

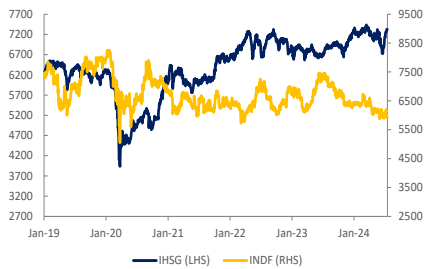
Thursday, July 18th, 2024

Buy

Price (July 16 th , 24)	5950
Target Price	7842
Potential Upside	31.80%
Market Cap	52.24 T
Number of Share	8.78 B
52w Lo/Hi	5850 / 7375

Source : IDX | Phintraco Sekuritas Research
| as of July 16th, 2024

IHSG vs INDF



Source : IDX

Shareholder	%
First Pacific Company Limited	50.07%
Anthoni Salim	0.02%
Public <5%	49.91%

Source : Company | as of fin. statement FY-23

EPS Consensus vs Forecast

	AT	Consensus*	%Diff
2024F	983.88	1125.25	-12.56%
2025F	1009.62	1209.23	-16.51%

Source : *marketscreener | as of July 16th, 2024

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PT Indofood Sukses Makmur Tbk

(INDF.JK / INDF.IJ)

Operational Efficiency Drives EBITDA Improvement

INDF's revenue grew limited 0.81% YoY to IDR30.7 trillion in 3M24. Despite the limited revenue growth, INDF recorded a Cost of Goods Sold (COGS) decline by 3.87% YoY to IDR19.5 trillion in 3M24. As a result, the gross profit grew significantly by 10.19% YoY to IDR11.2 trillion in 3M24. INDF's revenue was supported by the consumer-branded product segment, which grew by 5.48% YoY to Rp19.5 Trillion in 3M24, contributing 63.51% to INDF's total revenue. We estimate that INDF's revenue will be better in FY24, along with the commemoration of National Holidays in the second semester of 2024, which has the potential to increase public consumption.

EBITDA grew significantly in line with efficient operating activities. INDF recorded EBITDA grew significantly by 25.18% YoY to Rp7.2 trillion in 3M24 from Rp5.7 trillion in 3M23. This growth aligned with a significant decrease in operating expenses by 9.42% YoY to Rp3.9 trillion in 3M24 from Rp4.4 trillion in 3M23. This condition shows that INDF can increase efficiency in its operating activities, reflected in significant EBITDA growth. We assess that if INDF can maintain and even improve efficiency in its operating activities, it will potentially create better EBITDA growth in the future.

Raw material prices flatten, INDF's profitability has the potential to stabilize. In producing its products, INDF utilizes critical raw materials such as CPO and Wheat, so its profitability depends on fluctuations in raw material prices. During the first semester of 2024, the average CPO price was around 4,014 MYR/T, up 3.08% YoY from 3,895 MYR/T in 6M23. Meanwhile, the average Wheat price stood at 596 USD/Bu, down significantly by 13.63% YoY from 690 USD/Bu in 6M23. The prospect of abundant supply triggered the decline in Wheat prices due to favorable weather in Russia's principal Wheat producing region, which boosted yields, increased harvest expectations, and lowered Wheat export prices. If CPO and Wheat prices are more stable in the future, INDF's profitability will potentially stabilize.

The Company's subsidiaries have a global bond burden in USD. PT Indofood CBP Sukses Makmur Tbk (ICBP), as a subsidiary of INDF restructured its debt to finance the acquisition of Pinehill Company Ltd. (PCL) by issuing four global bonds in USD with a nominal value of Rp16.4 trillion, Rp8.5 trillion, Rp8.5 trillion, and Rp5.7 trillion with maturities in 2031, 2051, 2032, and 2052, respectively. The action caused ICBP's total debt to increase by 32.15% YoY to Rp40.8 trillion in FY21, which resulted in ICBP's interest expenses increasing significantly by 193.16% YoY to Rp1.9 trillion in FY21. ICBP's average revenue growth post-PCL acquisition in 2020 to 2023 was recorded at 12.73%, and we believe this condition will continue in the next few years. Furthermore, ICBP's average Net Profit Margin (NPM) from 2020 to 2023 stood at 12.78%, so we believe that ICBP's NPM will stabilize at the 2-digit level in the next few years so that we estimate that this condition can cover high-interest expenses and minimize liquidity risk.

