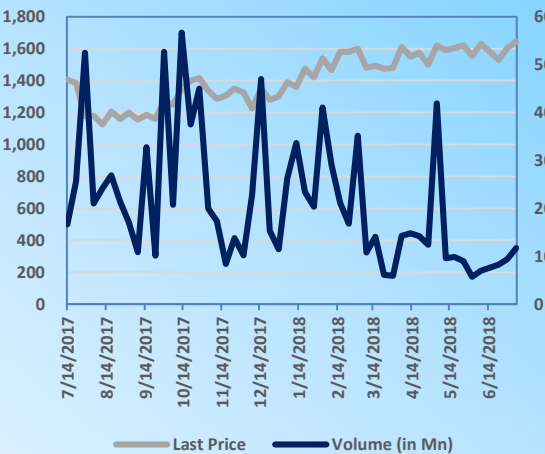


PT. Japfa Comfeed Indonesia Tbk.

HOLD

18 July 2018
Basic Industry – Poultry

Price	IDR	1,870
Target Price	IDR	2,190
JKSE Index		5,861.508



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	21,928.7
52-week high (IDR)	1,900
52-week low (IDR)	1,100
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,567
Free float	37.02%

Major share holders

JAPFA LTD	52.43%
KKR Jade Investment Pte Ltd	11.65%
Public	35.92%

USD/ IDR – YE (IDR)

2017	13,480
2018F (6m-avg)	13,839

Investment Consideration

Site visit

- We just visited several JPFA sites in Central Java. First stop was a slaughterhouse in Pabelan Semarang, Central Java, which has a capacity of 16.8 million birds / year, Blast Freezer capacity of 15,300 tons / year, and cold storage of 300 tons. They produce whole chicken, cut up, parting, boneless, and other by-products. They supply to Central Java and Yogyakarta. Going forward, the plan is to upgrade the process from manual to automatic for greater power efficiency.
- Second site was a Feedmill in Sragen, Central Java, JPFA has 2 feedmills located in Sragen and Grobogan. As of 1Q2018, the Sragen Feedmill has a total capacity of 26,000 tons / month and Grobogan feed mill 18,000 tons / month. Going forward, JPFA will expand Sragen feed mill with a 4th line, build a 6th bulk warehouse with total area 46 x 90 m2. While in Grobogan, JPFA will expand their land to support a warehouse area.
- Third site was Ciomas Commercial Farm in Sumogawe, Central Java. Total capacity for Central Java Region is 4.12 million birds / month, including 3.67 million in bird as contract grower and 504,000 in own farm. Ciomas Commercial Farm has a total capacity of 450,500 birds / month contract grower and 110,000 birds / month own farm. As of May 2018, Central Java has farmed 8.23 million birds and is targeting to reach 19.8 million birds in 2018, growth of 34% from 2017's 14.8 million birds.

Valuation: TP 2,190, 17% Upside

- As DOC and live bird prices increased in June 2018 which contribute to the commercial farm and consumer product segments, we revise our revenue estimate to IDR 34.6 trillion or growth of 16.89% YoY.
- Using DCF valuation with WACC at 5.70% We are targeting JPFA to trade at 14x 2019F PE within a year. Target Price is IDR 2,190 which represents 17% upside. HOLD

Financial Highlights	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Sales (In IDR Bn)	21,412	24,459	25,023	27,063	29,603	34,605	39,625	45,357
Net Income (In IDR Bn)	595	339	468	2,065	998	1,767	2,023	2,315
EPS (IDR)	56	32	44	181	87	155	177	203
OPM (%)	6.0%	5.3%	6.9%	10.8%	7.7%	8.4%	8.4%	8.4%
EBITDA Margin (%)	8.3%	6.8%	7.8%	14.4%	10.1%	10.9%	10.8%	10.5%
NPM (%)	2.8%	1.4%	1.9%	7.6%	3.4%	5.1%	5.1%	5.1%
Net debt/ equity (x)	0.6	0.9	0.8	0.3	0.3	0.4	0.5	0.5

Source: Company and Binaartha

Pictures: Slaughterhouse in Pabelan Semarang, Central Java



Picture: Commercial Farm in Sumogawe, Central Java



Pictures: Feedmill in Sragen, Central Java



Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	1,746	768	901	2,701	1,642	914	561	864
Trade Accounts Receivable	1,250	1,313	1,254	1,297	1,627	1,730	2,377	2,132
Inventories	4,727	5,134	5,855	5,500	6,414	6,921	7,925	8,164
Others Current Assets	1,281	1,494	1,594	1,562	1,506	1,761	2,016	2,041
Total Current Assets	9,005	8,709	9,604	11,061	11,189	11,326	12,880	13,201
NONCURRENT ASSETS								
Fixed Assets	5,350	6,461	6,978	7,539	8,346	9,181	10,007	10,908
Breeding Cattles	336	304	280	161	265	309	354	405
Other Noncurrent Assets	227	256	297	490	1,289	655	816	1,025
Total Noncurrent Assets	5,913	7,021	7,555	8,190	9,900	10,145	11,177	12,338
TOTAL ASSETS	14,918	15,730	17,159	19,251	21,089	21,471	24,057	25,539
LIABILITIES AND EQUITY								
LIABILITIES								
CURRENT LIABILITIES								
Short-term Bank Loans	2,559	2,213	1,863	759	797	600	1,186	1,186
Trade Account Payable	1,142	2,227	2,912	2,528	3,498	3,233	3,702	4,237
Others Current Liabilities	660	476	577	1,907	475	555	635	727
Total Current Liabilities	4,361	4,916	5,353	5,194	4,770	4,388	5,523	6,151
NONCURRENT LIABILITIES								
Long-term liabilities	1,145	1,287	1,436	1,066	1,241	1,451	1,661	1,902
Bonds Payable	4,148	4,223	4,246	3,609	5,271	5,329	6,255	6,405
Others Noncurrent Liabilitie	18	14	15	10	11	19	19	21
Total Noncurrent Liabilities	5,311	5,524	5,697	4,685	6,524	6,799	7,935	8,328
TOTAL LIABILITIES	9,672	10,440	11,050	9,878	11,293	11,187	13,459	14,478
Non-controlling interest	493	425	498	529	586	663	777	886
EQUITY	4,752	4,864	5,612	8,843	9,210	9,622	9,822	10,175
TOTAL LIABILITIES & EQUITY	14,917	15,729	17,159	19,251	21,089	21,472	24,057	25,539

