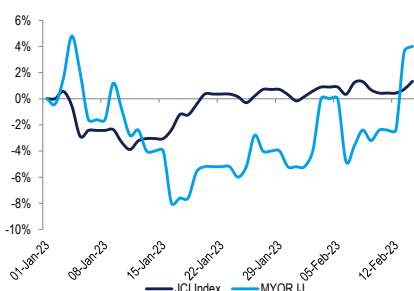


Stock Data

Target price	Rp3,400
Prior TP	N/A
Current price	Rp2,600
Upside/downside	30.7%
Shares outstanding (mn)	22,359
Market cap (Rp bn)	58,133
Free float	16%
Avg. 6m daily T/O (Rp bn)	13

Price Performance

	3M	6M	12M
Absolute	9.7%	39.4%	48.1%
Relative to JCI	10.8%	41.5%	45.1%
52w low/high (Rp)	1,505-2,620		



Major Shareholders

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

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One of the beneficiaries of macro tailwinds; initiate with Buy

- Potent macro tailwinds arising from pre-election year & continued recovery in export market to drive FY23F sales growth by 13.7% yoy.
- Expect gross margin recovery of +283bps FY23F from raw material price normalization & full impact of FY22F price hike of c.18%.
- Given +85.3% FY23F core earnings growth, we initiate MYOR with a BUY rating with TP of Rp3,400 based on FY23F P/E of 30.8x (5Y mean).

Well positioned to capture pre-election campaign funding spill over

Heading into 2023, MYOR is one of the few consumer companies within our coverage to potentially benefit from the pre-election campaign funding spill over. In the past pre-election periods, its domestic sales have consistently risen by +12.9/14.5% yoy in FY13/18 respectively. We expect FY23F domestic sales to grow by +14.2% yoy (total sales growth of +13.7% yoy).

Global outreach – proxy for China reopening play

MYOR has the highest portion of export sales (9M22: 43% of sales) among the listed consumer names in Indonesia. In FY22, its major export destination countries such as the Philippines (est. c.30% of export sales) experienced logistics issues in 1Q22 due to typhoon Rai, while China (est. c.8% of export sales) reopened its mobility restriction only in Dec22 – implying sub-optimal export realization in FY22. Hence, we expect MYOR's FY23F export sales to grow +13.0% yoy, slightly higher than FY22F's growth of 11.7%.

Continuous product innovation to expand its brand portfolio

It continuously developing new products and expand to new sub-segments to boost overall growth. Recent new products (developed in the past 3 years) contributed about 10-15% of sales, which means that new products contribute c. 5.4-8.5% of annual growth vs. overall annual growth of 12.3% (FY20-22F), a reflection of a strong innovation pedigree.

Significant margin recovery in FY23F

FY22 has been mired with extreme key raw material price volatility due to the Russian-Ukraine conflict. While gross margins have bottomed in 2Q22 at 19.6%, we expect further margin upside in 4Q22 and FY23F on the back of further normalization from wheat and coffee and the impact of FY22's price adjustment of c.18% to fully reflect in FY23F. Hence, we expect 4Q22/FY23F margin to further improve to 24.2/25.0% from 9M22/FY22F's 21.4/22.1%.

Strong earnings growth in FY23F; Initiate with BUY and 30.7% upside

Heading into FY23F, we expect core earnings to grow significantly for MYOR at 85.3% yoy on the back of better profitability and steady top line growth. Hence, we initiate MYOR with a buy rating and value the company based on PE multiple of 30.8x FY23F PE (its 5Y mean) to arrive at TP of Rp3,400.

Financial Summary (Rp bn)	2020A	2021A	2022F	2023F	2024F
Revenue	24,477	27,905	30,843	35,058	38,620
EBITDA	3,563	2,616	3,045	4,572	5,348
EBITDA growth	15%	9%	10%	13%	14%
Net profit	2,061	1,187	1,582	2,453	2,887
EPS (Rp)	92	53	71	110	129
EPS growth	3.7%	-42.4%	33.3%	55.0%	17.7%
ROE	19%	10%	11%	19%	19%
PER (x)	28.2	49.0	36.7	23.7	20.1
Dividend yield	1.2%	2.0%	0.8%	1.1%	1.7%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			102%	109%	109%

Source: Company, Indo Premier

Share price closing as of: 14 February 2023

Investment Thesis

Expect gross margin expansion on the back of tapering raw material in 4Q22F and FY23F

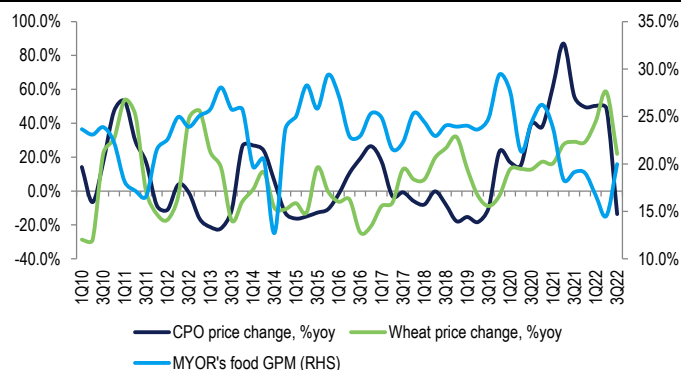
Behind the 3Q22 blended gross margin improvement of 285bps qoq, MYOR's food processing segment was the driver with +544bps qoq recovery from GPM of 14.4% in 2Q22 to 19.9% in 3Q22. On the other hand, MYOR's beverage processing GPM remained depressed at 26.5% in 3Q22 (-30bps qoq) which company attributed to higher coffee prices procured (Apr-Sep harvest season) with inventory buffer lasting up to 12 months (for coffee).

Coffee prices have since trended down (-13.4% yoy) but the inventory buffer mean that the margin recovery for packaged beverage would be more evident in FY23F. Affirming the margin expansion outlook, we note a few domestic wheat suppliers have started to adjust prices down and Bogasari, the biggest wheat supplier, is expected to follow suit in 1Q23F.

Going into FY23F, the impact of price adjustments in FY22 of c.18% (mostly done in 2Q-3Q22) would be fully reflected in FY23F. We would like to highlight that historical price adjustments of 22.0/18.4% in FY14/15 resulted in +1044bps of gross margin expansion from FY14's 17.9% to 28.3% in FY15.

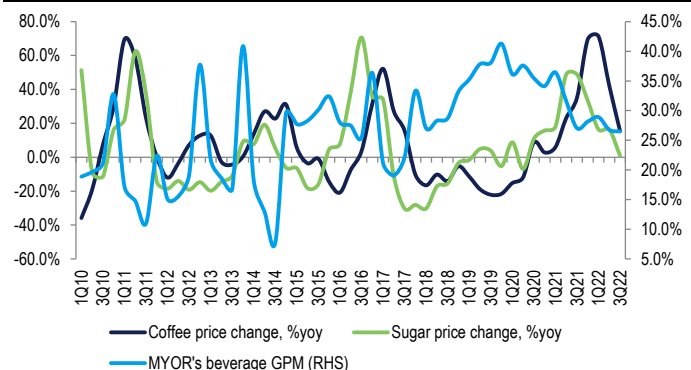
Pricing adjustments are historically sticky and are unlikely to be reversed even when cost input prices pull back in the future. Hence, we expect 4Q22F/FY23F gross margin to further improve to 24.2/25.0% from 9M22/FY22's 21.4/22.3%.

Fig. 1: MYOR's food processing GPM vs. wheat price chg & CPO price chg.



