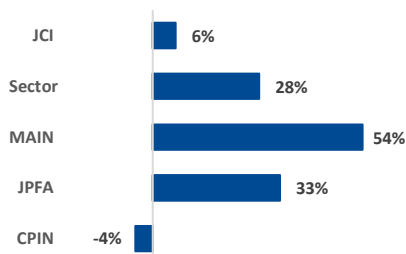


Overweight

(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

Concern on low livebird prices is overdone; Reaffirming robust FY24 earnings growth outlook

- On the back of a drop in chicken prices in 3Q24, the poultry sector has underperformed since the end of Jul24.
- We reaffirm our view that lower feed costs and a potential rebound in 4Q24 chicken prices will support profitability in 2H24.
- We maintain our Overweight rating given: 1) robust FY24-25 earnings growth, 2) mild fund positioning, and 3) cheap valuations.

QTD 3Q24 average LB price shows expected seasonal decline

Livebird (LB) prices have slightly increased to Rp17,500/kg, bringing the average price to Rp17,900/kg in the early week of Sep24. QTD in 3Q24, the average LB price stands at Rp18,400/kg, lower than the average prices of Rp20,600/kg in 2Q24 and Rp20,900/kg in 3Q23. We believe the lower prices in 3Q24 were expected due to the Suro month in Jul24 and the diminishing effect of supply adjustments. Although the average LB price in 3Q24 is lower compared to 2Q24, we believe that integrators can still achieve a positive overall margin, supported by lower feed costs.

Local corn and SBM prices: downtrends persist into Sep24

The local corn price has recently continued its downtrend, reaching Rp4,900/kg and lowering its weekly average to Rp5,100/kg in the first week of Sep24. This represents a 2% wov decrease from Rp5,200/kg in the previous week. The average local corn price QTD in 3Q24 has remained relatively stable compared to 2Q24 but is much lower than in 3Q23 (-15% yoy). Additionally, the average soybean meal (SBM) price remained relatively stable and low at around US\$319/t in the first week of Sep24. In mid-Aug24, the SBM price hit a YTD low of US\$303/ton, bringing the average price QTD in 3Q24 to US\$338/t (-5% qoq, -20% qoq).

Relatively light ownership with reduced position post 2Q24 results

In Aug24, domestic funds reduced their positions in CPIN and JPFA with the latter experiencing higher sell-off, from 0.08% OW to 0.02% UW. Although positioning is higher compared to the underweight in the past two years, we believe the sector is poised for a re-rating due to the strong earnings growth outlook in FY24-FY25F on the back of better supply-demand of chicken. We continue to expect integrators to book 76/15% earnings growth in FY24/FY25F driven by margins expansion stemming from lower feed costs and better chicken prices in FY25F from a lower GPS import quota.

Maintain Overweight with CPIN as our top pick

The weak chicken prices in 3Q24 are well in-line with our expectation and thus, we maintain our expectation for the integrators to book positive earnings in 3Q24, supported by the lower feed costs. We maintain our Overweight rating on the back of 1) strong earnings growth of 76-15% in FY24/25F, 2) mild local and foreign fund positioning, and 3) cheap valuations at below -1SD. Our top pick is CPIN given its YTD underperformance and potentially higher sequential earnings growth compared to its peers. Risks to our view are volatility in earnings and weaker purchasing power.

Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2024F	2025F	2024F	2025F	2025F
Charoen Pokphand Indonesia	CPIN IJ	BUY	6,400	80,350.2	22.7	19.2	2.7	2.5	13.6
Japfa Comfeed Indonesia	JPFA IJ	BUY	2,200	15,127.3	8.3	7.8	1.2	1.1	15.1
Malindo Feedmill Indonesia	MAIN IJ	BUY	850	1,309.7	13.8	8.3	0.7	0.6	7.8

