

FY23 core profit came in-line

5 April 2024

Indofood CBP

ICBP IJ	BUY
Sector	Consumer
Price at 4 April 2024 (IDR)	11,025
Price target (IDR)	13,140
Upside/Downside (%)	19.2

Stock Information

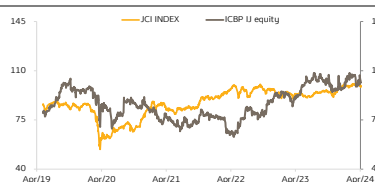
Indofood CBP Sukses Makmur (ICBP) is leading consumer company, engaged in diverse business categories, including noodles, dairy, snack foods, food seasonings, nutrition and special foods, and beverages. It also operates a packaging business, producing flexible and corrugated packaging for its products.

Market cap (IDR bn)	128,573
Shares outstanding (mn)	11,662
52-week range (IDR)	9,975-11,925
3M average daily vol. ('000)	5,990
3M average daily val. (IDR mn)	67,144

Shareholders (%)

Indofood Sukses Makmur	80.5
Public	19.5

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-4.6	1.2	7.2

Analyst

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Despite its strong growth of 52.4% yoy, FY23 headline net profit came in below ours and street estimates. Yet, excluding impairment losses on investment associates, core earnings is growing at 26.8% yoy and arrives in line with KBVS/Cons at a run rate of 98.7%/98.1%. '24F guidance is achievable in our view, and net profit is likely to continue to record positive growth, supported by: (1) continuing EBIT margin growth; (2) potential stability of soft cost input; (3) manageable opex and stable net finance income (expenses), as well as no further impairment losses reported. Maintain BUY with a blended TP of IDR 13,140 (16.2x '24F P/E), while currently trading at 13.5x '24F P/E, or above its -2SD of 12.9x '24F P/E.

FY23 PATMI is below ours and consensus, yet core profit is in line.

ICBP's FY23 net profit growth came in strong at 52.4% yoy to IDR 6,991bn. Gross profit grew by 15% yoy with the help of softer cost input. Solid PATMI was mainly driven by soaring finance income to IDR1,494bn (IDR 241bn in FY22). Despite the turnaround growth compared to FY22, ICBP's net income arrived below ours and street expectations due to impairment losses on investment in associates (IDR 2,316bn). With the absence of the impairment, core profit at IDR 9,268bn (27% yoy) was in line with ours and consensus forecasts at a run rate of 98.7%/98.1%.

Healthy growth across the segmentation board, except for dairy

The company saw solid revenue and EBIT growth across its business segmentation on a yearly basis, except for the dairy division (-3.3% yoy, 4Q23: +4.3% yoy). Noodles division sales grew by 6.2% yoy (EBIT: 19.1% yoy) on the combination of higher sales volume and ASP both in the domestic and overseas markets. On snack food segmentation, revenue grew by 7.0% yoy (EBIT: 30.5% yoy), underpinned by higher volume and ASP. Among other businesses, food seasonings noted the highest growth of 9.3% yoy (EBIT: 5.2% yoy) on higher volume from both existing and new products.

Margin expansion from top to bottom

The company delivered a solid margin from top to bottom, with a GP margin noted at 337 basis points higher yoy on the back of lower input costs. Despite forex losses arising from operating activities, the EBIT margin improves to 21.2% (excluding the forex losses, the EBIT margin is around 22%). NP margin arrived very strong at 321 bps higher to 10.3% vs. 7.1% in FY22.

'24F net income growth is likely to arrive in the green zone.

We expect '24F ICBP's net income to be IDR 9,484bn, backed by a higher top line and EBIT growth of around 33bps and 132bps, respectively. We forecast a better noodles segment portion to total sales by 71 bps to 72.4% on the back of higher volume and ASP. We also expect to witness a slight improvement in the dairy segment (-1.0% yoy vs. FY23: -3.3% yoy) and stable yoy growth in the remaining ICBP's unit businesses. The company expects its top line to hover between 5% and 8% year over year, underpinned by another year of better volume growth. Our '24F conservative sales for ICBP of 5.1% yoy are within the company's guidance. Additionally, it is worth noting that YTD, ICBP has not increased its average selling price.

