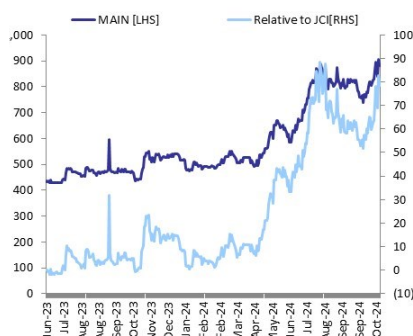


# Buy

(Maintained)

Last Price (Rp)	880
Target Price (Rp)	1,700
Previous Target Price (Rp)	850
Upside/Downside	+93.2%
No. of Shares (mn)	2,239
Mkt Cap (Rpbn/US\$mn)	1,970/126
Avg, Daily T/O (Rpbn/US\$mn)	1.0/0.1
Free Float (%)	42.4
Major Shareholder (%)	
Dragon Aminity Pre. Ltd.	57.3
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	193.2 197.2 224.7
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 JJ)

## Delivering solid 3Q24 earnings amid margin compression; cheaper options in the poultry space

- MAIN reported net profit of Rp67bn in 3Q24 (-62% yoy, -67% qoq), in-line with our 3Q24 preview, which expected margin compression.
- Overall margin was dragged by DOC and LB segments, while feed and processed food margin improved on qoq basis.
- On the back of margin recovery expectation in 4Q24, we maintain Buy rating with a higher TP of Rp1,700, implying 8.8-8.6x FY24-25F PE.

### In line with our upper estimate in 3Q24 preview

MAIN reported a net profit of Rp67bn in 3Q24 (-62% yoy, -67% qoq), which falls within the upper limit of our estimate of Rp64bn. Core net profit was higher at Rp89bn in 3Q24 (-45% yoy, -53% qoq). The 3Q24 quarterly net profit declined due to the high base in 2Q24 and 3Q23, as OPM dropped to 3.4% in 3Q24 (3Q23/2Q24: 7.3%/7.3%), mainly due to a significant drop in the margin of DOC and livebird segments, partly offset by higher feed and processed food margins.

### Lower DOC and LB margin offsetting the higher feed and CBP margin

Feed OPM increased 133bps qoq to 8.4% in 3Q24. Coupled with lower chicken prices in 3Q24, the resilient feed margin drove DOC and livebird segments' margins down qoq. DOC margin declined from 21.6% to 8.4%, while livebird margin dropped from -0.2% to -8.2% from 2Q24 to 3Q24, respectively. Processed food showed better growth in 3Q24, with revenue up by 10% qoq and 66% yoy, marking its highest quarterly revenue, with improved OPM to -8.5% (3Q23/2Q24: -17.0%/-18.1%) as the business scaled up. Overall, 3Q24 gross revenues declined to Rp3.7tr (-10% yoy, -7% qoq), led by feed revenues.

### We revised FY25-25F NP by 235-107%

MAIN reported 9M24 NP of Rp359bn (7-fold yoy), surpassing our FY24 estimates (no consensus). As we expect a margin recovery in 4Q24, we raised our FY24-25F EBITDA by 74-65% to reflect a higher margin stemming from lower-than-expected raw material costs. Note that MAIN has the highest portion of feed business compared to its peers.

### Maintain Buy rating with a higher TP of Rp1,700

As we revised our FY24-25F numbers, we also raised our TP to Rp1,700 (from Rp850 previously), derived from 4.7x FY25F EV/EBITDA (-1SD of 5-year average), implying 8.8-8.6x FY24-25F PE. We maintain our Buy rating on MAIN for its cheap valuation at 4.5x FY25F PE currently and margin recovery in 4Q24. Risks to our view include rising raw material costs and weak livebird prices.

### Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	11,102	12,058	12,726	13,044	13,366
EBITDA (Rpbn)	436	642	1,193	1,218	1,313
EBITDA Growth (%)	23.1	47.3	85.8	2.0	7.8
Net Profit (Rpbn)	26	63	432	441	503
EPS (Rp)	11.7	28.3	193.2	197.2	224.7
EPS Growth (%)	(56.5)	141.5	582.4	2.1	14.0
BVPS (Rp)	1,070.5	1,116.0	1,309.1	1,506.3	1,730.6
DPS (Rp)	0.0	0.0	0.0	0.0	0.0
PER (x)	75.1	31.1	4.6	4.5	3.9
PBV (x)	0.8	0.8	0.7	0.6	0.5
Dividen yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	9.6	5.9	2.8	2.5	2.0

