PT JAPFA COMFEED INDONESIA Tbk



INVESTOR PRESENTATION

1Q 2017

Agenda

1. Company Overview
2. Key Investment Highlights
3. KKR's Investment in the Company
4. Financial and Operational Highlights

JAPFA

1. Company Overview



Company overview

Core competencies across the value chain

	Upstream		Midstream	Downstream
	Feed	Breeding	Commercial farming	Processing
Poultry				
Beef				
Aquaculture				

Industrialized approach drives operational and financial benefits

A Scale

- 2nd largest feed and DoC producer in Indonesia with significant scale across the value chain:
  - ☑ 16 feed mills, 66 breeding farms and 24 hatcheries across Indonesia
  - ☑ Over 100 company farms and over 9,000 contract farms
- Consolidated procurement of raw materials with the broader Japfa Group

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

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

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

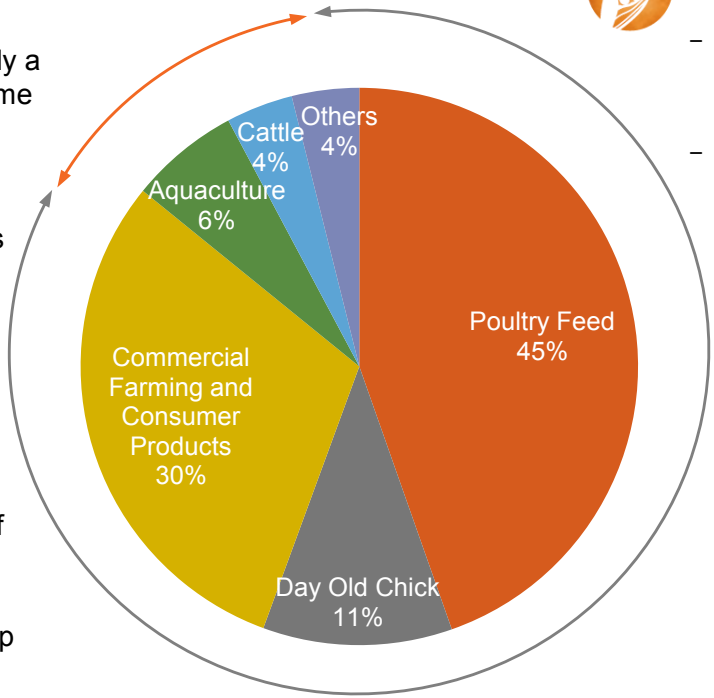
Japfa: Well positioned for long-term growth

Poultry leader with growing presence in other proteins

- Cattle fattening business in Indonesia

- Aquaculture is primarily a feed business with some farming overlay
- Protein diversification strategy for varying consumer preferences

- 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



Poultry-related activity: 86% of total revenue

- Comprises of both in-house and contract farms; growing proportion of in-house farms to enhance traceability
- DOC and Commercial Farming help drive sales volume for feed business
- Shift downstream via investing in more slaughterhouses in order to reduce exposure to fluctuating farm gate prices

Stable and growing core business

FY2016 revenue: IDR 27.0 trillion

- 2nd largest day-old chick ("DoC") producer in Indonesia

Diversification efforts to position company for long-term growth

2. Key Investment Highlights



Investment highlights

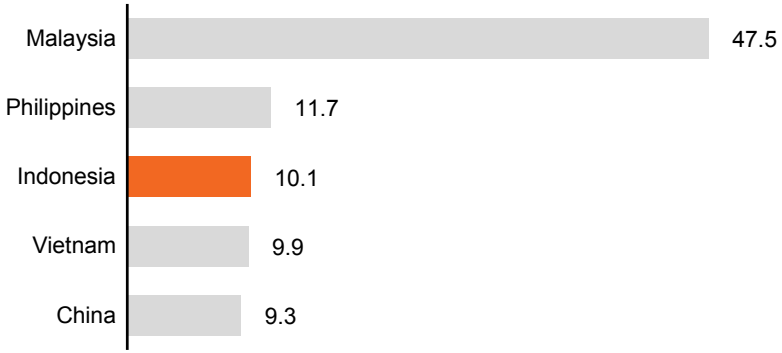
1. Attractive industry dynamics driven by strong structural growth in protein consumption
2. Leading integrated poultry national champion with nationwide footprint
3. Core feed business offers stable profitability
4. Japfa Ltd: A Leading Pan-Asian Industrialized Agri-Food Company
5. Experienced and tenured 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

