

Wilbert

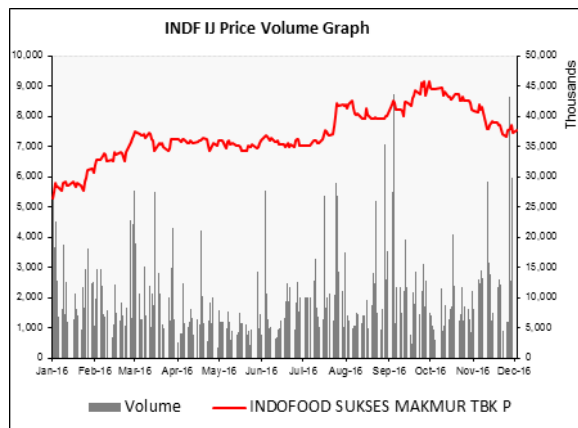
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PT Indofood Sukses Makmur Tbk has progressively transformed into a Total Food Solutions company with operations in all stages of food manufacturing, from the production of raw materials and their processing, to consumer products in market. Today, it is a well-established company and leading player in its complementary Strategic Business Groups consists of ICBP, Bogasari, agribusiness, distribution and cultivation & processed vegetables.

Current Price: IDR 7,875
52-Week Target Price: IDR 9,760

Company Update
PT Indofood Sukses Makmur Tbk (INDF)
Brighter Outlook on Bogasari and Agribusiness
BUY

INDF's 9M16 earnings beat our forecasts with its net income accomplished 81.6% of our estimates. Its 9M16 net income reached IDR 3.24tn (+92.5% YoY), translated to 6.5% net margin (vs 3.5% in 9M15). Significant increases were mainly on much lower forex losses this year. Gross margin expanded by 200bps to 29.2%, benefited from low input costs. Moving forward, we remain positive on INDF, which will keep being benefited from its exposure in ICBP, along with brighter outlook in Bogasari and agribusiness divisions. Meanwhile, near-term supporting catalyst will be the settlement of CMFC divestment. **We maintain our BUY recommendation on PT Indofood Sukses Makmur Tbk (INDF) with FY17 rollover TP at IDR 9,760, representing 23.9% potential upside and 19.7x FY17F P/E. We believe its valuation to be undemanding, currently trade at 16.4x, close to its -1STD 5-yr historical P/E mean.**

ICBP remains the star, Bogasari and agribusiness on the right path. ICBP remains to be the main contributor to INDF, with 51.7% and 63% to sales and EBIT in 9M16. Moving forward, we expect ICBP to maintain its solid performance on the back of better macroeconomic conditions and innovation. Rising consumer spending will also benefit Bogasari, hence we expect it to continue posting volume growth (+4% YoY in 9M16) though ASP seems to be stable downward. While further improvements in agribusiness should follow the production recovery expected to be immediately visible, in 1Q or 2Q 2017.

Lower leverage on CMFC divestment. Per 9M16, INDF's net debt to equity was recorded at 36%. We expect deleveraging after the settlement of CMFC divestment, as INDF plans to allocate the proceeds of SGD 416.4mn to pay off its foreign currency debts. If this goes as plan, we are likely to see healthier balance sheet as well as lower INDF's currency risks going forward.

We raise our bottom-line earnings by 8.2%/7.1% for FY16E/17F as its 9M16 earnings was above our estimation and to anticipate higher gain on forex this year. **The risks to our call including 1) slower macroeconomic conditions, 2) higher volatility in IDR and 3) lower than expected future earnings on Bogasari and agribusiness.**

Share Price Performance

Price (IDR)	7,875
52-Week High (09/29/16)	9,200
52-Week Low (12/14/15)	4,840
52-Week Beta	0.92
YTD Change/%	2,700 / 52.17%

Stock Information

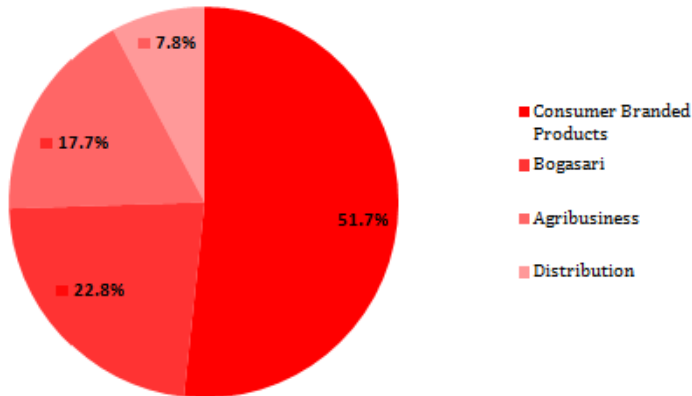
Market Cap (IDR)	69,145.9 B
Shares Out/Float (M)	8,780.4 / 4,382.9 M

