INDOPREMIER

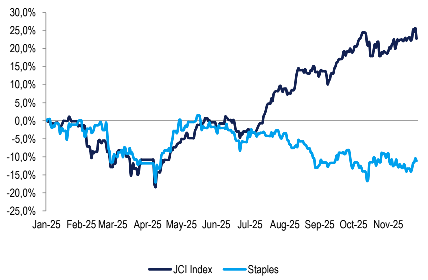
Consumer Staples

OVERWEIGHT (upgrade)

Sector Update | Consumer Staples | 27 November 2025

Sector Index Performance

	3M	6M	12M
Absolute	2.2%	-9.6%	-13.9%
Relative to JCI	-6.0%	-32.9%	-42.3%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
MYOR IJ	17.4	14.1	12.0
KLBF IJ	15.0	13.9	12.9
ICBP IJ	10.2	9.2	8.3

EV/EBITDA (x)	2025F	2026F	2027F
MYOR IJ	10.2	8.5	7.1
KLBF IJ	9.5	8.8	8.2
ICBP IJ	7.6	6.7	5.8

Div. Yield	2025F	2026F	2027F
MYOR IJ	2.4%	2.2%	2.7%
KLBF IJ	3.9%	4.4%	4.8%
ICBP IJ	3.8%	4.7%	5.2%

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Fiscal spending and soft commodity relief to drive staples' FY26F earnings

- We expect purchasing power to gradually improve in 4Q25F onwards amid government spending.
- Benign soft commodity prices outlook to drive staples' FY26F earnings; MYOR shall be the prime beneficiary.
- Upgrade to Overweight due to tangible purchasing power improvement and benign soft commodity price.

Fiscal spending to drive consumption

We expect purchasing power to gradually improve in 4Q25F onwards on the back of (i) government additional cash assistance of Rp900k in Oct-Dec25 for 35.4mn recipients, equal to Rp31.9tr, (ii) free meal program in FY26F which has the potential to create 1.5mn new jobs. Moreover, we view the purchasing power recovery will be more sustainable as job creation structurally strengthens household income rather than providing only temporary support.

Sign of purchasing power improvement

Within our coverage, we observed that 3Q25 domestic staples sales grew at 7.4% yoy (vs. 5yr avg of 3.3% yoy), indicating a recovery in basic-goods demand. We also note that staples sales often act as a leading indicator for 2W wholesales (proxy for grassroots purchasing power) with Sep/Oct25 2W wholesales recovered to +7.3/+8.4% yoy (vs. 7M25's -1.7% yoy). Our conversation with staples company indicated that Oct-Nov25 sales continued the positive trend since 3Q25. In sum, we see evidence of purchasing power improvement in Oct25 onwards, following the initial signs observed in 3Q25 domestic staples sales recovery.

Benign soft commodity prices outlook to drive GPM improvement for staples, especially for MYOR and ICBP

Robusta coffee/Cocoa/Sugar/CPO/powder milk/Brent oil prices have declined by -18.2/-57.2/-21.4/-16.7/-12.6/-15.5% YTD and this shall benefit MYOR/ICBP/UNVR/KLBF as combined these commodities contributed 54/32/40/28% of its COGS, respectively. Given a benign soft commodity outlook in FY26F, we expect GPM to improve and forecast MYOR/ICBP/UNVR/KLBF/SIDO FY26F earnings to grow by +23.1/+10.2/-1.1/+7.8/+6.2% yoy, respectively. To note, UNVR's flat bottom-line yoy growth was due to the divestment of ice cream business in 4Q25F which accounted for c.10% total sales.

Upgrade to OW rating

We note that Indonesia's staples valuation has de-rated to 12.5x fwd. 12M PE (-1.8 s.d. from its 5yr mean) amid softer sales growth (FY19-24/11-18 CAGR: 3.5/9.7%), suggesting a limited downside. As we expect the purchasing power to gradually improve in FY26F amid fiscal spending, we view the sector has a potential for rerating. Overall, we upgrade our sector call to Overweight rating due to a tangible purchasing power improvement and benign soft commodity prices outlook which shall be a boon to bottom-line. Our pecking order are: MYOR>KLBF>ICBP>UNVR>SIDO. MYOR is our top pick on the back of robust earnings growth of +23.1% yoy (vs. aggregate's 7.2% yoy).

Fig. 1: Indonesia Staples valuation summary

Ticker	Rating	Current price (Rp)	Target price (Rp)	Earnings yoy growth		P/E		ROE	
				2025F	2026F	2025F	2026F	2025F	2026F
ICBP	BUY	8,550	12,600	-5.6%	10.2%	10.2	9.2	23.3%	23.0%
MYOR	BUY	2,130	2,700	-8.9%	23.1%	17.4	14.1	14.9%	16.6%
SIDO	HOLD	550	625	-1.3%	5.5%	14.3	13.5	32.8%	33.5%
INDF	BUY	7,375	11,200	12.0%	16.0%	5.8	5.1	18.3%	18.9%
KLBF	BUY	1,225	1,980	15.2%	7.8%	15.0	13.9	14.4%	14.4%
UNVR	HOLD	2,600	2,000	19.7%	-1.1%	24.5	24.8	66.0%	84.4%

Source: Company, Indo Premier

Fiscal spending to drive the household consumption

Government distributes social assistance of Rp900k (BLT Kesra) in Oct-Dec25 to 35.4mn recipients with total budget of Rp31.9tr. This program will be funded by budget reallocation, in-line with MOF's directive to reallocate national budget's portions that haven't fully absorbed.

