

# PT. Japfa Comfeed Indonesia Tbk.

**BUY**

## Investment Consideration

### Higher sales volume Across all business segment

- Despite adjustments in feed prices and lower DOC and broiler prices in Q3 2024, JPFA's performance decline was not as severe as expected. The company recorded a slight 0.1% YoY increase in sales, reaching IDR 13.61 trillion in Q3 2024, driven by higher sales volumes across all business units. For 9M 2024, revenue reached IDR 41.3 trillion, reflecting a 9% YoY growth.
- The feed segment's operating margin declined to 17.9% in Q3 2024, down from 24% in Q3 2023, primarily due to a 7.7% YoY drop in average selling prices (ASP), aligned with lower raw material costs, especially for soybean and corn. Corn prices, which heavily influence feed costs, fell from a peak of IDR 7,000 in January to IDR 4,400 in October. Despite this, feed sales volume grew by 7.8% YoY, boosting sales by 4.4% YoY and 7.3% QoQ to IDR 3.64 trillion.
- The commercial farm segment experienced a 6.6% YoY decline in sales to IDR 5.46 trillion, despite a 4.3% YoY increase in sales volume. The decline was driven by an 11.4% YoY drop in livebird prices, resulting in a negative operating profit margin of -0.3% in Q3 2024. However, for 9M 2024, commercial farm revenue increased by 8.9% YoY to IDR 17.08 trillion, with a positive operating profit margin of 3.9% due to reduced feed costs.
- The poultry processing and consumer products segment posted a 3.8% YoY sales increase to IDR 2.22 trillion, with an improved operating profit margin of 2.9%.
- Meanwhile, DOC revenue grew by 11% YoY to IDR 790 billion, with a strong operating profit margin of 47.7%, driven by a 4.8% increase in DOC sales volume despite a 15.6% YoY ASP decline.
- The supply and demand for live birds and DOC in the domestic market are expected to remain stable in Q4 2024, with demand anticipated to rise in 2025, supported by a free lunch program.

### Quarterly Decline Amidst Triple-Digit Year-to-Date Growth

- With lower ASPs, JPFA's net income fell by 28% YoY to IDR 615 billion in Q3 2024. Nevertheless, the company maintained a 124% increase in net income year-to-date, reaching IDR 2.09 trillion, boosted by the exceptional performance in Q2 2024.
- The cost of sales remained stable at IDR 11.04 trillion, thanks to lower raw material costs in Q3 2024. Gross profit grew slightly by 0.9% YoY to IDR 2.58 trillion, resulting in a gross profit margin of 19%, up from 18.8% in Q3 2023. Operating profit stood at IDR 1.04 trillion, marking a 22% YoY decline, with the operating profit margin at 7.7%.
- We expect bottom-line profit to reach IDR 2.7 trillion this year, with margins improving as feed costs continue to decrease in line with lower raw material prices.

### Valuation: Maintain BUY with TP 2,450

- Our DCF valuation, using a WACC of 10%, yields a target price of IDR 2,450 for JPFA, implying a 34% upside and a 9x 2025F PE ratio. We maintain our BUY rating.

Financial Highlights	2021A	2022A	2023A	2024F	2025F
Sales (In IDR Bn)	44.878	48.972	51.176	56.652	63.365
Net Income (In IDR Bn)	2.023	1.420	931	2.772	3.140
EPS (IDR)	177	124	79	236	268
GPM (%)	17,9%	15,7%	14,7%	18,5%	18,5%
OPM (%)	7,9%	5,6%	4,3%	8,5%	8,5%
NPM (%)	4,5%	2,9%	1,8%	4,9%	5,0%
PBV (x)	1,6	1,4	1,0	1,8	1,7
PER (x)	9,7	12,9	14,6	10,4	9,2
Net debt/ equity (x)	0,5	0,6	0,7	0,6	0,6

1 November 2024  
Basic Industry – Poultry

Price	IDR	1,830
Target Price	IDR	2,450
JKSE Index		7,574.221



## Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	20,462.9
52-week high (IDR)	1,875
52-week low (IDR)	1,055
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,460
Free float	44.94%

