

PT JAPFA COMFEED INDONESIA Tbk



**INVESTOR
PRESENTATION
2Q 2019**

Agenda

Company Overview

Key Investment Highlights

Financial and Operational Highlights

Company Overview



Company overview

Core competencies across the value chain



Industrialized approach drives operational and financial benefits

A Scale

- 2nd largest feed and DoC producer in Indonesia with significant scale across the value chain:
 - ✓ 17 feed mills, 76 breeding farms and 25 hatcheries across Indonesia
 - ✓ Over 100 company farms and over 9,000 contract farms
- Consolidated procurement of raw materials with the broader Japfa Group

C Biosecurity & animal health

- Advanced biosecurity measures for disease prevention and control, comprising (i) isolation; (ii) sanitation and disinfection; and (iii) traffic control
- Stringent process adherence to prevent diseases
- In-house vaccine R&D and production unit, PT Vaksindo, improves efficacy and shortens response time to disease outbreaks

B Technology & genetics

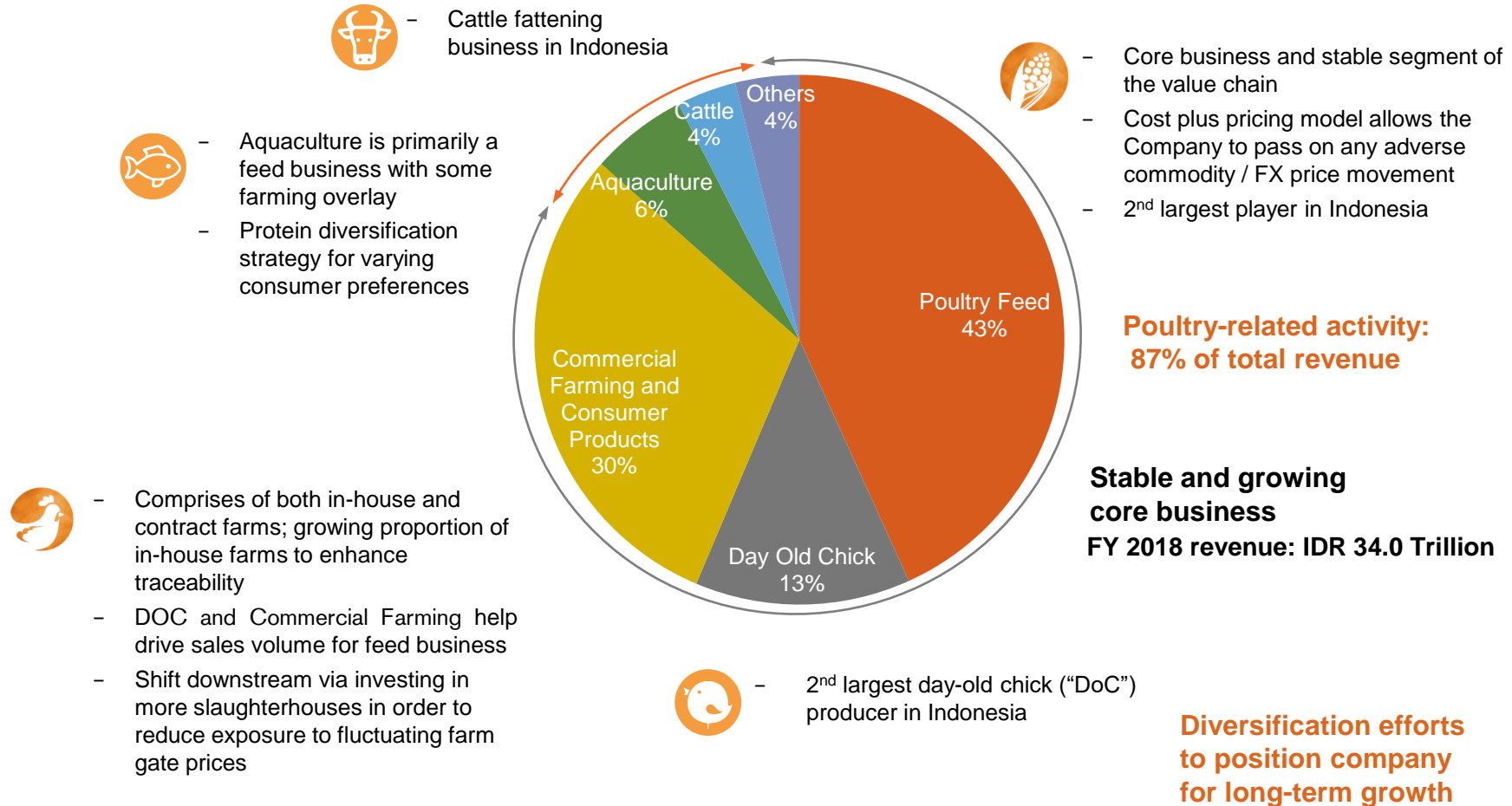
- Exclusive relationship with Aviagen for the sourcing of grandparent stock with superior genetics which is tailored for the Indonesian climate
- Advanced feed technology for quality control and optimal feed conversion ratios
- Modern farming techniques and industry best practices to further drive efficiency

D Standardization

- Ability to replicate farming best practices and infrastructural design across feed mills, breeding farms and hatcheries
- Mechanized production processes and established SOPs allow for consistency
- Opportunity to tap human resources across the Japfa Group facilitates standardization

