

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

A Weak result

- JPFA 2Q2020 performance weakened due to the Covid-19 outbreak. JPFA revenue was down -7.3% YoY to IDR 16.9 trillion in the 1H2020 due to lower poultry, feed and DOC sales volumes, in line with lower consumer spending.
- JPFA gross profit dropped -16.4% yoy to IDR 2.77 trillion in line with a lower gross profit margin of 16.4% from 18.2% in 1H2019.
- Operating profit declined -58% yoy to IDR 623 billion, while the operating profit margin dropped to 3.7% from 8.1% in 1H2019.
- Net income also dropped -81.3% yoy to IDR 155 billion from IDR829 billion in the 1H2019.
- As a result of the weak 1H2020 result, we have revised down JPFA revenue and profit forecasts for 2020F to IDR 35.7 trillion and IDR 644 billion or lower by -3% and -64% respectively..

Dragged down by Broiler and DOC

- Day Old Chick (DOC) prices and broiler prices fell to their lowest levels in April and then rebounded gradually in May and June. The prices dropped due to a market oversupply in anticipation of Ramadan and a lower demand impact from Covid-19.
- The rebound in broiler and DOC price could not cover the deep plunge in April, resulting in operating losses for both segments in 1H2020.
- JPFA DOC revenue declined by -28.7% yoy to IDR 1.17 trillion due to a lower DOC ASP while sales volume fell -9.2% YoY in 1H2020.
- The decline in Broiler and DOC segments was offset by a stable feed segment despite a slight decreased (-6.4% yoy) in feed sales volume.
- Despite the broiler and DOC price rebound in the last two month, we are very conservative on broiler and DOC prices in 2H2020 due to continued oversupply.
- However, we are expecting 2H2020 demand will gradually recovery in line with a recovery of Indonesia private consumption as the economy re-opens.

Valuation: Maintain BUY TP 1,230 , 20% upside

- Using a DCF valuation with WACC of 7.783%, we are targeting JPFA to trade at 14x 2021F PE within a year. Target Price is IDR 1,230 which represents 20% 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	35.757	38.033
Net Income (In IDR Bn)	468	2.065	998	2.168	1.765	644	1.084
EPS (IDR)	44	181	87	190	155	56	87
GPM (%)		20,2%	17,0%	21,2%	19,4%	19,2%	19,9%
OPM (%)	6,9%	10,8%	7,7%	11,3%	8,6%	4,6%	6,0%
NPM (%)	1,9%	7,6%	3,4%	6,4%	4,8%	1,8%	2,9%
Net debt/ equity (x)	0,8	0,3	0,3	0,6	0,6	0,5	0,6

Source: Company and Binaartha

5 August 2020
Basic Industry – Poultry

Price IDR 1,020

Target Price IDR 1,230

JKSE Index 5,075.002



Stock Information

Bloomberg Code JPFA IJ

Market Cap (IDR bn) 11,960

52-week high (IDR) 1,860

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%

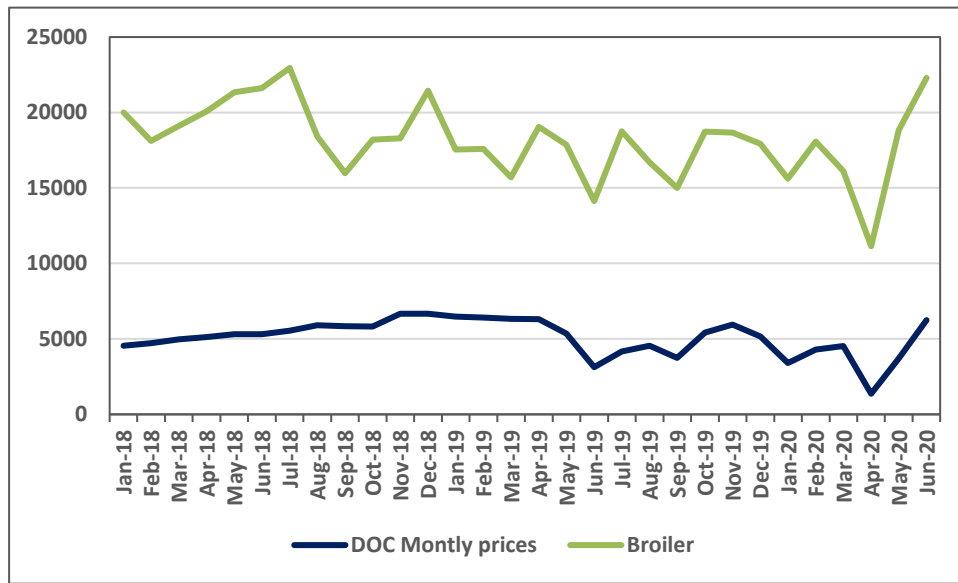
USD/ IDR – YE (IDR)

