

# PT JAPFA COMFEED INDONESIA Tbk



**INVESTOR  
PRESENTATION  
FY 2020**

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## Company Overview





# Company Overview

Core competencies across the value chain



# Industrialized approach drives operational and financial benefits

## A Scale

- 2<sup>nd</sup> largest feed and DOC producer in Indonesia with significant scale across the value chain:
  - ✓ 16 feed mills, 76 breeding farms and 29 hatcheries across Indonesia
  - ✓ Over 100 company farms and over 10,000 contract farms
- Centralized 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

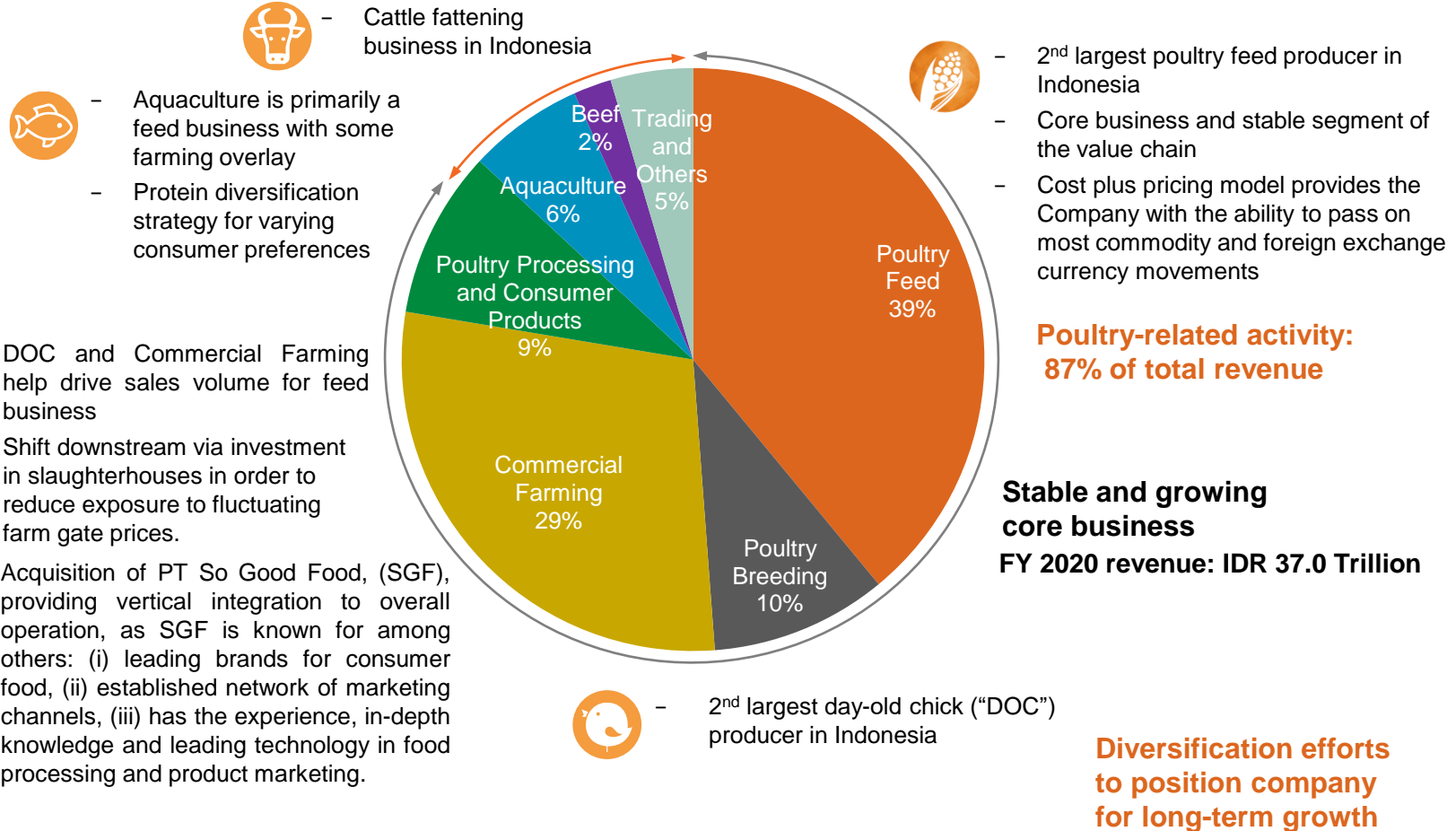
- Exclusive relationship with Aviagen for the sourcing of grandparent stock with superior genetics which is tailored for the Indonesian climate
- Advanced feed technology for quality control and optimal feed conversion ratios
- Modern farming techniques and industry best practices to further drive efficiency

