

Indofood CBP Sukses Makmur Tbk (ICBP)

Stable and Profitable Business

Growth of 3.3% in Sales

ICBP succeeded in posting 2017's growth of 3.3% in sales from IDR34.4 trillion in 2016 into IDR35.6 trillion in 2017. 2017's growth was lower than 2016's growth of 8.6%. **The factor decelerating growth in sales derived from the Noodle Segment.** This segment contributing 64% from the overall sales posted sliding sales from 7.2% in 2016 into 2.3% in 2017.

Indonesian Consumers' Lasting Loyalty

Another to the downbeat sales posted by the Noodle Segment, the Dairy Segment contributing 20% to the overall sales also posted a slump in sales from 2016's sales of 15.7% into 2017's sales of 4.1%. We projected that **ICBP likely posts upswing of 4.1% in 2018's sales** underpinned by the high level of Indonesian consumer confidence index.

Growth of 5.4% in Net Profit

It succeeded in posting the growth of 5.4% in net profit from 2016's net profit of IDR3.6 trillion into 2017's net profit of IDR3.79 trillion. The takeaway factor sustained 2017's growth in profit was **the sliding portion of raw material purchasing cost to the overall sales** from 51.6% to 50.8%; in addition, the ads and promotion cost constituting the biggest portion of operational cost plummeted from IDR1.46 trillion in 2016 into IDR1.31 trillion in 2017.

Target Price of IDR9,625

We use an estimate of forward P/E of 24.6x (the 3-year average) to obtain the target price of December 2018. The target price implies a 2018E P/E of 25.8x. Now, ICBP is traded at a 2018E P/E of 22.0x.

Indofood CBP Sukses Makmur, Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	34,466	35,607	37,049	38,744
<i>Sales growth</i>	8.6%	3.3%	4.1%	4.6%
EBITDA	5,534	5,804	6,059	6,389
Net profit	3,600	3,797	4,344	4,575
EPS (IDR)	309	326	372	392
<i>EPS growth</i>	20.0%	5.4%	14.4%	5.3%
BVPS (IDR)	1,586	1,743	1,953	2,159
EBITDA margin	16.1%	16.3%	16.4%	16.5%
NPM	10.4%	10.7%	11.7%	11.8%
ROE	20.6%	19.6%	20.2%	19.1%
ROA	13.0%	12.5%	13.2%	13.0%
ROIC	17.9%	16.3%	17.2%	17.3%
P/E	27.8x	27.3x	22.0x	20.9x
P/BV	5.4x	5.1x	4.2x	3.8x
EV/EBITDA	17.1x	16.9x	14.7x	13.7x
DPS (IDR)	128	154	162	186
<i>Dividend yield</i>	1.5%	1.7%	2.0%	2.3%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Report | Apr 05, 2018

Buy

Dec 2018 TP (IDR)	9,625
Consensus Price (IDR)	9,330
TP to Consensus Price	+3.2%
vs. Last Price	+17.4%

Shares data

Last Price (IDR)	8,200
Price date as of	Apr 03, 2018
52 wk range (Hi/Lo)	9,275/8,100
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	94,753
Market Cap (USD mn)	6,884
Avg. Trd Vol - 3M (mn)	5.34
Avg. Trd Val - 3M (bn)	46.89
Foreign Ownership	7.2%

Consumer Staples

Packaged Food & Beverages

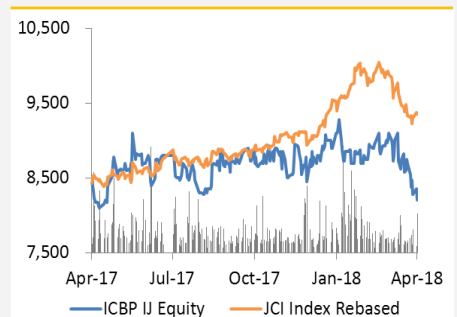
Bloomberg	ICBP.IJ
Reuters	ICBP.JK

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Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-9.9%	-9.9%	-9.9%	-2.7%
Rel. Ret.	-8.2%	-4.5%	-9.5%	-13.8%

A Glance at ICBP

Having 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 consumers in varied ages and different market shares. Millions of Indonesian consumers' lasting loyalty to ICBP strengthens its position 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 markets 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 the equal or even higher ROE. In fact, it is still capable of achieving double-digit growth of 14.4% in net profit.

