H17, supported by growing exports and benign raw material prices. This, in turn, should lead to wider gross margins in the second half of the year. We roll over our valuation to 2018 and arrive at a higher TP of IDR1,960. With upside to our TP of less than 10%, we upgrade our recommendation to HOLD.

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MARKET NEWS
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- Infrastructure: Land acquisition for the Kunciran-Cengkareng toll road to be completed this year
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- Puradelta Lestari recorded marketing sales of 37ha of industrial land in 7M17
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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,801	0.6	9.5	282
Thailand	1,561	(0.7)	1.2	1,293
Philippines	7,962	0.4	16.4	100
Malaysia	1,771	0.2	7.9	441
Singapore	3,309	0.9	14.9	890
Regional				
China	3,237	0.9	4.3	40,425
Hong Kong	27,250	1.4	23.9	10,920
Japan	19,537	(1.0)	2.2	13,083
Korea	2,334	0.6	15.2	5,571
Taiwan	10,225	(1.0)	10.5	3,564
India	31,449	0.8	18.1	488
NASDAQ	6,340	1.3	17.8	77,590
Dow Jones	21,994	0.6	11.3	7,190

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	13,349	(0.2)	(0.1)	0.9
SBI rate	%	5.90	-	-	(1.3)
10y Gov	Indo bond	6.90	0.0	(0.1)	(1.1)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	95	(0.4)	13.7	8.0
Gold	US\$/toz	1,279	(0.2)	4.1	11.0
Nickel	US\$/mt.ton	10,407	(2.0)	9.2	4.4
Tin	US\$/mt.ton	20,460	0.2	2.9	(3.5)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,009	0.5	7.1	(6.5)
Corn	US\$/mt.ton	129	0.6	(2.1)	-
Oil (WTI)	US\$/barrel	48	(0.1)	2.1	(11.5)
Oil (Brent)	US\$/barrel	51	(0.2)	3.6	(10.9)
Palm oil	MYR/mt.ton	2,624	(0.4)	(0.5)	(18.0)
Rubber	US\$/kg	151	-	0.3	(22.2)
Pulp	US\$/tonne	891	N/A	0.1	10.2
Coffee	US\$/60kgbag	126	0.0	0.3	(15.9)
Sugar	US\$/MT	371	1.7	(11.4)	(29.3)
Wheat	US\$/ton	127	(0.3)	(12.8)	0.3

Tuesday, 15 August 2017

HOLD
UPGRADE

Last price (IDR)	1,895
Target Price (IDR)	1,960
Upside/Downside	3.4%
Previous Target Price (IDR)	1,790

Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	MYOR IJ
No of Shrs (mn)	22,359
Mkt. Cap (IDR bn/USDmn)	45,612/3,420
Avg. daily T/O (IDR bn/USDmn)	3.6/0.3

Major shareholders

UNITA BRANINDO PT	32.9%
NORGES BANK	1.1%
Estimated free float (%)	67%

EPS Consensus (IDR)

	2017F	2018F
Danareksa	61.6	69.6
Consensus	65.4	77.5
Danareksa/Cons	(5.8)	(10.2)

MAYORA INDAH (MYOR IJ)

Better performance on the cards

We expect better performance from Mayora in 2H17, supported by growing exports and benign raw material prices. This, in turn, should lead to wider gross margins in the second half of the year. We roll over our valuation to 2018 and arrive at a higher TP of IDR1,960. With upside to our TP of less than 10%, we upgrade our recommendation to HOLD.

Better performance expected in 2H17. Following the release of the 2Q17 result and the company's announcement that revenues were up by 8.4% yoy in 7M17, we maintain our FY17F top line growth estimate of 11% yoy underpinned by growing exports. Profitability-wise, we trim our gross margin estimate to 24%. Note that while the 1H17 gross margin slipped to 22.5%, we expect it to improve in 2H17, boosted by the persistently soft prices of raw materials such as sugar. Also on a positive note, we foresee better operating performance from more effective A&P. Consequently, the operating margin should be maintained at 11%. This, in turn, will filter down to the bottom line. In FY17F, we expect flat net profits of IDR1.38tn with a slightly higher net margin of 6.8%.

