

Wednesday, 16 May 2018

BUY
Maintain

Last price (IDR)	8,200
Target Price (IDR)	9,400
Upside/Downside	+14.6%
Previous Target Price (IDR)	9,700

Stock Statistics

Sector	Consumer
Bloomberg Ticker	ICBP IJ
No of Shrs (mn)	11,662
Mkt. Cap (IDRbn/USDmn)	95,628/6,813
Avg. daily T/O (IDRbn/USDmn)	40.9/2.9

Major shareholders (%)

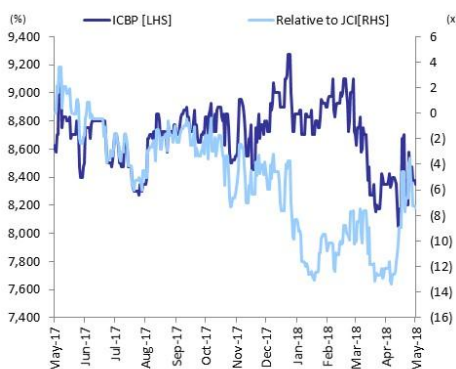
Indofood Sukses Makmur Tbk	80.5
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Estimated free float	19.5
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EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	341.2	362.7	404.7
Consensus	355.6	385.8	411.0
Danareksa/Cons	(4.0)	(6.0)	(1.5)

ICBP relative to JCI Index



Source : Bloomberg



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Indofood CBP Sukses Makmur (ICBP IJ)

Growth to pick up

Following the release of solid 1Q18 results, we foresee continued strong performance in the coming quarters that will help the FY18 top line growth to reach 8.3% yoy. At the current share price, ICBP trades at 24.1x, below the -1SD of the average 2-y PE. Maintain BUY with a TP of IDR9,400.

Noodles: solid 1Q18 volume and revenues growth. At our recent meeting with the management, we learned that the noodles division booked positive volume growth in 1Q18 on the back of a continued focus on product development and marketing. Exports, which account for around 5% of total revenues, showed robust growth in 1Q18. Going forward, we estimate that the noodles division will book revenues growth of 7.6% yoy in FY18 underpinned by the exports drive and solid domestic sales. In terms of profitability, we foresee a lower EBIT margin of 18.9% on the back of higher raw material prices (especially of wheat).

The other divisions should perform better as well. Dairy booked slightly negative volume growth given sluggish sales in the low-end segment. Nonetheless, Dairy's liquid products booked positive volume growth supported by continued innovation and the creation of new variants/SKU. As for the Snacks division, it reported negative 1Q18 volume growth as aggressive promotions back in 1Q17 led to a high base. With the support of new biscuit products (Wonderland Wafer) launched in 1Q18, we forecast robust FY18 snack revenues growth of 8.8% yoy. In the beverages business, meanwhile, the company reported flat volume growth as it halted the production of cup beverages last year. For the nutritional segment, strong growth in 1Q18 was supported by the launch of a cereal drink last year called Go Well.

Maintain BUY with a TP of IDR9,400. We estimate brisker top line growth of 8.3% yoy in 2018 (FY17: +3.6% yoy). Nonetheless, the possibility of currency depreciation and increases in the prices of several major raw materials may narrow the FY18 gross margin to 30.8%, we believe. In turn, this would filter down to a FY18 bottom line of near to only IDR4tn with a lower net margin of 10.3%. At the current share price, ICBP trades at 24.1x, below the -1SD of the average 2-y PE. The upcoming festive season in addition to the national/international events which will take place in the coming quarters bode well for sustained earnings growth, in our view. We maintain our BUY call on the stock with a TP of IDR9,400 based on the median value of the DCF valuation and the average 2-y PE of 26.2x.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	34,375	35,607	38,545	42,101	46,229
EBITDA (IDRbn)	5,541	6,053	6,243	6,621	7,303
EBITDA Growth (%)	24.3	9.2	3.1	6.1	10.3
Net profit (IDRbn)	3,600	3,797	3,979	4,230	4,720
EPS (IDR)	308.7	325.6	341.2	362.7	404.7
EPS growth (%)	20.0	5.4	4.8	6.3	11.6
BVPS (IDR)	1,506.1	1,677.6	1,856.8	2,049.8	2,274.1
DPS (IDR)	13.2	13.9	14.6	15.5	17.3
PER (x)	26.6	25.2	24.0	22.6	20.3
PBV (x)	5.4	4.9	4.4	4.0	3.6
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (x)	16.1	14.7	14.1	13.1	11.8

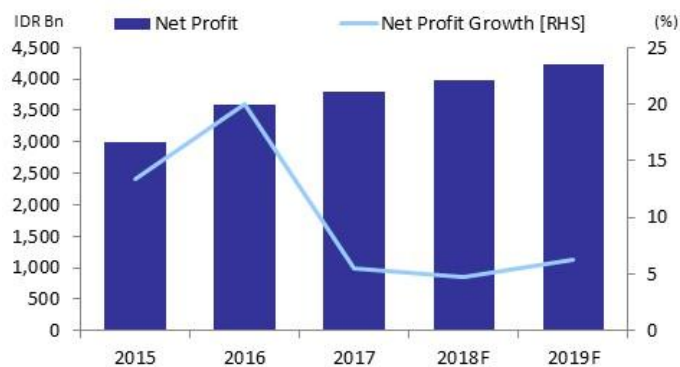
Source : ICBP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



