

BUY | TP : IDR1,500
JPFA Stock Price Data

Last Price	:	IDR1,260
52wk High	:	IDR1,635
52wk Low	:	IDR1,015
Share Out	:	11.7bn
Market Cap	:	IDR14.8tn

JPFA Stock Price Performance

1-Day	:	+2.9%
1-Week	:	+6.4%
1-Month	:	+17.8%
3-Month	:	-6.0%
Year-to-Date	:	-3.1%

Shareholders

Japfa Ltd (P)	:	55.4%
Public	:	43.7%
Treasury	:	0.9%

PT Japfa Comfeed Indonesia Tbk (JPFA IJ)
Site Visit Notes
Ciomas Commercial Farm and JPFA's Potential Gain in The Region

We conducted a site visit to JPFA on May 17, 2023, where we observed their integrated vertical line poultry business in the mid-down stream. **We began by visiting Ciomas Commercial Farm (CCF)**, a mid-stream facility in Cisoka, Banten, that focuses on the B2B segment. The CCF has an area of 4.6 Ha and is made up of 4 double-deck cages as well as a single-deck cage with a closed-house system. The system offers benefits such as increased cage productivity and reduced odor. To enter the cage facilities we were obligated to go through the cardipping and man spray spot. From our observation, biosecurity and sanitation were generally kept up well. We entered the cages and learned that the broilers had reached a weight of about 2.4-2.5kg with an approx. age of 37 days, indicating that they were prepared for harvest (note that broilers are typically ready for harvesting at a weight of 0.8-1.0kg, rely on customers request). The harvesting process is planned to be conducted on a six-times-per-year basis. The facility employs an automated feeding system that provides feed to the broilers at predetermined intervals. The large fan installations helped the intake-exhaust air circulation process in the closed house system, which kept the temperature at 22–24°C (as opposed to 32–34°C for DOC stages) to ensure that the broilers remain stress-free and maintain their weight at an optimal level.

JPFA's market share in Banten flourished at 23% in FY22 (vs 17% in FY21). To gain insights into the market potential, we developed a model that considered the per capita broiler consumption in Banten. **According to our estimates, the consumption per capita reached 8.5kg in FY22, reflecting a notable YoY increase of 6.6%.** Nevertheless, the growth in production per capita was relatively modest, growing by only 2.5% YoY to 16.0 kg ([exhibit 02](#)). Notably, we assumed that approximately 40% of the production is distributed outside the province (Jabodetabek and Lampung). Considering the rise in HoReCa establishments and the favorable property prices that have attracted a growing population outside Jakarta (Tangerang Selatan and Tangerang regency), we see plenty of room for growth for JPFA onwards.

So Good, So Nice

Subsequently, we visited PT So Good Food Manufacturing (SGFM) as the down-stream facilities, located in Cikupa, Tangerang. This facility serves both the B2C and B2B segments. The plant encompasses a comprehensive poultry slaughtering facility and meat processing unit. The slaughtering process involves a series of steps, including: stunning, killing, scalding & plucking, eviscerating, chilling & grading. Afterwards, the carcasses are then transformed into a variety of goods, including: 1) cut-up parts; 2) boneless/fillet; 3) minced meat; 4) or whole chicken, which are then packaged for distribution. These meticulous processes ensure that the carcasses meet the highest quality standards and adhere to Halal requirements.

Moving on to the meat processing segment, the carcasses undergo further transformation into value-added products. The integrated production process at SGFM involves: preparation, blending, forming, coating, frying, cooking, freezing, packing. We observed that the entire production workflow ran seamlessly, delivering their commitment to operational efficiency and HSE standards. It is worth mentioning that SGFM had obtained ISO 22000 certification, which attests to its commitment to ensuring food safety throughout its operations. In FY22, SGFM had over 170 distribution points and serving >45k direct customers nationwide. In addition, poultry processing & consumer product segments which accounted for 14.6% of turnover in FY22, is expected to growth onward, primarily propelled by performance of SGFM.

