

Indofood Sukses Makmur Tbk (INDF IJ)

Solid Performance Growth Continues

INDF maintained solid revenue and net profit growth in 2Q21, on the back of strong performances from all segments. We expect INDF to continue in posting robust growth in the following quarter.

Robust growth continued in 2Q21

- INDF's 2Q21 revenue reached IDR22.7tn (+13.2% YoY, -7.4% QoQ) and IDR47.2tn cumulatively in 1H21 (+20.1% YoY), as all key segments performed well.
- COGS increased to IDR15.3tn (+10.7% YoY), we see this was still due to higher raw material and packaging cost.
- Below the operating line, a notable increase in 2Q21 finance expenses was likely caused by interest on bank loans and bond payable for Pinehill acquisition.
- On the margin front, INDF posted higher margin across the board with gross, operating and net margin stood at 32.4%, 16.3%, and 7.5%, respectively.
- In 2Q21, net profit was at IDR1.7tn (+18.4% YoY, -1.4% QoQ). Cumulatively, INDF booked a 1H21 net profit of IDR3.4tn, which made up 49% of our and consensus's forecasts.

Noodle and Agribusiness segment still the star performer

- Robust top line growth in 2Q21 was boosted by strong growth from consumer branded product (CBP) and agribusiness segments. All segments recorded margin expansion in 2Q21 with the highest posted by agribusiness segment.
- Consumer Branded Product (CBP) segment, which accounted for 58% of 2Q21 total sales, booked another good performance driven by noodle and dairy.
- Agribusiness posted 2Q21 sales of IDR3.4tn (+7.3% YoY), with an EBIT margin of 13.8%. This segment enjoyed better financial figures backed by higher sales volume and ASP, in line with the upward trend in CPO prices.
- Amongst all, Bogasari segment turned into negative YoY growth despite higher ASP. However, EBIT margin expanded to 5.6% (+190bps), which is still in line with the management guidance of 5% -7%. We expect the fierce competition landscape in flour milling business to continue.
- Distribution segment recorded solid revenue of IDR1.2tn, with EBIT margin expanding to 5.5% in 2Q21 from 0.7% in 2Q20.
- Overall, we expect robust growth for INDF since favorable CBP and agribusiness performance will be a positive catalyst this year.

Valuation

- We maintain our BUY call and TP at IDR8,000/share given higher CPO price and stable rupiah, representing potential upside of 28.5%
- Risks to our call include 1) weaker IDR against USD 2) slower than expected domestic demand 3) higher key raw material cost.

Indofood Sukses Makmur Tbk | Summary (IDR bn)

	2020A	2021E	2022F	2023F
Sales	81,731	92,156	97,919	104,770
Growth	6.7%	12.8%	6.3%	7.0%
Net Profit	6,434	6,921	7,594	7,797
Growth	31.1%	7.6%	9.7%	2.7%
EPS (IDR)	733	788	865	888
P/E	9.3x	10.1x	9.3x	9.0x
P/BV	1.4x	1.5x	1.4x	1.3x
EV/EBITDA	8.0x	7.3x	6.5x	6.2x
ROE	17.0%	16.3%	16.5%	15.5%
DER	66%	59%	55%	51%
Dividend yield	4.1%	4.6%	4.9%	5.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price	8,000
Consensus Price (IDR)	8,447
TP to Consensus Price	-5.3%
Potential Upside	28.5%

Shares data

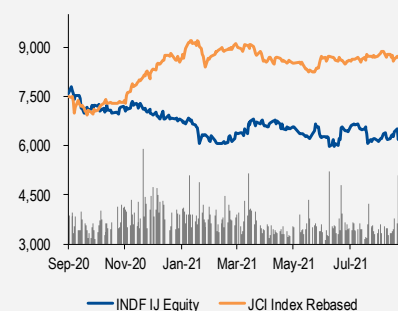
Last Price (IDR)	6,225
Price date as of	13-Sep-21
52 wk range (Hi/Lo)	7800/5975
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	56,853
Market Cap (USD mn)	4,000
Avg. Trd Vol - 3M (mn)	8.05
Avg. Trd Val - 3M (bn)	51.01
Foreign Ownership	15.7%

Consumer Non Cyclical

Packaged Foods

Bloomberg	INDF IJ
Reuters	INDF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-8.8%	1.6%	-0.4%	-13.8%
Rel. Ret.	-8.6%	1.6%	-0.1%	-34.4%

