

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

DOC productivity increased

- The ban on AGP this year is still causing lower productivity of DOC and higher prices of DOC.
- However JPFA recorded high productivity in their Breeding operations and were able to produce more DOCs. DOC volume recorded growth of +12.5% YoY in 9M2018. Meanwhile JPFA's DOC average selling price in 9M2018 grew +21% YoY.
- The higher productivity in breeding operating resulted in higher demand of feed volume which grew +7% YoY in 9M2018.
- We expect the higher price of DOC will continue until the end of year.

Expecting Triple Digit Growth in 2018F

- We are targeting triple digit growth for JPFA's net profit with +144% growth to IDR 2.43 trillion in 2018F from IDR 998 million in 2017 based on the good 9M2018 results.
- As of 9M2018, JPFA sales grew +17% to IDR 25.3 trillion from IDR 21.7 trillion in 9M2017. The increases was mainly from higher ASPs, as DOC and live bird ASPs grew double digits at 21% and 15% respectively.
- Operating profit grew +81% to IDR 2.99 trillion from IDR 1.65 trillion in 9M2017 resulting in a net profit increase of +108% to IDR 1.67 trillion from IDR 802 billion.

Valuation: Maintain BUY TP 2,975, 42% upside

- We maintain BUY for JPFA on the strong result in 9M2018 with higher ASPs of DOC and livestock that will boost 2018 results.
- Using DCF valuation with WACC at 8.44% We are targeting JPFA to trade at 14x 2019F PE within a year. Target Price is IDR 2,975 which represents 42% upside. BUY

Financial Highlights	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Sales (In IDR Bn)	24,459	25,023	27,063	29,603	35,670	40,043	44,987
Net Income (In IDR Bn)	339	468	2,065	998	2,432	2,730	3,067
EPS (IDR)	32	44	181	87	213	239	269
OPM (%)	5.3%	6.9%	10.8%	7.7%	12.2%	12.2%	12.2%
EBITDA Margin (%)	6.8%	7.8%	14.4%	10.1%	12.8%	12.9%	12.6%
NPM (%)	1.4%	1.9%	7.6%	3.4%	6.8%	6.8%	6.8%
Net debt/ equity (x)	0.9	0.8	0.3	0.3	0.5	0.3	0.3

15 November 2018
Basic Industry – Poultry

Price **IDR 2,090**

Target Price **IDR 2,975**

JKSE Index **5,858.293**



Stock Information

Bloomberg Code JPFA IJ

Market Cap (IDR bn) 24,625.8

52-week high (IDR) 2,390

52-week low (IDR) 1,195

Shares issued (mn) 11,726.6

6-m avg. daily Val (IDR) 1,952

Free float 35.92%

Major share holders

JAPFA LTD 52.43%

KKR Jade Investment Pte Ltd 11.65%

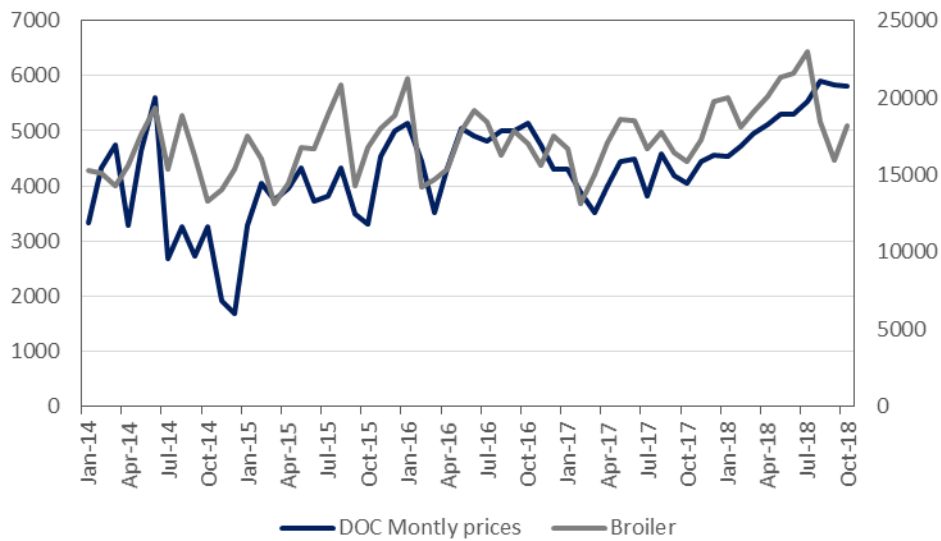
Public 35.92%

USD/ IDR – YE (IDR)

2017 13,480

2018F (6m-avg) 14,597

Chart: DOC and Broiler Prices



Source: Binaartha

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	35,670	40,043	44,987
Cost of Sales	(17,794)	(21,033)	(21,030)	(21,584)	(24,571)	(27,822)	(31,233)	(35,090)
Gross Profit	3,617	3,426	3,993	5,479	5,032	7,847	8,809	9,897
Operating Expenses	(2,325)	(2,141)	(2,265)	(2,558)	(2,756)	(3,496)	(3,924)	(4,409)
Operating Profit	1,292	1,285	1,728	2,921	2,276	4,352	4,885	5,488
Other Income (Expenses)	(396)	(733)	(1,030)	(154)	(535)	(892)	(1,001)	(1,125)
PBT	895	551	698	2,767	1,741	3,460	3,884	4,364
Tax	(255)	(160)	(173)	(595)	(633)	(900)	(1,010)	(1,135)
NIAT	640	392	525	2,172	1,108	2,560	2,874	3,229
Non-controlling Interest	(45)	(53)	(56)	(107)	(110)	(128)	(144)	(162)
Net Income	595	339	468	2,065	998	2,432	2,730	3,067
EPS	56	32	44	181	87	213	239	269
EBITDA	1,778	1,668	1,940	3,903	2,989	4,553	5,158	5,689

