

Indofood Sukses Makmur Tbk (INDF IJ)

Boosted by stronger noodle and agribusiness sales

We believe strong noodle and agribusiness sales will boost up INDF's sales outlook. Meanwhile, we saw the overall margin remain stable despite rising commodity prices and weakening IDR against USD. Thus, we maintain BUY recommendation.

Solid FY20 performance, above expectations

- INDF recorded revenue of IDR22.9tn in 4Q20 (+22.4% YoY, +18.4%) and IDR81.7tn in 12M20 (+6.7% YoY), above expectations, forming 101% and 104% of consensus and our estimates respectively.
- Margin in 4Q20 improved significantly across the board, with gross margin recording +400bps YoY and operating margin by +530bps YoY. We suspect this was mainly due to decline in raw material used and production cost.
- As a result, net profit performance experienced improvement recording IDR2.7tn in 4Q20, bringing FY20 earnings to IDR6.4tn (+31.5%).
- We believe that solid performance was also supported by robust demand of Consumer Branded Product (CBP), rising CPO prices, and FX gains from financing the acquisition of Pinehill.

Another good performance of ICBP and Agribusiness segment

- During 4Q20, ICBP booked relatively strong revenue and net profit growth. We also expect ICBP to book another good performance this year, supported by Pinehill contribution and its continuing efforts to develop new products.
- Meanwhile, CPO prices have rebounded since 3Q20. According to Bloomberg, the average price in 4Q20 has increased by 27.9% YoY. Thus, we expect INDF's agribusiness division to improve.
- We also note that Bogasari has a relatively stable EBIT margin due to rising global wheat price.

Maintain BUY rating with unchanged TP

- We maintain BUY recommendation on INDF with Target Price of IDR8,000 derived using a sum-of-the-parts (SOTP) methodology to better reflect the value of each unit. Our target price implies a 2021E PER of 9.5x.
- INDF is currently traded at 9.1x (-2 SD from 5-years average).
- Risks to our call include 1) Weakening IDR against USD; 2) Higher raw material price; 3) lower-than-expected economic recovery.

Indofood Sukses Makmur Tbk | Summary (IDR bn)

	2019A	2020A	2021F	2022F
Sales	76,593	81,731	92,252	104,400
Growth	4.4%	6.7%	12.9%	13.2%
Net Profit	4,908	6,456	7,387	7,974
Growth	17.8%	31.5%	14.4%	7.9%
EPS (IDR)	559	735	841	908
P/E	14.2x	9.3x	9.5x	8.8x
P/BV	1.3x	0.8x	0.8x	0.8x
EV/EBITDA	7.3x	8.0x	7.5x	6.8x
ROE	13.0%	15.2%	15.9%	15.6%
DER	0.4x	0.7x	0.6x	0.6x
Dividend yield	2.2%	4.1%	4.5%	5.2%

Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer

BUY

Target Price	8,000
Consensus Price (IDR)	8,732
TP to Consensus Price	-8.4%
vs. Last Price	+21.7%

Shares data

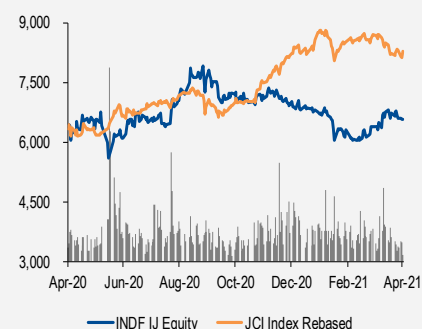
Last Price (IDR)	6,575
Price date as of	Apr 16, 2021
52 wk range (Hi/Lo)	7,900 / 5,600
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	57,292
Market Cap (USD mn)	3,917
Avg. Trd Vol - 3M (mn)	11.56
Avg. Trd Val - 3M (bn)	74.30
Foreign Ownership	16.4%

