

Indofood CBP Sukses Makmur Tbk (ICBP IJ)

Supported by Topline Growth

ICBP closed 9M21 with an impressive performance. Despite the implementation of stricter public activity restrictions, the company achieved double digit revenue growth in almost all segments. As such, we expect the sales figure continue to remain strong in the upcoming quarter.

Strong 9M21 result as expected

- ICBP recorded revenue of IDR14.4tn in 3Q21 (+13.2% YoY, +10.0% QoQ) and IDR42.6tn (+25.7% YoY) cumulatively in 9M21, forming 73% and 74% of ours and consensus estimate respectively.
- This strong figure was mainly attributable to Pinehill noodle sales, leading noodle division (c. 70% of total sales) to report an increase of 41.4% YoY in 3Q21.
- In addition, we saw revenue from Middle East and Africa rose by 32% QoQ, which we believe help to offset soft domestic consumption.
- We witnessed all segments posted double digit YoY revenue growth during 3Q21, except food seasoning, albeit with stricter public activity restrictions.
- Beverage segment grew 20.8% to IDR331bn, and we saw that this segment was able to maintain its turnaround story for the last two quarter. We believe the premise is still intact driven by demand of out of home consumptions.
- Meanwhile, food seasoning segment posted sales of IDR512bn (-6.4% YoY, -3% QoQ), which we believe is due to in-person dining were allowed back.
- Since the government has lifted the strict restriction, we continue to believe this strong sales figure will continue to be demonstrated in the coming quarters.
- Despite hike in COGS and finance expenses, ICBP reported a 3Q21 bottom line of IDR1.7tn and IDR4.9tn cumulatively in 9M21. Meanwhile, core profit surged by 18% YoY to IDR5.17tn

Solid margin despite rising commodity prices

- We believe ICBP has ample room to execute its plan to raise ASP by early next year for selected products given that ICBP is a market leader. As such, the company could maintain its margin relatively stable.
- We also see the overall company's margins were resilient despite the backdrop of rising commodity prices and unfavorable conditions.
- On a cumulative basis, noodle and snacks food expanded their 9M21 EBIT margins at 24.0% (9M20:22.0%) and 10.7% (9M20: 10.0%), respectively.
- Food seasoning and Nutrition and Special Foods (NSF) EBIT margins have reported an improvement to 12.3% (vs. 11.3% in 9M20) and 6.6% (vs. 5.2% in 9M20), respectively.
- On the flip side, Dairy division booked a lower EBIT margin of 10.4% (9M20: 12.0%). Meanwhile, beverage division reported merely 1.6%, after booked EBIT loss in the last year.
- On the positive side, we expect prices of key commodities that are used for raw materials to likely ease in the next year, thus bringing upside potential in gross margin level.

Valuation

- We maintain BUY call on ICBP with a target price of IDR11,300, which we derive based on our FY21F P/E target of 17.9x. Key risks to our call might come from rupiah depreciation, soft consumption, and tightening competition landscape.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

	2020A	2021F	2022F	2023F
Sales	46,641	57,926	62,657	67,874
Growth	10.3%	24.2%	8.2%	8.3%
Net Profit	6,586	6,867	7,408	8,137
Growth	30.7%	4.3%	7.9%	9.8%
EPS (IDR)	565	589	635	698
P/E	17.0x	19.2x	17.8x	16.2x
P/BV	2.2x	2.4x	2.2x	2.0x
EV/EBITDA	15.2x	13.3x	11.8x	10.7x
ROE	24.7%	13.6%	13.5%	13.7%
DER	0.6x	0.5x	0.5x	0.4x
Dividend Yield	2.2%	1.9%	2.0%	2.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer



Company Report | Dec 20, 2021

BUY

Target Price (IDR)	11,300
Consensus Price (IDR)	11,142
TP to Consensus Price	1.4%
Potential upside	28.4%

Shares data

Last Price (IDR)	8,800
Price date as of	17-Dec-21
52 wk range (Hi/Low)	9750/7750
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	102,041
Market Cap (USD mn)	7,094
Avg. Trd Vol - 3M (mn)	5.72
Avg. Trd Val - 3M (bn)	50.61
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.	-6.6%	-0.6%	8.0%	-9.5%
Rel. Ret.	-15.5%	0.6%	0.3%	-17.5%

