

Friday, 02 March 2018

BUY
Maintain

Last price (IDR)	1,605
Target Price (IDR)	1,650
Upside/Downside	+2.8%
Previous Target Price (IDR)	1,650

Stock Statistics

Sector	Poultry
Bloomberg Ticker	JPFA IJ
No of Shrs (mn)	11,411
Mkt. Cap (IDRbn/USDmn)	18,314/1,332
Avg. daily T/O (IDRbn/USDmn)	7.4/0.5

Major shareholders (%)

Japfa Ltd.	51.0%
KKR Jade Investments Pte Ltd.	12.0%
Estimated free float	37.0%

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	122.2	153.5	178.8
Consensus	104.3	139.1	150.9
Danareksa/Cons	17.2	10.3	18.5

JPFA relative to JCI Index



Source : Bloomberg



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Japfa Comfeed Indonesia (JPFA IJ)

Robust growth in animal feed and DOC

JPFA's 2017 net profits were below our expectations, despite the EBITDA margin being in-line at ~9.6%, mainly due to higher financing costs, lower other income, and a higher tax rate in 4Q17. The 2017 revenues were in-line with our expectations, driven by robust growth in animal feed and the DOC business, which successfully offset deceleration in commercial farming and consumer products, aquaculture, and cattle beef sales.

Lower-than-expected 2017 net profits despite in-line EBITDA. JPFA posted net profits of IDR148bn in 4Q17 (-56.6% yoy; -59.3% qoq), which led to 2017 net profits of IDR997bn (-51.7% yoy), lower than our expectation. This mainly owed to higher financing costs, lower other income, and a higher tax rate which was nearly 36.4% in 2017. On a positive note, the 2017 EBITDA was in-line with our estimate (97%), but -19.7% yoy to IDR2.8tn in 2017 with the EBITDA margin down to 9.6% (2016: 13.1%). The 4Q17 EBITDA was -20.4% yoy and -14.0% qoq, reaching nearly IDR695bn.

In-line 2017 revenues driven by robust growth in animal feed and DOC. JPFA's 4Q17 revenues jumped +22.4% yoy and +4.6% qoq to IDR7.9tn. This led to IDR29tn of revenues in 2017, +9.4% yoy. This is 102.1% of our full year estimate, i.e. in-line. The overall performance was driven by: 1) robust animal feed revenues in 4Q17, which grew 62.2% yoy and 44.5% qoq, leading to a +21.5% yoy increase in 2017 and 2) solid DOC revenues growth in 4Q17, which jumped +25.3% yoy and +13.9% qoq, leading to a +19.5% yoy increase in 2017. Animal feed and DOC contributed 41.3% and 7.9% of JPFA's 2017 revenues.

Weak commercial farming and consumer products growth. From a negative aspect, revenues from commercial farming and consumer products fell by -25.1% yoy and -30.8% qoq in 4Q17. This filtered through to only a +1.7% yoy increase in 2017. This is the second major revenues contributor for JPFA (37.4% in 2017). Meanwhile, both aquaculture and cattle sales, which contributed 7.3% and 4.5% to the 2017 revenues were -4.1% yoy and -4.5% yoy in 2017.

Jan-Feb 2018 outlook; maintain BUY. DOC and broiler prices have remained strong in Jan-Feb 2018 compared to last year, depicting successful government efforts aimed at improving prices. We note that negative sentiment has come from the recent surge in global soybean meal prices that may impact on the overall COGS. While we are reviewing our forecast, we currently maintain our BUY call with a TP of IDR1,650. The risks to our call include lower-than-expected purchasing power and higher inflation.

