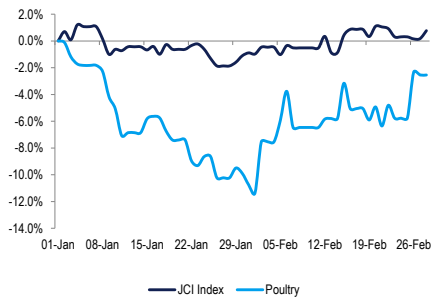


Sector Update | Poultry | 28 February 2024

Sector Index Performance

	3M	6M	12M
Absolute	-6.6%	-8.7%	-12.6%
Relative to JCI	-10.7%	-14.0%	-19.7%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
CPIN IJ	25.3	22.7	20.0
JPFA IJ	11.9	8.8	7.6
EV/EBITDA (x)	2023F	2024F	2025F
CPIN IJ	14.7	13.3	11.8
JPFA IJ	7.3	6.1	5.6
Div. Yield	2023F	2024F	2025F
CPIN IJ	2.4%	1.9%	2.2%
JPFA IJ	4.7%	3.6%	4.8%

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Improving broiler prices and declining cost inputs underpin our upgrade

- Average Feb24 broiler price recovery of 13.7% mom is likely driven by demand amid absence of culling program since Nov23.
- Normalizing domestic corn price at end of Feb24 (-13.4% from its peak) should support integrated poultry companies' margin in 2Q24F.
- Based on our channel checks with industry players, the favorable backdrop (declining corn price, supportive broiler) is sustainable until Lebaran and this underpins our sector upgrade to Overweight.

Broiler price recovery from tangible pick-up in demand

Broiler price recovered to Rp21.8k/kg in 27th Feb24 (vs. 4Q23/YTD avg of Rp18.1k/18.6k/kg) as DOC price (leading indicator) have risen to Rp7.2k/chick (vs. early Jan24 of Rp1.8k/chick). We view broiler & DOC price recovery were driven by improved demand from election spending, social aid (Rp600k in Jan-Mar24) and seasonal booster ahead of fasting month (12th Mar24) instead of lower broiler supply as government has yet to implement further culling since Nov23. Based on our channel checks with consumer staples companies, Feb24' domestic demand also showed some improvement, suggesting uptick in buying power.

Normalizing corn price should improve integrated margin in 2Q24F

Domestic corn price decreased to Rp6.7k/kg in 27th Feb24 (vs. average MTD of Rp7.4k/kg) due to improving weather and better harvest outlook, but it is still higher than 4Q23 (average at Rp5.8k/kg). According to Bappenas ([link to news](#)), they estimate domestic corn price is likely to further decrease in Mar24 due to harvesting month. As CPIN and JPFA' average corn inventory days of 45-60 days, we think lower corn price shall be evident in 2Q24F margin improvement. Based on our sensitivity analysis, every 1% corn price decline shall improve FY24F CPIN/JPFA net profit by 6.3/9.2%, assuming there is no ASP adjustment and no substitution.

Poultry sector to potentially benefit from PG's free lunch program

Taking cues from the real count indication which point toward Prabowo-Gibran (PG) as the presidential-vice presidential elects, we assess one of their programs in giving out free lunches to school children. The preliminary discussions on the program indicated 1.2mn tonnes of poultry meat requirement annually. Assuming this translates to incremental demand, this shall greatly boost poultry meat annual consumption by c.38% and potentially fully remove the industry's supply imbalance – which we estimate at c.1.2mn tonnes. If realized and well implemented, impact to broiler price shall be positive with a higher degree of price stability.

Upgrade to OW as sector has room to re-rate

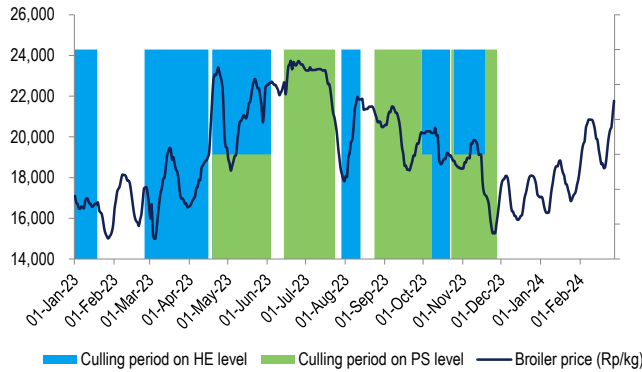
Our conversations with industry players suggest the broiler demand recovery coupled with benign corn price are sustainable in the near term and shall be key tailwinds for the sector. Along with the potential demand boost from PG's program, which have yet to be factored into our forecasts, the poultry sector has room for re-rating. As such, we upgrade poultry sector to OW. Downside risks are poor corn harvest and weak purchasing power.

