

Sector Index Performance

	3M	6M	12M
Absolute	8.1%	20.3%	5.5%
Relative to JCI	8.9%	20.3%	-0.3%



Summary Valuation Metrics

	2024F	2025F	2026F
P/E (x)			
CPIN IJ	23.3	21.4	19.8
JPFA IJ	9.6	8.6	7.2
EV/EBITDA (x)			
CPIN IJ	13.5	12.5	11.6
JPFA IJ	6.4	5.9	5.4
Div. Yield			
CPIN IJ	1.3%	2.1%	2.3%
JPFA IJ	0.0%	5.2%	5.8%

Strong broiler price trend despite Suro seasonality shall be +ve for the sector

- Strong broiler price trend despite Suro seasonality indicates recent supply is matched with demand expectation through voluntary culling.
- We expect strong feed margin to sustain in 2H24F due to benign input cost; potential lower feed ASP is supportive for broiler segment margin.
- Maintain OW with JPFA as top pick due to robust FY24F earnings expectation (IPS: +31% above consensus).

Broiler price remains strong during Suro month

DOC and Broiler price remains strong at Rp7.7k/chick and Rp20.2k/kg despite Suro month starting on 7th of Jul24. This positive trend is contrary to FY22/23's seasonality pattern (Fig. 4) as the recent strong broiler price was driven by massive voluntary culling such that broiler supply is matched with demand expectation. If DOC and broiler price remains strong until end of Suro month (6th of Aug24), the negative impact of Suro month will be benign for 3Q24F - presenting further earnings upgrade potential.

Feed margin shall stabilize amid benign input costs

2Q24 average domestic corn price has normalized to Rp4.6k/kg (vs. avg. 1Q24 of Rp6.5k/kg) and has now stabilized at Rp4.2k/kg in mid-Jul24. We expect domestic corn price will be stable in 2H24F amid La Nina event in 2H24F (in-line with BMKG's expectations) and also supported by higher domestic corn inventory as of Apr24 (+6% > 5Y average). At the same time, soybean meal (SBM) price which spiked in 2Q24 with avg. of Rp5.8k/kg (vs. 1Q24 avg. of Rp5.5k/kg) has stabilized to Rp5.4k/kg in mid-Jul24 on the back of USDA raising their soybean ending stocks forecast by 10mn bushels to 455mn bushels in FY24/25F, based on latest report in Jun24. As such, we expect 2H24F' feed segment EBIT margin improvement to high single digit (vs. 6-7% during higher input cost in 4Q23-1Q24).

Low input cost will improve broiler margin from potential feed ASP cut

Feed's benign input cost and the cost-plus business model shall likely to result in feed ASP cut, which in turn reduce broiler segment' input cost. To note, we estimate feed contributes 60-70% broiler segment cost. Assuming all else being equal, our sensitivity analysis shows that every 1% feed ASP cut may improve FY24F CPIN/JPFA broiler' EBIT margin by +72/+68bps – providing a thick buffer for broiler's profitability outlook in 3Q24F.

Light local fund positioning on JPFA – maintain sector OW

In terms of fund positioning, we observed local fund has UW position on JPFA (vs. OW on CPIN) (Fig. 9-12) and current local fund positioning still lags substantially vs. FY21's poultry boom period. We reiterate JPFA as our top pick due to robust FY24F earnings growth (+115%), low FY24F consensus earnings expectation of Rp1.5tr (vs. ours' Rp2tr) and lighter local fund positioning (Fig. 11). We reiterate our OW call on poultry. Downside risk: poor corn harvesting in 2H24F and soft DOC & broiler price.

