

18 MARCH 2019

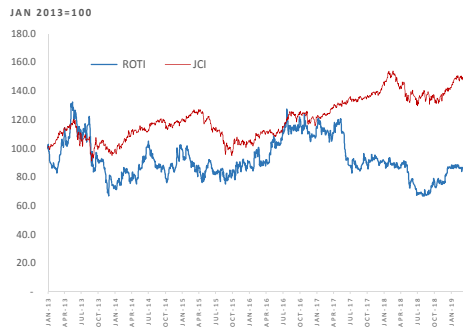
COMPANY UPDATE

NEUTRAL

STOCK INFORMATION

| | |
|----------------------------|----------------|
| Bloomberg Code | ROTI IJ |
| Sector | Consumer |
| Current Price | Rp 1,200 |
| Target Price | Rp 1,300 |
| Upside/ Downside | 8.3% |
| Share Out (billion shares) | 6.19 |
| Market Cap (Rp billion) | 7,424 |
| 52 – w range (low-high) | Rp 930 - 1,270 |
| 52 – w average daily | Rp 1,102 |

PRICE CHART



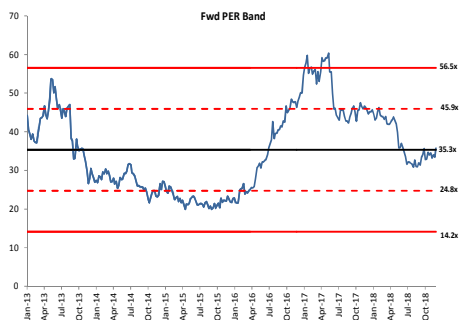
Source: Bloomberg

SHAREHOLDER'S INFORMATION, AS OF DECEMBER 31, 2018

| | |
|---|-------|
| PT Indoritel Makmur Internasional Tbk (DNET.IJ) | 25.8% |
| Bonlight Investments., Ltd | 20.8% |
| Demeter Indo Investment Pte. Ltd | 18.0% |
| Posco Shikishima Corporation | 8.5% |
| Treasury Stock | 1.3% |
| Public | 25.6% |

Source: Company data

PE BAND



Source: Company data

Febby Stephanie
febby.stephanie@lotussekuritas.com
(+62-21) 2395 1000 ext. 2053

PT NIPPON INDOSARI CORPINDO TBK

2019: A TASTIER YEAR

Return Rate Continue to Improve

During 2018, ROTI posted a total sales growth of 11.1% YoY to Rp2.77 trillion, in line with our FY18F of Rp2.72 trillion, which fully driven by sales volume growth. We highlighted company's sales return rate that has gradually declined from the all-time high 18.2% in 2017 to 17.6%, thanks to management's strategy on calibrating big data that resulted in more efficient and effective sales (better accuracy in product dropping, better shelving, as well as delivery schedule to each outlets). On the bottomline, however, company's net profit of Rp172.7 bn exceeded our expectation, formed 133.2% of our FY18F Rp129.7 bn, mainly due to better than expected finance income (+140.97% YoY to Rp84.6 bn), as a result from better overall interest rate during the year.

GPM Jumped to All-Time High Level

Profitability-wise, the GPM jumped by 140bps YoY to 53.9% (all-time high) as a result of some production efficiency done by the company that resulted in better waste management from 4-5% to c.1%, in spite of ~5% price increase in wheat flour, ROTI's major raw material. Still, the operating margin remained under pressure, down by 330bps to 7.0% from 10.3% in FY17, i.e: 1) heavier marketing cost by 36.6% YoY to Rp207 bn (ratio to sales from 6.1% in FY17 to 7.5% in FY18) relating to customer acquisition particularly in Philippines through TVC and other promotional campaign and 2) higher salary cost by 18.8% YoY to Rp408 bn which in line with company's expansion both in Indonesia and Philippines (no. of employee grew by 17.2% YoY. This cost is expected to normalize in upcoming periods, as the company has normalized hiring since 2Q18 (ratio to sales 15.8% in 2Q18 vs 14.8% in 4Q18).

