

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

3Q2021 growth YoY

- In 3Q2021, JPFA maintained double digit revenue growth of +25% YoY to IDR 9.1 trillion due to higher Volumes & ASPs YoY in all businesses., although QoQ, JPFA's 3Q2021 sales decreased -19%. The PPKM in June – July caused a significant drop in demand for poultry and broiler prices fell below cost in 3Q2021.
- For 9M2021, JPFA still recorded double digit growth of +23% YoY to IDR 32.8 trillion.
- Commercial farms contributed IDR 4.0 trillion up +45% YoY but -9.2% QoQ. Live bird sales volume grew +19% YoY but the ASP fell below cost.
- For Feed, the ASP improved inline with a volume increase of +17% in 3Q2021. As a result, feed's sales increased +33% YoY to IDR 3.26 trillion. But the margin was depressed from higher raw material prices and shipping costs.
- The DOC segment had double digit growth in ASP of 32% YoY and volume grew by 8% YoY resulting in DOC sales of IDR 610 billion, up 14% YoY.
- We are expecting 2021 demand will continue to recover, but there will be higher raw material costs which will depress margin.

A loss in 3Q2021, while 9M2021's margin still increased

- In 3Q2021, JPFA booked a net loss of IDR -36 billion, after a profit in 2Q2021. The loss in 3Q2021 was a result of higher raw material costs and the broiler price falling below cost.
- However JPFA's profit increased sharply +486% to IDR 1.5 trillion in 9M2021. As a result, NPM was higher at 4.6% from 1% in 9M2020.
- JPFA 9M2021 gross profit increased by a double-digit +25% YoY to IDR 5.9 trillion in line with a higher gross profit margin of 18.1% from 17.8% in 9M2020.
- Operating profit also grew +111% YoY to IDR 2.65 trillion, in line with a stronger OPM in 9M2021 of 8.1% from 4.7% in 9M2020.
- Due to the lower than expected 3Q2021 JPFA results, We revise our 2021 JPFA forecast. We are now expecting JPFA's 2021F profit will rise 76% YoY growth to IDR 1.6 trillion.

Valuation: Maintain BUY with TP 2,170

- Using a DCF valuation with WACC of 13%, we are targeting JPFA to trade at 12.5x 2022F PE within a year. Target Price is IDR 2,170 which represents 26% upside. We maintain our recommendation to BUY.

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Sales (In IDR Bn)	27.063	29.603	36.228	38.872	36.965	43.334	49.696
Net Income (In IDR Bn)	2.065	998	2.168	1.765	917	1.613	2.035
EPS (IDR)	181	87	190	155	80	138	174
GPM (%)	20,2%	17,0%	21,8%	20,2%	20,1%	18,5%	19,0%
OPM (%)	10,8%	7,7%	10,2%	8,0%	6,7%	7,0%	7,5%
NPM (%)	7,6%	3,4%	6,0%	4,5%	2,5%	3,7%	4,1%
Net debt/ equity (x)	0,3	0,3	0,6	0,6	0,4	0,7	0,6

Source: Company and Binaartha

1 November 2021
Basic Industry – Poultry

Price	IDR	1,725
Target Price	IDR	2,170
JKSE Index		6,591.346



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	20,700
52-week high (IDR)	2,270
52-week low (IDR)	1,050
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,833
Free float	44.94%

