

Indofood CBP Sukses Makmur Tbk (ICBP)

Profit Margin Is Buoyant Further

Noodle Division: Impetus of Buoyant Sales

ICBP enjoyed the buoyant sales of 4% from IDR9.45 trillion in 1Q17 to IDR9.88 trillion in 1Q18. **The sales growth of 7% from IDR6.0 trillion in 1Q17 to IDR6.42 trillion in 1Q18 posted by the noodles division — contributing 65% to the overall sales — is the impetus for the buoyant sales.** Meanwhile, the dairy division — contributing 19% to the overall sales — and the snack foods — contributing 7% to the overall sales — stunted the sales growth by 1.3% y-y and -5.2% y-y, respectively.

Rosier EBIT Margin by Noodles Division

Despite a slight sales growth of 4% y-y, **the net profit recorded a steep growth of 11%** from IDR1.09 trillion in 1Q17 into IDR1.21 trillion in 1Q18. The noodles division contributing 87% to EBIT snapped a higher EBIT growth of 20% from IDR1.16 trillion in 1Q17 to IDR1.39 trillion in 1Q18. The impetus for growth was **the rosier EBIT margin from 19% in 1Q17 to 22% in 1Q18.**

CCI Hitting All-Time High

We make **higher sales growth estimate for ICBP's 2018 sales figures from 4.1% disclosed in prior report to 4.8%.** It is underlined by the consumer confidence index (CCI) hit 128.1. June's all-time high likely gives a positive impact for sales as ICBP is one of Indonesia-based leading consumer goods companies.

Target Price of IDR10,550

We apply an estimate of forward P/E of 26.7x (1SD higher than the 3-year average of 24.3x) to obtain the target price of December 2018. The target price implies a 2018E P/E of 28.0x. Now, ICBP is traded at 2018E P/E of 23.0x.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	34,466	35,607	37,307	39,263
<i>Sales growth</i>	8.6%	3.3%	4.8%	5.2%
EBITDA	5,534	5,804	6,236	6,689
Net profit	3,600	3,797	4,391	4,609
EPS (IDR)	309	326	377	395
<i>EPS growth</i>	20.0%	5.4%	15.7%	5.0%
BVPS (IDR)	1,586	1,743	1,963	2,170
EBITDA margin	16.1%	16.3%	16.7%	17.0%
NPM	10.4%	10.7%	11.8%	11.7%
ROE	20.6%	19.6%	20.3%	19.1%
ROA	13.0%	12.5%	13.0%	12.6%
ROIC	17.9%	16.3%	17.0%	16.9%
P/E	27.8x	27.3x	23.0x	21.9x
P/BV	5.4x	5.1x	4.4x	4.0x
EV/EBITDA	17.1x	16.9x	15.2x	14.0x
DPS (IDR)	128	154	162	188
<i>Dividend yield</i>	1.5%	1.7%	1.9%	2.2%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Report | Jul 18, 2018

Buy

Dec 2018 TP (IDR)	10,550
Consensus Price (IDR)	9,417
TP to Consensus Price	+12.0%
vs. Last Price	+21.6%

Shares data

Last Price (IDR)	8,675
Price date as of	Jul 17, 2018
52 wk range (Hi/Lo)	9,275/8,000
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	103,499
Market Cap (USD mn)	7,173
Avg. Trd Vol - 3M (mn)	3.59
Avg. Trd Val - 3M (bn)	30.53
Foreign Ownership	6.9%

Consumer Staples

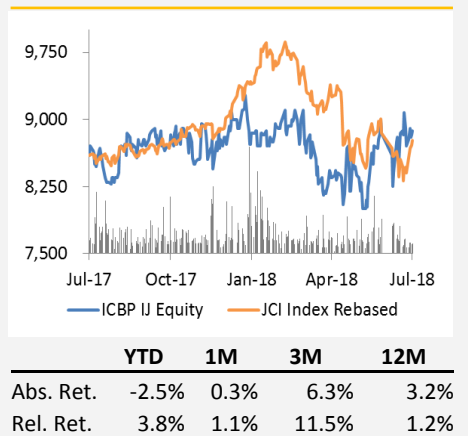
Packaged Food & Beverages

Bloomberg	ICBP.IJ
Reuters	ICBP.JK

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Share Price Performance



ICBP at A Glance

Armed with well diversified business activities ranging from instant noodles, dairy products, snacks, seasonings, nutrition and special food, beverages, ICBP is a leading producer of branded consumers' products. To support its core business, it runs packaging business producing flexible and card-board based packaging.

