

Mayora Indah Tbk (MYOR)

Margins Suppressed by Higher Raw Material Costs

MYOR's 3Q earnings and margins came out weak due to higher commodity prices and stricter restriction of public activities. Meanwhile, demand in the domestic market was relatively stable during PPKM in line with the growth of the food processing segment. Going forward, we expect the reopening of economic activity would boost the beverage segment considering the increase in demand for out-of-home consumption.

Earnings Came in Below Our Expectations

- In quarterly basis, MYOR's sales remained soft at IDR6.7tn (+3.6% YoY, +15.7% QoQ), but stricter implementation of public activities restriction should be considered.
- Net profit was recorded at IDR47bn and IDR977bn cumulatively in 9M21, below our and consensus' estimates due to higher forex gain and tax cut in the last year.
- Meanwhile, gross profit reached IDR1.5tn in 3Q21, dropping by 21.9% YoY, as we have anticipated during the period of rising commodity prices
- Opex has continued to increase by 7% YoY to IDR1.3tn. However, the major component of MYOR's opex, A&P, remains stable with 13% of total sales.
- 3Q margins have been negatively pressured by current situation, resulting in MYOR registering lower profitability margins with GPM, OPM and NPM at 22.2%, 2.9% and, 0.7% (vs. 29.4%, 10.8%, 9.5%).
- Of note, MYOR's COGS contributed to >65% of total sales, causing significant fluctuations in margins compared to other consumer peers. Besides, the company has secured raw materials in the face of supply chain shortages.
- As recovery remains uneven and competition is tight in the FMCG industry, we think the company has limited room to increase its ASP to pass on the cost hike to consumers.
- Fortunately, 4Q has been the stronger quarter for MYOR. We expect the contribution earnings in 4Q to lift earnings in FY21, given the reopening of economic activities.

Export Sales Recovery Stalled

- MYOR recorded domestic sales of IDR4.0tn (+12.2% YoY) in 3Q21, contributing 65.9% to total sales, while export sales remained sluggish by -6.1% YoY to IDR2.6tn.
- We suspect the deceleration of export sales was because MYOR's export destination in Asia experience a slow pace of recovery in 3Q21, after suffering from surging covid-19 case. On the bright side, its export destinations (Malaysia and Vietnam) are set for further domestic reopening in 4Q.
- By category, food processing grew modestly by +15.3% YoY to IDR4.1tn in 3Q21, while beverage segment dropped by -40.1% YoY. We expect both segments to show notable improvement in line with the increase in out-of-home consumption.
- In the medium term, the company will continue its expansion strategy by looking for other export destinations. Recently, MYOR is building a new manufacturing facility to increase the capacity of biscuits and wafers production.

Valuation

- We maintain our TP at IDR2,700 (based on target P/E of 25x) as we remain relatively optimistic on the back of reopening for economic activity in domestic and SEA.
- Key risk to our call: a long period of rising commodity prices which adversely impacted to company's margin if unable to pass on the cost to consumers.

Mayora Indah Tbk | Summary (IDR bn)

	2020	2021F	2022F	2023F
Sales	24,477	27,459	28,645	30,364
Growth	-2.2%	12.2%	4.3%	6.0%
Net Profit	2,061	2,099	2,413	2,836
Growth	3.7%	1.9%	14.9%	17.5%
EPS (IDR)	92	94	108	127
P/E	29.4x	28.8x	25.0x	21.3x
P/BV	5.4x	5.0x	4.5x	4.0x
EV/EBITDA	17.0x	16.8x	16.1x	12.5x
ROE	18.3%	17.2%	17.9%	19.0%
DER	0.4x	0.4x	0.4x	0.4x
Dividend Yield	1.1%	1.9%	1.9%	2.2%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Overweight

Target Price (IDR)	2,700
Consensus Price (IDR)	2,931
TP to Consensus Price	-7.9%
Potential Upside	14.4%