Maintain BUY TP of IDR13,140.

We revisit our model and make several adjustments to our assumption for ICBP's growth. Our blended TP of IDR13,140 implies 16.2x '24F P/E, while it is currently trading at 13.5x '24F P/E, or slightly above its -2SD of 12.9x '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 drag down margin further; c) intensifying competition from substitute brands; and d) softened than expected spending.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue	64,798	67,910	71,396	76,073	82,481
Operating profit	13,378	14,388	15,663	16,801	18,436
Net profit	4,587	6,991	9,484	10,298	11,786
EPS (Rp)	393	599	813	883	1,011
EPS growth (%)	(28.3)	52.4	35.7	8.6	14.4
ROE (%)	13.0	18.2	19.4	20.7	21.7
ROA (%)	3.9	5.9	7.6	7.7	8.2
PER (x)	29.5	19.4	14.3	13.1	11.5
PBV (x)	3.7	3.4	2.9	2.6	2.2
EV/EBITDA (x)	11.0	10.1	9.2	8.5	7.9
Div Yield (%)	2.0	2.1	2.6	2.8	3.2

Source: Company, KBVS Research

Exhibit 2: ICBP 12M23 financial and key performance metrics results

ICBP FY23 Results (IDRbn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)	KBVS '23F	% to '23F	23F Cons'	% to Cons'
Net revenue	64,798	67,910	4.8	15,889	16,603	4.5	16,828	(1.3)				
COGS	(43,005)	(42,784)	(0.5)	(10,082)	(10,082)	(0.0)	(10,754)	(6.2)				
Gross Profit	21,792	25,126	15.3	5,806	6,521	12.3	6,075	7.4				
Opex	(8,415)	(10,739)	27.6	(1,980)	(3,029)	53.0	(2,278)	33.0				
EBIT	13,378	14,388	7.5	3,827	3,493	(8.7)	3,797	(8.0)				
Pre-tax income	7,525	11,445	52.1	2,037	973	(52.3)	2,108	(53.9)				
Net Income	4,587	6,991	52.4	1,279	(70)	(105.5)	1,355	(105.3)	9,391	74.4	9,450	74.0

Segmentation sales (IDRbn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Noodles	47,476	50,438	6.2	11,730	12,327	5.1	12,784.7	(3.6)
Dairy	9,444	9,127	(3.3)	2,214	2,308	4.3	1,950.6	18.3
Snacks	3,970	4,246	7.0	1,054	1,015	(3.7)	1,147.4	(11.5)
Food Seasonings	3,363	3,674	9.3	724	820	13.3	812.4	0.9
Nutrition foods	1,161	1,219	4.9	308	329	6.6	280.1	17.4
Beverages	1,545	1,609	4.1	376	405	7.7	421.3	(4.0)
Net	64,798	67,910	4.8	15,889	16,603	4.5	16,828	(1.3)

