

Indofood CBP Sukses Makmur Tbk (ICBP IJ)

Noodles Sales Still Winning

ICBP managed to book 9M23 sales growth of 4.9% YoY to IDR 51.3 trillion, followed by net profit that significantly grew by 113.3% YoY to IDR 7.1 trillion (vs. 9M22: IDR 3.3 trillion) driven by unrealized forex gains arising from financing activities. Amidst rising rice prices, 3Q23 Noodles segment sales were able to show positive performance, both QoQ (+13.0%) and YoY (+4.7%), reaching IDR12.8 trillion, as its sales volume grew 9% YoY. Cumulatively for 9M23, Noodles sales recorded a 6.6% YoY increase to IDR38.1 trillion followed by a 3% increase in sales volume. Meanwhile, the Noodles segment's EBIT margin in 9M23 recorded higher at 25.7% (vs. 9M22: 21.9%).

9M23 Net Profit Increases Significantly

- ICBP successfully booked 3Q23 sales of IDR16.8 trillion (+9.7% QoQ; +3.1% YoY), resulting in cumulative 9M23 sales growth of 4.9% YoY to IDR51.3 trillion driven by higher volume and average selling price (ASP). Domestic sales rose 3.6% YoY, followed by Middle East and Africa (+6.3% YoY), other Asia (+33.6% YoY), and others (7.4% YoY).
- Lower input costs led to an increase in 9M23 gross profit by 16.4% YoY to IDR18.6 trillion. Notably, raw material costs decreased by 3.7% YoY to IDR25.7 trillion. This led to an increase in GPM to 36.3% (vs 9M22: 32.7%).
- Although selling expenses increased by 4.5% YoY driven by higher advertising and promotion costs (+11.0% YoY), operating profit was still able to record a 14.1% YoY increase to IDR10.9 trillion followed by an increase in its EBIT margin to 21.2% (vs 9M22: 19.5%).
- 9M23 net profit grew significantly by 113.3% YoY to IDR7.1 trillion (vs 9M22: IDR3.3 trillion) driven by unrealized forex gains arising from financing activities. Specifically, net gains on foreign exchange difference from financing activities was recorded at IDR579.6 billion, leading to a 591.9% YoY increase in finance income. Meanwhile, the increase in net profit also brought NPM to a higher level of 13.8% (vs 9M22: 6.8%).

Dairy Segment Still Facing Challenges

- In the midst of rising rice prices, 3Q23 Noodles segment sales were able to show positive performance, both QoQ (+13.0%) and YoY (+4.7%), reaching IDR12.8 trillion, as its sales volume grew 9% YoY. Cumulatively for 9M23, Noodles sales recorded a 6.6% YoY increase to IDR38.1 trillion followed by a 3% increase in sales volume. Meanwhile, the Noodles segment's EBIT margin in 9M23 recorded higher at 25.7% (vs. 9M22: 21.9%).
- The Snack Foods segment also posted strong growth, with 3Q23 sales recorded at IDR1.1 trillion (+20.9% QoQ; +16.9% YoY) due to higher sales volume, bringing 9M23 sales to IDR3.2 trillion, up 10.8% YoY. The segment's sales volume as of 9M23 grew 2% with EBIT margin rising to 9.8% (vs 9M22: 7.0%).
- In 9M23, sales for the Food Seasonings segment grew 8.1% YoY to IDR2.9 trillion as its sales volume grew by 8%. EBIT Margin was slightly higher at 12.8% (vs 9M22: 12.0%). The Nutritions and Special Foods segment posted sales growth of 4.4% YoY to IDR890.1 billion followed by EBIT margin that rose slightly to 7.7% (vs 9M22: 7.3%). From the Beverages segment, sales grew 3.0% YoY to IDR1.2 trillion and EBIT margin expanded to a higher level of 12.7% (vs 9M22: 5.7%).
- Declining consumption, along with competition in the dairy industry, has caused its sales volume to drop 7% in 9M23 and brought its sales to contract 5.7% YoY to IDR6.8 trillion. However, the company's EBIT margin managed to record a slight increase of 6.5% (vs 9M22: 6.2%).

