

Not Rated

PT Sariguna Primatirta (CLEO IJ)

Strong 3Q24 Results, Expanding Distribution amid Strong Volume Growth

Last Price (Rp)	1,195
Target Price (Rp)	-
Upside/Downside	-
No. of Shares (mn)	12,000
Mkt Cap (Rpbn/US\$mn)	14,340/0.94
Avg, Daily T/O (Rpbn/US\$mn)	4.6/0.3

- CLEO's 3Q24 revenue rose +29% yoy, with net profit +36.1% yoy, driven by volume growth, rising market share to 7% and a 3-5% ASP increase.
- Mgmt. aims for 25% revenue contribution from Outside Java by FY25, expanding factories and reaching 500 channels over the next five years.
- CLEO main challenge is raw material distribution outside Java. CLEO's share price was up 71% Ytd and currently trades at 22.9x ann. 2024 PE.

CLEO shows robust revenue and gains 7% market share

CLEO booked 3Q24 revenue of Rp681bn/+29% yoy, resulting in 9M24 revenue of Rp1.98tr/+31.5% yoy— nearly quadruple the industry growth rate of 8%. All segments reported positive performance; bottle products +35% yoy, non-bottle products +27% yoy, other products +48% yoy with bottle products contributed 44% to total sales. Net profit in 3Q24/9M24 was recorded at Rp116bn/Rp336bn or grew by +36.1%/60.8% yoy. This strong result was mainly supported by volume growth and ASP increase in the range of 3-5%, marking its market share at 7%, as the market leader refrained from price hikes amid declining market shares.

Expansion plan and aims for 25% contribution from outside Java revenue by 2025

Mgmt. noted strong growth continuing into Oct24 and remains optimistic for the 4Q24, backed by channel distribution and new factories in Outside Java (Palu, Pontianak and Pekanbaru), bringing the total to 32 factories as of Nov24 and 380 internal distributions as of Sept24. For FY25, CLEO aims to sustain a net margin of 17% and GPM of 56-59%. Mgmt. plan to acquire land banks in Aceh and Medan, targeting a 25% contribution from Outside Java (9M24: 19%). In the long term, the company's target is to expand its distribution network with a minimum of 500 distribution channels over the next five years, with potential expansion into nearby overseas markets.

Trades at 22.9x annualized 2024 PE

CLEO trades at 22.9x of its annualized 2024 earnings, with share performance +71% Ytd and 80% yoy. The expansion challenges include securing raw material distribution outside Java, which has required a minimum inventory level of 30 days.

Key Financials:

	2021A	2022A	2023A
EPS (Rp)	16.59	18.83	28.44
PER (x)	31.3	34.0	26.2
PBV (x)	5.5	5.5	5.8
Dividend yield (%)	0.53	0.18	0.23

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Exhibit 1. CLEO's 9M24/3Q24 Earnings Summary

CLEO IJ Equity	9M23	9M24	yoy	3Q23	2Q24	3Q24	yoy	qoq
Revenue, Rpbn	1,504	1,978	31.5%	528	670	681	29.0%	1.7%
COGS	669	819	22.6%	223	283	282	26.7%	-0.1%
Gross profit	834	1,158	38.9%	306	387	399	30.6%	3.1%
Opex	543	689	27.0%	194	233	245	26.6%	5.1%
Operating profit	291	469	61.0%	112	154	154	37.7%	-0.1%
Pretax profit	267	429	60.9%	103	140	143	38.8%	2.0%
Net profit	209	336	60.8%	85	105	116	36.1%	10.8%
Gross margin	55.5%	58.6%		57.9%	57.8%	58.6%		
Operating margin	19.4%	23.7%		21.2%	23.0%	22.6%		
Opex to revenue	36.1%	34.8%		36.7%	34.8%	36.0%		
Pretax margin	17.7%	21.7%		19.4%	20.9%	20.9%		
Net margin	13.9%	17.0%		16.2%	15.7%	17.1%		

Source: Company, Bloomberg

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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