

# PT. Charoen Pokphand Indonesia Tbk.

**BUY**

## Investment Consideration

### Anticipating lower 4Q2023 performance

- CPIN maintained a positive sales growth of +10% YoY to IDR 16.2 trillion in 3Q2023 due to increased sales from the Feed and Day-old Chick businesses. For 9M2023, CPIN also sustained positive sales growth of +15.5% YoY to IDR 47.1 trillion.
- Despite flat broiler average prices QoQ at IDR 21,050 in 3Q2023, which is +12.2% YoY, the Broiler business segment experienced a sales decline of -1% YoY or -13% QoQ to IDR 7.82 trillion in 3Q2023. The Broiler business segment recorded a negative EBIT margin at -0.6%.
- Processed chicken sales maintained double-digit growth of +30% YoY to IDR 2.79 trillion with a higher EBIT margin of 15.4%. Feed also recorded +13% YoY growth to IDR 4.5 trillion with a higher EBIT margin of 8.2% compared to 3Q2022 at 3.6%.
- DOC sales increased +83% YoY to IDR 684 billion due to DOC prices reaching their highest level in 3Q2023 of IDR 6,886 on average. This resulted in an improvement in the EBIT margin QoQ to 11.4%.
- We anticipate lower performance in 4Q2023 as corn prices have risen to IDR 9,000/kg while soybean meal remains low. Livebird and DOC prices also declined, with livebird at IDR 17,465 in December, the lowest since February 2023, while the DOC price reached IDR 1,754, the lowest since April 2020.

### 3Q2023: Quarterly improvement continues

- CPIN's bottom-line profit continued to improve in 3Q2023, with growth of +69% YoY or +14% QoQ to IDR 1.29 trillion. NPM also improved from 5.2% in 3Q2022 to 8.0% in 3Q2023.
- The cost of sales also increased +5.3% YoY but decreased slightly -1.6% QoQ. While gross profit still recorded +37.1% YoY growth to IDR 2.78 trillion with a higher GPM of 17.2% in 3Q2023.
- CPIN recorded an operating profit of IDR 1.78 trillion, +77% YoY growth, with an improved OPM of 11%.
- For 2023F, while margins have improved in 3Q2023, we expect more margin pressure in 4Q2023. For 2024F, we anticipate demand growth and higher livebird and DOC prices in 1Q2024 ahead of the Fasting month and Eid.

### Valuation: Maintain BUY

- We are targeting CPIN to trade at a 22x 2025F PE within a year. The Target Price is IDR 5,600, representing a 24% upside. We recommend BUY.

Financial Highlights	2021A	2022A	2023F	2024F	2025F
Sales (In IDR Bn)	51.698	56.868	61.540	66.200	71.332
Net Income (In IDR Bn)	3.617	2.928	3.158	3.815	4.111
EPS (IDR)	221	179	193	233	251
GPM (%)	15,7%	14,3%	14,0%	14,5%	14,5%
OPM (%)	9,5%	7,0%	7,6%	8,1%	8,1%
NPM (%)	7,0%	5,1%	5,1%	5,8%	5,8%
PBV (x)	3,9	3,5	2,8	3,3	3,2
PER (x)	27,0	31,6	24,0	24,1	22,3
Net debt/ equity (x)	0,2	0,3	0,3	0,3	0,3

Source: Company and Binaartha

29 January 2024  
Basic Industry – Poultry

Price	IDR	4,550
Target Price	IDR	5,600
JKSE Index		7,157.175



## Stock Information

<b>Bloomberg Code</b>	<b>CPIN IJ</b>
Market Cap (IDR bn)	74,610.9
52-week high (IDR)	5,975
52-week low (IDR)	4,330
Shares issued (mn)	11,726.6
Free float	44.5%

