

Buy

(Maintained)

Indofood CBP (ICBP II)

Inline 1Q24 earnings; FY24 growth outlook intact from solid volumes and soft RM prices

- Underpinned by solid sales volume and soft input prices, ICBP's 1Q24 core profit surged 13% yoy to Rp3.3tn
- We expect continued soft input prices, solid 4% yoy volume and 2% ASP growth to sustain high gross margins of 37% in FY24
- Maintain FY24-25F est and Buy rating with TP Rp12,900 (FY24F PE: 14.9x) on potential further upside from intact growth outlook.

Last Price (Rp)	10,850
Target Price (Rp)	12,900
Previous Target Price (Rp)	12,900
Upside/Downside	+18.9%

No. of Shares (mn)	11,662
Mkt Cap (Rpbn/US\$mn)	122,158/7,548
Avg, Daily T/O (Rpbn/US\$mn)	61.8/3.8
Free Float (%)	19.5

Major Shareholder (%)	
Indofood Sukses Makmur Tbk	80.5

EPS Consensus (Rp)	2024F	2025F	2026F
BRIDS	848.4	954.8	1,065.6
Consensus	800.4	855.1	922.2
BRIDS/Cons (%)	6.0	11.7	15.5

Low input price and 2% price adjustment to support FY24 high margins

ICBP's 1Q24 volume growth was mixed across business segments with solid performance in Noodles (+4% yoy), Dairy (+8% yoy), Beverages (+10% yoy) whereas the other segments faced some challenges like Snack (-1% yoy) and Nutrition (-9% yoy), attributed to competition and reduced purchasing power. We expect the price outlook for major raw materials (i.e., wheat and CPO) to remain subdued in the coming quarters hence, we expect gross margins to be sustained at 37% level. Nonetheless, ICBP indicated it will adjust selling prices if input costs rise albeit still giving consideration to consumer purchasing power. Our FY24 forecast is based on the assumption +4.4% yoy volume growth and +2.4% yoy ASP increase (the latter is lower than average ASP growth of 3.5% yoy between FY14-19).

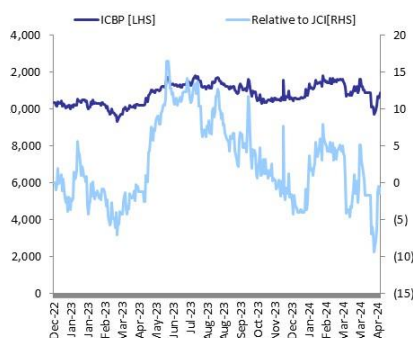
FY24-25F core profit growth of 8.3%/8.8% yoy.

We maintain our FY24-25 ASP/volume assumptions and estimate soft major input cost i.e Wheat (600cents/bu – end of FY24) and CPO (MYR3,852/metric ton – based on Bloomberg), to drive sustainable gross margin at 37%. We adjust our FY24F USD/IDR assumption to Rp15,875/USD (from Rp15,300/USD previously), resulting in FX loss (prev. FX gain) and higher financing cost. These led to minor revision to our FY24-25 core profit to Rp10tn (+8.3% yoy) and approximately Rp11tn (+8.8% yoy), respectively.

Maintain Buy with an unchanged TP of Rp12,900

ICBP trades at FY24 PE of 12.9x (vs. avg 5-y PE of 17.7x) and lower vs. peers of 15.7x. In recent weeks, its share price has appreciated (+~10%) supported by the expectation of a strong 1Q24 result. We see further room for rerating amid our expectation of continued solid 2Q24 result. We maintain our Buy rating with an unchanged TP of Rp12,900 implying FY24F PE of 14.9x. The downside risk to our rating includes further Rupiah depreciation and spikes in raw material prices leading to lower margins and weaker earnings.

