

30 July 2024

Consumer Cyclical | Consumer Products

Cisarua Mountain Dairy (CMRY IJ)

Buy (from Neutral)

Best In Class; Upgrade To BUY

Target Price (Return):	IDR5,700 (11.2%)
Price (Market Cap):	IDR5,125 (USD2,498m)
ESG score:	3.2 (out of 4)
Avg Daily Turnover (IDR/USD)	7,441m/0.46m

Analysts

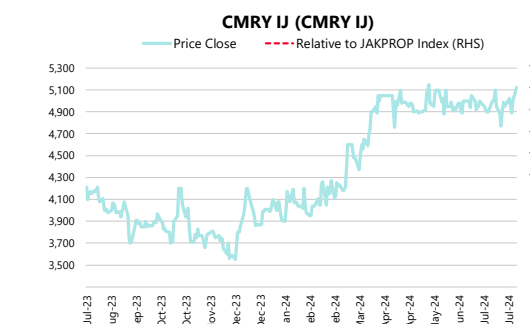
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	27.8	2.5	3.5	26.9	31.4
Relative	27.8	2.5	3.5	26.9	31.4
52-wk Price low/high (IDR)				3,550	5,150



Source: Bloomberg

- **Upgrade to BUY from Neutral, new IDR5,700 TP from IDR5,000, 11% upside.** We increase our 2024F-2026F earnings by c.5% on average and roll forward our valuation base to 2025F. Cisarua Mountain Dairy booked 2Q24 net profit of IDR416bn (+7.7% QoQ, +28.7% YoY), bringing 1H24 earnings up 29% YoY to IDR802bn – higher than estimated – and accounting for 63.5% and 54.4% of our and Street's FY24 forecasts. The consumer products segment still booked stellar growth in 2Q24, albeit post the fasting period momentum. CMRY trades at 24-25x P/E – around the 5-year band's mean.
- **Consumer products remained the key revenue growth driver (+11.5% QoQ, +28.3% YoY) during 2Q24...** We think this division's strong growth profile should persist going forward owing to its product innovation and the shift in consumer lifestyles. New product development remains intact, such as the [launch of Spicy Chicken Nugget at the Jakarta Fair](#), which has gained strong interest. This product might help CMRY to cater a more adult demographic, and it plans to roll this out to the modern trade (MT) channel.
- **...but remains hopeful for the dairy segment.** This division booked a 6.1% QoQ drop in revenue (+0.6% YoY) in 2Q24 with an EBIT margin of 30.9% vs 42.1% and 33.6% in 1Q24 and 2Q24. Despite a decrease in skim milk prices, we believe changes in the product mix are pinching margins. CMRY said sales of ultra-high temperature or UHT products – which fetch lower margins vs yogurt products – grew by teens YoY during 1H24, while yogurts products dropped by single-digit levels. Management remains upbeat, as yogurt stick products continued to perform well whilst plans to launch Squeeze Bites in 3Q24 – along with Frutas Jelly in 4Q24 (Figure 6) – might help revive growth, in our view.
- **Ramping up the distribution network along with internal capabilities.** CMRY plans to launch Kanzler Singles in general trade (GT) outlets by 4Q24 to strengthen its presence in this channel, which made up 34% of 1H24's sales. Management is in the process of reviewing its GT footprint to enhance productivity. CMRY reiterates its target to double the number of Miss Cimory agents over the next 3-5 years. In all, it aims to have sales that are equally distributed among MT, GT, and Miss Cimory channels. The company guided on the possibility of expanding its consumer products production facilities in 2025, as the current utilisation rate has reached 65-70% vs the dairy segment's 55-60%.
- **Minimal concerns over margins dilution going forward.** CMRY said the recent rally in broiler prices, along with the USD/IDR depreciation, are reflected in its 2Q24 results.
- **ESG.** We apply a 4% ESG premium to our new IDR5,700 TP given CMRY's 3.2 score vs the 3.0 country median.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (IDRb)	6,378	7,773	8,734	9,773	10,862
Recurring net profit (IDRb)	1,061	1,242	1,592	1,784	1,976
Recurring net profit growth (%)	34.2	17.1	28.2	12.0	10.8
Recurring P/E (x)	38.34	32.75	25.54	22.80	20.58
P/B (x)	7.7	6.8	5.9	5.1	4.5
P/CF (x)	na	26.55	143.09	23.38	20.87
Dividend Yield (%)	1.2	1.4	1.5	2.0	2.2
EV/EBITDA (x)	28.62	24.57	19.58	17.04	14.89
Return on average equity (%)	21.3	22.2	24.8	24.1	23.4
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E: GOOD

The environmental management policy of the company is crafted in accordance with prevailing environmental protection rules, regulations, and industry requirements. CMRY is dedicated to the responsible use of resources, providing a strategic advantage by containing operating costs and ensuring ongoing access to natural resources.

