

**PT. Indofood CBP Sukses Makmur Tbk.**

**BUY**

Consumer Goods, Food and Beverage  
8 December 2020

Price IDR. 9,950  
Target IDR. 12,580  
JKSE Index 5,930.759



**Stock code**

Bloomberg code ICBP IJ  
Market cap (in Bn) 116,328  
52-week high 11,900  
52-week low 7,750  
6-m avg.dail.val (IDR) 9,745  
Free Float (%) 19.47%

**Major Share Holders (%)**

PT Indofood Sukses Makmur Tbk 80.53%  
Public 19.47%

**USD/IDR-YE**

2019 13,980  
2020F (6m-avg) 14,097

Analyst:  
Eka Rahmawati Rahman

**Investment Considerations**

**Mixed results**

- Despite the covid-19 outbreak, ICBP managed a positive sales growth of +3.4% to IDR 33.9 trillion in 9M2020. For 3Q2020, net sales grew +2% YoY to IDR 10.85 trillion, better compared to 1Q2020 (-10%) and 2Q2020 (-2%).
- In 3Q2020, Noodles are still the largest contributor at 66.1%, with sales of IDR 7.4 trillion, followed by Dairy at 17.5%, IDR 1.9 trillion, Snack Foods 6%, IDR 681 billion, Food Seasonings 5.9%, Nutrition & Special Foods 2.1% and Beverages 2.4%.
- Beverages recorded operating losses in 3Q2020 of IDR -13 billion after experiencing operating income in 1Q2020.
- But beverages EBIT margins improved from -13.8% in 3Q2019 to 12.6%. Dairy EBIT margin also improved from 7.5% in 2Q2020 to 10.8% in 3Q2020.
- Noodles and Food Seasoning EBIT Margins decreased to 20.9% and 12.2% from 24.8% and 15.2% respectively in 2Q2020.
- We expect better 4Q2020 sales as the economy gradually improves and as the revenue contribution from Pinehill increases because there will be a full quarter of Pinehill's results consolidated in the 4Q2020.

**3Q2020: Lower QoQ**

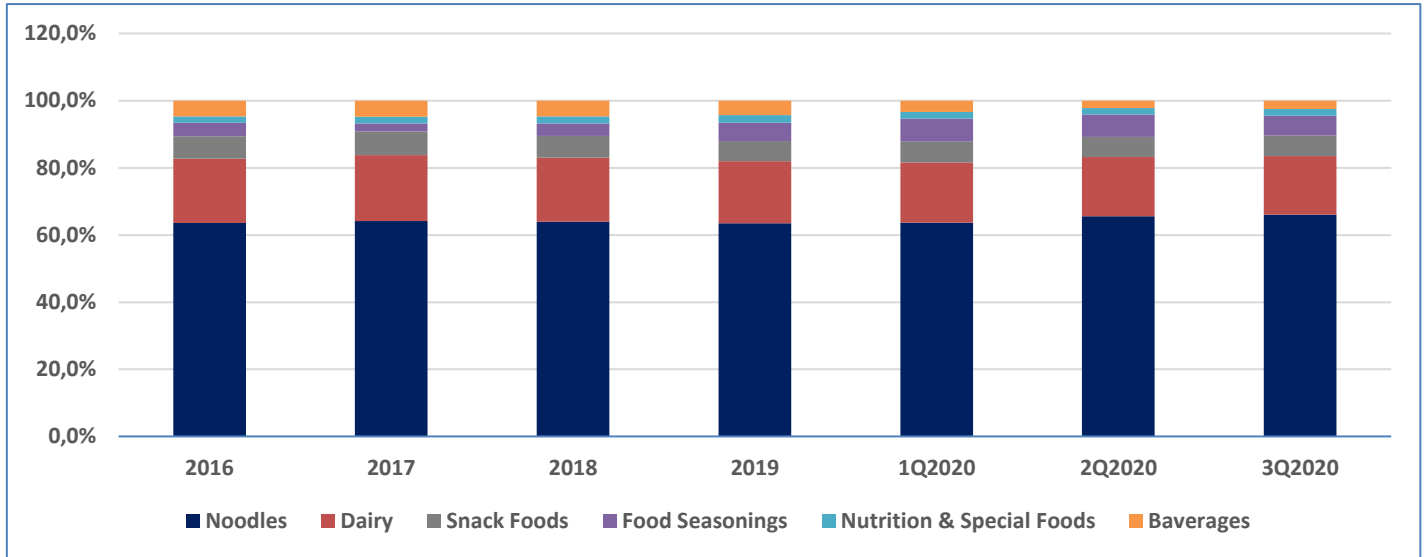
- With flat revenue, gross profit was higher +6.7% YoY but decreased -3.6% QoQ to IDR 3.9 trillion in 3Q2020. This resulted in a lower GPM of 36.8% in 3Q2020 compared to 2Q2020's 37.6%.
- Operating income also decreased by -7% QoQ to IDR 1.74 trillion with the OPM down to 16.1% from 17%.
- This resulted in bottom line growth of -55.4% YoY to IDR 584 billion, compared to 1Q2020 (-71%) and 2Q2020 (-58%). But for 9M2020, ICBP still booked positive bottom line growth of +2% YoY to IDR 3.96 trillion.
- We predict ICBP will maintain a single digit sales increased to IDR 45.5 trillion in 2020F and single digit bottom line growth of 8% as we expect higher growth in the 4Q2020.

