

Indofood Sukses Makmur Tbk (INDF IJ)

Still Grew Nicely

INDF managed to book 9M23 sales growth of 3.8% YoY to IDR83.9 trillion, this growth was driven by CBP segment growth (+4.8% YoY). 9M23 net profit managed to grow 52.4% YoY to IDR 7.1 trillion followed by NPM expansion to a higher level of 8.4%. Amidst price adjustments and volume decline of 2% YoY, Bogasari's segment sales contracted 0.5% YoY to IDR 23.2 trillion, bringing its EBIT margin recorded lower at 6.9% (vs. 9M22: 8.3%). In response to lower wheat prices, INDF has adjusted Bogasari segment's selling prices through 9M23 by 10%-12%.

Recorded Positive Results

- INDF managed to book an increase in 3Q23 sales on a quarterly basis (+8.8%), despite a slight year-on-year contraction (-0.8%) to IDR 27.8 trillion. Cumulative 9M23 sales grew 3.8% YoY to IDR83.9 trillion driven by growth in CBP (+4.8% YoY) and Distribution (+24.7% YoY) segments, while Bogasari and Agribusiness segments contracted 0.5% YoY and 3.9% YoY respectively.
- 9M23 GPM recorded a slight increase to 31.2% (vs 9M22: 31.0%), on which 9M23 gross profit grew 4.4% YoY to IDR26.2 trillion, amidst an increase in its cost of goods sold to IDR57.7 trillion (+3.5% YoY). 9M23 EBIT was flat to IDR14.2 trillion (+0.3% YoY) but its EBIT margin slightly decreased to 17.0% (9M22: 17.6%). Meanwhile, 9M23 net profit managed to grow 52.4% YoY to IDR7.1 trillion followed by its NPM expansion to a higher level of 8.4% (9M22: 5.7%).
- On a quarterly basis, in 3Q23, INDF managed to book both QoQ and YoY growth in its gross profit and EBIT, where in detail gross profit was recorded at IDR8.9 trillion (+13.5% QoQ; +1.2% YoY) and EBIT was recorded at IDR5.4 trillion (+37.9% QoQ; +0.1% YoY). However, 3Q23 net profit contracted both QoQ (-11.7%) and YoY (-13.1%) to Rp1.5 trillion (vs 3Q22: Rp1.7 trillion).

Bogasari and Agribusiness Still Face Challenges

- CBP segment managed to book 9M23 sales growth of 4.8% YoY to IDR51.3 trillion driven by higher volume and average selling price (ASP). Meanwhile, its EBIT margin was recorded higher at 21.4% (vs 9M22: 18.0%). Amid rising rice prices, 9M23 Instant Noodles segment sales managed to grow 6.6% YoY to IDR38.1 trillion followed by a 3% increase in sales volume.
- Amidst price adjustments and volume decline of 2% YoY, Bogasari segment sales contracted 0.5% YoY to IDR23.2 trillion, bringing its EBIT margin lower at 6.9% (vs 9M22: 8.3%). The segment has adjusted its selling prices through 9M23 by 10%-12% in response to lower wheat prices.
- Sales of the Agribusiness segment contracted 3.9% YoY to IDR11.8 trillion in 9M23 due to lower average selling prices (ASP) of palm product as well as edible oil and fat despite higher volumes of both products. Its EBIT margin also declined to 9.7% (vs 9M22: 18.9%) due to lower ASP and higher production costs from the plantation division.
- In terms of operations, FFB Production (Nucleus) fell 3% in 9M23 to 2.0 million tons in line with replanting activities, weather conditions, as well as lower external purchases while CPO production fell 5% to 521 thousand tons (vs 9M22: 551 thousand tons). Meanwhile, from the plantation division, CPO sales volume rose 12%, while PK, PKO, and PKE sales volume rose 16%.
- On the other hand, the Distribution segment recorded a 24.7% YoY increase in sales to IDR5.3 trillion but recorded a lower EBIT margin of 6.8% (vs 9M22: 8.1%).

BUY Recommendation with TP IDR7,400

- We recommend BUY by lowering the target price to IDR7,400/share, which reflects a P/E of 6.4x (-1 STD) with a potential upside of 16.1%. 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	116,403	126,696	133,588
Growth	11.6%	5.0%	8.8%	5.4%
Net Profit	6,359	9,083	10,252	11,089
Growth	-17.0%	42.8%	12.9%	8.2%
EPS (IDR)	724	1,035	1,168	1,263
P/E	9.3x	7.2x	6.3x	5.9x
P/BV	1.1x	1.1x	0.9x	0.8x
EV/EBITDA	6.1x	5.9x	5.4x	5.0x
ROE	13.1%	16.9%	17.0%	16.1%
DER	69%	67%	64%	64%
Dividend yield	4.1%	3.5%	4.5%	5.2%

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

BUY

Target Price	7,400
Consensus Price (IDR)	8,555
TP to Consensus Price	-13.5%
Potential Upside	16.1%

