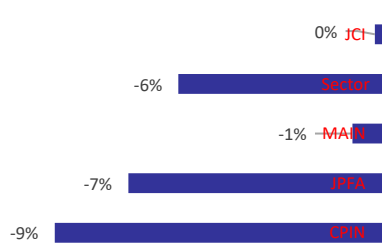


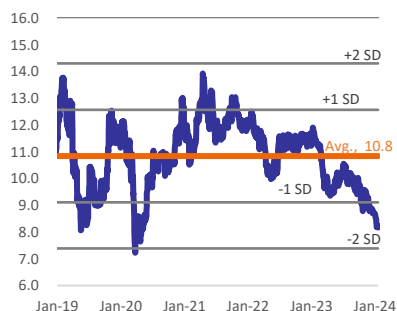
# Neutral

(Downgraded)

## YTD share price performance



## Sector EV/EBITDA band chart



Source: Bloomberg, BRIDS

# Poultry

## ST negatives from earnings, data and fund positioning

- We cut our FY23/FY24F earnings estimates for the sector by 34.5/23.2% due to lower-than-expected LB and higher-than-expected corn prices.
- We see downside risks to valuations from potentially soft 4Q23 results, high corn prices, and relatively higher local fund positions.
- We downgrade the sector's rating to Neutral, with CPIN (Buy, TP of Rp5,200) as our top pick.

### Higher-than-expected corn costs and lower-than-expected LB prices in 4Q23

The El Nino induced drought has led to a substantial surge in corn prices, reaching Rp7,583/kg by the end of Dec23 (compared to Rp4,815/kg in Dec22), reflecting an 18% yoy increase in the average price, which stands at Rp5,686/kg for the entire FY23. The estimated corn price for FY23 is above our initial forecast of Rp5,333/kg, driven by minimal corn and feed wheat imports in 4Q23. Additionally, unexpectedly low livebird (LB) prices in Dec23 have resulted in an average FY23 price of Rp19,518/kg, falling short of our initial expectation of Rp20,284/kg.

### Potentially weak 4Q23 earnings lead to a cut in our FY23/FY24F estimates

After the impressive 3Q23 earnings, we see a potential shift to expected losses in 4Q23. Putting added pressure on earnings, the increased prices of local corn and Soybean Meal (SBM) are expected to contribute to higher feed costs during the quarter. Thus, we lower our FY23/FY24F net profits estimates for CPIN, JPFA, and MAIN by 29.7/16.1%, 44.9/36.9%, and 22.4/6.3%, respectively, to take into consideration the lower-than-expected LB price and higher-than-expected local corn price.

### Potential ST valuation downside risk

We foresee downside risk to valuations in early FY24 as we envisage potentially negative 4Q23 earnings and weak chicken prices in 1Q24 due to oversupply and a lack of further culling (as in early FY23). Additionally, we also note that the local fund positioning in the poultry sector is currently still higher (vs. Dec22), albeit still underweight. As of Dec-23, local fund positions were 0.3% underweight, higher than Dec-22's position (0.5% underweight), posing greater downside valuation risk relative to FY23. This is despite the decline in the sector's market capitalization by 8.3% YTD, underperforming the JCI.

### Downgrade to Neutral; CPIN is our top pick

As we trim our FY24F EBITDA estimates, we downgrade our sector rating to Neutral and JPFA to Hold (TP Rp1,100) from Buy (TP Rp1,800) as we see ST negative sentiment (i.e., weak reported 4Q23 earnings and soft chicken and corn prices during 1Q24). Despite the ST earnings downside, we still foresee growth in the sector with earnings growth of 27.5% in FY24F on slightly higher margins and the FY23F low base. We prefer CPIN at this juncture as the company is better placed to procure cheaper local corn amid the corn import ban. Risks to our view are the resumption of culling programs and lifting of the corn imports ban in the near term.

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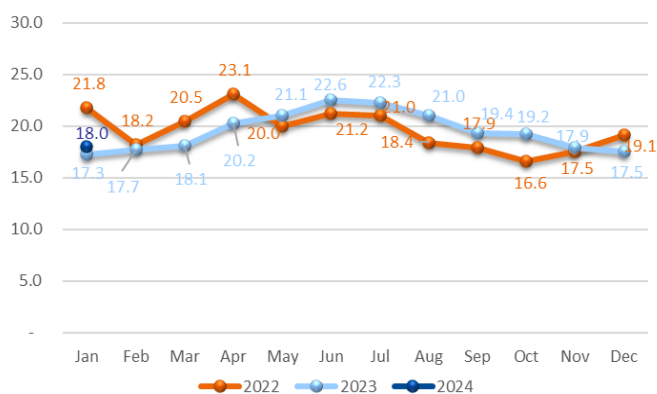
Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2023F	2024F	2023F	2024F	2024F
Charoen Pokphand Indonesia	CPIN IJ	BUY	5,200	74,774.9	29.5	22.9	2.7	2.5	11.5
Japfa Comfeed Indonesia	JPFA IJ	HOLD	1,100	12,840.6	13.4	10.7	1.0	0.9	8.8
Malindo Feedmill Indonesia	MAIN IJ	BUY	650	1,141.8	10.5	9.1	0.5	0.4	4.9

## ST negatives from earnings, data and fund positioning

### Higher-than-expected corn costs and lower-than-expected LB prices in 4Q23

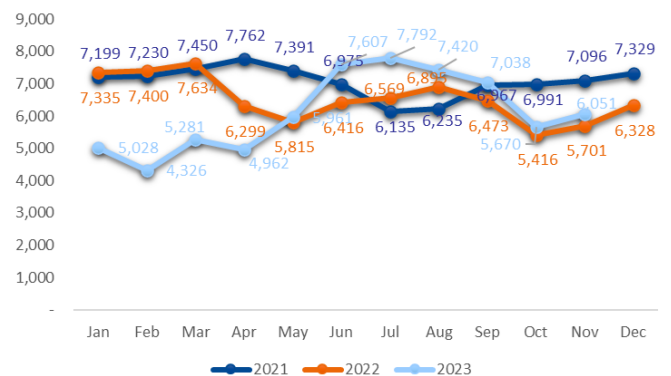
The El Nino induced drought has led to a substantial surge in corn prices, reaching Rp7,583/kg by the end of Dec23 (compared to Rp4,815/kg in Dec22), reflecting an 18% yoy increase in the average price, which stands at Rp5,686/kg for the entire FY23. The estimated corn price for FY23 is above our initial forecast of Rp5,333/kg, driven by minimal corn and feed wheat imports in 4Q23. Additionally, unexpectedly low livebird (LB) prices in Dec23 have resulted in an average FY23 price of Rp19,518/kg, falling short of our initial expectation of Rp20,284/kg.

