

FROM EQUITY RESEARCH
Aneka Tambang: Strong sales volume boosted profit
 (ANTM IJ. IDR 615. UNDER REVIEW. TP IDR 2,730)

Aneka Tambang (ANTM) reported net profits of IDR287bn in 3Q18 (+190.2% qoq, +74.1% yoy). This translated into net profits of IDR631bn in 9M18 versus a net loss of IDR331bn in 9M17. The 9M18 net profits were mainly attributable to strong sales volume of ferronickel, nickel ore and gold as well as the solid nickel price. The results are better than our expectation and consensus forecasts. Given the correction in the nickel price, we expect lower quarterly net profits in 4Q18. We are reviewing our recommendation and target price.

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Mayora Indah: Buoyant revenues but higher opex too
 (MYOR IJ. IDR 2,550. HOLD. TP IDR 2,730)

Mayora reported that sales continued to grow strongly in October. For the full year, we still expect 19% top line growth. At the bottom line, however, we cut our FY18 earnings estimate by 10.5% given increasing opex. With limited upside and expensive valuation, we maintain our HOLD recommendation.

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MARKET NEWS
Macroeconomy

- B20 implementation boost CPO demand

Sector

- Consumer: Mengniu inaugurated the first factory in Indonesia
- TBIG to acquire tower company Visi Telekomunikasi

PREVIOUS REPORT

- Construction: Deconstructing the sector [Click here](#)
- Timah: Higher costs dragged down net profit [Click here](#)
- Indosat Ooredoo: Takeaways from the 3Q18 con call; Ex-Java fever [Click here](#)
- Indofood Sukses Makmur: Positive catalysts [Click here](#)
- Plantation: Indonesia CPO Export Levy Waiver: A Double-Edged Sword? [Click here](#)
- Danareksa Research Institute – Inflation Outlook [Click here](#)

KEY INDEX

| | Close | Chg (%) | Ytd (%) | Vol (US\$ m) |
|------------------|--------|---------|---------|--------------|
| Asean - 5 | | | | |
| Indonesia | 6.056 | (0,8) | (4,7) | 983 |
| Thailand | 1.642 | 0,3 | (6,4) | 1.431 |
| Philippines | 7.368 | (0,2) | (13,9) | 374 |
| Malaysia | 1.680 | (1,0) | (6,5) | 585 |
| Singapore | 3.118 | 0,3 | (8,4) | 1.389 |
| Regional | | | | |
| China | 2.588 | 0,8 | (21,7) | 26.133 |
| Hong Kong | 26.507 | 0,2 | (11,4) | 13.347 |
| Japan | 22.351 | 0,4 | (1,8) | 19.252 |
| Korea | 2.121 | 1,1 | (14,1) | 4.751 |
| Taiwan | 9.888 | 0,0 | (7,1) | 5.452 |
| India | 36.194 | 0,1 | 6,3 | 621 |
| NASDAQ | 7.331 | 0,8 | 6,2 | 144.398 |
| Dow Jones | 25.538 | 0,8 | 3,3 | 22.230 |

CURRENCY AND INTEREST RATE

| | Rate | w-w (%) | m-m (%) | ytd (%) |
|-------------------|--------|---------|---------|---------|
| Rupiah Rp/1US\$ | 14.302 | 1,7 | 5,9 | (5,5) |
| SBI rate % | 6,00 | 0,3 | 0,3 | 1,8 |
| 10y Gov Indo bond | 7,87 | (0,0) | (0,8) | 1,5 |

HARD COMMODITY

| | Unit | Price | d-d (%) | m-m (%) | ytd (%) |
|--------|-------------|--------|---------|---------|---------|
| Coal | US\$/ton | 103 | 1,6 | (2,2) | 2,1 |
| Gold | US\$/toz | 1.222 | (0,0) | (0,9) | (6,2) |
| Nickel | US\$/mt.ton | 11.136 | 1,4 | (2,5) | (12,4) |
| Tin | US\$/mt.ton | 18.398 | (0,7) | (3,9) | (8,4) |

