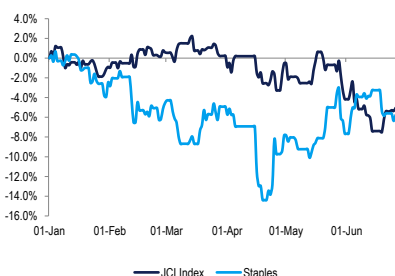


Sector Index Performance

	3M	6M	12M
Absolute	-0.3%	-4.2%	-18.8%
Relative to JCI	6.0%	0.4%	-22.5%



Summary Valuation Metrics

	2024F	2025F	2026F
<b>P/E (x)</b>			
SIDO IJ	18.6	17.0	15.9
ICBP IJ	12.5	11.3	10.3
MYOR IJ	16.0	13.8	12.6
<b>EV/EBITDA (x)</b>			
SIDO IJ	13.4	12.3	11.6
ICBP IJ	7.9	6.9	6.1
MYOR IJ	9.7	8.3	7.5
<b>Div. Yield</b>			
SIDO IJ	4.7%	6.1%	6.6%
ICBP IJ	3.9%	5.2%	5.9%
MYOR IJ	3.6%	3.8%	4.4%

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Staples 2Q24F outlook: strong sales run-rate but offset by margin pressure

- Our channel checks suggest encouraging 2Q24F sales run-rate across staples at double-digit yoy growth, also helped by 2Q23 low base effect.
- However, we expect GPM pressure (MYOR) due to raw material costs fluctuation and US\$ appreciation with SIDO being the most resilient.
- Lack of positive macro catalyst and local funds' positioning for the sector underpin our Neutral call for the sector.

Strong Apr-May24 sales run-rates observed for selected staples

Discussions and channel checks with several consumer staples names (MYOR, SIDO and ROTI among others) and minimarkets indicated robust domestic sales run-rates (double-digit growth) for Apr-May24, which is helped by the favourable base effect in 2Q23. Nonetheless, down trading trends are still evident.

RM trend may pressure MYOR & ICBP's GPM; but SIDO shall benefit

Separately, raw materials (RM) such as coffee/cocoa/CPO/wheat have shown volatile prices – Fig 2. Coffee/cocoa prices (in Rp) have risen the most +72/216% yoy, while domestic wheat prices are relatively stable despite the global wheat futures spiked in May24. As such, MYOR is likely the most impacted, followed by ICBP from higher CPO prices. On the contrary, sugar prices which dropped by -14% yoy shall benefit SIDO's F&B segment's GPM.

Stronger US\$ against Rupiah may also pressure KLBF

At the same time, Rp has depreciated -6.6% YTD against US\$ and this does not bode well for consumer staples names in general. As discussed in our past report ([link](#)), the most vulnerable to a stronger US\$ is KLBF (Fig 3). Our sensitivity analysis indicate KLBF's core profit may decline by -6.2% for every 5% appreciation in US\$ against Rupiah. On the other hand, SIDO/ICBP are among the most insulated against stronger US\$ with merely -1.3%/-0.9% core profit impact. Another note on stronger US\$ is the forex loss translation for ICBP's US\$ bond. We estimate ICBP may book c.Rp1.5tn of unrealized forex loss in 2Q24F.

Awaiting clarity on regulatory direction from the new administration

Aside from the presidential campaign in Feb24, we note the regional elections across 508 cities/regencies may also stimulate consumption in Nov24 but the impact on general consumption is expected to be less than the Feb24 election. Apart from that, social assistance program for FY24F is budgeted at +13.1% yoy. For FY25F, we await more clarity on regulatory direction from the new administration in Oct/Nov24 including details on the proposed free lunch program, potential excise on sweetened beverage, and the implementation of VAT hike to 12% (effective Jan25).

Maintain sector Neutral with preference for SIDO, MYOR and ICBP

While sales run-rates from listed names have shown encouraging improvements (on a yoy basis), our channel checks on GT channels also indicate mixed signals that suggest down trading as a consistent theme. In sum, we maintain our Neutral sector call with SIDO as our top pick given its margins resilience against raw material fluctuations, US\$ appreciation and favourable base effects in upcoming quarters. Local funds are generally well positioned across staples names but further incremental buyer is contingent on foreign flow, in our view. Our pecking order for staples is as follow: SIDO> MYOR> ICBP> INDF> KLBF > UNVR.

