

BUY
Target Price **Rp168**

Share Price Rp110

Upside +52.8%

Description

Sector Consumer Non-Cyclicals

Subsector Food & Beverages

Shares Outstanding (bn) 8.04

Market Cap (Rp bn) 803.7

Shareholders Composition

PT Goldman Investindo Sedaya 56.13%

PT Nuansa Kencono Abadi 10.68%

PT Alqhaisar Sukses Abadi 5.91%

PT Markasia Investama Prima 4.00%

PT Faribas Sinergi Investama 3.11%

PT Kreasi Global Energi 0.17%

Public 20.00%

Analyst

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Indo Boga Sukses (IBOS)

Prospective Fish Product Business

Indo Boga Sukses (IBOS) runs prospective frozen fish business through its subsidiary PT Indo Nations Harvest (INH). This products posted strong 31% yoy sales growth and still has prospective growth going forward due to several advantages. In addition, IBOS should also get benefit from subsided COVID-19 cases as its restaurant business should improve. We expect IBOS to post net profit growth of 36.2% CAGR in the next five years. Recommend BUY with target price of Rp146.

Running prospective business in fish product. Indo Boga Sukses (IBOS) generates majority of its revenue from frozen fish product running by its subsidiary PT Indo Nations Harvest (INH) acquired in 2020 and had made significant sales growth of 31% yoy in 2021. We view the prospect is still positive as frozen fish product has advantages i.e. 1) easy to consume; 2) quality guaranteed; and 3) variability in products.

Boost from potential events to be held after COVID-19 pandemic. Currently pressure stemming from COVID-19 pandemic has been significantly subsided. This should trigger many events such as concert and wedding. IBOS should get positive impact from this condition as it has already a premium restaurant called D'Monaco. Though it just started operation in the beginning of 2019, D'Monaco had shown its quality by accomodating live concert presenting international singer David Foster. Going forward, D'Monaco should be prioritised by many parties for accomodating events for middle-to high income class.

Expecting net profit to grow by 36.2% CAGR in 5 years. We expect IBOS's net profit to grow by 36.2% CAGR during the period of 2021-2026. This will be driven by consistent revenue growth of 25.2% CAGR in the same period. Our expectation for stable strong financial growth is supported by strong growth in fish business running by its subsidiary, INH as well as its restaurant and hotel business helped by improved condition post COVID-19 pandemic.

BUY recommendation with target price of Rp168. We recommend BUY for IBOS with target price of Rp168. Our target price is based on 5-year discounted free cash flow method, assuming WACC of 8.9% and terminal value of 5%. Our target price of Rp168 implies 2022F 4.0x P/B.

Rp million	2020	2021F	2022F	2023F	2024F
Sales	53,310	69,784	90,005	129,530	167,359
Gross Profit	23,947	30,909	38,313	56,115	74,961
Operating Profit	8,771	13,232	16,332	28,906	41,379
EBITDA	15,698	20,908	25,333	39,268	53,094
Net Profit	4,523	9,368	11,027	21,055	30,279
EPS	0.70	1.46	1.37	2.62	3.77
P/E (x)	N/A	N/A	80.2x	42.0x	29.2x
P/B (x)	N/A	N/A	2.6x	2.5x	2.3x
Gross Margin	44.9%	44.3%	42.6%	43.3%	44.8%
Net Margin	8.5%	13.4%	12.3%	16.3%	18.1%
ROE (%)	2.88%	5.57%	3.24%	5.90%	7.88%
ROA (%)	2.18%	4.10%	2.63%	4.76%	6.28%

Source: IBOS, SF Sekuritas

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Investment Highlights

Prospective frozen fish product. IBOS started its business in restaurant and boutique hotel in 2019. The company successfully adapted in COVID-19 pandemic pressuring tourism industry by diversifying into frozen fish business. IBOS acquired PT Indo Nations Harvest (INH) which run business in frozen fish. INH has production capacity of 10 tons per day supported by cold storage with capacity of 200 tons.

