

Mayora Indah (MYOR IJ)

Strong organic growth ahead

Maintain BUY with higher TP of IDR3,700

Reiterate BUY as MYOR benefits from its large export market base, which should boost its medium-term earnings growth and limit sales dependency on its home market. MYOR's factory expansion also bodes well for growth. After revising up our FY23E/24E EPS by 10%/12% and rolling forward our valuation base to end-FY24E, our TP rises to IDR3,700, based on 28x FY24E PER, its three-year mean. Main downside risk: significant rise in soft commodity prices.

Organic business growth coupled with ...

We forecast FY22-25 sales to accelerate to 11% CAGR from 5% over FY18-21 due to MYOR's strong business growth and leading position (Figs 3,5,6) in ASEAN countries (Figs 15-16) that are growing robustly. In its home country (54% of FY24E sales), MYOR will also enjoy rising consumption 1) due to the growing population (Fig 7); and 2) as households spend more on F&B products (Fig 8-10). In our view, the former will also enable MYOR to expand its target customer sustainably.

... factory expansion means higher sales growth

We are also positive on MYOR's plans to build two new factories in Indonesia and add production lines in the Philippines for biscuits, wafers and instant coffee products; construction started in 1H23. We expect MYOR's FY24E/FY25E production capacity to rise by 10%/5% YoY to 2.2m/2.3m tonnes (vs FY23E: 2.0m). MYOR has allocated IDR3.7t for capex in FY23-24E, and targets to operate these new production facilities starting in 2H24E. But given its strong 1H23 cash position of IDR5.0t, we think these plans will not weaken its balance sheet.

Revised estimates; FY25E EPS to double vs FY19A

Our revised sales and EBIT margins lead to higher FY23E-24E core profits of IDR2.3t (+8%) and IDR3.1t (+10%), respectively. Our revised forecasts imply a strong 32% FY22-25E core EPS CAGR for MYOR. Due to MYOR's large export market base, our sensitivity analysis (Figs 24,25) suggests MYOR is the only Indonesian consumer company to benefit from IDR depreciation as its sales (Fig 22) are more tied to the USD than its costs (Fig 23).

FYE Dec (IDR b)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	27,905	30,669	34,003	37,999	42,145
EBITDA	2,695	3,361	4,234	5,261	6,303
Core net profit	1,150	1,661	2,362	3,091	3,853
Core EPS (IDR)	51	74	106	138	172
Core EPS growth (%)	(41.6)	44.4	42.2	30.9	24.6
Net DPS (IDR)	21	35	41	56	69
Core P/E (x)	39.7	33.6	24.5	18.7	15.0
P/BV (x)	4.1	4.4	4.1	3.5	3.1
Net dividend yield (%)	1.0	1.4	1.6	2.2	2.7
ROAE (%)	10.7	16.4	17.2	20.5	21.8
ROAA (%)	5.8	7.9	10.1	12.0	13.5
EV/EBITDA (x)	17.7	17.3	14.3	11.5	9.5
Net gearing (%) (incl perps)	17.2	17.0	15.8	12.4	7.5
Consensus net profit	-	-	2,575	2,978	3,513
MIBG vs. Consensus (%)	-	-	(10.6)	4.7	9.7

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BUY

Share Price	IDR 2,590
12m Price Target	IDR 3,700 (+44%)
Previous Price Target	IDR 2,900

Company Description

Mayora Indah produces and markets consumer food products.

Statistics

52w high/low (IDR)	2,810/2,120
3m avg turnover (USDm)	1.2
Free float (%)	15.7
Issued shares (m)	22,359
Market capitalisation	IDR57.9T
	USD3.7B

Major shareholders:

Unita Branindo	32.9%
Mayora Dhana Utama	26.1%
Jogi Hendra Atmadja	25.2%

Price Performance



— Mayora Indah - (LHS, IDR) — Mayora Indah / Jakarta Composite Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	(1)	1	27
Relative to index (%)	(1)	(0)	26

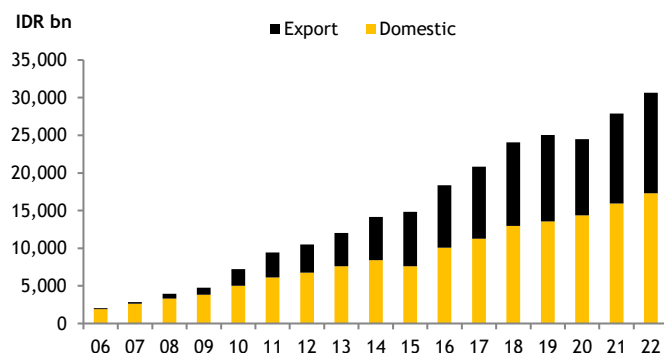
Source: FactSet

ESG@MAYBANK IBG
 Tear Sheet Insert

Value Proposition

- Major Indonesian confectioner that focuses on biscuits, candy, coffee, nutrition (cereal), wafers and chocolate.
- Manufactures and sells high-equity brand products, such as Roma, Kopiko, and Torabika. Brands are owned by parent company, but MYOR pays no royalty fees.
- Confectionary market has relatively high competition due to low barriers to entry. MYOR typically employs a defensive pricing policy in the fight for market share.
- Among consumer companies, it has the largest export business (~40-50% of revenue). Exports should partially balance the impact of currency volatility.
- Return on capital is above cost of capital. Expect this to be sustainable on asset-light model & continuous growth.

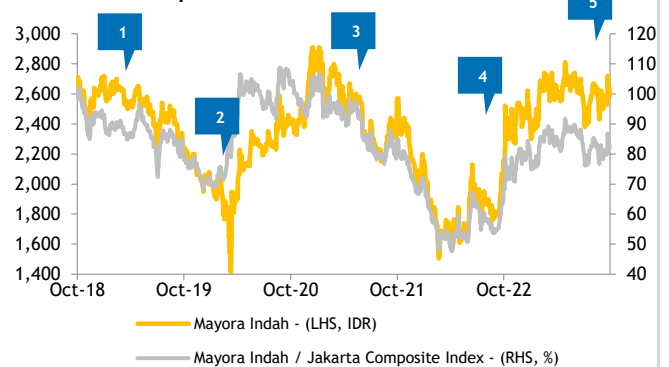
MYOR's annual revenue



Source: Company, Maybank IBG Research

Price Drivers

Historical share price trend



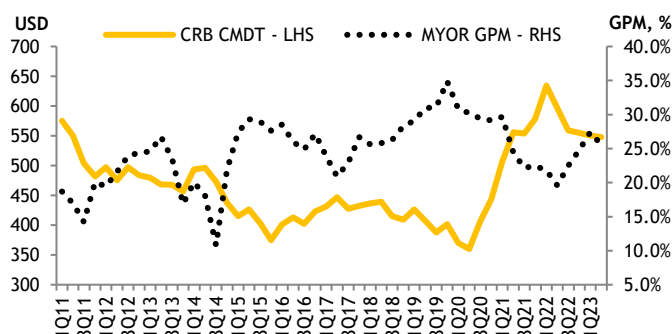
Source: Company, Maybank IBG Research

- EBIT margin compressed over 2Q-3Q18.
- 1Q20 sales dropped 11% YoY from China's lockdown (c.14% of sales).
- Elevated input costs in 1H21 affected MYOR's profit margins.
- Solid 3Q22 earnings recovery despite elevated soft commodity prices.
- MYOR benefited from IDR depreciation in 3Q23 as MYOR's sales are more tied to USD movement than its production costs.

Financial Metrics

- Revenue to accelerate at 11.1% CAGR over FY22-25E, mainly due to sales volume expansion.
- We expect healthy revenue growth from both the domestic and export markets.
- The company generally needs to increase ASP by 5-6% to pass through a 10% increase in raw material costs.
- EBIT margin expanded by 270bps YoY in FY23E, mainly due to lower input costs.
- Free cash flow to remain positive over FY23-25E. Net gearing to decrease to 16% by FY23E, from 17% in FY22A.

