

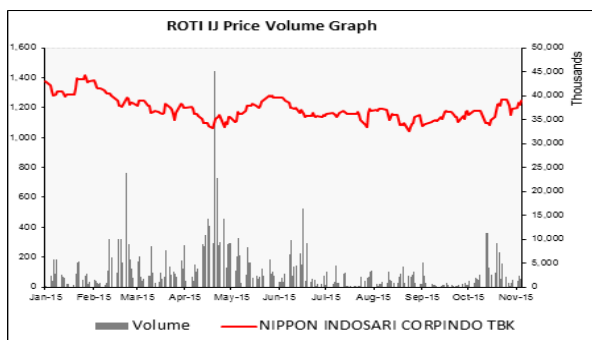
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PT Nippon Indosari Corpindo Tbk produces baked goods, which are white and sweet breads, Dorayaki, mini bun and bread crumbs.

Current Price: IDR 1,220

52-Week Target Price: IDR 1,475



Company Update

PT Nippon Indosari Corpindo Tbk (ROTI)

A Rare Bright Star Amidst Darkness

BUY

ROTI's 9M15 revenue are still in-line with our expectations meanwhile its bottom-line surpassed our estimates, making up 84% of our FY15 estimates. Therefore, we upgrade ROTI's EPS FY15E and FY16F by 10.9% and 5.3% consecutively to reflect the margin improvement. **We maintain our BUY recommendation on PT Nippon Indosari Corpindo Tbk (ROTI) and increase our 52-Week Target Price to IDR 1,475 from IDR 1,430, offering a potential upside of 20.9% from the current price.**

Continuing Strong Results. As of 9M15, ROTI recorded its revenue at IDR 1.57tn (70% of our FY15E), increased by 15.28% YoY. Along with it, net income reported at IDR 192.6bn, showing 45.4% YoY growth resulting its NIM to stand at 12.29%. While for 3Q15 alone, its revenue rose by 18.8% YoY as net income doubled to IDR 69.3bn. The significant rise in sales was led by its white bread, mainly from sandwich, which increased by 26% YoY. In addition, its new products, dorayaki and mini bun had contributed about 1.5% from its net sales in the period.

Margin Expansion in 3Q15. In 3Q15, ROTI's GPM was maintained at about 52.8%, benefited from prolonged low raw material prices. As its NIM was translated to 13.1%, experiencing 200bps rise from 10.8% in 2Q15.

Segment Results. In 3Q15, most of its factories posted revenue growth. The strongest growth contributed from its Medan factory (+34.4% YoY), followed by Makassar (+32.3% YoY) and its relatively new factories in Purwakarta and Cikande (both recorded about 22.5% YoY growth). Aside from revenue, all of its factories booked positive pretax margin in 3Q15. For instance, its Makassar factory booked 8% pretax margin compared to -1.84% in 2Q15.

4Q15 outlook. We expect to see persisting strong results in 4Q15 considering the trend that ROTI never fails to deliver promising performance in fourth quarter.

Share Price Performance

Price (IDR)	1,220
52-Week High (12/24/14)	1,455
52-Week Low (08/24/15)	1,020
52-Week Beta	0.87
YTD Change/%	(160) / (11.3%)

