

FROM EQUITY RESEARCH

Wismilak Inti Makmur: Better Times Ahead

(NON RATED. Rp 320)

Going into 2018, the outlook is brighter since the higher production limit of 3bn sticks for tier II producers should provide room for growth. This will pave the way for more new product launches and higher sales next year. Coupled with the expectation of improving purchasing power and manageable 2018's excise tax tariffs, cigarette demand should receive a timely boost.

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MARKET NEWS

Corporate

- Indopora targets FY17 new contracts of IDR1.1tn
- Jasa Marga seeks to issue up to Rp2tn bonds
- Erajaya Swasembada: Xiaomi's future founded on the Internet of Things Concept

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,863	(0.0)	10.7	380
Thailand	1,670	0.0	8.3	1,652
Philippines	8,222	0.6	20.2	201
Malaysia	1,764	(0.1)	7.5	648
Singapore	3,236	0.8	12.3	774
Regional				
China	3,345	0.1	7.8	36,671
Hong Kong	27,642	0.5	25.6	11,068
Japan	20,390	0.6	6.7	934
Korea	2,371	(0.1)	17.0	4,020
Taiwan	10,327	0.7	11.6	3,580
India	31,160	(1.4)	17.0	647
NASDAQ	6,453	1.1	19.9	91,588
Dow Jones	22,341	0.3	13.0	8,710

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	13,445	(1.2)	(0.8)	0.2
SBI rate	%	5.90	-	-	(1.3)
10y Gov	Indo bond	6.49	0.0	(0.3)	(1.5)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	97	0.3	(1.4)	10.0
Gold	US\$/toz	1,285	0.1	(1.8)	11.5
Nickel	US\$/mt.ton	10,157	(2.3)	(11.1)	1.9
Tin	US\$/mt.ton	20,890	(0.1)	2.1	(1.5)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	1,992	(0.2)	1.1	(7.3)
Corn	US\$/mt.ton	121	0.3	(0.3)	(6.4)
Oil (WTI)	US\$/barrel	52	(0.1)	11.9	(3.0)
Oil (Brent)	US\$/barrel	58	(0.3)	11.2	1.5
Palm oil	MYR/mt.ton	2,728	0.7	0.7	(14.7)
Rubber	US\$/kg	152	(0.1)	(2.4)	(21.7)
Pulp	US\$/tonne	906	N/A	1.7	12.0
Coffee	US\$/60kgbag	122	(1.0)	(3.7)	(18.9)
Sugar	US\$/MT	32	(0.3)	(6.5)	(3.9)
Wheat	US\$/ton	356	0.2	(7.4)	(32.0)

Source: Bloomberg

Thursday, 28 September 2017

Non Rated

WISMILAK INTI MAKMUR (WIIM JJ)

Better times ahead

Last price (IDR) 320

2017 has been a tough year for Wismilak because of the soft purchasing power. Looking ahead, however, the outlook is brighter since the higher production limit of 3bn sticks for tier II producers should provide room for growth. This will pave the way for more new product launches and higher sales.

Stock Statistics

Sector	CIGARETTE
Bloomberg Ticker	WIIM JJ
No of Shrs (mn)	2,099.9
Mkt. Cap (IDR bn/USDmn)	672,0/60,0
Avg. daily T/O (IDR bn/USDmn)	0.1/0.01

Major shareholders

CENTRAL TOWER CAPITAL PTE	22.5%
RONALD WALLA	9.9%
STEPHEN WALLA	9.9%
Estimated free float (%)	28.3%

FY17F volume growth guidance of -10% to -15% yoy. We met with the management of Wismilak and learnt that the 1H17 sales volume declined by 20% yoy. Furthermore, the company reported minus 5-6% growth in excise ribbon sales, a reflection of weak demand in the cigarette industry. Nonetheless, the company may now have turned the corner as sales improved in August and September 2017 and further recovery is expected in the remaining months of the year. As such, for FY17, the company estimates sales volume growth of between -10 to -15% yoy.

Room for growth from a higher Tier II production limit. This year, the company launched two new products: Wismilak Impact 16 sticks (SKM) and Wismilak Dirgha (SKT). However, sales were disappointing due to sluggish demand and stiff competition. Better news comes from the issuance of PMK No.147/PMK.010/2016, which stipulates an increase in the production limit that separates tier I and tier II producers at 3bn sticks compared to 2bn sticks previously for SKM and SPM. For WIIM (which is in tier II), this regulation gives the company greater room to boost its sales given Wismilak's ample production capacity (4bn sticks).

