

U.S. GDP recorded on a slightly lower note than previously estimated as corporate profit growth slowed. GDP growth came in at 2.2% YoY in the fourth quarter versus previous estimate of 2.6%. This number is much lower than 3.5% in 3Q18, 8.2% in 1Q18, but slightly higher than the 2.1% in 2Q18. Part of why earnings were strong in 2018 was due to the federal corporate-tax rate cut to 21% from 35% in January 2018, but was dragged by U.S.-China trade war negotiations, partial government shutdown, and a slowing global economy.

Narrowing U.S. trade deficit. U.S. trade deficit was recorded at USD51.15bn in January 2019 versus estimates of USD57bn. This represented a 14.6% MoM decline was contributed by exports that rose to USD207.3bn (+9.3% MoM) and imports that fell to USD258.5bn (-2.5% MoM), resulting in goods deficit to drop 10% MoM to USD73.3bn and service surplus to rise higher to USD22.1bn. China represented a significant reduction in the trade deficit narrowing as the trade deficit between the two countries fell to USD33.2bn (-14.2% MoM). As U.S.-China trade talks continue, any positive signals will help push equities upwards and boost commodity stocks. Names such as INCO can benefit from any positive outcome.

Recent drop in live bird prices has intensified concerns on poultry sector. According to Ministry of Agriculture, current price of live bird has dropped to IDR 14,000/kg, or 30% lower compared to the reference price of IDR 20,000/kg—IDR 22,000/kg at the farm level. At the same time, cost of production for live birds has expanded due to higher corn prices in the market. As stated by Gabungan Perusahaan Makanan Ternak (GPMT), corn price had reached IDR 4,700—IDR 4,800, or 17.5% higher from the start of harvest in Feb-19.

Disparity in corn harvest timing. Typically, the timing of corn harvest in Indonesia is similar between areas. This maximizes the flow of corn supply during the period. However, the anticipated harvest occurred in Sumatera and Java, compared with Sulawesi and Sumbawa which starting in middle of March. While corn prices reached IDR 4,000 by the end of Feb-19, the flow of corn supply was inadequate for the demand from feed millers. This creates competition to absorb the limited corn supply, resulting in higher corn prices. Furthermore, as corn prices go up, most of harvests in Sulawesi and Sumbawa are expected to start by the end of Mar-19, creating momentum for suppliers to match current surge in corn prices. All in all, we believe higher logistics costs will pressurize margins for feed millers as the corns from Sulawesi and Sumbawa will mostly go to Java, which contributed 73% of feed production according to GPMT.

Production cost surpassed live bird. As mentioned by the Ministry of Agriculture, the cost of production for a live bird is at IDR 19,500/kg at farmer level, while for the company the cost is estimated at IDR 15,500/kg. Hence, regulation to reduce the production of live bird by 10% (starting on 21 March 2019—8 April 2019) was issued in order to revive live bird prices.

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Based on these events, we see short-term outlook for the sector to remain bleak. We would also like to point out that during the first quarter, price of live bird normally deteriorates due to lack of festive days to boost demand.

FY18 Earnings Summary

Banking Sector

Ticker	Loan (% YoY)	Deposit (% YoY)	Net Interest Income (% YoY)	PPOP (% YoY)	Net Profit (% YoY)	NIM		NPL		Net Profit		Rating	TP
						FY17	FY18	FY17	FY18	% of DH	% of Cons		
BBCA	15.1%	8.4%	8.3%	11.3%	10.9%	6.2%	6.1%	1.5%	1.4%	99.6%	100.7%	NEUTRAL	28,000
BBNI	16.2%	12.1%	11.0%	10.7%	10.3%	5.5%	5.3%	2.3%	1.9%	96.4%	98.4%	ADD	9,675
BBRI	14.1%	12.2%	6.4%	11.1%	11.6%	7.8%	7.3%	2.2%	2.3%	99.9%	99.9%	NEUTRAL	3,920
BBTN	19.5%	19.3%	8.1%	11.1%	-7.3%	4.8%	4.3%	2.7%	2.8%	85.1%	88.8%	ADD	2,890
BMRI	12.4%	3.1%	4.9%	11.5%	21.2%	5.8%	5.7%	3.5%	2.8%	104.6%	107.2%	ADD	8,275
BNGA	1.8%	0.8%	-3.2%	-4.3%	16.9%	5.6%	5.1%	3.8%	3.1%	100.8%	102.9%	BUY	1,395

