

## Indofood Sukses Makmur

BUY (unchanged)

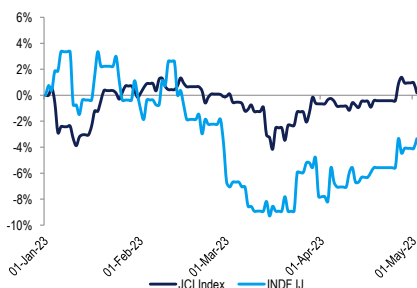
Company Update | Consumer Staples | INDF IJ | 02 May 2023

## Stock Data

|                           |         |
|---------------------------|---------|
| Target price              | Rp9,500 |
| Prior TP                  | Rp9,500 |
| Current price             | Rp6,500 |
| Upside/downside           | +49.0%  |
| Shares outstanding (mn)   | 8,780   |
| Market cap (Rp bn)        | 57,073  |
| Free float                | 50%     |
| Avg. 6m daily T/O (Rp bn) | 47      |

## Price Performance

|                   | 3M            | 6M   | 12M  |
|-------------------|---------------|------|------|
| Absolute          | -3.0%         | 2.0% | 3.2% |
| Relative to JCI   | -2.5%         | 4.7% | 8.2% |
| 52w low/high (Rp) | 6,025 – 7,250 |      |      |



## Major Shareholders

|       |       |
|-------|-------|
| FPIML | 50.1% |
|-------|-------|

## 1Q23 results: stellar CBP performance lead to core profit beat

- 1Q23 core profit of Rp2.9tr (+12.7% yoy/+13.1% qoq) was above at 31/33% of our/consensus FY23F estimate.
- 1Q23 stellar performance was due to CBP segment with EBIT growth of 24.7% yoy vs. blended EBIT growth of -4.5% yoy.
- Maintain BUY rating with unchanged TP of Rp9,500 as we believe INDF's valuation of 6.1x FY23F P/E is still underappreciated

## 1Q23 results: beat in core profit

INDF delivered strong 1Q23 core profit of Rp2.9tr (+12.7% yoy/+13.1% qoq) and this was above at 31/33% of our/consensus FY23F estimate (vs. 5Y avg. of 28%). Headline profit of Rp3.9tr (+63.3% yoy/+124.7% qoq) was boosted by a reversal of forex losses (related to financing activities) from 1Q22/4Q22's Rp0.3/1.6tr to 1Q23's forex gain of Rp2.0tr. 1Q23 net sales stood at Rp30.5tr (+11.3% yoy/+1.8% qoq) and this was also above at 27% of ours/consensus FY23F estimate (vs. 5Y avg. of 24%). 1Q23 GPM recorded at 31.1% (-188bps yoy/+142bps qoq), while EBIT margin (excluding FX) registered at 18.1% (-54bps yoy/+178bps qoq).

## CBP outperformance offset softness from Bogasari and Agribusiness

In terms of segmental performance, CBP/Bogasari recorded +9.4/+16.4% yoy and +13.4/+3.3% qoq sales growth in 1Q23, while Agribusiness' -1.7% yoy/-26.6% qoq. CBP's EBIT margin improved to 22.3% (+274bps yoy/+18bps qoq) due to lower soft commodity price. On the contrary, Bogasari and Agriculture EBIT margin's declined to 5.7% (-147bps yoy/-57bps qoq) and 11.6% (-1376bps yoy/-708bps qoq) as the company did a price adjustment on wheat (-2% in early Mar23), while average benchmark CPO price went down by -34.9% yoy/+1.5% qoq.

## Maintain Buy rating with unchanged TP of Rp9,500

Currently, we are reviewing our forecast as we are await more details from the company's 1Q23 earnings call later this week. For now, we maintain our Buy rating on INDF with unchanged TP of Rp9,500, based on SOTP valuation.