Andrianto Saputra

PT Indo Premier Sekuritas
andrianto.saputra@ipc.co.id
+62 21 5088 7168 ext. 712

Lukito Supriadi

PT Indo Premier Sekuritas
lukito.supriadi@ipc.co.id
+62 21 5088 7168 ext. 716

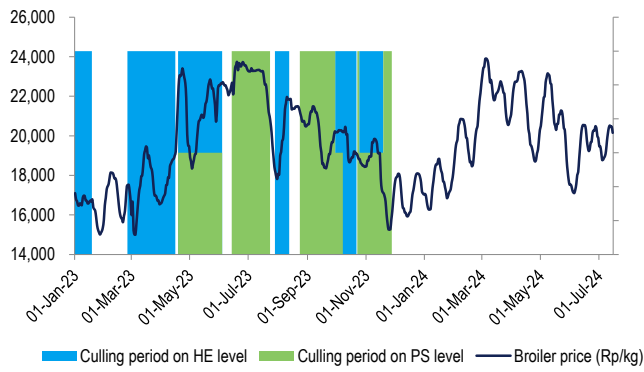
Fig. 1: Indonesia Poultry Valuation Summary

Ticker	Rating	Current price (Rp)	Target price (Rp)	Earnings yoy growth		P/E		ROE	
				2024F	2025F	2024F	2025F	2024F	2025F
CPIN	BUY	5,425	5,800	64.5%	9.0%	23.3	21.4	13.5%	13.5%
JPFA	BUY	1,645	1,880	115.4%	11.9%	9.6	8.6	14.1%	14.1%

Source: Company, Indo Premier

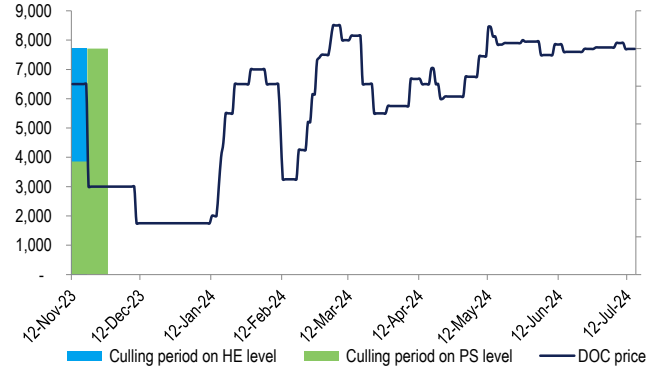
Share price close as 16 July 2024

Fig. 2: Broiler price (Rp/kg) trend



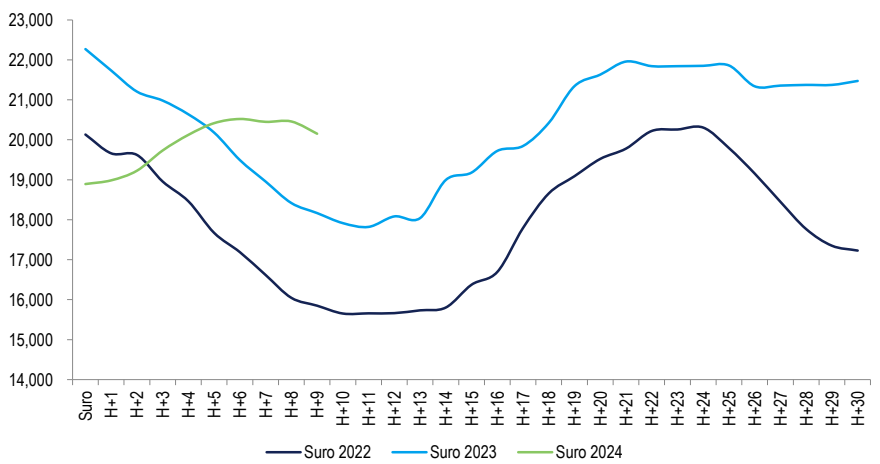
Source: Pinsar, Indo Premier

Fig. 3: DOC price trend (Rp/chick)



