

PT. Japfa Comfeed Indonesia Tbk.

BUY

Investment Consideration

Better sales QoQ

- JPFA booked higher sales in 4Q2022 of IDR 12.17 trillion or +16.7% QoQ and +0.9 YoY. Poultry processing and consumer products growth was the fastest while the commercial farm segment still contributes the most to JPFA's sales. For 2022FY, JPFA sales increased +9.1% YoY to IDR 48.97 trillion due to higher sales volumes and a higher ASP specifically in feed.
- Feed sales increased +2.6% YoY to IDR 3.54 trillion with the higher ASP. For 2022, feed sales recorded +6% growth YoY to IDR 13.98 trillion inline with higher sales volume, +6% YoY and that higher ASP. The feed OPM was up to 8.2% from 7.2% in 2021.
- Commercial farm sales decreased -3.1% YoY because of lower livebird prices in October 2022, with the livebird price falling to IDR 16,258 or -14% YoY. But sales grew slightly +1.7% QoQ in 4Q2022 as livebird prices in November and December increased again but didn't make up the drop in October. DOC sales increased +3.7% YoY but declined -14% QoQ to IDR 641 billion.
- The DOC price in January and February recorded its lowest since May 2020, while livebird prices increased +6.7% from the October low. We are expecting a rebound in prices in March into the 2Q2023 as the month of fasting and Eid holidays usually increase demand.

4Q2022: Lower Margin

- JPFA booked a negative net profit margin of -0.1% in 4Q2022 on lower livebird and DOC prices. JPFA booked a net loss of IDR 8 billion from a profit of IDR 515 billion in 4Q2021.
- For 2022, JPFA still had a lower NPM of 2.9% compared to 2021's 4.5%.
- In 4Q2022, Gross profit also decreased by -26% YoY or -12% QoQ to IDR 1.54 trillion due to higher costs of sales, up +6% QoQ. This resulted in a lower gross profit margin of 12.6% from 17.2% in 4Q2021.
- As we expect demand increases in 1Q2023 and 2Q2023 to boost the livebird and DOC prices, while the commodity cost prices (corn and SBM) are lower, we are expecting JPFA top line and bottom line profit for 2023 to reach IDR 56.6 trillion and IDR 1.7 trillion respectively.

Valuation: Upgrade to BUY with TP 1,600

- Using a DCF valuation with WACC of 8.95%, we are targeting JPFA to trade at a 10.7x 2023F PE within a year. Target Price is IDR 1,600 which represents 28% upside. We recommend to BUY.

Financial Highlights	2019A	2020A	2021A	2022A	2023F	2024F
Sales (In IDR Bn)	38.872	36.965	44.878	48.972	56.627	63.519
Net Income (In IDR Bn)	1.765	917	2.023	1.420	1.710	1.919
EPS (IDR)	155	80	177	124	150	155
GPM (%)	20,2%	20,1%	17,9%	15,7%	16,0%	16,0%
OPM (%)	8,0%	6,7%	7,9%	5,6%	6,0%	6,0%
NPM (%)	4,5%	2,5%	4,5%	2,9%	3,0%	3,0%
PBV (x)	1,6	1,6	1,6	1,4	1,3	1,3
PER (x)	9,9	18,2	9,7	12,9	10,7	10,4
Net debt/ equity (x)	0,6	0,4	0,5	0,6	0,6	0,6

Source: Company and Binaartha

8 March 2023
Basic Industry – Poultry

Price	IDR	1,255
Target Price	IDR	1,600
JKSE Index		6,766.758



Stock Information

Bloomberg Code	JPFA IJ
Market Cap (IDR bn)	1,716
52-week high (IDR)	1,710
52-week low (IDR)	1,215
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	1,460
Free float	44.94%

