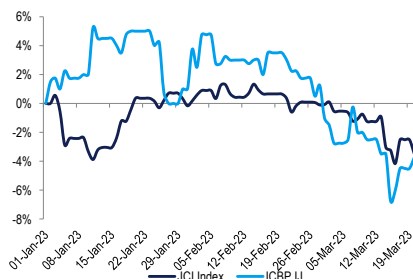


StockData

| | |
|--------------------------|----------|
| Target price | Rp11,400 |
| Prior TP | Rp10,100 |
| Current price | Rp9,625 |
| Upside/downside | +18.4% |
| Shares outstanding (mn) | 11,662 |
| Marketcap (Rp bn) | 112,246 |
| Free float | 19% |
| Avg. 6m dailyT/O (Rp bn) | 50 |

Price Performance

| | 3M | 6M | 12M |
|-------------------|----------------|-------|-------|
| Absolute | -7.7% | 11.3% | 27.1% |
| Relative to JCI | -4.7% | 19.0% | 32.0% |
| 52w low/high (Rp) | 7,100 – 10,525 | | |



Major Shareholders

| | |
|-------------|-------|
| Indofood SM | 80.5% |
|-------------|-------|

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Better than expected raw material trend affirms ICBP's margin expansion outlook

- Raw material price tapering trends (wheat –8.8% YTD) lead to our upgrade of ICBP's FY23F EBIT margin of 21.5% from 20.5% previously
- Domestic consumption tailwinds (higher wage growth/pre-election year) should compensate for the growth slowdown in Pinehill
- Upgrading FY23/24F earnings by +12/10%, we upgrade our rating to BUY for ICBP with a higher TP of Rp11,400.

Channel checks suggest muted ASP adjustments YTD

According to our channel checks with distributors, ICBP has yet to implement any price adjustment YTD across all segments, although we observe minor ASP adjustments of c.+2% within the dairy segment (Fig 2) in the modern trade channel. Despite ICBP's muted ASP adjustments YTD, ICBP will still benefit from the full impact of FY22's price adjustments - most notable among which are for noodles of +4/+5% in Apr22/Jun22 (total of 9% in FY22).

Tapering raw material prices solidify ICBP's margin expansion outlook

Additionally, recent raw material price drop in wheat/CPO/oil (for packaging) of -8.8/-6.2/-17.8% YTD (full details in Fig 3) help to solidify ICBP's margin expansion outlook for FY23F as these items are estimated to account for 55-65% of noodles' costs. The trend thus far is ahead of our initial expectation of -5% yoy pull back for both wheat & CPO. As a result, we adjust our wheat price assumption to -10% yoy (vs. -5% previously; global wheat price has pulled back by -19.8% from FY22 average) among others, leading to FY23F improved EBIT margin of 100bps to 21.5% from 20.5% previously.

Pinehill slower growth & potential margin contraction may be priced-in

As highlighted in our previous [note](#), we have incorporated the potential slowdown in Pinehill sales growth due to the macroeconomic issues in Egypt (c.35-40% of Pinehill consolidated sales volume). Moreover, ICBP's 9M22's -30.7% yoy decline in Minority Interest is also a reflection of Pinehill's likely lower margins as we estimate Pinehill is the largest contributor to Minority Interest at 84.5% of FY22F minority interest. Nonetheless, ICBP's share price recent lagging performance (ICBP YTD/3M of -3.8/-6.6% relative to its peers of -0.7/-1.6%) indicated that this concern may be partly priced-in.

Upgrade rating to BUY with TP of Rp11,400

In addition to the adjustments from raw material prices, we also account for lower minority interest contribution following Pinehill's slower growth outlook – resulting in an overall upgrade to our FY23/24F NPATMI by +11.8/10.4% from our previous estimates. We also upgrade our rating for ICBP to BUY with a higher TP of Rp11,400 pegged to -1.0SD of 5Y mean vs. previously at Rp10,100. ICBP is one of the most attractive consumer name at FY23F 13.3x vs. its peers' average of 19.3x FY23F P/E.

| Financial Summary (Rpbn) | 2020A | 2021A | 2022F | 2023F | 2024F |
|--------------------------|--------|--------|--------|--------|--------|
| Revenue (Rp bn) | 46,641 | 56,804 | 63,434 | 67,914 | 72,960 |
| EBITDA (Rp bn) | 10,382 | 12,939 | 13,285 | 16,299 | 18,005 |
| Core profit (Rp bn) | 6,622 | 6,850 | 6,734 | 8,484 | 9,537 |
| Core EPS (Rp) | 568 | 588 | 578 | 728 | 818 |
| Core EPS growth | 32.9% | 3.5% | -1.7% | 26.0% | 12.4% |
| ROE | 24.4% | 21.9% | 19.6% | 22.1% | 21.6% |
| PER (x) | 16.9 | 16.4 | 16.7 | 13.2 | 11.8 |
| Dividend yield | 2.2% | 2.2% | 2.2% | 1.8% | 3.8% |
| Forecast change | | | -3% | 4% | 4% |
| IPS vs. consensus | | | 126% | 107% | 104% |

