

Indofood CBP Sukses Makmur Tbk (ICBP)

Acceleration in Sales

Company Report | Dec 06, 2018

Growth of 12% in 3Q18 Sales

ICBP cheered the growth of 12% in sales from IDR8.97 trillion in 3Q17 to IDR10 trillion in 3Q18. The sales leveraged from 4% y-y in 1Q18, 6% y-y in 2Q18, and 12% y-y in 3Q18. **The acceleration was backed by the noodles segment**—contributing 65% to the total sales—**posting the growth of 13% in sales from IDR5.7 trillion in 3Q17 to IDR6.4 trillion in 3Q18.**

Increment in Gross Profit Margin

Its net profit surged by 26% from IDR950 billion in 3Q17 to IDR1.19 trillion in 3Q18. The steep increase was attributable to the decline in tax expenses from 35% in 3Q17 to 28% in 3Q18. Indeed, its gross profit margin inclined from 31.5% in 3Q17 to 33% in 3Q18. The incline in gross profit margin was backed by the **decline in the purchase of finished goods inventories in COGS.**

FY2018E Outstanding Performance

We estimate ICBP to post the growth of 8.4% in the 2018 sales; **the figure is higher than the growth of 3.3% in 2017.** Besides, its net profit surged to 17.8% in 2018, backed by higher profit margin than that in 2017.

Target Price of IDR11,225

We use an estimate of the forward P/E of 24.4x (the 3-year average) to obtain the target price of December 2019. The target price implies a 2019E P/E of 26.8x. Now, ICBP is traded at a 2018E P/E of 25.4x.

Indofood CBP Sukses Makmur Tbk | Summary (IDR bn)

| | 2017 | 2018E | 2019F | 2020F |
|-----------------------|--------|--------|--------|--------|
| Sales | 35,607 | 38,596 | 42,084 | 46,152 |
| <i>Sales growth</i> | 3.3% | 8.4% | 9.0% | 9.7% |
| EBITDA | 5,804 | 6,938 | 7,677 | 8,453 |
| Net Profit | 3,797 | 4,472 | 4,881 | 5,411 |
| EPS (IDR) | 326 | 383 | 419 | 464 |
| <i>EPS growth</i> | 5.4% | 17.8% | 9.1% | 10.9% |
| BVPS (IDR) | 1,743 | 1,965 | 2,192 | 2,447 |
| EBITDA margin | 16.3% | 18.0% | 18.2% | 18.3% |
| NPM | 10.7% | 11.6% | 11.6% | 11.7% |
| ROE | 19.6% | 20.7% | 20.1% | 20.0% |
| ROA | 12.5% | 13.4% | 13.4% | 14.0% |
| ROIC | 17.2% | 19.7% | 19.1% | 19.7% |
| P/E | 27.3x | 25.4x | 23.3x | 21.0x |
| P/BV | 5.1x | 5.0x | 4.4x | 4.0x |
| EV/EBITDA | 16.9x | 15.8x | 14.1x | 12.7x |
| DPS (IDR) | 154 | 162 | 191 | 209 |
| <i>Dividend yield</i> | 1.7% | 1.7% | 2.0% | 2.1% |

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2019 TP (IDR) 11,225

| | |
|-----------------------|--------|
| Consensus Price (IDR) | 9,855 |
| TP to Consensus Price | +13.9% |
| vs. Last Price | +15.1% |

Shares data

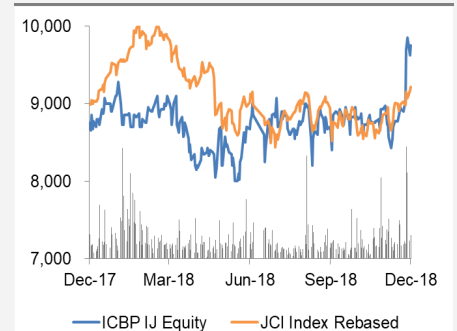
| | |
|------------------------|---------------|
| Last Price (IDR) | 9,750 |
| Price date as of | Dec 04, 2018 |
| 52 wk range (Hi/Lo) | 9,850 / 8,000 |
| Free float (%) | 19.5 |
| Outstanding sh.(mn) | 11,662 |
| Market Cap (IDR bn) | 112,245 |
| Market Cap (USD mn) | 7,850 |
| Avg. Trd Vol - 3M (mn) | 4.35 |
| Avg. Trd Val - 3M (bn) | 38.38 |
| Foreign Ownership | 6.8% |

