

# Indofood CBP Sukses Makmur Tbk (ICBP IJ)

## Modest Performance amid Declining Margin

ICBP closed 2Q21 with a modest performance, with declining margin across the board due to rising material costs. The company's performance was slightly below our expectation, which can partly be attributed to slow purchasing power recovery across all consumer sector.

### Modest revenue growth

- In 2Q21, ICBP's earnings continue to rise to IDR1.4tn, although growth slowed to 6.4% YoY, accounting for 21% / 23% of our/consensus estimation
- This figure is slightly below our expectation, due to modest sales growth and higher input cost. But, ICBP usually book lower sales in Q2 compared to the previous quarter.
- Based on geographical segment, domestic sales (c.75% of total sales) grew 3.3% YoY in 2Q21, while export sales (including Pinehill) has more than doubled.
- Q2 margins have been adversely impacted by the upward trend of commodity prices. ICBP recorded lower profitability margins with GPM, OPM, and NPM at 34.8%, 19%, 11% (vs. 37.6%, 20%, 13%).
- According to the management, the company has increased its ASP around 3-4% for selected product. We expect this strategy can offset the decline in GPM.
- Meanwhile, SG&A remained low and controlled at IDR1.8tn, down -2% YoY and -14,8% QoQ.
- All in all, the company reported sales of IDR13.1tn (+18.7% YoY, -13.2% QoQ), which mostly came from growth in volume, particularly in noodle and dairy segment.
- In 1H21, the company posted sales of IDR28,1tn (+22.4% YoY), and net profit reached IDR3,2tn (-4.6% YoY). Meanwhile, 1H21 core net profit (ex-FX loss) improved at IDR3.9tn (+25% YoY).

### Growth contribution from noodle and snack foods

- Noodle segment (c. 70% of total sales) growth in Q2 slowed to IDR9.1tn (+24.7% YoY), restricted by soft domestic demand though export showed a relatively rosy figure.
- Snack food sales booked modest growth of 11.2% YoY. Since the start of August, ICBP no longer produce some popular snacks such as Lays, Doritos, and Cheetos. This was due to the corporate action between ICBP and Fritolay.
- However, based on our ground checks in MT, ICBP has launched new products such as Chitato Lite and Maxicorn. These products are similar with the existing product in term of ASP and size.
- We believe ICBP's strategy to develop these products may assist in maintaining its position as market leader in the snack food industry.
- Dairy segment grew by 6.9% YoY, while Nutrition and Special Food (NSF) turned negative growth.
- Beverage segment enjoyed a better figure due low base effect and gradual recovery in out-house consumption demand.

### Valuation

- At this stage, we see the overall figure is still underpinned by slow recovery in purchasing power across all consumer sector. But, we continue to maintain our revenue forecast for FY21F and BUY call with unchanged TP of 11,300 (based on target P/E of 18.5x).
- Key risks: macroeconomic condition, rupiah depreciation, and uptrend material cost.

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

	2020A	2021F	2022F	2023F
Sales	46,641	56,697	61,037	65,796
Growth	10.3%	21.6%	7.7%	7.8%
Net Profit	6,586	6,779	7,144	7,851
Growth	30.7%	2.9%	5.4%	9.9%
EPS (IDR)	565	581	613	673
P/E	17.0x	19.4x	18.4x	16.8x
P/BV	2.2x	2.3x	2.2x	2.0x
EV/EBITDA	15.2x	11.5x	10.5x	9.6x
ROE	24.7%	13.5%	12.5%	12.9%
DER	0.6x	0.6x	0.5x	0.5x
Dividend Yield	2.2%	2.5%	2.6%	2.7%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## BUY

Target Price (IDR)	11,300
Consensus Price (IDR)	11,177
TP to Consensus Price	1.1%
Potential upside	34.1%

