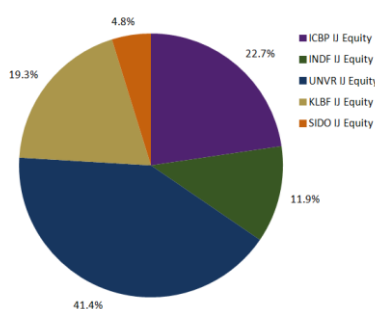


Overweight

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
ICBP	BUY	10,975	13,000	18.4%
INDF	BUY	6,800	8,000	17.6%
KLBF	BUY	2,130	2,450	15.2%
UNVR	HOLD	4,430	4,500	1.5%
SIDO	BUY	775	915	18.1%

Sector Market Cap Weighting



Pebe Peresia

+62 21 2854 8339

Pebe.peresia@samuel.co.id

Ashalia Fitri

+62 21 2854 8389

Ashalia.fitri@samuel.co.id

Expect to See Solid Growth

Positive 1Q23, with UNVR as the only outlier. Four out of five consumer staples companies in SSI's universe posted solid growth in 1Q23, except for UNVR (the company reported a -2.2% YoY drop in revenue, mainly due to its strategy to reduce trade inventory in both MT and GT; UNVR ended the strategy in 1Q23, prompting us to project better performance from UNVR in the next quarter). It should be noted that UNVR is also the only consumer staples company in SSI's universe that has not managed to match or exceed its pre-pandemic performance (-0.6% 1Q19). Among all consumer staples companies in SSI's universe, KLBF posted the highest revenue growth in 1Q23 (+12.2% YoY), followed by ICBP (+11.4%), INDF (+11.3%), and SIDO (+3.0%); all four's top lines were in line with SSI's FY23F projections. Regarding net profit, two out of the five managed to beat our estimates; ICBP (45.8% of SSI's FY23F projection, 49.2% of consensus) and INDF (40.7% of SSI's FY23F projection, 43.3% of consensus) partly thanks to substantial forex gains related to financing activities, while the other three posted in-line bottom lines.

Mixed GPM amid commodity slump. Our consumer staples universe reported relatively mixed GPMs in 1Q23 amid the ongoing commodity slump. ICBP booked the highest GPM growth (+218bps YoY to 36.4%), supported by the drop in wheat prices in 1Q23 (-19.8% YoY) and the increase in ASP of its main product (instant noodles, 73% of ICBP's revenue) of +11% YoY. Meanwhile, the GPM of the parent company of Indofood (INDF) slipped -188bps YoY to 31.1%, partly due to the plunge of average CPO prices in 1Q23 (-34.6% YoY), which hurt the performance of INDF's agribusiness segment. SIDO also saw its GPM fall considerably (-176bps YoY to 53.3%), with all of its business margins reporting lower margins than last year, including herbal medicine and supplements (-100bps YoY; due to high-base effect in 1Q22), food and beverages (-257bps YoY; due to raw material surge, especially sugar [+11.5% YoY]), and pharmaceuticals (-1,489bps YoY; due to the ban on sales of syrup drugs amid EG (Ethylene Glycol) & DEG (Diethylene Glycol)-related kidney failure cases). Last but not least, KLBF booked positive GPM growth in a qoq basis (+260bps), partly thanks to the decline in raw material prices, including skim milk powder (-12.7% QoQ).

FY23F guidance: Double-digit growth. We expect our consumer staples universe to book positive growth through the rest of the year, supported by economic growth, higher minimum wages, election momentum, and those companies' expansion strategies. Three out of the five consumer staples companies in our universe (ICBP, KLBF, and SIDO) target to book double-digit growth this year; ICBP set a revenue growth target of +10-12% YoY with an EBIT margin target of 18%-20%, and Pinehill's sales volume growth is expected to reach +15% YoY (1Q23 production capacity: 13 billion packets/year, 2022: 12 billion, 2020: 9 billion). Meanwhile, KLBF set its revenue and net profit growth target at +13-15% YoY, supported by the consolidation of Sanofi (projected contribution to KLBF's total sales: 3-4%; currently, Sanofi's contribution to KLBF's pharmaceutical sales is projected in the high-teens). Meanwhile, SIDO and UNVR are targeting revenue growth of >+10% YoY and +6% YoY, respectively.

