

BUY | TP : IDR1,880
Stock Price Data

Last Price	:	IDR1,365
52wk High	:	IDR1,475
52wk Low	:	IDR1,055
Share Out	:	11.7bn
Market Cap	:	IDR16.0tn

Stock Price Performance

1-Day	:	-4.2%
1-Week	:	-2.2%
1-Month	:	+12.3%
3-Month	:	+16.7%
Year-to-Date	:	+15.7%

Shareholders

Japfa Ltd (P)	:	55.4%
Public	:	43.8%
Treasury	:	0.8%

PT Japfa Comfeed Indonesia Tbk (JPFA IJ)
Positioned for Resiliency Through Favorable Circumstances
1Q24; net profit managed to come back

JPFA made a notable recovery in 1Q24, with a net profit of IDR664.8 bn (vs a net loss of IDR-7.5 bn in 4Q23 and IDR-249.9 bn in 1Q23). The 1Q24 net profit exceeded our/cons. estimates, reflecting 35.8%/48.5% of the FY24E target, respectively. The higher-than-expected net profit was primarily supported by better margins in the animal feed and poultry-related segments. We recorded a profit margin for animal feed at 8.1% (vs 9.2% in 1Q23), poultry breeding at 12.6% (vs -24.5% in 1Q23), and commercial farming at 4.5% (vs -8.5% in 1Q23). Additionally, OPEX was manageable at +0.6% YoY/-0.8% QoQ, translating to a 1Q24 NPM of 4.8% (vs -0.1%/-2.1% in 4Q23/1Q23). Meanwhile, 1Q24 revenue came at IDR13.9 tn (+3.9% QoQ/+18.4% YoY), met our/cons. estimates with a run rate of 24.5%/25.6% of the FY24E target, respectively. The positive start to 2024 was mainly driven by higher ASP and volume in the bulk business (feed, breeding, and commercial farm). The net gearing position improved to 0.8x in 1Q24 (vs 0.9x in 1Q23).

Recent reference price to benefit commercial farm and breeding segments

To maintain supply, the government has extended the relaxation of the reference price regulation for commodities such as eggs, corn and broiler meat. This regulation is positive for the poultry industry, adjusting purchase prices amidst challenges like rising raw material costs and price fluctuations. According to the latest National Food Agency Regulation No.162/TS.02.02/K/5/2024, the reference price for broiler meat at the producer level is now IDR23k-25k/broiler, increased from the previous range of IDR21k-23k/broiler as specified in Perbadan no.5/2022. We also expect the trajectory of Day Old Chick (DOC) prices to mirror livebird prices ([exhibit 03](#)). We expect the new reference price to bolster the commercial farm and the poultry breeding segments. Following this, our estimation of the blended cost per broiler will range between IDR19.8k-20.8k in FY24E. Meanwhile, the average broiler price in May-24 hovered at IDR21,052 (+0.7% YoY/+3.3% MoM) and DOC at IDR7,450 (+28.6% YoY/+26.0% MoM). With this spread, we anticipate positive margins in 2Q24.

Foreseeing moderation in input costs to solidify feed margin

We noted that several raw material prices have moderated. The corn price for farmers in May-24 was IDR 5,871/kg, down by -17.6% MoM from Apr-24. We expect the decline in input prices to continue, driven by an extended harvest period due to El-Nino. Additionally, the latest reference price regulation has raised the average corn price by +18.3% compared to Perbadan No.5/2022. This bodes well for supply availability. On the flip side, while La Nina could potentially increase soybean meal prices due to reduced yields ([exhibit 04](#)), we expect its impact in FY24-25 to be minimal. The WASDE projects global soybean production in FY24 to increase by +4.8% YoY to 271.3mn tons. With the anticipated moderation of raw materials, we project that feed margins will remain solid at 8%-9%, supporting our FY24E net profit growth projection of IDR1.9 tn (+99.9% YoY).

Valuation and recommendation: maintain BUY with a higher TP of IDR1,880/share

We maintain our **BUY** recommendation for **JPFA with a higher TP of IDR1,880/share**, implying a PE/PBV of 16.2x/1.5x in FY24E. We highlight the potential for solid broiler and DOC prices at IDR22k-24k going forward, supported by the new reference price regulation. Additionally, the continued moderation of raw materials is anticipated to sustain feed margins at 8%-9%. We note that as of 5M24, JPFA has a net foreign inflow position of IDR55.4 bn (vs CPIN outflow: IDR30.4 bn). Downside risks include: 1) lower-than-expected DOC and broiler prices; 2) elevated input costs; 3) lower sales volumes.

Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR Bn)	44,878.3	48,972.1	51,175.9	56,915.3	59,448.6
EBITDA (IDR Bn)	4,441.2	3,755.5	3,274.4	4,704.1	5,019.5
EBITDA Margin (%)	9.9	7.7	6.4	8.3	8.4
Net Income (IDR Bn)	2,022.6	1,419.9	929.7	1,858.6	2,144.2
ROA (%)	7.1	4.3	2.7	5.1	5.7
ROE (%)	15.4	10.4	6.6	11.9	12.7
PE (x)	7.9	11.3	17.2	8.6	7.5
PBV (x)	1.2	1.2	1.1	1.0	0.9

Sources : Company, MNCS


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Exhibit 01. Solid 1Q24 net profit buoyed by poultry-related segments

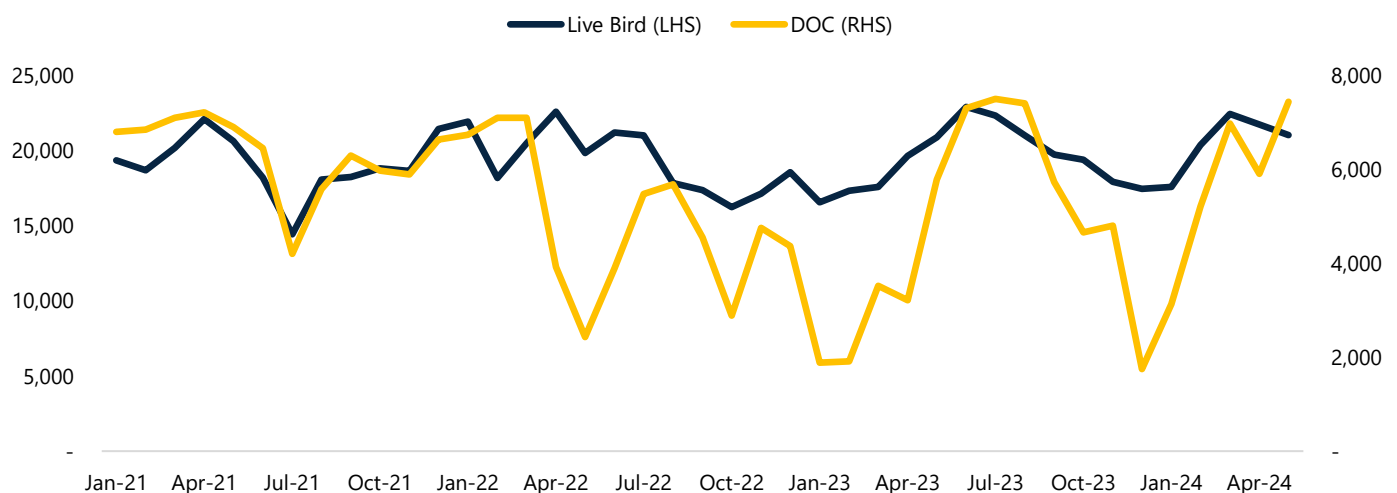
IDR Bn	4Q23	1Q24	QoQ	1Q23	1Q24	YoY	FY24E Cons	FY24E MNCS	%Cons	%MNCS
Revenues	13,408.5	13,925.5	3.9%	11,761.8	13,925.5	18.4%	54,397.0	56,915.3	25.6%	24.5%
COGS	11,818.6	11,451.2	-3.1%	10,474.8	11,451.2	9.3%				
Operating Profit	209.6	1,071.9	411.5%	(81.7)	1,071.9	1,411.8%	2,848.8	3,512.9	37.6%	30.5%
Operating Profit Margin	1.6%	7.7%		-0.7%	7.7%		5.2%	6.2%		
PBT	(32.0)	895.1	2,895.8%	(300.7)	895.1	397.7%				
Net Profit	(7.5)	664.8	8,913.8%	(249.9)	664.8	366.0%	1,372.1	1,858.6	48.5%	35.8%
Net Margin	-0.1%	4.8%		-2.1%	4.8%		2.5%	3.3%		

Sources : Company, Bloomberg, MNCS

Exhibit 02. The new reference price regulation provides room for higher ASP, stabilizing broiler and DOC prices, and offsetting costs

