

HOLD (from BUY)

Target Price (IDR) 50 (from 240)

Potential Upside (%) -

Price Comparison

Cons. Target Price (IDR) -

SSI vs. Cons. (%) -

Stock Information

Last Price (IDR) 50

Shares Issued (Mn) 29,419

Market Cap. (IDR Bn) 1,471

52-Weeks High/Low (IDR) 173/50

3M Avg. Daily Value (IDR Bn) 0.0

Free Float (%) 5.8

Shareholder Structure:

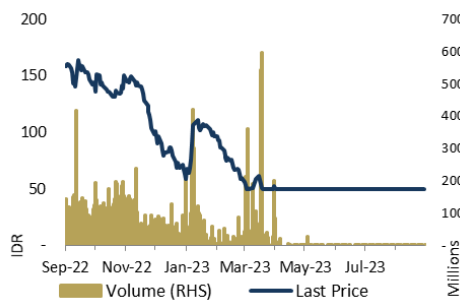
Tumiyana (%) 71.14

Public (%) 28.86

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(32.4)	-	-	(67.5)
JCI Return	1.4	1.0	3.8	(4.1)
Relative	(33.9)	(1.0)	(3.8)	(63.5)

Stock Price & Volumes, 12M



Company Background

Widodo Makmur Perkasa Tbk (WMPP) is one of the largest integrated livestock companies in Indonesia that focuses on cattle and poultry. Since starting its business in 1995, WMPP has expanded into various other businesses, including trading of agricultural commodities and meat processing.

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Hitting the Rock Bottom

Freefalling revenue, skyrocketing costs. Since its IPO in December 2021, WMPP has constantly posted disappointing numbers. The negative trend continued into 1H23, as the company booked revenue of IDR 592 billion (-72.7% yoy) with a net loss of -IDR 171 billion (vs. IDR 15 billion net profit in 1H22). We initially believed that WMPP has a strong growth driver in WMUU, especially with its new slaughterhouse (with a capacity of 12k chickens/hour) that boosted its capacity to 70.6 kton. However, its utilization rate went down significantly in 2023 (SSI's projection: 11%). The company's cattle and meat processing business suffered as well, with sales volume dropping more than 50%. This was exacerbated by skyrocketing costs, as WMPP's OpEx-to-sales ratio is forecasted to reach 15% this year, up +700 bps from 2022. We believe that some of the main reasons for the spike in ratio were low demand for carcass from the HoReCa business and low market share. WMPP also took a hit from the foot & mouth disease outbreak afflicting its cattle, and we believe it will take years before the company can bounce back.

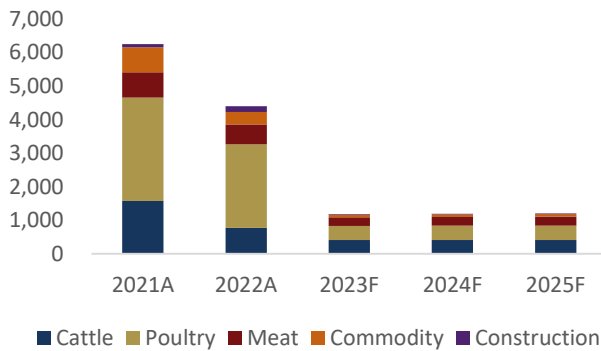
Major forecast changes, no positive earnings ahead. We don't expect any major improvement in WMPP's numbers for the foreseeable future, given its minuscule market share, razor-thin margins from its cattle, and slow poultry market. Therefore, we forecast WMPP to book revenues of IDR 1.18 trillion in 2023 and IDR 1.2 trillion in 2024 (+1% yoy). This, combined with a rather grim margin outlook (projected OPM: -7%) and high OpEx-to-sales ratio, prompted us to project WMPP to book net losses of -IDR 312 billion in 2023 and -IDR 308 billion in 2024. The net losses might persist until WMPP finds a way to boost its efficiency and improve its operations. However we might see potential upside post debt restructuring as it would enlighten the financing cost years ahead.

