

PT. Indofood Sukses Makmur Tbk.

BUY

Consumer Goods

15 December 2021

Price	IDR.	6,450
Target	IDR.	9,140
JKSE Index		6,662.871



Stock code

Bloomberg code	INDF JJ
Market cap (in Bn)	57,950
52-week high	7,075
52-week low	5,750
6-m avg.dail.val (IDR)	6,376
Free Float (%)	49.93%

Major Share Holders (%)

First Pacific Company Limited	50.07%
Public	49.93%

USD/IDR-YE

2020	14,175
2021F (6m-avg)	14,487

Analyst:
Eka Rahmawati Rahman

Investment Considerations

Highest sales QoQ

- In 3Q2021, INDF booked sales of IDR 25.5 trillion, +31.6% YoY and +12.2% QoQ, the highest quarterly growth rate in 2021. For 9M2021, INDF's sales grew +24% YoY to IDR 72.9 trillion.
- ICBP and Agribusiness enjoyed the fastest growth.
- Consumer Branded Products (ICBP) recorded growth of +32.7% YoY or +9.4% QoQ to IDR 14.5 with a slightly lower EBIT margin of 17.8% from 18.2% last year from a higher cost of goods sold.
- Agribusiness had double-digit growth of +51% YoY and +25% QoQ to IDR 5.19 trillion and the EBIT margin jumped from 10% last year to 16.7% in 3Q2021 due to higher CPO prices.
- Bogasari also booked double-digit sales growth to IDR 6.56 trillion up +17.6% YoY and 9.7% QoQ but with a lower EBIT margin of 6.3% from 8.5% last year.
- Distribution growth was also strong at +19% from a year ago, +9% QoQ to IDR 1.3 trillion.
- We expect a strong sales performance in 2021, with double-digit growth of +17.7% YoY to IDR 96.2 trillion.

Higher profit

- INDF 3Q2021 net profit grew +117.2% from a year ago and +16% QoQ to IDR 1.97 trillion with a higher net profit margin of 7.7% from 4.7% last year with lower finance expenses and higher gains from JVs.
- For 9M2021, INDF net profit reached IDR 5.4 trillion, up +44% YoY with a higher NPM of 7.4% from 6.4% last year.
- Operating income grew +25% YoY, +4.5% QoQ to IDR 3.7 trillion in 3Q2021 with a lower OPM, 15.5% vs 14.7%. But the OPM in 9M021 was higher at 16.8% from 14.7% because of higher operating profit growth of 41.8% YoY to IDR 12.2 trillion.
- INDF's gross profit grew +28.5% YoY or +11% QoQ to IDR 8.1 trillion with a stable GPM of 32%.
- We believe INDF will maintain a good performance in 2021, and we expect double-digit growth in profit of +23% YoY to IDR 7.9 trillion.

Valuation: Maintain BUY with TP 9,140

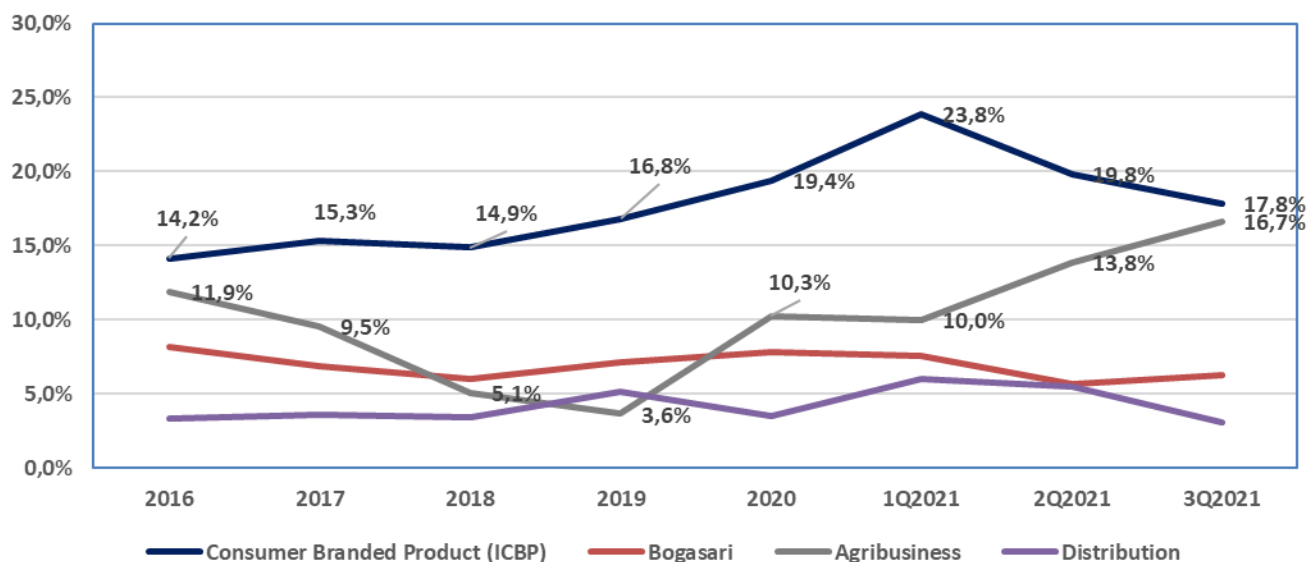
- As we expect a better INDF performance in 2021, We are targeting INDF to reach IDR 9,140 or 33% upside, which is an 8x PE valuation within one year. Maintain BUY.

Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Net Sales (IDR Bn)	70.187	73.393	76.594	81.731	96.201	112.344
EBITDA (IDR Bn)	11.602	12.274	13.491	17.377	20.831	24.020
Net Profit (IDR Bn)	4.156	4.165	4.909	6.456	7.937	9.690
EPS (IDR)	473	474	559	735	904	1.104
GPM (%)	28%	28%	30%	33%	33%	33%
OPM (%)	12%	12%	13%	16%	17%	18%
ROE (%)	13%	12%	13%	15%	17%	19%
ROA (%)	5%	4%	5%	4%	5%	5%

Table: INDF Performance QoQ and YoY

Income Statement (in IDR Bn)										
	1Q2021	2Q2021	3Q2020	3Q2021	YoY	QoQ	9M2020	9M2021	YoY	
Net Sales	24.555	22.738	19.391	25.516	31,6%	12,2%	58.776	72.808	23,9%	
Cost of Sales	-16.027	-15.367	-13.041	-17.357	33,1%	12,9%	-39.946	-48.750	22,0%	
Gross Profit	8.528	7.371	6.350	8.159	28,5%	10,7%	18.830	24.058	27,8%	
Operating Expense	-3.622	-3.790	-3.354	-4.413	31,6%	16,4%	-10.204	-11.825	15,9%	
Operating income	4.906	3.581	2.996	3.746	25,0%	4,6%	8.626	12.233	41,8%	
Other Income	-1.418	-381	-1.207	119	-109,8%	-131,1%	-1.876	-1.680	-10,5%	
PBT	3.489	3.199	1.789	3.865	116,0%	20,8%	6.749	10.553	56,4%	
Taxes	-863	-784	-525	-905	72,5%	15,4%	-2.020	-2.552	26,3%	
NIAT	2.626	2.415	1.265	2.960	134,0%	22,6%	4.729	8.002	69,2%	
Minority Interest	-897	-711	-355	-984	177,2%	38,3%	-976	-2.592	165,4%	
Net Profit	1.729	1.704	910	1.977	117,2%	16,0%	3.753	5.410	44,2%	
EPS (in IDR)	197	194	104	225	117,2%	16,0%	427	616	44,2%	
%										
GPM	34,7%	32,4%	32,7%	32,0%			32,0%	33,0%		
OPM	20,0%	15,7%	15,5%	14,7%			14,7%	16,8%		
NPM	7,0%	7,5%	4,7%	7,7%			6,4%	7,4%		

Source: Company & Binaartha

Chart: EBIT Margin by Segment YoY


Source: Company & Binaartha

Table: Income Statement in IDR. Billion YoY

Income Statement (in IDR Bn)	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
Net Sales	70.187	73.393	76.594	81.731	96.201	112.344
Cost of Sales	-50.417	-53.183	-53.877	-54.979	-64.455	-75.270
Gross Profit	19.770	20.210	22.717	26.752	31.746	37.073
Operating Expense	-11.086	-11.069	-12.886	-13.863	-15.392	-17.413
Operating income	8.684	9.142	9.831	12.889	16.354	19.660
Other Income	-1.089	-1.696	-1.081	-463	-1.924	-2.247
PBT	7.595	7.446	8.750	12.426	14.430	17.413
Taxes	-2.498	-2.485	-2.847	-3.674	-3.608	-4.353
NIAT	5.097	4.960	5.903	8.752	10.823	13.060
Minority Interest	-941	-796	-995	-2.296	-2.886	-3.370
Net Profit	4.156	4.165	4.909	6.456	7.937	9.690
EPS (in IDR)	473	474	559	735	904	1.104
EBITDA	11.602	12.274	13.491	17.377	20.831	24.020

