

Monday, 18 May 2020

BUY
Maintain

Last price (IDR)	890
Target Price (IDR)	1,000
Upside/Downside	+12.4%
Previous Target Price (IDR)	1,000

Stock Statistics

Sector	Poultry
Bloomberg Ticker	JPFA IJ
No of Shrs (mn)	11,411
Mkt. Cap (IDRbn/USDmn)	10,155/683
Avg. daily T/O (IDRbn/USDmn)	25.0/1.7

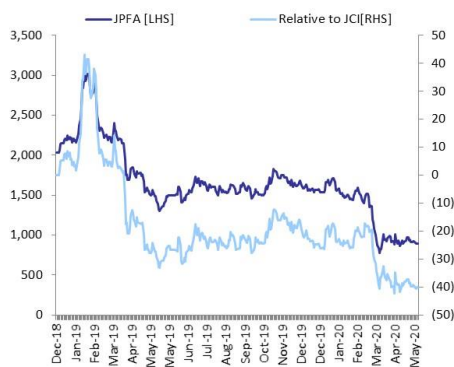
Major shareholders (%)

Japfa Ltd.	51.0
KKR Jade Investments Pte Ltd.	5.0
Estimated free float	46.7

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	34.4	85.6	89.6
Consensus	139.1	166.0	179.4
Danareksa/Cons	(75.3)	(48.4)	(50.1)

JPFA relative to JCI Index



Source : Bloomberg



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Japfa Comfeed Indonesia (JPFA IJ)

Higher overall volume, feed margin expansion

JPFA recorded core net profits of IDR255bn in 1Q20 (+7% y-o-y, -65% q-o-q). Despite slightly lower broiler ASP, JPFA was able to book higher y-o-y margins due to the strong margins from its feed business. The higher-than-expected margins in the feed business which were comparable with the seasonally high margins in the second quarter lifted its net profits above our estimates. Maintain BUY with a TP of IDR1,000.

Higher feed margin thanks to lower input costs. The strong profitability shown in 1Q20 was mainly due to the high margins in the feed business. Feed recorded a historically high 1Q20 EBITDA margin of 15.5% which is comparable with 2Q18's and 2Q19's EBITDA margin of 15.3% and 15.7%. We believe the margin expansion reflects lower corn costs which exceeded the lower feed ASP of 5% y-o-y and offset the rupiah depreciation in 1Q20.

Higher volume in the poultry business despite culling programs. JPFA was able to record higher volume in the poultry business, i.e. feed, DOC, and broiler despite the culling program conducted in 1Q20. This reflects the miscalculation of the culling programs or higher than expected Index Performance.

More feed and DOC sold internally. With net revenues in feed and DOC falling deeper than gross revenues and broiler recording a significant increase in sales volume, we believe more DOC were being used internally in 1Q20. This could mean that fewer independent farmers were in the business during the quarter.

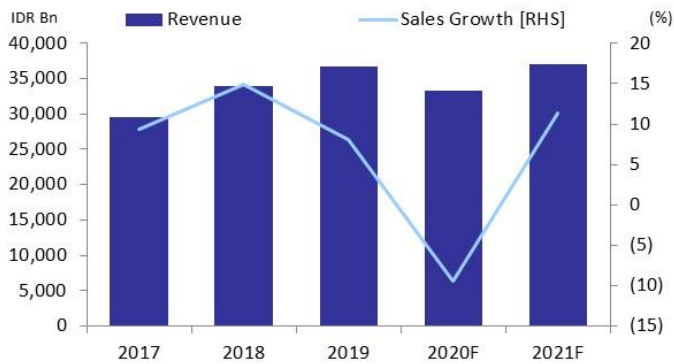
Expect depressed margins in 2Q20. With the COVID-19 pandemic to be fully felt in 2Q20, we expect the lower y-o-y broiler prices to offset the lower corn costs. Note that livebird prices in Java dropped to negative 9-13% y-o-y in 4M20 from negative 1-2% y-o-y in 3M20. We still expect 5% lower corn costs in FY20.