We view government spending has a direct impact on household consumption. We note that when the government announced spending cut of Rp306.7tr in Jan25, it resulted in softer household spending. This is reflected in staples companies under our coverage which only recorded +0.2% domestic sales yoy growth in 1Q25 – despite a low base of +3.0% yoy in 1Q24 (vs. 5yr avg of +5.5% yoy).

Moreover, we view that non-cash social assistance in 1Q25 (e.g. 50% electricity tariff discount) was less effective in boosting the purchasing power. Historically, there is a tangible impact when government provided additional cash assistance i.e. in FY22 (Fig 4) when staples domestic sales grew by 8.5% yoy (vs. 5yr avg of +3.8% yoy), suggesting that cash disbursement is more effective to drive the household consumption.

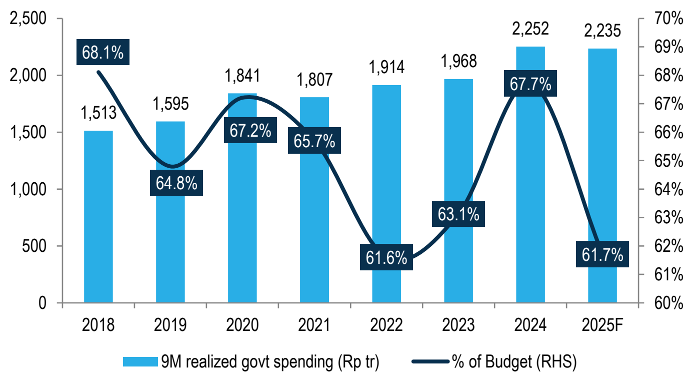
Given 9M25 government spending realization of 61.7% of FY25F (vs. 5yr avg of 65.1%), we expect strong fiscal spending in 4Q25F to support household consumption. With the government's proactive stance on reallocating underutilized budget, we see potential for further purchasing power recovery.

Fig. 2: Additional social assistance

Name	Duration	Type	Target (mn)	Total Assistance (Rp mn/pax)	Total Budget (Rp tr)
BST	Jul-Aug21	Cash	10.0	0.6	6.0
BLT Minyak Goreng	Apr-Jun22	Cash	20.7	0.3	6.2
BLT BBM 1	Sep-Dec22	Cash	20.7	0.6	12.4
BLT UMKM	Oct-Dec22	Cash	12.0	1.2	14.4
Electricity discount	Jan-Feb25	Non-Cash	68.0	0.2	13.6
BSU	Jun-Jul25	Cash	8.2	0.6	4.9
BLT Kesra	Oct-Dec25	Cash	35.4	0.9	31.9