2019 14,375

2020F (6m-avg) 14,675

Analyst
eka.rahmah@binaartha.com

Chart: DOC and Broiler Prices June 2020



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	35.757	38.033
Cost of Sales	-21.030	-21.584	-24.571	-26.805	-29.617	-29.750	-31.567
Gross Profit	3.993	5.479	5.032	7.208	7.126	6.007	6.466
Operating Expenses	-2.265	-2.558	-2.756	-3.365	-3.976	-4.362	-4.184
Operating Profit	1.728	2.921	2.276	3.844	3.150	1.645	2.282
Other Income (Expenses)	-1.030	-154	-535	-754	-577	-715	-761
PBT	698	2.767	1.741	3.090	2.573	930	1.521
Tax	-173	-595	-633	-837	-689	-232	-380
NIAT	525	2.172	1.108	2.253	1.884	697	1.141
Non-controlling Interest	-56	-107	-110	-85	-119	-54	-57
Net Income	468	2.065	998	2.168	1.765	644	1.084
EPS	44	181	87	190	155	56	87
EBITDA	1.940	3.903	2.989	4.648	4.201	2.776	3.380

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	644	1.084
Depreciation	561	626	679	765	882	1.000	1.062
Change in WC	-325	185	-1.612	353	204	472	37
Cash From Operating Activities	704	2.875	65	3.286	2.851	2.116	2.183
Capex	-1.095	-1.261	-2.389	-1.487	-3.253	-2.082	-1.850
Cash From Investing Activities	-1.095	-1.261	-2.389	-1.487	-3.253	-2.082	-1.850
Long-term liabilities	149	-370	175	-22	904	1.750	-61
Bonds Payable	23	-638	1.663	-587	-120	141	0
Others Noncurrent Liabilities	1	-5	1	5	1	91	-66
Equity	352	1.199	-575	-1.750	-532	-886	-297
Cash From Financing Activities	525	186	1.264	-2.354	253	1.096	-424
Net Changes in Cash	134	1.800	-1.059	-556	-149	1.129	-91
Beginning Balance	768	901	2.701	1.642	1.087	938	2.067
Ending Balance	902	2.702	1.642	1.087	938	2.067	1.976

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	2.067	1.976
Trade Accounts Receivable	1.254	1.297	1.627	1.822	2.040	1.985	2.111
Inventories	5.855	5.500	6.414	6.248	5.940	6.699	6.753
Others Current Assets	1.594	1.562	1.506	3.259	3.274	2.810	3.189
Total Current Assets	9.604	11.061	11.189	12.416	12.192	13.561	14.030
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	2.576
Total Noncurrent Assets	7.555	8.190	9.900	10.622	12.993	14.076	14.863
TOTAL ASSETS	17.159	19.251	21.089	23.038	25.185	27.637	28.893
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	2.861	3.043
Others Current Liabilities	577	1.907	475	1.958	903	787	837
Total Current Liabilities	5.353	5.194	4.770	6.904	7.034	7.746	8.342
NONCURRENT LIABILITIES							
Long-term liabilities	1.436	1.066	1.241	1.040	1.193	1.443	1.381
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	41
Total Noncurrent Liabilities	5.697	4.685	6.524	5.919	6.703	8.685	8.557
TOTAL LIABILITIES	11.050	9.878	11.293	12.823	13.737	16.431	16.900
Non-controlling interest	498	529	586	607	676	673	698
EQUITY	5.612	8.843	9.210	9.607	10.772	10.533	11.295
TOTAL LIABILITIES & EQUITY	17.159	19.251	21.089	23.038	25.185	27.637	28.892

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%	-47,8%	38,7%
EBITDA	16,3%	101,2%	-23,4%	55,5%	-9,6%	-33,9%	21,7%
NP	38,0%	340,8%	-51,7%	117,2%	-18,6%	-63,5%	68,4%
EPS	38,0%	311,8%	-51,7%	117,2%	-18,6%	-63,5%	54,8%
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%	4,6%	6,0%
EBITDA margin	7,8%	14,4%	10,1%	13,7%	11,4%	7,8%	8,9%
NET Profit margin	1,9%	7,6%	3,4%	6,4%	4,8%	1,8%	2,9%
ROA	2,7%	10,7%	4,7%	9,4%	7,0%	2,3%	3,8%
ROE	8,3%	23,3%	10,8%	22,6%	16,4%	6,1%	9,6%
Solvability (x)							
Net debt/ equity	0,8	0,3	0,3	0,6	0,6	0,5	0,6
Tot. debt/ Tot.equity	2,0	1,1	1,2	1,3	1,3	1,6	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	0,3	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

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.