New factories in 2018 to meet growing demand. As the only consumer company in Indonesia with significant export revenues, MYOR is well placed to benefit from the improving economic growth in most Asian countries. To meet the growing demand, MYOR is building new biscuit and coffee factories. These are expected to start operating in March 2018 – boosting capacity by 20%. Strong export sales should help to make up for the sluggish growth in the domestic market which has been hit by depressed purchasing power so far this year

Upgrade to HOLD with a higher TP. We continue to like MYOR given its solid fundamentals, growing export revenues and continued innovations which have helped the company to maintain market share. Nonetheless, the tepid 1H17 performance prompted the company's management to lower its bottom line guidance (flattish growth is now expected for 2017). Given this backdrop, we believe the stock has limited upside, especially since its peers are expected to show better performance. We roll over our valuation to 2018 and arrive at a higher TP of IDR1,960 (FY18F PE of 28.2x), based on the mid-value of DCF valuation (WACC 10.3% with higher terminal growth of 4%) and average 3-year PE of 30x. With upside to our TP of less than 10%, we upgrade our recommendation to HOLD.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue, (IDRbn)	14,819	18,350	20,371	22,981	26,034
EBITDA, (IDRbn)	2,331	2,830	2,802	3,112	3,436
EBITDA Growth, (%)	79.1	21.4	(1.0)	11.1	10.4
Net profit (IDRbn)	1,220	1,355	1,378	1,556	1,825
EPS (IDR)	54.6	60.6	61.6	69.6	81.6
EPS growth (%)	202.4	11.0	1.7	12.9	17.3
BVPS, (IDR)	227.1	273.8	317.3	368.4	429.1
DPS, (IDR)	6.7	12.3	18.2	18.5	20.9
PER (x)	34.7	31.3	30.7	27.2	23.2
PBV (x)	8.3	6.9	6.0	5.1	4.4
Dividend yield (%)	0.4	0.6	1.0	1.0	1.1
EV/EBITDA (x)	19.1	15.8	15.9	14.2	12.7

Source : MYOR, Danareksa Estimates

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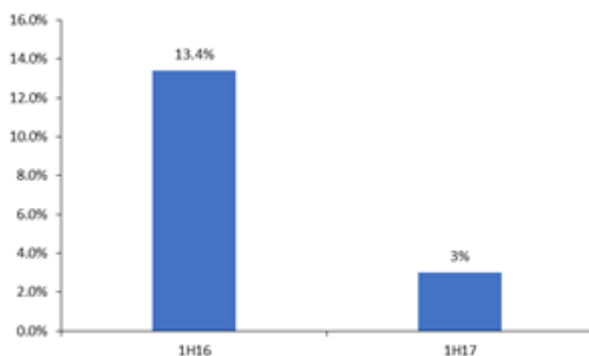
Exhibit 1. Earnings revision

MARKET NEWS
SECTOR
Infrastructure: Land acquisition for the Kunciran-Cengkareng toll road to be completed this year

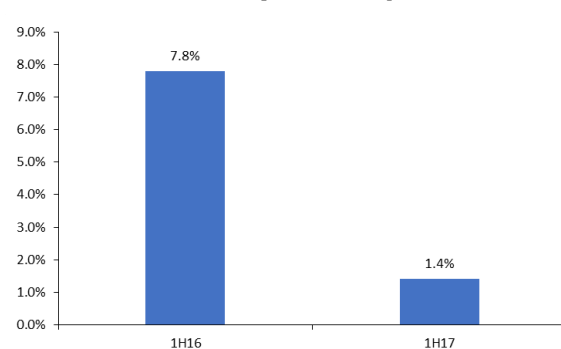
Land acquisition for the 14.19km Kunciran-Cengkareng toll road currently stands at 25%. The government remains optimistic that the land acquisition can be completed this year. Construction of the first section of the toll road has been started. The project's value is expected to reach IDR3.5tn. The toll road is owned by Marga Kunciran Cengkareng, a consortium of Jasa Marga (75%), CMS WIL (21%), Wijaya Karya (2%), Nindya Karya (1%), and Istaka Karya (1%). (Bisnis Indonesia)

Retail: Disappointing retail sales in stores not due to growing online sales

Disappointing retail sales in stores are not due to growing online sales, but because of weak consumption in general, say Nielsen. Lebaran sales in 1H17 showed weak growth of only 3% yoy in the domestic market (1H16: 13.4% yoy). Although growing rapidly, the penetration of online shopping in 2017 is expected to stay below 2% of Indonesia's total population. In other news, electricity consumption also showed slower growth at only 1.4% yoy (1H16: 7.8% yoy). (Kontan)

