

Japfa Comfeed Indonesia (JPFA IJ)

Solid 2Q26, Albeit Lower qoq On Seasonality

Highlights

- Expect JPFA to post solid 2Q26 results, despite being lower seasonally qoq.
- Its structural growth story remains intact, supported by healthier industry dynamics, JPFA's position as an integrated low-cost producer, and continued downstream expansion.
- Maintain BUY with a target price of Rp3,330, based on 8x 2026F PE.

Analysis

- **Expect another solid quarter, despite being softer seasonally qoq.** Following a record-high 1Q26 net profit of Rp1.8t (+14% qoq, +166% yoy), we expect 2Q26 earnings to moderate on a quarterly basis due to normal seasonality after Lebaran and the Suro month in June, but to remain stronger yoy (2Q25 net profit was Rp553b). Average livebird prices have declined to Rp18,681/kg (-15.3% qoq) but are 14.4% higher on a yoy basis. Margins should be slightly down on higher soybean meal (SBM), corn, and a weaker rupiah. However, concerns over SBM procurement centralisation following Berdikari's involvement appear less warranted, as JPFA continues to procure SBM independently and the associated margin impact should be limited. Overall, we forecast 2026 net profit of Rp4.89t (+22.1% yoy). 2Q26 results are undergoing a limited review and will be released on 31 Aug 26 at the latest.
- **Government policy turning more constructive on poultry prices.** We see the government becoming more supportive of maintaining healthy livebird prices, particularly following state-owned Berdikari's increased involvement in the sector. Notably, after livebird prices fell to Rp15,000-16,000/kg in May, the government intervened by requiring major poultry producers and industry associations to sign a joint commitment on 29 June to accelerate livebird absorption and gradually raise farmgate prices to a minimum of Rp19,500/kg. By 9 July, our checks indicated prices had recovered to around Rp19,000/kg. Even if livebird prices soften, JPFA's industry-leading cost position (around Rp19,000-20,000/kg vs the industry average of Rp21,000-23,000/kg) should allow it to remain more resilient than its peers. Its integrated business model and growing downstream contribution should also support more stable margins and reduce earnings volatility going forward.
- **Remains optimistic on long-term outlook.** The company targets to double its revenue within five years (~15% CAGR), with the downstream segment as the key growth driver and the Free Meal Program (MBG) providing incremental upside. JPFA will also continue to expand its production capacity, with 2026 capex budgeted at Rp2.2t-2.5t, similar as last year.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	55,801	60,716	67,964	73,726	79,672
EBITDA	6,274	7,290	8,524	9,570	10,385
Operating profit	5,213	6,150	7,270	8,194	8,876
Net profit	3,019	4,004	4,890	5,589	6,101
EPS (Rp)	257.4	341.4	417.0	476.6	520.2
PE (x)	8.1	6.1	5.0	4.4	4.0
P/B (x)	1.6	1.3	1.1	1.0	0.8
EV/EBITDA (x)	5.4	4.5	3.6	3.1	2.8
Dividend yield (%)	3.4	3.5	6.6	9.0	10.3
Net margin (%)	5.4	6.6	7.2	7.6	7.7
Net debt/(cash) to equity (x)	0.6	0.4	0.3	0.2	0.2
Interest cover (x)	6.0	7.6	8.8	9.4	9.6
ROE (%)	19.5	21.5	22.3	22.1	21.1
UOBKH/Consensus (x)	-	-	1.18	1.20	-

Source: JPFA, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	Rp2,080
Target Price	Rp3,330
Upside	+60.1%

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	JPFA IJ
Shares issued (m):	11,727
Market cap (Rpb):	24,391
Market cap (US\$m):	1,355
3-mth avg daily t'over (US\$m):	2.1

Price Performance (%)

52 week high/low	Rp2,970/Rp1,510
1mth	7.7
3mth	(22.7)
6mth	(29)
1yr	23.8
YTD	(20.6)

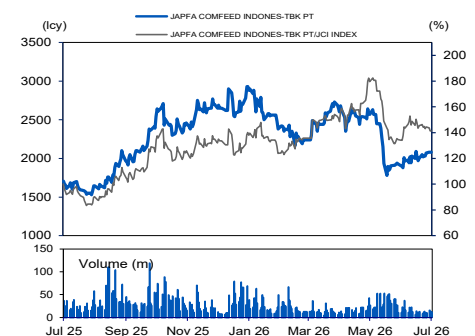
Major Shareholders

	(%)
Japfa Ltd	55.4
Public	43.3

Balance Sheet Metrics

FY25 NAV/Share (Rp)	1,592
FY25 Net Debt/Share (Rp)	709

Price Chart



Source: Bloomberg

Company Description

Japfa Comfeed Indonesia manufactures animal feed, breeds and processes chickens, and operates aquaculture farms. The company trades its products domestically and internationally.

- **Healthier industry dynamics.** Despite potential input cost pressures, we continue to see favourable industry conditions, underpinned by disciplined supply and incremental demand from the MBG. On the supply side, grandparent stock (GPS) import realisations averaged only ~545,000 during 2024-25, around 19% below the 2019-23 average, suggesting supply remains disciplined. On the demand side, MBG realisation had reached Rp88.2t with 63mn beneficiaries as of 31 May 26 (vs the 2025 full-year realisation of Rp55t). While the MBG budget has been reduced from the initial Rp335t to Rp268t, with a possibility of further cuts to Rp229t, it remains well above last year's level and should continue to provide incremental demand upside. This is in addition to Indonesia's poultry consumption per capita remaining among one of the lowest in Asia, leaving ample room for structural growth.
- **Increased focus on downstream segment.** In line with the government's push toward downstream development, JPFA is accelerating its expansion in this segment (comprising 45% processed broilers and 55% consumer products). The company is also strengthening its premium offering through the Olagud brand (probiotic chicken products priced ~42% higher than regular broiler carcasses). Meanwhile, So Good Food (recently rebranded as Japfa Food Indonesia) continues to post double-digit growth, supported by ongoing product innovation and a broader nationwide reach.

