



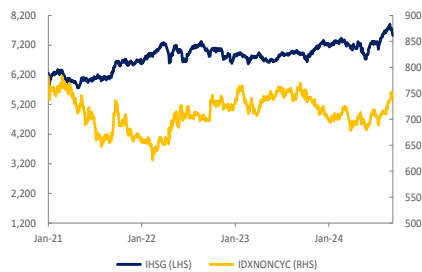
Overweight

Index (Sep 27 th , 24)	739
Number of companies	120
Market Cap	1,086 T
52w Lo/Hi	675/753
6 Months Changes	3.06%
YTD Changes	2.35%

Source : IDX | Phintraco Sekuritas Research

| as of September 30th, 2024

IHSG vs IDX Consumer Non-Cyclicals



Source : IDX

Stock	Fair Value	Potential Upside
JPFA	1,990	38.16%
CPIN	5,850	24.46%

as of September 30th, 2024

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Consumer Non-Cyclicals Sector: Poultry

Regulations Supports the Poultry Industry's Bright Prospect

Domestic inflation stabilizes at low levels. CPI inflation in Indonesia was recorded at 2.12% YoY in August 2024, declining for the fifth consecutive month since April 2024. Inflation in the Volatile Food (VF) group fell to 3.04% YoY from 3.63% YoY in July 2024, mainly due to lower prices of shallots, broiler chicken meat, tomatoes, and eggs. The decline in shallot and tomato prices was in line with the increase in supply during the harvest period. Meanwhile, the decline in chicken meat and egg prices aligned with the decline in broiler Day Old Chick (DOC) prices. We assess that the decline in commodity prices in the VF group has the potential to increase people's purchasing power, given that these commodities are commonly needed in everyday life.

Indonesia's chicken consumption continues to grow. According to data from the Central Statistics Agency (BPS), per capita chicken meat consumption in Indonesia continues to increase, reaching 8.20 kg per year in 2023, growing 3.03% YoY from 7.96 kg in 2022. This increase has positively contributed to the reduction of stunting, which was recorded at 21.5% in 2023, although it is still far from the target of 14% in 2024. The government continues to improve the quality of Human Resources (HR) through the Makan Bergizi Gratis (MBG) program with a budget of IDR71 trillion in the 2025 Draft State Budget. We assess that the program has the potential to positively impact the poultry industry (chicken meat and egg products) to boost the company's financial performance in terms of top-line and bottom-line.

Live Bird and Day Old Chick (DOC) Price Stability. The Ministry of Agriculture has taken strategic steps and collaborated with the Police Food Task Force to maintain the stability of live bird prices. The minimum price of 1.6 - 2.0 kg live bird is Rp20,000/kg. Meanwhile, DOC's price is 25% of the price of a 1.6 - 2.0 kg live bird. We assess that the government's efforts to stabilize live bird prices can support growth in the poultry sector. The strategic steps taken by the government have the potential to provide better margins for poultry companies, especially for the live chicken and DOC segments.

Prices of animal feed raw materials are softening. The domestic corn price at the farm level is at IDR5,990/kg, down 17.95% YTD from the early 2024 price of IDR7,300/kg as the El-Nino phenomenon ends and the harvest increases in the March-April 2024 period. If the corn harvest in September-October is abundant, domestic corn prices could potentially stabilize. Meanwhile, the Soybean Meal (SBM) price is currently at US\$329/ton, down 13.39% YTD from the early 2024 price of US\$380/ton, as abundant soybean production in Brazil and Argentina has caused soybean and soybean meal prices to flatten. If soybean production stabilizes in the future, then SBM prices could also potentially stabilize.

The poultry companies in our coverage had positive financial performance in the first half of 2024. CPIN recorded revenue growth of 6.7% YoY to IDR32.9 trillion in 6M24 (vs IDR30.89 trillion in 6M23). CPIN's net profit was recorded at IDR1.76 trillion in 6M24, up 28.3% YoY (vs IDR1.37 trillion in 6M23). Meanwhile, JPFA recorded revenue growth of 14.45% YoY to IDR27.6 trillion (vs IDR24.15 trillion in 6M23). JPFA's net profit was recorded at Rp1.59 trillion in 6M24, up significantly by 1,314% YoY (vs Rp112 billion in 6M23).

