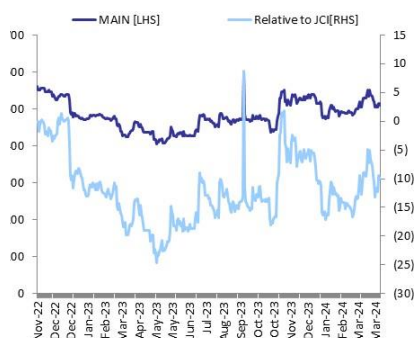


# Buy

(Maintained)

Last Price (Rp)	510
Target Price (Rp)	750
Previous Target Price (Rp)	650
Upside/Downside	+47.1%
No. of Shares (mn)	2,239
Mkt Cap (Rpbn/US\$mn)	1,142/72
Avg, Daily T/O (Rpbn/US\$mn)	1.0/0.1
Free Float (%)	42.4
Major Shareholder (%)	
Dragon Aminty Pre. Ltd.	57.3
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	69.3 82.3 113.1
Consensus	n/a n/a n/a
BRIDS/Cons (%)	n/a n/a n/a

## MAIN relative to JCI Index



Source: Bloomberg

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# Malindo Feedmill Indonesia (MAIN IJ)

## Feed business remains the backbone of earnings

- Core net profits recorded 5-fold growth to Rp149bn in FY23, beating our forecast, supported by feed business margin expansion.
- We continue to expect a slight improvement in the feed margin in FY24F from normalization of weather post El-Nino in FY23.
- Maintain Buy rating with a higher TP of Rp750 (from Rp650 prev.) on its attractive earnings growth prospects and undemanding valuation.

## FY23 earnings beat, supported by the feed business

MAIN booked core net profit of Rp48.4bn in 4Q23 (+46% yoy), bringing the FY23 core net profit to Rp149bn (+5-fold yoy), better than our forecast (at 129% of FY23F). Including the fair value of biological assets and FX losses, reported net profit came in at Rp63bn (+142% yoy). The strong earnings growth in FY23 was driven by 9% yoy growth in gross revenues and margin expansion from the feed business to 8.4% in FY23 (vs. 5.3% in FY22), more than offsetting the negative margins in the DOC and broiler segments.

## 4Q23: Negative DOC and broiler margin, partly offset by higher feed margin

Off a high base in 3Q23, MAIN's operating profit declined 66% to Rp81bn in 4Q23 due to the reversal in the DOC segment's margin and bigger losses in the broiler segment, partly offset by a higher feed margin. MAIN's feed operating margin (OPM) increased slightly (+56bps) to 9.6% in 4Q23 (3Q23/2Q23: 9.1%/6.1%) depicting the company's ability to pass through its higher costs. Meanwhile, DOC's OPM saw a sharp decline to -19.3% in 4Q23 from +23.0% in 3Q23 due to lower DOC ASP while the broiler segment reported bigger losses with a -9.6% OPM from -7.2% in the previous quarter due to weak livebird prices.

## FY24F EBITDA and core earnings estimates raised by +2%/+22%

We revise our FY24/25F EBITDA and core net profit forecasts by 1.8/-0.4% and 22/3.1% on the back of higher margin assumptions. This reflects a slightly higher feed margin (8.9% in FY24 vs. 8.4% in FY23) while DOC and LB margins are expected to remain negative at -10%/-6% in FY24F.

## Maintain Buy rating with a higher TP of Rp750 on attractive earnings growth

We maintain our Buy rating on MAIN on attractive earnings growth prospects and an undemanding valuation of 4.9x EV/ EBITDA (34% discount to 5-year avg). We raise our TP to Rp750 (from Rp650 prev.) to reflect our higher earnings forecast and lower interest-bearing debt. Our TP is based on 7.4x EV/EBITDA (5-yr avg) to our FY24 EBITDA implying 9.1/7.3x FY24/FY25 PE. Risks to our view are higher-than-expected increases in raw material prices.

## Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	11,102	12,058	12,649	13,275	13,539
EBITDA (Rpbn)	436	642	657	748	813
EBITDA Growth (%)	23.1	47.3	2.3	13.9	8.6
Net Profit (Rpbn)	26	63	101	210	270
EPS (Rp)	11.7	28.3	45.0	93.7	120.5
EPS Growth (%)	(56.5)	141.5	58.9	108.3	28.5
BVPS (Rp)	1,070.5	1,116.0	1,161.0	1,254.7	1,374.7
DPS (Rp)	0.0	0.0	0.0	0.0	0.0
PER (x)	43.5	18.0	11.3	5.4	4.2
PBV (x)	0.5	0.5	0.4	0.4	0.4
Dividen yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	7.7	4.6	4.3	3.4	2.6

Source: MAIN, BRIDS Estimates

**Exhibit 1. MAIN 4Q23 Result Summary**

MAIN (IDR bn)	4Q22	3Q23	4Q23	y-o-y	q-o-q	FY22	FY23	y-o-y	FY23F	FY23C	A/F	A/C
<b>Consolidated</b>												
Revenue	2,731	3,319	3,088	13%	-7%	11,102	12,058	9%	11,671	11,671	103%	103%
COGS	(2,573)	(2,915)	(2,885)	12%	-1%	(10,408)	(11,110)	7%	(10,812)	(10,807)	103%	103%
Gross Profit	158	404	202	28%	-50%	694	948	37%	860	864	110%	110%
Total Opex	(87)	(164)	(121)	39%	-26%	(529)	(575)	9%	(549)	(554)	105%	104%
Operating Profit	71	240	81	15%	-66%	165	373	126%	310	310	120%	120%
Pretax profit	86	266	8	-91%	-97%	32	111	250%	144	144	77%	77%
Net profit	77	176	18	-77%	-90%	26	63	142%	109	109	58%	58%
Core profit	33	105	48	46%	-54%	24	149	535%	115		129%	
Gross margin	5.8%	12.2%	6.6%	76 bp	(562)bp	6.3%	7.9%	161 bp	7.4%	7.4%		
Opex to revenue	3.2%	4.9%	3.9%	73 bp	(103)bp	4.8%	4.8%	1 bp	4.7%	4.7%		
Operating margin	2.6%	7.2%	2.6%	0 bp	(460)bp	1.5%	3.1%	160 bp	2.7%	2.7%		
Net margin	2.8%	5.3%	0.6%	(0)bp	(475)bp	0.2%	0.5%	29 bp	0.9%	0.9%		
Core net margin	1.2%	3.2%	1.6%	0 bp	(159)bp	0.2%	1.2%	103 bp	1.0%			
<b>Segment breakdown</b>												
Feed revenue	2,188	2,440	2,422	11%	-1%	8,618	9,186	7%				
DOC revenue	442	658	429	-3%	-35%	2,046	1,969	-4%				
Live birds revenue	716	927	879	23%	-5%	2,891	3,541	22%				
Processed food revenue	60	52	53	-11%	3%	198	221	11%				
<b>Total revenue</b>	<b>3,406</b>	<b>4,077</b>	<b>3,782</b>	<b>11%</b>	<b>-7%</b>	<b>13,753</b>	<b>14,917</b>	<b>8%</b>				
Feed margin	11.6%	9.1%	9.6%	(198)bp	56 bp	5.3%	8.4%	315 bp				
DOC margin	-12.5%	23.0%	-19.3%	(0)bp	#####	-8.0%	-10.4%	(238)bp				
Live birds margin	-7.9%	-7.2%	-9.6%	(0)bp	(239)bp	-4.0%	-6.1%	(213)bp				
Processed food margin	-66.9%	-17.0%	-21.4%	0 bp	(442)bp	-22.3%	-19.5%	284 bp				
<b>Total margin</b>	<b>3.0%</b>	<b>7.3%</b>	<b>1.4%</b>	<b>(0)bp</b>	<b>(585)bp</b>	<b>1.0%</b>	<b>2.1%</b>	<b>113 bp</b>				

