

To grow further in '25F, after a great recovery year in '24F

25 November 2024



JPFA IJ	BUY
Sector	Poultry
Price at 22 Nov 2024 (IDR)	1,760
Price target (IDR)	2,300
Upside/Downside (%)	17.6

Stock Information

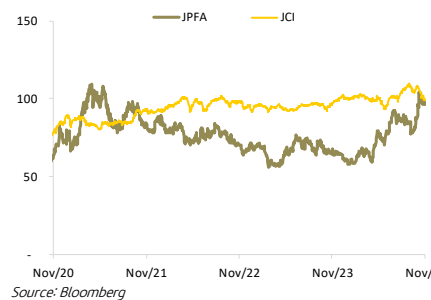
Japfa Comfeed Indonesia Tbk (JPFA) is the second largest poultry player in Indonesia that engages in animal feeds, breeds, processes chicken and operates aquaculture farms.

Market cap (IDR bn)	19,767
Shares outstanding (mn)	11,628
52-week range (IDR)	1,055-1,875
3M average daily vol. ('000)	20,354
3M average daily val. (IDR mn)	32,930

Shareholders (%)

Japfa Ltd	55.43
Treasury Stock	0.84
Leo Handoko Laksono	0.02
Public	43.71

Stock Performance



	1M	3M	12M
Performance (%)	7.3	11.4	41.9

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Re-initiate our coverage on Japfa Comfeed Indonesia (JPFA) with a BUY and TP of IDR2,300, which implies 8.5x '25F P/E as we expect JPFA' further growth in '25F, after a great recovery year in '24F. Although, JPFA had a weak performance in 3Q24 as its earnings declined 27.9% yoy/24.3% qoq to IDR617 bn, we still expect its earnings in 4Q24F and '24F to grow by more than a 100% yoy (low base in 2023)/9% qoq and 197.9% yoy, respectively on higher livebird (LB) and day old chick' (DOC) average selling price (ASP) amidst a much lower raw material (local corn and soybean meal) prices, yoy. Thus, with higher demand for chicken yoy on government free lunch program, a more stable LB and DOC' ASP and raw material prices further such as local corn (LC) and soybean-meal (SBM), we expect JPFA' revenue and earnings to grow by 10.3% yoy and 15% yoy, respectively in '25F. Currently, JPFA is trading at 6.5x '25F P/E or at -1stddev of its 5 years' mean P/E.

Higher demand for chicken in '25F amidst stable supply

Demand for chicken in Indonesia has continued to grow, gradually each year and this year, we expect JPFA' revenue to grow by 7% yoy to IDR54.8 tn. Next year, we expect the demand growth for chicken to be higher yoy on government' free nutritious lunch program that will start on Jan 2nd,2025. At the same time, we also expect a stable ASP and supply of LB and DOC to continue in '25F due to this year' voluntarily culling from poultry players (JPFA, CPIN, etc) and a reduced grand-parent (GP) stock import quota by government. Thus, we expect JPFA' revenue to grow by 10.3% yoy to IDR60.4 tn in '25F.

Gross margin could continue to expand in '25F, although limited

We hope that LC' harvest next year to be as successful as this year' with low SBM prices (below USD350/kg) despite with stronger USD. Thus, we expect JPFA' gross margin to reach 19.3% and 19.4%, respectively in '24F and '25F due to low and stable raw material prices as the government also needs to protect local corn farmer. At the same time, JPFA could continue to have better cost management next year, and expect to expand its EBIT margin to 9.2% and 9.3%, respectively in '24F and '25F.

Still double digit earnings growth in '25F

JPFA' earnings could reach IDR2.77 tn (+197.9% yoy) in '24F due to higher sales with stable LB' and DOC' ASP, amidst lower raw material prices and better cost management. While, we also expect JPFA' earnings to reach IDR3.18 tn (+15% yoy) in '25F due to the same reason as this year'. All in all, we expect JPFA' net margin to reach 5.1% and 5.3% respectively in '24F and '25F, due to low material prices and better cost management.