Fig. 1: Indonesia Poultry Valuation Summary

Ticker	Rating	Current price	Target price	EPS growth		P/E		ROE	
				2023F	2024F	2023F	2024F	2023F	2024F
CPIN	BUY	4,890	5,400	8.3%	11.1%	25.3	22.7	11.8%	12.4%
JPFA	BUY	1,160	1,400	-24.6%	35.8%	11.9	8.8	8.0%	10.3%

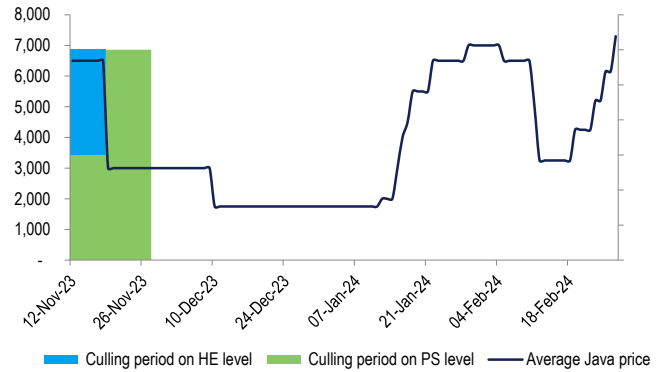
Source: Company, Indo Premier

Fig. 2: Broiler price (Rp/kg) showed an improvement since Feb24



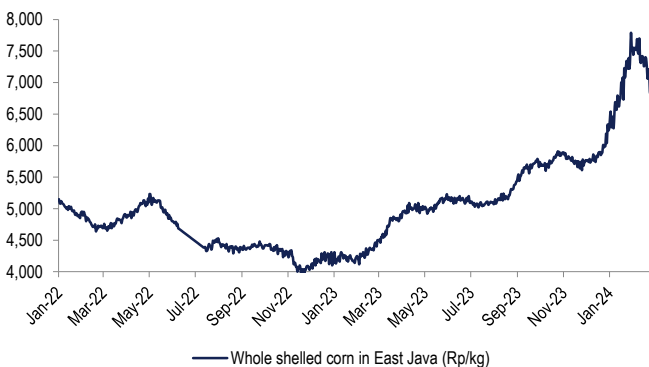
Source: Pinsar, Indo Premier

Fig. 3: DOC price trend (Rp/chick)



Source: Pinsar, Indo Premier

Fig. 4: Domestic corn price (Rp/kg) showed an improvement since 2nd week of Feb24



Source: Bappenas, Indo Premier

Fig. 5: FY24F CPIN and JPFA net profit sensitivity towards corn price changes

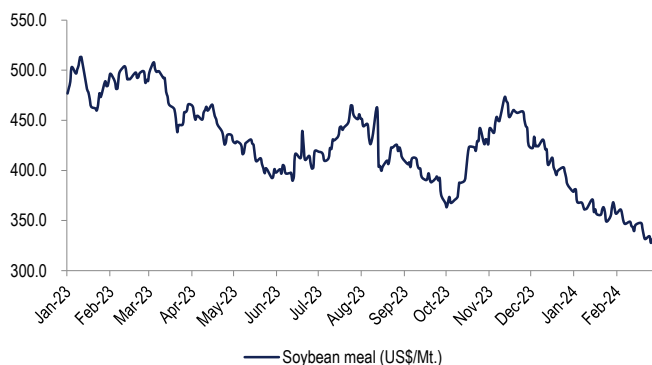
	Corn price				
	-2.0%	-1.0%	0.0%	1.0%	2.0%
CPIN					
FY24F net profit	3,972	3,749	3,526	3,303	3,080
Chg from base case	12.6%	6.3%	0.0%	-6.3%	-12.6%
JPFA					
FY24F net profit	1,673	1,543	1,414	1,284	1,154
Chg from base case	18.4%	9.2%	0.0%	-9.2%	-18.4%

Source: Company, Indo Premier

Lower soybean meal price should partially offset higher corn price in 4Q23-1Q24F

Benign soybean meal price shall partially offset higher corn price in 4Q23-1Q24F. Based on USDA latest report on Feb24, they estimate average soybean meal price shall drop by -15.7% to US\$320/ton in Jul24-Jun25 (vs. US\$380/ton in Jul23-Jun24), indicating FY24' average soybean meal to drop by -24.6% yoy to US\$330/ton. Lower FY24F soybean meal price is driven by higher soybean meal production i.e. USDA estimates global soybean meal production to increase by 4.3% yoy to 56.5mn tons in Jun24-Jul25. Based on our sensitivity analysis, every 5% soybean meal price decline will improve CPIN and JPFA's FY24F net profit by 3.6/5.6%, assuming there is no price adjustment.

Fig. 6: Soybean meal price trend (US\$/ton) which USDA estimates average FY24F soybean meal price is at US\$330/ton (-24.6% yoy)



Source: Bloomberg, Indo Premier

Fig. 7: FY24F CPIN and JPFA net profit sensitivity towards soybean meal price changes (Rp bn)

	Soybean meal price				
	-2.0%	-1.0%	0.0%	1.0%	2.0%
CPIN					
FY24F net profit	3,782	3,654	3,526	3,397	3,269
Chg from base case	7.3%	3.6%	0.0%	-3.6%	-7.3%
JPFA					
FY24F net profit	1,571	1,492	1,414	1,335	1,256
Chg from base case	11.1%	5.6%	0.0%	-5.6%	-11.1%

