

Wednesday, 27 May 2020

HOLD
Maintain

Last price (IDR) 500
Target Price (IDR) 500
Upside/Downside 0.0%
Previous Target Price (IDR) 600

Stock Statistics

Sector Poultry
Bloomberg Ticker MAIN IJ
No of Shrs (mn) 2,239
Mkt. Cap (IDRbn/USDmn) 1,119/76
Avg. daily T/O (IDRbn/USDmn) 3.9/0.3

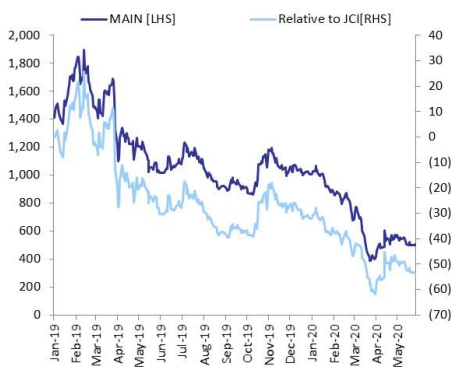
Major shareholders (%)

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

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	3.5	36.1	55.6
Consensus	75.7	106.4	139.9
Danareksa/Cons	(95.4)	(66.1)	(60.3)

MAIN relative to JCI Index



Source : Bloomberg



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Malindo Feedmill Indonesia(MAIN IJ)

Dragged down by lower volume and ASP of DOC

MAIN reported net profits of IDR14bn in 1Q20 (-85% y-o-y). The turnaround from net losses in 4Q19 is mainly due to the gain on change of fair value of derivatives of IDR36bn. Excluding this, forex losses, and changes in biological asset value, MAIN recorded net losses of IDR20bn during the quarter. Maintain HOLD with TP of IDR500.

Turnaround in DOC segment dragged overall profitability. MAIN recorded negative EBIT of IDR70bn in 1Q20 which is a huge turnaround from EBIT of IDR78bn in 1Q19. This is mainly due to 29% lower revenues coming from both lower volume and ASP. Despite lower y-o-y feed ASP compared to 1Q19, DOC EBIT margin came in lower at -16.6% in 1Q20 (1Q19: +18.9%) no thanks to more than 20% drop in DOC ASP. The ASP drop is mainly due to high base in 1Q19. In the coming 2Q20, the trend of lower y-o-y DOC ASP might replicate due to the deep fall of DOC prices in April caused by the outbreak of COVID-19.

Higher contribution from feed and broiler but not enough to offset weak DOC contribution. MAIN recorded higher feed EBIT of IDR114bn in 1Q20 (+7% y-o-y) despite the lower volume and ASP during the quarter. The higher profitability is attributable to the lower corn cost which help improve feed margin. On the broiler business, MAIN recorded higher revenues and margin, hence profitability. The higher volume was able to offset the lower ASP while profitability increase due to margin expansion caused by both lower feed and DOC prices.

We expect core net losses in FY20F. We revise down our FY20F/FY21F estimates as we assuming a lower ASP and volume for the upstream poultry business. Albeit looking at a negative core net profits of IDR28bn, we expect MAIN to report net profits of IDR8bn due to the changes in value of biological assets. The actual figure could be higher due to the gain on changes of fair value of derivatives which we have not included in our forecasts.

Maintain HOLD with a lower TP of IDR500. We maintain our HOLD call for MAIN albeit its negative earnings this year as we believe current share price has reflected its fair value. Our TP is derived by applying 6.2x EV/EBITDA to its FY21F EBITDA (2-year average).

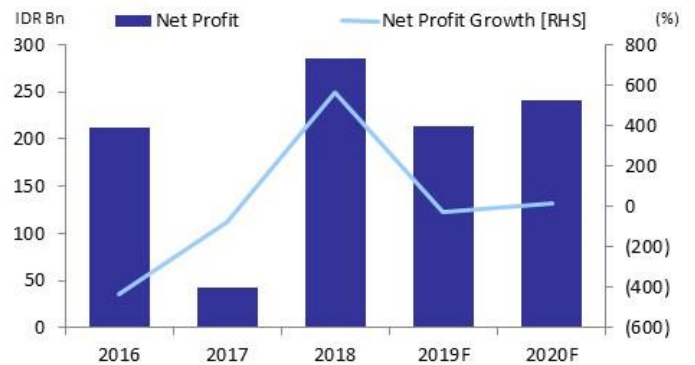
Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	6,706	7,455	6,963	7,989	8,861
EBITDA (IDRbn)	645	617	413	530	622
EBITDA Growth (%)	78.7	(4.3)	(33.1)	28.5	17.2
Net profit (IDRbn)	285	136	8	81	124
EPS (IDR)	127.2	60.8	3.5	36.1	55.6
EPS growth (%)	563.2	(52.2)	(94.2)	926.1	54.1
BVPS (IDR)	890.4	911.4	902.8	938.1	986.5
DPS (IDR)	0.0	0.0	0.0	0.0	0.0
PER (x)	3.9	8.2	142.2	13.9	9.0
PBV (x)	0.6	0.5	0.6	0.5	0.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	4.1	4.8	7.5	6.3	5.8

