

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Much higher prices

- Broiler and DOC prices experienced a hike after a drop in early 2023, thanks to government initiatives to manage demand and supply of DOC through culling in the first half of 2023.
- As a result, JPFA's performance improved in the second quarter of 2023. In 2Q2023, JPFA achieved stable sales of IDR 12.4 trillion, showing a positive growth of +5.4% compared to 1Q2023.
- The commercial farm segment played a significant role in JPFA's sales, contributing IDR 5.37 trillion, with growth of 7.6% QoQ or +20% YoY, driven by increased sales volume of 7.2% YoY. The operating profit margin for the commercial farm segment also rose from negative in 1Q2023 to 6.4% in 2Q2023.
- Sales in the poultry processing and consumer products segment increased by +4.1% YoY to IDR 1.94 trillion, maintaining a stable operating profit margin at 2%.
- However, feed sales decreased -7.7% YoY or -14.4% QoQ to IDR 3.03 trillion due to a decline in sales volume by -3.5% YoY. Despite this, feed sales for 1H2023 still increased by +6.2% YoY to IDR 6.5 trillion, with a slightly lower sales volume of -0.2% YoY, and the feed operating profit margin remained higher at 19.4% in 1H2023.
- Amid the culling in 1H2023, DOC prices spiked by +287% from the lowest in January to June 2023, while livebird prices increased by +38% from the January low. The expectation is that JPFA's performance in 2H2023 will be better as prices are expected to remain higher due to increased demand.

2Q2023: Positive profit margin

- In 2Q2023, JPFA achieved a positive net profit margin of 2.7% after experiencing a negative margin in 1Q2023. The net profit for 2Q2023 amounted to IDR 332 billion, compared to a loss of IDR 250 billion in 1Q2023, resulting in a positive net profit of IDR 82 billion in 1H2023.
- Although gross profit significantly increased by +61% QoQ, it was still lower by -8.6% YoY, reaching IDR 2.07 trillion, primarily due to slightly lower costs of sales by -1% QoQ. This led to an improved gross profit margin of 16.7% in 2Q2023. The expectation is that raw material prices will soften in 2H2023 after reaching their highest point in 2022.
- Anticipating increased demand in 2H2023 to boost livebird and DOC prices, coupled with lower commodity costs (corn and SBM), JPFA is expected to achieve a top-line and bottom-line profit of IDR 54.1 trillion and IDR 1.5 trillion, respectively, for 2023.

Valuation: Maintain BUY with TP 1,615

- Based on a DCF valuation with WACC of 7.7%, our target for JPFA's stock is IDR 1,615, representing 30% upside and a 12X 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	1.524	1.753
EPS (IDR)	80	177	124	134	154
GPM (%)	20,1%	17,9%	15,7%	15,4%	15,5%
OPM (%)	6,7%	7,9%	5,6%	5,4%	5,5%
NPM (%)	2,5%	4,5%	2,9%	2,8%	2,9%
PBV (x)	1,6	1,6	1,4	1,3	1,3
PER (x)	18,2	9,7	12,9	12,0	10,4
Net debt/ equity (x)	0,4	0,5	0,6	0,7	0,7

Source: Company and Binaartha

8 August 2023
Basic Industry – Poultry

Price	IDR	1,245
Target Price	IDR	1,615
JKSE Index		6,886.366



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	14,541
52-week high (IDR)	1,635
52-week low (IDR)	1,015
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,460
Free float	44.94%