Source: Company, Indo Premier

Share price closing as of: 20 March 2023

Fig. 1: Forecast changes

| | Previous | | | Current | | | Changes | | |
|-------------------------|----------|--------|--------|---------|--------|--------|---------|-------|-------|
| | 2022F | 2023F | 2024F | 2022F | 2023F | 2024F | 2022F | 2023F | 2024F |
| Sales (Rp bn) | 63,985 | 68,788 | 74,190 | 63,434 | 67,914 | 72,960 | -0.9% | -1.3% | -1.7% |
| Gross profit (Rp bn) | 21,563 | 24,270 | 26,639 | 21,187 | 24,693 | 26,911 | -1.7% | 1.7% | 1.0% |
| EBIT (Rp bn) | 12,080 | 14,081 | 15,721 | 11,763 | 14,596 | 16,121 | -2.6% | 3.7% | 2.5% |
| Core net profit (Rp bn) | 6,348 | 7,595 | 8,640 | 6,734 | 8,484 | 9,537 | 6.1% | 11.7% | 10.4% |
| Core EPS (Rp) | 545 | 652 | 741 | 578 | 728 | 818 | 6.1% | 11.7% | 10.4% |
| Margins, % | | | | | | | | | |
| Gross margin | 33.7% | 35.3% | 35.9% | 33.4% | 36.4% | 36.9% | -0.3% | 1.1% | 1.0% |
| EBIT margin | 18.9% | 20.5% | 21.2% | 18.5% | 21.5% | 22.1% | -0.3% | 1.0% | 0.9% |
| Core net margin | 9.9% | 11.0% | 11.6% | 10.6% | 12.5% | 13.1% | 0.7% | 1.5% | 1.4% |
| Growth, %yoy | | | | | | | | | |
| Sales growth | 12.6% | 7.5% | 7.9% | 11.7% | 7.1% | 7.4% | | | |
| EBIT growth | 4.7% | 16.6% | 11.7% | 2.0% | 24.1% | 10.4% | | | |
| Core net profit growth | -7.3% | 19.6% | 13.8% | -1.7% | 26.0% | 12.4% | | | |

Source: Company, Indo Premier

Fig. 2: ICBP product price in MT channel

| | Segment | Last price | Price changes | | |
|------------------------------------|------------|------------|---------------|------|------|
| | | | YTD | yoy | FY22 |
| Indomie goreng (85gr) | Noodle | 3,100 | 0.0% | 8.8% | 8.8% |
| Indomilk UHT plain (950ml) | Dairy | 19,300 | 2.1% | 5.5% | 3.3% |
| Indomilk kental manis putih (545g) | Dairy | 17,144 | 1.4% | 5.8% | 4.4% |
| Chitato sapi panggang (55g) | Snake food | 9,050 | 0.0% | 0.0% | 1.1% |

Source: Alfasift, klikIndomaret, Indo Premier

Fig. 3: Commodity summary price changes

| | Last price | Price changes | | | | |
|--|------------|---------------|--------|--------|--------|--------|
| | | 1M | 3M | 6M | YTD | 1Y |
| CPO futures (1Y) (MYR/MT) | 3,700 | -7.8% | -1.5% | -3.7% | -8.0% | -30.7% |
| Wheat futures (1Y) (US\$/bu.) | 720 | -8.3% | -5.9% | -15.6% | -8.8% | -16.0% |
| Sugar futures (1Y) (US\$/lb) | 20 | 3.5% | 10.3% | 20.9% | 10.1% | 15.5% |
| Whole Milk Powder futures (6M) (US\$/MT) | 3,420 | -2.4% | -5.1% | -6.3% | -4.5% | N/A |
| Brent Oil futures (1Y) (US\$/bbl) | 70 | -13.3% | -10.0% | -11.5% | -14.2% | -17.9% |

