

Kino Indonesia

Long road to recovery

Beverage segment regains traction...

KINO's Larutan Cap Kaki Tiga (~80% of beverage segment revenue) cooling water managed to regain traction driven by consumer preferences toward healthy drinks and continuous promotions in both general and modern trade channels. We expect beverage segment to outgrow personal care sales and grew by 24%/10% YoY in FY21/22F. Hence, the contribution of beverage segment should increase to 46% in both FY21/22F (vs. 38% in the past 5 years).

...while personal care segment experience a slower recovery

We expect a slower recovery in Ellips products (30% of personal care segment sales) and Sasha, B&B, & Sleek Baby (46% of personal care segment sales) as purchasing power remains weak. This has led consumers to reduce their budget for secondary needs and downtrading to cheaper brands. Meanwhile, KINO's Instance sanitizing products are losing momentum from stiff competition in sanitizing products due to low barriers to entry in the segment. We expect personal care segment to experience a 16% YoY decline in FY21 before recovering by 7% YoY in FY22. Hence, we estimate KINO's consolidated sales grow 2%/8% in FY21/22F.

Shifts in product mix and higher PPE cost to impact margin

We estimate that beverage segment sales to grow by 11% CAGR between FY21 and FY23, much faster growth than personal segment sales with just a 6% CAGR between FY21 and FY23. Hence, the shift in product mix from higher contribution from the beverage segment (GPM of 45% in 3Q21) at the expense of personal care (GPM of 54% in 3Q21) negatively impacts KINO's GPM. In addition, we expect cost pressure to remain high in the near term from an increase in polypropylene index by 4% YTD. A packaging cost is one of the key contributors in COGS and adjustment in ASP has yet to be seen, we estimate a further decline in KINO's GPM to 47%/46% in FY21/22F (vs. 48% in FY20).

Thin operating profit barely cover the financial expense

The weak topline has dragged overall KINO's EBIT to only IDR123bn in 9M21, despite high-interest expenses at IDR117bn, resulting in a very low-interest coverage at 1.06x, much lower than its historical avg. of 3.5x in FY14-19. Given that OPEX will be 5% higher than FY20, this should translate to a 6% earnings contraction in FY21 before an 11% recovery in FY22.

Downgrade KINO to SELL with a potential ~37% downside

We significantly cut our FY21/22F earnings expectation by 55%/52% due to very weak 9M21 results. We expect KINO earnings to contract 6% YoY in FY21 before an 11% recovery in FY22. Thus, we view that the recent rally (+58% YTD) has placed KINO's valuation at 39x or higher than +1STD above its 5-yr mean at 35x. Based on this, we downgrade KINO to SELL with a TP of IDR 2,000 /share (from IDR3,000/share), based on 24x (at its 5 years mean) of FY22F EPS at IDR 40.6/ share.

	2019A	2020A	2021F	2022F	2023F
Sales (IDR)	4,679	4,025	4,122	4,446	4,835
OP (IDR)	433	210	159	182	208
EBT (IDR)	636	135	136	151	169
NP (IDR)	520	114	106	118	132
EBITDA (IDR)	604	255	208	235	265
OP margin (%)	9%	5%	4%	4%	4%
ROE (%)	21%	4%	4%	5%	5%
Dividend yield (%)	3%	5%	1%	1%	1%
EPS (IDR)	364	80	75	83	93
chg. (% YoY)	230%	-78%	-6%	11%	12%
BPS (IDR)	2,703	2,577	2,537	2,623	2,719
DPS (IDR)	57	103	22	25	28
PE (x)	9	40	43	39	35
PB (x)	2	2	2	2	2

Company

Update

Consumer

18 February 2022

12M rating **SELL (Downgrade)**

12M TP **IDR 2,000** (Prev IDR 3,000)

Downside 33%

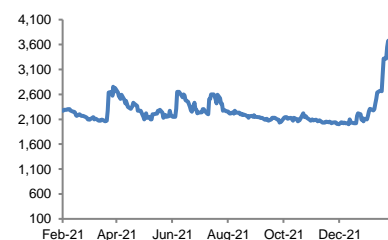
Stock Data

JCI (Feb 17)	6,835
Stock price (Feb 17, IDR)	3,210
Market cap (IDR Tn)	4,585
Shares outstanding (Mn)	1,428
52-week high/low (IDR)	3,840
6M avg. daily turnover (IDR Bn)	1,990
Free float (%)	6.15
Major shareholders (%)	