Commodity (CRB CMTD) Index vs. MYOR's GPM



Source: Company, Maybank IBG Research

Swing Factors

Upside

- Overseas business expansion that leads to higher revenue growth.
- Cooling off of competition in the coffee business would lead to better-than-expected margin performance.
- New business segment addition.

Downside

- Royalty fee hike. Currently the company pays zero fees to its parent group for the brands.
- Consumer safety issues that negatively affects the reputation of the company.
- Surge in raw material price that leads to higher production costs.

Risk Rating & Score ¹	31.2
Score Momentum ²	-7.0
Last Updated	15 May 2023
Controversy Score ³ (Updated: 11 Apr 2023)	1 - Environmental impact of products

Business Model & Industry Issues

- As a leading FMCG company in Indonesia, the company sets a policy to achieve zero environmental waste for all factories. In addition, MYOR periodically appoints third-party experts and inspectors to ensure the production process is environmentally compliant with the prevailing regulation set by the Ministry of Environment.
- While MYOR entirely employs locals, gender equality is not reflected on the management boards. There is an opportunity for MYOR to promote female representation in the boards to improve the S aspect of ESG implementation.
- Given its high dependence on related parties for the distribution of its finished products (c. 70% of sales) to the markets, there is a need for MYOR to diversify its distribution network to 1) lower operational risks and 2) improve the G aspect of ESG implementation. Also, the related parties from MYOR’s main shareholders are actively involved in the company’s management. That said, MYOR enforces a whistleblowing system to prevent any illegal activities and conflict of interest with its shareholder. However, we still see a need for the company to strive for a more professional board in the long term.

Material E issues

- In 2022, MYOR received Blue Rank (the third highest rank) of Performance Rating Program in Environmental Management (PROPER) award from the Ministry of Environment for complying with the prevailing regulations.
- All of MYOR’s production facilities are equipped with Waste Water Treatment Plant (WWTP), ensuring compliance with the regulation on waste water. MYOR nearly has no environmental waste from its production activity.
- MYOR has a fertilization program where the company distributes organic fertilizer to the local farmers and community. The fertilizer is the product of MYOR’s collaboration with its stakeholder to recycle the production waste through its treatment facility and converts the waste into organic fertilizer.

Material S issues

- While MYOR has a 100% local work force and adheres to the local minimum wage regulation, there was no female representation on the BoC and BoD. The proportion of male-to-female in the workforce was 70%:30% in 2022.
- MYOR enforces the ISO standard 14000 for the occupational health and safety since 2004. The Work Accident Rate (WAR), which measures the number of employee involved in work accident, improved to less than 0.001% of total employees in 2022, from 0.05% in 2021.
- MYOR enforces ISO standard 22000 for Food Safety Management System. In 2022, there were no reports on food safety issue. In 2014, MYOR obtained Hygiene and Sanitary Certificate (H&S) from Indonesian FDA (BPOM).
- MYOR and the National Team for Accelerated Poverty Reduction (TNP2K) signed a MoU to help prevent the nutritional deficiency for the local community in three provinces in Banten, West, and East Java. The program was initiated in March 2020.
- In 2020, CSR-related expenses accounted for 1.7% of total net profit for various social and community developments.

Key G metrics and issues

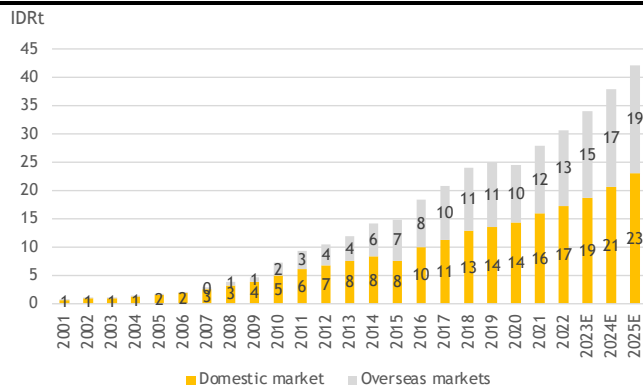
- The company’s business operations are managed by the Board of Director (BoD), which are supervised by the Board of Commissioners (BoC), and assisted by an independent audit committee. There are no BoC members on the BoD. The BoC consists of five members, and two of them (40%) are independent commissioners. The BoD consists of five members. There is no independent director at BoD.
- The President Commissioner, Jogi Hendra Atmadja, controls a total of 25.2% stake in MYOR. The Commissioner, Gunawan Atmadja, the President Director, Andre Atmadja, and two members of the BoD, Hendarta and Wardhana Atmadja, are all related to the President Commissioner of MYOR. Public ownership in MYOR is only 15.7%.
- The BoC holds at least one meeting every two months, and also holds a meeting every four months with the BoD. In 2022, the joint meetings of the BoC and BoD were held six times.
- In 2022, total remuneration of the BoC and BoD accounted for 1.6% of the net profit (peer average: 2.0%)
- Moore Global has been the auditor of the company for the last 15 years.
- MYOR manufactures and sells popular brand products, such as Roma, Kopiko, and Torabika. The brands are owned by its parent company, but MYOR does not pay any royalty fees.
- Unlike its peers which distribute in-house, MYOR appoints an exclusive distributor; a related party for its products in Indonesia and export markets. As of 2022, the related-party transactions with its distributor are high at 70% of total sales. The remaining 30% is channelled through third-party distributors.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company’s exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company’s enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company’s score since the last update - a **negative** integer indicates a company’s improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

1. Expect sales growth to accelerate

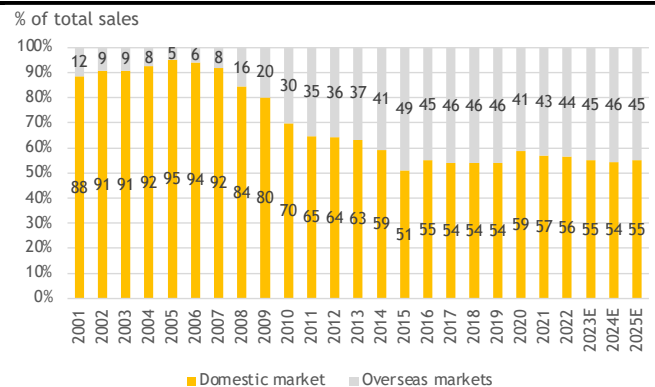
We continue to perceive MYOR as a high-growth consumer company among MIBG's Indonesia consumer sector coverage. We still expect MYOR to deliver solid growth in its businesses despite MYOR's high sales base in FY23E. MYOR's factory expansion in Indonesia and the Philippines also suggests it has confidence in these two countries (77% of FY24E sales).

Fig 1: MYOR's domestic and overseas sales



Source: Company, Maybank IBG Research

Fig 2: MYOR's domestic and overseas sales contribution



Source: Company, Maybank IBG Research

We forecast MYOR's FY22-25E sales to accelerate to an 11% CAGR from 5% in FY18-21A, as we factor in MYOR's factory expansion in Indonesia and the Philippines in FY23-24E. We estimate these two new factories will raise FY24E/FY25E production capacity (Fig 11) by 10%/5% to 2.2m/2.3m tonnes (FY23E: 2.0m).

On top of this, we also expect organic sales growth in MYOR's domestic and overseas business. This should be driven by Indonesia's robustly growing population (Fig 7) and household consumption (Fig 8), as well as solid 2024E macroeconomic data (Figs 15,16) and rising income (Figs 18,19) in China and ASEAN countries.

