

Kino Indonesia

KINO IJ / KINO.JK

Company Update | BCAS NR | Consumer Sector

Glamming up

Expanding into Herbal and Cosmeceutical

Having established a foothold on personal care and F&B, KINO is now venturing into Herbal as well. KINO acquired Dua Putri Dewi (DPD) on 2016 for IDR28bn, and is currently planning to modernize the Jamu brand. DPD is more widely known for its feminine care, which would be highlighted by KINO. While previously DPD is more widely known in East Java and through GT channels, KINO plans to bank on its distribution network to rejuvenate DPD into MT as well and to be available across Indonesia. DPD products should start launching in 2H17, with KINO aiming to launch 10 SKUs in 2017. KINO also acquired Ristra, as cosmeceutical company, which is mainly targeted at middle class. While currently Ristra products are only available in selected stores, KINO plans to incorporate Ristra with its distribution network, which should enhance availability. Ristra has ~ 120 SKUs available, but management views that contribution to revenue will remain small.

Personal care remains as the driving force

Aside from the expansion plans, personal care would remain as the bread and butter for KINO. Management guides 47-48% of revenue to come from personal care, of which KINO plans to launch 80 new SKUs. KINO mentioned that personal care that caters to Halal needs is currently growing, along with some products for kids. KINO mentioned that they would prefer to be a market leader in a segment market, cementing its market dominance in a specific product (i.e: Elips). For Beverage segment (projected to form 36-37% of revenue), Kaki Tiga would remain as main contributor, while Cap Panda and Panther would still have to establish more presence in the market, in our view. The remaining 15-17% of revenue will be coming from Food segment, of which KINO – under its JV with Morinaga, would want to introduce Morinaga's product portfolio gradually into Indonesian market. The main market would be candies & confectionaries, as KINO has production facilities for such items.

A sunnier path ahead

Given the new foray as well as new SKU launches, advertising costs would remain high, with management guiding ~15% of revenue to be spent on advertising and promotion. Both below the line and above the line advertisement would be conducted, to reinforce new products to consumer minds. While 1Q17 results is far from satisfactory, KINO are upbeat that 2Q17 would be better, especially with less rain and Ramadhan season spending. That said, KINO aims for revenue to grow 5% YoY, with personal care having increased ASP by 3-5% ytd.

Recommendation: One of the lowest PE stock in consumer

Despite the lackluster 1Q17, we believe that KINO would still be able to catch up to 2016 financial performance by year end, helped by the forays and new SKUs. Applying 2016 net profit number, KINO is only trading at 17.4x PE, which makes KINO one of the cheaper stocks in consumer space, PE wise.

Exhibit 1. Financial Summary

YE to Dec 31 IDRbn	2014	2015	2016	1Q16	1Q17
Revenue	3,339	3,604	3,493	861	670
EBIT	186	434	239	95	17
EV/EBITDA (x)	15.7	7.6	13.1	34.4	171.0
Net Profit	104	263	181	72	4
EPS (IDR)	73	184	126	50	2
EPS Growth (%)		153.3	(31.3)	73.9	(95.0)
DPS (IDR)	-	37	25	-	-
Dividend yield (%)	-	1.7	1.1	-	-
BVPS (IDR)	463	1,243	1,350	1,292	1,354
PE (x)	30.1	11.9	17.3	43.6	880.9
PB (x)	4.7	1.8	1.6	1.7	1.6
ROE (%)	15.7	14.8	9.4	15.5	0.7
Net Gearing (%)	39.7	4.0	19.8	7.2	21.4

Source: Company, BCA Sekuritas

NOT RATED

9 June 2017

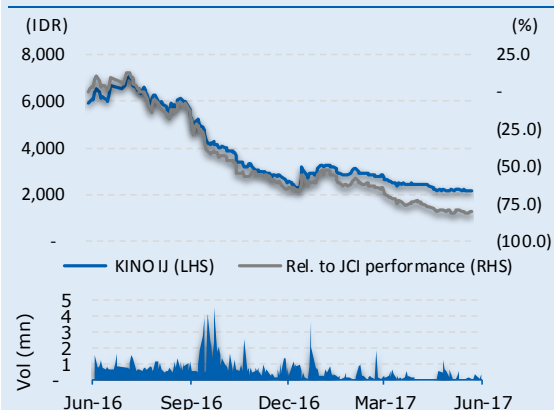
Jennifer F Yapply

jennifer.yapply@bcasekuritas.co.id

+6221 23587222 ext 179

Current Price: IDR2,190

12M PRICE PERFORMANCE



Source: Bloomberg

STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	-27.7%	-3.5%	-21.5%	-62.7%
JCI Return	7.7%	-0.1%	5.7%	16.0%
Relative	-35.4%	-3.4%	-27.2%	-78.7%

Source: Bloomberg

MARKET DATA

12M price range (IDR)	:	2,190 - 7,075
12M PE range (x)	:	15.8 - 56.2
Outstanding shares (mn)	:	1,429
Market cap (IDRbn)/(USDmn)	:	3,129 / 235
Avg daily turn. (IDRbn/USDmn)	:	0.9 / 0.1