### Shares data

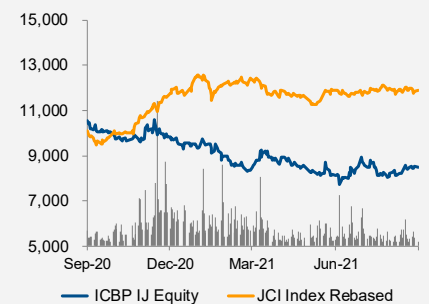
Last Price (IDR)	8,425
Price date as of	13-Sep-21
52 wk range (Hi/Lo)	10600/7750
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	98,543
Market Cap (USD mn)	6,790
Avg. Trd Vol - 3M (mn)	5.34
Avg. Trd Val - 3M (bn)	44.71
Foreign Ownership	4.0%

### Consumer Non Cyclical

#### Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-12.0%	4.3%	3.1%	-15.3%
Rel. Ret.	-11.7%	5.2%	3.2%	-35.0%

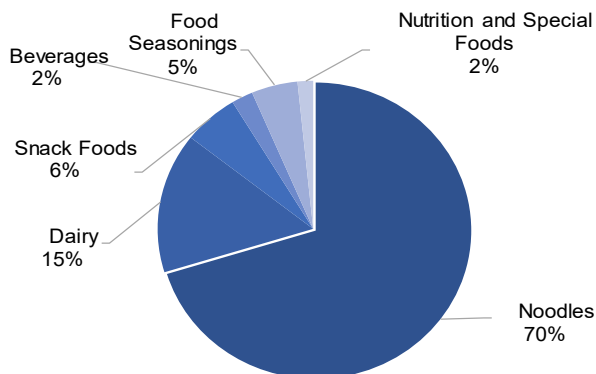
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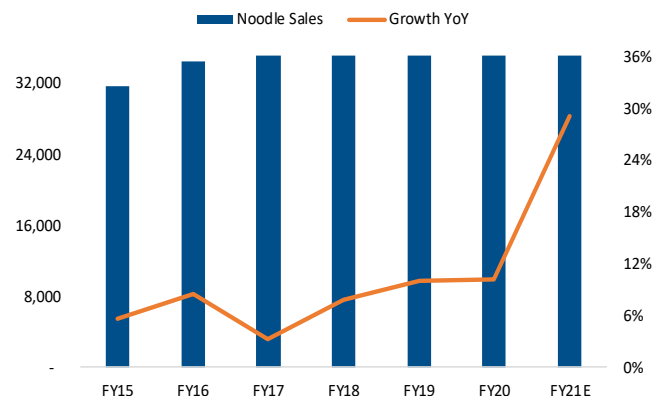
## Performance Highlights

