

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Higher Feed Margin

- In 3Q2023, JPFA booked double-digit sales growth of +10.6% YoY or +9.8% QoQ, reaching IDR 13.4 trillion. For 9M2023, JPFA's sales increased by +2.6% to IDR 37.7 trillion.
- The feed sales increased by +15% QoQ but still decreased by -2% YoY to IDR 3.48 trillion, with sales volume increasing by +4% YoY or +18% QoQ in 3Q2023. On top of better sales, the feed business booked a higher margin at 24% as JPFA continued to pass on raw material price increases in JPFA selling prices. Feed sales for 9M2023 slightly decreased by -3.7% YoY to IDR 10.05 trillion, with a slightly higher sales volume of +1% YoY, and the feed operating profit margin remained higher at 21% in 9M2023.
- The commercial farm segment maintained double-digit growth of +26.4% YoY, reaching IDR 5.8 trillion, driven by increased sales volume of +13% YoY. While the operating profit margin for the commercial farm segment went back to negative in 3Q2023 at -2.2% but still better compared to 3Q2022's -10% due to lower live bird prices in the market.
- Sales in the poultry processing and consumer products segment increased by +14.2% YoY to IDR 2.13 trillion, with a higher operating profit margin at 5.6%, up from 1.5% last year. The DOC business segment also recorded a higher margin at 82.6% due to a higher ASP by 6.3% YoY and higher sales volume by 26% YoY in 3Q2023, while DOC revenue grew +28.6% QoQ to IDR 712 billion.
- The DOC and broiler prices have been prone to large fluctuations of demand and supply in the market, starting in 2Q2023 and continuing in 3Q2023. We expect JPFA's performance in 2H2023 will be better as prices are expected to remain higher due to increased demand.

3Q2023: Positive profit margin

- In 3Q2023, JPFA booked a triple-digit growth in net profit of +170% YoY or +158% QoQ, reaching IDR 855 billion, with a net profit margin reaching 6.3%, the highest in a year due to higher sales volumes and prices.
- For 9M2023, results are still affected by weak performance in 1Q2023, with 9M2023's net profit at IDR 937 billion, decreased by -34% YoY.
- The gross profit increased by +47% YoY or +28% QoQ, reaching IDR 2.5 trillion, with a higher gross profit margin of 18.8% in 3Q2023.
- Anticipating increased demand in 4Q2023 to boost live bird and DOC prices, JPFA is expected to achieve a top-line sales and bottom-line profit of IDR 54.1 trillion and IDR 1.6 trillion, respectively, for 2023.

Valuation: Maintain BUY with TP 1,900

- Based on a DCF valuation with a WACC of 8.5%, our target for JPFA's stock is IDR 1,900, representing a 53% upside and a 13X 2024F PE. We recommend a BUY rating.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Sales (In IDR Bn)	36.965	44.878	48.972	54.118	60.553
Net Income (In IDR Bn)	917	2.023	1.420	1.628	1.823
EPS (IDR)	80	177	124	143	160
GPM (%)	20,1%	17,9%	15,7%	16,0%	16,0%
OPM (%)	6,7%	7,9%	5,6%	6,0%	6,0%
NPM (%)	2,5%	4,5%	2,9%	3,0%	3,0%
PBV (x)	1,6	1,6	1,4	1,6	1,5
PER (x)	18,2	9,7	12,9	13,3	11,9
Net debt/ equity (x)	0,4	0,5	0,6	0,7	0,7

Source: Company and Binaartha

6 November 2023
Basic Industry – Poultry

Price	IDR	1,245
Target Price	IDR	1,900
JKSE Index		6,878.836



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	14,599.6
52-week high (IDR)	1,435
52-week low (IDR)	1,015
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,460
Free float	44.94%