Robust growth outlook overshadowed by fear of low livebird prices

QTD 3Q24 average LB price shows expected seasonal decline

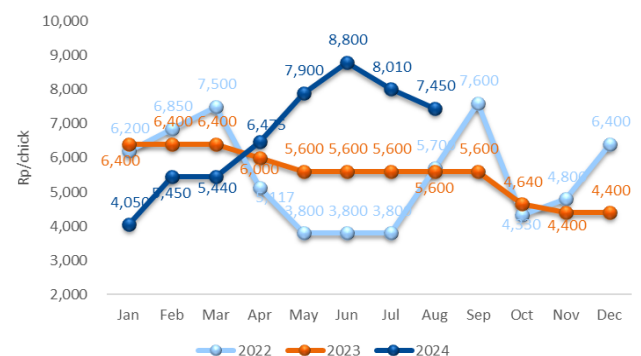
Livebird (LB) prices have slightly increased to Rp17,500/kg, bringing the average price to Rp17,900/kg in the early week of Sep24. QTD in 3Q24, the average LB price stands at Rp18,400/kg, lower than the average prices of Rp20,600/kg in 2Q24 and Rp20,900/kg in 3Q23. We believe the lower prices in 3Q24 were expected due to the Suro month in Jul24 and the diminishing effect of supply adjustments. Although the average LB price in 3Q24 is lower compared to 2Q24, we believe that integrators can still achieve a positive overall margin, supported by lower feed costs.

Exhibit 1. West Java livebird price



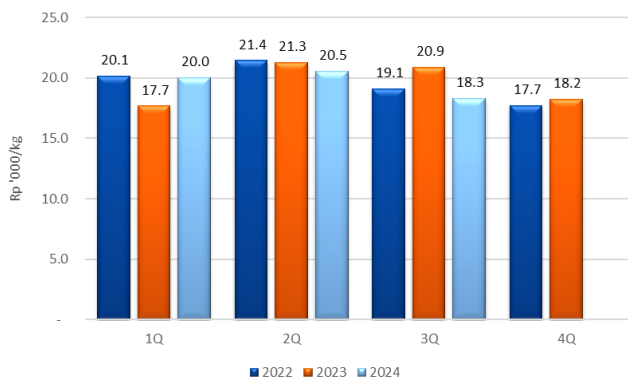
Source: Various sources, BRIDS

Exhibit 2. Wonokoyo Super DOC – East Java (Rp/chick)



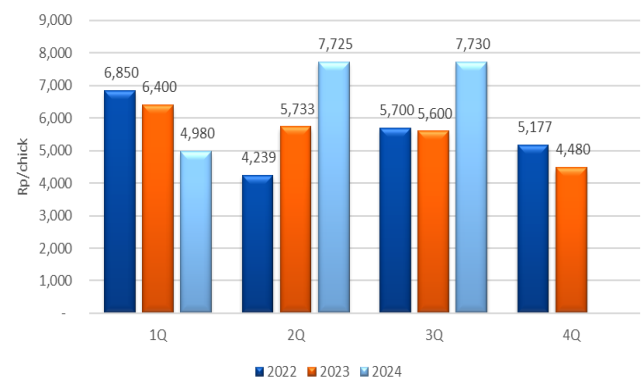
Source: Arboge, BRIDS

Exhibit 3. Quarterly West Java livebird price



Source: Various sources, BRIDS, *3Q24=QTD as of 7 Sep24

Exhibit 4. Quarterly Wonokoyo Super DOC – East Java



Source: Arboge, BRIDS, *3Q24=QTD as of 2 Aug24

Local corn and SBM prices: downtrends persist into Sep24

The local corn price has recently continued its downtrend, reaching Rp4,900/kg and lowering its weekly average to Rp5,100/kg in the first week of Sep24. This represents a 2% wow decrease from Rp5,200/kg in the previous week. The average local corn price QTD in 3Q24 has remained relatively stable compared to 2Q24 but is much lower than in 3Q23 (-15% yoy). Additionally, the average soybean meal (SBM) price remained relatively stable and low at around US\$319/t in the first week of Sep24. In mid-Aug24, the SBM price hit a YTD low of US\$303/ton, bringing the average price QTD in 3Q24 to US\$338/t (-5% qoq, -20% qoq).

