

PT. Malindo Feedmill Tbk.

BUY

Investment Considerations

Top 3 in poultry sector

- MAIN maintained their top 3 position in poultry feed in 2021 with an 8% market share, up from 7% in 2020.
- MAIN revenue of IDR 6.7 trillion was up 37% YoY from 9M2020. Most of MAIN's revenue came from feed at 64% of total revenue or IDR 4.29 trillion in 9M2021, up +31.5% YoY. The 2nd largest contribution was Day-old Chicks at 18% of total revenue or IDR 1.2 trillion, up +48.1% YoY. Broiler sales contributed 14% of total sales or IDR 937 billion, up +46.7% YoY and processed chicken contributed 2% of total sales or IDR 138 billion.
- In 3Q2021, MAIN recorded an increase of +17.6% YoY to IDR 2.13 trillion in revenue but that is lower QoQ by -12.2%. The decrease was due to a drop in demand in line with lower prices of DOCs and broilers because of a peak in covid-19 cases in June-July. DOCs decreased the most QoQ -24.7% but were higher by 13% compared to 3Q2020.
- We expect better demand in 4Q2021 and a continued recovery in 2022 from the easing of PPKM movement restrictions.

EBIT Margin Drop

- Because of lower demand and lower prices in 3Q2021, EBIT margins for all businesses dropped.
- DOC and broiler prices fell below cost in 3Q2021, resulting in negative EBIT margins in these businesses.
- Only feed had a positive EBIT margin of 2.6% which is lower compared to 3Q2020's 11.8%. The Broiler margin was -22% from 0.3% in 2Q2021, DOC -15% from 11% in 2Q2021. Processed chicken EBIT margin was -23.4% in 3Q2021.
- In 4Q2021, we expect stronger prices and a recovery in the broiler price back above cost, while we still expect a challenging environment for DOC prices.

Commodities prices remain high

- With a hit from lower demand and lower prices, higher commodity price also weighed on MAIN's bottom line.
- MAIN recorded a higher cost of sales in 3Q2021, up +28.8% YoY to IDR 2.15 trillion. This resulted in a negative gross profit of IDR -14 billion. MAIN also booked a net loss of IDR -110 billion.
- In 9M2021, MAIN cost of sales grew +36% YoY to IDR 6.27 trillion. MAIN's raw material costs increased +40% YoY to IDR 5.64 trillion. This resulted in an increase in gross profit +15.7% YoY to IDR 440 billion.
- MAIN booked a profit of IDR 19 billion in 9M2021, after a loss in 9M2020 of IDR -32 billion.
- We are expecting better 4Q2021 results, and a profit of IDR 41 billion in 2021F.

Valuation: BUY with TP 845

- As we expect higher demand with better prices in 2022, We are targeting MAIN to reach IDR 845 or 28% upside, which is a 21x PE valuation within one year. BUY.

Poultry

19 January 2022

Price IDR. 660

Target IDR. 845

JKSE Index 6,614.059



Stock code

Bloomberg code	MAIN IJ
Market cap (in Bn)	1,511.2
52-week high	965
52-week low	630
6-m avg.dail.val (IDR)	731
Free Float (%)	42.39%

Major Share Holders (%)

Dragon Amity PTE. Ltd	57.30%
Public	42.70%

USD/IDR-YE

2021	14,310
2022F (6m-avg)	14,300

Analyst:

Eka Rahmawati Rahman

Financial Highlights	2018A	2019A	2020A	2021F	2022F
Sales (In IDR Bn)	6.706	7.455	7.001	8.556	9.753
Net Income (In IDR Bn)	284	152	-39	41	87
EPS (IDR)	127	68	-17	18	39
GPM (%)	14,0%	12,1%	9,3%	7,3%	8,0%
OPM (%)	5,9%	3,3%	0,3%	0,8%	1,5%
NPM (%)	4,2%	2,0%	-0,6%	0,5%	0,9%
Net debt/ equity (x)	0,5	0,8	0,7	1,1	1,4

Source: Company and Binaartha

Company Profile

PT Malindo Feedmill Tbk. With ticker code MAIN is in the animal feed industry. The company’s scope of activities is in the animal food processing industry including animal feed and slaughterhouses as well as packaging for poultry. The company livestock business includes the cultivation of commercial layers, broiler, layer breeding, and wholesale livestock.

The company has 5 subsidiaries namely, PT Bibit Indonesia, PT Prima Fajar, PT Leong Ayamsatu Primadona (LAP), PT Malindo Food Delight, PT Mitra Bebek Persada, and one subsidiaries indirect PT Quality Indonesia. MAIN has four business segment, namely animal food, chicken breeding, broiler farm, and processed food. The processed food business produces products made from chicken ingredients under the brands of “SunnyGold”, “Ciki Wiki” and “Sobat”.

