

PT. Indofood Sukses Makmur Tbk.

Consumer Goods

23 January 2024

Price	IDR.	6,425
Target	IDR.	9,800
JKSE Index		7,247.928



Stock code

Bloomberg code	INDF IJ
Market cap (in Bn)	56,414.2
52-week high	7,550
52-week low	6,050
Free Float (%)	49.93%

Major Share Holders (%)

First Pacific Company Limited	50.07%
Public	49.93%

USD/IDR-YE

2023	15,439
2024F (6m-avg)	15,482

Analyst:
Eka Rahmawati Rahman

Investment Considerations

BUY

Quarterly margin improvement

- INDF maintained a positive sales growth of +3.8% YoY in 9M2023, reaching IDR 83.88 trillion. This growth was primarily driven by stronger performances and improved margins from ICBP and the distribution business. In 3Q2023, INDF sales recorded a growth of +8.8% QoQ but slightly declined -0.8% YoY to IDR 27.8 trillion.
- ICBP witnessed a sales growth of +1.6% YoY, to IDR 16.99 trillion. ICBP's EBIT margin increased to 21.3% from 20.3% in 3Q2022, aligning with softer raw material prices (wheat and CPO prices).
- Distribution revenue showed a double digit growth of +23.1% YoY, reaching IDR 1.7 trillion, but with a lower EBIT margin of 5.7%. The Bogasari and agribusiness segments faced declines compared to last year (YoY) but recorded growth compared to 2Q2023 (QoQ), due to softened commodity prices, particularly wheat and CPO.
- Bogasari's sales decreased by -11% YoY but improved +4.9% QoQ, to IDR 7.37 trillion, and its EBIT margin improved QoQ to 8.1% from 7.2% in 2Q2023. This decline was attributed to lower wheat prices and some adjustments in selling price.
- Similarly, agribusiness sales declined by -1.2% YoY but improved +20.59% QoQ, to IDR 4.2 trillion, with the Agribusiness EBIT margin improving QoQ to 12.5%.
- Looking ahead to 2024, we expect an improvement in the agribusiness margin as CPO prices rebounded in early 2024. We also maintain an optimistic outlook for ICBP as a beneficiary of lower raw material prices. We expect INDF's top-line sales to reach IDR 123.3 trillion this year.

3Q2023: Higher forex loss

- INDF's net profit decreased -13.1% YoY or -11.6% QoQ to IDR 1.51 trillion, the decline was due to a higher forex loss of IDR 1.73 trillion in 3Q2023. This resulted in a lower net profit margin (NPM) of 5.5%. If we exclude forex, INDF profit still grew +6.2% YoY to IDR 3.25 trillion in 3Q2023.
- For 9M2023, INDF still booked +52.4% net profit growth to IDR 7 trillion with a higher NPM of 8.4%. If we exclude forex, INDF profit decreased -14.3% YoY to IDR 6,68 trillion in 9M2023.
- INDF gross profit reached IDR 8.87 trillion or +1.2% YoY as cost of sales declined -1.7% YoY. This resulted in a higher gross profit margin (GPM) of 31.9%.
- Taking into account the positive impact on margins from softer commodity prices and the growth in demand, we anticipate INDF's profit to reach IDR 10.6 trillion in 2024F.

Valuation: Maintain BUY with TP 9,800

- Our target for INDF is IDR 9,800, representing a potential upside of 51%, based on an 9x PE valuation over the next year. We maintain our BUY recommendation.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Net Sales (IDR Bn)	81.731	99.346	110.830	114.007	123.359
EBITDA (IDR Bn)	17.377	20.452	23.147	25.673	27.839
Net Profit (IDR Bn)	6.456	7.664	6.359	9.873	10.683
EPS (IDR)	735	873	724	1.124	1.217
GPM (%)	33%	33%	31%	32%	32%
OPM (%)	16%	17%	18%	18%	18%
PER (x)	9,3	7,2	8,8	8,7	8,1
PBV (x)	1,4	1,2	1,0	1,5	1,4
ROE (%)	15%	16%	12%	17%	17%
ROA (%)	4%	4%	4%	5%	6%

