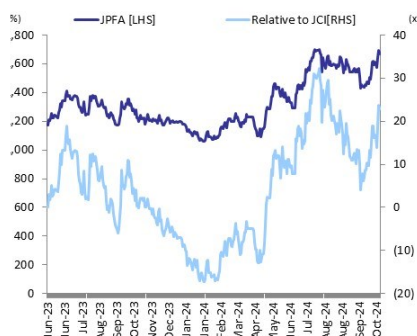


# Buy

(Maintained)

Last Price (Rp)	1,665
Target Price (Rp)	2,900
Previous Target Price (Rp)	2,200
Upside/Downside	+74.2%
No. of Shares (mn)	11,411
Mkt Cap (Rpbn/US\$mn)	18,999/1,208
Avg, Daily T/O (Rpbn/US\$mn)	34.8/2.2
Free Float (%)	43.2
Major Shareholder (%)	
Japfa Ltd	55.4
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	248.8 256.9 310.3
Consensus	191.9 195.7 193.1
BRIDS/Cons (%)	29.6 31.3 60.7

## JPFA relative to JCI Index



Source: Bloomberg

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# Japfa Comfeed Indonesia (JPFA IJ)

## 3Q24 results: Beating expectations on lower-than-anticipated decline in margin

- Despite delivering lower 3Q24 net profit of Rp617bn (-24% qoq, -28% yoy), JPFA's 9M24 came in above our/cons. est. (94%/ 95% of FY24F).
- Margin declined as expected, but 3Q24's gross OPM of 6.2% came in ahead of our 5.6% bullish estimates.
- We raised our FY24-25F net profit est. by 31-26%, rolled forward our valuation to FY25F, and lifted our TP to Rp2,900; maintain BUY rating.

### Beating our 3Q24 estimates on lower-than-anticipated decline in margin

JPFA reported 3Q24 net profit of Rp617bn (-24% qoq, -28% yoy), with gross revenue slightly declining to Rp211tr (-1% qoq, -4% yoy), and OPM declining to 6.2% (2Q24/3Q23: 8.6/7.1%). Despite the revenue and OPM drops, JPFA's 3Q24 OPM still came in ahead our bullish forecast of 5.6% OPM for 3Q24. Despite the expected lower feed costs, feed OPM declined 69bps qoq to 7.9% in 3Q24, reflecting the lower ASP, in our view. DOC margin dropped only 13bps (relatively stable at c. 20%), while livebird's margin was practically BEP (at -0.2%) in 3Q24, both of which contributed to strong 3Q24 performance.

### Expecting FY24F upgrades as ST key catalyst

JPFA's 9M24 net profit reached Rp2.1tr (+124% yoy), forming 94% and 95% of our and consensus' FY24F respectively, while net revenues were in line. The robust yoy growth was driven by OPM, which rose to 7.2% (from 4.5% in 9M23) and higher gross revenues (+7% yoy). Moreover, interest expenses dropped by 11% yoy in 9M24 as the company continued to reduce its net gearing, which stood at 65% in 3Q24, down from 84% in 3Q23.

### FY24F/FY25F net profit estimates raised by 31%/26%

We anticipate an improving margin for 4Q24 (vs. 3Q24), driven by higher DOC and livebird outpacing the higher feed costs, and thus expect the company to deliver an all-time-high net profit in FY24. We raised our FY24/25F net profit estimate as we lowered our FY24F SBM costs assumption from US\$395/t to US\$343/t (YTD price at US\$344, latest price at US\$305 as of Oct 28<sup>th</sup>, 2024).

### Maintain Buy rating with a higher TP of Rp2,900

We lifted our TP to Rp2,900 (from Rp2,200) to reflect our higher FY25F est. and roll forward our valuation to FY25F. We maintain our Buy rating due to JPFA's attractive valuation at 6.5x FY25F PE. Our TP is based on a target EV/EBITDA multiple of 6.6x (5-year average), implying FY24/25F PE multiple of 11.7x/11.3x. Risks to our view include potential lower-than-expected LB prices and increases in feed costs.

## Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	48,972	51,176	53,468	52,255	57,870
EBITDA (Rpbn)	3,753	3,272	6,591	6,637	7,663
EBITDA Growth (%)	(15.4)	(12.8)	101.4	0.7	15.5
Net Profit (Rpbn)	1,420	930	2,918	3,012	3,639
EPS (Rp)	121.1	79.3	248.8	256.9	310.3
EPS Growth (%)	(29.8)	(34.5)	213.8	3.2	20.8
BVPS (Rp)	1,087.1	1,127.9	1,344.3	1,499.3	1,704.4
DPS (Rp)	59.5	49.5	32.4	101.8	105.1
PER (x)	11.3	17.3	5.5	5.3	4.4
PBV (x)	1.3	1.2	1.0	0.9	0.8
Dividen yield (%)	4.3	3.6	2.4	7.4	7.7
EV/EBITDA	7.2	8.4	4.0	3.7	3.0

Source: JPFA, BRIDS Estimates

See important disclosure at the back of this report

## Exhibit 1. Summary of forecast revision

Financial	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	54,122	53,468	-1.2%	59,237	52,255	-11.8%
EBITDA (Rpbn)	5,549	6,591	18.8%	5,774	6,637	14.9%
Net Profit (Rpbn)	2,234	2,918	30.6%	2,382	3,012	26.5%
Price	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	19,936	19,936	0.0%	20,683	20,683	0.0%
DOC (Rp/bird)	7,404	7,404	0.0%	7,679	7,679	0.0%
Corn (Rp/kg)	5,387	5,387	0.0%	5,670	5,670	0.0%
Soybean meal (US\$/t)	395	343	-13.2%	421	365	-13.2%

Source: BRIDS Estimates

## Exhibit 2. JPFA 9M24 result summary

JPFA (Rp bn)	3Q23	2Q24	3Q24	y-o-y	q-o-q	9M23	9M24	y-o-y	FY24F	FY24C	A/F	A/C
<b>Consolidated</b>												
Revenue	13,612	13,723	13,631	0%	-1%	37,767	41,280	9%	54,122	54,729	76%	75%
COGS	(11,049)	(10,841)	(11,044)	0%	2%	(31,846)	(33,336)	5%	(44,285)	(45,079)	75%	74%
Gross Profit	2,563	2,882	2,587	1%	-10%	5,922	7,944	34%	9,837	9,650	81%	82%
Total Opex	(1,202)	(1,347)	(1,453)	21%	8%	(3,877)	(4,161)	7%	(5,397)	(5,571)	77%	75%
Operating Profit	1,361	1,535	1,134	-17%	-26%	2,044	3,783	85%	4,441	4,079	85%	93%
Pretax profit	1,118	1,279	847	-24%	-34%	1,293	3,026	134%	3,381	3,233	89%	94%
Net profit	855	814	617	-28%	-24%	937	2,096	124%	2,234	2,202	94%	95%
Gross margin	18.8%	21.0%	19.0%	15 bp	(202)bp	15.7%	19.2%	356 bp	18.2%	17.6%		
Opex to revenue	8.8%	9.8%	10.7%	183 bp	84 bp	10.3%	10.1%	(19)bp	10.0%	10.2%		
Operating margin	10.0%	11.2%	8.3%	(168)bp	(287)bp	5.4%	9.2%	375 bp	8.2%	7.5%		
Tax rate	20.8%	31.8%	22.9%	212 bp	(889)bp	23.1%	25.8%	267 bp	27.5%			
Net margin	6.3%	5.9%	4.5%	(176)bp	(141)bp	2.5%	5.1%	260 bp	4.1%	4.0%		
<b>Segment breakdown</b>												
Feed revenue	8,736	8,021	8,268	-5%	3%	24,395	25,406	4%				
DOC revenue	2,092	2,252	1,850	-12%	-18%	4,915	5,962	21%				
Live birds revenue	6,916	6,807	6,490	-6%	-5%	18,351	19,974	9%				
Total revenue	21,879	21,215	20,963	-4%	-1%	59,657	63,898	7%				
Feed margin	9.6%	8.5%	7.9%	(170)bp	(69)bp	8.7%	8.2%	(48)bp				
DOC margin	28.1%	20.5%	20.4%	(772)bp	(13)bp	5.6%	18.0%	1,244 bp				
Live birds margin	-1.9%	5.7%	-0.2%	162 bp	(596)bp	-1.3%	3.4%	464 bp				
Total operating margin	7.1%	8.6%	6.2%	(98)bp	(247)bp	4.5%	7.2%	272 bp				

