

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

2018FY Results: Triple digit growth

- JPFA booked revenue of IDR 34.01 trillion up 14.9% yoy from IDR 29.6 trillion in 2017, slightly lower -4.6% compared to our revenue estimate at IDR 35.6 trillion. Growth was mainly from higher sales volumes for poultry feed and DOC as well as higher ASPs across the poultry business.
- JPFA operating margin grew from 7.5% in 2017FY to 11.3% in 2018FY, slightly lower compared to our estimated at 12.2% in 2018. Breeding operating margin was the highest in 2018FY at 22.6% up from 2017FY's 12.0%. The high operating margin in 2018FY was mainly due to high ASPs for DOC and broiler driven by lack of DOC supply.
- Profit for the year grew 116% to IDR 2.25 trillion. This is slightly lower than our estimate of IDR 2.043 trillion.
- JPFA 2018FY results show profitability lifted by higher poultry ASPs and breeding productivity.
- The poultry feed business continued to be the key profitability pillar with a growth in sales volumes of approximately 6%. Meanwhile breeding operations recorded exceptionally strong profits in 2018FY with higher DOC ASP due to lack of supply in Indonesia.

Conservative 2019 forecasts

- We are targeting double digit growth for JPFA's revenue with +26% growth to IDR 42.7 trillion in 2019F as we expect higher sales volume growth and higher poultry ASPs.
- But we are more conservative for JPFA 2019F bottom line as higher corn prices, and fluctuations in SBM prices, will impact to higher COGS. We estimate JPFA 2019F GPM & OPM will reach 18% and 9.5% respectively.

Valuation: Maintain BUY TP 3,000, 25% upside

- We maintain a BUY for JPFA on the strong result in 2018FY with higher volume of DOC and livestock and higher poultry ASPs that will boost 2019 results.
- Using DCF valuation with WACC at 8.41% We are targeting JPFA to trade at 15x 2019F PE within a year. Target Price is IDR 3,000 which represents 25% upside. BUY

Financial Highlights	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Sales (In IDR Bn)	24,459	25,023	27,063	29,603	34,013	42,774	51,560
Net Income (In IDR Bn)	339	468	2,065	998	2,168	2,283	2,752
EPS (IDR)	32	44	181	87	190	200	241
OPM (%)	5.3%	6.9%	10.8%	7.7%	11.3%	9.5%	9.5%
EBITDA Margin (%)	6.8%	7.8%	14.4%	10.1%	13.7%	10.8%	10.4%
NPM (%)	1.4%	1.9%	7.6%	3.4%	6.4%	5.3%	5.3%
Net debt/ equity (x)	0.9	0.8	0.3	0.3	0.6	0.5	0.6

14th March 2019
Basic Industry – Poultry

Price	IDR	2,400
Target Price	IDR	3,000
JKSE Index		6,377.575



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	28,143.78
52-week high (IDR)	3,100
52-week low (IDR)	1,435
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	2,211
Free float	39.20%

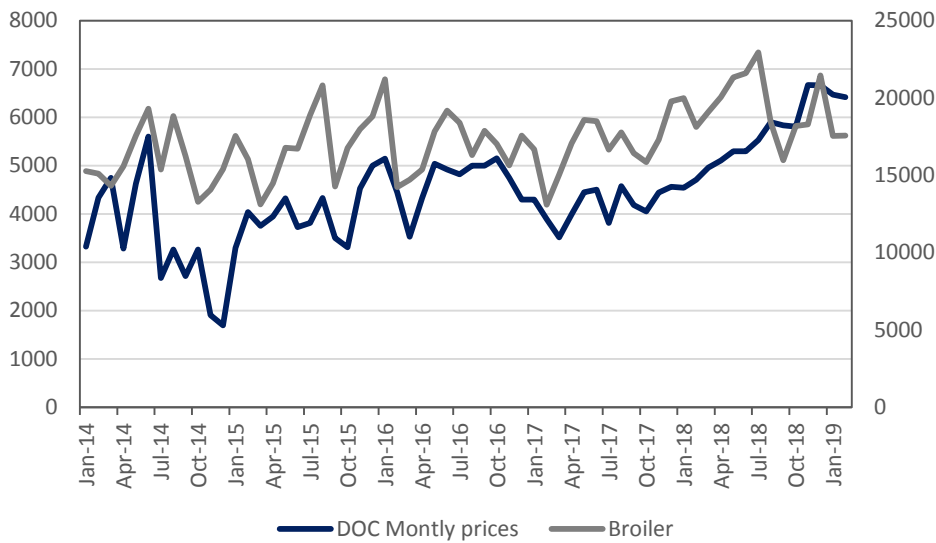
Major share holders

JAPFA LTD	52.43%
KKR Jade Investment Pte Ltd	8.37%
Public	39.20%

USD/ IDR – YE (IDR)

2018	14,390
2019f (6m-avg)	14,228

Chart: DOC and Broiler Prices



Source: Binaartha

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Sales	21,412	24,459	25,023	27,063	29,603	34,013	42,774	51,560
Cost of Sales	(17,794)	(21,033)	(21,030)	(21,584)	(24,571)	(26,805)	(35,075)	(42,279)
Gross Profit	3,617	3,426	3,993	5,479	5,032	7,208	7,699	9,281
Operating Expenses	(2,325)	(2,141)	(2,265)	(2,558)	(2,756)	(3,365)	(3,636)	(4,383)
Operating Profit	1,292	1,285	1,728	2,921	2,276	3,844	4,064	4,898
Other Income (Expenses)	(396)	(733)	(1,030)	(154)	(535)	(754)	(770)	(928)
PBT	895	551	698	2,767	1,741	3,090	3,294	3,970
Tax	(255)	(160)	(173)	(595)	(633)	(837)	(856)	(1,032)
NIAT	640	392	525	2,172	1,108	2,253	2,437	2,938
Non-controlling Interest	(45)	(53)	(56)	(107)	(110)	(85)	(154)	(186)
Net Income	595	339	468	2,065	998	2,168	2,283	2,752
EPS	56	32	44	181	87	190	200	241
EBITDA	1,778	1,668	1,940	3,903	2,989	4,648	4,611	5,355