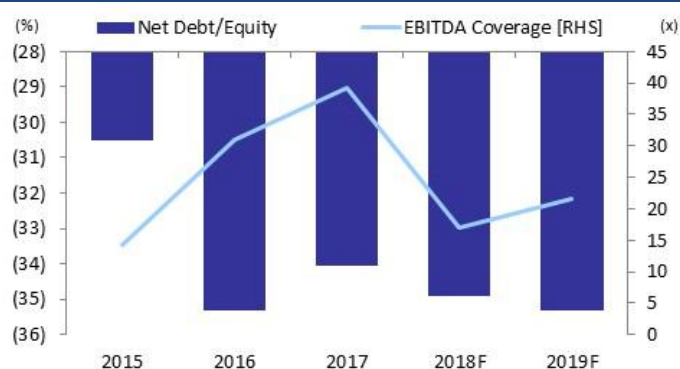
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



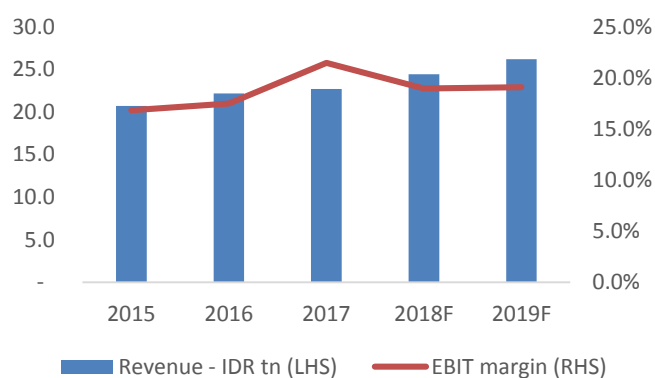
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing



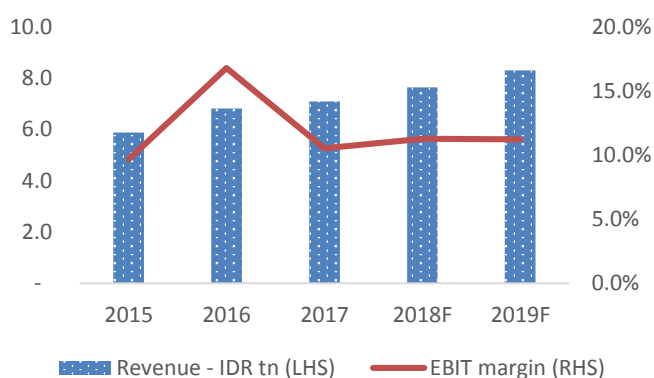
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Noodles – revenues and EBIT margin



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Dairy – revenues and EBIT margin

