

Indofood Sukses Makmur Tbk (INDF IJ)

CBP Segment Still Becomes the Growth Driver

INDF started its 1Q23 performance by recording a growth in sales of 11.3% YoY. As the largest contributor to sales (60.7% in 1Q23), the CBP segment managed to grow 9.4% YoY, amidst normalization of raw material costs. The increase was driven by almost all segments, with Food Flavouring segment leading the sales growth (+27.1% YoY). Meanwhile, unrealized forex gains from financing activities made net profit grow 63.3% YoY to IDR3.8 trillion.

Net Profit Performance Propelled by Unrealized Forex Gain

- INDF started 1Q23 by recording a growth in sales of 11.3% YoY to IDR30.5 trillion (vs 1Q22: IDR27.4 trillion). Almost all segments recorded sales growth, only the Agribusiness segment recorded a 1.7% YoY decline in 1Q23.
- The increase in the cost of raw materials used grew higher than its sales at 12.5% followed by production expenses which increased by 15.5% YoY resulting in cost of goods sold of IDR21.1 trillion or an increase of 14.4% YoY. However, the increase was not a hindrance to gross profit performance which was able to grow 4.9% YoY to IDR9.5 trillion, although GPM experienced a slight decline to 31.1% (vs 1Q22: 32.9%).
- The 6.0% increase in selling and distribution expenses due to higher advertising and promotion (+17.0% YoY) as well as freight and handling (+6.4% YoY) caused operating profit to contract by 4.5% to IDR5.0 trillion. This also contributed to a lower EBIT margin of 16.3% (vs 1Q22: 19.0%).
- Unrealized forex gains from financing activities of IDR2.1 trillion in 1Q23 caused net profit to grow 63.3% YoY to IDR3.8 trillion (vs 1Q22: IDR2.4 trillion) and also brought NPM higher at 12.6% (vs 1Q22: 8.6%).

Almost All Segments Grow Solidly

- As the largest contributor to sales (60.7% in 1Q23), the CBP segment managed to grow 9.4% YoY to IDR18.5 trillion amidst normalization of raw material costs. This increase was driven by almost all segments, with Food Flavouring segment leading the sales growth (+27.1% YoY) followed by Instant Noodles segment which grew 14.4% YoY.
- Meanwhile, the Dairy segment contracted 2.9% YoY due to competition and industry slowdown. Sales growth in the CBP segment was also reflected in its higher EBIT margin of 22.3% (vs 1Q22: 19.5%).
- Bogasari segment posted a 16.4% YoY increase in sales, yet its EBIT margin was unable to grow as it recorded lower at 5.7% (vs 1Q22: 7.2%). The Agribusiness segment recorded a 1.7% YoY decline in sales along with a decline in its EBIT margin which was recorded at 11.6% (vs 1Q22: 25.3%) as domestic CPO prices in 1Q23 contracted 19.3% YoY to IDR11,722/kg (vs 1Q22: IDR14,524/kg). On the other hand, the distribution segment led the sales growth (+37.9% YoY) followed by an increase in its EBIT margin to 9.3% (vs 1Q22: 7.4%).
- As for this year, the company has allocated capital expenditure of Rp5.1 trillion, in which the majority will be used by ICBP in the amount of Rp2.8 trillion, then the rest for Bogasari (Rp600 billion), Agribusiness (Rp1.4 trillion) and Distribution (Rp300 billion).

BUY Recommendation with TP IDR8,600

- We recommend BUY with a target price of IDR8,600/share, which reflects a P/E of 6.9x with upside potential of 16.2%. Meanwhile, our risks include IDR weakening against USD, lower product demand, and higher cost of key raw materials.