Earnings Revision/Risks

- **No earnings revision.**
- **Key risks** include: a) feed cost volatility, b) broiler and DOC price volatility, c) externality risk from contract farmers, d) weak purchasing power, and e) government policy changes.

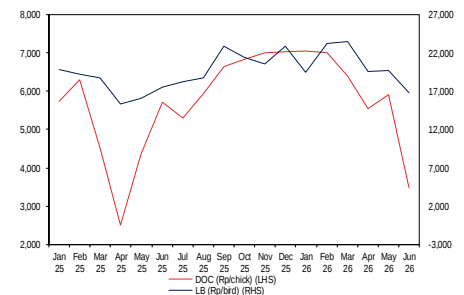
Valuation/Recommendation

- **Maintain BUY with a target price of Rp3,330** based on 2026F PE of 8x, based on the five-year historical forward average. The stock is currently trading at an undemanding valuation of 5x 2026F PE (-2SD below its five-year historical average). ROE remains healthy at 22%, while the stock offers an attractive 6.6% dividend yield.

Share Price Catalyst

- **Catalyst:** 2Q26 results.

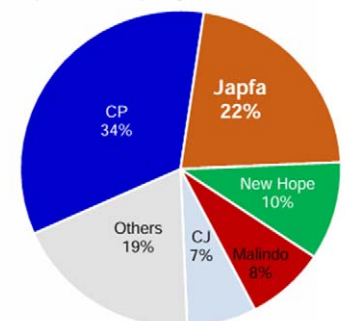
Live Bird And DOC Prices



Source: JPFA, UOB Kay Hian

Feed Market Share

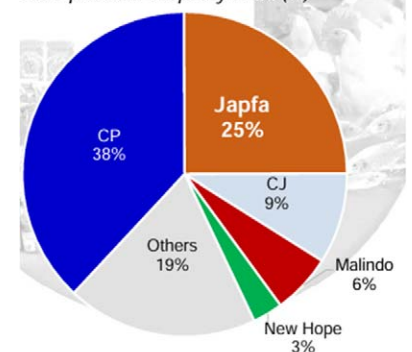
Poultry feed production capacity market share (%)



Source: JPFA, UOB Kay Hian

DOC Market Share

DOC production capacity share (%)



Source: JPFA, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	60,716	67,964	73,726	79,672
EBITDA	7,290	8,524	9,570	10,385
Deprec. & amort.	1,140	1,254	1,376	1,509
EBIT	6,150	7,270	8,194	8,876
Total other non-operating income/(expense)	72	40	42	44
Net interest income/(expense)	(738)	(717)	(730)	(742)
Pre-tax profit	5,484	6,593	7,505	8,178
Tax	(1,202)	(1,446)	(1,646)	(1,793)
Minorities	(277)	(258)	(271)	(284)
Net profit	4,004	4,890	5,589	6,101

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	14,995	16,504	18,123	19,852
Other LT assets	3,689	3,829	3,963	4,104
Cash/ST investment	3,550	5,645	7,210	9,089
Other current assets	17,826	18,633	20,295	21,858
Total assets	40,060	44,610	49,591	54,903
ST debt	9,772	4,334	4,767	5,244
Other current liabilities	6,746	7,309	7,896	8,533
LT debt	2,090	7,896	8,123	8,372
Other LT liabilities	1,434	1,505	1,581	1,660
Shareholders' equity	18,664	21,952	25,340	28,926
Minority interest	1,355	1,613	1,884	2,168
Total liabilities & equity	40,060	44,610	49,591	54,903

Cash Flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	5,012	5,969	5,962	6,760
Net profit	4,004	4,890	5,589	6,101
Deprec. & amort.	1,140	1,254	1,376	1,509
Working capital changes	(689)	52	(937)	(792)
Other operating cashflows	557	(225)	(66)	(58)
Investing	(2,826)	(2,902)	(3,130)	(3,379)
Capex (growth)	(2,467)	(2,762)	(2,996)	(3,238)
Investments	-	-	-	-
Others	(359)	(140)	(134)	(141)
Financing	(35)	(973)	(1,267)	(1,502)
Dividend payments	(862)	(1,602)	(2,200)	(2,515)
Proceeds & repay borrowings	1,118	368	660	726
Others	(292)	261	274	287
Net cash inflow (outflow)	2,151	2,095	1,566	1,879
Beginning cash & cash equivalent	1,354	3,550	5,645	7,210
Others	46	0	0	0
Ending cash & cash equivalent	3,550	5,645	7,210	9,089

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.0	12.5	13.0	13.0
Pre-tax margin	9.0	9.7	10.2	10.3
Net margin	6.6	7.2	7.6	7.7
ROA	10.0	11.0	11.3	11.1
ROE	21.5	22.3	22.1	21.1
Growth				
Turnover	8.8	11.9	8.5	8.1
EBITDA	16.2	16.9	12.3	8.5
Pre-tax profit	29.3	20.2	13.8	9.0
Net profit	32.6	22.1	14.3	9.2
EPS	32.6	22.1	14.3	9.2
Leverage				
Debt to total capital (x)	0.3	0.3	0.3	0.2
Debt to equity (x)	0.6	0.6	0.5	0.5
Net debt/(cash) to equity (x)	0.4	0.3	0.2	0.2
Interest cover (x)	7.6	8.8	9.4	9.6

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