S: GOOD

CMRY's community development programmes are carefully crafted, considering its sustainability vision and mission, as well as the needs of the Government and local communities. This ensures these programmes achieve the highest level of success, fostering a sense of belonging that ultimately promotes self-sufficiency and enhances public welfare.

G: EXCELLENT

To ensure effective oversight of sustainability matters and foster long-term value creation, the company has incorporated sustainability into its existing governance framework. CMRY upholds principles of transparency and information disclosure. A robust risk oversight and management system, along with internal controls, is in place to identify, assess, monitor, and manage material risks related to the company's activities.

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Financial Exhibits

Asia Indonesia Consumer Cyclical Cisarua Mountain Dairy CMRY JJ Buy	Financial summary (IDR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Recurring EPS	133.66	156.49	200.64	224.82	249.05
	DPS	63.01	70.00	78.25	100.32	112.41
	BVPS	662.69	748.76	871.16	995.65	1,132.29
	Return on average equity (%)	21.3	22.2	24.8	24.1	23.4
Valuation basis 10yr DCF	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Recurring P/E (x)	38.34	32.75	25.54	22.80	20.58
	P/B (x)	7.7	6.8	5.9	5.1	4.5
	FCF Yield (%)	(2.0)	2.4	0.0	3.5	4.0
	Dividend Yield (%)	1.2	1.4	1.5	2.0	2.2
Key drivers i. Increasing disposable income to drive growth of dairy and poultry consumption; ii. Continuous product innovation to boost market share; iii. Margin expansion from declining commodity price and stable exchange rate; iv. Expanding distribution channel to strengthen its nationwide presence; v. Effective marketing strategies to drive greater awareness.	EV/EBITDA (x)	28.62	24.57	19.58	17.04	14.89
	EV/EBIT (x)	30.69	27.19	21.47	18.69	16.33
	Income statement (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total turnover	6,378	7,773	8,734	9,773	10,862
	Gross profit	2,668	3,233	3,904	4,388	4,899
Key risks i. USD appreciation against IDR; ii. Unfavourable government regulation; iii. Increasing commodity prices.	EBITDA	1,346	1,565	1,932	2,183	2,449
	Depreciation and amortisation	(91)	(151)	(170)	(192)	(215)
	Operating profit	1,255	1,415	1,762	1,991	2,234
	Net interest	72	124	18	23	28
	Pre-tax profit	1,343	1,561	2,041	2,287	2,534
Company Profile Cisarua Mountain Dairy is a prominent producer of premium dairy and consumer foods in Indonesia. Established in 2005, the company is one of the leading players in both the dairy and consumer foods categories, showcasing a robust history of innovative product offerings.	Taxation	(282)	(319)	(449)	(503)	(557)
	Reported net profit	1,061	1,242	1,592	1,784	1,976
	Recurring net profit	1,061	1,242	1,592	1,784	1,976
	Cash flow (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Change in working capital	(1,407)	(300)	(206)	(236)	(243)
Balance sheet (IDRb)	Cash flow from operations	(139)	1,532	284	1,740	1,948
	Capex	(691)	(542)	(282)	(308)	(326)
	Cash flow from investing activities	(1,564)	(920)	976	(323)	(342)
	Cash flow from financing activities	200	(574)	(615)	(790)	(886)
	Cash at beginning of period	3,662	2,159	2,197	2,842	3,468
Key metrics	Net change in cash	(1,503)	38	645	626	720
	Ending balance cash	2,159	2,197	2,842	3,468	4,188
	Balance sheet (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	2,159	2,197	2,842	3,468	4,188
	Tangible fixed assets	1,267	1,647	1,759	1,875	1,986
Key metrics	Total assets	6,223	7,047	8,127	9,264	10,505
	Total liabilities	965	1,106	1,215	1,364	1,520
	Total equity	5,258	5,941	6,912	7,900	8,984
	Total liabilities & equity	6,223	7,047	8,127	9,264	10,505
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Company Profile	Revenue growth (%)	55.7	21.9	12.4	11.9	11.1
	Recurrent EPS growth (%)	34.2	17.1	28.2	12.0	10.8
	Gross margin (%)	41.8	41.6	44.7	44.9	45.1
	Operating EBITDA margin (%)	21.1	20.1	22.1	22.3	22.5
	Net profit margin (%)	16.6	16.0	18.2	18.3	18.2
Company Profile	Dividend payout ratio (%)	47.1	44.7	39.0	44.6	45.1
	Capex/sales (%)	10.8	7.0	3.2	3.1	3.0
	Interest cover (x)	335	199			