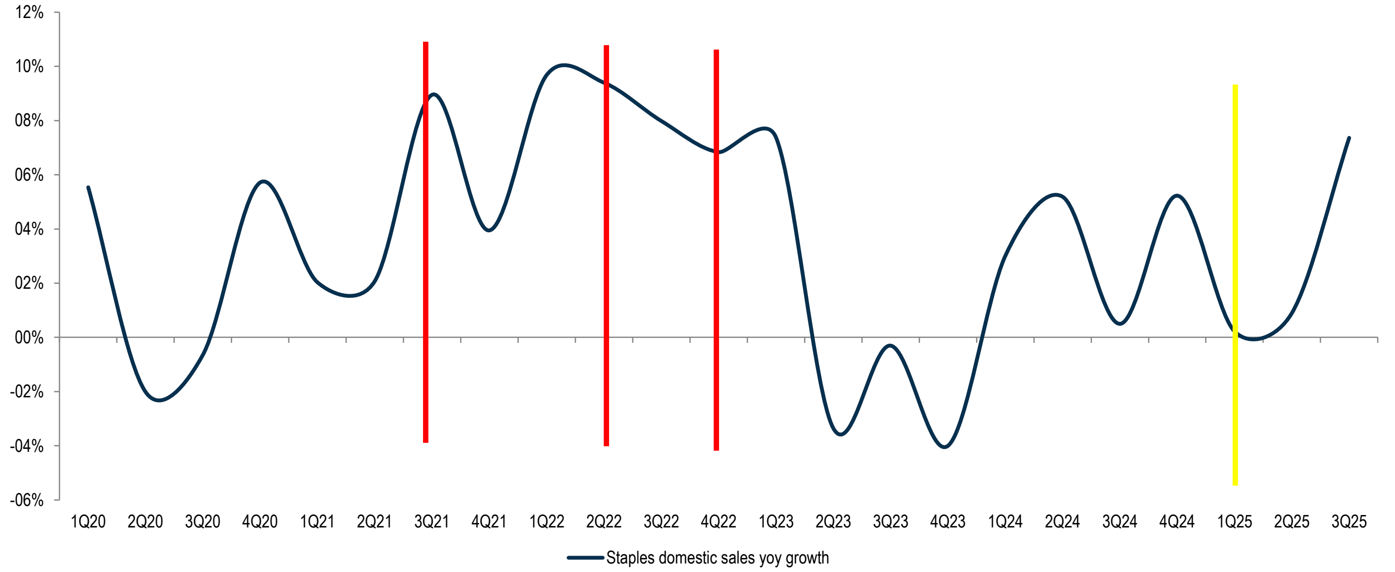
Source: MoF, Company, Indo Premier

Fig. 3: Government spending in 9M25 vs. 5yr avg



Source: MoF, Indo Premier

Fig. 4: Cash vs. non-Cash social assistance to staples local sales



Source: Bloomberg, Company, Indo Premier

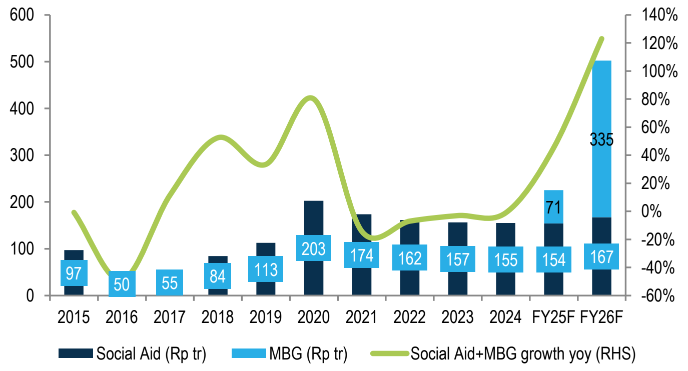
--- = Cash disbursement, --- = Non-Cash disbursement

Job creation from free meal program to support the purchasing power recovery

Government sets FY26F free meal program (MBG) budget at Rp335tr (+372% yoy), equivalent to 2.3% of FY26F GDP (vs. 0.5% in FY25F GDP). Our economist expects that MBG program to reach 30k central kitchens and 82.9mn recipients in 2Q26F, indicating that the full impact of this program will occur in 2H26F.

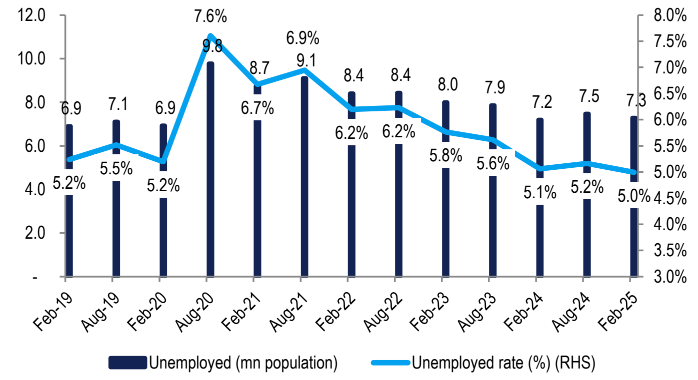
The National Nutrition Agency (BGN) doesn't set a fixed standard for the number of employees in MBG central kitchens. However, each kitchen may employ up to 50 employees, implying that the MBG program could create up to c.1.5m new jobs. According to BPS, Indonesia's unemployment rate stood at 4.85% (7.5mn total unemployment); thus, this program could potentially reduce the unemployment rate by -1%. Overall, we view the purchasing power recovery driven by job creation is more sustainable as it improves household income on a structural basis rather than relying on temporary fiscal transfers.

Fig. 5: Social assistance budget (Rp tr)



