

Indofood CBP Sukses Makmur Tbk (ICBP IJ)

Still Attractive Despite Higher Financing Costs

Despite higher interest expenses assumption, we expect ICBP to deliver strong earnings CAGR of 15.9% over FY19-22E with Pinehill inclusion. We also believe that ICBP's refinancing strategy will improve their cash flow in years ahead.

Impressive sales growth

- ICBP closed 1Q21 with impressive sales growth of 25.7% YoY to IDR15.0tn. The increase in sales was largely supported by tripled growth export with the Pinehill acquisition, and the rise of c.4% in the domestic ASP.
- On margins side, GPM and EBIT margins reached an all-time high of 38.9% YoY and 25% YoY in 1Q21 (vs. 1Q20: 34.8% and 23.3%) amid rising raw material prices.
- 1Q21 net profit went down by -12% YoY to IDR1.7tn, dragged by higher interest expense and Foreign exchange (Fx) loss of IDR1.0tn.
- However, ICBP reported a robust 54% YoY core net profit growth in 1Q21 as most business segments booked solid YoY sales growth with margin expansion.
- Based on 1Q sales breakdown, all segments grew, except beverages and nutrition & special foods (NSF) which recorded negative growth.
- To capture the demand of people who are more health conscious, ICBP launched "Supermi Nutrim" chicken steak flavour, which claims to be a healthier option.
- Besides, ICBP has introduced two new noodle flavours called *Hype Abis Mieghetti Bolognese* and *Sarimi Puass Fried Chicken*.

Higher financing cost is Inevitable in the upcoming year

- As of June 2021, ICBP has issued a global bond (USD denomination), with net proceeds primarily used to refinance its acquisition debt. The global bonds amounted to USD1.75bn or equivalent to IDR24.7tn (exchange rate of IDR14.105/USD). They consist of 1) 10Y bonds worth USD1,150mn with fixed interest rate of 3.398% p.a. and 2) 30Y bonds worth USD600mn with fixed interest rate of 3.745% p.a.
- Based on our estimate, the blended interest rate of the bonds will be around ~4%/year, which is higher than the current floating interest of loan at ~2%/year.
- We see that the new financing will result in higher cost of fund, but better cash flow in years ahead considering longer debt maturity.
- Hence, we assume that interest expenses/debt level may increase by 4%/4.5% in FY21E/22E (vs. 2.2% in FY20)

Reiterate BUY call with lower TP of IDR11,300

- ICBP's share price (-12.3%) has underperformed JCI YTD, possibly owing to concern over higher finance expenses and free float adj. to JCI index.
- We maintain our BUY rating for ICBP with lower target price of IDR11,300 based on a target P/E of 16.9x (prev. IDR12,150) as we revise down ICBP's earnings by 15%/20% for FY21F/22F, due to higher raw material cost and financing cost forecast.
- ICBP remains our preference due to stronger noodle segment sales growth and improving margin.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

	2020A	2021F	2022F	2023F
Sales	46,641	56,697	61,274	66,478
Growth	10.3%	21.6%	8.1%	8.5%
Net Profit	6,586	6,779	7,836	8,610
Growth	30.7%	2.9%	15.6%	9.9%
EPS (IDR)	565	581	672	738
P/E	17.0x	19.4x	16.8x	15.3x
P/BV	2.2x	2.4x	2.2x	2.1x
EV/EBITDA	15.2x	12.1x	10.7x	9.7x
ROE	24.7%	13.5%	14.4%	14.6%
DER	0.6x	0.6x	0.5x	0.5x
Dividend Yield	2.2%	2.2%	2.6%	3.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	11,300
Consensus Price (IDR)	11,498
TP to Consensus Price	-1.7%
Potential upside	+34.5%

Shares data

Last Price (IDR)	8,400
Price date as of	6-Jul-21
52 wk range (Hi/Low)	10600/7750
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	98,543
Market Cap (USD mn)	6,790
Avg. Trd Vol - 3M (mn)	5.34
Avg. Trd Val - 3M (bn)	44.71
Foreign Ownership	4.0%

Consumer Non Cyclical

Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-12.3%	0.6%	-5.6%	-10.9%
Rel. Ret.	-11.3%	1.0%	-5.8%	-32.1%

