

# Indofood CBP Sukses Makmur Tbk (ICBP)

## Paves the Way for Profits

We oversee ICBP to have outstanding outlook amid intense competition and be able to post 2Q19 higher revenue margins, backed by the instant noodles and dairy segments—two segments with significant contributions— and Ramadan & Idulfitri moments. ICBP is committed to strengthen the instant noodle segment by launching premium noodles to accelerate sales and expand its varied market shares.

### 1Q19 Sales Notching Up 13.9%

ICBP succeeded to post 1Q19 sales of IDR11.3 trillion edging up 13.9% y-y and 26.0% q-q. We estimate this top line growth to be backed by rising ASP and market share expansion. Its gross margin also surged from 7% in 1Q18 to 18% in 1Q19 due to no additional purchased inventories in COGS.

### Double-Digit Operating Profits

1Q19 operating profits picked up 14.05% y-y to IDR1.96 trillion compared to IDR1.72 trillion in 1Q18. The pickup eased ICBP's efforts to keep bottom line growth to hit IDR17.94 trillion or climbing higher to 17.94% y-y. It also cheered double-digit growth amid more intense competition.

### Instant Noodle Segment: the Biggest Contributor

We project that ICBP in 2019 will be capable of posting the sales growth of 8.9%, higher than 7.9% in 2018. Based on its consolidated revenues, the instant-noodle segment contributed 65% to ICBP's revenues, while the dairy segment contributed 18%. Of note, these two segments are the biggest contributors to revenues. The instant noodle posted 1Q19 sales growth of 13% y-y higher than 7% in 1Q18. The growth was backed by ICBP's consistent innovations of premium instant-noodle products accelerating its market shares. The low price of the wheat commodity, suppressing productions costs is a positive catalyst for ICBP's rising sales.

### Buy Rating with the Target Price of Rp11,600

We maintain a BUY recommendation with the price target of IDR11,600 based on forward P/E at 23.9x and the potential yield upside at 16.6% of the current stock prices.

### Risks of Price Target

Risks arising from our price target are 1) Upbeat wheat prices; 2) Rupiah depreciation; 3) Downbeat purchase of finished goods.

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

	2017A	2018A	2019F	2020F
Sales	35,607	38,413	41,821	45,839
<i>Sales growth</i>	3.3%	7.9%	8.9%	9.6%
EBITDA	5,804	6,783	7,486	8,213
Net Profit	3,797	4,576	4,878	5,391
EPS (IDR)	326	392	418	462
<i>EPS growth</i>	5.4%	20.5%	6.6%	10.5%
BVPS (IDR)	1,743	1,947	2,170	2,423
EBITDA margin	16.3%	17.7%	17.9%	17.9%
NPM	10.7%	11.9%	11.7%	11.8%
ROE	19.6%	21.3%	20.3%	20.1%
ROA	12.5%	13.9%	13.5%	13.7%
ROIC	15.6%	18.5%	17.8%	17.9%
P/E	27.3x	26.6x	23.8x	21.5x
P/BV	5.1x	5.4x	4.6x	4.1x
EV/EBITDA	16.9x	17.7x	15.0x	13.5x
DPS (IDR)	154	162	196	209
<i>Dividend yield</i>	1.7%	1.6%	2.0%	2.1%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer



Company Report | Jun 26, 2019

# Buy

**Dec 2019 TP (IDR) 11,600**

Consensus Price (IDR)	11,002
TP to Consensus Price	+5.4%
vs. Last Price	+16.6%

### Shares data

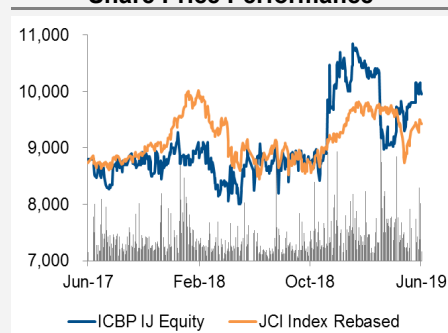
Last Price (IDR)	9,950
Price date as of	June 25, 2019
52 wk range (Hi/Lo)	10,725 / 8,575
Free float (%)	19.5
Outstanding sh.(mn)	11,662
Market Cap (IDR bn)	116,619
Market Cap (USD mn)	8,253
Avg. Trd Vol - 3M (mn)	7.87
Avg. Trd Val - 3M (bn)	74.65
Foreign Ownership	7.3%

