

Indofood Sukses Makmur Tbk (INDF IJ)

Strong Performance from All Segments

INDF closed 1Q21 with an exciting performance, supported by all business segments and margin expansion. Going forward, we are still optimistic in the ICBP and Bogasari segment as we factor in robust demand and higher wheat prices. However, the agribusiness segment may potentially weigh down the growth of sales given its unfavourable CPO outlook.

Solid core profit with margin expansion

- INDF's 1Q21 core profit increased significantly by 50.1% YoY to IDR2.2tn, excluding the IDR1.0tn foreign exchange loss due to USD loan exposure.
- INDF's 1Q21 revenue was IDR24.5tn (+7.0% QoQ, +27.2% YoY), which translates to 26.6% of our estimation.
- The strong result came from margin expansions, as GPM and EBIT margins stood at 34.7% and 20.0% (1Q20: 32.5% and 17.8%). Conversely, net profit margin was lower at 7.0% (1Q20: 7.3%).
- In line with the top-line performance, net profit also improved, recording IDR1.7tn (-36% QoQ, +23.2% YoY) in 1Q21.

Strong growth performed by all business units

- In 1Q21, sales reached IDR14.5tn (+27% YoY), due to robust export growth with Pinehill inclusion and higher domestic ASP.
- Bogasari booked 1Q21 sales of IDR6.0tn (+10% YoY), with an EBIT margin of 7.6%. Global wheat price has increased by c.8% YoY and may continue to increase. Thus, we believe this segment has the capability to increase its ASP.
- Agribusiness posted excellent revenue performance, driven by higher CPO average price of USD1,079/MT in 1Q21. Going forward, CPO price is expected to move downwards in 2H21 driven by higher production due to seasonal factors.
- The distribution recorded solid growth of 19% YoY to IDR1.3tn, with an EBIT margin of 6.0%.
- All in all, we expect ICBP and Bogasari to outperform in the upcoming quarter, considering an increase in demand for basic needs remain the government's priority as we enter stricter PPKM and wheat prices rise.
- Agribusiness, however, is expected to underperform due to the street's estimation of CPO prices to trade around USD692/MT (vs. YTD: USD1,062/MT).

Maintain BUY rating with unchanged TP

- We maintain our BUY call and TP at IDR8,000/share unchanged given 1Q21's solid result with margin expansion. Our target price implies a 8.9x FY22P/E.
- We also expect INDF to deliver earnings CAGR of 11% over FY20-22E as its majority of core business segment remains solid.
- Risks to our call include 1) Weakening IDR against USD 2) higher than expected interest cost 3) slower than expected domestic demand.

Indofood Sukses Makmur Tbk | Summary (IDR bn)

	2020A	2021E	2022F	2023F
Sales	81,731	92,156	97,971	104,885
Growth	6.7%	12.8%	6.3%	7.1%
Net Profit	6,434	7,654	7,887	8,207
Growth	31.1%	19.0%	3.1%	4.1%
EPS (IDR)	733	872	898	935
P/E	9.3x	7.9x	8.9x	8.6x
P/BV	1.4x	1.3x	1.4x	1.3x
EV/EBITDA	8.0x	7.0x	7.4x	7.0x
ROE	17.0%	18.1%	16.7%	16.0%
DER	66%	59%	55%	52%
Dividend yield	4.1%	5.3%	5.3%	5.7%

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

BUY

Target Price	8,000
Consensus Price (IDR)	8,540
TP to Consensus Price	-6.3%
Potential Upside	24.5%

Shares data

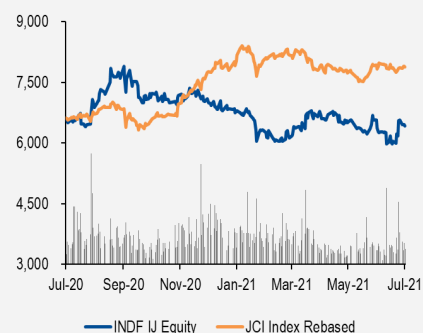
Last Price (IDR)	6,425
Price date as of	8-Jul-21
52 wk range (Hi/Low)	7900/5975
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	56,853
Market Cap (USD mn)	3,928
Avg. Trd Vol - 3M (mn)	7.46
Avg. Trd Val - 3M (bn)	47.70
Foreign Ownership	15.8%

Consumer Non Cyclical

Packaged Foods

Bloomberg	INDF IJ
Reuters	INDF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-6.2%	0.8%	-3.7%	-3.0%
Rel. Ret.	-7.2%	0.1%	-3.2%	-22.0%

