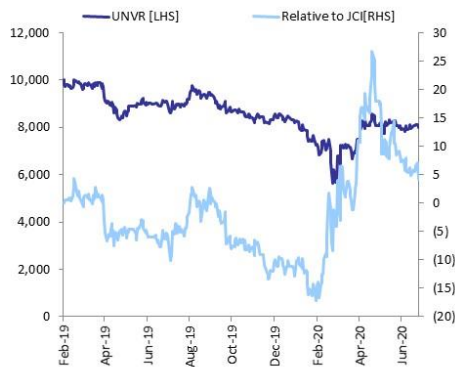


August, 7 August 2020

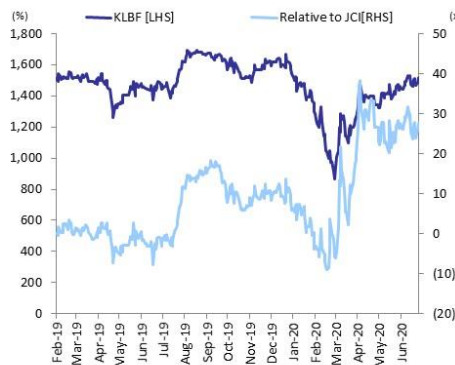
OVERWEIGHT

Maintain

UNVR relative to JCI Index



KLBF relative to JCI Index



Source : Bloomberg

Consumer

Confirmation of resiliency

Because of lower incomes as a result of the covid-19 pandemic, consumers need to prioritize their spending. After consumer staples, electricity/nutritional products, data package and education are the main priorities. Consumers are eating out less and spending has shifted toward hygiene/health-related products.

79% of the total respondents have lower incomes. We conducted a survey encompassing 1,724 people in 6 Indonesian provinces through Danareksa Research Institute (DRI) to gauge the impact of the Covid-19 pandemic on the people's income and changes in shopping/product preferences. Around 51% of the total respondents said that the pandemic had reduced their incomes by 25% to 50%. With less money in their pockets, we believe consumers will be more selective in their shopping preferences.

Priority shopping. After food staples, there are 4 spending priorities, namely: Electricity, Nutritional products/Vitamins, data package and Education. Cigarettes are the next spending priority. Personal care (skin/hair/body) and homecare products have demonstrated resiliency as around 53-78% of the total respondents stated that they had maintained their consumption on these products. Around 30-40% of the total respondents have spent more money on home cleaning and personal hygiene products amid the pandemic.

Hygiene and health products to see growing demand. In the face of lower incomes, respondents said that they would reduce spending on eating out (85%), entertainment activities (80%) and snacks/coffee (65%). Around 41% of the total respondents ate home cooked food 3x/day before the pandemic. However, this percentage has increased to 45% during the pandemic. From this survey we also learnt that only 18% of the total respondents consume vitamins/herbal/traditional supplements on a daily basis. Around 43% rarely consume vitamins/nutritional products and the remaining 39% do not consume them at all. However, the pandemic has changed people's lifestyles: (1) greater hygiene awareness from using hand sanitizers, hand wash products and face masks, (2) the switch to eating more home cooked food, (3) the consumption of vitamins and healthy food to boost immunity and (4) doing more sports. Reducing smoking was the last option for the respondents.

Maintain Overweight. The survey provides insights that cement our view on the resiliency of consumer companies which have strong fundamentals with net cash positions and proven track records. We continue to like UNVR and KLBF as they should be major beneficiaries of growing demand for hygiene related and health/nutritional products. We also expect to see resilient earnings growth for ICBP given that its staples products are offered at affordable prices. Maintain Overweight on the sector.



