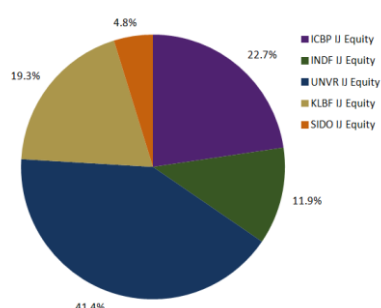


Overweight

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
ICBP	BUY	10,450	13,000	24.4%
INDF	BUY	6,375	8,000	25.5%
KLBF	BUY	1,605	1,870	16.5%
SIDO	BUY	498	570	16.3%
UNVR	HOLD	3,480	3,700	6.3%

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

Demand Slowdown Leads to Mixed Results

9M23: Mixed results as purchasing power weakens

Most consumer staples companies in SSI's coverage universe posted positive sales growth in 9M23, except for UNVR and SIDO; UNVR's sales fell -3.3% YoY in 9M23, in line with estimates (74.0% of SSI's FY23F projection, 73.7% of consensus), while SIDO's dropped by -9.7% YoY, the only company in SSI's consumer staples universe whose sales figures fell short of projections (62.6% of SSI's FY23F projection, 62.3% of consensus), mainly due to the decline in public demand for healthcare products as the pandemic ends and high inflation rate. The highest revenue growth in 9M23 was posted by KLBF (+6.5% YoY), supported by the acquisition of Sanofi Indonesia, which helped boost KLBF's prescription drugs revenue to grow +31.4% YoY (the segment's contribution to KLBF's total sales rose to 25.7%, 9M22: 20.8%). Regarding net profit, two of the five consumer staples companies in SSI's universe reported lower-than-expected net profit; 1) KLBF (60.8% of SSI's FY23F projection, 60.1% of consensus), mainly due to the increases in raw material prices and contribution of BPJS and the EMOS app to the company's revenue mix (both of which offer relatively low profit margins) and 2) SIDO (54.9% of SSI's FY23F projection, 55.7% of consensus), mainly due to the increase in opex/sales ratio to 22.5% (9M22: 19.8%), while GPM remained relatively stable at 53.7% (9M22: 53.3%).

FY23F: ICBP is the champion!

We believe ICBP will book the highest net profit growth among SSI's consumer staples universe in FY23F, supported by its main segment, instant noodles (74.8% of the company's sales), which remains untouched as Indonesia's market leader (>70% market share). Supported by its EBIT margin growth (EBIT margin FY23F projection: 21.5% [ICBP's all-time high], FY22: 20.6%, initial FY23F guidance: 20%), which was driven by the decline in raw material prices (wheat prices -25.8% YTD) and the increase in ASP in FY22, we project ICBP to book EBIT growth of +10.7% YoY to IDR 14.8 trillion in FY23F, in line with the company's initial guidance. Regarding its bottom line, we project ICBP to book net profit growth (excluding unrealized forex gains) of +25.0% YoY to IDR 9.1 trillion in FY23F, far higher than the next two companies in SSI's consumer staples universe, INDF (projection: +4.6% YoY) and UNVR (+2.5% YoY).

OVERWEIGHT, top pick: ICBP

We reiterate our OVERWEIGHT rating for the consumer staples sector with ICBP as our top pick (TP: IDR 13,000). Looking ahead, we believe that the 2024 election campaign (11/28/23 – 2/10/24) might become a positive catalyst for consumer staples companies, even though the campaign period is shorter than the previous election (9/23/18 to 4/13/19). We expect ICBP to reap the most benefit among consumer staples companies, as has happened in previous elections (ICBP's sales in the two quarters before the 2019 election rose by +11.8% YoY, 3-year average: +5.9%). However, we are also aware of the possibility of purchasing power dropping further due to BI's decision to raise its benchmark interest rate (to fight inflation and maintain IDR exchange rate).

New forecasts for KLBF dan SIDO

We revised our FY23F net profit projections for KLBF (-17.8% lower than our previous projection) and SIDO (-21.1%), in line with changes made in both companies' guidance following their rather disappointing 9M23 performance. KLBF revised its revenue growth target to +5% to +7% YoY (prev: +8% to 10% YoY) and net profit to -12% to -15% (prev: +0-1% YoY), while SIDO revised its net profit growth/decline target to -15% to -20% YoY (prev: -10% YoY). However, we believe that the negative factors weighing on KLBF and SIDO have been priced-in by the market, considering the fact that the prices of both shares have dropped quite sharply, giving them attractive valuations (KLBF: -22.8% YTD, below its 5-year PE average; SIDO: -33.4% YTD, below -2SD of its 5-year PE average). We maintain BUY ratings for KLBF (TP: IDR 1,870) and SIDO (IDR 570). It should be noted that SIDO might post a much better performance in 4Q23F, supported by year-end seasonality factors, including the rainy season (5-year 4Q/FY average: 31.2%). In addition, SIDO is very resilient against IDR/USD fluctuations since the majority (80%) of its raw materials come from local farmers. Regarding KLBF, we believe that its future performance will be driven by biologics products (which offers better margins) and stable raw material prices.