Fig. 1: Indonesia staples valuation summary

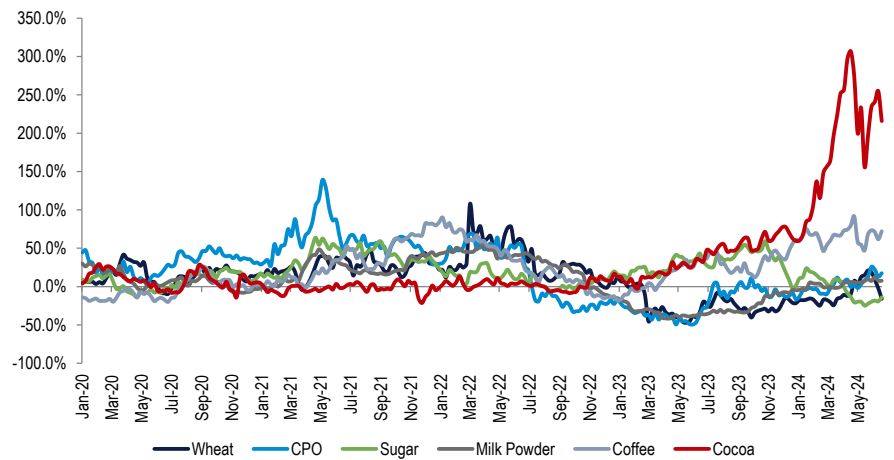
Ticker	Rating	Current price (Rp)	Target price (Rp)	Earnings yoy growth		P/E		ROE	
				2024F	2025F	2024F	2025F	2024F	2025F
SIDO	BUY	750	890	27.5%	9.1%	18.6	17.0	35.0%	37.6%
MYOR	BUY	2,360	3,700	3.3%	16.2%	16.0	13.8	20.9%	22.0%
ICBP	BUY	10,375	12,500	4.3%	10.8%	12.5	11.3	22.4%	22.5%
INDF	BUY	5,900	10,400	-17.4%	15.6%	6.4	5.5	13.3%	14.6%
UNVR*	BUY	3,010	3,000	11.6%	4.3%	21.4	20.6	146.4%	137.8%
KLBF	HOLD	1,535	1,620	20.7%	11.8%	21.5	19.3	13.3%	12.9%
<b>Simple average</b>				<b>8.3%</b>	<b>11.3%</b>	<b>16.1</b>	<b>14.6</b>	<b>41.9%</b>	<b>41.2%</b>

Source: Bloomberg, Indo Premier

Share price closes as 26 June 2024

\*Under review

Fig. 2: Key raw materials trend in Rp (yoy growth)



Source: Bloomberg, Indo Premier

Fig. 3: Indonesia' staples US\$ exposure into COGS & Revenue

Ticker	% of COGS linked to US\$ (incl. indirectly linked)	% of revenue in US%	Impact to core profit for every 5% Rp depreciation against US\$	Remarks
SIDO	20-30% (packaging and F&B RM)	1-2% (exp to Nigeria)	-1.3%	
MYOR	20-30% (based on company's, and this refers to veg oil's exposure only excluding w heat, sugar and coffee). With w heat & sugar, we estimate total US\$ exposure may be c.60%	c.40% of sales (export excluding China) in USD	-1.7%	Most exports are to Asia and SE Asia countries; and shipping routes are mostly not impacted by geopolitical conflict on routes passing through the Suez Canal.
ICBP	c.50-60% of total COGS linked to USD (Wheat, CPO & packaging)	c.34% of sales (overseas market)	-0.9%	ICBP's US\$2.75bn bond to incur hefty forex loss on IDR weakness
UNVR	Estimated 30-40% (oil related and packaging)	c.3.1% export revenue	-3.8%	Export revenue is to related parties and is not margin accretive
KLBF	90% of RM in USD 67% of COGM (Cost of goods manufactured) 29% of Total COGS	<1%	-6.2%	

