

Strong FY20 performance. ICBP booked FY20 revenue of Rp 46.6 tn (+10.3% YoY), in line (102.1%/101.6%) with our/consensus estimates. Noodles segment led the growth (+15% YoY) with Pinehill's four-month results included in the book, followed by the growth in Dairy by 3% YoY, Snack Foods by 11% YoY, Food Seasonings by 22% YoY, Nutrition and Special Foods by 2% YoY, while Beverages segment went down by 33% YoY as out-of-home products intake fell as government imposed several strict mobility restrictions in 2020. GPM improved by 280 bps to 36.9%, benefiting from Pinehill's strong margin and EBIT Margin rose to 19.7% (+220 bps YoY). Forex gain of Rp 763 bn was booked from its foreign currency-denominated debt. Excluding this one-off transaction, core profit came in at Rp 5.8 tn (+12.8% YoY), slightly higher (107.5%/104%) from our/consensus estimate.

Margin is set to pick up. ICBP recorded 4Q20 revenue of Rp 12.7 tn (+17.5% QoQ, +34.1% YoY), with Pinehill contributing Rp 3.1 tn to revenues in the Middle East and Africa. Despite facing a higher RM costs as soft commodity prices has gradually picked up, Pinehill's strong margin has resulted in a solid blended GPM, growing by 150 bps QoQ and 530 bps YoY to 38.4% and EBIT margin reached 21.8% (+570 bps QoQ, +500 bps YoY) in the quarter. Finance costs was seen higher coming from its acquisition loan. In all, core profit stood at Rp 1.4 tn (+14.5% QoQ, +14.5% YoY). We see that full consolidation from Pinehill would result in higher ICBP's profitability going forward.

2021 guidance. For FY21 guidance, ICBP expects 19-21% top-line growth with an EBIT margin of 18-20% (vs. 19.7% in 2020). Capex budget allocation is Rp 4.5 tn, with the majority will be used to increase its capacity in noodles and food seasonings. Though management did not disclose the detail of Pinehill's result, management believes its performance remains consistent and is likely to achieve its 2-year average guideline of USD 128.5 mn (translated to Rp 1.8 tn assuming USD/IDR 14,000).

We reiterate our BUY recommendation on PT Indofood CBP Sukses Makmur Tbk. (ICBP) with lower 52-week TP of IDR 12,000. Our TP derived from 20.8x FY21F PE (-1SD from its 5-year average). With its lucrative earnings potential and undemanding valuation (traded at -2 SD from its 5-yr average), we believe that the company remains one of the most appealing consumer names. 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	6,735	7,299	7,719
% growth	8.2%	30.7%	2.2%	8.4%	5.8%
Gross Margin (%)	34.1%	36.9%	37.2%	37.3%	37.4%
Net Margin (%)	11.9%	14.1%	12.1%	12.5%	12.6%
Return on Equity (%)	21.5%	24.1%	21.5%	20.7%	19.7%
Return on Assets (%)	7.1%	6.3%	6.2%	6.5%	7.0%
EPS (IDR)	432	565	578	626	662

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Sector	Consumer
Bloomberg Ticker	ICBP IJ
Market Cap. (IDR tn)	104.0
Share Out./Float (mn)	11,661/2,270
Current Price	8,925
FY21F Target Price	12,000
Upside	34.5%

Share Price Performance

52W High (01/30/20)	11,900
52W Low (05/28/20)	7,750
52W Beta	0.6
YTD Change	12.1%

Relative Valuations

Trailing P/E	21.2x
Forward P/E	20.8x
P/BV	2.5x

ICBP 4Q20 Earnings Summary

IDR Bn	4Q19	3Q20	4Q20	%QoQ	%YoY	12M19	12M20	%YoY	%DH	%Cons
Revenue	9,506	10,849	12,744	17.5%	34.1%	42,297	46,641	10.3%	102.1%	101.6%
Gross Profit	3,145	3,999	4,895	22.4%	55.6%	14,404	17,224	19.6%		
EBIT	1,593	1,747	2,776	58.9%	74.3%	7,400	9,201	24.3%		
Net Profit	1,153	585	2,624	348.7%	127.5%	5,039	6,587	30.7%		
Core Profit	1,240	1,240	1,420	14.5%	14.5%	5,162	5,824	12.8%	107.5%	104.0%
Gross Profit Margin	33.1%	36.9%	38.4%			34.1%	36.9%			
EBIT Margin	16.8%	16.1%	21.8%			17.5%	19.7%			
Net Profit Margin	12.1%	5.4%	20.6%			11.9%	14.1%			
Core Profit Margin	13.0%	11.4%	11.1%			12.2%	12.5%			

