



# Indonesia Economic & Market Outlook 2017

## *Headwinds and Opportunities Ahead*

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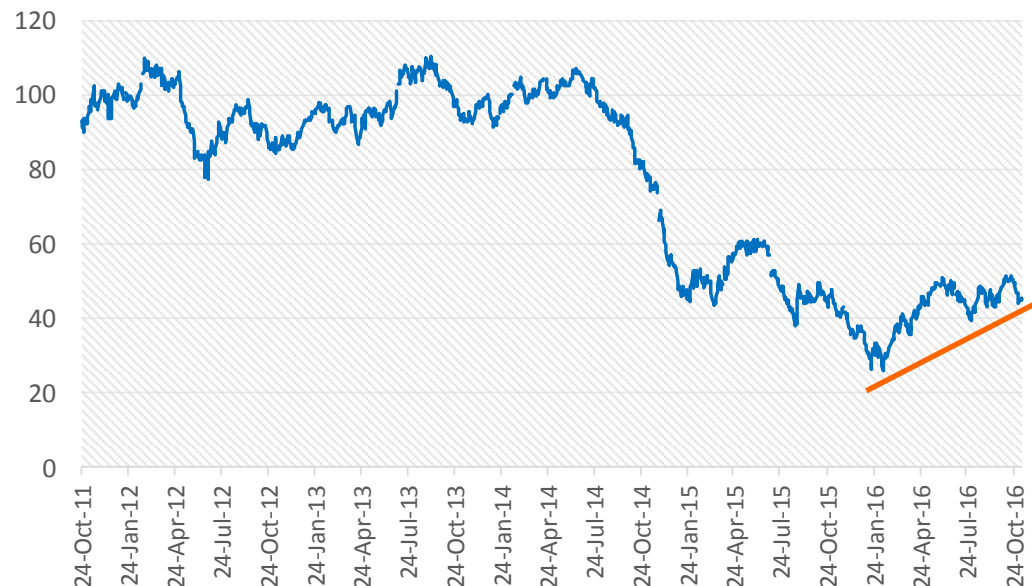
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## Key Market Drivers:

### 1. Commodity Prices:

- Commodity prices will be one of the key focus in 2017. The global financial market will remain sensitive to the rise (or fall) of commodity prices, especially of crude oil.
- Oil and gas, and CPO sectors will benefit if energy prices remain sustainable in 2017.
- Risk to oil prices: The US may step up oil production under Trump's administration. This will be positive for net oil importers countries like Indonesia (cheaper cost of energy), but negative for oil exporters like Malaysia.

WTI Crude (US\$ / barrel)



Source: Bloomberg

## Key Market Drivers:

### 2. Internal / Domestic:

- Fiscal management and austerity measures: Shortfall in tax revenue and austerity measures will impact the economy and the market negatively, at least for the rest of 2016 into 2017. Current fiscal condition limits the government's ability to provide further fiscal stimulus. Hence, further monetary stimulus could help economic growth.

Govt. budget deficit to GDP:

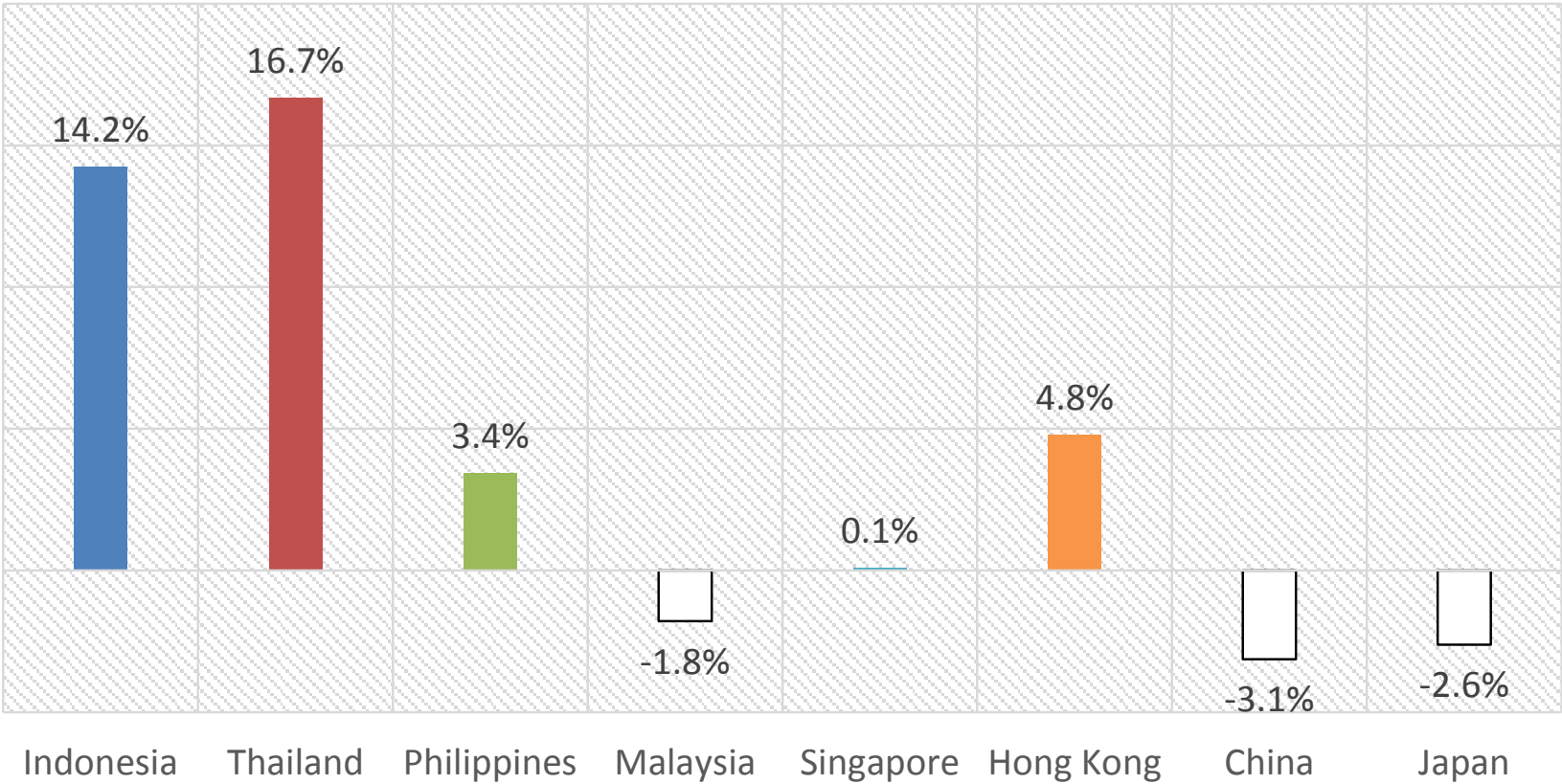
Oct 2016: 2.1%, Sep 2016: 1.79%. Target FY2016: 2.7%. Legal limit: 3%.

- Monetary stimulus: Further monetary easing could encourage exports and household spending. BI has room for further easing: Inflation in-check, below target of 3-5%.

### 3. External:

- The US may adopt protectionist policy trend under Trump's administration: Negative for trade and exports from Indonesia in long term, but no immediate impact.
- Janet Yellen might not be reappointed when her term ends in Feb 2018. This could mark change in Federal Reserve policy. More hawkish Fed is negative for overall Asia.
- The issue of "de-globalization": Trump administration may revisit several international trade agreements.

## Index Performance, YTD in 2016



Source: Bloomberg

# What does Trump's win mean for Indonesia?

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## The “Trump Effect”:

### Trade:

- International trade has been the engine of growth for emerging markets.
- Trade slowdown due to protectionism in US policies will be negative for exporters like China and South Korea, as well as commodity exporters like Indonesia and Brazil.
- Plus, an extra blow to commodity prices if the US does increase oil production.

### Financial:

- Rising US interest rates mean emerging market bonds will be less attractive. Rising long-term interest in the US will raise cost of borrowings, not only in the US, but also globally.
- Possible contagion in the financial market if US government deficits widen, as Trump plans to increase spending and cut taxes (US debt-to-GDP is currently 77%)

## JCI Forecast for end of 2017:

### Upside scenario, if:

- Commodity prices continue to climb
- Budget deficit kept in-check.
- GDP prints above expectation (2017 state budget: 5.1%)
- Capital outflows due to Fed rate policy reversal are only temporary.

**JCI FY17F (upside): 6,400**

FY17 EPS growth assumption: 12% (IDR 385 ps), forward P/E of 16.7x.

### Downside scenario, if:

- Energy prices remain low due to significant increase in US oil production
- Stagnated infrastructure development due to budget cuts.
- GDP figure in line or below expectation.
- Wider budget deficit
- Longer-lasting capital outflows from emerging markets, including Indonesia.

**JCI FY17F (downside): 4,900**

FY17 EPS growth assumption: 4% (IDR 357 ps), forward P/E of 13.7x.



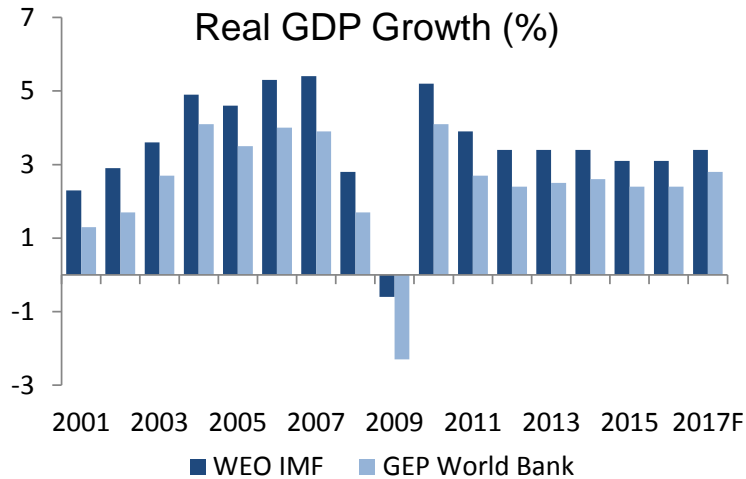
## Simple Plan for 2017: Buy Fundamentally-sound Stocks at Discounts

- Why?
  - ✓ The overall market plunge is a rare golden opportunity to buy good stocks at discount.
  - ✓ The decline in stock prices was not due to bad fundamentals of these companies.
- When?
  - ✓ Wait for foreign net sell to subside and the JCI consolidates (selling pressure exhaustion).
- What?
  - ✓ Aim for stocks with sound fundamentals: ROE, NPM and Earnings Growth above industry average, Debt below industry average or below 0.5x equity.
  - ✓ Avoid stocks with high debt, especially foreign currency denominated debts.

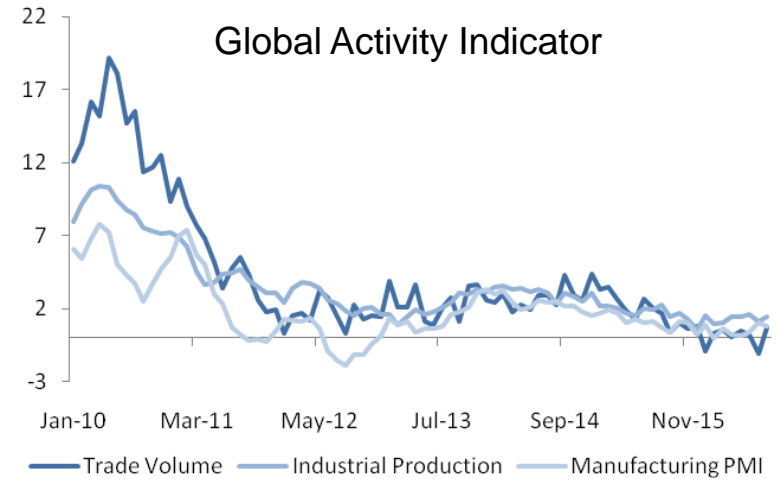
## Global Economy

- Ultra-low interest rates in advanced economies
  - Renewed capital inflows to emerging market economies
  - Deflation pressures persist
- International trade
  - Weak aggregate demand
  - Backlash against global trade (Brexit, Donald Trump)
- Industrial production
  - Remains soft but has shown signs of a pickup in recent months
- Partial recovery in commodity prices
- Improving world growth in the years ahead
  - Growth are normalized in emerging economies
  - Recovery is gaining traction in developed economies

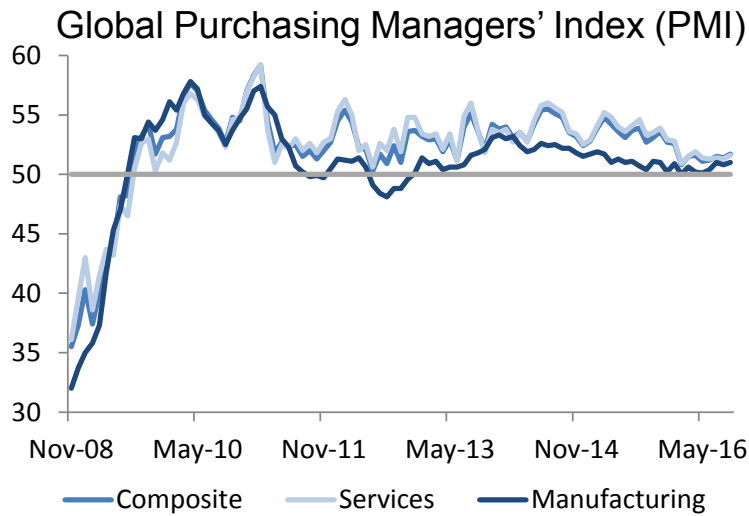
# Economic Outlook 2017: Staying Afloat



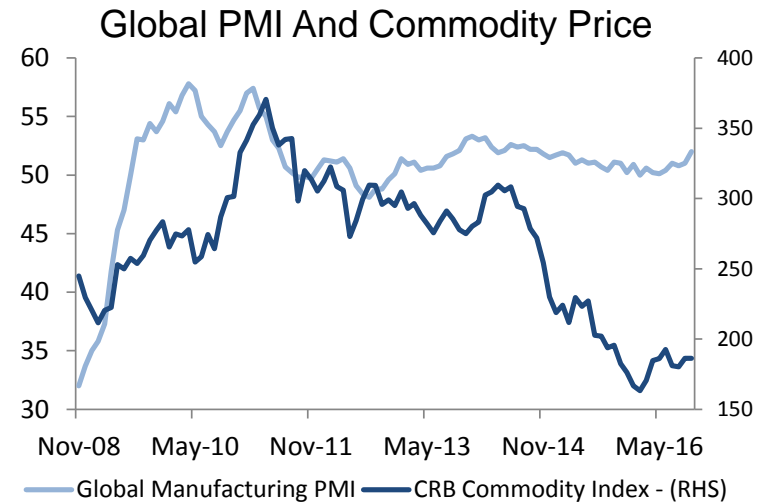
Source: World Bank, IMF



Source: CPB

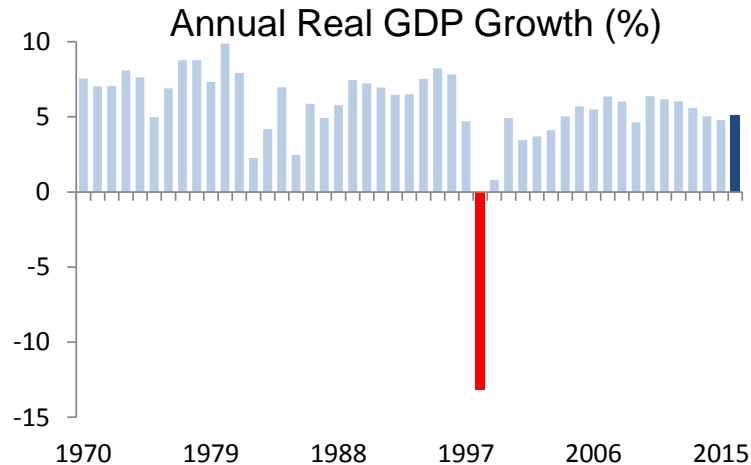


Source: IHS Markit, Bloomberg

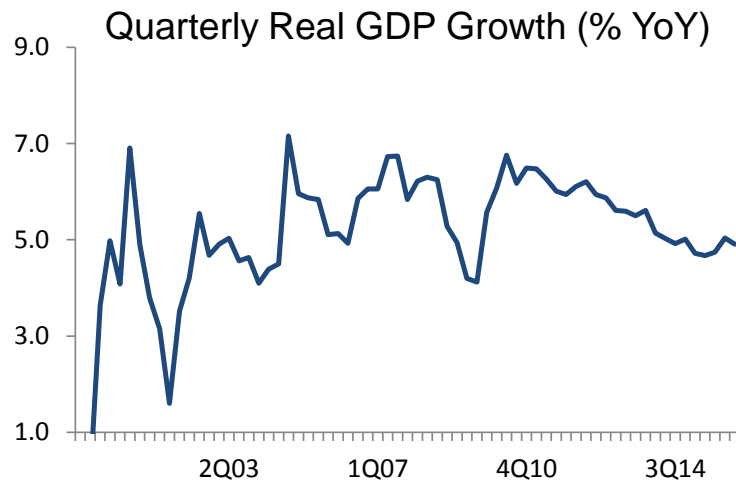


Source: Markit, Bloomberg

# Economic Outlook 2017: Staying Afloat



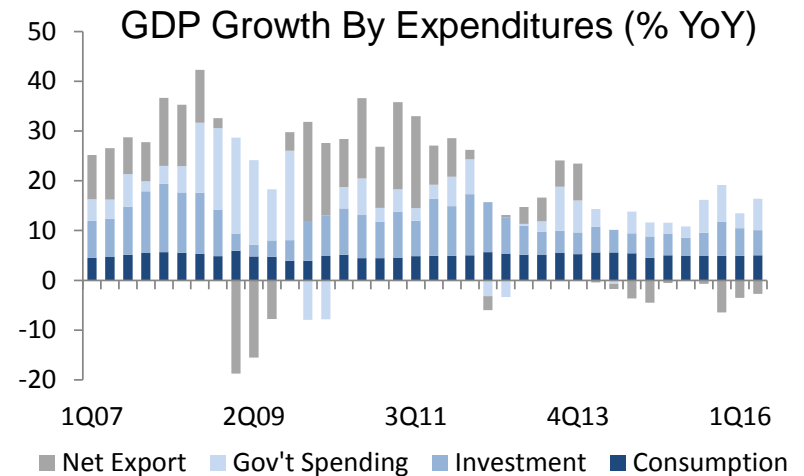
Source: Statistics Indonesia, BI



Source: Statistics Indonesia, BI

## Domestic Economy

- Growth is steadily increasing
- Weak external demand is offset by resilient domestic demand



Source: Statistics Indonesia, BI

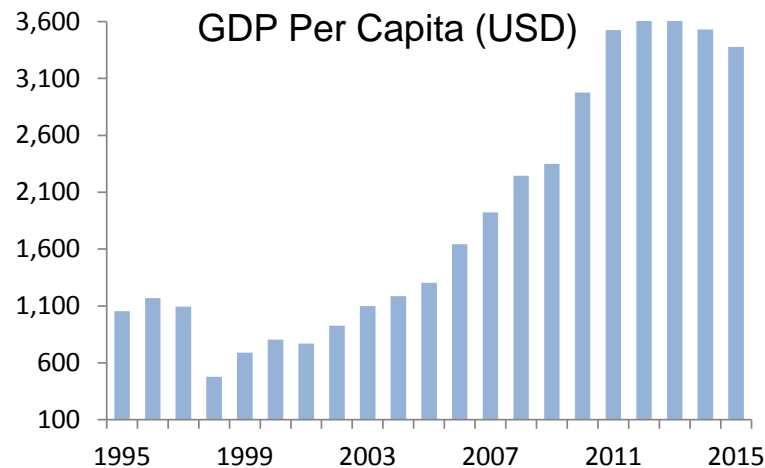
# Economic Outlook 2017: Staying Afloat

## Unemployment And Poverty

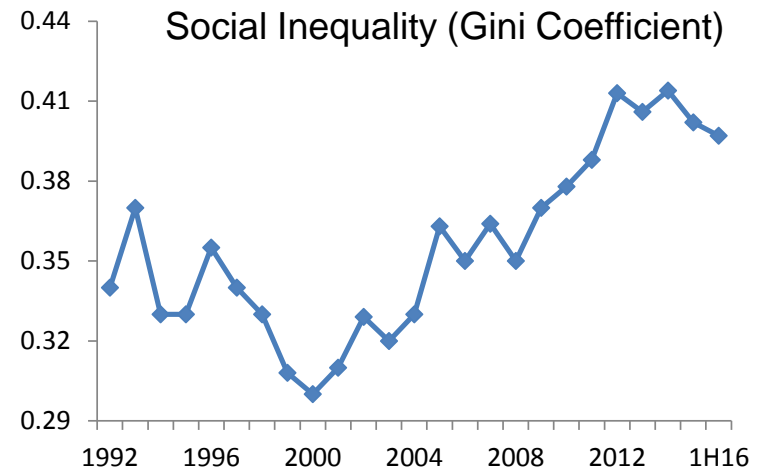


Source: Statistics Indonesia

- Impressive inroads into poverty reduction
  - Unemployment rate and poverty rate decline
  - Strong per capita income growth
- However, income inequality is high and rising



