

Thursday, 09 November 2023

BUY Maintain

Last price (IDR)	10,450
Target Price (IDR)	13,000
Upside/Downside	+24.4%
Previous Target Price (IDR)	13,000

Stock Statistics

Sector	Consumer
Bloomberg Ticker	ICBP JJ
No of Shrs (mn)	11,662
Mkt. Cap (IDRbn/USDmn)	122,160/8,144
Avg. daily T/O (IDRbn/USDmn)	81.7/5.2

Major shareholders (%)

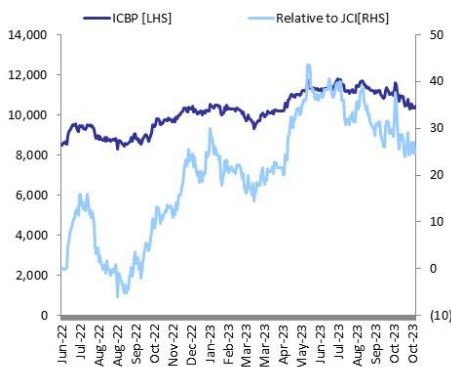
Indofood Sukses Makmur Tbk	80.5
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Estimated free float	19.5
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EPS Consensus (IDR)

	2023F	2024F	2025F
Danareksa	789.5	917.0	950.5
Consensus	794.9	835.5	915.4
Danareksa/Cons	(0.7)	9.8	3.8

ICBP relative to JCI Index



Source : Bloomberg



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Indofood CBP Sukses Makmur (ICBP JJ)

A more balanced growth drivers underpin FY24 outlook

We fine tuned FY23-25F forecast and reaffirm positive earnings outlook ICBP (FY24F net profit/ core profit growth of +16%/ +5% yoy), underpinned by 7.9% yoy top line growth with 4% volume growth and stable margins. We maintain Buy rating and DCF-based TP of IDR13,000 (FY24F PE of 14.2x).

Healthy volume and solid margins sustained earnings growth. ICBP's 3Q23 top line growth of 3.1% yoy to IDR16.8tn was underpinned by strong volume growth (blended volume: +7%). Noodles segment volume grew at healthy 8.8% yoy in 3Q23, supported by stronger growth in overseas markets, driving 3% volume growth for 9M23. This has more than offset dairy's lower volume growth (-7% yoy) amid slowing market growth (for Sweet Condensed Milk) and fiercer competition. With continued soft raw material prices, ICBP maintained its GPM at 36.3% in 9M23 and combined with manageable opex (+14.5% yoy), its 9M23 operating profits and core profit rose to IDR11.2tn (25% yoy) and IDR6.5tn (+8% yoy).

Expect solid FY24F earnings growth of 16% yoy (core profits: +5% yoy). We forecast ICBP to grow its top line by 7.9% yoy, driven by a balanced contribution from volume (3.8% yoy) and ASP (4% yoy) adjustments. We use Bloomberg' estimates for 2024 prices: CPO (MYR830/ton-flat) and Wheat (642c/bush – down 28% yoy), which should support FY24F gross margin improvement (+20bps). With election-related events expected in 1H24, we expect the company to spend more on A&P at 4% of revenues (FY23F: 3.8%). We also forecast FY24 net and core profits of IDR10.7tn (+16.2% yoy) and IDR9.7tn (+5% yoy), respectively.

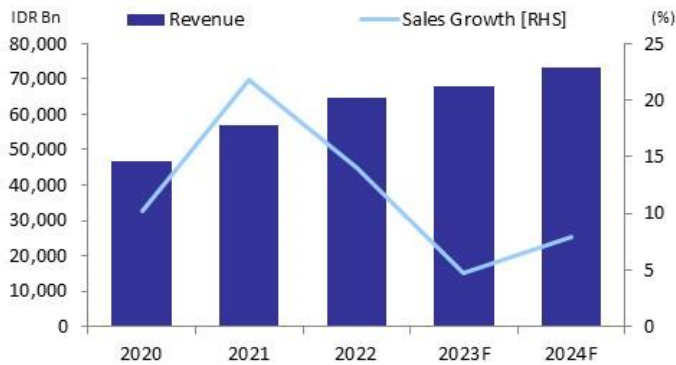
Strong overseas revenues complemented a resilient domestic market. Overseas business provided a 28% contribution to ICBP's 9M23 revenues. While high inflation in Egypt and Turkey poses a threat to Pinehill sales, ICBP reported high 3Q23 double-digit noodles sales volume growth, reflecting the huge potential in the noodles market in the Middle East and Africa. In the domestic market, high food inflation (especially for rice in recent months) may benefit the sales of instant noodles, which are often served together with rice as the main dish.

