

Tuesday, 28 February 2023

Not rated

Sariguna Primatirta (CLEO IJ)

Higher growth ahead

Last price (IDR)

478

Stock Statistics

Sector	Consumer
Bloomberg Ticker	CLEO IJ
No of Shrs (mn)	12,000
Mkt. Cap (IDRbn/USDmn)	5,740/383
Avg. daily T/O (IDRbn/USDmn)	9.9/0.6
Major shareholders (%)	
PT Tancorp Global Abadi	55.8
PT Tancorp Global Sentosa	21.1
Public	22.8

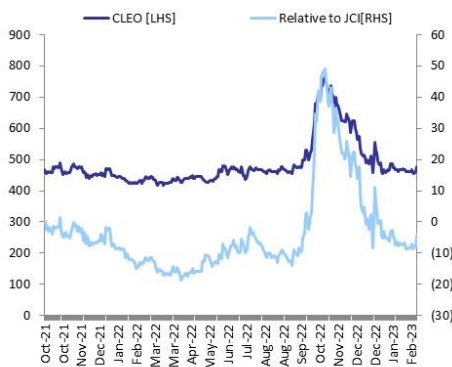
With more events expected ahead of the elections coupled with the end of the pandemic, the outlook for beverage products looks brighter. The company is optimistic of booking double digit earnings growth in FY22-23. Continued capacity growth will also pave the way for a larger distribution footprint, supporting volume growth going forward.

Expect FY22 earnings growth of 15-20% yoy. The management of CLEO is optimistic of achieving FY22 top line growth +30% yoy with lower growth at the bottom line ranging from 15-20%, given challenges in raw material prices leading to lower margins. In 2022, the company raised its product ASP 3 times as its raw material prices are linked to oil prices which increased. The company claims its packaged water has a 99.99% purity content in 100% BPA free packaging. In addition, it also undertakes ESG initiatives by using recyclable materials, recovers wastewater and uses solar panels at several factories. By the end of 2022, CLEO had already completed 3 new factories located in Balikpapan (East Kalimantan), Palangkaraya (Central Kalimantan) and Palembang (South Sumatera), bringing the total number of factories to 30 by the end of December 2022.

The elections & increasing mobility will lead to double-digit growth in 2023. CLEO is optimistic of recording higher volume growth in FY23 given more events expected ahead of the elections in addition to the people's increasing mobility. Historically, 2Q, the end of 3Q and December have been the peak seasons for the mineral water business. For 2023, the company foresees 30% yoy growth at the top line and the bottom line, supported by its expansion plans to add 3 new factories and 270 internal distribution channels via its sister company (Sentralsari Prima Sentosa – SPS). Traditional channels accounted for a sizeable 76% of total sales, followed by Modern Markets (14%) and Horeca/special outlets (10%). At present, CLEO has 5% market share in Indonesia's packaged water industry.

With 30% yoy earnings growth expected, CLEO is trading at FY23F PE of 21x. With growing capacity and the expectation of solid demand ahead, we see further room for growth for CLEO. At present, Java and Bali provide the major contribution to total revenues (88%). A bigger distribution footprint especially in Greater Jakarta and outer Java will support volume growth ahead. Among its products, we expect a more balanced contribution between bottled and non-bottled water (each 49% to total revenues), with more product usage/greater product recognition in Indonesia. If we assume FY22-23 earnings growth of 15% and 30% yoy, CLEO is trading at FY22-23F PE of 27.4x and 21x, respectively

CLEO relative to JCI Index



Source : Bloomberg

Key Financials

Year to 31 Dec	2019A	2020A	2021A	9M22
Revenue (IDRbn)	1,085	973	1,104	1,015
EBITDA (IDRbn)	263	295	352	303
EBITDA Growth (%)	56.2	11.9	19.3	14.9
Net profit (IDRbn)	131	133	181	151
EPS (IDR)	11	11	15	13
EPS growth (%)	83.3	0.0	36.4	10.5
BVPS (IDR)	64	75	84	95
DPS (IDR)	0	3	4	n/a
PER (x)	43.5	43.5	31.9	28.5*
PBV (x)	7.5	6.4	5.7	5.0
Dividend yield (%)	0.0	0.5	0.7	n/a
EV/EBITDA (x)	24.0	21.1	16.4	n/a

