

# Japfa Comfeed Indonesia Tbk (JPFA)

## 2Q23 Net Profit Turns Positive

Company Report | August 11, 2023

## HOLD

<b>Target Price</b>	<b>1,400</b>
Consensus Price (IDR)	1,418
TP to Consensus Price	-1.3%
Potential Upside	+4.5%

### Shares data

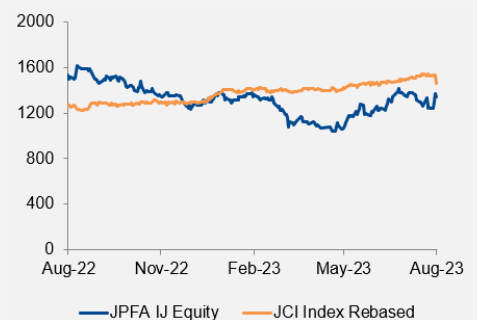
Last Price (IDR)	1,340
Price date as of	August 10, 2023
52 wk range (Hi/Lo)	1,635 / 1,015
Free float (%)	43.1
Outstanding sh.(mn)	11,726.6
Market Cap (IDR bn)	15,713.6
Market Cap (USD mn)	1,034.9
Avg. Trd Vol - 3M (mn)	18.2
Avg. Trd Val - 3M (bn)	23.0
Foreign Ownership (%)	97.7

### Consumer Non-Cyclicals

#### Food and Beverages

Bloomberg	JPFA IJ
Reuters	JPFA.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	0.0%	-1.1%	25.8%	-10.7%
Rel. Ret	-0.6%	-3.5%	24.6%	-7.9%

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JPFA managed to book revenue of IDR12.4 trillion in 2Q23, with the Commercial Farm segment leading the sales growth of 7.6% YoY to IDR5.4 trillion, followed by Poultry Processing and Consumer Products segment which recorded IDR1.9 trillion or grew +4.1% YoY. Net income for 2Q23 was able to turn positive from 1Q23, which was recorded at Rp331.9 billion (vs 1Q23: -Rp249.9 billion), and cumulative 6M23 was recorded at Rp82.0 billion. The 2Q23 NPM was recorded at 2.7%, a positive turnaround from 1Q23 of -2.1% but still lower than 2Q22 which was recorded at 4.1%.

### Commercial Farm Leads Sales Growth

- JPFA managed to book revenues of IDR12.4 trillion in 2Q23 (+5.4% QoQ; +0.5% YoY) but during 6M23 sales were down 1.3% YoY to IDR24.2 trillion (vs 6M22: IDR24.5 trillion).
- In 2Q23, the Commercial Farm segment led the growth by recording sales of IDR 5.4 trillion (+20.4% QoQ; +7.6% YoY), followed by the Poultry Processing and Consumer Products segment, which recorded IDR 1.9 trillion (+4.9% QoQ; +4.1% YoY).
- As for the Animal Feed segment, it recorded a decline to IDR 3.0 trillion (-14.4% QoQ; -7.7% YoY). Domestic sales alone recorded a slight increase in 2Q23, 0.2% YoY to IDR12.2 trillion and cumulative 6M23 sales fell 1.6% YoY to IDR23.7 trillion.
- The ongoing challenges such as the imbalance between demand and supply in DOC and broilers resulted in weaker poultry prices. However, in 2Q23 there has been an adjustment in supply as reflected by an increase in poultry prices and a rebound in profitability.

