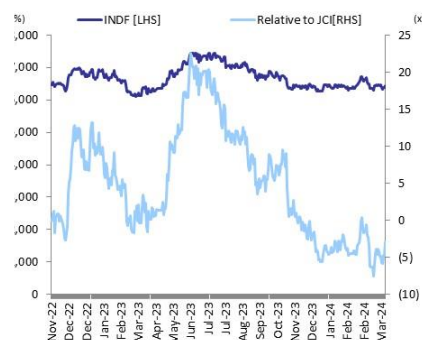


Buy

(Maintained)

Last Price (Rp)	6,425
Target Price (Rp)	8,000
Previous Target Price (Rp)	8,000
Upside/Downside	+24.5%
No. of Shares (mn)	8,780
Mkt Cap (Rpbn/US\$mn)	56,414/3,550
Avg, Daily T/O (Rpbn/US\$mn)	49.9/3.1
Free Float (%)	49.9
Major Shareholder (%)	
FIRST PACIFIC COMPANY LIMITED	50.1
VANGUARD GROUP	1.6
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	1,122.8 1,226.3 1,392.6
Consensus	1,148.1 1,232.1 1,372.4
BRIDS/Cons (%)	(2.2) (0.5) 1.5

INDF relative to JCI Index



Source: Bloomberg

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Indofood Sukses Makmur (INDF JJ)

Still a sound value proposition; expect FY24F growth to be driven by ICBP and Distribution

- We expect ICBP and the Distribution division to drive FY24F performance, supporting estimated top line growth of 5.7% yoy.
- With the expectation of stable CPO and wheat prices, we expect robust margins to be maintained in FY24F.
- We forecast FY24-25F core profit growth of 3.9% yoy and 7.2% yoy; maintain Buy rating with maintained TP at Rp8,000.

FY24F top line estimated to grow by +5.7% yoy

We forecast FY24F top line growth of 5.7% yoy, mainly driven by ICBP (+6.4% yoy) and the distribution business (+9.3% yoy). We expect Bogasari's revenue to grow by +5.1% yoy in FY24F, supported by 3% volume growth and 1.6% ASP adjustments given expectations of continued soft wheat prices in FY24 (based on the Bloomberg consensus). For the Agribusiness division, the expectation of lower CPO prices of MYR3,650/ton (based on the Bloomberg consensus vs. MYR3,852/ton in FY23) and 4% yoy CPO sales volume lead to our projected 1.5% yoy revenues contraction.

Expect robust margins to be sustained in FY24F

At the operating level, we expect ICBP to maintain its EBIT margin at 21.9%, mostly driven by volume growth (+4.4% yoy). We expect distribution's EBIT margin to be maintained at a healthy 6.5% in FY24F. For Bogasari, we expect lower wheat prices (US\$600/bushel – Bloomberg) and volume growth to maintain the FY24F EBIT margin at 7.4%, still within the company's guidance of 6-8%. With the outlook for soft CPO prices, we estimate lower EBIT margins of 12.6% for the plantations business. Against this backdrop, we forecast FY24F net profit growth of 21% yoy with the absence of impairments of associates under ICBP. For core profit, we estimate 3.9% yoy growth to Rp10tr.

A value choice with commodity exposure, maintain Buy rating

INDF remains a value proxy for ICBP as a consumer company with exposure to the commodity business (Agribusiness and Bogasari). INDF currently trades at FY24F PE of 5.7x (54% disc to ICBP's 12.3x). We maintain our Buy rating with TP of Rp8,000, implying FY24F PE of 7x (50% disc. to ICBP's target PE of 14.2x). Key risks are soft commodity prices and Rupiah depreciation.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	110,830	111,704	118,106	126,821	135,052
EBITDA (Rpbn)	21,953	23,063	27,815	29,372	31,965
EBITDA Growth (%)	7.7	5.1	20.6	5.6	8.8
Net Profit (Rpbn)	6,359	8,147	9,858	10,768	12,228
EPS (Rp)	724.2	927.9	1,122.8	1,226.3	1,392.6
EPS Growth (%)	(17.0)	28.1	21.0	9.2	13.6
BVPS (Rp)	6,132.3	6,741.5	7,542.2	8,377.6	9,342.6
DPS (Rp)	277.9	257.0	329.3	398.4	435.2
PER (x)	8.9	6.9	5.7	5.2	0.0
PBV (x)	1.0	1.0	0.9	0.8	0.7
Dividend yield (%)	4.3	4.0	5.1	6.2	6.8
EV/EBITDA	4.4	4.0	3.1	3.0	2.9

Source: INDF, BRIDS Estimates

Still a sound value proposition; expect FY24F growth to be driven by ICBP and Distribution

