

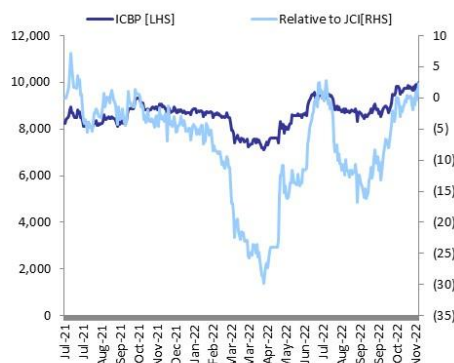
Tuesday, 29 November 2022

## Overweight Maintain

### MYOR relative to JCI Index



### ICBP relative to JCI Index



Source: Bloomberg



**Natalia Sutanto**

(62-21) 5091 4100 ext. 3508

natalia.sutanto@brids.co.id

## Consumer

### Expecting an elections boost

**In 2024 simultaneous elections will be held to determine the next president and members of the House of Representatives for the regions and cities across Indonesia. This should provide firm grounds for brisker economic growth and stronger purchasing power. Combined with lower input costs, consumer companies will be main beneficiaries. Maintain Overweight.**

**14 months toward the elections period: firm support for domestic recovery.** Indonesia will hold parliamentary and presidential elections on 14 February 2024. The official campaigning period will take place from 28 November 2023 to 10 February 2024. In the 2 years approaching the elections period, we note that consumer companies booked steady growth. In 2009, the revenues of consumer companies grew by 14.2% before the election. Then in 2014, consumer companies reported stronger growth of 16%. For the 2019 election, the growth of consumer companies before the election softened to 7.3%. Going into 2023, we believe consumer companies will continue to benefit from back-to-normal economic activities, solid economic growth and more money turnover ahead of the election period.

**Softer commodity prices benefiting consumer companies.** In October 2022, CPO and wheat prices softened from their peaks in April 2022. The crude oil price remains at around USD90-100/bbl. Consumer companies expect margins improvement to continue in 4Q22. For 2023, ASP adjustments in past years with the expectation of more stable commodity prices should translate into stronger earnings growth. We expect the sector to book 9.7% yoy top line growth (FY22F: 11.9% yoy) with FY23F bottom line growth of 14.1% yoy (FY22F: -4.1% yoy).

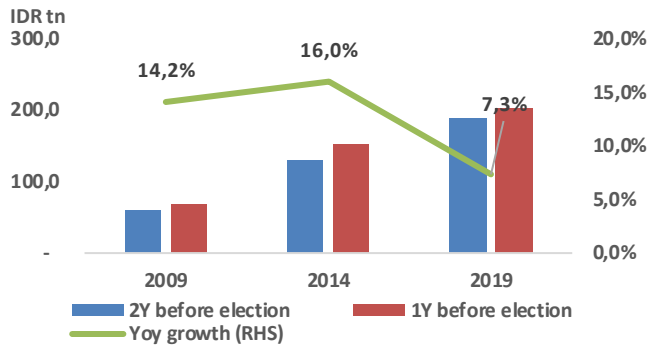
**Higher 2023 basic minimum wage growth of 10% in 2023 vs the past 5 years average of 6% yoy.** The government has decided to increase 2023 basic minimum wages by a maximum of 10% yoy. From 2017 to 2021, national wage increases ranged from 1% to 9%. The Ministry of Manpower stated that the calculation of the 2023 minimum wages uses a different formula than that contained in PP No 36/2021 which led to lower wage adjustments of just 2%. This bodes well for 2023 and is an additional catalyst for higher purchasing power ahead of the elections.

**Maintain Overweight.** The IDXNCYC Index outperformed the JCI by 2.3% by the end of November 2022 yet still underperformed the commodity and transportation logistics indices. For 2023, we foresee further upside for the consumer sector supported by stronger purchasing power and positive catalysts from the upcoming election. Below are our top picks:

- **MYOR – BUY – TP of IDR3,000:** For the past 3 elections, MYOR reported the strongest revenues growth a year before the election period compared to other companies in the consumer sector. For 2023, the management is optimistic of recording solid growth with higher margins given lower input costs.
- **ICBP – BUY – TP of IDR12,100:** ICBP is the market leader in noodles with a proven track report to sustain growth and profitability. For 2023, we estimate top and bottom-line growth of 10% yoy and 23% yoy. We see potential rerating to +1SD avg 5-y PE of 21x and upgrade our TP to IDR12,100.