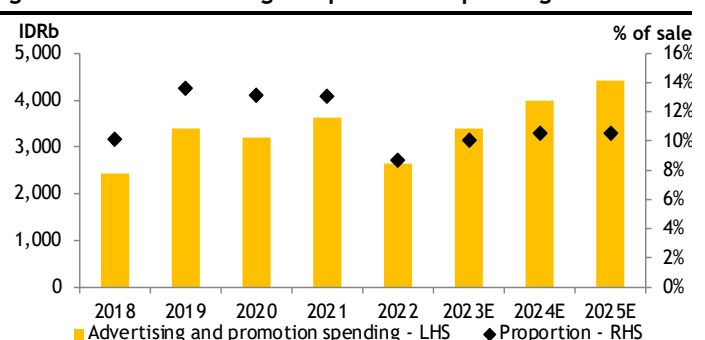
These aspects will help increase consumption in the mass-market of basic consumer products, which will benefit MYOR. Meanwhile, in terms of market share in MYOR's domestic (Fig 3) and overseas markets (Figs 5,6), we have also seen solid performance by MYOR over the past 12 quarters.

Fig 3: MYOR's market share in Indonesia

Category	Current position	Market share				
		1Q22	2Q22	3Q22	4Q22	1H23
Biscuit	1	42%	39%	42%	41%	37%
Candy	2	20%	20%	22%	22%	21%
Wafer	2	21%	19%	20%	22%	20%
Chocolate	1	29%	30%	34%	35%	30%
Coffee	5	7%	7%	7%	7%	5%
Cereal	1	69%	na	na	69%	69%

Source: Company, Nielsen

Fig 4: MYOR's advertising and promotion spending



Source: Company, Maybank IBG Research

Fig 5: Market share of sweet snacks in MYOR's main export countries

Rank	Company	Market share*	Trend**
Sweet biscuits			
China			
1	Mondelez China	13.9%	Up
2	Nestle China	4.1%	Stable
3	Anhui Liuliu Orchard Food Group	3.7%	Up
4	MYOR	3.6%	Up
Thailand			
1	URC	27.1%	Up
2	Ezaki Glico	13.5%	Down
3	Mondelez Thailand	6.2%	Stable
12	MYOR	1.4%	Stable
Malaysia			
1	URC	22.6%	Stable
2	Mondelez Malaysia	22.3%	Up
3	Perfect Food	12.4%	Up
7	MYOR	2.3%	Down
Malaysia			
1	URC	23.0%	Up
2	MONDE	21.0%	Stable
3	Republic Biscuit	12.7%	Down
5	MYOR	6.0%	Up
Savoury biscuits			
Malaysia			
1	Hup Seng	32.6%	Up
2	Mondelez Malaysia	24.5%	Down
3	URC	11.0%	Stable
5	MYOR	6.9%	Stable

Source: Euromonitor

*Based on 2022 figures

**Based on its three-year (2019 - 2022) trend | We define the market share is stable if the figures moves by 10-30 bps.

Fig 6: Market share of coffee in MYOR's main export countries

Rank	Company	Market share*	Trend**
Coffee			
China			
1	Nestle China	64.8%	Down
2	Changsha Saturnbird Coffee	9.1%	Up
3	Illy Caffè	2.1%	Up
6	MYOR	1.1%	Stable
Philippines			
1	MYOR	35.6%	Up
2	Nestle Philippines	34.1%	Stable
3	URC	22.3%	Down
Malaysia			
1	Nestle Malaysia	48.9%	Up
2	Power Root	16.1%	Down
3	White Café	9.7%	Stable
5	MYOR	2.5%	Stable
Sugar confectionary			
Malaysia			
1	Perfectti Van Melle Group	17.9%	Stable
2	Mars Inc	9.5%	Stable
3	Lofthouse of Fleetwood	9.3%	Up
16	MYOR	1.1%	Stable
Philippines			
1	URC	41.2%	Stable
2	Perfectti Van Melle Group	12.9%	Stable
3	Columbia Int'l Food Products	8.5%	Up
10	MYOR	0.7%	Stable
Thailand			
1	Mondelez Thailand	26.9%	Stable
2	Srinanaporn Marketing	15.4%	Up
3	Perfectti Van Melle Group	9.8%	Down
11	MYOR	2.0%	Stable

Source: Euromonitor

*Based on 2022 figures

**Based on its three-year (2019 - 2022) trend | We define the market share is stable if the figures moves by 10-30 bps.

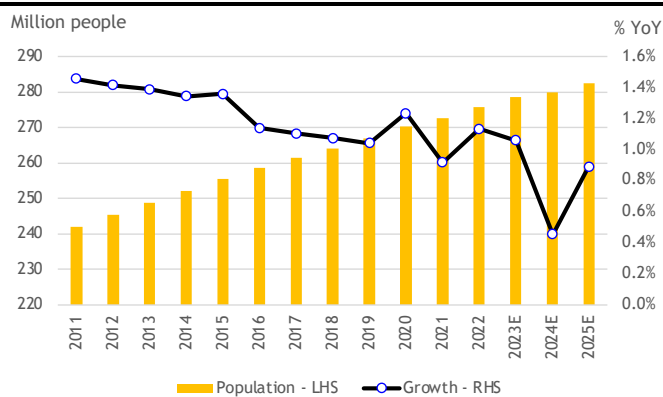
1.1 Stronger domestic sales ...

For MYOR's domestic sales, we forecast 10% FY22-25E CAGR, from 7% in FY18-21. We are aware FY23E could become a high sales base as we expect stronger 2H23E sales due to spending during the election campaigns.

We forecast MYOR's consolidated sales to grow by 30% HoH to IDR19.1t in 2H23E, from IDR14.8t in 1H23. We think MYOR will capture the positive impact of the campaigns to its sales, due to its extensive presence in the mass-market segment (c.80% of total sales).

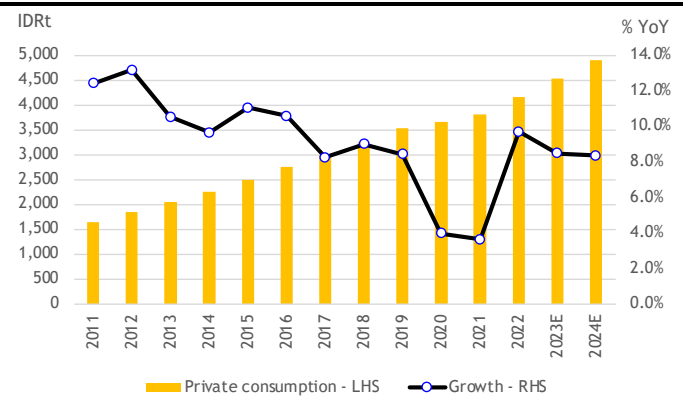
However, at the same time, we still expect strong FY24E/FY25E domestic sales growth of 11%/12% (vs. FY23E: 8%), which is slightly above management's target of 10%. We believe our sales growth forecasts are still reasonable, as Indonesia's population is growing rapidly (Fig 7) and due to higher household consumption (Fig 8). Indonesians are buying more recreational consumer products (Fig 10), which include MYOR's products, than they were five years ago (Fig 9).

Fig 7: Indonesia's population and...



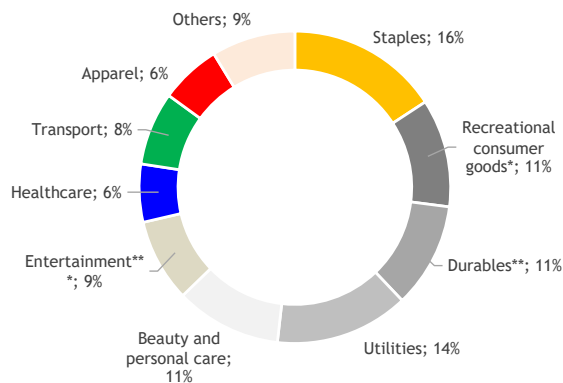
Source: Indonesia Statistics Bureau (BPS), Maybank IBG Research

Fig 8: ... household consumption of food and beverage



Source: CEIC, Maybank IBG Research | This excludes F&B restaurant sales.