ICBP relative to JCI Index



Source: Bloomberg

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Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	64,798	67,910	72,592	78,855	85,629
EBITDA (Rpbn)	13,743	16,151	17,303	18,693	20,116
EBITDA Growth (%)	7.2	17.5	7.1	8.0	7.6
Net Profit (Rpbn)	4,587	6,991	9,811	10,958	12,222
EPS (Rp)	393.4	599.4	841.3	939.6	1,048.1
EPS Growth (%)	(28.3)	52.4	40.3	11.7	11.5
BVPS (Rp)	3,131.4	3,494.2	4,049.0	4,586.5	5,196.9
DPS (Rp)	188.0	286.5	402.1	449.1	500.9
PER (x)	27.6	18.1	12.9	11.5	10.4
PBV (x)	3.5	3.1	2.7	2.4	2.1
Dividend yield (%)	1.7	2.6	3.7	4.1	4.6
EV/EBITDA	11.4	9.4	8.5	7.6	6.8

Source: ICBP, BRIDS Estimate

Profits bolstered by solid sales and soft input prices

ICBP 1Q24 earnings summary

Solid volume and low input costs supported margins in 1Q24

- ICBP recorded 1Q24 top line growth of 4% yoy, mainly supported by higher volume growth (ranging at 4-8% yoy for Noodles and Dairy). The domestic market reported 3% yoy revenue growth, while Middle East/Africa (Pinehill), combined 20% of 1Q24 sales, reported anemic 0.4% yoy growth as 1Q is historically a slow quarter (expect higher growth in 2H24). Supported by other Asia/ Europe/ US markets, total overseas sales grew 6% yoy.
- The 1Q24 gross margin was robust at 38.2%, the highest since 2008 driven by lower wheat prices (down 19% Yoy) and lower CPO prices (+3% yoy). At the operating level, A&P expenses were maintained at around 3.2%/revenue (1Q23: 3.4%). Salaries in G&A expenses increased to 2.2%/revenue (1Q23: 1.8%). At the EBIT margin level, Noodles reported a 28.6% EBIT margin – the highest since 2018, benefiting from lower wheat and CPO prices. Dairy's margin improved to 13.4% (1Q23: 7.4% and 4Q23:10.8%), benefiting from low and stable dairy prices (vs 1Q23).
- ICBP reported 1Q24 net profit of Rp2.3tn (down 36% yoy) with 4% yoy top line growth, 180bps higher gross margins (vs 1Q23), and manageable opex/revenue of 14.1% (13.9% in 1Q23). The 1Q24 core profit was Rp3.3tn, +32% yoy, after stripping out Rp1.2 tn of forex losses (vs Rp1.8tn of forex gains in 1Q23). We view that ICBP's 1Q24 result is inline at the top line and operating level to achieve our FY24F forecast and consensus estimates. In past years, 1Q's operating profit ranged from 29-30% of the FY figure.

Exhibit 1. 1Q24 result summary

ICBP	1Q23	4Q23	1Q24	yoy	qoq	2024F	A/F	A/C
Revenue - IDR bn	19,143	16,603	19,922	4.1%	20.0%	72,592	27%	27%
COGS	12,182	10,082	12,321	1.1%	22.2%	45,672		
Gross profit	6,961	6,521	7,601	9.2%	16.6%	26,920	28%	28%
Opex	2,656	2,902	2,800	5.4%	-3.5%	10,972		
Operating profit	4,305	3,619	4,802	11.5%	32.7%	15,948	30%	30%
Pretax profit	5,507	974	3,399	-38.3%	249.1%	14,496		
Net profit	3,954	(69)	2,352	-40.5%	NA	9,811	24%	24%
Core profit	2,932	(177)	3,313	13.0%	NA	10,076	33%	37%
Gross margin	36.4%	39.3%	38.2%			37.1%		
Opex to revenue	13.9%	17.5%	14.1%			15.1%		
Operating margin	22.5%	21.8%	24.1%			22.0%		
Pretax margin	28.8%	5.9%	17.1%			20.0%		
Net margin	20.7%	-0.4%	11.8%			13.5%		
ICBP - Revenue by divisions								
	1Q23	4Q23	1Q24	yoy	qoq			
Noodles	13,652	12,042	14,307	4.8%	18.8%			
Dairy	2,631	2,254	2,704	2.8%	20.0%			
Snack food	1,113	984	1,119	0.6%	13.8%			
Beverage	394	404	426	8.2%	5.4%			
Nutrition & special food	317	329	335	5.7%	2.0%			
Food Seasoning	1,037	590	1,030	-0.6%	74.6%			
EBIT margin								
	1Q23	4Q23	1Q24					
Noodles	27.6%	26.1%	28.6%					
Dairy	7.4%	10.8%	13.4%					
Snack food	7.9%	9.5%	8.0%					
Beverage	11.8%	15.3%	16.5%					
Nutrition & special food	10.1%	7.1%	9.9%					
Food Seasoning	16.4%	9.0%	14.8%					