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	120,973	13.2	10.3	2.7	2.3	20.1	22.2
INDF IJ Equity	Indofood Sukses Makmur	56,631	6.2	6.3	0.9	0.8	15.1	12.9
UNVR IJ Equity	Unilever Indonesia	134,670	24.5	24.0	33.3	32.7	135.5	136.9
KLBF IJ Equity	Kalbe Farma	75,008	26.8	22.7	3.5	3.2	13.1	14.2
SIDO IJ Equity	Sido Muncul	15,000	17.8	15.7	4.5	4.3	25.5	27.6
Average			18.7	16.9	12.9	12.5	56.9	58.0

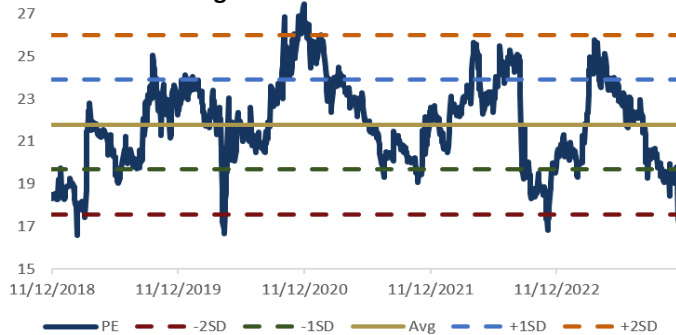
Source: Bloomberg, SSI Research

Figure 1. KLBF's PE Band (IDR Bio)



Source: Company, SSI Research

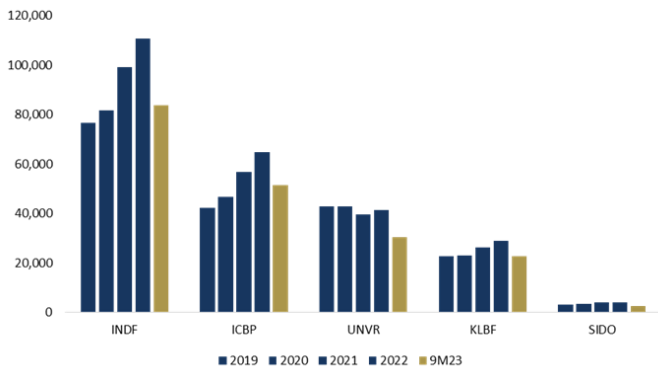
Figure 2. SIDO's PE Band



Source: Company, SSI Research

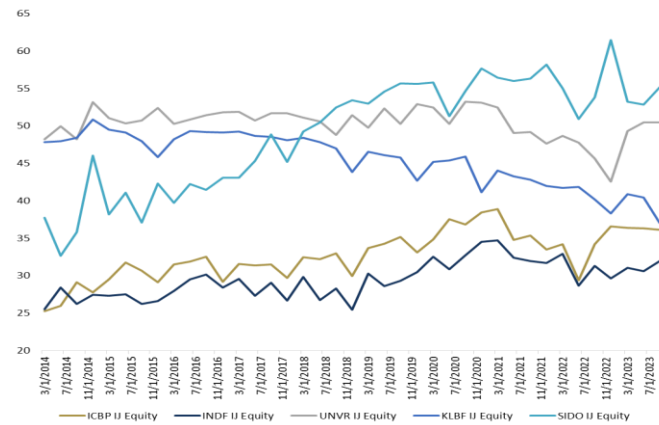
Figure 1. Consumer Staples Companies' Revenue (IDR Bio)

Figure 2. Profitability Margin (9M23)



