



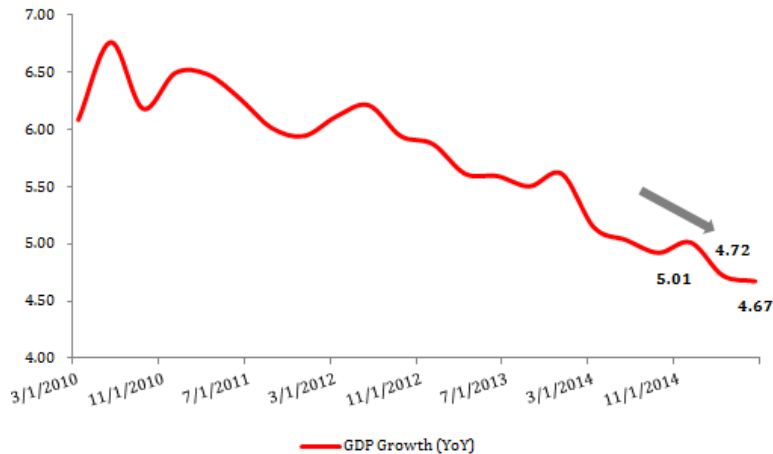
sekuritas
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Consumer Staples

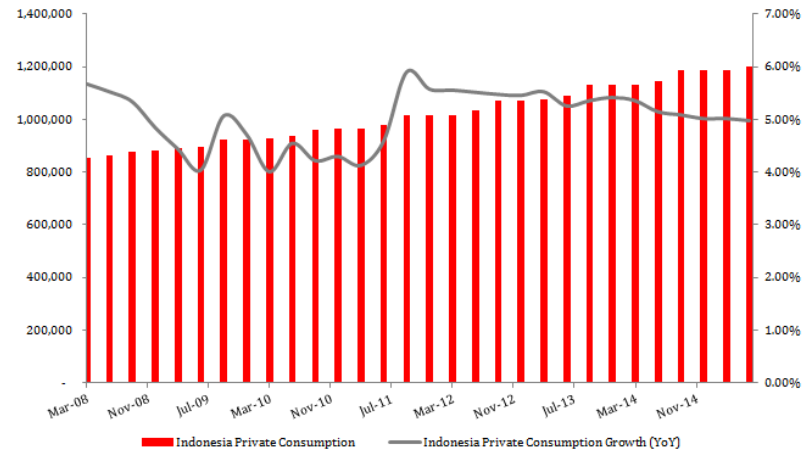
by Sinarmas Investment Research

1H15 Macroeconomic Conditions

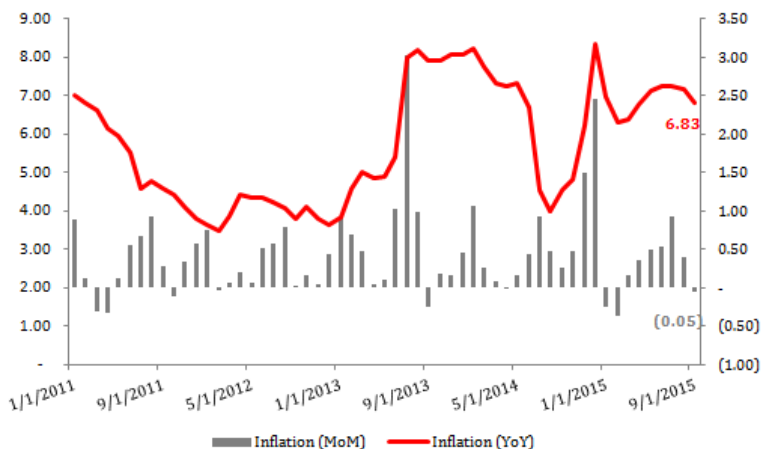
Declining trend of GDP growth



Indonesia Quarterly Private Consumption



Maintainable Inflation (YoY & MoM)



Macroeconomic conditions take vital role in consumer goods industry in term of **purchasing power** which would then influence **consumer spending**.

