

Indofood CBP Sukses Makmur Tbk (ICBP IJ)

Recorded Positive Results

ICBP's 6M23 sales grew by 5.8% YoY, driven by higher average selling prices (ASP) from all divisions. Both domestic and overseas sales increased, with domestic sales leading the growth at 6.2% YoY, followed by overseas sales, which grew 4.7% YoY. Only the Dairy segment recorded a decline in sales of 6.7% YoY, amidst the industry slowdown and intense competition.

Performance Stays on the Right Track

- ICBP's 6M23 sales were recorded at IDR34.5 trillion, or grew 5.8% YoY, driven by higher average selling prices (ASP) from all divisions, while 2Q23 sales were recorded at IDR15.3 trillion (-19.9% QoQ; -0.4% YoY).
- In 6M23, both domestic and overseas sales increased, with domestic sales leading the growth at 6.2% YoY to IDR 25.1 trillion, followed by overseas sales, which grew 4.7% YoY to IDR 9.4 trillion. In detail, sales in the Middle East and Africa region edged up 1.5% YoY to IDR 7.5 trillion amid high inflation in several countries, such as Turkey and Egypt. Meanwhile, sales in Asia and others grew by 36.6% YoY and 10.2% YoY, respectively.
- A 4.7% decline in raw material costs in 6M23 causing gross profit to increase 20.5% YoY to IDR 12.5 trillion. This led to a higher 6M23 GPM of 36.3% (vs 6M22: 31.9%). On a quarterly basis, ICBP posted a 2Q23 gross profit of IDR5.6 trillion (-20.0% QoQ; +23.1% YoY).
- For 6M23, operating profit also rose by 20.7% YoY to Rp7.1 trillion, causing EBIT margin to increase to 20.6% (vs 6M22: 18.0%). On the bottom line, 6M23 net profit rose significantly by 196.6% YoY to Rp5.7 trillion (vs 6M22: Rp1.9 trillion) due to forex gains from financing activities. This increase also brought NPM higher at 16.6% (vs 6M22: 5.9%). On a 2Q23 quarterly basis, operating profit was recorded at IDR3.1 trillion (-22.2% QoQ; +32.4% YoY), and net profit was recorded at IDR1.8 trillion, a positive turnaround from 2Q22 loss of IDR10.8 billion.

Dairy Segment Sales Decline amid Industry Slowdown

- For 6M23, only the Dairy segment recorded a decline in sales of 6.7% YoY to IDR4.9 trillion amidst industry slowdown and intense competition with volume declines about 10% - 15%. This decline was followed by a smaller EBIT margin of 6.6% (vs 6M22: 7.4%).
- The Instant Noodles segment posted 6M23 sales of IDR25.3 trillion or grew 7.6% YoY driven by higher average selling price (ASP) from both domestic and overseas, while volume was recorded flat. Meanwhile, the 6M23 EBIT margin expanded to 26.2% (vs 6M22: 19.9%).
- The Snack Foods and Beverages segments recorded flat volumes throughout 6M23 amid rising sales. Sales of the Snack Foods segment increased 7.7% YoY to IDR2.1 trillion and the Beverages segment increased 3.7% YoY to IDR782.7 billion. Both segments recorded an increase in EBIT margin, with Snack Foods EBIT margin of 7.7% (vs 6M22: 6.3%) and Beverages EBIT margin of 12.0% (vs 6M22: 5.7%).
- The Food Seasonings segment was the only one to record an increase in volume in 6M23 about 10% with sales up 13.5% YoY to IDR2.0 trillion and EBIT margin recorded flat at 13.4% (vs 6M22: 13.3%). Meanwhile, the Nutrition and Special Food segment recorded a volume decline about 10% - 15% amidst a 4.0% increase in sales to IDR609.9 billion and EBIT margin to 8.3% (vs 6M22: 6.5%).

