

11 July 2023

Consumer Non-cyclical | Food & Beverage Products

## Indofood CBP (ICBP IJ)

**Buy** (Maintained)

Putting On a Good Show; Stay BUY

Target Price (Return): IDR14,300 (26.3%)  
Price (Market Cap): IDR11,325 (USD8,722m)  
ESG score: 3.0 (out of 4)  
Avg Daily Turnover (IDR/USD) 85,539m/5.80m

- **Stay BUY, new IDR14,300 TP from IDR12,500, 26% upside.** Our ground checks indicate that Indofood CBP's strong performance should continue, especially its core noodles wing – it is this market segment's undisputed leader while falling wheat prices bode well for this business, which contributed c.80% to 1Q23 operating profit. Newly launched products have also done well and we roll forward our valuation base to 2024F. We expect FX to pose a minimal issue in 2Q23 as the USD/IDR averaged c.IDR15k in 1Q23 vs IDR14.8k in 2Q23.
- **Brighter future for noodle products...** ICBP's recently launched Ramen Series has gained strong momentum. This product is selling massively – it was previously a limited edition offering – and can already be found in many modern trade channels. Our recent visit to Jakarta Fair 2023 (Jakarta Fair) also saw its Indomie booths attracting a lot of consumers. While our channel checks show instant noodle prices remaining steady YTD in most areas in Java, margins should improve. This is as the prices of this product's key raw materials – wheat and CPO – have dropped 18.5% and 10.1% YTD. In 2Q23, wheat prices declined 38.9% YoY (-10.2% QoQ) while CPO prices fell 41.5% YoY (-4.5% QoQ).
- **...with minimal concerns over overseas sales.** Despite news about recall on Indomie Chicken Flavour Products in Taiwan and Malaysia, we have not seen other countries following suit. We understand that Nigeria's National Agency for Food & Drug Administration plans to investigate this product (and possibly others), but no further details on the process have been announced. There are also zero sanctions imposed on Indomie products – a positive, as Nigeria is one of the ICBP's top export markets. While its Special Chicken product has not returned to Taiwan, ICBP's most prominent flavour – Indomie Mi Goreng – is still sold and easily found at supermarkets and mini-markets there, which will help support sales in our view. Note: We estimate Taiwan's sales only making up <1% of ICBP's revenue. We learnt that Mi Goreng is sold at prices that are c.13% lower than its competitors, but are 2x more expensive than its Indonesia price.
- **Looming concerns.** Though 2Q23 skim milk prices were down 6.7% QoQ (-41% YoY), we see volume growth challenges ahead, as well as rising sugar prices that might curb margins improvements – nothing that sugar (a key raw material) prices have soared 20.6% QoQ (+30.2% YoY) during this period. Notwithstanding ICBP's ultra-high temperature or UHT milk's competitive pricing, we believe feasibility and availability are key challenges. Our ground checks show that Indomilk products have not been able to gain strategic positions – ie at eye level on shelves – at major modern trade channels while its booths have not been able to entice visitor numbers vis-à-vis other competitors. While we see strong interest in ICBP's Espessia ice cream, we believe its impact will be minimal for now.
- **As we apply no ESG discount/premium to our TP,** as its ESG score is the same as our country median of 3.0, we derive a new TP of IDR14,300. We also maintain our BUY call.

### Analysts

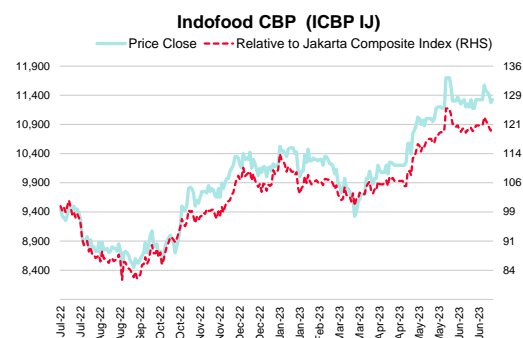
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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	13.3	(0.4)	12.4	11.0	20.2
Relative	15.1	(1.0)	13.0	9.4	20.3
52-wk Price low/high (IDR)	8,300 – 11,700				



Source: Bloomberg

### Overall ESG Score: 3.0 (out of 4)

#### E: EXCELLENT

ICBP has implemented various programmes to ensure sound environmental management practices. These initiatives are focused on regulatory compliance, efficient use of resources, proper management of water and treatment of waste, utilisation of renewable energy sources, and mitigation of greenhouse gases.

