

Japfa Comfeed Indonesia

BUY (unchanged)

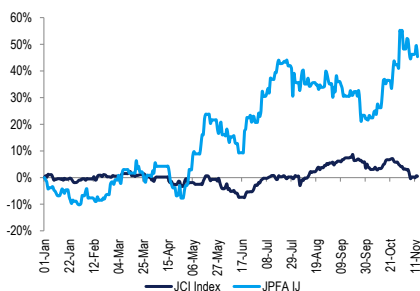
Company Update | Poultry | JPFA IJ | 13 November 2024

Stock Data

Target price	Rp2,750
Prior TP	Rp2,050
Current price	Rp1,715
Upside/downside	60%
Shares outstanding (mn)	11,727
Market cap (Rp bn)	20,111
Free float	43%
Avg. 6m daily T/O (Rp bn)	36

Price Performance

	3M	6M	12M
Absolute	8,2%	25,2%	41,2%
vs. JCI	8,9%	22,0%	34,6%
52w low/high (Rp)	1,060 – 1,830		



Major Shareholders

Japfa Ltd	55.4%
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Strong 4Q24F DOC & Broiler outlook underpin our EPS upgrade

- We expect strong DOC and broiler price to be sustain in 4Q24F on the back of massive PS culling in 3Q24.
- Lower feed input cost is another boon for DOC & broiler segment.
- Revised up our FY24/25F earnings by 38/41%. Maintain Buy with a higher TP of Rp2,750/sh.

We expect strong DOC and Broiler price to sustain in 4Q24F

Broiler price stabilized at Rp20.7k/kg on 12th Nov24 (vs. QTD/3Q24 average of Rp20.3k/18.4k/kg) on the back of strong DOC price of Rp7.2k/bird (vs. QTD/3Q24 average of Rp6.2k/5.4k/bird). Based on our channel check, the breeders did a massive PS culling since Jul24 to date; thus, it has impacted into DOC supply starting in Oct24. Hence, DOC & broiler price improvement was mainly driven by supply sides. In sum, we expect DOC and broiler price uptrend may sustain until end of FY24F.

Lower feed input cost shall translate into lower DOC and broiler cost

Domestic corn price stood at Rp4.6k/kg with average QTD of Rp4.7k/kg (vs. 3Q24's Rp4.5k/kg). We expect domestic corn price to stabilize in 4Q24F due to higher domestic corn inventory as of Aug24 (+8.5% above its 5yr avg – Fig. 6) and higher domestic corn production due to La Nina Event in 2H24F. At the same time, average QTD soybean meal price declined to Rp4.9k/kg (-7.7% qoq) driven by higher global soybean ending stocks of 112.37mn tons in Oct24 (+13% higher from its 5yr average). We expect JPFA has room to cut its feed ASP due to lower input cost; hence, this will lower DOC & broiler input cost as we estimate feed to contribute 80/60-70% of DOC/Broiler cost.

Revising up our FY24/25F earnings by 38/41%

In light of the above, we are bullish on 4Q24F poultry outlook on the back of lower feed input cost coupled with strong DOC & broiler price. In addition, JPFA recorded a significant opex improvement since FY19 as its opex to gross sales improved to 6.5% in 9M24 (vs. 9.3% in FY19). Moreover, JPFA guided to improve its opex through opex efficiency (lower manpower, etc.). In sum, we upgrade JPFA FY24/25F earnings by 38/41% or 17/20% above consensus.

Maintain BUY rating with a higher TP of Rp2,750/sh

We maintain our BUY rating with a higher TP of Rp2,750/sh, based on 10x FY25F PE (at its 5yr mean). JPFA remains our preferred poultry pick as we expect there will be a potential 17% 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	55,365	58,304	61,286
EBITDA	3,797	3,240	5,985	6,359	6,776
EBITDA growth	-21%	-15%	85%	6%	7%
Net profit	1,420	930	3,006	3,238	3,485
EPS (Rp)	121	79	256	276	297
EPS growth	-29.8%	-34.5%	223.3%	7.7%	7.6%
ROE	11.4%	7.0%	20.4%	18.9%	18%
PER (x)	14.2	21.6	6.7	6.2	5.8
EV/EBITDA	8.2	9.7	4.9	4.6	4.2
Dividend yield	3.5%	3.5%	0.0%	7.5%	8.1%
Forecast change			38%	41%	41%
IPS vs. consensus			117%	120%	115%

