

NEUTRAL

Return (%)	-1D	-1W	-1M
JCI	0.8	2.9	3.1
LQ45	0.8	2.3	-0.4
UNVR IJ	0.7	2.6	14.3
ICBP IJ	-0.2	2.4	8.5
INDF IJ	1.2	2.0	2.0
SIDO IJ	-0.7	-0.7	3.6

EPS Growth (%)	FY24E	FY25F
UNVR IJ	1.9	5.4
ICBP IJ	29.5	9.6
INDF IJ	5.2	6.6
SIDO IJ	19.3	11.0

Consumer Sector

Pressures Continue to Linger

1Q24 aggregate revenue barely grew by +1.1% YoY

- Consumer companies within our universe aggregately recorded a flat revenue growth in 1Q24 of +1.1% YoY. However, this is in-line with our estimates, reflecting 25.9% of the target for FY24E. 1Q24 revenue was mainly fueled by a rebound in volume, coinciding with the election momentum in Feb-24 and an earlier-than-usual Ramadan in early 2Q24.
- SIDO led the revenue increase with +16.1% YoY, thanks to seasonality. ICBP followed with +4.1% YoY, supported by higher volume. INDF saw a slight uptick with +0.8% YoY, despite declines in the Bogasari segment (-7.2% YoY) and Agribusiness (-9.7% YoY). Meanwhile, UNVR slipped by -5.0% YoY, overshadowed by weak consumer sentiment.
- 1Q24 net profit aggregately declined by -30.2% YoY, in-line with our estimates (run-rate: 26.3%). This plunge was mainly due to FX losses at INDF and ICBP. However, core profit for ICBP still rose by +13% YoY while INDF climbed by +10% YoY. UNVR managed to grow by +3.1% YoY due to moderating commodity prices and favorable operating expenses. Again SIDO led the growth with +30.0% YoY, supported by margin expansion.

GDP deflator growth less than zero; indicating lower purchasing power

- Our neutral call for the consumer sector was in-line with the mild 1Q24 performance. Despite the regained volume since the end of last year, consumers continue to maintain overall spending, leading to downtrading behavior. This is reinforced by the GDP deflator, which recorded a negative growth of -0.8% YoY in 1Q24 ([exhibit 02](#)), reflecting deflation and indicating lower purchasing power. This aligns with UNVR's Underlying Price Growth (UPG) for the domestic market in 1Q24, which contracted by -4.9% YoY. Additionally, GGRM (as a proxy for SKM cigarettes) saw a decline in the SKM segment (-13.6% YoY), while the SKT segment remained solid at +14.1% YoY, illustrating ongoing downtrading behavior.
- Going forward, we anticipate the festive Ramadan to buffer 2Q24 performance, based on several calls with management indicating that Ramadan in FY23 was better than the previous year. However, we maintain a view of limited ASP increases and low-to-mid single-digit volume growth throughout FY24E. This is primarily attributed to consumers being more selective and value-for-money oriented.

Current monetary policies may hinder consumption growth

- Our rationale for why consumer staples remain unfavorable aligns with the current monetary policies. We found a positive correlation between the growth rate of narrow money M1 and the aggregate revenue of consumer companies in our universe ([exhibit 03](#)). Narrow money M1 only increased by +9.4% YoY in Apr-24, helped by Ramadan seasonality, which is lower than the 3-year avg. of +14.0%. Additionally, the growth of narrow money M1 is negatively correlated with the BI rate; if the BI rate rises, it slows the growth of narrow money M1 and vice versa ([exhibit 04](#)). Moreover, with the depreciation of USD/IDR and a "higher for longer" stance, BI is likely to maintain the BI Rate at 6.25% in the medium term.
- We expect narrow money M1 growth to remain limited (at single digits), which could burden demand for staple products. This is underpinned by rising consumer appetite for savings or 3-month time deposits given attractive rate levels ([exhibit 05](#)). In recent months, the proportion of consumer spending has shifted more towards loan repayments and savings ([exhibit 06](#)).

Continuing to favor stocks with solid pricing power

As consumers continue to face challenges in spending such as steadily high prices for staple foods ([exhibit 08](#)), we favor companies with strong pricing power. We believe SIDO's performance has the potential to bounce back in FY24E, supported by potential demand increases during the transition to La Nina ([exhibit 09](#)). Based on our channel checks, the avg. price increase for Tolak Angin was +4.4% YTD until Apr-24, with a solid market share of ~70%. Furthermore, with new product development and potential penetration into international markets (+44% YoY in 1Q24), we project SIDO's revenue/net profit growth in FY24E to be +10.5% YoY/+19.3% YoY, respectively.