### Margin Seems to Rebound

- The high cost of raw materials was one of the challenges faced, resulting in cost of goods sold rising 2.6% YoY in 2Q23 and causing 2Q23 gross profit to contract 8.6% YoY to IDR2.1 trillion and cumulative 6M23 recorded a 23.7% YoY decline to IDR3.4 trillion. GPM in 2Q23 was higher QoQ at 16.7% (vs 1Q23: 10.9%) but still lower YoY (vs 2Q22: 18.4%).
- 2Q23 OPM was able to turn positive from 1Q23 (-0.6%), with a record of 6.0% but still lower than the 2Q22 period, which was 7.5%. This can be seen from the operating profit, which decreased by 38.3% YoY to IDR574.3 billion in 2Q23 due to increased selling and marketing expenses (+2.6% QoQ; +16.5% YoY). As for 6M23, operating profit contracted by 66.1% YoY to IDR656.0 billion.
- 2Q23 net profit was also able to turn positive from 1Q23, with Rp331.9 billion (vs 1Q23: -Rp249.9 billion) but still lower than 2Q22 which was recorded at Rp508.0 billion. As for the cumulative 6M23, net profit contracted 92.6% YoY to Rp82.0 billion (vs 6M22: Rp1.1 trillion). The 2Q23 NPM recorded at 2.7% was able to turn positive from 1Q23's -2.1% but still lower than 2Q22 which was recorded at 4.1%.
- Meanwhile, to strengthen its performance, the Company will continue to strengthen its downstream business through the Poultry Processing and Consumer Products segment as well as boost its retail sales growth through the offline and online channels.

### HOLD Recommendation with TP IDR1,400

- We recommend HOLD for JPFA with a target price of IDR1,400/share. This reflects a P/E of 9.6x with a potential upside of 4.5%. Meanwhile, the risks of our recommendation are rising raw material prices, consumer purchasing power, and declining product demand.

### Japfa Comfeed Indonesia Tbk | Summary (IDR Bn)

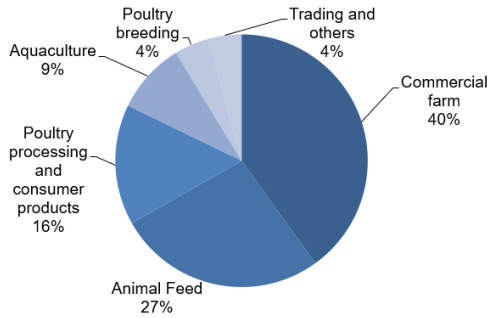
	2022	2023F	2024F	2025F
Revenue	48,972	52,980	55,772	59,019
Growth	9.1%	8.2%	5.3%	5.8%
Net Profit	1,420	1,484	1,789	1,869
Growth	-29.8%	4.5%	20.5%	4.5%
EPS (IDR)	121	127	153	159
P/E	10.7x	11.1x	9.2x	8.8x
P/BV	1.1x	1.1x	1.0x	0.9x
EV/EBITDA	6.9x	6.4x	5.9x	5.9x
ROE	10.6%	10.5%	11.8%	11.2%
ROA	4.6%	4.4%	5.1%	5.0%
Dividend Yield	3.8%	3.7%	3.9%	4.1%

