

14 May 2013

PT MAYORA INDAH TBK
Indulge in for White Coffee
BUY

We reiterated our BUY recommendation and TP of IDR 37,300 (DCF-based, 19x 2014 P/E, 1.2x PEG, 13% upside potential). We maintain positive stance for the stock as the bottom line expanded more than estimated and counterbalancing the contracted top line growth. The main catalysts for our BUY rating are: 1) Lower input costs as the global economy are slowing down. 2) New white coffee product was ready to heat up the coffee war.

Margin Expansion in the Back of Revenue Contraction

We revise our estimated FY '13 top line growth to 16% on subdued instant coffee sales result in 1Q13. Intensifying coffee competition in the domestic market apparently has tapered off coffee sales in the last quarter to (6.4%) yoy. However, the food processing sales has boosted the overall sales growth with an enormous growth of 21.3% yoy. In contrast of the top line, bottom line margin was widened 400 bp to 8.2% due to lower commodity prices in 1Q13. Hence we increase the our estimated FY '13 net margin to 7.9% and maintain our TP of IDR 37,300.

Additional Market Share in The Coffee Industry

Earlier this year, Mayora has obtained an exclusive right to sell instant coffee products under the brand name "Ayam Merak". The latter brand is a unique coffee product with a long history and culture. In other words, most of its customers are having more loyalty toward the product. It is estimated that the new brand would give an additional sales around 1.5% market share to Mayora.

Competing in the White Coffee War

In the last three quarters, the company's recognized a potential threat of White Koffie, one of popular coffee production of Kopi Luwak brand. The coffee is able to absorb the Indonesian coffee market through white coffee product hence MYOR's and others big instant coffee names' sales have felt a declined. Therefore, every big player, such as Mayora and Torabika tried to counter the market by releasing their own white coffee brand. In the future, we view that the big players could take back their market share in white coffee market as they have higher coffee quality.

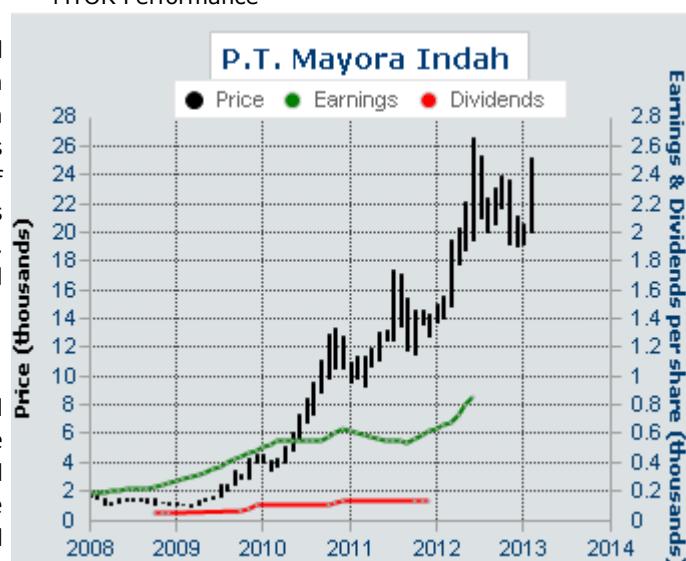
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Stock Data

Sector	Consumer Goods
Price	33,000
12-month Target Price 2012	37,300
12-month Rating	Buy
Prior	Overweight
Ticker	MYOR.IJ (BBG)
Market Cap	IDR 25,311 Bn
Shares Outstanding	767 mn

MYOR Performance


	2011	2012	2013F	2014F	2015F
Revenues	9,454	10,511	12,227	14,669	18,330
Growth	31%	11%	16%	28%	17%
EBIT	758	1,157	1,513	1,750	2,312
Net Income	471	746	961	1,117	1,520
EPS	614	972	1,253	1,456	1,981
Net DPS	130	153	251	291	396

In bn IDR except per share data; Source: Bloomberg, Company

Profitability	5-yr avg	2012	2013F	2014F	2015F
Gross Margin%	22	22.3	23.8	22.6	24.2
EBIT Margin%	11	11	12.4	11.2	12.6
EBITDA Margin%	12.7	13.6	14.9	13.3	14.7
P/E x		33.9	29.9	22.7	16.7
Net Dividend Yield		16	20	20.0	20.0