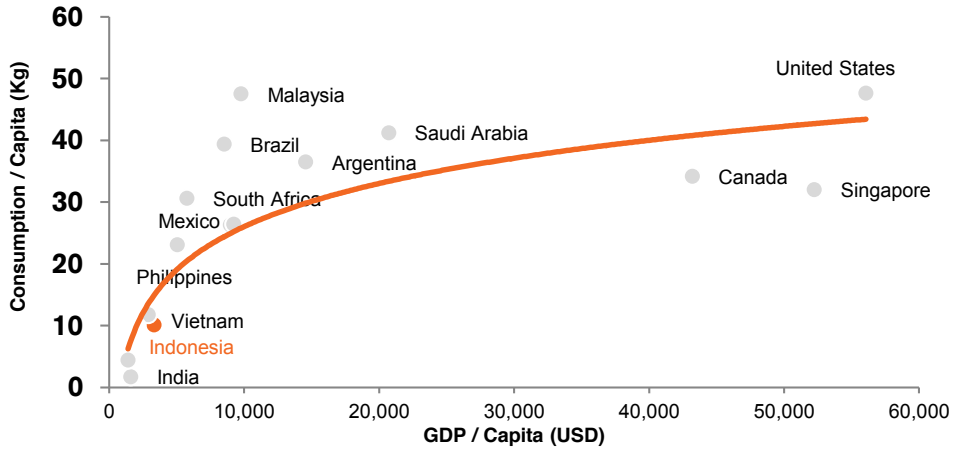
(kg per capita - 2015)



Source: Frost & Sullivan Estimates, 2017

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

Rising Consumption in Emerging Asian Markets



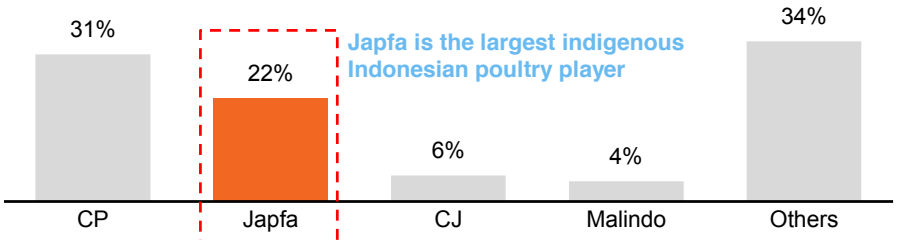
Source: OECD, UN, Frost & Sullivan Estimates, 2017

JAPFA

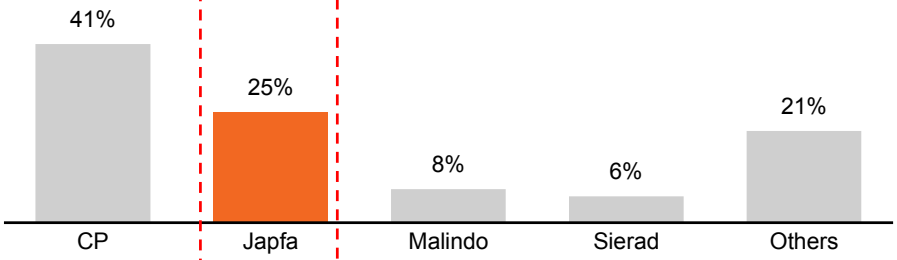
2 Leading integrated poultry national champion with nationwide footprint

