

# Indofood CBP Sukses Makmur Tbk (ICBP IJ)

## 9M22 Performance Sustained by All Segments

Throughout 9M22, ICBP's revenue experienced growth, with all segments equally growing, supported by high volumes and average selling prices. However, the high unrealized fx loss from funding activity in 9M22 caused the current period's profit attributable to owners of the parent entity to contract by 33.4% YoY. In 3Q22, the company was able to reverse positively to IDR1.4 trillion (vs. 2Q22: -IDR10.8 billion).

### Unrealized Fx Loss Burdens the Performance

- Throughout 9M22, ICBP's revenue grew by 14.8% YoY to IDR48.9 trillion (vs. 9M21: IDR42.6 trillion). All segments equally experienced growth in 9M22, supported by high volume and average selling prices, with the Beverages segment leading the growth by 16.5% YoY. Additionally, in 3Q22, ICBP posted a revenue of IDR16.3 trillion (+5.9% QoQ; +13.1% YoY).
- Geographically, revenues in several countries within 9M22 grew equally, with the highest growth in the Middle East and Africa at 17.0% YoY, followed by other Asian countries (+14.9% YoY) and Indonesia (+12.7% YoY). However, on a quarterly basis, revenue in the Middle East and Africa fell by 1.7% YoY, while the rest of the other countries experienced growth.
- 9M22's gross profit was able to grow 2.9% YoY to IDR16.0 trillion amid an increase in production costs by 22.2% due to the increase in raw materials used price. Meanwhile, amid the rise in operating expenses, ICBP was able to record an increase in its operating profit in 9M22 by 8.2% YoY to IDR9.5 trillion. Additionally, in 3Q22, the company recorded a gross profit of IDR5.6 trillion (+23.4% QoQ; +9.5% YoY) and an operating profit of IDR3.7 trillion (+8.2% YoY).
- The high unrealize fx loss from funding activity in 9M22 caused the current period's profit attributable to owners of the parent entity to contract by 33.4% YoY to IDR3.3 trillion (vs. 9M21: 5.0 trillion). However, in 3Q22, it was able to reserve positively from 2Q22 to IDR1.4 trillion (vs. 2Q22: -IDR 10.8 billion).

### Margin Grows from the Previous Quarter

- The high cost of raw materials due to the increase in commodity prices caused GPM in 3Q22 to record lower at 34.2% (Vs. 3Q21: 35.3%), followed by NPM, which fell to 8.4% (vs. 3Q21: 12.1%), and only EBIT margin that recorded an increase, which was 21.6% (vs. 3Q21: 18.4%).
- However, on a quarterly basis, all margins equally experienced growth from the previous quarter (vs. 2Q22 GPM: 29.4%; EBIT margin: 13.8%; and NPM: -0.1%).
- Throughout 9M22, EBIT margins for the Nutrition and Specialty Food segment and the Beverages segment recorded higher, with 7.3% and 5.6%, respectively (vs. 9M21: 6.7% and 1.6%). The revenue from the two segments grew, and all product categories in the Beverage segments increased.
- The Instant Noodle segment, which had a significant contribution to sales at 74.8%, recorded a lower EBIT margin in 9M22. The EBIT margin was recorded at 21.9% (vs. 9M21: 24.1%). However, this segment's sales is recorded to face a 16.2% YoY growth.
- Additionally, the Diary, Snack Foods, and Food Seasonings segments experienced a decline in their EBIT margins, which are 6.2%, 7.0%, and 12.0% respectively (vs 9M21: 10.4%; 10.7%; and 12.3%).

### OVERWEIGHT Recommendation with a TP of IDR11,400

- We provide an OVERWEIGHT recommendation for ICBP with a target price of IDR11,400/share (P/E 19.2x) and a potential increase of 10.1%. Additionally, the main risks for our recommendation are the rupiah depreciation, suboptimal consumer purchasing power, and a decrease in product demand.

