

Japfa Comfeed Indonesia Tbk (JPFA)

High Raw Material Costs Caused Loss in 4Q22



Company Report | Mar 24, 2023

Buy

Target Price	1,300
Consensus Price (IDR)	1,677
TP to Consensus Price	-22.5%
Potential Upside	+18.7%

Shares data

Last Price (IDR)	1,095
Price date as of	Mar 21, 2023
52 wk range (Hi/Lo)	1,700 / 1,075
Free float (%)	42.2
Outstanding sh.(mn)	11,726.6
Market Cap (IDR bn)	12,840.6
Market Cap (USD mn)	836.8
Avg. Trd Vol - 3M (mn)	12.1
Avg. Trd Val - 3M (bn)	15.9
Foreign Ownership (%)	96.8

Consumer Non-Cyclicals

Food and Beverages

Bloomberg	JPFA IJ
Reuters	JPFA.JK

JPFA posted 4Q22 sales of IDR12.2 trillion (-1.1% QoQ; +0.9% YoY). Gross profit contracted by 26.1% YoY to IDR 1.5 trillion in 4Q22 due to higher production costs (+13.5% YoY), resulting in a lower GPM of 12.6%. As for 4Q22, JPFA posted a net loss of IDR8.4 billion (-102.7% QoQ; -101.6% YoY), bringing NPM to -0.1%. Meanwhile, the Aquaculture segment led the sales growth in FY22 at 20.5% YoY, followed by Poultry Processing and Consumer Products segment, which grew 18.5% YoY.

Margin Is Not Yet to Recover

- JPFA posted 4Q22 sales of IDR12.2 trillion (-1.1% QoQ; +0.9% YoY), resulting in an FY22 cumulative revenue growth of 9.1% YoY to IDR 49.0 trillion (vs. FY21: IDR 44.9 trillion)
- The growth in sales during 4Q22 was driven by both local and export sales, which grew 0.8% YoY and 5.3 YoY to IDR 12.0 trillion and IDR212.1 billion, respectively.
- Gross profit contracted by 26.1% YoY to IDR1.5 trillion in 4Q22 due to higher production costs (+13.5% YoY), resulting in lower GPM of 12.6% (vs. 3Q22: 14.2% and 4Q21: 17.2%).
- This also brought OPM down in 4Q22 to 1.7% (vs. 3Q22: 4.8% and 4Q21: 7.3%) due to the 76.7% YoY drop in operating profit to IDR 202.1 billion.
- As for 4Q22, JPFA posted a net loss of IDR8.4 billion (-102.7% QoQ; -101.6% YoY), causing NPM to decrease by -0.1% (vs. 3Q22: 2.6% and 4Q21: 4.3%).
- On a cumulative FY22 basis, gross profit was recorded at IDR 7.7 trillion (-4.2% YoY), operating profit contracted to IDR 2.8 trillion (-22.0% YoY), and net profit also contracted to IDR1.4 trillion (-29.8% YoY).

Almost All Segments Grow in FY22

- The Aquaculture segment led the sales growth in FY22 at 20.5% YoY to IDR 4.7 trillion, followed by the Poultry Processing and Consumer products segment growing 18.5% YoY to IDR 7.5 trillion.
- The Commercial Farm and Animal Feed segments grew to IDR 19.0 trillion (+7.7% YoY) and IDR14.0 trillion (+6.0% YoY), respectively. In addition, the Trading & Others segment recorded a growth of 5.0% YoY to IDR 2.1 trillion. Meanwhile, Poultry Breeding was the only segment that contracted 1.4% YoY to IDR 2.6 trillion.
- In terms of Operating Margin (OPM) in FY22, the Animal Feed and Aquaculture segments recorded higher OPM of 8.2% (vs. FY21: 6.7%) and 6.3% (vs. FY21: 6.1%), respectively. The Poultry Processing and Consumer Products segment recorded a flat OPM of 3.1% (vs. FY21: 3.1%).
- Additionally, the Commercial Farm, Poultry Breeding, and Trading & Others segments recorded lower OPM of -3.3% (vs. FY21: -1.7%), 16.3% (vs. FY21: 25.0%), and 8.0% (vs. FY21: 9.2%), respectively.

Buy Recommendation with a TP of IDR 1,300

- We provide a Buy recommendation for JPFA, with a target price of IDR1,300/share (P/E 8.7x or -1 STD), with an upside potential of 18.7%. We project 2023F revenue and net profit at IDR 52.6 trillion and IDR 1.6 trillion, respectively. Additionally, our recommendation's risks include rising raw material prices, consumer purchasing power, and declining product demand.