Exhibit 1. West Java livebird price (Rp '000/kg)



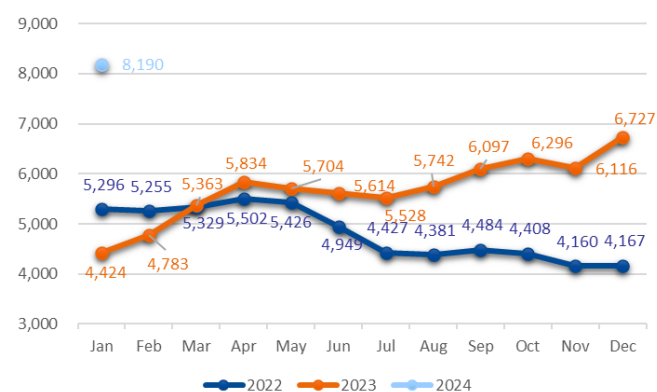
Source: Various sources, BRIDS Estimates

Exhibit 2. Average DOC price (Rp/chick)



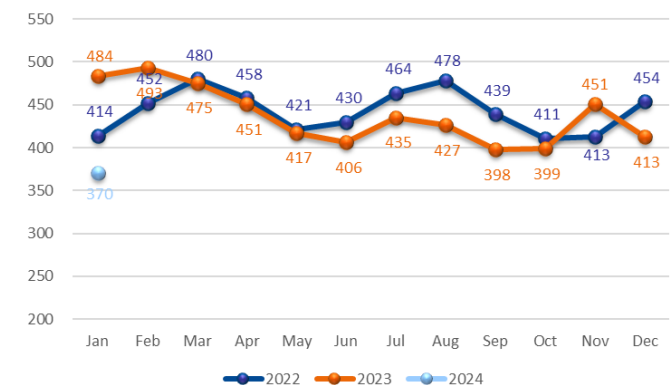
Source: Various sources, BRIDS Estimates

Exhibit 3. Average local corn price (Rp/kg)



Source: Various sources, BRIDS Estimates

Exhibit 4. Soybean meal price (US\$/t)



Source: Various sources, BRIDS Estimates

### Potentially weak 4Q23 earnings lead to a cut in our FY23/FY24F estimates

After the impressive 3Q23 earnings, we see a potential shift to expected losses in 4Q23. Putting added pressure on earnings, the increased prices of local corn and Soybean Meal (SBM) are expected to contribute to higher feed costs during the quarter. Thus, we lower our FY23/FY24F net profits estimates for CPIN, JPFA, and MAIN by 29.7/16.1%, 44.9/36.9%, and 22.4/6.3%, respectively, to take into consideration the lower-than-expected LB price and higher-than-expected local corn price.

Exhibit 5. Changes in forecast

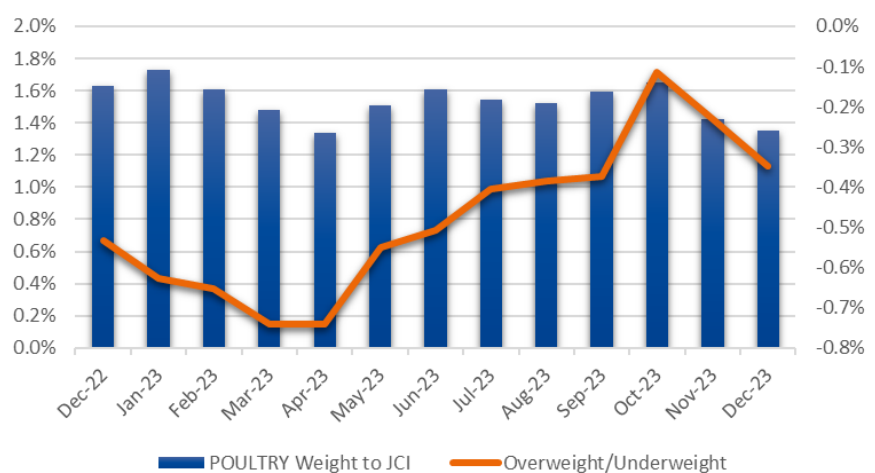
Financial	2023F			2024F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	124,992	123,770	-1.0%	133,270	131,819	-1.1%
EBITDA (Rpbn)	11,455	8,921	-22.1%	12,373	10,513	-15.0%
Net Profit (Rpbn)	5,494	3,597	-34.5%	5,973	4,588	-23.2%

Source: BRIDS Estimates

### Potential ST valuation downside risk

We foresee downside risk to valuations in early FY24 as we envisage potentially negative 4Q23 earnings and weak chicken prices in 1Q24 due to oversupply and a lack of further culling (as in early FY23). Additionally, we also note that the local fund positioning in the poultry sector is currently still higher (vs. Dec22), albeit still underweight. As of Dec-23, local fund positions were 0.3% underweight, higher than Dec-22's position (0.5% underweight), posing greater downside valuation risk relative to FY23. This is despite the decline in the sector's market capitalization by 8.3% YTD, underperforming the JCI.

Exhibit 6. Local fund positioning



Source: KSEI, BRIDS

### Downgrade to Neutral; CPIN is our top pick

As we trim our FY24F EBITDA estimates, we downgrade our sector rating to Neutral and JPFA to Hold (TP Rp1,100) from Buy (TP Rp1,800) as we see ST negative sentiment (i.e., weak reported 4Q23 earnings and soft chicken and corn prices during 1Q24). Despite the ST earnings downside, we still foresee growth in the sector with earnings growth of 27.5% in FY24F on slightly higher margins and the FY23F low base. We prefer CPIN at this juncture as the company is better placed to procure cheaper local corn amid the corn import ban. Risks to our view are the resumption of culling programs and lifting of the corn imports ban in the near term.