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

	2021A	2022F	2023F	2024F
Sales	56,804	64,827	71,629	80,583
Growth	21.8%	14.1%	10.5%	12.5%
Net Profit	6,388	5,354	6,927	8,161
Growth	-3.0%	-16.2%	29.4%	17.8%
EPS (IDR)	548	459	594	700
P/E	15.9x	24.8x	19.2x	16.3x
P/BV	1.9x	2.3x	2.1x	2.0x
EV/EBITDA	10.8x	13.3x	11.3x	9.7x
ROE	12.7%	9.8%	12.0%	13.0%
ROA	6.2%	4.5%	5.8%	6.4%
Dividend Yield	2.5%	1.9%	2.0%	2.2%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## OVERWEIGHT

Target Price (IDR)	11,400
Consensus Price (IDR)	11,402
TP to Consensus Price	0.0%
Potential upside	10.1%

### Shares data

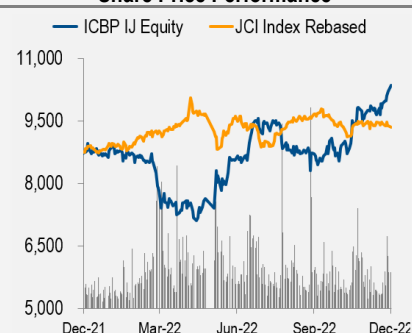
Last Price (IDR)	10,350
Price date as of	Dec 5, 2022
52 wk range (Hi/Lo)	10,350/7,050
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	120,700
Market Cap (USD mn)	7,798
Avg. Trd Vol - 3M (mn)	6.3
Avg. Trd Val - 3M (bn)	58.6
Foreign Ownership	4.8%

### Consumer Non Cyclical

#### Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	20.0%	6.2%	19.0%	18.3%
Rel. Ret.	15.2%	7.8%	22.4%	11.6%

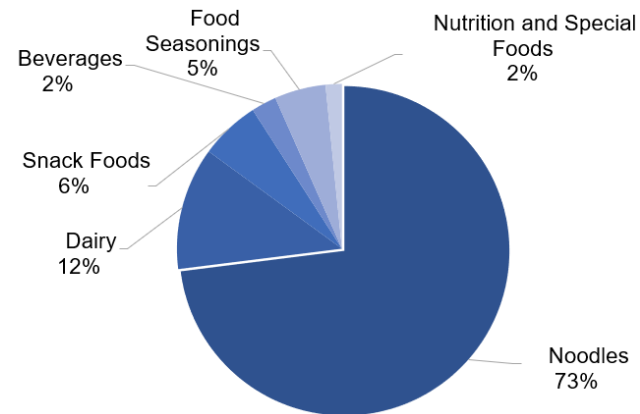
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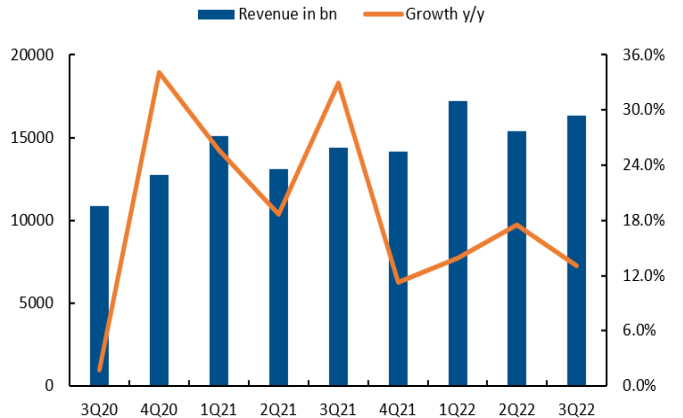
# Performance Highlights

