

Indofood CBP (ICBP JJ)

02 November 2015

Results Note

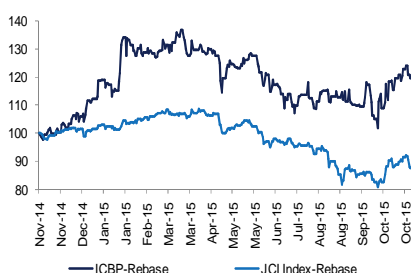
BUY (Unchanged)

Stock Data

Target price (Rp)	Rp17,400
Prior TP (Rp)	Rp17,400
Shareprice (Rp)	Rp13,200
Upside/downside (%)	+31.8
Sharesoutstanding (m)	5,831
Marketcap. (US\$ m)	5,625
Free float (%)	19.5
Avg. 6m dailyT/O (US\$ m)	1.9

Price Performance

	3M	6M	12M
Absolute (%)	3.7	-4.2	20.0
Relative to JCI (%)	11.0	9.9	30.7
52w high/low (Rp)	13,200 - 11,000		



Major Shareholders

Indofood SM	80.5%
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Estimate Change; Vs. Consensus

	2015F	2016F
Latest EPS (Rp)	545	621
Vs. Prior EPS (%)	-	-
Vs. Consensus (%)	3.9	3.2

Source: Bloomberg

Kevin Rusli

PT Indo Premier Securities
kevin.rusli@ipc.co.id
+62 21 5793 1168

Robust earnings growth

- **9M15 earnings beats market expectation.**
- **Improving bottom-line margin.**
- **Strong balance sheet.**
- **Reiterate BUY rating.**

Good 9M15 results. Indofood CBP (ICBP) booked net profit of Rp2.4tn in 9M15 (+18.1% yoy) above market expectation (79% of consensus) and in-line with our estimates (77% of our FY15F forecast), thanks to expanded gross margin and sales growing to Rp24.1tn (+5.8% yoy). On quarterly basis, ICBP reported net profit of Rp755bn in 3Q15 (-15.5% qoq) on the back of slower sales to Rp7.5tn (-12.1% qoq). In our view, the earnings slip in 3Q15 is expected, due to seasonality post the Ramadhan festival.

Strong margins amid weak economic conditions. We expect solid performance in FY15F as gross margin expanded 410bps to 30.7% in 9M15 (9M14: 26.6%), largely due to a combination of noodle ASP rising in January and lower raw material (wheat and skimmed milk) prices. Noodles (65% of total sales) booked 2.8% yoy sales growth in 3Q15, followed by dairy (18% of total sales) at 19.4%. We believe Milkuat brand (acquired from Danone Dairy Indonesia) will continue to strengthen sales volume growth in the dairy division (+14% yoy in 9M15).

Sturdy balance sheet. We believe ICBP has strong leverage, given it remains a net cash company with a cash pile of Rp6.1tn and total debt of Rp3.2tn at Sept15. In addition, we believe ICBP realized lower forex loss in FY15F as the average 3M USD/IDR exchange rate has recovered and foreign currency debt composition in 9M15 fell to 33% (FY14: 42%). It is worth noting that realized capex in 9M15 (Rp903bn) is only 29% of its full-year budget of Rp3.2tn. ICBP spent c80% of its capex on the noodle division, including the ongoing consolidation of two noodle factories in Jakarta and construction of new factories in Cirebon and Palembang. This, coupled with a strong balance sheet, should be enough to help ICBP pursue organic (additional noodle factory) and inorganic growth, in our view.

Reiterate BUY with unchanged TP. We remain bullish on ICBP given its strong brand, steady product innovation, and its being a relatively defensive company amid slow economic conditions. In 2016, the company plans to provide a wider product mix by re-launching *Anakmas* and *Popmie Goreng* brands to strengthen the noodle division's EBIT growth. We maintain our BUY recommendation with unchanged TP of Rp17,400.