Non-bank

Ticker	Revenue (% YoY)	Gross Profit (% YoY)	Net Profit (% YoY)	Gross Margin (%)	Net Margin (%)	Revenue		Net Profit		Rating	TP
						% of DH	% of Cons	% of DH	% of Cons		
AALI	10.3%	-14.6%	-26.9%	18.5%	7.5%	107.0%	111.0%	91.0%	96.2%	BUY	14,900
ACES	21.2%	21.4%	24.0%	48.3%	13.5%	100.6%	99.0%	94.6%	96.2%	BUY	1810
ADHI	3.3%	21.8%	25.0%	16.0%	4.1%	93.3%	85.7%	93.9%	79.6%	NEUTRAL	1,870
ADRO	11.1%	6.0%	-13.6%	33.4%	11.5%	99.3%	102.8%	99.0%	91.9%	NEUTRAL	1,500
AKRA	28.8%	-16.7%	-33.8%	6.6%	2.8%	101.7%	100.7%	69.2%	61.2%	NEUTRAL	4,120
ANTM	99.5%	111.5%	540.6%	13.8%	3.5%	95.2%	104.1%	114.7%	111.1%	BUY	1,000
ASII	16.1%	19.8%	15.0%	21.2%	9.1%	101.1%	104.9%	99.0%	98.0%	NEUTRAL	8,650
ASRI	1.5%	2.9%	-29.7%	61.5%	24.4%	88.6%	98.8%	76.8%	91.8%	NEUTRAL	410
BEST	-4.3%	-4.1%	-12.6%	71.8%	43.9%	88.1%	92.1%	85.3%	95.3%	BUY	320
BSDE	-35.9%	-37.4%	-73.7%	71.7%	19.5%	95.3%	92.3%	97.6%	66.4%	BUY	1,600
CPIN	9.3%	46.2%	82.0%	16.9%	8.4%	101.0%	101.0%	100.0%	101.0%	NEUTRAL	6,550
CTRA	19.1%	20.2%	32.6%	47.3%	15.5%	113.4%	102.2%	109.4%	114.0%	ADD	1,160
DIVA	-13.2%	121.7%	353.6%	4.2%	0.7%	114.6%	115.4%	142.9%	125.0%	BUY	4950
DMAS	-22.5%	-28.7%	-24.4%	56.1%	47.9%	90.7%	92.1%	86.9%	92.0%	BUY	220
DOID	16.7%	-4.2%	61.8%	24.2%	8.5%	100.8%	102.9%	111.7%	98.9%	NEUTRAL	750
ELSA	33.1%	12.7%	11.8%	9.8%	4.2%	105.0%	109.6%	94.5%	90.8%	BUY	500
ERAA	43.4%	46.8%	150.4%	9.1%	2.5%	110.5%	102.1%	116.4%	104.9%	BUY	3050
EXCL	0.3%	2.3%	N/A	37.1%	-14.4%	100.2%	99.6%	102.1%	100.7%	BUY	3,100
GGRM	14.9%	2.3%	0.5%	19.5%	8.1%	101.5%	102.8%	99.1%	95.4%	BUY	94,800
HMSP	7.7%	5.3%	6.8%	23.9%	12.7%	101.8%	100.7%	104.1%	108.1%	ADD	4,360
HOKI	18.3%	22.7%	88.0%	14.2%	6.3%	98.1%	97.9%	101.2%	98.4%	BUY	1,000
ICBP	7.9%	10.9%	20.5%	31.9%	11.9%	100.0%	100.0%	101.0%	103.9%	ADD	11,650
INCO	23.4%	1487.0%	N/A	13.4%	7.8%	99.1%	99.0%	84.7%	87.0%	BUY	4,100
INDF	4.6%	2.2%	0.2%	27.5%	5.7%	99.8%	99.5%	104.1%	105.2%	BUY	9,200
INDY	169.7%	421.7%	-76.1%	21.6%	2.7%	103.8%	105.1%	58.4%	57.4%	NEUTRAL	2,200
INKP	6.6%	33.2%	42.3%	36.1%	17.6%	95.7%	92.9%	85.9%	88.3%	BUY	16,125
INTP	5.3%	-12.8%	-38.4%	28.8%	7.5%	98.0%	99.0%	102.0%	101.3%	NEUTRAL	14830
ISAT	-22.7%	-47.3%	N/A	29.0%	-10.4%	105.8%	100.0%	97.4%	89.5%	NEUTRAL	1,900
ITMG	18.8%	15.5%	3.7%	29.1%	12.9%	102.0%	105.3%	98.5%	97.6%	ADD	25,000
JPFA	15.0%	44.0%	116.0%	21.0%	7.0%	101.0%	101.0%	88.0%	98.0%	BUY	2,500
JSMR	9.7%	5.4%	0.1%	60.5%	22.5%	109.0%	101.5%	104.8%	101.7%	NEUTRAL	4,900

