

PT Indomarco Prismaatama


Table 1. Summary of unaudited 1H14 results :

(Figures in Rp bn)	Mar-14*	Jun-14*	QoQ	Jun-13*	Jun-14*	YoY
Sales	8,907.1	10,429.5	17.1%	14,705.2	19,336.6	31.5%
Gross Profit	1,614.9	1,861.9	15.3%	2,538.4	3,476.8	37.0%
<i>gross margin</i>	<i>18.1%</i>	<i>17.9%</i>		<i>17%</i>	<i>18%</i>	
Total operating expense	(1,516.5)	(1,682.0)	10.9%	(2,250.4)	(3,198.6)	42.1%
Operating profit	98.4	179.9	82.8%	288.0	278.2	-3.4%
<i>operating margin</i>	<i>1.1%</i>	<i>1.7%</i>		<i>2.0%</i>	<i>1.4%</i>	
Total other income (exps.)	(34.2)	(55.3)	61.5%	(131.7)	(89.5)	-32.0%
Pretax Profit	64.2	124.6	94.2%	156.3	188.7	20.8%
Income tax expense, net	(4.0)	(7.7)	93.2%	(11.5)	(11.8)	2.5%
Net income	60.1	116.8	94.3%	144.8	177.0	22.2%

* Results exclude wholesaling business divested on 1st April 2013. All 2014 figures have been restated in accordance with latest Indonesian GAAP

Indomarco Prismaatama reported a consolidated revenue of Rp 19.3 trillion in 1H14, 31.5% higher than Rp 14.7 trillion booked in 1H13. Revenue growth was attributable to 21.2% store growth over the past year, price inflation and volume growth. With Ramadhan (the month during which Indonesian Muslims observe fasting from morning till evening) falling in the month of July this year, 2Q and 3Q sales figures are likely to be positively affected.

Indomaret's average daily store sales (SPD) during 1H14 strengthened to Rp 11.32 m/day up 2.7% from 1H13 SPD of Rp 11.02 m/day. The 1H14 store productivity had clearly benefited from the increase in consumer spending in June as they ramped up their purchases of various food and beverage products in the run up to the daily fast breaking festivities in July since YoY SPD was only 7.8% in 1Q14.

Expense growth continued to lag sales growth thanks to our labor efficiency efforts since early last year. YoY increase in expenses was 3.4% during 1H14, continuing the trend in the first quarter which saw YoY increase of 3.6%. 2Q14 expenses went up 9.0% QoQ as compared to 1Q14 QoQ increase of 15.75% despite 467 new additional stores opened during 2Q14 as compared to 469 opened during the 1Q14. Note that we were restating a number of our accounts in compliance with the GAAPs that are currently in effect in Indonesia.

Financing charges for the quarter were Rp 55.7 bn up from Rp 35.3 bn in 1Q14 as we increased our borrowings from Rp 1.8 trillion as of end-March 2014 to Rp 2.3 trillion as of end-June 2014. Increases in borrowing costs during the 2Q14 also contributed to the increase in interest expenses. Despite this increase, debt-to-equity was still less than 20% and net-debt/EBITDA (annualized) was more than 3x.

Table 2. Indomaret's Regional Store Breakdown

(Stores)	2012	2013	1H14
Greater Jakarta	2,846	3,213	3,207
Java - Bali	3,132	3,844	4,535
Other Islands	1,267	1,757	2,008
Grand total	7,245	8,814	9,750

Approximately 56% of the stores we opened in 1H14 were in Java-Bali, 27% outside of Java and the remaining 17% in the Greater Jakarta. By the end of 1H14, 32% of our stores were owned by our franchisee partners, while the remainder were owned by us. We added 160 franchised stores in 1H14. With the progress achieved so far, we are comfortable that we should be able to grow our total stores by another 20% this year.

The decline in the number of stores in Greater Jakarta above were the results of a 'reassignment' of our existing stores as we opened a new DC in Purwakarta (West Java). We reassigned the supply and services of a number of stores from other DCs in the Greater Jakarta to render this new DC higher economies of scale.

