

Indofood Sukses Makmur Tbk (INDF IJ)

Net Profit Surges Supported by Forex Gains

Throughout 6M23, INDF's sales were recorded at IDR56.1 trillion or grew 6.3% YoY, with NPM jumping to 9.9% (vs 6M22: 5.5%) in 6M23 as net profit increased 91.9% YoY to IDR5.6 trillion. This increase was due to forex gain from financing activities amounting to IDR2.1 trillion. Meanwhile, the Bogasari segment posted a 5.2% YoY increase in sales to IDR15.8 trillion. Furthermore, throughout 6M23, the Company has reduced its average selling price by around 6% to 8% in line with the declining global wheat prices.

Forex Gains Continue to Underpin Net Profit Performance

- Throughout 6M23, INDF's sales were recorded at IDR 56.1 trillion or grew 6.3% YoY, with Distribution segment leading the sales growth. On a quarterly basis, in 2Q23, INDF managed to book sales of IDR 25.5 trillion (-16.4% QoQ; +0.8% YoY).
- GPM was recorded flat at 30.9% in 6M23, amid a 6.1% YoY increase in gross profit to IDR17.3 trillion. Meanwhile, the cost of raw materials used was up slightly by 0.8% YoY as the cost of goods sold increased by 6.3% YoY to IDR38.8 trillion. EBIT margin for 6M23 was recorded lower at 15.8% (vs 6M22: 16.7%) with operating profit recorded edging up 0.4% YoY to IDR8.9 trillion as selling expenses were flat or edging up 0.1% YoY.
- NPM surged to 9.9% (vs 6M22: 5.5%) in 6M23 as net profit increased by 91.9% YoY to Rp5.6 trillion. Meanwhile, this increase was due to forex gains from financing activities amounting to Rp2.1 trillion. On a quarterly basis, 2Q23 gross profit was recorded at Rp7.8 trillion (-17.6% QoQ; +7.7% YoY), operating profit was recorded at Rp3.9 trillion (-21.7% QoQ; +7.3% YoY), while net profit was recorded at Rp1.7 trillion (-55.4% QoQ; +216.2% YoY).

Bogasari Lowers its ASP

- CBP segment managed to record sales of IDR34.3 trillion or grew 6.5% YoY in 6M23 with EBIT margin recorded higher at 21.5% (vs 6M22: 16.8%). Instant Noodles segment sales grew 7.6% YoY driven by higher average selling price (ASP) from both domestic and overseas while volume was flat. Only the Dairy segment experienced a decline in sales at 6.7% YoY amidst industry slowdown and intense competition as well as a decline in volume of around 10% - 15%.
- Bogasari segment posted a 5.2% YoY increase in sales to IDR15.8 trillion. Meanwhile, throughout 6M23 the Company has lowered its average selling price (ASP) by around 6% to 8% in line with declining global wheat prices. On the other hand, the EBIT Margin for this segment also declined to 6.4% (vs 6M22: 8.0%).
- In 6M23, the Agribusiness segment was the only segment to experience a decline in sales to IDR7.6 trillion (-5.3% YoY), amid lower CPO prices to IDR11,408/kg (vs 6M22: IDR14,519/kg). This decline was also reflected in its EBIT margin for 6M23, which was recorded lower at 8.2% (vs 6M23: 19.0%). Meanwhile, both CPO and Palm Kernel production declined in 6M23. CPO production was recorded to decline by 5% YoY to 309 thousand MT (vs 6M22: 327 thousand MT) followed by Palm Kernel production which was recorded lower by 3% YoY to 76 thousand MT (vs. 6M22: 78 thousand MT).
- As of 6M23, the Distribution segment recorded a 25.5% YoY increase in sales to Rp3.6 trillion, although EBIT margin failed to record growth or declined to 7.3% (vs. 6M22: 8.5%).