Source: Company, BRIDS Estimates

Exhibit 3. JPFA EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 4. JPFA P/E band chart (5-year)



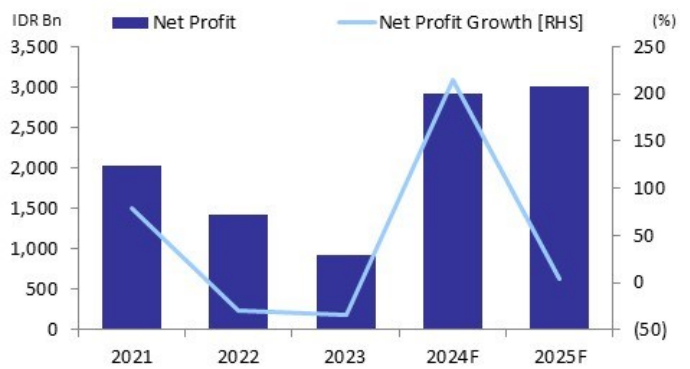
Source: Bloomberg, BRIDS Estimates

Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 6. Net Profit and Growth



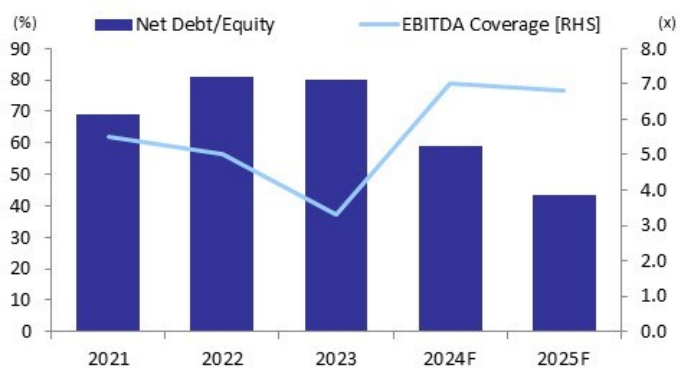
Source: Company, BRIDS Estimates

Exhibit 7. Margins



Source: Company, BRIDS Estimates

Exhibit 8. Gearing Level



Source: Company, BRIDS Estimates

**Exhibit 9. Income Statement**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>48,972</b>	<b>51,176</b>	<b>53,468</b>	<b>52,255</b>	<b>57,870</b>
COGS	(41,289)	(43,665)	(42,631)	(41,410)	(45,588)
<b>Gross profit</b>	<b>7,683</b>	<b>7,511</b>	<b>10,837</b>	<b>10,845</b>	<b>12,282</b>
<b>EBITDA</b>	<b>3,753</b>	<b>3,272</b>	<b>6,591</b>	<b>6,637</b>	<b>7,663</b>
<b>Oper. profit</b>	<b>2,803</b>	<b>2,264</b>	<b>5,482</b>	<b>5,431</b>	<b>6,364</b>
Interest income	9	44	26	29	22
Interest expense	(747)	(988)	(938)	(972)	(995)
Forex Gain/(Loss)	(72)	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(40)	(59)	(154)	(159)	(163)
<b>Pre-tax profit</b>	<b>1,955</b>	<b>1,261</b>	<b>4,416</b>	<b>4,329</b>	<b>5,228</b>
Income tax	(464)	(315)	(1,214)	(1,039)	(1,255)
Minority interest	(71)	(16)	(284)	(278)	(336)
<b>Net profit</b>	<b>1,420</b>	<b>930</b>	<b>2,918</b>	<b>3,012</b>	<b>3,639</b>
<b>Core Net Profit</b>	<b>1,491</b>	<b>930</b>	<b>2,918</b>	<b>3,012</b>	<b>3,637</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	1,811	1,503	3,124	4,826	4,693
Receivables	2,496	2,586	2,649	2,589	2,867
Inventory	10,976	11,321	10,885	10,573	11,640
Other Curr. Asset	1,718	1,809	2,419	2,185	2,386
Fixed assets - Net	12,497	13,395	14,176	14,765	15,159
Other non-curr.asset	3,192	3,496	3,952	4,027	4,148
<b>Total asset</b>	<b>32,691</b>	<b>34,109</b>	<b>37,203</b>	<b>38,966</b>	<b>40,893</b>
ST Debt	4,424	4,909	4,911	4,911	8,910
Payables	4,135	4,891	4,406	4,280	4,712
Other Curr. Liabilities	853	884	1,413	1,302	1,479
Long Term Debt	8,426	7,915	8,237	8,175	2,637