Source: Bloomberg, Indo Premier

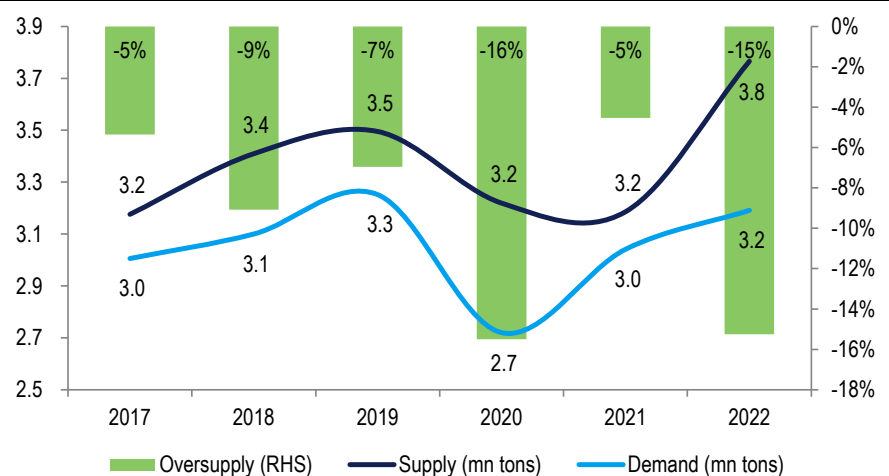
Potential 1.2mn tons chicken meat demand from “Free Lunch Program”

According to local news (link to [news](#)), Prabowo-Gibran require 1.2mn tons chicken meat to implement its “Free Lunch Program” as the potential new government. We think “Free Lunch Program” should drive the national chicken meat consumption. Based on BPS, FY22 national chicken consumption was at 3.2mn tons. Assuming this program translates into incremental demand, the total potential chicken meat consumption will be at 4.4mn tons.

According to Minister of Agriculture, FY22’ chicken meat production was at 3.8mn tons. It is worth highlighting that government did culling program in FY22 with culling target of 370mn DOC, assuming average livebird weight is at 1.7kg, then, the FY22 culling was at 0.6mn tons. Hence, total FY22 chicken meat production (including culling) was at 4.4mn tons.

As a result, we believe “Free Lunch Program” should greatly improve poultry’ oversupply condition (without culling).

Fig. 8: Indonesia’s poultry experienced oversupply in the past FY22



Source: BPS, Minister of Agriculture, Indo Premier

Charoen Pokphand Indonesia

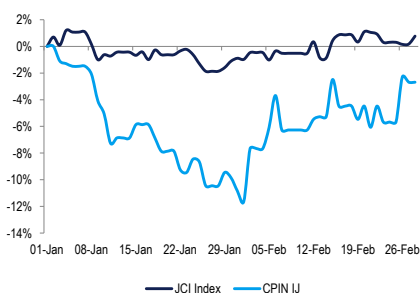
BUY (upgraded)

Company Update | Poultry | CPIN IJ | 28 February 2024
Stock Data

Target price	Rp5,400
Prior TP	Rp5,600
Current price	Rp4,890
Upside/downside	+10%
Shares outstanding (mn)	16,398
Market cap (Rp bn)	80,186
Free float	44%
Avg. 6m daily T/O (Rp bn)	38

Price Performance

	3M	6M	12M
Absolute	-7.3%	-8.2%	-9.0%
Relative to JCI	-11.4%	-13.5%	-16.1%
52w low/high (Rp)	4,420-5,800		


Major Shareholders

Charoen Pokphand Indonesia Group	55%
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Prime beneficiary of industry tailwinds

- Expect a softer 4Q23F net profit of Rp497bn (-62% qoq) on higher cost input; but we think it is well reflected in share price (-7.3% in 3M).
- Share price has reflected the weakness in 4Q23 till mid-Jan24 but broiler/DOC prices recovery shall lead to better 1Q24 performance.
- Upgrade to BUY call with TP of Rp5,400/sh as CPIN is well positioned to capitalize on these industry tailwinds

Weak 4Q23F may have been fully priced-in

We estimate CPIN' 4Q23 net profit to decline by 61.7% qoq to Rp497bn on the back of higher average 4Q23 domestic corn price (+9.3% qoq) coupled with soft average 4Q23 broiler price (-13.2% qoq). As a result, we revised down FY23F earnings by 5.7% to Rp3.2tr and this is in-line with consensus estimate at 98%. However, we think soft 4Q23F earnings has reflected in the drop in the share price of -7.3/-9.0% in 3M/12M.

Normalizing domestic corn price in Feb24 shall improve EBIT margin in 2Q24F

As we have discussed it previously, we estimate the impact from high corn price to extend until 1Q24F. It is worth highlighting that CPIN's average corn inventory days is at 45-60days. As such, we expect the bottoming earnings will be at 4Q23F and it may start to recover in 1Q24-2Q24F. To incorporate soft 1Q24F feed segment, we reduce CPIN' FY24F feed EBIT margin to 7.6% (-31bps). In sum, we cut CPIN FY24F earnings by 7.0% to Rp3.5tr. Our sensitivity analysis showed that every 1% corn price decline shall improve FY24F earnings by 6.3%, assuming there is no price adjustment.

Improvement in broiler price shall partially offset the higher input cost

As broiler price has recovered to Rp21.8k/kg in 27th Feb24 (average YTD of Rp18.6k/kg & average 4Q23's Rp18.1k/kg), we think the broiler price improvement shall offset the higher corn price in 1Q24F. Based on our sensitivity analysis, every 1% broiler price increase shall increase FY24F earnings by 9.4%.

