

Thursday, 08 August 2019

BUY
Maintain

Last price (IDR)	11,225
Target Price (IDR)	12,500
Upside/Downside	+11.4%
Previous Target Price (IDR)	11,000

Stock Statistics

Sector	Consumer
Bloomberg Ticker	ICBP JJ
No of Shrs (mn)	11,662
Mkt. Cap (IDRbn/USDmn)	130,905/9,202
Avg. daily T/O (IDRbn/USDmn)	62.8/4.4

Major shareholders (%)

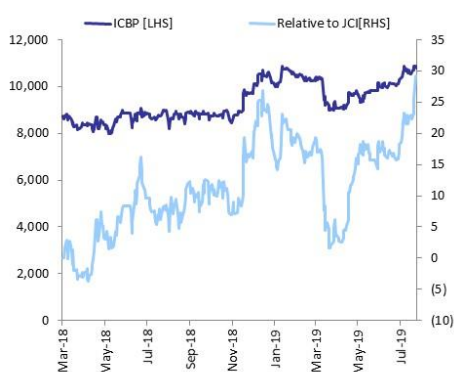
Indofood Sukses Makmur Tbk	80.5
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Estimated free float	19.5
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EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	425.4	461.3	501.8
Consensus	420.5	458.2	502.5
Danareksa/Cons	1.2	0.7	(0.1)

ICBP relative to JCI Index



Source : Bloomberg



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Indofood CBP Sukses Makmur (ICBP JJ)

Outperforming its rivals

Following the release of solid 1H19 results on higher volumes and robust margins, we have revised up our FY19-20 earnings estimates by 7% and 10%, respectively. We roll over our valuation to 2020 and maintain our BUY recommendation on the stock with a higher TP of IDR12,500.

Despite soft 1H19 industry sales, ICBP's noodles sales volume was strong. According to Nielsen data, the sales value of 58 FMCG products grew by 1.8% yoy as of the end of June 2019, a similar growth rate to June 2018. In volume terms, however, sales still contracted by 3.6% yoy (ytd June 2018: -2.2% yoy) with Pharma and Personal care product sales posting the most severe declines. It should also be noted that F&B product sales recorded negative volume growth of -3.3% yoy in ytd June 2019 (ytd 2018: -1.8% yoy). Despite the lower industry sales volume, however, ICBP still managed to record solid volume growth in its noodles and dairy businesses, thanks mostly to improvements in its distribution and marketing system as well as continued product innovation aimed at tapping the "millennials" segment.

FY19-20 earnings revised up on higher sales volume and margins. Following the release of the 1H19 results, we have revised up our volume growth assumptions for Noodles & Food Seasonings, whilst also adjusting our growth estimates for Snacks & Beverages. As such, we revise up our FY19-20 top line estimates by 2% & 2.4%, respectively. Early this year, the company raised the prices of its instant noodles by IDR100/pack or around 4-5% of its ASP. Supported by soft raw material prices, the company was able to book a higher 1H19 gross margin of 33.9%. Going forward, we expect the gross margin to remain firm at 32.9% and 32.8% in FY19-20. At the bottom line, net profits should also be supported by manageable opex. As such, we forecast FY19-20 net profits of IDR4.96tn (+8.4% yoy) and IDR5.4tn (+8.5% yoy) – representing upward revisions of 7.4% & 10.1%, respectively.

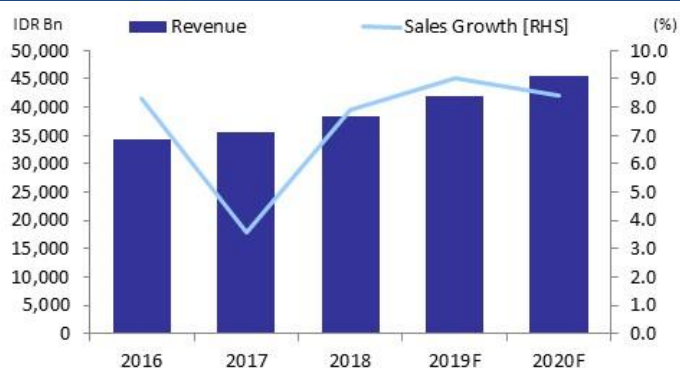
Maintain BUY with a higher TP of IDR 12,500. In our view, the many initiatives undertaken by the company have helped to boost sales, notably: effective advertising in digital channels, new products tapping the "millennials" segment as well as a better marketing and distribution system which ensures the most suitable inventories in each area. With the expectation of stable household consumption growth at above 5%, we expect ICBP's growth to be sustainable going forward. We roll over our valuation and maintain our BUY call on the stock with a higher TP of IDR12,500 (FY20 PE of 27.1x) based on DCF valuation (WACC 9.1%, TG 4%).

