

Monday, June 3rd, 2024

Buy

Price (May 31 st , 24)	9750
Target Price	12504
Potential Upside	28.25%
Market Cap	113.7 T
Number of Share	11.66 B
52w Lo/Hi	9600 / 11925

Source : IDX | Phintraco Sekuritas Research
| as of May 31st, 2024

IHSG vs ICBP



Source : IDX

Shareholder	%
PT Indofood Sukses Makmur Tbk	80.53
Public (<5%)	19.47

Source : Company | as of fin. statement FY-23

EPS Consensus vs Forecast			
	AT	Consensus*	%Diff
2024F	778.01	801.56	-2.94%
2025F	811.57	879.96	-7.77%

Source : *marketscreener | as of May 31st, 2024

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PT Indofood CBP Sukses Makmur Tbk

(ICBP.JK / ICBP.IJ)

Better Revenue Growth Potential

ICBP recorded net revenue of IDR19.92 trillion during 3M24, a limited growth of 4.07% YoY. Although ICBP's revenue growth was limited, ICBP was able to record an Operating Profit Margin of 24.69% during 3M24. This is the impact of stable raw material prices needed by ICBP in carrying out its production activities. It's known that ICBP's raw material costs during 3M24 amounted to IDR9.25 trillion, down 8.6% YoY compared to 3M23 of IDR10.12 trillion. ICBP's 3M24 revenue was supported by instant noodles sales, which grew 4.74% YoY to IDR14.67 trillion, so that the instant noodles segment contributed 73.68% to ICBP's total revenue during 3M24. We assess that ICBP's FY24 revenue growth will continue to grow in line with the increasing demand for instant noodles in ICBP's operating regions, particularly in the Domestic market as well as the Middle East and Africa region.

Pinehill Company Ltd. (PCL) revenue was overshadowed by high inflation in some of its operating regions. Some of PCL's operating regions, such as Nigeria, Egypt, and Turkey, are facing high inflation. In April 2024, the inflation rate in Nigeria reached 33.7%, Egypt 32.5%, and Turkey 69.8%. These conditions have depressed PCL's revenue growth as these regions have high demand for instant noodles. During 2023, PCL recorded revenue of IDR16.4 trillion, growing 10.92% YoY. This growth was lower than the sales growth in 2022, which reached 19.79% YoY. However, ICBP could still post a solid Operating Profit Margin in 2023 at 21.19%. Better than the Operating Profit Margin in 2022, which amounted to 20.65%.

The acquisition of Pinehill Company Ltd. (PCL) in 2020 also contributed to ICBP's revenue growth. In 2020, ICBP decided to acquire PCL with a value of USD2.99 billion or equivalent to IDR41.56 trillion at the exchange rate at that time. For information, PCL has a strong market share in the African, Middle East, and Southeast Europe regions. In addition, PCL also has 12 instant noodle production facilities in 8 countries with a total population of 550 million people and a distribution network in 33 countries. Based on data from the World Instant Noodles Association (WINA), demand for instant noodles in PCL's operating regions tends to increase from 2019-2023 such as Nigeria (CAGR +9.19%), Egypt (CAGR +30.99%), Turkey (CAGR +29.08%), and Kenya (CAGR +21.67%). We believe it will positively impact for ICBP's revenue due to PCL's strong market share in the region.

Profit margins have the potential to stabilize in line with the softening of raw material prices. ICBP's main raw materials are CPO and Wheat. Over the past 5 months, the average CPO price was around 4,028 MYR/T, a slight increase of 1.7% compared to the same period last year. At the same time, the average price of Wheat was around 592 USD/Bu, a significant decrease of 14.9% compared to the same period last year. If CPO and Wheat prices stabilize more in the future, it will potentially boost the company's profit margin stability. However, the risk that needs to be considered now is that ICBP has a global bond burden in USD, so if the Rupiah weakens against the USD, it will potentially burden the company's financial performance in the future.

Using the Discounted Cash Flow method with a Required Return of 7.49% and Terminal Growth of 2%, we estimate ICBP's fair value at IDR12,504 per share (Expected PE at 14.91x and EV/EBITDA at 9.28x in FY24). We give ICBP a Buy rating with a potential upside of 28.25%.

