

Monday, 03 December 2018

HOLD
MAINTAIN

Last price (IDR)	2,550
Target Price (IDR)	2,730
Upside/Downside	+7.1%
Previous Target Price (IDR)	2,790

Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	MYOR IJ
No of Shrs (mn)	22,359
Mkt. Cap (IDRbn/USDmn)	57,015/3,986
Avg. daily T/O (IDRbn/USDmn)	3.6/0.3

Major shareholders (%)

UNITA BRANINDO PT	32.9
MAYORA DHANA UTAMA PT	26.1
Estimated free float	15.7

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	70.0	76.5	91.1
Consensus	76.7	92.5	105.6
Danareksa/Cons	(8.8)	(17.3)	(13.7)

MYOR relative to JCI Index



Source : Bloomberg



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Mayora Indah (MYOR IJ)

Buoyant revenues but higher opex too

Mayora reported that sales continued to grow strongly in October. For the full year, we still expect 19% top line growth. At the bottom line, however, we cut our FY18 earnings estimate by 10.5% given increasing opex. With limited upside and expensive valuation, we maintain our HOLD recommendation.

Strong sales were offset by higher opex. In a recent meeting with the company we learnt that MYOR's October sales reached IDR2.4tn, or 10% higher than the average monthly sales in 3Q18. Domestic sales and exports were both buoyant. Given the solid performance in October coming after a strong 9M18, we revise up our FY18F revenues estimate by 4.8%. To alleviate cost pressures, the company took further efficiency measures in both production and raw materials procurement. Combined with soft commodity prices (including oil) and the stable rupiah, we expect the company to maintain its high gross margin in FY18F at 25.9%. Nonetheless, with increasing competition in both the export and domestic markets and with further efforts to push new products, MYOR estimates higher selling expenses this year. Hence, with lower operating profits, we revise down our FY18F earnings estimate by 10.5%. As we believe that there might be some upside from higher-than expected-FY18F sales, if the company could record higher revenues growth this year of 25% (vs our current forecast of 19%) this would result in 3.6% yoy FY18F earnings growth (vs -2% yoy growth in our current forecast) – ceteris paribus.

FY19F earnings growth expected to reach 9.3% yoy. In 2019, we expect the company to book 15.8% yoy top line growth, with both the food and beverages divisions growing accordingly. Supported by soft commodity prices and the stable rupiah, we expect the FY19 gross margin to be maintained at 25.2%. After recording higher opex in 2018 to push sales, we believe the company will tone down its opex in 2019. This should lift the FY19F operating margin to 10.1%. Bear in mind that the gearing ratio has increased (9M18: 90%) since the company needed financing to develop three new plants (for coffee, biscuits and wafers). In turn, this has translated into higher interest expenses. For FY19F, we expect earnings to grow 9.3% yoy to IDR1.7tn.

Maintain HOLD. This year, the company has launched new products/SKU (Exhibit 10) in a bid to counter the stiffer competition and to meet the growing consumer appetite for new products. This helped to sustain sales growth in 2018. Going into 2019, we believe that increasing consumption ahead of the presidential election should benefit Mayora. We roll over our valuation to 2019 and arrive at a new TP of IDR2,730 implying FY19F PE of 33.6x based on DCF valuation (WACC 8.7%, Terminal Growth 4%).

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	18,350	20,817	24,768	28,682	32,828
EBITDA (IDRbn)	2,830	3,000	2,924	3,522	4,071
EBITDA Growth (%)	21.4	6.0	(2.5)	20.4	15.6
Net profit (IDRbn)	1,355	1,594	1,564	1,710	2,037
EPS (IDR)	60.6	71.3	70.0	76.5	91.1
EPS growth (%)	11.0	17.7	(1.9)	9.3	19.1
BVPS (IDR)	273.8	321.4	366.6	422.1	490.3
DPS (IDR)	12.0	21.0	24.7	21.0	22.9
PER (x)	42.4	36.0	36.7	33.6	28.2
PBV (x)	9.4	8.0	7.0	6.1	5.2
Dividend yield (%)	0.5	0.8	1.0	0.8	0.9
EV/EBITDA (x)	21.1	19.9	20.6	17.4	15.1