SOFT COMMODITY

| | Unit | Price | d-d (%) | m-m (%) | ytd (%) |
|-------------|--------------|-------|---------|---------|---------|
| Cocoa | US\$/mt.ton | 2.132 | 1,7 | (2,6) | 12,3 |
| Corn | US\$/mt.ton | 134 | 0,9 | 6,2 | 6,9 |
| Oil (WTI) | US\$/barrel | 52 | 2,7 | (17,1) | (13,4) |
| Oil (Brent) | US\$/barrel | 61 | 2,2 | (16,5) | (9,1) |
| Palm oil | MYR/mt.ton | 1.762 | 1,7 | (13,3) | (26,3) |
| Rubber | US\$/kg | 124 | 1,1 | (0,6) | (15,7) |
| Pulp | US\$/tonne | 1.205 | N/A | 2,8 | 20,5 |
| Coffee | US\$/60kgbag | 82 | (1,2) | (2,0) | (9,0) |
| Sugar | US\$/MT | 348 | 0,4 | (2,1) | (11,8) |
| Wheat | US\$/ton | 140 | 1,6 | (0,0) | 4,6 |
| Soy Oil | US\$/lb | 28 | 0,5 | (0,7) | (15,9) |
| Soy Bean | US\$/by | 895 | 0,8 | 6,6 | (6,0) |

Monday, 03 December 2018
Under Review

Aneka Tambang (ANTM IJ)

Strong sales volume boosted profits

Last price (IDR) 615
Target Price (IDR) U/R
Upside/Downside n.a
Previous Target Price (IDR) 1,000

Stock Statistics

Sector Metal Mining
Bloomberg Ticker ANTM IJ
No of Shrs (mn) 24,031
Mkt. Cap (IDRbn/USDmn) 14,779/1,033
Avg. daily T/O (IDRbn/USDmn) 57.0/4.0

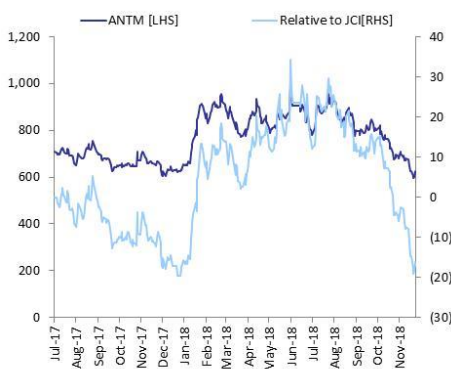
Major shareholders (%)

Government of Indonesia 65.0
Estimated Free Float 35.0

EPS Consensus (IDR)

| | 2018F | 2019F | 2020F |
|----------------|--------|--------|--------|
| Danareksa | 17.8 | 20.8 | 23.7 |
| Consensus | 30.0 | 48.3 | 72.4 |
| Danareksa/Cons | (40.5) | (56.8) | (67.2) |

ANTM relative to JCI Index



Source : Bloomberg

Aneka Tambang (ANTM) reported net profits of IDR287bn in 3Q18 (+190.2% qoq, +74.1% yoy). This translated into net profits of IDR631bn in 9M18 versus a net loss of IDR331bn in 9M17. The 9M18 net profits were mainly attributable to strong sales volume of ferronickel, nickel ore and gold as well as the solid nickel price. The results are better than our expectation and consensus forecasts. Given the correction in the nickel price, we expect lower quarterly net profits in 4Q18. We are reviewing our recommendation and target price.

3Q18: Better nickel ore and gold sales volume. Net profits jumped by 190.2% qoq to IDR287bn in 3Q18 driven by: a) strong nickel ore sales volume (+184.0% qoq) and b) better gold sales volume (+26.6% qoq). Although the company's ferronickel and gold ASP declined, the weakening of the rupiah relative to the US dollar helped to improve the quarterly net profits. With the correction in the nickel price in 4Q18, we expect the company to book lower quarterly net profits in 4Q18.

9M18: Turnaround into profits. The company reported net profits of IDR631bn in 9M18 vs. a net loss of IDR331bn in 9M17. This turnaround is mainly attributable to: a) higher ferronickel sales volume (+49.4% yoy) as well as higher ASP, b) greater nickel ore sales volume (+99.3% yoy) in 9M18 and c) greater gold sales volume (+221.4% yoy). As a result of higher nickel ASP, the company experienced better gross and operating margins.

