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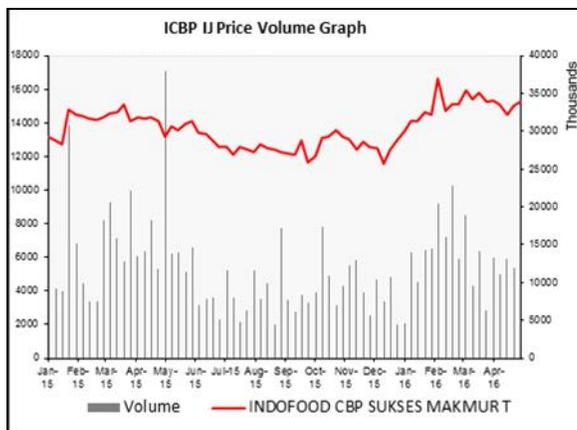
## Indofood CBP

**PT Indofood CBP Sukses Makmur Tbk manufactures and distributes wide range of food products. The company operates with diversified business divisions, consists of noodles, dairy, snack foods, food seasonings, nutrition & special foods, and beverages.**

**Current Price: IDR 15,300**

**52-Week Target Price: IDR 16,200**

*Previous Target Price: IDR 14,400*



### Share Price Performance

Price (IDR)	15,300
52-Week High (02/05/16)	16,600
52-Week Low (09/29/15)	10,900
52-Week Beta	0.91
YTD Change/%	1,825 / 13.54%

### Stock Information

Market Cap (IDR)	89,213.6B
Shares Out/Float (M)	5,831.0 / 1,135.0 M

### Company Update

## PT Indofood CBP Sukses Makmur Tbk (ICBP)

### 1Q16 Earnings Update

**NEUTRAL**

ICBP's 1Q16 both revenue and net income made up 25% and 26% of our FY16 estimates. We maintain our NEUTRAL recommendation on PT Indofood CBP Sukses Makmur Tbk (ICBP) with our 52-week target price at IDR 16,200, representing a 5.88% potential upside. Our valuation implying a forward P/E of 25.9x.

**1Q16 earnings, combination of volume and ASP growth.** ICBP recorded a satisfactory performance in 1Q16, with a 12% and 18.6% YoY growth for its top-line and bottom-line earnings respectively. Its revenue stood at IDR 8.9tn as net income was reported at IDR 944.8bn. Referring to the management, revenue growth was contributed by volume and ASP proportionately. The interesting thing is its gross margin expanded by 200bps to 31.5% which was mainly as the result of soft raw material costs. Its net income margin itself was stable at 10.6%.

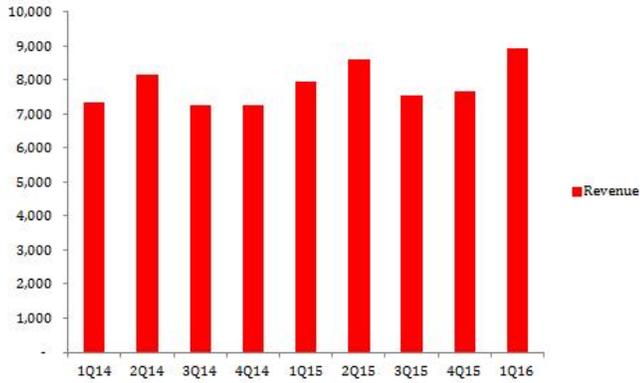
**Dairy division took the lead.** Though noodles division remains the biggest contributor for ICBP's performance, dairy division has been the bright star in 1Q16. Its dairy division managed to contribute 19.1% to ICBP's sales (vs 16.3% in 1Q15) and 24.3% to ICBP's EBIT (vs 10.6% in 1Q15). Dairy division posted a 30.8% sales growth, contributed from 32% volume growth (both organic and inorganic) meanwhile ASP was indicated to fall slightly. The division's EBIT margin rose significantly to 18.5% from 8% in 1Q15, due to volume growth and low price of skim milk powder price.

