

Indofood CBP Sukses Makmur Tbk (ICBP)

Profit Margin Stability

ICBP as King of Instant Noodles in Indonesia

ICBP was capable of posting the growth of 6.4% sales from IDR9 trillion in 2Q17 to IDR9.57 trillion in 2Q18. It was underpinned by the hike of 7% in sales from IDR5.63 trillion in 2Q17 to IDR6 trillion in 2Q18 posted by the noodle division contributing 63% to ICBP's overall sales.

It dominates virtually 72% - 75% Indonesia-based market shares of instant noodles and pledges to the commitment to continuous product innovation; it launched a new product of Mi Keriting Goreng Rasa Telur Asin, for example. It expects that the launch of the new product successfully drives higher sales in ahead years; indeed, it increases the production capacity of the instant noodles to be distributed in Greater Jakarta areas by 10%. Thus, the total national capacities reach 18 billion packages per year.

Stable Growth in Net Profit

Its net profit was rosier by 7.8% from IDR1 trillion in 2Q17 to IDR1.07 trillion in 2Q18. We estimate that ICBP likely succeeds to maintain its net profit hovering around IDR1.1 trillion in 3Q18 and 4Q18; therefore, the growth of 17.4% in 2018's net profit is possible to be accomplished. Analyzing ICBP's capability of posting the stable growth in not only sales but also expenses, we project that its 2019's sales and net profit will be buoyant by 5.4% and 5.2%, respectively.

Target Price of IDR10,550

We use an estimate of forward P/E of 24.2x (the 3-year average) to obtain the target price of December 2019. The target price implies a 2019E P/E of 26.2x. Now, it is traded at a 2018E P/E of 23.4x.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

	2017	2018E	2019F	2020F
Sales	35,607	37,329	39,336	41,660
<i>Sales growth</i>	3.3%	4.8%	5.4%	5.9%
EBITDA	5,804	6,277	6,733	7,176
Net Profit	3,797	4,458	4,691	5,019
EPS (IDR)	326	382	402	430
<i>EPS growth</i>	5.4%	17.4%	5.2%	7.0%
BVPS (IDR)	1,743	1,954	2,166	2,395
EBITDA margin	16.3%	16.8%	17.1%	17.2%
NPM	10.7%	11.9%	11.9%	12.0%
ROE	19.6%	20.7%	19.5%	18.9%
ROA	12.5%	13.0%	12.5%	12.7%
ROIC	17.2%	18.0%	17.0%	17.0%
P/E	27.3x	23.4x	22.3x	20.8x
P/BV	5.1x	4.6x	4.1x	3.7x
EV/EBITDA	16.9x	15.5x	14.3x	13.2x
DPS (IDR)	154	162	191	201
<i>Dividend yield</i>	1.7%	1.8%	2.1%	2.2%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Report | Sep 26, 2018

Buy

Dec 2019 TP (IDR)	10,550
Consensus Price (IDR)	9,715
TP to Consensus Price	+8.6%
vs. Last Price	+17.9%

Shares data

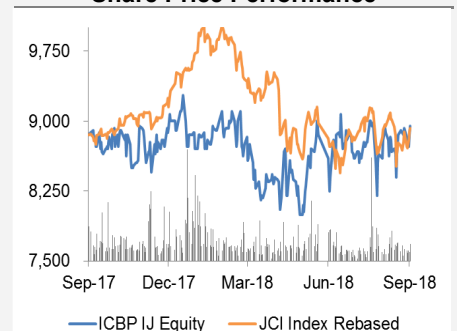
Last Price (IDR)	8,950
Price date as of	Sep 21, 2018
52 wk range (Hi/Lo)	9,275 / 8,000
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	101,750
Market Cap (USD mn)	6,832
Avg. Trd Vol - 3M (mn)	3.03
Avg. Trd Val - 3M (bn)	26.51
Foreign Ownership	7.1%

Consumer Staples

Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-1.6%	1.7%	8.5%	1.1%
Rel. Ret.	4.4%	1.5%	6.2%	0.3%

