

PT. Indofood Sukses Makmur Tbk.

Consumer Goods

25 May 2023

Price	IDR.	6,950
Target	IDR.	9,400
JKSE Index		6,745.804



Bloomberg code	INDF JJ
Market cap (in Bn)	55,755.7
52-week high	7,250
52-week low	6,025
Free Float (%)	49.93%

Major Share Holders (%)

First Pacific Company Limited	50.07%
Public	49.93%

USD/IDR-YE

2022	15,592
2023F (6m-avg)	15,195

Analyst:
Eka Rahmawati Rahman

Investment Considerations

BUY

Strong performance from ICBP

- INDF maintained double-digit sales growth of +11.3% YoY or +1.8% QoQ to IDR 30.5 trillion with strong growth and improved margins from ICBP and the distribution business.
- ICBP sales grew by +9.4% YoY to IDR 18.5 trillion with ICBP's EBIT margin increasing to 22.3% from 19.5%, in line with softer raw material prices and a sales price hike.
- Distribution revenue increased by +38% YoY to IDR 1.96 trillion with a higher EBIT margin of 9.3%.
- Bogasari growth was +16.4% YoY or +3.3% QoQ to IDR 8.8 trillion while Bogasari's EBIT margin decreased to 5.7% from 1Q2022's 7.2% on lower wheat prices but was still on target for 5% - 7% in 2023F.
- Agribusiness sales declined by -1.7% YoY or -26.6% QoQ to IDR 4.01 trillion while the Agribusiness EBIT margin decreased to 11.6% due to lower CPO prices in 1Q2023.
- Volume growth was positive in 1Q2023, and we are expecting higher demand in 2Q2023. We expect INDF's top line sales will reach IDR 119.2 trillion which is +8% growth in 2023F.

1Q2023: Higher profit margin

- INDF's bottom line profit margin was lifted by ICBP's higher net, plus gains on forex from financing activities. INDF net profit increased +63.1% YoY or +124.7% QoQ to IDR 3.85 trillion with a higher NPM of 12.6% from 8.6% in 1Q2022.
- INDF booked +4.9% YoY growth of gross profit to IDR 9.48 trillion with a lower GPM of 31.1% due to a +14.4% higher cost of sales.
- Operating income decreased -4.5% YoY or -9.8% QoQ to IDR 4.97 trillion in 1Q2023 with a lower OPM of 16.3%.
- INDF's profit before tax increased to IDR 6.47 trillion with higher forex gains of IDR 2.05 trillion in 1Q2023.
- With the positive impact to margins from softer commodity prices and positive demand growth, we expect INDF's profit to reach IDR 9.68 trillion in 2023F or +52% growth.

Valuation: Maintain BUY with TP 9,400

- We are targeting INDF to reach IDR 4,400 or 35% upside, which is a 9x PE valuation within one year. Maintain BUY.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Net Sales (IDR Bn)	81.731	99.346	110.830	119.243	130.251
EBITDA (IDR Bn)	17.377	20.452	23.147	25.709	27.948
Net Profit (IDR Bn)	6.456	7.664	6.359	9.688	10.583
EPS (IDR)	735	873	724	1.103	1.205
GPM (%)	33%	33%	31%	32%	32%
OPM (%)	16%	17%	18%	19%	19%
PER (x)	9,3	7,2	8,8	8,5	7,8
PBV (x)	1,4	1,2	1,0	1,4	1,3
ROE (%)	15%	16%	12%	17%	17%
ROA (%)	4%	4%	4%	5%	6%

Source: Company and Binaartha

Table: INDF Performance QoQ and YoY

Income Statement (in IDR Bn)	1Q2022	1Q2023	YoY	4Q2022	QoQ
Net Sales	27.447	30.543	11,3%	30.009	1,8%
Cost of Sales	-18.405	-21.057	14,4%	-21.116	-0,3%
Gross Profit	9.042	9.486	4,9%	8.893	6,7%
Operating Expense	-3.837	-4.517	17,7%	-3.384	33,5%
Operating income	5.205	4.969	-4,5%	5.508	-9,8%
Other Income	-988	1.504		-2.253	
PBT	4.217	6.473	53,5%	3.256	98,8%
Taxes	-912	-1.391	52,6%	-747	86,3%
NIAT	3.305	5.082	53,7%	2.509	102,5%
Minority Interest	-946	-1.232	30,3%	-796	54,8%
Net Profit	2.360	3.850	63,1%	1.713	124,7%
EPS (in IDR)	269	438	63,1%	195	124,7%
%					
GPM	32,9%	31,1%		29,6%	
OPM	19,0%	16,3%		18,4%	
NPM	8,6%	12,6%		5,7%	

Source: Company & Binaartha

Table: INDF Segment Analysis

	Sales (IDR Bn)		EBIT (IDR Bn)		EBIT Margin (%)	
	1Q2022	1Q2023	1Q2022	1Q2023	1Q2022	1Q2023
Consumer Branded Product	16.948	18.541	3.311	4.130	19,5%	22,3%
Bogasari	7.036	8.318	542	501	7,2%	5,7%
Agribusiness	3.053	3.552	1.036	465	25,3%	11,6%
Distribution	1.322	1.785	105	183	7,4%	9,3%

