

# PT. Japfa Comfeed Indonesia Tbk.

**BUY**

## Investment Consideration

### Volume and ASPs Increase

- In 2Q2021, JPFA booked double digit revenue growth of +40% YoY to IDR 11.3 trillion due to higher Volumes & ASPs YoY & QoQ in all businesses. The higher ASP proves recent government culling initiatives have successfully achieved supply and demand balance plus there was increased demand during Lebaran.
- For 1H2021, JPFA also recorded double digit growth of +24% YoY to IDR 22.1 trillion.
- Commercial farms contributed IDR 4.44 trillion up +33% YoY or +4% QoQ, the highest contribution to JPFA revenue at 38.4% in 2Q2021. The growth was from higher live bird ASPs, up +7.3% QoQ +19% YoY together with higher sales volume +2.7% QoQ +26% YoY.
- For Feed, the ASP still declined while volume recorded +25.5% growth in 2Q2021. As a result, feed's sales increased +44% YoY to IDR 3.26 trillion. For 1H2021, feed recorded sales growth of +17.4% to IDR 6.47 trillion.
- The DOC segment also had double digit growth in ASP of 32% YoY and volume 43% YoY with DOC sales of IDR 688 billion.
- We are expecting 2021 demand will continue to recover in line with a recovery in Indonesian private consumption.

### Higher Margin

- In 2Q2021, JPFA booked net profit of IDR 627 billion after a loss of IDR -78 billion in 2Q2020. For 1H2021, JPFA's profit rise sharply +421% to IDR 1.54 trillion. As a result, NPM was higher at 7% from 1.6% in 1H2020.
- JPFA 2Q2021 gross profit increased double-digit +67.5% YoY to IDR 2.4 trillion in line with a higher gross profit margin of 21% from 12% in 2Q2020.
- Operating profit also grew +2544% YoY to IDR 1.25 trillion from IDR 47 billion, in line with a stronger OPM in 2Q2021 of 11% from 0.6% in 2Q2020.
- We revise our forecasts as JPFA has been building upward momentum since 1Q2021 with a stronger result for the 1H2021. We are expecting JPFA's 2021F profit will rebound with 167% YoY growth to IDR 2.44 trillion.

### Valuation: Maintain BUY with TP 2,500

- Using a DCF valuation with WACC of 14.3%, we are targeting JPFA to trade at 10.4x 2022F PE within a year. Target Price is IDR 2,500 which represents 56% 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	2.445	2.804
EPS (IDR)	181	87	190	155	80	209	239
GPM (%)	20,2%	17,0%	21,8%	20,2%	20,1%	22,0%	22,0%
OPM (%)	10,8%	7,7%	10,2%	8,0%	6,7%	10,5%	10,5%
NPM (%)	7,6%	3,4%	6,0%	4,5%	2,5%	5,6%	5,6%
Net debt/ equity (x)	0,3	0,3	0,6	0,6	0,4	0,5	0,6

Source: Company and Binaartha

2 August 2021  
Basic Industry – Poultry

Price	IDR	1,605
Target Price	IDR	2,500
JKSE Index		6,096.543



## Stock Information

<b>Bloomberg Code</b>	<b>JPFA IJ</b>
Market Cap (IDR bn)	18,820
52-week high (IDR)	2,270
52-week low (IDR)	990
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,833
Free float	44.94%

