

# Mayora Indah Tbk (MYOR)

## Weakening Earnings

Although MYOR successfully posted strong revenue growth in 1Q21, higher raw material cost caused earnings to contract. As a result, MYOR also booked margin depreciation all across the board. However, we still expect better earnings in the upcoming quarter supported by solid growth of domestic and export sales along with growing demand due to Ramadhan season.

### MYOR posted strong 1Q21 revenue

- MYOR posted strong revenue of IDR7.3tn (+36.4% YoY, 6.4% QoQ). This was mainly helped by significant growth of beverage processing segment after booking a negative growth in 1Q20.
- COGS in 1Q21 surged by 38.6% YoY to IDR5.1tn, due to the rising trend of MYOR's main raw materials such as CPO, coffee, and sugar as we had anticipated.
- SG&A expenses reached IDR1.2tn in 1Q21, up 8.8% QoQ and 27% YoY, driven primarily by higher Advertising & Promotion (A&P) expenses. Although we also noticed the proportion of A&P was 11% of net sales for 1Q21, relatively flat versus prior year.
- Despite strong revenue performance and foreign exchange gains of IDR156bn, MYOR still reported lower net profit of IDR823bn (-11.7% YoY, +63.3% QoQ).
- On margins side, GPM was down 120bps to 29.6% YoY, following NPM's decline to 11.2% YoY (vs. 1Q20: 17.3%). Meanwhile, operating margin was flat at 13.6% YoY.

### Expect better earnings in upcoming quarter

- We expect MYOR to deliver better earnings in 2Q21 driven by growing number of biscuits and beverages demand notably during Ramadhan season.
- To capture the growing demand, MYOR has launched several festive products such as biscuit *Roma Kelapa Cream Cokelat*, *Roma Sandwich*, *Kopi Gilus Mix varian rasa nangka*, and *Tora Flavacio Orange rasa Jeruk segar*.
- Furthermore, we also expect MYOR to gear up their average A&P spending to secure their position in the market amid gradual recovery purchasing power. We project A&P to sales ratio to grow by more than 20% (vs. 2Q20: 16%).
- We finally saw MYOR posting a strong export sales growth of +83.3% YoY, after 4 consecutive quarters of negative growth. Going forward, we might see bigger growth potential for MYOR in the export market.

### Recommendation: Retain Overweight, TP of IDR2,700

- On the back of better than expected result, we raise our revenue estimate to 11.3% / 4.4% for FY21F/22F. That said, we reiterate our Overweight on MYOR with TP of 2,700 (based on target P/E of 14x).
- We remain relatively optimistic on the back of improving domestic and export sales, while also being cautious about intense competition and high raw material cost which might hamper margin improvement.
- We are also concerned that the company will not be able to fully pass on the cost through ASP in the near future, in order to protect its market position considering lackluster consumer spending.
- Downsides to our call are: 1) lower-than expected quarterly sales, 2) intensifying competition, 3) uptrend material cost.

### Mayora Indah Tbk | Summary (IDR bn)

	2020	2021E	2022F	2023F
Sales	24,477	27,236	28,426	29,886
Growth	-2.2%	11.3%	4.4%	5.1%
Net Profit	2,061	2,565	2,865	3,372
Growth	3.7%	24.5%	11.7%	17.7%
EPS (IDR)	138	172	192	227
P/E	14.8x	15.7x	14.0x	11.9x
P/BV	2.7x	3.1x	2.6x	2.3x
EV/EBITDA	8.7x	9.7x	8.6x	7.3x
ROE	18.3%	19.5%	18.9%	19.2%
DER	24.6%	19.8%	16.6%	13.4%
Dividend Yield	2.2%	1.7%	2.1%	2.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## Overweight

<b>Target Price (IDR)</b>	<b>2,700</b>
Consensus Price (IDR)	2,996
TP to Consensus Price	-9.9%
vs. Last Price	7.6%

### Shares data

Last Price (IDR)	2,510
Price date as of	21-May-21
52 wk range (Hi/Low)	2910 / 2090
Free float (%)	42.6
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	68,203
Market Cap (USD mn)	4,740
Avg. Trd Vol - 3M (mn)	33.67
Avg. Trd Val - 3M (bn)	51.70
Foreign Ownership	3.9%

### Consumer Non-Cyclicals

#### Food & Beverage

Bloomberg	MYOR.IJ
Reuters	MYOR.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-12.8%	-1.2%	-6.0%	17.3%
Rel. Ret.	-6.9%	3.2%	-2.6%	-9.7%