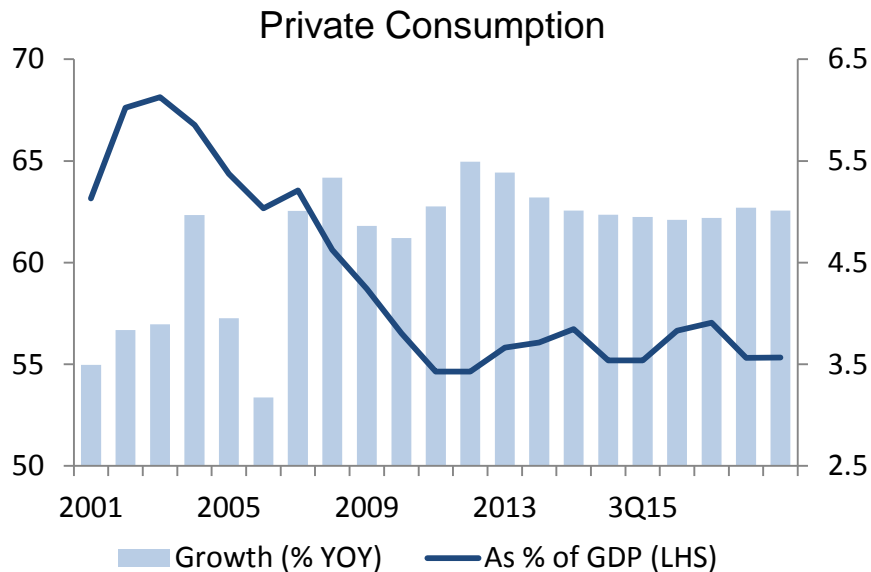
Source: Statistics Indonesia



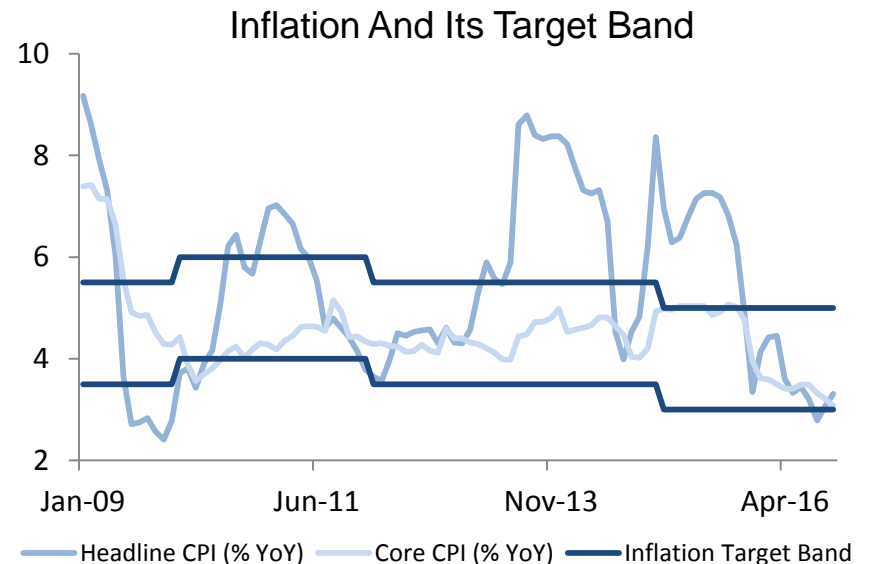
Source: Statistics Indonesia

## Private Consumption

- Stable at 5% (YoY) supported by
  - Lower inflation on the back of stable food prices
  - Relatively stable USD/IDR
- Contribution to GDP growth hovers at 55.3% in 2Q16 and 3Q16

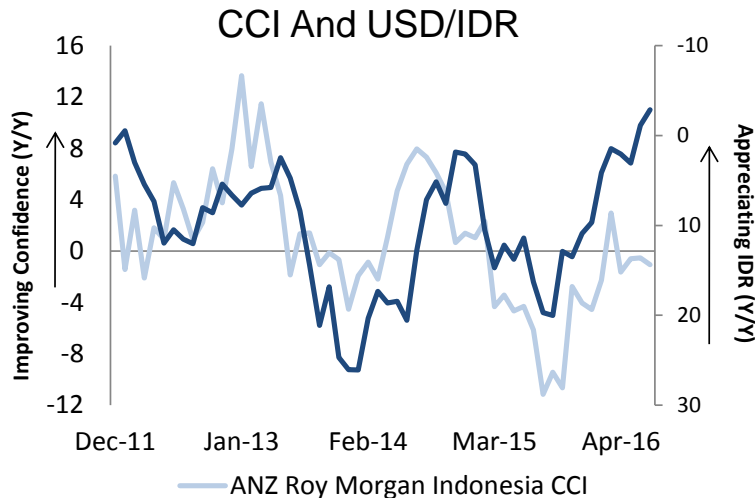


Source: Statistics Indonesia, BI



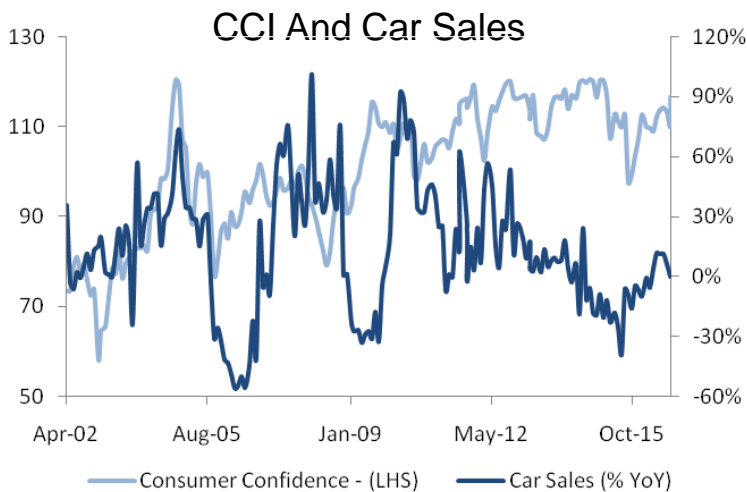
Source: Statistics Indonesia, BI

# Economic Outlook 2017: Staying Afloat

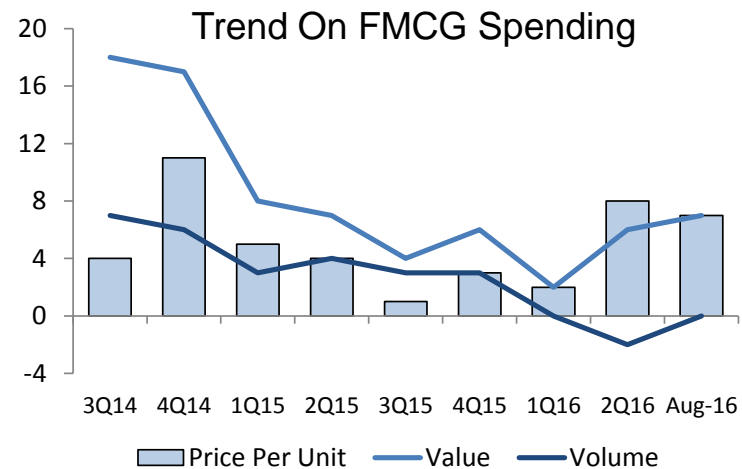


Source: Roy Morgan, BI

- Consumer Confidence Index
  - Ticks up to 116.8 in Oct 2016, much higher than the 99.3 reading in Oct 2015
- Vehicle sales are trending upward
- Spending on the FMCG by households increases



Source: GAIKINDO, BI



Source: Kantar World Panel

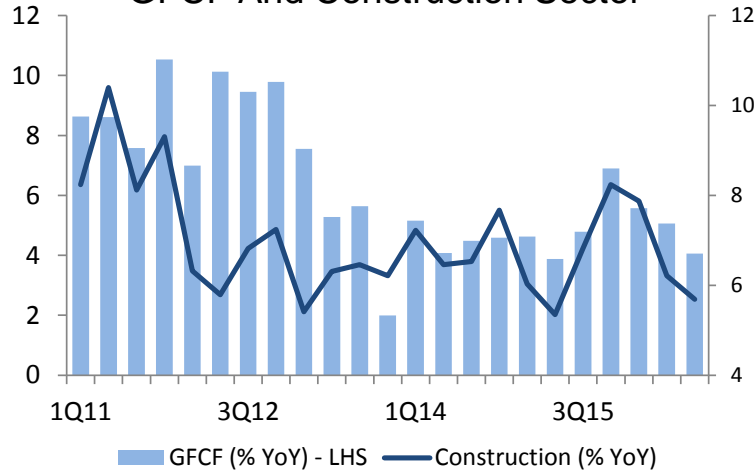
## Gross Fixed Capital Formation

- Investment growth decelerates to 4.06% (YoY) in 3Q16 from 5.57% (YoY) in 1Q16
- Non-Building investment remains sluggish as the Manufacturing PMI and our investment indicator struggle to recover
  - Suggesting weak demand and business investment
- Potentially attractive foreign direct investment (FDI) destination
  - Large domestic market and bright growth prospect
  - Low-cost labor and abundance of natural resource
- Determination to improve investment climate
  - A series of 13 economic reform packages since September 2015
  - Some progress in Ease Doing Business rank



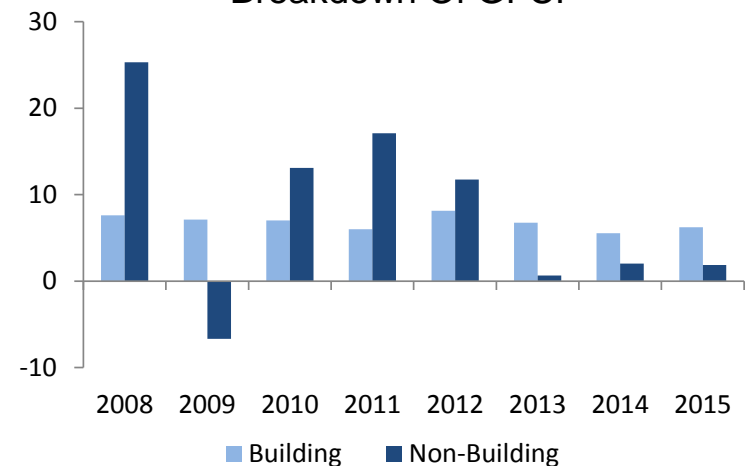
# Economic Outlook 2017: Staying Afloat

## GFCF And Construction Sector



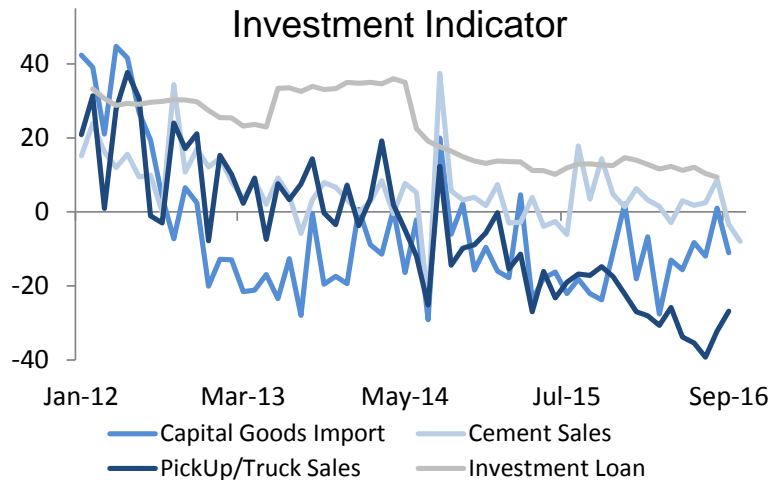
Source: Statistics Indonesia

## Breakdown Of GFCF



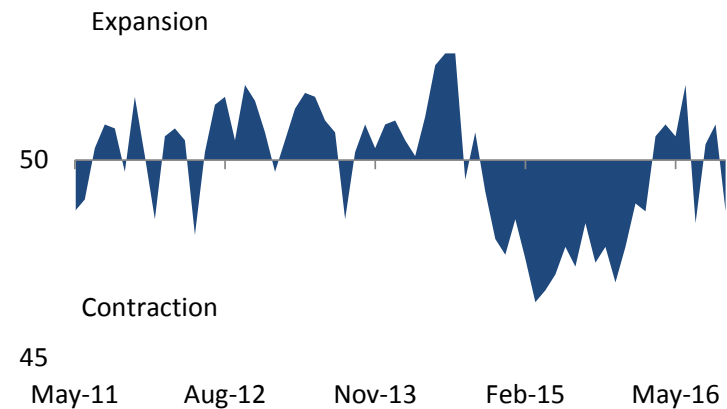
Source: Statistics Indonesia

## Investment Indicator



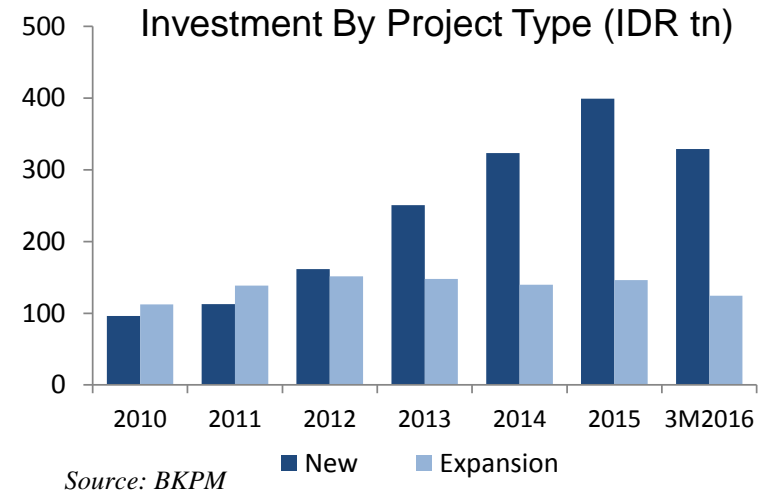
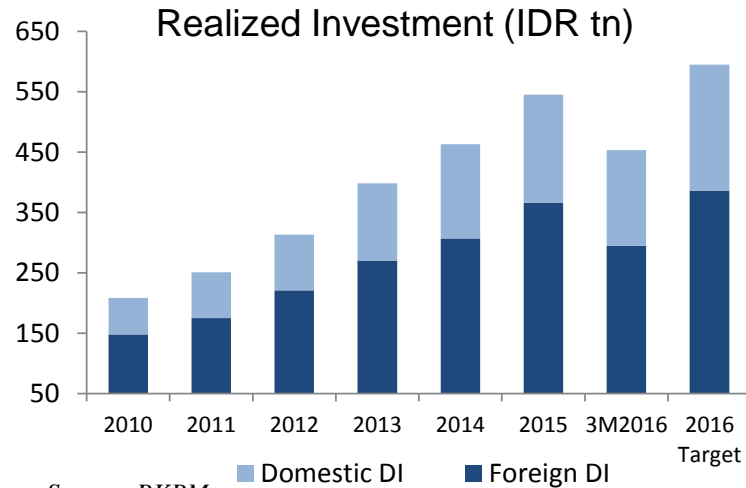
Source: Statistics Indonesia, OJK, GAIKINDO, ASI

## 55 Nikkei Indonesia Manufacturing PMI



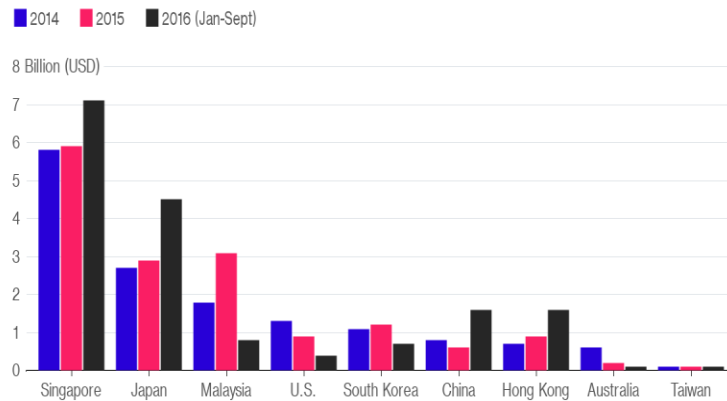
Source: IHS Markit

# Economic Outlook 2017: Staying Afloat



## The Breakdown

Direct foreign investment in Indonesia by country of origin

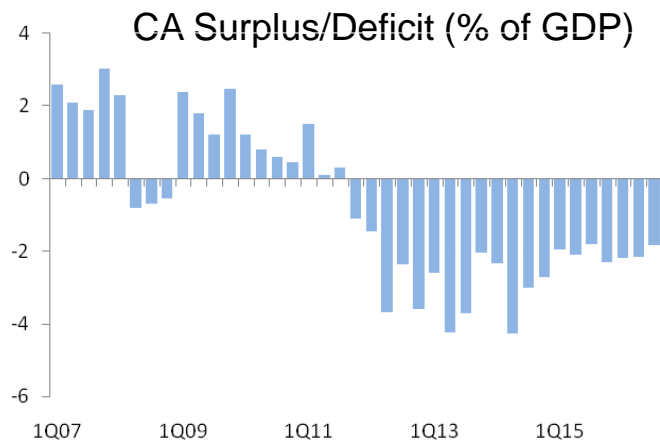


Source: Indonesia Investment Coordinating Board

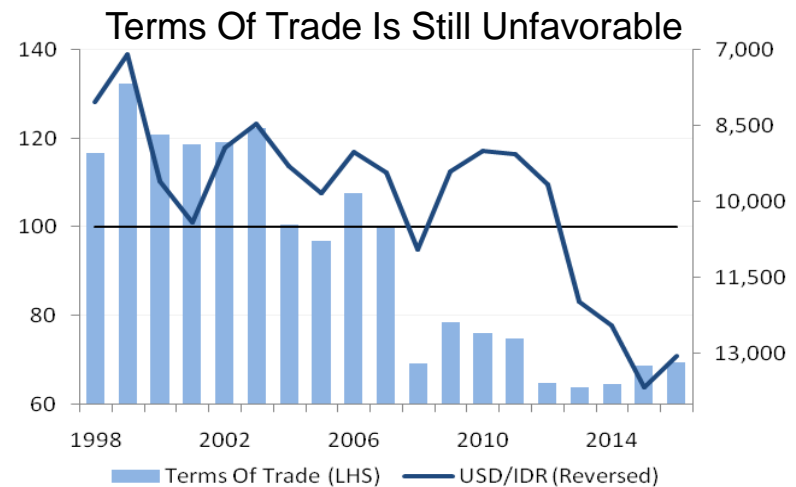
Bloomberg

## External Balance

- Significant surplus, US\$5.7 billions in 3Q16, up from US\$2.2 billions in 2Q16
  - CAD improves from 2.2% of GDP in 2Q16 to 1.8% in 3Q16
    - Declining non-O&G import and rebound in commodity prices
    - Terms Of Trade (TOT) is still < 100, more capital going out (to buy import) than coming in from export
  - Surplus in Financial Account is US\$9.4 billion, up from US\$7.6 billion
    - Strong Direct & Portfolio Investment



