

PT. Indofood Sukses Makmur Tbk.

Consumer Goods

16 Desember 2022

Price	IDR.	6,975
Target	IDR.	9,490
JKSE Index		6,751.860



Stock code

Bloomberg code	INDF IJ
Market cap (in Bn)	61,243.5
52-week high	7,250
52-week low	5,725
6-m avg.dail.val (IDR)	6,025
Free Float (%)	49.93%

Major Share Holders (%)

First Pacific Company Limited	50.07%
Public	49.93%

USD/IDR-YE

2021	14,310
2022F (6m-avg)	15,450

Analyst:

Eka Rahmawati Rahman

Investment Considerations

BUY

Margin improvements

- In 3Q2022, INDF maintained double-digit sales growth of +10% YoY +11% QoQ to IDR 28 trillion with the margins showing an improvement.
- Bogasari growth was +26% YoY or +11% QoQ to IDR 8.2 trillion due to higher prices and flat sales volume. While COGS increased by +22.6% YoY, Bogasari's EBIT jumped +78.4% with a higher EBIT margin of 8.9%.
- ICBP sales grew by +15.3% YoY to IDR 16.7 trillion with ICBP's EBIT margin increasing to 20.3%, in line with softer raw material prices and a sales price hike.
- Distribution revenue increased by +5% YoY but was lower QoQ by -3% to IDR 1.39 trillion with a higher EBIT margin of 7.1%.
- Agribusiness sales declined by -17% YoY but were higher QoQ by +11% to IDR 4.3 trillion due to higher prices in 3Q2022. Agribusiness EBIT decreased by -6.8% YoY to IDR 806 billion while the EBIT margin improved from 16.7% last year to 18.7%.
- With higher prices, we expect INDF's top line sales will reach IDR 121.4 trillion which is +10% growth in 2023F.

3Q2022: Triple digit QoQ profit growth

- INDF's net profit jumped +222% QoQ but still lower +12% QoQ to IDR 1.75 trillion due to higher ASP and lower commodity price in 3Q2022. The NPM also increased to 6.2% from 2.1% compared to 2Q2022.
- INDF's profit before tax also increased +141% QoQ to IDR 3.4 trillion with higher finance expenses, +14% YoY and higher forex losses of IDR 1.31 trillion in 3Q2022 after a gain last year.
- Operating income increased +43% YoY or +484% QoQ to IDR 5.35 trillion in 3Q2022 with a higher OPM from 14.3% in 3Q2021 to 19.1%.
- Despite the pressure from forex losses and higher financial costs continue in 3Q2022, while the higher ASP and an improvement in all sector's margin shown in 3Q2022, we expect INDF's profit to reach IDR 8.2 trillion in 2023F.

Valuation: Maintain BUY with TP 9.490

- We are targeting INDF to reach IDR 9.490 or 36% upside, which is an 10x PE valuation within one year. Maintain BUY.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Sales (IDR Bn)	70.187	73.393	76.594	81.731	99.346	110.420	121.397
EBITDA (IDR Bn)	11.602	12.274	13.491	17.377	20.419	19.374	20.864
Net Profit (IDR Bn)	4.156	4.165	4.909	6.456	7.642	7.478	8.221
EPS (IDR)	473	474	559	735	870	852	936
GPM (%)	28%	28%	30%	33%	33%	32%	32%
OPM (%)	12%	12%	13%	16%	17%	19%	19%
PER (x)	16,1	15,7	14,2	9,3	7,3	7,3	10,1
PBV (x)	2,1	1,9	1,8	1,4	1,2	1,0	1,5
ROE (%)	13%	12%	13%	15%	16%	14%	15%
ROA (%)	5%	4%	5%	4%	4%	4%	4%