Japfa: Well positioned for long-term growth

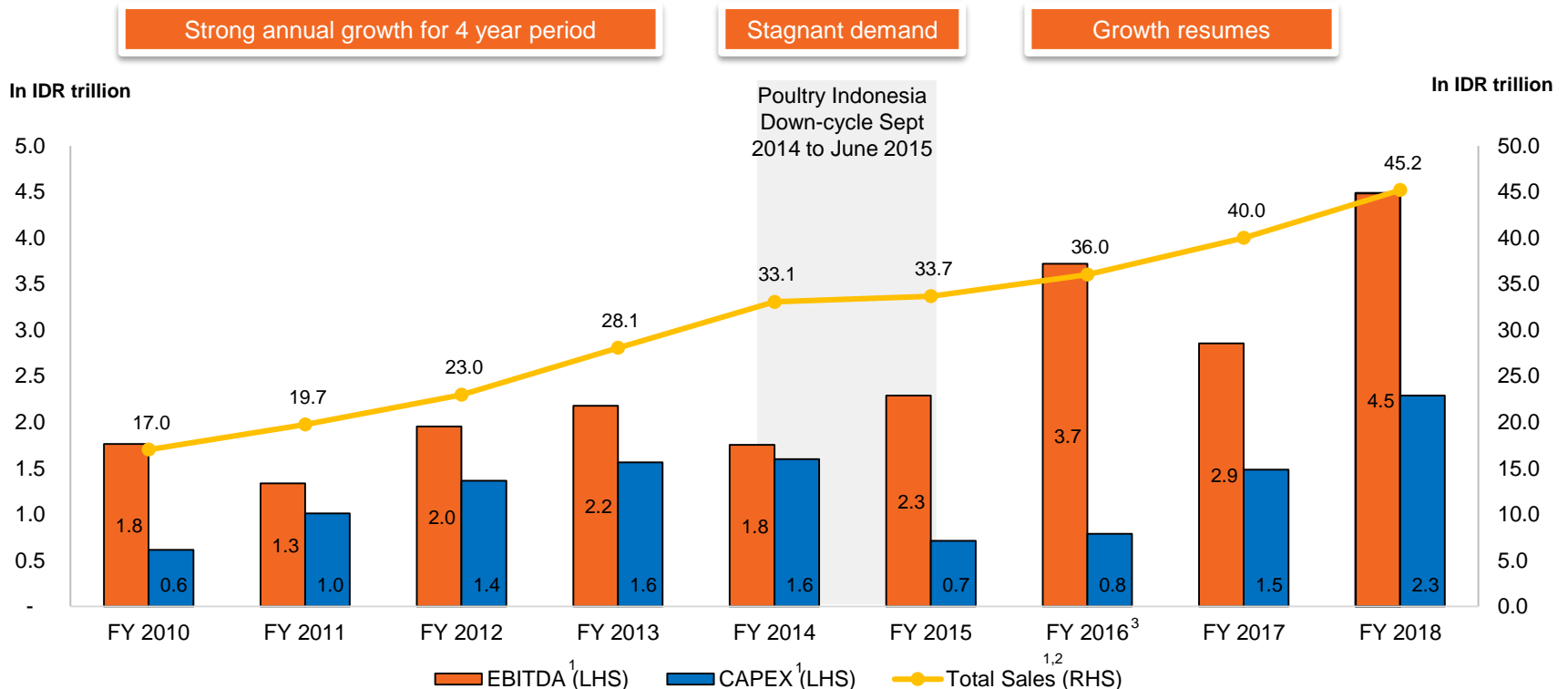
Poultry leader with growing presence in other proteins



Note: The % sales contributions from operational segments shown above are based on gross sales, which exclude elimination adjustments between segments.

Growing responsibly

- Japfa's animal protein business in Indonesia showed strong sales growth in the 2010 – 2014 period driven by strong poultry demand, which then stagnated in the 2014 – 2015 period. After the down-cycle, Japfa's poultry business resumed growth in 2016.
- Japfa's annual capex budget is primarily based on management's expectations of market demand growth. However, we have the flexibility to adjust our capex spending roll-out during the course of the year because we "build small boats, not big ships" in our animal protein business. This allows Japfa to prudently manage cash flows.



Notes:

¹ EBITDA, CAPEX, and Total Sales refer to PT Japfa Tbk consolidated financial statements

² Total Sales includes inter-segment sales within PT Japfa Tbk

³ Certain prior years' figures have been restated to conform with the presentation in the 2018 consolidated financial statement



Key Investment Highlights



Investment highlights



- 1 Attractive industry dynamics driven by strong structural growth in protein consumption
- 2 Leading integrated poultry national champion with nationwide footprint
- 3 Core feed business offers stable profitability
- 4 Leading Market Positions in Multiple Protein Staples
- 5 Experienced and tenured management team

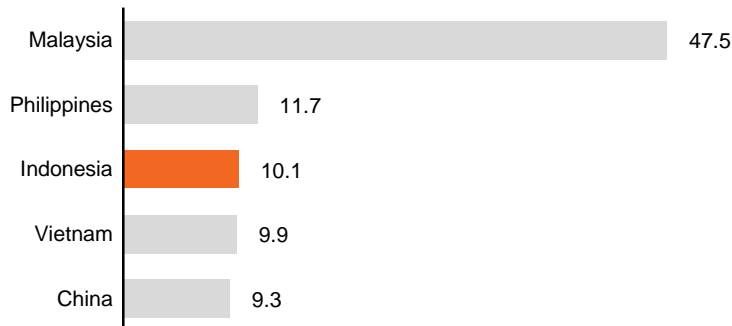
1

Attractive industry dynamics driven by strong structural growth in protein consumption