Upgrade to BUY with lower TP of Rp5,400/sh

In sum, we upgrade our call to BUY rating with TP of Rp5,400/sh, based on 25.0x FY24F PE (5yr mean). We think the current FY24F PB valuation of 2.6x (lower than Covid level) coupled with light positioning from local and foreign funds will provide limited downside risk. Key catalyst is a strong Lebaran festive and sustained recovery beyond Lebaran.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	51,698	56,868	63,579	69,217	73,997
EBITDA	5,916	5,125	5,958	6,597	7,400
Net profit	3,621	2,928	3,173	3,526	4,019
EPS (Rp)	221	179	193	215	245
EPS growth	-5.8%	-19.1%	8.3%	11.1%	14.0%
ROE	14.9%	11.4%	11.8%	12.4%	13.1%
PER (x)	22.1	27.4	25.3	22.7	20.0
EV/EBITDA (x)	14.4	17.2	14.7	13.3	11.8
Dividend yield	2.3%	2.2%	2.4%	1.9%	2.2%
Forecast change			-6%	-7%	-3%
IPS vs. consensus			98%	96%	93%

Source: Company, Indo Premier

Share price closing as of: 28 February 2024

Fig. 9: CPIN 4Q23F preview

(Rp bn)	4Q23F	4Q22	% YoY	3Q23	% QoQ	12M23F	12M22	% YoY	IPS FY23F	% IPS	Cons. FY23F	% Cons	Comment
Gross sales	27,651	25,414	8.8%	29,954	-7.7%	110,727	101,404	9.2%					
Net sales	16,451	13,429	22.5%	16,237	1.3%	63,579	56,868	11.8%	63,579	100%	60,678	105%	In-line
COGS	(14,188)	(12,206)	16.2%	(13,452)	5.5%	(54,403)	(48,724)	11.7%					
Gross profit	2,262	1,223	85.0%	2,785	-18.8%	9,176	8,144	12.7%					
Operating expenses	(1,427)	(1,416)	0.8%	(999)	42.9%	(4,464)	(4,160)	7.3%					
EBIT	835	(193)	-533.1%	1,786	-53.2%	4,712	3,984	18.3%	4,712	100%	4,723	100%	In-line
Net finance income/(cost)	(350)	(145)	140.4%	(182)	92.0%	(880)	(447)	96.7%					
PBT	486	(338)	-243.6%	1,604	-69.7%	3,832	3,537	8.3%					
Tax	14	81	-82.3%	(307)	-104.6%	(657)	(607)	8.3%					
Net profit	497	(257)	-293.0%	1,298	-61.7%	3,173	2,928	8.3%	3,173	100%	3,225	98%	In-line
Margin (%)													
Gross margin	8.2%	4.8%		9.3%		8.3%	8.0%						
EBIT margin	3.0%	-0.8%		6.0%		4.3%	3.9%						
Net margin	1.8%	-1.0%		4.3%		2.9%	2.9%						

Source: Company, Indo Premier

Fig. 10: CPIN's earnings changes

	Previous			Current			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Gross sales	107,960	113,292	119,511	110,727	120,782	128,254	2.6%	6.6%	7.3%
Net sales	60,989	64,151	67,295	63,579	69,217	73,997	4.2%	7.9%	10.0%
Gross profit	9,503	10,315	11,098	9,176	10,162	11,203	-3.4%	-1.5%	0.9%
EBIT	4,960	5,520	6,010	4,712	5,271	5,946	-5.0%	-4.5%	-1.1%
Net profit	3,363	3,792	4,149	3,173	3,526	4,019	-5.7%	-7.0%	-3.1%
Margin, %									
Gross margin	8.8%	9.1%	9.3%	8.3%	8.4%	8.7%	-0.5%	-0.7%	-0.6%
EBIT margin	4.6%	4.9%	5.0%	4.3%	4.4%	4.6%	-0.3%	-0.5%	-0.4%
Net profit margin	5.5%	5.9%	6.2%	5.0%	5.1%	5.4%	-0.5%	-0.8%	-0.7%

Source: Company, Indo Premier

Fig. 11: CPIN FY24F net profit sensitivity analysis towards corn & soybean meal price changes

FY24F net profit (Rp bn)		Domestic corn price hike				
		-2%	-1%	0%	+1%	+2%
Soybean meal price hike	+2%	19.9%	13.6%	7.3%	1.0%	-5.4%
	+1%	16.3%	10.0%	3.6%	-2.7%	-9.0%
	0%	12.6%	6.3%	0.0%	-6.3%	-12.6%
	-1%	9.0%	2.7%	-3.6%	-10.0%	-16.3%
	-2%	5.4%	-1.0%	-7.3%	-13.6%	-19.9%

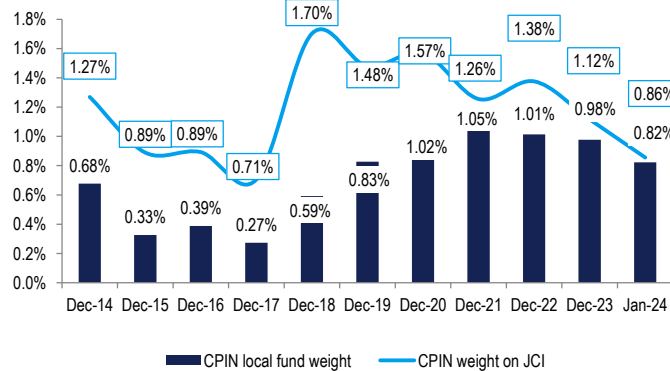
Source: Indo Premier

Fig. 12: CPIN FY24F net profit sensitivity towards broiler price changes

		Broiler price hike				
		-2.0%	-1.0%	0.0%	1.0%	2.0%
CPIN						
FY24F net profit		2,864	3,195	3,526	3,856	4,186
Chg from base case		-18.8%	-9.4%	0.0%	9.4%	18.7%