ICBP through its 40 well-known branded products offers assorted daily products for varied-ages consumers and different market shares. Millions of Indonesian consumers' lasting loyalty to ICBP strengthens its legacy in Indonesia's market shares. Most of its products are available across Indonesia. Supported by the extensive distribution networks owned by its parent entity, ICBP succeeds in supplying demand of markets in a way more efficient and prompt manner.

Its operational activities are supported by more than 50 factories located in major cities in Indonesia; therefore, it easily supplies the demand of markets, and ensures its quality products. Not only does it market its products in Indonesia but it also exports its products in more than 60 countries.

Food Industry in ASEAN

Compared to its peers in ASEAN, ICBP has the less expensive P/E and equal or even higher ROE. In fact, it is still capable of achieving double-digit growth of 15.7% in net profit.

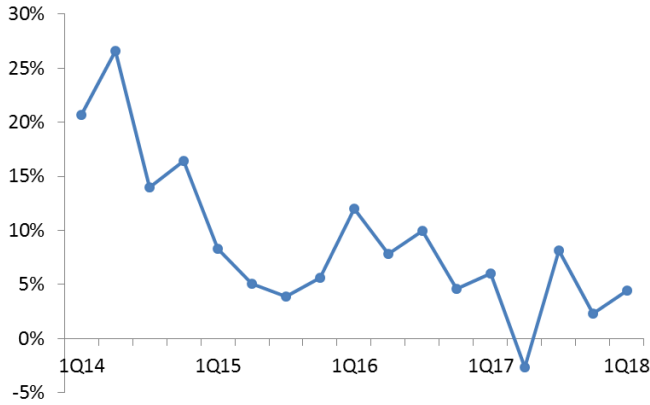
ASEAN Food Companies

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth	Net Profit Margin	ROE	P/E	P/BV	Dividend Yield
ICBP	6,997	2,327	15.7%	11.8%	20.3%	23.0x	4.4x	1.9%
INDF	3,883	6,472	4.9%	5.9%	9.1%	13.9x	1.2x	3.4%
Malaysia								
NESTLE (MALAYSIA) BERHAD	8,546	630	-0.1%	12.3%	75.0%	53.6x	45.9x	1.8%
PPB GROUP BERHAD	5,784	5,636	-8.8%	28.1%	5.0%	22.6x	1.2x	1.4%
Thailand								
THAI UNION GROUP PCL	2,189	4,491	-0.6%	4.4%	12.3%	13.2x	1.6x	4.3%
THAI PRESIDENT FOODS PCL	1,507	903	-0.6%	13.2%	15.1%	17.6x	2.5x	1.1%