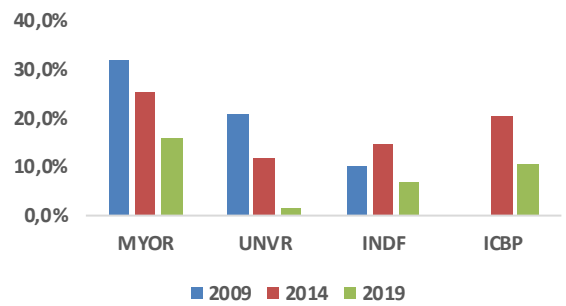
Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2022F	2023F	2022F	2023F	2023F
Unilever Indonesia	UNVR IJ	Hold	5,100	179,690	30.1	28.5	41.3	41.1	144.5
Indofood CBP	ICBP IJ	Buy	12,100	116,330	21.1	17.2	3.1	2.8	17.2
Indofood Sukses	INDF IJ	Buy	7,600	55,100	7.7	7.0	1.0	0.9	14.2
Mayora Indah	MYOR IJ	Buy	3,000	55,090	37.8	28.2	4.7	4.3	15.8

**Exhibit 1. Revenues growth of consumer companies – 1-2 years before the election**



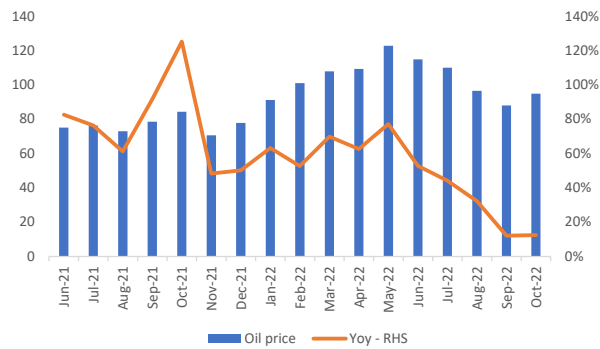
Source: Companies, BRIDS

**Exhibit 2. Revenues growth by company – 1-2 years before the election**



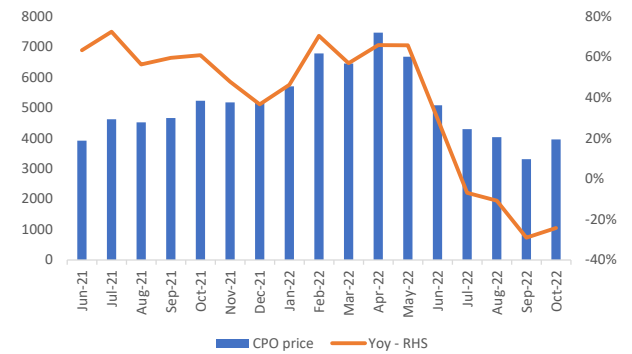
Source: : Companies, BRIDS

**Exhibit 3. Crude oil price**



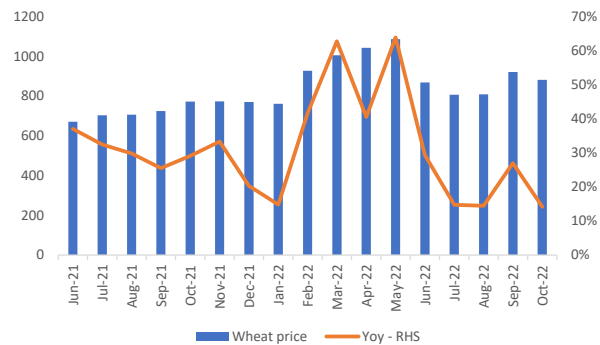
Source: Bloomberg

**Exhibit 4. Palm oil price**



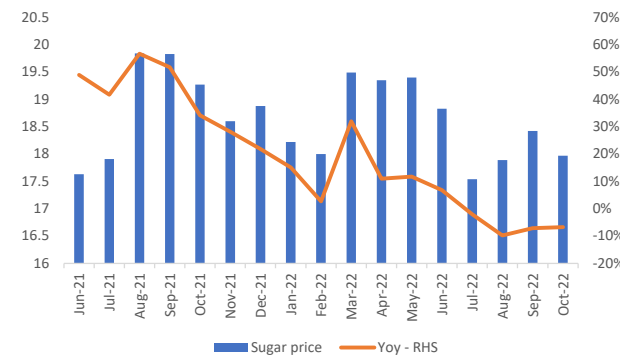
Source: : Bloomberg

**Exhibit 5. Wheat price**



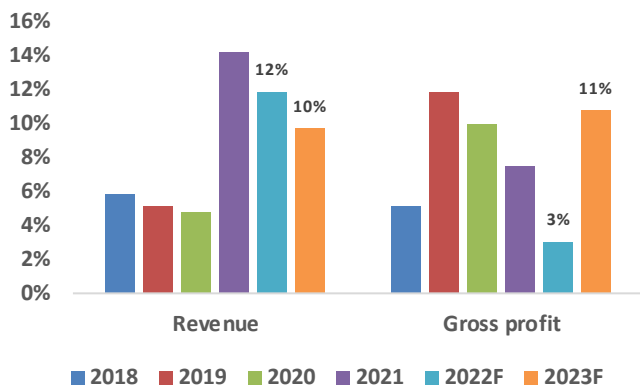
Source: Bloomberg

**Exhibit 6. Sugar price**



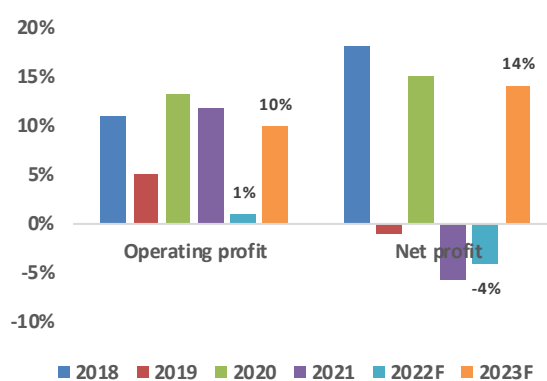
Source: Bloomberg

**Exhibit 7. Revenues and gross profits growth, 2018-23F**



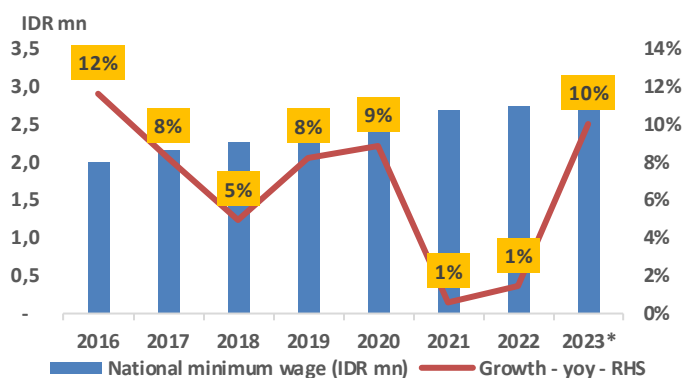
Source: BRIDS estimates

**Exhibit 8. Operating and net profits growth, 2018-23F**



Source: BRIDS estimates

**Exhibit 9. Support for purchasing power from higher minimum wage growth in 2023**



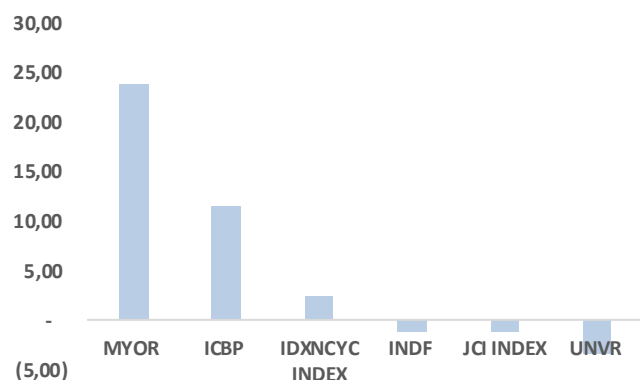
Source: BPS \*Upper growth range

**Exhibit 10. Positive correlation between the UMR growth and the sector's revenues growth**



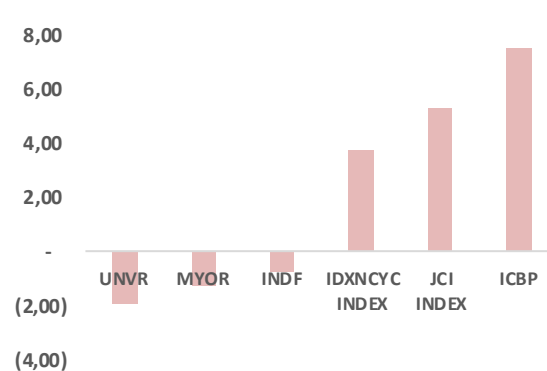