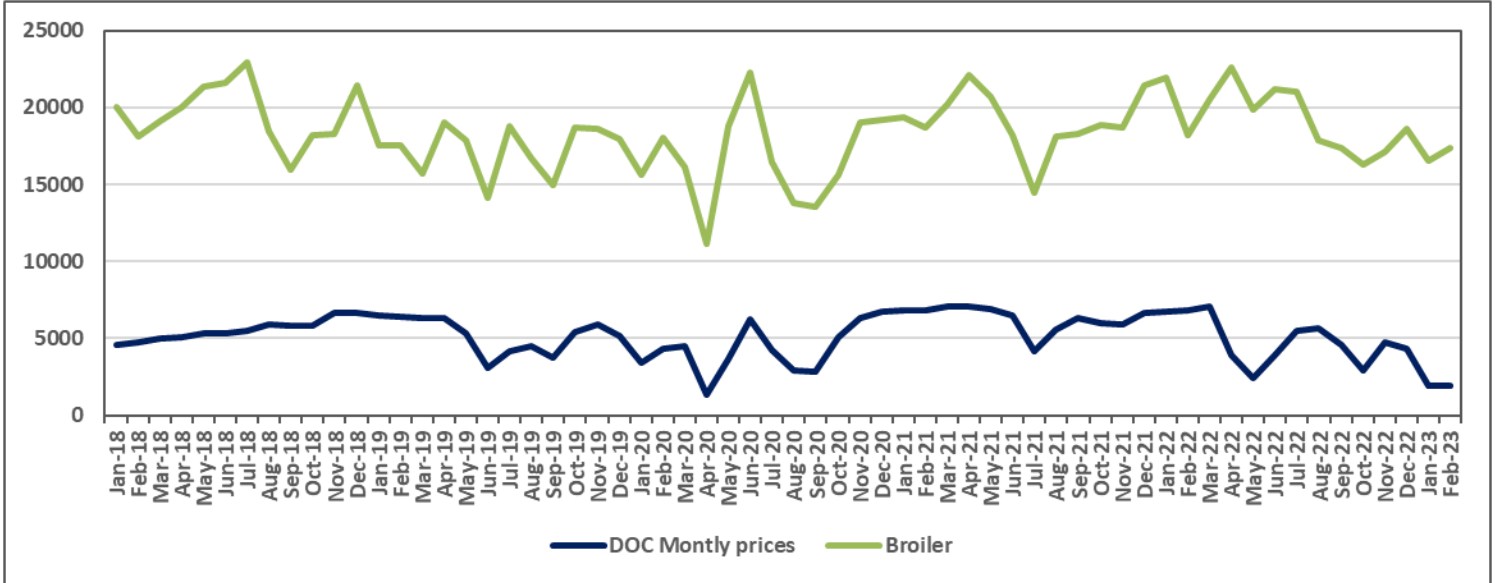
Major share holders

JAPFA LTD	54.47%
Treasury Share	0.59%
Public	44.94%

USD/ IDR – YE (IDR)

