

Japfa Comfeed Indonesia

Tbk (JPFA IJ)

Tetap Kuat di Tengah Persaingan

Kinerja JPFA pada 2Q19 perlahan merangkak naik. Dengan bisnis pakan ternak sebagai penopang utama meski bisnis perternakan & produk konsumen agak sedikit lesu pada 2Q19. Secara keseluruhan, fundamental JPFA masih sangat kuat di tengah ketatnya persaingan industri ternak di Indonesia sejak awal 2019.

Kinerja Kuartalan Membaik

Pada 2Q19, JPFA membukukan pendapatan sebesar Rp9,2 triliun (+9% YoY, +13% QoQ), laba kotor sebesar Rp1,8 triliun (-9% YoY, +33% QoQ), EBITDA sebesar Rp1,1 triliun (-30% YoY, +40% QoQ), dan laba bersih sebesar Rp519 miliar (-23% YoY, +67% QoQ). COGS tercatat sebesar Rp7,7 triliun (+15% YoY, +8% QoQ) membengkak akibat dominasi penggunaan bahan baku hingga Rp6,6 miliar (+112% YoY, -3% QoQ). GPM meningkat menjadi 19% (vs. 1Q19 sebesar 16%) dan NPM tumbuh menjadi 5% (vs. 1Q19 sebesar 3%).

Harga Ayam Pedaging Masih Bergejolak

Harga ayam pedaging sepanjang 2Q19 berada di rentang Rp17.000-Rp19.000; hal tersebut masih rendah jika dibandingkan harga di 2018. Pelemahan harga ayam pedaging mengakibatkan segmen bisnis perternakan dan produk konsumen sedikit membukukan pertumbuhan pendapatan hanya Rp3,8 triliun (+2% YoY). Kami memproyeksikan pada Agustus-September harga ayam pedaging akan membaik di rentang Rp20.000-Rp22.000, dan mengestimasi pada 2019F, JPFA akan mampu membukukan pendapatan Rp13,5-Rp14 triliun dari segmen bisnis peternakan dan produk konsumen.

Pakan Ternak Penopang Utama

Kinerja segmen bisnis pakan ternak menjadi motor utama kinerja JPFA pada 2Q19 karena berhasil membukukan pendapatan Rp3,5 triliun (+23% YoY, +6% QoQ). Kinerja 2Q19 masih berdampak pada efek 1Q19 dimana peternak lokal banyak menggunakan pakan ternak dalam jumlah banyak dalam menyambut hari raya Lebaran kemarin. Margin operasi segmen ini tercatat sebesar Rp886 miliar (+40% YoY, +71% QoQ). Kami mengestimasi pada 2019F, JPFA akan mampu membukukan pendapatan senilai Rp14,8-Rp15,5 triliun dari segmen pakan ternak.

Rating BUY dengan Target Harga Rp1.940

Fakta bahwa JPFA merupakan penguasa pangsa pasar pakan ternak terbesar kedua, memiliki segmen bisnis pakan ternak yang solid, dan kemungkinan perbaikan harga ayam pedaging sampai akhir tahun menjadi bahan pertimbangan kami untuk kembali memberikan rekomendasi BUY dengan target harga Rp1.940 atau potensi *upside* sebesar 22,8% berdasarkan metode *forward EV/EBITDA* 4,8x (-1 SD). Saat ini, JPFA diperdagangkan dengan *EV/EBITDA* 2019F 6,7x.