Source : CLEO *Annualized

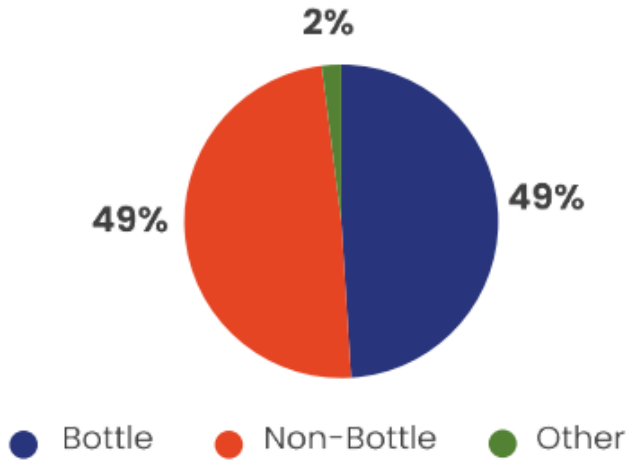


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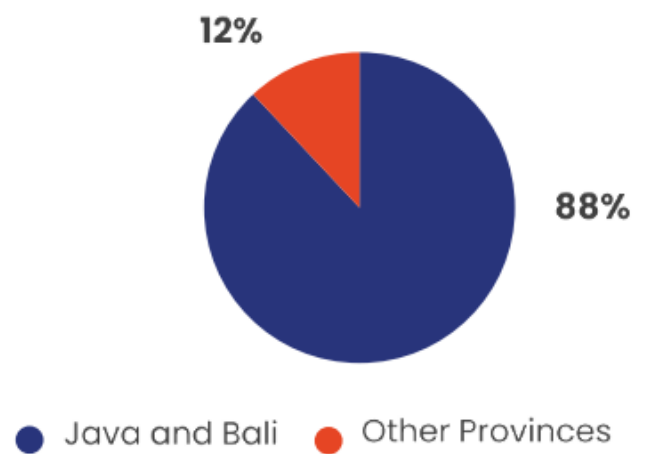
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Exhibit 1. Sales contribution - by product



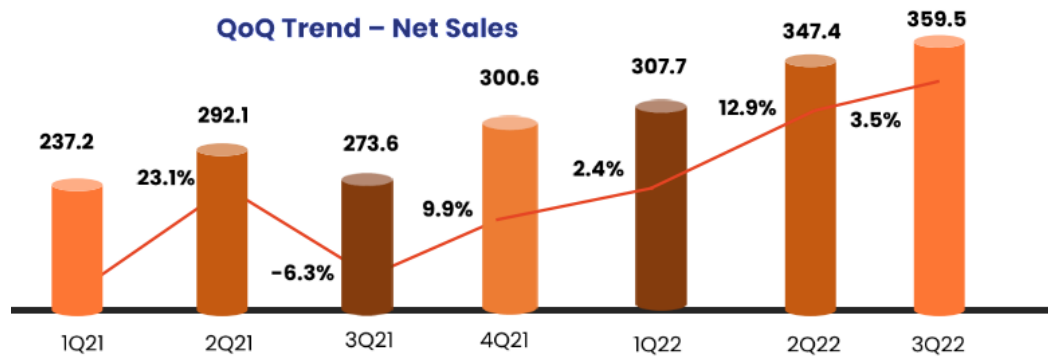
Source: Company

Exhibit 2. Sales contribution – by geographical



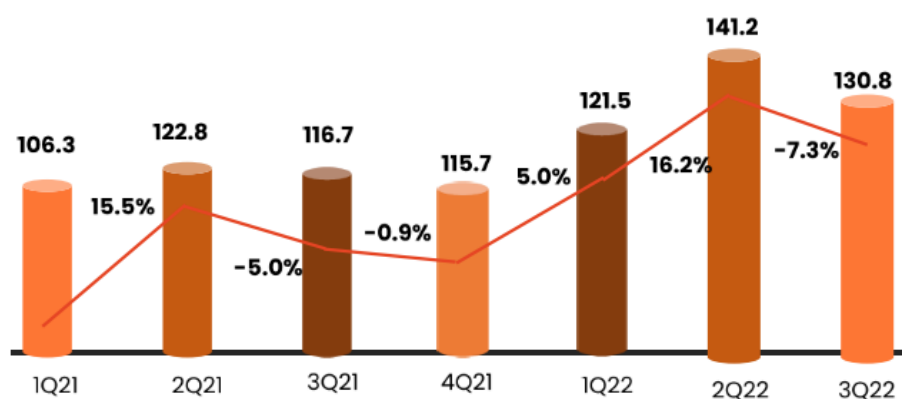
Source: Company

Exhibit 3. Quarterly trend – Net Sales (IDR bn)