Major share holders

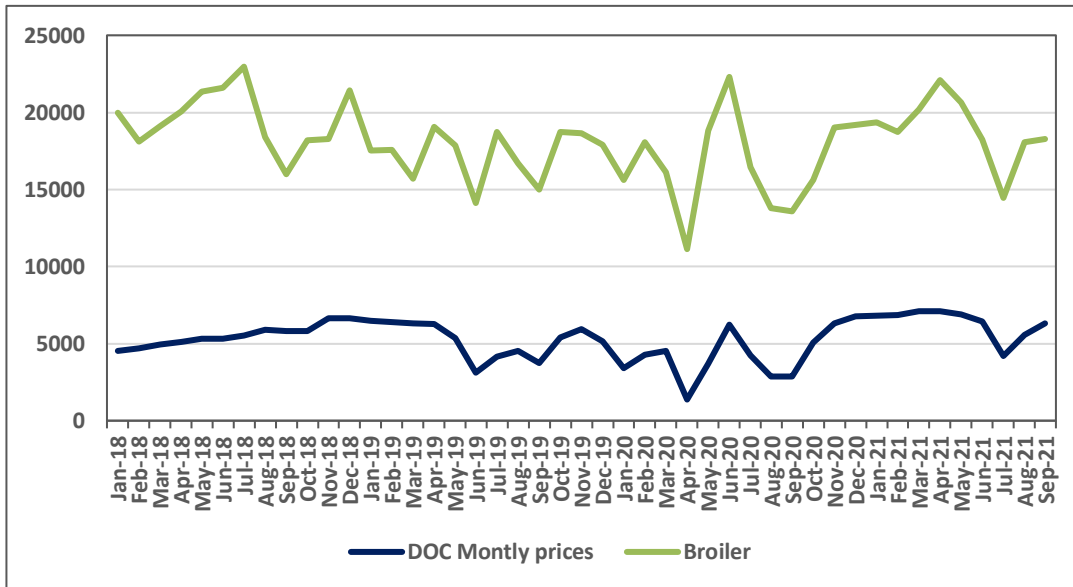
JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

USD/ IDR – YE (IDR)

2020	14,175
2021F (6m-avg)	14,250

Analyst
eka.rahmah@binaartha.com

Chart: DOC and Broiler Prices until June 2021



Source: Average monthly prices of West Java

Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2021	2Q2021	3Q2021	9M2020	9M2021	YoY
Sales	10.769	11.339	10.695	26.645	32.803	23%
Cost of Sales	-7.978	-8.931	-9.957	-21.900	-26.866	23%
Gross Profit	2.792	2.408	738	4.746	5.937	25%
Operating Expenses	-1.461	-1.159	-663	-3.487	-3.283	-6%
Operating Profit	1.331	1.248	75	1.259	2.654	111%
Other Income (Expenses)	-151	-275	-133	-622	-559	-10%
PBT	1.180	973	-59	637	2.095	229%
Tax	-265	-241	27	-126	-479	279%
NIAT	916	732	-32	511	1.616	216%
Non-controlling Interest	0	-105	-4	-47	-109	135%
adjustment of merging entity's	0	0	0	-207	0	-100%
Net Income	916	627	-36	257	1.507	486%
EPS	80	51	1	23	132	486%

Source: Company and Binaartha

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Sales	27.063	29.603	36.228	38.872	36.965	43.334	49.696
Cost of Sales	-21.584	-24.571	-28.343	-31.000	-29.536	-35.317	-40.254
Gross Profit	5.479	5.032	7.886	7.871	7.429	8.017	9.442
Operating Expenses	-2.558	-2.756	-4.182	-4.747	-4.945	-4.983	-5.715
Operating Profit	2.921	2.276	3.703	3.124	2.484	3.033	3.727
Other Income (Expenses)	-154	-535	-785	-630	-805	-693	-795
PBT	2.767	1.741	2.918	2.494	1.679	2.340	2.932
Tax	-595	-633	-830	-701	-457	-597	-748
NIAT	2.172	1.108	2.088	1.794	1.222	1.743	2.184
Non-controlling Interest	-107	-110	-85	-119	-86	-130	-149
adjustment of merging entity's	0	0	165	90	-220	0	0
Net Income	2.065	998	2.168	1.765	917	1.613	2.035
EPS	181	87	190	155	80	138	174
EBITDA	3.903	2.989	4.651	4.290	3.696	5.048	5.797

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	2.065	998	2.168	1.765	917	1.613	2.035
Depreciation	626	679	863	979	1.155	1.337	1.498
Change in WC	185	-1.612	293	358	-275	-479	832
Cash From Operating Activities	2.875	65	3.324	3.102	1.797	2.472	4.365
Capex	-1.261	-2.389	-2.456	-3.264	-1.584	-2.469	-3.266
Cash From Investing Activities	-1.261	-2.389	-2.456	-3.264	-1.584	-2.469	-3.266
Long-term liabilities	-370	175	426	759	1.563	37	6
Bonds Payable	-638	1.663	-587	-120	-72	213	-5
Others Noncurrent Liabilities	-5	1	11	1	29	9	9
Equity	1.199	-575	-1.199	-634	-1.401	-330	-722
Cash From Financing Activities	186	1.264	-1.350	6	119	-71	-712
Net Changes in Cash	1.800	-1.059	-482	-156	332	-68	387
Beginning Balance	901	2.701	1.642	1.160	1.004	1.336	1.268
Ending Balance	2.702	1.642	1.160	1.004	1.336	1.268	1.655