- ✓ Ample room for sustained growth in business locations with one of the lowest poultry consumption per capita rates in Asia.
- ✓ Strong projected growth in GDP per capita to underpin growing protein consumption
- ✓ “Meat-of-choice” given poultry’s relative affordability, religious neutrality, consumer preference and increasing penetration and popularity of quick service restaurants
- ✓ Potential upside as Indonesians’ diet evolve to include more meat-based protein from the currently carbohydrate-heavy diets

Poultry Meat Consumption per capita in Asia

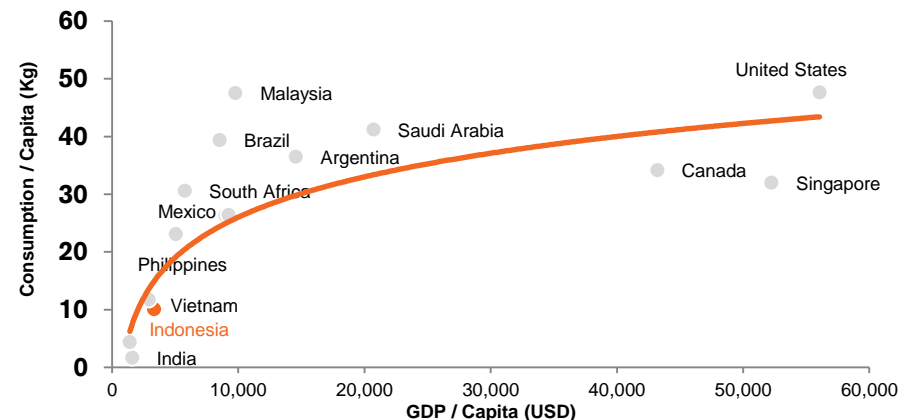
(kg per capita - 2015)



Source: Frost & Sullivan Estimates, 2017

Positive correlation between GDP per capita and Poultry meat consumption (2015)

Rising Consumption in Emerging Asian Markets



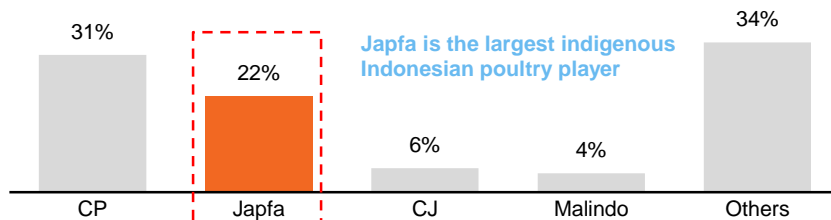
Source: OECD, UN, Frost & Sullivan Estimates, 2017

2

Leading integrated poultry national champion with nationwide footprint

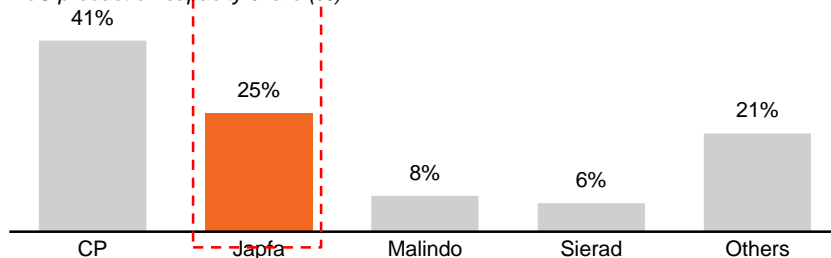
2nd largest Indonesian poultry feed and DoC producer

Poultry feed production capacity market share (%)



Japfa is the largest indigenous Indonesian poultry player

DoC production capacity share (%)



- ✓ Attractive industry dynamics with CP and Japfa jointly controlling >50% of the feed and DOC markets
- ✓ Significant economies of scale given procurement volume of raw materials, especially in conjunction with the broader Japfa Group
- ✓ Heritage of 40 years in the poultry industry provides brand recognition