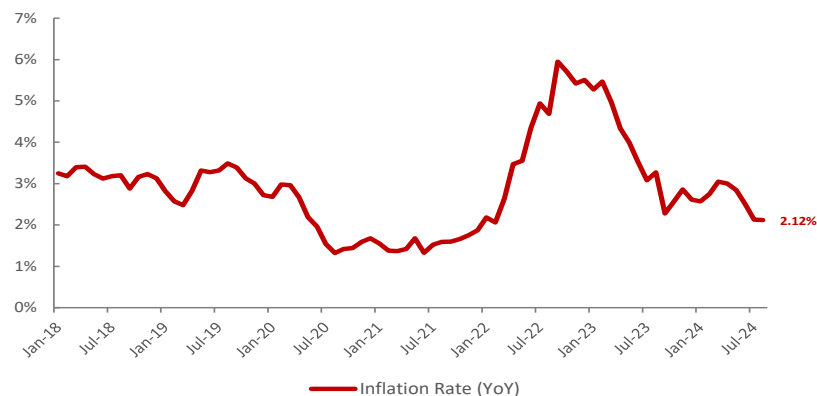
With the various catalysts above and the performance of each issuer in the poultry industry, our top picks are JPFA, with an estimated fair value of IDR1,990 (full report), and CPIN, with an estimated fair value of IDR5,850 (full report).

Sectoral Review and Economic Outlook

Domestic inflation stabilizes at low levels

Data from the Central Bureau of Statistics (BPS) showed that the CPI inflation rate in Indonesia stood at 2.12% YoY in August 2024, marking the fifth consecutive month of decline since April 2024. This indicates that prices of goods and services have decreased after experiencing a significant increase in the first quarter of 2024. By group, inflation in Volatile Food (VF) declined to 3.04% YoY in August 2024 from 3.63% YoY in July 2024. The decline in VF inflation was mainly driven by the decline in commodity prices of shallots, broiler chicken meat, tomatoes, and eggs, which was in line with the increase in supply during the shallot and tomato harvest periods. Meanwhile, the decline in broiler chicken meat and eggs prices was in line with the decline in broiler Day Old Chick (DOC) prices.

Figure 1. Inflation Rate (YoY)



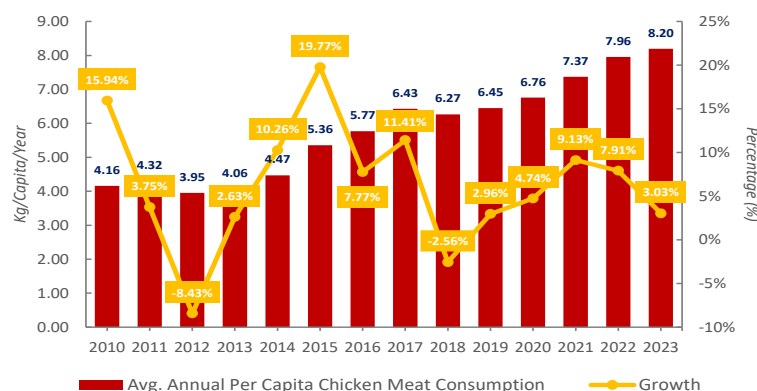
Source : BPS | Phintraco Sekuritas Research

We assess that the decline in commodity prices in the VF group has the potential to increase people's purchasing power, given that these commodities are commonly needed in everyday life. The maintained purchasing power, especially for broiler chicken meat and eggs, can positively contribute to the revenue performance of issuers in the poultry industry.

