

### PT. Japfa Comfeed Indonesia Tbk.

# HOLD

#### Investment Consideration

##### Sales better YoY

- After a decline in 3Q2021, JPFA had YoY sales growth in 3Q2022 of +15% to IDR 12.3 trillion, which is slightly lower -0,2% QoQ. For 9M2022, JPFA sales increased +12% YoY to IDR 36.79 trillion due to higher sales volumes and prices across poultry and aquaculture operations.
- Commercial farms contributed IDR 4.03 trillion to total sales, up +14.8% YoY driven by higher live bird sales volume and price but lower -7.3% QoQ due to a lower price.
- Feed sales increased +9.1% YoY or +8.6% QoQ to IDR 3.56 trillion with higher prices.
- DOC sales increased +22% YoY or +21% QoQ to IDR 746 billion due to higher DOC prices in 3Q2022.
- We are expecting more pressure in the commercial farm segment in 4Q2022 as livebird and DOC prices decreased in 4Q2022 with the lowest prices coming in October 2022 with livebird at IDR 16,258 -14% YoY and DOC at IDR 2,890 or -51.6% YoY.
- The feed segment will continue to be strongest for JPFA because of higher prices while commodity price costs such as soybean meal and corn softened in 4Q2022.

##### Expecting lower margin

- JPFA margins are expected to decline from lower livebird and DOC prices in 4Q2022. In 3Q2022, JPFA booked a lower net profit margin of 2.6% although this is an improvement from -0.3% in 3Q2021. For 9M2022, JPFA still had a lower NPM of 3.9% compared to 9M2021's 4.6%.
- In 3Q2022, JPFA booked a net profit of IDR 317 billion down by -38% QoQ but higher compared to a loss in 3Q2021.
- Gross profit also decreased by -23% QoQ to IDR 1.74 trillion due to higher costs of sales, up +5% QoQ. This resulted in a lower gross profit margin of 14.2% from 18.4% in 2Q2022.
- As we expect more pressure on the commercial farm segment margin due to declines in 4Q2022 livebird prices, we revise down our bottom line target for 2022 to IDR 1.5 trillion, a decreased of -26% YoY.

##### Valuation: HOLD with TP 1,600

- Using a DCF valuation with WACC of 10.5%, we are targeting JPFA to trade at a 9.8x 2023F PE within a year. Target Price is IDR 1,600 which represents 19% upside. We recommend to HOLD.

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales (In IDR Bn)	29.603	36.228	38.872	36.965	44.878	52.383	57.054
Net Income (In IDR Bn)	998	2.168	1.765	917	2.023	1.500	1.855
EPS (IDR)	87	190	155	80	177	131	163
GPM (%)	17,0%	21,8%	20,2%	20,1%	17,9%	16,5%	17,0%
OPM (%)	7,7%	10,2%	8,0%	6,7%	7,9%	5,8%	6,3%
NPM (%)	3,4%	6,0%	4,5%	2,5%	4,5%	2,9%	3,3%
PBV (x)	1,6	2,4	1,6	1,6	1,6	1,4	1,3
PER (x)	14,9	11,3	9,9	18,2	9,7	12,2	9,8
Net debt/ equity (x)	0,3	0,6	0,6	0,4	0,5	0,7	0,6

Source: Company and Binaartha

1 February 2023  
Basic Industry – Poultry

Price	IDR	1,350
Target Price	IDR	1,600
JKSE Index		6,839.342



#### Stock Information

<b>Bloomberg Code</b>	<b>JPFA IJ</b>
Market Cap (IDR bn)	15,830
52-week high (IDR)	1,710
52-week low (IDR)	1,215
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,460
Free float	44.94%

