

9 July 2013

PT MAYORA INDAH TBK

The Right Stock at the Right Time

BUY

We reiterated our BUY recommendation and slightly increased our TP to IDR 37,400 as we determine the risk free-rate increased based on DCF (WACC 10.2% and 20.0x 2014 P/E), implying 31% upside potential). We assume its positive stance for the stock as the top and bottom line has expanded more than previous estimate. The main catalysts for our BUY rating are: 1) Lower input costs as the global economy are slowing down. 2) The top line growth is projected to pick up in 1H13, after slowing in the first three months.

Margin Expansion from Commodity Prices

We revise our estimated FY '13 top line growth to 18% 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. On the contrary of the top line, bottom line margin was widened 400 bp to 8.2% due to lower commodity prices in 1Q13. Hence we increase our estimated FY '13 gross and net margin to 25.6% and 7.9% respectively.

Continuing Innovation to Keep Pace

Recently the company has launched three new biscuit products, named Coffee Joy, Sari Gandum Chocolate Sandwich, and Cheese Kress. Given a long history in the highly fragmented industry, Mayora has proved its resilience for sustaining market share of its products. As shown in the exhibit 2, since 2003 to 2012, a buoyant strategy has helped the company to gain an additional 5.4% market share from other competitors.

Leverage on Holiday Session

The company will increase more revenue as the holiday season is coming (Eid al-Fitr) on July 2013. During this period, most of other sector will experience a decline of productivity as it is a time for fasting. In contrast, history has proven that the consumer sector tends to pick up as the working class receives festive allowance ("THR") weeks before Eid Al-Fitr. The doubling monthly income in the fasting month will push high the propensity to consume and inevitably, Mayora would possess a slice of euphoria through its consumer's preference biscuit brand. As for it, we believe this is poised for significant sales growth on the back of MYOR's strong brand penetration.

Christandi Rheza Mihardja

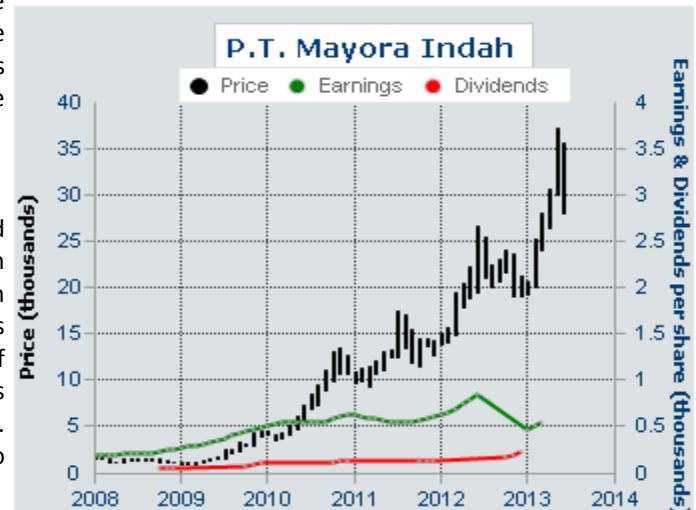
Equity Analyst

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Stock Data

Sector	Consumer Goods
Price	28,500
12-month Target Price 2012	37,400
12-month Rating	Buy
Prior	Buy
Ticker	MYOR.IJ (BBG)
Market Cap	IDR 21,848 Bn
Shares Outstanding	767 mn

MYOR Performance



Source: www.corporateinformation.com

	2011	2012	2013F	2014F	2015F
Revenues	9,454	10,511	12,445	16,009	18,831
Growth	31%	11%	18%	29%	18%
EBIT	758	1,157	1,601	1,775	2,242
Net Income	471	746	987	1,090	1,408
EPS	614	972	1,287	1,421	1,835
Net DPS	130	153	230	257	284

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

Profitability	5-yr avg	2012	2013F	2014F	2015F
Gross Margin%	22	22.3	25.6	23.4	24.4
EBIT Margin%	11	11	12.9	11.1	11.9
EBITDA Margin%	13.1	13.6	15.3	13.2	13.9
P/E x		29.3	22.1	20.0	15.5
Net Dividend Yield		23	20	20.0	20.0

