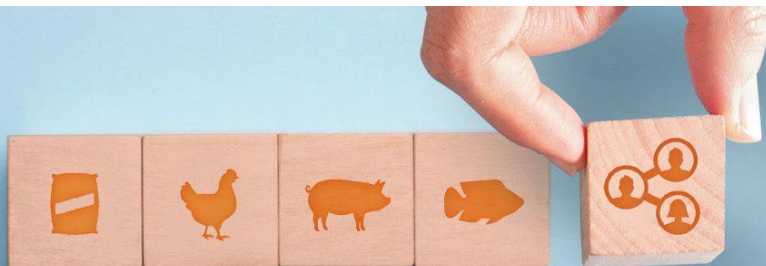


# 10 in 10 – Japfa (SGX Code: UD2)

10 Questions in 10 Minutes with SGX-listed companies



**BUILDING A LASTING LEGACY**  
FEEDING EMERGING ASIA



## 10 Questions for Japfa

### Company Overview

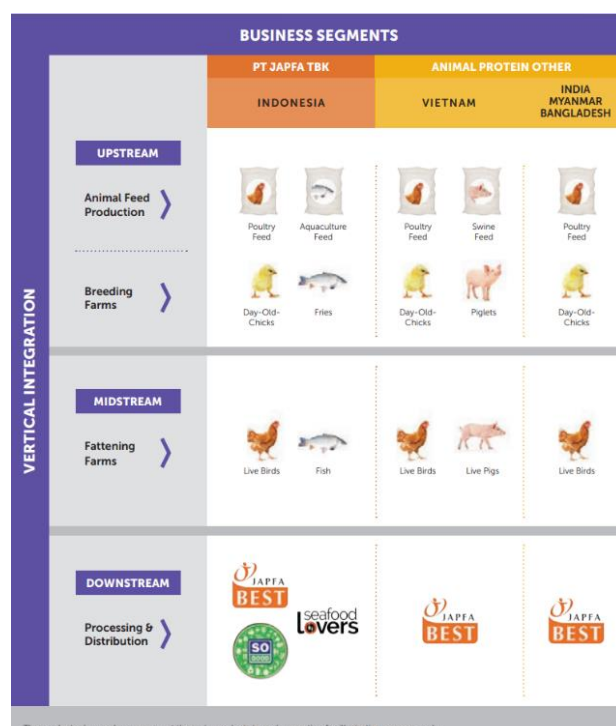
Japfa is a leading integrated agri-food group in Asia dedicated to feeding millions of people with essential animal proteins, namely poultry, swine, aquaculture and beef, as well as protein-based consumer products. Headquartered in Singapore, the Group employs about 38,000 people across an integrated network of modern farming, processing and distribution facilities in Indonesia, Vietnam, Myanmar, India and Bangladesh. Japfa embraces an integrated industrial approach to livestock and food production across the value chain and its operations span across Feed & Breeding (upstream), Fattening (midstream) and Processing and Distribution (downstream). [Link to Stock Screener company page.](#)

SGX Code: UD2	BBG: JAP SP	RIC: JAPF.SI
Market cap (\$m)	458.5	
Price (\$)	0.225	
52 wk high/low (\$)	0.386 – 0.176	
12m ADTV (\$)	483,405	
Shares Outstanding (m)	2,038	
Float	18.8%	
P/E (LTM)	--	
P/B (LTM)	0.4	
Dividend Yield	4.4%	

Source: Bloomberg (20 November 2023)

### 1. Describe Japfa's value proposition, business model and segments.

- Japfa is a pure-play animal protein company that provides millions of consumers with nutritious, safe and affordable staple proteins (chicken, pork, seafood) in an efficient and sustainable way.
- Our business covers the entire value chain of protein production and we adopt an industrialised approach, with large-scale and standardised operations, that enable us to produce efficiently. As our operations are vertically integrated, we can capture value at different points.
- Our operations are organised in two segments:
  - Animal Protein - PT Japfa Tbk**, runs our integrated animal protein operations in Indonesia, namely poultry, aquaculture and beef. PT Japfa Tbk, operated by our subsidiary PT Japfa Comfeed Indonesia Tbk, is the second largest integrated poultry company in Indonesia and the only one with its own in-house vaccine research and production facilities, Vaksindo.
  - Animal Protein - Others (APO)**, encompasses our operations in other emerging Asian markets of Vietnam, Myanmar, India and Bangladesh, where we produce poultry and swine.



Japfa's business segments

## 2. How did Japfa grow from a poultry- and Indonesia-centric business to a leading producer of multiple animal proteins in Asia?

- We have been able to develop a proven blueprint for animal protein production and replicate it effectively across multiple proteins and geographies.
- First, we built a strong poultry feed and breeding business in Indonesia, that we expanded vertically into commercial farming, processing and distribution. Then, we successfully replicated our business model for poultry to the overseas markets of Vietnam, Myanmar, India and Bangladesh. We also replicated this model to other proteins and expanded into aquaculture and beef in Indonesia, and swine in Vietnam.