Manageable excise tax increases next year. To pass on higher excise tax, the company has raised its blended ASP by around 5% ytd. In the coming quarters, Wismilak will continue to adjust its selling prices to fully pass on the 7-8% higher excise tax tariff this year. For 2018, the government targets 1.5% yoy growth in the excise tax revenues target in the state budget assuming lower volume growth (3% yoy) and less stringent requirements on excise tax payments for the last two weeks of 2018 (they can be settled by the end of Feb 2019). Coupled with the expectation of improving purchasing power, next year's excise tax tariffs should be manageable and cigarette demand should receive a timely boost.

Lower margins on higher costs and the slump in sales. The slump in sales combined with the higher costs from factory relocation from Kertosono (Surabaya) to Bojonegoro (around 110km from Surabaya) put pressure on the 1H17 margins. This, in turn, filtered through to lower earnings of IDR11.6bn (down 81% yoy). At the current share price, WIIM is trading at FY17F PE of 29x – based on the annualized 1H17 results.

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Key Financials

Year to 31 Dec	2013A	2014A	2015A	2016A	1H17A
Revenue, (IDRbn)	1,588	1,662	1,839	1,686	761
EBITDA, (IDRbn)	202	195	244	186	42
EBITDA Margin, (%)	12.70	11.70	13.30	11.00	5.5
Net profit (IDRbn)	132	113	131	106	11
EPS (IDR)	62	53	62	49	5.5
EPS growth (%)	na	(15.40)	16.80	(20.10)	(57.70)
BVPS, (IDR)	372	403	449	471	461
DPS, (IDR)	19	14	25	-	22
PER (x)	10.7	11.7	6.9	8.7	29.1*
PBV (x)	1.8	1.5	1.0	0.9	0.7
ROE (%)	18.4	13.8	14.6	11.0	1.2
EV/EBITDA (x)	7.12	7.5	4.4	5.7	6.2

Source : WIIM, Bloomberg *Annualized

MARKET NEWS

CORPORATE

Indopora targets FY17 new contracts of IDR1.1tn

Indonesia Pondasi Raya (IDPR) estimates that it will obtain additional new contracts of IDR250bn in 4Q17. This will help the company to achieve its FY17 target of IDR1.1tn (+11% yoy). Since early this year, the company has targeted a 75-80% contribution from building contracts with the remaining 20-25% from infrastructure projects. In 9M17, IDPR booked 9M17 new contracts of IDR745bn. In 2017, the company has budgeted IDR100bn for capex. (Kontan)

Jasa Marga seeks to issue up to Rp2tn of bonds

Jasa Marga (JSMR) is looking to issue up to Rp2tn of bonds by the end of Oct-17. The funds will be used to finance the development of the JORR W2 project (Kebon Jeruk-Ulujami). JSMR has obtained the license from the Financial Services Authority (OJK) and is in the process of conducting market assessment. (Bisnis Indonesia)

Erajaya Swasembada: Xiaomi's future founded on the Internet of Things Concept

Erajaya Swasembada (ERAA) will continue to launch more new products from Xiaomi, not only phones, but also other types of products coming from the "Internet of Things" concept. There are currently many types of Xiaomi products which are not yet sold in Indonesia such as mi air purifiers, mi pressure rice cookers, mi robot vacuum cleaners, etc. Supported by the IoT concept, Xiaomi's contribution to ERAA's revenues is likely to increase going forward. Worth noting is that ERAA's five top brands are: 1) Samsung, 2) Apple, 3) Xiaomi, 4) Lenovo, and 5) Asus. (Company)

