

Indofood Sukses Makmur

BUY (unchanged)

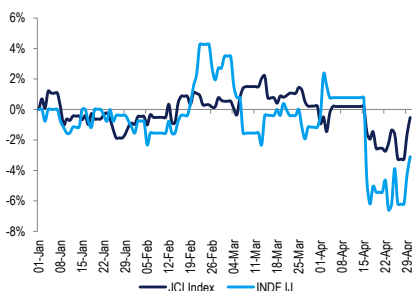
Company Update | Consumer Staples | INDF IJ | 30 April 2024

Stock Data

Target price	Rp10,400
Prior TP	Rp10,400
Current price	Rp6,250
Upside/downside	+66%
Shares outstanding (mn)	8,780
Market cap (Rp bn)	54,878
Free float	50%
Avg. 6m daily T/O (Rp bn)	49

Price Performance

	3M	6M	12M
Absolute	2.8%	-4.8%	2.0%
Relative to JCI	0.9%	-9.9%	-7.1%
52w low/high (Rp)	6,175 – 7,450		



Major Shareholders

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

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

1Q24: core profit beat from margin improvements across segments

- INDF's 1Q24 core profit of Rp3.2tr (+10.3% yoy) was above consensus at 35% but in-line with our estimate at 28% vs. 5yr average of 28%.
- All segments delivered better margins leading to INDF's improved EBIT margin of 20.8% (+457bps yoy)
- Maintain BUY rating with unchanged TP of Rp10,400 based on SOTP valuation methodology.

1Q24 results: core profit beat from margin improvements

INDF's headline 1Q24 net profit of Rp2.5tr (-36.4% yoy) dragged by forex loss of -Rp1.4tr (vs. 1Q23's forex gain of Rp2.1). Stripping off the FX impact, INDF posted 1Q24 core profit of Rp3.2tr (+10.3% yoy), and this was above consensus estimate at 35% and was in-line with our estimate at 28% vs. 5yr average of 28%.

CBP segment was the main driver in INDF's outperformance

In terms of segments, CBP continued to be the main engine of EBIT growth of 13.5% yoy vs non-CBP segments' EBIT growth of -7.2% yoy. Margin expansion was evident in the CBP segment as wheat prices trended down in FY23 with a total of -16% to -18% drop. Notably, other non-CBP segments also delivered EBIT margin improvement of 100bps on a blended basis, with distribution's margin also expanded at +265bps yoy to 12.0%.

Retail flour's fortification premix supply tightness shall not impact ICBP

There was recent news reporting the supply tightness in fortification premix for retail wheat flour products following the implementation of Permendag 36/2023. Do note that retail wheat flour products have to be supplemented by fortification premix (which consists of vitamins and minerals) to adhere to SNI (Standar Nasional Indonesia). Subsequently, ICBP has previously issued a public response (link [here](#)) reiterating that wheat supply (B2B, not retail) for its instant noodles remains under normal condition. Additionally, we note that the government has responded positively by proposing to include fortification premix in the exclusion list for Permendag 36/2023.

Maintain Buy rating with unchanged TP of Rp10,400

In sum, we maintain our Buy rating on INDF with unchanged TP of Rp10,400, based on SOTP valuation. INDF's FY24F P/E of 4.8x represents an attractive valuation proposition, with decent dividend yield expectation of 7.4% in FY24F. Key risk is softer CBP performance.

Financial Summary (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue (Rp bn)	110,830	111,704	121,928	130,583	139,515
EBITDA (Rp bn)	23,096	23,048	26,533	28,995	31,527
EBITDA growth	11.4%	-0.2%	9.4%	9.3%	8.7%
Core profit (Rp bn)	7,070	9,780	11,499	13,075	14,700
Core EPS (Rp)	805	1,114	1,310	1,489	1,674
Core EPS growth	51.7%	38.3%	16.4%	13.7%	12.4%
ROE	13.8%	17.3%	18.3%	19.0%	19.4%
PER (x)	7.8	5.6	4.8	4.2	3.7
EV/EBITDA (x)	4.1	3.6	3.0	2.4	1.9
Dividend yield	4.4%	4.4%	7.4%	8.4%	9.5%
Forecast change			0%	0%	0%
IPS vs. consensus			113%	120%	121%

