

Mayora Indah Tbk (MYOR)

Decent Performance Despite Lower Margin

MYOR's 2Q21 results were decent amid unfavorable conditions. However, we are concerned with MYOR's performance in the upcoming quarter due to commodity prices and export sales growth. Thus, we expect MYOR to increase its ASP and maintain operating efficiencies going forward.

Decent 2Q21 performance albeit lower margins

- MYOR recorded net sales of IDR5.8tn, up by only 2.0% YoY in 2Q21. Cumulatively, top line managed to achieve 1H21 net sales of IDR13.1tn (+18.7% YoY), forming 49% and 48% of ours and consensus' estimates respectively.
- In our view, MYOR was strong enough to withstand pressure amid lackluster purchasing power and tight competition as the company booked a decent performance during the quarter.
- In 2Q21, COGS increased by 10.5% to IDR4.4bn, which was expected due to the rising commodity prices and packaging material.
- The current situation negatively impacted MYOR as their margin is highly correlated to raw material cost. Thus, gross margin declined by -580bps to 24.4% (vs. 2Q20: 30.2%)
- Advertising and promotion expenses, the major component of MYOR's opex declined to IDR782bn from IDR929bn in 2Q20, representing 13.4% of sales in 2Q21 (vs. 2Q20: 16.3%) as the company was more selective in A&P activities.
- At the operating level, MYOR booked profit of IDR250bn (-48.7% YoY), which resulted in EBIT margin declining to 4.3% (vs. 2Q20: 8.5%)
- The company also reported net profit of IDR108bn in 2Q21 and IDR930bn (-0.8% YoY) cumulatively in 1H21. This growth is mainly on the back of operating efficiencies and lower interest expenses.

Exceptional sales growth in food processing segment

- In detail, food processing segment (c.52.8% to total sales) contributed the highest growth at 22.4% YoY, coming from seasonality sales and low base effect.
- Meanwhile, beverage processing segment slowed down (-8.4% YoY, -22.0% QoQ) contributing 47.2% to total sales (vs. 2Q20: 54.5%)
- Going into 2H21, we are cautious about lower margin and soft demand since the 2nd wave of Covid-19 in Asia will hamper sales growth.
- As such, we expect an ASP increase to maintain its profitability. We also believe the company can increase its market share with its extensive brand portfolio amid tight competition.
- Despite continuous improvement in export sales, we see that the excitement is coming to end due to the sign of 2nd wave Covid-19 in SEA. Thus, its export sales was down by -5.5% YoY in 2Q21.

Valuation

- At this stage, we maintain our sales forecast but cut earnings forecast by 18%/6% for FY21F/22F, taking into account lower gross margin and disruption in export sales growth.
- Although the stock underperforms (YTD: -22.6%), we continue to believe its newly launched product should drive better sales growth in 2021F onwards. As a result, we change our recommendation to BUY and maintain our TP of IDR2,700 (based on target P/E of 25.1x).

Mayora Indah Tbk | Summary (IDR bn)

	2020	2021F	2022F	2023F
Sales	24,477	26,925	28,612	30,624
Growth	-2.2%	10.0%	6.3%	7.0%
Net Profit	2,061	2,099	2,410	2,658
Growth	3.7%	1.9%	14.8%	10.3%
EPS (IDR)	92	94	108	119
P/E	29.4x	28.8x	25.0x	22.7x
P/BV	5.4x	4.9x	4.5x	4.1x
EV/EBITDA	17.0x	15.6x	14.7x	13.3x
ROE	18.3%	17.1%	17.8%	17.9%
DER	0.4x	0.3x	0.3x	0.2x
Dividend Yield	1.1%	1.9%	1.9%	2.2%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	2,700
Consensus Price (IDR)	2,931
TP to Consensus Price	-7.9%
Potential Upside	21.1%

