

First half review, in line with company's guidance. ICBP's 1H21 revenue grew 22.4% YoY to IDR 28.2 tn, achieving 50.7%/49.9% of our/consensus estimate. This was relatively in line with company's guidance for 19-21% YoY top-line growth in FY21. All segments other than food seasonings contributed to the rise, with noodles and snack foods seeing the highest growth of 31.2% YoY and 14.2% YoY, respectively. Looking into the second quarter only, ICBP booked revenue of IDR 13.1 tn (-13.2% QoQ/+18.7% YoY). On a QoQ basis, the decline was mostly driven by noodles segment which fell 14.1% QoQ. By region, domestic was down 13.5% QoQ to IDR 9.8 tn but up 3.3% YoY, Middle East and Africa (mainly from Pinehill) declined 13.3% QoQ to IDR 2.6 tn but jumped almost c.3x YoY with Pinehill inclusion. Other areas dropped 6.7% QoQ and 4.2% YoY. 2Q21 net profit was IDR 1.5 tn (-14.5% QoQ/+6.4% YoY), taking its 1H21 net profit down by 4.6% YoY to IDR 3.2 tn, accounting for 47.8%/48.8% of our/consensus estimate. Excluding forex loss, core profit increased 25% YoY to IDR 3.9 tn.

1H21 margins expansion despite RM prices hike. 2Q21 GPM dropped by 410 bps to 34.8% QoQ due to higher RM prices, notably for wheat and CPO. This brought its EBIT margin down to 19.7% (from 23.7% in 1Q21), despite its operating expenses declined 14.1% QoQ. Segment wise, dairy EBIT margin contracted the most, falling 930 bps QoQ to 7.8% (vs. 17.1% in 1Q21), entirely driven by RM prices increase. However, thanks to its strong margin in 1Q21, ICBP was able to increase its GPM by 90 bps YoY to 37% in 1H21 (vs. 36.1% in 1H20). EBIT margin expanded by 310 bps YoY to 21.9%, above the company's guidance of 18-20% for FY21.

Positive outlook. Management set a positive tone for its performance in 3Q21. The implementation of emergency PPKM that limits mobility increased in-home consumption, benefiting all of its segments other than beverages. Despite the RM prices increase, ICBP has no plans to adjust its prices further in 2H21, as it takes into account other aspects such as the macroeconomic situation, purchasing power, and competition. On the other hand, ICBP will focus on improving efficiency and productivity in order to mitigate the ongoing RM price increase.

We reiterate our BUY call on PT Indofood CBP Sukses Makmur Tbk. (ICBP) with a lower 52-week TP of IDR 10,800, derived from 19.3x FY21F PE (-1SD from its 5-year mean). ICBP is now trading at 15.2x FY21F PE (-2SD from its 5-year mean). That said, we continue to favor ICBP for its attractive valuation and its positive outlook ahead.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,297	46,641	55,635	58,495	61,272
% growth	10.1%	10.3%	19.3%	5.1%	4.7%
Gross Profit	14,404	17,224	19,847	20,918	21,963
Net Profit	5,039	6,587	6,525	7,156	7,423
% growth	8.2%	30.7%	-0.9%	9.7%	3.7%
Gross Margin (%)	34.1%	36.9%	35.7%	35.8%	35.8%
Net Margin (%)	11.9%	14.1%	11.7%	12.2%	12.1%
Return on Equity (%)	21.5%	24.1%	20.9%	20.4%	19.0%
Return on Assets (%)	7.1%	6.3%	6.0%	6.5%	6.7%
EPS (IDR)	432	565	560	614	637

Elvira Natalia

Equity Analyst

+62 21 392 5550 ext. 610

Elvira.natalia@sinarmassekuritas.co.id**Stock Information**

Sector	Consumer
Bloomberg Ticker	ICBP IJ
Market Cap. (IDR tn)	100.3
Share Out./Float (mn)	11,661/2,270
Current Price	8,600
FY21F Target Price	10,800
Upside	25.6%

Share Price Performance

52W High (11/30/20)	10,625
52W Low (06/21/21)	7,625
52W Beta	0.6
YTD Change	-10.2%

Relative Valuations

Trailing P/E	15.2x
Forward P/E	15.2x
P/BV	2.0x

ICBP 2Q21 Earnings Summary

IDR Bn	2Q20	1Q21	2Q21	%QoQ	%YoY	1H20	1H21	%YoY	%DH	%Cons
Revenue	11,041	15,092	13,107	-13.2%	18.7%	23,047	28,199	22.4%	50.7%	49.9%
Gross Profit	4,148	5,872	4,561	-22.3%	10.0%	8,331	10,433	25.2%		
Operating Profit	2,145	3,575	2,589	-27.6%	20.7%	4,340	6,164	42.0%		
Net Profit	1,396	1,737	1,484	-14.5%	6.4%	3,378	3,221	-4.6%	47.8%	48.8%
Core Profit	1,590	2,410	1,540	-36.1%	-3.1%	3,160	3,950	25.0%		
Gross Profit Margin	37.6%	38.9%	34.8%			36.1%	37.0%			
Operating Profit Margin	19.4%	23.7%	19.7%			18.8%	21.9%			
Net Profit Margin	12.6%	11.5%	11.3%			14.7%	11.4%			
Core Profit Margin	14.4%	16.0%	11.7%			13.7%	14.0%			

Revenue per region

Indonesia	9,518	11,369	9,836	-13.5%	3.3%	20,347	21,205	4.2%		
Middle East and Africa	897	3,081	2,671	-13.3%	197.8%	1,621	5,751	254.9%		
Other Asia	281	243	250	2.9%	-10.9%	517	493	-4.7%		
Others	346	400	350	-12.5%	1.3%	563	750	33.3%		

Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	55,635	58,589	55,635	58,495	0.0%	-0.2%
Gross Profit	20,705	21,853	19,847	20,918	-4.1%	-4.3%
Operating Profit	11,258	11,993	10,659	11,219	-5.3%	-6.5%
Net Profit	6,598	7,073	6,525	7,156	-1.1%	1.2%
EPS (IDR)	566	606	560	614	-1.1%	1.2%
Gross Margin	37.2%	37.3%	35.7%	35.8%		
Operating Margin	20.2%	20.5%	19.2%	19.2%		
Net Margin	11.9%	12.1%	11.7%	12.2%		

Source: Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,297	46,641	55,635	58,495	61,272
% growth	10.1%	10.3%	19.3%	5.1%	4.7%
Cost of Good Sold	(27,893)	(29,417)	(35,789)	(37,577)	(39,309)
Gross Profit	14,404	17,224	19,846	20,918	21,963
% growth	17.4%	19.6%	15.2%	5.4%	5.0%
Operating Expenses	(7,004)	(8,023)	(9,187)	(9,699)	(10,350)
Opex to Sales (%)	16.6%	17.2%	16.5%	16.6%	16.9%
EBIT	7,400	9,201	10,659	11,219	11,613
% growth	14.8%	24.3%	15.8%	5.3%	3.5%
EBITDA	8,329	10,483	11,889	12,716	13,281
% growth	16.0%	25.9%	13.4%	7.0%	4.4%
Net Financing Income (Expenses)	37	758	(1,238)	(1,145)	(1,163)
EBT	7,437	9,959	9,421	10,074	10,450
Tax Expenses	(2,077)	(2,540)	(2,072)	(2,015)	(2,090)
Minority Interest	(321)	(832)	(824)	(903)	(937)
Net Income	5,039	6,587	6,525	7,156	7,423
% growth	8.2%	30.7%	-0.9%	9.7%	3.7%
EPS (IDR)	432	565	560	614	637

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	8,361	9,536	8,631	8,822	4,394
Trade Receivables	4,132	5,747	5,799	6,008	6,378
Inventories	3,841	4,587	5,042	5,319	5,577
Other Current Assets	293	847	590	628	678
Total Current Assets	16,627	20,717	20,062	20,777	17,027
Fixed Assets	11,342	13,606	17,155	20,900	23,278
Other Non Current Assets	10,742	69,266	69,464	69,913	69,942
Total Assets	38,711	103,589	106,681	111,590	110,247
Short Term Debt	654	817	1,047	327	333
Trade Payables	3,258	3,907	4,660	4,729	4,924
Other Current Liabilities	2,645	4,451	3,197	12,696	3,796
Total Current Liabilities	6,557	9,175	8,904	17,752	9,053
Long Term Debt	1,702	30,908	28,776	28,780	30,784
Other Non Current Liabilities	3,781	13,187	14,023	5,019	5,236
Total Liabilities	12,040	53,270	51,703	51,551	45,073
Share & APIC	6,569	6,569	6,569	6,569	6,569
Retained Earnings	18,495	22,576	26,191	30,155	34,139
Minority Interest	1,370	20,888	21,932	23,029	24,180
Others	237	286	286	286	286
Total Equity	26,671	50,319	54,978	60,039	65,174
Total Liabilities & Equity	38,711	103,589	106,681	111,590	110,247

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	5,039	6,587	6,525	7,156	7,423
Dep. & Amortization	929	1,282	1,230	1,497	1,668
Chg. In NWC	903	(459)	(753)	9,046	(9,385)
CF from Operating	6,871	7,410	7,002	17,699	(294)
Capital Expenditure	(1,530)	(3,545)	(4,778)	(5,242)	(4,046)
Chg. in LT Assets	(1,238)	(58,524)	(198)	(449)	(29)
Chg. in LT Liabs	31	9,406	830	(9,006)	2,220
CF from Investing	(2,737)	(52,663)	(4,146)	(14,697)	(1,855)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	575	29,368	(1,894)	(716)	9
Dividends Paid	(1,598)	(2,507)	(2,911)	(3,192)	(3,439)
Others	523	19,567	1,044	1,097	1,151
CF from Financing	(500)	46,428	(3,761)	(2,811)	(2,279)
Chg. in Cash	3,634	1,175	(905)	191	(4,428)
Beginning Cash	4,727	8,361	9,536	8,631	8,822
Ending Cash	8,361	9,536	8,631	8,822	4,394

Financial Ratio & Key Assumptions	2019	2020	2021E	2022F	2023F
Profitability					
Return on Equity	21.5%	24.1%	20.9%	20.4%	19.0%
Return on Assets	7.1%	6.3%	6.0%	6.5%	6.7%
Gross Margin	34.1%	36.9%	35.7%	35.8%	35.8%
Operating Margin	17.5%	19.7%	19.2%	19.2%	19.0%
EBITDA Margin	19.7%	22.5%	21.4%	21.7%	21.7%
Net Margin	11.9%	14.1%	11.7%	12.2%	12.1%
Liquidity					
Current Ratio (x)	2.5	2.3	2.3	1.2	1.9
Quick Ratio (x)	1.9	1.7	1.6	0.8	1.2
Solvency					
Debt to Equity (x)	0.1	0.6	0.5	0.5	0.5
Debt to Assets (x)	0.1	0.3	0.3	0.3	0.3
Interest Cov. (x)	45.8	13.7	10.4	9.8	10.0
Valuation					
Price to Earnings (x)	25.0	19.1	19.3	17.6	17.0
Price to Book (x)	23.6	2.5	2.3	2.1	1.9

Source: Company Data, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

BUY: Share price may rise by more than 15% over the next 12 months.

ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst (s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2021). All rights reserved.