Shares data

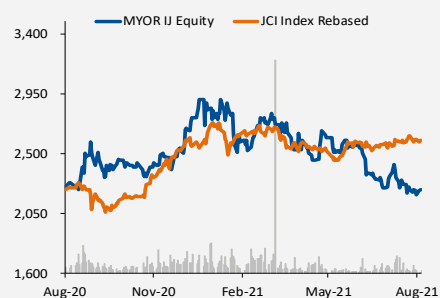
Last Price (IDR)	2,360
Price date as of	3-Nov-21
52 wk range (Hi/Lo)	2910/2150
Free float (%)	15.7
Outstanding sh.(mn)	22,359
Market Cap (IDR bn)	52,990
Market Cap (USD mn)	3,698
Avg. Trd Vol - 3M (mn)	3.04
Avg. Trd Val - 3M (bn)	7.22
Foreign Ownership	3.9%

Consumer Non-Cyclicals

Food & Beverage

Bloomberg	MYOR.IJ
Reuters	MYOR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-16.6%	2.2%	5.8%	1.3%
Rel. Ret.	-24.6%	-1.1%	-0.6%	-27.1%

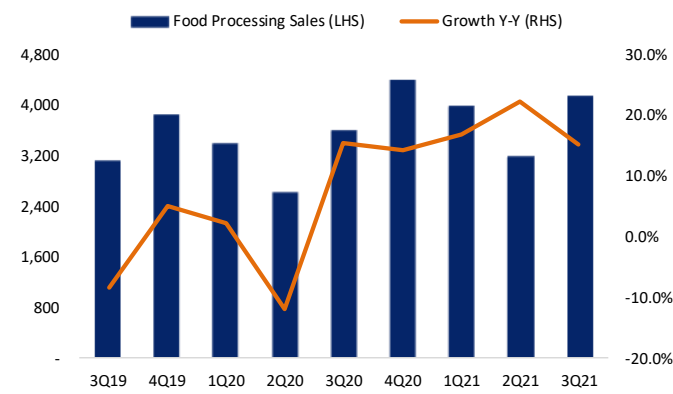
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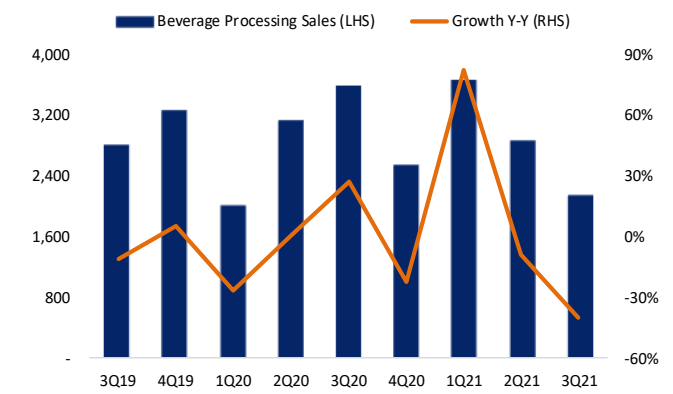
Performance Highlights

