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### KEY HIGHLIGHTS

#### Initiate Coverage

**Cisarua Mountain Dairy (CMRY IJ/BUY/Rp3,890/Target: Rp4,800)**

Product innovations and sales force expansion to drive growth.

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#### TRADERS' CORNER

**Trimegah Bangun Persada (NCKL IJ): Technical BUY**

**Vale Indonesia (INCO IJ): Technical BUY**

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### REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,514.3	8.4	0.1
MSCI Asia-Ex Japan	622.8	4.5	0.7
KLCI	1,449.6	(4.0)	(0.3)
FSSTI	3,249.5	30.6	0.9
SET	1,545.1	9.8	0.6
Hang Seng	18,047.9	38.7	0.2
Nikkei	33,168.1	461.6	1.4
Shanghai Comp	3,126.6	3.5	0.1
Dow Jones	34,907.1	331.6	0.9

Source: Bloomberg

### INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,959.3	23.9	0.3
LQ-45	955.6	1.4	0.1
Value (US\$m)	866.1	155.0	21.8

### FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
62.8	326.3	263.5	34.1

### TOP VOLUME

Company	Price (Rp)	Chg (%)	Volume ('000)
Smartfren Telecom	62	1.6	2,222,315
GoTo Gojek Tokopedia	88	1.1	1,489,175
Bumi Resources	136	4.6	894,108
Bumi Resources Minerals	208	3.0	537,930
Bukalapak.com	250	1.6	327,679

### TOP GAINERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Trimegah Bangun Persada	1,110	10.4	158,347
Petrindo Jaya Kreasi	2,870	10.0	19,197
Pantai Indah Kapuk Dua	4,130	9.8	35,072
Barito Pacific	1,280	6.2	177,170
Chandra Asri	2,260	6.1	25,931

### TOP LOSERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Dayamitra Telekomunikasi	735	(4.5)	52,468
Sumber Alfaria Trijaya	2,840	(4.1)	16,487
Saratoga Investama	1,690	(3.2)	12,903
Maha Properti	1,940	(3.0)	44
Indofood Sukses Makmur	6,700	(2.9)	14,765

### COMMODITY TREND

	14 Sep 23 Closing	Chg (%)	
		1-day	1-mth
Forex (Rp/US\$)	15,355	(0.0)	0.1
Crude Oil NYMEX (US\$/bbl)	90.16	1.9	11.3
Coal Fut Newc (US\$/tonne)	n.a.	n.a.	n.a.
Nickel 3M LME	20,343	1.4	2.8
Tin 3M LME	25,895	0.8	2.8
Gold SPOT (US\$/oz)	1,911	0.1	0.5
CPO Fut Msia (MYR/tonne)	3,660	0.7	(2.5)

Source: Bloomberg, UOB Kay Hian

### INITIATE COVERAGE

## Cisarua Mountain Dairy (CMRY IJ)

Product Innovations And Sales Force Expansion To Drive Growth

**CMRY is known for its innovative products. Aside from yogurt, CMRY is making a push into consumer products to drive growth. It will penetrate the milk market which is much larger than the yogurt market but is where CMRY has a market share of below 5%. It will expand general trade and grow its Miss Cimory sales force. CMRY guides 15% CAGR in revenue and NPAT from 2022 to 2025. CMRY trades at -2SD 12-month forward PE, which is attractive. Initiate coverage with a BUY and target price of Rp4,800.**