Source: Bloomberg, NHKS research

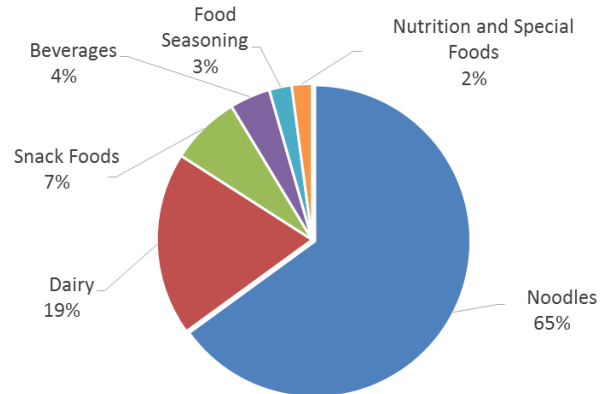
Performance Highlights

ICBP Sales Growth Quarterly | 2014 - 2018



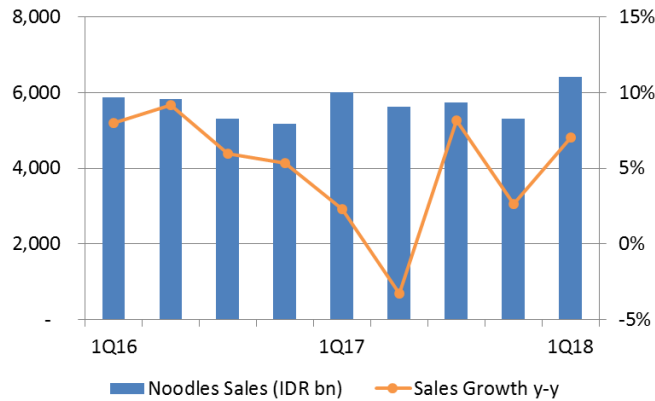
Source: Company, NHKS research

Sales Breakdown | 1Q18



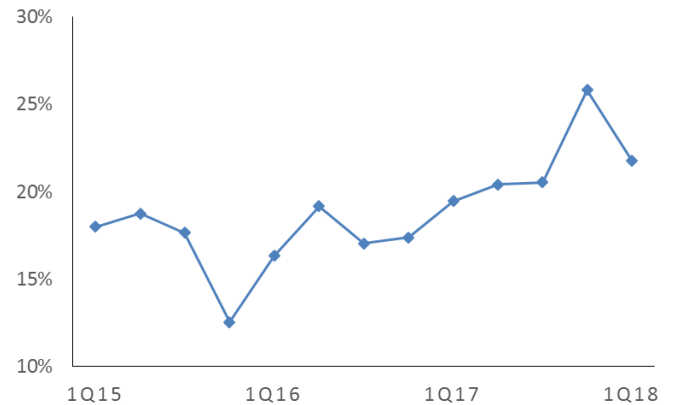
Source: Company, NHKS Research

Noodles Sales | 2016 - 2018



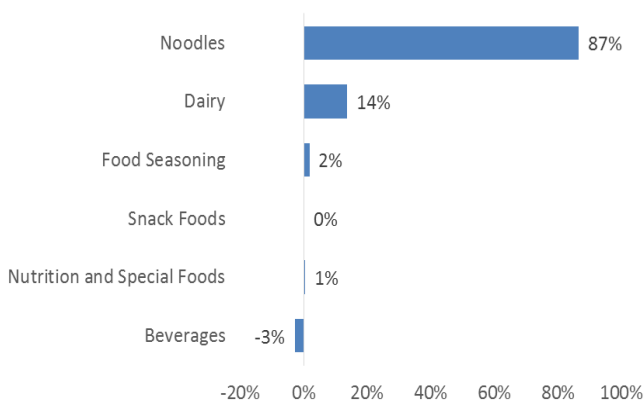
Source: Company, NHKS Research

Noodles Operating Profit Margin | 2016 - 2018



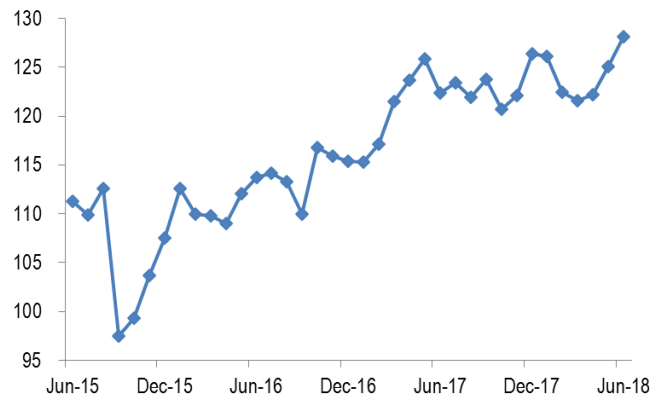
Source: Company, NHKS Research

Operating Profit Contribution Breakdown | 1Q18



Source: Company, NHKS Research

Indonesia Consumer Confidence Index | 2015 - 2018



Source: Bank of Indonesia, NHKS Research

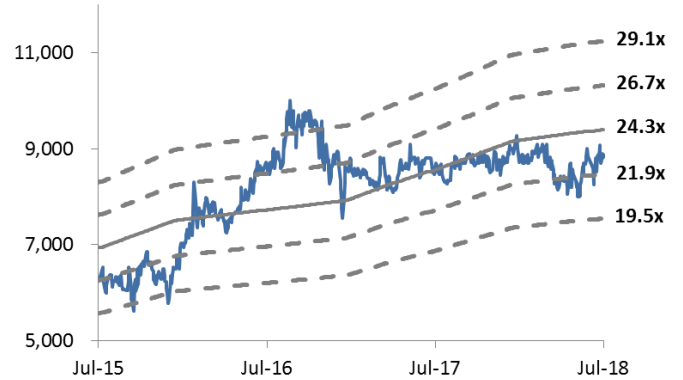
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