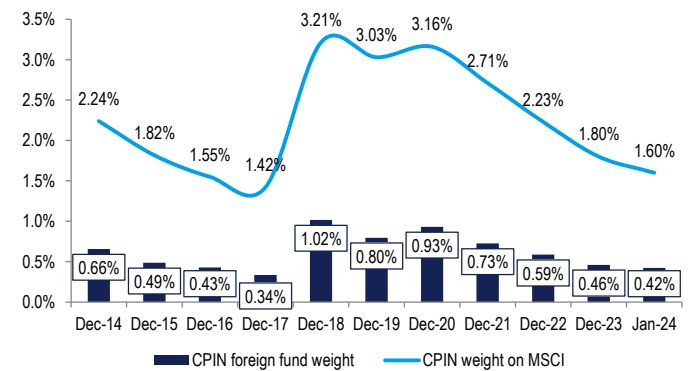
Source: Indo Premier

Fig. 13: CPIN's local fund weight vs. JCI's



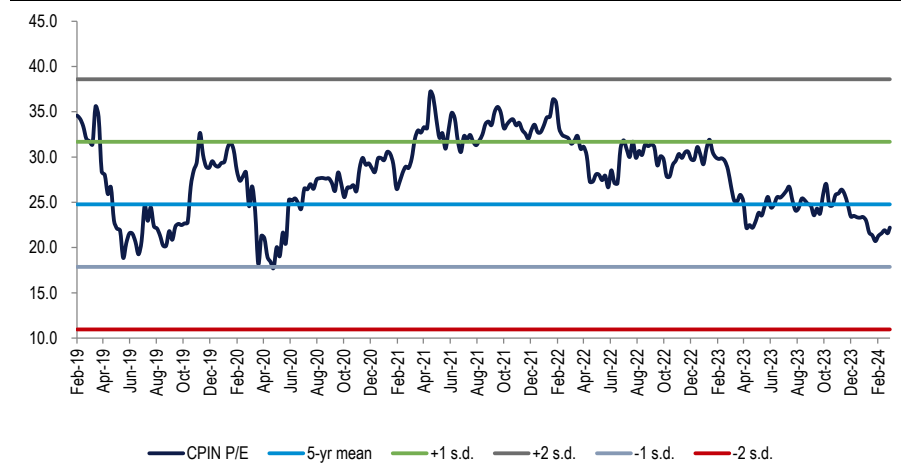
Source: KSEI, Indo Premier

Fig. 14: CPIN's foreign fund weight vs. MSCI's



Source: KSEI, Indo Premier

Fig. 15: CPIN is traded at 22.2x fwd. 12M PE (at -0.5 s.d. below its 5Y mean)



Source: Company, Bloomberg, Indo Premier

Fig. 16: CPIN is traded at 2.7x fwd. 12M PB (at -1.6 s.d. below its 5Y mean)



Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	51,698	56,868	63,579	69,217	73,997
Cost of sales	(43,559)	(48,724)	(54,403)	(59,055)	(62,794)
Gross profit	8,139	8,144	9,176	10,162	11,203
SG&A Expenses	(3,204)	(4,160)	(4,464)	(4,892)	(5,257)
Operating profit	4,934	3,984	4,712	5,271	5,946
Net interest	(289)	(399)	(662)	(660)	(641)
Others	312	(250)	(218)	(352)	(451)
Pre-tax income	4,958	3,336	3,832	4,259	4,855
Income tax	(1,015)	(607)	(657)	(731)	(833)
Net income	3,621	2,928	3,173	3,526	4,019

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,803	2,042	2,691	2,281	2,778
Receivable	1,794	1,820	2,633	2,873	2,994
Inventory	7,655	9,000	8,651	9,736	10,285
Other current assets	4,462	5,169	5,169	5,169	5,169
Total current assets	15,715	18,031	19,144	20,060	21,227
Fixed assets	16,256	17,628	18,082	19,456	20,702
Other non-current assets	2,397	3,143	3,143	3,143	3,143
Total non-current assets	18,653	20,771	21,225	22,599	23,845
Total assets	34,368	38,802	40,369	42,658	45,072
ST loans	4,587	6,649	6,649	6,649	6,649
Payable	2,402	2,446	2,800	3,115	3,235
Other payables	0	0	0	0	0
Current portion of LT loans	848	1,014	1,014	1,014	1,014
Total current liab.	7,836	10,109	10,463	10,779	10,898
Long term loans	1,358	2,312	2,312	2,312	2,312
Other LT liab.	1,102	1,099	1,099	1,099	1,099
Total liabilities	10,296	13,520	13,874	14,190	14,309
Equity	172	172	172	172	172
Retained earnings	24,963	26,139	27,351	29,325	31,620
Minority interest	15	17	17	17	17
Total SHE + minority int.	25,150	26,327	27,540	29,514	31,808
Total liabilities & equity	35,446	39,848	41,414	43,703	46,117

