

9M23 results, overall inline

7 November 2023

# Indofood CBP

ICBP IJ	BUY
Sector	Consumer
Price at 7 November 2023 (IDR)	10,475
Price target (IDR)	13,140
Upside/Downside (%)	25.4

**Stock Information**

Indofood CBP Sukses Makmur (ICBP) is leading consumer company, engaged in diverse business categories, including noodles, dairy, snack foods, food seasonings, nutrition and special foods, and beverages. It also operates a packaging business, producing flexible and corrugated packaging for its products.

Market cap (IDR bn)	120,701
Shares outstanding (mn)	11,662
52-week range (IDR)	9,275-11,925
3M average daily vol. ('000)	5,143
3M average daily val. (IDR mn)	56,727

**Shareholders (%)**

Indofood Sukses Makmur	80.5
Public	19.5



Source: Bloomberg

	1M	3M	12M
Performance	-9.1	-7.1	8.3

**Analyst**

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We like ICBP's 9M23 result that came in within ours and street estimates at 75.2%/74.7% run rate (5yr hist avg: 76.7%). The company saw healthy segmentation growth, except for dairy business which remain challenging. On profitability side, margin expansion continues across the boards, with GP margin came beating ICBP guidance. We believe 3Q23 solid results likely to continue and thus will bring '23F PATMI growth to arrive within ours and consensus expectation. We revisit our model and rolled-over our valuation for ICBP to '24F, arriving at blended TP of IDR13,140 (15.2x '24F P/E), while it is currently trading at 12.1x '24F P/E, or slightly below its -2SD of 12.8x '24F P/E.

**9M23 PATMI inline**

ICBP's 9M23 net profit doubled to IDR7.06 tn, driven mainly by soaring finance income (+592% yoy), while topline growth reported at 4.9% yoy and 3.1% qoq on the back of higher volume and ASP. In all, 9M23 results was in line with ours and street expectation with a run-rate of 75.2%/74.7% (5yr hist avg: 76.7%). On quarterly basis, net sales recorded 9.7% yoy higher. Yet, despite interest expenses sharp drop, a loss on foreign exchange difference from operating activities brought ICBP's bottom line shrank 24.6%. Excluding the one-off, core profit remains strong, grew at 26.6% qoq.

**Healthy segmentation growth, except for dairy**

ICBP saw higher sales and EBIT figure across its business segmentation, except for dairy division (-5.7% yoy, -1.3% qoq) as industry demand slowdown. Noodles, as ICBP's main revenue driver, grew by 6.6% yoy and 13.0% qoq on higher sales volume and ASP. Growing food seasonings business by 8.1% yoy were underpinned by higher volume growth, while stronger snacks division growth (10.8% yoy, 21.0%qoq) was driven by ASP. Meanwhile, nutrition & special foods and beverages also saw positive growth at 4.3% yoy and 3.0% yoy, supported by higher ASP product mix. On EBIT level, ICBP's backbone sales was grew stronger at 25.6% yoy (10.5% qoq) on lower raw material. Highest growth was booked by beverages segment, followed by snacks division (54.9% yoy, 116.7% qoq)

**Margin expansion across the board**

The company delivered higher margin from top to bottom, with GP margin recorded 358bps higher year on year, on the back of lower input cost. Despite forex loss, EBIT margin improves 171bps to 21.2% and expanded on quarter-to-quarter basis to 22.5% from 20.3% in 2Q23. NP margin arrived very strong at 700bps higher to 13.8% vs 6.8% in 9M22.

**Achievable EBIT guidance with steady EBIT margin expansion**

With ICBP's EBIT margin of 21.2% in 9M23, which surpassing '23F guidance of 18%-20%, the company believe that '23F EBIT guidance of around IDR14.5tn is achievable. Even assuming topline growth at only 5% (9M23) and EBIT margin at around the same figure with 9M23, we still going to witness ICBP '23F EBIT to grow at 8.4% yoy, with EBIT margin at 21.3% or 133bps higher than ICBP's upper range '23F EBIT guidance of 20%. Using the same assumption, ICBP's net profit could arrives at IDR9.35 tn, or in line with ours and street expectation for ICBP '23F net profit at IDR9.93 tn and IDR9.45 tn, respectively.

