

Japfa Comfeed Indonesia (JPFA IJ)

Record earnings; initiate BUY

BUY

Share Price IDR 1,865
12m Price Target IDR 2,300 (+31%)

Initiate coverage with BUY and TP of IDR2,300

We initiate coverage of JPFA with BUY as we believe it will benefit from the government's initiatives to regulate the nation's livebird supply, which should stabilize livebird prices. JPFA will also benefit from Indonesia's consistent GDP growth and low poultry consumption. Our TP of IDR2,300 is based on a target 7.5x FY25E PER (0.5SD below 3-year mean). Our target PER is justified as JPFA's operating efficiency improved and it continuously innovates RTE products. Main downside risks include: higher-than-expected raw material costs, and lower-than-expected livebird price.

Beneficiary of rising demand for livebirds

We forecast JPFA's earnings to reach an all-time-high in FY24E/25E/26E at IDR3.0t/3.6t/4.5t, as it will benefit from improving livebird price and normalization of feed raw material price (corn and SBM). The former is driven by government interventions in the industry through imposing a 530,000 GPS quota of livebirds (vs 630,000 livebirds previously) and encouraging voluntary PS culling. Moreover, we also believe there is pent-up demand for poultry from the free NMP, which started in Jan'25.

Technology to boost efficiency

JPFA's adoption of technology has significantly enhanced its efficiency, which should allow it to expand its EBIT margin to 8.2%/8.5%/8.7% in FY24E/25E/26E (vs FY23 of 4.3%). JPFA's implementation of closed-house poultry farm technology creates a comfortable environment for its livestock by removing extreme heat and unpleasant odours. Therefore, JPFA is able to reduce the mortality rate to less than 1% compared to traditional farms' 10%. JPFA's use of its own corn dryers and silos also enables the company to procure corn at lower prices, contributing to profit margin expansion in the long run.

Visible earnings turnaround

We project FY23-26E EPS CAGR of 69% (vs. FY19-22A: -7%) and all-time high earnings of IDR3.0t/3.6t/4.5t for FY24E/25E/26E. JPFA's strong earnings performance is driven by our rising profit margin assumptions as it is able to operate efficiently through its large business ecosystem and implementation of technology. Considering JPFA has ample catalysts, we believe its share price will also be able to perform as the supply and demand of livebirds continues to recover, translating to higher profitability for all of its business units.

FYE Dec (IDR b)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	48,972	51,176	58,022	66,196	75,907
EBITDA	2,750	2,206	4,783	5,632	6,587
Core net profit	1,428	939	3,024	3,622	4,529
Core FDEPS (IDR)	123	81	260	311	390
Core FDEPS growth(%)	(29.6)	(34.3)	222.1	19.8	25.0
Net DPS (IDR)	60	50	104	124	155
Core FD P/E (x)	10.5	14.6	7.2	6.0	4.8
P/BV (x)	1.2	1.0	1.4	1.2	1.0
Net dividend yield (%)	4.6	4.2	5.6	6.7	8.3
ROAA (%)	4.7	2.8	8.2	8.8	9.9
EV/EBITDA (x)	2.2	2.8	1.8	1.4	1.0
Net gearing (%) (incl perps)	37.5	36.7	46.0	34.3	23.7
Consensus net profit	-	-	2,632	3,027	3,188
MIBG vs. Consensus (%)	-	-	14.9	19.6	42.1

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Company Description

Japfa Comfeed Indonesia engages in industrial, livestock, and trading businesses.

Statistics

52w high/low (IDR)	1,960/1,060
3m avg turnover (USDm)	2.0
Free float (%)	43.3
Issued shares (m)	11,628
Market capitalisation	IDR21.7T USD1.3B

Major shareholders:

Japfa Holdings Pte Ltd	58.0%
Dimensional Fund Advisors LP	1.0%
JPMorgan AM	1.0%

Price Performance



— Japfa Comfeed - (LHS, IDR) — Japfa Comfeed / Jakarta Composite Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	(4)	21	70
Relative to index (%)	1	31	76

Source: FactSet

Abbreviations explained

NMP - Nutritious Meals Program
RTE - Ready to Eat
SBM - Soybean Meal
MT - Modern Trade
GPS - Grand Parent Stock
PS - Parent Stock
FS - Final Stock
DOC - Day-Old-Chick

Link to sector note:

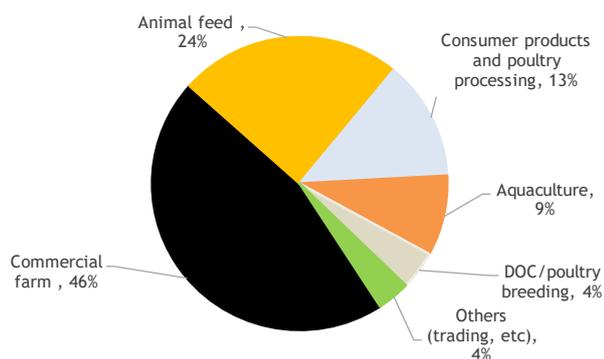
[Indonesia Poultry - Consumption on the rise | POSITIVE **INITIATION**](#)

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Tear Sheet Insert

Value Proposition

- JPFA is a leading animal protein company in Indonesia with a comprehensive presence in poultry, aquaculture, and beef cattle. In FY23, JPFA's sales were contributed by: commercial farm (41%), animal feed (27%), consumer products and poultry processing (15%), aquaculture (9%), DOC / poultry breeding (5%), and others (4%).
- JPFA is one of Indonesia's leading agribusiness companies with integrated operations ranging from feed production to food processing.
- JPFA's products are distributed through a wide network across Indonesia, leveraging both modern and traditional trade channels to ensure broad market reach.

FY25E revenue breakdown



Source: Company, Maybank IBG Research

Price Drivers

Historical share price trend



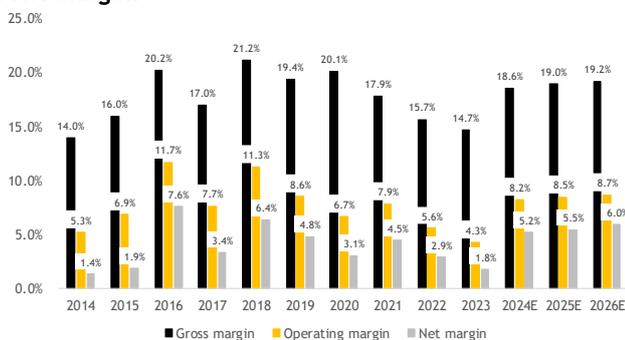
Source: Company, Maybank IBG Research

- Indonesian government requests poultry breeders to cut output by 10% to manage oversupply and protect livebird prices.
- Possibility of JPFA gaining market share as it raised its capex to IDR3t in FY19 to expand its business.
- Corn (c. 50% of feed raw material) price surged as there was not enough rain during the period.
- US projected that its crops volume might be better-than-expected, which reduces soybean price (c. 25% of feed raw material).
- JPFA recorded high 1H24 net income of IDR1.5t (+1,705% YoY).

Financial Metrics

- JPFA's profit margins have shown resilience despite fluctuating raw material costs. As raw material prices stabilize, profit margins are expected to improve further.
- We project JPFA's net margin to rise to 5.2%/5.5%/6.0% in FY24/25/26E.
- We forecast JPFA to continuously disburse dividend payout of 40% in FY24/25/26E.

Profit margins



Source: Company, Maybank IBG Research

Swing Factors

Upside

- Strong purchasing power driven by stronger economy and GDP growth.
- Launch of innovative RTE products such as nuggets and seasoned chicken.
- Increasing education on importance of poultry to decrease nation's stunting.
- Government's continuous support for the farming industry through imposing quotas and protecting livebird supply.

Downside

- Weak purchasing power, which translates to lower poultry demand and downtrading to cheap protein alternatives.
- Higher-than-expected raw material price (corn and soybean meal) caused by weather, supply, and demand.

