

NEUTRAL

Return (%)	-1D	-1W	-1M
JCI	-1.0	-0.1	3.7
LQ45	-1.4	-0.3	3.9
UNVR IJ	-0.3	-3.6	-0.9
ICBP IJ	-4.1	0.2	1.5
INDF IJ	-0.4	0.4	-1.2
SIDO IJ	-1.9	0.0	6.0

EPS Growth (%)	FY23E	FY24F
UNVR IJ	-3.6	0.9
ICBP IJ	102.4	5.2
INDF IJ	45.6	4.0
SIDO IJ	-21.2	1.8

Consumer Sector

Cautious Steps Ahead as Threat Remains Intact

Continued prices hikes may hinder purchasing power

Despite a notable +4.1% YoY increase in household consumption for FnB in 3Q23, which marked the fifth consecutive month high, we see downside risk to come from food staples prices hike in 4Q23 and potentially continuing until 2Q24. This is mainly driven by the post-El-Nino effect. NOAA projects the persistence of Strong El-Nino in Apr-Jun'24 (with 62% chance) ([exhibit 03](#)). By YTD, rice prices have soared by +16%, followed by garlic (+38%), red chili (+93%), and sugar (+20%) ([exhibit 02](#)). In addition, volatile inflation was recorded at +1.7% MoM in Nov-22, the highest in the last 11 months. According to BMKG, considering the delay in the rainy season to Oct-23 and its shorter duration in FY23/FY24F, we anticipate disruptions in agricultural yields, potentially driving soft commodity prices until early FY24F. This could hamper the purchasing power of the mid-low classes, and thus make them more vulnerable.

Election and social assistance are on board, but the outcome might be negligible

To stimulate purchasing power, the government has introduced various programs until Dec-23, such as Direct Cash Assistance (BLT) for El-Nino, amounting to IDR200k/month (18.8mn KPM), and the distribution of 10kg of rice in the second phase (21.3mn KPM). Meanwhile, the social assistance budget in FY24F has increased by +3.6% YoY to IDR493.5tn (+12.4% YoY from the FY23 outlook). Despite the increase, we do not see a significant addition to the target quota for recipients, especially in the Family Hope Program (PKH) and Social Assistance (Bansos) quotas, which remain unchanged. Additionally, we estimate that the election in FY24F could lead to disbursements reaching IDR149.3tn (a +16.8% increase from FY19) or equivalent to 0.7% of GDP. However, we are cautious due to the relatively short total campaign time (including the 2nd round of the president), which is around 3-4 months compared to the FY19 election of 7 months.

Awaiting for the sugar-sweetened beverages taxation

The government has set the excise revenue target for sugar-sweetened beverages (MBDK) in FY24F at IDR4.4tn, higher than the FY23E target of IDR3.1tn before being zeroed out in Nov-23. Various proposals for the excise tax rate have been made, with one suggesting IDR650/liter. Considering BPOM Regulation No.22/2019, we estimate that products with sugar contents of >6gr/100ml will be affected. Thus, based on our channel checks, we anticipate an increase in ASP for ICBP by 2.2%-3.3%, while MYOR (Not Rated) may see an increase of 1.2%-2.5%, ULTJ (Not Rated) by 1.7%-2.6%, CMRY (Not Rated) by 1.7%-2.4%, KINO (Not Rated) by 2.7%, and UNVR by 2.0% ([exhibit 07](#)). Assuming an excise tax increase of 10%/2% for MBDK and beverage inflation during the 3Y CAGR, respectively, we believe ICBP and MYOR still have leeway to pass on the tax to consumers given their affordable product prices (<IDR10k for small-mid size). We assess that CMRY's market share will remain relatively solid due to its top-of-mind products, while ULTJ will face increasing competition in the industry.

FY24F in a nutshell

- **ICBP.** We anticipate the FY24F's election to benefit ICBP. The average growth one quarter before the FY14 & FY19 elections reached 18.5% QoQ. We see the potential for sustained solid growth in 1Q-2Q24, given the potential two-round presidential election. We also like ICBP due to its pricing power and integrated holding ecosystem.
- **INDF.** We expect positive performance in the CBP segment during the election year to offset the decline in the Bogasari segment, which we anticipate to decrease by -2% YoY, aligning with the potential moderation in ASP following wheat price trends. In Agribusiness, our plantation analyst give a neutral outlook for the sector. Despite the potential uptrend in CPO prices to MYR3,900-4,150/ton, we anticipate a decline in FFB production ahead.
- **UNVR.** With the sensitivity of mid-low class purchasing power and the potential for downtrading, we anticipate flat performance ahead. Furthermore, we do not foresee a significant impact from the election on the topline. However, we anticipate solid margins, with GPM to hover at ~50%, along with manageable input costs.
- **SIDO.** Considering the correlation between El-Nino and inflation affecting SIDO's top line ([exhibit 08](#)), we still see downside risks ahead. Consumers seem to be neglecting household pharmaceutical products. While SIDO's retention of a solid market share at ~73% could increase OPEX/revenue, this potentially weighs on earnings.