Ticker	Revenue (% YoY)	Gross Profit (% YoY)	Net Profit (% YoY)	Gross Margin (%)	Net Margin (%)	Revenue		Net Profit		Rating	TP
						% of DH	% of Cons	% of DH	% of Cons		
KLBF	4.4%	0.4%	2.2%	46.7%	11.7%	99.5%	99.8%	99.2%	100.2%	NEUTRAL	1,600
LPPF	2.2%	1.9%	-42.5%	35.5%	10.7%	97.0%	98.0%	61.0%	63.0%	NEUTRAL	4500
LSIP	-15.2%	-47.2%	-54.8%	17.0%	8.2%	96.7%	96.7%	67.1%	58.4%	BUY	1,600
MAIN	23.2%	68.2%	563.2%	14.1%	4.3%	109.0%	106.0%	125.0%	121.0%	BUY	1,550
MCAS	139.3%	401.4%	2794.6%	2.7%	3.6%	159.9%	154.0%	268.2%	296.1%	BUY	4400
MYOR	15.6%	28.6%	7.6%	26.6%	7.1%	99.6%	99.9%	111.0%	100.8%	ADD	2,940
NFCX	89.4%	486.2%	24209.3%	1.7%	0.1%	214.7%	216.7%	145.5%	133.3%	BUY	3300
PGAS	8.4%	10.8%	54.9%	33.8%	7.9%	118.3%	117.7%	107.7%	114.9%	ADD	2,400
PTBA	8.7%	0.5%	12.2%	40.4%	23.7%	100.1%	96.1%	98.2%	94.8%	NEUTRAL	4,400
PTPP	16.8%	42.7%	3.4%	14.1%	6.0%	91.9%	100.7%	99.7%	105.9%	BUY	2,980
PWON	23.8%	20.4%	35.8%	57.2%	35.9%	111.4%	107.4%	106.6%	112.5%	BUY	750
RALS	0.4%	13.3%	44.2%	43.7%	10.2%	97.9%	97.7%	98.7%	102.1%	BUY	1750
ROTI	11.1%	14.1%	18.3%	53.9%	6.2%	100.1%	101.5%	98.5%	108.1%	NEUTRAL	1,190
SCMA	12.3%	9.3%	11.5%	38.7%	29.7%	102.9%	101.5%	98.4%	99.0%	BUY	2,250
SIDO	7.4%	22.6%	24.4%	51.5%	24.0%	102.4%	101.4%	101.7%	103.9%	BUY	980
SMRA	0.4%	6.7%	23.9%	48.4%	7.9%	99.4%	96.2%	140.2%	125.9%	NEUTRAL	1,050
SSIA	12.5%	13.5%	N/A	26.6%	1.0%	98.9%	101.1%	129.9%	N/A	NEUTRAL	535
TKIM	4.4%	5.8%	667.6%	10.9%	23.3%	99.3%	NA	74.7%	NA	BUY	16,600
TOTL	-5.2%	0.8%	-14.7%	15.9%	7.5%	99.0%	102.5%	84.3%	91.6%	NEUTRAL	630
UNTR	31.1%	45.7%	45.0%	24.9%	13.1%	96.6%	103.1%	107.7%	97.1%	BUY	44,800
UNVR	1.5%	-0.6%	30.1%	50.5%	21.8%	99.4%	99.0%	101.9%	98.0%	NEUTRAL	47,200
WEGE	49.3%	28.7%	50.8%	10.2%	7.6%	97.0%	N/A	107.3%	N/A	BUY	480
WIKA	19.0%	25.3%	43.9%	11.6%	5.6%	92.9%	93.7%	102.1%	116.2%	BUY	2,210
WSBP	12.6%	-5.2%	10.3%	23.1%	13.8%	90.0%	102.7%	123.0%	99.8%	NEUTRAL	344
WSKT	7.9%	-6.4%	2.1%	18.2%	8.1%	101.0%	95.7%	90.0%	90.9%	NEUTRAL	2,120
WTON	29.2%	32.4%	11.8%	12.7%	12.4%	111.2%	127.9%	124.7%	117.3%	ADD	480

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