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Risk Rating & Score ¹	39.8
Score Momentum ²	-2.6
Last Updated	15 May 2024
Controversy Score ³ (Updated: 08 May 2024)	0

Business Model & Industry Issues

- Poultry companies' profitability are affected by fluctuations in nationwide price of DOC and broiler prices, which are influenced by supply-demand dynamics and regulatory interventions.
- JPFA operates over 120 company-owned farms and collaborated with approximately 8,500 contract farms. This extensive network supports its vertically integrated model, allowing for efficient production and supply chain management.
- JPFA mitigates volatile raw material feed prices (corn and soybean meal) through centralized procurement and advanced feed technology to optimize feed conversion ratios.
- JPFA ensures biosecurity and animal health to mitigate risks. This is done through implementation of modern farming techniques and industry best practices.
- Since FY19, JPFA launched the Japfa Sustainability Reporting System to systematically monitor and report its sustainability efforts, ensuring transparency and continuous improvement.

Material E issues

- JPFA focuses on minimizing its environmental footprint through sustainable farming practices, waste management, and efficient resource utilization.
- In FY21, JPFA issued the world's first Sustainability-Linked Bonds (SLB) in the agri-food industry and the first USD-denominated SLB in Southeast Asia, linking its financial performance to sustainability rights.
- JPFA implements energy-efficient production processes and utilizes alternative energy sources to reduce greenhouse gas emissions.
- In FY23, JPFA disclosed its scope 1 emission of 85,340 tCO₂e and scope 2 emission of 556,533 tCO₂e.
- JPFA optimizes raw material usage and implements wastewater treatment for water reuse, contributing to the preservation of increasingly scarce water resources.

Material S issues

- JPFA's social initiatives include community development programmes, employee welfare schemes, and efforts to ensure food security.
- In FY20, JPFA participated in the Social LCA/SLCA Project initiated by the United Nations Environment Life Cycle Initiative and the Social LC Alliance to evaluate their contribution to poultry farmer partners.
- JPFA is committed to support its farmer partners through technical assistance and research which increases farm productivity and promote sustainable practices.
- In FY23, JPFA highlighted the importance of its workforce by ensuring safe working conditions, fair labour practices, and fostering a culture of continuous learning and development.
- In FY23, JPFA expands programmes such as JAPFA Cares and JAPFA for Kids to support local communities, focusing on education, health, and welfare.

Key G metrics and issues

- JPFA is dedicated to elevating the quality on five Good Corporate Governance (GCG) principles: 1) transparency, 2) accountability, 3) responsibility, 4) independence, and 5) fairness.
- JPFA developed a comprehensive sustainability strategy plan for 2019-2021 to align its operations with sustainable practices and long-term goals.
- Business operations of the company are run by the Board of Directors (BoD), which are supervised by the Board of Commissioners (BoC). There are no BoC members on the BoD.
- JPFA's Board of Directors and Board of Commissioners consist of experienced individuals with extensive industry expertise, ensuring robust governance and strategic oversight.
- In FY23, the BoC consisted of four members and the BoD had five members, all are male.
- In FY23, JPFA held regular joint meetings with Board of Directors at least once every 4 (four) months, and the Board of Commissioners held 4 (four) joint meetings with the Board of Directors.
- JPFA consistently improves governance quality, including compliance with all regulatory standards, adjusts internal mechanisms and procedures to comply with prevailing laws and regulations.
- In FY23, total remuneration of the BoC and BoD are included in general and administrative expenses, which was IDR3.2t.
- Ernst and Young has been the auditor of the company for the past 5 (five) years.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

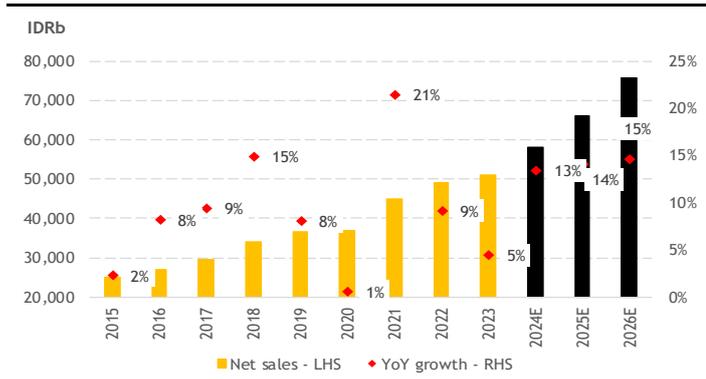
1. Investment thesis

We project JPFA’s net sales to accelerate at a 14% CAGR in FY23-26E, driven by pent-up demand for poultry, which will enable the company to achieve higher sales volume. While we have factored in the decline in livebird prices in 3Q24, which impacts JPFA’s commercial farming (46% of FY24E revenue), we still believe the company can achieve record earnings in FY24E due to its strong performance in other segments, such as feed (25% of FY24E revenue) and DOC (4% of FY24E revenue).

We expect JPFA’s animal feed business to continue to perform and maintain its 9M24 EBIT margin of 8%, supported by the normalization of local corn (50% of feed’s COGS) and soybean meal (25% of feed’s COGS) prices.

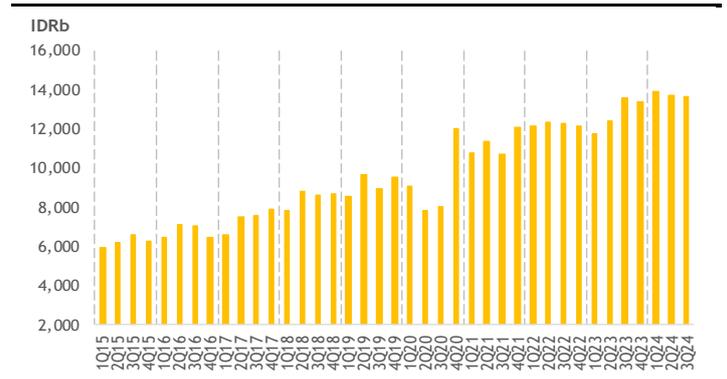
We are also positive that JPFA can achieve our earnings forecasts of IDR3.0t/3.6t/4.5t for FY24E/25E/26E as the government continues to support the farming industry to protect farmers from losses. The government supports commercial farmers by: 1) imposing a GPS quota of 530,000 (vs previously 630,000); and 2) suggesting breeders to voluntary cull their PS at 50-54 weeks (vs previously 67 weeks).

Fig 1: JPFA’s annual net sales



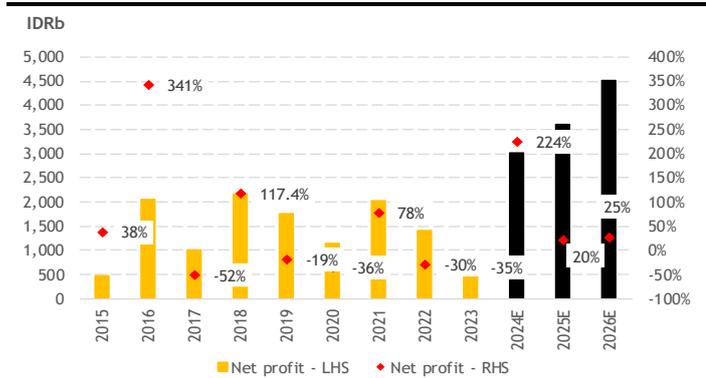
Net sales are after elimination and unallocated item
Source: Company, Maybank IBG Research