**Remain innovative.** ICBP again proved itself to be an innovative consumer good company in Indonesia. After its phenomenal "Chitato rasa mie goreng" innovation, ICBP has launched few new products for instance "Indomie real meat", "Indomie bite mie snack", and another innovative products from its noodles and snack divisions.

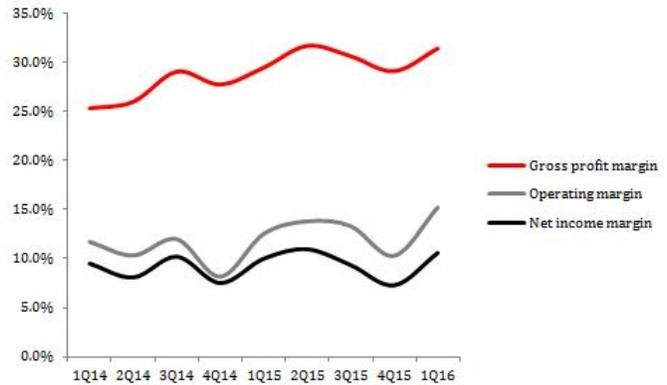
Though we believe ICBP will continue to post growth in the upcoming quarters, we still maintain our NEUTRAL recommendation. We view volume growth as well as margin expansion tend to be unsustainable due to tougher competition.

Financial Highlights	2014	2015	2016F	2017F	2018F
Revenue	30,022	31,741	35,670	39,982	44,678
EBIT	3,120	3,908	4,454	4,779	5,292
EBITDA	3,522	4,465	5,113	5,547	6,155
Net Income	2,574	2,923	3,558	3,838	4,250
EPS	454	515	624	671	742
EBITDA Margin (%)	11.73	14.07	14.34	13.87	13.78
Net Income Margin (%)	8.57	9.21	9.98	9.60	9.51
EPS growth (%)	18.85	13.46	21.17	7.68	10.54
P/E (x)	29.31	26.17	24.54	22.79	20.61
PBV (x)	5.43	5.08	5.11	4.57	4.13

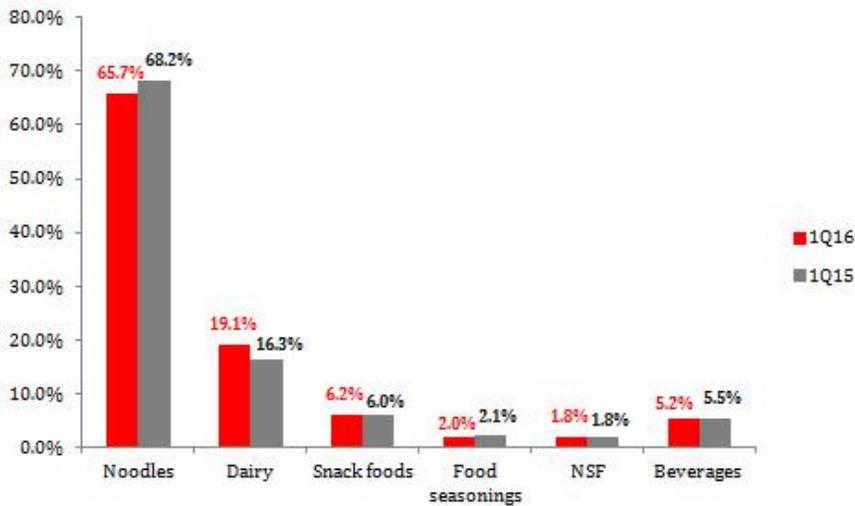
Source: Company Data, Sinarmas Investment Research