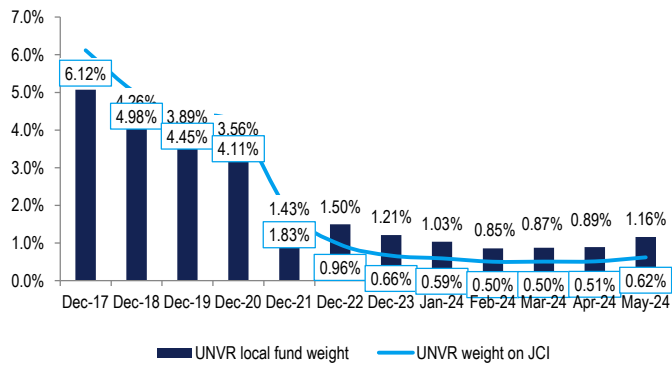
Source: Company, Indo Premier

Fig. 4: Indonesia' staples share price performance

	Last price (Rp)	Price changes				
		1M	3M	6M	YTD	12M
KLBF IJ	1,535	-1.6%	2.0%	-3.2%	-4.7%	-25.8%
MYOR IJ	2,360	3.5%	-10.3%	-0.8%	-5.2%	-9.6%
ICBP IJ	10,375	-1.0%	-4.4%	-1.4%	-1.9%	-8.4%
SIDO IJ	750	4.9%	22.0%	38.9%	42.9%	2.7%
UNVR IJ	3,010	-1.6%	8.7%	-13.3%	-14.7%	-28.8%
<b>Simple average</b>		<b>0.8%</b>	<b>3.6%</b>	<b>4.0%</b>	<b>3.3%</b>	<b>-14.0%</b>