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (in IDR.bn)	2017A	2018A	2019A	2020A	2021F	2022F
+ Net Income	4.156	4.165	4.909	6.456	7.937	9.690
+Depreciation	2.521	2.806	3.014	3.075	3.062	3.302
- Change in WC	-1.217	4.361	288	-134	8.979	-145
Cash From Operating Activities	5.461	11.332	8.211	9.396	19.977	12.847
capex	-4.785	-10.619	-4.544	-62.998	-8.078	-10.615
cash from investing activities	-4.785	-10.619	-4.544	-62.998	-8.078	-10.615
Long-term debt	-281	-4.118	1.465	29.618	-2.017	-607
Other Long term liabilities	927	-126	427	9.095	-9.272	-313
equity	-995	-1.351	-623	18.480	-1.458	1.612
cash from financing activities	-348	-5.594	1.269	57.193	-12.747	693
Net Changes in Cash	328	-4.881	4.936	3.591	-847	2.924
Beginning Balance	13.362	13.690	8.809	13.745	17.337	16.490
Ending balance	13.690	8.809	13.745	17.337	16.490	19.414

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (in IDR Bn)	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	13.690	8.809	13.745	17.337	16.490	19.414
Trade Accounts Receivable	6.852	6.573	5.964	7.452	7.696	7.864
Inventories	9.798	11.644	9.659	11.150	14.430	16.852
Others Current Assets	2.609	6.247	2.035	2.479	6.253	6.741
Total Current Assets	32.948	33.273	31.403	38.418	44.869	50.870
NONCURRENT ASSETS						
Fixed Assets	39.492	42.388	43.073	45.863	48.925	52.227
Long-term Investment	3.588	4.171	5.065	11.682	11.544	12.358
Goodwill	3.969	4.321	4.305	56.463	57.721	60.666
Other Noncurrent Assets	8.404	12.385	12.352	10.710	11.544	11.796
Total Noncurrent Assets	55.453	63.265	64.795	124.718	129.734	137.047
TOTAL ASSETS	88.401	96.538	96.198	163.136	174.603	187.917
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	12.074	21.631	11.989	14.713	20.202	20.222
Trade Account Payable	5.466	5.501	5.988	6.155	4.810	5.617
Others Current Liabilities	4.097	4.072	6.710	7.108	19.240	21.345
Total Current Liabilities	21.638	31.204	24.687	27.976	44.253	47.184
NONCURRENT LIABILITIES						
Long-term debt	11.607	7.490	8.955	38.573	36.557	35.950
Others Noncurrent Liabilities	8.053	7.927	8.354	17.450	8.177	7.864
Total Noncurrent Liabilities	19.660	15.417	17.309	56.023	44.734	43.814
TOTAL LIABILITIES	41.298	46.621	41.996	83.998	88.986	90.998
Non-controlling interest	15.800	16.303	16.425	36.764	38.481	44.937
EQUITY	31.302	33.614	37.778	42.374	47.136	51.981
TOTAL LIABILITIES & EQUITY	88.401	96.538	96.198	163.136	174.603	187.917

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)						
Sales	5,1%	4,6%	4,4%	6,7%	17,7%	16,8%
OP	4,8%	5,3%	7,5%	31,1%	26,9%	20,2%
EBITDA	29,5%	5,8%	9,9%	28,8%	19,9%	15,3%
NP	0,3%	0,2%	17,9%	31,5%	22,9%	22,1%
EPS	0,3%	0,2%	17,9%	31,5%	22,9%	22,1%
Profitability						
Gross Margin	28,2%	27,5%	29,7%	32,7%	33,0%	33,0%
Operating Margin(%)	12,4%	12,5%	12,8%	15,8%	17,0%	17,5%
EBITDA margin(%)	16,5%	16,7%	17,6%	21,3%	21,7%	21,4%
NET Profit margin(%)	5,9%	5,7%	6,4%	7,9%	8,3%	8,6%
ROA(%)	4,7%	4,3%	5,1%	4,0%	4,5%	5,2%
ROE(%)	13,3%	12,4%	13,0%	15,2%	16,8%	18,6%
Solvability (x)						
Tot. debt/ Tot.equity	1,32	1,39	1,11	1,98	1,89	1,75
Debt Ratio	2,14	2,07	2,29	1,94	1,96	2,07
Liquidity (x)						
Current Ratio	1,52	1,07	1,27	1,37	1,01	1,08
Cash Ratio	0,63	0,28	0,56	0,62	0,37	0,41
Per Share data (IDR)						
EPS	473	474	559	735	904	1.104
BV	3.565	3.828	4.303	4.826	5.368	5.920
EBITDA/share	1.321	1.398	1.536	1.979	2.372	2.736

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**.

RESEARCH TEAM
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