The company has factories in Java and Sulawesi, while the company’s farms are spread across several regions such as Java, Sumatra, South Kalimantan, and South Sulawesi.



Company Structure

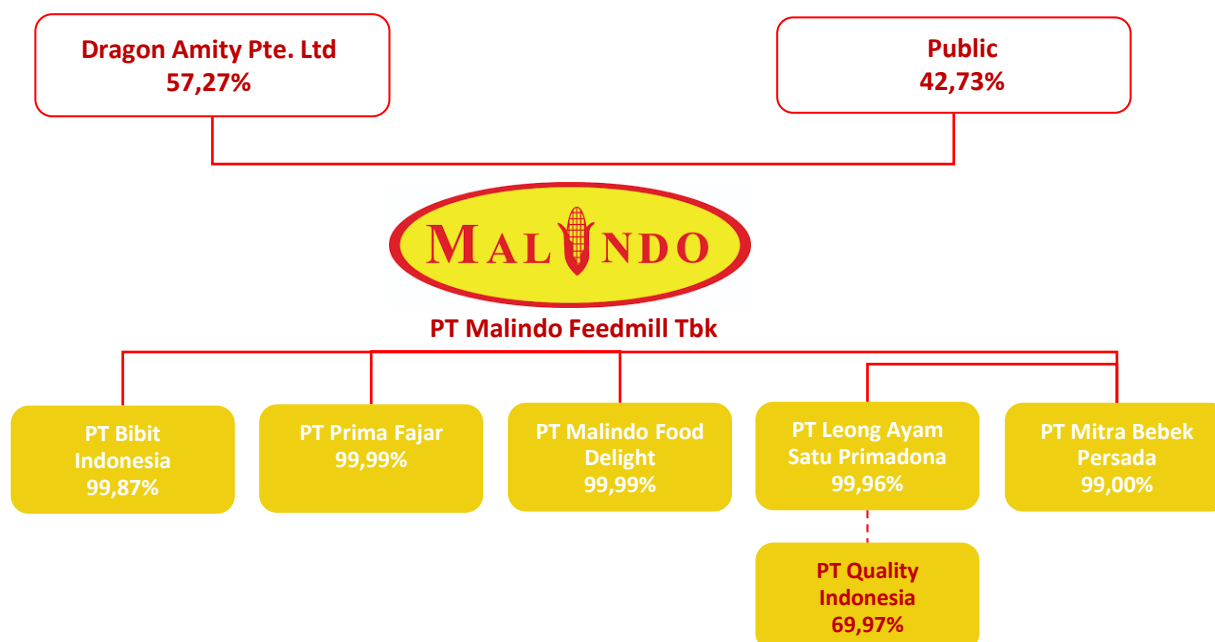


Table: MAIN Performance QoQ and YoY

Income Statement (In IDR Bn)	1Q2021	2Q2021	3Q2020	3Q2021	YoY	QoQ	9M2020	9M2021	YoY
Sales	2.146	2.433	1.817	2.136	17,6%	-12,2%	5.009	6.715	34,0%
Cost of Sales	-1.906	-2.219	-1.669	-2.150	28,8%	-3,1%	-4.629	-6.275	35,6%
Gross Profit	240	214	148	-14	-109,6%	-106,6%	380	440	15,7%
Operating Expenses	-127	-161	-175	-121	-30,8%	-24,8%	-442	-409	-7,4%
Operating Profit	112	53	-27	-135	395,0%	-353,8%	-62	30	-149,1%
Tax	-23	-14	-1	25	-2768,4%	-285,7%	-11	-12	10,5%
NIAT	89	40	-28	-110	288,8%	-377,3%	-73	19	-125,7%
Non-controlling Interest	-0	0	-0	0	-116,4%	-78,4%	-0	-0	-95,6%
Net Income	89	40	-28	-110	286,8%	-376,5%	-73	19	-125,7%
EPS	40	18	-13	-49	286,8%	-376,5%	-32	8	-125,7%
EBITDA	205	53	-27	-135	395,0%	-353,8%	268	338	26,2%
GPM (%)	11,2%	8,8%	8,1%	-0,7%			7,6%	6,6%	
OPM (%)	5,2%	2,2%	-1,5%	-6,3%			-1,2%	0,5%	
NPM (%)	4,1%	1,6%	-1,6%	-5,1%			-1,5%	0,3%	
EBITDA Margin (%)	9,5%	2,2%	-1,5%	-6,3%			5,3%	5,0%	