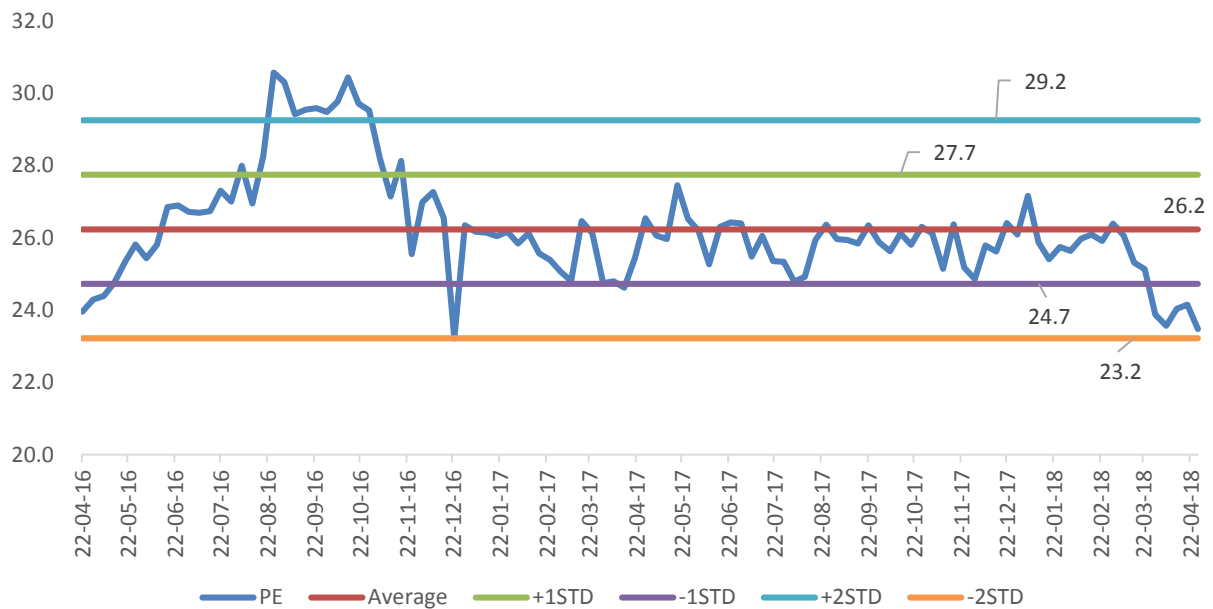


Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Earnings revision

	Old		New		Changes	
	2018F	2019F	2018F	2019F	2018F	2019F
Revenue (IDR bn)	38,588	41,932	38,545	42,101	-0.1%	0.4%
Gross profit (IDR bn)	11,788	12,627	11,853	12,857	0.6%	1.8%
Operating profit (IDR bn)	5,403	5,709	5,567	5,977	3.0%	4.7%
Net profit (IDR bn)	3,807	3,998	3,979	4,230	4.5%	5.8%
Gross margin	30.5%	30.1%	30.8%	30.5%		
Operating margin	14.0%	13.6%	14.4%	14.2%		
Net margin	9.9%	9.5%	10.3%	10.0%		

Source: Company, Danareksa Sekuritas estimates

Exhibit 8. PE Band


Source: Company, Danareksa Sekuritas estimates

Exhibit 9. New products in Snack division


Source: Company, Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	34,375	35,607	38,545	42,101	46,229
COGS	(23,607)	(24,548)	(26,691)	(29,245)	(32,036)
Gross profit	10,768	11,059	11,853	12,857	14,193
EBITDA	5,541	6,053	6,243	6,621	7,303
Oper. profit	4,936	5,378	5,567	5,977	6,681
Interest income	403	324	445	345	364
Interest expense	(179)	(154)	(368)	(306)	(315)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(171)	(341)	(354)	(369)	(387)
Pre-tax profit	4,989	5,207	5,290	5,647	6,343
Income tax	(1,358)	(1,663)	(1,565)	(1,671)	(1,876)
Minority interest	(31)	253	253	253	253
Net profit	3,600	3,797	3,979	4,230	4,720
Core Net Profit	3,600	3,797	3,979	4,230	4,720

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	8,372	8,797	11,413	11,578	12,694
Receivables	3,894	4,126	4,467	4,879	5,357
Inventory	3,110	3,262	3,546	3,886	4,257
Other Curr. Asset	196	246	266	291	320
Fixed assets - Net	7,114	8,120	8,802	9,576	10,433
Other non-curr.asset	6,216	6,920	7,491	8,182	8,984
Total asset	28,902	31,620	36,147	38,567	42,238
ST Debt	970	921	1,002	1,098	1,203
Payables	3,083	3,519	3,827	4,193	4,593
Other Curr. Liabilities	2,417	2,387	2,586	2,826	3,101
Long Term Debt	872	955	2,640	1,862	1,830
Other LT. Liabilities	3,059	3,513	3,821	4,183	4,584
Total Liabilities	10,401	11,295	13,875	14,161	15,311
Shareholder's Funds	17,564	19,564	21,654	23,904	26,520
Minority interests	937	761	618	501	407
Total Equity & Liabilities	28,902	31,620	36,147	38,567	42,238

Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	3,600	3,797	3,979	4,230	4,720
Depreciation and Amort.	605	676	676	644	622
Change in Working Capital	(152)	(194)	(170)	(207)	(245)
Other Oper. Cash Flow	(224)	(170)	(77)	(39)	(49)
Operating Cash Flow	3,829	4,108	4,408	4,627	5,047
Capex	(1,164)	(1,682)	(1,357)	(1,418)	(1,479)
Others Inv. Cash Flow	230	(380)	(126)	(346)	(438)
Investing Cash Flow	(933)	(2,062)	(1,484)	(1,764)	(1,917)
Net change in debt	(815)	34	1,766	(682)	73
New Capital	(1,491)	(1,797)	2,090	2,251	2,616
Dividend payment	(1,493)	(1,791)	(1,889)	(1,979)	(2,104)
Other Fin. Cash Flow	1,618	1,932	1,704	1,942	2,122
Financing Cash Flow	(2,182)	(1,622)	3,671	1,531	2,706
Net Change in Cash	714	425	6,595	4,394	5,836
Cash - begin of the year	7,658	8,372	8,797	11,413	11,578
Cash - end of the year	8,372	8,797	11,413	11,578	12,694

Exhibit 14. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	8.3	3.6	8.3	9.2	9.8
EBITDA	24.3	9.2	3.1	6.1	10.3
Operating profit	26.3	8.9	3.5	7.4	11.8
Net profit	20.0	5.4	4.8	6.3	11.6
Profitability (%)					
Gross margin	31.3	31.1	30.8	30.5	30.7
EBITDA margin	16.1	17.0	16.2	15.7	15.8
Operating margin	14.4	15.1	14.4	14.2	14.5
Net margin	10.5	10.7	10.3	10.0	10.2
ROAA	13.0	12.5	11.7	11.3	11.7
ROAE	21.8	20.5	19.3	18.6	18.7
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	27.6	34.9	15.1	19.6	21.2

Source : ICBP, Danareksa Estimates

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