

**PT. Indofood Sukses Makmur Tbk.**

**BUY**

Consumer Goods

6 September 2022

Price	IDR.	6,350
Target	IDR.	8,790
JKSE Index		7,233.155



**Stock code**

Bloomberg code	INDF IJ
Market cap (in Bn)	55,575
52-week high	7,250
52-week low	5,725
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**

2021	14,310
2022F (6m-avg)	14,984

Analyst:  
Eka Rahmawati Rahman

**Investment Considerations**

**Growth from Bogasari and Distribution**

- In 2Q2022, INDF recorded double digit sales growth of +11.4% YoY but a decline of -7.7% QoQ to IDR 25.3 trillion with Bogasari recording the fastest growth.
- Bogasari growth was +25% YoY but -1.2% QoQ to IDR 7.48 trillion. From higher raw material prices, COGS increased +20.7% YoY, so Bogasari EBIT increased only +8.9% due to a higher wheat price in 1H2022.
- Distribution revenue increased +20% to IDR 1.45 trillion with a higher EBIT margin of 9.7%.
- ICBP grew +15% YoY to IDR 15.2 trillion while ICBP's EBIT margin decreased to 13.2% from 19.8% last year from higher raw material prices.
- Agribusiness sales declined by -6.6% YoY or -4.8% QoQ to IDR 3.89 trillion in 2Q2022 due to lower sales and production volumes from unfavorable weather conditions. Agribusiness EBIT decreased by -16.8% YoY to IDR 480 billion in line with an EBIT margin decrease from 13.8% last year to 12.3%.
- CPO and wheat prices were higher in 1H2022, but we expect they will not rise higher than the current price as we expect supply and demand in the market to normalize.

**2Q2022: Pressure from forex and financial cost**

- Despite INDF recording higher sales growth, higher financial costs and forex losses put pressure on 2Q2022. INDF's net profit which decreased -68.3% YoY or -77% QoQ to IDR 541 billion. The NPM also declined to 2.1% from 7.5% last year.
- INDF's profit before tax also decreased -55.5% YoY to IDR 1.42 trillion with higher finance expenses, +7% YoY and higher forex losses of IDR 1.55 trillion after forex gains last year.
- Operating income still grew slightly +1.2% YoY but declined -30.4% QoQ to IDR 3.62 trillion in 2Q2022 with a lower OPM from 15.7% in 2Q2021 to 14.3% in 1Q2022.
- Due to the pressure from forex losses and higher financial costs in 1H2022, we revise down our INDF bottom line profit forecast for 2022F. We now expect INDF's profit to reach IDR 8 trillion or +5% YoY growth in 2022F.

**Valuation: Maintain BUY with TP 8,790**

- We are targeting INDF to reach IDR 8,790 or 38% upside, which is an 8x 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	113.953	130.267
EBITDA (IDR Bn)	11.602	12.274	13.491	17.377	20.419	19.525	23.025
Net Profit (IDR Bn)	4.156	4.165	4.909	6.456	7.642	8.022	10.174
EPS (IDR)	473	474	559	735	870	914	1.159
GPM (%)	28%	28%	30%	33%	33%	31%	31%
OPM (%)	12%	12%	13%	16%	17%	17%	17%
ROE (%)	13%	12%	13%	15%	16%	15%	18%
ROA (%)	5%	4%	5%	4%	4%	4%	5%

