

Japfa Comfeed Indonesia Tbk (JPFA)

Growth Finishing Incubation, Ready To Fly In 2025

9M24 Sales jumped 9.30% YoY to IDR 41.28 tn. Commercial Farms segment still had the major contribution by 40.70% to revenue followed by Animal Feed (26.32%), Poultry Processing and Consumer Products (15.25%), Aquaculture (8.35%), Poultry Breeding (5.70%), and Trading and Others (3.68%) COGS had a slower growth of 4.68% YoY to IDR 33.34 tn since raw material costs only risen by 2.7% YoY to IDR 26.76 tn. Higher efficiencies was carried by changes in SOP, cheaper corn, and digitalisation in operations. This resulted in a higher GPM of 19.24% vs 15.68% in 9M23. Inherently, Gross Profit also increased 34.15% YoY to IDR 7.94 tn. Trickle down to the bottom-line, 9M24 Net Profit increased 125.82% YoY to IDR 2.25 tn. NPM also improved to 5.44% from 2.63% in 9M23.

9M24 Sales from Poultry Rising, Improvement in Bottom-Line.

- 9M24 Sales jumped 9.30% YoY to IDR 41.28 tn. Commercial Farms segment still had the major contribution by 40.70% to revenue followed by Animal Feed (26.32%), Poultry Processing and Consumer Products (15.25%), Aquaculture (8.35%), Poultry Breeding (5.70%), and Trading and Others (3.68%)
- COGS had a slower growth of 4.68% YoY to IDR 33.34 tn since raw material costs only risen by 2.7% YoY to IDR 26.76 tn. Higher efficiencies was carried by changes in SOP, cheaper corn, and digitalisation in operations.
- This resulted in a higher GPM of 19.24% vs 15.68% in 9M23. Inherently, Gross Profit also increased 34.15% YoY to IDR 7.94 tn. Trickle down to the bottom-line, 9M24 Net Profit increased 125.82% YoY to IDR 2.25 tn. NPM also improved to 5.44% from 2.63% in 9M23.
- We are still optimistic the Company can achieve their IDR 3 tn Sales guidance, as the current 9M24 run-rate is 75%.

Growing From A Lower Base

- Other than expanding its downstream business via poultry processing and consumer products, the company will focus on its low revenue base segments aquaculture and vaksindo.
- Aquaculture, mainly contributed 75% by aquafeed, has already achieved IDR 3.5 tn in 9M24 revenue (holding a run-rate of 76.4% to FY23's revenue), and its 9M24 operating profit has already reached IDR 281 bn which is 28.3% YoY higher than FY23's operating profit of IDR 219 bn. JPFA's aquaculture has a JV with Hendrix genetics to build shrimp broodstock multiplication centres to cultivate Kona Bay shrimp broodstock, which holds a marketshare above 50% in Indonesia.
- For Vaksindo, 9M24 revenue reached IDR 476 bn (a run-rate of 83.95% to FY23's revenue of IDR 567 bn). But Vaksindo's 9M24 operating profit IDR 159 bn is at a 73.95% run-rate to FY23's Operating Profit. Vaksindo is a market leader in vaccines for poultry and has exported its products to 14 countries—recently India and Vietnam. Vaksindo has two production facilities in Bogor

Attended JAPFA for Indonesia Emas 2045: Event For Nurturing Collaboration in Food Security.

- The Program is estimated to have 82.9 million recipients. Chicken meat and Eggs are the likely protein sources as both have a net domestic supply surplus of 0.12 million tons and 0.17 million tons, respectively, according to the Ministry of Agriculture for commodity balance in 2024. Beef and Milk has a net national supply deficit of 0.4 million tons and 3.7 million tons, respectively.
- Japfa is one of the first private companies to fund the trial of nutritious meal program implementation; this was conducted in Kec. Banyumas, Kab. Banyumas, Jawa Tengah. The price of the package was IDR 12,000. This has to be adjusted to the program's new budget of IDR 10,000.
- Japfa has an extensive distribution network of 160,000 touch points across Indonesia.
- Utilizing local regions' food systems, the national goal is to reach a Food Security Index of 76.20 in 2025 and 80.72 in 2029, and Prevalence of Insufficient Food Consumption is targeted to have 7.21% (2025) and 4.41% (2029). The government is seeking to increase dry unhusked rice production (GKG) by 34.9 million tons in 2025 then 20 million tons in 2029. The Government aims to less dependent on imports of rice, corn, soybeans, sugar, beef, and cow's milk.