Food Processing Quarterly Sales (IDR Bn) | 3Q19 - 3Q21



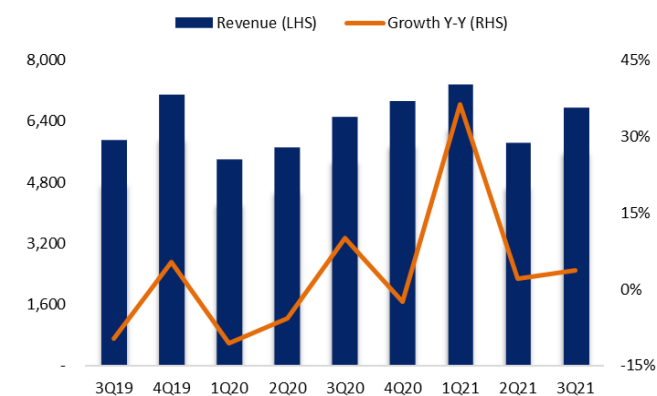
Source: Company, NHKSI Research

Beverage Processing Quarterly Sales (IDR Bn) | 3Q19 - 3Q21



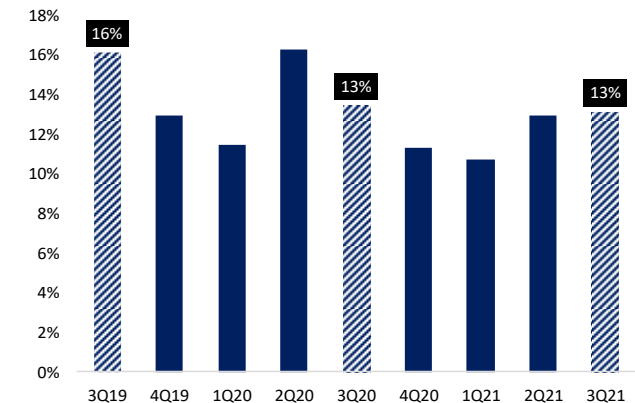
Source: Company, NHKSI Research

Revenue (IDR Bn) | 3Q19 - 3Q21



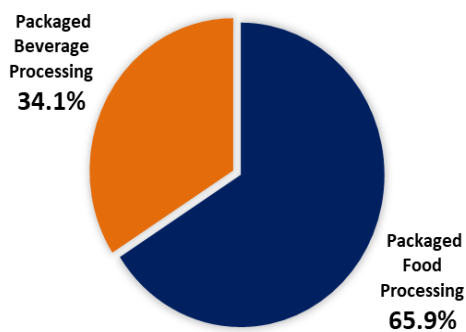
Source: Company, NHKSI Research

A&P to Sales | 3Q19 - 3Q21



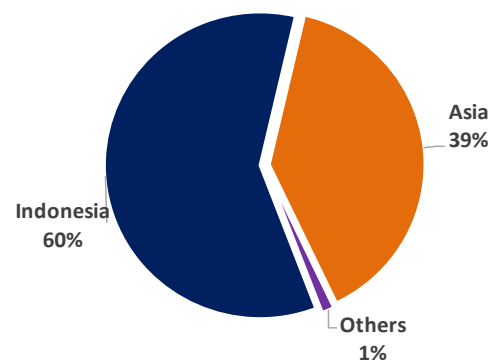
Source: Company, NHKSI Research

Revenue Breakdown | 3Q21



Source: Company, NHKSI Research

Geographic Revenue Breakdown (%) | 3Q21



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's diverse products can be divided into 8 categories: biscuit, candy, wafer, chocolate, coffee, instant food, beverage and cereal. Among the well-known brands are Kopiko, Danisa, Roma, Energen, Torabika, Beng Beng and many more.

