

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Demand Increased in 4Q2020

- JPFA's performance continued to recover in 4Q2020. JPFA 4Q2020 revenue increased +2.9% YoY to IDR 12.04 trillion and grew an even stronger +50.2% QoQ.
- For 2020FY, JPFA's revenue still decreased -4.9% YoY to IDR 36.96 trillion because of weak 2Q2020 and 3Q2020 results.
- However, the revenue achievement is above our expectation for 2020F at IDR 35.7 trillion.
- Sales volume in all of JPFA's business segments showed an improvement QoQ with DOC's sales volume up +5.3%, Livebirds +3%, Feed +10.4% and aquaculture +9.3%.
- The reduction in supply recommended by the government also helped to improve 4Q2020 prices.
- We are expecting 2021 demand will continue to recover in line with a recovery in Indonesia private consumption.

2020FY Results: Above Expectation

- JPFA booked net profit of IDR 659 billion in 4Q2020 up +549% QoQ but still lower -9% YoY. For 2020FY JPFA net profit decreased -48% YoY to IDR 917 billion because of the covid-19 outbreak effect in 2Q2020 and 3Q2020. This resulted in a lower net profit margin of 2.5% in 2020. However net profit in 2020 was above our expectation at IDR 435 billion.
- JPFA 4Q2020 gross profit increased slightly +6% YoY and 152% QoQ to IDR 3.3 trillion in line with a higher gross profit margin of 27.7% from 16.5% in 3Q2020.
- Operating profit also grew +31% YoY and 260% QoQ to IDR 1.46 trillion, in line with a stronger OPM in 4Q2020 of 12.1% from 5.1% in 3Q2020.
- We are expecting JPFA's 2021F profit will rebound with 96% YoY growth to IDR 1.79 trillion from a demand recovery as the vaccine program is on schedule.

New Contribution

- The acquisition of PT So Good Food (SGF) in 2020 give a significant contribution to JPFA. We estimate SGF will contribute in the range of IDR 240 bn -260 bn for a full year or 13% - 15% of JPFA's profit in 2021F.
- The new normal is changing consumer's purchases towards processed food which resulted in a positive impact to SGF. In 2020, with frozen products under So Good brands increasing more than 10% YoY.

Valuation: Upgrade to BUY with TP 2,000

- Using a DCF valuation with WACC of 12.4%, we are targeting JPFA to trade at 12x 2022F PE within a year. Target Price is IDR 2,000 which represents 26% upside. We upgrade 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	40.835	44.947
Net Income (In IDR Bn)	2.065	998	2.168	1.765	917	1.795	1.976
EPS (IDR)	181	87	190	155	80	157	173
GPM (%)	20,2%	17,0%	21,8%	20,2%	19,7%	20,6%	20,2%
OPM (%)	10,8%	7,7%	10,2%	8,0%	6,7%	9,0%	9,0%
NPM (%)	7,6%	3,4%	6,0%	4,5%	2,5%	4,4%	4,4%
Net debt/ equity (x)	0,3	0,3	0,6	0,6	0,4	0,4	0,6

Source: Company and Binaartha

2 March 2021
Basic Industry – Poultry

Price	IDR	1,580
Target Price	IDR	2,000
JKSE Index		6,359.205



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	18,479
52-week high (IDR)	1,760
52-week low (IDR)	760
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,322
Free float	44.94%

Major share holders

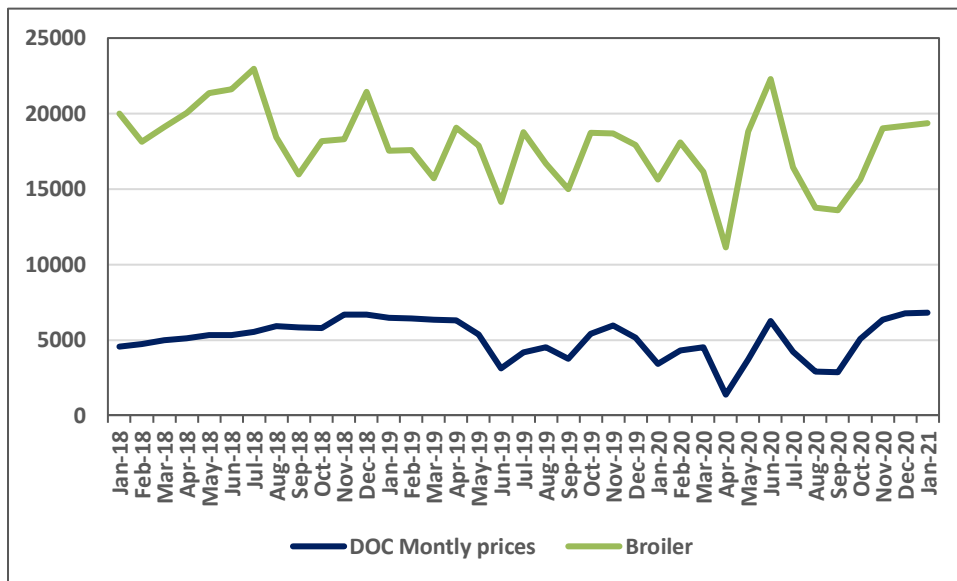
JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

USD/ IDR – YE (IDR)

2020	14,175
2021F (6m-avg)	14,046

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Chart: DOC and Broiler Prices January 2021



