

Thursday, 01 August 2019

BUY
Maintain

Last price (IDR)	10,625
Target Price (IDR)	11,000
Upside/Downside	+3.5%
Previous Target Price (IDR)	11,000

Stock Statistics

Sector	Consumer
Bloomberg Ticker	ICBP JJ
No of Shrs (mn)	11,662
Mkt. Cap (IDRbn/USDmn)	123,908/8,833
Avg. daily T/O (IDRbn/USDmn)	61.6/4.4

Major shareholders (%)

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

	2019F	2020F	2021F
Danareksa	396.2	418.9	466.3
Consensus	415.7	454.0	500.5
Danareksa/Cons	(4.7)	(7.7)	(6.8)

ICBP relative to JCI Index



Source : Bloomberg



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Indofood CBP Sukses Makmur (ICBP JJ)

Solid volume growth in most divisions

ICBP reported strong 2Q19 earnings growth of 14.8% yoy, supported by solid top line growth (+13.5% yoy), with high gross margins despite high opex/revenues. This led to 1H19 net profits of IDR2.6tn, +12.4% yoy. The 1H19 net profit is 56% of our full year estimate and 52% of consensus estimates, i.e. in line.

Noodles and Dairy supported 2Q19 top line growth. ICBP reported a 2Q19 top line of IDR10.9tn, +13.5% yoy. Noodles, the major revenues contributor, reported strong 14.8% yoy revenues growth in 2Q19. Dairy – the second biggest contributor to revenues - booked solid revenues growth of 7.4% yoy. Beverages and Nutrition also booked decent growth of 3.2% yoy and 13.3% yoy, respectively. In the same period, Food seasoning reported strong 78.4% yoy revenues growth following the consolidation of its subsidiary - NICI, while snack foods booked lower 2Q19 revenues growth of 0.9% yoy.

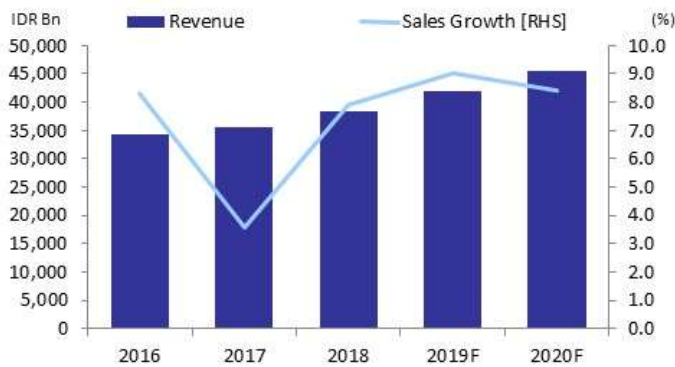
2Q19 earnings: 15% yoy growth thanks to a solid top line & higher gross margins. In 2Q19, ICBP reported a higher gross margin of 34.2% thanks to subdued prices of its major raw materials and higher Noodle ASP. This cushioned the impact of higher 2Q19 opex spent to support promotional activities. By division, Noodles improved its 1H19 EBIT margin to 21.4% while Dairy and Food seasoning showed a better EBIT margin at 16% (1H18: 11.6%) and 11.8% (1H18: 8.4%), respectively. By comparison, Snacks and Beverages reported negative EBIT margins. Nutrition reported a slightly lower 1H19 EBIT margin at 4.4%. Below the operating line, lower financing costs supported the 1H19 bottom line which reached IDR2.6tn (+12.4% yoy). The 1H19 earnings are 56% of our full year forecast and 52% of consensus estimates, i.e. in line.

Maintain BUY. We will revisit our forecast and recommendation following the release of the 1H19 results. Based on our recent meeting with the company, we learnt that ICBP recorded solid volume growth in most of its divisions. As the incumbent in Indonesia's huge instant noodles market, we believe that supported by continuous product innovation, ICBP should be able to sustain its top line growth in the future (noodles are expected to contribute 64% to the FY19 top line). At the current share price, ICBP is trading at 23.2x FY19F PE, which is below its average 1-year PE of 25.3x. Maintain BUY with a TP of Rp11,000.