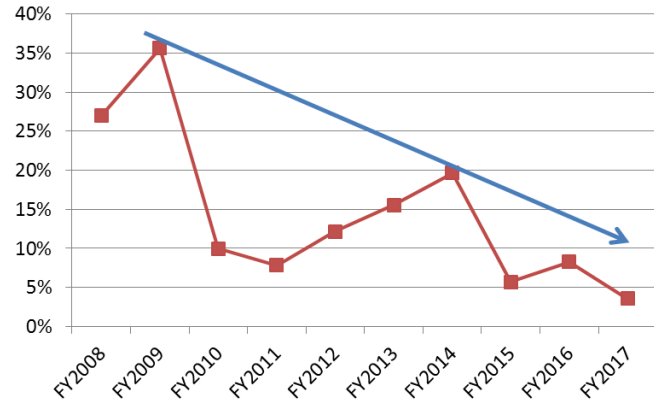
ASEAN Food Companies

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth	Net Profit Margin	ROE	P/E	P/BV	Dividend Yield
ICBP	7,197	2,327	14.4%	11.7%	20.2%	22.0x	4.2x	2.0%
INDF	4,571	6,472	0.6%	5.9%	13.9%	15.1x	2.0x	3.3%
AISA	154	683	2.0%	9.1%	10.8%	5.0x	0.5x	0.0%
Malaysia								
NESTLE (MALAYSIA) BERHAD	9,092	630	1.4%	12.3%	100.3%	54.3x	54.8x	1.8%
PPB GROUP BERHAD	5,881	5,636	15.4%	28.0%	5.8%	18.8x	1.1x	1.3%
Thailand								
THAI UNION GROUP PCL	2,920	4,491	14.6%	4.4%	13.7%	14.9x	2.0x	3.5%
THAI PRESIDENT FOODS PCL	1,917	903	-0.6%	13.2%	15.1%	21.0x	3.0x	0.0%