Source: Company, Indo Premier

Share price closing as of: 30 April 2024

Fig. 1: INDF 1Q24 earnings summary

(Rp bn)	1Q24	1Q23	% YoY	4Q23	% QoQ	IPS FY24F	% of IPS	Cons FY23F	% of Cons	5yr avg
Net sales	30,792	30,543	0.8%	27,815	10.7%	121,928	25%	114,243	27%	25%
COGS	(20,280)	(21,057)	-3.7%	(17,948)	13.0%					
Gross profit	10,512	9,486	10.8%	9,867	6.5%					
Operating cost (inc. operating FX)	(4,094)	(4,517)	-9.4%	(4,426)	-7.5%					
Operating FX	184	(562)	-132.6%	(60)	-408.4%					
EBIT	6,418	4,969	29.2%	5,441	18.0%	22,601	28%	19,421	33%	27%
EBIT ex-operating FX	6,234	5,531	12.7%	5,500	13.3%					
Others	(1,945)	1,504	-229.3%	(2,645)	-26.5%					
PBT	4,473	6,473	-30.9%	2,796	60.0%					
Tax	(931)	(1,391)	-33.1%	(1,104)	-15.7%					
Minorities	(1,092)	(1,232)	-11.3%	(627)	74.2%					
NPATMI	2,450	3,850	-36.4%	1,064	130.2%					
Core profit	3,200	2,900	10.3%	2,710	18.1%	11,499	28%	9,099	35%	28%
Margin (%)										
Gross margin	34.1%	31.1%		35.5%						
EBIT margin	20.8%	16.3%		19.6%						
EBIT-ex operating FX margin	20.2%	18.1%		19.8%						
Net margin	8.0%	12.6%		3.8%						
Core profit margin	10.4%	9.5%		9.7%						
Information segment										
Revenue										
CBP	19,557	18,541	5.5%	17,328	12.9%					
Bogasari	8,338	8,819	-5.5%	7,195	15.9%					
Agribusiness	3,726	4,017	-7.2%	4,156	-10.3%					
Distribution	1,979	1,968	0.5%	1,633	21.1%					
Elimination	(2,808)	(2,803)		(2,497)						
EBIT										
CBP	4,686	4,130	13.5%	3,787	23.7%					
Bogasari	525	501	4.8%	662	-20.6%					
Agribusiness	469	465	1.0%	968	-51.5%					
Distribution	236	183	29.2%	121	95.6%					
Elimination	13	15		13						
EBIT margin										
CBP	24.0%	22.3%		21.9%						
Bogasari	6.3%	5.7%		9.2%						
Agribusiness	12.6%	11.6%		23.3%						
Distribution	12.0%	9.3%		7.4%						

Source: Bloomberg, Company, Indo Premier

Fig. 2: INDF SOTP valuation

	% stake	Valuation (Rp bn)	Note
Consumer branded products	80.5%	122,981	Indo Premier's TP of Rp13,100, P/E based Current market cap at SGD
Agribusiness	71.9%	3,499	
Total Mkt. Cap. of subsidiaries attributable to INDF		126,479	
Bogasari	100.0%	18,812	7x EV/EBITDA
Distribution	100.0%	4,194	6x EV/EBITDA
Total EV of Bogasari and Distribution		23,006	
<i>Net debt (parent only)</i>		<i>5,211</i>	
Total		154,696	
<i>Less: holding discount</i>		<i>(63,425)</i>	41% holding discount (Historical mean)
Equity value		91,271	
Equity value/share (Rp)		10,395	
Target price (Rp)		10,400	

Source: Company, Indo Premier

Fig. 3: INDF is currently trading at 4.8x 12M fwd. P/E, or around 1.2 s.d. below its 5-year mean



