



PT JAPFA COMFEED INDONESIA Tbk



**Investor Presentation
2Q 2016**

Agenda

1

Company overview

2

Key investment highlights

3

KKR's investment in the Company

4

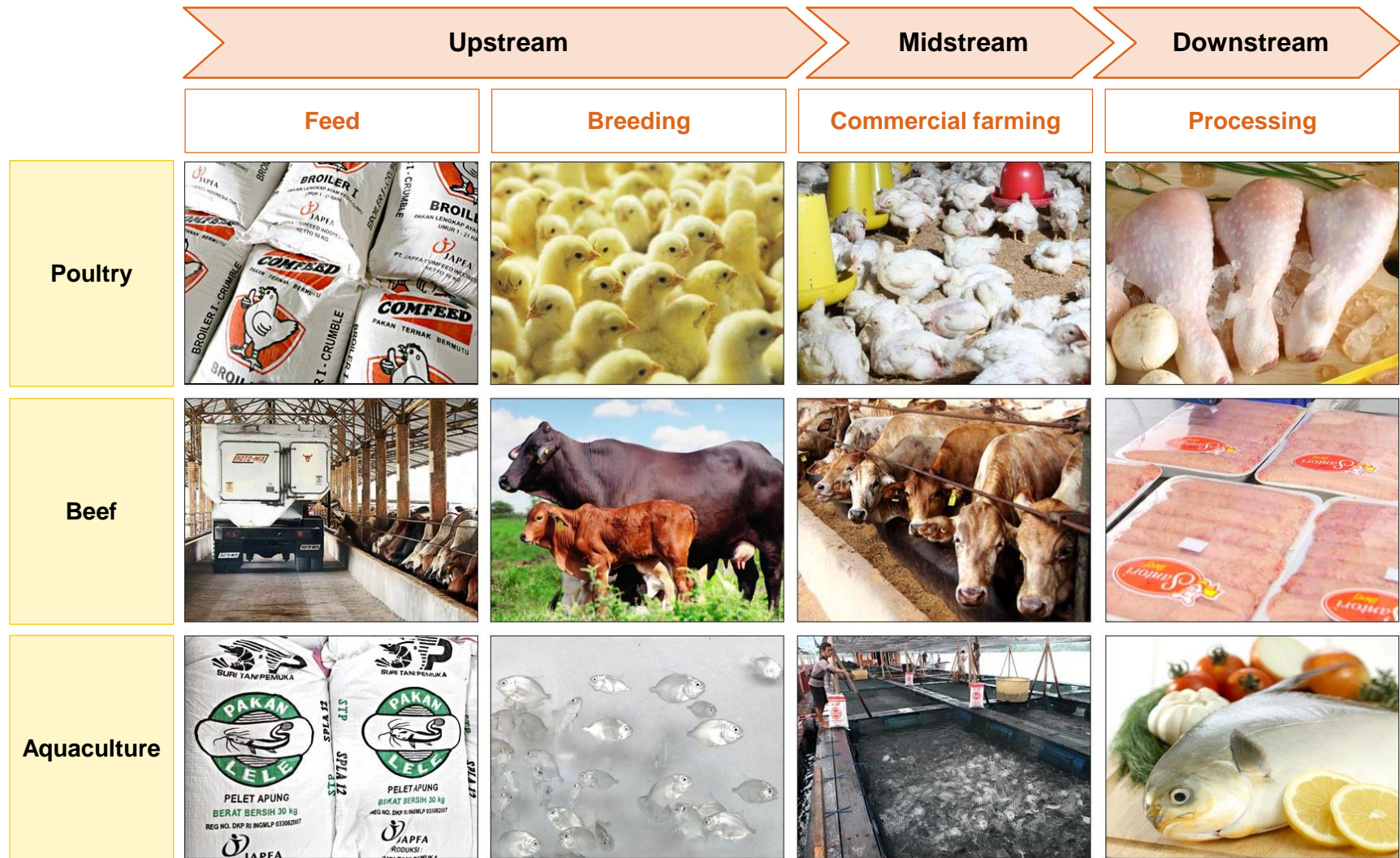
Financial and operational highlights

1. Company overview



Company overview

Core competencies across the value chain



Japfa: Well positioned for long-term growth

Poultry leader with growing presence in other proteins

Diversification efforts to position company for long-term growth



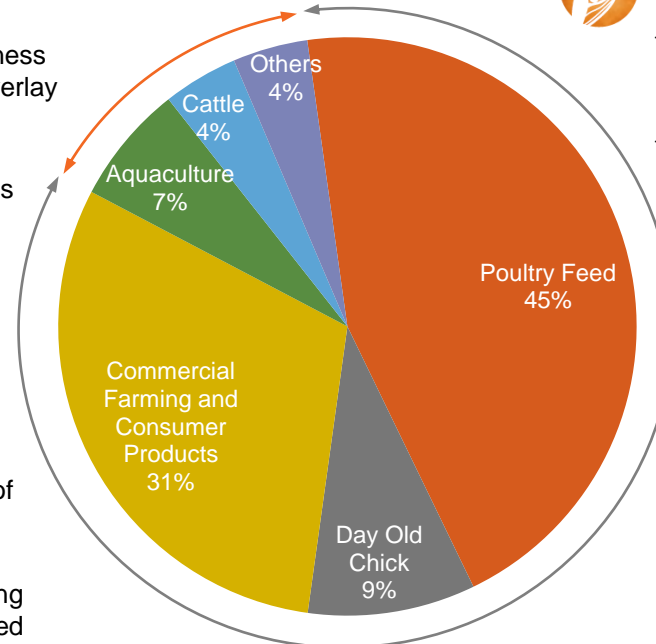
- Cattle fattening business in Indonesia



- Primarily a feed business with some farming overlay
- Protein diversification strategy for varying consumer preferences



- Comprises of both in-house and contract farms; growing proportion of in-house farms to enhance traceability
- Similar to DoC, commercial farming helps drive sales volume for feed business
- Shift downstream via investing in more slaughterhouses in order to reduce exposure to fluctuating farm gate prices



- Core business and stable segment of the value chain
- Cost plus pricing model allows the Company to pass on any adverse commodity / FX price movement
- 2nd largest player in Indonesia with ~22% market share

Poultry-related activity: 85% of total revenue

Stable and growing core business

FY2015 revenue: IDR 25.0 trillion



- 2nd largest day-old chick ("DoC") producer in Indonesia with ~25% market share

Industrialized approach drives operational and financial benefits

A Scale

- 2nd largest feed and DoC producer in Indonesia with significant scale across the value chain:
 - ✓ ~2.6 million tons of poultry feed sold
 - ✓ ~560 million DoCs produced
 - ✓ ~10,000 poultry commercial farmers
- 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

2. 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 Strong Sponsor with leading pan-Asian agriculture franchise

