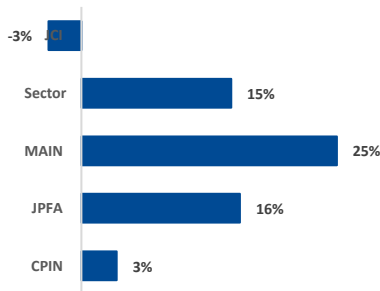


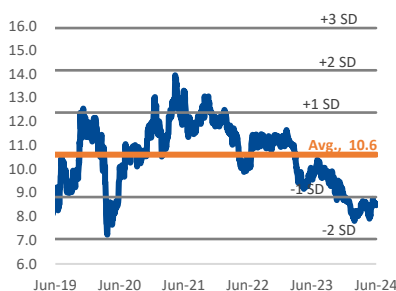
Overweight

(Maintained)

YTD share price performance



Sector EV/EBITDA band chart



Source: Bloomberg, BRIDS

BRI Danareksa Sekuritas Analysts

Victor Stefano

(62-21) 5091 4100 ext. 3503

victor.stefano@brids.co.id

Wilastita Muthia Sofi

(62-21) 5091 4100 ext. 3509

wilastita.sofi@brids.co.id

Poultry

New reference prices to support the industry, albeit unlikely to be a game changer

- The NFA issued a new regulation to increase the reference prices of livebirds and local corn, effective from Jun24 until amendment.
- Although we view this positively, we only expect a minimum impact from reference prices on actual market prices.
- We maintain our Overweight rating on the sector, foreseeing higher feed margins; CPIN remains our top pick.

New reference prices for livebirds and local corn

The National Food Agency (NFA) issued a new regulation regarding the continuation of reference price relaxation. The letter sets livebird reference prices at Rp23,000-25,000/kg (from Rp21,000-23,000 set in 2022) and corn at Rp5,800/kg (from Rp5,000/kg). In addition, the regulation also sets reference prices of eggs at Rp24,000-26,500/kg (from Rp22,000-24,000 previously), producer level corn prices (KA 15-30%) at Rp4,200-5,000/kg (from Rp3,540-4,200), consumer level egg prices at Rp28,000-30,000/kg (from Rp27,000) and consumer level broiler prices at Rp38,000-40,000/kg (from Rp36,750). The reference prices will be valid until there is an amendment to NFA regulation (No 05/2022).

Potential benefit for the industry if it can be achieved

Based on recent industry data, the new reference prices will potentially benefit the commercial farming business as the reference prices of Rp21,000-23,000/kg are above the current livebird prices of Rp18,000/kg. The feedmill business will potentially be negatively affected as the current corn prices are at Rp4,700/kg, below the reference price of Rp5,800/kg. In our view, the reference prices, if they materialize, will be positive for the poultry sector. However, we believe that the reference prices policy alone will not have a meaningful impact.

Industry data remains favorable despite the weakness in LB prices

Livebird prices have decreased to Rp18,000/kg in late May24, the lowest level during the month. The average price in May24 was still high at Rp21,000/kg, albeit slightly lower than Apr24's average of Rp21,500/kg. While we expect LB prices to remain on the weaker side in Jun24, we believe the feed business can offset the lower margin of commercial farming. The local corn price is continuing its downtrend YTD trend and has reached Rp4.7k/kg in May24, 8% lower than April's Rp5.2k/kg (-16% yoy). Meanwhile, despite breaking its YTD high price in May24, the average SBM price remained low at US\$370/t (+9% mom, -11% yoy), comparable to early this year (Jan24 at US\$365/t).