Maintain BUY with a TP of IDR1,000. We reiterate our BUY call mainly to reflect the depressed valuation and longer term prospects of the company. We value the stock at 5.9x FY21 EV/EBITDA implying 11.7x FY21F P/E. JPFA is currently trading at 5.6x FY21F EV/EBITDA and 10.4x FY21F P/E.

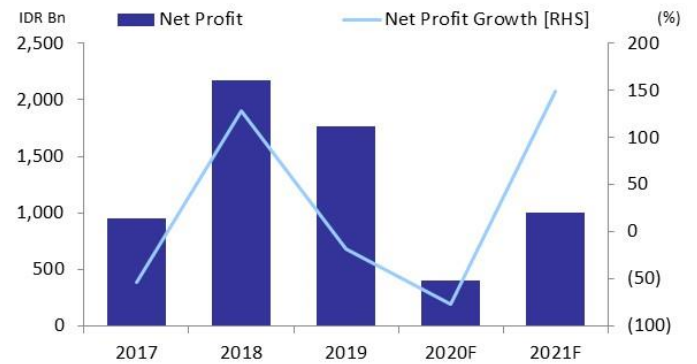
Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	34,013	36,743	33,267	37,067	40,618
EBITDA (IDRbn)	4,489	4,064	2,835	3,603	3,828
EBITDA Growth (%)	57.3	(9.5)	(30.2)	27.1	6.3
Net profit (IDRbn)	2,168	1,765	404	1,004	1,051
EPS (IDR)	184.9	150.5	34.4	85.6	89.6
EPS growth (%)	122.3	(18.6)	(77.1)	148.6	4.7
BVPS (IDR)	819.3	918.6	912.4	988.6	1,055.1
DPS (IDR)	98.6	50.0	40.7	9.3	23.1
PER (x)	4.8	5.9	25.9	10.4	9.9
PBV (x)	1.1	1.0	1.0	0.9	0.8
Dividend yield (%)	11.1	5.6	4.6	1.0	2.6
EV/EBITDA (x)	3.6	4.5	6.6	5.4	5.3

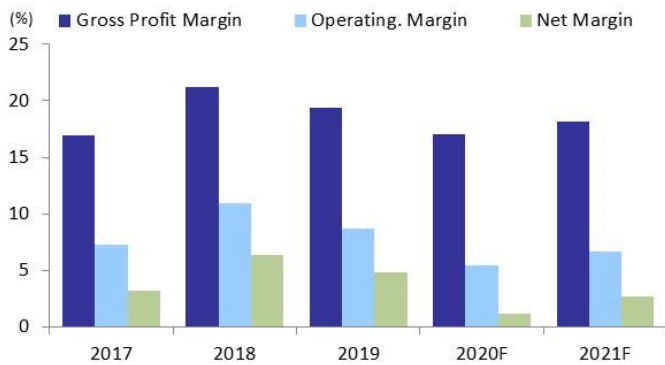
Source : JPFA, Danareksa Estimates

Exhibit 1. Revenues and Growth


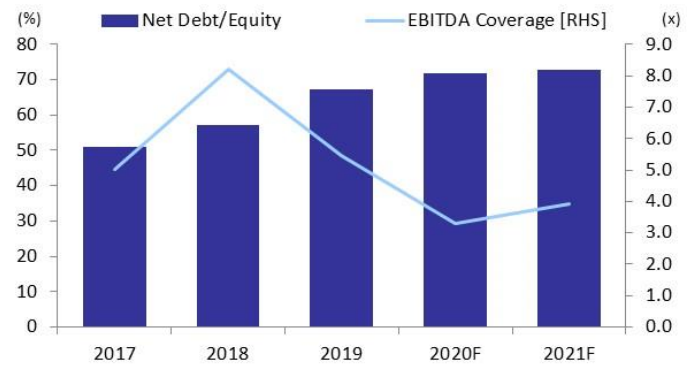
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