Fig 2: JPFA’s quarterly net sales



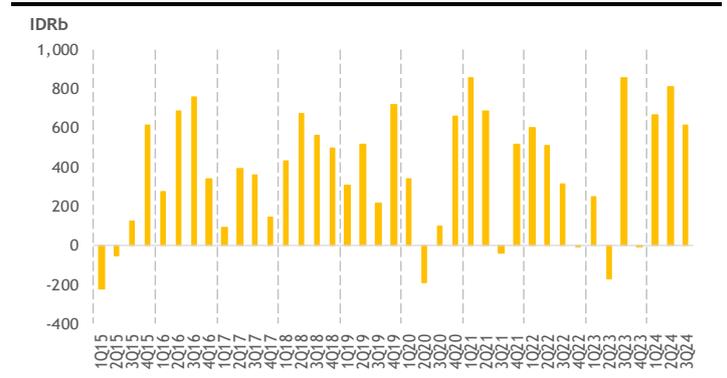
Net sales are after elimination and unallocated item
Source: Company, Maybank IBG Research

Fig 3: JPFA’s annual earnings



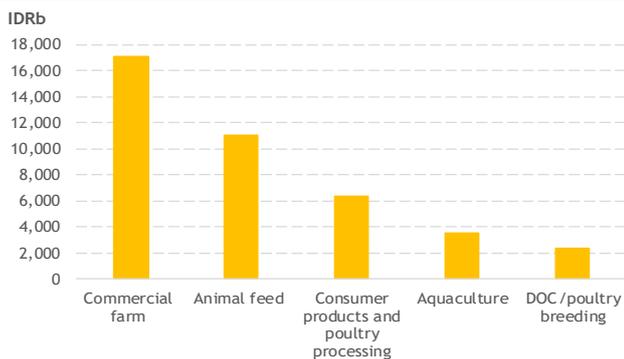
Source: Company, Maybank IBG Research

Fig 4: JPFA’s quarterly earnings



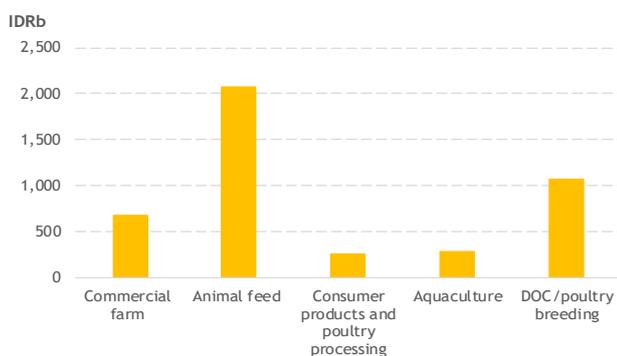
Source: Company, Maybank IBG Research

Fig 5: JPFA's revenue contribution by segment (9M24)



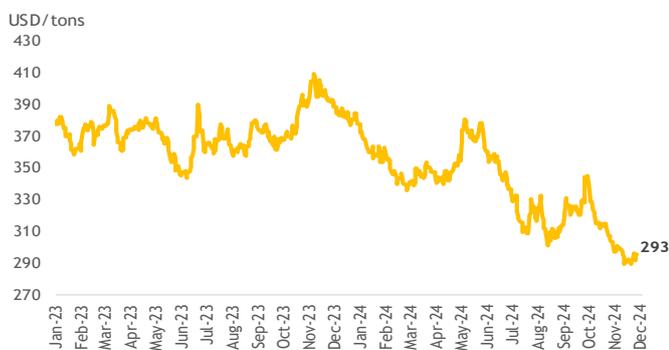
Source: Company, Maybank IBG Research

Fig 7: JPFA's EBIT contribution by segment (9M24)



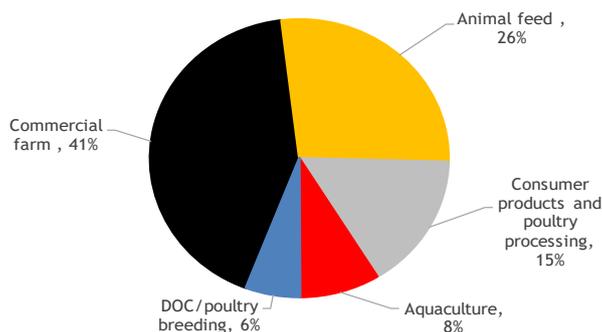
Source: Company, Maybank IBG Research

Fig 9: Normalizing soybean meal...



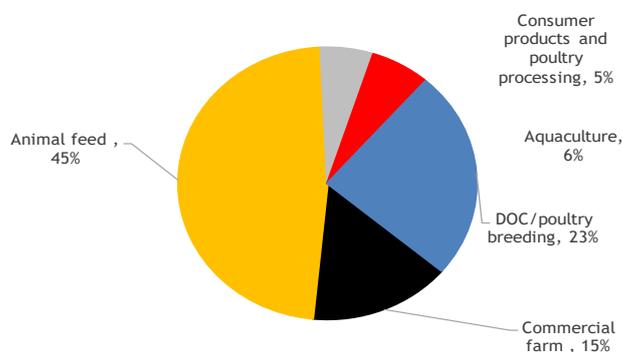
Source: Bloomberg, Maybank IBG Research
Based on closing price 5th December 2024

Fig 6: Revenue contribution (%) (9M24)



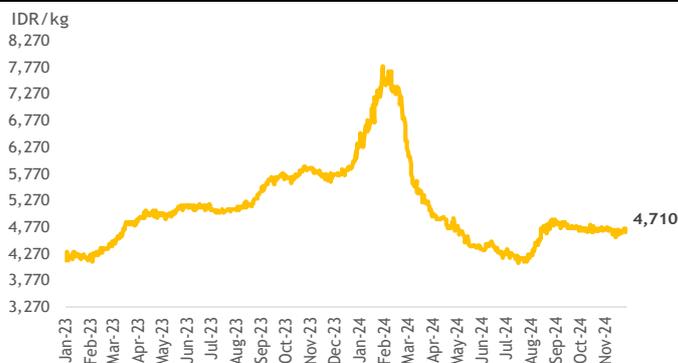
Source: Company, Maybank IBG Research

Fig 8: EBIT contribution (%) (9M24)



Source: Company, Maybank IBG Research

Fig 10: ...and local corn price

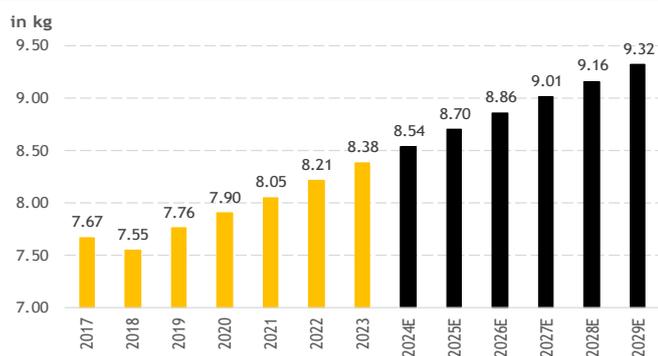


Source: Badan Pangan Nasional, Maybank IBG Research
Based on closing price 5th December 2024

1.1 Low poultry consumption in Indonesia

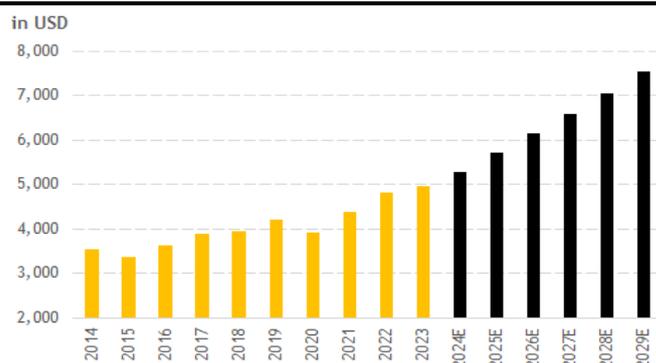
Statista projects Indonesia's poultry consumption to steadily increase to 9.3kg per capita by 2029 (vs 2023 of 8.4kg), as shown in Fig 11. We believe this growth is attainable, driven by Indonesia's consistent rising GDP per capita, which has almost reached USD5,000 per capita (currently USD4,920). Economic expansion will also be particularly fuelled by the growth in the ex-Java region (46% of population), where crude palm oil (CPO) price surged and coal prices remained resilient. We believe ex-Java region is promising as they typically benefit from commodities boom. Consequently, boosting purchasing power in the area which enable the population to up-trade from cheap plant based protein (such as tempeh and tofu) to animal based protein, including poultry.

