

PT. Japfa Comfeed Indonesia Tbk.

HOLD

Investment Consideration

Recovery in 3Q2020

- After a weak 2Q2020, JPFA's performance recovered in 3Q2020. JPFA 3Q2020 revenue increased +2.4% QoQ to IDR 8.1 trillion but was still down -10% YoY. For 9M2020, JPFA's revenue was down -8.3% YoY to IDR 24.9 trillion.
- In term of QoQ, most of JPFA's businesses (aquaculture +13.6%, animal feed +8.6%, DOC +4.9%, commercial farm and consumer products +1.3%) except for the cattle segment (-41%) showed single to double-digit growth.
- The positive sentiment from the PSBB transition in 3Q2020 was offset by lower DOC and broiler prices at the farmer level. The reduction in supply recommended by the government has not significantly improved prices.
- However, we are expecting 4Q2020-2021 demand will gradually recover (not V shaped) in line with a recovery of Indonesia private consumption.

Better 3Q2020 Margins

- JPFA 3Q2020 net profit turned positive at IDR 102 billion from a loss in 2Q2020 of IDR -17 billion, resulting in a higher net profit margin at 1.3%.
- Better costs meant, JPFA gross profit also increased +12% QoQ to IDR 1.32 trillion in line with a higher gross profit margin of 16.5% from 15.1% in 2Q2020.
- Operating profit also turned positive at IDR 405 billion after a loss in 2Q2020 of IDR -32 billion.
- We are expecting JPFA's 2020 profit will be the lowest since 2015 due to the impact of the Covid-19 pandemic. We have revised down JPFA profit forecast for 2020F to IDR 435 billion or lower by -75% YoY.

More Acquisitions

- JPFA and its subsidiary, PT Ciomas Adisatwa acquired a 100% stake in PT So Good Food, for IDR 1.21 billion in August. The transaction will be finalized on November 30th. The acquisition will be funded 30% from internal cash and the remainder from issuing promissory notes to the seller, Jupiter Foods.
- This acquisition is part of JPFA's strategy to expand their downstream business by increasing the capacity of processed meat production facilities and also increasing the direct marketing and sales of processed products to consumers.
- JPFA also entered into a joint venture agreement through PT Suri Tani Pemuka with Hendric Genetic Aquaculture B.V. The JV will improve efficiency and logistics, by producing broodstock shrimps in Indonesia in the newly established BMC rather than importing shrimp broodstock from Hawaii.
- As of 9M2020 JPFA has ample cash of IDR 2.18 trillion.

Valuation: TP 1,470 , 10% upside

- Using a DCF valuation with WACC of 8.29%, we are targeting JPFA to trade at 20x 2021F PE within a year. Target Price is IDR 1,470 which represents 10% upside. We recommendation to HOLD.

Financial Highlights	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Sales (In IDR Bn)	25.023	27.063	29.603	34.013	36.743	35.757	38.033
Net Income (In IDR Bn)	468	2.065	998	2.168	1.765	435	914
EPS (IDR)	44	181	87	190	155	38	74
GPM (%)		20,2%	17,0%	21,2%	19,4%	19,2%	19,9%
OPM (%)	6,9%	10,8%	7,7%	11,3%	8,6%	4,4%	6,0%
NPM (%)	1,9%	7,6%	3,4%	6,4%	4,8%	1,2%	2,4%
Net debt/ equity (x)	0,8	0,3	0,3	0,6	0,6	0,5	0,5

Source: Company and Binaartha

26 November 2020
Basic Industry – Poultry

Price IDR 1,340

Target Price IDR 1,470

JKSE Index 5,679.247



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	15,479
52-week high (IDR)	1,730
52-week low (IDR)	760
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,144
Free float	47.57%

