

Indofood CBP Sukses Makmur Tbk (ICBP IJ)

ICBP's Performance Amid Higher Volume and Average Selling Price (ASP)

ICBP booked 1H22 sales of IDR32.6 trillion (+15.6% YoY) with the Nutrition and Specialty Foods segment leading the growth at 18.7% YoY. In addition, ICBP throughout 2022 is known to have increased its ASP by 9%, 4% in April 2022 and by 5% in June 2022.

1H22 Profit Contracts Amid Growing Sales

- ICBP posted 1H22 sales of IDR32.6 trillion or grew 15.6% YoY driven by higher volume and ASP in all segments. Meanwhile, in 2Q22 sales were recorded at IDR15.4 trillion or grew by 17.5% YoY.
- All segments during 1H22 experienced growth, and the Nutrition and Specialty Foods segment leading the growth with 18.7% YoY.
- Then followed by Snacks (+17.8% YoY), Instant Noodles (+16.4% YoY), Dairy (+14.6% YoY), Beverages (+12.3% YoY), and Food Seasoning (+9.9% YoY).
- Amid rising commodity prices, 1H22 gross profit contracted 0.3% YoY to IDR10.4 trillion amidst a 24.9% YoY increase in COGS to IDR22.2 trillion. Operating profit also contracted 7.6% YoY to IDR5.9 trillion in 1H22.
- Net profit throughout 1H22 was recorded at IDR1.9 trillion, down 40.1% YoY due to high forex loss from funding activities. It is known that 95% of ICBP's total debt in 1H22 was in foreign currency.
- Meanwhile in 2Q22, both gross profit and compact operating profit contracted to IDR4.5 trillion (-0.8% YoY) and IDR2.3 trillion (-7.7% YoY), respectively. Meanwhile, in 2Q22 ICBP experienced a net loss of IDR10.8 billion (-100.7% YoY).
- In addition, higher commodity prices led to a lower GPM in 1H22 of 31.9% (vs 1H21: 37.0%), followed by lower EBIT Margin and NPM of 18.0% and 5.9%, respectively. (vs 1H21: 22.6% and 11.4%).

Potential for Improved Performance amid Falling Wheat Prices

- Amid the sentiment of rising raw material prices, ICBP still has the potential to record good performance in line with the downward trend in world wheat prices due to the opening of exports from Ukraine and improving harvests in Canada and the United States.
- In addition, ICBP throughout 2022 has also been known to increase its ASP by 9%, where in April 2022 it increased by 4% and in June 2022 by 5%.
- Instant Noodles segment (73.3% contribution to sales) posted lower EBIT margin in 1H22 of 19.9% (vs 1H21: 25.3%), followed by Dairy segment 7.4% (vs 1H21: 12.4%), Snacks 6.3% (vs 1H21: 13.6%), and Nutrition and Specialty Meals 6.5% (vs 1H21: 7.5%).
- The ICBP instant noodle segment is known to have a market share of 70% with sales volume in 1H22 grew 7%, contributed by both domestic and overseas.
- Meanwhile, the Food and Beverage Flavouring segment was able to record higher EBIT margins of 13.3% and 5.7%, respectively (vs 1H21: 12.6% and 3.4%).

Recommend BUY with TP of IDR9.800

- We recommend BUY for ICBP with a target price of IDR9.800/share (P/E 16.2x atau -1STD) with a potential upside of 16.0%. Meanwhile, main risks to our recommendation are rupiah depreciation, suboptimal consumer purchasing power, rising commodity prices and decreasing product demand.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

	2021A	2022F	2023F	2024F
Sales	56,804	65,272	72,649	82,352
Growth	21.8%	14.9%	11.3%	13.4%
Net Profit	6,388	5,217	7,103	8,503
Growth	-3.0%	-18.3%	36.2%	19.7%
EPS (IDR)	548	447	609	729
P/E	15.9x	21.9x	16.1x	13.4x
P/BV	1.9x	2.0x	1.8x	1.7x
EV/EBITDA	10.8x	13.0x	10.4x	8.8x
ROE	12.7%	9.5%	12.4%	13.5%
ROA	6.2%	4.4%	6.0%	6.6%
Dividend Yield	2.5%	2.2%	2.1%	2.5%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer



Company Report | Sep 12, 2022

BUY

Target Price (IDR)	9,800
Consensus Price (IDR)	11,029
TP to Consensus Price	-11.1%
Potential upside	16.0%