**ICBP revenue: historically high in second quarter**


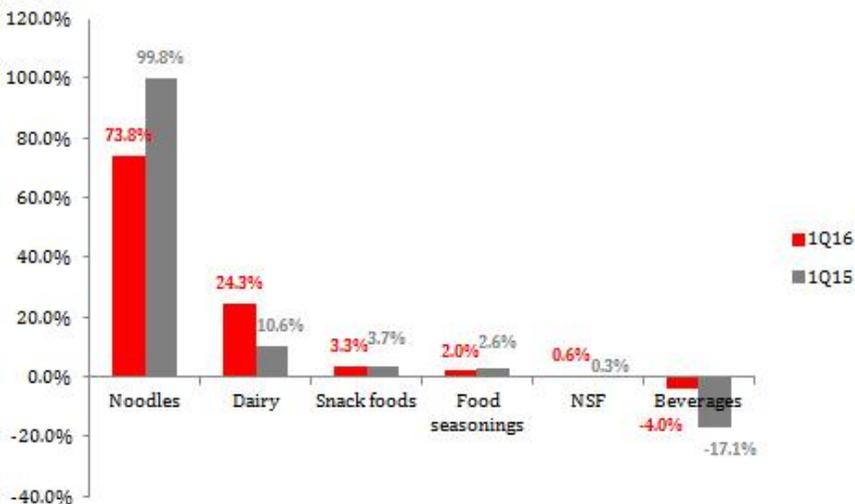
Source: Company, SinarMas Investment Research

**ICBP margin, rose in 1Q16**


Source: Company, SinarMas Investment Research

**ICBP sales contribution, noodles still dominating, however dairy sales rose by 300bps**


Source: Company, SinarMas Investment Research

**ICBP EBIT contribution, dairy and beverages divisions posted excellent results**


Source: Company, SinarMas Investment Research

**ICBP segment results**

Division	Sales (Rp Bn)		Growth	Volume Growth	EBIT Margin	
	1Q15	1Q16			1Q15	1Q16
Noodles	5,507.5	5,963.2	8.3%	0%	17.8%	16.1%
Dairy	1,301.6	1,702.9	30.8%	32%	8.0%	18.5%
Snack Foods	484.9	567.2	17.0%	16%	7.4%	7.5%
Food Seasonings	304.4	308.2	1.2%	1%	8.5%	8.9%
Nutritions & Special Foods	145.4	156.6	7.7%	2%	2.1%	4.6%
Beverages	442.0	463.0	4.8%	5%	-37.8%	-11.1%
Elimination	(218.1)	(238.9)				
<b>Net</b>	<b>7,967.7</b>	<b>8,922.2</b>	<b>12.0%</b>			

**Experiencing volume recovery in 1Q16.** The good things revealed in ICBP 1Q16 results were volume seemed to pick up. Most of the divisions have recorded volume growth, only noodles division which posted flat volume. Besides the dairy division, its snack foods division also registered robust performance whereas sales grew by 17% YoY, with 16% growth came from volume. In addition, beverages division's results were not bad at all. The beverages division posted 5% YoY volume growth, and experienced a significant EBIT margin recovery in the period. Its beverages division EBIT margin increased significantly to -11.1% in 1Q16 (vs -37.8% in 1Q15).

**2Q16 sales should accelerate on the back of better consumer spending.** Moreover, it will be supported by the fasting period which will start in early June.

**ICBP 1Q16 Earnings**

	1Q15	4Q15	1Q16	YoY (%)	QoQ (%)	FY16	% to FY16E
Revenue	7,968	7,645	8,922	12.0%	16.7%	35,670	25.0%
Gross profit	2,351	2,227	2,809	19.5%	26.1%		
Operating income	995	785	1,353	35.9%	72.3%		
Net income	797	557	945	18.6%	69.7%	3,636	26.0%
EPS	137	95	162	18.2%	69.7%		
Gross profit margin	29.5%	29.1%	31.5%				
Operating margin	12.5%	10.3%	15.2%				
Net income margin	10.0%	7.3%	10.6%				