Japfa Comfeed Indonesia Tbk | Summary (IDR Bn)

	2022	2023F	2024F	2025F
Revenue	48,972	52,649	56,972	61,310
Growth	9.1%	7.5%	8.2%	7.6%
Net Profit	1,420	1,627	1,858	2,115
Growth	-29.8%	14.6%	14.2%	13.9%
EPS (IDR)	121	139	158	180
P/E	10.7x	9.4x	8.2x	7.2x
P/BV	1.1x	1.0x	1.0x	0.9x
EV/EBITDA	6.9x	5.6x	5.3x	5.0x
ROE	10.6%	11.5%	12.2%	12.7%
DER	90.1%	80.0%	83.0%	83.0%
Dividend Yield	4.6%	4.7%	5.3%	6.1%

Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer

Share Price Performance



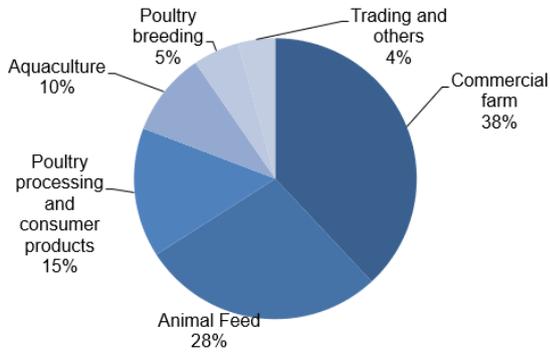
	YTD	1M	3M	12M
Abs. Ret	-18.3%	-17.0%	-16.4%	-31.8%
Rel. Ret	-16.0%	-14.4%	-14.5%	-28.0%

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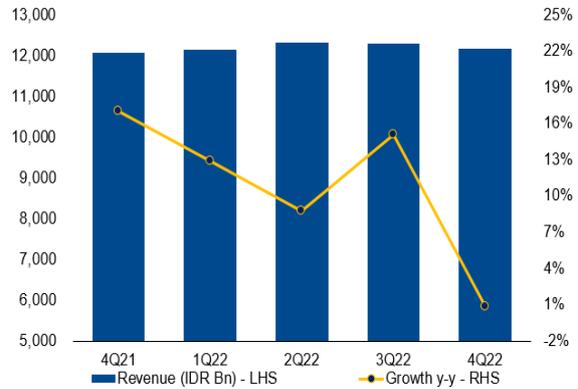
Performance Highlights

CPIN Revenue Breakdown FY22



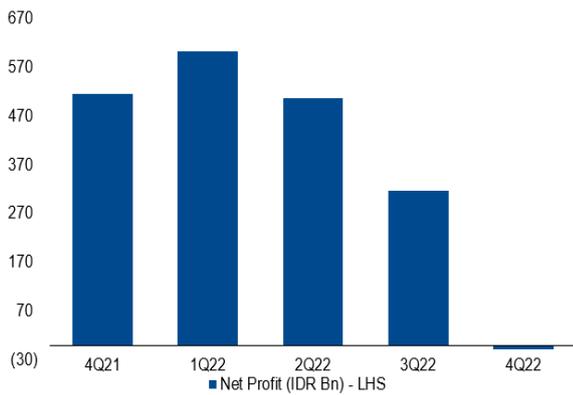
Source: Bloomberg, NHKSI Research

CPIN Net Revenue (4Q21 - 4Q22)



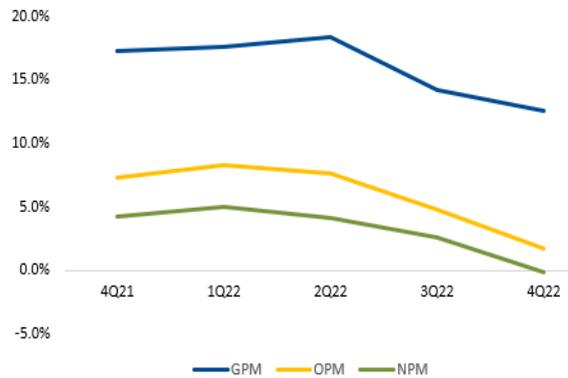
Source: Bloomberg, NHKSI Research

CPIN Net Profit (4Q21 - 4Q22)



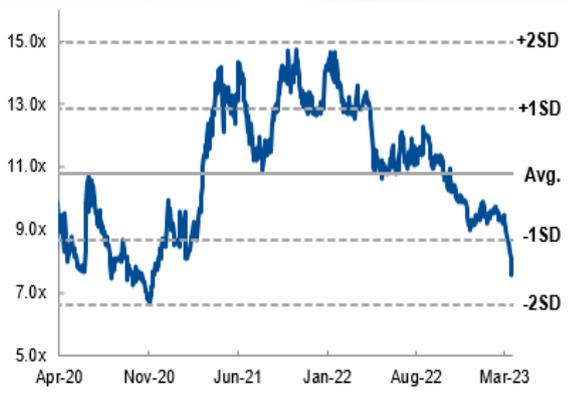
Source: Company Data, NHKSI Research

Margin Ratios (4Q21 - 4Q22)



