

Company Update
Wilbert

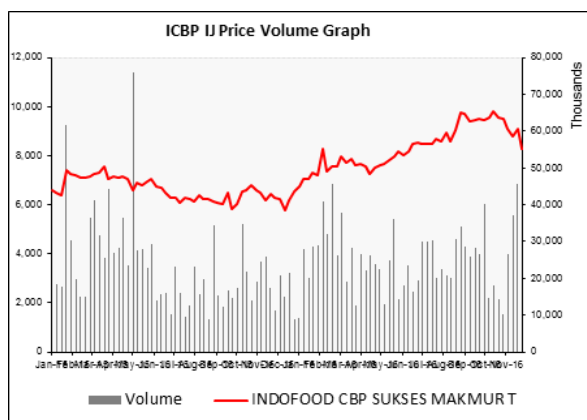
Equity Analyst

wilbert@sinarmassekuritas.co.id

(021) 392 5550 ext: 611



PT Indofood CBP Sukses Makmur Tbk manufactures and distributes wide range of food products. The company operates with diversified business divisions, consists of noodles, dairy, snack foods, food seasonings, nutrition & special foods, and beverages.

Current Price: IDR 8,350
52-Week Target Price: IDR 9,470

PT Indofood CBP Sukses Makmur Tbk (ICBP)
Margins Pressure on Commodity Risks
NEUTRAL

ICBP's 9M16 earnings are in line with our forecasts, with both its top-line and bottom-line earnings totaling 76% of our estimates. 9M16 net income reached IDR 2.8tn (+15.9% YoY), translated to 10.7% net margin (vs 10.1% in 9M15). Meanwhile, revenue were recorded at IDR 26.5tn (+9.9% YoY). We view its solid 9M16 results were not apart from better consumption coupled with low input costs. Moving forward, we see ICBP's performances should be supported by improving macroeconomic conditions, however margins believed to be unsustainable. Crawling up soft commodity prices along with IDR being more volatile will potentially lead to margins normalization going forward. **Therefore, we maintain our NEUTRAL recommendation on PT Indofood CBP Sukses Makmur Tbk (ICBP) with our FY17 rollover target price at IDR 9,470. Our TP represents 13.4% potential upside and 28.1x FY17F P/E. However in the short term, we believe investors could take advantage on the recent sharp correction in ICBP's share price.**

Satisfying performances in 9M16, driven by volume growth. ICBP's 9M16 top-line increased by 9.9% YoY, with 60% contribution derived from volume. The biggest volume growth were seen in dairy and snack foods with 22% and 19% YoY respectively. Noodles, nutritions & special foods (NSF) and beverages posted moderate growth at 1-3% YoY, leaving food seasonings to be the only division booking negative growth (-1% YoY). These we view were on the back of better consumption appetite along with its strategies in new products launches as well as the relaunch of existing products. We expect this volume-driven growth to continue given: 1) ICBP remains innovative and 2) the optimism on better macroeconomic conditions in 2017.

Margins were at its peak, expected to normalize soon. In 9M16, ICBP's gross and EBIT margin expanded to 32%/15% (vs 30.7%/13.3% in 9M15), continue to benefit from low raw materials prices. Dairy division for example, recorded doubled EBIT margin at 18.5% in 9M16 (vs 9.3% in 9M15). However, as soft commodities prices have started to rise (sugar +33% YTD, CPO +22% YTD, skim milk +33% YTD), we believe ICBP's margins will be normalized in the near future.

Share Price Performance

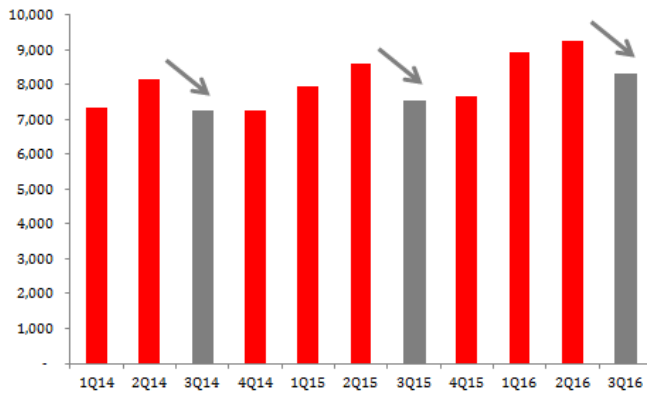
Price (IDR)	8,350
52-Week High (09/01/16)	10,275
52-Week Low (12/14/15)	5,663
52-Week Beta	0.96
YTD Change/%	1,612.5 / 23.93%