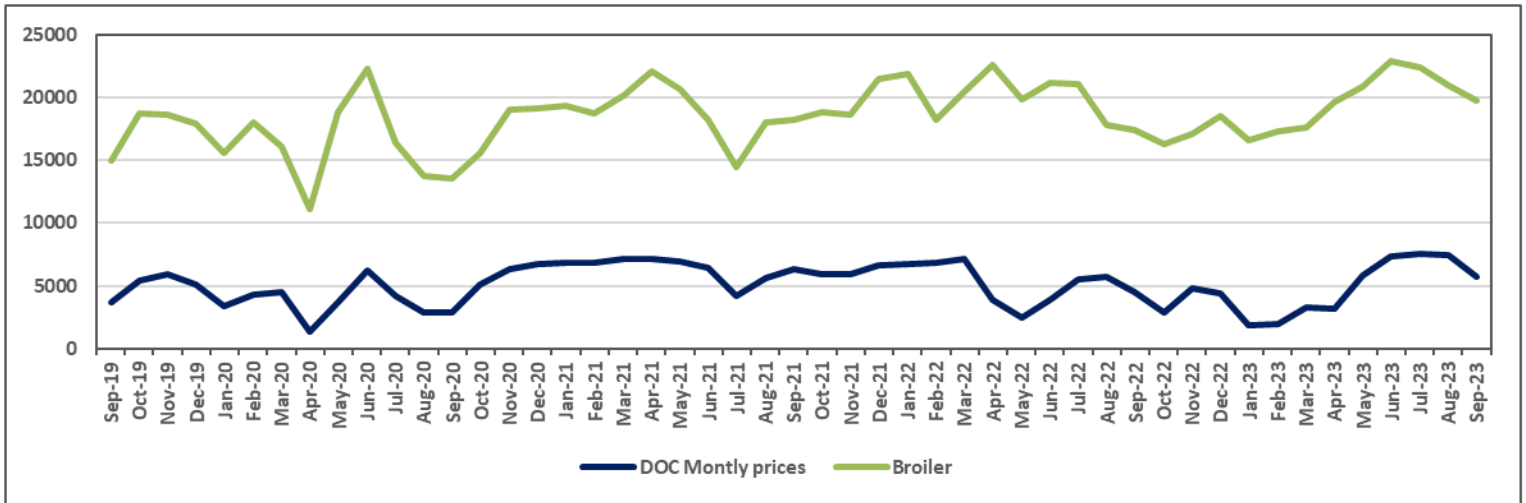
Major share holders

JAPFA LTD	40.00%
Credit Suisse AG Singapore Trust	15.43%
Public	44.57%

USD/ IDR – YE (IDR)