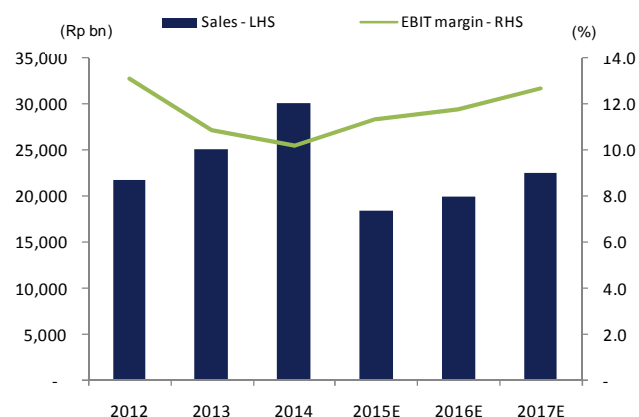
Year To 31 Dec	2013A	2014A	2015F	2016F	2017F
Revenue(RpBn)	25,095	30,022	34,384	38,631	43,085
EBITDA(RpBn)	2,734	3,063	3,910	4,539	5,466
EBITDA Growth (%)	(3.9)	12.0	27.7	16.1	20.4
Net Profit(RpBn)	2,225	2,604	3,176	3,620	4,370
EPS (Rp)	382	447	545	621	749
EPS Growth (%)	2.1	17.0	21.9	14.0	20.7
Net Gearing (%)	(23.2)	(26.6)	(18.6)	(17.5)	(21.4)
PER (x)	34.6	29.6	24.2	21.3	17.6
PBV (x)	5.8	5.1	4.5	4.0	3.5
Dividend Yield (%)	1.4	1.4	1.5	1.9	2.2
EV/EBITDA (x)	29.3	26.4	20.5	17.7	14.9