Table: INDF Performance QoQ and YoY

Income Statement (in IDR Bn)	2Q2023	3Q2023	QoQ	3Q2022	YoY	9M2022	9M2023	YoY
Net Sales	25.544	27.802	8,8%	28.034	-0,8%	80.822	83.888	3,8%
Cost of Sales	-17.724	-18.924	6,8%	-19.259	-1,7%	-55.743	-57.705	3,5%
Gross Profit	7.820	8.877	13,5%	8.775	1,2%	25.079	26.183	4,4%
Operating Expense	-3.930	-3.513	-10,6%	-3.418	2,8%	-10.894	-11.961	9,8%
Operating income	3.890	5.365	37,9%	5.358	0,1%	14.185	14.223	0,3%
Other Income	-625	-2.283	265,4%	-1.934	18,0%	-5.122	-1.403	-72,6%
PBT	3.265	3.082	-5,6%	3.423	-10,0%	9.063	12.820	41,4%
Taxes	-871	-755	-13,4%	-902	-16,3%	-2.379	-3.017	26,8%
NIAT	2.394	2.327	-2,8%	2.522	-7,7%	6.684	9.802	46,7%
Minority Interest	-678	-810	19,5%	-776	4,3%	-2.038	-2.720	33,5%
Net Profit	1.716	1.517	-11,6%	1.745	-13,1%	4.646	7.083	52,4%
Forex Gain / Loss	85	-1.739		-1.321		-3.150	402	
Core Profit (excl forex gain / loss)	1.631	3.256	99,6%	3.066	6,2%	7.796	6.681	-14,3%
EPS (in IDR)	195	173	-11,6%	199	-13,1%	529	807	52,4%
%								
GPM	30,6%	31,9%		31,3%		31,0%	31,2%	
OPM	15,2%	19,3%		19,1%		17,6%	17,0%	
NPM	6,7%	5,5%		6,2%		5,7%	8,4%	

Source: Company & Binaartha

Table: INDF Segment Analysis

	Sales (IDR Bn)		EBIT (IDR Bn)		EBIT Margin (%)	
	3Q2022	3Q2023	3Q2022	3Q2023	3Q2022	3Q2023
Consumer Branded Product	16.716	16.991	3.397	3.611	20,3%	21,3%
Bogasari	8.281	7.373	7.544	6.778	8,9%	8,1%
Agribusiness	4.315	4.264	806	534	18,7%	12,5%
Distribution	1.386	1.706	99	96	7,1%	5,7%

Source: Company & Binaartha

Table: Income Statement in IDR. Billion YoY

Income Statement (in IDR Bn)	2020 A	2021 A	2022 A	2023 F	2024 F
Net Sales	81.731	99.346	110.830	114.007	123.359
Cost of Sales	-54.979	-66.872	-76.859	-78.095	-84.501
Gross Profit	26.752	32.474	33.972	35.912	38.858
Operating Expense	-13.863	-15.559	-14.279	-15.391	-16.653
Operating income	12.889	16.915	19.693	20.521	22.205
Other Income	-463	-2.426	-7.374	-2.280	-2.467
PBT	12.426	14.489	12.319	18.241	19.737
Taxes	-3.674	-3.258	-3.126	-4.378	-4.737
NIAT	8.752	11.231	9.193	13.863	15.000
Minority Interest	-2.296	-3.567	-2.833	-3.990	-4.318
Net Profit	6.456	7.664	6.359	9.873	10.683
EPS (in IDR)	735	873	724	1.124	1.217
EBITDA	17.377	20.452	23.147	25.673	27.839