Exhibit 5. Average local corn price



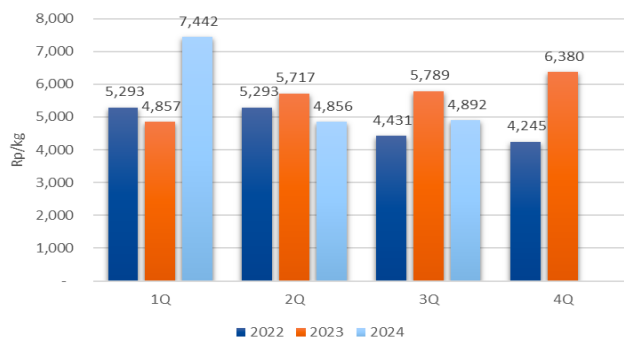
Source: Various sources, BRIDS

Exhibit 6. Soybean meal price



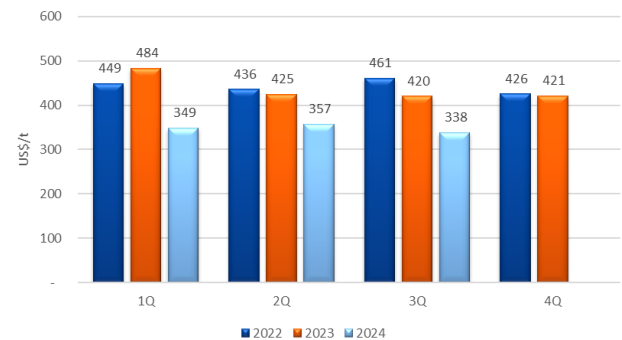
Source: Bloomberg, BRIDS

Exhibit 7. Quarterly Average local corn price



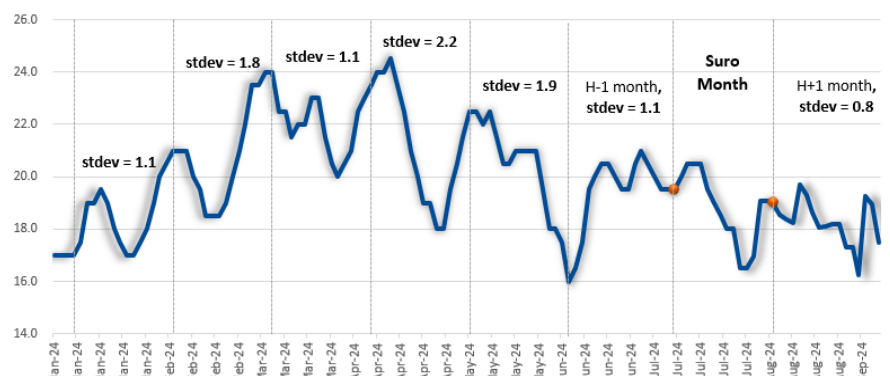
Source: Various sources, BRIDS, *3Q24=QTD as of 7 Sep24

Exhibit 8. Quarterly Soybean meal price



Source: Bloomberg, BRIDS *3Q24=QTD as of 6 Sep24

Exhibit 9. Volatility in Broiler Price during 2024



Source: Various source, BRIDS

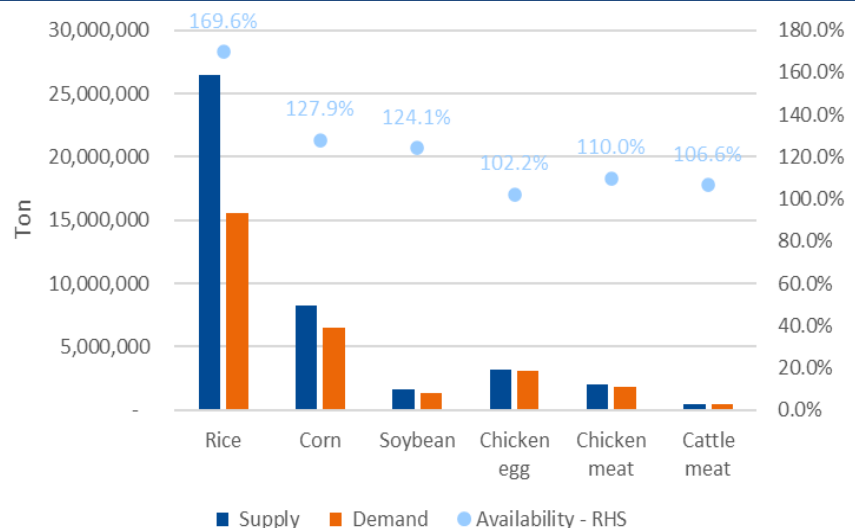
Food security remained ample

The availability of food commodities from April to June 2024 is in a secure state, as indicated by the availability ratio of all commodities exceeding 100%. This suggests that the supply of all food commodities, including chicken meat, has surpassed the demand, resulting in a surplus. The food supply has been met through domestic production and imports (in cases where domestic production is insufficient or for commodities that still rely on imports).

