

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Better QoQ Growth

- In the 4Q2021, JPFA revenue increased +17% YoY or +31.6% QoQ to IDR 12.07 trillion due to higher Volumes & ASPs in all businesses.
- Previously in 3Q2021, JPFA sales dropped because of a significant drop in demand for poultry which led to broiler prices falling below cost. For 2021FY, JPFA sales recorded double digit growth of +21.4% YoY to IDR 44.8 trillion in line with higher volumes & ASPs compared to 2020.
- Commercial farms contributed IDR 4.8 trillion up +14% YoY or +21% QoQ. The growth was due to higher live bird sales volume, +14% YoY and an ASP increase of +21% QoQ in 4Q2021.
- Feed sales increased +21% YoY to IDR 3.45 trillion inline with a volume increase of +8% YoY in 4Q2021.
- DOC sales decreased -6.6% YoY but slightly increased +1.3% QoQ to IDR 618 billion, while DOC's ASP continued to improve with +6% YoY growth and volume grew by 6% YoY.
- We are expecting JPFA's sales will reach IDR 49,3 trillion in 2022F as demand recovers.

Expecting Lower Margins

- In March 2022, commodity prices have jumped because of tensions between Rusia and Ukraine. This may disrupt supply chains, global shipping costs, and consumer purchasing power. JPFA's raw materials such as Soy Bean Meal (SBM) and Corn have seen higher prices since December 2021 until now.
- Omicron cases also will impact purchasing power in 1Q2022.
- With these global external factors affecting 2022, we expect JPFA's margins will fall from higher costs of goods sold and operating expenses.

Bottom line Recovery in 4Q2021

- In 4Q2021, JPFA booked a net profit of IDR 515 billion, after a loss in 3Q2021 from a recovery in ASPs and volume. For 2021FY, JPFA's profit increased sharply +121% to IDR 2.02 trillion with a higher NPM of 4.5% from 2.5% in 2020.
- JPFA 4Q2021 gross profit increased by a triple-digit +182% QoQ but was still lower -22% YoY at IDR 2.08 trillion with a higher gross profit margin of 17.2% from 6.9% in 3Q2021.
- Operating profit reached IDR 871 billion, in line with a stronger OPM in 4Q2021 of 7.2% from 0.7% in 3Q2021.
- With an uncertain global economy amid higher tensions and pandemic cases, we are expecting JPFA's 2022F profit will rise slightly, 2% YoY, to IDR 2.06 trillion.

Valuation: Maintain BUY with TP 2,030

- Using a DCF valuation with WACC of 12%, we are targeting JPFA to trade at a 9.4x 2023F PE within a year. Target Price is IDR 2,030 which represents 29% 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	49.328	53.915
Net Income (In IDR Bn)	998	2.168	1.765	917	2.023	2.064	2.462
EPS (IDR)	87	190	155	80	177	181	216
GPM (%)	17,0%	21,8%	20,2%	20,1%	17,9%	17,5%	18,0%
OPM (%)	7,7%	10,2%	8,0%	6,7%	7,9%	7,5%	8,0%
NPM (%)	3,4%	6,0%	4,5%	2,5%	4,5%	4,2%	4,6%
Net debt/ equity (x)	0,3	0,6	0,6	0,4	0,5	0,5	0,5

Source: Company and Binaartha

7 March 2021
Basic Industry – Poultry

Price	IDR	1,575
Target Price	IDR	2,030
JKSE Index		6,868.401



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	18,470
52-week high (IDR)	2,270
52-week low (IDR)	1,535
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,717
Free float	44.94%

Major share holders

JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

USD/ IDR – YE (IDR)

