

Indofood CBP Sukses Makmur Tbk (ICBP IJ)

Pinehill Acquisition Leads to Strong Performance

While we predict rising raw material price and weakening IDR will still continue this year, strong sales contribution from Pinehill succeeded in boosting sales and margin in 4Q20. Thus, we maintain BUY recommendation.

4Q20 earnings came in above our expectation

- Indofood CBP Sukses Makmur (ICBP) reported a 4Q20 earnings of IDR2.6tn, bringing FY20 earnings to IDR6.5tn (+30.7% YoY).
- The rise in 4Q20 earnings was caused by strong sales contribution from Pinehill, cost efficiency, and FX gains of IDR1.3tn from financing the acquisition of Pinehill.
- Revenue grew by 34.1% YoY to IDR12.7tn, translating into FY20 revenue of IDR46.6tn. Cumulatively, FY20 earnings was above our expectations.
- This year, ICBP targets 19%-21% YoY sales growth as management was fairly upbeat with the prospect going forward in hopes of purchasing power recovery. Thus, we revised up our topline FY21/22 estimation by 19.7%/22.5%.
- On margins side, GPM in 4Q20 increased by 530bps YoY to 38.4% (vs. 4Q19: 33.1%), which also led to an improved OPM (470bps YoY) and NPM (850bps YoY).

Supported by Instant Noodle Segment Performance

- By segment, Instant noodle delivered strong results and booked sales of IDR8.8tn in 4Q20. In addition, the EBIT margin of instant noodle has improved despite rising main raw material cost.
- Excluding the beverages and dairy segment, all other segments reported positive sales growth in FY20. In addition, we view that snack food and food seasoning segments recorded double digit growth in sales due to holiday season.
- On Feb 17, ICBP purchased all shares owned by Fritolay Netherlands Holdings BV (Fritolay), resulting in snacks such as *Cheetos*, *Lays*, and *Doritos* to stop being produced in Indonesia. We maintain neutral view on this transaction as snack food segment merely contribute ~6% of total revenue and the rest of existing brands such as *Chitato*, *Chiki*, *Qtela* and others have strong market position.

Maintain BUY

- We maintain BUY recommendation with TP IDR12,150, implying FY21F PE of 14.5x. Risks to our target price are: 1) Weakening IDR against USD; 2) Higher raw material price; 3) lower-than-expected economic recovery.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

	2019A	2020A	2021F	2022F
Sales	42,297	46,641	55,844	68,427
Growth	10.1%	10.3%	19.7%	22.5%
Net Profit	5,039	6,587	7,995	9,791
Growth	10.1%	30.7%	10.4%	11.1%
EPS (IDR)	432	565	686	840
P/E	25.8x	15.3x	12.6x	10.3x
P/BV	4.9x	2.0x	1.8x	1.6x
EV/EBITDA	15.2x	9.5x	11.6x	9.3x
ROE	20.4%	17.1%	14.9%	16.3%
DER	0.1x	0.6x	0.6x	0.4x
Dividend Yield	1.2%	0.9%	1.2%	4.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	12,150
Consensus Price (IDR)	12,148
TP to Consensus Price	0.0%
vs. Last Price	+38.1%

Shares data

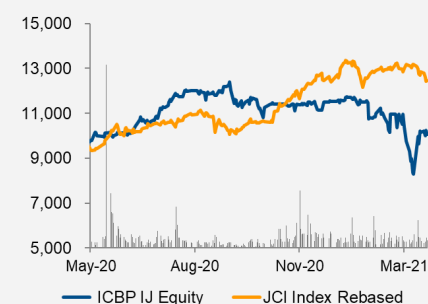
Last Price (IDR)	8,800
Price date as of	Apr 08, 2021
52 wk range (Hi/Lo)	10,600 / 8,150
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	110,496
Market Cap (USD mn)	7,933
Avg. Trd Vol - 3M (mn)	12.28
Avg. Trd Val - 3M (bn)	121.31
Foreign Ownership	5.4%

Consumer Staples

Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.IK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-8.1%	5.1%	-3.3%	-8.3%
Rel. Ret.	-7.6%	7.9%	-1.1%	-39.6%