Source: Bloomberg, Company data, Sinarmas Sekuritas Research

Top Holders

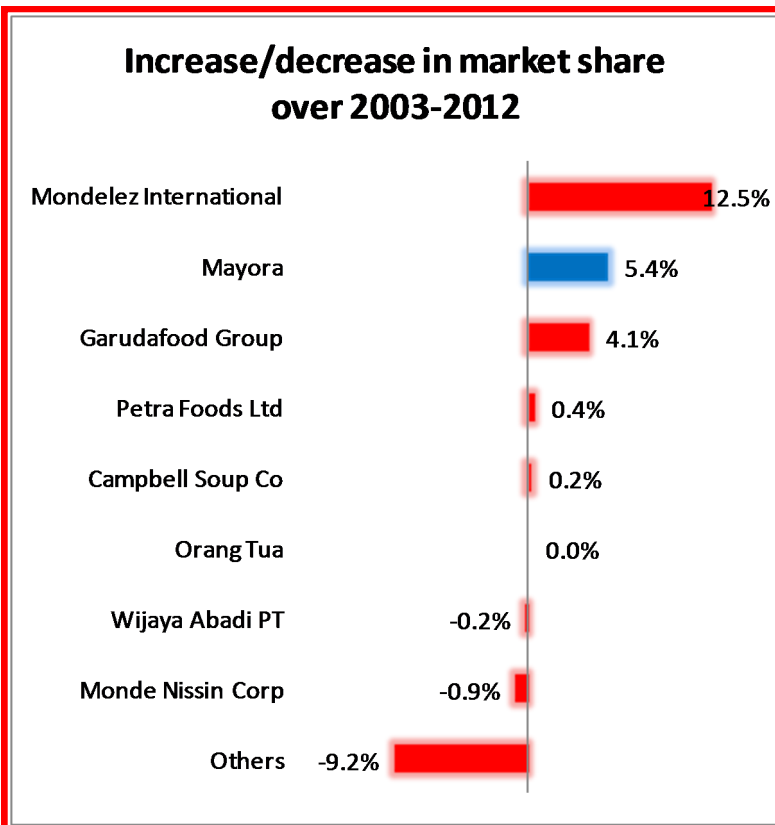
PT Unita Branindo	32.93%
Public (<5%)	67.07%

Source: Bloomberg

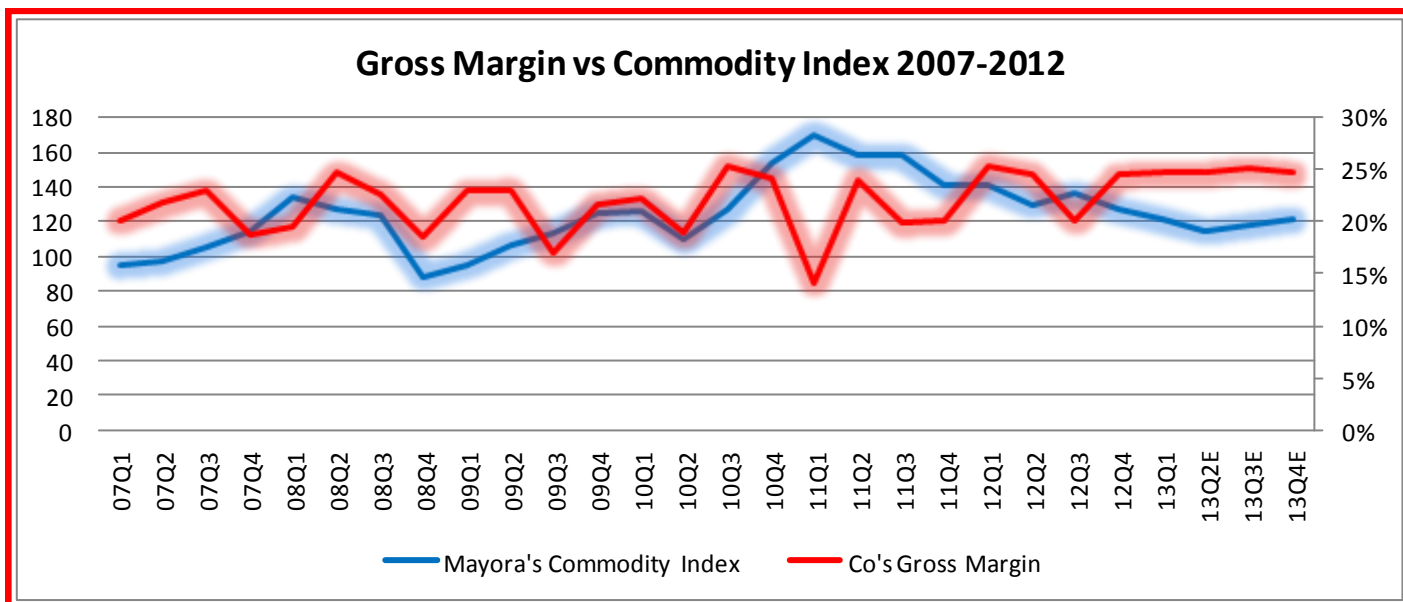
Exhibit 1: Profit and Loss Sensitivity Metrics

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%

Source: Company Data, Sinarmas Sekuritas Research

Exhibit 2 : Increase in Mayora's market share over 2003-2012


Source: Euromonitor, Sinarmas Sekuritas Research

Exhibit 3: We estimate that the gross margin will increase gradually as the commodity index declines.