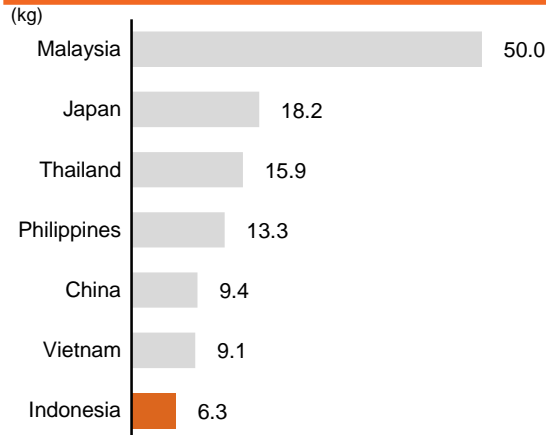
5 Experienced and tenured management team

1

Attractive industry dynamics driven by strong structural growth in protein consumption

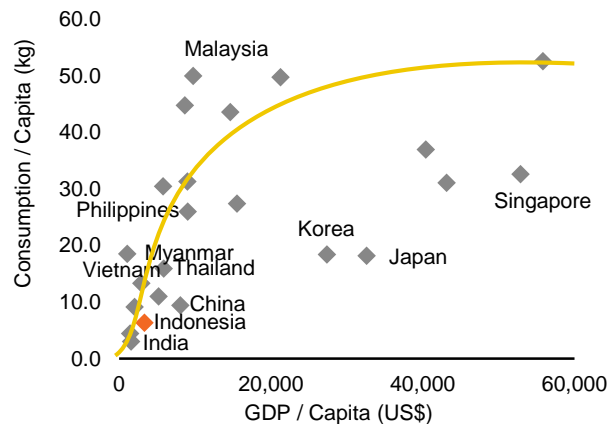
- ✓ Ample room for sustained growth with amongst the lowest poultry consumption per capita in Asia
- ✓ Strong projected growth in GDP per capita to underpin growing protein consumption
- ✓ “Meat-of-choice” given poultry’s relative affordability, religious neutrality, consumer preference and increasing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

One of the lowest poultry consumption per capita in Asia



Source: BMI, Euromonitor

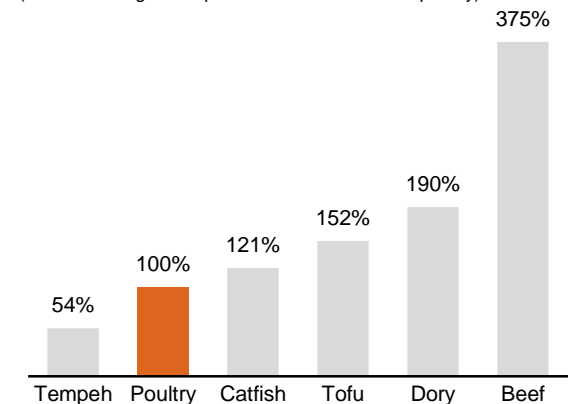
Positive correlation between income levels and meat consumption (2015)



Source: BMI, Euromonitor, EIU

Affordable form of meat protein

(Cost of each gram of protein content relative to poultry)

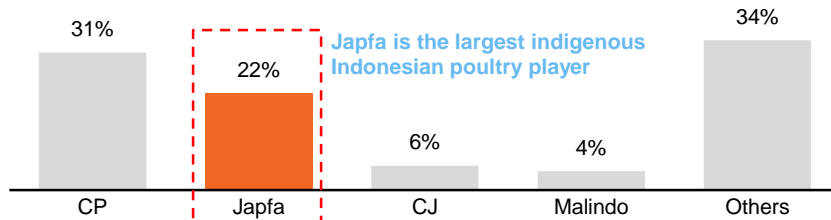


Source: Trimegah Securities Research

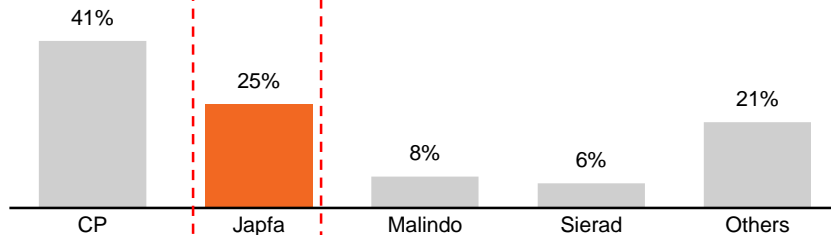
Leading integrated poultry national champion with nationwide footprint

2nd largest Indonesian poultry feed and DoC producer

Poultry feed production capacity market share (%)

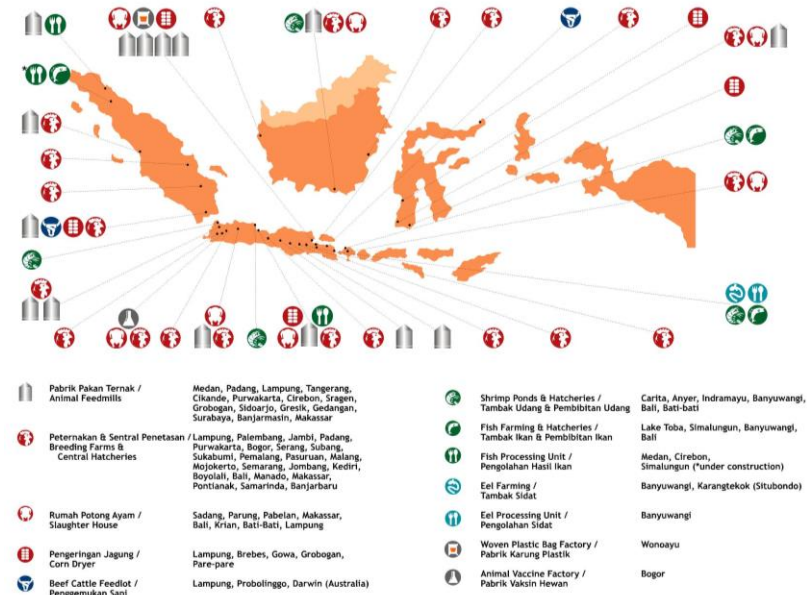


DoC production capacity share (%)



- ✓ 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 40 years in the poultry industry provides brand recognition

Nationwide footprint with presence in all major islands

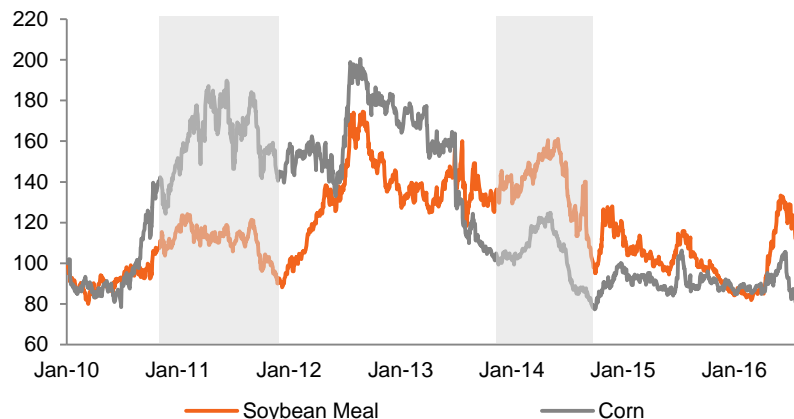


- ✓ Logistical feat given that Indonesia is an archipelago; serves as a barrier to entry and helps defend the Company's market position
- ✓ Wide geographical reach offers unparalleled access to both poultry farmers and domestic corn producers
- ✓ Key to tapping pockets of demand across the country given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