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



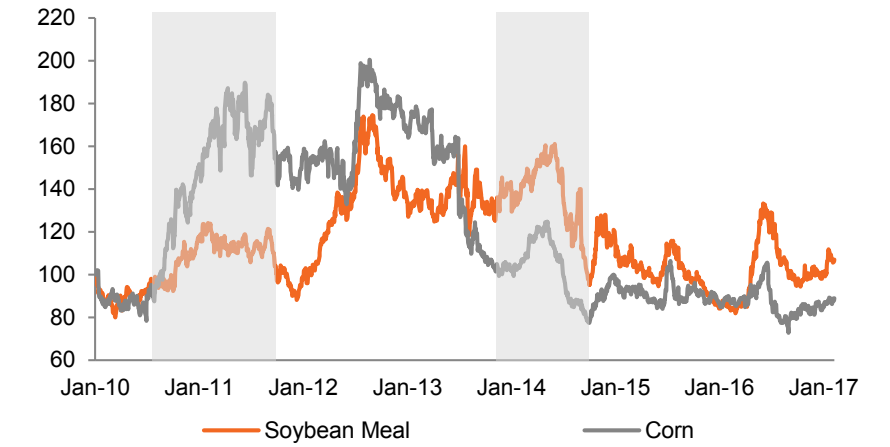
- ☑ Logistical feat given that Indonesia is an archipelago; serves as a barrier to entry and helps defend the Company's market position
- ☑ Wide geographical reach offers unparalleled access to both poultry farmers and domestic corn producers
- ☑ Key to tapping pockets of demand across the country given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

Source: Frost and Sullivan (May 2014), Company information

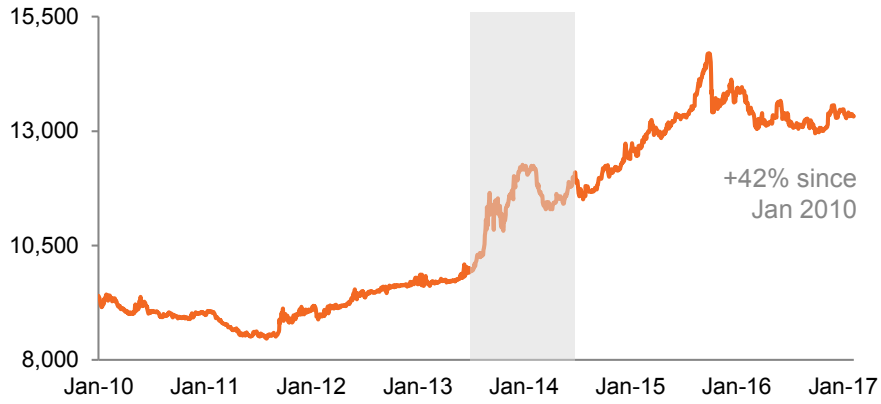
3 Core feed business offers stable profitability