Shares data

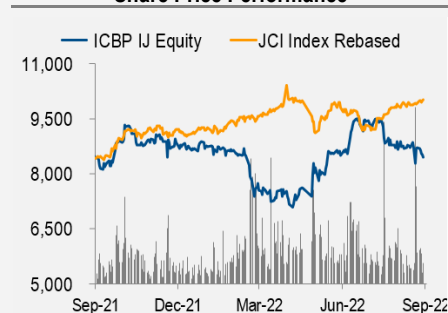
Last Price (IDR)	8,450
Price date as of	Sep 9, 2022
52 wk range (Hi/Low)	9,625/7,050
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	98,543
Market Cap (USD mn)	6,648
Avg. Trd Vol - 3M (mn)	8.6
Avg. Trd Val - 3M (bn)	76.5
Foreign Ownership	4.2%

Consumer Non Cyclical

Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-2.0%	-2.6%	-1.7%	0.3%
Rel. Ret.	-10.7%	-4.2%	-5.3%	-18.7%

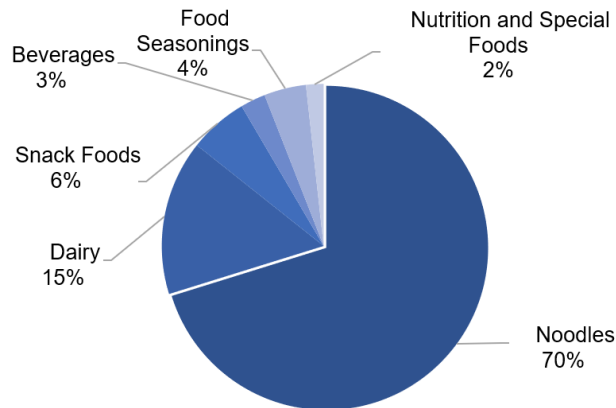
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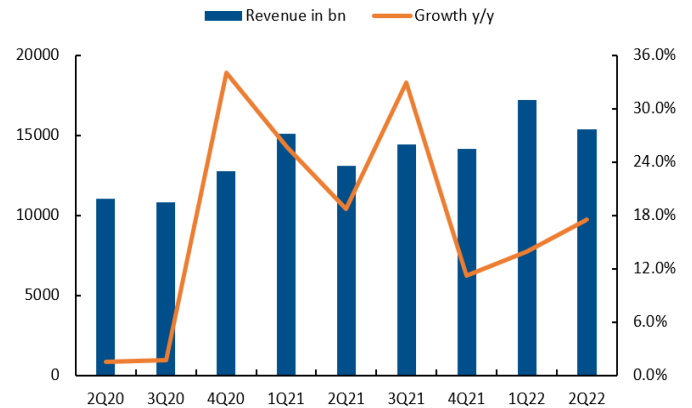
Performance Highlights

