

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Demand Continues to Grow

- With the recovery in economic growth & inline with increasing public mobility, JPFA recorded higher sales in the first quarter.
- In the 1Q2022, JPFA revenue increased +12.9% YoY to IDR 12.15 trillion due to higher volumes & average selling prices (ASPs) in all businesses. JPFA improving sales trend continues with quarterly growth since the drop in 2020.
- Commercial farms contributed IDR 4.6 trillion to total sales, up +8.4% YoY. The growth was due to higher live bird sales volume, +9.7% YoY and an ASP increase of +5.9% YoY in 1Q2022.
- Feed sales increased +12.2% YoY to IDR 3.59 trillion inline with a volume increase of +4.5% YoY in 1Q2022.
- DOC sales decreased -16.9% YoY but slightly increased +1.2% compared to the 4Q2021 at IDR 625 billion, while DOC's ASP continued to improve with +6.2% YoY growth and volume grew by +5% YoY.
- We are expecting JPFA sales in 2Q2021 will be higher in line with higher demand due to the Eid holiday and higher ASPs. For 2022F, we expect JPFA's sales will reach IDR 49.5 trillion as demand and prices continue to recover.

Margin Up QoQ

- In 1Q2022, JPFA booked a net profit of IDR 604 billion +17% QoQ but lower -17.6% YoY from a decrease in broiler prices in February 2022 compared to 1Q2021. The NPM grew slightly QoQ from 4.3% in 4Q2021 to 5.0% although was lower compared to 1Q2021's 8.0%.
- JPFA 1Q2022 gross profit decreased -24% YoY to IDR 2.13 trillion due to a higher cost of sales +26% YoY inline with higher raw material prices and shipping costs. This resulted in a lower gross profit margin of 17.6% from 25.9% in 1Q2021 but slightly higher than 17.2% in 4Q2021.
- Operating profit reached IDR 1.0 trillion, a decrease of -25% YoY, in line with a lower OPM of 8.2% from 12.4% in 1Q2021.
- As commodity prices and shipping costs have jumped, we expect JPFA's margins will contract in 2022F. For 2022F, we are expecting JPFA's profit will rise slightly, 1% YoY, to IDR 2.05 trillion.

Valuation: Maintain BUY with TP 1,960

- Using a DCF valuation with WACC of 12%, we are targeting JPFA to trade at a 9.9x 2023F PE within a year. Target Price is IDR 1,960 which represents 42.5% upside. We maintain our recommendation to BUY.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales (In IDR Bn)	29.603	36.228	38.872	36.965	44.878	49.519	54.002
Net Income (In IDR Bn)	998	2.168	1.765	917	2.023	2.050	2.237
EPS (IDR)	87	190	155	80	177	180	196
GPM (%)	17,0%	21,8%	20,2%	20,1%	17,9%	17,9%	17,9%
OPM (%)	7,7%	10,2%	8,0%	6,7%	7,9%	7,2%	7,2%
NPM (%)	3,4%	6,0%	4,5%	2,5%	4,5%	4,1%	4,1%
Net debt/ equity (x)	0,3	0,6	0,6	0,4	0,5	0,5	0,5

 10 May 2022
 Basic Industry – Poultry

Price	IDR	1,375
Target Price	IDR	1,960
JKSE Index		6,909.751



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	16,124
52-week high (IDR)	2,220
52-week low (IDR)	1,365
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,717
Free float	44.94%