2022	15,592
2023F (6m-avg)	15,294

Chart: DOC and Broiler Prices until February 2023



Source: Average monthly prices of West Java

Chart: JPFA segment business breakdown YoY

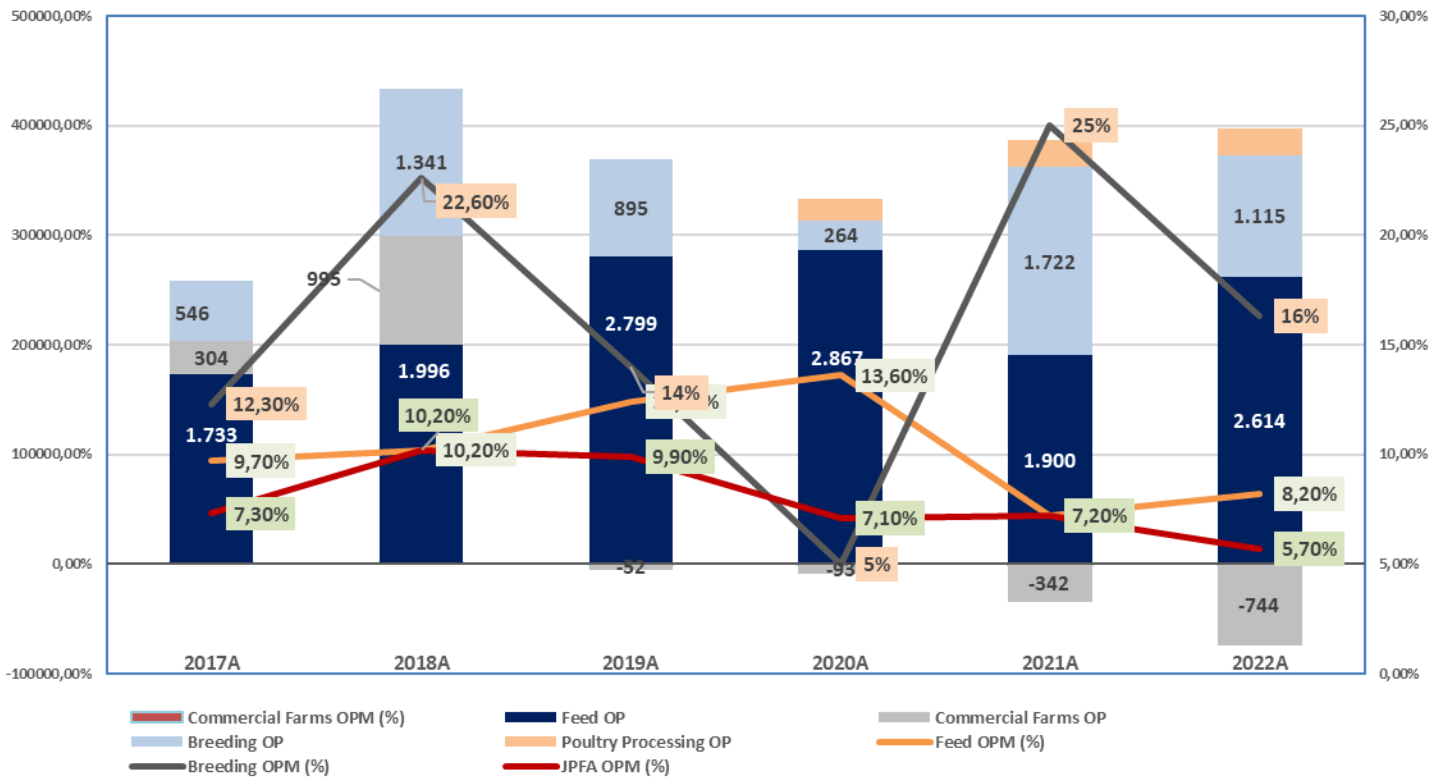


Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (In IDR Bn)	1Q2022	2Q2022	3Q2022	4Q2022	QoQ	4Q2021	YoY
Sales	12.154	12.329	12.310	12.179	-1,1%	12.075	1%
Cost of Sales	-10.019	-10.063	-10.567	-10.640	1%	-9.992	6%
Gross Profit	2.135	2.267	1.743	1.539	-12%	2.083	-26%
Operating Expenses	-1.132	-1.335	-1.129	-1.337	18%	-1.212	10%
Operating Profit	1.002	931	614	202	-67%	871	-77%
Other Income (Expenses)	-192	-206	-184	-215	17%	-172	25%
PBT	810	726	431	-12		699	
Tax	-164	-171	-113	-16		-184	
NIAT	647	555	318	-29		515	
Non-controlling Interest	-43	-47	-1	20		1	
Net Income	604	508	317	-8		515	
EPS	53	45	28	-1		45	
GPM (%)	17,6%	18,4%	14,2%	12,6%		17,2%	
OPM (%)	8,2%	7,6%	5,0%	1,7%		7,2%	
NPM(%)	5,0%	4,1%	2,6%	-0,1%		4,3%	

Source: Company and Binaartha

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Sales	38.872	36.965	44.878	48.972	56.627	63.519
Cost of Sales	-31.000	-29.536	-36.858	-41.289	-47.567	-53.356
Gross Profit	7.871	7.429	8.020	7.683	9.060	10.163
Operating Expenses	-4.747	-4.945	-4.495	-4.933	-5.663	-6.352
Operating Profit	3.124	2.484	3.525	2.750	3.398	3.811
Other Income (Expenses)	-630	-805	-731	-796	-906	-1.016
PBT	2.494	1.679	2.794	1.955	2.492	2.795
Tax	-701	-457	-663	-464	-573	-643
NIAT	1.794	1.222	2.131	1.491	1.919	2.152
Non-controlling Interest	-119	-86	-108	-71	-210	-235
Net Income	1.765	917	2.023	1.420	1.710	1.919
EPS	155	80	177	124	150	155
EBITDA	4.290	3.696	4.816	3.722	4.493	4.997