FY23 performance: net profit pressure from impairments, core profit +8% yoy

INDF reported 4Q23 net profit of Rp1.1tr, down 30% qoq and 54% yoy, leading to a FY23 bottom line of Rp8.15tr, +28% yoy. The FY23 net profit is 90% of our FY23F and 89% of consensus estimates, i.e., below. Excluding non-recurring items and forex gains, the core profit reached Rp9.8tr (+8% yoy), still in line with our forecast (103%) and above the consensus (107%). At the top line in 4Q23, only ICBP revenue reported qoq and yoy growth. In FY23, ICBP and the distribution business reported 5% and 12% yoy revenue growth. All segments reported EBIT improvements in 4Q23 (vs 3Q23). By the end of Dec23, only Bogasari and Agribusiness reported lower EBIT margins.

Exhibit 1. 4Q23 result

INDF	4Q22	3Q23	4Q23	yoy	qoq	FY22	FY23	yoy	2023F	A/F	A/Cons
Revenue	30,009	27,802	27,815	-7.3%	0.0%	110,830	111,704	0.8%	114,533	98%	98%
COGS	21,116	18,924	17,948	-15.0%	-5.2%	76,859	75,653	-1.6%	78,799		
Gross profit	8,893	8,878	9,867	11.0%	11.1%	33,972	36,050	6.1%	35,733	101%	101%
Opex	3,653	4,027	4,316	18.2%	7.2%	15,289	16,372	7.1%	16,474		
Operating profit	5,240	4,851	5,551	5.9%	14.4%	18,683	19,679	5.3%	19,259	102%	101%
Pretax profit	3,881	3,081	2,796	-28.0%	-9.3%	12,319	15,615	26.8%	16,704		
Net profit	2,338	1,517	1,064	-54.5%	-29.8%	6,359	8,147	28.1%	9,029	90%	89%
Gross margin	29.6%	31.9%	35.5%			30.7%	32.3%		31.2%		
Operating margin	17.5%	17.4%	20.0%			16.9%	17.6%		16.8%		
Pretax margin	12.9%	11.1%	10.1%			11.1%	14.0%		14.6%		
Net margin	7.8%	5.5%	3.8%			5.7%	7.3%		7.9%		
By divisions											
	4Q22	3Q23	4Q23	yoy	qoq	FY22	FY23	yoy			
Net revenue (IDR bn)											
ICBP	16,259	16,922	17,243	6.0%	1.9%	64,935	68,250	5.1%			
Bogasari	7,001	5,758	5,623	-19.7%	-2.4%	25,967	24,183	-6.9%			
Agribusiness	4,784	3,415	3,316	-30.7%	-2.9%	13,697	12,315	-10.1%			
Distribution	1,964	1,706	1,633	-16.8%	-4.2%	6,232	6,956	11.6%			
Operating margin											
ICBP	22.1%	21.3%	21.9%			19.0%	21.5%				
Bogasari	6.3%	8.1%	9.2%			7.8%	7.5%				
Agribusiness	18.6%	12.5%	23.3%			18.8%	13.3%				
Distribution	3.1%	5.7%	7.4%			6.5%	6.9%				

Source: Company, BRIDS Estimates

Exhibit 2. Earnings revision

	2023	2024	2025	2023A	2024F	2025F	2023	2024	2025
Revenue	114,533	121,280	130,932	111,704	118,106	126,821	-2.5%	-2.6%	-3.1%
Gross profit	35,733	37,955	41,233	36,050	38,322	41,151	0.9%	1.0%	-0.2%
Operating profit	19,259	20,511	22,270	19,679	20,900	22,316	2.2%	1.9%	0.2%
Net profit	9,029	10,047	10,934	8,147	9,858	10,768	-9.8%	-1.9%	-1.5%
Core profit	9,466	9,651	10,934	9,670	10,047	10,768	2.2%	4.1%	-1.5%
Gross margin	31.2%	31.3%	31.5%	32.3%	32.4%	32.4%			
Operating margin	16.8%	16.9%	17.0%	17.6%	17.7%	17.6%			
Net margin	7.9%	8.3%	8.4%	7.3%	8.3%	8.5%			
Assumption									
Revenue growth									
ICBP	4.5%	7.9%	8.3%	5.1%	6.4%	8.6%			
Bogasari	-2.1%	5.1%	6.1%	-6.9%	5.1%	6.1%			
Plantation	1.2%	-7.9%	0.9%	-10.1%	1.5%	-2.2%			
Distribution	18.2%	16.1%	21.3%	11.6%	9.3%	15.5%			
EBIT margin									
ICBP	21.7%	21.8%	22.0%	21.5%	21.9%	22.1%			
Bogasari	7.0%	7.4%	7.4%	7.5%	7.4%	7.0%			
Plantation	9.7%	8.5%	8.0%	13.3%	12.6%	11.9%			
Distribution	6.8%	7.0%	7.0%	6.9%	6.5%	6.2%			