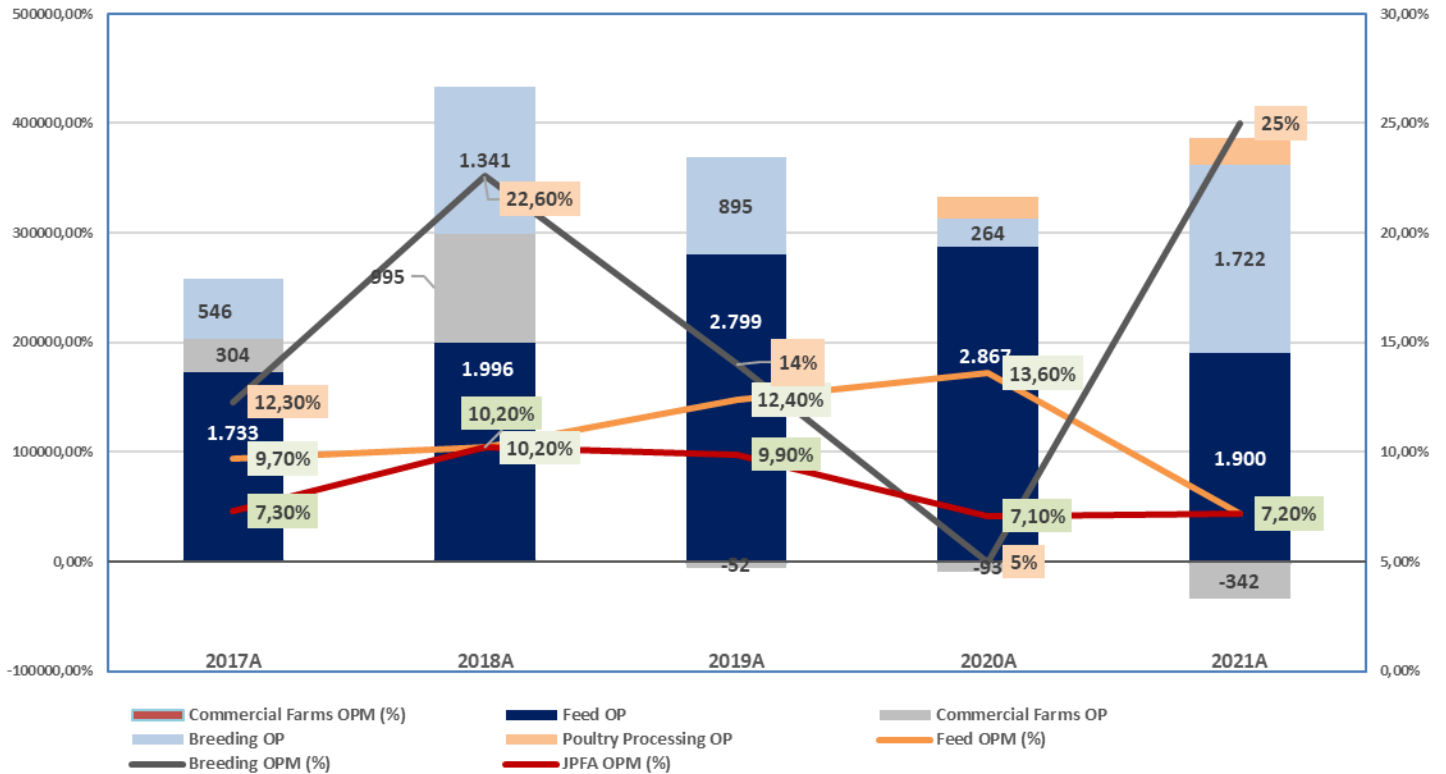
2021	14,310
2022F (6m-avg)	14,300

Chart: SBM and Corn Commodities Prices



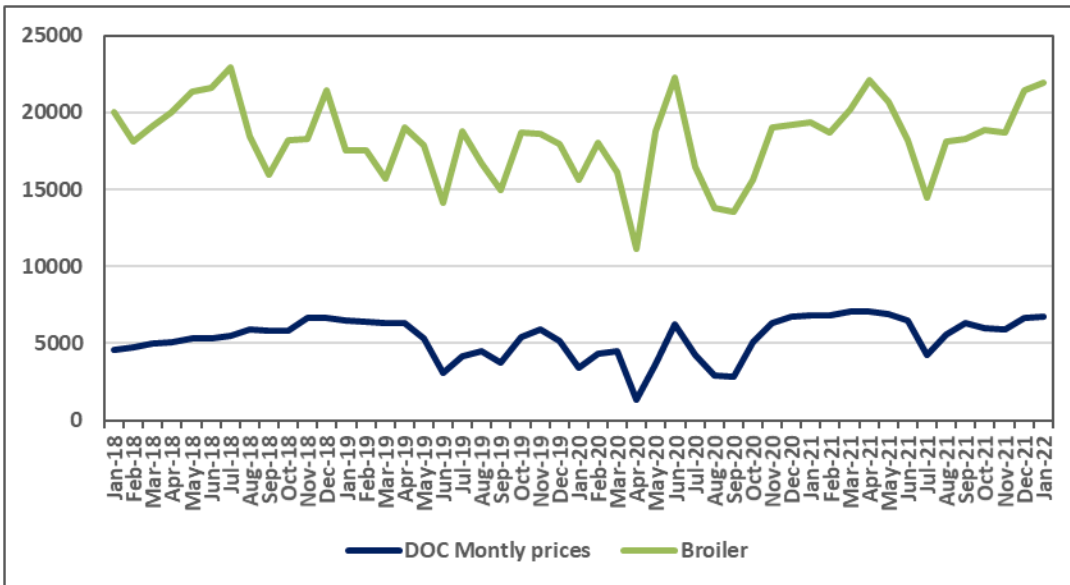
Source: Bloomberg

Chart: JPFA Segment Operating Profit and OPM (in IDR Bn)



Source: Company

Chart: DOC and Broiler Prices until January 2022



Source: Average monthly prices of West Java

Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2021	2Q2021	3Q2021	4Q2021	QoQ	4Q2020	YoY
Sales	10.769	11.339	10.695	12.075	13%	10.320	17%
Cost of Sales	-7.978	-8.931	-9.957	-9.992	0%	-7.636	31%
Gross Profit	2.792	2.408	738	2.083	182%	2.683	-22%
Operating Expenses	-1.461	-1.159	-663	-1.212	83%	-1.458	-17%
Operating Profit	1.331	1.248	75	871	1067%	1.225	-29%
Other Income (Expenses)	-151	-275	-133	-172	29%	-184	-6%
PBT	1.180	973	-59	699	-1294%	1.042	-33%
Tax	-265	-241	27	-184	-784%	-331	-44%
NIAT	916	732	-32	515	-1730%	711	-28%
Non-controlling Interest	0	-105	-4	1	-121%	-39	-102%
Net Income	916	627	-36	515	-1547%	659	-22%
EPS	80	51	1	45	8639%	58	-22%