**Table: INDF Performance QoQ and YoY**

Income Statement ( in IDR Bn)	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
<b>Net Sales</b>	<b>27.447</b>	<b>25.340</b>	<b>-7,7%</b>	<b>47.293</b>	<b>52.787</b>	<b>11,6%</b>	<b>22.738</b>	<b>11,4%</b>
Cost of Sales	-18.405	-18.079	-1,8%	-31.393	-36.484	16,2%	-15.367	17,6%
<b>Gross Profit</b>	<b>9.042</b>	<b>7.262</b>	<b>-19,7%</b>	<b>15.899</b>	<b>16.304</b>	<b>2,5%</b>	<b>7.371</b>	<b>-1,5%</b>
Operating Expense	-3.837	-3.640	-5,1%	-7.412	-7.476	0,9%	-3.790	-4,0%
<b>Operating income</b>	<b>5.205</b>	<b>3.622</b>	<b>-30,4%</b>	<b>8.487</b>	<b>8.827</b>	<b>4,0%</b>	<b>3.581</b>	<b>1,2%</b>
Other Income	-988	-2.199	122,5%	-1.799	-3.188	77,2%	-381	477,0%
<b>PBT</b>	<b>4.217</b>	<b>1.423</b>	<b>-66,3%</b>	<b>6.688</b>	<b>5.640</b>	<b>-15,7%</b>	<b>3.199</b>	<b>-55,5%</b>
Taxes	-912	-566	-37,9%	-1.647	-1.478	-10,3%	-784	-27,8%
<b>NIAT</b>	<b>3.305</b>	<b>857</b>	<b>-74,1%</b>	<b>5.041</b>	<b>4.162</b>	<b>-17,4%</b>	<b>2.415</b>	<b>-64,5%</b>
Minority Interest	-946	-316	-66,6%	-1.608	-1.261	-21,6%	-711	-55,6%
<b>Net Profit</b>	<b>2.360</b>	<b>541</b>	<b>-77,1%</b>	<b>3.433</b>	<b>2.901</b>	<b>-15,5%</b>	<b>1.704</b>	<b>-68,3%</b>
<b>EPS (in IDR)</b>	<b>269</b>	<b>62</b>	<b>-77,1%</b>	<b>391</b>	<b>330</b>	<b>-15,5%</b>	<b>194</b>	<b>-68,3%</b>
<b>%</b>								
<b>GPM</b>	<b>32,9%</b>	<b>28,7%</b>		<b>33,6%</b>	<b>30,9%</b>		<b>32,4%</b>	
<b>OPM</b>	<b>19,0%</b>	<b>14,3%</b>		<b>17,9%</b>	<b>16,7%</b>		<b>15,7%</b>	
<b>NPM</b>	<b>8,6%</b>	<b>2,1%</b>		<b>7,3%</b>	<b>5,5%</b>		<b>7,5%</b>	

Source: Company &amp; Binaartha

**Table: INDF Segment Analysis**

	Sales (IDR Bn)		EBIT (IDR Bn)		EBIT Margin (%)	
	2Q2021	2Q2022	2Q2021	2Q2022	2Q2021	2Q2022
<b>Consumer Branded Product</b>	13.252	15.249	2.627	2.088	19,8%	13,7%
<b>Bogasari</b>	5.987	7.486	337	665	5,6%	8,9%
<b>Agribusiness</b>	4.166	3.893	577	480	13,8%	12,3%
<b>Distribution</b>	1.211	1.455	66	141	5,5%	9,7%