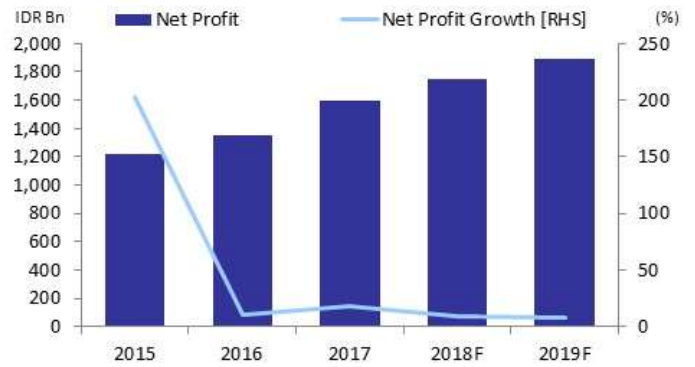
Source : MYOR, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



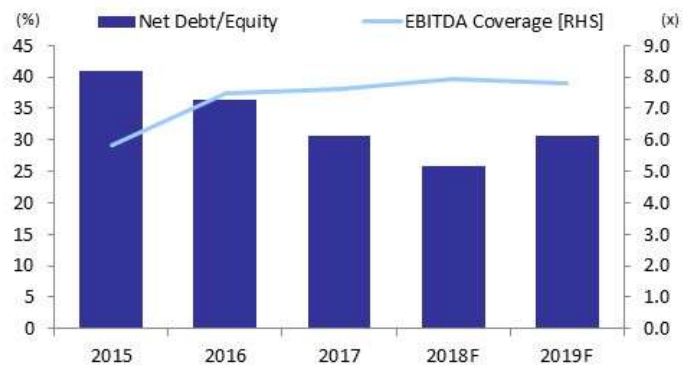
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



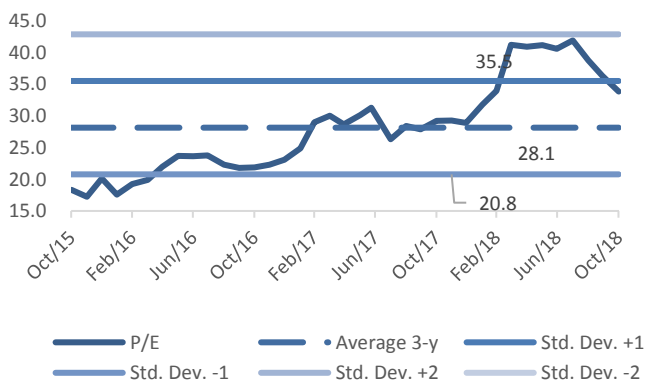
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Valuation

Value of FCFF	9,080
Terminal value	48,085
Enterprise Value	57,164
Net Cash/ (Net Debt)	3,869
Equity Value	61,033
Number of shares(mn)	22,359
Equity value per share	2,730

Source: Danareksa Sekuritas estimates

Exhibit 7. Earnings revision

	Previous		New		Changes	
	2018	2019	2018	2019	2018	2019
Revenue	23,639	27,375	24,768	28,682	4.8%	4.8%
Gross profit	5,739	6,470	6,412	7,241	11.7%	11.9%
Operating profit	2,752	3,063	2,341	2,897	-14.9%	-5.4%
Net profit	1,747	1,892	1,564	1,710	-10.5%	-9.6%
Gross margin	24.3%	23.6%	25.9%	25.2%		
Operating margin	11.6%	11.2%	9.5%	10.1%		
Net margin	7.4%	6.9%	6.3%	6.0%		

Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Mayora' new products this year


