



**BUY**

**Target Price : IDR1,500**

## Stock Data

Current Price : IDR1,130  
 52w Range H-L : 1,700-1,075  
 Share Outstanding : 11.73bn  
 Free Float : 42.22%  
 Mkt Capitalization : IDR13.3tn

## Major Shareholders

Japfa Ltd (P) : 55.43%  
 Public : 43.66%  
 Treasury : 0.91%



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## PT Japfa Comfeed Indonesia Tbk (JPFA IJ)

Animal Feed, Poultry

### Enabling Resilience through Improved Volume

#### FY22 Results: Skewed Margins Pressures Profitability

- JPFA's FY22 revenue came at IDR49.0tn, or soared +9.1% YoY (vs IDR44.9tn in FY21). The revenue was bolstered by a higher ASP coupled with a volume increase particularly in the feed segments, and was in-line with cons. and ours, forming 101.3%/100.1%, respectively. The commercial farm segment grew +7.7% YoY to IDR19.0tn, and poultry processing increased +18.6% YoY to IDR7.1tn.
- Yet, net profit slipped -29.8% YoY to IDR1.4tn (vs IDR2.0tn in FY21), which was below cons. and ours (74.9%/69.3%). FY22 net profits were pressured by margin contractions in commercial farms (FY22: -3.9% vs FY21: -1.9%), due to higher input costs, dragging the profits from the feed and poultry segments. We also noticed that live bird prices in 4Q22 fell to IDR17.3k, lower than in 4Q21 and 4Q20 (IDR19.2k/IDR17.8k).

#### Anticipated Additional Culling to Raise Live Bird Prices

Although the government has conducted culling of DOC FS reaching 104.4mn or 14.9mn/week (25'Feb-15'Apr), the live bird prices in 1Q23 persisted at IDR17.4k (+1.4% QoQ/-11.4% YoY). This culling program was lower than last year which reached 130.3mn or 21.7mn/week (23'Feb-30'Mar), which we perceive is aimed to maintain supply during the festive Ramadhan. Along with a Grand Parent Stock (GPS) import quota of 642k in FY21, we estimate an oversupply of live birds approximately 304mn-430mn in FY23E. We expect the government to carry out additional culling of 200mn-326mn throughout the year to stabilize live bird prices above the reference price, which could improve commercial farm margins. Referring to PERBADAN No.5 2022, live bird reference prices ranged from IDR21k-IDR23k (vs IDR19k-IDR21k prior) which can offset cost/LB that we estimate at ~IDR20k.

#### All Eyes on Volume Driver

We see that carcass production volume in FY22E is estimated to reach 3.8mn ton (+18.2% YoY), exceeding the pre-pandemic levels (FY19: 3.5mn ton). On the flip side, the layer chick experienced an increase +7.0% YoY to 171mn ([exhibit 07](#)). We see that both of these indicate a post-pandemic recovery in consumption. We expect nationwide carcass consumption to continue improving, which could benefit JPFA's revenue streams, accompanied by: 1) resilient domestic consumption; 2) higher HoReCa traffic; 3) election period; 4) Ramadhan festive.

#### Risk Remains Persistent from Lofty Input Cost

We foresee that EBITDA margin could improve at most 8.4% in FY23E (vs 7.7% in FY22), yet still beneath its 5-year-average of 10.1% as headwinds are still overshadowing, primarily from elevating input costs which might undermine profitability. Corn prices are expected to increase up to >IDR5.5k due to El Nino effects that may hit crops in Sep-Oct (equal to 30% of the national demand). Moreover, SBM prices are also estimated to lift up >USD460/ton, led by higher-than-expected demand. On the flip side, higher logistic costs coupled with USD/IDR depreciations are other noteworthy obstacles.