## Revenue Breakdown | 3Q22



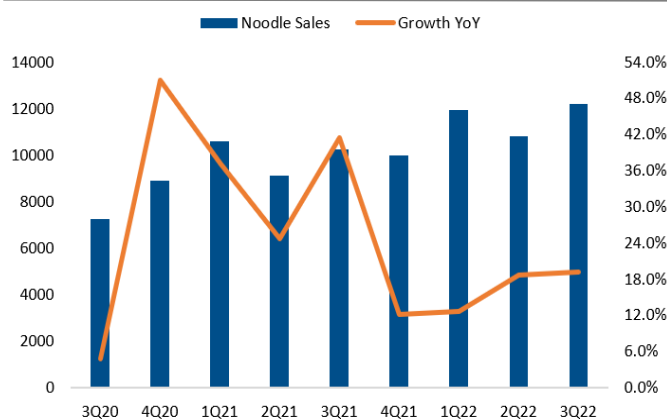
Source: Company, NHKSI Research

## Revenue | 3Q20-3Q22



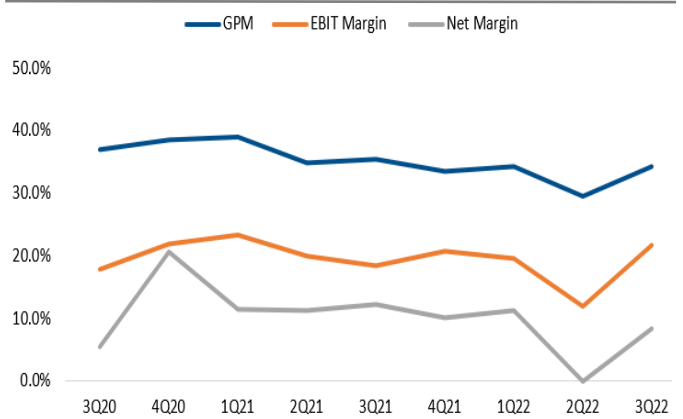
Source: Company, NHKSI Research

## Noodle Sales | 3Q20-3Q22



Source: Company, NHKSI Research

## Profitability Margin | 3Q20-3Q22



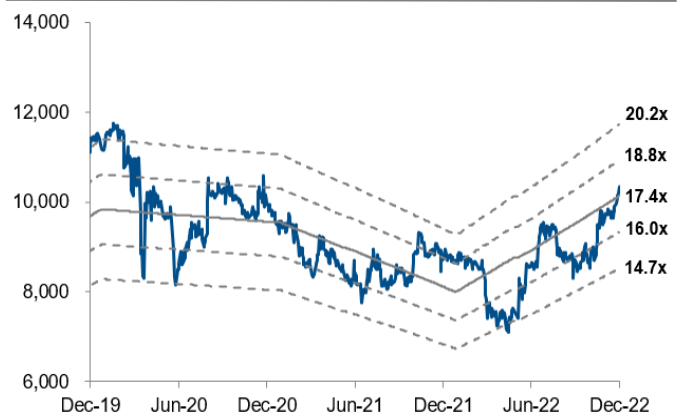
Source: Company, NHKSI Research

## 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

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
<b>Sales</b>	<b>56,804</b>	<b>64,827</b>	<b>71,629</b>	<b>80,583</b>
Growth	21.8%	14.1%	10.5%	12.5%
COGS	(36,526)	(43,743)	(47,057)	(52,583)
<b>Gross Profit</b>	<b>20,277</b>	<b>21,084</b>	<b>24,572</b>	<b>28,000</b>
Gross Margin	35.7%	32.5%	34.3%	34.7%
Operating Expenses	(8,574)	(9,494)	(10,490)	(11,922)
<b>EBIT</b>	<b>11,703</b>	<b>11,590</b>	<b>14,082</b>	<b>16,078</b>
EBIT Margin	20.6%	17.9%	19.7%	20.0%
Depreciation	1,604	1,947	1,661	1,737
<b>EBITDA</b>	<b>13,307</b>	<b>13,536</b>	<b>15,743</b>	<b>17,815</b>
EBITDA Margin	23.4%	20.9%	22.0%	22.1%
Interest Expenses	(1,837)	(2,131)	(1,984)	(2,057)
<b>EBT</b>	<b>9,935</b>	<b>8,720</b>	<b>11,281</b>	<b>13,102</b>
Income Tax	(2,035)	(2,019)	(2,612)	(2,917)
Minority Interest	(1,512)	(1,347)	(1,743)	(2,024)
<b>Net Profit</b>	<b>6,388</b>	<b>5,354</b>	<b>6,927</b>	<b>8,161</b>
Growth	-3.0%	-16.2%	29.4%	17.8%
Net Profit Margin	11.2%	8.3%	9.7%	10.1%

