

## CONSUMER SECTOR UPDATE

### How long does it take to recover?

#### Awaiting the FY20 Results

- Despite being the defensive sector, consumer sector companies still suffered the hit of pandemic. This is reflected by the financial performance of companies within our universe with average top line slipped by -3.88% YoY followed by a deeper drop in average bottom line by -20.45% YoY in 3Q20.
- The deepest decline came from the retailers such as MAPI IJ, RALS IJ and PZZA IJ as they were forced to close their stores during the early stages of social distancing. Furthermore, consumer spending focus shifted to daily use products instead of new clothes. As for PZZA IJ, dine-in were allowed in later stages of social distancing with 50% capacity and big promotions were implemented to lure consumers back in. On the other hand, ERAA IJ seemed to be doing exceptionally well due to cost efficiency. While ACES IJ performance slipped, despite selling pandemic related products.
- Tobacco and cigarettes followed the decline with HMSP IJ performance being lower than GGRM. Meanwhile, FMCG segment are quite resilient as ICBP IJ, INDF IJ and UNVR IJ maintain their performance as daily use products are still in demand.
- We hope the 4Q20 performance has truly improved, as of now only a few companies has released their FY20 result.

#### Shifting Consumer Preference; Rapid Growth in the Online Shopping

- Based on Nielsen data, consumer sector has already showing recovery, especially cigarette and FMCG, even though spending value is lower. Consumer shift their income towards savings, primary need like food and FMCG as well as communication due to a higher data demand for working and studying at home. As the trade off, spending on leisure and transportation decrease due to limited mobility.
- On the other side, online method is preferable from both buyer and seller. BPS survey showed that new e-commerce sellers make up for 53.52% of the total seller in FY20, because they have to up the ante in order to adapt with the new normal.
- BPS also recorded a 20% MoM growth in online shopping on 1H20. Apart from toiletries, food and beverages, skin care also deemed as the most bought products.
- However, we still believe the changes toward online shopping will not fully replace on-the-spot shopping experience. So, we believe retailers would still survive.

#### Government Aid Encourage Faster Recovery: Expect demand to Gradually Pick up in 2021....

- Economic data in Jan-2021 already shown some recovery as seen in PMI Manufacturing and Retail Sales which is rising from the negative zone. While, consumer confidence slightly dropped in Jan-2021 probably due to an increase on Covid-19 cases. Inflation rate seem to be going steady.
- In FY21E, the Government intends to continue set the economic recovery budget (PEN) of IDR699.01 tn (+20.56% from FY20 budget realization) coupled with various financial aid which we believe is adequate to boost the economic recovery.

#### ....although its Recovery Speed might be taking Longer time; NEUTRAL Recommendation

Nevertheless, we believe the recovery level may takes time as pandemic's impact might last longer especially in 1Q21E given that new Covid-19 cases have not slowed down yet. We expect FY21E earnings to gradually pick up in 2H21E as vaccines become more available for the mass population. We prefer consumer staples (**ICBP IJ, INDF IJ, UNVR IJ, SIDO IJ**) and tobacco (**GGRM IJ, HMSP IJ**), given its low-base and undemanding valuation as well as earnings stability. While we expect retailers and restaurant to start showing early signs of recovery, albeit at a very slow pace due to lower store traffic.

Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY21E	FY22F	FY21E	FY22F		
UNVR IJ	251,790	33.82	31.38	47.29	42.22	BUY	7,300
ICBP IJ	97,376	15.33	13.89	3.05	2.72	BUY	11,600
INDF IJ	55,097	9.71	8.89	1.26	1.18	BUY	9,000
HOKI IJ	2,477	23.71	18.79	2.84	2.39	HOLD	275
SIDO IJ	23,400	22.56	20.11	6.88	6.51	BUY	900
GGRM IJ	69,892	9.83	7.95	1.24	1.18	BUY	45,000
HMSP IJ	163,426	16.49	14.90	4.93	4.80	BUY	1,700
KLBF IJ	74,297	24.07	22.74	3.90	3.55	BUY	1,800

Sources: Bloomberg as of Mar 10, 2021; MNCS est.



