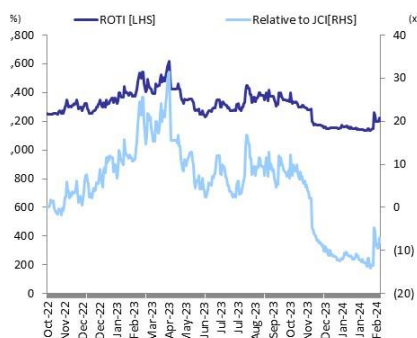


Buy

(Maintained)

Last Price (Rp)	1,185
Target Price (Rp)	1,400
Previous Target Price (Rp)	1,700
Upside/Downside	+18.1%
No. of Shares (mn)	6,186
Mkt Cap (Rpbn/US\$mn)	7,360/469
Avg, Daily T/O (Rpbn/US\$mn)	1.0/0.1
Free Float (%)	13.2
Major Shareholder (%)	
Indoritel Makmur Int'	25.8
Demeter Indo Investments	22.2
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	67.0 79.3 94.1
Consensus	69.3 74.4 66.4
BRIDS/Cons (%)	(3.3) 6.6 41.5

ROTI relative to JCI Index



Source: Bloomberg

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Nippon Indosari Corpindo (ROTI IJ)

FY24 outlook: Focusing on profitability

- Post the tepid FY23 results, ROTI aims to focus on profitability in 2024 onward amid fewer catalysts for purchasing power in 2Q24 onward
- We lowered our FY24/25F net profit estimates by 11%/2.4% due to lower volume estimates and a higher return rate
- Maintain Buy with a lower TP of Rp1,400. Expect improved performance in the upcoming quarters to act as catalyst for the stock.

FY23: a bad year for ROTI

For ROTI, maintaining the exact balance between volume expansion and prudent product dropping in stores is crucial in minimizing the sales return rate and keeping profitability intact. The rainy season in early FY23 amid ROTI's aggressive product dropping, softer demand during the Ramadan season and the year-end were factors behind the high return rate (FY23: 16% vs FY22:11.1%), leading to sluggish revenue (-2.9% yoy) and a weak FY23 net profit (-23% yoy, 2%/5% below cons/ our est.).

FY24 focus on profitability with lower sales returns.

Entering FY24 with the fasting season in Mar24 (part of 1Q – which is generally a weak quarter for ROTI), the management aims to focus on profitability with a cautious approach toward product dropping. We believe the sales trend which favors ROTI's affordable products will persist this year, as we see less support for purchasing power in 2Q24 onward. With the wheat price remaining low, we expect to see minimal ASP adjustments which shall offer some support to volume growth (our FY24/25F vol growth estimates: +2.5%/+5.2% vs FY23: +2.6% yoy).

FY24/25F net profit est. cut on lower volume assumptions.

We project ROTI to maintain its gross margin in FY24-25F at 53.9%/54.1%. Lower sales returns (FY24F/25F: 13.5%/12.5% vs FY23: 16%) should translate into lower expired inventories (FY24F/25F: 6.8%/6.2% vs FY23: 8.3%) which is part of opex. This should pave the way for stronger growth in FY24/25F net profit of 14.7%/18.3% yoy. As a result, we revise lowered our FY24/25F earnings by 11.1% and 2.4%, respectively, given our lower volume assumption and higher sales returns estimate.

Maintain Buy with a lower TP of Rp1,400.