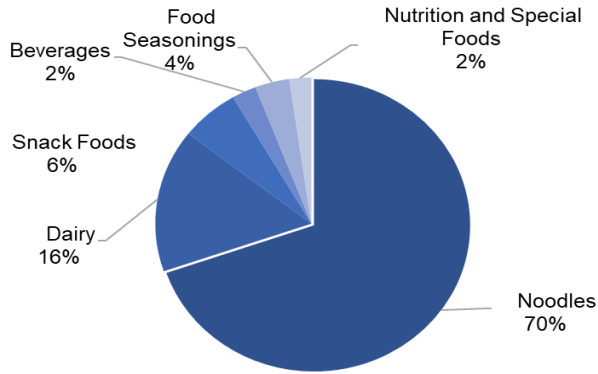
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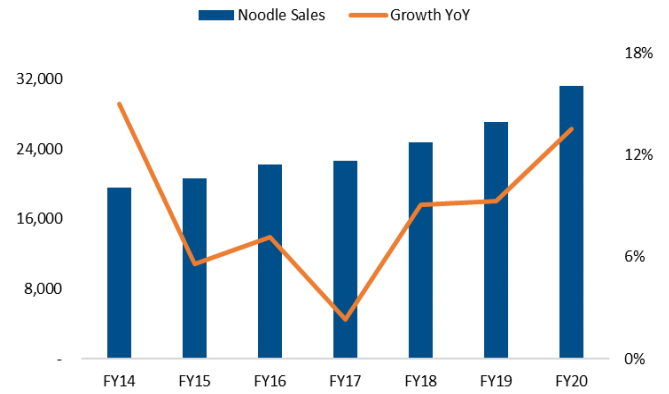
Performance Highlights

Revenue Breakdown | 12M20



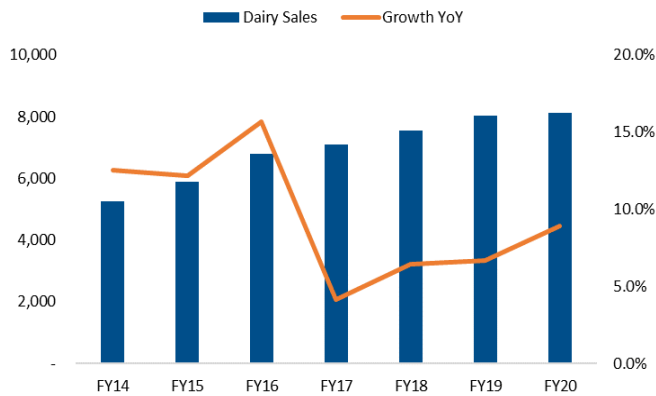
Source: Company, NHKSI Research

Noodle Sales | FY14– FY20



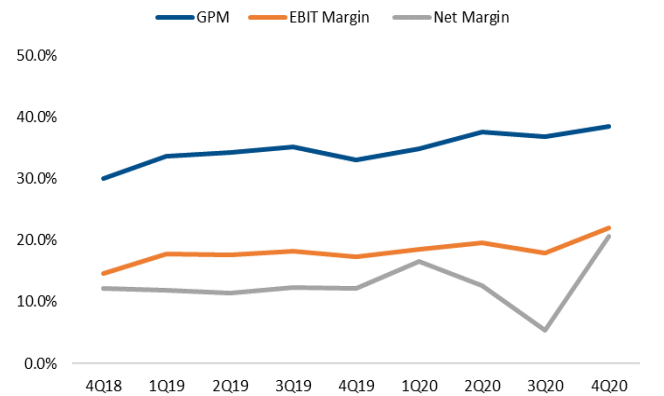
Source: Company, NHKSI Research

Dairy Sales | FY14-FY20



Source: Company, NHKSI Research

Gross Profit & Margin | 4Q18 - 4Q20



Source: Company, NHKSI Research

Wheat Price | FY17-FY21



Source: Company, NHKSI Research

Crude Palm Oil Price | FY17-FY21



Source: Company, NHKSI Research

Company Overview

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.