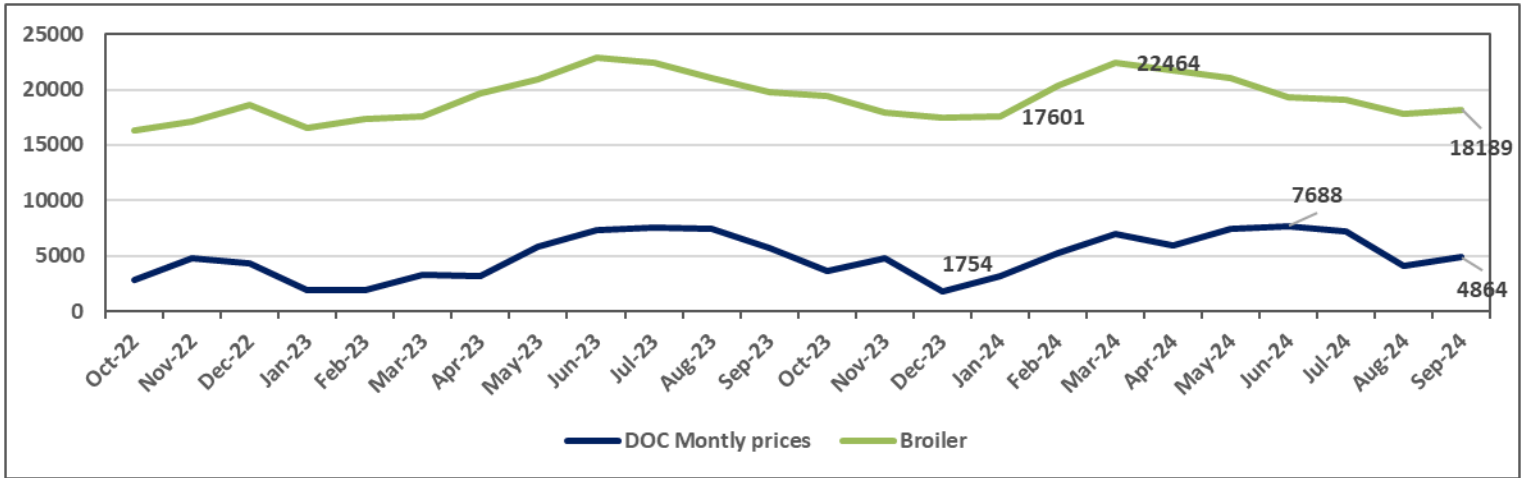
## Major share holders

JAPFA LTD	40.00%
Credit Suisse AG Singapore Trust	15.43%
Public	44.57%

## USD/ IDR – YE (IDR)

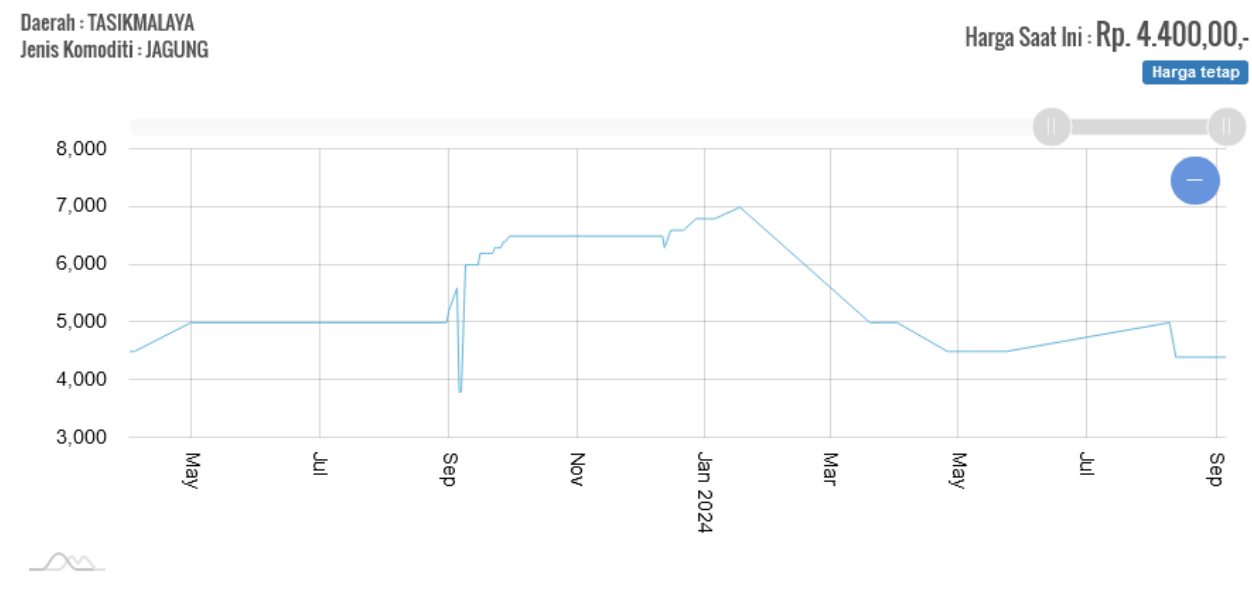
2023	15,439
2024F (6m-avg)	15,965

DOC and Broiler Prices until March 2024 in West Java



Source: Average monthly prices of West Java

Corn Price in Tasikmalaya



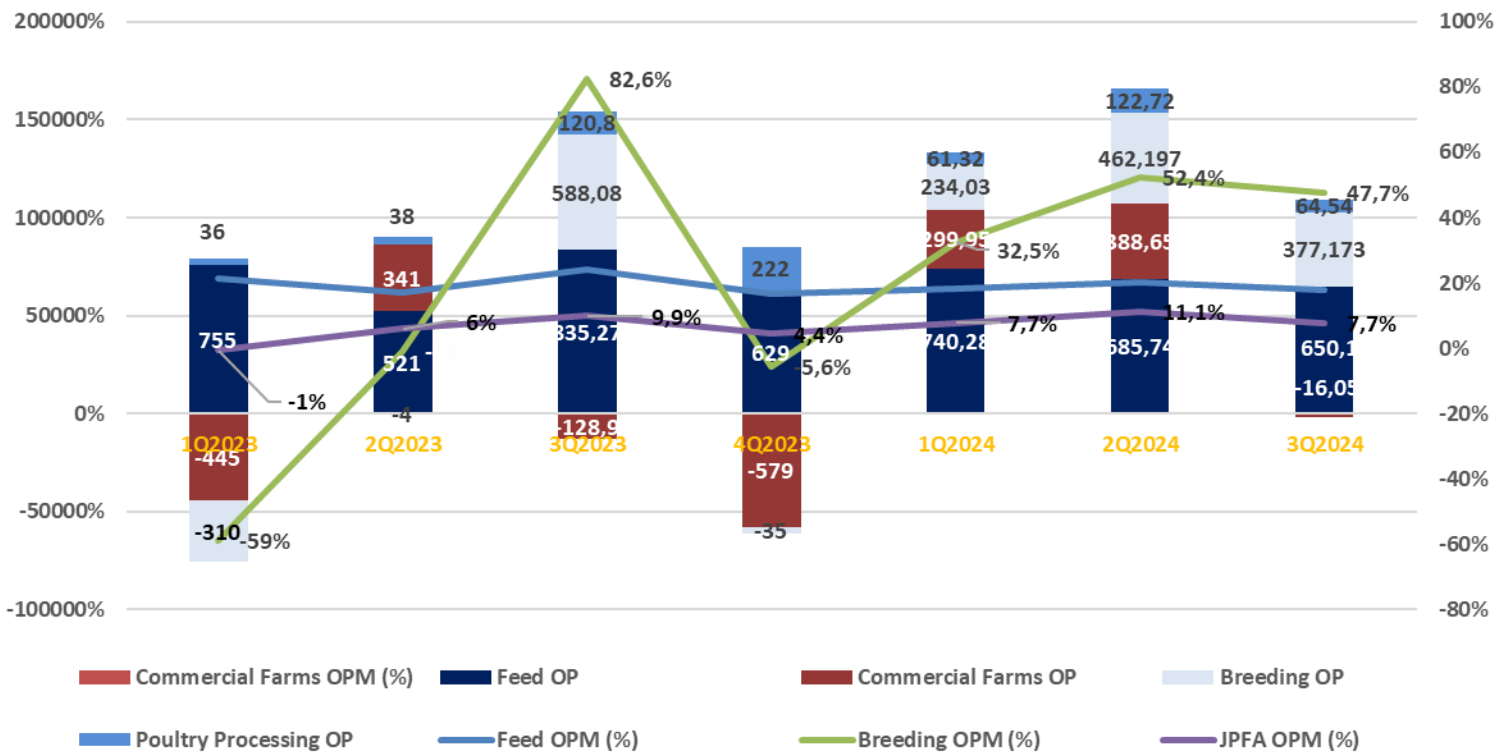
Source: Bappebti

Soybeans Price



Source: Trading Economic

JPFA Business Segment Breakdown YoY



Source: Company

Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2024	2Q2024	3Q2024	QoQ	3Q2023	YoY	9M2023	9M2024	YoY
Sales	13.925	13.723	13.631	-0,7%	13.612	0,1%	37.767	41.279	9%
Cost of Sales	-11.451	-10.840	-11.045	1,9%	-11.049	0,0%	-31.846	-33.336	5%
Gross Profit	2.474	2.883	2.586	-10,3%	2.563	0,9%	5.922	7.943	34%
Operating Expenses	-1.402	-1.357	-1.540	13,5%	-1.222	26,0%	-3.925	-4.300	10%
Operating Profit	1.072	1.526	1.045	-31,5%	1.341	-22,1%	1.997	3.643	82%
Other Income (Expenses)	-177	-244	-197	-19,3%	-227	-13,0%	-704	-618	-12%
PBT	895	1.282	848	-33,8%	1.114	-23,9%	1.293	3.025	134%
Tax	-180	-406	-194	-52,3%	-232	-16,5%	-299	-780	161%