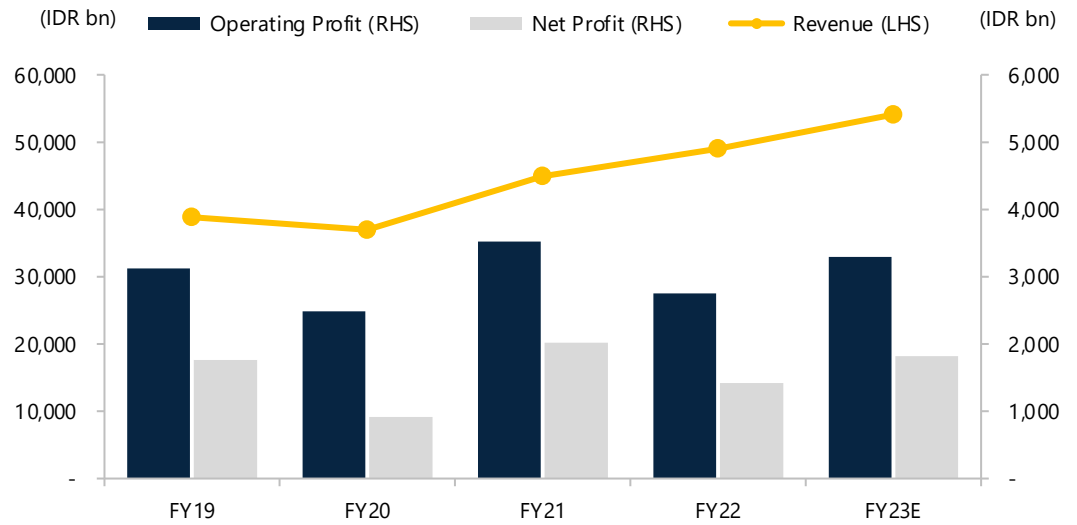
#### Valuation and Recommendation: BUY JPFA with a Target Price IDR1,500

We recommend **BUY for JPFA IJ** at a **TP of IDR1,500**, implying PE/PBV of 8.0x/1.0x in FY23E. We revised our target price from IDR2,050 as we cut our FY23E net profit by -28.7%, however we still view JPFA's valuation as attractive as it is currently trading near the level -1 STD PE Ratio (5-mean-average) of 9.5x. Downside risks include: 1) lower-than-expected sales volume; 2) weak DOC & Broiler prices.

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	36,964.95	44,878.30	48,972.09	53,267.31	57,967.55
EBITDA (IDR Bn)	3,793.32	4,441.24	3,755.54	4,480.97	4,919.40
EBITDA Margin (%)	10.26	9.90	7.67	8.41	8.49
Net Income (IDR Bn)	916.71	2,022.60	1,419.86	1,659.20	1,863.42
ROA (%)	3.53	7.07	4.34	4.98	5.19
ROE (%)	8.03	15.44	10.40	11.97	12.33
PE (x)	14.45	6.55	9.33	7.99	7.11
PBV (x)	1.16	1.01	0.97	0.96	0.88

