Indofood CBP Sukses Makmur (ICBP IJ)

Volume Strength Intact; Margins Still The Swing Factor

Highlights

- 9M26 revenue grew 14.5% yoy, well above the initial 5-7% guidance, but higher input costs and a weaker rupiah limited core profit growth to 4.5%.
- New capacity and overseas growth sustain volumes; the mid-October price hike should keep 4Q26 margin broadly stable qoq. The recent easing in wheat prices should also improve sentiment going forward.
- Maintain BUY with a lower target price of Rp9,500 (from Rp10,150), based on 9.5x 2027F PE. ICBP is also executing its first ever Rp750b buyback.

Analysis

- **Top-line beat, but cost pressure capped earnings.** Indofood CBP's (ICBP) 9M26 revenue rose 14.5% yoy to Rp64.4t, its fastest since 9M22, prompting management to raise guidance to 12-14% (from 5-7%). Growth was broad-based (overseas +23%, domestic +11%) and mostly volume-led. However, higher raw material and freight costs and a weaker rupiah cut the EBIT margin to 21.2% (9M25: 22.6%), though it remains within the 20-22% guidance range. Core profit rose only 4.5% yoy to Rp8t but was slightly ahead of our estimate. Reported net profit fell 13.3% yoy to Rp6.2t on a Rp3.3t unrealised forex loss on its US dollar bonds (9M25: Rp1.4t).
- **Growth momentum to continue, backed by new capacity and supply chain resilience.** We expect 2026 revenue growth to reach the top end of the 12-14% guidance, although 4Q26 is likely to moderate qoq on seasonality and possible pre-buying ahead of the noodle ASP increase. New capacity from the factory opened in Dec 25 (+1.5b-2.0b packs a year, lifting domestic capacity by ~7%), wider distribution and 35+ new SKUs in 9M26 kept demand resilient despite a soft macro backdrop. Its supply chain also proved to be an edge. With about 22% of COGS sourced from the Indofood group and local production overseas through Pinehill, ICBP's overseas revenue grew 23% yoy in 9M26, while its competitors faced shipping and packaging disruptions from the Iran conflict.
- **Price hike in mid-Oct 26 to cushion cost pressure.** Amid persistently high raw material costs, with wheat and milk powder prices up about 9% qoq in 3Q26 (Bogasari also raised flour prices by a cumulative ~5% over May-Sep 26 and a further ~3% in Oct 26), we see the 3% domestic noodle ASP increase from mid-October as largely offsetting the lagged impact of these increases, keeping 4Q26 gross margin broadly stable qoq. That said, a more visible margin recovery still hinges on a stable rupiah, easing milk powder prices and limited El Niño impact on CPO.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	72,597	74,851	85,397	90,843	97,090
EBITDA	17,466	17,172	18,425	20,030	21,764
Operating profit	16,191	15,666	16,752	18,208	19,803
Net profit	7,079	9,225	8,536	10,625	11,947
Core profit	10,331	9,978	10,630	11,659	12,891
Core EPS (Rp)	885.8	855.6	911.5	999.8	1,105.4
Core PE (x)	7.6	7.8	7.4	6.7	6.1
P/B (x)	1.7	1.5	1.4	1.2	1.1
EV/EBITDA (x)	5.7	5.6	5.1	4.5	3.9
Dividend yield (%)	3.0	3.7	4.0	4.4	5.4
Core profit margin (%)	14.2	13.3	12.4	12.8	13.3
Net debt/(cash) to equity (%)	45.7	36.1	29.1	17.4	8.2
Interest cover (x)	3.8	4.1	2.7	3.7	3.9
ROE (%)	22.8	19.4	18.8	18.3	18.0
UOBKH/Consensus (x)	-	-	0.95	1.01	1.04

Source: ICBP, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp6,700
Target Price	Rp9,500
Upside	+41.8%
Previous TP	Rp10,150

Stock Data

Sector	Consumer Staples
Bloomberg ticker	ICBP IJ
Shares issued (m)	11,662
Market cap (Rpb)	78,135
Market cap (US$m)	4,292
3-mth avg daily t'over (US$m)	2.2

Price Performance (%)

52-week high/low				Rp8,700/Rp5,400
1mth	3mth	6mth	1yr	YTD
(4.6)	(11.3)	(1.8)	(20.9)	(18.3)