Constitutes >50% of Group's operating profit

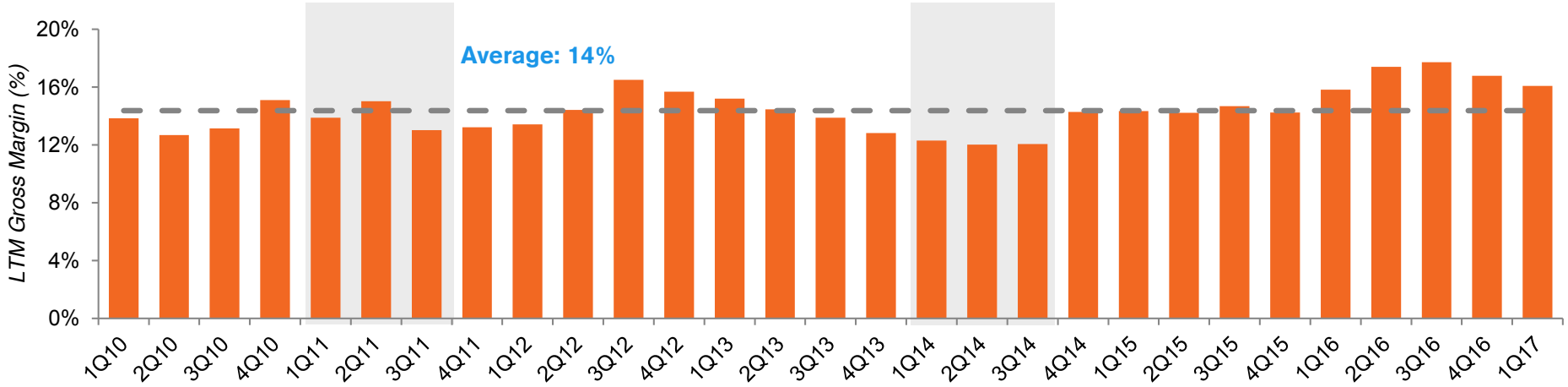
Despite volatile commodity prices…



…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



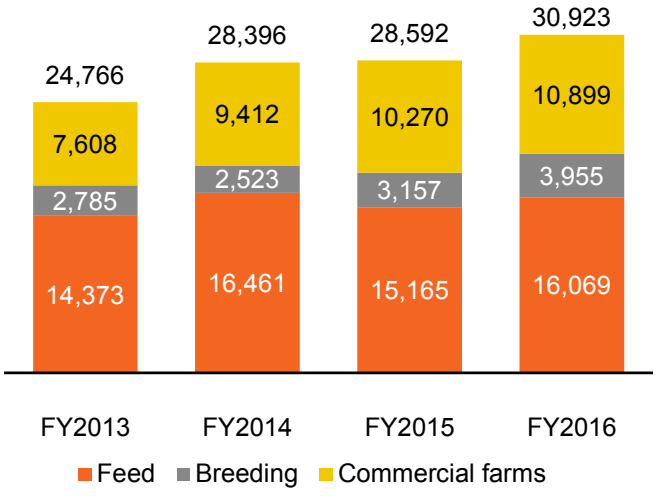
Source: Bloomberg, Company information

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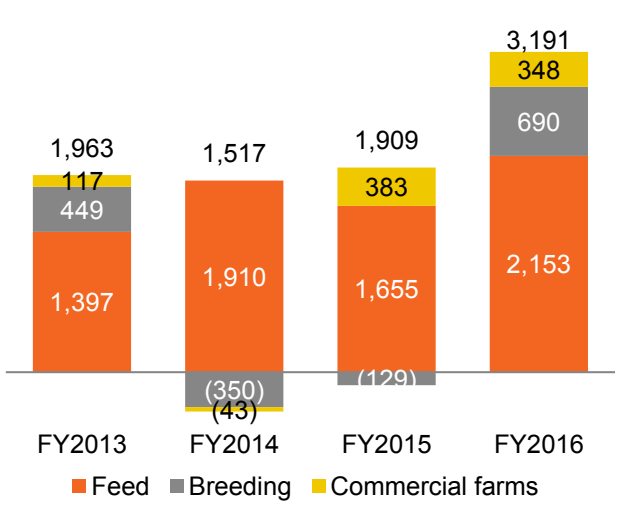
3 Core feed business offers stable profitability

Poultry: 4-year segmental trends

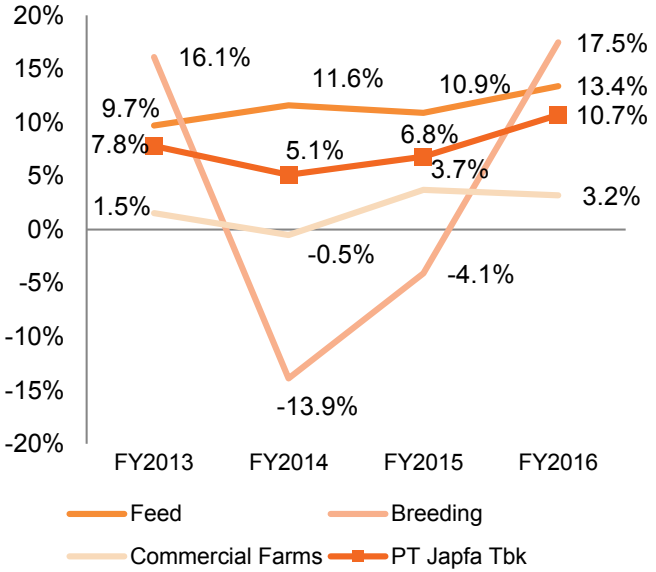
Revenues (IDR Billion)



Operating Profit (IDR Billion)



Operating Profit Margin (%)



- The poultry business (Feed, Breeding and Commercial Farms) represents the majority of the Company's revenue and profits
- Revenue trend was mainly impacted by the weakening of Rupiah and lower volumes in FY2015
- Profitability in FY2014 to FY2015 was affected by the poultry market downturn from 3Q2014 to 2Q2015
- Nonetheless, our Feed business continues to be the stable pillar of our profitability
- Our ability to 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