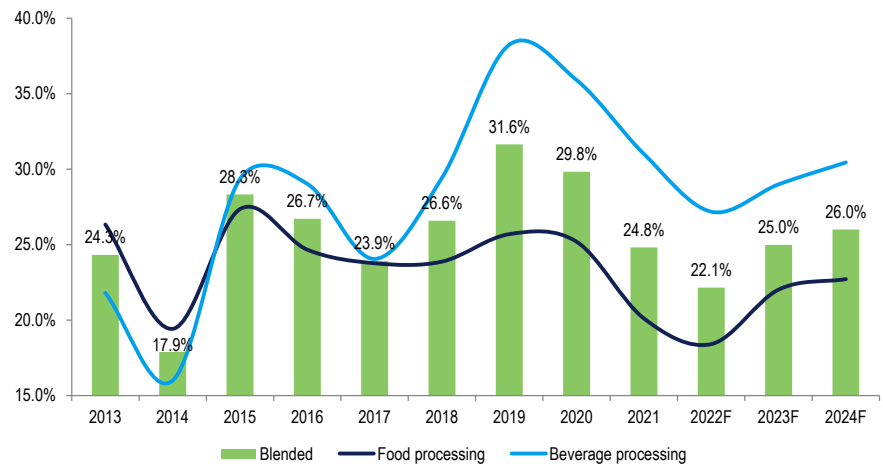
Source: Bloomberg, Company, Indo Premier

Fig. 2: MYOR's beverage processing GPM vs. coffee price chg & sugar price chg.



Source: Bloomberg, Company, Indo Premier

Fig. 3: MYOR's GPM to expand due to key raw material prices normalization paired with ASP adjustment in FY22F



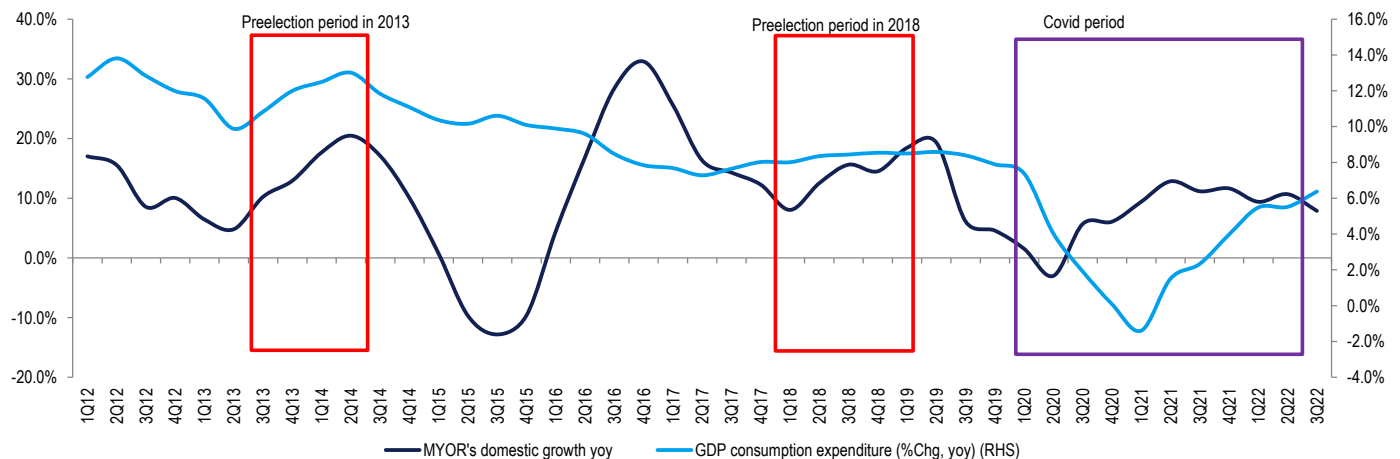
Source: Company, Indo Premier

Well positioned to capture pre-election campaign funding spill over

Heading into 2023, MYOR is one of the few consumer companies within our coverage to potentially benefit from the pre-election campaign funding spill over. In the past pre presidential election periods, MYOR's domestic sales has consistently risen by +14.3/15.6% yoy in FY13/18 respectively.

As highlighted by our economist, we expect pre-election campaign funding to amount to Rp366tr, or close to 2.2% of GDP. Hence, we expect MYOR's domestic sales to book a solid +14.2% yoy growth in FY23F (total sales growth of +13.7% yoy).

Fig. 4: MYOR's domestic sales growth (MA 4Q) & GDP consumption expenditure leading to presidential election (MA 4Q)



Source: Company, CEIC, Indo Premier

Product innovation to bolster MYOR's household brands portfolio

MYOR's product portfolio consists of household brands in the biscuits, candies and beverage categories such as Beng Beng, Roma, Kopiko, Energen, Torabika, etc.

The company is continuously developing new products and branching out to new segments such as Energen Champion (2Q22: chocolate drink, head to head with Milo/Ovaltine), Wafello (chocolate wafers), Frutivit (Healthy vitamin-enriched jelly) to further boost MYOR's overall growth.

Recent new products (developed in the past 3 years, FY20-22F) contribute about 10-15% of sales, implying that new products contribute >5.4-8.5% of annual growth (vs. overall revenue growth of 12.3% FY20-22F) despite MYOR's high revenue base – reflecting MYOR's strong product innovation capability.

Fig. 5: MYOR's recent product launch in FY20-22F

No.	Segment	New product launch in FY20-22F
1	Biscuit	Malkist Cappucino
2	Biscuit	Malkist Kelapa Coklat
3	Biscuit	Roma Marie Gold Chocolate
4	Biscuit	Roma Kelapa Cream Cokelat
5	Biscuit	Malkist Korean BBQ
6	Biscuit	Slai O lai Mystery Pack
7	Biscuit	Roma Bonita
8	Biscuit	Roma Arden
9	Biscuit	Shark & Friends
10	Biscuit	Roma Apetito
11	Wafers	Wafer Kalpa
12	Wafers	Beng Beng Nuts
13	Wafers	Beng Beng 3 Extra Fund
14	Wafers	Kalpa Twin
15	Wafers	Kalpa Share it
16	Wafers	Wafello
17	Coffee	Gilus Mix
18	Coffee	Torabika Kopi Aren
19	Coffee	Tora Susu Full Cream
20	Coffee	Gilus Kopi Harum
21	Candy	Frutivit
22	Cereal	Energen variance Kurma
23	Cereal	Energen Champion

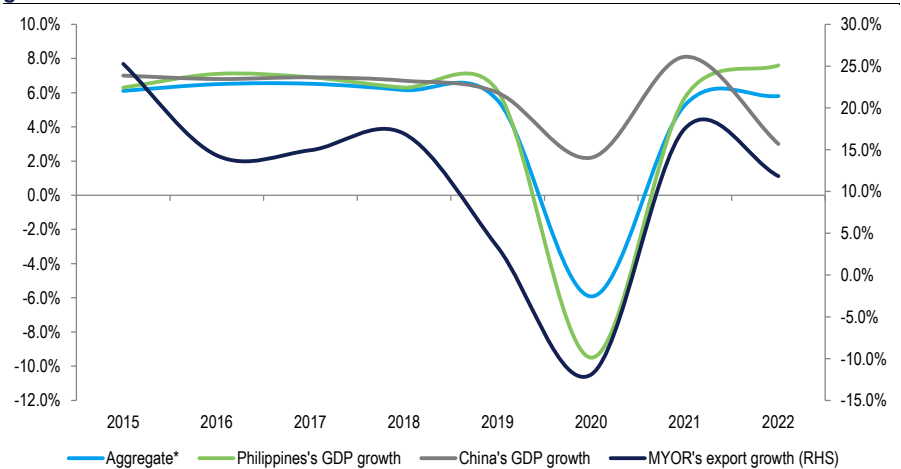
Source: Company, Indo Premier

Tailwind from China & Philippine reopening

MYOR's export revenue has rebounded strongly in FY21, recovering 17.5% yoy after the slump in FY20 of -11.9% yoy. Despite the export recovery, the impact of economic reopening is not fully reflected in FY22 for MYOR's major export destination countries the Philippines (est. c.30% of export sales) and China (est. c.8% of export sales).

In FY22, its major export destination countries such as the Philippines (est. c.30% of export sales) experienced logistics issues in 1Q22 due to typhoon Rai, while China (est. c.8% of export sales) reopened its mobility restriction only in Dec22 – implying sub-optimal export realization in FY22. Hence, we expect MYOR's FY23F export sales to grow +13.0% yoy, slightly higher than FY22F's growth of 11.7%.