Consumer Staples

Packaged Foods & Beverages

| | |
|-----------|---------|
| Bloomberg | ICBP IJ |
| Reuters | ICBP.IK |

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|-------|------|-------|-------|
| Abs. Ret. | 7.1% | 9.2% | 12.7% | 11.4% |
| Rel. Ret. | 10.1% | 5.1% | 8.5% | 8.9% |

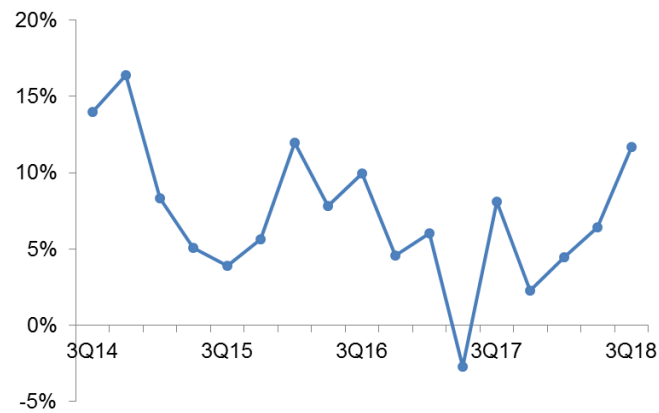
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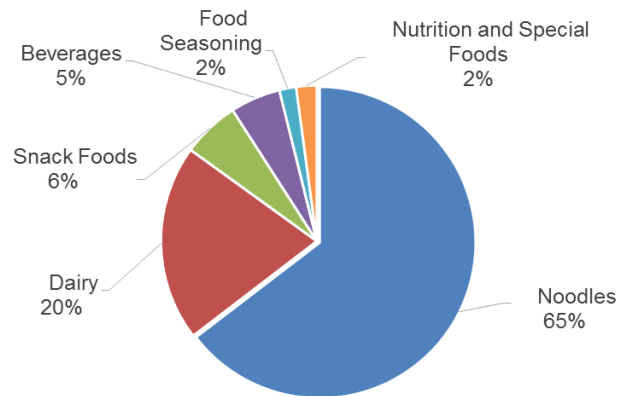
Performance Highlights