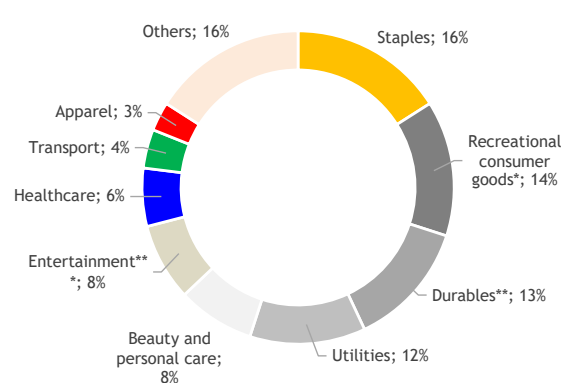
Fig 9: Monthly household spending allocation in 2018...



Source: Deloitte, Maybank IBG Research

*Including beverage (alcoholic and non-alcoholic), confectionery, and tobacco products | **Including audio & video electronic products, mobile phones & digital gadgets, small and major household appliances | ***Including fitness, holiday, leisure, karaoke, and nightclubs.

Fig 10: ... and 2023



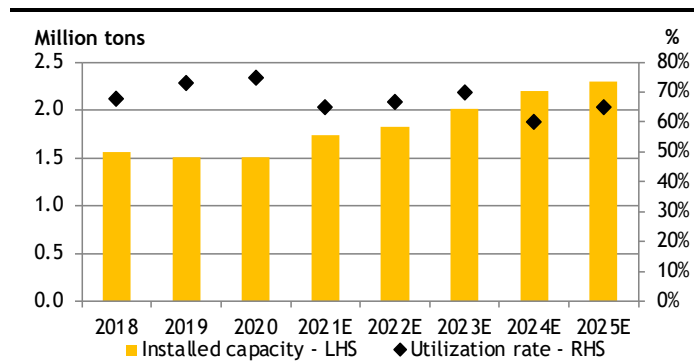
Source: Deloitte, Maybank IBG Research

*Including beverage (alcoholic and non-alcoholic), confectionery, and tobacco products | **Including audio & video electronic products, mobile phones & digital gadgets, small and major household appliances | ***Including fitness, holiday, leisure, karaoke, and nightclubs.

In addition to this, we see MYOR's factory expansion will create a new source of FY24-25E sales growth. We have factored in MYOR's two new biscuit and wafer factories into our estimates, leading to a potential 10%/5% YoY rise in MYOR's production capacity to 2.2m/2.3m tonnes in FY24E, from 2.0m tonnes in FY23E.

Regarding these new factories, MYOR has: 1) allocated IDR3.7t for construction; 2) they will be in West Java (Balaraja) and East Java (Purwosari); and 3) set to operate these factories starting in FY24E. Given MYOR's cash holdings of IDR5.0t in 1H23, we think MYOR's new factory investment will not weaken its balance sheet.

Fig 11: MYOR's production capacity and utilization rate



Source: Company, Maybank IBG Research

Fig 12: MYOR's production facilities

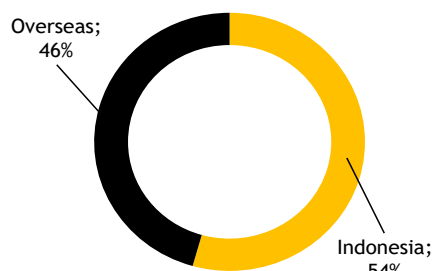
No	Factory name	Factory count	Country	Business segment
1	Jatiuwung	2	Indonesia	Biscuit, candy, and wafer
2	Batuceper	3	Indonesia	Wafer, chocolate, and chocolate bean
3	Cikupa	2	Indonesia	Coffee and instant coffee
4	West Cikarang	1	Indonesia	Biscuit and candy
5	Jayanti	3	Indonesia	Biscuit, cereal, and wafer
6	Canlubang	1	Philippines	Coffee

Source: Company

1.2 and export sales growth

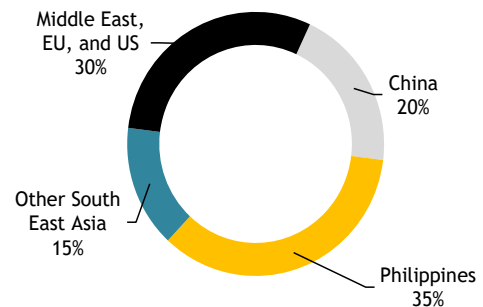
We expect MYOR's export sales to expand at a 12% CAGR over FY22-25E, accelerating from 3% CAGR over FY18-21. Overall, MYOR's largest sales contributor for its overseas business still lies within the ASEAN region (Fig 14; c.50% of FY24E export sales). In the Philippines (c.30% of FY24E export sales), we also note that MYOR will add production lines to its factory in late-4Q23, and it aims to commission the new lines in 4Q24, for its instant coffee products.

Fig 13: MYOR's sales mix by geographic locations in FY24E



Source: Company, Maybank IBG Research

Fig 14: MYOR's overseas sales mix by countries in FY24E



Source: Company, Maybank IBG Research

On the other hand, we have also seen: 1) rising real GDP; 2) moderating inflation; 3) declining unemployment; 4) accommodative monetary policy; and 5) relatively stable exchange rates in China and ASEAN countries (Figs 15,16). We expect these will translate into higher wage increases (Figs 18,19) across ASEAN countries, which should be positive for MYOR's sales of mass-market and basic consumer products.

Fig 15: Macroeconomic data...

	Real GDP (% YoY)						Inflation rate (% YoY)						Unemployment rate (%)					
	19	20	21	22	23E	24E	19	20	21	22	23E	24E	19	20	21	22	23E	24E
China	6.0	2.5	8.5	3.0	4.8	4.4	2.9	2.5	0.9	2.0	0.8	2.0	5.2	5.2	5.1	5.5	5.4	5.3
Indonesia	5.0	-2.1	3.7	5.3	5.0	5.2	2.8	2.0	1.6	4.2	3.7	3.0	5.2	7.1	6.5	5.9	5.3	5.1
Philippine	6.1	-9.5	5.7	7.6	5.2	6.5	2.4	2.4	3.9	5.8	6.0	3.5	5.1	10.4	7.8	5.4	4.5	4.8
Singapore	1.3	-3.9	8.9	3.6	0.8	2.2	0.6	-0.2	2.3	6.1	4.8	3.3	2.3	3.0	2.7	2.1	2.0	2.0
Thailand	2.1	-6.1	1.5	2.6	3.2	3.6	0.7	-0.8	1.2	6.1	2.5	2.0	1.0	1.7	1.9	1.3	1.1	1.0
Vietnam	7.4	2.9	2.6	8.0	4.8	6.0	2.8	3.2	1.8	3.1	3.4	3.5	2.2	2.5	3.0	2.3	2.3	2.2
Cambodia	7.1	-3.1	3.0	5.1	5.7	5.7	1.9	2.9	2.9	5.3	2.5	3.0	0.1	0.3	0.3	0.5	0.5	0.5
Malaysia	4.4	-5.5	3.1	8.7	4.0	4.4	1.0	-1.2	2.5	3.3	3.0	3.0	3.3	4.5	4.6	3.8	3.5	3.4

Source: Maybank IBG Research

Fig 16: ... of ASEAN-7 countries and China (MYOR's target countries) remains solid

	Policy rate (%)						Current account balance (% GDP)						Exchange rate (per USD)					
	19	20	21	22	23E	24E	19	20	21	22	23E	24E	19	20	21	22	23E	24E
China	4.2	3.9	3.8	3.7	3.3	3.3	0.7	1.5	2.0	2.2	1.0	1.5	6.98	6.52	6.38	6.96	7.25	7.20
Indonesia	5.0	3.8	3.5	5.5	5.8	5.0	-2.7	-0.4	0.3	1.0	-0.4	-1.2	13.8k	14.0k	14.2k	15.5k	15.5k	14.6k
Philippine	4.0	2.0	2.0	5.5	6.3	5.3	-0.8	3.3	-1.4	-4.6	-3.8	-3.5	50.7	48.0	51.0	55.7	57.0	54.5
Singapore	1.3	0.1	0.2	3.1	3.8	3.2	16.2	16.4	18.0	19.3	18.6	18.0	1.35	1.30	1.35	1.34	1.36	1.28
Thailand	1.3	0.5	0.5	1.3	2.5	2.3	7.0	4.2	-2.1	-3.4	2.0	3.5	30.0	30.0	33.4	34.6	36.5	33.5
Vietnam	6.0	4.0	4.0	6.0	4.5	4.5	3.6	4.3	-2.1	-0.3	3.5	3.5	23.2k	23.1k	22.8k	23.6k	24.5k	23.0k
Cambodia	2.3	2.0	2.0	2.0	2.0	2.0	-15.0	-8.5	-46.0	-23.0	-17.0	-15.0	4.1k	4.0k	4.1k	4.1k	4.1k	4.0k
Malaysia	3.0	1.8	1.8	2.8	3.0	3.0	2.3	4.2	3.8	2.6	2.4	2.3	4.09	4.02	4.17	4.40	4.65	4.35