2022	15,592
2023F (6m-avg)	15,758

Chart: DOC and Broiler Prices until September 2023



Source: Average monthly prices of West Java

Chart: JPFA segment business breakdown QoQ

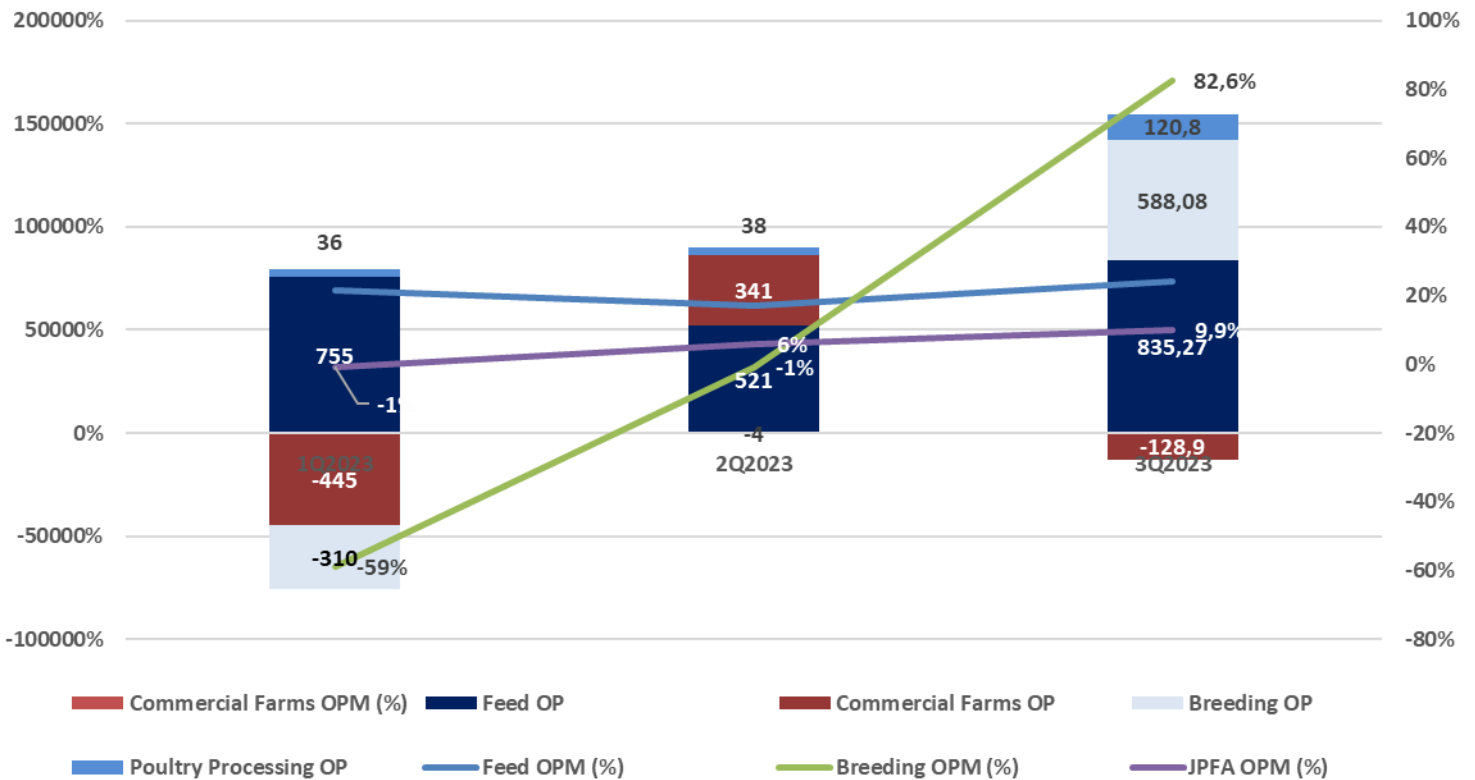


Chart: JPFA segment business breakdown YoY

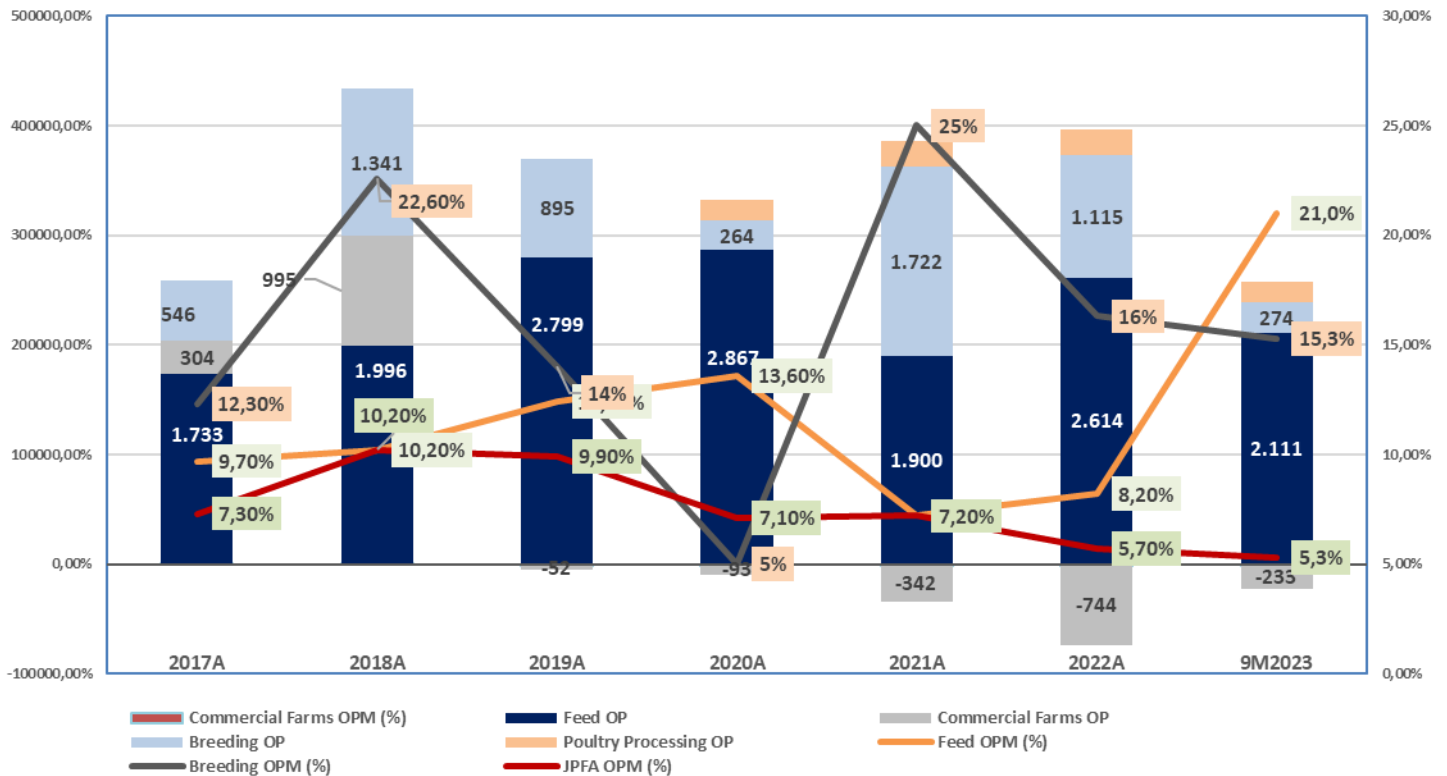


Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2023	2Q2023	3Q2023	QoQ	3Q2022	YoY	9M2022	9M2023	YoY
Sales	11.762	12.394	13.612	9,8%	12.310	11%	36.793	37.767	3%
Cost of Sales	-10.475	-10.323	-11.049	7,0%	-10.567	5%	-30.649	-31.846	4%
Gross Profit	1.287	2.071	2.563	23,7%	1.743	47%	6.144	5.922	-4%
Operating Expenses	-1.369	-1.334	-1.222	-8,4%	-1.129	8%	-3.596	-3.925	9%
Operating Profit	-82	738	1.341	81,8%	614	118%	2.548	1.997	-22%
Other Income (Expenses)	-219	-258	-227	-12,1%	-184	23%	-581	-704	21%
PBT	-301	480	1.114	132,3%	431	159%	1.967	1.293	-34%
Tax	59	-126	-232	84,9%	-113	105%	-447	-299	-33%
NIAT	-242	354	882	149,1%	318	178%	1.520	994	-35%