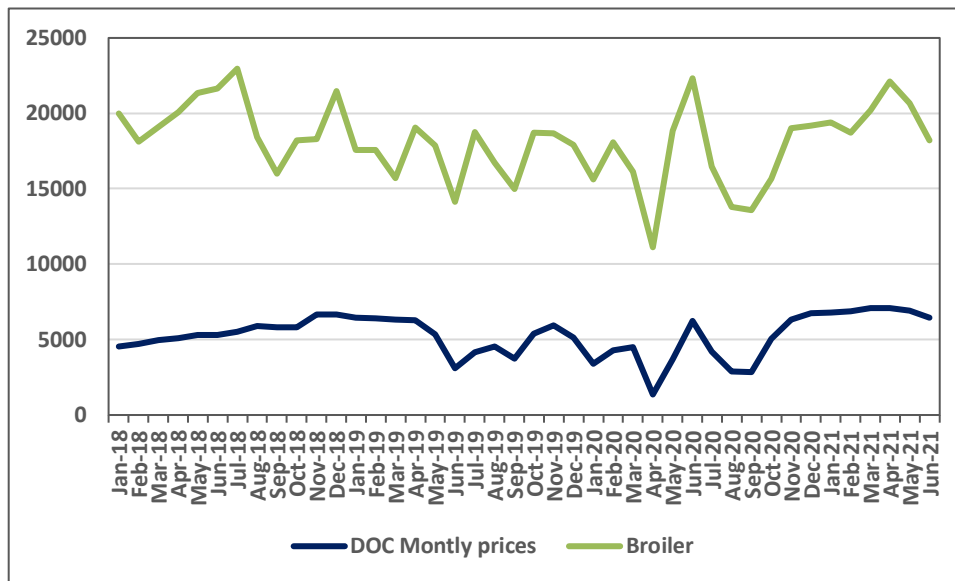
## Major share holders

JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

## USD/ IDR – YE (IDR)

2020	14,175
2021F (6m-avg)	14,557

Chart: DOC and Broiler Prices until June 2021



Source: Average monthly prices of West Java

Table: Income Statement in IDR Billion QoQ &amp; YoY

Income Statement (In IDR Bn)	1Q2021	2Q2021	QoQ	1H2020	1H2021	YoY
Sales	10.769	11.339	5%	18.075	22.108	22%
Cost of Sales	-7.978	-8.931	12%	-14.808	-16.909	14%
<b>Gross Profit</b>	<b>2.792</b>	<b>2.408</b>	<b>-14%</b>	<b>3.267</b>	<b>5.199</b>	<b>59%</b>
Operating Expenses	-1.461	-1.159	-21%	-2.493	-2.620	5%
<b>Operating Profit</b>	<b>1.331</b>	<b>1.248</b>	<b>-6%</b>	<b>773</b>	<b>2.579</b>	<b>234%</b>
Other Income (Expenses)	-151	-275	83%	-399	-426	7%
<b>PBT</b>	<b>1.180</b>	<b>973</b>	<b>-18%</b>	<b>374</b>	<b>2.154</b>	<b>475%</b>
Tax	-265	-241	-9%	-61	-506	735%
<b>NIAT</b>	<b>916</b>	<b>732</b>	<b>-20%</b>	<b>314</b>	<b>1.648</b>	<b>425%</b>
Non-controlling Interest	0	-105	-	-26	-105	309%
Adjustment of merging entity's	0	0	0%	0	0	0%
<b>Net Income</b>	<b>916</b>	<b>627</b>	<b>-32%</b>	<b>288</b>	<b>1.543</b>	<b>436%</b>
<b>EPS</b>	<b>80</b>	<b>51</b>	<b>-36%</b>	<b>25</b>	<b>132</b>	<b>421%</b>

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	-33.801	-38.763
<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>9.534</b>	<b>10.933</b>
Operating Expenses	-2.558	-2.756	-4.182	-4.747	-4.945	-4.983	-5.715
<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>4.550</b>	<b>5.218</b>
Other Income (Expenses)	-154	-535	-785	-630	-805	-953	-1.093
<b>PBT</b>	<b>2.767</b>	<b>1.741</b>	<b>2.918</b>	<b>2.494</b>	<b>1.679</b>	<b>3.597</b>	<b>4.125</b>
Tax	-595	-633	-830	-701	-457	-935	-1.072
<b>NIAT</b>	<b>2.172</b>	<b>1.108</b>	<b>2.088</b>	<b>1.794</b>	<b>1.222</b>	<b>2.662</b>	<b>3.052</b>
Non-controlling Interest	-107	-110	-85	-119	-86	-217	-248
Adjustment of merging entity's	0	0	165	90	-220	0	0
<b>Net Income</b>	<b>2.065</b>	<b>998</b>	<b>2.168</b>	<b>1.765</b>	<b>917</b>	<b>2.445</b>	<b>2.804</b>
EPS	181	87	190	155	80	209	239
<b>EBITDA</b>	<b>3.903</b>	<b>2.989</b>	<b>4.651</b>	<b>4.290</b>	<b>3.696</b>	<b>5.944</b>	<b>6.786</b>

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	2.445	2.804
Depreciation	626	679	863	979	1.155	1.337	1.498
Change in WC	185	-1.612	293	358	-275	-879	1.083
<b>Cash From Operating Activities</b>	<b>2.875</b>	<b>65</b>	<b>3.324</b>	<b>3.102</b>	<b>1.797</b>	<b>2.903</b>	<b>5.385</b>
Capex	-1.261	-2.389	-2.456	-3.264	-1.584	-2.672	-2.813
<b>Cash From Investing Activities</b>	<b>-1.261</b>	<b>-2.389</b>	<b>-2.456</b>	<b>-3.264</b>	<b>-1.584</b>	<b>-2.672</b>	<b>-2.813</b>
Long-term liabilities	-370	175	426	759	1.563	254	187
Bonds Payable	-638	1.663	-587	-120	-72	213	-1.705
Others Noncurrent Liabilities	-5	1	11	1	29	9	9
Equity	1.199	-575	-1.199	-634	-1.401	-330	-1.138
<b>Cash From Financing Activities</b>	<b>186</b>	<b>1.264</b>	<b>-1.350</b>	<b>6</b>	<b>119</b>	<b>146</b>	<b>-2.647</b>
<b>Net Changes in Cash</b>	<b>1.800</b>	<b>-1.059</b>	<b>-482</b>	<b>-156</b>	<b>332</b>	<b>377</b>	<b>-76</b>
Beginning Balance	901	2.701	1.642	1.160	1.004	1.336	1.712
Ending Balance	2.702	1.642	1.160	1.004	1.336	1.712	1.637