Japfa Comfeed Indonesia Tbk | Summary

	2018A	2019F	2020F	2021F
Sales	34,013	36,877	40,609	41,045
Growth (%)	14.9%	8.4%	10.1%	1.1%
EBITDA	4,865	4,722	5,478	5,895
Net Profit	2,268	1,985	2,170	2,304
EPS (IDR)	185	169	185	196
Growth (%)	121.4%	-8.4%	9.3%	6.2%
P/E	11.6x	12.7x	11.6x	10.9x
P/BV	2.5x	2.2x	1.9x	1.6x
EV/EBITDA	6.3x	6.7x	5.8x	5.4x
ROE (%)	21.2%	17.1%	16.0%	14.9%
DER (%)	59.6%	75.5%	67.7%	60.1%
Net Debt	5,004	5,855	5,962	5,572

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Update | Aug 27, 2019

Buy

Dec 2020 TP (IDR)	1,940
Consensus Price (IDR)	1,717
TP to Consensus Price	13.0%
vs. Last Price	22.8%

Shares data

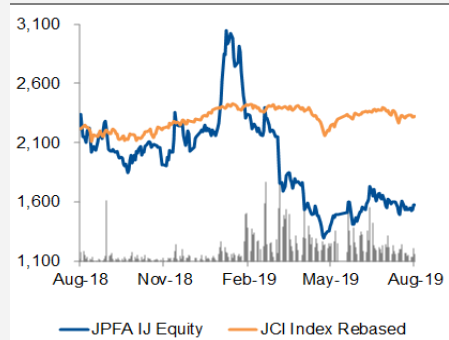
Last Price (IDR)	1,580
Price Date as of	Aug 23, 2019
52 wk Range (Hi/Lo)	3100 / 1280
Free Float (%)	47.52
Outstanding sh.(mn)	11,727
Market Cap (IDR bn)	18,297
Market Cap (USD mn)	1,283
Avg. Trd Vol - 3M (mn)	3.39
Avg. Trd Val - 3M (bn)	5.32
Foreign Ownership	99.9%

Basic Industry

Poultry

Bloomberg	JPFA.IJ
Reuters	JPFA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-27.9%	0.6%	12.9%	-28.8%
Rel. Ret.	-29.1%	3.0%	9.2%	-33.4%

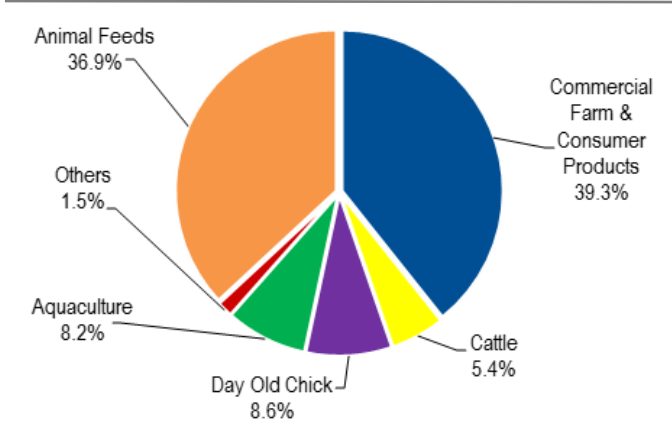
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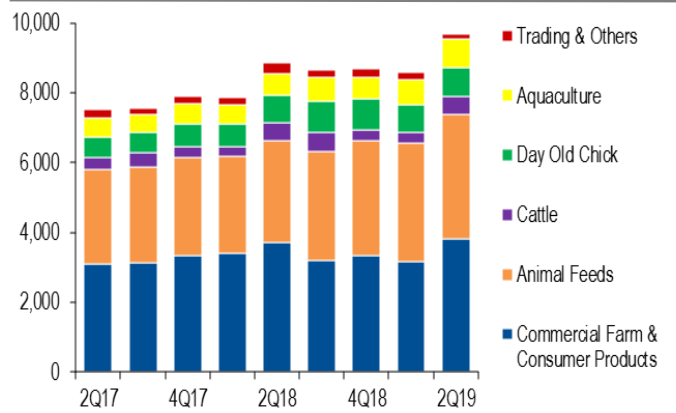
Performance Highlights in Charts