Source: BPS, BRIDS

**Exhibit 11. Share price performance – 3M**



Source: Bloomberg

**Exhibit 12. Share price performance – 12M**



Source: Bloomberg

**Exhibit 13. Company outlook 2023**

Ticker	Target Price	Rating	Summary
MYOR	2,400	Buy	<ul style="list-style-type: none"> <li>Strong sales are expected to continue in 4Q22. In October 2022, Mayora's sales to the domestic market (GT and MT) remained buoyant.</li> <li>MYOR is optimistic of seeing continued solid growth in 4Q22 with a higher gross margin supported by lower input costs &amp; ASP adjustments. We estimate FY22 top and bottom-line growth of 13.7% yoy and 24.5% yoy, respectively.</li> <li>Going into 2023, solid double-digit growth is expected to continue, benefiting from the election year euphoria and lower input costs. We estimate FY23 net profits growth of 34% yoy.</li> <li>Maintain BUY with a TP of IDR3,000 based on DCF valuation (WACC 9.4% and TG 4%) with an implied PE of 33.9x, slightly higher than the avg 5-y PE of 33.5x.</li> </ul>
ICBP	12,100	Buy	<ul style="list-style-type: none"> <li>The management of ICBP expects better performance in 2H22 given softer commodity prices and the impact of price adjustments done in 1H22 and early 3Q22.</li> <li>In our view, as ICBP offers affordable staple products and because it has already raised selling prices, the company is well placed to book steady sales and benefit from lower input costs.</li> <li>Maintain BUY with a higher TP of IDR12,100 as we believe the share price will re-rate to its +1SD avg 5-y PE of 21x.</li> </ul>