Source: Company, BRIDS Estimates

Exhibit 2. Earnings estimates revision

	Previous			New			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Revenue	72,592	78,855	85,629	72,592	78,855	85,629	0.0%	0.0%	0.0%
Gross profit	26,959	29,380	31,769	26,920	29,157	31,515	-0.1%	-0.8%	-0.8%
Operating profit	15,987	17,525	18,955	15,948	17,302	18,701	-0.2%	-1.3%	-1.3%
Net profit	10,610	11,150	12,438	9,811	10,958	12,222	-7.5%	-1.7%	-1.7%
Core profit	9,930	11,150	12,438	10,076	10,958	12,222	1.5%	-1.7%	-1.7%
Gross margin	37.1%	37.3%	37.1%	37.1%	37.0%	36.8%			
Operating margin	22.0%	22.2%	22.1%	22.0%	21.9%	21.8%			
Net margin	14.6%	14.1%	14.5%	13.5%	13.9%	14.3%			
Changes in assumption									
Sales volume									
Noodles	4.7%	4.9%	4.6%	4.7%	4.9%	4.6%			
Dairy	2.0%	3.0%	4.0%	2.0%	3.0%	4.0%			
Snack	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%			
Beverages	4.0%	3.0%	3.0%	4.0%	3.0%	3.0%			
Nutritional	-5.0%	-3.0%	0.0%	-5.0%	-3.0%	0.0%			
Seasoning	11.0%	8.0%	7.0%	11.0%	8.0%	7.0%			
A&P/sales	3.8%	3.7%	3.6%	3.8%	3.7%	3.6%			
Blended ASP	2.4%	3.9%	3.9%	2.4%	3.9%	3.9%			
Blended volume	4.4%	4.6%	4.5%	4.4%	4.6%	4.5%			