Source : MAIN, Danareksa Estimates

Exhibit 1. Revenues and Growth

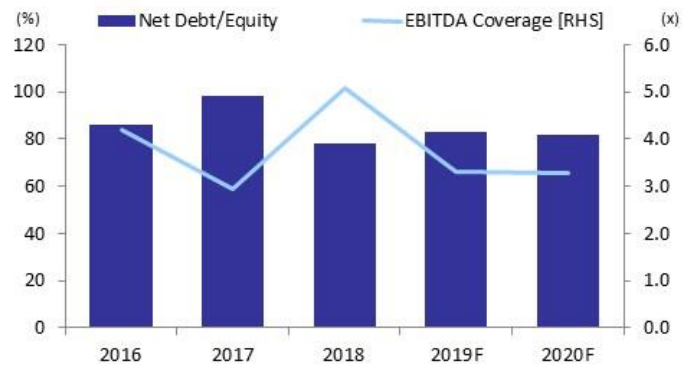

Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

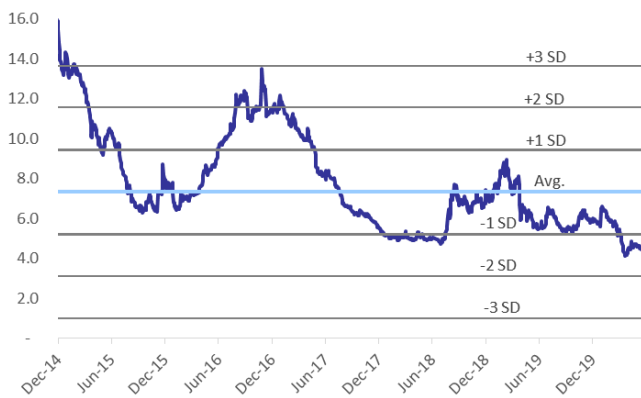
Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

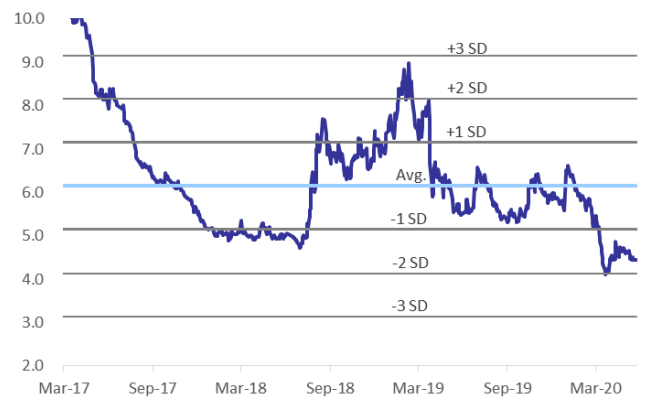
Exhibit 5. MAIN 1Q20 results summary

MAIN (IDR bn)	1Q19	4Q19	1Q20	y-o-y	q-o-q	3M19	3M20	y-o-y	FY20F	FY20C	A/F	A/C
Revenue	1,945	1,785	1,693	-13%	-5%	1,945	1,693	-13%	8,177	7,618	21%	22%
COGS	(1,707)	(1,545)	(1,548)	-9%	0%	(1,707)	(1,548)	-9%	(7,235)	(6,815)	21%	23%
Gross Profit	238	241	145	-39%	-40%	238	145	-39%	942	803	15%	18%
Total Opex	(113)	(178)	(121)	7%	-32%	(113)	(121)	7%	(595)	(510)	20%	24%
Operating Profit	125	63	24	-81%	-62%	125	24	-81%	347	293	7%	8%
Pretax profit	117	(15)	18	-85%	n/a	117	18	-85%	317	214	6%	8%
Net profit	91	(59)	14	-85%	n/a	91	14	-85%	240	147	6%	10%
Core profit	70	(39)	(20)	n/a	-49%	70	(20)	n/a	137		n/a	
Gross margin	12.2%	13.5%	8.6%	-3.7%	-4.9%	12.2%	8.6%	-3.7%	11.5%	10.5%		
Operating margin	6.4%	3.5%	1.4%	-5.0%	-2.1%	6.4%	1.4%	-5.0%	4.2%	3.8%		
Net margin	4.7%	-3.3%	0.8%	-3.9%	4.2%	4.7%	0.8%	-3.9%	2.9%	1.9%		

