

1Q21 revenue highlight. ICBP recorded 1Q21 revenue of IDR 15.1 tn (+18.4% QoQ/+25.7% YoY), accounting for 27.1%/26.7% of our/consensus estimate. Other than NSF, all segments contributed to the rise, with noodles seeing the highest growth of 19.4% QoQ/37.3% YoY. This, we believe, was likely driven by volume growth and a ~4% ASP rise for domestic noodle price. Export sales jumped by c.3.2x YoY from IDR 1.2 tn to IDR 3.7 tn with Pinehill inclusion, while domestic sales grew by 5% YoY to IDR 11.4 tn.

Highest margin ever since. On the margin side, 1Q21 GPM rose to 38.9% (vs. 38.4%/34.8% in 4Q20/1Q20) despite a hike in raw material prices. Opex to sales declined by 70 bps to 15.2% due to stronger sales growth, resulting in EBIT margin expansion to 23.7% (all-time-high). In all, net profit fell to IDR 1.7 tn (-33.8% QoQ/-12.4% YoY), achieving 25.8%/26.0% of our/consensus estimate. Excluding fx loss, core profit grew to IDR 2.4 tn (+69.7% QoQ/+53.5% YoY). The rising GPM was likely driven by Pinehill strong margin combined with pricing adjustment for several products in early 2021. However, we anticipate that further raw material cost inflation may create challenges, causing its margin to slow down in the upcoming quarters.

Forecast update based on bond issuance. On 9 Jun-21, ICBP has issued global bonds with total amount of USD 1.75 bn (equivalent to IDR 25.4 tn with USD/IDR rate of 14,500), that consist of: (1) Global Bonds 2031 of USD 1.15 bn, with a tenor of 10 years and fixed interest rate of 3.398% per annum; and (2) Global Bonds 2051 of USD 0.6 bn, with a tenor of 30 years and fixed interest rate of 4.745% per annum. The collected funds will be used to prepay the bank loans related to Pinehill acquisition. The reason behind this action was to reduce interest rate risk. The blended interest rate from the bond issuance at 4.2% (fixed) is higher than the current bank loan at ~2.3% (floating), but ICBP sees that the rate might rise in the upcoming years. Hence, we update our forecast with a higher blended effective interest rate at 3.5%/4% for FY21F/FY22F (up from 3% previously). This translates into 2.1%/2.6% lower EPS in FY21F/FY22F.

We maintain our BUY call on PT Indofood CBP Sukses Makmur Tbk. (ICBP) with a lower 52-week TP of IDR 11,750, derived from 20.8x FY21F PE (-1SD from its 5-year mean). We continue to favor ICBP for its resilience among other consumer names, as well as its current undemanding valuation (traded at -2 SD). Downside risks: weaker-than-expected purchasing power, and shortfall in Pinehill's guaranteed profits.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,297	46,641	55,635	58,589	61,480
% growth	10.1%	10.3%	19.3%	5.3%	4.9%
Gross Profit	14,404	17,224	20,705	21,853	22,979
Net Profit	5,039	6,587	6,598	7,073	7,480
% growth	8.2%	30.7%	0.2%	7.2%	5.8%
Gross Margin (%)	34.1%	36.9%	37.2%	37.3%	37.4%
Net Margin (%)	11.9%	14.1%	11.9%	12.1%	12.2%
Return on Equity (%)	21.5%	24.1%	21.1%	20.2%	19.2%
Return on Assets (%)	7.1%	6.3%	6.0%	6.4%	6.8%
EPS (IDR)	432	565	566	606	641

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Sector	Consumer
Bloomberg Ticker	ICBP IJ
Market Cap. (IDR tn)	99.2
Share Out./Float (mn)	11,661/2,270
Current Price	8,500
FY21F Target Price	11,750
Upside	38.2%

Share Price Performance

52W High (08/05/20)	10,625
52W Low (06/21/21)	7,625
52W Beta	0.6
YTD Change	12.1%

Relative Valuations

Trailing P/E	13.7x
Forward P/E	13.7x
P/BV	2.0x

ICBP 1Q21 Earnings Summary

IDR Bn	1Q20	4Q20	1Q21	%QoQ	%YoY	3M20	3M21	%YoY	%DH	%Cons
Revenue	12,007	12,744	15,092	18.4%	25.7%	12,007	15,092	25.7%	27.1%	26.7%
Gross Profit	4,183	4,895	5,872	20.0%	40.4%	4,183	5,872	40.4%		
Operating Profit	2,195	2,865	3,575	24.8%	62.9%	2,195	3,575	62.9%		
Net Profit	1,982	2,624	1,737	-33.8%	-12.4%	1,982	1,737	-12.4%	25.8%	26.0%
Core Profit	1,570	1,420	2,410	69.7%	53.5%	1,570	2,410	53.5%		
Gross Profit Margin	34.8%	38.4%	38.9%			34.8%	38.9%			
Operating Profit Margin	18.3%	22.5%	23.7%			18.3%	23.7%			
Net Profit Margin	16.5%	20.6%	11.5%			16.5%	11.5%			
Core Profit Margin	13.1%	11.1%	16.0%			13.1%	16.0%			

Revenue per region

Indonesia	10,829	11,369	5.0%
Middle East and Africa	724	3,081	325.5%
Other Asia	237	243	2.7%
Others	217	400	84.4%