Source: MoF, Company, Indo Premier

Fig. 6: Indonesia unemployment rate

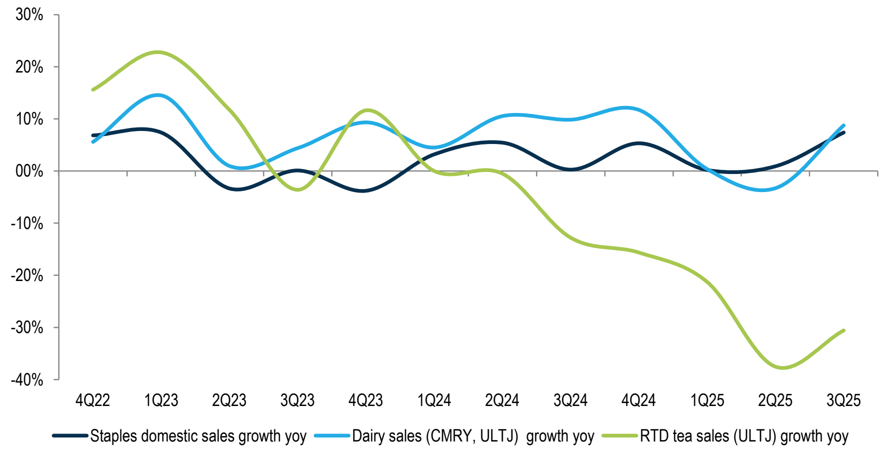


Source: BPS, Indo Premier

Sign of purchasing power improvement

Staples companies within our coverage recorded an improvement in 3Q25 domestic sales with aggregate growth of +7.4% yoy (vs. 5yr avg of +3.3% yoy). On the other hand, 3Q25 dairy sales (CMRY and ULTJ, non-rated) grew by 8.8% yoy, while 3Q25 RTD tea sales (ULTJ, non-rated) contracted by -30.6% yoy. Overall, this indicates that the purchasing power recovery in 3Q25 was primarily concentrated in basic-needs categories.

Fig. 7: Staples, dairy and RTD tea sales growth trend

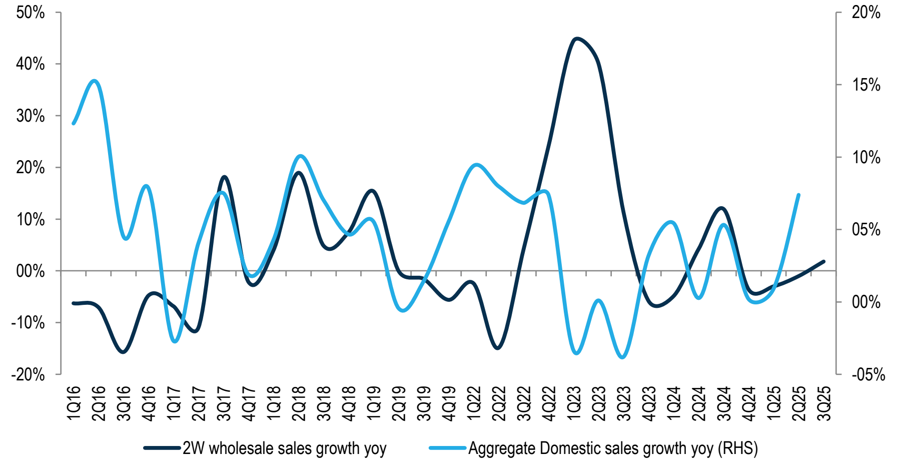


Source: Company, Indo Premier

Historically, staples sales have acted as a leading indicator for 2W wholesales (Fig. 8). We note that 2W wholesales started to improve in Sep/Oct25 with sales growth of +7.3/+8.4% yoy, a recovery from 7M25's -1.7% yoy. This suggests improving grassroots purchasing power which typically precedes broader consumption recovery.

Our conversation with MYOR indicated that Oct-Nov25 local sales grew by mid-high teens yoy, in-line with CCI improvement in Oct25. Moreover, ULTJ also shared that Oct25 RTD tea sales recovered to low-single digit yoy (vs. 3Q25's -12.8% yoy) and this was driven by GT market. We view Oct-Nov25's sales improvement was partly driven by BLT Kesra. Moreover, our economist observed on-going improvement in jobs and income in 4Q25F (link to report). Overall, we see a sign of purchasing power improvement in Oct25 onwards, reinforcing the recovery first observed in 3Q25 domestic staples sales.

Fig. 8: 2W wholesales growth vs. Indo's staples domestic sales trend



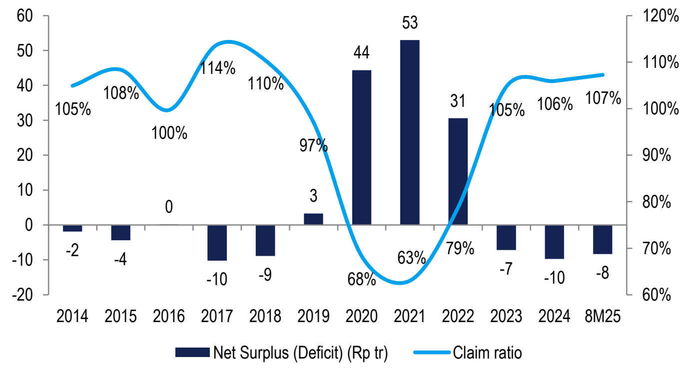
Source: Company, Indo Premier

KLBF's consumer health to benefit from stricter BPJS referral policy

Our discussion with listed hospital company indicated that BPJS' patient traffic remained soft in 4Q25F, following the stricter BPJS referral requirement that was implemented in Jul24. We view the tighter referral policy is driven by BPJS' financial condition as it recorded 7% deficit in 8M25; hence, BPJS aims to reduce its claims in order to improve the claim ratio (Fig. 9).