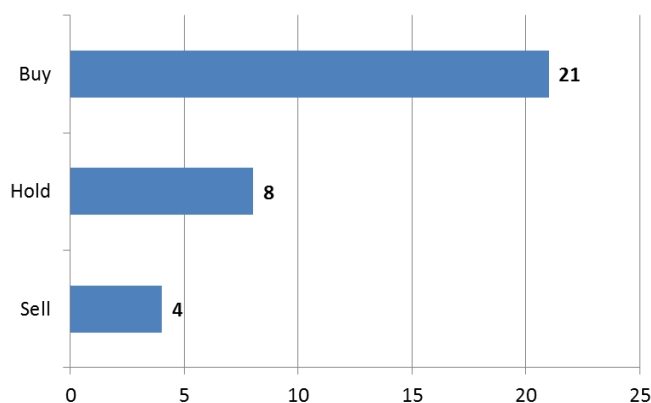
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
09/12/2017	Buy	10,450 (Dec 2018)	8,700	9,258	+20.1%	+12.9%
12/07/2017	Buy	10,200 (Dec 2018)	8,850	9,297	+15.3%	+9.7%
04/05/2018	Buy	9,625 (Dec 2018)	8,200	9,330	+17.4%	+3.2%
07/18/2018	Buy	10,550 (Dec 2018)	8,675	9,417	+21.6%	+12.0%

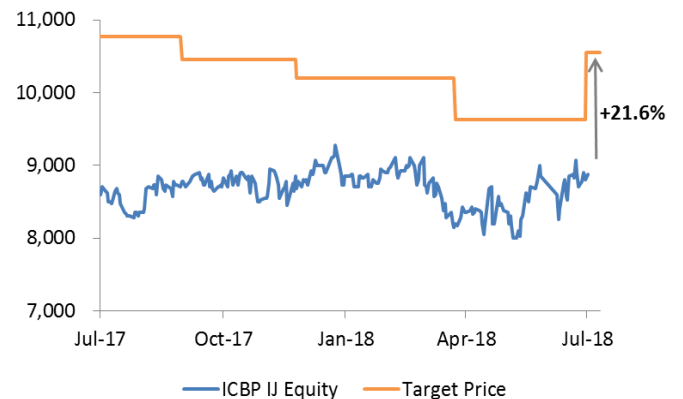
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

ICBP Summary

Last Price (IDR)	July 17, 2018	8,675
Target Price (IDR)	Dec 2018	10,550
Analyst: Joni Wintarja	Rating:	Buy

INCOME STATEMENT

in IDR Bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	34,466	35,607	37,307	39,263
Growth (% y/y)	8.6%	3.3%	4.8%	5.2%
COGS	(23,607)	(24,548)	(25,604)	(26,946)
Gross Profit	10,859	11,059	11,703	12,317
Gross Margin	31.5%	31.1%	31.4%	31.4%
Operating Expenses	(5,967)	(5,877)	(6,182)	(6,507)
EBIT	4,892	5,182	5,521	5,810
EBIT Margin	14.2%	14.6%	14.8%	14.8%
Depreciation	642	623	716	879
EBITDA	5,534	5,804	6,236	6,689
EBITDA Margin	16.1%	16.3%	16.7%	17.0%
Interest Expenses	(175)	(128)	(205)	(230)
EBT	4,989	5,203	5,467	5,739
Income Tax	(1,358)	(1,659)	(1,412)	(1,482)
Minority Interest	(31)	253	336	352
Net Profit	3,600	3,797	4,391	4,609
Growth (% y/y)	20.0%	5.4%	15.7%	5.0%
Net Profit Margin	10.4%	10.7%	11.8%	11.7%

BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	8,372	8,797	9,853	10,184
Receivables	3,721	3,871	4,042	4,254
Inventories	3,110	3,262	3,668	3,860
Total Current Assets	15,571	16,579	18,277	18,980
Net Fixed Assets	7,114	8,120	10,386	11,304
Other Non Current Assets	6,216	6,920	7,143	7,255
Total Assets	28,902	31,620	35,806	37,539
Payables	2,692	2,904	2,975	3,131
ST Bank Loan	1,168	1,400	1,093	687
Other Current Liab.	2,609	2,523	2,739	2,882
LT Debt	877	955	1,559	980
Other Non Current Liab.	3,055	3,513	4,549	4,549
Total Liabilities	10,401	11,295	12,915	12,229
Shareholders' Equity	18,501	20,324	22,891	25,309

CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	3,600	3,797	4,391	4,609
Deprec & Amortization	638	676	767	879
Chg. In Working Capital	346	702	106	(73)
CFO	4,585	5,174	5,264	5,415
Capex	(905)	(1,533)	(1,623)	(1,796)
CFI	(1,560)	(2,950)	(913)	(1,908)
Dividends Paid	(1,493)	(1,796)	(1,894)	(2,191)
Net Borrowing (PMT)	(835)	(29)	(1,451)	(985)
CCF	(2,310)	(1,800)	(3,295)	(3,176)
Net Changes in Cash	714	425	1,056	331

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	93.1	First Pacific Company	80.5
United States	3.9	Matthews Intl Capital	1.9
Luxembourg	0.9	Schroder Investment	0.9
Norway	0.9	Norges Bank	0.7

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	20.6%	19.6%	20.3%	19.1%
ROA	13.0%	12.5%	13.0%	12.6%
ROIC	17.9%	16.3%	17.0%	16.9%
EBITDA/Equity	31.7%	29.9%	28.9%	27.8%
EBITDA/Assets	13.0%	12.5%	13.0%	12.6%
Cash Dividend (IDR bn)	1,493	1,796	1,894	2,191
Dividend Yield (%)	1.5%	1.7%	1.9%	2.2%
Payout Ratio (%)	49.7%	49.9%	49.9%	49.9%
DER	11.1%	11.6%	11.6%	6.6%
Net Gearing	17.7%	17.6%	16.7%	9.1%
LT Debt to Equity	4.7%	4.7%	6.8%	3.9%
Capitalization Ratio	10.0%	10.4%	10.4%	6.2%
Equity Ratio	64.0%	64.3%	63.9%	67.4%
Debt Ratio	7.1%	7.4%	7.4%	4.4%
Financial Leverage	152.3%	148.9%	146.3%	148.6%
Current Ratio	240.7%	242.8%	268.5%	283.3%
Quick Ratio	186.9%	185.5%	204.1%	215.5%
Cash Ratio	129.4%	128.8%	144.8%	152.0%
Cash Conversion Cycle	45.9	45.0	49.4	49.4
Par Value (IDR)	50	50	50	50
Total Shares (mn)	11,662	11,662	11,662	11,662
Share Price (IDR)	8,575	8,900	8,675	8,675
Market Cap (IDR tn)	100.0	103.8	101.2	101.2

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	27.8x	27.3x	23.0x	21.9x
Price /Book Value	5.4x	5.1x	4.4x	4.0x
Price/Sales	2.9x	2.9x	2.7x	2.6x
PE/EPS Growth	1.4x	5.0x	1.5x	4.4x
EV/EBITDA	17.1x	16.9x	15.2x	14.0x
EV/EBIT	19.3x	19.0x	17.2x	16.1x
EV (IDR bn)	94,627	98,305	94,998	93,681
Sales CAGR (3-Yr)	11.1%	5.9%	5.5%	4.4%
EPS CAGR (3-Yr)	17.4%	12.8%	13.5%	8.6%
Basic EPS (IDR)	309	326	377	395
Diluted EPS (IDR)	309	326	377	395
BVPS (IDR)	1,586	1,743	1,963	2,170
Sales PS (IDR)	2,955	3,053	3,199	3,367
DPS (IDR)	128	154	162	188

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	3,561	3,529	4,095	4,310
+Depr./Amor.	638	676	767	879
-CAPEX	(905)	(1,533)	(1,623)	(1,796)
-Incr. (Decr.) in Working Cap.	346	702	106	(73)
(Unlevered) FCFF	3,640	3,374	3,346	3,320
WACC				
Cost of Debt (Tax Adj.)	8.4%	5.3%	6.2%	6.3%
Cost of Equity (COE)	10.1%	12.7%	11.7%	11.7%
WACC (%)	10.1%	12.5%	11.6%	11.6%
RIM				
Spread (FROE-COE) (%)	11.8%	7.9%	9.9%	8.4%
Residual Income (IDR bn)	1,941	1,454	2,009	1,926
Equity Charge	1,659	2,343	2,382	2,683
EVA				
Invested Capital (IDR bn)	19,256	20,546	22,679	25,544
ROIC-WACC (%)	8.4%	4.7%	6.5%	5.2%
EVA (IDR mn)	1,618	960	1,469	1,339

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