BUY Recommendation with TP at IDR8,600

- We recommend BUY by maintaining a target price of IDR8,600/share, which reflects a P/E of 7.5x with a potential upside of 25.5%. 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	116,182	121,258	130,848
Growth	11.6%	4.8%	4.4%	7.9%
Net Profit	6,359	9,911	10,109	11,045
Growth	-17.0%	55.8%	2.0%	9.3%
EPS (IDR)	724	1,129	1,151	1,258
P/E	9.3x	7.6x	7.5x	6.8x
P/BV	1.1x	1.3x	1.1x	1.0x
EV/EBITDA	6.1x	6.6x	6.4x	5.9x
ROE	13.1%	18.4%	17.0%	16.4%
DER	35.8%	35.7%	36.6%	37.5%
Dividend yield	4.1%	3.0%	3.9%	4.5%

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

BUY

Target Price	8,600
Consensus Price (IDR)	9,100
TP to Consensus Price	-5.5%
Potential Upside	25.5%

Shares data

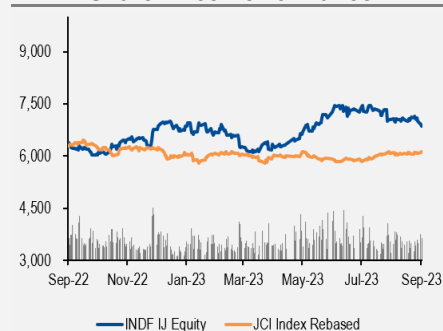
Last Price (IDR)	6,850
Price date as of	Sep. 5, 2023
52 wk range (Hi/Lo)	7,550/6,025
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	60,146
Market Cap (USD mn)	3,939
Avg. Trd Vol - 3M (mn)	8.77
Avg. Trd Val - 3M (bn)	63.54
Foreign Ownership	82.0%

Consumer Non Cyclical

Packaged Foods

Bloomberg	INDF IJ
Reuters	INDF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	1.1%	-3.2%	-5.5%	7.5%
Rel. Ret.	-0.9%	-4.7%	-10.9%	10.8%

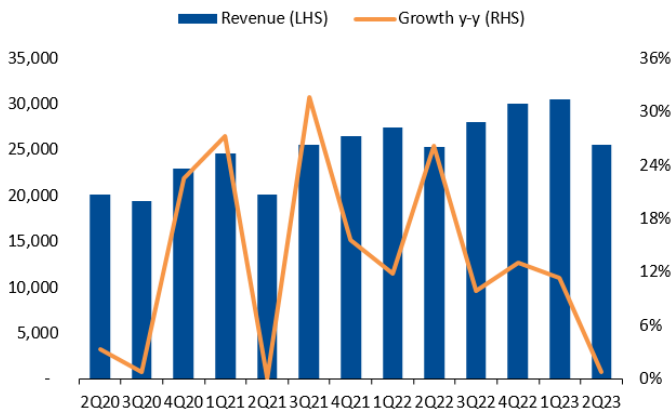
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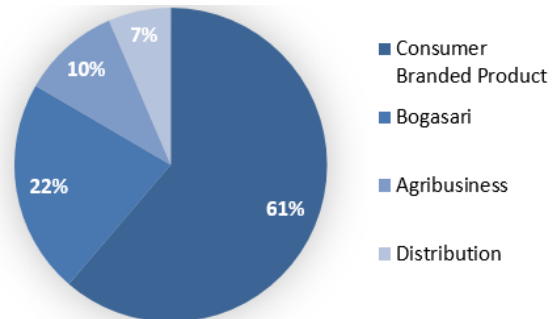
Performance Highlights