### Consumer Staples

#### Packaged Foods & Beverages

Bloomberg	ICBP IJ
Reuters	ICBP.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-4.3%	2.6%	5.9%	13.7%
Rel. Ret.	-1.0%	-1.2%	7.8%	6.4%

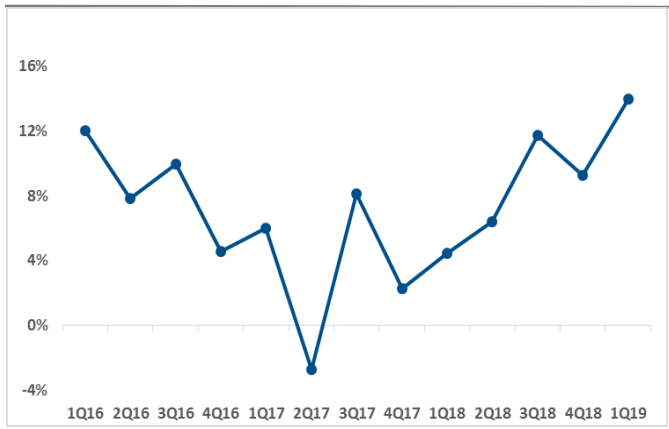
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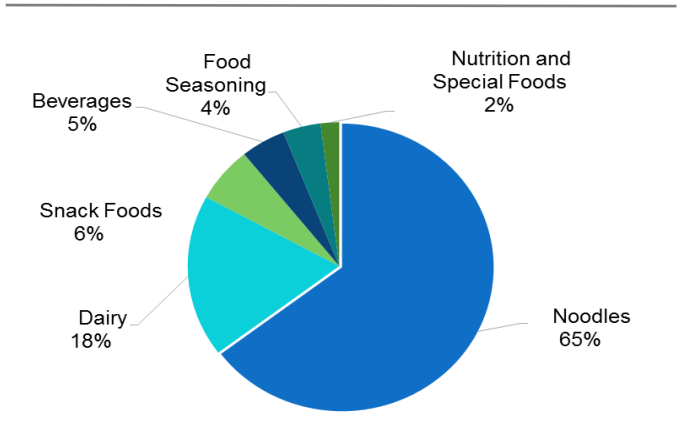
## Performance Highlights

