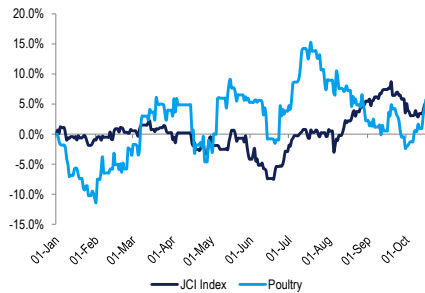


Sector Index Performance

	3M	6M	12M
Absolute	-6.0%	5.4%	-1.0%
Relative to JCI	-11.9%	-1.4%	-11.4%



Summary Valuation Metrics

	2024F	2025F	2026F
P/E (x)			
CPIN IJ	21.7	19.9	18.4
JPFA IJ	8.7	8.3	7.6
EV/EBITDA (x)			
CPIN IJ	12.6	11.7	10.8
JPFA IJ	5.9	5.7	5.4
Div. Yield			
CPIN IJ	1.4%	2.3%	2.5%
JPFA IJ	0.0%	5.8%	6.1%

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

3Q24F preview: soft results overall but 4Q outlook seems promising

- We expect CPIN/JPFA 3Q24F feed EBIT margin to rise by +81/+95bps qoq (-14/-6bps yoy) amid favorable input cost & may sustain until 4Q24.
- Given DOC/Broiler softness (-23/-11% qoq), we expect CPIN/JPFA' 3Q24F net profit to be below/in-line (at -51/-61% qoq; -60/-62% yoy).
- Expect poultry prices recovery to sustain in 4Q24F with regional election as demand driver. Maintain sector OW with JPFA as top pick.

Feed margin improvement due to favourable input cost

In terms of input cost, average 3Q24 corn and SBM price dropped by -3% and -8% qoq on the back of La Nina event in 2H24F. Based on our discussion with companies, lower input cost will improve their feed EBIT margin segment in 3Q24 and we expect CPIN and JPFA's margin to rise to 8.1% and 9.5% (+81bps and 95bps qoq). We also expect feed strong EBIT margin is likely to sustain until 4Q24F (link to [note](#)).

Soft 3Q24 DOC and broiler price to drag down 3Q24F earnings

3Q24 average DOC and Broiler price declined by -23% and -11% qoq as this was driven by soft demand despite a sizeable voluntary PS culling. Thus, we expect both CPIN and JPFA will record 3Q24 combined DOC-Broiler EBIT loss of -Rp122bn and -Rp296bn (vs. Rp938bn and Rp851bn in 2Q24).

3Q24F net profit: JPFA in-line while CPIN below

In sum, we expect JPFA 3Q24F earnings will be in-line with consensus estimate (-61% qoq; -62% yoy) - Fig. 2, while CPIN's will be below (-51% qoq; -60% yoy).

We expect DOC and broiler price recovery will sustain in 4Q24F

Broiler price improved significantly to Rp21.2k/kg on 15th Oct (vs. Rp16.5k/kg on 1st Oct24), while DOC price recovered to Rp6k/bird (vs. Rp3.5k/kg). Based on our channel check, the breeders increased their voluntary PS culling in 3Q24; hence, this has impacted into DOC supply in early Oct24. With massive PS culling in 3Q24F, we expect DOC and broiler price recovery will sustain until end of FY24F; thus, there will be an earnings upside in 4Q24F.

CPIN: processing food segment to turn profitable in 2H24F

CPIN's Jun24 processing food inventory has normalized to Rp1.4tr (Fig. 7) and the management expects this segment will turn profitable in 2H24F. Moreover, CPIN mentioned that they will not store the excess broiler into third party cold storage like they did in 4Q23 as this has dragged down its profitability. This bodes well for processing food's future profitability.

Any weakness post 3Q results shall be the best time to accumulate

In terms of fund positioning, local funds reduced their positioning since DOC and Broiler price showed a weakness in Aug24; and we believe post 3Q results shall be the best timing to accumulate back amid significant DOC and broiler price improvement. We maintain OW with JPFA as our top pick.