Source: Company & Binaartha

Table: Income Statement in IDR. Billion YoY

Income Statement (in IDR Bn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F
Net Sales	76.594	81.731	99.346	110.830	119.243	130.251
Cost of Sales	-53.877	-54.979	-66.872	-76.859	-81.681	-89.222
Gross Profit	22.717	26.752	32.474	33.972	37.562	41.029
Operating Expense	-12.886	-13.863	-15.559	-14.279	-15.502	-16.933
Operating income	9.831	12.889	16.915	19.693	22.060	24.096
Other Income	-1.081	-463	-2.426	-7.374	-3.577	-3.908
PBT	8.750	12.426	14.489	12.319	18.483	20.189
Taxes	-2.847	-3.674	-3.258	-3.126	-4.621	-5.047
NIAT	5.903	8.752	11.231	9.193	13.862	15.142
Minority Interest	-995	-2.296	-3.567	-2.833	-4.174	-4.559
Net Profit	4.909	6.456	7.664	6.359	9.688	10.583
EPS (in IDR)	559	735	873	724	1.103	1.205
EBITDA	13.491	17.377	20.452	23.147	25.709	27.948

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (in IDR.bn)	2019A	2020A	2021A	2022A	2023F	2024F
+ Net Income	4.909	6.456	7.664	6359	9688	10583
+Depreciation	3.014	3.075	3.078	2829	3112	3261
- Change in WC	288	-134	8.804	-13903	-733	-5100
Cash From Operating Activities	8.211	9.396	19.545	-4715	12067	8744
Change on Non-current Asset	-4.544	-62.998	-3.533	-3213	-5899	-8504
cash from investing activities	-4.544	-62.998	-3.533	-3213	-5899	-8504
Long-term debt	1.465	29.618	5.890	4710	-6246	-2550
Other Long term liabilities	427	9.095	-9.592	-946	243	660
equity	-623	18.480	-170	632	-4158	128
cash from financing activities	1.269	57.193	-3.871	4395	-10160	-1761
Net Changes in Cash	4.936	3.591	12.141	-3532	-3992	-1520
Beginning Balance	8.809	13.745	17.337	29478	25946	21954
Ending balance	13.745	17.337	29.478	25946	21954	20433

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (in IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	13.745	17.337	29.478	25.946	21.954	20.433
Trade Accounts Receivable	5.964	7.452	8.464	8.281	9.806	10.854
Inventories	9.659	11.150	12.684	16.517	16.075	17.559
Others Current Assets	2.035	2.479	3.557	4.133	5.014	5.582
Total Current Assets	31.403	38.418	54.183	54.877	52.849	54.429
NONCURRENT ASSETS						
Fixed Assets	43.073	45.863	46.752	47.411	50.522	53.783
Long-term Investment	5.065	11.682	12.102	12.907	11.924	13.025
Goodwill	4.305	56.463	56.463	56.358	56.358	56.358
Other Noncurrent Assets	12.352	10.710	9.856	8.881	9.539	10.420
Total Noncurrent Assets	64.795	124.718	125.173	125.557	128.344	133.587
TOTAL ASSETS	96.198	163.136	179.356	180.433	181.193	188.016
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	11.989	14.713	17.317	16.882	17.886	16.933
Trade Account Payable	5.988	6.155	6.983	5.372	5.724	5.210
Others Current Liabilities	6.710	7.108	16.103	8.471	8.347	7.815
Total Current Liabilities	24.687	27.976	40.403	30.726	31.957	29.958
NONCURRENT LIABILITIES						
Long-term debt	8.955	38.573	44.463	49.173	42.927	40.378
Others Noncurrent Liabilities	8.354	17.450	7.858	6.911	7.155	7.815
Total Noncurrent Liabilities	17.309	56.023	52.321	56.084	50.082	48.193
TOTAL LIABILITIES	41.996	83.998	92.724	86.810	82.039	78.151
Non-controlling interest	16.425	36.764	38.367	39.779	41.753	47.173
EQUITY	37.778	42.374	48.265	53.844	57.401	62.692
TOTAL LIABILITIES & EQUITY	96.198	163.136	179.356	180.433	181.193	188.016

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2019A	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)						
Sales	4,4%	6,7%	21,6%	11,6%	7,6%	9,2%
OP	7,5%	31,1%	31,2%	16,4%	12,0%	9,2%
EBITDA	9,9%	28,8%	17,7%	13,2%	11,1%	8,7%
NP	17,9%	31,5%	18,7%	-17,0%	52,4%	9,2%
EPS	17,9%	31,5%	18,7%	-17,0%	52,4%	9,2%
Profitability						
Gross Margin	29,7%	32,7%	32,7%	30,7%	31,5%	31,5%
Operating Margin(%)	12,8%	15,8%	17,0%	17,8%	18,5%	18,5%
EBITDA margin(%)	17,6%	21,3%	20,6%	20,9%	21,6%	21,5%
NET Profit margin(%)	6,4%	7,9%	7,7%	5,7%	8,1%	8,1%
ROA(%)	5,1%	4,0%	4,3%	3,5%	5,3%	5,6%
ROE(%)	13,0%	15,2%	15,9%	11,8%	16,9%	16,9%
Solvability (x)						
Tot. debt/ Tot.equity	1,11	1,98	1,92	1,61	1,43	1,25
Debt Ratio	2,29	1,94	1,93	2,08	2,21	2,41
Liquidity (x)						
Current Ratio	1,27	1,37	1,34	1,79	1,65	1,82
Cash Ratio	0,56	0,62	0,73	0,84	0,69	0,68
Per Share data						
EPS (IDR)	559	735	873	724	1.103	1.205
PER (x)	14,2	9,3	7,2	8,8	8,5	7,8
PBV (x)	1,8	1,4	1,2	1,0	1,4	1,3
EBITDA/share	1.536	1.979	2.329	2.636	2.928	3.183

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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