

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Higher single digit sales growth

- The disruptions in global economies, supply chains and resulting higher commodity prices have impacted to lower demand and higher costs in 2Q2022.
- In 2Q2022, JPFA revenue increased +8.7% YoY or +1.4% QoQ to IDR 12.33 trillion, mainly from higher average selling prices (ASPs). For 1H2022, JPFA revenue reached IDR 24.48 trillion, up +10.7% YoY.
- Commercial farms contributed IDR 4.99 trillion to total sales, up +12.4% YoY or +7.8% QoQ mainly driven by higher live bird sales volume, +7.2% YoY and an ASP increase of +3.3% YoY in 2Q2022.
- Feed sales increased slightly +0.3% YoY to IDR 3.27 trillion inline with higher prices, up +32% YoY due to higher raw material costs. Sales volume declined by -3.9%YoY. The soybean meal price was higher in 2Q2022 inline with a higher USD to IDR exchange rate. This was partly offset by lower domestic corn price since May 2022.
- DOC sales declined again by -10.2% YoY to IDR 618 billion, negatively impacted by the drop of domestic DOC prices in 2Q2022.
- We are expecting JPFA sales in 2022F will reach IDR 50.7 trillion driven by higher prices.

Lower margins

- Despite higher selling prices, the higher commodity prices resulted in higher raw material costs, up +17.5% YoY and shipping costs +22% YoY so 1H2022 margins were lower.
- In 2Q2022, JPFA booked a net profit of IDR 508 billion down by -16% QoQ and -26% YoY with the NPM dropping to 4.1% in 2Q2022 compared to 6.0% in 2Q2021.
- Gross profit also decreased by -6% YoY to IDR 2.26 trillion due to a higher cost of sales +13% YoY inline with higher raw material prices and shipping costs. This resulted in a lower gross profit margin of 18.4% from 21.2% in 2Q2021.
- As commodity prices and shipping costs have jumped, we expect JPFA's margins will contract in 2022F. For 2022F, we are expecting JPFA's profit will reach IDR 2.0 trillion.

Valuation: Maintain BUY with TP 2,185

- Using a DCF valuation with WACC of 11%, we are targeting JPFA to trade at an 11x 2023F PE within a year. Target Price is IDR 2,185 which represents 48% upside. We maintain our recommendation to BUY.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales (In IDR Bn)	29.603	36.228	38.872	36.965	44.878	50.791	55.353
Net Income (In IDR Bn)	998	2.168	1.765	917	2.023	2.002	2.226
EPS (IDR)	87	190	155	80	177	175	195
GPM (%)	17,0%	21,8%	20,2%	20,1%	17,9%	17,9%	18,0%
OPM (%)	7,7%	10,2%	8,0%	6,7%	7,9%	7,2%	7,3%
NPM (%)	3,4%	6,0%	4,5%	2,5%	4,5%	3,9%	4,0%
Net debt/ equity (x)	0,3	0,6	0,6	0,4	0,5	0,5	0,5

Source: Company and Binaartha

3 August 2022
Basic Industry – Poultry

Price	IDR	1,475
Target Price	IDR	2,185
JKSE Index		6,988.335



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	17,298
52-week high (IDR)	1,990
52-week low (IDR)	1,330
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,522
Free float	44.94%