2Q19 Revenue Breakdown



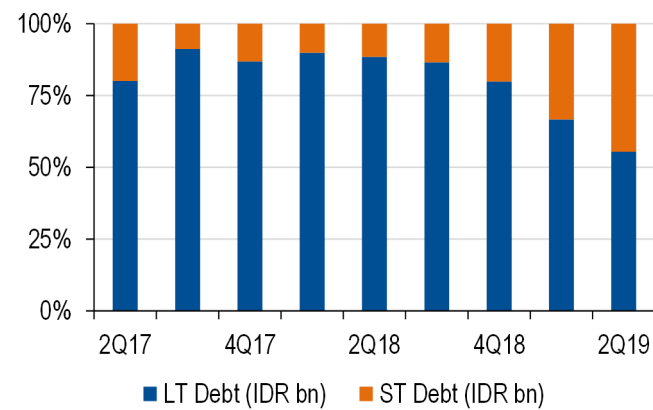
Source: Company Data, NHKS Research

Revenue Trend



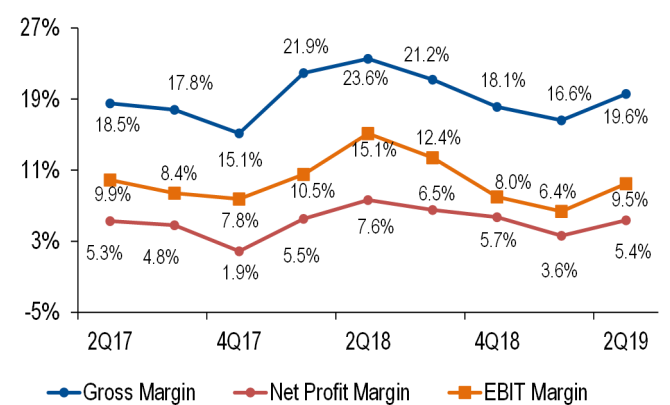
Source: Company Data, NHKS Research

LT Debt & ST Debt



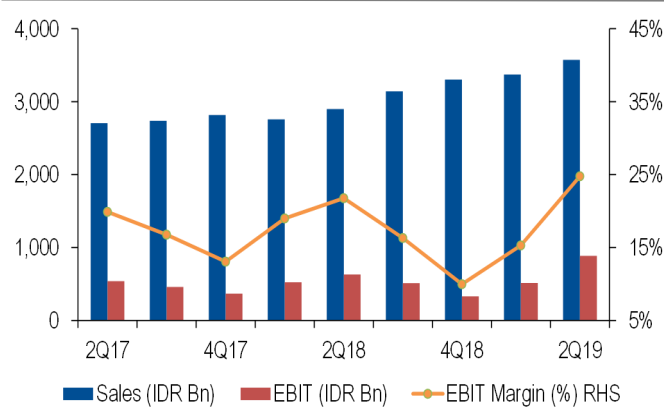
Source: Company Data, NHKS Research

Margin Ratio



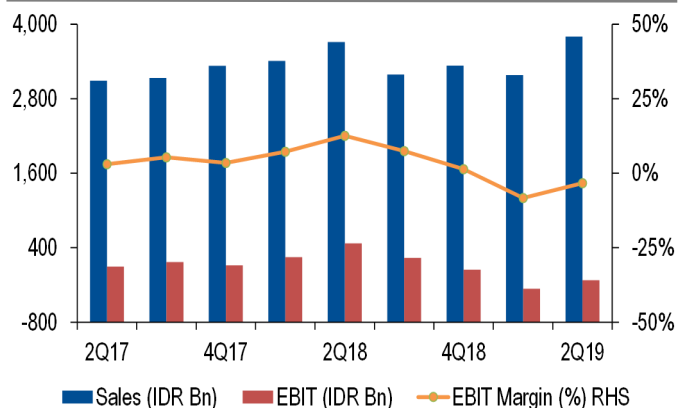
Source: Company Data, NHKS Research

Animal Feeds Division Metric



Source: Company Data, NHKS Research

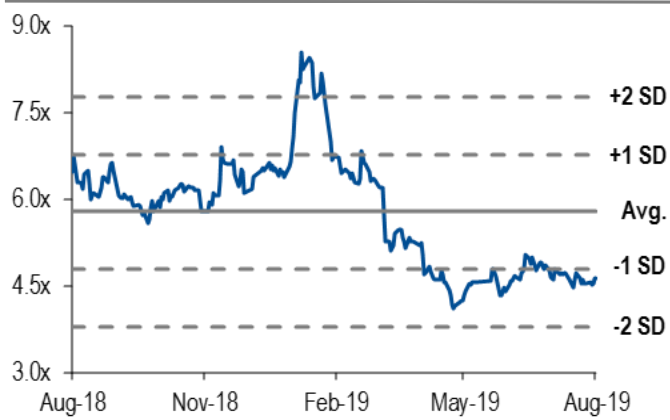
Commercial Farm & Consumer Products Division Metric



Source: Company Data, NHKS Research

Valuation Highlights in Charts

12-Month Forward EV/EBITDA Band



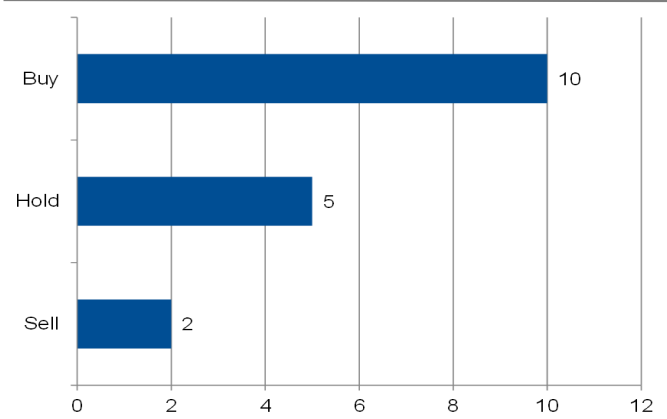
Source: Bloomberg, NHKS Research

12-Month Dynamic Forward EV/EBITDA Band



Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and USDIDR Correlated Negatively



Source: Bloomberg, NHKS Research

Quarterly Review

	2Q18	3Q18	4Q18	1Q19	2Q19			3Q19E	
					Actual	Estimate	Y-Y		Q-Q
Income statement									
Sales	8,844	8,633	8,675	8,565	9,678		9.4%	13.0%	9,256
Gross Profit	2,083	1,829	1,572	1,474	1,897		-8.9%	33.2%	2,036
EBIT	1,338	1,070	693	544	918		-31.4%	68.6%	981
EBITDA	1,572	1,165	1,090	781	1,101		-30.0%	40.9%	1,520
Net Profit	675	564	496	311	519		-23.2%	66.9%	539
Margin									
Gross Margin	23.6%	21.2%	18.1%	16.6%	19.6%		-4.0%	3.0%	22.0%
EBIT Margin	15.1%	12.4%	8.0%	6.4%	9.5%		-5.7%	3.1%	10.6%
EBITDA Margin	17.8%	13.5%	12.6%	9.1%	11.4%		-6.4%	2.3%	16.4%
Net Profit Margin	7.6%	6.5%	5.7%	3.6%	5.4%		-2.3%	1.7%	5.8%

