

Mayora Indah

Long road to recovery

Waning sales recovery momentum

We expect MYOR's revenue growth to hover around 9%/10% for FY22/FY23 due to a slower domestic demand recovery. Despite the reopening of GT channel, we expect domestic sales to grow by 8.2% this year (vs. 12% in FY21) given shrinking purchasing power for mid-low segment in domestic market (57% of sales) caused by price spikes in both consumer goods and utilities related. To cater for weaker purchasing power environment, MYOR to focus on key SKU's such as Slai Olai, Roma Malkist, Gilus and Torabika and also launched affordable new products under the key brands. As for export market (43% of sales), given the currently manageable covid-19 cases in Philippines (the biggest market for MYOR's export), we see that demand pick up starting Mar22 onwards (after covid-19 restrictions before that). This should allow export sales to grow 10% YoY in FY22.

The unrelenting pressure on its input cost

Prices of MYOR's raw materials remains on an uptrend in recent months. The key items (i.e. sugar, CPO, wheat, cocoa) have increased by 8%, 28%, 45%, and 5% YTD, respectively. Despite selective ASP adjustment in 3Q21 (at 3-4%), MYOR's 4Q21 GPM plunged to 5-yr low at 22% (vs. 29% 4Q20). In the current rising cost environment, we expect MYOR's margin to continue to trend lower as competition remains tight, while further price adjustment might impact MYOR's overall market share. We revised down our GPM assumptions to 23.5% in FY22 (from 29% previously).

Freight cost continues to impact its operating margin

Based on historical precedent, MYOR will likely cut its adspend to maintain profitability during rising input costs. With selective adspend reduction, we can expect MYOR's A&P to sales at 11% in FY22F (down from 13% in FY21). However, we are still cautious about the current rising freight cost, as export sales contribute 43% of FY22 sales (Note that MYOR's coffee products are sold to Philippines market – 2nd biggest market share in mixed instant coffee segment). Current higher freight costs should result in MYOR's OPM hovering around 6.1%/5.8% in FY22/FY23F (vs. around 12% in FY15-20).

Downgrade to SELL with TP of IDR1,200/sh (from IDR2,900 previously)

We revised down our earnings FY22/23F assumptions by 49%/44% due to adjustment in raw materials costs and higher expected freight costs. We expect muted EPS growth of 7%/8% in FY22/23F. Our TP of IDR1,200 is derived from 21x (below -1 STD of 5-yr mean) of FY22 EPS (IDR57/share). MYOR currently trades at 28x of FY22F P/E

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales (IDR)	24,477	27,905	30,302	32,593	35,058
OP (IDR)	2,831	1,772	1,895	1,978	1,980
EBT (IDR)	2,684	1,550	1,663	1,780	1,815
NP (IDR)	2,061	1,187	1,270	1,377	1,419
EBITDA (IDR)	3,563	2,616	2,806	2,962	3,043
OP margin (%)	12	6	6	6	6
ROE (%)	20	11	11	12	12
EPS (IDR)	92	53	57	62	63
chg. (% YoY)	4	(42)	7	8	3
BPS (IDR)	492	497	500	530	558
DPS (IDR)	31	54	32	35	36
PE (x)	17	30	28	26	25
PB (x)	3	3	3	3	3

Company Update

Consumer Staples

21 April, 2022

12M rating **SELL (Downgrade)**
12M TP **IDR 1,200**
(prev. IDR 2,900)
Downside 24%

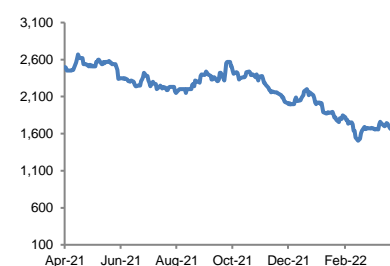
Stock Data

JCI (20 April)	7,227
Stock price (20 April, IDR)	1,580
Market cap (IDR Bn)	35,326
Shares outstanding (Mn)	22,358
52-week high/low (IDR)	2,790/1,485
6M avg. daily turnover (IDR Bn)	9.46
Free float (%)	15.6
Major shareholders (%)	
Unita Branindo	33

Performance

	1M	6M	12M
Absolute (%)	-5.7	-37.1	-36.4
Relative to JCI (%)	-9.2	-42.0	-48.0

MYOR share price



Source: Bloomberg

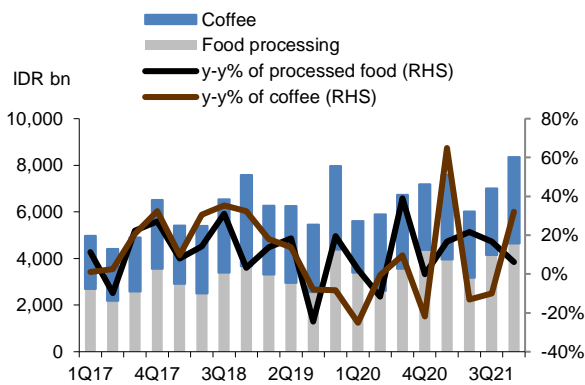
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Table 1. Change of assumptions