Commodities	Perbadan 05/22 (IDR/kg)	Relaxation at producer level as of 25'Apr-31'May (IDR/kg)	Relaxation at producer level ext. (IDR/kg)	Perbadan 05/22 (IDR/kg)	Relaxation at consumer level as of 25'Apr-31'May (IDR/kg)	Relaxation at consumer level ext. (IDR/kg)
Broiler meat						
Lower limit	21,000		23,000			38,000
Upper limit	23,000	25,000	25,000	36,750	40,000	40,000
Dried corn at producer level		Perbadan 05/22 (IDR/kg)			Relaxation (IDR/kg)	
Water content 15%		4,200			5,000	
Water content 20%		3,970			4,725	
Water content 25%		3,750			4,450	
Water content 30%		3,540			4,200	
Dried corn at Cons./farmer level						
Water content 15%		5,800			5,800	

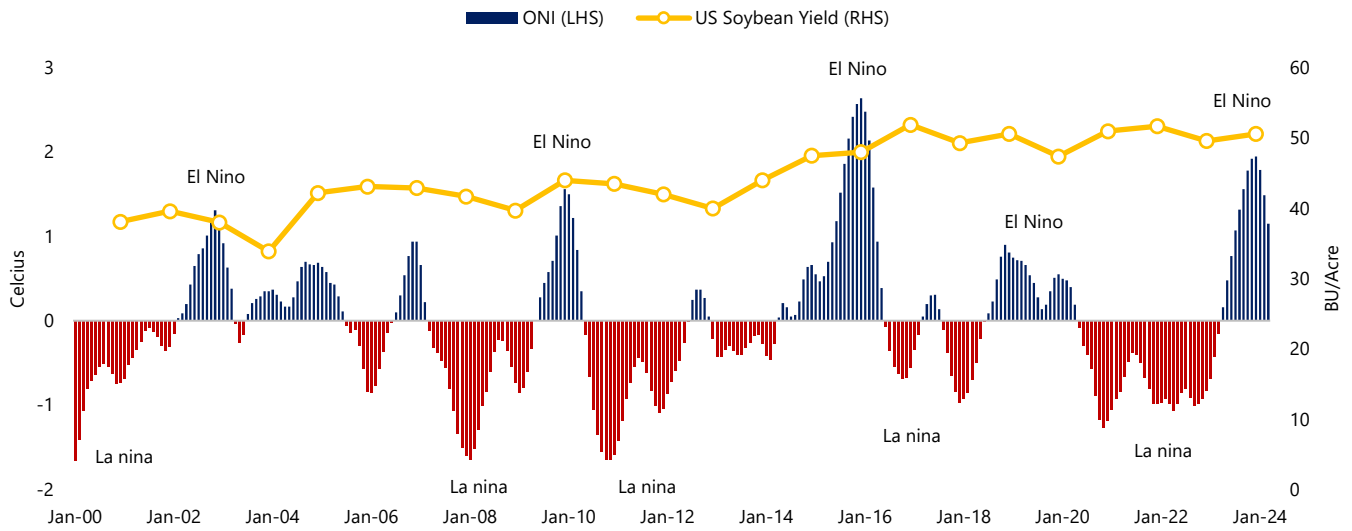
Sources : NFA, MNCS

Exhibit 03. Since the implementation of the new reference price regulation, broiler and DOC prices stayed high in 1Q24


