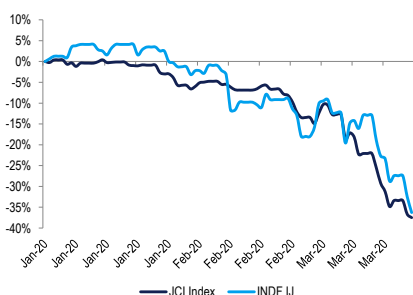


Stock Data

Target price	Rp8,200
Prior TP	Rp8,700
Current price	Rp5,050
Upside/downside	+62%
Shares outstanding (mn)	8.780
Market cap (Rp bn)	44,341
Free float	50%
Avg. 6m daily T/O (Rp bn)	54

Price Performance

	3M	6M	12M
Absolute	-36.5%	-34.0%	-25.5%
vs. JCI	1.1%	2.6%	13.1%
52w low/high (Rp)	5,050 – 8,250		



Major Shareholders

CAB Holdings Ltd	50.1%
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4Q19 results: robust overall growth

- INDF’s FY19 earnings grew by 42% yoy (4Q19: 24% yoy), which was in-line amid solid sales and margin expansion in both CBP and Bogasari.
- Bogasari and agribusiness are expected to still book positive sales and earnings growth in FY20F despite ongoing coronavirus pandemic.
- INDF’s valuation at 9.4x 12M fwd. P/E is attractive given current circumstances. We maintain our Buy call on INDF with TP of Rp8,200.

Solid 41.8% yoy earnings growth in FY19, in line with our/consensus

INDF booked Rp4.8tr of profit in FY19 (+42% yoy/+24% yoy in 4Q19), in-line with our and consensus’ estimates (96/102% of our/consensus FY19E). Robust earnings growth was driven by solid sales and margins expansion in both CBP and Bogasari units. Agribusiness also booked significant improvement in 2H19, ended FY19 with Rp495bn operating profit (vs. Rp41bn operating loss in 1H19). On top of that, gross debt declined 15.9% yoy to Rp21tr.

Bogasari: Another possible wheat price rally

Bogasari’s revenue growth increased 8% yoy in FY19, driven by increase in ASP (largely in 2H18) while volume was flat. Global wheat price has increased by c.11% in the past 3M and may possibly increase further on the back of increased global demand for staple foods (i.e. pasta and bread), hence we may see another round of ASP increase in 2Q20 onwards to further boost Bogasari’s FY20F EBIT margin (vs. 7.1% in FY19 and 6.0% in FY18).

Agribusiness: continuous improvement is well expected for 2020

Agribusiness booked Rp367bn operating profit in 4Q19 (vs. Rp169bn in 3Q19), on the back of c.23% qoq global CPO price increase to an average of MYR2,539 in 4Q19. Indeed, excitement over CPO price rebound to >MYR3,000 in Jan 2020 did not last long as it has crashed by 20% over the past 2M to currently around MYR2,300. Nonetheless, assuming average CPO price at MYR2,400 (average YTD is still at MYR2,700), we estimate agribusiness to still be able to book an operating profit of Rp972bn in FY20F, implying 96.5% yoy increase from FY19.

Valuation remains attractive at 9.4x P/E; maintain Buy

Albeit outperforming JCI, INDF’s share price dropped by c.21% during the market-selloffs in the past 1M (broadly in line with ICBP’s c.20% share price drop). With positive growth outlook retained for all of its business units, we estimate that INDF shall still be able to book a solid 10% yoy core earnings growth in FY20F, despite cutting our FY20/21F earnings forecast by 12/8%. Hence, its current valuation at 9.4x 12M forward P/E seems like quite a bargain (vs. 15.6x 5Y average). At 54% valuation discount from ICBP (vs. 5-year average of 35% discount), INDF remains our preferred pick. We maintain our Buy call with new SOTP-based TP of Rp8,200, implying 12.4x FY21F P/E.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	73,395	76,593	80,342	85,358	90,562
Net profit	4,166	4,908	5,244	5,812	6,233
ROE	8.6%	9.4%	9.5%	10.1%	10.3%
PER (x)	11.3	9.6	9.0	8.1	7.5
EV/EBITDA (x)	5.8	4.4	4.6	4.1	3.8
Dividend yield	7.4%	4.2%	6.8%	7.3%	8.0%
Forecast change			11.5%	8.0%	N/A
IPS vs. consensus			99%	102%	116%