Valuation and Recommendation : Reiterate BUY with a Target Price of IDR1,500

We recommend **BUY** for **JPFA IJ** at a **TP of IDR1,500**, implying PE/PBV of 12.0x/1.3x in FY23E. JPFA's is currently trading near the level -0.5x STD PE Ratio (5-mean-average) of 9.9x. 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)	36,964.9	44,878.3	48,972.1	52,872.6	57,138.6
EBITDA (IDR Bn)	3,793.3	4,441.2	3,755.5	4,132.9	4,875.9
EBITDA Margin (%)	10.3	9.9	7.7	7.8	8.5
Net Income (IDR Bn)	916.7	2,022.6	1,419.9	1,466.5	1,857.2
ROA (%)	3.5	7.1	4.3	4.5	5.3
ROE (%)	8.0	15.4	10.4	10.7	12.4
PE (x)	16.1	7.3	10.4	10.7	12.4
PBV (x)	1.3	1.1	1.1	1.1	1.0

Sources : Company, MNCS


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Exhibit 01. We revised our projection in FY23E-FY24F

We trimmed our FY23's figures due to weak 1Q23'S performances on the back of lower Broiler and DOC prices

	FY23E			FY24F		
	Revised	Old	Change	Revised	Old	Change
Revenue (IDR Bn)	52,872.6	53,267.3	-0.7%	57,138.6	57,967.6	-1.4%
Gross Profit (IDR Bn)	8,082.0	8,406.9	-3.9%	8,968.8	9,202.1	-2.5%
Operating Profit (IDR Bn)	2,927.7	3,232.2	-9.4%	3,519.8	3,534.1	-0.4%
Net Income (IDR Bn)	1,466.5	1,659.2	-11.6%	1,857.2	1,863.4	-0.3%
GPM (%)	15.3	15.8	-49 bps	15.7	15.9	-17 bps
OPM (%)	5.5	6.1	-53 bps	6.2	6.1	6 bps
NPM (%)	2.8	3.1	-34 bps	3.3	3.2	4 bps

Source : MNCS

Exhibit 02. Broiler consumption per capita vs production per capita in Banten region
a) Consumption

	Average Broiler Consumption per Week (g)		Total Population ('000)		Annual Consumption (Ton)		Consumption per Capita (Kg)		Weighted	
	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22
	Pandeglang Regency	106.0	115.0	1,288.3	1,307.1	6,554.9	7,215.1	5.1	5.5	10.7%
Lebak Regency	161.0	197.0	1,407.9	1,433.9	10,879.9	13,558.5	7.7	9.5	11.7%	11.7%
Tangerang Regency	168.0	200.0	3,293.5	3,352.5	26,559.1	32,183.7	8.1	9.6	27.3%	27.4%
Serang Regency	119.0	152.0	1,647.8	1,678.9	9,412.2	12,249.4	5.7	7.3	13.7%	13.7%
Tangerang City	209.0	228.0	1,911.9	1,930.6	19,180.3	21,128.0	10.0	10.9	15.9%	15.8%
Cilegon City	184.0	136.0	441.8	450.3	3,901.6	2,939.4	8.8	6.5	3.7%	3.7%
Serang City	156.0	161.0	704.6	720.4	5,276.2	5,567.0	7.5	7.7	5.8%	5.9%
Tangerang Selatan City	221.0	223.0	1,365.7	1,378.5	14,487.2	14,755.1	10.6	10.7	11.3%	11.3%
TOTAL			12,061	12,252	96,251	109,596			100.0%	100.0%

Consumption per Capita x Weight (Kg)