Consumer Companies Peers Analysis

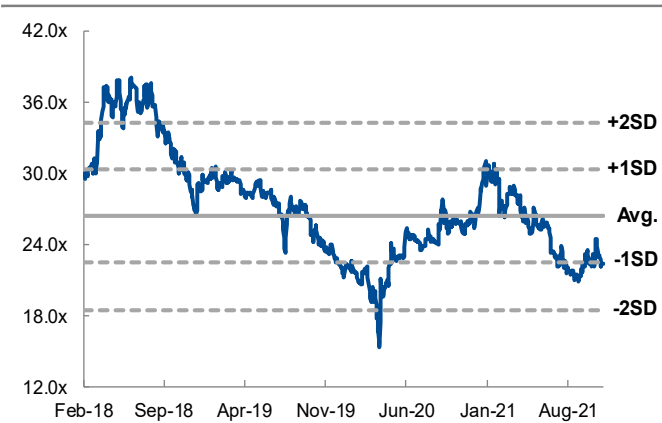
Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
Mayora Indah	3,698	1,420	1,869	103	-39.75%	5.5%	13.9%	35.7x	4.9x
Unilever Indonesia	11,982	1,475	2,829	426	-16.63%	15.1%	103.4%	28.0x	32.2x
Indofood Sukses Makmur	3,861	11,715	6,219	489	35.36%	7.9%	16.3%	7.8x	1.2x
Indofood CBP Sukses Makmur	7,183	7,439	3,593	446	10.06%	12.4%	20.9%	16.0x	3.1x
India									
Hindustan Unilever Ltd	76,048	9,398	6,241	1,077	18.48%	17.3%	28.6%	70.9x	11.9x
Godrej Consumer Products	13,176	1,952	1,473	232	14.98%	15.7%	19.9%	57.0x	10.4x
Marico Ltd	9,620	753	1,077	158	14.79%	14.7%	37.4%	61.1x	22.1x
Proctor & Gamble Hygiene	6,300	220	484	88	50.50%	18.3%	69.6%	72.0x	65.7x
Colgate Palmolive (India)	5,512	396	648	139	26.81%	21.5%	75.0%	39.7x	35.2x
Emami Ltd	3,379	344	385	61	50.11%	15.9%	25.4%	55.4x	14.3x
Gillette India Ltd	2,496	188	273	42	34.84%	15.4%	36.5%	59.9x	23.6x
Jyothy Labs Ltd	766	267	257	27	17.09%	10.5%	15.0%	28.6x	4.0x
Eveready Industries India	341	139	168	(42)	N/A	-24.9%	-77.8%	N/A	10.4x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

