

Japfa Comfeed Indonesia Tbk (JPFA)

Impacted by Weaker Poultry Prices



Company Report | March 19, 2024

OVERWEIGHT

Target Price	1,300
Consensus Price (IDR)	1,309
TP to Consensus Price	-0.7%
Potential Upside	+8.3%

Shares data

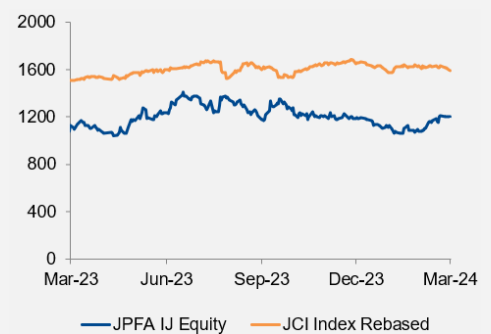
Last Price (IDR)	1,200
Price date as of	March 18, 2024
52 wk range (Hi/Lo)	1,410 / 1,015
Free float (%)	43.2
Outstanding sh.(mn)	11,726.6
Market Cap (IDR bn)	14,071.9
Market Cap (USD mn)	896.2
Avg. Trd Vol - 3M (mn)	13.4
Avg. Trd Val - 3M (bn)	15.4
Foreign Ownership (%)	98.6%

Consumer Non-Cyclicals

Food and Beverages

Bloomberg	JPFA IJ
Reuters	JPFA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	2.6%	11.1%	0.8%	-25.2%
Rel. Ret	2.9%	11.0%	-1.7%	-30.2%

Cindy Alicia Ramadhania

+62 21 5088 9129
cindy.alicia@nhsec.co.id

JPFA managed to book 4Q23 revenue of IDR13.4 trillion, bringing cumulative FY23 revenue to IDR51.2 trillion (+4.5% YoY) on the back of 3.3% YoY increase in feed volume and higher Average Selling Price (ASP). Amid rising food prices, JPFA's local sales in 4Q23 managed to reach IDR13.2 trillion (-1.9% QoQ; +9.9% YoY). On the bottom line, JPFA recorded a loss of IDR 7.5 billion in 4Q23 due to higher finance costs (+12.8% YoY), resulting in NPM of -0.1% (vs 3Q23: 6.3% and 4Q22: -0.1%). In terms of downstream business, JPFA will continue to strengthen its downstream business through the development of poultry processing and consumer products businesses, as well as driving retail sales growth through both offline and online retail outlets.

Increase in Feed Volume Boosts Revenue

- JPFA managed to book 4Q23 revenue of IDR13.4 trillion, which was higher by 10.1% YoY but slightly lower by 1.5% QoQ, bringing FY23 cumulative revenue to IDR51.2 trillion (+4.5% YoY) on the back of 3.3% YoY increase in feed volume and higher Average Selling Price (ASP). Amid rising food prices, JPFA's local sales in 4Q23 managed to reach IDR13.2 trillion (-1.9% QoQ; +9.9% YoY).
- On a YoY basis, in 4Q23 almost all segments experienced growth led by the Commercial Farm segment growing 19.3% YoY, followed by the Poultry Processing and Consumer Products (+8.6% YoY), Animal Feed (+6.2% YoY), and Aquaculture (+2.4% YoY) segments. Meanwhile, the Trading and others and Poultry Breeding segments contracted by 12.0% YoY and 3.5% YoY, respectively.

Profit Performance amidst Rising Finance Costs

- 4Q23 gross profit grew 3.3% YoY to IDR1.6 trillion, but GPM was lower at 11.9% (vs 3Q23: 18.8% and 4Q22: 12.6%) due to high raw material prices and weak poultry prices. Operating profit for 4Q23 was recorded at IDR210 billion (+3.7% YoY) with OPM contracting to 1.4% (vs 3Q23: 9.9% and 4Q22: 1.7%).
- On the bottom line, JPFA recorded a loss of IDR7.5 billion in 4Q23 due to higher finance costs (+12.8% YoY), bringing NPM to -0.1% (vs 3Q23: 6.3% and 4Q22: -0.1%). Meanwhile, on a cumulative FY23 basis, gross profit contracted 2.2% YoY to IDR7.5 trillion, operating profit fell 19.8% YoY to IDR2.2 trillion, also followed by its net profit which recorded lower by 34.5% YoY to IDR929.7 billion.