Consumer Staples

Packaged Foods

Bloomberg	INDF IJ
Reuters	INDF.JK

Share Price Performance



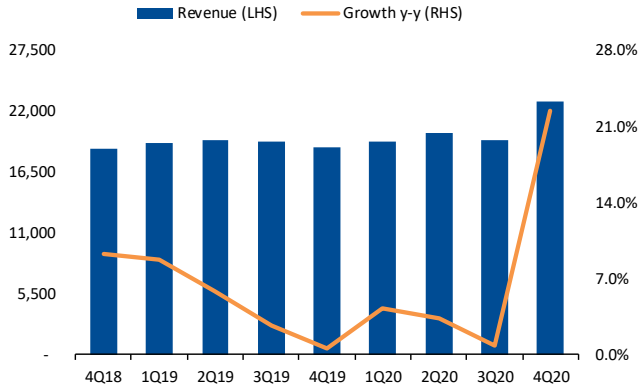
	YTD	1M	3M	12M
Abs. Ret.	-4.0%	2.7%	-2.2%	1.9%
Rel. Ret.	-5.2%	7.1%	3.7%	-26.6%

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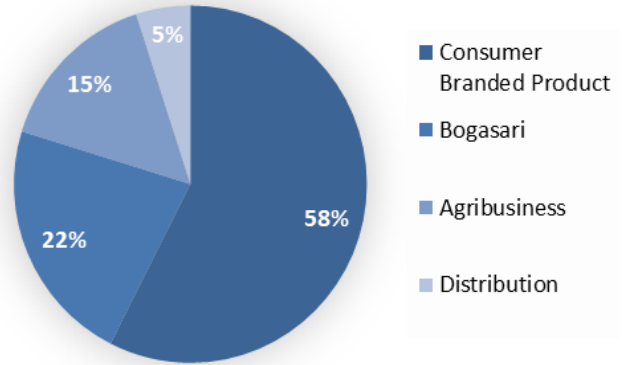
Performance Highlights

