

Japfa Comfeed Indonesia

BUY (unchanged)

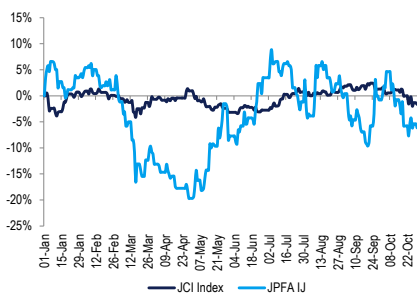
Company Update | Poultry | JPFA IJ | 31 October 2023

Stock Data

Target price	Rp1,850
Prior TP	Rp1,850
Current price	Rp1,225
Upside/downside	38%
Shares outstanding (mn)	11,727
Market cap (Rp bn)	14,365
Free float	44%
Avg. 6m daily T/O (Rp bn)	16

Price Performance

	3M	6M	12M
Absolute	-8.2%	17.8%	-11.6%
vs. JCI	-5.7%	20.2%	-6.7%
52w low/high (Rp)	1,040 – 1,415		



Major Shareholders

Japfa Ltd	55.4%
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3Q23 result: robust net profit recovery from by feed and DOC segments

- 9M23 net profit of Rp937bn (-34.4% yoy) was above at 76/75% of our/cons' FY23F estimate (vs. 3yr avg of 68%).
- Robust 3Q23 net profit of Rp855bn (+158% qoq/+170% yoy), supported by improved yoy performance from all segments.
- We currently reviewing our forecast and maintain our BUY call for now with unchanged TP of Rp1,850

9M23 results above our/consensus due to positive 3Q23 surprise

JPFA recorded 9M23 net profit of Rp937bn (-34.4% yoy) and this was above at 76/75% of our/cons FY23F estimate (vs. 3yr avg of 68%). A decent 9M23 net profit attainment considering JPFA recorded 1Q23 net loss of -Rp250bn. 9M23 net sales improved by +2.6% yoy to Rp37.8tr, in-line with estimates. On GPM side, 9M23 GPM was at 9.9% which was slightly higher than our FY23F estimate of 9.6%. On segmental basis, 9M23 animal feed EBIT margin increased by 53bps yoy to 8.7% and this came below our FY23 estimates of 9.9%.

3Q23 earnings recovery came above expectations

3Q23 net profit rose to Rp855bn (+157.7% qoq/+170.2% yoy). 3Q23 EBIT margin improved significantly to 6.1% (+230bps qoq/+297bps yoy) driven by yoy margin improvement across all segments (Fig. 1). 3Q23 animal feed EBIT margin improved to 9.6% (vs. 7.0/8.4% in 2Q23/3Q22) as JPFA has further passed on higher input cost. 3Q23 poultry breeding (DOC)'s EBIT stood at Rp588bn (vs. EBIT loss of Rp4bn in 2Q23), driven by higher DOC price (+26.6% qoq). This led to commercial farm EBIT losses of -Rp129bn (vs. 2Q23 EBIT of +Rp341bn) as broiler price remained stable (-0.6% qoq). 3Q23 opex to sales declined to 5.6% (vs. 7.0/5.7% in 2Q23/3Q22), driven by lower salary to sales of 3.9% (vs. 4.6/4.0% in 2Q23/3Q22).

Reiterate our BUY call for JPFA on the back of sector tailwind in culling

We are reviewing JPFA's forecast on the back of strong 3Q23 result. We reiterate our BUY call with unchanged TP of Rp1,850 for now, based on 11.0x fwd. 12M PE (its 5yr mean). Downside risks are inability to raise feed ASP, weaker than expected broiler price and higher input cost (corn and soybean meal).

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	44,878	48,972	51,171	54,434	57,669
EBITDA	4,834	3,797	3,442	4,596	5,230
EBITDA growth	7%	5%	4%	5%	6%
Net profit	2,334	1,380	1,239	1,989	2,351
EPS (Rp)	199	118	106	170	200
EPS growth	326.6%	-40.9%	-10.2%	60.5%	18.2%
ROE	20.4%	11.1%	9.5%	14.1%	15.1%
PER (x)	6.2	10.4	11.5	7.2	6.1
EV/EBITDA (x)	7.4	10.2	11.0	8.2	7.1
Dividend yield	3.3%	4.9%	4.1%	3.7%	5.9%
Forecast change			0%	0%	0%
IPS vs. consensus			102%	118%	143%