OVERWEIGHT, Top pick: ICBP. We reiterate our OVERWEIGHT rating on the consumer staples sector, given its positive outlook. Our top pick for the sector is ICBP (TP: IDR 13,000), considering: (1) its position as a market leader with strong pricing power (especially its main segment, instant noodles, with a domestic market share of >70%), (2) Pinehill's growth potential (targeting Middle East and African markets), (3) declining raw material prices and higher ASP, which should help boost the company's EBIT margin.

Tabel 1. Peers Comparison (SSI Universe)

Ticker	Market Cap (IDR Bn)	PE		PBV		ROE		
		23F	24F	23F	24F	23F	24F	
ICBP IJ Equity	Indofood CBP Sukses	127,115	13.7	12.8	2.9	2.5	19.1	18.9
INDF IJ Equity	Indofood Sukses Makmur	60,585	6.6	6.2	1.0	0.9	14.9	14.0
UNVR IJ Equity	Unilever Indonesia	171,675	30.0	29.2	40.2	39.1	133.7	133.8
KLBF IJ Equity	Kalbe Farma	95,287	24.9	22.3	4.3	3.9	17.3	17.4
SIDO IJ Equity	Sido Muncul	23,250	18.7	16.9	6.3	6.0	33.6	35.2
Average			21.1	20.0	16.5	15.9	60.1	60.0

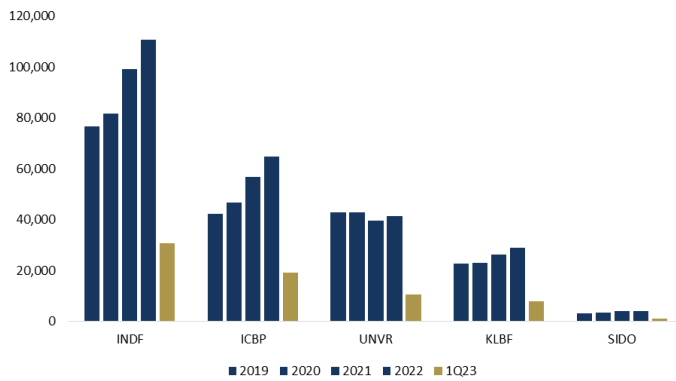
Source: Bloomberg, SSI research

Tabel 2. Peers Comparison (Global)

Ticker	Name	Market Cap (USD Mn)	PE		PBV		ROE	
			23F	24F	23F	24F	23F	24F
2897 JP Equity	Nissin Foods Holdings Co Ltd	9,215.3	27.7	24.3	2.7	2.5	10.5	11.0
PG US Equity	Procter & Gamble Co/The	363,044.0	26.3	24.2	8.1	8.1	31.5	34.1
JNJ US Equity	Johnson & Johnson	420,085.4	15.4	14.8	5.1	4.1	35.2	32.1
KO US Equity	Coca-Cola Co/The	274,610.7	24.4	22.6	9.8	8.6	43.2	42.8
2269 JP Equity	Wuxi Biologics Cayman Inc	7,222.8	15.6	18.2	1.5	1.4	8.8	7.6
8113 JP Equity	Unicharm Corp	24,125.1	36.8	32.1	4.7	4.3	13.4	14.3
4452 JP Equity	Kao Corp	17,507.7	24.7	21.7	2.4	2.3	9.8	11.0
SOBI SS Equity	Swedish Orphan Biovitrum AB	6,742.1	18.9	14.6	2.2	2.0	11.2	11.5
Average			21.8	20.4	7.1	6.4	34.6	34.2