Exhibit 1. Lei Jun, Xiaomi



Source: Danareksa Sekuritas

DANAREKSA VALUATION GUIDE

Equity Valuation		Rating	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net profit, Rp bn	EPS (Rp)	Core EPS (Rp)	EPS Growth	PER (x)	EV / EBITDA (x)	PBV (x)	ROE
						2017	2018	2017	2018	2017	2018	2017	2018
Danareksa Universe					3,620,440	192,959	220,169	233.4	266.3	17.3%	14.1%	18.8	16.4
Auto					316,784	18,975	22,003	381.6	442.5	25.2%	16.0%	16.7	14.4
Astra International		HOLD	7,825	9,000	316,784	18,975	22,003	469	544	25.2%	16.0%	16.7	14.4
Banks					1,340,486	89,107	104,234	711.5	832.3	19.5%	17.0%	15.0	12.9
BCA		BUY	19,750	19,450	486,936	22,682	25,017	920	1,015	10.1%	10.3%	21.5	19.5
BNI		HOLD	7,275	6,700	135,669	14,049	16,825	753	902	23.9%	19.8%	9.7	8.1
BRI		BUY	15,250	15,000	376,205	30,046	33,756	1,218	1,368	14.7%	12.3%	12.5	11.1
Bank Tabungan Negara		BUY	3,180	2,400	33,676	2,941	3,120	278	295	12.3%	6.1%	11.5	10.8
Bank Mandiri		HOLD	6,600	11,800	308,000	19,390	25,515	831	1,094	40.4%	31.6%	7.9	6.0
Cement					157,813	5,911	6,125	303	314	-18.6%	3.6%	26.7	25.8
Indocement		SELL	19,400	13,000	71,416	2,514	2,484	683	675	-35.1%	-1.2%	28.4	28.7
Semen Indonesia		HOLD	9,625	8,600	57,091	3,209	3,458	541	583	2.3%	7.8%	17.8	16.5
Semen Baturaja		SELL	2,960	390	29,306	188	182	19	19	-27.3%	-3.3%	154.6	159.9
Cigarettes					580,976	19,836	21,451	168	181	2.0%	8.1%	29.3	27.1
Gudang Garam		HOLD	65,575	75,100	126,172	7,159	7,871	3,721	4,091	7.2%	9.9%	17.6	16.0
HM Sampoerna		BUY	3,910	4,100	454,804	12,677	13,581	109	117	-0.7%	7.1%	35.9	33.5
Construction					117,685	8,554	10,351	115	139	29.9%	21.0%	13.8	11.4
Wijaya Karya		BUY	1,790	2,800	16,056	1,225	1,783	137	199	21.0%	45.5%	13.1	9.0
Pembangunan Perumahan		BUY	2,380	5,700	14,756	1,295	1,570	209	253	33.9%	21.2%	11.4	12.2
Adhi Karya		BUY	2,010	2,700	7,157	451	619	127	174	43.9%	37.3%	15.9	11.6
Waskita Karya		BUY	1,805	2,800	24,501	2,383	3,034	176	224	39.1%	27.4%	10.3	8.1
Waskita Beton		BUY	364	630	9,595	1,104	1,319	42	50	73.9%	19.5%	8.7	7.3
Wilka Beton		BUY	550	1,100	4,794	349	420	42	50	28.3%	20.2%	13.1	10.9
Jasa Marga		BUY	5,625	6,300	40,826	1,747	1,606	257	236	4.4%	-8.1%	21.9	23.8
Consumer					604,547	17,265	19,547	333	377	10.2%	13.2%	35.0	30.9
Indofood CBP		BUY	8,825	9,700	102,916	3,857	4,351	331	373	7.1%	12.8%	26.7	23.7
Indofood		HOLD	8,550	8,650	75,073	4,506	5,098	517	580	9.2%	12.2%	16.7	17.5
Unilever		HOLD	50,000	52,000	381,500	7,324	8,326	960	1,091	14.6%	13.7%	52.1	45.8
Kino Indonesia		BUY	1,725	2,300	2,464	199	215	140	151	10.1%	8.0%	12.4	11.4
Mayora Indah		HOLD	1,905	1,960	42,593	1,378	1,556	62	70	1.7%	12.9%	30.9	27.4
Healthcare					97,003	2,773	3,089	105	118	8.1%	11.9%	35.0	31.4
Kalbe Farma		HOLD	1,740	1,750	81,563	2,484	2,763	53	59	8.0%	11.2%	29.5	26.0
Kimia Farma		SELL	2,780	1,510	15,440	289	326	52	59	8.1%	12.7%	53.4	47.4
Heavy Equipment					113,489	6,873	7,645	1,843	2,049	37.4%	11.2%	16.5	14.8
United Tractors		BUY	30,425	35,300	113,489	6,873	7,645	1,843	2,049	37.4%	11.2%	16.5	14.8
Mining					148,367	11,073	12,401	139	156	41.4%	12.0%	13.4	12.0
Adaro Energy		BUY	1,670	2,000	53,417	4,963	5,165	155	161	10.7%	4.1%	10.8	10.3
Timah		BUY	810	1,000	6,033	313	334	42	45	24.3%	6.7%	19.3	18.1
Vale Indonesia		HOLD	2,600	2,600	25,834	380	540	38	54	1412.0%	42.0%	67.9	47.8
Aneka Tambang		HOLD	625	900	15,019	(147)	207	(6)	9	-52.0%	-240.6%	(102.0)	72.5
Bukit Asam		BUY	9,225	14,500	21,256	2,498	3,004	1,149	1,382	72.7%	20.3%	8.0	6.7
Indo Tambangraya Megah		HOLD	18,725	17,000	21,158	2,536	2,534	2,244	2,323	44.8%	-0.1%	8.3	8.3
Harum Energy		HOLD	2,090	2,200	5,651	530	617	196	228	196.4%	16.3%	10.7	9.2
Poultry					61,868	4,623	5,608	31	37	1.1%	21.3%	13.4	11.0
Charoen Pokphand		BUY	2,790	3,100	45,750	2,982	3,550	182	216	34.3%	19.0%	15.3	12.9
Japfa Comfeed		BUY	1,235	1,650	14,092	1,463	1,811	128	159	-29.2%	23.8%	9.6	7.8
Malindo Feedmill		BUY	905	1,050	2,026	178	247	80	110	-38.5%	38.4%	11.4	8.2
Property					108,965	7,171	6,745	60	56	39.3%	-5.9%	15.2	16.2
Alam Sutera		HOLD	390	380	7,663	1,129	1,026	57	52	121.9%	-9.2%	6.8	7.5
Bumi Serpong Damai		BUY	1,770	2,200	34,067	3,115	1,947	162	101	73.4%	-37.5%	10.9	17.5
Ciputra Development		HOLD	1,160	1,070	21,530	947	1,302	51	70	-8.6%	37.4%	12.7	16.5
Pakuwon Jati		BUY	630	700	30,341	1,707	2,146	35	45	2.2%	25.7%	17.8	14.1
Summarecon		SELL	1,065	900	15,365	272	325	19	23	-12.8%	19.7%	56.6	47.3
Retail					69,460	3,573	4,059	104	119	10.4%	13.6%	19.4	17.1
Mitra Adi Perkasa		BUY	6,900	8,100	11,454	347	509	210	308	66.5%	46.8%	32.9	22.4
Ramayana		BUY	860	1,130	6,103	431	462	67	70	10.9%	4.9%	12.9	12.3
Matahari Department Store		SELL	9,625	12,000	28,085	2,098	2,265	719	777	4.0%	7.9%	13.4	12.4
Matahari Putra Prima		SELL	650	450	3,496	109	112	17	17	183.4%	2.7%	38.9	37.8
Ace Hardware		HOLD	1,185	1,050	20,323	588	711	43	47	3.2%	9.3%	27.6	25.2
Erajaya Sw asembada		BUY	820	1,100	2,378	303	339	105	117	14.9%	11.8%	7.8	7.0