Sources: Company, Indo Premier

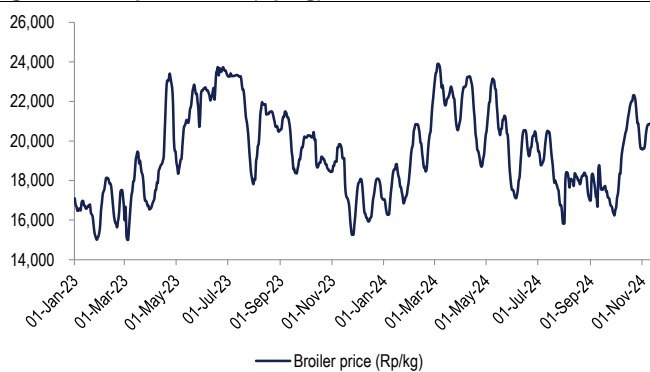
Share price closing as of: 13 November 2024

Fig. 1: JPFA Earnings revision

	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Gross sales (Rp bn)	86,637	91,568	96,496	87,712	92,712	97,712	1.2%	1.2%	1.3%
Net sales (Rp bn)	54,659	57,556	60,495	55,365	58,304	61,286	1.3%	1.3%	1.3%
Gross profit (Rp bn)	9,234	9,484	9,828	10,493	11,012	11,533	13.6%	16.1%	17.3%
EBIT (Rp bn)	3,799	3,923	4,167	4,897	5,183	5,511	28.9%	32.1%	32.3%
Net profit (Rp bn)	2,181	2,292	2,476	3,006	3,238	3,485	37.8%	41.3%	40.8%
Margin, %									
Gross margin	10.7%	10.4%	10.2%	12.0%	11.9%	11.8%	1.3%	1.5%	1.6%
EBIT margin	4.4%	4.3%	4.3%	5.6%	5.6%	5.6%	1.2%	1.3%	1.3%
Net profit margin	2.5%	2.5%	2.6%	3.4%	3.5%	3.6%	0.9%	1.0%	1.0%

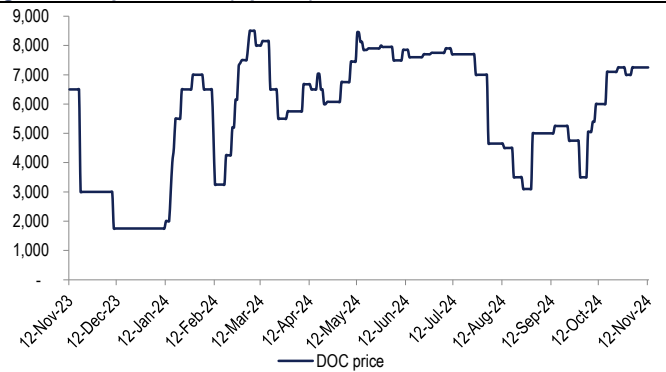
Source: Indo Premier

Fig. 2: Broiler price trend (Rp/kg)



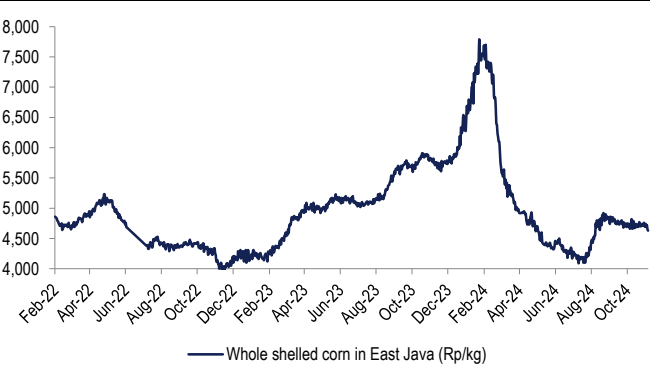
Source: Pinsar, Indo Premier

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



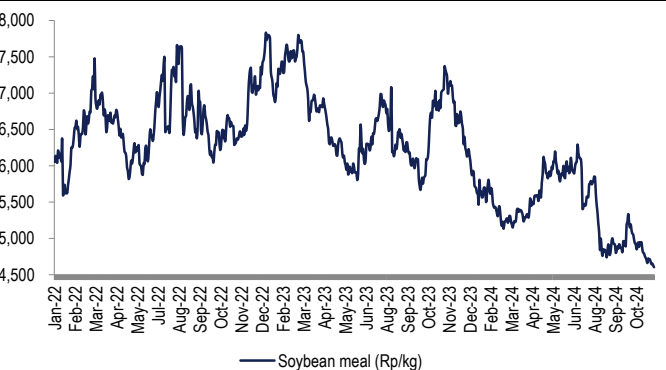
Source: Pinsar, Indo Premier

Fig. 4: Domestic corn price trend (Rp/kg)