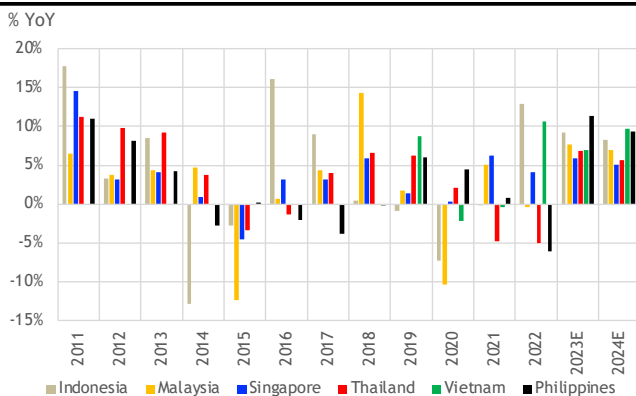
Source: Maybank IBG Research

Fig 17: Monthly average salary of the six largest ASEAN countries

USD	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Singapore	3,006	3,443	3,551	3,697	3,728	3,559	3,671	3,788	4,013	4,070	4,083	4,341	4,519
Malaysia	601	641	665	694	727	637	642	670	766	779	698	733	730
Thailand	295	328	361	394	408	395	389	405	432	458	468	445	423
Vietnam	75		96		125		141		171	186	182	182	201
Indonesia	130	153	158	171	149	145	169	184	185	183	170	170	192
Philippine	95	106	114	119	116	116	114	109	109	116	121	122	114

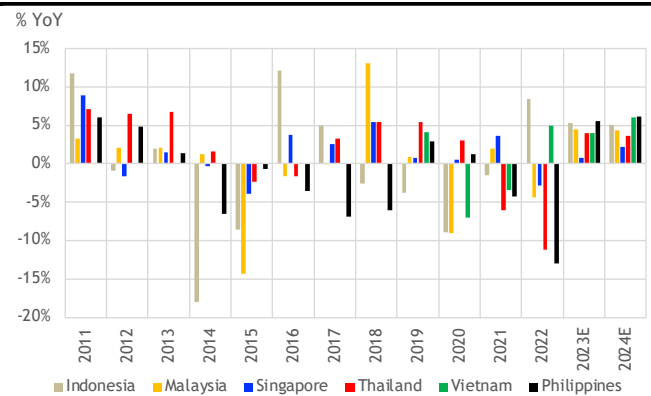
Source: CEIC, Maybank IBG Research

Fig 18: Average salary increase



Source: Indonesia Statistics Bureau (BPS), Maybank IBG Research

Fig 19: Inflation-adjusted average salary increase



Source: CEIC, Maybank IBG Research

2. The only beneficiary in Indonesia consumer sector when IDR depreciates

MYOR is the only listed consumer company in Indonesia that benefits when the IDR depreciates against the USD. Our sensitivity analysis suggests MYOR's FY24E net profit will actually rise by 1.7% for every 1.0% depreciation of the IDR against the USD, a stark contrast to other consumer names (Figs 24,25). This is because of MYOR's large export sales (c.46% of FY24E sales); MYOR has more USD-denominated sales than costs (Fig 22-23).

Fig 20: DXY



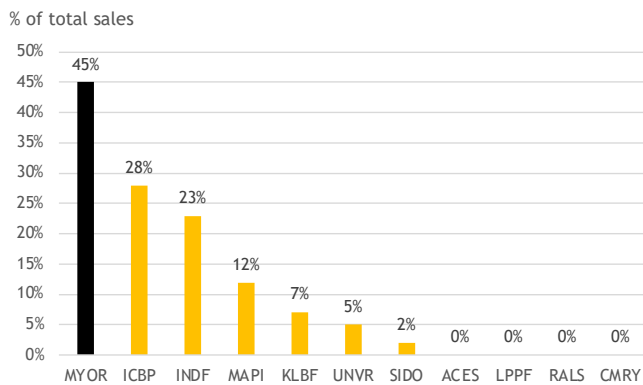
Source: Bloomberg, Maybank IBG Research

Fig 21: IDR/USD rate



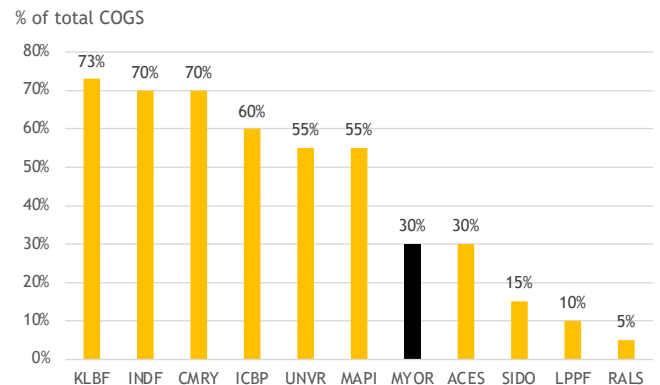
Source: Bloomberg, Maybank IBG Research

Fig 22: USD-denominated sales exposure...



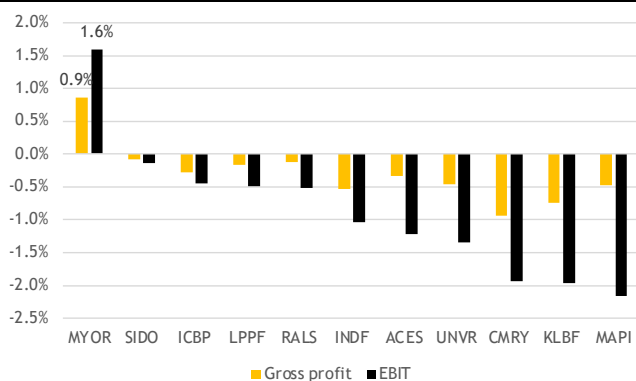
Source: Company, Maybank IBG Research

Fig 23: ... and cost exposure for Indonesia consumer names



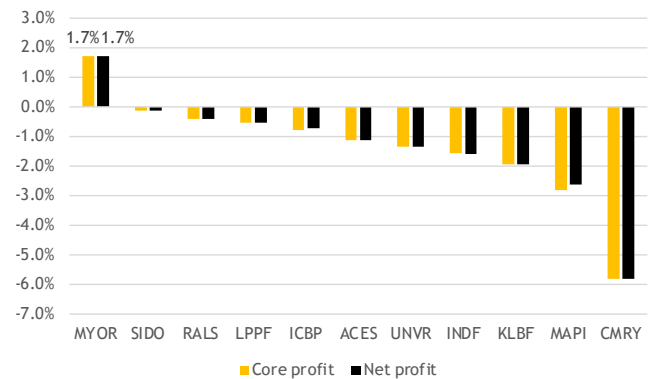
Source: Company, Maybank IBG Research

Fig 24: Sensitivity analysis of 1% IDR/USD depreciation to...



Source: Maybank IBG Research

Fig 25: ... FY24E gross profit, EBIT, and net profit of Indonesia consumer names



Source: Maybank IBG Research

3. Raising FY23-25 earnings forecasts

We raise our FY23/FY24 net profit forecasts by 9.6%/11.7% to IDR2,409b/IDR3,145b, mainly to account for EBIT margin improvement due to faster-than-expected decline in soft commodity prices. Our revised FY23E/FY24E net profit suggests 45.0%/30.6% YoY EPS growth. We have also introduced FY25 forecasts.

