

Wednesday, 22 November 2023

## BUY Maintain

Last price (IDR)	510
Target Price (IDR)	850
Upside/Downside	+66.7%
Previous Target Price (IDR)	550

### Stock Statistics

Sector	Poultry
Bloomberg Ticker	MAIN JJ
No of Shrs (mn)	2,239
Mkt. Cap (IDRbn/USDmn)	1,142/74
Avg. daily T/O (IDRbn/USDmn)	1.1/0.1

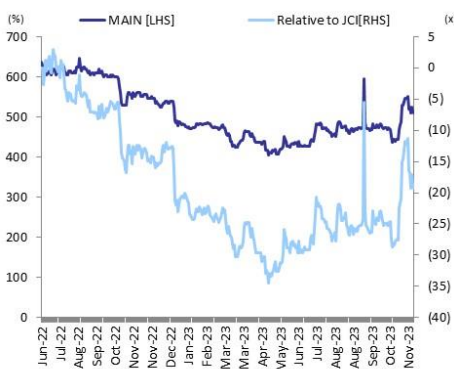
### Major shareholders (%)

Dragon Amity Pte. Ltd.	57.3
Estimate Free Float	42.7
Estimated free float	42.4

### EPS Consensus (IDR)

	2023F	2024F	2025F
Danareksa	69.3	82.3	113.1
Consensus	(13.0)	61.3	110.0
Danareksa/Cons	(635.0)	34.3	2.8

### MAIN relative to JCI Index



Source : Bloomberg



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# Malindo Feedmill Indonesia (MAIN JJ)

## Expect robust feed margin to support FY24 earnings

**We expect MAIN to deliver another strong earnings growth in FY24F on prospect of sustained strength of its feed business. We raise our FY24/25F EBITDA and net profit by 16/3% and 43/11%, and our EV/EBITDA-based TP to Rp850 (from Rp550 prev.), and maintain our Buy rating on the stock.**

**Short-term headwinds in 4Q23 for the commercial farming business.** Despite the seasonally strong livebird prices near year-end, we expect the recently weak LB prices during Oct-Nov23 may potentially drag commercial farming business margins down in 4Q23 (qoq). As such, we expect the seasonally high 4Q net profit to reverse in FY23 (our 4Q23 forecast at -54% qoq). However, we see room for margins improvement in FY24F for the business from our expectation of lower feed raw material costs.

**Strong earnings driven by the feed business.** MAIN's overall gross OPM rose to 7.3% in 3Q23 (2Q23/3Q22: 2.8/1.7%), the highest since the Covid-19 pandemic as the company reported higher margins in its two primary businesses, feed and DOC, which more than offset losses in the broiler segment. Driven by higher revenues (+32% yoy, +12% qoq) and c. 300bps margins improvement to 9.1% in 3Q23 (2Q23/3Q22: 6.1/6.7%), the feed business recorded OP of Rp221bn (+79% yoy, +66% qoq). The feed margin improvement was driven by better cost efficiency which we expect will continue going forward as the company could maintain its feed formulation.

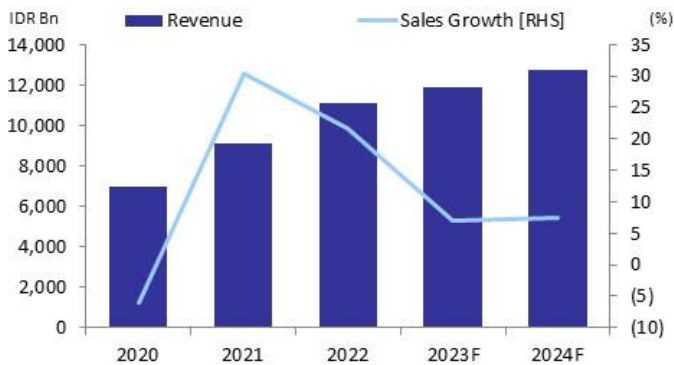
**We raise FY23/FY24F estimates on better margins outlook.** We raise our FY23F forecast of core net losses (-Rp97bn) to Rp149bn of core net profit as we expect the feed margin improvement to persist in 4Q23. This results in an uplift in our FY24F EBITDA and core net profit estimates by 16% and 84% respectively. We forecast local corn and soybean meal (SBM) prices to moderate in FY24F (from high base in FY23F), which we expect to support integrator margins (as corn and SBM constitute c. 75% of the feed costs). Our FY24F corn and SBM price assumptions are IDR5.0k/kg (-6.1% yoy) and US\$433/t (-4.8% yoy), respectively.

**Maintain BUY with a higher TP of Rp850.** We roll forward our valuation to FY24F and keep our target valuation multiple at 7.4x EV/EBITDA (-1SD of its five-year average) which result in our higher TP to Rp850 (from Rp550 prev.). Key risk is a supply disruption which can led to higher feed raw material costs.