Maintain BUY with an unchanged TP of Rp13,000. We view ICBP as a company with diversified products and stable volume with attractive valuation. We roll over our valuation to 2024 and maintain our TP at IDR13,000 with implied FY24F PE of 14.2x. ICBP currently trades at an attractive FY24F PE of 11.4x. Key risks are soft noodles volume, higher raw material price and Rupiah depreciation.

Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDRbn)	56,804	64,798	67,881	73,251	79,338
EBITDA (IDRbn)	12,821	13,743	16,162	17,379	18,930
EBITDA Growth (%)	24.2	7.2	17.6	7.5	8.9
Net profit (IDRbn)	6,399	4,587	9,207	10,695	11,084
EPS (IDR)	548.7	393.4	789.5	917.0	950.5
EPS growth (%)	(2.8)	(28.3)	100.7	16.2	3.6
BVPS (IDR)	2,923.2	3,131.4	3,612.5	4,171.3	4,750.4
DPS (IDR)	214.4	153.7	308.4	358.3	371.3
PER (x)	19.0	26.6	13.2	11.4	11.0
PBV (x)	3.6	3.3	2.9	2.5	2.2
Dividend yield (%)	2.1	1.5	3.0	3.4	3.6
EV/EBITDA (x)	11.2	11.1	9.2	8.3	7.4

Source : ICBP, BRI Danareksa Estimates

Exhibit 1. Revenues and Growth


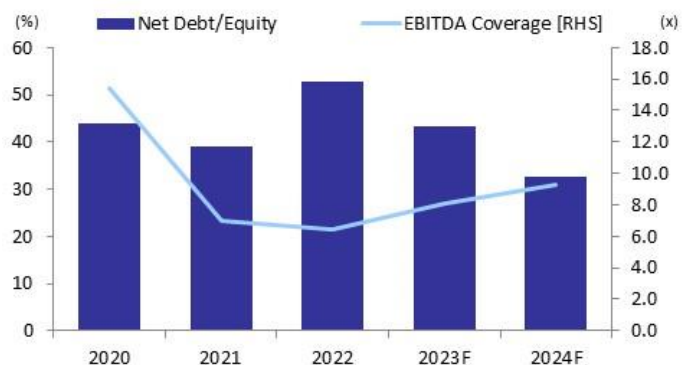
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth

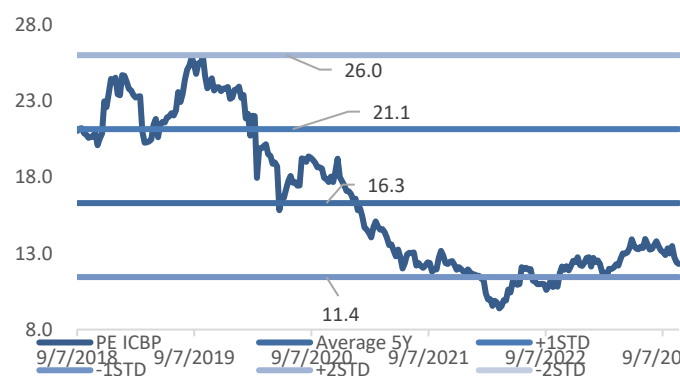

Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins

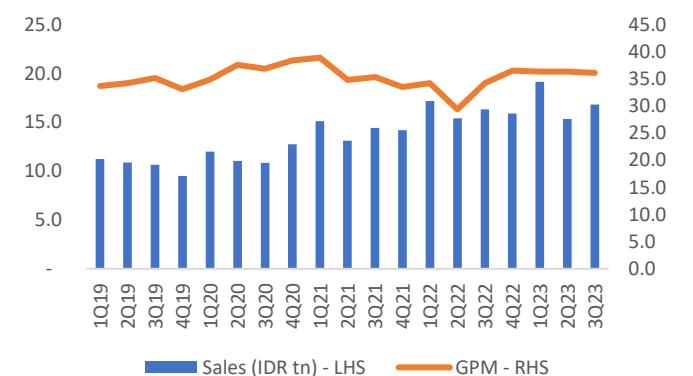

Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. PE Band


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 6. Quarterly sales and gross margin


Source: Company

FY23 core profits estimated to grow by 11% yoy

We fine tune our FY23F core profits estimate by 0.5% and net profits estimate by 11.4% (due to changes in the USD IDR assumption to calculate forex gains/losses). While the FY23 top line is expected to fall below ICBP's initial guidance of 10-12% yoy growth (our FY23F: 4.8% yoy), good EBIT margins should cushion earnings supported by lower input costs and opex efficiencies. We estimate FY23 core profits growth of 11% yoy.

Expect solid FY24F earnings growth of 16% yoy (core profits: +5% yoy). We estimate that ICBP will grow its top line by 7.9% yoy, driven by a balanced contribution from volume (3.8% yoy) and ASP (4% yoy) adjustments. We estimate stronger volume growth for most segments (except for Dairy – still facing headwinds from heightened competition) supported by election-related events (especially in 1H24) and export markets (in 2H24). We use Bloomberg estimates for 2024 prices: CPO (MYR830/ton-flat) and Wheat (642c/bushel – down 28% yoy), which should support a FY24F gross margins improvement (+20bps). We expect the company to spend more on A&P at 4% of revenues (FY23F: 3.8%) which should push higher volume growth. We also forecast FY24 net and core profits of IDR10.7tn (+16.2% yoy) and IDR9.7tn (+5% yoy), respectively.

Exhibit 5. Earnings revision and key assumptions

	Previous			New			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023	2024	2025
Revenue	69,451	76,033	82,701	67,881	73,251	79,338	-2.3%	-3.7%	-4.1%
Gross profit	25,188	27,199	29,649	24,581	26,674	29,012	-2.4%	-1.9%	-2.1%
Operating profit	15,054	16,139	17,728	14,788	16,013	17,569	-1.8%	-0.8%	-0.9%
Net profit	10,386	11,131	10,948	9,207	10,695	11,084	-11.4%	-3.9%	1.2%
Core profit	9,170	9,397	10,858	9,215	9,680	11,008	0.5%	3.0%	1.4%
Gross margin	36.3%	35.8%	35.9%	36.2%	36.4%	36.6%			
Operating margin	21.7%	21.2%	21.4%	21.8%	21.9%	22.1%			
Net margin	15.0%	14.6%	13.2%	13.6%	14.6%	14.0%			
Changes in assumption									
Sales volume									
Noodles	5.1%	4.7%	4.5%	3.0%	4.7%	4.5%			
Dairy	2.0%	3.0%	3.0%	-8.0%	-3.0%	0.0%			
Snack	12.0%	11.0%	8.0%	2.0%	5.0%	8.0%			
Beverages	12.0%	10.0%	8.0%	-2.0%	2.0%	5.0%			
Nutritional	3.0%	4.0%	4.0%	-11.0%	4.0%	4.0%			
Seasoning	6.0%	7.0%	7.0%	8.0%	7.0%	7.0%			
A&P/sales	4.0%	4.0%	3.9%	3.8%	4.0%	3.9%			

