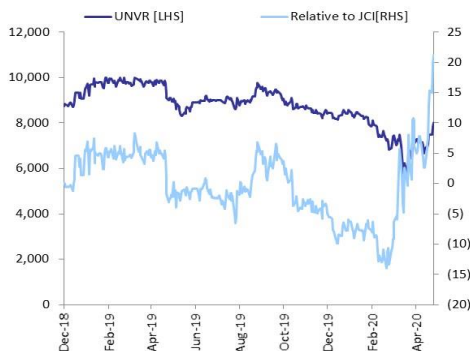


Tuesday, 30 June 2020

**Overweight**  
**Maintain**

**UNVR relative to JCI Index**



**ICBP relative to JCI Index**



Source : Bloomberg

**Consumer**

**Seeking cost efficiencies in a challenging environment**

Kadin estimates that around 6mn workers have been furloughed/laid off during the Covid-19 pandemic, translating into weak purchasing power in April – May 2020. Even consumer companies have reported tough business conditions, including during this year’s Ramadan season. As such, we expect continued cost efficiencies to preserve earnings. As we believe health-related products will benefit the most, our top picks are KLBF and UNVR.

**Tough May 2020, health-related products benefited the most.** We talked to several consumer/cigarette companies and learnt that May 2020 was a tough month given fewer working days with continued PSBB due to the Covid-19 pandemic. In May 2020, the utilization rate for several manufactures was below 50% (Textile/steel 20-30%, shoes/ceramic 30% and basic chemicals 30-50%). Only F&B and upstream/downstream petrochemical firms reported 50-90% utilization rates in this period. Based on our research, only products that support healthy lifestyles and work-from-home activities enjoyed solid demand in April-May 2020. By comparison, beauty related products, non-necessities and products usually bought on impulse faced weak demand given the soft purchasing power. Following the easing of PSBB, many companies are hopeful of seeing stronger demand in June 2020.

**Expect more cost efficiencies.** To tap the increasing demand for health related products, companies have shifted their focus toward new products in this category: SIDO with charcoal active for daily detoxification, KLBF with cordyceps and fatigon red ginger to improve immunity while UNVR is focusing on providing a variety of health sanitizer products through its existing brands (lifebuoy) or new brands (Sahaja). Meanwhile, KLBF is conducting clinical trials of its herbal products named H2 Cordyceps and Fatigon Red Ginger in Wisma Atlet. If all goes well, positive results from these trials will support sales of these products which are claimed to have ingredients which can improve immunity against Covid-19. Given weak demand, most companies have opted to focus on greater cost efficiencies. Indeed, many stated that they would be very selective in their advertising and promotional activities. Further efforts to create a healthier working environment may result in additional costs or capex this year, depending on the size of the facilities.

**Our top picks: KLBF and UNVR.** We prefer KLBF as we believe the company will benefit from increasing demand for healthy lifestyle products. On the costs side, the company has secured the raw materials and their prices, expecting only a slight movement in costs. At the same time, we also like UNVR for its health-related products. In our view, UNVR’s strengths in cost-discipline may preserve earnings this year. In addition, we also believe that demand for ICBP’s products is relatively resilient amid the weak purchasing power. However, the overhang from the Pinehill acquisition may create headwinds for the share price performance. In our view, INDF is a value choice to obtain exposure to the consumer sector and sticky CPO prices.