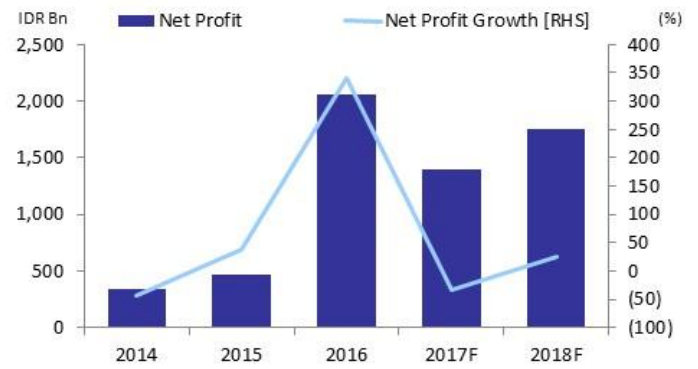
Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	25,023	27,063	28,985	32,149	35,722
EBITDA (IDRbn)	2,289	3,547	2,941	3,603	3,924
EBITDA Growth (%)	30.6	55.0	(17.1)	22.5	8.9
Net profit (IDRbn)	468	2,065	1,394	1,751	2,040
EPS (IDR)	43.9	180.9	122.2	153.5	178.8
EPS growth (%)	38.0	312.0	(32.5)	25.6	16.5
BVPS (IDR)	526.4	775.0	888.2	1,028.2	1,190.1
DPS (IDR)	6.8	14.0	9.0	13.4	16.9
PER (x)	36.5	8.9	13.1	10.5	9.0
PBV (x)	3.0	2.1	1.8	1.6	1.3
Dividend yield (%)	0.4	0.9	0.6	0.8	1.1
EV/EBITDA (x)	10.1	6.1	7.2	5.8	5.2

Source : JPFA, Danareksa Estimates

Exhibit 1. Revenues and Growth

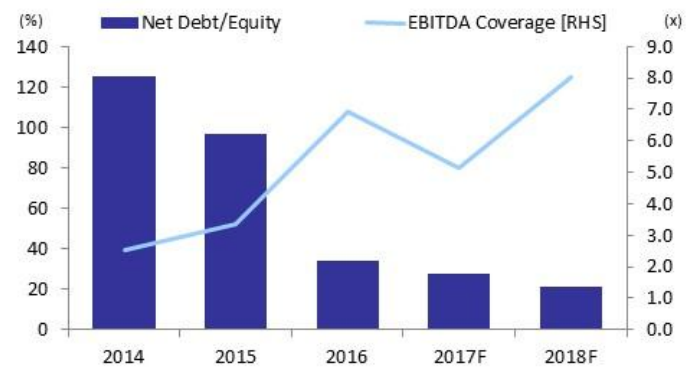

Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. 4Q17 results

(In IDRbn, unless otherwise stated)	4Q16	3Q17	4Q17	qoq	yoy	2016	2017	yoy	2017F	A/F
Revenues	6,462	7,562	7,908	4.6%	22.4%	27,063	29,603	9.4%	28,985	102.1%
Gross profits	1,081	1,345	1,198	-11.0%	10.8%	5,479	5,031	-8.2%	5,157	97.6%
EBITDA	873	808	695	-14.0%	-20.4%	3,547	2,849	-19.7%	2,941	96.9%
Operating profits	409	636	521	-18.1%	27.4%	2,921	2,170	-25.7%	2,224	97.6%
Pretax profits	419	512	398	-22.2%	-5.1%	2,767	1,741	-37.1%	1,960	88.8%
Net profits	340	362	148	-59.3%	-56.6%	2,065	997	-51.7%	1,394	71.5%
Gross margins	16.7%	17.8%	15.1%			20.2%	17.0%		17.8%	
EBITDA margins	13.5%	10.7%	8.8%			13.1%	9.6%		10.1%	
Operating margins	6.3%	8.4%	6.6%			10.8%	7.3%		7.7%	
Pretax margins	6.5%	6.8%	5.0%			10.2%	5.9%		6.8%	
Net margins	5.3%	4.8%	1.9%			7.6%	3.4%		4.8%	

(In IDRbn, unless otherwise stated)	4Q16	3Q17	4Q17	qoq	yoy	2016	2017	yoy
Revenue per segments								
Animal feeds	2,520	2,828	4,087	44.5%	62.2%	10,073	12,239	21.5%
DOC	535	588	670	13.9%	25.3%	1,963	2,346	19.5%
Commercial farming and consumer products	2,893	3,134	2,168	-30.8%	-25.1%	10,894	11,077	1.7%
Aquaculture	488	543	606	11.5%	24.1%	2,259	2,166	-4.1%
Cattle sales	(99)	399	290	-27.4%	-393.8%	1,396	1,333	-4.5%
Trading and others	215	171	205	19.7%	-4.6%	786	848	8.0%
Revenue contributions								
Animal feeds	39.0%	37.4%	51.7%			37.2%	41.3%	
DOC	8.3%	7.8%	8.5%			7.3%	7.9%	
Commercial farming and consumer products	44.8%	41.4%	27.4%			40.3%	37.4%	
Aquaculture	7.6%	7.2%	7.7%			8.3%	7.3%	
Cattle sales	-1.5%	5.3%	3.7%			5.2%	4.5%	
Trading and others	3.3%	2.3%	2.6%			2.9%	2.9%	

