

PT. Indofood Sukses Makmur Tbk.

BUY

Consumer Goods

23 July 2021

Price IDR. 6,525
Target IDR. 8,680
JKSE Index 6,137.547



Stock code

Bloomberg code INDF II
Market cap (in Bn) 57,730
52-week high 8,000
52-week low 5,750
6-m avg. dail. val (IDR) 6,420
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

Strong Performance from ICBP and Agribusiness

- INDF performance was strong in 1Q2021 as sales increased +27% YoY to IDR 24.5 trillion, boosted by ICBP and Agribusiness.
- Consumer Branded Products (ICBP) recorded growth of +27% YoY and is still the largest contributor at 59%, of total sales with IDR 24.5 trillion. EBIT margin was higher at 23.8% in 1Q2021 from 17.7% in 1Q2020.
- Bogasari contributed 25% of total sales, or IDR 6.02 trillion which is growth of +10.5% YoY, and Bogasari's EBIT margin slightly decreased to 7.6% from 10%.
- Agribusiness contributed 19% to total sales with strong growth of 40% to IDR 4.69 billion. Agribusiness EBIT margin also doubled from 5% to 10%.
- Distribution also recorded growth of +19% to IDR 1.33 trillion.
- The acquisition of Pinehill Company Limited by ICBP has expanded INDF's market, which can be seen from the increases of Middle East and Africa sales +311% and Other Asia markets, +84%.
- We expect a better sales performance in 2021, with double-digit growth of +17% YoY to IDR 95.2 trillion

1Q2021: Double-Digit Growth

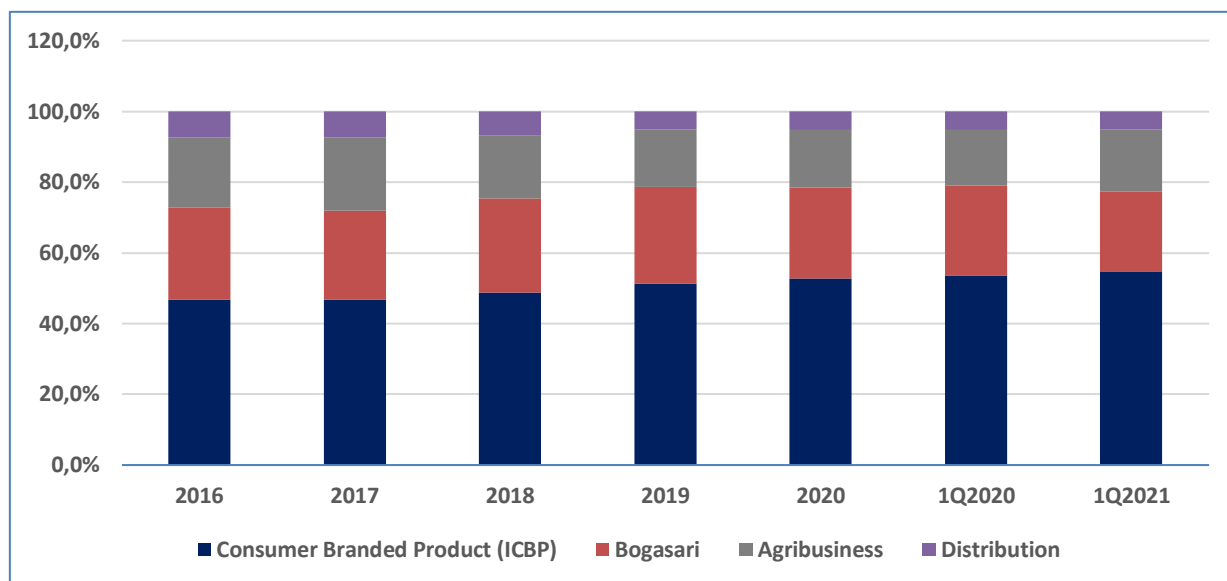
- INDF 1Q2021 net profit grew +23% to IDR 1.7 trillion with a stable net profit margin of 7%.
- INDF's gross profit growth was higher at +36% YoY to IDR 8.5 trillion. This resulted in a higher GPM of 35%.
- Operating income also increased by +43% YoY to IDR 4.9 trillion, with a higher OPM from 17.8% to 20%.
- INDF's financial expenses increased +50.8% YoY, but profit before taxes still increased +42% YoY to IDR 3.48 trillion.
- We believe the strong 1Q2021 performance will continue throughout 2021, and we expect double-digit growth in INDF's profit of +22% YoY to IDR 7.86 trillion

Valuation: BUY with TP 8,680

- As we expect better INDF's performance in 2021, We are targeting INDF to reach IDR 8,680 or 33% upside, which is an 9x PE valuation within one year. Maintain BUY.

