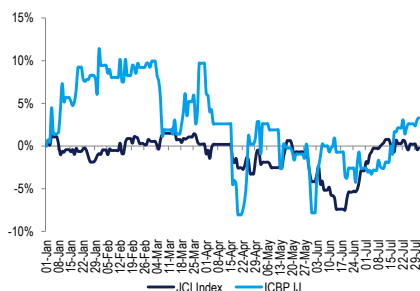


Stock Data

Target price	Rp14,500
Prior TP	Rp14,500
Current price	Rp10,925
Upside/downside	+33%
Shares outstanding (mn)	11,662
Market cap (Rp bn)	127,406
Free float	19%
Avg. 6m daily T/O (Rp bn)	50

Price Performance

	3M	6M	12M
Absolute	0.5%	-2.7%	-1.4%
Relative to JCI	0.2%	-3.6%	-6.7%
52w low/high (Rp)	9,725 – 11,775		



Major Shareholders

Indofood SM	80.5%
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2Q24: core profit beat on the back of improved margins from key segments

- ICBP booked 1H24 core profit of Rp5.6tr (+20.1% yoy), above our/consensus estimate at 58/59% vs. 5yr average of 50%.
- Key segments noodles/dairy posted 2Q24 sales growth of +11.5/4.5% yoy with their EBIT margin expanding +107/+327bps yoy.
- Reiterate our BUY rating at unchanged TP of Rp14,500 with FY24F attractive P/E valuation of 13.2x.

1H24 core profit beat on better EBIT margin

ICBP's 1H24 net profit of Rp3.6tr was -36.4% yoy, weighed by forex loss of – Rp2.8tr. Excluding this, ICBP booked core profit of Rp5.6tr (+20.1% yoy) and this came above our/consensus estimate at 58/59% vs. 5yr average of 50%. Overall sales grew 7.2% yoy to reach Rp36.9tr, in-line with expectations. GPM improved to 37.8% (+149bps) as key raw materials costs such as wheat and CPO remained manageable. Our channel check suggest local wheat price have remained stable YTD. As opex/sales ratio remained fairly stable at 14.4% (-9bps yoy), net profit margin expanded to 15.2% from 1H23's 13.6%.

2Q24: Strong export sales with EBIT margin improvement across almost all segments

2Q24 revenue rose 11.1% yoy to reach Rp17.0tr. This was mainly driven by strong overseas sales (+17.6% yoy), while domestic sales registered decent growth of +8.5% yoy. Middle East and Africa's regional sales (representative of Pinehill) rose +13.5% yoy. In terms of profitability, almost all segments registered EBIT margin improvement with noodles/dairy booking a meaningful +107/327bps yoy increase. This results in a core profit of Rp2.4tr (+31.5% yoy).

Maintain Buy with unchanged TP of Rp14,500

In summary, 1H24 results was also above company guidance on both top line growth and EBIT margin attainment. Recall, FY24F company guidance are revenue growth of 5-8% yoy with overseas sales to grow faster, along with EBIT margin expectation of 19-21%. As such, we reiterate our Buy rating for ICBP with unchanged TP of Rp14,500 based on 14.0x FY24F P/E (-1.0 s.d. of its 5-Y mean). ICBP has proven to be resilient during recent times of soft buying power and is attractively valued at 13.1x FY24F P/E. Key risks are sales performance and raw material price fluctuations.

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Financial Summary (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	64,798	67,910	72,580	79,191	86,677
EBITDA	14,840	15,897	17,543	19,245	21,021
Core profit	7,311	9,270	9,670	10,715	11,778
Core EPS	627	795	829	919	1,010
Core EPS growth	6.6%	26.8%	4.3%	10.8%	9.9%
ROE	21.1%	24.2%	22.4%	22.5%	22.6%
PER (x)	17.4	13.7	13.2	11.9	10.8
EV/EBITDA (x)	10.6	9.4	8.3	7.3	6.4
Dividend yield	3.3%	2.4%	3.7%	5.0%	5.6%
Forecast change			0%	0%	0%
IPS vs. consensus			102%	104%	105%

