

COMPANY RESULTS

Japfa (JAP SP)

2021: Results In Line; Uncertainties From Vietnam Remain

Japfa's 2021 core net PATMI of US\$133m (-32% yoy) was in line, forming 103% of our full-year forecast. Performance from the Indonesia poultry segment improved as lockdowns eased while the Vietnam operations continue to experience weakness from low ASP and high feed cost. Its China dairy segment continued to deliver a stable performance. We cut our 2022 EPS by 19% to account for weakness from Vietnam. Maintain HOLD and SOTP-based target price of S\$0.63.

2021 RESULTS

Year to 31 Dec (US\$m)	2021	2020*	yoy % chg
Revenue	4,634.4	3,868.3	19.9
Operating Profit	331.9	380.8	(12.8)
Operating Margin (%)	7.2	9.8	(2.7ppt)
PATMI	118.8	181.8	(35.6)
PATMI Margin (%)	2.6	4.7	(2.1)
Core PATMI	132.7	195.4	(32.1)
Core PATMI Net Margin (%)	2.9	5.1	(2.2)

Source: Japfa, UOB Kay Hian

*Excludes one-pff extraordinary net gain of US\$140.2m from effective sale of 80% in Dairy Southeast Asia

RESULTS

- Below expectations.** Japfa's 2021 core net profit of US\$133m (-32% yoy) was within our expectations, forming 103% of our full-year forecast. Revenue rose 20% yoy to US\$4.6b, partially mitigating the drop in profit margin (-2.2ppt) resulting from higher feed raw materials costs.
- Recovery for Japfa TBK but weak performance in APO continues.** As lockdown eased in Indonesia and prices recovered in 4Q21, Japfa TBK reported core PATMI of US\$18.3m, reversing a loss position of US\$4m in 3Q21. This brings full-year core PATMI for the segment to US\$70m (+51% yoy). Losses from the Animal Protein Other (APO) segment continued in 4Q21 at US\$20.8m, bringing full-year losses to US\$14m. African Swine Fever (ASF) resurgence in 4Q21 resulted in an increase in operational costs, while swine fattening prices declined due to pre-emptive sales in the market. The increased pork supply in Vietnam has had a negative impact on swine fattening prices as producers restock.
- China dairy segment a bright spot with stable earnings.** China's dairy revenue and PAT rose 29% yoy and 7% yoy respectively with additional contribution from Farm 8 and the 2 newly-acquired farms in Shandong. We expect the China dairy segment to continue to perform well as the raw milk shortage may last for another 2-3 years as more independent dairy farmers give up cow-raising.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2020	2021	2022F	2023F	2024F
Net turnover	3,868	4,636	4,808	4,923	5,038
EBITDA	486	458	458	503	524
Operating profit	364	332	313	350	362
Net profit (rep./act.)	322	119	104	131	136
Net profit (adj.)	195	133	104	131	136
EPS (US\$ cent)	9.6	6.5	5.1	6.4	6.7
PE (x)	4.6	6.8	8.7	6.9	6.7
P/B (x)	0.6	0.6	0.6	0.6	0.5
EV/EBITDA (x)	5.1	5.4	5.4	5.0	4.8
Dividend yield (%)	18.1	3.3	3.3	3.3	3.3
Net margin (%)	8.3	2.6	2.2	2.7	2.7
Net debt/(cash) to equity (%)	54.7	69.3	52.5	48.2	44.0
Interest cover (x)	4.9	4.9	4.9	5.0	5.2
ROE (%)	28.0	8.3	7.1	8.4	8.2
Consensus net profit	-	-	128	145	-
UOBKH/Consensus (x)	-	-	0.82	0.90	-

Source: Bloomberg, Japfa, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.605
Target Price	S\$0.63
Upside	+4.1%
(Previous TP)	S\$0.60

COMPANY DESCRIPTION

Japfa operates in the agri-food industry. The company breeds and processes chicken, pork and beef. Japfa also operates dairy farms.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	JAP SP
Shares issued (m):	2,040.8
Market cap (S\$m):	1,234.7
Market cap (US\$m):	908.1
3-mth avg daily t'over (US\$m):	0.9

Price Performance (%)