Source: Company Data, Bloomberg, Sinarmas Sekuritas Research

Income Statement

IDR in millions, year end	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
Revenues	9,454	10,511	12,445	16,009	18,831
<i>growth</i>	<i>30.9%</i>	<i>11.2%</i>	<i>18.4%</i>	<i>28.6%</i>	<i>17.6%</i>
EBITDA	956	1,428	1,905	2,115	2,622
<i>growth</i>	<i>1.16%</i>	<i>49.32%</i>	<i>33.44%</i>	<i>11.01%</i>	<i>23.93%</i>
EBIT	758	1,157	1,601	1,775	2,242
<i>growth</i>	<i>-2.1%</i>	<i>52.6%</i>	<i>38.5%</i>	<i>10.9%</i>	<i>26.3%</i>
<i>EBIT Margin</i>	<i>8.0%</i>	<i>11.0%</i>	<i>12.9%</i>	<i>11.1%</i>	<i>11.9%</i>
Net Interest	124	207	236	269	296
Earnings before tax	626	976	1,365	1,507	1,946
<i>growth</i>	<i>-4.8%</i>	<i>55.8%</i>	<i>39.9%</i>	<i>10.4%</i>	<i>29.2%</i>
Tax	143	215	341	377	487
<i>tax rate</i>	<i>22.8%</i>	<i>22.1%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Net income	471	746	987	1,090	1,408
<i>growth</i>	<i>-2.7%</i>	<i>58.3%</i>	<i>32.3%</i>	<i>10.5%</i>	<i>29.1%</i>
Shares Outstanding	767	767	767	767	767
EPS	614	972	1,287	1,422	1,835
<i>growth</i>	<i>-2.7%</i>	<i>58.3%</i>	<i>32.3%</i>	<i>10.5%</i>	<i>29.1%</i>

Balance Sheet

IDR in millions, year end	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
Cash & cash equivalents	325	1,340	898	807	808
Account Receivables	1,673	2,035	2,153	2,726	3,138
Inventories	1,336	1,499	1,169	1,549	1,770
Others	761	440	538	774	1,014
Current assets	4,095	5,314	4,759	5,856	6,730
Net fixed assets	2,038	2,858	3,650	4,660	5,409
Others	466	131	473	560	622
Total Assets	6,600	8,303	8,881	11,076	12,761
Short term Liabilities	1,846	1,924	2,043	3,634	4,084
Long term Liabilities	2,329	3,310	2,923	2,595	2,589
Total Liabilities	4,175	5,235	4,966	6,228	6,672
Shareholders' Equity	2,363	2,992	3,802	4,695	5,885
Minority Interest	61	76	113	153	204
Total Equity	2,425	3,068	3,915	4,847	6,089
Total Equity & Liabilities	6,600	8,303	8,881	11,076	12,761

Cash Flow Statement

IDR in millions, year end Dec	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
Net Income	471	746	987	1,090	1,408
Adjustments	206	282	341	380	431
Change in Net Working Capital	(1,256)	(211)	118	(798)	(622)
Cash From Operations	(579)	817	1,445	672	1,217
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	(0)	-	-	-	-
Changes in other assets	(241)	335	(342)	(87)	(62)
Cash from Investing Activities	(979)	(752)	(1,438)	(1,437)	(1,191)
Capital Issues	-	-	-	-	-
Dividends Paid	(100)	(117)	(177)	(197)	(218)
Net Change in Gross Debt	1,485	979	(281)	788	156
Other Financing Activities	25	88	9	83	38
Cash from Financing Activities	25	88	9	83	38
Cash at beginning of period	472	325	1,340	898	807
Net Changes in Cash	(147)	1,014	(442)	(91)	2
Cash at end of period	325	1,340	898	807	808

Ratio Analysis

	FY 11	FY 12E	FY 13E	FY 14E	FY 15E
EBITDA Margin	10.1%	13.6%	15.3%	13.2%	13.9%
Operating Margin	8.0%	11.0%	12.9%	11.1%	11.9%
Net Margin	5.0%	7.1%	7.9%	6.8%	7.5%
Sales growth	30.9%	11.2%	18.4%	28.6%	17.6%
Net profit growth	-2.7%	58.3%	32.3%	10.5%	29.1%
EPS growth	-2.7%	58.3%	32.3%	10.5%	29.1%
Net debt to equity	1.72	1.71	1.27	1.28	1.10
Sales/assets	1.43	1.27	1.40	1.45	1.48
Assets/equity	2.72	2.71	2.27	2.28	2.10
ROE	19.4%	24.3%	25.2%	22.5%	23.1%

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
9 July 2013	Update	Buy	37,400

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