

Thursday, 01 August 2019

**HOLD**  
**Maintain**

Last price (IDR) 1,115  
Target Price (IDR) 1,200  
Upside/Downside +7.6%  
Previous Target Price (IDR) 1,200

#### Stock Statistics

Sector Poultry  
Bloomberg Ticker MAIN JJ  
No of Shrs (mn) 2,239  
Mkt. Cap (IDRbn/USDmn) 2,496/178  
Avg. daily T/O (IDRbn/USDmn) 14.1/1.0

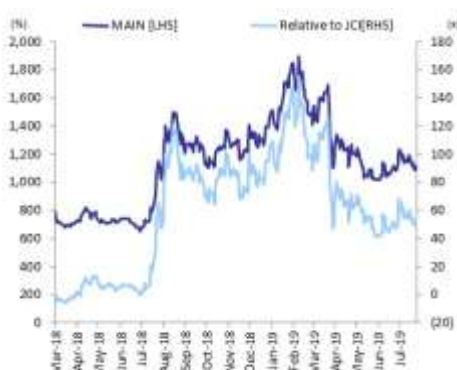
#### Major shareholders (%)

Dragon Amity Pte. Ltd. 57.3  
Estimate Free Float 42.7  
Estimated free float 42.7

#### EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	139.3	181.7	223.5
Consensus	120.8	137.5	153.4
Danareksa/Cons	15.3	32.1	45.7

#### MAIN relative to JCI Index



Source : Bloomberg



**Victor Stefano**

(62-21) 29 555 714

victor.stefano@danareksa.co.id

## Malindo Feedmill Indonesia(MAIN JJ)

### Strong volume offset by lower ASP

**MAIN reported net profits of IDR55bn in 2Q19 (-38% y-o-y, -40% q-o-q). Despite booking decent revenues of IDR1.9tn (+21% y-o-y, -1% q-o-q), the lower net profits reflect margins compression from the DOC and broiler business segments. MAIN's gross margin stood at 10.9% in 2Q19 (2Q18: 13.0%, 1Q19: 12.2%). MAIN's 1H19 net profits reached IDR146bn (-6% y-o-y) or reaching 47% of our full year forecast and 53% of consensus estimates. This is below our expectation as we believe the 2H19 earnings delivery will be slower on the back of margins compression stemming from higher corn costs and lower DOC prices.**

**Higher revenues backed by volume growth.** MAIN booked revenues of IDR1.9tn in 2Q19 (+21% y-o-y, -1% q-o-q). We believe the strong y-o-y growth was backed by double-digit volume growth in all segments coupled with slightly higher ASP on feed and DOC but offset by lower ASP in the broiler segment. Despite contributing to higher revenues, volume growth in the broiler segment was also the main source of profit deterioration as the broiler segment was operating at a loss during the quarter on the back of oversupply which negated the impact of Lebaran.

**Lower margins on a q-o-q and y-o-y basis.** MAIN's poultry feed business operating margin expanded to 7.7% in 2Q19 (2Q18: 5.6%, 1Q19: 6.5%) as the corn harvest was abundant during the quarter. However, the overall operating margin compressed to 5.1% in 2Q19 (2Q18: 5.9%, 1Q19: 6.4%) owing to lower DOC and broiler prices. The DOC segment recorded an operating margin of 4.3% which was substantially lower compared to 16.7% in 2Q18 and 18.9% in 1Q19 due to lower DOC prices, higher PS costs, and higher feed ASP.

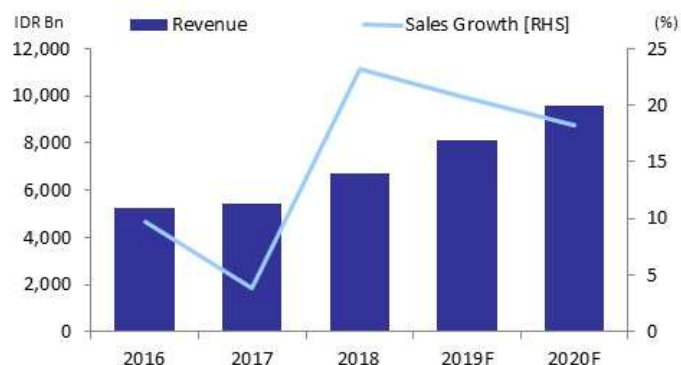
**Higher gearing expected.** MAIN's net gearing stood at 87% as of end Jun-19, an increase compared to 82% as of end Dec-18. We believe MAIN's net gearing will head higher on more capex spending if the company's 32% revenues growth target is realized.

