

PT. Indofood CBP Sukses Makmur Tbk.

BUY

Consumer Goods, Food and Beverage
5 September 2022

Price IDR. 8,725
Target IDR. 10,970
JKSE Index 7,177.18



Stock code

Bloomberg code ICBP IJ
Market cap (in Bn) 101,750
52-week high 9,625
52-week low 7,050
6-m avg.dail.val (IDR) 8,378
Free Float (%) 19.47%

Major Share Holders (%)

PT Indofood Sukses Makmur Tbk 80.53%
Public 19.47%

USD/IDR-YE

2021 14,310
2022F (6m-avg) 14,984

Analyst:
Eka Rahmawati Rahman

Investment Considerations

Double-digit sales growth

- ICBP maintained double digit sales growth of +17.5% YoY but had a decline of -10.4% QoQ to IDR 15.4 trillion in 2Q2022. Margins in all ICBP businesses continued to decline because of higher raw material prices (wheat, skim milk powder, CPO) in 2Q2022. Sales to Middle East and Africa grew +32% to IDR 3.53 trillion, while domestic sales grew +12% YoY to IDR 11.03 trillion.
- Noodles sales grew +20.6% YoY but were lower -7.8% QoQ at IDR 11.2 trillion even with a higher ASP. The EBIT margin declined from 23.7% last year to 16.6% due to rising raw material costs.
- Dairy sales grew +11.3% YoY but declined -12.1% QoQ to IDR 2.44 with a lower EBIT margin of 3.2% from 7.7% in 2Q2021 due to higher skim milk powder prices.
- Beverage sales grew YoY and QoQ to IDR 374 billion with a higher EBIT margin of 3.3% from -0.8% in 2Q2021.
- Snack Food sales were IDR 923 billion which is an increase of +22.4% YoY but -8.8% QoQ. The snack food EBIT margin decreased to 4.9% from 11.2% last year.
- Food Seasoning and Nutrition & special foods had growth of +14.6% and +8% YoY to IDR 808 billion and IDR 270 billion respectively. Both also booked lower EBIT margins of 14.5% and 3,4%.
- ICBP has raised selling prices in 1Q2022 and 2Q2022 and has the ability to raise prices again. We maintain our double-digit sales growth target for this year of +21% to IDR 68.4 trillion.

2Q2022 Result: A net loss

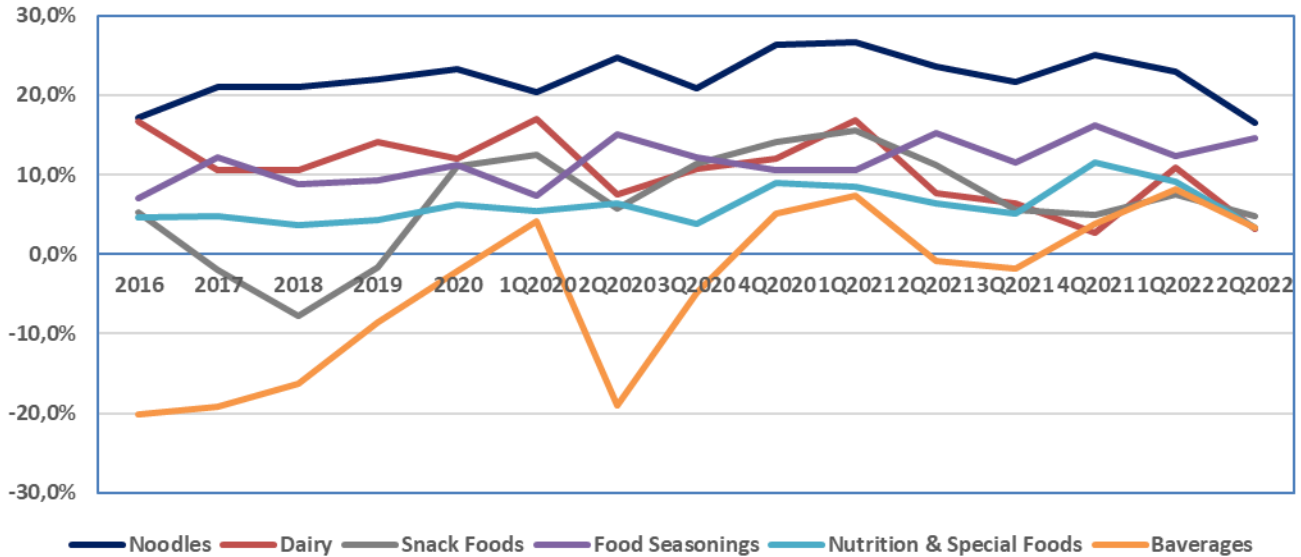
- In addition to the impact of rising raw material prices, higher financial costs and foreign losses also weighed on the bottom line profit.
- ICBP booked a loss of IDR 9 billion in 2Q2022 from a profit in 1Q2022 of IDR 1.93 trillion. The net profit margin become negative at -0,1% from 11.3% in 1Q2022.
- Cost of goods sold increased +27.3% YoY from the increase in raw material prices. As a result ICBP gross profit decreased -0.8% YoY or -23% QoQ to IDR 4.52 trillion in 2Q2022. This resulted in a lower GPM from 34.2% in 1Q2022 to 29.4% in 2Q2022.
- ICBP booked higher foreign losses in 2Q2022 of IDR 1.34 trillion from a gain in 2Q2021. As a result profit before tax was lower by -76% YoY or -79% QoQ to IDR 572 billion.
- In June the commodity price such as CPO and wheat have shown a decline, but USD/IDR fluctuations will still weigh on bottom line profit. After the 2Q2022 performance we revise down our forecasts, we now expect net profit to reach IDR 5.57 trillion for 2022F which is a decrease of -12.8% YoY.