The operation of Ferronickel Haltim to boost ferronickel production in 2019.

Ferronickel production is expected to increase further to around 28,000 – 30,000 tonnes in 2019 (2018F: 24,600 tonnes) driven by the operation of the Ferronickel Haltim Project (P3FH) in 2H19. The company is expected to complete the construction of P3FH by the end of this year and continue with the commissioning in 2H18. In the first stage, P3FH will have nameplate capacity of 13,500 tonnes per annum, giving the company annual ferronickel capacity of 40,500 tonnes. Following the operation of P3FH, we expect ANTM to receive an additional quota for low-grade nickel ore for 2019. In 2018, the company obtained an export quota of 3.9mn wmt.

Under Review. Despite the recent correction in the nickel price as a result of the trade wars between the USA and China, the company's ability to improve ferronickel sales volume following the commercial operation of P3FH is expected to enhance the net profits in 2019. We are reviewing our recommendation and target price.

Key Financials

| Year to 31 Dec | 2016A | 2017A | 2018F | 2019F | 2020F |
|--------------------|---------|--------|--------|--------|--------|
| Revenue (IDRbn) | 9,106 | 12,654 | 17,242 | 17,465 | 18,362 |
| EBITDA (IDRbn) | 676 | 1,431 | 2,163 | 2,320 | 2,608 |
| EBITDA Growth (%) | 1,076.3 | 111.8 | 51.2 | 7.3 | 12.4 |
| Net profit (IDRbn) | 65 | 137 | 428 | 501 | 570 |
| EPS (IDR) | 2.7 | 5.7 | 17.8 | 20.8 | 23.7 |
| EPS growth (%) | (102.5) | 110.6 | 213.7 | 17.0 | 13.9 |
| BVPS (IDR) | 766.1 | 769.4 | 785.0 | 798.7 | 814.1 |
| DPS (IDR) | 0.0 | 0.0 | 2.3 | 7.1 | 8.3 |
| PER (x) | 228.0 | 108.3 | 34.5 | 29.5 | 25.9 |
| PBV (x) | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Dividend yield (%) | 0.0 | 0.0 | 0.4 | 1.2 | 1.4 |
| EV/EBITDA (x) | 25.6 | 13.2 | 9.8 | 9.7 | 9.2 |

Source : ANTM, Danareksa Estimates



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HOLD
MAINTAIN

Last price (IDR) 2,550
Target Price (IDR) 2,730
Upside/Downside +7.1%
Previous Target Price (IDR) 2,790

Stock Statistics

Sector CONSUMER
Bloomberg Ticker MYOR IJ
No of Shrs (mn) 22,359
Mkt. Cap (IDRbn/USDmn) 57,015/3,986
Avg. daily T/O (IDRbn/USDmn) 3.6/0.3

Major shareholders (%)

UNITA BRANINDO PT 32.9
MAYORA DHANA UTAMA PT 26.1
Estimated free float 15.7

EPS Consensus (IDR)

| | 2018F | 2019F | 2020F |
|----------------|-------|--------|--------|
| Danareksa | 70.0 | 76.5 | 91.1 |
| Consensus | 76.7 | 92.5 | 105.6 |
| Danareksa/Cons | (8.8) | (17.3) | (13.7) |

MYOR relative to JCI Index



Source : Bloomberg



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Mayora Indah (MYOR IJ)

Buoyant revenues but higher opex too

Mayora reported that sales continued to grow strongly in October. For the full year, we still expect 19% top line growth. At the bottom line, however, we cut our FY18 earnings estimate by 10.5% given increasing opex. With limited upside and expensive valuation, we maintain our HOLD recommendation.

Strong sales were offset by higher opex. In a recent meeting with the company we learnt that MYOR's October sales reached IDR2.4tn, or 10% higher than the average monthly sales in 3Q18. Domestic sales and exports were both buoyant. Given the solid performance in October coming after a strong 9M18, we revise up our FY18F revenues estimate by 4.8%. To alleviate cost pressures, the company took further efficiency measures in both production and raw materials procurement. Combined with soft commodity prices (including oil) and the stable rupiah, we expect the company to maintain its high gross margin in FY18F at 25.9%. Nonetheless, with increasing competition in both the export and domestic markets and with further efforts to push new products, MYOR estimates higher selling expenses this year. Hence, with lower operating profits, we revise down our FY18F earnings estimate by 10.5%. As we believe that there might be some upside from higher-than expected-FY18F sales, if the company could record higher revenues growth this year of 25% (vs our current forecast of 19%) this would result in 3.6% yoy FY18F earnings growth (vs -2% yoy growth in our current forecast) – ceteris paribus.