Philippines Market: Survival of the Fittest

In Philippines, company managed to book sales of Rp100.32 billion, jumped by 124.7% YoY from Rp44.64 billion in FY17, along with relatively low return rate of below 20%. This was in line with deeper penetration in the country, as Sari Roti is currently available in 1,280 supermarket stores (vs 420 as of Jun18), including 1.800 7-eleven stores (as of Nov18). In order to penetrate the Philippines market, the company is dealing with a tough competition, so that we believe that it is reasonable for the marketing cost is peaked at the moment. Sari Roti will initiate sales in general trade market in this quarter (1Q19) where ROTI's JV partner, Monde Nissin, has largest distribution network of about 300,000 Sari Sari stores. In addition, in 2Q19 the company will launch new loaf brads and sandwiches to cater convenient stores.

2019 Optimistic Outlook

This year, the company guided a 15-18% sales growth on the back of higher volume (no ASP increase plan) both from general trade (GT) and modern trade (MT) channels, driven by forecasting tools that has proven to boost sales and decrease return rate since last year. The company plans no new SKU rollouts this year, they will focus on best-selling products instead, as well as gradually expand BOTI's distribution to Java and Sumatera (from only Banten area since Oct18). Regarding the expansion, the company expected 3 new factories to commercially operate this year (Gresik, Lampung, and Balikpapan) as well as 1 new factory in Kendal that will begin its construction later in 4Q19 or 1Q20. In line with it, the company allocated Rp600 bn capex.

Unchanged TP of Rp1,300/ sales; Fully Valued – NEUTRAL recommendation

We made no adjustment in our projection and hence our TP of Rp1,300/ share is unchanged. However, we had to downgrade our recommendation from BUY to NEUTRAL since the current share price has fully reflected our TP, but still offers an 8.3% upside. Our TP implies 40.2x PER and 18.1x EV/EBITDA 2019F, while currently the stock is traded at 37.0x PER and 16.6x EV/EBITDA 2019F.

Financial Summary

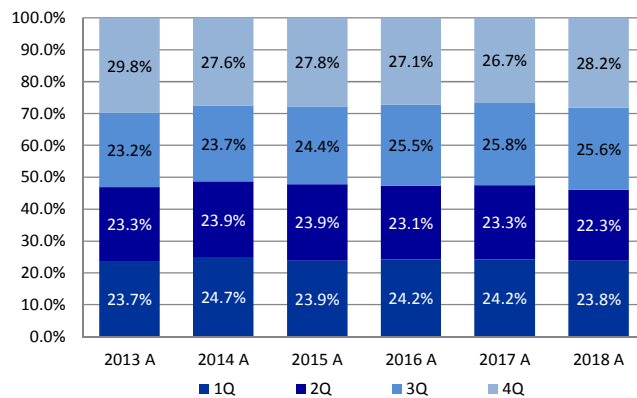
| (Rp billion) | 2017A | 2018A | 2019F | 2020F | 2021F |
|--------------------|-------|-------|-------|-------|-------|
| Revenue | 2,491 | 2,767 | 3,110 | 3,405 | 3,742 |
| EBITDA | 378 | 326 | 414 | 488 | 558 |
| Net profit | 146 | 173 | 200 | 290 | 358 |
| EPS (Rp) | 28 | 28 | 32 | 47 | 58 |
| PER (x) | 43.4 | 43.0 | 37.0 | 25.6 | 20.7 |
| BVPS (Rp) | 517 | 447 | 476 | 514 | 560 |
| PBV (x) | 2.3 | 2.7 | 2.5 | 2.3 | 2.1 |
| EV/EBITDA (x) | 14.7 | 21.1 | 16.6 | 13.8 | 11.7 |
| Dividend yield (%) | 1.10 | 0.49 | 0.58 | 0.67 | 0.97 |
| RoE (%) | 7.15 | 6.29 | 7.02 | 9.47 | 10.79 |