Downgrade to HOLD, TP at IDR 50. As we roll over our valuation to FY24F, we downgrade our recommendation to HOLD with a TP of IDR 50, reflecting 1.1x FY24F PBV (7% premium to regional peers). We believe WMPP's share is well priced, considering the decline in its value to shareholders and the lack of potential for any major improvements in its revenue & earnings for the foreseeable future. **Main Upside:** Sudden rise in cattle and carcass business.

Forecast and Valuations (@ IDR 50 per share)

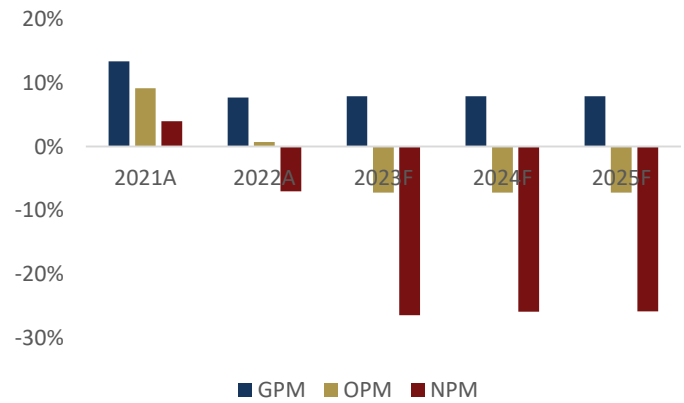
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	6,235	4,390	1,181	1,190	1,199
EBITDA (IDR Bn)	570	126	17	25	32
EV/EBITDA(X)	5.2	33.5	220.2	174.8	150.2
Net Profit (IDR Bn)	247	(308)	(312)	(308)	(310)
EPS (IDR)	8	(10)	(11)	(10)	(11)
EPS Growth (%)	(26.3)	NA	NA	NA	NA
P/E Ratio (x)	5.9	(4.8)	(4.7)	(4.8)	(4.7)
BVPS (IDR)	82	71	58	46	34
P/BV Ratio (x)	0.61	0.70	0.86	1.09	1.47
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
ROAE(%)	10.2	(13.6)	(16.4)	(20.1)	(26.4)
ROAA (%)	4.4	(5.2)	(5.5)	(5.8)	(6.0)
Interest Coverage (x)	2.9	0.1	(0.2)	(0.2)	(0.2)
Net Gearing (x)	0.6	1.3	1.3	2.1	3.4