Source: Average monthly prices of West Java

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	40.835	44.947
Cost of Sales	-21.584	-24.571	-28.343	-31.000	-29.536	-32.259	-35.508
Gross Profit	5.479	5.032	7.886	7.871	7.429	8.575	9.439
Operating Expenses	-2.558	-2.756	-4.182	-4.747	-4.945	-4.900	-5.394
Operating Profit	2.921	2.276	3.703	3.124	2.484	3.675	4.045
Other Income (Expenses)	-154	-535	-785	-630	-805	-898	-989
PBT	2.767	1.741	2.918	2.494	1.679	2.777	3.056
Tax	-595	-633	-830	-701	-457	-777	-856
NIAT	2.172	1.108	2.088	1.794	1.222	1.999	2.201
Non-controlling Interest	-107	-110	-85	-119	-86	-204	-225
adjustment of merging entity's	0	0	165	90	-220	0	0
Net Income	2.065	998	2.168	1.765	917	1.795	1.976
EPS	181	87	190	155	80	157	173
EBITDA	3.903	2.989	4.651	4.290	3.696	5.244	5.717

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	1.795	1.976
Depreciation	626	679	863	979	1.155	1.337	1.498
Change in WC	185	-1.612	293	358	-275	304	587
Cash From Operating Activities	2.875	65	3.324	3.102	1.797	3.436	4.061
Capex	-1.261	-2.389	-2.456	-3.264	-1.584	-2.496	-2.715
Cash From Investing Activities	-1.261	-2.389	-2.456	-3.264	-1.584	-2.496	-2.715
Long-term liabilities	-370	175	426	759	1.563	142	95
Bonds Payable	-638	1.663	-587	-120	-72	213	-1.705
Others Noncurrent Liabilities	-5	1	11	1	29	5	6
Equity	1.199	-575	-1.199	-634	-1.401	-380	-854
Cash From Financing Activities	186	1.264	-1.350	6	119	-20	-2.458
Net Changes in Cash	1.800	-1.059	-482	-156	332	920	-1.112
Beginning Balance	901	2.701	1.642	1.160	1.004	1.336	2.256
Ending Balance	2.702	1.642	1.160	1.004	1.336	2.256	1.144

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	2.256	1.144
Trade Accounts Receivable	1.297	1.627	2.308	2.373	1.982	1.960	2.157
Inventories	5.500	6.414	6.577	6.210	5.670	6.534	7.102
Others Current Assets	1.562	1.506	3.289	3.286	2.757	2.928	3.146
Total Current Assets	11.061	11.189	13.335	12.873	11.745	13.677	13.549
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	120	132
Other Noncurrent Assets	490	1.289	2.623	2.913	2.955	2.765	2.472
Total Noncurrent Assets	8.190	9.900	11.493	13.778	14.207	15.365	16.582
TOTAL ASSETS	19.251	21.089	24.827	26.651	25.952	29.043	30.132
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	759	797	1.451	3.278	423	2.423	4.400
Trade Account Payable	2.528	3.498	4.129	3.386	3.994	3.675	3.371
Others Current Liabilities	1.907	475	2.109	1.078	1.591	1.225	1.124
Total Current Liabilities	5.194	4.770	7.690	7.742	6.008	7.323	8.895
NONCURRENT LIABILITIES							
Long-term liabilities	1.066	1.241	1.188	1.318	1.696	1.838	1.933
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	57	63
Total Noncurrent Liabilities	4.685	6.524	6.372	7.012	8.532	8.892	7.288
TOTAL LIABILITIES	9.878	11.293	14.062	14.754	14.540	16.215	16.183
Non-controlling interest	529	586	607	676	734	813	856
EQUITY	8.843	9.210	10.158	11.220	10.677	12.014	13.092
TOTAL LIABILITIES & EQUITY	19.251	21.089	24.827	26.650	25.951	29.042	30.131

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%	10,5%	10,1%
OP	69,0%	-22,1%	62,7%	-15,6%	-20,5%	47,9%	10,1%
EBITDA	101,2%	-23,4%	55,6%	-7,7%	-13,8%	41,9%	9,0%
NP	340,8%	-51,7%	117,2%	-18,6%	-48,1%	95,8%	10,1%
EPS	311,8%	-51,7%	117,2%	-18,6%	-48,1%	95,8%	10,1%
Profitability (%)							
Gross Margin	20,2%	17,0%	21,8%	20,2%	19,7%	20,6%	20,2%
Operating Margin	10,8%	7,7%	10,2%	8,0%	6,7%	9,0%	9,0%
EBITDA margin	14,4%	10,1%	12,8%	11,0%	10,0%	12,8%	12,7%
NET Profit margin	7,6%	3,4%	6,0%	4,5%	2,5%	4,4%	4,4%
ROA	10,7%	4,7%	8,7%	6,6%	3,5%	6,2%	6,6%
ROE	23,3%	10,8%	21,3%	15,7%	8,6%	14,9%	15,1%
Solvability (x)							
Net debt/ equity	0,3	0,3	0,6	0,6	0,4	0,4	0,6
Tot. debt/ Tot.equity	1,1	1,2	1,4	1,3	1,4	1,3	1,2
Debt Ratio	0,5	0,5	0,6	0,6	0,6	0,6	0,5
Liquidity (x)							
Current Ratio	2,1	2,3	1,7	1,7	2,0	1,9	1,5
Cash Ratio	0,5	0,3	0,2	0,1	0,2	0,3	0,1

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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