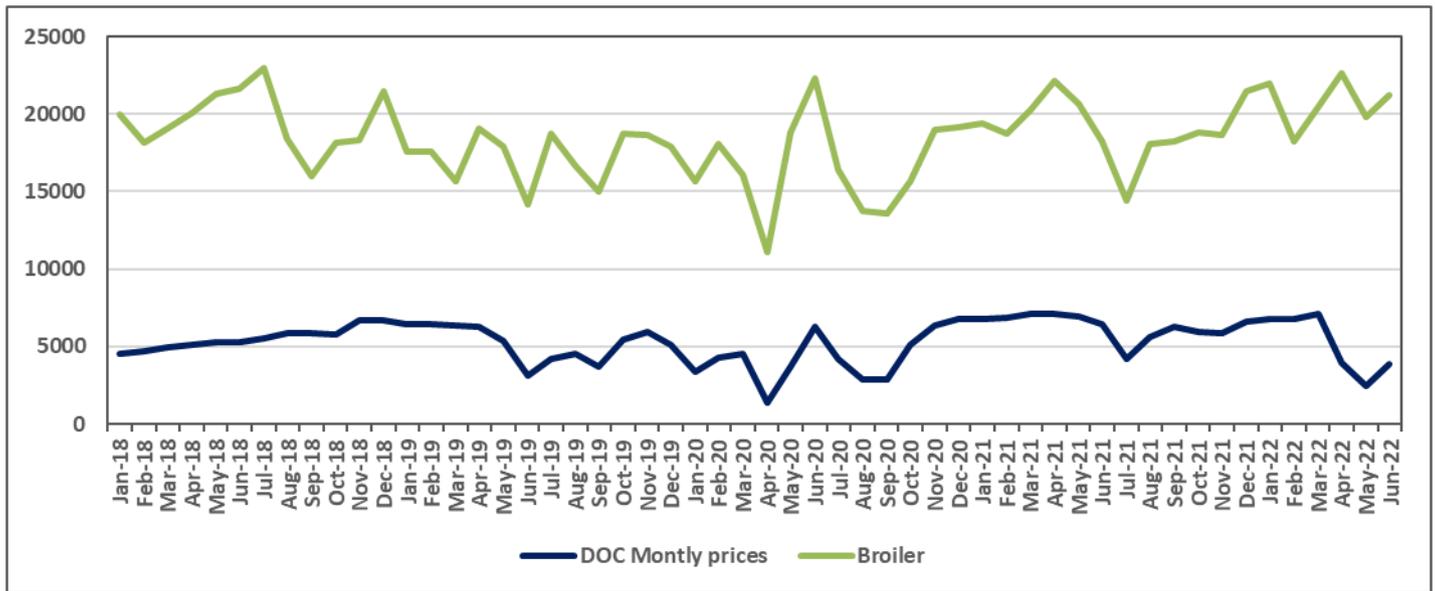
Major share holders

JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

USD/ IDR – YE (IDR)

2021	14,310
2022F (6m-avg)	14,533

Chart: DOC and Broiler Prices until March 2022



Source: Average monthly prices of West Java

Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
Sales	12.154	12.329	1%	22.108	24.483	11%	11.339	9%
Cost of Sales	-10.019	-10.063	0%	-16.909	-20.082	19%	-8.931	13%
Gross Profit	2.135	2.267	6%	5.199	4.401	-15%	2.408	-6%
Operating Expenses	-1.132	-1.335	18%	-2.620	-2.467	-6%	-1.159	15%
Operating Profit	1.002	931	-7%	2.579	1.934	-25%	1.248	-25%
Other Income (Expenses)	-192	-206	7%	-426	-398	-7%	-275	-25%
PBT	810	726	-10%	2.154	1.536	-29%	973	-25%
Tax	-164	-171	4%	-506	-334	-34%	-241	-29%
NIAT	647	555	-14%	1.648	1.202	-27%	732	-24%
Non-controlling Interest	-43	-47	10%	-105	-90	-14%	-48	-1%
Net Income	604	508	-16%	1.543	1.112	-28%	684	-26%
EPS	53	45	-16%	135	97	-28%	60	-26%
GPM (%)	17,6%	18,4%		23,5%	18,0%		21,2%	
OPM (%)	8,2%	7,6%		11,7%	7,9%		11,0%	
NPM(%)	5,0%	4,1%		7,0%	4,5%		6,0%	

Source: Company and Binaartha

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	29.603	36.228	38.872	36.965	44.878	50.791	55.353
Cost of Sales	-24.571	-28.343	-31.000	-29.536	-36.858	-41.699	-45.389
Gross Profit	5.032	7.886	7.871	7.429	8.020	9.092	9.964
Operating Expenses	-2.756	-4.182	-4.747	-4.945	-4.495	-5.435	-5.923
Operating Profit	2.276	3.703	3.124	2.484	3.525	3.657	4.041
Other Income (Expenses)	-535	-785	-630	-805	-731	-813	-886
PBT	1.741	2.918	2.494	1.679	2.794	2.844	3.155
Tax	-633	-830	-701	-457	-663	-654	-726
NIAT	1.108	2.088	1.794	1.222	2.131	2.190	2.429
Non-controlling Interest	-110	-85	-119	-86	-108	-188	-205
Net Income	998	2.168	1.765	917	2.023	2.002	2.226
EPS	87	190	155	80	177	175	195
EBITDA	2.989	4.651	4.290	3.696	4.816	4.771	5.207