Figure 1. Revenue Breakdown



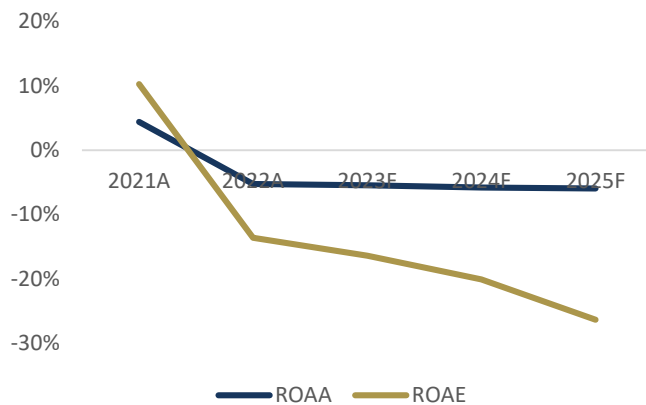
Source: Company, SSI Research

Figure 2. Profitability Margins



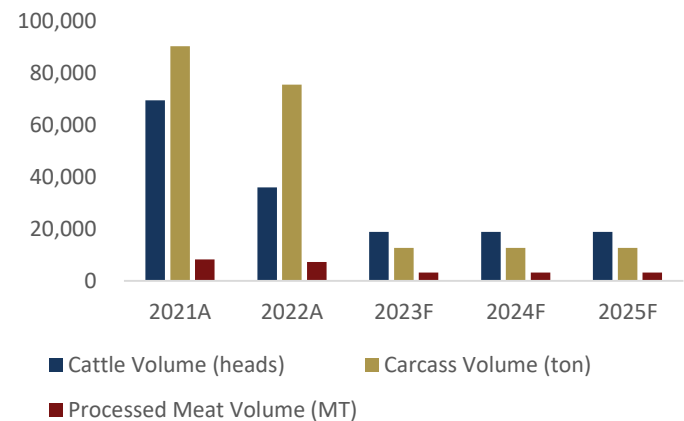
Source: Company, SSI Research

Figure 3. ROAA & ROAE Forecast



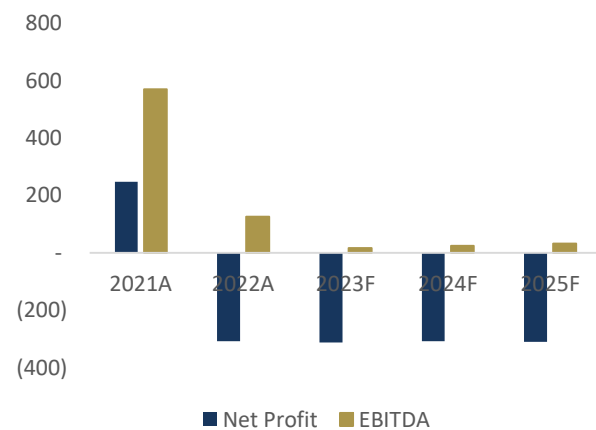
Source: Company, SSI Research

Figure 4. Operational Volume



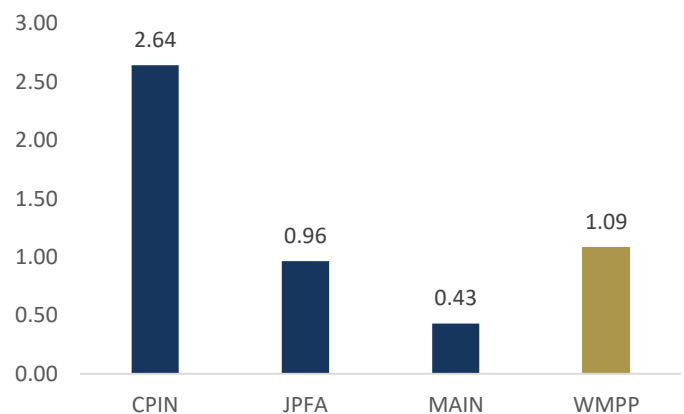
Source: Company, SSI Research

Figure 5. Net Profit and EBITDA forecast



Source: Company, SSI Research

Figure 6. 2024 PBV Comparison



Source: Company, SSI Research

Widodo Makmur Perkasa

Bloomberg: WMPP.IJ | Reuters: WMPP.JK

Poultry Sector

11 September 2023



JCI Index 6,925

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenues	6,235	4,390	1,181	1,190	1,199
Cost of goods sold	(5,402)	(4,053)	(1,087)	(1,096)	(1,105)
Gross Profit	833	337	93	94	95
SGA Expense	(262)	(306)	(178)	(180)	(181)
Operating Profit	570	32	(85)	(86)	(86)
EBITDA	570	126	17	25	32
Finance Expenses	(194)	(397)	(428)	(461)	(495)
Other Income/Expenses	17	(124)	90	113	136
Pre-tax profit	393	(395)	(321)	(324)	(326)
Income Tax	(91)	78	(0)	6	7
Profit for Period	302	(317)	(322)	(317)	(320)
Minority Interest	(55)	9	10	9	10
Net Profit	247	(308)	(312)	(308)	(310)