We see frozen fish product has good prospect as it has two major advantages, i.e.

- 1) easy to consume;
- 2) quality guaranteed;
- 3) variability in products.

Easy to consume. Fish is one of the main protein sources consumed by Indonesian in addition to chicken and meat. However, fish consumption is still facing challenge as one must prepare meal in an inconvenient way. In contrary, to consume chicken and meat there are already frozen chicken and meat which help people to prepare meal in easy way. We see that frozen fish should gain popularity as people now can prepare fish meal in a similar way to chicken and meat.

Quality guaranteed. When people purchase fish both in traditional and modern market, they poses risk because they might get fish which is not in good quality. For example, fish is not already in fresh condition. This case should not be happen in frozen fish product because just after the fishing stage, fish is already being in the cold storage. When fish is inside cold storage, it can be consumed fresh within 1.5 years period.

Variability in products. Unlike chicken and meat products, there are variability in fish product. There are several kind of fish that usually consumed by Indonesian such as bandeng, kerapu and kakap. The variability should make consumer not to get bored with limited variability like in chicken and meat products.

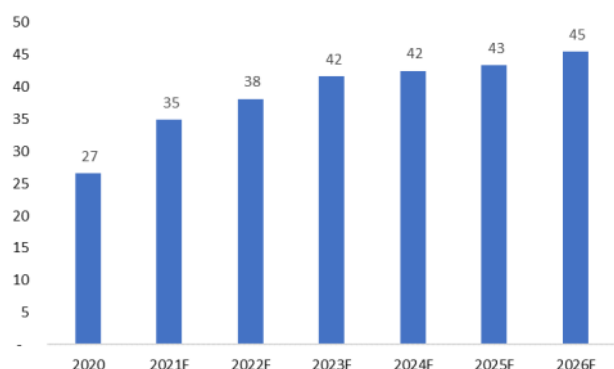
Frozen Fish Product



Source: IBOS

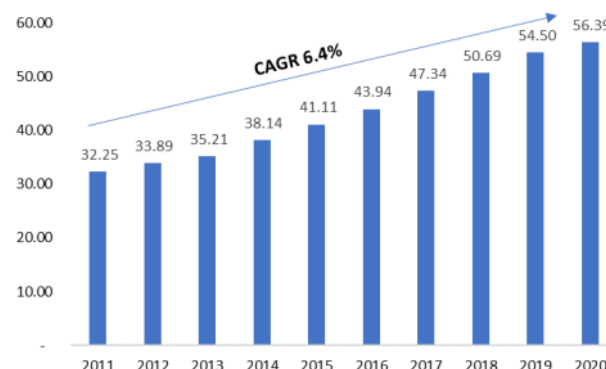
Frozen fish sales growth outperforming fish consumption growth in Indonesia. In 2020 when IBOS started penetrating frozen fish product, it posted revenue of Rp27 billion. Then sales grew by 31% yoy in 2021 to Rp35 billion. This growth is outperforming growth in per capita consumption of around 6.4% each year. It is expected that in 2022-2023 sales of frozen fish to be at consistent 9% yoy, still better than annual growth in per capita consumption. Growth performance should be supported by capacity expansion. From IPO proceed, the company is planning to increase its cold storage capacity from 200 tons to 500 tons.

Sales of Frozen Fish (Rp billion)



Source: IBOS, SF Sekuritas

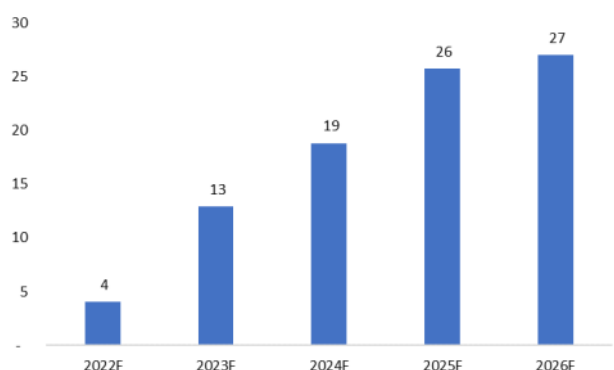
Fish Consumption Per Capita (kg per year)