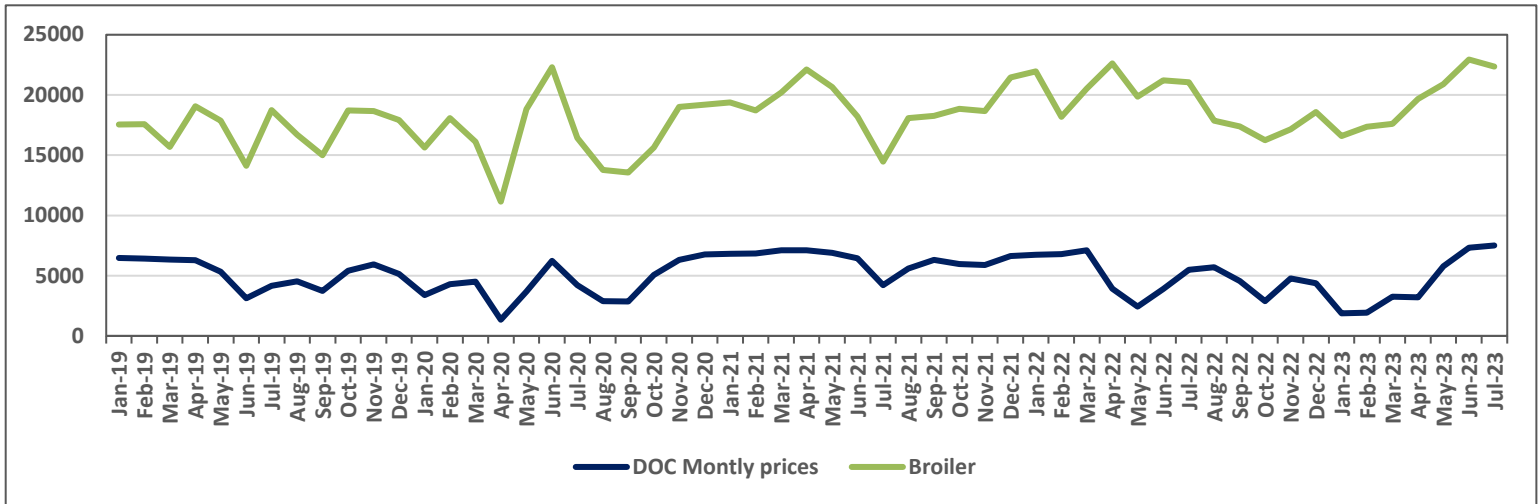
Major share holders

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

USD/ IDR – YE (IDR)