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2014A	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	768	901	2,701	1,642	1,087	1,284	1,095
Trade Accounts Receivable	1,313	1,254	1,297	1,627	1,822	1,925	2,320
Inventories	5,134	5,855	5,500	6,414	6,248	6,844	7,734
Others Current Assets	1,494	1,594	1,562	1,506	3,259	2,994	3,609
Total Current Assets	8,709	9,604	11,061	11,189	12,416	13,047	14,758
NONCURRENT ASSETS							
Fixed Assets	6,461	6,978	7,539	8,346	7,952	8,717	9,555
Breeding Cattles	304	280	161	265	224	281	304
Other Noncurrent Assets	256	297	490	1,289	2,447	2,994	3,609
Total Noncurrent Assets	7,021	7,555	8,190	9,900	10,622	11,992	13,468
TOTAL ASSETS	15,730	17,159	19,251	21,089	23,038	25,039	28,226
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	2,213	1,863	759	797	1,170	1,186	1,536
Trade Account Payable	2,227	2,912	2,528	3,498	3,776	3,858	4,640
Others Current Liabilities	476	577	1,907	475	1,958	2,139	2,062
Total Current Liabilities	4,916	5,353	5,194	4,770	6,904	7,183	8,239
NONCURRENT LIABILITIES							
Long-term liabilities	1,287	1,436	1,066	1,241	1,040	1,283	1,650
Long-term Bank loan					179	179	179
Bonds Payable	4,223	4,246	3,609	5,271	4,684	4,405	4,405
Others Noncurrent Liabilitie	14	15	10	11	16	21	26
Total Noncurrent Liabilities	5,524	5,697	4,685	6,524	5,919	5,889	6,260
TOTAL LIABILITIES	10,440	11,050	9,878	11,293	12,823	13,072	14,498
Non-controlling interest	425	498	529	586	607	727	877
EQUITY	4,864	5,612	8,843	9,210	9,607	11,240	12,851
TOTAL LIABILITIES & EQUITY	15,729	17,159	19,251	21,089	23,038	25,039	28,226

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	339	468	2,065	998	2,168	2,283	2,752
Depreciation	468	561	626	679	765	765	838
Change in WC	(128)	(325)	185	(1,612)	353	(156)	(845)
Cash From Operating Activities	680	704	2,875	65	3,286	2,892	2,746
Capex	(1,576)	(1,095)	(1,261)	(2,389)	(1,487)	(2,135)	(2,314)
Cash From Investing Activities	(1,576)	(1,095)	(1,261)	(2,389)	(1,487)	(2,135)	(2,314)
Long-term liabilities	142	149	(370)	175	(22)	244	367
Bonds Payable	75	23	(638)	1,663	(587)	(279)	0
Others Noncurrent Liabilities	(4)	1	(5)	1	5	5	4
Equity	(295)	352	1,199	(575)	(1,750)	(530)	(992)
Cash From Financing Activities	(82)	525	186	1,264	(2,354)	(560)	(621)
Net Changes in Cash	(979)	134	1,800	(1,059)	(556)	197	(190)
Beginning Balance	1,746	768	901	2,701	1,642	1,087	1,284
Ending Balance	767	902	2,702	1,642	1,087	1,284	1,095

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Growth (% YoY)							
Sales	14.2%	2.3%	8.2%	9.4%	14.9%	25.8%	20.5%
OP	-0.6%	34.5%	69.0%	-22.1%	68.9%	5.7%	20.5%
EBITDA	-6.2%	16.3%	101.2%	-23.4%	55.5%	-0.8%	16.1%
NP	-42.9%	38.0%	340.8%	-51.7%	117.2%	5.3%	20.5%
EPS	-42.9%	38.0%	311.8%	-51.7%	117.2%	5.3%	20.5%
Profitability (%)							
Gross Margin	14.0%	16.0%	20.2%	17.0%	21.2%	18.0%	18.7%
Operating Margin	5.3%	6.9%	10.8%	7.7%	11.3%	9.5%	9.5%
EBITDA margin	6.8%	7.8%	14.4%	10.1%	13.7%	10.8%	10.4%
NET Profit margin	1.4%	1.9%	7.6%	3.4%	6.4%	5.3%	5.3%
ROA	2.2%	2.7%	10.7%	4.7%	9.4%	9.1%	9.8%
ROE	7.0%	8.3%	23.3%	10.8%	22.6%	20.3%	21.4%
Solvability (x)							
Net debt/ equity	0.9	0.8	0.3	0.3	0.6	0.5	0.6
Tot. debt/ Tot.equity	2.1	2.0	1.1	1.2	1.3	1.2	1.1
Debt Ratio	0.7	0.6	0.5	0.5	0.6	0.5	0.5
Liquidity (x)							
Current Ratio	1.8	1.8	2.1	2.3	1.8	1.8	1.8
Cash Ratio	0.2	0.2	0.5	0.3	0.2	0.2	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**.

RESEARCH TEAM
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