Valuation: Maintain Buy TP 10,970

- We are targeting ICBP to reach IDR 10,970 or 26% upside, which is an 18x PE valuation within one year. Maintain BUY.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Sales (IDR Bn)	35.606	38.413	42.297	46.641	56.804	68.467	80.657
EBITDA (IDR Bn)	6.035	7.513	8.626	11.742	13.027	12.998	15.790
Net Profit (IDR Bn)	3.796	4.576	5.039	6.587	6.388	5.573	7.509
EPS (IDR)	326	392	432	565	548	478	593
GPM (%)	31%	32%	34%	37%	36%	33%	33%
OPM (%)	15%	17%	17%	20%	21%	19%	19%
ROE (%)	19%	21%	20%	22%	19%	16%	21%
ROA (%)	12%	13%	13%	6%	5%	5%	6%

Chart: EBIT Margin by Segment YoY



Source: Company & Binaartha

Table: Income Statement in IDR. Billion QoQ & YoY

Income Statement (in IDR Bn)	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
Net Sales	17.188	15.404	-10,4%	28.199	32.593	15,6%	13.107	17,5%
Cost of Sales	-11.312	-10.879	-3,8%	-17.766	-22.191	24,9%	-8.546	27,3%
Gross Profit	5.876	4.526	-23,0%	10.433	10.402	-0,3%	4.561	-0,8%
Operating Expense	-2.342	-2.180	-6,9%	-4.072	-4.522	11,1%	-2.019	8,0%
Operating income	3.534	2.346	-33,6%	6.361	5.879	-7,6%	2.543	-7,7%
Other Income	-772	-1.773	129,8%	-1.337	-2.545	90,4%	-167	964,6%
PBT	2.762	572	-79,3%	5.024	3.334	-33,6%	2.376	-75,9%
Taxes	-508	-415	-18,3%	-1.060	-923	-12,9%	-540	-23,1%
NIAT	2.254	157	-93,0%	3.965	2.411	-39,2%	1.836	-91,4%
Minority Interest	-316	-166	-47,5%	-743	-482	-35,2%	-351	-52,8%
Net Profit	1.938	-9	-100,4%	3.221	1.930	-40,1%	1.485	-100,6%
EPS (in IDR)	166	-1	-100,4%	276	165	-40,1%	127	-100,6%
GPM (%)	34,2%	29,4%		37,0%	31,9%		34,8%	
OPM (%)	20,6%	15,2%		22,6%	18,0%		19,4%	
NPM (%)	11,3%	-0,1%		11,4%	5,9%		11,3%	

Source: Company & Binaartha

Table: Income Statement in IDR. Billion YoY

Income Statement (in IDR Bn)	2016 A	2017 A	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Net Sales	34.375	35.606	38.413	42.297	46.641	56.804	68.467	80.657
Cost of Sales	-23.607	-24.548	-26.148	-27.892	-29.417	-36.526	-45.873	-54.040
Gross Profit	10.768	11.058	12.266	14.405	17.224	20.277	22.594	26.617
Operating Expense	-5.904	-5.837	-5.818	-7.004	-8.023	-8.619	-9.585	-11.292
Operating income	4.864	5.221	6.448	7.401	9.201	11.659	13.009	15.325
Other Income	125	-15	-1	37	758	-1.723	-4.108	-3.630
PBT	4.989	5.206	6.447	7.438	9.959	9.935	8.901	11.695
Taxes	-1.358	-1.663	-1.788	-2.077	-2.540	-2.035	-1.958	-2.573
NIAT	3.631	3.543	4.659	5.361	7.419	7.900	6.943	9.122
Minority Interest	-31	253	-83	-321	-832	-1.512	-1.369	-1.613
Net Profit	3.600	3.796	4.576	5.039	6.587	6.388	5.573	7.509
EPS (in IDR)	309	326	392	432	565	548	478	593
EBITDA	5.773	6.035	7.513	8.626	11.742	13.027	12.998	15.790