BUY Recommendation with TP IDR13,600

- We are giving a BUY recommendation for ICBP by maintaining the target price at IDR13,600/share (P/E 16.3x), with a potential upside of 29.5%. 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	69,424	74,505	79,315
Growth	14.1%	7.1%	7.3%	6.5%
Net Profit	4,587	9,088	9,806	10,385
Growth	-28.2%	98.1%	7.9%	5.9%
EPS (IDR)	393	779	841	891
P/E	25.4x	17.5x	16.2x	15.3x
P/BV	2.0x	2.5x	2.3x	2.1x
EV/EBITDA	11.7x	12.2x	11.2x	10.5x
ROE	8.4%	15.8%	15.3%	14.9%
ROA	3.9%	7.9%	8.1%	8.1%
Dividend Yield	2.1%	1.4%	2.8%	3.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer



Company Report | Nov. 22, 2023

BUY

Target Price (IDR)	13,600
Consensus Price (IDR)	13,650
TP to Consensus Price	0.1%
Potential upside	29.5%

Shares data

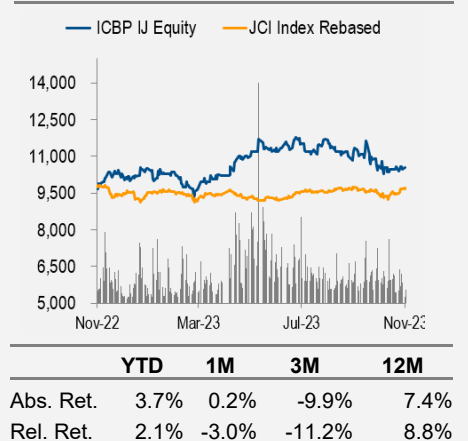
Last Price (IDR)	10,500
Price date as of	Nov. 21, 2023
52 wk range (Hi/Lo)	11,925/9,275
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	122,450
Market Cap (USD mn)	7,899
Avg. Trd Vol - 3M (mn)	4.9
Avg. Trd Val - 3M (bn)	53.6
Foreign Ownership	6.0%

Consumer Non Cyclical

Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.IK

Share Price Performance



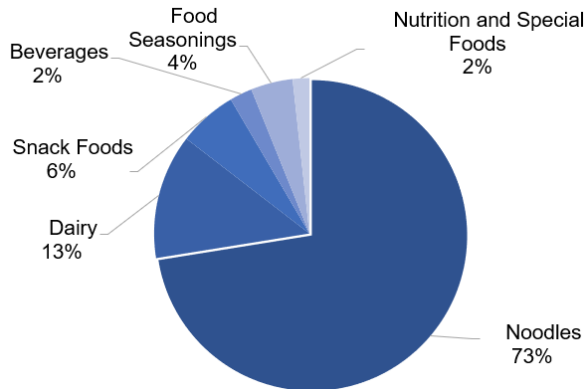
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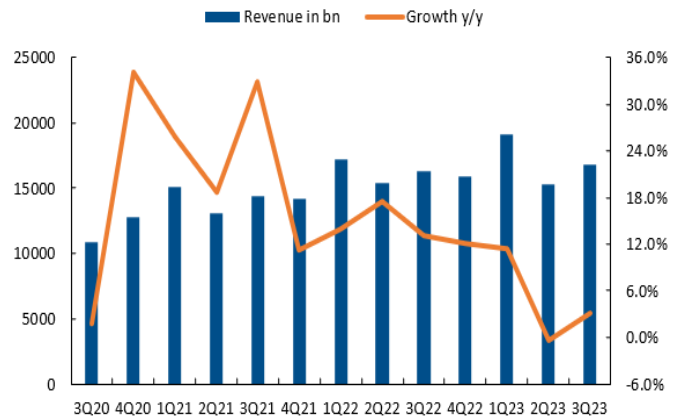
Performance Highlights

