

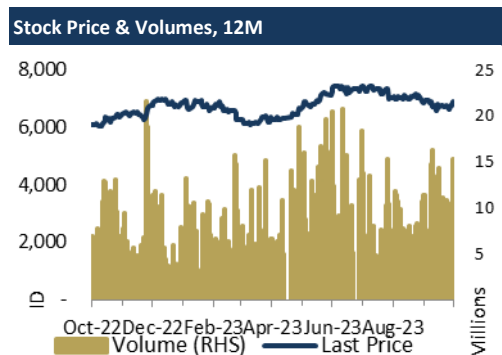
BUY (Maintain)

Target Price (IDR) 8,000 (from 7,150)
Potential Upside (%) 16.4

Price Comparison	
Cons. Target Price (IDR)	8,937
SSI vs. Cons. (%)	89.5

Stock Information	
Last Price (IDR)	6,875
Shares Issued (Mn)	8,780
Market Cap. (IDR Bn)	61,243
52-Weeks High/Low (IDR)	7,550/6,025
3M Avg. Daily Value (IDR Bn)	60.4
Free Float (%)	49.9
Shareholder Structure:	
First Pacific Investment Management Limited (%)	50.07%
Publik (%)	49.91%
Others (%)	0.02%

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	3.7	1.5	(6.4)	14.3
JCI Return	0.7	(1.4)	2.1	(2.5)
Relative	3.0	2.8	(8.5)	16.8



Company Background
Founded in 1990, PT Indofood Sukses Makmur Tbk engages in food processing (CBP, "Consumer Branded Products"), agribusiness, flour milling (bogasari), and distribution.

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Laggard but Intriguing Pick

CBP as INDF's performance driver in FY23F

The ongoing commodity slump, especially wheat, should be a positive catalyst for INDF's main segment (CBP, 61.9% of INDF's FY23F revenue), given the fact that wheat is the main raw material for instant noodles (which contributed 74.7% of ICBP's FY23F revenue). Since the beginning of the year (YTD), wheat prices have dropped -27.1% to USD 565.5/Bu (despite the surge in June-July to USD 760/Bu due to the Russia-Ukraine war and Russia's decision not to extend the Black Sea Grain deal). With the drop in wheat prices, we project ICBP's FY23F EBIT margin to reach 21.7% (FY22: 20.6%), the highest among all INDF's business segments. Also, we believe that INDF's CBP business segment will receive an additional push from the upcoming election campaign, as happened in the previous election (INDF experienced a jump in sales in the two quarters before the election; 2019: +11.8% YoY, 3-year average: +5.9 %).

2H23F: Mixed performance from Agribusiness dan Bogasari

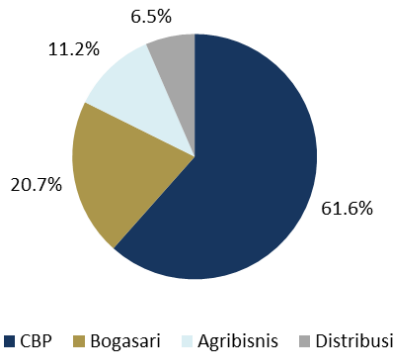
Aside from CBP, we believe that agribusiness will be one of INDF's rising stars in 2H23F, considering the impact of El-Nino (which is expected to last through the beginning of 2024), which might disrupt supply and boost commodity prices, including CPO. To note, CPO prices have gone up by +12.6% (Oct-23: MYR 3,666/MT) from the lowest level of MYR 3,255/MT (Jun-23). SSI's CPO analyst projected the average price of the commodity in FY23F to reach MYR 4,000/MT. However, it's not all good for INDF's businesses; we believe that the numbers from its Bogasari business segment will decline further in 2H23F, mainly due to the potential decline in ASP as wheat prices (Bogasari's main raw material) plunged. It's worth noting that Bogasari had lowered its ASP by -6-8% in 1H23 and by -2% in Jul-23. In light of this, we project INDF to book revenue and core profit of IDR 114.8 trillion (+3.6% YoY) and IDR 9.5 trillion (+4.6% YoY) in FY23F.