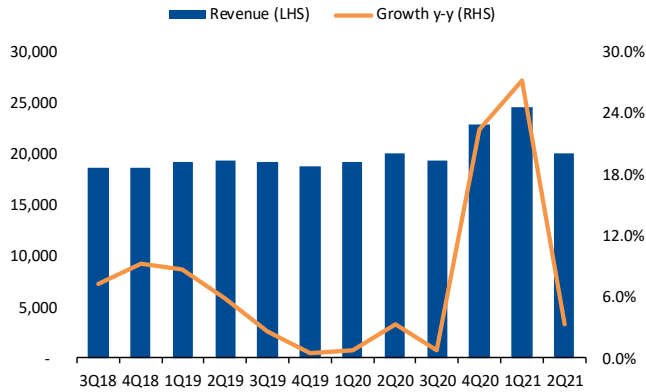
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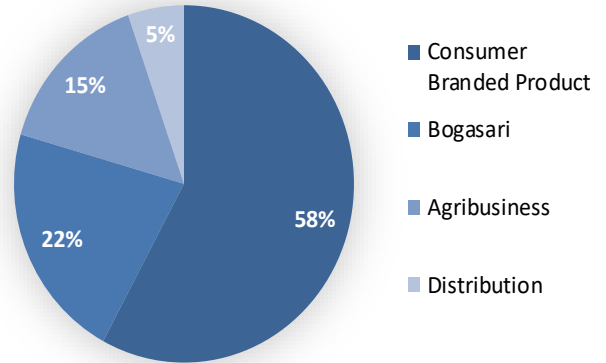
Performance Highlights