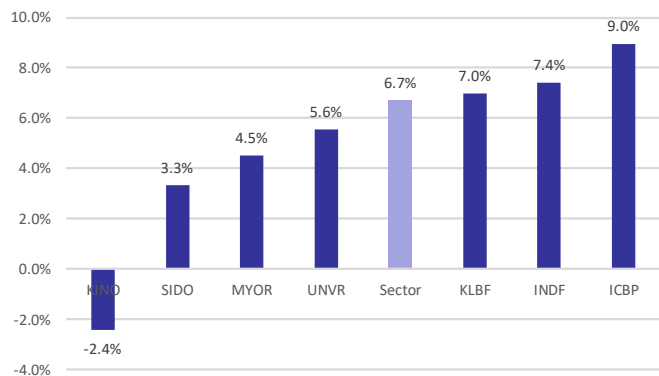
**Natalia Sutanto**

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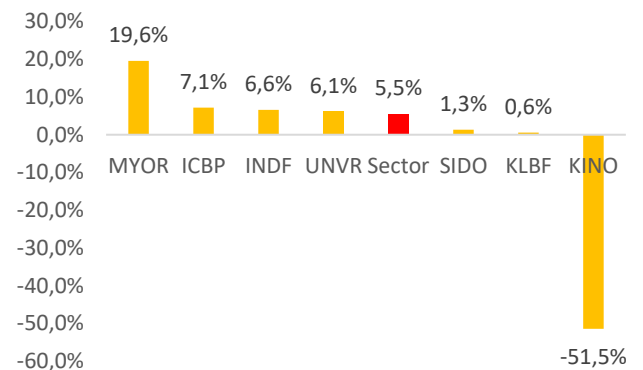
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2021F
					2020F	2021F	2020F	2021F	
Unilever Indonesia	UNVR	BUY	9,100	302.3	38.5	35.7	53.3	49.6	144.0%
Indofood CBP	ICBP	BUY	11,600	109.6	20.3	18.7	3.9	3.5	19.8%
Kalbe Farma	KLBF	BUY	1,700	67.5	26.8	25.1	3.9	3.5	14.8%
Indofood Sukses	INDF	BUY	7,600	59.3	11.3	10.6	1.5	1.4	13.2%
Mayora Indah	MYOR	BUY	2,600	50.5	21.3	21.6	4.4	3.9	19.1%
Kino Indonesia	KINO	SELL	2,700	4.9	19.2	18.5	1.8	1.7	9.3%
Sido Muncul	SIDO	HOLD	1,330	18.3	22.2	20.8	5.7	5.5	26.8%