Revenue Breakdown | 9M23



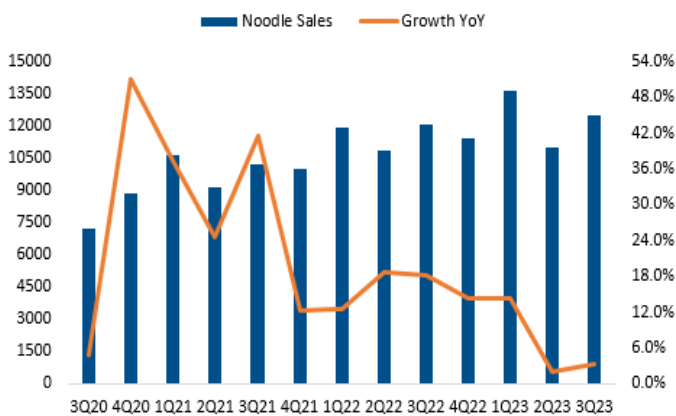
Source: Company, NHKSI Research

Revenue | 3Q20-3Q23



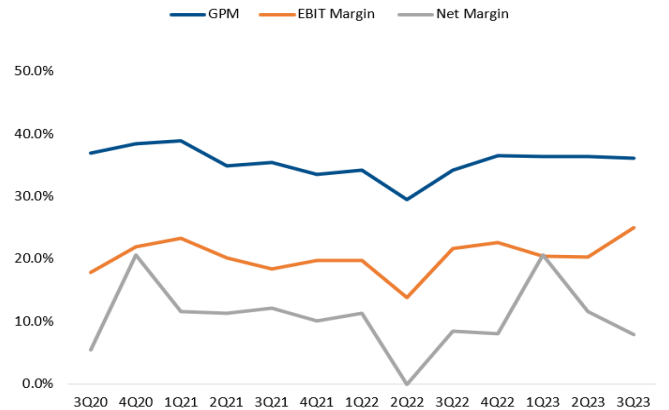
Source: Company, NHKSI Research

Noodle Sales | 3Q20-3Q23



Source: Company, NHKSI Research

Profitability Margin | 3Q20-3Q23



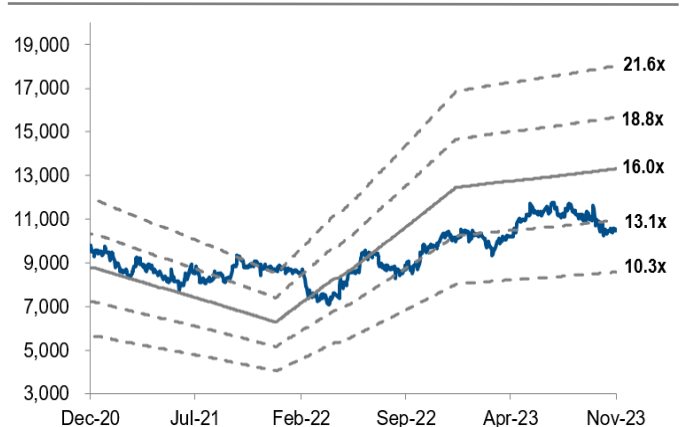
Source: Company, NHKSI Research

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)	2022/12A	2023/12E	2024/12E	2025/12E		2022/12A	2023/12E	2024/12E	2025/12E
Sales	64,798	69,424	74,505	79,315	ROE	8.4%	15.8%	15.3%	14.9%
<i>Growth</i>	14.1%	7.1%	7.3%	6.5%	ROA	3.9%	7.9%	8.1%	8.1%
COGS	(43,005)	(44,184)	(46,614)	(50,007)	Inventory Turnover	6.0x	6.1x	6.0x	6.1x
Gross Profit	21,792	25,240	27,891	29,308	Receivable Turnover	9.4x	9.1x	8.1x	8.1x
<i>Gross Margin</i>	33.6%	36.4%	37.4%	37.0%	Payables Turnover	11.6x	10.4x	13.0x	13.5x
Operating Expenses	(9,157)	(9,582)	(10,283)	(11,034)	Dividend Yield	2.1%	1.4%	2.8%	3.0%
EBIT	12,635	15,658	17,607	18,273	Payout Ratio	39.2%	50.0%	48.0%	48.0%
<i>EBIT Margin</i>	19.5%	22.6%	23.6%	23.0%	DER	0.8x	0.7x	0.7x	0.7x
Depreciation	1,676	1,462	999	1,067	Net Gearing	1.5x	1.3x	1.2x	1.1x
EBITDA	14,311	17,120	18,606	19,341	Equity Ratio	49.8%	52.8%	54.5%	54.6%
<i>EBITDA Margin</i>	22.1%	24.7%	25.0%	24.4%	Debt Ratio	39.6%	38.4%	39.6%	39.8%
Interest Expenses	(2,149)	(2,123)	(2,335)	(2,382)	Financial Leverage	1.9x	1.9x	1.8x	1.8x
EBT	7,525	13,558	15,297	15,918	Current Ratio	3.1x	4.1x	7.1x	8.2x
Income Tax	(1,803)	(3,065)	(3,824)	(3,798)	Quick Ratio	2.4x	3.4x	5.8x	6.9x
Minority Interest	(1,135)	(1,404)	(1,667)	(1,735)	Par Value (IDR)	50	50	51	52
Net Profit	4,587	9,088	9,806	10,385	Total Shares (mn)	11,662	11,662	11,662	11,662
<i>Growth</i>	-28.2%	98.1%	7.9%	5.9%	Share Price (IDR)	10,000	13,600	13,600	13,600
<i>Net Profit Margin</i>	7.1%	13.1%	13.2%	13.1%	Market Cap (IDR tn)	116.6	158.6	158.6	158.6