GPM (%)	25,9%	21,2%	6,9%	17,2%		26,0%	
OPM (%)	12,4%	11,0%	0,7%	7,2%		11,9%	
NPM(%)	8,5%	5,5%	-0,3%	4,3%		6,4%	

Source: Company and Binaartha

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	27.063	29.603	36.228	38.872	36.965	44.878	49.328	53.915
Cost of Sales	-21.584	-24.571	-28.343	-31.000	-29.536	-36.858	-40.696	-44.210
Gross Profit	5.479	5.032	7.886	7.871	7.429	8.020	8.632	9.705
Operating Expenses	-2.558	-2.756	-4.182	-4.747	-4.945	-4.495	-4.933	-5.391
Operating Profit	2.921	2.276	3.703	3.124	2.484	3.525	3.700	4.313
Other Income (Expenses)	-154	-535	-785	-630	-805	-731	-789	-863
PBT	2.767	1.741	2.918	2.494	1.679	2.794	2.910	3.451
Tax	-595	-633	-830	-701	-457	-663	-698	-828
NIAT	2.172	1.108	2.088	1.794	1.222	2.131	2.212	2.622
Non-controlling Interest	-107	-110	-85	-119	-86	-108	-148	-162
Adjustment of merging entity's	0	0	165	90	-220	0	0	1
Net Income	2.065	998	2.168	1.765	917	2.023	2.064	2.462
EPS	181	87	190	155	80	177	181	216
EBITDA	3.903	2.989	4.651	4.290	3.696	4.816	4.837	5.503

