

# Indofood Sukses Makmur Tbk (INDF)

## Potensi *Rebound* Agribisnis

Company Report | Sep 27, 2018

### Buy

<b>Dec 2019 TP (IDR)</b>	<b>8,175</b>
Consensus Price (IDR)	8,252
TP to Consensus Price	-0.9%
vs. Last Price	+36.8%

#### Shares data

Last Price (IDR)	5,975
Price date as of	Sep 26, 2018
52 wk range (Hi/Lo)	8,600 / 5,850
Free float (%)	49.9
Outstanding sh.(mn)	8,780
Market Cap (IDR bn)	52,682
Market Cap (USD mn)	3,537
Avg. Trd Vol - 3M (mn)	6.03
Avg. Trd Val - 3M (bn)	37.92
Foreign Ownership	99.9%

#### Consumer Staples

##### Packaged Food & Agricultural Products

Bloomberg	<b>INDF IJ</b>
Reuters	<b>INDF.JK</b>

#### Divisi CBP sebagai Penopang Kestabilan INDF

Divisi Consumer Branded Products (CBP) masih menjadi tulang punggung INDF karena divisi ini berkontribusi 52% terhadap total penjualan INDF. Divisi CBP telah menguasai sekitar 72%-75% pangsa pasar mi instan di Indonesia dan senantiasa melakukan inovasi produk, sebagai contoh meluncurkan Indomie Mi Keriting Goreng Rasa Telur Asin yang diharapkan dapat mendorong pertumbuhan ke depan. ICBP pun telah meningkatkan kapasitas produksi divisi mi instan sekitar 10% di Jabodetabek sehingga total kapasitas nasional mencapai 18 miliar bungkus per tahun. Mengamati bahwa ICBP memiliki pangsa pasar yang dominan, kami memperkirakan bahwa **divisi CBP akan tumbuh stabil sekitar 5-6% per tahun pada 2018-2020 dengan margin keuntungan bersih di kisaran 12%**.

#### Menantikan Kejutan dari Divisi Tepung dan Divisi Agribisnis

Kejutan pertumbuhan penjualan diperkirakan akan berasal dari divisi tepung dan divisi agribisnis. Strategi penjualan *cost plus* dan **pemulihan harga gandum giling yang terjadi sejak awal 2018 menjadi penopang pertumbuhan divisi tepung**. Penjualan divisi tepung meningkat 6% dan 12% pada 1Q18 dan 2Q18 dibandingkan dengan penurunan penjualan sebesar 5% dan 6% pada 1Q17 dan 2Q17. Divisi Agribisnis sedang mengalami kontraksi penjualan karena harga CPO melemah. **Kebijakan mandatori biodiesel yang akan terus ditingkatkan** memberikan potensi *rebound* harga CPO karena kebijakan ini akan meningkatkan permintaan CPO.

#### Target Harga Rp8.175

Kami menggunakan estimasi forward P/E sebesar 12,4x (1SD di bawah rata-rata 3 tahun sebesar 14,9x) untuk memperoleh target harga pada Desember 2019. Target harga ini mengimplikasikan P/E 2019/E sebesar 13,6x. Saat ini, INDF diperdagangkan pada P/E 2018E sebesar 11,4x.

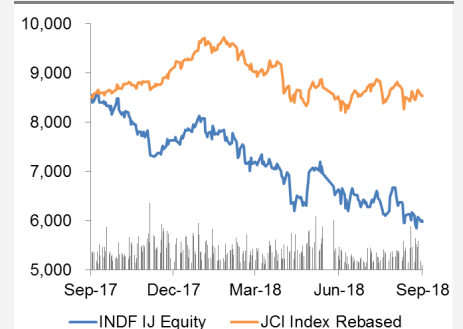
#### Indofood Sukses Makmur Tbk | Summary (IDR bn)

