

Mayora Indah (MYOR IJ)

21 March 2017

Results Note

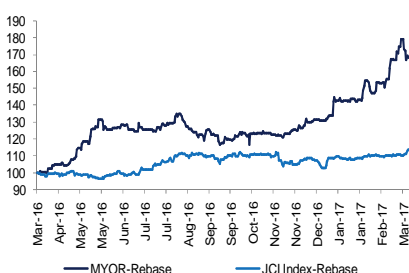
SELL (Unchanged)

Stock Data

| | |
|---------------------------|---------|
| Target price (Rp) | Rp1,450 |
| Prior TP (Rp) | Rp1,450 |
| Shareprice (Rp) | Rp2,140 |
| Upside/downside (%) | (32.2) |
| Sharesoutstanding (m) | 22,359 |
| Marketcap. (US\$ m) | 3,594 |
| Free float (%) | 66.9 |
| Avg. 6m dailyT/O (US\$ m) | 0.1 |

Price Performance

| | 3M | 6M | 12M |
|---------------------|---------------|------|------|
| Absolute (%) | 32.9 | 45.6 | 73.8 |
| Relative to JCI (%) | 23.2 | 42.9 | 59.2 |
| 52w high/low (Rp) | 2,200 - 1,228 | | |



Major Shareholders

| | |
|-----------------|-------|
| Unita Branindo | 33.1% |
| Public & Others | 66.9% |

Estimate Change; Vs. Consensus

| | 2017F | 2018F |
|-------------------|-------|-------|
| Latest EPS (Rp) | 65 | 77 |
| Vs. Prior EPS (%) | - | - |
| Vs. Consensus (%) | (5.9) | (5.8) |

Source: Bloomberg

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Stronger Revenue Recovery.

- **FY16's Earnings grew 10.3% yoy , within our/consensus estimates.**
- **Margin compression in FY16 on higher sugar price.**
- **Receivable T/O worsens but may improve with economic recovery.**
- **Maintain SELL with TP of Rp1,450.**

Earnings within consensus. Mayora Indah (MYOR) FY16 earnings grew 27.7% yoy in 4Q16, bringing its earnings to Rp1.4tn (+10.3% yoy) in FY16, in-line with our/consensus forecast. The revenue reported growth of 23.8% yoy in FY16 which we suspect due to the revival in consumer purchasing power in the domestic market. On the quarterly basis, its revenue grew 22% yoy in 4Q16. Although export market has showed significant contribution to MYOR's revenue, we expect more promising Indonesia's economic outlook in 2017 to further boost the domestic sales going forward.

FY16 Margin compression. Gross profit was reported at Rp1.4tn in 4Q16 (+19.9% yoy). In 4Q16, MYOR's gross margin contracted by 160bps to reach 27.2% (vs. 4Q15:27.6%), which brings the gross margin to 26.7% in FY16. We see the gross margin contraction in FY16 was attributable to higher sugar prices during 2016, which stood at an average of 22.9 cents/lb in 2016 (vs. 2015: 16.9 cents/lb). As of now, sugar prices have improved by 9.3% YTD. Therefore, we expect further improvement in sugar price will put less pressure on MYOR's gross margin this year. At the operating level, MYOR's reported profit of Rp2.3tn (+24.3% yoy) in FY16 where operating margin stood at to 12.6% in FY16. Going forward, we might see higher operating expense as company allocates higher advertisement spending to trigger sales.

Receivable worsens in 4Q16. MYOR's receivable turnover lengthened to 88 days in FY16 from 83 days in FY15 which we think due to slow economic condition during 2016. Meanwhile, its inventory and payable turnover days showed slight improvement to 57 days and 38 days in FY16 from 60 days and 39 days in FY15, respectively. We see improving inventory days as an indication of improving consumer purchasing power in Indonesia. According to Bank Indonesia, Indonesia Consumer Confidence Index has improved to 117.1 in February 2017 from 115.3 in January 2017. If the condition persists, we expect this to translate to better sales recovery.

Maintain SELL. Our DCF-based TP of Rp1,450 implies FY17F P/E of 22.2. Currently, the stock is trading at FY17F P/E of 31.4x, higher than average consumer peers in Indonesia, which we think is unwarranted as we think MYOR does not exhibit defensiveness property as a consumer company due to its low earnings visibility. At this stage, we maintain SELL on the stock. Key risks: intensifying competition and higher materials cost.

