

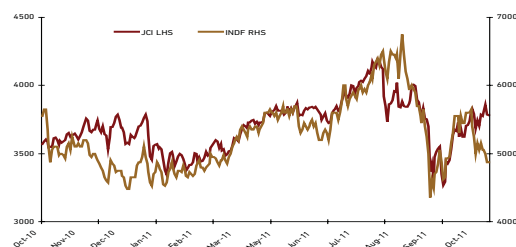


Ciptadana
Research Report
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PT Indofood Sukses Makmur Tbk
First Nine Months 2011 Results Update

PT INDOFOOD SUKSES MAKMUR

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source : Bloomberg

Current price (11/14/2011) : 4,925
52 Wk high (08/23/2011) : 6,800
52 Wk low (09/23/2011) : 4,150
Shares outstanding (mn) : 8,780.42
Market cap (Rp bn) : 43,243.60
Bloomberg code : INDF IJ

source : Bloomberg

First Nine Months 2011 Results Update

PT Indofood Sukses Makmur Tbk (INDF) reported sales of Rp. 33.8 trillion and net earnings of Rp2.32 trillion, an increase of 19.3% and 3.4% YoY respectively. Net earnings reflected 76.4% of, and is inline with our 2011 full year (FY11) estimation.

Strong agribusiness performance offsets effects from higher input costs

Higher prices for raw materials during the first half drags on INDF's performance; COGS up by 26.41% compared to 9M2010. INDF posted a gain on its EBIT of 11.7% YoY to only a gain of 4.5% YoY on its gross profit. Higher input cost squeezes gross margin; it is especially apparent for ICBP and Bogasari, regardless of the divisions' gains in sales of 7.1% and 16.5% YoY respectively.

ICBP posted Rp2.01 trillion EBIT, a decrease of 0.5% YoY. Its EBIT margin decreases to 14.1% from 15.1% in 9M2010. Similarly, Bogasari posted Rp871.8 billion EBIT, a significant decrease of 37.1% YoY. It posted an EBIT margin of only 7.9% as compared to 14.6% in 9M10.

On contrary, the agribusiness posted a strong performance with Rp.9.35 trillion sales and Rp.2.23 trillion EBIT; an increase of 43.7% and 66.7% respectively, as compared to the same period last year. The trend in commodity prices bumped the division's average sale prices for CPO and rubber; the effects of which more than offset the squeeze in ICBP and Bogasari.

Entrenched position provide buffers for tough situations ahead

INDF is looking at tough situations for the foreseeable future. In its noodle segment, competition with Wings Corporation has eroded some of INDF's dominance. Further, there are substantial capacity investments and new entrants into the flour industry.

However, INDF still has significant advantage over competitors with its solid distribution network and strong portfolio of brands. It is well poised to benefit from consistent macro growth and resilient domestic consumption.

Financially, INDF has strengthened its position in the past years; increased interest coverage to 9.37 times and debt/equity ratio of 0.75 as compared to 6.78 times and 0.85 in FY10 respectively. With 1.77 price/NAVPS against 3 years average of 2.37 (we defined NAVPS as total asset deducted by total liabilities, goodwill, and intangible assets), we believe that there is still potential upside with improved utilization of assets; especially should there be a turnaround in commodities prices.

Company under review

Currently we are still in the process of reviewing, in greater depth, INDF and its business operations. At present we are of the opinion that it is prudent, and we intend to refrain from giving any specific recommendations.

Table1. INDF 3Q11 highlights

INDF (Rp bn)	Sep-11	Sep-10	chg
Sales	33,773.5	28,308.0	19.3%
Gross Profit	9,582.9	9,171.6	4.5%
Operating Profit	5,183.5	4,641.1	11.7%
Net Income	2,323.7	2,247.0	3.4%
EPS	265	256	3.4%

Source : Company

Please see analyst certification and other important disclosures at the back of this report

Table2. Income statement (IDRbn)

Year to 31 Dec	2009	2010	2011F	2012F	2013F
Sales	37,397	38,403	43,586	47,233	49,754
COGS	26,956	25,933	31,632	34,282	36,039
Operating profit	5,004	6,729	6,963	7,633	8,105
Earnings before taxes	4,064	5,432	5,989	6,642	6,957
Earnings before minority	2,857	3,935	4,193	4,650	4,917
Net Income	2,076	2,953	3,042	3,374	3,568
EPS (IDR)	236	336	346	384	406

Table3. Balance sheet (IDRbn)

As of 31 Dec	2009	2010	2011F	2012F	2013F
Cash & equivalents	4,475	10,439	7,457	5,783	7,223
Account receivables	2,296	2,686	3,049	3,304	3,480
Other current assets	5,865	6,491	7,927	8,579	9,015
Total current assets	12,967	20,078	18,905	18,088	20,170
Fixed assets - net	10,795	11,737	12,552	13,019	13,406
other fixed assets	16,620	15,461	18,315	19,405	20,223
Total assets	40,382	47,276	49,772	50,512	53,799
Account payables	2,470	2,636	2,900	3,143	3,304
Other current liabilities	8,678	7,223	8,407	7,400	8,479
Total current liabilities	11,149	9,859	11,306	10,542	11,783
Long term liabilities	10,568	9,253	7,714	7,386	7,019
Others	3,170	3,311	3,172	3,168	3,168
Minority interests	5,341	8,068	8,875	8,494	8,620
Shareholder's equity	10,155	16,785	18,705	20,922	23,208
Total liabilities & equities	40,383	47,276	49,772	50,512	53,799

Table4 Financial Ratios

IDR bn	2009	2010	2011F	2012F	2013F
EPS (IDR)	236	336	346	384	406
DPS (IDR)	47	93	128	132	146
Dividend Yield	0.92%	1.82%	2.51%	2.58%	2.86%
BVPS (IDR)	1,157	1,912	2,130	2,383	2,643
PER (x)			14.72	13.27	12.55
PBV (x)			2.39	2.14	1.93
EV/EBITDA	9.55	7.27	6.65	6.29	6.00
ROE	20.44%	17.59%	16.26%	16.12%	15.37%
NPM	5.55%	7.69%	6.98%	7.14%	7.17%
EBIT Margin	13.38%	17.52%	15.98%	16.16%	16.29%
Debt to equity Ratio	1.70	0.85	0.73	0.58	0.55

Source : Company & Ciptadana estimates

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