ICBP Sales Growth Quarterly | 3Q14 - 3Q18



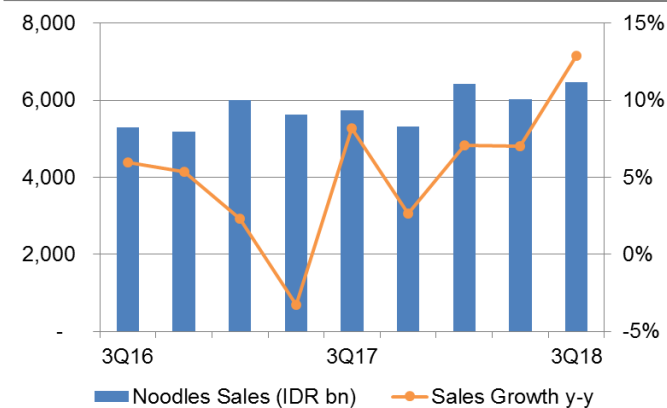
Source: Company, NHKS Research

Sales Breakdown | 3Q18



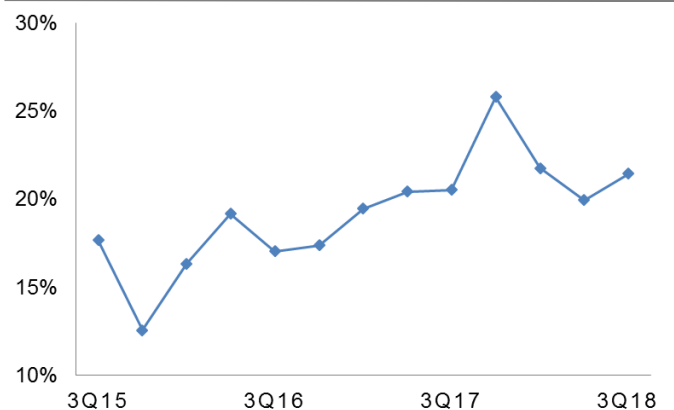
Source: Company, NHKS Research

Noodles Sales | 3Q16 - 3Q18



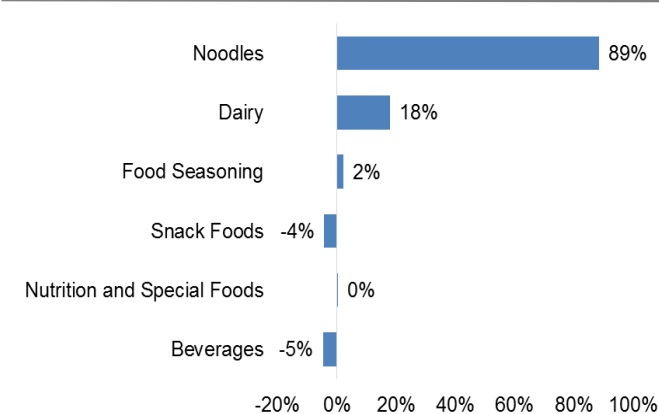
Source: Company, NHKS Research

Noodles Operating Profit Margin | 3Q15 - 3Q18



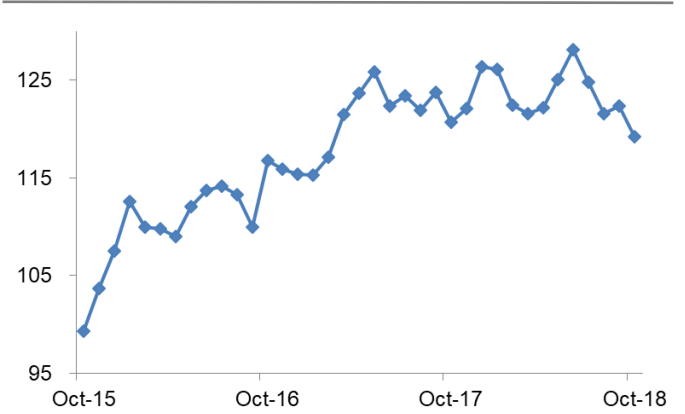
Source: Company, NHKS Research

Operating Profit Contribution Breakdown | 3Q18



Source: Company, NHKS Research

Indonesia Consumer Confidence Index | 2015 - 2018



Source: Company, NHKS Research

3Q18 review (IDR bn)

| | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | | | | | 4Q18E |
|---------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|------------|
| | | | | | Actual | Estimate | y-y | q-q | surprise | |
| Sales | 8,970 | 8,176 | 9,881 | 9,579 | 10,019 | 9,399 | 11.7% | 4.6% | 6.6% | 9,117 |
| Gross Profit | 2,826 | 2,427 | 3,205 | 3,084 | 3,302 | 2,924 | 16.8% | 7.1% | 12.9% | 3,059 |
| <i>Gross Margin</i> | 31.5% | 29.7% | 32.4% | 32.2% | 33.0% | 31.1% | 1.5% | 0.8% | 1.9% | 33.6% |
| EBIT | 1,374 | 1,009 | 1,665 | 1,443 | 1,635 | 1,402 | 19.0% | 13.3% | 16.6% | 1,478 |
| <i>EBIT Margin</i> | 15.3% | 12.3% | 16.8% | 15.1% | 16.3% | 14.9% | 1.0% | 1.3% | 1.4% | 16.2% |
| EBITDA | 1,544 | 1,183 | 1,876 | 1,679 | 1,876 | 1,579 | 21.5% | 11.7% | 18.8% | 1,674 |
| <i>EBIT Margin</i> | 17.2% | 14.5% | 19.0% | 17.5% | 18.7% | 16.8% | 1.5% | 1.2% | 1.9% | 18.4% |
| Net Profit | 950 | 755 | 1,213 | 1,078 | 1,194 | 1,106 | 25.7% | 10.7% | 8.0% | 987 |
| <i>Net Margin</i> | 10.6% | 9.2% | 12.3% | 11.3% | 11.9% | 11.8% | 1.3% | 0.7% | 0.2% | 10.8% |

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

| | | 2018E | 2019F | 2020F |
|-------------------|-----------------|--------------|--------------|--------------|
| Sales | -Revised | 38,596 | 42,084 | 46,152 |
| | -Previous | 37,329 | 39,336 | 41,660 |
| | -Change | 3.4% | 7.0% | 10.8% |
| Gross Profit | -Revised | 12,650 | 13,806 | 15,153 |
| | -Previous | 11,760 | 12,392 | 13,124 |
| | -Change | 7.6% | 11.4% | 15.5% |
| Gross Margin | -Revised | 32.8% | 32.8% | 32.8% |
| | -Previous | 31.5% | 31.5% | 31.5% |
| EBIT | -Revised | 6,221 | 6,795 | 7,464 |
| | -Previous | 5,588 | 5,888 | 6,236 |
| | -Change | 11.3% | 15.4% | 19.7% |
| EBIT Margin | -Revised | 16.1% | 16.1% | 16.2% |
| | -Previous | 15.0% | 15.0% | 15.0% |
| EBITDA | -Revised | 6,938 | 7,677 | 8,453 |
| | -Previous | 6,277 | 6,733 | 7,176 |
| | -Change | 10.5% | 14.0% | 17.8% |
| EBITDA Margin | -Revised | 18.0% | 18.2% | 18.3% |
| | -Previous | 16.8% | 17.1% | 17.2% |
| Net Profit | -Revised | 4,472 | 4,881 | 5,411 |
| | -Previous | 4,458 | 4,691 | 5,019 |
| | -Change | 0.3% | 4.1% | 7.8% |
| Net Margin | -Revised | 11.6% | 11.6% | 11.7% |
| | -Previous | 11.9% | 11.9% | 12.0% |

Source: NHKS research

ICBP at A Glance

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.

ICBP's Competitiveness in the Asia Pacific

Compared to its peers in the Asia Pacific, ICBP has the less expensive P/E and the equal or even higher ROE. In fact, it is still capable of achieving double-digit growth of 11.3% in net profits.