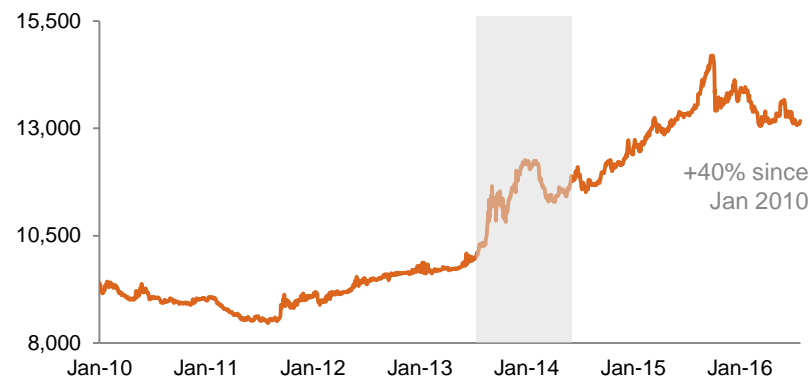
Core feed business offers stable profitability

Constitutes >50% of Group's operating profit

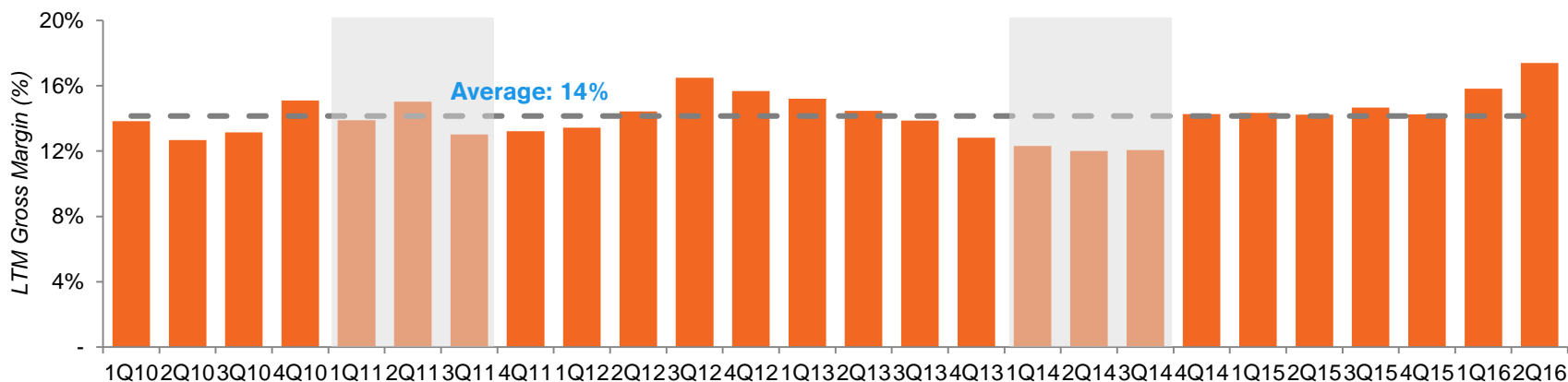
Despite volatile commodity prices...



...and weakening IDR



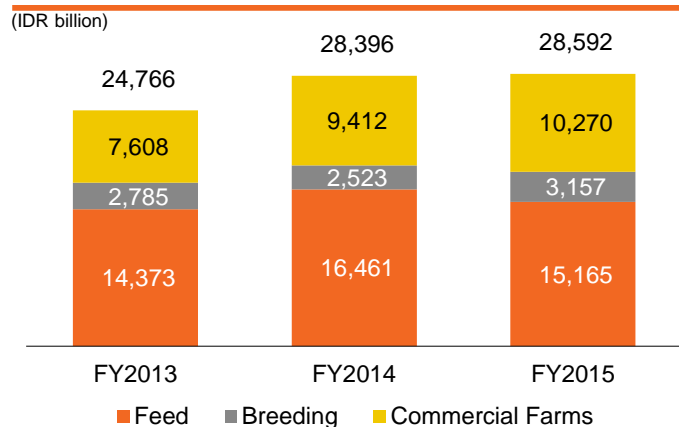
...the Group's feed business has been able to consistently deliver stable gross margins, underscoring the ability to effectively pass on adverse currency and commodity price movements



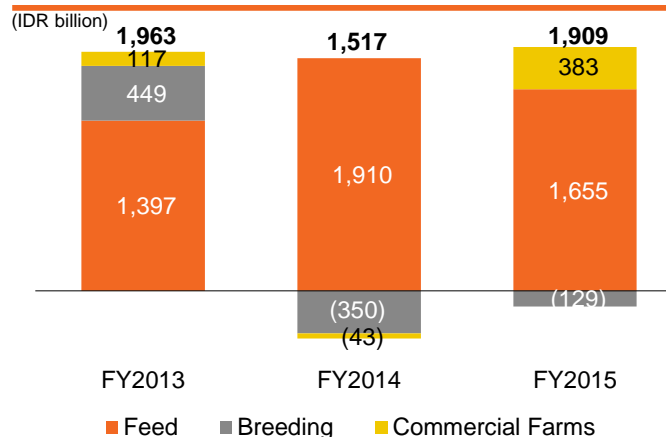
Core feed business offers stable profitability

Poultry: 3-year segmental trends

Revenue

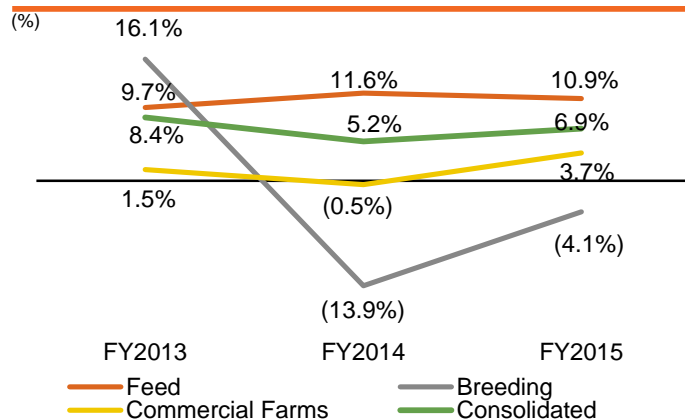


Operating Profit

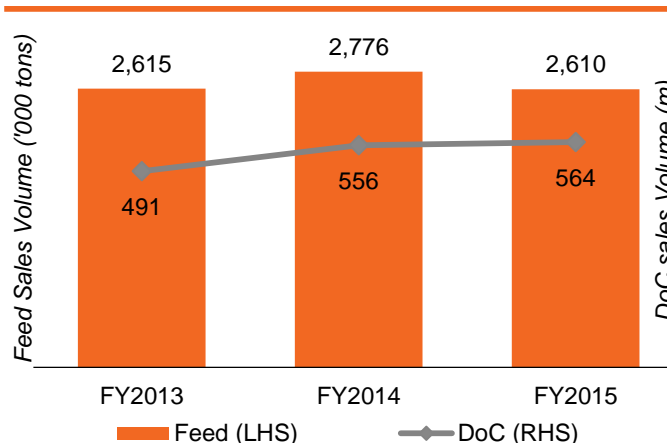


- Revenue trend was mainly impacted by the weakening of IDR and lower volumes
- Profitability in the past two years was affected by the issues in the poultry industry
- Nonetheless, our feed business continues to be the stable pillar of our profitability, even during market downturn

