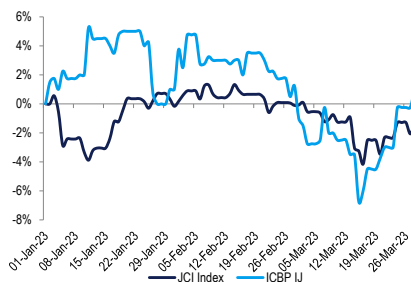


Stock Data

Target price	Rp11,400
Prior TP	Rp11,400
Current price	Rp10,100
Upside/downside	+12.8%
Shares outstanding (mn)	11,662
Market cap (Rp bn)	117,785
Free float	19%
Avg. 6m daily T/O (Rp bn)	49

Price Performance

	3M	6M	12M
Absolute	-0.5%	11.3%	38.8%
Relative to JCI	0.6%	16.4%	42.9%
52w low/high (Rp)	7,100 – 10,525		



Major Shareholders

Indofood SM	80.5%
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4Q22 results: strong EBIT recovery across key segments

- FY22 core earnings came in Rp7.3tr, above at 108% of our estimate driven by sustained margin recovery across key segments
- 4Q22 saw a rebound in Pinehill sales of 36.7% qoq due to seasonality factors, despite macroeconomic issues partly affecting its regions
- We maintain our BUY rating on attractive FY23F 16.0% core earnings growth outlook and undemanding valuation of 13.9x FY23F PE

Beat in core profit

ICBP's FY22 core profit of Rp7.3tr grew 6.6% yoy, above at 108% of our estimate. Its net profit of Rp4.6tr dropped by -28.3% yoy due to unrealized forex loss, which widened from 9M22's Rp2.7tr to FY22's Rp4.0tr. Sales of Rp64.8tr was largely in-line at 102/99% of ours/consensus' estimate. EBIT margin was stable in FY22 at 20.6% despite being dragged down due to the weakness in 2Q22 (EBIT margin of 15.2%) and has subsequently recovered to 22.5/24.1% in 3Q22/4Q22.

Stronger-than-expected margin recovery in 4Q22 from noodle segment

In 4Q22, ICBP's core profit of Rp2.2tr grew +27.6% yoy/1.6% qoq driven by strong performance in the noodle, dairy and snack food segments (Fig 1). Noodle sales grew by 14.5% yoy/-3.9% qoq with continued EBIT margin expansion in 4Q22 to 26.1% up from 3Q22's 25.6%. Dairy posted a very strong 4Q22 recovery in terms of profitability, with EBIT growing +234.2% yoy/238.9% qoq as EBIT margin rose to 10% in 4Q22 up from 4Q21/3Q22's 2.8/3.2%. Specifically on Pinehill, 4Q22 sales rebounded strongly to Rp4.5tr representing 26.6% yoy/36.7% qoq growth in contrary to our initial expectation mainly due to seasonality factors – leading to FY22 Pinehill sales growth of 19.8% yoy. Nonetheless, Pinehill recorded lower attributable FY22 net profit of Rp1.8tr (-9.7% yoy) with a lower net margin (after minority interest) of 12.3% in FY22 from 16.3% in FY21.

A more optimistic FY23F

There was minor price adjustment done in 4Q22 and none in 1Q23 but we still expect meaningful margins improvement from further raw material price adjustments in wheat (expected -10% yoy). Hence, our forecasts for FY23F are slightly more optimistic in terms of profitability with EBIT margin expectation of 21.5% vs management's guidance of 18-20%; and 10-12% sales growth for ICBP.

Maintain Buy

In sum, we maintain our Buy rating for ICBP as it books record sales, EBIT and core profit despite the raw material headwinds in FY22. ICBP's current valuation of 13.5x 12M fwd. PE (-1.3sd below its 5-year mean), is the cheapest in the FMCG sector. Our TP of 11,400 is based on 15.7x FY23F P/E (-1.0 s.d. of its 5-Y mean).