Neutral recommendation for the Consumer Sector

We give a **Neutral** outlook for the consumer sector. We anticipate a decline in mid-low purchasing power due to potential increases in staple prices, driving downtrading. The expected minimal impact of the election year to counteract these obstacles results in moderate growth ahead. Moreover, the FY24F minimum wage hike will be approximately +3.5%, lower than the FY23 increase of +7.4%. Our top pick is **ICBP**, which stands to benefit from the political year. Upside risks include: 1) faster-than-expected decline in food staple prices; 2) improved purchasing power; 3) higher-than-anticipated election disbursements.



Research Analyst

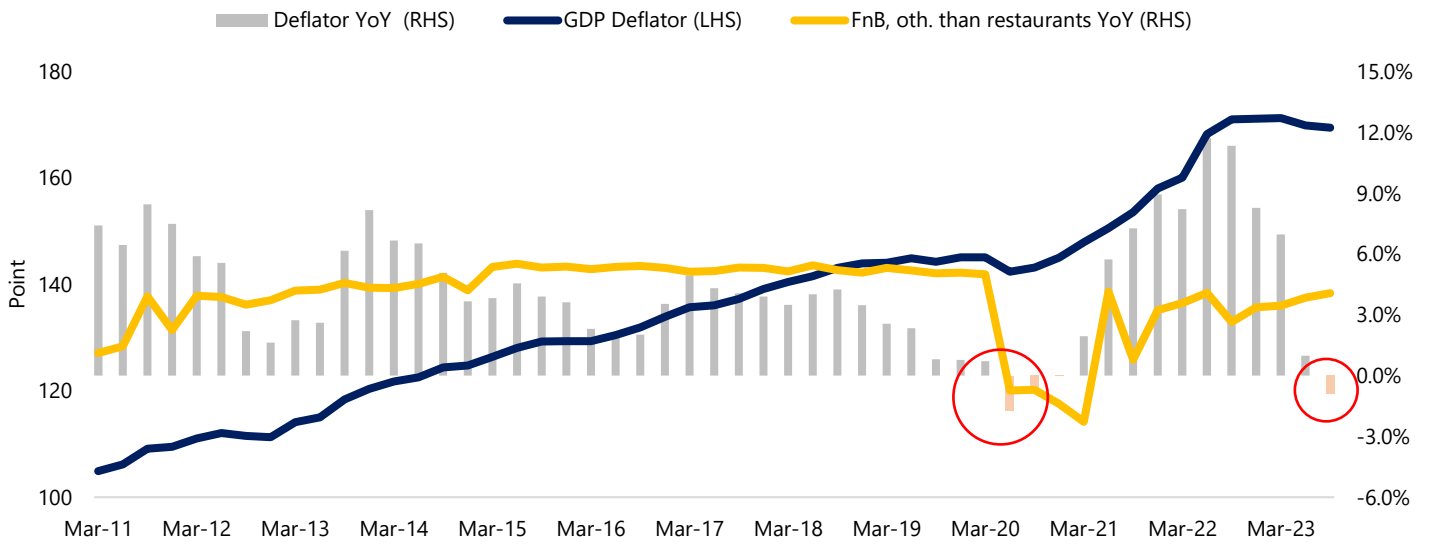
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Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY23E	FY24F	FY23E	FY24F		
UNVR IJ	133.5	26.9	26.7	36.4	39.1	HOLD	3,650
ICBP IJ	122.7	16.5	15.6	2.4	2.2	BUY	13,100
INDF IJ	56.0	7.4	7.2	1.2	1.1	BUY	7,850
SIDO IJ	15.9	17.2	16.9	4.5	4.4	HOLD	500