- Product innovation to drive sales and profit growth.** Cisarua Mountain Dairy (CMRY) is known for its yogurt pouches and single serve ready-to-eat sausages and meatballs. It recently launched affordable yogurt sticks. This year, CMRY has launched the Crème Dessert product line, plant-based beverages and seafood-based products. New and innovative products will continue to be launched and will drive sales and profit growth.
- Strong push into consumer products to drive growth.** In 1H23, CMRY experienced 50% yoy growth in its premium consumer food sales (chicken nuggets, sausages, meatballs, egg products, etc). Going forward, the strong growth is likely to persist as CMRY will continue to introduce new products and further penetrate the market via new outlets in modern and general trade. CMRY has a 9.7% share of the chilled processed meat market (worth US\$167m) and 3.7% share of the frozen processed meat market (US\$641m).
- Milk market is large with room for growth.** Dairy products accounted for 55% of CMRY's total sales in 2022. In 1H23, yogurt sales was soft, while strong growth was recorded in the UHT milk segment. Yogurt has a much smaller market which could be worth US\$421m in 2025; CMRY already holds a market share of more than 50%. Flavoured milk, fresh white milk and UHT milk are expected to have a market size of US\$1,891m, US\$97m and US\$721m respectively in 2025. CMRY sees opportunities to grab more sales and market share in the milk market. It holds 2.4%, 4.3% and less than 1.0% of the flavoured milk, fresh white milk and UHT milk markets.
- Largest domestic yogurt producer in fast-growing market.** CMRY has a 71.9% share of the spoonable yogurt market which is expected to grow at a 61% CAGR from US\$22m in 2020 to US\$234m by 2025. Domestic yogurt sales can be expected to surge from US\$160m in 2020 to US\$655m by 2025. In the drinking yogurt market, CMRY has a 50.3% share and the market is expected to grow at a 25% CAGR in 2020-25.
- Distinctive products and offerings to drive sales and profit growth.** A unique characteristic of CMRY is its ability to introduce products that are considered the pioneer in their categories in the form of new flavours or new packagings. Below are some examples:
  - In 2019, CMRY launched single serve ready-to-eat sausages under Kanzler Single.
  - In 2020, CMRY launched innovative Cimory pouch products that proved to be a hit as consumer took to consuming yogurt directly from squeeze pouches.

Click [here](#) for Blue Top dated 14 Sep 23

### KEY FINANCIALS

Year to 31 Dec (Rp)	2021	2022	2023F	2024F	2025F
Net turnover	4,096	6,378	7,481	8,850	10,437
EBITDA	1,067	1,345	1,531	1,907	2,167
Operating profit	1,007	1,256	1,439	1,811	2,069
Net profit (rep./act.)	790	1,061	1,174	1,475	1,688
Net profit (adj.)	790	1,061	1,174	1,475	1,688
EPS (Rp)	99.6	133.7	148.0	185.9	212.7
PE (x)	39.1	29.1	26.3	20.9	18.3
P/B (x)	6.6	5.9	4.8	3.9	3.2
EV/EBITDA (x)	26.7	21.2	18.6	14.9	13.1
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	19.3	16.6	15.7	16.7	16.2
Net debt/(cash) to equity (%)	(77.3)	(40.6)	(37.2)	(36.8)	(37.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	29.1	21.3	20.1	20.6	19.3
Consensus net profit	-	-	1,263	1,597	1,978
UOBKH/Consensus (x)	-	-	0.93	0.92	0.85

Source: Cisarua Mountain Dairy, Bloomberg, UOB Kay Hian

### BUY

Share Price	Rp3,890
Target Price	Rp4,800
Upside	+23.4%

### COMPANY DESCRIPTION

Cisarua Mountain Dairy manufactured and sell yogurt, milk and consumer products.

### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	CMRY IJ
Shares issued (m):	7,934.7
Market cap (Rpb):	30,865.9
Market cap (US\$m):	2,010.2
3-mth avg daily t'over (US\$m):	0.5

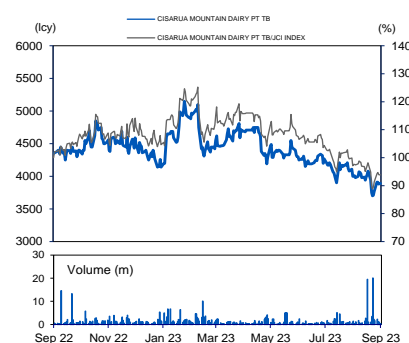
### Price Performance (%)