ROTI trades at FY24F PE of 17.7x, 8.5% premium to peers but with expectation of FY23-26F net profit CAGR of 17% (vs peers' 8%). We believe the key to securing better profitability and valuation rerating is the improvement in volume and return rate which we expect to happen in 2Q23. We maintain our Buy rating with a lower TP of Rp1,400 (FY24F PE of 20.9x). Key risks include continued high return rates and higher wheat prices.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	3,935	3,821	4,044	4,368	4,826
EBITDA (Rpbn)	838	681	723	822	948
EBITDA Growth (%)	38.1	(18.7)	6.1	13.8	15.3
Net Profit (Rpbn)	432	333	382	452	537
EPS (Rp)	75.8	58.4	67.0	79.3	94.1
EPS Growth (%)	65.3	(22.9)	14.7	18.3	18.6
BVPS (Rp)	470.1	419.6	457.7	473.6	530.0
DPS (Rp)	106.5	60.7	58.4	53.6	23.8
PER (x)	15.6	20.3	17.7	14.9	12.6
PBV (x)	2.5	2.8	2.6	2.5	2.2
Dividend yield (%)	9.0	5.1	4.9	4.5	2.0
EV/EBITDA	7.9	10.0	9.1	7.9	6.4

Source: AVIA, BRIDS Estimates

FY24 outlook: focusing on profitability

4Q23 summary

ROTI reported 4Q23 net profit of Rp103bn, down 39% yoy and -7% qoq, leading to a FY23 bottom line of Rp333bn, down 23% yoy. The FY23 net profit is 95% of our FY23 forecast (i.e., slightly below) and 98% of consensus estimates (i.e., inline).

In 4Q23, ROTI reported lower revenue on both a qoq and yoy basis given soft demand during the year-end holiday period. Combined with the launch of several new products, sales returns increased to 16.2% (3Q23: 15.1% and FY22: 11%).

On a more positive note, lower wheat prices supported 4Q23 and FY23 gross margin improvements. For 2024, ROTI will focus on maintaining profitability and provide more affordable products.

Exhibit 1. 4Q23 earnings

ROTI II	FY22	FY23	YoY, %	4Q22	3Q23	4Q23	QoQ, %	YoY, %	2023F	A/F, %	A/C, %
(in IDR bn)											
Net revenue	3,935	3,821	-2.9%	1,073	1,014	983	-3.0%	-8.4%	3,892	98%	99%
COGS	1,849	1,756	-5.1%	468	456	434	-4.7%	-7.1%	1,806		
Gross profit	2,086	2,065	-1.0%	605	558	549	-1.6%	-9.3%	2,087		
Opex	(1,518)	(1,674)	10.3%	(368)	(423)	(429)	1.5%	16.5%	(1,647)		
Operating profit	638	478	-25.1%	259	158	144	-9.0%	-44.3%	512	93%	101%
Pretax profit	573	428	-25.3%	224	143	133	-7.0%	-40.8%	466		
Net profit	432	333	-22.9%	169	111	103	-7.1%	-38.9%	352	95%	98%
Gross margin	53.0%	54.0%		56.4%	55.0%	55.8%					
Sales return	-11.1%	-16.0%		-13.0%	-15.1%	-16.2%					
Opex to revenue	-34.2%	-36.7%		-29.9%	-35.2%	-36.5%					
Operating margin	16.2%	12.5%		24.2%	15.6%	14.7%					
Net margin	9.7%	7.3%		15.8%	11.0%	10.5%					