Source: Company data, RHB

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Figure 1: CMRY's 2Q24 financial results summary

CMRY IDRbn	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)	FY24/ RHB	FY24/ Cons
Sales	1,947	2,168	2,247	3.7	15.4	3,777	4,415	16.9	49.0%	49.3%
COGS	1,135	1,198	1,242	3.7	9.4	2,235	2,440	9.2		
Gross profit	812	970	1,005	3.6	23.9	1,543	1,975	28.1	53.5%	51.7%
Selling exp	394	483	505	4.6	28.0	737	987	34.0		
G&A exp	41	59	53	(10.5)	28.6	89	112	26.0		
Operating expenses	436	542	558	2.9	28.0	826	1,099	33.2		
Operating profit	376	428	448	4.5	19.1	717	876	22.2	60.1%	51.0%
Net interest income/(expense)	26	57	84	46.3	222.5	59	141	140.6		
Interest income	28	57	84	46.3	203.0	59	141	140.6		
Interest expense	(2)	-	-	nm	nm	-	-	nm		
Forex gain (expense)	(0)	0	(0)	nm	(43.6)	(2)	0	nm		
Other income/ (expense)	7	3	(1)	nm	nm	10	1	(84.7)		
Total other income (costs)	33	61	82	36.0	151.3	66	143	115.7		
Pretax profit	409	489	530	8.4	29.7	783	1,019	30.1	62.5%	54.5%
Taxation	(86)	(103)	(114)	11.2	33.2	(161)	(217)	34.3		
Minority interest	(0)	(0)	(0)	50.0	33.3	(0)	(0)	14.3		
Net profit	323	386	416	7.7	28.7	622	802	29.0	63.5%	54.4%
Margin (%)										
Gross margin (%)	41.7	44.7	44.7			40.8	44.7			
Operating margin (%)	19.3	19.8	19.9			19.0	19.8			
Pretax margin (%)	21.0	22.5	23.6			20.7	23.1			
Net margin (%)	16.6	17.8	18.5			16.5	18.2			
Turnover days										
Inventory Days	65	63	56			66	57			
Receivable Days	38	38	35			40	35			
Payable Days	34	34	35			35	36			
CCC days	68	66	55			70	56			
Balance Sheet Highlights										
Total cash	2,062	2,063	1,683			2,062	1,683			
Total debt	-	-	-			-	-			
Net gearing (%)	nc	nc	nc			nc	nc			
Equity	5,325	6,328	6,030			5,325	6,030			

Source: Company data, Bloomberg, RHB

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Figure 2: CMRY's 2Q24 segmental data summary

CMRY IDRbn	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Sales								
Dairy Products	902	966	907	(6.1)	0.6	1,810	1,873	3.5
Consumer Foods	1,045	1,202	1,340	11.5	28.3	1,968	2,542	29.2
EBIT								
Dairy	303	406	280	(31.0)	(7.6)	609	687	12.7
Consumer Products	320	427	457	7.0	42.7	641	884	38.0
EBIT Margin								
Dairy	33.6	42.1	30.9			33.7	36.7	
Consumer Products	30.7	35.5	34.1			32.6	34.8	