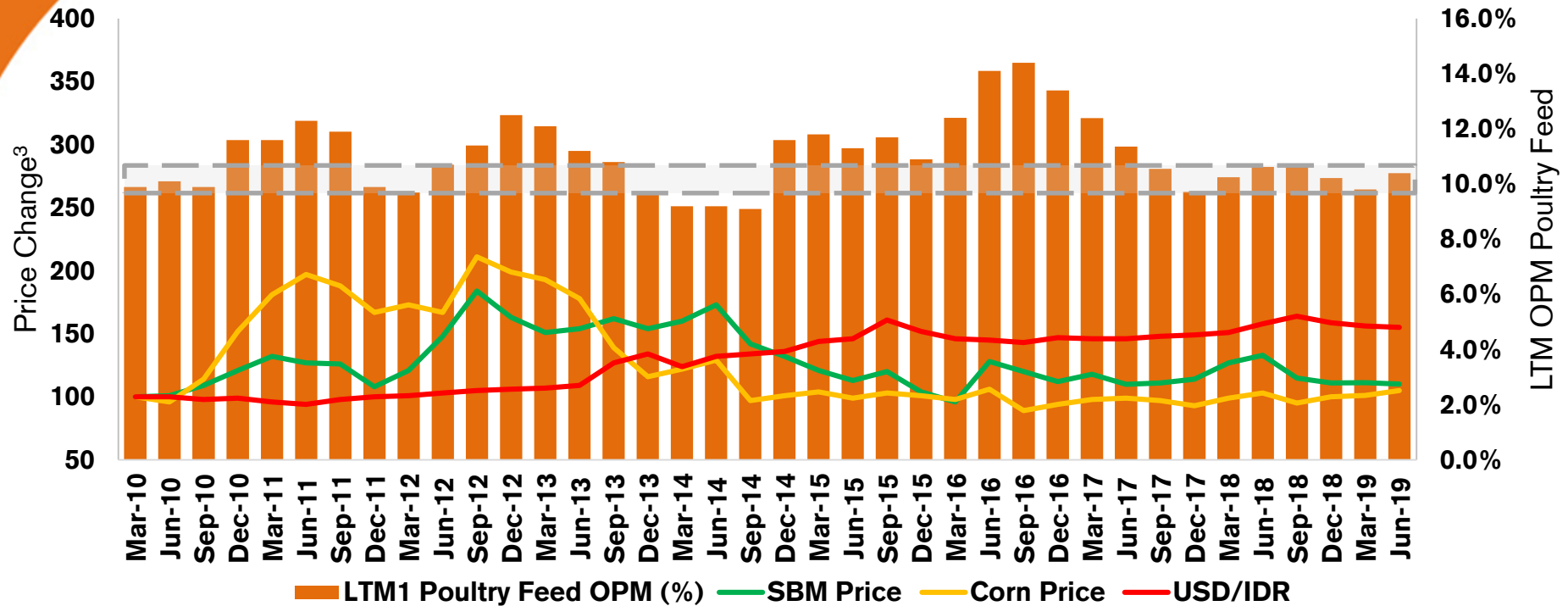
Nationwide footprint with presence in all major islands

Poultry Breeding Farms & Poultry Feedmills



- ✓ Logistical feat given that Indonesia is an archipelago; serves as a barrier to entry and helps defend the Company's market position
- ✓ Wide geographical reach offers unparalleled access to both poultry farmers and domestic corn producers
- ✓ Key to tapping pockets of demand across the country given the highly localized market, which is a result of (i) preference for live birds; and (ii) underdeveloped cold chain and transportation infrastructure

Poultry Feed: Stable Base Margin



Poultry Feed OPM has been stable around 10% - 11% as feed has the ability to effectively pass on fluctuations in raw material prices and currency to its feed selling price

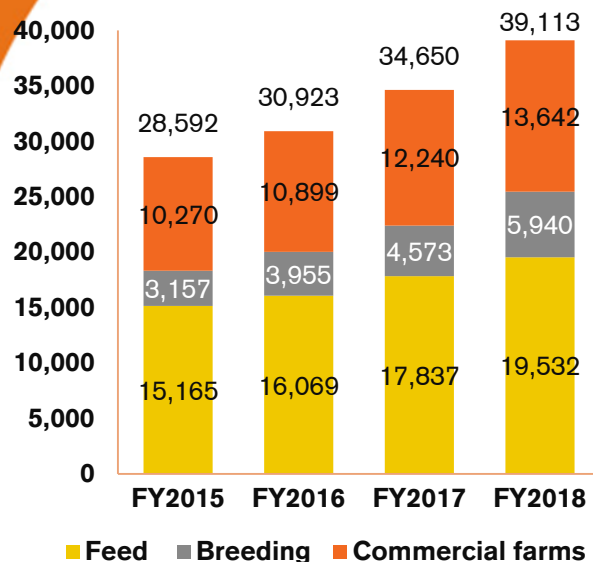
Notes:

1. LTM = Last Twelve Month.
2. Raw Material price sourced from Bloomberg – global market price.
Since 2017, by government regulatory corn has been sourced locally, therefore the global market corn reference price no longer applicable.
3. The Normalized Price indicator graphs the price movement of an instrument using 100 as the base value for a user specified base date/time. The normalized value for each bar after the base date/time is the percent of the base price expressed as a whole number. (i.e. 100 times actual price divided by actual base price) This indicator shows the percentage move in price relative to some fixed starting point. For example in March 2010 USD/IDR was Rp9,115.

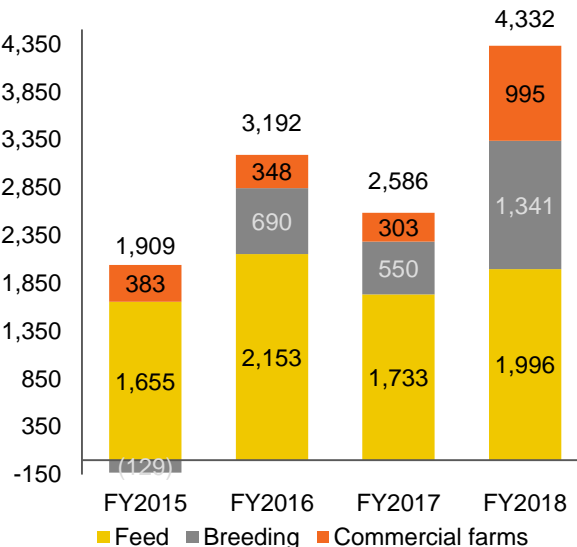
Segmental Trends: PT Japfa Tbk (Poultry)