Source: Company, Indo Premier

Share price closing as of: 24 March 2020

Fig. 1: INDF FY19 result summary

(Rp bn)	4Q19	4Q18	% YoY	3Q19	% QoQ	12M19	12M18	% YoY	Prev. FY19F	Comment
Net sales	18,748	18,653	0.5%	19,236	-2.5%	76,593	73,395	4.4%	77,118	In line at 99%/98% of ours and consensus'
COGS	-13,030	-13,910	-6.3%	-13,598	-4.2%	-53,877	-53,183	1.3%		
Gross profit	5,717	4,742	20.6%	5,638	1.4%	22,716	20,212	12.4%		
Operating cost	-3,068	-2,681	14.4%	-3,320	-7.6%	-13,187	-12,284	7.3%		
EBIT	2,650	2,061	28.6%	2,318	14.3%	9,530	7,928	20.2%	8,829	Above ours at 108%, but in line with consensus' 101%
Others	-96	90	-206.1%	-359	-73.3%	-780	-481	62.1%		
PBT	2,554	2,151	18.7%	1,960	30.3%	8,749	7,447	17.5%		
Tax	-847	-769	10.1%	-700	20.9%	-2,847	-2,485	14.5%		
Minorities	-330	-36	827.3%	-274	20.6%	-995	-796	25.0%		
Net Profit	1,377	1,346	2.3%	986	39.7%	4,908	4,166	17.8%		
Core profit	1,372	1,111	23.5%	972	41.1%	4,758	3,357	41.8%	4,940	In line at 96%/102% of ours and consensus'
Margin (%)										
Gross margin	30.5%	25.4%		29.3%		29.7%	27.5%			
EBIT margin	14.1%	11.0%		12.1%		12.4%	10.8%			
Net margin	7.3%	7.2%		5.1%		6.4%	5.7%			
Core margin	7.3%	6.0%		5.1%		6.2%	4.6%			

Source: Company, Indo Premier

Fig. 2: Forecast changes

	Previous		Current		Changes	
	2020F	2021F	2020F	2021F	2020F	2021F
Sales (Rp bn)	82,813	88,768	80,342	85,358	-3.0%	-3.8%
Gross profit (Rp bn)	23,605	25,159	23,956	25,825	1.5%	2.6%
EBIT (Rp bn)	10,067	10,502	10,144	11,011	0.8%	4.9%
Core net profit (Rp bn)	5,931	6,324	5,244	5,812	-11.5%	-8.0%
EPS (Rp)	675	720	597	662	-11.5%	-8.0%
Margins, %						
Gross margin	28.5%	28.3%	29.8%	30.3%	1.3%	1.9%
EBIT margin	12.2%	11.8%	12.6%	12.9%	0.5%	1.1%
Core net margin	7.2%	7.1%	6.5%	6.8%	-0.6%	-0.3%
Growth, % yoy						
Sales growth	7.4%	7.2%	4.9%	6.2%		
EBIT growth	14.0%	4.3%	6.4%	8.5%		
Core net profit growth	20.1%	6.6%	10.2%	10.8%		

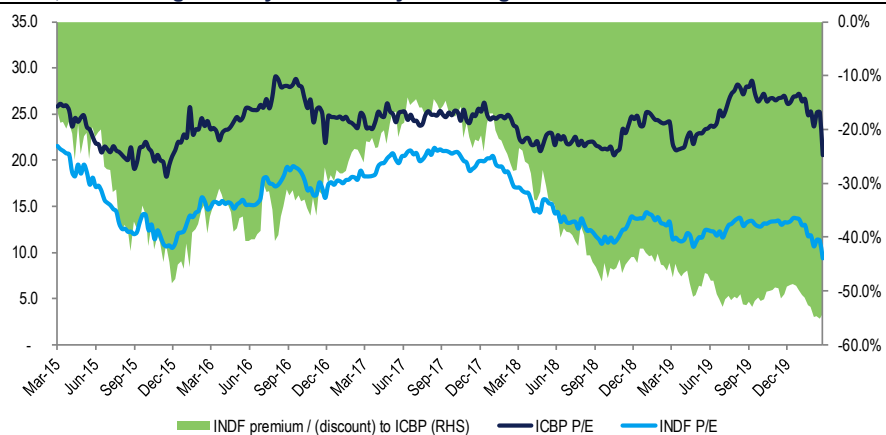
Source: Indo Premier

Fig. 3: INDF is currently trading at 9.4x 12M forward P/E, or almost at 2 s.d. below its historical 5-year mean of 15.6x.