52-week high/low S\$0.940/S\$0.575

1mth	3mth	6mth	1yr	YTD
(1.6)	(2.4)	(13.6)	(28.0)	0.0

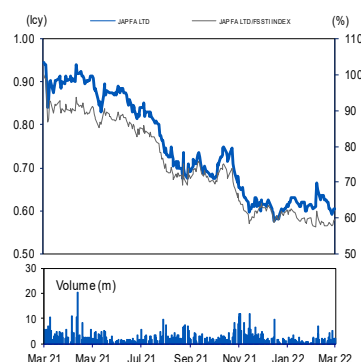
Major Shareholders

	%
Rangi Management Ltd	50.3
Morze Int'l	15.3
Tasburgh	6.9

FY22 NAV/Share (US\$) 0.74

FY22 Net Debt/Share (US\$) 0.38

PRICE CHART



Source: Bloomberg

ANALYST(S)

John Cheong
 +65 6590 6623
 johncheong@uobkayhian.com

STOCK IMPACT

- **Indonesia poultry and Vietnam swine segments to face uncertainties.** In Indonesia, prices of broiler and day-old-chick (DOC) remain volatile. Similarly in Vietnam, movement restrictions are being progressively lifted. That being said, it would take some time for poultry and swine prices to recover.

EARNINGS REVISION/RISK

- We reduced our core PATMI for 2022 by 19% after incorporating weaker ASPs and lower margin for the Vietnam swine segments while our 2023F earnings remain largely unchanged. We expect 2022 to be a challenging year for the Vietnam swine segment due to the low swine ASP and higher feed raw material costs. As a result, we reduced our core PATMI forecast for the Vietnam swine segment from US\$11m to a loss of US\$21m.
- We also introduce 2024F earnings of US\$135.9m.

VALUATION/RECOMMENDATION

- **Maintain HOLD with higher SOTP target price of S\$0.63**, which implies 9.1x 2022F. Suggested entry price: S\$0.56. Our slightly higher target price comes as we adjust our net debt in our SOTP valuation to reflect sales proceeds from the sale of a 12.5% stake in Austasia.

SHARE PRICE CATALYST

- Better-than-expected ASPs for Indonesia poultry, China dairy and Vietnam swine products.
- Value-unlocking activity such as spinning off the dairy or APO segment(s).
- Reversal of rupiah weakness.

SOTP VALUATION

	2022F core net profit (US\$m)	Ascribed PE multiple (x)	Value (US\$m)	Remarks
PT Japfa Tbk (Indonesia Poultry)	51.0	8.0	407.9	Based on -1SD below the long-term mean PE of PT Japfa TBK, to reflect a more uncertain outlook.
Dairy	79.5	NA	763.2	Based on the transaction value of US\$254m to acquire 25% stake by Meiji. This will value the entire business at US\$1,018m, of which Japfa will own 75% post transaction.
APO (Vietnam Swine)	(21.1)	8.0	-	Based on -1SD below the long-term mean PE of PT Japfa TBK, to reflect a more uncertain outlook.
Corporate net debt			(20)	
Total			1,191.1	
After 20% conglomerate discount			952.9	
Value per share (US\$)			0.47	
Value per share (S\$)			0.63	

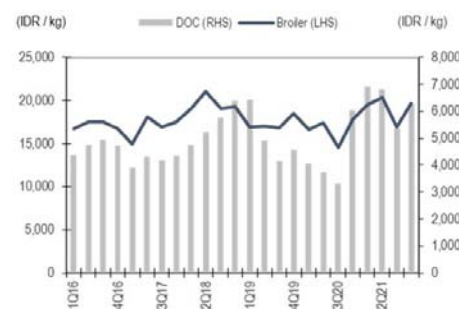
Source: UOB Kay Hian

PEER COMPARISON

Company	Ticker	Price @ 2 Mar 22 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE 2022 (%)	Yield 2022 (%)
				2022 (x)	2023 (x)	2022 (x)	2023 (x)	2022 (x)	2023 (x)		
Indonesian Protein Peers											
Japfa Comfeed	JPFA IJ	1600	1,302	8.7	7.2	1.4	1.2	5.5	4.7	14.6	4.3
Charoen Pokphand Indo	CPIN IJ	5700	6,484	19.9	16.9	3.3	3.0	12.9	11.2	16.7	1.8
Malindo Feedmill	MAIN IJ	670	104	12.9	10.2	0.7	0.7	6.7	5.9	5.2	1.3
Average				13.8	11.4	1.8	1.6	8.4	7.3	12.2	2.5
Dairy Peers											
Inner Mongolia Yili	600887 CH	39.24	39,749	22.8	19.5	5.5	4.8	16.9	14.5	26.3	3.0
China Mengniu Dairy	2319 HK	49.65	25,114	24.9	20.9	3.7	3.3	19.3	16.4	15.4	1.1
China Modern Dairy	1117 HK	1.42	1,438	5.1	4.4	0.8	0.7	4.2	3.8	15.6	1.8
Average				17.6	14.9	3.3	2.9	13.5	11.5	19.1	2.0
Japfa	JAP SP	0.605	908	8.7	6.9	0.6	0.6	5.4	5.0	7.1	3.3