*Japfa's geographical footprint*

- Today our activities are critical to feed millions of people in Asia as we supply about 20-25% of staple animal protein foods in many countries where we operate.

## 3. What is Japfa's competitive advantage and how sustainable is this in the long run?

- The key to our success lies in the unique combination of a few factors:
  - Our cost leadership and efficiency, that enable us to ride through the industry's cyclicality
  - A competent and committed team with a proven track record, that can execute our strategy
  - The use of superior breeds and a sophisticated approach to animal husbandry that allows us to build robust breeding pyramid
  - Strong focus on animal farming, including animal health and biosecurity
- Last but not least, what makes us different is the vision of *Growing Towards Mutual Prosperity* with all stakeholders, that translates into building long-term relationships with partners and stakeholders, and which applies across every aspect of how we do business.

## 4. How has Japfa navigated high raw materials costs and low consumer purchasing power?

- We actively manage our procurement practices for raw materials as well as closely monitor market trends and global factors that may affect demand and supply. This allows us to anticipate potential fluctuation and develop strategy to mitigate risks. We diversify our supplier base, thus reducing our dependence on a single supplier or region, and evaluate suppliers based on quality, price and dependability. We leverage our scale, which gives us a cost advantage.
- We can navigate times of lower demand, by being one of the most efficient and lowest cost protein producers. At the same time, we are also able to quickly adapt our operations to match market conditions, without compromising quality.

## 5. Japfa was able to deliver live chickens from Indonesia to Singapore for the first time in 2023. What does this achievement mean and what are the opportunities arising from it?

- This was a notable achievement as it was the first time live chickens were delivered via sea from Indonesia to Singapore and slaughtered in the destination country. As one of the largest poultry producers in Indonesia and in the region, we have the capacity to meet Singapore's demand for chicken.
- More importantly, this shipment has provided a new important option to supply not only fresh chicken but also other staple protein foods to Singapore. Japfa is committed to continue to invest in this project to support Singapore's food security strategy and provide local consumers with nutritious fresh protein foods.

## 6. What are some key macroeconomic themes that Japfa and its business segments are looking forward to?

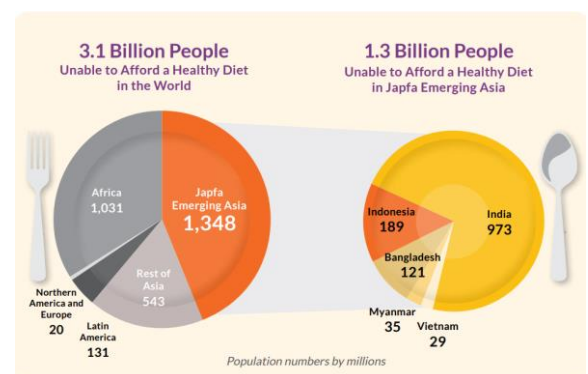
- Increasing population, rising income and rapid urbanisation are fueling demand for animal protein in Emerging Asia. Approximately 1.7 billion of people (~20% of world's population) live in our markets of Indonesia, Vietnam, Myanmar, India and Bangladesh. While protein consumption per capita is still low across these key markets, the average GDP growth is projected at 8.1% from 2022 to 2027, proving that there is ample room for growth.
- Against this backdrop, chicken is a staple protein in Asian diets given its relative affordability, religious neutrality, consumer preference and popularity with food services. We believe that there are also growth opportunities in Vietnam where pork consumption levels are among the highest in Asia.
- As one of the most competitive and efficient producers of staple animal proteins, we are well positioned to tap on the growth in animal protein consumption in our key markets in Emerging Asia.

## 7. What is Japfa's strategy to stay resilient in an anticipated global slowdown next year?

- Efficiency and cost leadership have allowed us to drive through major downcycles, such as the recent Covid-19 pandemic and African Swine Fever (ASF) outbreak in Vietnam. As we produce quality yet affordable proteins, we can respond to consumer needs in Emerging Asia even in uncertain macro-economic environment.
- We believe that our proven business model, ability to execute, operational agility in a dynamic environment and financial discipline allows us to compete from a position of strength.

## 8. What are Japfa's sustainability priorities and how do they create long-term value?

- Japfa strives to provide access to affordable and nutritious staple protein foods for the people living in Emerging Asia, supporting the UN SDG Goal #2 – Zero Hunger.
- According to a recent Food and Agriculture Organization (FAO) report, "almost 3.1 billion people could not afford a healthy diet in 2020." Out of these 3.1 billion people, over 40% or 1.3 billion people live in Indonesia, Vietnam, Myanmar, India and Bangladesh, which are the countries where Japfa produce food for domestic consumption. Working towards food security is therefore a priority.
- By developing sustainability practices, we improve our environmental and social performance, and contribute to the growth of our company and our stakeholders.
- Our sustainability efforts are guided by three Sustainability Pillars:
  - i) Efficient Production System & ii) Improving Nutrition Pillars** - show our commitment to use resources efficiently, minimise waste and emissions to raise healthy animals and contribute towards food security.
  - lii) People Development Pillar** - our most important resource is our people, hence we focus on improving their competences and well-being as we believe that a good workforce drives productivity which in turn contributes to long-term stability and success.