Continue to Strengthen Downstream Business

- In FY23, JPFA recorded a lower OPM of 4.4% (vs FY22: 5.7%), where in detail the OPM for the Feed segment remained at 8.2%, the OPM for the Poultry Processing segment was higher at 5.3% (vs FY22: 3.1%), the OPM for the Breeding segment was lower at 3.6% (vs FY22: 16.3%), and the OPM for the Commercial Farms segment was recorded at -2.5% (vs FY22: -3.3%).
- In terms of downstream business, JPFA will continue to strengthen its downstream business through the development of poultry processing business and consumer products, as well as encouraging retail sales growth through retail outlets both offline and online.
- Meanwhile, another positive sentiment came from the Government's plan to add 2 social assistance programs apart from the social assistance that is routinely distributed every year to mitigate food risks. The first social assistance is 10 kg of rice (eggs and chicken meat for families with stunted toddlers), which will be provided until June 2024 with a total of Rp17.5 trillion. The second social assistance is in the form of Direct Cash Assistance (BLT), which will be distributed until March 2024 with an IDR 11.3 trillion budget.

Overweight Recommendation with a TP at IDR 1,300

- We give Overweight recommendation for JPFA with target price of IDR1,300/share which reflects P/E of 13.2x (3-year average) with upside potential of 8.3%. We project revenue and profit for 2024F to be IDR55.3 trillion and IDR1.1 trillion, respectively. 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)

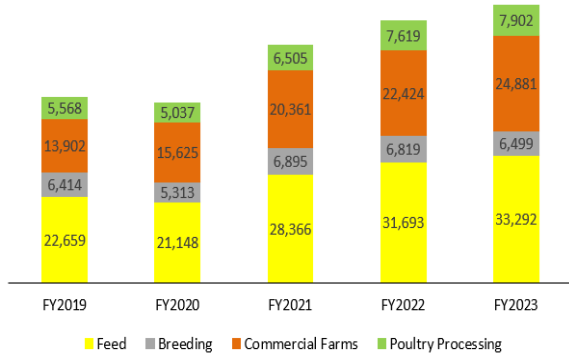
	2023	2024F	2025F	2026F
Revenue	51,176	55,293	57,851	60,978
Growth	4.5%	8.0%	4.6%	5.4%
Net Profit	930	1,074	1,179	1,243
Growth	-34.5%	15.5%	9.7%	5.5%
EPS (IDR)	79	92	101	106
P/E	14.9x	14.2x	12.9x	12.3x
P/BV	1.0x	1.1x	1.0x	1.0x
EV/EBITDA	7.5x	8.3x	8.1x	7.8x
ROE	6.7%	7.8%	8.4%	8.4%
ROA	2.8%	3.1%	3.3%	3.3%
Dividend Yield	4.2%	2.6%	2.7%	2.9%

Source: Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

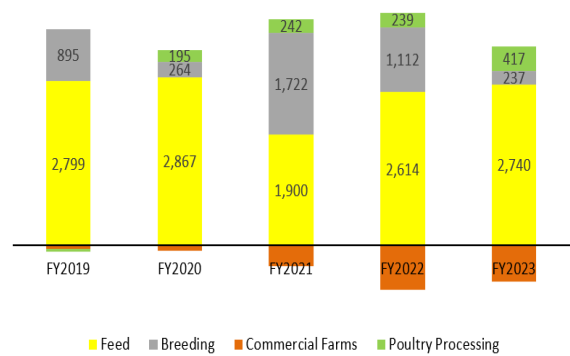
Performance Highlights

JPFA Revenue (FY2019 - FY2023)