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

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



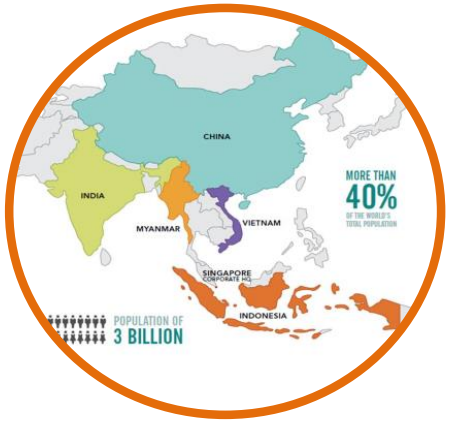
WHAT WE DO

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



WHERE WE ARE

We employ over 32,000 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

JAPFA

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

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

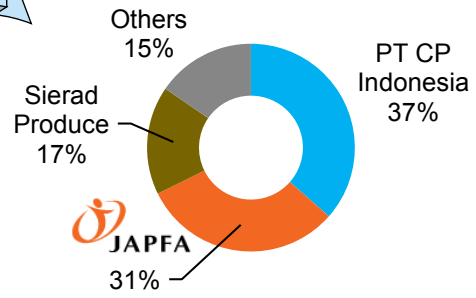
#1



Greenfields, #1 brand of Fresh Pasteurized Milk in Indonesia[5]

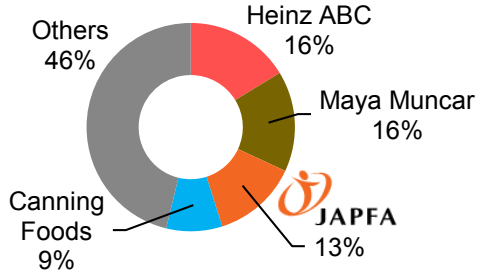
Frozen Consumer Food[4]

#2



Ambient Temperature Consumer Food[4]

#3



1. Source: CY2015 and FY2015/FY2016 data from various public-listed dairy farming companies operating in China.
2. Source: Frost & Sullivan Analysis, 2015 data.
3. Source: Company estimates, 2016 data.
4. Source: Frost & Sullivan Analysis, 2013 data.
5. 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: 12



Hendrick Kolonas
Vice President Commissioner

Year of agri experience: 21



Jaka Prasetya
Commissioner (KKR's Nominee)

Year of finance experience: 15



Retno Astuti Wibisono
Independent Commissioner

Year of agri experience: 16



Ignatius Herry Wibowo
Independent Commissioner

Year of agri experience: 18



Achmad Syaifudin Haq
Independent Commissioner

Year of agri experience: 25

Board of Directors



Handojo Santosa
President Director

Year of agri experience: 30



Bambang Budi Hendarto
Vice President Director

Year of agri experience: 38



Koesbyanto Setyadharma
Director

Year of agri experience: 28



Tan Yong Nang
Director

Year of agri experience: 9



Rachmat Indrajaya
Independent Director

Year of agri experience: 9

1971 ■ Company established as PT Java Pelletizing Factory Ltd

1975 ■ Poultry feed business started production

1982 ■ Established poultry breeding operations to complement feed business

1989 ■ PT Japfa Tbk listed on Jakarta and Surabaya Stock Exchanges

2003 ■ Regional expansion initiative started with establishment of new feedmill

2007 ■ PT Japfa Tbk's first Rupiah Bond issuance which raised Rp500 billion

2008 ■ Establishment of new protein line through acquisition of a beef feed lotter

■ Acquired Vaksindo Satwa Nusantara, an animal vaccine manufacturer

2009 ■ Merger with PT Multi Agro Persada (producer and distributor of feed)

2012 ■ Merger with PT Multibreeder, a 73% owned subsidiary to bring together the group's poultry feed and breeding operations

■ Issued IDR1.5 trillion Japfa Bond I

2013 ■ PT Japfa Tbk's first USD Bond issuance which raised $225 million

2016 ■ Received capital injection of Rp702 billion from KKR through PMTHMETD

■ Establishment of a IDR 3.0 trillion Re-tap Bond Programme, which allows the company to tap the IDR bond market over two years

2017 ■ New 2017 US$150mln USD Bond to be used for the redemption of the 2013 USD Bond

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

JAPFA

3. KKR's Investment in the Company



KKR's Investment in the Company

KKR Overview

- ☑ Leading global investment firm with US$130bn of assets under management across a wide range of asset classes including private equity, special situations etc.
- ☑ **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:

Transaction Overview

- ☑ 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 was 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