Earnings grew 123.6% yoy in 9M24, despite weak 3Q24' performance

Although with 27.9% yoy/24.3% qoq earnings decline in 3Q24, JPFA' earnings reached IDR2.09 tn (+123.6% yoy) in 9M24 on higher LB' and DOC' ASP this year with lower raw material prices. While, JPFA' revenue reached IDR41.3 tn (+9.3% yoy) in 9M24, despite a flattish revenue growth (+0.1% yoy/-0.7% qoq) in 3Q24 as lesser festive events in the quarter. JPFA' gross margin expanded by 20bps yoy in 3Q24, but contracted 200bps qoq due to lesser sales qoq with lower LB' and DOC' ASP. All in all, JPFA' gross, EBIT and net margin still expanded by 350bps yoy, 380bps yoy and 260bps yoy, respectively in 9M24.

Re-initiate a BUY with TP of IDR2,300

We re-initiate our coverage on JPFA with a Buy and TP of IDR 2,300/share, which implies 8.5x '25F P/E or at -0.5 stdv of its 5 years mean P/E. This year, poultry sector has recovered from low ASP of LB and DOC and high raw material prices and we expect a stellar performance from JPFA due to last year' low base. While in '25F, we expect JPFA to benefit from higher demand for chicken on government' free nutritious lunch program, with a stable ASP and supply of LB and DOC. All in all, we expect JPFA' revenue and earnings to grow by 10.3% yoy and 15% yoy, respectively in '25F. Risks to our call includes: a) high supply with low demand on LB and DOC, b) higher than expected raw material prices (LC and SBM), and c) changes in government regulations on poultry sector. Currently, JPFA is trading at 6.5x '25F P/E or at -1stddev of its 5 years' mean P/E.

Exhibit 1: Key Statistics

Year end Dec	2022A	2023A	2024F	2025F	2026F
Revenue (IDR bn)	48,972	51,176	54,763	60,420	66,565
EBITDA (IDR bn)	3,654	3,110	6,056	6,644	7,292
Net profit (IDR bn)	1,420	930	2,770	3,185	3,687
EPS (IDR)	121	79	236	272	314
EPS growth (%)	-29.8	-34.5	197.9	15.0	15.8
ROE (%)	11.1	7.0	17.7	17.9	18.3
ROA (%)	4.3	2.7	7.7	8.3	8.9
PER (x)	14.5	22.2	7.5	6.5	5.6
PBV (x)	1.6	1.6	1.3	1.2	1.0
EV/EBITDA (x)	7.2	8.6	3.8	3.7	2.5
Div Yield (%)	3.5	2.8	1.8	5.5	6.3

Source: Company, KBVS Research

Exhibit 2: JPFA' 3Q24 results

JPFA 9M24 Results (IDRbn)	9M24	9M23	YoY	3Q24	3Q23	YoY	2Q24	QoQ	Cons' to Cons'	
Revenue	41,280	37,767	9.3%	13,631	13,612	0.1%	13,723	-0.7%	54,729	75.4%
COGS	(33,336)	(31,846)	4.7%	(11,044)	(11,049)	0.0%	(10,841)	1.9%		
Gross profit	7,944	5,922	34.2%	2,587	2,563	0.9%	2,882	-10.2%	9,632	82.5%
Operating expenses	(4,161)	(3,877)	7.3%	(1,453)	(1,202)	20.9%	(1,347)	7.9%		
EBIT	3,783	2,044	85.1%	1,134	1,361	-16.7%	1,535	-26.1%	4,247	89.1%
Profit before tax	3,026	1,293	134.0%	850	1,114	-23.7%	1,281	-33.7%	3,233	93.6%
Tax expense	(780)	(299)	-161.0%	(194)	(252)	-16.5%	(406)	-52.3%		
Minority interest	149	57	162.0%	39	27	46.4%	60	-35.0%		
Net profit	2,096	937	123.6%	617	855	-27.9%	814	-24.3%	2,362	88.7%