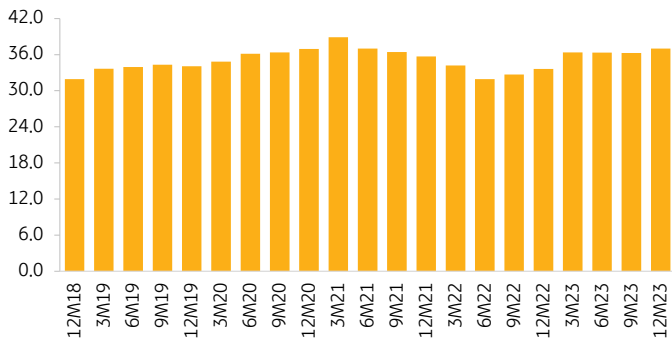
Segmentation EBIT (IDRbn)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Noodles	10,875	12,950.6	19.1	3,064	3,142	2.5	9,782.8	(67.9)
Dairy	670	686.0	2.4	221	243	9.9	436.4	(44.3)
Snacks	314	409.5	30.5	110	93	-14.9	308.3	(69.7)
Food Seasonings	396	417.0	5.2	80	53	-34.1	350.6	(84.9)
Nutrition foods	85	92.2	9.0	23	23	2.5	60.7	(61.8)
Beverages	75	214.9	184.8	9	62	554.4	141.0	(56.1)
Total	13,378	14,388	7.5	3,827	3,493	-8.7	10,895	-67.9

Margins (%)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Gross Profit	33.6	37.0	3.37	36.5	39.3	2.73	36.1	3.2
EBIT	20.6	21.2	0.54	24.1	21.0	(3.05)	22.6	(1.5)
Pretax	11.6	16.9	5.24	12.8	5.9	(6.96)	12.5	(6.7)
Net Profit	7.1	10.3	3.21	8.1	(0.4)	(8.48)	7.9	(8.4)

Segmentation margin (%)	12M22	12M23	YoY (%)	4Q22	4Q23	YoY (%)	3Q23	QoQ (%)
Noodles	22.9	25.7	2.8	26.1	25.5	(0.6)	76.5	(51.0)
Dairy	7.1	7.5	0.4	10.0	10.5	0.5	22.4	(11.8)
Snacks	7.9	9.6	1.7	10.4	9.2	(1.2)	26.9	(17.7)
Food Seasonings	11.8	11.3	(0.4)	11.1	6.5	(4.6)	43.2	(36.7)
Nutrition foods	7.3	7.6	0.3	7.3	7.0	(0.3)	21.7	(14.6)
Beverages	4.9	13.4	8.5	2.5	15.3	12.8	33.5	(18.2)
Total	20.6	21.2	0.5	(0.0)	0.0	0.0	0.0	0.0

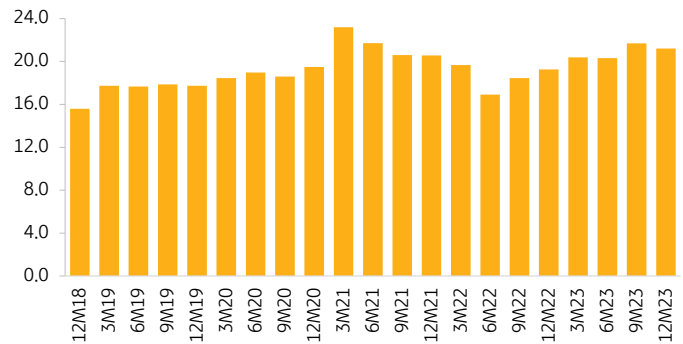
Source: Company, KBVS Research

Exhibit 3: Improving GPM on steady low cost input (%)...



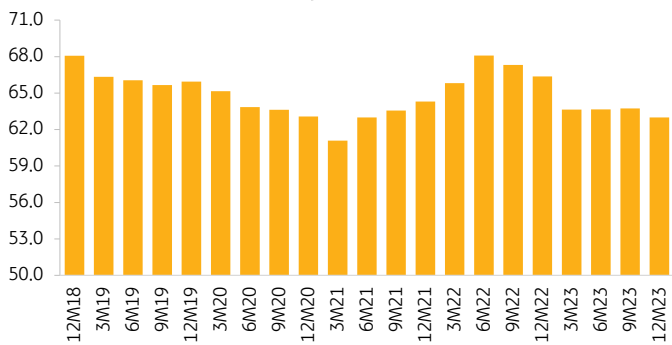
Source: Company, KBVS Research

Exhibit 4: ...coupled with stronger EBIT margin (%)