NIAT	715	875	654	-25,3%	882	-25,8%	994	2.245	126%
Non-controlling Interest	-50	-60	-39	-35,0%	-27	46,3%	-57	-149	162%
Net Income	665	815	615	-24,6%	855	-28,1%	937	2.095	124%
EPS	57	70	52	-24,6%	73	-27,9%	80	179	124%
GPM (%)	17,8%	21,0%	19,0%		18,8%		15,7%	19,2%	
OPM (%)	7,7%	11,1%	7,7%		9,9%		5,3%	8,8%	
NPM(%)	4,8%	5,9%	4,5%		6,3%		2,5%	5,1%	

Source: Company and Binaartha

Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2021A	2022A	2023A	2024F	2025F
Sales	44.878	48.972	51.176	56.652	63.365
Cost of Sales	-36.858	-41.289	-43.665	-46.171	-51.642
<b>Gross Profit</b>	<b>8.020</b>	<b>7.683</b>	<b>7.511</b>	<b>10.481</b>	<b>11.723</b>
Operating Expenses	-4.495	-4.933	-5.305	-5.665	-6.336
<b>Operating Profit</b>	<b>3.525</b>	<b>2.750</b>	<b>2.206</b>	<b>4.815</b>	<b>5.386</b>
Other Income (Expenses)	-731	-796	-945	-850	-1.077
<b>PBT</b>	<b>2.794</b>	<b>1.955</b>	<b>1.261</b>	<b>3.966</b>	<b>4.309</b>
Tax	-663	-464	-315	-991	-1.077
<b>NIAT</b>	<b>2.131</b>	<b>1.491</b>	<b>946</b>	<b>2.974</b>	<b>3.232</b>
Non-controlling Interest	-108	-71	-16	-204	-95
<b>Net Income</b>	<b>2.023</b>	<b>1.420</b>	<b>931</b>	<b>2.772</b>	<b>3.140</b>