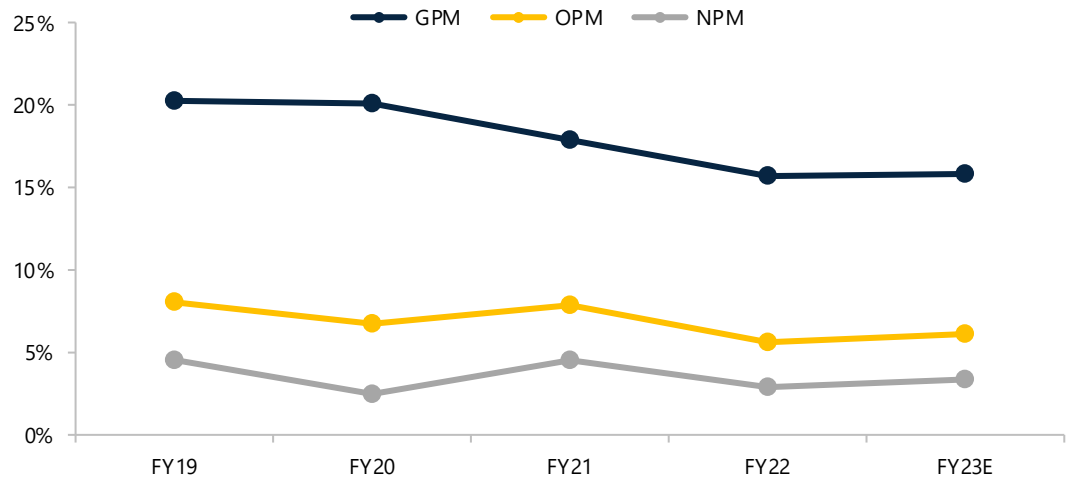
Sources: Company, MNCS

Exhibit 01. JPFA's Revenue, Operating Profit and Net Income



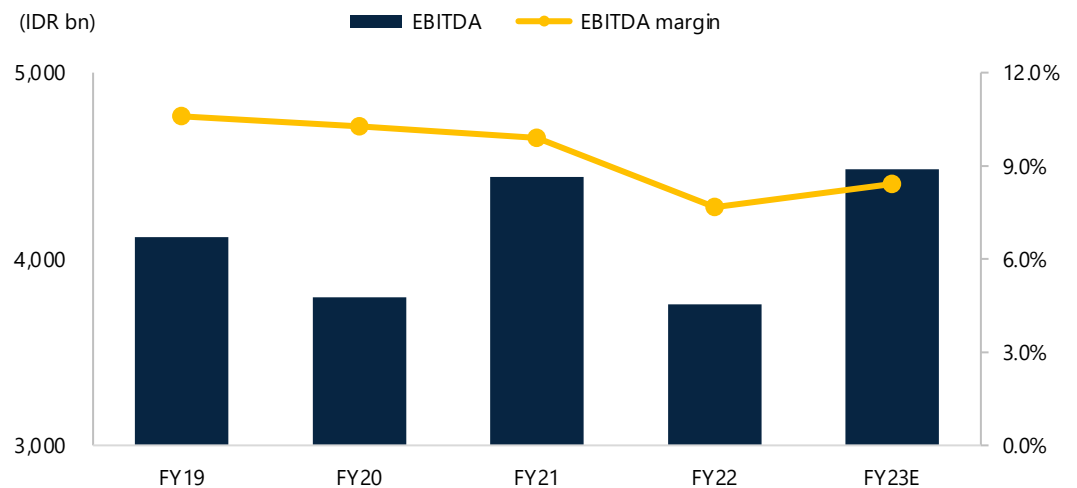
Sources : Company, MNCS

Exhibit 02. JPFA's Margin is Expected to Edge Up in FY23E



Sources : Company, MNCS

Exhibit 03. EBITDA & EBITDA Margin Projected in FY23E



Sources : Company, MNCS

*We projected the EBITDA to growth +19.3% YoY in FY23E, hence lifting up the EBITDA margin to be 8.4%*

Exhibit 04. Culling Program Timeline

**2021**

Culling Program	Date Instructed	Target	Amount Culled	Total Culled
1	5 Jan - 3 Feb	FS Hatched Egg (HE) 19 days	13.9mn/week	69.4mn
2	5 Feb - 6 Mar	FS Hatched Egg (HE) 19 days	12.2mn/week	60.8mn
2 (add-on)	5 Feb - through the end of year	PS breeding life cycle limitation to max 58weeks		
3	24 Apr - 8 May	FS Hatched Egg (HE) 19 days	20.7mn/week	41.4mn
4	5 Jun - 3 Jul	FS Hatched Egg (HE) 19 days	12.6mn/week	50.5mn
5	10 Jul - 11 Aug	FS Hatched Egg (HE) 19 days	14.2mn/week	71.2mn
6	7 Aug - 4 Sep	FS Hatched Egg (HE) 19 days	22.3mn/week	89.4mn
7	8 Sep - 2 Oct	FS Hatched Egg (HE) 19 days	18.9mn/week	75.6mn
8	9 Oct - 13 Nov	FS Hatched Egg (HE) 19 days	23.5mn/week	94.1mn
9	18 Nov - 25 Dec	FS Hatched Egg (HE) 19 days	25mn/week	149.9mn

**2022**

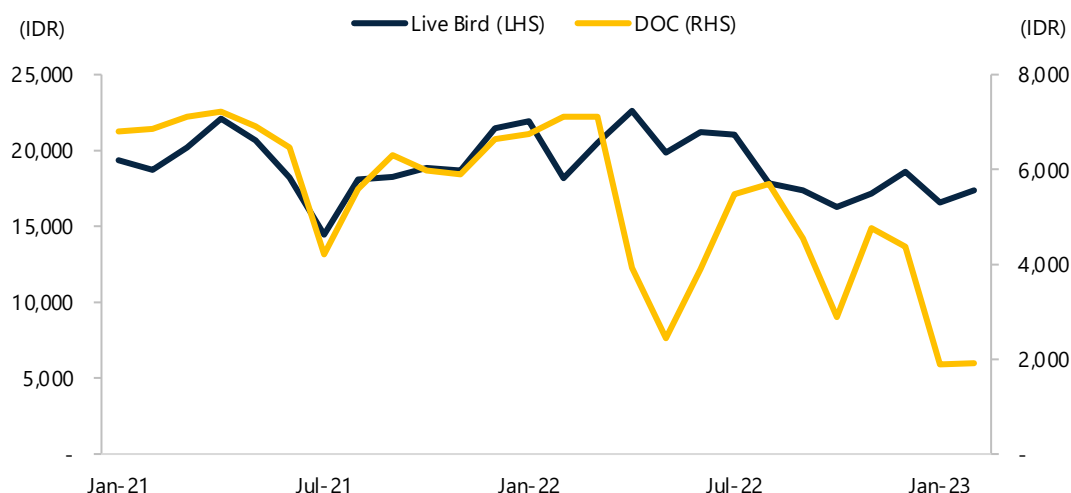
Culling Program	Date Instructed	Target	Amount Culled	Total Culled
1	8 Jan - 19 Feb	FS Hatched Egg (HE) 19 days	28mn/week	142.3mn
1 (add-on)	8 Jan - through the end of year	PS breeding life cycle limitation to max 64 weeks		
2	23 Feb - 30 Mar	FS Hatched Egg (HE) 19 days	21.7mn/week	130.3mn
2 (add-on)	23 Jan - 30 Mar	PS breeding life cycle limitation to max 60		
3	8 Oct - 19 Nov	FS Hatched Egg (HE) 19 days	2.3mn/week	14mn
3 (add-on)	8 Oct - 19 Nov	PS 55 weeks		
3 (add-on)	8 Oct - 19 Nov	PS breeding life cycle limitation to max 55 weeks		
4	16 Dec - 28 Jan'23	FS production control	6.1mn/week	42.7mn