Source: Company & Binaartha

Chart: EBIT Margin by Segment YoY

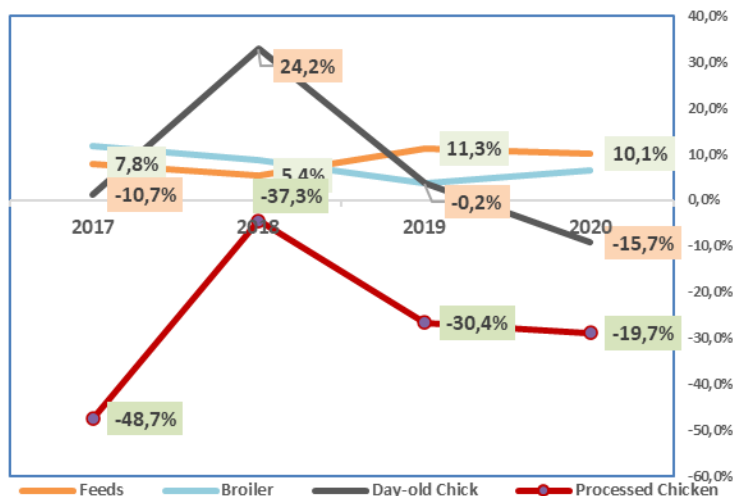
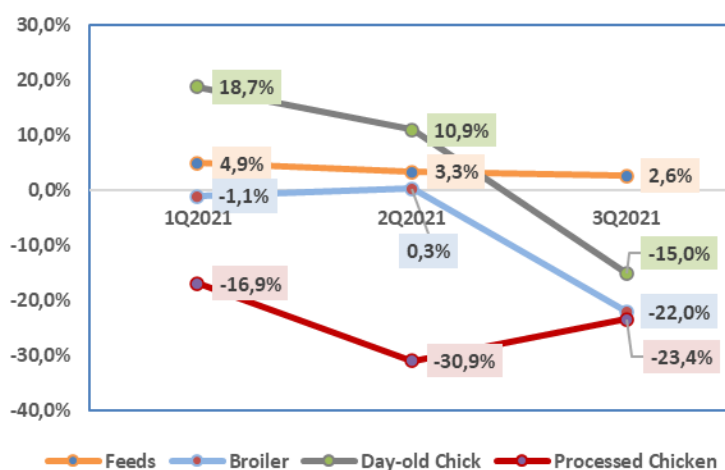
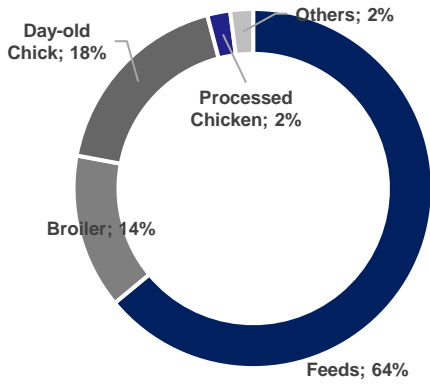