Fig 11: Indonesia’s poultry consumption



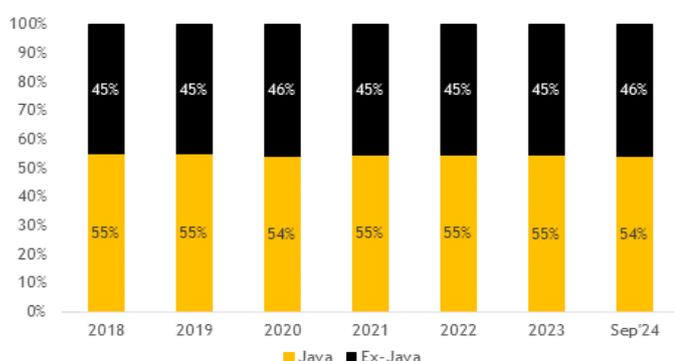
Source: Statista, Maybank IBG Research

Fig 12: Indonesia’s GDP



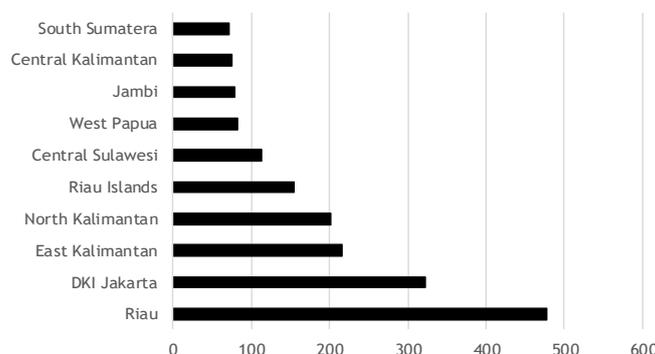
Source: Statista, Maybank IBG Research

Fig 13: Indonesia population



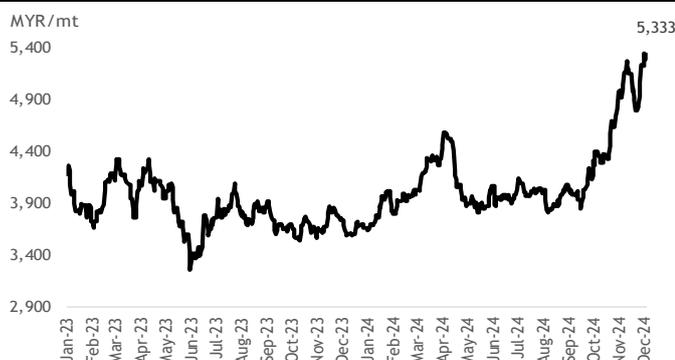
Source: Statistics Indonesia, Maybank IBG Research

Fig 14: Top 10 cities with highest GDP per capita in Indonesia (IDRm)



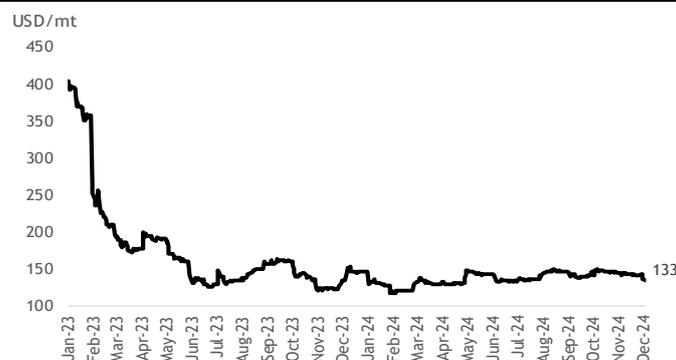
Source: Statistics Indonesia, Maybank IBG Research

Fig 15: CPO price



Source: Bloomberg, Maybank IBG Research
Based on closing price 5th December 2024

Fig 16: Coal price

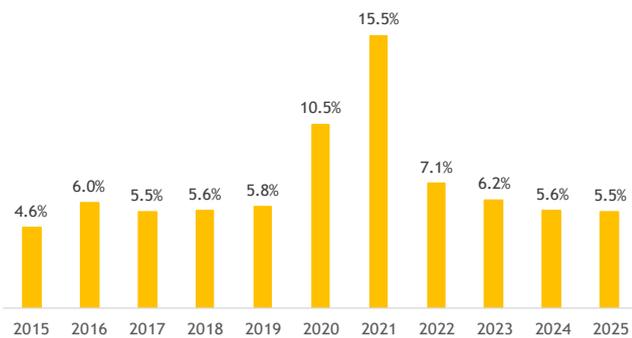


Source: Bloomberg, Maybank IBG Research
Based on closing price 5th December 2024

1.2 Benefit from being a populous country

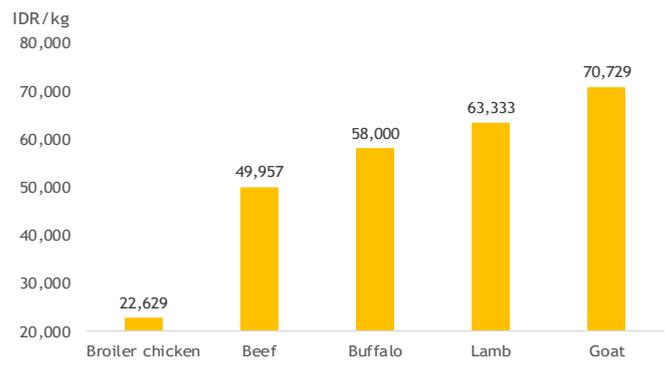
We believe Indonesia’s large population will also significantly drive demand and sales volume for JPFA, as the nation’s growing GDP is likely to encourage consumers to up-trade from cheap protein to affordable nutritious proteins. According to our ground checks, chicken carcass is Indonesia’s most affordable protein after plant-based proteins, such as tempeh and tofu. Moreover, the government is prioritizing public health, with the current administration’s healthcare budget aimed at achieving 6 key objectives, which includes reducing the prevalence of stunting among toddlers to 18.8% by 2025 (vs 2023 of 21.5%).

Fig 17: Indonesia’s 2025 healthcare and education budget vs state budget



Source: Ministry of Finance, Maybank IBG Research

Fig 18: Animal protein price comparison



Source: Simponi Ternak, Maybank IBG Research
Based on price on 5th November 2024

1.3 Continuous launch of innovative consumer products to drive future sales

JPFA’s sales of innovative consumer products and poultry processing under its well-known brands, such as So Good and So Nice, should continue to grow at a CAGR of 6% FY23-26E on the back of Indonesia’s growing number of modern trade (MT) channels. Indonesian consumers are increasingly shopping at the MT channels due to their product options, quality and accessibility. Thus, we forecast JPFA’s EPS to grow by 224%/20%/25% YoY in FY24E/25E/26E as it should benefit from higher sales volume for all of its business segments.