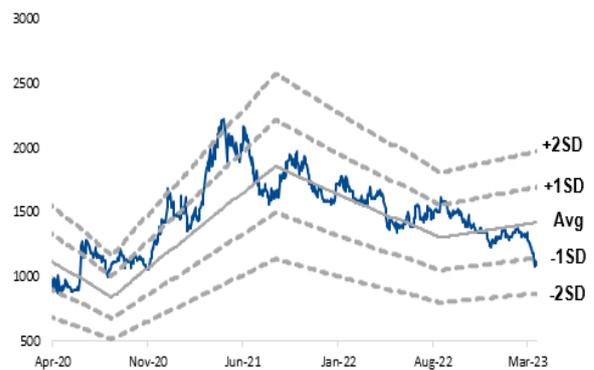
Source: Bloomberg, NHKSI Research

3-Year Forward P/E Band



Source: Company Data, NHKSI Research

3-Year Dynamic Forward P/E Band



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Sales	48,972	52,649	56,972	61,310
Growth	9.1%	7.5%	8.2%	7.6%
COGS	(41,289)	(44,197)	(47,675)	(51,084)
Gross Profit	7,683	8,451	9,297	10,226
Gross Margin	15.7%	16.1%	16.3%	16.7%
Operating Expenses	(4,956)	(5,329)	(5,766)	(6,205)
EBIT	2,727	3,123	3,531	4,021
EBIT Margin	5.6%	5.9%	6.2%	6.6%
Depreciation	1,052	1,285	1,322	1,361
EBITDA	3,779	4,408	4,852	5,382
EBITDA Margin	7.7%	8.4%	8.5%	8.8%
Interest Expenses	677	676	714	706
EBT	1,955	2,240	2,558	2,912
Income Tax	(464)	(531)	(607)	(691)
Minority Interest	(71)	(81)	(93)	(106)
Net Profit	1,420	1,627	1,858	2,115
Growth	-29.8%	14.6%	14.2%	13.9%
Net Profit Margin	2.9%	3.1%	3.3%	3.5%

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	10.6%	11.5%	12.2%	12.7%
ROA	4.6%	4.8%	5.1%	5.4%
ROIC	9.7%	9.2%	10.2%	10.6%
Cash Dividend (IDR bn)	697	710	814	929
Dividend Yield	4.6%	4.7%	5.3%	6.1%
Payout Ratio	34.5%	50.0%	50.0%	50.0%
DER	90.1%	80.0%	83.0%	83.0%
Net Gearing	101.5%	89.9%	92.9%	95.0%
LT Debt to Equity	61.7%	54.8%	56.9%	56.9%
Capitalization Ratio	47.4%	44.4%	45.4%	45.4%
Equity Ratio	41.8%	42.0%	42.2%	42.9%
Debt Ratio	37.6%	33.6%	35.0%	35.6%
Financial Leverage	105.7%	106.6%	99.0%	96.8%
Current Ratio	180.6%	171.5%	177.4%	187.1%
Inventory Turnover	3.3x	3.5x	3.5x	3.5x
Total Shares (mn)	11,727	11,727	11,727	11,727
Share Price (IDR)	1,295	1,300	1,300	1,300
Market Cap (IDR tn)	15.2	15.2	15.2	15.2

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	1,811	2,596	3,282	4,129
Receivables	2,405	2,746	2,912	3,137
Inventories	12,456	12,669	13,585	14,741
Total Current Assets	17,001	18,425	20,150	22,379
Net Fixed Assets	13,584	14,463	15,277	16,287
Other Non Current Asset	2,105	1,935	1,945	1,995
Total Assets	32,691	34,823	37,372	40,661
Payables	3,444	3,547	3,719	3,899
ST Bank Loan	3,869	3,685	4,114	4,560
LT Debt	8,429	8,028	8,963	9,935
Total Liabilities	19,036	20,182	21,617	23,198
Capital Stock & APIC	3,028	3,028	3,028	3,028
Retained Earnings	10,231	11,149	12,193	13,380
Shareholders' Equity	13,655	14,640	15,755	17,463

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	10.7x	9.4x	8.2x	7.2x
Price /Book Value	1.1x	1.0x	1.0x	0.9x
Price/Sales	0.3x	0.3x	0.3x	0.2x
PE/EPS Growth	-0.4x	0.6x	0.6x	0.5x
EV/EBITDA	6.9x	5.6x	5.3x	5.0x
EV/EBIT	9.6x	7.9x	7.2x	6.6x
EV (IDR bn)	26,069	24,825	25,574	26,666
Sales CAGR (3-Yr)	8.0%	12.5%	8.3%	7.8%
EPS CAGR (3-Yr)	-7.0%	21.1%	-2.8%	14.2%
Basic EPS (IDR)	121	139	158	180
Diluted EPS (IDR)	121	139	158	180
BVPS (IDR)	1,164	1,248	1,344	1,489
Sales PS (IDR)	4,176	4,490	4,858	5,228
DPS (IDR)	59	61	69	79

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	1,439	3,790	2,322	2,256
Investing Cash Flow	(2,202)	(1,777)	(2,258)	(2,419)
Financing Cash Flow	1,406	(1,228)	622	1,010
Net Changes in Cash	643	785	686	848

OWNERSHIP

By Geography	% Shareholders	%
Singapore	84.1 Japfa Ltd	55.4
United States	6.2 Vanguard Group	1.9
Unknown	3.6 Dimensional Fund Adv	0.9
Indonesia	3.2 JAPFA COMFEED IND	0.9

Source: Bloomberg, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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