## 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 in Indonesia



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

Strong annual growth for 4 year period

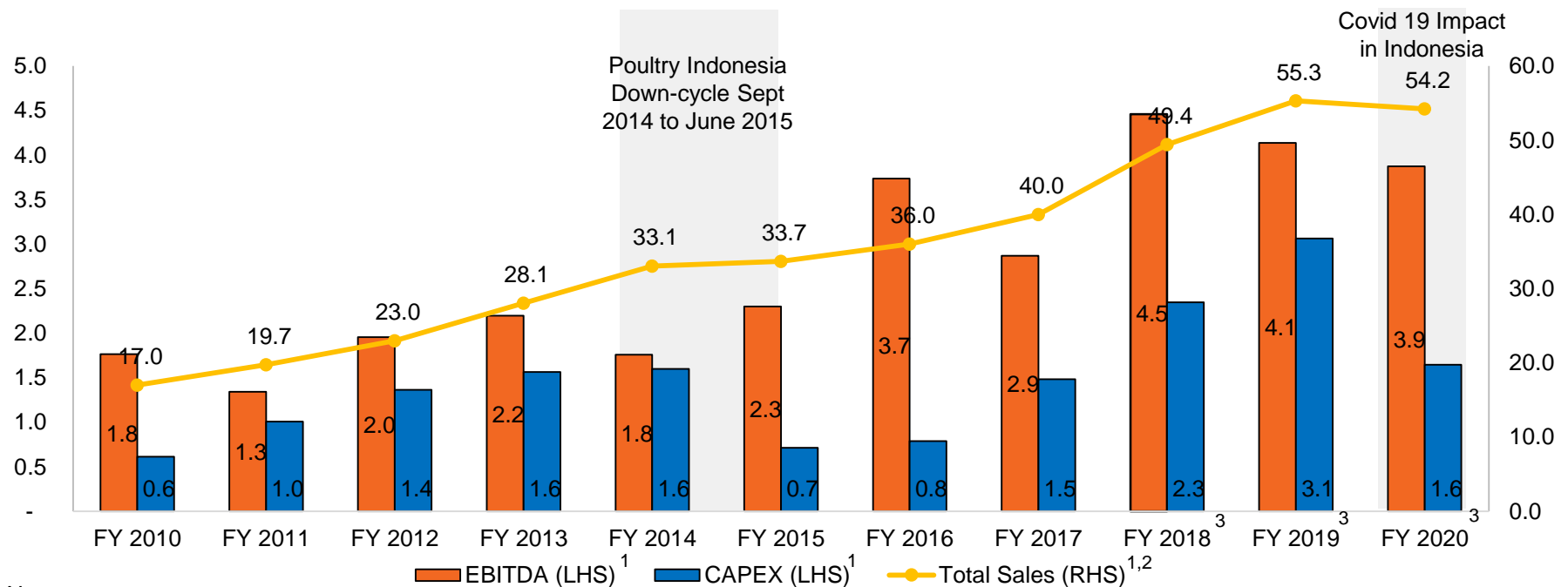
Stagnant demand

Strong Growth

Demand Adjusted

IDR trillion

IDR trillion



Notes:

<sup>1</sup> EBITDA, CAPEX, and Total Sales refer to PT Japfa Tbk consolidated financial statements

<sup>2</sup> Total Sales includes inter-segment sales within PT Japfa Tbk

<sup>3</sup> Certain prior periods' figures have been restated to conform with the presentation in the audited consolidated financial statements as of and for the year ended 31 December 2020

## Key Investment Highlights





# Investment highlights



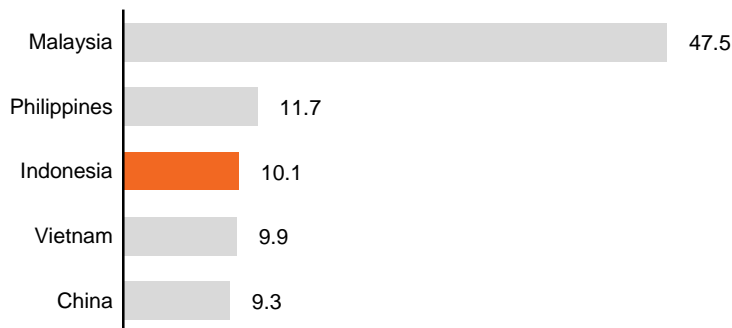
- 1 Attractive industry dynamics driven by strong structural growth in protein consumption
- 2 Leading integrated poultry national champion with nationwide footprint
- 3 Core feed business offers stable profitability
- 4 Industrialised Business Model: Leading Market Positions
- 5 Experienced and tenured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