Source: Company &amp; 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
<b>Net Sales</b>	<b>70.187</b>	<b>73.393</b>	<b>76.594</b>	<b>81.731</b>	<b>99.346</b>	<b>113.953</b>	<b>130.267</b>
Cost of Sales	-50.417	-53.183	-53.877	-54.979	-66.882	-78.627	-89.884
<b>Gross Profit</b>	<b>19.770</b>	<b>20.210</b>	<b>22.717</b>	<b>26.752</b>	<b>32.464</b>	<b>35.325</b>	<b>40.383</b>
Operating Expense	-11.086	-11.069	-12.886	-13.863	-15.582	-15.953	-18.237
<b>Operating income</b>	<b>8.684</b>	<b>9.142</b>	<b>9.831</b>	<b>12.889</b>	<b>16.882</b>	<b>19.372</b>	<b>22.145</b>
Other Income	-1.089	-1.696	-1.081	-463	-2.426	-5.698	-5.211
<b>PBT</b>	<b>7.595</b>	<b>7.446</b>	<b>8.750</b>	<b>12.426</b>	<b>14.456</b>	<b>13.674</b>	<b>16.935</b>
Taxes	-2.498	-2.485	-2.847	-3.674	-3.253	-3.145	-3.895
<b>NIAT</b>	<b>5.097</b>	<b>4.960</b>	<b>5.903</b>	<b>8.752</b>	<b>11.204</b>	<b>10.529</b>	<b>13.040</b>
Minority Interest	-941	-796	-995	-2.296	-3.561	-2.507	-2.866
<b>Net Profit</b>	<b>4.156</b>	<b>4.165</b>	<b>4.909</b>	<b>6.456</b>	<b>7.642</b>	<b>8.022</b>	<b>10.174</b>
<b>EPS (in IDR)</b>	<b>473</b>	<b>474</b>	<b>559</b>	<b>735</b>	<b>870</b>	<b>914</b>	<b>1.159</b>
<b>EBITDA</b>	<b>11.602</b>	<b>12.274</b>	<b>13.491</b>	<b>17.377</b>	<b>20.419</b>	<b>19.525</b>	<b>23.025</b>

Source: Company &amp; 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	8.022	10.174
+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	-10.777	-18
<b>Cash From Operating Activities</b>	<b>5.461</b>	<b>11.332</b>	<b>8.211</b>	<b>9.396</b>	<b>19.524</b>	<b>390</b>	<b>13.526</b>
Change on Non-current Asset	-4.785	-10.619	-4.544	-62.998	-3.533	-8.831	-7.642
<b>cash from investing activities</b>	<b>-4.785</b>	<b>-10.619</b>	<b>-4.544</b>	<b>-62.998</b>	<b>-3.533</b>	<b>-8.831</b>	<b>-7.642</b>
Long-term debt	-281	-4.118	1.465	29.618	5.890	4.537	-2.103
Other Long term liabilities	927	-126	427	9.095	-9.592	-451	409
equity	-995	-1.351	-623	18.480	-148	-2.629	626
<b>cash from financing activities</b>	<b>-348</b>	<b>-5.594</b>	<b>1.269</b>	<b>57.193</b>	<b>-3.850</b>	<b>1.457</b>	<b>-1.069</b>
<b>Net Changes in Cash</b>	<b>328</b>	<b>-4.881</b>	<b>4.936</b>	<b>3.591</b>	<b>12.141</b>	<b>-6.984</b>	<b>4.815</b>
<b>Beginning Balance</b>	<b>13.362</b>	<b>13.690</b>	<b>8.809</b>	<b>13.745</b>	<b>17.337</b>	<b>29.478</b>	<b>22.494</b>
<b>Ending balance</b>	<b>13.690</b>	<b>8.809</b>	<b>13.745</b>	<b>17.337</b>	<b>29.478</b>	<b>22.494</b>	<b>27.309</b>