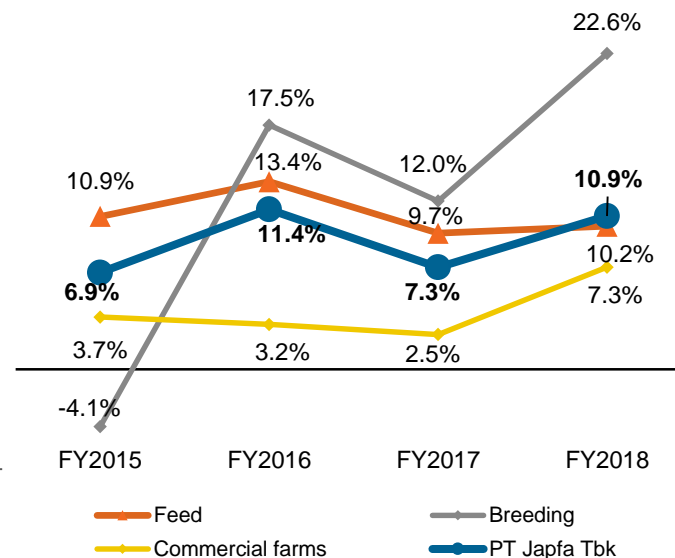
Revenue (IDR Billion)



Operating Profit (IDR Billion)



Operating Profit Margin (%)



Feed business continues to be the stable pillar of our profitability

- The poultry business (feed, breeding and commercial farms) represents the bulk of PT Japfa Tbk's revenue
- Revenue and profitability in FY2015 were affected by the poultry market downturn
- The high operating profit in FY2016 was mainly due to feed driven by the exceptionally high poultry feed operating margin of 13.4% arising from a lower COGS
- The high operating profit in FY2018 was mainly due to high ASPs for DOC and broiler driven by lack of DOC supply
- Our ability to generally pass on raw material costs increases in our feed selling prices is reflected in our stable feed operating margins, even during the periods of Rupiah volatility and the poultry market downturn
- Feed business continues to be the stable pillar of our profitability

Note: The revenue figures for the poultry operational units shown above include inter-segment sales.

Japfa Ltd: A Leading Pan-Asian Industrialized Agri-Food Company



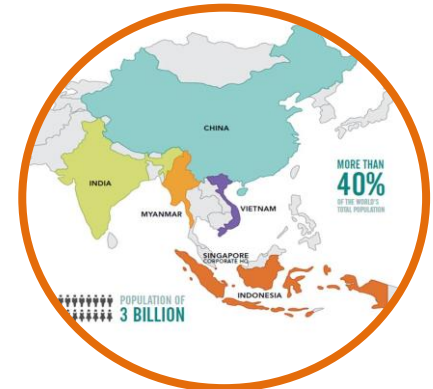
WHAT WE DO

We produce quality protein staples, dairy, and packaged food that nourish millions of people



WHERE WE ARE

We employ over 34,000 people across Singapore, Indonesia, Vietnam, Myanmar, India and China



WHY WE DO IT

3 billion people living in our target markets
More than 40% of the world's total population

A leading pan-Asian, industrialised agri-food company dedicated to feeding emerging Asia with essential proteins

Leading upstream regional market positions

Milk Yield ¹	China	36 kg/day	#1
Poultry Feed Production Capacity ²	Indonesia	24%	#2
DOC Production ²	Indonesia	29%	#2
DOC Production ³	Vietnam	20%	#3
Poultry Feed Production Capacity ³	Myanmar	31%	#2
DOC Production Capacity ³	Myanmar	21%	#2

Leading downstream consumers brands that are key drivers for future growth

Dairy

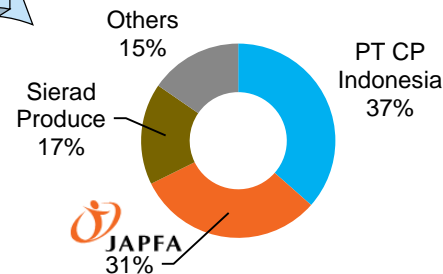
#1



Greenfields, #1 brand of Fresh Pasteurized Milk in Indonesia⁵

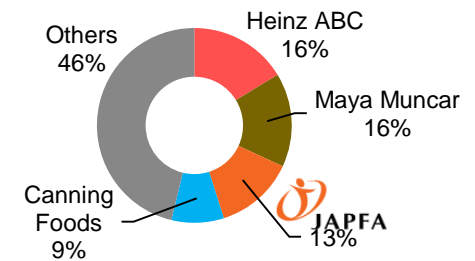
Frozen Consumer Food⁴

#2



Ambient Temperature Consumer Food⁴

#3



- Source: CY2015 and FY2015/FY2016 data from various public-listed dairy farming companies operating in China.
- Source: Frost & Sullivan Analysis, 2015 data.
- Source: Company estimates, 2016 data.
- Source: Frost & Sullivan Analysis, 2013 data.

- PT Austasia Food calculation and claim based on value and volume sales data provided by Nielsen Scan Track Service for Pasteurized Milk category for the 12 months ending September 2016 for Indonesia market. (Copyright © 2016, Nielsen)..