**Exhibit 1. FY20F top line growth**



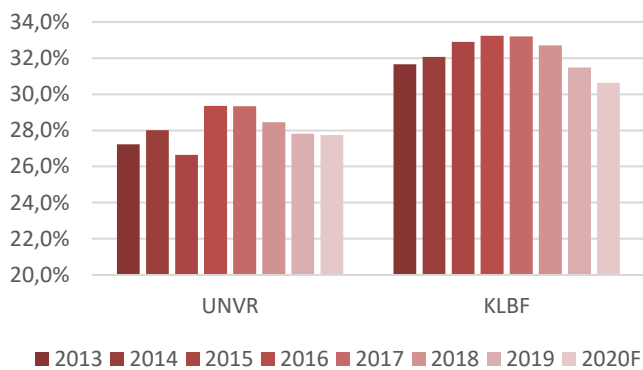
Source: Danareksa

**Exhibit 2. FY20F earnings growth**



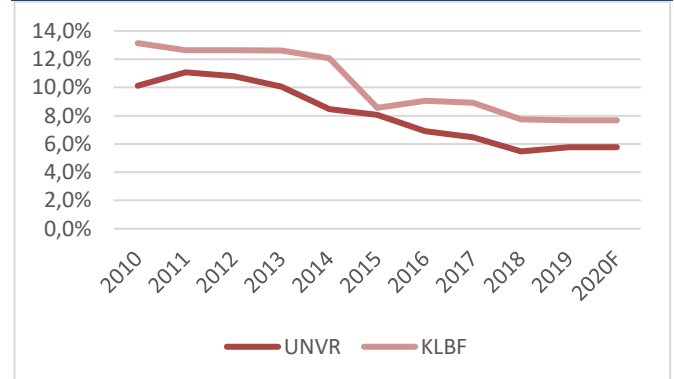
Source: Danareksa

**Exhibit 3. UNVR and KLBF – Declining Opex to revenue**



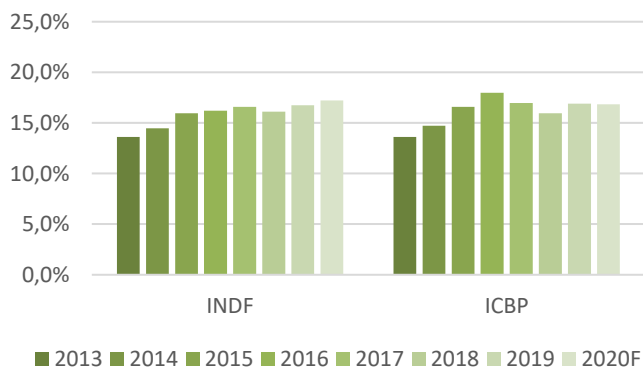
Source: Danareksa

**Exhibit 4. ... also in A&P expenses for UNVR and KLBF**



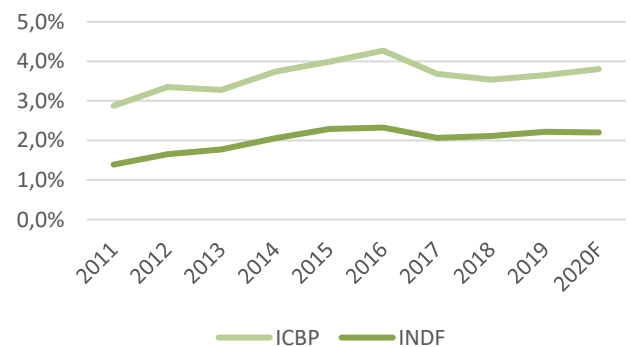
Source: Danareksa

**Exhibit 5. ICBP and INDF – Stable high Opex to revenue**



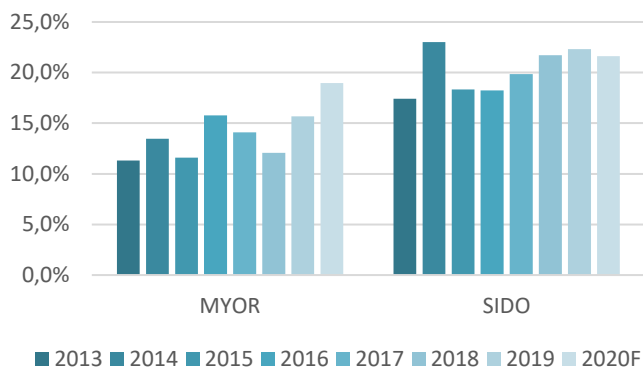
Source: Danareksa