**2023**

Culling Program	Date Instructed	Target	Amount Culled	Total Culled
1	25 Feb - 15 Apr	DOC FS	14.9mn/week	104.4mn

Sources : Ditjen PKH, Company, MNCS

Exhibit 05. DOC and Live Bird Prices



Sources : Pinsar, MNCS

Exhibit 06. JPFA's currently trading near at -1 STD (5-Year-Average) or 9.5x PE



Sources : Bloomberg, MNCS

Exhibit 07. Poultry Meat Production (in thousand ton)

	FY17	FY18	FY19	FY20	FY21	FY22E
Buras	300	287	297	270	270	275
Layer	115	142	142	153	159	171
Broiler	3,176	3,409	3,490	3,215	3,186	3,766
DOC	42	45	47	41	46	42

Sources : BPS, MNCS

Exhibit 8. Financial Summary

Income Statement					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
<b>Revenue</b>	<b>36,964.95</b>	<b>44,878.30</b>	<b>48,972.09</b>	<b>53,267.31</b>	<b>57,967.55</b>
COGS	(29,535.74)	(36,858.21)	(41,288.93)	(44,860.40)	(48,765.46)
<b>Gross Profit</b>	<b>7,429.21</b>	<b>8,020.09</b>	<b>7,683.16</b>	<b>8,406.90</b>	<b>9,202.09</b>
Selling Expense	(1,549.97)	(1,657.61)	(1,810.59)	(1,959.08)	(2,182.72)
G&A Expense	(3,244.21)	(3,140.81)	(3,069.70)	(3,065.48)	(3,373.44)
Other Income (Expense)	(150.82)	303.30	(52.52)	(150.18)	(111.87)
<b>Operating Income</b>	<b>2,484.21</b>	<b>3,524.97</b>	<b>2,750.35</b>	<b>3,232.17</b>	<b>3,534.07</b>
Finance Cost (Income)	(805.93)	(739.43)	(808.83)	(950.43)	(967.09)
Other Income (Expense)	0.81	8.30	13.01	4.48	10.33
<b>Profit Before Tax</b>	<b>1,679.09</b>	<b>2,793.85</b>	<b>1,954.53</b>	<b>2,286.21</b>	<b>2,577.30</b>
Tax Income (Expense)	(457.19)	(662.95)	(463.60)	(542.27)	(618.55)
Minority Interest	(85.67)	(108.30)	(71.08)	(84.73)	(95.33)
<b>Net Income</b>	<b>916.71</b>	<b>2,022.60</b>	<b>1,419.86</b>	<b>1,659.20</b>	<b>1,863.42</b>
EPS (IDR)	78.17	172.48	121.08	141.49	158.91

Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Cash & Equivalents	1,335.91	1,085.12	1,811.08	1,609.00	1,163.53
Trade Receivables	1,982.33	2,428.54	2,496.06	2,692.96	3,059.40
Inventory	6,860.50	9,068.31	10,976.35	10,093.59	11,243.15
Others Current Assets	1,566.40	1,579.18	1,717.98	1,868.66	2,033.54
<b>Total Current Assets</b>	<b>11,745.14</b>	<b>14,161.15</b>	<b>17,001.47</b>	<b>16,264.20</b>	<b>17,499.62</b>
Fixed Assets-net	11,143.80	11,509.65	12,497.18	13,603.64	14,656.23
Other Non-Current Assets	3,062.82	2,918.85	3,192.24	3,472.23	3,778.61
<b>Total Non-Current Assets</b>	<b>14,206.62</b>	<b>14,428.50</b>	<b>15,689.42</b>	<b>17,075.86</b>	<b>18,434.84</b>
<b>TOTAL ASSETS</b>	<b>25,951.76</b>	<b>28,589.66</b>	<b>32,690.89</b>	<b>33,340.06</b>	<b>35,934.47</b>
Trade Payables	3,993.60	3,030.10	4,135.08	4,486.04	5,960.22
Short-term Debt	1,100.36	3,032.07	4,436.21	4,406.85	4,293.04
Other Current Liabilities	913.72	1,001.99	841.16	914.93	995.67
<b>Total Current Liabilities</b>	<b>6,007.68</b>	<b>7,064.17</b>	<b>9,412.44</b>	<b>9,807.82</b>	<b>11,248.93</b>
Long-term Debt	6,819.40	7,140.52	8,430.45	8,374.66	8,158.39
Other Long-term Liabilities	1,712.71	1,282.26	1,193.22	1,297.87	1,412.39
<b>Total LT-Liabilities</b>	<b>8,532.11</b>	<b>8,422.78</b>	<b>9,623.67</b>	<b>9,672.53</b>	<b>9,570.78</b>
<b>Total Equity</b>	<b>11,411.97</b>	<b>13,102.71</b>	<b>13,654.78</b>	<b>13,859.71</b>	<b>15,114.75</b>
<b>TOTAL LIABILITY AND EQUITY</b>	<b>25,951.76</b>	<b>28,589.66</b>	<b>32,690.89</b>	<b>33,340.06</b>	<b>35,934.47</b>

Cash Flow					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Net Income	916.71	2,022.60	1,419.86	1,659.20	1,863.42
D&A	1,093.67	1,126.38	850.91	1,024.23	1,208.14
Changes in WC	2,055.94	(3,617.52)	(870.58)	1,036.83	(41.81)
Others	(88.05)	177.64	(219.65)	(76.90)	(84.16)
<b>Operating CF</b>	<b>3,978.27</b>	<b>(290.90)</b>	<b>1,180.52</b>	<b>3,643.36</b>	<b>2,945.59</b>
Capex	(1,529.75)	(1,492.23)	(1,838.43)	(2,130.69)	(2,260.73)
Others	7.20	143.97	(273.39)	(279.98)	(306.39)
<b>Investing CF</b>	<b>(1,522.55)</b>	<b>(1,348.26)</b>	<b>(2,111.82)</b>	<b>(2,410.68)</b>	<b>(2,567.12)</b>
Dividend Paid	(233.15)	(466.31)	(697.22)	(547.54)	(608.38)
Net Change in Debt	(1,277.50)	2,252.84	2,694.06	(85.15)	(330.08)
Equity Fund Raised	(486.93)	92.94	(273.01)	(906.73)	-
Others	(126.51)	(491.10)	(66.57)	104.65	114.52
<b>Financing CF</b>	<b>(2,124.09)</b>	<b>1,388.37</b>	<b>1,657.26</b>	<b>(1,434.77)</b>	<b>(823.93)</b>
Cash at Beginning	1,004.28	1,335.91	1,085.12	1,811.08	1,609.00
<b>Cash at Ending</b>	<b>1,335.91</b>	<b>1,085.12</b>	<b>1,811.08</b>	<b>1,609.00</b>	<b>1,163.53</b>

Ratios					
	FY20	FY21	FY22	FY23E	FY24F
Revenue Growth (%)	(4.91)	21.41	9.12	8.77	8.82
Operating Profit Growth (%)	(20.49)	41.90	(21.98)	17.52	9.34
Net Profit Growth (%)	(48.07)	120.64	(29.80)	16.86	12.31
Current Ratio (%)	195.50	200.46	180.63	165.83	155.57
Receivable Days (x)	19.31	19.48	18.35	18.20	19.00
Inventory Days (x)	83.62	88.57	95.70	81.00	83.00
Payable Days (x)	48.68	29.60	36.05	36.00	44.00
Net Gearing Ratio (x)	0.58	0.69	0.81	0.81	0.75
DER (x)	0.69	0.78	0.94	0.92	0.82
Interest Coverage (x)	2.88	4.37	3.36	3.34	3.60
Dividend Yield (%)	1.76	3.52	5.26	4.13	4.59
Gross Profit Margin (%)	20.10	17.87	15.69	15.78	15.87
Operating Profit Margin(%)	6.72	7.85	5.62	6.07	6.10
EBITDA Margin (%)	10.26	9.90	7.67	8.41	8.49
Net Income Margin (%)	2.48	4.51	2.90	3.11	3.21
BVPS (IDR)	973.17	1,117.35	1,164.43	1,181.91	1,288.93

Sources : Company, MNCS

### MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

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