Fig. 1: Indonesia Poultry Valuation Summary

Ticker	Rating	Current Target		Earnings yoy		P/E		ROE	
		price (Rp)	price (Rp)	2024F growth	2025F growth	2024F	2025F	2024F	2025F
CPIN	BUY	5,050	5,800	64.5%	9.0%	21.7	19.9	13.5%	13.5%
JPFA	BUY	1,615	2,050	134.6%	5.1%	8.7	8.3	15.2%	14.3%

Source: Company, Indo Premier

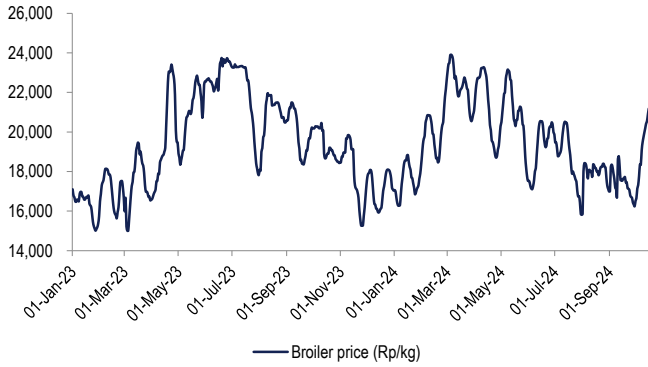
Share price close as 16 Oct 2024

Fig. 2: Poultry 3Q24F earnings preview

Ticker	3Q24F	3Q23	% YoY	2Q24	% QoQ	9M24F	9M23	% YoY	IPS FY24F	% of IPS	Cons FY24F	% of Cons	5yr. avg
CPIN	520	1,298	-59.9%	1,057	-50.8%	2,288	2,676	-14.5%	3,815	60%	3,214	71%	83%
JPFA	322	855	-62.4%	814	-60.5%	1,801	937	92.2%	2,292	79%	2,236	81%	79%

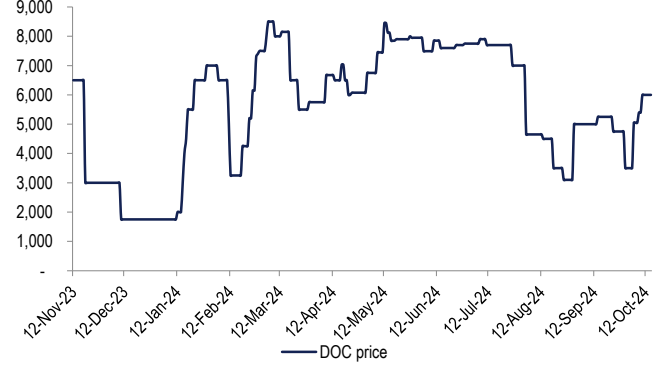
Source: Indo Premier

Fig. 3: Broiler price trend (Rp/kg)



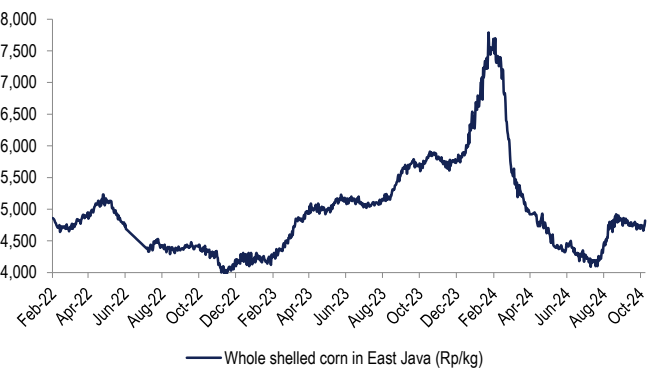
Source: Pinsar, Indo Premier

Fig. 4: DOC price trend (Rp/chick)