# 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

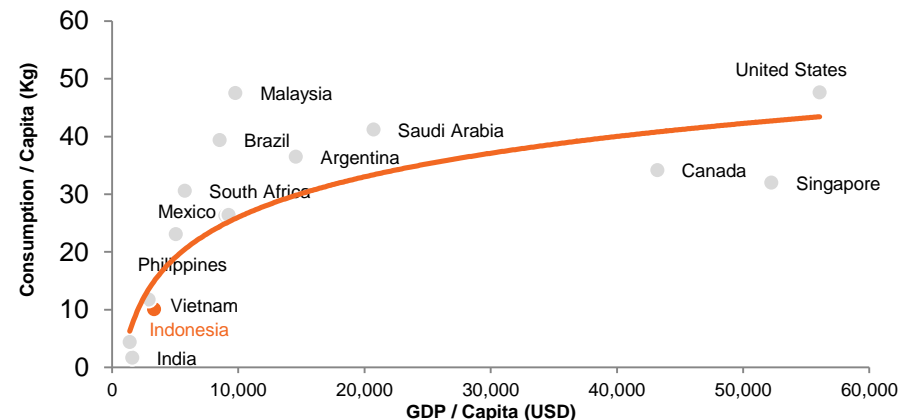
(kg per capita - 2015)



Source: Frost & Sullivan Estimates, 2017

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

Rising Consumption in Emerging Asian Markets

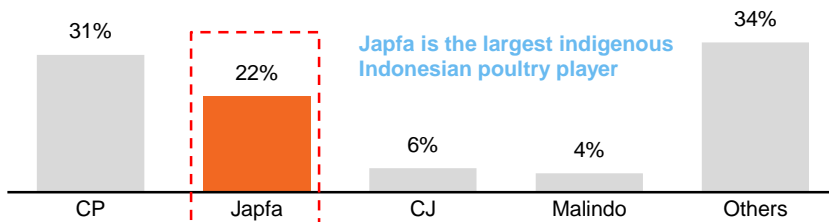


Source: OECD, UN, Frost & Sullivan Estimates, 2017

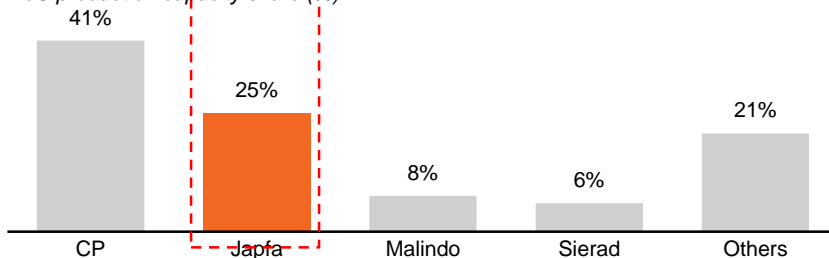
# Leading integrated poultry national champion with nationwide footprint

## 2nd largest Indonesian poultry feed and DOC producer

Poultry feed production capacity market share (%)



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 almost 50 years in the poultry industry provides brand recognition

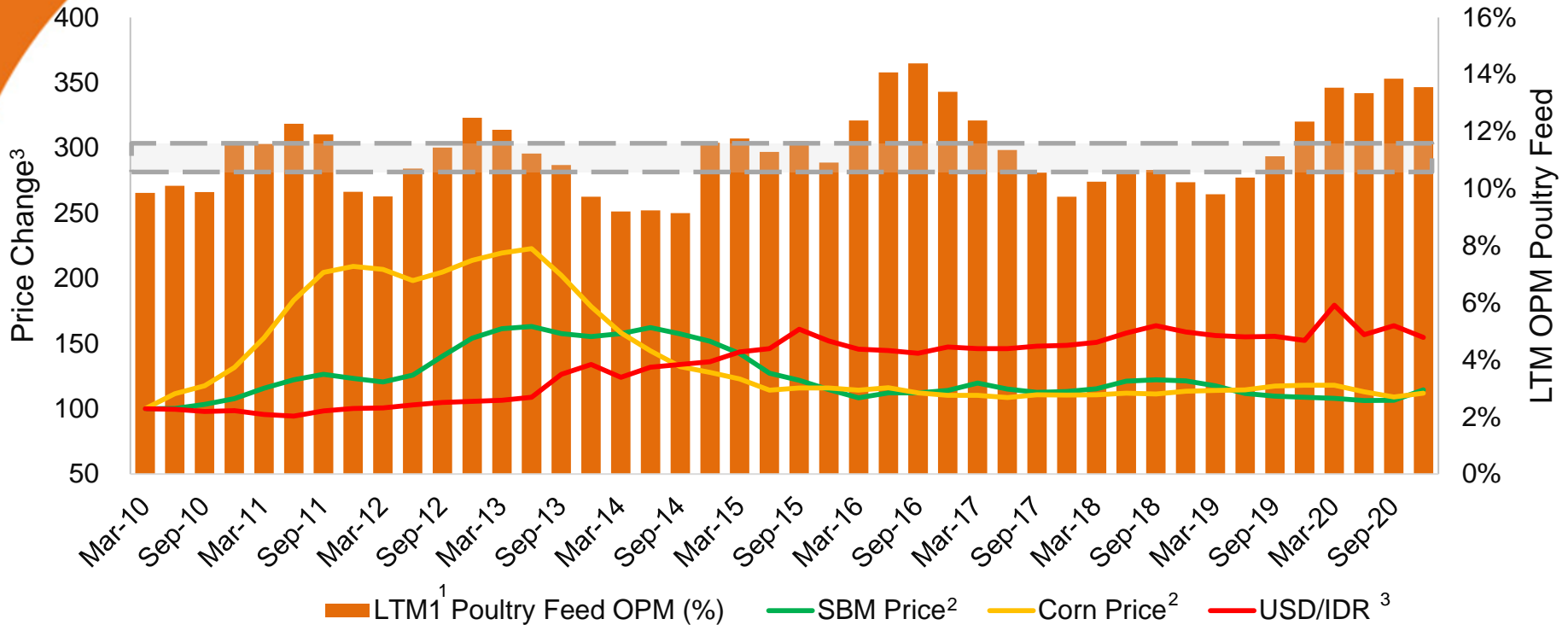
## Nationwide footprint with presence in all major islands