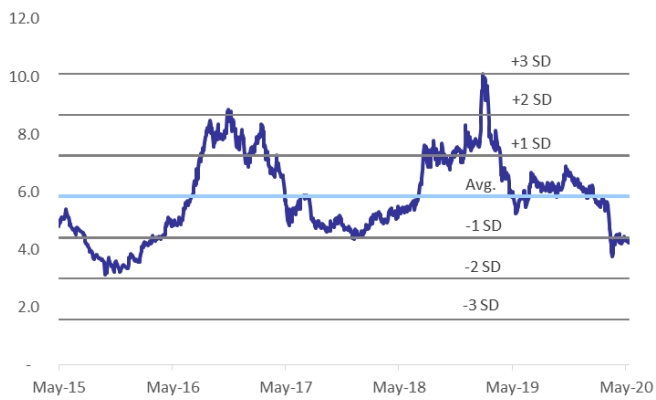
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. JPFA 1Q20 Results Summary

JPFA (IDR bn)	1Q19	4Q19	1Q20	y-o-y	q-o-q	3M19	3M20	y-o-y	FY20F	FY20C	A/F	A/C
Revenue	8,565	9,565	9,080	6%	-5%	8,565	9,080	6%	33,267	37,978	27%	24%
COGS	(7,141)	(7,161)	(7,487)	5%	5%	(7,141)	(7,487)	5%	(27,604)	(31,074)	27%	24%
Gross Profit	1,424	2,404	1,593	12%	-34%	1,424	1,593	12%	5,663	6,904	28%	23%
Total Opex	(904)	(1,122)	(1,017)	12%	-9%	(904)	(1,017)	12%	(3,852)	(4,133)	26%	25%
Operating Profit	520	1,283	576	11%	-55%	520	576	11%	1,811	2,771	32%	21%
Pretax profit	461	1,009	467	1%	-54%	461	467	1%	564	2,369	83%	20%
Net profit	311	722	344	11%	-52%	311	344	11%	404	1,478	85%	23%
Core profit	239	728	255	7%	-65%	239	255	7%	778		33%	
Gross margin	16.6%	25.1%	17.5%	0.9%	-7.6%	16.6%	17.5%	0.9%	17.0%	18.2%		
Operating margin	6.1%	13.4%	6.3%	0.3%	-7.1%	6.1%	6.3%	0.3%	5.4%	7.3%		
Net margin	3.6%	7.5%	3.8%	0.2%	-3.8%	3.6%	3.8%	0.2%	1.2%	3.9%		

Source: Company, Danareksa Sekuritas

Exhibit 6. EV/EBITDA Band Chart (5-year)



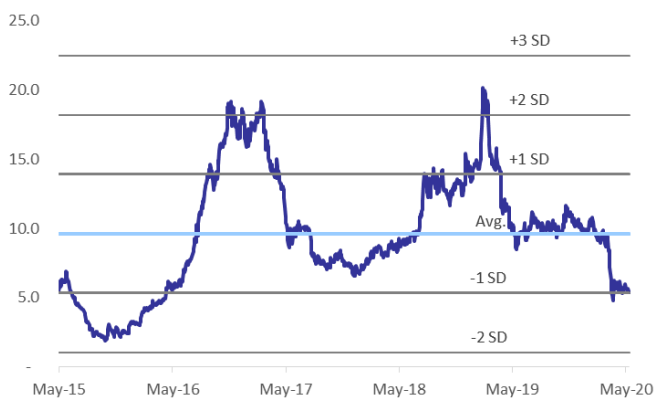
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. EV/EBITDA Band Chart (3-year)



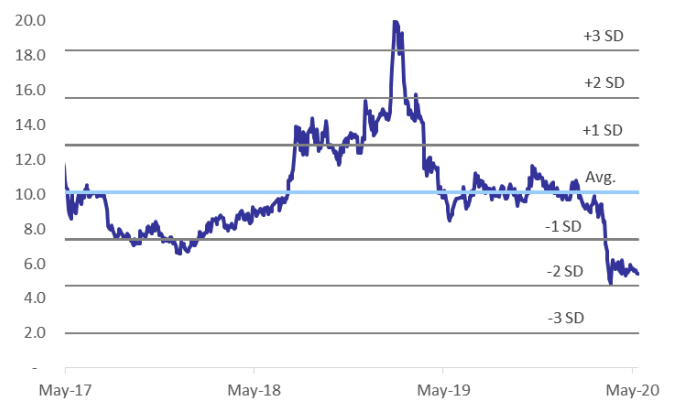
Source: Company, Danareksa Sekuritas estimates