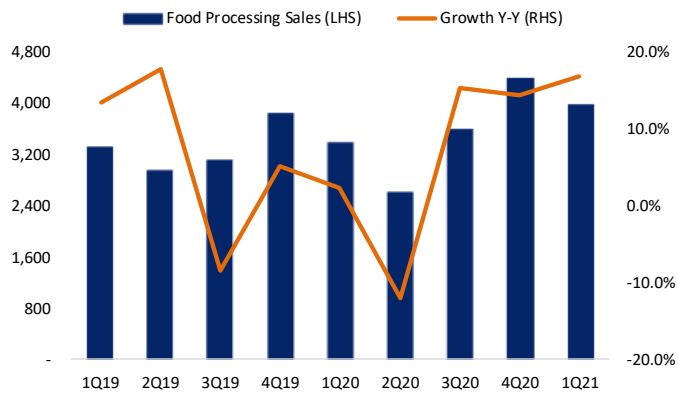
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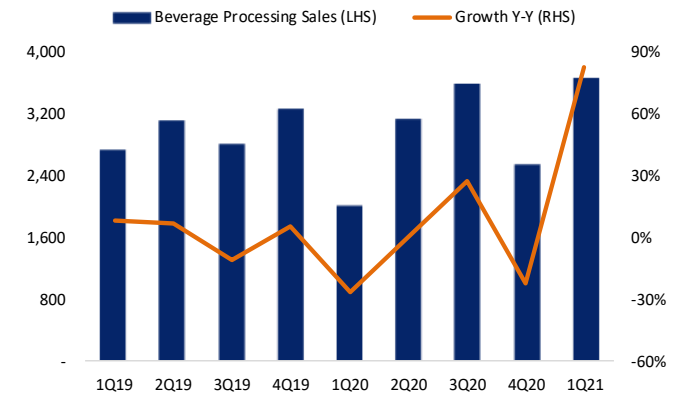
## Performance Highlights

Food Processing Quarterly Sales (IDR Bn) | 1Q19 - 1Q21



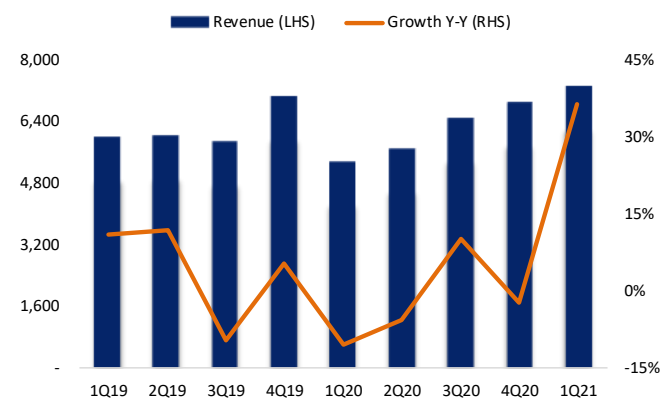
Source: Company, NHKSI Research

Beverage Processing Quarterly Sales (IDR Bn) | 1Q19 - 1Q21



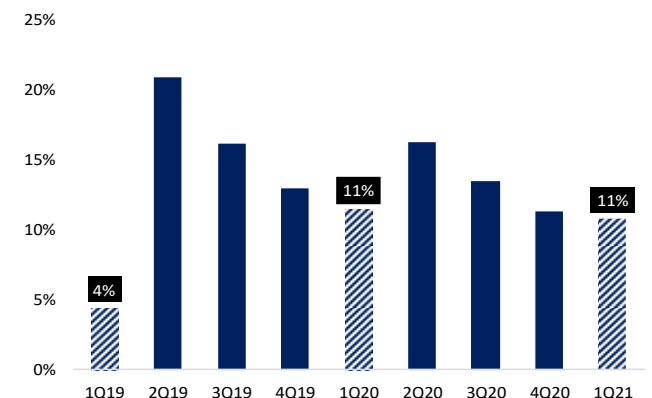
Source: Company, NHKSI Research

Revenue (IDR Bn) | 1Q19 - 1Q21



Source: Company, NHKSI Research

A&P to Sales | 1Q19 - 1Q21



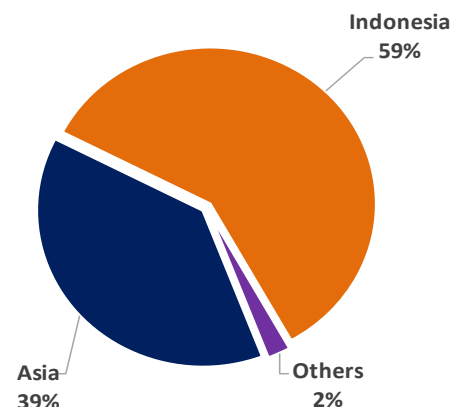
Source: Company, NHKSI Research

Revenue Breakdown | 1Q21



Source: Company, NHKSI Research

Geographic Revenue Breakdown (%) | 1Q21



Source: Bloomberg, NHKSI Research

## Company Overview



PT. Mayora Indah Tbk was established in 1977 with its first factory located in Tangerang with the target market in Jakarta and the surrounding areas. After successfully serving the Indonesian market, the Company conducted an Initial Public Offering and was listed as a public company in 1990 to target a wider market: the ASEAN consumers. The Company further expanded its market share to other Asian countries.