### Revenue Breakdown | 2Q21



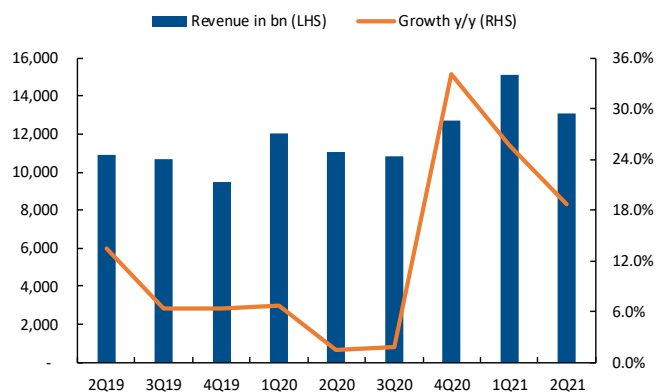
Source: Company, NHKSI Research

### Noodle Sales | FY15–FY21E



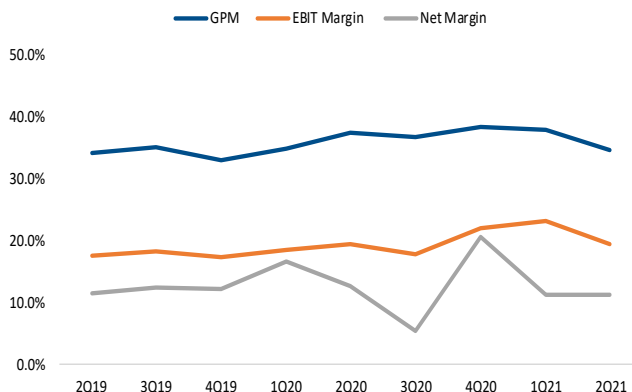
Source: Company, NHKSI Research

### Revenue | 2Q19-2Q21



Source: Company, NHKSI Research

### Gross Profit & Margin | 2Q19-2Q21



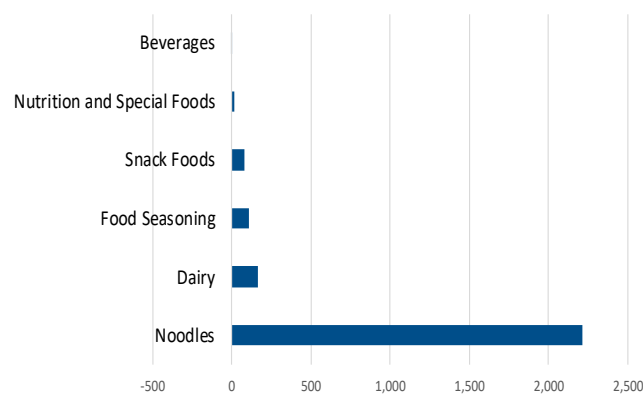
Source: Company, NHKSI Research

### ICBP's New Product Launch



Source: Google

### EBIT (in Bn) | 2Q21



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.

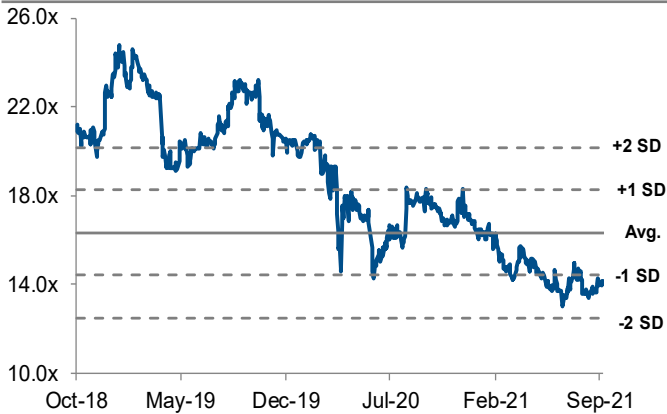
### Asia Pacific Packaged Food Company

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
<b>Indonesia</b>									
ICBP	6,874	7,439	3,593	446	10.06%	12.4%	20.9%	15.2x	3.0x
INDF	3,805	11,715	6,219	489	35.36%	7.9%	16.3%	7.7x	1.2x
<b>Japan</b>									
Nissin Foods Holdings	8,710	5,999	4,865	344	2.85%	7.1%	10.1%	25.8x	2.5x
Toyo Suisan Kaisha Ltd	5,208	3,852	3,727	255	0.34%	6.8%	8.4%	19.5x	1.6x
<b>South Africa</b>									
Pioneer Foods Group Ltd	N/A	967	1,554	63	-15.18%	4.1%	10.5%	N/A	N/A
<b>South Korea</b>									
Samyang Foods Co Ltd	527	511	534	40	-39.21%	7.6%	13.4%	13.5x	1.7x
Nongshim Co Ltd	1,515	2,503	2,262	98	-9.38%	4.3%	5.4%	15.2x	0.8x
Ottogi Corporation	1,607	2,149	2,335	77	-30.66%	3.3%	6.3%	19.9x	1.2x
<b>Thailand</b>									
Thai President Foods	1,953	1,247	746	119	-13.77%	15.9%	14.1%	17.5x	2.4x
Thai Union Group	3,068	4,820	4,380	248	48.34%	5.7%	14.4%	13.5x	1.8x
<b>Malaysia</b>									
Nestle Berhad	7,614	712	1,354	138	-0.36%	10.2%	88.6%	55.4x	48.1x
PPB Group Berhad	6,337	6,189	1,059	335	9.37%	31.6%	6.1%	19.0x	1.1x