Source: Company, Sinarmas Investment Research

**Appendix I: Financial Statements**
**Balance sheet**

in IDR bn	2014	2015	2016F	2017F	2018F
Cash & Equivalents	7,343	7,658	7,017	7,236	7,966
Trade Receivables	2,921	3,364	3,369	3,776	4,220
Inventories	2,813	2,547	3,270	3,699	4,143
Other Current Assets	485	294	390	467	538
Fixed Assets	5,809	6,556	7,431	8,222	8,638
Other Non Current Assets	5,598	6,043	6,996	7,736	8,716
<b>Total Assets</b>	<b>25,029</b>	<b>26,561</b>	<b>28,552</b>	<b>31,199</b>	<b>34,271</b>
Short-term Bank Loans	805	719	569	469	419
Trade Payables	2,756	2,581	2,922	3,305	3,702
Long-Term Debts	1,590	1,432	1,316	1,166	1,016
Other Current Liabilities	1,904	2,549	1,826	2,055	2,322
<b>Other Non Current Liabilities</b>	<b>2,647</b>	<b>2,740</b>	<b>3,108</b>	<b>3,392</b>	<b>3,736</b>
<b>Total Liabilities</b>	<b>10,445</b>	<b>10,174</b>	<b>10,020</b>	<b>10,702</b>	<b>11,548</b>

Source: Sinarmas Investment Research

**Income statement**

in IDR bn	2014	2015	2016F	2017F	2018F
<b>Revenue</b>	<b>30,022</b>	<b>31,741</b>	<b>35,670</b>	<b>39,982</b>	<b>44,678</b>
COGS	21,922	22,122	25,047	28,330	31,733
<b>Gross Profit</b>	<b>8,100</b>	<b>9,619</b>	<b>10,624</b>	<b>11,652</b>	<b>12,945</b>
Operating Expenses	4,981	5,711	6,170	6,873	7,653
Operating Profit	3,120	3,908	4,454	4,779	5,292
<b>EBITDA</b>	<b>3,522</b>	<b>4,465</b>	<b>5,113</b>	5,547	6,155
Profit Before Tax	3,445	4,010	4,745	5,117	5,667
Tax	871	1,086	1,186	1,279	1,417
<b>Net Income</b>	<b>2,574</b>	<b>2,923</b>	<b>3,558</b>	<b>3,838</b>	<b>4,250</b>
Earning Per Share	454	515	624	671	742

Source: Sinarmas Investment Research

**Appendix I: Financial Statements (Con't)**
**Cash flow**

<b>in IDR bn</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
<b>Net Income</b>	<b>2,645</b>	<b>3,001</b>	<b>3,636</b>	<b>3,915</b>	<b>4,328</b>
Adjustment	266	395	547	631	707
Working Capital	658	(402)	(516)	(264)	(257)
<b>Operating Cash Flow</b>	<b>3,569</b>	<b>2,994</b>	<b>3,667</b>	<b>4,282</b>	<b>4,778</b>
Capital Expenditure	(1,469)	(1,317)	(1,500)	(1,500)	(1,200)
<b>Investing Cash Flow</b>	<b>(1,292)</b>	<b>(1,623)</b>	<b>(2,309)</b>	<b>(2,097)</b>	<b>(2,039)</b>
Debt	564	53	(830)	(250)	(200)
Dividend	(1,108)	(1,294)	(1,500)	(2,000)	(2,153)
<b>Financing Cash Flow</b>	<b>(460)</b>	<b>(1,056)</b>	<b>(1,999)</b>	<b>(1,966)</b>	<b>(2,009)</b>
Net Cash Flow	1,817	315	(640)	219	730
Beginning Cash	5,526	7,343	7,658	7,017	7,236
<b>Ending Cash</b>	<b>7,343</b>	<b>7,658</b>	<b>7,017</b>	<b>7,236</b>	<b>7,966</b>

Source: Sinarmas Investment Research

**Key ratios**

<b>in Percentage (%)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Revenue Growth	19.64	5.72	12.38	12.09	11.75
Operating Profit Growth	14.91	25.33	12.44	7.80	11.00
EBITDA Growth	11.47	26.77	14.53	8.49	10.95
Net Income Growth	15.17	13.56	21.73	7.85	10.75
EPS Growth	18.85	13.46	21.17	7.68	10.54
Return on Equity	19.96	20.08	21.56	20.73	20.68
Return on Asset	11.09	11.33	12.91	12.85	12.98
Debt to Equity	18.26	16.57	10.17	7.98	6.32
Dividend Per Share (IDR)	190	222	257	343	369

Source: Sinarmas Investment Research

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