Source: MAIN, BRIDS Estimates

Exhibit 1. MAIN's Summary of forecast revision

Financial	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	12,659	12,726	0.5%	12,918	13,044	1.0%
EBITDA (Rpbn)	687	1,193	73.6%	737	1,218	65.3%
Net Profit (Rpbn)	129	432	234.9%	213	441	107.1%
Price	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	18,619	19,308	3.7%	19,923	20,727	4.0%
DOC (Rp/bird)	5,660	5,977	5.6%	6,067	6,257	3.1%
Corn (Rp/kg)	5,387	5,387	0.0%	5,481	5,481	0.0%
Soybean meal (US\$/t)	411	343	-16.5%	420	365	-13.0%

Source: BRIDS Estimates

Exhibit 2. MAIN 9M24 Result Summary

MAIN (Rp bn)	3Q23	2Q24	3Q24	y-o-y	q-o-q	9M23	9M24	y-o-y	FY24F	A/F
<b>Consolidated</b>										
Revenue	3,319	3,244	2,954	-11%	-9%	8,970	9,445	5%	12,659	75%
COGS	(2,915)	(2,706)	(2,679)	-8%	-1%	(8,225)	(8,247)	0%	(11,608)	71%
Gross Profit	404	538	274	-32%	-49%	746	1,198	61%	1,051	114%
Total Opex	(164)	(269)	(151)	-8%	-44%	(454)	(573)	26%	(638)	90%
Operating Profit	240	269	123	-49%	-54%	291	625	114%	413	151%
Pretax profit	266	265	69	-74%	-74%	103	447	333%	179	250%
Net profit	176	205	67	-62%	-67%	46	359	684%	129	278%
Core profit	162	189	89	-45%	-53%	69	362	428%	185	196%
Gross margin	12.2%	16.6%	9.3%	(289)bp	(731)bp	8.3%	12.7%	437 bp	8.3%	
Opex to revenue	4.9%	8.3%	5.1%	18 bp	(317)bp	5.1%	6.1%	100 bp	5.0%	
Operating margin	7.2%	8.3%	4.2%	(307)bp	(414)bp	3.2%	6.6%	337 bp	3.3%	
Net margin	5.3%	6.3%	2.3%	(306)bp	(405)bp	0.5%	3.8%	329 bp	1.0%	
<b>Segment breakdown</b>										
Feed revenue	2,440	2,107	2,015	-17%	-4%	6,764	6,486	-4%		
DOC revenue	658	714	559	-15%	-22%	1,540	1,813	18%		
Live birds revenue	927	1,028	1,007	9%	-2%	2,662	2,982	12%		
Processed food revenue	52	78	86	66%	10%	168	241	44%		
Total revenue	4,077	3,927	3,666	-10%	-7%	11,135	11,522	3%		
Feed margin	9.1%	7.1%	8.4%	(66)bp	133 bp	8.0%	8.0%	1 bp		
DOC margin	23.0%	21.6%	8.4%	(1,456)bp	(1,314)bp	-7.9%	8.3%	1,620 bp		
Live birds margin	-7.2%	-0.2%	-8.2%	(95)bp	(801)bp	-5.0%	-2.6%	238 bp		
Processed food margin	-17.0%	-18.1%	-8.5%	852 bp	961 bp	-18.8%	-15.1%	368 bp		
Total operating margin	7.3%	7.3%	3.4%	(382)bp	(386)bp	2.3%	4.9%	253 bp		