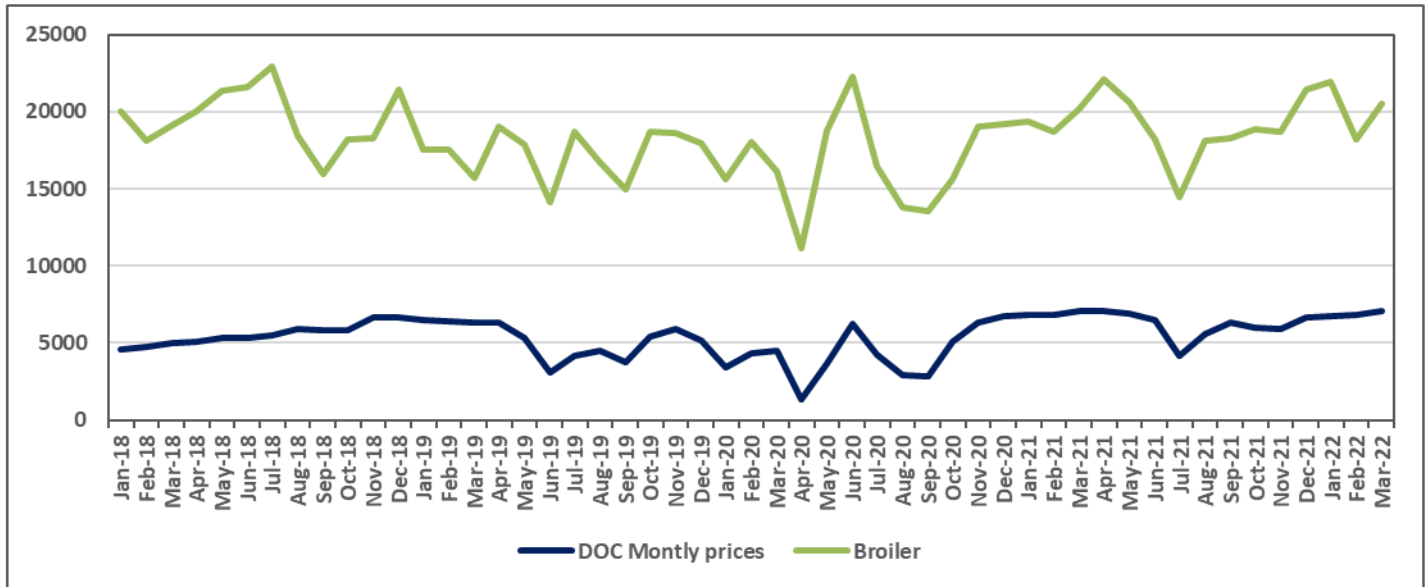
Major share holders

JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

USD/ IDR – YE (IDR)

2021	14,310
2022F (6m-avg)	14,533

Chart: DOC and Broiler Prices until March 2022



Source: Average monthly prices of West Java

Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (in IDR Bn)	1Q2021	1Q2022	YoY	4Q2021	QoQ
Sales	10.769	12.154	13%	12.075	1%
Cost of Sales	-7.978	-10.019	26%	-9.992	0%
Gross Profit	2.792	2.135	-24%	2.083	2%
Operating Expenses	-1.461	-1.132	-22%	-1.212	-7%
Operating Profit	1.331	1.002	-25%	871	15%
Other Income (Expenses)	-151	-192	28%	-172	11%
PBT	1.180	810	-31%	699	16%
Tax	-265	-164	-38%	-184	-11%
NIAT	916	647	-29%	515	26%
Non-controlling Interest	-57	-43	-25%	1	
Net Income	859	604	-30%	515	17%
EPS	75	53	-30%	45	17%
GPM (%)	25,9%	17,6%		17,2%	
OPM (%)	12,4%	8,2%		7,2%	
NPM(%)	8,0%	5,0%		4,3%	

Source: Company and Binaartha

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	27.063	29.603	36.228	38.872	36.965	44.878	49.519	54.002
Cost of Sales	-21.584	-24.571	-28.343	-31.000	-29.536	-36.858	-40.655	-44.336
Gross Profit	5.479	5.032	7.886	7.871	7.429	8.020	8.864	9.666
Operating Expenses	-2.558	-2.756	-4.182	-4.747	-4.945	-4.495	-5.299	-5.778
Operating Profit	2.921	2.276	3.703	3.124	2.484	3.525	3.565	3.888
Other Income (Expenses)	-154	-535	-785	-630	-805	-731	-743	-810
PBT	2.767	1.741	2.918	2.494	1.679	2.794	2.823	3.078
Tax	-595	-633	-830	-701	-457	-663	-663	-723
NIAT	2.172	1.108	2.088	1.794	1.222	2.131	2.159	2.355
Non-controlling Interest	-107	-110	-85	-119	-86	-108	-109	-119
Net Income	2.065	998	2.168	1.765	917	2.023	2.050	2.237
EPS	181	87	190	155	80	177	180	196
EBITDA	3.903	2.989	4.651	4.290	3.696	4.816	4.749	5.130

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	998	2.168	1.765	917	2.023	2.050	2.237
Depreciation	679	863	979	1.155	1.215	1.084	1.209
Change in WC	-1.612	293	358	-275	-1.610	-245	-73
Cash From Operating Activities	65	3.324	3.102	1.797	1.628	2.889	3.373
Change in Non-current Asset	-2.389	-2.456	-3.264	-1.584	-1.437	-2.262	-2.691
Cash From Investing Activities	-2.389	-2.456	-3.264	-1.584	-1.437	-2.262	-2.691
Change in Long-term liabilities	175	426	759	1.563	-462	577	144
Change in Bonds Payable	1.663	-587	-120	-72	368	-159	0
Change Others Noncurrent Liabilities	1	11	1	29	-16	19	-3
Change in Equity	-575	-1.199	-634	-1.401	-332	-896	-936
Cash From Financing Activities	1.264	-1.350	6	119	-441	-460	-795
Net Changes in Cash	-1.059	-482	-156	332	-251	166	-113
Beginning Balance	2.701	1.642	1.160	1.004	1.336	1.085	1.251
Ending Balance	1.642	1.160	1.004	1.336	1.085	1.251	1.139