Source: Bloomberg, Company data, Sinarmas Sekuritas Research
Top Holders

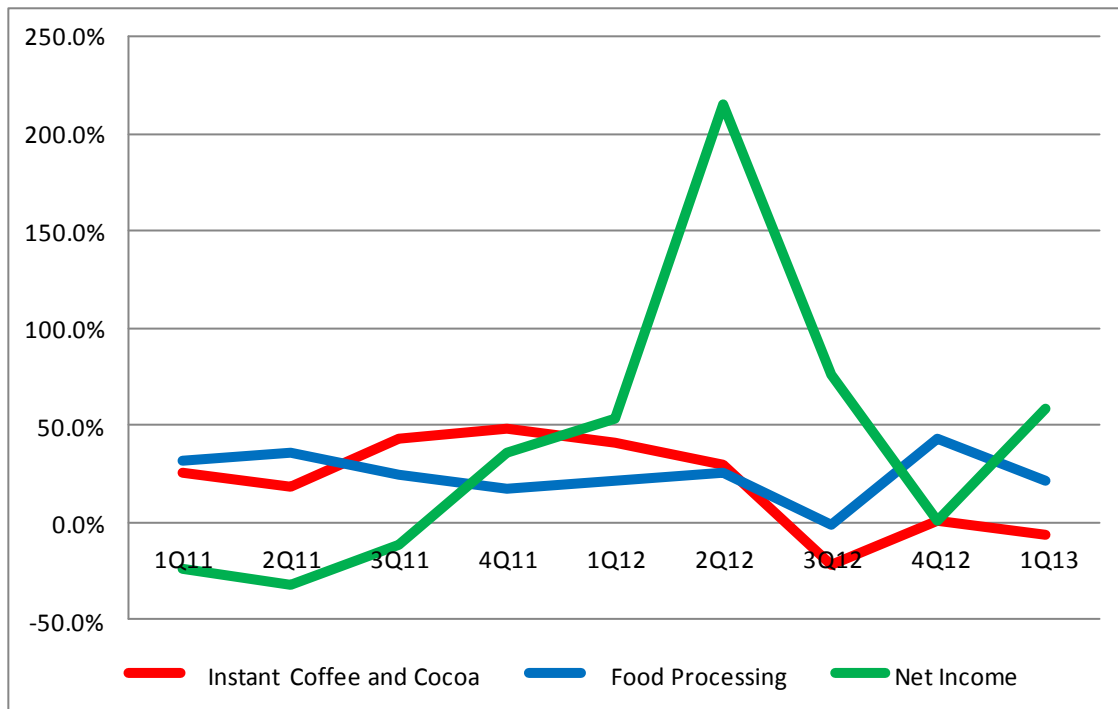
PT Unita Branindo	32.93%
Public (<5%)	67.07%

Source: Bloomberg

Profit and Loss Sensitivity Metrics		FY 13E EBIT impact(%)	FY 13E NI impact(%)
ASP Increase	+/- 1% ASP increase	2.4%	2.9%
Packaging Prices	+/- 1% change	1.2%	1.4%
Wheat Prices	+/- 1% change	0.8%	1.0%
Coffee Prices	+/- 1% change	0.8%	0.9%
Sugar prices	+/- 1% change	0.8%	1.0%
Palm Oil Prices	+/- 1% change	0.6%	0.7%
Cocoa Prices	+/- 1% change	0.2%	0.3%