	2022F			2023F		
	OLD	NEW	%	OLD	NEW	%
Revenue	26,105	30,302	16%	31,097	25,188	-19%
Gross profit	7,571	7,126	-6%	8,715	5,428	-38%
GPM	29%	24%		28%	22%	
Operating profit	3,849	1,895	-51%	3,459	1,978	-43%
OPM	15%	4%		11%	8%	
Net profit	2,486	1,270	-49%	2,437	1,377	-44%
NPM	10%	4%		8%	5%	

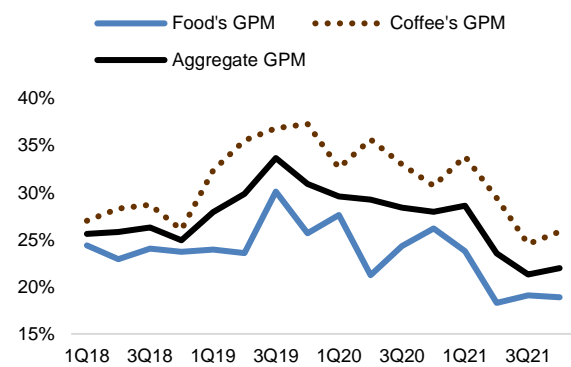
Source: KISI

Fig 2. MYOR quarterly sales



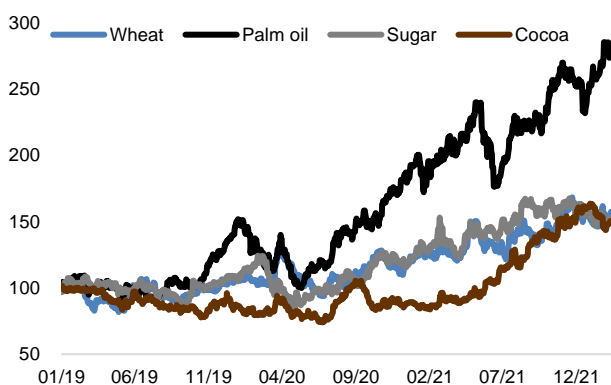
Source: Company data, KISI

Fig 3. MYOR quarterly GPM



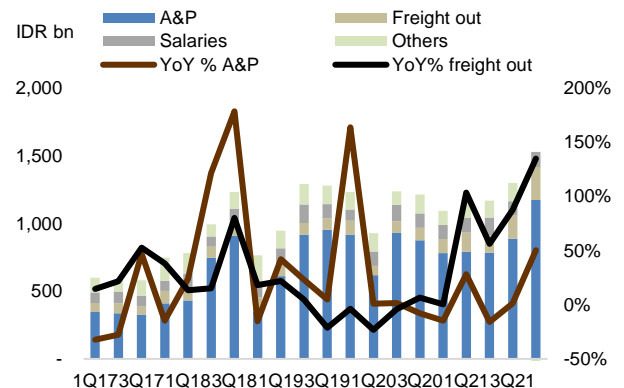
Source: Company data, KISI

Fig 4. Raw material index 2019 = 100



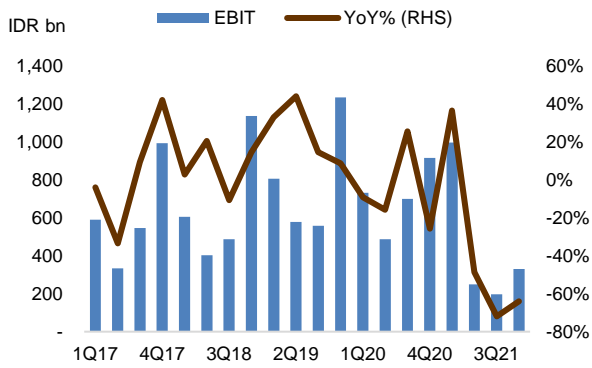
Source: Company data, KISI

Fig 5. MYOR quarterly operating expenses



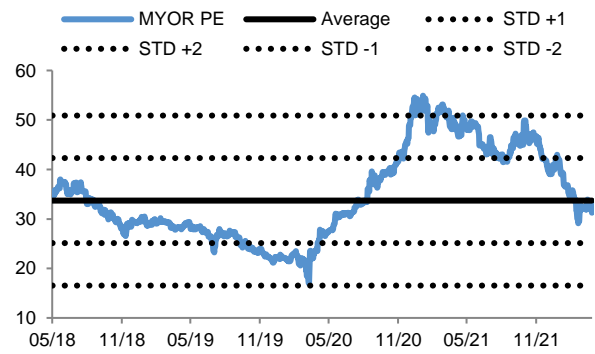
Source: Company data, KISI

Fig 6. MYOR quarterly EBIT YoY%



Source: Company data, KISI

Fig 7. MYOR P/E (x)