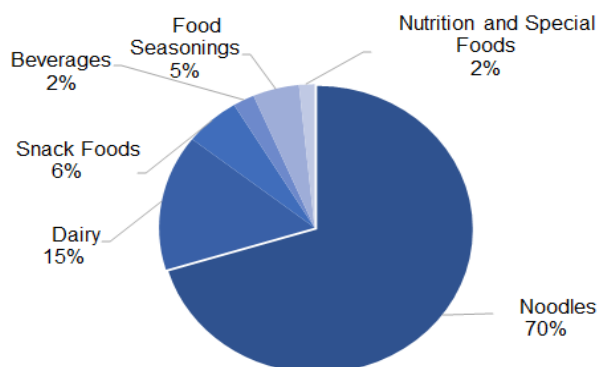
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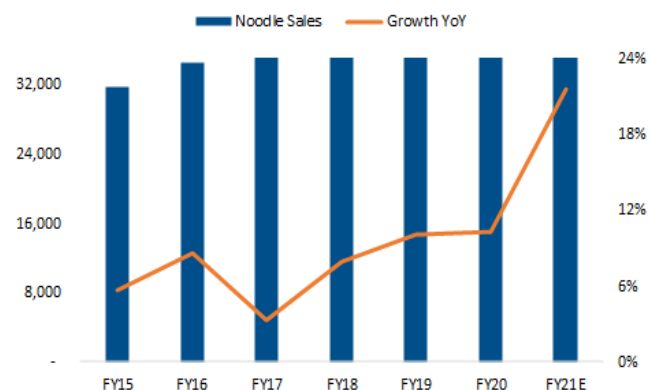
Performance Highlights