Natalia Sutanto

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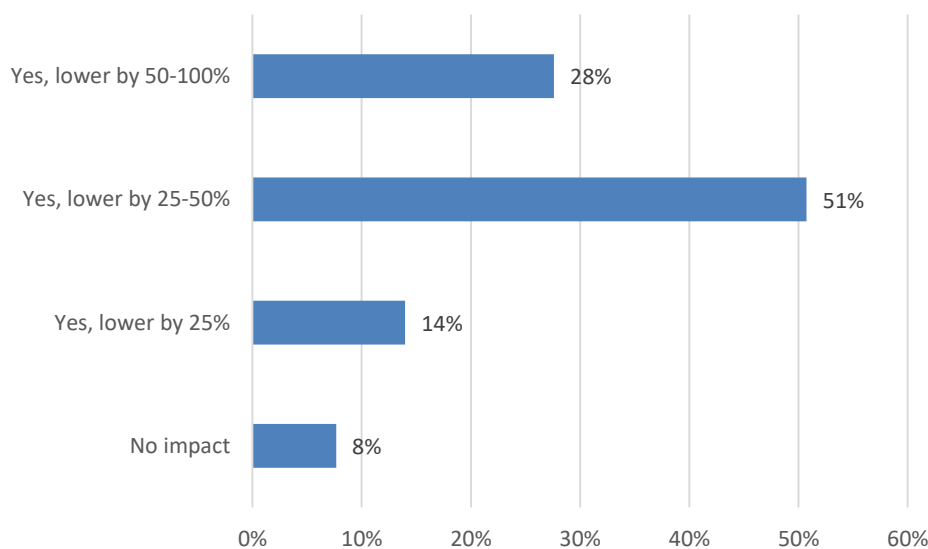
natalia.sutanto@danareksa.co.id

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)	
					2020F	2021F	2020F	2021F	2020F	2021F
Unilever Indonesia	UNVR IJ	BUY	9,100	311,876	40.0	37.5	55.0	51.2	141.4	
Indofood CBP	ICBP IJ	BUY	11,600	120,409	22.3	20.6	4.3	3.9	19.8	
Kalbe Farma	KLBF IJ	BUY	1,700	75,000	29.7	27.9	4.3	3.9	14.8	
Indofood Sukses	INDF IJ	BUY	7,600	61,682	11.8	11.1	1.5	1.4	13.2	
Mayora Indah	MYOR IJ	BUY	2,600	50,978	21.4	21.8	4.5	3.9	19.1	
Sido Muncul	SIDO IJ	BUY	1,530	21,000	23.6	22.0	6.6	6.4	29.7	
Kino Indonesia	KINO IJ	SELL	2,700	4,771	18.9	18.2	1.8	1.6	9.3	

79% of the total respondents have lower incomes. We conducted a survey encompassing 1,724 people in 6 Indonesian provinces through Danareksa Research Institute (DRI) to gauge the impact of the Covid-19 pandemic on the people's income and changes in shopping/product preferences. Around 51% of the total respondents said that the pandemic had reduced their incomes by 25% to 50%. At the same time, 28% of the total respondents claimed their incomes had been slashed by 50% to 100%. Only 8% of the total respondents said their incomes had not fallen. With less money in their pockets, we believe consumers will be more selective in their shopping preferences.

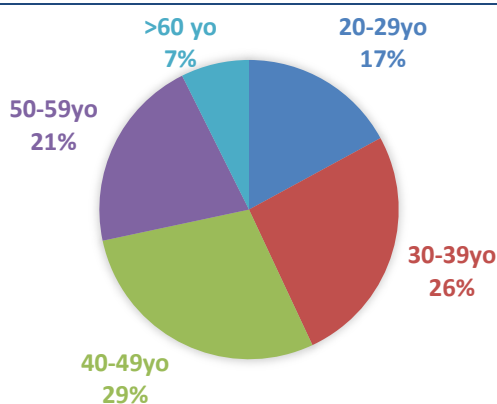
Around 72% of the total respondents are in the productive age group from 20 to 49 years old. By education profile, 60% are graduates from Junior/High School and 33% have been to elementary school or not finished school at all. Only 7% of the total respondents are university/academy graduates.

Exhibit 1. Has the Covid-19 pandemic impacted your income?



