

# Japfa to offer shares at an indicative price of 75-87 cents

**Bookrunners see strong interest from investors in its IPO**

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JAPFA Limited, a producer of multiple protein foods whose executive deputy chairman is Indonesian tycoon Handojo Santosa, lodged its preliminary prospectus yesterday, seeking to list its shares on the main board of Singapore Exchange.

According to market sources, the company behind the 'So Good' and 'Greenfields' brands is looking to offer up to 285.2 million shares at an indicative price of 75 to 87 Singapore cents a share.

This comprises a base offer of 248 million shares and an over-allotment of up to 37.2 million shares.

Due to the sterling performances of recent initial public offerings such as those of Australia-based miner Alliance Mineral Assets and South Korean film production company Spackman Entertainment Group, bookrunners are already seeing strong interest from local and regional investors.

lion - about US\$240 million of which will be used in its animal protein segment, US\$120 million in dairy and US\$30 million to expand its consumer food segment in Indonesia, Vietnam and Myanmar.

"We anticipate that the funds needed for such capital expenditures will come from part of the net proceeds from the offering together with our internal cash and bank loans," Japfa said.

It plans expand its China dairy business and build another five-farm hub in Inner Mongolia. It has entered into a framework agreement with the Chifeng City Government of Inner Mongolia for the construction of this new five-farm hub, and intends to begin construction of the first farm before the end of 2014 and to complete the second five-farm hub in 2018.

Japfa also plans to invest in animal protein business in its target markets (including its swine business in Vietnam, poultry business outside Indonesia and beef business in the China).

Management is expected to be in Singapore and Hong Kong this week for roadshows, before heading to London next week.

Japfa, which boasts of Starbucks and Cold Storage among its customers, claims to be a market leader across multiple classes of protein foods, with an emphasis on milk, poultry and beef, complemented by growing businesses in swine and aquaculture.

It has operations in the high-growth emerging Asian markets of China, Indonesia, Vietnam, Myanmar and India - hosts to a combined population of more than three billion people.

Producing 1.5 million day-old chicks a day, it is one of the two largest producers of poultry in Indonesia.

Japfa has three operating segments: dairy, animal protein and consumer food.

For the fiscal year 2013, it generated a net profit of US\$81.4 million and a revenue of US\$2.7 billion. In FY2012, it made a net profit of US\$110.4 million on US\$2.3 billion in revenues.

Animal protein accounted for 67 per cent of the group's 2013 net profit; dairy 32 per cent and consumer food one per cent.

For 2014, it has approved capital expenditures of about US\$390 mil-

**'We believe that there is significant potential for growth in protein food consumption in our target markets.'**

*- Japfa Ltd, in its preliminary prospectus*

In Indonesia, it plans to increase its upstream production capacity. It has purchased land for a second dairy farm in Blitar, East Java, which it expects to be fully operational by the end of 2016. It also plans to replicate its industrialised operational model in Indonesia for poultry and beef in and across its other markets and other classes of proteins.

"We believe that there is significant potential for growth in protein food consumption in our target markets," Japfa said in its preliminary prospectus, citing the correlation between economic growth and protein consumption.

Credit Suisse (Singapore) Limited and DBS Bank Ltd are the joint global coordinators, joint issue managers, joint bookrunners and underwriters for the offering.



# Meat and dairy firm Japfa eyes SGX listing

By MELISSA TAN

THE company behind the Greenfields milk brand is aiming to list on the Singapore Exchange (SGX) and raise at least \$250 million.

Japfa, a meat and dairy producer, lodged a preliminary prospectus for an initial public offering (IPO) with the Monetary Authority of Singapore yesterday.

The firm, which is based here but controlled by Indonesia's Santosa family, has not announced the offer price or number of shares yet.

However, Japfa plans to raise at least \$250 million from the listing, according to a Bloomberg report earlier this month that cited sources.

The company said in its prospectus that it is one of the two biggest poultry firms in Indonesia, producing around 1.5 million day-old chicks per day. It also has one dairy farm in Indonesia that makes milk to be sold to major food and beverage companies such as Starbucks, it added.

The milk under its Greenfields brand all comes from that dairy farm in East Java, Japfa noted, adding that it has bought land for another farm in East Java that it expects to be fully operational by the end of 2016.

The company also rears pigs and fish.

It earned US\$81.4 million (S\$101 million) in net profit for the 12



Japfa, whose brand stable includes Greenfields milk, is controlled by Indonesia's Santosa family. It reportedly plans to raise at least \$250 million from the listing. PHOTO: TNP FILE

months to Dec 31 last year, down 26 per cent from US\$110.4 million the year before.

However, revenue climbed 16 per cent from about US\$2.3 billion in 2012 to around US\$2.7 billion last year.

Animal protein made up 87 per cent of revenue last year and dairy products 5 per cent. The remaining 8 per cent was from consumer food products.

Besides Indonesia, which accounted for 82 per cent of Japfa's revenue last year, it also has farms in Vietnam, China, Myanmar and India.

Japfa said it plans to use part of the net proceeds from its IPO to develop its China dairy business, where it focuses on producing and selling raw milk to Chinese dairies.

"There is a substantial shortfall in the supply of premium milk in China, as highlighted by several food safety scandals in recent years, and we believe that we are well positioned to benefit from this shortfall and from the expected growth in dairy consumption in that market," Japfa said.

The company aims to increase the number of its dairy farms in China, beginning with five farms in Inner Mongolia.

The rest of the net proceeds will mainly go towards investing in its animal protein segment and repaying debt.

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