Using the Discounted Cash Flow method with Required Return of 8.05% and Terminal Growth of 2.75%, we estimate INDF's fair value at IDR7,842 per share (Expected PE at 6.48x and EV/EBITDA at 3.91x in FY24). We give INDF a Buy rating with potential upside 31.80%.

(in Billion Rupiah)

INCOME STATEMENT	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Revenue	30,543	27,815	30,792	10.70%	0.81%
Cost of Goods Sold	(20,363)	(17,213)	(19,575)	13.72%	-3.87%
Gross Profit	10,179	10,602	11,217	5.80%	10.19%
EBITDA	5,769	6,273	7,222	15.14%	25.18%
EBIT	4,969	5,441	6,418	17.96%	29.17%
Profit Before Tax	6,473	2,970	4,473	50.62%	-30.89%
Net Profit	5,082	1,691	3,542	109.44%	-30.30%

Margin (%)

Gross Profit Margin (%)	33.33%	38.12%	36.43%
Operating Profit Margin (%)	16.27%	19.56%	20.84%
Net Profit Margin (%)	16.64%	6.08%	11.50%

Source : Company | Phintraco Sekuritas Research

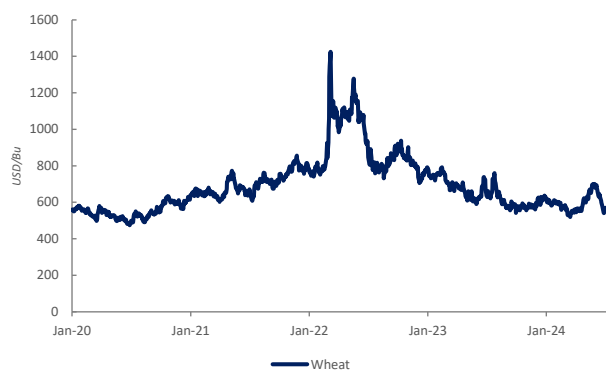
(in Billion Rupiah)

Revenue by Segment	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Consumer Branded Product	18,541	17,328	19,557	12.86%	5.48%
Bogasari	8,819	7,195	8,338	15.88%	-5.46%
Agribusiness	4,017	4,156	3,726	-10.34%	-7.23%
Distribution	1,968	1,633	1,979	21.13%	0.52%
Elimination	(2,803)	(2,497)	(2,808)	12.44%	0.19%

Source : Company | Phintraco Sekuritas Research

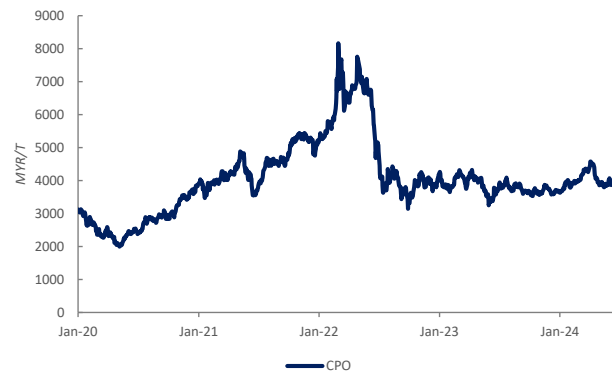
Commodity Highlight

Figure 1. Wheat Price (USD/Bu)