Operating profit margin



Poultry Feed and DoC Sales Volume



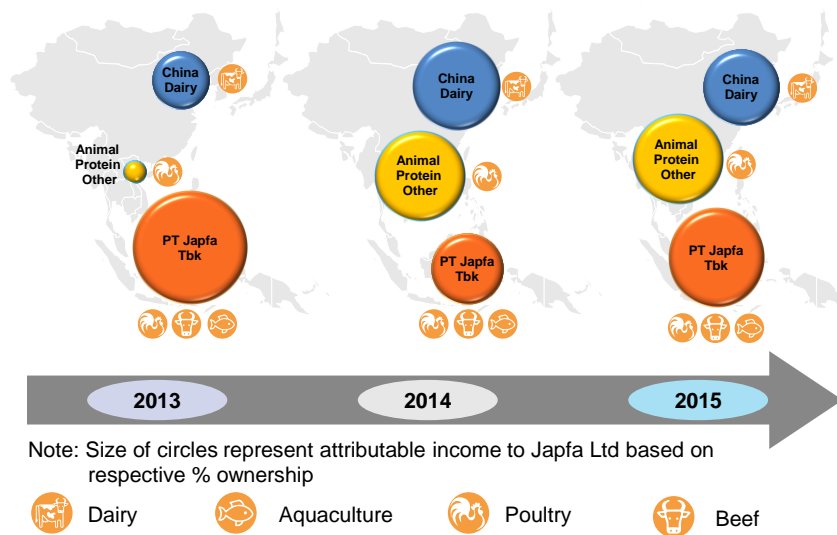
- Our ability to pass on raw material costs increases in our feed selling prices is reflected in our stable feed operating margins, during a period of IDR and commodity price volatility

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

Strong Sponsor with leading pan-Asian agriculture franchise

- ✓ Pan-Asian footprint with a focus on emerging economies i.e. Indonesia, China, Vietnam, Myanmar and India
- ✓ Multiple protein player leveraged to growing protein consumption in Asia underpinned by rising income levels
- ✓ Long and proven track record of replicating farming capabilities across geographies
- ✓ “Partner-of-choice” with several successful ongoing joint ventures and exclusive arrangements with leading MNCs including Aviagen and Hypor

Evolution of the Group: Growing Presence in Emerging Asia...



...with proven ability to establish leading position across geographies

Protein	Country	Market Position
Poultry feed	Indonesia	2
DoC	Indonesia	2
Frozen consumer food	Indonesia	2
Ambient temp food	Indonesia	3
Dairy (fresh milk)	Indonesia	1
Poultry	Vietnam	2
Dairy	China	Niche player with market leading efficiency metrics

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: 11



Hendrick Kolonas
Vice President
Commissioner

Year of agri
experience: 20



**Retno Astuti
Wibisono**
Independent
Commissioner

Year of agri
experience: 15



**Ignatius Herry
Wibowo**
Independent
Commissioner

Year of agri
experience: 17



Jaka Prasetya
Commissioner
(KKR's Nominee)

Year of finance
experience: 14

Board of Directors



Handojo Santosa
President
Director

Year of agri
experience: 29



**Bambang
Budi Hendaro**
Vice President
Director

Year of agri
experience: 37



**Koesbyanto
Setyadharma**
Director

Year of agri
experience: 27



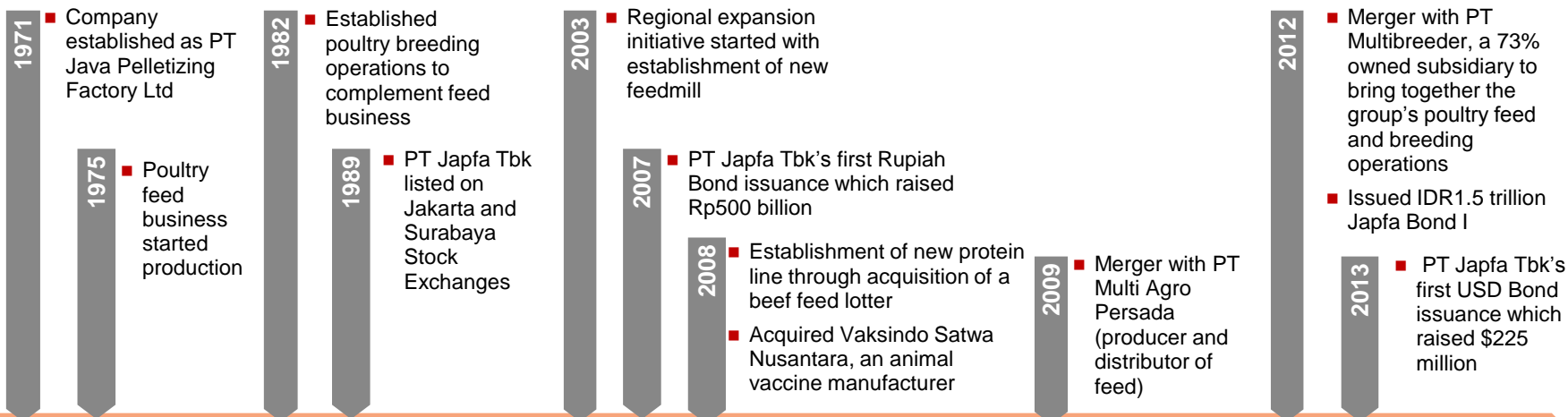
Tan Yong Nang
Director

Year of agri
experience: 8



Rachmat Indrajaya
Independent
Director

Year of agri
experience: 8



Timeline of Japfa Comfeed: Over 40 years of 'best-in-class' poultry production

3. KKR's investment in the Company



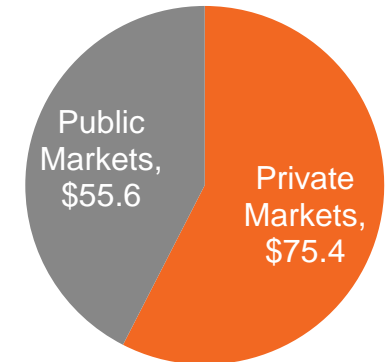
KKR's Investment in the Company

KKR overview

- ✓ Leading global investment firm with US\$131bn of assets under management across a wide range of asset classes including private equity, special situations etc.
- ✓ Global presence with offices in 22 cities across 16 countries to provide **localized, tailored solutions** to our partners
- ✓ Mature Asian franchise with proven track record; ~US\$11bn invested / committed across 60 transactions in 9 countries since 2005
- ✓ Established track record of successfully partnering with successful entrepreneurs and companies across Asia
- ✓ **Offers suite of value-added capabilities** to portfolio companies to drive long-term sustainable value creation
- ✓ **Deep agricultural sector expertise in Asia**, having invested behind several companies which focus on high quality food produce:

Assets Under Management (USD billions)

As of 30 June 2016



Total AuM: US\$131.0bn



KKR's Investment in the Company

Transaction overview & rationale

- ✓ KKR acquired ~12% stake in the Company through a combination of primary and secondary share purchase; shares purchased are subject to a one-year lock-up
- ✓ Primary proceeds from KKR's investment will be used to strengthen the Company's balance sheet through deleveraging
- ✓ Jaka Prasetya, Managing Director at KKR, has been appointed to join the Board of Commissioners at the EGM on 18 July, in conjunction with shareholders' approval for the share issuance

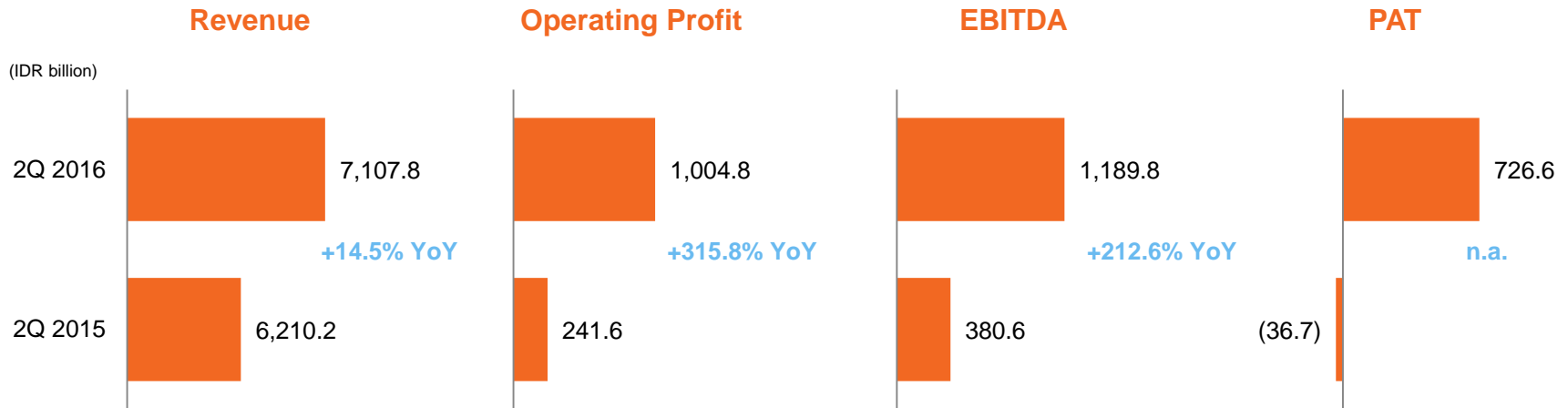
Transaction Rationale and KKR's Value Add

- 1 **Balance Sheet Optimization:** Leverage on KKR's in-house capital markets expertise to determine the optimal capital solution for the Company; **KKR to be actively involved in ongoing refinancing discussions**
- 2 **Enhance Liquidity:** Institutionalize shareholder base and to increase and improve research coverage through proactive communication with the research and investor community
- 3 **Operational Improvements:** Leverage KKR's operational experience in the sector to drive improvements and to explore ways to "import" lessons learned from KKR's prior poultry investment in China, Fujian Sunner

4. Financial and operational highlights



Financial performance



2Q 2016 continues to see a recovery in profitability for Japfa, with growth in operating profit, EBITDA and PAT

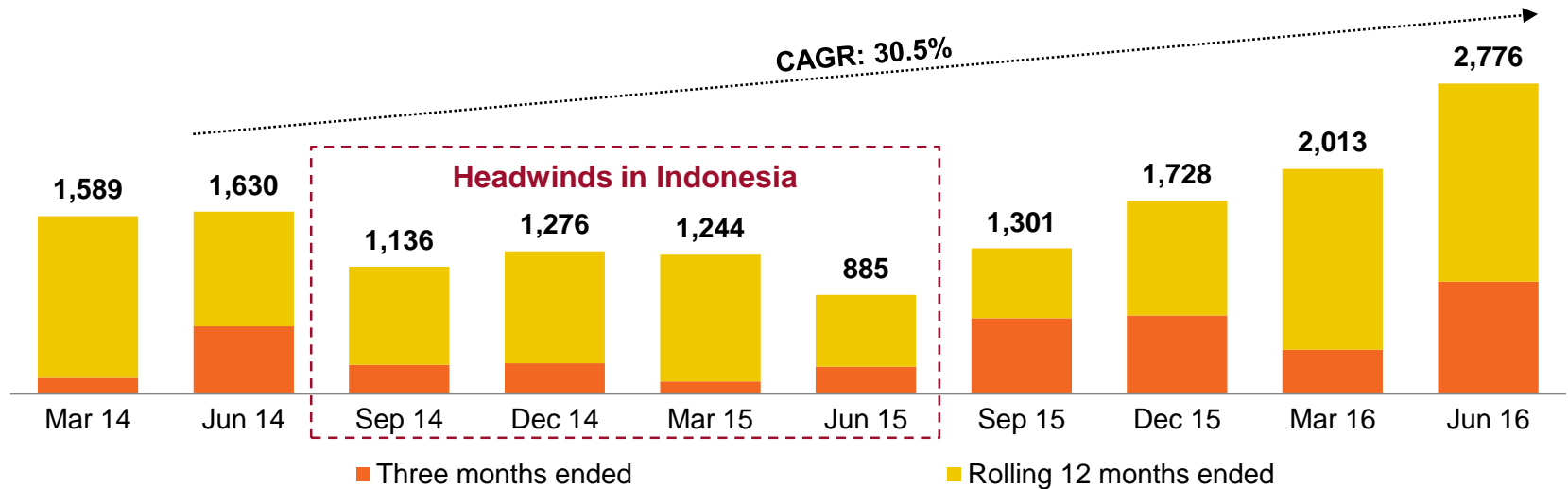
- Revenue increased by 14.5% due to the increase in feed and breeding sales volumes, as well as the improvement in selling prices of DoCs and broiler chickens since the beginning of 2016. Japfa had also benefited from Ramadan, which is traditionally a strong period of consumption for poultry
- In 2Q 2016, there was a more balanced supply and demand of DoCs and broiler chickens in Indonesia, as compared to the industry-wide oversupply situation in the previous corresponding quarter which contributed to Japfa's poor performance in 2Q 2015
- Feed operations continued to provide a stable base of profits, contributing the bulk of operating profit. Lower costs of raw materials resulted in lower COGS, which led to improved profitability in 2Q 2016
- Breeding operations were operating at a loss in 2Q 2015, but with the improved market environment in 2H 2015, ASP of DoCs continued to improve in 2Q 2016. In addition, lower feed costs resulted in a healthy margin for breeding operations in 2Q 2016
- Commercial farming's profitability improved in 2Q 2016 compared to 2Q 2015 due to healthier ASP of broilers, and also turned around from a loss in 1Q 2016