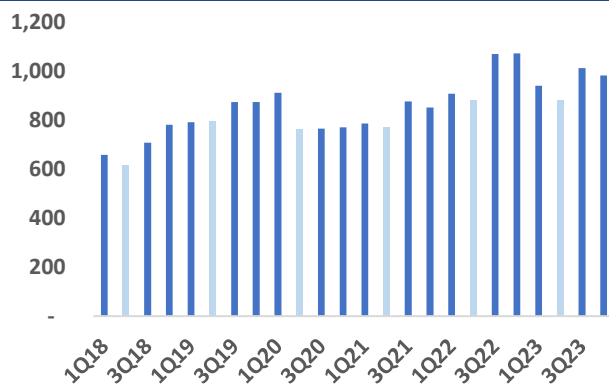
Source: Company, BRIDS Estimates

Exhibit 2. Earnings revision

	Previous			New			Changes		
	2023F	2024F	2025	2023A	2024F	2025F	2023	2024	2025
Net revenue	3,892	4,401	4,927	3,821	4,044	4,368	-1.8%	-8.1%	-11.3%
Gross profit	2,087	2,382	2,614	2,065	2,181	2,365	-1.0%	-8.4%	-9.5%
Operating profit	512	624	659	478	541	619	-6.6%	-13.3%	-6.0%
Net profit	352	430	464	333	382	452	-5.2%	-11.1%	-2.4%
Gross margin	53.6%	54.1%	53.0%	54.0%	53.9%	54.1%			
Opex/revenue	40.5%	39.9%	39.7%	41.5%	40.5%	40.0%			
Operating margin	13.1%	14.2%	13.4%	12.5%	13.4%	14.2%			
Net margin	9.0%	9.8%	9.4%	8.7%	9.5%	10.4%			
Key assumptions									
ASP growth	1.4%	1.7%	2.0%	0.2%	0.3%	1.5%			
Volume growth	0.9%	8.0%	9.2%	2.6%	2.5%	5.2%			
Return rate	-14.0%	-11.5%	-11.0%	-16.0%	-13.5%	-12.5%			
A&P/revenue	6.0%	7.0%	7.0%	5.5%	6.0%	6.0%			

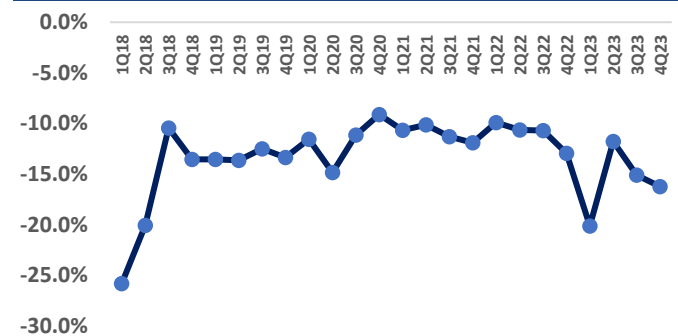
Source: Company, BRIDS Estimates

Exhibit 3. ROTI's quarterly revenue (Rp Bn)



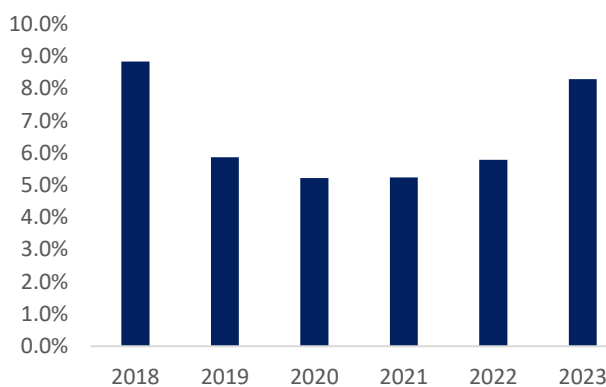
Source: Company *light blue are quarters with Ramadhan

Exhibit 4. Quarterly return rate, 1Q18-4Q23



Source: Company

Exhibit 5. Expired inventory/net revenue



Source: Company

Exhibit 6. PE Band



Source: Company, BRIDS Estimates

Exhibit 7. Earnings revision

Ticker	Rec	Target	Market Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)		Core profit growth (%)	
		(Rp)	(RpBn)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F	2024F	2025F
UNVR IJ	Sell	2,650	102,242	20.3	19.3	30.1	29.9	148.5	4.9	4.9	5.3	4.9	5.3
ICBP IJ	Buy	13,000	132,654	12.4	12.0	2.7	2.4	23.6	3.1	16.2	3.6	4.6	10.6
KLBF IJ	Hold	1,600	70,078	25.4	23.1	3.0	2.8	12.2	1.5	2.8	9.9	4.0	9.1
INDF IJ	Buy	8,000	57,292	5.7	5.3	0.8	0.8	15.6	5.0	11.3	8.8	2.0	13.3
MYOR IJ	Buy	3,500	53,437	17.3	14.9	3.4	3.0	20.5	3.0	8.3	16.0	14.3	12.2
SIDO IJ	Hold	600	18,600	17.5	16.1	5.3	5.2	31.0	5.2	12.0	8.5	6.6	8.8
ROTI IJ	Buy	1,700	7,392	17.9	15.1	2.6	2.5	15.3	4.9	14.7	18.3	14.7	18.3
Sector - weighted				16.3	15.1	9.0	8.8	19.6	3.6	9.7	7.6	5.7	9.7