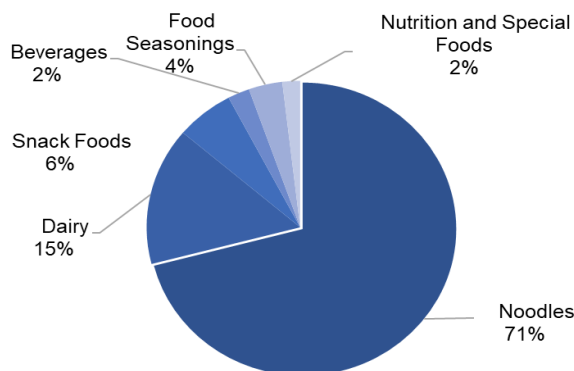
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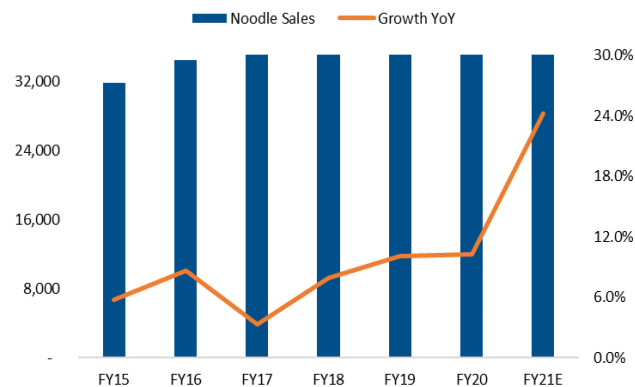
Performance Highlights