5 Experienced and tenured management team

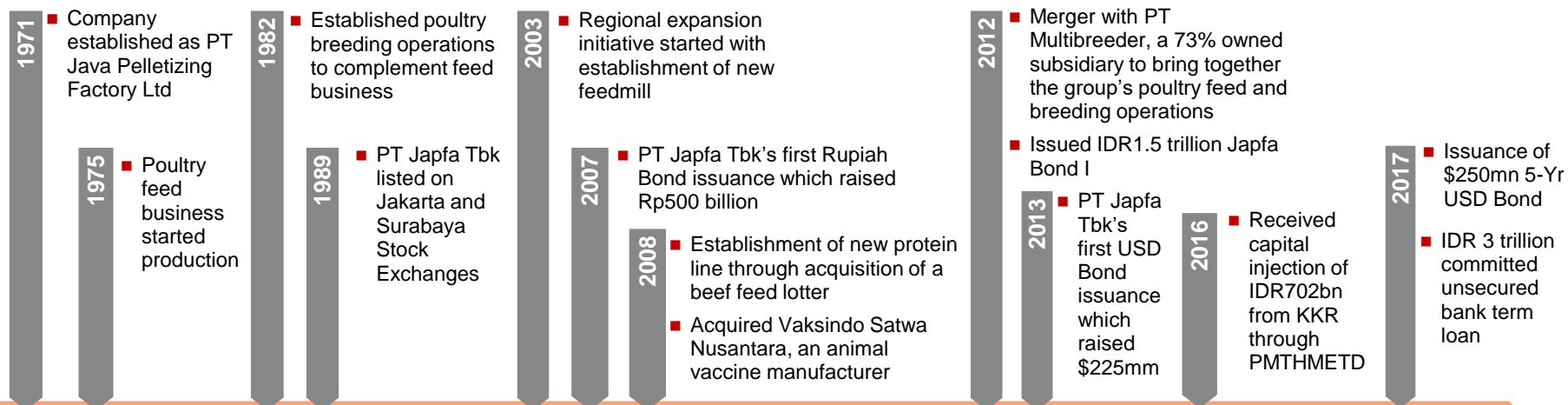
Proven track record of guiding the Company through various cycles

Board of Commissioners

	Syamsir Siregar President Commissioner Year of agri experience: 14		Hendrick Kolonas Vice President Commissioner Year of agri experience: 23		Jaka Prasetya Commissioner (KKR's Nominee) Year of finance experience: 17		Retno Astuti Wibisono Independent Commissioner Year of agri experience: 18		Ignatius Herry Wibowo Independent Commissioner Year of agri experience: 20		Ito Sumardi Djuni Sanyoto Independent Commissioner Year of Agri experience: 6
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Board of Directors

	Handojo Santosa President Director Year of agri experience: 32		Bambang Budi Hendaro Vice President Director Year of agri experience: 40		Tan Yong Nang Director Year of agri experience: 11		Leo Handoko Laksono Director Year of agri experience: 30		Rachmat Indrajaya Independent Director Year of agri experience: 11
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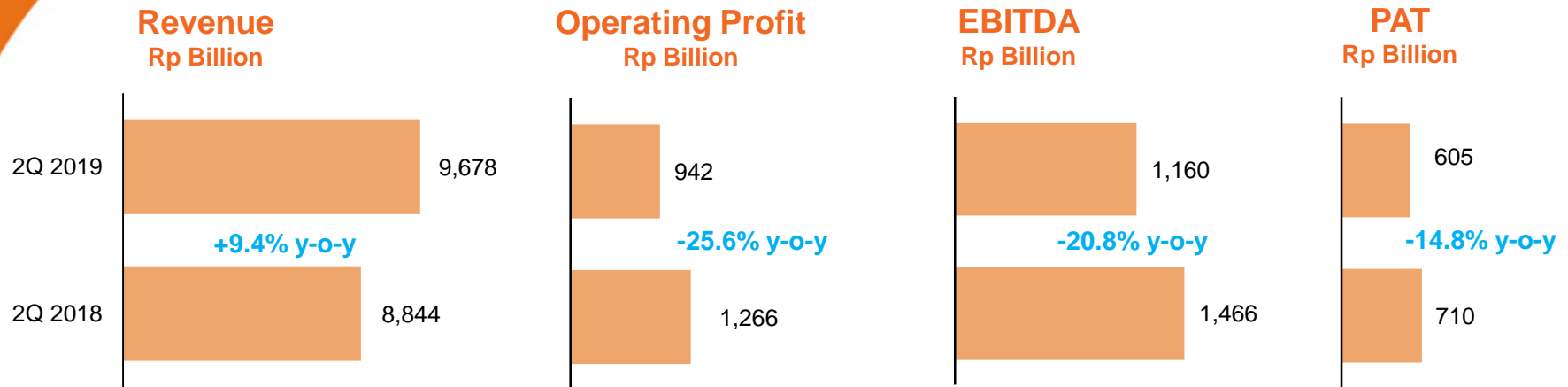
Timeline of Japfa Comfeed: Over 45 years of 'best-in-class' poultry production



Financial and Operational Highlights



PT Japfa Tbk – Financial Performance



Low broiler ASP as a result of continuing the oversupply of broiler has muted the effect of Ramadan on broiler margin, as compared to a strong 2018