Source: Government, SF Sekuritas

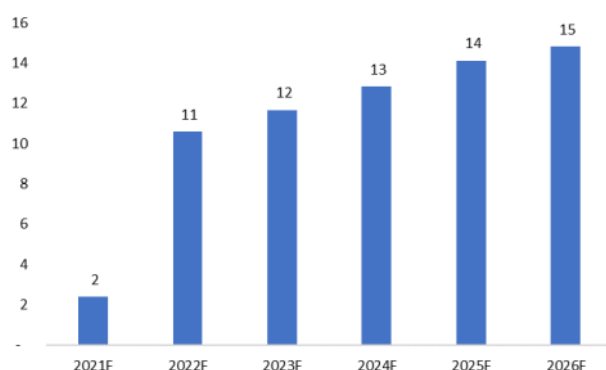
Expanding into retailer distribution channel to boost sales growth. Given the good prospect of frozen fish product, the company is preparing retailer distribution channel. This channel should be started in this year. IBOS will make an agency scheme with conventional retail shops selling basic staples. In 2022 it is expected to make agreement with 150 agents while in subsequent years the number should increase by approximately 100 agents each year. This should be translated into strong sales growth from Rp4 billion in this year into Rp26 billion in 2025.

Sales of from Retailer Channel (Rp billion)



Source: IBOS, SF Sekuritas

Sales from Canned Fish (Rp billion)



Source: Government, SF Sekuritas

Canned fish product as a variation in fish products. In addition to frozen fish, IBOS also has canned fish product. This product had been sold in 2021 targeting middle-to-high segment. This product is to compliment frozen fish product, helping consumer who want more simplicity in preparing fish meal.

Boost from potential events to be held after COVID-19 pandemic. We view IBOS should be a new option for investing in post-pandemic theme. During the COVID-19 period in 2020-2021, many events had been cancelled. Now we see that condition has been improved very well and government had also relaxed restriction measures significantly. This should spur people to make events as soon as possible in order to catch economic reopening moment.

IBOS should benefit from the potential events especially musical concert and wedding. IBOS' main asset which is D'Monaco Restaurant will be priority option for accommodating premium events from middle-to-high segments. Moreover, in 2019, just before the pandemic hit Indonesia, D'Monaco Restaurant host musical concert of global singer, David Foster. This is a significant proof that D'Monaco Restaurant is the main option of mid-to-high segment for holding events in Yogyakarta.

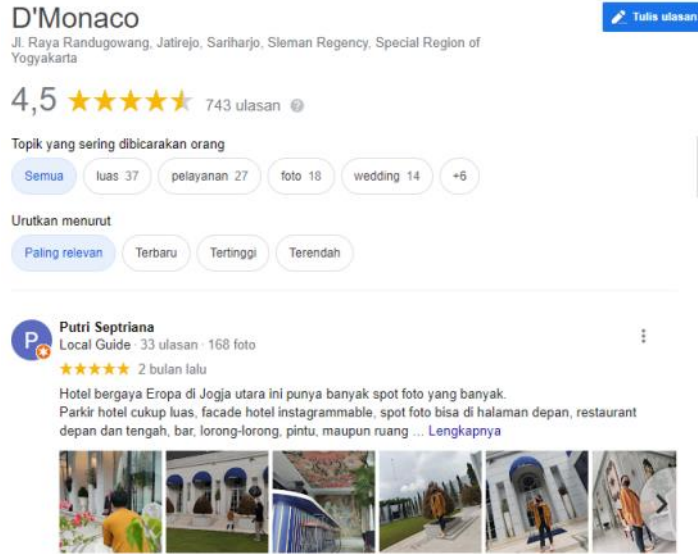
David Foster in D'Monaco Restaurant



Source: D'Monaco Restaurant

Google Rating of 4.5; Unique proposition aiming milenial segment. Concept of IBOS’s restaurant of European style is very good as it aims young milenial segment in Yogyakarta which is very open to western style. Meanwhile, based on google, the restaurant get rating of 4.5, indicating its presence is welcomed well by customers. With this fact, IBOS should be able to cater many events such as musical and wedding events as its popularity in Yogyakarta rises.