Recommendation BUY At An Upgraded TP of 2,500

- We maintain a BUY rating at an upgraded Target Price of 2,500 (Previously 2,100) which reflects the 3-Year Average of 10x P/E. With Japfa's collaboration with the Prabowo government to implement trials for its new nutritious free lunch programs, the company is anticipated to acquire significant Business-To-Government (B2G) contracts in the near future. The risks of our recommendation are that the government continues to adjust its budget downwards or begins to scrap the program by the wayside in the face of other priorities. Aside from that, food commodity prices may tick upwards as a threat of trade war looms which could cause tariff-spurred inflation, and avian flu virus may spread and create a poultry supply crunch which cause market prices to rocket.

Japfa Comfeed Indonesia Tbk | Summary (IDR Bn)

	2023	2024F	2025F	2026F
Revenue	51,176	55,040	62,000	65,196
Growth	4.5%	7.6%	12.6%	5.2%
Net Profit	930	3,045	3,078	3,274
Growth	-34.5%	227.5%	1.1%	6.4%
EPS (IDR)	79	260	262	279
P/E	14.9x	9.6x	9.5x	9.0x
P/BV	1.0x	1.8x	1.5x	1.4x
EV/EBITDA	7.5x	6.5x	6.4x	5.9x
ROE	6.7%	20.0%	17.4%	16.5%
ROA	2.8%	8.4%	7.6%	7.3%
Dividend Yield	4.2%	3.0%	3.4%	3.8%

Source: Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price	2,500
Consensus Price (IDR)	2,260
TP to Consensus Price	+10.6%
Potential Upside	+29.5%

Shares data

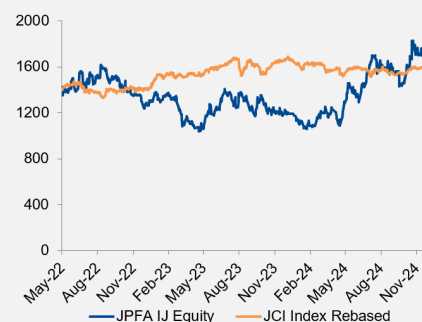
Last Price (IDR)	1,930
Price date as of	December 11, 2024
52 wk range (Hi/Low)	1,975 / 1,055
Free float (%)	43.2
Outstanding sh.(mn)	11,727
Market Cap (IDR bn)	22,690
Market Cap (USD mn)	1,427
Avg. Trd Vol - 3M (mn)	20.28
Avg. Trd Val - 3M (bn)	33.59
Foreign Ownership (%)	98.6%

Consumer Non-Cyclicals

Food and Beverages

Bloomberg	JPFA.IJ
Reuters	JPFA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	66.2%	12.4%	26.3%	64.1%
Rel. Ret	63.7%	9.1%	29.6%	58.3%