2022	15,592
2023F (6m-avg)	15,033

Chart: DOC and Broiler Prices until July 2023



Source: Average monthly prices of West Java

Chart: JPFA segment business breakdown YoY

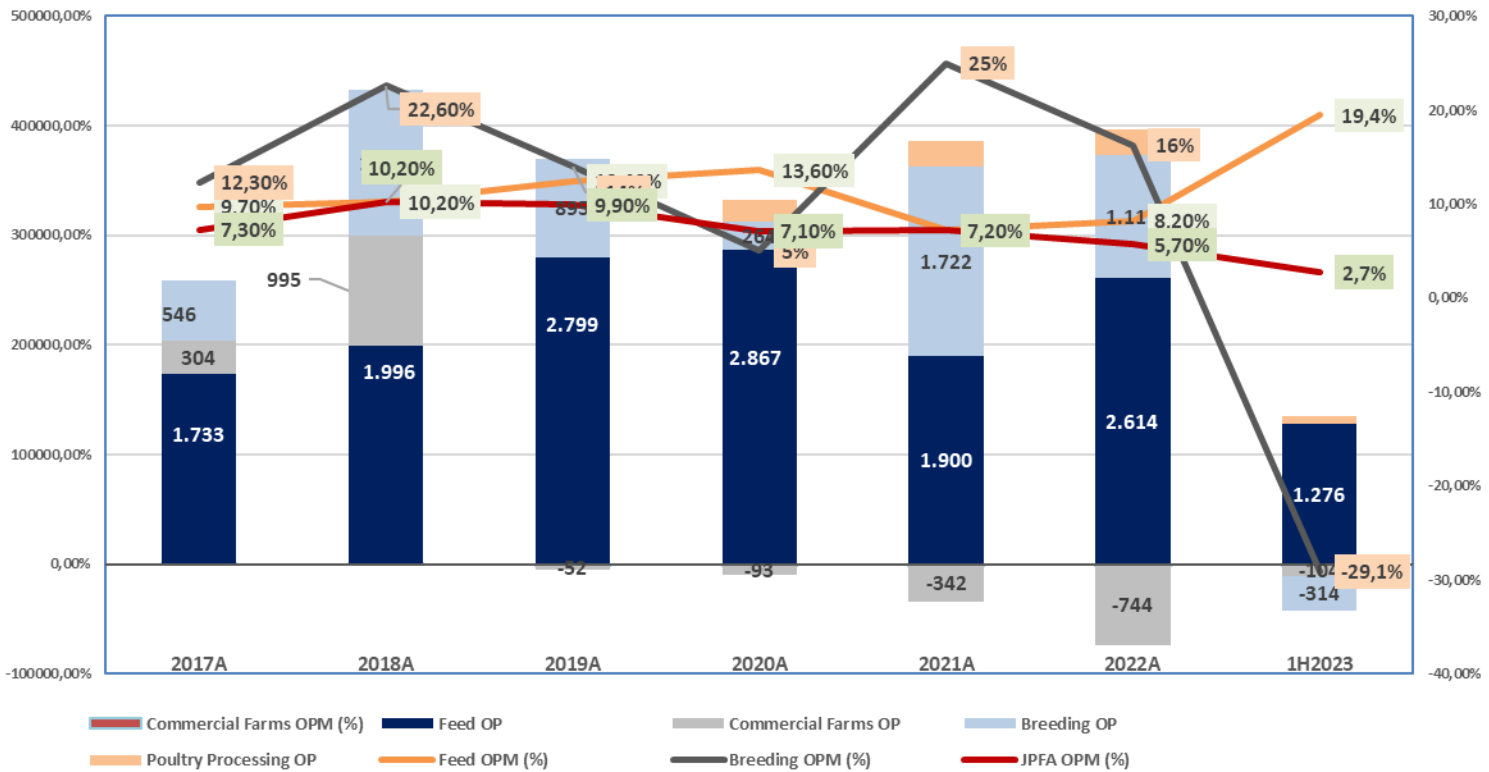


Chart: JPFA segment business breakdown 1Q2023 vs 2Q2023

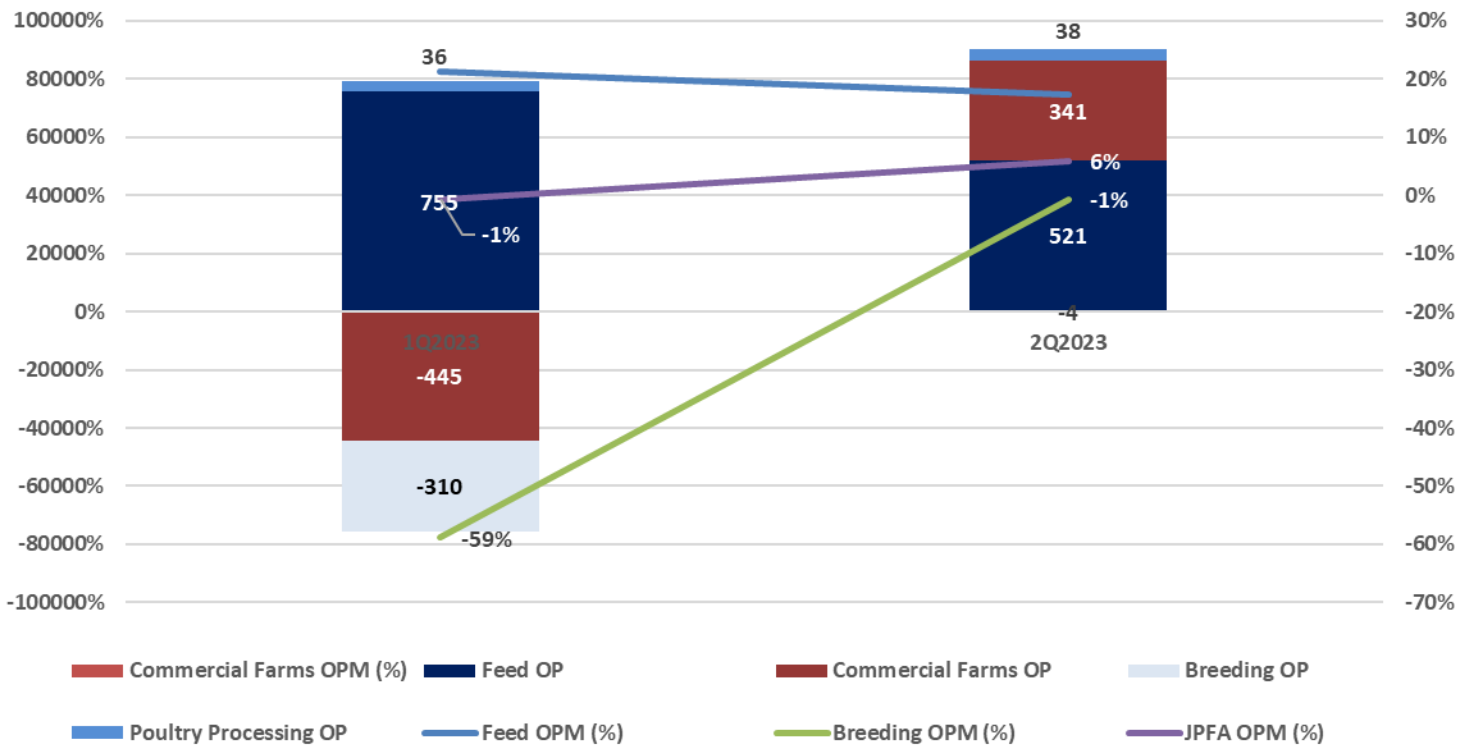


Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Sales	11.762	12.394	5,4%	12.329	0,5%	24.483	24.156	-1%
Cost of Sales	-10.475	-10.323	-1%	-10.063	2,6%	-20.082	-20.797	4%
Gross Profit	1.287	2.071	61%	2.267	-8,6%	4.401	3.358	-24%
Operating Expenses	-1.369	-1.334	-3%	-1.335	-0,1%	-2.467	-2.702	10%
Operating Profit	-82	738		931	-20,8%	1.934	656	-66%
Other Income (Expenses)	-219	-258		-206	25,5%	-398	-477	20%
PBT	-301	480		726	-33,9%	1.536	179	-88%
Tax	59	-126		-171	-26,4%	-334	-67	-80%
NIAT	-242	354		555	-36,2%	1.202	112	-91%
Non-controlling Interest	-8	-22		-47	-52,5%	-90	-30	-66%
Net Income	-250	332		508	-34,7%	1.112	82	-93%
EPS	-22	29		45	-34,7%	97	7	-93%
GPM (%)	10,9%	16,7%		18,4%		18,0%	13,9%	
OPM (%)	-0,7%	6,0%		7,6%		7,9%	2,7%	
NPM(%)	-2,1%	2,7%		4,1%		4,5%	0,3%	

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	-45.784	-51.168
Gross Profit	7.871	7.429	8.020	7.683	8.334	9.386
Operating Expenses	-4.747	-4.945	-4.495	-4.933	-5.412	-6.055
Operating Profit	3.124	2.484	3.525	2.750	2.922	3.330
Other Income (Expenses)	-630	-805	-731	-796	-866	-969
PBT	2.494	1.679	2.794	1.955	2.056	2.362
Tax	-701	-457	-663	-464	-452	-520
NIAT	1.794	1.222	2.131	1.491	1.604	1.842
Non-controlling Interest	-119	-86	-108	-71	-81	-91
Net Income	1.765	917	2.023	1.420	1.524	1.753
EPS	155	80	177	124	134	154
EBITDA	4.290	3.696	4.816	3.722	4.171	4.610

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	1.524	1.753
Depreciation	979	1.155	1.215	950	1.162	1.296
Change in WC	358	-275	-1.610	234	913	-555
Cash From Operating Activities	3.102	1.797	1.628	2.604	3.599	2.494
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	-634