Source: Company data and Lotus Andalan Research

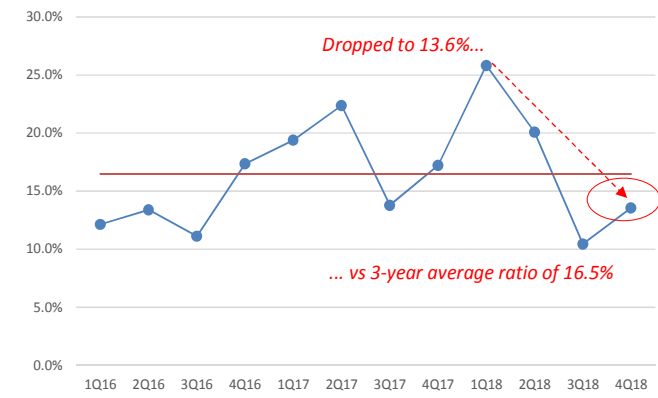
| Interim Financial Result | | | | | | | | |
|----------------------------|---------|---------|--------|---------|----------|-------|-------|-------|
| | FY17 | FY18 | YoY | FY18F | Coverage | 3Q18 | 4Q18 | QoQ |
| P/L (In Rp billion) | | | | | | | | |
| Revenue | 2,491.1 | 2,766.5 | 11.1% | 2,721.8 | 101.6% | 709.0 | 781.4 | 10.2% |
| Cost of revenue | 1,183.2 | 1,274.3 | 7.7% | 1,252.0 | 101.8% | 332.8 | 340.6 | 2.3% |
| Gross profit | 1,307.9 | 1,492.2 | 14.1% | 1,469.8 | 101.5% | 376.2 | 440.8 | 17.2% |
| Operating Expense | 1,050.8 | 1,297.8 | 23.5% | 1,285.5 | 101.0% | 296.4 | 364.1 | 22.8% |
| Operating profit | 257.2 | 194.4 | -24.4% | 184.3 | 105.5% | 79.8 | 76.7 | -3.9% |
| Net Profit | 146.0 | 172.7 | 18.3% | 129.7 | 133.2% | 63.1 | 62.5 | -0.9% |
| Profitability | | | | | | | | |
| Gross margin | 52.5% | 53.9% | | 54.0% | | 53.1% | 56.4% | |
| EBIT margin | 10.3% | 7.0% | | 6.8% | | 11.3% | 9.8% | |
| Net margin | 5.9% | 6.2% | | 4.8% | | 8.9% | 8.0% | |