### Company's Operational Areas



- ✓ 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.

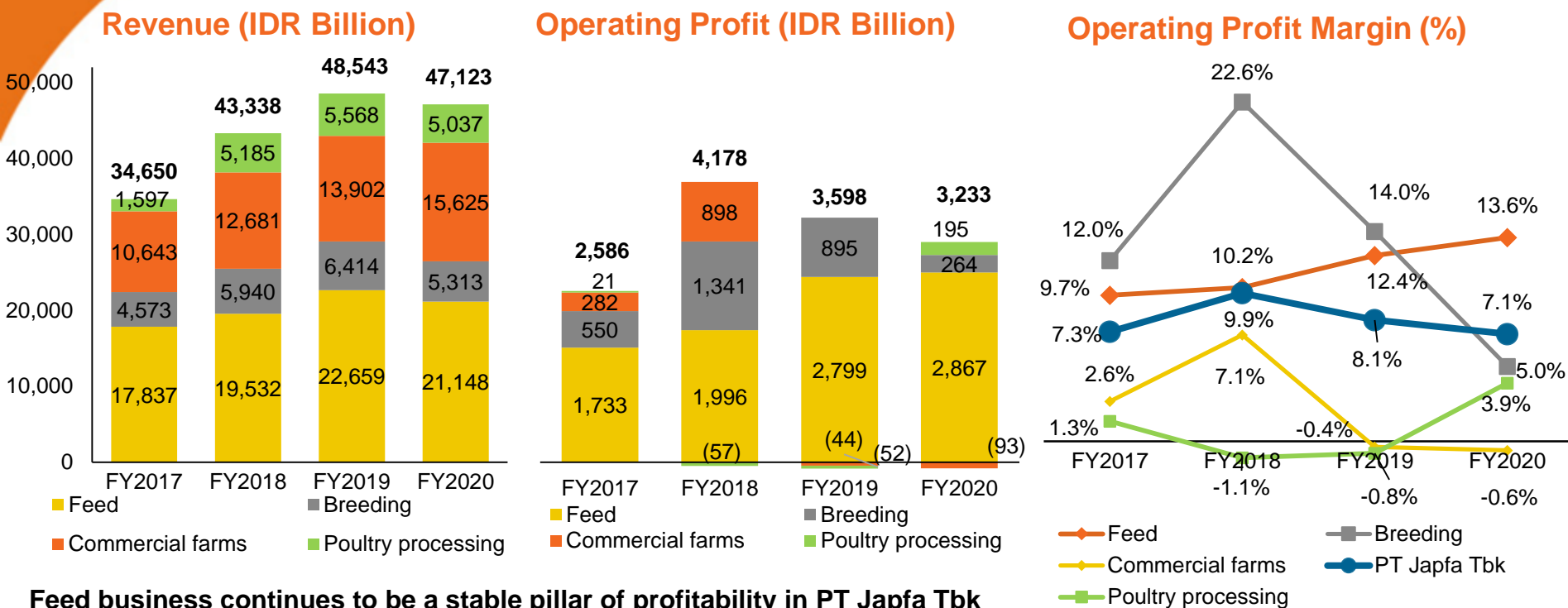
2. Raw Material price sourced from Bloomberg – global market price.