**Maintain BUY, with higher TP of IDR13,140**

We revisit our model and rolled-over valuation for ICBP to '24F. We used blended valuation of DCF, DDM, single stage fair PBV and rolling P/E to fairly valued ICBP stocks and arrives at blended TP of IDR13,140 implying 15.2x '24F P/E, while it is currently trading at 12.1x '24F P/E, or slightly below its -2SD of 12.8x '24F P/E. Risks to our call: a) lower-than-expected purchasing power, volume, asp growth and EBIT achievement, b) higher than expected input costs which could pressure and dragged down margin further, c) intensifying competition from substitutes brands, and d) softened than expected spending.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue	56,804	64,798	71,690	78,622	85,670
Operating profit	11,550	12,414	15,280	16,741	18,573
Net profit	6,399	4,587	9,391	10,070	10,884
EPS (Rp)	549	393	805	864	933
EPS growth (%)	(2.8)	(28.3)	104.7	7.2	8.1
ROE (%)	20.1	13.0	24.0	22.4	21.0
ROA (%)	5.8	3.9	7.9	7.9	7.9
PER (x)	19.0	26.6	13.0	12.1	11.2
PBV (x)	35.1	3.6	3.3	2.9	2.5
EV/EBITDA (x)	11.3	11.2	9.1	8.4	7.7
Div Yield (%)	4.0	1.9	1.9	2.7	2.6

Source: Company, KBVS Research

**Indofood CBP Sukses Makmur (ICBP)**
**Exhibit 2: ICBP 9M23 financial and key performance metrics results**

ICBP 9M23 Results (IDRbn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F	% to '23F	23F Cons'	% to Cons'
Net revenue	48,909	51,307	4.9	16,315.7	16,828	3.1	15,336	9.7	71,690			
COGS	(32,923)	(32,702)	(0.7)	(10,731.8)	(10,754)	0.2	(9,766)	10.1	(45,586)			
Gross Profit	15,986	18,605	16.4	5,583.9	6,075	8.8	5,569	9.1	26,104			
Opex	(6,435)	(7,710)	19.8	(1,913.0)	(2,278)	19.1	(2,114)	7.8	(10,824)			
EBIT	9,551	10,895	14.1	3,670.9	3,797	3.4	3,106	22.2	15,280			
Pre-tax income	5,488	10,472	90.8	2,153.6	2,108	(2.1)	2,857	(26.2)	14,015			
Net Income	3,308	7,061	113.5	1,378.0	1,335	(3.1)	1,772	(24.6)	9,391	75.2	9,450	74.7

Margins (%)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
Gross Profit	32.7	36.3	3.58	34.2	36.1	1.9	36.3	-0.6
EBIT	19.5	21.2	1.71	22.5	22.6	0.1	20.3	11.4
Pretax	11.2	20.4	9.19	13.2	12.5	(0.7)	18.6	-32.7
Net Profit	6.8	13.8	7.00	8.4	7.9	(0.5)	11.6	(31.3)

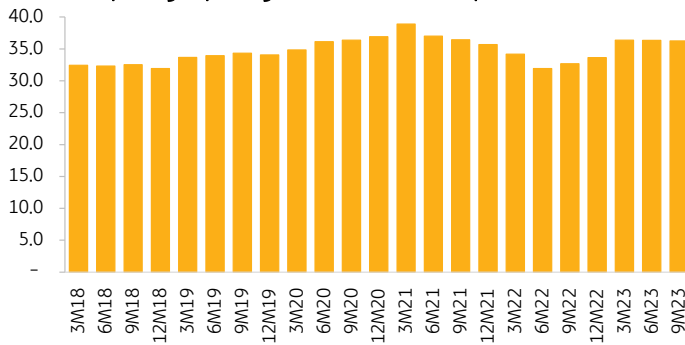
Segmentation sales (IDRbn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F	% to '23F
Noodles	35,746	38,111	6.6	12,206	12,785	4.7	11,313	13.0	52,629	72.4
Dairy	7,230	6,819	-5.7	2,011	1,951	-3.0	2,173	-10.3	10,121	67.4
Snacks	2,916	3,231	10.8	981	1,147	16.9	949	21.0	4,319	74.8
Food Seasonings	2,639	2,854	8.1	840	812	-3.2	783	3.8	3,674	77.7
Nutrition foods	853	890	4.3	266	280	5.2	293	-4.4	1,248	71.3
Beverages	1,169	1,204	3.0	414	421	1.8	389	8.4	1,904	63.2
Net	48,909	51,307	4.9	16,316	16,828	3.1	15,336	9.7	71,690	71.6