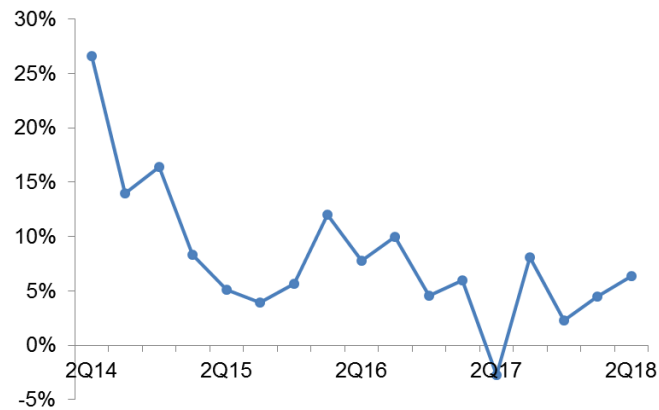
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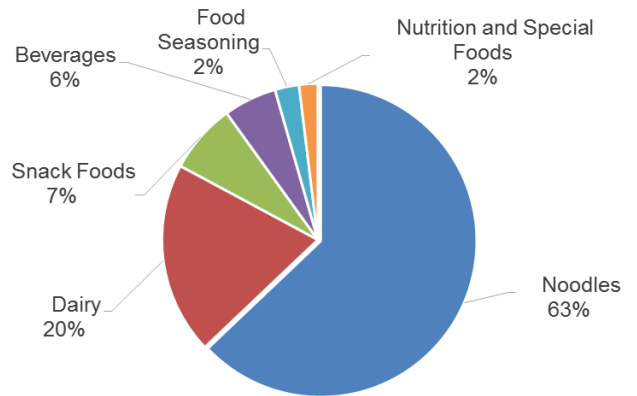
Performance Highlights

ICBP Sales Growth Quarterly | 2Q16 - 2Q18



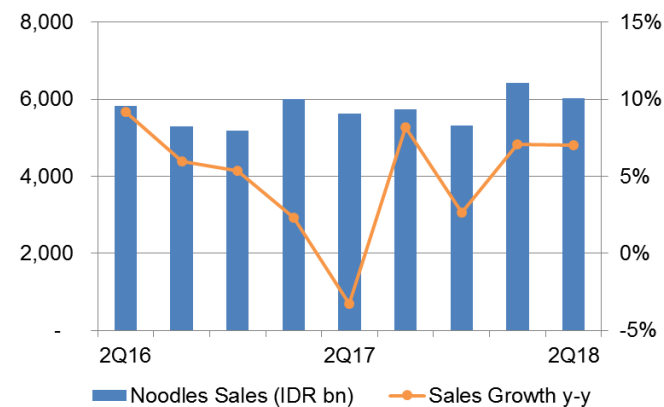
Source: Company, NHKS Research

Sales Breakdown | 2Q18



Source: Company, NHKS Research

Noodles Sales | 2Q16 - 2Q18



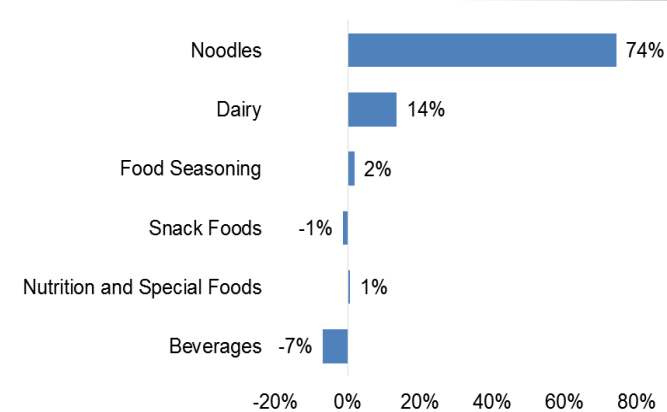
Source: Company, NHKS Research

Noodles Operating Profit Margin | 2Q16 - 2Q18



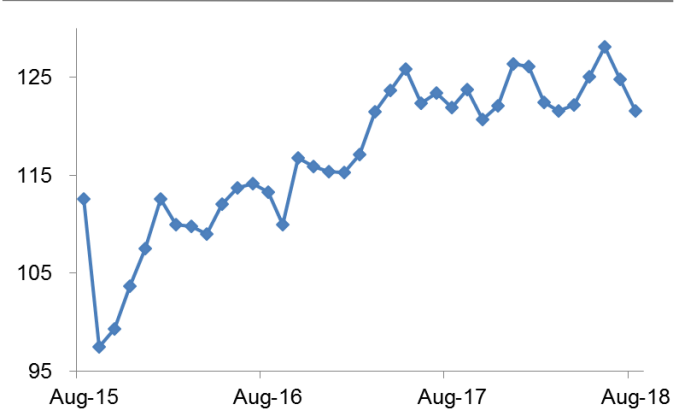
Source: Company, NHKS Research

Operating Profit Contribution Breakdown | 2Q18



Source: Company, NHKS Research

Indonesia Consumer Confidence Index | 2015 - 2018



Source: Company, NHKS Research

2Q18 review (IDR bn)