Source: BRI Danareksa estimates

Exhibit 6. Earnings revision and key assumptions

ICBP	3Q22	2Q23	3Q23	qoq	yoy	9M22	9M23	yoy	2023F	A/F	A/C
Revenue - IDR bn	16,316	15,335	16,829	9.7%	3.1%	48,909	51,307	4.9%	67,881	76%	73%
COGS	10,732	9,766	10,754	10.1%	0.2%	32,923	32,702	-0.7%	43,300		
Gross profit	5,584	5,569	6,075	9.1%	8.8%	15,986	18,605	16.4%	24,581	76%	74%
Opex	2,180	2,335	2,459	5.3%	12.8%	7,078	7,450	5.3%	9,793		
Operating profit	3,404	3,235	3,616	11.8%	6.2%	8,908	11,155	25.2%	14,788	75%	74%
Pretax profit	2,154	2,857	2,108	-26.2%	-2.1%	5,489	10,471	90.8%	13,372		
Net profit	1,379	1,771	1,335	-24.6%	-3.2%	3,309	7,060	113.3%	9,207	77%	75%
Core profit	2,219	1,688	2,406	42.5%	8.4%	5,310	6,611	24.5%	9,576	69%	71%
Gross margin	34.2%	36.3%	36.1%			32.7%	36.3%		36.2%		
Opex to revenue	13.4%	15.2%	14.6%			14.5%	14.5%		14.4%		
Operating margin	20.9%	21.1%	21.5%			18.2%	21.7%		21.8%		
Pretax margin	13.2%	18.6%	12.5%			11.2%	20.4%		19.7%		
Net margin	8.5%	11.5%	7.9%			6.8%	13.8%		13.6%		
ICBP - Revenue by divisions											
	3Q22	2Q23	3Q23	qoq	yoy	9M22	9M23	yoy			
Noodles	12,088	11,028	12,500	13.3%	3.4%	34,848	37,179	6.7%			
Dairy	1,942	2,126	1,900	-10.6%	-2.2%	7,050	6,656	-5.6%			
Snack food	959	901	1,120	24.4%	16.8%	2,856	3,134	9.7%			
Beverage	414	389	422	8.4%	1.9%	1,169	1,204	3.0%			
Nutrition & special food	266	293	280	-4.3%	5.2%	853	890	4.4%			
Food Seasoning	647	600	607	1.2%	-6.1%	2,133	2,243	5.2%			
EBIT margin	3Q22	2Q23	3Q23			9M22	9M23				
Noodles	25.9%	26.0%	25.3%			22.4%	26.4%				
Dairy	3.4%	6.0%	6.4%			6.4%	6.7%				
Snack food	8.6%	8.0%	13.9%			7.1%	10.1%				
Beverage	5.6%	12.2%	14.0%			5.7%	12.7%				
Nutrition & special food	9.0%	6.3%	6.6%			7.3%	7.7%				
Food Seasoning	11.8%	17.2%	14.9%			14.8%	16.2%				

Source: BRI Danareksa estimates

Exhibit 7. DCF Valuation

	2024F	2025F	2026F	2027F	2028F
EBIT	16,013	17,569	17,544	19,043	21,722
EBIT(1-Tax)	12,413	13,749	13,665	14,868	16,939
Depre & Amort	1,366	1,361	1,383	1,414	1,453
ΔWC	(1,052)	(827)	(933)	(960)	(937)
Capex	2,198	2,380	2,452	2,525	2,601
FCFF	12,634	13,557	13,529	14,717	16,728
Discount Factor	100%	89%	80%	71%	64%
Discounted FCFF	12,634	12,117	10,808	10,509	10,676
Terminal value					116,606
Enterprise Value	173,350				
<i>Net Debt</i>	<i>22,092</i>				
Equity Value	151,259				
<i>Number of shares (Mn)</i>	<i>11,662</i>				
Net equity value per share	13,000				