Source: Bloomberg

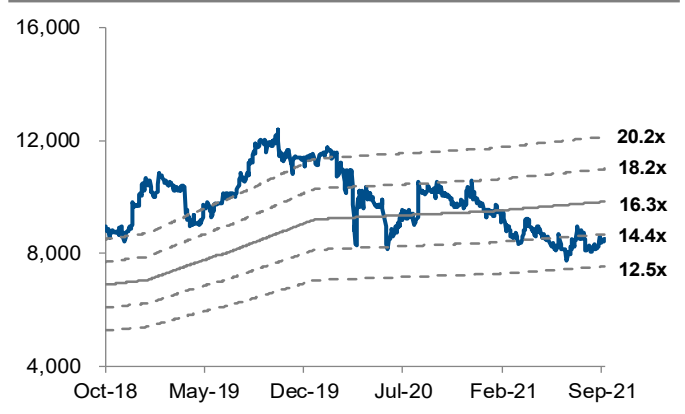
## Valuation Highlight in Charts

Forward P/E band | Last 3 years



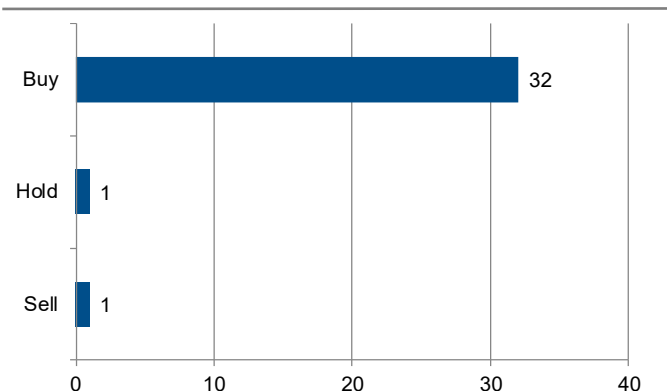
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



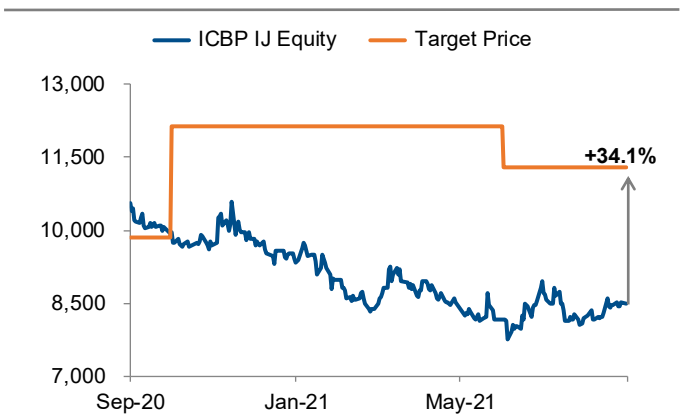
Source: NHKSI research

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				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
<b>Sales</b>	<b>46,641</b>	<b>56,697</b>	<b>61,037</b>	<b>65,796</b>
<i>Growth</i>	10.3%	21.6%	7.7%	7.8%
COGS	(29,416)	(35,860)	(38,522)	(41,497)
<b>Gross Profit</b>	<b>17,225</b>	<b>20,837</b>	<b>22,515</b>	<b>24,298</b>
<i>Gross Margin</i>	36.9%	36.8%	36.9%	36.9%
Operating Expenses	(8,023)	(8,568)	(9,224)	(9,943)
<b>EBIT</b>	<b>9,202</b>	<b>12,269</b>	<b>13,291</b>	<b>14,356</b>
<i>EBIT Margin</i>	19.7%	21.6%	21.8%	21.8%
Depreciation	1,071	1,444	1,519	1,780
<b>EBITDA</b>	<b>10,273</b>	<b>13,713</b>	<b>14,811</b>	<b>16,135</b>
<i>EBITDA Margin</i>	22.0%	24.2%	24.3%	24.5%
Interest Expenses	(671)	(1,730)	(1,543)	(1,441)
<b>EBT</b>	<b>9,960</b>	<b>10,633</b>	<b>11,850</b>	<b>13,024</b>
Income Tax	(2,542)	(2,309)	(2,985)	(3,280)
Minority Interest	(832)	(1,545)	(1,721)	(1,892)
<b>Net Profit</b>	<b>6,586</b>	<b>6,779</b>	<b>7,144</b>	<b>7,851</b>
<i>Growth</i>	30.7%	2.9%	5.4%	9.9%
<i>Net Profit Margin</i>	14.1%	12.0%	11.7%	11.9%