Growth despite headwinds

- Poultry industry faced oversupply of DOCs since 3Q2014 and has basically turned around in the second half of 2015
- Comparing rolling 12 months ended June 2015 and June 2016, operating margins increased from 3.6% to 10.5%, contributed mainly by very healthy margins in 2Q2016
- Reason for better 2Q2016 margins due to lower costs of feed and better DOC ASPs

Operating profit

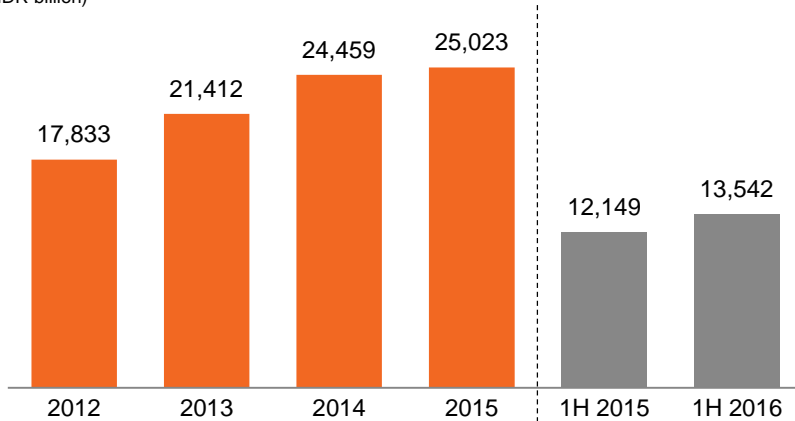
(IDR billion)



Proven financial track record

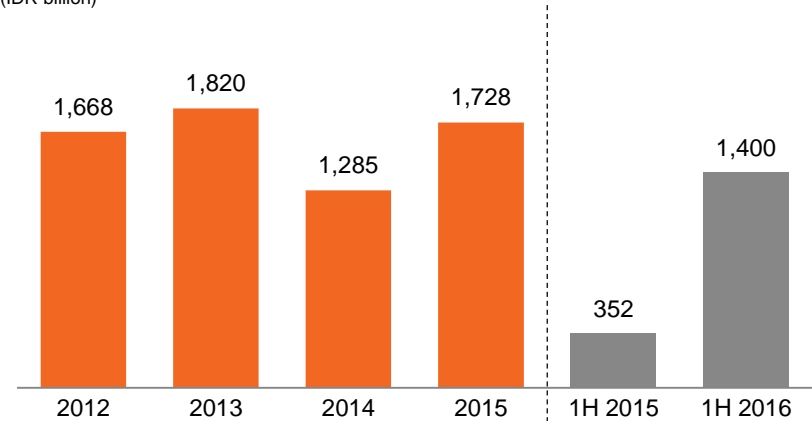
Net Revenues

(IDR billion)



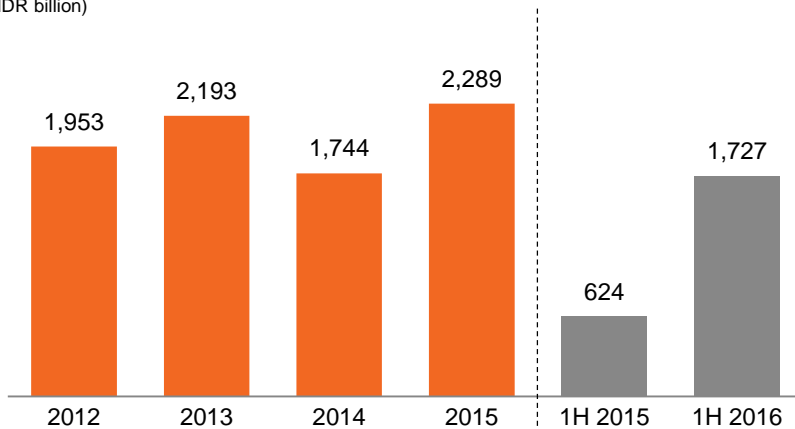
Operating Profit

(IDR billion)



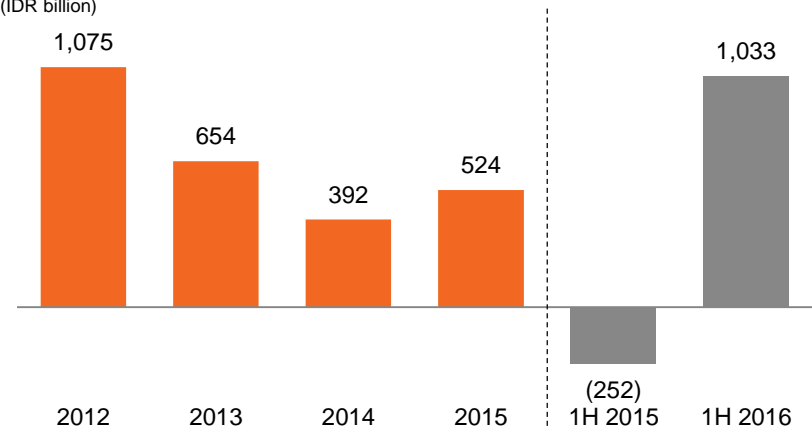
EBITDA

(IDR billion)



Net Profit

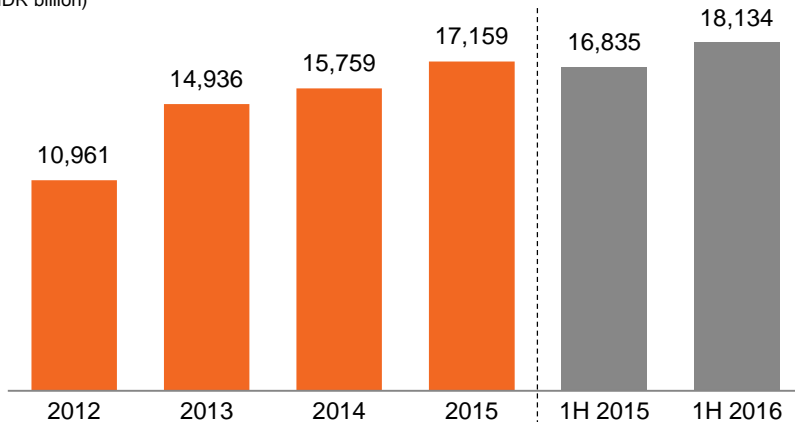
(IDR billion)



Proven financial track record (Cont'd)