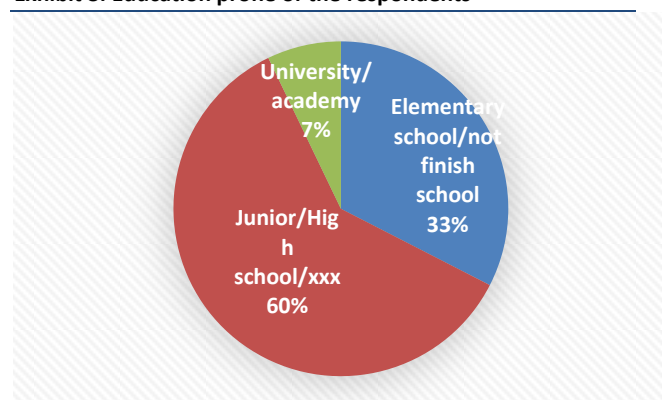
Source: Danareksa

Exhibit 2. Age profile of the respondents



Source: Danareksa

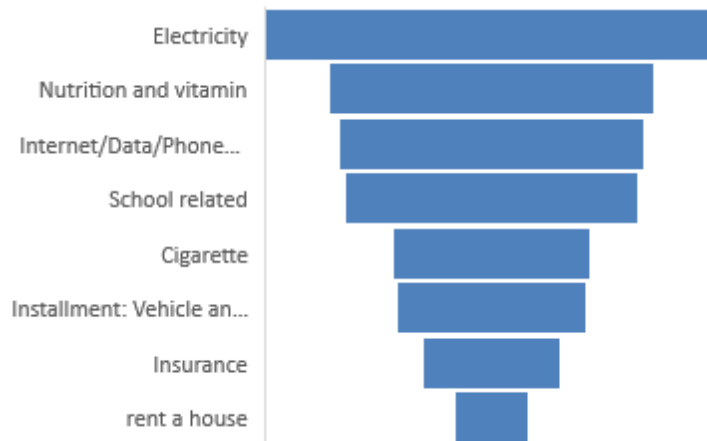
Exhibit 3. Education profile of the respondents



Source: Danareksa

Priority shopping. After food staples, there are 4 spending priorities, namely: Electricity, Nutritional products/Vitamins, data package and Education. Cigarettes are the next spending priority. Personal care (skin/hair/body) and homecare products have demonstrated resiliency as around 53-78% of the total respondents stated that they had maintained their consumption on these products.

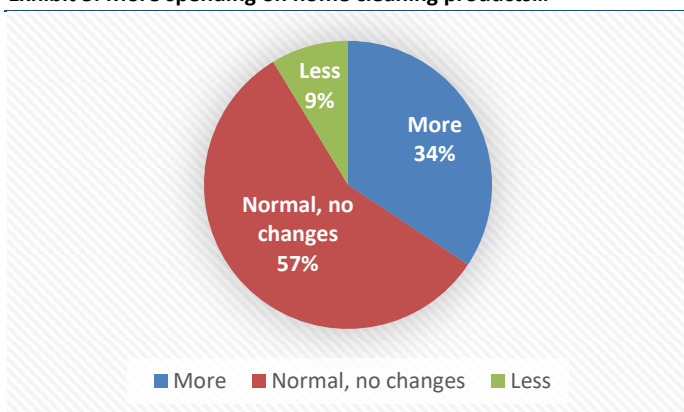
Exhibit 4. What are your top spending priorities now? (after spending on consumer staples)



Source: Danareksa

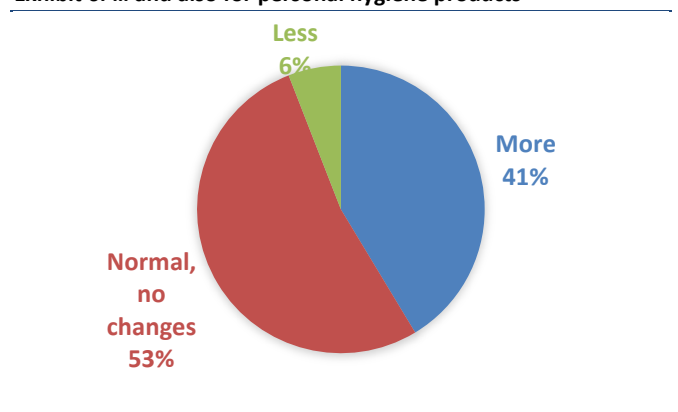
More spending on home cleaning/personal hygiene products. From this survey, we learnt that spending on home cleaning and personal hygiene products/treatments is resilient amid the pandemic. Our survey reveals that the respondents have no plans to reduce their spending on face/skin/personal body care products. Bear in mind that most of these products are available in small sizes at a so-called ‘magic price’ to ensure product affordability. As such, these products constitute new growth markets for FMCG companies.