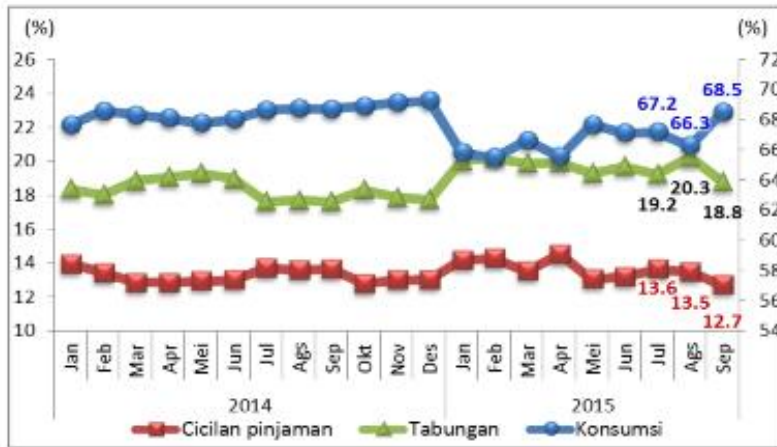
In 1H15, we experienced weak purchasing power which led to low consumer spending. GDP growth of Indonesia was reported at 4.67% YoY in 2Q15, declined slightly from 4.72% YoY in the previous quarter.

Though, inflation rate seemed to be maintainable at 6.83% YoY, with deflation of 0.05% in September.

Private consumption was recorded to increase by quarters, though growth rate YoY was flat since 3Q14 and reached its lowest in 2Q15, accounted for 4.97% YoY

1H15 Consumer Spending

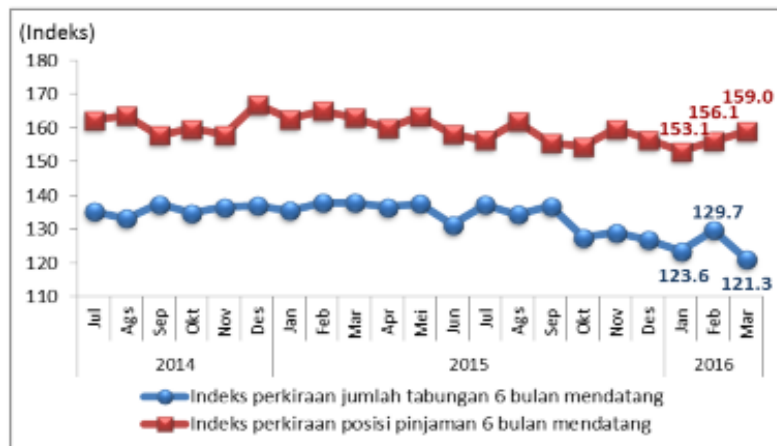
Income Spending Percentage



Consumption vs Savings

| | Consumption | | Savings | |
|---------------------|-------------|-------------|-------------|-------------|
| | 2014 | 2015 | 2014 | 2015 |
| Jan | 67.7 | 65.8 | 18.4 | 20.0 |
| Feb | 68.6 | 65.5 | 18.0 | 20.2 |
| Mar | 68.3 | 66.6 | 18.8 | 19.9 |
| Apr | 68.1 | 65.6 | 19.0 | 19.9 |
| May | 67.8 | 67.7 | 19.3 | 19.3 |
| Jun | 68.0 | 67.1 | 19.0 | 19.7 |
| Jul | 68.7 | 67.2 | 17.6 | 19.2 |
| Aug | 68.7 | 66.3 | 17.7 | 20.3 |
| Sep | 68.7 | 68.5 | 17.6 | 18.8 |
| Oct | 68.9 | | 18.3 | |
| Nov | 69.1 | | 17.9 | |
| Dec | 69.2 | | 17.7 | |
| Average (9M) | 68.3 | 66.7 | 18.4 | 19.7 |

Future Expectation for Savings



Along with the economic slowdown, the income used for consumption (%) was much lower since the beginning of year, with 66.3% in August 2015, which resulted in higher savings in that period. From January to August 2015, the average consumption to income stood at 66.5% compared to 68.2% for 2014, which means consumers spent less mostly due to weak purchasing power.