#### S: GOOD

ICBP develops its human capital through a wide range of training and development programmes to improve people competency. All ICBP employees are also free to participate in any labour unions. The company also operates a fleet of mobile clinic throughout Java and Medan under Indofood Nutrition Care programme, providing free healthcare services and educating communities.

#### G: GOOD

Among the other staples companies, ICBP has shown poor corporate governance practices, and many of its related party transactions have been red-flagged.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (IDRb)	56,804	64,798	72,459	79,927	87,933
Recurring net profit (IDRb)	6,250	3,785	8,286	9,450	10,662
Recurring net profit growth (%)	16.0	(39.4)	118.9	14.0	12.8
Recurring P/E (x)	21.13	34.89	15.94	13.98	12.39
P/B (x)	3.9	3.6	3.1	2.7	2.4
P/CF (x)	8.99	na	13.24	12.08	10.98
Dividend Yield (%)	2.7	2.7	1.7	3.4	3.8
EV/EBITDA (x)	12.72	12.51	9.60	8.58	7.70
Return on average equity (%)	20.1	13.0	22.5	21.9	21.6
Net debt to equity (%)	38.6	52.4	34.1	21.8	11.1

Source: Company data, RHB

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## Financial Exhibits

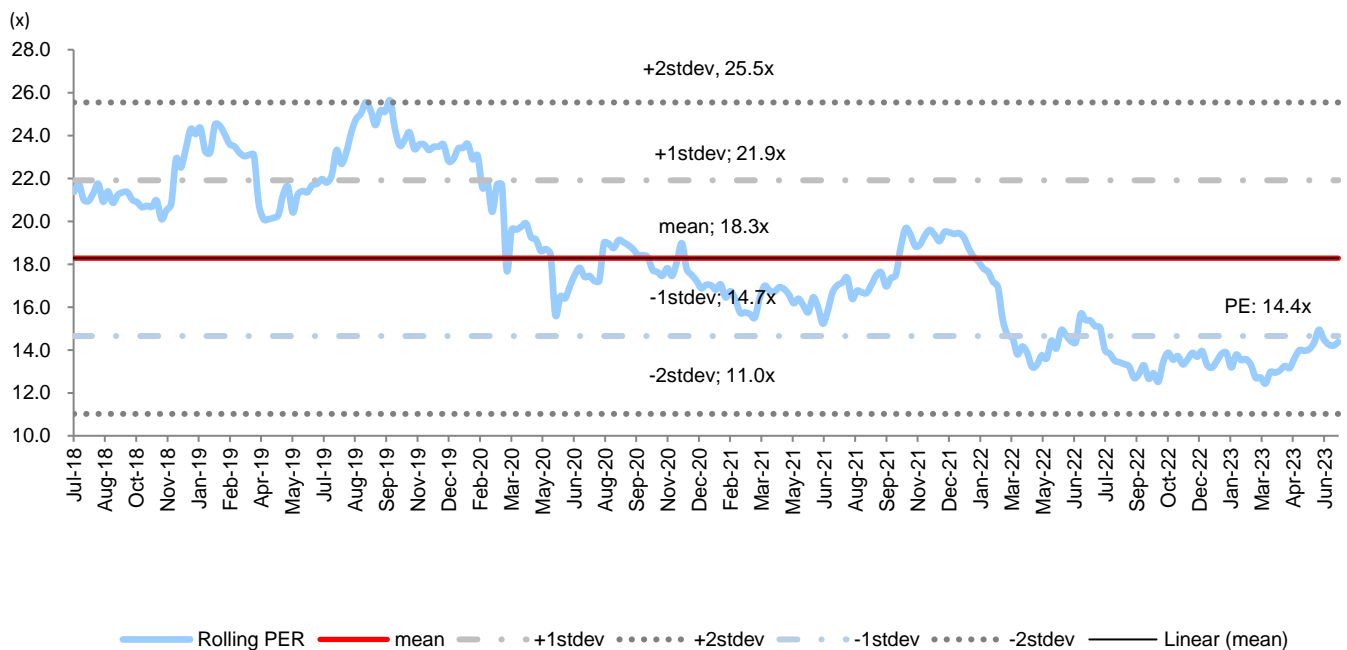
<b>Asia</b>	<b>Financial summary (IDR)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Indonesia	Recurring EPS	535.97	324.55	710.56	810.30	914.23
Consumer Non-cyclical	DPS	311.27	302.94	196.68	383.61	431.19
<b>Indofood CBP</b>	BVPS	2,923.19	3,131.44	3,701.98	4,180.75	4,709.63
ICBP IJ	Return on average equity (%)	20.1	13.0	22.5	21.9	21.6
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
We derive our 12-month target price based on 10-year DCF.	Recurring P/E (x)	21.13	34.89	15.94	13.98	12.39
	P/B (x)	3.9	3.6	3.1	2.7	2.4
	FCF Yield (%)	9.6	(5.2)	5.4	6.9	7.7
	Dividend Yield (%)	2.7	2.7	1.7	3.4	3.8
	EV/EBITDA (x)	12.72	12.51	9.60	8.58	7.70
	EV/EBIT (x)	14.12	13.85	10.29	9.14	8.17
<b>Key drivers</b>	<b>Income statement (IDRb)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
i. Defensive noodles demand;	Total turnover	56,804	64,798	72,459	79,927	87,933
ii. Solid margins improvement from declining commodity prices;	Gross profit	20,287	21,792	26,704	29,830	33,062
iii. Stronger traction from Pinehill's market in 2H23 given seasonality.	EBITDA	12,816	13,743	17,329	18,917	20,507