Non-controlling Interest	-8	-22	-27	18,8%	-1	2202%	-92	-57	-38%
Net Income	-250	332	855	157,9%	317	170%	1.428	937	-34%
EPS	-22	29	75	157,9%	28	170%	125	82	-34%
GPM (%)	10,9%	16,7%	18,8%		14,2%		16,7%	15,7%	
OPM (%)	-0,7%	6,0%	9,9%		5,0%		6,9%	5,3%	
NPM(%)	-2,1%	2,7%	6,3%		2,6%		3,9%	2,5%	

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Sales	38.872	36.965	44.878	48.972	54.118	60.553
Cost of Sales	-31.000	-29.536	-36.858	-41.289	-45.459	-50.865
Gross Profit	7.871	7.429	8.020	7.683	8.659	9.689
Operating Expenses	-4.747	-4.945	-4.495	-4.933	-5.412	-6.055
Operating Profit	3.124	2.484	3.525	2.750	3.247	3.633
Other Income (Expenses)	-630	-805	-731	-796	-1.028	-1.151
PBT	2.494	1.679	2.794	1.955	2.219	2.483
Tax	-701	-457	-663	-464	-510	-571
NIAT	1.794	1.222	2.131	1.491	1.709	1.912
Non-controlling Interest	-119	-86	-108	-71	-81	-91
Net Income	1.765	917	2.023	1.420	1.628	1.823
EPS	155	80	177	124	143	160
EBITDA	4.290	3.696	4.816	3.722	4.267	4.665

