

FROM EQUITY RESEARCH
Indofood CBP Sukses Makmur: Growth to pick up
 (ICBP IJ. IDR8,200. BUY. TP IDR9,400)

Following the release of solid 1Q18 results, we foresee continued strong performance in the coming quarters that will help the FY18 top line growth to reach 8.3% yoy. At the current share price, ICBP trades at 24.1x, below the -1SD of the average 2-y PE. Maintain BUY with a TP of IDR9,400.

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MARKET NEWS
Macroeconomy

- The Indonesian debt ratio in 1Q18 is still relatively stable
- Imports of capital goods increase 41%yoy

Sector

- Automotive: Stable monthly car sales in April 2018
- Infrastructure: 3 SOE contractors plan to build an elevated loop line railway in Jakarta

Corporate

- BCA Issues Subordinated Bonds of IDR500bn
- Unilever Indonesia: Disclosure to sell spreads' assets amounting to IDR2.65tn

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,838	(1.8)	(8.1)	492
Thailand	1,767	(0.4)	0.7	1,868
Philippines	7,886	1.7	(7.9)	150
Malaysia	1,848	(0.1)	2.9	1,848
Singapore	3,540	(0.6)	4.0	914
Regional				
China	3,192	0.6	(3.5)	37,031
Hong Kong	31,152	(1.2)	4.1	13,468
Japan	22,818	(0.2)	0.2	13,636
Korea	2,459	(0.7)	(0.4)	8,906
Taiwan	10,875	(0.7)	2.2	5,141
India	35,544	(0.0)	4.4	653
NASDAQ	7,352	(0.8)	6.5	109,270
Dow Jones	24,706	(0.8)	(0.1)	9,610

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14,037	0.1	(1.9)	(3.6)
BI7DRRR	%	4.25	-	-	-
10y Gov	Indo bond	7.09	(0.3)	0.5	0.8

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	104	1.7	11.6	3.4
Gold	US\$/toz	1,293	0.2	(3.9)	(0.8)
Nickel	US\$/mt.ton	14,354	(0.5)	3.3	13.0
Tin	US\$/mt.ton	20,950	(0.3)	(0.7)	4.2

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,736	(0.8)	7.3	44.0
Corn	US\$/mt.ton	143	1.4	6.4	14.5
Oil (WTI)	US\$/barrel	71	(0.5)	7.1	17.4
Oil (Brent)	US\$/barrel	78	0.3	8.1	17.3
Palm oil	MYR/mt.ton	2,408	1.2	(0.1)	0.7
Rubber	US\$/kg	140	(0.2)	1.1	(4.5)
Pulp	US\$/tonne	1,170	N/A	4.0	17.0
Coffee	US\$/60kgbag	87	0.2	1.5	(8.4)
Sugar	US\$/MT	322	0.4	(8.6)	(18.3)
Wheat	US\$/ton	134	0.5	0.9	8.9
Soy Oil	US\$/lb	31	(0.4)	(1.1)	(5.9)
Soy Bean	US\$/by	1,019	0.1	(3.4)	7.0

Source: Bloomberg

Wednesday, 16 May 2018

BUY
Maintain

Last price (IDR)	8,200
Target Price (IDR)	9,400
Upside/Downside	+14.6%
Previous Target Price (IDR)	9,700

Stock Statistics

Sector	Consumer
Bloomberg Ticker	ICBP IJ
No of Shrs (mn)	11,662
Mkt. Cap (IDRbn/USDmn)	95,628/6,813
Avg. daily T/O (IDRbn/USDmn)	40.9/2.9

Major shareholders (%)

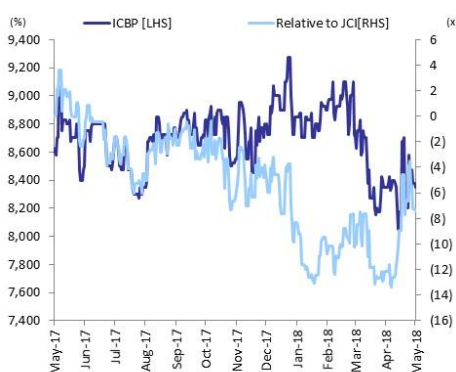
Indofood Sukses Makmur Tbk	80.5
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Estimated free float	19.5
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EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	341.2	362.7	404.7
Consensus	355.6	385.8	411.0
Danareksa/Cons	(4.0)	(6.0)	(1.5)

ICBP relative to JCI Index



Source : Bloomberg



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Indofood CBP Sukses Makmur (ICBP IJ)

Growth to pick up

Following the release of solid 1Q18 results, we foresee continued strong performance in the coming quarters that will help the FY18 top line growth to reach 8.3% yoy. At the current share price, ICBP trades at 24.1x, below the -1SD of the average 2-y PE. Maintain BUY with a TP of IDR9,400.