Margins (%)

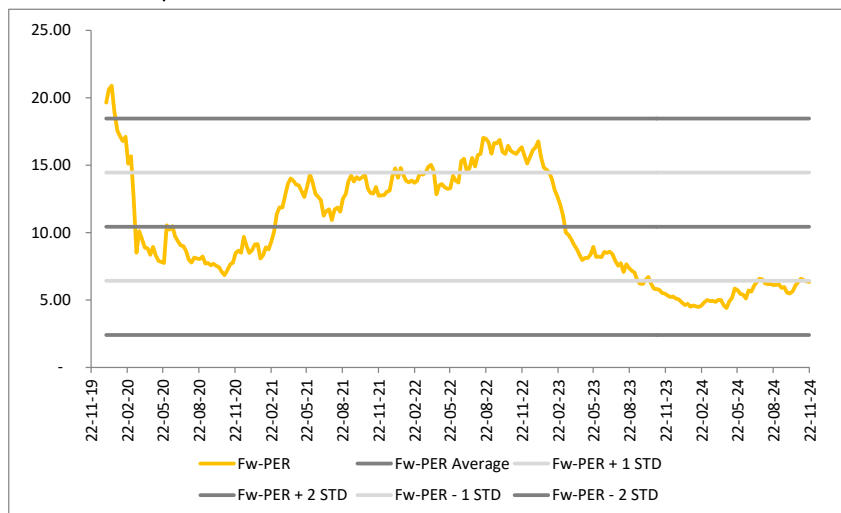
Gross margin	19.2%	15.7%		19.0%	18.8%		21.0%		17.6%
EBIT margin	9.2%	5.4%		8.3%	10.0%		11.2%		7.8%
Pretax margin	7.3%	3.4%		6.2%	8.2%		9.3%		5.9%
Net margin	5.1%	2.5%		4.5%	6.3%		5.9%		4.3%

JPFA 9M24 Results (IDRbn)

JPFA 9M24 Results (IDRbn)	9M24	9M23	YoY	3Q24	3Q23	YoY	2Q24	QoQ	
Animal feeds									
Revenue	10,790	9,816	9.9%	3,551	3,409	4.2%	3,312	7.2%	
EBIT	2,076	2,111	-1.7%	650	835	-22.2%	686	-5.2%	
EBIT margin	19.2%	21.5%		18.3%	24.5%		20.7%		
Poultry breeding									
Revenue	2,300	1,706	34.8%	752	692	8.8%	860	-12.5%	
EBIT	1,073	274	292.2%	377	588	-35.9%	462	-18.4%	
EBIT margin	46.7%	16.0%		50.1%	85.0%		53.8%		
Commercial farm									
Revenue	17,079	15,686	8.9%	5,464	5,850	-6.6%	5,875	-7.0%	
EBIT	673	(235)	-388.9%	(16)	(129)	-87.5%	389	-104.1%	
EBIT margin	3.9%	-1.5%		-0.3%	-2.2%		6.6%		
Poultry processing & consumer products									
Revenue	6,082	5,650	7.7%	2,110	2,036	3.6%	2,011	4.9%	
EBIT	249	196	27.0%	65	121	-46.6%	123	-47.4%	
EBIT margin	4.1%	3.5%		3.1%	5.9%		6.1%		
Aquaculture									
Revenue	3,487	3,383	3.1%	1,224	1,154	6.0%	1,162	5.3%	
EBIT	281	128	118.9%	128	73	75.0%	88	45.2%	
EBIT margin	8.0%	3.8%		10.4%	6.3%		7.6%		
Trading others									
Revenue	1,541	1,526	1.0%	531	471	12.7%	504	5.3%	
EBIT	235	181	30.1%	88	75	17.3%	84	4.7%	
EBIT margin	15.2%	11.8%		16.6%	16.0%		16.7%		