Indonesia's chicken consumption continues to grow

Data from the Central Bureau of Statistics (BPS) shows that the average annual consumption of chicken meat per capita continues to grow yearly. The average consumption of chicken meat in Indonesia in 2023 was recorded at 8.20 kg/capita/year, rising 3.03% YoY from 7.96 kg/capita/year in 2022. The increase in public chicken meat consumption has positively contributed to reducing stunting in Indonesia. Based on the 2023 Indonesian Health Survey (IHS), the national stunting prevalence stood at 21.5%, a decrease of 0.8% compared to the previous year. However, it is still far from the government's stunting reduction target of 14% by 2024. The government continues to improve its efforts in realizing superior human resources, including the official Makan Bergizi Gratis (MBG) program included in the 2025 Draft State Budget with a budget of Rp71 trillion, equivalent to 0.29% of Gross Domestic Product (GDP). We assess that the program can improve the nutritional intake and nutrition of children from toddlers to school age to improve the quality of human resources. Meanwhile, the Makan Bergizi Gratis program can positively impact the poultry industry (chicken meat products and chicken eggs) to boost the company's financial performance, both in terms of top-line and bottom-line.

Figure 2. Average Annual Per Capita Chicken Meat Consumption



Source : BPS | Phintraco Sekuritas Research

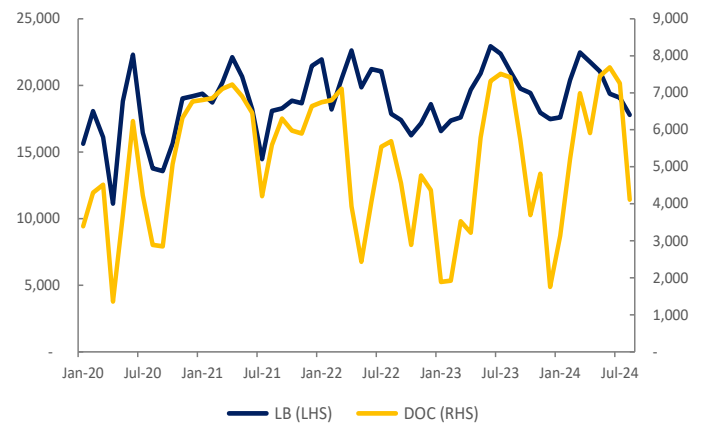
Live Bird and Day Old Chick (DOC) Price Stability

To maintain the stability of live chicken prices and protect local farmers from market fluctuations, the Ministry of Agriculture has taken strategic steps and collaborated with the National Police Food Task Force. Starting September 10, 2024, the price of live chicken in the market has stabilized with the support of poultry associations and integrated companies in Indonesia. The minimum price of live chicken size 1.6 - 2.0 kg is set at IDR 20,000/kg. Meanwhile, DOC's price is 25% of the 1.6 - 2.0 kg live chicken price. To reduce oversupply and help maintain a balance between production and demand, companies must absorb more than 30% of their total internal production for slaughter at Poultry Slaughterhouses (RPHU). Meanwhile, the distribution of DOC is set with a maximum portion of 50% for internal and a minimum of 50% for external to provide opportunities for independent farmers. We assess that the government's efforts to stabilize live chicken prices can support growth in the poultry sector. The strategic steps taken by the government have the potential to provide better margins for poultry companies, especially for the live chicken and DOC segments. In addition, this step can also reduce excess supply in the market so that prices do not fluctuate sharply.