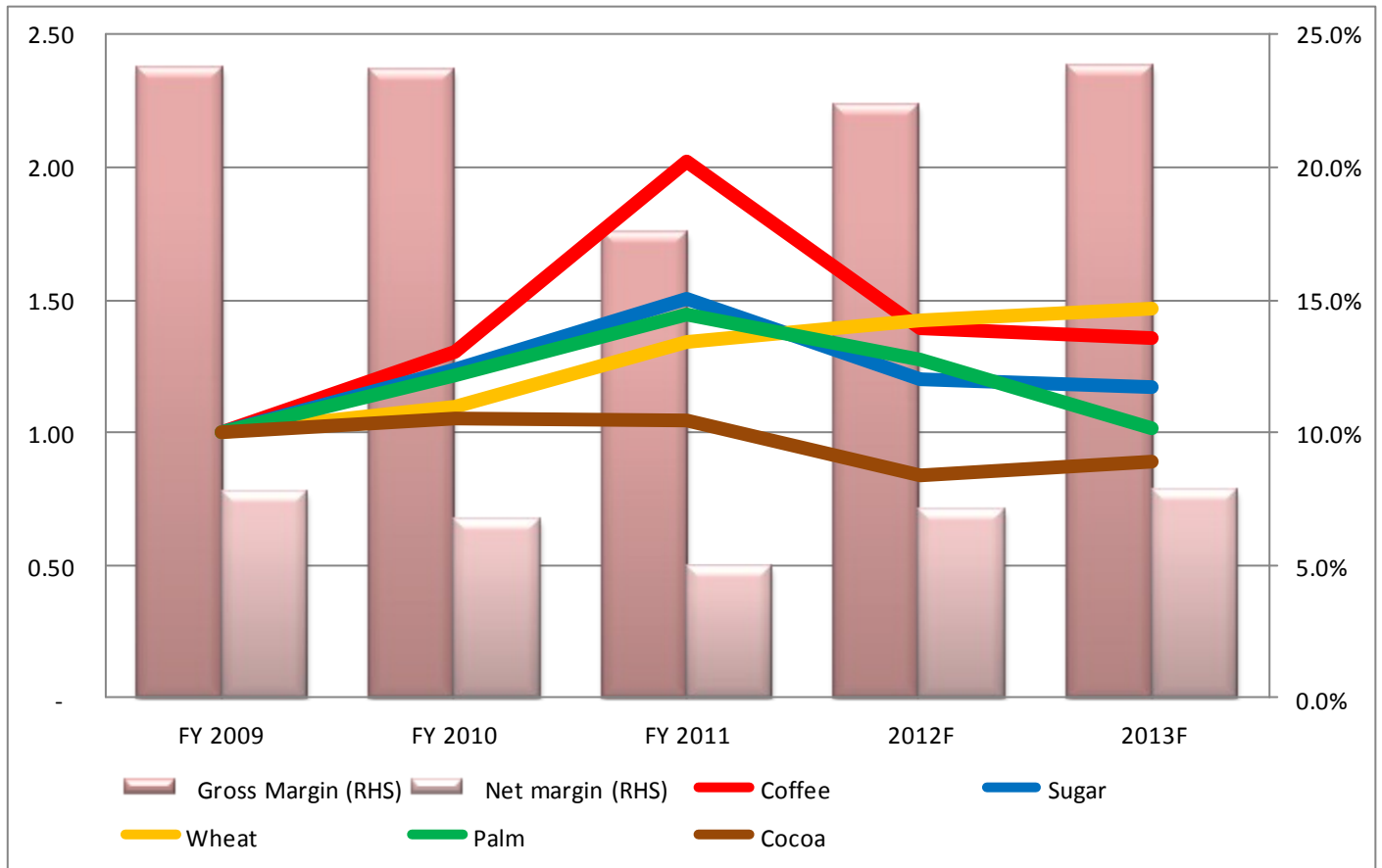
Mayora sales growth has slowed in the last quarter, with instant coffee and cocoa sales was being hurt the most. However, net income margin expanded.

Source: Company Data, Sinarmas Sekuritas Research



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As global economy is still on a recovery phase, we assumed that the average raw material prices will be softened this year. It would give a real benefit to the consumer goods industry margin as input costs are much cheaper in the last quarters. From table below, we could see that Mayora enjoys a wider margin when the raw material prices were at the bottom level.



Source: Company Data, Sinarmas Sekuritas Research

Income Statement
IDR in millions, year end Dec

	FQ1 2012	FQ1 2013
Revenues	2,567	2,686
<i>yoy growth</i>	<i>30.9%</i>	<i>4.6%</i>
<i>% of FY</i>	<i>24%</i>	<i>22%</i>
EBITDA	265	423
<i>yoy growth</i>	<i>33.1%</i>	<i>59.8%</i>
EBIT	215	338
<i>yoy growth</i>	<i>40.5%</i>	<i>57.3%</i>
<i>EBIT Margin</i>	<i>8.4%</i>	<i>12.6%</i>
Net Interest	34	59
Earnings before tax	179	287
Tax	40	63
<i>tax rate</i>	<i>22.2%</i>	<i>21.8%</i>
Net income	139	220
<i>yoy growth</i>	<i>53.7%</i>	<i>58.3%</i>
Shares Outstanding	767	767
EPS	182	287
<i>yoy growth</i>	<i>53.7%</i>	<i>58.3%</i>