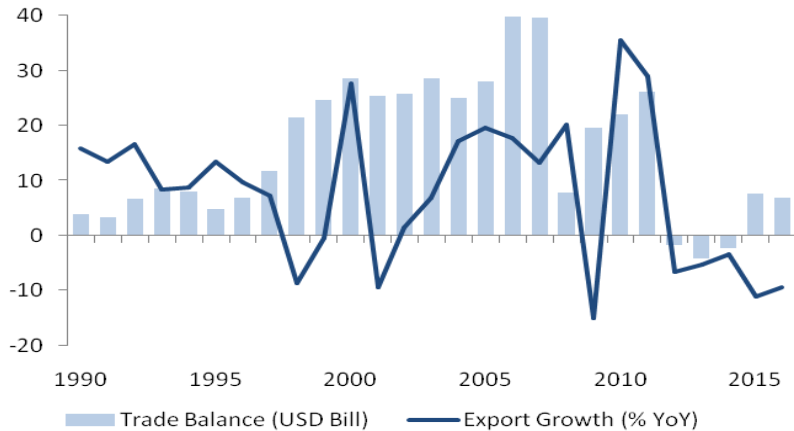
Source: BI



Source: Statistics Indonesia

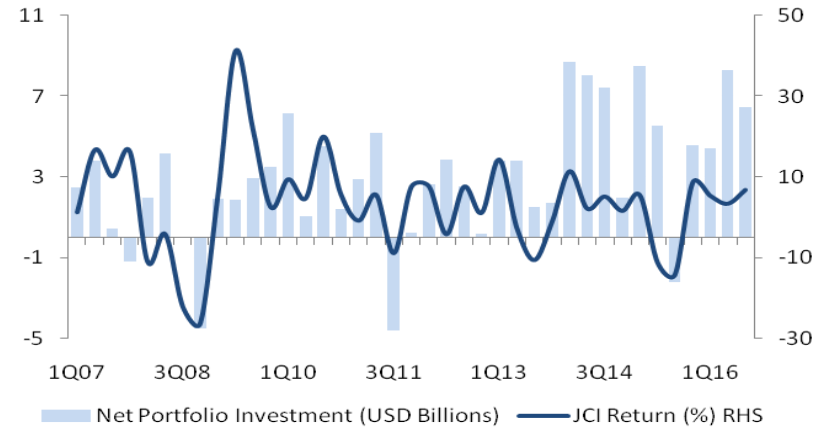
# Economic Outlook 2017: Staying Afloat

## Annual Trade Balance



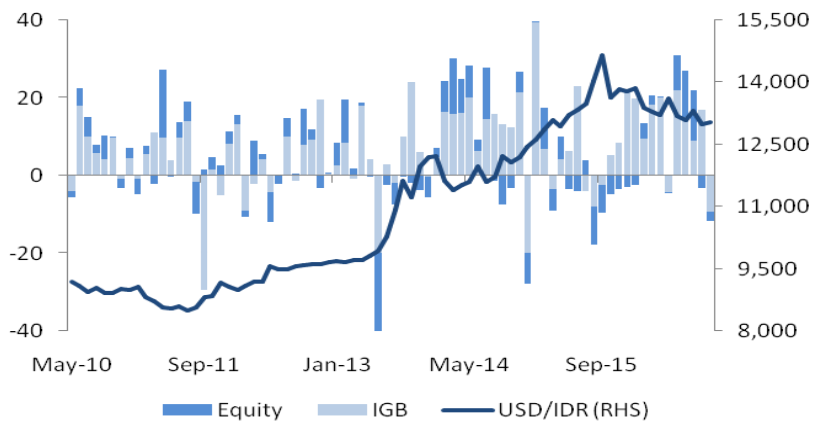
Source: Statistic Indonesia

## Net Portfolio Investment (USD Bln)



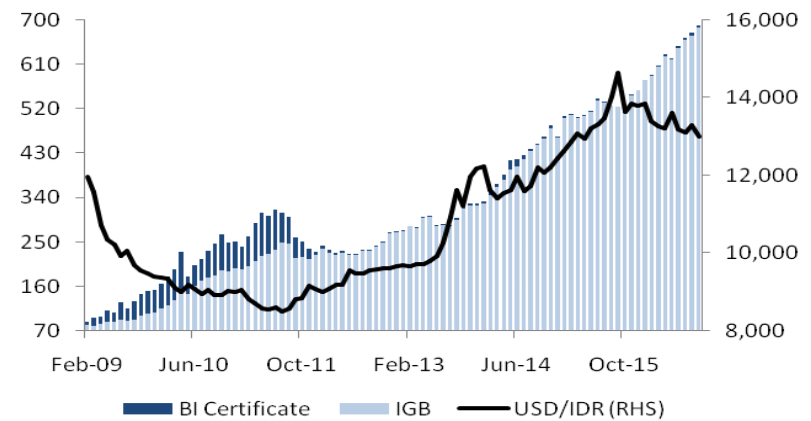
Source: IDX, BI

## Foreign Capital Flow (IDR Tln)



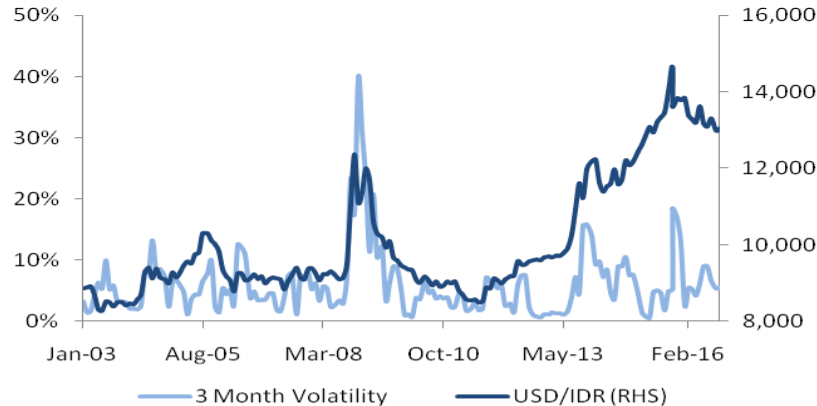
Source: IDX, DJPPR, BI

## Foreign Ownership On IGS (IDR Tln)



Source: BI, DJPPR

## USD/IDR And Its Historical Volatility



Source: BI, Phillip Securities Indonesia

## Monetary Stance

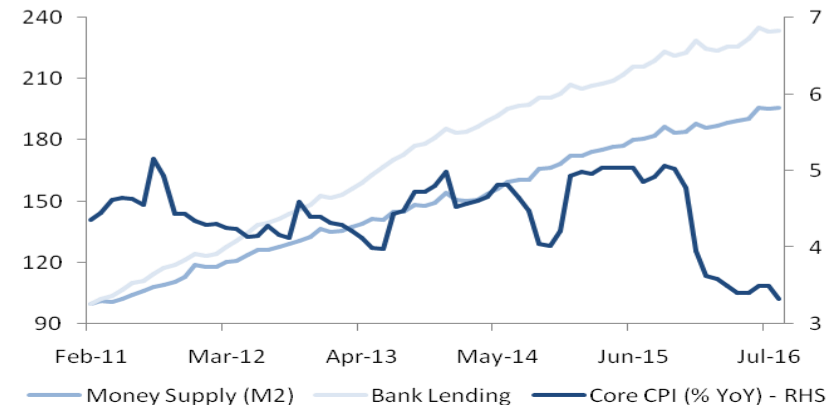
- Easing bias, 7 interest cuts this year
  - Inflation moderation, the stabilization of USD/IDR and the return of a more sustainable external balance

## IDR Real Effective Exchange Rate



Source: BIS, Phillip Securities Indonesia

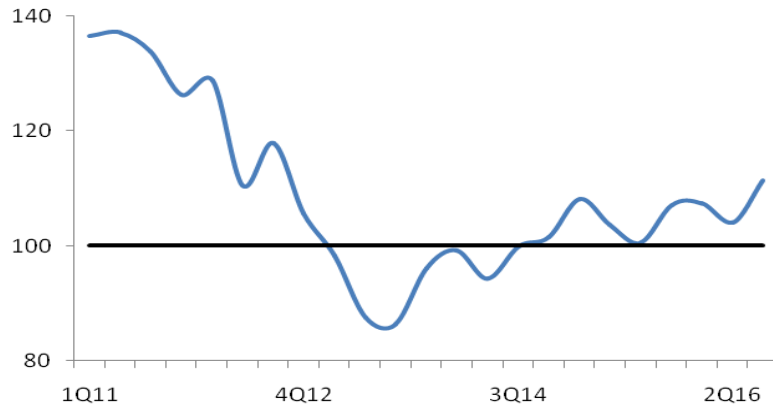
## Money Supply And Core CPI



Source: BI, BPS, OJK, Phillip Securities Indonesia

# Economic Outlook 2017: Staying Afloat

## External Debt Coverage Ratio (%)

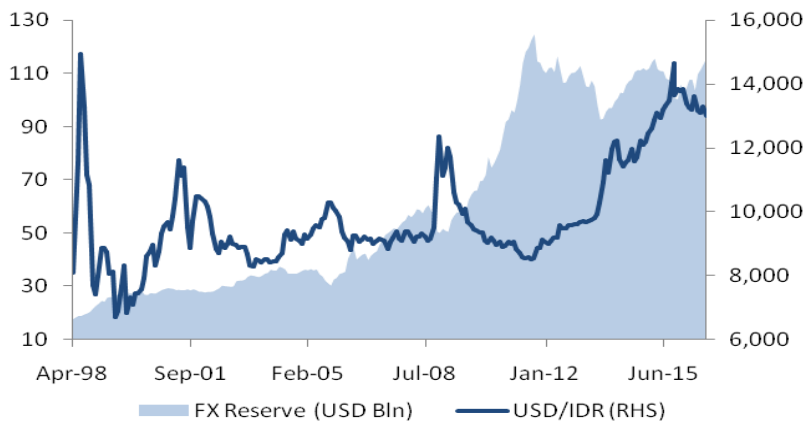


Source: BI, Phillip Securities Indonesia

- Improvement in External Coverage Ratio

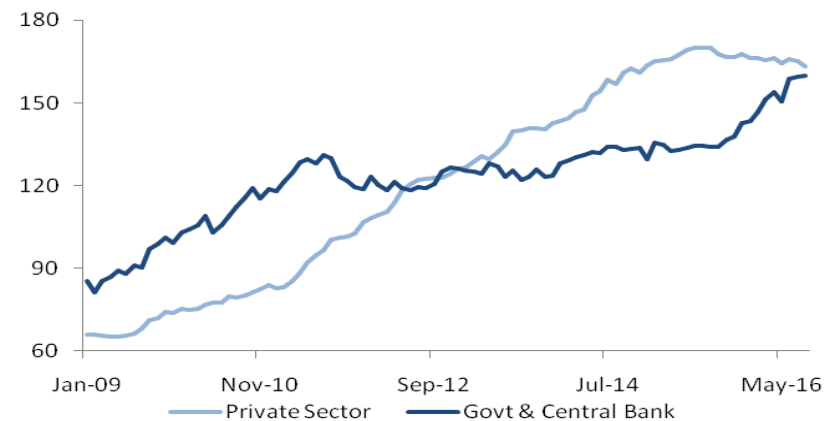
- Less external funding requirement due to decreasing CAD and fall in S/T debt along with higher FX Reserves
- USD/IDR is less vulnerable to speculative attack and external shock
- Prudent macroeconomic policies are being pursued.

## FX Reserves



Source: BI

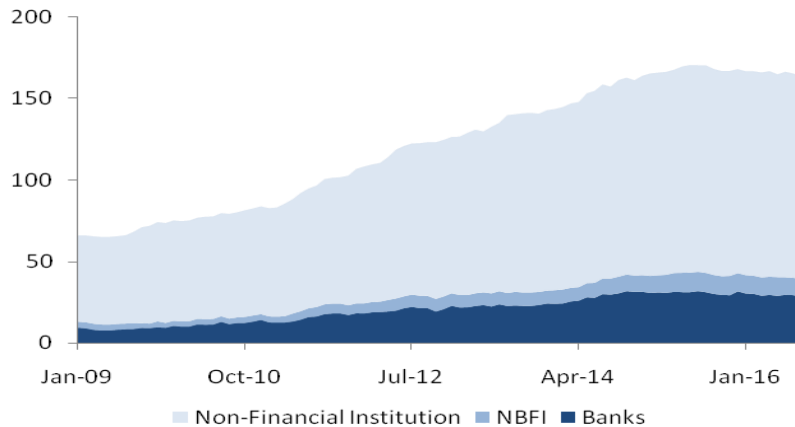
## External Debt (USD Bln)



Source: BI

# Economic Outlook 2017: Staying Afloat

## Private Sector Indebtedness (USD Bln)

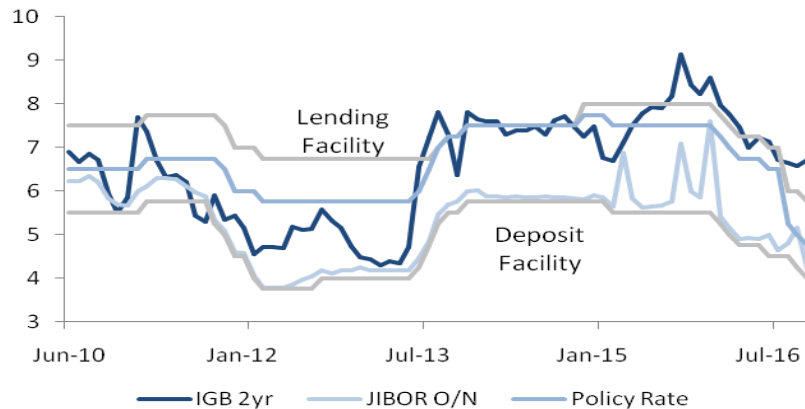


Source: BI

- Improvement in the monetary policy transmission mechanism

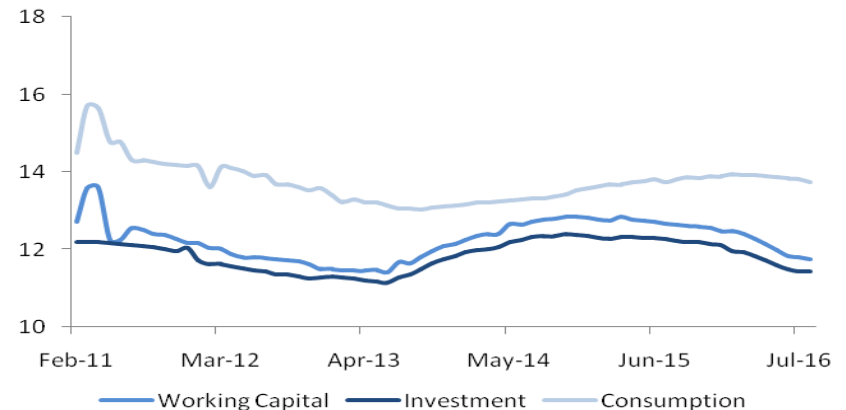
- Shift from targeting the 12-month BI rate to the 7-day reverse repo rate (August 2016)
- Lower interbank rate but credit rate still stubbornly high due to increase in NPL

## Interest Rate Corridor & Money Market



Source: BI

## Interest Rate Of Bank Loans (%)

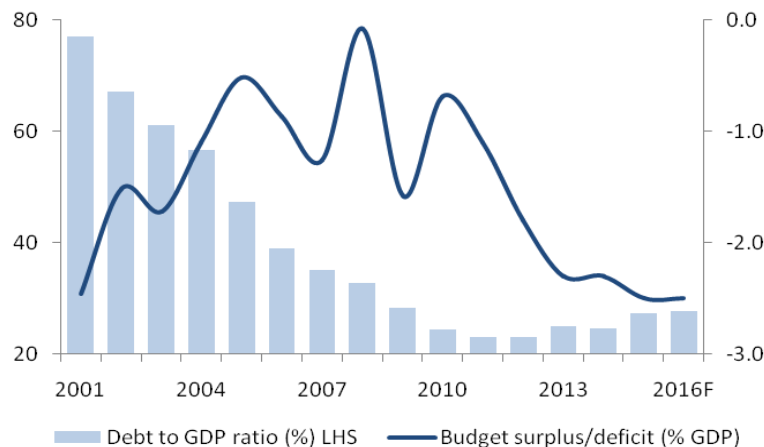


Source: OJK

## Fiscal Policy

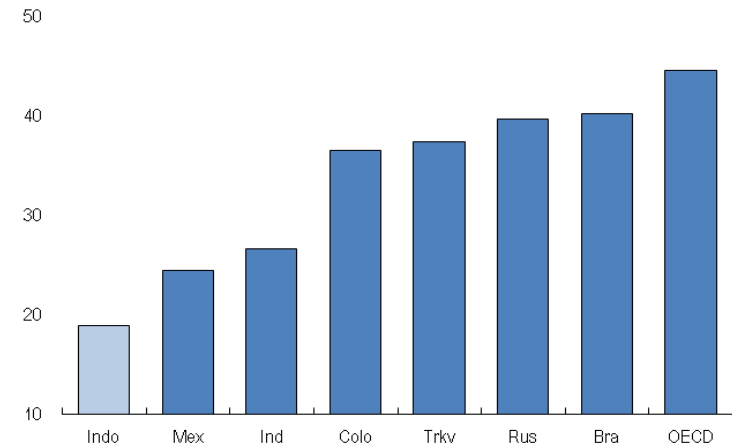
- Credible Fiscal Policy
  - Legal caps on the fiscal deficit and public debt at 3% and 60% of GDP, respectively
- Public debt is low (about 27% of GDP in 2015)
- Public spending is low, even compared with countries at similar levels of development.

Fiscal Sustainability



Source: BI, DJPPR

Govt Spending (As % of GDP)



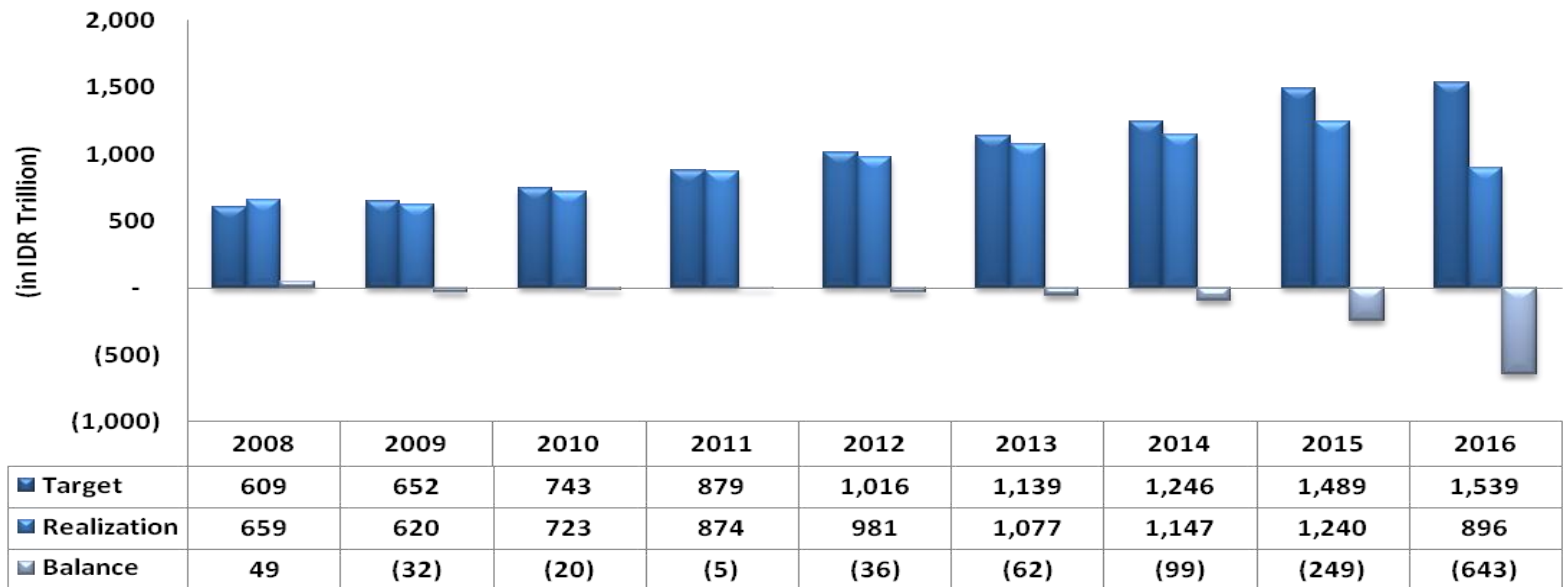
Source: OECD



- Fiscal Challenges

- Revenue constraints and ambitious spending programs
- High borrowing cost, reflecting exchange rate uncertainty and sovereign risk.

**Tax revenue target vs. realization**



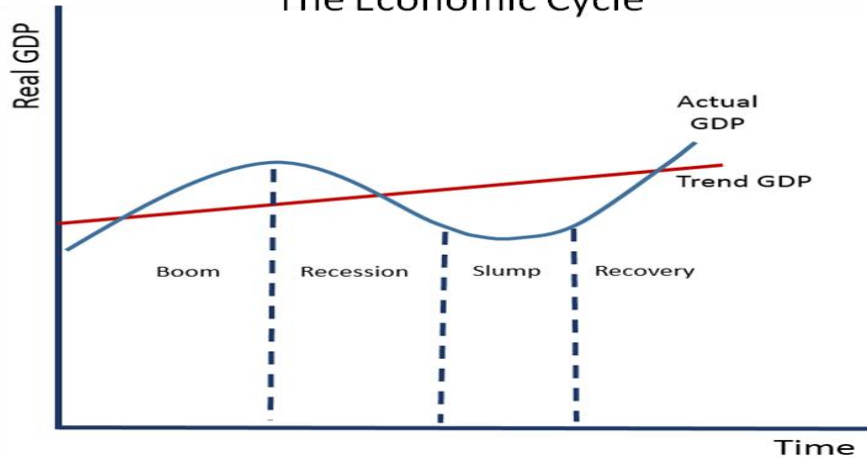
*Source: Ministry Of Finance*

## Where In The Cycle Are We Now ?

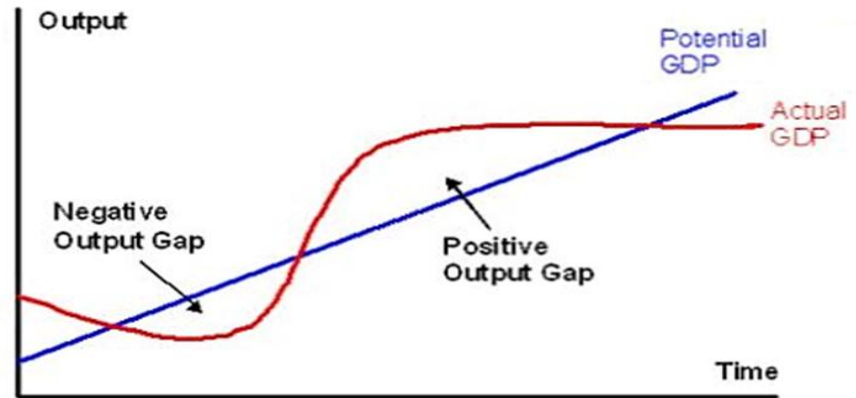
- Early Expansion/Recovery
  - Output Gap is slightly positive in 3Q16
  - Economy is bottoming out
  - Inflation Low
  - Central Bank Easing
  - Leading indicator turns up
  - Capacity Utilization no longer shrinking (76.21% in 3Q16 vs 75.36% in 3Q15)
  - Sentiment
    - Corporate Profits a concern
    - Consumer Confidence rises
    - Stock prices improve

