

**PT. Indofood Sukses Makmur Tbk.**

Consumer Goods

31 August 2023

Price	IDR.	7,050
Target	IDR.	9,700
JKSE Index		6,966.656



Stock code

Bloomberg code	INDF IJ
Market cap (in Bn)	61,902.0
52-week high	7,550
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)	15,045

Analyst:  
Eka Rahmawati Rahman

Investment Considerations

**BUY**

Lower Bogasari and Agribusiness margins

- During 1H2023, INDF maintained a positive sales growth of +6.25% YoY, reaching IDR 56.08 trillion. This growth was primarily driven by strong performances and improved margins from ICBP and the distribution business. In 2Q2023, INDF sales recorded a slight growth of +0.8% YoY, amounting to IDR 25.54 trillion, while experiencing a decline of -16.4% QoQ.
- ICBP witnessed a sales growth of +3.2% YoY, totaling IDR 5.7 trillion. ICBP's EBIT margin increased to 20.5% from 13.7% in 2Q2023, aligning with softer raw material prices.
- Distribution revenue showed a positive increase of +13.3% YoY, reaching IDR 1.65 trillion, but with a lower EBIT margin of 4.8%.
- However, the Bogasari and agribusiness segments faced declines in 2Q2023 due to softened commodity prices, particularly wheat and CPO.
- Bogasari's sales decreased by -6.1% YoY or -20.3% QoQ, amounting to IDR 7.03 trillion, and its EBIT margin dropped to 7.2% from 8.9% in 2Q2022. This decline was attributed to lower wheat prices and some adjustments in selling price.
- Similarly, agribusiness sales declined by -9.1% YoY or -11.9% QoQ, totaling IDR 3.54 trillion, with the Agribusiness EBIT margin decreasing to 4.3% due to lower CPO prices.
- Looking ahead to 2H2023, we maintain an optimistic outlook due to anticipated higher demand. We expect INDF's top-line sales to reach IDR 117.6 trillion.

2Q2023: Yearly Improvement

- After gains from forex in 1Q2023 and slight gains in 2Q2023, INDF's net profit decreased slightly QoQ. However, it remained higher compared to 2Q2022, with +217% YoY growth to reach IDR 1.72 trillion in 2Q2023. The net profit margin (NPM) increased to 6.7%, up from last year's 2.1%.
- INDF achieved a +7.7% YoY growth in gross profit, reaching IDR 7.82 trillion, with a higher YoY gross profit margin (GPM) of 30.6%, attributed to a -2.0% reduction in cost of sales.
- Operating income also saw positive growth, increasing by +7.4% YoY or -21.7% QoQ to IDR 3.89 trillion in 2Q2023, accompanied by a higher operating profit margin (OPM) of 15.2%.
- 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 10.18 trillion in 2023F, reflecting a +60% growth.

Valuation: Maintain BUY with TP 9,700

- Our target for INDF is IDR 9,700, representing a potential upside of 37%, based on an 8x 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	117.625	128.721
EBITDA (IDR Bn)	17.377	20.452	23.147	26.389	28.908
Net Profit (IDR Bn)	6.456	7.664	6.359	10.186	11.147
EPS (IDR)	735	873	724	1.160	1.270
GPM (%)	33%	33%	31%	32%	32%
OPM (%)	16%	17%	18%	18%	18%
PER (x)	9,3	7,2	8,8	8,4	7,6
PBV (x)	1,4	1,2	1,0	1,5	1,3
ROE (%)	15%	16%	12%	18%	18%
ROA (%)	4%	4%	4%	5%	6%