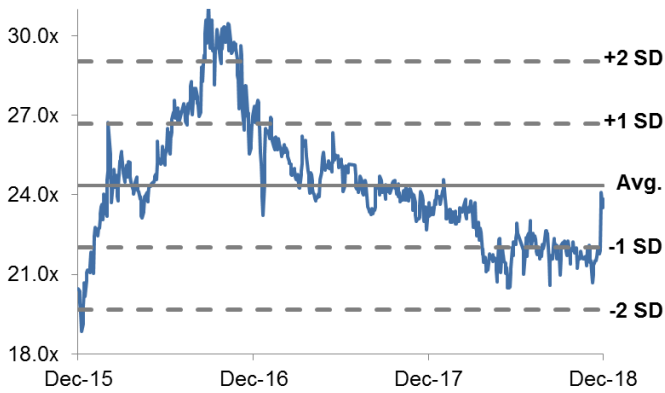
Asia Pacific Packaged Food Company

| 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 | 7,775 | 2,327 | 2,707 | 305 | 11.28% | 11.3% | 21.3% | 26.7x | 5.4x |
| INDF | 4,013 | 6,472 | 5,163 | 267 | -10.95% | 5.2% | 11.7% | 15.7x | 1.8x |
| Japan | | | | | | | | | |
| Nissin Foods Holdings | 6,671 | 5,348 | 4,381 | 273 | 16.46% | 6.2% | 9.2% | 24.6x | 2.2x |
| Toyo Suisan Kaisha Ltd | 3,903 | 3,516 | 3,580 | 165 | -8.20% | 4.6% | 6.4% | 22.3x | 1.4x |
| South Africa | | | | | | | | | |
| Pioneer Foods Group Ltd | 1,475 | 1,026 | 1,550 | 82 | 47.74% | 5.3% | 13.1% | 16.8x | 2.5x |
| South Korea | | | | | | | | | |
| Samyang Foods Co Ltd | 400 | 373 | 445 | 36 | 15.90% | 8.1% | 18.3% | 11.4x | 1.9x |
| Nongshim Co Ltd | 1,396 | 2,295 | 2,016 | 69 | -18.55% | 3.4% | 4.1% | 19.7x | 0.8x |
| Ottogi Corporation | 2,357 | 1,613 | 2,019 | 145 | 11.64% | 7.2% | 14.0% | 15.2x | 2.0x |
| Thailand | | | | | | | | | |
| Thai President Foods | 1,592 | 901 | 638 | 84 | -0.62% | 13.2% | 15.1% | 18.3x | 2.6x |
| Thai Union Group | 2,558 | 4,491 | 4,117 | 111 | -34.41% | 2.7% | 8.3% | 20.5x | 2.0x |
| Malaysia | | | | | | | | | |
| Nestle Berhad | 8,162 | 630 | 1,353 | 166 | 15.66% | 12.3% | 96.8% | 50.9x | 48.0x |
| PPB Group Berhad | 5,805 | 5,591 | 1,116 | 305 | -6.07% | 27.3% | 5.9% | 20.5x | 1.2x |
| India | | | | | | | | | |
| Nestle India Ltd | 14,062 | 1,153 | 1,643 | 237 | 42.23% | 14.4% | 41.5% | 63.4x | 27.2x |
| Britannia Industries Ltd | 10,236 | 796 | 1,525 | 156 | 13.54% | 10.2% | 32.9% | 72.4x | 21.3x |

Source: Bloomberg

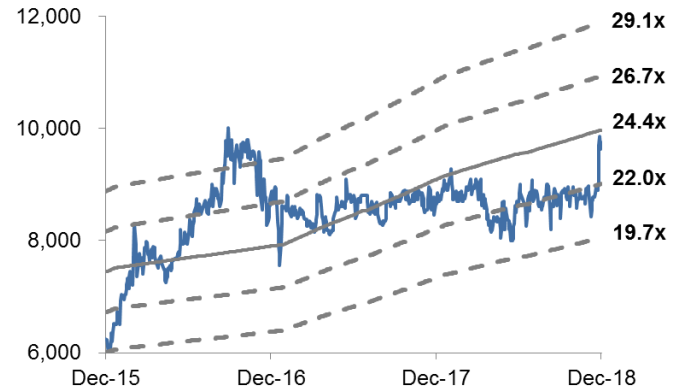
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