Shares data

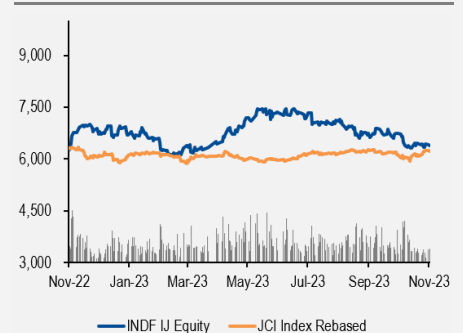
Last Price (IDR)	6,375
Price date as of	Nov. 28, 2023
52 wk range (Hi/Lo)	7,550/6,050
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	55,975
Market Cap (USD mn)	3,622
Avg. Trd Vol - 3M (mn)	8.13
Avg. Trd Val - 3M (bn)	54.57
Foreign Ownership	10.7%

Consumer Non Cyclical

Packaged Foods

Bloomberg	INDF IJ
Reuters	INDF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-5.9%	-5.2%	-10.2%	1.6%
Rel. Ret.	-8.7%	-9.7%	-11.9%	1.3%

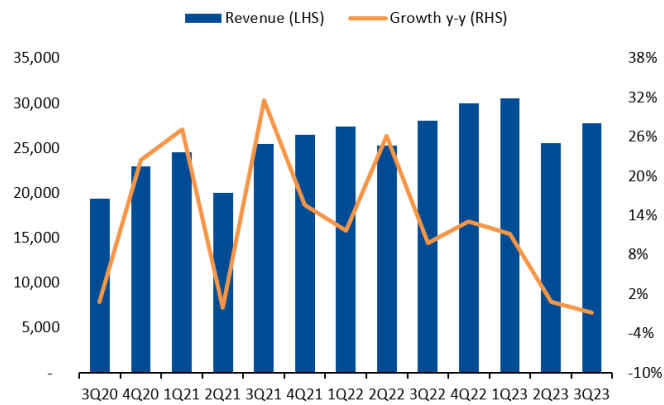
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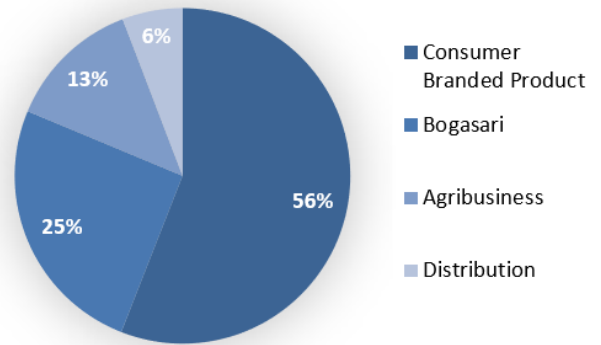
Performance Highlights