Unit: IDR bn, %

Source: Company Data, NHKS Research

Earnings Revision

		2019F	2020F	2021F
Income Statement				
Sales	-Revised	36,877	40,609	41,045
	-Previous	38,864	41,311	
	-Change	-5.1%	-1.7%	
Gross Profit	-Revised	7,420	8,374	8,669
	-Previous	6,854	7,368	
	-Change	8.3%	13.7%	
EBIT	-Revised	3,543	4,105	4,354
	-Previous	3,055	3,330	
	-Change	16.0%	23.3%	
EBITDA	-Revised	4,722	5,478	5,895
	-Previous	3,864	4,231	
	-Change	22.2%	29.5%	
Net Profit	-Revised	1,985	2,170	2,304
	-Previous	2,016	2,278	
	-Change	-1.5%	-4.7%	
Margin				
Gross Margin	-Revised	20.1%	20.6%	21.1%
	-Previous	17.6%	17.8%	
EBIT Margin	-Revised	9.6%	10.1%	10.6%
	-Previous	7.9%	8.1%	
EBITDA Margin	-Revised	12.8%	13.5%	14.4%
	-Previous	9.9%	10.2%	
Net Profit Margin	-Revised	5.4%	5.3%	5.6%
	-Previous	5.2%	5.5%	

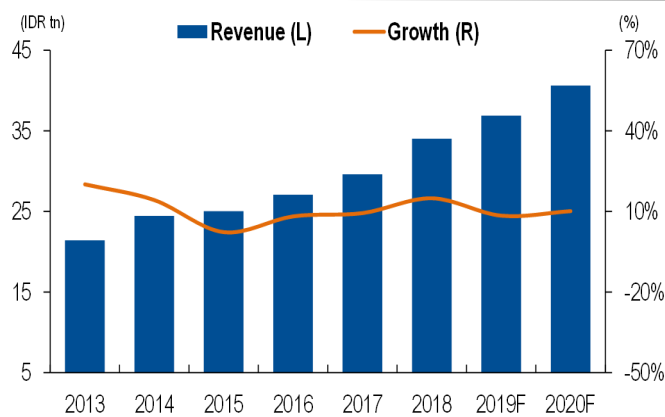
Unit: IDR bn, %

Source: Company Data, NHKS Research

Company Overview

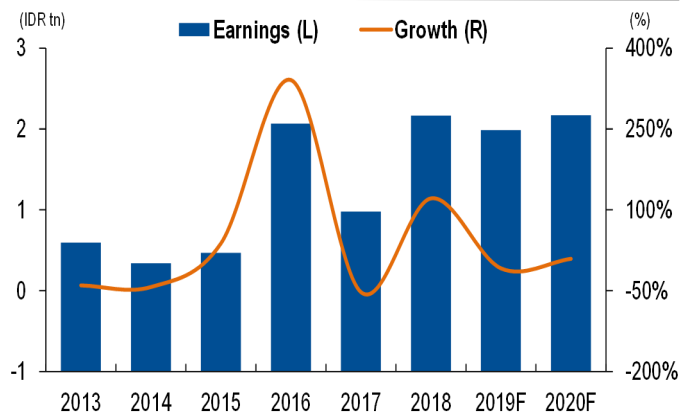
- PT Japfa Comfeed Indonesia Tbk (JPFA) merupakan perusahaan agri-food terbesar dan terkemuka di Indonesia. JPFA didirikan pada 1975 dan kemudian *go public* pada 1989 dengan saham mayoritas dimiliki oleh Japfa Ltd.
- JPFA memiliki tiga divisi bisnis, yaitu *poultry division*, *aquaculture division*, dan *beef cattle division*. Setiap divisi melakukan tiga proses penting, yaitu *upstream*, *midstream*, dan *downstream* dengan urutan *feed-breeding-commercial farming-processing*.
- Perusahaan pakan dan DOC terbesar kedua di Indonesia yang mempunyai 17 pabrik pakan, 76 peternakan pembibitan, dan 25 tempat penetasan. Saat ini, JPFA berkerja sama dengan lebih dari 100 perusahaan peternakan
- JPFA memberlakukan *biosecurity* untuk mencegah dan mengontrol penyakit dengan menggunakan tiga ketentuan, yaitu isolasi; sanitasi dan disinfeksi; *traffic control*.
- JPFA membangun relasi eksklusif dengan Aviagen untuk penggunaan obat genetik yang sudah teruji di iklim dan kondisi Indonesia.