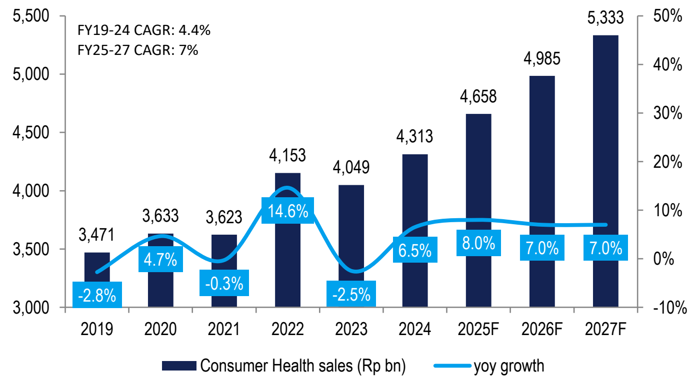
Historically, KLBF's consumer health segment slowed from 7.6% CAGR in FY14-19 to +4.3% CAGR in FY19-24, partly due to the acceleration of BPJS coverage post-Covid period. With the implementation of stricter BPJS referral, we view this may benefit for KLBF's consumer health revenue as its 9M25 sales recovered to +9.4% yoy, indicating higher demand for OTC products. In addition, recent brand rejuvenation initiatives have also supported the recovery by adding more relevant SKUs aimed at younger target consumers (RTD Extra Joss, Mixagrip, Bejo, etc.). Overall, we expect KLBF's consumer health sales recovered to 7% CAGR in FY25-27F (Fig. 10).

Fig. 9: BPJS budget deficit



Source: MoH, Indo Premier

Fig. 10: KLBF consumer health sales growth trend



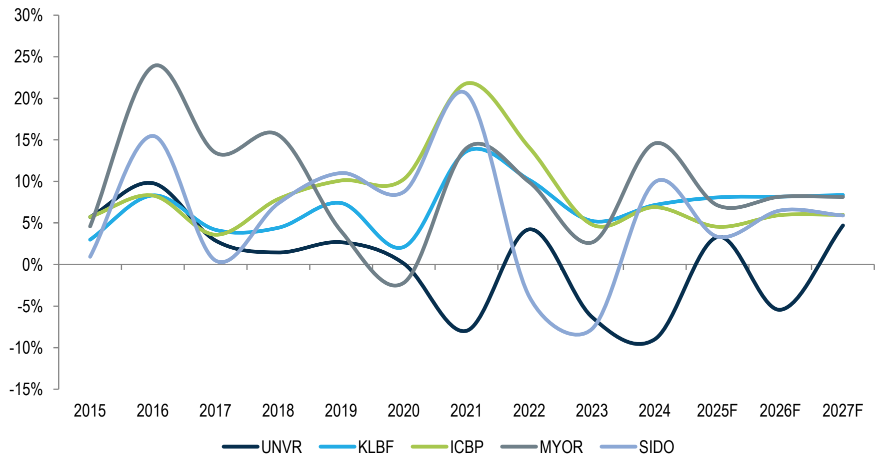
Source: Company, Indo Premier

FY26F revenue growth to be driven by sales volume growth amid benign commodity price

In FY25F, ICBP raised domestic noodle ASP by Rp100/pack (3-4% ASP hike) in Feb25 amid CPO cost pressure. This resulted in flat 9M25 domestic noodle sales volume (vs. +7% yoy in 9M24). In addition, MYOR resized its cocoa/coffee-related products (another form of ASP hike) in Feb/Oct25 on the back of higher cocoa/coffee prices, implying a blended ASP hike of 10% yoy. Thus, 9M25 MYOR sales volume (in tonnage) declined by -4.7% yoy.

We expect ICBP/MYOR FY25F ASP hike to exert a smaller drag on FY26F sales volume growth. Given the benign soft commodity outlook, FY26F staples top-line growth to be driven by sales volume growth as we forecast MYOR/KLBF/ICBP/UNVR/SIDO's revenue to grow by +8.1/+8.2/+5.9/-5.4/6.1% yoy. To note, a -5.4% yoy FY26F UNVR sales contraction was due to the impact of Ice-cream divestment in 4Q25F where ice-cream segment contributed c.10% of UNVR sales. Meanwhile, SIDO's FY26F sales growth of +6.1% yoy was partly contributed by c.3% ASP hike; in-line with company strategy to raise prices in-line with inflation rate.

Fig. 11: Staples topline growth trend



Source: Company, Indo Premier

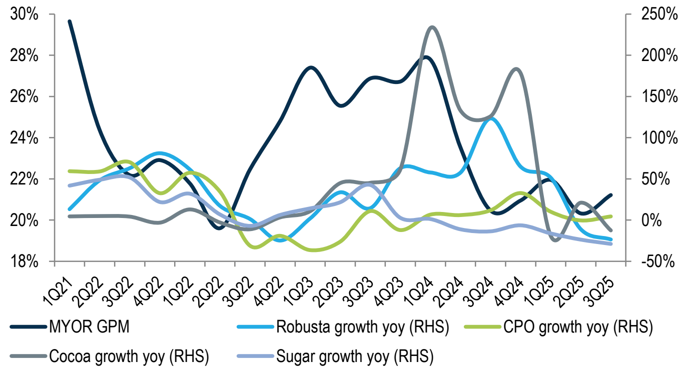
Benign soft commodities prices outlook

We observed key soft commodities (cocoa, sugar, CPO) spiked sharply in early FY25F amid supply issue, but had tapered as cocoa/sugar/CPO prices dropped by -57.2/-21.4/-16.7% YTD. In addition, 2Q-3Q25 robusta coffee price declined by -18.2% yoy amid better-than-expected production. To note, MYOR starts to stock up robusta coffee during harvesting period in Apr-Sep. For wheat, Bogasari has not adjusted its FY25F ASP, given relatively stable wheat prices.