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	7,109	7,439	3,205	453	30.72%	14.1%	24.1%	15.7x	3.5x
INDF	4,052	11,715	5,617	444	31.53%	7.9%	16.1%	9.1x	1.4x
Japan									
Nissin Foods Holdings	7,775	5,350	4,635	374	96.83%	8.1%	11.3%	21.2x	2.3x
Toyo Suisan Kaisha Ltd	4,686	3,735	3,908	270	37.62%	6.9%	9.3%	16.5x	1.5x
South Africa									
Pioneer Foods Group Ltd	#N/A	967	1,554	63	-15.18%	4.1%	10.5%	#N/A	#N/A
South Korea									
Samyang Foods Co Ltd	600	511	551	57	12.85%	10.4%	21.5%	10.0x	2.0x
Nongshim Co Ltd	1,528	2,503	2,241	126	109.18%	5.6%	7.5%	11.0x	0.8x
Ottogi Corporation	1,858	2,149	2,204	90	9.72%	4.1%	7.9%	17.6x	1.4x
Thailand									
Thai President Foods	2,029	1,247	754	131	3.73%	17.3%	N/A	15.6x	#N/A
Thai Union Group	2,152	4,820	4,235	200	63.69%	4.7%	12.4%	11.3x	1.3x
Malaysia									
Nestle Berhad	7,694	712	1,289	132	-17.86%	10.2%	90.5%	57.5x	57.1x
PPB Group Berhad	6,382	6,189	998	314	14.26%	31.4%	6.0%	20.0x	1.2x

Source: Bloomberg

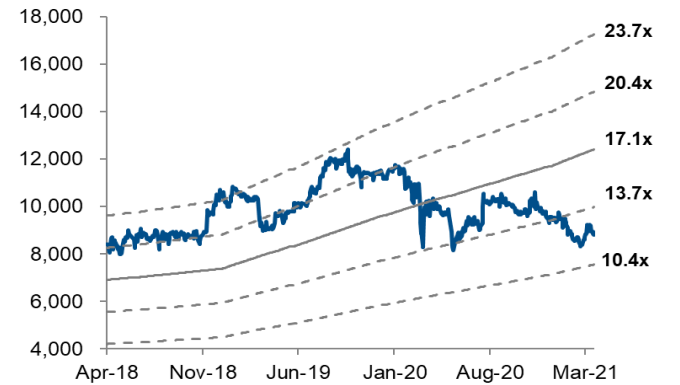
Valuation Highlight in Charts

Forward P/E band | Last 2 years



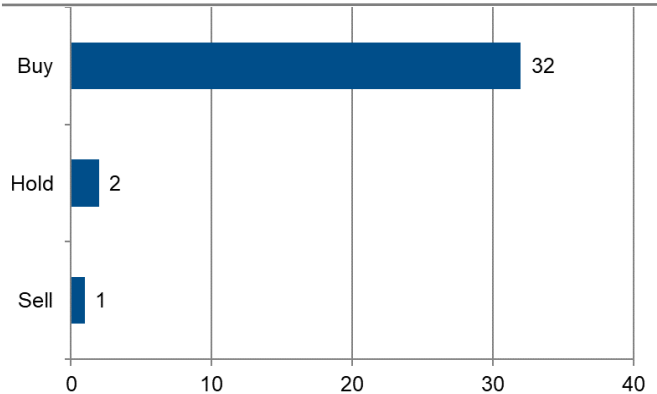
Source: NHKSI research

Dynamic Forward P/E band | Last 2 years



Source: NHKSI research

Recommendations by Analysts



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
12/06/2019	Buy	11,600 (Dec 2019)	9,950	11,002	+16.6%	+5.4%
21/11/2019	Hold	12,875 (Dec 2020)	11,400	12,798	+12.9%	+0.6%
16/06/2020	Hold	9,850 (Dec 2020)	8,650	10,368	+13.9%	-5.0%
14/01/2021	Buy	12,150 (Dec 2021)	9,525	12,148	+27.6%	-0.0%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Sales	42,297	46,641	55,844	68,427
<i>Growth</i>	10.1%	10.3%	19.7%	22.5%
COGS	(27,893)	(29,417)	(35,121)	(43,140)
Gross Profit	14,404	17,225	20,723	25,287
<i>Gross Margin</i>	34.1%	36.9%	37.1%	37.0%
Operating Expenses	(6,904)	(8,108)	(9,708)	(11,896)
EBIT	7,500	9,116	11,015	13,391
<i>EBIT Margin</i>	17.7%	19.5%	19.7%	19.6%
Depreciation	929	1,071	1,471	1,741
EBITDA	8,429	10,187	12,486	15,132
<i>EBITDA Margin</i>	19.9%	21.8%	22.4%	22.1%
Interest Expenses	(161)	(671)	(392)	(384)
EBT	7,412	9,940	12,412	15,200
Income Tax	(2,052)	(2,521)	(3,126)	(3,828)
Minority Interest	(321)	(832)	(1,291)	(1,581)
Net Profit	5,039	6,587	7,995	9,791
<i>Growth</i>	10.1%	30.7%	21.4%	22.5%
<i>Net Profit Margin</i>	11.9%	14.1%	14.3%	14.3%