	2017	2018E	2019F	2020F
Sales	70,187	74,313	80,492	87,963
<i>Sales growth</i>	5.1%	5.9%	8.3%	9.3%
EBITDA	10,436	11,615	13,218	14,490
Net Profit	4,139	4,601	5,264	5,802
EPS (IDR)	471	524	599	661
<i>EPS growth</i>	-0.1%	11.2%	14.4%	10.2%
BVPS (IDR)	5,325	5,674	6,012	6,375
EBITDA margin	14.9%	15.6%	16.4%	16.5%
NPM	5.9%	6.2%	6.5%	6.6%
ROE	9.1%	9.5%	10.3%	10.7%
ROA	4.9%	5.0%	5.4%	5.6%
ROIC	8.4%	8.4%	9.0%	9.3%
P/E	16.2x	11.4x	10.0x	9.0x
P/BV	1.4x	1.1x	1.0x	0.9x
EV/EBITDA	9.8x	7.6x	6.8x	6.2x
DPS (IDR)	235	237	261	298
<i>Dividend yield</i>	3.1%	4.0%	4.4%	5.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-20.9%	-10.5%	-9.8%	-29.9%
Rel. Ret.	-13.5%	-8.9%	-10.6%	-30.1%

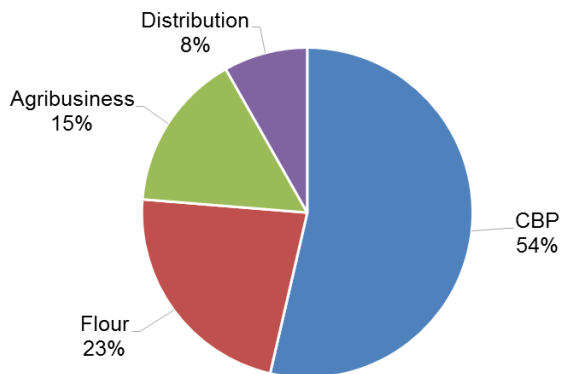
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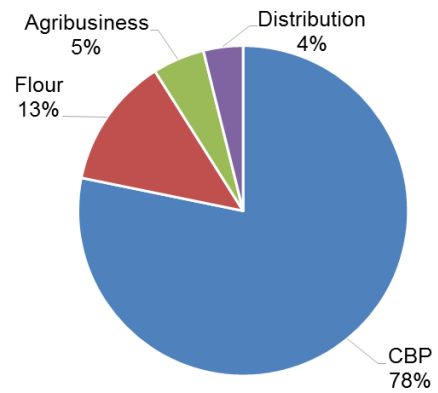
## Performance Highlights