BUY, TP IDR 8,000

INDF is currently trading at an attractive valuation (5.8x FY24F PE), -66.7% below its peers' PE average (17.4x FY24F PE), and INDF currently has the lowest PE among IDX-listed consumer staples companies. Given the positive catalysts outlined above, we decided to maintain our BUY rating with a TP of IDR 8,000, implying 6.9x FY24F PE (-1SD below 5-year PE average). Risks: IDR depreciation and raw material surge.

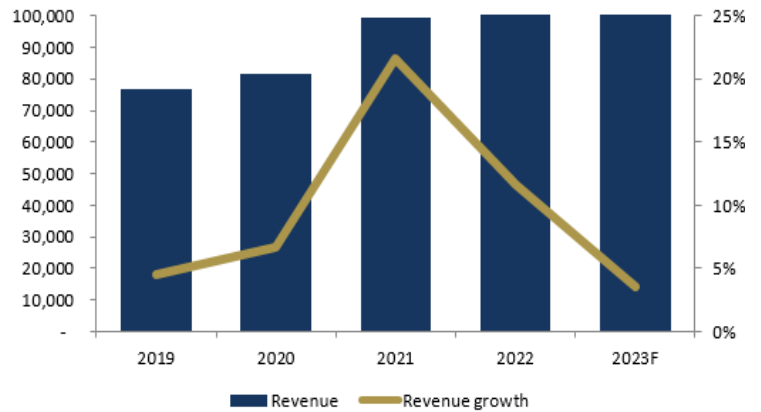
Forecasts and Valuations (at closing price IDR 6,875 per share)					
Y/E Dec	20A	21A	22A	23F	24F
Revenue (IDR Bn)	81,731	99,346	110,830	114,790	122,757
EBITDA (IDR Bn)	15,740	19,871	22,801	22,591	24,200
EV/EBITDA (x)	6.1	4.7	4.4	4.2	3.8
Core Profit (IDR Bn)	5,960	8,069	9,059	9,473	10,223
EPS (IDR)	679	919	1,032	1,079	1,164
EPS Growth (%)	21.4	35.4	12.3	4.6	7.9
P/E Ratio (x)	10.1	7.5	6.7	6.4	5.9
P/BV Ratio (x)	1.4	1.3	1.1	1.0	0.9
ROE (%)	14.1	16.7	16.8	15.1	14.4