Exhibit 5. More spending on home cleaning products...



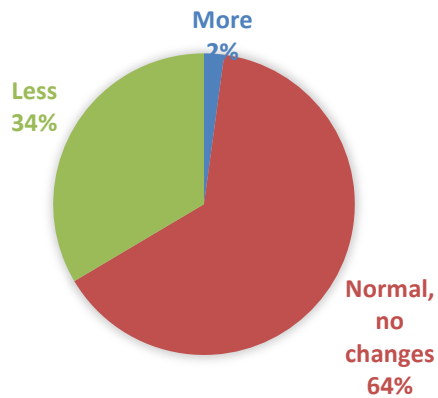
Source: Bloomberg

Exhibit 6. ... and also for personal hygiene products*



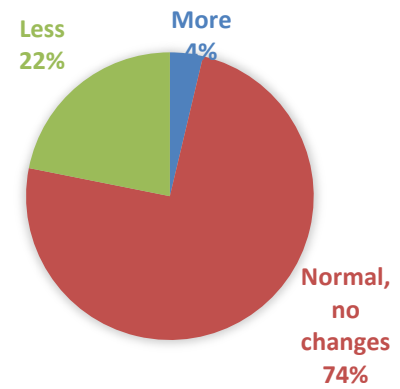
Source: Bloomberg *Hand sanitizer, Hand soap

Exhibit 7. Face/skin care* – mostly normal consumption ..