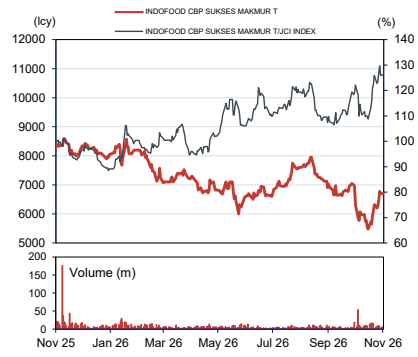
Major Shareholders (%)

Indofood Sukses Makmur	80.6
Public	19.4

Balance Sheet Metrics

FY26 NAV/Share (Rp)	4,853
FY26 Net Debt/Share (Rp)	1,412

Price Chart



Source: Bloomberg

Company Description

Indofood CBP Sukses Makmur provides a wide range of food products. The company is a total food solutions company with operations in all stages of food manufacturing from the production of raw materials and their processing through to consumer products on the retailer's shelf.

- **First ever share buyback.** ICBP is executing its first-ever buyback of up to Rp750b (26 Oct-31 Dec 26), about 5% of its free-float market cap. It comes after MSCI's 15 October proposal to downgrade Indonesia to Standalone status, which triggered Rp172b of foreign selling in the last two weeks of Oct 26. That ended three months of net inflows (+Rp344b in Jul-Sep 26), which had lifted the share price 17% to its late-August peak. Since its MSCI exclusion in Nov 25, foreign ownership has fallen from 12.1% to 9.9% of total shares (~62% to ~51% of the free float), but it remains sizeable.
- **US dollar bonds keep earnings exposed to the rupiah depreciation.** Net gearing improved to 0.35x at end-Sep 26 from 0.42x a year earlier. However, 98% of its Rp50.5t debt is US$2.75b of bonds maturing in 2031-32 and 2051-52, so the currency mismatch will remain for years. Every Rp100 of depreciation adds about Rp275b of unrealised forex loss, which explains the Rp3.3t loss in 9M26, based on our rough estimate. This is partly offset by Rp24.1t of net US dollar-linked operating assets, mainly cash, which generated a Rp953b operating forex gain.

Earnings Revision/Risk

- **We raise our 2026 and 2027 revenue estimates by 8.1% and 9.6%** to reflect stronger volume growth from new capacity, wider distribution and market share gains, as well as the noodle ASP increase. However, we lower our gross margin assumptions to 34.0% and 34.3% (from 34.6% and 35.6%) on elevated input costs and a weaker rupiah. Thus, our core profit (excluding forex impact) estimates rise by 3.6% for 2026 and 2.0% for 2027, implying core profit growth of 6.5% and 9.7% respectively.

Earnings Revision

	2026F			2027F		
(Rpb)	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	85,397	78,964	8.1	90,843	82,860	9.6
Gross profit	29,015	27,351	6.1	31,204	29,482	5.8
GP margin (%)	34.0%	34.6%		34.3%	35.6%	
Op. profit	16,752	16,120	3.9	18,208	17,655	3.1
Pre-tax profit	13,244	13,447	-1.5	16,017	14,944	7.2
Core profit	10,630	10,256	3.6	11,659	11,427	2.0
Core margin (%)	12.4%	13.0%		12.8%	13.8%	

Source: UOB Kay Hian

- **Key risks include:** a) Elevated raw material costs, b) soft purchasing power, and c) rupiah depreciation.

Sensitivity to Input Costs

5% increase in	GPM 2027F	Core Profit 2027F
Wheat	-0.38ppt	-2.3%
CPO	-0.15ppt	-0.9%
Milk powder	-0.14ppt	-0.9%
Sugar	-0.09ppt	-0.5%
Packaging	-0.06ppt	-0.4%
Freight cost	-	-0.9%
Domestic noodle ASP +3%	+0.80ppt	+7.5%

Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a lower target price of Rp9,500 (from Rp10,150).** We roll over our valuation to 2027F and lower our target PE to 9.5x (from 11x), -1.5SD below its three-year forward PE average of 12.3x, to reflect heightened country risk, the soft macro backdrop, input cost pressure and rupiah volatility. It is currently trading at 6.7x 2027 core PE, below -2SD of its three-year average (8.6x).