Source: Company data and Lotus Andalan Research

QUARTERLY PERFORMANCE



SALES RETURN RATIO



Source: Company data and Lotus Andalan Research

FINANCIAL HIGHLIGHTS OF PT NIPPON INDOSARI CORPINDO, TBK

| In Rp Billion | | | | | | | | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| BALANCE SHEET | 2017A | 2018A | 2019F | 2020F | 2021F | INCOME STATEMENT | 2017A | 2018A | 2019F | 2020F | 2021F |
| Cash & cash equivalents | 1,895 | 1,295 | 1,257 | 791 | 959 | Revenue | 2,491 | 2,767 | 3,110 | 3,405 | 3,742 |
| Accounts receivable | 325 | 413 | 409 | 470 | 524 | COGS | (1,183) | (1,274) | (1,440) | (1,573) | (1,729) |
| Inventories - net | 50 | 65 | 67 | 75 | 84 | Gross profit | 1,308 | 1,492 | 1,670 | 1,831 | 2,014 |
| Other current assets | 50 | 104 | 63 | 88 | 104 | Operating expenses | (1,051) | (1,298) | (1,407) | (1,515) | (1,649) |
| Total current assets | 2,320 | 1,876 | 1,796 | 1,423 | 1,672 | Operating profit | 257 | 194 | 263 | 317 | 364 |
| Fixed assets | 1,994 | 2,222 | 2,402 | 2,516 | 2,570 | EBITDA | 378 | 326 | 414 | 488 | 558 |
| Other non current assets | 246 | 295 | 265 | 330 | 361 | Interest income | 28 | 68 | 44 | 57 | 69 |
| Total Non current assets | 2,240 | 2,517 | 2,667 | 2,846 | 2,930 | Interest expense | (92) | (82) | (69) | (25) | (8) |
| TOTAL ASSETS | 4,560 | 4,394 | 4,463 | 4,268 | 4,602 | Total other income/(expenses) | (64) | (15) | (24) | 32 | 61 |
| LIABILITIES & EQUITY | | | | | | Income before tax | 193 | 180 | 238 | 348 | 425 |
| Accounts payable | 150 | 190 | 200 | 218 | 246 | Tax expense | (51) | (60) | (60) | (90) | (107) |
| Current maturities - bank loan | 119 | 41 | 62 | 41 | 41 | Pro forma adjustment | | | | | |
| Other payables | 258 | 294 | 279 | 340 | 369 | Net profit before minority interest | 143 | 120 | 179 | 259 | 318 |
| Total Current Liabilities | 528 | 525 | 541 | 599 | 656 | Minority interest | 11 | 46 | 22 | 31 | 41 |
| Bank loan | 0 | 207 | 124 | 83 | 41 | Net profit | 153 | 166 | 200 | 290 | 358 |
| Bonds payable | 498 | 499 | 497 | 0 | 0 | EPS (Rp) | 28 | 28 | 32 | 47 | 58 |
| Other non current liabilities | 214 | 246 | 247 | 289 | 316 | | | | | | |
| Total Non Current Liabilities | 712 | 951 | 868 | 371 | 357 | KEY FINANCIAL RATIOS | 2017A | 2018A | 2019F | 2020F | 2021F |
| Capital Stock | 124 | 124 | 124 | 124 | 124 | Growth (%) | | | | | |
| Additional PIC | 1,459 | 1,459 | 1,459 | 1,459 | 1,459 | Sales | (1.2) | 11.1 | 12.4 | 9.5 | 9.9 |
| Treasury stock & other items | (2) | (78) | (78) | (78) | (78) | Gross profit | 0.5 | 14.1 | 11.9 | 9.7 | 10.0 |
| Non controlling interest | 46 | 75 | 55 | 59 | 63 | Operating Profit | (42.0) | (24.4) | 35.2 | 20.5 | 15.1 |
| RE | 1,193 | 1,337 | 1,495 | 1,735 | 2,022 | EBITDA | (32.3) | (13.6) | 26.7 | 18.0 | 14.3 |
| Total Equity | 2,820 | 2,917 | 3,054 | 3,298 | 3,589 | Net Profit | (47.9) | 18.3 | 16.0 | 44.7 | 23.6 |
| TOTAL LIABILITIES & EQUITY | 4,060 | 4,394 | 4,463 | 4,268 | 4,602 | Profitability (%) | | | | | |
| | | | | | | Gross margin | 52.5 | 53.9 | 53.7 | 53.8 | 53.8 |
| CASH FLOW STATEMENT | 2017A | 2018A | 2019F | 2020F | 2021F | Operating margin | 10.3 | 7.0 | 8.5 | 9.3 | 9.7 |
| Net profit | 146 | 173 | 200 | 290 | 358 | EBITDA margin | 15.2 | 11.8 | 13.3 | 14.3 | 14.9 |
| Depreciation & Amortization | 121 | 132 | 151 | 171 | 193 | Net Profit margin | 5.9 | 6.2 | 6.4 | 8.5 | 9.6 |
| Change in WC | (66) | (63) | 12 | (51) | (36) | ROA | 3.9 | 3.9 | 4.5 | 6.6 | 8.1 |
| Others | 68 | (18) | 26 | 36 | 13 | ROE | 7.1 | 6.3 | 7.0 | 9.5 | 10.8 |
| Net Operating Cash Flow | 268 | 223 | 389 | 447 | 529 | Solvency (x) | | | | | |
| Change in fixed assets - net | (272) | (361) | (331) | (285) | (247) | Current ratio | 2.3 | 3.6 | 3.3 | 2.4 | 2.5 |
| Others | (118) | (49) | 30 | (65) | (30) | Quick ratio | 2.2 | 3.4 | 3.2 | 2.3 | 2.4 |
| Net Investing Cash Flow | (390) | (410) | (301) | (350) | (278) | DER | 0.4 | 0.3 | 0.2 | 0.0 | 0.0 |
| Change in borrowings - net | 121 | (370) | (64) | (559) | (41) | EBITDA coverage | 4.1 | 4.0 | 6.0 | 19.4 | 65.8 |
| Change in equity | 1,312 | (47) | (20) | 4 | 4 | Net debt to equity | Net cash | Net cash | Net cash | Net cash | Net cash |
| Change in other liabilities | 54 | 32 | 1 | 41 | 27 | | | | | | |
| Dividend payment | (69) | (36) | (43) | (50) | (72) | | | | | | |
| Adjustment | (11) | 8 | - | - | - | | | | | | |
| Net Financing Cash Flow | 1,406 | (414) | (126) | (563) | (82) | | | | | | |
| Change in cash | 1,284 | (601) | (37) | (466) | 169 | | | | | | |
| Cash at the beginning period | 611 | 1,895 | 1,295 | 1,257 | 791 | | | | | | |
| Cash at the ending period | 1,895 | 1,295 | 1,257 | 791 | 959 | | | | | | |