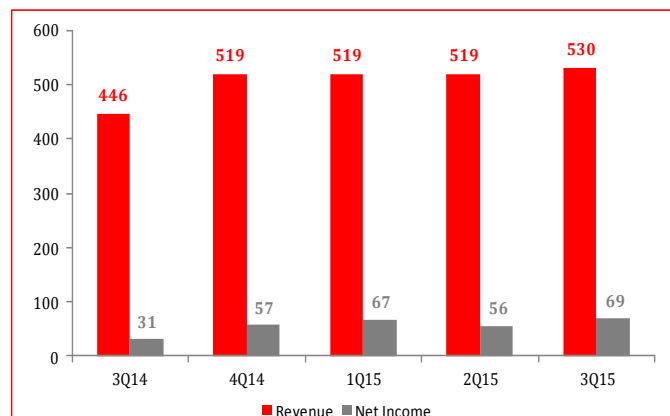
Stock Information

Market Cap (IDR)	6,352.6 B
Shares Out/Float (M)	5,061.8 / 1,480.5

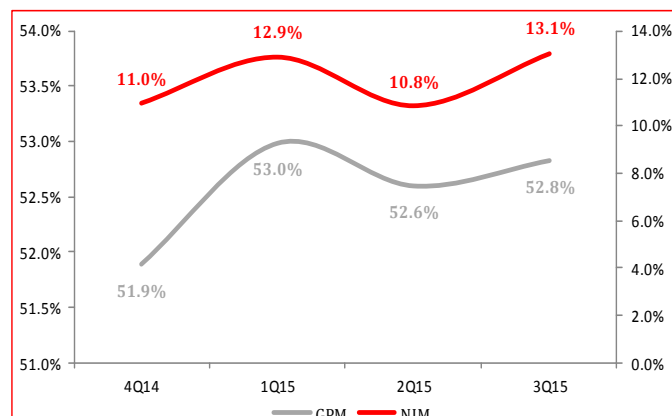
Source: Bloomberg, Sinarmas Investment Research

in IDR bn	2013	2014	2015E	2016F	2017F
Revenue	1,506	1,880	2,237	2,702	3,291
EBIT	232	299	411	483	581
EBITDA	296	395	513	591	694
Net Income	158	189	256	313	386
Net Income Margin	10.5%	10.0%	11.4%	11.6%	11.7%
EPS	31	37	51	62	76
EPS Growth	5.9%	19.3%	35.6%	22.2%	23.4%
DPS	36.8	3.1	9.3	14.1	18.5
PE Ratio	32.7	37.2	27.8	21.7	17.7

Source: Company Data, Sinarmas Investment Research

Hiking earnings through the year


Source: Company Data, Sinarmas Investment Research

Experiencing margin expansion in 3Q15


Source: Company Data, Sinarmas Investment Research

ROTI's financial results

in IDR bn	3Q14	2Q15	3Q15	YoY	QoQ	9M14	9M15	YoY
Revenue	446	519	530	18.8%	2.1%	1,361	1,569	15.3%
Cost of Revenue	237	246	250	5.3%	1.6%	729	740	1.5%
Gross Profit	209	273	280	34.0%	2.6%	632	829	31.2%
GPM	46.81%	52.60%	52.83%			46.44%	52.84%	
Operating Income	62	91	107	72.6%	17.6%	202	305	51.0%
OPM	13.89%	17.53%	20.19%			14.84%	19.44%	
Net Income	31	56	69	120.9%	23.1%	132	192	45.5%
NIM	7.03%	10.85%	13.08%			9.70%	12.24%	

Source: Company Data, Sinarmas Investment Research

Most of its segments booked positive revenue growth

in IDR mn	3Q14	2Q15	3Q15	QoQ (%)	YoY (%)	9M14	9M15	YoY (%)
Bekasi	145,134	157,872	157,460	-0.3%	8.5%	605,819	473,815	-21.8%
Pasuruan	115,089	110,969	110,759	-0.2%	-3.8%	285,247	330,618	15.9%
Semarang	49,292	55,014	57,507	4.5%	16.7%	146,188	166,945	14.2%
Medan	21,461	27,997	28,842	3.0%	34.4%	72,745	85,475	17.5%
Palembang	16,481	18,185	20,099	10.5%	22.0%	49,637	55,742	12.3%
Makassar	14,640	16,986	19,365	14.0%	32.3%	39,346	53,148	35.1%
Purwakarta	59,453	70,264	72,907	3.8%	22.6%	103,878	214,047	106.1%
Cikande	51,709	62,979	63,382	0.6%	22.6%	85,042	189,659	123.0%

Source: Company Data, Sinarmas Investment Research

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