ANALISA SAHAM INDONESIA

August 28, 2020

* **The JCI trading range: 5,300pt - 5,425pt** (**Yesterday close: 5,371pt**)

* **Wall Street closed higher as the central bank unveiled shift monetary policy to support the US economy**

* **The JCI is expected to be in the higher trend but restrained by profit-takings**

Morning,

The Jakarta Composite Index (JCI) today (28/8) is expected to be within the range of 5,300pt – 5,425pt by support of stable USDIDR and oil close. Meanwhile, yesterday (27/8) in Wall Street the DJIA ended higher by 160points or 0.6% at 28,492pt , while the S&P500 and the Nasdaq both closed higher and lower by 0.2% and 0.3%, respectively. Wall Street was generally upbeat on the statement from the central bank Chairman that reference rate to be kept near zero while allowing the unemployment and inflation rates to run higher, to support the economy. This is perceived as major policy shift, t as during normal time the Federal Reserve tied rates change with those main economic data.

Indonesia consumer sector

ICBP 1H20 Review: Maintain our BUY rate on in-tact second quarter results (**12M-TP IDR13,700/share**)

Indofood CBP Sukses Makmur (ICBP) reported financial performance for the period of six months ended June this year (1H20) with total net revenue of IDR23.1tr, an increase of 4.1% YoY, while cost of goods sold (COGS) increased by 0.7% YoY. The minimal hike in COGS has propelled gross margin to 36.1% during 1H20 vs. 33.9% during the same period last year (1H19). Stable volume growth and improved product mix were the main reasons, we suspect. Meanwhile, stable operational costs has produced expanded operating margins at 20.3% in 1H20 vs. 17.4% in 1H19. Bottom line during the 1H20 was recorded at IDR3.4tr, an increase of 31.2% YoY.

ICBP published 1H20 results are generally in-line with our estimates for this year both for revenue and operating profits which represented 47% and 55% of total revenue and operating profit , respectively.

Given the latest progress, we maintain our estimates and valuations that call for an equity fair value of DIR13,700 /share by DCF method (WACC:9%, LTG:3%). At our 12M-TP, ICBP is trading at 28.4 times our FY20 estimated earnings, which is a discount to its historical averages.

The share price increased by 10% since early July (please see Market Review on July 8), reflecting investors' higher confidence on the latest corporate action. Last May this year, ICBP finalized the purchase of 100%-stake on Pinehill Company Limited with purchase price of USD2.99bn or an equivalent of IDR43tr. Last week, ICBP obtained an IDR30tr of loan from an international syndications to finance most of the deal.

2Q20 picture

ICBP registered outstanding sales growth during 2Q20 on most of its divisions. In the 1H20, Noodles division recorded sales growth of 6.3% YoY (1Q20:6.5% YoY), while Dairy at 6.5% YoY (1Q20:4.9% YoY), and Food Seasoning at 27% YoY (1Q10: 27.2% YoY).

Food Seasoning has gained tractions recently, with the most visible among others of Racik line for instant fried chicken, and Rendang for instant beef in coconut sauce. We suspect both products are among the main drivers for growth, as they seemed to be very popular and accessible by the traditional and modern channels, with favorable price mark in the traditional ones.

At the other end, yesterday the WTI price closed lower by 0.8% at USD40.4/barrel as Hurricane Laura caused damages in the within US Gulf Coasts area. Meanwhile the USDIDR closed at IDR14.714 vs. IDR14.636 the previous one.

We advise the following recommendations, for both trading and longer-time investment purpose. **AALI**, **LSIP** (**sector of** *Agri*, **allocation suggestion** *Underweight*), **UNTR**, **ITMG**, **ADRO**, **PTBA** (**sector of** *Coal Mining*, **allocation suggestion** *Market-weight*), **GGRM**, **UNVR**, **ICBP** (**sector of** *Consumer*, **allocation suggestion** *Overweight*), **ASII** (**sector of** *Automative*, **allocation suggestion** *Market-weight*), **and ACES**, **SCMA**, **MAPI** (**sector of** *Trade*, **allocation suggestion** *Overweight*),**and TKIM** (**sector of** *Basic Industry*, **allocation suggestion** *Market-weight*).

Cheers,