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	247	(308)	(312)	(308)	(310)
D&A	-	94	102	110	118
Changes in Working Capital	-	(727)	1,020	(3)	(3)
Operating Cash Flow	63	(742)	810	(200)	(195)
Capital Expenditure	(508)	(1,064)	(286)	(289)	(291)
Others	(758)	675	-	-	-
Investing Cash Flow	(1,266)	(389)	(286)	(289)	(291)
Net - Borrowing	-	1,090	225	245	246
Other Financing	1,434	(93)	(77)	(46)	(46)
Financing Cash Flow	1,434	997	147	199	199
Net - Cash Flow	230	(134)	671	(290)	(286)
Cash at beginning	75	305	171	843	552
Cash at ending	305	171	843	552	266

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	305	171	843	552	266
Receivables	558	972	261	264	266
Others	2,261	1,563	701	703	706
Total Current Assets	3,124	2,706	1,805	1,519	1,238
Net Fixed Asset	1,982	2,953	3,137	3,315	3,487
Other Non-Current Asset	549	412	412	412	412
Total Assets	5,656	6,070	5,353	5,246	5,137
ST. Bank loan	906	2,309	2,487	2,681	2,876
Payables	1,197	756	203	204	206
Other current Liabilities	29	30	30	30	30
Total Current Liabilities	2,133	3,094	2,720	2,915	3,112
LT. Debt	916	603	650	700	751
Other LT Liabilities	190	276	276	276	276
Total Liabilities	3,238	3,973	3,645	3,891	4,139
Minority Interest	313	299	221	175	129
Total Equity	2,418	2,097	1,708	1,354	998

Key Ratios					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	13.4	7.7	7.9	7.9	7.9
Operating Margin (%)	9.1	0.7	-7.2	-7.2	-7.2
EBITDA Margin (%)	9.1	2.9	1.4	2.1	2.7
Pre-Tax Margin (%)	6.3	-9.0	-27.2	-27.2	-27.2
Net Profit Margin (%)	4.0	-7.0	-26.4	-25.9	-25.9
Debt to Equity (x)	0.8	1.4	1.8	2.5	3.6
Net Gearing (%)	0.6	1.3	1.3	2.1	3.4

Major Assumption					
	21A	22A	23F	24F	25F
Cattle Segment Growth		-51%	-47%	0%	0%
Poultry Segment Growth		-19%	-83%	1%	1%
Meat Segment Growth		-22%	-56%	1%	1%
Commodity Segment Growth		-50%	-80%	0%	0%
Construction Segment Growth		76%	-90%	1%	1%