Source: Bloomberg, Indo Premier

Fig. 4: INDF's discount to ICBP continues to widen with the recent sell-offs, currently at 54.3%, which is significantly above its 5-year average of 35.2%



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net revenue	73,395	76,593	80,342	85,358	90,562
Cost of sales	(53,183)	(53,877)	(56,387)	(59,532)	(63,203)
Gross profit	20,212	22,716	23,956	25,825	27,359
SG&A Expenses	(12,284)	(13,187)	(13,811)	(14,814)	(15,870)
Operating profit	7,928	9,530	10,144	11,011	11,488
Net interest	(1,601)	(897)	(860)	(965)	(903)
Forex gain (loss)	0	0	0	0	0
Others	1,120	117	(105)	(105)	(105)
Pre-tax income	7,447	8,749	9,179	9,942	10,481
Income tax	(2,485)	(2,847)	(2,941)	(3,135)	(3,253)
Minority interest	(796)	(995)	(995)	(995)	(995)
Net income	4,166	4,908	5,244	5,812	6,233

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & equivalent	12,928	13,801	8,569	8,776	9,425
Receivable	6,573	5,964	6,575	6,986	7,412
Inventory	11,644	9,659	11,148	11,770	12,495
Other current assets	2,128	1,980	2,156	2,266	2,379
Total current assets	33,273	31,403	28,448	29,797	31,711
Fixed assets	42,388	43,073	47,907	49,378	50,622
Goodwill	4,321	4,305	4,305	4,305	4,305
Total non-current assets	63,265	64,795	69,568	71,001	72,210
Total assets	96,538	96,199	98,016	100,798	103,921
ST loans	17,131	13,006	12,006	12,006	11,006
Payable	5,501	4,522	4,475	4,724	5,016
Other payables	0	1,466	1,537	1,623	1,723
Current portion of LT loans	4,502	1,017	2,759	1,888	2,324
Total current liab.	31,204	24,687	25,355	25,092	25,223
Long term loans	7,490	8,955	8,011	8,011	8,011
Other LT liab.	7,927	8,354	8,491	8,631	8,774
Total liabilities	46,621	41,996	41,857	41,734	42,008
Equity	1,162	1,162	1,162	1,162	1,162
Retained earnings	23,304	26,780	28,187	29,944	31,753
Minority interest	16,303	16,425	17,419	18,414	19,408
Total SHE + minority int.	49,917	54,202	56,159	59,063	61,913
Total liabilities & equity	96,538	96,199	98,016	100,798	103,921

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net income	7,928	9,530	10,144	11,011	11,488
Depr. & amortization	2,941	3,148	3,299	3,662	3,889
Changes in working capital	(1,533)	3,869	(2,352)	(533)	(570)
Others	(3,400)	(3,202)	(3,906)	(4,205)	(4,260)
Cash flow from operating	5,936	13,344	7,186	9,936	10,548
Capital expenditure	(7,236)	(4,464)	(8,000)	(5,000)	(5,000)
Others	(3,987)	3,880	(16)	(95)	(99)
Cash flow from investing	(11,224)	(584)	(8,016)	(5,095)	(5,099)
Loans	3,220	(5,870)	(201)	(871)	(564)
Equity	54	105	0	0	0
Dividends	(3,485)	(1,974)	(3,837)	(4,055)	(4,424)
Others	258	80	(308)	293	189
Cash flow from financing	48	(7,660)	(4,346)	(4,633)	(4,800)
Changes in cash	(4,904)	4,940	(5,176)	207	649

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross margin	27.5%	29.7%	29.8%	30.3%	30.2%
Operating margin	10.8%	12.4%	12.6%	12.9%	12.7%
Pre-tax margin	10.1%	11.4%	11.4%	11.6%	11.6%
Net margin	5.7%	6.4%	6.5%	6.8%	6.9%
ROA	4.5%	5.1%	5.4%	5.8%	6.1%
ROE	8.6%	9.4%	9.5%	10.1%	10.3%
Acct. receivables TO (days)	33.4	29.9	29.9	29.9	29.9
Inventory TO (days)	73.6	72.2	72.2	72.2	72.2
Payable TO (days)	32.6	29.0	29.0	29.0	29.0
Debt to equity	58.3%	42.4%	40.6%	37.1%	34.5%
Interest coverage ratio (x)	3.9	5.5	6.8	7.5	8.1
Net gearing	32.4%	16.9%	25.3%	22.2%	19.2%

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

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