Maintain NEUTRAL recommendation for the Consumer Sector

We maintain a **NEUTRAL** recommendation for the consumer sector. While volume has rebounded, it remains vulnerable due to weak purchasing power, translating into limited ASP increases. Narrow money M1 growth appears likely to remain limited, given the reduced festive momentum ahead and the appeal of medium-term financial instruments. **We favor stocks with strong pricing power such as SIDO and ICBP.** We add SIDO as a top pick with shares up +15% since our last call. We call BUY for SIDO with a higher TP of IDR820/share due to an upward revision in earnings estimates. Upside risks include: 1) improved purchasing power; 2) a decline in staple food prices; 3) significant growth in narrow money M1.



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Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY24E	FY25F	FY24E	FY25F		
UNVR IJ	103.4	21.1	20.0	30.5	28.7	HOLD	2,700
ICBP IJ	123.0	16.6	15.2	2.2	2.0	BUY	12,900
INDF IJ	54.0	6.8	6.4	0.9	0.8	HOLD	6,650
SIDO IJ	21.5	21.7	19.5	6.8	6.4	BUY	820

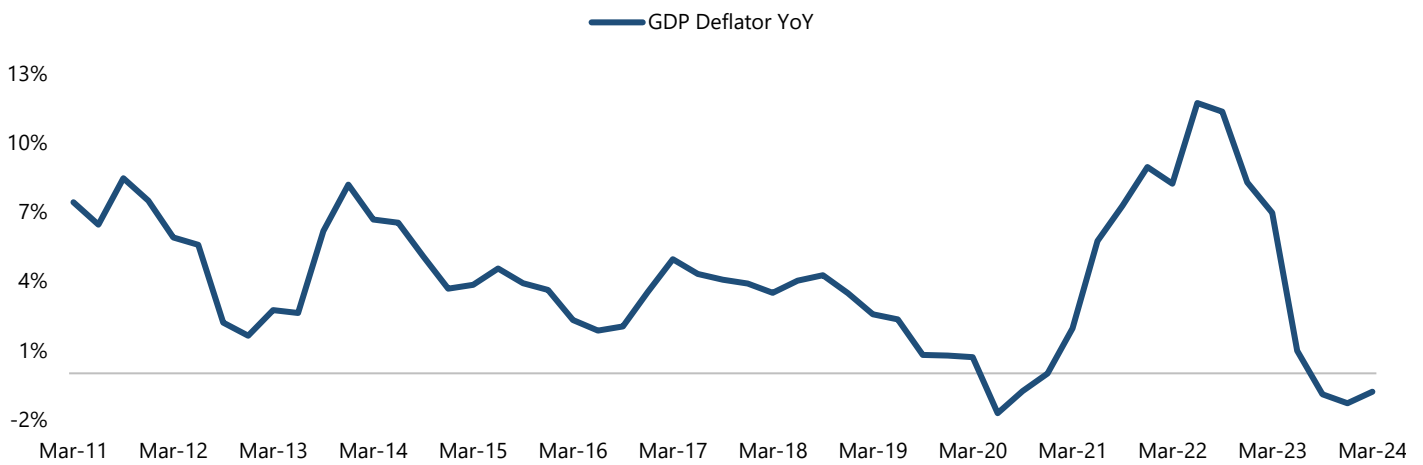
Sources : IDX, Company, MNCS

Exhibit 01. Although the 1Q24 results were mostly in-line, this was helped by seasonality that usually peaks

	Revenue				Net profit			
	1Q23	1Q24	YoY Growth	% FY24E MNCS	1Q23	1Q24	YoY Growth	% FY24E MNCS
UNVR	10,605	10,080	-5.0%	25.8%	1,405	1,449	3.1%	29.6%
ICBP	19,143	19,922	4.1%	26.5%	3,954	2,352	-40.5%	24.1%
INDF	30,543	30,792	0.8%	25.5%	3,850	2,450	-36.4%	25.4%
SIDO	907	1,053	16.1%	28.7%	300	390	30.0%	39.4%

