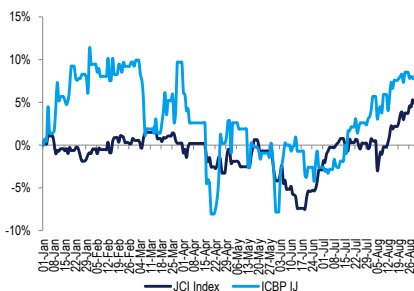


Stock Data

Target price	Rp14,700
Prior TP	Rp14,500
Current price	Rp11,475
Upside/downside	+28%
Shares outstanding (mn)	11,662
Market cap (Rp bn)	133,820
Free float	19%
Avg. 6m daily T/O (Rp bn)	54

Price Performance

	3M	6M	12M
Absolute	11.8%	-1.7%	1.3%
Relative to JCI	2.8%	-6.6%	-9.0%
52w low/high (Rp)	9,725 – 11,775		



Major Shareholders

Indofood SM	80.5%
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Double growth engines from volume and margin underpin our EPS upgrades

- We expect strong noodles segment's volume growth to sustain amidst soft purchasing power and its growing affordability relative to rice price.
- Key RM price developments (wheat/CPO: -6/+2% in past 6M) along with strengthening Rp against US\$ is boon for ICBP's future profitability.
- We upgrade FY24/25F earnings by +4% and reiterate our BUY rating at higher TP of Rp14,700 at FY24F P/E valuation of 17.0x.

Noodles segment's outperformance to sustain amid affordability factor

Historically, ICBP's noodles segment has proved to be very resilient in terms of volume growth – as seen in Fig 2. In light of the soft buying power, noodles have become a more relevant staples for grassroots consumers given its rising affordability, considering rising rice prices of +13% yoy while noting the last ASP hike for ICBP's noodles domestically dated back in Jun22. This resulted in robust domestic volume growth in 1Q24/2Q24 of c.7/12% yoy and we expect this trend to sustain going forward.

Overseas market represents a key engine driver for ICBP

Beyond Indonesia, noodle is also getting more appeal to ICBP's overseas market amidst rising geopolitical tension and challenging macroeconomic situation – ICBP's 1H24 overseas sales grew +11.5% yoy. Overseas sales (driven by noodles) are expected to be one of the main engines of growth for ICBP, given noodles' lower penetration in overseas market relative to domestic. Since Pinehill's consolidation, overseas sales have grown +14% CAGR FY21-23 (vs. domestic sales CAGR of 7.5%). Additionally, we expect export to gain further traction in 2H24 on seasonal factors, contrary to domestic market's festive seasonality in the first half. In sum, we remain optimistic that ICBP would be able to grow top-line by +6.9% in FY24F.

Further margin improvement in 2H24 underpin our earnings upgrade

Noting ICBP's key RM cost price developments (wheat/CPO: -6.1/+1.6% in the past 6M along with strengthening Rp against US\$ is a boon for ICBP's future profitability. We expect ICBP's 2H24 EBIT margin to improve +40bps yoy. As such, we upgrade FY24/25F core profit by +4%.

Earnings outperformance is currently being overlooked - Reiterate BUY

Despite 1H24's earnings beat and strongest EPS CAGR (FY14-23: 15.2% vs. other staples' 3.2%) within the consumer space along with decent ROE of 23.2%, it is still under appreciated by the market as evidenced in its P/E de-rating (Fig 4). Concerns on GCG surrounding ICBP is overblown, in our view, especially given the company's consistent solid results delivery. As such, we reiterate our BUY rating for ICBP with higher TP of Rp14,700, based on 17.0x FY24F P/E (+0.5 s.d. of its 5-Y mean).

Financial Summary (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	64,798	67,910	72,580	79,191	86,677
EBITDA	14,840	15,897	18,187	19,904	21,711
Core profit	7,311	9,270	10,063	11,125	12,217
Core EPS	627	795	863	954	1,048
Core EPS growth	6.6%	26.8%	8.6%	10.6%	9.8%
ROE	21.1%	24.2%	23.2%	23.1%	23.1%
PER (x)	18.3	14.4	13.3	12.0	11.0
EV/EBITDA (x)	11.0	9.8	8.3	7.3	6.4
Dividend yield	3.2%	2.3%	3.5%	4.9%	5.6%
Forecast change			4%	4%	4%
IPS vs. consensus			109%	108%	108%