ICBP Sales Growth Yearly | 1Q16 - 1Q19



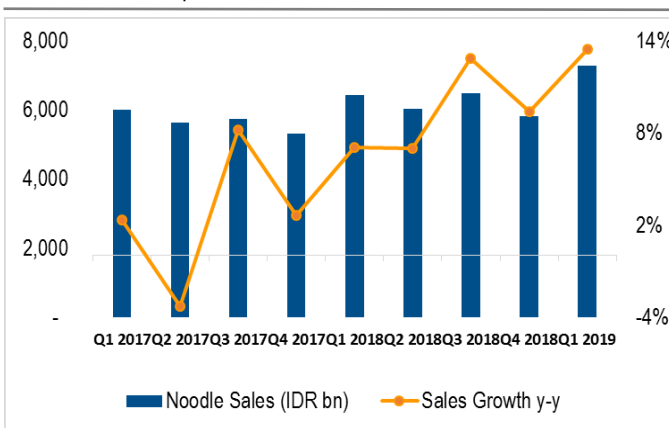
Source: Company, NHKS Research

Sales Breakdown | 1Q19



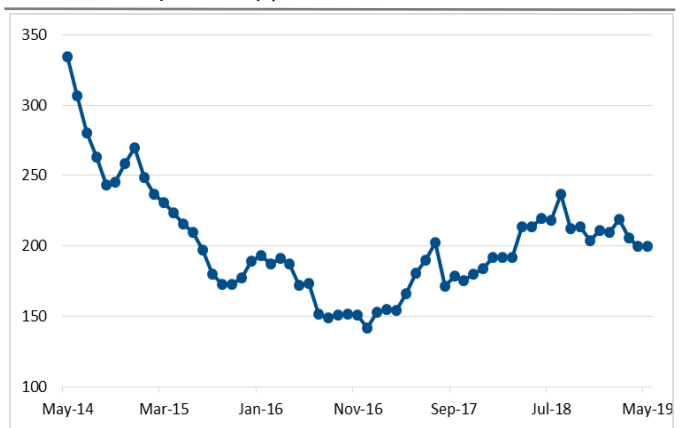
Source: Company, NHKS Research

Noodles Sales | 1Q17 - 1Q19



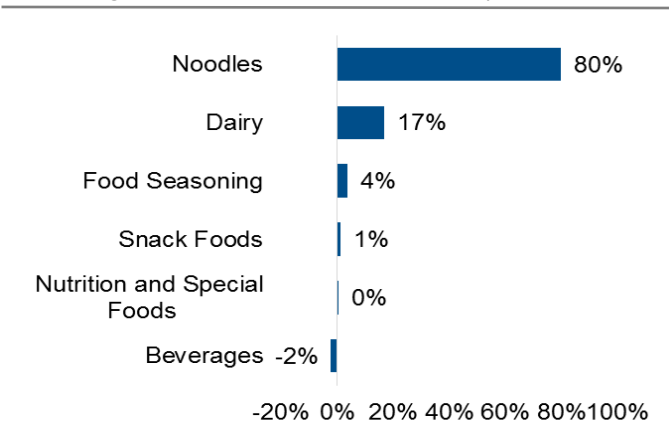
Source: Company, NHKS Research

Wheat Price (USD/MT) | 2Q15 - 2Q19



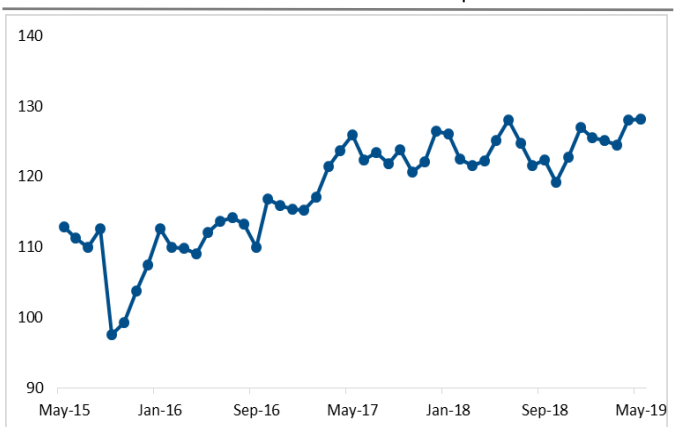
Source: Index Mundi, NHKS Research

Operating Profit Contribution Breakdown | 1Q19



Source: Company, NHKS Research

Indonesia Consumer Confidence Index | 2015 - 2018



Source: Bloomberg, NHKS Research

## 1Q19 review (IDR bn)

	1Q18	2Q18	3Q18	4Q18	1Q19					2Q19E
					Actual	Estimate	y-y	q-q	surprise	
Sales	9,881	9,579	10,019	8,935	11,256	9,117	13.9%	26.0%	23.5%	10,289
Gross Profit	3,205	3,084	3,302	2,674	3,788	3,059	18.2%	41.7%	23.8%	
<i>Gross Margin</i>	32.4%	32.2%	33.0%	29.9%	33.7%	33.6%	1.2%	3.7%	0.1%	27.6%
EBIT	1,665	1,443	1,635	1,306	1,997	1,478	19.9%	52.8%	35.1%	
<i>EBIT Margin</i>	16.8%	15.1%	16.3%	14.6%	17.7%	16.2%	0.9%	3.1%	1.5%	12.1%
EBITDA	1,876	1,679	1,876	1,592	2,276	1,674	21.3%	42.9%	36.0%	
<i>EBIT Margin</i>	19.0%	17.5%	18.7%	17.8%	20.2%	18.4%	1.2%	2.4%	1.9%	14.3%
<b>Net Profit</b>	<b>1,213</b>	<b>1,078</b>	<b>1,194</b>	<b>1,091</b>	<b>1,337</b>	<b>987</b>	<b>10.2%</b>	<b>22.6%</b>	<b>35.5%</b>	
<i>Net Margin</i>	12.3%	11.3%	11.9%	12.2%	11.9%	10.8%	-0.4%	-0.3%	1.1%	9.9%