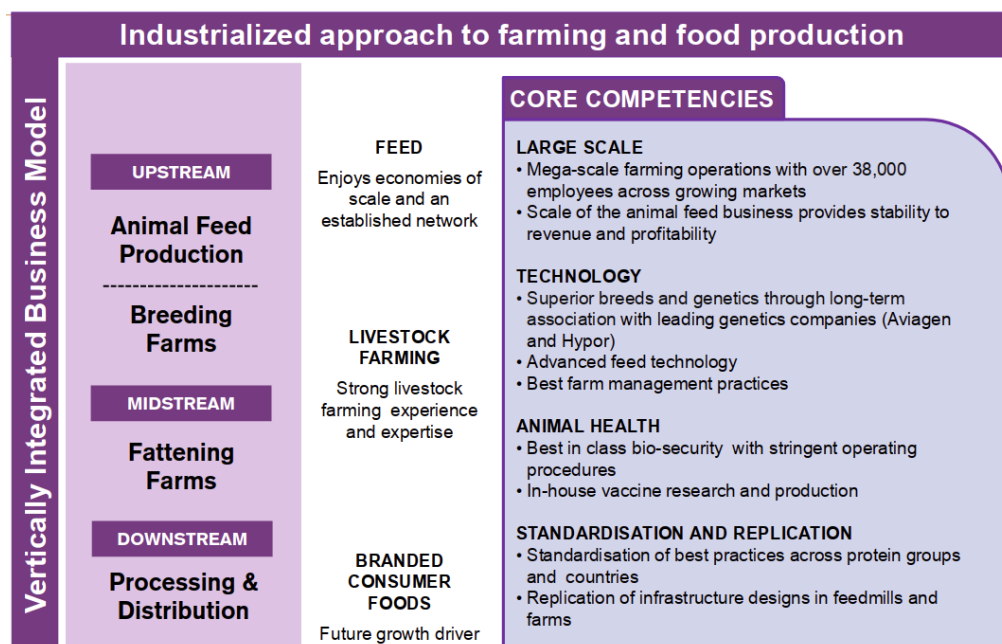
*Japfa's sustainability priorities*

## 9. In 2021, Japfa launched a US\$350 million Sustainability-Linked Bond (SLB), the world's first in the agri-food industry. Can you tell us more about the considerations, and how investors received it?

- Sustainability is ingrained into our daily operations, with strong support from senior management and an increasing number of people embracing sustainability in their daily activities.
- In 2019, we initiated a Life Cycle Assessment (LCA), a science-based approach to quantify the environmental impact of our poultry operations in Indonesia. The LCA took over two years, as extensive data was collected. We identified the key environmental hotspots specific to our poultry lifecycle, as well as opportunities to improve our processes.
- The LCA provided a basis for a Sustainability-Linked Financing Framework. The LCA also helped to set Sustainability Performance Targets (SPTs) for the SLB, focused on water and wastewater - as livestock farming has heavy water usage. These SPTs were assessed as "Robust" in an independent Second Party Opinion from Moody's.
- The SLB was well received by investors. The orderbook was three times oversubscribed, leading to an upsized issuance of US\$350 million with a lower coupon of 5.375%. This is by far our largest issue size and lowest coupon achieved. Final allocation was well distributed with 57% of investors from Europe and a strong support from high-quality ESG-focused investors. Out of the top 20 investors in the final book, 18 were ESG-related funds.

## 10. Why should investors take a closer look at Japfa?

- Agriculture and livestock production are vital sectors that touch people's lives and other industries. In the countries where we operate, protein consumption is still low, and undernourishment remains an issue. For example, in Indonesia the level of stunting is still at 21.6% in 2022 despite a decrease from 24.4% in 2021<sup>1</sup>. We believe that demand for protein will continue to grow on the back of rising affluence of middle- and lower-income consumer groups as well as growing urbanisation.
- Although the short-term performance in the agri-food sector may be volatile, we believe that growth opportunities for Japfa remain strong based on the Group's strength in staple proteins and prospects for protein consumption in our key markets. By investing in Japfa, investors can also contribute towards food security in Asia.
- Based on the share price at S\$0.22 (as at 16 Nov 2023), Japfa's market capitalisation is around S\$450 million. Its subsidiary PT Japfa Tbk, which is listed on IDX, is trading at IDR1,220 per share. Taking into consideration Japfa's 55.4% shareholding in PT Japfa Tbk (as at 31 Dec 2022), the attributable value to Japfa is about S\$660 million, not including its businesses in Vietnam, Myanmar, India and Bangladesh.



Japfa's core competencies

<sup>1</sup>Source: National Research and Innovation Agency (BRIN) [website](#) (Retrieved 14 Nov 2023)



## 10 in 10 – 10 Questions in 10 Minutes with SGX-listed companies

Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit [sgx.com/research](http://sgx.com/research).

For more company information, visit [japfa.com](http://japfa.com)  
Click [here](#) for Japfa' latest Financial highlights.

## Contact Us

For more information, please contact [asksgx@sgx.com](mailto:asksgx@sgx.com)

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