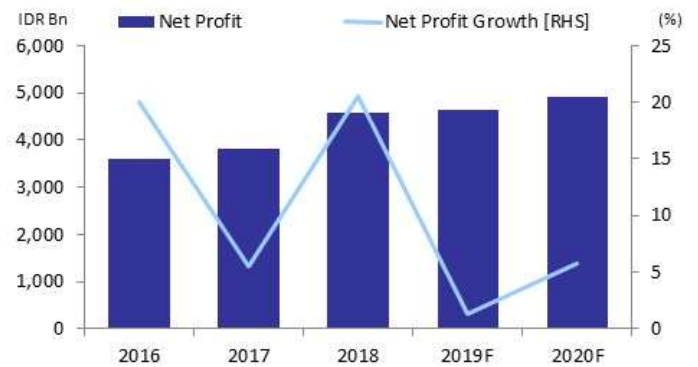
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	35,607	38,413	41,877	45,401	49,341
EBITDA (IDRbn)	4,702	4,931	5,449	5,774	6,310
EBITDA Growth (%)	8.6	4.9	10.5	6.0	9.3
Net profit (IDRbn)	3,797	4,576	4,620	4,885	5,437
EPS (IDR)	325.6	392.4	396.2	418.9	466.3
EPS growth (%)	5.4	20.5	1.0	5.7	11.3
BVPS (IDR)	1,677.6	1,853.8	2,051.8	2,261.3	2,494.4
DPS (IDR)	161.9	230.7	198.1	209.4	233.1
PER (x)	28.2	23.4	23.2	21.9	19.7
PBV (x)	5.5	4.9	4.5	4.1	3.7
Dividend yield (%)	1.8	2.5	2.2	2.3	2.5
EV/EBITDA (x)	21.4	21.2	19.2	18.2	16.7

Source : ICBP, Danareksa Estimates

Exhibit 1. Revenues and Growth


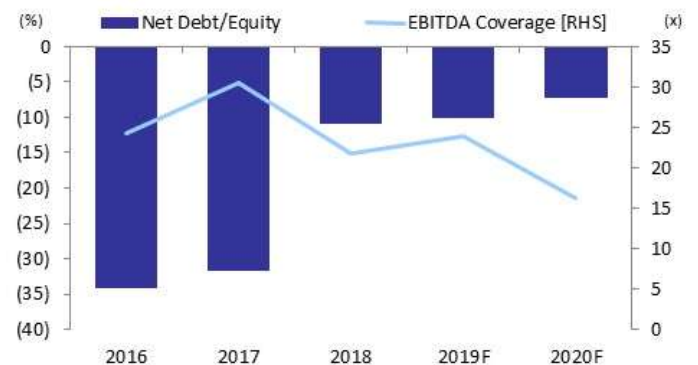
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. 2Q19 result

	2Q18	1Q19	2Q19	qoq	yoy	1H18	1H19	yoy	2019F	A/F	A/C
Revenue - IDR bn	9,579	11,256	10,874	-3.4%	13.5%	19,459	22,130	13.7%	41,877	53%	53%
COGS	6,494	7,468	7,151	-4.2%	10.1%	13,170	14,618	11.0%	28,377		
Gross profit	3,084	3,788	3,724	-1.7%	20.7%	6,289	7,512	19.4%	13,500	56%	54%
Opex	1,757	1,860	1,872	0.7%	6.6%	3,351	3,732	11.4%	7,160		
Operating profit	1,327	1,928	1,851	-4.0%	39.5%	6,289	3,779	-39.9%	6,340	60%	54%
Pretax profit	1,558	1,957	1,869	-4.5%	20.0%	3,222	3,827	18.8%	6,509		
Net profit	1,078	1,337	1,238	-7.5%	14.8%	2,291	2,575	12.4%	4,620	56%	52%
Gross margin	32.2%	33.7%	34.2%			32.3%	33.9%		32.2%		
Opex to revenue	18.3%	16.5%	17.2%			17.2%	16.9%		17.1%		
Operating margin	13.9%	17.1%	17.0%			32.3%	17.1%		15.1%		
Pretax margin	16.3%	17.4%	17.2%			16.6%	17.3%		15.5%		
Net margin	11.3%	11.9%	11.4%			11.8%	11.6%		11.0%		