## Major share holders

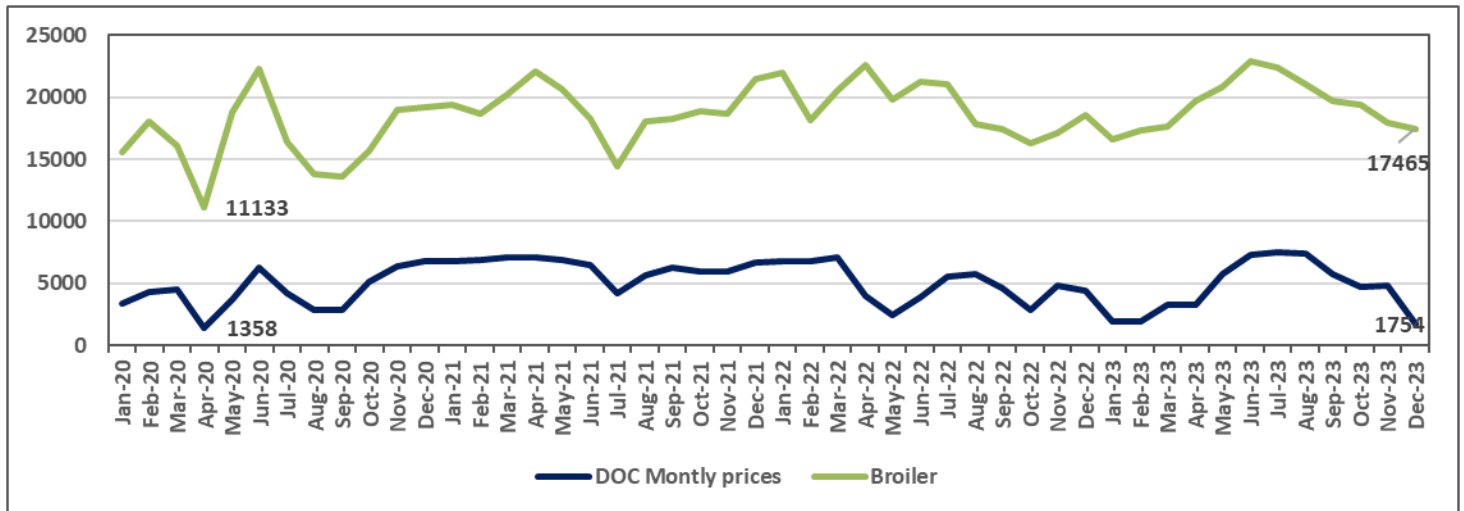
PT Charoen Pokphand Indonesia Group	55.5%
Public	44.5%

## USD/ IDR – YE (IDR)

2023	15,592
2024F (6m-avg)	15,773

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Chart: Broiler and DOC monthly prices in West Java



Source: Binaartha

Table: CPIN Income Statement Results QoQ and YoY

Income Statement (In IDR Bn)	2Q2023	3Q2023	QoQ	3Q2022	YoY	9M2022	9M2023	YoY
<b>Sales</b>	<b>16.328</b>	<b>16.237</b>	<b>-0,6%</b>	<b>14.801</b>	<b>9,7%</b>	<b>43.439</b>	<b>47.129</b>	<b>8,5%</b>
Cost of Sales	-13.671	-13.452	-1,6%	-12.771	5,3%	-36.517	-40.215	10,1%
<b>Gross Profit</b>	<b>2.657</b>	<b>2.785</b>	<b>4,8%</b>	<b>2.031</b>	<b>37,1%</b>	<b>6.921</b>	<b>6.914</b>	<b>-0,1%</b>
Operating Expenses	-989	-998	0,9%	-1.023	-2,4%	-2.744	-3.037	10,7%
<b>Operating Profit</b>	<b>1.668</b>	<b>1.787</b>	<b>7,1%</b>	<b>1.008</b>	<b>77,3%</b>	<b>4.177</b>	<b>3.877</b>	<b>-7,2%</b>
Other Income (Expenses)	-169	-182	8,0%	-131	39,5%	-302	-530	75,6%
<b>PBT</b>	<b>1.499</b>	<b>1.605</b>	<b>7,0%</b>	<b>877</b>	<b>83,0%</b>	<b>3.876</b>	<b>3.347</b>	<b>-13,6%</b>
Tax	-362	-307	-15,1%	-107	186,5%	-687	-672	-2,3%
<b>NIAT</b>	<b>1.137</b>	<b>1.298</b>	<b>14,1%</b>	<b>770</b>	<b>68,5%</b>	<b>3.188</b>	<b>2.676</b>	<b>-16,1%</b>
Non-controlling Interest	-0	-0	-79,4%	-1	-92,1%	-2	-1	-61,9%
<b>Net Income</b>	<b>1.137</b>	<b>1.298</b>	<b>14,1%</b>	<b>769</b>	<b>68,8%</b>	<b>3.186</b>	<b>2.675</b>	<b>-16,0%</b>
<b>EPS</b>	<b>69</b>	<b>79</b>	<b>14,1%</b>	<b>47</b>	<b>68,8%</b>	<b>194</b>	<b>163</b>	<b>-16,0%</b>
<b>GPM</b>	<b>16,3%</b>	<b>17,2%</b>		<b>13,7%</b>		<b>15,9%</b>	<b>14,7%</b>	
<b>OPM</b>	<b>10,2%</b>	<b>11,0%</b>		<b>6,8%</b>		<b>9,6%</b>	<b>8,2%</b>	
<b>NPM</b>	<b>7,0%</b>	<b>8,0%</b>		<b>5,2%</b>		<b>7,3%</b>	<b>5,7%</b>	