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)



## Feed business continues to be a stable pillar of profitability in PT Japfa Tbk

- The poultry business (feed, breeding, commercial farms and poultry processing) represents the bulk of PT Japfa Tbk's revenue
- Operating profit in FY2019 weakened due to low broiler prices in the first three quarters of 2019. This was compensated by feed volume growth and feed operating profit
- Operating profit in FY2020 has decreased due to the low DOC and broiler price environment in 2Q2020 and 3Q2020 affected by Covid-19 related disruptions
- 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

### Notes:

- The revenue figures for the poultry operational units shown above include inter-segment sales.
- Poultry Processing refers to Poultry Processing and Consumer Products
- 2017 Poultry processing without SGF
- Certain prior periods' figures have been restated to conform with the presentation in the audited consolidated financial statements as of and for the year ended 31 December 2020

# 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 40,000 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 Market Positions in Multiple Protein Staples

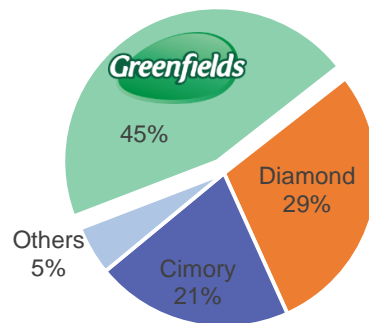
## Leading upstream regional market positions

Average Daily Milk Yield (ADM) <sup>1</sup>	China	39.6 kg/head	#1
Poultry Feed Production <sup>2</sup>	Indonesia	22%	#2
DOC Production <sup>1</sup>	Indonesia	25%	#2
DOC Production <sup>1</sup>	Vietnam	20%	#2
Poultry Feed Production <sup>1</sup>	Myanmar	27%	#1
DOC Production <sup>1</sup>	Myanmar	26%	#2

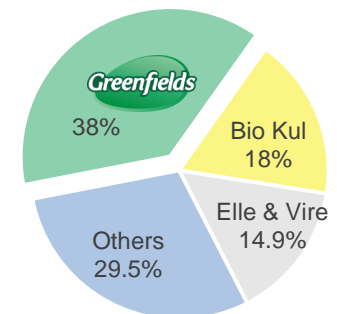


## Leading downstream brands that are drivers for future growth

#1

Greenfields Fresh Pasteurized Milk<sup>3</sup>

#1

Greenfields Stirred Yogurt<sup>3</sup>

<sup>1</sup> Company's own estimates, 2019 data

<sup>2</sup> Frost & Sullivan Analysis, 2015 data

<sup>3</sup> Greenfields, #1 brand Fresh Pasteurized Milk and Stirred Yogurt in Indonesia, as per sales volume in Indonesia, based on Company's own estimates