### BALANCE SHEET

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Cash	20,662	19,484	24,930	33,543
Receivables	6,401	6,947	7,874	8,747
Inventories	5,857	6,620	7,333	8,076
<b>Total Current Assets</b>	<b>33,998</b>	<b>34,612</b>	<b>41,456</b>	<b>51,806</b>
Net Fixed Assets	14,384	14,483	17,307	18,822
Other Non Current Assets	69,685	69,624	69,655	69,640
<b>Total Non Current Asset</b>	<b>84,069</b>	<b>84,108</b>	<b>86,962</b>	<b>88,461</b>
<b>Total Assets</b>	<b>118,067</b>	<b>118,720</b>	<b>128,418</b>	<b>140,267</b>
Payables	3,586	4,319	4,712	5,206
ST Bank Loan	1,198	757	1,099	1,042
<b>Total Current Liabilities</b>	<b>18,896</b>	<b>13,603</b>	<b>14,897</b>	<b>17,201</b>
LT Debt	40,838	43,881	47,242	51,492
<b>Total Liabilities</b>	<b>63,343</b>	<b>61,082</b>	<b>65,743</b>	<b>72,294</b>
Capital Stock	6,569	6,569	6,569	6,569
Retained Earnings	26,917	29,381	34,642	39,829
<b>Shareholders' Equity</b>	<b>54,724</b>	<b>57,638</b>	<b>62,674</b>	<b>67,973</b>

### CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Operating Cash Flow	7,989	12,303	8,142	10,522
Investing Cash Flow	(3,100)	(1,567)	(3,497)	(3,276)
Financing Cash Flow	5,906	(11,914)	801	1,367
<b>Net Changes in Cash</b>	<b>10,850</b>	<b>(1,178)</b>	<b>5,445</b>	<b>8,613</b>

Source: Company Data, Bloomberg

### PROFITABILITY & STABILITY

	2021/12A	2022/12E	2023/12E	2024/12E
ROE	12.7%	9.8%	12.0%	13.0%
ROA	6.2%	4.5%	5.8%	6.4%
Inventory Turnover	6.2x	6.6x	6.4x	6.5x
Receivable Turnover	8.9x	9.3x	9.1x	9.2x
Payables Turnover	10.2x	10.1x	10.0x	10.1x
Dividend Yield	2.5%	1.9%	2.0%	2.2%
Payout Ratio	38.1%	39.2%	50.0%	42.4%
DER	0.8x	0.8x	0.8x	0.8x
Net Gearing	1.5x	1.5x	1.4x	1.3x
Equity Ratio	46.3%	48.5%	48.8%	48.5%
Debt Ratio	35.6%	37.6%	37.6%	37.5%
Financial Leverage	2.1x	2.1x	2.1x	2.1x
Current Ratio	1.8x	2.5x	2.8x	3.0x
Quick Ratio	1.5x	2.1x	2.3x	2.5x
Par Value (IDR)	50	50	50	51
Total Shares (mn)	11,662	11,662	11,662	11,662
Share Price (IDR)	8,700	11,400	11,400	11,400
Market Cap (IDR tn)	101.5	132.9	132.9	132.9

### VALUATION INDEX

	2021/12A	2022/12E	2023/12E	2024/12E
Price /Earnings	15.9x	24.8x	19.2x	16.3x
Price /Book Value	1.9x	2.3x	2.1x	2.0x
PE/EPS Growth	-5.3x	-1.5x	0.7x	0.9x
EV/EBITDA	10.8x	13.3x	11.3x	9.7x
EV/EBIT	12.3x	15.5x	12.6x	10.8x
EV (IDR bn)	144,071	179,787	177,820	173,514
Sales CAGR (3-Yr)	13.9%	15.3%	15.4%	12.4%
Net Income CAGR (3-Yr)	11.8%	2.0%	1.7%	8.5%
Basic EPS (IDR)	548	459	594	700
BVPS (IDR)	4,693	4,942	5,374	5,829
DPS (IDR)	215	215	230	252

### OWNERSHIP

Shareholders	%
First Pacific Co Ltd	80.5
Vanguard Group Inc	0.7
FIL Ltd	0.5
Blackrock Inc	0.5
<b>By Geography</b>	<b>%</b>
Indonesia	95.2
United States	2.3
Luxembourg	1.0
United Kingdom	0.4

## 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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