Revenue Breakdown | 2Q22



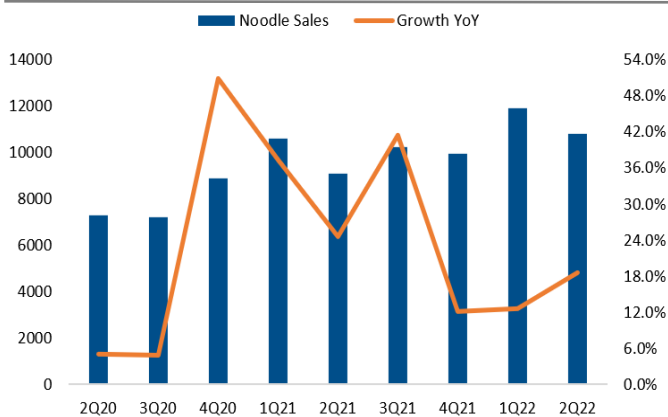
Source: Company, NHKSI Research

Revenue | 2Q20–2Q22



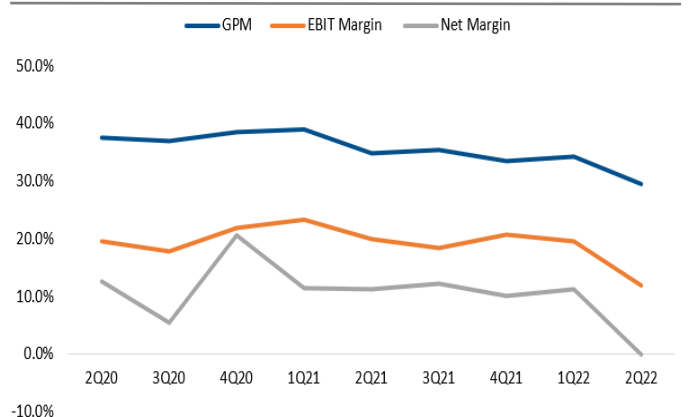
Source: Company, NHKSI Research

Noodle Sales | 2Q20-2Q22



Source: Company, NHKSI Research

Profitability Margin | 2Q20-2Q22



Source: Company, NHKSI Research

Forward P/E Band | Last 3 Years



Source: Company, NHKSI Research

Dynamic Forward P/E Band | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY					
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E	
Sales	56,804	65,272	72,649	82,352	ROE	12.7%	9.5%	12.4%	13.5%	
Growth	21.8%	14.9%	11.3%	13.4%	ROA	6.2%	4.4%	6.0%	6.6%	
COGS	(36,526)	(44,450)	(47,805)	(53,844)	Inventory Turnover	6.2x	6.6x	6.4x	6.5x	
Gross Profit	20,277	20,822	24,844	28,508	Receivable Turnover	8.9x	9.3x	9.1x	9.2x	
Gross Margin	35.7%	31.9%	34.2%	34.6%	Payables Turnover	10.2x	10.1x	10.0x	10.1x	
Operating Expenses	(8,574)	(9,939)	(11,063)	(12,504)	Dividend Yield	2.5%	2.2%	2.1%	2.5%	
EBIT	11,703	10,882	13,781	16,004	Payout Ratio	38.1%	40.0%	45.0%	41.0%	
EBIT Margin	20.6%	16.7%	19.0%	19.4%	DER	0.8x	0.8x	0.8x	0.8x	
Depreciation	1,604	1,438	1,491	1,511	Net Gearing	1.5x	1.4x	1.3x	1.3x	
EBITDA	13,307	12,321	15,273	17,515	Equity Ratio	46.3%	48.2%	48.8%	48.6%	
EBITDA Margin	23.4%	18.9%	21.0%	21.3%	Debt Ratio	35.6%	36.3%	37.1%	36.7%	
Interest Expenses	(1,837)	(2,204)	(2,020)	(2,112)	Financial Leverage	2.1x	2.1x	2.1x	2.1x	
EBT	9,935	8,452	11,509	13,606	Current Ratio	1.8x	2.2x	2.7x	2.8x	
Income Tax	(2,035)	(1,928)	(2,625)	(2,998)	Quick Ratio	1.5x	1.8x	2.2x	2.4x	
Minority Interest	(1,512)	(1,308)	(1,781)	(2,105)	Par Value (IDR)	50	50	50	51	
Net Profit	6,388	5,217	7,103	8,503	Total Shares (mn)	11,662	11,662	11,662	11,662	
Growth	-3.0%	-18.3%	36.2%	19.7%	Share Price (IDR)	8,700	9,800	9,800	9,800	
Net Profit Margin	11.2%	8.0%	9.8%	10.3%	Market Cap (IDR tn)	101.5	114.3	114.3	114.3	
BALANCE SHEET					VALUATION INDEX					
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E	
Cash	20,662	19,275	24,610	32,925	Price /Earnings	15.9x	21.9x	16.1x	13.4x	
Receivables	6,401	6,995	7,986	8,939	Price /Book Value	1.9x	2.0x	1.8x	1.7x	
Inventories	5,857	6,727	7,450	8,270	PE/EPS Growth	-5.3x	-1.2x	0.4x	0.7x	
Total Current Assets	33,998	34,744	41,458	51,714	EV/EBITDA	10.8x	13.0x	10.4x	8.8x	
Net Fixed Assets	14,384	14,683	17,372	18,955	EV/EBIT	12.3x	14.7x	11.5x	9.6x	
Other Non Current Assets	69,685	69,618	69,652	69,635	EV (IDR bn)	144,071	159,587	158,699	154,223	
Total Non Current Asset	84,069	84,301	87,023	88,590	Sales CAGR (3-Yr)	13.9%	15.6%	15.9%	13.2%	
Total Assets	118,067	119,045	128,482	140,303	Net Income CAGR (3-Yr)	11.8%	1.2%	2.6%	10.0%	
Payables	3,586	4,388	4,787	5,331	Basic EPS (IDR)	548	447	609	729	
ST Bank Loan	1,198	769	1,105	1,055	BVPS (IDR)	4,693	4,923	5,382	5,841	
Total Current Liabilities	18,896	15,651	15,532	18,156	DPS (IDR)	215	219	201	250	
LT Debt	40,838	42,428	46,609	50,464	OWNERSHIP					
Total Liabilities	63,343	61,627	65,720	72,183	Shareholders					%
Capital Stock	6,569	6,569	6,569	6,569	First Pacific Co Ltd					80.5
Retained Earnings	26,917	29,470	34,884	40,208	Vanguard Group Inc					0.7
Shareholders' Equity	54,724	57,417	62,761	68,120	Blackrock Inc					0.5
					FIL Ltd					0.5
CASH FLOW STATEMENT					By Geography					%
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E	Indonesia					95.8
Operating Cash Flow	7,989	12,304	6,760	10,749	United States					2.0
Investing Cash Flow	(3,100)	(1,799)	(3,524)	(3,359)	Luxembourg					0.7
Financing Cash Flow	5,906	(12,287)	2,099	926	United Kingdom					0.3
Net Changes in Cash	10,850	(1,782)	5,335	8,315						

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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