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Operating income	4,934	3,984	4,712	5,271	5,946
Depr. & amortization	981	1,140	1,246	1,326	1,454
Changes in working capital	(1,017)	(1,326)	(110)	(1,009)	(551)
Others	(2,484)	(2,067)	(1,539)	(1,745)	(1,927)
Cash flow from operating	2,415	1,731	4,309	3,842	4,921
Capital expenditure	(2,781)	(2,594)	(1,700)	(2,700)	(2,700)
Others	(185)	(402)	0	0	0
Cash flow from investing	(2,967)	(2,996)	(1,700)	(2,700)	(2,700)
Loans	1,846	3,017	0	0	0
Equity	(25)	(1)	0	0	0
Dividends	(1,819)	(1,753)	(1,960)	(1,552)	(1,724)
Others	0	0	0	0	0
Cash flow from financing	3	1,262	(1,960)	(1,552)	(1,724)
Changes in cash	(549)	(2)	649	(409)	497

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	9.2%	8.0%	8.3%	8.4%	8.7%
Operating margin	5.6%	3.9%	4.3%	4.4%	4.6%
Pre-tax margin	5.3%	3.5%	3.5%	3.5%	3.8%
Net margin	4.1%	2.9%	2.9%	2.9%	3.1%
ROA	10.9%	7.8%	7.8%	8.3%	8.9%
ROE	14.9%	11.4%	11.8%	12.4%	13.1%
Acct. receivables TO (days)	13.8	11.6	15.1	15.2	14.8
Inventory TO (days)	56.4	62.4	58.0	60.2	59.8
Payable TO (days)	18.0	18.2	18.8	19.3	18.8
Debt to equity	5.4%	8.8%	8.4%	7.8%	7.3%
Interest coverage ratio (x)	-15.0	-9.5	-6.9	-7.8	-8.8
Net gearing	-1.8%	1.0%	-1.4%	0.1%	-1.5%

Source: Company, Indo Premier

Japfa Comfeed Indonesia

BUY (unchanged)

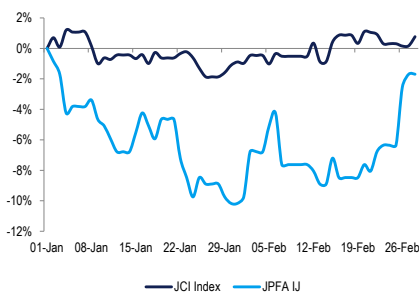
Company Update | Poultry | JPFA IJ | 28 February 2024

Stock Data

Target price	Rp1,400
Prior TP	Rp1,650
Current price	Rp1,160
Upside/downside	+20%
Shares outstanding (mn)	11,727
Market cap (Rp bn)	13,603
Free float	43%
Avg. 6m daily T/O (Rp bn)	15

Price Performance

	3M	6M	12M
Absolute	-2.1%	-11.8%	-13.8%
Relative to JCI	-6.2%	-17.1%	-20.8%
52w low/high (Rp)	1,040 – 1,410		



Major Shareholders

Japfa Ltd	55%
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Attractive valuation underpin our upgrade to BUY

- Expect a softer 4Q23F net profit of Rp114bn (-87% qoq) on the back of soft broiler price coupled with higher corn price
- JPFA shall benefit most from corn price decline as feed segment's contribution to EBIT at 120% (9M23) is much higher than CPIN's 84%
- Maintain BUY call with lower TP of Rp1,400. Currently, it is attractively valued at 8.8x FY24F PE with thin institutional ownership

Expect a softer 4Q23F on broiler softness coupled with higher corn price

We estimate JPFA' 4Q23 earnings to decline by -86.7% qoq to Rp114bn due to soft average 4Q23 broiler price (-13.2% qoq) coupled with higher average 4Q23 corn price (+9.3% qoq). As a result, we cut our FY23F earnings by -27.7% to Rp1.0tr and this is below cons' estimate at 89%. However, we view the weak result has been reflected in the share price with -11.8/-13.8% retracement in 6M/12M.

Benign corn price in Feb24 onwards shall be a boon to margin

As domestic corn price has shown an improvement starting 2nd week of Feb24, we expect feed margin pressure will last only until 1Q24F, considering JPFA's average corn inventory days of 45-60days. To incorporate soft 1Q24F earnings, we revised down our FY24F earnings by 19.4% to Rp1.4tr. It is worth highlighting that JPFA 9M23 feed EBIT contribution stood at 120.2% (vs. CPIN's 84.1%). The higher corn price may somewhat dampen the recovery in 1Q24, although we view that earnings has bottomed in 4Q23. Based on our sensitivity analysis, every 1% corn price decline would improve FY24F net profit by 9.2%, assuming there is no price adjustment

Attractive valuation discount against market leader

As of now, JPFA is traded at 8.9x fwd. 12M PE (-0.5s.d. from its 5yr avg) which JPFA' PE multiples is 58% below than CPIN's (vs. 5yr average discount at 60%). In addition, both local and foreign funds have a light positioning on JPFA; hence, we think the downside risk for JPFA is limited.