Shares data

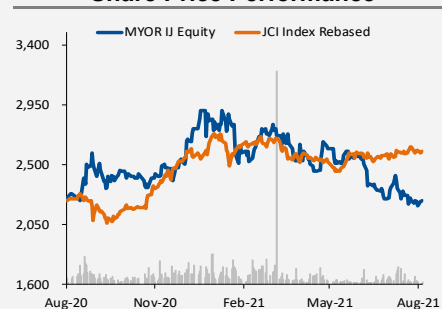
Last Price (IDR)	2,230
Price date as of	18-Aug-21
52 wk range (Hi/Lo)	2910/2190
Free float (%)	15.7
Outstanding sh.(mn)	22,359
Market Cap (IDR bn)	49,189
Market Cap (USD mn)	3,414
Avg. Trd Vol - 3M (mn)	2.25
Avg. Trd Val - 3M (bn)	5.25
Foreign Ownership	3.9%

Consumer Non-Cyclicals

Food & Beverage

Bloomberg	MYOR.IJ
Reuters	MYOR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-22.6%	-5.5%	-11.9%	-0.9%
Rel. Ret.	-22.8%	-6.7%	-16.7%	-16.4%

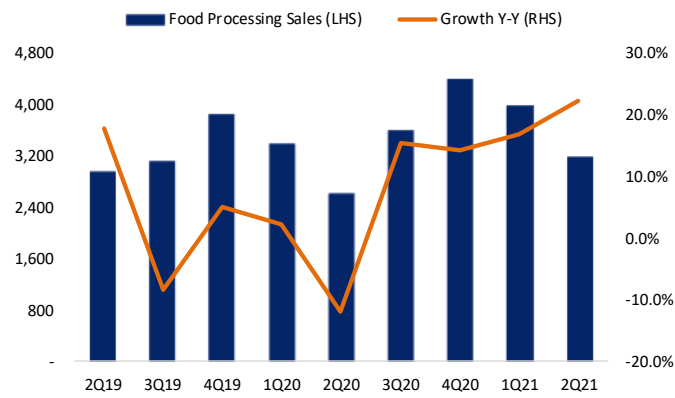
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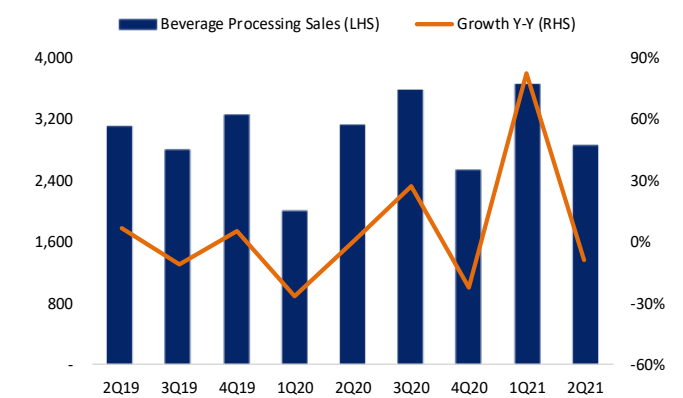
Performance Highlights