Google Rating of D'Monaco Restaurant



Source: Google

Hotel occupancy rate in Yogyakarta has returned to pre-COVID level. In January 2022 hotel occupancy rate in Yogyakarta was at 59.9% while in Indonesia hotel occupancy rate is still 42.4. We see that occupancy rate in Yogyakarta has returned to normal level before pandemic between 50%-70%. Meanwhile occupancy rate in Indonesia is still struggling to come back into normal level above 50%. This indicate tourism sector in Yogyakarta is very promising because it can recover fast from COVID-19 pandemic. This landscape should translate to IBOS business especially to IBOS’s hotel business called Sofia Boutique Residence.

Hotel Occupancy Rate in Yogyakarta and Indonesia

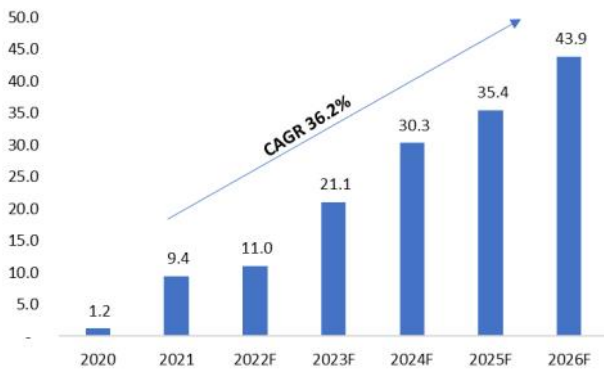


Source: Indonesia Statistics

Financial Outlook

Net profit to grow by 36.2% CAGR in 2021-2026. We expect IBOS’s net profit to grow by 36.2% CAGR during the period of 2021-2026. This will be driven by consistent revenue growth of 25.2% CAGR in the same period. Our expectation for stable strong financial growth is supported by strong growth in fish business running by its subsidiary, INH as well as its restaurant and hotel business helped by improved condition post COVID-19 pandemic.

Net Profit (Rp billion)



Source: IBOS, SF Sekuritas

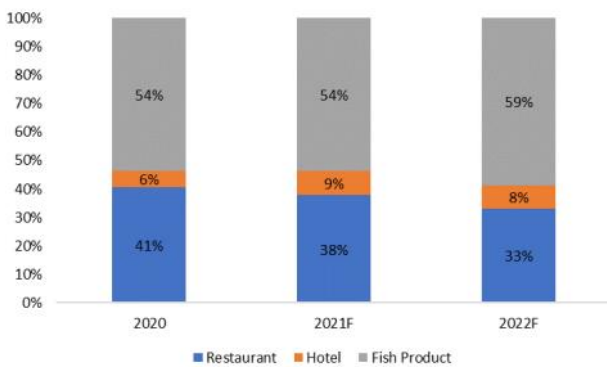
Sales (Rp billion)



Source: IBOS, SF Sekuritas

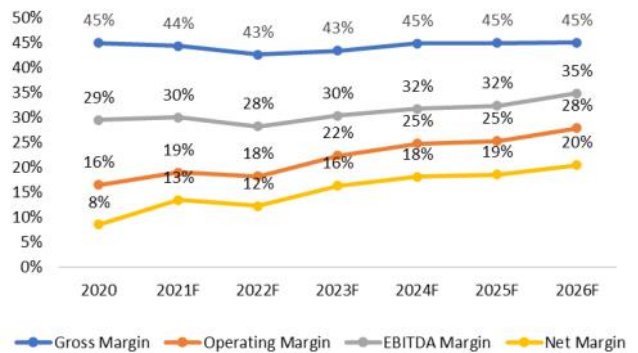
Sales contribution from fish to increase. In 2020 and 2021, fish product dominates IBOS total sales by contributing 54% to total sales. In 2022 we expect contribution of fish product to increase to 59%. This should be resulted from consistent increase in sales of frozen fish, expansion into retailer distribution channel and new canned fish products.