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	35,607	38,413	42,701	46,482	50,851
EBITDA (IDRbn)	4,702	4,931	5,930	6,394	6,955
EBITDA Growth (%)	8.6	4.9	20.3	7.8	8.8
Net profit (IDRbn)	3,797	4,576	4,961	5,379	5,852
EPS (IDR)	325.6	392.4	425.4	461.3	501.8
EPS growth (%)	5.4	20.5	8.4	8.4	8.8
BVPS (IDR)	1,677.6	1,853.8	2,066.4	2,297.1	2,547.9
DPS (IDR)	161.9	195.0	212.7	230.6	250.9
PER (x)	28.3	23.4	21.6	19.9	18.3
PBV (x)	5.5	5.0	4.5	4.0	3.6
Dividend yield (%)	1.8	2.1	2.3	2.5	2.7
EV/EBITDA (x)	21.4	21.3	17.7	16.4	15.1

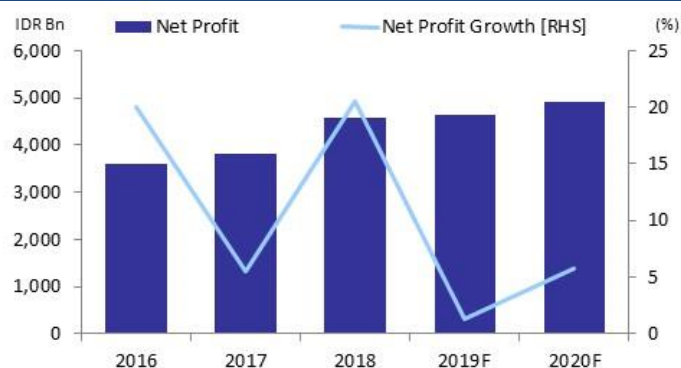
Source : ICBP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



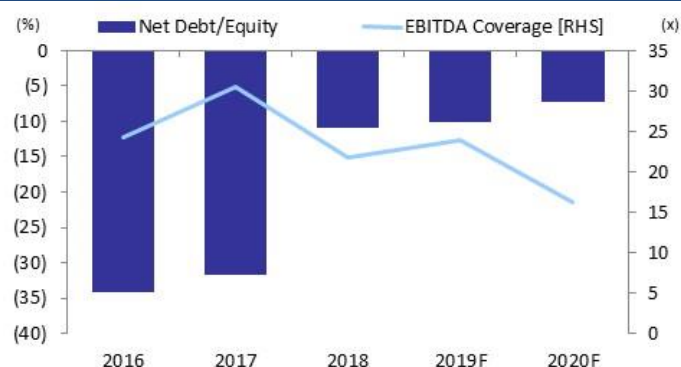
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



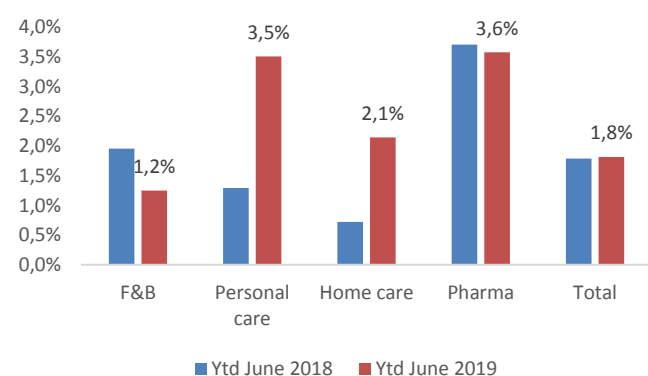
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



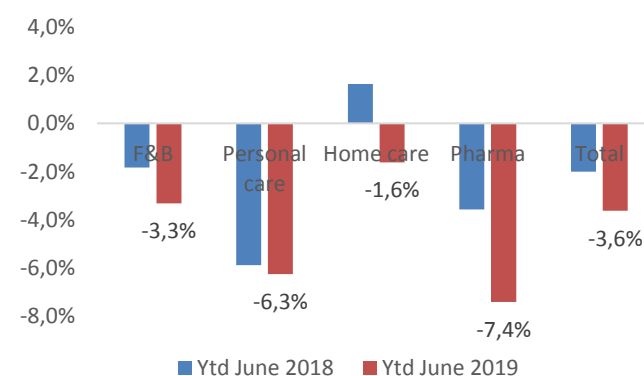
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Nielsen data on 58 FMCG products – Value growth