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	2.701	1.642	1.160	1.004	1.336	1.268	1.655
Trade Accounts Receivable	1.297	1.627	2.308	2.373	1.982	2.080	2.236
Inventories	5.500	6.414	6.577	6.210	5.670	8.667	8.448
Others Current Assets	1.562	1.506	3.289	3.286	2.757	3.107	3.230
Total Current Assets	11.061	11.189	13.335	12.873	11.745	15.122	15.570
NONCURRENT ASSETS							
Fixed Assets	7.539	8.346	8.647	10.708	11.144	12.481	13.979
Breeding Cattles	161	265	223	157	108	127	145
Other Noncurrent Assets	490	1.289	2.623	2.913	2.955	2.730	2.982
Total Noncurrent Assets	8.190	9.900	11.493	13.778	14.207	15.338	17.106
TOTAL ASSETS	19.251	21.089	24.827	26.651	25.952	30.460	32.676
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	759	797	1.451	3.278	423	4.423	4.400
Trade Account Payable	2.528	3.498	4.129	3.386	3.994	3.033	3.727
Others Current Liabilities	1.907	475	2.109	1.078	1.591	1.517	1.739
Total Current Liabilities	5.194	4.770	7.690	7.742	6.008	8.973	9.867
NONCURRENT LIABILITIES							
Long-term liabilities	1.066	1.241	1.188	1.318	1.696	1.733	1.739
Long-term Bank loan			478	1.107	2.292	2.292	2.292
Bonds Payable	3.609	5.271	4.684	4.564	4.492	4.705	4.700
Others Noncurrent Liabilitie	10	11	22	23	52	61	70
Total Noncurrent Liabilities	4.685	6.524	6.372	7.012	8.532	8.791	8.801
TOTAL LIABILITIES	9.878	11.293	14.062	14.754	14.540	17.765	18.668
Non-controlling interest	529	586	607	676	734	862	947
EQUITY	8.843	9.210	10.158	11.220	10.677	11.832	13.061
TOTAL LIABILITIES & EQUITY	19.251	21.089	24.827	26.650	25.951	30.459	32.676

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)							
Sales	8,2%	9,4%	22,4%	7,3%	-4,9%	17,2%	14,7%
OP	69,0%	-22,1%	62,7%	-15,6%	-20,5%	22,1%	22,9%
EBITDA	101,2%	-23,4%	55,6%	-7,7%	-13,8%	36,6%	14,8%
NP	340,8%	-51,7%	117,2%	-18,6%	-48,1%	76,0%	26,2%
EPS	311,8%	-51,7%	117,2%	-18,6%	-48,1%	71,3%	26,2%
Profitability (%)							
Gross Margin	20,2%	17,0%	21,8%	20,2%	20,1%	18,5%	19,0%
Operating Margin	10,8%	7,7%	10,2%	8,0%	6,7%	7,0%	7,5%
EBITDA margin	14,4%	10,1%	12,8%	11,0%	10,0%	11,6%	11,7%
NET Profit margin	7,6%	3,4%	6,0%	4,5%	2,5%	3,7%	4,1%
ROA	10,7%	4,7%	8,7%	6,6%	3,5%	5,3%	6,2%
ROE	23,3%	10,8%	21,3%	15,7%	8,6%	13,6%	15,6%
Solvability (x)							
Net debt/ equity	0,3	0,3	0,6	0,6	0,4	0,7	0,6
Tot. debt/ Tot.equity	1,1	1,2	1,4	1,3	1,4	1,5	1,4
Debt Ratio	0,5	0,5	0,6	0,6	0,6	0,6	0,6
Liquidity (x)							
Current Ratio	2,1	2,3	1,7	1,7	2,0	1,7	1,6
Cash Ratio	0,5	0,3	0,2	0,1	0,2	0,1	0,2
Per Share data (IDR)							
EPS	181	87	190	155	80	138	174
BV	775	807	890	983	936	1.009	1.114
EBITDA/share	342	262	408	376	324	430	494

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.