Food Processing Quarterly Sales (IDR Bn) | 2Q19 - 2Q21



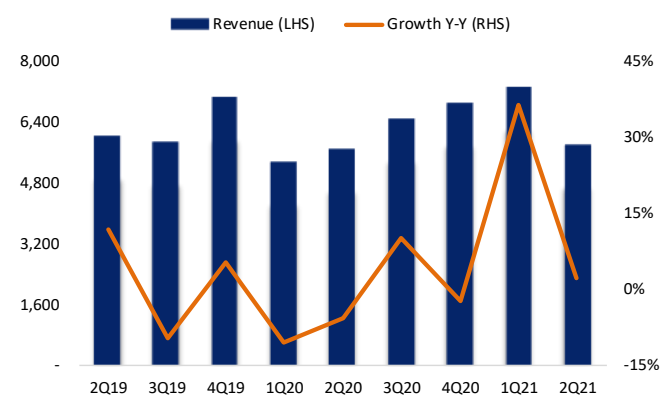
Source: Company, NHKSI Research

Beverage Processing Quarterly Sales (IDR Bn) | 2Q19 - 2Q21



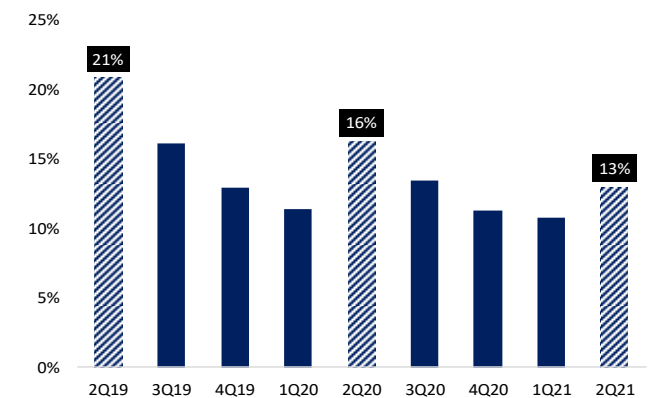
Source: Company, NHKSI Research

Revenue (IDR Bn) | 2Q19 - 2Q21



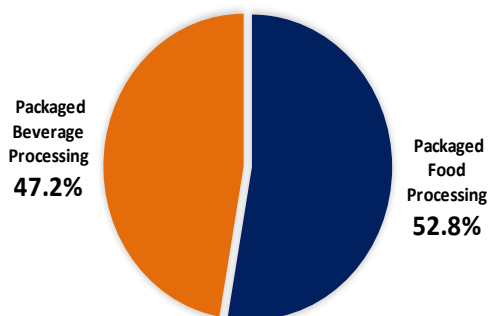
Source: Company, NHKSI Research

A&P to Sales | 2Q19 - 2Q21



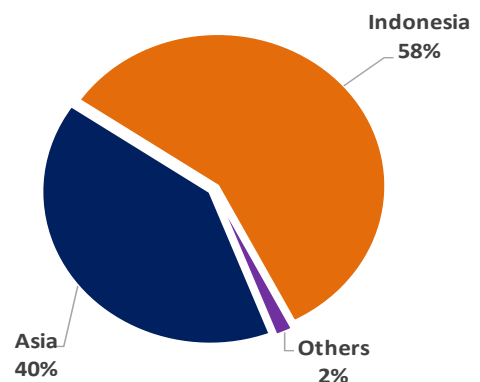
Source: Company, NHKSI Research

Revenue Breakdown | 2Q21



Source: Company, NHKSI Research

Geographic Revenue Breakdown (%) | 2Q21



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

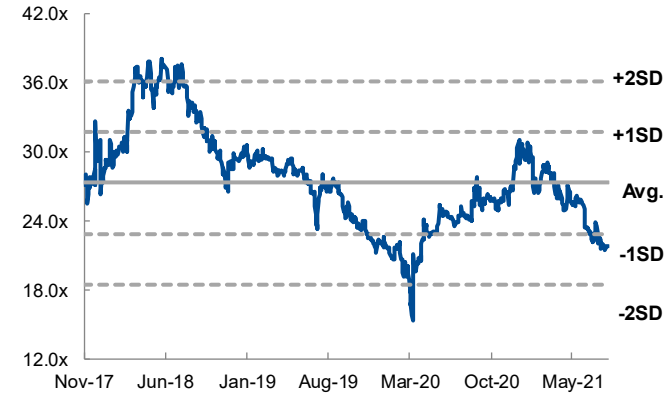
Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
Mayora Indah	3,414	1,420	1,842	142	-3.64%	7.7%	18.2%	23.9x	4.1x
Unilever Indonesia	10,962	1,475	2,871	457	-9.92%	15.9%	102.8%	23.9x	39.3x
Indofood Sukses Makmur	3,824	11,715	5,980	466	36.64%	7.8%	16.1%	8.1x	1.2x
Indofood CBP Sukses Makmur	6,718	7,439	3,419	436	11.56%	12.8%	21.6%	15.3x	3.1x
India									
Hindustan Unilever Ltd	78,619	9,398	6,241	1,077	18.48%	17.3%	28.6%	73.1x	12.3x
Godrej Consumer Products	13,834	1,952	1,486	232	14.98%	15.6%	19.9%	59.7x	10.9x
Marico Ltd	9,103	753	1,077	158	14.79%	14.7%	37.4%	57.7x	20.9x
Proctor & Gamble Hygiene	5,595	242	414	60	3.33%	14.4%	41.9%	96.0x	35.9x
Colgate Palmolive (India)	6,109	396	648	139	26.81%	21.5%	75.0%	43.8x	38.9x
Emami Ltd	3,574	344	388	61	50.11%	15.8%	25.4%	58.4x	15.1x
Gillette India Ltd	2,633	179	232	32	-8.99%	13.7%	27.2%	85.0x	21.5x
Jyothy Labs Ltd	817	267	257	27	17.09%	10.5%	15.0%	30.5x	4.3x
Eveready Industries India	336	139	168	(42)	272.79%	-24.9%	-77.8%	N/A	10.2x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