Sales Composition



Source: IBOS, SF Sekuritas

Margin Ratios



Source: IBOS, SF Sekuritas

Valuation

BUY recommendation with target price of Rp168. We recommend BUY for IBOS with target price of Rp168. Our target price is based on 5-year discounted free cash flow method, assuming WACC of 8.9% and terminal value of 5%. Our target price of Rp168 implies 2022F 4.0x P/B.

Free Cash Flow to the Firm Valuation (FCFF)

Rp million	2022F	2023F	2024F	2025F	2026F
Free Cash Flow:					
EBIT(1-t)	12,739	22,547	32,275	37,707	46,643
Depreciation	9,001	10,362	11,715	13,384	15,053
Chg in Working Capital	4,279	(28,556)	8,572	(26,443)	18,557
Chg in Investment	(7,200)	(29,792)	(6,694)	(7,648)	(8,602)
Free Cash Flow	18,818	(25,439)	45,868	16,999	71,651
Terminal Value (assumption % growth 5.0%)					1,935,627
Risk free rate	6.5%	Cost of Debt		10%	
Beta	0.8	Tax rate		22%	
Risk premium	3.0%	Free-tax cost of		7.8%	
Cost of Equity	8.9%				
Portion of Equity	99%				
Portion of Debt	1%				
WACC	8.9%				
PV of Free Cash Flow	90,260				
PV of Terminal Value	1,264,579				
(less debt)	(3,910)				
Equity Value	1,350,929				
Equity Value per share	168				
Implied 2022F P/B	4.0x				
Implied 2022F P/E	122.5x				
Implied 2022F EV/EBITDA	53.5x				

Source: SF Sekuritas

Risks

- **Supply risk in fish product business.** Fishing activities face natural disaster risk which might disturb supply chain of fish business products.
- **Competition in hotel business.** Yogyakarta is considered as tourism spot in Java island. Hence it attracts many corporations to invest in tourism sector in Yogyakarta resulting in tighter competition in middle to high segment.
- **Local government policies for accommodating events.** In order to accommodate events, the company must deal with permit from local government. Any significant change in local government policies might impact sustainability of company's operation.

Peers Comparison

Fish product company comparison

We select 7 major players in Indonesia running business in fish product.

- Central Proteina Prima, Tbk (CPRO)
- Sekar Laut, Tbk (SKLT)
- Sekar Bumi, Tbk (SKBM)
- Prima Cakrawala Abadi, Tbk (PCAR)
- Dharma Samudera Fishing Industries, Tbk (DSFI)
- Era Mandiri Cemerlang, Tbk (IKAN)
- Panca Mitra Multiperdana, Tbk (PMMP)

Peers Comparison

	Market Cap (Rp billion)	Total Asset (Rp billion)	ROE		ROA		P/E		P/B		EV/EBITDA	
			2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
IBOS	804	419	2.9%	5.6%	2.2%	4.1%	N/A	N/A	N/A	N/A	N/A	N/A
CPRO	4,825	6,666	73.8%	90.9%	6.2%	38.5%	7.8x	1.9x	4.2x	1.7x	8.2x	6.6x
SKLT	1,505	889	10.8%	17.8%	5.4%	10.2%	25.3x	19.7x	2.4x	2.8x	10.5x	12.1x
SKBM	609	1,915	1.2%	0.2%	0.6%	0.1%	54.1x	368.4x	0.6x	0.8x	8.7x	12.4x
PCAR	343	107	-20.9%	-2.6%	-14.0%	-1.6%	N/A	N/A	9.8x	2.9x	N/A	N/A
DSFI	230	403	-3.0%	6.7%	-1.5%	3.4%	N/A	13.4x	0.8x	0.9x	26.0x	7.8x
IKAN	90	127	-2.1%	0.3%	-1.0%	0.2%	N/A	277.1x	1.8x	1.0x	7.4x	5.0x
PMMP	74	259	18.5%	11.7%	4.2%	3.3%	N/A	N/A	N/A	N/A	N/A	N/A
Median	476	414	2.0%	6.2%	1.4%	3.4%	25.3x	19.7x	2.1x	1.4x	8.7x	7.8x
Average	1,060	1,349	10.1%	16.3%	0.3%	7.3%	29.1x	136.1x	3.3x	1.7x	12.1x	8.8x