(in Billion Rupiah)

INCOME STATEMENT	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Revenue	19,143	16,603	19,922	19.99%	4.07%
Cost of Goods Sold	(11,892)	(9,761)	(12,005)	22.99%	0.95%
Gross Profit	7,251	6,842	7,917	15.72%	9.18%
EBITDA	4,322	3,851	5,272	36.88%	21.97%
EBIT	3,992	3,493	4,919	40.82%	23.21%
Profit Before Tax	5,507	974	3,399	249.11%	-38.28%
Net Profit	4,328	355	2,724	667.60%	-37.06%

Margin (%)

Gross Profit Margin (%)	37.88%	41.21%	39.74%
Operating Profit Margin (%)	20.86%	21.04%	24.69%
Net Profit Margin (%)	22.61%	2.14%	13.67%

Source : Company | Phintraco Sekuritas Research

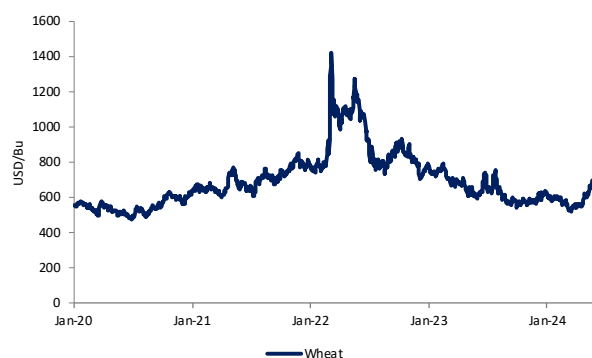
(in Billion Rupiah)

ICBP Revenue by Divisions	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Instant Noodles	14,013	12,327	14,678	19.07%	4.74%
Dairy	2,695	2,308	2,765	19.80%	2.59%
Snack Foods	1,135	1,016	1,164	14.57%	2.57%
Food Seasonings	1,259	820	1,302	58.68%	3.39%
Nutrition and Special Foods	317	329	335	1.98%	5.74%
Beverages	394	404	426	5.43%	8.20%
Elimination	(669)	(601)	(748)	24.39%	11.69%

Source : Company | Phintraco Sekuritas Research

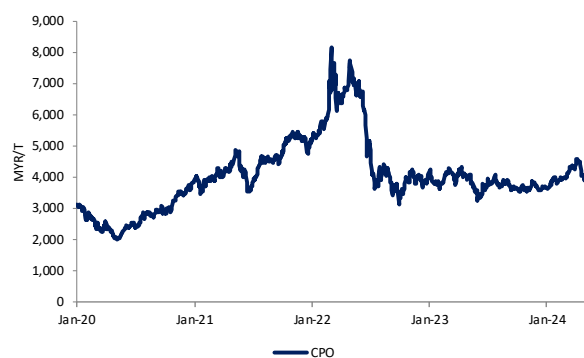
Commodity Highlight

Figure 1. Wheat Price (USD/Bu)



Source : Investing.com | Phintraco Sekuritas Research

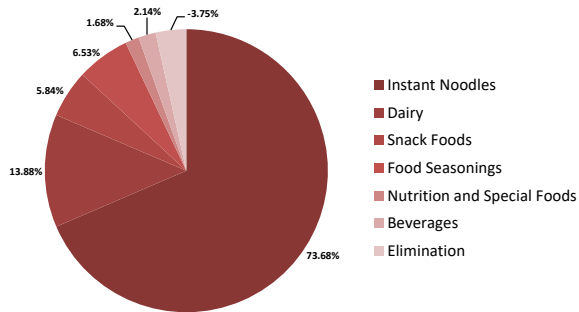
Figure 2. CPO Price (MYR/T)