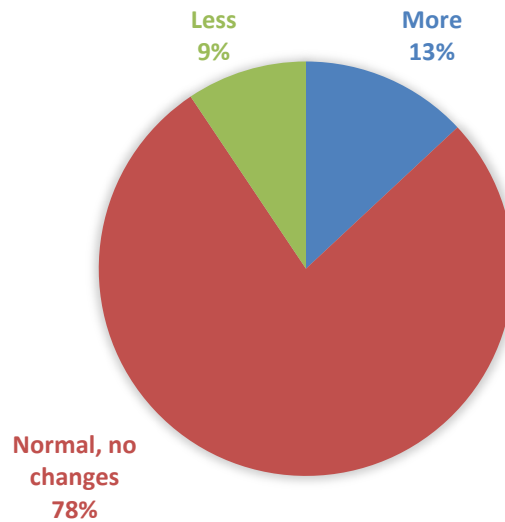
Source: Bloomberg *including make up

Exhibit 8. .. also the case for body care products*



Source: Bloomberg *soap, moisturizer, sunblock etc

Exhibit 9. Normal consumption on hair products* during the pandemic

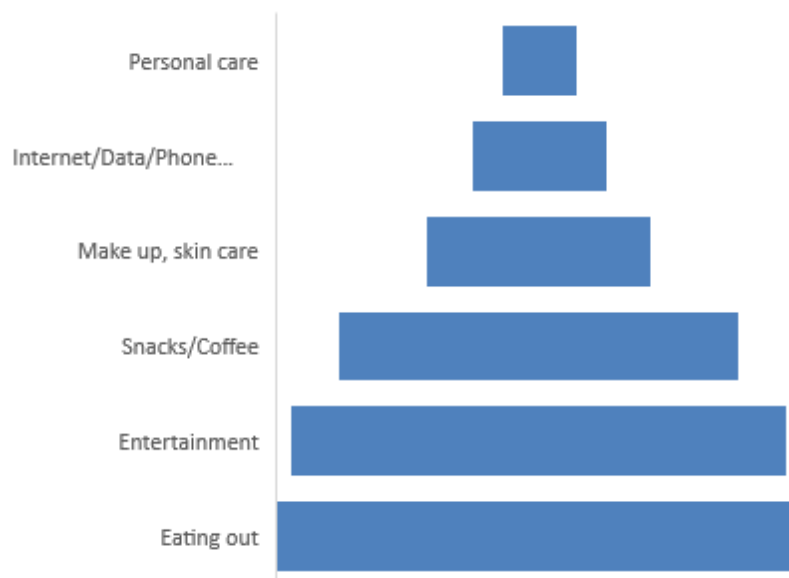


Source: Bloomberg *Shampoo, conditioner etc

Increasing preference for home cooked food. In the face of lower incomes, respondents said that they would reduce spending on eating out, entertainment activities and snacks/coffee. Around 41% of the total respondents ate home cooked food 3x/day before the pandemic. However, this percentage has increased to 45% during the pandemic.

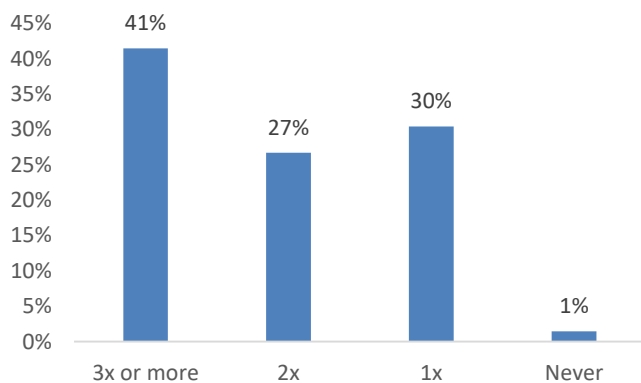
At our last meeting with Ultra Jaya (ULTJ), we learnt that the trend toward home cooking has changed its product mix this year. The company reported higher yoy demand for white milk (for cooking/perceived to be a healthier product) in a 1 liter or smaller pack. In recent years, chocolate milk was ULT’s best-selling product, with a greater contribution from smaller-sized packs.

Exhibit 10. What kind of consumption can be reduced during the pandemic?



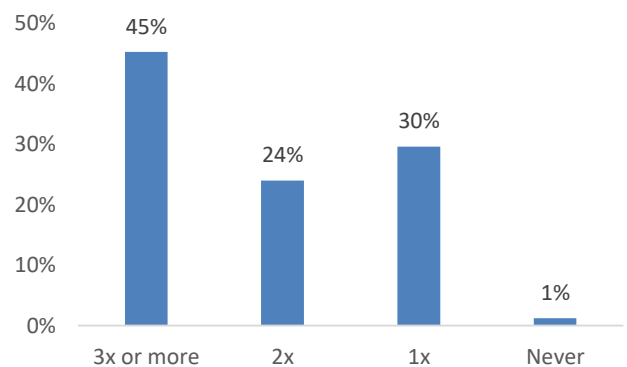
Source: Danareksa

Exhibit 11. Before the pandemic, how often did you cook or eat home cooked food on a daily basis?



Source: Bloomberg

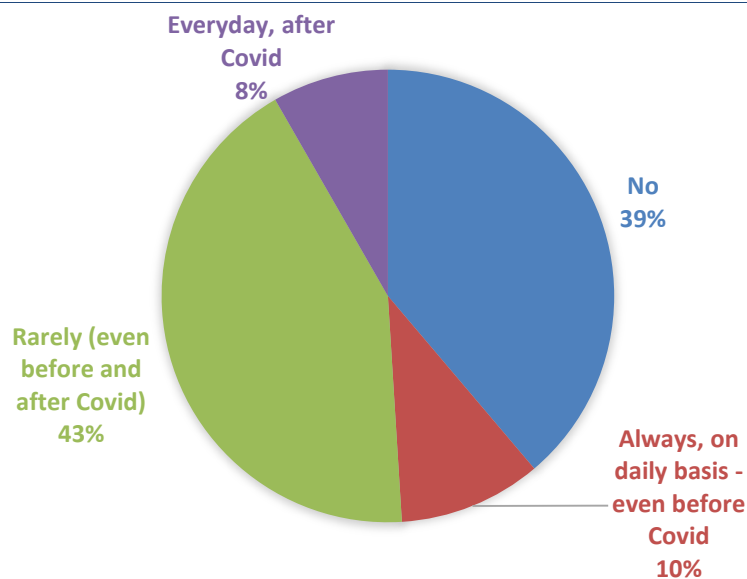
Exhibit 12. During the pandemic, how often do you cook or eat home cooked food on a daily basis?