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	2.701	1.642	1.160	1.004	1.336	1.712	1.637
Trade Accounts Receivable	1.297	1.627	2.308	2.373	1.982	2.080	2.385
Inventories	5.500	6.414	6.577	6.210	5.670	8.667	8.945
Others Current Assets	1.562	1.506	3.289	3.286	2.757	3.107	3.479
<b>Total Current Assets</b>	<b>11.061</b>	<b>11.189</b>	<b>13.335</b>	<b>12.873</b>	<b>11.745</b>	<b>15.566</b>	<b>16.446</b>
<b>NONCURRENT ASSETS</b>							
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	2.934	2.733
<b>Total Noncurrent Assets</b>	<b>8.190</b>	<b>9.900</b>	<b>11.493</b>	<b>13.778</b>	<b>14.207</b>	<b>15.542</b>	<b>16.858</b>
<b>TOTAL ASSETS</b>	<b>19.251</b>	<b>21.089</b>	<b>24.827</b>	<b>26.651</b>	<b>25.952</b>	<b>31.108</b>	<b>33.303</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Bank Loans	759	797	1.451	3.278	423	1.423	4.400
Trade Account Payable	2.528	3.498	4.129	3.386	3.994	3.900	3.727
Others Current Liabilities	1.907	475	2.109	1.078	1.591	3.250	2.485
<b>Total Current Liabilities</b>	<b>5.194</b>	<b>4.770</b>	<b>7.690</b>	<b>7.742</b>	<b>6.008</b>	<b>8.573</b>	<b>10.612</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term liabilities	1.066	1.241	1.188	1.318	1.696	1.950	2.137
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	3.000
Others Noncurrent Liabilitie	10	11	22	23	52	61	70
<b>Total Noncurrent Liabilities</b>	<b>4.685</b>	<b>6.524</b>	<b>6.372</b>	<b>7.012</b>	<b>8.532</b>	<b>9.008</b>	<b>7.499</b>
<b>TOTAL LIABILITIES</b>	<b>9.878</b>	<b>11.293</b>	<b>14.062</b>	<b>14.754</b>	<b>14.540</b>	<b>17.581</b>	<b>18.111</b>
Non-controlling interest	529	586	607	676	734	862	947
<b>EQUITY</b>	<b>8.843</b>	<b>9.210</b>	<b>10.158</b>	<b>11.220</b>	<b>10.677</b>	<b>12.664</b>	<b>14.245</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>19.251</b>	<b>21.089</b>	<b>24.827</b>	<b>26.650</b>	<b>25.951</b>	<b>31.108</b>	<b>33.303</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
<b>Growth (% YoY)</b>							
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%	83,2%	14,7%
EBITDA	101,2%	-23,4%	55,6%	-7,7%	-13,8%	60,8%	14,1%
NP	340,8%	-51,7%	117,2%	-18,6%	-48,1%	166,7%	14,7%
EPS	311,8%	-51,7%	117,2%	-18,6%	-48,1%	159,5%	14,7%
<b>Profitability (%)</b>							
Gross Margin	20,2%	17,0%	21,8%	20,2%	20,1%	22,0%	22,0%
Operating Margin	10,8%	7,7%	10,2%	8,0%	6,7%	10,5%	10,5%
EBITDA margin	14,4%	10,1%	12,8%	11,0%	10,0%	13,7%	13,7%
NET Profit margin	7,6%	3,4%	6,0%	4,5%	2,5%	5,6%	5,6%
ROA	10,7%	4,7%	8,7%	6,6%	3,5%	7,9%	8,4%
ROE	23,3%	10,8%	21,3%	15,7%	8,6%	19,3%	19,7%
<b>Solvability (x)</b>							
Net debt/ equity	0,3	0,3	0,6	0,6	0,4	0,5	0,6
Tot. debt/ Tot.equity	1,1	1,2	1,4	1,3	1,4	1,4	1,3
Debt Ratio	0,5	0,5	0,6	0,6	0,6	0,6	0,5
<b>Liquidity (x)</b>							
Current Ratio	2,1	2,3	1,7	1,7	2,0	1,8	1,5
Cash Ratio	0,5	0,3	0,2	0,1	0,2	0,2	0,2
<b>Per Share data (IDR)</b>							
EPS	181	87	190	155	80	209	239
BV	775	807	890	983	936	1.080	1.215
EBITDA/share	342	262	408	376	324	507	579

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**  
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