# Economic Outlook 2017: Staying Afloat

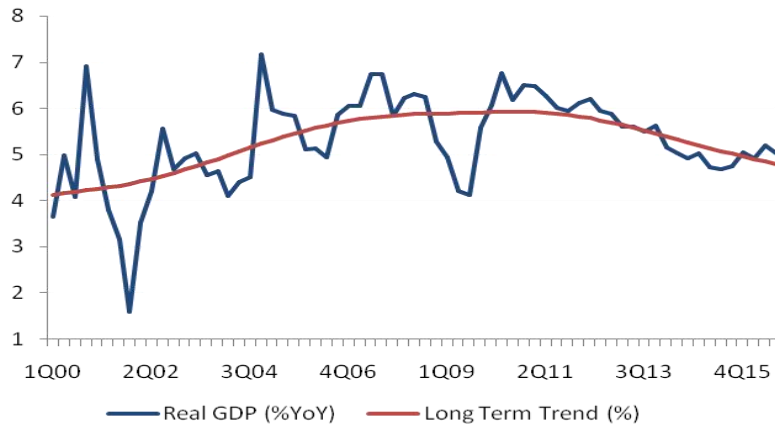
## The Economic Cycle



## A Stylized Representation of The Output Gap

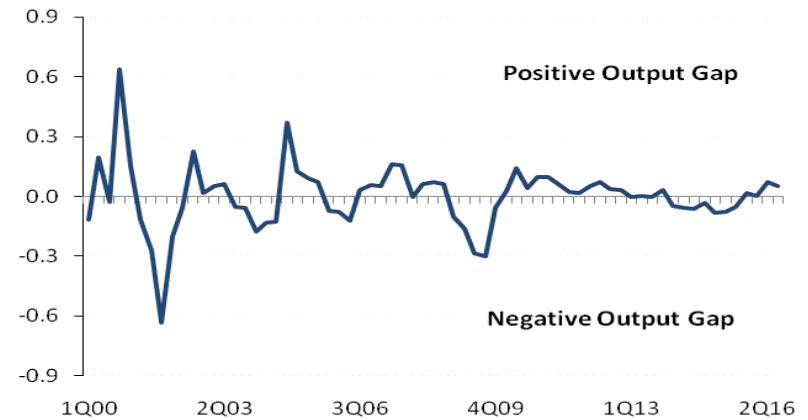


## Real GDP And Its Long Term Trend



Source: BPS, Phillip Securities Indonesia

## Indonesia Output Gap

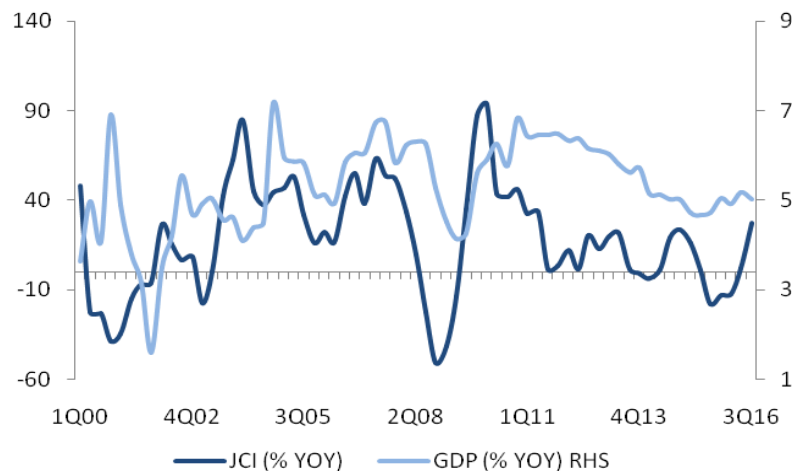


Source: Phillip Securities Indonesia

## Growth is expected to be 5.0% - 5.3%, supported by

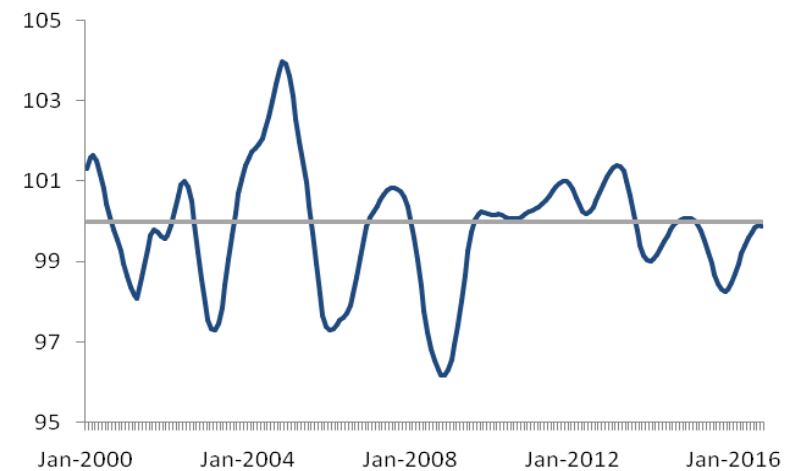
- Pick up in private consumption on account of
  - Moderate inflation, lower energy prices, a relatively stable USD/IDR,
  - Fiscal support in the form of Inflation Low
    - Higher personal income tax threshold and an additional monthly salary for civil servants.
  - Acceleration in government spending

JCI As A Leading Indicator



Source: BPS, IDX, Phillip Securities Indonesia

Indonesia Composite LEI

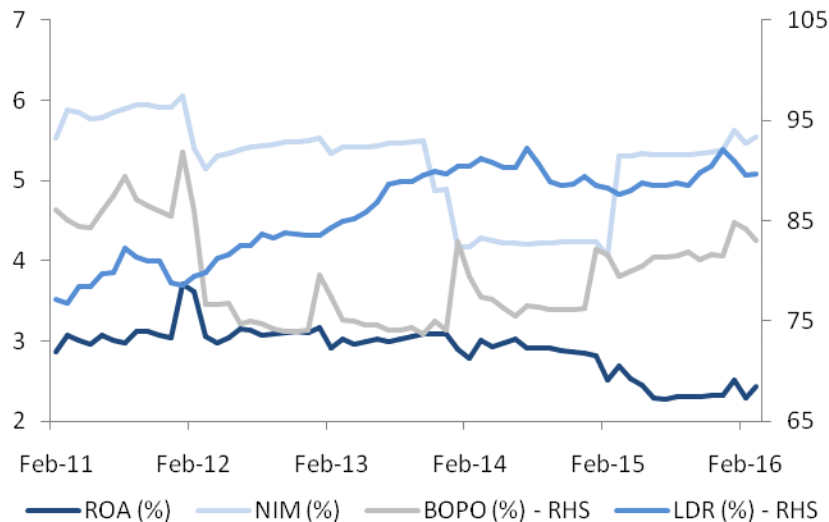


Source: OECD

# Banking Sector Outlook

- In good shape despite the slowdown in economic activity
  - NIM is stable at 5.6% (Sep 2016), up slightly from 5.39% in 2015 year end
  - CAR stands at 20.6% (Sep 2016) compared to 20.73% in previous year
  - LDR stays above 90%

## Key Ratio of Banking Sector



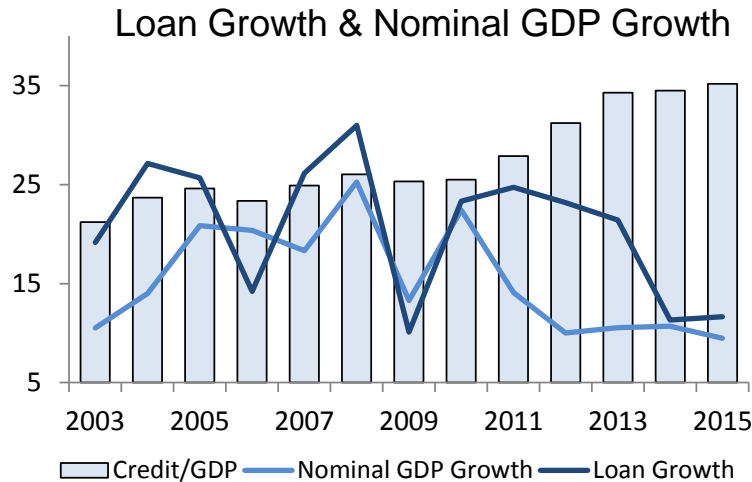
Source: OJK

## Loan To Deposit Rate (%)



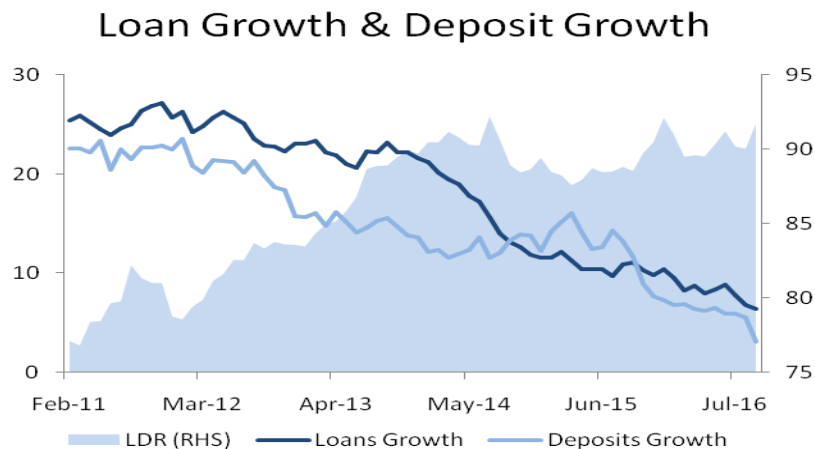
Source: OJK

# Banking Sector Outlook

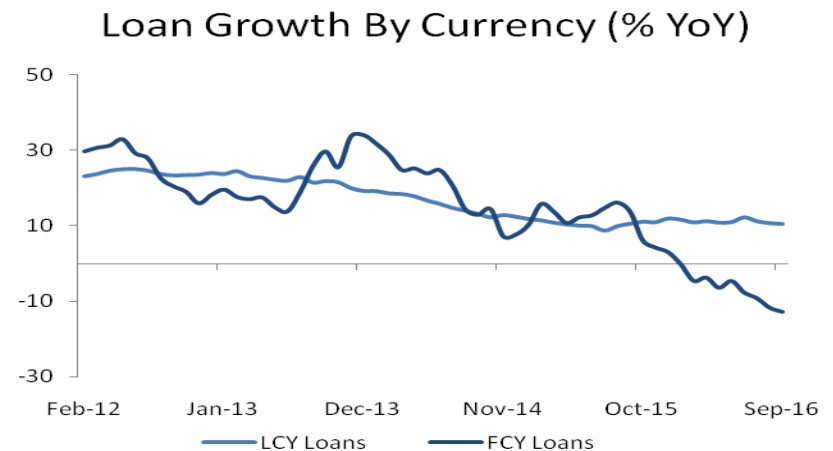


Source: Statistics Indonesia, OJK, Phillip Securities

- Loan growth is now more in-line with the Nominal GDP growth
  - Total sector loan at IDR4,212 trillion (+6.47% YoY) Sep 2016
    - FCY loans experiencing negative growth throughout 2016
    - LCY loan has been growing in double digits since Sept 15
  - Deposit grows to IDR 4,605 trillion (+3.15% YoY)



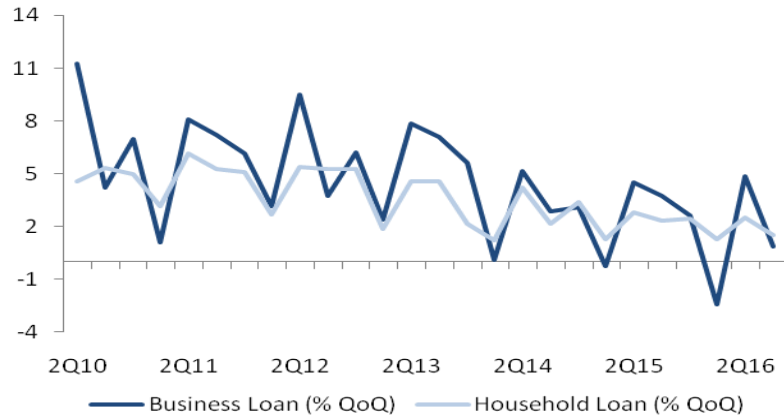
Source: OJK, Phillip Securities Indonesia



Source: OJK

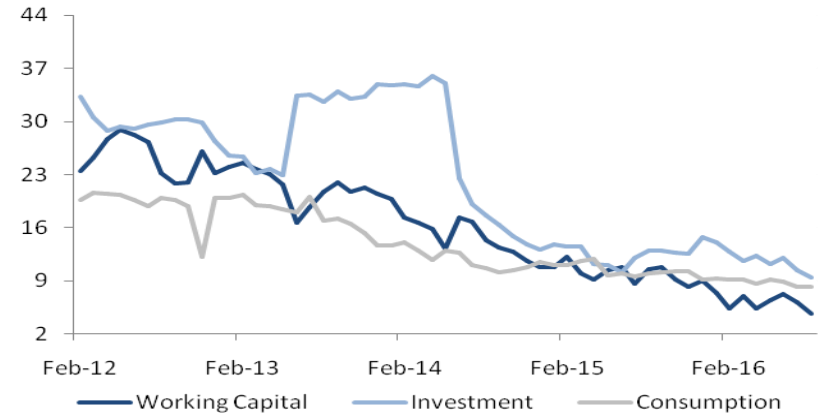
# Banking Sector Outlook

## Business Loan & Household Loan



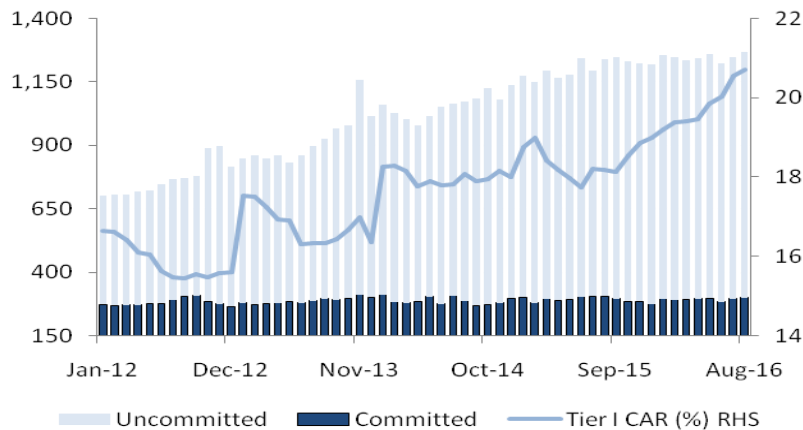
Source: OJK

## Loan Growth By Type (% YoY)



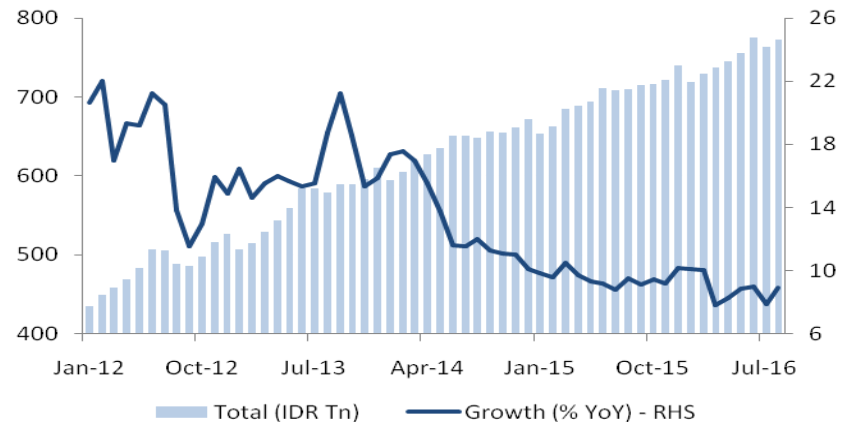
Source: OJK

## Undisbursed Loans (IDR Tln)



Source: BI

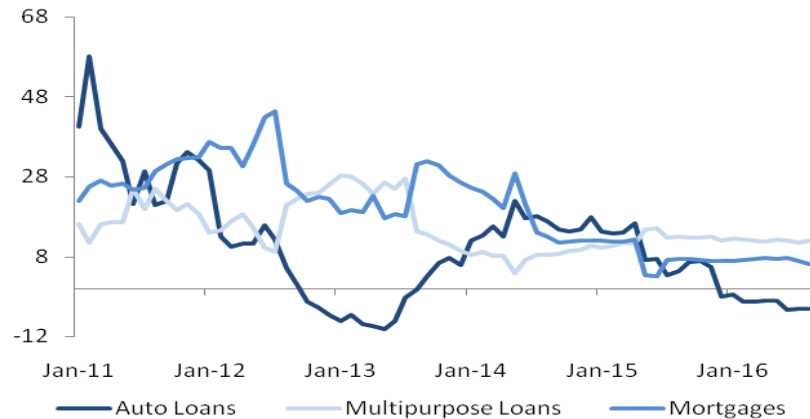
## MSME Loans (% YoY)



Source: OJK

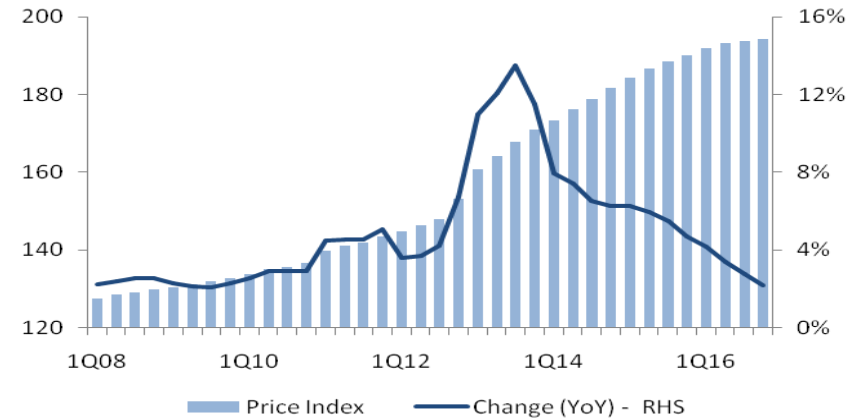
# Banking Sector Outlook

## Consumer (Household) Loan (% YoY)



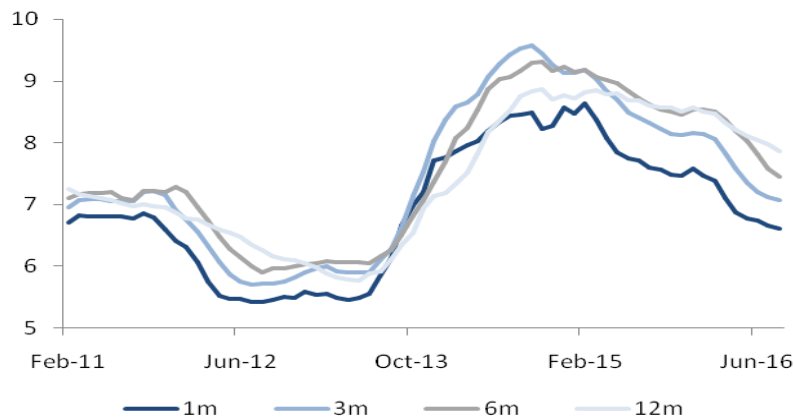
Source: OJK

## Price Index Of Residential Property

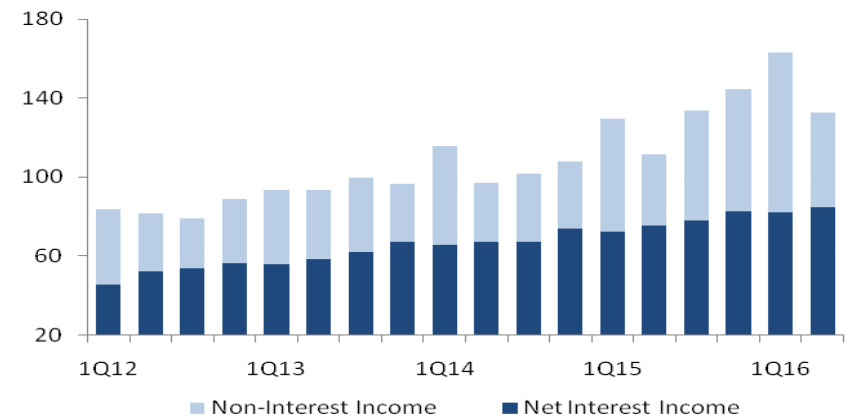


Source: OJK

## Term-Deposit Rate (%)



Source: OJK



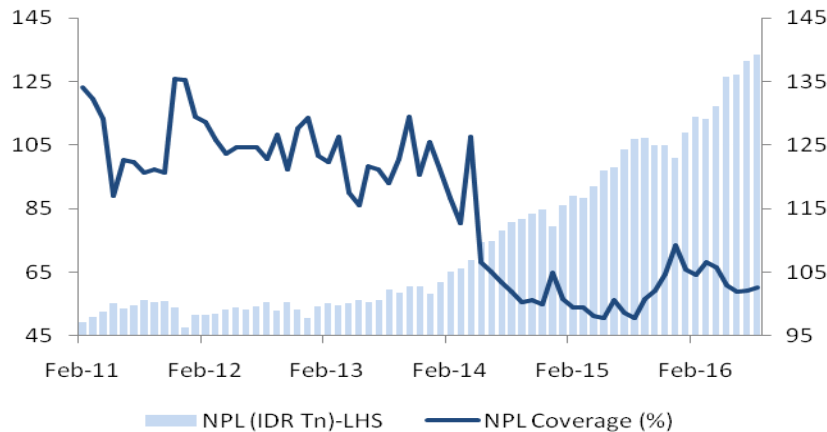
Source: OJK



## Asset Quality

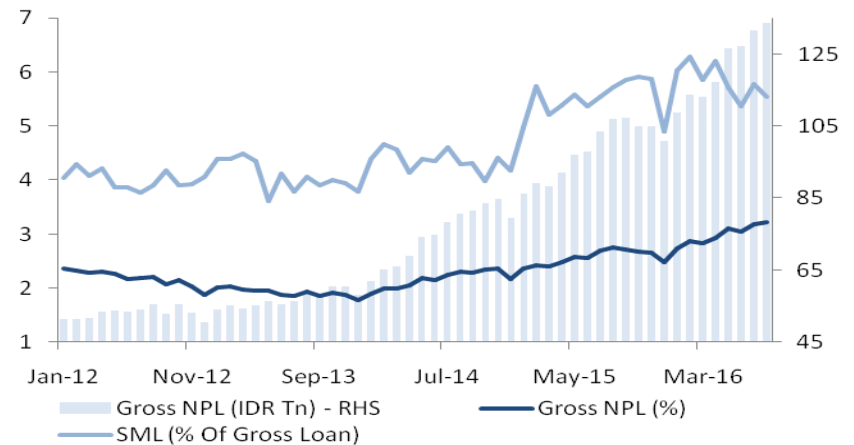
- Pick up in private consumption on account of
  - Non Performing Loan (NPL) is creeping up to 3.10% (Sept 2016) from 2.71% in previous year
  - By Loan Type: Working Capital 3.73%, Investment 3.46% and Consumption 1.71%
  - Business Loan; Mining 6.38%, Trade 4.42%, Construction 4.26%, Manufacture 3.88%, Real Estate 2.83%
  - Special Mention Loan (SML) is down to 5.45% (of Gross Loan) from 5.86% in Sept 2015

NPL And Coverage Ratio



Source: OJK

Special Mention Loan



Source: OJK

- We forecast modest sector performance
  - Loan growth to reach 10.56% this year and 11.55% next year
  - Customer Deposit (3rd Party Fund) growth is 8.73% this year and 9.32% next year, bringing LDR to 93.58% (2016) and 95.49% (2017)

## SECTOR VIEW : Overweight

	Current Price (IDR) (30/11/16)	12-month Target Price (IDR)	Upside/ Downside (%)	Recommendation
BBCA	14,300	16,945	18.5	BUY
BBKP	640	825	28.9	BUY
BBNI	5,175	6,175	19.3	BUY
BBRI	10,900	14,450	32.6	BUY
BBTN	1,650	2,105	27.6	BUY
BJBR	1,550	1,635	5.5	HOLD
BJTM	505	536	6.1	HOLD
BMRI	10,500	9,400	-10.5	SELL
BTPN	2,830	3,140	11.0	HOLD