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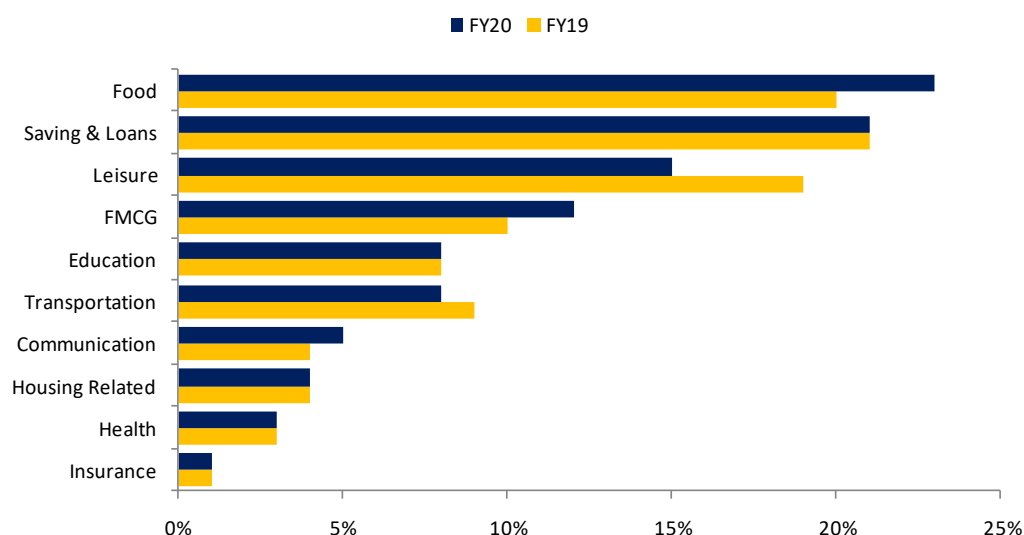
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Exhibit 01. Consumer Sector 3Q20 Financial Performance in MNCS Universe (IDR mn)

Ticker	Company Name	Revenue			Net Income		
		3Q19	3Q20	%	3Q19	3Q20	%
ICBP IJ Equity	Indofood CBP Sukses Makmur Tbk PT	32,790,339	33,896,887	3.37%	3,885,575	3,962,793	1.99%
INDF IJ Equity	Indofood Sukses Makmur Tbk PT	57,845,448	58,775,946	1.61%	3,530,968	3,752,556	6.28%
UNVR IJ Equity	Unilever Indonesia Tbk PT	32,360,986	32,456,673	0.30%	5,509,603	5,438,339	-1.29%
HOKI IJ Equity	Buyung Poetra Sembada PT	1,225,862	936,571	-23.60%	76,161	28,591	-62.46%
SIDO IJ Equity	Industri Jamu Dan Farmasi Sido Muncul Tbk P	2,128,606	2,257,274	6.04%	578,445	640,805	10.78%
TBLA IJ Equity	Tunas Baru Lampung Tbk PT	6,344,579	8,065,544	27.12%	501,771	405,110	-19.26%
ACES IJ Equity	Ace Hardware Indonesia Tbk PT	5,974,214	5,480,392	-8.27%	721,713	529,708	-26.60%
MAPI IJ Equity	Mitra Adiperkasa Tbk PT	15,409,858	10,169,461	-34.01%	642,842	605,332	-194.16%
RALS IJ Equity	Ramayana Lestari Sentosa Tbk PT	4,426,277	1,901,907	-57.03%	612,423	95,217	-115.55%
PZZA IJ Equity	Sarimelati Kencana PT	2,939,488	2,665,682	-9.31%	149,244	8,628	-105.78%
ERAA IJ Equity	Erajaya Swasembada Tbk PT	23,612,642	23,170,198	-1.87%	165,595	295,116	78.22%
HMSP IJ Equity	Hanjaya Mandala Sampoerna Tbk PT	77,507,276	67,778,710	-12.55%	10,200,152	6,910,800	-32.25%
GGRM IJ Equity	Gudang Garam Tbk PT	81,721,032	83,375,059	2.02%	7,243,264	5,647,226	-22.03%