52-week high/low	Rp5,150/Rp3,700			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(5.4)	(9.5)	(12.0)	(8.9)	(8.5)

### Major Shareholders

	%
Sutantio Bambang	53.55
Sutantio Farell Grandisuri	7.66
Sutantio Wenzel	7.18
Sutantio Axel	6.77
FY23 NAV/Share (Rp)	811
FY23 Net Cash/Share (Rp)	302

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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- c) In 2021, CMRY launched single serve ready-to-eat meatballs under Kanzler Single.
- d) In 2022, CMRY launched flavoured UHT milk, the first such product in Indonesia, sealing the company's status as a pioneer in the flavoured milk market.
- e) In 2023, CMRY launched yogurt sticks at Rp2,500 per stick to cater to the middle- and low-income segments. The market had no such product prior to CMRY's launch.

• **Strong push into consumer products.** In 2019, CMRY ventured into consumer food products by offering ready-to-eat single serve sausages, and launched single serving meatballs in 2021. Other product offerings include chicken nuggets and egg products. In the US\$167m chilled processed meat market, CMRY's single serve sausages and meatballs have a 9.7% share. In the US\$641m frozen processed meat market, CMRY has a 3.7% share. CMRY's consumer food products are marketed under the Kanzler and Besto brands. In 1H23, CMRY experienced 50% yoy growth in its premium consumer food sales (chicken nuggets, sausages, meatballs, egg products, etc). Going forward, the strong growth is likely to persist as CMRY will continue to roll out new products and further penetrate the market via new outlets in modern and general trade.

• **Milk market offers CMRY growth opportunities as its market share is still small...** In 2019, CMRY entered the liquid milk market by introducing flavoured, UHT and fresh milk products. The liquid milk market is significantly larger than the yogurt market. The former had a combined market size of US\$1,481m in 2020, more than 9x larger than the latter.

• CMRY has a small share of the liquid milk market and thus has upside potential. Currently, it has a 2.4%, 4.3% and <1.0% share of the flavoured milk, fresh white milk and UHT milk markets respectively. Going forward, CMRY intends to expand its share of the UHT milk market. Growth wise, the liquid milk market is expected to rise at a 13% CAGR from US\$1,481m in 2020 to US\$2,709m in 2025.

• **...and declining skim milk powder prices are poised to boost its margins.** CMRY's 2022 and 1H23 performance was negatively affected by rising skim milk powder prices with gross margin compressed by 634bp and 245bp yoy respectively. Fortunately, the spot price of skim milk powder has declined to Rp37.3m/tonne. The current spot price is lower than the 2022 average of Rp57.5m/tonne and 2021 average of Rp44.8m/tonne. If the current spot price of Rp37.3m/tonne persists until 2024, gross margin could return to the 2021 level of 48.2%. Currently we only forecast a 43% gross margin for 2024.

• **Largest domestic yogurt producer in a fast-growing market.** CMRY is the largest yogurt producer in Indonesia. In the spoonable yogurt market, CMRY has a 71.9% market share. The spoonable yogurt market is expected to grow at a 61% CAGR from US\$22m in 2020 to US\$234m by 2025. In the drinking yogurt market, CMRY has a 50.3% market share and the market is expected to grow at a 25% CAGR from 2020 to 2025.

• Strong growth in the Indonesian yogurt market is likely going forward as income rises. Take the example of China which experienced a 20.3% CAGR from 2010 to 2015 when GDP per capita rose from US\$4,476 to US\$7,298. Thus, Indonesia's yogurt market can be expected to expand, potentially rocketing from US\$160m in 2020 to US\$655m by 2025. We note that Indonesia's current GDP per capita is similar to China's level in 2010.