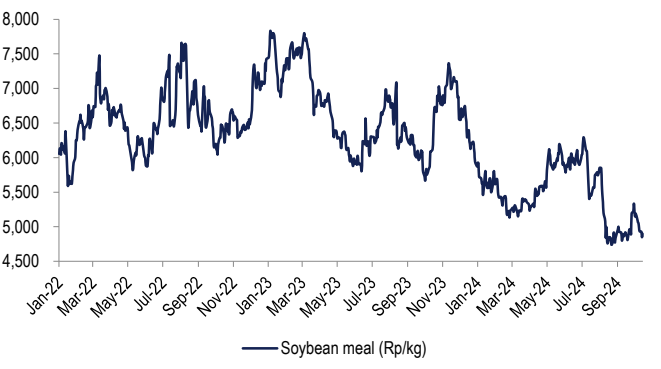
Source: Pinsar, Indo Premier

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



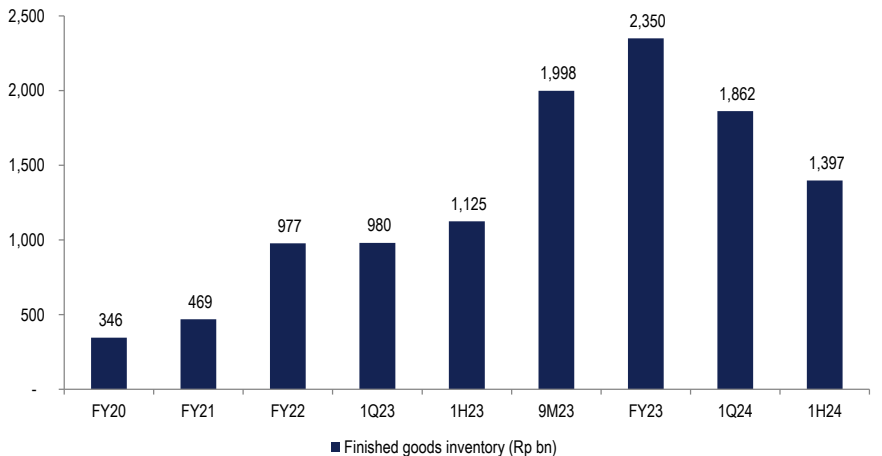
Source: Bappenas, Indo Premier

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



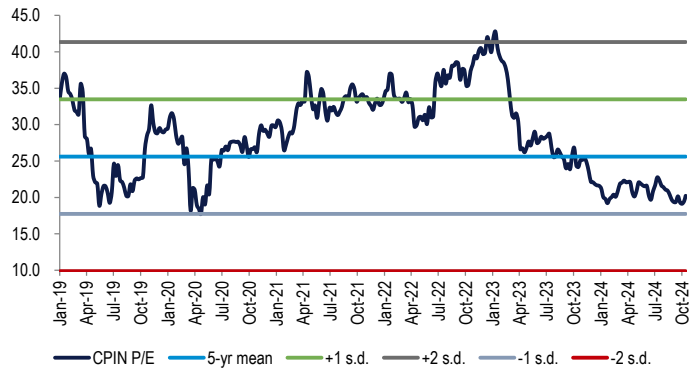
Source: Bloomberg, Indo Premier

Fig. 7: CPIN' finished good processing food inventory (Rp bn)



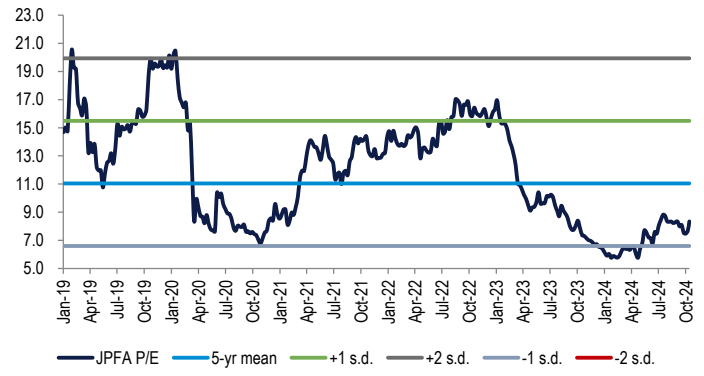
Source: Company, Indo Premier

Fig. 8: CPIN is traded at fwd. 12M of 20.2x (-0.7 s.d. from its 5yr avg)