Valuation Highlight in Charts

Forward P/E band | Last 5 years



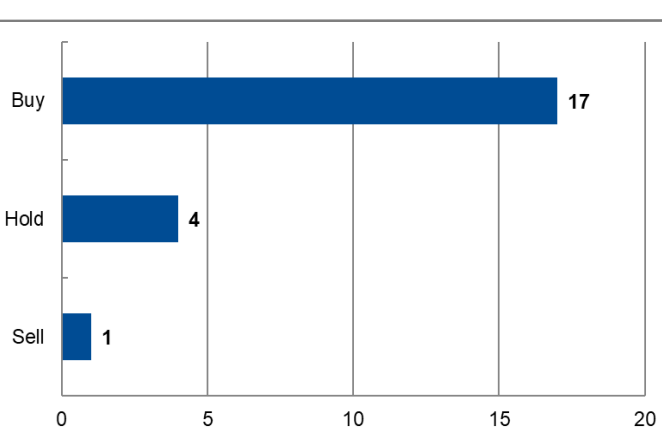
Source: NHKSI research

Dynamic Forward P/E band | Last 5 years



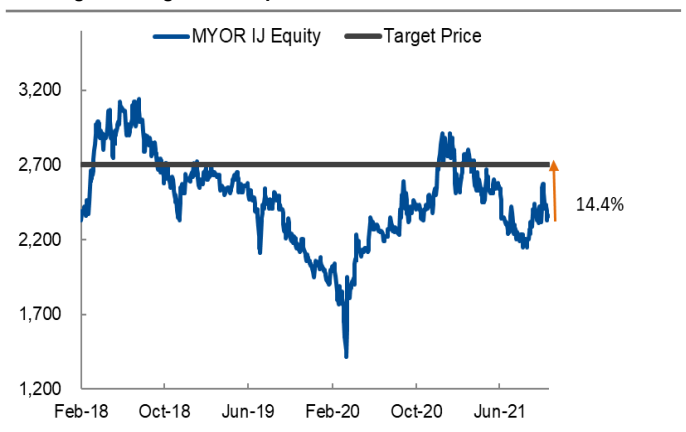
Source: NHKSI research

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	Overweight	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	27,459	28,645	30,364
<i>Growth</i>	-2.2%	12.2%	4.3%	6.0%
COGS	(17,178)	(19,957)	(20,387)	(20,870)
Gross Profit	7,299	7,502	8,258	9,494
<i>Gross Margin</i>	29.8%	27.3%	28.8%	31.3%
Operating Expenses	(4,458)	(4,780)	(5,156)	(5,465)
EBIT	2,841	2,722	3,102	4,028
<i>EBIT Margin</i>	11.6%	9.9%	10.8%	13.3%
Depreciation	805	941	720	830
EBITDA	3,646	3,663	3,821	4,859
<i>EBITDA Margin</i>	14.9%	13.3%	13.3%	16.0%
Interest Expenses	(354)	(333)	(343)	(358)
EBT	2,684	2,505	2,880	3,798
Income Tax	(661)	(448)	(515)	(1,026)
Minority Interest	38	42	48	63
Net Profit	2,061	2,099	2,413	2,836
<i>Growth</i>	3.7%	1.9%	14.9%	17.5%
<i>Net Profit Margin</i>	8.4%	7.6%	8.4%	9.3%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	18.3%	17.2%	17.9%	19.0%
ROA	10.4%	9.9%	10.7%	11.8%
Inventory Turnover	6.1x	6.1x	5.6x	5.2x
Receivable Turnover	4.3x	5.1x	4.9x	5.0x
Payables Turnover	11.8x	11.4x	11.4x	11.4x
Dividend Yield	1.1%	1.9%	1.9%	2.2%
Payout Ratio	33.7%	56.4%	55.0%	55.0%
DER	0.4x	0.4x	0.4x	0.4x
Net Gearing	0.4x	0.4x	0.4x	0.4x
Equity Ratio	57.0%	57.4%	59.8%	62.2%
Debt Ratio	24.6%	25.0%	23.9%	22.4%
Financial Leverage	91.4%	99.3%	95.9%	96.3%
Current Ratio	3.7x	2.8x	3.0x	3.2x
Quick Ratio	2.9x	2.1x	2.3x	2.4x
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	4,339	4,798	5,403
Receivables	5,464	5,219	5,807	6,073
Inventories	2,805	3,701	3,631	4,002
Total Current Assets	12,839	14,221	15,113	16,397
Net Fixed Assets	6,272	6,507	7,019	7,494
Other Non Current Assets	667	502	338	173
Total Non Current Assets	6,939	7,009	7,357	7,667
Total Assets	19,778	21,230	22,469	24,064
Payables	1,592	1,910	1,789	1,831
ST Bank Loan	1,010	2,598	2,582	2,611
Total Current Liabilities	3,475	5,114	5,002	5,112
LT Debt	3,850	2,704	2,797	2,773
Total Liabilities	8,506	9,041	9,022	9,108
Capital Stock & APIC	448	448	448	448
Retained Earnings	10,571	11,507	12,766	14,275
Shareholders' Equity	11,271	12,189	13,447	14,956

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	3,767	2,270	2,604	3,067
Investing Cash Flow	(1,162)	(964)	(1,067)	(1,141)
Financing Cash Flow	(1,866)	(739)	(1,078)	(1,322)
Net Changes in Cash	796	567	459	605

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	29.4x	28.8x	25.0x	21.3x
Price /Book Value	5.4x	5.0x	4.5x	4.0x
PE/EPS Growth	8.0x	15.3x	1.7x	1.2x
EV/EBITDA	17.0x	16.8x	16.0x	12.5x
EV/EBIT	21.8x	22.6x	19.7x	15.0x
EV (IDR bn)	61,926	61,564	61,181	60,582
Sales CAGR (3-Yr)	5.5%	4.5%	4.6%	7.4%
Net Income CAGR (3-Yr)	8.9%	6.9%	6.7%	11.2%
Basic EPS (IDR)	92	94	108	127
BVPS (IDR)	504	545	601	669
DPS (IDR)	30	52	52	59

OWNERSHIP

Shareholders	%
Unita Branindo	32.9
Mayora Dhana Utama	26.1
Jogi Hendra Atmadja	25.2
Schroder Investment	2.2
By Geography	%
Unknown	93.5
Indonesia	2.2
Norway	1.9
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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