Segmentation EBIT (IDRbn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
Noodles	7,811	9,809	25.6	3,130	3,168	1.2	2,868	10.5
Dairy	449	443	-1.3	65	122	87.7	127	-3.9
Snacks	204	316	54.9	83	156	88.0	72	116.7
Food Seasonings	316	364	15.2	76	91	19.7	103	-11.7
Nutrition foods	62	69	11.3	24	19	-20.8	18	5.6
Beverages	66	153	131.8	23	59	156.5	48	22.9
Total	9,551	10,895	14.1	3,671	3,797	3.4	3,106	22.2

Segmentation EBIT margin (%)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
Noodles	21.9	25.7	3.9	25.6	24.8	(0.9)	25.4	(2.3)
Dairy	6.2	6.5	0.3	3.2	6.3	3.0	5.8	7.0
Snacks	7.0	9.8	2.8	8.5	13.6	5.1	7.6	79.1
Food Seasonings	12.0	12.8	0.8	9.1	11.2	2.1	13.2	(14.9)
Nutrition foods	7.3	7.8	0.5	9.0	6.8	(2.2)	6.1	10.4
Beverages	5.6	12.7	7.1	5.6	14.0	8.4	12.4	13.4
Total	19.5	21.2	1.7	22.5	22.6	0.1	20.3	11.4

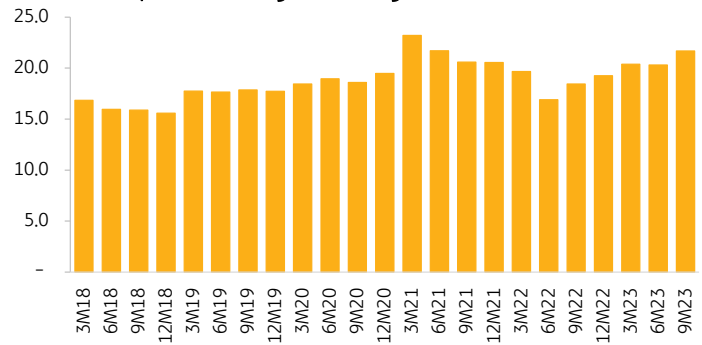
Source: Company, KBVS Research

Exhibit 3: Expecting improving GPM on lower cost input (%)..



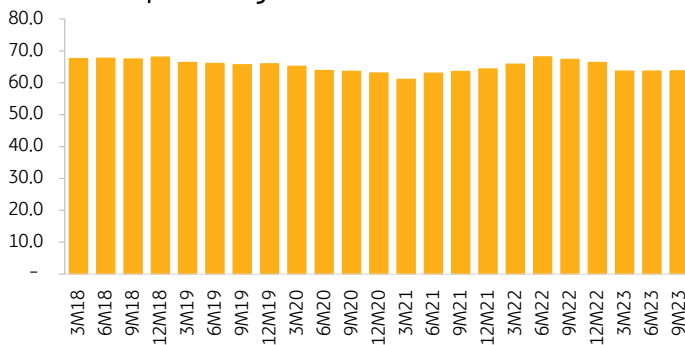
Source: Company, KBVS Research

Exhibit 4: ..coupled with stronger EBIT margin on the lower of forex loss (%)