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	1.642	1.160	1.004	1.336	1.085	1.251	1.139
Trade Accounts Receivable	1.627	2.308	2.373	1.982	2.348	2.753	3.071
Inventories	6.414	6.577	6.210	5.670	7.713	8.053	8.100
Others Current Assets	1.506	3.289	3.286	2.757	3.015	3.510	3.672
Total Current Assets	11.189	13.335	12.873	11.745	14.161	15.568	15.983
NONCURRENT ASSETS							
Fixed Assets	8.346	8.647	10.708	11.144	11.510	12.593	13.802
Breeding Cattles	265	223	157	108	54	102	112
Other Noncurrent Assets	1.289	2.623	2.913	2.955	2.865	2.911	3.175
Total Noncurrent Assets	9.900	11.493	13.778	14.207	14.429	15.607	17.089
TOTAL ASSETS	21.089	24.827	26.651	25.952	28.590	31.175	33.071
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	797	1.451	3.278	423	2.314	2.900	2.900
Trade Account Payable	3.498	4.129	3.386	3.994	3.030	3.343	3.646
Others Current Liabilities	475	2.109	1.078	1.591	1.720	1.816	1.968
Total Current Liabilities	4.770	7.690	7.742	6.008	7.064	8.059	8.514
NONCURRENT LIABILITIES							
Long-term liabilities	1.241	1.188	1.318	1.696	1.254	1.831	1.975
Long-term Bank loan		478	1.107	2.292	2.273	2.273	2.273
Bonds Payable	5.271	4.684	4.564	4.492	4.859	4.700	4.700
Others Noncurrent Liabilities	11	22	23	52	36	55	52
Total Noncurrent Liabilities	6.524	6.372	7.012	8.532	8.423	8.859	9.000
TOTAL LIABILITIES	11.293	14.062	14.754	14.540	15.487	16.918	17.514
Non-controlling interest	586	607	676	734	869	984	1.074
EQUITY	9.210	10.158	11.220	10.677	12.233	13.272	14.484
TOTAL LIABILITIES & EQUITY	21.089	24.827	26.650	25.951	28.589	31.174	33.071

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)							
Sales	9,4%	22,4%	7,3%	-4,9%	21,4%	10,3%	9,1%
OP	-22,1%	62,7%	-15,6%	-20,5%	41,9%	1,1%	9,1%
EBITDA	-23,4%	55,6%	-7,7%	-13,8%	30,3%	-1,4%	8,0%
NP	-51,7%	117,2%	-18,6%	-48,1%	120,6%	1,4%	9,1%
EPS	-51,7%	117,2%	-18,6%	-48,1%	120,6%	1,4%	9,1%
Profitability (%)							
Gross Margin	17,0%	21,8%	20,2%	20,1%	17,9%	17,9%	17,9%
Operating Margin	7,7%	10,2%	8,0%	6,7%	7,9%	7,2%	7,2%
EBITDA margin	10,1%	12,8%	11,0%	10,0%	10,7%	9,6%	9,5%
NET Profit margin	3,4%	6,0%	4,5%	2,5%	4,5%	4,1%	4,1%
ROA	4,7%	8,7%	6,6%	3,5%	7,1%	6,6%	6,8%
ROE	10,8%	21,3%	15,7%	8,6%	16,5%	15,4%	15,4%
Solvability (x)							
Net debt/ equity	0,3	0,6	0,6	0,4	0,5	0,5	0,5
Tot. debt/ Tot.equity	1,2	1,4	1,3	1,4	1,3	1,3	1,2
Debt Ratio	0,5	0,6	0,6	0,6	0,5	0,5	0,5
Liquidity (x)							
Current Ratio	2,3	1,7	1,7	2,0	2,0	1,9	1,9
Cash Ratio	0,3	0,2	0,1	0,2	0,2	0,2	0,1
Per Share data (IDR)							
EPS	87	190	155	80	177	180	196
BV	807	890	983	936	1.072	1.163	1.269
EBITDA/share	262	408	376	324	422	416	450

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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