Source: Company, Nielsen

Exhibit 6. Nielsen data on 58 FMCG products – Volume growth

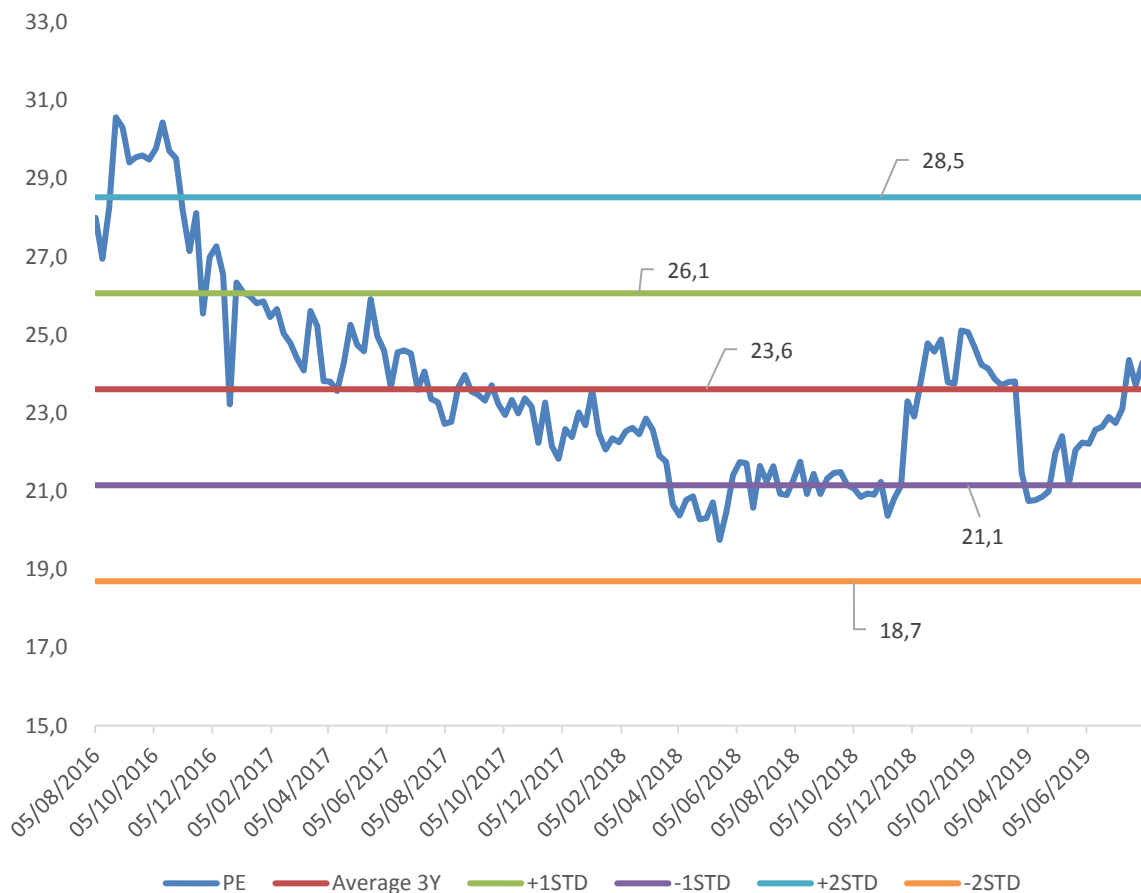


Source: Company, Nielsen

Exhibit 9. Earnings revisions

	Old		New		Changes	
	2019F	2020F	2019F	2020F	2019F	2020F
Revenue	41,877	45,401	42,701	46,482	2.0%	2.4%
Gross profit	13,500	14,457	14,114	15,250	4.5%	5.5%
Operating profit	6,340	6,796	6,820	7,417	7.6%	9.1%
Net profit	4,620	4,885	4,961	5,379	7.4%	10.1%
Gross margin	32.2%	31.8%	33.1%	32.8%		
Operating margin	15.1%	15.0%	16.0%	16.0%		
Net margin	11.0%	10.8%	11.6%	11.6%		
Changes in assumption						
Sales volume						
Noodles	4.0%	4.0%	7.0%	5.0%		
Dairy	6.0%	5.0%	6.0%	5.0%		
Snack	6.0%	6.0%	-1.0%	2.0%		
Beverages	4.0%	4.0%	-3.0%	1.0%		
Nutritional	7.0%	7.0%	7.0%	7.0%		
Seasoning	6.0%	6.0%	25.0%	10.0%		