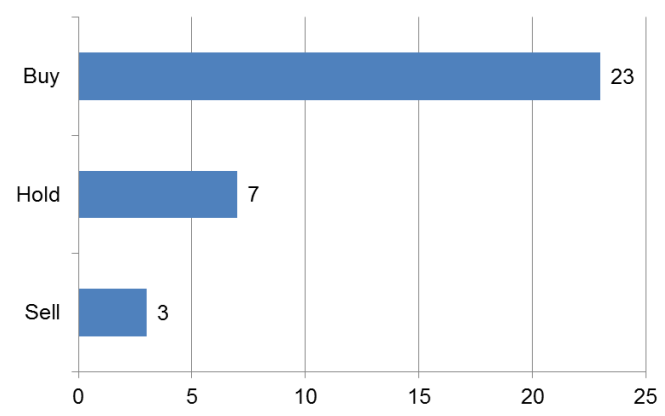
Rating and Target Price Update

Target Price Revision

| Date | Rating | Target Price | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|-------------------|------------|-----------|---------------|--------------|
| 04/05/2018 | Buy | 9,625 (Dec 2018) | 8,200 | 9,330 | +17.4% | +3.2% |
| 07/18/2018 | Buy | 10,550 (Dec 2018) | 8,675 | 9,417 | +21.6% | +12.0% |
| 09/26/2018 | Buy | 10,550 (Dec 2019) | 8,950 | 9,715 | +17.9% | +8.6% |
| 12/06/2018 | Buy | 11,225 (Dec 2019) | 9,750 | 9,855 | +15.1% | +13.9% |

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

| INCOME STATEMENT | | | | | PROFITABILITY & STABILITY | | | | |
|--------------------------|---------------|---------------|---------------|---------------|---------------------------|----------|----------|----------|----------|
| (IDR bn) | 2017/12A | 2018/12E | 2019/12E | 2020/12E | | 2017/12A | 2018/12E | 2019/12E | 2020/12E |
| Sales | 35,607 | 38,596 | 42,084 | 46,152 | ROE | 19.6% | 20.4% | 19.9% | 19.8% |
| <i>Growth</i> | 3.3% | 8.4% | 9.0% | 9.7% | ROA | 12.5% | 13.1% | 13.2% | 13.8% |
| COGS | (24,548) | (26,467) | (28,838) | (31,604) | ROIC | 17.2% | 18.0% | 17.6% | 18.2% |
| Gross Profit | 11,059 | 12,129 | 13,246 | 14,548 | Cash Dividend (IDR bn) | 1,796 | 1,889 | 2,192 | 2,396 |
| <i>Gross Margin</i> | 31.1% | 31.4% | 31.5% | 31.5% | Dividend Yield | 1.7% | 1.7% | 1.9% | 2.1% |
| Operating Expenses | (5,877) | (6,430) | (7,011) | (7,689) | Payout Ratio | 49.9% | 49.8% | 49.9% | 49.9% |
| EBIT | 5,182 | 5,699 | 6,235 | 6,860 | DER | 11.6% | 11.6% | 6.6% | 1.6% |
| <i>EBIT Margin</i> | 14.6% | 14.8% | 14.8% | 14.9% | Net Gearing | 17.6% | 16.7% | 9.1% | 2.1% |
| Depreciation | 623 | 718 | 883 | 988 | LT Debt to Equity | 4.7% | 3.7% | 2.1% | 0.5% |
| EBITDA | 5,804 | 6,416 | 7,117 | 7,848 | Capitalization Ratio | 10.4% | 10.4% | 6.2% | 1.6% |
| <i>EBITDA Margin</i> | 16.3% | 16.6% | 16.9% | 17.0% | Equity Ratio | 64.3% | 64.8% | 68.0% | 71.4% |
| Interest Expenses | (128) | (135) | (152) | (96) | Debt Ratio | 7.4% | 7.5% | 4.5% | 1.1% |
| EBT | 5,203 | 5,857 | 6,403 | 7,114 | Financial Leverage | 148.9% | 146.5% | 146.1% | 139.1% |
| Income Tax | (1,659) | (1,652) | (1,806) | (2,006) | Current Ratio | 242.8% | 217.8% | 229.6% | 249.1% |
| Minority Interest | 253 | 187 | 204 | 227 | Par Value (IDR) | 50 | 50 | 50 | 50 |
| Net Profit | 3,797 | 4,392 | 4,801 | 5,335 | Total Shares (mn) | 11,662 | 11,662 | 11,662 | 11,662 |
| <i>Growth</i> | 5.4% | 15.7% | 9.3% | 11.1% | Share Price (IDR) | 8,900 | 9,750 | 9,750 | 9,750 |
| <i>Net Profit Margin</i> | 10.7% | 11.4% | 11.4% | 11.6% | Market Cap (IDR tn) | 103.8 | 113.7 | 113.7 | 113.7 |