## Lukito Supriadi

PT Indo Premier Sekuritas  
lukito.supriadi@ipc.co.id  
+62 21 5088 7168 ext. 716

## Andrianto Saputra

PT Indo Premier Sekuritas  
andrianto.saputra@ipc.co.id  
+62 21 5088 7168 ext. 712

| Financial Summary (Rpbn) | 2021A  | 2022A   | 2023F   | 2024F   | 2025F   |
|--------------------------|--------|---------|---------|---------|---------|
| Revenue (Rp bn)          | 99,346 | 110,830 | 111,656 | 118,091 | 126,375 |
| EBITDA (Rp bn)           | 20,733 | 23,239  | 23,165  | 24,852  | 26,673  |
| EBITDA growth            | 28.6%  | 12.1%   | 0.0%    | 7.3%    | 7.3%    |
| Core profit (Rp bn)      | 7,751  | 9,166   | 9,368   | 10,462  | 11,599  |
| Core EPS (Rp)            | 919    | 1,032   | 1,066   | 1,191   | 1,320   |
| Core EPS growth          | 25.0%  | 12.3%   | 2.2%    | 11.7%   | 10.9%   |
| ROE                      | 17.0%  | 17.9%   | 17.2%   | 17.2%   | 17.4%   |
| PER (x)                  | 7.4    | 6.2     | 6.1     | 5.5     | 4.9     |
| EV/EBITDA (x)            | 4.6    | 4.1     | 3.7     | 3.0     | 2.4     |
| Dividend yield           | 4.4%   | 4.4%    | 5.2%    | 8.4%    | 9.3%    |
| Forecast change          |        |         | 0%      | 0%      | 0%      |
| IPS vs. consensus        |        |         | 106%    | 110%    | 115%    |