	Depreciation and amortisation	(1,271)	(1,329)	(1,153)	(1,170)	(1,184)
	Operating profit	11,545	12,414	16,176	17,747	19,322
	Net interest	(1,786)	(5,944)	(2,615)	(2,325)	(1,967)
	Pre-tax profit	9,945	7,525	14,431	16,221	18,058
	Taxation	(2,035)	(1,803)	(3,463)	(3,893)	(4,334)
	Reported net profit	6,399	4,587	8,947	10,057	11,196
	Recurring net profit	6,250	3,785	8,286	9,450	10,662
<b>Key risks</b>	<b>Cash flow (IDRb)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
i. Unfavourable weather might translate to higher raw material prices;	Change in working capital	7,169	(11,047)	(528)	(706)	(766)
ii. IDR depreciation.	Cash flow from operations	14,689	(5,351)	9,975	10,930	12,029
	Capex	(1,977)	(1,477)	(2,817)	(1,783)	(1,898)
	Cash flow from investing activities	(2,267)	2,934	(1,815)	(1,825)	(1,964)
	Cash flow from financing activities	(1,579)	(2,221)	(5,711)	(7,608)	(8,034)
	Cash at beginning of period	9,535	20,378	15,741	18,190	19,688
	Net change in cash	10,842	(4,637)	2,449	1,498	2,030
	Ending balance cash	20,378	15,741	18,190	19,688	21,718
<b>Company Profile</b>	<b>Balance sheet (IDRb)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Indofood CBP manufactures instant noodles, dairy, baby food, food seasonings, coffee, and snacks.	Total cash and equivalents	20,378	15,741	18,190	19,688	21,718
	Tangible fixed assets	14,176	14,521	15,782	15,986	16,285
	Total investments	11,069	11,169	11,169	11,169	11,169
	Total assets	118,015	115,306	119,372	122,774	126,967
	Short-term debt	838	1,312	1,211	1,302	1,402
	Total long-term debt	40,731	44,516	39,516	34,516	29,516
	Total liabilities	63,075	57,833	53,225	48,772	44,269
	Total equity	54,941	57,473	66,147	74,001	82,697
	Total liabilities & equity	118,015	115,306	119,372	122,774	126,967
	<b>Key metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Revenue growth (%)	21.8	14.1	11.8	10.3	10.0
	Recurrent EPS growth (%)	16.0	(39.4)	118.9	14.0	12.8
	Gross margin (%)	35.7	33.6	36.9	37.3	37.6
	Operating EBITDA margin (%)	22.6	21.2	23.9	23.7	23.3
	Net profit margin (%)	11.3	7.1	12.3	12.6	12.7
	Dividend payout ratio (%)	56.7	77.0	25.6	44.5	44.9
	Capex/sales (%)	3.5	2.3	3.9	2.2	2.2
	Interest cover (x)	5.87	2.01	5.67	7.08	8.93