We forecast JPFA’s consumer products to contribute 13% to JPFA’s FY25 revenue despite fierce competition in the industry. We believe JPFA’s consumer products should maintain its FY23 market share at 19%, driven by its strong branding (So Good, So Nice, Ola Gud, etc.) and continuous product innovation. From Aug’23 to July’24, JPFA actively launched 5 new products:

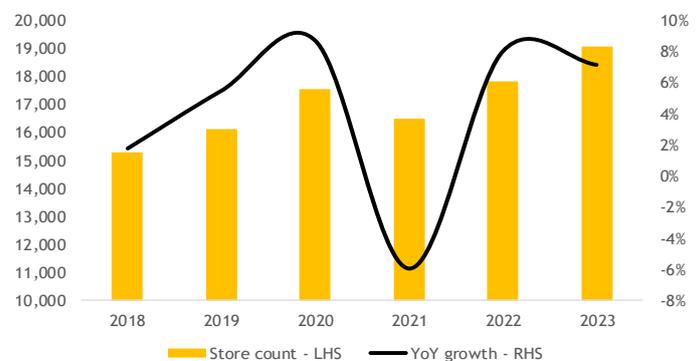
- So Good Crispy Chicken Nugget
- So Good Mac and Cheese Chicken Nugget
- Real Good Yogurt Drink
- So Good Sterilized Milk
- So Nice Premium Hot Flavour

Fig 19: JPFA’s consumer product brands



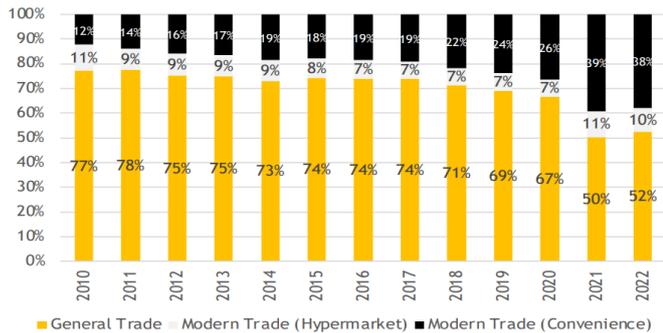
Source: Company

Fig 20: AMRT had nearly 20,000 stores in 2023 in Indonesia



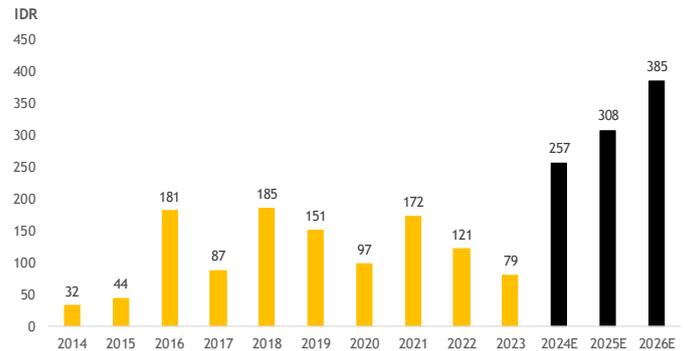
Source: Company, Maybank IBG Research

Fig 21: Indonesian consumers increasingly shopping at modern trade channels such as modern supermarkets



Source: Maybank IBG Research

Fig 22: JPFA's EPS



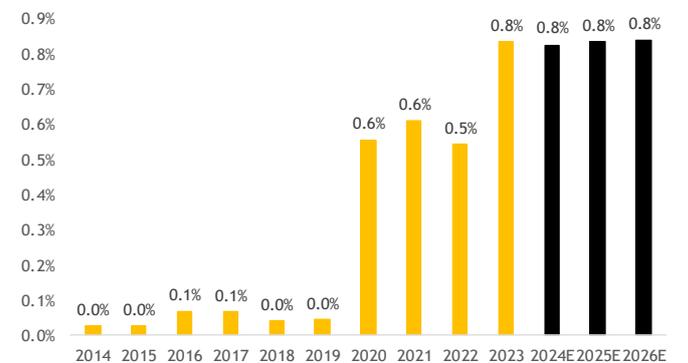
Source: Company, Maybank IBG Research

Fig 23: JPFA's social media



Source: Company, Maybank IBG Research

Fig 24: JPFA's A&P to sales trend



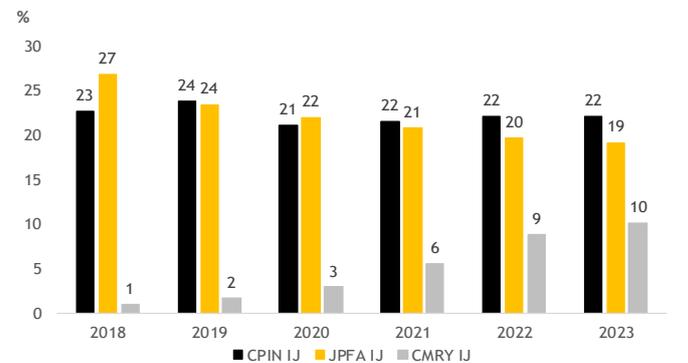
Source: Company, Maybank IBG Research

Fig 25: JPFA's latest innovation to tackle competition



Source: Company

Fig 26: Top 3 processed meat players' market share



Source: Euromonitor, Maybank IBG Research

1.4 Government's favourable regulations should support livebird price

JPFA will also benefit from the government's initiatives aimed at managing the oversupply of livebirds through: 1) imposing a GPS import quota of 530,000 in 2024 (vs 2023 of 630,000); and 2) advise breeders to voluntary cull their PS at 50-54 weeks (vs previously 67 weeks). JPFA will benefit from the latter as the culling activity should result in a decline in livebird supply in the industry. Prior to voluntary culling, the production age of PS was 25-66 weeks. Consequently, voluntary culling at the age of 50-54 weeks will result in approximately 3 months reduction of PS supply, impacting the number of DOC FS.

Fig 27: Process from GPS to DOC



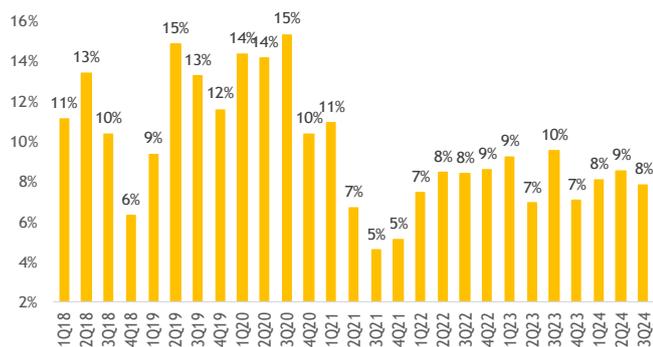
Source: Company, Maybank IBG Research

1.5 Stable feed margin from normalizing raw material price

Feed is JPFA’s second largest revenue contributor with EBIT margin of c. 8% in FY24E-26E, which we believe is attractive to a cost-plus margin business model. We believe JPFA can sustain its feed margin and maintain its second largest market share position through its: 1) large business scale; and 2) normalizing corn and soybean price, allowing JPFA to pass on minimal ASP increase to consumers and gain higher sales volume.

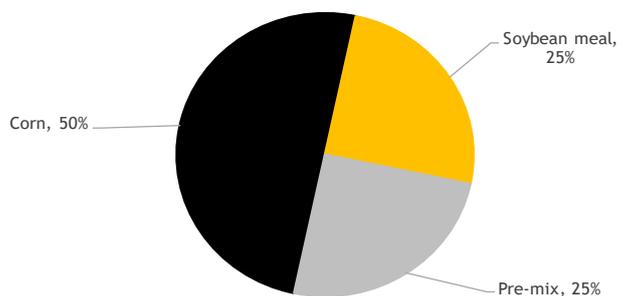
We also view JPFA’s feed business positively as it should contribute 24% to its FY25E revenue as the government’s commitment to establish Indonesia as a food-estate country should reinforce its focus on the agricultural sector. This should ensure farmers, including feed and poultry producers, can operate without incurring losses.

Fig 28: JPFA’s EBIT margin for feed maintained at 7-9%



Source: Company, Maybank IBG Research

Fig 29: JPFA’s feed COGS



Source: Various sources, Maybank IBG Research

2. Company overview

2.1 Second largest market share

JPFA, founded in 1975, is a subsidiary of Japfa Ltd, specializing in the entire supply chain from upstream (animal feed) to downstream (consumer products) of poultry, aquaculture, and beef cattle. JPFA's business scale allowed the company to be the second largest feed and DOC producer in Indonesia through its 16 feed mills, 78 breeding farms, and 30 hatcheries across Indonesia. JPFA operates 120 company farms and c. 8,500 contract farms.