PROFITABILITY & STABILITY				
	2019/12A	2020/12A	2021/12E	2022/12E
ROE	20.4%	17.1%	14.9%	16.3%
ROA	13.8%	9.3%	7.4%	8.6%
Inventory Turnover	7.3x	6.4x	8.5x	9.6x
Receivable Turnover	10.4x	8.8x	10.1x	12.2x
Payables Turnover	10.6x	9.7x	10.1x	8.3x
Dividend Yield	1.2%	0.9%	1.2%	4.0%
Payout Ratio	34.9%	18.1%	18.1%	50.0%
DER	0.1x	0.6x	0.6x	0.4x
Net Gearing	0.1x	1.4x	1.1x	0.8x
Equity Ratio	68.9%	48.6%	51.3%	54.0%
Debt Ratio	5.8%	31.6%	28.7%	23.8%
Financial Leverage	1.5x	1.8x	2.0x	1.9x
Current Ratio	62.3%	41.2%	43.1%	44.2%
Quick Ratio	1.9x	1.8x	1.9x	1.6x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	11,662	11,662	11,662	11,662
Share Price (IDR)	11,150	8,650	8,650	8,650
Market Cap (IDR tn)	130.0	100.9	100.9	100.9

BALANCE SHEET				
(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Cash	8,359	9,535	13,357	15,944
Receivables	4,049	5,273	5,508	5,624
Inventories	3,841	4,587	4,138	4,491
Total Current Assets	16,625	20,716	24,601	27,785
Net Fixed Assets	11,342	13,606	16,044	17,725
Other Non Current Assets	10,742	69,266	70,711	71,012
Total Non Current Asset	22,084	82,872	86,755	88,737
Total Assets	38,709	103,588	111,356	116,522
Payables	2,635	3,045	3,464	5,200
ST Bank Loan	546	1,796	1,855	1,606
Total Current Liabilities	6,556	9,176	10,904	14,333
LT Debt	1,695	30,900	30,134	26,078
Total Liabilities	12,038	53,270	54,232	53,605
Capital Stock	6,569	6,569	6,569	6,569
Retained Earnings	18,495	22,576	29,382	35,175
Shareholders' Equity	26,671	50,318	57,124	62,917

VALUATION INDEX				
	2019/12A	2020/12A	2021/12E	2022/12E
Price /Earnings	25.8x	15.3x	12.6x	10.3x
Price /Book Value	4.9x	2.0x	1.8x	1.6x
PE/EPS Growth	2.6x	0.5x	0.6x	0.5x
EV/EBITDA	15.2x	9.5x	11.6x	9.3x
EV/EBIT	17.1x	10.6x	13.2x	10.5x
EV (IDR bn)	128,225	96,364	145,210	140,681
Sales CAGR (3-Yr)	7.1%	9.4%	13.3%	17.4%
Net Income CAGR (3-Yr)	11.9%	20.2%	20.4%	24.8%
Basic EPS (IDR)	432	565	686	840
BVPS (IDR)	2,287	4,315	4,898	5,395
DPS (IDR)	137	78	102	343

CASH FLOW STATEMENT				
(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Operating Cash Flow	7,302	9,337	11,072	14,613
Investing Cash Flow	(2,364)	(34,957)	(5,354)	(3,722)
Financing Cash Flow	(1,305)	26,758	(1,896)	(8,303)
Net Changes in Cash	3,633	1,137	3,822	2,587

OWNERSHIP	
Shareholders	%
First Pacific Company	80.5
Schroder Investment	0.8
Vanguard Group	0.7
Matthews Intl Capital	0.7
By Geography	%
Indonesia	94.6
United States	3.0
Luxembourg	0.6
Norway	0.3

Source: Company Data, Bloomberg

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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