Exhibit 7. Changes in rating and target price

Target Price	Prev		New	
	TP	Rating	TP	Rating
CPIN	7,200	BUY	5,200	BUY
JPFA	1,800	BUY	1,100	HOLD
MAIN	850	BUY	650	BUY

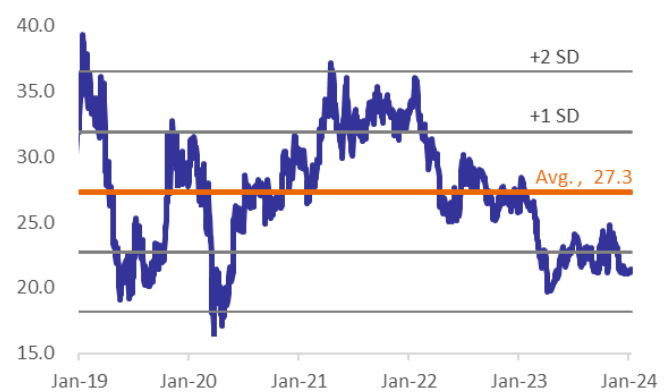
Source: BRIDS Estimates

Exhibit 8. CPIN EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 9. CPIN P/E band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 10. JPFA EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 11. JPFA P/E band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 12. MAIN EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 13. MAIN P/BV band chart (5-year)



Source: Bloomberg, BRIDS Estimates

# Buy

(Maintained)

## Charoen Pokphand Indonesia (CPIN IJ)

### Another turbulent year and a lack of ST positive catalysts

Last Price (Rp)	4,560
Target Price (Rp)	5,200
Previous Target Price (Rp)	7,200
Upside/Downside	+14.0%

No. of Shares (mn)	16,398
Mkt Cap (Rpbn/US\$mn)	74,775/4,783
Avg, Daily T/O (Rpbn/US\$mn)	36.1/2.3
Free Float (%)	44.5

Major Shareholder (%)	
PT Charoen Pokphand Indonesia Group	55.5

EPS Consensus (Rp)	2023F	2024F	2025F
BRIDS	154.4	198.7	259.6
Consensus	203.5	244.4	289.2
BRIDS/Cons (%)	(24.1)	(18.7)	(10.2)

- We see negative ST sentiment for the share price from potential soft 4Q23 earnings, a lack of culling, and higher local corn prices in 1Q24.
- We trim our FY23/FY24F net profit estimates by 30/16%; nonetheless, we expect lower feed costs to support growth in FY24F.
- Maintain Buy rating with a lower TP of Rp5,200 based on 15.4x FY24F EV/EBITDA (-1SD of 5-year average), implying 26x FY24F PE.

#### Higher-than-expected corn costs and lower-than-expected LB prices

The drought caused by El Nino caused the corn price to soar to Rp7,583/kg at the end of Dec23 (from Rp4,815/kg at Dec22), translating into an 18% yoy increase in the avg. price of Rp5,686/kg in FY23. The estimated FY23F corn price is higher than our expectation of Rp5,333/kg as corn and feed wheat imports were minimal in 4Q23. The surprisingly weak livebird (LB) price in Dec23 resulted in a FY23 avg. price of Rp19,518/kg, lower than our initial expectation of Rp20,284/kg.

#### FY23F/FY24F earnings revised down by 29.7%/16.1%

We lower our EBITDA and NP forecasts on the back of lower margins to reflect the downward revision in LB prices and higher corn cost assumptions. Despite the record high local corn prices in early 2024, we continue to expect lower feed costs as we expect FY24F corn and SBM costs of Rp5,387/kg (-5.3% yoy) and US\$411/t (-6% yoy), respectively, from improving weather conditions. We still foresee stable chicken prices, with LB and DOC of Rp19,518/kg and Rp6,103/chick, respectively.

#### ST headwinds from earning results, high corn costs, and low chicken prices

Post the robust 3Q23 NP of Rp1,297bn (9M23: Rp2,676bn), we now expect a 4Q23 net loss of Rp144bn and possible 1Q24 soft results from high feed costs and low chicken prices. We note the same pattern in early FY23 (i.e., soft 4Q22 NP and 1Q23 chicken prices which led to a 24% decline in the share price), may potentially repeat in 2024.

#### Maintain Buy with a lower TP of Rp5,200

We maintain our Buy rating on CPIN with a lower TP of Rp5,200 (from Rp7,200 prev.), as we trim our FY24F EBITDA by 11.6% to Rp6.1tr. Our TP is based on 15.4x EV/EBITDA (-1SD of 5-year average) to our FY24F EBITDA implying 33.7/26.2x FY23/FY24F PE ratios. Risks to our view are potential resumption of the culling programs and lifting of the ban on corn imports.

#### CPIN relative to JCI Index



Source: Bloomberg

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#### Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rpbn)	51,698	56,868	59,864	63,050	69,087
EBITDA (Rpbn)	5,592	5,326	5,049	6,114	7,501
EBITDA Growth (%)	(10.3)	(4.7)	(5.2)	21.1	22.7
Net Profit (Rpbn)	3,530	3,210	2,531	3,259	4,257
EPS (Rp)	215.3	195.8	154.4	198.7	259.6
EPS Growth (%)	(8.6)	(9.1)	(21.1)	28.7	30.6
BVPS (Rp)	1,532.8	1,604.5	1,671.5	1,794.8	1,957.2
DPS (Rp)	112.0	108.0	87.3	75.5	97.2
PER (x)	21.2	23.3	29.5	22.9	17.6
PBV (x)	3.0	2.8	2.7	2.5	2.3
Dividen yield (%)	2.5	2.4	1.9	1.7	2.1
EV/EBITDA	14.1	15.3	16.7	13.8	11.1

Source: CPIN, BRIDS Estimates

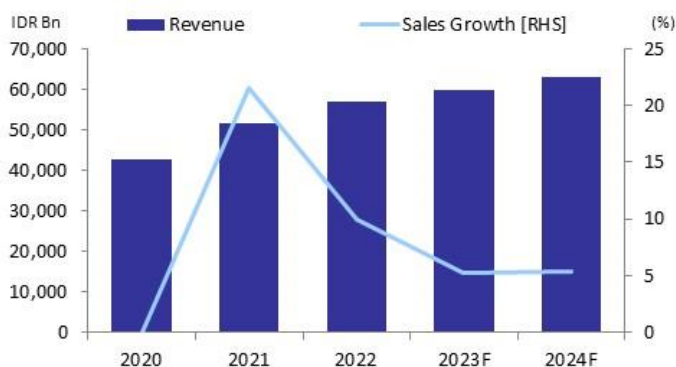


Exhibit 1. Changes in forecast

Financial	2023F			2024F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	60,447	59,864	-1.0%	63,828	63,050	-1.2%
EBITDA (Rpbn)	6,416	5,049	-21.3%	6,915	6,114	-11.6%
Net Profit (Rpbn)	3,601	2,531	-29.7%	3,883	3,259	-16.1%
Price	2023F			2024F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	20,147	19,518	-3.1%	20,147	19,518	-3.1%
DOC (Rp/bird)	6,784	6,103	-10.0%	6,784	6,103	-10.0%
Corn (Rp/kg)	5,333	5,686	6.6%	5,006	5,387	7.6%
Soybean meal (US\$/t)	455	437	-3.8%	433	411	-5.1%