KKR's Value Add and Progress to Date

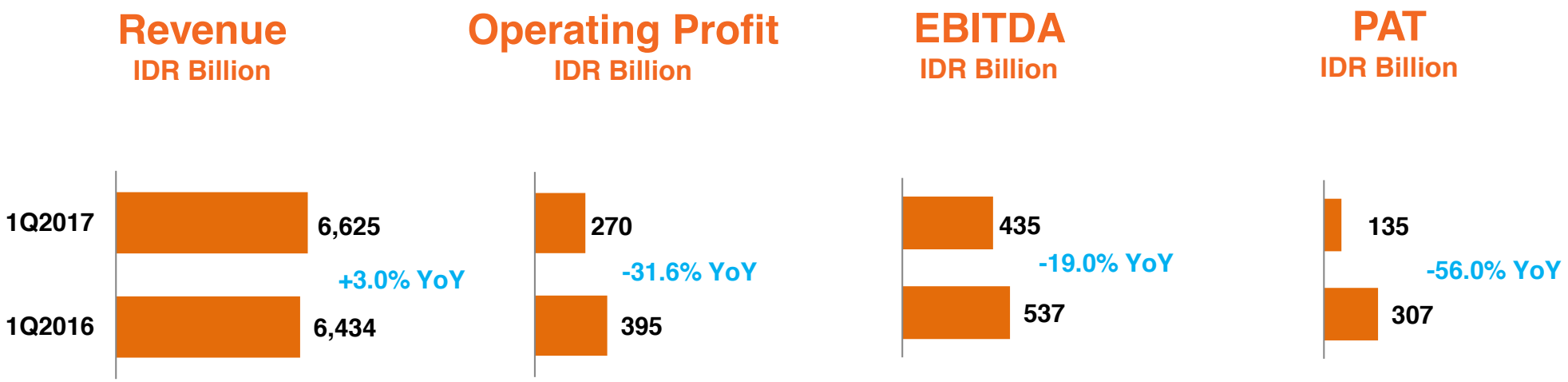
1. **Balance Sheet Optimization:** Leverage KKR's in-house capital markets expertise to determine optimal capital solution; KKR to be actively involved in ongoing refinancing discussions
2. **Enhance Liquidity:** Institutionalize shareholder base and to increase and improve research coverage through proactive communication
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 poultry investment in China, Fujian Sunner

- ☑ Successful refinancing of IDR and USD bonds
- ☑ Improved engagement with credit rating agencies, research analysts and institutional investors
- ☑ Increased institutional interest in the Company following KKR's investment

4. Financial and Operational Highlights



PT Japfa Tbk – Financial Performance



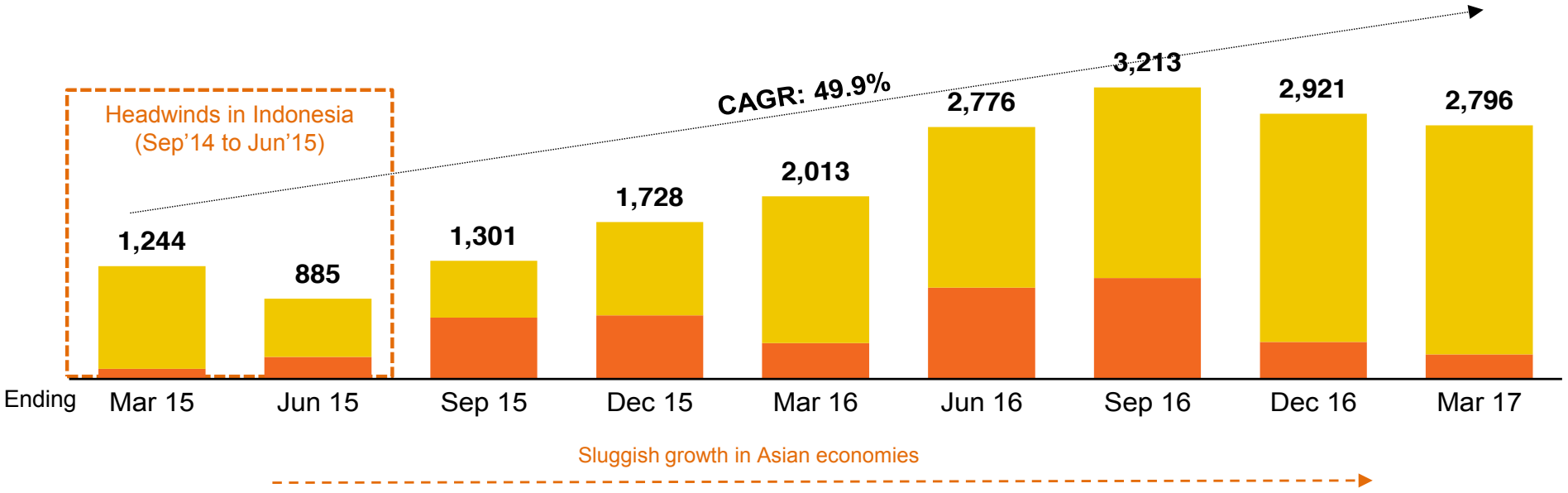
1Q2017 revenue increased but profitability declined due to lower ASP of Broilers and high G&A expenses