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (in IDR.bn)	2020A	2021A	2022A	2023F	2024F
+ Net Income	6.456	7.664	6359	9873	10683
+Depreciation	3.075	3.078	2829	3112	3261
- Change in WC	-134	8.804	-13903	3780	-5346
Cash From Operating Activities	9.396	19.545	-4715	16765	8598
Change on Non-current Asset	-62.998	-3.533	-3213	-4957	-8206
cash from investing activities	-62.998	-3.533	-3213	-4957	-8206
Long-term debt	29.618	5.890	4710	-5850	-147
Other Long term liabilities	9.095	-9.592	-946	-71	-56
equity	18.480	-170	632	-3820	-4348
cash from financing activities	57.193	-3.871	4395	-9742	-4551
Net Changes in Cash	3.591	12.141	-3532	2067	-4159
Beginning Balance	13.745	17.337	29478	25946	28013
Ending balance	17.337	29.478	25946	28013	23854

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (in IDR Bn)	2020A	2021A	2022A	2023F	2024F
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	17.337	29.478	25.946	28.013	23.854
Trade Accounts Receivable	7.452	8.464	8.281	9.376	10.280
Inventories	11.150	12.684	16.517	15.369	16.630
Others Current Assets	2.479	3.557	4.133	4.794	4.934
Total Current Assets	38.418	54.183	54.877	57.551	55.698
NONCURRENT ASSETS					
Fixed Assets	45.863	46.752	47.411	50.522	53.783
Long-term Investment	11.682	12.102	12.907	11.401	12.336
Goodwill	56.463	56.463	56.358	56.358	56.358
Other Noncurrent Assets	10.710	9.856	8.881	9.121	9.869
Total Noncurrent Assets	124.718	125.173	125.557	127.402	132.346
TOTAL ASSETS	163.136	179.356	180.433	184.953	188.044
LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Short-term Bank Loans	14.713	17.317	16.882	20.521	18.504
Trade Account Payable	6.155	6.983	5.372	5.472	4.934
Others Current Liabilities	7.108	16.103	8.471	9.121	8.635
Total Current Liabilities	27.976	40.403	30.726	35.114	32.073
NONCURRENT LIABILITIES					
Long-term debt	38.573	44.463	49.173	43.323	43.176
Others Noncurrent Liabilities	17.450	7.858	6.911	6.840	6.785
Total Noncurrent Liabilities	56.023	52.321	56.084	50.163	49.960
TOTAL LIABILITIES	83.998	92.724	86.810	85.277	82.034
Non-controlling interest	36.764	38.367	39.779	42.183	43.176
EQUITY	42.374	48.265	53.844	57.493	62.835
TOTAL LIABILITIES & EQUITY	163.136	179.356	180.433	184.953	188.044

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)					
Sales	6,7%	21,6%	11,6%	2,9%	8,2%
OP	31,1%	31,2%	16,4%	4,2%	8,2%
EBITDA	28,8%	17,7%	13,2%	10,9%	8,4%
NP	31,5%	18,7%	-17,0%	55,3%	8,2%
EPS	31,5%	18,7%	-17,0%	55,3%	8,2%
Profitability					
Gross Margin	32,7%	32,7%	30,7%	31,5%	31,5%
Operating Margin(%)	15,8%	17,0%	17,8%	18,0%	18,0%
EBITDA margin(%)	21,3%	20,6%	20,9%	22,5%	22,6%
NET Profit margin(%)	7,9%	7,7%	5,7%	8,7%	8,7%
ROA(%)	4,0%	4,3%	3,5%	5,3%	5,7%
ROE(%)	15,2%	15,9%	11,8%	17,2%	17,0%
Solvability (x)					
Tot. debt/ Tot.equity	1,98	1,92	1,61	1,48	1,31
Debt Ratio	1,94	1,93	2,08	2,17	2,29
Liquidity (x)					
Current Ratio	1,37	1,34	1,79	1,64	1,74
Cash Ratio	0,62	0,73	0,84	0,80	0,74
Per Share data					
EPS (IDR)	735	873	724	1.124	1.217
PER (x)	9,3	7,2	8,8	8,7	8,1
PBV (x)	1,4	1,2	1,0	1,5	1,4
EBITDA/share	1.979	2.329	2.636	2.924	3.171

Source: Company & Binaartha

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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