Source: Company, BRIDS Estimates

Exhibit 8. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	3,935	3,821	4,044	4,368	4,826
COGS	(1,849)	(1,756)	(1,863)	(2,004)	(2,221)
Gross profit	2,086	2,065	2,181	2,365	2,605
EBITDA	838	681	723	822	948
Oper. profit	638	478	541	619	723
Interest income	11	11	11	11	18
Interest expense	(50)	(61)	(50)	(40)	(40)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	(1)	(1)	(1)	(1)
Other Income (Expenses)	(26)	0	(11)	(9)	(12)
Pre-tax profit	573	428	490	580	688
Income tax	(141)	(95)	(108)	(128)	(151)
Minority interest	0	0	0	0	0
Net profit	432	333	382	452	537
Core Net Profit	432	333	382	452	537

Exhibit 9. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	627	538	672	686	1,118
Receivables	493	472	443	478	528
Inventory	147	138	135	145	160
Other Curr. Asset	19	17	19	21	23
Fixed assets - Net	2,527	2,570	2,579	2,582	2,512
Other non-curr.asset	318	208	209	210	209
Total asset	4,130	3,944	4,056	4,122	4,552
ST Debt	0	100	0	0	0
Payables	430	398	410	442	489
Other Curr. Liabilities	182	171	187	202	223
Long Term Debt	498	499	500	400	400
Other LT. Liabilities	339	382	348	376	416
Total Liabilities	1,449	1,550	1,446	1,421	1,529
Shareholder's Funds	2,681	2,393	2,610	2,701	3,023
Minority interests	0	0	0	0	0
Total Equity & Liabilities	4,130	3,944	4,056	4,122	4,552

Exhibit 10. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	432	333	382	452	537
Depreciation and Amort.	200	203	182	203	226
Change in Working Capital	(54)	(3)	45	(14)	(19)
Other Oper. Cash Flow	92	40	53	41	39
Operating Cash Flow	670	574	662	683	783
Capex	(160)	(197)	(162)	(175)	(121)
Others Inv. Cash Flow	64	69	33	(29)	(34)
Investing Cash Flow	(96)	(128)	(129)	(204)	(155)
Net change in debt	1	1	1	(100)	0
New Capital	(273)	0	0	0	0
Dividend payment	(608)	(346)	(333)	(306)	(136)
Other Fin. Cash Flow	209	(336)	(50)	(40)	(40)
Financing Cash Flow	(670)	(681)	(382)	(446)	(176)
Net Change in Cash	(97)	(236)	151	33	452
Cash - begin of the year	759	627	538	672	686
Cash - end of the year	627	538	672	686	1,118

Exhibit 11. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	19.7	(2.9)	5.9	8.0	10.5
EBITDA	38.1	(18.7)	6.1	13.8	15.3
Operating profit	54.7	(25.1)	13.2	14.3	16.7
Net profit	52.4	(22.9)	14.7	18.3	18.6
Profitability (%)					
Gross margin	53.0	54.0	53.9	54.1	54.0
EBITDA margin	21.3	17.8	17.9	18.8	19.6
Operating margin	16.2	12.5	13.4	14.2	15.0
Net margin	11.0	8.7	9.5	10.4	11.1
ROAA	10.4	8.3	9.6	11.1	12.4
ROAE	15.6	13.1	15.3	17.0	18.8
Leverage					
Net Gearing (x)	0.0	0.0	(0.1)	(0.1)	(0.2)
Interest Coverage (x)	12.7	7.9	10.8	15.5	18.1

Source : KLBF, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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