Source: Company, Indo Premier

Share price closing as of: 02 May 2023

Fig. 1: INDF 1Q23 earnings summary

| (Rp bn)                            | 1Q23          | 1Q22          | % YoY        | 4Q22          | % QoQ         | IPS<br>FY23F   | % of IPS   | Cons<br>FY23F  | % of<br>Cons | 5yr avg    |
|------------------------------------|---------------|---------------|--------------|---------------|---------------|----------------|------------|----------------|--------------|------------|
| <b>Net sales</b>                   | <b>30,543</b> | <b>27,447</b> | <b>11.3%</b> | <b>30,009</b> | <b>1.8%</b>   | <b>111,656</b> | <b>27%</b> | <b>115,114</b> | <b>27%</b>   | <b>24%</b> |
| COGS                               | (21,057)      | (18,406)      |              | (21,116)      |               |                |            |                |              |            |
| <b>Gross profit</b>                | <b>9,486</b>  | <b>9,041</b>  | <b>4.9%</b>  | <b>8,893</b>  | <b>6.7%</b>   |                |            |                |              |            |
| Operating cost (inc. operating FX) | (4,517)       | (3,837)       |              | (3,492)       |               |                |            |                |              |            |
| Operating FX                       | (562)         | 84            |              | 500           |               |                |            |                |              |            |
| <b>EBIT</b>                        | <b>4,969</b>  | <b>5,203</b>  | <b>-4.5%</b> | <b>5,401</b>  | <b>-8.0%</b>  | <b>18,942</b>  | <b>26%</b> | <b>19,312</b>  | <b>26%</b>   | <b>27%</b> |
| <b>EBIT ex-operating FX</b>        | <b>5,531</b>  | <b>5,120</b>  |              | <b>4,900</b>  |               |                |            |                |              |            |
| Others                             | 1,504         | (988)         |              | (2,145)       |               |                |            |                |              |            |
| <b>PBT</b>                         | <b>6,473</b>  | <b>4,215</b>  | <b>53.6%</b> | <b>3,256</b>  | <b>98.8%</b>  |                |            |                |              |            |
| Tax                                | (1,391)       | (912)         |              | (747)         |               |                |            |                |              |            |
| Minorities                         | (1,232)       | (946)         |              | (796)         |               |                |            |                |              |            |
| <b>Net Profit</b>                  | <b>3,850</b>  | <b>2,358</b>  | <b>63.3%</b> | <b>1,713</b>  | <b>124.7%</b> | <b>9,368</b>   | <b>41%</b> | <b>8,854</b>   | <b>43%</b>   | <b>27%</b> |
| <b>Core profit</b>                 | <b>2,900</b>  | <b>2,574</b>  | <b>12.7%</b> | <b>2,565</b>  | <b>13.1%</b>  | <b>9,368</b>   | <b>31%</b> | <b>8,854</b>   | <b>33%</b>   | <b>28%</b> |
| <b>Margin (%)</b>                  |               |               |              |               |               |                |            |                |              |            |
| Gross margin                       | 31.1%         | 32.9%         |              | 29.6%         |               |                |            |                |              |            |
| EBIT margin                        | 16.3%         | 19.0%         |              | 18.0%         |               |                |            |                |              |            |
| EBIT-ex operating FX margin        | 18.1%         | 18.7%         |              | 16.3%         |               |                |            |                |              |            |
| Net margin                         | 12.6%         | 8.6%          |              | 5.7%          |               |                |            |                |              |            |
| Core profit margin                 | 9.5%          | 9.4%          |              | 8.5%          |               |                |            |                |              |            |
| <b>Information segment</b>         |               |               |              |               |               |                |            |                |              |            |
| <b>Revenue</b>                     |               |               |              |               |               |                |            |                |              |            |
| CBP                                | 18,541        | 16,948        | 9.4%         | 16,345        | 13.4%         |                |            |                |              |            |
| Bogasari                           | 8,819         | 7,578         | 16.4%        | 8,534         | 3.3%          |                |            |                |              |            |
| Agribusiness                       | 4,017         | 4,088         | -1.7%        | 5,474         | -26.6%        |                |            |                |              |            |
| Distribution                       | 1,968         | 1,427         | 37.9%        | 1,964         | 0.2%          |                |            |                |              |            |
| Elimination                        | (2,803)       | (2,595)       |              | (2,308)       |               |                |            |                |              |            |
| <b>EBIT</b>                        |               |               |              |               |               |                |            |                |              |            |
| CBP                                | 4,130         | 3,311         | 24.7%        | 3,612         | 14.3%         |                |            |                |              |            |
| Bogasari                           | 501           | 542           | -7.6%        | 534           | -6.1%         |                |            |                |              |            |
| Agribusiness                       | 465           | 1,036         | -55.1%       | 1,021         | -54.5%        |                |            |                |              |            |
| Distribution                       | 183           | 105           | 74.3%        | 60            | 205.0%        |                |            |                |              |            |
| Elimination                        | 15            | 61            |              | 14            |               |                |            |                |              |            |
| <b>EBIT margin</b>                 |               |               |              |               |               |                |            |                |              |            |
| CBP                                | 22.3%         | 19.5%         |              | 22.1%         |               |                |            |                |              |            |
| Bogasari                           | 5.7%          | 7.2%          |              | 6.3%          |               |                |            |                |              |            |
| Agribusiness                       | 11.6%         | 25.3%         |              | 18.6%         |               |                |            |                |              |            |
| Distribution                       | 9.3%          | 7.4%          |              | 3.1%          |               |                |            |                |              |            |

