

Indofood Sukses Makmur Tbk (INDF IJ)

Strong Volume-Based Growth, 2Q Seasonal Demand May Shift to 4Q

INDF raked in a lukewarm 2% YoY growth in 1H24 to IDR 57.30 tn—coming in slightly below our FY24 Forecast by a run-rate of 49.6% (vs Company Guidance: 48.9%), but 1H24 NPAT came in hotter with a 22% YoY soar to IDR 5.76 tn despite a lower NPAT margin of 6.7% from 9.9% in 1H23. Nevertheless, as of this report's publishing date, INDF may only achieve a top-line growth of 3.4% due to the anchoring performance of Bogasari and of its Agribusiness. But we are optimistic 8.3% top-line growth for its Consumer Branded Product segment, which surpasses its Target Guidance of 5-8% for FY2024.

Steady Volume-Based Growth Spurred by Strong International Demand of Noodles

- While Indonesia sales only achieved a low single digit 2% upside in the first half of the year, 1H24 INDF experienced a faster growth rate in the Middle East and Africa with a 6.71% YoY to IDR 8.06 tn, accompanied by other markets (ex. Asia) garnering a 32.3% YoY climb to IDR 1.56 tn in 1H24.
- On a quarterly basis, 2Q24 revenue had a 3.8% YoY sprinted to IDR 26.51 tn. However weighed down by its Noodle Brand Indomie's 2Q24 revenue decline of 12% QoQ, 2Q24 total revenue slumped 14% QoQ. While EBITDA margin was managed at 23.6% in 2Q24 (vs 23.3% in 1Q24), 2Q24 EBITDA dropped 12% YoY to IDR 6.27 tn.
- As management hiked prices three times last year and has not passed-on any increases to consumers this year for its Consumer Branded segment (i.e. Indomie), we are of the neutral view the company's strategy to chase higher volume from affordable packaged foods under the prospects of looming global recession will give a mild rise to the Company's top-line.

Bogasari And Agribusiness Still Faltering, Anchoring Down INDF's Overall Performance

- 1H24 Agribusiness contracted 7% in Sales to IDR 7.05 tn from a 14.80% YoY jump in Elimination to IDR 3.43 tn, and a minor 1% YoY slip for both (1) Plantations to IDR 4.65 tn and (2) Edible Oils and Fats to IDR 5.83 tn. In the Plantation division, CPO had only a 3% downturn in 1H24 sales volume. Meanwhile, PK, PKO and PKE division had a 16% dive in 1H24 sales volume.
- The weak sales numbers coincided with 1H24 Production at a lull. 1H24 FFB Production and CPO Production had a negative growth of 1% reaching 1200 Tns MT and 306 Tns MT, respectively; 1H24 PK Production descended 2% to 74 Tns MT. The Company claimed lower production was due to the heavy rainy season during the first semester.
- On a Cumulative Basis, 1H24 Bogasari Sales fell 3% to IDR 15.41 tn, while its EBIT grew 20% to IDR 1.22 tn. On a quarterly basis, 2Q24 Bogasari Sales fell 18% QoQ to IDR 5.43 tn due to seasonal lebaran festival post-pandemic.
- Contradicting the notion of 2Q24 being a high season for INDF, we have observed the average 2Q24 QoQ Growth Pre-Pandemic (2016-2020) lands at 3%. But consumer behaviour post-pandemic (2021-2024) has seen a negative average growth at -11% QoQ. We view that this shift in consumer habit was spurred by prolonged lockdowns—pushing consumers to eat more frequently outside the house in 2Q24.

BUY Recommendation with TP IDR6,800

- We recommend OVERWEIGHT at a maintained target price of IDR6,800/share, which reflects a P/E of 6.4x (-1 STD) with a potential upside of 8.8%. 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	111,704	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, NHKSI Research
Please consider the rating criteria & important disclaimer

Company Report | Aug. 13, 2024

OVERWEIGHT

Target Price	6,800
Consensus Price (IDR)	7,664
TP to Consensus Price	-11.3%
Potential Upside	8.8%

Shares data

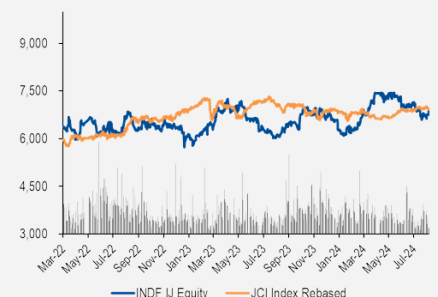
Last Price (IDR)	6,250
Price date as of	Aug. 13, 2024
52 wk range (Hi/Low)	7,200/5850
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	54,878
Market Cap (USD mn)	3,442
Avg. Trd Vol - 3M (mn)	7.79
Avg. Trd Val - 3M (bn)	47.23
Foreign Ownership	10.7%