**Exhibit 6. A&P expenses for INDF and ICBP**



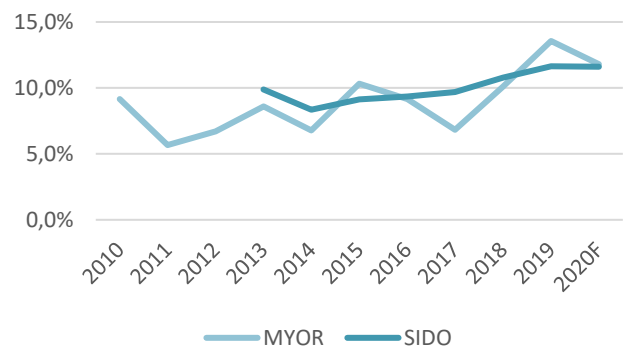
Source: Danareksa

**Exhibit 7. MYOR and SIDO –Opex to revenue**



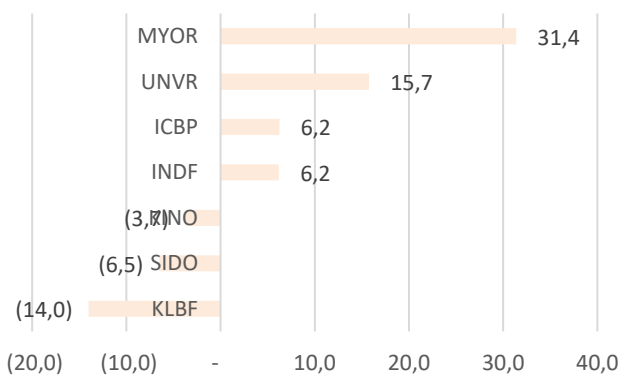
Source: Danareksa

**Exhibit 8. A&P expenses for MYOR and SIDO**



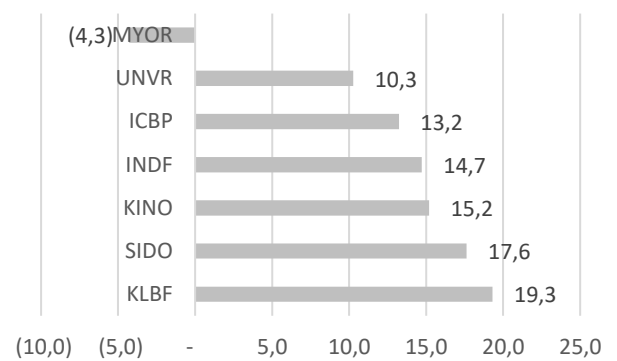
Source: Danareksa

**Exhibit 9. Relative share price performance to JCI - Ytd**



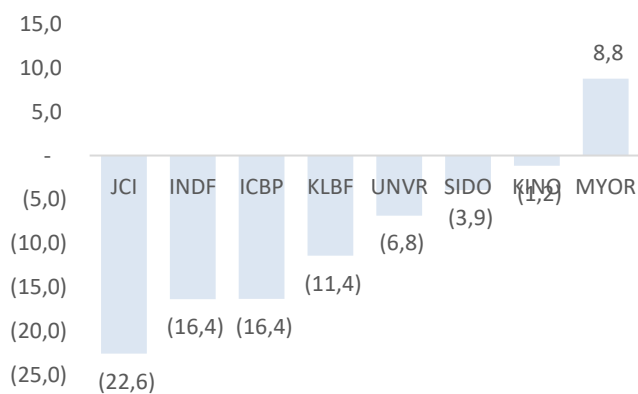
Source: Bloomberg

**Exhibit 10. Relative share price performance to JCI – Yoy**



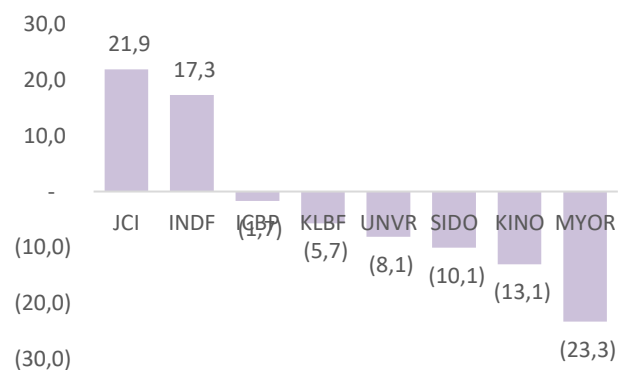
Source: Bloomberg