Source: BRI Danareksa estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Revenue	56,804	64,798	67,881	73,251	79,338
COGS	(36,516)	(43,005)	(43,300)	(46,576)	(50,327)
Gross profit	20,287	21,792	24,581	26,674	29,012
EBITDA	12,821	13,743	16,162	17,379	18,930
Oper. profit	11,550	12,414	14,788	16,013	17,569
Interest income	144	205	460	380	472
Interest expense	(1,837)	(2,149)	(2,007)	(1,869)	(2,073)
Forex Gain/(Loss)	(129)	(4,036)	(370)	675	0
Income From Assoc. Co's	98	128	140	147	147
Other Income (Expenses)	124	964	361	340	76
Pre-tax profit	9,950	7,525	13,372	15,686	16,191
Income tax	(2,038)	(1,803)	(2,808)	(3,526)	(3,520)
Minority interest	(1,513)	(1,135)	(1,358)	(1,465)	(1,587)
Net profit	6,399	4,587	9,207	10,695	11,084
Core Net Profit	6,528	8,624	9,576	10,020	11,084

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	20,378	15,741	17,102	20,904	26,290
Receivables	6,834	7,228	8,855	9,555	10,349
Inventory	5,857	7,132	7,181	7,763	8,388
Other Curr. Asset	644	812	851	918	995
Fixed assets - Net	14,384	14,725	15,726	16,557	17,576
Other non-curr.asset	69,634	69,510	69,378	69,278	69,172
Total asset	118,015	115,306	119,249	125,132	132,926
ST Debt	515	825	825	0	0
Payables	4,552	4,725	4,413	4,436	4,793
Other Curr. Liabilities	13,057	3,553	3,722	4,016	4,350
Long Term Debt	41,237	45,181	43,566	43,619	43,678
Other LT. Liabilities	3,714	3,549	3,754	3,574	3,864
Total Liabilities	63,075	57,833	56,279	55,645	56,685
Shareholder's Funds	34,090	36,519	42,128	48,645	55,399
Minority interests	20,851	20,954	20,842	20,842	20,842
Total Equity & Liabilities	118,015	115,306	119,250	125,132	132,926

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Net income	6,399	4,587	9,207	10,695	11,084
Depreciation and Amort.	1,404	1,329	1,374	1,366	1,361
Change in Working Capital	(1,389)	(1,581)	(1,868)	(1,052)	(827)
Other Oper. Cash Flow	(8,307)	1,557	1,762	1,296	1,887
Operating Cash Flow	(1,892)	5,893	10,474	12,305	13,505
Capex	(1,946)	(1,454)	(2,375)	(2,198)	(2,380)
Others Inv. Cash Flow	(668)	370	593	513	605
Investing Cash Flow	(2,614)	(1,084)	(1,782)	(1,684)	(1,775)
Net change in debt	19,303	(5,021)	(1,615)	(772)	59
New Capital	383	(484)	(113)	0	0
Dividend payment	(2,500)	(1,792)	(3,597)	(4,178)	(4,330)
Other Fin. Cash Flow	(1,837)	(2,149)	(2,007)	(1,869)	(2,073)
Financing Cash Flow	15,349	(9,446)	(7,331)	(6,819)	(6,344)
Net Change in Cash	10,843	(4,637)	1,361	3,802	5,386
Cash - begin of the year	9,535	20,378	15,741	17,102	20,904
Cash - end of the year	20,378	15,741	17,102	20,904	26,290

Exhibit 11. Key Ratios

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Growth (%)					
Sales	21.8	14.1	4.8	7.9	8.3
EBITDA	24.2	7.2	17.6	7.5	8.9
Operating profit	26.7	7.5	19.1	8.3	9.7
Net profit	(2.8)	(28.3)	100.7	16.2	3.6
Profitability (%)					
Gross margin	35.7	33.6	36.2	36.4	36.6
EBITDA margin	22.6	21.2	23.8	23.7	23.9
Operating margin	20.3	19.2	21.8	21.9	22.1
Net margin	11.3	7.1	13.6	14.6	14.0
ROAA	5.8	3.9	7.9	8.8	8.6
ROAE	20.0	13.0	23.4	23.6	21.3
Leverage					
Net Gearing (x)	0.4	0.5	0.4	0.3	0.2
Interest Coverage (x)	6.3	5.8	7.4	8.6	8.5

Source : ICBP, BRI Danareksa Estimates

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