

**BUY | TP : IDR1,400**
**JPFA Stock Price Data**

Last Price	:	IDR1,220
52wk High	:	IDR1,480
52wk Low	:	IDR1,1015
Share Out	:	11.7bn
Market Cap	:	IDR14.3tn

**JPFA Stock Price Performance**

1-Day	:	-1.2%
1-Week	:	+2.1%
1-Month	:	-7.7%
3-Month	:	-3.2%
Year-to-Date	:	-7.0%

**Shareholders**

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

**PT Japfa Comfeed Indonesia Tbk (JPFA IJ)**
**Delivering Remarkable Improvement**
**3Q23: another superb quarterly result, thanks to feed ASP adjustment**

JPFA delivered a revenue of IDR13.6tn in 3Q23 (+9.8% QoQ/+10.6% YoY), which was primarily driven by higher volumes in the commercial farm, feed, and DOC segments. This translates into 9M23 revenue of IDR37.8tn, a +2.6% YoY growth (vs IDR36.8tn in 9M22). This achievement was below our/cons, reflecting 71.7%/73.4% of the FY23E target. Meantime, 3Q23 net profit stood at IDR855.3bn (+157.7% QoQ/+170.2% YoY), a significant increase supported by the feed margin rising to 24.5% (vs 17.6% in 2Q23 and 20.1% in 3Q22), thanks to higher ASP. This resulted in 9M23 net profit of IDR937.3billion, or went down -34.4% YoY (vs IDR1.4tn in 9M22). This is below our estimate (68.9%) but in-line with cons, achieving 74.6% of FY23E target.

**Culling program in-line, expect resilient broiler prices**

We anticipate that broiler and DOC prices will remain solid until the end of the year. In [our previous report](#), we noted that the government would need an extra culling of 5mn - 131mn day-old chick final stock (DOC FS) to counter the oversupply that we estimated to reach 304mn - 430mn in FY23E. Surely enough, the government has commenced a culling cycle for Oct-Nov 2023 for 4.1mn Parent Stock (PS) and 46.8mn FS Hatched Egg (HE) 19 days to address the issue. This would translate to a DOC FS reduction by 157.5mn, or exceeding our target. In 3Q23, broiler prices remained relatively stable at IDR21,050/kg (-0.5% QoQ), higher than 3Q22 of IDR18,750/kg. Meanwhile, our channel checks on Oct-23 showed broiler prices at IDR19,000/kg, or declined by -3.8% MoM due to seasonality. We anticipate a rebound in broiler prices in Nov-23, propelled by the year-end festive season, which could drive JPFA's performance forward through its poultry-related segment (accounting for ~73% of turnover).

**Promising FY23E landing**

With the recovery reflected in the 3Q23 performance and the tailwinds ahead, we have revised our figures. We maintain our revenue projections for FY23E/FY24F at IDR52.7tn/IDR56.9tn, respectively. Although the achievement in 9M23 was only 71.7% of the FY23E target, the cyclical factor towards festive season in 4Q23 will bolster revenue, in our view. We project revenue growth in 4Q23 of +9.5% QoQ (vs 5Y avg. of +12.7% QoQ). Meanwhile, we have moderately raised net profit projections in FY23E/FY24F to IDR1.4tn/IDR1.9tn (+5.2%/+1.1% from previous estimates), primarily driven by cost management and pass-on strategies to strengthen margins. This could lead to net profit in FY23E flat at +0.9% YoY compared to FY22, as well as translating into an EPS of IDR 122.1.

**Recommendation: BUY JPFA with a Target Price IDR1,400**

We upgrade our recommendation for JPFA to BUY with a TP of IDR 1,400/share (from IDR 1,200/share previously), implying a PE/PBV of 11.5x/1.1x in FY23E and 8.8x/1.0x in FY24F. With the on track performances and favorable outlook through the achievement of the culling target, it could be a positive catalyst. JPFA is currently trading close to -0.5 STD PE Ratio (5-year-average) of 10.1x. Downside risks include: 1) lower-than-expected DOC & broiler prices; 2) elevated input costs; 3) lower sales volumes.