BUY Recommendation with TP of IDR13,600

- We initiate a BUY recommendation for ICBP by raising our target price to IDR13,600/share (P/E 15.1x) with a potential upside of 19.6%. Meanwhile, the main risks of our recommendation are rupiah depreciation, rising raw material prices, and declining product demand.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

	2022A	2023F	2024F	2025F
Sales	64,798	70,702	77,520	82,642
Growth	14.1%	9.1%	9.6%	6.6%
Net Profit	4,587	9,406	10,514	11,217
Growth	-28.2%	105.1%	11.8%	6.7%
EPS (IDR)	393	807	902	962
P/E	25.4x	16.9x	15.1x	14.1x
P/BV	2.0x	2.4x	2.2x	2.1x
EV/EBITDA	11.8x	12.6x	11.0x	10.3x
ROE	8.4%	16.4%	16.2%	15.9%
ROA	3.9%	8.2%	8.6%	8.6%
Dividend Yield	2.1%	1.4%	3.0%	3.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	13,600
Consensus Price (IDR)	13,618
TP to Consensus Price	-0.1%
Potential upside	19.6%

Shares data

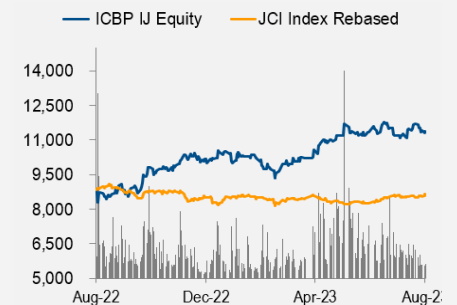
Last Price (IDR)	11,375
Price date as of	Aug 29, 2023
52 wk range (Hi/Lo)	11,925/8,125
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	132,654
Market Cap (USD mn)	8,695
Avg. Trd Vol - 3M (mn)	7.9
Avg. Trd Val - 3M (bn)	89.7
Foreign Ownership	4.8%

Consumer Non Cyclical

Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	12.1%	1.6%	1.8%	28.5%
Rel. Ret.	10.5%	1.2%	-2.4%	31.0%