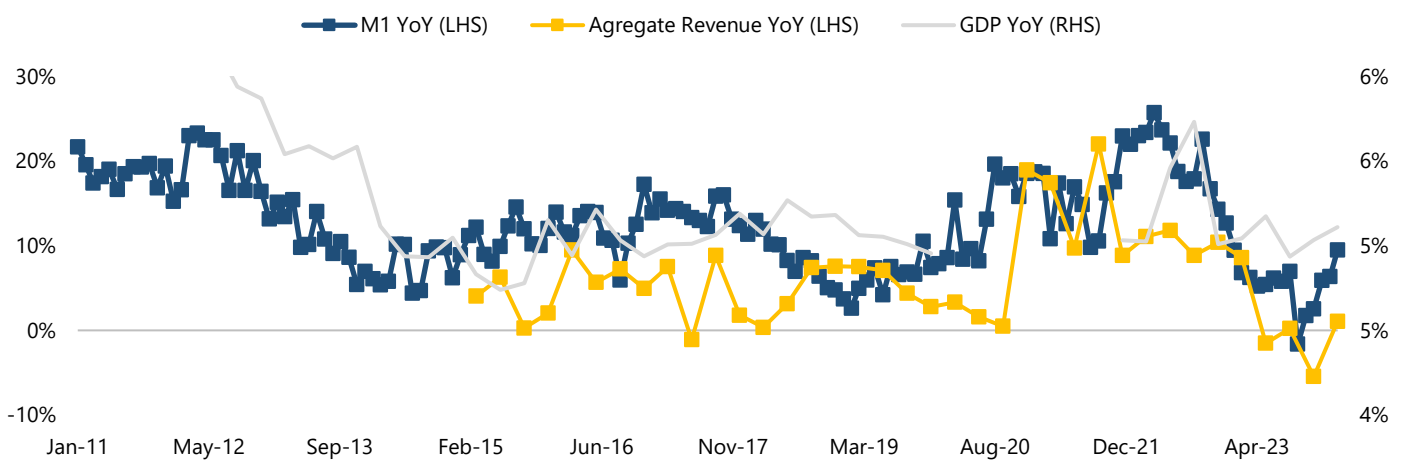
Sources : Company, MNCS

Exhibit 02. The GDP deflator has recorded negative YoY growth for 3 consecutive months, reflecting deflation



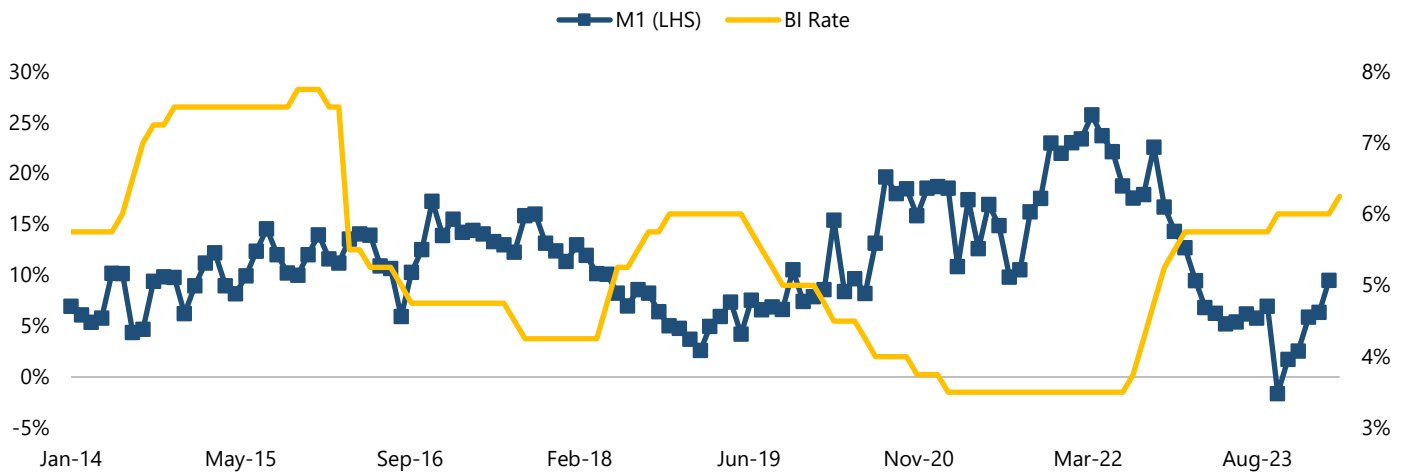
Sources : BPS, MNCS

Exhibit 03. The growth of narrow money M1 is in-line with the aggregate revenue growth of our consumer companies