Source: Company data, RHB

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Figure 1: ICBP's 5-year P/E band



Source: Company data, RHB

Figure 2: ICBP's recently launched Indomie Ramen Series has booked positive traction and is being sold on a more massive scale



Source: Company data, RHB

Figure 3: Indomie's Jakarta Fair booth managed to entice of plenty consumers



- ◆ ICBP opened several booths to attract a lot of buyers to sample the food available
- ◆ These booths offered Indomie-based dishes to educate consumers on how to transform ICBP's instant noodle offerings into more complex meals
- ◆ The company promoted the newly launched Indomie Ramen Series along with other legacy products

Source: Company data, RHB

Figure 4: Instant noodles prices in West Java

	31-Dec-22	31-Jan-23	28-Feb-23	31-Mar-23	30-Apr-23	31-May-23	30-Jun-23
Kota Bandung<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kota Banjar<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kota Bekasi<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kota Bogor<>	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Kota Cimahi <sup>vv</sup>	2,800	2,800	2,800	2,800	2,767	2,767	2,767
Kota Cirebon <sup>vv</sup>	3,050	3,050	3,050	3,057	3,000	3,000	3,000
Kota Depok<>	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Kota Sukabumi<>	2,900	2,900	2,900	2,900	2,900	2,900	2,900
Kota Tasikmalaya<>	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Kab. Bandung<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Bandung Barat <sup>vv</sup>	3,070	3,067	3,033	3,033	3,033	3,033	3,033
Kab. Bogor <sup>vv</sup>	3,100	2,900	3,000	3,000	3,000	3,000	3,000
Kab. Ciamis <sup>^^</sup>	2,100	2,100	2,100	2,875	2,875	2,875	2,875
Kab. Cianjur <sup>^^</sup>	3,050	3,150	3,150	3,150	3,188	3,150	3,188
Kab. Cirebon<>	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Kab. Garut<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Indramayu<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Karawang<>	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Kab. Kuningan<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Majalengka<>	2,960	2,960	2,960	2,960	2,960	2,960	2,960
Kab. Pangandaran<>	2,900	2,900	2,900	2,900	2,900	2,900	2,900
Kab. Purwakarta<>	2,933	2,933	2,933	2,933	2,933	2,933	2,933
Kab. Sabang<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Sukabumi<>	2,975	2,975	2,975	2,975	2,975	2,975	2,975
Kab. Sumedang <sup>^^</sup>	2,800	2,867	2,867	2,867	2,867	2,867	2,867

Note: <> – prices remained unchanged

Note 2: <sup>vv</sup> – prices trending down

Note 3: <sup>^^</sup> – prices trending up

Source: West Java Inflation Control Information System



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Figure 5: Instant noodles prices in Central Java

	31-Dec-22	31-Jan-23	28-Feb-23	10-Mar-23	31-Mar-23	30-Apr-23	31-May-23	30-Jun-23
Kab. Banyumas<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Purbalingga^^	2,733	2,767	2,767	2,767	2,767	2,767	2,767	2,750
Kab. Kebumen<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Purworejo<>	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125
Kab. Wonosobo<>	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Kab. Magelang <sup>vv</sup>	2,800	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Kab. Boyolali<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Klaten<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Sukoharjo<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Wonogiri<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Karanganyar<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Sragen^^	2,883	2,883	2,883	2,933	2,983	2,983	2,983	2,983
Kab. Grobogan<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Blora<>	2,550	2,550	2,550	2,550	2,600	3,000	3,000	3,000
Kab. Pati<>	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Kab. Kudus^^	2,500	2,500	2,900	2,900	3,000	3,000	3,000	3,000
Kab. Jepara<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Demak<>	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Kab. Temanggung<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Kendal<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Batang<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Pekalongan<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Pemalang<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Tegal^^	2,800	2,800	2,800	2,800	3,000	3,000	3,000	3,000
Kab. Brebes <sup>vv</sup>	3,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kota Magelang^^	2,700	2,900	2,900	2,900	2,900	2,900	2,900	2,900
Kota Surakarta<>	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Kota Semarang<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kota Pekalongan^^	3,100	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Kota Tegal^^	2,400	2,600	2,600	2,600	2,600	2,700	2,700	2,700