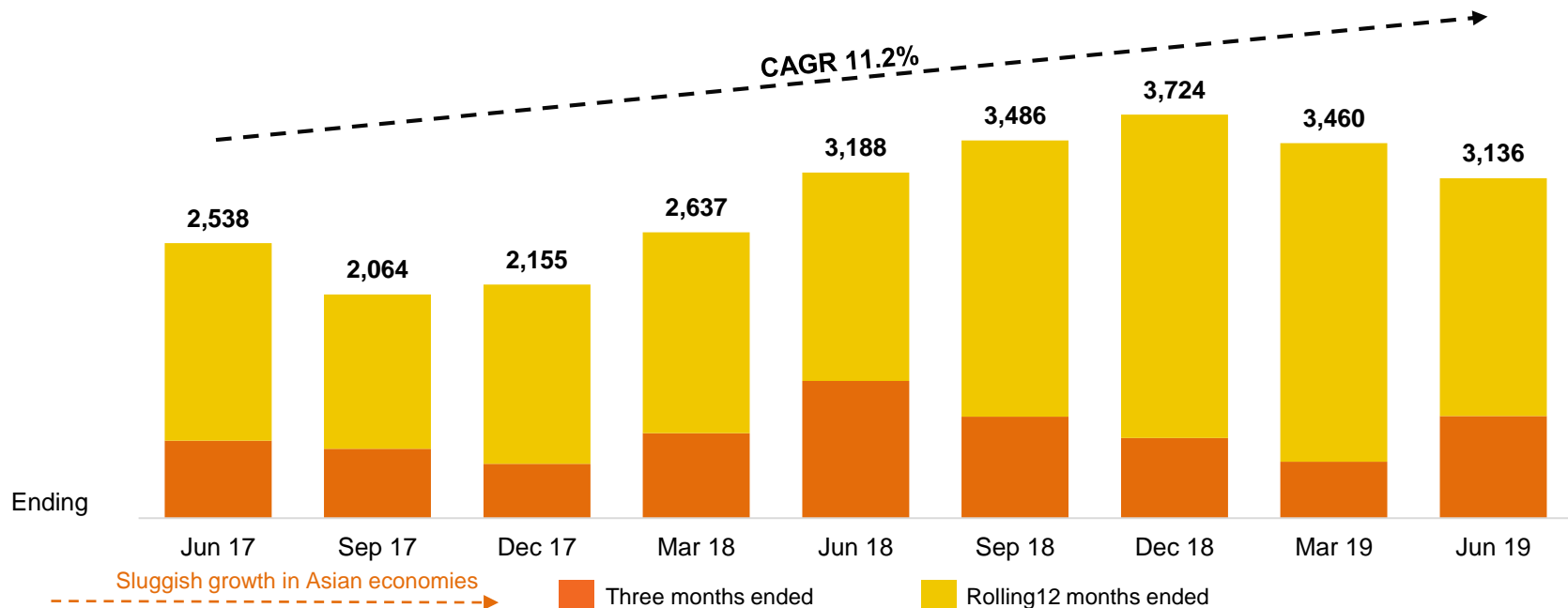
- Revenue increase was mainly contributed by higher sales volumes for poultry feed and aqua feed (approximately +9% and +18% respectively) as well as higher ASPs for poultry feed and DOC
- Poultry feed is a steady pillar of profitability. In 2Q2019 operating profit amounted to Rp885.7 billion (including a Rp227.0 billion reversal of an overprovision of import costs made in previous years) compared to Rp675.7 billion of 2Q2018
- Breeding operations continued to deliver a strong operating profit of Rp321.0 billion driven by high DOC ASP
- Commercial farm operations recorded an operating loss of Rp126.3 billion compared to an operating profit of Rp466.7 billion last year, a negative turnaround of Rp593.0 billion. In Indonesia, a weaker-than-expected growth in poultry demand coupled with an oversupply of broiler in 2Q2019 dragged down broiler ASP
- As a vertically integrated poultry farming business, the profit generated from breeding operations has more than covered the loss in commercial farming operations
- After two consecutive quarters of low broiler ASP environment which have affected poultry farmers throughout Indonesia, the government has implemented strong measures (including a culling program) to stabilize broiler price

PT Japfa Tbk – Stable rolling operating profit



- PT Japfa Tbk is as an agri-food business will always be subject to cyclicalities which directly impacts its revenue and profitability. Cyclicalities is dependent on a variety of external factors which are beyond the Company's control, including the seasonality of harvest and festivals, as well as macroeconomic factors that affect purchasing power and government policies.
- Feed remains as a stable pillar of profitability.
- On a rolling basis, the operating profit has been fairly stable over last year.

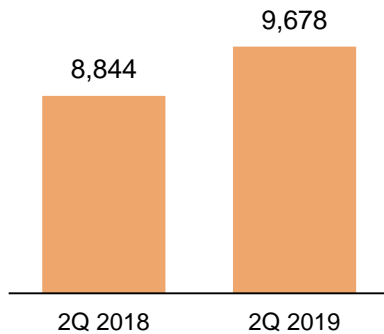
Operating profit (IDR Billion)



Proven financial track record

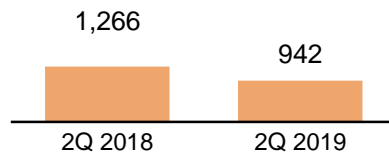
Net Revenues

(IDR Billion)



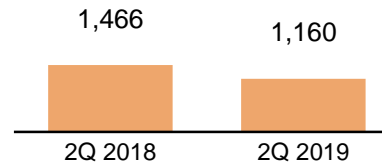
Operating Profit

(IDR Billion)



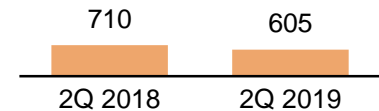
EBITDA

(IDR Billion)



