

October 27, 2022



Research Center

# Morning KISI/

## ■ Sector In Depth

Consumer Staples: Back to Basics

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# Consumer staples

## Back to basics

We began the year 2022 with a quite cautious stance on domestic consumption due to (1) prolonged unemployment, (2) a bleak increase in minimum wage, and (3) lower govt stimulus. Now as we believe that the pandemic is coming to an end, here's what we think would be the outlook for consumer staples companies.

### Heading into an inflationary situation, a brief insight from the past

After the recent subsidized fuel price increase, Indonesia's inflation is set to remain high in the coming months. Looking at historical data, almost all staples companies still exhibited double-digit sales growth a year after the fuel price hikes in the last 20 years. There are at least three possible explanations: (1) Indonesia's robust economy in the mid-2000s helped lower the unemployment rate, (2) a significant increase in the minimum wage, and (3) the demand for consumer staples goods is relatively inelastic.

### What we think will happen after 2022 price hike: a slightly different chapter

While most firms are still in the early stages of recovery after the pandemic, we believe it may be challenging to create enough jobs to absorb all the unemployed, yet to set a sharp increase in minimum wage in the current situation. Assuming the wage adjustment would only be around GDP growth or inflation (~5-6%), we think this may not enough to cover rising cost of living, especially for those who sit in the lowest income bracket. However, we believe staples companies will generate relatively consistent revenues as it is difficult to adjust consumption of basic necessities for living.

### Input costs concern should subside

Throughout the year, we see that investors were concerned about staples' margins, as input costs had soared while companies had limited power to pass on to consumers due to weak purchasing power. However, prices have now dropped significantly. Our CPO analyst forecasts that FY23's global CPO prices would decline by 30% YoY, and Bbg consensus estimates global wheat prices would fall by 7% YoY. Besides that, the prices of global containers also have declined sharply, easing the burden of export expenditure.

### Re-initiate consumer staples sector coverage with OW recommendation

We maintain our cautious stance on domestic purchasing power as we are heading into an era of rising inflation and a global economic slowdown. Nonetheless, we anticipate staples' top-line growth will be largely driven by latest ASP increase, and together with declining input costs should result in robust earnings growth. Our top picks are: MYOR, ICBP, and INDF.

### Consumer staples valuation

Ticker	Mkt Cap (IDR tn)	PE (x)		PB (x)		EPS growth (%)		ROE (%)	
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
ICBP	109.9	16.3	14.2	3.0	2.7	(1.5)	15.0	9.3	11.7
INDF	55.3	6.5	6.4	1.0	0.9	5.2	2.2	13.8	14.5
MYOR	53.7	35.4	24.4	4.5	4.0	27.5	45.2	13.1	17.2
UNVR	203.1	31.1	29.2	42.6	40.5	13.2	6.7	143.5	142.3

Source: Bloomberg, KISI

# Sector

## In-Depth

### Consumer staples

25 October 2022

## Overweight (Re-Initiate)

Company	Rating	TP (IDR)
ICBP	BUY	11,250
INDF	BUY	7,500
MYOR	BUY	3,000
UNVR	SELL	4,400

### IDXNCRYC Index



Source: Bloomberg

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## Market Commentary

### Market Commentary

- JCI finished marginally lower on Wednesday, after tight-choppy trading as investors seek new clues for market directions.
- The market was swung between gains and losses in a tight range since the opening, while traders were mostly in short-lived trading mode.
- Financials and Infrastructure weigh the index down, while Tech, Energy, and Consumers were today's winners.
- RUPIAH -0.34% at 15,570 against USD.
- Banks were mostly lower at the close as the traders booked recent profit, while digital banks dropped most on short-lived trades. BBKA IJ -1.72%, BBRI IJ -1.31%, ARTO IJ -6.82%, BBYB IJ -4.12%
- Most tech stocks were broadly higher on technical rebound led by GOTO IJ +2.07%, BUKA IJ +6.72%, EMTK +7.49%, SCMA IJ +5.26%.
- UNTR IJ +3.75% after a solid heavy equipment sales report on September, 545 units vs 304 units, +79%YOY.
- Top value were: BBKA IJ -1.72%, BBRI IJ -1.31% IJ, BUMI IJ -0.53%
- Top Gainers : GOTO (+2.07%), UNTR (+3.75%), EMTK (+7.49%)
- Top Losers: BBKA (-1.72%), BBRI (-1.31%), ASII (-1.87%)