Stock Information

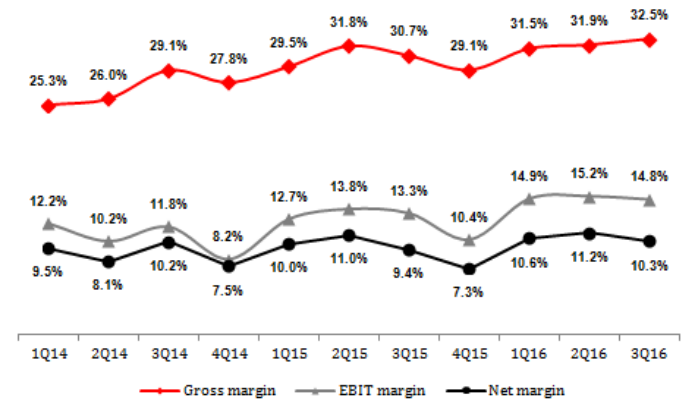
Market Cap (IDR)	97,376.9 B
Shares Out/Float (M)	11,661.9 / 2,270.2 M

Financial Highlights (IDR bn)	2014	2015	2016F	2017F	2018F
Revenue	30,022	31,741	34,789	38,824	42,753
Gross Profit	8,100	9,619	10,700	11,690	12,629
EBITDA	3,522	4,465	5,423	5,720	6,038
Net Income	2,574	2,923	3,705	3,935	4,154
EPS	227	257	318	337	356
Gross Profit Margin (%)	27.0	30.3	30.8	30.1	29.5
EBITDA Margin (%)	11.7	14.1	15.6	14.7	14.1
Net Income Margin (%)	8.6	9.2	10.7	10.1	9.7
P/E (x)	28.9	26.2	26.4	24.8	23.5
PBV (x)	5.4	5.1	5.6	5.0	4.5

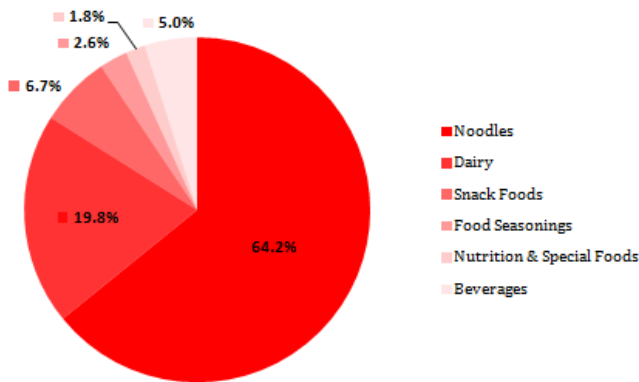
Source: Company Data, Sinarmas Investment Research
Please see important disclaimer and disclosure at the end of the document

Seasonally low 3Q16 performance after Lebaran


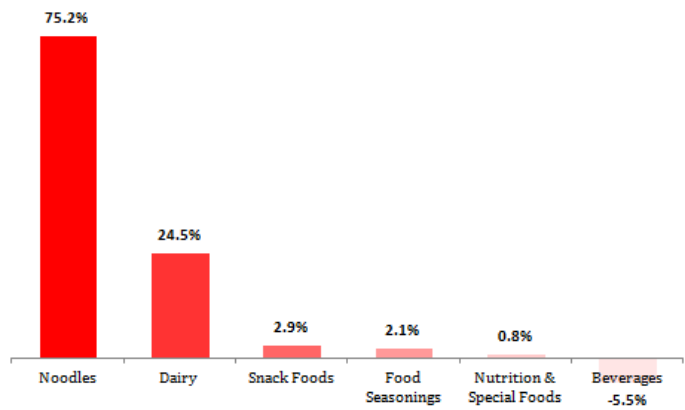
Source: Company data, Sinarmas Investment Research