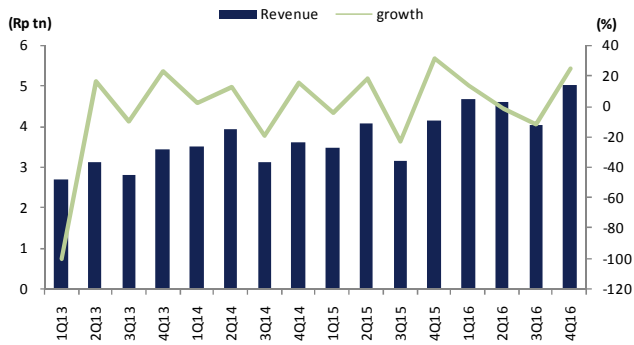
| Year To 31 Dec | 2015A | 2016A | 2017F | 2018F | 2019F |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (RpBn) | 14,819 | 18,350 | 19,788 | 22,263 | 24,489 |
| EBITDA (RpBn) | 2,331 | 2,837 | 2,908 | 3,279 | 3,401 |
| EBITDA Growth (%) | 79.1 | 21.7 | 2.5 | 12.7 | 3.7 |
| Net Profit (RpBn) | 1,220 | 1,355 | 1,459 | 1,710 | 1,723 |
| EPS (Rp) | 55 | 61 | 65 | 76 | 77 |
| EPS Growth (%) | 202.4 | 11.1 | 7.6 | 17.2 | 0.8 |
| Net Gearing (%) | 21.7 | 24.5 | 11.2 | 1.4 | (4.2) |
| PER (x) | 39.2 | 35.3 | 32.8 | 28.0 | 27.8 |
| PBV (x) | 9.2 | 7.6 | 6.4 | 5.4 | 4.7 |
| Dividend Yield (%) | 0.3 | 0.6 | 0.7 | 0.7 | 0.8 |
| EV/EBITDA (x) | 20.0 | 16.3 | 16.2 | 14.6 | 14.2 |