Prices of animal feed raw materials are softening

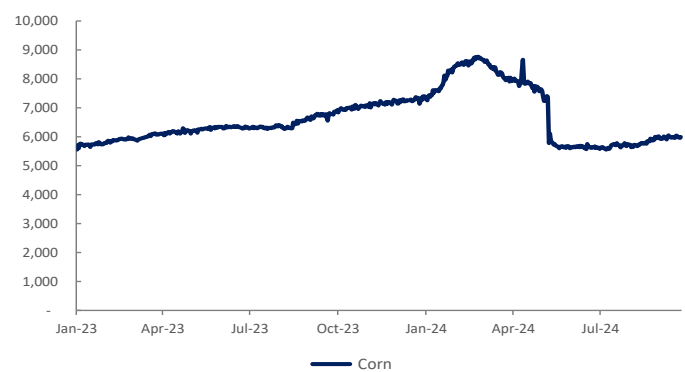
Corn is the primary raw material poultry companies use to produce animal feed. Almost 90% of poultry companies' Costs of goods sold (COGS) are dominated by raw materials such as corn, soybean meal, vitamins, etc. The poultry company's current supply of corn comes from domestic sources, so the price refers to the domestic corn price. The domestic maize price at the farm level is at IDR5,990/Kg, down 17.95% YTD from the beginning of the year at IDR7,300/Kg ([Figure 4](#)). The decline in domestic maize prices is in line with the end of the El-Nino phenomenon that disrupted crop yields due to drought and increased bumper harvest in March-April 2024. The domestic maize harvest usually also occurs in the September-October period. If the harvest during this period is abundant, then domestic corn prices have the potential to stabilize. Apart from corn, poultry companies also use Soybean Meal (SBM) to produce animal feed products. The poultry companies' SBM raw material supply is obtained from imports, so the price refers to the global SBM price. SBM price is at US\$329/ton, down 13.39% YTD from the initial price in 2024 at US\$380/ton ([Figure 5](#)), along with abundant soybean production in the world's largest soybean-producing countries, namely Brazil and Argentina, causing soybean and soybean meal prices to flatten. If soybean production is stable in the future, the price of SBM also has the potential to stabilize, so this condition can benefit poultry issuers, considering that SBM is one of the primary raw materials used to produce animal feed products. We assess that the future stability of domestic corn and SBM prices can be a positive catalyst for poultry issuers and potentially increase the company's profitability.

Figure 3. Live Bird and DOC Monthly Average Price in West Java



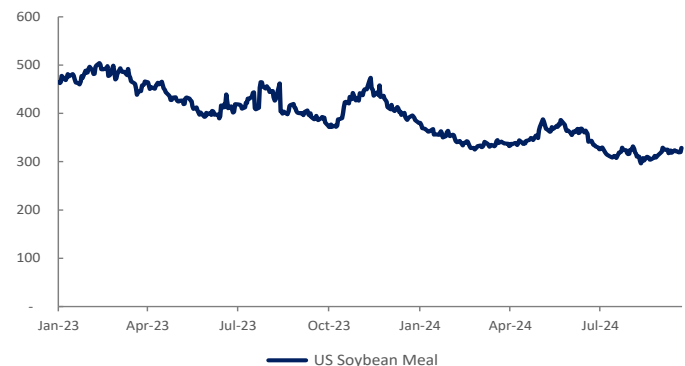
Source : JPFA | Phintraco Sekuritas Research

Figure 4. Daily Corn Price (Rp/Kg)



Source : BAPANAS | Phintraco Sekuritas Research

Figure 5. Daily Soybean Meal Price (USD/T)