Revenue Breakdown

Indonesia	37,715	38,275	1.5%
Middle East and Africa	2,778	6,143	121.1%
Other Asia	822	952	15.8%
Others	983	1,271	29.4%

Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	55,650	59,100	55,635	58,589	0.0%	-0.9%
Gross Profit	19,882	21,033	20,705	21,853	4.1%	3.9%
Operating Profit	10,957	11,809	11,258	11,776	2.7%	-0.3%
Net Profit	6,543	6,979	6,735	7,299	2.9%	4.6%
EPS (IDR)	561	598	578	626	2.9%	4.6%
Gross Margin	35.7%	35.6%	37.2%	37.3%		
Operating Margin	19.7%	20.0%	20.2%	20.1%		
Net Margin	11.8%	11.8%	12.1%	12.5%		

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)	(10,077)	(10,673)
Opex to Sales (%)	16.6%	17.2%	17.0%	17.2%	17.4%
EBIT	7,400	9,201	11,258	11,776	12,306
% growth	14.8%	24.3%	22.4%	4.6%	4.5%
EBITDA	8,329	10,483	12,488	13,273	13,974
% growth	16.0%	25.9%	19.1%	6.3%	5.3%
Net Financing Income (Expenses)	37	758	(1,533)	(1,501)	(1,440)
EBT	7,437	9,959	9,725	10,275	10,866
Tax Expenses	(2,077)	(2,540)	(2,140)	(2,054)	(2,172)
Minority Interest	(321)	(832)	(850)	(922)	(975)
Net Income	5,039	6,587	6,735	7,299	7,719
% growth	8.2%	30.7%	2.2%	8.4%	5.8%
EPS (IDR)	432	565	578	626	662

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	8,359	9,535	8,869	9,348	5,275
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	16,625	20,716	20,179	21,194	17,818
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	38,709	103,588	106,798	112,012	111,061
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	3,779	13,186	14,024	5,028	5,257
Total Liabilities	12,038	53,269	51,704	51,778	45,533
Share & APIC	6,569	6,569	6,569	6,569	6,569
Retained Earnings	18,495	22,576	26,307	30,350	34,493
Minority Interest	1,370	20,888	21,932	23,029	24,180
Others	237	286	286	286	286
Total Equity	26,671	50,319	55,094	60,234	65,528
Total Liabilities & Equity	38,709	103,588	106,798	112,012	111,061

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	5,039	6,587	6,735	7,299	7,719
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	7,333	17,843	1
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)	(3,004)	(3,256)	(3,576)
Others	523	19,567	1,044	1,097	1,151
CF from Financing	(500)	46,428	(3,854)	(2,669)	(2,210)
Chg. in Cash	3,634	1,175	(667)	479	(4,073)
Beginning Cash	4,727	8,359	9,535	8,869	9,348
Ending Cash	8,361	9,534	8,868	9,348	5,275

Financial Ratio & Key Assumptions	2019	2020	2021E	2022F	2023F
Profitability					
Return on Equity	21.5%	24.1%	21.5%	20.7%	19.7%
Return on Assets	7.1%	6.3%	6.2%	6.5%	7.0%
Gross Margin	34.1%	36.9%	37.2%	37.3%	37.4%
Operating Margin	17.5%	19.7%	20.2%	20.1%	20.0%
EBITDA Margin	19.7%	22.5%	22.4%	22.7%	22.7%
Net Margin	11.9%	14.1%	12.1%	12.5%	12.6%
Liquidity					
Current Ratio (x)	2.5	2.3	2.3	1.2	2.0
Quick Ratio (x)	1.9	1.7	1.6	0.9	1.3
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	8.5	6.9	7.5
Valuation					
Price to Earnings (x)	27.8	21.2	20.8	19.2	18.1
Price to Book (x)	26.2	2.8	2.5	2.3	2.1

Source: Company Data, Sinarmas Investment Research

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