

BUY (Maintain)

Target Price (IDR) 1,600 (from 1,800)
Potential Upside (%) 24.0

Price Comparison

Cons. Target Price (IDR) 1,780
SSI vs. Cons. (%) 89.9

Stock Information

Last Price (IDR) 1,290
Shares Issued (Mn) 11,727
Market Cap. (IDR Bn) 15,069
52-Weeks High/Low (IDR) 1,705/1,215
3M Avg. Daily Value (IDR Bn) 16.4
Free Float (%) 42.2

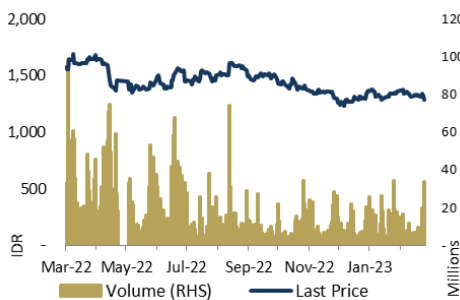
Shareholder Structure:

Japfa Ltd (%) 54.9
 Publik (%) 44.2
 Saham Treasuri (%) 0.91

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(0.8)	(5.9)	(0.8)	(19.7)
JCI Return	(0.0)	(0.9)	(2.5)	(0.3)
Relative	(0.7)	(4.9)	1.7	(19.4)

Stock Price & Volumes, 12M



Company Background

Japfa Comfeed (JPFA) is a poultry integrator with the second largest market share. Apart from having vertical integration in its poultry business starting from animal feed production to chicken meat processing, Japfa is unique with other protein diversifications, namely in aquaculture and cattle farming.

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Slight Hiccup, but Expect a Comeback

Slow quarter for the chicks. JPFA reported a net loss of IDR -8.4 billion in 4Q22, mainly due to a slight decline in its revenue (-1.07% qoq) and a massive spike in its OpEx (+419% qoq to IDR 3.59 trillion; fuel price hike and new minimum wage policy led to higher salary and freight costs). All of the company's business segments reported flat quarterly results; animal feeds revenue fell -0.3% qoq to IDR 3.5 trillion (28% of JPFA's revenue); commercial farm and consumer products revenue rose +1.2% qoq to IDR 6.6 trillion (53% of JPFA's revenue). Despite the lack of massive growth in 4Q22, JPFA managed to record full-year revenue growth of +9% yoy in FY22 to IDR 48.97 trillion. On its bottom line, JPFA reported a net profit of IDR 1.4 trillion in FY22 (EPS growth: -30%), in line with our estimate (102.9%) although below consensus (80%).

Early struggles, but expect some recovery. We foresee JPFA to feel the impact of high raw material prices and low demand for broiler & DOC at least until 1H23. One thing that might alleviate the burden is the potential strong production and export of soybean meal from Argentina and Brazil, which should help suppress the price of soybean meal to USD 550/kg in 2023 (vs. USD 575/kg in 2022), according to USDA. We expect JPFA to see some recovery in 2H23, supported by the increase in demand as global and domestic macroeconomic conditions continue to improve. JPFA will also benefit from the recent poultry adjustment policy, which includes the culling of 104 million DOC FS from 25 February – 15 April, and we expect to see more culling instructions in the upcoming months.

2023 outlook. We project JPFA to book revenue of IDR 53.5 trillion in FY23F (+9% yoy), supported by the growth in revenue from broiler & consumer products (IDR 30.1 trillion, +14% yoy) and DOC (IDR 2.7 trillion, +5% yoy). We believe JPFA will allocate a CapEx budget of approx. IDR 2 trillion in 2023, mainly to open new DOC and broiler slaughterhouses and breeding farms. We also project JPFA to book a slightly higher GPM of 16.4% (+ 70 bps) due to lower soybean meal prices. With the minimum wage policy already taking effect in 4Q22, we expect no significant increase in OpEx, enabling the company to record a higher OPM. We then forecast JPFA to book an EBITDA of IDR 4.5 trillion (+25% yoy) and a net profit of IDR 1.7 trillion, resembling an EPS growth of +23%.

BUY, TP of IDR 1,600. We reiterate our BUY rating on JPFA, albeit with a lower TP of IDR 1,600, implying an FY23F P/E of 13.3x. We believe the negative quarterly result is just a slight road bump before a climb into a solid future. **Main Risk:** Lower chicken consumption, raw material surge.