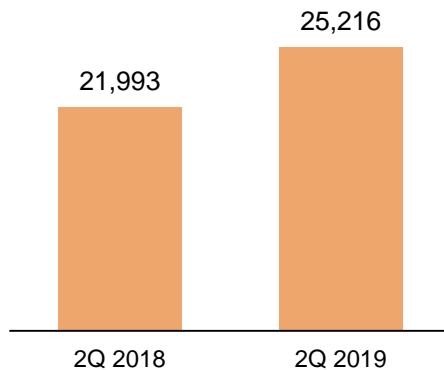
Net Profit

(IDR Billion)

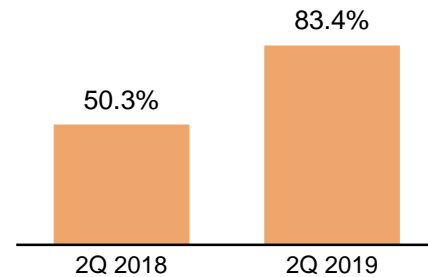


Total Assets

(IDR Billion)

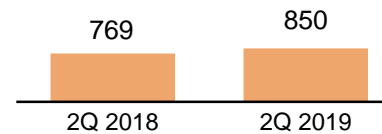


Net Debt / Equity (%)



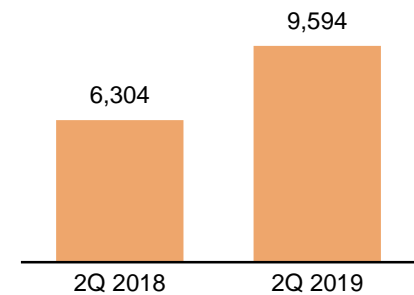
CAPEX

(IDR Billion)



Total Interest Bearing Debt

(IDR Billion)

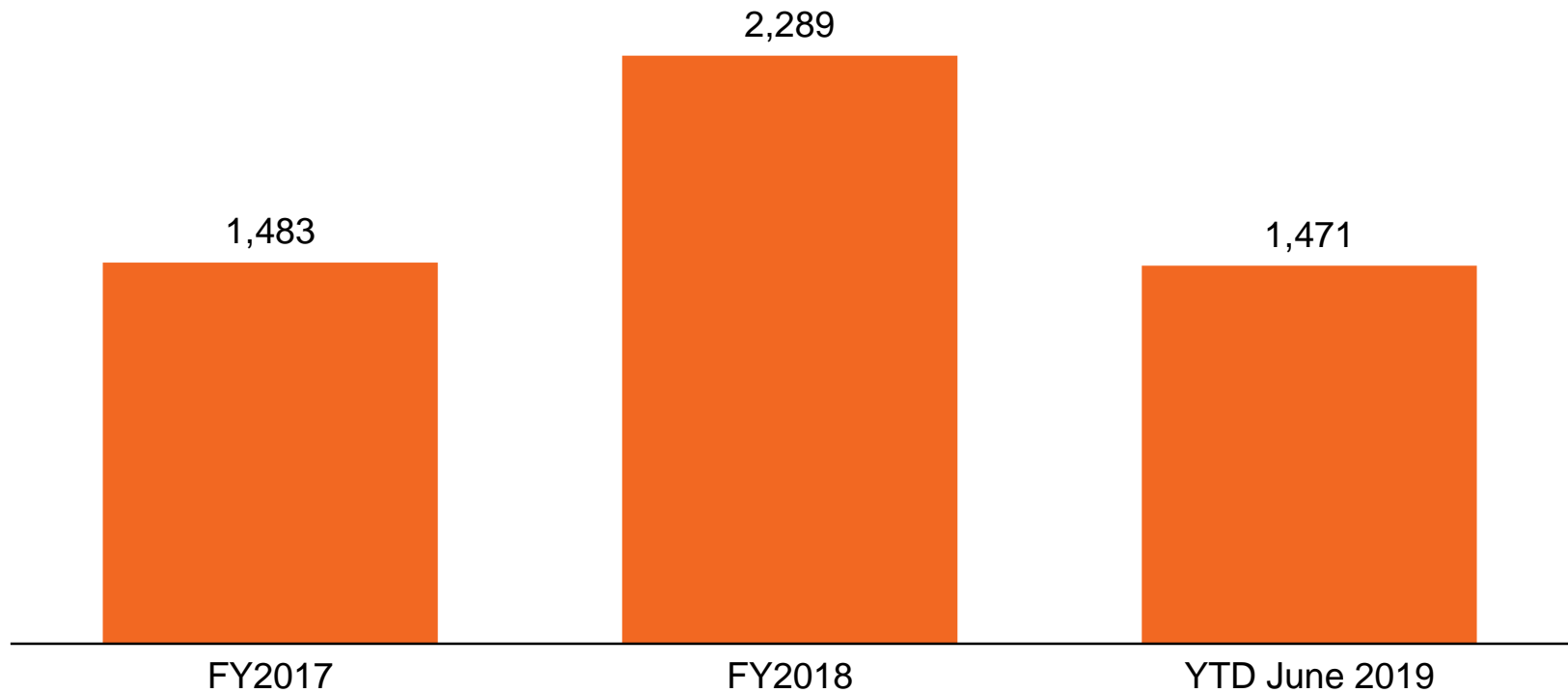


Note: :

1. Based on Company's June 2019 results
2. Certain prior years' figures have been restated to conform with the presentation in the March 2019 consolidated financial statements

Capex FY 2017 – YTD Jun 2019

(IDR Billion)



Thank You