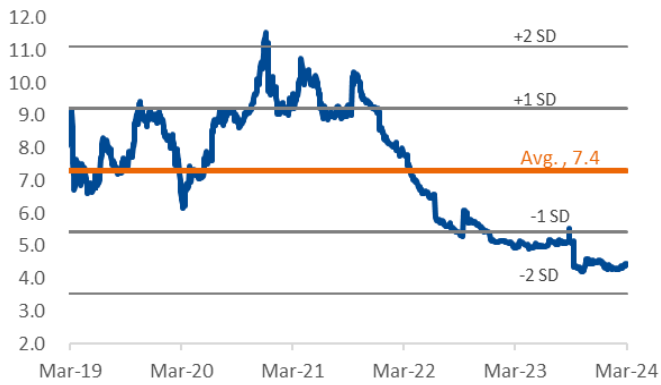
Source: Company, BRIDS Estimates

**Exhibit 2. Changes in forecast**

Financial	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	12,505	12,649	1.2%	14,163	13,275	-6.3%
EBITDA (Rpbn)	645	657	1.8%	752	748	-0.4%
Net Profit (Rpbn)	126	101	-20.0%	201	210	4.6%
Core Net Profit (Rpbn)	151	185	22.0%	222	229	3.1%
Price	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	18,299	18,299	0.0%	18,940	19,580	3.4%
DOC (Rp/bird)	5,660	5,660	0.0%	5,965	6,067	1.7%
Corn (Rp/kg)	5,387	5,387	0.0%	5,576	5,481	-1.7%
Soybean meal (US\$/t)	411	411	0.0%	420	420	0.0%

Source: BRIDS Estimates

Exhibit 3. MAIN EV/EBITDA band chart (5-year)



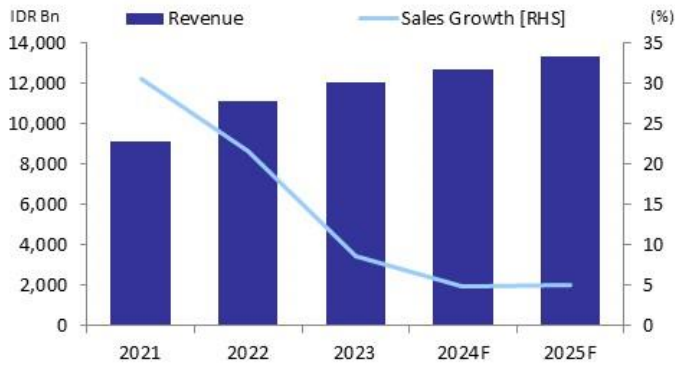
Source: Bloomberg, BRIDS Estimates

Exhibit 4. MAIN P/BV band chart (5-year)