Sources : IDX, Company, MNCS

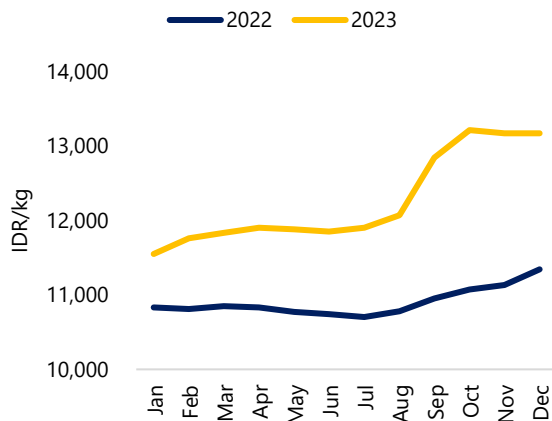
Exhibit 01. In 3Q23, household consumption increased by +4.1% YoY, coinciding with a decline in the GDP deflator to 169.5 (-0.9% YoY)



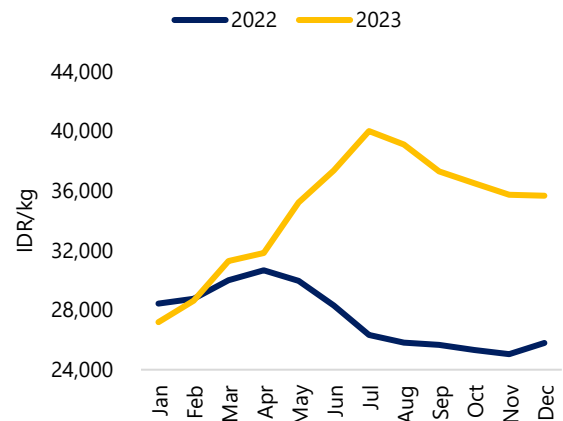
Sources : BPS, MNCS

Exhibit 02. Essential food staples experienced a sharp increase towards the end of the year and are expected to continue due to the impact of El-Nino

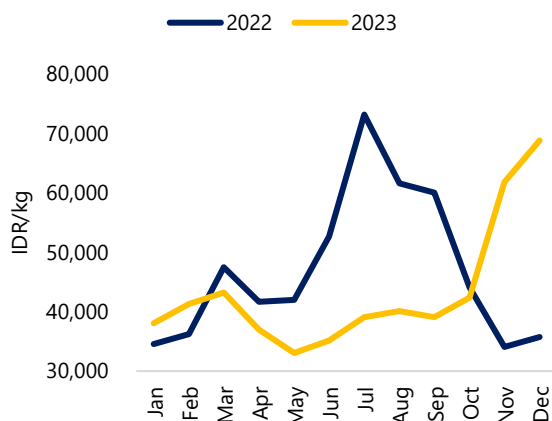
a. Rice



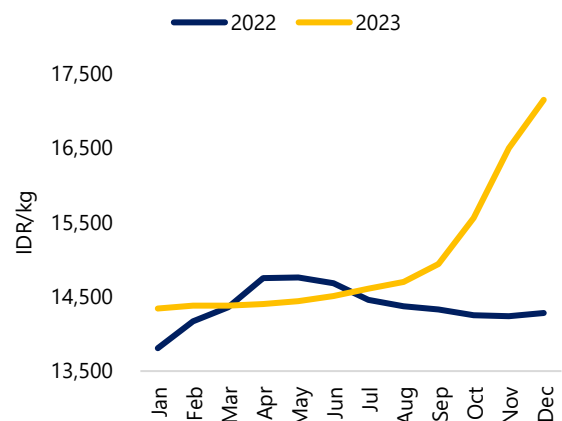
b. Garlic



c. Red chili

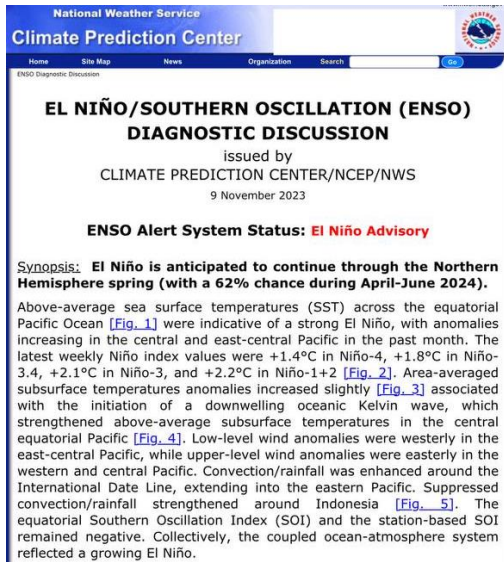


d. Sugar



Sources : National Food Agency, MNCS

Exhibit 03. Warning of the potential Strong El-Niño in Apr-Jun'24.



Source : NOAA

Exhibit 04. BMKG predicts a shorter duration of rain in FY23/FY24.