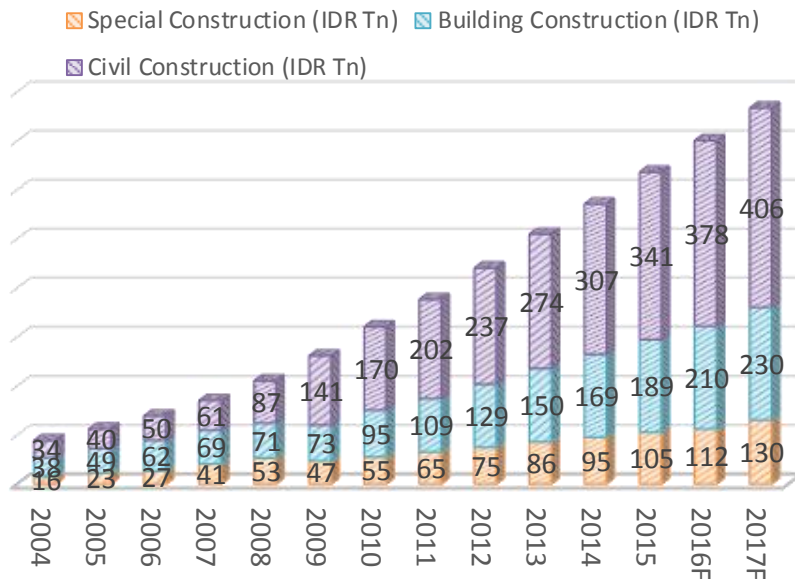
*Source: Phillip Securities Indonesia*

# Construction Sector Outlook

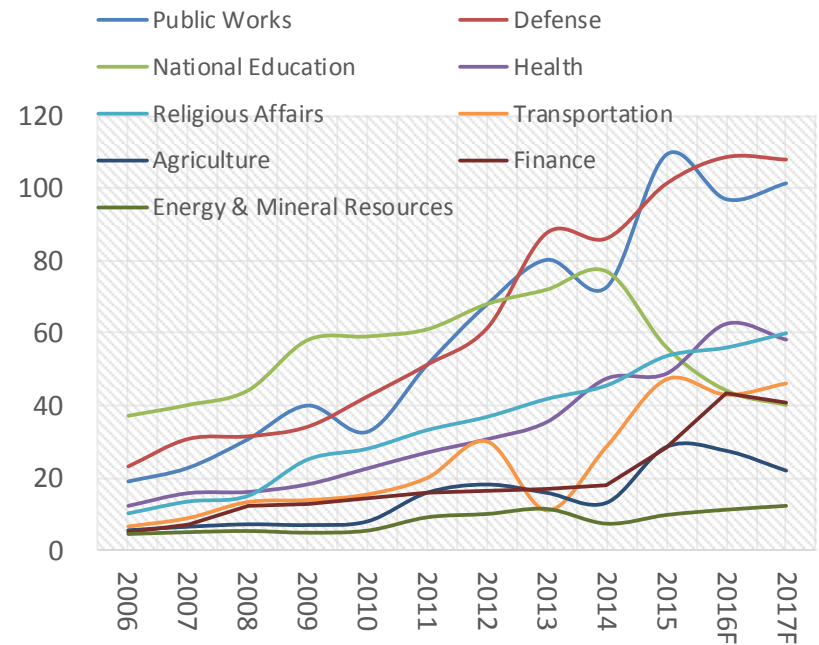
## ► Current development:

- Civil construction grew only 10% so far.
- Ministries spending budgets was trimmed in the Draft of State Budget Amendment 2016 (APBN-P 2016).
- Delayed construction projects due to a number of reasons.

## CONSTRUCTION COMPLETED



Source: Statistics Indonesia, PSI Research



Source: Ministry of Public Works, PSI Research

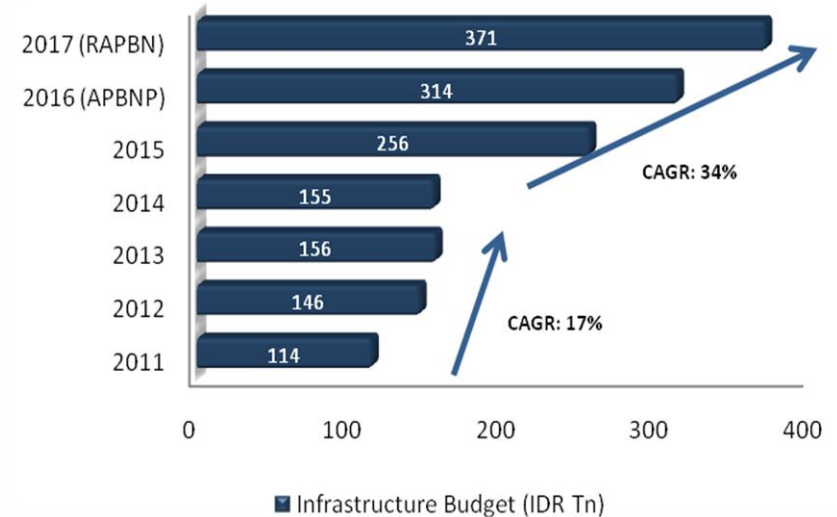
# Construction Sector Outlook

## ► Industry Key Drivers:

- Low interest rate environment
- Projects carried out by government appointed contractors
- State Capital Investment (PMN) & Rights Issue to strengthen capital structure
- Expect construction industry to grow moderately at 5%-15% pace in FY17

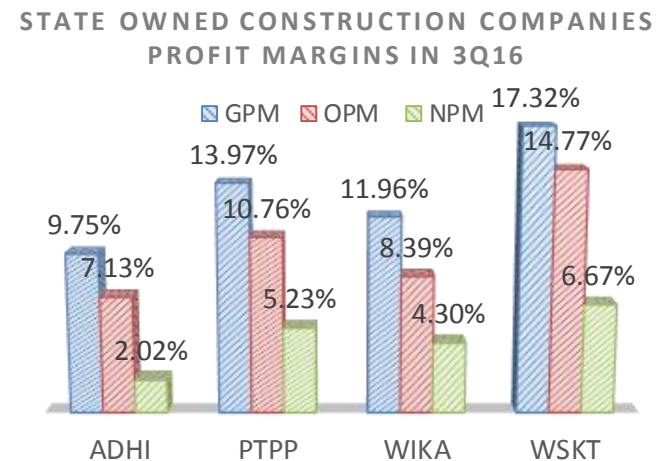
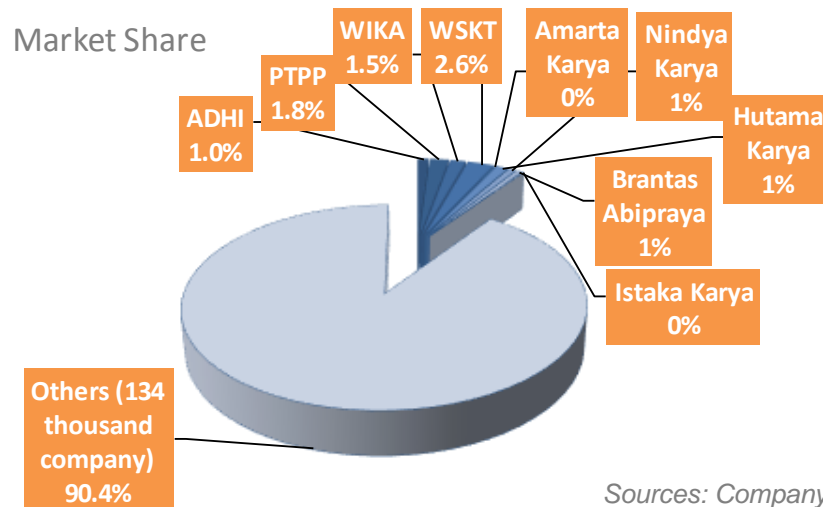
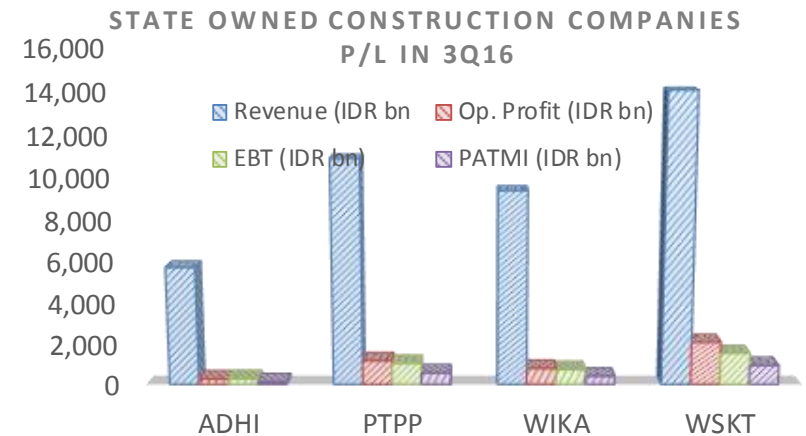
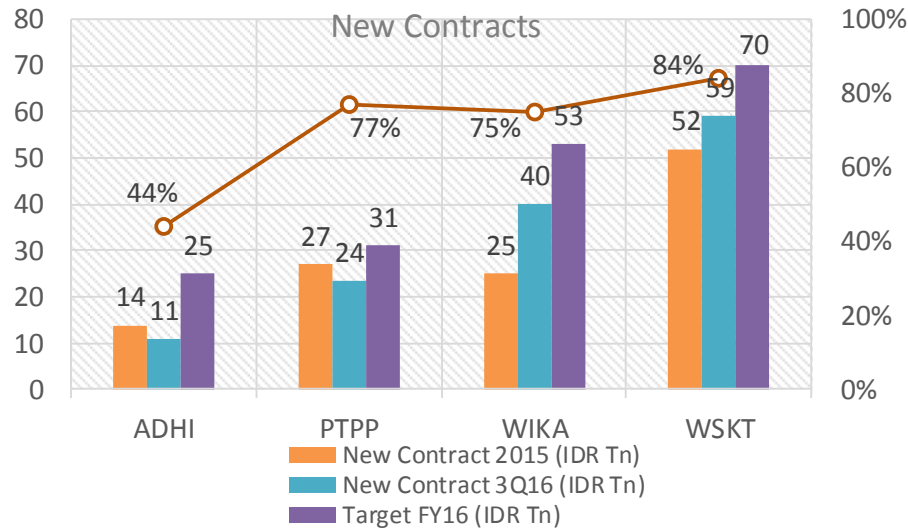
## ► Industry Key Risks:

- Land acquisition hurdles
- SOE construction firms' loans to fund infrastructure projects are negative for their cashflows.
- Construction workforce competency (only 7.2% of 7 million workers are certified)
- Requires IDR 450 trillion/year to successfully develop infrastructures in 5 years



Source: Ministry of Finance, PSI Research

# Construction Sector Outlook



Sources: Company, Statistics Indonesia, PSI Research

## ► Relative Valuation:

	Price (IDR)*	EPS	P/E (x)	P/BV (x)	DER (x)	ROA (%)	ROE (%)	GPM (%)	OPM (%)	NPM (%)
ADHI (Persero)	1895	43	44.07	1.3	2.55	0.83	2.96	9.75	7.59	2.02
PTPP (Persero)	3910	156	25.06	3.31	2.92	3.36	13.18	13.92	10.75	5.22
WIKA (Persero)	2450	60	40.83	3.85	2.84	2.43	9.38	11.96	10.31	8.29
WSKT (Persero)	2510	107	23.46	2.1	2.1	2.47	7.69	17.32	14.71	6.67
ACST	3100	77	40.26	1.7	1.19	1.91	4.2	15.65	9.19	3.12
TOTL	755	63	11.98	2.89	2.04	7.91	24.07	18.94	11.99	9.31
DGIK	67	2	33.5	0.34	0.8	0.48	0.88	6.59	-3.26	1
NRCA**	380	32	11.88	0.88	0.83	4.08	7.49	9.35	5.76	3.09
IDPR	1355	56	24.2	2.56	0.38	7.67	10.61	24.95	12.86	12.16
PBSA***	1290	144	8.96	15.36	4.55	30.7	170.42	26.37	23.65	17.91

\* As of Des 2<sup>nd</sup>, 2016

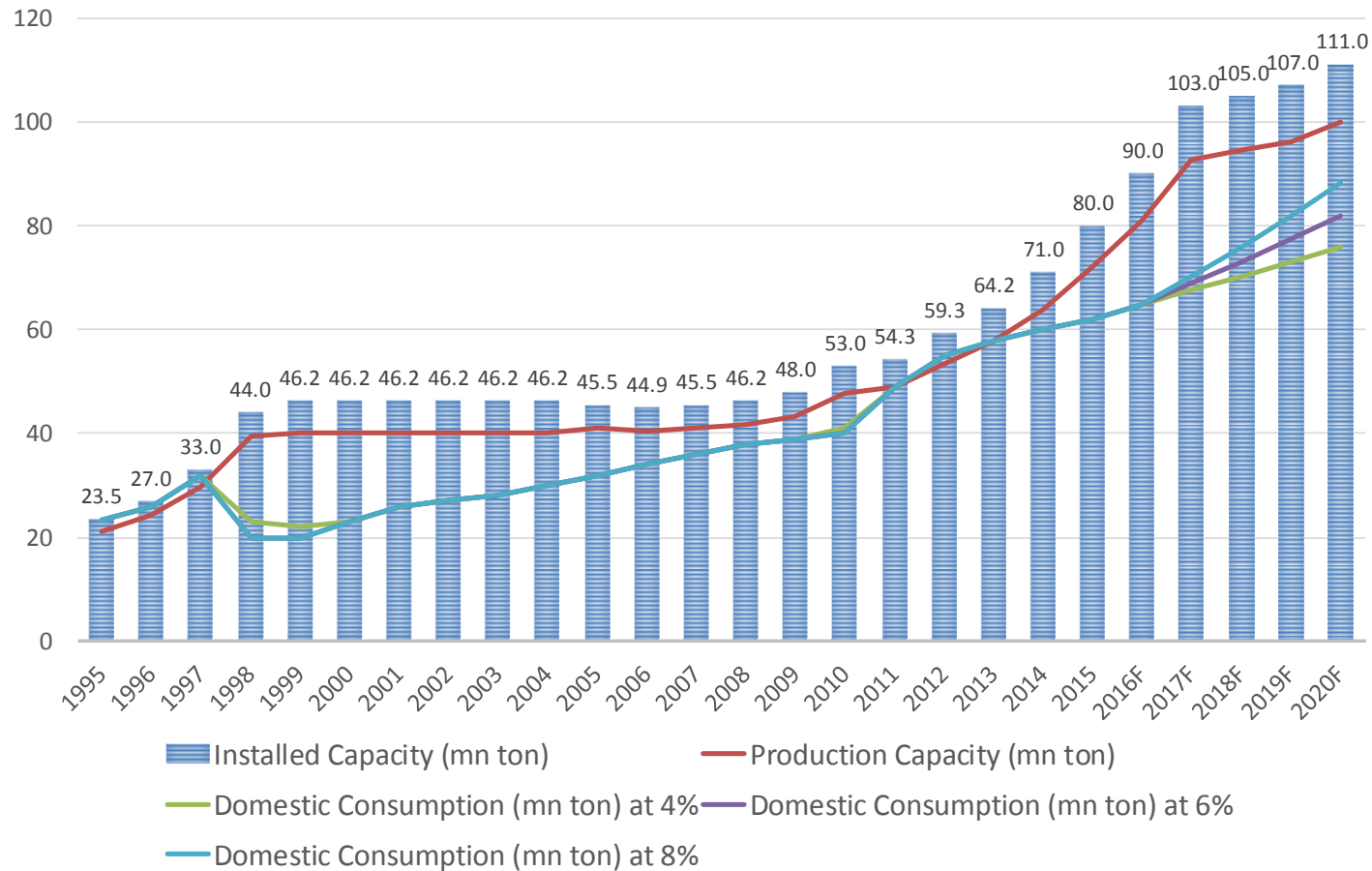
\*\* As of June, 2016

\*\*\* As of March, 2016

Source: Company, PSI Research

## Top picks for 2017: WSKT, PTPP, TOTL

## CEMENT PRODUCTION AND CONSUMPTION

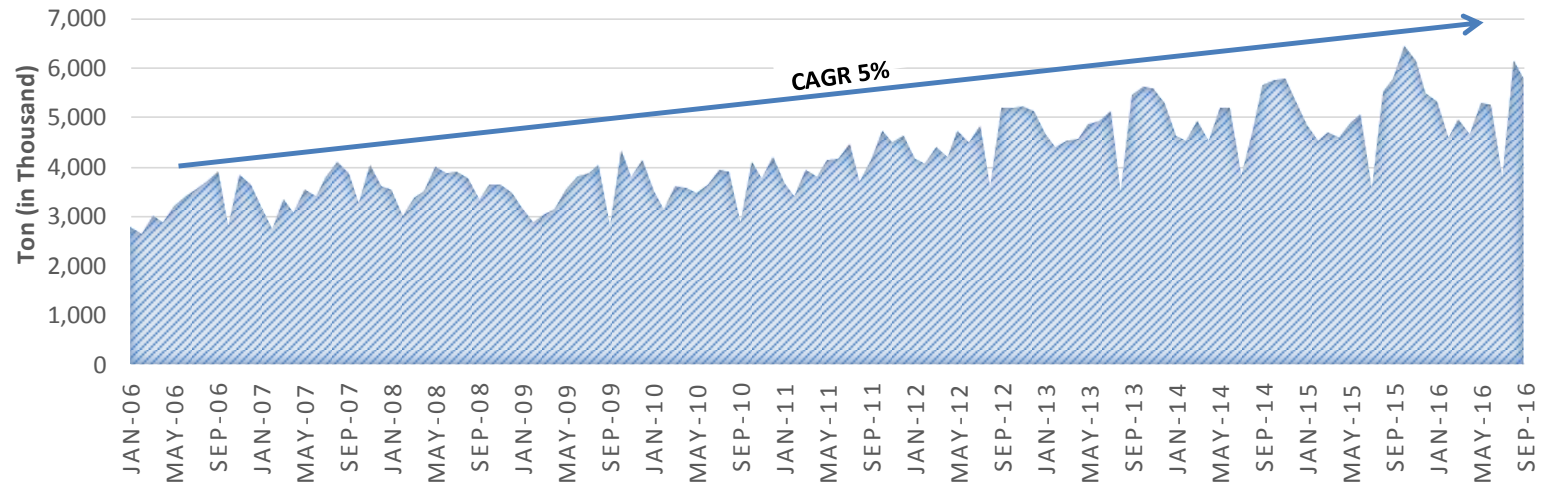


Sources: Indonesia Cement Association (ASI), SMGR IJ, PSI Research, various sources

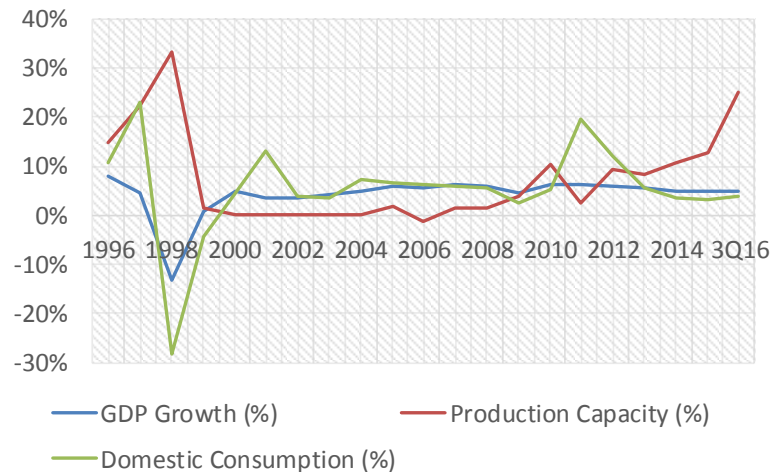


# Cement Sector Outlook

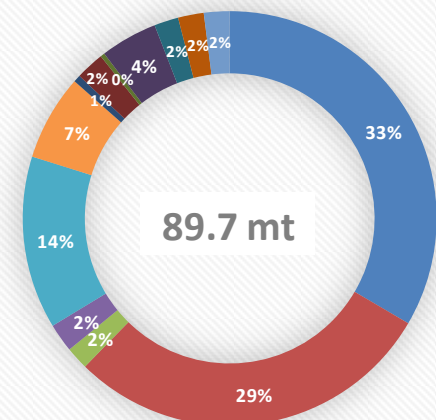
## INDONESIA CEMENT CONSUMPTION



## Demand & Supply Growth



## Cement Companies in Indonesia 2016



Sources: Indonesia Cement Association (ASI), SMGR IJ, PSI Research, and various sources

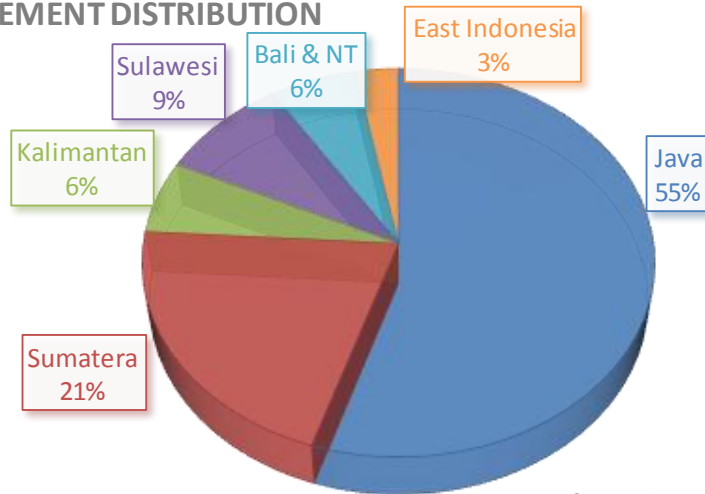


## ► **Key Factors Supporting Cement Demand:**

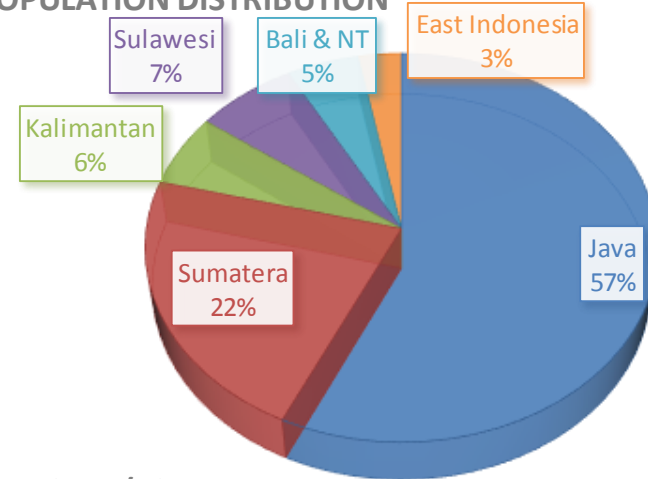
- Infrastructure spending (infrastructure sector contributes 15%-25% of total domestic consumption, and the rest is mostly from housing or residential development)
- Population growth
- Rising income per capita
- Cement consumption per capita:
  - Indonesia only has as much as 235 kg/capita of cement consumption, far below Thailand (586 kg/capita), Vietnam (610 kg/capita), Malaysia (717 kg/capita), and China (1,693 kg/capita)
- Regulations regarding constructions of new cement plants
- We expect cement demand to grow 4%-8% in FY17.