Revenue Breakdown | 3Q21



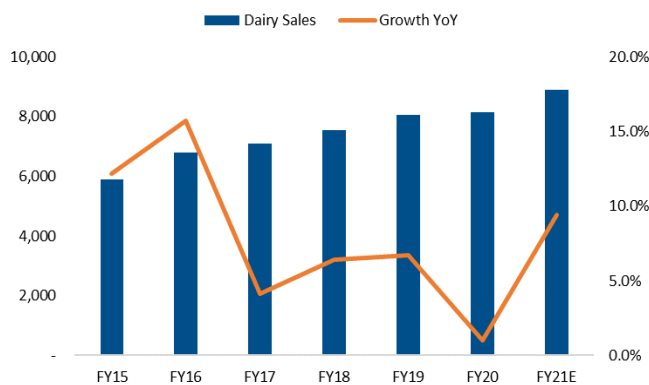
Source: Company, NHKSI Research

Noodle Sales | FY15–FY21E



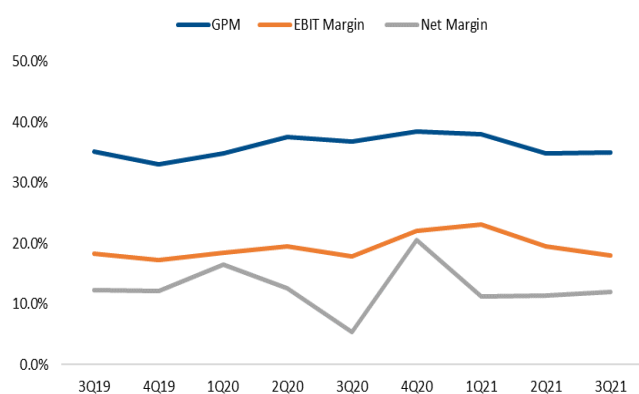
Source: Company, NHKSI Research

Dairy Sales | FY15–FY21E



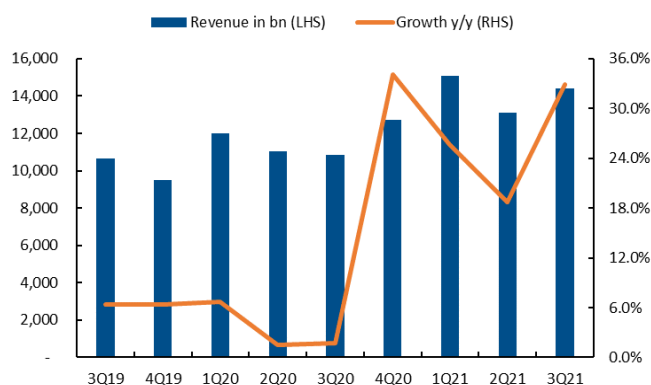
Source: Company, NHKSI Research

Gross Profit & Margin | 3Q19–3Q21



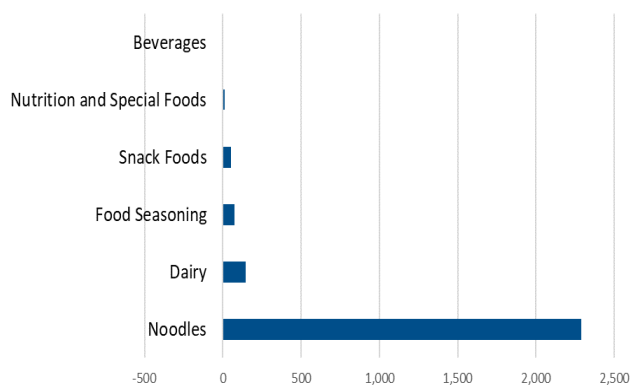
Source: Company, NHKSI Research

Revenue | 3Q19–3Q21



Source: Google

EBIT (in Bn) | 3Q21



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	7,094	7,439	3,863	530	48.43%	13.7%	25.8%	13.5x	3.2x
INDF	3,906	11,715	6,681	566	58.15%	8.5%	19.1%	7.0x	1.3x
Japan									
Nissin Foods Holdings	8,164	5,999	5,026	335	-4.88%	6.7%	9.6%	25.3x	2.3x
Toyo Suisan Kaisha Ltd	4,751	3,875	3,578	236	-11.12%	6.6%	7.7%	19.6x	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	606	511	532	39	-42.98%	7.2%	12.2%	16.6x	1.9x
Nongshim Co Ltd	1,610	2,503	2,294	95	-21.27%	4.1%	5.1%	17.1x	0.8x
Ottogi Corporation	1,427	2,149	2,371	98	3.51%	4.1%	9.6%	11.4x	1.1x
Thailand									
Thai President Foods	1,998	1,247	759	117	-12.27%	15.4%	14.0%	19.0x	2.8x
Thai Union Group	2,724	4,820	4,351	241	28.98%	5.5%	14.0%	12.4x	1.6x
Malaysia									
Nestle Berhad	7,291	712	1,367	143	6.91%	10.5%	96.1%	52.2x	48.4x
PPB Group Berhad	5,635	6,189	1,109	334	7.60%	30.1%	6.0%	17.3x	1.0x

Source: Bloomberg

Valuation Highlight in Charts

Forward P/E band | Last 3 years



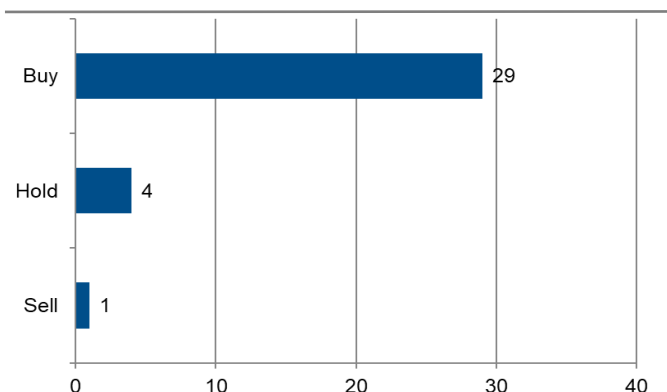
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



