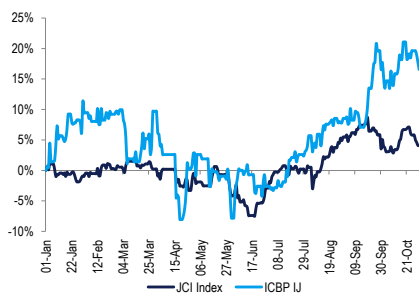


Stock Data

Target price	Rp14,700
Prior TP	Rp14,700
Current price	Rp12,325
Upside/downside	+19%
Shares outstanding (mn)	11,662
Market cap (Rp bn)	143,733
Free float	19%
Avg. 6m daily T/O (Rp bn)	64

Price Performance

	3M	6M	12M
Absolute	12.8%	13.3%	18.8%
Relative to JCI	8.4%	8.6%	4.8%
52w low/high (Rp)	9,725 – 12,800		



Major Shareholders

Indofood SM	80.5%
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3Q24 core profit beat despite EBIT margin pressure across key segments

- ICBP's 9M24 core profit of Rp8.0tr (+15.2% yoy) came above our/consensus estimates at 80/84% vs. 5yr average of 72%.
- 3Q24 EBIT margin fell by -122bps to 20.4% as key segments such as noodles/dairy/snack food's profitability declined.
- Reiterate our BUY rating at unchanged TP of Rp14,700 with FY24F attractive P/E valuation of 14.4x.

9M24 core profit beating both our/consensus estimates

ICBP's 9M24 core profit of Rp8.0tr (+15.2% yoy) came above our/consensus estimate at 80/84% vs. 5yr average of 72%. Total net sales grew 8.1% yoy to reach Rp55.5tr, in-line with expectations. GPM improved to 37.2% (+94bps) as key raw materials costs such as wheat and CPO remained manageable. In sum, net profit margin expanded to 14.5% from 9M23's 13.6%.

3Q24: Overseas market sales was the driver for overall sales growth

3Q24 revenue growth of 10.1% yoy was driven primarily by strong overseas sales growth of +21.8% yoy, while domestic sales grew 4.9% yoy. Middle East & Africa sales, which are representative of Pinehill grew 18.1%. GPM was flattish at 36.0% (-14bps yoy) but opex/sales ratio rose +108bps to 15.6%. Notably, the rise in opex was driven by higher A&P spend which stood at 4.2% of sales in 3Q24 (vs. 3Q23/2Q24's 3.4/3.3%). Additionally, freight cost also rose by +26% yoy resulting in higher freight cost/sales ratio of +42bps to 3.3% of sales in 3Q24. These factors led to a core net margin decline of -60bps to 13.0%.

Higher A&P and freight cost pressure key segments' EBIT margin

Consequently, we suspect the higher operating expense items (A&P and freight cost) resulted in lower 3Q24 EBIT margin across noodles/dairy/snack food of -162/-61/-176bps yoy.

Maintain Buy with unchanged TP of Rp14,700

In summary, we reiterate our Buy rating for ICBP with unchanged TP of Rp14,500 based on 17.0x FY24F P/E (+0.5 s.d. of its 5-Y mean). ICBP is our top pick among consumer staples names and is attractively valued at 14.4x FY24F P/E. Key risks are sales performance and raw material price fluctuations.

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			0%	0%	0%
IPS vs. consensus			106%	107%	105%