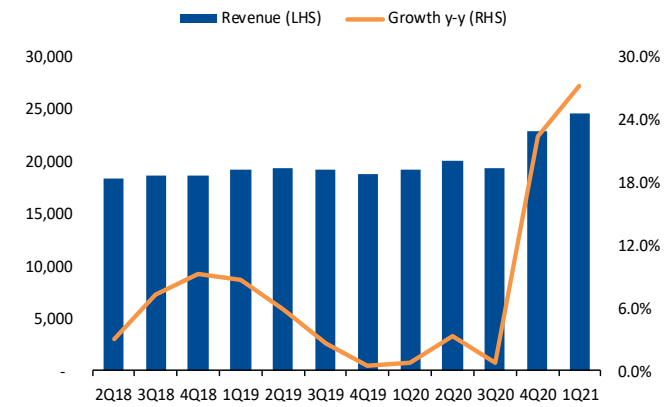
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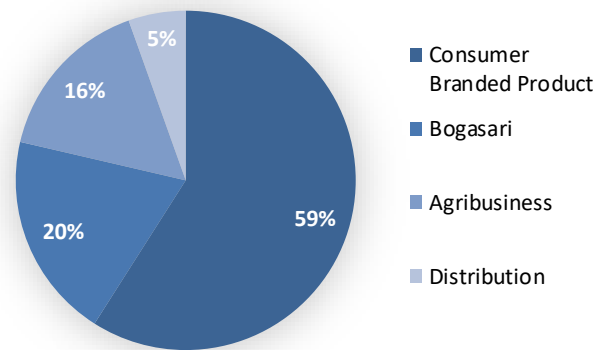
Performance Highlights