Source : ICBP,IndoPremier

Share Price Closing as of : 02-November-2015

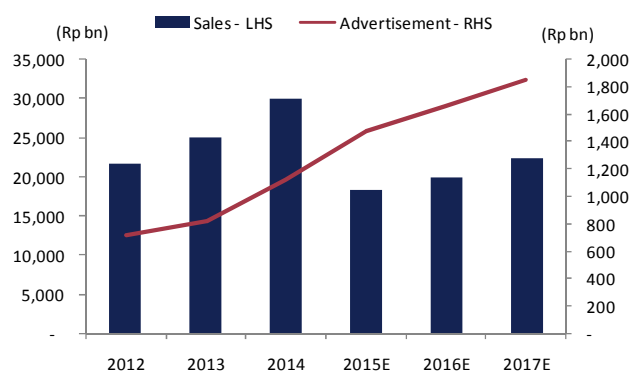
ICBP Results Note

Fig. 1: ICBP FY12-17F Sales vs. EBIT margin



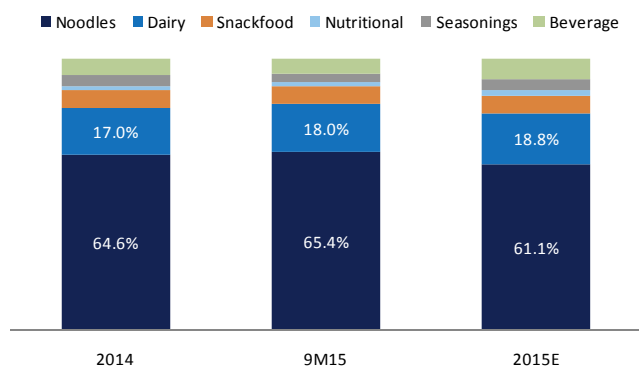
Source: ICBP, IndoPremier

Fig. 2: ICBP FY12-17F Sales vs. Ads



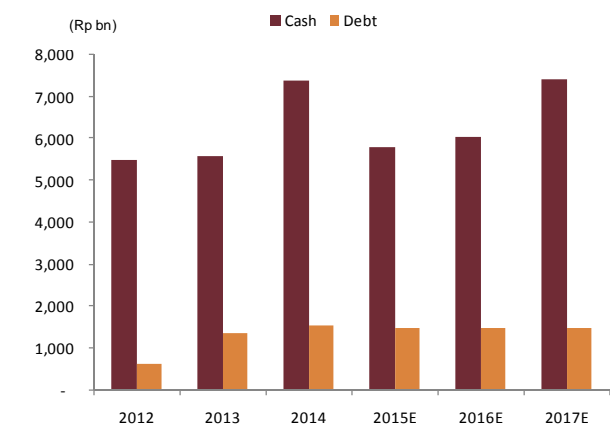
Source: ICBP, IndoPremier

Fig. 3: Revenue segment contribution



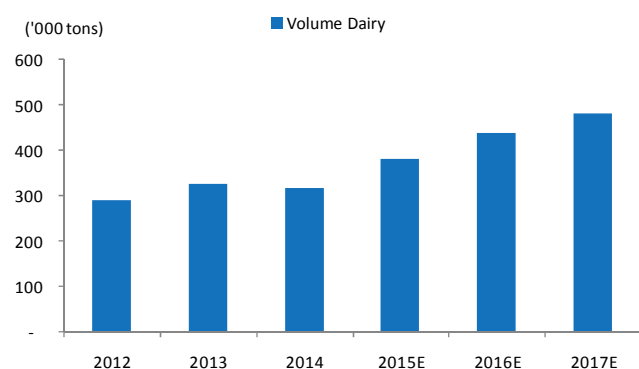
Source: ICBP, IndoPremier

Fig. 4: ICBP Cash position FY12-17F



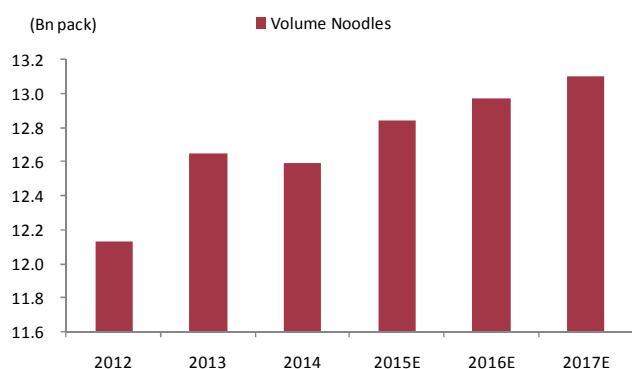
Source: ICBP, IndoPremier

Fig. 5: Dairy volume FY12-17F



Source: ICBP, IndoPremier

Fig. 6: Noodle volume FY12-17F



Source: ICBP, IndoPremier

ICBP Results Note

Fig. 7: 3Q15 Results

	3Q15	2Q15	3Q14	---Change---		9M15	9M14	Change	Forecast	FY15F
(IDR b)	(IDR b)	(IDR b)	(IDR b)	(%qoq)	(%yoy)	(IDR b)	(IDR b)	(%yoy)	(%)	Cons (%)
Sales	7,545	8,584	7,262	-12.1%	3.9%	24,096	22,784	5.8%	70.1	72.7
COGS	5,229	5,858	5,168	-10.7%	1.2%	16,704	16,723	-0.1%		
Gross profit	2,315	2,726	2,094	-15.1%	10.6%	7,392	6,061	22.0%		
Operating cost	1,262	1,562	1,255	-19.2%	0.6%	4,195	3,576	17.3%		
Operating profit	1,053	1,163	839	-9.5%	25.5%	3,197	2,485	28.6%	81.8	81.4
Interest expense	(161)	(59)	(14)	nm	nm	(301)	(162)	86.5%		
Pre-tax profit	940	1,196	976	-21.4%	-3.7%	3,133	2,717	15.3%	75.6	75.7
Net profit	755	893	731	-15.5%	3.2%	2,444	2,070	18.1%	77.0	79.2
Margins										
Gross margin (%)	30.7	31.8	28.8			30.7	26.6			
Operating margin (%)	14.0	13.6	11.6			13.3	10.9			
Pre tax margin (%)	12.5	13.9	13.4			13.0	11.9			
Net margin (%)	10.0	10.4	10.1			10.1	9.1			

