

PT. Indofood Sukses Makmur Tbk.

BUY

Consumer Goods

2 September 2021

Price IDR. 6,350
Target IDR. 8,600

JKSE Index 6,090.933



Stock code

Bloomberg code INDF IJ
Market cap (in Bn) 55,760
52-week high 8,000
52-week low 5,750
6-m avg.dail.val (IDR) 6,414
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

Growth on the track

- INDF's sales increased +13.2% YoY to IDR 22.7trillion in 2Q2021 but were -7.4% QoQ lower compared to 1Q2021. ICBP and Agribusiness were still the fastest growing in 2Q2021. For 1H2021, INDF booked sales of IDR 47.3 trillion, up 20% YoY. The result is in line with our estimate (98%).
- Consumer Branded Products (ICBP) recorded growth of +16.8% YoY and is still the largest contributor to total sales at 53.8%. EBIT margin was also slightly higher at 19.8%.
- Agribusiness EBIT margin jumped from 1.6% last year to 13.8% in 2Q2021, with double-digit growth of 15% to IDR 4.16 billion.
- Bogasari booked sales of IDR 5.98 trillion up +6.5% YoY with an improved EBIT margin of 5.6% from 3.8%.
- Distribution recorded growth of +2.4% to IDR 1.21trillion.
- We expect a better sales performance in 2021, with double-digit growth of +17.7% YoY to IDR 96.2 trillion.

Margin up YoY, but lower QoQ

- INDF 2Q2021 net profit grew +18.4% to IDR 1.7 trillion but was slightly lower -1.4% QoQ with a higher net profit margin of 7.5% from 7% in 1Q2021.
- For 1H2021, INDF net profit reached IDR 3.4 trillion, up 21% YoY with a stable NPM of 7.2%.
- Operating income growth was faster at +63% YoY to IDR 3.58 trillion in 2Q2021 from lower financial expenses compared to 1Q2021, and with a higher OPM from 10.9% to 15.75%. The OPM in 1H2021 was also higher at 18%.
- INDF's gross profit growth was faster at +19% YoY to IDR 7.37 trillion. This resulted in a higher GPM of 32.4%.
- For 1H2021, INDF's financial expenses increased +171% YoY, but profit before taxes still increased +34.8% YoY to IDR 6.68 trillion.
- We believe INDF will maintain a good performance throughout 2021, and we expect double-digit growth in INDF's profit of +12% YoY to IDR 7.2 trillion.

Valuation: Maintain BUY with TP 8,600

- As we expect a better INDF performance in 2021, We are targeting INDF to reach IDR 8,600 or 35.4% upside, which is an 9x PE valuation within one year. Maintain BUY.

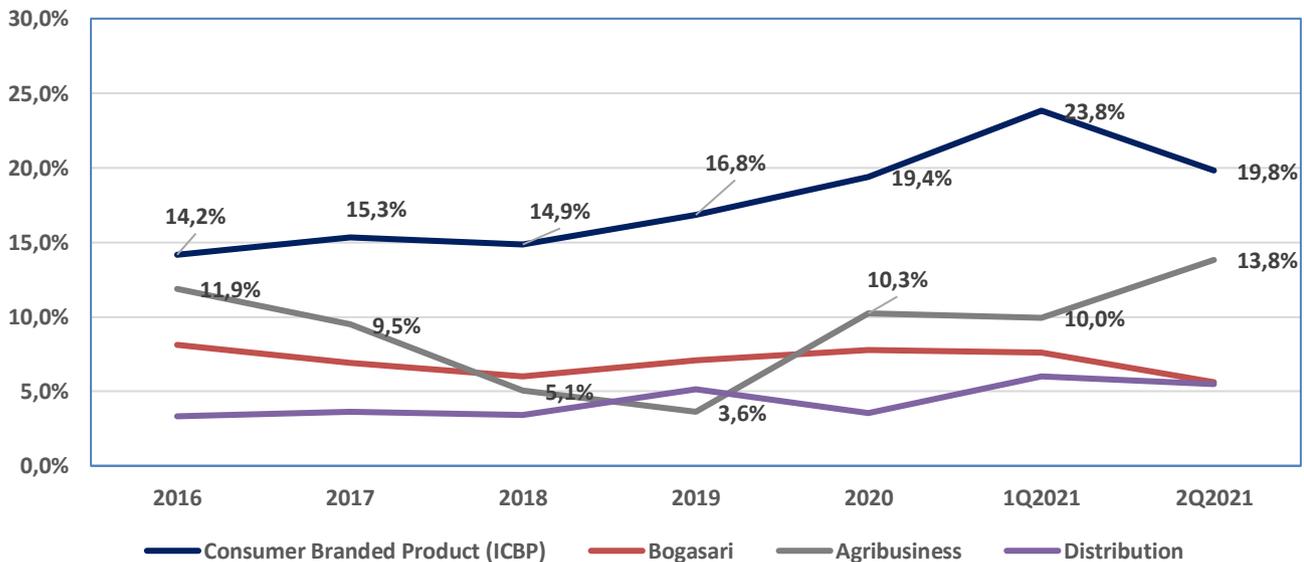
Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Net Sales (IDR Bn)	70.187	73.393	76.594	81.731	96.201	112.344
EBITDA (IDR Bn)	11.602	12.274	13.491	17.377	19.633	22.203
Net Profit (IDR Bn)	4.156	4.165	4.909	6.456	7.215	8.426
EPS (IDR)	473	474	559	735	822	960
GPM (%)	28%	28%	30%	33%	34%	34%
OPM (%)	12%	12%	13%	16%	17%	17%
ROE (%)	13%	12%	13%	15%	15%	17%
ROA (%)	5%	4%	5%	4%	4%	5%