**Valuation: BUY with TP 12,580**

- We are targeting ICBP to reach IDR 12,580 or 26% upside, which is a 23x PE valuation within one year. Maintain BUY.

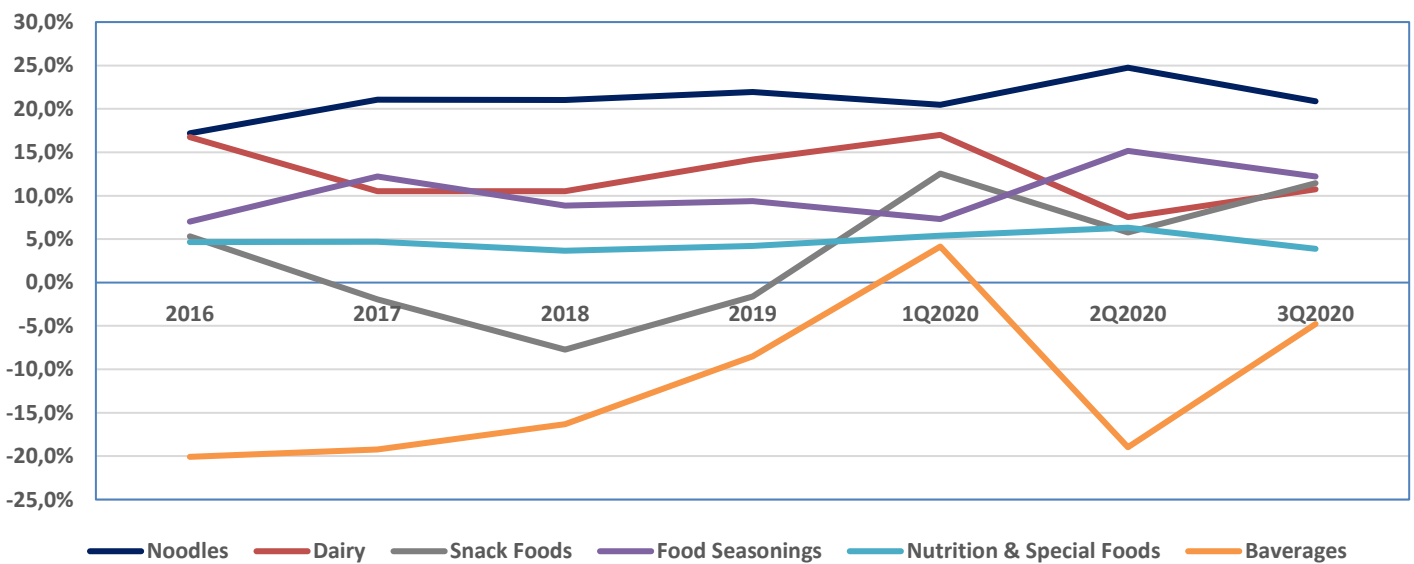
Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Net Sales (IDR Bn)	34.375	35.606	38.413	42.297	45.551	49.064
EBITDA (IDR Bn)	5.773	6.035	7.513	8.626	12.240	13.145
Net Profit (IDR Bn)	3.600	3.796	4.576	5.039	5.443	6.378
EPS (IDR)	309	326	392	432	467	547
GPM (%)	31%	31%	32%	34%	36%	36%
OPM (%)	14%	15%	17%	17%	19%	19%
ROE (%)	20%	19%	21%	20%	20%	21%
ROA (%)	12%	12%	13%	13%	5%	6%