Source: Bloomberg, UOB Kay Hian

INDONESIA POULTRY AND DOC PRICE



Source: Arboge, Japfa, UOB Kay Hian

VIETNAM SWINE PRICE (VND/KG)



Source: Genesis, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Net turnover	4,636.4	4,807.9	4,923.0	5,037.9
EBITDA	458.2	458.4	502.8	523.6
Deprec. & amort.	126.3	144.9	153.2	161.4
EBIT	331.9	313.5	349.5	362.2
Total other non-operating income	33.4	0.0	0.0	0.0
Associate contributions	1.0	0.0	0.0	0.0
Net interest income/(expense)	(93.2)	(93.7)	(100.3)	(101.6)
Pre-tax profit	266.8	219.7	249.2	260.6
Tax	(54.1)	(41.7)	(42.4)	(46.9)
Minorities	0.0	(73.6)	(76.0)	(77.9)
Net profit	212.7	104.4	130.9	135.9
Net profit (adj.)	132.7	104.4	130.9	135.9

BALANCE SHEET

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Fixed assets	1,341.7	1,418.8	1,494.3	1,568.6
Other LT assets	1,104.1	1,145.1	1,189.3	1,237.1
Cash/ST investment	320.6	520.9	536.2	557.4
Other current assets	1,535.9	1,459.5	1,508.5	1,560.2
Total assets	4,302.2	4,544.4	4,728.3	4,923.2
ST debt	573.8	573.8	573.8	573.8
Other current liabilities	467.8	562.0	569.0	580.2
LT debt	735.1	735.1	735.1	735.1
Other LT liabilities	379.1	379.1	379.1	379.1
Shareholders' equity	1,427.0	1,501.4	1,602.2	1,708.1
Minority interest	719.5	793.1	869.1	946.9
Total liabilities & equity	4,302.2	4,544.4	4,728.3	4,923.2

CASH FLOW

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Operating	385.5	546.2	374.3	388.4
Pre-tax profit	266.8	219.7	249.2	260.6
Tax	(65.2)	(41.7)	(42.4)	(46.9)
Deprec. & amort.	126.3	144.9	153.2	161.4
Associates	1.0	0.0	0.0	0.0
Working capital changes	(90.1)	129.6	(86.1)	(88.3)
Non-cash items	(5.2)	0.0	0.0	0.0
Other operating cashflows	152.0	93.7	100.3	101.6
Investing	(258.2)	(220.3)	(226.9)	(233.8)
Capex (growth)	(217.5)	(222.1)	(228.7)	(235.6)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	3.2	0.0	0.0	0.0
Others	(43.8)	1.8	1.8	1.8
Financing	(30.0)	(125.6)	(132.1)	(133.4)
Dividend payments	(166.2)	(30.0)	(30.0)	(30.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	110.2	0.0	0.0	0.0
Others/interest paid	25.9	(95.5)	(102.1)	(103.4)
Net cash inflow (outflow)	97.3	200.4	15.2	21.2
Beginning cash & cash equivalent	224.3	320.6	520.9	536.2
Changes due to forex impact	(1.0)	0.0	0.0	0.0
Ending cash & cash equivalent	320.6	520.9	536.2	557.4

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	9.9	9.5	10.2	10.4
Pre-tax margin	5.8	4.6	5.1	5.2
Net margin	2.6	2.2	2.7	2.7
ROA	3.0	2.4	2.8	2.8
ROE	8.3	7.1	8.4	8.2
Growth				
Turnover	19.9	3.7	2.4	2.3
EBITDA	(5.7)	0.0	9.7	4.1
Pre-tax profit	(36.8)	(17.7)	13.4	4.6
Net profit	(63.1)	(12.1)	25.3	3.8
Net profit (adj.)	(32.1)	(21.3)	25.3	3.8
EPS	(32.5)	(21.3)	25.3	3.8
Leverage				
Debt to total capital	37.9	36.3	34.6	33.0
Debt to equity	91.7	87.2	81.7	76.6
Net debt/(cash) to equity	69.3	52.5	48.2	44.0
Interest cover (x)	4.9	4.9	5.0	5.2

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W