Margins already at the peak


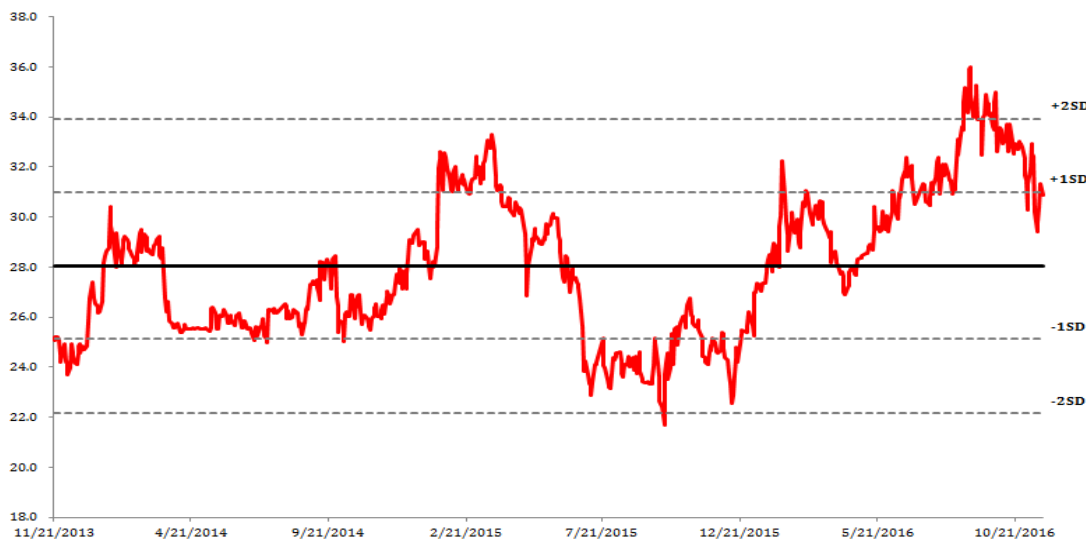
Source: Company data, Sinarmas Investment Research

ICBP revenue contribution (9M16)


Source: Company data, Sinarmas Investment Research

ICBP EBIT contribution (9M16)


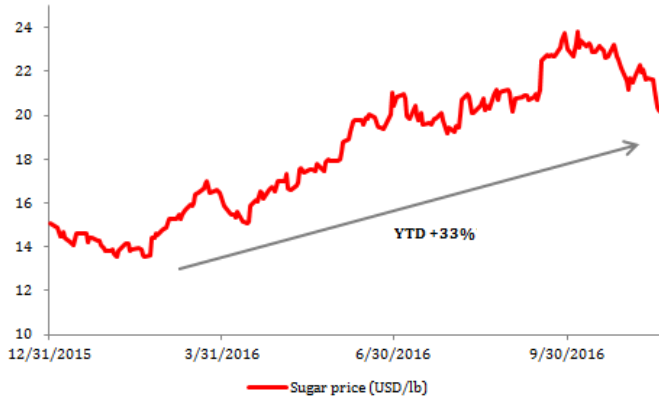
Source: Company data, Sinarmas Investment Research

ICBP P/E band (as of 21st Nov 2016)


Source: Bloomberg, Sinarmas Investment Research

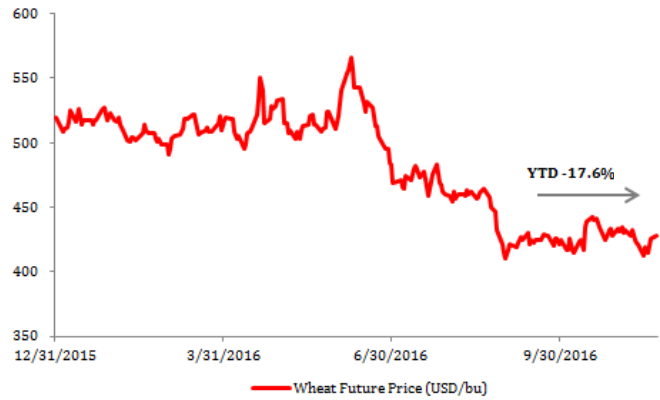
Commodity risks

Sugar price(*) has increased by 33% YTD



Source: Bloomberg, Sinarmas Investment Research

Wheat price(*) maintained low, though potentially rise going forward



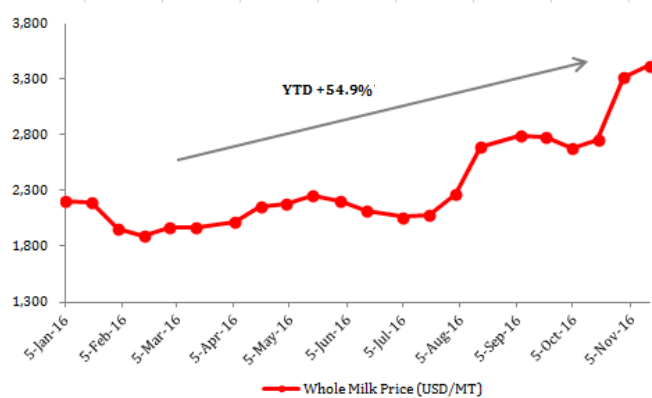
Source: Bloomberg, Sinarmas Investment Research