Sales | 3Q18 - 2Q21



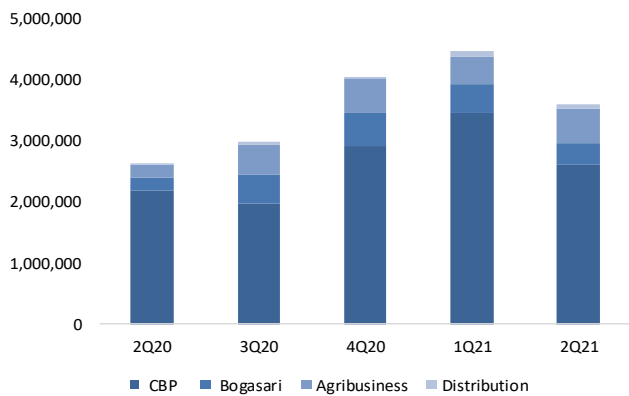
Source: Company, NHKSI Research

Revenue Breakdown | 2Q21



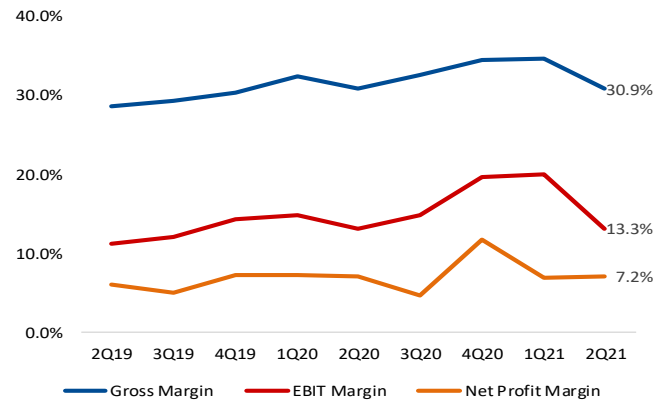
Source: Company, NHKSI Research

INDF's EBIT (IDR mn) | 2Q20 - 2Q21



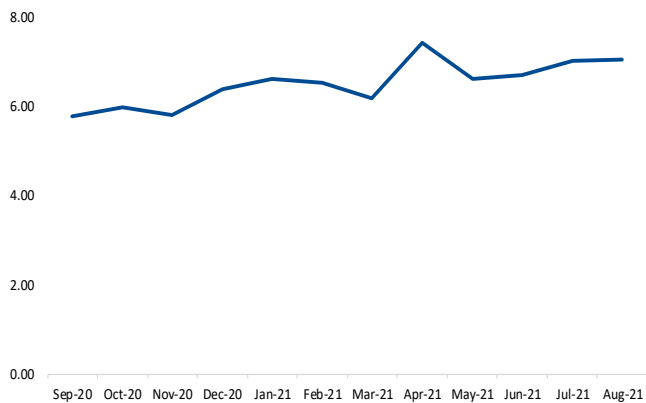
Source: Company, NHKSI Research

Margin | 2Q19—2Q21



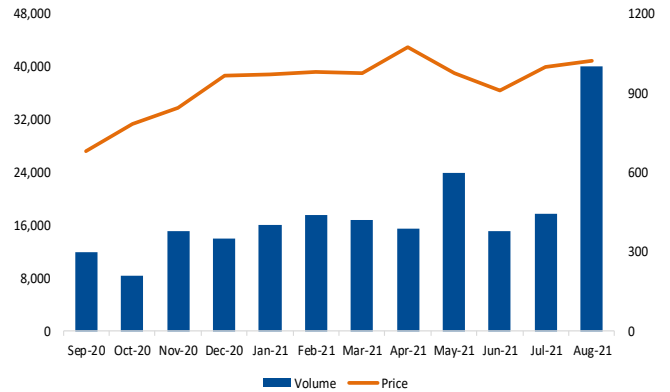
Source: Company, NHKSI Research

Wheat Price | Sep'20– Aug'21



Source: Bloomberg, NHKSI Research

Crude Palm Oil Price (USD/MT) | Sep'20– Aug'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.

Asia Pacific Consumer Company

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
INDF	4,000	11,715	6,219	489	35.36%	7.9%	16.3%	8.1x	1.2x
ICBP	6,995	7,439	3,593	446	10.06%	12.4%	20.9%	15.5x	3.0x
Japan									
Nissin Foods Holdings	8,300	5,999	4,865	344	2.85%	7.1%	10.1%	24.5x	2.3x
Toyo Suisan Kaisha Ltd	4,707	3,852	3,727	255	0.34%	6.8%	8.4%	17.6x	1.4x
South Africa									
Pioneer Foods Group Ltd	N/A	967	1,554	63	-15.18%	4.1%	10.5%	N/A	N/A
South Korea									
Samyang Foods Co Ltd	543	511	534	40	-39.21%	7.6%	13.4%	13.7x	1.7x
Nongshim Co Ltd	1,575	2,503	2,262	98	-9.38%	4.3%	5.4%	15.6x	0.8x
Ottogi Corporation	1,654	2,149	2,335	77	-30.66%	3.3%	6.3%	20.2x	1.2x
Thailand									
Thai President Foods	1,978	1,247	746	119	-13.77%	15.9%	14.1%	17.5x	2.4x
Thai Union Group	2,886	4,820	4,380	248	48.34%	5.7%	14.4%	12.5x	1.7x
Malaysia									
Nestle Berhad	7,579	712	1,354	138	-0.36%	10.2%	88.6%	55.1x	47.8x
PPB Group Berhad	6,279	6,189	1,059	335	9.37%	31.6%	6.1%	18.8x	1.1x
India									
Nestle India Ltd	26,670	1,081	1,794	281	5.79%	15.7%	105.8%	93.6x	96.5x
Britannia Industries Ltd	13,436	1,095	1,736	251	32.89%	14.5%	46.9%	52.6x	27.7x