Source : ICBP, IndoPremier

ICBP Results Note

Year To 31 Dec (RpBn)	2013A	2014A	2015F	2016F	2017F
Income Statement					
Net Revenue	25,095	30,022	34,384	38,631	43,085
Cost of Sales	(18,669)	(21,963)	(24,591)	(27,513)	(30,304)
Gross Profit	6,426	8,060	9,793	11,118	12,781
SG&A Expenses	(3,691)	(4,997)	(5,883)	(6,579)	(7,315)
Operating Profit	2,734	3,063	3,910	4,539	5,466
Net Interest	206	261	244	160	213
Forex Gain (Loss)	0	0	0	0	0
Others-Net	26	65	(12)	0	0
Pre-Tax Income	2,967	3,389	4,142	4,699	5,679
Income Tax	(734)	(857)	(1,035)	(1,175)	(1,420)
Minorities	(10)	73	69	96	111
Net Income	2,225	2,604	3,176	3,620	4,370
Balance Sheet					
Cash & Equivalent	5,598	7,403	5,794	6,038	7,435
Receivable	2,549	2,902	3,438	3,863	4,309
Inventory	2,869	2,822	2,459	2,751	3,030
Other Current Assets	305	477	501	526	552
Total Current Assets	11,322	13,604	12,192	13,179	15,326
Fixed Assets - Net	4,844	5,839	8,437	10,172	11,275
Goodwill	1,424	1,424	1,424	1,424	1,424
Non Current Assets	3,677	4,044	3,559	3,733	3,929
Total Assets	21,267	24,910	25,612	28,508	31,954
ST Loans	979	1,548	1,131	1,173	1,218
Payable	2,531	2,813	0	2,896	3,190
Other Payables	1,029	1,601	1,842	2,118	2,436
Current Portion of LT Loans	157	268	250	250	250
Total Current Liab.	4,697	6,231	5,811	6,437	7,093
Long Term Loans	1,383	1,590	1,250	1,250	1,250
Other LT Liab.	1,922	2,050	1,503	1,558	1,617
Total Liabilities	8,002	9,870	8,565	9,245	9,960
Equity	6,608	6,603	6,603	6,603	6,603
Retained Earnings	5,979	7,475	9,454	11,640	14,339
Minority Interest	679	962	991	1,021	1,051
Total SHE + Minority Int.	13,266	15,040	17,048	19,263	21,994
Total Liabilities & Equity	21,267	24,910	25,612	28,508	31,954

Source : ICBP,IndoPremier

ICBP Results Note

Year to 31 Dec	2013A	2014A	2015F	2016F	2017F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	2,235	2,532	3,106	3,524	4,259
Depr. & Amortization	323	337	692	889	1,047
Changes in Working Capital	(683)	(23)	(398)	(409)	(431)
Others	(3)	(1,008)	274	206	208
Cash Flow From Operating	1,870	1,838	3,674	4,209	5,083
Capital Expenditure	(2,371)	(1,698)	(2,806)	(2,798)	(2,345)
Others	372	482	495	414	472
Cash Flow From Investing	(2,000)	(1,216)	(2,311)	(2,384)	(1,873)
Loans	1,257	886	(775)	42	44
Equity	0	0	0	0	0
Dividends	(1,085)	(1,108)	(1,172)	(1,429)	(1,665)
Others	157	912	(816)	(224)	(227)
Cash Flow From Financing	329	690	(2,763)	(1,611)	(1,848)
Changes in Cash	199	1,312	(1,400)	215	1,361
Financial Ratios					
Gross Margin (%)	25.6	26.8	28.5	28.8	29.7
Operating Margin (%)	10.9	10.2	11.4	11.8	12.7
Pre-Tax Margin (%)	11.8	11.3	12.0	12.2	13.2
Net Margin (%)	8.9	8.7	9.2	9.4	10.1
ROA (%)	11.4	11.3	12.6	13.4	14.5
ROE (%)	17.6	18.4	19.8	19.9	21.2
ROIC (%)	18.7	18.9	20.3	20.4	21.7
Acct. Receivables TO (days)	35.9	33.1	33.7	34.5	34.6
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	8.0	7.7	9.3	10.6	10.5
Payable TO (days)	44.3	44.4	40.1	36.4	36.7
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	19.0	22.6	15.4	13.9	12.4
Interest Coverage Ratio (x)	0.1	0.1	0.1	0.1	0.0
Net Gearing (%)	(23.2)	(26.6)	(18.6)	(17.5)	(21.4)

Source : ICBP,IndoPremier

Head Office

PT INDO PREMIER SECURITIES

Wisma GKBI 7/F Suite 718
Jl. Jend. Sudirman No.28
Jakarta 10210 - Indonesia
p +62.21.5793.1168
f +62.21.5793.1167

Institutional Equity & Private Client

Benny B. Soebagjo	Head of Equities	benny.soebagjo@ipc.co.id
Angkula Ruriawan	Equity Sales	angkula.ruriawan@ipc.co.id
Alexander Salim	Equity Sales	alexander.salim@ipc.co.id
Edward Azizy	Equity Sales	edazizy@ipc.co.id
Henry Sutanto	Equity Sales	henry.sutanto@ipc.co.id
Isna Alfiathi	Equity Sales	isna.alfiathi@ipc.co.id
Angky Amarylis	Sales Trader	angky.amarylis@ipc.co.id
Thomas Samuil	Sales Trader	thomas.samuil@ipc.co.id

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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