Fig. 6: Aggregate export destination countries' GDP growth vs. MYOR's export sales growth



Source: CEIC, Company, Indo Premier

*Philippine, China, Vietnam, Thailand, Malaysia & India (Indo Premier estimate)

ROE Comparison with ICBP, KLBF & UNVR

Assessing MYOR's ROE components (Fig 7), we can infer that MYOR's main ROE driver is its rising asset turnover, which affirms MYOR's superior revenue generation capability to peers. We expect MYOR's revenue to grow at a CAGR of 12.0% (vs aggregate peers of 8.6%) in FY20-24.

Additionally, we expect MYOR to book the most significant yoy margin recovery in FY23F vs. peers. In sum, MYOR is among the few companies (along with KLBF) that yielded better FY23F ROE compared to FY20.

Fig. 7: MYOR's ROE comparison vs. ICBP/KLBF/UNVR's

	2020	2021	2022F	2023F	2024F
MYOR					
Core profit Margin	7.9%	4.0%	4.3%	7.0%	7.5%
Asset Turnover	1.26	1.41	1.47	1.51	1.55
Equity Multiplier	1.88	1.79	1.80	1.76	1.67
ROE	18.7%	10.2%	11.3%	18.7%	19.2%
ICBP					
Core profit Margin	14.2%	12.1%	9.9%	11.0%	11.6%
Asset Turnover	0.66	0.51	0.54	0.55	0.56
Equity Multiplier	2.60	3.50	3.49	3.33	3.10
ROE	24.2%	21.6%	18.5%	20.2%	20.2%
KLBF					
Core profit Margin	11.9%	12.2%	11.7%	11.0%	10.9%
Asset Turnover	1.08	1.09	1.10	1.13	1.11
Equity Multiplier	1.29	1.30	1.30	1.34	1.38
ROE	16.5%	17.3%	16.7%	16.6%	16.6%
UNVR*					
Core profit Margin	16.7%	14.6%	13.0%	13.7%	14.0%
Asset Turnover	2.09	2.00	2.21	2.17	2.24
Equity Multiplier	4.03	4.28	4.49	4.51	4.31
ROE	140.4%	124.7%	128.8%	134.2%	134.8%

Source: Company, Indo Premier

*2022 performance is based on realized number

Strong EPS growth of +85.3% in FY23F; Initiate with BUY

Incorporating the above factors, we expect MYOR's core profit to grow strongly at 85.3% yoy in FY23F on the back of gross profit margin improvement (+283bps yoy) and strong top line growth (+13.7% yoy).

We expect the ROE to expand from 11.0% in FY22F to 18.7/19.2% in FY23/24F. We initiate MYOR with a buy rating and value the company based on a PE multiple of 30.8x FY23F PE (its 5Y mean) to arrive at TP of Rp3,400 (+39.3% upside)

Fig. 8: MYOR trades at 23.1x fwd. 12M P/E (or c.-1.0 s.d. from its 5Ymean of 30.8x)



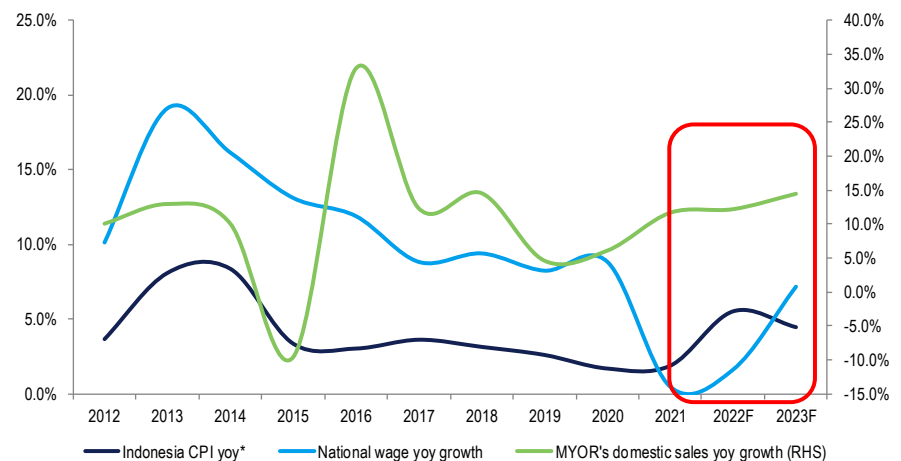
Source: Bloomberg, Indo Premier

Industry Outlook

Potent domestic drivers for FY23F consumption

Meaningful FY23F minimum wage hike to balance inflation: FY22 was a challenging year for consumers as inflationary pressure of 5.51% yoy was accompanied by wage growth of merely 1.6% yoy. Going into FY23F, our economist forecasts inflation to moderate to 4.45% from 5.51% and we believe FY23F national wage growth of 7.3% shall boost Indonesian population's purchasing power.

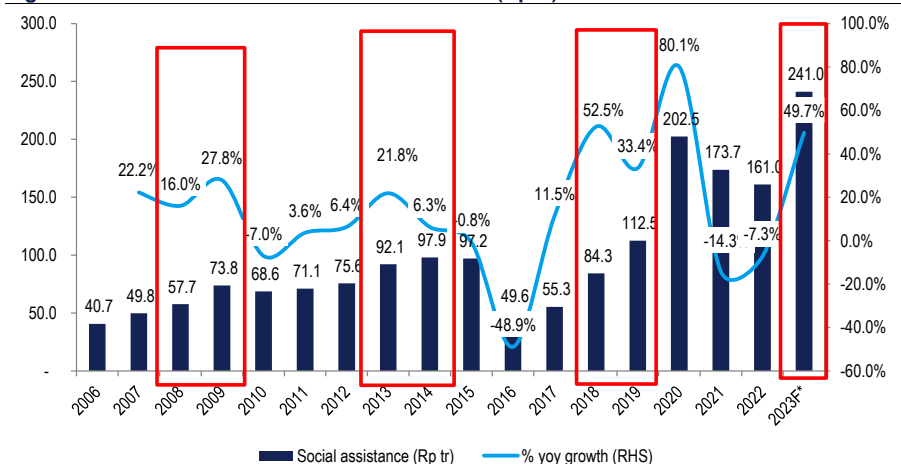
Fig. 9: Indonesia's CPI yoy & national wage growth vs. MYOR's domestic sales growth. (CPI was higher than national wage growth in FY21-22)



Source: CEIC, Indo Premier

Pre-election year is another boon for MYOR: Historically, government tends to increase the social assistance at pre-election years (Fig. 7). In addition, we observed that MYOR benefited from the pre-election year as MYOR's domestic sales in FY13/18 sales grew by 12.9/14.5% vs. 11.0% historical FY11-21 mean of non-political years.

Fig. 10: Indonesia's social assistance realization (Rp tr)



Source: CEIC, Indo Premier

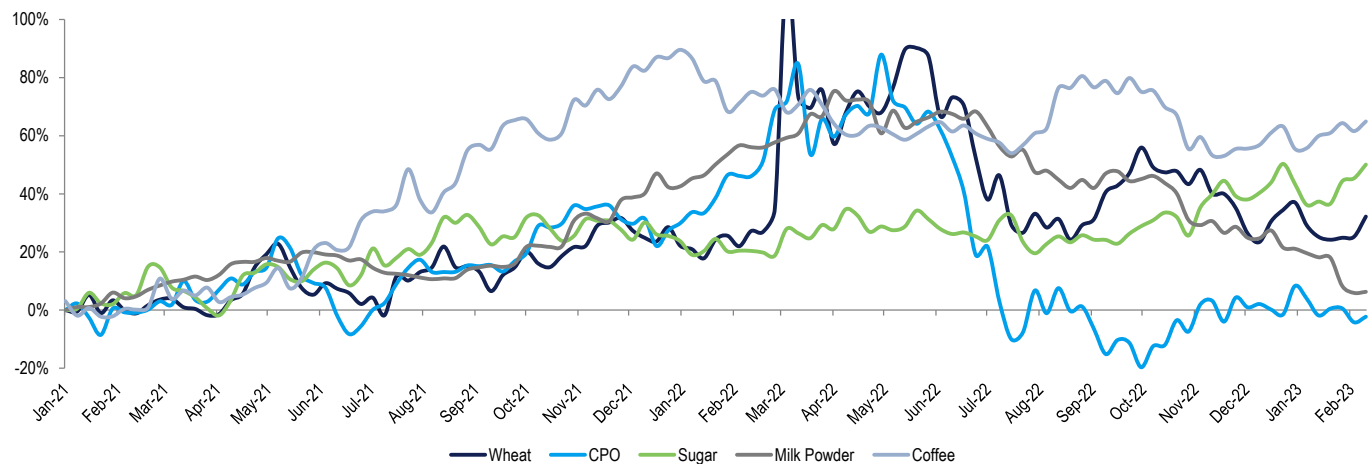
*Budget

In addition, we see the election campaign spending shall boost the domestic consumption as our economist estimates the election campaign spending to reach c.Rp366tr or 2.2% of GDP (Link to [note](#)). This is in-line with our economist's forecast of higher consumption expenditure growth in FY23F of 5.9% vs FY22's 4.9%. As a result, we believe the pre-election year (FY23F) along with meaningfully higher FY23F wage hike of 7.3% shall boost MYOR's domestic sales and we forecast this to grow at 14.2% yoy in FY23F.