The chicken meat oversupply which stood at 10% in 2Q24 was still favorable for the livebird prices which averaged at Rp20,600/kg in 2Q24 (+2.6% qoq, -3.4% yoy). The lower oversupply of 10% in 2Q24 (vs our estimation of c. 20-30% normally) was supported by the voluntary culling. As we had previously anticipated that 3Q24 culling would be lower, the current QTD 3Q24 livebird prices currently have declined to Rp18,400/kg (-10.6% qoq, -12.0% yoy).

Corn availability is even higher than chicken at 128%. The government has planned to import 1.13 million tons of corn from Jun-Dec 2024 period, higher than the Jan-May 2024 import realization of 0.8 million tons. We believe that this is mainly to serve the food and beverage industries as the local corn demand for feed industry can be fulfilled by local corn production. In 3Q24 QTD, local corn prices averaged at Rp4.9k/kg, relatively flat qoq amid the non-harvest season.

Exhibit 10. Supply and demand of food product in Indonesia (2Q24)



Source: MoA, BRIDS

Ample corn production and sufficient broiler meat demand

Based on the supply-demand analysis by MoA, we note that the corn supply will remain ample to fulfill the domestic demand in FY24F. With an estimated food security of 65 days, we believe corn prices will remain favorable throughout the remainder of the year. Prices of broiler meat will continue to fluctuate as the total supply and demand varies amid oversupply conditions. However, we expect the regional election and seasonality in 4Q24 to elevate broiler prices during the quarter.

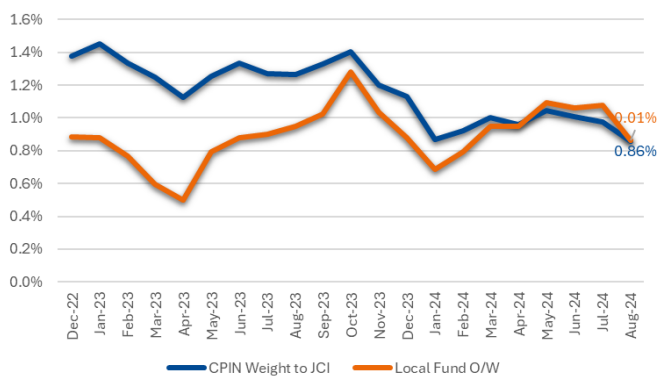
Exhibit 11. Supply and demand of food product in Indonesia (2Q24)

Volume (in ton)	Corn	Broiler Meat
Beginning stock	956,330	122,898
Lost in transport		
Estimated domestic production	13,712,182	3,874,705
Import realization (Jan-May 2024)	836,771	
Import plan (Jun-Dec 2024)	1,130,255	
Export realization (Jan-May 2024)	295	
Export plan (Jun-Dec 2024)	-	
Total supply	16,635,243	3,997,603
Annual demand	14,140,203	3,719,718
Monthly demand	1,178,350	309,977
Daily demand	38,634	10,163
Ending stock	2,495,040	277,885
Food security (day)	65	27

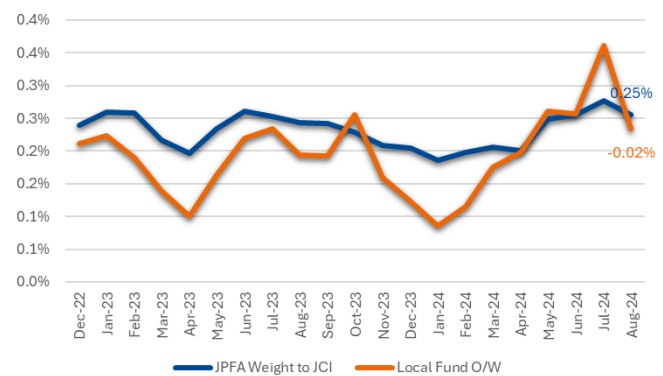
Source: MoA, BRIDS

Relatively light ownership with reduced position post 2Q24 results

In Aug24, domestic funds reduced their positions in CPIN and JPFA with the latter experiencing higher sell-off, from 0.08% OW to 0.02% UW. Although positioning is higher compared to the underweight in the past two years, we believe the sector is poised for a re-rating due to the strong earnings growth outlook in FY24-FY25F on the back of better supply-demand of chicken. We continue to expect integrators to book 76/15% earnings growth in FY24/FY25F driven by margins expansion stemming from lower feed costs and better chicken prices in FY25F from a lower GPS import quota.