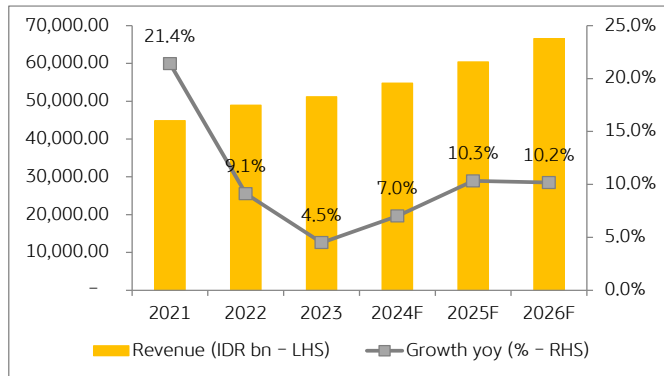
Source: Company, KBVS Research

Exhibit 3: JPFA' P/E Band



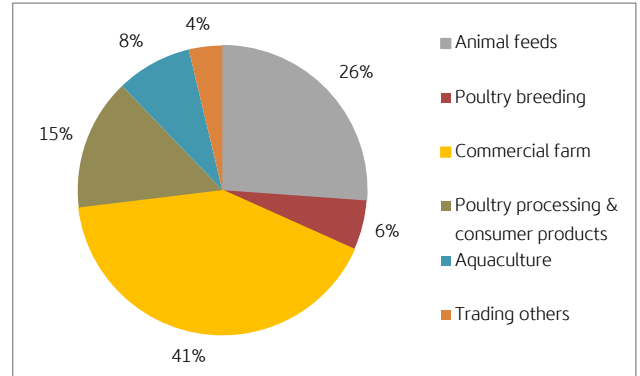
Source: Company, KBVS Research

Exhibit 4: Revenue and growth yoy



Source: Company, KBVS Research

Exhibit 5: Revenue contribution from each segment



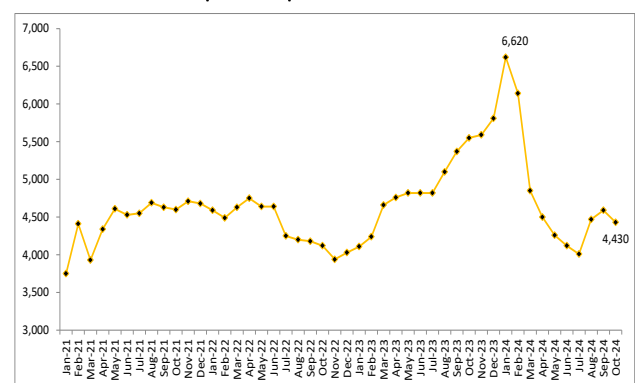
Source: Company, KBVS Research

Exhibit 6: Soybean-meal prices - USD/kg



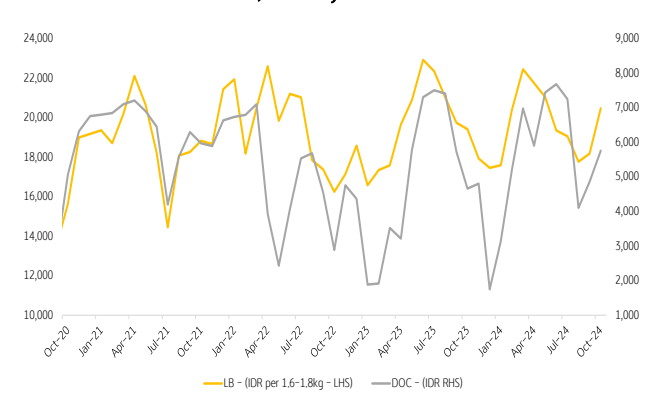
Source: Bloomberg, KBVS Research

Exhibit 7: Local corn prices at producer level



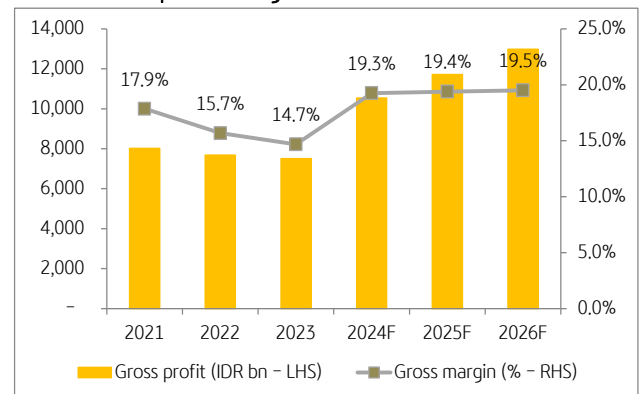
Source: Bapanas, KBVS Research

Exhibit 8: LB' and DOC' ASP, monthly



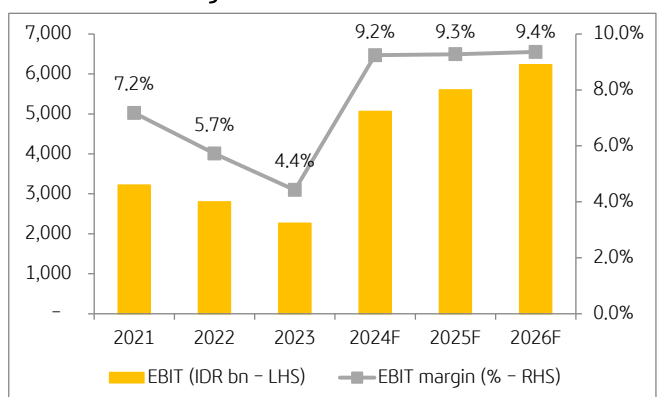
Source: Company, KBVS Research