## News

### Macroeconomic, Sector and Corporate News

- SIDO – recorded 9M22 net profit of IDR720.5bn, down 16.8% YoY. (Kontan)
- ROTI – recorded 9M22 net profit of IDR263bn, +25.4% YoY. (Kontan)
- BMRI – recorded 9M22 net profit of IDR 30.7tn (+ 59.4% YoY), representing 81%/80% of our/cons FY22F ests (Kontan)
- BBTN – recorded 9M22 net profit of IDR 2.27tn, +50.1% YoY, 76%/80% of our/cons FY22 ests. (Kontan)
- UNTR – Komatsu Sep2022 sales were 545 units, down 7.6% MoM, bringing its 9M22 to 4,534 units, +106.7% YoY, 82% of our FY22F target. (Bisnis)
- PTBA – recorded 9M22 net profit of IDR10tn, +109% YoY, 78%/80% of our/cons FY22 ests. (Bisnis)
- WSKT – won tender for construction of Presidential Secretariat building (and supporting buildings around presidential palace area) in the new capital city worth IDR 1.35tn. (Investor Daily)
- CLEO - recorded 9M22 net profit of IDR 150.9bn, +10.5 YoY. (Investor Daily)
- PEHA – recorded 9M22 net profit of IDR 17.1bn, +57.3% YoY. (Kontan)

## Outliers

### Outlier Stocks

- Sharp Movers (Up) : KRYA (+24.7%), INDX (+24.4%), ENRG (+17%)
- Sharp Movers (Down) TAYS (-6.9%), ARTO (-6.8%), IPPE (-6.8%)

**Macro Calendar**

October 27, 2022

Mon	Tue	Wed	Thu	Fri
<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Korea> <b>Market closed (National Foundation Day)</b> September exports and imports (announced October 1) US> September ISM manufacturing PMI China> <b>Market closed (National Day)</b>	US> August durable goods (F) China> <b>Market closed (National Day)</b>	<b>OPEC+ ministerial meeting</b> Korea> September CPI US> September ISM services PMI MBA mortgage applications China> <b>Market closed (National Day)</b>	US> New jobless claims China> <b>Market closed (National Day)</b>	US> September non-farm payrolls September jobless rate China> <b>Market closed (National Day)</b> September FX reserves
<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>
Korea> <b>Market closed (substitute holiday for Hangul Day)</b> US> <b>Market closed (Columbus Day)</b> China> September Caixin services PMI (announced October 8) Japan> <b>Market closed (Sports Day)</b>	<b>OECD leading economic index</b>	<b>The OPEC Monthly Oil Market Report</b> Korea> <b>MPC meeting</b> US> <b>FOMC minutes release</b> MBA mortgage applications September PPI	Korea> <b>Stock options expiry</b> US> September CPI Initial jobless claims	Korea> September jobless rate US> September retail sales October Michigan Consumer Confidence (P) China> September PPI September CPI September exports and imports September trade balance
<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>21</b>
US> October manufacturing index (New York) China> September mining and manufacturing production September retail sales September fixed asset investment 3Q22 GDP Japan> August mining and manufacturing production (F)	US> September industrial production	US> <b>Fed Beige Book release</b> MBA mortgage applications September housing starts Europe> September CPI (F)	US> Initial jobless claims September existing home sales China> <b>PBOC LPR release</b>	Japan> September CPI
<b>24</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>28</b>
	US> October Conference Board Consumer Expectations Index	US> September new home sales	Korea> 3Q22 GDP (A) US> Initial jobless claims September durable goods orders (P) 3Q22 GDP (A) Europe> <b>ECB MPC meeting</b>	US> September PCE October Michigan Consumer Confidence (F) Japan> <b>BoJ MPC meeting</b>
<b>31</b>				
Korea> September mining and manufacturing production China> October manufacturing PMI October services PMI Europe> October CPI (P) Japan> September manufacturing production (P)				

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change. 2) Earnings release date is from Bloomberg or company announcement