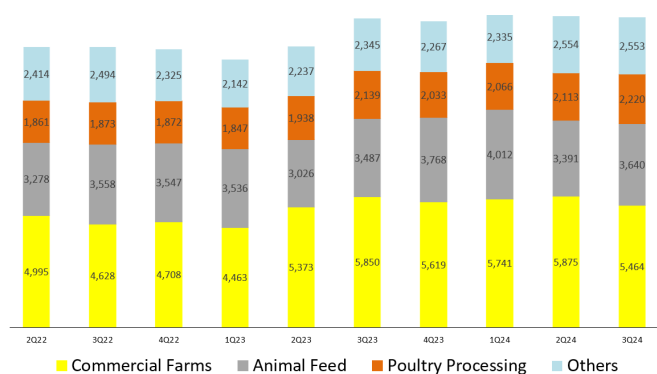
Ezaridho Ibnutama

+62 21 5088 9129

Ezaridho.ibnutama@nhsec.co.id

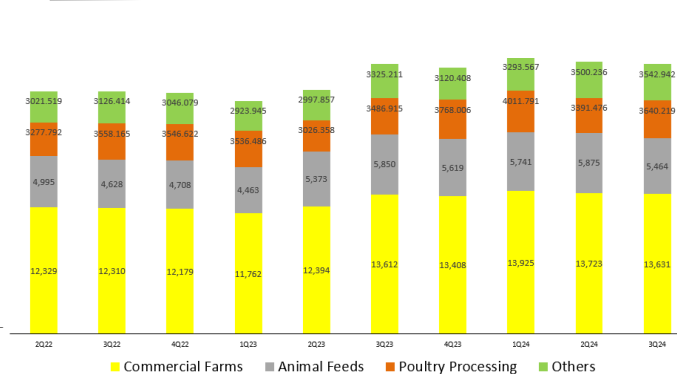
Performance Highlights

JPFA Revenue (2Q22-3Q24)



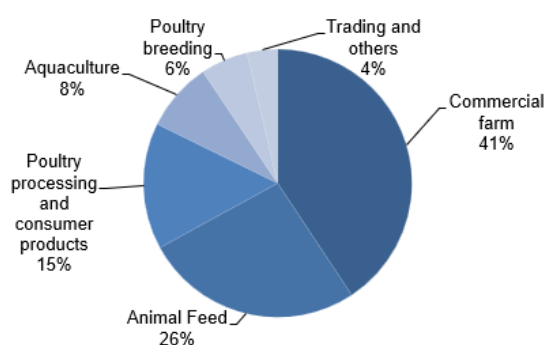
Source: Bloomberg, NHKSI Research

JPFA Operating Profit (2Q22-3Q24)



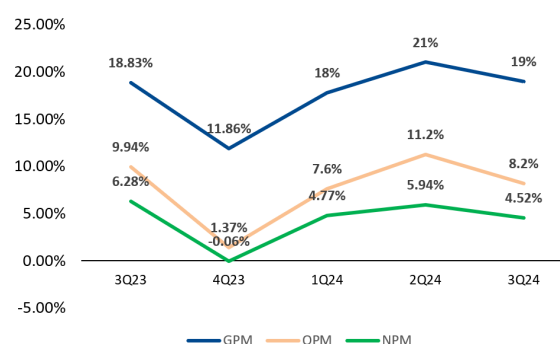
Source: Bloomberg, NHKSI Research

JPFA Revenue Breakdown 9M24



Source: Bloomberg, NHKSI Research

Margin Ratios (FY2019 - FY2023)