Consumer Non Cyclical

Packaged Foods

Bloomberg	INDF IJ
Reuters	INDF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-2.3%	5.9%	3.3%	-10.6%
Rel. Ret.	-3.6%	5.4%	-0.4%	-17.7%

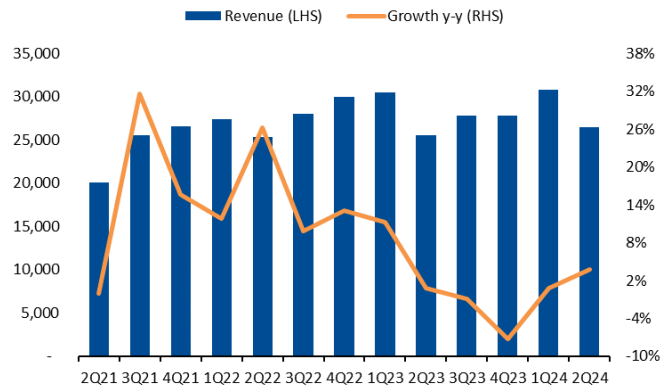
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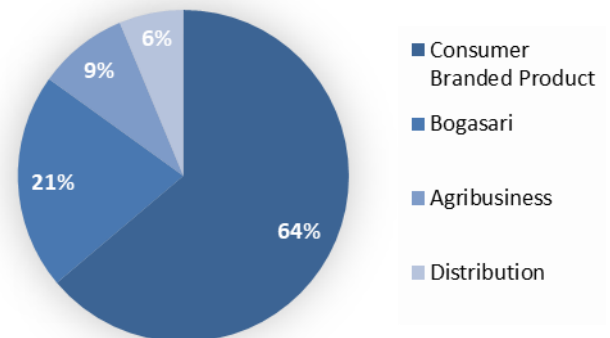
Performance Highlights