Source : Investing.com | Phintraco Sekuritas Research

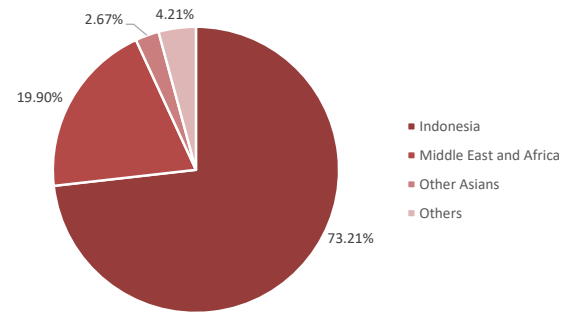
Performance Highlight

Figure 3. Revenue by Segment (3M24)



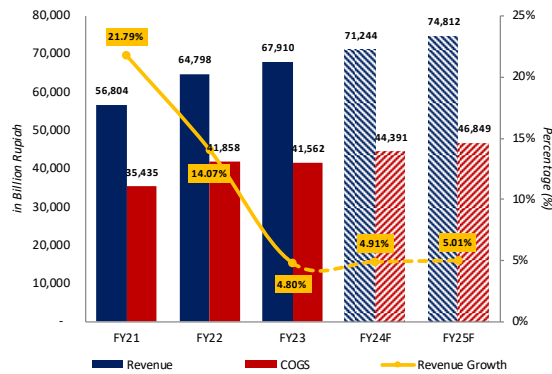
Source : Company | Phintraco Sekuritas Research

Figure 4. Revenue by Geographic (3M24)



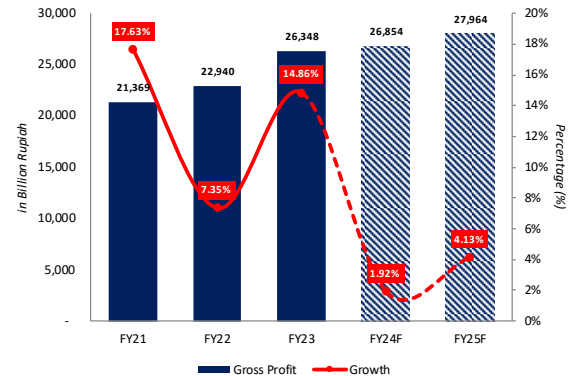
Source : Company | Phintraco Sekuritas Research

Figure 5. Revenue & COGS



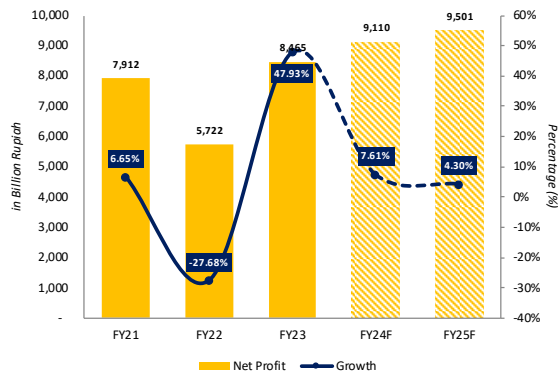
Source : Company | Phintraco Sekuritas Research

Figure 6. Gross Profit & Growth



Source : Company | Phintraco Sekuritas Research

Figure 7. Net Profit & Growth



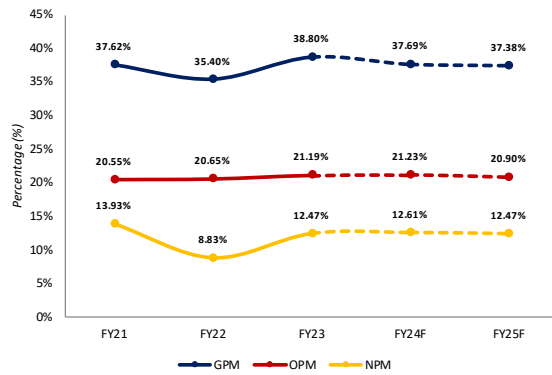
Source : Company | Phintraco Sekuritas Research

Figure 8. Demand for Instant Noodles

Country	Million Servings				
	2019	2020	2021	2022	2023
Indonesia	12,520	12,640	13,270	14,260	14,540
Nigeria	1,920	2,460	2,620	2,790	2,980
Egypt	280	350	400	460	1,080
Saudi Arabia	560	830	850	870	520
Turkey	120	190	360	420	430
Kenya	60	80	100	130	160
Serbia	-	-	50	50	50