Chart: Revenue by Segment YoY



Source: Company & Binaartha

Chart: EBIT Margin by Segment YoY



Source: Company & Binaartha

Table: Income Statement in IDR. Billion YoY

Income Statement ( in IDR Bn)	2016 A	2017 A	2018 A	2019 A	2020 F	2021 F
Net Sales	34.375	35.606	38.413	42.297	45.551	49.064
Cost of Sales	-23.607	-24.548	-26.148	-27.892	-29.153	-31.401
<b>Gross Profit</b>	<b>10.768</b>	<b>11.058</b>	<b>12.266</b>	<b>14.405</b>	<b>16.398</b>	<b>17.663</b>
Operating Expense	-5.904	-5.837	-5.818	-7.004	-7.744	-8.341
<b>Operating income</b>	<b>4.864</b>	<b>5.221</b>	<b>6.448</b>	<b>7.401</b>	<b>8.655</b>	<b>9.322</b>
Other Income	125	-15	-1	37	-729	-98
<b>PBT</b>	<b>4.989</b>	<b>5.206</b>	<b>6.447</b>	<b>7.438</b>	<b>7.926</b>	<b>9.224</b>
Taxes	-1.358	-1.663	-1.788	-2.077	-1.981	-2.306
<b>NIAT</b>	<b>3.631</b>	<b>3.543</b>	<b>4.659</b>	<b>5.361</b>	<b>5.944</b>	<b>6.918</b>
Minority Interest	-31	253	-83	-321	-501	-540
<b>Net Profit</b>	<b>3.600</b>	<b>3.796</b>	<b>4.576</b>	<b>5.039</b>	<b>5.443</b>	<b>6.378</b>
<b>EPS (in IDR)</b>	<b>309</b>	<b>326</b>	<b>392</b>	<b>432</b>	<b>467</b>	<b>547</b>
<b>EBITDA</b>	<b>5.773</b>	<b>6.035</b>	<b>7.513</b>	<b>8.626</b>	<b>12.240</b>	<b>13.145</b>

Source: Company &amp; Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (in IDR.bn)	2016A	2017A	2018A	2019A	2020F	2021F
+ Net Income	3.600	3.796	4.576	5.039	5.443	6.378
+Depreciation	605	675	841	1.027	1.701	1.311
- Change in WC	-428	-225	-1.204	450	-1.297	-183
<b>Cash From Operating Activities</b>	<b>3.777</b>	<b>4.246</b>	<b>4.213</b>	<b>6.516</b>	<b>5.848</b>	<b>7.506</b>
capex	-1.336	-2.385	-6.047	-2.865	-62.810	-3.125
<b>cash from investing activities</b>	<b>-1.336</b>	<b>-2.385</b>	<b>-6.047</b>	<b>-2.865</b>	<b>-62.810</b>	<b>-3.125</b>
Long-term debt	-544	83	-103	850	30.184	6
Other Long term liabilities	304	454	60	207	9.886	73
equity	-1.486	-1.973	-2.192	-1.076	16.676	-3.513
<b>cash from financing activities</b>	<b>-1.726</b>	<b>-1.437</b>	<b>-2.235</b>	<b>-18</b>	<b>56.745</b>	<b>-3.434</b>
<b>Net Changes in Cash</b>	<b>715</b>	<b>424</b>	<b>-4.069</b>	<b>3.633</b>	<b>-217</b>	<b>947</b>
<b>Beginning Balance</b>	<b>7.658</b>	<b>8.372</b>	<b>8.797</b>	<b>4.727</b>	<b>8.359</b>	<b>8.142</b>
<b>Ending balance</b>	<b>8.372</b>	<b>8.796</b>	<b>4.727</b>	<b>8.359</b>	<b>8.142</b>	<b>9.089</b>