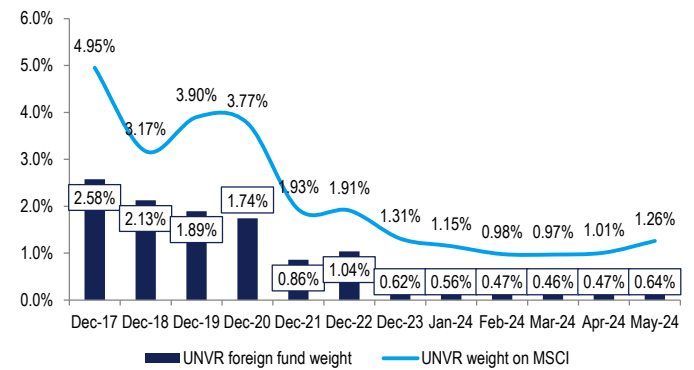
Source: Bloomberg, Indo Premier

Fig. 5: UNVR' local fund weight vs. JCI



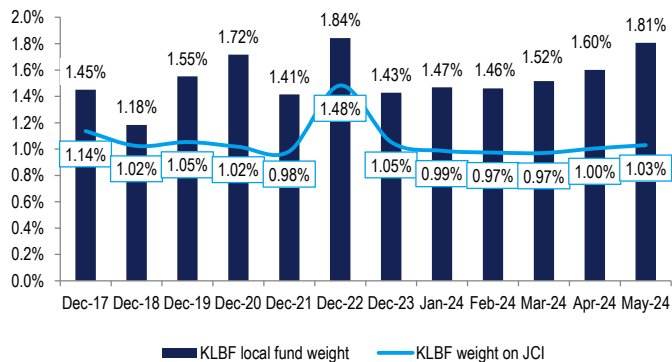
Source: KSEI, Indo Premier

Fig. 6: UNVR' foreign fund weight vs. MSCI



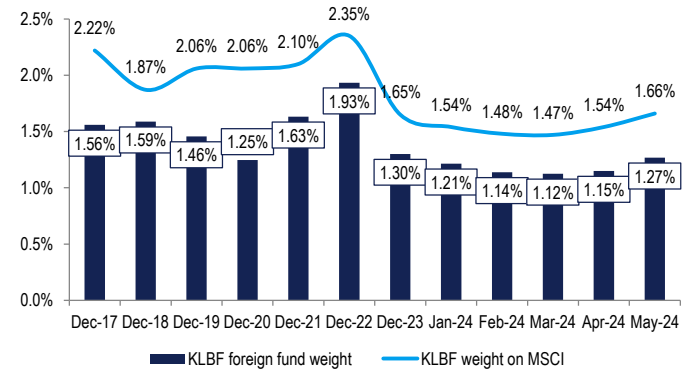
Source: KSEI, MSCI, Indo Premier

Fig. 7: KLBF' local fund weight vs. JCI



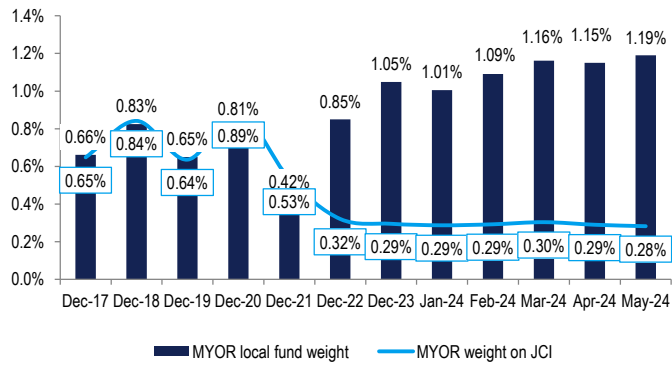
Source: KSEI, Indo Premier

Fig. 8: KLBF' foreign fund weight vs. MSCI



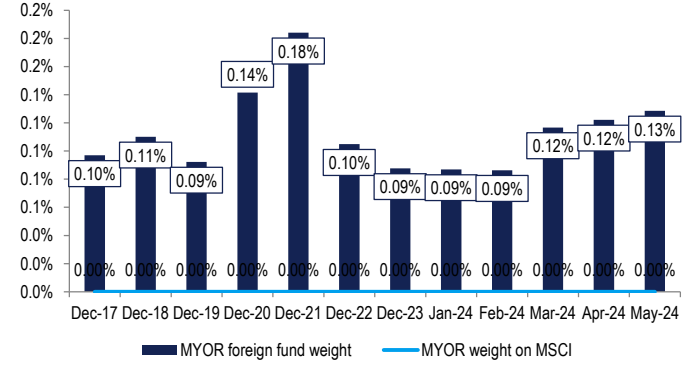
Source: KSEI, MSCI, Indo Premier

**Fig. 9: MYOR' local fund weight vs. JCI**



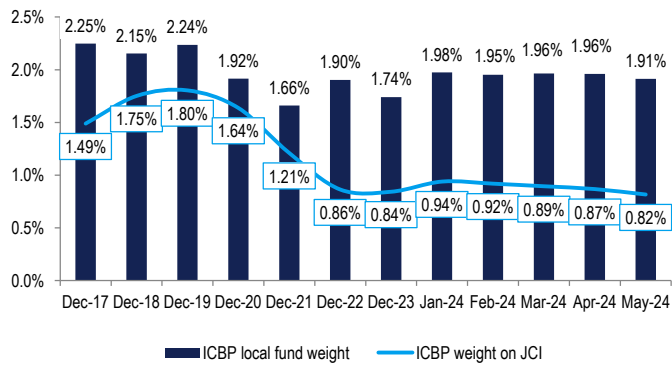
Source: KSEI, Indo Premier

**Fig. 10: MYOR' foreign fund weight vs. MSCI**



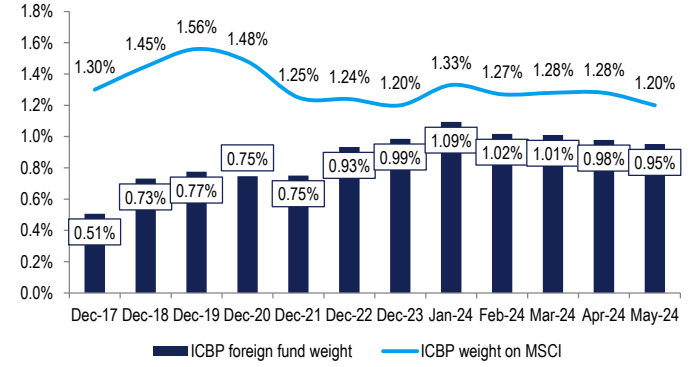
Source: KSEI, MSCI, Indo Premier

**Fig. 11: ICBP' local fund weight vs. JCI**



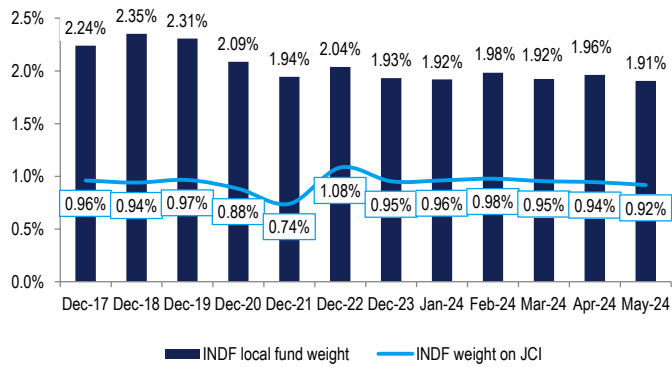