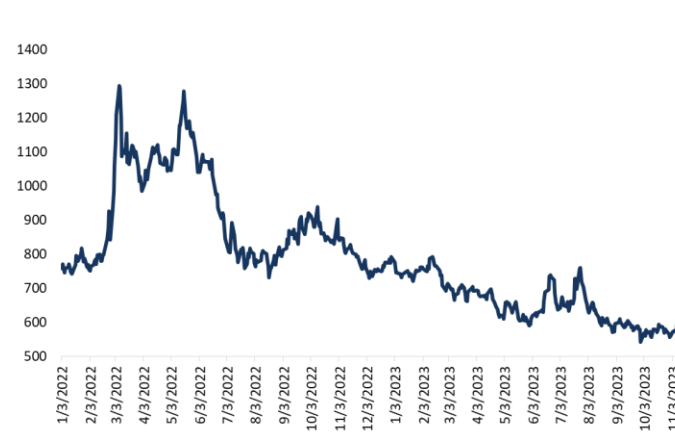
Source: Company, SSI Research

Figure 3. GPM (%)

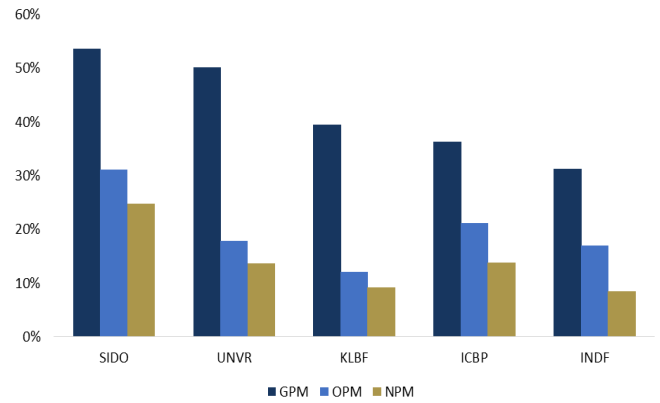


Source: Company, SSI Research

Figure 5. Wheat Price (USD/ Bu)

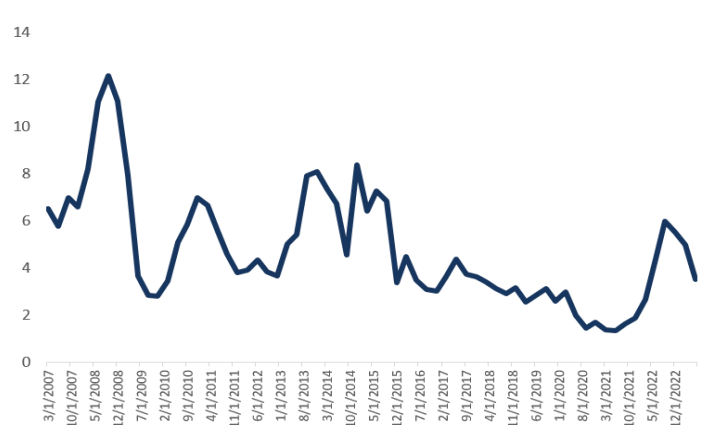


Source: Bloomberg, SSI Research



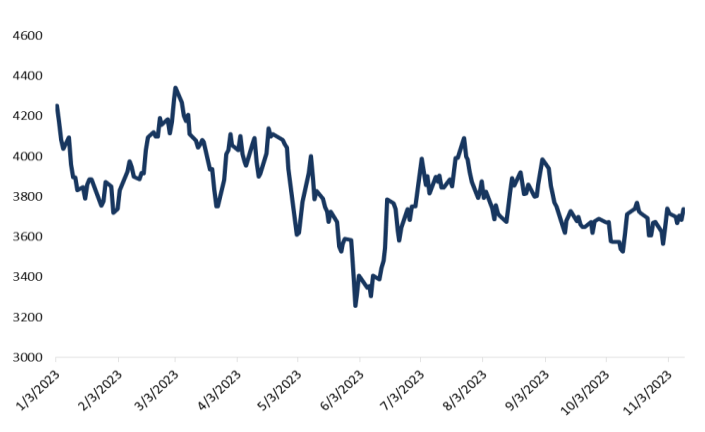
Source: Company, SSI Research

Figure 4. Inflation (%)



Source: Bloomberg, SSI Research

Figure 6. CPO Price (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
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
Haikal Putra Samsul	Research Associate	haikal.putra@samuel.co.id	+6221 2854 8353

Equity Institutional Team			
Widya Meidrianto	Head of Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
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	Director of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Anthony Yunus	Head of Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
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
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 Kelobas	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

DISCLAIMER: Analyst Certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. This document is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Under no circumstances is it to be considered as an offer to sell or solicitation to buy any security. Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy, completeness and reliability cannot be guaranteed. All rights reserved by PT Samuel Sekuritas Indonesia.