Looking into FY26F, we expect cocoa/sugar price to stabilize at current levels amid expectations that supply growth will keep pace with demand. In addition, we expect CPO prices to stabilize on the back of better supply and demand outlook; partly due to improving US-China relations have prompted China to resume US soybean purchases, shifting some demand from CPO to soybean oil (SBO). Thus, CPO discount SBO currently stood at -13.6% (vs. its 15yr avg of -14.6%) (Fig 16).

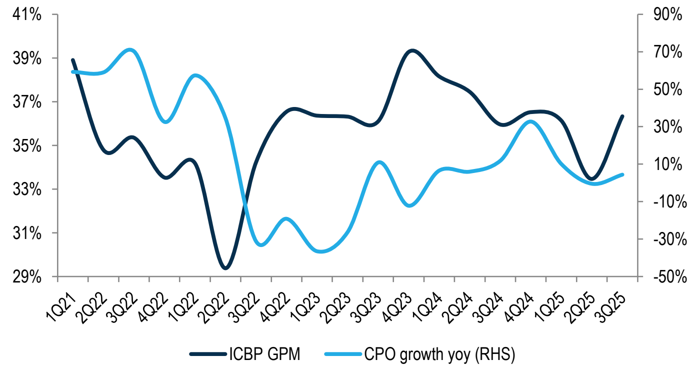
For Robusta prices, we expect the price to decline in FY26F amid expectation that Brazil's output will continue to increase, despite risks of new US tariffs on Brazilian coffee. In addition, Wheat prices are estimated to be elevated in FY26F amid growing demand from rising population. We note that Bogasari only decreased its ASP by -16-18% in FY23 (vs. global wheat price declining by -33.2% over the same period); thus, Bogasari still has c.16% buffer against potential wheat price increases.

Fig. 12: MYOR's GPM against cocoa/CPO/sugar/Robusta prices



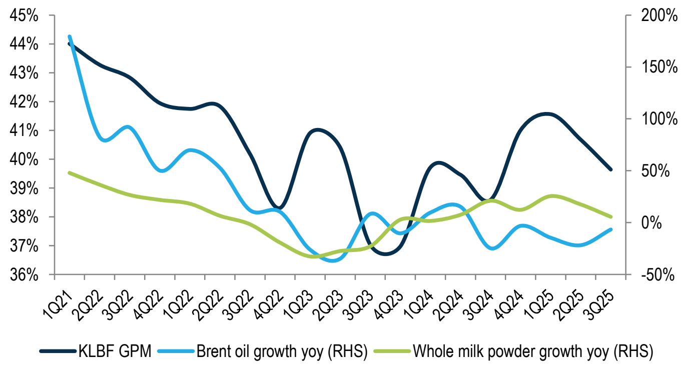
Source: Bloomberg, Company, Indo Premier

Fig. 13: ICBP's GPM against CPO prices



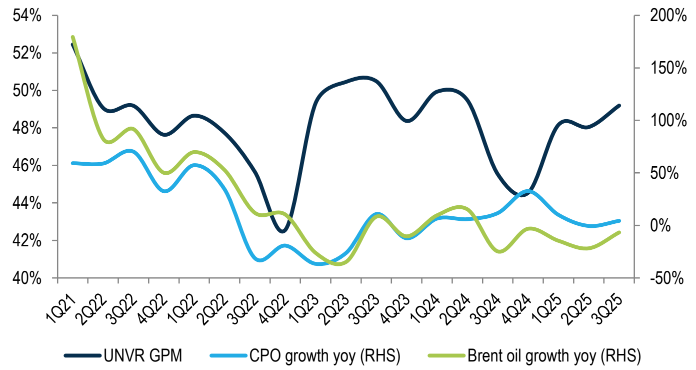
Source: Bloomberg, Company, Indo Premier

