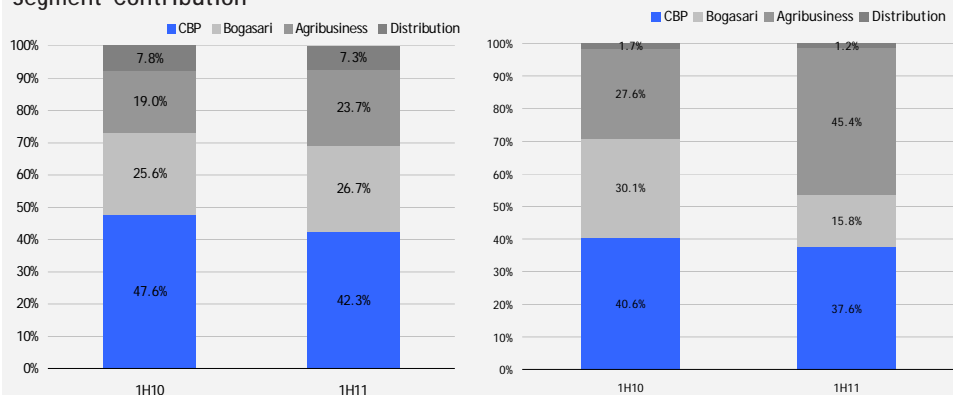


INDF reported Rp1.58tr net profit in 1H11, increased 12% YoY and 14.8% QoQ. Revenue up 20.5% YoY to Rp21.8tr, ICBP contribution was down to 42.3% from 47.6% last year (please refer to our last notes on ICBP). Agribusiness top line contribution increased 24.7% YoY to 23.7%. This division also becomes the main driver of company's EBIT with 45.4% contribution. EBIT margin was down 50bps YoY to 15.9% mainly driven by Bogasari's margin which cut by half due to high but unsustainable margin in 1H10. Net Interest expense fell Rp300bn from debt payment and strong cash position (Rp12.9tr at 30th Jun'11). INDF has a net cash position for the first time since 1997 due to SIMP IPO in 2Q11.

Segment Contribution

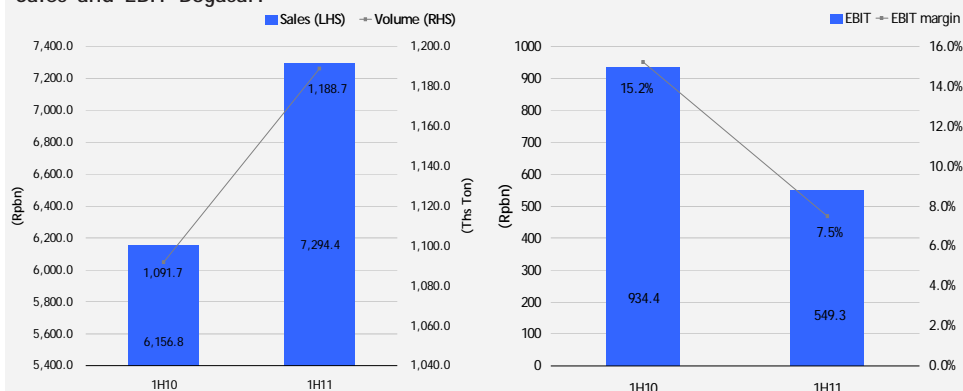


Source: Company, TRIM Research

Bogasari: Normalize margin

The division reported 18.5% sales growth YoY to Rp7.3tr, driven by 8.9% volume growth and price increased. Two times price increased in 1H11 could not overcome the raising input cost; hence, EBIT margin dropped by half to 7.5% made the EBIT declined 41.3% to Rp549.3bn. Management explain that last year margin was unsustainable since the soft commodities price is still at low level. INDF target the normal EBIT margin for Bogasari is at 7-9%. Company guide there will be no price increase in 2H11. Hence, the volatility of soft commodities in 2H11 becomes the main risk for the division.

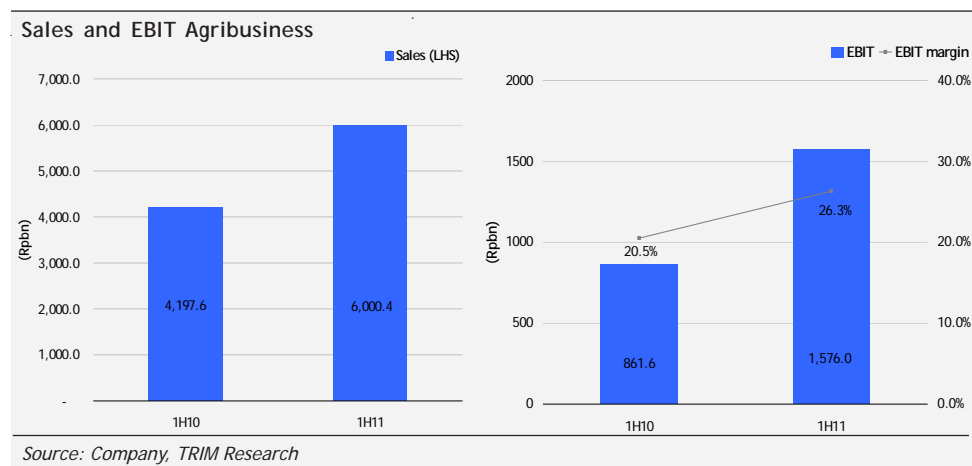
Sales and EBIT Bogasari



Source: Company, TRIM Research

Agribusiness: Slow down in 2Q

Agribusiness division show weaker performance on QoQ basis, EBIT down 4.9% due to lower CPO price and strengthening IDR. On YoY basis, the division still shows a strong result with 42.9% sales growth and EBIT margin rise significantly to 26.3%. Going forward we expect margin will stabilize as CPO price unlikely to fall even further in the 2H11.



Valuation and Recommendation

INDF is trading at 17.1x FY11 PE, quite demanding in term of valuation. However, we like INDF business model since its give balance portfolios between consumers branded and agribusiness. Hence margin will at stable level even in the volatile soft commodities price. Consensus TP at Rp6,248/shr, already passed at current level. We prefer to suggest hold for short term and buy for longer term period for this stock.

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