

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Strong 1Q revenue and profitability

- Despite the Covid-19 outbreak potentially leading to lower purchasing power, JPFA revenue and profitability were strong in 1Q2020.
- In 1Q2020, JPFA booked revenue of IDR 9.08 trillion up 6.0% yoy from IDR 8.56 trillion in 1Q2019. Growth was mainly from higher sales volumes for poultry feed (+7%) and aqua feed.
- JPFA gross profit grew +11.8% yoy to IDR 1.59 trillion while the gross profit margin jumped to 17.5% from 16.6% in 1Q2019.
- Operating profit grew 10.8% yoy to IDR 5766 billion, while the operating profit margin increased to 7.2% from 6.4% in 1Q2019.
- Net income grew 12.2% yoy to IDR 366 billion.
- JPFA has taken action to freeze non-essential capex and thus reduce capex for 2020.
- We cut our estimates to single digit for revenue and profitability growth but we still consider JPFA products can produce growth as they are affordable and an essential food source of protein.

Broiler and DOC weakness

- As of April 2020, Day Old Chick (DOC) prices and broiler prices have fallen to the lowest levels in months. The drop in DOC and broiler prices started in 4Q2019 and has so far failed to rebound.
- The impact of a lower broiler ASP because of an over supply of broilers, has resulted in an operating loss for JPFA commercial farm operations in 1Q2020.
- JPFA DOC revenue also fell -17,5% yoy to IDR 666 billion due to a lower DOC ASP.
- The weakening of broiler and DOC ASPs is expected to continue post 1Q2020. But we expecting this weakness will be offset by a stable feed segment.
- Overall we expect demand to continue to be negatively affected by lower purchasing power in May 2020.

Valuation: Maintain BUY TP 1,400 , 56% upside

- Using a DCF valuation with WACC at 9.45% We are targeting JPFA to trade at 8.4x 2021F PE within a year. Target Price is IDR 1,400 which represents 56% upside. We maintain our recommendation to Buy.

Financial Highlights	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Sales (In IDR Bn)	25.023	27.063	29.603	34.013	36.743	39.516	47.066
Net Income (In IDR Bn)	468	2.065	998	2.168	1.765	1.915	2.281
EPS (IDR)	44	181	87	190	155	168	184
GPM (%)		20,2%	17,0%	21,2%	19,4%	19,2%	19,9%
OPM (%)	6,9%	10,8%	7,7%	11,3%	8,6%	8,5%	8,5%
NPM (%)	1,9%	7,6%	3,4%	6,4%	4,8%	4,8%	4,8%
Net debt/ equity (x)	0,8	0,3	0,3	0,6	0,6	0,5	0,5

28 May 2020
Basic Industry – Poultry

Price	IDR	895
Target Price	IDR	1,400
JKSE Index		4,641.555



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	10,500
52-week high (IDR)	1,860
52-week low (IDR)	760
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,336
Free float	47,57%

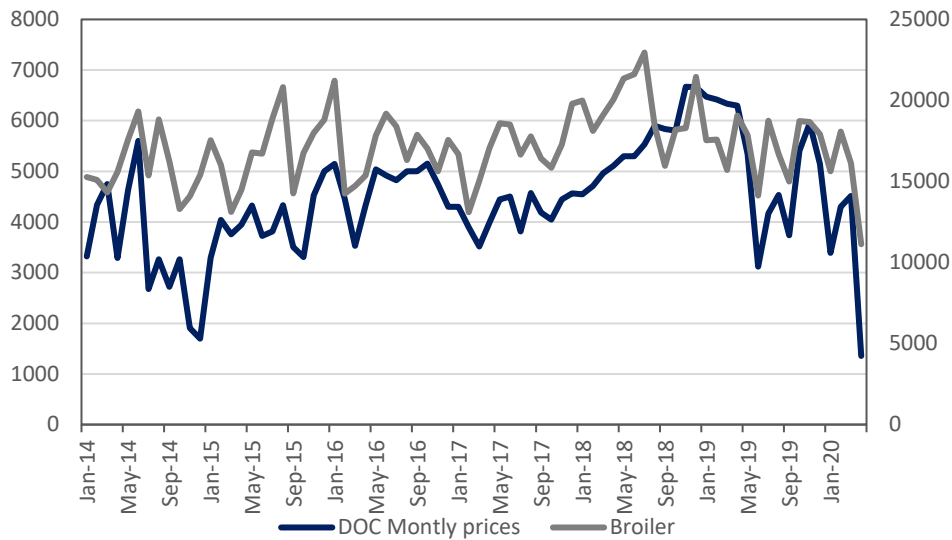
Major share holders

JAPFA LTD	52.43%
Public	47.57%

USD/ IDR – YE (IDR)