Source: Bloomberg

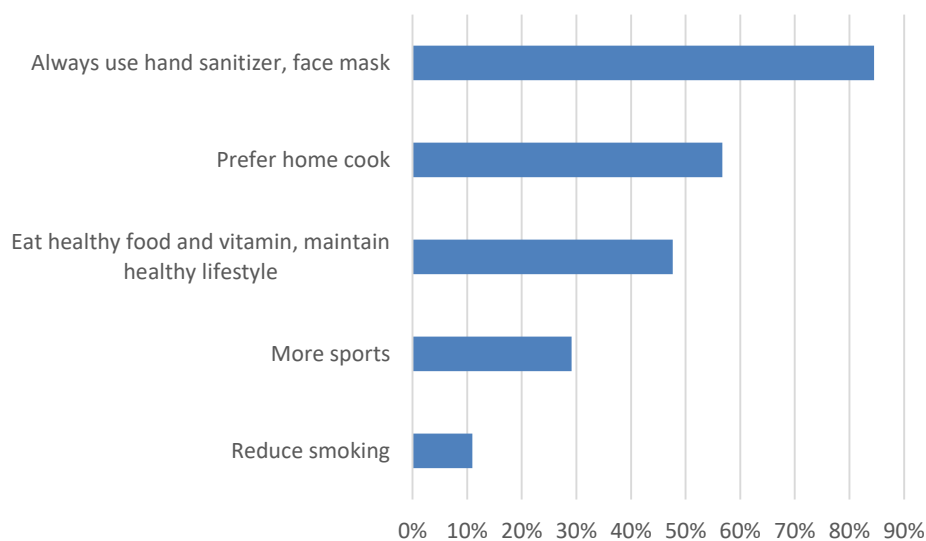
Hygiene and health products to see growing demand going forward. From this survey we also learnt that only 18% of the total respondents consume vitamins/herbal/traditional supplements on a daily basis. Around 43% rarely consume vitamins/nutritional products and the remaining 39% do not consume them at all. However, the pandemic has changed people’s lifestyles: (1) greater hygiene awareness from using hand sanitizers, hand wash products and face masks, (2) the switch to eating more home cooked food, (3) the consumption of vitamins and healthy food to boost immunity and (4) doing more sports. Reducing smoking was the last option for the respondents.

Exhibit 13. Most respondents do not consume vitamins on a daily basis



Source: Danareksa

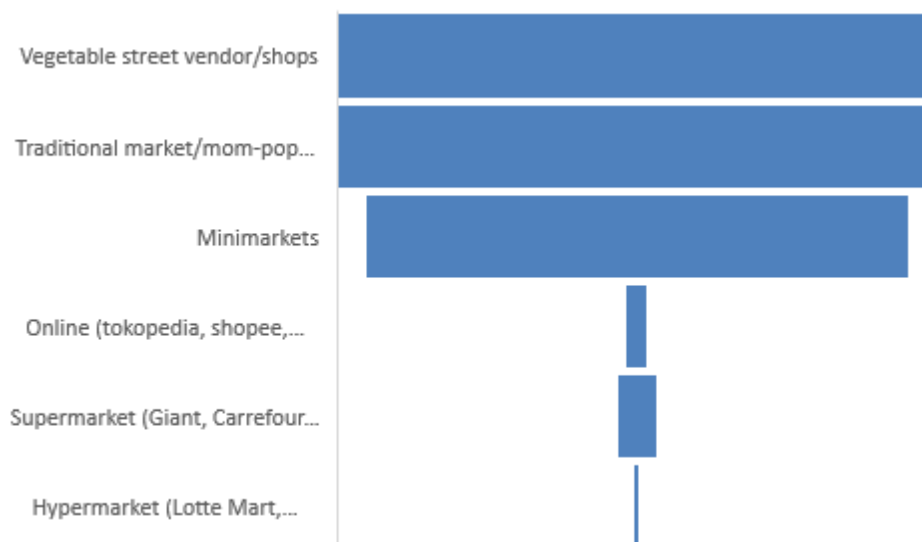
Exhibit 14. Changes in lifestyle during the pandemic