Cash From Financing Activities	6	119	-441	333	-878	-480
Net Changes in Cash	-156	332	-251	726	255	-646
Beginning Balance	1.160	1.004	1.336	1.085	1.811	2.066
Ending Balance	1.004	1.336	1.085	1.811	2.066	1.420

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	2.066	1.420
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	18.226	18.715
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	35.219	37.071
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	3.278	423	2.314	3.924	6.424	6.424
Trade Account Payable	3.386	3.994	3.030	4.135	3.518	3.936
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	11.295	11.874
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	20.581	21.314
Non-controlling interest	676	734	869	907	1.076	1.204
EQUITY	11.220	10.677	12.233	12.748	13.562	14.553
TOTAL LIABILITIES & EQUITY	26.650	25.951	28.589	32.690	35.219	37.071

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2019A	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)						
Sales	7,3%	-4,9%	21,4%	9,1%	10,5%	11,9%
OP	-15,6%	-20,5%	41,9%	-22,0%	6,3%	14,0%
EBITDA	-7,7%	-13,8%	30,3%	-22,7%	12,0%	10,5%
NP	-18,6%	-48,1%	120,6%	-29,8%	7,3%	15,0%
EPS	-18,6%	-48,1%	120,6%	-29,8%	7,3%	15,0%
Profitability (%)						
Gross Margin	20,2%	20,1%	17,9%	15,7%	15,4%	15,5%
Operating Margin	8,0%	6,7%	7,9%	5,6%	5,4%	5,5%
EBITDA margin	11,0%	10,0%	10,7%	7,6%	7,7%	7,6%
NET Profit margin	4,5%	2,5%	4,5%	2,9%	2,8%	2,9%
ROA	6,6%	3,5%	7,1%	4,3%	4,3%	4,7%
ROE	15,7%	8,6%	16,5%	11,1%	11,2%	12,0%
Solvability (x)						
Net debt/ equity	0,6	0,4	0,5	0,6	0,7	0,7
Tot. debt/ Tot.equity	1,3	1,4	1,3	1,5	1,5	1,5
Debt Ratio	0,6	0,6	0,5	0,6	0,6	0,6
Liquidity (x)						
Current Ratio	1,7	2,0	2,0	1,8	1,6	1,6
Cash Ratio	0,1	0,2	0,2	0,2	0,2	0,1
Per Share data						
EPS (IDR)	155	80	177	124	134	154
PBV (x)	1,6	1,6	1,6	1,4	1,3	1,3
PER (x)	9,9	18,2	9,7	12,9	12,0	10,4
EBITDA/share	376	324	422	326	366	404

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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