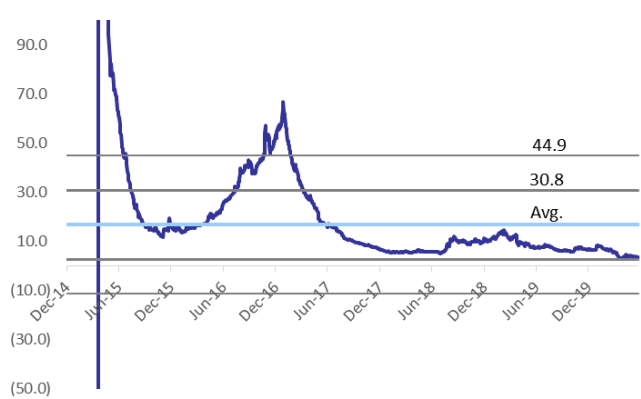
Source: Company, Danareksa Sekuritas estimates

Exhibit 6. EV/EBITDA Band Chart (5-year)


Source: Company, Danareksa Sekuritas estimates

Exhibit 7. EV/EBITDA Band Chart (3-year)


Source: Company, Danareksa Sekuritas estimates

Exhibit 8. PE Band Chart (5-year)


Source: Company, Danareksa Sekuritas estimates

Exhibit 9. PE Band Chart (2-year)


Source: Company, Danareksa Sekuritas estimates

Exhibit 10. MAIN FY20 Forecast Changes

	Old assumption		New assumption	
	Volume	ASP	Volume	ASP
Feed	+7.4%	+2.5%	-5.0%	+2%
DOC	+5.0%	+6.1%	-8.0%	-15.0%
Broiler	0.0%	+5.0%	-8.0%	-10.0%
Proc. Fooc	+5.0%	+3.5%	+19.5%	+3.5%

Source: Danareksa Sekuritas estimates

Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	6,706	7,455	6,963	7,989	8,861
COGS	(5,764)	(6,553)	(6,279)	(7,148)	(7,895)
Gross profit	942	902	684	841	966
EBITDA	645	617	413	530	622
Oper. profit	410	378	161	266	343
Interest income	0	0	0	1	1
Interest expense	(127)	(186)	(199)	(219)	(238)
Forex Gain/(Loss)	(8)	(16)	(10)	(3)	(4)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	123	56	57	59	57
Pre-tax profit	398	232	10	103	159
Income tax	(114)	(96)	(2)	(23)	(35)
Minority interest	1	0	0	0	0
Net profit	285	136	8	81	124
Core Net Profit	293	152	18	84	128

Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	144	120	195	123	89
Receivables	349	442	370	424	470
Inventory	801	874	802	913	1,009
Other Curr. Asset	584	532	588	619	647
Fixed assets - Net	2,093	2,284	2,488	2,702	2,926
Other non-curr.asset	361	421	443	448	453
Total asset	4,331	4,673	4,887	5,230	5,594
ST Debt	621	1,243	1,083	1,287	1,490
Payables	260	246	242	276	304
Other Curr. Liabilities	269	215	217	241	261
Long Term Debt	1,077	706	1,077	1,077	1,077
Other LT. Liabilities	117	140	143	146	150
Total Liabilities	2,344	2,551	2,762	3,026	3,282
Shareholder's Funds	1,993	2,040	2,021	2,100	2,209
Minority interests	(2)	(2)	(2)	(2)	(2)
Total Equity & Liabilities	4,336	4,589	4,782	5,124	5,489

Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	285	136	8	81	124
Depreciation and Amort.	235	239	252	265	278
Change in Working Capital	(142)	(81)	113	(139)	(121)
Other Oper. Cash Flow	(10)	19	(5)	(5)	(5)
Operating Cash Flow	368	313	368	201	277
Capex	(294)	(434)	(455)	(478)	(502)
Others Inv. Cash Flow	(24)	(75)	0	0	0
Investing Cash Flow	(318)	(508)	(455)	(478)	(502)
Net change in debt	(145)	249	210	203	204
New Capital	95	(12)	0	0	0
Dividend payment	(36)	(57)	(27)	(2)	(16)
Other Fin. Cash Flow	71	(10)	3	3	3
Financing Cash Flow	(15)	169	186	205	191
Net Change in Cash	36	(26)	99	(72)	(35)
Cash - begin of the year	176	144	120	195	123
Cash - end of the year	144	120	195	123	89

Exhibit 14. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	23.2	11.2	(6.6)	14.7	10.9
EBITDA	78.7	(4.3)	(33.1)	28.5	17.2
Operating profit	188.0	(7.8)	(57.3)	64.8	29.2
Net profit	563.2	(52.2)	(94.2)	926.1	54.1
Profitability (%)					
Gross margin	14.1	12.1	9.8	10.5	10.9
EBITDA margin	9.6	8.3	5.9	6.6	7.0
Operating margin	6.1	5.1	2.3	3.3	3.9
Net margin	4.2	1.8	0.1	1.0	1.4
ROAA	6.8	3.0	0.2	1.6	2.3
ROAE	15.4	6.7	0.4	3.9	5.8
Leverage					
Net Gearing (x)	0.8	0.9	1.0	1.1	1.1
Interest Coverage (x)	3.2	2.0	0.8	1.2	1.4

Source : MAIN, Danareksa Estimates

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