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E		2022/12A	2023/12E	2024/12E	2025/12E
Cash	15,741	17,638	22,576	30,803	Price /Earnings	25.4x	17.5x	16.2x	15.3x
Receivables	6,876	9,237	9,186	9,779	Price /Book Value	2.0x	2.5x	2.3x	2.1x
Inventories	7,132	6,740	7,731	8,225	PE/EPS Growth	-0.9x	0.2x	2.0x	2.6x
Total Current Assets	31,070	36,792	42,782	52,216	EV/EBITDA	11.7x	12.2x	11.2x	10.5x
Net Fixed Assets	14,725	14,617	15,287	15,682	EV/EBIT	13.3x	13.3x	11.8x	11.2x
Other Non Current Assets	69,510	69,869	69,690	69,779	EV (IDR bn)	168,098	208,960	208,140	203,969
Total Non Current Asset	84,235	84,486	84,976	85,461	Sales CAGR (3-Yr)	15.3%	14.2%	9.5%	7.0%
Total Assets	115,306	121,279	127,759	137,677	Net Income CAGR (3-Yr)	-3.1%	11.3%	15.4%	31.3%
Payables	3,703	3,753	3,576	3,699	Basic EPS (IDR)	393	779	841	891
ST Bank Loan	1,054	1,587	1,724	1,863	BVPS (IDR)	4,928	5,492	5,966	6,449
Total Current Liabilities	10,034	8,963	6,045	6,356	DPS (IDR)	215	197	374	404
LT Debt	44,605	45,029	48,919	52,880					
Total Liabilities	57,833	57,236	58,183	62,468					
Capital Stock	6,569	6,569	6,569	6,569					
Retained Earnings	29,343	36,092	41,535	47,214					
Shareholders' Equity	57,473	64,042	69,576	75,209					

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E					
Operating Cash Flow	8,804	6,815	6,696	10,418	Shareholders				%
Investing Cash Flow	(1,506)	(2,026)	(1,514)	(1,539)	First Pacific Co Ltd				80.5
Financing Cash Flow	(12,826)	(2,700)	(245)	(651)	FIL Ltd				0.9
Net Changes in Cash	(5,527)	2,089	4,937	8,228	Vanguard Group Inc				0.8
					Blackrock Inc				0.7
					By Geography				%
					Indonesia				94.0
					United States				2.4
					Luxembourg				1.5
					United Kingdom				0.6

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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