Source : Investing.com | Phintraco Sekuritas Research

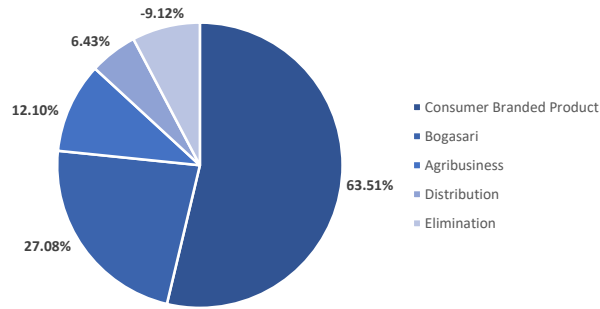
Figure 2. CPO Price (MYR/T)



Source : Investing.com | Phintraco Sekuritas Research

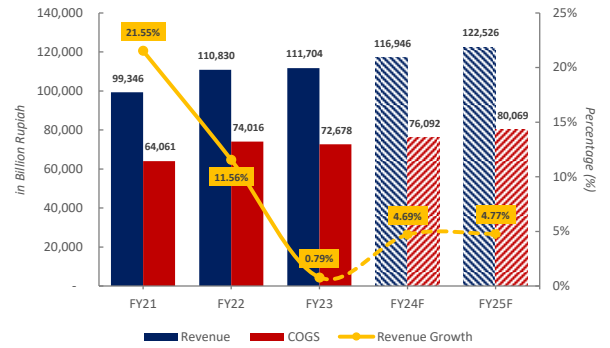
Performance Highlight

Figure 3. Revenue by Segment (3M24)



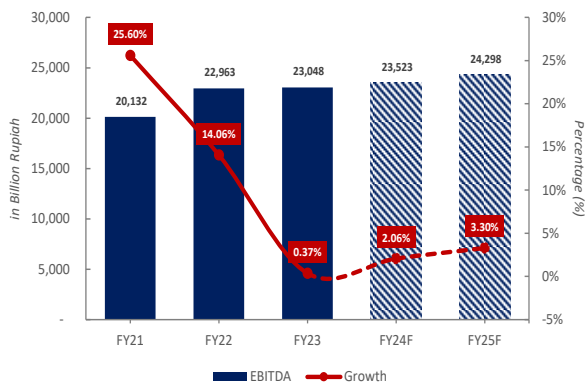
Source : Company | Phintraco Sekuritas Research

Figure 4. Revenue & COGS



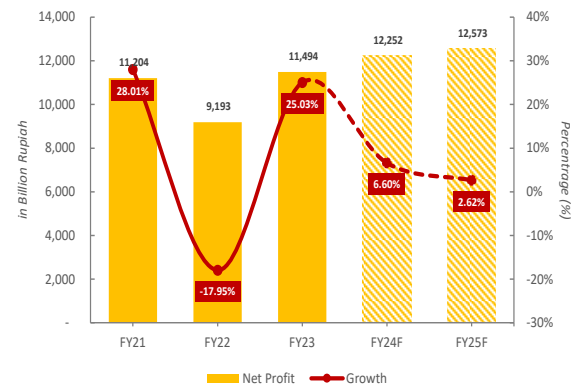
Source : Company | Phintraco Sekuritas Research

Figure 5. EBITDA & Growth



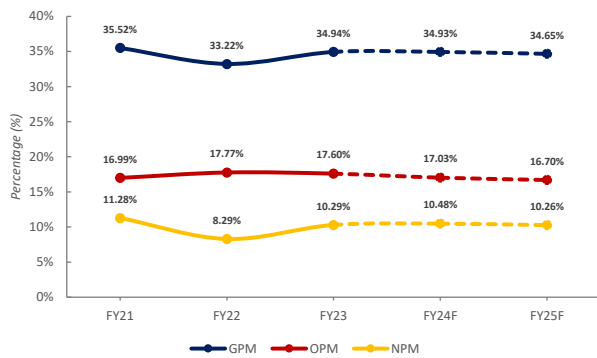
Source : Company | Phintraco Sekuritas Research