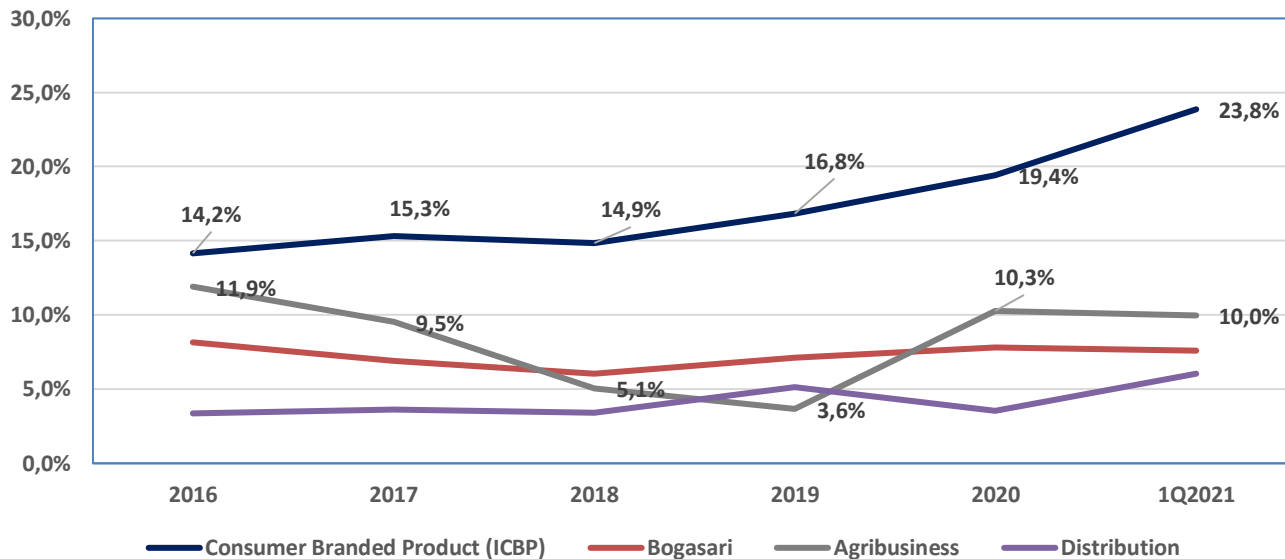
Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Net Sales (IDR Bn)	70.187	73.393	76.594	81.731	95.281	107.121
EBITDA (IDR Bn)	11.602	12.274	13.491	17.377	20.540	22.395
Net Profit (IDR Bn)	4.156	4.165	4.909	6.456	7.861	8.837
EPS (IDR)	473	474	559	735	895	1.006
GPM (%)	28%	28%	30%	33%	35%	35%
OPM (%)	12%	12%	13%	16%	18%	18%
ROE (%)	13%	12%	13%	15%	16%	16%
ROA (%)	5%	4%	5%	4%	4%	5%

Chart: Revenue by Segment YoY



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	95.281	107.121
Cost of Sales	-50.417	-53.183	-53.877	-54.979	-61.932	-69.629
Gross Profit	19.770	20.210	22.717	26.752	33.348	37.492
Operating Expense	-11.086	-11.069	-12.886	-13.863	-16.198	-18.211
Operating income	8.684	9.142	9.831	12.889	17.151	19.282
Other Income	-1.089	-1.696	-1.081	-463	-2.858	-3.214
PBT	7.595	7.446	8.750	12.426	14.292	16.068
Taxes	-2.498	-2.485	-2.847	-3.674	-3.573	-4.017
NIAT	5.097	4.960	5.903	8.752	10.719	12.051
Minority Interest	-941	-796	-995	-2.296	-2.858	-3.214
Net Profit	4.156	4.165	4.909	6.456	7.861	8.837
EPS (in IDR)	473	474	559	735	895	1.006
EBITDA	11.602	12.274	13.491	17.377	20.540	22.395