Forecast and Valuations (@ IDR 1,290 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	44,878	48,972	53,492	57,389	61,574
EBITDA (IDR Bn)	4,651	3,601	4,500	5,027	5,593
EV/EBITDA (x)	5.0	7.0	5.8	5.2	4.7
Net Profit (IDR Bn)	2,023	1,420	1,751	2,026	2,326
EPS (IDR)	174	124	153	176	203
EPS Growth (%)	117.8	(28.9)	23.3	15.7	14.8
P/E Ratio (x)	7.5	10.6	8.6	7.4	6.5
BVPS (IDR)	1,126	1,189	1,287	1,401	1,531
P/BV Ratio (x)	1.16	1.10	1.02	0.94	0.86
DPS (IDR)	42	63	63	72	83
Dividend Yield (%)	3.2	4.8	4.8	5.5	6.4
ROAE (%)	16.5	10.6	12.3	13.1	13.8
ROAA (%)	7.4	4.6	5.2	5.7	6.1
Interest Coverage (x)	4.4	3.4	3.5	3.8	4.0
Net Gearing (%)	69.4	81.0	81.3	76.7	71.5

Figure 1. 4Q22 Results

PT Japfa Comfeed Indonesia Tbk. (JPFA IJ) (IDR Bn)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21	FY22	YoY
Revenue	12,075	12,310	12,179	(1.1)	0.9	44,878	48,972	9.1
Operating Profit	871	614	202	(67.1)	(76.8)	3,525	2,750	(22.0)
EBITDA	219	850	347	(59.1)	58.6	3,786	3,601	(4.9)
Net Profit	515	317	-8	na	na	2,023	1,420	(29.8)
EPS	44	27	-10	na	na	174	112	(35.4)
EBITDA Margin (%)	1.8	6.9	2.9	-405 bps	104 bps	8.4	7.4	-108 bps
Operating Margin (%)	7.2	5.0	1.7	-333 bps	-555 bps	7.9	5.6	-224 bps
Net Margin (%)	4.3	2.6	(0.1)	-264 bps	-434 bps	4.5	2.9	-161 bps

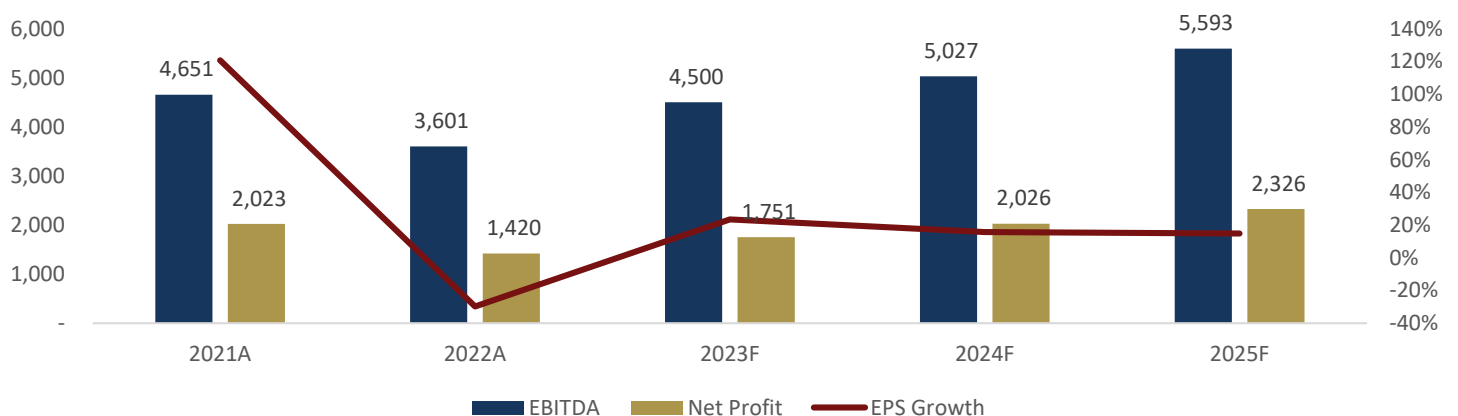
Source: Company, SSI Research

Figure 2. Revenue Segmentation

Revenue Segmentation					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Animal Feeds	13,193	13,980	14,463	15,945	17,577
Commercial farm and consumer product	23,896	26,419	30,117	32,019	34,047
DOC	2,670	2,631	2,760	2,985	3,229
Aquaculture	3,940	4,748	4,914	5,160	5,417
Trading and Others	2,027	2,128	2,170	2,214	2,236
Growth (%)					
Animal Feeds	21.8	6.0	3.5	10.2	10.2
Commercial farm and consumer product	28.6	10.6	14.0	6.3	6.3
DOC	12.4	(1.4)	4.9	8.2	8.2
Aquaculture	17.8	20.5	3.5	5.0	5.0
Trading and Others	(20.8)	5.0	2.0	2.0	1.0