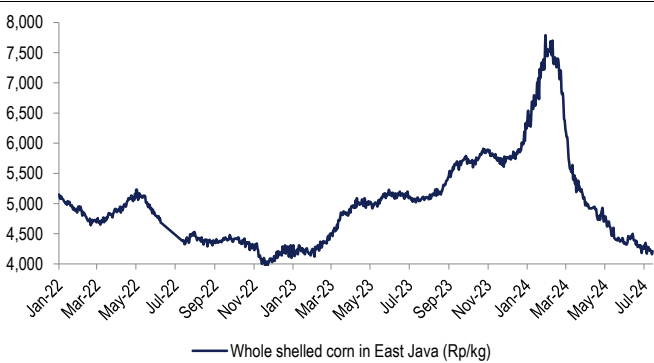
Source: Pinsar, Indo Premier

Fig. 4: Broiler price during FY24F suro month remains strong vs. its FY22-23's



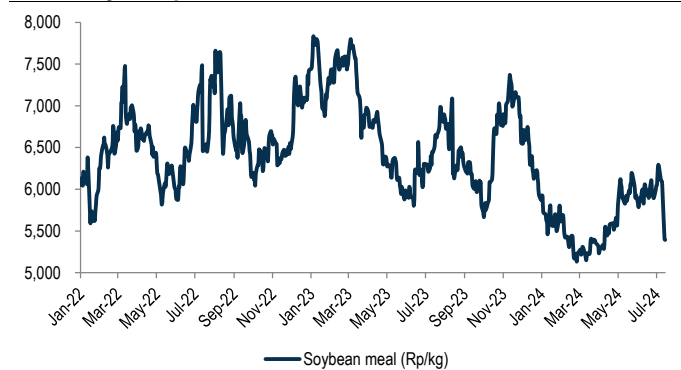
Source: Pinsar, Indo Premier

Fig. 5: Domestic corn price (Rp/kg) showed an improvement since 2nd week of Feb24



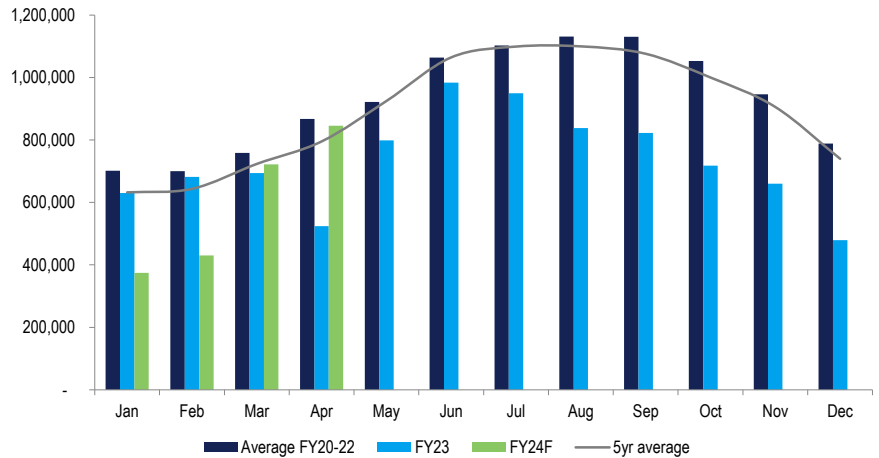
Source: Bappenas, Indo Premier

Fig. 6: Soybean meal price (Rp/kg) dropped in Jul24 due to higher USDA' soybean production in FY24/25F



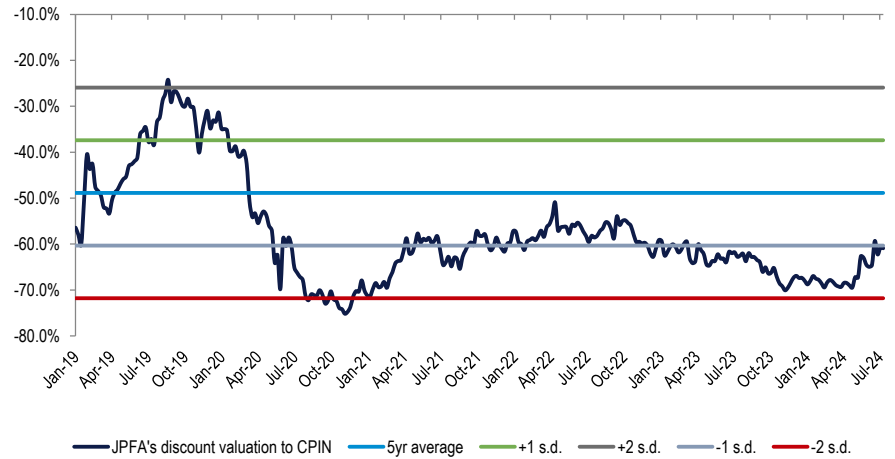
Source: Bloomberg, Indo Premier

Fig. 7: Indonesia corn inventory (tons) which con inventory remains resilient during La Nina in FY20-22