Sources: Company, Indo Premier

Share price closing as of: 31 October 2023

Fig. 1: JPFA's 3Q23 results

(Rp bn)	3Q23	3Q22	% YoY	2Q23	% QoQ	9M23	9M22	% YoY	IPS FY23F	% IPS	Cons FY23F	% Cons	3yr avg	Comment
Gross sales	21,879	19,794	10.5%	19,203	13.9%	59,657	57,910	3.0%						
Net sales	13,612	12,310	10.6%	12,394	9.8%	37,767	36,793	2.6%	51,311	74%	51,460	73%	72%	In-line
COGS	(11,049)	(10,567)	4.6%	(10,323)	7.0%	(31,846)	(30,649)	3.9%						
Gross profit	2,563	1,743	47.1%	2,071	23.7%	5,922	6,144	-3.6%						
Operating expenses	(1,222)	(1,119)	9.3%	(1,336)	-8.5%	(3,925)	(3,586)	9.4%						
EBIT	1,341	624	114.8%	736	82.3%	1,997	2,558	-21.9%	2,407	83%	2,537	79%	71%	Above
Net finance income/(cost)	(227)	(194)	17.1%	(256)	-11.4%	(704)	(591)	19.0%						
PBT	1,114	431	158.7%	480	132.2%	1,293	1,967	-34.3%						
Tax	(232)	(113)	105.5%	(126)	84.9%	(299)	(447)	-33.2%						
Minority	(27)	(1)	2183.7%	(22)	20.0%	(57)	(92)	-37.6%						
Net profit	855	317	170.2%	332	157.7%	937	1,428	-34.4%	1,239	76%	1,256	75%	68%	Above
Margin (%)														
Gross margin	11.7%	8.8%		10.8%		9.9%	10.6%							
EBIT margin	6.1%	3.2%		3.8%		3.3%	4.4%							
Net margin	3.9%	1.6%		1.7%		1.6%	2.5%							
Segment information														
Revenue														
Animal Feed	8,736	8,282	5.5%	7,483	16.7%	24,395	23,524	3.7%						
Poultry Breeding (DOC)	2,092	1,835	14.0%	1,558	34.2%	4,915	5,267	-6.7%						
Commercial Farm	6,916	5,553	24.5%	6,194	11.6%	18,351	16,927	8.4%						
Poultry processing and consumer products	2,114	1,927	9.7%	1,943	8.8%	5,909	5,735	3.0%						
Trading and others	863	950	-9.2%	848	1.7%	2,689	2,848	-5.6%						
EBIT														
Animal Feed	835	696	20.1%	521	60.5%	2,111	1,911	10.5%						
Poultry Breeding (DOC)	588	384	53.2%	(4)	N/A	274	973	-71.9%						
Commercial Farm	(129)	(474)	-72.8%	341	-137.8%	(233)	(185)	25.6%						
Poultry processing and consumer products	121	29	320.4%	38	214.4%	196	103	90.6%						
Trading and others	75	59	28.5%	33	130.5%	181	227	-20.3%						
EBIT Margin														
Animal Feed	9.6%	8.4%	1.2%	7.0%	2.6%	8.7%	8.1%	0.5%						
Poultry Breeding (DOC)	28.1%	20.9%	7.2%	-0.3%	28.4%	5.6%	18.5%	-12.9%						
Commercial Farm	-1.9%	-8.5%	6.7%	5.5%	-7.4%	-1.3%	-1.1%	-0.2%						
Poultry processing and consumer products	5.7%	1.5%	4.2%	2.0%	3.7%	3.3%	1.8%	1.5%						
Trading and others	8.7%	6.2%	2.6%	3.8%	4.9%	6.7%	8.0%	-1.2%						

Sources: Company, Bloomberg, Indo Premier

Fig. 2: JPFA is traded at 7.7x 12M forward P/E, (-0.8 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	44,878	48,972	51,171	54,434	57,669
Cost of sales	(36,858)	(41,289)	(43,437)	(45,277)	(47,586)
Gross profit	8,020	7,683	7,734	9,157	10,083
SG&A Expenses	(4,487)	(4,920)	(5,327)	(5,686)	(6,068)
Operating profit	3,533	2,763	2,407	3,470	4,015
Net interest	(739)	(809)	(787)	(727)	(670)
Others	312	(40)	99	17	(83)
Pre-tax income	3,105	1,915	1,719	2,760	3,262
Income tax	(663)	(464)	(416)	(668)	(790)
Net income	2,334	1,380	1,239	1,989	2,351

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,085	1,811	1,652	1,142	822
Receivable	2,429	2,496	2,829	2,981	3,095
Inventory	7,713	9,272	9,008	9,074	9,481
Other current assets	2,934	3,422	3,422	3,422	3,422
Total current assets	14,161	17,001	16,911	16,619	16,820
Fixed assets	11,510	12,497	13,399	14,211	14,933
Goodwill	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	33,347	33,867	34,789
ST loans	1,315	3,869	3,869	3,869	3,869
Payable	3,030	4,135	4,984	4,917	5,047
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	10,446	10,217	10,143
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	19,195	18,252	17,668
Equity	3,136	2,868	2,868	2,868	2,868
Retained earnings	9,098	9,880	10,533	11,996	13,502
Minority interest	869	907	907	907	907
Total SHE + minority int.	13,103	13,655	14,308	15,770	17,277
Total liabilities & equity	28,590	32,691	33,502	34,022	34,945

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	3,533	2,763	2,407	3,470	4,015
Depr. & amortization	1,215	950	1,035	1,125	1,215
Changes in working capital	(3,452)	(522)	781	(285)	(391)
Others	(1,378)	(2,286)	(1,168)	(1,481)	(1,664)
Cash flow from operating	(82)	905	3,055	2,829	3,176
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	(696)	(598)	(586)	(526)	(845)
Others	0	0	0	0	0
Cash flow from financing	1,179	1,933	(1,277)	(1,402)	(1,559)
Changes in cash	(248)	783	(159)	(510)	(320)

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	11.5%	10.0%	9.6%	10.7%	11.1%
Operating margin	5.1%	3.6%	3.0%	4.0%	4.4%
Pre-tax margin	4.5%	2.5%	2.1%	3.2%	3.6%
Net margin	3.4%	1.8%	1.5%	2.3%	2.6%
ROA	8.6%	4.5%	3.7%	5.9%	6.8%
ROE	20.4%	11.1%	9.5%	14.1%	15.1%
Acct. receivables TO (days)	17.9	18.4	20.2	20.0	19.6
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
Debt to equity	72.1%	71.5%	62.9%	50.8%	41.8%
Interest coverage ratio (x)	-4.4	-3.4	-2.9	-4.4	-5.4
Net gearing	63.2%	57.3%	50.6%	43.1%	36.7%

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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