Financial Highligths (IDR bn)

	2014	2015	2016E	2017F	2018F
Revenue	63,594	64,062	67,477	73,610	79,743
Gross Profit	17,129	17,258	18,311	19,579	20,742
EBITDA	8,627	9,141	9,733	10,423	11,237
Net Income	3,942	2,968	3,969	4,343	4,652
EPS	442	338	452	495	530
Gross Margin (%)	26.9	26.9	26.9	27.1	26.6
EBITDA Margin (%)	13.6	14.3	14.4	14.2	14.1
Net Income Margin (%)	6.2	4.6	5.9	5.9	5.8
PER (x)	18.9	17.7	17.4	15.9	15.4
PBV (x)	2.4	1.7	2.4	2.2	2.1

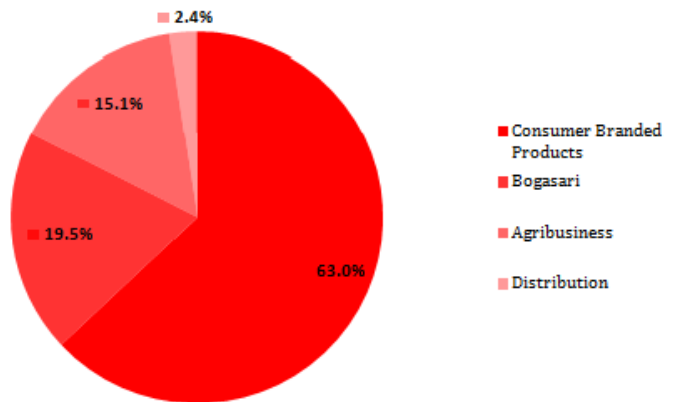
Source: Company Data, Sinarmas Investment Research
Please see important disclaimer and disclosure at the end of the document

INDF revenue contribution (9M16)



Source: Company data, Sinarmas Investment Research

INDF EBIT contribution (9M16)



Source: Company data, Sinarmas Investment Research

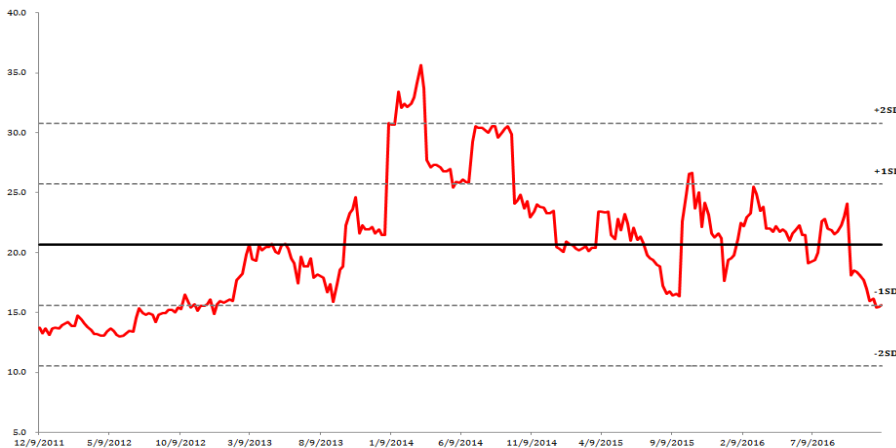
INDF vs ICBP PER



Source: Bloomberg, Sinarmas Investment Research

“INDF has been traded discount to its subsidiary, ICBP since 2011”

INDF PE band (as of 6th December 2016)



Source: Bloomberg, Sinarmas Investment Research

“We believe INDF’s valuation to be undemanding. INDF currently traded at 16.4x PE, close to its -1stdev 5-yr historical PE mean”

ICBP 3Q16 and 9M16 Earnings

	3Q15	2Q16	3Q16	QoQ (%)	YoY (%)	9M15	9M16	YoY (%)	FY16	% to FY16E
Financial Performance										
Revenue	14,929	17,568	15,782	-10.2%	5.7%	47,564	49,866	4.8%	67,477	73.9%
Gross profit	3,915	5,186	4,762	-8.2%	21.6%	12,867	14,562	13.2%		
EBIT	1,574	2,135	1,918	-10.2%	21.9%	5,425	5,932	9.4%		
Net income	(47)	1,145	1,009	-11.9%	2231.8%	1,684	3,240	92.5%	3,969	81.6%
EPS	(5)	130	115	-11.5%	2400.0%	192	369	92.2%		
<i>Gross profit margin</i>	26.2%	29.5%	30.2%			27.1%	29.2%			
<i>EBIT margin</i>	10.5%	12.2%	12.2%			11.4%	11.9%			
<i>Net income margin</i>	-0.3%	6.5%	6.4%			3.5%	6.5%			