Source: Bloomberg, NHKS research

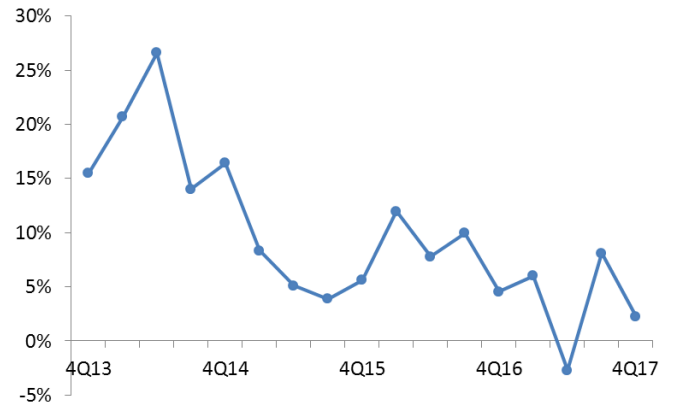
Performance Highlights

ICBP Sales Growth Yearly | 2008 - 2017



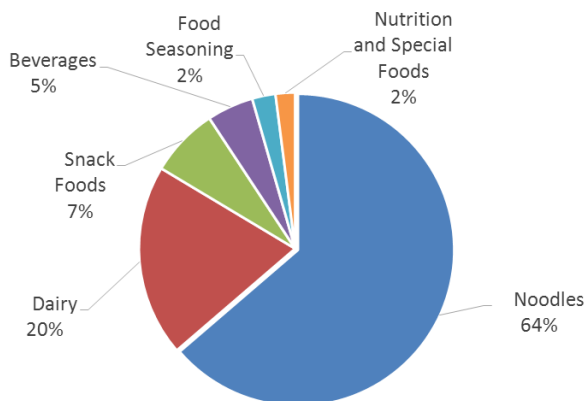
Source: Company, NHKS Research

ICBP Sales Growth Quarterly | 2013 - 2017



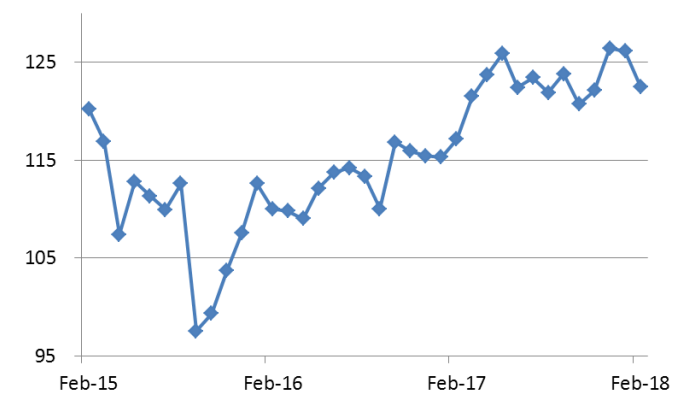
Source: Company, NHKS research

Sales Breakdown | FY2017



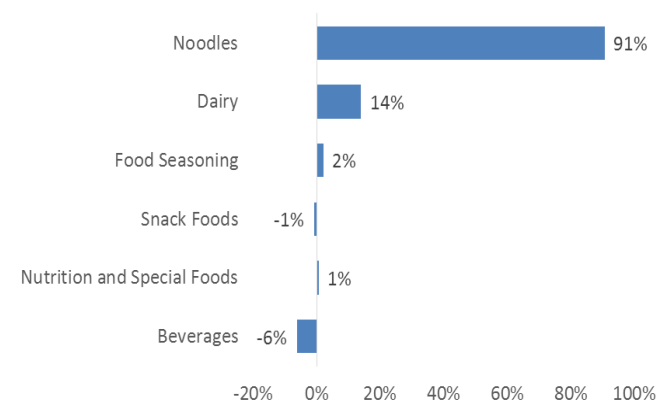
Source: Company, NHKS Research

Indonesia Consumer Confidence Index | 2015 - 2018



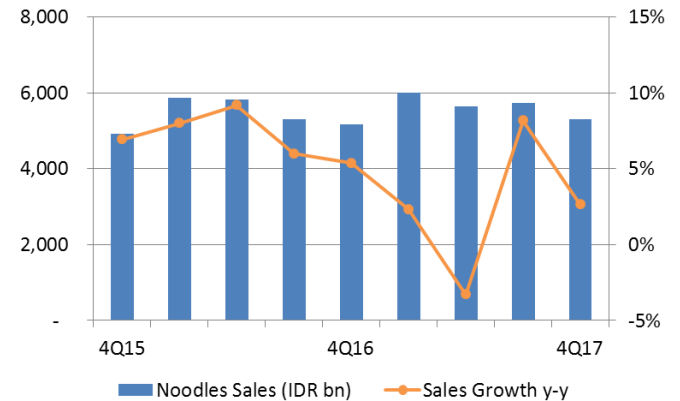
Source: Bank of Indonesia, NHKS Research