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	746	945	1,272
Trade Accounts Receivable	1,250	1,313	1,254	1,297	1,627	1,783	1,802	2,024
Inventories	4,727	5,134	5,855	5,500	6,414	7,847	8,409	8,997
Others Current Assets	1,281	1,494	1,594	1,562	1,506	1,783	2,002	2,249
Total Current Assets	9,005	8,709	9,604	11,061	11,189	12,161	13,158	14,543
NONCURRENT ASSETS								
Fixed Assets	5,350	6,461	6,978	7,539	8,346	9,014	9,735	10,514
Breeding Cattles	336	304	280	161	265	319	358	402
Other Noncurrent Assets	227	256	297	490	1,289	2,319	1,041	1,480
Total Noncurrent Assets	5,913	7,021	7,555	8,190	9,900	11,651	11,134	12,396
TOTAL ASSETS	14,918	15,730	17,159	19,251	21,089	23,812	24,292	26,939
LIABILITIES AND EQUITY								
LIABILITIES								
CURRENT LIABILITIES								
Short-term Bank Loans	2,559	2,213	1,863	759	797	987	851	336
Trade Account Payable	1,142	2,227	2,912	2,528	3,498	4,102	3,612	4,049
Others Current Liabilities	660	476	577	1,907	475	713	641	720
Total Current Liabilities	4,361	4,916	5,353	5,194	4,770	5,802	5,104	5,105
NONCURRENT LIABILITIES								
Long-term liabilities	1,145	1,287	1,436	1,066	1,241	1,137	1,201	1,440
Bonds Payable	4,148	4,223	4,246	3,609	5,271	5,633	4,798	5,405
Others Noncurrent Liabilities	18	14	15	10	11	169	120	135
Total Noncurrent Liabilities	5,311	5,524	5,697	4,685	6,524	6,939	6,120	6,979
TOTAL LIABILITIES	9,672	10,440	11,050	9,878	11,293	12,741	11,223	12,084
Non-controlling interest	493	425	498	529	586	683	681	765
EQUITY	4,752	4,864	5,612	8,843	9,210	10,388	12,389	14,091
TOTAL LIABILITIES & EQUITY	14,917	15,729	17,159	19,251	21,089	23,812	24,292	26,939

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Net Income	339	468	2,065	998	2,432	2,730	3,067
Depreciation	468	561	626	679	668	721	779
Change in WC	(128)	(325)	185	(1,612)	(835)	(1,497)	(1,057)
Cash From Operating Activities	680	704	2,875	65	2,265	1,954	2,789
Capex	(1,576)	(1,095)	(1,261)	(2,389)	(2,419)	(204)	(2,041)
Cash From Investing Activities	(1,576)	(1,095)	(1,261)	(2,389)	(2,419)	(204)	(2,041)
Long-term liabilities	142	149	(370)	175	(104)	64	238
Bonds Payable	75	23	(638)	1,663	362	(835)	607
Others Noncurrent Liabilities	(4)	1	(5)	1	158	(49)	15
Equity	(295)	352	1,199	(575)	(1,157)	(732)	(1,281)
Cash From Financing Activities	(82)	525	186	1,264	(742)	(1,551)	(421)
Net Changes in Cash	(979)	134	1,800	(1,059)	(896)	199	327
Beginning Balance	1,746	768	901	2,701	1,642	746	945
Ending Balance	767	902	2,702	1,642	746	945	1,272

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Growth (% YoY)							
Sales	14.2%	2.3%	8.2%	9.4%	20.5%	12.3%	12.3%
OP	-0.6%	34.5%	69.0%	-22.1%	91.2%	12.3%	12.3%
EBITDA	-6.2%	16.3%	101.2%	-23.4%	52.3%	13.3%	10.3%
NP	-42.9%	38.0%	340.8%	-51.7%	143.7%	12.3%	12.3%
EPS	-42.9%	38.0%	311.8%	-51.7%	143.7%	12.3%	12.3%
Profitability (%)							
Gross Margin	14.0%	16.0%	20.2%	17.0%	22.0%	22.0%	20.3%
Operating Margin	5.3%	6.9%	10.8%	7.7%	12.2%	12.2%	12.2%
EBITDA margin	6.8%	7.8%	14.4%	10.1%	12.8%	12.9%	12.6%
NET Profit margin	1.4%	1.9%	7.6%	3.4%	6.8%	6.8%	6.8%
ROA	2.2%	2.7%	10.7%	4.7%	10.2%	11.2%	11.4%
ROE	7.0%	8.3%	23.3%	10.8%	23.4%	22.0%	21.8%
Solvability (x)							
Net debt/ equity	0.9	0.8	0.3	0.3	0.5	0.3	0.3
Tot. debt/ Tot.equity	2.1	2.0	1.1	1.2	1.2	0.9	0.9
Debt Ratio	0.7	0.6	0.5	0.5	0.5	0.5	0.4
Int. Coverage	0.6	0.8	4.3	1.9	6.0	5.2	5.9
Liquidity (x)							
Current Ratio	1.8	1.8	2.1	2.3	2.1	2.6	2.8
Cash Ratio	0.2	0.2	0.5	0.3	0.1	0.2	0.2

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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