Source: Company data, Sinarmas Investment Research

Earnings revision

	Old		New		Estimate changes	
	FY16E	FY17F	FY16E	FY17F	FY16E	FY17F
Financial Performance						
Revenue	67,477	73,555	67,477	73,610	0.0%	0.1%
Gross profit	18,173	19,558	18,311	19,579	0.8%	0.1%
EBIT	7,668	8,108	7,530	8,091	-1.8%	-0.2%
Net income	3,668	4,056	3,969	4,343	8.2%	7.1%
EPS	418	462	452	495	8.2%	7.1%
<i>Gross profit margin</i>	26.9%	26.6%	27.1%	26.6%		
<i>EBIT margin</i>	11.4%	11.0%	11.2%	11.0%		
<i>Net income margin</i>	5.4%	5.5%	5.9%	5.9%		

Source: Company data, Sinarmas Investment Research

Appendix I: Financial Statements
Balance Sheet

in IDR bn	2014	2015	2016E	2017F	2018F
Cash & Cash Equivalents	14,158	13,076	15,694	12,517	12,150
Trade Receivables	4,358	5,117	5,468	5,630	6,310
Inventories	8,446	7,627	8,051	8,826	9,650
Other Current Assets	13,386	15,906	1,613	2,061	2,233
Fixed Assets	21,982	25,096	28,032	30,717	32,666
Other Non Current Assets	23,081	23,918	24,057	25,965	27,702
Total Assets	86,077	91,832	84,005	86,807	91,801
Short-term Bank Loans + Cur. Maturity	10,084	10,669	9,670	7,839	10,008
Trade Payables	5,093	5,174	5,435	5,973	6,523
Long Term Debts	16,838	16,894	13,561	13,433	11,308
Other Current Liabilities	7,481	9,264	3,180	3,532	3,892
Other Non Current Liabilities	6,306	6,708	7,066	7,708	8,351
Total Liabilities	45,803	48,710	38,913	38,485	40,082
Total Equity	40,274	43,122	45,092	48,322	51,719

Source: Company Data, Sinarmas Investment Research

Income Statement

in IDR Bn	2014	2015	2016E	2017F	2018F
Revenue	63,594	64,062	67,477	73,610	79,743
COGS	46,466	46,804	49,165	54,031	59,001
Gross Profit	17,129	17,258	18,311	19,579	20,742
Operating Expenses	10,144	10,381	10,899	11,705	12,343
EBIT	7,320	7,363	7,668	8,109	8,685
EBITDA	8,627	9,141	9,733	10,423	11,237
EBT	6,340	4,962	6,678	7,511	8,072
Tax Expense	1,856	1,730	1,990	2,238	2,405
Net Income	3,942	2,968	3,969	4,343	4,652
Minority Interest	1,288	742	992	1,086	1,163
Earnings Per Share (IDR)	442	338	452	495	530

Source: Company Data, Sinarmas Investment Research

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

in IDR bn	2014	2015	2016E	2017F	2018F
Net Income	3,942	2,968	3,969	4,343	4,652
Adjustment	2,612	2,531	3,057	3,400	3,715
Working Capital	1,604	77	(632)	(497)	(765)
Operating Cash Flow	8,158	5,576	6,394	7,246	7,601
Capital Expenditure	(5,012)	(5,115)	(5,000)	(5,000)	(4,500)
Investing Cash Flow	(9,248)	(6,472)	2,990	(7,161)	(6,526)
Debt	(423)	642	(4,330)	(1,957)	46
Dividend	(1,247)	(1,932)	(1,454)	(1,945)	(2,128)
Financing Cash Flow	1,582	(186)	(6,766)	(3,262)	(1,442)
Net Cash Flow	491	(1,082)	2,618	(3,177)	(367)
Beginning Cash	13,666	14,158	13,076	15,694	12,517
Ending Cash	14,158	13,076	15,694	12,517	12,150

Source: Company Data, Sinarmas Investment Research

Key Ratios

in Percentage (%)	2014	2015	2016E	2017F	2018F
Revenue Growth	14.33	0.74	5.33	9.09	8.33
Gross Profit Growth	25.89	0.75	6.10	6.93	5.94
EBITDA Growth	13.68	5.96	6.47	7.09	7.81
Net Income Growth	65.33	(9.13)	33.74	9.40	7.11
Return on Equity	15.70	10.88	13.95	14.08	13.94
Return on Asset	4.58	3.23	4.73	5.00	5.07
Debt to Equity	66.88	74.76	54.28	53.32	55.97

Source: Company Data, Sinarmas Investment Research

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