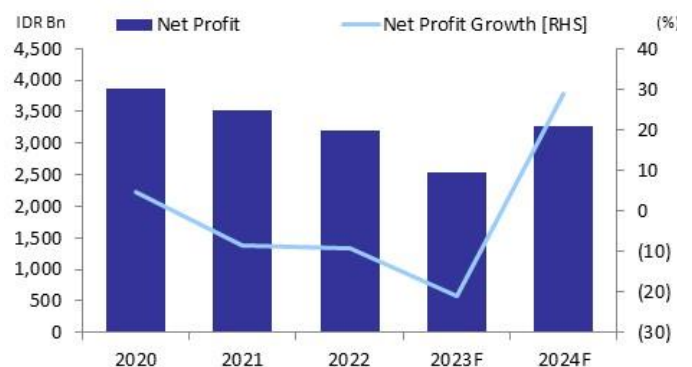
Source: BRIDS Estimates

Exhibit 2. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 3. Net Profit and Growth



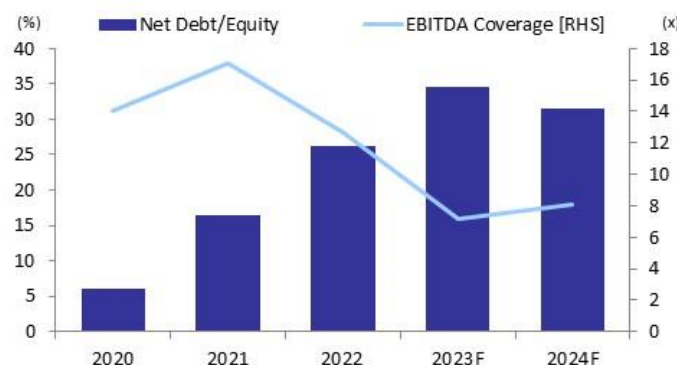
Source: Company, BRIDS Estimates

Exhibit 4. Margins



Source: Company, BRIDS Estimates

Exhibit 5. Gearing Level



Source: Company, BRIDS Estimates

**Exhibit 6. Income Statement**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>51,698</b>	<b>56,868</b>	<b>59,864</b>	<b>63,050</b>	<b>69,087</b>
COGS	(43,559)	(48,724)	(51,900)	(53,856)	(58,188)
<b>Gross profit</b>	<b>8,139</b>	<b>8,144</b>	<b>7,964</b>	<b>9,194</b>	<b>10,898</b>
<b>EBITDA</b>	<b>5,592</b>	<b>5,326</b>	<b>5,049</b>	<b>6,114</b>	<b>7,501</b>
<b>Oper. profit</b>	<b>4,610</b>	<b>4,186</b>	<b>3,823</b>	<b>4,778</b>	<b>6,047</b>
Interest income	40	22	24	18	12
Interest expense	(329)	(420)	(708)	(757)	(757)
Forex Gain/(Loss)	(12)	(48)	2	2	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	233	80	84	87	90
<b>Pre-tax profit</b>	<b>4,543</b>	<b>3,819</b>	<b>3,225</b>	<b>4,128</b>	<b>5,393</b>
Income tax	(1,015)	(607)	(692)	(867)	(1,132)
Minority interest	2	(2)	(2)	(2)	(3)
<b>Net profit</b>	<b>3,530</b>	<b>3,210</b>	<b>2,531</b>	<b>3,259</b>	<b>4,257</b>
<b>Core Net Profit</b>	<b>3,542</b>	<b>3,259</b>	<b>2,529</b>	<b>3,257</b>	<b>4,257</b>

**Exhibit 7. Balance Sheet**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	1,803	2,042	1,051	1,252	1,790
Receivables	1,794	2,094	2,047	2,155	2,362
Inventory	7,655	9,000	11,532	11,966	12,929
Other Curr. Asset	4,462	4,896	5,010	5,165	5,352
Fixed assets - Net	16,256	17,628	19,041	20,366	21,593
Other non-curr.asset	3,475	4,188	4,282	4,378	4,476
<b>Total asset</b>	<b>35,446</b>	<b>39,848</b>	<b>42,962</b>	<b>45,283</b>	<b>48,502</b>
ST Debt	4,587	6,649	8,149	8,149	8,149
Payables	2,402	2,446	2,582	2,679	2,895
Other Curr. Liabilities	848	1,014	958	1,121	1,377
Long Term Debt	1,358	2,312	2,394	2,392	2,392
Other LT. Liabilities	1,102	1,099	1,450	1,490	1,572
<b>Total Liabilities</b>	<b>10,296</b>	<b>13,520</b>	<b>15,534</b>	<b>15,832</b>	<b>16,385</b>
Shareholder's Funds	25,135	26,311	27,410	29,430	32,094
Minority interests	15	17	19	21	24
<b>Total Equity &amp; Liabilities</b>	<b>35,446</b>	<b>39,848</b>	<b>42,962</b>	<b>45,283</b>	<b>48,502</b>

**Exhibit 8. Cash Flow**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Net income	3,530	3,210	2,531	3,259	4,257
Depreciation and Amort.	981	1,140	1,226	1,336	1,453
Change in Working Capital	(2,382)	(1,891)	(2,435)	(439)	(885)
Other Oper. Cash Flow	(8)	(786)	(33)	(33)	(33)
<b>Operating Cash Flow</b>	<b>2,122</b>	<b>1,674</b>	<b>1,289</b>	<b>4,122</b>	<b>4,792</b>
Capex	(2,781)	(2,594)	(2,639)	(2,661)	(2,680)
Others Inv. Cash Flow	(38)	(19)	(56)	(58)	(59)
<b>Investing Cash Flow</b>	<b>(2,819)</b>	<b>(2,613)</b>	<b>(2,695)</b>	<b>(2,718)</b>	<b>(2,739)</b>
Net change in debt	1,828	3,061	1,499	(2)	0
New Capital	0	0	0	0	0
Dividend payment	(1,837)	(1,771)	(1,432)	(1,238)	(1,594)
Other Fin. Cash Flow	(307)	(362)	348	37	79
<b>Financing Cash Flow</b>	<b>(316)</b>	<b>928</b>	<b>415</b>	<b>(1,203)</b>	<b>(1,515)</b>
<b>Net Change in Cash</b>	<b>(1,013)</b>	<b>(11)</b>	<b>(991)</b>	<b>201</b>	<b>538</b>
Cash - begin of the year	2,678	1,803	2,042	1,051	1,252
Cash - end of the year	1,803	2,042	1,051	1,252	1,790