Source: Bloomberg, NHKS research

## Earnings revision (IDR bn)

		2018E	2019F	2020F
Sales	-Revised	38,413	41,821	45,839
	-Previous	38,596	42,084	46,152
	-Change	-0.5%	-0.6%	-0.7%
Gross Profit	-Revised	12,266	13,173	14,446
	-Previous	12,650	13,806	15,153
	-Change	-3.0%	-4.6%	-4.7%
Gross Margin	-Revised	31.9%	31.5%	31.5%
	-Previous	32.8%	32.8%	32.8%
EBIT	-Revised	6,049	6,547	7,184
	-Previous	6,221	6,795	7,464
	-Change	-2.8%	-3.6%	-3.8%
EBIT Margin	-Revised	15.7%	15.7%	15.7%
	-Previous	16.1%	16.1%	16.2%
EBITDA	-Revised	6,783	7,486	8,213
	-Previous	6,938	7,677	8,453
	-Change	-2.2%	-2.5%	-2.8%
EBITDA Margin	-Revised	17.7%	17.9%	17.9%
	-Previous	18.0%	18.2%	18.3%
Net Profit	-Revised	4,576	4,878	5,391
	-Previous	4,472	4,881	5,411
	-Change	2.3%	-0.1%	-0.4%
Net Margin	-Revised	11.9%	11.7%	11.8%
	-Previous	11.6%	11.6%	11.7%

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 attaining double-digit growth of 11,8%.

#### 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
<b>Indonesia</b>									
ICBP	8,253	2,382	2,769	327	19.97%	11.8%	21.6%	24.8x	5.1x
INDF	4,334	6,691	5,214	301	3.77%	5.8%	12.8%	14.1x	1.7x
<b>Japan</b>									
Nissin Foods Holdings	6,854	5,034	4,068	175	-43.57%	4.3%	5.6%	37.3x	2.2x
Toyo Suisan Kaisha Ltd	4,636	3,523	3,618	166	0.04%	4.6%	6.4%	24.8x	1.5x
<b>South Africa</b>									
Pioneer Foods Group Ltd	1,076	1,026	1,553	70	8.42%	4.5%	11.4%	14.0x	1.8x
<b>South Korea</b>									
Samyang Foods Co Ltd	457	370	417	29	-4.51%	6.9%	14.1%	16.6x	2.2x
Nongshim Co Ltd	1,315	2,274	2,032	73	-12.62%	3.6%	4.3%	17.8x	0.8x
Ottogi Corporation	2,151	1,853	2,036	143	23.56%	7.0%	13.7%	14.2x	1.8x
<b>Thailand</b>									
Thai President Foods	1,846	954	695	105	19.31%	15.2%	16.7%	16.7x	2.7x
Thai Union Group	2,811	4,390	4,113	113	-32.02%	2.8%	8.3%	19.6x	2.0x
<b>Malaysia</b>									
Nestle Berhad	8,419	689	1,360	163	2.74%	12.0%	75.9%	52.6x	39.4x
PPB Group Berhad	6,384	5,623	1,114	278	9.60%	25.0%	5.5%	24.4x	1.2x
<b>India</b>									
Nestle India Ltd	16,275	1,161	1,640	236	22.62%	14.4%	N/A	68.6x	N/A
Britannia Industries Ltd	9,757	900	1,570	166	15.42%	10.6%	30.3%	58.4x	15.9x

Source: Bloomberg

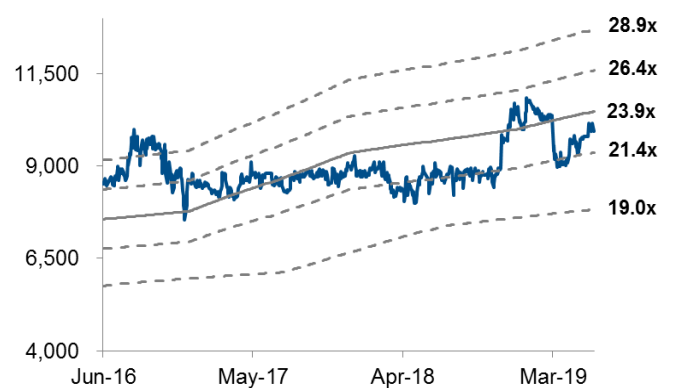
## Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