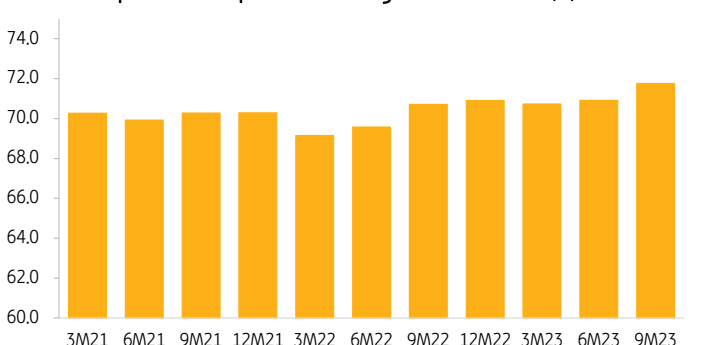
Source: Company, KBVS Research

Exhibit 5: COGS portion likely to continue softened



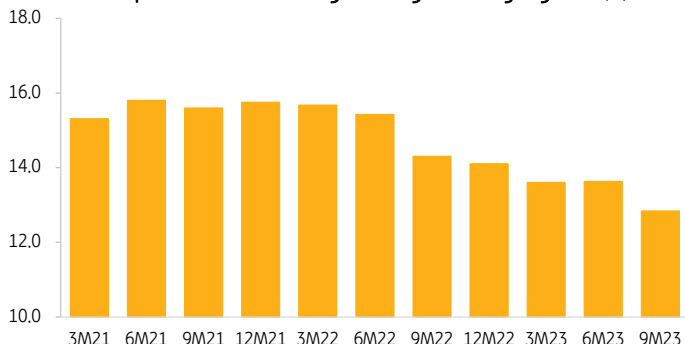
Source: Company, KBVS Research

Exhibit 6: Expect noodles portion to strengthened to offsets (%)...



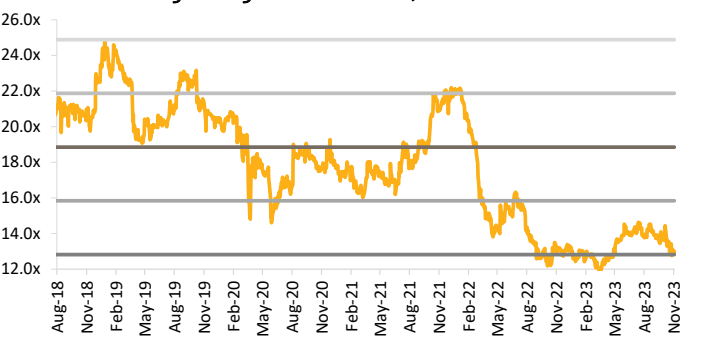
Source: Company, KBVS Research

Exhibit 7: ..the potential of continuing challenges in dairy segment (%)



Source: Company, KBVS Research

Exhibit 8: Currently trading at 12.1x '24F P/E, or below its -2SD of 12.8x P/E



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 9: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Revenues</b>	<b>56,804</b>	<b>64,798</b>	<b>71,690</b>	<b>78,622</b>	<b>85,670</b>
Cost of revenues	(36,516)	(43,005)	(45,586)	(49,635)	(53,277)
<b>Gross profit</b>	<b>20,287</b>	<b>21,792</b>	<b>26,104</b>	<b>28,988</b>	<b>32,393</b>
Operating expenses	(8,738)	(9,378)	(10,824)	(12,247)	(13,821)
<b>Operating income</b>	<b>11,550</b>	<b>12,414</b>	<b>15,280</b>	<b>16,741</b>	<b>18,573</b>
<b>EBITDA</b>	<b>12,672</b>	<b>13,522</b>	<b>16,497</b>	<b>18,046</b>	<b>19,947</b>
Other income/(expenses)	186	1,055	1,739	1,237	1,362
<b>Pretax profit</b>	<b>9,950</b>	<b>7,525</b>	<b>14,015</b>	<b>15,275</b>	<b>17,036</b>
Tax expenses	(2,038)	(1,803)	(3,364)	(3,819)	(4,259)
<b>Net profit</b>	<b>6,399</b>	<b>4,587</b>	<b>9,391</b>	<b>10,070</b>	<b>10,884</b>