Source: Company, BRIDS Estimates

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



Source: Bloomberg, BRIDS Estimates

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



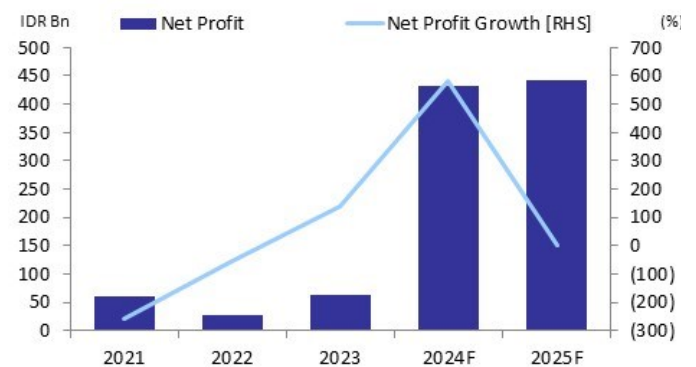
Source: Bloomberg, BRIDS Estimates

Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 6. Net Profit and Growth



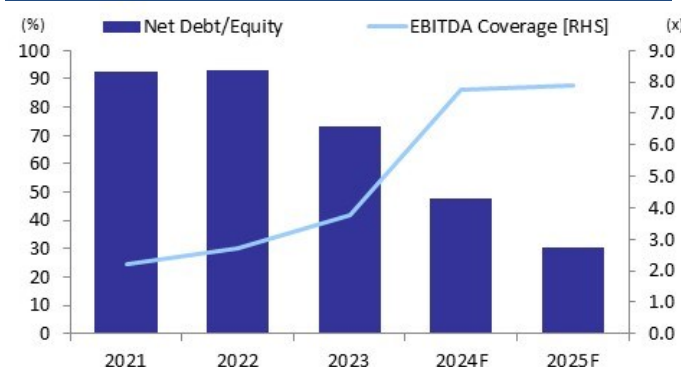
Source: Company, BRIDS Estimates

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>12,726</b>	<b>13,044</b>	<b>13,366</b>
COGS	(10,408)	(11,110)	(10,905)	(11,174)	(11,386)
<b>Gross profit</b>	<b>694</b>	<b>948</b>	<b>1,821</b>	<b>1,870</b>	<b>1,980</b>
<b>EBITDA</b>	<b>436</b>	<b>642</b>	<b>1,193</b>	<b>1,218</b>	<b>1,313</b>
<b>Oper. profit</b>	<b>165</b>	<b>373</b>	<b>917</b>	<b>928</b>	<b>1,008</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)	(176)	(176)	(175)
<b>Pre-tax profit</b>	<b>32</b>	<b>111</b>	<b>582</b>	<b>594</b>	<b>675</b>
Income tax	(6)	(48)	(151)	(154)	(175)
Minority interest	0	0	1	1	1
<b>Net profit</b>	<b>26</b>	<b>63</b>	<b>432</b>	<b>441</b>	<b>503</b>
<b>Core Net Profit</b>	<b>(9)</b>	<b>89</b>	<b>437</b>	<b>446</b>	<b>506</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	477	288	727	1,106	1,534
Receivables	526	681	637	653	669
Inventory	960	1,069	996	1,020	1,040
Other Curr. Asset	990	783	850	866	881
Fixed assets - Net	2,539	2,367	2,295	2,313	2,345
Other non-curr.asset	256	329	336	343	350
<b>Total asset</b>	<b>5,747</b>	<b>5,517</b>	<b>5,840</b>	<b>6,301</b>	<b>6,819</b>
ST Debt	1,993	1,603	1,500	1,505	1,510
Payables	293	536	407	417	425
Other Curr. Liabilities	239	244	250	253	255
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>2,913</b>	<b>2,933</b>	<b>2,953</b>
Shareholder's Funds	2,397	2,498	2,931	3,372	3,874
Minority interests	(2)	(2)	(4)	(5)	(6)
<b>Total Equity &amp; Liabilities</b>	<b>5,747</b>	<b>5,517</b>	<b>5,840</b>	<b>6,301</b>	<b>6,821</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	26	63	432	441	503
Depreciation and Amort.	271	270	277	289	305
Change in Working Capital	(10)	146	(73)	(45)	(42)
Other Oper. Cash Flow	(18)	(17)	(7)	(7)	(9)
<b>Operating Cash Flow</b>	<b>269</b>	<b>462</b>	<b>629</b>	<b>679</b>	<b>757</b>
Capex	(355)	(102)	(205)	(307)	(338)
Others Inv. Cash Flow	79	2	0	0	0
<b>Investing Cash Flow</b>	<b>(276)</b>	<b>(100)</b>	<b>(205)</b>	<b>(307)</b>	<b>(338)</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>439</b>	<b>380</b>	<b>428</b>
Cash - begin of the year	180	477	288	727	1,106
Cash - end of the year	477	288	727	1,106	1,534

**Exhibit 12. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	21.6	8.6	5.5	2.5	2.5
EBITDA	23.1	47.3	85.8	2.0	7.8
Operating profit	89.4	125.9	145.9	1.3	8.6
Net profit	(56.5)	141.5	582.4	2.1	14.0
<b>Profitability (%)</b>					
Gross margin	6.3	7.9	14.3	14.3	14.8
EBITDA margin	3.9	5.3	9.4	9.3	9.8
Operating margin	1.5	3.1	7.2	7.1	7.5
Net margin	0.2	0.5	3.4	3.4	3.8
ROAA	0.5	1.1	7.6	7.3	7.7
ROAE	1.1	2.6	15.9	14.0	13.9
<b>Leverage</b>					
Net Gearing (x)	0.9	0.7	0.5	0.3	0.2
Interest Coverage (x)	1.0	2.2	5.9	6.0	6.5

Source: MAIN, 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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