JPFA is committed to ensure the quality of its livebirds through maintaining its strong relationship with Aviagen for its GPS stock, and continuously leveraging technology to enhance quality control and achieve an efficient feed-conversion ratio. During our site visit to JPFA's commercial farm located in Ciomas, Banten, we observed its closed-house facilities, which have reduced mortality rates to below 1%, compared to the traditional open-house system where mortality rates can reach above 10%.

The closed-house facilities shown in fig 30 and 31 also allow JPFA to produce livebirds optimally by ensuring a comfortable environment for DOC with precise temperature control, automated feeding systems, and stringent cleanliness protocols. Advanced biosecurity was also implemented inside its Ciomas commercial farm to avoid disease outbreaks.

Fig 30: Our site visit to JPFA's closed-house commercial farm facility...



Source: Company, Maybank IBG Research

Fig 31: ...located in Ciomas, Banten



Source: Company, Maybank IBG Research

We also visited one of JPFA's So Good Food factory located in Tangerang to observe the company's slaughtering process, nugget production, sausage production, and further learn about the company's diverse product portfolio. JPFA has 83 SKUs under 3 brands that are produced in its So Good Food factory: So Good, So Nice, and Real Good, targeting consumers from kids to adults of 5 years old to 34 years old.

2.2 Shareholders and key management

JPFA has 4 commissioners and 5 directors managing the business. Each of them have at least 10 years of experience in the agriculture industry. All of the commissioners and directors are male.

Fig 32: Background of key management

	Name	Experience
Board of commissioners		
President Commissioner	Syamsir Siregar	Syamsir Siregar graduated from the National Military Academy and Command Army Staff School and served as JPFA's president commissioner since 2010. Syamsir Siregar has 18 years of agriculture experience and has no affiliation with the other members of the Board of Commissioners, Board of Directors, and Controlling Shareholders of the company.
Vice President Commissioner	Bambang Budi Hendarto	Bambang Budi Hendarto graduated from the Faculty of Animal Science at Brawijaya University. He served as JPFA's Director from 1989-1997 and Vice President Director from 1997-2021. Bambang Budi Hendarto has 44 years of agriculture experience and has no affiliation with the other members of the Board of Commissioners, Board of Directors, and Controlling Shareholders of the company.
Commissioner	Hendrick Kolonas	Hendrick Kolonas has served as Vice President Commissioner since 2012. He graduated from Middlesex University, England, with a Bachelor of Arts degree in Accounting and Finance. He also acquired a Master of Business Administration degree from Schiller International University in London. Hendrick Kolonas also founded multiple consumer finance companies in Indonesia such as Wahana Ottomitra Multiara. He has 27 years of experience in the agriculture industry and has no affiliation with the other members of the Board of Commissioners and Board of Directors of JPFA. However, he is affiliated with the Controlling Shareholders of JPFA.
Independent Commissioner	Ito Sumardi Djuni Sanyoto	Ito Sumardi Djuni Sanyoto has served as JPFA's Independent Commissioner since 2019. He graduated from the Police Department of the Indonesian Armed Forces Academy and has a Master's Degree in Business Administration and Doctoral degree in law. Ito Sumardi Djuni Sanyoto has 10 years of experience in agriculture and has no affiliation with the other members of the Board of Commissioners, Board of Directors, and Controlling Shareholders of the company.
Board of Directors		
President Director	Renaldo Santosa	Renaldo Santosa has served as the company's President Director since 2023. He graduated with a Bachelor of Science in Food Science with Business from the University of Reading in the UK. Renaldo Santosa first worked with JPFA in 2011 and was promoted to Business Development Executive, Head of Business Development & Strategy, Head of Aquaculture, to President Director. He has 13 years of experience in the agriculture industry and has no affiliation with the other members of the Board of Commissioners and Board of Directors of JPFA. However, he is affiliated with the controlling shareholders of JPFA.
Vice President Director	Tan Yong Nang	Tan Yong Nang has served as JPFA's Vice President Director since 2021, and previously as the company's Director in 2008. He graduated from the University of Cambridge with a Bachelor of Arts degree. Tan Yong Nang is in charge of the Corporate Human Resource, Information Technology, and Corporate Finance divisions of JPFA. He has 15 years of experience in the agriculture business and has no affiliation with the other members of the Board of Commissioners and Board of Directors of JPFA. However, he is affiliated with the controlling shareholders of JPFA.
Director	Antonius Harwanto Suryo Sembodo	Antonius Harwanto Suryo Sembodo has served as JPFA's director since 2021. He graduated from Tujuh Belas Agustus University in Surabaya with a bachelor degree in economics. Before serving as a director, he held various other positions in JPFA, including Marketing Manager, Animal Feed Unit Head, and COO Poultry Indonesia. Antonius Harwanto Suryo Sembodo has 44 years of experience in the agriculture industry and has no affiliation with members of the Board of Commissioners, Board of Directors, and controlling shareholders of the company.
Director	Leo Handoko Laksono	Leo Handoko Laksono has served as JPFA's director since 2019. He graduated from Surabaya University and LPPM Jakarta with a Master of Business Administration degree. Leo Handoko Laksono started his career at JPFA as Head of Audit Department in 1998. He oversees the financial and strategic business division of JPFA and has 34 years of experience in the agriculture industry. Leo Handoko Laksono has no affiliation with members of the Board of Commissioners, Board of Directors, and controlling shareholders of the company.
Director	Rachmat Indrajaya	Rachmat Indrajaya has served as JPFA's director since 2013. He graduated from Trisakti University in Jakarta and is currently overseeing the Corporate Affairs Division of JPFA. Rachmat Indrajaya has 15 years of experience in the agriculture industry and has no affiliation with members of the Board of Commissioners, Board of Directors, and controlling shareholders of the company.

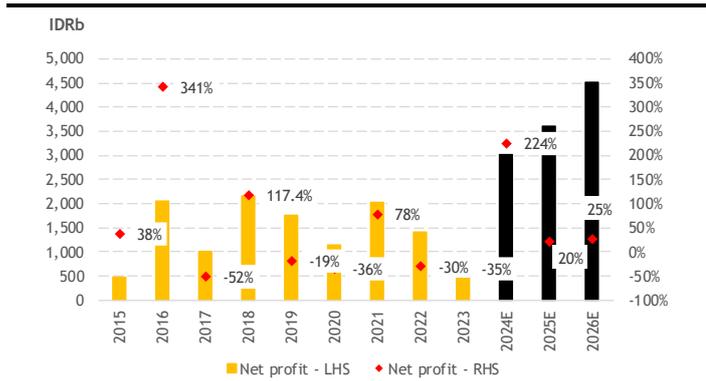
Source: Company, Maybank IBG Research

3. Financial analysis

3.1 All-time-high earnings in FY24E-26E

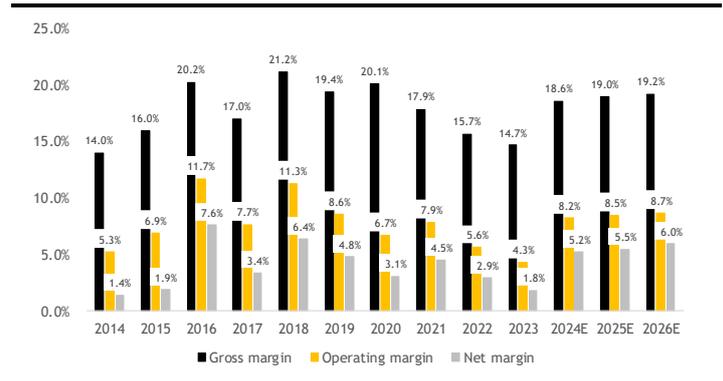
JPFA’s earnings have shown significant growth in 9M24, driven by the government’s proactive measures to limit livebird supply. We expect this positive trend to continue in FY25E. Consequently, we forecast FY24E/25E/26E net profit of IDR3.0t/3.6t/4.5t (69% FY23-26E CAGR). This growth should be fuelled by JPFA’s ability to maintain operating efficiency, margin expansion, and normalizing raw material prices.