Exhibit 9: Gross profit & margin



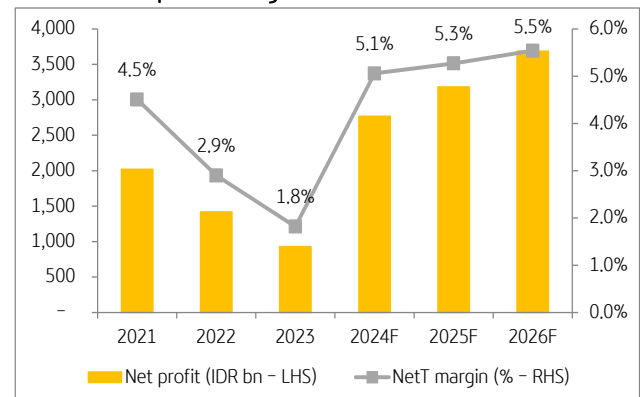
Source: Company, KBVS Research

Exhibit 10: EBIT & margin



Source: Company, KBVS Research

Exhibit 11: Net profit & margin



Source: Company, KBVS Research

Exhibit 12: Profit & loss summary

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue	48,972	51,176	54,763	60,420	66,565
COGS	(41,289)	(43,665)	(44,218)	(48,700)	(53,580)
Gross profit	7,683	7,511	10,545	11,720	12,985
Operating expenses	(4,880)	(5,247)	(5,484)	(6,114)	(6,755)
EBIT	2,803	2,264	5,062	5,605	6,231
EBITDA	3,654	3,110	6,056	6,644	7,292
Pre-tax profit	1,955	1,261	3,766	4,327	5,183
Net profit	1,420	930	2,770	3,185	3,687
EPS	121	79	236	272	314
EPS growth	-30%	-35%	198%	15%	16%