| BALANCE SHEET | | | | | VALUATION INDEX | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|-------------------|----------|----------|----------|----------|
| (IDR bn) | 2017/12A | 2018/12E | 2019/12E | 2020/12E | | 2017/12A | 2018/12E | 2019/12E | 2020/12E |
| Cash | 8,797 | 7,749 | 7,756 | 7,830 | Price /Earnings | 27.3x | 25.9x | 23.7x | 21.3x |
| Receivables | 3,871 | 4,182 | 4,560 | 5,000 | Price /Book Value | 5.1x | 5.0x | 4.5x | 4.0x |
| Inventories | 3,262 | 3,792 | 4,131 | 4,528 | Price/Sales | 2.9x | 2.9x | 2.7x | 2.5x |
| Total Current Assets | 16,579 | 16,899 | 17,523 | 18,484 | PE/EPS Growth | 5.0x | 1.7x | 2.5x | 1.9x |
| Net Fixed Assets | 8,120 | 10,420 | 11,462 | 12,585 | EV/EBITDA | 16.9x | 17.1x | 15.3x | 13.7x |
| Other Non Current Asset | 6,920 | 7,938 | 8,447 | 8,702 | EV/EBIT | 19.0x | 19.2x | 17.4x | 15.6x |
| Total Assets | 31,620 | 35,257 | 37,432 | 39,771 | EV (IDR bn) | 98,305 | 109,568 | 108,591 | 107,292 |
| Payables | 2,904 | 3,075 | 3,350 | 3,672 | Sales CAGR (3-Yr) | 5.9% | 6.7% | 6.9% | 9.0% |
| ST Bank Loan | 1,400 | 1,804 | 1,143 | 307 | EPS CAGR (3-Yr) | 12.8% | 13.5% | 10.1% | 12.0% |
| LT Debt | 955 | 841 | 533 | 143 | Basic EPS (IDR) | 326 | 377 | 412 | 457 |
| Total Liabilities | 11,295 | 12,426 | 11,992 | 11,392 | Diluted EPS (IDR) | 326 | 377 | 412 | 457 |
| Capital Stock | 6,569 | 6,569 | 6,569 | 6,569 | BVPS (IDR) | 1,743 | 1,958 | 2,181 | 2,433 |
| Retained Earnings | 12,799 | 15,294 | 17,904 | 20,843 | Sales PS (IDR) | 3,053 | 3,310 | 3,609 | 3,958 |
| Shareholders' Equity | 20,324 | 22,830 | 25,440 | 28,379 | DPS (IDR) | 154 | 162 | 188 | 205 |

| CASH FLOW STATEMENT | | | | | OWNERSHIP | | | |
|----------------------------|------------|----------------|----------|-----------|---------------|----------------|-----------------------|------|
| (IDR bn) | 2017/12A | 2018/12E | 2019/12E | 2020/12E | By Geography | % Shareholders | % | |
| Operating Cash Flow | 5,174 | 5,014 | 5,603 | 6,061 | Indonesia | 93.2 | First Pacific Company | 80.5 |
| Investing Cash Flow | (2,950) | (3,018) | (2,434) | (2,366) | United States | 4.0 | Matthews Intl Capital | 1.9 |
| Financing Cash Flow | (1,800) | (3,043) | (3,161) | (3,621) | Luxembourg | 0.9 | Schroder Investment | 0.9 |
| Net Changes in Cash | 425 | (1,048) | 7 | 74 | Norway | 0.9 | Norges Bank | 0.7 |

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