EPS	177	124	79	236	268
<b>EBITDA</b>	<b>4.816</b>	<b>3.722</b>	<b>3.258</b>	<b>5.907</b>	<b>6.424</b>

Source: Company and Binaartha

Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2021A	2022A	2023A	2024F	2025F
Net Income	2.023	1.420	931	2.772	3.140
Depreciation	1.215	950	1.008	1.013	1.110
Change in WC	-1.610	234	746	-727	-872
<b>Cash From Operating Activities</b>	<b>1.628</b>	<b>2.604</b>	<b>2.685</b>	<b>3.059</b>	<b>3.377</b>
Change in Non-current Asset	-1.437	-2.211	-2.210	-2.240	-2.910
<b>Cash From Investing Activities</b>	<b>-1.437</b>	<b>-2.211</b>	<b>-2.210</b>	<b>-2.240</b>	<b>-2.910</b>
Change in Long-term liabilities	-462	705	-304	-719	1.161
Change in Bonds Payable	368	509	-79	-89	0
Change Others Noncurrent Liabilities	-16	-13	17	-5	9
Change in Equity	-332	-868	-418	-280	-1.253
<b>Cash From Financing Activities</b>	<b>-441</b>	<b>333</b>	<b>-784</b>	<b>-1.093</b>	<b>-83</b>
<b>Net Changes in Cash</b>	<b>-251</b>	<b>726</b>	<b>-308</b>	<b>-274</b>	<b>385</b>
<b>Beginning Balance</b>	<b>1.336</b>	<b>1.085</b>	<b>1.811</b>	<b>1.503</b>	<b>1.229</b>
<b>Ending Balance</b>	<b>1.085</b>	<b>1.811</b>	<b>1.503</b>	<b>1.229</b>	<b>1.614</b>