Indofood Sukses Makmur Tbk | Summary (IDR bn)

	2022A	2023E	2024E	2025E
Sales	110,830	118,787	125,418	135,296
Growth	11.6%	7.2%	5.6%	7.9%
Net Profit	6,359	9,721	10,926	11,582
Growth	-17.0%	52.9%	12.4%	6.0%
EPS (IDR)	724	1,107	1,244	1,319
P/E	9.3x	7.8x	6.9x	6.5x
P/BV	1.1x	1.2x	1.1x	1.0x
EV/EBITDA	6.1x	6.5x	5.7x	5.2x
ROE	13.1%	18.1%	18.0%	16.9%
DER	69%	64%	64%	64%
Dividend yield	4.1%	3.0%	3.9%	5.1%

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

BUY

Target Price	8,600
Consensus Price (IDR)	8,842
TP to Consensus Price	-2.7%
Potential Upside	16.2%

Shares data

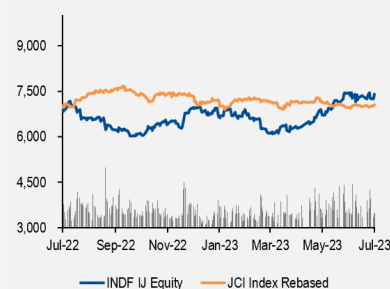
Last Price (IDR)	7,400
Price date as of	July 12, 2023
52 wk range (Hi/Lo)	7,500/6,025
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	64,975
Market Cap (USD mn)	4,306
Avg. Trd Vol - 3M (mn)	10.25
Avg. Trd Val - 3M (bn)	72.14
Foreign Ownership	82.0%

Consumer Non Cyclical

Packaged Foods

Bloomberg	INDF IJ
Reuters	INDF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	9.2%	-0.7%	17.9%	5.0%
Rel. Ret.	9.8%	-1.9%	17.8%	3.6%

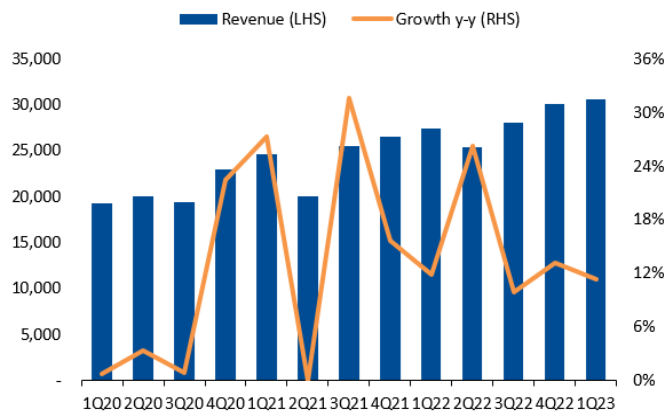
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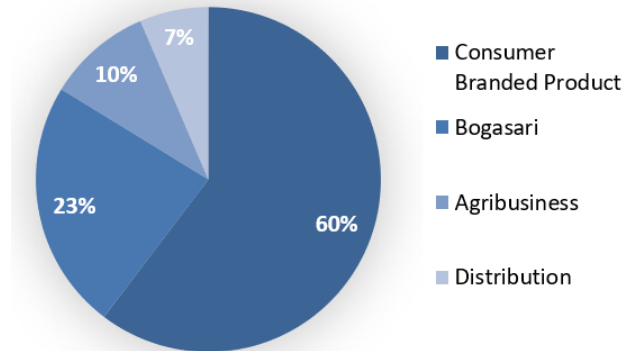
Performance Highlights