Financial Summary (Rpbn)	2021A	2022A	2023F	2024F	2025F
Revenue	56,804	64,798	67,914	72,960	79,109
EBITDA	13,078	14,840	16,299	18,005	19,674
Core profit	6,861	7,311	8,484	9,537	10,488
Core profit growth	3.6%	6.6%	16.0%	12.4%	10.0%
ROE	21.9%	21.1%	22.1%	21.6%	21.1%
PER (x)	17.2	16.1	13.9	12.3	11.2
Dividend yield	2.1%	2.1%	1.8%	3.6%	4.1%
Forecast change			0%	0%	0%
IPS vs. consensus			107%	104%	N/A

Source: Company, Indo Premier

Share price closing as of: 28 March 2023

Fig. 1: ICBP FY22 earnings summary

(Rp bn)	4Q22	4Q21	% YoY	3Q22	% QoQ	12M22	12M21	% YoY	Prev. FY22F	Comment
Net sales	15,888	14,182	12.0%	16,316	-2.6%	64,798	56,804	14.1%	63,440	In-line at 102/99% of our and consensus' estimates
COGS	(10,082)	(9,426)		(10,732)		(43,005)	(36,516)			
Gross profit	5,806	4,755	22.1%	5,584	4.0%	21,792	20,287	7.4%		
Operating Cost	(1,980)	(1,906)		(1,912)		(8,415)	(8,614)			
EBIT	3,826	2,849	34.3%	3,672	4.2%	13,378	11,674	14.6%	11,784	Above at 105/103% of ours and consensus' estimates
Finance expense	(1,931)	(642)		(1,574)		(6,185)	(1,966)			
Interest expense	(583)	(712)		(486)		(2,133)	(1,820)			
Others	142	50		56		333	242			
PBT	2,036	2,257	-9.8%	2,154	-5.5%	7,525	9,950	-24.4%		
Tax	(394)	(427)		(486)		(1,803)	(2,038)			
Minorities	(364)	(401)		(290)		(1,135)	(1,513)			
Net profit	1,278	1,430	-10.6%	1,379	-7.3%	4,587	6,399	-28.3%	4,143	
Core profit	2,158	1,691	27.6%	2,124	1.6%	7,311	6,861	6.6%	6,750	Above at 108% of our estimates
Margin (%)										
Gross margin	36.5%	33.5%		34.2%		33.6%	35.7%			
EBIT margin	24.1%	20.1%		22.5%		20.6%	20.6%			
Net profit margin	8.0%	10.1%		8.5%		7.1%	11.3%			
Core profit margin	13.6%	11.9%		13.0%		11.3%	12.1%			
Information segment										
Revenue										
Noodles	11,729	10,241	14.5%	12,206	-3.9%	47,476	40,991	15.8%		
Dairy	2,214	2,352	-5.9%	2,011	10.1%	9,444	9,145	3.3%		
Snack Foods	1,054	846	24.7%	981	7.4%	3,970	3,390	17.1%		
Seasonings	724	581	24.6%	839	-13.7%	3,363	2,854	17.8%		
Nutrition and Special Foods	308	284	8.5%	266	15.8%	1,161	1,048	10.8%		
Beverages	376	339	11.0%	414	-9.2%	1,545	1,342	15.1%		
Elimination	(517)	(461)		(402)		(2,161)	(1,966)			
EBIT										
Noodles	3,063	2,569	19.2%	3,131	-2.2%	10,875	9,971	9.1%		
Dairy	221	66	234.2%	65	238.9%	670	775	-13.5%		
Snack Foods	110	43	158.4%	82	33.5%	314	315	-0.5%		
Food Seasonings	80	96	-16.4%	76	5.0%	396	375	5.6%		
Nutrition and Special Foods	23	33	-31.5%	24	-5.7%	85	84	0.9%		
Beverages	9	13	-32.1%	23	-60.9%	75	30	151.7%		
Elimination	(1)	(0)		2		(1)	(1)			
EBIT Margin										
Noodles	26.1%	25.1%		25.6%		22.9%	24.3%			
Dairy	10.0%	2.8%		3.2%		7.1%	8.5%			
Snack Foods	10.4%	5.0%		8.4%		7.9%	9.3%			
Food Seasonings	11.1%	16.5%		9.1%		11.8%	13.2%			
Nutrition and Special Foods	7.3%	11.6%		9.0%		7.3%	8.0%			
Beverages	2.4%	4.0%		5.6%		4.9%	2.2%			
Pinehill - sales	4,501	3,554	26.6%	3,293	36.7%	14,816	12,368	19.8%		
Total Pinehill profit						2,760	3,269	-15.6%		
Pinehill profit attributable to ICBP						1,817	2,013	-9.7%		