Though, we see a pickup in September 2015, accounted for 68.5%, increased by 2.2% from the previous month, which we see as a positive catalyst. We view that spending would raise as the macroeconomic conditions remain more stable starting September 2015. This was supported by the future expectation of savings decline for the next 6 months, which mean more money to spend.

Nikkei Indonesia Manufacturing PMI

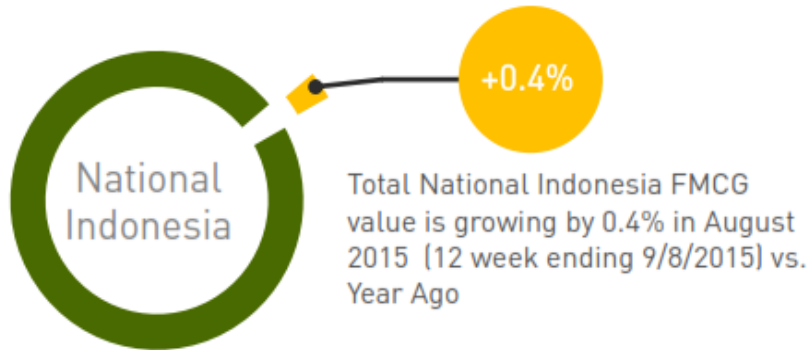
Nikkei Indonesia Manufacturing PMI



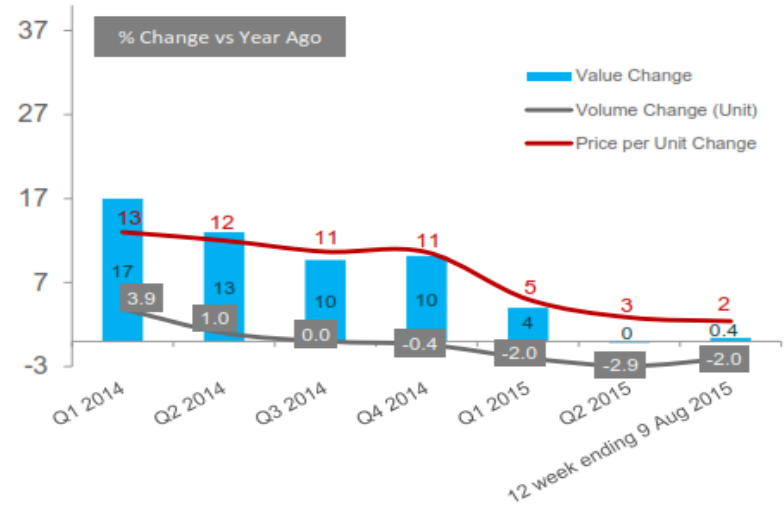
Since the beginning of 2015, Indonesia manufacturing PMI had been in its lower level compared to the previous years. In September 2015, it decreased to 47.4 from 48.4 in August 2015, as the 12th months below threshold of 50, showing the contraction in manufacturing sector.