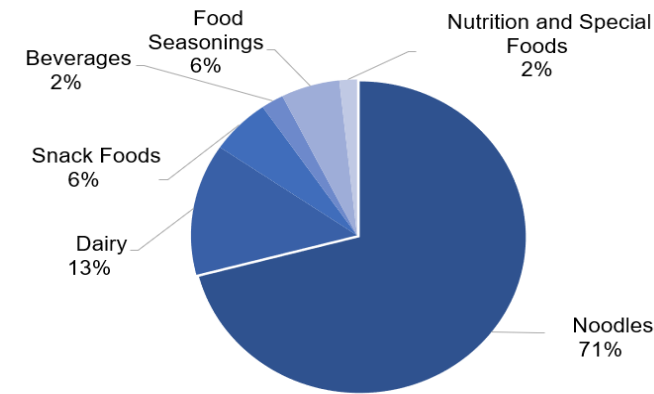
Cindy Alicia Ramadhania

+62 21 5088 9129

cindy.alicia@nhsec.co.id

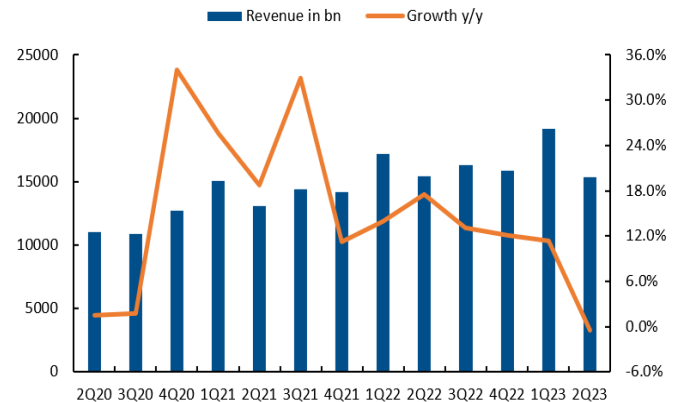
Performance Highlights

Revenue Breakdown | 1H23



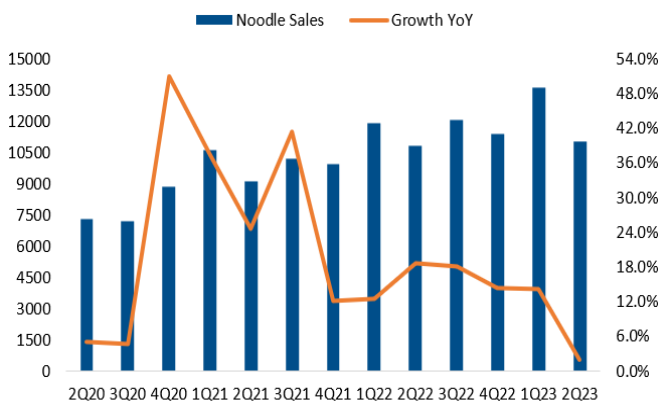
Source: Company, NHKSI Research

Revenue | 2Q20-2Q23



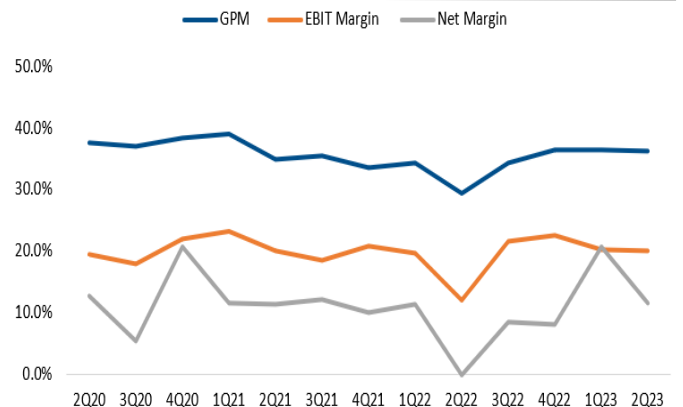
Source: Company, NHKSI Research

Noodle Sales | 2Q20-2Q23



Source: Company, NHKSI Research

Profitability Margin | 2Q20-2Q23



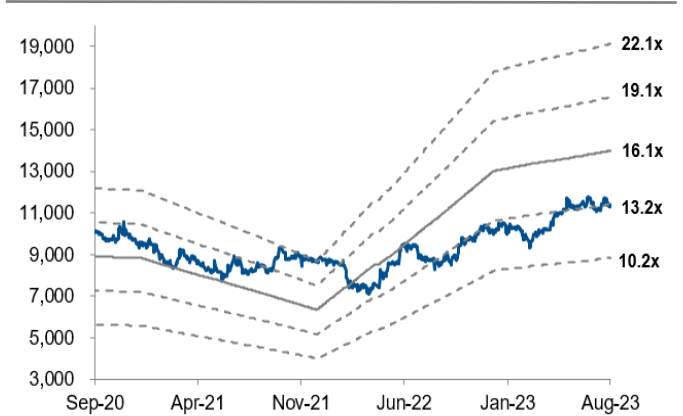
Source: Company, NHKSI Research

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)	2022/12A	2023/12E	2024/12E	2025/12E
Sales	64,798	70,702	77,520	82,642
Growth	14.1%	9.1%	9.6%	6.6%
COGS	(43,005)	(45,399)	(48,782)	(52,377)
Gross Profit	21,792	25,302	28,738	30,265
Gross Margin	33.6%	35.8%	37.1%	36.6%
Operating Expenses	(9,193)	(10,094)	(11,067)	(11,774)
EBIT	12,599	15,208	17,671	18,491
EBIT Margin	19.4%	21.5%	22.8%	22.4%
Depreciation	1,676	1,386	1,143	1,276
EBITDA	14,276	16,595	18,814	19,767
EBITDA Margin	22.0%	23.5%	24.3%	23.9%
Interest Expenses	(2,149)	(2,088)	(2,296)	(2,342)
EBT	7,525	14,058	16,402	17,244
Income Tax	(1,803)	(3,261)	(4,101)	(4,148)
Minority Interest	(1,135)	(1,391)	(1,788)	(1,880)
Net Profit	4,587	9,406	10,514	11,217
Growth	-28.2%	105.1%	11.8%	6.7%
Net Profit Margin	7.1%	13.3%	13.6%	13.6%