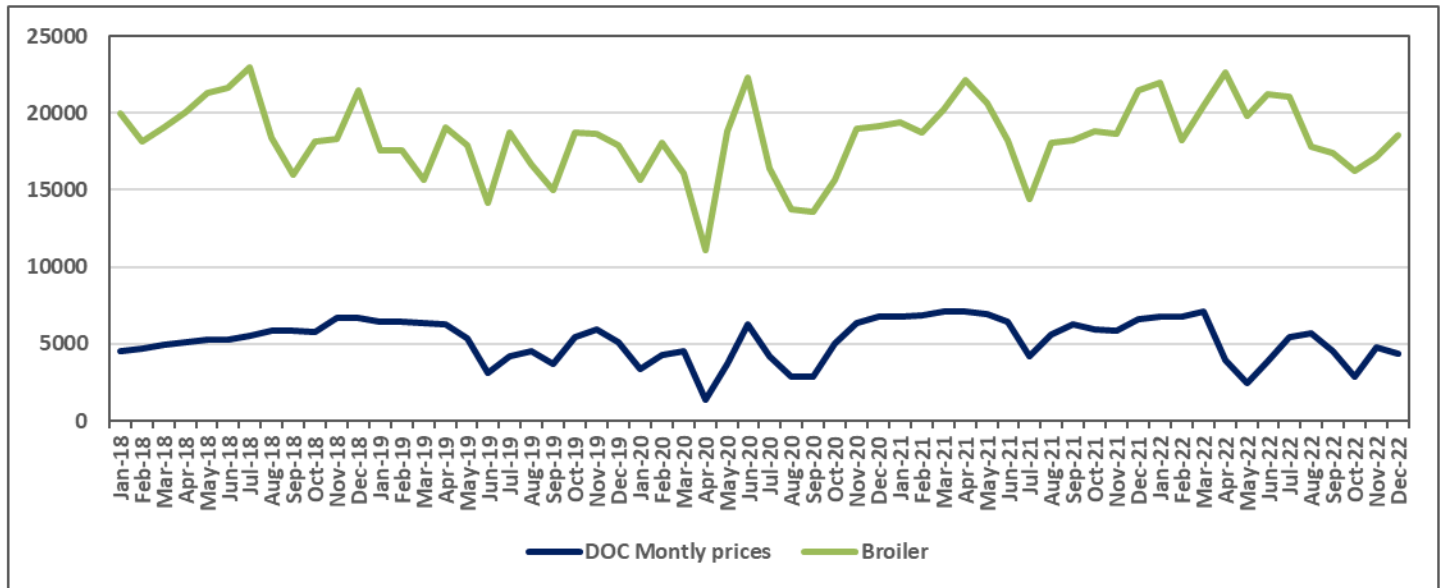
#### Major share holders

JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

#### USD/ IDR – YE (IDR)

2022	15,592
2023F (6m-avg)	15,294

Chart: DOC and Broiler Prices until December 2022



Source: Average monthly prices of West Java

Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2022	2Q2022	3Q2022	QoQ	3Q2021	YoY	9M2021	9M2022	YoY
Sales	12.154	12.329	12.310	0%	10.695	15%	32.803	36.793	12%
Cost of Sales	-10.019	-10.063	-10.567	5%	-9.957	6%	-26.866	-30.649	14%
<b>Gross Profit</b>	<b>2.135</b>	<b>2.267</b>	<b>1.743</b>	<b>-23%</b>	<b>738</b>	<b>136%</b>	<b>5.937</b>	<b>6.144</b>	<b>3%</b>
Operating Expenses	-1.132	-1.335	-1.129	-15%	-663	70%	-3.283	-3.596	10%
<b>Operating Profit</b>	<b>1.002</b>	<b>931</b>	<b>614</b>	<b>-34%</b>	<b>75</b>	<b>723%</b>	<b>2.654</b>	<b>2.548</b>	<b>-4%</b>
Other Income (Expenses)	-192	-206	-184	-11%	-133	38%	-559	-581	4%
<b>PBT</b>	<b>810</b>	<b>726</b>	<b>431</b>	<b>-41%</b>	<b>-59</b>		<b>2.095</b>	<b>1.967</b>	<b>-6%</b>
Tax	-164	-171	-113	-34%	27		-479	-447	-7%
<b>NIAT</b>	<b>647</b>	<b>555</b>	<b>318</b>	<b>-43%</b>	<b>-32</b>		<b>1.616</b>	<b>1.520</b>	<b>-6%</b>
Non-controlling Interest	-43	-47	-1	-98%	-4		-109	-92	-16%
<b>Net Income</b>	<b>604</b>	<b>508</b>	<b>317</b>	<b>-38%</b>	<b>-36</b>		<b>1.507</b>	<b>1.428</b>	<b>-5%</b>
EPS	53	45	28	-38%	-3		132	125	-5%
<b>GPM (%)</b>	<b>17,6%</b>	<b>18,4%</b>	<b>14,2%</b>		<b>6,9%</b>		<b>18,1%</b>	<b>16,7%</b>	
<b>OPM (%)</b>	<b>8,2%</b>	<b>7,6%</b>	<b>5,0%</b>		<b>0,7%</b>		<b>8,1%</b>	<b>6,9%</b>	
<b>NPM(%)</b>	<b>5,0%</b>	<b>4,1%</b>	<b>2,6%</b>		<b>-0,3%</b>		<b>4,6%</b>	<b>3,9%</b>	