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Income	1.765	917	2.023	1.420	1.628	1.823
Depreciation	979	1.155	1.215	950	1.162	1.296
Change in WC	358	-275	-1.610	234	725	-459
Cash From Operating Activities	3.102	1.797	1.628	2.604	3.515	2.661
Change in Non-current Asset	-3.264	-1.584	-1.437	-2.211	-2.466	-2.660
Cash From Investing Activities	-3.264	-1.584	-1.437	-2.211	-2.466	-2.660
Change in Long-term liabilities	759	1.563	-462	705	-180	154
Change in Bonds Payable	-120	-72	368	509	-169	0
Change Others Noncurrent Liabilities	1	29	-16	-13	12	-1
Change in Equity	-634	-1.401	-332	-868	-541	-686
Cash From Financing Activities	6	119	-441	333	-878	-532
Net Changes in Cash	-156	332	-251	726	171	-532
Beginning Balance	1.160	1.004	1.336	1.085	1.811	1.982
Ending Balance	1.004	1.336	1.085	1.811	1.982	1.451

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2019A	2020A	2021A	2022A	2023F	2024F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	1.004	1.336	1.085	1.811	1.982	1.451
Trade Accounts Receivable	2.373	1.982	2.348	2.405	2.706	2.422
Inventories	6.210	5.670	7.713	9.272	9.774	10.936
Others Current Assets	3.286	2.757	3.015	3.513	3.680	3.936
Total Current Assets	12.873	11.745	14.161	17.001	18.142	18.745
NONCURRENT ASSETS						
Fixed Assets	10.708	11.144	11.510	12.497	13.659	14.956
Breeding Cattles	157	108	54	34	87	71
Other Noncurrent Assets	2.913	2.955	2.865	3.158	3.247	3.330
Total Noncurrent Assets	13.778	14.207	14.429	15.689	16.993	18.357
TOTAL ASSETS	26.651	25.952	28.590	32.691	35.135	37.101
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	3.278	423	2.314	3.924	5.424	5.424
Trade Account Payable	3.386	3.994	3.030	4.135	4.329	4.844
Others Current Liabilities	1.078	1.591	1.720	1.353	1.353	1.514
Total Current Liabilities	7.742	6.008	7.064	9.412	11.107	11.782
NONCURRENT LIABILITIES						
Long-term liabilities	1.318	1.696	1.254	1.174	1.299	1.453
Long-term Bank loan	1.107	2.292	2.273	3.058	2.753	2.753
Bonds Payable	4.564	4.492	4.859	5.369	5.200	5.200
Others Noncurrent Liabilities	23	52	36	23	35	34
Total Noncurrent Liabilities	7.012	8.532	8.423	9.624	9.286	9.440
TOTAL LIABILITIES	14.754	14.540	15.487	19.036	20.393	21.222
Non-controlling interest	676	734	869	907	1.076	1.204
EQUITY	11.220	10.677	12.233	12.748	13.666	14.675
TOTAL LIABILITIES & EQUITY	26.650	25.951	28.589	32.690	35.135	37.101

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)					
Sales	-4,9%	21,4%	9,1%	10,5%	11,9%
OP	-20,5%	41,9%	-22,0%	18,1%	11,9%
EBITDA	-13,8%	30,3%	-22,7%	14,6%	9,3%
NP	-48,1%	120,6%	-29,8%	14,7%	11,9%
EPS	-48,1%	120,6%	-29,8%	14,7%	11,9%
Profitability (%)					
Gross Margin	20,1%	17,9%	15,7%	16,0%	16,0%
Operating Margin	6,7%	7,9%	5,6%	6,0%	6,0%
EBITDA margin	10,0%	10,7%	7,6%	7,9%	7,7%
NET Profit margin	2,5%	4,5%	2,9%	3,0%	3,0%
ROA	3,5%	7,1%	4,3%	4,6%	4,9%
ROE	8,6%	16,5%	11,1%	11,9%	12,4%
Solvability (x)					
Net debt/ equity	0,4	0,5	0,6	0,7	0,7
Tot. debt/ Tot.equity	1,4	1,3	1,5	1,5	1,4
Debt Ratio	0,6	0,5	0,6	0,6	0,6
Liquidity (x)					
Current Ratio	2,0	2,0	1,8	1,6	1,6
Cash Ratio	0,2	0,2	0,2	0,2	0,1
Per Share data					
EPS (IDR)	80	177	124	143	160
PBV (x)	1,6	1,6	1,4	1,6	1,5
PER (x)	18,2	9,7	12,9	13,3	11,9
EBITDA/share	324	422	326	374	409

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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