Source: MYOR, IndoPremier

Share Price Closing as of : 20 March 2017

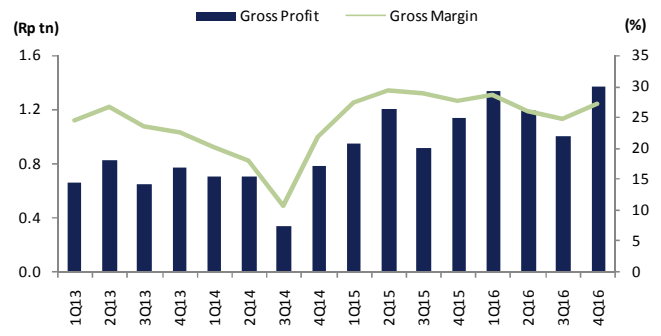
MYOR Results Note

Fig. 1: MYOR's Revenue Trend on Quarterly basis



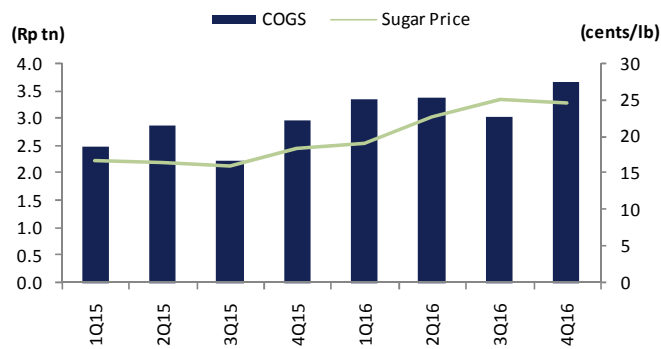
Source: MYOR, IndoPremier

Fig. 2: Gross Profit Trend on quarterly basis



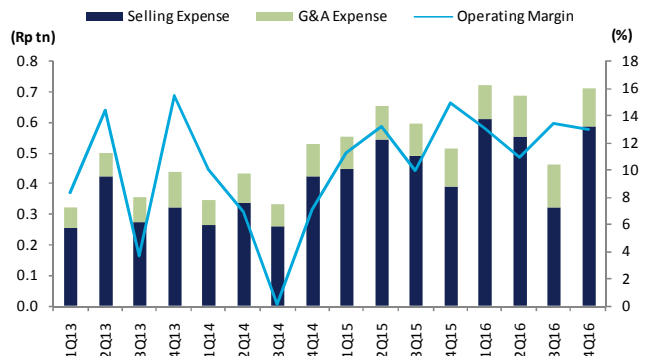
Source: MYOR, IndoPremier

Fig. 3: COGS and Sugar price trend on quarterly basis



Source: MYOR, IndoPremier, Bloomberg

Fig. 4: Operating Expense and Margin trend quarterly



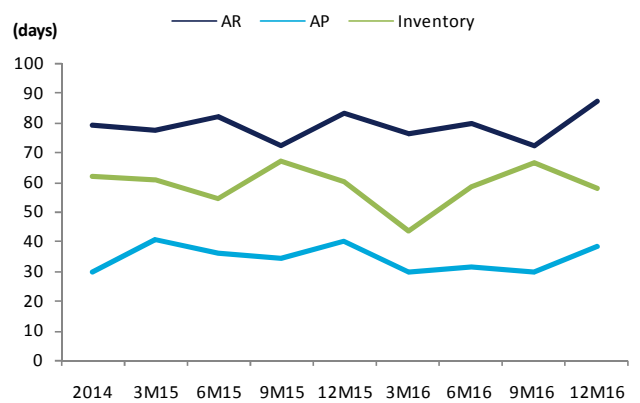
Source: MYOR, IndoPremier

Fig. 5: Sugar price trend historically



Source: Bloomberg, IndoPremier

Fig. 6: MYOR's AP/AR/Inventory turnover days



Source: MYOR, IndoPremier

MYOR Results Note

Fig. 7: Earnings Result

| (in Rp bn) | FY16 | FY15 | YoY | 4Q16 | 3Q16 | QoQ |
|-----------------------------|-------------|-------------|------------|-------------|-------------|------------|
| Revenue | 18,350.0 | 14,818.7 | 23.8% | 5,034 | 4,039 | 24.6% |
| Gross Profit | 4,900.4 | 4,198.3 | 16.7% | 1,368 | 1,005 | 36.1% |
| Operating Profit | 2,315.2 | 1,862.6 | 24.3% | 657 | 542 | 21.1% |
| Net Profit | 1,345.7 | 1,220.0 | 10.3% | 448 | 307 | 46.1% |
| <i>Gross Margin (%)</i> | <i>26.7</i> | <i>28.3</i> | | <i>27.2</i> | <i>24.9</i> | |
| <i>Operating Margin (%)</i> | <i>12.6</i> | <i>12.6</i> | | <i>13.0</i> | <i>13.4</i> | |
| <i>Net Margin (%)</i> | <i>7.3</i> | <i>8.2</i> | | <i>8.9</i> | <i>7.6</i> | |

Source: MYOR, IndoPremier

MYOR Results Note

| Year To 31 Dec (RpBn) | 2015A | 2016A | 2017F | 2018F | 2019F |
|-----------------------------|----------|----------|----------|----------|----------|
| Income Statement | | | | | |
| Net Revenue | 14,819 | 18,350 | 19,788 | 22,263 | 24,489 |
| Cost of Sales | (10,620) | (13,450) | (14,307) | (16,096) | (17,999) |
| Gross Profit | 4,198 | 4,900 | 5,481 | 6,167 | 6,490 |
| SG&A Expenses | (2,336) | (2,585) | (3,146) | (3,540) | (3,808) |
| Operating Profit | 1,863 | 2,315 | 2,335 | 2,627 | 2,682 |
| Net Interest | (222) | (470) | (369) | (323) | (359) |
| Forex Gain (Loss) | 0 | 0 | 0 | 0 | 0 |
| Others-Net | 0 | 0 | 0 | 0 | 0 |
| Pre-Tax Income | 1,640 | 1,846 | 1,966 | 2,304 | 2,322 |
| Income Tax | (390) | (457) | (472) | (553) | (557) |
| Minorities | (30) | (33) | (35) | (41) | (42) |
| Net Income | 1,220 | 1,355 | 1,459 | 1,710 | 1,723 |
| Balance Sheet | | | | | |
| Cash & Equivalent | 1,682 | 1,543 | 3,224 | 4,528 | 5,428 |
| Receivable | 3,379 | 4,388 | 4,160 | 4,619 | 5,081 |
| Inventory | 1,763 | 2,124 | 2,352 | 2,646 | 2,959 |
| Other Current Assets | 630 | 685 | 719 | 755 | 792 |
| Total Current Assets | 7,454 | 8,740 | 10,455 | 12,548 | 14,260 |
| Fixed Assets - Net | 3,771 | 3,898 | 4,314 | 4,511 | 4,791 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| Non Current Assets | 105 | 275 | 234 | 246 | 262 |
| Total Assets | 11,343 | 12,961 | 15,018 | 17,323 | 19,332 |
| ST Loans | 784 | 1,284 | 1,187 | 1,336 | 1,347 |
| Payable | 1,023 | 1,330 | 0 | 1,411 | 1,578 |
| Other Payables | 781 | 553 | 728 | 822 | 883 |
| Current Portion of LT Loans | 564 | 468 | 695 | 863 | 958 |
| Total Current Liab. | 3,151 | 3,634 | 3,865 | 4,432 | 4,766 |
| Long Term Loans | 1,462 | 1,325 | 2,177 | 2,449 | 2,694 |
| Other LT Liab. | 1,535 | 1,448 | 1,517 | 1,593 | 1,675 |
| Total Liabilities | 6,148 | 6,407 | 7,559 | 8,474 | 9,135 |
| Equity | 444 | 446 | 446 | 446 | 446 |
| Retained Earnings | 4,633 | 5,675 | 6,855 | 8,229 | 9,559 |
| Minority Interest | 117 | 144 | 158 | 174 | 191 |
| Total SHE + Minority Int. | 5,194 | 6,265 | 7,459 | 8,849 | 10,196 |
| Total Liabilities & Equity | 11,343 | 12,672 | 15,018 | 17,323 | 19,332 |