Source: Company, Indo Premier

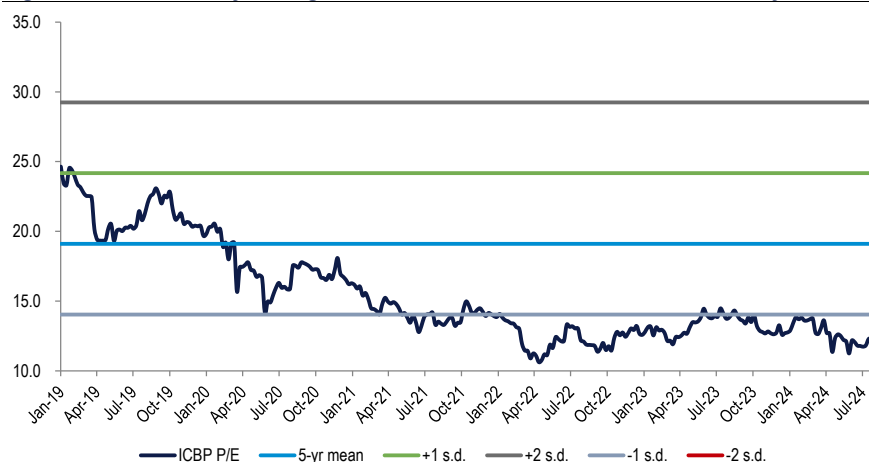
Share price closing as of: 31 July 2024

Fig. 1: ICBP 2Q24 earnings summary

(Rp bn)	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY	IPS FY24F	% of IPS	Cons FY24F	% of Cons	5yr avg
Net sales	17,039	15,335	11.1%	19,922	-14.5%	36,961	34,479	7.2%	72,580	51%	72,229	51%	50%
COGS	(10,658)	(9,766)	9.1%	(12,321)	-13.5%	(22,979)	(21,948)	4.7%					
Gross profit	6,381	5,569	14.6%	7,601	-16.0%	13,983	12,530	11.6%					
Operating Cost (S and G&A expenses)	(2,516)	(2,335)	7.8%	(2,800)	-10.1%	(5,316)	(4,991)	6.5%					
EBIT	3,974	3,105	28.0%	4,919	-19.2%	8,893	7,098	25.3%	15,953	56%	15,835	56%	50%
EBIT ex-FX	3,891	3,243	20.0%	4,868	-20.1%	8,759	7,652	14.5%					
Finance expense	(2,109)	(2,341)	-9.9%	(1,740)	21.2%	(3,849)	(989)	289.0%					
Interest income	227	2,043	-88.9%	211	7.6%	439	2,169	-79.8%					
Associates Income	40	49	N/A	8	N/A	48	86	N/A					
PBT	2,133	2,857	-25.3%	3,399	-37.2%	5,532	8,363	-33.9%					
Tax	(481)	(726)	-33.8%	(675)	-28.7%	(1,156)	(1,905)	-39.3%					
Minorities	(362)	(360)	0.5%	(372)	-2.8%	(733)	(733)	0.0%					
Net profit	1,290	1,771	-27.1%	2,352	N/A	3,643	5,725	-36.4%					
Core profit	2,380	1,810	31.5%	3,240	-26.5%	5,620	4,680	20.1%	9,670	58%	9,481	59%	50%
Margin (%)													
Gross margin	37.5%	36.3%		38.2%		37.8%	36.3%						
EBIT margin	23.3%	20.2%		24.7%		24.1%	20.6%						
EBIT margin ex-FX	22.8%	21.1%		24.4%		23.7%	22.2%						
Net profit margin	7.6%	11.5%		11.8%		9.9%	16.6%						
Core profit margin	14.0%	11.8%		16.3%		15.2%	13.6%						
Information segment													
Revenue													
Noodles	12,615	11,313	11.5%	14,678	-14.1%	27,293	25,326	7.8%					
Dairy	2,271	2,174	4.5%	2,765	-17.9%	5,036	4,868	3.4%					
Snack Foods	1,101	949	16.0%	1,164	-5.4%	2,265	2,084	8.7%					
Seasonings	969	783	23.8%	1,302	-25.6%	2,271	2,042	11.2%					
Nutrition and Special Foods	313	293	6.7%	335	-6.7%	648	610	6.2%					
Beverages	417	389	7.4%	426	-2.1%	844	783	7.8%					
Elimination	(647)	(564)		(748)		(1,394)	(1,234)						
EBIT													
Noodles	3,333	2,868	16.2%	4,093	-18.6%	7,426	6,641	11.8%					
Dairy	207	127	63.1%	361	-42.8%	568	321	77.1%					
Snack Foods	121	72	67.5%	89	35.1%	210	160	31.2%					
Food Seasonings	125	103	21.8%	153	-17.7%	278	273	1.7%					
Nutrition and Special Foods	20	18	8.2%	33	-40.2%	53	50	5.8%					
Beverages	58	47	22.9%	70	-17.0%	128	94	36.8%					
Elimination	1	(1)		2		3	0						
EBIT Margin													
Noodles	26.4%	25.4%		27.9%		27.2%	26.2%						
Dairy	9.1%	5.8%		13.1%		11.3%	6.6%						
Snack Foods	11.0%	7.6%		7.7%		9.3%	7.7%						
Food Seasonings	12.9%	13.2%		11.7%		12.2%	13.4%						
Nutrition and Special Foods	6.4%	6.3%		9.9%		8.2%	8.3%						
Beverages	14.0%	12.2%		16.5%		15.2%	12.0%						
Domestic sales	11,884	10,951	8.5%	14,585	-18.5%	26,469	25,069	5.6%					
Overseas sales	5,156	4,384	17.6%	5,337	-3.4%	10,493	9,410	11.5%					