Noodles: solid 1Q18 volume and revenues growth. At our recent meeting with the management, we learned that the noodles division booked positive volume growth in 1Q18 on the back of a continued focus on product development and marketing. Exports, which account for around 5% of total revenues, showed robust growth in 1Q18. Going forward, we estimate that the noodles division will book revenues growth of 7.6% yoy in FY18 underpinned by the exports drive and solid domestic sales. In terms of profitability, we foresee a lower EBIT margin of 18.9% on the back of higher raw material prices (especially of wheat).

The other divisions should perform better as well. Dairy booked slightly negative volume growth given sluggish sales in the low-end segment. Nonetheless, Dairy's liquid products booked positive volume growth supported by continued innovation and the creation of new variants/SKU. As for the Snacks division, it reported negative 1Q18 volume growth as aggressive promotions back in 1Q17 led to a high base. With the support of new biscuit products (Wonderland Wafer) launched in 1Q18, we forecast robust FY18 snack revenues growth of 8.8% yoy. In the beverages business, meanwhile, the company reported flat volume growth as it halted the production of cup beverages last year. For the nutritional segment, strong growth in 1Q18 was supported by the launch of a cereal drink last year called Go Well.

Maintain BUY with a TP of IDR9,400. We estimate brisker top line growth of 8.3% yoy in 2018 (FY17: +3.6% yoy). Nonetheless, the possibility of currency depreciation and increases in the prices of several major raw materials may narrow the FY18 gross margin to 30.8%, we believe. In turn, this would filter down to a FY18 bottom line of near to only IDR4tn with a lower net margin of 10.3%. At the current share price, ICBP trades at 24.1x, below the -1SD of the average 2-y PE. The upcoming festive season in addition to the national/international events which will take place in the coming quarters bode well for sustained earnings growth, in our view. We maintain our BUY call on the stock with a TP of IDR9,400 based on the median value of the DCF valuation and the average 2-y PE of 26.2x.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	34,375	35,607	38,545	42,101	46,229
EBITDA (IDRbn)	5,541	6,053	6,243	6,621	7,303
EBITDA Growth (%)	24.3	9.2	3.1	6.1	10.3
Net profit (IDRbn)	3,600	3,797	3,979	4,230	4,720
EPS (IDR)	308.7	325.6	341.2	362.7	404.7
EPS growth (%)	20.0	5.4	4.8	6.3	11.6
BVPS (IDR)	1,506.1	1,677.6	1,856.8	2,049.8	2,274.1
DPS (IDR)	13.2	13.9	14.6	15.5	17.3
PER (x)	26.6	25.2	24.0	22.6	20.3
PBV (x)	5.4	4.9	4.4	4.0	3.6
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (x)	16.1	14.7	14.1	13.1	11.8

Source : ICBP, Danareksa Estimates

MARKET NEWS

Macroeconomics

The Indonesian debt ratio in 1Q18 is still relatively stable

Bank Indonesia (BI) said that the country's foreign debt in 1Q18 was still at a healthy level. This is reflected in the ratio of Indonesia's debt to Gross Domestic Product (GDP) in 1Q18 of around 34%, lower than the ratios of many other countries. Indonesia's foreign debts in 1Q18 are still dominated by long-term external debt (86.1% of the total). (Bisnis Indonesia)

Imports of capital goods increase 41%yoy

According to Indonesia's Central Statistics Agency (BPS), imports of capital goods are up by 41%yoy to USD2.62bn in April 2018 from USD1.86bn last year. Imports of raw materials are also higher. They rose by 33%yoy to USD11.96bn. Meanwhile, imports of consumption goods increased by 38%yoy to USD1.51bn. On the back of the higher imports, Indonesia recorded a current account deficit of USD1.31bn in April 2018. Nonetheless, the Minister for the Coordination of Economic Affairs stated that the economy was still improving – as indicated in higher investment and the development of more infrastructure projects. (Bisnis Indonesia)

Sector

Automotive: Stable monthly car sales in April 2018

Domestic car sales reached 102,256 units in April 2018 (+0.4% mom, +14.1% yoy). The stable monthly car sales reflect: a) manufacturers accelerating car supply to distributors in anticipation of the Lebaran festive season and b) the recent automotive show where several new models were launched. Cumulatively, domestic car sales grew by 5.6% yoy to 394,421 units in 4M18. Toyota still has the largest market share (28.8%), followed by Mitsubishi (18.5%) and Daihatsu (17.8%). (Investor Daily)

Comment: The 4M18 car sales are within our expectation as the figure is 34.8% of our full year forecast. We expect monthly car sales to remain solid in May 2018 before they seasonally decline in June 2018 due to fewer working days during the Lebaran festive season.