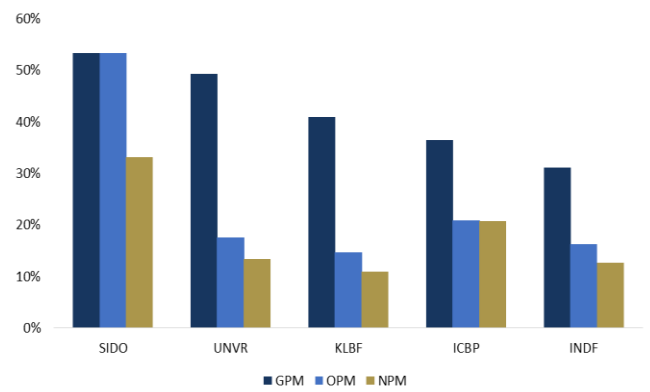
Source: Bloomberg, SSI research

Figure 1. Consumer Staples' Revenue (IDR Bio)



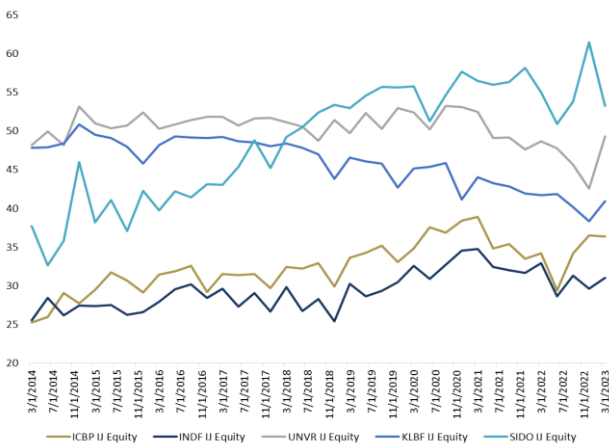
Source: Company, SSI research

Figure 2. Consumer Staples' Profitability Margin (1Q23)



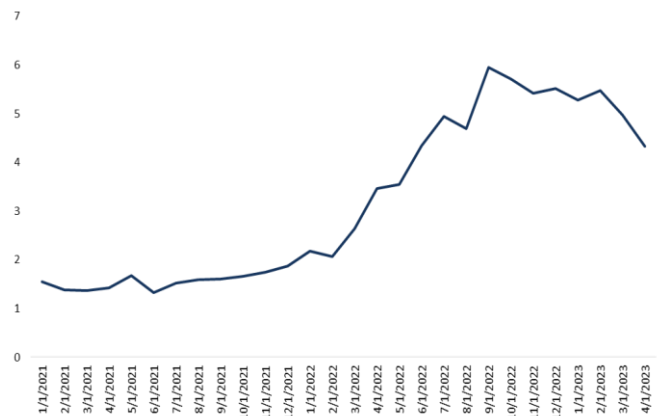
Source: Company, SSI research

Figure 3. Consumer Staples' GPM (%)



Source: Company, SSI research

Figure 4. Inflation (%)



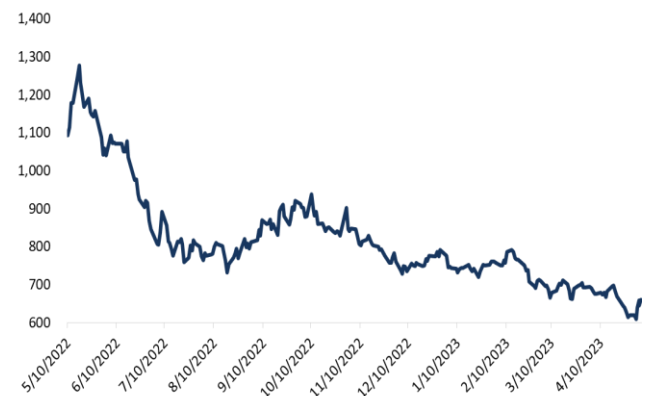
Source: Bloomberg, SSI research

Figure 5. Wheat Prices (USD/ Bu)



Source: Bloomberg, SSI research

Figure 6. CPO Prices (RM/ton)



Source: Bloomberg, SSI research

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation, Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

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