**Exhibit 9. Key Ratio**

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	21.6	10.0	5.3	5.3	9.6
EBITDA	(10.3)	(4.7)	(5.2)	21.1	22.7
Operating profit	(14.2)	(9.2)	(8.7)	25.0	26.6
Net profit	(8.6)	(9.1)	(21.1)	28.7	30.6
<b>Profitability (%)</b>					
Gross margin	15.7	14.3	13.3	14.6	15.8
EBITDA margin	10.8	9.4	8.4	9.7	10.9
Operating margin	8.9	7.4	6.4	7.6	8.8
Net margin	6.8	5.6	4.2	5.2	6.2
ROAA	10.6	8.5	6.1	7.4	9.1
ROAE	14.6	12.5	9.4	11.5	13.8
<b>Leverage</b>					
Net Gearing (x)	0.2	0.3	0.3	0.3	0.3
Interest Coverage (x)	14.0	10.0	5.4	6.3	8.0

Source : CPIN, BRIDS Estimates



# Hold

(Downgraded)

## Japfa Comfeed Indonesia (JPFA IJ)

Soft livebird and DOC prices will drag earnings down in the short term

Last Price (Rp)	1,095
Target Price (Rp)	1,100
Previous Target Price (Rp)	1,800
Upside/Downside	+0.5%

No. of Shares (mn)	11,411
Mkt Cap (Rpbn/US\$mn)	12,495/799
Avg, Daily T/O (Rpbn/US\$mn)	14.9/1.0
Free Float (%)	43.2

Major Shareholder (%)	
Japfa Ltd	55.4

EPS Consensus (Rp)	2023F	2024F	2025F
BRIDS	81.7	102.6	131.7
Consensus	113.5	146.1	182.7
BRIDS/Cons (%)	(28.0)	(29.8)	(27.9)

- Soft chicken prices may linger amid weak purchasing power and a lack of culling to adjust supply-demand imbalances.
- We cut our FY23/24F net profits estimates by 45/37%, dragged down by higher losses in the breeding and commercial farming business.
- We downgrade our rating to Hold with a lower TP of Rp1,100 based on FY24F EV/EBITDA, implying 11x FY24F PE.

### Higher-than-expected corn costs and lower-than-expected LB prices

The drought caused by El Nino has pushed up the corn price to Rp7,583/kg at the end of Dec23 (from Rp4,815/kg at Dec22), translating into an 18% yoy increase in the avg. price of Rp5,686/kg in FY23. The FY23F corn price is higher than our expectation of Rp5,333/kg as corn and feed wheat imports were minimal in 4Q23. The surprisingly weak livebird (LB) price in Dec23 resulted in a FY23 avg. price of Rp19,418/kg, lower than our initial expectation of Rp20,064/kg.

### FY23F/FY24F earnings revised down by 44.9%/36.9%

We revise down our EBITDA and NP forecasts on the back of lower margins to reflect the downward revision in LB prices and higher corn cost assumptions. Despite the record high local corn prices in early 2024, we are still looking at lower feed costs as we expect FY24F corn and SBM costs of Rp5,387/kg (-5.3% yoy) and US\$411/t (-6% yoy), respectively, from improving weather conditions. We still foresee stable chicken prices, with LB and DOC at Rp19,074/kg and Rp7,080/chick, respectively.

### ST headwinds from earning results, high corn costs, and low chicken prices

Post the robust 3Q23 NP of Rp855.3bn (9M23: Rp937.3bn), we are looking at soft 4Q23 NP of Rp19.5bn and possible 1Q24 soft results from high feed costs and low chicken prices. The same pattern, which was seen in early 2023, i.e., 4Q22 NP and 1Q23 chicken prices were soft which led to a 22% decline in the share price, might repeat in 2024.

### Downgrade to HOLD with a lower TP of Rp1,100

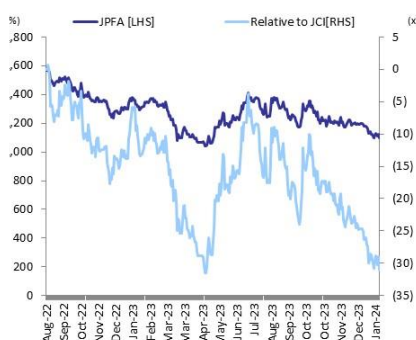
We downgrade our call on JPFA with a lower TP of Rp1,100 as we trim our FY24F EBITDA by 20.6% to Rp3.8tr. Our TP is based on 7.3x EV/EBITDA (5-year average) to our FY24F EBITDA implying 13.5/10.7x FY23/FY24F PE ratios. Risks to our view are potential resumption of the culling programs and lifting of the ban on corn imports.

### Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rpbn)	44,878	48,972	52,235	56,264	62,105
EBITDA (Rpbn)	4,437	3,753	3,287	3,774	4,326
EBITDA Growth (%)	17.1	(15.4)	(12.4)	14.8	14.6
Net Profit (Rpbn)	1,989	1,432	958	1,203	1,545
EPS (Rp)	169.6	122.1	81.7	102.6	131.7
EPS Growth (%)	71.5	(28.0)	(33.1)	25.6	28.4
BVPS (Rp)	1,043.2	1,087.1	1,130.3	1,204.7	1,299.3
DPS (Rp)	39.8	59.5	41.7	28.1	35.4
PER (x)	6.5	9.0	13.4	10.7	8.3
PBV (x)	1.0	1.0	1.0	0.9	0.8
Dividen yield (%)	3.6	5.4	3.8	2.6	3.2
EV/EBITDA	4.9	6.4	7.9	7.0	6.3

Source: JPFA, BRIDS Estimates

### JPFA relative to JCI Index



Source: Bloomberg

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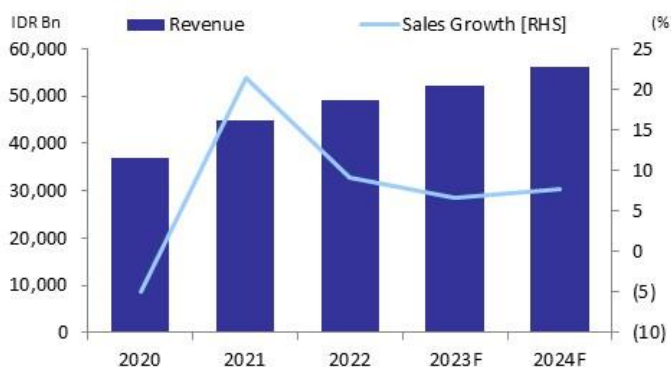
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Exhibit 1. Changes in forecast