Source: Bloomberg

SHAREHOLDERS

PT Kino Investindo	:	69.5%
Harry Sanusi (President Director)	:	10.6%
DBSSG s/a Nusantara FMCG Limited	:	10.4%
Public (below 5%)	:	9.5%

Source: Bloomberg

Exhibit 2. KINO's Financial Summary

Income Statement					
Year-end 31 Dec (IDRbn)	2014	2015	2016	1Q16	1Q17
Revenue	3,339	3,604	3,493	861	670
Cost of revenue	2,193	2,135	2,089	510	389
EBITDA	1,146	1,468	1,404	350	281
Depreciation	225	465	270	103	21
EBIT	39	31	31	8	3
Interest income	186	434	239	95	17
Interest expense	1	4	29	10	5
FX gain (losses)	(61)	(89)	(90)	(23)	(18)
Other income (expense)	(4)	(9)	(0)	(0)	(1)
Pre-tax profit	(202)	(431)	(280)	(232)	(19)
Taxes	138	337	219	219	5
Minority interests	(34)	(74)	(38)	(13)	(2)
Net income	-	(0)	(1)	(0)	(0)
EPS (IDR)	104	263	181	72	4

Balance sheet					
Year-end 31 Dec (IDRbn)	2014	2015	2016	1Q16	1Q17
Cash and equivalents	76	713	393	693	371
Account receivables	418	894	863	998	873
Inventories	330	343	410	360	440
L-T Invest & receivables	43	43	36	36	36
Fixed assets	870	870	1,222	1,036	1,233
Other assets	126	348	360	210	362
Total assets	1,863	3,211	3,285	3,332	3,314
S-T liabilities	1,014	969	1,126	1,209	1,132
Other S-T liabilities	76	322	165	146	120
L-T liabilities	70	88	48	69	41
Other L-T liabilities	40	56	56	60	67
Total liabilities	1,201	1,435	1,332	1,485	1,361
Minority interest	661	1,775	1,929	1,846	1,935
Equity	1	1	23	1	18
Total liabilities & equity	1,863	3,211	3,285	3,332	3,314

Cash Flows Statement					
Year-end 31 Dec (IDRbn)	2014	2015	2016	1Q16	1Q17
Net Income	104	263	181	72	4
Depreciation	39	31	31	8	3
Change in working capital	(235)	(366)	(200)	(100)	(18)
Operating cash flow	(92)	(73)	12	(20)	(11)
Capital expenditure	(182)	(108)	(248)	(37)	(23)
Others	(12)	(111)	(34)	(1)	3
Investing cash flow	(194)	(219)	(282)	(38)	(20)
Dividend paid	(43)	-	(53)	-	-
Net change in debt	294	133	(17)	38	10
Others	37	796	20	0	0
Financing cash flow	289	929	(50)	38	10
Change in cash	3	637	(320)	(21)	(22)
Beginning cash flow	73	76	713	713	393
Ending cash flow	76	713	393	693	371

Key Ratios					
	2014	2015	2016	1Q16	1Q17
Gross margin (%)	34.3	40.7	40.2	40.7	42.0
EBITDA margin (%)	6.7	12.9	7.7	12.0	3.1
EBIT margin (%)	5.6	12.0	6.8	11.0	2.6
Pretax margin (%)	4.1	9.3	6.3	25.5	0.8
Net margin (%)	3.1	7.3	5.2	8.3	0.5
ROAE (%)	15.7	14.8	9.4	15.5	0.7
ROAA (%)	5.6	8.2	5.5	8.6	0.4
Current ratio (x)	0.8	1.6	1.5	1.6	1.5
Acid ratio (x)	0.4	1.3	1.1	1.3	1.1
Gearing (%)	51.1	44.2	40.2	44.7	40.6
Net gearing (%)	39.7	4.0	19.8	7.2	21.4
AR turnover (days)	45	92	89	35	39
Inventory turnover (days)	54	58	71	21	34
AP turnover (days)	70	78	68	26	30

Source: Company, BCA Sekuritas estimate

Teguh Hartanto
Director of Equity, ext: 129
teguh.hartanto@bcasekuritas.co.id

RESEARCH DIVISION

research@bcasekuritas.co.id

Darmawan Halim
Head of Research, ext: 168
Strategy, Automotive, Heavy Equipment
darmawan.halim@bcasekuritas.co.id

Aditya Eka Prakasa
Equity Analyst, ext: 182
Telco, Coal, Metal Mining
aditya.prakasa@bcasekuritas.co.id

Nyoman Widita Prabawa
Equity Analyst, ext: 180
Cement, Plantation, Oil & Gas
nyoman.prabawa@bcasekuritas.co.id

Yuni Pratiwi
Research Assistant, ext: 183

yuni.pratiwi@bcasekuritas.co.id

Arga Samudro
FI Analyst, ext: 181
FI Strategies & Macroeconomist
arga.samudro@bcasekuritas.co.id