Source : Investing.com | Phintraco Sekuritas Research

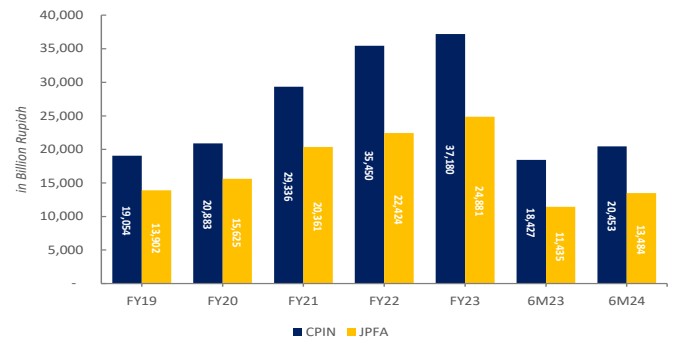
CPIN & JPFA Broiler segment comparison

CPIN & JPFA broiler revenue have consistently grown since 2019-2023 (CPIN CAGR +14.31% vs JPFA CAGR +12.35%). The growth of broiler revenue is in line with the consumption of chicken meat by Indonesian people, which continues to grow yearly (*Figure 2*). CPIN's broiler segment revenue has been greater than JPFA's since FY19 (*Figure 6*), indicating that CPIN is the market leader in the broiler segment in Indonesia. During 6M24, CPIN's broiler revenue was recorded at IDR20.45 trillion (vs. IDR18.42 trillion in 6M23). Meanwhile, JPFA recorded broiler revenue of IDR13.48 trillion in 6M24 (vs. IDR11.43 trillion in 6M23). Meanwhile, JPFA's broiler revenue growth in 6M24 was recorded at 17.92% YoY, better than CPIN's 11% YoY. Regarding Operating Profit Margin (OPM), CPIN & JPFA's broiler segment OPM comparison tends to vary. CPIN's broiler segment OPM tends to fluctuate from -4.36% to 3.50% since 2019-2023. Meanwhile, JPFA's broiler segment OPM has been negative since 2019-2023 (*Figure 7*). Since 2022 until the first half of 2024, CPIN's broiler segment OPM has been better than JPFA's where in 6M24, CPIN's broiler segment OPM stood at 5.51% (vs. 1.05% in 6M23), slightly better than JPFA's broiler segment OPM which stood at 5.11% (vs. -0.9% in 6M23). We see that the broiler segment in 6M24 experienced a significant recovery compared to 6M23, as higher demand during the Eid al-Fitr period caused broiler prices to increase.

CPIN & JPFA Day Old Chick (DOC) segment comparison

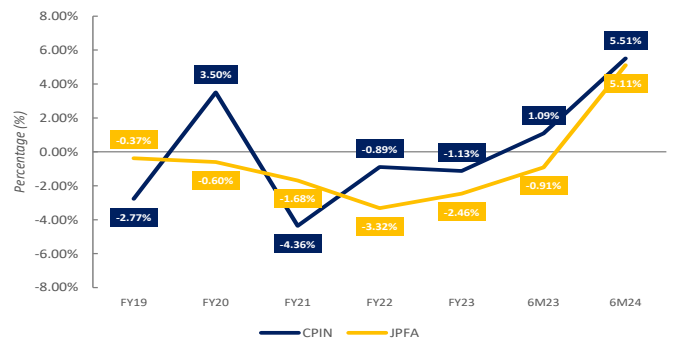
CPIN & JPFA's DOC segment sales tend to vary from year to year. In the last three years, CPIN & JPFA's DOC segment revenue has consistently declined with a CAGR decline in CPIN's DOC segment revenue from 2021-2023 of -5.46%, while for JPFA in the same period, DOC segment revenue has decreased by a CAGR of -1.95%. The data shows that the decline in JPFA's DOC segment revenue is more controlled than CPIN. In 6M24, CPIN & JPFA's DOC segment revenue recovered as reflected in CPIN's DOC segment revenue growth of 48.75% YoY, while JPFA's DOC segment revenue growth of 45.65% YoY. This was in line with the increasing demand for DOC in 6M24. In terms of Operating Profit Margin (OPM), from 2020 until the first semester of this year, JPFA's DOC segment OPM was superior to CPIN. JPFA's DOC segment OPM over the past five years has ranged from -11.14% to 24.97%. In the same period, CPIN's DOC segment OPM was from -16.41% to 16.87%. This condition shows that JPFA's DOC segment is superior in generating operating profit compared to CPIN. This condition continued until the first semester of this year, when JPFA's DOC segment OPM was at 16.93%, while CPIN's DOC segment OPM was far below, which was only recorded at 5.13%. We assess that JPFA has better efficiency than CPIN in the DOC segment in order to generate maximum operating profit.

