

Thursday, 30 June 2022

BUY
Maintain

Last price (IDR)	1,555
Target Price (IDR)	1,800
Upside/Downside	+15.8%
Previous Target Price (IDR)	1,800

Stock Statistics

Sector	Poultry
Bloomberg Ticker	JPFA IJ
No of Shrs (mn)	11,411
Mkt. Cap (IDRbn/USDmn)	16,545/1,141
Avg. daily T/O (IDRbn/USDmn)	36.7/2.5

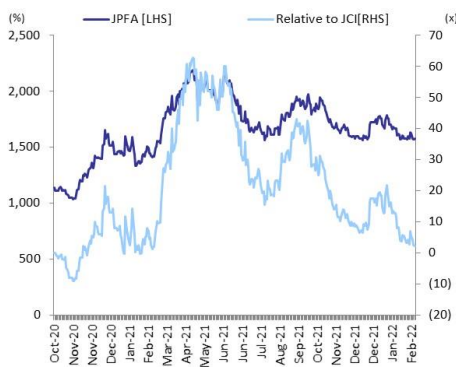
Major shareholders (%)

Japfa Ltd.	51.0
KKR Jade Investments Pte Ltd.	5.0
Estimated free float	43.5

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	169.6	151.8	178.3
Consensus	161.9	166.8	192.2
Danareksa/Cons	4.8	(9.0)	(7.2)

JPFA relative to JCI Index



Source : Bloomberg



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Japfa Comfeed Indonesia (JPFA IJ)

Growth locally, exports would be a bonus

JPFA is looking at growth opportunities in its Indonesian poultry business amid continued uncertainty in the future of feed margins. The potential to export chickens to Singapore is an interesting development, but the market only represents c. 7% of the group's total production. We remain positive on the stock with a BUY rating and TP of IDR1,800.

Growth prospects in key operating countries. We hosted a conference call with Japfa Ltd., the parent company of the Indonesian listed company, JPFA. Japfa Ltd. is engaged in several animal protein businesses, i.e. poultry, swine, cattle and milk, across Asia. The company is eyeing growth in Indonesia's poultry market, Vietnam's poultry and swine markets, and China's milk business. In Indonesia, despite the freezing of non-essential capex during the covid-19 pandemic, revenues were able to record substantial growth supported by spare capacity. Capex growth is expected this year and going forward. While expecting little growth in India and Myanmar, Vietnam is expected to show tremendous growth following recovery from the pandemic. China's undersupply of milk will also remain as a growth driver going forward.

Exports are an opportunity rather than the core focus. While surging chicken demand caused by Malaysia's chicken export ban is an interesting development, the magnitude of the chicken shortage (3.6mn birds per month) only comprises c. 7% of Japfa's chicken production. Japfa's main strategy is to produce locally, with consumption locally. As such, it will not shift its focus to the export market in the near future. Quality-wise, the company sees no problem for the export market.

The future feed margin is still unpredictable. JPFA's feed operating margin slumped to c. 7% in 2021 (from 10-11% normally) as the company took into account farmers' ability to survive and the margin they got in the breeding business by not fully passing through higher raw material costs in the ASP. Raising the feed ASP to bring margins back to their old range is still uncertain as this would depend on the condition of the Indonesian economy and farmers in the future.