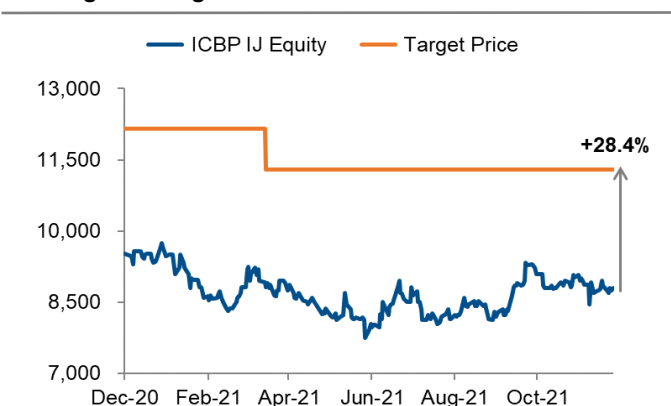
Source: NHKSI research

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
Sales	46,641	57,926	62,657	67,874
<i>Growth</i>	10.3%	24.2%	8.2%	8.3%
COGS	(29,416)	(37,003)	(39,360)	(42,611)
Gross Profit	17,225	20,923	23,297	25,263
<i>Gross Margin</i>	36.9%	36.1%	37.2%	37.2%
Operating Expenses	(8,023)	(9,209)	(10,338)	(11,199)
EBIT	9,202	11,714	12,959	14,063
<i>EBIT Margin</i>	19.7%	20.2%	20.7%	20.7%
Depreciation	1,071	1,339	1,435	1,588
EBITDA	10,273	13,053	14,394	15,651
<i>EBITDA Margin</i>	22.0%	22.5%	23.0%	23.1%
Interest Expenses	(671)	(1,633)	(1,290)	(1,237)
EBT	9,960	10,609	12,240	13,445
Income Tax	(2,542)	(2,226)	(3,083)	(3,386)
Minority Interest	(832)	(1,516)	(1,749)	(1,921)
Net Profit	6,586	6,867	7,408	8,137
<i>Growth</i>	30.7%	4.3%	7.9%	9.8%
<i>Net Profit Margin</i>	14.1%	11.9%	11.8%	12.0%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	24.7%	13.6%	13.5%	13.7%
ROA	17.0%	6.6%	7.0%	7.3%
Inventory Turnover	6.4x	6.7x	6.9x	6.4x
Receivable Turnover	8.8x	8.6x	8.7x	8.9x
Payables Turnover	9.7x	9.6x	9.6x	10.1x
Dividend Yield	2.2%	1.9%	2.0%	2.1%
Payout Ratio	18.1%	38.1%	38.0%	38.0%
DER	0.6x	0.5x	0.5x	0.4x
Net Gearing	1.4x	1.0x	0.9x	0.7x
Equity Ratio	48.6%	51.3%	53.7%	56.5%
Debt Ratio	31.6%	26.9%	24.8%	23.2%
Financial Leverage	2.0x	1.9x	1.8x	1.8x
Current Ratio	2.3x	1.1x	1.2x	1.4x
Quick Ratio	1.8x	0.9x	1.0x	1.1x
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	8,509	10,858	12,144
Receivables	5,273	6,713	7,210	7,624
Inventories	4,587	5,489	5,715	6,654
Total Current Assets	20,716	22,447	25,658	28,297
Net Fixed Assets	13,606	14,476	15,547	16,674
Other Non Current Assets	69,266	69,645	69,725	69,741
Total Non Current Asset	82,872	84,121	85,272	86,415
Total Assets	103,588	106,569	110,930	114,712
Payables	3,045	3,855	4,098	4,203
ST Bank Loan	1,796	717	1,045	1,063
Total Current Liabilities	9,176	19,740	20,807	20,198
LT Debt	30,900	27,957	26,453	25,521
Total Liabilities	53,270	51,848	51,411	49,871
Capital Stock	6,569	6,569	6,569	6,569
Retained Earnings	22,576	26,941	31,740	37,062
Shareholders' Equity	50,318	54,720	59,519	64,841

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	9,337	9,025	8,720	7,745
Investing Cash Flow	(34,957)	(2,885)	(2,585)	(2,731)
Financing Cash Flow	26,758	(7,228)	(3,785)	(3,728)
Net Changes in Cash	1,137	(1,087)	2,349	1,286

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	17.0x	19.2x	17.8x	16.2x
Price /Book Value	2.2x	2.4x	2.2x	2.0x
PE/EPS Growth	0.6x	4.5x	2.3x	1.6x
EV/EBITDA	15.2x	13.3x	11.8x	10.7x
EV/EBIT	17.0x	14.8x	13.1x	11.9x
EV (IDR bn)	155,997	173,154	169,629	167,431
Sales CAGR (3-Yr)	9.4%	14.7%	14.0%	13.3%
Net Income CAGR (3-Yr)	20.2%	14.5%	13.7%	7.3%
Basic EPS (IDR)	565	589	635	698
BVPS (IDR)	4,315	4,692	5,104	5,560
DPS (IDR)	78	215	224	241

OWNERSHIP

Shareholders	%
First Pacific Company	80.5
Vanguard Group	0.7
Blackrock	0.5
Schroder Investment	0.5
By Geography	%
Indonesia	96.0
United States	1.8
Luxembourg	0.7
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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