Normalizing key raw material price a tailwind for the industry

As discussed in our investment thesis earlier, we expect key raw materials such as wheat and coffee to pullback further into FY23F by -13/-5% yoy based on future prices of these commodities. Aside from sugar price which is still climbing steadily (+13.2% yoy, as of 14 Feb 23), MYOR's other key raw materials have shown encouraging signs of retracement from the peak in 2Q22 (Fig 1-2) (wheat/coffee/cpo: -3.8/-9.7/-23.1% yoy, as of 14 Feb 23).

Fig. 11: Key raw materials price trend using 2021 base* (most of raw materials have retraced from the 2Q22 peak with CPO price already back to 2021 level).



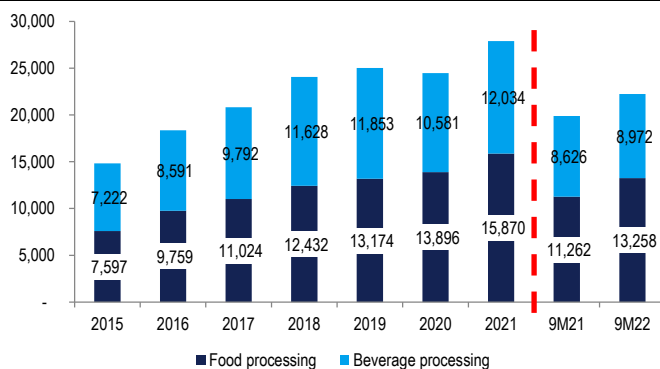
Source: Bloomberg, Indo Premier

*Commodity price adjusted on Rp basis

Business overview

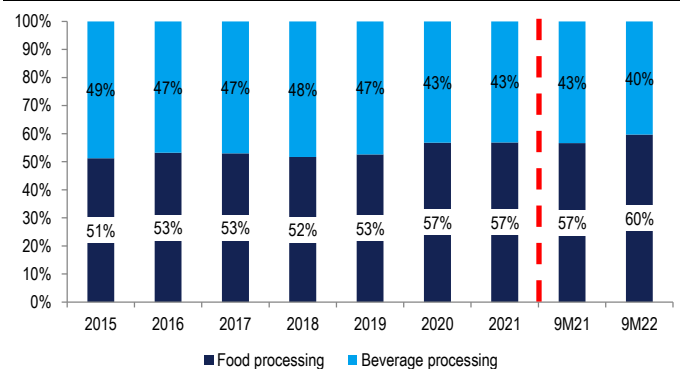
MYOR's main target market is the low-middle income class as 80% of company sales come from GT channel, while the remaining 20% is from MT. MYOR classified its products into six categories such as: (i) biscuits, (ii) candies, (iii) wafers, (iv) coffee, (v) chocolates and (vi) instant cereal. In addition, MYOR classifies its categories into 2 segments such as: food processing (biscuits, wafer and candies) and beverage processing (coffee, instant cereal and chocolate drink). Based on our call with company, biscuit's sales contribution is the biggest contributors on its food processing segment, while coffee's the main product in beverage processing.

Fig. 12: MYOR's revenue breakdown (Rp bn)



Source: Company, Indo Premier

Fig. 13: MYOR's revenue breakdown based on segment



Source: Company, Indo Premier

MYOR product portfolio is well known at Indonesia market

MYOR has a strong presence in biscuit, candy, wafers and instant cereal categories. According to Nielsen, MYOR's biscuit/candy stood at 1st rank in Indonesia's market with market share of 41.0/22.0% in FY21. Meanwhile, MYOR's wafer occupied the 2nd rank in the market with market share of 18.0% in FY21 (vs. 12% in FY20). Worth highlighting that MYOR introduce its wafer product in FY19 and has since grown to become a major player in a relatively short period of time.

On the beverage processing, MYOR's breakfast cereal drink also recorded at 1st rank at domestic market as market share stood at 69% in FY21 (vs. 68% in FY20). Meanwhile, MYOR's coffee segment stood at 4th rank with market share of 8% in FY21 (vs. 7% in FY20). Notably, MYOR's coffee product has a strong presence in Philippine's market with the biggest market share.

Fig. 14: MYOR's market share for each segment in Indonesia market

	2020	2021	Rank in the Market
Biscuit	39%	41%	1
Candy	25%	22%	1
Wafer	12%	18%	2
Chocolate	32%	35%	1
Coffee	7%	8%	4
Breakfast Cereal	68%	69%	1

Source: Nielsen, Company, Indo Premier

Fig. 15: MYOR's biscuit products



Source: Company, Indo Premier

Fig. 16: MYOR's candy products



Source: Company, Indo Premier

Fig. 17: MYOR's wafers products



Source: Company, Indo Premier

Fig. 18: MYOR's instant cereal products



Source: Company, Indo Premier

Fig. 19: MYOR's coffee products



Source: Company, Indo Premier

Fig. 20: MYOR's chocolate products

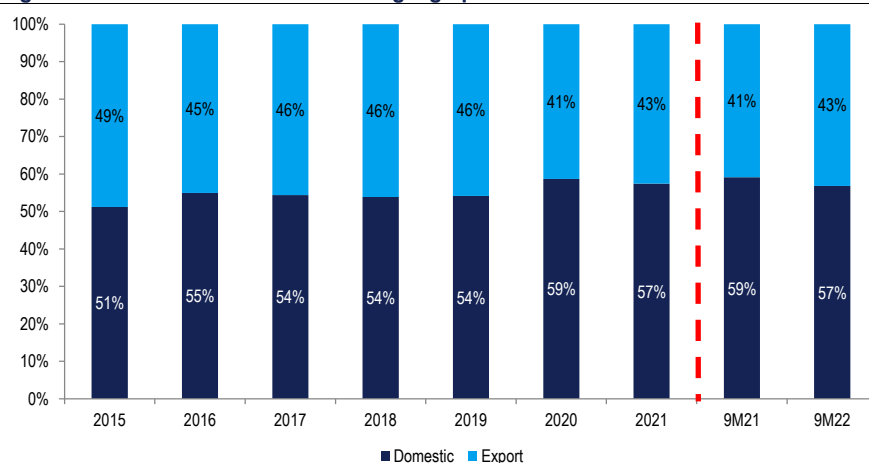


Source: Company, Indo Premier

Massive export contributions

MYOR has a significant export contribution to its total revenue at 41.3/42.6/43.2% as of FY20/21/9M22. Prior to the pandemic, MYOR's 7Y CAGR FY13-19 of its export revenue of +17.3% has outpaced its domestic sales of +10.5%. Presently, MYOR's export destination has reached more than 100 countries with key destination Philippines, China, India and other ASEAN countries (Thailand, Vietnam and Malaysia).