2019	14,375
2020F (6m-avg)	13,866

Chart: DOC and Broiler Prices



Source: Binaartha

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	39.516	47.066
Cost of Sales	-21.030	-21.584	-24.571	-26.805	-29.617	-32.087	-38.218
Gross Profit	3.993	5.479	5.032	7.208	7.126	7.429	8.848
Operating Expenses	-2.265	-2.558	-2.756	-3.365	-3.976	-4.070	-4.848
Operating Profit	1.728	2.921	2.276	3.844	3.150	3.359	4.001
Other Income (Expenses)	-1.030	-154	-535	-754	-577	-790	-941
PBT	698	2.767	1.741	3.090	2.573	2.569	3.059
Tax	-173	-595	-633	-837	-689	-555	-661
NIAT	525	2.172	1.108	2.253	1.884	2.014	2.399
Non-controlling Interest	-56	-107	-110	-85	-119	-99	-118
Net Income	468	2.065	998	2.168	1.765	1.915	2.281
EPS	44	181	87	190	155	168	184
EBITDA	1.940	3.903	2.989	4.648	4.201	4.415	4.918

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	1.915	2.281
Depreciation	561	626	679	765	882	1.000	1.062
Change in WC	-325	185	-1.612	353	204	-87	-940
Cash From Operating Activities	704	2.875	65	3.286	2.851	2.828	2.403
Capex	-1.095	-1.261	-2.389	-1.487	-3.253	-2.399	-2.183
Cash From Investing Activities	-1.095	-1.261	-2.389	-1.487	-3.253	-2.399	-2.183
Long-term liabilities	149	-370	175	-22	904	1.190	334
Bonds Payable	23	-638	1.663	-587	-120	641	0
Others Noncurrent Liabilities	1	-5	1	5	1	-0	4
Equity	352	1.199	-575	-1.750	-532	-815	-837
Cash From Financing Activities	525	186	1.264	-2.354	253	1.016	-499
Net Changes in Cash	134	1.800	-1.059	-556	-149	1.445	-279
Beginning Balance	768	901	2.701	1.642	1.087	938	2.383
Ending Balance	902	2.702	1.642	1.087	938	2.383	2.103

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	2.383	2.103
Trade Accounts Receivable	1.254	1.297	1.627	1.822	2.040	2.194	2.613
Inventories	5.855	5.500	6.414	6.248	5.940	6.389	6.825
Others Current Assets	1.594	1.562	1.506	3.259	3.274	3.654	4.273
Total Current Assets	9.604	11.061	11.189	12.416	12.192	14.619	15.814
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	168	201
Other Noncurrent Assets	297	490	1.289	2.447	2.774	3.161	3.188
Total Noncurrent Assets	7.555	8.190	9.900	10.622	12.993	14.392	15.514
TOTAL ASSETS	17.159	19.251	21.089	23.038	25.185	29.011	31.327
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	1.863	759	797	1.170	3.006	3.699	3.663
Trade Account Payable	2.912	2.528	3.498	3.776	3.125	3.361	3.765
Others Current Liabilities	577	1.907	475	1.958	903	869	1.035
Total Current Liabilities	5.353	5.194	4.770	6.904	7.034	7.929	8.464
NONCURRENT LIABILITIES							
Long-term liabilities	1.436	1.066	1.241	1.040	1.193	1.283	1.617
Long-term Bank loan				179	930	2.030	2.030
Bonds Payable	4.246	3.609	5.271	4.684	4.564	5.205	5.205
Others Noncurrent Liabilitie	15	10	11	16	17	16	20
Total Noncurrent Liabilities	5.697	4.685	6.524	5.919	6.703	8.534	8.872
TOTAL LIABILITIES	11.050	9.878	11.293	12.823	13.737	16.463	17.336
Non-controlling interest	498	529	586	607	676	743	864
EQUITY	5.612	8.843	9.210	9.607	10.772	11.804	13.127
TOTAL LIABILITIES & EQUITY	17.159	19.251	21.089	23.038	25.185	29.011	31.327

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%	7,5%	19,1%
OP	34,5%	69,0%	-22,1%	68,9%	-18,1%	6,6%	19,1%
EBITDA	16,3%	101,2%	-23,4%	55,5%	-9,6%	5,1%	11,4%
NP	38,0%	340,8%	-51,7%	117,2%	-18,6%	8,5%	19,1%
EPS	38,0%	311,8%	-51,7%	117,2%	-18,6%	8,5%	9,5%
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%	8,5%	8,5%
EBITDA margin	7,8%	14,4%	10,1%	13,7%	11,4%	11,2%	10,4%
NET Profit margin	1,9%	7,6%	3,4%	6,4%	4,8%	4,8%	4,8%
ROA	2,7%	10,7%	4,7%	9,4%	7,0%	6,6%	7,3%
ROE	8,3%	23,3%	10,8%	22,6%	16,4%	16,2%	17,4%
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	1,4	1,3
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	1,9
Cash Ratio	0,2	0,5	0,3	0,2	0,1	0,3	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
(62 21) 520 6678 ext. 611

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