# 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: 16



**Hendrick Kolonas**  
Vice President  
Commissioner

Year of agri  
experience: 25



**Retno Astuti  
Wibisono**  
Independent  
Commissioner

Year of agri  
experience: 20



**Ignatius Herry  
Wibowo**  
Independent  
Commissioner

Year of agri  
experience: 22



**Ito Sumardi  
Djuni Sanyoto**  
Independent  
Commissioner

Year of Agri  
experience: 8

### Board of Directors\*



**Handojo Santosa**  
President  
Director

Year of agri  
experience: 34



**Bambang  
Budi Hendarto**  
Vice President  
Director

Year of agri  
experience: 42



**Tan Yong Nang**  
Director

Year of agri  
experience: 13



**Leo Handoko  
Laksono**  
Director

Year of agri  
experience: 32

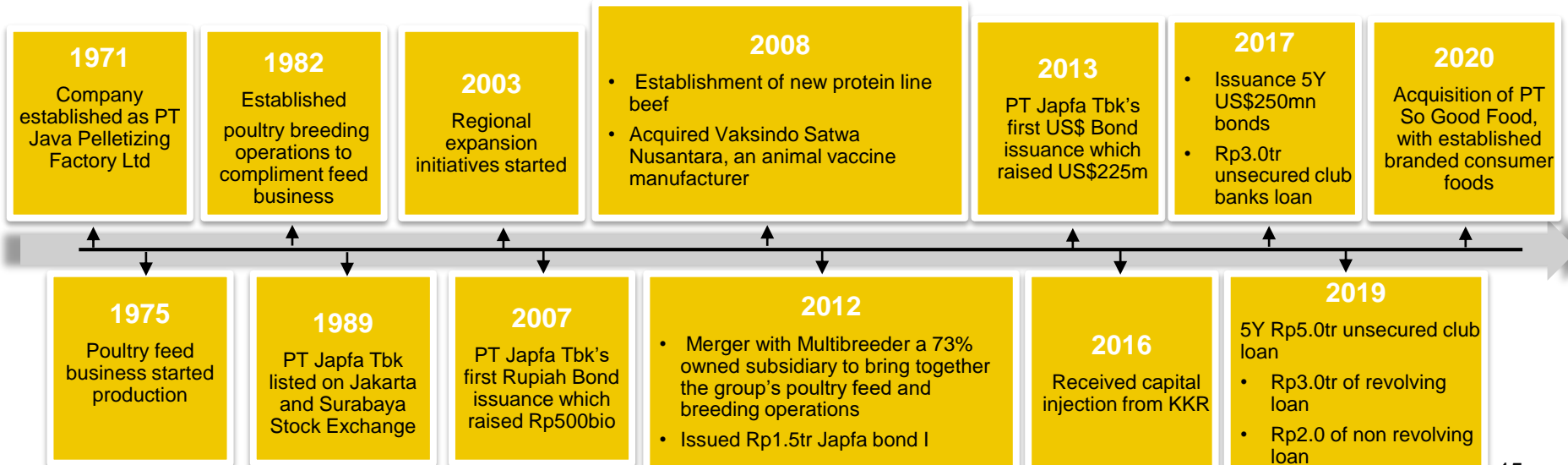


**Rachmat Indrajaya**  
Director

Year of agri  
experience: 13

*\*BOC and BOD as at 31 Dec 2020*

### Timeline of PT Japfa Tbk: 50 years of 'best-in-class' poultry production







## Financial and Operational Highlights

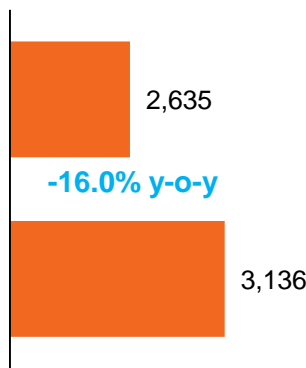


# PT Japfa Tbk – Financial Performance

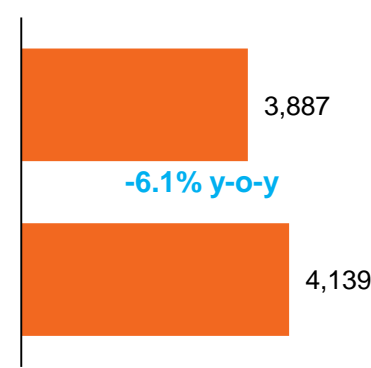
## Revenue Rp Billion



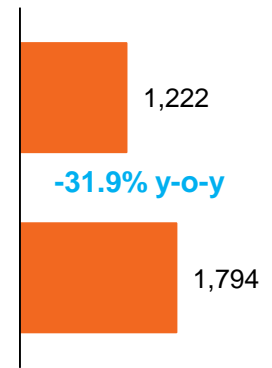
## Operating Profit Rp Billion



## EBITDA Rp Billion



## PAT Rp Billion



### Solid results in challenging Covid-19 year

- Revenue and profitability decreased mainly due to lower demand for poultry affected by Covid-19 related disruptions. Covid-19 has lowered GDP per capita of the mid/lower income band in Indonesia, reducing demand for consumer staples including poultry. This has resulted in drop in sales volumes of feed and DOC and lower poultry prices
- In August 2020 government initiatives were introduced to balance the demand and supply dynamics in the poultry industry. As a result of the strict enforcement of these initiatives, poultry prices stabilised in 4Q2020
- A successful procurement during corn harvest and the ability to manage raw material costs have boosted the poultry feed operating profit margin to 13.6% in 2020. As a vertically integrated business, a strong profit from feed operation helped buffer the weaker performance from DOC and broiler
- Aquaculture division delivers robust results on the back of higher sales volumes and margins of aqua feed
- Movement restrictions linked to the pandemic are changing consumer patterns towards processed foods. Sales volumes in frozen products under So Good brand have increased more than 10% in FY2020 compared to last year
- PT Japfa Tbk delivered a solid EBITDA of Rp3,887bn for FY2020 amid a challenging Covid-19 environment