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	25,023	27,063	28,985	32,149	35,722
COGS	(21,030)	(21,584)	(23,828)	(26,283)	(29,163)
Gross profit	3,993	5,479	5,157	5,866	6,559
EBITDA	2,289	3,547	2,941	3,603	3,924
Oper. profit	1,728	2,921	2,224	2,612	2,943
Interest income	18	26	27	27	46
Interest expense	(681)	(510)	(573)	(449)	(396)
Forex Gain/(Loss)	(479)	11	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	112	319	282	272	275
Pre-tax profit	698	2,767	1,960	2,462	2,868
Income tax	(173)	(595)	(490)	(616)	(717)
Minority interest	(56)	(107)	(76)	(95)	(111)
Net profit	468	2,065	1,394	1,751	2,040
Core Net Profit	947	2,054	1,394	1,751	2,040

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	901	2,701	3,582	3,062	2,851
Receivables	1,254	1,297	1,366	1,515	1,684
Inventory	5,855	5,500	5,911	6,141	6,421
Other Curr. Asset	1,583	1,551	1,707	1,887	2,095
Fixed assets - Net	6,809	7,512	8,389	9,599	10,798
Other non-curr.asset	746	678	755	783	815
Total asset	17,159	19,251	21,722	23,000	24,676
ST Debt	2,067	2,260	1,303	2,235	1,386
Payables	2,912	2,528	3,003	3,413	3,899
Other Curr. Liabilities	373	405	387	445	500
Long Term Debt	4,761	3,609	5,253	3,417	3,417
Other LT. Liabilities	936	1,075	1,109	1,222	1,355
Total Liabilities	11,050	9,878	11,055	10,732	10,558
Shareholder's Funds	5,612	8,843	10,134	11,732	13,580
Minority interests	498	529	532	535	537
Total Equity & Liabilities	17,159	19,251	21,722	23,000	24,676

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	468	2,065	1,394	1,751	2,040
Depreciation and Amort.	561	626	717	990	981
Change in Working Capital	63	(73)	(5)	31	37
Other Oper. Cash Flow	701	548	372	300	197
Operating Cash Flow	1,794	3,165	2,478	3,073	3,255
Capex	(1,089)	(1,550)	(1,594)	(2,201)	(2,179)
Others Inv. Cash Flow	143	244	(51)	(1)	15
Investing Cash Flow	(945)	(1,306)	(1,645)	(2,202)	(2,164)
Net change in debt	(393)	(819)	720	(791)	(716)
New Capital	0	702	0	0	0
Dividend payment	(73)	(160)	(103)	(153)	(193)
Other Fin. Cash Flow	(589)	(479)	(570)	(447)	(393)
Financing Cash Flow	(1,056)	(756)	47	(1,391)	(1,302)
Net Change in Cash	(207)	1,103	881	(520)	(211)
Cash - begin of the year	768	901	2,701	3,582	3,062
Cash - end of the year	901	2,701	3,582	3,062	2,851

Exhibit 9. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	2.3	8.2	7.1	10.9	11.1
EBITDA	30.6	55.0	(17.1)	22.5	8.9
Operating profit	34.5	69.0	(23.9)	17.5	12.7
Net profit	38.0	340.9	(32.5)	25.6	16.5
Profitability (%)					
Gross margin	16.0	20.2	17.8	18.2	18.4
EBITDA margin	9.1	13.1	10.1	11.2	11.0
Operating margin	6.9	10.8	7.7	8.1	8.2
Net margin	1.9	7.6	4.8	5.4	5.7
ROAA	2.8	11.3	6.8	7.8	8.6
ROAE	9.0	28.6	14.7	16.0	16.1
Leverage					
Net Gearing (x)	1.0	0.3	0.3	0.2	0.1
Interest Coverage (x)	2.5	5.7	3.9	5.8	7.4

Source : JPFA, Danareksa Estimates

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