Note: &lt; &gt; – prices remained unchanged

Note 2: <sup>vv</sup> – prices trending down

Note 3: ^^ – prices trending up

Source: Central Java Commodity Production and Price Information System

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Figure 6: Instant noodles prices in East Java

	31-Dec-22	31-Jan-23	28-Feb-23	31-Mar-23	30-Apr-23	31-May-23	30-Jun-23
Kab. Bangkalan<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Banyuwangi^^	2,900	2,900	2,900	2,940	3,000	3,000	3,000
Kab. Blitar^^	3,000	3,000	3,100	3,200	3,200	3,200	3,200
Kab. Bojonegoro^^	2,500	2,750	2,750	3,000	3,000	3,000	3,000
Kab. Bondowoso^^	2,500	2,500	2,500	2,712	2,712	2,725	2,725
Kab. Gresik^^	3,167	3,167	3,333	3,333	3,333	3,333	3,333
Kab. Jember vv	2,960	2,960	2,950	2,950	2,933	2,933	2,950
Kab. Jombang vv	3,000	3,000	2,900	2,900	2,900	2,900	2,900
Kab. Kediri vv	3,100	2,900	2,933	2,933	2,933	2,933	2,933
Kab. Lamongan<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Lumajang<>	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Kab. Magetan<>	2,900	2,900	2,900	2,900	2,900	2,900	2,900
Kab. Malang^^	3,000	3,000	3,000	3,000	3,500	3,500	3,500
Kab. Mojokerto^^	2,950	2,950	2,950	3,000	2,975	2,975	2,987
Kab. Nganjuk^^	2,733	2,900	2,900	2,900	2,900	2,900	2,900
Kab. Ngawi<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Pacitan^^	3,167	3,167	3,333	3,433	3,500	3,500	3,500
Kab. Pamekasan^^	3,000	3,250	3,250	3,250	3,250	3,500	3,500
Kab. Pasuruan<>	2,933	2,933	2,933	2,933	2,933	2,933	2,933
Kab. Probolinggo^^	2,967	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Sampang<>	3,500	3,500	3,500	3,166	3,500	3,500	3,500
Kab. Sidoarjo<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Situbondo<>	2,733	2,733	2,733	2,733	2,766	2,766	2,766
Kab. Sumenep<>	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Kab. Trenggalek<>	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Kab. Tuban<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kab. Tulungagung vv	3,067	3,067	3,067	3,066	3,066	3,066	3,066
Kota Batu vv	3,250	3,175	3,175	3,175	3,175	3,175	3,175
Kota Blitar<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kota Kediri<>	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Kota Madiun vv	2,667	2,667	2,667	2,666	2,666	2,666	2,666
Kota Malang^^	3,083	3,017	3,050	3,133	3,133	3,133	3,133
Kota Mojokerto^^	3,000	3,000	3,000	3,000	3,000	3,250	3,250
Kota Pasuruan^^	2,800	2,900	2,900	2,900	2,900	2,900	2,900
Kota Probolinggo vv	2,867	2,867	2,867	2,866	2,866	2,866	2,866
Kota Surabaya<>	3,133	3,133	3,150	3,133	3,133	3,133	3,133

Note: &lt; &gt; – prices remained unchanged

Note 2: vv – prices trending down






Note 3: ^^ – prices trending up

Source: East Java Main Commodity Availability and Price Trend Information Centre

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Figure 7: Instant noodle products comparisons in Taiwan

	Product name	Weight (in g)	Price (in IDR; NTD1 = IDR490)	Price/g (in IDR)
	Wei Lih Meh	90	8,820	98
	Uni President Beef Flavour Instant Noodle	90	8,820	98
	Uni President Minced Pork Flavour Instant Noodle	85	8,820	104
	Wei Wei A Series Instant Noodles (Chicken Flavour)	90	8,820	98
	Indomie Mi Goreng	85	7,350	86

Source: Company data, RHB

Figure 8: Indomie Mi Goreng variants are favoured Taiwan



- ◆ They can be easily found at supermarkets or mini-markets in Taiwan
- ◆ They are either sold in cups or in packages