FY19F earnings growth expected to reach 9.3% yoy. In 2019, we expect the company to book 15.8% yoy top line growth, with both the food and beverages divisions growing accordingly. Supported by soft commodity prices and the stable rupiah, we expect the FY19 gross margin to be maintained at 25.2%. After recording higher opex in 2018 to push sales, we believe the company will tone down its opex in 2019. This should lift the FY19F operating margin to 10.1%. Bear in mind that the gearing ratio has increased (9M18: 90%) since the company needed financing to develop three new plants (for coffee, biscuits and wafers). In turn, this has translated into higher interest expenses. For FY19F, we expect earnings to grow 9.3% yoy to IDR1.7tn.

Maintain HOLD. This year, the company has launched new products/SKU (Exhibit 10) in a bid to counter the stiffer competition and to meet the growing consumer appetite for new products. This helped to sustain sales growth in 2018. Going into 2019, we believe that increasing consumption ahead of the presidential election should benefit Mayora. We roll over our valuation to 2019 and arrive at a new TP of IDR2,730 implying FY19F PE of 33.6x based on DCF valuation (WACC 8.7%, Terminal Growth 4%).

Key Financials

| Year to 31 Dec | 2016A | 2017A | 2018F | 2019F | 2020F |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (IDRbn) | 18,350 | 20,817 | 24,768 | 28,682 | 32,828 |
| EBITDA (IDRbn) | 2,830 | 3,000 | 2,924 | 3,522 | 4,071 |
| EBITDA Growth (%) | 21.4 | 6.0 | (2.5) | 20.4 | 15.6 |
| Net profit (IDRbn) | 1,355 | 1,594 | 1,564 | 1,710 | 2,037 |
| EPS (IDR) | 60.6 | 71.3 | 70.0 | 76.5 | 91.1 |
| EPS growth (%) | 11.0 | 17.7 | (1.9) | 9.3 | 19.1 |
| BVPS (IDR) | 273.8 | 321.4 | 366.6 | 422.1 | 490.3 |
| DPS (IDR) | 12.0 | 21.0 | 24.7 | 21.0 | 22.9 |
| PER (x) | 42.4 | 36.0 | 36.7 | 33.6 | 28.2 |
| PBV (x) | 9.4 | 8.0 | 7.0 | 6.1 | 5.2 |
| Dividend yield (%) | 0.5 | 0.8 | 1.0 | 0.8 | 0.9 |
| EV/EBITDA (x) | 21.1 | 19.9 | 20.6 | 17.4 | 15.1 |

Source : MYOR, Danareksa Estimates

MARKET NEWS

MACROECONOMY

B20 implementation has boosted CPO demand

The Indonesian Palm Oil Association (GAPKI) stated that biodiesel absorption has increased following the full implementation of the B20 program. Monthly biodiesel absorption improved to 0.4mn tons in Sep-18 and 0.519mn tons in Oct-18 (from 0.215-0.29mn tons in Jan-Aug). (Kontan)

SECTOR

Consumer: Mengniu inaugurated its first factory in Indonesia

Mengniu Dairy Corporation, a large beverages company from China, inaugurated its factory in Cikarang with total production capacity of 260tons for yogurt products in a bid to tap the local and Asian markets. This is the company's 60th factory and its first overseas, involving a total investment of USD50mn. (Investor Daily)

TBIG to acquire the tower company Visi Telekomunikasi

Tower Bersama (TBIG) will acquire a 51% stake in Visi Telekomunikasi listed on the IDX with ticker GOLD:IJ. TBIG will become the controlling shareholder based on a sales purchase agreement fulfilled on 30th November. GOLD recorded Rp26.8 tn of revenues in FY17 and Rp22.9 tn in the first 9 months of 2018 with XL Axiata and Hutchison contributing the bulk of its revenues.