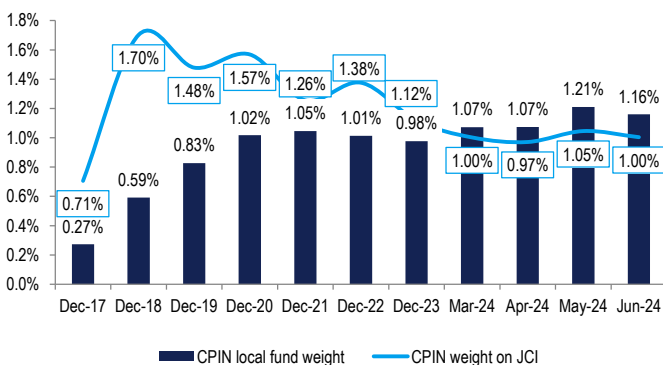
Source: Minister of Agriculture, Indo Premier

Fig. 8: JPFA's valuation discount to CPIN stood at 60% (-0.9 s.d. from its 5yr avg)



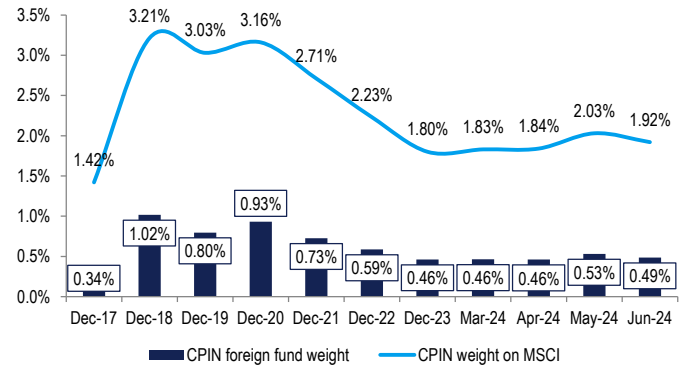
Source: Bloomberg, Indo Premier

Fig. 9: CPIN local fund weight vs. JCI



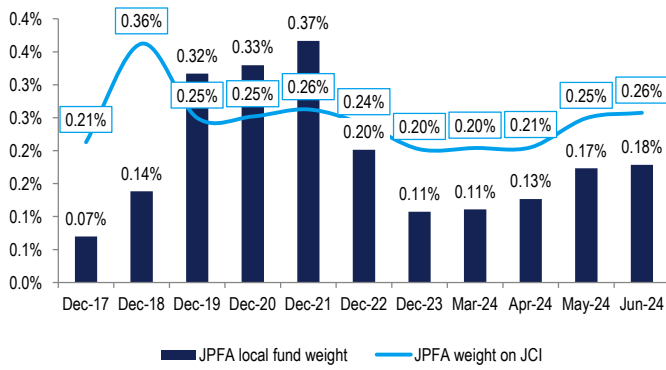
Source: KSEI, Indo Premier

Fig. 10: CPIN foreign fund weight vs. MSCI



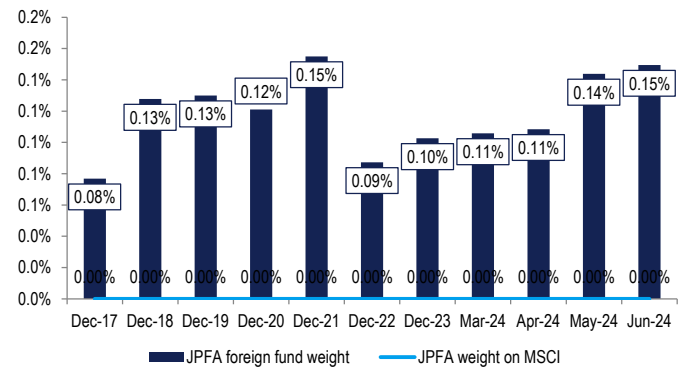
Source: MSCI, Indo Premier

Fig. 11: JPFA local fund weight vs. JCI



Source: KSEI, Indo Premier

Fig. 12: JPFA foreign fund weight vs. MSCI



Source: MSCI, Indo Premier

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SECTOR RATINGS

- OVERWEIGHT** : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL** : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT** : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- 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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