INDF Sales Breakdown | 2Q18



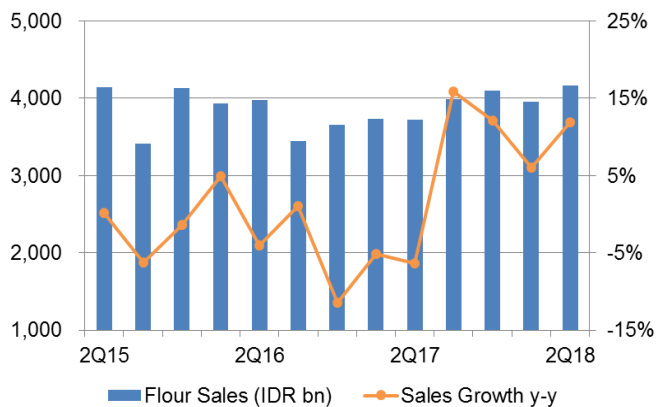
Source: Company, NHKS Research

INDF EBIT Breakdown | 2Q18



Source: Company, NHKS Research

Flour Sales Trend | 2Q15 - 2Q18



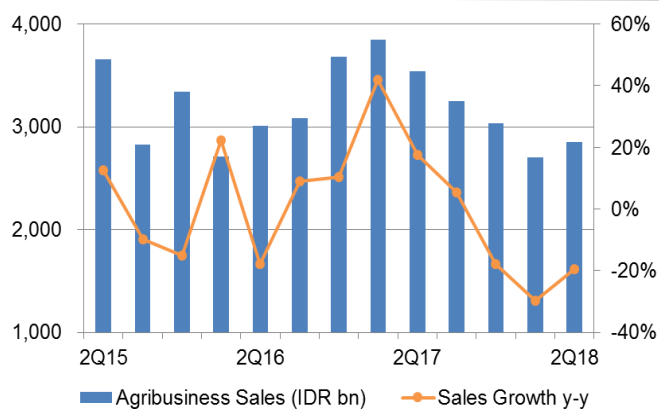
Source: Company, NHKS Research

Milling Wheat Price (IDR/kg) | 2015 - 2018



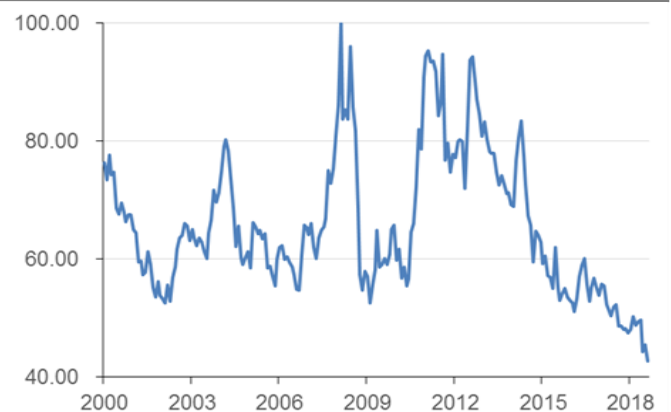
Source: Bloomberg, NHKS Research

Agribusiness Sales Trend | 2Q15 - 2Q18



Source: Company, NHKS Research

Bloomberg Agri Index | 2000 - 2018



Source: Bloomberg, NHKS Research

## 2Q18 review (IDR bn)

	2Q17	3Q17	4Q17	1Q18	2Q18					3Q18E
					Actual	Estimate	y-y	q-q	surprise	
Sales	17,817	17,468	17,066	17,631	18,368	17,760	3.1%	4.2%	3.4%	19,141
Gross Profit	4,837	5,092	4,568	5,261	4,908	4,951	1.5%	-6.7%	-0.9%	5,635
<i>Gross Margin</i>	27.1%	29.2%	26.8%	29.8%	26.7%	27.9%	-0.4%	-3.1%	-1.2%	29.4%
EBIT	1,924	2,181	1,733	2,405	1,864	2,044	-3.1%	-22.5%	-8.8%	2,444
<i>EBIT Margin</i>	10.8%	12.5%	10.2%	13.6%	10.1%	11.5%	-0.7%	-3.5%	-1.4%	12.8%
EBITDA	2,428	2,753	2,260	2,926	2,658	2,744	9.5%	-9.2%	-3.1%	3,149
<i>EBITDA Margin</i>	13.6%	15.8%	13.2%	16.6%	14.5%	15.5%	0.8%	-2.1%	-1.0%	16.5%
<b>Net Profit</b>	<b>1,066</b>	<b>1,007</b>	<b>891</b>	<b>1,189</b>	<b>767</b>	<b>1,128</b>	<b>-28.0%</b>	<b>-35.4%</b>	<b>-32.0%</b>	<b>1,299</b>
<i>Net Margin</i>	6.0%	5.8%	5.2%	6.7%	4.2%	6.4%	-1.8%	-2.6%	-2.2%	6.8%

Source: Bloomberg, NHKS research

## Earnings revision (IDR bn)

		2018E	2019F	2020F
Sales	-Revised	74,313	80,492	87,963
	-Previous	73,699	77,420	80,352
	-Change	0.8%	4.0%	9.5%
Gross Profit	-Revised	21,178	23,358	25,509
	-Previous	20,879	21,924	22,747
	-Change	1.4%	6.5%	12.1%
Gross Margin	-Revised	28.5%	29.0%	29.0%
	-Previous	28.3%	28.3%	28.3%
EBIT	-Revised	8,901	10,131	11,083
	-Previous	8,833	9,270	9,614
	-Change	0.8%	9.3%	15.3%
EBIT Margin	-Revised	12.0%	12.6%	12.6%
	-Previous	12.0%	12.0%	12.0%
EBITDA	-Revised	11,615	13,218	14,490
	-Previous	11,600	12,368	13,059
	-Change	0.1%	6.9%	11.0%
EBITDA Margin	-Revised	15.6%	16.4%	16.5%
	-Previous	15.7%	16.0%	16.3%
<b>Net Profit</b>	-Revised	<b>4,601</b>	<b>5,264</b>	<b>5,802</b>
	-Previous	4,373	4,580	4,745
	-Change	5.2%	14.9%	22.3%
Net Margin	-Revised	6.2%	6.5%	6.6%
	-Previous	5.9%	5.9%	5.9%

Source: NHKS research

## Sekilas Tentang INDF

Pada dua dekade terakhir, INDF telah bertransformasi menjadi sebuah perusahaan Total Food Solutions dengan kegiatan operasional yang mencakup seluruh tahapan proses produksi makanan — mulai dari produksi hingga pengolahan bahan baku menjadi produk akhir yang tersedia di pasar. Kini, INDF dikenal sebagai perusahaan yang mapan dan terkemuka di setiap kategori bisnisnya. Dalam menjalankan kegiatan operasionalnya, INDF memperoleh manfaat dari skala ekonomis serta ketangguhan model bisnisnya yang terdiri dari empat kelompok usaha strategis ("Grup") yang saling melengkapi.