Sales | 1Q20 - 1Q23



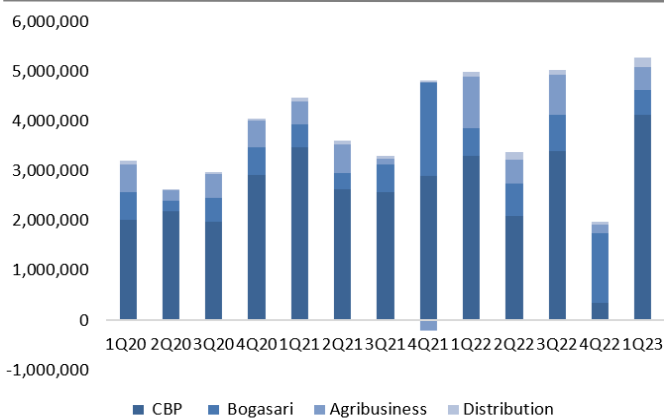
Source: Company, NHKSI Research

Revenue Breakdown | 1Q23



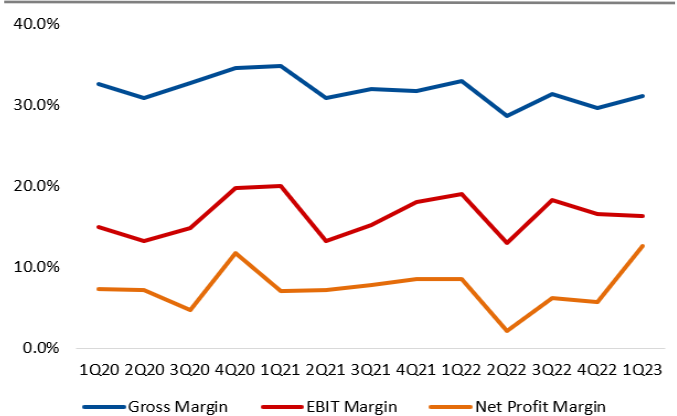
Source: Company, NHKSI Research

INDF's EBIT (IDR mn) | 1Q20 - 1Q23



Source: Company, NHKSI Research

Margin | 1Q20—1Q23



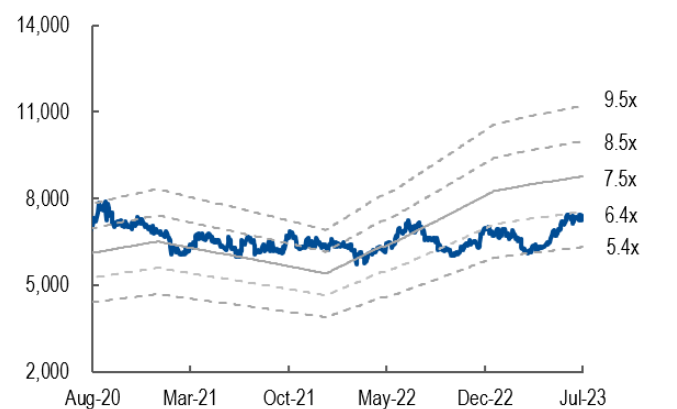
Source: Company, NHKSI Research

Forward P/E band | Last 3 years



Source: Bloomberg, NHKSI Research

Dynamic Forward P/E band | Last 3 years



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY					
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E		2022/12A	2023/12E	2024/12E	2025/12E	
Sales	110,830	118,787	125,418	135,296	ROE	13.1%	18.1%	18.0%	16.9%	
<i>Growth</i>	11.6%	7.2%	5.6%	7.9%	ROA	3.5%	5.1%	5.4%	5.3%	
COGS	(76,859)	(81,063)	(86,016)	(92,790)	Inventory Turnover	4.7x	4.4x	4.5x	4.4x	
Gross Profit	33,972	37,724	39,403	42,506	Receivable Turnover	13.4x	12.1x	12.8x	12.7x	
<i>Gross Margin</i>	30.7%	31.8%	31.4%	31.4%	Payables Turnover	14.3x	15.3x	15.3x	15.3x	
Operating Expenses	(15,500)	(18,111)	(17,559)	(19,497)	Dividend Yield	4.1%	3.0%	3.9%	5.1%	
EBIT	18,472	19,613	21,844	23,009	Payout Ratio	31.9%	35.5%	30.2%	35.0%	
<i>EBIT Margin</i>	16.7%	16.5%	17.4%	17.0%	DER	69%	64%	64%	64%	
Depreciation	3,832	3,271	2,713	2,819	Net Gearing	1.0x	0.8x	0.5x	0.3x	
EBITDA	22,304	22,884	24,557	25,828	Equity Ratio	51.9%	53.4%	53.8%	53.8%	
<i>EBITDA Margin</i>	20.1%	19.3%	19.6%	19.1%	Debt Ratio	35.8%	34.1%	34.3%	34.3%	
Interest Expenses	(2,610)	(2,442)	(2,499)	(2,517)	Financial Leverage	3.4x	3.1x	3.0x	2.8x	
EBT	12,319	17,833	20,044	21,246	Current Ratio	1.8x	2.0x	2.3x	2.5x	
Income Tax	(3,126)	(4,718)	(5,303)	(5,621)	Quick Ratio	1.2x	1.4x	1.7x	1.9x	
Minority Interest	(2,833)	(3,394)	(3,815)	(4,044)	Par Value (IDR)	100	100	100	100	
Net Profit	6,359	9,721	10,926	11,582	Total Shares (mn)	8,780	8,780	8,780	8,780	
<i>Growth</i>	-17.0%	52.9%	12.4%	6.0%	Share Price (IDR)	6,725	8,600	8,600	8,600	