FMCG Trend due to August 2015

FMCG Trend



FMCG Change



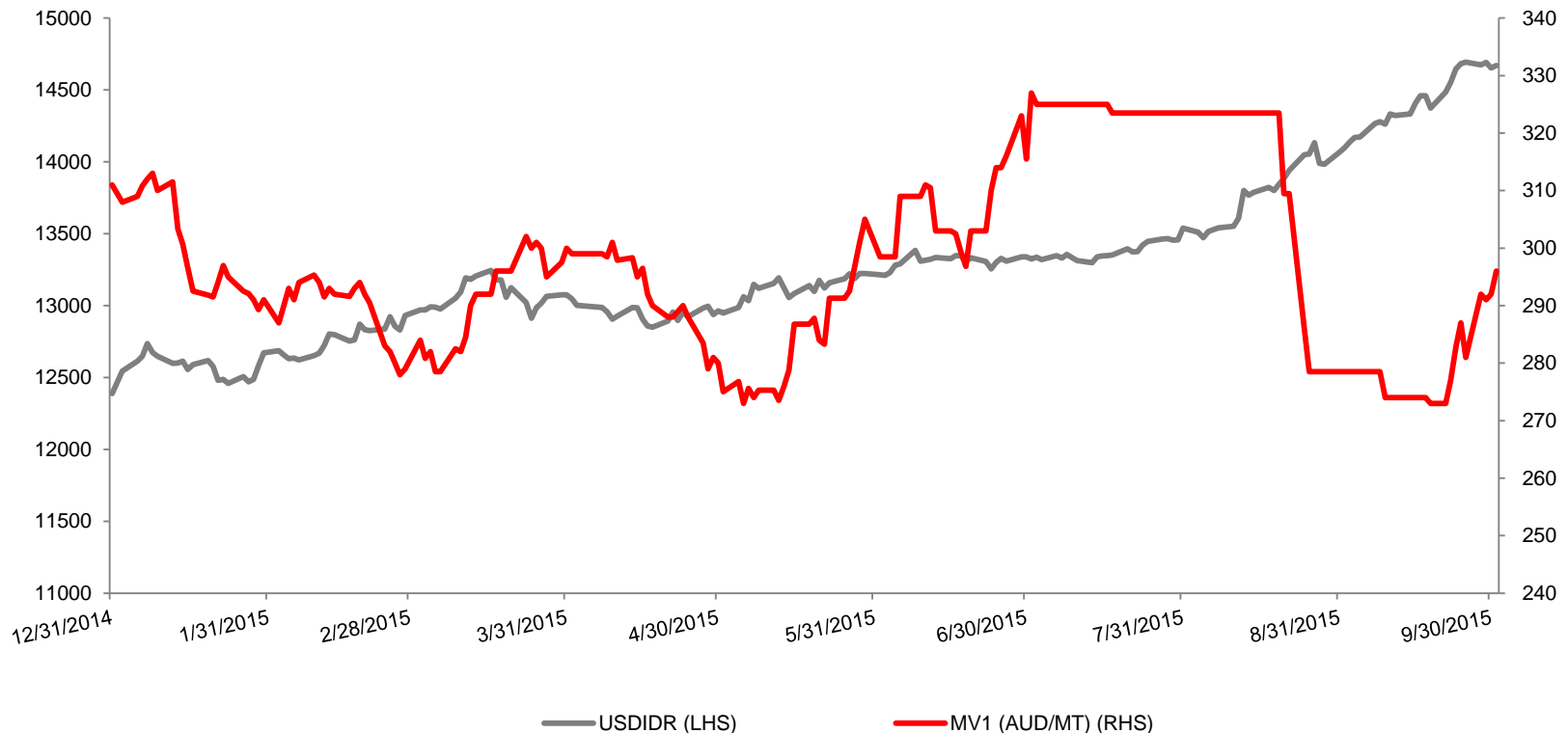
Retailer's Value Growth

| Value Change % | 12 week ending 8/9/2015 vs. Year Ago |
|-------------------|--------------------------------------|
| Hypermarket | -20% |
| Supermarket | -2% |
| Minimarket | -3% |
| Traditional Trade | 2% |

