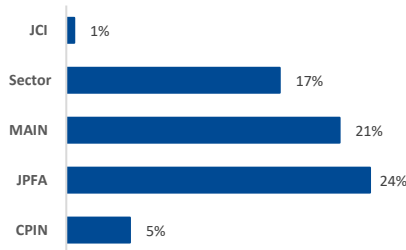


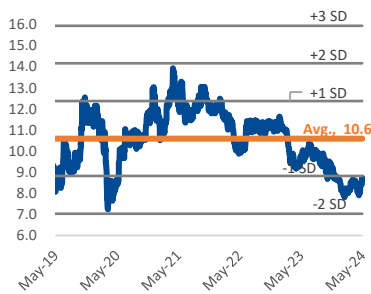
# Overweight

(Maintained)

## YTD share price performance



## Sector EV/EBITDA band chart



Source: Bloomberg, BRIDS

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# Poultry

## Lower production and an extreme climate are favorable for higher DOC and livebird prices

- Pinsar views that the commercial and breeding farm business will continue to be profitable in FY24 due to lower supply.
- Corn prices are now favorable with harvesting still ongoing in some areas while the forecast of a wet dry season supports corn production.
- We maintain our Overweight rating on the sector, foreseeing higher feed margins and higher livebird prices as upside; CPIN is our top pick.

### Supply to remain tight in FY24F

We recently hosted a call with the poultry association, Pinsar. Pinsar sees that the difficult times for the business during the FY22-23 pandemic caused the breeders to adjust their production to match the lower demand for livebirds early this year. Although this lower production is not being enforced, Pinsar believes that this situation will remain until the end of FY24 as producers aim to recover from the losses suffered in past years. That said, the persistently high DOC and livebird prices recently were also reinforced by the impact of diseases that have broken out affecting the industry.

### Climate change affecting productivity in breeding and commercial farms

The high DOC and livebird prices recently are attributable to the lower production due to extreme weather (a rapid change from extreme heat to rain and vice versa). The weather conditions caused outbreaks of some diseases in the industry. Hatching egg production is estimated to be 30% lower than normal due to the lower hatchability of the eggs produced in the breeding farms. The extreme weather also caused commercial farming productivity to decline with a 0.1-0.2 increase in the Feed Conversion Ratio (FCR) across the farms. Productivity normalization is dependent on the normalization of weather conditions in the coming months. Until then, Pinsar expects the lower production to persist, causing DOC and livebird prices to stay high.

### Lower corn prices driving lower feed ASP and lower broiler costs

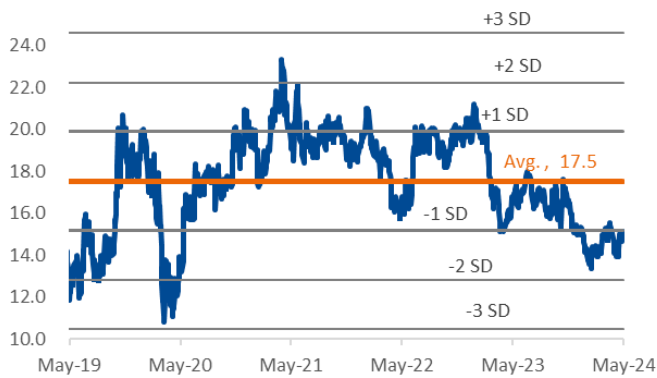
Corn prices currently range between Rp4,600-4,800/kg, with harvesting still taking place in several areas. The significant drop in corn prices drove independent farmers to negotiate better feed prices from feed millers, resulting in lower feed ASP in Apr and May24. The climate forecast for a wet dry season is favorable for corn prices. However, the Rupiah depreciation may prompt feedmillers to raise their feed ASP again as c. 75% of the feed costs are import related. Pinsar also views that the government’s program to plant corn in ex-CPO plantations will positively impact the poultry industry.

### Maintain Overweight with CPIN as our top pick

As we reaffirm our view on lower feed costs, the call with Pinsar confirms the upside to our forecasts from potentially higher-than-expected livebird prices. Our forecast has yet to take into account the persistently high and upside in LB prices as we are still cautious on potentially lower LB prices from higher production due to the high ASP and the possibility that the current diseases are only driven by seasonality. Risks to our view are volatility in earnings (particularly in 3Q24), elevated feed costs, and weaker purchasing power.

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)
					2024F	2025F	2024F	2025F	
Charoen Pokphand Indonesia	CPIN IJ	BUY	5,900	86,499.5	29.3	21.4	3.0	2.8	13.5
Japfa Comfeed Indonesia	JPFA IJ	BUY	1,500	17,120.8	12.0	9.6	1.2	1.1	12.0
Malindo Feedmill Indonesia	MAIN IJ	BUY	850	1,399.2	10.8	6.6	0.5	0.5	7.8

**Exhibit 1. CPIN EV/EBITDA band chart (5-year)**



Source: Bloomberg, BRIDS Estimates

**Exhibit 2. CPIN P/E band chart (5-year)**



Source: Bloomberg, BRIDS Estimates

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



Source: Bloomberg, BRIDS Estimates

**Exhibit 4. JPFA P/E band chart (5-year)**



Source: Bloomberg, BRIDS Estimates

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



Source: Bloomberg, BRIDS Estimates

**Exhibit 6. MAIN P/BV band chart (5-year)**



Source: Bloomberg, 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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