Source: Company, Indo Premier

Fig. 2: Company guidance

FY23F guidance	
Revenue	Grow at 10-12% yoy
EBIT margin	18-20%

Source: Company, Indo Premier

Fig. 3: ICBP is currently trading at 13.5x 12M fwd. P/E, or c.1.3 s.d. below its 7-year mean of 19.7x



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	56,804	64,798	67,914	72,960	79,109
Cost of sales	(36,516)	(43,005)	(43,221)	(46,049)	(49,880)
Gross profit	20,287	21,792	24,693	26,911	29,230
SG&A Expenses	(8,738)	(9,378)	(10,097)	(10,790)	(11,620)
Operating profit	11,550	12,414	14,596	16,121	17,610
Net interest	(1,822)	(5,980)	(1,700)	(1,623)	(1,549)
Others	222	1,091	63	50	40
Pre-tax income	9,950	7,525	12,959	14,548	16,100
Income tax	(2,038)	(1,803)	(2,981)	(3,346)	(3,703)
Minority interest	(1,513)	(1,135)	(1,495)	(1,665)	(1,909)
Net income	6,399	4,587	8,484	9,537	10,488
Core profit	6,861	7,311	8,484	9,537	10,488

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	20,662	15,897	17,735	23,247	29,690
Receivable	6,834	7,228	7,521	8,080	8,761
Inventory	5,857	7,132	6,179	6,583	7,131
Other current assets	644	812	891	958	1,038
Total current assets	33,998	31,070	32,326	38,868	46,621
Fixed assets	14,176	14,521	17,355	18,605	19,673
Other non-current assets	54,006	54,006	63,506	63,506	63,506
Total non-current assets	84,018	84,235	96,274	97,390	98,325
Total assets	118,015	115,306	128,600	136,258	144,946
ST loans	515	825	515	515	515
Payable	4,552	4,725	5,004	5,332	5,775
Other payables	2,584	2,499	2,866	3,053	3,307
Current portion of LT loans	323	487	0	0	0
Total current liab.	18,896	10,034	16,104	17,124	18,506
Long term loans	40,731	44,516	43,793	43,471	43,148
Other LT liab.	3,448	3,282	3,716	3,716	3,716
Total liabilities	63,075	57,833	63,613	64,311	65,370
Equity	6,569	6,569	6,569	6,569	6,569
Retained earnings	26,917	29,343	34,959	40,254	45,974
Minority interest	20,842	20,954	23,460	25,124	27,034
Total SHE + minority int.	54,724	57,473	64,987	71,947	79,576
Total liabilities & equity	117,799	115,306	128,600	136,258	144,946

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	11,674	13,378	14,596	16,121	17,610
Depr. & Amortization	1,404	1,463	1,703	1,884	2,065
Changes in Working Capital	0	0	(343)	(9)	72
Others	(5,089)	(6,851)	(4,618)	(4,919)	(5,212)
Cash Flow From Operating	7,989	7,989	11,338	13,077	14,534
Capital Expenditure	(2,250)	(2,250)	(3,000)	(3,000)	(3,000)
Others	(851)	(851)	0	0	0
Cash Flow From Investing	(3,100)	(3,100)	(3,000)	(3,000)	(3,000)
Loans	4,504	4,504	(413)	(323)	(323)
Equity	0	0	0	0	0
Dividends	(2,507)	(2,507)	(2,064)	(4,242)	(4,769)
Others	3,909	3,909	0	0	0
Cash Flow From Financing	5,906	5,906	(2,477)	(4,564)	(5,091)
Changes in Cash	10,850	10,850	5,861	5,512	6,443

Key Ratios			2023F	2024F	2025F
Gross Margin	35.7%	33.6%	36.4%	36.9%	36.9%
Operating Margin	20.3%	19.2%	21.5%	22.1%	22.3%
Pre-Tax Margin	17.5%	11.6%	19.1%	19.9%	20.4%
Net Margin	11.3%	7.1%	12.5%	13.1%	13.3%
ROA	5.8%	3.9%	6.8%	7.2%	7.5%
ROE	21.9%	21.1%	22.1%	21.6%	21.1%
Acct. Receivables TO (days)	40	40	40	40	40
Inventory TO (days)	52	55	52	52	52
Payable TO (days)	42	39	42	42	42
Debt to Equity	76.0%	79.7%	68.2%	61.1%	54.9%
Interest Coverage Ratio (x)	5.9	2.2	8.0	9.0	9.9
Net Gearing	38.2%	52.1%	40.9%	28.8%	17.6%

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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