	2Q17	3Q17	4Q17	1Q18	2Q18					3Q18E
					Actual	Estimate	y-y	q-q	surprise	
Sales	9,003	8,970	8,176	9,881	9,579	9,556	6.4%	-3.1%	0.2%	9,399
Gross Profit	2,824	2,826	2,427	3,205	3,084	2,989	9.2%	-3.8%	3.2%	2,924
<i>Gross Margin</i>	31.4%	31.5%	29.7%	32.4%	32.2%	31.3%	0.8%	-0.2%	0.9%	31.1%
EBIT	1,267	1,374	1,009	1,665	1,443	1,337	13.8%	-13.3%	7.9%	1,402
<i>EBIT Margin</i>	14.1%	15.3%	12.3%	16.8%	15.1%	14.0%	1.0%	-1.8%	1.1%	14.9%
EBITDA	1,435	1,544	1,183	1,876	1,679	1,517	17.1%	-10.5%	10.7%	1,579
<i>EBIT Margin</i>	15.9%	17.2%	14.5%	19.0%	17.5%	15.9%	1.6%	-1.4%	1.7%	16.8%
Net Profit	1,000	950	755	1,213	1,078	1,011	7.8%	-11.1%	6.6%	1,106
<i>Net Margin</i>	11.1%	10.6%	9.2%	12.3%	11.3%	10.6%	0.1%	-1.0%	0.7%	11.8%

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

		2018E	2019F	2020F
Sales	-Revised	37,329	39,336	41,660
	-Previous	37,307	39,263	41,508
	-Change	0.1%	0.2%	0.4%
Gross Profit	-Revised	11,760	12,392	13,124
	-Previous	11,703	12,317	13,021
	-Change	0.5%	0.6%	0.8%
Gross Margin	-Revised	31.5%	31.5%	31.5%
	-Previous	31.4%	31.4%	31.4%
EBIT	-Revised	5,588	5,888	6,236
	-Previous	5,521	5,810	6,143
	-Change	1.2%	1.3%	1.5%
EBIT Margin	-Revised	15.0%	15.0%	15.0%
	-Previous	14.8%	14.8%	14.8%
EBITDA	-Revised	6,277	6,733	7,176
	-Previous	6,236	6,689	7,119
	-Change	0.6%	0.7%	0.8%
EBITDA Margin	-Revised	16.8%	17.1%	17.2%
	-Previous	16.7%	17.0%	17.2%
Net Profit	-Revised	4,458	4,691	5,019
	-Previous	4,391	4,609	4,952
	-Change	1.5%	1.8%	1.4%
Net Margin	-Revised	11.9%	11.9%	12.0%
	-Previous	11.8%	11.7%	11.9%

Source: NHKS research

ICBP at A Glance

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

ICBP's Competitiveness in the Asia Pacific

Compared to its peers in the Asia Pacific, ICBP has the less expensive P/E and the equal or even higher ROE. In fact, it is still capable of achieving double-digit growth of 10.9% in net profit.