- In Indonesia, a weaker-than-expected growth in poultry demand caused an oversupply in broiler in 1Q2017. This has resulted in a lower price environment for broiler in 1Q2017.
- ASP for broiler dropped below production cost, resulting in a loss recorded by the commercial farming business.
- Feed remained the stable pillar of profitability with 9% growth in sales volume. Although operating margin was affected by higher raw material costs, it remained at a healthy level.
- Breeding recorded 14% growth in sales volume and 4% increase in ASP.
- Looking ahead, Ramadan in 2Q2017 should drive demand for poultry and a recovery of broiler ASPs is expected.
- The Ministry of Agriculture has started to effect its new decree of culling unhatched broiler DOC eggs nationwide, which is likely to improve broiler prices for the rest of the year.

PT Japfa Tbk – Stable rolling operating profit

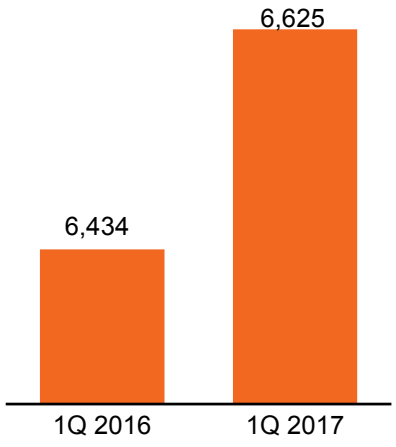
- PT Japfa Tbk is as an agri-food business will always be subject to cyclicality which directly impacts its revenue and profitability. Cyclicality is dependent on a variety of external factors which are beyond the Company's control, including the seasonality of harvest and festivals, as well as macroeconomic 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)

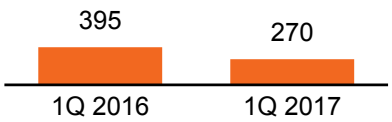


Proven financial track record

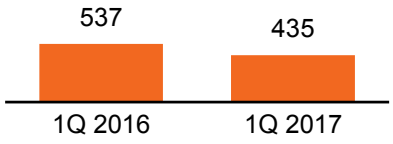
Net Revenues
(IDR Billion)



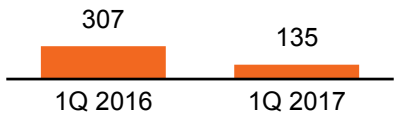
Operating Profit
(IDR Billion)



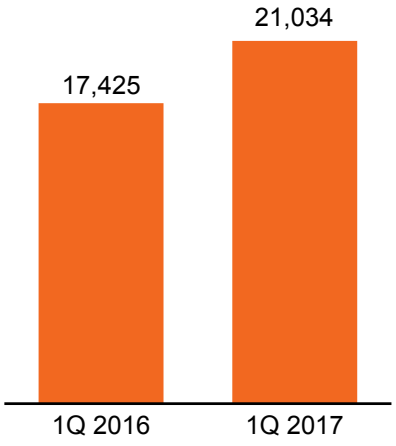
EBITDA
(IDR Billion)



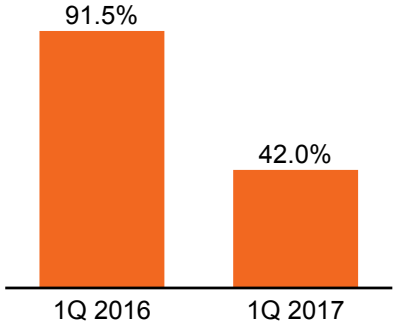
Net Profit
(IDR Billion)