Fig. 21: Revenue breakdown based on geographical



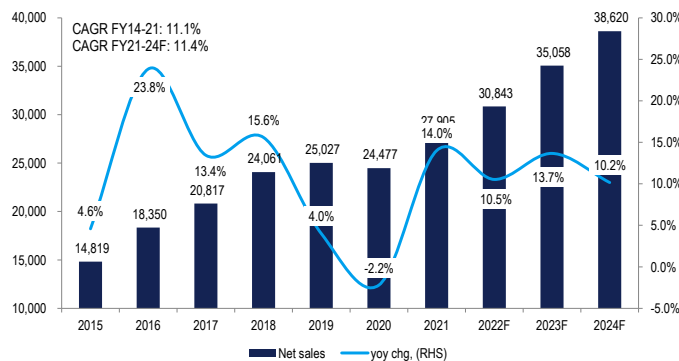
Source: Company, Indo Premier

Financials

Earnings growth outlook

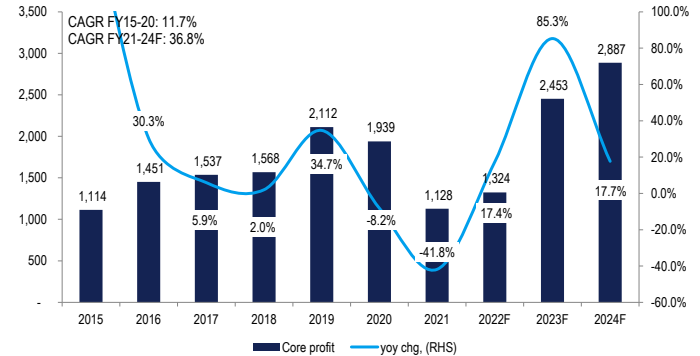
FY23F outlook: We expect MYOR to book +13.7/85.3% yoy growth in sales/core profit for FY23F on the back of potent sales growth drivers and improved gross margins (+283bps) due to normalizing raw material price and impact of price adjustments in FY22 (c.18%) to be fully reflected in FY23F.

Fig. 22: MYOR's net sales trend (Rp bn)



Source: Company, Indo Premier

Fig. 23: MYOR's core profit trend (Rp bn)



Source: Company, Indo Premier

Sales: MYOR's domestic sales is expected to grow 14.2% yoy in FY22F driven by tailwind from the upcoming 2024 election campaign spill over. Looking at past pre-election years, MYOR's domestic sales have consistently risen by +12.9/14.5% yoy in FY13/18 respectively.

Additionally, its export market with major export destinations China (prolonged lockdown – reopening only in Dec22) and Philippines (logistics disruption in 1Q22 due to typhoon Rai) which have yet to fully optimize in FY22 represent a relatively low base for FY23's export sales especially in 1H23F – leading to our assumption of 13.0% yoy FY23F export sales growth and blended sales growth of 13.7%.

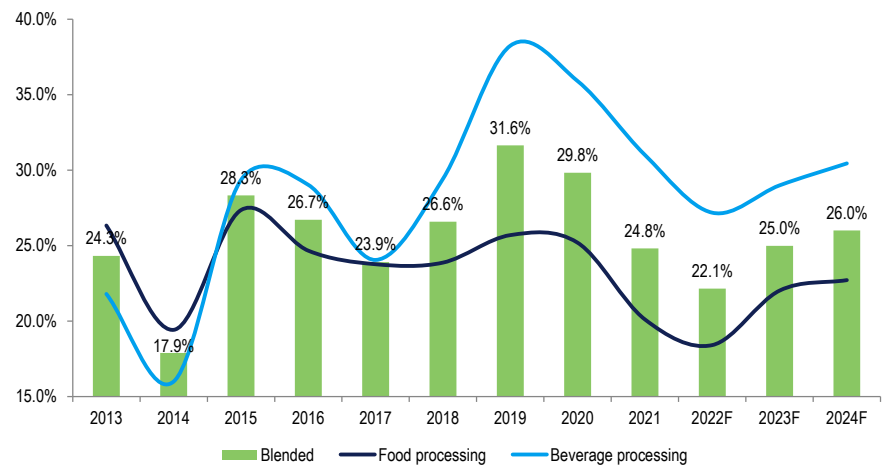
MYOR's historical FY10-21 sales CAGR has grown by 13.1%, outpacing other consumer peers ICBP/UNVR/KLBF/SIDO CAGR of 11.0/6.5/9.0/7.2% within the same period. Between FY10-21, total sales declined only in FY20 (-2.2% yoy) as a result of the Covid-19 pandemic logistics issue affecting export sales (FY20: -11.9% yoy).

Another notable instance was in FY14-15 when sales volume declined by -18.8% yoy in FY15, as a result of steep price adjustments in FY14/15 of 22.0/18.4% respectively. Learning from this past mistake, MYOR's most recent price adjustment is implemented gradually starting 2H21 and across FY22 instead drastic adjustment per instance. As a result, MYOR managed to achieve a stable volume growth in FY22F despite raising prices c.18%.

Gross profit: At the gross margin level, we see further improvement into FY23F at 25.0% from 2Q22/3Q22/4Q22F gross margin of 19.6/22.5/24.7% on the full impact of price adjustments implemented in FY22 (c.18% in total, mostly in 2Q&3Q22) and decline of key raw material prices such as wheat (+3.5% yoy), coffee (-13.5% yoy) and CPO (-28.4% yoy).

Our channel checks suggest that despite global wheat price benchmark retracing significantly by 3Q22, the impact to domestic wheat price normalization was delayed amidst rupiah depreciation in 4Q22. We expect more visible price retracement for wheat starting 1Q23F.

Fig. 24: MYOR's GPM trend



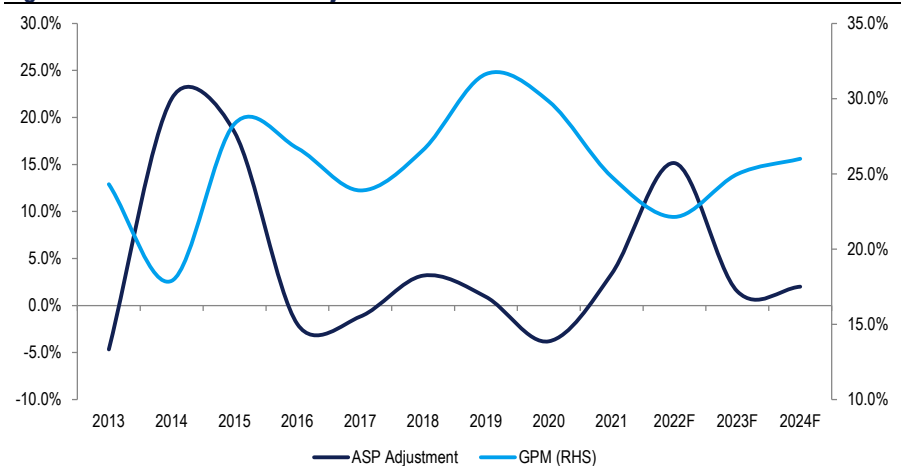
Source: Company, Indo Premier

MYOR's gross margin has historically ranged between 17.5-31.6% between FY10-21, averaging at 24.8%. The fluctuation in gross profit margin is often linked with movements in raw material prices, given that raw materials account for c.80% of COGS. Key raw materials are wheat, vegetable oil (CPO and coconut oil), coffee and sugar. Historically, sharp spikes in aggregate key raw material prices of 24.5/16.9/37.2% yoy in FY10-11/14/21 (trough to peak) were followed by notable gross margin decline of -608/-642/-501bps yoy in FY11/14/21.

A more recent example is in 2Q22 when key raw materials such as wheat/CPO/sugar rose by 21.0/6.7/5.2% qoq, starting in 1Q22 due to the onset of the Russia-Ukraine conflict, led to gross margin decline from FY21/1Q22's 24.8/21.8% to 19.6% in 2Q22. Conversely, raw material price stability between FY17-19 allows MYOR to optimise its profitability with GPM expanding by 774bps to 31.6% in FY19 from FY17's 23.9%.

Another notable event was in FY14-15 where MYOR raised prices aggressively by 22.0/18.4% which resulted in FY14-15 GPM expansion of 1044bps from 17.9% in FY14 to 28.3% in FY15 – depicting the evident impact on GPM from price adjustment, along with the fact that ASP remained sticky despite normalizing raw material prices.