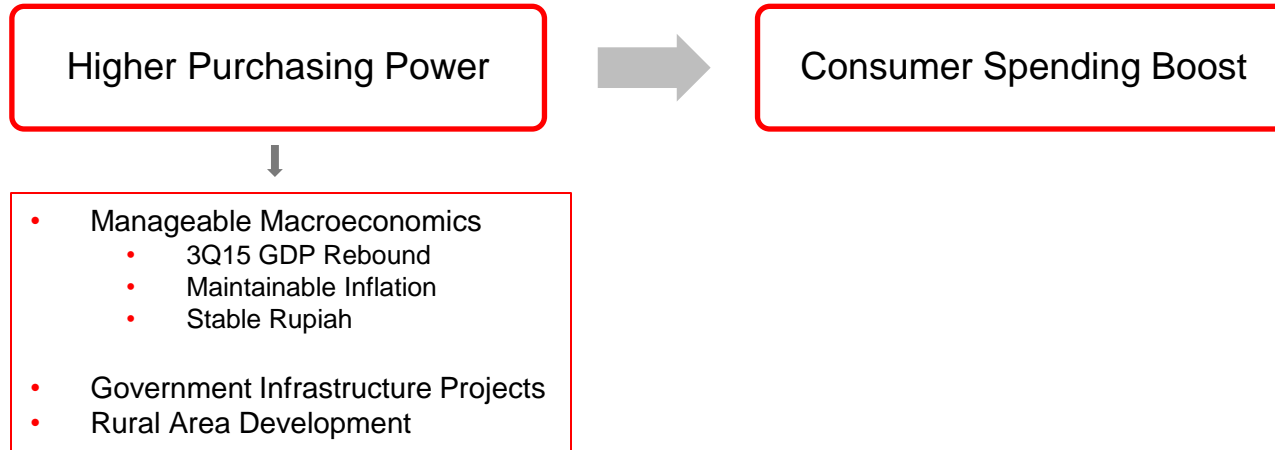
Commodity Prices vs IDR Depreciation



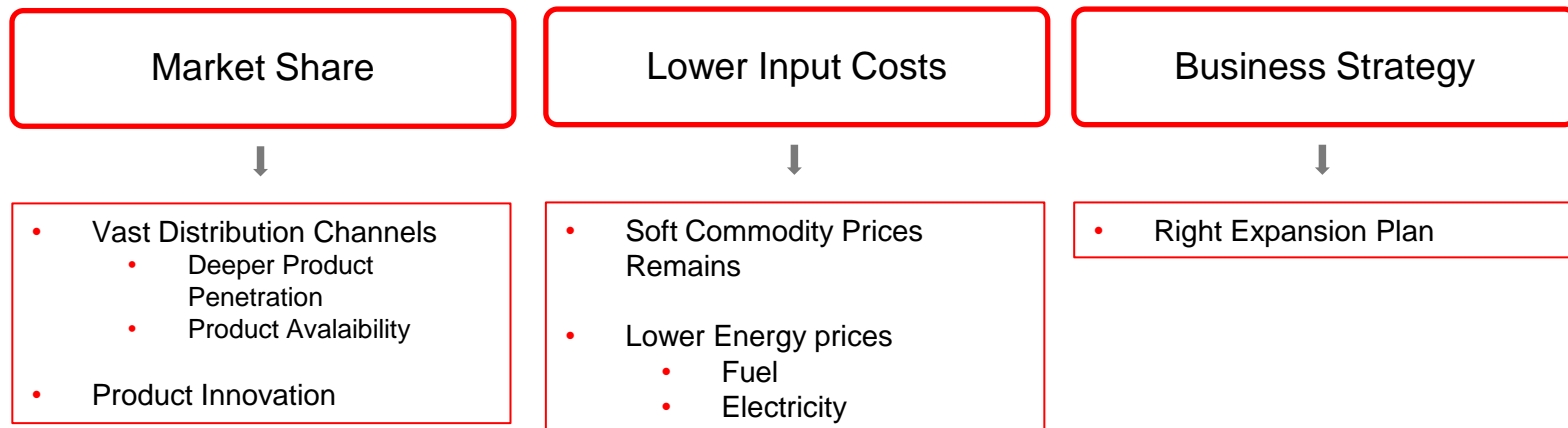
As most of the consumer goods stocks in our coverage relies on commodity as its raw materials, such as INDF and ICBP, we view commodity prices as the other vital factor to affect the industry. Soft commodity price, wheat for instance, has been declining since mid 2014 to date which grants beneficiary to the companies. Though, along with it, IDR had depreciated sharply by about 17% YTD which would potentially offset the low commodity price effect for such companies.