Income Statement
IDR in millions, year end Dec

	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
Revenues	9,454	10,511	12,227	15,669	18,330
<i>growth</i>	<i>30.9%</i>	<i>11.2%</i>	<i>16.3%</i>	<i>28.1%</i>	<i>17.0%</i>
EBITDA	956	1,428	1,817	2,091	2,693
<i>growth</i>	<i>1.16%</i>	<i>49.32%</i>	<i>27.24%</i>	<i>15.06%</i>	<i>28.80%</i>
EBIT	758	1,157	1,513	1,750	2,313
<i>growth</i>	<i>-2.1%</i>	<i>52.6%</i>	<i>30.8%</i>	<i>15.7%</i>	<i>32.2%</i>
<i>EBIT Margin</i>	<i>8.0%</i>	<i>11.0%</i>	<i>12.4%</i>	<i>11.2%</i>	<i>12.6%</i>
Net Interest	124	207	236	269	296
Earnings before tax	626	976	1,276	1,482	2,017
<i>growth</i>	<i>-4.8%</i>	<i>55.8%</i>	<i>30.8%</i>	<i>16.1%</i>	<i>36.1%</i>
Tax	143	215	282	327	445
<i>tax rate</i>	<i>22.8%</i>	<i>22.1%</i>	<i>22.1%</i>	<i>22.1%</i>	<i>22.1%</i>
Net income	471	746	961	1,117	1,520
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Balance Sheet

IDR in millions, year end Dec	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
Cash & cash equivalents	325	1,340	911	843	905
Account Receivables	1,673	2,035	2,116	2,669	3,055
Inventories	1,336	1,499	1,177	1,532	1,726
Others	761	440	529	758	987
Current assets	4,095	5,314	4,732	5,801	6,673
Net fixed assets	2,038	2,858	3,650	4,660	5,409
Others	466	131	465	548	606
Total Assets	6,600	8,303	8,847	11,009	12,688
Short term Liabilities	1,846	1,924	2,051	3,617	4,040
Long term Liabilities	2,329	3,310	2,925	2,591	2,578
Total Liabilities	4,175	5,235	4,976	6,207	6,618
Shareholders' Equity	2,363	2,992	3,761	4,654	5,870
Minority Interest	61	76	110	148	200
Total Equity	2,425	3,068	3,870	4,802	6,070
Total Equity & Liabilities	6,600	8,303	8,847	11,009	12,688

Cash Flow Statement

IDR in millions, year end Dec	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
Net Income	471	746	961	1,117	1,520
Adjustments	206	282	338	378	432
Change in Net Working Capital	(1,256)	(211)	165	(771)	(587)
Cash From Operations	(579)	817	1,464	724	1,364
Net Change in Capex	(766)	(1,116)	(1,096)	(1,350)	(1,128)
Proceeds from sales of FA	23	28	-	-	-
Net change in investments	5	-	-	-	-
Changes in minority interest	-	-	-	-	-
Changes in other assets	(241)	335	(334)	(84)	(58)
Cash from Investing Activities	(979)	(752)	(1,430)	(1,434)	(1,186)
Capital Issues	-	-	-	-	-
Dividends Paid	(100)	(117)	(192)	(223)	(304)
Net Change in Gross Debt	1,485	979	(281)	788	156
Other Financing Activities	25	88	11	77	32
Cash from Financing Activities	25	88	11	77	32
Cash at beginning of period	472	325	1,340	911	843
Net Changes in Cash	(147)	1,014	(429)	(68)	62
Cash at end of period	325	1,340	911	843	905

Ratio Analysis

	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
EBITDA Margin	10.1%	13.6%	14.9%	13.3%	14.7%
Operating Margin	8.0%	11.0%	12.4%	11.2%	12.6%
Net Margin	5.0%	7.1%	7.9%	7.1%	8.3%
Sales growth	30.9%	11.2%	16.3%	28.1%	17.0%
Net profit growth	-2.7%	58.3%	28.9%	16.2%	36.1%
EPS growth	-2.7%	58.3%	28.9%	16.2%	36.1%
Net debt to equity	1.72	1.71	1.29	1.29	1.09
Sales/assets	1.43	1.27	1.38	1.42	1.44
Assets/equity	2.72	2.71	2.29	2.29	2.09
ROE	19.4%	24.3%	24.8%	23.3%	25.0%

Date	Coverage	Recommendation	Valuation
14 Jul 10	Initiation	Buy	8,900
31 Dec 10	Update	Buy	13,400
4 Feb 12	Update	Overweight	16,300
8 Oct 12	Update	Buy	27,400
20 Nov 12	Update	Overweight	24,500
7 Dec 12	Flash Note	Overweight	24,500
10 April 13	Update	Buy	37,300
14 May 13	Update	Buy	37,300

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