Sales | 3Q20 –3Q23



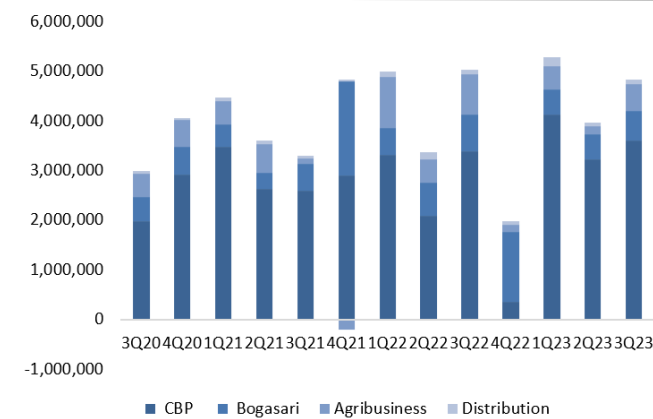
Source: Company, NHKSI Research

Revenue Breakdown | 9M23



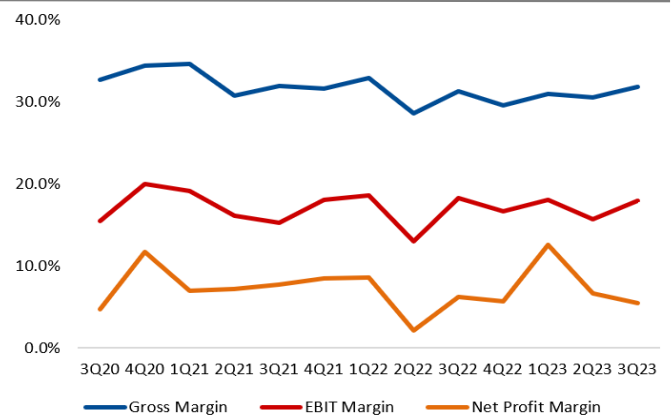
Source: Company, NHKSI Research

INDF's EBIT (IDR mn) | 3Q20 - 3Q23



Source: Company, NHKSI Research

Margin | 3Q20—3Q23



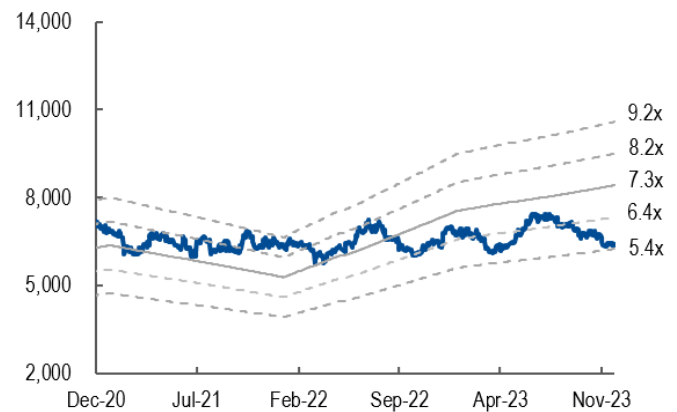
Source: Company, NHKSI Research

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

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Sales	110,830	116,403	126,696	133,588
Growth	11.6%	5.0%	8.8%	5.4%
COGS	(76,859)	(79,841)	(86,234)	(90,616)
Gross Profit	33,972	36,562	40,462	42,972
Gross Margin	30.7%	31.4%	31.9%	32.2%
Operating Expenses	(15,405)	(16,175)	(17,737)	(18,611)
EBIT	18,567	20,387	22,725	24,361
EBIT Margin	16.8%	17.5%	17.9%	18.2%
Depreciation	3,832	3,637	3,571	3,676
EBITDA	22,399	24,024	26,296	28,037
EBITDA Margin	20.2%	20.6%	20.8%	21.0%
Interest Expenses	(2,610)	(2,422)	(2,493)	(2,508)
EBT	12,319	16,884	19,056	20,613
Income Tax	(3,126)	(4,013)	(4,529)	(4,899)
Minority Interest	(2,833)	(3,788)	(4,275)	(4,624)
Net Profit	6,359	9,083	10,252	11,089
Growth	-17.0%	42.8%	12.9%	8.2%
Net Profit Margin	5.7%	7.8%	8.1%	8.3%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	26,922	31,744	35,466	42,037
Receivables	8,281	10,718	12,843	14,274
Inventories	16,517	19,506	20,780	23,153
Total Current Assets	54,877	65,976	74,485	84,905
Net Fixed Assets	48,455	48,129	47,931	47,791
Other Non Current Assets	77,102	77,891	77,396	77,463
Total Non Current Assets	125,557	126,020	125,327	125,254
Total Assets	180,433	191,996	199,812	210,159
Payables	5,372	4,610	5,434	4,965
ST Bank Loan	15,255	17,599	21,068	22,754
Total Current Liabilities	30,726	33,151	34,103	31,727
LT Debt	49,272	50,633	49,158	53,093
Total Liabilities	86,810	90,617	90,084	91,648
Capital Stock	1,162	1,162	1,162	1,162
Retained Earnings	41,298	48,121	56,470	65,253
Shareholders' Equity	93,623	101,379	109,728	118,511

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	13,588	7,577	6,519	6,855
Investing Cash Flow	(3,863)	(5,202)	(1,857)	(2,531)
Financing Cash Flow	(14,329)	397	(939)	2,248
Net Changes in Cash	(4,604)	2,772	3,722	6,571

Source: Bloomberg, NHKSI research

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	13.1%	16.9%	17.0%	16.1%
ROA	3.5%	4.7%	5.1%	5.3%
Inventory Turnover	4.7x	4.1x	3.8x	3.7x
Receivable Turnover	13.4x	10.9x	9.9x	9.4x
Payables Turnover	14.3x	17.3x	15.9x	18.3x
Dividend Yield	4.1%	3.5%	4.5%	5.2%
Payout Ratio	31.9%	35.5%	32.3%	32.9%
DER	69%	67%	64%	64%
Net Gearing	1.0x	0.9x	0.7x	0.6x
Equity Ratio	51.9%	52.8%	54.9%	56.4%
Debt Ratio	35.8%	35.5%	35.1%	36.1%
Financial Leverage	3.4x	3.2x	2.9x	2.7x
Current Ratio	1.8x	2.0x	2.2x	2.7x
Quick Ratio	1.2x	1.4x	1.6x	1.9x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,780	8,780	8,780	8,780
Share Price (IDR)	6,725	7,400	7,400	7,400
Market Cap (IDR tn)	59.0	65.0	65.0	65.0

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	9.3x	7.2x	6.3x	5.9x
Price /Book Value	1.1x	1.1x	0.9x	0.8x
PE/EPS Growth	-0.5x	0.2x	0.5x	0.7x
EV/EBITDA	6.1x	5.9x	5.4x	5.0x
EV/EBIT	7.3x	7.0x	6.2x	5.7x
EV (IDR bn)	136,433	142,457	140,729	139,779
Sales CAGR (3-Yr)	13.1%	12.5%	8.4%	6.4%
Net Income CAGR (3-Yr)	9.0%	12.1%	10.2%	20.4%
Basic EPS (IDR)	724	1,035	1,168	1,263
BVPS (IDR)	6,132	6,877	7,828	8,828
DPS (IDR)	278	257	334	384

OWNERSHIP

Shareholders	%
FPIML	50.1
Vanguard Group Inc	2.1
FIL Ltd	1.3
BlackRock Inc	1.3
By Geography	%
Unknown	81.1
United States	9.0
Luxembourg	2.4
Indonesia	1.5

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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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