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	58,589	0.0%	0.0%
Gross Profit	20,705	21,853	20,705	21,853	0.0%	0.0%
Operating Profit	11,258	11,776	11,258	11,993	0.0%	1.8%
Net Profit	6,735	7,299	6,598	7,073	-2.0%	-3.1%
EPS (IDR)	578	626	566	606	-2.0%	-3.1%
Gross Margin	35.7%	35.6%	37.2%	37.3%		
Operating Margin	19.7%	20.0%	20.2%	20.5%		
Net Margin	11.0%	11.2%	11.9%	12.1%		

Source: Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,297	46,641	55,635	58,589	61,480
% growth	10.1%	10.3%	19.3%	5.3%	4.9%
Cost of Good Sold	(27,893)	(29,417)	(34,930)	(36,736)	(38,501)
Gross Profit	14,404	17,224	20,705	21,853	22,979
% growth	17.4%	19.6%	20.2%	5.5%	5.2%
Operating Expenses	(7,004)	(8,023)	(9,447)	(9,860)	(10,527)
Opex to Sales (%)	16.6%	17.2%	17.0%	16.8%	17.1%
EBIT	7,400	9,201	11,258	11,993	12,452
% growth	14.8%	24.3%	22.4%	6.5%	3.8%
EBITDA	8,329	10,483	12,488	13,490	14,120
% growth	16.0%	25.9%	19.1%	8.0%	4.7%
Net Financing Income (Expenses)	37	758	(1,731)	(2,036)	(1,921)
EBT	7,437	9,959	9,527	9,957	10,531
Tax Expenses	(2,077)	(2,540)	(2,096)	(1,991)	(2,107)
Minority Interest	(321)	(832)	(833)	(893)	(944)
Net Income	5,039	6,587	6,598	7,073	7,480
% growth	8.2%	30.7%	0.2%	7.2%	5.8%
EPS (IDR)	432	565	566	606	641

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	8,361	9,536	8,793	9,147	4,946
Trade Receivables	4,132	5,747	5,799	6,017	6,400
Inventories	3,841	4,587	4,921	5,200	5,463
Other Current Assets	293	847	590	629	680
Total Current Assets	16,627	20,717	20,103	20,993	17,489
Fixed Assets	11,342	13,606	17,155	20,900	23,291
Other Non Current Assets	10,742	69,266	69,464	69,918	69,952
Total Assets	38,711	103,589	106,722	111,811	110,732
Short Term Debt	654	817	1,047	327	333
Trade Payables	3,258	3,907	4,660	4,736	4,940
Other Current Liabilities	2,645	4,451	3,197	12,702	3,809
Total Current Liabilities	6,557	9,175	8,904	17,765	9,082
Long Term Debt	1,702	30,908	28,776	28,985	31,194
Other Non Current Liabilities	3,781	13,187	14,024	5,028	5,257
Total Liabilities	12,040	53,270	51,704	51,778	45,533
Share & APIC	6,569	6,569	6,569	6,569	6,569
Retained Earnings	18,495	22,576	26,231	30,149	34,164
Minority Interest	1,370	20,888	21,932	23,029	24,180
Others	237	286	286	286	286
Total Equity	26,671	50,319	55,018	60,033	65,199
Total Liabilities & Equity	38,711	103,589	106,722	111,811	110,732

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	5,039	6,587	6,598	7,073	7,480
Dep. & Amortization	929	1,282	1,230	1,497	1,668
Chg. In NWC	903	(459)	(632)	9,047	(9,386)
CF from Operating	6,871	7,410	7,196	17,617	(238)
Capital Expenditure	(1,530)	(3,545)	(4,778)	(5,243)	(4,059)
Chg. in LT Assets	(1,238)	(58,524)	(198)	(454)	(34)
Chg. in LT Liabs	31	9,406	830	(8,998)	2,229
CF from Investing	(2,737)	(52,663)	(4,146)	(14,695)	(1,864)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	575	29,368	(1,894)	(510)	215
Dividends Paid	(1,598)	(2,507)	(2,943)	(3,155)	(3,465)
Others	523	19,567	1,044	1,097	1,151
CF from Financing	(500)	46,428	(3,793)	(2,568)	(2,099)
Chg. in Cash	3,634	1,175	(743)	354	(4,201)
Beginning Cash	4,727	8,361	9,536	8,793	9,147
Ending Cash	8,361	9,536	8,793	9,147	4,946

Financial Ratio & Key Assumptions	2019	2020	2021E	2022F	2023F
Profitability					
Return on Equity	21.5%	24.1%	21.1%	20.2%	19.2%
Return on Assets	7.1%	6.3%	6.0%	6.4%	6.8%
Gross Margin	34.1%	36.9%	37.2%	37.3%	37.4%
Operating Margin	17.5%	19.7%	20.2%	20.5%	20.3%
EBITDA Margin	19.7%	22.5%	22.4%	23.0%	23.0%
Net Margin	11.9%	14.1%	11.9%	12.1%	12.2%
Liquidity					
Current Ratio (x)	2.5	2.3	2.3	1.2	1.9
Quick Ratio (x)	1.9	1.7	1.6	0.9	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	7.4	5.4	5.9
Valuation					
Price to Earnings (x)	27.8	21.2	21.2	19.8	18.7
Price to Book (x)	26.2	2.8	2.5	2.3	2.1

Source: Company Data, Sinarmas Investment Research

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