Sales | 2Q18 - 1Q21



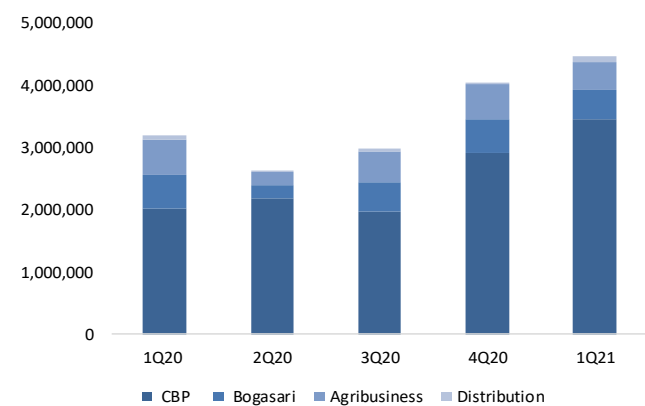
Source: Company, NHKSI Research

Revenue Breakdown | 1Q21



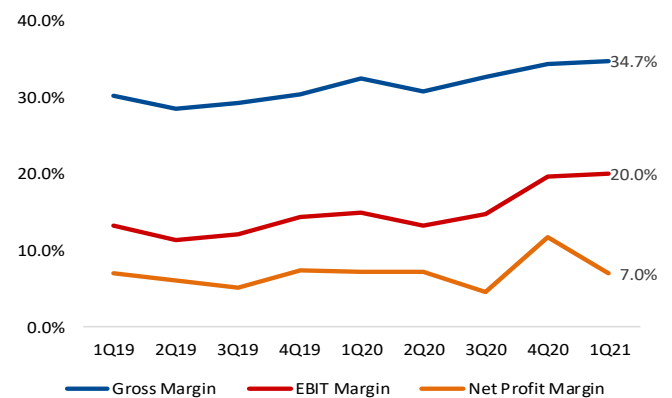
Source: Company, NHKSI Research

INDF's EBIT (IDR mn) | 1Q20 - 1Q21



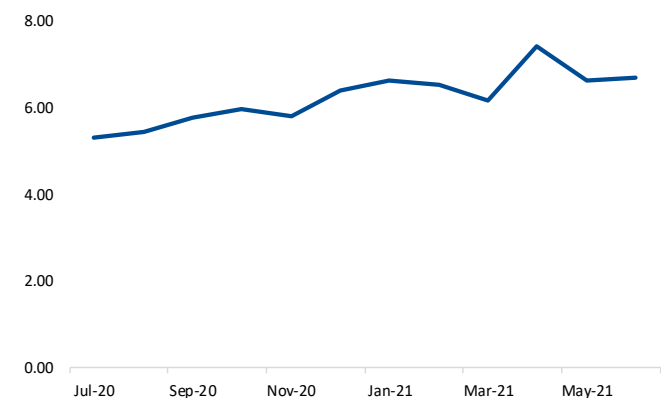
Source: Company, NHKSI Research

Margin | 1Q19—1Q21



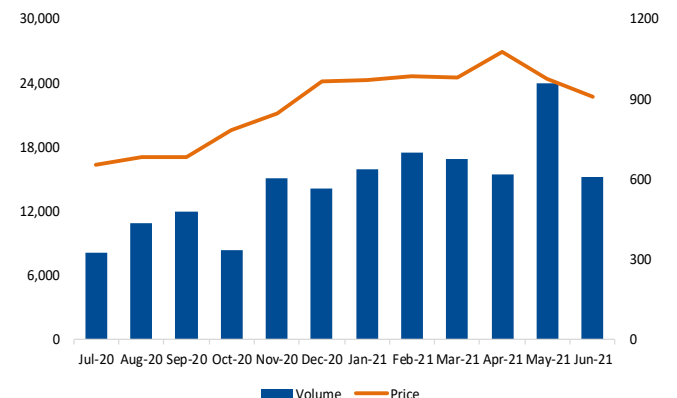
Source: Company, NHKSI Research

Wheat Price | Jul'20– May'21



Source: Bloomberg, NHKSI Research

Crude Palm Oil Price (USD/MT) | Jul'20– June'21



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

	2022 EBIT	Multiples Assigned	% Ownership	Value
CBP (ICBP)	11,000	16.9x	80.50%	100,152
Bogasari	1,993	10.1x	100%	12,690
Agribusiness (SIMP)	1,637	15.9x	59.70%	5,259
Distribution	521	16.1x	100%	5,456
Add : Cash				20,169
Deduct : Debt				(49,883)
<u>Net Equity Value</u>				<u>93,845</u>
Holding Discount			25%	(23,461)
Equity Per Share				8,000
Discount SOTP at Current Price				24.5%