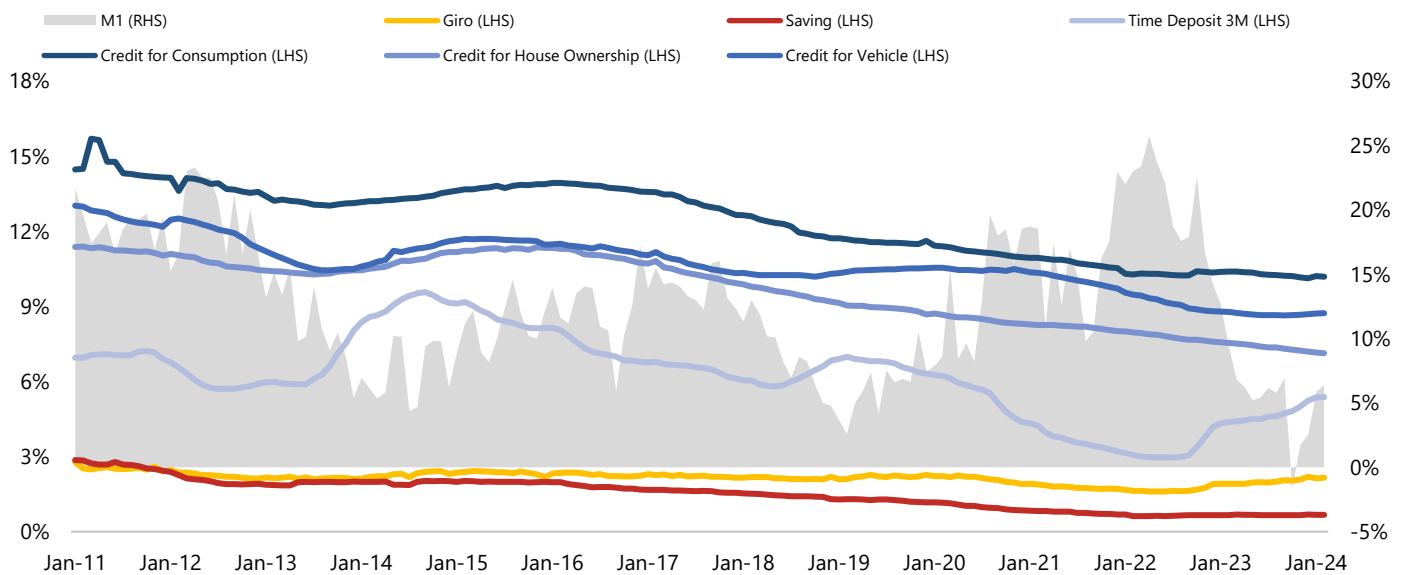
Sources : BPS, Company, MNCS

Exhibit 04. Furthermore, the growth rate of narrow money (M1) negatively correlates with the BI rate