Source: Company &amp; Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (in IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	8.372	8.797	4.727	8.359	8.142	9.089
Trade Accounts Receivable	3.894	4.126	4.271	4.132	6.833	6.869
Inventories	3.110	3.262	4.001	3.841	4.100	4.416
Others Current Assets	196	395	1.122	293	911	981
<b>Total Current Assets</b>	<b>15.571</b>	<b>16.579</b>	<b>14.122</b>	<b>16.625</b>	<b>19.985</b>	<b>21.355</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	7.114	8.120	10.742	11.342	13.044	14.355
Long-term Investment	1.632	2.645	2.705	3.890	10.932	11.775
Other Noncurrent Assets	4.584	4.275	6.799	6.851	59.216	58.877
<b>Total Noncurrent Assets</b>	<b>13.331</b>	<b>15.040</b>	<b>20.246</b>	<b>22.084</b>	<b>83.193</b>	<b>85.007</b>
<b>TOTAL ASSETS</b>	<b>28.902</b>	<b>31.619</b>	<b>34.367</b>	<b>38.709</b>	<b>103.178</b>	<b>106.361</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term Bank Loans	573	921	1.058	703	774	736
Trade Account Payable	3.083	3.519	3.706	3.258	3.735	3.925
Others Current Liabilities	2.813	2.387	2.471	2.596	4.327	4.416
<b>Total Current Liabilities</b>	<b>6.470</b>	<b>6.828</b>	<b>7.235</b>	<b>6.556</b>	<b>8.837</b>	<b>9.077</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term debt	872	955	852	1.702	31.886	31.892
Others Noncurrent Liabilitie	3.059	3.513	3.573	3.780	13.665	13.738
<b>Total Noncurrent Liabilities</b>	<b>3.931</b>	<b>4.468</b>	<b>4.425</b>	<b>5.482</b>	<b>45.551</b>	<b>45.629</b>
<b>TOTAL LIABILITIES</b>	<b>10.401</b>	<b>11.295</b>	<b>11.660</b>	<b>12.038</b>	<b>54.388</b>	<b>54.706</b>
Non-controlling interest	937	761	1.088	1.370	20.954	21.097
<b>EQUITY</b>	<b>17.564</b>	<b>19.563</b>	<b>21.619</b>	<b>25.301</b>	<b>27.836</b>	<b>30.558</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>28.902</b>	<b>31.619</b>	<b>34.367</b>	<b>38.709</b>	<b>103.178</b>	<b>106.362</b>

Source: Company &amp; Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020F	2021F
<b>Growth (% YoY)</b>						
Sales	8,3%	3,6%	7,9%	10,1%	7,7%	7,7%
OP	42,8%	7,3%	23,5%	14,8%	16,9%	7,7%
EBITDA	18,5%	4,5%	24,5%	14,8%	41,9%	7,4%
NP	20,0%	5,4%	20,5%	10,1%	8,0%	17,2%
EPS	-40,0%	5,4%	20,5%	10,1%	8,0%	17,2%
<b>Profitability</b>						
Gross Margin	31,3%	31,1%	31,9%	34,1%	36,0%	36,0%
Operating Margin(%)	14,2%	14,7%	16,8%	17,5%	19,0%	19,0%
EBITDA margin(%)	16,8%	16,9%	19,6%	20,4%	26,9%	26,8%
NET Profit margin(%)	10,5%	10,7%	11,9%	11,9%	12,0%	13,0%
ROA(%)	12,5%	12,0%	13,3%	13,0%	5,3%	6,0%
ROE(%)	20,5%	19,4%	21,2%	19,9%	19,6%	20,9%
<b>Solvability (x)</b>						
Tot. debt/ Tot.equity	0,59	0,58	0,54	0,48	1,95	1,79
Debt Ratio	2,78	2,80	2,95	3,22	1,90	1,94
<b>Liquidity (x)</b>						
Current Ratio	2,41	2,43	1,95	2,54	2,26	2,35
Cash Ratio	1,29	1,29	0,65	1,27	0,92	1,00

Source: Company &amp; 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**.

**RESEARCH TEAM**  
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