Financial	2023F			2024F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	52,663	52,235	-0.8%	56,684	56,264	-0.7%
EBITDA (Rpbn)	4,387	3,287	-25.1%	4,755	3,774	-20.6%
Net Profit (Rpbn)	1,737	957	-44.9%	1,906	1,203	-36.9%
Price	2023F			2024F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	19,677	19,074	-3.1%	19,677	19,074	-3.1%
DOC (Rp/bird)	7,304	7,080	-3.1%	7,304	7,080	-3.1%
Corn (Rp/kg)	5,333	5,686	6.6%	5,006	5,387	7.6%
Soybean meal (US\$/t)	455	437	-3.8%	433	411	-5.1%

Source: BRIDS Estimates

Exhibit 2. Revenue and Growth



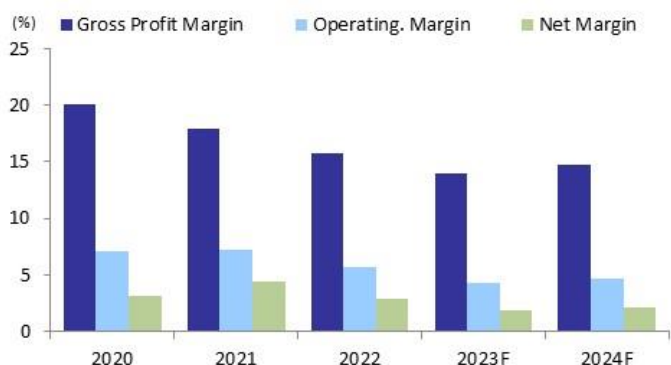
Source: Company, BRIDS Estimates

Exhibit 3. Net Profit and Growth



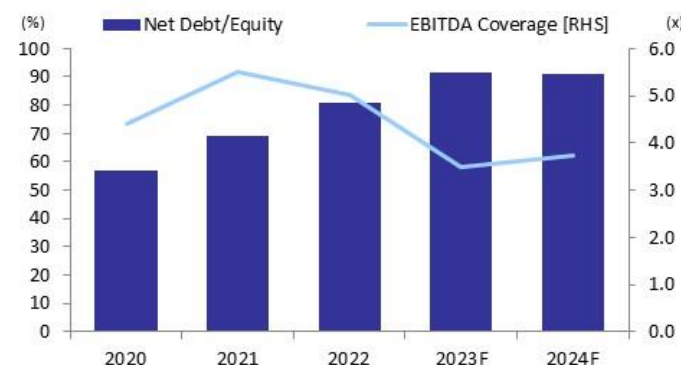
Source: Company, BRIDS Estimates

Exhibit 4. Margins



Source: Company, BRIDS Estimates

Exhibit 5. Gearing Level



Source: Company, BRIDS Estimates

**Exhibit 6. Income Statement**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>44,878</b>	<b>48,972</b>	<b>52,235</b>	<b>56,264</b>	<b>62,105</b>
COGS	(36,858)	(41,289)	(44,972)	(47,950)	(52,808)
<b>Gross profit</b>	<b>8,020</b>	<b>7,683</b>	<b>7,263</b>	<b>8,314</b>	<b>9,297</b>
<b>EBITDA</b>	<b>4,437</b>	<b>3,753</b>	<b>3,287</b>	<b>3,774</b>	<b>4,326</b>
<b>Oper. profit</b>	<b>3,222</b>	<b>2,803</b>	<b>2,261</b>	<b>2,665</b>	<b>3,130</b>
Interest income	14	9	31	35	31
Interest expense	(807)	(747)	(945)	(1,014)	(1,012)
Forex Gain/(Loss)	53	(72)	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	278	(28)	(29)	(30)	(31)
<b>Pre-tax profit</b>	<b>2,761</b>	<b>1,966</b>	<b>1,318</b>	<b>1,656</b>	<b>2,119</b>
Income tax	(663)	(464)	(312)	(393)	(498)
Minority interest	(108)	(71)	(48)	(60)	(76)
<b>Net profit</b>	<b>1,989</b>	<b>1,432</b>	<b>958</b>	<b>1,203</b>	<b>1,545</b>
<b>Core Net Profit</b>	<b>1,936</b>	<b>1,503</b>	<b>958</b>	<b>1,203</b>	<b>1,545</b>

**Exhibit 7. Balance Sheet**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	1,085	1,811	2,433	1,608	863
Receivables	2,429	2,496	2,641	2,845	3,140
Inventory	9,068	10,976	12,008	12,803	14,100
Other Curr. Asset	1,579	1,718	1,783	1,919	2,075
Fixed assets - Net	11,510	12,497	13,347	14,224	14,899
Other non-curr.asset	2,919	3,192	3,495	3,593	3,697
<b>Total asset</b>	<b>28,590</b>	<b>32,691</b>	<b>35,707</b>	<b>36,992</b>	<b>38,775</b>
ST Debt	3,000	4,424	6,923	6,921	6,920
Payables	3,030	4,135	3,902	4,161	4,582
Other Curr. Liabilities	1,035	853	843	909	1,001
Long Term Debt	7,132	8,426	8,486	8,427	8,369
Other LT. Liabilities	1,275	1,195	1,344	1,432	1,575
<b>Total Liabilities</b>	<b>15,471</b>	<b>19,034</b>	<b>21,498</b>	<b>21,850</b>	<b>22,447</b>
Shareholder's Funds	12,233	12,748	13,254	14,127	15,237
Minority interests	869	907	955	1,015	1,091
<b>Total Equity &amp; Liabilities</b>	<b>28,574</b>	<b>32,689</b>	<b>35,707</b>	<b>36,992</b>	<b>38,775</b>