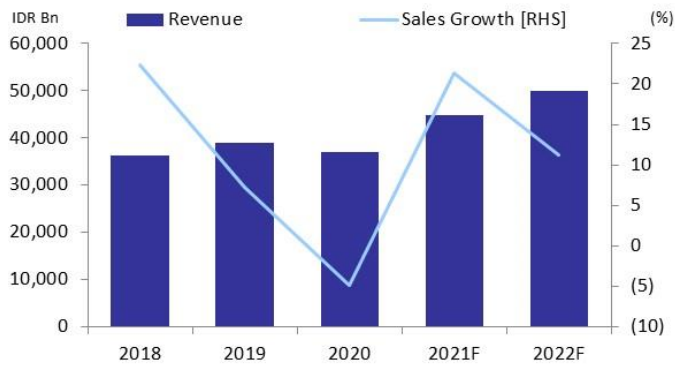
Maintain BUY with a TP of IDR1,800. Despite the recent share price rally, we maintain our BUY call on JPFA with an unchanged forecast and valuation multiple. The downside risk to our call is higher-than-expected raw material costs and lower-than-expected chicken prices. Upside potential comes from sales to the export market, even if they are not made by JPFA, as this would support domestic chicken prices.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	38,872	36,965	44,878	49,938	55,619
EBITDA (IDRbn)	4,115	3,790	4,437	4,813	5,269
EBITDA Growth (%)	(7.2)	(7.9)	17.1	8.5	9.5
Net profit (IDRbn)	1,677	1,160	1,989	1,780	2,091
EPS (IDR)	143.0	98.9	169.6	151.8	178.3
EPS growth (%)	(17.7)	(30.9)	71.5	(10.5)	17.4
BVPS (IDR)	956.9	910.6	1,043.2	1,150.5	1,288.4
DPS (IDR)	50.0	19.9	39.8	46.6	41.6
PER (x)	10.1	14.7	8.5	9.6	8.1
PBV (x)	1.5	1.6	1.4	1.3	1.1
Dividend yield (%)	3.4	1.4	2.7	3.2	2.9
EV/EBITDA (x)	6.1	6.2	5.9	5.1	4.5

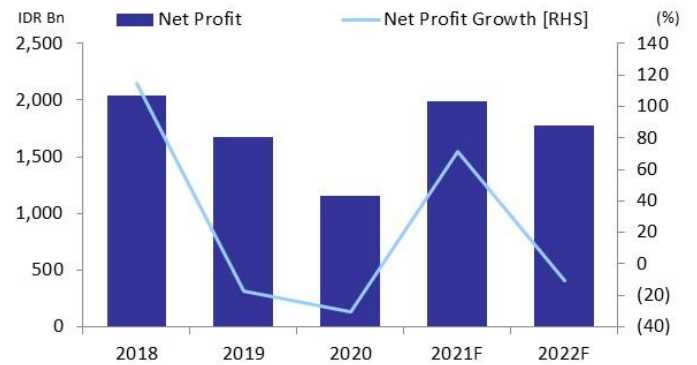
Source : JPFA, Danareksa Estimates

Exhibit 1. Revenues and Growth



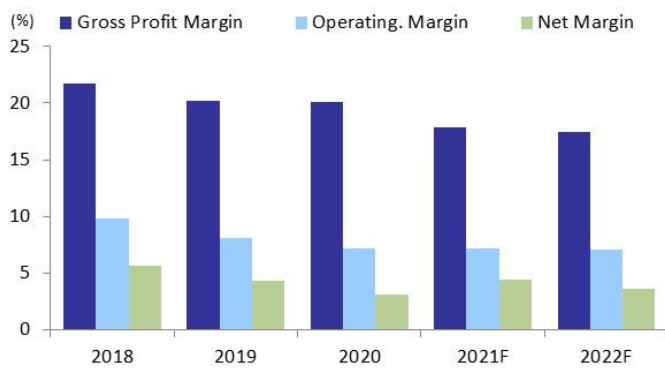
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