SKIM MILK POWDER PRICE



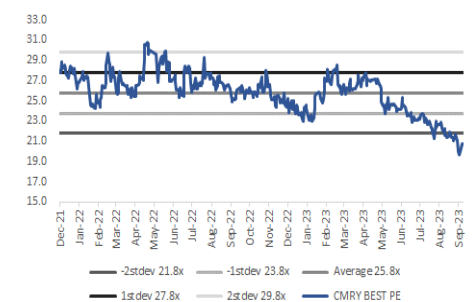
Source: Bloomberg, UOB Kay Hian

SENSITIVITY ANALYSIS

	EBIT		NPAT	
	2023F	2024F	2023F	2024F
ASP	26.0%	24.4%	25.2%	23.7%
Volume	10.9%	10.5%	10.6%	10.2%
Cost	-21.0%	-19.4%	-20.3%	-18.9%
Skim milk	-6.0%	-5.6%	-5.8%	-5.4%
Forex	-7.5%	-7.0%	-7.3%	-6.8%

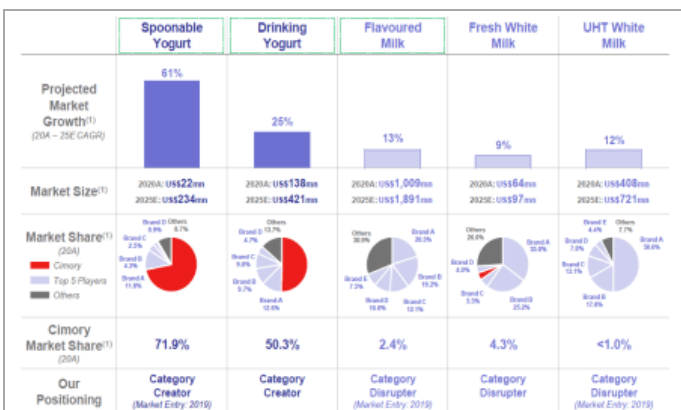
Source: Bloomberg, UOB Kay Hian

FORWARD PE BAND (2023)



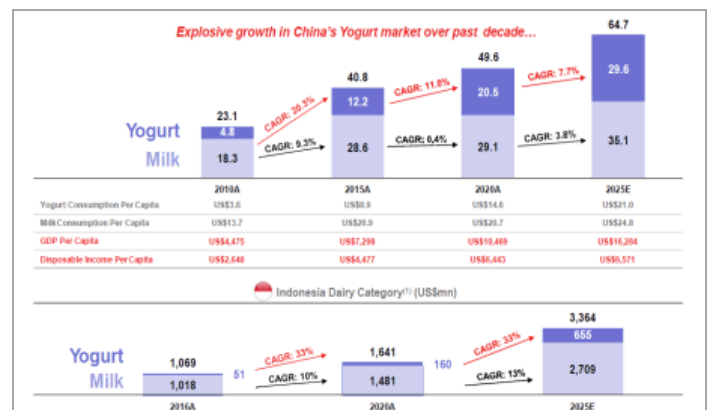
Source: Bloomberg, UOB Kay Hian

INDONESIA YOGURT AND MILK MARKET



Source: CMRY, UOB Kay Hian

STRONG GROWTH IN CHINA YOGURT MARKET



Source: CMRY, UOB Kay Hian

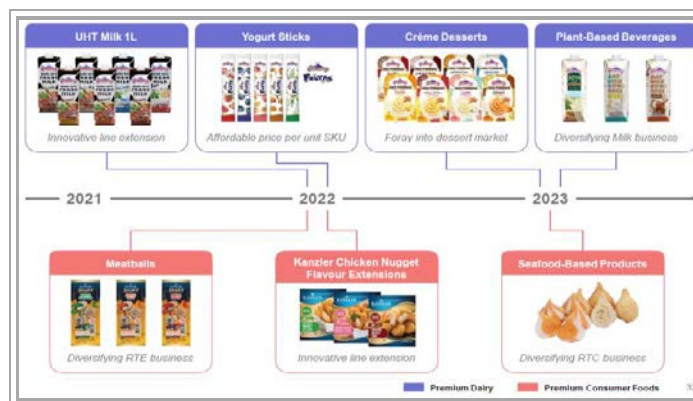
- A key differentiating competitive advantage of CMRY is its capability in product innovation. It is known for launching the highly-successful yogurt pouch and single serve ready-to-eat sausages and meatballs. Recently-launched innovative products include affordable yogurt sticks. In 2023, CMRY launched the Crème Dessert product line, plant-based beverages (oat and soya milk) and seafood-based consumer products. Going forward, we think CMRY will continue to launch new and innovative products that will act as the new drivers of sales and profit growth.