Chart: EBIT Margin by Segment QoQ 2021



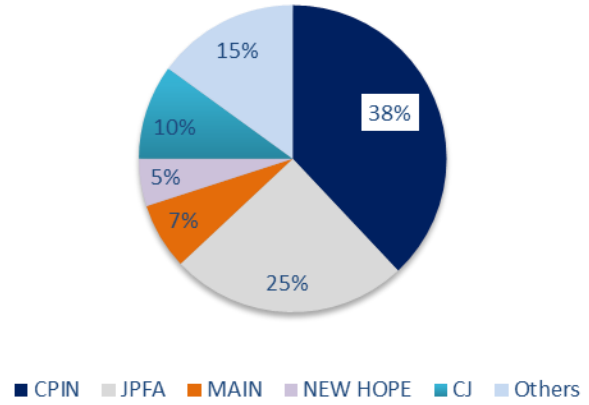
Source: Company & Binaartha

Chart: MAIN Revenue Breakdown in 9M2021



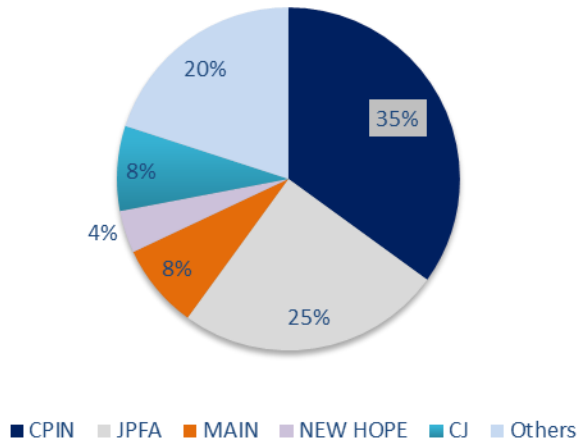
Source: Company

Chart: Indonesia DOC production capacity share in 2020



Source: Company

Chart: Indonesia Feed production capacity share in 2020



Source: Company

Table: Income Statement in IDR. Billion YoY

Income Statement (In IDR Bn)	2017A	2018A	2019A	2020A	2021F	2022F
Sales	5.441	6.706	7.455	7.001	8.556	9.753
Cost of Sales	-4.881	-5.764	-6.553	-6.347	-7.931	-8.973
Gross Profit	560	942	902	653	625	780
Operating Expenses	-562	-544	-653	-633	-556	-634
Operating Profit	-1	398	249	20	68	146
Tax	44	-114	-96	-59	-27	-59
NIAT	43	284	152	-39	41	88
Non-controlling Interest	-0	-1	-0	-0	-0	-0
Net Income	43	284	152	-39	41	87
EPS	19	127	68	-17	18	39
EBITDA	340	760	674	465	577	703

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (In IDR Bn)	2018A	2019A	2020A	2021F	2021F
Net Income	284	152	-39	41	87
Depreciation	235	239	264	264	293
Change in WC	-1.014	400	36	382	359
Cash From Operating Activities	-495	792	262	687	740
Capex	-296	-422	-313	-584	-628
Cash From Investing Activities	-296	-422	-313	-584	-628
Long-term liabilities	689	-370	1	-100	-200
Others Noncurrent Liabilities	-1	10	35	36	-2
Equity	70	-33	73	-79	104
Cash From Financing Activities	758	-393	109	-143	-99
Net Changes in Cash	-32	-24	57	-40	13
Beginning Balance	176	144	120	178	138
Ending Balance	143	120	177	138	150

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	176	144	120	178	138	150
Trade Accounts Receivable	441	347	442	403	492	488
Inventories	621	801	874	886	1.001	1.170
Others Current Assets	378	591	577	524	727	780
Total Current Assets	1.616	1.883	2.013	1.990	2.358	2.589
NONCURRENT ASSETS						
Fixed Assets	2.039	2.093	2.284	2.437	2.702	2.995
Deferred Tax Assets	209	208	191	172	210	239
Other Noncurrent Assets	145	153	160	76	92	105
Total Noncurrent Assets	2.393	2.453	2.636	2.684	3.004	3.339
TOTAL ASSETS	4.009	4.336	4.649	4.674	5.362	5.928
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	1.456	621	1.243	1.254	1.954	2.354
Trade Account Payable	253	260	246	224	273	390
Others Current Liabilities	157	269	215	182	223	283
Total Current Liabilities	1.866	1.150	1.704	1.660	2.450	3.027
NONCURRENT LIABILITIES						
Long-term Bank loan	388	1.077	706	707	607	407
Others Noncurrent Liabilitie	118	117	127	162	197	195
Total Noncurrent Liabilities	506	1.194	833	869	804	602
TOTAL LIABILITIES	2.371	2.344	2.537	2.529	3.255	3.629
Non-controlling interest	-1	-2	-2	-2	-2	-2
Temporary Syirkah Funds	0	95	83	162	95	225
EQUITY	1.639	1.898	2.030	1.986	2.014	2.075
TOTAL LIABILITIES & EQUITY	4.009	4.336	4.649	4.674	5.362	5.928

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)					
Sales	23,2%	11,2%	-6,1%	22,2%	14,0%
OP	-29505,4%	-37,5%	-91,9%	240,5%	113,7%
EBITDA	123,5%	-11,3%	-31,0%	24,0%	21,8%
NP	560,2%	-46,3%	-125,6%	-204,1%	114,8%
EPS	560,2%	-46,3%	-125,6%	-204,1%	114,8%
Profitability (%)					
Gross Margin	14,0%	12,1%	9,3%	7,3%	8,0%
Operating Margin	5,9%	3,3%	0,3%	0,8%	1,5%
EBITDA margin	11,3%	9,0%	6,6%	6,7%	7,2%
NET Profit margin	4,2%	2,0%	-0,6%	0,5%	0,9%
ROA	6,5%	3,3%	-0,8%	0,8%	1,5%
ROE	14,9%	7,5%	-2,0%	2,0%	4,2%
Solvability (x)					
Net debt/ equity	0,5	0,8	0,7	1,1	1,4
Tot. debt/ Tot.equity	1,2	1,2	1,3	1,6	1,7
Debt Ratio	0,5	0,5	0,5	0,6	0,6
Liquidity (x)					
Current Ratio	1,6	1,2	1,2	1,0	0,9
Cash Ratio	0,1	0,1	0,1	0,1	0,0
Per Share data (IDR)					
EPS	127	68	-17	18	39
BV	848	907	887	900	927
EBITDA/share	340	301	208	258	314

Source: Company & Binaartha

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

RESEARCH TEAM
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