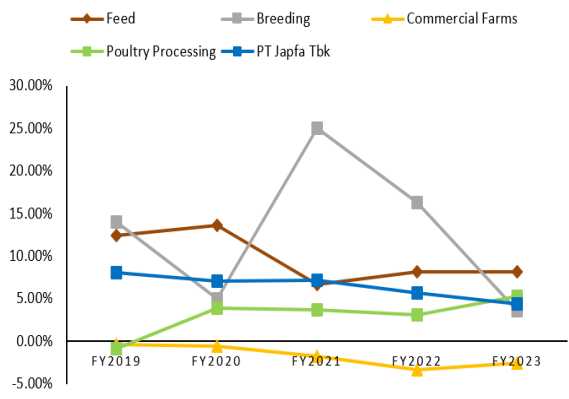
Source: Bloomberg, NHKSI Research

JPFA Operating Profit (FY2019 - FY2023)



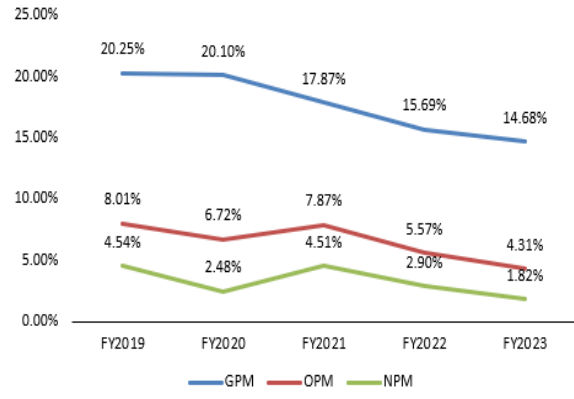
Source: Bloomberg, NHKSI Research

JPFA OPM (FY2019 - FY2023)



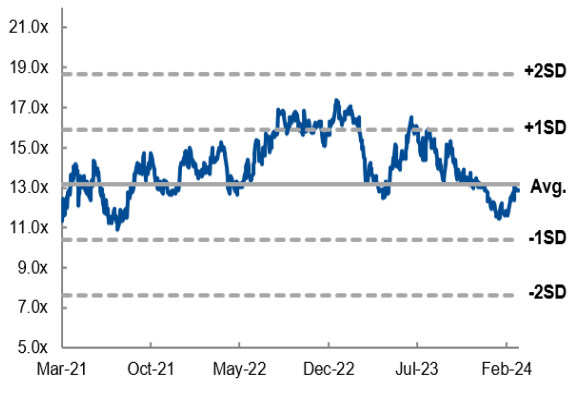
Source: Bloomberg, NHKSI Research

Margin Ratios (FY2019 - FY2023)