Table: INDF Performance QoQ and YoY

Income Statement (in IDR Bn)	1Q2022	2Q2022	3Q2022	QoQ	3Q2021	YoY	9M2021	9M2022	YoY
Net Sales	27.447	25.340	28.034	10,6%	25.516	9,9%	72.808	80.822	11,0%
Cost of Sales	-18.405	-18.079	-19.259	6,5%	-17.357	11,0%	-48.750	-55.743	14,3%
Gross Profit	9.042	7.262	8.775	20,8%	8.159	7,6%	24.058	25.079	4,2%
Operating Expense	-3.837	-3.640	-3.418	-6,1%	-4.413	-22,5%	-11.825	-10.894	-7,9%
Operating income	5.205	3.622	5.358	47,9%	3.746	43,0%	12.233	14.185	16,0%
Other Income	-988	-2.199	-1.934	-12,1%	119	-1730,2%	-1.680	-5.122	204,9%
PBT	4.217	1.423	3.423	140,6%	3.865	-11,4%	10.553	9.063	-14,1%
Taxes	-912	-566	-902	59,3%	-905	-0,3%	-2.552	-2.379	-6,7%
NIAT	3.305	857	2.522	194,3%	2.960	-14,8%	8.002	6.684	-16,5%
Minority Interest	-946	-316	-776	145,9%	-984	-21,1%	-2.592	-2.038	-21,4%
Net Profit	2.360	541	1.745	222,6%	1.977	-11,7%	5.410	4.646	-14,1%
EPS (in IDR)	269	62	199	222,6%	225	-11,7%	616	529	-14,1%
%									
GPM	32,9%	28,7%	31,3%		32,0%		33,0%	31,0%	
OPM	19,0%	14,3%	19,1%		14,7%		16,8%	17,6%	
NPM	8,6%	2,1%	6,2%		7,7%		7,4%	5,7%	

Source: Company & Binaartha

Table: INDF Segment Analysis

	Sales (IDR Bn)		EBIT (IDR Bn)		EBIT Margin (%)	
	3Q2021	3Q2022	3Q2021	3Q2022	3Q2021	3Q2022
Consumer Branded Product	14.496	16.716	2.586	3.397	17,8%	20,3%
Bogasari	6.568	8.281	413	737	6,3%	8,9%
Agribusiness	5.192	4.315	865	806	16,7%	18,7%
Distribution	1.322	1.386	40	99	3,1%	7,1%

Source: Company & Binaartha

Table: Income Statement in IDR. Billion YoY

Income Statement (in IDR Bn)	2017 A	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Net Sales	70.187	73.393	76.594	81.731	99.346	110.420	121.397
Cost of Sales	-50.417	-53.183	-53.877	-54.979	-66.882	-75.638	-83.157
Gross Profit	19.770	20.210	22.717	26.752	32.464	34.782	38.240
Operating Expense	-11.086	-11.069	-12.886	-13.863	-15.582	-14.355	-15.782
Operating income	8.684	9.142	9.831	12.889	16.882	20.428	22.458
Other Income	-1.089	-1.696	-1.081	-463	-2.426	-6.956	-7.648
PBT	7.595	7.446	8.750	12.426	14.456	13.471	14.810
Taxes	-2.498	-2.485	-2.847	-3.674	-3.253	-3.233	-3.554
NIAT	5.097	4.960	5.903	8.752	11.204	10.238	11.256
Minority Interest	-941	-796	-995	-2.296	-3.561	-2.760	-3.035
Net Profit	4.156	4.165	4.909	6.456	7.642	7.478	8.221
EPS (in IDR)	473	474	559	735	870	852	936
EBITDA	11.602	12.274	13.491	17.377	20.419	19.374	20.864

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (in IDR.bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
+ Net Income	4.156	4.165	4.909	6.456	7.642	7.478	8.221
+Depreciation	2.521	2.806	3.014	3.075	3.078	3.145	3.370
- Change in WC	-1.217	4.361	288	-134	8.804	-8.229	1.393
Cash From Operating Activities	5.461	11.332	8.211	9.396	19.524	2.394	12.984
Change on Non-current Asset	-4.785	-10.619	-4.544	-62.998	-3.533	-8.072	-6.671
cash from investing activities	-4.785	-10.619	-4.544	-62.998	-3.533	-8.072	-6.671
Long-term debt	-281	-4.118	1.465	29.618	5.890	3.017	-3.778
Other Long term liabilities	927	-126	427	9.095	-9.592	-680	107
equity	-995	-1.351	-623	18.480	-148	-3.594	-267
cash from financing activities	-348	-5.594	1.269	57.193	-3.850	-1.256	-3.938
Net Changes in Cash	328	-4.881	4.936	3.591	12.141	-6.935	2.374
Beginning Balance	13.362	13.690	8.809	13.745	17.337	29.478	22.544
Ending balance	13.690	8.809	13.745	17.337	29.478	22.544	24.918