Source: Company &amp; Binaartha

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

Statement of Financial Position (in IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	13.690	8.809	13.745	17.337	29.478	22.494	27.309
Trade Accounts Receivable	6.852	6.573	5.964	7.452	8.464	9.794	11.079
Inventories	9.798	11.644	9.659	11.150	12.684	14.822	16.944
Others Current Assets	2.609	6.247	2.035	2.479	3.557	3.521	4.214
<b>Total Current Assets</b>	<b>32.948</b>	<b>33.273</b>	<b>31.403</b>	<b>38.418</b>	<b>54.183</b>	<b>50.631</b>	<b>59.545</b>
<b>NONCURRENT ASSETS</b>							
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	13.674	13.027
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	10.825	12.375
<b>Total Noncurrent Assets</b>	<b>55.453</b>	<b>63.265</b>	<b>64.795</b>	<b>124.718</b>	<b>125.173</b>	<b>130.859</b>	<b>135.131</b>
<b>TOTAL ASSETS</b>	<b>88.401</b>	<b>96.538</b>	<b>96.198</b>	<b>163.136</b>	<b>179.356</b>	<b>181.490</b>	<b>194.677</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Bank Loans	12.074	21.631	11.989	14.713	17.317	17.093	19.540
Trade Account Payable	5.466	5.501	5.988	6.155	6.983	5.698	5.862
Others Current Liabilities	4.097	4.072	6.710	7.108	16.103	10.267	11.737
<b>Total Current Liabilities</b>	<b>21.638</b>	<b>31.204</b>	<b>24.687</b>	<b>27.976</b>	<b>40.403</b>	<b>33.058</b>	<b>37.140</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term debt	11.607	7.490	8.955	38.573	44.463	49.000	46.896
Others Noncurrent Liabilities	8.053	7.927	8.354	17.450	7.858	7.407	7.816
<b>Total Noncurrent Liabilities</b>	<b>19.660</b>	<b>15.417</b>	<b>17.309</b>	<b>56.023</b>	<b>52.321</b>	<b>56.407</b>	<b>54.712</b>
<b>TOTAL LIABILITIES</b>	<b>41.298</b>	<b>46.621</b>	<b>41.996</b>	<b>83.998</b>	<b>92.724</b>	<b>89.465</b>	<b>91.852</b>
Non-controlling interest	15.800	16.303	16.425	36.764	38.367	39.900	45.613
<b>EQUITY</b>	<b>31.302</b>	<b>33.614</b>	<b>37.778</b>	<b>42.374</b>	<b>48.265</b>	<b>52.125</b>	<b>57.212</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>88.401</b>	<b>96.538</b>	<b>96.198</b>	<b>163.136</b>	<b>179.356</b>	<b>181.490</b>	<b>194.677</b>

Source: Company &amp; Binaartha

**Table: Ratio Highlights YoY**

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>Growth (% YoY)</b>							
Sales	5,1%	4,6%	4,4%	6,7%	21,6%	14,7%	14,3%
OP	4,8%	5,3%	7,5%	31,1%	31,0%	14,7%	14,3%
EBITDA	29,5%	5,8%	9,9%	28,8%	17,5%	-4,4%	17,9%
NP	0,3%	0,2%	17,9%	31,5%	18,4%	5,0%	26,8%
EPS	0,3%	0,2%	17,9%	31,5%	18,4%	5,0%	26,8%
<b>Profitability</b>							
Gross Margin	28,2%	27,5%	29,7%	32,7%	32,7%	31,0%	31,0%
Operating Margin(%)	12,4%	12,5%	12,8%	15,8%	17,0%	17,0%	17,0%
EBITDA margin(%)	16,5%	16,7%	17,6%	21,3%	20,6%	17,1%	17,7%
NET Profit margin(%)	5,9%	5,7%	6,4%	7,9%	7,7%	7,0%	7,8%
ROA(%)	4,7%	4,3%	5,1%	4,0%	4,3%	4,4%	5,2%
ROE(%)	13,3%	12,4%	13,0%	15,2%	15,8%	15,4%	17,8%
<b>Solvability (x)</b>							
Tot. debt/ Tot.equity	1,32	1,39	1,11	1,98	1,92	1,72	1,61
Debt Ratio	2,14	2,07	2,29	1,94	1,93	2,03	2,12
<b>Liquidity (x)</b>							
Current Ratio	1,52	1,07	1,27	1,37	1,34	1,53	1,60
Cash Ratio	0,63	0,28	0,56	0,62	0,73	0,68	0,74
<b>Per Share data (IDR)</b>							
EPS	473	474	559	735	870	914	1.159
BV	3.565	3.828	4.303	4.826	5.497	5.936	6.516
EBITDA/share	1.321	1.398	1.536	1.979	2.326	2.224	2.622

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**  
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