Source: Company, KBVS Research

**Exhibit 10: Balance Sheet**

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Cash and other investments	20,662	15,897	16,111	16,651	17,348
Receivables	6,834	7,228	7,779	8,180	9,040
Inventories	5,857	7,132	6,885	7,235	7,822
Other current assets	644	812	802	904	1,017
<b>Total current assets</b>	<b>33,998</b>	<b>31,070</b>	<b>31,577</b>	<b>32,970</b>	<b>35,226</b>
Deferred tax assets	376	272	740	733	737
Long term investments	11,069	11,169	9,551	11,475	13,668
Fixed assets	14,176	14,521	14,831	15,128	15,436
Rights of use assets	208	204	222	212	213
Deferred charges – net	63	48	153	144	141
Goodwill	54,006	54,006	59,751	65,528	71,403
Intangible assets	1,726	1,593	2,858	2,949	3,016
Other non current assets	2,395	2,422	3,061	3,527	3,676
<b>Total non-current assets</b>	<b>84,018</b>	<b>84,235</b>	<b>91,168</b>	<b>99,697</b>	<b>108,290</b>
<b>Total assets</b>	<b>118,015</b>	<b>115,306</b>	<b>122,744</b>	<b>132,666</b>	<b>143,516</b>
Current liabilities					
Short-term debts	515	825	908	998	1,048
Payables	4,552	4,725	5,956	6,105	6,572
Curr matt LT Loans	323	487	0	0	0
Other current liabilities	13,507	3,997	4,718	5,352	6,008
<b>Total current liabilities</b>	<b>18,896</b>	<b>10,034</b>	<b>11,581</b>	<b>12,455</b>	<b>13,628</b>
Non-current liabilities					
Long-term debts	1,779	1,549	1,704	1,874	1,968
Bonds payable	38,952	42,968	42,538	43,601	45,782
Other non-current liabilities	3,448	3,282	3,737	5,006	5,334
<b>Total non-current liabilities</b>	<b>44,179</b>	<b>47,799</b>	<b>47,979</b>	<b>50,481</b>	<b>53,083</b>
<b>Shareholder's Equity</b>	<b>34,090</b>	<b>36,519</b>	<b>41,586</b>	<b>48,176</b>	<b>55,267</b>
<b>Total liabilities and equity</b>	<b>118,015</b>	<b>115,306</b>	<b>122,744</b>	<b>132,666</b>	<b>143,516</b>

Source: Company, KBVS Research

**Exhibit 11: Cash Flow**

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	6,399	4,587	9,391	10,070	10,884
Depreciation & amortization	1,122	1,108	1,216	1,305	1,374
Changes in working capital	7,453	(11,174)	1,659	(71)	(436)
<b>CF from operating activities</b>	<b>14,974</b>	<b>(5,479)</b>	<b>12,267</b>	<b>11,305</b>	<b>11,822</b>
Decr. (incr.) in fixed assets	(1,946)	(1,454)	(1,526)	(1,603)	(1,683)
Decr. (incr.) in non-current assets	(321)	128	(6,623)	(8,232)	(8,285)
Other investing activities	730	452	0	0	0
<b>CF from investing activities</b>	<b>(1,537)</b>	<b>(874)</b>	<b>(8,149)</b>	<b>(9,834)</b>	<b>(9,968)</b>
Net change in gross debt	10,070	4,260	(680)	1,325	2,324
Dividends paid	(2,507)	(2,507)	(3,679)	(3,525)	(3,809)
Other financing activities	(9,873)	(166)	455	1,268	329
<b>CF from financing activities</b>	<b>(2,311)</b>	<b>1,587</b>	<b>(3,904)</b>	<b>(932)</b>	<b>(1,157)</b>
<b>Net Changes in Cash</b>	<b>11,127</b>	<b>(4,765)</b>	<b>214</b>	<b>539</b>	<b>697</b>
Cash at beginning of period	9,535	20,662	15,897	16,111	16,651
<b>Cash at end of period</b>	<b>20,662</b>	<b>15,897</b>	<b>16,111</b>	<b>16,651</b>	<b>17,348</b>

Source: Company, KBVS Research

**Exhibit 12: Key performance metrics**

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	35.7	33.6	36.4	36.9	37.8
Operating profit margin (%)	20.3	19.2	21.3	21.3	21.7
EBITDA margin	22.3	20.9	23.0	23.0	23.3
Net profit margin (%)	11.3	7.1	13.1	12.8	12.7
ROAE (%)	20.1	13.0	24.0	22.4	21.0
ROAA (%)	5.8	3.9	7.9	7.9	7.9
Net gearing (x)	62.2	82.4	69.8	61.9	56.9
Interest coverage ratio (x)	5.9	2.0	4.4	5.2	5.4
PER (x)	19.0	26.6	13.0	12.1	11.2
PBV (x)	3.6	3.3	2.9	2.5	2.2
EV/EBITDA (x)	11.3	11.2	9.1	8.4	7.7
Dividend Yield (%)	1.9	1.9	2.7	2.6	2.8

Source: Company, KBVS Research

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