Figure 6. Net Profit & Growth



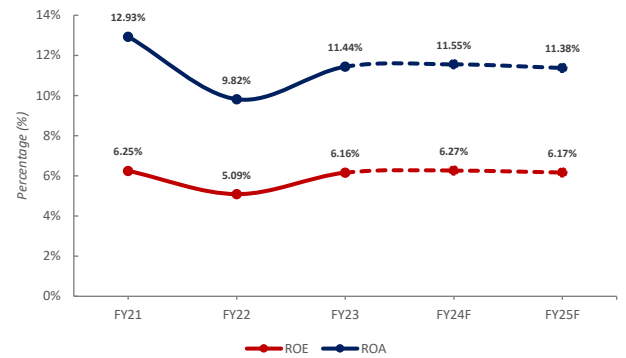
Source : Company | Phintraco Sekuritas Research

Figure 7. Profitability Margin



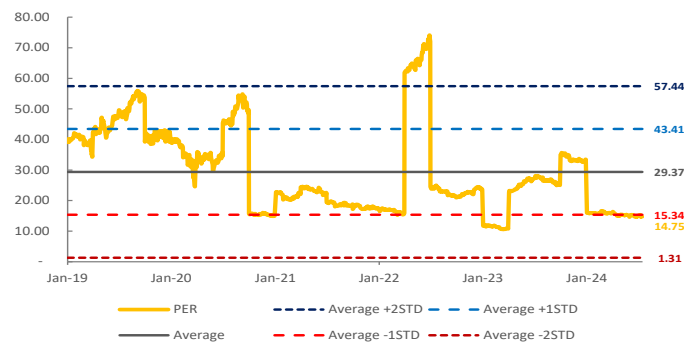
Source : Company | Phintraco Sekuritas Research

Figure 8. ROE & ROA



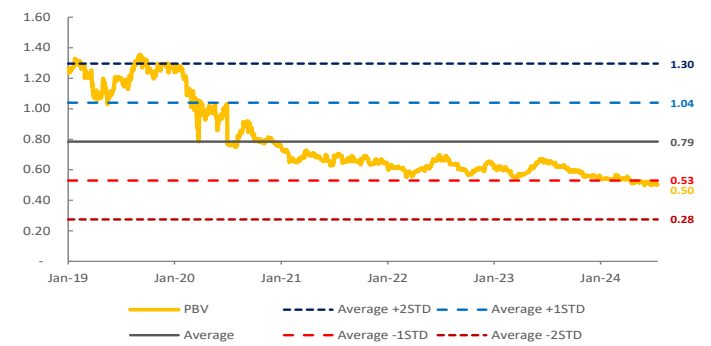
Source : Company | Phintraco Sekuritas Research

INDF PER Band (5 Years)



Source : IDX | Company | Phintraco Sekuritas Research

INDF PBV Band (5 Years)



Source : IDX | Company | Phintraco Sekuritas Research

Key Financial Figures

(in Billion Rupiah)						
INCOME STATEMENT	FY21	FY22	FY23	3M24	FY24F	FY25F
Revenue	99,346	110,830	111,704	30,792	116,946	122,526
<i>Growth</i>	21.55%	11.56%	0.79%	0.00%	4.69%	4.77%
Cos of Goods Sold	(64,061)	(74,016)	(72,678)	(19,575)	(76,092)	(80,069)
Gross Profit	35,285	36,814	39,025	11,217	40,854	42,456
<i>GPM</i>	35.52%	33.22%	34.94%	36.43%	34.93%	34.65%
EBITDA	20,132	22,963	23,048	7,222	23,523	24,298
<i>EBITDA Margin</i>	20.26%	20.72%	20.63%	23.45%	20.11%	19.83%
EBIT	16,882	19,693	19,664	6,418	19,918	20,456
<i>EBIT Margin</i>	16.99%	17.77%	17.60%	20.84%	17.03%	16.70%
Other Income/Charge:						
Interest Income	397	596	1,965	460	1,925	2,017
Interest Expense	(2,885)	(7,999)	(3,525)	(2,355)	(4,431)	(4,596)
Net Interest Income (Expenses)	(2,487)	(7,403)	(1,560)	(1,896)	(2,506)	(2,579)
Non Operating Income (Expenses)	134	123	(2,314)	(49)	(427)	(447)
Profit Before Tax	14,529	12,414	15,790	4,473	16,986	17,430
<i>EBT Margin</i>	14.62%	11.20%	14.14%	14.53%	14.52%	14.23%
Net Profit After Tax	11,204	9,193	11,494	3,542	12,252	12,573
<i>NPM</i>	11.28%	8.29%	10.29%	11.50%	10.48%	10.26%