Source: Company, BRIDS Estimates

Exhibit 3. SOTP Valuation

SOTP	Stake	EBIT 2024	EV	Effective valuation	%	Method
			IDR bn	IDR bn		
ICBP	80.5%		169,904	136,773	83%	Based on Danareksa' TP of IDR12,900
Bogasari	100.0%	2,376	16,633	16,633	10%	7x EV/EBIT
Agribusiness	71.8%		7,638	5,484	3%	Market
Distribution	100.0%	493	4,978	4,978	3%	10.1x EV/EBIT
Net debt - holding Co				(30,290)		
Total EV				133,578		
Holding company disc	30%			(40,073)		
Equity value (Rp bn)				93,504		
Per share (Rp)				10,700		
Based on PE - 50% discount to PE ICBP				5,289		
Target price - based on mid value				8,000		
Implied P/E - 2024				7.1		

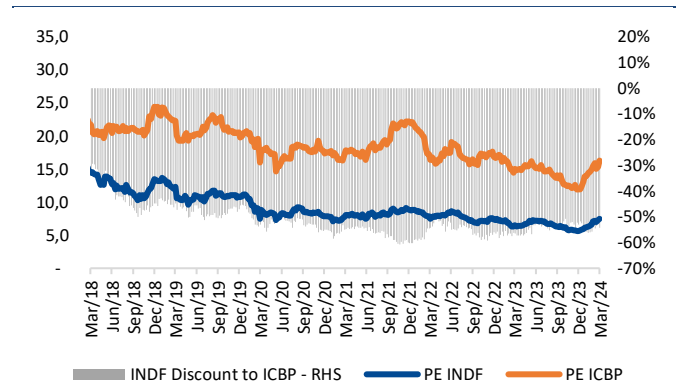
Source: BRIDS Estimates, Bloomberg

Exhibit 4. PE band INDF



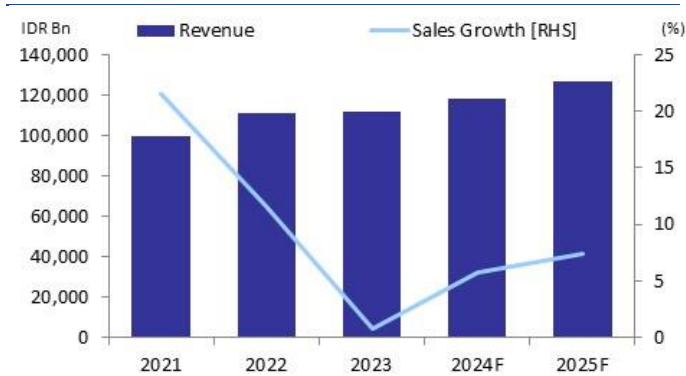
Source: Company, BRIDS Estimates

Exhibit 5. PE band INDF, ICBP, and discount



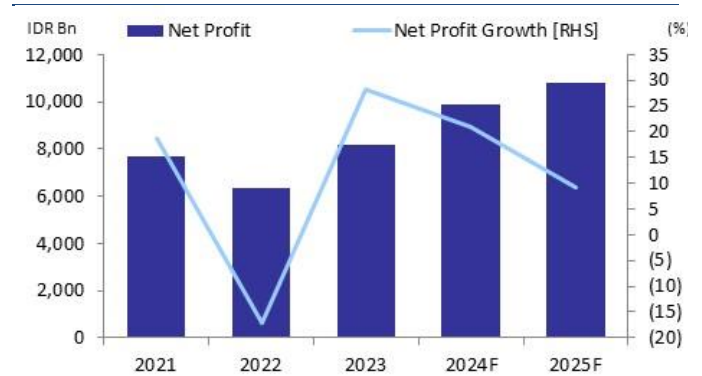
Source: Company, BRIDS Estimates

Exhibit 6. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 7. Net Profit and Growth