Major share holders

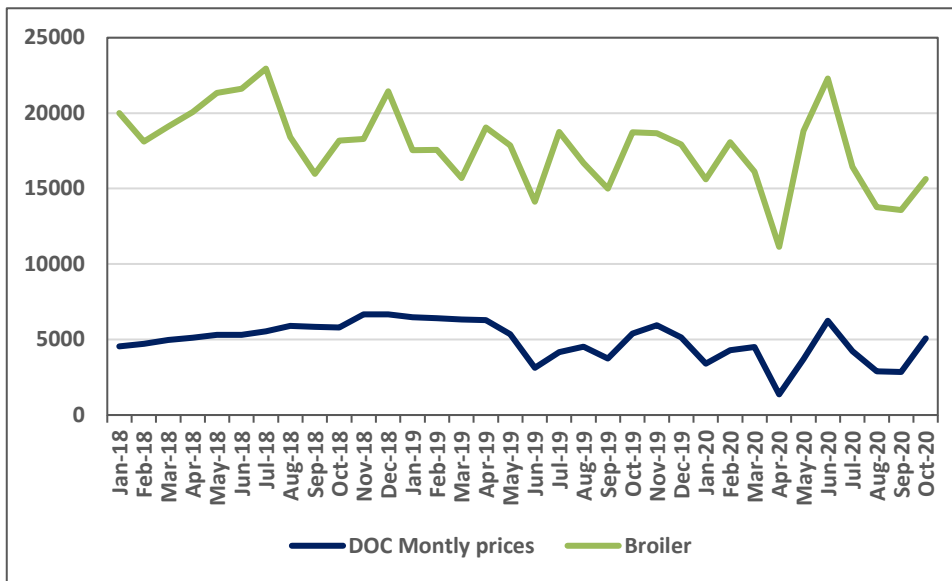
JAPFA LTD	52.43%
Public	47.57%

USD/ IDR – YE (IDR)

2019	13,970
2020F (6m-avg)	14,585

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Chart: DOC and Broiler Prices October 2020



Source: Average monthly prices of West Java

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Sales	25.023	27.063	29.603	34.013	36.743	35.757	38.033
Cost of Sales	-21.030	-21.584	-24.571	-26.805	-29.617	-29.786	-31.567
Gross Profit	3.993	5.479	5.032	7.208	7.126	5.971	6.466
Operating Expenses	-2.265	-2.558	-2.756	-3.365	-3.976	-4.398	-4.184
Operating Profit	1.728	2.921	2.276	3.844	3.150	1.573	2.282
Other Income (Expenses)	-1.030	-154	-535	-754	-577	-858	-913
PBT	698	2.767	1.741	3.090	2.573	715	1.369
Tax	-173	-595	-633	-837	-689	-212	-383
NIAT	525	2.172	1.108	2.253	1.884	503	986
Non-controlling Interest	-56	-107	-110	-85	-119	-68	-72
Net Income	468	2.065	998	2.168	1.765	435	914
EPS	44	181	87	190	155	38	74
EBITDA	1.940	3.903	2.989	4.648	4.201	2.562	3.227

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	468	2.065	998	2.168	1.765	435	914
Depreciation	561	626	679	765	882	1.000	1.062
Change in WC	-325	185	-1.612	353	204	274	499
Cash From Operating Activities	704	2.875	65	3.286	2.851	1.709	2.474
Capex	-1.095	-1.261	-2.389	-1.487	-3.253	-2.082	-2.316
Cash From Investing Activities	-1.095	-1.261	-2.389	-1.487	-3.253	-2.082	-2.316
Long-term liabilities	149	-370	175	-22	904	1.750	79
Bonds Payable	23	-638	1.663	-587	-120	141	0
Others Noncurrent Liabilities	1	-5	1	5	1	91	7
Equity	352	1.199	-575	-1.750	-532	-886	-192
Cash From Financing Activities	525	186	1.264	-2.354	253	1.096	-107
Net Changes in Cash	134	1.800	-1.059	-556	-149	722	52
Beginning Balance	768	901	2.701	1.642	1.087	938	1.660
Ending Balance	902	2.702	1.642	1.087	938	1.660	1.712