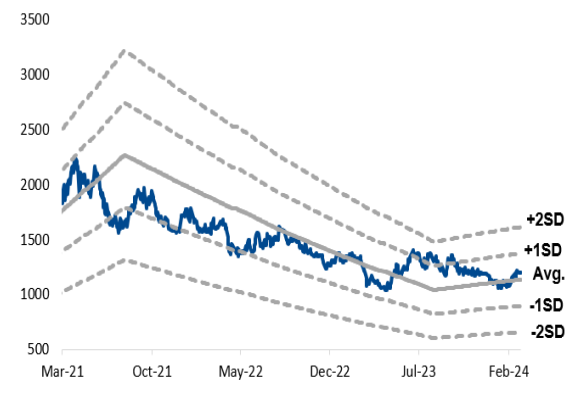
Source: Bloomberg, NHKSI Research

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					PROFITABILITY & STABILITY				
(IDR bn)	2023/12	2024/12E	2025/12E	2026/12E		2023/12	2024/12E	2025/12E	2026/12E
Sales	51,176	55,293	57,851	60,978	ROE	6.7%	7.8%	8.4%	8.4%
<i>Growth</i>	4.5%	8.0%	4.6%	5.4%	ROA	2.8%	3.1%	3.3%	3.3%
COGS	(43,665)	(47,407)	(49,491)	(52,116)	ROIC	6.4%	6.8%	7.4%	7.3%
Gross Profit	7,511	7,887	8,360	8,862	Cash Dividend (IDR bn)	581	400	408	448
<i>Gross Margin</i>	14.7%	14.3%	14.5%	14.5%	Dividend Yield	4.2%	2.6%	2.7%	2.9%
Operating Expenses	(5,305)	(5,529)	(5,785)	(6,098)	Payout Ratio	40.9%	43.0%	38.0%	38.0%
EBIT	2,206	2,358	2,575	2,764	DER	84.7%	95.0%	94.0%	97.0%
<i>EBIT Margin</i>	4.3%	4.3%	4.5%	4.5%	Net Gearing	96.6%	108.7%	110.6%	109.9%
Depreciation	1,097	1,075	1,075	1,082	LT Debt to Equity	55.9%	57.2%	56.6%	58.4%
EBITDA	3,303	3,432	3,650	3,846	Capitalization Ratio	45.9%	48.7%	48.5%	49.2%
<i>EBITDA Margin</i>	6.5%	6.2%	6.3%	6.3%	Equity Ratio	41.5%	39.0%	40.1%	39.1%
Interest Expenses	899	758	760	752	Debt Ratio	35.2%	37.0%	37.7%	37.9%
EBT	1,261	1,457	1,599	1,686	Financial Leverage	110.2%	110.5%	91.6%	104.4%
Income Tax	(315)	(364)	(400)	(422)	Current Ratio	161.2%	140.8%	147.0%	141.9%
Minority Interest	(16)	(19)	(21)	(22)	Inventory Turnover	3.4x	3.5x	3.4x	3.4x
Net Profit	930	1,074	1,179	1,243	Total Shares (mn)	11,727	11,727	11,727	11,728
<i>Growth</i>	-34.5%	15.5%	9.7%	5.5%	Share Price (IDR)	1,180	1,300	1,300	1,300
<i>Net Profit Margin</i>	1.8%	1.9%	2.0%	2.0%	Market Cap (IDR tn)	13.8	15.2	15.2	15.2
BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2023/12	2024/12E	2025/12E	2026/12E		2023/12	2024/12E	2025/12E	2026/12E
Cash	1,503	162	449	248	Price /Earnings	14.9x	14.2x	12.9x	12.3x
Receivables	2,456	2,769	2,885	3,004	Price /Book Value	1.0x	1.1x	1.0x	1.0x
Inventories	12,877	13,606	14,409	15,306	Price/Sales	0.3x	0.3x	0.3x	0.3x
Total Current Assets	17,218	16,893	18,113	18,921	PE/EPS Growth	-0.4x	0.9x	1.3x	2.2x
Net Fixed Assets	14,504	15,314	16,281	17,245	EV/EBITDA	7.5x	8.3x	8.1x	7.8x
Other Non Current Asset	2,387	2,096	2,196	2,227	EV/EBIT	11.3x	12.0x	11.5x	10.9x
Total Assets	34,109	34,303	36,590	38,392	EV (IDR bn)	24,931	28,322	29,653	30,160
Payables	4,118	3,865	3,995	4,429	Sales CAGR (3-Yr)	11.5%	7.2%	5.7%	6.0%
ST Bank Loan	4,078	5,049	5,485	5,782	EPS CAGR (3-Yr)	0.5%	-19.0%	-6.0%	10.2%
LT Debt	7,918	7,655	8,317	8,766	Basic EPS (IDR)	79	92	101	106
Total Liabilities	19,942	20,930	21,907	23,393	Diluted EPS (IDR)	79	92	101	106
Capital Stock & APIC	3,030	3,030	3,030	3,030	BVPS (IDR)	1,208	1,140	1,252	1,279
Retained Earnings	10,537	9,809	10,597	11,355	Sales PS (IDR)	4,364	4,715	4,933	5,200
Shareholders' Equity	14,167	13,374	14,683	14,998	DPS (IDR)	50	34	35	38
CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2023/12	2024/12E	2025/12E	2026/12E	By Geography	% Shareholders			
Operating Cash Flow	2,416	1,477	1,205	2,031	Singapore	83.5	Japfa Ltd	55.4	
Investing Cash Flow	(2,148)	(1,693)	(2,129)	(2,088)	United States	6.7	FIL Ltd	3.7	
Financing Cash Flow	(556)	(1,125)	1,211	(143)	Luxembourg	4.7	Vanguard Group Inc	2.3	
Net Changes in Cash	(288)	(1,340)	287	(201)	Unknown	2.1	Dimensional Fund Adv.	1.1	

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%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.