Performance

	1M	6M	12M
Absolute (%)	1.4	11.6	-9.4
Relative to JCI (%p)	-1.4	-1.4	-23.2

KINO share price



Source: Bloomberg

Illona Freddy

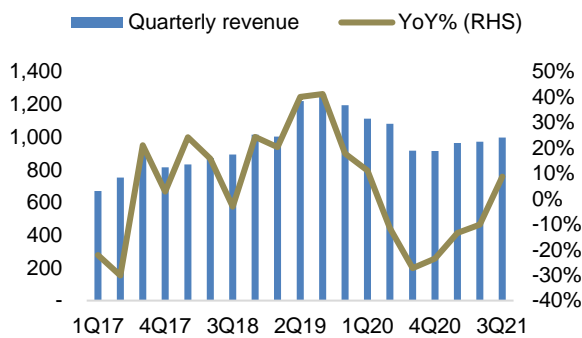
Illona.f@kisi.co.id

Table 1. Change of assumptions

(Rpbn)	2021F			2022F		
	Old	New	% change	Old	New	% change
Revenue	4,654	4,122	-11%	4,821	4,446	-8%
Gross profit	2,250	1,922	-15%	2,334	2,039	-13%
Gross margin	48%	47%		48%	46%	
Operating profit	405	159	-61%	423	182	-57%
Operating margin	9%	4%		9%	4%	
EBITDA	464	208	-55%	486	235	-52%
EBITDA margin	10%	5%		10%	5%	
Net profit	235	106	-55%	240	118	-51%
Net margin	5%	3%		5%	3%	

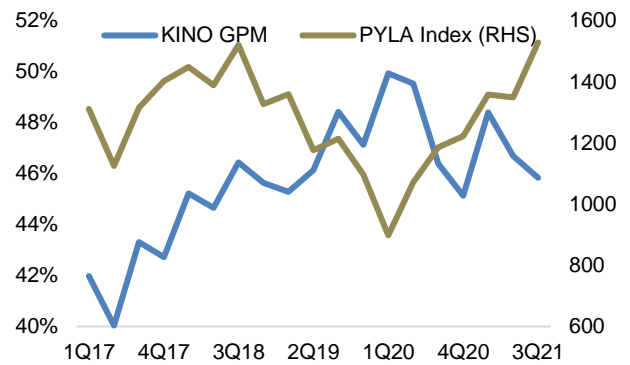
Source: KISI

Fig 1. KINO revenue & yearly hikes per segment



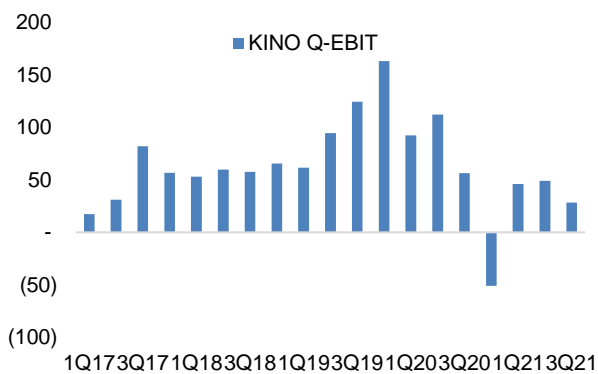
Source: Company data, KISI

Fig 2. KINO GPM vs. PYLA Index



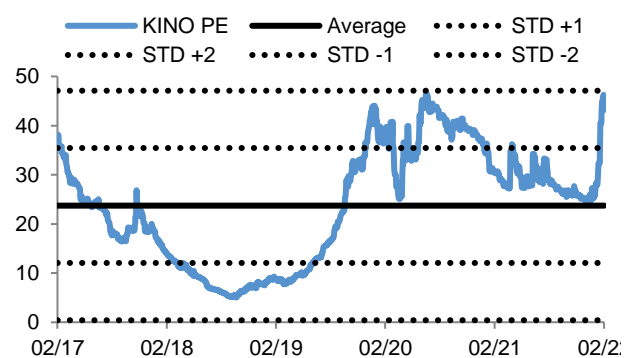
Source: Company data, KISI

Fig 3. KINO quarterly EBIT



Source: Company data, KISI

Fig 4. KINO P/E band (x)



