20-I-0043
September 18, 2020

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

PT Indofood CBP Sukses Makmur Tbk (security code: -)

<Assignment>

Foreign Currency Long-term Issuer Rating:	BBB+
Outlook:	Stable

Rationale

(1) PT Indofood CBP Sukses Makmur Tbk (the Company) is a leading Indonesian food manufacturer, with instant noodles as its main business. In addition to instant noodle products, it has many other brands as it operates a wide range of food businesses, including dairy, food seasonings, snack foods, nutrition and special foods, and beverages. The rating on the Company is supported by its solid business foundation and growth potential of profitability based on its high market share and brand power in the domestic market. The Company is also one of the core companies of the Salim Group, a major Indonesian conglomerate, benefiting from being a member of the group. On the other hand, the rating is constrained by the sovereign rating on Indonesia (Foreign Currency Long-term Issuer Rating: BBB+/Stable), given that the Company runs its business primarily in Indonesia. Home consumption in Indonesia has been growing under COVID-19 pandemic, which has contributed to the increased sales of the Company's products. In August 2020, it completed the acquisition of the Pinehill Group, which operates instant noodle business in the Middle East, Africa and South Eastern Europe. JCR holds that the Company's financial structure, which has worsened as a result of financing the acquisition, will improve moderately against the background of its high growth potential and ample cash flows. Based on the above, JCR has assigned BBB+ rating on the Company with Stable outlook.

(2) The Company is a subsidiary of PT Indofood Sukses Makmur Tbk ("Indofood"), which is engaged in all upstream and downstream operations in the food business ranging from raw material production to product processing and distribution. The Indofood Group has progressively transformed into a Total Food Solutions company with operations in all stages of food manufacturing. The Company can utilize the integrated system of Indofood, which gives it advantages in terms of production and marketing. The Company is one of the core entities of Indofood Group, which is managed by the Board of Directors led by Mr. Anthoni Salim, who serves as president director. As a listed company, it complies with the rules for intra-group transactions and JCR sees no risk of cash outflow to other group companies.

(3) The Company primarily operates in Indonesia, where the local sales in Indonesia recorded around 89% of its consolidated sales in FY2019. Its instant noodles have a market share of over 70% in Indonesia. The brand power and overwhelming market share of "Indomie" and other products give it strong sales capabilities. It has also built a constant business base for products other than noodles. Indonesia's food market is expected to keep growing on the back of economic growth and population growth, and the Company has ample room for expanding its profitability. The ample cash flows generated by its core noodle business have brought about its capacity for new product development and additional capital investment. Indonesia is a large island country, and the Company's production bases are scattered across the country. However, its production efficiency is high due to mass production and automation, and its profitability is improving year by year. Indonesia has numerous small-scale retail stores and delivery is a heavy burden for food manufacturers. However, the Company delivers its products to a huge number of stores with high frequency by using the distribution network of Indofood's distribution division. In addition, its strength lies in Halal certification, and it has an overwhelming power to develop a business base for instant noodles within the Islamic region.

(4) The Pinehill Group acquired by the Company, owns four subsidiaries, directly and/or indirectly, (PAFL, DUFIL, Sawaz and Adkoturk) which produce and sell mostly instant noodles in the Middle East, Africa and South Eastern Europe. PAFL has been operating in Kingdom of Saudi Arabia since 1995. DUFIL in Nigeria started its operation in 1990s whereas Ghana started its operation in 2014. Sawaz began operations in Egypt in 2010, foraying later into Kenya, Serbia, and Morocco. Adkoturk began operations in Turkey in 2015. PAFL, Sawaz and Adkoturk are consolidated

subsidiaries of the Pinehill Group while DUFIL is its equity-method affiliate. PAFL is the core earner, accounting for about 60% of the Pinehill Group's consolidated revenues. Prior to the acquisition, the Pinehill Group had already received an indirect investment from the Salim Group. The total investment for the acquisition was USD 2,998 million (approximately JPY 323 billion). The Pinehill Group sells instant noodles under the “Indomie” brand. Pinehill Group boasts a market share of 95% in Kingdom of Saudi Arabia and 70-80% in other regions. The per capita noodle consumption in other regions is lower than in Indonesia, which indicates that those regions has significant room for growth. However, JCR holds that Sawaz, consolidated subsidiary of the Pinehill Group, has comparatively high country risks in Egypt and Serbia. Thus future developments need to be kept monitored.

(5) Both the Company’s sales and profits have been on the constant rise. It reported IDR 42.3 trillion (approximately JPY 305 billion) in sales and IDR 7.4 trillion (approximately JPY 53 billion) in operating profit in FY2019. Noodles are the main source of its earnings, accounting for 66% of sales, though profitability of other businesses such as dairy products has also been improving. The impact of COVID-19 on the earnings of the Company has been limited partly because it is primarily engaged in food business. Indeed, demand for instant noodles has been rather growing, thanks to increased home consumption. In FY2020, the Company’s sales and profits are expected to increase in FY 2020 due to the effect of the acquisition. Its earnings growth is expected to accelerate further from FY2021. While its profitability is highly dependent on the noodle business, JCR does not believe that will pose a risk, given the strength of that business. Following the acquisition, the Company will be making about 80% of consolidated net sales and the remaining 20% will be from Pinehill Group coverages, reasonably reinforcing regional diversification of its business. On the other hand, the Company is being affected by growing competition from peers in businesses other than noodle. It is currently working to improve their profitability through a variety of measures in both sales promotion and cost control. These efforts have begun to take effect, and JCR will continue to watch their effect.

(6) The Company's equity-to-asset ratio excluding the minority interest stood at 65.4% and the debt-to-equity ratio excluding the minority interest stood at 0.1 at the end of FY2019, indicating that it was virtually debt-free and its financial structure was robust. Immediately after the transaction, its equity-to-asset ratio fell below 30% and DER rose above 1.0. Even considering the growth potential of the acquired company's cash flow generation capability, JCR holds that the Company will take time to restore its financial structure. Capital investment mainly by the acquired company may increase in line with the market growth in each region where it operates. However, the Company intends to conduct capital investment within the scope of its cash flow, and JCR sees little likelihood of additional investment impairing its financial soundness. On the other hand, a large amount of goodwill arises from the acquisition. Considering the acquired company's cash flow generation capacity and its geographical diversification, and in particular the fact that Kingdom of Saudi Arabia with a relatively low level of country risk accounts for the majority of the goodwill, JCR holds that the possibility of the Company incurring a significant impairment loss will be low. However, some caution is required.

Atsushi Masuda, Hajime Inoue, Shinichi Endo, Mariko Miura

Rating

Issuer: PT Indofood CBP Sukses Makmur Tbk

<Assignment>

Foreign Currency Long-term Issuer Rating: BBB+ Outlook: Stable

Rating Assignment Date: September 15, 2020

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of methodology for determination of the credit rating is shown as "JCR's Rating Methodology" (November 7, 2014) and "Foods" (July 13, 2011) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

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Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	PT Indofood CBP Sukses Makmur Tbk
Rating Publication Date:	September 18, 2020

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases
The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality
The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions
The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

  A) Audited financial statements presented by the rating stakeholders

  B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR received in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract
The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets
The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events
The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

https://www.jcr.co.jp/en/service/company/regu/nrsro/

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases
The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality
The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's parent company or subsidiaries, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

・ The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Toshihiko Naito
General Manager of International Rating Department

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