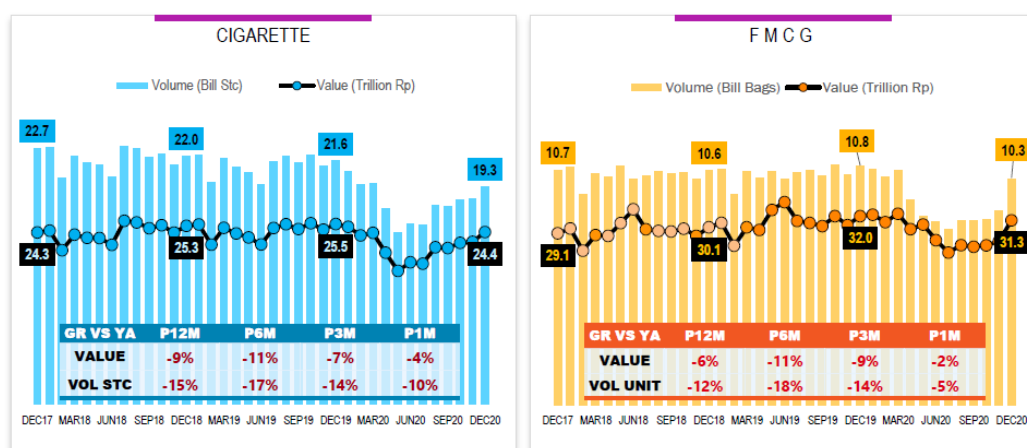
Sources : Bloomberg, MNCS

Exhibit 02. FY20 Household Spending Portion Shifts



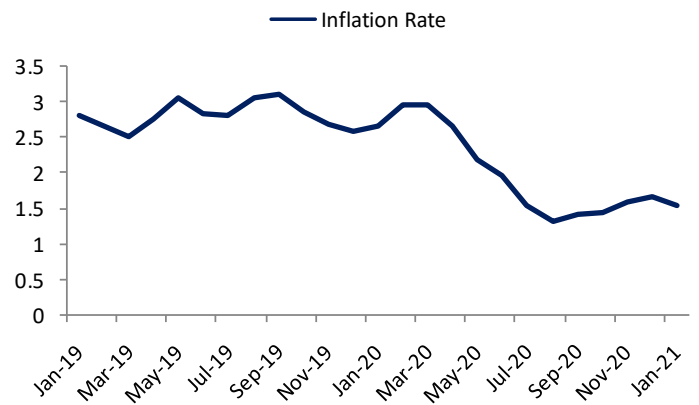
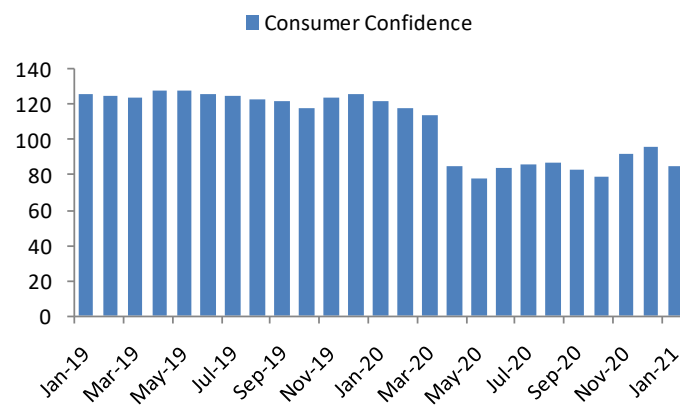
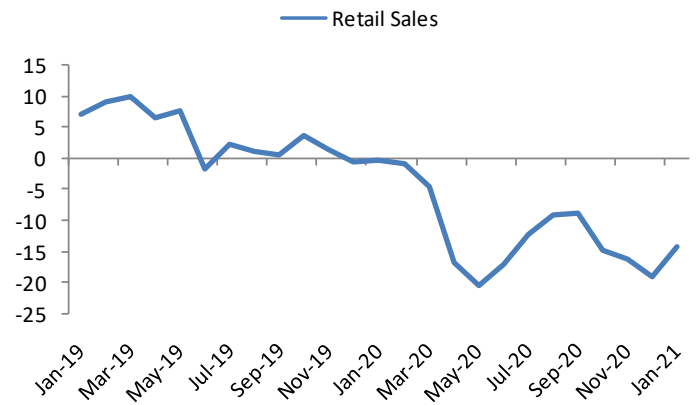
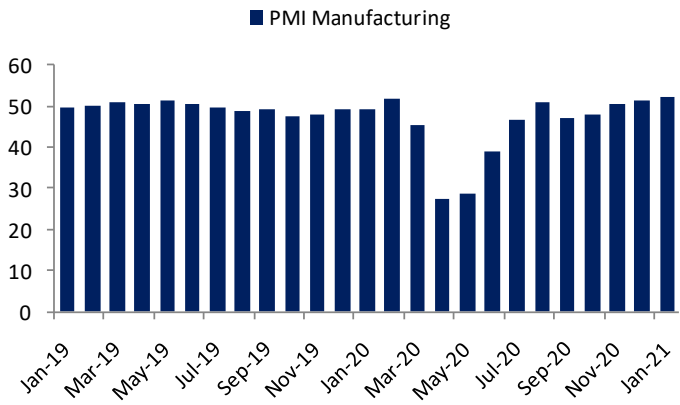
Sources : Nielsen, MNCS

Exhibit 03. Cigarette and FMCG Recovery Trend



Sources : Nielsen

Exhibit 04. Economic Data showing recovery



Sources : Bloomberg, MNCS

Exhibit 05. JAKCONS: limited correction further but rebound possible



Sources : EW MNCS

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**Not Rated** : Stock is not within regular research coverage

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