# Cement Sector Outlook

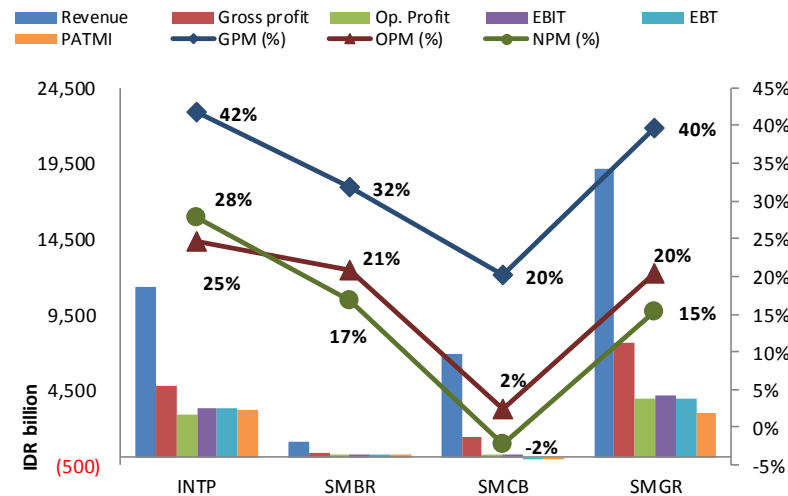
**CEMENT DISTRIBUTION**



**POPULATION DISTRIBUTION**



**Indonesia Cement Companies P/L in 3Q16**



Sources: Indonesia Cement Association (ASI), SMGR IJ, PSI Research, and various sources

## ► Relative Valuation:

Stock	Price (IDR)*	EPS	P/E (x)	P/BV (x)	DER (x)	ROA (%)	ROE (%)	GPM (%)	OPM (%)	NPM (%)
INTP	15575	1140	13.66	2.25	0.09	14.99	16.47	41.66	24.58	27.74
SMBR	2580	24	107.5	8.4	0.31	5.88	7.7	31.8	20.72	16.75
SMCB	905	-28	-32.32	0.85	1.43	-1.07	-2.6	20.11	2.43	-2.31
SMGR	9250	658	14.06	1.93	0.42	9.61	13.7	39.69	20.71	15.34

\* As of Des 2<sup>nd</sup>, 2016

Source: Company, PSI Research

**Top picks for 2017: SMGR, INTP**

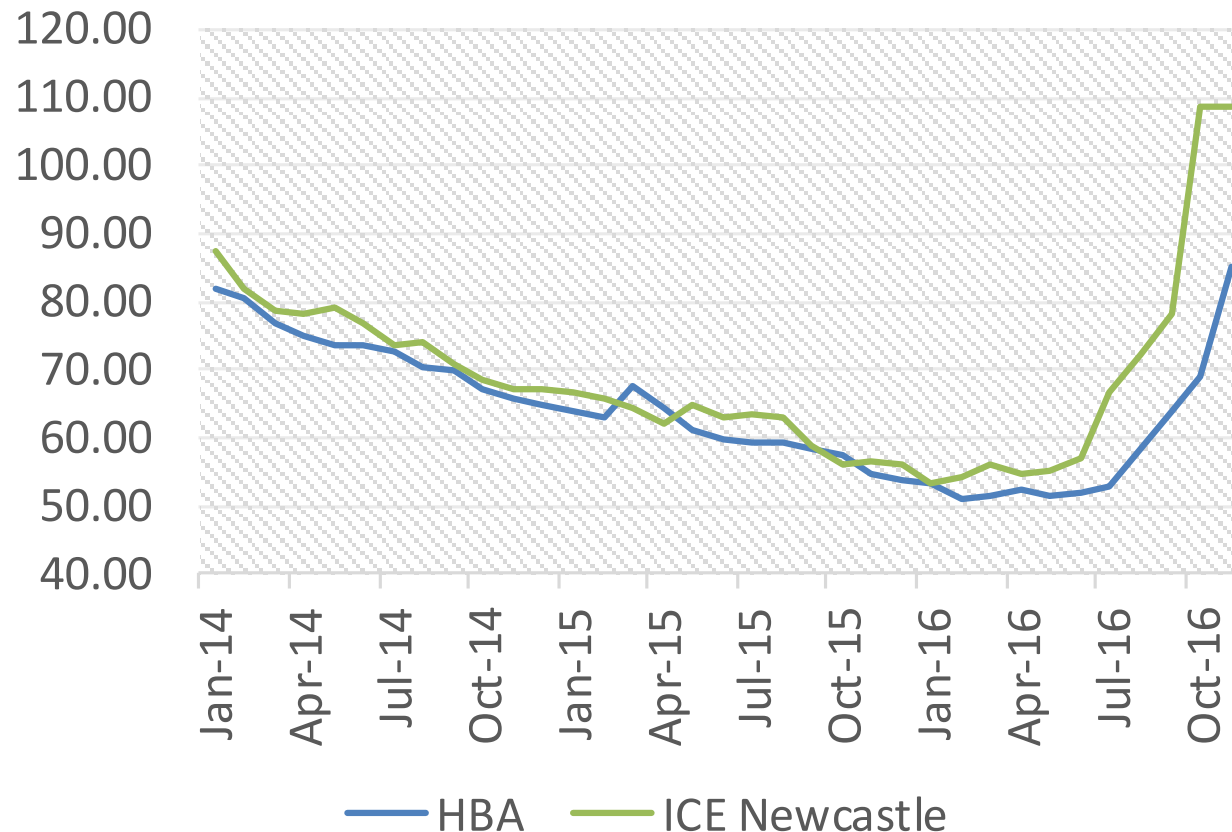
## What goes down must come up

### ► **Coal Mining: Positive Outlook**

- YTD coal price has surged 98%, traded above USD 100/ton and we estimate this trend to continue next year, supported by higher demand from domestic users and China.
- China production limitation is due to cease in March 2017. Domestic power plants development to bring positive sentiment for coal price.
- 2017 domestic coal production is expected at 409 million tons, up 3.5% from currently 395 million tons.
- Heavy equipment demand is expected to increase following the rise in mining activities.

Top picks for 2017: ADRO, PTBA, ITMG

## What goes down must come up



Source: ESDM, Indexmundi, PSI Research

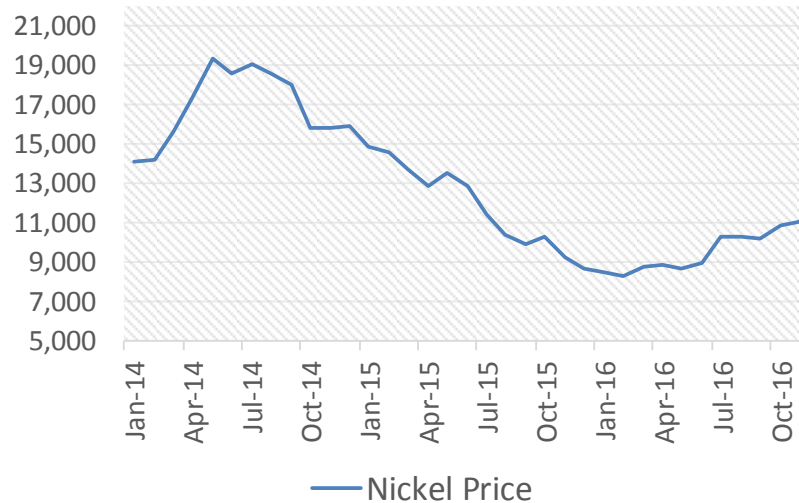
## What goes down must come up

### ► **Metal Mining: Positive Outlook**

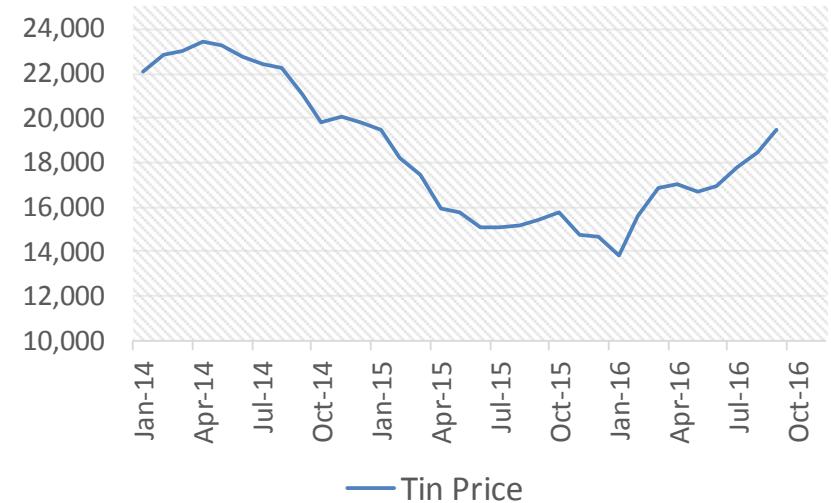
- The impact of export ban, mine closures, and production cuts continued to propel metal prices this year and are expected to continue next year as well.
- China's policy to boost the infrastructure and construction sectors has been key driver to demand for metals.
- However, industrial sector reform and environmental concern is expected to slow down demand growth for raw materials in the long term.

Top picks for 2017: INCO, ANTM, TINS

## What goes down must come up



Source: Indexmundi, PSI Research



Source: Indexmundi, PSI Research

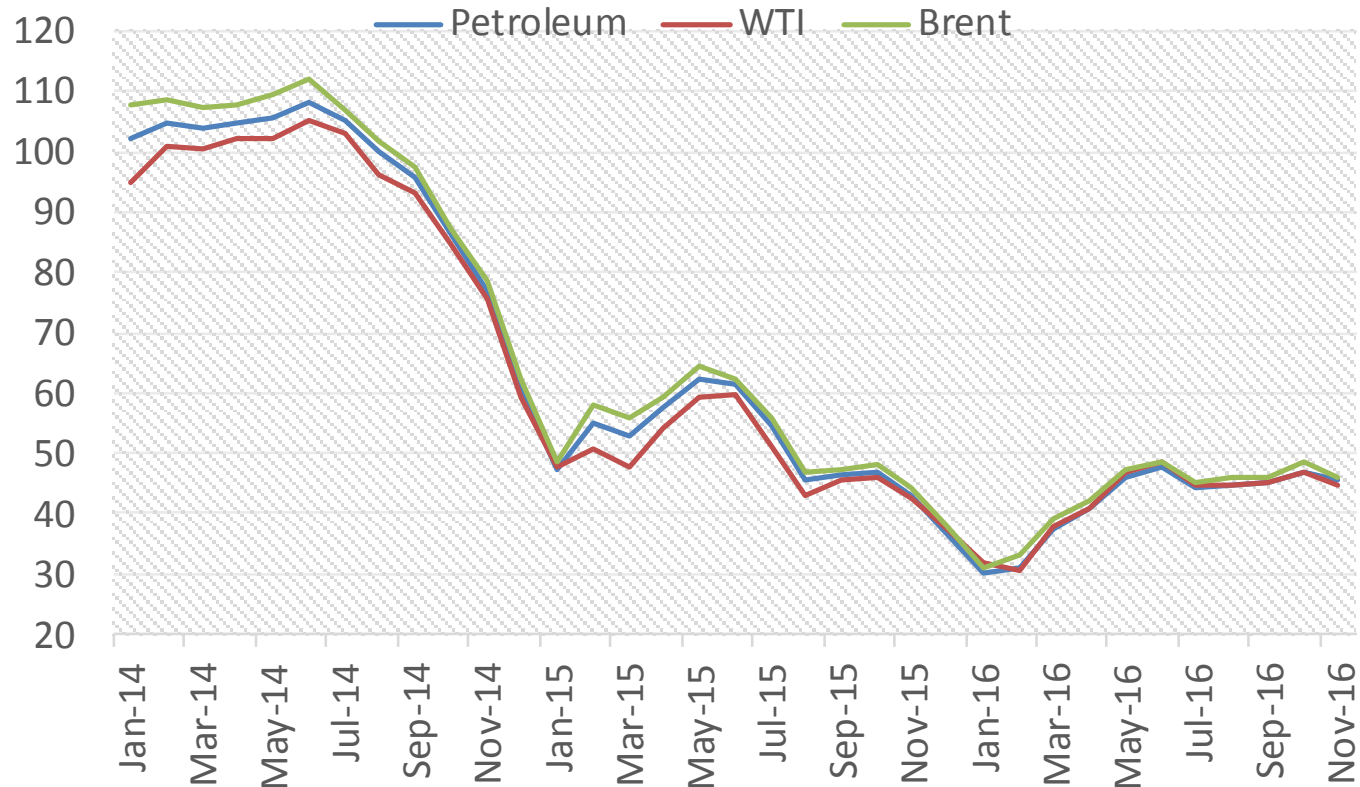
## What goes down must come up

### ► Oil and Gas: Neutral Outlook

- Uncertainties in OPEC decision to limit its production. OPEC members agreed to limit output to 32.5 – 33 million barrels/day, but details and final decision are being deferred until their meeting on 30 Nov.
- Abundant oil supply and inventory which could get larger as OPEC rivals keep pumping up crude to maintain market shares.
- In the short run, oil prices may be in line with general commodity prices uptrend, but in the medium to long run we do not see any significant fundamental driver, at least until the next OPEC meeting.
- Indonesia's lifting target for 2017: 815 MMbpd of oil and 1,150 Mmboed of gas.



## What goes down must come up

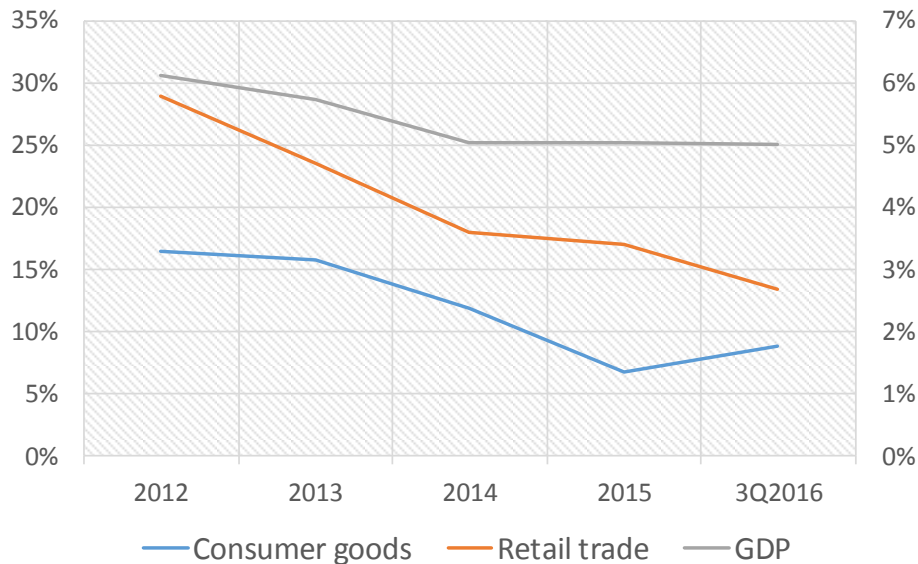


Source: Indexmundi, PSI Research

# Consumer and Retail Sector Outlook

## Seems bleak, right?

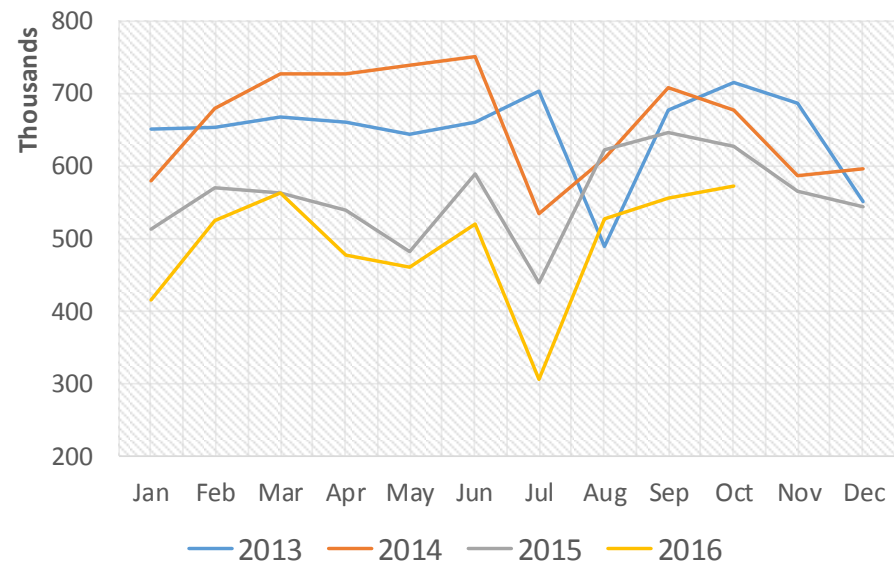
Revenue Growth vs GDP



Source: IDX, Statistics Indonesia

Still growing, but at a lower pace...

2W Sales



Source: Indonesian Motorcycle Industry Association (AIMI)

No sign of recovery on 2W sales yet...

## Should we be pessimistic?

### Catalysts

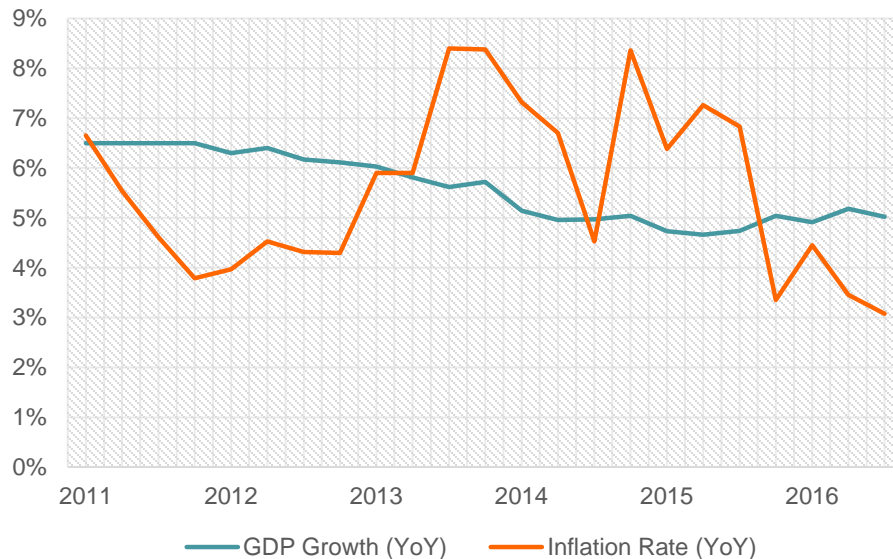
- Economic growth stabilizing around 5%
- Less pressure from inflation
- Single-priced fuel boost new growth areas
- Benefit from infrastructure expansions on logistics efficiency (in the long run)
- Social security program kicking in, more disposable income available to be spent
- Nationwide gubernatorial election spending
- Commodity prices are picking up

### Headwinds

- “The Trump Effect” leads the world to the uncharted area
- Global economic slow-down plague still exists
- Political tension is rising as nationwide gubernatorial elections looms