Sales | 4Q18 - 4Q20



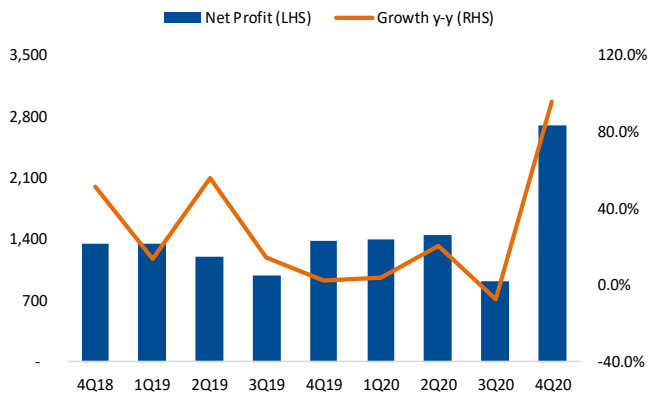
Source: Company, NHKSI Research

Revenue Breakdown | 4Q20



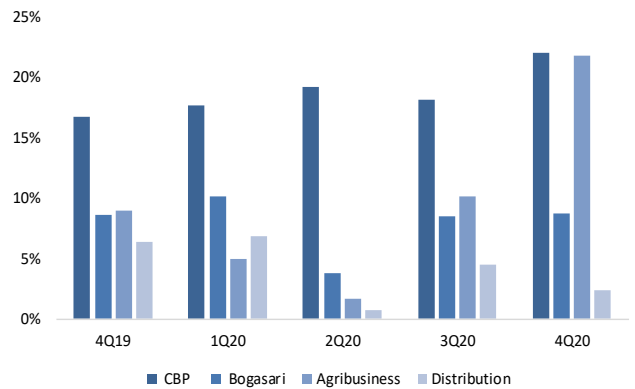
Source: Company, NHKSI Research

INDF's Profit | 4Q18 - 4Q20



Source: Company, NHKSI Research

EBIT Margin | 4Q19—4Q20



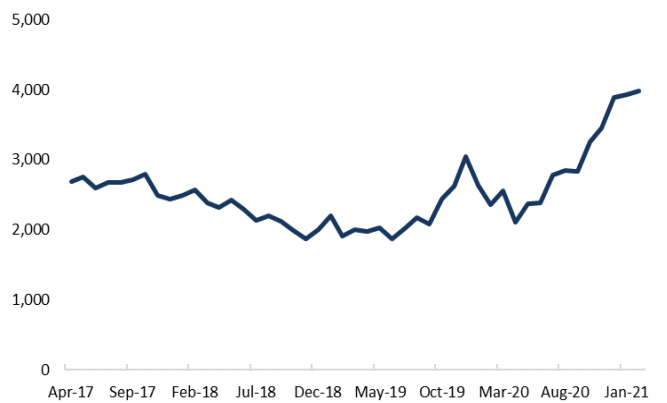
Source: Company, NHKSI Research

Wheat Price | FY17-FY21



Source: BI, Bloomberg, NHKSI Research

Crude Palm Oil Price | FY17-FY21



Source: Bloomberg, NHKSI Research

Company Overview



Indofood (INDF) has transformed into a Total Food Solutions company within the last two decades as INDF's operational activities cover all phases of food manufacturing— to start from production and processing of raw materials to product distribution in the markets. INDF is well known for its credibility as a leading company in each of its business segments, and its operational activities capitalize on economies of scale and resilient business model consisting of 4 integrated strategic business segments (Group).

The consumer branded products (CBP) is supported by the strength of its products. The CBP segment produces varied consumer-branded products, i.e., instant noodles, dairy, snacks foods, food seasonings, nutrition & special foods, and beverages. Meanwhile, the Bogasari segment equipped with shipping & packaging business units produces wheat flour and pasta. Furthermore, the agribusiness segment covers activities, i.e., researches & development, seed breeding, oil palm cultivation & milling to the production and marketing of branded cooking oil, margarine and shortening. The segment also cultivates and processes rubber, sugar cane, and other crops. In addition, the distribution segment distributes most of consumer products manufactured by Indofood and its subsidiaries as well as by the third parties, to markets.

SOTP Valuation

	2021 EBIT	Multiples Assigned	% Ownership	Value
CBP (ICBP)	10,778	14.5	82%	104,987
Bogasari	2,183	8.6	100%	10,458
Agribusiness (SIMP)	1,476	18.0	75%	5,694
Distribution	450	14.9	100%	3,573
Add : Cash				19,339
Deduct : Debt				(50,017)
<u>Net Equity Value</u>				<u>94,035</u>
Holding Discount			25%	(23,508)
Equity Per Share				8,000
Discount SOTP at Current Price				22%

Valuation Highlight in Charts

Forward P/E band | Last 3 years



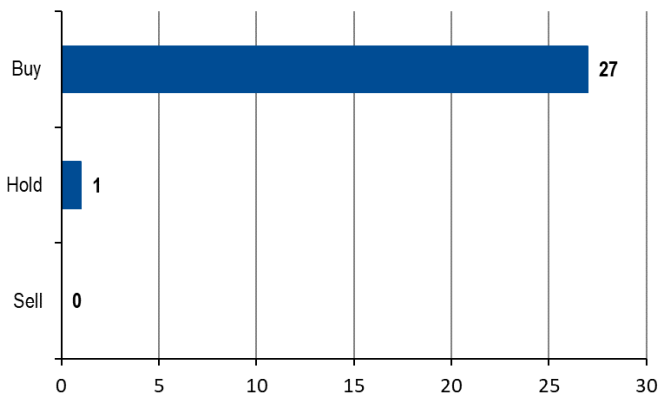
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



Source: NHKSI research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
19/04/2021	Buy	8,000 (Dec 2021)	6,575	8,732	21.7%	-8.4%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Sales	76,593	81,731	92,252	104,400
<i>Growth</i>	4.4%	6.7%	12.9%	13.2%
COGS	(53,877)	(54,979)	(62,791)	(71,945)
Gross Profit	22,716	26,752	29,462	32,454
<i>Gross Margin</i>	29.7%	32.7%	31.9%	31.1%
Operating Expenses	(12,924)	(13,795)	(14,576)	(16,495)
EBIT	9,792	12,957	14,886	15,959
<i>EBIT Margin</i>	12.8%	15.9%	16.1%	15.3%
Depreciation	3,048	3,569	3,470	3,487
EBITDA	12,840	16,525	18,356	19,446
<i>EBITDA Margin</i>	16.8%	20.2%	19.9%	18.6%
Interest Expenses	(1,462)	(1,148)	(1,365)	(1,400)
EBT	8,749	12,426	14,218	15,348
Income Tax	(2,847)	(3,674)	(4,204)	(4,538)
Minority Interest	(994)	(994)	(2,296)	(2,628)
Net Profit	4,908	6,456	7,387	7,974
<i>Growth</i>	17.8%	31.5%	14.4%	7.9%
<i>Net Profit Margin</i>	6.4%	7.9%	8.0%	7.6%