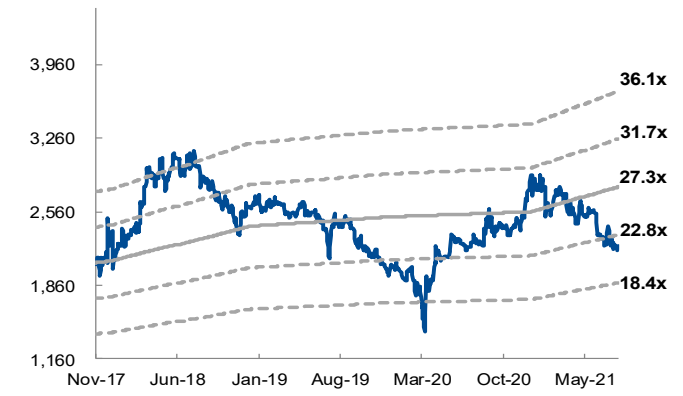
Valuation Highlight in Charts

Forward P/E band | Last 5 years



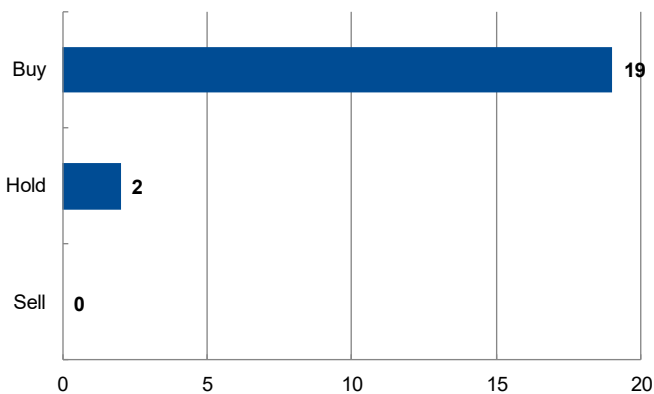
Source: NHKSI research

Dynamic Forward P/E band | Last 5 years



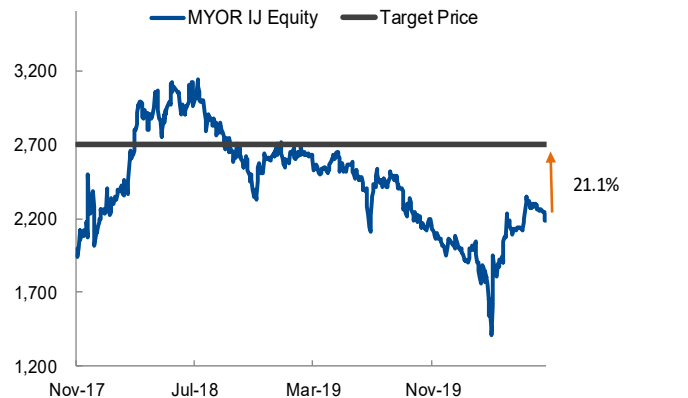
Source: NHKSI research

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%
19/8/2021	Buy	2,700	2,230	2,931	+21.1%	-7.9%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Net Sales	24,477	26,925	28,612	30,624
<i>Growth</i>	-2.2%	10.0%	6.3%	7.0%
COGS	(17,178)	(18,815)	(20,125)	(21,477)
Gross Profit	7,299	8,110	8,487	9,147
<i>Gross Margin</i>	29.8%	30.1%	29.7%	29.9%
Operating Expenses	(4,458)	(5,113)	(5,150)	(5,512)
EBIT	2,841	2,998	3,337	3,635
<i>EBIT Margin</i>	11.6%	11.1%	11.7%	11.9%
Depreciation	805	883	716	820
EBITDA	3,646	3,880	4,053	4,455
<i>EBITDA Margin</i>	14.9%	14.4%	14.2%	14.5%
Interest Expenses	(354)	(312)	(246)	(223)
EBT	2,684	2,778	3,190	3,518
Income Tax	(661)	(751)	(862)	(950)
Minority Interest	38	72	82	91
Net Profit	2,061	2,099	2,410	2,658
<i>Growth</i>	3.7%	1.9%	14.8%	10.3%
<i>Net Profit Margin</i>	8.4%	7.8%	8.4%	8.7%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	18.3%	17.1%	17.8%	17.9%
ROA	10.4%	10.4%	11.4%	11.8%
Inventory Turnover	6.1x	7.0x	7.3x	7.0x
Receivable Turnover	4.3x	5.0x	5.4x	5.4x
Payables Turnover	11.8x	11.6x	11.6x	11.6x
Dividend Yield	1.1%	1.9%	1.9%	2.2%
Payout Ratio	33.7%	55.0%	55.0%	55.0%
DER	0.4x	0.3x	0.3x	0.2x
Net Gearing	0.4x	0.3x	0.3x	0.2x
Equity Ratio	57.0%	60.7%	63.8%	66.1%
Debt Ratio	24.6%	19.4%	16.6%	14.5%
Financial Leverage	91.4%	93.9%	95.2%	96.6%
Current Ratio	3.7x	3.7x	3.7x	3.8x
Quick Ratio	2.9x	3.0x	3.0x	3.0x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	22,358	22,358	22,358	22,358