Industry Factors



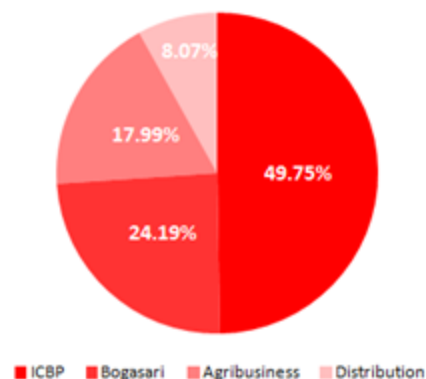
Company Specific Factors



NEUTRAL

Current Price: IDR 5,525 / 52-Week TP: IDR 6,200

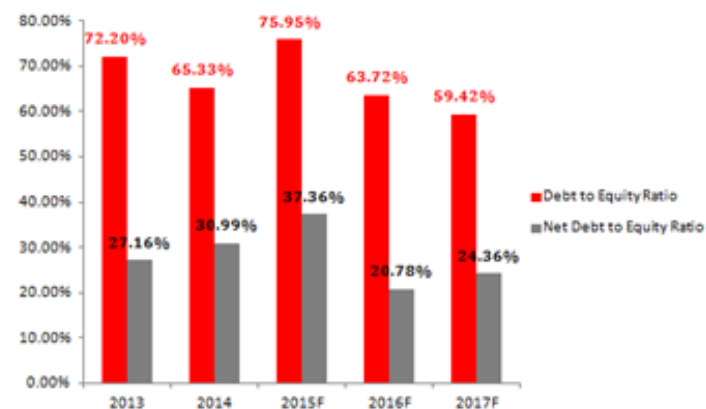
1H15 INDF Business Portfolio



1H15 INDF Results

| | 1H14 | 1H15 | FY15F | % of FY15F |
|------------------|---------------|---------------|--------|------------|
| Revenue | 34,066 | 32,635 | 66,643 | 48.97% |
| COGS | 24,705 | 23,682 | 48,782 | 48.55% |
| Gross Profit | 9,361 | 8,952 | 17,860 | 50.12% |
| <i>GPM</i> | <i>27.48%</i> | <i>27.43%</i> | | |
| Operating Profit | 4,402 | 3,851 | 7,330 | 52.53% |
| <i>OPM</i> | <i>12.92%</i> | <i>11.80%</i> | | |
| Net Income | 2,289 | 1,731 | 3,720 | 46.53% |
| <i>NIM</i> | <i>6.72%</i> | <i>5.30%</i> | | |

High Leverage Profile



In 1H15:

- Revenue (-4.2%)
- Net Income (-24.3%)
- NIM (5.3% from 6.72%)

Catalysts:

- Manageable Macroeconomics
- ICBP's Robust Growth
- Agribusiness Pickup

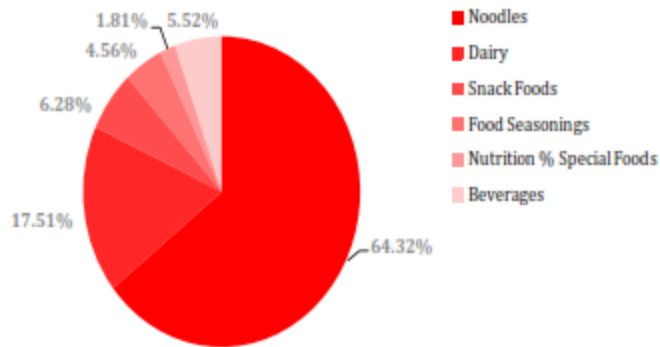
Risks:

- High Debt Profile & IDR depreciation
- Tightening Competition
- Aggressive Expansion from Subsidiaries