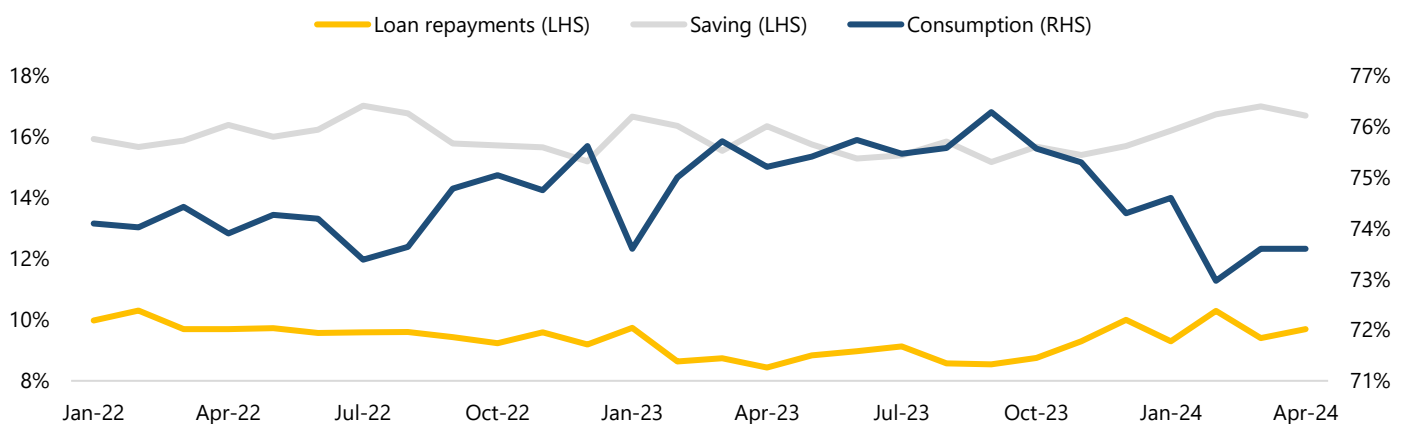
Sources : OJK, Bank Indonesia, MNCS

Exhibit 05. Interest rates for consumption, vehicles, and savings are likely to increase



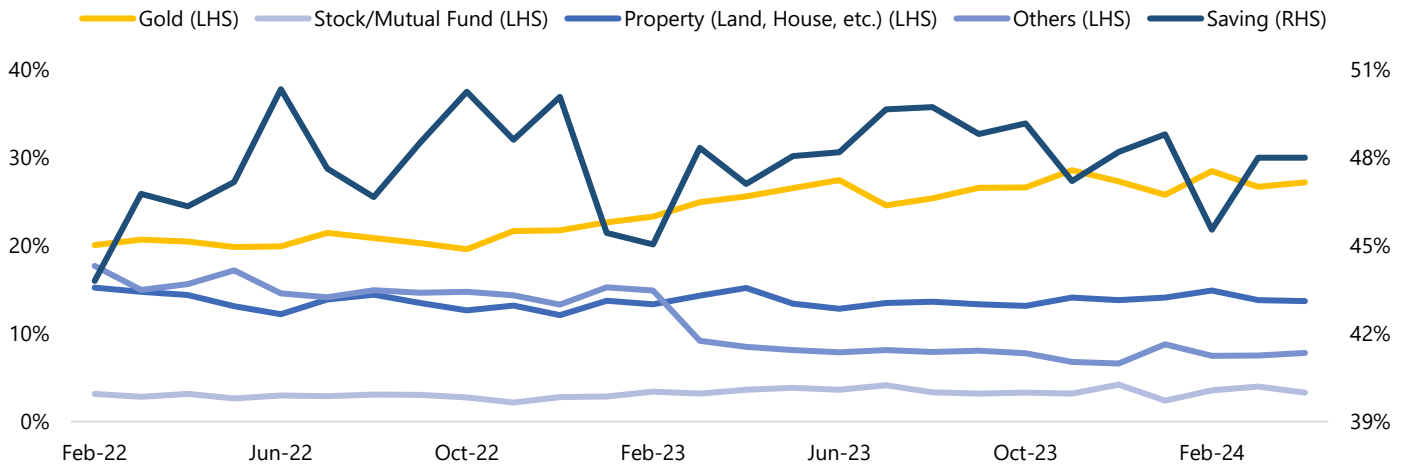
Sources : OJK, Bank Indonesia, MNCS

Exhibit 06. Over the past few months, the proportion of spending on consumption has decreased while loan repayments and savings have continued to rise



Sources : Bank Indonesia, MNCS

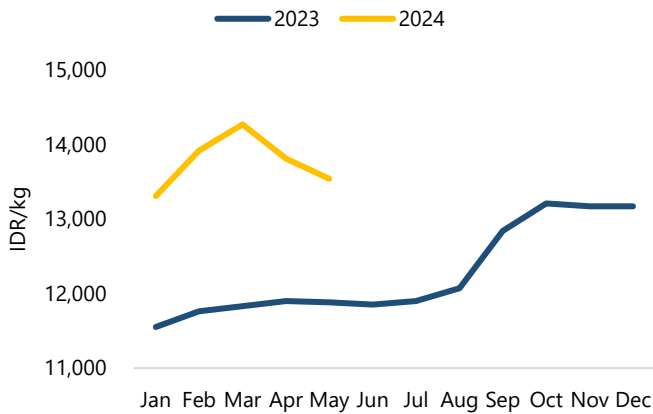
Exhibit 07. Types of consumer investments in the next 12 months