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Sales	42.501	42.519	51.698	56.868	61.540	66.200	71.332
Cost of Sales	-34.526	-34.264	-43.559	-48.724	-52.924	-56.601	-60.989
<b>Gross Profit</b>	<b>7.975</b>	<b>8.255</b>	<b>8.139</b>	<b>8.144</b>	<b>8.616</b>	<b>9.599</b>	<b>10.343</b>
Operating Expenses	-3.029	-3.117	-3.205	-4.160	-3.939	-4.237	-4.565
<b>Operating Profit</b>	<b>4.946</b>	<b>5.138</b>	<b>4.934</b>	<b>3.984</b>	<b>4.677</b>	<b>5.362</b>	<b>5.778</b>
Other Income (Expenses)	-338	-370	-301	-447	-677	-530	-571
<b>PBT</b>	<b>4.609</b>	<b>4.768</b>	<b>4.634</b>	<b>3.537</b>	<b>4.000</b>	<b>4.833</b>	<b>5.207</b>
Tax	-966	-922	-1.015	-607	-840	-1.015	-1.094
<b>NIAT</b>	<b>3.642</b>	<b>3.846</b>	<b>3.619</b>	<b>2.930</b>	<b>3.160</b>	<b>3.818</b>	<b>4.114</b>
Non-controlling Interest	2	-4	-2	-2	-2	-3	-3
<b>Net Income</b>	<b>3.645</b>	<b>3.842</b>	<b>3.617</b>	<b>2.928</b>	<b>3.158</b>	<b>3.815</b>	<b>4.111</b>
EPS	222	234	221	179	193	233	251
EBITDA	5.912	6.074	5.943	5.098	5.678	6.755	7.200

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2020A	2021A	2022A	2023F	2024F	2025F
Net Income	3.842	3.617	2.928	3.158	3.815	4.111
Depreciation	863	981	1.140	1.058	1.121	1.188
Change in WC	416	-578	196	-102	209	266
<b>Cash From Operating Activities</b>	<b>5.121</b>	<b>4.020</b>	<b>4.264</b>	<b>4.114</b>	<b>5.145</b>	<b>5.565</b>
Change in Non-current Asset	-2.377	-3.085	-3.226	-1.654	-2.193	-2.305
<b>Cash From Investing Activities</b>	<b>-2.377</b>	<b>-3.085</b>	<b>-3.226</b>	<b>-1.654</b>	<b>-2.193</b>	<b>-2.305</b>
Long-term liabilities	-878	-396	1.235	-126	1.046	51
Others Noncurrent Liabilities	238	403	-284	44	44	49
Equity	-1.388	-1.817	-1.751	-2.517	-3.049	-3.286
<b>Cash From Financing Activities</b>	<b>-2.028</b>	<b>-1.810</b>	<b>-800</b>	<b>-2.599</b>	<b>-1.959</b>	<b>-3.186</b>
<b>Net Changes in Cash</b>	<b>716</b>	<b>-875</b>	<b>239</b>	<b>-139</b>	<b>993</b>	<b>73</b>
Beginning Balance	1.961	2.678	1.803	2.042	1.903	2.896
Ending Balance	2.677	1.803	2.042	1.903	2.896	2.969