	FY21	FY22
	0.5	0.6
	0.9	1.1
	2.2	2.6
	0.8	1.0
	1.6	1.7
	0.3	0.2
	0.4	0.5
	1.2	1.2
TOTAL	8.0	8.9

b) Production

	FY21	FY22
Total Population ('000)	12,061.5	12,252.0
Production (Ton)	188,116.6	195,901.6
Production per Capita (Kg)	15.6	16.0
Spread	7.6	7.0

Sources : BPS, MNCS

Exhibit 03. Cardipping and man spray spot



Source : Company

Exhibit 05. DOC in arrives



Source : Company

Exhibit 07. Chilling and grading process at SGFM



Source : Company

Exhibit 04. Large fan installations on the closed house system



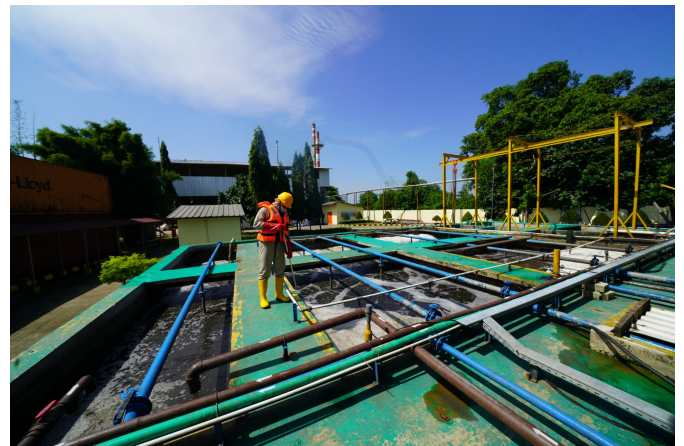
Source : Company

Exhibit 06. Broiler aged 24 days



Source : Company

Exhibit 08. Waste water treatment plant in SGFM



Source : Company

Exhibit 09. JPFA's Currently Trading Near its -0.5x STD (5-Year Average) at 9.9x PE



Sources : Bloomberg, MNCS

Exhibit 10. Financial Projections

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	36,964.9	44,878.3	48,972.1	52,872.6	57,138.6	Cash & Equivalents	1,335.9	1,085.1	1,811.1	1,119.0	1,512.8
COGS	(29,535.7)	(36,858.2)	(41,288.9)	(44,790.6)	(48,169.8)	Trade Receivables	1,982.3	2,428.5	2,496.1	2,496.8	2,777.6
Gross Profit	7,429.2	8,020.1	7,683.2	8,082.0	8,968.8	Inventory	6,860.5	9,068.3	10,976.3	10,451.1	11,105.8
Selling Expense	(1,550.0)	(1,657.6)	(1,810.6)	(1,962.5)	(2,167.8)	Others Current Assets	1,566.4	1,579.2	1,718.0	1,854.8	2,004.5
G&A Expense	(3,244.2)	(3,140.8)	(3,069.7)	(3,042.8)	(3,148.1)	Total Current Assets	11,745.1	14,161.2	17,001.5	15,921.8	17,400.7
Other income (Expense)	(150.8)	303.3	(52.5)	(149.1)	(133.1)	Fixed Assets-net	11,143.8	11,509.7	12,497.2	13,054.8	14,073.8
Operating Income	2,484.2	3,525.0	2,750.3	2,927.7	3,519.8	Other Non-Current Assets	3,062.8	2,918.8	3,192.2	3,446.5	3,724.6
Finance Cost (Income)	(805.9)	(739.4)	(808.8)	(911.5)	(944.3)	Total Non-Current Assets	14,206.6	14,428.5	15,689.4	16,501.3	17,798.4
Other income (Expense)	0.8	8.3	13.0	4.4	10.2	TOTAL ASSETS	25,951.8	28,589.7	32,690.9	32,423.1	35,199.1
Profit Before Tax	1,679.1	2,793.8	1,954.5	2,020.7	2,585.6	Trade Payables	3,993.6	3,030.1	4,135.1	4,230.2	5,887.4
Tax Income (Expense)	(457.2)	(663.0)	(463.6)	(479.3)	(633.5)	Short-term Debt	1,100.4	3,032.1	4,436.2	4,229.1	4,122.5
Minority Interest	(85.7)	(108.3)	(71.1)	(74.9)	(95.0)	Other Current Liabilities	913.7	1,002.0	841.2	908.2	981.4
Net Income	916.7	2,022.6	1,419.9	1,466.5	1,857.2	Total Current Liabilities	6,007.7	7,064.2	9,412.4	9,367.4	10,991.3
EPS (IDR)	78.2	172.5	121.1	125.1	158.4	Long-term Debt	6,819.4	7,140.5	8,430.5	8,036.8	7,834.2
						Other Long-term Liabilities	1,712.7	1,282.3	1,193.2	1,288.3	1,392.2
						Total LT-Liabilities	8,532.1	8,422.8	9,623.7	9,325.1	9,226.4
						Total Equity	11,412.0	13,102.7	13,654.8	13,730.6	14,981.4
						TOTAL LIABILITY AND EQUITY	25,951.8	28,589.7	32,690.9	32,423.1	35,199.1

Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F		FY20	FY21	FY22	FY23E	FY24F
Net Income	916.7	2,022.6	1,419.9	1,466.5	1,857.2	Revenue Growth (%)	(4.9)	21.4	9.1	8.0	8.1
D&A	1,093.7	1,126.4	850.9	975.6	1,152.3	Operating Profit Growth (%)	(20.5)	41.9	(22.0)	6.4	20.2
Changes in WC	2,055.9	(3,617.5)	(870.6)	619.7	721.7	Net Profit Growth (%)	(48.1)	120.6	(29.8)	3.3	26.6
Others	(88.1)	177.6	(219.7)	(69.8)	(76.4)	Current Ratio (%)	195.5	200.5	180.6	170.0	158.3
Operating CF	3,978.3	(290.9)	1,180.5	2,991.9	3,654.7	Receivable Days (x)	19.3	19.5	18.3	17.0	17.5
Capex	(1,529.7)	(1,492.2)	(1,838.4)	(1,533.3)	(2,171.3)	Inventory Days (x)	83.6	88.6	95.7	84.0	83.0
Others	7.2	144.0	(273.4)	(254.3)	(278.1)	Payable Days (x)	48.7	29.6	36.1	34.0	44.0
Investing CF	(1,522.5)	(1,348.3)	(2,111.8)	(1,787.6)	(2,449.3)	Net Gearing Ratio (x)	0.6	0.7	0.8	0.8	0.7
Dividend Paid	(233.2)	(466.3)	(697.2)	(483.9)	(606.3)	DER (x)	0.7	0.8	0.9	0.9	0.8
Net Change in Debt	(1,277.5)	2,252.8	2,694.1	(600.8)	(309.2)	Interest Coverage (x)	2.9	4.4	3.4	3.2	3.7
Equity Fund Raised	(486.9)	92.9	(273.0)	(906.7)	-	Dividend Yield (%)	1.6	3.2	4.7	3.3	4.1
Others	(126.5)	(491.1)	(66.6)	95.0	103.9	Gross Profit Margin (%)	20.1	17.9	15.7	15.3	15.7
Financing CF	(2,124.1)	1,388.4	1,657.3	(1,896.4)	(811.6)	Operating Profit Margin (%)	6.7	7.9	5.6	5.5	6.2
Cash at Beginning	1,004.3	1,335.9	1,085.1	1,811.1	1,119.0	EBITDA Margin (%)	10.3	9.9	7.7	7.8	8.5
Cash at Ending	1,335.9	1,085.1	1,811.1	1,119.0	1,512.8	Net Income Margin (%)	2.5	4.5	2.9	2.8	3.3
						BVPS (IDR)	973.2	1,117.4	1,164.4	1,170.9	1,277.6

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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