

Japfa Comfeed Indonesia

BUY (unchanged)

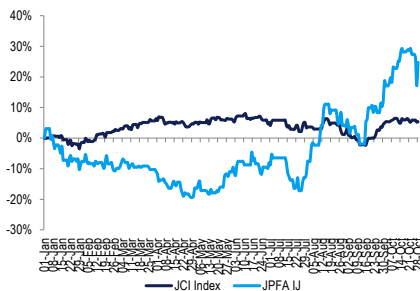
Company Update | Poultry | JPFA IJ | 28 October 2024

Stock Data

Target price	Rp2,050
Prior TP	Rp2,050
Current price	Rp1,665
Upside/downside	23%
Shares outstanding (mn)	11,727
Market cap (Rp bn)	19,525
Free float	43%
Avg. 6m daily T/O (Rp bn)	38

Price Performance

	3M	6M	12M
Absolute	43,2%	54,7%	29,1%
vs. JCI	42,9%	53,8%	23,8%
52w low/high (Rp)	1,060 – 1,700		



Major Shareholders

Japfa Ltd	55.4%
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A surprise 3Q24 beat despite soft DOC & broiler prices

- 9M24 net profit of Rp2.1tr (+124% yoy) was substantially above our/consensus estimates, while 9M24 net sales was in-line.
- 3Q24 net profit dropped by 24% qoq to Rp617bn due to soft DOC & broiler price, but this was still better than expectations.
- Maintain buy with TP of Rp2,050/sh due to still better-than-expected 3Q24 result and brighter 4Q24F outlook.

9M24 net profit was above our/consensus estimate

JPFA posted 9M24 net profit of Rp2.1tr (+124% yoy) and this was above at 96/89% of our/consensus estimate (vs. 5yr avg of 79%). 9M24 EBIT of Rp3.6tr (+83% yoy), also above. 9M24 net sales grew by 9.3% yoy to Rp41.3tr, in-line. 9M24 EBIT margin improved to 5.7% (+236bps yoy) due to GPM improvement (+251bps yoy) coupled with stable opex to sales ratio (-15bps yoy).

Robust 3Q24 net profit due to resilient performance from all segments despite soft DOC and broiler prices

3Q24 net profit stood at Rp617bn (-24% qoq). 3Q24 feed margin dropped to 7.9% (-69bps qoq) as per our estimate that JPFA has cut its feed ASP by c.5% qoq from lower corn/SBM price (-3/-8% qoq). With lower feed ASP, this shall imply lower input cost for DOC and broiler segments. To note, we expect feed contributes 80% of DOC' cost, and 60-70% for broiler's. As a result, 3Q24 DOC segment recorded EBIT of Rp377bn (-18.4% qoq) despite lower DOC ASP of -23% qoq. Meanwhile, broiler segment booked EBIT of -Rp16bn (vs. Rp389bn in 2Q24) due to soft broiler price of -11.2% qoq. In sum, 3Q24 net profit was +92% above our estimate.

Favourable 4Q outlook should give a further upside to earnings

With the current DOC and Broiler development (+53/+27% mom - [link](#)), we expect JPFA to continue deliver robust earnings in 4Q24F. Hence, we think further earnings upgrades from consensus shall follow post results.

Maintain BUY rating with TP of Rp2,050/sh

We are reviewing our forecast as we await details from the earnings call. For now, we maintain our BUY rating with TP of Rp2,050/sh, based on 11x FY24F PE (5yr mean). JPFA remains our preferred poultry pick as we expect there will be a potential c.30% FY24F earnings upgrade from consensus. Downside risks are: weak broiler price, higher input cost and US\$ appreciation.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	48,972	51,176	54,659	57,556	60,495
EBITDA	3,797	3,240	4,886	5,099	5,431
EBITDA growth	-21%	-15%	51%	4%	7%
Net profit	1,420	930	2,181	2,292	2,476
EPS (Rp)	121	79	186	195	211
EPS growth	-29.8%	-34.5%	134.6%	5.1%	8.0%
ROE	11.4%	7.0%	15.2%	14.3%	14%
PER (x)	13.8	21.0	9.0	8.5	7.9
EV/EBITDA	8.1	9.6	6.1	5.8	5.5
Dividend yield	3.6%	3.6%	0.0%	5.6%	5.9%
Forecast change			0%	0%	0%
IPS vs. consensus			92%	99%	103%