Divisi Produk Konsumen Bermerek (CBP) didukung oleh kekuatan merek-merek produknya. Grup CBP memproduksi beragam produk konsumen bermerek, antara lain mie instan, *dairy*, makanan ringan, penyedap makanan, nutrisi dan makanan khusus, serta minuman. Divisi Bogasari memiliki kegiatan usaha utama memproduksi tepung terigu dan pasta. Divisi ini didukung oleh unit usaha perkapalan dan kemasan. Divisi Agribisnis meliputi penelitian dan pengembangan, pemuliaan benih bibit, pembudidayaan dan pengolahan kelapa sawit hingga produksi dan pemasaran produk minyak goreng, margarin, serta *shortening*. Divisi ini juga melakukan budidaya dan pengolahan karet, tebu, dan tanaman lainnya. Sementara itu, Divisi Distribusi memiliki kegiatan utama mendistribusikan sebagian besar produk konsumen Indofood dan anak-anak perusahaan Indofood, serta berbagai produk pihak ketiga.

### Daya Saing INDF di Asia Pasifik

INDF memiliki P/E yang paling rendah di ASEAN, yaitu hanya sebesar 13,6x. Selain itu, INDF memiliki ROE dua digit sebesar 12,6%. Pertumbuhan laba bersih *Last Twelve Month* (LTM) tercatat negatif karena divisi agribisnis mencatatkan penurunan laba EBIT mencapai 51%.

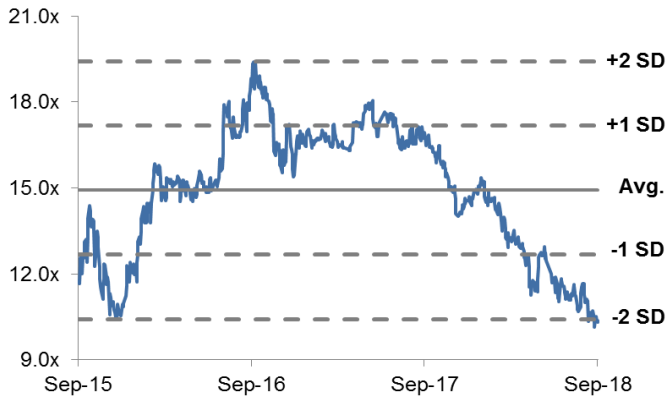
### Asia Pacific Consumer Company

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>									
INDF	3,521	6,472	5,187	283	-7.22%	5.5%	12.6%	13.6x	1.7x
ICBP	6,827	2,327	2,692	294	7.61%	10.9%	21.3%	25.5x	5.2x
<b>Japan</b>									
Nissin Foods Holdings	7,379	5,348	4,541	287	17.48%	6.3%	9.9%	26.0x	2.5x
Toyo Suisan Kaisha Ltd	4,376	3,516	3,557	171	-5.92%	4.8%	6.7%	24.1x	1.6x
<b>South Africa</b>									
Pioneer Foods Group Ltd	1,537	958	1,489	68	-20.33%	4.6%	11.0%	19.5x	2.7x
<b>South Korea</b>									
Samyang Foods Co Ltd	506	373	446	34	30.88%	7.7%	18.4%	15.0x	2.5x
Nongshim Co Ltd	1,333	2,295	2,016	77	-1.98%	3.8%	4.6%	16.8x	0.8x
Ottogi Corporation	2,230	1,613	2,001	115	-3.27%	5.8%	11.6%	19.0x	2.1x
<b>Thailand</b>									
Thai President Foods	1,625	903	638	84	-0.62%	13.2%	15.1%	18.5x	2.7x
Thai Union Group	2,632	4,491	4,136	124	-24.87%	3.0%	9.2%	21.0x	2.0x
<b>Malaysia</b>									
Nestle Berhad	8,325	630	1,312	160	4.98%	12.2%	89.9%	52.9x	53.4x
PPB Group Berhad	5,766	5,636	1,091	307	-4.37%	28.2%	6.0%	19.8x	1.4x
<b>India</b>									
Nestle India Ltd	12,878	1,153	1,614	226	41.19%	14.0%	41.5%	63.6x	25.2x
Britannia Industries Ltd	9,308	796	1,525	156	13.54%	10.2%	32.9%	67.4x	19.9x