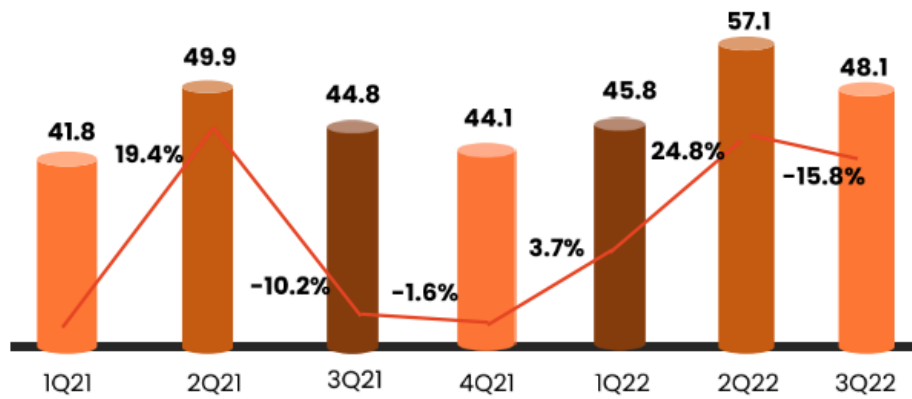
Source: Company

Exhibit 4. Quarterly trend – Gross Profit (IDR bn)



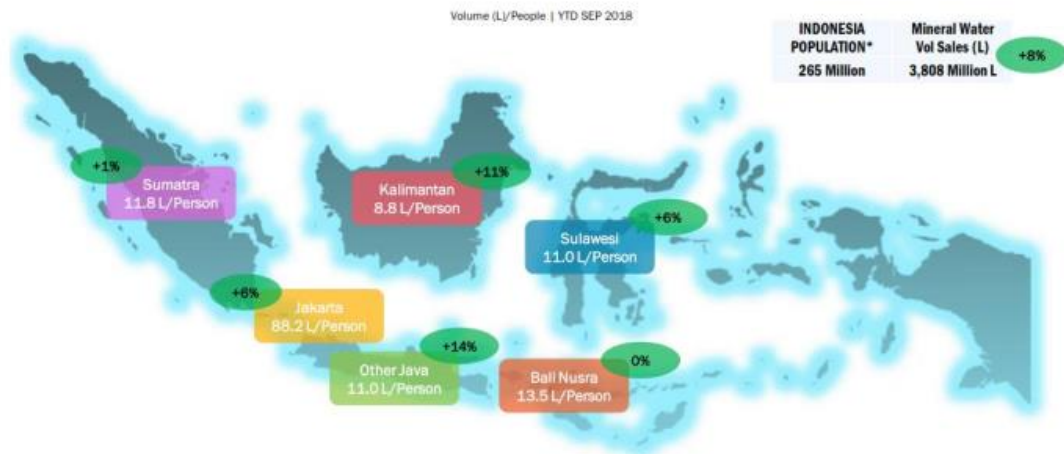
Source: Company

Exhibit 5. Quarterly trend – Net Profit (IDR bn)