Peers Comparison

Ticker	Name	Mkt Cap (USD mn)	P/E (x)		P/B (x)		EV / EBITDA (x)		ROE (%)		ROA (%)	
			2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Poultry												
CPIN IJ Equity	CHAROEN POKPHAND INDONESIA PT	5,347	25.4	19.9	2.9	2.6	16.5	13.4	11.2	14.0	7.5	8.7
JPFA IJ Equity	JAPFA COMFEED INDONESIA-TBK PT	962	12.2	8.6	1.0	1.0	8.1	6.4	9.1	12.2	3.7	5.0
MAIN IJ Equity	MALINDO FEEDMILL TBK PT	69	N/A	7.7	0.5	0.4	10.4	5.7	(1.2)	5.7	(1.2)	2.2
WMPP IJ Equity	WIDODO MAKMUR PERKASA TBK PT	96	17.3	15.0	1.4	1.0	6.7	6.0	9.1	7.9	5.8	6.3
JBS53 BZ Equity	JBS SA (Brazil)	8,345	70.0	10.3	0.9	0.9	7.5	5.7	2.5	9.8	0.8	2.1
JAP SP Equity	JAPFA LTD	351	21.6	6.6	0.4	0.4	8.2	6.6	2.1	6.3	3.7	5.0
LHIB MK Equity	LEONG HUP INTERNATIONAL BHD	433	11.1	9.3	0.9	0.9	7.0	6.7	9.0	10.0	2.5	2.8
GFPT TB Equity	GFPT PUBLIC CO LTD	386	10.0	8.9	0.8	0.7	7.4	6.8	8.0	8.3	5.8	6.2
TSN US Equity	TYSON FOODS INC-CL A	18,542	40.8	17.2	1.0	0.9	13.6	9.4	2.1	4.1	1.0	2.1
TFG TB Equity	THAIFOODS GROUP PCL	625	15.2	9.3	1.4	1.3	7.4	6.8	10.3	15.0	4.3	6.1
	Weighted Average		7.4	7.3	0.7	0.6	6.6	5.2	4.8	7.1	1.3	2.3
Cattle												
ALCO US Equity	ALICO INC	180	N/A	N/A	N/A	N/A	30.9	22.8	N/A	N/A	N/A	N/A
BGS US Equity	B&G FOODS INC	879	11.6	10.5	1.0	1.0	9.6	9.4	N/A	N/A	N/A	N/A
BEEF3 BZ Equity	MINERVA SA	1,099	6.2	5.3	4.1	3.2	4.7	5.4	86.4	65.7	N/A	N/A
288 HK Equity	WH GROUP LTD	6,627	6.5	5.1	0.7	0.6	4.3	3.7	10.2	11.6	5.3	6.0
000876 CH Equity	NEW HOPE LIUHE CO LTD-A	7,219	57.2	11.2	1.8	1.5	14.6	10.3	(1.8)	13.5	0.6	3.8
300498 CH Equity	WENS FOODSTUFFS GROUP CO - A	15,252	30.0	10.1	2.5	2.0	15.1	7.9	10.4	21.7	3.8	7.9
002714 CH Equity	MUYUAN FOODSTUFF CO LTD-A	30,459	34.0	9.4	3.0	2.3	18.1	8.1	8.0	25.5	2.2	12.6
AGCO US Equity	AGCO CORP	9,587	8.3	8.5	2.1	1.8	5.7	5.9	26.9	22.2	10.2	8.9
PAHC US Equity	PHIBRO ANIMAL HEALTH CORP-A	544	11.3	10.2	1.8	1.6	8.0	7.3	17.9	16.6	4.9	5.3
	Weighted Average		31.6	8.8	1.8	1.5	11.1	8.0	11.5	17.9	1.9	4.0
FMCG - Foods Processing												
MRF3 BZ Equity	MARFRIG GLOBAL FOODS SA	974	N/A	N/A	1.2	1.7	8.2	7.5	(15.2)	(116.6)	(0.5)	(0.1)
JBS53 BZ Equity	JBS SA	8,345	70.0	10.3	0.9	0.9	7.5	5.7	2.5	9.8	0.8	2.1
TU TB Equity	THAI UNION GROUP PCL	1,850	13.5	10.8	0.9	0.8	10.8	9.7	6.5	7.7	3.0	3.6
TSN US Equity	TYSON FOODS INC-CL A	18,542	40.8	17.2	1.0	0.9	13.6	9.4	2.1	4.1	1.0	2.1
PPC US Equity	PILGRIM'S PRIDE CORP	5,771	20.2	10.9	1.9	1.6	9.8	6.8	9.5	18.5	2.9	6.6
HRL US Equity	HORMEL FOODS CORP	20,575	22.7	21.0	2.6	2.4	15.5	14.5	12.1	12.2	6.7	7.4
000895 CH Equity	HENAN SHUANGHUI INVESTMENT-A	12,647	15.6	14.5	3.9	3.5	10.9	10.2	25.4	25.0	16.2	16.6
2281 JP Equity	PRIMA MEAT PACKERS LTD	859	15.4	14.6	1.1	1.0	5.6	5.3	8.1	8.1	6.0	6.0
	Weighted Average		31.1	11.0	1.0	0.9	9.1	6.7	3.3	4.9	1.4	2.8

Source: Company, SSI Research

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