Source: Company, Danareksa Sekuritas estimates

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	18,350	20,817	24,768	28,682	32,828
COGS	(13,450)	(15,842)	(18,356)	(21,441)	(24,599)
Gross profit	4,900	4,975	6,412	7,241	8,229
EBITDA	2,830	3,000	2,924	3,522	4,071
Oper. profit	2,315	2,461	2,341	2,897	3,339
Interest income	15	36	68	68	45
Interest expense	(378)	(394)	(473)	(570)	(556)
Forex Gain/(Loss)	(124)	91	219	(34)	(20)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	17	(7)	0	0	0
Pre-tax profit	1,845	2,187	2,155	2,361	2,808
Income tax	(457)	(556)	(548)	(600)	(714)
Minority interest	(34)	(37)	(43)	(50)	(58)
Net profit	1,355	1,594	1,564	1,710	2,037
Core Net Profit	1,479	1,503	1,345	1,744	2,056

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	1,543	2,202	3,267	2,151	1,763
Receivables	4,388	6,103	7,261	8,409	9,624
Inventory	2,124	1,825	2,115	3,407	3,909
Other Curr. Asset	685	544	648	750	858
Fixed assets - Net	3,859	3,989	4,460	4,885	5,204
Other non-curr.asset	322	253	290	326	358
Total asset	12,921	14,916	18,041	19,928	21,716
ST Debt	1,752	2,228	3,870	5,021	4,883
Payables	1,404	1,829	2,119	2,475	2,839
Other Curr. Liabilities	478	417	496	574	657
Long Term Debt	2,074	2,226	2,133	999	749
Other LT. Liabilities	699	862	1,026	1,188	1,360
Total Liabilities	6,407	7,561	9,643	10,258	10,488
Shareholder's Funds	6,121	7,186	8,198	9,439	10,962
Minority interests	144	168	200	232	265
Total Equity & Liabilities	12,672	14,916	18,041	19,928	21,716

Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,355	1,594	1,564	1,710	2,037
Depreciation and Amort.	515	539	583	624	732
Change in Working Capital	(1,291)	(1,053)	(1,079)	(2,005)	(1,270)
Other Oper. Cash Flow	436	621	445	543	554
Operating Cash Flow	1,014	1,702	1,513	872	2,052
Capex	(774)	(561)	(1,071)	(1,066)	(1,062)
Others Inv. Cash Flow	15	36	68	68	45
Investing Cash Flow	(759)	(524)	(1,003)	(998)	(1,016)
Net change in debt	267	378	1,549	18	(388)
New Capital	28	21	32	32	34
Dividend payment	(268)	(470)	(553)	(469)	(513)
Other Fin. Cash Flow	(422)	(451)	(473)	(570)	(556)
Financing Cash Flow	(394)	(521)	555	(990)	(1,425)
Net Change in Cash	(139)	657	1,065	(1,116)	(389)
Cash - begin of the year	1,682	1,543	2,202	3,267	2,151
Cash - end of the year	1,543	2,202	3,267	2,151	1,763

Exhibit 12. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	23.8	13.4	19.0	15.8	14.5
EBITDA	21.4	6.0	(2.5)	20.4	15.6
Operating profit	24.3	6.3	(4.9)	23.8	15.2
Net profit	11.0	17.7	(1.9)	9.3	19.1
Profitability (%)					
Gross margin	26.7	23.9	25.9	25.2	25.1
EBITDA margin	15.4	14.4	11.8	12.3	12.4
Operating margin	12.6	11.8	9.5	10.1	10.2
Net margin	7.4	7.7	6.3	6.0	6.2
ROAA	11.2	11.5	9.5	9.0	9.8
ROAE	24.2	24.0	20.3	19.4	20.0
Leverage					
Net Gearing (x)	0.4	0.3	0.3	0.4	0.3
Interest Coverage (x)	6.1	6.2	4.9	5.1	6.0

Source : MYOR, Danareksa Estimates

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