Sales | 2Q20 - 2Q23



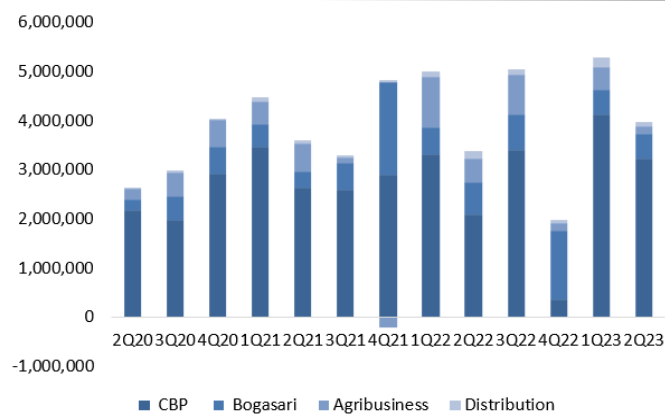
Source: Company, NHKSI Research

Revenue Breakdown | 2Q23



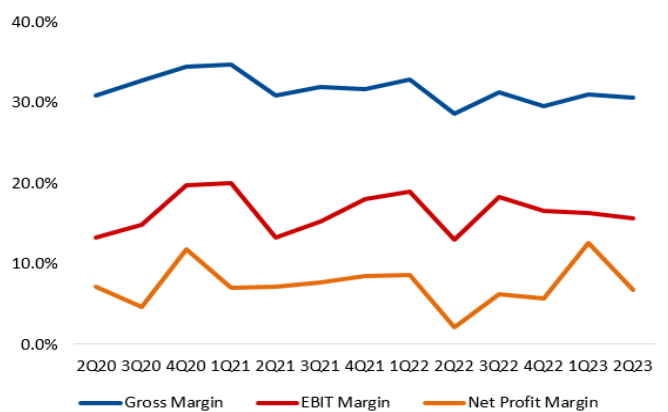
Source: Company, NHKSI Research

INDF's EBIT (IDR mn) | 2Q20 - 2Q23



Source: Company, NHKSI Research

Margin | 2Q20—2Q23



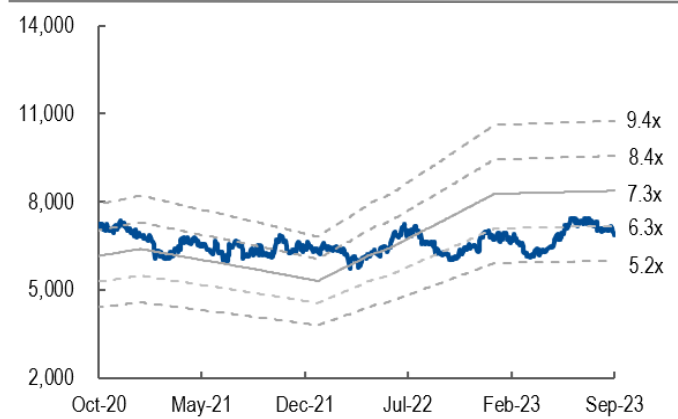
Source: Company, NHKSI Research

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	116,182	121,258	130,848	ROE	13.1%	18.4%	17.0%	16.4%
<i>Growth</i>	<i>11.6%</i>	<i>4.8%</i>	<i>4.4%</i>	<i>7.9%</i>	ROA	3.5%	5.2%	5.0%	5.2%
COGS	(76,859)	(79,595)	(84,227)	(90,586)	Inventory Turnover	4.7x	4.1x	4.0x	4.0x
Gross Profit	33,972	36,587	37,031	40,262	Receivable Turnover	13.4x	10.9x	10.4x	10.4x
<i>Gross Margin</i>	<i>30.7%</i>	<i>31.5%</i>	<i>30.5%</i>	<i>30.8%</i>	Payables Turnover	14.3x	14.3x	15.9x	18.3x
Operating Expenses	(15,500)	(16,884)	(16,976)	(18,544)	Dividend Yield	4.1%	3.0%	3.9%	4.5%
EBIT	18,472	19,704	20,054	21,718	Payout Ratio	31.9%	35.5%	29.6%	33.4%
<i>EBIT Margin</i>	<i>16.7%</i>	<i>17.0%</i>	<i>16.5%</i>	<i>16.6%</i>	DER	69%	68%	68%	68%
Depreciation	3,832	3,454	3,535	3,632	Net Gearing	1.0x	0.9x	0.7x	0.6x
EBITDA	22,304	23,158	23,589	25,350	Equity Ratio	51.9%	52.4%	53.8%	55.1%
<i>EBITDA Margin</i>	<i>20.1%</i>	<i>19.9%</i>	<i>19.5%</i>	<i>19.4%</i>	Debt Ratio	35.8%	35.7%	36.6%	37.5%
Interest Expenses	(2,610)	(2,473)	(2,510)	(2,531)	Financial Leverage	3.4x	3.2x	3.0x	2.8x
EBT	12,319	18,561	18,933	20,685	Current Ratio	1.8x	1.9x	2.4x	2.9x
Income Tax	(3,126)	(4,909)	(5,008)	(5,471)	Quick Ratio	1.2x	1.4x	1.7x	2.2x
Minority Interest	(2,833)	(3,741)	(3,816)	(4,169)	Par Value (IDR)	100	100	100	100
Net Profit	6,359	9,911	10,109	11,045	Total Shares (mn)	8,780	8,780	8,780	8,780
<i>Growth</i>	<i>-17.0%</i>	<i>55.8%</i>	<i>2.0%</i>	<i>9.3%</i>	Share Price (IDR)	6,725	8,600	8,600	8,600