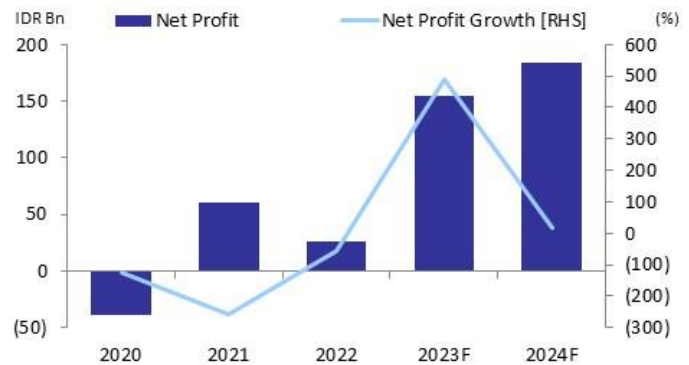
### Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDRbn)	9,131	11,102	11,881	12,758	14,443
EBITDA (IDRbn)	354	436	642	675	778
EBITDA Growth (%)	(23.7)	23.1	47.2	5.2	15.2
Net profit (IDRbn)	60	26	155	184	253
EPS (IDR)	27.0	11.7	69.3	82.3	113.1
EPS growth (%)	(255.5)	(56.5)	491.1	18.8	37.4
BVPS (IDR)	1,067.8	1,070.5	1,139.8	1,222.1	1,335.2
DPS (IDR)	0.0	0.0	0.0	0.0	0.0
PER (x)	18.9	43.5	7.4	6.2	4.5
PBV (x)	0.5	0.5	0.4	0.4	0.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	9.5	7.7	5.2	4.9	4.2

Source : MAIN, Danareksa Estimates

**Exhibit 1. Revenues and Growth**


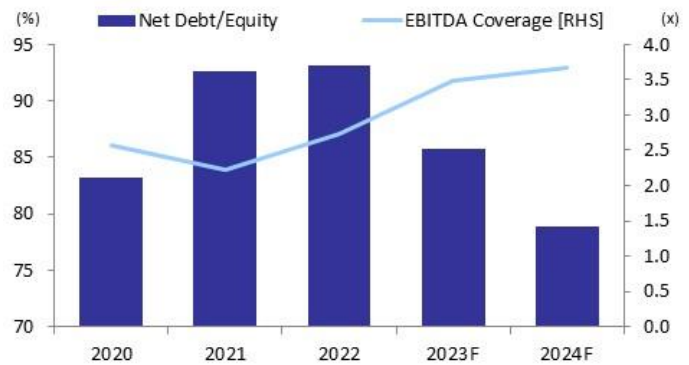
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 3. Margins**


Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


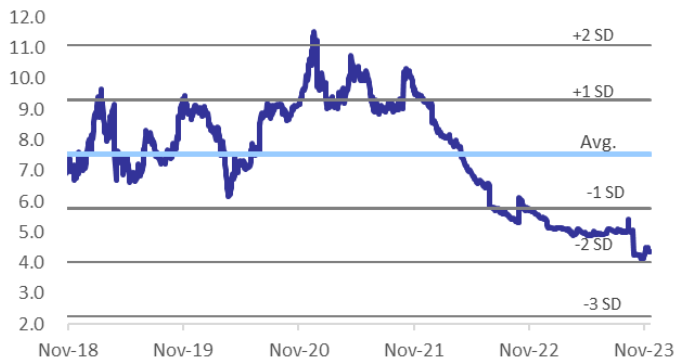
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 5. MAIN 3Q23 results summary**

MAIN (IDR bn)	3Q22	2Q23	3Q23	y-o-y	q-o-q	9M22	9M23	y-o-y	FY23F	FY23C	A/F	A/C
Revenue	2,862	2,972	3,319	16%	12%	8,371	8,970	7%	11,825	11,825	76%	76%
COGS	(2,662)	(2,693)	(2,915)	10%	8%	(7,835)	(8,225)	5%	(11,234)	(11,234)	73%	73%
Gross Profit	200	279	404	102%	45%	536	746	39%	591	591	126%	126%
Total Opex	(153)	(147)	(164)	7%	12%	(442)	(454)	3%	(552)	(552)	82%	82%
Operating Profit	47	132	240	414%	81%	94	291	210%	39	39	754%	747%
Pretax profit	20	54	266	1227%	392%	(55)	103	n/a	(92)	(92)	n/a	n/a
Net profit	16	42	176	1030%	317%	(51)	46	n/a	(69)	(65)	n/a	n/a
Core profit	(1)	83	105	n/a	27%	(10)	101	n/a	(97)		n/a	
Gross margin	7.0%	9.4%	12.2%	5.2%	2.8%	6.4%	8.3%	1.9%	5.0%	5.0%		
Operating margin	1.6%	4.4%	7.2%	5.6%	2.8%	1.1%	3.2%	2.1%	0.3%	0.3%		
Net margin	0.5%	1.4%	5.3%	4.8%	3.9%	-0.6%	0.5%	1.1%	-0.6%	-0.5%		
<b>Segment margin</b>												
Feed	6.7%	6.1%	9.1%			3.1%	8.0%					
DOC	-1.7%	-3.5%	23.0%			-6.8%	-7.9%					
Live birds	-8.1%	0.0%	-7.2%			-2.7%	-5.0%					
Total	1.7%	2.8%	7.3%			0.3%	2.3%					

Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 6. EV/EBITDA band chart (5-year)**



Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 7. EV/EBITDA band chart (3-year)**



Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 8. MAIN valuation summary**

Valuation	
Target EV/EBITDA	7.4
EBITDA (ex. fair value of BA)	702.4
EV (Rp bn)	5,197
Equity value (Rp bn)	1,915
Number of shares	2,238,750,000
Equity value per share (Rp) (rounded)	850

Source: Company, BRI Danareksa Sekuritas estimates

### Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>9,131</b>	<b>11,102</b>	<b>11,881</b>	<b>12,758</b>	<b>14,443</b>
COGS	(8,573)	(10,408)	(10,970)	(11,778)	(13,314)
<b>Gross profit</b>	<b>558</b>	<b>694</b>	<b>911</b>	<b>980</b>	<b>1,128</b>
<b>EBITDA</b>	<b>354</b>	<b>436</b>	<b>642</b>	<b>675</b>	<b>778</b>
<b>Oper. profit</b>	<b>87</b>	<b>165</b>	<b>359</b>	<b>381</b>	<b>472</b>
Interest income	0	0	1	1	1
Interest expense	(159)	(160)	(184)	(184)	(184)
Forex Gain/(Loss)	(3)	35	(4)	(5)	(5)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	150	(9)	35	52	54
<b>Pre-tax profit</b>	<b>76</b>	<b>32</b>	<b>206</b>	<b>245</b>	<b>337</b>
Income tax	(16)	(6)	(51)	(61)	(84)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>60</b>	<b>26</b>	<b>155</b>	<b>184</b>	<b>253</b>
<b>Core Net Profit</b>	<b>63</b>	<b>(9)</b>	<b>160</b>	<b>189</b>	<b>258</b>

### Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	180	477	527	562	573
Receivables	505	526	498	535	606
Inventory	1,221	960	1,149	1,234	1,395
Other Curr. Asset	758	990	917	944	985
Fixed assets - Net	2,460	2,539	2,576	2,610	2,643
Other non-curr.asset	313	256	262	269	276
<b>Total asset</b>	<b>5,437</b>	<b>5,747</b>	<b>5,930</b>	<b>6,154</b>	<b>6,478</b>
ST Debt	1,613	1,993	1,733	1,737	1,742
Payables	280	293	302	324	367
Other Curr. Liabilities	228	239	250	261	283
Long Term Debt	780	714	980	980	980
Other LT. Liabilities	147	113	116	118	120
<b>Total Liabilities</b>	<b>3,048</b>	<b>3,353</b>	<b>3,381</b>	<b>3,421</b>	<b>3,492</b>
Shareholder's Funds	2,391	2,397	2,552	2,736	2,989
Minority interests	(2)	(2)	(2)	(3)	(3)
<b>Total Equity &amp; Liabilities</b>	<b>5,437</b>	<b>5,747</b>	<b>5,930</b>	<b>6,154</b>	<b>6,478</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Net income	60	26	155	184	253
Depreciation and Amort.	267	271	283	294	306
Change in Working Capital	(586)	(10)	(71)	(116)	(211)
Other Oper. Cash Flow	(15)	(18)	(5)	(6)	(6)
<b>Operating Cash Flow</b>	<b>(274)</b>	<b>269</b>	<b>361</b>	<b>357</b>	<b>343</b>
Capex	(290)	(355)	(319)	(329)	(339)
Others Inv. Cash Flow	(43)	79	0	0	0
<b>Investing Cash Flow</b>	<b>(333)</b>	<b>(276)</b>	<b>(319)</b>	<b>(329)</b>	<b>(339)</b>
Net change in debt	434	309	6	4	4
New Capital	180	(21)	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(22)	16	3	3	3
<b>Financing Cash Flow</b>	<b>592</b>	<b>304</b>	<b>8</b>	<b>7</b>	<b>7</b>
<b>Net Change in Cash</b>	<b>(14)</b>	<b>297</b>	<b>50</b>	<b>35</b>	<b>11</b>
Cash - begin of the year	178	180	477	527	562
Cash - end of the year	180	477	527	562	573

**Exhibit 12. Key Ratios**

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	30.4	21.6	7.0	7.4	13.2
EBITDA	(23.7)	23.1	47.2	5.2	15.2
Operating profit	(56.5)	89.4	117.6	6.1	23.8
Net profit	(255.5)	(56.5)	491.1	18.8	37.4
<b>Profitability (%)</b>					
Gross margin	6.1	6.3	7.7	7.7	7.8
EBITDA margin	3.9	3.9	5.4	5.3	5.4
Operating margin	1.0	1.5	3.0	3.0	3.3
Net margin	0.7	0.2	1.3	1.4	1.8
ROAA	1.2	0.5	2.7	3.0	4.0
ROAE	2.7	1.1	6.3	7.0	8.8
<b>Leverage</b>					
Net Gearing (x)	0.9	0.9	0.9	0.8	0.7
Interest Coverage (x)	0.5	1.0	2.0	2.1	2.6

Source : MAIN, Danareksa Estimates

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