

Wilbert

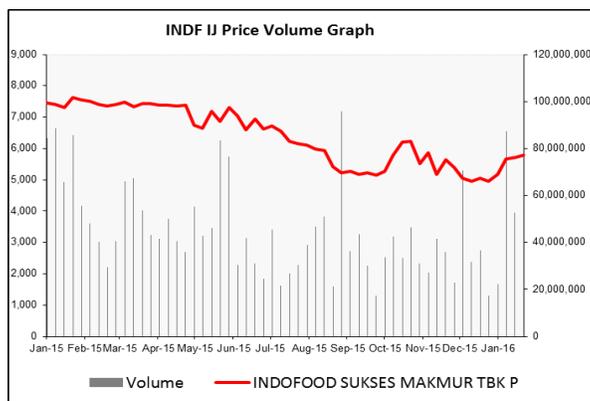
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PT Indofood Sukses Makmur Tbk has progressively transformed into a Total Food Solutions company with operations in all stages of food manufacturing, from the production of raw materials and their processing, to consumer products in market. Today, it 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 5,800
52-Week Target Price: IDR 6,560

Share Price Performance

Price (IDR)	5,800
52-Week High (02/03/15)	7,675
52-Week Low (08/26/15)	4,560
52-Week Beta	0.87
YTD Change/%	600 / 11.59%

Stock Information

Market Cap (IDR)	50,707.0 B
Shares Out/Float (M)	8,780.4 / 4,382.0

Source: Bloomberg, Sinarmas Investment Research

Company Update
PT Indofood Sukses Makmur Tbk (INDF)
Expecting Agribusiness Division Recovery
BUY

INDF's 9M15 revenue grow slightly accounted for 1.5% YoY as its bottom-line was significant declined (-45.2% YoY). INDF reported 3Q15 loss of IDR 47.3bn (vs 3Q14's IDR 745bn profit) which was mainly due to significant amount of financing expenses (including unrealized forex loss). Therefore, net income margin (NIM) weakened to 3.5% vs 6.6% in 9M14. However, we are positive on INDF considering its robust ICBP performance and agribusiness division recovery. **Therefore, we recommend BUY with our upgraded target price at IDR 6,560 (from previous IDR 5,950).**

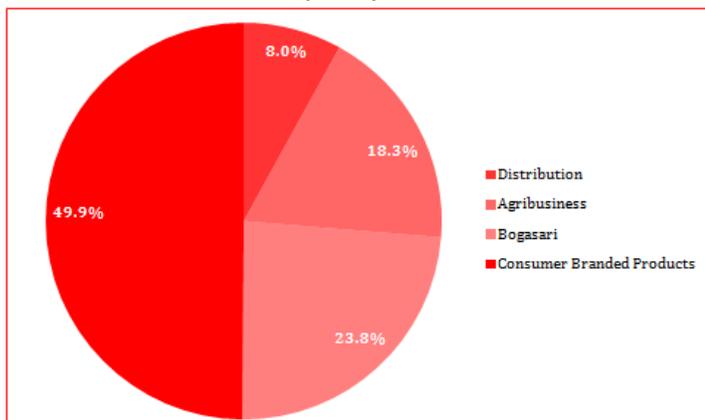
ICBP remains the bright star last year. As of 9M15, INDF performance was backed by ICBP division with 49.9% and 59.2% contribution respectively to INDF's sales and EBIT. Amidst the economy downturn, ICBP still perform well by showing 6.3% and 19.6% YoY growth in its sales and EBIT. Meanwhile, INDF's weak performance was due to its commodities related business (Bogasari and agribusiness) following continuous weak price of wheat and CPO. Due to 9M15, Bogasari recorded -5% for its sales, mainly due to lower ASP resulted from intense competition along with weak wheat price. While its agribusiness division also experienced lower ASP which led to -4.7% YoY sales growth.

Agribusiness division should be better in 2016. Although ICBP will remain to be INDF's main growth driver in 2016, we are quite positive on its agribusiness division. Expecting the El Nino effect will lower CPO productivity, we view CPO prices hike will be seen in 2016. We forecast CPO prices will trade range between MYR 2,200 - 2,500 throughout 2016, becoming main positive catalyst for INDF's agribusiness division. We also expect the economy recovery this year will able to increase its edible, oil, and fat (EOF) demands.

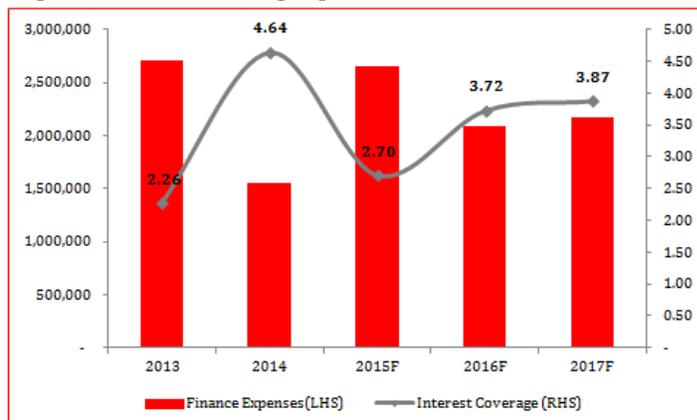
Minzhong divestment would lead to better financial position. INDF had accepted \$40mn as advance payment due to its agreement on selling 52.94% shares of CMFC. This will be a positive sign as we view INDF will get more liquidity, providing opportunity for loan restructuring in 2016. Hence, we expect financing expenses to be lower this year.

in IDR bn	2013	2014	2015F	2016F	2017F
Revenue	55,624	63,594	64,934	70,152	76,423
EBIT	6,112	7,209	7,143	7,783	8,418
EBITDA	7,589	7,597	8,675	9,452	10,087
Net Income	2,504	3,885	3,454	4,017	4,398
EPS	285	442	393	457	501
EBITDA Margin	13.6%	11.9%	13.4%	13.5%	13.2%
Net Income Margin	4.5%	6.1%	5.3%	5.7%	5.8%
PER (X)	30.3	18.9	13.9	13.6	12.1
PBV (X)	2.47	2.36	1.92	1.70	1.5
Dividend Yield	2.2	3.3	3.8	3.4	3.9

Source: Company, Sinarmas Investment Research

INDF revenue breakdown (9M15)


Source: Company, Sinarmas Investment Research

Expected lower financing expenses in 2016


Source: Company, Sinarmas Investment Research

INDF Segment Results (9M15)

	Sales			EBIT		
	9M14	9M15	Growth	9M14	9M15	Growth
ICBP	22,432.7	23,839.4	6.3%	2,514.0	3,007.3	19.6%
Bogasari	14,751.0	14,009.9	-5.0%	1,063.2	907.3	-14.7%
Agribusiness	10,551.2	10,050.9	-4.7%	1,524.2	1,036.9	-32.0%
Distribution	3,731.5	3,804.3	2.0%	151.2	129.1	-14.6%

Source: Company, Sinarmas Investment Research

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