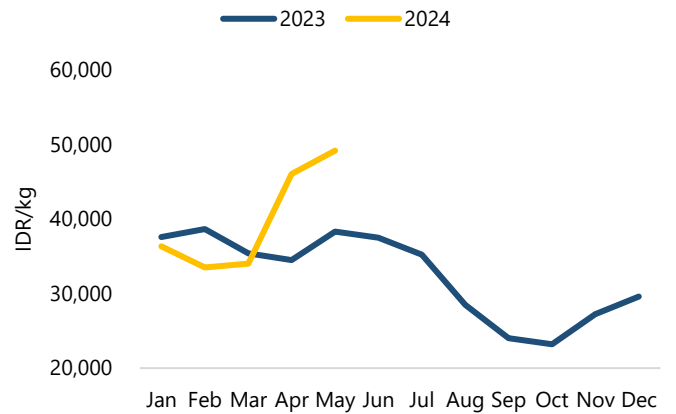
Sources : Bank Indonesia, MNCS

Exhibit 08. Several food staples prices remain relatively higher compared to FY23

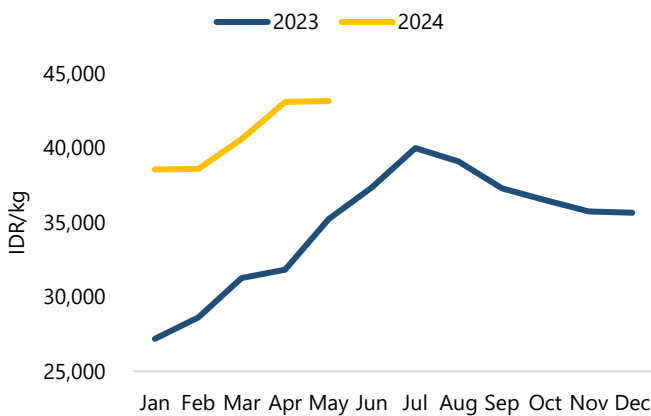
a. Medium rice



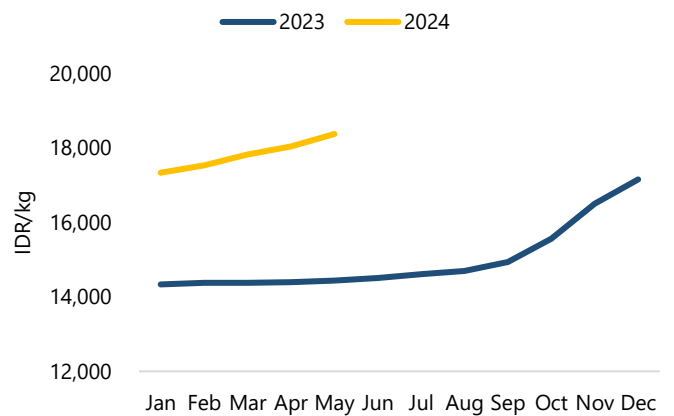
b. Red onion



c. Garlic



d. Sugar



Sources : Bapanas, MNCS

Exhibit 09. We believe that the presence of La Nina can drive demand for SIDO products

**EL NIÑO/SOUTHERN OSCILLATION (ENSO)
DIAGNOSTIC DISCUSSION**

issued by
CLIMATE PREDICTION CENTER/NCEP/NWS

9 May 2024

ENSO Alert System Status: El Niño Advisory / La Niña Watch

Synopsis: A transition from El Niño to ENSO-neutral is likely in the next month. La Niña may develop in June-August (49% chance) or July-September (69% chance).

During April 2024, below-average equatorial sea surface temperatures (SSTs) emerged in small regions of the eastern Pacific Ocean. However, above-average SSTs prevailed across the rest of the equatorial Pacific [Fig. 1]. The latest weekly Niño index values remained between +0.5°C and +0.8°C in all regions, except for Niño-3 which was +0.3°C [Fig. 2]. Below-average subsurface temperatures held steady during the month (area-averaged index in [Fig. 3]), with negative anomalies extending from the Date Line to the eastern Pacific Ocean [Fig. 4]. Low-level wind anomalies were easterly over the western equatorial Pacific, while upper-level winds were near average. Convection was near average overall across the equatorial Pacific Ocean and Indonesia [Fig. 5]. Collectively, the coupled ocean-atmosphere system reflected the continued weakening of El Niño and transition toward ENSO-neutral.