Maintain Overweight with CPIN as our top pick

As we had anticipated the lower LB prices in Jun24 and potential sequential weakness in 3Q24, we maintain our Overweight call on the poultry sector with feed margin improvement as a key catalyst and high LB prices as upside risks. 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 (%) 2025F
					2024F	2025F	2024F	2025F	
Charoen Pokphand Indonesia	CPIN IJ	BUY	5,900	85,269.6	28.9	21.1	3.0	2.7	13.5
Japfa Comfeed Indonesia	JPFA IJ	BUY	1,500	16,006.8	11.3	9.0	1.1	1.0	12.0
Malindo Feedmill Indonesia	MAIN IJ	BUY	850	1,444.0	11.2	6.8	0.5	0.5	7.8

New reference prices to support the industry, unlikely to be a game changer

New reference prices for livebirds and local corn

The National Food Agency (NFA) issued a new regulation regarding the continuation of reference price relaxation. The letter sets livebird reference prices at Rp23,000-25,000/kg (from Rp21,000-23,000 set in 2022) and corn at Rp5,800k/kg (from Rp5,000/kg). In addition, the regulation also sets reference prices of eggs at Rp24,000-26,500/kg (from Rp22,000-24,000 previously), producer level corn prices (KA 15-30%) at Rp4,200-5,000/kg (from Rp3,540-4,200), consumer level egg prices at Rp28,000-30,000/kg (from Rp27,000) and consumer level broiler prices at Rp38,000-40,000/kg (from Rp36,750). The reference prices will be valid until there is an amendment to NFA regulation (No 05/2022).

Exhibit 1. Price relaxation of broiler eggs, broiler meat, and dry corn

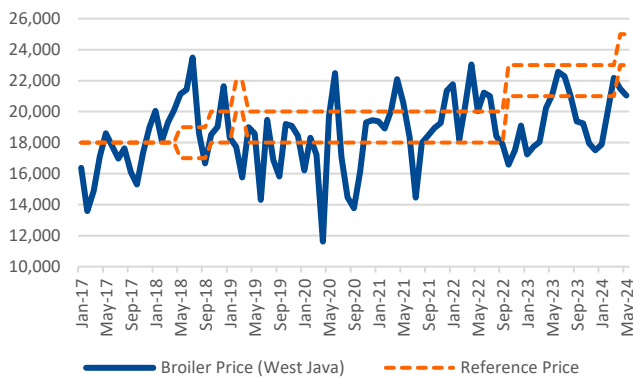
Commodities	Reference price at producer level based on regulation 05/22 (Rp/kg)	Relaxation of reference price at Producer level (Rp/kg)	Reference price at consumer level based on regulation 05/22 (Rp/kg)	Relaxation of reference price at Consumer level (Rp/kg)
Broiler Eggs				
Lower Limit	22,000	24,000	27,000	28,000
Upper Limit	24,000	26,500		30,000
Broiler Meat				
Lower Limit	21,000	23,000	36,750	38,000
Upper Limit	23,000	25,000		40,000
Dried Corn				
Water content 15%	4,200	5,000	5,000	5,800
Water content 20%	3,970	4,725		
Water content 25%	3,750	4,450		
Water content 30%	3,540	4,200		

Source: National Food Agency

Potential benefit for the industry if it can be achieved

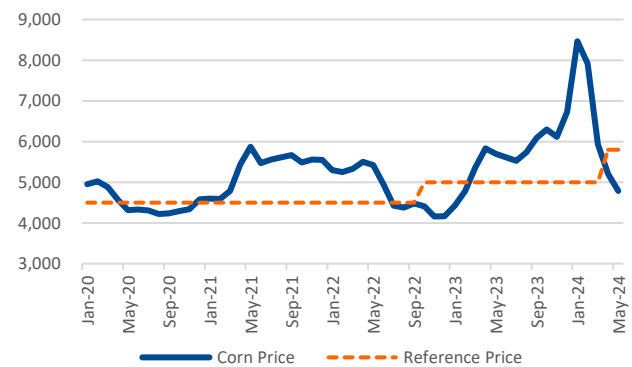
Based on recent industry data, the new reference prices will potentially benefit the commercial farming business as the reference prices of Rp21,000-23,000/kg are above the current livebird prices of Rp18,000/kg. The feedmill business will potentially be negatively affected as the current corn prices are at Rp4,700/kg, below the reference price of Rp5,800/kg. In our view, the reference prices, if they materialize, will be positive for the poultry sector. However, we believe that the reference prices policy alone will not have a meaningful impact.