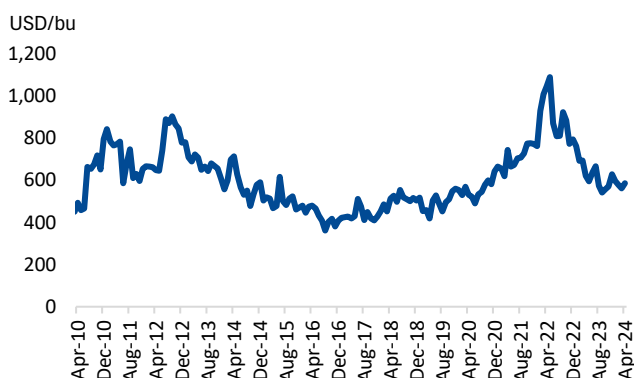
Source: Company, BRIDS Estimates

Exhibit 3. ICBP PE band



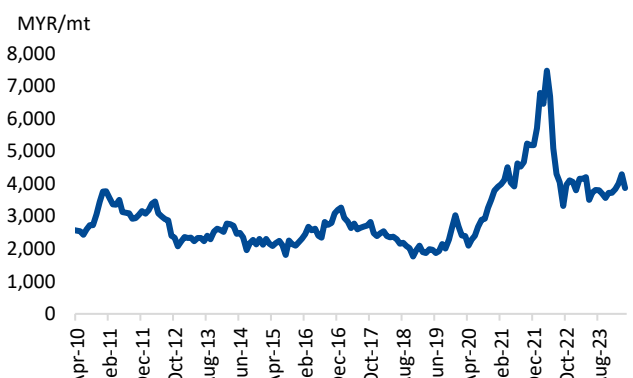
Source: Bloombergs, BRIDS Estimates

Exhibit 4. Wheat price



Source: Bloombergs

Exhibit 5. CPO price















Source: Bloombergs

Exhibit 6. Peer comparison

Ticker	Rec	Target	Market Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)	
		(Rp)	(RpBn)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F
UNVR IJ	Sell	2,300	100,716	19.7	18.7	29.2	29.0	148.5	5.1	4.9	5.3
ICBP IJ	Buy	12,900	124,782	11.9	11.3	2.6	2.3	23.9	4.0	51.8	5.1
KLBF IJ	Hold	1,600	67,031	23.3	21.0	3.0	2.8	13.5	2.1	8.3	10.7
INDF IJ	Buy	8,000	54,439	5.5	5.1	0.8	0.7	15.7	5.3	21.0	9.2
MYOR IJ	Buy	3,200	54,778	16.4	14.8	3.2	2.8	20.3	3.0	0.6	10.1
SIDO IJ	Hold	710	21,750	19.8	18.2	6.2	6.0	31.8	4.6	15.0	8.5
ROTI IJ	Buy	1,700	7,114	16.8	14.2	2.5	2.4	15.3	5.2	14.7	18.3
Sector - weighted				15.7	14.6	8.9	8.7	20.2	4.0	21.2	7.6

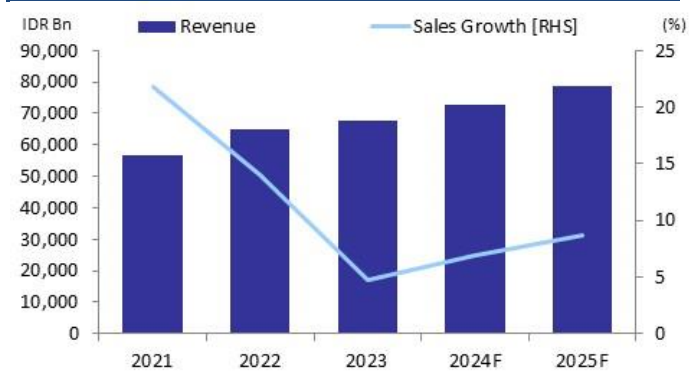
Source: Company, BRIDS Estimates

Exhibit 7. New products from ICBP

LINE EXTENSION		
Noodles   	Snack Foods  	Nutrition & Special Foods   
	Food Seasonings   	Dairy 

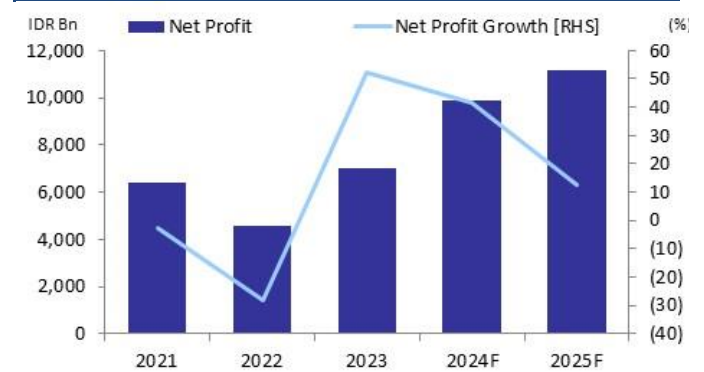
Source: Company

Exhibit 8. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 9. Net Profit and Growth