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2015A	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	901	2.701	1.642	1.087	938	1.660	1.712
Trade Accounts Receivable	1.254	1.297	1.627	1.822	2.040	1.788	1.826
Inventories	5.855	5.500	6.414	6.248	5.940	6.079	6.085
Others Current Assets	1.594	1.562	1.506	3.259	3.274	3.218	3.233
Total Current Assets	9.604	11.061	11.189	12.416	12.192	12.745	12.855
NONCURRENT ASSETS							
Fixed Assets	6.978	7.539	8.346	7.952	10.063	11.063	12.125
Breeding Cattles	280	161	265	224	157	152	162
Other Noncurrent Assets	297	490	1.289	2.447	2.774	2.861	3.043
Total Noncurrent Assets	7.555	8.190	9.900	10.622	12.993	14.076	15.329
TOTAL ASSETS	17.159	19.251	21.089	23.038	25.185	26.820	28.185
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	1.863	759	797	1.170	3.006	4.099	4.463
Trade Account Payable	2.912	2.528	3.498	3.776	3.125	2.145	2.282
Others Current Liabilities	577	1.907	475	1.958	903	894	951
Total Current Liabilities	5.353	5.194	4.770	6.904	7.034	7.138	7.696
NONCURRENT LIABILITIES							
Long-term liabilities	1.436	1.066	1.241	1.040	1.193	1.443	1.521
Long-term Bank loan				179	930	2.430	2.430
Bonds Payable	4.246	3.609	5.271	4.684	4.564	4.705	4.705
Others Noncurrent Liabilitie	15	10	11	16	17	107	114
Total Noncurrent Liabilities	5.697	4.685	6.524	5.919	6.703	8.685	8.770
TOTAL LIABILITIES	11.050	9.878	11.293	12.823	13.737	15.823	16.466
Non-controlling interest	498	529	586	607	676	673	698
EQUITY	5.612	8.843	9.210	9.607	10.772	10.324	11.020
TOTAL LIABILITIES & EQUITY	17.159	19.251	21.089	23.038	25.185	26.820	28.184

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Growth (% YoY)							
Sales	2,3%	8,2%	9,4%	14,9%	8,0%	-2,7%	6,4%
OP	34,5%	69,0%	-22,1%	68,9%	-18,1%	-50,1%	45,0%
EBITDA	16,3%	101,2%	-23,4%	55,5%	-9,6%	-39,0%	26,0%
NP	38,0%	340,8%	-51,7%	117,2%	-18,6%	-75,4%	110,1%
EPS	38,0%	311,8%	-51,7%	117,2%	-18,6%	-75,4%	93,2%
Profitability (%)							
Gross Margin	16,0%	20,2%	17,0%	21,2%	19,4%	19,2%	19,9%
Operating Margin	6,9%	10,8%	7,7%	11,3%	8,6%	4,4%	6,0%
EBITDA margin	7,8%	14,4%	10,1%	13,7%	11,4%	7,2%	8,5%
NET Profit margin	1,9%	7,6%	3,4%	6,4%	4,8%	1,2%	2,4%
ROA	2,7%	10,7%	4,7%	9,4%	7,0%	1,6%	3,2%
ROE	8,3%	23,3%	10,8%	22,6%	16,4%	4,2%	8,3%
Solvability (x)							
Net debt/ equity	0,8	0,3	0,3	0,6	0,6	0,5	0,5
Tot. debt/ Tot.equity	2,0	1,1	1,2	1,3	1,3	1,5	1,5
Debt Ratio	0,6	0,5	0,5	0,6	0,5	0,6	0,6
Liquidity (x)							
Current Ratio	1,8	2,1	2,3	1,8	1,7	1,8	1,7
Cash Ratio	0,2	0,5	0,3	0,2	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**.

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