Exhibit 1. Lebaran sales, %


Source: Nielsen

Exhibit 2. Electricity consumption, %


Source: Nielsen

CORPORATE
Puradelta Lestari recorded marketing sales of 37ha of industrial land in 7M17

Puradelta Lestari (DMAS) recorded marketing sales of 37ha of industrial land in 7M17, slightly higher than the marketing sales in 6M17 of 36ha. The company remains optimistic that it can achieve its full year marketing sales target of 60ha. (Bisnis Indonesia)

Indofood Sukses: INDF reported better performance in July 2017

The management of INDF said that the soft 1H17 performance mainly owed to fewer working days during the period. Nonetheless, ICBP's sales/day still increased by 7% yoy in the first 7 months this year despite a lower rate of growth than 2016's sales/day growth of 10% yoy in 7M16. The company reported better sales growth in July 2017. By the end of June 2017, INDF had spent Rp2.1tn on capex out of the Rp9.1tn budgeted this year. (Bisnis Indonesia)

Nippon Indosari: Targets IDR1.49tn of proceeds from its rights issue

Nippon Indosari will issue up to 1.15bn new shares (18.5% of its total issued and fully paid up capital) through a rights issue. The targeted proceeds are Rp1.49tn (exercise price IDR1,200 to IDR1,300). The proceeds will be used for the expansion of its factories outside Java and in the Philippines. (Investor Daily)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-Aug-17	11-Aug-17					
Matahari Department Store	LPPF	10,975	10,475	4.8	(2.0)	(9.7)	(27.4)	SELL
Ciputra Development	CTRA	1,165	1,120	4.0	10.4	(5.3)	(12.7)	HOLD
Semen Indonesia	SMGR	10,975	10,675	2.8	3.8	7.9	19.6	HOLD
Wijaya Karya	WIKA	2,060	2,010	2.5	4.0	(5.1)	(12.7)	BUY
Adhi Karya	ADHI	2,110	2,060	2.4	2.4	0.5	1.4	BUY
Indocement	INTP	18,875	18,450	2.3	3.3	7.2	22.6	SELL
Bumi Serpong Damai	BSDE	1,810	1,770	2.3	2.5	(1.1)	3.1	BUY
Semen Baturaja	SMBR	3,140	3,080	1.9	3.0	(6.3)	12.5	SELL
Adaro Energy	ADRO	1,850	1,820	1.6	-	11.1	9.1	BUY
Unilever	UNVR	48,250	47,500	1.6	2.5	(0.7)	24.4	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-Aug-17	11-Aug-17					
Mitra Adi Perkasa	MAPI	6,550	6,725	(2.6)	4.4	4.8	21.3	BUY
Kimia Farma	KAEF	3,200	3,230	(0.9)	4.9	5.3	16.4	SELL
Jasa Marga	JSMR	5,450	5,500	(0.9)	1.9	4.3	26.2	BUY
Matahari Putra Prima	MPPA	545	550	(0.9)	(6.0)	(17.4)	(63.2)	SELL
Wika Beton	WTON	585	590	(0.8)	0.9	(4.1)	(29.1)	BUY
Aneka Tambang	ANTM	685	690	(0.7)	5.4	(1.4)	(23.5)	HOLD
Timah	TINS	820	825	(0.6)	0.6	13.9	(23.7)	BUY
Bukit Asam	PTBA	13,225	13,300	(0.6)	(3.8)	5.8	5.8	BUY
Vale Indonesia	INCO	2,540	2,550	(0.4)	7.2	29.6	(9.9)	HOLD
Indofood CBP	ICBP	8,350	8,350	-	0.9	(4.0)	(2.6)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Plantations: India's import duty on edible oils raised, Indo Tambangraya Megah: Weak quarterly net profit in 2Q17 [Snapshot20170814](#)
- Cement: Sales rebound strongly, Plantations: Jul-17 Malaysia CPO Statistics [Snapshot20170811](#)
- MPPA: Competition bites [Snapshot20170810](#)
- Ace Hardware Indonesia: SSSG weakening in July 2017, MTLA: Key takeaways from Public Expose [Snapshot20170809](#)
- Retail: Best to take a cautious stance, KLBF: The good news is priced in, INTP: Key takeaways from public expose [Snapshot20170808](#)
- CTRA: Tougher times ahead [Snapshot20170807](#)
- BBRI: Stronger growth on the card, ADRO: 2Q17: Expect quarterly better earnings on coal production and lower stripping ratio [Snapshot20170804](#)
- SMRA: The worst may not be over [Snapshot20170803](#)

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