**Research Analyst**

Raka Junico W.

raka.widyaman@mncgroup.com

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	36,964.9	44,878.3	48,972.1	52,669.7	56,915.3
EBITDA (IDR Bn)	3,793.3	4,441.2	3,755.5	4,083.2	4,866.4
EBITDA Margin (%)	10.3	9.9	7.7	7.8	8.6
Net Profit (IDR Bn)	916.7	2,022.6	1,419.9	1,432.1	1,858.6
ROA (%)	3.5	7.1	4.3	4.3	5.2
ROE (%)	8.0	15.4	10.4	9.8	11.7
PE (x)	15.6	7.1	10.1	10.0	7.7
PBV (x)	1.3	1.1	1.0	1.0	0.9

Sources : Company, MNCS

**Exhibit 01. Robust net profit in 3Q23**

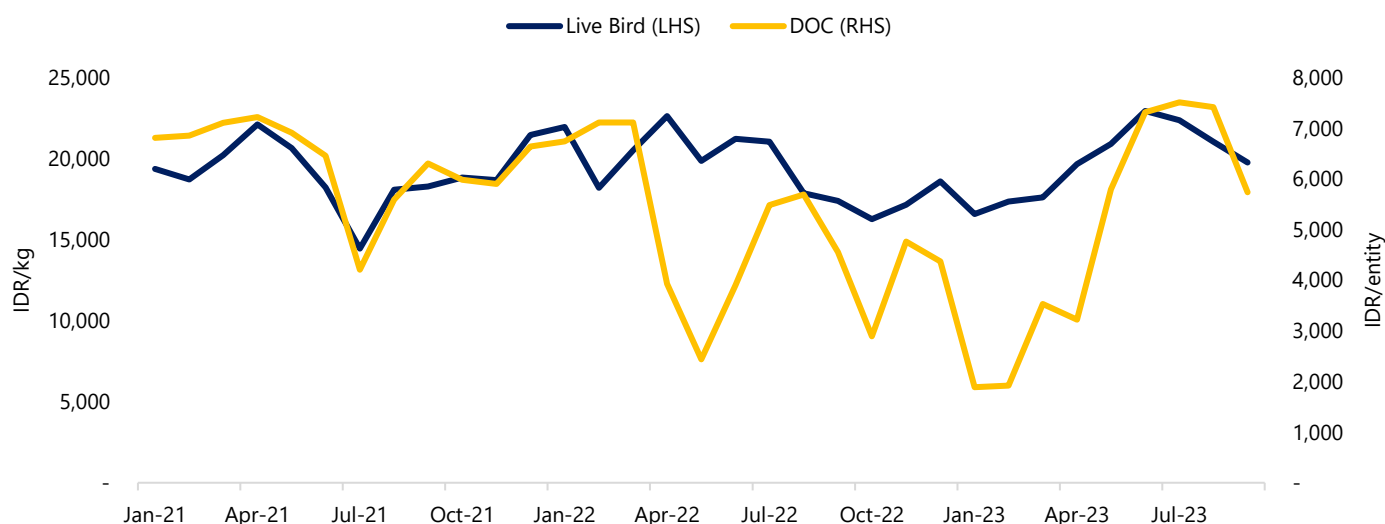
IDR Bn	2Q23	3Q23	QoQ	9M22	9M23	YoY	FY23E Cons	FY23E MNCS	%Cons	%MNCS
<b>Revenues</b>	<b>12,394.0</b>	<b>13,611.7</b>	<b>9.8%</b>	<b>36,793.3</b>	<b>37,767.4</b>	<b>2.6%</b>	<b>51,460.5</b>	<b>52,669.7</b>	<b>73.4%</b>	<b>71.7%</b>
COGS	10,322.5	11,048.5	7.0%	30,649.1	31,845.9	3.9%	43,947.2	44,753.2		
<b>Operating Profit</b>	<b>737.7</b>	<b>1,340.8</b>	<b>81.8%</b>	<b>2,548.3</b>	<b>1,996.8</b>	<b>-21.6%</b>	<b>2,537.2</b>	<b>2,781.9</b>	<b>78.7%</b>	<b>71.8%</b>
Operating Profit Margin	6.0%	9.9%		6.9%	5.3%		4.9%	5.3%		
PBT	479.7	1,114.2	132.2%	1,967.0	1,293.3	-34.3%	1,767.7	1,875.2	73.2%	69.0%
<b>Net Profit</b>	<b>331.9</b>	<b>855.3</b>	<b>157.7%</b>	<b>1,428.2</b>	<b>937.3</b>	<b>-34.4%</b>	<b>1,255.6</b>	<b>1,361.0</b>	<b>74.6%</b>	<b>68.9%</b>
Net Margin	2.7%	6.3%		3.9%	2.5%		2.4%	2.6%		