Figure 1. Revenue Mix FY23F



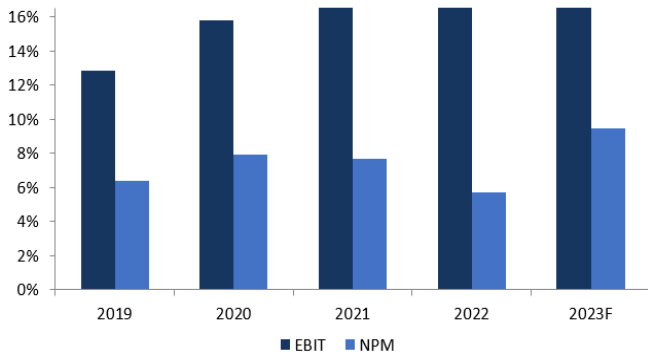
Source: Company, SSI Research

Figure 2. Revenue Growth



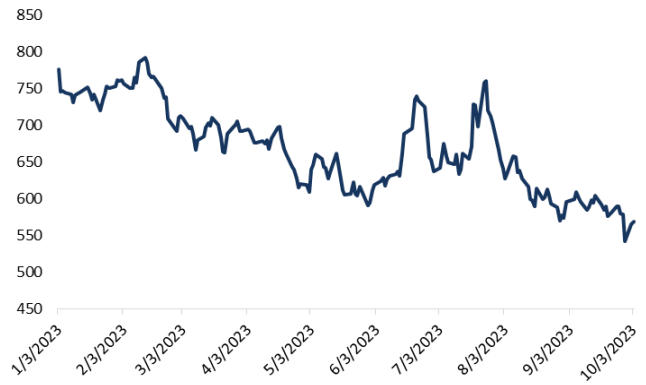
Source: Company, SSI Research

Figure 3. Profitability Margin



Source: Company, SSI Research

Figure 4. Wheat Price



Source: Company, SSI Research

Figure 5. P/E Band



Source: SSI Research, Bloomberg

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Revenue	81,731	99,346	110,830	114,790	122,757
EBIT	12,889	16,882	19,693	19,717	21,293
EBITDA	15,740	19,871	22,801	22,591	24,200
Core Profit	5,960	8,069	9,059	9,473	10,223

Balance Sheet					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Cash	17,337	29,478	25,946	31,665	36,154
Trade Receivables	6,429	7,626	8,281	8,576	9,172
Inventories	11,150	12,684	16,517	17,231	18,389
Other CA	3,502	4,395	4,133	4,339	4,556
Total Current Asset	38,418	54,183	54,877	61,811	68,271
Net Fixed Asset	45,863	46,752	47,411	48,551	49,756
Other Non CA	78,855	78,421	78,146	82,053	86,156
Total Asset	163,137	179,356	180,433	192,416	204,183
Payables	4,408	5,157	5,372	5,604	5,981
Debt	53,286	61,780	66,064	66,601	67,013
Other Liability	26,305	25,787	15,374	16,143	16,950
Total Liabilities	83,998	92,724	86,810	88,348	89,943
Total Equity	79,138	86,632	93,623	104,068	114,240
Minority Interest	36,764	38,367	39,779	41,243	43,305

Cash Flow					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Net Profit	5,960	8,069	9,059	9,473	10,223
D&A	2,851	2,989	3,108	2,874	2,907
Chg in Working Capital	(2,629)	(1,981)	(4,273)	(777)	(1,377)
Chg in Others	7,674	5,615	5,694	1,592	(47)
CFO	13,855	14,693	13,588	13,162	11,705
Capex	(5,172)	(3,884)	(3,249)	(4,015)	(4,111)
Others	(32,465)	(2,606)	(614)	(3,562)	(3,740)
CFI	(37,637)	(6,490)	(3,863)	(7,577)	(7,852)
Chg in Debt	30,309	8,494	4,284	537	412
Dividend Payment	(2,441)	(2,441)	(2,441)	(2,441)	(2,441)
Others	(583)	(2,201)	(16,172)	2,038	2,665
CFF	27,286	3,852	(14,329)	134	636
Chg in Cash	3,504	12,055	(4,604)	5,719	4,489

Key Ratios					
Y/E Dec	20A	21A	22A	23F	24F
EBIT Margin (%)	15.8	17.0	17.8	17.2	17.3
NPM (%)	7.3	8.1	8.2	8.3	8.3
ROE (%)	15.2	15.8	16.8	15.1	14.4
ROA (%)	4.0	4.3	5.0	4.9	5.0
Revenue Growth (%)	6.7	21.6	11.6	3.6	6.9

Peers Comparison

Ticker	Market Cap (IDR Bn)	PE		PBV		ROE	
		23F	24F	23F	24F	23F	24F
ICBP IJ Equity	129,426	14.3	12.3	2.9	2.5	19.4	20.2
INDF IJ Equity	59,265	6.3	5.4	0.9	0.8	14.9	14.0
UNVR IJ Equity	141,155	25.7	25.0	34.9	35.2	135.5	136.7
KLBF IJ Equity	83,681	24.5	21.4	3.8	3.5	15.5	15.7
SIDO IJ Equity	17,550	16.4	15.2	5.0	4.8	30.3	31.5
Average		19.0	17.4	13.4	13.3	56.5	57.1

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