Asia Pacific Packaged Food Company

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
ICBP	6,827	2,327	2,692	294	7.61%	10.9%	21.3%	25.5x	5.2x
INDF	3,521	6,472	5,187	283	-7.22%	5.5%	12.6%	13.6x	1.7x
Japan									
Nissin Foods Holdings	7,379	5,348	4,541	287	17.48%	6.3%	9.9%	26.0x	2.5x
Toyo Suisan Kaisha Ltd	4,376	3,516	3,557	171	-5.92%	4.8%	6.7%	24.1x	1.6x
South Africa									
Pioneer Foods Group Ltd	1,537	958	1,489	68	-20.33%	4.6%	11.0%	19.5x	2.7x
South Korea									
Samyang Foods Co Ltd	506	373	446	34	30.88%	7.7%	18.4%	15.0x	2.5x
Nongshim Co Ltd	1,333	2,295	2,016	77	-1.98%	3.8%	4.6%	16.8x	0.8x
Ottogi Corporation	2,230	1,613	2,001	115	-3.27%	5.8%	11.6%	19.0x	2.1x
Thailand									
Thai President Foods	1,625	903	638	84	-0.62%	13.2%	15.1%	18.5x	2.7x
Thai Union Group	2,632	4,491	4,136	124	-24.87%	3.0%	9.2%	21.0x	2.0x
Malaysia									
Nestle Berhad	8,325	630	1,312	160	4.98%	12.2%	89.9%	52.9x	53.4x
PPB Group Berhad	5,766	5,636	1,091	307	-4.37%	28.2%	6.0%	19.8x	1.4x
India									
Nestle India Ltd	12,878	1,153	1,614	226	41.19%	14.0%	41.5%	63.6x	25.2x
Britannia Industries Ltd	9,308	796	1,525	156	13.54%	10.2%	32.9%	67.4x	19.9x

Source: Bloomberg

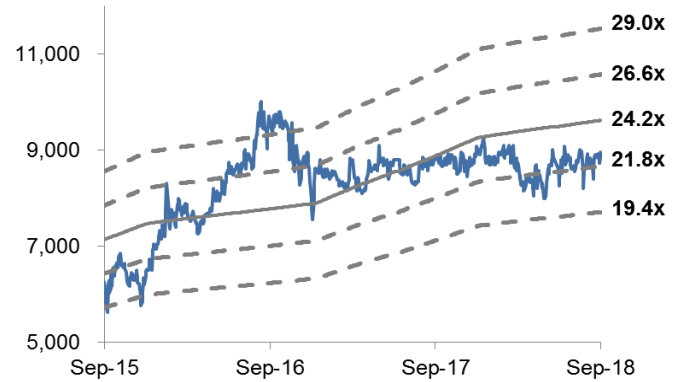
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

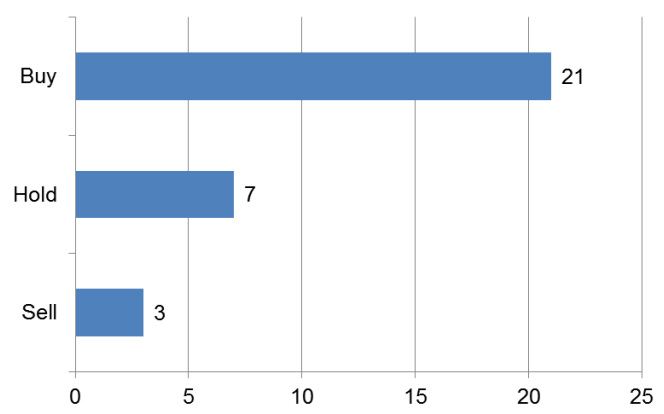
Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
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%
09/26/2018	Buy	10,550 (Dec 2019)	8,950	9,715	+17.9%	+8.6%