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		27-Sep-17	26-Sep-17					
Kalbe Farma	KLBF	1,740	1,680	3.6	(0.6)	1.2	14.9	BUY
Matahari Putra Prima	MPPA	650	635	2.4	6.6	1.6	(56.1)	SELL
HM Sampoerna	HMSP	3,910	3,850	1.6	0.3	6.5	2.1	HOLD
Unilever	UNVR	50,000	49,350	1.3	(2.0)	0.4	28.9	HOLD
Ciputra Development	CTRA	1,160	1,150	0.9	(2.1)	(2.5)	(13.1)	BUY
Bank Mandiri	BMRI	6,600	6,550	0.8	-	(0.2)	14.0	HOLD
Bank Central Asia	BBCA	19,750	19,650	0.5	3.5	3.5	27.4	BUY
Astra International	ASII	7,825	7,800	0.3	(1.3)	(2.2)	(5.4)	HOLD
Indofood	INDF	8,550	8,525	0.3	(0.3)	(0.9)	7.9	HOLD
Indofood CBP	ICBP	8,825	8,800	0.3	-	0.3	2.9	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		27-Sep-17	26-Sep-17					
Bukit Asam	PTBA	9,225	9,900	(6.8)	(11.7)	(28.3)	(26.2)	BUY
Pembangunan Perumahan	PTPP	2,380	2,480	(4.0)	(9.2)	(15.0)	(37.5)	BUY
Ramayana	RALS	860	890	(3.4)	(12.2)	(15.7)	(28.0)	HOLD
Matahari Department Store	LPPF	9,625	9,950	(3.3)	(6.8)	(9.2)	(36.4)	SELL
Aneka Tambang	ANTM	625	645	(3.1)	(7.4)	(12.6)	(30.2)	HOLD
Timah	TINS	810	835	(3.0)	(8.0)	(10.5)	(24.7)	BUY
Ace Hardware	ACES	1,185	1,220	(2.9)	6.8	11.3	41.9	HOLD
Semen Indonesia	SMGR	9,625	9,900	(2.8)	(3.3)	(8.6)	4.9	HOLD
Mitra Adi Perkasa	MAPI	6,900	7,075	(2.5)	1.1	(0.7)	27.8	BUY
Adaro Energy	ADRO	1,670	1,710	(2.3)	(10.7)	(11.6)	(1.5)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

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- Ramayana Lestari Sentosa: Time to dive in, PLANTATIONS: Aug-17 Malaysia Palm Oil Statistics [Snapshot20170912](#)

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