Revenue and Growth Movements



Source: Company Data, NHKS Research

Earnings and Growth Movements



Source: Company Data, NHKS Research

Asia Pacific Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	EV/EBITDA LTM	P/BV
Indonesia									
CHAROEN POKPHAND INDONESIA TBK	5,271	1,916	4,010	267	13.1%	6.7%	21.2%	13.1x	3.9x
JAPFA COMFEED INDONESIA TBK	1,298	1,597	2,461	131	18.7%	5.3%	20.2%	6.5x	1.9x
MALINDO FEEDMILL TBK	143	301	520	21	80.5%	4.1%	15.8%	6.3x	1.0x
India									
GODREJ AGROVET LTD	1,167	611	837	47	43.5%	5.6%	21.5%	23.1x	5.1x
AVANTI FEEDS LTD	538	233	499	39	-38.7%	7.8%	24.5%	12.3x	3.2x
Malaysia									
PPB GROUP BERHAD	6,381	5,623	1,114	278	9.6%	25.0%	5.5%	59.3x	1.3x
CAB CAKARAN CORPORATION BERHAD	75	302	437	5	-68.4%	1.2%	4.8%	12.0x	0.7x
Phillipines									
SAN MIGUAL FOOD & BEVERAGE	10,934	4,554	6,372	375	-5.6%	5.9%	30.9%	11.4x	6.8x
Thailand									
CHAROEN POKPHAND FOODS PUB	8,319	19,429	16,878	464	-7.4%	2.8%	9.3%	12.1x	1.5x
THAIFOODS GROUP PCL	881	703	893	39	41.1%	4.4%	15.0%	12.3x	2.8x
GFPT PUBLIC CO LTD	729	561	528	39	13.4%	7.3%	9.0%	9.6x	1.7x
China									
NEW HOPE LIUHE CO LTD-A	10,809	6,970	10,487	263	-21.2%	2.5%	8.2%	N/A	3.5x
JIANGXI ZHENBANG TECH-A	6,284	3,100	3,113	16	82.4%	0.5%	1.6%	N/A	5.9x
GUANDONG HAID GROUP CO-A	6,671	2,525	6,668	221	17.2%	3.3%	20.2%	N/A	5.8x
LIAONING WELLHOPE AGRI-TECH-A	1,805	1,008	2,434	109	41.5%	4.5%	18.0%	N/A	2.6x
TECON BIOLOGY CO LTD-A	1,399	1,237	814	43	-19.07%	5.3%	9.2%	N/A	2.9x

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Sales	34,013	36,877	40,609	41,045
<i>Growth</i>	14.9%	8.4%	10.1%	1.1%
COGS	(26,805)	(29,457)	(32,235)	(32,375)
Gross Profit	7,208	7,420	8,374	8,669
<i>Gross Margin</i>	21.2%	20.1%	20.6%	21.1%
Operating Expenses	(3,279)	(3,877)	(4,270)	(4,316)
EBIT	3,929	3,543	4,105	4,354
<i>EBIT Margin</i>	11.6%	9.6%	10.1%	10.6%
Depreciation	936	1,179	1,373	1,541
EBITDA	4,865	4,722	5,478	5,895
<i>EBITDA Margin</i>	14.3%	12.8%	13.5%	14.4%
Interest Expenses	(487)	(679)	(975)	(1,024)
EBT	3,087	2,999	3,279	3,481
Income Tax	(833)	(719)	(786)	(835)
Minority Interest	(85)	(295)	(322)	(342)
Net Profit	2,168	1,985	2,170	2,304
<i>Growth</i>	121.4%	-8.4%	9.3%	6.2%
<i>Net Profit Margin</i>	6.4%	5.4%	5.3%	5.6%