Source: Company data, RHB

Figure 9: Indomilk booths at Jakarta Fair

Indomilk booth at Jakarta Fair



Indomilk UHT Korean Series booth at Jakarta Fair



- ◆ Not many people visited these two booths
- ◆ Despite opening a special booth for its UHT Korean Series and the opportunity to take pictures in traditional South Korean traditional clothes, we did not see a lot of visitors to this booth

Source: Company data, RHB

Figure 10: Competitors' UHT milk booths at Jakarta Fair

Ultrajaya's booth and cart



Milk Life's booth and cart



Cimory's booth



- ◆ Other UHT milk players such as Ultrajaya Milk Industry (Ultrajaya) (ULTJ IJ, NR), Cisarua Mountain Dairy (Cimory) (CMRY IJ, NR), and Milk Life managed to gain more traction
- ◆ Those companies even had mobile carts that are able to move around and get closer to their customers
- ◆ Milk Life is trying to strengthen its sales strategy by offering BTS tie-in merchandise – we have not seen this initiative gain traction amongst consumers
- ◆ Cimory has limited products offerings, which are able to successfully attract visitors to the fair

Source: Company data, RHB



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Figure 11: UHT milk pricing comparisons

Brand name	Volume (in ml)	Price (in IDR)	Price per ml (in IDR)
Greenfield UHT Choco Malt / Full Cream	250	6,950	27.8
Greenfields UHT Choco Malt / Strawberry / Full cream TP	125	3,950	31.6
Cimory UHT Bebas Laktosa	250	6,900	27.6
Diamond Susu Coklat / Full Cream / Strawberry	200	5,200	26.0
Diamond Milk All Variant	125	3,200	25.6
Indomilk UHT Plain Full Cream	250	6,200	24.8
Indomilk Busan Vanilla	180	4,900	27.2
Indomilk Korean Strawberry	180	4,900	27.2
Indomilk Jeju Chocolate	180	4,900	27.2
Indomilk Good TOGO Banana Berry / Choco Avocado	250	6,200	24.8
Indomilk Kids Choco	115	3,200	27.8
Indomilk Seoul Banana TP	180	4,900	27.2
Frisian Flag UHT Choco / Full Cream / Strawberry	225	6,200	27.6
Frisian Flag Low fat Choco / Vanilla / Strawberry	225	6,900	30.7
Frisian Flag Milky Coklat	180	4,900	27.2
Frisian Flag Junior Plain / Choco / Strawberry TP	110	3,150	28.6
Nestle goodNes Jahe Madu / Kencur / Kurma / Full	180	5,200	28.9
Milo UHT Choco	110	3,200	29.1
Milo Actigen-E UHT	180	5,500	30.6
Dancow Fortigro Cokelat	180	6,700	37.2
Dancow UHT Fortigo Coklat TP	110	3,900	35.5
Ultra Milk Low Fat Choco / Plain	250	7,500	30.0
Ultra Milk Choco / Plain / Mocca	250	6,900	27.6
Ultra Milk Taro / Karamel	200	5,700	28.5
Ovaltine Tetra	125	2,950	23.6
Ovaltine Tetra	200	2,950	14.8
Tango Berry Dremno Strawberry	200	5,200	26.0
HILO Active Tiramisu TP	200	8,500	42.5
HILO Chocolate Taro/ Chocolate Avocado/ Thai Tea TP	200	7,500	37.5
HILO Milky Vanilla Cookies TP	200	8,900	44.5
HILO School Cotton Candy/ Choco TP	200	8,500	42.5
HILO Teen Choco	200	8,500	42.5
Milk Life UHT Chocolate TP (BT21)	125	2,900	23.2
Milk Life UHT Chocolate TP (BT21)	200	4,900	24.5
Milk Life UHT Plain/ Susu Segar Kurma / Strawberry	200	4,900	24.5

Source: Grand Lucky, RHB

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Figure 12: ICBP also sold its recently launched ice cream brand at the fair...