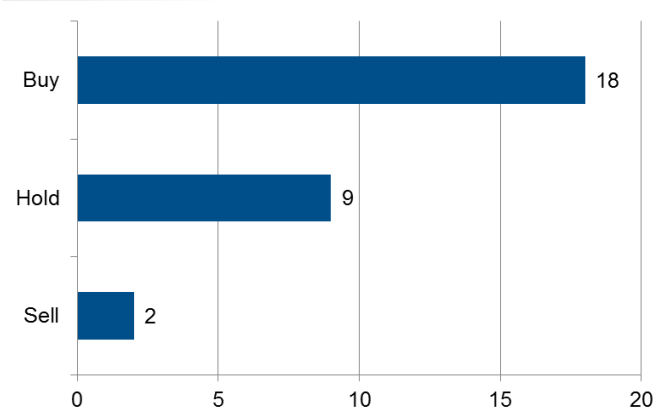
## Rating and Target Price Update

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%
12/06/2019	Buy	11,600 (Dec 2019)	9,950	11,002	+16.6%	+5.4%

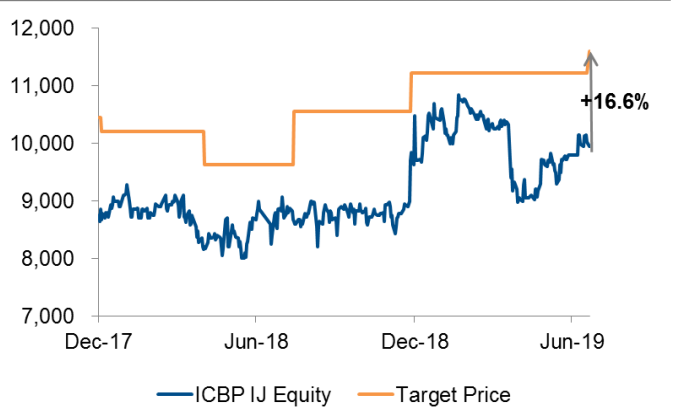
Source: NHKS research, Bloomberg

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

(IDR bn)	2017/12A	2018/12A	2019/12E	2020/12E
<b>Sales</b>	<b>35,607</b>	<b>38,413</b>	<b>41,821</b>	<b>45,839</b>
<i>Growth</i>	3.3%	7.9%	8.9%	9.6%
COGS	(24,548)	(26,148)	(28,648)	(31,393)
<b>Gross Profit</b>	<b>11,059</b>	<b>12,266</b>	<b>13,173</b>	<b>14,446</b>
<i>Gross Margin</i>	31.1%	31.9%	31.5%	31.5%
Operating Expenses	(5,877)	(6,216)	(6,626)	(7,262)
<b>EBIT</b>	<b>5,182</b>	<b>6,049</b>	<b>6,547</b>	<b>7,184</b>
<i>EBIT Margin</i>	14.6%	15.7%	15.7%	15.7%
Depreciation	623	734	939	1,029
<b>EBITDA</b>	<b>5,804</b>	<b>6,783</b>	<b>7,486</b>	<b>8,213</b>
<i>EBITDA Margin</i>	16.3%	17.7%	17.9%	17.9%
Interest Expenses	(128)	(147)	(104)	(116)
<b>EBT</b>	<b>5,203</b>	<b>6,227</b>	<b>6,601</b>	<b>7,242</b>
Income Tax	(1,659)	(1,568)	(1,699)	(1,824)
Minority Interest	253	(83)	(25)	(27)
<b>Net Profit</b>	<b>3,797</b>	<b>4,576</b>	<b>4,878</b>	<b>5,391</b>
<i>Growth</i>	5.4%	20.5%	6.6%	10.5%
<i>Net Profit Margin</i>	10.7%	11.9%	11.7%	11.8%