Fig. 14: KLBF's GPM against Brent oil and powder milk prices



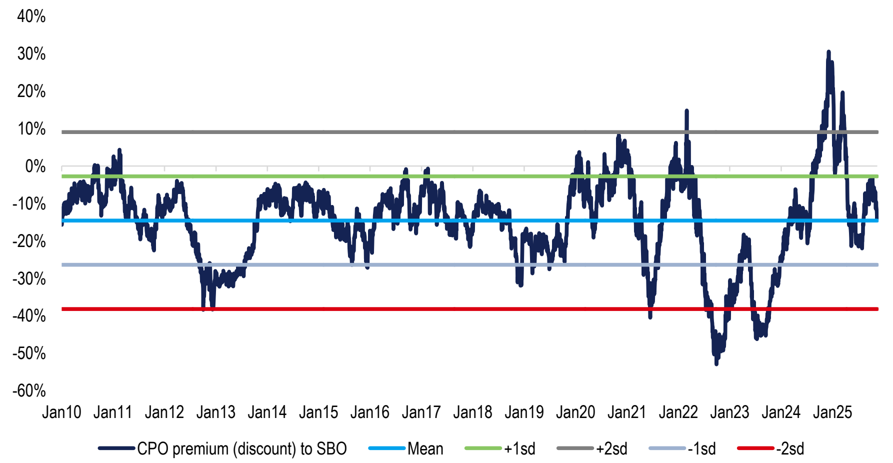
Source: Bloomberg, Company, Indo Premier

Fig. 15: UNVR's GPM against brent oil and CPO prices



Source: Bloomberg, Company, Indo Premier

Fig. 16: CPO premium (discount) to SBO



Source: Bloomberg, Indo Premier

Given benign soft commodity outlook, we expect this to be beneficial for MYOR/ICBP/UNVR/KLBF as combined coffee/cocoa/sugar/CPO/powder milk/Brent oil prices account for 54/32/40/28% of MYOR/ICBP/UNVR/KLBF's COGS. In sum, we foresee the MYOR/ICBP/UNVR/KLBF/SIDO/INDF's FY26F earnings to grow by +23.1/+10.2/-1.1/+7.8/+6.2/+16% yoy, respectively.

Fig. 17: Indonesia's staples bottom line growth

(Rp bn)		IPS Earnings			IPS EPS Growth		
No	Ticker	2025F	2026F	2027F	2025F	2026F	2027F
1	UNVR IJ	4,049	4,004	4,265	20%	-1%	7%
2	ICBP IJ	9,823	10,822	12,062	39%	10%	11%
3	INDF IJ	12,696	14,724	16,888	43%	16%	15%
4	MYOR IJ	2,735	3,368	3,971	-9%	23%	18%
5	SIDO IJ	1,256	1,334	1,409	7%	6%	6%
6	KLBF IJ	3,732	4,023	4,334	15%	8%	8%

Source: Company, Indo Premier

Given a lower Brent oil prices of -15.5% YTD, we expect a lower API costs for KLBF in FY26F (given a typical lag of 6-9 months). In addition, milk-powder prices fell by -12.6% YTD amid weaker demand and rising milk output from all major exporters in the Northern hemisphere, which should further support KLBF's nutritional GPM. Our sensitivity analysis indicates that every 5% decrease in Brent oil and milk powder prices, it may increase KLBF's FY26F earnings by 6.2%.

Fig. 18: Staples sensitivity analysis

	Net Profit impact from 5% decline coffee/sugar/cocoa/CPO prices
MYOR	20.4%
ICBP	6.0%
KLBF	6.2%
UNVR	6.7%
SIDO	1.0%

Source: Company, Indo Premier

Upgrade to Overweight

In terms of valuation, Indonesia staples' aggregate valuation has de-rated to 12.5x 12M forward PE (-1.8 s.d. from its 5yr avg) as the multiple de-rating was attributed to an overall softer sales growth from staples companies. Worth noting that FY19-24 CAGR sales growth was only at 3.5% (vs. FY11-18's 9.7%), reflecting a slower overall consumption. Although we don't expect a V-shape recovery on the purchasing power in FY26F, we view the purchasing power recovery to be gradual amid a better job creation.

We forecast Indonesia staples sales to grow by 5% yoy in FY26F (vs. FY25F's +4.2% yoy), indicating gradual recovery in household purchasing power. This implies upside potential if sales growth exceeds the expectations.

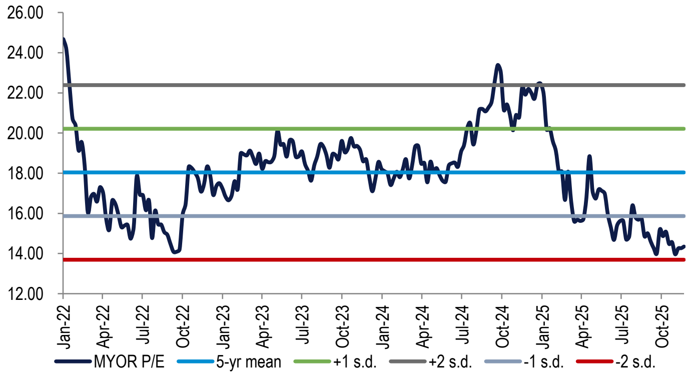
We note that MYOR/ICBP is the most impacted from the rising input cost in 1H25, reflected in their 1H25 earnings growth of -32.1%/-4.4% yoy (vs. FY25F consensus estimates of -5.6/-9.8% yoy), suggesting a favourable base effect for next year.