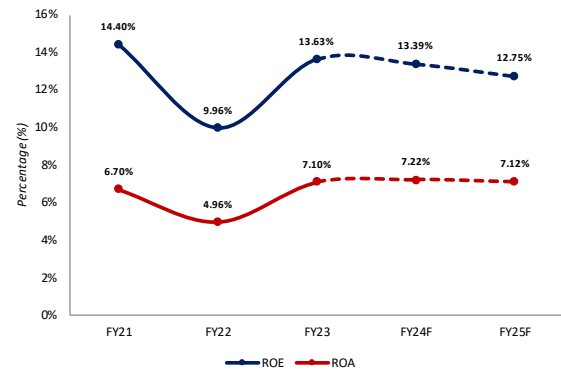
Source : WINA | Phintraco Sekuritas Research

Figure 9. Profitability Margin



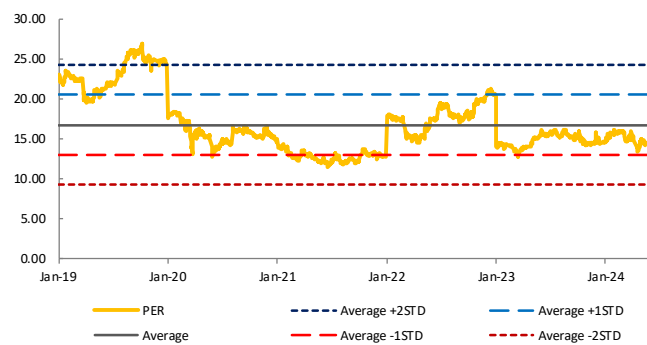
Source : Company | Phintraco Sekuritas Research

Figure 10. ROE & ROA



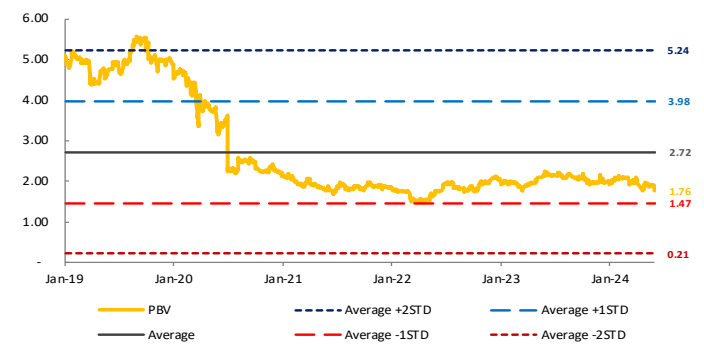
Source : Company | Phintraco Sekuritas Research

ICBP PER Band (5 Years)



Source : IDX | Company | Phintraco Sekuritas Research

ICBP PBV Band (5 Years)



Source : IDX | Company | Phintraco Sekuritas Research

Key Financial Figures

(in Billion Rupiah)						
INCOME STATEMENT	FY21	FY22	FY23	3M24	FY24F	FY25F
Revenue	56,804	64,798	67,910	19,922	71,244	74,812
	21.79%	14.07%	4.80%	0.00%	4.91%	5.01%
Cost of Goods Sold	(35,435)	(41,858)	(41,562)	(12,005)	(44,391)	(46,849)
Gross Profit	21,369	22,940	26,348	7,917	26,854	27,964
	37.62%	35.40%	38.80%	39.74%	37.69%	37.38%
EBITDA	12,945	14,707	15,764	5,272	16,585	17,181
	22.79%	22.70%	23.21%	26.46%	23.28%	22.97%
EBIT	11,674	13,378	14,388	4,919	15,128	15,637
	20.55%	20.65%	21.19%	24.69%	21.23%	20.90%
Other Income/Charge:						
Interest Income	180	241	1,494	211	1,568	1,646
Interest Expense	(1,966)	(6,185)	(2,025)	(1,703)	(2,076)	(2,078)
Net Interest Income (Expenses)	(1,786)	(5,944)	(531)	(1,491)	(509)	(432)
Non Operating Income (Expenses)	98	128	(2,316)	(29)	(2,430)	(2,552)
Profit Before Tax	9,986	7,561	11,541	3,399	12,189	12,654
	17.58%	11.67%	16.99%	17.06%	17.11%	16.91%
Net Profit After Tax	7,912	5,722	8,465	2,724	9,073	9,464
	13.93%	8.83%	12.47%	13.67%	12.74%	12.65%