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	8.4%	16.4%	16.2%	15.9%
ROA	3.9%	8.2%	8.6%	8.6%
Inventory Turnover	6.0x	6.1x	6.0x	6.1x
Receivable Turnover	9.4x	9.1x	8.1x	8.1x
Payables Turnover	11.6x	10.4x	13.0x	13.5x
Dividend Yield	2.1%	1.4%	3.0%	3.3%
Payout Ratio	39.2%	50.0%	50.0%	50.0%
DER	0.8x	0.7x	0.7x	0.7x
Net Gearing	1.5x	1.3x	1.2x	1.1x
Equity Ratio	49.8%	52.9%	54.5%	54.7%
Debt Ratio	39.6%	38.4%	39.6%	39.7%
Financial Leverage	1.9x	1.9x	1.8x	1.8x
Current Ratio	3.1x	4.1x	6.8x	7.9x
Quick Ratio	2.4x	3.3x	5.6x	6.6x
Par Value (IDR)	50	50	51	52
Total Shares (mn)	11,662	11,662	11,662	11,662
Share Price (IDR)	10,000	13,600	13,600	13,600
Market Cap (IDR tn)	116.6	158.6	158.6	158.6

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	15,741	18,535	23,679	32,208
Receivables	6,876	9,407	9,557	10,189
Inventories	7,132	6,925	8,090	8,615
Total Current Assets	31,070	37,993	44,563	54,364
Net Fixed Assets	14,725	14,850	15,649	16,191
Other Non Current Assets	69,510	69,774	69,642	69,708
Total Non Current Asset	84,235	84,624	85,291	85,899
Total Assets	115,306	122,617	129,854	140,263
Payables	3,703	3,856	3,742	3,874
ST Bank Loan	1,054	1,853	2,021	2,191
Total Current Liabilities	10,034	9,295	6,539	6,891
LT Debt	44,605	45,255	49,369	53,500
Total Liabilities	57,833	57,775	59,118	63,608
Capital Stock	6,569	6,569	6,569	6,569
Retained Earnings	29,343	36,879	42,690	48,650
Shareholders' Equity	57,473	64,841	70,736	76,654

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	25.4x	16.9x	15.1x	14.1x
Price /Book Value	2.0x	2.4x	2.2x	2.1x
PE/EPS Growth	-0.9x	0.2x	1.3x	2.1x
EV/EBITDA	11.8x	12.6x	11.0x	10.3x
EV/EBIT	13.3x	13.7x	11.8x	11.0x
EV (IDR bn)	168,098	208,568	207,791	203,520
Sales CAGR (3-Yr)	15.3%	14.9%	10.9%	8.4%
Net Income CAGR (3-Yr)	-3.1%	12.6%	18.1%	34.7%
Basic EPS (IDR)	393	807	902	962
BVPS (IDR)	4,928	5,560	6,066	6,573
DPS (IDR)	215	197	403	451

OWNERSHIP

Shareholders	%
First Pacific Co Ltd	80.5
FIL Ltd	0.8
Vanguard Group Inc	0.8
Blackrock Inc	0.6
By Geography	%
Indonesia	95.2
United States	2.5
Luxembourg	0.7
Norway	0.4

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	8,804	2,933	7,306	11,404
Investing Cash Flow	(1,506)	(1,938)	(1,826)	(1,876)
Financing Cash Flow	(12,826)	1,837	(336)	(999)
Net Changes in Cash	(5,527)	2,831	5,144	8,529

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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