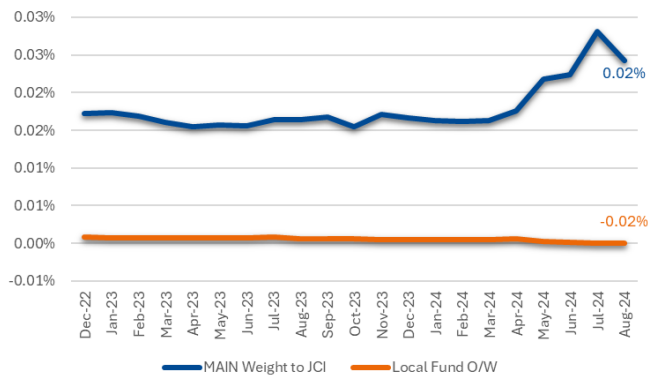
Exhibit 12. CPIN's weighting and local funds position


Source: KSEI, BRIDS

Exhibit 13. JPFA's weighting and local funds position


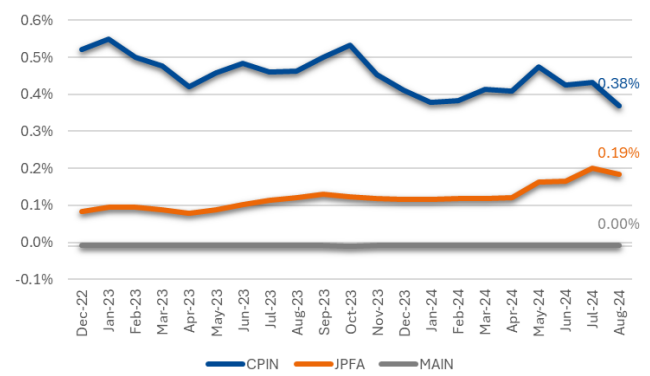
Source: KSEI, BRIDS

Exhibit 14. MAIN's weighting and local funds position



Source: KSEI, BRIDS

Exhibit 15. Foreign funds ownership



Source: KSEI, BRIDS

Maintain Overweight with CPIN as our top pick

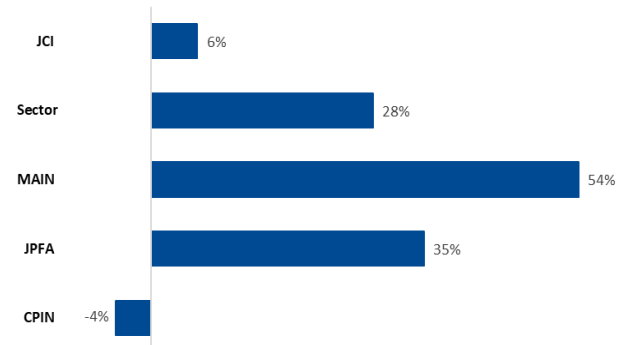
The weak chicken prices in 3Q24 are well in-line with our expectation and thus, we maintain our expectation for the integrators to book positive earnings in 3Q24, supported by the lower feed costs. We maintain our Overweight rating on the back of 1) strong earnings growth of 76-15% in FY24/25F, 2) mild local and foreign fund positioning, and 3) cheap valuations at below -1SD. Our top pick is CPIN given its YTD underperformance and potentially higher sequential earnings growth compared to its peers. Risks to our view are volatility in earnings and weaker purchasing power.

Exhibit 16. Key Assumption

Price	2024F	2025F
Live Bird (Rp/kg live)	19,689	20,378
DOC (Rp/bird)	6,957	7,201
Corn (Rp/kg)	5,387	5,481
Soybean meal (US\$/t)	395	404