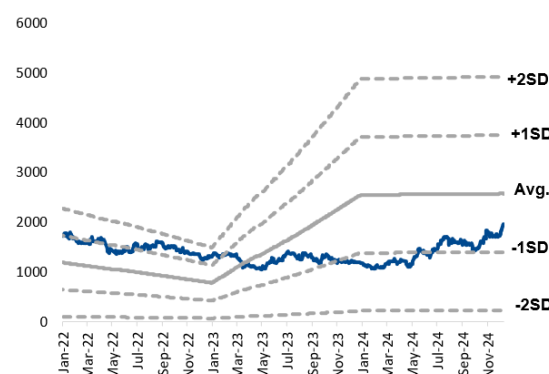
Source: Bloomberg, NHKSI Research

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	55,040	62,000	65,196	ROE	6.7%	20.0%	17.4%	16.5%
Growth	4.5%	7.6%	12.6%	5.2%	ROA	2.8%	8.4%	7.6%	7.3%
COGS	(43,665)	(44,359)	(50,358)	(52,856)	ROIC	6.4%	14.7%	13.6%	12.6%
Gross Profit	7,511	10,681	11,642	12,340	Cash Dividend (IDR bn)	581	875	1,009	1,118
Gross Margin	14.7%	19.4%	18.8%	18.9%	Dividend Yield	4.2%	3.0%	3.4%	3.8%
Operating Expenses	(5,283)	(5,504)	(6,200)	(6,520)	Payout Ratio	40.9%	94.1%	33.1%	36.3%
EBIT	2,228	5,177	5,442	5,821	DER	84.7%	81.9%	81.1%	80.3%
EBIT Margin	4.4%	9.4%	8.8%	8.9%	Net Gearing	96.6%	91.5%	91.8%	87.8%
Depreciation	1,075	1,131	1,086	1,097	LT Debt to Equity	55.9%	51.2%	51.7%	49.9%
EBITDA	3,303	6,308	6,528	6,918	Capitalization Ratio	45.9%	45.0%	44.8%	44.5%
EBITDA Margin	6.5%	11.5%	10.5%	10.6%	Equity Ratio	41.5%	42.8%	44.2%	44.4%
Interest Expenses	899	758	760	752	Debt Ratio	35.2%	35.1%	35.9%	35.7%
EBT	1,261	4,183	4,228	4,497	Financial Leverage	110.2%	90.5%	96.5%	102.7%
Income Tax	(315)	(1,084)	(1,096)	(1,165)	Current Ratio	161.2%	155.4%	176.1%	175.8%
Minority Interest	(16)	(54)	(54)	(58)	Inventory Turnover	3.4x	3.2x	3.4x	3.3x
Net Profit	930	3,045	3,078	3,274	Total Shares (mn)	11,727	11,727	11,727	11,728
Growth	-34.5%	227.5%	1.1%	6.4%	Share Price (IDR)	1,180	2,500	2,500	2,500
Net Profit Margin	1.8%	5.5%	5.0%	5.0%	Market Cap (IDR tn)	13.8	29.3	29.3	29.3
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	2,092	4,159	5,657	Price /Earnings	14.9x	9.6x	9.5x	9.0x
Receivables	2,456	2,756	3,092	3,212	Price /Book Value	1.0x	1.8x	1.5x	1.4x
Inventories	12,877	13,705	14,938	15,885	Price/Sales	0.3x	0.5x	0.5x	0.4x
Total Current Assets	17,218	18,908	22,558	25,117	PE/EPS Growth	-0.4x	0.0x	8.9x	1.4x
Net Fixed Assets	14,504	16,830	17,953	19,122	EV/EBITDA	7.5x	6.5x	6.4x	5.9x
Other Non Current Asset	2,387	2,420	2,304	2,371	EV/EBIT	11.2x	8.0x	7.6x	7.0x
Total Assets	34,109	38,158	42,815	46,609	EV (IDR bn)	24,931	41,178	41,576	40,893
Payables	4,118	4,082	4,197	4,665	Sales CAGR (3-Yr)	11.5%	7.0%	8.2%	8.4%
ST Bank Loan	4,078	5,017	5,565	6,284	EPS CAGR (3-Yr)	0.5%	14.6%	29.4%	52.1%
LT Debt	7,918	8,371	9,797	10,333	Basic EPS (IDR)	79	260	262	279
Total Liabilities	19,942	21,816	23,873	25,914	Diluted EPS (IDR)	79	260	262	279
Capital Stock & APIC	3,030	3,030	3,030	3,030	BVPS (IDR)	1,208	1,394	1,615	1,765
Retained Earnings	10,537	12,747	14,856	17,052	Sales PS (IDR)	4,364	4,694	5,287	5,559
Shareholders' Equity	14,167	16,342	18,942	20,696	DPS (IDR)	50	75	86	95
CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2023/12	2024/12E	2025/12E	2026/12E	By Geography	% Shareholders			%
Operating Cash Flow	2,416	3,623	2,670	4,072	Singapore	83.5	Japfa Ltd		55.4
Investing Cash Flow	(2,148)	(2,009)	(2,058)	(2,268)	United States	6.7	FIL Ltd		3.7
Financing Cash Flow	(556)	(885)	1,456	(305)	Luxembourg	4.7	Vanguard Group Inc		2.3
Net Changes in Cash	(288)	729	2,067	1,498	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.