Infrastructure: 3 SOE contractors plan to build an elevated loop line railway in Jakarta

Three SOE contractors, Adhi Karya (ADHI), Wijaya Karya (WIKA), and Jaya Konstruksi Manggala (JKON) plan to form a consortium to initiate the development of an elevated railway. The consortium has sent the initial proposal for the development of a 26km elevated railway to the Jakarta Governor. The consortium will act as the investor and contractor for the project, while the government as the project owner would make payments to the consortium in stages after the railway had been completely built. The railway would be a loop line with 15 stations and integrate with the existing commuter line operated by Kereta Api Indonesia (KAI). The investment needed for the project is approximately IDR12tn-15tn. In the first stage, the route would be Manggarai – Tanah Abang – Duri – Kampung Bandan – Kemayoran – Manggarai. (Bisnis Indonesia)

Corporate

BCA Issues Subordinated Bonds of IDR500bn

Bank Central Asia (BBCA IJ, Hold, TP IDR22,700) has issued bonds in the form of shelf-registered subordinated bonds phase I of IDR500bn with a coupon rate of 7.5-8.75%. This is part of the bank's recovery plan to fulfill its obligation from the Financial Services Authority (OJK). This instrument has three series: series A with a seven-year tenure and 7.5-8.25% coupon rate; series B with a 10-year tenure and 7.75-8.5% coupon rate; and series C with a 12-year tenure and 8.0-8.75% coupon rate. BBCA plans to issue a total of IDR1tn of shelf-registered subordinated bonds by the end of the year. (Investor Daily)

Comment: The issue of subordinated bonds reflects the need to meet the BASEL III requirement. The bank's CAR is safe at 23.6% as of March 2018. Going forward, we expect other big banks to issue similar instruments to follow the OJK policy under POJK No. 14/2017 to strengthen their capital and long-term funding mix.

Unilever Indonesia: Disclosure to sell spreads' assets amounting to IDR2.65tn

Unilever Indonesia provided disclosure regarding a material transaction of the sale of spreads' assets including intangible assets and leases of land and a factory in Cikarang to Sigma Bidco B.V – a non-affiliated party. The total transaction value is EUR 164mn (IDR2.65tn). The sale includes:

- Intangible assets including but not limited to the right to distribute the products under the global and local brand as well as the Indonesia customer list – worth Eur164mn
- Tangible assets including production, equipment and inventory worth IDR195.5bn
- The lease of land and a factory in Cikarang worth IDR56.3bn
- The sale of a local brand worth IDR9.7bn (IDX, Company)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		15-May-18	14-May-18					
Erajaya Swasembada	ERAA	2,000	1,870	7.0	4.7	54.4	172.1	BUY
Ramayana	RALS	1,380	1,325	4.2	1.5	(4.2)	15.0	HOLD
Wijaya Karya	WIKA	1,405	1,355	3.7	3.7	(17.1)	(9.4)	BUY
Timah	TINS	955	930	2.7	3.8	(9.5)	23.2	BUY
Vale Indonesia	INCO	3,500	3,410	2.6	12.9	7.7	21.1	HOLD
Harum Energy	HRUM	2,470	2,410	2.5	2.5	(19.5)	20.5	HOLD
Adaro Energy	ADRO	1,715	1,675	2.4	0.3	(18.3)	(7.8)	BUY
Indo Tambangraya Megah	ITMG	26,325	25,900	1.6	12.7	(2.1)	27.2	HOLD
Bekasi Fajar	BEST	280	276	1.4	8.5	(4.8)	12.0	BUY
Kimia Farma	KAEF	2,120	2,100	1.0	1.0	(3.6)	(21.5)	SELL

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		15-May-18	14-May-18					
Ace Hardware	ACES	1,125	1,230	(8.5)	(13.5)	(18.2)	(2.6)	BUY
Pakuwon Jati	PWON	525	560	(6.3)	(7.9)	(15.3)	(23.4)	HOLD
Bank Mandiri	BMRI	6,850	7,200	(4.9)	0.7	(15.2)	(14.4)	HOLD
Media Nusantara Citra	MNCN	1,275	1,335	(4.5)	(11.8)	(12.1)	(0.8)	BUY
Kalbe Farma	KLBF	1,385	1,445	(4.2)	(6.4)	(10.1)	(18.0)	HOLD
Indocement	INTP	18,800	19,600	(4.1)	10.6	3.9	(14.4)	SELL
Mayora Indah	MYOR	2,760	2,870	(3.8)	(10.1)	(5.2)	36.6	HOLD
Unilever	UNVR	47,450	49,325	(3.8)	(0.9)	(7.9)	(15.1)	HOLD
Bank Rakyat Indonesia	BBRI	3,070	3,190	(3.8)	0.7	(13.8)	(15.7)	BUY
Bank Central Asia	BBCA	22,200	22,975	(3.4)	(0.4)	(2.4)	1.4	HOLD

Sources: Bloomberg

PREVIOUS REPORTS

- Ramayana Lestari Sentosa: Benefitting from supermarket downsizing [SnapShot20180515](#)
- Ace Hardware Indonesia: Solid 4M18 performance, Indo Tambangraya: Unfavorable weather hit coal production, Plantation: Will CPO Prices Rally With The Crude Oil Price? [SnapShot20180514](#)
- Plantation: Apr'18 Inventory Dropped to 7-Month Low [SnapShot20180511](#)
- Danareksa Research Institute: Trade Outlook – Softer Trade Activity [SnapShot20180509](#)
- Danareksa Research Institute: Money Developments – Weak Growth to Continue [SnapShot20180508](#)

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