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)						
BALANCE SHEET	FY21	FY22	FY23	3M24	FY24F	FY25F
Asset						
Cash	20,378	15,741	19,353	20,410	26,515	32,358
Accounts Receivable	6,401	6,876	7,198	9,925	7,641	8,015
Inventories	5,857	7,132	6,329	6,651	6,765	7,243
Total Current Assets	33,998	31,070	36,773	41,290	44,898	51,812
Fixed Assets	14,176	14,521	14,711	14,678	14,769	14,847
Long-term Investments	11,069	11,169	8,369	8,283	8,708	9,064
Intangible Assets	55,940	55,803	55,691	55,695	55,404	55,104
Total Non Current Assets	84,018	84,235	82,494	82,307	82,400	82,728
Total Asset	118,015	115,306	119,267	123,596	127,298	134,539
Liabilities						
Short-term Debt	515	825	113	113	120	127
Accounts Payable	3,586	3,703	3,774	3,907	4,150	4,259
Accrued Payroll	2,964	2,862	3,276	3,521	3,507	3,701
Total Current Liabilities	18,896	10,034	10,464	11,224	11,185	11,735
Long-term Debt	40,845	44,613	43,308	44,377	44,377	44,377
Provision for Risks & Charges	3,003	2,859	3,062	3,104	3,355	3,541
Total Non Current Liabilities	44,179	47,799	46,699	47,793	48,102	48,309
Total Liabilities	63,075	57,833	57,163	59,018	59,287	60,044
Equity	54,941	57,473	62,104	64,579	68,011	74,496

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)						
CASH FLOW	FY21	FY22	FY23	3M24	FY24F	FY25F
Cash Flow from Operating						
Net Income	6,399	4,587	6,991	2,352	7,368	7,686
Depreciation & Amortization	1,122	1,108	1,224	245	1,457	1,543
Working Capital	(1,549)	(1,735)	966	(2,671)	(272)	(548)
Others	8,742	(9,013)	(2,628)	(70)	(10)	(5)
Net-CFFO	14,714	(5,052)	6,552	(144)	8,543	8,676
Cash Flow from Investing						
CAPEX	(2,370)	(1,554)	1,386	(126)	(1,854)	(1,977)
Others	17	228	(869)	68	491	106
Net-CFFI	(2,353)	(1,326)	517	(58)	(1,363)	(1,872)
Cash Flow from Financing						
Chg. in Long-term liabilities	10,026	3,944	(1,303)	1,111	1,108	34
Chg. in other non-current liabilities	(9,426)	(148)	206	25	334	206
Equity	(2,119)	(2,055)	(2,360)	123	(1,461)	(1,201)
Net-CFFF	(1,519)	1,741	(3,457)	1,258	(19)	(961)
Net Cash Flow	10,843	(4,637)	3,612	1,057	7,161	5,843