Fig 26: Changes in our forecasts

	2023E	2024E	2025E
Sales, IDR b			
New	34,156	38,170	42,145
Old	36,133	41,553	-
Change	-5.5%	-8.1%	-
Gross margins			
New	25.1%	26.8%	27.7%
Old	23.5%	24.5%	-
Change (bps)	160	230	-
A&P spending (% of sales)			
New	10.0%	10.5%	10.5%
Old	10.0%	10.5%	-
Change (bps)	0	0	-
EBIT margins			
New	10.0%	11.5%	12.6%
Old	8.7%	9.5%	-
Change (bps)	130	200	-
Net profit, IDR b			
New	2,409	3,145	3,853
Old	2,197	2,815	-
Change	9.6%	11.7%	-

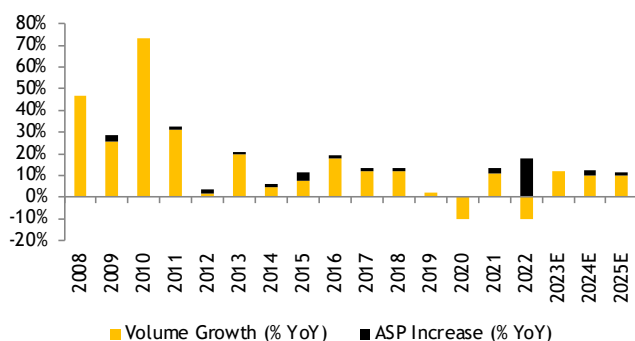
Source: Maybank IBG Research

Overall, we made three adjustments to our earnings forecasts:

- Lower FY23E/FY24E sales by 5.5%/8.1%. This is mainly to reflect weaker-than-expected 2Q23 sales, which achieved only 18% of MIBG's old FY23 sales estimates (vs five-year mean of 23%), due to steep 18% price increases in FY22.

Despite our lower FY23-24E sales forecasts, our revised earnings forecasts still suggest MYOR's FY23E/FY24E/FY25E sales will grow by 11.4%/11.8%/10.4%, higher than management's guidance of 10% growth. Also, we forecast MYOR's sales CAGR to accelerate to 11% for FY22-25E from 5% for FY18-21A.

Fig 28: MYOR's coffee...



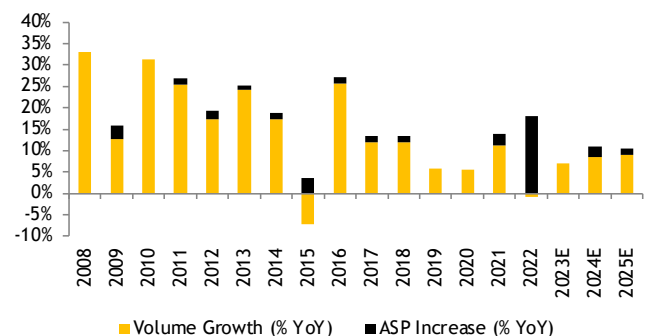
Source: Company, Maybank IBG Research

Fig 27: Our revised FY22-23 estimates

	2023E	2024E	2025E
Food sales, IDR b			
New	19,962	22,200	24,561
Old	-	-	-
Growth	7.0%	11.2%	10.6%
Coffee sales, IDR b			
New	15,484	17,458	19,492
Old	-	-	-
Growth	12.0%	12.8%	11.7%
Profit & Loss, IDR b			
Sales	34,156	38,170	42,145
Growth	11.4%	11.8%	10.4%
EBIT	3,405	4,396	5,322
Growth	39.9%	29.1%	21.1%
Net profit	2,409	3,145	3,853
Growth	45.0%	30.6%	22.5%

Source: Maybank IBG Research

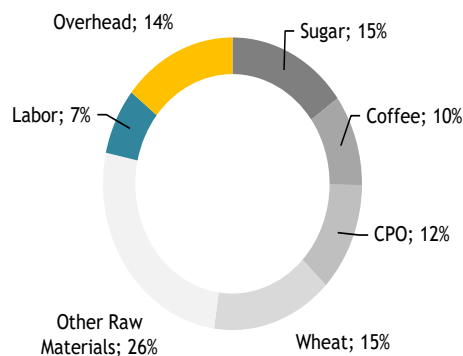
Fig 29: ... and food sales growth decompositions



Source: Company, Maybank IBG Research

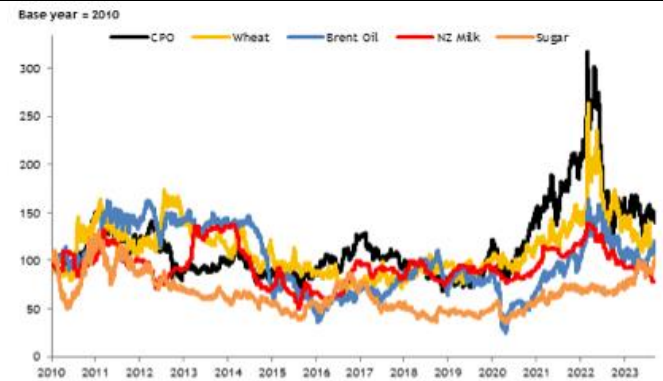
- We raise our FY23E/FY24E EBIT margin by 130bps/200bps to 10.0%/11.5%, reflecting the increase in our FY23/FY24 gross margin estimates to 25.1%/26.8% (from 23.5%/24.5%). This reflects the faster-than-expected decline in soft commodity prices, especially for wheat and milk.