Share Price Catalyst

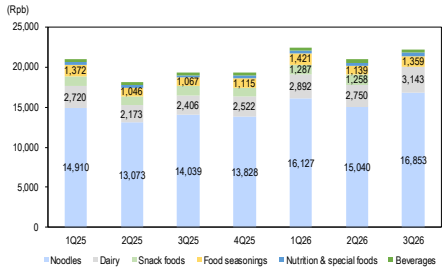
- **Catalysts:** a) 4Q26 results, b) easing wheat prices, and c) execution of its share buyback.

New Product Launches



Source: ICBP

Revenue by Segment



Source: ICBP, UOB Kay Hian

Wheat Prices



Source: Bloomberg, UOB Kay Hian

Skimmed Milk Powder Prices



Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	**74,851**	**85,397**	**90,843**	**97,090**
EBITDA	17,172	18,425	20,030	21,764
Deprec. & amort.	1,506	1,672	1,821	1,961
EBIT	15,666	16,752	18,208	19,803
Total other non-operating income/(expense)	1,111	1,568	1,545	1,795
Net interest income/(expense)	(3,056)	(5,076)	(3,736)	(3,701)
Pre-tax profit	**13,721**	**13,244**	**16,017**	**17,896**
Tax	(2,965)	(2,929)	(3,543)	(3,958)
Minorities	(1,531)	(1,779)	(1,850)	(1,991)
Net profit	9,225	8,536	10,625	11,947

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	17,328	18,275	19,766	21,336
Other LT assets	67,063	67,042	66,693	66,904
Cash/ST investment	29,216	35,537	43,741	51,937
Other current assets	21,937	25,911	27,285	28,928
Total assets	**135,544**	**146,766**	**157,486**	**169,105**
ST debt	882	1,070	1,311	1,523
Other current liabilities	11,434	13,075	13,633	14,461
LT debt	46,916	50,932	53,542	56,285
Other LT liabilities	2,629	2,682	2,735	2,790
Shareholders' equity	51,520	56,596	63,782	71,423
Minority interest	22,163	22,411	22,482	22,623
Total liabilities & equity	**135,544**	**146,766**	**157,486**	**169,105**

Cash flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	**12,104**	**13,742**	**16,162**	**17,898**
Net profit	9,225	8,536	10,625	11,947
Deprec. & amort.	1,506	1,672	1,821	1,961
Working capital changes	(1,404)	(2,301)	(781)	(779)
Other operating cashflows	2,777	5,835	4,498	4,769
Investing	**(4,700)**	**(2,695)**	**(3,064)**	**(3,846)**
Capex (growth)	(3,635)	(2,486)	(3,179)	(3,398)
Investments	(1,001)	(72)	221	(326)
Others	(65)	(137)	(105)	(121)
Financing	**(4,290)**	**(4,727)**	**(4,894)**	**(5,856)**
Dividend payments	(2,915)	(3,090)	(3,415)	(4,250)
Proceeds & repay borrowings	1,709	264	323	300
Others	(3,084)	(1,900)	(1,803)	(1,907)
Net cash inflow (outflow)	**3,114**	**6,321**	**8,204**	**8,196**
Beginning cash & cash equivalent	**25,293**	**29,216**	**35,537**	**43,741**
Change due to forex impact	**810**	**0**	**0**	**0**
Ending cash & cash equivalent	**29,216**	**35,537**	**43,741**	**51,937**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	22.9	21.6	22.0	22.4
Pre-tax margin	18.3	15.5	17.6	18.4
Net margin	12.3	10.0	11.7	12.3
ROA	6.8	5.8	6.7	7.1
ROE	19.4	18.8	18.3	18.0
Growth				
Turnover	3.1	14.1	6.4	6.9
EBITDA	(1.7)	7.3	8.7	8.7
Pre-tax profit	19.3	(3.5)	20.9	11.7
Net profit	30.3	(7.5)	24.5	12.4
EPS	(3.4)	6.5	9.7	10.6
Leverage				
Debt to total capital (x)	0.4	0.4	0.4	0.4
Debt to equity (x)	1.0	0.9	0.9	0.9
Net debt/(cash) to equity (%)	36.1	29.1	17.4	8.2
Interest cover (x)	4.1	2.7	3.7	3.9

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