Source: KSEI, Indo Premier

**Fig. 12: ICBP' foreign fund weight vs. MSCI**



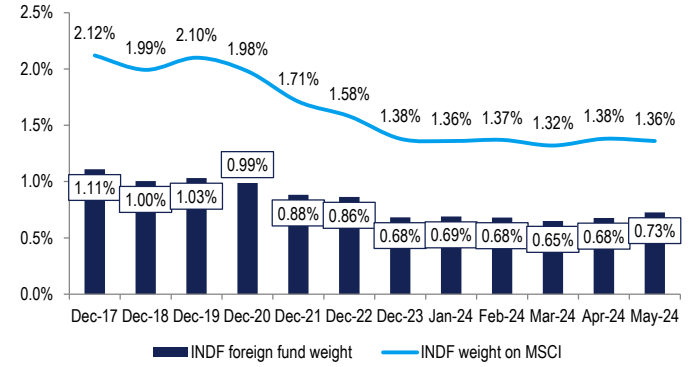
Source: KSEI, MSCI, Indo Premier

**Fig. 13: INDF' local fund weight vs. JCI**



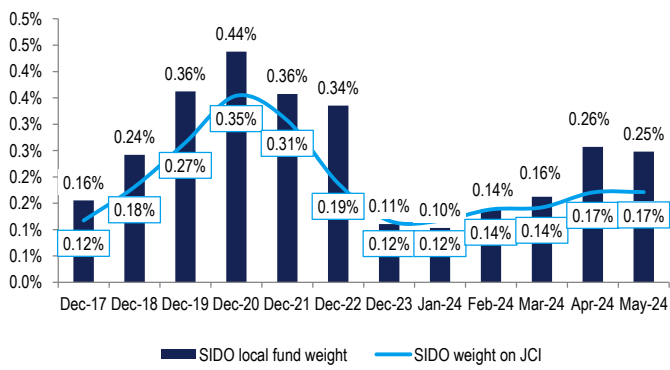
Source: KSEI, Indo Premier

**Fig. 14: INDF' foreign fund weight vs. MSCI**



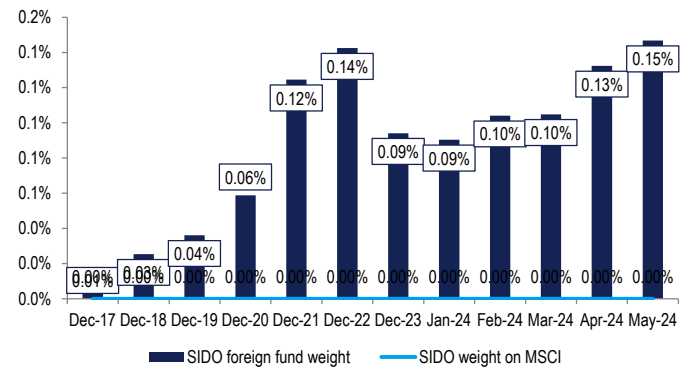
Source: KSEI, MSCI, Indo Premier

**Fig. 15: SIDO' local fund weight vs. JCI**



Source: KSEI, Indo Premier

**Fig. 16: SIDO' foreign fund weight vs. MSCI**



Source: KSEI, MSCI, Indo Premier

## SECTOR RATINGS

- OVERWEIGHT** : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL** : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT** : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

## COMPANY 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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