Source : Company | Phintraco Sekuritas Research

RATIOS	FY21	FY22	FY23	3M24	FY24F	FY25F
Profitability Ratio (%)						
GPM	37.62%	35.40%	38.80%	39.74%	37.69%	37.38%
OPM	20.55%	20.65%	21.19%	24.69%	21.23%	20.90%
NPM	13.93%	8.83%	12.47%	13.67%	12.74%	12.65%
ROA	6.70%	4.96%	7.10%	2.20%	7.13%	7.03%
ROE	14.40%	9.96%	13.63%	4.22%	13.34%	12.70%
Activity Ratio (X)						
Inventory Turnover	6.05	5.87	6.57	1.80	6.56	6.47
Receivables Turnover	8.87	9.42	9.43	2.01	9.32	9.33
Payables Turnover	9.88	11.30	11.01	3.07	10.70	11.00
Days of Inventory	60.33	62.19	55.59	202.23	55.62	56.43
Days of Receivables	41.13	38.73	38.69	181.84	39.15	39.10
Days of Payables	36.94	32.29	33.14	118.80	34.12	33.19
Cash Operating Cycle	64.53	68.63	61.13	265.27	60.65	62.35
Leverage Ratio (%)						
Debt to Asset Ratio	35.38%	39.90%	36.88%	36.49%	35.43%	33.56%
Debt to Equity Ratio	76.00%	80.05%	70.83%	69.84%	66.32%	60.60%
Liabilities to Asset Ratio	53.45%	50.16%	47.93%	47.75%	46.57%	44.63%
Liabilities to Equity Ratio	114.81%	100.63%	92.04%	91.39%	87.17%	80.60%
Interest Rate	4.71%	13.44%	4.60%	3.77%	4.60%	4.60%
Liquidity Ratio (X)						
Current Ratio	1.84	3.28	3.72	3.89	4.25	4.67
Quick Ratio	1.52	2.53	3.08	3.26	3.61	4.02
Cash Ratio	1.10	1.66	1.96	1.92	2.51	2.92
Price Ratio						
Share Price (IDR)	8,700	10,000	10,575	11,600	11,600	11,600
Outstanding Shares (in Billion)	11.66	11.66	11.66	11.66	11.66	11.66
EPS (IDR) (annualized)	678	491	726	234	778	812
BVPS (IDR)	4,711	4,928	5,325	5,538	5,832	6,388
PER (X)	12.82	20.38	14.57	49.66	14.91	14.29
PBV (X)	1.85	2.03	1.99	2.09	1.99	1.82
PSR (X)	1.79	1.80	1.82	6.79	1.90	1.81
EV/EBITDA (annualized)	9.49	9.99	9.39	30.34	9.28	8.62
Dividends						
DPS	215	188	318	-	335	315
DPR	32%	38%	44%	-	43%	39%
Div. Yield	2%	2%	3%	-	3%	3%

Source : Company | Phintraco Sekuritas Research

Glossarium

BVPS	: <i>Book Value per Share</i>
CFFF	: <i>Cash Flow from Financing</i>
CFFI	: <i>Cash Flow from Investing</i>
CFFO	: <i>Cash Flow from Operating</i>
DPR	: <i>Dividend Payout Ratio</i>
DPS	: <i>Dividend per Share</i>
EBIT	: <i>Earning Before Interest & Tax</i>
EBITDA	: <i>Earning Before Interest, Tax, Depreciation & Amortization</i>
EBT	: <i>Earning Before Tax</i>
EPS	: <i>Earning per Share</i>
EV	: <i>Enterprise Value</i>
MYR/T	: <i>Ringgit Malaysia per Ton</i>
NPM	: <i>Net Profit Margin</i>
NPM	: <i>Net Profit Margin</i>
OPM	: <i>Operating Profit Margin</i>
PBV	: <i>Price to Book Value</i>
PCL	: <i>Pinehill Company Ltd.</i>
PER	: <i>Price to Earning Ratio</i>
PSR	: <i>Price to Sales Ratio</i>
ROA	: <i>Return on Asset</i>
ROE	: <i>Return on Equity</i>
USD/Bu	: <i>US Dollar per Bushel</i>
WINA	: <i>World Instant Noodles Association</i>



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Rating for Stocks :

- Buy : The stock is expected to give total return (price appreciation + dividend yield) of $> +10\%$ over the next 12 months.
- Hold : The stock is expected to give total return of $> 0\%$ to $\leq +10\%$ over the next 12 months.
- Sell : The stock is expected to give total return of $< 0\%$ over the next 12 months.
- Outperform : The stock is expected to do slightly better than the market return. Equal to "moderate buy"
- Underperform : The stock is expected to do slightly worse than the market return. Equal to "moderate sell"

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Kantor Cabang & Mitra GI BEI



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