Johanes Prasetya
Equity Analyst, ext: 185
Retail, Poultry
johanes.prasetya@bcasekuritas.co.id

Achmad Yaki Yamani
Technical Analyst, ext: 186
Technical Analyst
achmad.yamani@bcasekuritas.co.id

Jennifer Frederika Yapply
Equity Analyst, ext: 179
Cigarettes, Consumer, Health Care
jennifer.yapply@bcasekuritas.co.id

Michael Ramba
Equity Analyst, ext: 184
Construction, Property Residential
michael.ramba@bcasekuritas.co.id

Anindra Alief Mattawang
Research Associate, ext: 178
anindra.mattawang@bcasekuritas.co.id

EQUITY CAPITAL MARKET DIVISION

ecm@bcasekuritas.co.id

Ermawati Agustina Erman
Head of Institutional Sales, ext: 159
ermawati.erman@bcasekuritas.co.id

Haslienda
Equity Capital Market, ext: 137
haslienda.rifman@bcasekuritas.co.id

Santoso Jodikin
Sales Trader, ext: 164
santoso@bcasekuritas.co.id

Arief Iskandar
Institutional Dealer, ext: 136
arief.iskandar@bcasekuritas.co.id



Menara BCA – Grand Indonesia, 41st Floor
Jl. MH Thamrin No. 1, Jakarta 10310
Tel. +62 21 2358 7222
Fax. +62 21 2358 7250/300/290



DISCLAIMER

By receiving this research report ("Report"), you confirm that: (i) you have previously requested PT BCA Sekuritas to deliver this Report to you and you are legally entitled to receive the Report in accordance with Indonesian prevailing laws and regulations, and (ii) you have fully read, understood and agreed to be bound by and comply with the terms of this Report as set out below. Your failure to comply with the terms below may constitute a violation of law. This Report is strictly confidential and is for private circulation only to clients of PT BCA Sekuritas. This Report is being supplied to you strictly on the basis that it will remain confidential and that you will maintain its confidentiality at all times. Without the prior written consent of PT BCA Sekuritas authorized representative(s), no part of this Report may be (i) copied or reproduced in any form by any means, (ii) redistributed or delivered, directly or indirectly, to any person other than you, or (iii) used for any other purpose that is not in line with the terms of the Report..

PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees (excluding the individual analysts who prepare this Report) may own or have positions in securities of the company(ies) covered in this Report and may from time to time buy or dispose, or may have material interest in, those securities.

Further, PT BCA Sekuritas, its affiliates and its related companies do and seek to do business with the company(ies) covered in this Report and may from time to time: (i) act as market maker or have assumed an underwriting commitment in the securities of such company(ies), (ii) sell to or buy those securities from other investors for its own account, (iii) perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), or (iv) solicit any investment, advisory or other services from any entity covered in this Report. Furthermore, the personnel involved in the preparation of this Report may also participate in the solicitation of the businesses as described above.

The views expressed in this Report reflect the personal views of the individual analyst(s) at PT BCA Sekuritas about the securities or companies mentioned in the Report and the compensation of the individual analyst(s), is, or will be directly or indirectly related to the performance of PT BCA Sekuritas' activities. PT BCA Sekuritas prohibits the individual analyst(s) who prepared this Report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company (including those covered in the Report). However, the individual analyst(s) may receive compensation based on the scope of his/her coverage of company(ies) in the performance of his/her duties or the performance of his/her recommendations.

In reviewing this Report, you should be aware that any or all of the above activities of PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees, among other things, may give rise to real or potential conflicts of interest between them and you.

The content of this Report is prepared based on data believed to be correct and reliable on the date of this Report. However, this Report: (i) is not intended to contain all necessary information that a prospective investor may need, (ii) is not and should not be considered as an investment advice in any way, and (iii) cannot be relied as a basis for making an informed investment decision. Accordingly, PT BCA Sekuritas does not guarantee the adequacy, accuracy, completeness, reliability or fairness of any content of this Report and PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees (including the analysts) will not be liable in any way for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) arising from or relating to any reliance on or use of the content of this Report by any person (including you).

This Report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst PT BCA Sekuritas' clients only and does not consider any specific investment objectives, financial situation and the particular needs of any specific person who may receive this Report. The entire content of this Report is not and cannot not be construed or considered as an offer, recommendation, invitation or solicitation to enter into any transaction (including trading and hedging) relating to the securities, other financial instruments, and other form of investments issued or offered by the company(ies) covered in this Report.

It is your own responsibility to: (i) independently evaluate the content of this Report, (ii) consider your own individual investment objectives, financial situation and particular needs, and (iii) consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this Report.

Please note that the securities of the company(ies) covered in this Report might not be eligible for sale in all jurisdictions or to all categories of investors. The availability of those securities and your eligibility to invest in those securities will be subject to, among others, the prevailing laws of the relevant jurisdiction covering those securities. Furthermore, the value and income of any of the securities covered in this Report can fall as well as rise and an investor (including you) may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no guarantee regarding future performance is provided in this Report.

This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulation of such jurisdiction.