Source: Company and Binaartha

## Statement of Financial Position in IDR Billion YoY

	2020A	2021A	2022A	2023A	2024F	2025F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	1.336	1.085	1.811	1.503	1.229	1.614
Trade Accounts Receivable	1.982	2.348	2.405	2.456	2.750	3.059
Inventories	5.670	7.713	9.272	9.684	10.081	11.440
Others Current Assets	2.757	3.015	3.513	3.576	3.682	3.802
<b>Total Current Assets</b>	<b>11.745</b>	<b>14.161</b>	<b>17.001</b>	<b>17.218</b>	<b>17.742</b>	<b>19.915</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	11.144	11.510	12.497	13.395	14.674	16.074
Breeding Cattles	108	54	34	25	45	42
Other Noncurrent Assets	2.955	2.865	3.158	3.471	3.399	3.802
<b>Total Noncurrent Assets</b>	<b>14.207</b>	<b>14.429</b>	<b>15.689</b>	<b>16.891</b>	<b>18.118</b>	<b>19.918</b>
<b>TOTAL ASSETS</b>	<b>25.952</b>	<b>28.590</b>	<b>32.691</b>	<b>34.109</b>	<b>35.860</b>	<b>39.833</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term Bank Loans	423	2.314	3.924	4.909	4.990	4.990
Trade Account Payable	3.994	3.030	4.135	4.118	4.349	5.097
Others Current Liabilities	1.591	1.720	1.353	1.658	1.416	1.584
<b>Total Current Liabilities</b>	<b>6.008</b>	<b>7.064</b>	<b>9.412</b>	<b>10.684</b>	<b>10.755</b>	<b>11.671</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term liabilities	1.696	1.254	1.174	1.302	1.360	1.521
Long-term Bank loan	2.292	2.273	3.058	2.626	1.850	2.850
Bonds Payable	4.492	4.859	5.369	5.289	5.200	5.200
Others Noncurrent Liabilities	52	36	23	40	36	45
<b>Total Noncurrent Liabilities</b>	<b>8.532</b>	<b>8.423</b>	<b>9.624</b>	<b>9.258</b>	<b>8.445</b>	<b>9.616</b>
<b>TOTAL LIABILITIES</b>	<b>14.540</b>	<b>15.487</b>	<b>19.036</b>	<b>19.942</b>	<b>19.200</b>	<b>21.286</b>
Non-controlling interest	734	869	907	941	1.127	1.260
<b>EQUITY</b>	<b>10.677</b>	<b>12.233</b>	<b>12.748</b>	<b>13.226</b>	<b>15.533</b>	<b>17.286</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>25.951</b>	<b>28.589</b>	<b>32.690</b>	<b>34.109</b>	<b>35.860</b>	<b>39.832</b>

Source: Company and Binaartha

## Ratio Highlights YoY

	2021A	2022A	2023A	2024F	2025F
<b>Growth (% YoY)</b>					
Sales	21,4%	9,1%	4,5%	10,7%	11,9%
OP	41,9%	-22,0%	-19,8%	118,2%	11,9%
EBITDA	30,3%	-22,7%	-12,5%	81,3%	8,8%
NP	120,6%	-29,8%	-34,5%	197,9%	13,2%
EPS	120,6%	-29,8%	-36,2%	197,9%	13,2%
<b>Profitability (%)</b>					
Gross Margin	17,9%	15,7%	14,7%	18,5%	18,5%
Operating Margin	7,9%	5,6%	4,3%	8,5%	8,5%
EBITDA margin	10,7%	7,6%	6,4%	10,4%	10,1%
NET Profit margin	4,5%	2,9%	1,8%	4,9%	5,0%
ROA	7,1%	4,3%	2,7%	7,7%	7,9%
ROE	16,5%	11,1%	7,0%	17,8%	18,2%
<b>Solvability (x)</b>					
Net debt/ equity	0,5	0,6	0,7	0,6	0,6
Tot. debt/ Tot.equity	1,3	1,5	1,5	1,2	1,2
Debt Ratio	0,5	0,6	0,6	0,5	0,5
<b>Liquidity (x)</b>					
Current Ratio	2,0	1,8	1,6	1,6	1,7
Cash Ratio	0,2	0,2	0,1	0,1	0,1
<b>Per Share data</b>					
EPS (IDR)	177	124	79	236	268
PBV (x)	1,6	1,4	1,0	1,8	1,7
PER (x)	9,7	12,9	14,6	10,4	9,2
EBITDA/share	422	326	278	504	548

Source: Company and Binaartha

**Stock Ratings:**

- Buy : a recommendation to purchase the security with upside potential of **12.5% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **6.25-12.49%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 6.24% or negative**.

**RESEARCH TEAM**  
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