Given a better government spending outlook in FY26F, we view staples sector will be the first beneficiary from the increase in household spending due to affordable product offerings. Overall, we upgrade our sector call to Overweight rating due to a tangible purchasing power improvement in 3Q25 onwards, more positive on government program impact in FY26F and benign soft commodity prices outlook. Our pecking order are: MYOR>KLBF>ICBP>UNVR>SIDO. MYOR become our top pick due to the strongest bottom-line growth of 23.1% yoy (vs. aggregate's 7.2% yoy).

Fig. 19: Indonesia's staples is traded at 12.5x fwd. 12M PE (-1.8 s.d. from its 5yr mean)

Source: Bloomberg, Indo Premier

Fig. 20: MYOR is traded at 14.3x fwd. 12M PE (-1.6 s.d. from its 5yr mean)

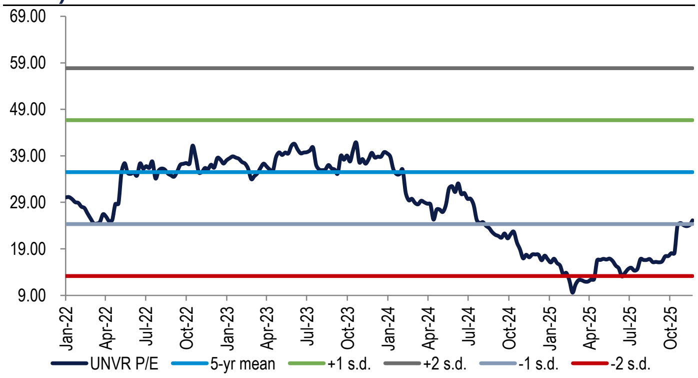


Source: Bloomberg, Indo Premier

Fig. 21: KLBF is traded at 12.7x fwd. 12M PE (-1.6 s.d. from its 5yr mean)

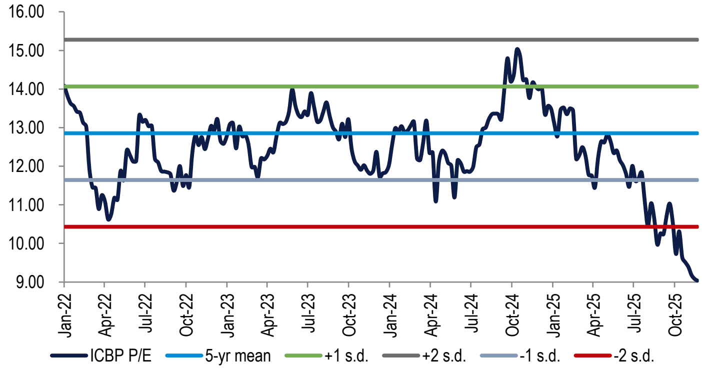
Source: Bloomberg, Indo Premier

Fig. 22: UNVR is traded at 25.1x fwd. 12M PE (-1.0 s.d. from its 5yr mean)



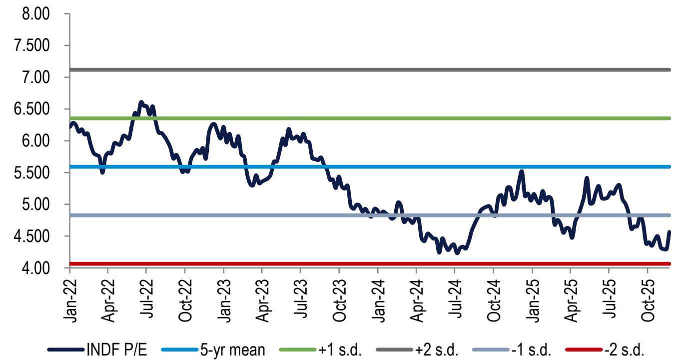
Source: Bloomberg, Indo Premier

Fig. 23: ICBP is traded at 9.0 fwd. 12M PE (-2.8 s.d. from its 5yr mean)



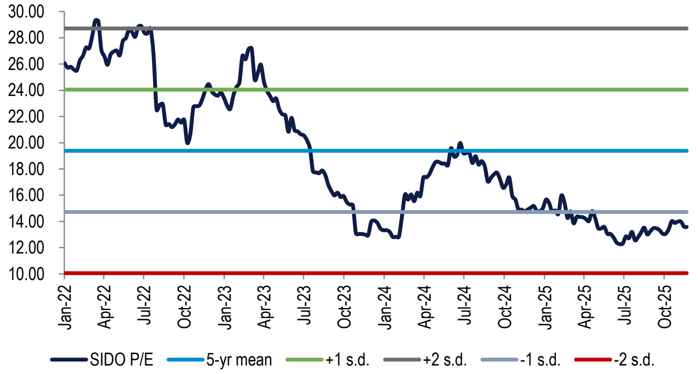
Source: Bloomberg, Indo Premier

Fig. 24: INDF is traded at 4.6x fwd. 12M PE (-1.4 s.d. from its 5yr mean)



Source: Bloomberg, Indo Premier

Fig. 25: SIDO is traded at 13.6x fwd. 12M PE (-1.2 s.d. from its 5yr mean)



Source: Bloomberg, 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

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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