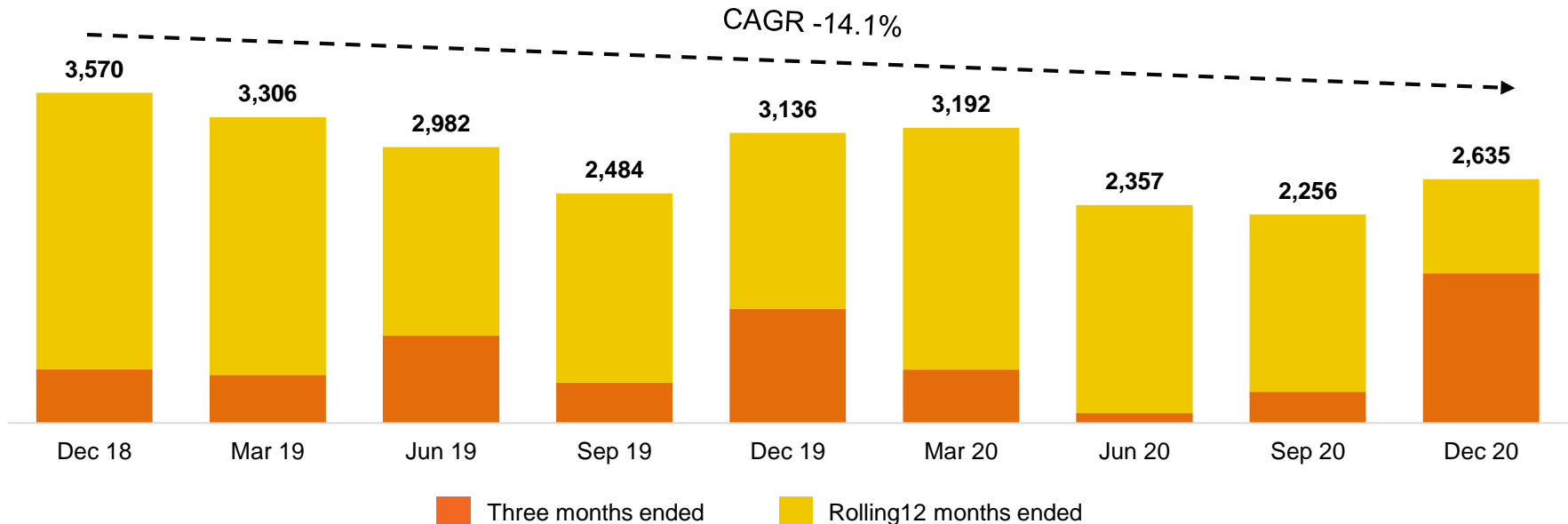
*Note: Certain prior periods' figures have been restated to conform with the presentation in the audited consolidated financial statements as of and for the year ended 31 December 2020*

# PT Japfa Tbk – Stable rolling operating profit



- PT Japfa Tbk is an agri-food business, hence will be subject to cyclicalities which directly impacts its revenue and profitability. Cyclicalities are 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.
- Operating profit has been fairly stable on a rolling twelve month basis.

## Operating profit (IDR Billion)

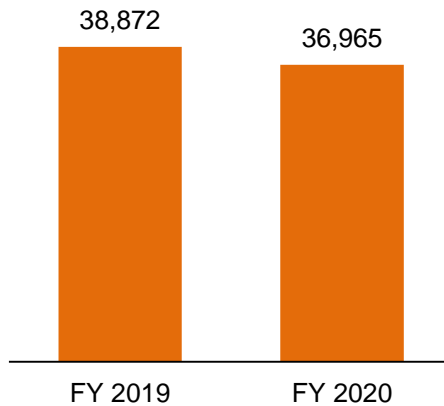


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# Proven financial track record

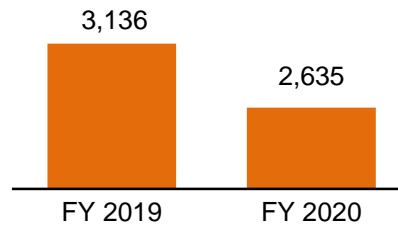
## Net Revenues

(IDR Billion)



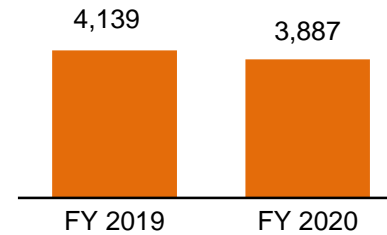
## Operating Profit

(IDR Billion)



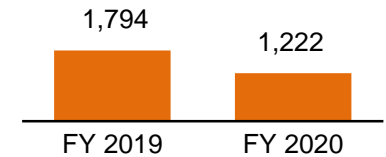
## EBITDA

(IDR Billion)



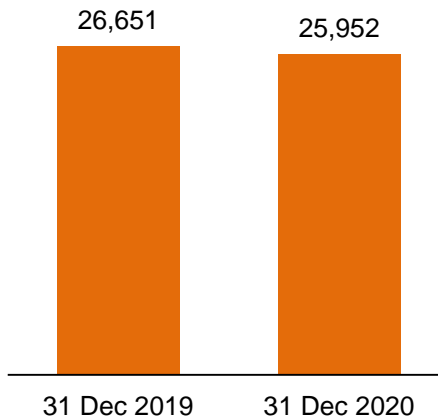
## Net Profit

(IDR Billion)

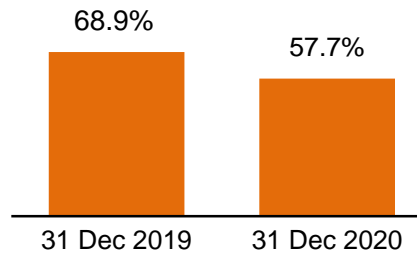


## Total Assets

(IDR Billion)