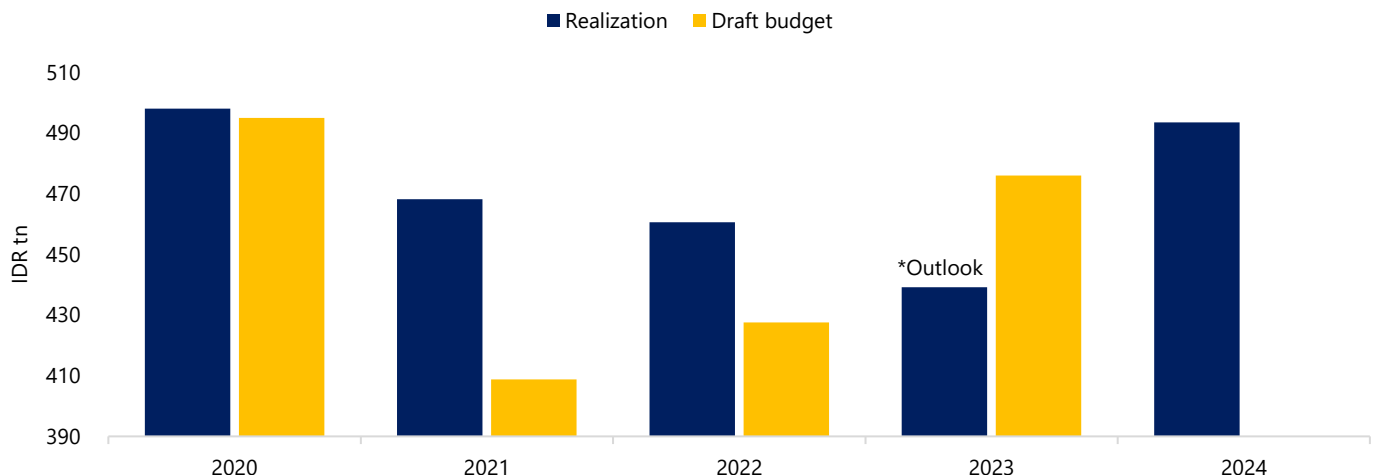
Source : BMKG

Exhibit 05. Social assistance in FY24F is more focused on education, as there are no additional quotas for the Family Hope Program (PKH) and Staple Foods

Policies	2023 Draft	2024 Draft
Budget	IDR476.0tn (IDR439.1tn outlook)	IDR493.5tn
Family Hope Program (PKH)	10mn KPM	10mn KPM
Social Assistance for Staple Foods (Bansos sembako)	18.8mn KPM	18.8mn KPM
Smart Indonesia Program (PIP)	20.1mn students	20.8mn students
Smart Indonesia Card-College (KIP Kuliah)	978.4k students	1mn students
National Health Insurance Assistance (JKN-PBI)	96.8mn participants	96.8mn participants
JKN-PBPU, PBIII	-	49.6mn participants
Microcredit Program (KUR)	9.1mn debtor	12mn debtor
Village Direct Cash Transfer (BLT Desa)	4.7mn KPM	3.0mn
Pre-employed Card (Kartu prakerja)	500k participants	-
Subsidy (electricity, LPG 3kg, etc)	IDR289.3tn	19.6mn kl (fuel oil) 8.0mn mt (LPG 3kg)

Sources : MoF, MNCS (KPM : beneficiary families)