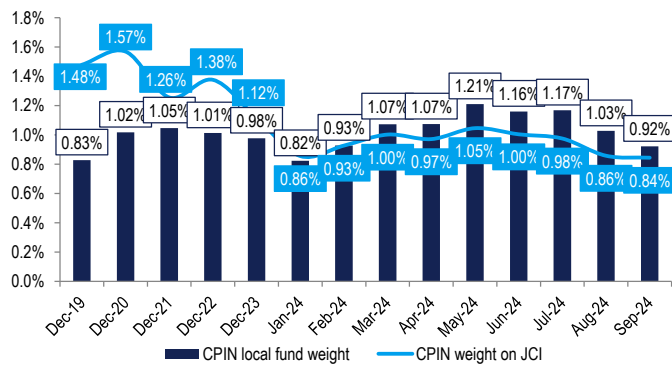
Source: Bloomberg, Indo Premier

Fig. 9: JPFA is traded at fwd. 12M of 8.3x (-0.6 s.d. from its 5yr avg)



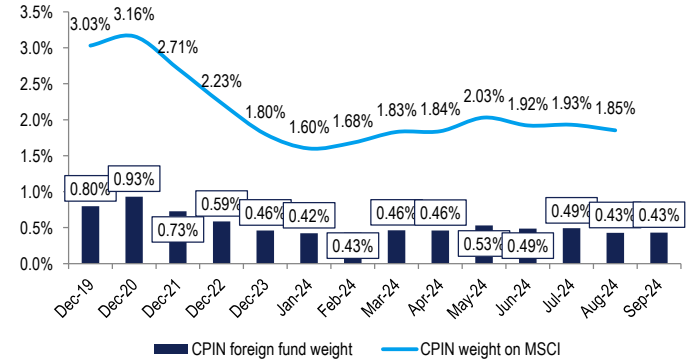
Source: Bloomberg, Indo Premier

Fig. 10: CPIN local fund weight vs. JCI



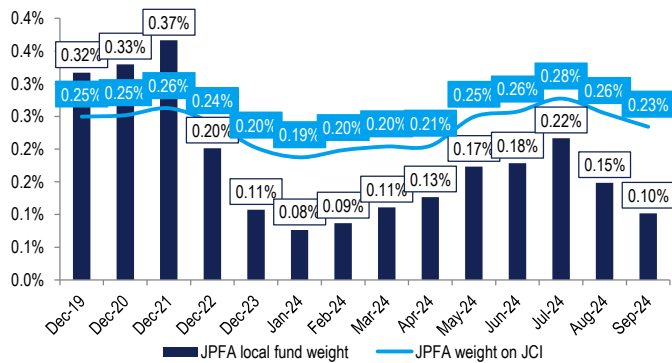
Source: KSEI, Indo Premier

Fig. 11: CPIN foreign fund weight vs. MSCI



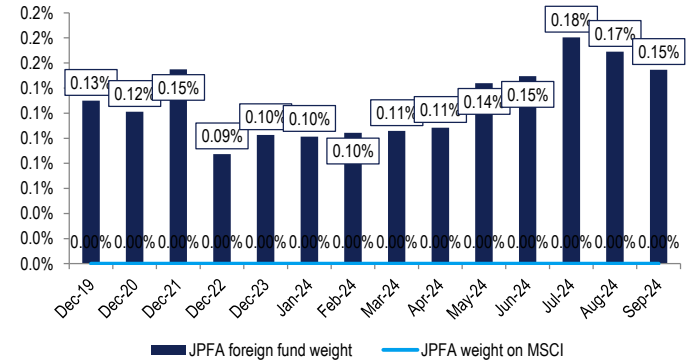
Source: MSCI, Indo Premier

Fig. 12: JPFA local fund weight vs. JCI



Source: KSEI, Indo Premier

Fig. 13: 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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