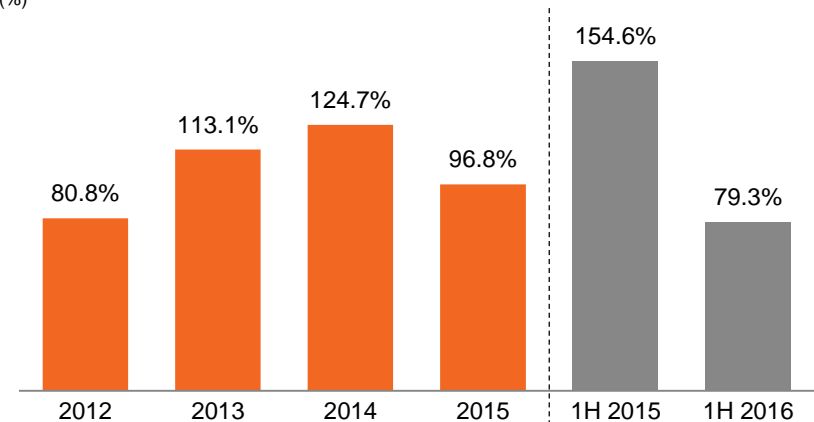
Total Assets

(IDR billion)



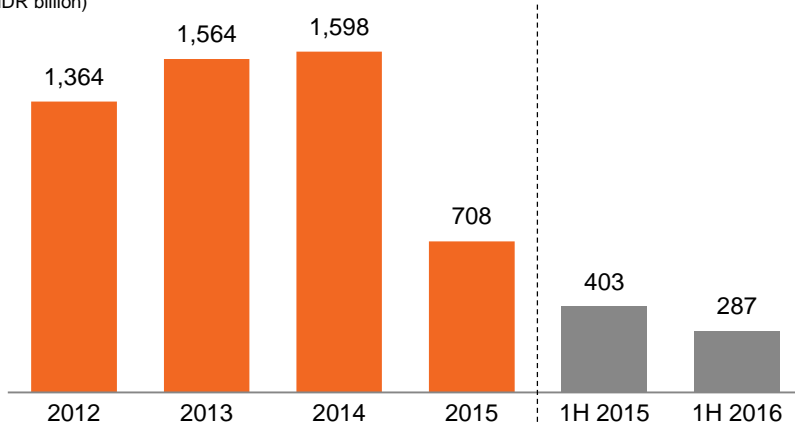
Net Debt / Equity

(%)



CAPEX

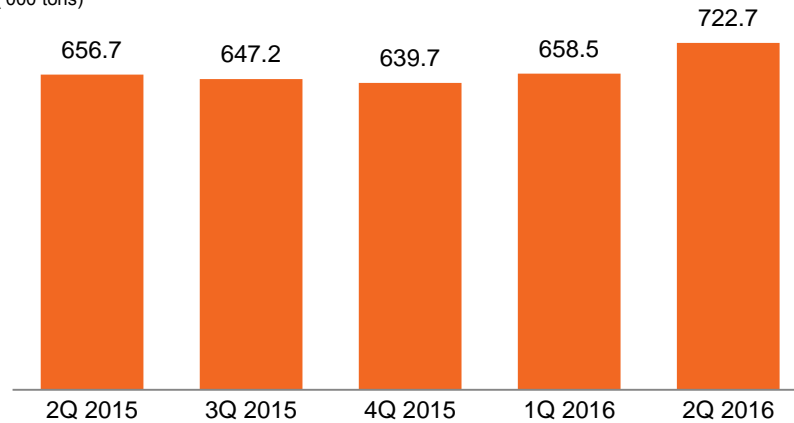
(IDR billion)



Operational performance

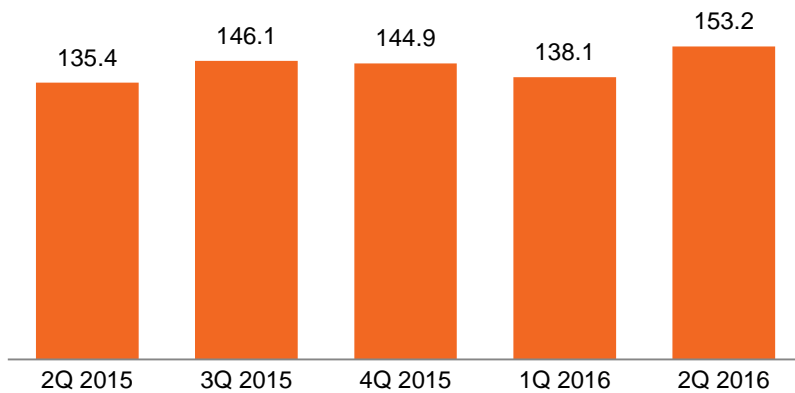
Animal Feed – Poultry: Sales Volume

('000 tons)



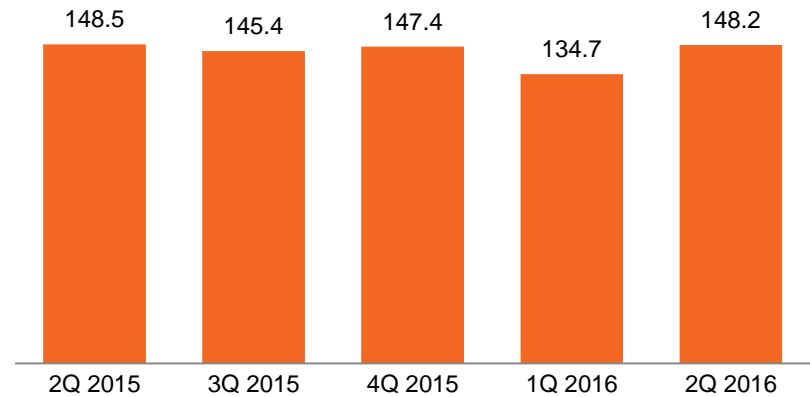
DoC – Broiler: Sales Volume

(million birds)



Commercial Farm- Live Birds : Sales Volume

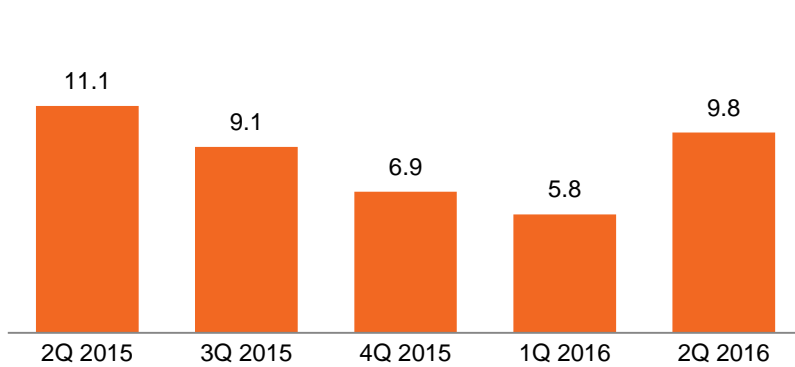
('000 tons)