Fig 33: JPFA’s net profit growth



Source: Company, Maybank IBG Research

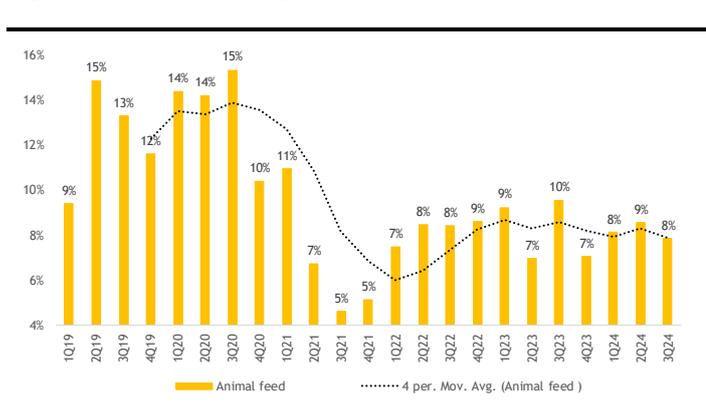
Fig 34: JPFA’s profit margins



Source: Company, Maybank IBG Research

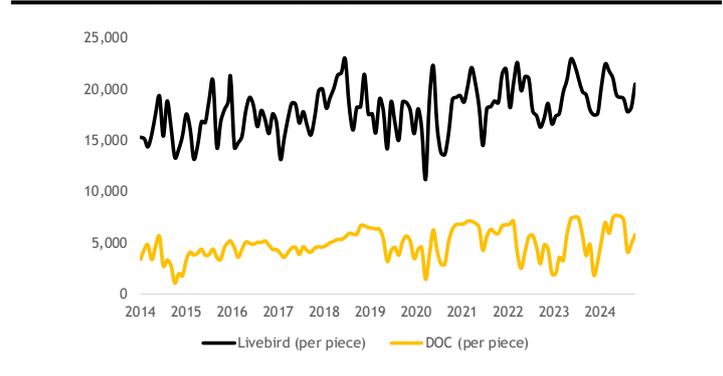
We forecast JPFA’s feed/commercial farm to contribute 21%/50% to its FY25E EBIT, respectively. Feed business segment EBIT margin should be able to stay resilient at 8%, supported by its cost-plus pricing model. Meanwhile, we are also expecting commercial farm sales volume to expand on the back of rising demand for poultry consumption, coupled with the government’s continuous initiatives aimed at preventing oversupply of livebird in the industry.

Fig 35: JPFA’s feed margins



Source: Company, Maybank IBG Research

Fig 36: Average livebird and DOC price per piece (Oct’24 livebirds: 20,484, DOC: 5,761)



Source: Maybank IBG Research

JPFA’s strong EPS growth of 224%/20%/25% in FY24E/25E/26E also suggests that the company will continue to payout high dividend yields. We forecast JPFA to pay 40% dividend payout in FY24-26E, which translates to high dividend yield of 5.7%/6.8%/8.6% compared to its peers of 1.2-4.5%.

3.2 Efficient operations

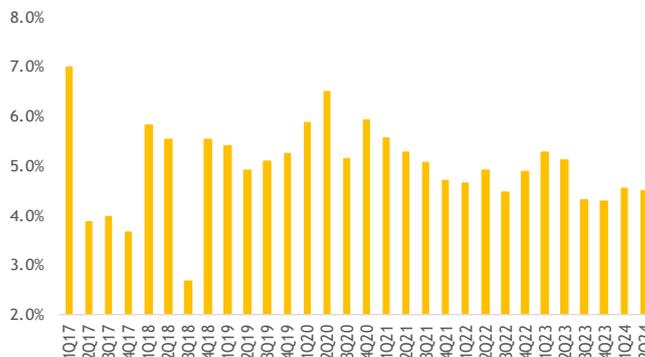
JPFA’s adoption of technology and recruitment of experienced professionals are key factors driving the company’s operating efficiency. We expect this positive trend to persist, allowing JPFA to maintain a competitive edge and scalability compared to smaller commercial farmers, feed manufacturers, and FMCG players.

Fig 37: JPFA’s operating expenses to net sales



Source: Company, Maybank IBG Research

Fig 38: Salary to net sales avg at 4.8% for the past 30 quarters



Source: Company, Maybank IBG Research

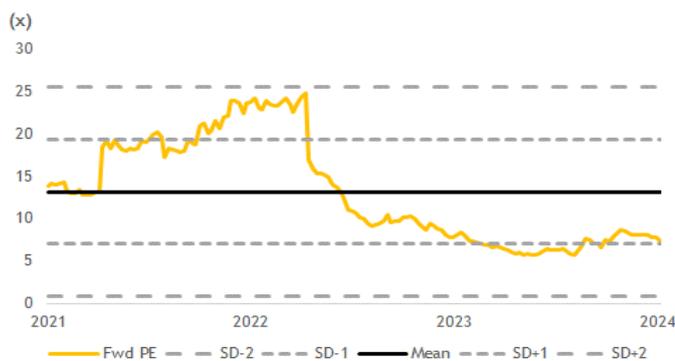
4. Valuation

We initiate coverage of JPFA with BUY, as we believe demand for livebirds will continue to increase while supply will remain stable. Consequently, JPFA will benefit significantly, particularly in its commercial farm segment, which should account for 46% of FY25E revenue.

We view JPFA as a proxy for rising poultry consumption in Indonesia, offering a double-digit long-term growth outlook. JPFA should continue to benefit from Indonesia’s growing population and rising GDP per capita.

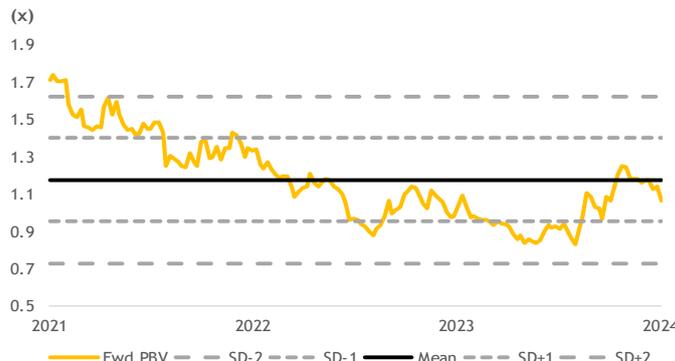
Our TP of IDR2,300 is based on a target 7.5x FY25E PER, 0.5SD below its 3-year mean. Our FY25E target PER is reasonable given JPFA’s potential earnings growth acceleration in FY24-26E.

Fig 39: JPFA’s forward PER...