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (in IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	13.690	8.809	13.745	17.337	29.478	22.544	24.918
Trade Accounts Receivable	6.852	6.573	5.964	7.452	8.464	9.358	10.288
Inventories	9.798	11.644	9.659	11.150	12.684	15.151	16.007
Others Current Assets	2.609	6.247	2.035	2.479	3.557	4.748	5.220
Total Current Assets	32.948	33.273	31.403	38.418	54.183	51.800	56.432
NONCURRENT ASSETS							
Fixed Assets	39.492	42.388	43.073	45.863	46.752	49.897	53.266
Long-term Investment	3.588	4.171	5.065	11.682	12.102	13.250	12.140
Goodwill	3.969	4.321	4.305	56.463	56.463	56.463	56.463
Other Noncurrent Assets	8.404	12.385	12.352	10.710	9.856	10.490	11.533
Total Noncurrent Assets	55.453	63.265	64.795	124.718	125.173	130.100	133.402
TOTAL ASSETS	88.401	96.538	96.198	163.136	179.356	181.900	189.834
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	12.074	21.631	11.989	14.713	17.317	19.876	21.851
Trade Account Payable	5.466	5.501	5.988	6.155	6.983	6.901	7.587
Others Current Liabilities	4.097	4.072	6.710	7.108	16.103	9.949	10.938
Total Current Liabilities	21.638	31.204	24.687	27.976	40.403	36.726	40.377
NONCURRENT LIABILITIES							
Long-term debt	11.607	7.490	8.955	38.573	44.463	47.481	43.703
Others Noncurrent Liabilities	8.053	7.927	8.354	17.450	7.858	7.177	7.284
Total Noncurrent Liabilities	19.660	15.417	17.309	56.023	52.321	54.658	50.987
TOTAL LIABILITIES	41.298	46.621	41.996	83.998	92.724	91.384	91.364
Non-controlling interest	15.800	16.303	16.425	36.764	38.367	38.663	42.507
EQUITY	31.302	33.614	37.778	42.374	48.265	51.853	55.963
TOTAL LIABILITIES & EQUITY	88.401	96.538	96.198	163.136	179.356	181.900	189.834

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)							
Sales	5,1%	4,6%	4,4%	6,7%	21,6%	11,1%	9,9%
OP	4,8%	5,3%	7,5%	31,1%	31,0%	21,0%	9,9%
EBITDA	29,5%	5,8%	9,9%	28,8%	17,5%	-5,1%	7,7%
NP	0,3%	0,2%	17,9%	31,5%	18,4%	-2,2%	9,9%
EPS	0,3%	0,2%	17,9%	31,5%	18,4%	-2,2%	9,9%
Profitability							
Gross Margin	28,2%	27,5%	29,7%	32,7%	32,7%	31,5%	31,5%
Operating Margin(%)	12,4%	12,5%	12,8%	15,8%	17,0%	18,5%	18,5%
EBITDA margin(%)	16,5%	16,7%	17,6%	21,3%	20,6%	17,5%	17,2%
NET Profit margin(%)	5,9%	5,7%	6,4%	7,9%	7,7%	6,8%	6,8%
ROA(%)	4,7%	4,3%	5,1%	4,0%	4,3%	4,1%	4,3%
ROE(%)	13,3%	12,4%	13,0%	15,2%	15,8%	14,4%	14,7%
Solvability (x)							
Tot. debt/ Tot.equity	1,32	1,39	1,11	1,98	1,92	1,76	1,63
Debt Ratio	2,14	2,07	2,29	1,94	1,93	1,99	2,08
Liquidity (x)							
Current Ratio	1,52	1,07	1,27	1,37	1,34	1,41	1,40
Cash Ratio	0,63	0,28	0,56	0,62	0,73	0,61	0,62
Per Share data							
EPS (IDR)	473	474	559	735	870	852	936
PER (x)	16,1	15,7	14,2	9,3	7,3	7,3	10,1
PBV (x)	2,1	1,9	1,8	1,4	1,2	1,0	1,5
EBITDA/share	1.321	1.398	1.536	1.979	2.326	2.207	2.376

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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