As a Fast-Moving Consumer Goods Company, PT. Mayora Indah Tbk has proven to be a manufacturer of high-quality food and beverage products. Mayora diverse products can be divided into 8 categories: biscuit, candy, wafer, chocolate, coffee, instant food, beverage and cereal. Among our well-known brands are Kopiko, Danisa, Roma, Energen, Torabika, Beng Beng and many more.

### Consumer Companies Peers Analysis

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>									
Mayora Indah	3,869	1,420	1,817	134	-20.79%	7.4%	17.4%	28.5x	4.7x
Unilever Indonesia	14,649	1,475	2,894	481	-6.77%	16.6%	101.6%	30.0x	32.1x
Indofood Sukses Makmur	3,890	11,715	5,617	444	31.53%	7.9%	16.1%	8.7x	1.3x
Indofood CBP Sukses Makmur	6,767	7,439	3,205	453	30.72%	14.1%	24.1%	14.8x	3.3x
<b>India</b>									
Hindustan Unilever Ltd	75,767	9,398	6,336	1,077	18.48%	17.0%	28.6%	69.3x	11.6x
Godrej Consumer Products	11,480	1,952	1,473	232	14.98%	15.7%	19.9%	48.8x	8.9x
Marico Ltd	8,357	753	1,084	158	14.79%	14.6%	37.4%	52.2x	18.9x
Proctor & Gamble Hygiene	5,952	242	414	60	3.33%	14.4%	41.9%	100.6x	37.6x
Colgate Palmolive (India)	5,969	396	648	139	26.81%	21.5%	75.0%	42.2x	37.5x
Emami Ltd	3,087	355	369	43	-0.10%	11.6%	15.5%	76.2x	12.7x
Gillette India Ltd	2,465	179	232	32	-8.99%	13.7%	27.2%	78.4x	19.8x
Jyothy Labs Ltd	725	267	257	27	17.08%	10.4%	15.0%	26.6x	3.7x
Eveready Industries India	281	167	170	25	272.79%	14.8%	38.3%	11.5x	3.7x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

## Valuation Highlight in Charts

Forward P/E band | Last 3 years



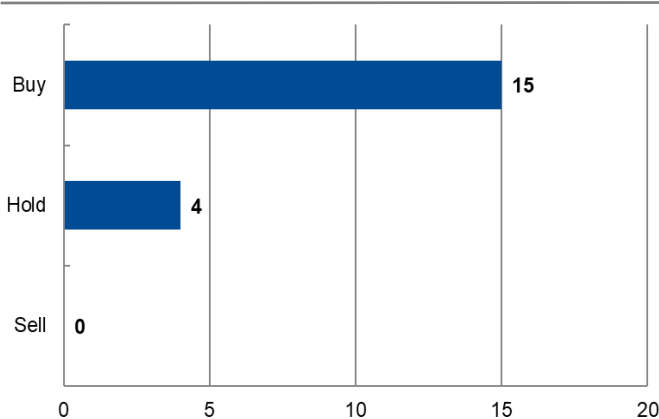
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



Source: NHKSI research

Recommendations by Analysts



Source: Bloomberg, NHKSI research

Closing and Target Price Update



Source: Bloomberg, NHKSI research

## Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
23/11/2020	Overweight	2,700	2,410	2,811	+12.0%	-3.9%

Source: NHKSI research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
<b>Net Sales</b>	<b>24,477</b>	<b>27,236</b>	<b>28,426</b>	<b>29,886</b>
Growth	-2.2%	11.3%	4.4%	5.1%
COGS	(17,178)	(18,976)	(19,487)	(20,174)
<b>Gross Profit</b>	<b>7,299</b>	<b>8,260</b>	<b>8,938</b>	<b>9,712</b>
Gross Margin	29.8%	30.3%	31.4%	32.5%
Operating Expenses	(4,458)	(4,766)	(5,117)	(5,380)
<b>EBIT</b>	<b>2,841</b>	<b>3,494</b>	<b>3,822</b>	<b>4,333</b>
EBIT Margin	11.6%	12.8%	13.4%	14.5%
Depreciation	805	646	707	810
<b>EBITDA</b>	<b>3,646</b>	<b>4,140</b>	<b>4,529</b>	<b>5,142</b>
EBITDA Margin	14.9%	15.2%	15.9%	17.2%
Interest Expenses	(354)	(339)	(275)	(256)
<b>EBT</b>	<b>2,684</b>	<b>3,466</b>	<b>3,872</b>	<b>4,418</b>
Income Tax	(661)	(947)	(1,058)	(1,105)
Minority Interest	38	46	51	58
<b>Net Profit</b>	<b>2,061</b>	<b>2,565</b>	<b>2,865</b>	<b>3,372</b>
Growth	3.7%	24.5%	11.7%	17.7%
Net Profit Margin	8.4%	9.4%	10.1%	11.3%

### BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	3,778	4,591	5,389	6,158
Receivables	5,464	5,430	5,296	5,486
Inventories	2,805	2,602	2,669	2,874
<b>Total Current Assets</b>	<b>12,839</b>	<b>13,489</b>	<b>14,184</b>	<b>15,366</b>
Net Fixed Assets	6,272	6,567	6,969	7,354
Other Non Current Assets	667	1,187	1,707	2,227
<b>Total Non Current Assets</b>	<b>6,939</b>	<b>7,754</b>	<b>8,675</b>	<b>9,581</b>
<b>Total Assets</b>	<b>19,778</b>	<b>21,243</b>	<b>22,859</b>	<b>24,947</b>
Payables	1,592	1,736	1,709	1,769
ST Bank Loan	1,010	805	757	653
<b>Total Current Liabilities</b>	<b>3,475</b>	<b>3,497</b>	<b>3,464</b>	<b>3,471</b>
LT Debt	3,850	3,407	3,038	2,692
<b>Total Liabilities</b>	<b>8,506</b>	<b>8,080</b>	<b>7,678</b>	<b>7,340</b>
Capital Stock & APIC	448	448	448	448
Retained Earnings	10,571	12,436	14,455	16,881
<b>Shareholders' Equity</b>	<b>11,271</b>	<b>13,163</b>	<b>15,182</b>	<b>17,608</b>

### CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	3,767	3,600	3,691	3,879
Investing Cash Flow	(1,162)	(1,462)	(1,628)	(1,715)
Financing Cash Flow	(1,866)	(1,323)	(1,263)	(1,395)
<b>Net Changes in Cash</b>	<b>796</b>	<b>816</b>	<b>799</b>	<b>769</b>

Source: NHKSI research, Bloomberg

### PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	18.3%	19.5%	18.9%	19.2%
ROA	10.4%	12.1%	12.5%	13.5%
Inventory Turnover	6.1x	7.0x	7.3x	7.0x
Receivable Turnover	4.3x	5.0x	5.4x	5.4x
Payables Turnover	11.8x	11.4x	11.4x	11.4x
Dividend Yield	1.5%	1.2%	1.4%	1.6%
Payout Ratio	33.7%	34.0%	33.0%	33.0%
DER	0.4x	0.3x	0.3x	0.2x
Net Gearing	0.4x	0.3x	0.3x	0.2x
Equity Ratio	57.0%	62.0%	66.4%	70.6%
Debt Ratio	24.6%	19.8%	16.6%	13.4%
Financial Leverage	91.4%	92.0%	93.3%	94.1%
Current Ratio	3.7x	3.9x	4.1x	4.4x
Quick Ratio	2.9x	3.1x	3.3x	3.6x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	22,358	22,358	22,358	22,358
Share Price (IDR)	2,050	2,700	2,700	2,700
Market Cap (IDR tn)	45.8	60.4	60.4	60.4

### VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	22.2x	23.5x	21.1x	17.9x
Price /Book Value	4.1x	4.6x	4.0x	3.4x
PE/EPS Growth	6.1x	1.0x	1.8x	1.0x
EV/EBITDA	12.9x	14.6x	13.0x	11.2x
EV/EBIT	16.6x	17.2x	15.5x	13.3x
EV (IDR bn)	47,170	60,267	59,052	57,833
Sales CAGR (3-Yr)	5.5%	4.2%	4.3%	6.9%
Net Income CAGR (3-Yr)	8.9%	14.3%	13.0%	17.8%
Basic EPS (IDR)	92	115	128	151
BVPS (IDR)	504	589	679	788
DPS (IDR)	30	31	38	42

### OWNERSHIP

<b>Shareholders</b>	%
Unita Branindo	32.9
Mayora Dhana Utama	26.1
Jogi Hendra Atmadja	25.2
Schroder Investment	2.9
<b>By Geography</b>	%
Unknown	92.8
Indonesia	3.3
Norway	1.2
United States	1.1

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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