Sales | 2Q21 – 2Q24



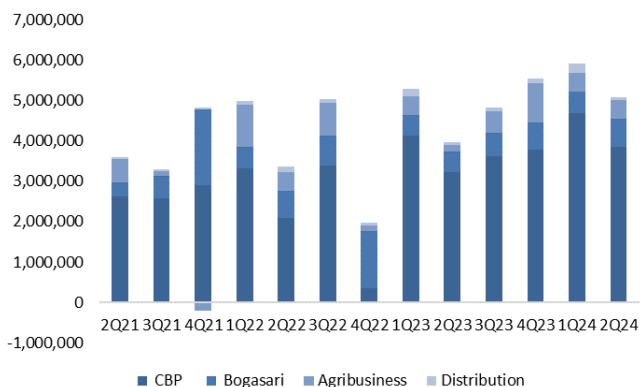
Source: Company, NHKSI Research

Revenue Breakdown | 1H24



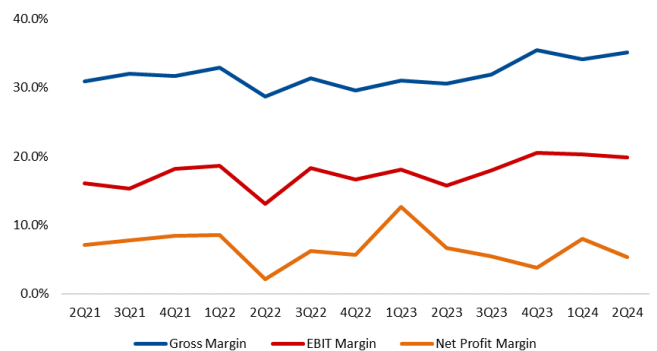
Source: Company, NHKSI Research

INDF's EBIT (IDR mn) | 2Q21 - 2Q24



Source: Company, NHKSI Research

Margin | 2Q21–2Q21



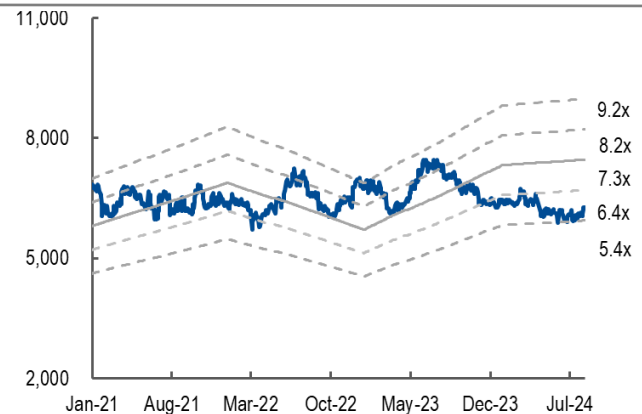
Source: Company, NHKSI Research

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)	2023/12A	2024/12E	2025/12E	2026/12E
Sales	111,704	115,537	124,979	137,038
Growth	0.8%	3.4%	8.2%	9.6%
COGS	(75,653)	(73,606)	(79,428)	(85,839)
Gross Profit	36,050	41,931	45,551	51,198
Gross Margin	32.3%	36.3%	36.4%	37.4%
Operating Expenses	(15,796)	(16,858)	(17,760)	(19,616)
EBIT	20,254	25,072	27,790	31,582
EBIT Margin	18.1%	21.7%	22.2%	23.0%
Depreciation	3,882	3,977	3,807	3,854
EBITDA	24,136	29,050	31,597	35,436
EBITDA Margin	21.6%	25.1%	25.3%	25.9%
Interest Expenses	(2,376)	(2,040)	(2,342)	(2,252)
EBT	15,615	16,655	18,550	21,765
Income Tax	(4,122)	(4,001)	(4,456)	(5,229)
Minority Interest	(3,347)	(4,223)	(4,703)	(5,518)
Net Profit	8,147	8,431	9,391	11,018
Growth	28.1%	3.5%	11.4%	17.3%
Net Profit Margin	7.3%	7.3%	7.5%	8.0%

PROFITABILITY & STABILITY

	2023/12A	2024/12E	2025/12E	2026/12E
ROE	16.8%	15.7%	15.9%	16.9%
ROA	4.5%	4.5%	4.4%	4.8%
Inventory Turnover	4.7x	5.0x	3.8x	5.0x
Receivable Turnover	13.4x	14.0x	9.9x	9.4x
Payables Turnover	14.3x	8.2x	4.6x	4.9x
Dividend Yield	4.1%	3.8%	3.9%	3.9%
Payout Ratio	31.9%	35.5%	28.8%	27.8%
DER	64%	75%	75%	64%
Net Gearing	0.7x	0.5x	0.1x	-0.1x
Equity Ratio	53.8%	49.7%	49.7%	54.1%
Debt Ratio	34.7%	37.3%	37.3%	34.6%
Financial Leverage	3.4x	3.2x	3.3x	3.2x
Current Ratio	1.8x	1.9x	2.0x	2.5x
Quick Ratio	1.5x	1.6x	1.6x	2.1x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,780	8,780	8,780	8,780
Share Price (IDR)	6,725	6,800	6,800	6,800
Market Cap (IDR tn)	59.0	59.7	59.7	59.7

BALANCE SHEET

(IDR bn)	2023/12A	2024/12E	2025/12E	2026/12E
Cash	36,689	58,844	76,631	87,167
Receivables	7,978	8,869	8,869	13,354
Inventories	15,213	19,523	19,523	14,721
Total Current Assets	63,102	91,258	91,258	106,629
Net Fixed Assets	48,283	47,918	47,918	46,788
Other Non Current Assets	75,204	76,500	76,500	76,269
Total Non Current Assets	123,486	124,418	124,418	123,057
Total Assets	186,588	215,676	215,676	229,685
Payables	13,154	18,635	18,635	16,294
ST Bank Loan	18,386	24,372	24,372	23,846
Total Current Liabilities	32,915	45,589	45,589	42,961
LT Debt	46,298	56,109	56,109	55,641
Total Liabilities	86,123	108,560	108,560	105,487
Capital Stock	1,162	1,162	1,162	1,162
Retained Earnings	47,164	53,016	53,016	60,062
Shareholders' Equity	100,465	107,116	107,116	124,198

CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12E	2026/12E
Operating Cash Flow	18,461	14,892	11,529	8,704
Investing Cash Flow	(10,776)	(4,599)	(2,330)	(3,043)
Financing Cash Flow	(4,890)	1,526	8,588	4,874
Net Changes in Cash	2,795	11,819	17,787	10,536

VALUATION INDEX

	2023/12A	2024/12E	2025/12E	2026/12E
Price /Earnings	7.2x	7.1x	6.4x	5.4x
Price /Book Value	1.1x	1.0x	0.9x	0.8x
PE/EPS Growth	0.3x	2.0x	0.6x	0.3x
EV/EBITDA	5.7x	4.4x	3.9x	3.2x
EV/EBIT	6.7x	5.1x	4.4x	3.6x
EV (IDR bn)	136,433	128,973	123,415	114,669
Sales CAGR (3-Yr)	13.1%	11.0%	5.2%	4.1%
Net Income CAGR (3-Yr)	9.0%	8.1%	3.2%	13.9%
Basic EPS (IDR)	928	960	1,069	1,255
BVPS (IDR)	6,132	6,741	7,408	8,210
DPS (IDR)	278	257	267	267

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

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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