Sources: Company, Indo Premier

Share price closing as of: 28 October 2024

Fig. 1: JPFA 3Q24 Result summary

(Rp bn)	3Q24	3Q23	% YoY	2Q24	% QoQ	9M24	9M23	% YoY	IPS FY24F	% IPS	Cons FY24F	% Cons	5yr avg (exclud e covid period)
Gross sales	20,963	21,879	-4.2%	21,215	-1.2%	63,898	59,657	7.1%					
Net sales	13,631	13,612	0.1%	13,723	-0.7%	41,280	37,767	9.3%	54,659	76%	54,729	75%	73%
COGS	(11,044)	(11,049)	0.0%	(10,841)	1.9%	(33,336)	(31,846)	4.7%					
Gross profit	2,587	2,563	0.9%	2,882	-10.2%	7,944	5,922	34.2%					
Operating expenses	(1,540)	(1,222)	26.0%	(1,357)	13.5%	(4,300)	(3,925)	9.6%					
EBIT	1,047	1,341	-21.9%	1,525	-31.4%	3,644	1,997	82.5%	3,799	96%	4,247	86%	78%
Net finance income/(cost)	(197)	(227)	-13.0%	(244)	-19.3%	(618)	(704)	-12.1%					
PBT	850	1,114	-23.7%	1,281	-33.7%	3,026	1,293	134.0%					
Tax	(194)	(232)	-16.5%	(406)	-52.3%	(780)	(299)	161.0%					
Minority	(39)	(27)	46.4%	(60)	-35.0%	(149)	(57)	162.0%					
Net profit	617	855	-27.9%	814	-24.3%	2,096	937	123.6%	2,181	96%	2,362	89%	79%
Margin (%) - based on gross sales													
Gross margin	12.3%	11.7%		13.6%		12.4%	9.9%	2.51%					
EBIT margin	5.0%	6.1%		7.2%		5.7%	3.3%	2.36%					
Net margin	2.9%	3.9%		3.8%		3.3%	1.6%	1.71%					
Segment information													
Revenue													
Animal Feed	8,268	8,736	-5.4%	8,021	3.1%	25,406	24,395	4.1%					
Poultry Breeding (DOC)	1,850	2,092	-11.6%	2,252	-17.9%	5,962	4,915	21.3%					
Commercial Farm	6,490	6,916	-6.2%	6,807	-4.6%	19,974	18,351	8.8%					
Poultry processing and consumer products	2,175	2,114	2.9%	2,083	4.4%	6,285	5,909	6.4%					
Trading and others	951	863	10.2%	886	7.4%	2,768	2,689	2.9%					
EBIT													
Animal Feed	650	835	-22.2%	686	-5.2%	2,076	2,111	-1.7%					
Poultry Breeding (DOC)	377	588	-35.9%	462	-18.4%	1,073	274	292.2%					
Commercial Farm	(16)	(129)	N/A	389	N/A	673	(233)	N/A					
Poultry processing and consumer products	65	121	-46.6%	123	-47.4%	249	196	27.0%					
Trading and others	88	75	17.3%	84	4.7%	235	181	30.1%					
EBIT Margin													
Animal Feed	7.9%	9.6%		8.5%		8.2%	8.7%						
Poultry Breeding (DOC)	20.4%	28.1%		20.5%		18.0%	5.6%						
Commercial Farm	-0.2%	-1.9%		5.7%		3.4%	-1.3%						
Poultry processing and consumer products	3.0%	5.7%		5.9%		4.0%	3.3%						
Trading and others	9.3%	8.7%		9.5%		8.5%	6.7%						