Source: Company, KBVS Research

Exhibit 13: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent (with ST Investment)	1,811	1,503	4,787	3,103	8,728
Accounts receivables	2,496	2,585	2,857	3,170	3,452
Inventories	10,976	11,321	7,872	12,209	9,777
Others	1,718	1,809	1,999	2,133	2,285
Total current assets	17,001	17,218	17,515	20,616	24,241
Fixed assets - Net	12,497	13,395	14,530	13,607	12,666
Others	3,192	3,496	3,806	4,190	4,632
Total non-current assets	15,689	16,891	18,336	17,797	17,299
Total assets	32,691	34,109	35,851	38,413	41,539
Accounts payable	4,135	4,890	4,338	5,036	5,600
ST Bank loan	4,424	4,909	4,768	4,766	4,766
Others	853	885	1,161	1,213	6,374
Total current liabilities	9,412	10,684	10,267	11,016	16,739
LT Bank loan	3,059	2,635	2,330	2,027	1,849
Others non-current liabilities	6,564	6,623	6,606	6,593	1,731
Total non-current liabilities	9,624	9,258	8,936	8,620	3,580
Total liabilities	19,036	19,942	19,204	19,635	20,319
Shareholders equity	1,879	1,879	1,879	1,879	1,879
Add Paid-in capital	1,148	1,150	1,150	1,150	1,150
Treasury stock & other items	(155)	(148)	(148)	(148)	(148)
Minority interests	907	941	976	1,013	1,051
Others	(356)	(192)	(201)	(201)	(201)
Retained earnings	10,231	10,537	12,989	15,083	17,487
Total Equity	12,748	13,226	15,671	17,764	20,169
Total Liabilities & Equity	32,691	34,109	35,851	38,413	41,539

Source: Company, KBVS Research

Exhibit 14: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	1,420	930	2,770	3,185	3,687
D&A	851	846	994	1,039	1,061
Changes in working capital	(871)	321	2,626	(3,952)	2,714
Others	(654)	(22)	35	(81)	65
Operating cash flow	746	2,074	6,425	190	7,527
Capital expenditures	(1,838)	(1,744)	(2,129)	(116)	(121)
Others	(26)	(203)	(257)	(300)	(351)
Investing cash flow	(1,864)	(1,946)	(2,385)	(416)	(472)
Net change in debt	2,712	(19)	(465)	(403)	(187)
Net change in equity	-	10	-	-	-
Others	(143)	154	90	79	59
Cash dividends paid	(725)	(581)	(380)	(1,134)	(1,303)
Financing cash flow	1,844	(436)	(756)	(1,458)	(1,431)
Net change in cash	726	(308)	3,284	(1,683)	5,624
Cash in beginning of the year	1,085	1,811	1,503	4,787	3,103
Cash at the end of the year	1,811	1,503	4,787	3,103	8,728

Source: Company, KBVS Research

Exhibit 15: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Revenue	9.1	4.5	7.0	10.3	10.2
Gross profit	-4.2	-2.2	40.4	11.1	10.8
Operating profit	-13.0	-19.2	123.6	10.7	11.2
EBITDA	-16.0	-14.9	94.7	9.7	9.7
Net profit	-29.8	-34.5	197.9	15.0	15.8
Profitability (%)					
Gross margin	15.7	14.7	19.3	19.4	19.5
Operating margin	5.7	4.4	9.2	9.3	9.4
EBITDA margin	7.5	6.1	11.1	11.0	11.0
Net margin	2.9	1.8	5.1	5.3	5.5
ROA	4.3	2.7	7.7	8.3	8.9
ROE	11.1	7.0	17.7	17.9	18.3
Solvency (x)					
Current ratio	1.8	1.6	1.7	1.9	1.4
Quick ratio	0.6	0.6	0.9	0.8	0.9
Debt to equity	0.6	0.6	0.5	0.4	0.3
Interest coverage	3.4	2.3	4.3	4.7	7.5
Net gearing	0.4	0.5	0.1	0.2	(0.1)

Source: Company, KBVS Research

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