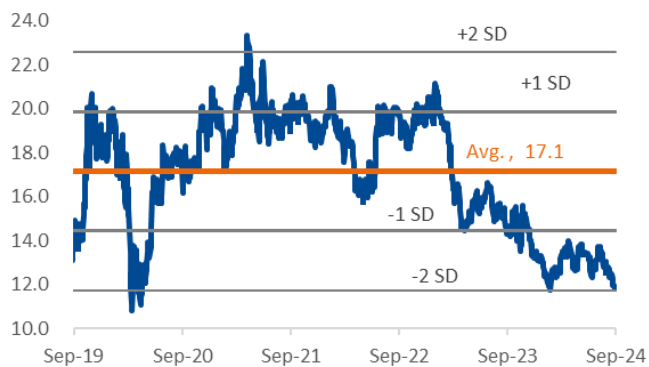
Source: BRIDS Assumption

Exhibit 17. YTD share price performance



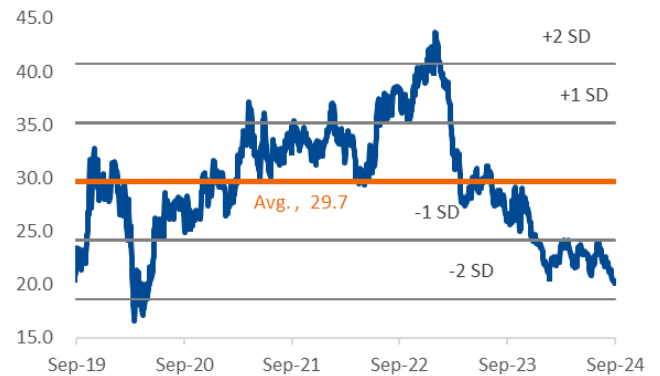
Source: Bloomberg

Exhibit 18. CPIN EV/EBITDA band chart (5-year)



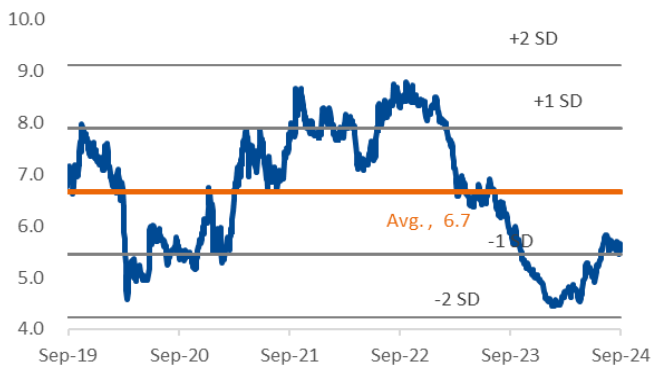
Source: Bloomberg, BRIDS Estimates

Exhibit 19. CPIN P/E band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 20. JPFA EV/EBITDA band chart (5-year)



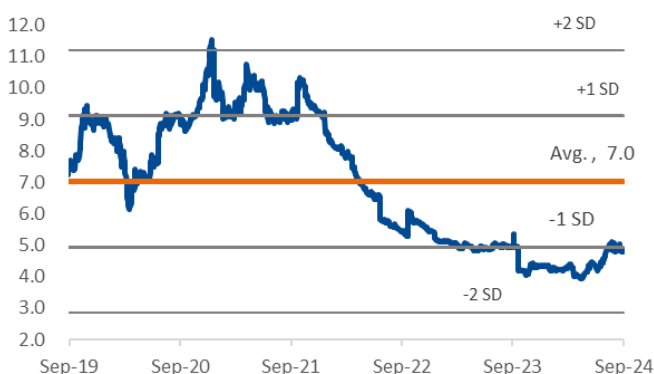
Source: Bloomberg, BRIDS Estimates

Exhibit 21. JPFA P/E band chart (5-year)



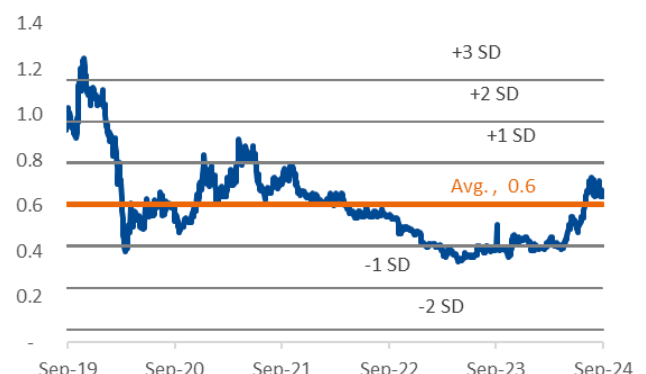
Source: Bloomberg, BRIDS Estimates

Exhibit 22. MAIN EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 23. 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, Infrastructure	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
Ehrlich 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

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.