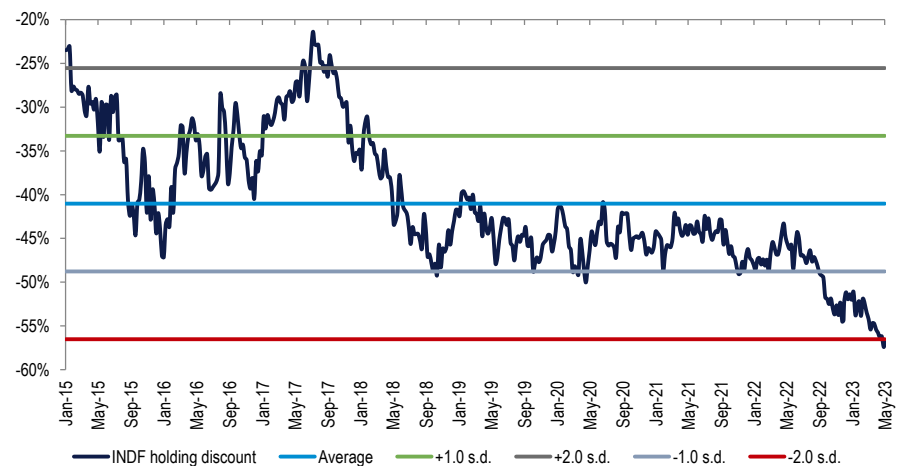
Source: Company, Indo Premier

Fig. 2: INDF SOTP valuation

|   | % stake | Valuation (Rp bn) | Note  |
|---|---------|-------------------|---|
| Consumer branded products                                   | 80.5%   | 107,021           | Indo Premier's TP of Rp11,400, P/E based<br>Current market cap at SGD |
| Agribusiness  | 71.9%   | 3,555             |   |
| <b>Total Mkt. Cap. of subsidiaries attributable to INDF</b> |         | 110,576           |   |
| Bogasari  | 100.0%  | 21,693            | 7x EV/EBITDA  |
| Distribution  | 100.0%  | 2,513             | 6x EV/EBITDA  |
| <b>Total EV of Bogasari and Distribution</b>                |         | 24,206            |   |
| <i>Net debt (parent only)</i>                               |         | (346)             |   |
| <b>Total</b>  |         | 134,437           |   |
| <i>Less: holding discount</i>                               |         | (51,086)          | 38% holding discount  |
| <b>Value</b>  |         | 83,351            |   |
| <b>Value/share (Rp)</b>                                     |         | 9,493             |   |
| <b>Target price (Rp)</b>                                    |         | 9,500             |   |

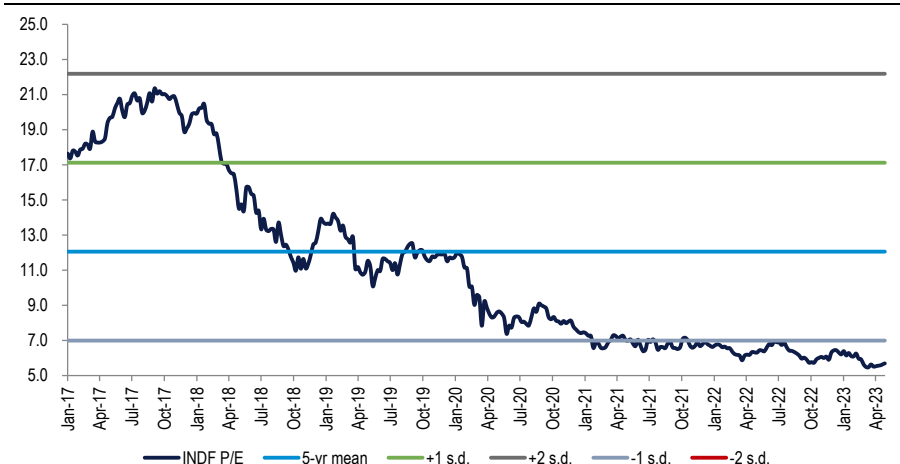
Source: Company, Indo Premier

Fig. 3: INDF's holding discount is at 55%



Source: Company, Indo Premier

Fig. 4: INDF is currently trading at 5.7x 12M fwd. P/E, or around 1.3 s.d. below its 5-year mean of 12.1x