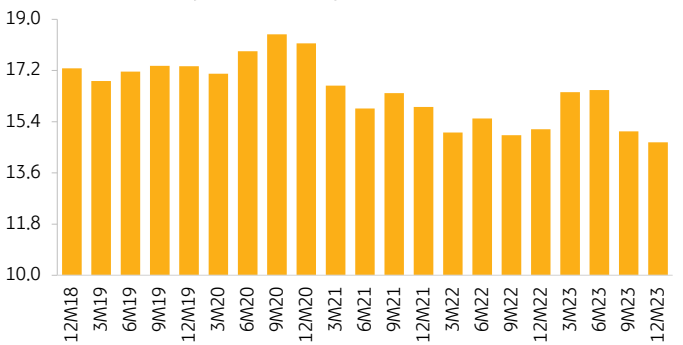
Source: Company, KBVS Research

Exhibit 5: % to sales cost input likely to remain soft (%)...



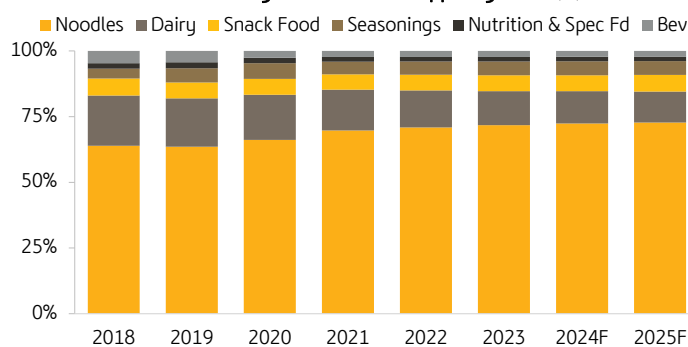
Source: Company, KBVS Research

Exhibit 6: ...with manageable operating expenses to sales (%)...



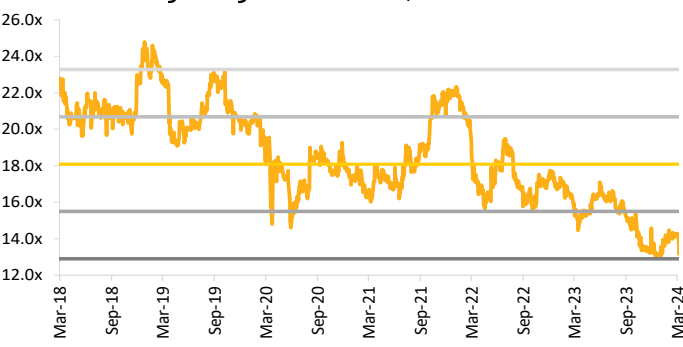
Source: Company, KBVS Research

Exhibit 7: Noodles continuing crucial role to support growth (%)



Source: Company, KBVS Research

Exhibit 8: Currently trading at 13.5x '24F P/E, or above its -2SD of 12.9x P/E



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 9: Profit & Loss

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenues	64,798	67,910	71,396	76,073	82,481
Cost of revenues	(43,005)	(42,784)	(45,122)	(48,306)	(52,293)
Gross profit	21,792	25,126	26,274	27,766	30,188
Operating expenses	(9,378)	(10,352)	(11,399)	(12,239)	(12,851)
EBIT	13,378	14,388	15,663	16,801	18,436
EBITDA	15,081	16,082	17,469	18,675	20,397
Net finance income (expenses)	(5,944)	(531)	307	1,208	(600)
Other income/(expenses)	92	(2,412)	(509)	(593)	(672)
Pretax profit	7,525	11,445	15,461	17,416	17,164
Tax expenses	(1,803)	(2,980)	(3,865)	(4,354)	(4,119)
Net profit	4,587	6,991	9,484	10,298	11,786