Maintain BUY with lower TP of Rp1,400

Despite FY24F earnings downgrade, we maintain our BUY call for JPFA with lower TP of Rp1,400 based on 11.5x FY24F PE (its 5yr mean). Its attractive valuation of FY24F 8.8x helps to underpin our BUY call for JPFA. Key downside risks are weak broiler price, higher input cost and US\$ appreciation

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	44,878	48,972	51,723	55,503	58,865
EBITDA	4,834	3,797	3,173	3,852	4,309
Net profit	2,023	1,420	1,041	1,414	1,646
EPS (Rp)	172	121	89	121	140
EPS growth	120.6%	-29.8%	-24.6%	35.8%	16.5%
ROE	17.7%	11.4%	8.0%	10.3%	11.2%
PER (x)	5.3	9.0	11.9	8.8	7.6
Dividend yield	3.4%	5.2%	4.7%	3.6%	4.8%
Forecast change			-28%	-19%	-13%
IPS vs. consensus			89%	96%	97%

Source: Company, Indo Premier

Share price closing as of: 28 February 2024

Fig. 17: JPFA 4Q23F preview

(Rp bn)	4Q23F	4Q22	% YoY	3Q23	% QoQ	12M23F	12M22	% YoY	IPS FY23F	% IPS	Cons FY23F	% Cons	Comment
Gross sales	21,933	19,223	14.1%	21,879	0.2%	81,591	77,133	5.8%					
Net sales	13,956	12,179	14.6%	13,612	2.5%	51,723	48,972	5.6%	51,723	100%	50,910	102%	In-line
COGS	(12,380)	(10,640)	16.4%	(11,049)	12.0%	(44,226)	(41,289)	7.1%					
Gross profit	1,576	1,539	2.4%	2,563	-38.5%	7,497	7,683	-2.4%					
Operating expenses	(1,435)	(1,334)	7.6%	(1,222)	17.4%	(5,360)	(4,920)	8.9%					
EBIT	141	205	-31.4%	1,341	-89.5%	2,138	2,763	-22.6%	2,138	100%	2,473	86%	Below
Net finance income/(cost)	10	(218)	-104.8%	(227)	-104.6%	(693)	(809)	-14.3%					
PBT	151	(13)	-1308.4%	1,114	-86.4%	1,444	1,955	-26.1%					
Tax	(51)	(16)	211.1%	(232)	-78.1%	(350)	(464)	-24.6%					
Minority	3	20	-83.1%	(27)	-112.9%	(54)	(71)	-24.6%					
Net profit	104	(8)	N/A	855	-87.9%	1,041	1,420	-26.7%	1,041	100%	1,164	89%	Below
Margin (%)													
Gross margin	7.2%	8.0%		11.7%		9.2%	10.0%						
EBIT margin	0.6%	1.1%		6.1%		2.6%	3.6%						
Net margin	0.5%	0.0%		3.9%		1.3%	1.8%						

% of Gross Sales

Source: Company, Indo Premier

Fig. 18: JPFA's earnings changes

	Previous			Current			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Gross sales	82,587	86,574	92,336	81,591	88,123	93,840	-1.2%	1.8%	1.6%
Net sales	52,147	54,791	58,131	51,723	55,503	58,865	-0.8%	1.3%	1.3%
Gross profit	8,130	8,848	9,477	7,497	8,526	9,285	-7.8%	-3.6%	-2.0%
EBIT	2,718	3,144	3,375	2,138	2,727	3,094	-21.3%	-13.3%	-8.3%
Net profit	1,440	1,754	1,885	1,041	1,414	1,646	-27.7%	-19.4%	-12.7%
Margin, %									
Gross margin	9.8%	10.2%	10.3%	9.2%	9.7%	9.9%	-0.7%	-0.5%	-0.4%
EBIT margin	3.3%	3.6%	3.7%	2.6%	3.1%	3.3%	-0.7%	-0.5%	-0.4%
Net profit margin	1.7%	2.0%	2.0%	1.3%	1.6%	1.8%	-0.5%	-0.4%	-0.3%

Source: Company, Indo Premier

Fig. 19: JPFA FY24F net profit sensitivity analysis towards corn & soybean meal price changes

FY24F net profit (Rp bn)		Domestic corn price hike				
		-2%	-1%	0%	+1%	+2%
Soybean meal price hike	+2%	29.5%	20.3%	11.1%	2.0%	-7.2%
	+1%	23.9%	14.8%	5.6%	-3.6%	-12.8%
	0%	18.4%	9.2%	0.0%	-9.2%	-18.4%
	-1%	12.8%	3.6%	-5.6%	-14.8%	-23.9%
	-2%	7.2%	-2.0%	-11.1%	-20.3%	-29.5%

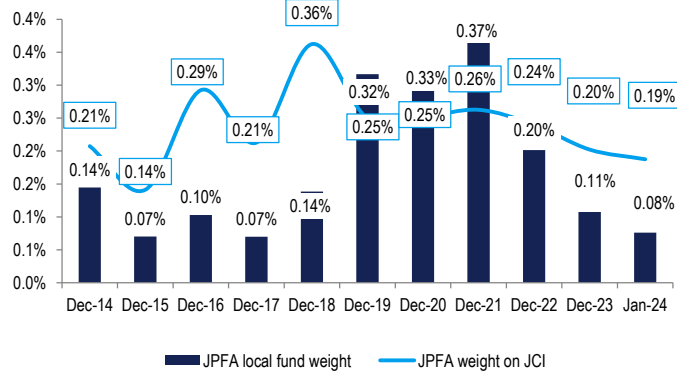
Source: Indo Premier

Fig. 20: JPFA FY24F net profit sensitivity towards broiler price changes

		Broiler price hike				
		-2.0%	-1.0%	0.0%	1.0%	2.0%
JPFA						
FY24F net profit		1,102	1,258	1,414	1,570	1,726
Chg from base case		-22.1%	-11.0%	0.0%	11.0%	22.1%