Source: Company and Binaartha

**Table: INDF Performance QoQ and YoY**

Income Statement ( in IDR Bn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
<b>Net Sales</b>	<b>30.543</b>	<b>25.544</b>	<b>-16,4%</b>	<b>25.340</b>	<b>0,8%</b>	<b>52.787</b>	<b>56.087</b>	<b>6,3%</b>
Cost of Sales	-21.057	-17.724	-15,8%	-18.079	-2,0%	-36.484	-38.781	6,3%
<b>Gross Profit</b>	<b>9.486</b>	<b>7.820</b>	<b>-17,6%</b>	<b>7.262</b>	<b>7,7%</b>	<b>16.304</b>	<b>17.306</b>	<b>6,1%</b>
Operating Expense	-4.517	-3.930	-13,0%	-3.640	8,0%	-7.476	-8.448	13,0%
<b>Operating income</b>	<b>4.969</b>	<b>3.890</b>	<b>-21,7%</b>	<b>3.622</b>	<b>7,4%</b>	<b>8.827</b>	<b>8.858</b>	<b>0,4%</b>
Other Income	1.504	-625		-2.199		-3.188	880	
<b>PBT</b>	<b>6.473</b>	<b>3.265</b>	<b>-49,6%</b>	<b>1.423</b>	<b>129,5%</b>	<b>5.640</b>	<b>9.738</b>	<b>72,7%</b>
Taxes	-1.391	-871	-37,4%	-566	53,9%	-1.478	-2.262	53,1%
<b>NIAT</b>	<b>5.082</b>	<b>2.394</b>	<b>-52,9%</b>	<b>857</b>	<b>179,4%</b>	<b>4.162</b>	<b>7.476</b>	<b>79,6%</b>
Minority Interest	-1.232	-678	-45,0%	-316	114,7%	-1.261	-1.910	51,4%
<b>Net Profit</b>	<b>3.850</b>	<b>1.716</b>	<b>-55,4%</b>	<b>541</b>	<b>217,2%</b>	<b>2.901</b>	<b>5.566</b>	<b>91,9%</b>
<b>EPS (in IDR)</b>	<b>438</b>	<b>195</b>	<b>-55,4%</b>	<b>62</b>	<b>217,2%</b>	<b>330</b>	<b>634</b>	<b>91,9%</b>
<b>%</b>								
<b>GPM</b>	<b>31,1%</b>	<b>30,6%</b>		<b>28,7%</b>		<b>30,9%</b>	<b>30,9%</b>	
<b>OPM</b>	<b>16,3%</b>	<b>15,2%</b>		<b>14,3%</b>		<b>16,7%</b>	<b>15,8%</b>	
<b>NPM</b>	<b>12,6%</b>	<b>6,7%</b>		<b>2,1%</b>		<b>5,5%</b>	<b>9,9%</b>	

Source: Company &amp; Binaartha

**Table: INDF Segment Analysis**

	Sales (IDR Bn)		EBIT (IDR Bn)		EBIT Margin (%)	
	2Q2022	2Q2023	2Q2022	2Q2023	2Q2022	2Q2023
<b>Consumer Branded Product</b>	15.249	15.738	2.088	3.229	13,7%	20,5%
<b>Bogasari</b>	7.486	7.026	665	509	8,9%	7,2%
<b>Agribusiness</b>	3.893	3.537	480	152	12,3%	4,3%
<b>Distribution</b>	1.455	1.648	141	80	9,7%	4,8%

Source: Company &amp; 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
<b>Net Sales</b>	<b>76.594</b>	<b>81.731</b>	<b>99.346</b>	<b>110.830</b>	<b>117.625</b>	<b>128.721</b>
Cost of Sales	-53.877	-54.979	-66.872	-76.859	-80.573	-88.174
<b>Gross Profit</b>	<b>22.717</b>	<b>26.752</b>	<b>32.474</b>	<b>33.972</b>	<b>37.052</b>	<b>40.547</b>
Operating Expense	-12.886	-13.863	-15.559	-14.279	-15.879	-17.377
<b>Operating income</b>	<b>9.831</b>	<b>12.889</b>	<b>16.915</b>	<b>19.693</b>	<b>21.173</b>	<b>23.170</b>
Other Income	-1.081	-463	-2.426	-7.374	-2.353	-2.574
<b>PBT</b>	<b>8.750</b>	<b>12.426</b>	<b>14.489</b>	<b>12.319</b>	<b>18.820</b>	<b>20.595</b>
Taxes	-2.847	-3.674	-3.258	-3.126	-4.517	-4.943
<b>NIAT</b>	<b>5.903</b>	<b>8.752</b>	<b>11.231</b>	<b>9.193</b>	<b>14.303</b>	<b>15.652</b>
Minority Interest	-995	-2.296	-3.567	-2.833	-4.117	-4.505
<b>Net Profit</b>	<b>4.909</b>	<b>6.456</b>	<b>7.664</b>	<b>6.359</b>	<b>10.186</b>	<b>11.147</b>
<b>EPS (in IDR)</b>	<b>559</b>	<b>735</b>	<b>873</b>	<b>724</b>	<b>1.160</b>	<b>1.270</b>
<b>EBITDA</b>	<b>13.491</b>	<b>17.377</b>	<b>20.452</b>	<b>23.147</b>	<b>26.389</b>	<b>28.908</b>

Source: Company &amp; 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	10186	11147
+Depreciation	3.075	3.078	2829	3112	3261
- Change in WC	-134	8.804	-13903	2781	-5992
<b>Cash From Operating Activities</b>	<b>9.396</b>	<b>19.545</b>	<b>-4715</b>	<b>16079</b>	<b>8416</b>
Change on Non-current Asset	-62.998	-3.533	-3213	-5608	-8519
<b>cash from investing activities</b>	<b>-62.998</b>	<b>-3.533</b>	<b>-3213</b>	<b>-5608</b>	<b>-8519</b>
Long-term debt	29.618	5.890	4710	-4475	355
Other Long term liabilities	9.095	-9.592	-946	146	666
equity	18.480	-170	632	-4973	-142
<b>cash from financing activities</b>	<b>57.193</b>	<b>-3.871</b>	<b>4395</b>	<b>-9302</b>	<b>879</b>
<b>Net Changes in Cash</b>	<b>3.591</b>	<b>12.141</b>	<b>-3532</b>	<b>1169</b>	<b>776</b>
<b>Beginning Balance</b>	<b>13.745</b>	<b>17.337</b>	<b>29478</b>	<b>25946</b>	<b>27115</b>
<b>Ending balance</b>	<b>17.337</b>	<b>29.478</b>	<b>25946</b>	<b>27115</b>	<b>27890</b>

