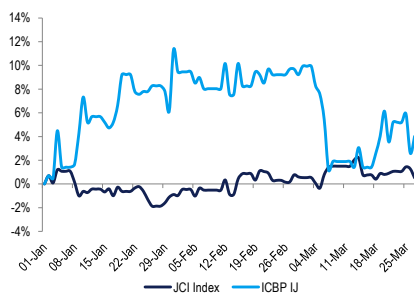


## Stock Data

Target price	Rp12,500
Prior TP	Rp13,100
Current price	Rp11,000
Upside/downside	+14%
Shares outstanding (mn)	11,662
Market cap (Rp bn)	128,281
Free float	19%
Avg. 6m daily T/O (Rp bn)	65

## Price Performance

	3M	6M	12M
Absolute	4.5%	-1.6%	8.9%
Relative to JCI	3.5%	-7.1%	0.8%
52w low/high (Rp)	9,875 – 11,775		



## Major Shareholders

Indofood SM	80.5%
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## FY23 earnings call KTA and takeaways from investors' feedback; Maintain BUY

- Following FY24F ICBP guidance (sales growth 5-8%, EBIT margin 19-21%), we cut our FY24/25F core profit forecast by -14.1/-14.5%.
- Possible impairment on Egypt business (SAWAZ) seems to be a key overhang for investors, but we think the concern is overblown.
- Maintain our BUY rating with lower TP of Rp12,500 based on FY24F P/E of 15.0x, still attractive vs. other staples' peers average of 18.2x.

## FY24/25F earnings cut on more benign growth expectation

In FY24F, management aims to grow revenue by 5-8% yoy with overseas market continuing to be the growth driver over domestic market. EBIT margin is guided to range between 19-21% - lower compared to FY23's realized EBIT margin at 21.2%. We view management's stance to be too conservative and instead we expect slight EBIT margin accretion to 22.0% in FY24 benefitting from the full impact of wheat price cut in FY23 and other key raw material prices conducive outlook. Factoring these, we cut our FY24/25F core profit forecast to Rp9.7/10.7tr (-14.1/-14.5%).

## Concerns on future impairment may be overblown

The impairment to Dufil amounting to Rp2.4tr in FY23 is a non-cash item and non-tax deductible. This represents a conservative measure taken by management with currency as the key consideration amid Nigeria's significant currency depreciation (Nigeria Naira: -65.2% in 12M against IDR) – despite the business running normally in the context of Nigeria's Naira. Investors' concern on possible Egypt business (SAWAZ) is based on Egyptian pound currency depreciation (-63% in 12M against IDR). However, we view such concerns may be overblown. A key distinction between SAWAZ and Dufil is that SAWAZ is consolidated under fully-owned subsidiary Pinehill, while Dufil is recognized as ICBP's investment in associate. Noting that Pinehill's majority of profits are derived from Saudi Arabia operations, and as such EGP currency depreciation is unlikely to have a material impact on the financial outlook of Pinehill as an entity.

## Maintain Buy with lower TP of Rp12,500

In sum, we maintain our BUY rating for ICBP with lower TP of Rp12,500 based on 15.0x FY24F PE (-1sd from its 5yr mean). ICBP remains attractively valued at current FY24F P/E of 13.3x, which is relatively lower compared to other consumer staples' FY24F P/E of 18.2x. ICBP's noodles are now more competitively priced in the domestic market given its last price hike dating back to Jun22, especially with the rising rice prices. As such, we expect a slightly improved volume performance for domestic noodles in FY24F. Risk is prolonged softness in domestic buying power.

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)	17.5	13.8	13.3	12.0	10.9
EV/EBITDA (x)	10.7	9.5	8.3	7.3	6.4
Dividend yield	3.3%	2.4%	3.6%	5.0%	5.6%
Forecast change			-14%	-14%	-15%
IPS vs. consensus			100%	102%	100%

Source: Company, Indo Premier

Share price closing as of: 27 March 2024

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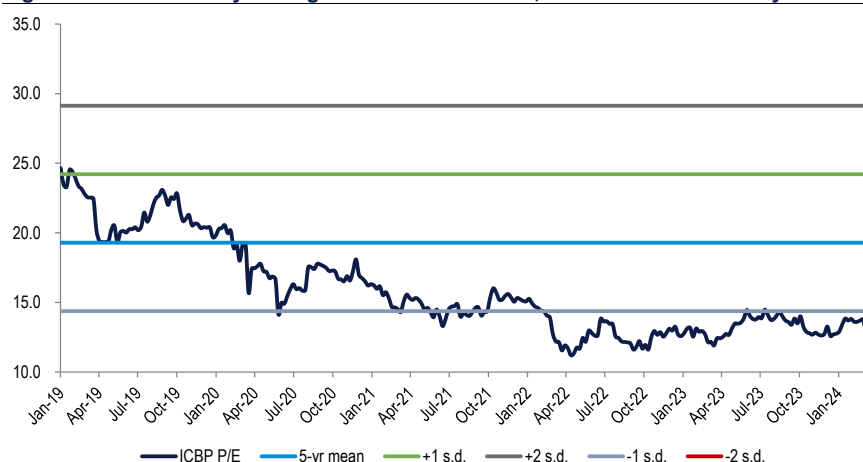
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Fig. 1: ICBP Forecast changes