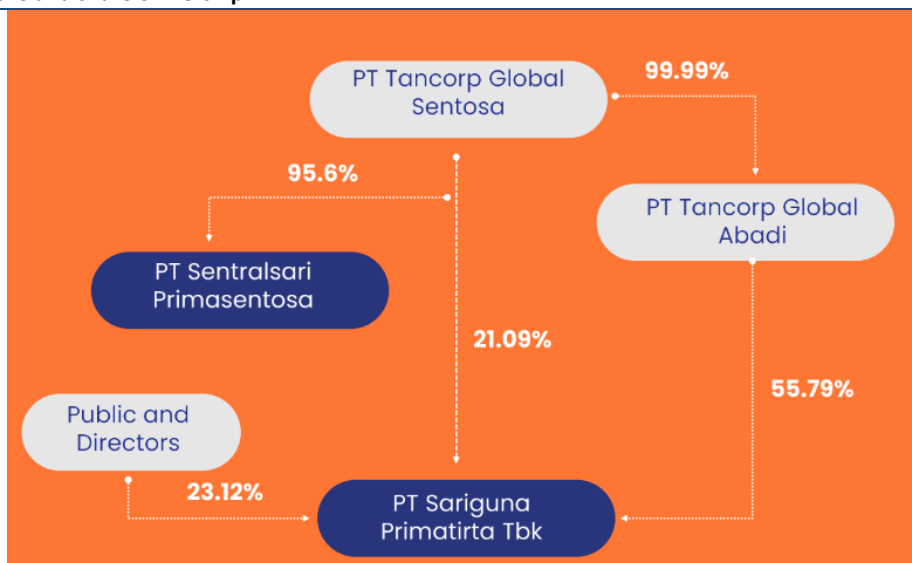
Source: Company

Exhibit 6. Indonesia Bottled-water market



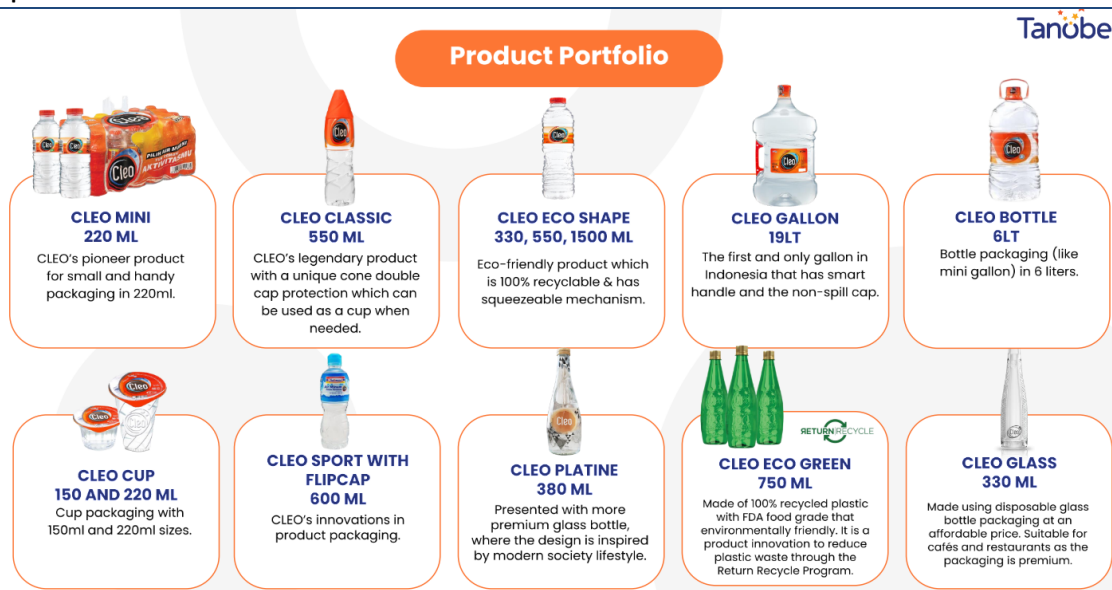
Source: Company, Nielsen

Exhibit 7. Company structure and share ownership



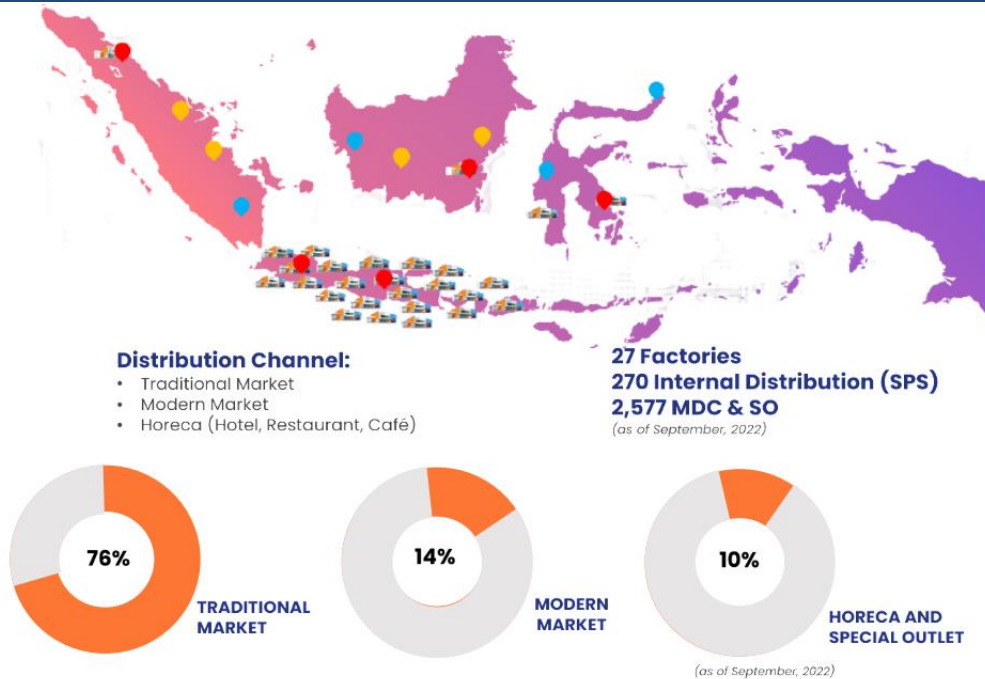
Source: Company

Exhibit 8. Product portfolio



Source: Company

Exhibit 9. Factories and distribution networks



Source: Company

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021A	9M22
Revenue	1,085	973	1,104	1,015
COGS	(692)	(562)	(642)	(621)
Gross profit	393	410	461	393
EBITDA	263	295	352	303
Oper. profit	206	213	262	226
Interest income	0	0	0	0
Interest expense	(15)	(25)	(13)	(6)
Forex Gain/(Loss)	(2)	1	0	1
Income From Assoc. Co's	0	0	0	0
Other Income (Expenses)	(17)	(20)	(18)	(28)
Pre-tax profit	173	169	230	193
Income tax	(42)	(36)	(50)	(42)
Minority interest	0	0	0	0
Net profit	131	133	181	151
Core Net Profit	141	147	198	173

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021A	9M22
Cash & cash equivalent	7	23	5	3
Receivables	123	119	126	175
Inventory	100	102	122	164
Other Curr. Asset	11	10	28	44
Fixed assets - Net	927	996	1,029	1,140
Other non-curr.asset	77	61	39	121
Total asset	1,245	1,311	1,348	1,646
ST Debt	68	51	70	90
Payables	132	92	108	126
Other Curr. Liabilities	3	3	3	2