PT Fastfood Indonesia Tbk. (FAST.IJ)

Table 3. Summary of unaudited 1H14 results :

(Figures in Rp bn)	1Q14	2Q14	QoQ	Jun-13	Jun-14	YoY
Revenues	969.1	1,039.3	7.2%	1,849.2	2,008.4	8.6%
Gross Profit	584.0	618.9	6.0%	1,121.4	1,202.8	9.0%
<i>gross margin</i>	60.3%	59.5%		60.6%	59.9%	
Selling and distribution costs	(469.2)	(473.1)	0.8%	(884.5)	(942.2)	8.7%
General and admin exp.	(105.1)	(102.9)	-2.1%	(185.9)	(208.0)	11.9%
Others, net	5.6	7.4	31.6%	12.1	13.1	8.2%
Operating profit	15.4	50.3	227.6%	63.0	65.7	4.3%
<i>operating margin</i>	1.6%	5%		3.4%	3.3%	
Pretax Profit	16.5	52.2	215.7%	62.2	68.8	10.6%
Income tax expense, net	(2.6)	(11.3)	341.4%	(13.1)	(13.8)	5.3%
Net income	14.0	40.9	192.7%	49.0	54.9	12.1%
EPS (Rp)	7.0	20.5	192.7%	24.6	27.5	12.1%

1H14 revenues grew 8.6% YoY to Rp 2.0 trillion mainly due to growth of sales of F&B which rose 9.9% YoY from Rp 1.8 trillion in 1H13. Commission from CD consignment sales dropped 29% from Rp 60 billion to Rp 42 billion. The growth of F&B sales was due to 26 additional stores opened in the 2H13 and 6 new stores opened in 1H14 as well as price increase in July 2013 with a weighted average of 4%. Same store sales growth of 1.87% during 2Q14 increased healthily as compared to the same store sales growth of 1.26% in 1Q14. Ticket average growth of 4.0% in 1Q14 declined to 2.1% in 2Q14 primarily because of the termination of the "WOW" program (50% discount every Wednesday) and the introduction of its brethrens : "WOW-1" and "WOW-2" which offered smaller discounts. Rising chicken prices managed to adversely affected gross margin, it declined from 60.3% in 1Q14 to 59.5% in 2Q14 mainly due to seasonally high prices in anticipation of the school and muslim holiday seasons.

In the absence of any major initiative, we maintained selling & distribution expenses in proportion with our sales growth. Various consumer surveys continued to indicate that KFC brand continued to enjoy high recognition and was consistently perceived as a brand providing the highest value for money in its category.

The general and administrative expenses continued to fall on a QoQ basis reflecting the impact of our labor efficiency efforts. During the 2Q14, general and administrative expenses declined by 2% QoQ, despite 4 new restaurants opened in 2Q14. By the end of June, we employed 16,390 people as compared to 16,500 as end 1Q14.

The impact of new menu items in 2013 and some new product extensions in 1Q14 as part of our on-going innovation continued to be felt in 1H14 as our transaction volume increased 2.6% in 1Q14 and 4.2% in 2Q14. Along with this, ticket average increased from Rp. 51,161 in 1Q14 to Rp. 51,259 in 2Q14. We have yet to introduce new menu items in the 1H14 but our pipeline of product innovation appears healthy.

Table 4. KFC's restaurants breakdown by asset type follows:

Store Type	2012	2013	1H14
Free Standing Stores	57	66	67
In-line Stores	136	151	155
Mall stores	212	209	204
Food-court Stores	35	39	36
Mobile Catering	1	1	1
Total	441	466	463

The total number of outlets operating during the 1H14 was 461 units of which 4 outlets were added in the 2Q14.

PT Nippon Indosari Corp. Tbk. (ROTI.IJ)