PROFITABILITY & STABILITY

	2019/12A	2020/12A	2021/12E	2022/12E
ROE	13.0%	15.2%	15.9%	15.6%
ROA	5.1%	5.0%	4.5%	4.7%
Inventory Turnover	5.6x	4.9x	6.3x	9.1x
Receivable Turnover	14.2x	12.7x	14.6x	15.2x
Payables Turnover	11.9x	12.5x	12.2x	11.4x
Dividend Yield	2.2%	4.1%	4.5%	5.2%
Payout Ratio	36.0%	49.7%	49.0%	49.0%
DER	0.4x	0.7x	0.6x	0.6x
Net Gearing	0.3x	1.3x	1.0x	0.7x
Equity Ratio	56.3%	48.5%	49.9%	50.9%
Debt Ratio	22.8%	32.2%	29.9%	28.0%
Financial Leverage	181.9%	185.4%	144.3%	200.8%
Current Ratio	106.6%	127.2%	137.3%	133.3%
Quick Ratio	0.9x	1.0x	1.0x	1.1x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,780	8,780	8,780	8,780
Share Price (IDR)	7,925	6,850	8,000	8,000
Market Cap (IDR tn)	69.6	60.1	70.2	70.2

BALANCE SHEET

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Cash	13,745	17,338	19,339	22,871
Receivables	5,406	6,429	6,319	6,865
Inventories	9,659	11,150	9,978	7,884
Total Current Assets	31,403	38,418	39,136	41,120
Net Fixed Assets	43,387	47,369	49,803	52,371
Other Non Current Assets	21,408	77,349	78,123	78,904
Total Non Current Assets	64,795	124,718	127,926	131,275
Total Assets	96,199	163,137	167,062	172,396
Payables	4,522	4,408	5,152	6,308
ST Bank Loan	13,006	13,800	13,148	12,681
Total Current Liabilities	24,687	27,976	29,370	31,517
LT Debt	8,948	38,700	36,869	35,562
Total Liabilities	41,996	83,998	83,701	84,680
Capital Stock	1,162	1,162	1,162	1,162
Retained Earnings	26,780	31,116	35,339	39,693
Shareholders' Equity	54,203	79,138	83,361	87,715

VALUATION INDEX

	2019/12A	2020/12A	2021/12E	2022/12E
Price /Earnings	14.2x	9.3x	9.5x	8.8x
Price /Book Value	1.3x	0.8x	0.8x	0.8x
PE/EPS Growth	0.8x	0.3x	0.7x	1.1x
EV/EBITDA	7.3x	8.0x	7.5x	6.8x
EV/EBIT	9.6x	10.2x	9.2x	8.3x
EV (IDR bn)	94,218	132,071	137,685	132,380
Sales CAGR (3-Yr)	4.6%	4.7%	5.2%	7.9%
Net Income CAGR (3-Yr)	5.8%	16.0%	21.0%	17.6%
Basic EPS (IDR)	559	735	841	908
BVPS (IDR)	6,173	9,013	9,494	9,990
DPS (IDR)	171	278	360	412

OWNERSHIP

Shareholders	%
FPIML	50.1
Vanguard Group Inc	1.7
Blackrock	1.4
Dimensional Fund A.	1.1
By Geography	%
Unknown	83.1
United States	9.3
Luxembourg	2.3
Ireland	1.2

CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Operating Cash Flow	13,345	13,856	14,187	15,621
Investing Cash Flow	(584)	(37,637)	(6,539)	(6,697)
Financing Cash Flow	(7,660)	27,285	(5,646)	(5,393)
Net Changes in Cash	5,100	3,504	2,001	3,532

Source: Bloomberg, NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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