Source: Company, Indo Premier

Fig. 4: ICBP FY23F earnings sensitivity analysis

| | | Wheat price changes | | | | | |
|-------------------|---------|-----------------------|--------|--------|-----------|-------|--------|
| CPO price changes | yoy chg | | -20.0% | -15.0% | -10.0% | -5.0% | 0.0% |
| | | Relative to base case | -10% | -5% | Base case | +5% | +10% |
| | -15.0% | -10% | 10.7% | 7.0% | 3.3% | -0.4% | -4.0% |
| | -10.0% | -5% | 9.0% | 5.3% | 1.7% | -2.0% | -5.7% |
| | -5.0% | Base case | 7.4% | 3.7% | 0.0% | -3.7% | -7.4% |
| | 0.0% | +5% | 5.7% | 2.0% | -1.7% | -5.3% | -9.0% |
| | 5.0% | +10% | 4.0% | 0.4% | -3.3% | -7.0% | -10.7% |

Source: Company, Indo Premier

Fig. 5: Staples share price performance

| | Last price (Rp) | Price changes | | |
|-----------------------|--------------------|---------------|--------------|--------------|
| | | 3M | 6M | YTD |
| KLBF IJ | 2,170 | 3.3% | 17.3% | 3.8% |
| MYOR IJ | 2,590 | 4.0% | 43.1% | 3.6% |
| SIDO IJ | 820 | 8.6% | 13.9% | 8.6% |
| INDF IJ | 6,200 | -11.1% | 0.0% | -7.8% |
| UNVR IJ | 4,160 | -12.8% | -12.1% | -11.5% |
| Simple average | | -1.6% | 12.4% | -0.7% |
| ICBP IJ | 9,625 | -6.6% | 8.5% | -3.8% |

Source: Bloomberg, Indo Premier

Fig. 6: Staples comparison

| | Rating | Current price (Rp) | Target price (Rp) | P/E | | ROE | |
|-----------------------|--------|--------------------------|-------------------------|-------------|-------------|--------------|--------------|
| | | | | 2023F | 2024F | 2023F | 2024F |
| UNVR | SELL | 4,160 | 3,800 | 26.8 | 24.9 | 136.3% | 137.9% |
| ICBP | BUY | 9,625 | 11,400 | 13.3 | 11.8 | 22.1% | 21.6% |
| INDF | BUY | 6,175 | 8,800 | 5.8 | 5.2 | 17.2% | 17.2% |
| KLBF | HOLD | 2,090 | 2,400 | 25.1 | 21.9 | 16.4% | 17.1% |
| MYOR | BUY | 2,650 | 3,400 | 24.2 | 20.5 | 18.7% | 19.2% |
| SIDO | BUY | 835 | 900 | 20.6 | 18.5 | 34.5% | 36.8% |
| Simple average | | | | 19.3 | 17.1 | 40.9% | 41.6% |

Source: Company, Bloomberg, Indo Premier

Fig. 7: ICBP is currently trading at 14.3x 12M fwd. P/E, or c.1 s.d. below its 7-year mean of 20.0x



Source: Bloomberg, Indo Premier

| Income Statement (Rp bn) | 2020A | 2021A | 2022F | 2023F | 2024F |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Net revenue | 46,641 | 56,804 | 63,434 | 67,914 | 72,960 |
| Cost of sales | (29,417) | (36,526) | (42,246) | (43,221) | (46,049) |
| Gross profit | 17,224 | 20,277 | 21,187 | 24,693 | 26,911 |
| SG&A Expenses | (8,107) | (8,742) | (9,424) | (10,097) | (10,790) |
| Operating profit | 9,117 | 11,535 | 11,763 | 14,596 | 16,121 |
| Net interest | 888 | (1,822) | (5,023) | (1,700) | (1,623) |
| Others | (47) | 222 | 79 | 63 | 50 |
| Pre-tax income | 9,959 | 9,935 | 6,819 | 12,959 | 14,548 |
| Income tax | (2,540) | (2,035) | (1,568) | (2,981) | (3,346) |
| Minority interest | (832) | (1,512) | (1,123) | (1,495) | (1,665) |
| Net income | 6,587 | 6,388 | 4,128 | 8,484 | 9,537 |
| Core profit | 6,622 | 6,850 | 6,734 | 8,484 | 9,537 |