Sources : Bloomberg, Company, MNCS

**Exhibit 02. Additional culling in Aug-Nov should pave the way for resilient broiler prices**

Culling Program	Date Instructed	Target	Amount Culled	Total Culled
1	25 Feb – 15 Apr	FS Hatched Egg (HE) 19 days	14.9mn/week	104.4mn
2	19 Apr – 3 Jun	PS 50-53 weeks, equal to 93.2mn DOC FS	0.6mn/week	3.9mn
2 (add-on)	26 Apr – 3 Jun	FS Hatched Egg (HE) 19 days	8.0mn/week	48.1mn
2 (add-on)	19 Apr-through the end of year	PS breeding life cycle limitation to max 53 weeks		
3	14 Jun – 23 Jul	PS 50 – 54 weeks, equal to 43.2mn DOC FS	0.3mn/week	1.9mn
3 (add-on)	29 Jul – 12 Aug	FS Hatched Egg (HE) 19 days	2.5mn/week	10.0mn
3 (add-on)	12 Jun-through the end of year	PS breeding life cycle limitation to max 54 weeks		
4	24 Aug-7 Oct	PS 50-54 weeks, equal to 70.8mn DOC FS	0.4mn/week	2.5mn
4 (add-on)	30 Sep-21 Oct	FS Hatched Egg (HE) 19 days, equal to 11.9mn DOC FS	4.5mn/week	13.6mn
4 (add-on)	4-18 Nov	FS Hatched Egg (HE) 19 days, equal to 13.0mn DOC FS	5.9mn/week	14.9mn
5	23 Oct-25 Nov	PS 50-54 weeks, equal to 45.8mn DOC FS	0.3mn/week	1.6mn
5 (add-on)	25 Oct-3 Nov	FS Hatched Egg (HE) 19 days, equal to 16.0mn DOC FS	9.2mn/week	18.3mn

Sources : MoA, MNCS

**Exhibit 03. Live bird and DOC prices**


Sources : Company, MNCS

**Exhibit 04. Financial Projections**

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
<b>Revenue</b>	<b>36,964.9</b>	<b>44,878.3</b>	<b>48,972.1</b>	<b>52,669.7</b>	<b>56,915.3</b>	Cash & Equivalents	1,335.9	1,085.1	1,811.1	2,056.9	2,454.8
COGS	(29,535.7)	(36,858.2)	(41,288.9)	(44,753.2)	(48,001.3)	Trade Receivables	1,982.3	2,428.5	2,496.1	2,487.2	2,766.7
<b>Gross Profit</b>	<b>7,429.2</b>	<b>8,020.1</b>	<b>7,683.2</b>	<b>7,916.5</b>	<b>8,914.1</b>	Inventory	6,860.5	9,068.3	10,976.3	10,442.4	11,067.0
Selling Expense	(1,550.0)	(1,657.6)	(1,810.6)	(1,885.9)	(2,140.6)	Others Current Assets	1,566.4	1,579.2	1,718.0	1,847.7	1,996.6
G&A Expense	(3,244.2)	(3,140.8)	(3,069.7)	(3,002.2)	(3,128.0)	<b>Total Current Assets</b>	<b>11,745.1</b>	<b>14,161.2</b>	<b>17,001.5</b>	<b>16,834.2</b>	<b>18,285.2</b>
Other income (Expense)	(150.8)	303.3	(52.5)	(148.5)	(132.6)	Fixed Assets-net	11,143.8	11,509.7	12,497.2	13,049.4	14,061.1
<b>Operating Profit</b>	<b>2,484.2</b>	<b>3,525.0</b>	<b>2,750.3</b>	<b>2,879.9</b>	<b>3,512.9</b>	Other Non-Current Assets	3,062.8	2,918.8	3,192.2	3,433.3	3,710.0
Finance Cost (Income)	(805.9)	(739.4)	(808.8)	(911.1)	(935.3)	<b>Total Non-Current Assets</b>	<b>14,206.6</b>	<b>14,428.5</b>	<b>15,689.4</b>	<b>16,482.7</b>	<b>17,771.2</b>
Other income (Expense)	0.8	8.3	13.0	4.4	10.1	<b>TOTAL ASSETS</b>	<b>25,951.8</b>	<b>28,589.7</b>	<b>32,690.9</b>	<b>33,316.9</b>	<b>36,056.3</b>
<b>Profit Before Tax</b>	<b>1,679.1</b>	<b>2,793.8</b>	<b>1,954.5</b>	<b>1,973.3</b>	<b>2,587.7</b>	Trade Payables	3,993.6	3,030.1	4,135.1	4,226.7	5,866.8
Tax Income (Expense)	(457.2)	(663.0)	(463.6)	(468.0)	(634.0)	Short-term Debt	1,100.4	3,032.1	4,436.2	4,227.3	4,118.7
Minority Interest	(85.7)	(108.3)	(71.1)	(73.1)	(95.1)	Other Current Liabilities	913.7	1,002.0	841.2	904.7	977.6
<b>Net Profit</b>	<b>916.7</b>	<b>2,022.6</b>	<b>1,419.9</b>	<b>1,432.1</b>	<b>1,858.6</b>	<b>Total Current Liabilities</b>	<b>6,007.7</b>	<b>7,064.2</b>	<b>9,412.4</b>	<b>9,358.7</b>	<b>10,963.1</b>
EPS (IDR)	78.2	172.5	121.1	122.1	158.5	Long-term Debt	6,819.4	7,140.5	8,430.5	8,033.5	7,827.1
						Other Long-term Liabilities	1,712.7	1,282.3	1,193.2	1,283.3	1,386.8
						<b>Total LT-Liabilities</b>	<b>8,532.1</b>	<b>8,422.8</b>	<b>9,623.7</b>	<b>9,316.8</b>	<b>9,213.9</b>
						<b>Total Equity</b>	<b>11,412.0</b>	<b>13,102.7</b>	<b>13,654.8</b>	<b>14,641.5</b>	<b>15,879.3</b>
						<b>TOTAL LIABILITY AND EQUITY</b>	<b>25,951.8</b>	<b>28,589.7</b>	<b>32,690.9</b>	<b>33,316.9</b>	<b>36,056.3</b>

Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F		FY20	FY21	FY22	FY23E	FY24F
Net profit	916.7	2,022.6	1,419.9	1,432.1	1,858.6	Revenue Growth (%)	(4.9)	21.4	9.1	7.6	8.1
D&A	1,093.7	1,126.4	850.9	975.2	1,151.1	Operating Profit Growth (%)	(20.5)	41.9	(22.0)	4.7	22.0
Changes in WC	2,055.9	(3,617.5)	(870.6)	634.4	736.0	Net Profit Growth (%)	(48.1)	120.6	(29.8)	0.9	29.8
Others	(88.1)	177.6	(219.7)	(66.2)	(76.0)	Current Ratio (%)	195.5	200.5	180.6	179.9	166.8
<b>Operating CF</b>	<b>3,978.3</b>	<b>(290.9)</b>	<b>1,180.5</b>	<b>2,975.5</b>	<b>3,669.8</b>	Receivable Days (x)	19.3	19.5	18.3	17.0	17.5
Capex	(1,529.7)	(1,492.2)	(1,838.4)	(1,527.4)	(2,162.8)	Inventory Days (x)	83.6	88.6	95.7	84.0	83.0
Others	7.2	144.0	(273.4)	(241.0)	(276.8)	Payable Days (x)	48.7	29.6	36.1	34.0	44.0
<b>Investing CF</b>	<b>(1,522.5)</b>	<b>(1,348.3)</b>	<b>(2,111.8)</b>	<b>(1,768.4)</b>	<b>(2,439.5)</b>	Net Gearing Ratio (x)	0.6	0.7	0.8	0.7	0.6
Dividend Paid	(233.2)	(466.3)	(697.2)	(472.6)	(606.8)	DER (x)	0.7	0.8	0.9	0.8	0.8
Net Change in Debt	(1,277.5)	2,252.8	2,694.1	(605.9)	(315.0)	Interest Coverage (x)	2.9	4.4	3.4	3.1	3.7
Equity Fund Raised	(486.9)	92.9	(273.0)	27.2	(14.0)	Dividend Yield (%)	1.6	3.3	4.9	3.3	4.2
Others	(126.5)	(491.1)	(66.6)	90.1	103.4	Gross Profit Margin (%)	20.1	17.9	15.7	15.0	15.7
<b>Financing CF</b>	<b>(2,124.1)</b>	<b>1,388.4</b>	<b>1,657.3</b>	<b>(961.1)</b>	<b>(832.3)</b>	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	2,056.9	EBITDA Margin (%)	10.3	9.9	7.7	7.8	8.6
<b>Cash at Ending</b>	<b>1,335.9</b>	<b>1,085.1</b>	<b>1,811.1</b>	<b>2,056.9</b>	<b>2,454.8</b>	Net profit Margin (%)	2.5	4.5	2.9	2.7	3.3
						BVPS (IDR)	973.2	1,117.4	1,164.4	1,248.6	1,354.1

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

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- **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

### PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

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