- ◆ We saw strong interest for ICBP's Espessia ice cream offerings (both at the booth and mobile cart)
- ◆ This should be positive in terms of increasing the popularity of its new products with consumers while increasing the ramp-up period
- ◆ However, we believe Espessia's impact will be minimal at this time

Source: Company data, RHB

Figure 13: ...and traction seemed stronger than its competitors



- ◆ The other competitors – Campina Ice Cream Industry (CAMP IJ, NR) and Walls from Unilever Indonesia (UNVR IJ, BUY, IDR4,700) – were not able to entice as much visitors

Source: Company data, RHB

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**Figure 14: Our ground checks found that Indomilk products are not strategically placed – ie at eye level – within major modern trade outlets**



Source: Company data, RHB

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Figure 15 DCF valuation

IDRbn	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
EBIT	17,747	19,322	21,170	23,143	25,116	27,253	29,435	31,986	34,199	36,687	39,315
EBIT (1-t)	13,488	14,685	16,089	17,588	19,088	20,712	22,371	24,310	25,991	27,882	29,879
Depreciation & amortisation	1,170	1,184	1,191	1,195	1,193	1,187	1,173	1,151	1,126	1,092	1,051
Change in working capital	(1,132)	(1,223)	(1,327)	(1,431)	(1,545)	(1,885)	(1,992)	(2,184)	(2,492)	(2,609)	(2,838)
Capex	(1,783)	(1,898)	(1,905)	(2,011)	(2,113)	(2,256)	(2,268)	(2,328)	(2,596)	(2,645)	(2,805)
Net free cash flow to firm	11,742	12,748	14,048	15,341	16,623	17,759	19,283	20,948	22,029	23,720	25,287
Terminal Value											279,694
<b>PV</b>	<b>11,742</b>	<b>11,518</b>	<b>11,468</b>	<b>11,316</b>	<b>11,079</b>	<b>10,694</b>	<b>10,492</b>	<b>10,298</b>	<b>9,785</b>	<b>9,520</b>	<b>110,591</b>
Total discounted firm value	218,503										
Less: Net debt	30,088										
Less: Minority interest	20,954										
Equity value	167,461										
Number of shares (bn)	12										
<b>Equity value per share (IDR)</b>	<b>14,360</b>										
<b>Assumption</b>											
Risk free rate	6.5%										
Beta	1.1										
Equity market premium	6%										
WACC	10.7%										
Terminal growth	2%										

Source: RHB



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## Recommendation Chart

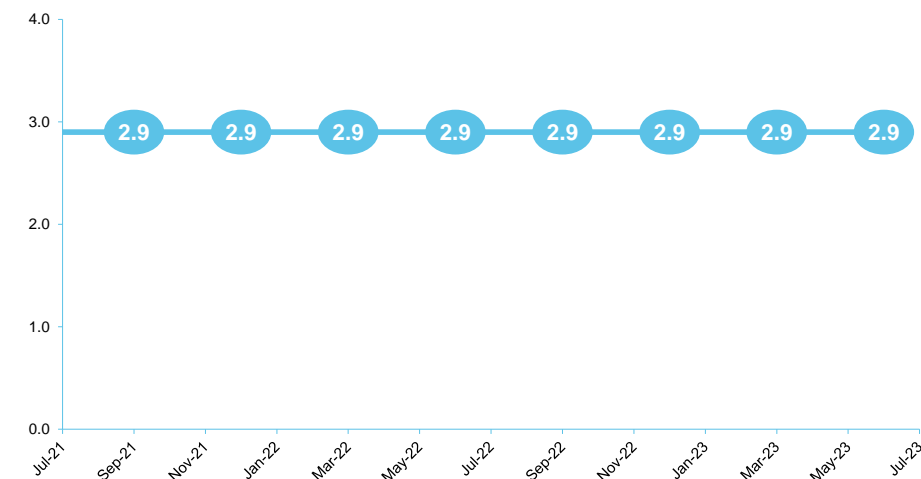


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-04-18	Buy	12,500	10,200
2022-12-06	Buy	12,500	10,350
2022-09-01	Buy	12,000	8,700
2022-07-07	Buy	12,000	9,475
2021-08-30	Buy	11,000	8,600
2021-07-02	Buy	12,100	8,425
2021-03-24	Buy	11,900	9,250
2020-12-01	Buy	11,500	10,100
2020-05-25	Neutral	10,000	9,600
2020-03-24	Buy	11,700	8,300
2019-12-27	Neutral	11,700	11,175
2019-08-01	Buy	12,300	10,700
2019-03-25	Buy	12,300	9,400
2019-01-30	Buy	12,300	10,775
2018-11-01	Buy	10,300	8,925

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

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