| Balance Sheet (Rp bn) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash & equivalent | 9,535 | 20,662 | 11,874 | 17,735 | 23,247 |
| Receivable | 5,747 | 6,834 | 7,025 | 7,521 | 8,080 |
| Inventory | 4,587 | 5,857 | 6,040 | 6,179 | 6,583 |
| Other current assets | 847 | 644 | 833 | 891 | 958 |
| Total current assets | 20,716 | 33,998 | 25,771 | 32,326 | 38,868 |
| Fixed assets | 13,351 | 14,176 | 15,925 | 17,355 | 18,605 |
| Other non-current assets | 54,006 | 54,006 | 63,506 | 63,506 | 63,506 |
| Total non-current assets | 82,872 | 84,069 | 94,976 | 96,274 | 97,390 |
| Total assets | 103,588 | 118,067 | 120,747 | 128,600 | 136,258 |
| ST loans | 513 | 515 | 515 | 515 | 515 |
| Payable | 3,907 | 4,552 | 4,891 | 5,004 | 5,332 |
| Other payables | 2,260 | 2,584 | 2,801 | 2,866 | 3,053 |
| Current portion of LT loans | 213 | 323 | 91 | 0 | 0 |
| Total current liab. | 9,176 | 18,896 | 15,843 | 16,104 | 17,124 |
| Long term loans | 30,773 | 40,731 | 44,116 | 43,793 | 43,471 |
| Other LT liab. | 13,194 | 3,716 | 3,716 | 3,716 | 3,716 |
| Total liabilities | 53,270 | 63,343 | 63,675 | 63,613 | 64,311 |
| Equity | 6,569 | 6,569 | 6,569 | 6,569 | 6,569 |
| Retained earnings | 22,576 | 26,917 | 28,539 | 34,959 | 40,254 |
| Minority interest | 20,888 | 20,842 | 21,965 | 23,460 | 25,124 |
| Total SHE + minority int. | 50,318 | 54,724 | 57,072 | 64,987 | 71,947 |
| Total liabilities & equity | 103,588 | 118,067 | 120,747 | 128,600 | 136,258 |

Source: Company, Indo Premier

| Cash Flow Statement (Rp bn) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---------------------------------|-----------------|----------------|-----------------|----------------|----------------|
| EBIT | 9,117 | 11,535 | 11,763 | 14,596 | 16,121 |
| Depr. & Amortization | 1,264 | 1,404 | 1,522 | 1,703 | 1,884 |
| Changes in Working Capital | 0 | 0 | (3,313) | (343) | (9) |
| Others | (1,045) | (4,950) | (6,512) | (4,618) | (4,919) |
| Cash Flow From Operating | 9,337 | 7,989 | 3,459 | 11,338 | 13,077 |
| Capital Expenditure | (1,919) | (2,250) | (3,137) | (3,000) | (3,000) |
| Others | (33,038) | (851) | (9,292) | 0 | 0 |
| Cash Flow From Investing | (34,957) | (3,100) | (12,429) | (3,000) | (3,000) |
| Loans | 30,454 | 4,504 | 3,154 | (413) | (323) |
| Equity | 0 | 0 | 0 | 0 | 0 |
| Dividends | (2,507) | (2,507) | (2,506) | (2,064) | (4,242) |
| Others | (1,189) | 3,909 | (465) | 0 | 0 |
| Cash Flow From Financing | 26,758 | 5,906 | 182 | (2,477) | (4,564) |
| Changes in Cash | 1,187 | 10,850 | (8,788) | 5,861 | 5,512 |

| Key Ratios | 2020A | 2021A | 2022F | 2023F | 2024F |
|-----------------------------|-------|-------|-------|-------|-------|
| Gross Margin | 36.9% | 35.7% | 33.4% | 36.4% | 36.9% |
| Operating Margin | 19.5% | 20.3% | 18.5% | 21.5% | 22.1% |
| Pre-Tax Margin | 21.4% | 17.5% | 10.8% | 19.1% | 19.9% |
| Net Margin | 14.1% | 11.2% | 6.5% | 12.5% | 13.1% |
| ROA | 9.3% | 5.8% | 3.5% | 6.8% | 7.2% |
| ROE | 24.4% | 21.9% | 19.6% | 22.1% | 21.6% |
| Acct. Receivables TO (days) | 39 | 40 | 40 | 40 | 40 |
| Inventory TO (days) | 52 | 52 | 52 | 52 | 52 |
| Payable TO (days) | 44 | 42 | 42 | 42 | 42 |
| Debt to Equity | 62.6% | 76.0% | 78.4% | 68.2% | 61.1% |
| Interest Coverage Ratio (x) | 13.6 | 5.9 | 2.3 | 8.0 | 9.0 |
| Net Gearing | 43.6% | 38.2% | 57.6% | 40.9% | 28.8% |

Source: Company, IndoPremier

INVESTMENT RATINGS

| | |
|------|---|
| BUY | : Expected total return of 10% or more within a 12-month period |
| HOLD | : Expected total return between -10% and 10% within a 12-month period |
| SELL | : Expected total return of -10% or worse within a 12-month period |

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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