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	110,830	111,704	121,928	130,583	139,515
Cost of sales	(76,859)	(75,653)	(81,147)	(86,501)	(91,367)
Gross profit	33,972	36,050	40,781	44,083	48,148
SG&A Expenses	(15,289)	(16,372)	(18,180)	(19,239)	(20,991)
Operating profit	18,683	19,679	22,601	24,844	27,157
Net interest	(7,403)	(1,560)	(2,067)	(1,872)	(2,008)
Others	1,038	(2,504)	123	123	123
Pre-tax income	12,319	15,615	20,657	23,095	25,272
Income tax	(3,126)	(4,122)	(5,242)	(5,861)	(6,413)
Minority interest	(2,833)	(3,347)	(3,916)	(4,159)	(4,159)
Net income	6,359	8,147	11,499	13,075	14,700
Core profit	7,070	9,780	11,499	13,075	14,700

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	26,922	36,689	40,370	49,088	58,942
Receivable	9,001	8,674	10,796	11,562	12,353
Inventory	16,517	15,213	16,957	18,075	19,092
Other current assets	2,436	2,525	2,669	2,819	2,974
Total current assets	54,877	63,102	70,792	81,545	93,362
Fixed assets	47,411	47,295	50,231	51,313	52,177
Other non-current assets	56,358	56,352	56,358	56,358	56,358
Total non-current assets	125,557	123,486	128,138	129,160	129,966
Total assets	180,433	186,588	198,930	210,705	223,328
ST loans	15,255	16,240	12,255	12,255	12,255
Payable	5,372	5,354	5,336	5,688	6,008
Other payables	1,596	1,531	1,807	1,926	2,034
Current portion of LT loans	1,628	2,026	1,628	1,628	1,628
Total current liab.	30,726	32,915	28,451	29,416	30,352
Long term loans	49,182	46,192	50,366	50,366	50,366
Other LT liab.	6,812	6,902	7,021	7,129	7,239
Total liabilities	86,810	86,123	85,838	86,911	87,957
Equity	1,162	1,162	1,162	1,162	1,162
Retained earnings	41,298	47,164	53,147	59,690	67,107
Minority interest	39,779	41,272	47,400	51,559	55,718
Total SHE + minority int.	93,623	100,465	113,092	123,794	135,371
Total liabilities & equity	180,433	186,588	198,930	210,705	223,328

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	19,693	19,664	22,601	24,844	27,157
Depr. & Amortization	3,403	3,384	3,932	4,151	4,370
Changes in Working Capital	(4,240)	1,787	(860)	(1,070)	(1,026)
Others	(5,232)	(6,374)	(7,186)	(7,610)	(8,298)
Cash Flow From Operating	13,624	18,461	18,487	20,315	22,202
Capital Expenditure	(3,742)	(3,688)	(5,100)	(5,100)	(5,100)
Others	(121)	(7,088)	(56)	(73)	(76)
Cash Flow From Investing	(3,863)	(10,776)	(5,156)	(5,173)	(5,176)
Loans	1,614	(649)	0	0	0
Equity	0	0	0	0	0
Dividends	(4,201)	(3,934)	(5,908)	(6,532)	(7,282)
Others	(11,741)	(307)	106	108	110
Cash Flow From Financing	(14,329)	(4,890)	(5,802)	(6,424)	(7,172)
Changes in Cash	(3,496)	2,630	7,529	8,717	9,854

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross Margin	30.7%	30.7%	33.4%	33.8%	34.5%
Operating Margin	16.9%	16.9%	18.5%	19.0%	19.5%
Pre-Tax Margin	11.1%	11.1%	16.9%	17.7%	18.1%
Net Margin	5.7%	5.7%	9.4%	10.0%	10.5%
ROA	3.5%	3.5%	5.9%	6.4%	6.8%
ROE	13.8%	13.8%	18.3%	19.0%	19.4%
Acct. Receivables TO (days)	28.8	28.8	32.3	32.3	32.3
Inventory TO (days)	69.3	69.3	76.3	76.3	76.3
Payable TO (days)	25.0	25.0	24.0	24.0	24.0
Debt to Equity	70.6%	70.6%	56.8%	51.9%	47.5%
Interest Coverage Ratio (x)	2.5	2.5	7.3	8.0	8.7
Net Gearing	41.8%	27.6%	21.1%	12.2%	3.9%

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.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.