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	2.064	2.462
Depreciation	679	863	979	1.155	1.215	1.084	1.209
Change in WC	-1.612	293	358	-275	-1.610	-210	-248
Cash From Operating Activities	65	3.324	3.102	1.797	1.628	2.937	3.422
Change in Non-current Asset	-2.389	-2.456	-3.264	-1.584	-1.437	-2.250	-2.697
Cash From Investing Activities	-2.389	-2.456	-3.264	-1.584	-1.437	-2.250	-2.697
Change in Long-term liabilities	175	426	759	1.563	-462	570	148
Change in Bonds Payable	1.663	-587	-120	-72	368	-159	0
Change Others Noncurrent Liabilities	1	11	1	29	-16	18	-3
Change in Equity	-575	-1.199	-634	-1.401	-332	-900	-941
Cash From Financing Activities	1.264	-1.350	6	119	-441	-471	-796
Net Changes in Cash	-1.059	-482	-156	332	-251	216	-71
Beginning Balance	2.701	1.642	1.160	1.004	1.336	1.085	1.301
Ending Balance	1.642	1.160	1.004	1.336	1.085	1.301	1.230^a

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	1.301	1.230
Trade Accounts Receivable	1.627	2.308	2.373	1.982	2.348	2.743	3.066
Inventories	6.414	6.577	6.210	5.670	7.713	8.022	8.087
Others Current Assets	1.506	3.289	3.286	2.757	3.015	3.496	3.821
Total Current Assets	11.189	13.335	12.873	11.745	14.161	15.562	16.205
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	102	111
Other Noncurrent Assets	1.289	2.623	2.913	2.955	2.865	2.900	3.170
Total Noncurrent Assets	9.900	11.493	13.778	14.207	14.429	15.595	17.083
TOTAL ASSETS	21.089	24.827	26.651	25.952	28.590	31.157	33.289
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	3.331	3.640
Others Current Liabilities	475	2.109	1.078	1.591	1.720	1.809	1.965
Total Current Liabilities	4.770	7.690	7.742	6.008	7.064	8.039	8.505
NONCURRENT LIABILITIES							
Long-term liabilities	1.241	1.188	1.318	1.696	1.254	1.824	1.972
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	55	52
Total Noncurrent Liabilities	6.524	6.372	7.012	8.532	8.423	8.851	8.996
TOTAL LIABILITIES	11.293	14.062	14.754	14.540	15.487	16.891	17.501
Non-controlling interest	586	607	676	734	869	981	1.072
EQUITY	9.210	10.158	11.220	10.677	12.233	13.285	14.715
TOTAL LIABILITIES & EQUITY	21.089	24.827	26.650	25.951	28.589	31.157	33.288

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%	9,9%	9,3%
OP	-22,1%	62,7%	-15,6%	-20,5%	41,9%	5,0%	16,6%
EBITDA	-23,4%	55,6%	-7,7%	-13,8%	30,3%	0,4%	13,8%
NP	-51,7%	117,2%	-18,6%	-48,1%	120,6%	2,0%	19,3%
EPS	-51,7%	117,2%	-18,6%	-48,1%	120,6%	2,0%	19,3%
Profitability (%)							
Gross Margin	17,0%	21,8%	20,2%	20,1%	17,9%	17,5%	18,0%
Operating Margin	7,7%	10,2%	8,0%	6,7%	7,9%	7,5%	8,0%
EBITDA margin	10,1%	12,8%	11,0%	10,0%	10,7%	9,8%	10,2%
NET Profit margin	3,4%	6,0%	4,5%	2,5%	4,5%	4,2%	4,6%
ROA	4,7%	8,7%	6,6%	3,5%	7,1%	6,6%	7,4%
ROE	10,8%	21,3%	15,7%	8,6%	16,5%	15,5%	16,7%
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	0,2	0,1
Per Share data (IDR)							
EPS	87	190	155	80	177	181	216
BV	807	890	983	936	1.072	1.164	1.290
EBITDA/share	262	408	376	324	422	424	482

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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