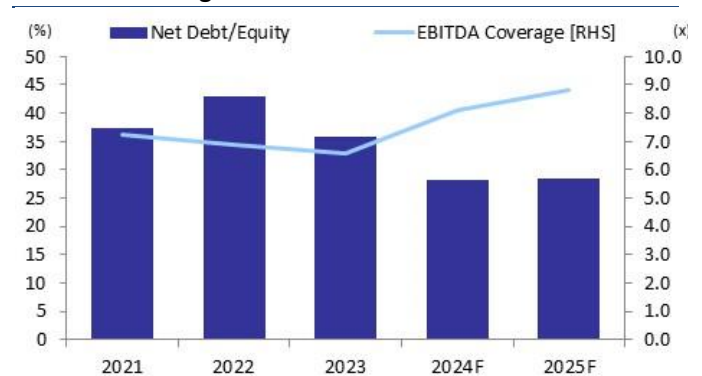
Source: Company, BRIDS Estimates

Exhibit 8. Margins



Source: Company, BRIDS Estimates

Exhibit 9. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 10. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	110,830	111,704	118,106	126,821	135,052
COGS	(76,859)	(75,653)	(79,784)	(85,670)	(90,073)
Gross profit	33,972	36,050	38,322	41,151	44,979
EBITDA	21,953	23,063	27,815	29,372	31,965
Oper. profit	18,683	19,679	20,900	22,316	24,787
Interest income	501	974	927	787	681
Interest expense	(3,184)	(3,499)	(3,431)	(3,330)	(3,381)
Forex Gain/(Loss)	(4,815)	791	(189)	0	0
Income From Assoc. Co's	123	(2,314)	0	0	0
Other Income (Expenses)	1,010	(15)	1	25	30
Pre-tax profit	12,319	15,615	18,207	19,798	22,117
Income tax	(3,126)	(4,122)	(4,806)	(5,226)	(5,838)
Minority interest	(2,833)	(3,347)	(3,543)	(3,805)	(4,052)
Net profit	6,359	8,147	9,858	10,768	12,228
Core Net Profit	11,051	9,670	10,047	10,768	12,228

Exhibit 11. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	25,946	28,576	23,306	20,741	17,339
Receivables	9,001	8,674	9,400	10,152	10,850
Inventory	16,517	15,213	16,577	17,509	18,561
Other Curr. Asset	2,436	2,525	2,840	2,900	3,047
Fixed assets - Net	47,411	47,295	45,577	43,594	41,817
Other non-curr.asset	78,146	76,191	76,833	76,954	77,288
Total asset	180,433	186,588	182,646	179,963	177,015
ST Debt	16,882	18,266	6,874	6,874	6,874
Payables	6,968	6,885	7,565	7,891	8,341
Other Curr. Liabilities	6,875	7,764	7,322	7,792	8,209
Long Term Debt	49,272	46,307	46,669	46,669	46,669
Other LT. Liabilities	6,812	6,902	6,720	6,675	6,614
Total Liabilities	86,810	86,123	75,150	75,901	76,707
Shareholder's Funds	53,844	59,193	66,224	73,559	82,032
Minority interests	39,779	41,272	41,272	41,272	41,272
Total Equity & Liabilities	180,433	186,588	182,646	190,731	200,011

Exhibit 12. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	6,359	8,147	9,858	10,768	12,228
Depreciation and Amort.	3,251	2,868	6,915	7,056	7,178
Change in Working Capital	(4,137)	1,793	(1,196)	(1,136)	(1,256)
Other Oper. Cash Flow	2,448	3,079	1,534	2,729	2,927
Operating Cash Flow	7,922	15,887	17,112	19,417	21,077
Capex	(3,910)	(2,753)	(5,197)	(5,073)	(5,402)
Others Inv. Cash Flow	869	(4,208)	285	666	347
Investing Cash Flow	(3,040)	(6,961)	(4,911)	(4,407)	(5,055)
Net change in debt	4,202	(1,582)	(11,030)	0	0
New Capital	2,717	951	64	65	67
Dividend payment	(2,440)	(2,257)	(2,891)	(3,498)	(3,821)
Other Fin. Cash Flow	(12,893)	(3,410)	(3,613)	(3,375)	(3,442)
Financing Cash Flow	(8,414)	(6,296)	(17,471)	(6,808)	(7,196)
Net Change in Cash	(3,532)	2,630	(5,270)	8,203	8,826
Cash - begin of the year	29,478	25,946	28,576	23,306	20,741
Cash - end of the year	25,946	28,576	23,306	20,741	17,339

Exhibit 13. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	11.6	0.8	5.7	7.4	6.5
EBITDA	7.7	5.1	20.6	5.6	8.8
Operating profit	9.0	5.3	6.2	6.8	11.1
Net profit	(17.0)	28.1	21.0	9.2	13.6
Profitability (%)					
Gross margin	30.7	32.3	32.4	32.4	33.3
EBITDA margin	19.8	20.6	23.6	23.2	23.7
Operating margin	16.9	17.6	17.7	17.6	18.4
Net margin	5.7	7.3	8.3	8.5	9.1
ROAA	3.5	4.4	5.3	5.9	6.9
ROAE	12.4	14.4	15.7	15.4	15.7
Leverage					
Net Gearing (x)	0.4	0.4	0.3	0.3	0.3
Interest Coverage (x)	5.9	5.6	6.1	6.7	7.3

Source: INDF, 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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