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)						
BALANCE SHEET	FY21	FY22	FY23	3M24	FY24F	FY25F
Asset						
Cash	29,478	25,946	28,576	36,475	30,665	30,719
Accounts Receivable	7,626	8,281	7,978	10,319	8,817	9,081
Inventories	13,557	17,287	15,978	15,942	17,523	18,255
Total Current Assets	54,183	54,877	63,102	74,932	68,473	70,052
Fixed Assets	46,752	47,411	47,295	47,224	49,546	54,592
Long-term Investments	13,286	13,993	11,146	11,186	12,532	14,066
Other Assets	5,618	5,255	6,327	6,283	6,398	6,603
Total Non Current Assets	125,173	125,557	123,486	123,387	127,077	133,697
Total Asset	179,356	180,433	186,588	198,318	195,550	203,748
Liabilities						
Short-term Debt	13,306	15,255	16,240	23,223	16,795	17,783
Accounts Payable	5,157	5,372	5,354	4,809	5,564	5,877
Accrued Payroll	5,000	5,102	5,461	5,975	5,547	5,890
Total Current Liabilities	40,403	30,726	32,915	40,121	34,558	36,550
Long-term Debt	44,635	49,272	46,307	47,350	47,648	49,024
Provision for Risks & Charges	6,187	5,297	5,266	5,345	5,480	5,784
Total Non Current Liabilities	52,321	56,084	53,209	54,220	54,945	56,681
Total Liabilities	92,724	86,810	86,123	94,340	89,503	93,231
Equity	86,632	93,623	100,465	103,978	106,047	110,517

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)						
CASH FLOW	FY21	FY22	FY23	3M24	FY24F	FY25F
Cash Flow from Operating						
Net Income	7,642	6,359	8,147	2,450	8,639	8,865
Depreciation & Amortization	3,287	3,251	2,868	777	3,604	3,842
Working Capital	(1,907)	(4,067)	1,951	(2,334)	(2,086)	(342)
Others	7,634	(7,468)	(5,781)	5,800	312	690
Net-CFFO	16,656	(1,925)	7,185	6,693	10,470	13,055
Cash Flow from Investing						
CAPEX	(4,545)	(4,617)	94	(746)	(7,241)	(10,422)
Others	803	982	(892)	69	45	(40)
Net-CFFI	(3,742)	(3,635)	(798)	(677)	(7,196)	(10,462)
Cash Flow from Financing						
Chg. in Long-term liabilities	9,005	2,269	(2,542)	853	1,476	1,496
Chg. in other non-current liabilities	(9,630)	(873)	90	(32)	395	360
Equity	(148)	632	(1,305)	1,063	(3,057)	(4,395)
Net-CFFF	(773)	2,028	(3,757)	1,884	(1,185)	(2,539)
Net Cash Flow	12,141	(3,532)	2,630	7,899	2,089	54