Source: Company &amp; Binaartha

**Table: Statement of Financial Position in IDR. Billion YoY**

Statement of Financial Position (in IDR Bn)	2020A	2021A	2022A	2023F	2024F
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	17.337	29.478	25.946	27.115	27.890
Trade Accounts Receivable	7.452	8.464	8.281	9.673	10.726
Inventories	11.150	12.684	16.517	15.857	17.353
Others Current Assets	2.479	3.557	4.133	4.946	5.517
<b>Total Current Assets</b>	<b>38.418</b>	<b>54.183</b>	<b>54.877</b>	<b>57.591</b>	<b>61.486</b>
<b>NONCURRENT ASSETS</b>					
Fixed Assets	45.863	46.752	47.411	50.522	53.783
Long-term Investment	11.682	12.102	12.907	11.763	12.872
Goodwill	56.463	56.463	56.358	56.358	56.358
Other Noncurrent Assets	10.710	9.856	8.881	9.410	10.298
<b>Total Noncurrent Assets</b>	<b>124.718</b>	<b>125.173</b>	<b>125.557</b>	<b>128.053</b>	<b>133.311</b>
<b>TOTAL ASSETS</b>	<b>163.136</b>	<b>179.356</b>	<b>180.433</b>	<b>185.644</b>	<b>194.798</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Short-term Bank Loans	14.713	17.317	16.882	21.173	19.308
Trade Account Payable	6.155	6.983	5.372	5.646	5.149
Others Current Liabilities	7.108	16.103	8.471	8.234	7.723
<b>Total Current Liabilities</b>	<b>27.976</b>	<b>40.403</b>	<b>30.726</b>	<b>35.052</b>	<b>32.180</b>
<b>NONCURRENT LIABILITIES</b>					
Long-term debt	38.573	44.463	49.173	44.698	45.052
Others Noncurrent Liabilities	17.450	7.858	6.911	7.058	7.723
<b>Total Noncurrent Liabilities</b>	<b>56.023</b>	<b>52.321</b>	<b>56.084</b>	<b>51.755</b>	<b>52.776</b>
<b>TOTAL LIABILITIES</b>	<b>83.998</b>	<b>92.724</b>	<b>86.810</b>	<b>86.807</b>	<b>84.956</b>
Non-controlling interest	36.764	38.367	39.779	41.186	46.618
<b>EQUITY</b>	<b>42.374</b>	<b>48.265</b>	<b>53.844</b>	<b>57.650</b>	<b>63.223</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>163.136</b>	<b>179.356</b>	<b>180.433</b>	<b>185.644</b>	<b>194.797</b>

Source: Company &amp; Binaartha

**Table: Ratio Highlights YoY**

	2020A	2021A	2022A	2023F	2024F
<b>Growth (% YoY)</b>					
Sales	6,7%	21,6%	11,6%	6,1%	9,4%
OP	31,1%	31,2%	16,4%	7,5%	9,4%
EBITDA	28,8%	17,7%	13,2%	14,0%	9,5%
NP	31,5%	18,7%	-17,0%	60,2%	9,4%
EPS	31,5%	18,7%	-17,0%	60,2%	9,4%
<b>Profitability</b>					
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%	22,4%	22,5%
NET Profit margin(%)	7,9%	7,7%	5,7%	8,7%	8,7%
ROA(%)	4,0%	4,3%	3,5%	5,5%	5,7%
ROE(%)	15,2%	15,9%	11,8%	17,7%	17,6%
<b>Solvability (x)</b>					
Tot. debt/ Tot.equity	1,98	1,92	1,61	1,51	1,34
Debt Ratio	1,94	1,93	2,08	2,14	2,29
<b>Liquidity (x)</b>					
Current Ratio	1,37	1,34	1,79	1,64	1,91
Cash Ratio	0,62	0,73	0,84	0,77	0,87
<b>Per Share data</b>					
EPS (IDR)	735	873	724	1.160	1.270
PER (x)	9,3	7,2	8,8	8,4	7,6
PBV (x)	1,4	1,2	1,0	1,5	1,3
EBITDA/share	1.979	2.329	2.636	3.005	3.292

Source: Company &amp; 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**.

**RESEARCH TEAM**  
**(62 21) 520 6678 ext. 611**

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