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Income	1.765	917	2.023	1.420	1.710	1.919
Depreciation	979	1.155	1.215	950	1.162	1.296
Change in WC	358	-275	-1.610	234	123	-1.036
Cash From Operating Activities	3.102	1.797	1.628	2.604	2.995	2.179
Change in Non-current Asset	-3.264	-1.584	-1.437	-2.211	-2.620	-2.672
Cash From Investing Activities	-3.264	-1.584	-1.437	-2.211	-2.620	-2.672
Change in Long-term liabilities	759	1.563	-462	705	185	1.165
Change in Bonds Payable	-120	-72	368	509	-169	0
Change Others Noncurrent Liabilities	1	29	-16	-13	13	-1
Change in Equity	-634	-1.401	-332	-868	-491	-718
Cash From Financing Activities	6	119	-441	333	-461	447
Net Changes in Cash	-156	332	-251	726	-87	-46
Beginning Balance	1.160	1.004	1.336	1.085	1.811	1.724
Ending Balance	1.004	1.336	1.085	1.811	1.724	1.678

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2019A	2020A	2021A	2022A	2023F	2024F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	1.004	1.336	1.085	1.811	1.724	1.678
Trade Accounts Receivable	2.373	1.982	2.348	2.405	2.831	3.176
Inventories	6.210	5.670	7.713	9.272	9.343	10.481
Others Current Assets	3.286	2.757	3.015	3.513	3.851	4.129
Total Current Assets	12.873	11.745	14.161	17.001	17.749	19.463
NONCURRENT ASSETS						
Fixed Assets	10.708	11.144	11.510	12.497	13.659	14.956
Breeding Cattles	157	108	54	34	91	74
Other Noncurrent Assets	2.913	2.955	2.865	3.158	3.398	3.494
Total Noncurrent Assets	13.778	14.207	14.429	15.689	17.148	18.523
TOTAL ASSETS	26.651	25.952	28.590	32.691	34.897	37.987
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	3.278	423	2.314	3.924	4.424	4.424
Trade Account Payable	3.386	3.994	3.030	4.135	4.530	5.082
Others Current Liabilities	1.078	1.591	1.720	1.353	1.416	1.588
Total Current Liabilities	7.742	6.008	7.064	9.412	10.370	11.094
NONCURRENT LIABILITIES						
Long-term liabilities	1.318	1.696	1.254	1.174	1.359	1.524
Long-term Bank loan	1.107	2.292	2.273	3.058	3.058	4.058
Bonds Payable	4.564	4.492	4.859	5.369	5.200	5.200
Others Noncurrent Liabilities	23	52	36	23	36	35
Total Noncurrent Liabilities	7.012	8.532	8.423	9.624	9.653	10.818
TOTAL LIABILITIES	14.754	14.540	15.487	19.036	20.023	21.911
Non-controlling interest	676	734	869	907	1.126	1.263
EQUITY	11.220	10.677	12.233	12.748	13.748	14.812
TOTAL LIABILITIES & EQUITY	26.650	25.951	28.589	32.690	34.897	37.986

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2019A	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)						
Sales	7,3%	-4,9%	21,4%	9,1%	15,6%	12,2%
OP	-15,6%	-20,5%	41,9%	-22,0%	23,5%	12,2%
EBITDA	-7,7%	-13,8%	30,3%	-22,7%	20,7%	11,2%
NP	-18,6%	-48,1%	120,6%	-29,8%	20,4%	12,2%
EPS	-18,6%	-48,1%	120,6%	-29,8%	20,4%	3,2%
Profitability (%)						
Gross Margin	20,2%	20,1%	17,9%	15,7%	16,0%	16,0%
Operating Margin	8,0%	6,7%	7,9%	5,6%	6,0%	6,0%
EBITDA margin	11,0%	10,0%	10,7%	7,6%	7,9%	7,9%
NET Profit margin	4,5%	2,5%	4,5%	2,9%	3,0%	3,0%
ROA	6,6%	3,5%	7,1%	4,3%	4,9%	5,1%
ROE	15,7%	8,6%	16,5%	11,1%	12,4%	13,0%
Solvability (x)						
Net debt/ equity	0,6	0,4	0,5	0,6	0,6	0,6
Tot. debt/ Tot.equity	1,3	1,4	1,3	1,5	1,5	1,5
Debt Ratio	0,6	0,6	0,5	0,6	0,6	0,6
Liquidity (x)						
Current Ratio	1,7	2,0	2,0	1,8	1,7	1,8
Cash Ratio	0,1	0,2	0,2	0,2	0,2	0,2
Per Share data						
EPS (IDR)	155	80	177	124	150	155
PBV (x)	1,6	1,6	1,6	1,4	1,3	1,3
PER (x)	9,9	18,2	9,7	12,9	10,7	10,4
EBITDA/share	376	324	422	326	394	403

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**.

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