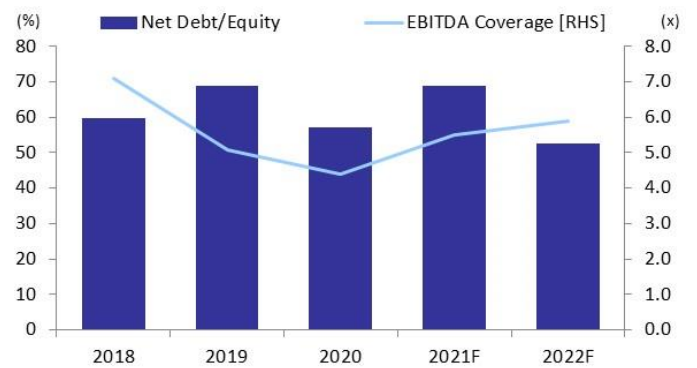
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	38,872	36,965	44,878	49,938	55,619
COGS	(31,000)	(29,536)	(36,858)	(41,205)	(46,024)
Gross profit	7,872	7,429	8,020	8,733	9,595
EBITDA	4,115	3,790	4,437	4,813	5,269
Oper. profit	3,136	2,635	3,222	3,528	3,922
Interest income	21	56	14	25	45
Interest expense	(810)	(859)	(807)	(815)	(774)
Forex Gain/(Loss)	149	(3)	53	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	1	(126)	278	(114)	(118)
Pre-tax profit	2,497	1,703	2,761	2,624	3,075
Income tax	(701)	(457)	(663)	(725)	(846)
Minority interest	(119)	(86)	(108)	(118)	(138)
Net profit	1,677	1,160	1,989	1,780	2,091
Core Net Profit	1,528	1,163	1,936	1,780	2,091

Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	1,004	1,336	1,085	1,944	2,930
Receivables	2,373	1,982	2,429	2,454	2,733
Inventory	7,919	6,861	9,068	8,904	9,945
Other Curr. Asset	1,577	1,566	1,579	1,998	2,180
Fixed assets - Net	10,708	11,144	11,510	11,633	11,595
Other non-curr.asset	3,070	3,063	2,919	3,359	3,523
Total asset	26,651	25,952	28,590	30,291	32,907
ST Debt	3,520	1,067	3,000	1,316	1,318
Payables	3,386	3,994	3,030	3,451	3,855
Other Curr. Liabilities	836	947	1,035	1,144	1,249
Long Term Debt	5,671	6,784	7,132	8,225	8,381
Other LT. Liabilities	1,341	1,766	1,273	1,668	1,860
Total Liabilities	14,754	14,558	15,469	15,804	16,664
Shareholder's Funds	11,221	10,678	12,233	13,491	15,109
Minority interests	676	734	869	988	1,126
Total Equity & Liabilities	26,651	25,970	28,572	30,283	32,899

Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	1,677	1,160	1,989	1,780	2,091
Depreciation and Amort.	979	1,155	1,215	1,285	1,346
Change in Working Capital	(863)	1,812	(2,854)	(363)	(1,145)
Other Oper. Cash Flow	98	(27)	350	270	283
Operating Cash Flow	1,891	4,099	701	2,972	2,575
Capex	(3,065)	(1,645)	(1,617)	(1,530)	(1,443)
Others Inv. Cash Flow	(62)	(279)	(894)	(1)	37
Investing Cash Flow	(3,127)	(1,924)	(2,511)	(1,531)	(1,406)
Net change in debt	1,583	(1,339)	2,280	(590)	158
New Capital	(32)	(1,008)	18	0	0
Dividend payment	(586)	(233)	(466)	(547)	(488)
Other Fin. Cash Flow	163	786	(265)	580	192
Financing Cash Flow	1,128	(1,795)	1,567	(557)	(138)
Net Change in Cash	(107)	380	(243)	884	1,031
Cash - begin of the year	1,160	1,004	1,336	1,085	1,944
Cash - end of the year	1,004	1,336	1,085	1,944	2,930

Exhibit 8. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	7.3	(4.9)	21.4	11.3	11.4
EBITDA	(7.2)	(7.9)	17.1	8.5	9.5
Operating profit	(12.2)	(16.0)	22.3	9.5	11.2
Net profit	(17.7)	(30.9)	71.5	(10.5)	17.4
Profitability (%)					
Gross margin	20.3	20.1	17.9	17.5	17.3
EBITDA margin	10.6	10.3	9.9	9.6	9.5
Operating margin	8.1	7.1	7.2	7.1	7.1
Net margin	4.3	3.1	4.4	3.6	3.8
ROAA	6.5	4.4	7.3	6.0	6.6
ROAE	15.7	10.6	17.4	13.8	14.6
Leverage					
Net Gearing (x)	0.7	0.6	0.7	0.5	0.4
Interest Coverage (x)	3.9	3.1	4.0	4.3	5.1

Source : JPFA, Danareksa Estimates

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