Exhibit 06. Social assistance draft budget vs realization

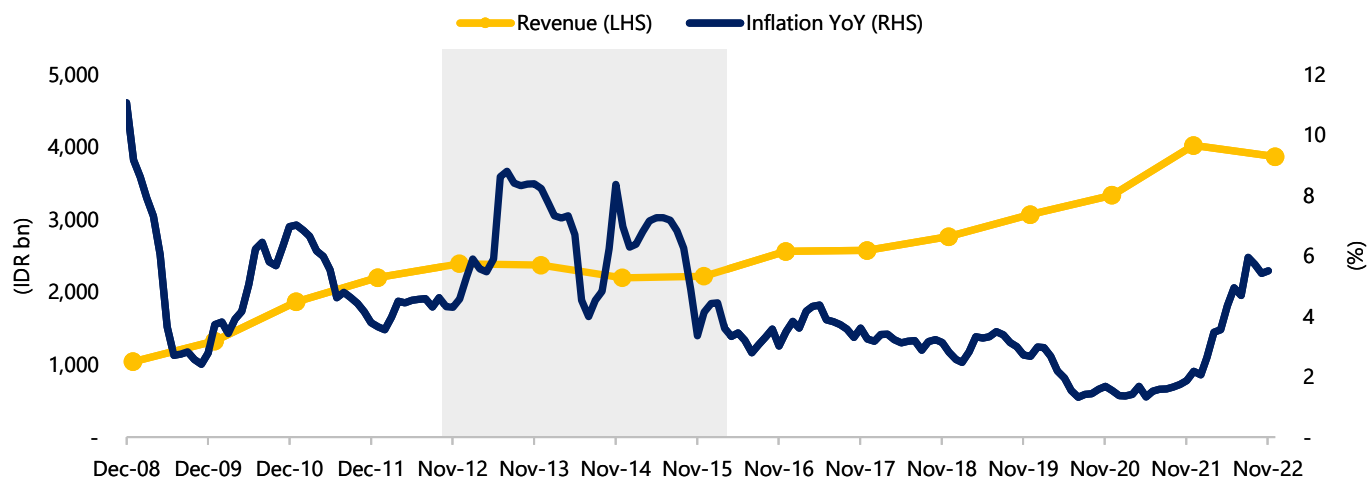


Sources : MoF, MNCS

Exhibit 07. Our price estimate for sugar-sweetened beverages taxation

Company Product	Sugar (gr)	Capacity (ml)	Threshold (6gr/100ml)	Price (IDR)	Excise (IDR)	Potential Price (IDR)	Increase
Ichi Ocha Minuman Teh Melati	18	350	Below	3,200	-	3,200	-
Indomilk Susu Cair UHT Korean Banana	17	180	Above	5,200	117	5,317	2.3%
ICBP Coco Bit Splash Mango	40	350	Above	7,000	228	7,228	3.3%
Indomilk Susu Cair UHT Korean Pink Blossom	15	180	Above	5,300	117	5,417	2.2%
Indomilk Susu Cair UHT Korean Black Latte	15	180	Above	5,300	117	5,417	2.2%
Indomilk Susu Cair UHT Chocolate	15	180	Above	5,300	117	5,417	2.2%
MYOR Kopiko Coffee Latte 78C	20	240	Above	7,500	156	7,656	2.1%
Pucuk Harum Minuman Teh less Sugar	12	350	Below	3,700	-	3,700	-
Pucuk Harum Minuman Teh Melati	18	350	Below	3,700	-	3,700	-
Tujuh Kurma Susu Steril Kurma	19	189	Above	10,400	123	10,523	1.2%
Tora Cafe Minuman Iced Cappuccino	14	180	Above	4,700	117	4,817	2.5%
Tora Cafe Minuman Iced Milky Latte	9	180	Below	4,700	-	4,700	-
ULTJ Ultra Susu UHT Steril Slim Plain	8	200	Below	6,000	-	6,000	-
Ultra Susu UHT Steril Slim Coklat	19	200	Above	6,000	130	6,130	2.2%
Ultra Susu UHT Steril Slim Strawberry	19	200	Above	7,500	130	7,630	1.7%
Ultra Mimi Susu Cair UHT Full Cream	6	125	Below	3,900	-	3,900	-
Ultra Mimi Susu Cair UHT Chocolate	15	125	Above	3,900	81	3,981	2.1%
Ultra Teh Kotak Less Sugar	17	300	Below	4,000	-	4,000	-
Ultra Sari Asam Asli Slim	28	250	Above	6,300	163	6,463	2.6%
CMRY Cimory Fresh Milk UHT Hazelnut	20	250	Above	7,000	163	7,163	2.3%
Cimory Fresh Milk UHT Chocolate	18	200	Above	7,000	130	7,130	1.9%
Cimory Fresh Milk UHT Almond	20	250	Above	6,900	163	7,063	2.4%
Cimory Yoghurt Drink Strawberry	24	240	Above	9,100	156	9,256	1.7%
Cimory Yoghurt Drink Lychee	25	240	Above	9,100	156	9,256	1.7%
Cimory Yoghurt Drink Mix Fruits	25	240	Above	9,100	156	9,256	1.7%
KINO Cap Panda Minuman Cincau	20	310	Above	7,500	202	7,702	2.7%
UNVR Buavita Guava Apple	23	250	Above	8,300	163	8,463	2.0%
Buavita Guava Mangga	24	250	Above	8,300	163	8,463	2.0%

Sources : Various Source, MNCS

Exhibit 08. A strong El-Nino events in FY15 resulted in high inflation reaching ~8% YoY and impacted SIDO's top-line, which increased only by +0.9% YoY


Sources : BPS, Company, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

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