Source: Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

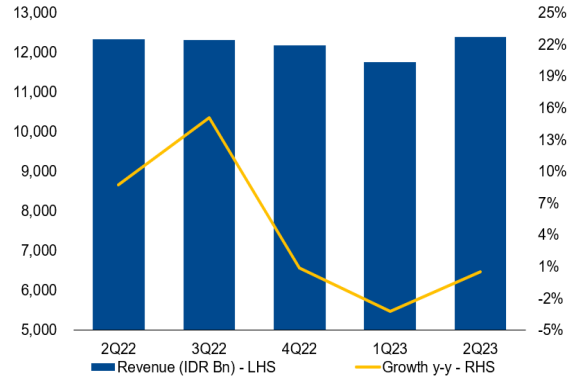
# Performance Highlights

## JPFA Revenue Breakdown



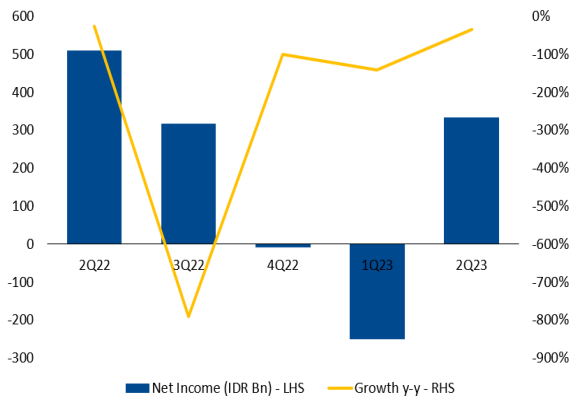
Source: Bloomberg, NHKSI Research

## JPFA Net Revenue (2Q22 - 2Q23)



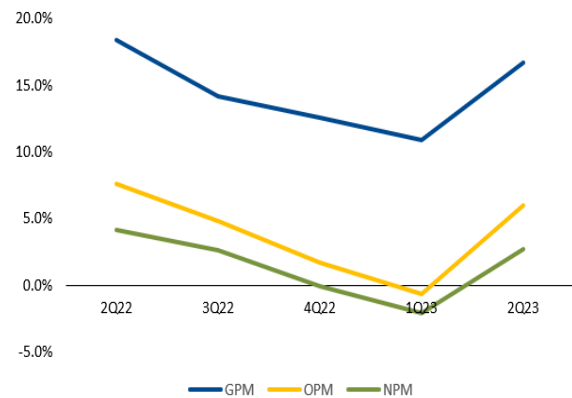
Source: Bloomberg, NHKSI Research

## JPFA Net Profit (2Q22 - 2Q23)



Source: Bloomberg, NHKSI Research

## Margin Ratios (2Q22 - 2Q23)



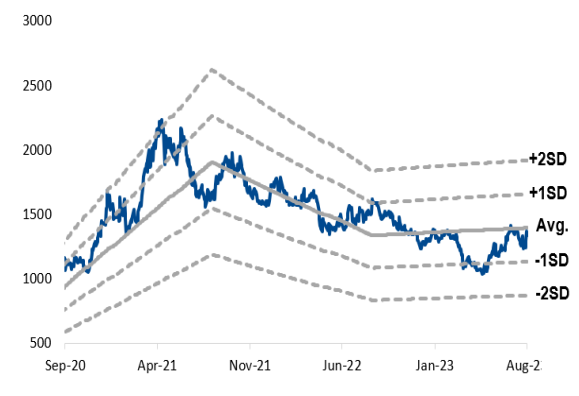
Source: Bloomberg, NHKSI Research

## 3-Year Forward P/E Band



Source: Bloomberg, NHKSI Research

## 3-Year Dynamic Forward P/E Band



Source: Bloomberg, NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
<b>Sales</b>	<b>48,972</b>	<b>52,980</b>	<b>55,772</b>	<b>59,019</b>
<i>Growth</i>	9.1%	8.2%	5.3%	5.8%
COGS	(41,289)	(44,682)	(46,727)	(49,431)
<b>Gross Profit</b>	<b>7,683</b>	<b>8,298</b>	<b>9,045</b>	<b>9,587</b>
<i>Gross Margin</i>	15.7%	15.7%	16.2%	16.2%
Operating Expenses	(4,956)	(5,362)	(5,645)	(5,973)
<b>EBIT</b>	<b>2,727</b>	<b>2,936</b>	<b>3,400</b>	<b>3,614</b>
<i>EBIT Margin</i>	5.6%	5.5%	6.1%	6.1%
Depreciation	1,052	1,180	1,116	1,116
<b>EBITDA</b>	<b>3,779</b>	<b>4,116</b>	<b>4,516</b>	<b>4,730</b>
<i>EBITDA Margin</i>	7.7%	7.8%	8.1%	8.0%
Interest Expenses	677	676	714	706
<b>EBT</b>	<b>1,955</b>	<b>2,043</b>	<b>2,463</b>	<b>2,573</b>
Income Tax	(464)	(485)	(584)	(610)
Minority Interest	(71)	(74)	(90)	(94)
<b>Net Profit</b>	<b>1,420</b>	<b>1,484</b>	<b>1,789</b>	<b>1,869</b>
<i>Growth</i>	-29.8%	4.5%	20.5%	4.5%
<i>Net Profit Margin</i>	2.9%	2.8%	3.2%	3.2%

### PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	10.6%	10.5%	11.8%	11.2%
ROA	4.6%	4.4%	5.1%	5.0%
ROIC	9.7%	8.6%	10.0%	9.9%
Cash Dividend (IDR bn)	581	611	638	680
Dividend Yield	3.8%	3.7%	3.9%	4.1%
Payout Ratio	28.7%	43.0%	43.0%	38.0%
DER	90.1%	78.0%	76.0%	73.0%
Net Gearing	101.5%	87.7%	85.0%	83.5%
LT Debt to Equity	61.7%	53.5%	52.1%	50.0%
Capitalization Ratio	47.4%	43.8%	43.2%	42.2%
Equity Ratio	41.8%	42.3%	43.7%	45.2%
Debt Ratio	37.6%	33.0%	33.2%	33.0%
Financial Leverage	105.7%	107.0%	97.4%	94.7%
Current Ratio	180.6%	169.2%	174.6%	177.7%
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	1,400	1,400	1,400
Market Cap (IDR tn)	15.2	16.4	16.4	16.4

### BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	1,811	2,125	2,452	2,177
Receivables	2,405	2,763	2,850	3,020
Inventories	12,456	12,808	13,315	14,264
<b>Total Current Assets</b>	<b>17,001</b>	<b>18,110</b>	<b>18,989</b>	<b>19,854</b>
Net Fixed Assets	13,584	14,364	15,263	16,322
Other Non Current Asset	2,105	2,039	1,980	2,595
<b>Total Assets</b>	<b>32,691</b>	<b>34,513</b>	<b>36,232</b>	<b>38,771</b>
Payables	3,444	3,586	3,645	3,773
ST Bank Loan	3,869	3,582	3,782	4,026
LT Debt	8,429	7,803	8,240	8,770
<b>Total Liabilities</b>	<b>19,036</b>	<b>19,917</b>	<b>20,413</b>	<b>21,242</b>
Capital Stock & APIC	3,028	3,028	3,028	3,028
Retained Earnings	10,231	11,105	12,256	13,445
<b>Shareholders' Equity</b>	<b>13,655</b>	<b>14,597</b>	<b>15,818</b>	<b>17,529</b>

### VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	10.7x	11.1x	9.2x	8.8x
Price /Book Value	1.1x	1.1x	1.0x	0.9x
Price/Sales	0.3x	0.3x	0.3x	0.3x
PE/EPS Growth	-0.4x	2.4x	0.4x	2.0x
EV/EBITDA	6.9x	6.4x	5.9x	5.9x
EV/EBIT	9.6x	8.9x	7.8x	7.8x
EV (IDR bn)	26,069	26,142	26,521	28,092
Sales CAGR (3-Yr)	8.0%	12.7%	7.5%	6.4%
EPS CAGR (3-Yr)	-7.0%	17.4%	-4.0%	9.6%
Basic EPS (IDR)	121	127	153	159
Diluted EPS (IDR)	121	127	153	159
BVPS (IDR)	1,164	1,245	1,349	1,495
Sales PS (IDR)	4,176	4,518	4,756	5,033
DPS (IDR)	50	52	54	58

### CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	1,439	3,447	2,326	1,897
Investing Cash Flow	(2,202)	(1,678)	(2,067)	(2,788)
Financing Cash Flow	1,406	(1,455)	69	616
<b>Net Changes in Cash</b>	<b>643</b>	<b>314</b>	<b>328</b>	<b>(275)</b>

Source: Bloomberg, NHKSI Research

### OWNERSHIP

By Geography	% Shareholders	%
Singapore	86.6	Japfa Ltd 55.4
United States	2.6	Vanguard Group 1.9
Indonesia	2.3	FIL Ltd 1.7
Luxembourg	2.3	Dimensional Fund Adv. 1.1

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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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