Operational performance

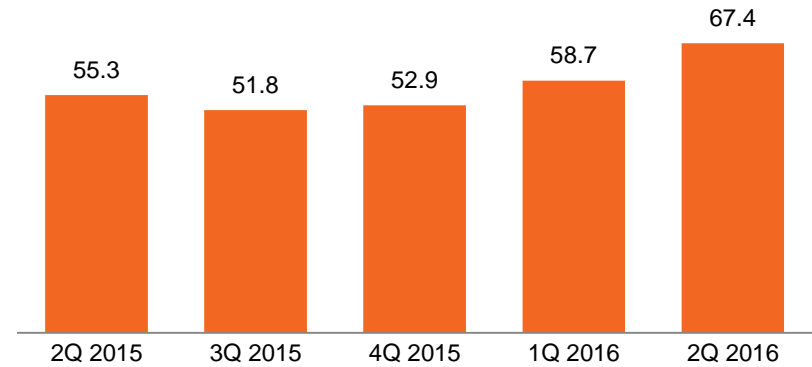
Beef – Live Cattle: Sales Volume

('000 tons)



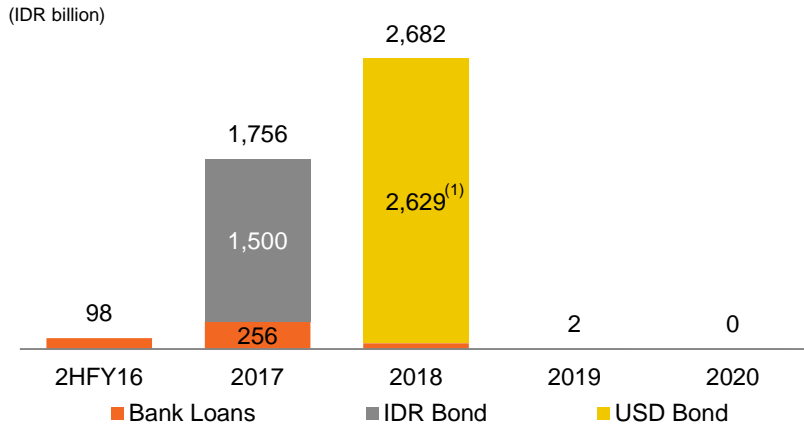
Aquaculture – Aqua-feed: Sales Volume

('000 tons)

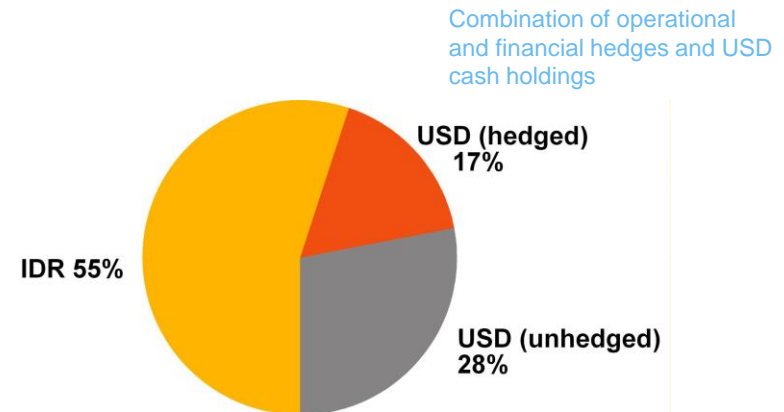


Capital structure overview

Debt Maturity Profile of Long-term Debt⁽²⁾



Debt Composition by Currency



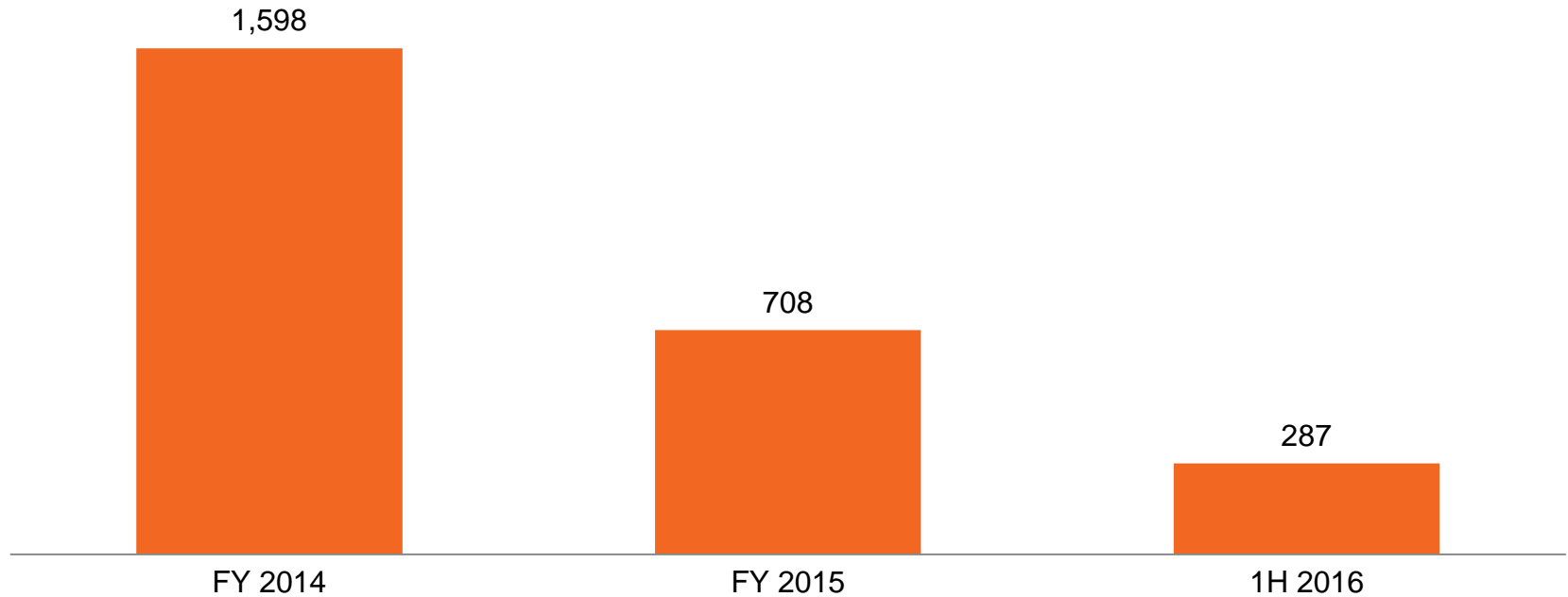
Total debt (30 June 2016): IDR 6.7 trillion

Ongoing Work to Mitigate Refinancing Risk

- ✓ Primary proceeds of IDR702bn from KKR's investment to be used to de-lever the balance sheet; likely to be used to repay expensive bank loans, which increases debt headroom from existing facilities
- ✓ The Company is at the advanced stage of signing a standby facility with a major bank of IDR 1 trillion for the purposes of meeting the repayment of the IDR bond in 2017
- ✓ Proactive repayment of debt, including the repurchase of outstanding USD bond (~US\$ 26mm repurchased to date), by utilizing the business' free cash flow given the significantly lower capital expenditure spending

Capex FY2014 – 1H2016

(IDR billion)



Moderate capex outlook; primarily focused on maintaining existing operations and utilizing existing spare capacity