Source: Bloomberg, SF Sekuritas

Restaurant company comparison

We select 5 major players in Indonesia running business in restaurant segment.

- Fast Food Indonesia, Tbk (FAST)
- MAP Boga Adiperkasa Utama, Tbk (MAPB)
- Sarimelati Kencana, Tbk (PZZA)
- Champ Resto Indonesia (ENAK)
- Lima Dua Lima Tiga (LUCY)

Peers Comparison

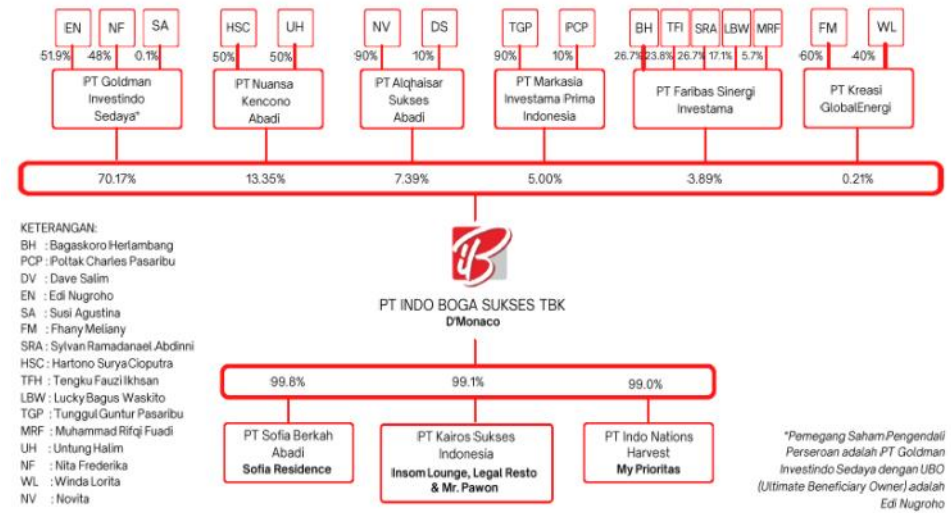
	Market Cap (Rp billion)	Total Asset (Rp billion)	ROE		ROA		P/E		P/B		EV/EBITDA	
			2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
IBOS	804	419	2.9%	5.6%	2.2%	4.1%	N/A	N/A	N/A	N/A	N/A	N/A
FAST	3,791	3,546	-30.3%	-19.2%	-10.2%	-2.7%	N/A	N/A	3.5x	3.6x	N/A	63.2x
MAPB	3,346	2,236	-14.6%	-9.5%	-7.3%	-4.0%	N/A	N/A	2.9x	3.5x	6.4x	7.8x
PZZA	1,843	2,216	-7.5%	5.3%	-4.3%	2.7%	N/A	33.6x	2.1x	1.8x	9.8x	5.3x
ENAK	1,744	671	-84.5%	-8.4%	-22.8%	-1.1%	N/A	N/A	N/A	N/A	N/A	N/A
LUCY	123	47	-16.7%	1.7%	-8.2%	1.4%	N/A	180.3x	N/A	3.2x	N/A	458.1x
Median	1,794	1,443	-15.6%	-3.3%	-7.7%	0.2%	N/A	107.0x	2.9x	3.4x	8.1x	35.5x
Average	1,941	1,523	-25.1%	-4.1%	-8.4%	0.1%	N/A	107.0x	2.8x	3.0x	8.1x	133.6x