Fig. 25: MYOR's GPM vs ASP adjustment



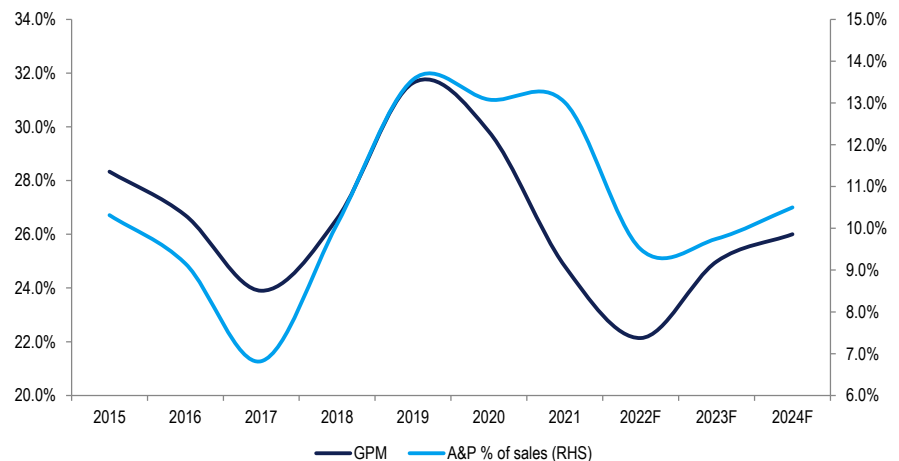
Source: Company, Indo Premier

Operating expense: MYOR's operating expenses (opex) account for 18.5/14.8% of FY21/9M22 sales and we expect FY23F opex/sales ratio to be at 14.9%. The main component of MYOR's opex lies in Advertising and Promotion (A&P) expense which accounted 13.0/8.7% of sales in FY21/9M22 and our assumption is at 9.8% of sales for FY23F, in-line with company guidance.

Management has guided that A&P going forward would range between 9-11% and that A&P growth to be capped at MYOR's sales growth level given the current recovering gross margin. Should gross margin recovers strongly in the future (GPM>25%), management may choose to reinvest more into A&P (>11% of sales).

MYOR's biggest component of opex is advertising and promotion expenses (A&P), accounting for 65.4% of total opex in average between FY15-21. Other opex items aside from A&P were generally quite stable, hovering at 4.8-5.6% of sales between FY15-21. A&P/sales ratio tend to move along with gross margin, whereby company typically increased investment into A&P for brand equity and sales growth when gross margins are faring well.

Fig. 26: MYOR's GPM expenses vs. A&P % of sales trend

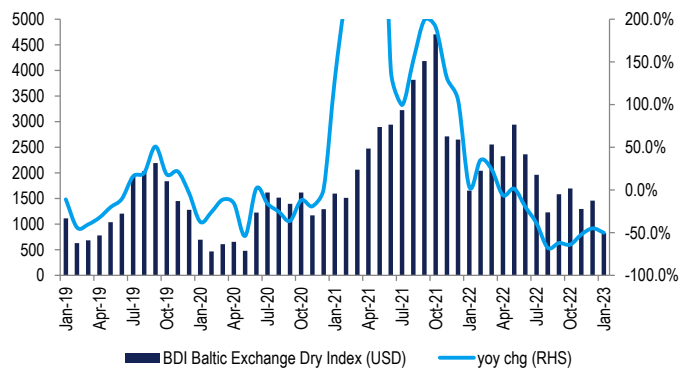


Source: Company, Indo Premier

The second biggest opex item after A&P is "freight out", which peaked in 1Q/2Q22 at 2.9% of sales as a result of sharp rise in shipping costs (vs. FY19/20's 1.46/1.42%), has declined slightly in 3Q22 to 2.67%. Referring to the Baltic Dry Index (an index of average prices paid for transport of dry bulk materials across more than 20 routes, Fig 27), which has shown further retracement at the end of the year and into Jan23 (-50% yoy) (Fig 12), we expect 'freight out' expense to further decline in FY23/24F at 2.3/2.1% of sales vs FY21/9M22's 2.5/2.8% of sales.

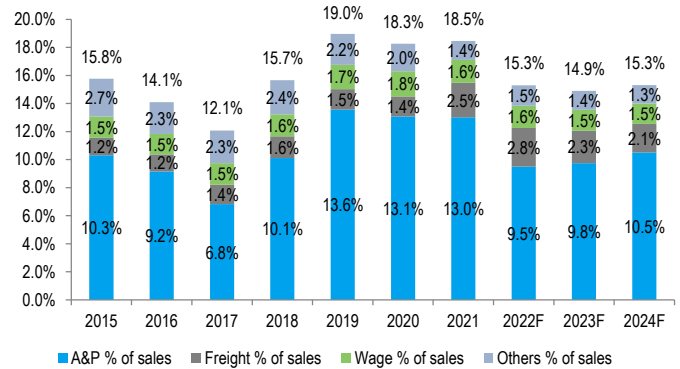
Another sizeable opex item is wage which accounted for 1.6% in FY21/9M22. We expect FY23F's salary expense/sales ratio to be 1.5% on the back of 7.5% yoy assumption for wage growth in FY23F (vs national wage hike of 7.4%).

Fig. 27: BDI Baltic Exchange Dry Index (USD)



Source: Bloomberg, Indo Premier

Fig. 28: Opex % of sales breakdown



Source: Company, Indo Premier

In terms of debt, we expect MYOR's interest expense to print Rp339bn in FY23F slightly down from FY22F's Rp395bn due to a change in loan mix – bond (7% coupon rate)/bank loan (5.5-6% interest rate) mix of 23/77% in FY22 to 19/81% in FY23F), along with its stable debt to equity ratio which stands at 44.6/46.5/42.3% for FY21/22/23F.

4Q22 preview

Looking into 4Q22F, we expect MYOR to end FY22 strongly with sales growth of +7.4/+9.7% yoy/qoq, in-line with strong 4Q seasonality which typically account for 28.9% of FY revenue between FY17-21. In terms of gross margin, we expect further improvement to 24.2% from 3Q22's 22.5% on the back of additional price adjustment in 4Q22F of c.3% and impact of prior price adjustment 9M22 YTD of 15% amid normalizing raw material cost inputs discussed earlier.

At the bottom line, we expect MYOR to book Rp498bn of net profit in 4Q22, up +138.5% yoy/18.6% qoq. Worth noting here is we incorporate a forex gain of c.Rp136bn, bringing total forex gain for FY22 to c.Rp300bn arising from MYOR's net USD cash holdings as USD-IDR appreciates 4.2% qoq in 4Q22, the balance of which stood at US\$137.6mn as of 9M22.

Fig. 29: MYOR's 4Q22F preview

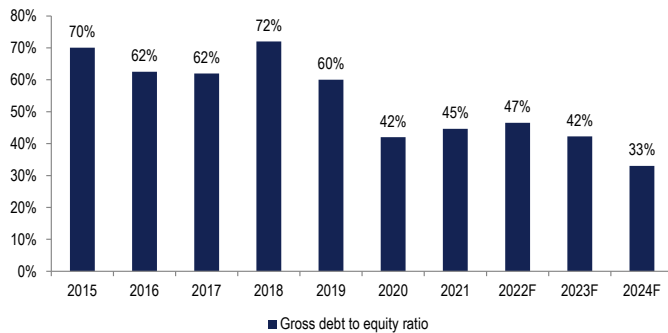
(Rp bn)	4Q22F	4Q21	% YoY	3Q22	% QoQ	12M22F	12M21	% YoY	Cons. FY22F
Net sales	8,613	8,017	7.4%	7,854	9.7%	30,843	27,905	10.5%	31,275
COGS	(6,528)	(6,180)	5.6%	(6,091)	7.2%	(24,012)	(20,982)	14.4%	
Gross profit	2,085	1,837	13.5%	1,764	18.2%	6,831	6,923	-1.3%	
Operating expenses	(1,435)	(1,506)	-4.7%	(1,162)	23.5%	(4,716)	(5,151)	-8.4%	
EBIT	650	330	96.7%	602	8.0%	2,116	1,772	19.4%	2,190
Others	136	(1)	N/A	32	332.0%	331	75	343.2%	
PBT	668	247	170.1%	543	23.1%	2,070	1,550	33.6%	
Tax	(159)	(42)	282.2%	(118)	35.0%	(456)	(339)	34.5%	
Net profit	498	209	138.5%	419	18.6%	1,582	1,187	33.3%	1,520
Core net profit	393	209	88.1%	395	-0.6%	1,324	1,128	17.4%	
Margin (%)									
Gross margin	24.2%	22.9%		22.5%		22.1%	24.8%		
EBIT margin	7.5%	4.1%		7.7%		6.9%	6.4%		
Net margin	5.8%	2.6%		5.3%		5.1%	4.3%		
Core net margin	4.6%	2.6%		5.0%		4.3%	4.0%		