Source: Company data, KISI

Balance sheet

FY-ending Dec. (IDR bn)	2019A	2020A	2021F	2022F	2023F
Current assets	2,335	2,562	2,528	2,537	2,561
Cash & cash equivalent	268	184	268	175	138
Accounts & other receivables	1,510	1,688	1,681	1,729	1,735
Inventory	557	690	579	633	688
Non-current assets	2,361	2,693	2,860	3,009	3,152
Fixed assets	2,160	2,341	2,592	2,738	2,881
Tangible assets	2,536	2,915	2,796	2,808	2,832
Total assets	4,696	5,255	5,388	5,546	5,713
Current liabilities	1,733	2,146	2,398	2,467	2,537
Accounts & other payables	565	478	742	811	881
ST debt & bond	922	1,393	1,393	1,393	1,393
Current portion of LT debt	246	275	263	263	263
Non-current liabilities	260	532	532	532	532
Debentures	117	206	206	206	206
LT debt & financial liabilities	142	326	326	326	326
Total liabilities	1,993	2,678	2,929	2,999	3,069
Controlling interest					
Capital stock	143	143	143	143	143
Capital surplus	710	710	710	710	710
Other Reserves	543	556	556	556	556
Retained earnings	1,220	1,098	1,057	1,143	1,240
Minority interest	86	70	70	70	70
Shareholders' equity	2,703	2,577	2,537	2,623	2,719

Cash flow

FY-ending Dec. (IDR bn)	2019A	2020A	2021F	2022F	2023F
C/F from operating	636	135	525	139	198
Pre-tax Profit	(120)	(21)	136	151	169
Tax Paid	(268)	0	-30	-33	-37
Other Non-Cash Adjustments	636	135	0	0	0
Net incr. in W/C					
Others	(230)	(185)	418	21	66
C/F from investing	(332)	(385)	-300	-200	-200
CAPEX	(914)	(225)	-300	-200	-200
Decr. in fixed assets					
Incr. in investment	132	0			
Net incr. in intangible assets					
Others	451	(160)	0	0	0
C/F from financing	331	385	-147	-32	-35
Incr. in equity					
Incr. in debts					
Dividends	(39)	(81)	-147	-32	-35
Others	369	467	0	0	0
C/F from others					
Increase in cash	17	(71)	78	-93	-37

Note: Based on K-IFRS (consolidated)

Income statement

FY-ending Dec. (IDR bn)	2019A	2020A	2021F	2022F	2023F
Sales	4,679	4,025	4,122	4,446	4,835
COGS	(2,488)	(2,096)	(2,201)	(2,407)	(2,615)
Gross profit	2,191	1,929	1,922	2,039	2,220
SG&A expense	(1,758)	(1,719)	(1,762)	(1,858)	(2,011)
Operating profit	433	210	159	182	208
Financial income	13	5			
Interest income			2	2	2
Financial expense	(83)	(138)	(155)	(163)	(171)
Interest expense					
Other non-operating profit	277	59	130	130	130
Gains (Losses) in associates, subsidiaries and JV			-	-	-
Earnings before tax	636	135	136	151	169
Income taxes	(120)	(21)	(30)	(33)	(37)
Minority Interests	5	0	0	0	0
Net profit of controlling interest	520	114	106	118	132
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
EBITDA	604	255	208	235	265

Key financial data

FY-ending Dec.	2019A	2020A	2021F	2022F	2023F
per share data (IDR)					
EPS	364	80	75	83	93
BPS	1,892	1,804	1,776	1,836	1,904
DPS	57	103	22	25	28
Growth (%)					
Sales growth	30%	-14%	2%	8%	9%
OP growth	78%	-52%	-24%	14%	15%
NP growth	230%	-78%	-6%	11%	12%
EPS growth	0%	0%	0%	0%	0%
EBITDA growth	116%	-58%	-18%	13%	13%
Profitability (%)					
OP margin	9%	5%	4%	4%	4%
NP margin	11%	3%	3%	3%	3%
EBITDA margin	13%	6%	5%	5%	5%
ROA	17%	5%	5%	6%	6%
ROE	21%	4%	4%	5%	5%
Dividend yield	9%	5%	4%	4%	4%
Dividend payout ratio	11%	3%	3%	3%	3%
Stability					
Net debt (IDR bn)					
Int-bearing debt/equity (%)					
Valuation (X)					
PE	9	40	43	39	35
PB	2	2	2	2	2
EV/EBITDA					

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