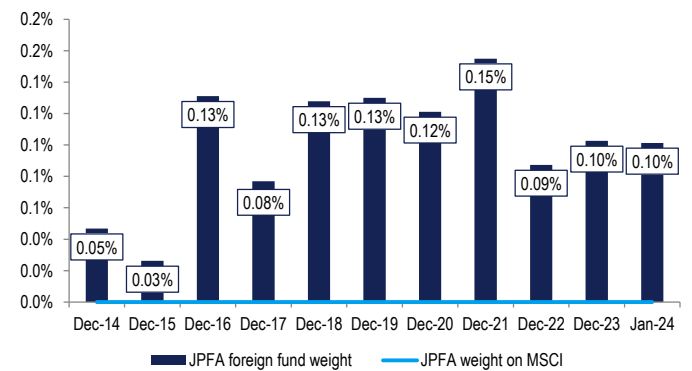
Source: Indo Premier

Fig. 21: JPFA's local fund weight vs. JCI's



Source: KSEI, Indo Premier

Fig. 22: JPFA's foreign fund weight vs. MSCI's



Source: KSEI, Indo Premier

Fig. 23: JPFA is traded at 9.4x fwd. 12M PE (or 0.5s.d. below its 5Y mean)



Source: Company, Bloomberg, Indo Premier

Fig. 24: JPFA is traded at 0.9x fwd. 12M PE (or 1.5s.d. below its 5Y mean)



Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	44,878	48,972	51,723	55,503	58,865
Cost of sales	(36,858)	(41,289)	(44,226)	(46,977)	(49,580)
Gross profit	8,020	7,683	7,497	8,526	9,285
SG&A Expenses	(4,487)	(4,920)	(5,360)	(5,799)	(6,191)
Operating profit	3,533	2,763	2,138	2,727	3,094
Net interest	(739)	(809)	(787)	(727)	(670)
Others	312	(40)	94	(38)	(139)
Pre-tax income	3,105	1,915	1,444	1,961	2,284
Income tax	(663)	(464)	(350)	(475)	(553)
Net income	2,023	1,420	1,041	1,414	1,646

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,085	1,811	1,351	238	(578)
Receivable	2,429	2,496	2,859	3,040	3,160
Inventory	7,713	9,272	9,172	9,414	9,878
Other current assets	2,934	3,422	3,422	3,422	3,422
Total current assets	14,161	17,001	16,804	16,114	15,882
Fixed assets	11,510	12,497	13,399	14,211	14,933
Other non-current assets	2,763	3,037	3,037	3,037	3,037
Total non-current assets	14,273	15,534	16,436	17,248	17,969
Total assets	28,434	32,535	33,239	33,362	33,851
ST loans	1,315	3,869	3,869	3,869	3,869
Payable	3,030	4,135	5,075	5,101	5,259
Other payables	1,685	691	875	714	510
Current portion of LT loans	1,035	718	718	718	718
Total current liab.	7,064	9,412	10,537	10,402	10,355
Long term loans	7,132	8,426	7,551	6,837	6,327
Other LT liab.	1,291	1,197	1,197	1,197	1,197
Total liabilities	15,487	19,036	19,285	18,436	17,880
Equity	3,136	2,868	2,868	2,868	2,868
Retained earnings	9,098	9,880	10,335	11,307	12,353
Minority interest	869	907	907	907	907
Total SHE + minority int.	13,103	13,655	14,110	15,081	16,127
Total liabilities & equity	28,590	32,691	33,395	33,517	34,006

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Operating income	3,533	2,763	2,138	2,727	3,094
Depr. & amortization	1,215	950	1,035	1,125	1,215
Changes in working capital	(3,452)	(522)	677	(397)	(426)
Others	(1,378)	(2,286)	(1,096)	(1,313)	(1,447)
Cash flow from operating	(82)	905	2,754	2,142	2,436
Capital expenditure	(1,617)	(1,937)	(1,937)	(1,937)	(1,937)
Others	272	(118)	0	0	0
Cash flow from investing	(1,346)	(2,055)	(1,937)	(1,937)	(1,937)
Loans	2,280	2,855	(691)	(875)	(714)
Equity	(405)	(324)	0	0	0
Dividends	(384)	(637)	(586)	(442)	(600)
Others	0	0	0	0	(0)
Cash flow from financing	1,491	1,893	(1,277)	(1,318)	(1,315)
Changes in cash	63	743	(461)	(1,112)	(816)

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	11.5%	10.0%	9.2%	9.7%	9.9%
Operating margin	5.1%	3.6%	2.6%	3.1%	3.3%
Pre-tax margin	4.5%	2.5%	1.8%	2.2%	2.4%
Net margin	3.4%	1.8%	1.3%	1.6%	1.8%
ROA	8.6%	4.5%	3.2%	4.2%	4.9%
ROE	20.4%	11.1%	8.0%	10.3%	11.2%
Acct. receivables TO (days)	17.9	18.4	20.2	20.0	19.6
Acct. receivables - other TO (days)					
Inventory TO (days)	66.3	75.1	75.7	73.1	72.7
Payable TO (days)	34.8	31.7	41.9	39.6	38.7
Acct. payables - other TO (days)					
Debt to equity	72.1%	71.5%	63.8%	53.3%	44.9%
Interest coverage ratio (x)	-4.4	-3.4	-2.6	-3.4	-4.1
Net gearing	63.2%	57.3%	53.6%	51.6%	48.7%

Source: Company, Indo Premier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- BUY : Expected total return of 10% or more within a 12-month period
- HOLD : Expected total return between -10% and 10% within a 12-month period
- SELL : Expected total return of -10% or worse within a 12-month period

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