PROFITABILITY & STABILITY				
	2020/12A	2021/12E	2022/12E	2023/12E
ROE	24.7%	13.5%	12.5%	12.9%
ROA	17.0%	6.5%	5.6%	6.1%
Inventory Turnover	6.4x	6.7x	9.6x	9.4x
Receivable Turnover	8.8x	9.1x	12.2x	11.8x
Payables Turnover	9.7x	9.6x	9.6x	9.6x
Dividend Yield	2.2%	2.5%	2.6%	2.7%
Payout Ratio	18.1%	49.7%	50.0%	50.0%
DER	0.6x	0.6x	0.5x	0.5x
Net Gearing	1.4x	1.1x	1.0x	0.8x
Equity Ratio	48.6%	44.6%	47.5%	49.2%
Debt Ratio	31.6%	26.7%	25.0%	23.6%
Financial Leverage	2.2x	2.2x	2.1x	2.0x
Current Ratio	2.3x	3.0x	3.7x	3.6x
Quick Ratio	1.8x	2.6x	3.3x	3.2x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	11,662	11,662	11,662	11,662
Share Price (IDR)	9,575	11,300	11,300	11,300
Market Cap (IDR tn)	111.7	131.8	131.8	131.8

BALANCE SHEET				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	9,535	29,704	29,106	29,351
Receivables	5,273	6,213	5,017	5,588
Inventories	4,587	5,314	4,011	4,434
<b>Total Current Assets</b>	<b>20,716</b>	<b>42,885</b>	<b>39,920</b>	<b>41,302</b>
Net Fixed Assets	13,606	15,747	18,501	21,326
Other Non Current Assets	69,266	69,618	69,691	69,706
<b>Total Non Current Asset</b>	<b>82,872</b>	<b>85,365</b>	<b>88,191</b>	<b>91,033</b>
<b>Total Assets</b>	<b>103,588</b>	<b>128,250</b>	<b>128,112</b>	<b>132,335</b>
Payables	3,045	3,736	4,011	4,320
ST Bank Loan	1,796	3,951	1,858	1,877
<b>Total Current Liabilities</b>	<b>9,176</b>	<b>14,484</b>	<b>10,751</b>	<b>11,461</b>
LT Debt	30,900	30,333	30,172	29,406
<b>Total Liabilities</b>	<b>53,270</b>	<b>71,110</b>	<b>67,217</b>	<b>67,161</b>
Capital Stock	6,569	6,569	6,569	6,569
Retained Earnings	22,576	29,337	33,091	37,371
<b>Shareholders' Equity</b>	<b>50,318</b>	<b>57,139</b>	<b>60,894</b>	<b>65,173</b>

VALUATION INDEX				
	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	17.0x	19.4x	18.4x	16.8x
Price /Book Value	2.2x	2.3x	2.2x	2.0x
PE/EPS Growth	0.6x	6.6x	3.4x	1.7x
EV/EBITDA	15.2x	11.5x	10.5x	9.6x
EV/EBIT	17.0x	12.8x	11.7x	10.8x
EV (IDR bn)	155,997	157,594	155,937	154,946
Sales CAGR (3-Yr)	9.4%	13.9%	13.0%	12.2%
Net Income CAGR (3-Yr)	20.2%	14.0%	12.3%	6.0%
Basic EPS (IDR)	565	581	613	673
BVPS (IDR)	4,315	4,900	5,222	5,589
DPS (IDR)	78	280	291	306

CASH FLOW STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	9,337	9,376	9,392	9,184
Investing Cash Flow	(34,957)	9,163	(4,346)	(4,621)
Financing Cash Flow	26,758	(1,622)	(5,643)	(4,319)
<b>Net Changes in Cash</b>	<b>1,137</b>	<b>16,917</b>	<b>(597)</b>	<b>244</b>

OWNERSHIP	
<b>Shareholders</b>	<b>%</b>
First Pacific Company	80.5
Schroder Investment	0.8
Vanguard Group	0.7
Blackrock	0.5
<b>By Geography</b>	<b>%</b>
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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