<i>Net Profit Margin</i>	<i>5.7%</i>	<i>8.5%</i>	<i>8.3%</i>	<i>8.4%</i>	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	30,809	37,666	45,982	Price /Earnings	9.3x	7.6x	7.5x	6.8x
Receivables	8,281	10,697	11,627	12,547	Price /Book Value	1.1x	1.3x	1.1x	1.0x
Inventories	16,517	19,446	20,062	20,904	PE/EPS Growth	-0.5x	0.1x	3.7x	0.7x
Total Current Assets	54,877	64,594	74,606	84,726	EV/EBITDA	6.1x	6.6x	6.4x	5.9x
Net Fixed Assets	48,455	48,636	48,852	49,209	EV/EBIT	7.4x	7.8x	7.6x	6.9x
Other Non Current Assets	77,102	77,544	77,280	77,309	EV (IDR bn)	136,433	153,231	151,787	149,226
Total Non Current Assets	125,557	126,180	126,132	126,518	Sales CAGR (3-Yr)	13.1%	12.4%	6.9%	5.7%
Total Assets	180,433	190,774	200,737	211,244	Net Income CAGR (3-Yr)	9.0%	15.4%	9.7%	20.2%
Payables	5,372	5,564	5,307	4,964	Basic EPS (IDR)	724	1,129	1,151	1,258
ST Bank Loan	15,255	17,430	18,817	20,291	BVPS (IDR)	6,132	6,772	7,678	8,641
Total Current Liabilities	30,726	33,431	31,400	29,180	DPS (IDR)	278	257	334	384
LT Debt	49,272	50,602	54,629	58,909	OWNERSHIP				
Total Liabilities	86,810	90,818	92,827	94,880	Shareholders				%
Capital Stock	1,162	1,162	1,162	1,162	FPIML				50.1
Retained Earnings	41,298	47,401	55,355	63,809	Vanguard Group Inc				2.0
Shareholders' Equity	93,623	99,957	107,910	116,365	BlackRock Inc				1.3
					FIL Ltd				1.3
CASH FLOW STATEMENT					By Geography				%
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E	Unknown				82.7
Operating Cash Flow	13,588	4,541	7,072	9,178	United States				8.5
Investing Cash Flow	(3,863)	(5,485)	(2,695)	(3,243)	Indonesia				2.6
Financing Cash Flow	(14,329)	4,831	2,480	2,380	Luxembourg				0.9
Net Changes in Cash	(4,604)	3,887	6,857	8,316					

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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