### CMRY STRATEGY

	Short Term By FYE22	Medium To Long Term FY23 & Beyond
Products & Categories	Existing Products	Intensify digital marketing to increase awareness and penetration of existing product portfolio
	New Products	Continue increasing market size and market share across categories
Distribution & Footprint	Modern Trade	New flavours for UHT Milk, enter 1L UHT Milk format, introduce Yogurt Sticks and RTE Meatballs
	Miss Cimory	Improve service levels and secure listing for new SKUs
	General Trade	Optimize pricing and trading terms to improve profitability
	Export	7,500 agents reaching 750,000 households per annum by FYE24; to digitize MCM operations
	E-Commerce	Reach 150,000 GT outlets via c. 200 distributors by FYE24, including roll-out of 70,000 chillers
Production & Logistics	Production Capacity	Continue evaluating other markets for export, increase export contributions to c. 5% of net sales
	Warehousing Capacity	Develop online 3 <sup>rd</sup> party agents through E-Commerce platforms

Source: CMRY, UOB Kay Hian

### CMRY NEW PRODUCTS



Source: CMRY, UOB Kay Hian

- We expect 2023 and 2024 NPAT to rise 10.7% and 25.6% respectively with a three-year CAGR of 16.8%. CMRY expects sales and NPAT to grow at a CAGR of above 15% in from 2022 to 2025. This will be driven by: a) introduction of new products, b) further penetration into general trade by expanding the outlet network from 109,827 outlets currently to 150,000 and by installing cold chain distribution facilities, and c) expansion of the Miss Cimory sales force from 4,332 employees currently to 7,500. We expect 2023 and 2024 NPAT to rise 10.7% yoy and 25.7% yoy respectively at a three-year CAGR of 16.8%.

### VALUATION/RECOMMENDATION

- **Initiate coverage with BUY and a target price of Rp4,800.** CMRY expects sales and NPAT to grow at a CAGR of above 15% in from 2022 to 2025. This will likely be driven by: a) introduction of new products, b) further penetration into general trade by expanding the outlet network and by installing cold chain distribution facilities, and c) expansion of the Miss Cimory sales force. CMRY's NPAT is likely to rise at a 16.8% CAGR over 2022-25. We initiate coverage on CMRY with a BUY and a target price of Rp4,800 based on a historical average PE of 25.8x applied to 2024 EPS.

### PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	6,378	7,481	8,850	10,437
EBITDA	1,345	1,531	1,907	2,167
Deprec. & amort.	90	92	95	98
EBIT	1,256	1,439	1,811	2,069
Total other non-operating income	5.5	5.7	6.0	6.3
Net interest income/(expense)	72	42	49	61
<b>Pre-tax profit</b>	<b>1,343</b>	<b>1,487</b>	<b>1,867</b>	<b>2,137</b>
Tax	(282)	(312)	(392)	(449)
Minorities	0.0	0.1	0.1	0.1
<b>Net profit</b>	<b>1,061</b>	<b>1,174</b>	<b>1,475</b>	<b>1,688</b>
Net profit (adj.)	1,061	1,174	1,475	1,688

### BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	1,267	1,883	2,518	3,172
Other LT assets	931	1,053	1,158	1,274
Cash/ST investment	2,159	2,421	2,936	3,588
Other current assets	1,866	2,197	2,550	3,011
<b>Total assets</b>	<b>6,223</b>	<b>7,554</b>	<b>9,163</b>	<b>11,045</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	916	1,066	1,192	1,378
LT debt	24	26	28	31
Other LT liabilities	26	28	31	34
Shareholders' equity	5,258	6,434	7,911	9,601
Minority interest	0.1	0.1	0.2	0.3
<b>Total liabilities &amp; equity</b>	<b>6,223</b>	<b>7,554</b>	<b>9,163</b>	<b>11,045</b>

### CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>486</b>	<b>1,518</b>	<b>1,935</b>	<b>2,190</b>
Pre-tax profit	1,343	1,487	1,867	2,137
Tax	(282)	(312)	(392)	(449)
Deprec. & amort.	90	92	95	98
Associates	0.0	0.0	0.0	0.0
Working capital changes	(624)	(181)	(227)	(274)
Other operating cashflows	(40)	432	592	678
<b>Investing</b>	<b>(1,475)</b>	<b>(668)</b>	<b>(681)</b>	<b>(692)</b>
Capex (growth)	(729)	(714)	(735)	(758)
Investments	(809)	0.0	0.0	0.0
Proceeds from sale of assets	0.3	0.0	0.0	0.0
Others	62	46	54	66
<b>Financing</b>	<b>(513)</b>	<b>(589)</b>	<b>(739)</b>	<b>(846)</b>
Dividend payments	(500)	(587)	(737)	(844)
Proceeds from borrowings	(10)	2.4	2.6	2.8
Others/interest paid	(3.6)	(3.8)	(4.2)	(4.6)
<b>Net cash inflow (outflow)</b>	<b>(1,503)</b>	<b>262</b>	<b>515</b>	<b>652</b>
Beginning cash & cash equivalent	3,662	2,159	2,421	2,936
Ending cash & cash equivalent	2,159	2,421	2,936	3,588

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	21.1	20.5	21.5	20.8
Pre-tax margin	21.1	19.9	21.1	20.5
Net margin	16.6	15.7	16.7	16.2
ROA	17.9	17.0	17.6	16.7
ROE	21.3	20.1	20.6	19.3
<b>Growth</b>				
Turnover	55.7	17.3	18.3	17.9
EBITDA	26.0	13.8	24.5	13.7
Pre-tax profit	32.1	10.7	25.6	14.4
Net profit	34.2	10.7	25.6	14.4
Net profit (adj.)	34.2	10.7	25.6	14.4
EPS	34.2	10.7	25.6	14.4
<b>Leverage</b>				
Debt to total capital	0.4	0.4	0.4	0.3
Debt to equity	0.4	0.4	0.4	0.3
Net debt/(cash) to equity	(40.6)	(37.2)	(36.8)	(37.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

### TRADERS' CORNER



Source: Amibroker

## Trimegah Bangun Persada (NCKL IJ)

Technical BUY with 9% potential return

Resistance: Rp1,200, Rp1,265

Support: Rp1,020, Rp980

Stop-loss: Rp1,020

Share price closed with strong gains and formed a long-body bullish candlestick. Price broke out from its Rp1,080 resistance level with higher trading volume; hence we see potential for bullish pressure to take place and price could challenge the resistance at Rp1,200 and Rp1,265. Technical indicator RSI is sloping upwards but is approaching its overbought zone, while the MACD is on a bullish crossover. Buy at Rp1,100 and take profit at Rp1,200.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp1,190.



Source: Amibroker

## Vale Indonesia (INCO IJ)

Technical BUY with 7% potential return

Resistance: Rp5,975, Rp6,275

Support: Rp5,750, Rp5,675

Stop-loss: Rp5,650

Share price closed higher and formed a neutral candlestick. As price has been declining quite significantly, we see potential for a rebound, and price could challenge the resistance at Rp5,975 and Rp6,275. Technical indicator RSI is sloping upwards and is coming out from its oversold zone, while the MACD is relatively flattish. Buy at Rp5,850 and take profit at Rp6,275.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental HOLD and target price of Rp6,200.

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