Source: Danareksa

GT still the preferable channel despite an increasing contribution from MT in recent years. In terms of shopping channels, mom and pop shops/traditional markets and minimarkets are the top 3 preferable channels for our respondents' daily groceries shopping. Only 3.6% use online shops.

Exhibit 15. Top 3 preferable retail channels for daily/monthly groceries' spending



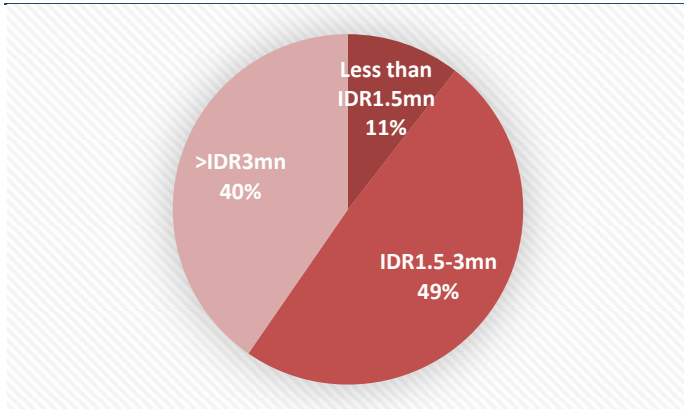
Source: Danareksa

Who will be the major beneficiaries?

Based on this survey we see further room for growth for personal hygiene, home cleaning, nutritional/vitamins/health-related products as well as products used in home cooking.

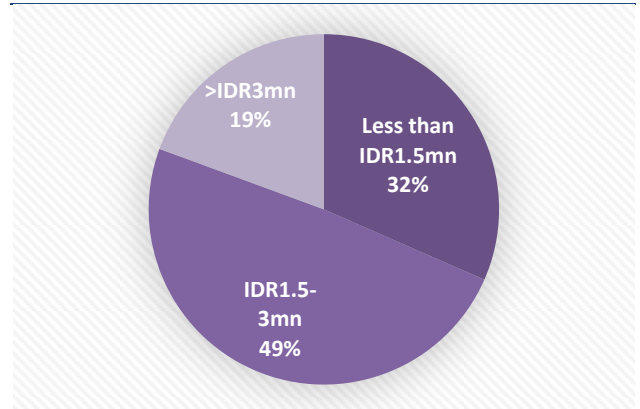
- Unilever Indonesia (UNVR IJ – BUY – TP IDR9,100).** Around 70% of its total revenues come from sales of Home and Personal Care products. With a vast portfolio of products and brands, we believe revenues and earnings should remain resilient, benefiting from the current trend of increasing health awareness. Furthermore, the company is also pushing its savory/seasoning products, banking on the continued home cooking trend.
- Kalbe Farma (KLBF IJ – BUY – TP IDR1,700).** Nutritional and Consumer Health (including OTC) provides around 43% of total revenues. With market coverage throughout Indonesia and product availability in more than 1mn outlets, we believe KLBF will remain the beneficiary of increasing awareness of healthy lifestyles and greater consumption of nutrition products/vitamins. Continued efficiencies in opex may also sustain earnings growth ahead.
- Indofood CBP (ICBP IJ – BUY – TP IDR11,600).** Amid soft purchasing power, demand for noodles should remain resilient. As such, we expect to see sustainable volume growth for noodles. Dairy and Food seasonings should also benefit from the increasing popularity of home cooking.