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Sales	21,412	24,459	25,023	27,063	29,603	34,605	39,625	45,357
Cost of Sales	(17,794)	(21,033)	(21,030)	(21,584)	(24,571)	(28,480)	(32,611)	(37,329)
Gross Profit	3,617	3,426	3,993	5,479	5,032	6,125	7,014	8,028
Operating Expenses	(2,325)	(2,141)	(2,265)	(2,558)	(2,756)	(3,218)	(3,685)	(4,218)
Operating Profit	1,292	1,285	1,728	2,921	2,276	2,907	3,328	3,810
Other Income (Expenses)	(396)	(733)	(1,030)	(154)	(535)	(381)	(436)	(499)
PBT	895	551	698	2,767	1,741	2,526	2,893	3,311
Tax	(255)	(160)	(173)	(595)	(633)	(632)	(723)	(828)
NIAT	640	392	525	2,172	1,108	1,895	2,169	2,483
Non-controlling Interest	(45)	(53)	(56)	(107)	(110)	(128)	(147)	(168)
Net Income	595	339	468	2,065	998	1,767	2,023	2,315
EPS	56	32	44	181	87	155	177	203
EBITDA	1,778	1,668	1,940	3,903	2,989	3,786	4,272	4,758

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Net Income	595	339	468	2,065	998	1,767	2,023	2,315
Depreciation	373	468	561	626	679	835	826	901
Change in WC	(864)	(128)	(325)	185	(1,612)	(1,247)	(771)	609
Cash From Operating Activities	103	680	704	2,875	65	1,354	2,078	3,825
Capex	(1,754)	(1,576)	(1,095)	(1,261)	(2,389)	(1,080)	(1,858)	(2,062)
Cash From Investing Activities	(1,754)	(1,576)	(1,095)	(1,261)	(2,389)	(1,080)	(1,858)	(2,062)
Long-term liabilities	0	142	149	(370)	175	210	210	240
Bonds Payable	2,658	75	23	(638)	1,663	58	926	150
Others Noncurrent Liabilities	(21)	(4)	1	(5)	1	8	0	2
Equity	(113)	(295)	352	1,199	(575)	(1,277)	(1,709)	(1,853)
Cash From Financing Activities	2,524	(82)	525	186	1,264	(1,002)	(573)	(1,461)
Net Changes in Cash	873	(979)	134	1,800	(1,059)	(728)	(353)	302
Beginning Balance	872	1,746	768	901	2,701	1,642	914	561
Ending Balance	1,746	767	902	2,702	1,642	914	561	864

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Growth (% YoY)								
Sales	20.1%	14.2%	2.3%	8.2%	9.4%	16.9%	14.5%	14.5%
OP	5.0%	-0.6%	34.5%	69.0%	-22.1%	27.7%	14.5%	14.5%
EBITDA	-15.1%	-6.2%	16.3%	101.2%	-23.4%	26.7%	12.8%	11.4%
NP	-40.0%	-42.9%	38.0%	340.8%	-51.7%	77.0%	14.5%	14.5%
EPS	-40.0%	-42.9%	38.0%	311.8%	-51.7%	77.0%	14.5%	14.5%
Profitability (%)								
Gross Margin	16.9%	14.0%	16.0%	20.2%	17.0%	17.7%	17.7%	17.5%
Operating Margin	6.0%	5.3%	6.9%	10.8%	7.7%	8.4%	8.4%	8.4%
EBITDA margin	8.3%	6.8%	7.8%	14.4%	10.1%	10.9%	10.8%	10.5%
NET Profit margin	2.8%	1.4%	1.9%	7.6%	3.4%	5.1%	5.1%	5.1%
ROA	4.0%	2.2%	2.7%	10.7%	4.7%	8.2%	8.4%	9.1%
ROE	12.5%	7.0%	8.3%	23.3%	10.8%	18.4%	20.6%	22.8%
Solvability (x)								
Net debt/ equity	0.6	0.9	0.8	0.3	0.3	0.4	0.5	0.5
Tot. debt/ Tot.equity	2.0	2.1	2.0	1.1	1.2	1.2	1.4	1.4
Debt Ratio	0.6	0.7	0.6	0.5	0.5	0.5	0.6	0.6
Int. Coverage	1.3	0.6	0.8	4.3	1.9	4.5	3.9	4.5
Liquidity (x)								
Current Ratio	2.1	1.8	1.8	2.1	2.3	2.6	2.3	2.1
Cash Ratio	0.4	0.2	0.2	0.5	0.3	0.2	0.1	0.1

Source: Company and 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%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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