Source: Company, Indo Premier

Fig. 2: ICBP is currently trading at 12.4x 12M fwd. P/E, or c.1.3 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)	(45,320)	(49,032)	(53,138)
Gross profit	21,792	25,126	27,260	30,159	33,538
SG&A Expenses	(9,378)	(10,352)	(11,306)	(12,617)	(14,331)
Operating profit	12,414	14,775	15,953	17,543	19,207
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	14,178	16,065	17,821
Income tax	(1,803)	(2,980)	(3,119)	(3,534)	(3,921)
Minority interest	(1,135)	(1,475)	(1,554)	(1,816)	(2,122)
Net income	4,587	6,991	9,505	10,715	11,778
Core profit	7,311	9,270	9,670	10,715	11,778

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	15,897	21,687	25,354	30,178	35,590
Receivable	7,228	7,524	7,884	8,602	9,415
Inventory	7,132	6,329	7,130	7,714	8,360
Other current assets	812	1,232	1,093	1,192	1,305
Total current assets	31,070	36,773	41,460	47,685	54,669
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	124,643	131,167	138,336
ST loans	825	113	0	0	0
Payable	4,725	4,952	5,125	5,545	6,009
Other payables	2,499	2,956	2,889	3,126	3,387
Current portion of LT loans	487	456	0	0	0
Total current liab.	10,034	10,464	9,757	10,557	11,441
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	56,106	56,450	56,878
Equity	6,569	6,569	6,569	6,569	6,569
Retained earnings	29,343	34,111	38,945	43,310	47,929
Minority interest	20,954	21,354	22,908	24,724	26,846
Total SHE + minority int.	57,473	62,104	68,422	74,603	81,344
Total liabilities & equity	115,306	119,267	124,528	131,052	138,222

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	13,378	14,388	15,953	17,543	19,207
Depr. & Amortization	1,463	1,510	1,589	1,702	1,814
Changes in Working Capital	(11,057)	0	(1,044)	(602)	(688)
Others	5,022	(3,482)	(4,894)	(5,012)	(5,307)
Cash Flow From Operating	8,804	12,415	11,604	13,630	15,027
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)	(6,350)	(7,159)
Others	2,657	(682)	(185)	0	0
Cash Flow From Financing	(12,826)	(4,620)	(5,659)	(6,806)	(7,615)
Changes in Cash	(4,637)	3,612	3,666	4,824	5,412

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross Margin	33.6%	37.0%	37.6%	38.1%	38.7%
Operating Margin	19.2%	21.8%	22.0%	22.2%	22.2%
Pre-Tax Margin	11.6%	16.9%	19.5%	20.3%	20.6%
Net Margin	7.1%	10.3%	13.1%	13.5%	13.6%
ROA	3.9%	6.0%	7.8%	8.4%	8.7%
ROE	21.1%	24.2%	22.4%	22.5%	22.6%
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%	62.8%	57.0%	51.7%
Interest Coverage Ratio (x)	2.2	7.1	8.2	10.3	11.5
Net Gearing	52.1%	35.5%	25.7%	16.5%	7.9%

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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