### PROFITABILITY & STABILITY

	2017/12A	2018/12A	2019/12E	2020/12E
ROE	19.6%	21.3%	20.3%	20.1%
ROA	12.5%	13.9%	13.5%	13.7%
ROIC	15.6%	18.5%	17.8%	17.9%
Cash Dividend (IDR bn)	1,796	1,889	2,283	2,434
Dividend Yield	1.7%	1.6%	2.0%	2.1%
Payout Ratio	49.9%	49.8%	49.9%	49.9%
DER	11.6%	8.0%	8.0%	6.0%
Net Gearing	17.6%	11.6%	11.1%	8.0%
LT Debt to Equity	4.7%	2.9%	2.9%	2.2%
Capitalization Ratio	10.4%	7.4%	7.4%	5.6%
Equity Ratio	64.3%	66.1%	67.1%	68.7%
Debt Ratio	7.4%	5.3%	5.4%	4.1%
Financial Leverage	153.3%	150.2%	147.3%	145.7%
Current Ratio	81.6%	62.2%	60.1%	59.9%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	11,662	11,662	11,662	11,662
Share Price (IDR)	8,900	10,450	9,950	9,950
Market Cap (IDR tn)	103.8	121.9	116.0	116.0

### BALANCE SHEET

(IDR bn)	2017/12A	2018/12A	2019/12E	2020/12E
Cash	8,797	4,727	6,541	7,967
Receivables	3,871	4,128	4,213	4,138
Inventories	3,262	4,001	3,298	3,614
<b>Total Current Assets</b>	<b>16,579</b>	<b>14,122</b>	<b>15,218</b>	<b>16,934</b>
Net Fixed Assets	8,120	10,742	11,716	12,784
Other Non Current Asset	6,920	9,504	10,796	11,442
<b>Total Assets</b>	<b>31,620</b>	<b>34,367</b>	<b>37,730</b>	<b>41,160</b>
Payables	2,904	2,956	3,239	3,714
ST Bank Loan	1,400	1,146	1,277	1,069
LT Debt	955	667	743	622
<b>Total Liabilities</b>	<b>11,295</b>	<b>11,660</b>	<b>12,428</b>	<b>12,902</b>
Capital Stock	6,569	6,569	6,569	6,569
Retained Earnings	12,799	15,030	17,624	20,581
<b>Shareholders' Equity</b>	<b>20,324</b>	<b>22,707</b>	<b>25,302</b>	<b>28,258</b>

### VALUATION INDEX

	2017/12A	2018/12A	2019/12E	2020/12E
Price /Earnings	27.3x	26.6x	23.8x	21.5x
Price /Book Value	5.1x	5.4x	4.6x	4.1x
Price/Sales	2.9x	3.2x	2.8x	2.5x
PE/EPS Growth	5.0x	1.3x	3.6x	2.0x
EV/EBITDA	16.9x	17.7x	15.0x	13.5x
EV/EBIT	19.0x	19.8x	17.2x	15.4x
EV (IDR bn)	98,305	120,062	112,624	110,869
Sales CAGR (3-Yr)	5.9%	6.6%	6.7%	8.8%
EPS CAGR (3-Yr)	12.8%	15.1%	10.7%	12.4%
Basic EPS (IDR)	326	392	418	462
Diluted EPS (IDR)	326	392	418	462
BVPS (IDR)	1,743	1,947	2,170	2,423
Sales PS (IDR)	3,053	3,294	3,586	3,931
DPS (IDR)	154	162	196	209

### CASH FLOW STATEMENT

(IDR bn)	2017/12A	2018/12A	2019/12E	2020/12E
Operating Cash Flow	5,174	4,653	7,095	6,932
Investing Cash Flow	(2,950)	(4,690)	(3,205)	(2,743)
Financing Cash Flow	(1,800)	(4,033)	(2,076)	(2,763)
<b>Net Changes in Cash</b>	<b>425</b>	<b>(4,070)</b>	<b>1,814</b>	<b>1,426</b>

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	92.7	First Pacific Company 80.5
United States	4.1	Matthews Intl Capital 1.8
Norway	1.1	Schroder Investment 1.1
Ireland	0.7	Norges Bank 1.0

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