Figure 6. Revenue CPIN & JPFA - Broiler Segment



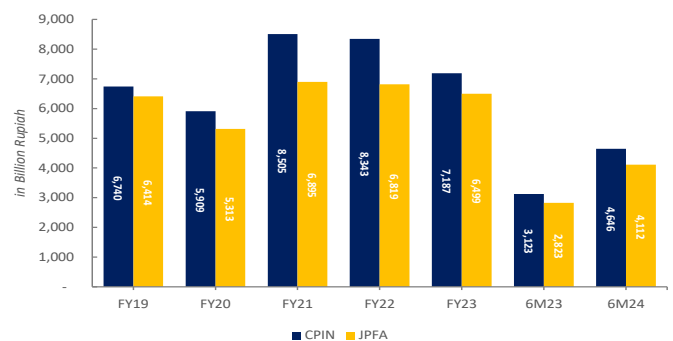
Source : Company | Phintraco Sekuritas Research

Figure 7. Operating Profit Margin CPIN & JPFA - Broiler Segment



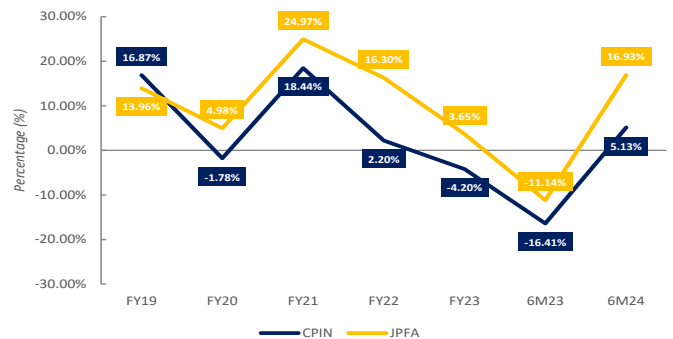
Source : Company | Phintraco Sekuritas Research

Figure 8. Revenue CPIN & JPFA - DOC Segment



Source : Company | Phintraco Sekuritas Research

Figure 9. Operating Profit Margin CPIN & JPFA - DOC Segment

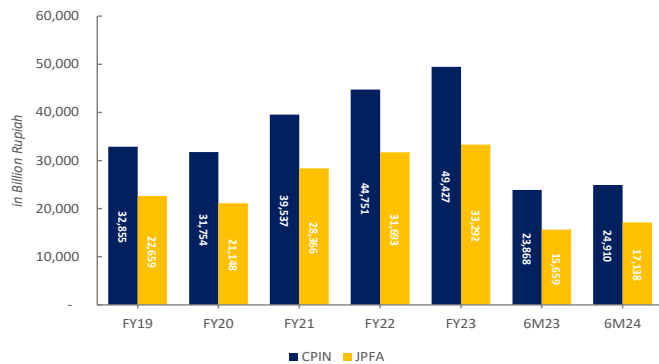


Source : Company | Phintraco Sekuritas Research

CPIN & JPFA Animal Feed segment comparison

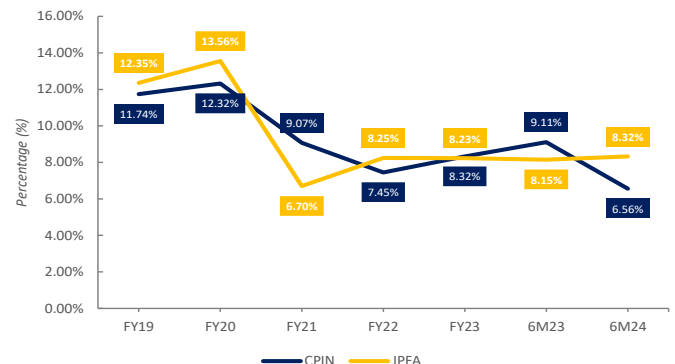
CPIN is the market leader in the animal feed segment in Indonesia. Compared to JPFA, CPIN's animal feed segment revenue has been more significant in the last five years since 2019 (Figure 10). It is noted that CPIN and JPFA's animal feed revenue from 2019-2023 tend to experience growth. Since 2019-2023, CPIN recorded an animal feed segment revenue CAGR of +8.15%. At the same time, JPFA recorded an animal feed segment revenue CAGR of +8% over the same period. However, in 6M24, JPFA's animal feed segment revenue growth was recorded at 9.45% YoY, better than CPIN, which only recorded 4.36%. Regarding Operating Profit Margin (OPM), the comparison of CPIN & JPFA's OPM in the animal feed segment from 2019 to 6M24 tends to vary but is compactly in the positive zone. Throughout 6M24, JPFA's animal feed segment OPM was recorded at 8.32%, outperforming CPIN's animal feed segment OPM at 6.56%. We assess that JPFA's animal feed segment is more efficient than CPIN in generating profit from its operational activities.