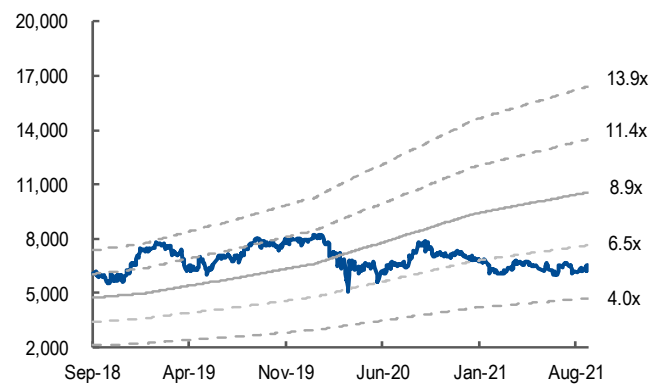
Valuation Highlight in Charts

Forward P/E band | Last 3 years



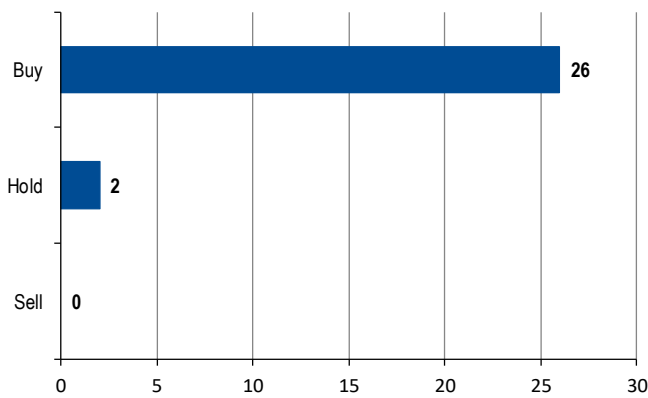
Source: NHKSI research

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)	2020/12A	2021/12E	2022/12E	2023/12E
Sales	81,731	92,156	97,919	104,770
<i>Growth</i>	6.7%	12.8%	6.3%	7.0%
COGS	(54,979)	(62,580)	(65,404)	(70,785)
Gross Profit	26,752	29,576	32,515	33,984
<i>Gross Margin</i>	32.7%	32.1%	33.2%	32.4%
Operating Expenses	(13,795)	(14,379)	(15,667)	(16,763)
EBIT	12,957	15,196	16,848	17,221
<i>EBIT Margin</i>	15.9%	16.5%	17.2%	16.4%
Depreciation	3,569	3,349	3,693	4,005
EBITDA	16,525	18,545	20,541	21,227
<i>EBITDA Margin</i>	20.2%	20.1%	21.0%	20.3%
Interest Expenses	(1,148)	(2,214)	(1,394)	(1,351)
EBT	12,426	12,957	15,428	15,841
Income Tax	(3,674)	(3,214)	(4,474)	(4,594)
Minority Interest	(2,296)	(2,822)	(3,360)	(3,450)
Net Profit	6,434	6,921	7,594	7,797
<i>Growth</i>	31.1%	7.6%	9.7%	2.7%
<i>Net Profit Margin</i>	7.9%	7.5%	7.8%	7.4%

PROFITABILITY & STABILITY				
	2020/12A	2021/12E	2022/12E	2023/12E
ROE	17.0%	16.3%	16.5%	15.5%
ROA	3.9%	4.1%	4.3%	4.3%
Inventory Turnover	4.9x	5.4x	5.7x	6.1x
Receivable Turnover	12.7x	14.6x	16.6x	18.3x
Payables Turnover	12.5x	11.4x	11.4x	11.4x
Dividend Yield	4.1%	4.6%	4.9%	5.4%
Payout Ratio	49.7%	50.2%	50.0%	50.0%
DER	66%	59%	55%	51%
Net Gearing	1.3x	0.9x	0.7x	0.6x
Equity Ratio	48.5%	49.2%	50.4%	51.1%
Debt Ratio	32.2%	29.2%	27.6%	26.3%
Financial Leverage	3.8x	3.7x	3.5x	3.3x
Current Ratio	1.4x	1.0x	1.0x	1.0x
Quick Ratio	1.0x	0.8x	0.8x	0.7x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,780	8,780	8,780	8,780
Share Price (IDR)	6,850	8,000	8,000	8,000
Market Cap (IDR tn)	60.1	70.2	70.2	70.2

BALANCE SHEET				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	17,338	22,040	23,106	24,382
Receivables	6,429	6,312	5,902	5,741
Inventories	11,150	11,659	11,468	11,636
Total Current Assets	38,418	43,990	44,257	45,358
Net Fixed Assets	47,369	49,385	52,644	56,078
Other Non Current Assets	77,349	77,184	77,955	78,735
Total Non Current Assets	124,718	126,568	130,600	134,813
Total Assets	163,137	170,558	174,857	180,170
Payables	4,408	5,486	5,734	6,206
ST Bank Loan	13,800	13,345	12,939	12,688
Total Current Liabilities	27,976	41,946	43,153	45,086
LT Debt	38,700	36,428	35,321	34,634
Total Liabilities	83,998	86,625	86,791	88,104
Capital Stock	1,162	1,162	1,162	1,162
Retained Earnings	31,116	34,821	38,954	42,954
Shareholders' Equity	79,138	83,933	88,066	92,066

VALUATION INDEX				
	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	9.3x	10.1x	9.3x	9.0x
Price /Book Value	1.4x	1.5x	1.4x	1.3x
PE/EPS Growth	0.3x	1.3x	1.0x	3.4x
EV/EBITDA	8.0x	7.3x	6.5x	6.2x
EV/EBIT	10.2x	8.9x	7.9x	7.6x
EV (IDR bn)	132,070	135,810	133,232	131,019
Sales CAGR (3-Yr)	5.2%	7.9%	8.5%	8.6%
Net Income CAGR (3-Yr)	15.8%	18.4%	15.7%	6.6%
Basic EPS (IDR)	733	788	865	888
BVPS (IDR)	4,826	5,250	5,721	6,176
DPS (IDR)	278	368	394	432

OWNERSHIP	
Shareholders	%
FPIML	50.1
Vanguard Group Inc	1.6
Blackrock	1.4
Dimensional Fund A.	1.0
By Geography	%
Unknown	84.2
United States	9.0
Luxembourg	2.3
Ireland	1.2

CASH FLOW STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	13,856	14,223	13,697	14,162
Investing Cash Flow	(37,637)	(6,742)	(7,658)	(8,152)
Financing Cash Flow	27,285	(4,424)	(4,973)	(4,735)
Net Changes in Cash	3,504	3,057	1,066	1,275

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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