Operating Profit Contribution Breakdown | FY2017



Source: Company, NHKS Research

Noodles Sales | 2015 - 2017



Source: Company, 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

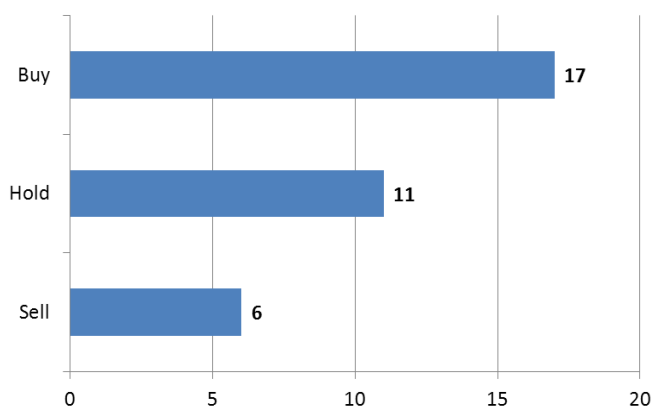
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
06/08/2017	Buy	10,775 (Dec 2017)	8,750	9,490	+23.1%	+13.5%
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%

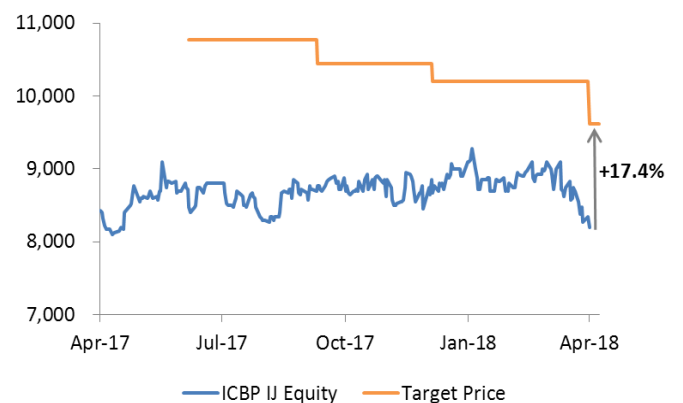
Source: NHKS research, Bloomberg

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)	April 3, 2018	8,200
Target Price (IDR)	Dec 2018	9,625
Analyst: Joni Wintarja	Rating:	Buy

INCOME STATEMENT

in IDR Bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	34,466	35,607	37,049	38,744
Growth (% y/y)	8.6%	3.3%	4.1%	4.6%
COGS	(23,607)	(24,548)	(25,539)	(26,707)
Gross Profit	10,859	11,059	11,511	12,037
Gross Margin	31.5%	31.1%	31.1%	31.1%
Operating Expenses	(5,967)	(5,877)	(6,105)	(6,385)
EBIT	4,892	5,182	5,405	5,652
EBIT Margin	14.2%	14.6%	14.6%	14.6%
Depreciation	642	623	654	736
EBITDA	5,534	5,804	6,059	6,389
EBITDA Margin	16.1%	16.3%	16.4%	16.5%
Interest Expenses	(175)	(128)	(131)	(96)
EBT	4,989	5,203	5,428	5,717
Income Tax	(1,358)	(1,659)	(1,357)	(1,429)
Minority Interest	(31)	253	273	287
Net Profit	3,600	3,797	4,344	4,575
Growth (% y/y)	20.0%	5.4%	14.4%	5.3%
Net Profit Margin	10.4%	10.7%	11.7%	11.8%

BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	8,372	8,797	9,491	10,449
Receivables	3,721	3,871	4,014	4,198
Inventories	3,110	3,262	3,659	3,826
Total Current Assets	15,571	16,579	17,829	19,130
Net Fixed Assets	7,114	8,120	9,106	10,085
Other Non Current Assets	6,216	6,920	7,043	7,104
Total Assets	28,902	31,620	33,978	36,319
Payables	2,692	2,904	2,967	3,103
ST Bank Loan	1,168	1,400	1,027	836
Other Current Liab.	2,609	2,523	2,600	2,719
LT Debt	877	955	700	570
Other Non Current Liab.	3,055	3,513	3,910	3,910
Total Liabilities	10,401	11,295	11,204	11,138
Shareholders' Equity	18,501	20,324	22,774	25,181

CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	3,600	3,797	4,344	4,575
Deprec & Amortization	638	676	654	736
Chg. In Working Capital	346	702	(416)	(89)
CFO	4,585	5,174	4,582	5,223
Capex	(905)	(1,533)	(1,640)	(1,715)
CFI	(1,560)	(2,950)	(1,366)	(1,776)
Dividends Paid	(1,493)	(1,796)	(1,894)	(2,168)
Net Borrowing (PMT)	(835)	(29)	(627)	(321)
CCF	(2,310)	(1,800)	(2,522)	(2,489)
Net Changes in Cash	714	425	694	958

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	92.8	First Pacific Company
United States	4.1	Matthews Intl Capital
Luxembourg	0.9	Norges Bank
Norway	0.9	Vanguard Group

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	20.6%	19.6%	20.2%	19.1%
ROA	13.0%	12.5%	13.2%	13.0%
ROIC	17.9%	16.3%	17.2%	17.3%
EBITDA/Equity	31.7%	29.9%	28.1%	26.6%
EBITDA/Assets	13.0%	12.5%	13.2%	13.0%
Cash Dividend IDR bn)	1,493	1,796	1,894	2,168
Dividend Yield (%)	1.5%	1.7%	2.0%	2.3%
Payout Ratio (%)	49.7%	49.9%	49.9%	49.9%
DER	11.1%	11.6%	7.6%	5.6%
Net Gearing	17.7%	17.6%	10.9%	7.7%
LT Debt to Equity	4.7%	4.7%	3.1%	2.3%
Capitalization Ratio	10.0%	10.4%	7.1%	5.3%
Equity Ratio	64.0%	64.3%	67.0%	69.3%
Debt Ratio	7.1%	7.4%	5.1%	3.9%
Financial Leverage	152.3%	148.9%	146.7%	141.7%
Current Ratio	240.7%	242.8%	270.4%	287.3%
Quick Ratio	186.9%	185.5%	204.8%	220.0%
Cash Ratio	129.4%	128.8%	143.9%	156.9%
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	8,200	8,200
Market Cap (IDR tn)	100.0	103.8	95.6	95.6

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	27.8x	27.3x	22.0x	20.9x
Price /Book Value	5.4x	5.1x	4.2x	3.8x
Price/Sales	2.9x	2.9x	2.6x	2.5x
PE/EPS Growth	1.4x	5.0x	1.5x	3.9x
EV/EBITDA	17.1x	16.9x	14.7x	13.7x
EV/EBIT	19.3x	19.0x	16.4x	15.5x
EV (IDR bn)	94,627	98,305	88,821	87,542
Sales CAGR (3-Yr)	11.1%	5.9%	5.3%	4.0%
EPS CAGR (3-Yr)	17.4%	12.8%	13.1%	8.3%
Basic EPS (IDR)	309	326	372	392
Diluted EPS (IDR)	309	326	372	392
BVPS (IDR)	1,586	1,743	1,953	2,159
Sales PS (IDR)	2,955	3,053	3,177	3,322
DPS (IDR)	128	154	162	186

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	3,561	3,529	4,054	4,239
+Depr./Amor.	638	676	654	736
-CAPEX	(905)	(1,533)	(1,640)	(1,715)
-Incr. (Decr.) in Working Cap.	346	702	(416)	(89)
(Unlevered) FCFF	3,640	3,374	2,652	3,172
WACC				
Cost of Debt (Tax Adj.)	8.4%	5.3%	6.0%	6.2%
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%	9.7%	8.4%
Residual Income (IDR bn)	1,941	1,454	1,962	1,906
Equity Charge	1,659	2,343	2,382	2,669
EVA				
Invested Capital (IDR bn)	19,256	20,546	22,679	24,501
ROIC-WACC (%)	8.4%	4.7%	6.3%	5.7%
EVA (IDR mn)	1,618	960	1,419	1,387

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