Source: Bloomberg, Indo Premier

| Income Statement (Rp bn) | 2021A         | 2022A         | 2023F         | 2024F         | 2025F         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Net revenue              | 99,346        | 110,830       | 111,656       | 118,091       | 126,375       |
| Cost of sales            | (66,872)      | (76,859)      | (74,732)      | (78,708)      | (83,546)      |
| <b>Gross profit</b>      | <b>32,474</b> | <b>33,972</b> | <b>36,924</b> | <b>39,382</b> | <b>42,829</b> |
| SG&A Expenses            | (15,342)      | (15,289)      | (18,369)      | (19,114)      | (20,759)      |
| <b>Operating profit</b>  | <b>17,133</b> | <b>18,683</b> | <b>18,555</b> | <b>20,268</b> | <b>22,070</b> |
| Net interest             | (2,487)       | (7,403)       | (2,208)       | (2,021)       | (1,872)       |
| Others                   | (156)         | 1,038         | 134           | 134           | 134           |
| <b>Pre-tax income</b>    | <b>14,489</b> | <b>12,319</b> | <b>16,868</b> | <b>18,552</b> | <b>20,332</b> |
| Income tax               | (3,259)       | (3,126)       | (3,795)       | (4,174)       | (4,575)       |
| Minority interest        | (3,567)       | (2,833)       | (3,705)       | (3,916)       | (4,159)       |
| <b>Net income</b>        | <b>7,662</b>  | <b>6,359</b>  | <b>9,368</b>  | <b>10,462</b> | <b>11,599</b> |
| <b>Core profit</b>       | <b>7,751</b>  | <b>9,166</b>  | <b>9,368</b>  | <b>10,462</b> | <b>11,599</b> |

| Balance Sheet (Rp bn)                 | 2021A          | 2022A          | 2023F          | 2024F          | 2025F          |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash & equivalent                     | 30,632         | 26,922         | 44,389         | 54,731         | 61,747         |
| Receivable                            | 8,464          | 9,001          | 8,944          | 9,460          | 10,123         |
| Inventory                             | 12,684         | 16,517         | 13,316         | 14,024         | 14,887         |
| Other current assets                  | 2,403          | 2,436          | 2,690          | 2,823          | 2,995          |
| <b>Total current assets</b>           | <b>54,183</b>  | <b>54,877</b>  | <b>69,339</b>  | <b>81,039</b>  | <b>89,752</b>  |
| Fixed assets                          | 46,752         | 47,411         | 46,531         | 46,135         | 45,549         |
| Other non-current assets              | 56,463         | 56,358         | 66,463         | 66,463         | 66,463         |
| <b>Total non-current assets</b>       | <b>125,088</b> | <b>125,557</b> | <b>133,707</b> | <b>133,263</b> | <b>132,653</b> |
| <b>Total assets</b>                   | <b>179,272</b> | <b>180,433</b> | <b>203,045</b> | <b>214,301</b> | <b>222,405</b> |
| ST loans                              | 13,306         | 15,255         | 13,306         | 13,306         | 13,306         |
| Payable                               | 5,157          | 5,372          | 5,344          | 5,628          | 5,974          |
| Other payables                        | 1,826          | 1,596          | 1,997          | 2,103          | 2,232          |
| Current portion of LT loans           | 13,286         | 1,628          | 10,193         | 8,646          | 9,420          |
| <b>Total current liab.</b>            | <b>40,403</b>  | <b>30,726</b>  | <b>38,385</b>  | <b>37,625</b>  | <b>39,418</b>  |
| Long term loans                       | 44,463         | 49,182         | 51,610         | 50,160         | 47,410         |
| Other LT liab.                        | 7,247          | 6,812          | 10,223         | 11,495         | 11,051         |
| <b>Total liabilities</b>              | <b>92,285</b>  | <b>86,810</b>  | <b>100,218</b> | <b>99,280</b>  | <b>97,879</b>  |
| Equity                                | 1,162          | 1,162          | 1,162          | 1,162          | 1,162          |
| Retained earnings                     | 36,855         | 41,298         | 46,064         | 54,296         | 59,705         |
| Minority interest                     | 38,451         | 39,779         | 45,593         | 49,509         | 53,668         |
| <b>Total SHE + minority int.</b>      | <b>86,987</b>  | <b>93,623</b>  | <b>102,827</b> | <b>115,022</b> | <b>124,526</b> |
| <b>Total liabilities &amp; equity</b> | <b>179,272</b> | <b>180,433</b> | <b>203,045</b> | <b>214,301</b> | <b>222,405</b> |