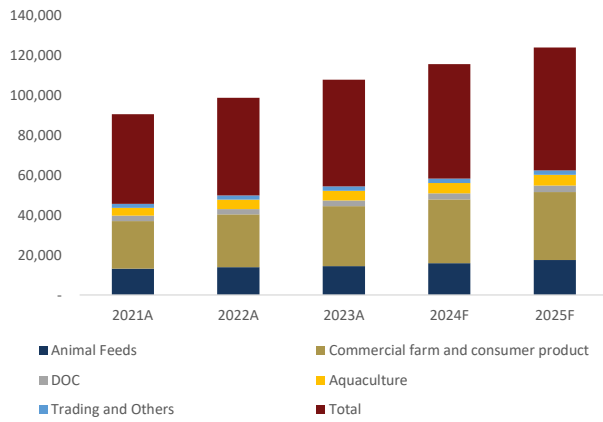
Source: Company, SSI Research

Figure 3. Profitability Trajectory



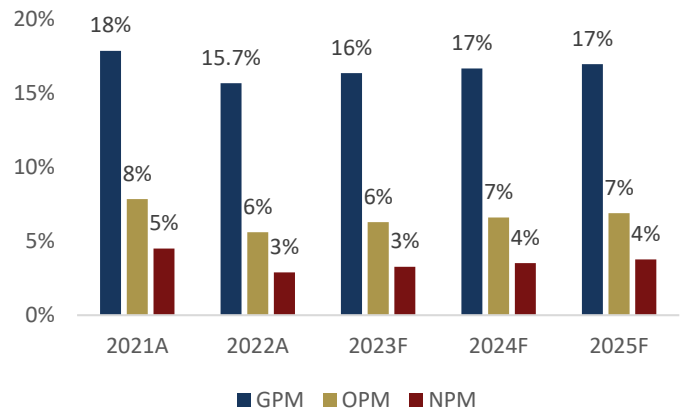
Source: SSI Research

Figure 4. Revenue Mix and Growth



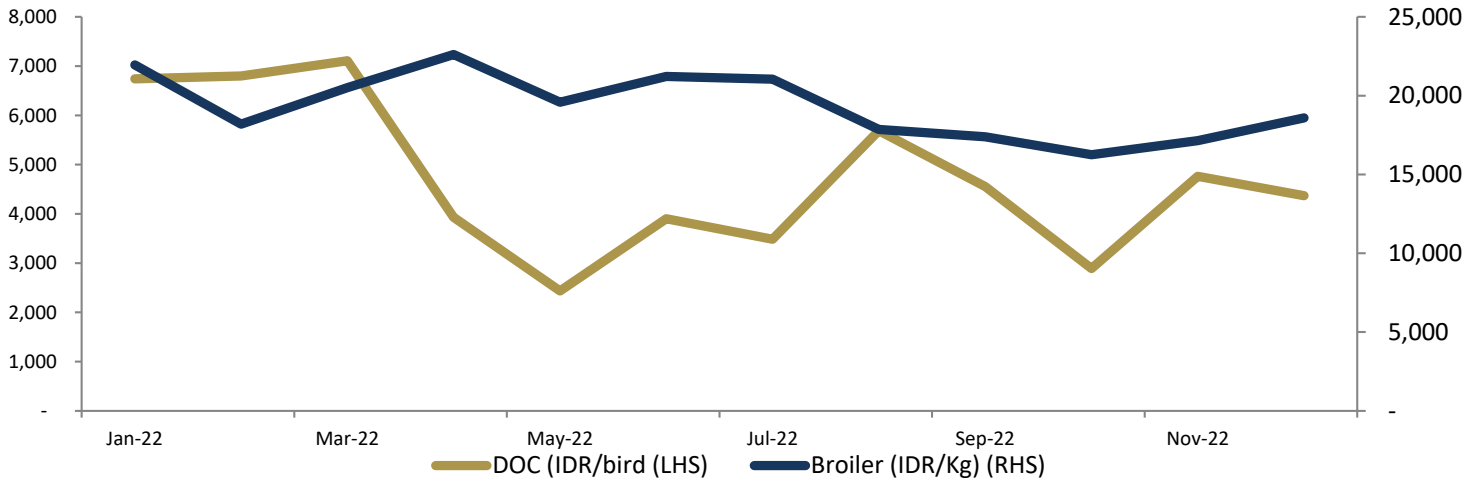
Source: Companv. SSI Research

Figure 5. Profitability Margins



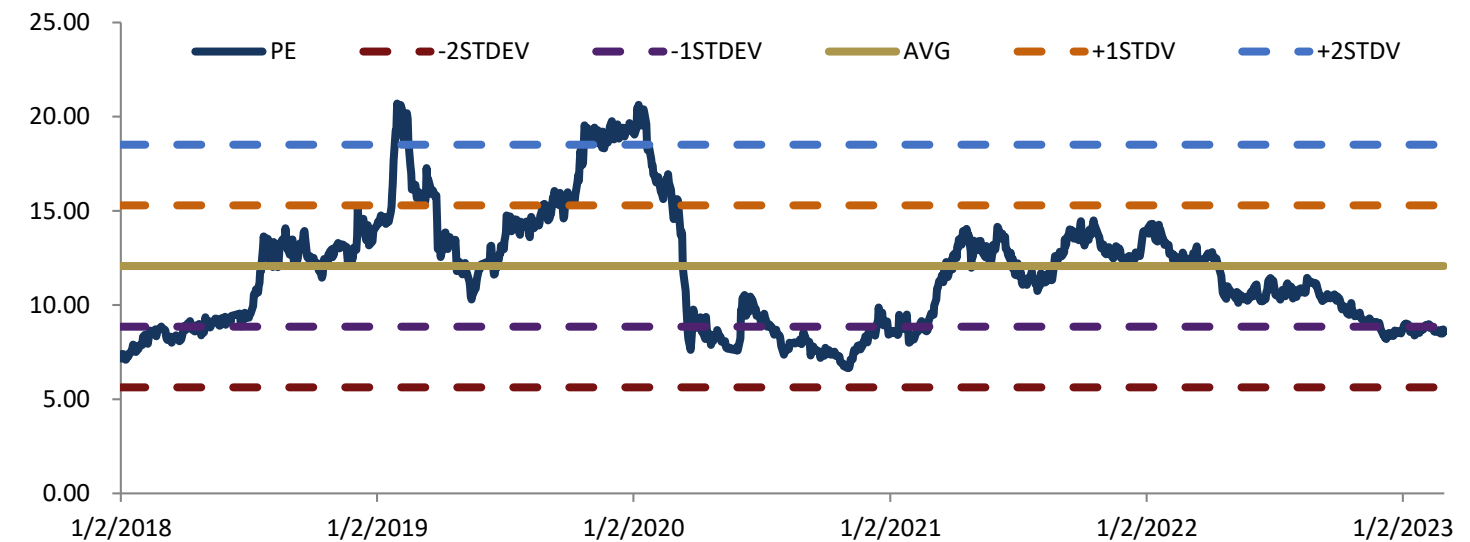
Source: Company. SSI Research

Figure 6. Broiler and DOC Prices



Source: Arboge. Pinsar

Figure 7. 3-Year P/E Band



Source: Bloomberg. SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenues	44,878	48,972	53,492	57,389	61,574
Cost of goods sold	(36,858)	(41,289)	(44,737)	(47,815)	(51,120)
Gross Profit	8,020	7,683	8,755	9,574	10,454
SGA Expense	(4,798)	(4,880)	(5,331)	(5,719)	(6,136)
Operating Profit	3,525	2,750	3,367	3,793	4,252
EBITDA	4,651	3,601	4,500	5,027	5,593
Finance Income	67	9	16	15	18
Finance Expenses	(807)	(818)	(964)	(1,010)	(1,057)
Pre-tax profit	2,794	1,955	2,419	2,799	3,213
Income Tax	(663)	(464)	(574)	(664)	(762)
Profit for Period	2,131	1,491	1,845	2,135	2,451
Minority Interest	(108)	(71)	(94)	(108)	(125)
Net Profit	2,023	1,420	1,751	2,026	2,326