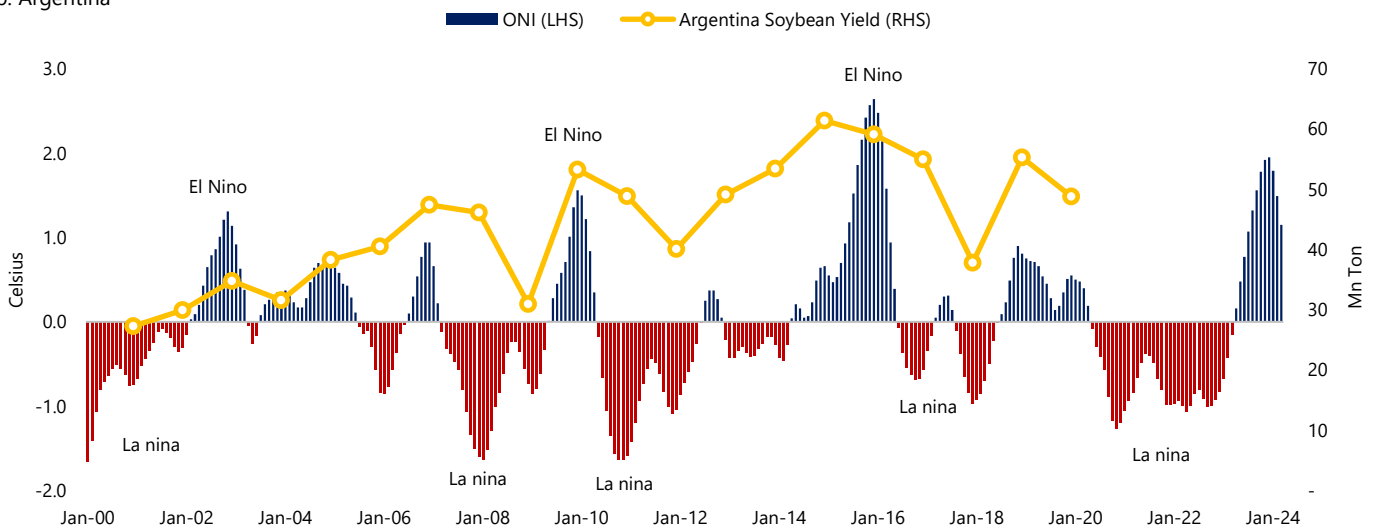
Sources : Various Source, MNCS

Exhibit 04. Although La Nina may potentially impact soybean yields, we expect the supply from the US to buffer global demand

a. United States

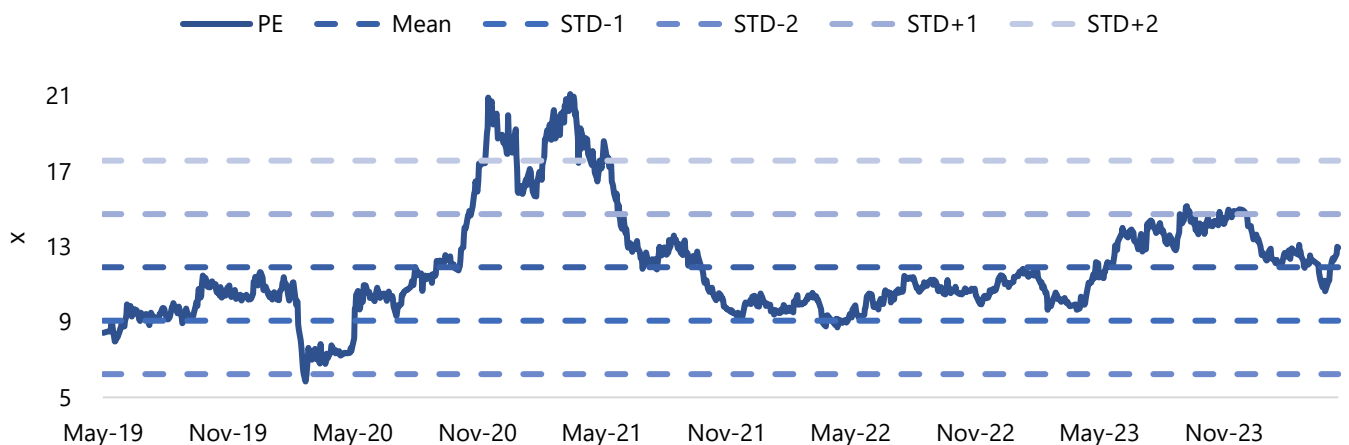


b. Argentina



Sources : NOAA, USDA, MoE Argentina, MNCS

Exhibit 05. JPFA is currently trading near at the AVG STD PE Ratio (5-years-mean) of 12.6x