## Pressure from inflation is easing

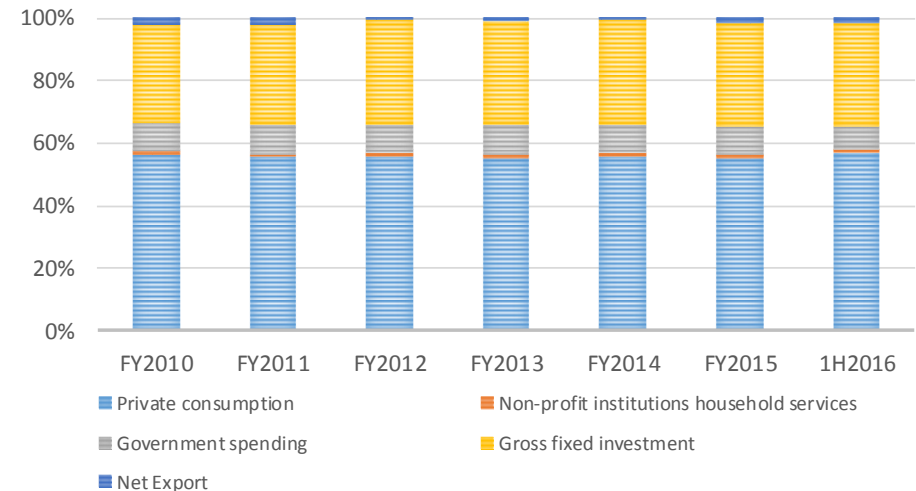
**GDP vs Inflation**



Source: Statistics Indonesia

Real income growth due to lower inflation

**GDP COMPOSITION**

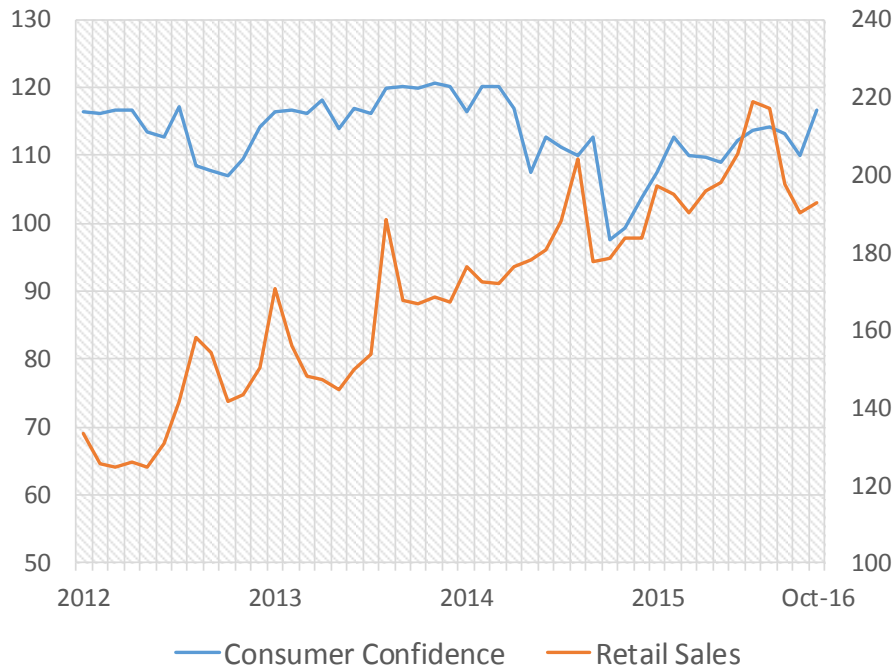


Source: Statistics Indonesia

Private consumption still counts for 55% of GDP

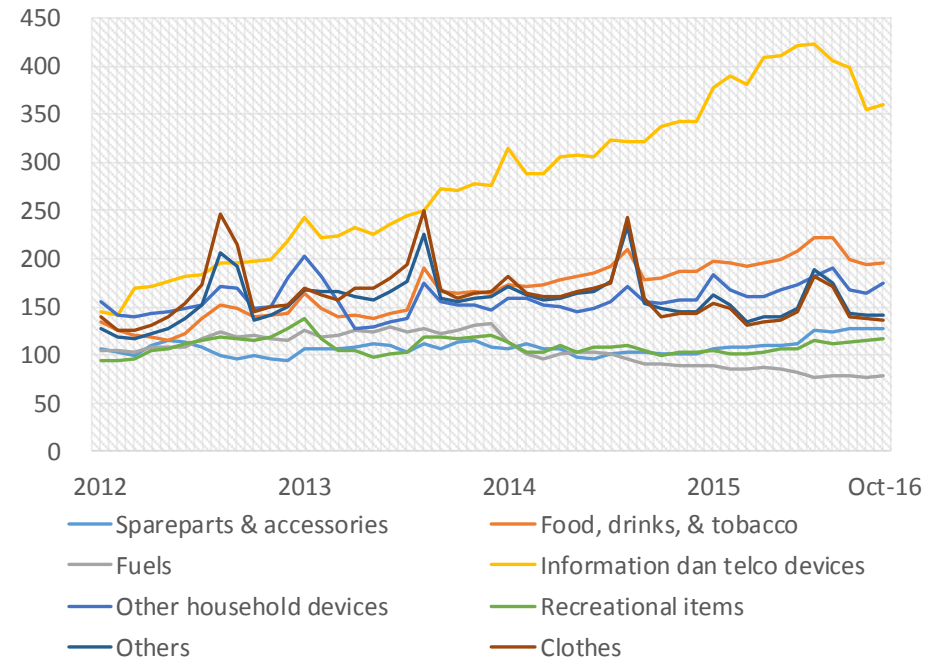
## Consumer sector apparently is still optimistic

Consumer Confidence vs Retail Sales



Source: Bank Indonesia

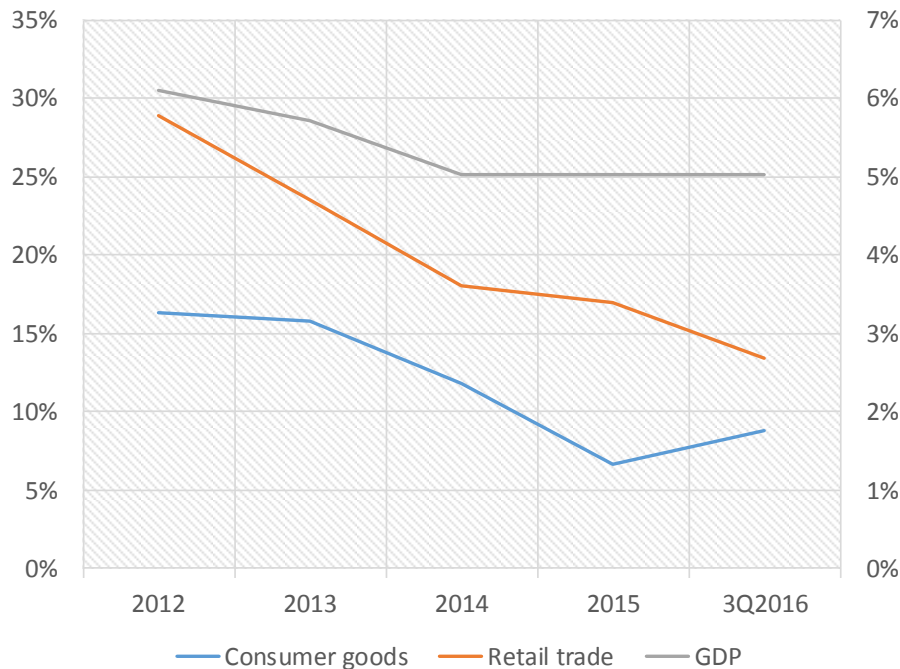
Retail Sales Index



Source: Bank Indonesia

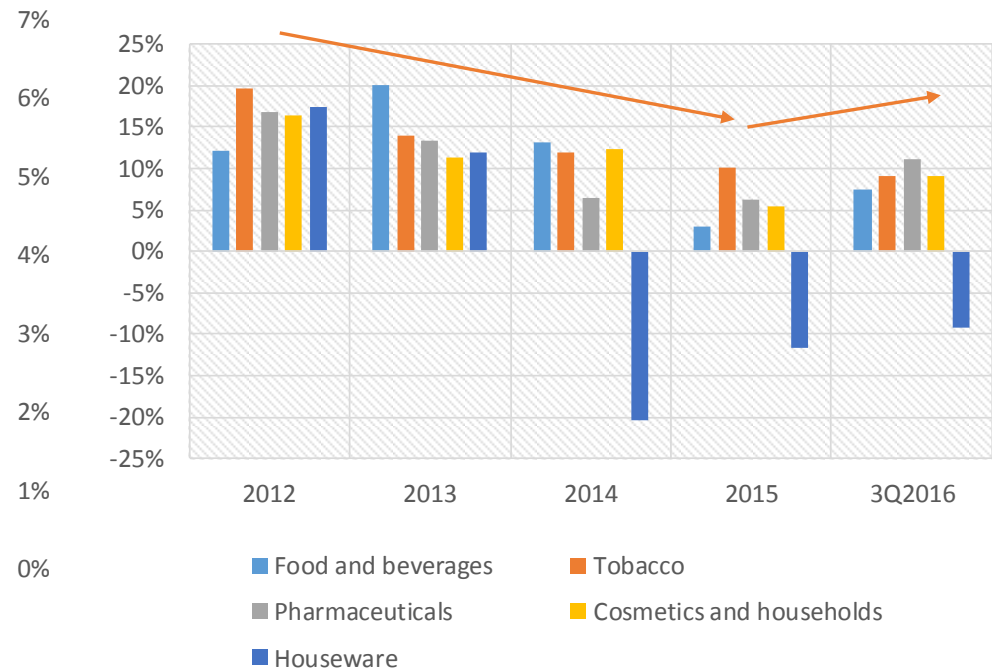
## Slight Recovery in 3Q16

Revenue Growth vs GDP



Source: Company, Statistics Indonesia

Consumer Sector Revenue Growth (YoY)



Source: Company

# Consumer and Retail Sector Outlook

## ► Food & Beverages:

Ticker	Company Name	Δ Revenue	Δ Opt Inc.	Δ Net Inc.	Δ Assets	Δ Equities	OPM	NPM	ROA*	ROE*	DER	PER*	PBV
AISA	Tiga Pilar Sejahtera Food Tbk.	10.55%	52.69%	35.44%	1.23%	1.86%	16.76%	6.93%	5.34%	11.64%	1.18	13.49	1.55
ALTO	Tri Banyan Tirta Tbk.	21.49%	263.72%	-113.69%	-1.08%	-1.42%	16.77%	1.35%	0.37%	0.88%	1.36	164.09	1.43
BUDI	Budi Starch & Sweetener Tbk.	13.13%	54.22%	98.03%	3.94%	16.32%	6.80%	1.58%	1.36%	3.52%	1.59	9.98	0.35
CEKA	Wilmar Cahaya Indonesia Tbk.	9.10%	143.67%	200.42%	-12.21%	40.48%	9.07%	7.39%	20.42%	33.68%	0.65	2.69	0.85
DLTA	Delta Djakarta Tbk.	15.91%	40.71%	41.55%	17.35%	17.05%	35.80%	31.50%	20.29%	24.75%	0.22	17.31	4.09
ICBP	Indofood CBP Sukses Makmur Tbk.	9.86%	24.16%	15.88%	8.25%	13.67%	14.99%	10.70%	13.40%	21.19%	0.58	26.57	5.40
INDF	Indofood Sukses Makmur Tbk.	4.84%	9.35%	92.45%	1.72%	9.00%	11.90%	6.50%	4.67%	9.62%	1.06	15.33	1.45
MLBI	Multi Bintang Indonesia Tbk.	34.68%	97.04%	92.11%	10.43%	-15.52%	42.05%	29.55%	38.12%	173.81%	3.56	26.74	35.17
MYOR	Mayora Indah Tbk.	23.03%	19.87%	-0.40%	14.30%	23.36%	12.04%	6.37%	9.60%	20.38%	1.12	29.53	6.04
PSDN	Prasidha Aneka Niaga Tbk	-2.20%	-204.96%	-54.27%	-1.50%	-8.51%	2.16%	-2.42%	-3.47%	-7.02%	1.02	-8.96	0.66
ROTI	Nippon Indosari Corpindo Tbk.	17.06%	6.09%	5.71%	9.35%	21.46%	17.63%	11.09%	9.70%	20.01%	1.06	28.17	5.39
SKBM	Sekar Bumi Tbk.	3.75%	-3.82%	31.35%	18.34%	12.94%	3.87%	2.34%	3.75%	8.90%	1.37	21.68	1.90
SKLT	Sekar Laut Tbk.	12.14%	-7.23%	-8.54%	7.31%	0.48%	3.50%	2.41%	5.20%	11.97%	1.30	10.01	1.17
STTP	Siantar Top Tbk.	1.99%	-4.96%	-0.10%	23.52%	19.42%	9.37%	5.39%	6.09%	12.61%	1.07	30.05	3.73
ULTJ	Ultra Jaya Milk Industry Tbk.	5.45%	35.19%	38.82%	17.68%	25.44%	19.75%	15.82%	18.27%	21.78%	0.19	18.31	3.82

As of 3Q2016

\*) Annualized

Source: Company, PSI Research

# Consumer and Retail Sector Outlook

## ► Tobacco & Pharmaceutical:

Ticker	Company Name	Δ Revenue	Δ Opt Inc.	Δ Net Inc.	Δ Assets	Δ Equities	OPM	NPM	ROA*	ROE*	DER	PER*	PBV
GGRM	Gudang Garam Tbk.	10.19%	7.65%	12.04%	5.86%	5.09%	12.60%	8.19%	9.77%	16.32%	0.67	20.18	3.24
HMSP	H.M. Sampoerna Tbk.	7.26%	9.33%	19.55%	34.26%	253.10%	16.22%	12.92%	28.57%	39.43%	0.38	36.88	13.54
RMBA	Bentoel Int'l Investama Tbk.	16.39%	0.50%	40.74%	32.63%	-468.59%	-5.44%	-11.50%	-15.36%	-22.23%	0.45	-7.27	1.69
WIIM	Wismilak Inti Makmur Tbk.	-4.88%	-17.97%	-13.47%	-1.89%	5.56%	8.39%	6.13%	8.20%	10.90%	0.33	8.85	0.95

Ticker	Company Name	Δ Revenue	Δ Opt Inc.	Δ Net Inc.	Δ Assets	Δ Equities	OPM	NPM	ROA*	ROE*	DER	PER*	PBV
DVLA	Darya-Varia Laboratoria Tbk.	16.90%	49.87%	40.49%	10.60%	11.45%	15.48%	11.93%	11.67%	17.14%	0.47	9.91	1.67
INAF	Indofarma Tbk.	9.20%	-85.56%	-5.00%	9.61%	0.41%	-0.15%	-3.50%	-2.73%	-7.21%	1.64	-331.80	24.25
KAEF	Kimia Farma Tbk.	14.20%	10.25%	6.23%	35.56%	29.87%	6.97%	4.38%	5.40%	9.93%	0.84	65.24	6.31
KLBF	Kalbe Farma Tbk.	9.51%	15.02%	13.57%	10.78%	12.63%	16.76%	11.84%	15.46%	19.22%	0.24	32.02	5.94
MERK	Merck Tbk.	7.03%	7.70%	3.21%	10.52%	6.13%	20.80%	15.53%	23.47%	30.17%	0.29	24.37	6.96
PYVA	Pyridam Farma Tbk.	-0.28%	25.49%	300.00%	-5.99%	6.99%	4.00%	1.75%	2.33%	3.59%	0.54	31.36	1.13
SIDO	Sido Muncul Tbk.	14.61%	21.50%	7.94%	0.05%	-1.66%	23.28%	18.61%	16.89%	18.38%	0.09	17.42	3.10
SQBB	Taisho Pharmaceutical Tbk.	8.36%	-0.84%	4.50%	-0.54%	0.62%	36.44%	29.09%	99.66%	38.74%	-0.61	0.60	0.28
TSPC	Tempo Scan Pacific Tbk.	13.20%	-13.13%	-11.70%	9.53%	4.34%	7.76%	6.74%	9.35%	13.40%	0.43	14.72	1.92

As of 3Q2016

\*) Annualized

Source: Company, PSI Research



# Consumer and Retail Sector Outlook

## ► Housewares & Cosmetics:

Ticker	Company Name	Δ Revenue	Δ Opt Inc.	Δ Net Inc.	Δ Assets	Δ Equities	OPM	NPM	ROA*	ROE*	DER	PER*	PBV
CINT	Chitose Internasional Tbk.	4.34%	-46.29%	-43.06%	4.89%	1.84%	6.47%	5.07%	3.90%	4.95%	0.27	20.01	0.98
KICI	Kedaung Indah Can Tbk	-1.85%	-88.24%	-106.45%	24.35%	13.81%	0.55%	-0.27%	-0.19%	-0.29%	0.49	-114.20	0.40
LMPI	Langgeng Makmur Industri Tbk.	-10.90%	-31.58%	-47.37%	-1.49%	0.07%	8.11%	0.66%	0.34%	0.66%	0.93	61.19	0.41

Ticker	Company Name	Δ Revenue	Δ Opt Inc.	Δ Net Inc.	Δ Assets	Δ Equities	OPM	NPM	ROA*	ROE*	DER	PER*	PBV
ADES	Akasha Wira International Tbk.	37.29%	216.58%	87.06%	21.01%	15.15%	8.99%	4.83%	5.71%	11.77%	1.06	15.71	1.81
KINO	Kino Indonesia Tbk.	2.24%	-25.01%	0.61%	6.32%	8.27%	8.85%	6.84%	7.21%	12.80%	0.77	16.32	2.08
MBTO	Martina Berto Tbk.	1.44%	108.14%	210.71%	14.21%	-2.93%	3.65%	1.77%	1.69%	2.62%	0.55	16.12	0.41
MRAT	Mustika Ratu Tbk.	-18.68%	-151.69%	-207.69%	-0.76%	-3.69%	-1.77%	-2.15%	-1.54%	-2.01%	0.31	-12.02	0.24
TCID	Mandom Indonesia Tbk.	15.08%	63.37%	-68.29%	10.45%	6.79%	10.63%	7.56%	8.83%	11.01%	0.25	14.64	1.58
UNVR	Unilever Indonesia Tbk.	9.27%	14.58%	13.56%	4.78%	10.20%	21.51%	15.78%	37.82%	99.86%	1.64	49.94	42.18

As of 3Q2016

\*) Annualized

Source: Company, PSI Research

# Consumer and Retail Sector Outlook

## ► Retail Sales:

Ticker	Company Name	Δ Revenue	Δ Opt Inc.	Δ Net Inc.	Δ Assets	Δ Equities	OPM	NPM	ROA*	ROE*	DER	PER*	PBV
ACES	Ace Hardware Indonesia Tbk.	2.69%	13.49%	21.08%	14.02%	14.95%	16.34%	13.56%	18.13%	22.39%	0.23	24.10	5.19
AMRT	Sumber Alfaria Trijaya Tbk.	17.89%	21.44%	63.46%	20.78%	8.96%	1.98%	0.87%	2.69%	9.56%	2.55	45.79	4.31
CENT	Centratama Telekomunikasi	31.14%	3.16%	-38.30%	3.44%	-3.67%	-16.38%	-20.40%	-1.98%	-2.56%	0.30	-42.69	1.10
CSAP	Catur Sentosa Adiprana Tbk.	10.11%	52.94%	205.30%	15.88%	70.57%	2.36%	0.72%	1.38%	3.88%	1.82	38.87	1.48
DAYA	Duta Intidaya Tbk.	26.01%	-58.92%	-64.89%	54.51%	145.04%	-5.51%	-6.54%	-7.84%	-13.90%	0.77	-26.78	3.78
ECII	Electronic City Indonesia Tbk.	-3.72%	73.44%	-258.24%	-4.88%	-2.48%	-3.71%	-1.20%	-1.03%	-1.11%	0.08	-34.15	0.39
ERAA	Erajaya Swasembada Tbk.	11.76%	11.05%	15.74%	4.82%	6.90%	2.51%	1.22%	3.78%	7.61%	1.01	6.97	0.52
GOLD	Visi Telekomunikasi Infra. Tbk.	-27.97%	-39.79%	281.82%	63.72%	-4.06%	62.24%	-30.05%	-7.28%	-14.38%	0.98	-18.60	2.06
HERO	Hero Supermarket Tbk.	-4.50%	446.41%	-246.10%	-4.31%	-4.06%	-1.24%	0.43%	0.75%	1.15%	0.53	87.54	1.00
KOIN	Kokoh Inti Arebama Tbk	2.96%	-167.24%	-160.81%	3.06%	-2.05%	-0.73%	-0.42%	-0.94%	-5.03%	4.36	-40.85	2.07
LPPF	Matahari Department Store Tbk.	10.41%	13.12%	16.34%	4.78%	112.39%	26.85%	21.41%	56.86%	146.10%	1.57	19.75	22.80
MAPI	Mitra Adiperkasa Tbk.	9.29%	-63.46%	339.05%	5.23%	5.03%	5.61%	1.17%	1.61%	5.18%	2.23	54.85	2.75
MIDI	Midi Utama Indonesia Tbk.	21.36%	40.65%	82.30%	20.01%	25.17%	3.89%	1.55%	3.49%	16.35%	3.69	16.63	2.62
MKNT	Mitra Komunikasi Nusantara Tbk.	21.59%	-45.32%	-32.00%	31.78%	45.25%	1.29%	0.86%	4.28%	5.17%	0.21	73.10	3.76
MPPA	Matahari Putra Prima Tbk.	-0.52%	-71.95%	-86.73%	23.53%	-16.25%	0.88%	0.31%	0.67%	1.81%	1.68	213.31	3.82
RALS	Ramayana Lestari Sentosa Tbk.	6.88%	35.14%	18.78%	-1.58%	-4.30%	7.54%	7.93%	10.93%	14.68%	0.34	16.93	2.42
RANC	Supra Boga Lestari Tbk.	8.77%	-172.29%	-571.43%	-4.34%	8.42%	1.09%	2.58%	7.60%	12.32%	0.62	17.23	2.03
SONA	Sona Topas Tourism Industry Tbk.	-5.18%	-98.83%	-70.54%	-10.86%	-11.96%	0.14%	1.16%	1.47%	2.48%	0.69	54.81	1.35
TELE	Tiphone Mobile Indonesia Tbk.	35.62%	31.07%	22.66%	3.55%	-18.03%	3.87%	1.77%	6.87%	15.43%	1.25	11.55	1.74