	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Sales (Rp bn)	76,523	83,220	90,677	72,580	79,191	86,677	-5.2%	-4.8%	-4.4%
Gross profit (Rp bn)	29,305	31,972	34,852	27,260	30,159	33,538	-7.0%	-5.7%	-3.8%
EBIT (Rp bn)	18,613	20,626	22,762	15,953	17,543	19,207	-14.3%	-14.9%	-15.6%
Core net profit (Rp bn)	11,263	12,530	13,850	9,670	10,715	11,778	-14.1%	-14.5%	-15.0%
Core EPS (Rp)	966	1,074	1,188	829	919	1,010	-14.1%	-14.5%	-15.0%
<b>Margins, %</b>									
Gross margin	38.3%	38.4%	38.4%	37.6%	38.1%	38.7%	-0.7%	-0.3%	0.3%
EBIT margin	24.3%	24.8%	25.1%	22.0%	22.2%	22.2%	-2.3%	-2.6%	-2.9%
Core net margin	14.7%	15.1%	15.3%	13.3%	13.5%	13.6%	-1.4%	-1.5%	-1.7%
<b>Growth, % yoy</b>									
Sales growth	7.7%	8.8%	9.0%	6.9%	9.1%	9.5%			
EBIT growth	13.2%	10.8%	10.4%	10.9%	10.0%	9.5%			
Core net profit growth	11.1%	11.2%	10.5%	4.3%	10.8%	9.9%			

Source: Company, Indo Premier

Fig. 2: ICBP is currently trading at 12.9x 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)
<b>Gross profit</b>	<b>21,792</b>	<b>25,126</b>	<b>27,260</b>	<b>30,159</b>	<b>33,538</b>
SG&A Expenses	(9,378)	(10,352)	(11,306)	(12,617)	(14,331)
<b>Operating profit</b>	<b>12,414</b>	<b>14,775</b>	<b>15,953</b>	<b>17,543</b>	<b>19,207</b>
Net interest	(5,980)	(626)	(1,775)	(1,477)	(1,386)
Others	1,091	(2,703)	0	0	0
<b>Pre-tax income</b>	<b>7,525</b>	<b>11,445</b>	<b>14,178</b>	<b>16,065</b>	<b>17,821</b>
Income tax	(1,803)	(2,980)	(3,119)	(3,534)	(3,921)
Minority interest	(1,135)	(1,475)	(1,554)	(1,816)	(2,122)
<b>Net income</b>	<b>4,587</b>	<b>6,991</b>	<b>9,505</b>	<b>10,715</b>	<b>11,778</b>
<b>Core profit</b>	<b>7,311</b>	<b>9,270</b>	<b>9,670</b>	<b>10,715</b>	<b>11,778</b>

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	15,897	21,687	25,349	30,173	35,585
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
<b>Total current assets</b>	<b>31,070</b>	<b>36,773</b>	<b>41,455</b>	<b>47,680</b>	<b>54,664</b>
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
<b>Total non-current assets</b>	<b>84,235</b>	<b>82,494</b>	<b>83,183</b>	<b>83,481</b>	<b>83,667</b>
<b>Total assets</b>	<b>115,306</b>	<b>119,267</b>	<b>124,638</b>	<b>131,162</b>	<b>138,331</b>
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
<b>Total current liab.</b>	<b>10,034</b>	<b>10,464</b>	<b>9,757</b>	<b>10,557</b>	<b>11,441</b>
Long term loans	44,516	43,184	42,949	42,493	42,037
Other LT liab.	3,282	3,514	3,514	3,514	3,514
<b>Total liabilities</b>	<b>57,833</b>	<b>57,163</b>	<b>56,221</b>	<b>56,564</b>	<b>56,992</b>
Equity	6,569	6,569	6,569	6,569	6,569
Retained earnings	29,343	34,106	38,940	43,305	47,924
Minority interest	20,954	21,354	22,908	24,724	26,846
<b>Total SHE + minority int.</b>	<b>57,473</b>	<b>62,104</b>	<b>68,417</b>	<b>74,598</b>	<b>81,339</b>
<b>Total liabilities &amp; equity</b>	<b>115,306</b>	<b>119,267</b>	<b>124,638</b>	<b>131,162</b>	<b>138,331</b>

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)
<b>Cash Flow From Operating</b>	<b>8,804</b>	<b>12,415</b>	<b>11,604</b>	<b>13,630</b>	<b>15,027</b>
Capital Expenditure	(1,789)	(1,824)	(2,133)	(2,000)	(2,000)
Others	283	(2,164)	(146)	0	0
<b>Cash Flow From Investing</b>	<b>(1,506)</b>	<b>(3,988)</b>	<b>(2,279)</b>	<b>(2,000)</b>	<b>(2,000)</b>
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)	(190)	0	0
<b>Cash Flow From Financing</b>	<b>(12,826)</b>	<b>(4,620)</b>	<b>(5,664)</b>	<b>(6,806)</b>	<b>(7,615)</b>
<b>Changes in Cash</b>	<b>(4,637)</b>	<b>3,612</b>	<b>3,661</b>	<b>4,824</b>	<b>5,412</b>

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

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