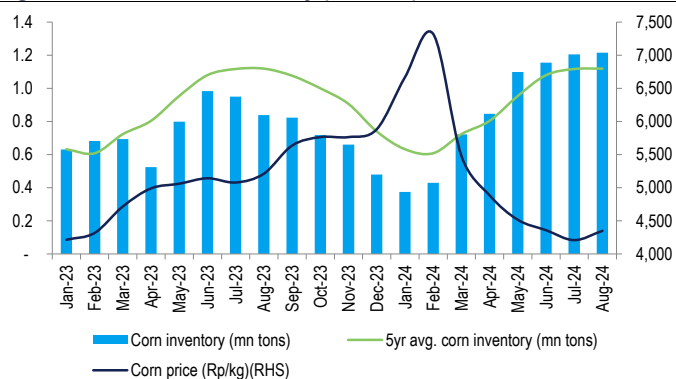
Source: Bapanas, Indo Premier

Fig. 5: Soybean meal price trend (Rp/kg)



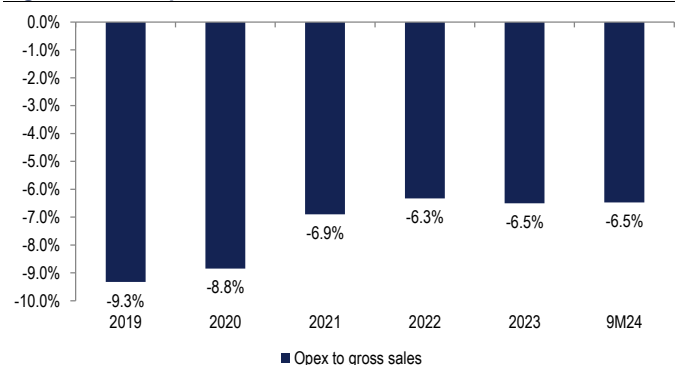
Source: Bloomberg, Indo Premier

Fig. 6: Domestic corn inventory (mn tons)



Source: Bapanas, Indo Premier

Fig. 7: JPFA's opex to sales trend



Source: Bloomberg, Indo Premier

Fig. 8: JPFA is traded at 6.3x fwd. 12M P/E (-1.0 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	55,365	58,304	61,286
Cost of sales	(41,289)	(43,665)	(45,006)	(47,533)	(50,086)
Gross profit	7,683	7,511	10,359	10,771	11,200
SG&A Expenses	(4,920)	(5,305)	(5,461)	(5,588)	(5,689)
Operating profit	2,763	2,206	4,897	5,183	5,511
Net interest	(809)	(944)	(892)	(868)	(868)
Others	(40)	(59)	(59)	(59)	(59)
Pre-tax income	1,915	1,204	3,947	4,256	4,585
Income tax	(464)	(315)	(881)	(949)	(1,021)
Net income	1,420	930	3,006	3,238	3,485

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	1,811	1,503	2,997	3,525	3,833
Receivable	2,496	2,586	2,970	3,051	3,126
Inventory	9,272	9,684	9,106	9,580	10,099
Other current assets	3,422	3,446	3,446	3,446	3,446
Total current assets	17,001	17,218	18,519	19,602	20,505
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	36,122	37,984	39,577
ST loans	3,869	4,078	4,078	4,778	5,288
Payable	4,135	4,891	4,785	4,912	4,959
Other payables	691	773	701	541	397
Current portion of LT loans	718	942	942	942	942
Total current liab.	9,412	10,684	10,505	11,173	11,586
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	19,104	19,231	18,957
Equity	2,868	3,061	3,061	3,061	3,061
Retained earnings	9,880	10,166	13,172	14,907	16,773
Minority interest	907	941	941	941	941
Total SHE + minority int.	13,655	14,167	17,173	18,909	20,775
Total liabilities & equity	32,691	34,109	36,278	38,139	39,732

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	2,763	2,206	4,897	5,183	5,511
Depr. & amortization	950	1,008	1,087	1,176	1,264
Changes in working capital	(522)	255	87	(428)	(547)
Others	(2,247)	(1,239)	(1,891)	(1,945)	(2,026)
Cash flow from operating	945	2,231	4,180	3,986	4,203
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	(1,503)	(1,619)
Others	0	0	0	0	0
Cash flow from financing	1,893	(492)	(731)	(1,504)	(1,940)
Changes in cash	783	(383)	1,495	528	308

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	10.0%	9.3%	11.8%	11.6%	11.5%
Operating margin	3.6%	2.7%	5.6%	5.6%	5.6%
Pre-tax margin	2.5%	1.6%	4.6%	4.7%	4.8%
Net margin	1.8%	1.2%	3.4%	3.5%	3.6%
ROA	4.6%	2.7%	8.5%	8.7%	9.0%
ROE	11.4%	7.0%	20.4%	18.9%	18.4%
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%	49.0%	40.4%	32.4%
Interest coverage ratio (x)	-3.4	-2.2	-5.3	-5.8	-6.3
Net gearing	57.3%	54.3%	30.6%	20.8%	13.1%

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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