**Exhibit 11. Absolute share price performance - Ytd**



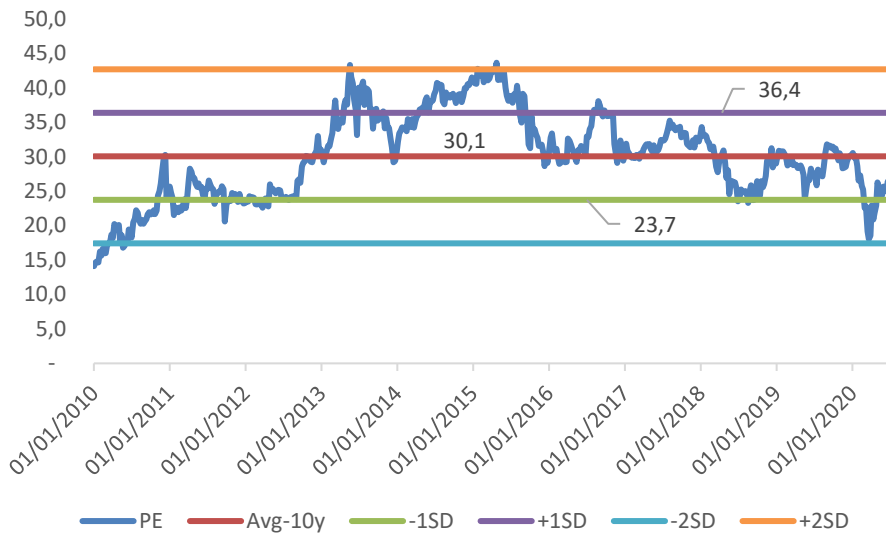
Source: Bloomberg

**Exhibit 12. Absolute share price performance – Yoy**



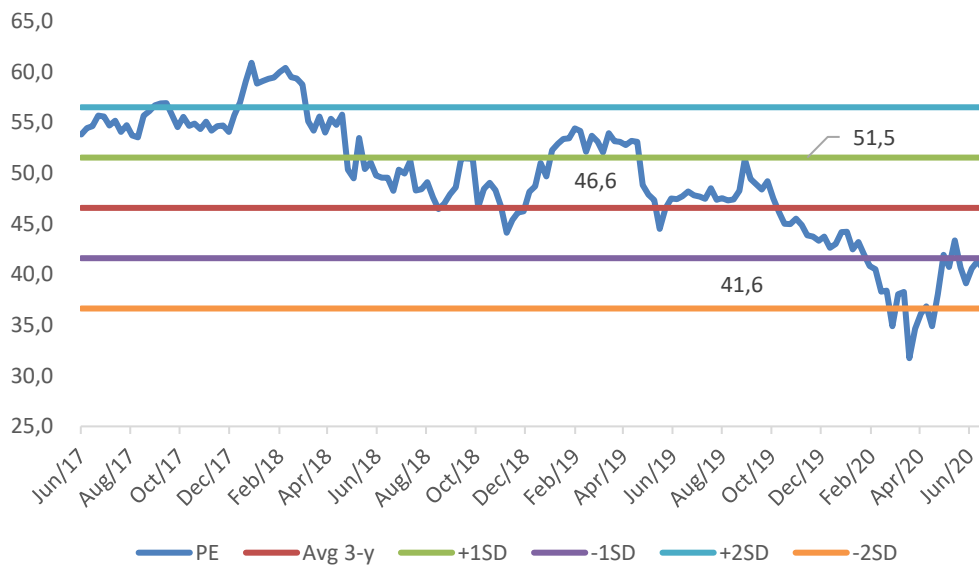
Source: Bloomberg

Exhibit 13. PE Band KLBF



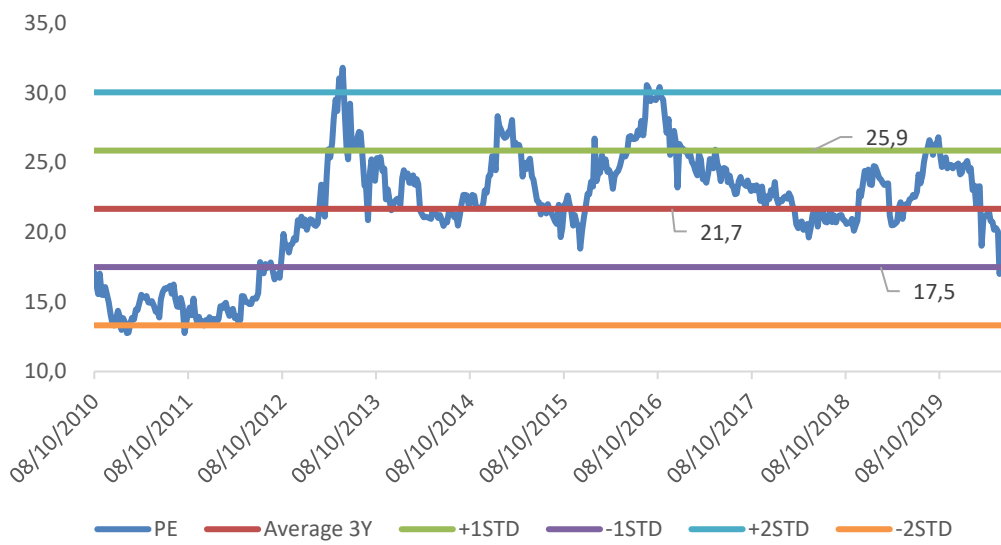
Source: Bloomberg, Danareksa

Exhibit 14. PE Band UNVR



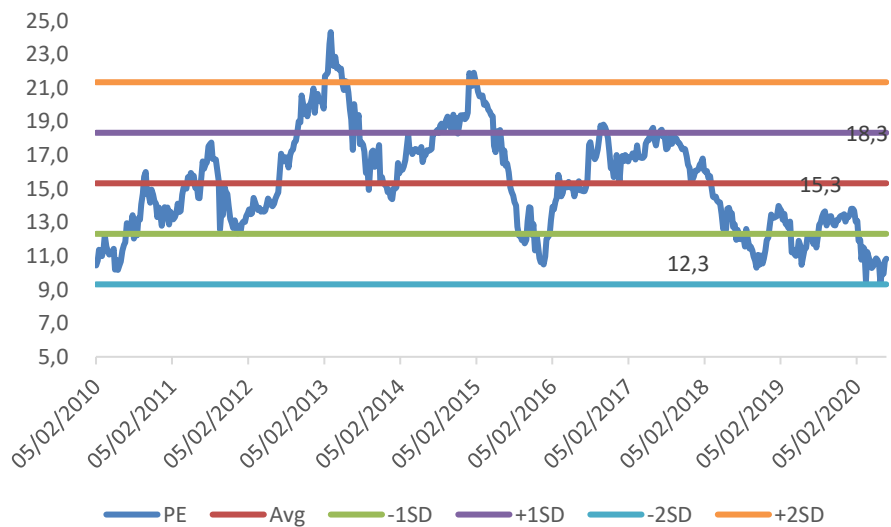
Source: Bloomberg, Danareksa

Exhibit 15. PE Band ICBP



Source: Bloomberg, Danareksa

Exhibit 16. PE Band INDF



Source: Bloomberg, Danareksa

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