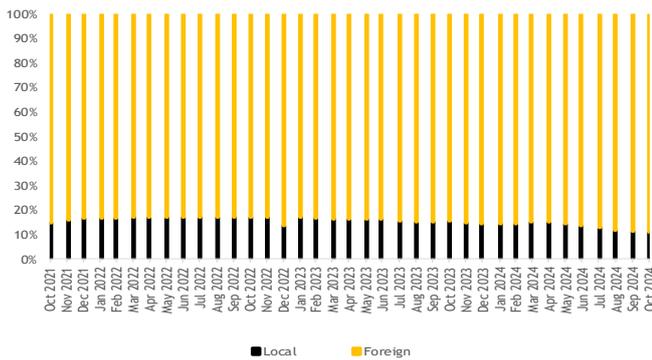
Source: Bloomberg, Maybank IBG Research

Fig 40: ...and PBV band



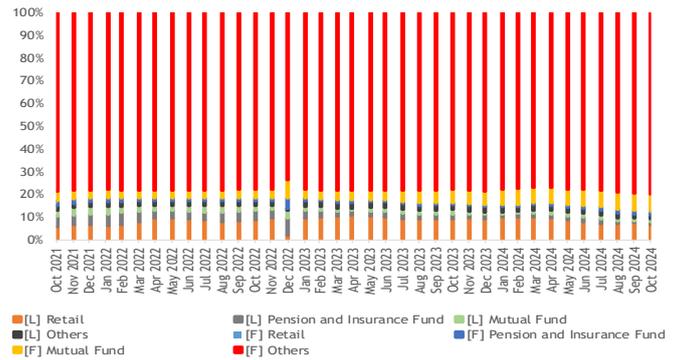
Source: Bloomberg, Maybank IBG Research

Fig 41: Ownership of JPFA by local/foreign investors...



Source: KSEI, Maybank IBG Research

Fig 42: ...and type of institutions



Source: KSEI, Maybank IBG Research

*[L] and [F] denotes local and foreign shareholders, respectively

5. Risks

5.1 Higher-than-expected raw material costs

JPFA’s feed business (24% of revenue and 21% of EBIT in FY25E) is highly sensitive to movements in raw material prices (corn and soybean). We expect the price of both soft commodities to normalize as La Nina should provide better harvest quality and higher yield.

5.2 Lower-than-expected livebird price

Livebird price is guided by supply and demand in the economy. Currently, the government continues to limit oversupply of livebirds in the industry through: 1) encouraging voluntary culling; and 2) imposing GPS import quotas, which should affect livebird supply at least until 2026.

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	12.3	15.6	7.2	6.0	4.8
Core P/E (x)	10.6	14.7	7.2	6.0	4.8
Core FD P/E (x)	10.5	14.6	7.2	6.0	4.8
P/BV (x)	1.2	1.0	1.4	1.2	1.0
P/NTA (x)	1.2	1.0	1.4	1.2	1.0
Net dividend yield (%)	4.6	4.2	5.6	6.7	8.3
FCF yield (%)	nm	2.2	14.7	9.4	11.4
EV/EBITDA (x)	2.2	2.8	1.8	1.4	1.0
EV/EBIT (x)	2.2	2.8	1.8	1.4	1.0
INCOME STATEMENT (IDR b)					
Revenue	48,972.1	51,175.9	58,022.0	66,196.4	75,906.6
EBITDA	2,750.3	2,206.4	4,782.7	5,631.5	6,587.5
Depreciation	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	2,750.3	2,206.4	4,782.7	5,631.5	6,587.5
Net interest income / (exp)	(795.8)	(945.2)	(943.2)	(942.2)	(941.2)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	1,954.5	1,261.2	3,839.5	4,689.3	5,646.2
Income tax	(463.6)	(315.3)	(729.5)	(891.0)	(1,072.8)
Minorities	(71.1)	(16.2)	(96.0)	(187.6)	(56.5)
Perpetual securities	8.0	9.0	10.0	11.0	12.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,427.9	938.7	3,024.0	3,621.8	4,529.0
Core net profit	1,427.9	938.7	3,024.0	3,621.8	4,529.0
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	1,811.1	1,502.6	4,311.0	5,371.7	6,680.7
Accounts receivable	2,405.3	2,456.1	3,019.6	3,445.0	3,950.4
Inventory	9,272.3	9,683.7	10,474.9	11,897.2	13,604.9
Property, Plant & Equip (net)	12,497.2	13,395.2	13,395.2	13,395.2	13,395.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	6,705.0	7,071.8	8,017.8	9,147.4	10,489.2
Total assets	32,690.9	34,109.4	39,218.6	43,256.5	48,120.4
ST interest bearing debt	3,869.0	4,078.0	4,281.7	4,475.6	4,675.6
Accounts payable	3,443.5	4,117.8	6,181.8	7,021.2	8,029.0
LT interest bearing debt	3,057.9	2,626.0	7,715.4	7,515.4	7,315.4
Other liabilities	8,666.0	9,120.0	4,343.0	4,955.0	5,682.0
Total Liabilities	19,036.1	19,942.2	22,522.4	23,967.6	25,702.3
Shareholders Equity	12,748.0	13,226.3	15,659.2	18,064.5	21,137.1
Minority Interest	906.7	940.9	1,036.9	1,224.5	1,280.9
Total shareholder equity	13,654.8	14,167.2	16,696.2	19,288.9	22,418.1
Total liabilities and equity	32,690.9	34,109.4	39,218.6	43,256.5	48,120.4
CASH FLOW (IDR b)					
Pretax profit	1,954.5	1,261.2	3,839.5	4,689.3	5,646.2
Depreciation & amortisation	0.0	0.0	0.0	0.0	0.0
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.0	0.0	0.0	0.0	0.0
Cash taxes paid	0.0	0.0	0.0	0.0	0.0
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(285.7)	2,043.2	4,051.9	2,903.6	3,344.3
Capex	(1,838.4)	(1,743.7)	(845.7)	(845.7)	(845.7)
Free cash flow	(2,124.1)	299.5	3,206.1	2,057.9	2,498.5
Dividends paid	466.3	697.2	581.0	1,205.6	1,444.3
Equity raised / (purchased)	(438.9)	245.7	0.0	0.0	0.0
Change in Debt	3,849.1	(302.0)	3.7	(6.1)	0.0
Other invest/financing cash flow	0.0	0.0	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	1,752.4	940.4	3,790.8	3,257.4	3,942.8

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	9.1	4.5	13.4	14.1	14.7
EBITDA growth	(22.0)	(19.8)	116.8	17.7	17.0
EBIT growth	(22.0)	(19.8)	116.8	17.7	17.0
Pretax growth	(30.0)	(35.5)	204.4	22.1	20.4
Reported net profit growth	(29.6)	(34.3)	222.1	19.8	25.0
Core net profit growth	(29.6)	(34.3)	222.1	19.8	25.0
Profitability ratios (%)					
EBITDA margin	5.6	4.3	8.2	8.5	8.7
EBIT margin	5.6	4.3	8.2	8.5	8.7
Pretax profit margin	4.0	2.5	6.6	7.1	7.4
Payout ratio	49.3	62.4	40.2	40.2	40.2
DuPont analysis					
Net profit margin (%)	2.9	1.8	5.2	5.5	6.0
Revenue/Assets (x)	1.5	1.5	1.5	1.5	1.6
Assets/Equity (x)	2.6	2.6	2.5	2.4	2.3
ROAE (%)	na	na	na	na	na
ROAA (%)	4.7	2.8	8.2	8.8	9.9
Liquidity & Efficiency					
Cash conversion cycle	66.3	64.1	54.6	48.3	48.2
Days receivable outstanding	17.5	17.1	17.0	17.6	17.5
Days inventory outstanding	74.0	78.1	76.8	75.1	74.8
Days payables outstanding	25.2	31.2	39.3	44.3	44.2
Dividend cover (x)	2.0	1.6	2.5	2.5	2.5
Current ratio (x)	1.8	1.6	1.6	1.7	1.8
Leverage & Expense Analysis					
Asset/Liability (x)	1.7	1.7	1.7	1.8	1.9
Net gearing (%) (incl perps)	37.5	36.7	46.0	34.3	23.7
Net gearing (%) (excl. perps)	37.5	36.7	46.0	34.3	23.7
Net interest cover (x)	3.5	2.3	5.1	6.0	7.0
Debt/EBITDA (x)	2.5	3.0	2.5	2.1	1.8
Capex/revenue (%)	3.8	3.4	1.5	1.3	1.1
Net debt/ (net cash)	5,115.8	5,201.4	7,686.1	6,619.3	5,310.3

Source: Company; Maybank IBG Research

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