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (in IDR.bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
+ Net Income	3.796	4.576	5.039	6.587	6.388	5.573	7.509
+Depreciation	675	841	1.027	1.112	1.126	1.126	1.215
- Change in WC	-225	-1.204	450	-295	7.281	-4.934	2.400
Cash From Operating Activities	4.246	4.213	6.516	7.404	14.795	1.765	11.124
Change in Non-current Asset	-2.385	-6.047	-2.865	-61.900	-2.322	-4.249	-711
cash from investing activities	-2.385	-6.047	-2.865	-61.900	-2.322	-4.249	-711
Long-term debt	83	-103	850	29.071	9.966	1.027	-1.436
Other Long term liabilities	454	60	207	9.542	-9.613	-285	206
equity	-1.973	-2.192	-1.076	17.060	-1.983	-2.543	-4.934
cash from financing activities	-1.437	-2.235	-18	55.672	-1.631	-1.802	-6.164
Net Changes in Cash	424	-4.069	3.633	1.176	10.842	-4.285	4.249
Beginning Balance	8.372	8.797	4.727	8.359	9.535	20.378	16.093
Ending balance	8.796	4.727	8.359	9.535	20.378	16.093	20.341

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (in IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	8.797	4.727	8.359	9.535	20.378	16.093	20.341
Trade Accounts Receivable	4.126	4.271	4.132	5.747	6.834	7.189	6.049
Inventories	3.262	4.001	3.841	4.587	5.857	6.162	5.969
Others Current Assets	395	1.122	293	847	928	1.712	968
Total Current Assets	16.579	14.122	16.625	20.716	33.998	31.155	33.327
NONCURRENT ASSETS							
Fixed Assets	8.120	10.742	11.342	13.351	14.176	15.301	16.516
Long-term Investment	2.645	2.705	3.890	10.645	11.069	11.639	11.292
Other Noncurrent Assets	4.275	6.799	6.851	58.876	58.825	60.251	58.880
Total Noncurrent Assets	15.040	20.246	22.084	82.872	84.069	87.192	86.688
TOTAL ASSETS	31.619	34.367	38.709	103.588	118.067	118.347	120.015
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	921	1.058	703	725	838	685	807
Trade Account Payable	3.519	3.706	3.258	3.907	4.552	4.450	5.243
Others Current Liabilities	2.387	2.471	2.596	4.544	13.507	10.270	9.679
Total Current Liabilities	6.828	7.235	6.556	9.176	18.896	15.405	15.728
NONCURRENT LIABILITIES							
Long-term debt	955	852	1.702	30.773	40.738	41.765	40.329
Others Noncurrent Liabilities	3.513	3.573	3.780	13.321	3.708	3.423	3.630
Total Noncurrent Liabilities	4.468	4.425	5.482	44.094	44.447	45.188	43.958
TOTAL LIABILITIES	11.295	11.660	12.038	53.270	63.343	60.594	59.686
Non-controlling interest	761	1.088	1.370	20.888	20.842	22.594	24.197
EQUITY	19.563	21.619	25.301	29.430	33.881	35.159	36.131
TOTAL LIABILITIES & EQUITY	31.619	34.367	38.709	103.588	118.066	118.347	120.015

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)							
Sales	3,6%	7,9%	10,1%	10,3%	21,8%	20,5%	17,8%
OP	7,3%	23,5%	14,8%	24,3%	26,7%	11,6%	17,8%
EBITDA	4,5%	24,5%	14,8%	36,1%	10,9%	-0,2%	21,5%
NP	5,4%	20,5%	10,1%	30,7%	-3,0%	-12,8%	34,7%
EPS	5,4%	20,5%	10,1%	30,7%	-3,0%	-12,8%	24,1%
Profitability							
Gross Margin	31,1%	31,9%	34,1%	36,9%	35,7%	33,0%	33,0%
Operating Margin(%)	14,7%	16,8%	17,5%	19,7%	20,5%	19,0%	19,0%
EBITDA margin(%)	16,9%	19,6%	20,4%	25,2%	22,9%	19,0%	19,6%
NET Profit margin(%)	10,7%	11,9%	11,9%	14,1%	11,2%	8,1%	9,3%
ROA(%)	12,0%	13,3%	13,0%	6,4%	5,4%	4,7%	6,3%
ROE(%)	19,4%	21,2%	19,9%	22,4%	18,9%	15,9%	20,8%
Solvability (x)							
Tot. debt/ Tot.equity	0,58	0,54	0,48	1,81	1,87	1,72	1,65
Debt Ratio	2,80	2,95	3,22	1,94	1,86	1,95	2,01
Liquidity (x)							
Current Ratio	2,43	1,95	2,54	2,26	1,80	2,02	2,12
Cash Ratio	1,29	0,65	1,27	1,04	1,08	1,04	1,29
Per Share data (IDR)							
EPS	326	392	432	565	548	478	593
BV	1.678	1.854	2.170	2.524	2.905	3.015	2.854
EBITDA/share	517	644	740	1.007	1.117	1.115	1.247

Source: Company & Binaartha

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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