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	7.861	8.837
+Depreciation	2.521	2.806	3.014	3.075	3.062	3.302
- Change in WC	-1.217	4.361	288	-134	-1.387	-683
Cash From Operating Activities	5.461	11.332	8.211	9.396	9.536	11.457
capex	-4.785	-10.619	-4.544	-62.998	-9.210	-8.217
cash from investing activities	-4.785	-10.619	-4.544	-62.998	-9.210	-8.217
Long-term debt	-281	-4.118	1.465	29.618	-461	-3.834
Other Long term liabilities	927	-126	427	9.095	1.607	-2.988
equity	-995	-1.351	-623	18.480	-224	2.969
cash from financing activities	-348	-5.594	1.269	57.193	922	-3.853
Net Changes in Cash	328	-4.881	4.936	3.591	1.248	-614
Beginning Balance	13.362	13.690	8.809	13.745	17.337	18.585
Ending balance	13.690	8.809	13.745	17.337	18.585	17.971

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (in IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	13.362	13.690	8.809	13.745	17.337	18.585	17.971
Trade Accounts Receivable	5.204	6.852	6.573	5.964	7.452	8.485	9.310
Inventories	8.470	9.798	11.644	9.659	11.150	13.358	15.034
Others Current Assets	1.949	2.609	6.247	2.035	2.479	4.268	5.003
Total Current Assets	28.985	32.948	33.273	31.403	38.418	44.696	47.318
NONCURRENT ASSETS							
Fixed Assets	25.702	39.492	42.388	43.073	45.863	48.925	52.227
Long-term Investment	3.276	3.588	4.171	5.065	11.682	11.434	11.783
Goodwill	3.977	3.969	4.321	4.305	56.463	59.074	59.988
Other Noncurrent Assets	20.235	8.404	12.385	12.352	10.710	11.434	11.783
Total Noncurrent Assets	53.189	55.453	63.265	64.795	124.718	130.866	135.782
TOTAL ASSETS	82.174	88.401	96.538	96.198	163.136	175.563	183.100
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	5.698	12.074	21.631	11.989	14.713	16.033	17.139
Trade Account Payable	4.760	5.466	5.501	5.988	6.155	7.297	7.927
Others Current Liabilities	8.762	4.097	4.072	6.710	7.108	8.289	9.105
Total Current Liabilities	19.219	21.638	31.204	24.687	27.976	31.619	34.172
NONCURRENT LIABILITIES							
Long-term debt	11.888	11.607	7.490	8.955	38.573	38.112	34.279
Others Noncurrent Liabilitie	7.126	8.053	7.927	8.354	17.450	19.056	16.068
Total Noncurrent Liabilities	19.014	19.660	15.417	17.309	56.023	57.168	50.347
TOTAL LIABILITIES	38.233	41.298	46.621	41.996	83.998	88.787	84.518
Non-controlling interest	14.967	15.800	16.303	16.425	36.764	38.112	42.848
EQUITY	28.974	31.302	33.614	37.778	42.374	48.663	55.733
TOTAL LIABILITIES & EQUITY	82.174	88.401	96.538	96.198	163.136	175.562	183.099

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)						
Sales	5,1%	4,6%	4,4%	6,7%	16,6%	12,4%
OP	4,8%	5,3%	7,5%	31,1%	33,1%	12,4%
EBITDA	29,5%	5,8%	9,9%	28,8%	18,2%	9,0%
NP	0,3%	0,2%	17,9%	31,5%	21,8%	12,4%
EPS	0,3%	0,2%	17,9%	31,5%	21,8%	12,4%
Profitability						
Gross Margin	28,2%	27,5%	29,7%	32,7%	35,0%	35,0%
Operating Margin(%)	12,4%	12,5%	12,8%	15,8%	18,0%	18,0%
EBITDA margin(%)	16,5%	16,7%	17,6%	21,3%	21,6%	20,9%
NET Profit margin(%)	5,9%	5,7%	6,4%	7,9%	8,3%	8,3%
ROA(%)	4,7%	4,3%	5,1%	4,0%	4,5%	4,8%
ROE(%)	13,3%	12,4%	13,0%	15,2%	16,2%	15,9%
Solvability (x)						
Tot. debt/ Tot.equity	1,32	1,39	1,11	1,98	1,82	1,52
Debt Ratio	2,14	2,07	2,29	1,94	1,98	2,17
Liquidity (x)						
Current Ratio	1,52	1,07	1,27	1,37	1,41	1,38
Cash Ratio	0,63	0,28	0,56	0,62	0,59	0,53
Per Share data (IDR)						
EPS	473	474	559	735	895	1.006
BV	3.565	3.828	4.303	4.826	5.542	6.347
EBITDA/share	1.321	1.398	1.536	1.979	2.339	2.551

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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