Long Term Debt	209	197	91	211
Other LT. Liabilities	67	73	74	76
Total Liabilities	479	416	347	506
Shareholder's Funds	766	895	1,002	1,141
Minority interests	0.00	0.00	0.00	0.00
Total Equity & Liabilities	1,245	1,311	1,348	1,646

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021A	9M22
Net income	131	133	181	151
Depreciation and Amort.	57	82	90	76
Non-cash Items	22	13	34	(34)
Operating Cash Flow	210	227	305	193
Capex	(382)	(154)	(140)	(320)
Others Inv. Cash Flow	(63)	(17)	(17)	0
Investing Cash Flow	(434)	(171)	(157)	(320)
Net change in debt	230	(34)	(87)	139
New Capital	0	0	0	0
Dividend payment	0	0	0	(12)
Other Fin. Cash Flow	(1)	(6)	(79)	(2)
Financing Cash Flow	229	(39)	(166)	125
Net Change in Cash	5	16	(18)	(2)
Cash - begin of the year	2	7	23	5
Cash - end of the year	7	23	5	3

Exhibit 13. Key Ratios

Year to 31 Dec	2019A	2020A	2021A	9M22
Growth (%)				
Sales	30.5	(10.3)	13.5	26.4
EBITDA	56.2	11.9	19.3	14.9
Operating profit	90.5	3.5	22.8	15.5
Net profit	106.7	1.5	36.1	10.5
Profitability (%)				
Gross margin	36.2	42.2	41.8	38.8
EBITDA margin	24.3	30.3	31.9	29.8
Operating margin	19.0	21.9	23.7	22.3
Net margin	12.1	13.7	16.4	14.9
ROAA	12.6	10.4	13.6	9.2
ROAE	18.7	16.0	19.1	13.2
Leverage				
Net Gearing (x)	0.4	0.3	0.2	0.3
Interest Coverage (x)	14.1	8.5	19.6	36.6

Source : CLEO