<i>Net Profit Margin</i>	5.7%	8.2%	8.7%	8.6%	Market Cap (IDR tn)	59.0	75.5	75.5	75.5	
BALANCE SHEET					VALUATION INDEX					
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E		2022/12A	2023/12E	2024/12E	2025/12E	
Cash	26,922	32,420	45,839	57,010	Price /Earnings	9.3x	7.8x	6.9x	6.5x	
Receivables	8,281	9,839	9,795	10,627	Price /Book Value	1.1x	1.2x	1.1x	1.0x	
Inventories	16,517	18,597	18,009	19,421	PE/EPS Growth	-0.5x	0.1x	0.6x	1.1x	
Total Current Assets	54,877	63,537	76,340	89,772	EV/EBITDA	6.1x	6.5x	5.7x	5.2x	
Net Fixed Assets	48,455	49,104	49,835	50,732	EV/EBIT	7.4x	7.6x	6.4x	5.8x	
Other Non Current Assets	77,102	76,922	77,073	77,032	EV (IDR bn)	136,433	148,426	140,105	133,887	
Total Non Current Assets	125,557	126,026	126,908	127,764	Sales CAGR (3-Yr)	13.1%	13.3%	8.1%	6.9%	
Total Assets	180,433	189,563	203,248	217,536	Net Income CAGR (3-Yr)	9.0%	14.6%	12.6%	22.1%	
Payables	5,372	5,290	5,614	6,056	Basic EPS (IDR)	724	1,107	1,244	1,319	
ST Bank Loan	15,255	15,192	16,390	17,554	BVPS (IDR)	6,132	6,902	7,812	8,696	
Total Current Liabilities	30,726	32,033	33,815	36,559	DPS (IDR)	278	257	335	435	
LT Debt	49,272	49,451	53,351	57,140	OWNERSHIP					
Total Liabilities	86,810	88,267	93,964	100,489	Shareholders					%
Capital Stock	1,162	1,162	1,162	1,162	FPIML					50.1
Retained Earnings	41,298	48,787	56,776	64,538	Vanguard Group Inc					1.7
Shareholders' Equity	93,623	101,297	109,285	117,047	BlackRock Inc					1.3
					Dimensional Fund Advisors LP					1.3
CASH FLOW STATEMENT					By Geography					%
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E	Unknown					83.9
Operating Cash Flow	13,588	10,558	14,839	13,720	United States					8.2
Investing Cash Flow	(3,863)	(5,090)	(3,581)	(3,682)	Indonesia					2.1
Financing Cash Flow	(14,329)	(358)	2,160	1,134	United Kingdom					0.8
Net Changes in Cash	(4,604)	5,109	13,418	11,172						

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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