**Maintain HOLD with a TP of IDR1,200.** We maintain our BUY call on the counter with an unchanged TP of IDR1,300 based on 5.8x FY20F EV/EBITDA (2-year average) implying 17.6x FY19F and 11.4x FY20F core PE.

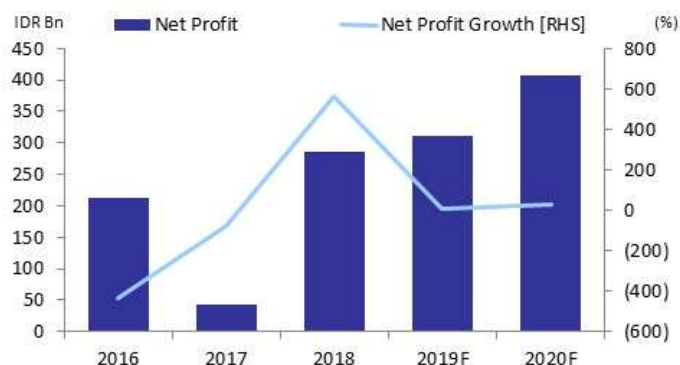
#### Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	5,441	6,706	8,087	9,557	11,295
EBITDA (IDRbn)	361	645	674	794	914
EBITDA Growth (%)	(45.9)	78.7	4.5	17.7	15.1
Net profit (IDRbn)	43	285	312	407	500
EPS (IDR)	19.2	127.2	139.3	181.7	223.5
EPS growth (%)	(79.7)	563.2	9.5	30.4	23.0
BVPS (IDR)	758.0	890.4	995.5	1,149.3	1,336.5
DPS (IDR)	0.0	0.0	0.0	0.0	0.0
PER (x)	58.1	8.8	8.0	6.1	5.0
PBV (x)	1.5	1.3	1.1	1.0	0.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	11.5	6.3	6.3	5.5	4.8

Source : MAIN, Danareksa Estimates

**Exhibit 1. Revenues and Growth**


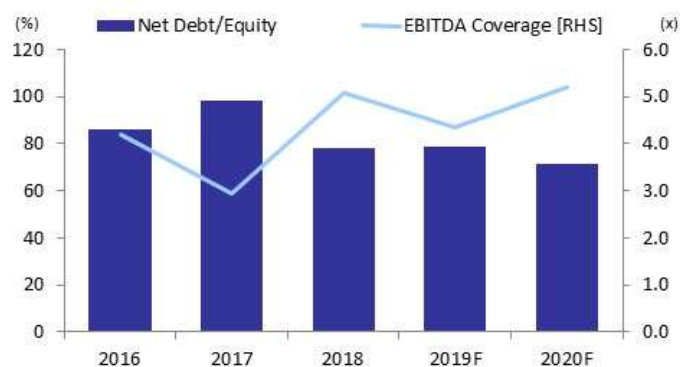
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. MAIN 2Q19 results summary**

MAIN (IDR bn)	2Q18	1Q19	2Q19	y-o-y	q-o-q	6M18	6M19	y-o-y	FY19F	FY19C	A/F	A/C
Revenue	1,599	1,945	1,927	21%	-1%	3,073	3,872	26%	8,087	7,477	48%	52%
COGS	(1,392)	(1,707)	(1,717)	23%	1%	(2,651)	(3,424)	29%	(7,068)	(6,458)	48%	53%
Gross Profit	207	238	210	2%	-12%	422	448	6%	1,019	1,019	44%	44%
Total Opex	(112)	(113)	(111)	-1%	-1%	(216)	(224)	4%	(589)	(647)	38%	35%
Operating Profit	95	125	99	4%	-21%	206	224	9%	431	372	52%	60%
Pretax profit	108	117	70	-35%	-40%	194	186	-4%	414	354	45%	53%
Net profit	88	91	55	-38%	-40%	155	146	-6%	312	273	47%	53%
Gross margin	13.0%	12.2%	10.9%	-2.0%	-1.3%	13.7%	11.6%	-2.2%	12.6%	13.6%		
Operating margin	5.9%	6.4%	5.1%	-0.8%	-1.3%	6.7%	5.8%	-0.9%	5.3%	5.0%		
Net margin	5.5%	4.7%	2.8%	-2.7%	-1.9%	5.1%	0.0%	-5.1%	3.9%	3.7%		

Source: Company, Danareksa Sekuritas estimates

**Exhibit 6. EV/EBITDA Band Chart (2-year)**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 7. PE Band Chart (2-year)**