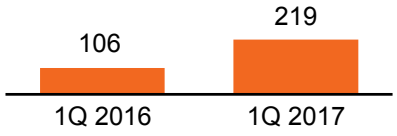
Total Assets
(IDR Billion)



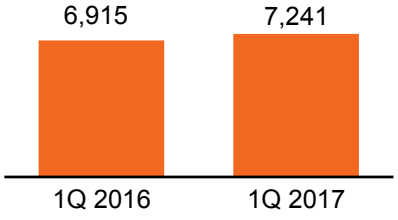
Net Debt/Equity



CAPEX
(IDR Billion)



Total Debt
(IDR Billion)



Note: Based on Company's 1Q2017 Financial Results

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PT Japfa Tbk
– New 2017 USD Bond & Early Redemption of 2013 USD Bond

New 2017 US$150 million USD Bond

- PT Japfa Tbk successfully issued the US$150 million 5-Year bond in March 2017.
- Coupon is 5.50% p.a. due March 2022 and Reg S issue.
- Purpose: Early partial redemption of the outstanding 2013 USD bond due in May 2018.
- P&I are hedged for the full duration of the bond up to the all time high of USD/IDR exchange rate.

Early redemption of 2013 US$225 million USD Bond

- PT Japfa Tbk bought back US$30.5 million bond that have been cancelled. Post cancellation, US$194.5 million 2013 USD bond remains outstanding.
- 1st Redemption scheduled on 2 May 2017 to redeem US$150 million at the redemption price of 101.5%, funded by the new 2017 USD bond.
- Following the 2 May 2017 redemption, the remaining US$44.5 million outstanding bond to be redeemed with the proceeds from the Second Tap of the new IDR bond.

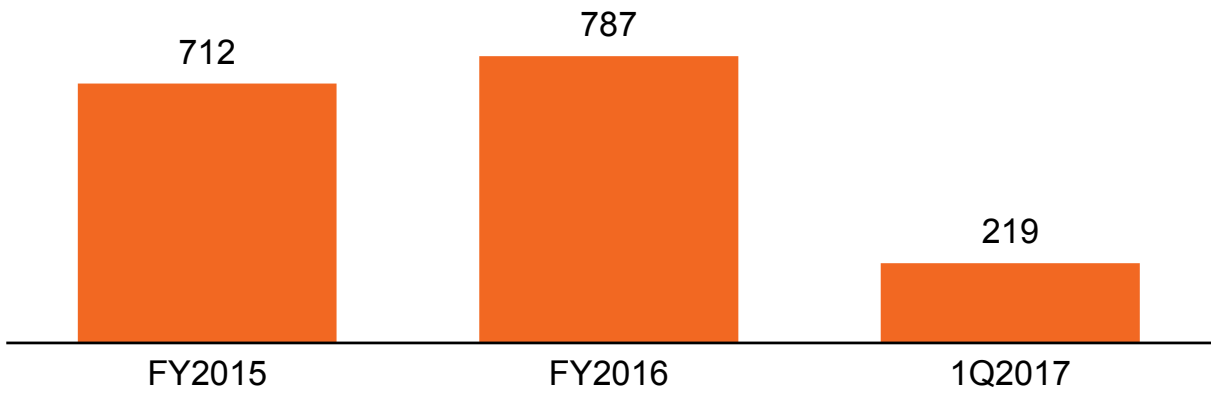
PT Japfa Tbk - IDR 3 trillion Re-tap Bond Programme

PT Japfa Tbk established a IDR 3.0 trillion Re-tap Bond Programme, which allows the company to tap the IDR bond market over two years.

	Amount	Pricing
1st Tap (Launched in Nov 2016)	I. 3-Year : IDR 0.85 trillion due Dec 2019 II. 5-Year: IDR 0.15 trillion due Dec 2021 Total: IDR 1.0 trillion	I. 3-Year: Coupon 9.25% p.a. II. 5-Year: Coupon 9.75% p.a.
2nd Tap (Launched in Mar 2017)	5-Year : IDR 1.0 trillion due April 2022	5-Year: Coupon 9.60% p.a.

Capex FY2015 – 1Q2017

(IDR Billion)



Thank You