COVERAGE PERFORMANCE
LEADERS

| | Code | Price as on | | Chg, % | w-w, % | m-m, % | YTD, % | Rating |
|-------------------|------|-------------|-----------|--------|--------|--------|--------|--------|
| | | 30-Nov-18 | 29-Nov-18 | | | | | |
| Ace Hardware | ACES | 1.615 | 1.505 | 7,3 | 12,2 | 15,8 | 39,8 | BUY |
| BPD Jatim | BJTM | 715 | 670 | 6,7 | 5,1 | 10,0 | 0,7 | BUY |
| Alam Sutera | ASRI | 348 | 330 | 5,5 | 10,1 | 25,2 | (2,2) | HOLD |
| Mitra Adi Perkasa | MAPI | 875 | 835 | 4,8 | 10,8 | 9,4 | 41,1 | BUY |
| Jasa Marga | JSMR | 4.130 | 4.000 | 3,3 | 3,5 | (1,2) | (35,5) | BUY |
| Indofood | INDF | 6.600 | 6.400 | 3,1 | 5,6 | 9,5 | (13,4) | BUY |
| Waskita Beton | WSBP | 350 | 340 | 2,9 | 4,8 | 10,1 | (14,2) | BUY |
| Summarecon Agung | SMRA | 820 | 800 | 2,5 | 11,6 | 32,3 | (13,2) | BUY |
| Adhi Karya | ADHI | 1.565 | 1.530 | 2,3 | 9,8 | 27,2 | (17,0) | BUY |
| Vale Indonesia | INCO | 3.030 | 2.980 | 1,7 | 4,8 | (6,5) | 4,8 | BUY |

Sources: Bloomberg

LAGGARDS

| | Code | Price as on | | Chg, % | w-w, % | m-m, % | YTD, % | Rating |
|-----------------------|------|-------------|-----------|--------|--------|--------|--------|--------|
| | | 30-Nov-18 | 29-Nov-18 | | | | | |
| United Tractors | UNTR | 27.500 | 29.350 | (6,3) | (13,7) | (16,3) | (22,3) | BUY |
| Indocement | INTP | 19.100 | 20.100 | (5,0) | (6,0) | 10,1 | (13,0) | SELL |
| Ramayana | RALS | 1.190 | 1.250 | (4,8) | (6,3) | 3,5 | (0,8) | HOLD |
| Semen Baturaja | SMBR | 1.900 | 1.985 | (4,3) | (0,3) | 3,0 | (50,0) | SELL |
| Bank Mandiri | BMRI | 7.400 | 7.650 | (3,3) | 1,4 | (0,3) | (7,5) | BUY |
| Bank Negara Indonesia | BBNI | 8.500 | 8.775 | (3,1) | 0,9 | 9,3 | (14,1) | BUY |
| Erajaya Swasembada | ERAA | 2.210 | 2.280 | (3,1) | 6,8 | 35,6 | 200,7 | BUY |
| Bukit Asam | PTBA | 4.020 | 4.140 | (2,9) | (6,7) | (4,3) | 63,4 | BUY |
| Harum Energy | HRUM | 1.365 | 1.400 | (2,5) | (11,9) | (26,6) | (33,4) | HOLD |
| Bank Rakyat Indonesia | BBRI | 3.620 | 3.710 | (2,4) | 4,0 | 10,4 | (0,5) | BUY |

Sources: Bloomberg

PREVIOUS REPORTS

- Construction: Deconstructing the sector [SnapShot20181130](#)
- Timah: Higher costs dragged down net profit [SnapShot20181129](#)
- Indosat Ooredoo: Takeaways from the 3Q18 con call; Ex-Java fever [SnapShot20181128](#)
- Indofood Sukses Makmur: Positive catalysts, Plantation: Indonesia CPO Export Levy Waiver: A Double-Edged Sword?, Danareksa Research Institute – Inflation Outlook [SnapShot20181127](#)
- Indosat Ooredoo: Some positives in a challenging outlook, United Tractors: Impressive Komatsu sales in Oct 2018 [SnapShot20181123](#)
- Cement: The price war looks to be over – for now [SnapShot20181123](#)

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