Source: Company, Danareksa Sekuritas estimates

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>5,441</b>	<b>6,706</b>	<b>8,087</b>	<b>9,557</b>	<b>11,295</b>
COGS	(4,881)	(5,764)	(7,068)	(8,349)	(9,884)
<b>Gross profit</b>	<b>560</b>	<b>942</b>	<b>1,019</b>	<b>1,208</b>	<b>1,411</b>
<b>EBITDA</b>	<b>361</b>	<b>645</b>	<b>674</b>	<b>794</b>	<b>914</b>
<b>Oper. profit</b>	<b>142</b>	<b>410</b>	<b>431</b>	<b>539</b>	<b>648</b>
Interest income	0	0	4	9	13
Interest expense	(123)	(127)	(155)	(153)	(153)
Forex Gain/(Loss)	(17)	(8)	(1)	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(4)	123	135	143	153
<b>Pre-tax profit</b>	<b>(1)</b>	<b>398</b>	<b>414</b>	<b>538</b>	<b>662</b>
Income tax	44	(114)	(102)	(132)	(162)
Minority interest	0	1	1	1	1
<b>Net profit</b>	<b>43</b>	<b>285</b>	<b>312</b>	<b>407</b>	<b>500</b>
<b>Core Net Profit</b>	<b>60</b>	<b>293</b>	<b>313</b>	<b>407</b>	<b>500</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	176	144	(166)	(248)	(308)
Receivables	442	349	477	564	666
Inventory	708	801	925	1,093	1,294
Other Curr. Asset	370	588	590	637	693
Fixed assets - Net	2,039	2,093	2,290	2,498	2,718
Other non-curr.asset	338	361	384	389	395
<b>Total asset</b>	<b>4,072</b>	<b>4,336</b>	<b>4,499</b>	<b>4,933</b>	<b>5,458</b>
ST Debt	1,456	621	120	120	120
Payables	253	260	314	371	440
Other Curr. Liabilities	157	269	249	280	316
Long Term Debt	388	1,077	1,470	1,470	1,470
Other LT. Liabilities	118	117	119	122	125
<b>Total Liabilities</b>	<b>2,371</b>	<b>2,344</b>	<b>2,273</b>	<b>2,363</b>	<b>2,470</b>
Shareholder's Funds	1,697	1,993	2,229	2,573	2,992
Minority interests	(2)	(2)	(2)	(3)	(4)
<b>Total Equity &amp; Liabilities</b>	<b>4,066</b>	<b>4,336</b>	<b>4,499</b>	<b>4,933</b>	<b>5,458</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	43	285	312	407	500
Depreciation and Amort.	219	235	244	254	265
Change in Working Capital	71	(142)	(236)	(215)	(255)
Other Oper. Cash Flow	(67)	(10)	(6)	(6)	(6)
<b>Operating Cash Flow</b>	<b>266</b>	<b>368</b>	<b>314</b>	<b>440</b>	<b>505</b>
Capex	(328)	(294)	(441)	(463)	(486)
Others Inv. Cash Flow	(8)	(24)	0	0	0
<b>Investing Cash Flow</b>	<b>(335)</b>	<b>(318)</b>	<b>(441)</b>	<b>(463)</b>	<b>(486)</b>
Net change in debt	185	(145)	(109)	0	0
New Capital	0	95	0	0	0
Dividend payment	(85)	(36)	(57)	(62)	(81)
Other Fin. Cash Flow	72	71	2	3	3
<b>Financing Cash Flow</b>	<b>172</b>	<b>(15)</b>	<b>(163)</b>	<b>(60)</b>	<b>(79)</b>
<b>Net Change in Cash</b>	<b>102</b>	<b>36</b>	<b>(290)</b>	<b>(82)</b>	<b>(60)</b>
Cash - begin of the year	146	176	144	(166)	(248)
Cash - end of the year	176	144	(166)	(248)	(308)

### Exhibit 11. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	3.9	23.2	20.6	18.2	18.2
EBITDA	(45.9)	78.7	4.5	17.7	15.1
Operating profit	(69.6)	188.0	5.1	25.3	20.2
Net profit	(79.7)	563.2	9.5	30.4	23.0
<b>Profitability (%)</b>					
Gross margin	10.3	14.1	12.6	12.6	12.5
EBITDA margin	6.6	9.6	8.3	8.3	8.1
Operating margin	2.6	6.1	5.3	5.6	5.7
Net margin	0.8	4.2	3.9	4.3	4.4
ROAA	1.1	6.8	7.1	8.6	9.6
ROAE	2.5	15.4	14.8	16.9	18.0
<b>Leverage</b>					
Net Gearing (x)	1.0	0.8	0.8	0.7	0.6
Interest Coverage (x)	1.2	3.2	2.8	3.5	4.2

Source : MAIN, Danareksa Estimates

#### **DISCLAIMER**

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (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 P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. 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 this report is not to be taken as any recommendation made by P.T. 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 regard 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.