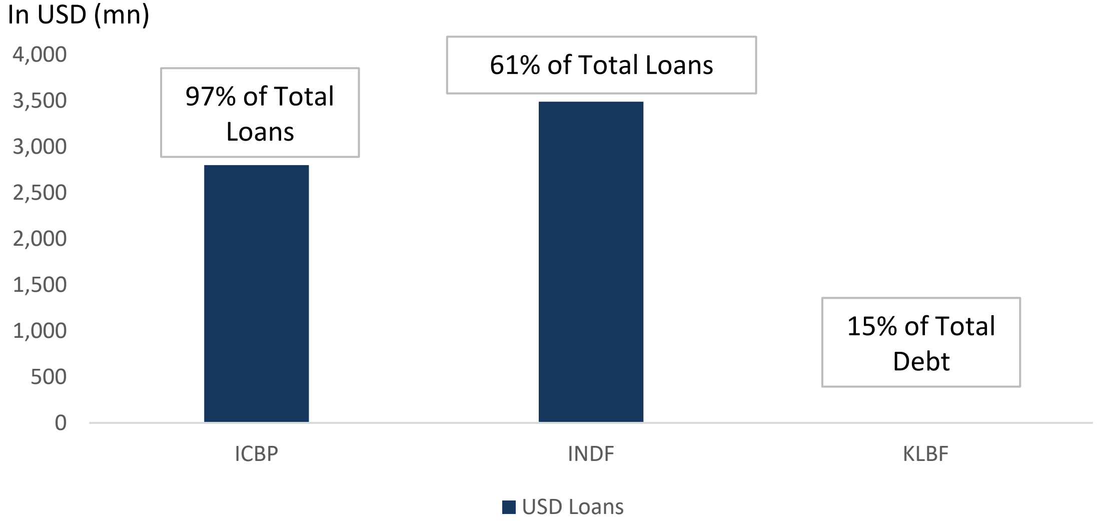
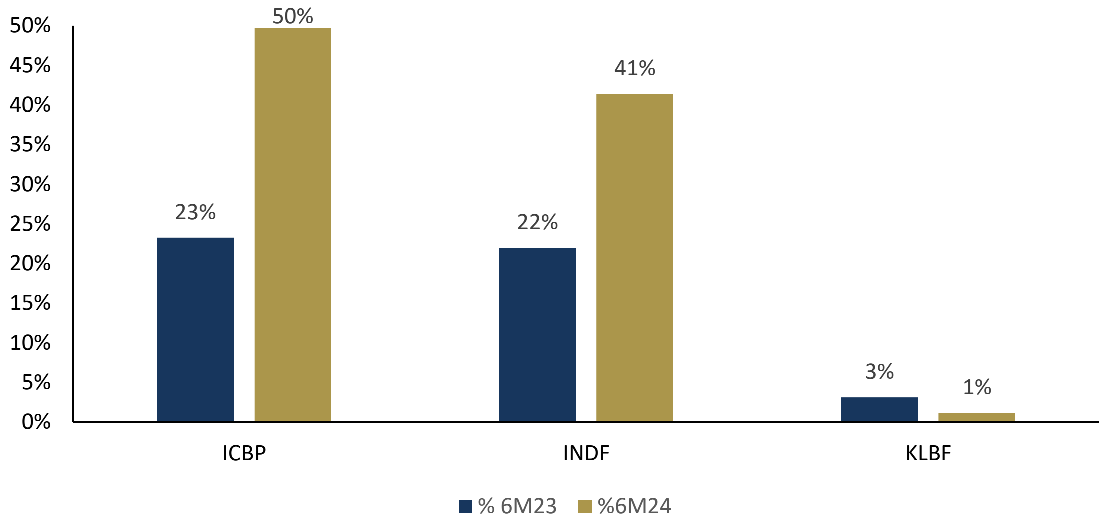
Impact of IDR Strengthening on Consumer Sector

USD Loans to Total Loans, 1H24



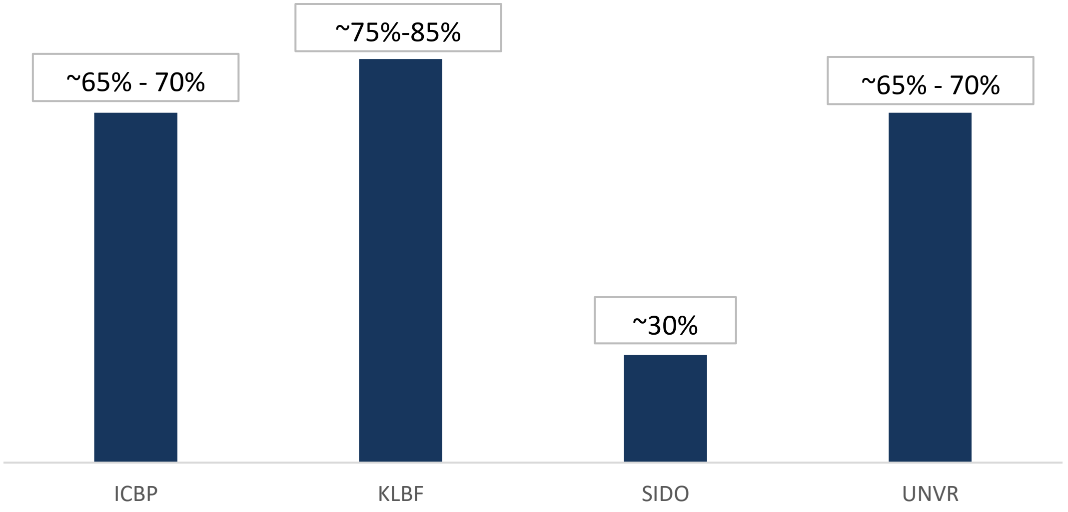
Forex Gains (Losses) to Pre-Tax Income, 1H24



Notes

- USD weakening will positively impact consumer sector in general, as most of consumer companies under our coverage have significant USD exposure in their COGS (~60-70%). However, we believe the positive impact will be most pronounced for ICBP, considering that 97% (USD 2.8bn) of its debt structure consists of USD-denominated bonds, which resulted in large 1H24 FX losses (IDR 2.75Tn) amounting to 50% of pre-tax profit. Note that INDF also benefits given that ICBP's USD debt are fully consolidated onto the parent company's balance sheet.
- Among our consumer coverage, after ICBP the beneficiaries of IDR strengthening are INDF>UNVR>KLBF>SIDO. Worth mentioning, UNVR and KLBF have relatively solid cash positions of ~USD 16mn and ~USD 50-60mn, suggesting potential unfavorable 3Q24 FX effects. For SIDO, we believe the impact will be minimal, as most of its herbal raw materials are sourced locally, resulting in relatively low USD cash costs.
- At this stage of the market cycle, our OW rating on the consumer sector is further strengthened by the recent IDR appreciation. Our pecking order within our consumer coverage are as follows: SIDO>ICBP>KLBF>INDF>UNVR. We expect the upcoming La Niña to boost demand for SIDO's herbal and energy drink products, while its low USD exposure, particularly in raw materials procurement, should support profitability. Downside risks: 1) lower-than-expected purchasing power, 2) USD rebound, 3) Lower-than-expected crop yields.

COGS: USD - Linked Raw Materials Portions



Sources: Companies, Bloomberg, SSI Research

Analysts: Jonathan Guyadi, Belva Monica