Exhibit 8. P/E Band Chart (5-year)



Source: Company, Danareksa Sekuritas estimates

Exhibit 9. P/E Band Chart (3-year)



Source: Company, Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	34,013	36,743	33,267	37,067	40,618
COGS	(26,805)	(29,617)	(27,604)	(30,320)	(33,309)
Gross profit	7,208	7,126	5,663	6,746	7,309
EBITDA	4,489	4,064	2,835	3,603	3,828
Oper. profit	3,724	3,182	1,811	2,461	2,578
Interest income	39	13	18	22	14
Interest expense	(548)	(746)	(858)	(923)	(962)
Forex Gain/(Loss)	(246)	156	(374)	(124)	(127)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	120	(32)	(33)	(34)	(36)
Pre-tax profit	3,090	2,573	564	1,402	1,467
Income tax	(837)	(689)	(134)	(333)	(349)
Minority interest	(85)	(119)	(26)	(65)	(68)
Net profit	2,168	1,765	404	1,004	1,051
Core Net Profit	2,414	1,609	778	1,127	1,178

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	1,087	938	984	1,127	971
Receivables	1,822	2,040	1,748	1,948	2,135
Inventory	7,779	7,649	7,190	7,897	8,676
Other Curr. Asset	1,727	1,565	1,915	2,257	2,666
Fixed assets - Net	7,935	10,063	11,054	11,869	12,539
Other non-curr.asset	2,687	2,930	2,587	2,798	2,880
Total asset	23,038	25,185	25,478	27,896	29,865
ST Debt	2,069	3,125	3,226	9,030	5,609
Payables	3,827	3,142	3,248	3,567	3,919
Other Curr. Liabilities	1,009	767	611	667	690
Long Term Debt	4,863	5,494	5,935	1,112	5,167
Other LT. Liabilities	1,055	1,209	1,057	1,160	1,273
Total Liabilities	12,823	13,737	14,077	15,536	16,658
Shareholder's Funds	9,607	10,772	10,699	11,593	12,373
Minority interests	607	676	702	767	834
Total Equity & Liabilities	23,038	25,185	25,478	27,896	29,865

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	2,168	1,765	404	1,004	1,051
Depreciation and Amort.	765	882	1,025	1,142	1,250
Change in Working Capital	(1,081)	(862)	713	(1,066)	(1,062)
Other Oper. Cash Flow	75	95	116	168	183
Operating Cash Flow	1,927	1,880	2,257	1,248	1,422
Capex	(2,285)	(3,034)	(2,114)	(2,068)	(2,044)
Others Inv. Cash Flow	84	(188)	9	12	5
Investing Cash Flow	(2,200)	(3,223)	(2,105)	(2,056)	(2,039)
Net change in debt	863	1,687	542	981	635
New Capital	360	71	0	0	0
Dividend payment	(1,156)	(586)	(477)	(109)	(271)
Other Fin. Cash Flow	(351)	61	(153)	101	112
Financing Cash Flow	(284)	1,233	(88)	973	475
Net Change in Cash	(557)	(110)	64	165	(142)
Cash - begin of the year	1,642	1,087	938	984	1,127
Cash - end of the year	1,087	938	984	1,127	971

Exhibit 13. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	14.9	8.0	(9.5)	11.4	9.6
EBITDA	57.3	(9.5)	(30.2)	27.1	6.3
Operating profit	72.8	(14.6)	(43.1)	35.9	4.8
Net profit	128.4	(18.6)	(77.1)	148.6	4.7
Profitability (%)					
Gross margin	21.2	19.4	17.0	18.2	18.0
EBITDA margin	13.2	11.1	8.5	9.7	9.4
Operating margin	10.9	8.7	5.4	6.6	6.3
Net margin	6.4	4.8	1.2	2.7	2.6
ROAA	10.1	7.3	1.6	3.8	3.6
ROAE	24.5	17.3	3.8	9.0	8.8
Leverage					
Net Gearing (x)	0.6	0.7	0.7	0.7	0.7
Interest Coverage (x)	6.8	4.3	2.1	2.7	2.7

Source : JPFA, Danareksa Estimates

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