Source: Company, Indo Premier

| Cash Flow Statement (Rp bn)     | 2021A          | 2022A          | 2023F          | 2024F          | 2025F          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| EBIT                            | 16,915         | 19,693         | 18,555         | 20,268         | 22,070         |
| Depr. & Amortization            | 3,818          | 3,546          | 4,223          | 4,413          | 4,603          |
| Changes in Working Capital      | (1,480)        | (4,240)        | (125)          | (572)          | (678)          |
| Others                          | (4,560)        | (4,306)        | (6,210)        | (3,800)        | (6,225)        |
| <b>Cash Flow From Operating</b> | <b>14,693</b>  | <b>14,693</b>  | <b>16,443</b>  | <b>20,309</b>  | <b>19,770</b>  |
| Capital Expenditure             | (4,595)        | (4,595)        | (3,884)        | (3,884)        | (3,884)        |
| Others                          | (1,895)        | (1,895)        | (19)           | (85)           | (110)          |
| <b>Cash Flow From Investing</b> | <b>(6,490)</b> | <b>(6,490)</b> | <b>(3,903)</b> | <b>(3,969)</b> | <b>(3,994)</b> |
| Loans                           | (30,624)       | (30,624)       | 6,218          | (2,997)        | (1,977)        |
| Equity                          | 0              | 0              | 0              | 0              | 0              |
| Dividends                       | (4,127)        | (4,127)        | (3,010)        | (4,320)        | (6,276)        |
| Others                          | 38,603         | 38,603         | (2,069)        | 1,319          | (508)          |
| <b>Cash Flow From Financing</b> | <b>3,852</b>   | <b>3,852</b>   | <b>1,139</b>   | <b>(5,998)</b> | <b>(8,761)</b> |
| <b>Changes in Cash</b>          | <b>12,149</b>  | <b>12,149</b>  | <b>13,679</b>  | <b>10,342</b>  | <b>7,015</b>   |

| Key Ratios                  | 2021A | 2022A | 2023F | 2024F  | 2025F |
|-----------------------------|-------|-------|-------|--------|-------|
| Gross Margin                | 32.7% | 30.7% | 33.1% | 33.3%  | 33.9% |
| Operating Margin            | 17.2% | 16.9% | 16.6% | 17.2%  | 17.5% |
| Pre-Tax Margin              | 14.6% | 11.1% | 14.3% | 18.0%  | 16.2% |
| Net Margin                  | 7.7%  | 5.7%  | 7.7%  | 10.6%  | 9.2%  |
| ROA                         | 4.5%  | 3.5%  | 4.4%  | 6.0%   | 5.4%  |
| ROE                         | 17.0% | 17.9% | 9.2%  | 9.6%   | 9.8%  |
| Acct. Receivables TO (days) | 29.2  | 28.8  | 29.2  | 29.2   | 29.2  |
| Inventory TO (days)         | 65.0  | 69.3  | 65.0  | 65.0   | 65.0  |
| Payable TO (days)           | 26.1  | 25.0  | 26.1  | 26.1   | 26.1  |
| Debt to Equity              | 81.7% | 70.6% | 73.0% | 62.7%  | 56.3% |
| Interest Coverage Ratio (x) | 5.9   | 2.5   | 5.5   | -450.8 | 8.2   |
| Net Gearing                 | 46.5% | 41.8% | 29.9% | 15.1%  | 6.7%  |

Source: Company, Indo Premier

## INVESTMENT RATINGS

|      |   |
|------|---|
| BUY  | : Expected total return of 10% or more within a 12-month period       |
| HOLD | : Expected total return between -10% and 10% within a 12-month period |
| SELL | : Expected total return of -10% or worse within a 12-month period     |

## ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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