Source: Company, Indo Premier

Share price closing as of: 31 October 2024

Fig. 1: ICBP 3Q24 earnings summary

(Rp bn)	3Q24	3Q23	% YoY	2Q24	% QoQ	9M24	9M23	% YoY	IPS FY24F	% of IPS	Cons FY24F	% of Cons	5yr avg
Net sales	18,525	16,829	10.1%	17,039	8.7%	55,486	51,307	8.1%	72,580	76%	72,737	76%	75%
COGS	(11,864)	(10,754)	10.3%	(10,658)	11.3%	(34,842)	(32,702)	6.5%					
Gross profit	6,661	6,075	9.6%	6,381	4.4%	20,644	18,605	11.0%					
Operating Cost (S and G&A expenses)	(2,923)	(2,459)	18.8%	(2,516)	16.2%	(8,238)	(7,450)	10.6%					
EBIT	3,103	3,797	-18.3%	3,974	-21.9%	11,996	10,895	10.1%	16,598	72%	16,415	73%	74%
EBIT ex-FX	3,773	3,633	3.9%	3,891	-3.0%	12,532	11,286	11.0%					
Finance expense	2,306	(484)	-576.1%	(2,109)	-209.4%	(1,542)	(1,474)	4.7%					
Interest income	962	(1,235)	-177.9%	227	323.2%	1,401	934	49.9%					
Associates Income	55	30	N/A	40	N/A	104	116	N/A					
PBT	6,426	2,108	204.8%	2,133	201.3%	11,958	10,471	14.2%					
Tax	(1,429)	(456)	213.2%	(481)	197.2%	(2,585)	(2,361)	9.5%					
Minorities	(490)	(317)	54.7%	(362)	35.5%	(1,224)	(1,050)	16.5%					
Net profit	4,507	1,335	237.6%	1,290	N/A	8,149	7,060	15.4%					
Core profit	2,410	2,290	5.2%	2,380	1.3%	8,030	6,970	15.2%	10,063	80%	9,507	84%	72%
Margin (%)													
Gross margin	36.0%	36.1%		37.5%		37.2%	36.3%						
EBIT margin	16.7%	22.6%		23.3%		21.6%	21.2%						
EBIT margin ex-FX	20.4%	21.6%		22.8%		22.6%	22.0%						
Net profit margin	24.3%	7.9%		7.6%		14.7%	13.8%						
Core profit margin	13.0%	13.6%		14.0%		14.5%	13.6%						
Opex to sales	-15.6%	-14.5%		-14.6%		-14.6%	-14.3%						
Information segment													
Revenue													
Noodles	14,029	12,784	9.7%	12,615	11.2%	41,322	38,111	8.4%					
Dairy	2,207	1,951	13.1%	2,271	-2.8%	7,243	6,819	6.2%					
Snack Foods	1,203	1,147	4.8%	1,101	9.2%	3,467	3,231	7.3%					
Seasonings	1,032	812	27.1%	969	6.5%	3,303	2,854	15.8%					
Nutrition and Special Foods	377	280	34.6%	313	20.6%	1,025	890	15.2%					
Beverages	427	422	1.3%	417	2.3%	1,271	1,204	5.5%					
Elimination	(751)	(568)		(647)		(2,145)	(1,801)						
EBIT													
Noodles	3,248	3,168	2.5%	3,333	-2.5%	10,675	9,809	8.8%					
Dairy	125	122	2.1%	207	-39.5%	693	443	56.4%					
Snack Foods	142	156	-8.7%	121	18.0%	352	316	11.5%					
Food Seasonings	118	91	29.7%	125	-6.3%	396	364	8.6%					
Nutrition and Special Foods	37	19	99.7%	20	86.0%	90	69	31.1%					
Beverages	66	59	11.5%	58	13.1%	194	153	27.0%					
Elimination	2	1		1		5	1						
EBIT Margin													
Noodles	23.2%	24.8%		26.4%		25.8%	25.7%						
Dairy	5.7%	6.3%		9.1%		9.6%	6.5%						
Snack Foods	11.8%	13.6%		11.0%		10.2%	9.8%						
Food Seasonings	11.4%	11.2%		12.9%		12.0%	12.8%						
Nutrition and Special Foods	9.8%	6.6%		6.4%		8.8%	7.7%						
Beverages	15.4%	14.0%		14.0%		15.3%	12.7%						
Domestic sales	12,258	11,685	4.9%	11,884	3.1%	38,726	36,753	5.4%					
Overseas sales	6,267	5,144	21.8%	5,156	21.6%	16,760	14,554	15.2%					

Source: Company, Indo Premier

Fig. 2: ICBP is currently trading at 13.1x 12M fwd. P/E, or c.0.6 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

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