Share Price (IDR)	2,710	2,700	2,700	2,700
Market Cap (IDR tn)	60.6	60.4	60.4	60.4

BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	3,778	3,952	4,465	4,611
Receivables	5,464	5,306	5,330	5,621
Inventories	2,805	2,556	2,757	3,060
Total Current Assets	12,839	12,989	13,536	14,371
Net Fixed Assets	6,272	6,506	6,906	7,311
Other Non Current Assets	667	715	763	810
Total Non Current Assets	6,939	7,221	7,668	8,121
Total Assets	19,778	20,210	21,204	22,492
Payables	1,592	1,665	1,742	1,859
ST Bank Loan	1,010	716	686	617
Total Current Liabilities	3,475	3,524	3,643	3,776
LT Debt	3,850	3,210	2,830	2,652
Total Liabilities	8,506	7,940	7,679	7,634
Capital Stock & APIC	448	448	448	448
Retained Earnings	10,571	11,537	12,792	14,125
Shareholders' Equity	11,271	12,269	13,525	14,858

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	3,767	3,349	3,241	2,991
Investing Cash Flow	(1,162)	(1,133)	(1,164)	(1,273)
Financing Cash Flow	(1,866)	(2,035)	(1,564)	(1,573)
Net Changes in Cash	796	181	513	145

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	29.4x	28.8x	25.0x	22.7x
Price /Book Value	5.4x	4.9x	4.5x	4.1x
PE/EPS Growth	8.0x	15.5x	1.7x	2.2x
EV/EBITDA	17.0x	15.6x	14.7x	13.3x
EV/EBIT	21.8x	20.2x	17.9x	16.3x
EV (IDR bn)	61,926	60,626	59,703	59,310
Sales CAGR (3-Yr)	5.5%	3.8%	4.6%	7.8%
Net Income CAGR (3-Yr)	8.9%	6.9%	6.6%	8.9%
Basic EPS (IDR)	92	94	108	119
BVPS (IDR)	504	549	605	665
DPS (IDR)	30	51	52	59

OWNERSHIP

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

Source: NHKSI research, Bloomberg

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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