The most recent IRI plume favors an imminent transition to ENSO-neutral, with La Niña developing during July-September 2024 and then persisting through the Northern Hemisphere winter [Fig. 6]. The forecast team continues to favor the dynamical model guidance, which suggests La Niña could form as early as June-August 2024, with higher confidence of La Niña during the following seasons. La Niña generally tends to follow strong El Niño events, which also provides added confidence in the model guidance favoring La Niña. In summary, a transition from El Niño to ENSO-neutral is likely in the next month. La Niña may develop in June-August (49% chance) or July-September (69% chance; [Fig. 7]).

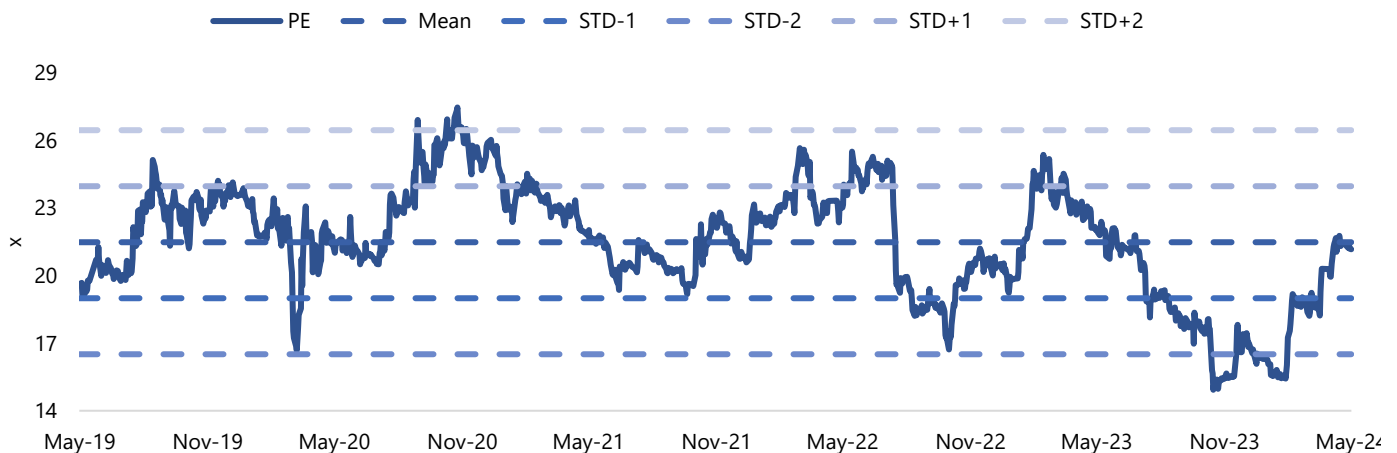
Source : NOAA

Exhibit 10. Although the brand Tolak Angin has a premium price compared to competitors, its market share remains solid at ~70%

Cold Symptoms	Size	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	YTD%
Sido Muncul Tolak Angin	15ml	5,500	5,500	5,500	5,500	5,500	5,700	5,700	6,100	5,700	3.6%
Sido Muncul Tolak Angin	5x15ml	22,200	22,200	22,200	22,200	22,200	23,300	23,300	23,300	23,300	5.0%
Sido Muncul Tolak Angin Anak	10ml	4,300	4,300	4,300	4,300	4,300	4,500	4,500	4,600	4,500	4.7%
Antangin JRG Sirup Herbal Masuk Angin	15ml	4,700	4,700	4,700	4,700	4,700	4,700	4,700	4,800	4,700	0.0%
Antangin Mint Sirup Herbal Masuk Angin	15ml	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	0.0%
Antangin Obat Masuk Angin Cair Ginger Mint	5x15ml	18,900	18,900	19,400	19,400	18,900	18,900	18,900	19,300	18,900	0.0%
Antangin JRG Sirup Herbal Masuk Angin	5x15ml	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	0.0%
Bintang Toedjoe Jamu Masuk Angin	6x15ml	19,700	19,700	19,700	19,700	19,700	19,700	19,700	19,700	19,700	0.0%
BEJO Obat Herbal Masuk Angin Jahe Merah	15ml	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,900	5.4%

Sources : Various source, MNCS

Exhibit 11. SIDO is currently trading near its AVG STD (5-year-mean) at 21.2x PE



Sources : IDX, 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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