Fig 30: MYOR's COGS mix in FY24E



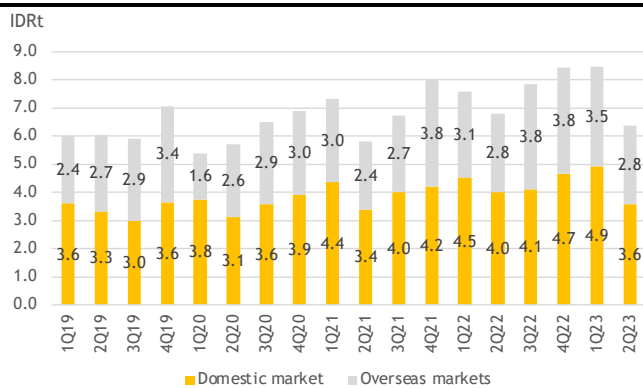
Source: Company, Maybank IBG Research

Fig 31: Main soft commodity prices



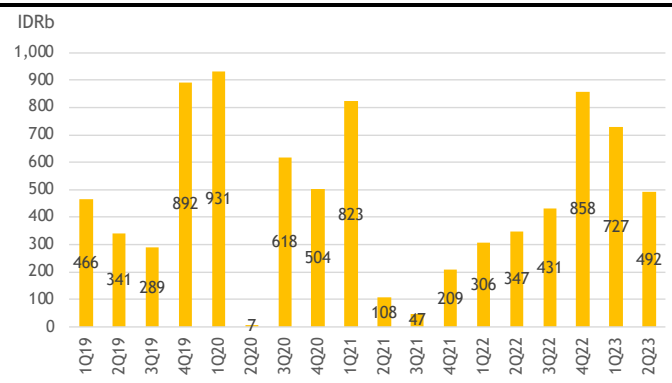
Source: Bloomberg, Maybank IBG Research

Fig 32: MYOR's quarterly sales



Source: Company, Maybank IBG Research

Fig 33: MYOR's quarterly net profit

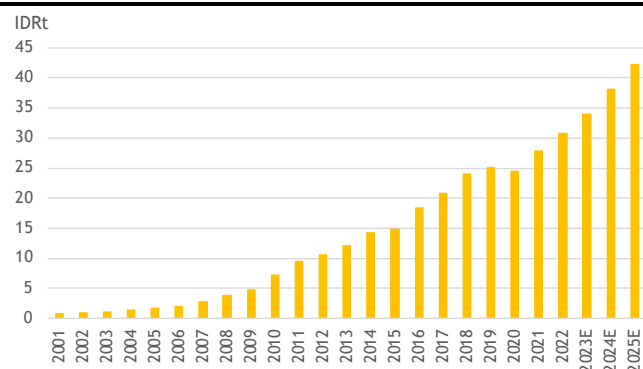


Source: Company, Maybank IBG Research

4. Maintain BUY with higher TP of IDR3,700

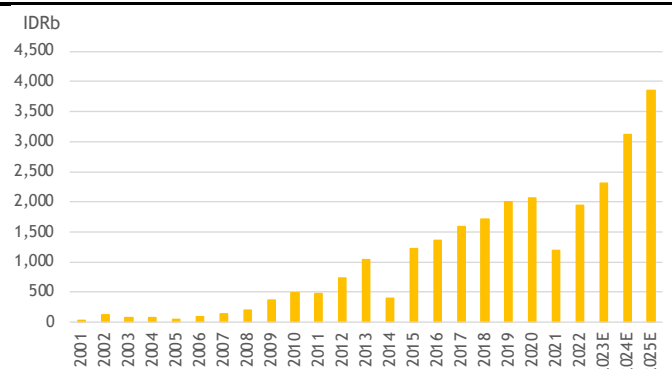
Maintain BUY as MYOR benefits from its large export market base, which should boost its medium-term earnings growth. IDR depreciation recently should be beneficial to MYOR as it has more sales denominated in USD than costs. Moreover, MYOR's capacity expansion in Indonesia and the Philippines will pave way for higher sales growth trajectory in FY23-25E.

Fig 34: Annual sales



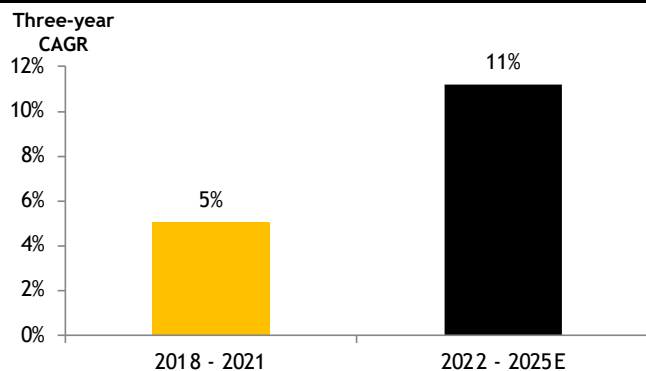
Source: Company, Maybank IBG Research

Fig 35: Annual reported net profit



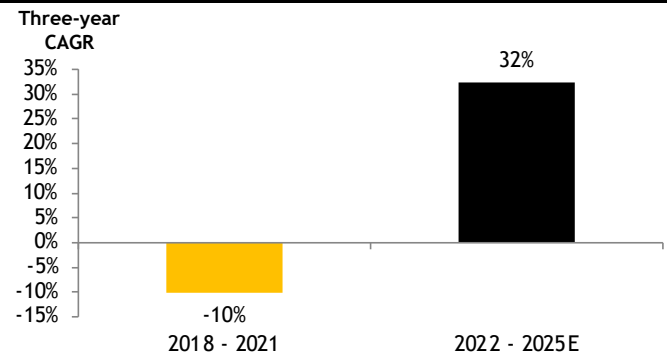
Source: Company, Maybank IBG Research

Fig 36: Sales growth



Source: Company, Maybank IBG Research

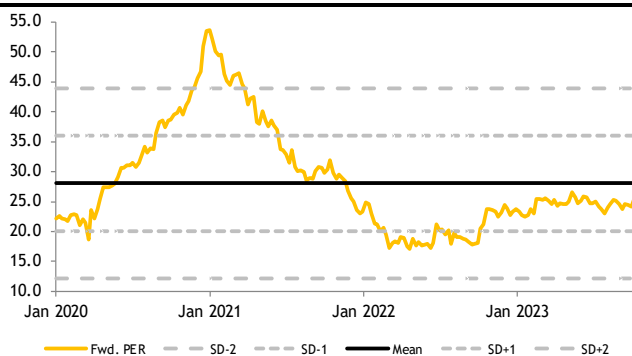
Fig 37: Core EPS growth



Source: Company, Maybank IBG Research

We have raised our FY23E/FY24E core EPS by 9.6%/11.7%, mainly to account for higher EBIT margin estimates, and we rolled forward our valuation base to end-FY24E. As a result, our TP increases to IDR3,700 (from IDR2,900), based on 27.6x FY24E PER, its three-year mean. Main downside risks are sustained increase in soft commodity prices and lower-than-expected EBIT margin as a result of higher A&P spending to defend market share.

Fig 38: Forward PER band



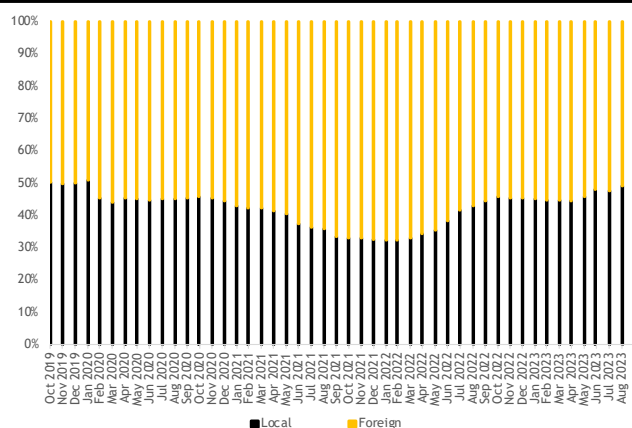
Source: Bloomberg, Maybank IBG Research

Fig 39: Forward PBV band



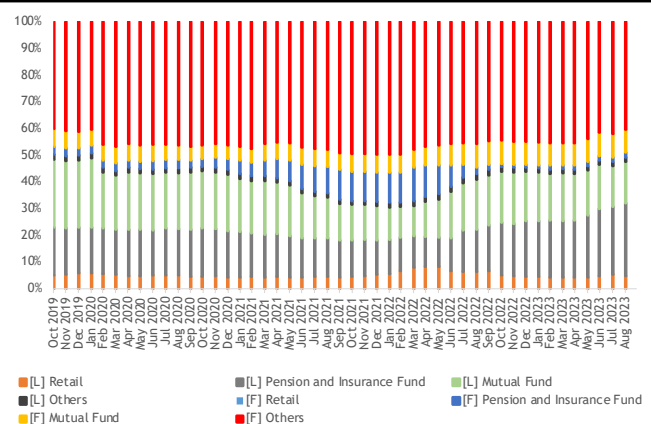
Source: Bloomberg, Maybank IBG Research

Fig 40: MYOR's share ownerships by local/foreign...