Source: Company, Danareksa Sekuritas estimates

Exhibit 10. PE Band


Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 11. Some of company's new products this year



Source: Company

Exhibit 12. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	35,607	38,413	42,701	46,482	50,851
COGS	(24,548)	(26,148)	(28,587)	(31,233)	(34,113)
Gross profit	11,059	12,266	14,114	15,250	16,738
EBITDA	4,702	4,931	5,930	6,394	6,955
Oper. profit	5,378	5,772	6,820	7,417	8,101
Interest income	324	254	185	177	178
Interest expense	(154)	(226)	(163)	(174)	(208)
Forex Gain/(Loss)	0	179	0	0	0
Income From Assoc. Co's	(185)	(30)	(33)	(36)	(39)
Other Income (Expenses)	(156)	497	183	199	218
Pre-tax profit	5,207	6,447	6,992	7,583	8,250
Income tax	(1,663)	(1,788)	(1,939)	(2,103)	(2,288)
Minority interest	253	(83)	(92)	(100)	(110)
Net profit	3,797	4,576	4,961	5,379	5,852
Core Net Profit	3,797	4,397	4,961	5,379	5,852

Exhibit 13. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	8,797	4,727	4,508	4,362	4,530
Receivables	4,126	4,271	4,904	5,338	5,840
Inventory	3,262	4,001	4,375	4,779	5,220
Other Curr. Asset	246	558	621	676	739
Fixed assets - Net	8,120	10,742	12,998	15,283	17,577
Other non-curr.asset	6,920	9,504	9,301	9,967	10,737
Total asset	31,620	34,367	37,332	41,087	45,390
ST Debt	1,149	1,146	882	807	882
Payables	3,519	3,706	4,052	4,427	4,835
Other Curr. Liabilities	1,685	1,907	2,119	2,307	2,524
Long Term Debt	1,208	1,099	1,099	1,309	1,583
Other LT. Liabilities	3,734	3,802	3,994	4,360	4,764
Total Liabilities	11,295	11,660	12,146	13,210	14,587
Shareholder's Funds	19,564	21,619	24,098	26,788	29,714
Minority interests	761	1,088	1,088	1,088	1,088
Total Equity & Liabilities	31,620	34,367	37,332	41,087	45,390

Exhibit 14. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	3,797	4,576	4,961	5,379	5,852
Depreciation and Amort.	676	841	890	1,023	1,146
Change in Working Capital	(208)	(469)	(470)	(297)	(341)
Other Oper. Cash Flow	(5)	(2,145)	873	139	174
Operating Cash Flow	4,259	2,803	6,254	6,245	6,831
Capex	(1,628)	(3,355)	(3,148)	(3,307)	(3,440)
Others Inv. Cash Flow	(338)	(528)	(419)	(355)	(437)
Investing Cash Flow	(1,966)	(3,883)	(3,567)	(3,662)	(3,877)
Net change in debt	312	(112)	(264)	135	349
New Capital	4	504	0	0	0
Dividend payment	(1,889)	(2,274)	(2,480)	(2,690)	(2,926)
Other Fin. Cash Flow	(154)	(226)	(163)	(174)	(208)
Financing Cash Flow	(1,727)	(2,107)	(2,907)	(2,729)	(2,785)
Net Change in Cash	567	(3,187)	(219)	(146)	169
Cash - begin of the year	8,372	8,797	4,727	4,508	4,362
Cash - end of the year	8,797	4,727	4,508	4,362	4,530

Exhibit 15. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	3.6	7.9	11.2	8.9	9.4
EBITDA	8.6	4.9	20.3	7.8	8.8
Operating profit	8.9	7.3	18.2	8.7	9.2
Net profit	5.4	20.5	8.4	8.4	8.8
Profitability (%)					
Gross margin	31.1	31.9	33.1	32.8	32.9
EBITDA margin	13.2	12.8	13.9	13.8	13.7
Operating margin	15.1	15.0	16.0	16.0	15.9
Net margin	10.7	11.9	11.6	11.6	11.5
ROAA	12.5	13.9	13.8	13.7	13.5
ROAE	20.5	22.2	21.7	21.1	20.7
Leverage					
Net Gearing (x)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
Interest Coverage (x)	34.9	25.6	42.0	42.5	39.0

Source : ICBP, Danareksa Estimates

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