Exhibit 2. Broiler Price (West Java) vs. Reference Price



Source: Various sources, BRIDS

Exhibit 3. Local Corn Price vs. Reference Price

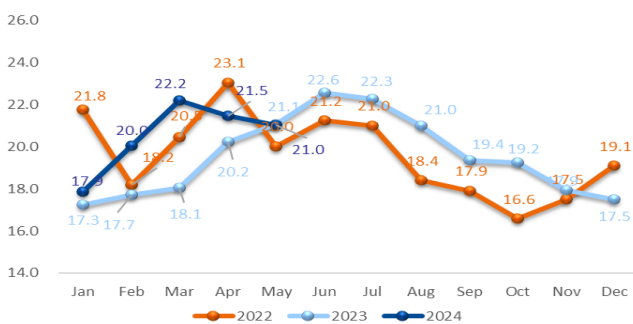


Source: Various sources, BRIDS

Industry data remains favorable despite the weakness in LB prices

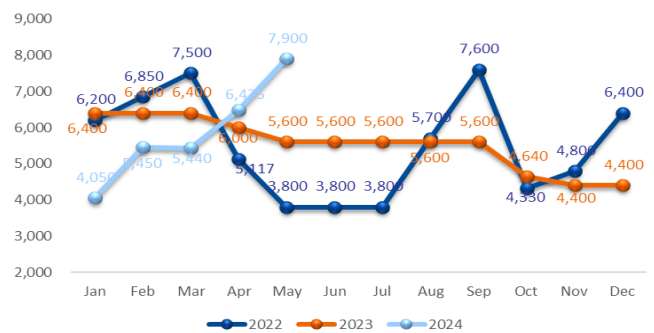
Livebird prices have decreased to Rp18,000/kg in late May24, the lowest level during the month. The average price in May24 was still high at Rp21,000/kg, albeit slightly lower than Apr24's average of Rp21,500/kg. While we expect LB prices to remain on the weaker side in Jun24, we believe the feed business can offset the lower margin of commercial farming. The local corn price is continuing its downtrend YTD trend and has reached Rp4.7k/kg in May24, 8% lower than April's Rp5.2k/kg (-16% yoy). Meanwhile, despite breaking its YTD high price in May24, the average SBM price remained low at US\$370/t (+9% mom, -11% yoy), comparable to early this year (Jan24 at US\$365/t).

Exhibit 4. West Java livebird price (Rp '000/kg)



Source: Various sources, BRIDS

Exhibit 5. Wonokoyo Super DOC – East Java (Rp/chick)



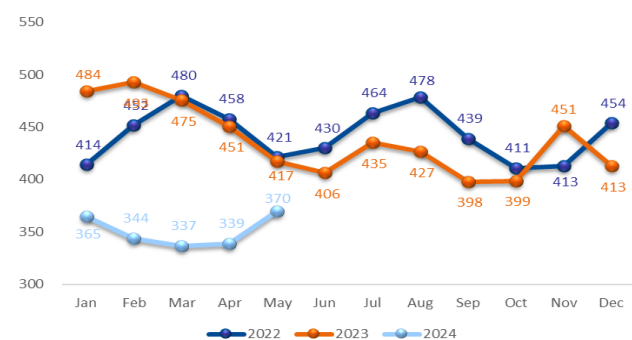
Source: Arboge, BRIDS

Exhibit 6. Average local corn price (Rp/kg)



Source: Various sources, BRIDS Estimates

Exhibit 7. Soybean meal price (US\$/t)