Source: Company, Indo Premier

Share price closing as of: 30 August 2024

Fig. 1: ICBP earnings changes

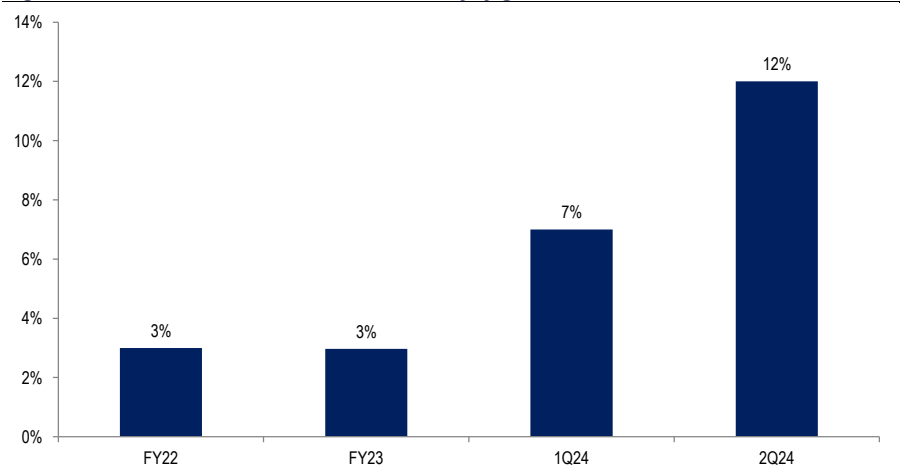
	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Sales (Rp bn)	72,580	79,191	86,677	72,580	79,191	86,677	0.0%	0.0%	0.0%
Gross profit (Rp bn)	27,260	30,159	33,538	27,566	30,343	33,595	1.1%	0.6%	0.2%
EBIT (Rp bn)	15,953	17,543	19,207	16,598	18,202	19,897	4.0%	3.8%	3.6%
Core net profit (Rp bn)	9,670	10,715	11,778	10,063	11,125	12,217	4.1%	3.8%	3.7%
Core EPS (Rp)	829	919	1,010	863	954	1,048	4.1%	3.8%	3.7%
Margins, %									
Gross margin	37.6%	38.1%	38.7%	38.0%	38.3%	38.8%	0.4%	0.2%	0.1%
EBIT margin	22.0%	22.2%	22.2%	22.9%	23.0%	23.0%	0.9%	0.8%	0.8%
Core net margin	13.3%	13.5%	13.6%	13.9%	14.0%	14.1%	0.5%	0.5%	0.5%
Growth, % yoy									
Sales growth	6.9%	9.1%	9.5%	6.9%	9.1%	9.5%			
EBIT growth	10.9%	10.0%	9.5%	15.4%	9.7%	9.3%			
Core net profit growth	4.3%	10.8%	9.9%	8.6%	10.6%	9.8%			

Source: Company, Indo Premier

Noodles segment's outperformance to sustain given affordability factor

Historically, ICBP's noodles segment has proved to be very resilient in terms of volume growth – as seen in Fig 2. In light of the soft buying power, noodles have become a more relevant staples for grassroot consumers given its rising affordability, considering rising rice prices of +13% yoy while noting the last ASP hike for ICBP's noodles domestically dated back to Jun22. The increasingly favourable pricing differential with rice has resulted in robust domestic noodles volume growth in 1Q24/2Q24 of c.7/12% yoy and we expect this trend to sustain going forward.

Fig. 2: ICBP Noodles' domestic sales volume yoy growth



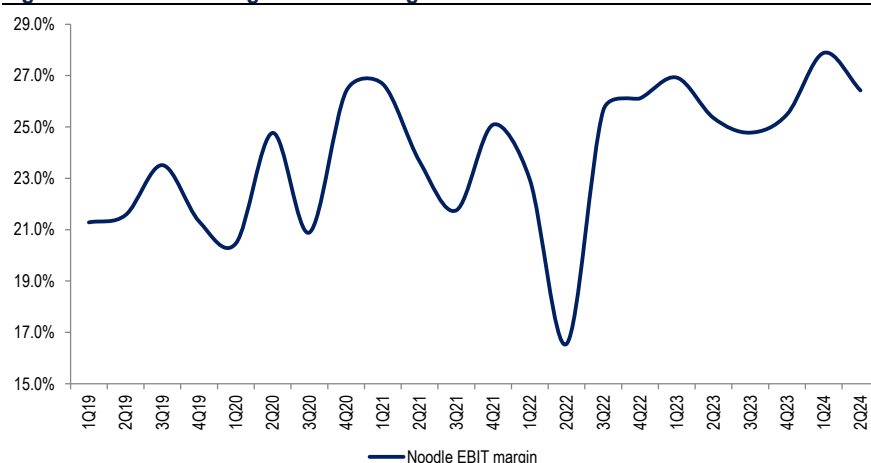
Source: Company, Indo Premier

Further margin improvement in 2H24 underpin our earnings upgrade

Noting ICBP's key RM cost price developments (wheat/CPO: -6.1/+1.6% in the past 6M) along with strengthening Rp against US\$ is a boon for ICBP's future profitability. Based on recent discussion, wheat and CPO together account for c.45% of ICBP's COGS for the segment. We realistically expect ICBP's 2H24 EBIT margin to improve +40bps yoy. As such, we upgrade FY24/25F core profit by +4.1/+3.8%.

It is worth noting that the recent 1H24 margin attainment is derived without price adjustment since Jun22 for domestic noodles, but rather due to local wheat price (Bogasri) adjustment of -16 to -18% in FY23. The favourable wheat price has since made the ASP adjustment to be unnecessary, but this does not mean that ICBP does not have strong pricing power. In fact, prior to FY23, ICBP has consistently raised prices annually and more recently, between Dec21-Jun22 they raised noodle prices 3x (low-mid single digit in Dec21, Apr22 and Jun22).