Source: Company, Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	35,607	38,413	41,877	45,401	49,341
COGS	(24,548)	(26,148)	(28,377)	(30,944)	(33,490)
Gross profit	11,059	12,266	13,500	14,457	15,851
EBITDA	4,702	4,931	5,449	5,774	6,310
Oper. profit	5,378	5,772	6,340	6,796	7,456
Interest income	324	254	253	278	263
Interest expense	(154)	(226)	(231)	(359)	(254)
Forex Gain/(Loss)	0	179	0	0	0
Income From Assoc. Co's	(185)	(30)	(32)	(35)	(38)
Other Income (Expenses)	(156)	497	179	194	211
Pre-tax profit	5,207	6,447	6,509	6,874	7,639
Income tax	(1,663)	(1,788)	(1,805)	(1,907)	(2,119)
Minority interest	253	(83)	(83)	(83)	(83)
Net profit	3,797	4,576	4,620	4,885	5,437
Core Net Profit	3,797	4,397	4,620	4,885	5,437

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	8,797	4,727	5,005	5,668	4,464
Receivables	4,126	4,271	4,809	5,214	5,666
Inventory	3,262	4,001	4,342	4,735	5,125
Other Curr. Asset	246	558	609	660	717
Fixed assets - Net	8,120	10,742	12,998	15,283	17,577
Other non-curr.asset	6,920	9,504	9,155	9,777	10,471
Total asset	31,620	34,367	37,534	42,003	44,744
ST Debt	1,149	1,146	1,159	800	866
Payables	3,519	3,706	4,022	4,386	4,746
Other Curr. Liabilities	1,685	1,907	2,078	2,253	2,449
Long Term Debt	1,208	1,099	1,302	2,795	1,838
Other LT. Liabilities	3,734	3,802	3,956	4,310	4,668
Total Liabilities	11,295	11,660	12,517	14,544	14,567
Shareholder's Funds	19,564	21,619	23,928	26,371	29,089
Minority interests	761	1,088	1,088	1,088	1,088
Total Equity & Liabilities	31,620	34,367	37,534	42,003	44,744

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	3,797	4,576	4,620	4,885	5,437
Depreciation and Amort.	676	841	890	1,023	1,146
Change in Working Capital	(208)	(469)	(409)	(278)	(307)
Other Oper. Cash Flow	(5)	(2,145)	885	226	114
Operating Cash Flow	4,259	2,803	5,987	5,856	6,391
Capex	(1,628)	(3,355)	(3,148)	(3,307)	(3,440)
Others Inv. Cash Flow	(338)	(528)	(234)	(219)	(291)
Investing Cash Flow	(1,966)	(3,883)	(3,382)	(3,526)	(3,731)
Net change in debt	312	(112)	216	1,134	(892)
New Capital	4	504	0	0	0
Dividend payment	(1,889)	(2,690)	(2,310)	(2,442)	(2,719)
Other Fin. Cash Flow	(154)	(226)	(231)	(359)	(254)
Financing Cash Flow	(1,727)	(2,523)	(2,326)	(1,667)	(3,864)
Net Change in Cash	567	(3,603)	278	663	(1,204)
Cash - begin of the year	8,372	8,797	4,727	5,005	5,668
Cash - end of the year	8,797	4,727	5,005	5,668	4,464

Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	3.6	7.9	9.0	8.4	8.7
EBITDA	8.6	4.9	10.5	6.0	9.3
Operating profit	8.9	7.3	9.8	7.2	9.7
Net profit	5.4	20.5	1.0	5.7	11.3
Profitability (%)					
Gross margin	31.1	31.9	32.2	31.8	32.1
EBITDA margin	13.2	12.8	13.0	12.7	12.8
Operating margin	15.1	15.0	15.1	15.0	15.1
Net margin	10.7	11.9	11.0	10.8	11.0
ROAA	12.5	13.9	12.9	12.3	12.5
ROAE	20.5	22.2	20.3	19.4	19.6
Leverage					
Net Gearing (x)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
Interest Coverage (x)	34.9	25.6	27.4	18.9	29.4

Source : ICBP, Danareksa Estimates

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