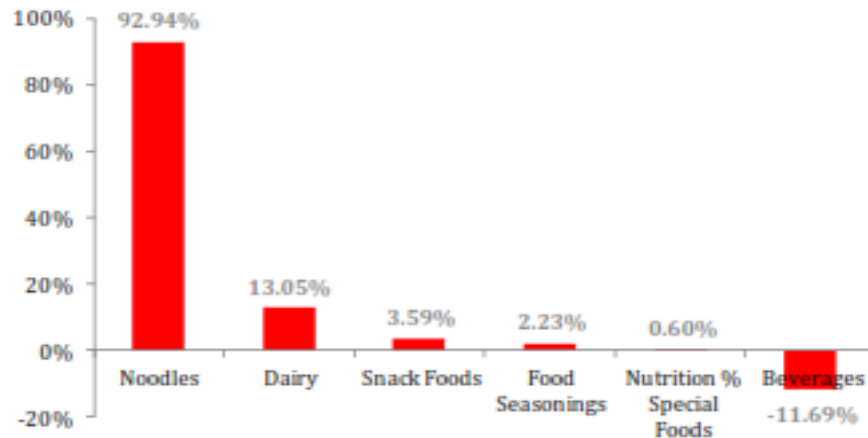
NEUTRAL

Current Price: IDR 12,975 / 52-Week TP: IDR 14,400

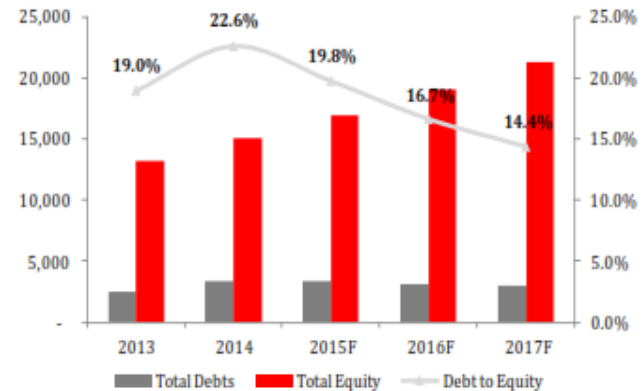
1H15 ICBP Revenue Breakdown



1H15 ICBP EBIT Breakdown



Healthy and Solid Balance Sheet



In 1H15:

- Revenue (+6.6%)
- Net Income (+28.8%)
- NIM (10.5% from 8.69%)

Catalysts:

- Soft commodity prices
- Price Adjustment
- Product Innovation

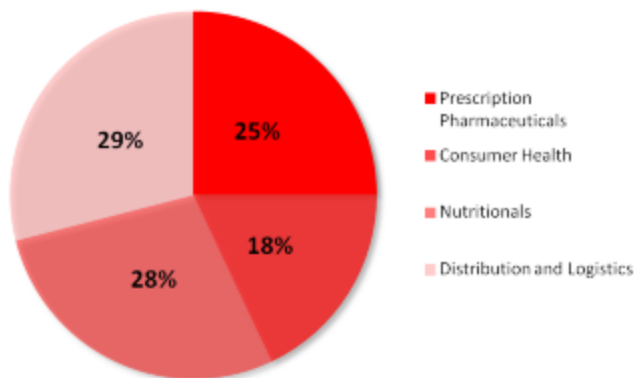
Risks:

- IDR depreciation
- Tightening Competition
- Aggressive Expansion Plan

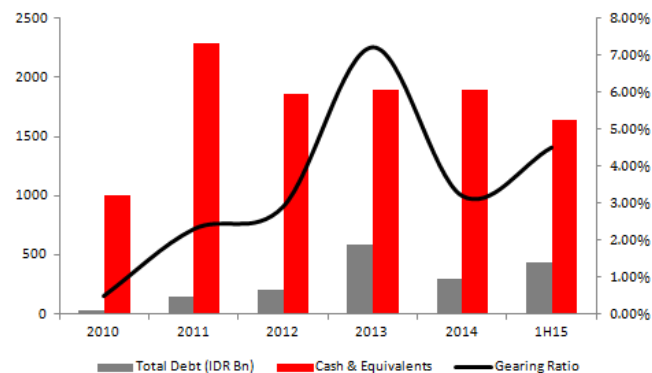
NEUTRAL

Current Price: IDR 1,575 / 52-Week TP: IDR 1,700

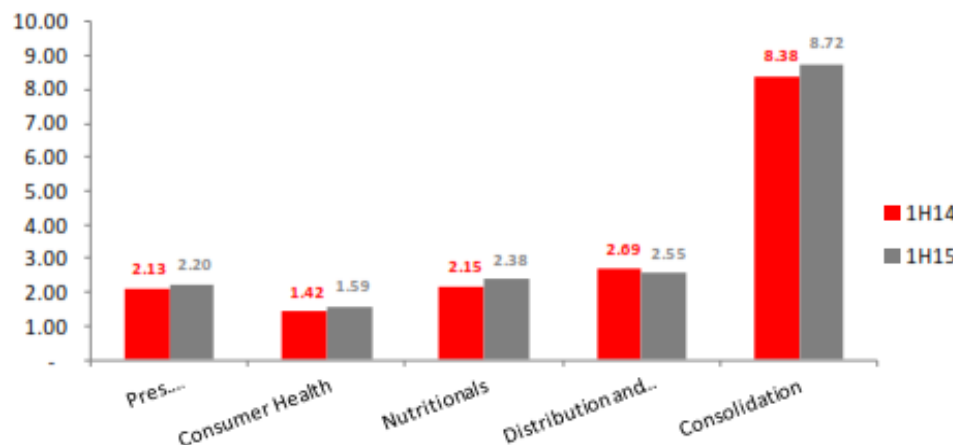
Diversified and Balance Business Portfolio



Healthy and Solid Balance Sheet



1H15 KLBF Performance



In 1H15:

- Pharmaceutical (+3.6%)
- Consumer Health (+12%)
- Nutritional (+10.8%)
- Distribution (-5.1%)
- Overall (+4.1%)

Catalysts:

- Specialty drugs
- New entry in RTD milk

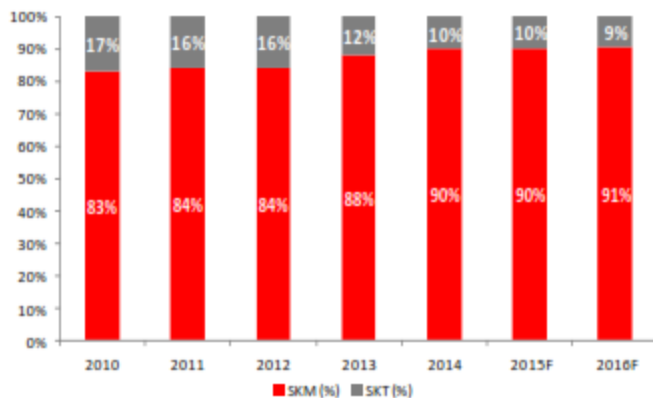
Risks:

- IDR depreciation
- Generic Drugs Demand Hike

BUY

Current Price: 44,850 IDR / **52-Week TP: IDR 55,000**

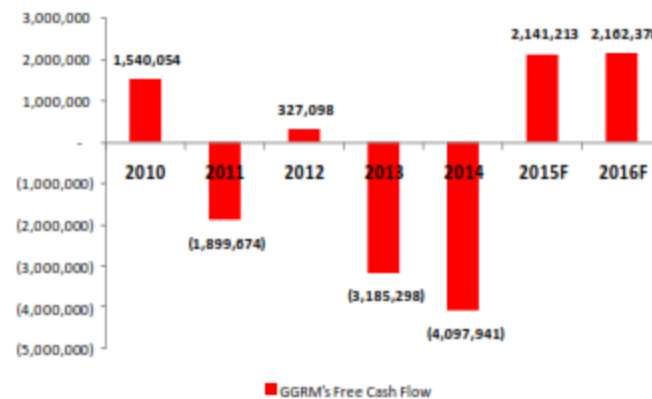
GGRM Business Portfolio



1H15 KLBF Performance



Healthy and Solid Balance Sheet



In 1H15:

- Revenue (+1.7%)
- Net Income (-11.4%)
- NIM (7.2% from 8.2%)

Catalysts:

- Shifting Trend from SKT to SKM
- Price Adjustment Ability
- Disposable Income Raise (Rural)

Risks:

- Regulatory Risks (VAT and Excise Tax)
- Competition