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	998	2.168	1.765	917	2.023	2.002	2.226
Depreciation	679	863	979	1.155	1.215	1.084	1.209
Change in WC	-1.612	293	358	-275	-1.610	-480	99
Cash From Operating Activities	65	3.324	3.102	1.797	1.628	2.605	3.534
Change in Non-current Asset	-2.389	-2.456	-3.264	-1.584	-1.437	-2.339	-2.696
Cash From Investing Activities	-2.389	-2.456	-3.264	-1.584	-1.437	-2.339	-2.696
Change in Long-term liabilities	175	426	759	1.563	-462	624	146
Change in Bonds Payable	1.663	-587	-120	-72	368	-159	0
Change Others Noncurrent Liabilities	1	11	1	29	-16	20	-3
Change in Equity	-575	-1.199	-634	-1.401	-332	-871	-910
Cash From Financing Activities	1.264	-1.350	6	119	-441	-387	-767
Net Changes in Cash	-1.059	-482	-156	332	-251	-121	71
Beginning Balance	2.701	1.642	1.160	1.004	1.336	1.085	964
Ending Balance	1.642	1.160	1.004	1.336	1.085	964	1.035

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	1.642	1.160	1.004	1.336	1.085	964	1.035
Trade Accounts Receivable	1.627	2.308	2.373	1.982	2.348	2.824	2.981
Inventories	6.414	6.577	6.210	5.670	7.713	8.260	8.303
Others Current Assets	1.506	3.289	3.286	2.757	3.015	3.600	3.764
Total Current Assets	11.189	13.335	12.873	11.745	14.161	15.649	16.083
NONCURRENT ASSETS							
Fixed Assets	8.346	8.647	10.708	11.144	11.510	12.593	13.802
Breeding Cattles	265	223	157	108	54	105	114
Other Noncurrent Assets	1.289	2.623	2.913	2.955	2.865	2.986	3.254
Total Noncurrent Assets	9.900	11.493	13.778	14.207	14.429	15.684	17.171
TOTAL ASSETS	21.089	24.827	26.651	25.952	28.590	31.333	33.254
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	797	1.451	3.278	423	2.314	2.900	2.900
Trade Account Payable	3.498	4.129	3.386	3.994	3.030	3.429	3.737
Others Current Liabilities	475	2.109	1.078	1.591	1.720	1.863	2.017
Total Current Liabilities	4.770	7.690	7.742	6.008	7.064	8.192	8.654
NONCURRENT LIABILITIES							
Long-term liabilities	1.241	1.188	1.318	1.696	1.254	1.878	2.025
Long-term Bank loan		478	1.107	2.292	2.273	2.273	2.273
Bonds Payable	5.271	4.684	4.564	4.492	4.859	4.700	4.700
Others Noncurrent Liabilities	11	22	23	52	36	56	53
Total Noncurrent Liabilities	6.524	6.372	7.012	8.532	8.423	8.907	9.050
TOTAL LIABILITIES	11.293	14.062	14.754	14.540	15.487	17.099	17.705
Non-controlling interest	586	607	676	734	869	1.010	1.100
EQUITY	9.210	10.158	11.220	10.677	12.233	13.224	14.448
TOTAL LIABILITIES & EQUITY	21.089	24.827	26.650	25.951	28.589	31.332	33.253

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)							
Sales	9,4%	22,4%	7,3%	-4,9%	21,4%	13,2%	9,0%
OP	-22,1%	62,7%	-15,6%	-20,5%	41,9%	3,7%	10,5%
EBITDA	-23,4%	55,6%	-7,7%	-13,8%	30,3%	-0,9%	9,1%
NP	-51,7%	117,2%	-18,6%	-48,1%	120,6%	-1,0%	11,2%
EPS	-51,7%	117,2%	-18,6%	-48,1%	120,6%	-1,0%	11,2%
Profitability (%)							
Gross Margin	17,0%	21,8%	20,2%	20,1%	17,9%	17,9%	18,0%
Operating Margin	7,7%	10,2%	8,0%	6,7%	7,9%	7,2%	7,3%
EBITDA margin	10,1%	12,8%	11,0%	10,0%	10,7%	9,4%	9,4%
NET Profit margin	3,4%	6,0%	4,5%	2,5%	4,5%	3,9%	4,0%
ROA	4,7%	8,7%	6,6%	3,5%	7,1%	6,4%	6,7%
ROE	10,8%	21,3%	15,7%	8,6%	16,5%	15,1%	15,4%
Solvability (x)							
Net debt/ equity	0,3	0,6	0,6	0,4	0,5	0,5	0,5
Tot. debt/ Tot.equity	1,2	1,4	1,3	1,4	1,3	1,3	1,2
Debt Ratio	0,5	0,6	0,6	0,6	0,5	0,5	0,5
Liquidity (x)							
Current Ratio	2,3	1,7	1,7	2,0	2,0	1,9	1,9
Cash Ratio	0,3	0,2	0,1	0,2	0,2	0,1	0,1
Per Share data (IDR)							
EPS	87	190	155	80	177	175	195
BV	807	890	983	936	1.072	1.159	1.266
EBITDA/share	262	408	376	324	422	418	456

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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