Source: KSEI, Maybank IBG Research

Fig 41: ... and type of institutions



Source: KSEI, Maybank IBG Research

*[L] and [F] denotes local and foreign shareholders, respectively

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	46.0	22.6	25.1	18.6	15.0
Core P/E (x)	39.7	33.6	24.5	18.7	15.0
P/BV (x)	4.1	4.4	4.1	3.5	3.1
P/NTA (x)	4.1	4.4	4.1	3.5	3.1
Net dividend yield (%)	1.0	1.4	1.6	2.2	2.7
FCF yield (%)	0.5	0.6	1.0	1.7	3.0
EV/EBITDA (x)	17.7	17.3	14.3	11.5	9.5
EV/EBIT (x)	27.0	24.0	18.1	13.9	11.2

INCOME STATEMENT (IDR b)

Revenue	27,904.6	30,669.4	34,002.9	37,998.9	42,144.9
EBITDA	2,695.5	3,360.5	4,233.5	5,261.1	6,303.2
Depreciation	(844.1)	(847.7)	(890.1)	(934.6)	(981.3)
Amortisation	(79.1)	(79.7)	0.0	0.0	0.0
EBIT	1,772.3	2,433.1	3,343.4	4,326.5	5,321.9
Net interest income /(exp)	(297.3)	(358.5)	(307.4)	(281.8)	(281.8)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	2.5	2.1	2.0	1.0	1.0
Other pretax income	72.2	429.3	(24.4)	35.0	0.0
Pretax profit	1,549.6	2,506.1	3,013.5	4,080.7	5,041.1
Income tax	(338.6)	(536.0)	(663.0)	(897.8)	(1,109.0)
Minorities	(24.5)	(27.8)	(47.5)	(64.3)	(79.4)
Reported net profit	1,186.6	1,942.2	2,303.1	3,118.7	3,852.7
Core net profit	1,150.2	1,661.2	2,361.9	3,091.4	3,852.7

BALANCE SHEET (IDR b)

Cash & Short Term Investments	3,009.4	3,262.1	3,509.4	3,368.6	3,986.1
Accounts receivable	5,911.8	6,489.4	7,194.7	8,040.3	8,917.5
Inventory	3,034.2	3,870.5	3,843.8	4,195.9	4,592.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	6,376.8	6,644.5	7,754.4	8,819.8	9,838.5
Intangible assets	0.0	0.0	0.0	0.0	0.0
Other assets	1,585.5	2,009.7	2,228.1	2,490.0	2,761.6
Total assets	19,917.7	22,276.2	24,530.5	26,914.5	30,095.8
ST interest bearing debt	3,117.8	2,629.4	2,629.4	2,629.4	2,629.4
Accounts payable	1,777.9	1,658.5	1,747.2	1,907.2	2,087.3
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,845.2	2,810.8	3,153.8	2,810.8	2,810.8
Other liabilities	1,817.0	2,343.0	2,597.0	2,903.0	3,219.0
Total Liabilities	8,557.6	9,441.5	10,127.7	10,250.0	10,746.8
Shareholders Equity	11,118.7	12,628.4	14,148.9	16,346.4	18,951.6
Minority Interest	241.3	206.3	253.8	318.0	397.5
Total shareholder equity	11,360.0	12,834.7	14,402.7	16,664.4	19,349.0
Total liabilities and equity	19,917.7	22,276.2	24,530.5	26,914.5	30,095.8

CASH FLOW (IDR b)

Pretax profit	1,549.6	2,506.1	3,013.5	4,080.7	5,041.1
Depreciation & amortisation	923.1	927.4	890.1	934.6	981.3
Change in working capital	(490.8)	(1,533.3)	(590.0)	(1,037.6)	(1,093.4)
Cash taxes paid	(338.6)	(536.0)	(663.0)	(897.8)	(1,109.0)
Other operating cash flow	(24.5)	(27.8)	(47.5)	(64.3)	(79.4)
Cash flow from operations	1,420.5	1,471.0	2,578.6	2,993.9	3,730.7
Capex	(1,183.2)	(1,120.4)	(2,000.0)	(2,000.0)	(2,000.0)
Free cash flow	237.2	350.6	578.6	993.9	1,730.7
Dividends paid	(1,162.7)	(469.5)	(782.6)	(921.2)	(1,247.5)
Equity raised / (purchased)	83.7	37.0	0.0	0.0	0.0
Change in Debt	338.3	477.3	343.0	(343.0)	0.0
Other invest/financing cash flow	(266.8)	(140.6)	108.0	129.5	134.4
Net cash flow	(770.2)	254.8	247.1	(140.9)	617.6

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	14.0	9.9	10.9	11.8	10.9
EBITDA growth	(24.4)	24.7	26.0	24.3	19.8
EBIT growth	(37.4)	37.3	37.4	29.4	23.0
Pretax growth	(42.3)	61.7	20.3	35.4	23.5
Reported net profit growth	(42.4)	63.7	18.6	35.4	23.5
Core net profit growth	(41.6)	44.4	42.2	30.9	24.6
Profitability ratios (%)					
EBITDA margin	9.7	11.0	12.5	13.8	15.0
EBIT margin	6.4	7.9	9.8	11.4	12.6
Pretax profit margin	5.6	8.2	8.9	10.7	12.0
Payout ratio	39.6	40.3	40.0	40.0	40.0
DuPont analysis					
Net profit margin (%)	4.3	6.3	6.8	8.2	9.1
Revenue / Assets (x)	1.4	1.4	1.4	1.4	1.4
Assets / Equity (x)	1.8	1.8	1.7	1.6	1.6
ROAE (%)	10.7	16.4	17.2	20.5	21.8
ROAA (%)	5.8	7.9	10.1	12.0	13.5
Liquidity & Efficiency					
Cash conversion cycle	94.6	99.0	102.8	100.5	100.7
Days receivable outstanding	73.4	72.8	72.4	72.2	72.4
Days inventory outstanding	50.1	52.2	54.4	52.0	51.9
Days payables outstanding	28.9	26.0	24.0	23.6	23.6
Dividend cover (x)	2.5	2.5	2.5	2.5	2.5
Current ratio (x)	2.3	2.6	2.7	2.7	2.9
Leverage & Expense Analysis					
Asset / Liability (x)	2.3	2.4	2.4	2.6	2.8
Net gearing (%) (incl perps)	17.2	17.0	15.8	12.4	7.5
Net gearing (%) (excl. perps)	17.2	17.0	15.8	12.4	7.5
Net interest cover (x)	6.0	6.8	10.9	15.4	18.9
Debt / EBITDA (x)	1.8	1.6	1.4	1.0	0.9
Capex / revenue (%)	4.2	3.7	5.9	5.3	4.7
Net debt / (net cash)	1,953.6	2,178.2	2,273.9	2,071.7	1,454.1

Source: Company; Maybank IBG Research

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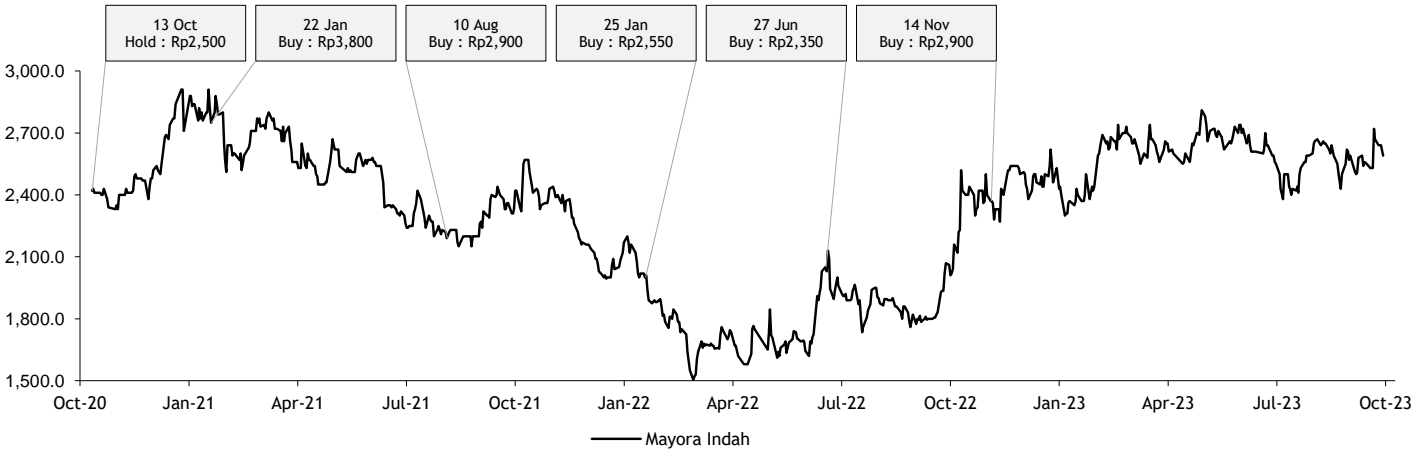
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