Source: Company, Indo Premier

Balance Sheet

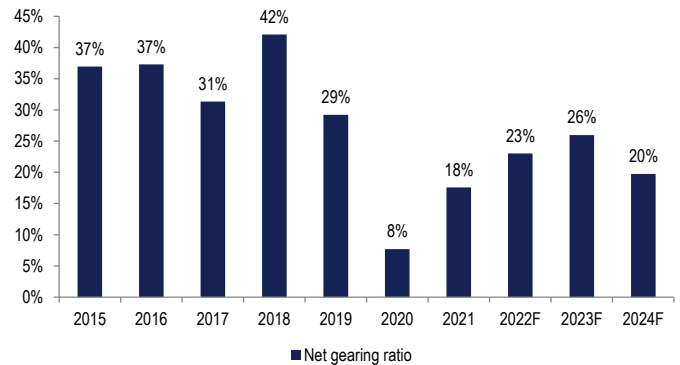
As of 9M22, MYOR's gross debt-to-equity (gearing) ratio stood at 55%, while its net gearing ratio was at 26%, lower than average FY15-21 historical levels of gearing/net gearing of 59/29%. 9M22's MYOR interest bearing liabilities consist of both bank loans and bonds, with a mix of 61% and 39% respectively. Bank loans' interest rates are in the range of 3.85%-5.50%, while MYOR's bonds latest issuances offer coupon rates ranging between 7.0-7.5%.

Fig. 30: MYOR's gross debt to equity ratio



Source: Company, Indo Premier

Fig. 31: MYOR's net gearing ratio



Source: Company, Indo Premier

Capital Expenditure

MYOR's capital expenditure (capex) cycles are typically every 2 years, with each cycle requiring about Rp2-4tr. Capital expenditures are primarily utilized to increase MYOR's production capacity to cater to its expanding customer base. Presently, MYOR is in the process of constructing an extension to its existing Jayanti Plant in Balaraja – Jayanti 3, which would add biscuit, butter cookies, wafer (flat), wafer sticks and soft cookies; along with its Pasuruan plant.

MYOR expects capex in FY23F to reach Rp2.5tr with Rp1.5tr for the completion of these two plants in FY23F. We expect MYOR to fund these capex using its internal cash flow, considering its FY22/23F EBITDA of Rp2.9/4.6tr.

Cash Conversion Cycle

In terms of working capital management, MYOR cash conversion cycle stood at 119/113/96/101 days as of FY19/20/21/9M22. In general, MYOR's FY18-21 average receivable days were at 82.2 days, while the inventory days' 55days. To note, the management maintain its inventory buffer at c.2months.

Worth noting, raw material accounted c.53% of inventory as of 9M22. On the other hand, 5Y average payable days stood at 32days. In all, we expect CCC to range between 106-108days in FY22-24F, in-line with historical average.

Relative to peers, MYOR did not fare very well in terms of working capital management. The difference stemmed primarily from account receivable days (82.2 days) vs peers' average of 46.1 days, which is attributed from MYOR's higher portion of export sales (9M22: 43.2%) factoring the longer time required for goods to be delivered.

Fig. 32: MYOR vs. ICBP/KLBF/UNVR's working capital management

A/R days	2018	2019	2020	2021	9M22
MYOR	85.8	83.7	84.7	74.4	70.1
ICBP	39.9	36.3	38.7	40.4	44.7
KLBF	54.9	57.0	57.6	49.6	50.9
UNVR	43.5	46.3	46.0	42.8	35.4

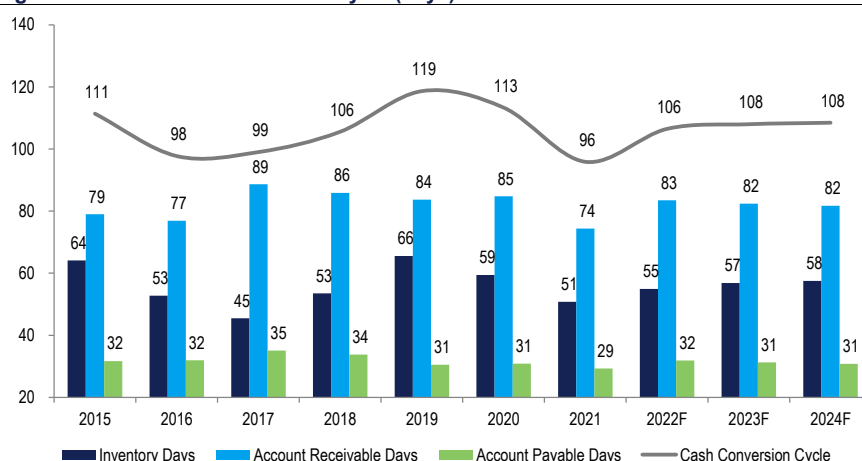
A/P days	2018	2019	2020	2021	9M22
MYOR	33.8	30.5	30.9	29.3	30.7
ICBP	50.4	45.6	44.4	42.3	39.5
KLBF	50.4	50.3	51.2	52.1	49.6
UNVR	80.2	78.9	76.1	83.8	86.1

Inventory days	2018	2019	2020	2021	9M22
MYOR	53.5	65.5	59.5	50.8	61.5
ICBP	50.7	51.3	52.3	52.2	49.6
KLBF	114.3	106.2	104.1	105.9	119.5
UNVR	44.5	42.4	43.8	45.0	47.3

Cash conversion cycle	2018	2019	2020	2021	9M22
MYOR	105.6	118.7	113.3	95.9	100.9
ICBP	40.2	42.0	46.5	50.3	54.8
KLBF	118.9	113.0	110.5	103.4	120.8
UNVR	7.8	9.9	13.7	4.0	(3.5)

Source: Company, Indo Premier

Fig. 33: MYOR's conversion cash cycle (days)



Source: Company, Indo Premier

Risks

Related party transactions

A significant portion of MYOR's revenue is distributed by MYOR's related parties with the largest being PT Inbisco Nagatama Semesta for domestic distribution.

Total related party transactions amounted to 68.5/67.5/69.7% of total net sales for FY20/21/9M22. For this matter, there may be potential 'non-arms-length' pricing policy carried out within Mayora Group which is not beneficial for minority shareholders. Nonetheless, we believe that this issue is not really a concern as MYOR's owner as the controlling shareholder is relatively more invested in their company with ownership of c.84.3%, compared to peers such as INDF/ICBP/KLBF/SIDO of 50.1/40.3(effective)/59.3/60.5%.

Relatively lower margin profile implies higher earnings volatility in the event of raw material price fluctuations

MYOR's profitability matrix (gross margin, operating margin and net margin) is among the lowest compared to listed peers in IP universe because of the nature of MYOR's operating segment (Fig x). Despite a substantial market share in each of operating segments, MYOR has yet to command a dominant market share unlike ICBP in instant noodles (>70%) and SIDO in the herbal supplement segment (>70%). As such, MYOR's competitive edge lies in its economies of scale rather than pure pricing power. Its margins are still susceptible to volatility in raw material prices, in the event of which MYOR requires time (a few quarters) to pass on cost increments. MYOR's net earnings is among the most volatile with a standard deviation of 1.12 between FY10-21 vs consumer peers' of 0.58 within the same period.