Fig. 3: ICBP's noodle segment EBIT margin trend



Source: Company, Indo Premier

Earnings outperformance utterly overlooked - Reiterate BUY

Despite 1H24's sound earnings beat and strongest EPS CAGR (FY14-23 CAGR 15.2% vs. other staples' 3.2%) within the consumer space along with decent ROE of 23.2%, it is still under appreciated by the market as evidenced in its P/E de-rating (Fig 4). Concerns on GCG surrounding ICBP is overblown, in our view, especially given the company's consistent solid results delivery. ICBP's core profit growth is in fact among the most resilient and defensive among consumer names.

Fig. 4: ICBP is currently trading at 12.3x 12M fwd. P/E, or c.0.8 s.d. below its 5yr mean



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	64,798	67,910	72,580	79,191	86,677
Cost of sales	(43,005)	(42,784)	(45,014)	(48,849)	(53,081)
Gross profit	21,792	25,126	27,566	30,343	33,595
SG&A Expenses	(9,378)	(10,352)	(10,968)	(12,141)	(13,699)
Operating profit	12,414	14,775	16,598	18,202	19,897
Net interest	(5,980)	(626)	(1,775)	(1,477)	(1,386)
Others	1,091	(2,703)	0	0	0
Pre-tax income	7,525	11,445	14,823	16,724	18,511
Income tax	(1,803)	(2,980)	(3,261)	(3,679)	(4,072)
Minority interest	(1,135)	(1,475)	(1,664)	(1,920)	(2,221)
Net income	4,587	6,991	9,898	11,125	12,217
Core profit	7,311	9,270	10,063	11,125	12,217

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	15,897	21,687	25,839	30,921	36,605
Receivable	7,228	7,524	7,884	8,602	9,415
Inventory	7,132	6,329	7,082	7,685	8,351
Other current assets	812	1,232	1,093	1,192	1,305
Total current assets	31,070	36,773	41,896	48,400	55,675
Fixed assets	14,521	14,711	15,387	15,819	16,138
Other non-current assets	54,006	54,006	54,006	54,006	54,006
Total non-current assets	84,235	82,494	83,183	83,481	83,667
Total assets	115,306	119,267	125,080	131,881	139,342
ST loans	825	113	0	0	0
Payable	4,725	4,952	5,091	5,524	6,003
Other payables	2,499	2,956	2,869	3,114	3,384
Current portion of LT loans	487	456	0	0	0
Total current liab.	10,034	10,464	9,692	10,517	11,428
Long term loans	44,516	43,184	42,949	42,493	42,037
Other LT liab.	3,194	3,400	3,400	3,400	3,400
Total liabilities	57,833	57,163	56,040	56,410	56,866
Equity	6,569	6,569	6,569	6,569	6,569
Retained earnings	29,343	34,111	39,339	43,850	48,634
Minority interest	20,954	21,354	23,018	24,938	27,159
Total SHE + minority int.	57,473	62,104	68,925	75,357	82,362
Total liabilities & equity	115,306	119,267	124,965	131,767	139,228

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	13,378	14,388	16,598	18,202	19,897
Depr. & Amortization	1,463	1,510	1,589	1,702	1,814
Changes in Working Capital	(11,057)	0	(1,062)	(595)	(680)
Others	5,022	(3,482)	(5,036)	(5,157)	(5,458)
Cash Flow From Operating	8,804	12,415	12,089	14,152	15,572
Capital Expenditure	(1,789)	(1,824)	(2,133)	(2,000)	(2,000)
Others	283	(2,164)	(146)	0	0
Cash Flow From Investing	(1,506)	(3,988)	(2,279)	(2,000)	(2,000)
Loans	(11,229)	(873)	(804)	(456)	(456)
Equity	0	0	0	0	0
Dividends	(4,255)	(3,065)	(4,671)	(6,613)	(7,433)
Others	2,657	(682)	(185)	0	0
Cash Flow From Financing	(12,826)	(4,620)	(5,659)	(7,069)	(7,889)
Changes in Cash	(4,637)	3,612	4,151	5,082	5,684

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross Margin	33.6%	37.0%	38.0%	38.3%	38.8%
Operating Margin	19.2%	21.8%	22.9%	23.0%	23.0%
Pre-Tax Margin	11.6%	16.9%	20.4%	21.1%	21.4%
Net Margin	7.1%	10.3%	13.6%	14.0%	14.1%
ROA	3.9%	6.0%	8.1%	8.7%	9.0%
ROE	21.1%	24.2%	23.2%	23.1%	23.1%
Acct. Receivables TO (days)	40	40	40	40	40
Inventory TO (days)	55	57	57	57	57
Payable TO (days)	39	41	41	41	41
Debt to Equity	79.7%	70.5%	62.3%	56.4%	51.0%
Interest Coverage Ratio (x)	2.2	7.1	8.5	10.7	11.9
Net Gearing	52.1%	35.5%	24.8%	15.4%	6.6%

Source: Company, Indo Premier

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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