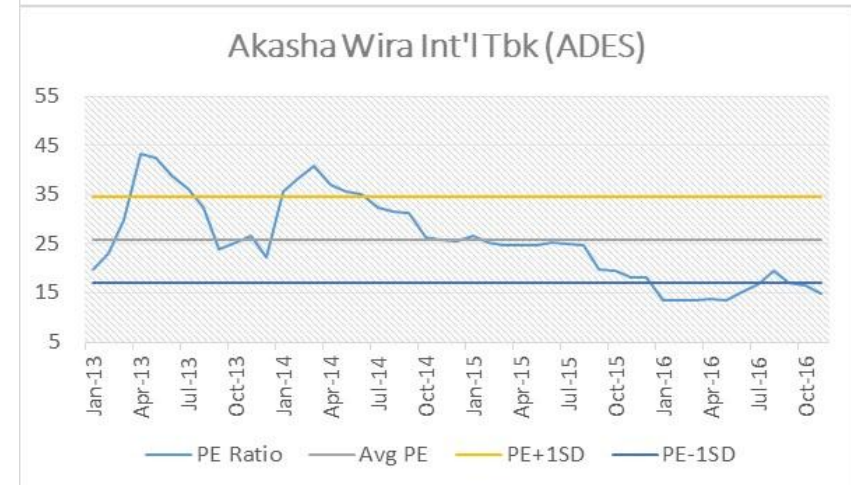
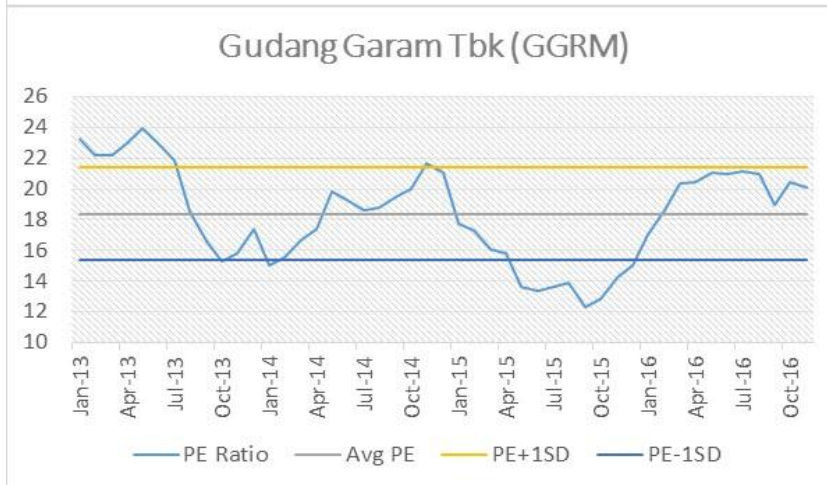
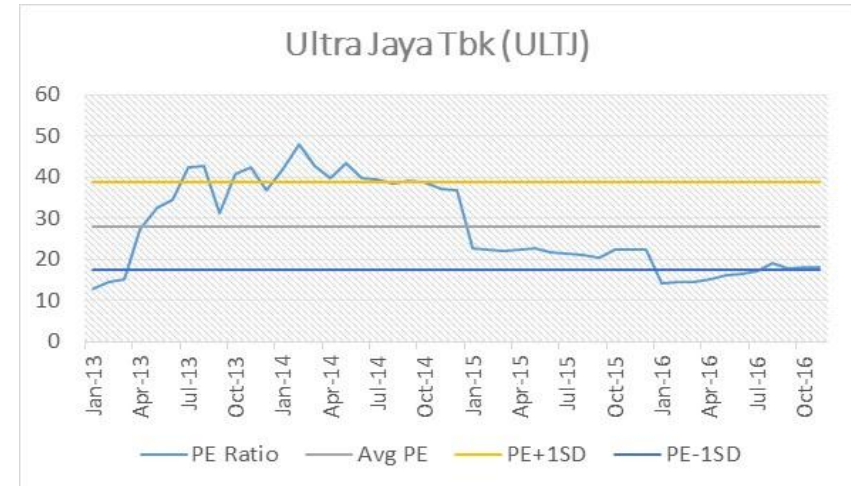
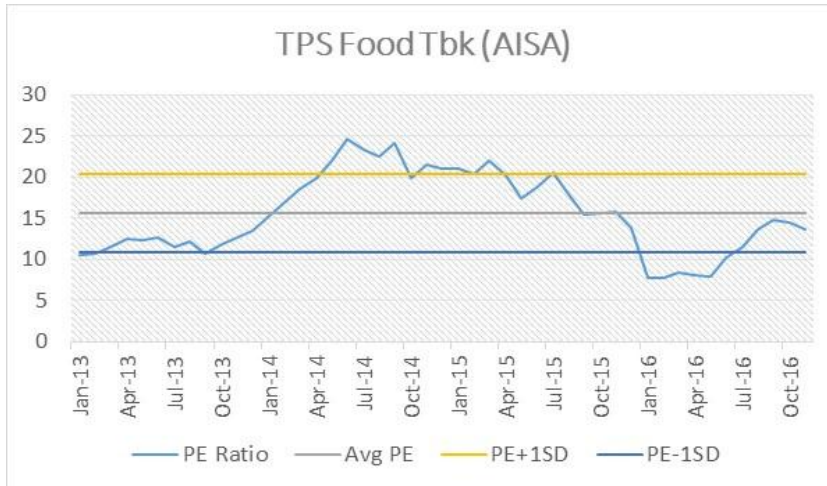
As of 3Q2016

\*) Annualized

Source: Company, PSI Research

# Consumer and Retail Sector Outlook

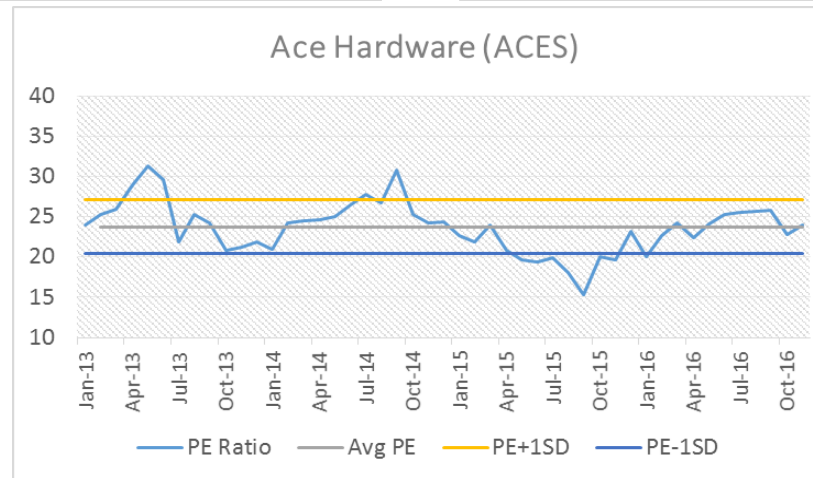
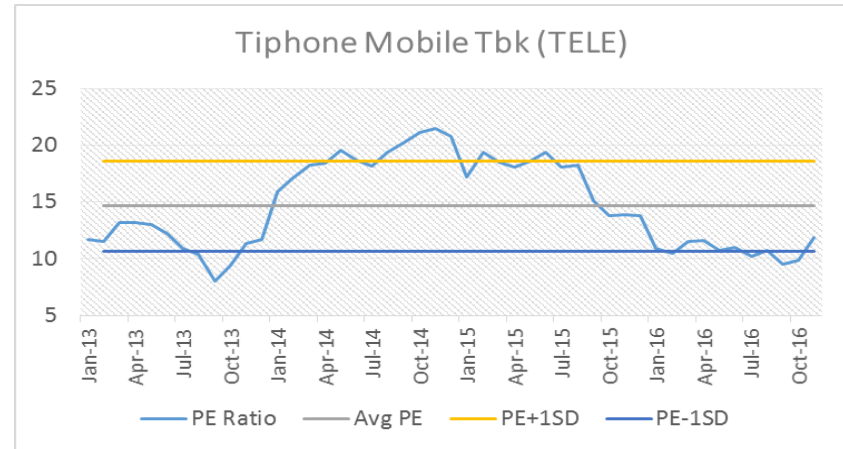
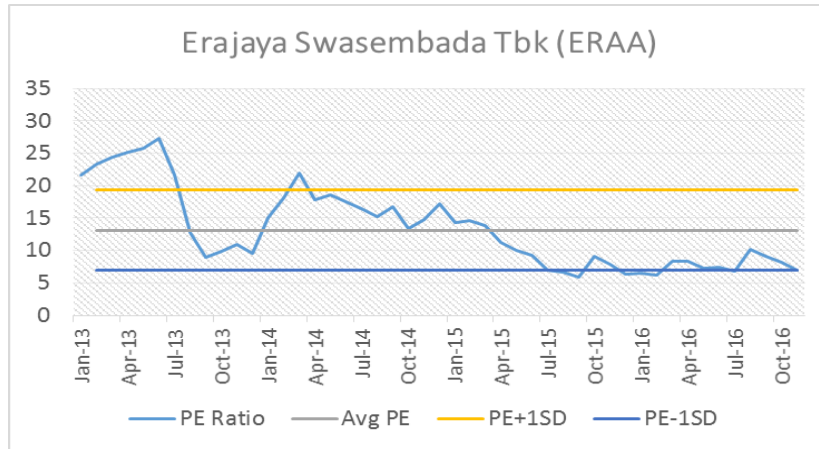
## ► P/E Band for consumer sector



Source: Company, PSI Research

# Consumer and Retail Sector Outlook

## ► P/E Band for retail sector



Source: Company, PSI Research

# Thank you

# Appendix 1: Debt (in Foreign Cy) to Equity (> 0.5x)

Source: Bloomberg, PSI Research

No.	Ticker	Equity * (US\$ mn)	Debt In Foreign Cy * US\$ mn)	Foreign Debt to Equity (x)
1	ETWA IJ Equity	4.15	66.13	15.93
2	TBIG IJ Equity	166.54	1,341.09	8.05
3	INTA IJ Equity	55.89	151.96	2.72
4	UNSP IJ Equity	248.55	612.24	2.46
5	CPRO IJ Equity	154.93	328.68	2.12
6	IMJS IJ Equity	135.95	225.36	1.66
7	IKAI IJ Equity	3.98	6.31	1.58
8	FREN IJ Equity	427.32	663.97	1.55
9	CITA IJ Equity	87.84	120.99	1.38
10	GJTL IJ Equity	441.94	518.43	1.17
11	GOLL IJ Equity	66.36	74.48	1.12
12	FASW IJ Equity	235.94	254.56	1.08
13	SMAR IJ Equity	764.33	778.95	1.02
14	PRAS IJ Equity	49.01	49.14	1.00
15	TRAM IJ Equity	28.11	27.94	0.99
16	SPMA IJ Equity	61.52	59.43	0.97
17	MSKY IJ Equity	203.89	187.43	0.92
18	VIVA IJ Equity	174.74	160.57	0.92
19	MPMX IJ Equity	424.94	379.91	0.89
20	SUPR IJ Equity	346.62	294.38	0.85
21	ASRI IJ Equity	564.30	451.56	0.80
22	LTLS IJ Equity	135.20	105.86	0.78
23	TOWR IJ Equity	683.19	527.78	0.77
24	SOBI IJ Equity	84.10	64.65	0.77
25	RICY IJ Equity	31.42	22.72	0.72
26	BFIN IJ Equity	322.38	215.81	0.67
27	SMMT IJ Equity	29.18	19.15	0.66
28	ADMF IJ Equity	374.67	245.85	0.66
29	ABMM IJ Equity	187.43	120.45	0.64
30	KIJA IJ Equity	421.05	270.08	0.64
31	MDLN IJ Equity	467.05	293.12	0.63
32	IMAS IJ Equity	470.60	270.75	0.58
33	BBLD IJ Equity	85.74	46.87	0.55
34	GIAA IJ Equity	938.25	502.84	0.54

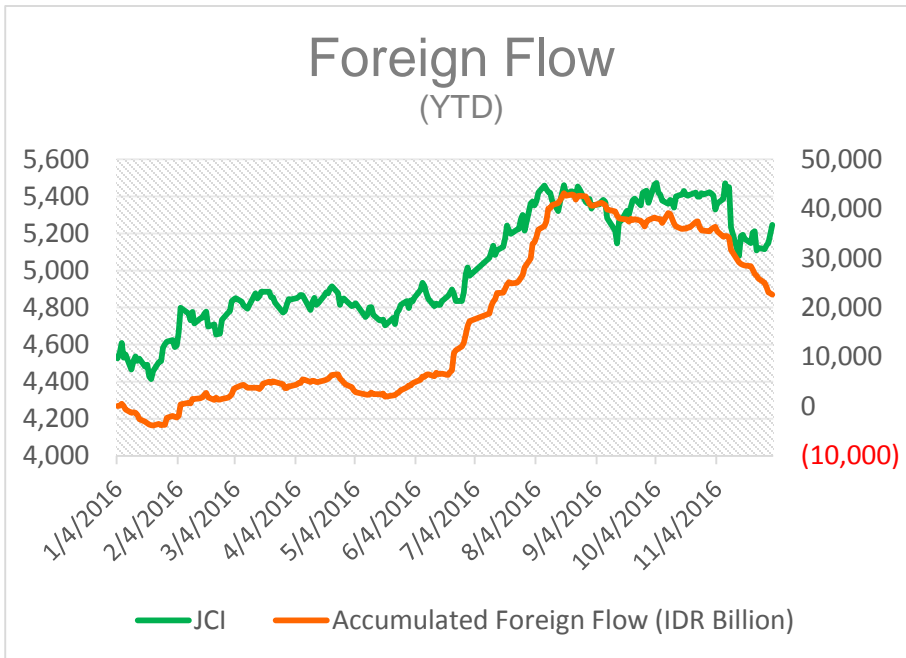
## Appendix 2: Stocks Under PSI Research Coverage

No.	Ticker	Last Rating Update	Rating	12mo Fair Value (IDR)
1	AALI IJ	7-Jun-16	Buy	16,200
2	ACES IJ	3-Aug-16	Sell	800
3	ADRO IJ	29-Aug-16	Buy	1,230
4	AISA IJ	29-Aug-16	Buy	2,460
5	BBCA IJ	1-Aug-16	Sell	13,250
6	BBNI IJ	8-Aug-16	Hold	5,750
7	BBRI IJ	24-Aug-16	Sell	11,400
8	BBTN IJ	12-Aug-16	Buy	2,240
9	BMRI IJ	29-Sep-16	Sell	9,400
10	CPIN IJ	12-Apr-16	Hold	3,680
11	ELSA IJ	28-Sep-16	Buy	500
12	INCO IJ	1-Aug-16	Sell	1,140
13	ITMG IJ	18-Aug-16	Buy	13,625
14	KLBF IJ	10-Aug-16	Sell	1,600
15	LPPF IJ	18-Aug-16	Buy	22,700
16	LSIP IJ	24-Aug-16	Sell	1,510
17	MPPA IJ	10-Aug-16	Sell	1,370
18	PGAS IJ	5-Sep-16	Hold	2,500
19	PTBA IJ	8-Aug-16	Buy	11,500
20	PTPP IJ	28-Sep-15	Hold	3,935
21	RALS IJ	8-Aug-16	Sell	900
22	SIDO IJ	15-Aug-16	Hold	600
23	SMGR IJ	17-Nov-15	Hold	11,050
24	SSMS IJ	13-Sep-16	Buy	1,825
25	TELE IJ	10-Aug-16	Buy	1,200
26	TLKM IJ	13-May-16	Hold	4,350
27	UNTR IJ	28-Apr-16	Sell	12,500
28	WTON IJ	5-Sep-16	Hold	980

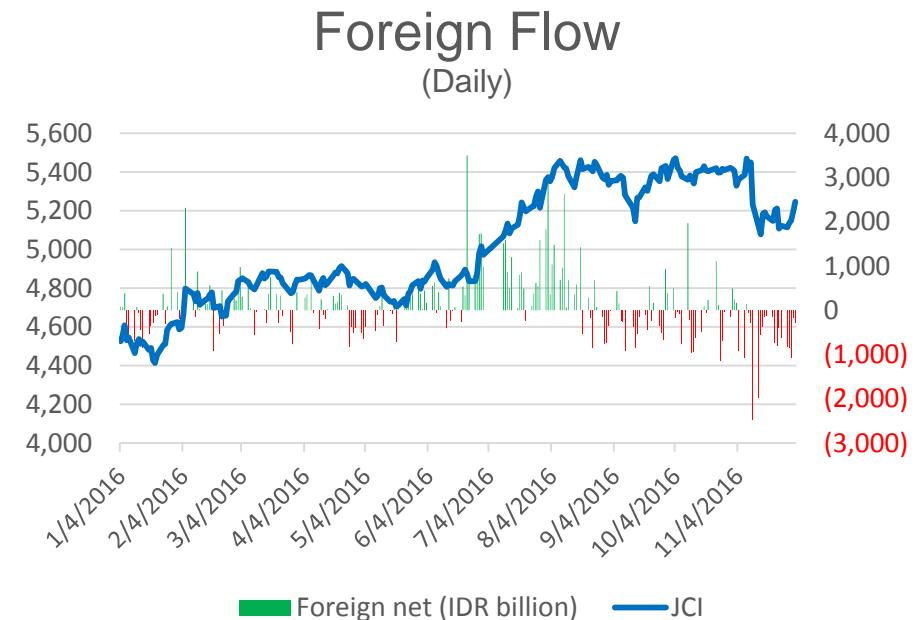
Source: PSI Research



# Appendix 3: JCI and Foreign Fund Flow



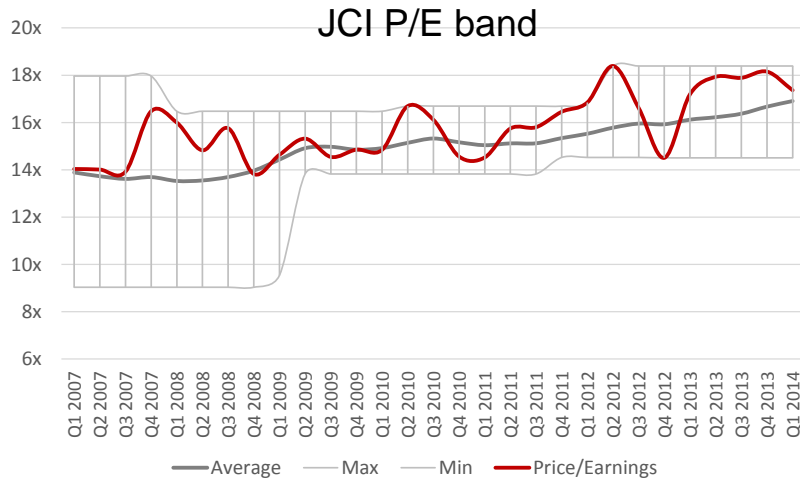
Source: PSI Research, various sources



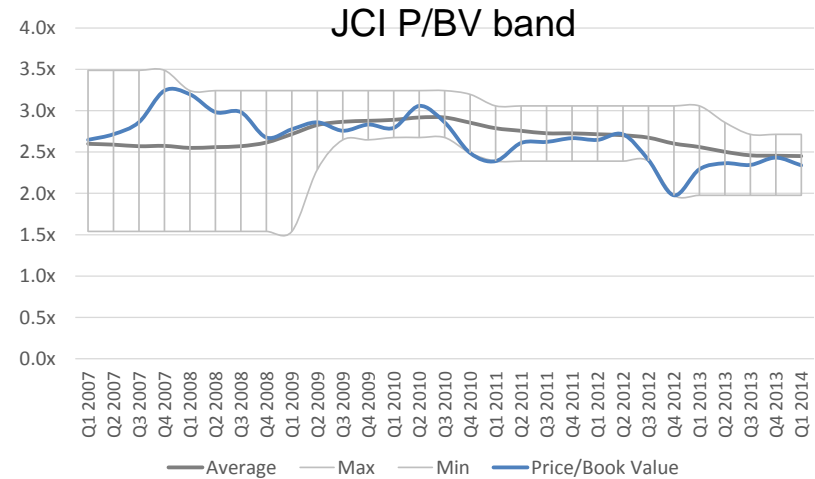
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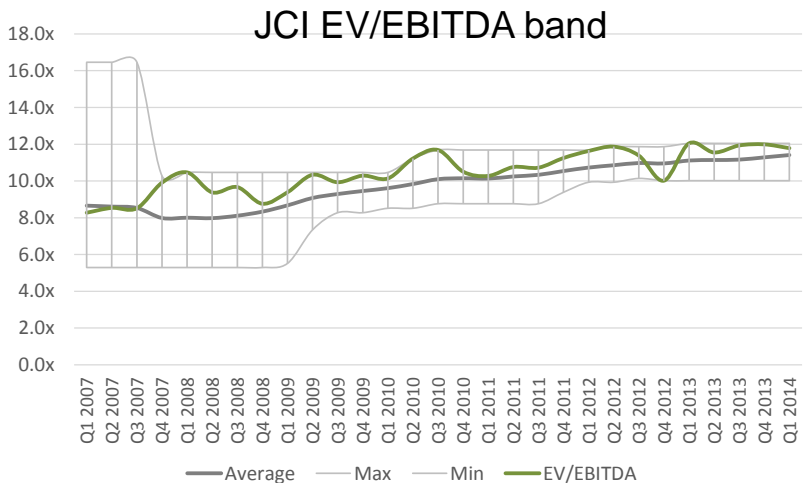
# Appendix 4: JCI Valuation Band



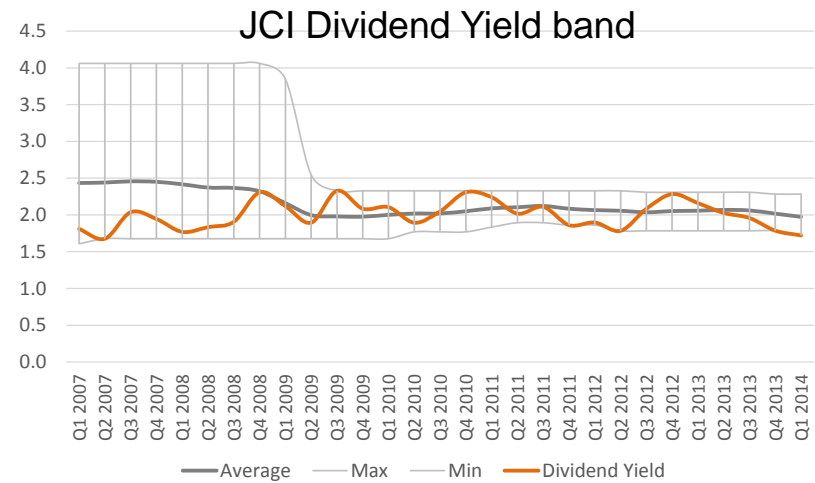
Source: Bloomberg, PSI Research



Source: Bloomberg, PSI Research



Source: Bloomberg, PSI Research



Source: Bloomberg, PSI Research