CPO price(*) has increased 21.9% YTD



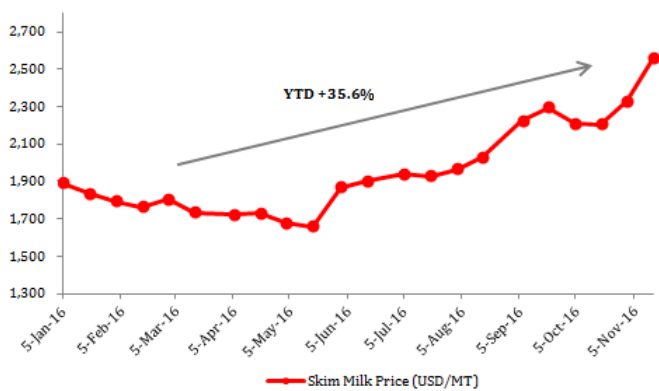
Source: Bloomberg, Sinarmas Investment Research

Whole milk price has increased by 54.9% YTD



Source: Global Dairy Trade, Sinarmas Investment Research

Skim milk price has increased by 35.6% YTD



Source: Global Dairy Trade, Sinarmas Investment Research

*data as of 21st November 2016

ICBP 3Q16 and 9M16 Earnings

	3Q15	2Q16	3Q16	QoQ (%)	YoY (%)	9M15	9M16	YoY (%)	FY16	% to FY16E
Financial Performance										
Revenue	7,545	9,253	8,296	-10.3%	10.0%	24,096	26,471	9.9%	34,789	76.1%
Gross profit	2,315	2,951	2,700	-8.5%	16.6%	7,392	8,460	14.4%		
EBIT	1,004	1,406	1,232	-12.4%	22.7%	3,197	3,969	24.2%		
Net income	706	1,050	905	-13.9%	28.2%	2,444	2,832	15.9%	3,705	76.4%
EPS	61	89	73	-17.6%	20.9%	210	243	15.9%		
<i>Gross profit margin</i>	<i>30.7%</i>	<i>31.9%</i>	<i>32.5%</i>			<i>30.7%</i>	<i>32.0%</i>			
<i>EBIT margin</i>	<i>13.3%</i>	<i>15.2%</i>	<i>14.8%</i>			<i>13.3%</i>	<i>15.0%</i>			
<i>Net income margin</i>	<i>9.4%</i>	<i>11.4%</i>	<i>10.9%</i>			<i>10.1%</i>	<i>10.7%</i>			
Divisions Results										
Noodles										
Revenue	5,082	5,899	5,400	-8.5%	6.3%	16,018	17,262	7.8%		
Revenue - elimination	5,003	5,824	5,302	-9.0%	6.0%	15,769	16,991	7.7%		
EBIT	883	1,117	903	-19.1%	2.2%	2,862	2,978	4.0%		
<i>EBIT Margin</i>	<i>17.4%</i>	<i>18.9%</i>	<i>16.7%</i>			<i>17.9%</i>	<i>17.3%</i>			
Dairy										
Revenue	1,361	1,823	1,707	-6.4%	25.4%	4,338	5,233	20.6%		
EBIT	126	310	346	11.7%	173.5%	404	971	140.1%		
<i>EBIT Margin</i>	<i>9.3%</i>	<i>17.0%</i>	<i>20.3%</i>			<i>9.3%</i>	<i>18.6%</i>			
Snack Foods										
Revenue	476	694	538	-22.5%	13.0%	1,544	1,798	16.5%		
Revenue - elimination	467	682	523	-23.3%	12.1%	1,519	1,762	16.0%		
EBIT	13	59	13	-78.3%	0.0%	89	114	28.0%		
<i>EBIT Margin</i>	<i>2.7%</i>	<i>8.5%</i>	<i>2.4%</i>			<i>5.8%</i>	<i>6.4%</i>			
Food Seasonings										
Revenue	224	500	285	-42.9%	27.5%	1,000	1,094	9.4%		
Revenue - elimination	131	343	172	-49.9%	31.2%	641	694	8.2%		
EBIT	30	25	30	19.4%	-1.0%	78	83	6.3%		
<i>EBIT Margin</i>	<i>13.6%</i>	<i>5.1%</i>	<i>10.6%</i>			<i>7.8%</i>	<i>7.6%</i>			
Nutrition & Special Foods										
Revenue	148	165	163	-1.1%	10.7%	455	485	6.5%		
EBIT	(4)	14	9	-31.6%	344.7%	9	30	239.3%		
<i>EBIT Margin</i>	<i>-2.6%</i>	<i>8.2%</i>	<i>5.7%</i>			<i>2.0%</i>	<i>6.2%</i>			
Beverages										
Revenue	436	418	431	3.1%	-1.2%	1,374	1,311	-4.6%		
EBIT	(69)	(89)	(78)	12.9%	-12.9%	(318)	(219)	31.2%		
<i>EBIT Margin</i>	<i>-15.8%</i>	<i>-21.4%</i>	<i>-18.1%</i>			<i>-23.1%</i>	<i>-16.7%</i>			