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **NEUTRAL** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

PT Lotus Andalan Sekuritas

The City Tower Lantai 7
Jl. MH. Thamrin No. 81
Jakarta Pusat 10310
Tel : (021) 2395 1000
Fax : (021) 2395 1099

BRANCH OFFICE

Pluit

Kawasan CBD Pluit Blok A No.20
Jl. Pluit Selatan Raya No.1
Jakarta 14440
Tel : +6221 66675345
Fax : +6221 66675234

Kelapa Gading

Sentra Bisnis Artha Gading
Jl. Boulevard Artha Gading Blok A6B No. 7
Jakarta Utara 14240
Tel : +6221 45856402
Fax : +6221 45873961

Bandung

Komplek Paskal Hyper Square Blok C No. 15
Jl. Pasir Kaliki No. 25 - 27
Bandung 40181
Tel : +6222 86061027
Fax : +6222 86060684

Puri

Rukan Grand Taman Aries Niaga
Jl. Taman Aries – Kembangan Blok G 1 No. 1 I
Jakarta Barat 11620
Tel : +6221 2931 9515
Fax : +6221 2931 9516

Surabaya

Ruko Permata Bintoro
Jl Ketampon Kav 1-2
Surabaya
Tel : +6231 562 2555
Fax : +6231 567 1398

Medan

Jalan Kartini No.5
Medan 20152
Tel : +6261 451 8855
Fax : +6261 451 6836

Medan

Kampus STMIK-STIE MIKROSKILL
Jl. Thamrin No 140

DISCLAIMER

This report has been prepared by PT. Lotus Andalan Sekuritas on behalf of itself and its affiliated companies and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. This report has been produced independently and the forecasts, opinions, and expectations contained herein are entirely those of PT. Lotus Andalan Sekuritas.

While all reasonable care has been taken to ensure that information contained herein is not untrue or misleading at the time of publication, PT. Lotus Andalan Sekuritas makes no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of clients of PT. Lotus Andalan Sekuritas who are expected to make their own investment decisions without reliance on this report. Neither PT Lotus Andalan Sekuritas nor any officer or employee of PT Lotus Andalan Sekuritas accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. PT Lotus Andalan Sekuritas and/or persons connected with it may have acted upon or used the information herein contained, or the research or analysis on which it is based, before publication.