Weak purchasing power

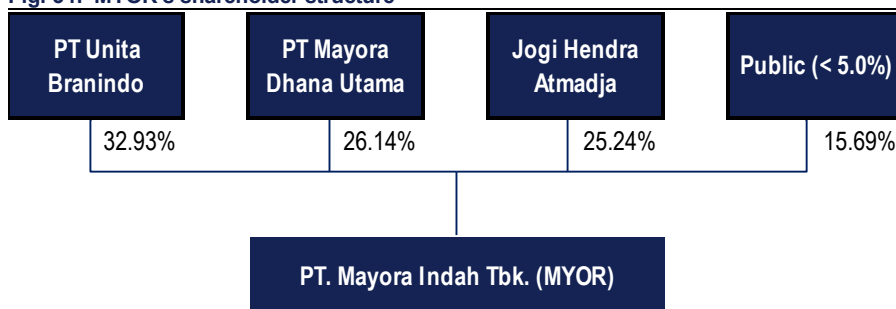
Should Indonesia's and MYOR's export destination countries' purchasing power weaken, there is a downside risk to MYOR's revenue forecast attainment.

Company background

Company shareholder structure

PT Mayora Indah Tbk (MYOR) was established in 1977 and founded by the Atmadja family which owns at c.85% of the company through PT Unita Branindo (32.93%), PT Mayora Dhana Utama (26.14%) and Jogi Hendra Atmadja (25.24%). Presently, the company is renowned as one of the biggest FMCG companies in Indonesia for its packaged foods and beverages' products.

Fig. 34: MYOR's shareholder structure



Source: Company, Indo Premier

Management profile

Fig. 35: MYOR's board of commissioner and director



Jogi Hendra Atmadja
President Commissioner

Indonesian citizen, born in Jakarta in 1946 (76 years). He has served as the President Commissioner of the Company since 1977. In addition, he also serves as President Commissioner of PT Unita Branindo, PT Torabika Eka Semesta and PT Kakao Mas Gemilang as well as Commissioner of PT Sinar Pangan Barat, PT Sinar Pangan Timur and PT Mayora Dhana Utama



Andre Sukendra Atmadja
President Director

Indonesian citizen, born in Jakarta in 1975 (47 years). Appointed as President Director in 2011 and has joined the company since 2004. In addition, he also serves as Director of PT Torabika Eka Semesta, PT Kakao Mas Gemilang and PT Unita Branindo



Hermawan Lesmana
Commissioner

Indonesian citizen, born in Jakarta in 1947 (75 years). Appointed as Commissioner of the Company in 2010. In addition, he also served as Director of Mayora Nederland BV.



Hendrata Atmadja
Supply Chain Director

Indonesian citizen, born in Solo in 1978 (44 years). He served as Supply Chain Director since 2010. In addition, he also serves as the Director of PT Torabika Eka Semesta, PT Kakao Mas Gemilang and PT Unita Branindo



Gunawan Atmadja
Commissioner

Indonesian citizen, born in Sydney in 1957 (65 years). Appointed as Commissioner of the Company in 2011. In addition, he also serves as Commissioner of PT Torabika Eka Semesta, PT Kakao Mas Gemilang and Unita Branindo, President Director of PT Sinar Pangan Barat and Director of PT Sinar Pangan Timur.



Wardhana Atmadja
Operations Director

Indonesian citizen, born in Jakarta in 1979 (43 years). Appointed as Operations Director of the Company in 2011. In addition, he also serves as commissioner of PT Torabika Eka Semesta, PT Kakao Mas Gemilang and PT Unita Branindo



Suryanto Gunawan
Independent Commissioner

Indonesian citizen, born in Kudus in 1945 (77 years). Appointed as Independent Commissioner in 2011 and has joined the company since 1983.



Hendrik Polisar
Finance Director

Indonesian citizen, born in Maluku in 1964 (58 years). He has served as Finance Director of the Company since 2010.



Anton Hartono
Independent Commissioner

Indonesian citizen, born in Semarang in 1950 (72 years). Appointed as Independent Commissioner in 2018.



Muljono Nurlimo
Marketing Director

Indonesian citizen, born in Surabaya in 1960 (62 years). He has served as Marketing Director of the company since 2011.

Source: Company, Indo Premier

Income Statement (Rp bn)	2020A	2021	2022F	2023F	2024F
Net revenue	24,477	27,905	30,843	35,058	38,620
Cost of sales	(17,178)	(20,982)	(24,012)	(26,299)	(28,578)
Gross profit	7,299	6,923	6,831	8,759	10,042
SG&A Expenses	(4,468)	(5,151)	(4,716)	(5,224)	(5,914)
Operating profit	2,831	1,772	2,116	3,534	4,128
Net interest	(302)	(297)	(376)	(324)	(351)
Forex gain (loss)	117	47	300	0	0
Others	38	28	31	0	0
Pre-tax income	2,567	1,503	1,770	3,210	3,777
Income tax	(586)	(339)	(456)	(706)	(831)
Net income	2,061	1,187	1,582	2,453	2,887
Core profit	1,939	1,128	1,324	2,453	2,887

Balance Sheet (Rp bn)	2020A	2021	2022F	2023F	2024F
Cash & equivalent	3,778	3,009	2,872	2,289	2,123
Receivable	5,464	5,912	7,052	7,917	8,649
Inventory	2,805	3,034	3,615	4,095	4,503
Other current assets	792	1,014	1,014	1,014	1,014
Total current assets	12,839	12,970	14,553	15,316	16,289
Fixed assets	6,043	6,377	6,948	8,410	8,831
Other non-current assets	896	571	571	571	571
Total non-current assets	6,939	6,948	7,519	8,981	9,402
Total assets	19,778	19,918	22,072	24,297	25,690
ST loans	50	795	1,795	2,795	2,795
Payable	1,592	1,778	2,100	2,254	2,410
Other payables	960	2,323	751	669	129
Current portion of LT loans	957	675	675	675	675
Total current liab.	3,559	5,571	5,320	6,392	6,009
Long term loans	3,614	1,845	3,143	2,475	2,347
Other LT liab.	1,332	1,142	1,142	1,142	1,142
Total liabilities	8,506	8,558	9,605	10,009	9,497
Equity	440	435	435	435	435
Retained earnings	10,571	10,684	11,792	13,612	15,517
Minority interest	260	241	241	241	241
Total SHE + minority int.	11,271	11,360	12,468	14,288	16,193
Total liabilities & equity	19,778	19,918	22,072	24,297	25,690

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2020A	2021	2022F	2023F	2024F
Net income	2,831	1,772	2,116	3,534	4,128
Depr. & amortization	732	844	929	1,038	1,220
Changes in working capital	703	(491)	(1,399)	(1,191)	(983)
Others	(492)	(1,102)	(533)	(1,081)	(1,242)
Cash flow from operating	3,774	1,024	1,112	2,300	3,123
Capital expenditure	(2,102)	(1,185)	(1,500)	(2,500)	(1,640)
Others	701	343	0	0	0
Cash flow from investing	(1,401)	(842)	(1,500)	(2,500)	(1,640)
Loans	(1,184)	338	726	250	(668)
Equity	326	(215)	0	0	0
Dividends	(720)	(1,074)	(475)	(633)	(981)
Others	0	0	0	0	0
Cash flow from financing	(1,578)	(951)	251	(383)	(1,649)
Changes in cash	796	(768)	(137)	(583)	(166)

Key Ratios	2020A	2021	2022F	2023F	2024F
Gross margin	29.8%	24.8%	22.1%	25.0%	26.0%
Operating margin	11.6%	6.4%	6.9%	10.1%	10.7%
Pre-tax margin	11.0%	5.6%	6.7%	9.2%	9.8%
Net margin	8.4%	4.3%	5.1%	7.0%	7.5%
ROA	10.6%	6.0%	7.5%	10.6%	11.5%
ROE	18.7%	10.2%	11.3%	18.7%	19.2%
Acct. receivables TO (days)	84.7	74.4	83.5	82.4	81.7
Inventory TO (days)	59.5	50.8	54.9	56.8	57.5
Payable TO (days)	30.9	29.3	31.9	31.3	30.8
Debt to equity	42.0%	44.6%	46.5%	42.3%	33.0%
Interest coverage ratio (x)	-8.0	-5.5	-5.4	-10.4	-11.4
Net gearing	7.7%	17.6%	23.0%	26.0%	19.7%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

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