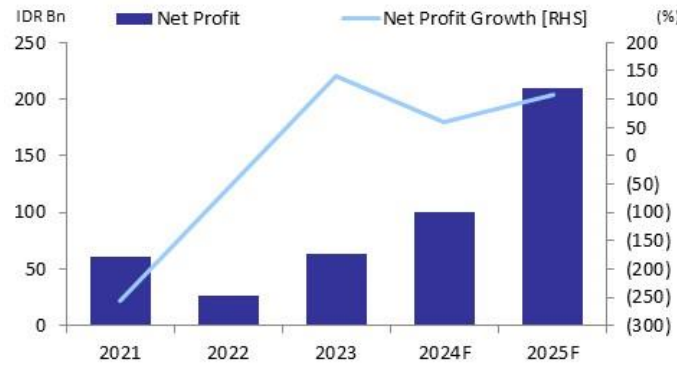
Source: Bloomberg, BRIDS Estimates

Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 6. Net Profit and Growth



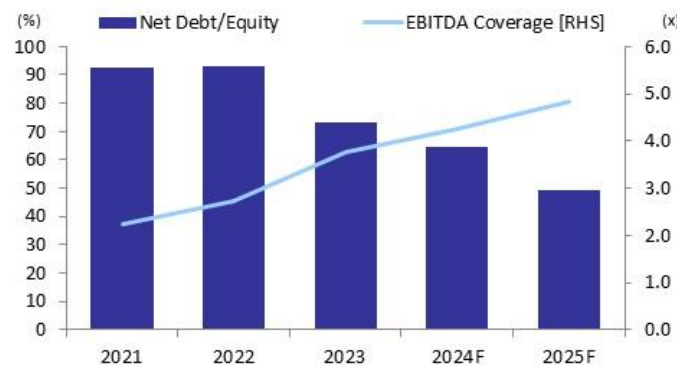
Source: Company, BRIDS Estimates

Exhibit 7. Margins



Source: Company, BRIDS Estimates

Exhibit 8. Gearing Level



Source: Company, BRIDS Estimates

**Exhibit 9. Income Statement**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>11,102</b>	<b>12,058</b>	<b>12,649</b>	<b>13,275</b>	<b>13,539</b>
COGS	(10,408)	(11,110)	(11,638)	(12,141)	(12,342)
<b>Gross profit</b>	<b>694</b>	<b>948</b>	<b>1,011</b>	<b>1,135</b>	<b>1,197</b>
<b>EBITDA</b>	<b>436</b>	<b>642</b>	<b>657</b>	<b>748</b>	<b>813</b>
<b>Oper. profit</b>	<b>165</b>	<b>373</b>	<b>383</b>	<b>469</b>	<b>528</b>
Interest income	0	0	1	1	2
Interest expense	(160)	(170)	(154)	(154)	(155)
Forex Gain/(Loss)	35	(26)	(5)	(5)	(5)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(9)	(66)	(85)	(20)	2
<b>Pre-tax profit</b>	<b>32</b>	<b>111</b>	<b>139</b>	<b>291</b>	<b>372</b>
Income tax	(6)	(48)	(39)	(81)	(104)
Minority interest	0	0	0	1	1
<b>Net profit</b>	<b>26</b>	<b>63</b>	<b>101</b>	<b>210</b>	<b>270</b>
<b>Core Net Profit</b>	<b>24</b>	<b>149</b>	<b>185</b>	<b>229</b>	<b>266</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	477	288	450	756	1,160
Receivables	526	681	633	664	678
Inventory	960	1,069	1,063	1,109	1,127
Other Curr. Asset	990	783	866	887	902
Fixed assets - Net	2,539	2,367	2,198	2,027	1,854
Other non-curr.asset	256	329	336	343	350
<b>Total asset</b>	<b>5,747</b>	<b>5,517</b>	<b>5,545</b>	<b>5,786</b>	<b>6,071</b>
ST Debt	1,993	1,603	1,500	1,505	1,510
Payables	293	536	434	453	460
Other Curr. Liabilities	239	244	258	264	266
Long Term Debt	714	513	628	628	628
Other LT. Liabilities	113	125	128	130	134
<b>Total Liabilities</b>	<b>3,353</b>	<b>3,021</b>	<b>2,948</b>	<b>2,981</b>	<b>2,999</b>
Shareholder's Funds	2,397	2,498	2,599	2,809	3,078
Minority interests	(2)	(2)	(3)	(3)	(4)
<b>Total Equity &amp; Liabilities</b>	<b>5,747</b>	<b>5,517</b>	<b>5,545</b>	<b>5,786</b>	<b>6,073</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	26	63	101	210	270
Depreciation and Amort.	271	270	274	280	285
Change in Working Capital	(10)	146	(116)	(75)	(38)
Other Oper. Cash Flow	(18)	(17)	(6)	(6)	(9)
<b>Operating Cash Flow</b>	<b>269</b>	<b>462</b>	<b>253</b>	<b>408</b>	<b>508</b>
Capex	(355)	(102)	(105)	(109)	(112)
Others Inv. Cash Flow	79	2	0	0	0
<b>Investing Cash Flow</b>	<b>(276)</b>	<b>(100)</b>	<b>(105)</b>	<b>(109)</b>	<b>(112)</b>
Net change in debt	309	(591)	12	4	5
New Capital	(21)	36	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	16	23	3	3	3
<b>Financing Cash Flow</b>	<b>304</b>	<b>(532)</b>	<b>15</b>	<b>7</b>	<b>8</b>
<b>Net Change in Cash</b>	<b>297</b>	<b>(170)</b>	<b>162</b>	<b>307</b>	<b>404</b>
Cash - begin of the year	180	477	288	450	756
Cash - end of the year	477	288	450	756	1,160

**Exhibit 12. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	21.6	8.6	4.9	5.0	2.0
EBITDA	23.1	47.3	2.3	13.9	8.6
Operating profit	89.4	125.9	2.7	22.5	12.5
Net profit	(56.5)	141.5	58.9	108.3	28.5
<b>Profitability (%)</b>					
Gross margin	6.3	7.9	8.0	8.5	8.8
EBITDA margin	3.9	5.3	5.2	5.6	6.0
Operating margin	1.5	3.1	3.0	3.5	3.9
Net margin	0.2	0.5	0.8	1.6	2.0
ROAA	0.5	1.1	1.8	3.7	4.5
ROAE	1.1	2.6	4.0	7.8	9.2
<b>Leverage</b>					
Net Gearing (x)	0.9	0.7	0.6	0.5	0.3
Interest Coverage (x)	1.0	2.2	2.5	3.0	3.4

Source: MAIN, BRIDS Estimates



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## INVESTMENT RATING

<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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