Sources : IDX, Company, MNCS

Exhibit 06. Financial Projections

Income Statement						Balance Sheet					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F	in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Revenue	44,878.3	48,972.1	51,175.9	56,915.3	59,448.6	Cash & Equivalents	1,085.1	1,811.1	1,502.6	1,779.5	1,760.9
COGS	(36,858.2)	(41,288.9)	(43,664.5)	(48,001.3)	(50,123.4)	Trade Receivables	2,428.5	2,496.1	2,585.8	2,766.7	2,889.9
Gross Profit	8,020.1	7,683.2	7,511.4	8,914.1	9,325.2	Inventory	9,068.3	10,976.3	11,321.0	11,600.3	11,695.5
Selling Expense	(1,657.6)	(1,810.6)	(2,083.3)	(2,140.6)	(2,231.2)	Others Current Assets	1,579.2	1,718.0	1,809.0	2,011.9	2,101.4
G&A Expense	(3,140.8)	(3,069.7)	(3,163.9)	(3,128.0)	(3,219.5)	Total Current Assets	14,161.2	17,001.5	17,218.3	18,158.4	18,447.6
Other income (Expense)	303.3	(52.5)	(57.7)	(132.6)	18.2	Fixed Assets-net	11,509.7	12,497.2	13,395.2	14,536.3	15,310.6
Operating Profit	3,525.0	2,750.3	2,206.4	3,512.9	3,892.7	Other Non-Current Assets	2,918.8	3,192.2	3,496.0	3,888.0	4,061.1
Finance Cost (Income)	(739.4)	(808.8)	(944.2)	(935.3)	(945.6)	Total Non-Current Assets	14,428.5	15,689.4	16,891.1	18,424.3	19,371.7
Other income (Expense)	8.3	13.0	(1.0)	10.1	7.8	TOTAL ASSETS	28,589.7	32,690.9	34,109.4	36,582.7	37,819.3
Profit Before Tax	2,793.8	1,954.5	1,261.2	2,587.7	2,954.9	Trade Payables	3,030.1	4,135.1	4,891.1	5,866.8	6,404.7
Tax Income (Expense)	(663.0)	(463.6)	(315.3)	(634.0)	(724.0)	Short-term Debt	3,032.1	4,436.2	4,919.1	4,355.2	4,112.1
Minority Interest	(108.3)	(71.1)	(16.2)	(95.1)	(86.7)	Other Current Liabilities	1,002.0	841.2	873.9	971.9	1,015.2
Net Profit	2,022.6	1,419.9	929.7	1,858.6	2,144.2	Total Current Liabilities	7,064.2	9,412.4	10,684.1	11,194.0	11,532.0
EPS (IDR)	172.5	121.1	79.3	158.5	182.9	Long-term Debt	7,140.5	8,430.5	7,926.6	8,276.5	7,814.6
						Other Long-term Liabilities	1,282.3	1,193.2	1,331.5	1,480.9	1,546.8
						Total LT-Liabilities	8,422.8	9,623.7	9,258.2	9,757.4	9,361.3
						Total Equity	13,102.7	13,654.8	14,167.2	15,631.3	16,926.0
						TOTAL LIABILITY AND EQUITY	28,589.7	32,690.9	34,109.4	36,582.7	37,819.3

Cash Flow						Ratios					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F		FY21	FY22	FY23	FY24E	FY25F
Net profit	2,022.6	1,419.9	929.7	1,858.6	2,144.2	Revenue Growth (%)	21.4	9.1	4.5	11.2	4.5
D&A	1,126.4	850.9	845.7	1,021.7	1,180.7	Operating Profit Growth (%)	41.9	(22.0)	(19.8)	59.2	10.8
Changes in WC	(3,617.5)	(870.6)	321.7	515.5	319.5	Net Profit Growth (%)	120.6	(29.8)	(34.5)	99.9	15.4
Others	177.6	(219.7)	(101.9)	(104.9)	(46.3)	Current Ratio (%)	200.5	180.6	161.2	162.2	160.0
Operating CF	(290.9)	1,180.5	1,995.2	3,290.9	3,598.2	Receivable Days (x)	19.5	18.3	18.2	17.5	17.5
Capex	(1,492.2)	(1,838.4)	(1,743.7)	(2,162.8)	(1,955.0)	Inventory Days (x)	88.6	95.7	93.3	87.0	84.0
Others	144.0	(273.4)	(303.7)	(392.1)	(173.1)	Payable Days (x)	29.6	36.1	40.3	44.0	46.0
Investing CF	(1,348.3)	(2,111.8)	(2,047.4)	(2,554.9)	(2,128.1)	Net Gearing Ratio (x)	0.7	0.8	0.8	0.7	0.6
Dividend Paid	(466.3)	(697.2)	(581.0)	(380.4)	(847.6)	DER (x)	0.8	0.9	0.9	0.8	0.7
Net Change in Debt	2,252.8	2,694.1	(21.0)	(214.0)	(705.1)	Interest Coverage (x)	4.4	3.4	2.2	3.7	4.0
Equity Fund Raised	92.9	(273.0)	206.6	(14.1)	(2.0)	Dividend Yield (%)	2.9	4.3	3.6	2.4	5.3
Others	(491.1)	(66.6)	139.1	149.3	65.9	Gross Profit Margin (%)	17.9	15.7	14.7	15.7	15.7
Financing CF	1,388.4	1,657.3	(256.3)	(459.2)	(1,488.7)	Operating Profit Margin (%)	7.9	5.6	4.3	6.2	6.5
Cash at Beginning	1,335.9	1,085.1	1,811.1	1,502.6	1,779.5	EBITDA Margin (%)	9.9	7.7	6.4	8.3	8.4
Cash at Ending	1,085.1	1,811.1	1,502.6	1,779.5	1,760.9	Net profit Margin (%)	4.5	2.9	1.8	3.3	3.6
						BVPS (IDR)	1,117.4	1,164.4	1,208.1	1,333.0	1,443.4

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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