Source: Company, KBVS Research

Exhibit 10: Balance Sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Cash and other investments	15,897	18,746	21,657	24,498	27,183
Receivables	7,228	7,369	7,428	8,027	8,795
Inventories	7,132	6,461	6,578	7,092	7,715
Other current assets	812	778	825	903	975
Total current assets	31,070	33,354	36,488	40,519	44,667
Deferred tax assets					
Long term investments	272	701	666	654	672
Fixed assets	11,169	9,048	10,420	12,137	13,221
Rights of use assets	14,521	14,831	15,128	15,436	15,742
Deferred charges - net	204	222	212	213	216
Goodwill	48	145	131	125	128
Intangible assets	54,006	56,600	59,505	63,403	68,745
Other non current assets	1,593	2,707	2,678	2,678	2,800
Total non-current assets	2,422	2,900	3,203	3,265	3,431
Total assets	84,235	87,154	91,943	97,911	104,955
Current liabilities					
Short-term debts	825	908	998	1,048	1,101
Payables	4,725	5,642	5,544	5,836	6,326
Curr matt LT Loans	487	0	0	0	0
Other current liabilities	3,997	4,473	4,867	5,344	5,674
Total current liabilities	10,034	11,022	11,409	12,228	13,100
Non-current liabilities					
Long-term debts	1,549	1,704	1,874	1,968	2,066
Bonds payable	42,968	42,538	43,601	45,782	48,986
Other non-current liabilities	3,282	3,519	3,658	3,871	3,226
Total non-current liabilities	47,799	47,761	49,133	51,620	54,278
Shareholder's Equity	36,519	40,126	46,335	53,045	60,720
Total liabilities and equity	115,306	120,508	128,431	138,430	149,622

Source: Company, KBVS Research

Exhibit 11: Cash Flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	4,587	6,991	9,484	10,298	11,786
Depreciation & amortization	1,108	1,216	1,305	1,374	1,461
Changes in working capital	(11,174)	1,958	73	(421)	(643)
CF from operating activities	(5,479)	10,165	10,862	11,252	12,604
Decr. (incr.) in fixed assets	(1,454)	(1,526)	(1,603)	(1,683)	(1,767)
Decr. (incr.) in non-current assets	128	(2,609)	(4,491)	(5,660)	(6,738)
Other investing activities	452	0	0	0	0
CF from investing activities	(874)	(4,135)	(6,094)	(7,343)	(8,505)
Net change in gross debt	4,260	(680)	1,325	2,324	3,355
Dividends paid	(2,507)	(2,739)	(3,319)	(3,604)	(4,125)
Other financing activities	(166)	237	138	213	(645)
CF from financing activities	1,587	(3,182)	(1,856)	(1,068)	(1,414)
Net Changes in Cash	(4,765)	2,848	2,911	2,841	2,685
Cash at beginning of period	20,662	15,897	18,746	21,657	24,498
Cash at end of period	15,897	18,746	21,657	24,498	27,183

Source: Company, KBVS Research

Exhibit 12: Key performance metrics

Year End Dec (%)	2022A	2023A	2024F	2025F	2026F
Gross profit margin (%)	33.6	37.0	36.8	36.5	36.6
Operating profit margin (%)	20.6	21.2	21.9	22.1	22.4
EBITDA margin	23.3	23.7	24.5	24.5	24.7
Net profit margin (%)	7.1	10.3	13.3	13.5	14.3
ROAE (%)	13.0	18.2	19.4	20.7	21.7
ROAA (%)	3.9	5.9	7.6	7.7	8.2
Net gearing (x)	82.4	65.8	53.6	45.8	41.1
Interest coverage ratio (x)	2.2	7.1	8.4	9.1	5.8
PER (x)	29.5	19.4	14.3	13.1	11.5
PBV (x)	3.7	3.4	2.9	2.6	2.2
EV/EBITDA (x)	11.0	10.1	9.2	8.5	7.9
Dividend Yield (%)	2.0	2.1	2.6	2.8	3.2

Source: Company, KBVS Research

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