Exhibit 16 . Monthly household income of the respondents



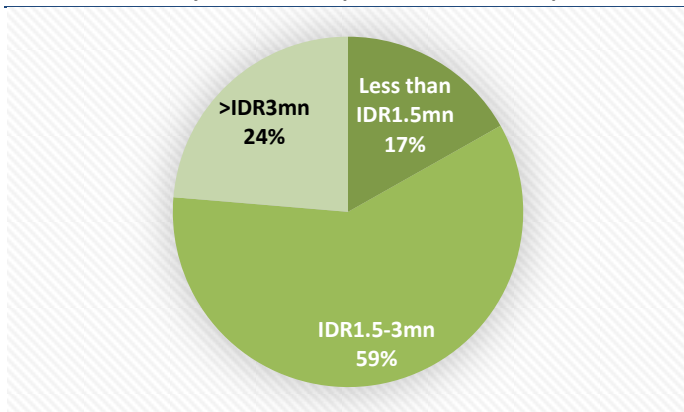
Source: Danareksa

Exhibit 17. Personal monthly income of the respondents



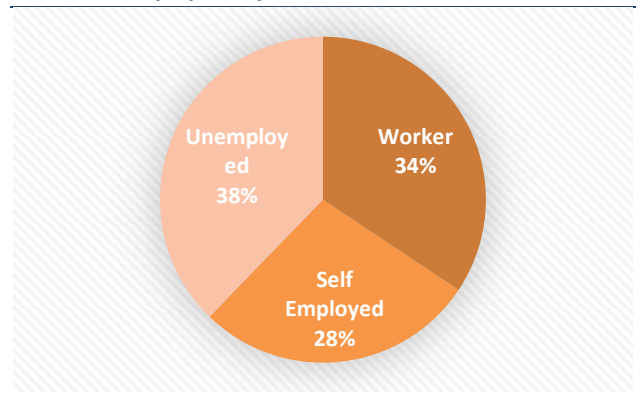
Source: Danareksa

Exhibit 18. Monthly household expenditures of the respondents



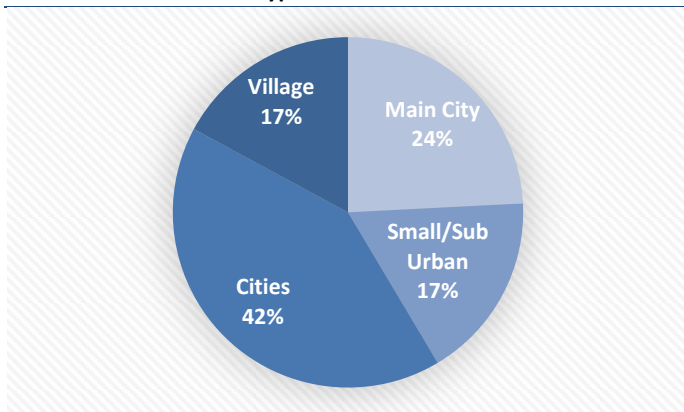
Source: Danareksa

Exhibit 19. Employment profile



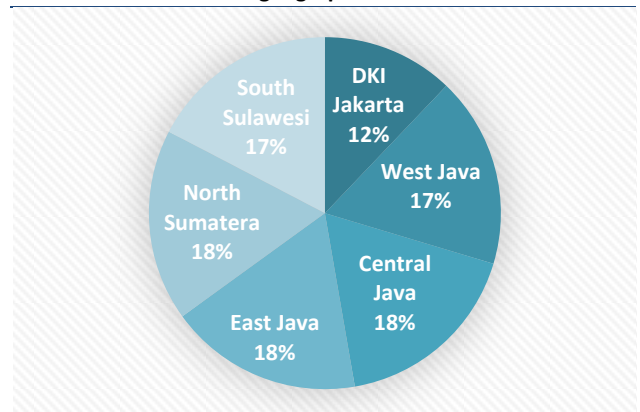
Source: Danareksa

Exhibit 20 . Based on the type of area



Source: Danareksa

Exhibit 21. Based on the geographical area



Source: Danareksa

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