Revenue Breakdown | 3M21



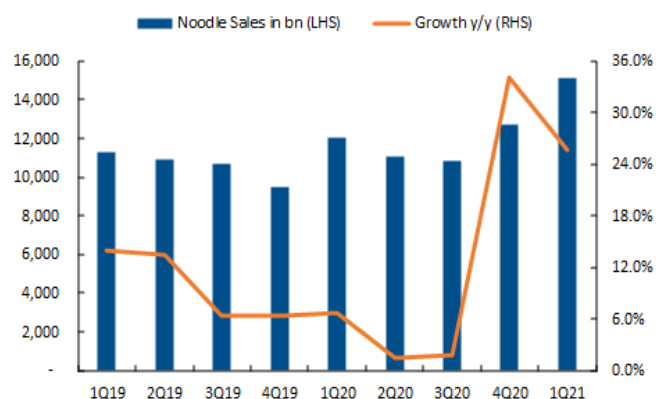
Source: Company, NHKSI Research

Noodle Sales | FY15– FY21E



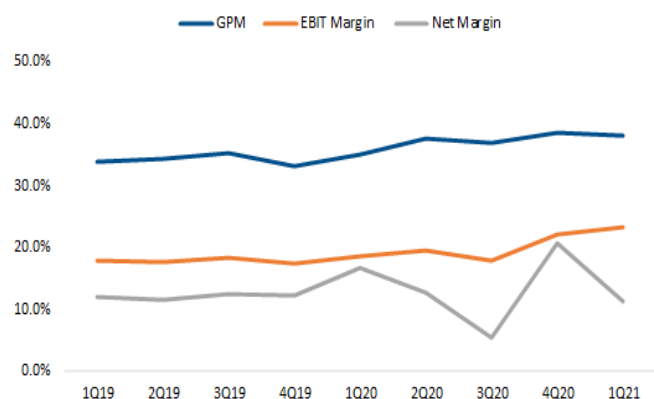
Source: Company, NHKSI Research

Noodle Sales | 1Q19-1Q21



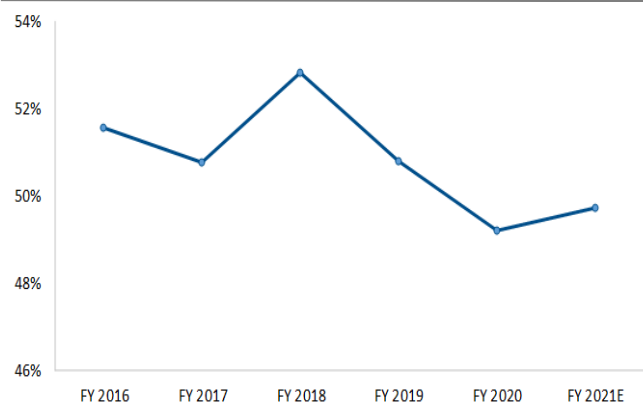
Source: Company, NHKSI Research

Gross Profit & Margin | 1Q19-1Q21



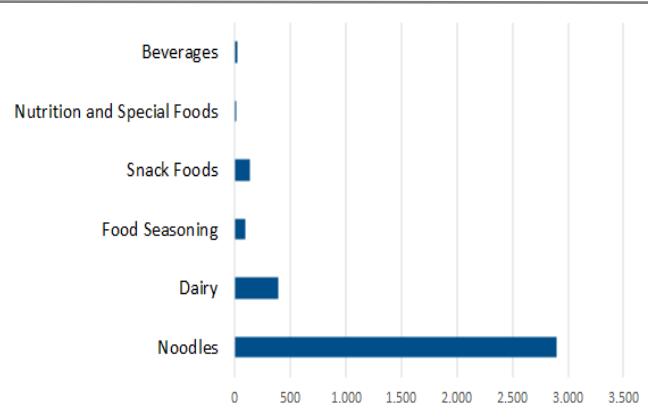
Source: Company, NHKSI Research

Raw Material Used to Sales (%) | FY16-FY21E



Source: Company, NHKSI Research

EBIT (in Bn) | 1Q21



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	6,790	7,439	3,419	436	11.56%	12.8%	21.6%	15.5x	3.1x
INDF	3,902	11,715	5,980	466	36.64%	7.8%	16.1%	8.4x	1.3x
Japan									
Nissin Foods Holdings	7,461	5,999	4,774	385	39.27%	8.1%	11.5%	19.9x	2.1x
Toyo Suisan Kaisha Ltd	4,224	3,852	3,938	274	24.34%	7.0%	9.1%	14.8x	1.3x
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	546	50	-17.81%	9.2%	17.9%	11.8x	2.0x
Nongshim Co Ltd	1,672	2,503	2,233	111	41.97%	5.0%	6.4%	14.1x	0.9x
Ottogi Corporation	1,733	2,149	2,264	83	-16.84%	3.7%	7.1%	18.7x	1.3x
Thailand									
Thai President Foods	1,943	1,247	756	127	-3.77%	16.7%	15.3%	16.0x	2.3x
Thai Union Group	2,966	4,820	4,269	227	97.62%	5.3%	13.7%	14.1x	1.8x
Malaysia									
Nestle Berhad	7,528	712	1,301	130	-13.21%	10.0%	67.8%	57.8x	42.3x
PPB Group Berhad	6,317	6,189	1,016	367	40.36%	36.1%	6.7%	17.2x	1.1x

Source: Bloomberg

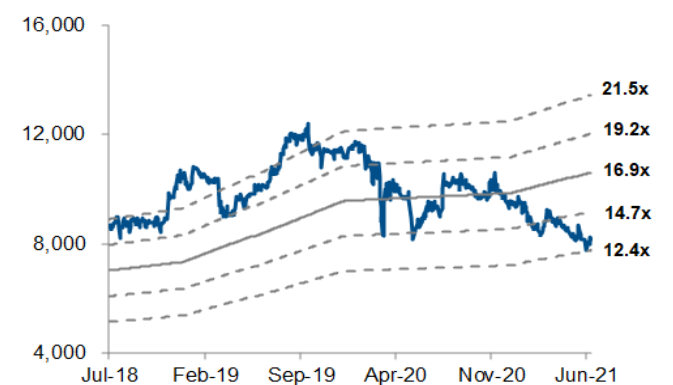
Valuation Highlight in Charts

Forward P/E band | Last 3 years



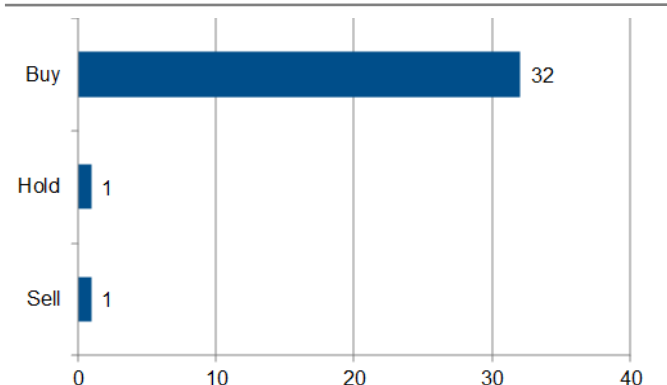
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