Source: Company data, KISI

Balance sheet

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets	12,839	12,970	13,155	13,821	14,532
Cash & cash equivalent	3,778	3,009	1,403	533	842
Accounts & other receivables	6,256	6,926	9,072	9,757	10,495
Inventory	2,805	3,034	2,681	3,530	3,195
Non-current assets	6,939	6,948	7,063	7,234	7,421
Investment assets					
Tangible assets	6,043	6,377	6,492	6,618	6,755
Intangible assets	896	571	571	616	666
Total assets	19,778	19,918	20,218	21,055	21,953
Current liabilities	3,559	5,571	5,781	5,928	6,151
Accounts & other payables	1,592	1,778	1,988	2,136	2,358
ST debt & bond	854	2,068	2,068	2,068	2,068
Current portion of LT debt	1,113	1,725	1,725	1,725	1,725
Non-current liabilities	4,947	2,987	2,987	2,987	2,987
Debentures	3,614	1,845	1,845	1,845	1,845
LT debt & financial liabilities	1,332	1,142	1,142	1,142	1,142
Total liabilities	8,506	8,558	8,768	8,915	9,138
Controlling interest					
Capital stock	448	448	448	448	448
Capital surplus	-	-	-	-	-
Other Reserves	(8)	(13)	(13)	(13)	(13)
Retained earnings	10,571	10,684	10,747	11,407	12,050
Minority interest	260	241	268	298	330
Shareholders' equity	11,011	11,119	11,182	11,842	12,485

Cash flow

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	3,716	1,042	627	957	2,285
Net profit	2,831	1,772	1,895	1,978	1,980
Depreciation	732	844	911	984	1,062
Amortization	785	(102)	(1,581)	(1,388)	(180)
Net incr. in W/C	(586)	(339)	(366)	(374)	(363)
Others	(47)	(1,134)	(232)	(243)	(215)
C/F from investing	(1,111)	(948)	(1,027)	(1,110)	(1,200)
CAPEX	(634)	(659)	(1,027)	(1,110)	(1,200)
Decr. in fixed assets					
Incr. in investment					
Net incr. in intangible assets					
Others	(477)	(289)			
C/F from financing	(1,866)	(871)	(1,207)	(717)	(777)
Incr. in equity	(219)	1,214	-	-	-
Incr. in debts	(772)	(1,769)	-	-	-
Dividends	(685)	(1,207)	(1,207)	(717)	(777)
Others	(109)	(394)	-	-	-
C/F from others					
Increase in cash	739	(776)	(1,606)	(870)	309

Income statement

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales	24,477	27,905	30,302	32,593	35,058
COGS	17,178	20,982	23,177	25,188	27,274
Gross profit	7,299	6,923	7,126	7,406	7,784
SG&A expense	4,468	5,151	5,231	5,428	5,803
Operating profit	2,831	1,772	1,895	1,978	1,980
Financial income	51	23	26	28	31
Interest income					
Financial expense	(354)	(321)	(288)	(260)	(234)
Interest expense					
Other non-operating profit					
Gains (Losses) in associates, subsidiaries, and JV	155	75	31	34	37
Earnings before tax	2,684	1,550	1,663	1,780	1,815
Income taxes	586	339	366	374	363
Net profit	38	24	27	30	33
Net profit of controlling interest	2,061	1,187	1,270	1,377	1,419
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
EBITDA	3,563	2,616	2,806	2,962	3,043

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	92	53	57	62	63
BPS	492	497	500	530	558
DPS	31	54	32	35	36
Growth (%)					
Sales growth	(2.2)	14.0	8.6	7.6	7.6
OP growth	(10.8)	(37.4)	6.9	4.4	0.1
NP growth	3.7	(42.4)	7.0	8.4	3.1
EPS growth	3.7	(42.4)	7.0	8.4	3.1
EBITDA growth	(5.2)	(26.6)	7.3	5.5	2.7
Profitability (%)					
OP margin	11.6	6.4	6.3	6.1	5.6
NP margin	8.4	4.3	4.2	4.2	4.0
EBITDA margin	14.6	9.4	9.3	9.1	8.7
ROA	11.9	7.1	7.3	7.6	7.4
ROE	19.9	10.7	11.4	12.0	11.7
Dividend yield	1.2	2.2	2.0	2.2	2.3
Dividend payout ratio	33.2	101.7	56.4	56.4	56.4
Stability					
Net debt (IDR bn)					
Int.-bearing debt/equity (%)					
Valuation (X)					
PE	17	29	28	26	25
PB	3	3	3	3	3
EV/EBITDA	16	14	13	14	15

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