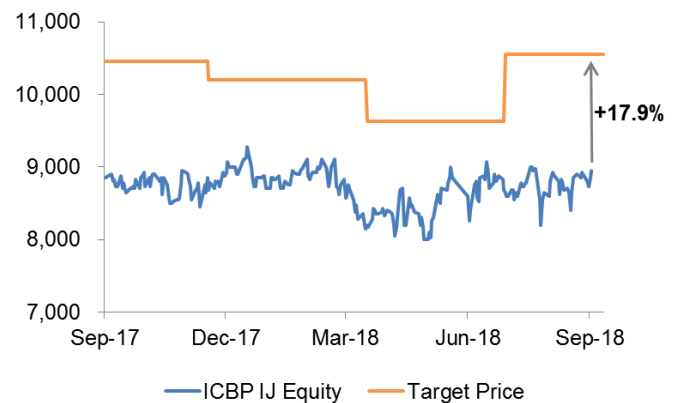
Source: NHKS research, Bloomberg

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

INCOME STATEMENT				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Sales	35,607	37,329	39,336	41,660
<i>Growth</i>	3.3%	4.8%	5.4%	5.9%
COGS	(24,548)	(25,569)	(26,944)	(28,536)
Gross Profit	11,059	11,760	12,392	13,124
<i>Gross Margin</i>	31.1%	31.5%	31.5%	31.5%
Operating Expenses	(5,877)	(6,172)	(6,504)	(6,888)
EBIT	5,182	5,588	5,888	6,236
<i>EBIT Margin</i>	14.6%	15.0%	15.0%	15.0%
Depreciation	623	689	845	940
EBITDA	5,804	6,277	6,733	7,176
<i>EBITDA Margin</i>	16.3%	16.8%	17.1%	17.2%
Interest Expenses	(128)	(137)	(153)	(97)
EBT	5,203	5,676	5,972	6,391
Income Tax	(1,659)	(1,520)	(1,599)	(1,712)
Minority Interest	253	302	318	340
Net Profit	3,797	4,458	4,691	5,019
<i>Growth</i>	5.4%	17.4%	5.2%	7.0%
<i>Net Profit Margin</i>	10.7%	11.9%	11.9%	12.0%

PROFITABILITY & STABILITY				
	2017/12A	2018/12E	2019/12E	2020/12E
ROE	19.6%	20.7%	19.5%	18.9%
ROA	12.5%	13.0%	12.5%	12.7%
ROIC	17.2%	18.0%	17.0%	17.0%
Cash Dividend (IDR bn)	1,796	1,889	2,225	2,341
Dividend Yield	1.7%	1.8%	2.1%	2.2%
Payout Ratio	49.9%	49.8%	49.9%	49.9%
DER	11.6%	11.6%	6.6%	1.6%
Net Gearing	17.6%	16.6%	9.0%	2.1%
LT Debt to Equity	4.7%	2.9%	1.7%	0.4%
Capitalization Ratio	10.4%	10.4%	6.2%	1.6%
Equity Ratio	64.3%	62.1%	65.4%	68.9%
Debt Ratio	7.4%	7.2%	4.3%	1.1%
Financial Leverage	148.9%	146.7%	152.9%	145.2%
Current Ratio	242.8%	205.2%	221.5%	243.7%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	11,662	11,662	11,662	11,662
Share Price (IDR)	8,900	8,950	8,950	8,950
Market Cap (IDR tn)	103.8	104.4	104.4	104.4

BALANCE SHEET				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Cash	8,797	10,376	10,816	11,165
Receivables	3,871	4,044	4,262	4,514
Inventories	3,262	3,663	3,860	4,088
Total Current Assets	16,579	19,080	19,851	20,722
Net Fixed Assets	8,120	10,405	11,360	12,325
Other Non Current Asset	6,920	7,234	7,391	7,470
Total Assets	31,620	36,720	38,602	40,517
Payables	2,904	2,971	3,130	3,315
ST Bank Loan	1,400	1,977	1,246	332
LT Debt	955	663	418	111
Total Liabilities	11,295	13,931	13,348	12,583
Capital Stock	6,569	6,569	6,569	6,569
Retained Earnings	12,799	15,362	17,828	20,507
Shareholders' Equity	20,324	22,789	25,255	27,934

VALUATION INDEX				
	2017/12A	2018/12E	2019/12E	2020/12E
Price /Earnings	27.3x	23.4x	22.3x	20.8x
Price /Book Value	5.1x	4.6x	4.1x	3.7x
Price/Sales	2.9x	2.8x	2.7x	2.5x
PE/EPS Growth	5.0x	1.3x	4.3x	3.0x
EV/EBITDA	16.9x	15.5x	14.3x	13.2x
EV/EBIT	19.0x	17.4x	16.3x	15.2x
EV (IDR bn)	98,305	97,496	96,079	94,510
Sales CAGR (3-Yr)	5.9%	5.6%	4.5%	5.4%
EPS CAGR (3-Yr)	12.8%	14.1%	9.2%	9.8%
Basic EPS (IDR)	326	382	402	430
Diluted EPS (IDR)	326	382	402	430
BVPS (IDR)	1,743	1,954	2,166	2,395
Sales PS (IDR)	3,053	3,201	3,373	3,572
DPS (IDR)	154	162	191	201

CASH FLOW STATEMENT				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Operating Cash Flow	5,174	6,878	5,598	5,894
Investing Cash Flow	(2,950)	(1,577)	(1,957)	(1,984)
Financing Cash Flow	(1,800)	(3,476)	(3,202)	(3,561)
Net Changes in Cash	425	1,826	440	349

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	92.9	First Pacific Company 80.5
United States	4.0	Matthews Intl Capital 1.9
Luxembourg	0.9	Schroder Investment 0.9
Norway	0.8	Norges Bank 0.7

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