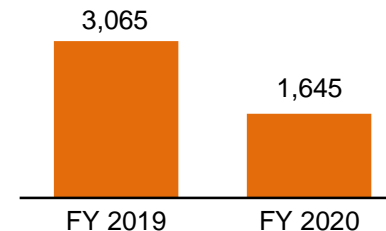


## Net Debt / Equity (%)



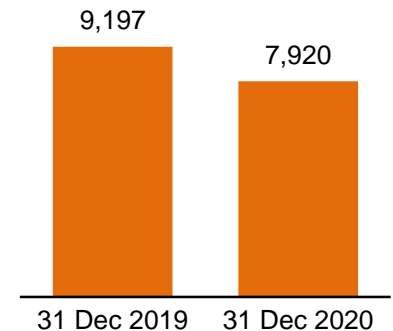
## CAPEX

(IDR Billion)



## Total Interest Bearing Debt

(IDR Billion)

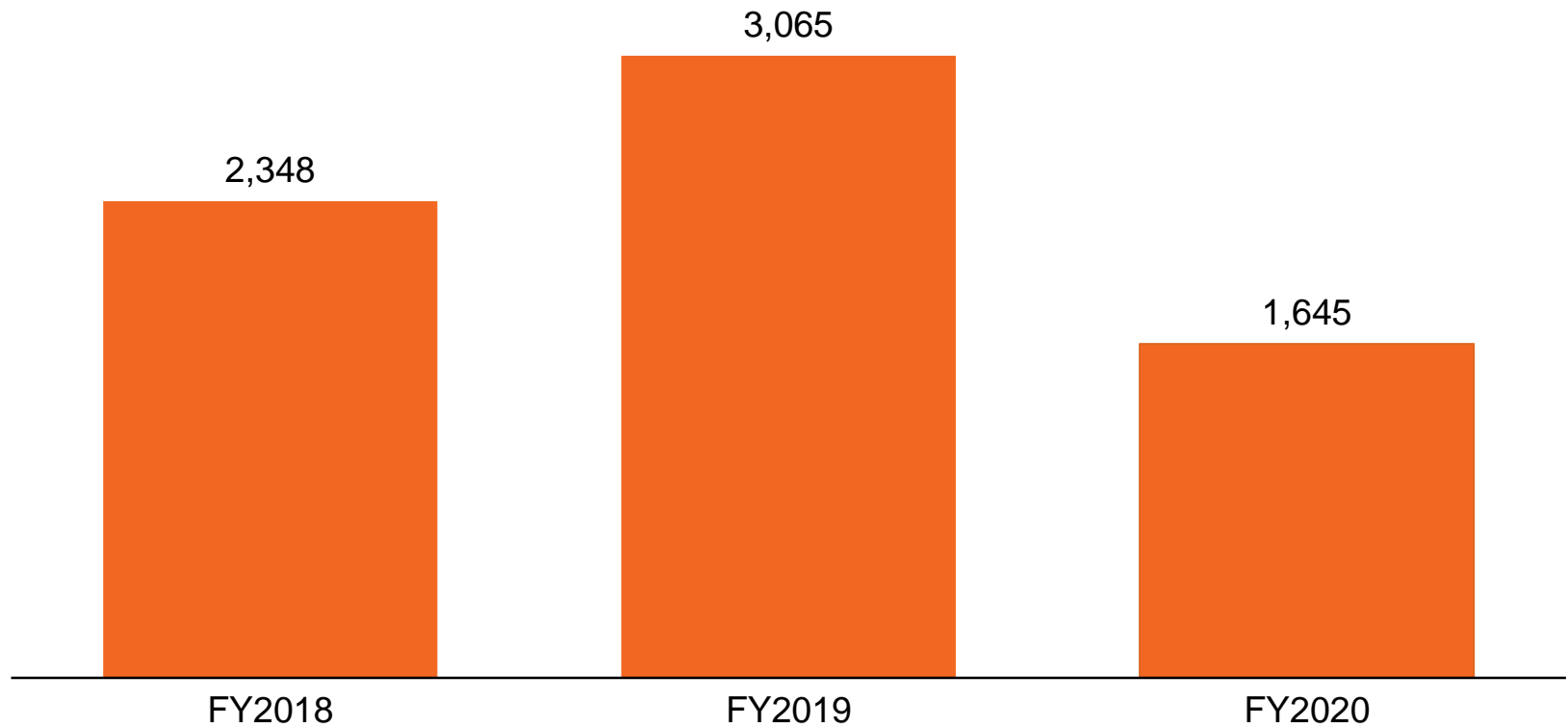


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# Capex

(IDR Billion)



*Note: Certain prior periods' figures have been restated to conform with the presentation in the audited consolidated financial statements as of and for the year ended 31 December 2020*

# Thank You



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For further information, please refer to the Company's website  
[www.japfacomfeed.co.id](http://www.japfacomfeed.co.id)