Source: Company data, Bloomberg, RHB

Figure 3: RHB's changes in estimates

	New			Old			New/old		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Income Statement (IDRbn)									
Total Turnover	8,734	9,773	10,862	9,062	10,422	11,817	(3.6)	(6.2)	(8.1)
Gross Profit	3,904	4,388	4,899	3,852	4,450	5,070	1.4	(1.4)	(3.4)
EBIT	1,762	1,991	2,234	1,683	1,946	2,230	4.7	2.3	0.2
EBITDA	1,932	2,183	2,449	1,860	2,151	2,464	3.9	1.5	(0.6)
Net Profit	1,592	1,784	1,976	1,468	1,696	1,942	8.5	5.2	1.7
Key Metrics									
EPS (IDR)	201	225	249	185	214	245	8.5	5.2	1.7
BVPS (IDR)	871	996	1,132	855	977	1,115	1.8	1.9	1.6
Revenue Growth (%)	12.4	11.9	11.1	16.6	15.0	13.4			
EPS Growth (%)	28.2	12.0	10.8	18.2	15.6	14.5			
Gross Margin (%)	44.7	44.9	45.1	42.5	42.7	42.9			
EBITDA Margin (%)	22.1	22.3	22.5	20.5	20.6	20.8			
Net Profit Margin (%)	18.2	18.3	18.2	16.2	16.3	16.4			

Source: Company data, Bloomberg, RHB

Figure 4: RHB vs Street's estimates

	RHB			Cons			RHB/cons (%)		
Income statement (IDRbn)	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Net revenue	8,734	9,773	10,862	8,956	10,344	11,763	97.5	94.5	92.3
Gross profit	3,904	4,388	4,899	3,834	4,467	5,121	101.8	98.2	95.7
EBIT	1,762	1,991	2,234	1,718	2,047	2,326	102.5	97.2	96.1
Pretax income	2,041	2,287	2,534	1,875	2,208	2,530	108.9	103.6	100.1
NPAT	1,592	1,784	1,976	1,480	1,744	2,087	107.6	102.3	94.7

Source: Company data, Bloomberg, RHB

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Figure 5: DCF valuation

IDRbn	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F
EBIT	1,991	2,234	2,513	2,845	3,199	3,516	3,791	4,069	4,286	4,495	4,734
EBIT (1-t)	1,493	1,676	1,885	2,134	2,399	2,637	2,843	3,052	3,215	3,371	3,551
Depreciation & Amortization	192	215	240	270	305	339	372	410	449	487	507
Change in working capital	(126)	(127)	(134)	(166)	(159)	(133)	(87)	(91)	(38)	(38)	(38)
Capex	(308)	(326)	(356)	(422)	(507)	(484)	(462)	(539)	(554)	(550)	(273)
Net free cash flow to firm	1,251	1,437	1,635	1,815	2,039	2,360	2,666	2,832	3,071	3,270	3,745
Terminal Value											64,813
PV	1,251	1,306	1,351	1,364	1,392	1,465	1,504	1,452	1,432	1,386	26,408
Total discounted firm value	40,310										
Less: net debt	(3,468)										
Less: minority interest	0										
Equity value	43,779										
Number of shares (bn)	8										
Equity value per share (IDR)	5,517										
ESG Premium	4%										
Rounded TP (IDR)	5,738										

Assumptions	
Risk free rate	7%
Beta	1.0
Equity market premium	6%
WACC	10.0%
Terminal growth	3%

