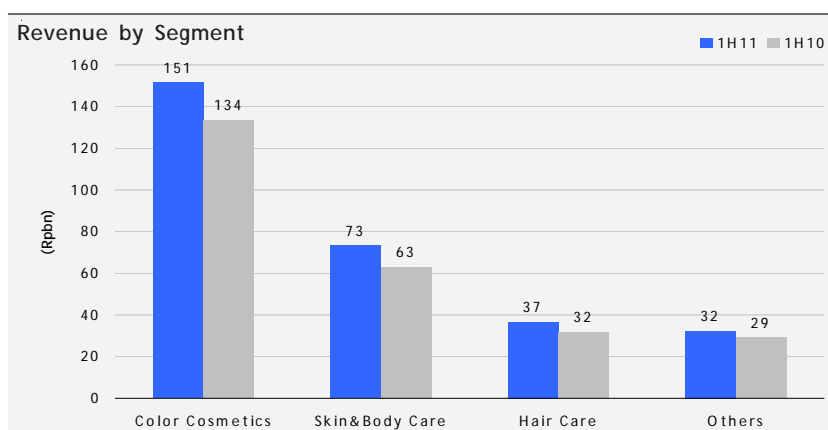
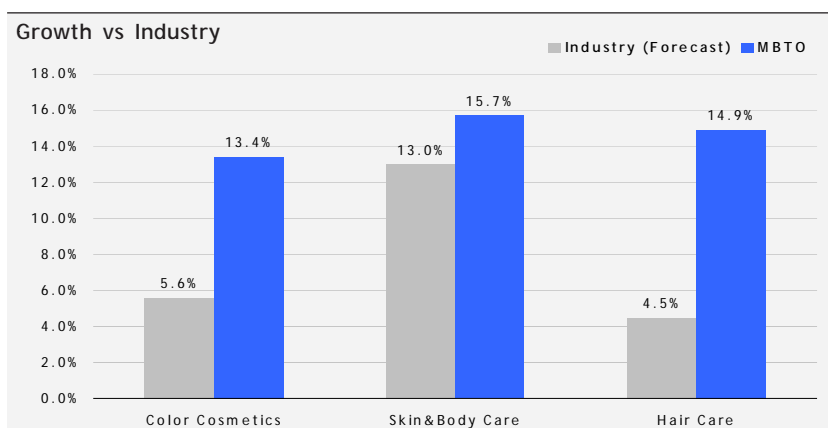


MBTO reported Rp23.9bn net income during 1H11, increased 102.3% YoY. The increased profit mainly due to more efficient operational expense. Selling expense to sales ratio declined to 34.4% compare to 36.4% in 1H10; while revenue grew 13.8% to Rp293.5bn, testify an improvement in marketing productivity. The excellent operational performance proof in 49% increased in operational profit. The colour cosmetics segment is still become the main revenue driver for the company with 51.6% top line contribution, followed by Skin& Body Care (24.9%) and Hair Care segment (12.5%). The growth of each business lines successfully outperformed the cosmetics industry.



Source: Company, TRIM Research

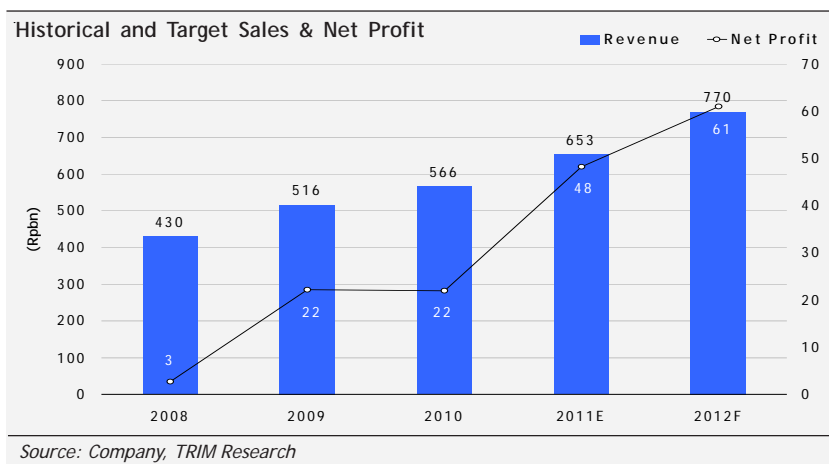


Source: Company, TRIM Research

New Products and Market Expansion to Drive Top Line Growth

MBTO has launched several new products during 1H11 with total contribution reached 6% from company's total sales, slightly exceed the internal target in 5%. 5 new products will be launched in 2H11. Company also plan to expand its market by opening new sales point and Martha Tilaar Shop (MTS). MBTO has opened 3 new sales point in Bekasi, Tangerang, and Bengkulu during 1H11. Going forward, MBTO will focus to reach new market in East Indonesia, to capture the accelerate wealth growth in outside Java.

MBTO will open 8 new MTS in 2011, 4 of them has been realized in 1H11, and the remaining will be opened in Jakarta, Semarang, Pontianak, and Singapore. MBTO will add a few MTS in Singapore to strengthen its brand internationally as well as achieving the economic of scale. Through those strategy, MBTO is targeting 15% and 17% top line growth for 2011 and 2012 repectively. Margin would likely to expand due to stronger rupiah, since 30% of company COGS is imported raw material.



New Plant will Start to Construct

Management plan to spend Rp135bn from IPO proceed to expand its production capacity especially in colour cosmetics and skin care segments. Since the dry cosmetics division capacity already exceed 100%, the expansion plan will change the bottleneck problem into significant growth. Currently the company is at the final stage of designing the plant. MBTO then will propose the plant design to get approval from BPOM(Food and Drugs Regulatory Agency). Based on management information, it usually takes 1 to 2 months to get the approval, then the company will start the plant consruction. The new plant will be built in a few phases, each phase which already complete will start the production. The new plant is estimated to be fully completed in 2H13.

Capacity Growth			
Segment (Tons)	Current Condition	After The Plant is Completed	Growth (%)
Herb	250	250	<i>Move From a rented plant</i>
Dry Cosmetics	127	277	118
Semi Solid Cosmetics	42	56	33
Liquid Cosmetics	3049	4710	54

Source: Company, TRIM Research

Valuation and Recommendation

MBTO is trading at Rp485/share, reflects 10.8 FY11 PE ratio. MBTO currently is at cheap valuation among the JCI consumers sector which is trading at 22.8x FY11 PE. We believe MBTO offer a good investment opportunity, especially for long term perspective after the management deliver the result of market expansion and solving the bottle neck problem through the new plant in Cikarang.

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