Source: Indo Premier

Fig. 2: JPFA is traded at 8.6x fwd. 12M P/E (-0.6 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	48,972	51,176	54,659	57,556	60,495
Cost of sales	(41,289)	(43,665)	(45,425)	(48,072)	(50,667)
Gross profit	7,683	7,511	9,234	9,484	9,828
SG&A Expenses	(4,920)	(5,305)	(5,435)	(5,562)	(5,661)
Operating profit	2,763	2,206	3,799	3,923	4,167
Net interest	(809)	(944)	(892)	(868)	(868)
Others	(40)	(59)	(59)	(59)	(59)
Pre-tax income	1,915	1,204	2,848	2,996	3,241
Income tax	(464)	(315)	(639)	(672)	(726)
Net income	1,420	930	2,181	2,292	2,476

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	1,811	1,503	2,170	2,153	1,919
Receivable	2,496	2,586	2,932	3,012	3,086
Inventory	9,272	9,684	9,191	9,689	10,216
Other current assets	3,422	3,446	3,446	3,446	3,446
Total current assets	17,001	17,218	17,739	18,299	18,667
Fixed assets	12,497	13,395	14,262	15,041	15,731
Goodwill	3,037	3,341	3,341	3,341	3,341
Total non-current assets	15,534	16,736	17,603	18,382	19,072
Total assets	32,535	33,954	35,342	36,681	37,739
ST loans	3,869	4,078	4,078	4,778	5,288
Payable	4,135	4,891	4,829	4,967	5,016
Other payables	691	773	701	541	397
Current portion of LT loans	718	942	942	942	942
Total current liab.	9,412	10,684	10,550	11,229	11,644
Long term loans	8,426	7,915	7,256	6,715	6,028
Other LT liab.	1,197	1,343	1,343	1,343	1,343
Total liabilities	19,036	19,942	19,149	19,286	19,015
Equity	2,868	3,061	3,061	3,061	3,061
Retained earnings	9,880	10,166	12,347	13,548	14,878
Minority interest	907	941	941	941	941
Total SHE + minority int.	13,655	14,167	16,348	17,550	18,880
Total liabilities & equity	32,691	34,109	35,497	36,836	37,895

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	2,763	2,206	3,799	3,923	4,167
Depr. & amortization	950	1,008	1,087	1,176	1,264
Changes in working capital	(522)	255	85	(439)	(552)
Others	(2,247)	(1,239)	(1,617)	(1,631)	(1,691)
Cash flow from operating	945	2,231	3,353	3,028	3,188
Capital expenditure	(1,937)	(1,954)	(1,954)	(1,954)	(1,954)
Others	(118)	(167)	0	0	0
Cash flow from investing	(2,055)	(2,122)	(1,954)	(1,954)	(1,954)
Loans	2,855	(220)	(731)	(1)	(321)
Equity	(324)	373	0	0	0
Dividends	(637)	(645)	0	(1,091)	(1,146)
Others	0	0	0	0	0
Cash flow from financing	1,893	(492)	(731)	(1,091)	(1,467)
Changes in cash	783	(383)	667	(17)	(234)

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	10.0%	9.3%	10.7%	10.4%	10.2%
Operating margin	3.6%	2.7%	4.4%	4.3%	4.3%
Pre-tax margin	2.5%	1.6%	3.4%	3.3%	3.4%
Net margin	1.8%	1.2%	2.5%	2.5%	2.6%
ROA	4.6%	2.7%	6.3%	6.3%	6.6%
ROE	11.4%	7.0%	15.2%	14.3%	14.3%
Acct. receivables TO (days)	18.4	18.1	19.6	19.1	18.6
Inventory TO (days)	75.1	79.2	73.9	73.6	73.6
Payable TO (days)	31.7	37.7	38.8	37.7	36.1
Debt to equity	71.5%	65.7%	51.6%	43.7%	35.8%
Interest coverage ratio (x)	-3.4	-2.2	-4.1	-4.4	-4.8
Net gearing	57.3%	54.3%	37.6%	30.7%	25.1%

Sources: Company, Indo Premier

INVESTMENT 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

ANALYSTS CERTIFICATION

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