**Exhibit 8. Cash Flow**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Net income	1,989	1,432	958	1,203	1,545
Depreciation and Amort.	1,215	950	1,026	1,109	1,196
Change in Working Capital	(2,854)	(1,135)	(1,768)	(888)	(1,319)
Other Oper. Cash Flow	350	(138)	171	191	194
<b>Operating Cash Flow</b>	<b>701</b>	<b>1,109</b>	<b>387</b>	<b>1,615</b>	<b>1,616</b>
Capex	(1,617)	(1,937)	(2,002)	(2,128)	(2,021)
Others Inv. Cash Flow	(894)	(42)	21	27	23
<b>Investing Cash Flow</b>	<b>(2,511)</b>	<b>(1,979)</b>	<b>(1,981)</b>	<b>(2,101)</b>	<b>(1,998)</b>
Net change in debt	2,280	2,719	2,558	(61)	(60)
New Capital	18	(310)	0	0	0
Dividend payment	(466)	(697)	(489)	(330)	(415)
Other Fin. Cash Flow	(265)	(75)	147	87	142
<b>Financing Cash Flow</b>	<b>1,567</b>	<b>1,637</b>	<b>2,216</b>	<b>(304)</b>	<b>(333)</b>
<b>Net Change in Cash</b>	<b>(243)</b>	<b>766</b>	<b>622</b>	<b>(790)</b>	<b>(714)</b>
Cash - begin of the year	1,336	1,085	1,811	2,433	1,608
Cash - end of the year	1,085	1,811	2,433	1,608	863

**Exhibit 9. Key Ratio**

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	21.4	9.1	6.7	7.7	10.4
EBITDA	17.1	(15.4)	(12.4)	14.8	14.6
Operating profit	22.3	(13.0)	(19.3)	17.9	17.5
Net profit	71.5	(28.0)	(33.1)	25.6	28.4
<b>Profitability (%)</b>					
Gross margin	17.9	15.7	13.9	14.8	15.0
EBITDA margin	9.9	7.7	6.3	6.7	7.0
Operating margin	7.2	5.7	4.3	4.7	5.0
Net margin	4.4	2.9	1.8	2.1	2.5
ROAA	7.3	4.7	2.8	3.3	4.1
ROAE	17.4	11.5	7.4	8.8	10.5
<b>Leverage</b>					
Net Gearing (x)	0.7	0.8	0.9	0.9	0.9
Interest Coverage (x)	4.0	3.8	2.4	2.6	3.1

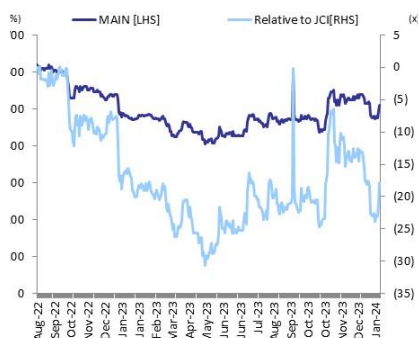
Source : JPFA, BRIDS Estimates

# Buy

(Maintained)

Last Price (Rp)	510
Target Price (Rp)	650
Previous Target Price (Rp)	850
Upside/Downside	+27.5%
No. of Shares (mn)	2,239
Mkt Cap (Rpbn/US\$mn)	1,142/73
Avg, Daily T/O (Rpbn/US\$mn)	1.2/0.1
Free Float (%)	42.4
Major Shareholder (%)	
Dragon Aminity Pre. Ltd.	57.3
EPS Consensus (Rp)	
	2023F 2024F 2025F
BRIDS	48.5 56.2 89.6
Consensus	37.2 73.7 115.6
BRIDS/Cons (%)	30.5 (23.7) (22.5)

## MAIN relative to JCI Index



Source: Bloomberg

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## Malindo Feedmill Indonesia (MAIN IJ)

### ST negative outlook driven by feed margin compression amid higher local corn prices

- We expect high local corn prices to negatively impact ST margins and earnings, and we thus lower our FY23/24F core net profits by 22/6%.
- We continue to expect a slight improvement in yoy feed margins from improving weather conditions.
- Maintain Buy rating with a lower TP of Rp650, based on 7.4x FY24F EV/EBITDA (-1SD of the 5-year average), implying 12x FY24F PE.

#### Higher-than-expected corn costs and lower-than-expected LB prices

The drought caused by El Nino has pushed up the corn price to Rp7,583/kg at the end of Dec23 (from Rp4,815/kg at Dec22), translating into an 18% yoy increase in the avg. price of Rp5,686/kg in FY23. The FY23F corn price is higher than our expectation of Rp5,333/kg as corn and feed wheat imports were minimal in 4Q23. The surprisingly weak livebird (LB) price in Dec23 resulted in a FY23 avg. price of Rp19,518/kg, lower than our initial expectation of Rp20,284/kg.

#### FY23F/FY24F core earnings estimates lowered by 22.4%/6.3%

We lower our EBITDA and NP forecasts on the back of lower margins to reflect the downward revision in LB prices and higher corn cost assumptions. Despite the record high local corn prices in early 2024, we still foresee lower feed costs as we expect FY24F corn and SBM costs of Rp5,387/kg (-5.3% yoy) and US\$411/t (-6% yoy), respectively, from improving weather conditions. We still expect stable chicken prices, with LB and DOC at Rp18,299/kg and Rp5,660/chick, respectively.

#### ST headwinds from earning results, high corn costs, and low chicken prices

Post the robust 3Q23 core net profit of Rp104.7bn (9M23: Rp100.8bn), we now expect soft 4Q23 core net profit of Rp14.5bn and possible 1Q24 soft results from high feed costs and low chicken prices. We note the same pattern in early FY23 (i.e., soft 4Q22 NP and 1Q23 chicken prices which led to a 15% decline in the share price), may potentially repeat in 2024.

#### Maintain Buy with a lower TP of Rp650

We maintain our Buy rating on MAIN with a lower TP of Rp650 (from Rp850 prev.), as we trim our FY24F EBITDA by 11.1% to Rp625bn. Our TP is based on 7.4x EV/EBITDA (-1SD of the 5-year average) to our FY24F EBITDA implying 13.4/11.6x FY23/FY24F PE ratios. Risks to our view are a potential resumption of culling programs and lifting of the ban on corn imports.

#### Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rpbn)	9,131	11,102	11,671	12,505	14,163
EBITDA (Rpbn)	354	436	593	645	752
EBITDA Growth (%)	(23.7)	23.1	36.0	8.9	16.4
Net Profit (Rpbn)	60	26	109	126	201
EPS (Rp)	27.0	11.7	48.5	56.2	89.6
EPS Growth (%)	(255.5)	(56.5)	313.6	16.0	59.3
BVPS (Rp)	1,067.8	1,070.5	1,119.0	1,175.3	1,264.9
DPS (Rp)	0.0	0.0	0.0	0.0	0.0
PER (x)	18.9	43.5	10.5	9.1	5.7
PBV (x)	0.5	0.5	0.5	0.4	0.4
Dividen yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	9.5	7.7	5.7	5.2	4.5

Source: CPIN, BRIDS Estimates

Exhibit 1. Changes in Forecast

Financial	2023F			2024F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	11,881	11,671	-1.8%	12,758	12,505	-2.0%
EBITDA (Rpbn)	652	585	-10.4%	702	625	-11.1%
Net Profit (Rpbn)	155	109	-30.0%	184	126	-31.7%
Core Net Profit (Rpbn)	149	115	-22.4%	162	151	-6.3%
Price	2023F			2024F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	19,018	18,299	-3.8%	19,018	18,299	-3.8%
DOC (Rp/bird)	5,968	5,660	-5.2%	5,968	5,660	-5.2%
Corn (Rp/kg)	5,333	5,686	6.6%	5,006	5,387	7.6%
Soybean meal (US\$/t)	455	437	-3.9%	433	411	-5.1%

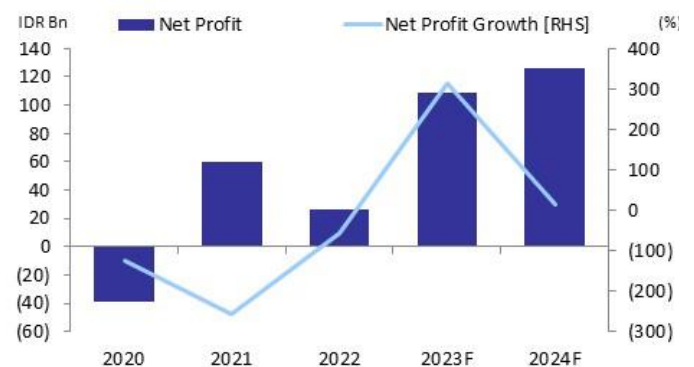
Source: BRIDS Estimates

Exhibit 2. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 3. Net Profit and Growth



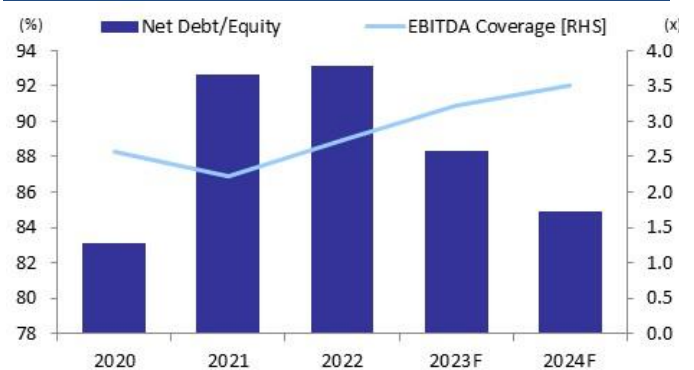
Source: Company, BRIDS Estimates

Exhibit 4. Margins



Source: Company, BRIDS Estimates

Exhibit 5. Gearing Level



Source: Company, BRIDS Estimates



**Exhibit 6. Income Statement**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>9,131</b>	<b>11,102</b>	<b>11,671</b>	<b>12,505</b>	<b>14,163</b>
COGS	(8,573)	(10,408)	(10,812)	(11,556)	(13,062)
<b>Gross profit</b>	<b>558</b>	<b>694</b>	<b>860</b>	<b>949</b>	<b>1,101</b>
<b>EBITDA</b>	<b>354</b>	<b>436</b>	<b>593</b>	<b>645</b>	<b>752</b>
<b>Oper. profit</b>	<b>87</b>	<b>165</b>	<b>310</b>	<b>351</b>	<b>446</b>
Interest income	0	0	1	1	1
Interest expense	(159)	(160)	(184)	(184)	(184)
Forex Gain/(Loss)	(3)	35	1	(5)	(5)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	150	(9)	16	4	9
<b>Pre-tax profit</b>	<b>76</b>	<b>32</b>	<b>144</b>	<b>168</b>	<b>267</b>
Income tax	(16)	(6)	(36)	(42)	(67)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>60</b>	<b>26</b>	<b>109</b>	<b>126</b>	<b>201</b>
<b>Core Net Profit</b>	<b>63</b>	<b>(9)</b>	<b>107</b>	<b>131</b>	<b>205</b>

**Exhibit 7. Balance Sheet**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	180	477	502	486	448
Receivables	505	526	490	524	594
Inventory	1,221	960	1,133	1,210	1,368
Other Curr. Asset	758	990	914	939	980
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>5,876</b>	<b>6,039</b>	<b>6,309</b>
ST Debt	1,613	1,993	1,732	1,736	1,741
Payables	280	293	298	318	360
Other Curr. Liabilities	228	239	248	258	279
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>3,373</b>	<b>3,411</b>	<b>3,480</b>
Shareholder's Funds	2,391	2,397	2,505	2,631	2,832
Minority interests	(2)	(2)	(2)	(2)	(3)
<b>Total Equity &amp; Liabilities</b>	<b>5,437</b>	<b>5,747</b>	<b>5,876</b>	<b>6,039</b>	<b>6,309</b>

**Exhibit 8. Cash Flow**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Net income	60	26	109	126	201
Depreciation and Amort.	267	271	283	294	306
Change in Working Capital	(586)	(10)	(49)	(109)	(207)
Other Oper. Cash Flow	(15)	(18)	(5)	(5)	(6)
<b>Operating Cash Flow</b>	<b>(274)</b>	<b>269</b>	<b>336</b>	<b>306</b>	<b>294</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	5	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>7</b>	<b>7</b>	<b>7</b>
<b>Net Change in Cash</b>	<b>(14)</b>	<b>297</b>	<b>25</b>	<b>(16)</b>	<b>(38)</b>
Cash - begin of the year	178	180	477	502	486
Cash - end of the year	180	477	502	486	448

**Exhibit 9. Key Ratio**

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	30.4	21.6	5.1	7.1	13.3
EBITDA	(23.7)	23.1	36.0	8.9	16.4
Operating profit	(56.5)	89.4	88.0	13.3	26.8
Net profit	(255.5)	(56.5)	313.6	16.0	59.3
<b>Profitability (%)</b>					
Gross margin	6.1	6.3	7.4	7.6	7.8
EBITDA margin	3.9	3.9	5.1	5.2	5.3
Operating margin	1.0	1.5	2.7	2.8	3.1
Net margin	0.7	0.2	0.9	1.0	1.4
ROAA	1.2	0.5	1.9	2.1	3.2
ROAE	2.7	1.1	4.4	4.9	7.3
<b>Leverage</b>					
Net Gearing (x)	0.9	0.9	0.9	0.8	0.8
Interest Coverage (x)	0.5	1.0	1.7	1.9	2.4

Source : CPIN, BRIDS Estimates

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<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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