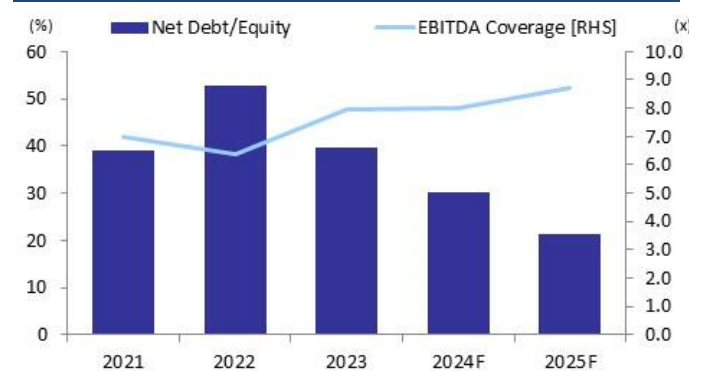
Source: Company, BRIDS Estimates

Exhibit 10. Margins



Source: Company, BRIDS Estimates

Exhibit 11. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 12. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	64,798	67,910	72,592	78,855	85,629
COGS	(43,005)	(42,784)	(45,672)	(49,697)	(54,114)
Gross profit	21,792	25,126	26,920	29,157	31,515
EBITDA	13,743	16,151	17,303	18,693	20,116
Oper. profit	12,414	14,775	15,948	17,302	18,701
Interest income	205	523	732	860	1,055
Interest expense	(2,149)	(2,025)	(2,194)	(2,165)	(2,165)
Forex Gain/(Loss)	(4,036)	875	(265)	-	-
Income From Assoc. Co's	128	(2,316)	113	113	113
Other Income (Expenses)	964	(387)	162	23	55
Pre-tax profit	7,525	11,445	14,496	16,133	17,760
Income tax	(1,803)	(2,980)	(3,233)	(3,598)	(3,960)
Minority interest	(1,135)	(1,475)	(1,452)	(1,577)	(1,577)
Net profit	4,587	6,991	9,811	10,958	12,222
Core Net Profit	8,624	9,307	10,076	10,958	12,222

Exhibit 13. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	15,741	19,353	22,142	26,606	33,198
Receivables	7,228	7,524	8,043	8,737	9,488
Inventory	7,132	6,329	6,525	7,100	7,731
Other Curr. Asset	812	1,232	1,317	1,431	1,554
Fixed assets - Net	14,725	14,949	16,497	18,260	20,333
Other non-curr.asset	69,666	69,878	69,784	69,685	68,529
Total asset	115,306	119,267	124,308	131,819	140,832
ST Debt	825	113	-	-	-
Payables	4,725	4,952	5,239	5,701	6,208
Other Curr. Liabilities	3,553	4,511	4,821	5,237	5,687
Long Term Debt	45,181	43,878	42,752	42,814	43,026
Other LT. Liabilities	3,549	3,712	3,435	3,736	4,066
Total Liabilities	57,833	57,164	56,248	57,489	58,987
Shareholder's Funds	36,519	40,749	47,219	53,488	60,606
Minority interests	20,954	21,354	20,842	20,842	21,239
Total Equity & Liabilities	115,306	119,267	124,308	131,819	140,832

Exhibit 14. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	4,587	6,991	9,811	10,958	12,222
Depreciation and Amort.	1,329	1,377	1,355	1,391	1,415
Change in Working Capital	(1,581)	1,191	(222)	(535)	(580)
Other Oper. Cash Flow	1,557	764	1,181	1,601	1,434
Operating Cash Flow	5,893	10,321	12,126	13,416	14,492
Capex	(1,454)	(1,413)	(2,904)	(3,154)	(3,355)
Others Inv. Cash Flow	370	1,258	852	993	2,248
Investing Cash Flow	(1,084)	(155)	(2,051)	(2,161)	(1,107)
Net change in debt	(5,021)	(2,016)	(1,239)	62	212
New Capital	231	(321)	(512)	-	397
Dividend payment	(2,507)	(2,192)	(3,341)	(4,689)	(5,237)
Other Fin. Cash Flow	(2,149)	(2,025)	(2,194)	(2,165)	(2,165)
Financing Cash Flow	(9,446)	(6,554)	(7,285)	(6,791)	(6,793)
Net Change in Cash	(4,637)	3,613	2,789	4,464	6,592
Cash - begin of the year	20,378	15,741	19,353	22,142	26,606
Cash - end of the year	15,741	19,353	22,142	26,606	33,198

Exhibit 15. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	14.1	4.8	6.9	8.6	8.6
EBITDA	7.2	17.5	7.1	8.0	7.6
Operating profit	7.5	19.0	7.9	8.5	8.1
Net profit	(28.3)	52.4	40.3	11.7	11.5
Core profit	32.1	7.9	8.3	8.8	11.5
Profitability (%)					
Gross margin	33.6	37.0	37.1	37.0	36.8
EBITDA margin	21.2	23.8	23.8	23.7	23.5
Operating margin	19.2	21.8	22.0	21.9	21.8
Net margin	7.1	10.3	13.5	13.9	14.3
ROAA	3.9	6.0	8.1	8.6	9.0
ROAE	13.0	18.1	22.3	21.8	21.4
Leverage					
Net Gearing (x)	0.5	0.4	0.3	0.2	0.1
Interest Coverage (x)	5.8	7.3	7.3	8.0	8.6

Source: ICBP, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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