Source: MYOR, IndoPremier

MYOR Results Note

| Year to 31 Dec | 2015A | 2016A | 2017F | 2018F | 2019F |
|---|---------|---------|-------|-------|---------|
| Cash Flow | | | | | |
| Net Income (Excl.Extraordinary&Min.Int) | 1,250 | 1,389 | 1,494 | 1,751 | 1,765 |
| Depr. & Amortization | 464 | 517 | 567 | 644 | 711 |
| Changes in Working Capital | 572 | (1,384) | 47 | (545) | (561) |
| Others | 366 | 602 | 454 | 361 | 376 |
| Cash Flow From Operating | 2,653 | 1,123 | 2,562 | 2,211 | 2,291 |
| Capital Expenditure | (564) | (814) | (942) | (853) | (1,007) |
| Others | 177 | (92) | 165 | 185 | 192 |
| Cash Flow From Investing | (387) | (906) | (777) | (669) | (815) |
| Loans | (795) | 267 | 983 | 589 | 351 |
| Equity | 0 | 0 | 0 | 0 | 0 |
| Dividends | (143) | (281) | (312) | (336) | (393) |
| Others | (375) | (599) | (519) | (492) | (534) |
| Cash Flow From Financing | (1,313) | (612) | 152 | (239) | (576) |
| Changes in Cash | 953 | (394) | 1,937 | 1,304 | 900 |
| Financial Ratios | | | | | |
| Gross Margin (%) | 28.3 | 26.7 | 27.7 | 27.7 | 26.5 |
| Operating Margin (%) | 12.6 | 12.6 | 11.8 | 11.8 | 11.0 |
| Pre-Tax Margin (%) | 11.1 | 10.1 | 9.9 | 10.3 | 9.5 |
| Net Margin (%) | 8.2 | 7.4 | 7.4 | 7.7 | 7.0 |
| ROA (%) | 11.3 | 11.2 | 10.4 | 10.6 | 9.4 |
| ROE (%) | 26.3 | 23.7 | 21.3 | 21.0 | 18.1 |
| ROIC (%) | 18.1 | 14.8 | 15.8 | 15.3 | 13.5 |
| Acct. Receivables TO (days) | 79.0 | 76.9 | 78.2 | 71.3 | 71.6 |
| Acct. Receivables - Other TO (days) | 0.6 | 0.3 | 0.6 | 0.7 | 0.7 |
| Inventory TO (days) | 5.7 | 6.9 | 6.4 | 6.4 | 6.4 |
| Payable TO (days) | 31.7 | 31.9 | 33.0 | 30.2 | 30.3 |
| Acct. Payables - Other TO (days) | 4.7 | 2.9 | 3.1 | 4.2 | 4.2 |
| Debt to Equity (%) | 54.1 | 49.1 | 54.4 | 52.5 | 49.0 |
| Interest Coverage Ratio (x) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Net Gearing (%) | 21.7 | 24.5 | 11.2 | 1.4 | (4.2) |

Source: MYOR, IndoPremier

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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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