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	1,085	1,811	1,758	2,092	2,530
Receivables	2,429	2,496	2,807	3,012	3,231
Others	10,647	12,694	13,448	14,255	15,122
Total Current Assets	14,161	17,001	18,013	19,359	20,883
Net Fixed Asset	11,510	12,497	13,372	14,293	15,263
Other Non-Current Asset	2,919	3,192	3,192	3,192	3,192
Total Assets	28,590	32,691	34,578	36,844	39,339
ST. Bank loan	1,315	3,869	2,322	2,433	2,547
Payables	3,030	4,135	4,510	4,820	5,153
Other current Liabilities	2,719	1,408	2,116	2,193	2,273
Total Current Liabilities	7,036	7,037	7,038	7,039	7,039
LT. Debt	7,141	8,430	9,657	10,122	10,594
Other LT Liabilities	1,282	1,193	1,193	1,193	1,193
Total Liabilities	15,487	19,036	19,798	20,761	21,761
Minority Interest	869	907	1,001	1,109	1,234
Total Equity	28,590	32,691	34,578	36,844	39,339

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	2,023	1,420	1,751	2,026	2,326
D&A	1,215	851	1,133	1,234	1,341
Changes in Working Capital	(3,618)	(871)	(690)	(701)	(753)
Operating Cash Flow	701	1,427	2,292	2,579	2,937
Capital Expenditure	(1,500)	(1,838)	(2,008)	(2,154)	(2,312)
Others	(1,025)	(352)	-	-	-
Investing Cash Flow	(2,525)	(2,190)	(2,008)	(2,154)	(2,312)
Net - Borrowing	2,253	2,694	289	633	644
Other Financing	(686)	(1,288)	(626)	(724)	(831)
Financing Cash Flow	1,567	1,406	(336)	(91)	(187)
Net - Cash Flow	(257)	643	(53)	334	438
Cash at beginning	1,336	1,085	1,811	1,758	2,092
Cash at ending	1,085	1,811	1,758	2,092	2,530

Key Ratios					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	17.9	15.7	16.4	16.7	17.0
Operating Margin (%)	7.9	5.6	6.3	6.6	6.9
EBITDA Margin (%)	10.4	7.4	8.4	8.8	9.1
Pre-Tax Margin (%)	6.2	4.0	4.5	4.9	5.2
Net Profit Margin (%)	4.5	2.9	3.3	3.5	3.8
Debt to Equity (%)	35.6	39.4	39.8	39.2	38.4
Net Gearing (%)	69.4	81.0	81.3	76.7	71.5

Major Assumption					
	21A	22A	23F	24F	25F
DOC sales vol growth	-11%	0%	20%	4%	4%
Broiler Sales Vol Growth	21%	6%	18%	3%	3%
Feed sales vol growth	6%	-6%	5%	6%	6%
Consumer Food vol growth	12%	3%	4%	4%	4%
DOC ASP	7,342	7,207	6,300	6,552	6,814
Broiler ASP	18,685	19,041	18,985	19,744	20,534

Peers Comparison

Ticker	Name	Mkt Cap (USDmn)	P/E (x)		P/B (x)		EV / EBITDA (x)	
			2023F	2024F	2023F	2024F	2023F	2024F
JBSS3 BZ	JBS SA (Brazil)	41,678	4.23	4.30	0.73	0.65	4.22	4.13
JAP SP	JAPFA LTD	501	7.01	6.14	0.33	0.32	6.65	6.28
LHIB MK	LEONG HUP INTERNATIONAL BHD	1,770	9.51	8.22	0.78	0.72	6.92	6.32
BACHOCOB MM	Industrias Bachoco	49,212	8.17	7.86	0.08	0.07	3.64	3.45
300498 CH	Wen's Food Group	130,755	8.72	12.02	2.63	2.28	8.43	9.88
BRFS3 BZ	BRF S.A	7,231	26.83	6.46	0.56	0.51	4.45	3.84
603609 CH	Wellhope Agri-Tech	11,208	10.79	8.25	1.41	1.25	0.43	0.39
GFPT TB	GFPT PUBLIC CO LTD	15,673	8.60	8.59	0.89	0.83	1.05	1.00
TSN US	TYSON FOODS INC-CL A	21,839	13.04	10.69	1.08	1.03	8.04	6.94
TFG TB	THAIFOODS GROUP PCL	30,815	7.33	7.96	1.63	1.46	5.90	6.02
Weighted Average			8.7	9.4	1.6	1.4	6.1	6.5

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