Source: Bloomberg

## Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

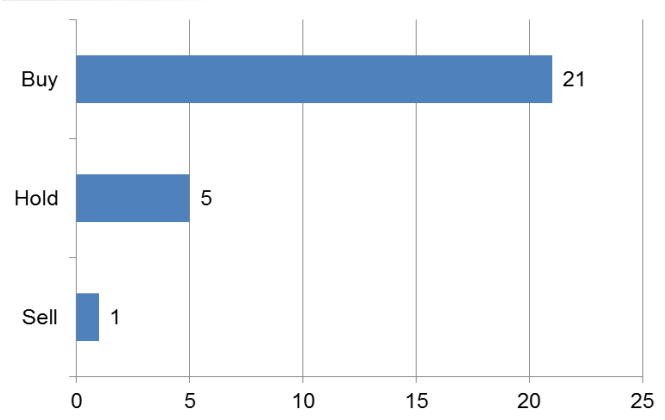
## Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
12/13/2017	Buy	9,825 (Dec 2018)	7,350	9,454	+33.7%	+3.9%
04/26/2018	Buy	8,175 (Dec 2018)	6,900	9,117	+18.5%	-10.3%
09/27/2018	Buy	8,175 (Dec 2019)	5,975	8,252	+36.8%	-0.9%

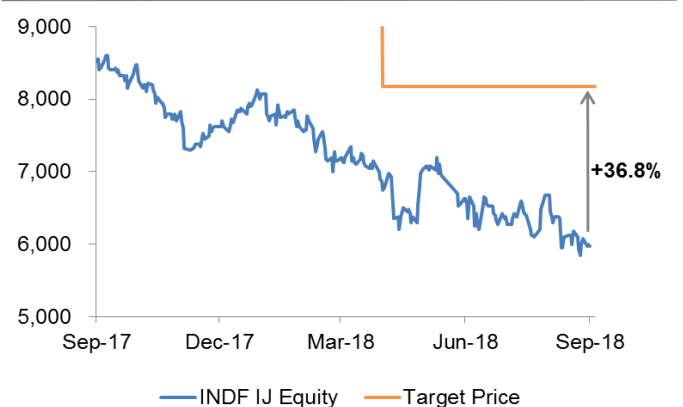
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

### NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
  - Buy : Greater than +15%
  - Hold : -15% to +15%
  - Sell : Less than -15%

## Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E		2017/12A	2018/12E	2019/12E	2020/12E
<b>Sales</b>	<b>70,187</b>	<b>74,313</b>	<b>80,492</b>	<b>87,963</b>	ROE	9.1%	9.5%	10.3%	10.7%
<i>Growth</i>	5.1%	5.9%	8.3%	9.3%	ROA	4.9%	5.0%	5.4%	5.6%
COGS	(50,318)	(53,135)	(57,134)	(62,453)	ROIC	8.4%	8.4%	9.0%	9.3%
<b>Gross Profit</b>	<b>19,869</b>	<b>21,178</b>	<b>23,358</b>	<b>25,509</b>	Cash Dividend (IDR bn)	2,063	2,081	2,291	2,621
<i>Gross Margin</i>	28.3%	28.5%	29.0%	29.0%	Dividend Yield	3.1%	4.0%	4.4%	5.0%
Operating Expenses	(11,534)	(12,277)	(13,228)	(14,426)	Payout Ratio	49.8%	50.3%	49.8%	49.8%
<b>EBIT</b>	<b>8,334</b>	<b>8,901</b>	<b>10,131</b>	<b>11,083</b>	DER	52.0%	52.0%	52.0%	52.0%
<i>EBIT Margin</i>	11.9%	12.0%	12.6%	12.6%	Net Gearing	47.8%	43.4%	43.6%	42.6%
Depreciation	2,101	2,714	3,087	3,407	LT Debt to Equity	24.8%	19.5%	19.5%	19.5%
<b>EBITDA</b>	<b>10,436</b>	<b>11,615</b>	<b>13,218</b>	<b>14,490</b>	Capitalization Ratio	34.2%	34.2%	34.2%	34.2%
<i>EBITDA Margin</i>	14.9%	15.6%	16.4%	16.5%	Equity Ratio	53.2%	52.1%	52.5%	52.4%
Interest Expenses	(1,396)	(1,440)	(1,574)	(1,647)	Debt Ratio	27.7%	27.1%	27.3%	27.2%
<b>EBT</b>	<b>7,550</b>	<b>7,826</b>	<b>8,952</b>	<b>9,868</b>	Financial Leverage	181.2%	182.1%	186.4%	185.1%
Income Tax	(2,486)	(2,558)	(2,927)	(3,226)	Current Ratio	150.3%	127.3%	123.7%	121.9%
Minority Interest	(925)	(666)	(762)	(840)	Par Value (IDR)	100	100	100	100
<b>Net Profit</b>	<b>4,139</b>	<b>4,601</b>	<b>5,264</b>	<b>5,802</b>	Total Shares (mn)	8,780	8,780	8,780	8,780
<i>Growth</i>	-0.1%	11.2%	14.4%	10.2%	Share Price (IDR)	7,625	5,975	5,975	5,975
<i>Net Profit Margin</i>	5.9%	6.2%	6.5%	6.6%	Market Cap (IDR tn)	67.0	52.5	52.5	52.5

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E		2017/12A	2018/12E	2019/12E	2020/12E
Cash	13,690	15,107	15,305	15,880	Price /Earnings	16.2x	11.4x	10.0x	9.0x
Receivables	5,040	5,336	5,780	6,316	Price /Book Value	1.4x	1.1x	1.0x	0.9x
Inventories	9,691	10,233	11,004	12,028	Price/Sales	1.0x	0.7x	0.7x	0.6x
<b>Total Current Assets</b>	<b>32,515</b>	<b>35,385</b>	<b>36,796</b>	<b>38,933</b>	PE/EPS Growth	-116.4x	1.0x	0.7x	0.9x
Net Fixed Assets	39,476	43,643	47,559	51,453	EV/EBITDA	9.8x	7.6x	6.8x	6.2x
Other Non Current Asset	55,424	60,267	63,845	67,908	EV/EBIT	12.2x	9.9x	8.8x	8.2x
<b>Total Assets</b>	<b>87,939</b>	<b>95,652</b>	<b>100,641</b>	<b>106,840</b>	EV (IDR bn)	101,795	87,907	89,256	90,335
Payables	4,076	4,199	4,571	4,966	Sales CAGR (3-Yr)	3.3%	5.1%	6.4%	7.8%
ST Bank Loan	12,713	16,190	17,156	18,190	EPS CAGR (3-Yr)	1.6%	15.7%	8.3%	11.9%
LT Debt	11,605	9,720	10,300	10,920	Basic EPS (IDR)	471	524	599	661
<b>Total Liabilities</b>	<b>41,183</b>	<b>45,834</b>	<b>47,850</b>	<b>50,867</b>	Diluted EPS (IDR)	471	524	599	661
Capital Stock	1,162	1,162	1,162	1,162	BVPS (IDR)	5,325	5,674	6,012	6,375
Retained Earnings	21,378	24,015	26,988	30,170	Sales PS (IDR)	7,994	8,463	9,167	10,018
<b>Shareholders' Equity</b>	<b>46,757</b>	<b>49,818</b>	<b>52,791</b>	<b>55,973</b>	DPS (IDR)	235	237	261	298

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E	By Geography	% Shareholders	%	
Operating Cash Flow	6,508	8,880	8,126	8,788	Seychelles	81.9	First Pacific Comp. Ltd	50.1
Investing Cash Flow	(6,058)	(7,242)	(7,184)	(7,247)	United States	10.6	Vanguard Group	1.8
Financing Cash Flow	(122)	(64)	(745)	(966)	Luxembourg	2.0	Dimensional Fund	1.8
<b>Net Changes in Cash</b>	<b>328</b>	<b>1,574</b>	<b>197</b>	<b>575</b>	Ireland	1.2	Blackrock	1.7

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