Table 5. Summary of unaudited 1H14 Results

(Figures in Rp bn)	1Q14	2Q14	QoQ	1H13	1H14	YoY
Sales	464.6	450.1	-3.1%	706.9	914.6	29.4%
Gross Profit	220.3	202.8	-7.9%	327.0	423.0	29.4%
<i>gross margin</i>	<i>47.4%</i>	<i>45.1%</i>		<i>46.3%</i>	<i>46.2%</i>	
Selling and Distribution Costs	(110.2)	(119.1)	8.1%	(169.0)	(229.4)	35.7%
General and Admin Exp.	(35.0)	(39.3)	12.2%	(54.0)	(74.3)	37.7%
Others	8.8	12.3	39.6%	9.0	21.1	133.0%
Total operating expense	(136.5)	(146.1)	7.1%	(213.9)	(282.6)	32.1%
Operating profit	83.8	56.6	-32.4%	113.1	140.4	24.2%
<i>operating margin</i>	<i>18.0%</i>	<i>12.6%</i>		<i>16.0%</i>	<i>15.4%</i>	
Total Other income (exps)	(2.0)	(4.4)	125.4%	(10.7)	(6.4)	-40.3%
Pretax Profit	81.8	52.2	-36.2%	102.3	134.0	30.9%
Income tax expense, net	(20.6)	(13.1)	-36.2%	(26.6)	(33.7)	26.6%
Net income	61.2	39.0	-36.2%	75.7	100.3	32.4%
EPS (Rp)	12.1	7.7	-36.2%	15.0	19.8	32.4%

As of June 30, 2014, ROTI registered a 29.4% increase in sales to Rp914.6 billion compared to the first 6 months of 2013 while sales declined slightly by 3.1% to Rp450.1 billion on a QoQ basis. Gross margin dipped to 45.1% in Q2 from 47.4% in Q1 owing to increases in depreciation, direct labor and utilities.

In April 2014, the Company commenced commercial operations of its 2 new double capacity plants in Purwakarta and Cikande. Consequently the hiring of more workers for these 2 factories situated in West Java, expansion of the sales force and its concomitant travel and transportation activities contributed to the increase in Operating Expenses in 2Q14. However, Advertising and Promotional expenses of 4.7% declined for the 1st half of this year compared to the previous corresponding period of 5.7%. The Higher Operating Expenses in Q2 resulted in weakening the Operating Margin to 12.6% vs. 18% in Q1. Overall, Net margin of 8.7% declined 4.5% in Q2 compared to 13.2% in Q1.

PT Indoritel Makmur International Tbk. (DNET.IJ)

Table 5. Summary of unaudited 2Q14 results:

(Figures in Rp bn)	Mar-14	Jun-14	QOQ%	Jun-13	Jun-14	YOY%
Sales	0.4	0.8	112.6%	5.9	1.2	-79.6%
Gross Profit	0.4	0.8	112.6%	1.6	1.2	-24.4%
Share of profit of associates	44.8	66.4	48.3%	11.6	111.2	n.m
Other expenses (income)	(3.3)	(4.1)	25.2%	(1.9)	(7.4)	n.m
Total operating expenses	41.5	62.3	49.9%	9.7	103.8	n.m
Operating profit	41.9	63.1	50.8%	11.3	105.0	n.m
Pretax Profit	46.2	69.9	51.4%	13.5	116.1	n.m
Income tax expense, net	0.0	0.0	-29.5%	(0.0)	0.0	n.m
Net income	46.2	69.9	51.4%	13.5	116.1	n.m
Total comprehensive income	46.2	69.9	51.4%	13.5	116.1	n.m

Indoritel Makmur International reported revenue of Rp 1.2bn for 1H14, a significant drop from Rp 5.9bn booked in 1H13 due to the termination of ISP services in April 2013 and IT consultancy services in December 2013.

On May 1st we launched our newly acquired POS (point-of-sale) solution - rebranded under our new division : Nexus Software – that focuses on providing solutions to small and medium-sized enterprises, in particular those that are involved in consumer product distribution. NexSoft main solution is currently sold under the brand-name “ND95” an application specifically designed and developed to meet the demand for affordable and efficient distribution resource management. ND95 has over 800 installs all throughout Indonesia, of which, 34 were new installs in 1H14.

69% of 1H14 sales were still generated by Ogahruqi.com – our eCommerce division. Ogahruqi.com’s membership went up 47.1% compared to June 2013, of which 44,147 members were active during 2Q14. We added 7,216 new members since 1Q14. The total number of merchants as of June 2014 was 1,439 (cumulative) which grew by 20% from December 2013.

Associate contributions went up 48% QoQ reflecting the recovery of our retailing and restaurant businesses. These divisions’ contribution rebounded strongly as the impact from the rise of 2014 minimum wage was slowly absorbed through higher labor efficiency and prices.

We received Rp 5 bn dividends from our associated companies PT Nippon Indosari Corpindo on 5th June 2014, and PT Fastfood Indonesia paid Rp 21.4 bn dividends on 5th August.