Other LT. Liabilities	1,198	1,340	1,247	1,213	1,329
<b>Total Liabilities</b>	<b>19,037</b>	<b>19,940</b>	<b>20,215</b>	<b>19,881</b>	<b>19,066</b>
Shareholder's Funds	12,748	13,226	15,763	17,582	19,987
Minority interests	907	941	1,225	1,503	1,839
<b>Total Equity &amp; Liabilities</b>	<b>32,691</b>	<b>34,107</b>	<b>37,203</b>	<b>38,966</b>	<b>40,892</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	1,420	930	2,918	3,012	3,639
Depreciation and Amort.	950	1,008	1,109	1,206	1,299
Change in Working Capital	(817)	461	(625)	316	(1,035)
Other Oper. Cash Flow	(126)	(27)	454	459	524
<b>Operating Cash Flow</b>	<b>1,427</b>	<b>2,372</b>	<b>3,856</b>	<b>4,993</b>	<b>4,426</b>
Capex	(1,937)	(1,954)	(2,074)	(1,991)	(1,898)
Others Inv. Cash Flow	(244)	(106)	16	22	15
<b>Investing Cash Flow</b>	<b>(2,181)</b>	<b>(2,060)</b>	<b>(2,058)</b>	<b>(1,969)</b>	<b>(1,883)</b>
Net change in debt	2,719	(27)	324	(62)	(1,539)
New Capital	(310)	180	0	0	0
Dividend payment	(697)	(581)	(380)	(1,194)	(1,233)
Other Fin. Cash Flow	(305)	(128)	(94)	(35)	118
<b>Financing Cash Flow</b>	<b>1,406</b>	<b>(556)</b>	<b>(150)</b>	<b>(1,291)</b>	<b>(2,654)</b>
<b>Net Change in Cash</b>	<b>652</b>	<b>(244)</b>	<b>1,647</b>	<b>1,732</b>	<b>(111)</b>
Cash - begin of the year	1,085	1,811	1,503	3,124	4,826
Cash - end of the year	1,811	1,503	3,124	4,826	4,693

**Exhibit 12. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	9.1	4.5	4.5	(2.3)	10.7
EBITDA	(15.4)	(12.8)	101.4	0.7	15.5
Operating profit	(13.0)	(19.2)	142.1	(0.9)	17.2
Net profit	(29.8)	(34.5)	213.8	3.2	20.8
<b>Profitability (%)</b>					
Gross margin	15.7	14.7	20.3	20.8	21.2
EBITDA margin	7.7	6.4	12.3	12.7	13.2
Operating margin	5.7	4.4	10.3	10.4	11.0
Net margin	2.9	1.8	5.5	5.8	6.3
ROAA	4.6	2.8	8.2	7.9	9.1
ROAE	11.4	7.2	20.1	18.1	19.4
<b>Leverage</b>					
Net Gearing (x)	0.8	0.8	0.6	0.4	0.3
Interest Coverage (x)	3.8	2.3	5.8	5.6	6.4

Source: JPFA, BRIDS Estimates

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## INVESTMENT RATING

<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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