Source: Company and Binaartha

Table: INDF Performance QoQ and YoY

Income Statement (in IDR Bn)	1Q2021	2Q2021	QoQ	1H2020	1H2021	YoY
Net Sales	24.555	22.738	-7,4%	39.385	47.293	20,1%
Cost of Sales	-16.027	-15.367	-4,1%	-26.905	-31.393	16,7%
Gross Profit	8.528	7.371	-13,6%	12.479	15.899	27,4%
Operating Expense	-3.622	-3.790	4,6%	-6.850	-7.412	8,2%
Operating income	4.906	3.581	-27,0%	5.629	8.487	50,8%
Other Income	-1.418	-381	-73,1%	-669	-1.799	168,7%
PBT	3.489	3.199	-8,3%	4.960	6.688	34,8%
Taxes	-863	-784	-9,1%	-1.496	-1.647	10,1%
NIAT	2.626	2.415	-8,0%	3.464	5.041	45,5%
Minority Interest	-897	-711	-20,7%	-622	-1.608	158,7%
Net Profit	1.729	1.704	-1,4%	2.843	3.433	20,8%
EPS (in IDR)	197	194	-1,4%	324	391	20,8%
%						
GPM	34,7%	32,4%		31,7%	33,6%	
OPM	20,0%	15,7%		14,3%	17,9%	
NPM	7,0%	7,5%		7,2%	7,3%	

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	-63.493	-74.147
Gross Profit	19.770	20.210	22.717	26.752	32.708	38.197
Operating Expense	-11.086	-11.069	-12.886	-13.863	-16.354	-19.098
Operating income	8.684	9.142	9.831	12.889	16.354	19.098
Other Income	-1.089	-1.696	-1.081	-463	-2.886	-3.370
PBT	7.595	7.446	8.750	12.426	13.468	15.728
Taxes	-2.498	-2.485	-2.847	-3.674	-3.367	-3.932
NIAT	5.097	4.960	5.903	8.752	10.101	11.796
Minority Interest	-941	-796	-995	-2.296	-2.886	-3.370
Net Profit	4.156	4.165	4.909	6.456	7.215	8.426
EPS (in IDR)	473	474	559	735	822	960
EBITDA	11.602	12.274	13.491	17.377	19.633	22.203

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	7.215	8.426
+Depreciation	2.521	2.806	3.014	3.075	3.062	3.302
- Change in WC	-1.217	4.361	288	-134	8.524	-27
Cash From Operating Activities	5.461	11.332	8.211	9.396	18.801	11.701
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	810
equity	-995	-1.351	-623	18.480	-1.169	2.244
cash from financing activities	-348	-5.594	1.269	57.193	-12.458	2.448
Net Changes in Cash	328	-4.881	4.936	3.591	-1.735	3.534
Beginning Balance	13.362	13.690	8.809	13.745	17.337	15.602
Ending balance	13.690	8.809	13.745	17.337	15.602	19.135

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	15.602	19.135
Trade Accounts Receivable	6.852	6.573	5.964	7.452	8.177	8.987
Inventories	9.798	11.644	9.659	11.150	12.987	14.605
Others Current Assets	2.609	6.247	2.035	2.479	4.810	5.393
Total Current Assets	32.948	33.273	31.403	38.418	41.576	48.120
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	171.310	185.167
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	12.074	21.631	11.989	14.713	16.188	17.975
Trade Account Payable	5.466	5.501	5.988	6.155	6.927	7.864
Others Current Liabilities	4.097	4.072	6.710	7.108	18.278	18.537
Total Current Liabilities	21.638	31.204	24.687	27.976	41.393	44.376
NONCURRENT LIABILITIES						
Long-term debt	11.607	7.490	8.955	38.573	36.557	35.950
Others Noncurrent Liabilitie	8.053	7.927	8.354	17.450	8.177	8.987
Total Noncurrent Liabilities	19.660	15.417	17.309	56.023	44.734	44.937
TOTAL LIABILITIES	41.298	46.621	41.996	83.998	86.126	89.313
Non-controlling interest	15.800	16.303	16.425	36.764	38.481	44.937
EQUITY	31.302	33.614	37.778	42.374	46.703	50.916
TOTAL LIABILITIES & EQUITY	88.401	96.538	96.198	163.136	171.310	185.167

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%	16,8%
EBITDA	29,5%	5,8%	9,9%	28,8%	13,0%	13,1%
NP	0,3%	0,2%	17,9%	31,5%	11,8%	16,8%
EPS	0,3%	0,2%	17,9%	31,5%	11,8%	16,8%
Profitability						
Gross Margin	28,2%	27,5%	29,7%	32,7%	34,0%	34,0%
Operating Margin(%)	12,4%	12,5%	12,8%	15,8%	17,0%	17,0%
EBITDA margin(%)	16,5%	16,7%	17,6%	21,3%	20,4%	19,8%
NET Profit margin(%)	5,9%	5,7%	6,4%	7,9%	7,5%	7,5%
ROA(%)	4,7%	4,3%	5,1%	4,0%	4,2%	4,6%
ROE(%)	13,3%	12,4%	13,0%	15,2%	15,4%	16,5%
Solvability (x)						
Tot. debt/ Tot.equity	1,32	1,39	1,11	1,98	1,84	1,75
Debt Ratio	2,14	2,07	2,29	1,94	1,99	2,07
Liquidity (x)						
Current Ratio	1,52	1,07	1,27	1,37	1,00	1,08
Cash Ratio	0,63	0,28	0,56	0,62	0,38	0,43
Per Share data (IDR)						
EPS	473	474	559	735	822	960
BV	3.565	3.828	4.303	4.826	5.319	5.799
EBITDA/share	1.321	1.398	1.536	1.979	2.236	2.529

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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