INDF	7,600	Buy	<ul style="list-style-type: none"> <li>Over the past 2 years, INDF has benefitted from higher CPO prices that supported decent margins in the agribusiness division.</li> <li>Going into 2023, we expect ICBP and Bogasari to be the next revenues drivers, benefiting from lower input costs and continued economic growth.</li> <li>Maintain BUY with a TP of IDR7,600 translating into an implied FY23F PE of 8.4x.</li> </ul>
UNVR	5,100	Hold	<ul style="list-style-type: none"> <li>UNVR stated that pressure on gross margins may continue in 4Q22 due to higher input costs and inflationary pressures that may lead the company to push for more sell-out going forward.</li> <li>Various initiatives will sustain top line growth (FY23F +6.6% yoy) which may trickle down to improved margins and translate to 5.6% earnings growth in 2023.</li> <li>Maintain HOLD with a TP of IDR5,100 based on DCF valuation with implied FY23 PE of 31x.</li> </ul>

Source: Company, BRIDS

**Exhibit 14. Financial ratios 2023F**

2023F	MYOR	ICBP	INDF	UNVR
<b>Growth (%)</b>				
Sales	15.6	10.2	8.9	5.5
EBITDA	27.1	14.3	6.5	2.3
Operating profit	36.4	12.8	6.6	2.6
Net profit	34.1	22.6	10.6	2.9
<b>Profitability (%)</b>				
Gross margin	23.9	33.0	30.4	47.5
EBITDA margin	10.9	15.9	18.0	20.1
Operating margin	8.3	17.8	14.9	18.4
Net margin	5.4	9.3	6.5	14.2
ROAA	8.4	5.9	4.2	32.8
ROAE	15.8	17.2	14.2	140.9
<b>Leverage</b>				
Net Gearing (x)	0.3	0.5	0.3	nc

Source: Company, BRIDS estimates

---

#### **DISCLAIMER**

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.