Source: Bloomberg, SF Sekuritas

Company Background

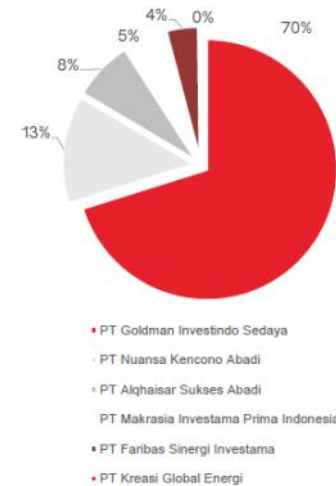
PT Indo Boga Sukses Tbk (IBOS) was established in 2019 which is engaged in Food and Beverage. The Company will focus on the Food and Beverage sector, especially restaurants, with a fine dining concept and authentic Indonesian flavors. The Company also has three Subsidiaries with different business views, namely, PT Sofia Berkah Abadi (hotel), PT Indo Nations Harvest (fish processing), and PT Kairos Sukses Indonesia (restaurants and cafes).

Group Structure



Source: IBOS

Company Shareholders



Source: IBOS

Pemegang Saham Perseroan

Pemegang Saham	Jumlah saham	%
PT Goldman Investindo Sedaya	4,511,284,294	70.17
PT Nuansa Kencono Abadi	858,382,224	13.35
PT Alqhaisar Sukses Abadi	474,923,704	7.39
PT Makrasia Investama Prima Indonesia	321,472,000	5.00
PT Faribas Sinergi Investama	250,000,000	3.89
PT Kreasi Global Energi	13,377,778	0.21

Business Lines. IBOS has three business lines:

1. Restaurant
2. Hotel/Residence
3. Frozen fish

Restaurant. Indo Boga Sukses is engaged in Food and Beverage by owning and operating the following restaurants:

1. **D'Monaco Restaurant.** D'Monaco Yogyakarta offers a luxurious and robust European atmosphere with a delightful dining experience. Tastefully designed in a European style in the Renaissance Era, with a large seating capacity.
2. **Insom Lounge.** Providing exclusive and luxurious entertainment and food, as well as providing a meeting room that uses the best sound from Bose audio so as to provide the best and luxurious service.
3. **Mr. Pawon.** A restaurant outlet that provides a ballroom for events such as weddings, meetings, exhibitions and so on. Here, there are several food and beverage outlets, so that with this variety, customers are always interested in coming.
4. **Legal Resto.** It has the concept of live music which gives a different and unforgettable atmosphere.

Residence. Indo Boga Sukses offers luxurious properties with a comfortable and pleasant experience for its guests.

1. **Sofia Boutique Residence.** Lodging that offers a magnificent and luxurious European taste, targeting the upper middle market target, and is located in Sleman and the city of Yogyakarta.

Frozen Fish. Indo Boga Sukses has a frozen fish business for both the domestic and export markets. The following are the Frozen Fish products offered:

1. **Prioritas.** Is a product with various types of fish (frozen fish), with a very hygienic processing process as well as guaranteed product quality.
2. **My Prioritas.** This frozen fish brand is sold for the domestic and export markets.