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	52.383	57.054
Cost of Sales	-21.584	-24.571	-28.343	-31.000	-29.536	-36.858	-43.740	-47.355
<b>Gross Profit</b>	<b>5.479</b>	<b>5.032</b>	<b>7.886</b>	<b>7.871</b>	<b>7.429</b>	<b>8.020</b>	<b>8.643</b>	<b>9.699</b>
Operating Expenses	-2.558	-2.756	-4.182	-4.747	-4.945	-4.495	-5.605	-6.105
<b>Operating Profit</b>	<b>2.921</b>	<b>2.276</b>	<b>3.703</b>	<b>3.124</b>	<b>2.484</b>	<b>3.525</b>	<b>3.038</b>	<b>3.594</b>
Other Income (Expenses)	-154	-535	-785	-630	-805	-731	-838	-913
<b>PBT</b>	<b>2.767</b>	<b>1.741</b>	<b>2.918</b>	<b>2.494</b>	<b>1.679</b>	<b>2.794</b>	<b>2.200</b>	<b>2.682</b>
Tax	-595	-633	-830	-701	-457	-663	-506	-617
<b>NIAT</b>	<b>2.172</b>	<b>1.108</b>	<b>2.088</b>	<b>1.794</b>	<b>1.222</b>	<b>2.131</b>	<b>1.694</b>	<b>2.065</b>
Non-controlling Interest	-107	-110	-85	-119	-86	-108	-194	-211
<b>Net Income</b>	<b>2.065</b>	<b>998</b>	<b>2.168</b>	<b>1.765</b>	<b>917</b>	<b>2.023</b>	<b>1.500</b>	<b>1.855</b>
EPS	181	87	190	155	80	177	131	163
<b>EBITDA</b>	<b>3.903</b>	<b>2.989</b>	<b>4.651</b>	<b>4.290</b>	<b>3.696</b>	<b>4.816</b>	<b>4.195</b>	<b>4.802</b>