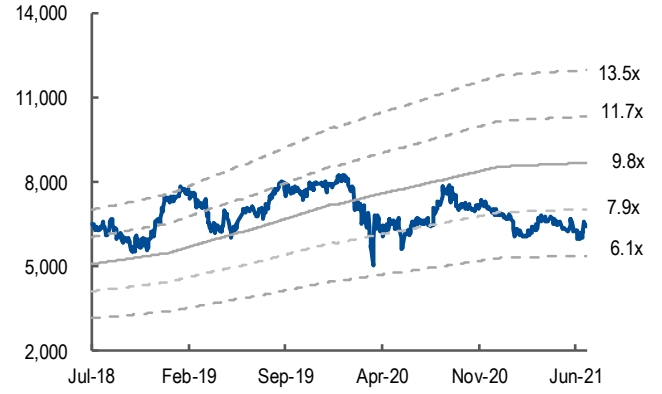
Valuation Highlight in Charts

Forward P/E band | Last 3 years



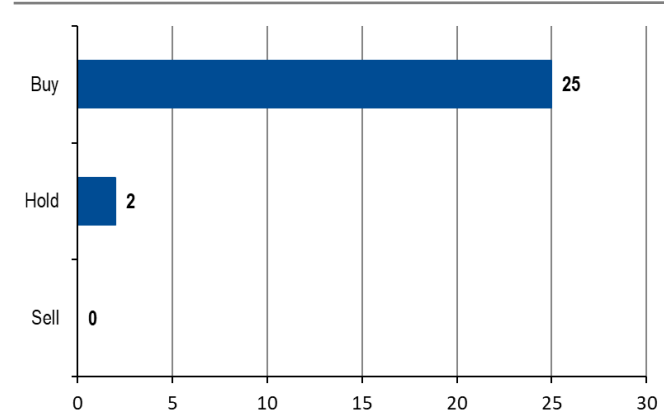
Source: NHKSI research

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					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E	2020/12A	2021/12E	2022/12E	2023/12E	
Sales	81,731	92,156	97,971	104,885	ROE	17.0%	18.1%	16.7%	16.0%
<i>Growth</i>	6.7%	12.8%	6.3%	7.1%	ROA	3.9%	4.5%	4.5%	4.6%
COGS	(54,979)	(62,072)	(67,901)	(73,212)	Inventory Turnover	4.9x	5.4x	5.7x	6.1x
Gross Profit	26,752	30,085	30,070	31,673	Receivable Turnover	12.7x	14.6x	16.6x	18.3x
<i>Gross Margin</i>	32.7%	32.6%	30.7%	30.2%	Payables Turnover	12.5x	11.4x	11.4x	11.4x
Operating Expenses	(13,795)	(15,648)	(15,479)	(16,572)	Dividend Yield	4.1%	5.3%	5.3%	5.7%
EBIT	12,957	14,437	14,590	15,101	Payout Ratio	49.7%	49.2%	49.0%	51.0%
<i>EBIT Margin</i>	15.9%	15.7%	14.9%	14.4%	DER	66%	59%	55%	52%
Depreciation	3,569	3,667	3,765	4,078	Net Gearing	1.3x	0.9x	0.8x	0.6x
EBITDA	16,525	18,104	18,356	19,179	Equity Ratio	48.5%	50.0%	51.1%	52.0%
<i>EBITDA Margin</i>	20.2%	19.6%	18.7%	18.3%	Debt Ratio	32.2%	29.5%	28.2%	27.1%
Interest Expenses	(1,148)	(1,634)	(1,397)	(1,373)	Financial Leverage	3.8x	3.6x	3.4x	3.2x
EBT	12,426	12,818	13,209	13,745	Current Ratio	1.4x	1.5x	1.4x	1.4x
Income Tax	(3,674)	(3,245)	(3,344)	(3,479)	Quick Ratio	1.0x	1.1x	1.0x	1.0x
Minority Interest	(2,296)	(1,920)	(1,978)	(2,058)	Par Value (IDR)	100	100	100	100
Net Profit	6,434	7,654	7,887	8,207	Total Shares (mn)	8,780	8,780	8,780	8,780
<i>Growth</i>	31.1%	19.0%	3.1%	4.1%	Share Price (IDR)	6,850	6,850	8,000	8,000
<i>Net Profit Margin</i>	7.9%	8.3%	8.1%	7.8%	Market Cap (IDR tn)	60.1	60.1	70.2	70.2

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E	2020/12A	2021/12E	2022/12E	2023/12E	
Cash	17,338	20,169	21,206	22,337	Price /Earnings	9.3x	7.9x	8.9x	8.6x
Receivables	6,429	6,312	5,905	5,747	Price /Book Value	1.4x	1.3x	1.4x	1.3x
Inventories	11,150	11,564	11,906	12,035	PE/EPS Growth	0.3x	0.4x	2.9x	2.1x
Total Current Assets	38,418	42,626	43,294	44,118	EV/EBITDA	8.0x	7.0x	7.4x	7.0x
Net Fixed Assets	47,369	50,569	53,760	57,128	EV/EBIT	10.2x	8.8x	9.3x	8.9x
Other Non Current Assets	77,349	76,024	76,784	77,552	EV (IDR bn)	132,070	127,251	135,462	133,664
Total Non Current Assets	124,718	126,593	130,543	134,680	Sales CAGR (3-Yr)	5.2%	7.9%	8.6%	8.7%
Total Assets	163,137	169,219	173,838	178,797	Net Income CAGR (3-Yr)	15.8%	22.5%	17.1%	8.5%
Payables	4,408	5,442	5,953	6,419	Basic EPS (IDR)	733	872	898	935
ST Bank Loan	13,800	12,831	12,613	12,441	BVPS (IDR)	4,826	5,387	5,858	6,335
Total Current Liabilities	27,976	29,353	30,322	31,446	DPS (IDR)	278	360	427	458
LT Debt	38,700	37,051	36,420	35,925					
Total Liabilities	83,998	84,528	85,011	85,786					
Capital Stock	1,162	1,162	1,162	1,162					
Retained Earnings	31,116	35,609	39,746	43,931					
Shareholders' Equity	79,138	84,690	88,827	93,012					

CASH FLOW STATEMENT					OWNERSHIP					
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E						
Operating Cash Flow	13,856	14,151	13,209	13,889	Shareholders					%
Investing Cash Flow	(37,637)	(5,527)	(7,571)	(8,069)	FPIML					50.1
Financing Cash Flow	27,285	(6,744)	(4,600)	(4,689)	Vanguard Group Inc					1.9
Net Changes in Cash	3,504	1,880	1,037	1,131	Blackrock					1.4
					Dimensional Fund A.					0.9
					By Geography					%
					Unknown					83.7
					United States					8.8
					Luxembourg					2.3
					Ireland					1.2

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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