Source: Company data, Sinarmas Investment Research

Appendix I: Financial Statements
Balance Sheet

in IDR bn	2014	2015	2016F	2017F	2018F
Cash & Equivalents	7,343	7,658	7,304	7,742	8,741
Trade Receivables	2,921	3,364	3,865	4,098	4,513
Inventories	2,813	2,547	2,810	3,166	3,514
Other Current Assets	485	294	322	440	498
Fixed Assets	5,809	6,556	7,431	8,222	8,638
Other Non Current Assets	5,598	6,043	6,555	7,354	8,077
Total Assets	25,029	26,561	28,387	31,121	34,080
Short-term Bank Loans	805	719	569	469	419
Trade Payables	2,756	2,581	2,810	3,166	3,515
Long-Term Debts	1,590	1,432	1,316	1,166	1,016
Other Current Liabilities	1,904	2,549	1,791	1,994	2,208
Other Non Current Liabilities	2,647	2,740	3,099	3,411	3,752
Total Liabilities	10,445	10,174	9,754	10,356	11,077
Total Equity	14,584	16,387	18,634	20,765	23,003

Source: Company Data, Sinarmas Investment Research

Income Statement

in IDR bn	2014	2015	2016F	2017F	2018F
Revenue	30,022	31,741	34,789	38,824	42,753
COGS	21,922	22,122	24,089	27,134	30,124
Gross Profit	8,100	9,619	10,700	11,690	12,629
Operating Expenses	4,981	5,711	5,986	6,767	7,484
EBIT	3,120	3,908	4,714	4,923	5,146
EBITDA	3,522	4,465	5,423	5,720	6,038
EBT	3,445	4,010	4,940	5,246	5,539
Tax	871	1,086	1,235	1,312	1,385
Net Income	2,574	2,923	3,705	3,935	4,154
Earning Per Share	227	257	318	337	356

Source: Company Data, Sinarmas Investment Research

Appendix I: Financial Statements (Con't)
Cash Flow

in IDR bn	2014	2015	2016F	2017F	2018F
Net Income	2,645	3,001	3,705	3,935	4,154
Adjustment	266	395	625	709	784
Working Capital	658	(402)	(743)	(165)	(242)
Operating Cash Flow	3,569	2,994	3,587	4,479	4,697
Capital Expenditure	(1,469)	(1,317)	(1,500)	(1,500)	(1,200)
Investing Cash Flow	(1,292)	(1,623)	(1,965)	(2,250)	(1,872)
Debt	564	53	(830)	(250)	(200)
Dividend	(1,108)	(1,294)	(1,469)	(1,853)	(1,967)
Financing Cash Flow	(460)	(1,056)	(1,975)	(1,791)	(1,827)
Net Cash Flow	1,817	315	(354)	439	999
Beginning Cash	5,526	7,343	7,658	7,304	7,742
Ending Cash	7,343	7,658	7,304	7,742	8,741

Source: Company Data, Sinarmas Investment Research

Key Ratios

in Percentage (%)	2014	2015	2016F	2017F	2018F
Revenue Growth	19.64	5.72	9.60	11.60	10.12
Gross Profit Growth	26.06	18.75	11.23	9.25	8.04
EBITDA Growth	11.47	26.77	21.46	5.47	5.57
Net Income Growth	15.17	13.56	26.76	6.19	5.59
Return on Equity	19.96	20.08	22.38	21.04	19.94
Return on Asset	11.09	11.33	13.49	13.22	12.74
Debt to Equity	18.26	16.57	10.12	7.87	6.24

Source: Company Data, Sinarmas Investment Research

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2016). All rights reserved.