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	1.500	1.855
Depreciation	679	863	979	1.155	1.215	1.084	1.209
Change in WC	-1.612	293	358	-275	-1.610	-33	-55
<b>Cash From Operating Activities</b>	<b>65</b>	<b>3.324</b>	<b>3.102</b>	<b>1.797</b>	<b>1.628</b>	<b>2.551</b>	<b>3.008</b>
Change in Non-current Asset	-2.389	-2.456	-3.264	-1.584	-1.437	-2.657	-2.551
<b>Cash From Investing Activities</b>	<b>-2.389</b>	<b>-2.456</b>	<b>-3.264</b>	<b>-1.584</b>	<b>-1.437</b>	<b>-2.657</b>	<b>-2.551</b>
Change in Long-term liabilities	175	426	759	1.563	-462	683	150
Change in Bonds Payable	1.663	-587	-120	-72	368	341	0
Change Others Noncurrent Liabilities	1	11	1	29	-16	22	-3
Change in Equity	-575	-1.199	-634	-1.401	-332	-839	-657
<b>Cash From Financing Activities</b>	<b>1.264</b>	<b>-1.350</b>	<b>6</b>	<b>119</b>	<b>-441</b>	<b>206</b>	<b>-511</b>
<b>Net Changes in Cash</b>	<b>-1.059</b>	<b>-482</b>	<b>-156</b>	<b>332</b>	<b>-251</b>	<b>100</b>	<b>-53</b>
<b>Beginning Balance</b>	<b>2.701</b>	<b>1.642</b>	<b>1.160</b>	<b>1.004</b>	<b>1.336</b>	<b>1.085</b>	<b>1.185</b>
<b>Ending Balance</b>	<b>1.642</b>	<b>1.160</b>	<b>1.004</b>	<b>1.336</b>	<b>1.085</b>	<b>1.185</b>	<b>1.132</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	1.642	1.160	1.004	1.336	1.085	1.185	1.132
Trade Accounts Receivable	1.627	2.308	2.373	1.982	2.348	2.912	2.853
Inventories	6.414	6.577	6.210	5.670	7.713	9.167	9.414
Others Current Assets	1.506	3.289	3.286	2.757	3.015	3.713	3.880
<b>Total Current Assets</b>	<b>11.189</b>	<b>13.335</b>	<b>12.873</b>	<b>11.745</b>	<b>14.161</b>	<b>16.978</b>	<b>17.278</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	8.346	8.647	10.708	11.144	11.510	12.593	13.802
Breeding Cattles	265	223	157	108	54	108	118
Other Noncurrent Assets	1.289	2.623	2.913	2.955	2.865	3.300	3.423
<b>Total Noncurrent Assets</b>	<b>9.900</b>	<b>11.493</b>	<b>13.778</b>	<b>14.207</b>	<b>14.429</b>	<b>16.002</b>	<b>17.343</b>
<b>TOTAL ASSETS</b>	<b>21.089</b>	<b>24.827</b>	<b>26.651</b>	<b>25.952</b>	<b>28.590</b>	<b>32.979</b>	<b>34.622</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Bank Loans	797	1.451	3.278	423	2.314	3.200	3.200
Trade Account Payable	3.498	4.129	3.386	3.994	3.030	4.453	4.564
Others Current Liabilities	475	2.109	1.078	1.591	1.720	2.095	2.282
<b>Total Current Liabilities</b>	<b>4.770</b>	<b>7.690</b>	<b>7.742</b>	<b>6.008</b>	<b>7.064</b>	<b>9.748</b>	<b>10.046</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term liabilities	1.241	1.188	1.318	1.696	1.254	1.937	2.087
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	5.200	5.200
Others Noncurrent Liabilities	11	22	23	52	36	58	55
<b>Total Noncurrent Liabilities</b>	<b>6.524</b>	<b>6.372</b>	<b>7.012</b>	<b>8.532</b>	<b>8.423</b>	<b>9.468</b>	<b>9.614</b>
<b>TOTAL LIABILITIES</b>	<b>11.293</b>	<b>14.062</b>	<b>14.754</b>	<b>14.540</b>	<b>15.487</b>	<b>19.216</b>	<b>19.661</b>
Non-controlling interest	586	607	676	734	869	1.041	1.134
<b>EQUITY</b>	<b>9.210</b>	<b>10.158</b>	<b>11.220</b>	<b>10.677</b>	<b>12.233</b>	<b>12.722</b>	<b>13.826</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>21.089</b>	<b>24.827</b>	<b>26.650</b>	<b>25.951</b>	<b>28.589</b>	<b>32.979</b>	<b>34.621</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>Growth (% YoY)</b>							
Sales	9,4%	22,4%	7,3%	-4,9%	21,4%	16,7%	8,9%
OP	-22,1%	62,7%	-15,6%	-20,5%	41,9%	-13,8%	18,3%
EBITDA	-23,4%	55,6%	-7,7%	-13,8%	30,3%	-12,9%	14,5%
NP	-51,7%	117,2%	-18,6%	-48,1%	120,6%	-25,8%	23,6%
EPS	-51,7%	117,2%	-18,6%	-48,1%	120,6%	-25,8%	23,6%
<b>Profitability (%)</b>							
Gross Margin	17,0%	21,8%	20,2%	20,1%	17,9%	16,5%	17,0%
Operating Margin	7,7%	10,2%	8,0%	6,7%	7,9%	5,8%	6,3%
EBITDA margin	10,1%	12,8%	11,0%	10,0%	10,7%	8,0%	8,4%
NET Profit margin	3,4%	6,0%	4,5%	2,5%	4,5%	2,9%	3,3%
ROA	4,7%	8,7%	6,6%	3,5%	7,1%	4,5%	5,4%
ROE	10,8%	21,3%	15,7%	8,6%	16,5%	11,8%	13,4%
<b>Solvability (x)</b>							
Net debt/ equity	0,3	0,6	0,6	0,4	0,5	0,7	0,6
Tot. debt/ Tot.equity	1,2	1,4	1,3	1,4	1,3	1,5	1,4
Debt Ratio	0,5	0,6	0,6	0,6	0,5	0,6	0,6
<b>Liquidity (x)</b>							
Current Ratio	2,3	1,7	1,7	2,0	2,0	1,7	1,7
Cash Ratio	0,3	0,2	0,1	0,2	0,2	0,1	0,1
<b>Per Share data</b>							
EPS (IDR)	87	190	155	80	177	131	163
PBV (x)	1,6	2,4	1,6	1,6	1,6	1,4	1,3
PER (x)	14,9	11,3	9,9	18,2	9,7	12,2	9,8
EBITDA/share	262	408	376	324	422	368	421

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**  
**(62 21) 520 6678 ext. 611**

*Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.*