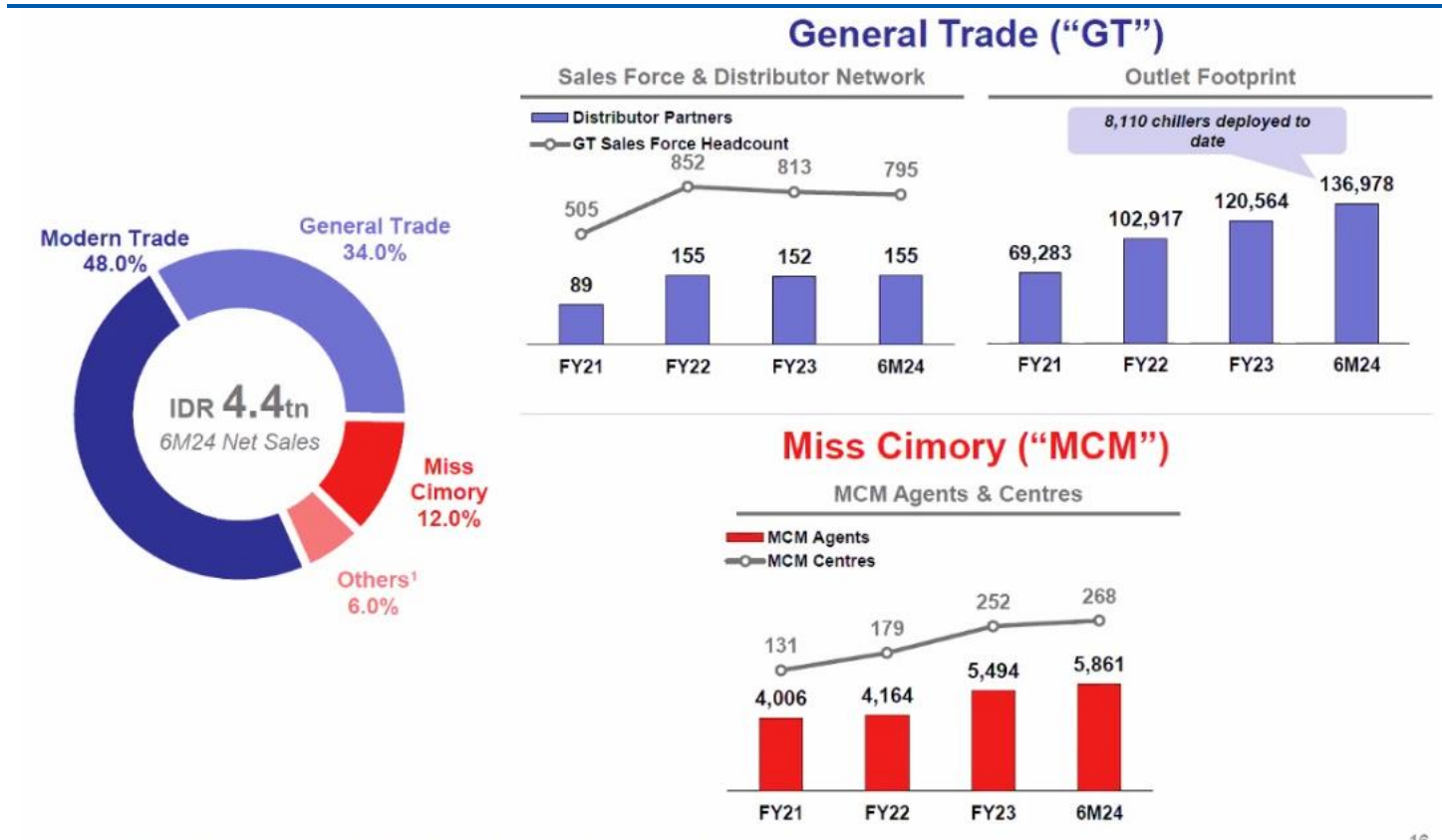
Source: Company data, Bloomberg, RHB

Figure 6: CMRY's continuous products development



Source: Company data

Figure 7: CMRY's distribution network



Source: Company data

Emissions And ESG

Trend analysis
Though total emissions increased, the company manage to lower its energy intensity from 2020.

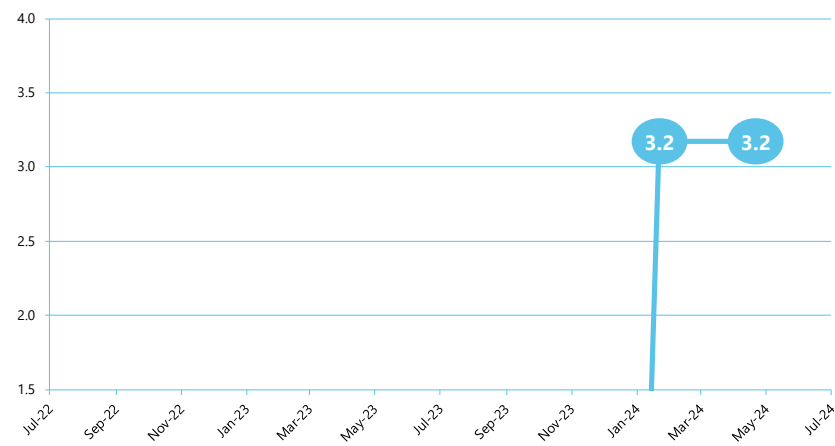
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	5,800	6,745	5,973
Scope 2	9,482	14,680	14,680
Scope 3	na	na	na
Total emissions	15,282	21,425	20,653

Source: Company data, RHB

Latest ESG-Related Developments

- The company plans to add more Miss Cimory agents to empower low- to medium-income women along with engaging partnerships with dairy farmers to ensure CMRY's supply while promoting prosperity for other stakeholders

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-04-16	Neutral	5,000	4,910
2024-02-19	Buy	5,000	4,050
2024-02-05	Not Rated	na	3,950
2022-02-03	Not Rated	na	3,180

Source: RHB, Bloomberg

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