Financial Statement (Rp million)

Income Statement	2020	2021F	2022F	2023F
Sales	53,310	69,784	90,005	129,530
Cost of Sales	(29,362)	(38,875)	(51,693)	(73,415)
Gross Profit	23,947	30,909	38,313	56,115
Sales & GA Expenses	(7,886)	(9,571)	(12,443)	(16,176)
Operating Profit	8,771	13,232	16,332	28,906
Depreciation	6,927	7,676	9,001	10,362
EBITDA	15,698	20,908	25,333	39,268
Finance Expenses	(560)	(591)	(1,425)	(465)
Other Income (Exp.)	2	1	(26)	(27)
Pre-tax Profit	8,213	12,642	14,882	28,414
Tax Expenses	(2,502)	(2,781)	(3,274)	(6,251)
Non-Controlling Interest	(1,188)	(493)	(580)	(1,108)
Net Profit	4,523	9,368	11,027	21,055

Balance Sheet	2020	2021F	2022F	2023F
Cash	3,548	2,889	197,485	173,899
Receivables	5,588	21,550	13,452	36,921
Inventories	8,378	8,900	14,075	18,554
Other Current Assets	1,250	1,375	1,512	1,663
Total Current Assets	18,764	34,713	226,524	231,037
Net Fixed Assets	183,445	187,632	184,032	202,166
Other Non-Current Assets	4,768	6,222	8,084	9,443
Total Non-Curr. Assets	188,259	193,902	192,166	211,662
ST Bank Loan	-	-	-	-
Trade Payables	1,414	5,065	6,422	5,814
Other Current Liabilities	8,076	14,822	10,409	10,927
Total Current Liabilities	9,490	19,887	16,831	16,741
Total Non-Current Liabilities	12,930	15,275	10,884	11,426
Total Liabilities	22,420	35,162	27,715	28,167
Share Capital	160,736	160,736	200,920	200,920
Additional Paid in Capital	(1,865)	-	120,552	120,552
Retained Earnings	(1,858)	7,510	18,537	35,199
Other Equity	(36)	(26)	(31)	(28)
Shareholders Equity	156,977	168,220	339,978	356,643
Minority Interest	27,626	25,233	50,997	53,496
Total Equity	184,603	193,453	390,975	410,140

Cash Flow	2020	2021F	2022F	2023F
Net Profit	1,188	9,368	11,027	21,055
Depreciation	6,927	7,676	9,001	10,362
Chg in Working Capital	(11,661)	(12,832)	4,279	(28,556)
Others	3,813	251	258	264
CFO	267	4,464	24,565	3,125
Capex	(52,103)	(13,259)	(7,200)	(29,792)
Others	187,905	(518)	186,495	2,502
CFI	(189,132)	(12,907)	(6,831)	(29,404)
Debt Issuance (Repayment)	8,302	8,302	(9,632)	192
Others	187,905	(518)	186,495	2,502
CFF	196,207	7,785	176,863	2,694
Net Cash Increase (Decrease)	7,342	(659)	194,596	(23,586)

Ratios	2020	2021F	2022F	2023F
Gross Margin	44.9%	44.3%	42.6%	43.3%
Operating Margin	16.5%	19.0%	18.1%	22.3%
EBITDA Margin	29.4%	30.0%	28.1%	30.3%
Net Margin	8.5%	13.4%	12.3%	16.3%
Return on Equity	2.9%	5.6%	3.2%	5.9%
Return on Asset	2.2%	4.1%	2.6%	4.8%
Receivable Turnover	17.8x	5.1x	5.1x	5.1x
Inventory Turnover	5.7x	4.5x	4.5x	4.5x
Payable Turnover	20.6x	12.0x	9.0x	12.0x
Days in Receivable	20.2	70.0	70.0	70.0
Days in Inventory	63.2	80.0	80.0	80.0
Days in Payable	17.5	30.0	40.0	30.0
Cash Conversion Cycle	65.9	120.0	110.0	120.0
Current Ratio	198%	175%	1346%	1380%
Quick Ratio	96%	123%	1253%	1259%
Interest Coverage Ratio	1566%	2239%	1146%	6217%
Debt/Equity	2.8%	7.0%	1.0%	1.0%
Asset/Equity	132%	136%	123%	124%
EPS	0.70	1.46	1.37	2.62
BVPS	24.42	26.16	42.30	44.38
P/E	N/A	N/A	80.2x	42.0x
P/B	N/A	N/A	2.6x	2.5x
EV/EBITDA	N/A	N/A	29.3x	19.6x



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