Source : Company | Phintraco Sekuritas Research

RATIOS	FY21	FY22	FY23	3M24	FY24F	FY25F
Profitability Ratio (%)						
GPM	35.52%	33.22%	34.94%	36.43%	34.93%	34.65%
OPM	16.99%	17.77%	17.60%	20.84%	17.03%	16.70%
NPM	11.28%	8.29%	10.29%	11.50%	10.48%	10.26%
ROA	6.25%	5.09%	6.16%	1.79%	6.27%	6.17%
ROE	12.93%	9.82%	11.44%	3.41%	11.55%	11.38%
Activity Ratio (X)						
Inventory Turnover	4.73	4.28	4.55	1.23	4.34	4.39
Receivables Turnover	13.03	13.38	14.00	2.98	13.26	13.49
Payables Turnover	12.42	13.78	13.58	4.07	13.68	13.63
Days of Inventory	77.25	85.25	80.24	297.26	84.05	83.21
Days of Receivables	28.02	27.27	26.07	122.32	27.52	27.05
Days of Payables	29.38	26.49	26.89	89.68	26.69	26.79
Cash Operating Cycle	75.88	86.03	79.43	329.90	84.88	83.48
Leverage Ratio (%)						
Debt to Asset Ratio	34.59%	36.72%	34.67%	33.65%	34.12%	33.97%
Debt to Equity Ratio	71.60%	70.76%	64.39%	64.17%	62.92%	62.62%
Liabilities to Asset Ratio	51.70%	48.11%	46.16%	47.57%	45.77%	45.76%
Liabilities to Equity Ratio	107.03%	92.72%	85.72%	90.73%	84.40%	84.36%
Interest Rate	4.65%	12.07%	5.45%	6.64%	6.64%	6.64%
Liquidity Ratio (X)						
Current Ratio	1.49	1.89	2.05	1.96	2.12	2.05
Quick Ratio	1.12	1.30	1.53	1.55	1.58	1.52
Cash Ratio	0.81	0.89	0.93	0.96	0.95	0.90
Price Ratio						
Share Price (IDR)	6,325	6,725	6,450	6,375	6,375	6,375
Outstanding Shares (in Billion)	8.78	8.78	8.78	8.78	8.78	8.78
EPS (IDR) (annualized)	870	724	928	279	984	1,010
BVPS (IDR)	9,867	10,663	11,442	11,842	12,078	12,587
PER (X)	7.27	9.29	6.95	22.85	6.48	6.31
PBV (X)	0.64	0.63	0.56	0.54	0.53	0.51
PSR (X)	0.56	0.53	0.51	1.82	0.48	0.46
EV/EBITDA (annualized)	4.38	4.33	4.02	12.74	3.91	3.89
Dividends						
DPS	278	257	267	-	316	324
DPR	31.94%	35.49%	28.78%	-	32.07%	32.11%
Div. Yield	4.40%	3.82%	4.14%	-	4.95%	5.09%

Source : Company | Phintraco Sekuritas Research

Glossarium

BVPS	: <i>Book Value per Share</i>
CFFF	: <i>Cash Flow from Financing</i>
CFFI	: <i>Cash Flow from Investing</i>
CFFO	: <i>Cash Flow from Operating</i>
CPO	: <i>Crude Palm Oil</i>
DPR	: <i>Dividend Payout Ratio</i>
DPS	: <i>Dividend per Share</i>
EBIT	: <i>Earning Before Interest & Tax</i>
EBITDA	: <i>Earning Before Interest, Tax, Depreciation & Amortization</i>
EBT	: <i>Earning Before Tax</i>
EPS	: <i>Earning per Share</i>
EV	: <i>Enterprise Value</i>
MYR/T	: <i>Ringgit Malaysia per Ton</i>
NPM	: <i>Net Profit Margin</i>
NPM	: <i>Net Profit Margin</i>
OPM	: <i>Operating Profit Margin</i>
PBV	: <i>Price to Book Value</i>
PCL	: <i>Pinehill Company Ltd.</i>
PER	: <i>Price to Earning Ratio</i>
PSR	: <i>Price to Sales Ratio</i>
ROA	: <i>Return on Asset</i>
ROE	: <i>Return on Equity</i>
USD/Bu	: <i>US Dollar per Bushel</i>



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Rating for Stocks :

- Buy : The stock is expected to give total return (price appreciation + dividend yield) of $> +10\%$ over the next 12 months.
- Hold : The stock is expected to give total return of $> 0\%$ to $\leq +10\%$ over the next 12 months.
- Sell : The stock is expected to give total return of $< 0\%$ over the next 12 months.
- Outperform : The stock is expected to do slightly better than the market return. Equal to "moderate buy"
- Underperform : The stock is expected to do slightly worse than the market return. Equal to "moderate sell"

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Kantor Cabang & Mitra GI BEI



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