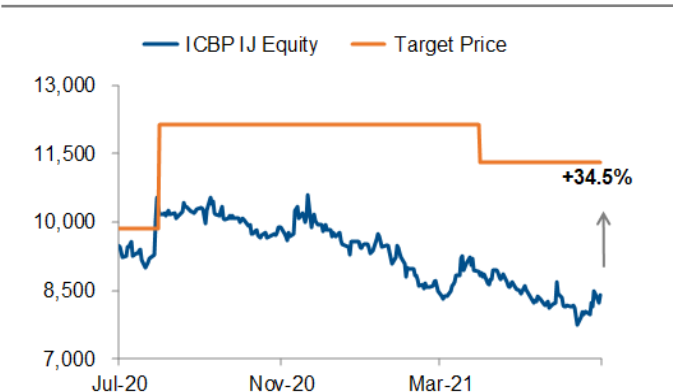
Source: NHKSI research

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	Potential Upside	vs Consensus
12/06/2019	Buy	11,600	9,950	11,002	+16.6%	+5.4%
21/11/2019	Hold	12,875	11,400	12,798	+12.9%	+0.6%
16/06/2020	Hold	9,850	8,650	10,368	+13.9%	-5.0%
14/01/2021	Buy	12,150	9,525	12,148	+27.6%	-0.0%
08/07/2021	Buy	11,300	8,400	11,498	+34.5%	-1.7%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E		2020/12A	2021/12E	2022/12E	2023/12E
Sales	46,641	56,697	61,274	66,478	ROE	24.7%	13.5%	14.4%	14.6%
Growth	10.3%	21.6%	8.1%	8.5%	ROA	17.0%	6.5%	7.2%	7.8%
COGS	(29,416)	(35,063)	(37,527)	(40,735)	Inventory Turnover	6.4x	7.5x	9.6x	9.4x
Gross Profit	17,225	21,634	23,748	25,743	Receivable Turnover	8.8x	9.1x	12.2x	11.8x
Gross Margin	36.9%	38.2%	38.8%	38.7%	Payables Turnover	9.7x	9.6x	9.6x	9.6x
Operating Expenses	(8,023)	(8,396)	(9,074)	(9,845)	Dividend Yield	2.2%	2.2%	2.6%	3.0%
EBIT	9,202	13,238	14,674	15,899	Payout Ratio	18.1%	44.5%	50.0%	50.0%
EBIT Margin	19.7%	23.3%	23.9%	23.9%	DER	0.6x	0.6x	0.5x	0.5x
Depreciation	1,071	1,298	1,547	1,808	Net Gearing	1.4x	1.2x	1.0x	0.8x
EBITDA	10,273	14,535	16,220	17,707	Equity Ratio	48.6%	50.1%	53.4%	55.1%
EBITDA Margin	22.0%	25.6%	26.5%	26.6%	Debt Ratio	31.6%	30.1%	28.1%	26.5%
Interest Expenses	(671)	(2,326)	(1,467)	(1,391)	Financial Leverage	2.0x	1.9x	1.8x	1.8x
EBT	9,960	10,620	12,892	14,166	Current Ratio	2.3x	1.9x	2.0x	2.1x
Income Tax	(2,542)	(2,350)	(3,247)	(3,568)	Quick Ratio	1.8x	1.5x	1.7x	1.7x
Minority Interest	(832)	(1,490)	(1,809)	(1,988)	Par Value (IDR)	50	50	50	50
Net Profit	6,586	6,779	7,836	8,610	Total Shares (mn)	11,662	11,662	11,662	11,662
Growth	30.7%	2.9%	15.6%	9.9%	Share Price (IDR)	9,575	11,300	11,300	11,300
Net Profit Margin	14.1%	12.0%	12.8%	13.0%	Market Cap (IDR tn)	111.7	131.8	131.8	131.8

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E		2020/12A	2021/12E	2022/12E	2023/12E
Cash	9,535	10,049	10,839	11,786	Price /Earnings	17.0x	19.4x	16.8x	15.3x
Receivables	5,273	6,213	5,036	5,646	Price /Book Value	2.2x	2.4x	2.2x	2.1x
Inventories	4,587	4,705	3,907	4,353	PE/EPS Growth	0.6x	6.6x	1.1x	1.5x
Total Current Assets	20,716	22,475	21,411	23,544	EV/EBITDA	15.2x	12.1x	10.7x	9.7x
Net Fixed Assets	13,606	16,345	19,088	21,933	EV/EBIT	17.0x	13.3x	11.8x	10.8x
Other Non Current Assets	69,266	69,563	69,624	69,637	EV (IDR bn)	155,997	175,695	173,222	171,824
Total Non Current Asset	82,872	85,908	88,712	91,570	Sales CAGR (3-Yr)	9.4%	13.9%	13.2%	12.5%
Total Assets	103,588	108,383	110,123	115,114	Net Income CAGR (3-Yr)	20.2%	14.0%	15.9%	9.3%
Payables	3,045	3,653	3,907	4,241	Basic EPS (IDR)	565	581	672	738
ST Bank Loan	1,796	1,992	1,793	1,828	BVPS (IDR)	4,315	4,659	5,040	5,443
Total Current Liabilities	9,176	11,825	10,602	11,387	DPS (IDR)	78	251	291	336
LT Debt	30,900	30,609	29,126	28,639					
Total Liabilities	53,270	54,048	51,342	51,641					
Capital Stock	6,569	6,569	6,569	6,569					
Retained Earnings	22,576	26,403	30,850	35,542					
Shareholders' Equity	50,318	54,335	58,781	63,474					

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E					
Operating Cash Flow	9,337	9,285	10,213	9,983	Shareholders				%
Investing Cash Flow	(34,957)	(5,913)	(4,351)	(4,666)	First Pacific Company				80.5
Financing Cash Flow	26,758	(2,834)	(5,072)	(4,370)	Schroder Investment				0.8
Net Changes in Cash	1,137	537	790	947	Vanguard Group				0.7
					Blackrock				0.5
					By Geography				%
					Indonesia				96.0
					United States				1.8
					Luxembourg				0.6
					Norway				0.4

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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