PROFITABILITY & STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	21.2%	17.1%	16.0%	14.9%
ROA	9.4%	7.1%	7.1%	7.1%
ROIC	18.1%	16.5%	15.3%	14.6%
Cash Dividend (IDR bn)	1,156	586	537	587
Dividend Yield	4.6%	2.3%	2.1%	2.3%
Payout Ratio	118.0%	27.0%	27.0%	27.0%
DER	59.6%	75.5%	67.7%	60.1%
Net Gearing	76.2%	94.3%	82.5%	72.2%
LT Debt to Equity	47.6%	41.8%	37.5%	33.3%
Capitalization Ratio	37.4%	43.0%	40.4%	37.5%
Equity Ratio	44.3%	41.4%	44.4%	47.4%
Debt Ratio	26.4%	31.3%	30.1%	28.5%
Financial Leverage	210.8%	211.3%	222.5%	210.7%
Current Ratio	179.8%	161.5%	166.9%	179.6%
Par Value (IDR)	200	200	200	200
Total Shares (mn)	11,727	11,727	11,727	11,727
Share Price (IDR)	2,150	2,150	2,150	2,150
Market Cap (IDR tn)	25.2	25.2	25.2	25.2

BALANCE SHEET

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Cash	1,087	2,890	3,220	3,702
Receivables	1,693	2,153	2,371	2,396
Inventories	8,838	9,956	10,895	11,599
Total Current Assets	12,416	15,940	17,615	19,109
Net Fixed Assets	8,726	9,939	10,812	11,323
Other Non Current Asset	1,896	2,100	2,102	2,123
Total Assets	23,038	27,978	30,529	32,555
Payables	3,449	3,791	4,060	4,077
ST Bank Loan	1,224	3,900	4,095	4,136
LT Debt	4,867	4,845	5,087	5,138
Total Liabilities	12,823	16,391	16,969	17,129
Capital Stock & APIC	3,571	3,574	3,574	3,574
Retained Earnings	6,109	7,398	9,248	10,966
Shareholders' Equity	10,215	11,587	13,560	15,426

VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price/Earnings	11.6x	12.7x	11.6x	10.9x
Price/Book Value	2.5x	2.2x	1.9x	1.6x
Price/Sales	0.7x	0.7x	0.6x	0.6x
PE/EPS Growth	0.1x	-1.5x	1.2x	1.8x
EV/EBITDA	6.3x	6.7x	5.8x	5.4x
EV/EBIT	7.8x	8.9x	7.8x	7.3x
EV (IDR bn)	30,750	31,682	31,912	31,670
Sales CAGR (3-Yr)	10.8%	10.9%	11.1%	6.5%
EPS CAGR (3-Yr)	66.7%	-1.3%	30.4%	2.1%
Basic EPS (IDR)	185	169	185	196
Diluted EPS (IDR)	185	169	185	196
BVPS (IDR)	871	988	1,156	1,315
Sales PS (IDR)	2,901	3,145	3,463	3,500
DPS (IDR)	99	50	46	50

CASH FLOW STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	1,880	1,753	2,688	2,877
Investing Cash Flow	(2,249)	(2,069)	(2,382)	(2,048)
Financing Cash Flow	(228)	2,135	24	(347)
Net Changes in Cash	(597)	1,820	331	482

TOP OWNERSHIP

By Geography	% Shareholders	%
Singapore	92.8	Japfa Ltd 52.4
United States	4.9	Dimensional Fund 1.7
Luxembourg	0.8	Blackrock 0.6
South Korea	0.4	Fil Limited 0.4

Source: Company Data, NHKS Research

Closing and target price update



Source: Bloomberg, NHKS Research

Rating and target price update

Date	Rating	Target price	Consensus
2017.01.16	Buy	IDR2.400	IDR2.344
2017.03.16	Buy	IDR2.240	IDR2.029
2017.06.22	Buy	IDR1.860	IDR1.532
2017.08.10	Buy	IDR1.710	IDR1.489
2017.11.09	Buy	IDR1.740	IDR1.628
2018.03.28	Buy	IDR1.820	IDR1.715
2018.05.23	Buy	IDR2.000	IDR1.838
2019.08.26	Buy	IDR1.940	IDR1.717

Source: NHKS Research

NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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