Figure 10. Revenue CPIN & JPFA - Feed Segment



Source : Company | Phintraco Sekuritas Research

Figure 11. Operating Profit Margin CPIN & JPFA - Feed Segment



Source : Company | Phintraco Sekuritas Research

Poultry issuers in our coverage have positive financial performance in the first half of 2024

CPIN recorded revenue growth of 6.7% YoY to IDR32.9 trillion in 6M24 (vs IDR30.89 trillion in 6M23). CPIN's revenue growth was supported by a significant increase in the Day Old Chick segment by 40% YoY and Processed Chicken by 34.45% YoY. CPIN's net profit was recorded at Rp1.76 trillion in 6M24, up 28.3% YoY (vs. Rp1.37 trillion in 6M23). Meanwhile, JPFA recorded revenue growth of 14.45% YoY to IDR27.6 trillion (vs. IDR24.15 trillion in 6M23) along with a significant increase in revenue of the Poultry Breeding segment by 48.35% YoY and Commercial Farm by 18.09% YoY. JPFA's net profit was recorded at IDR1.59 trillion in 6M24, up significantly by 1,314% YoY (vs. IDR112 billion in 6M23).

in Billion Rupiah

FINANCIAL PERFORMANCE	JPFA					CPIN				
	FY22	FY23	6M24	FY24F	FY25F	FY22	FY23	6M24	FY24F	FY25F
Revenue	48,972	51,176	27,649	55,232	57,998	56,868	61,616	32,962	65,221	69,277
Cost of Goods Sold	(40,477)	(42,777)	(21,827)	(44,073)	(46,115)	(47,776)	(52,322)	(27,443)	(54,521)	(57,707)
Net Profit	1,491	946	1,590	2,649	2,844	2,930	2,318	1,768	3,111	3,453
Asset	32,691	34,109	36,109	37,168	39,806	39,848	40,971	42,660	43,372	45,626
Liabilities	19,036	19,942	20,469	21,318	22,241	13,520	13,942	14,344	14,519	15,286
Equity	13,655	14,167	15,640	15,850	17,564	26,327	27,029	28,316	28,853	30,340

Source : Company | Phintraco Sekuritas Research

Percentage (%)

FINANCIAL RATIO	JPFA					CPIN				
	FY22	FY23	6M24	FY24F	FY25F	FY22	FY23	6M24	FY24F	FY25F
Gross Profit Margin	17.35%	16.41%	21.06%	20.20%	20.49%	15.99%	15.08%	16.74%	16.41%	16.70%
Net Profit Margin	3.04%	1.85%	5.75%	4.80%	4.90%	5.15%	3.76%	5.36%	4.77%	4.98%
Return on Asset	4.56%	2.77%	4.40%	7.13%	7.14%	7.35%	5.66%	4.14%	7.17%	7.57%
Return on Equity	10.92%	6.68%	10.16%	16.72%	16.19%	11.13%	8.58%	6.24%	10.78%	11.38%
Debt to Asset Ratio	39.36%	37.66%	37.50%	35.68%	34.61%	23.45%	23.38%	22.74%	22.73%	22.72%
Debt to Equity Ratio	94.23%	90.67%	86.57%	83.68%	78.43%	35.49%	35.43%	34.26%	34.17%	34.17%

Source : Company | Phintraco Sekuritas Research



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Rating for Sectors :

Overweight : The sector is expected to do better than the market.

Equal Weight : The sector is expected to do an average performance compared to the market.

Underweight : The sector is expected to do worse than the market.

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Kantor Cabang & Mitra GI BEI



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