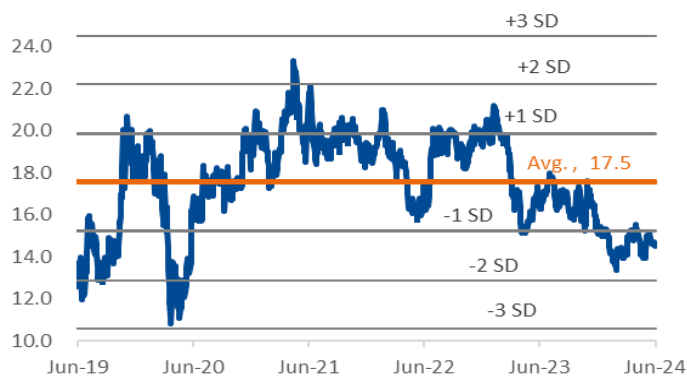


Source: Various sources, BRIDS Estimates

Maintain Overweight with CPIN as our top pick

As we had anticipated the lower LB prices in Jun24 and potential sequential weakness in 3Q24, we maintain our Overweight call on the poultry sector with feed margin improvement as a key catalyst and high LB prices as upside risks. Risks to our view are volatility in earnings (particularly in 3Q24), elevated feed costs, and weaker purchasing power.

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



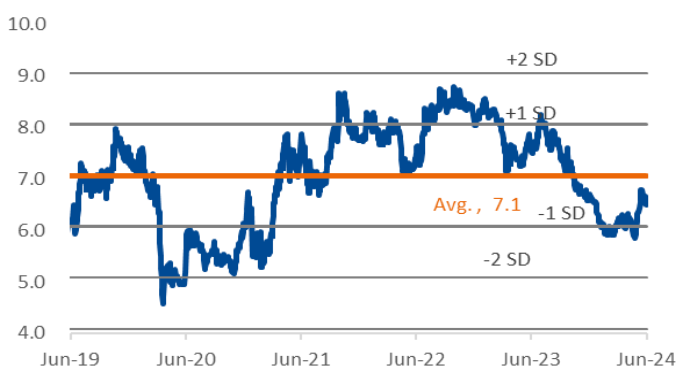
Source: Bloomberg, BRIDS Estimates

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



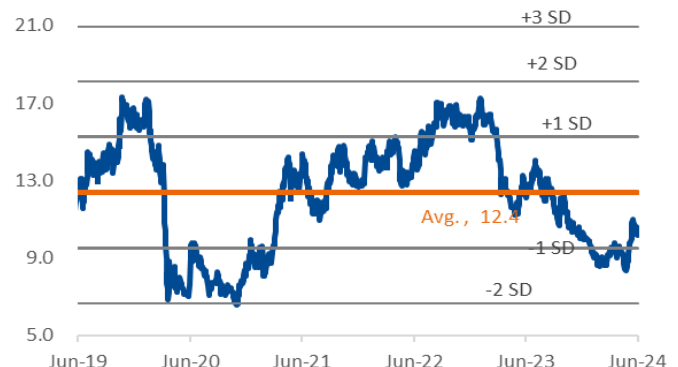
Source: Bloomberg, BRIDS Estimates

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



Source: Bloomberg, BRIDS Estimates

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



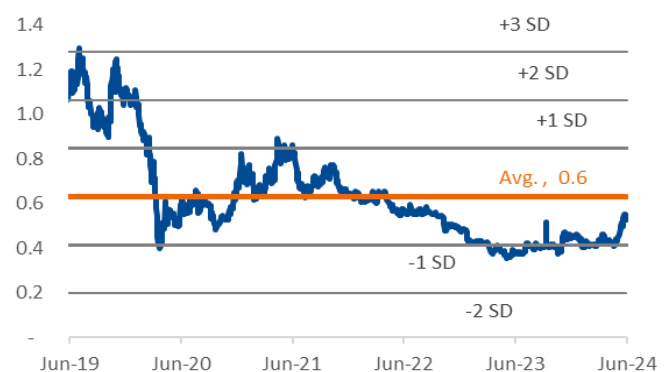
Source: Bloomberg, BRIDS Estimates

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

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Christian Immanuel Sitorus	Research Associate	christian.sitorus@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlicch Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING

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

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