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2020A	2021A	2022A	2023F	2024F	2025F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	2.678	1.803	2.042	1.903	2.896	2.969
Trade Accounts Receivable	1.978	1.794	2.094	2.462	2.648	2.853
Inventories	5.693	7.655	9.000	8.923	9.268	9.630
Others Current Assets	3.183	4.462	4.896	4.923	4.965	4.993
<b>Total Current Assets</b>	<b>13.532</b>	<b>15.715</b>	<b>18.031</b>	<b>18.211</b>	<b>19.777</b>	<b>20.445</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	14.494	16.256	17.628	18.686	19.807	20.995
Breeding Cattles	632	634	600	650	699	753
Other Noncurrent Assets	2.502	2.842	3.588	3.077	2.979	2.853
<b>Total Noncurrent Assets</b>	<b>17.627</b>	<b>19.731</b>	<b>21.816</b>	<b>22.412</b>	<b>23.485</b>	<b>24.601</b>
<b>TOTAL ASSETS</b>	<b>31.159</b>	<b>35.446</b>	<b>39.848</b>	<b>40.623</b>	<b>43.261</b>	<b>45.047</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term Bank Loans	2.770	4.587	6.649	6.769	7.282	7.847
Trade Account Payable	1.894	1.572	2.446	2.462	2.648	2.853
Others Current Liabilities	692	1.677	1.014	1.095	1.178	1.270
<b>Total Current Liabilities</b>	<b>5.356</b>	<b>7.836</b>	<b>10.109</b>	<b>10.326</b>	<b>11.108</b>	<b>11.970</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term liabilities	705	279	560	606	652	702
Long-term Bank loan	1.328	1.358	2.312	2.140	3.140	3.140
Others Noncurrent Liabilities	420	823	539	584	628	676
<b>Total Noncurrent Liabilities</b>	<b>2.453</b>	<b>2.460</b>	<b>3.411</b>	<b>3.329</b>	<b>4.419</b>	<b>4.519</b>
<b>TOTAL LIABILITIES</b>	<b>7.810</b>	<b>10.296</b>	<b>13.520</b>	<b>13.656</b>	<b>15.528</b>	<b>16.488</b>
Non-controlling interest	17	15	17	24	26	28
<b>EQUITY</b>	<b>23.333</b>	<b>25.135</b>	<b>26.311</b>	<b>26.944</b>	<b>27.708</b>	<b>28.531</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>31.159</b>	<b>35.446</b>	<b>39.848</b>	<b>40.624</b>	<b>43.262</b>	<b>45.047</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2020A	2021A	2022A	2023F	2024F	2025F
<b>Growth (% YoY)</b>						
Sales	0,0%	21,6%	10,0%	8,2%	7,6%	7,8%
OP	3,9%	-4,0%	-19,3%	17,4%	14,6%	7,8%
EBITDA	2,7%	-2,1%	-14,2%	11,4%	19,0%	6,6%
NP	5,4%	-5,9%	-19,0%	7,8%	20,8%	7,8%
EPS	5,4%	-5,9%	-19,0%	7,8%	20,8%	7,8%
<b>Profitability (%)</b>						
Gross Margin	19,4%	15,7%	14,3%	14,0%	14,5%	14,5%
Operating Margin	12,1%	9,5%	7,0%	7,6%	8,1%	8,1%
EBITDA margin	14,3%	11,5%	9,0%	9,2%	10,2%	10,1%
NET Profit margin	9,0%	7,0%	5,1%	5,1%	5,8%	5,8%
ROA	12,3%	10,2%	7,3%	7,8%	8,8%	9,1%
ROE	16,5%	14,4%	11,1%	11,7%	13,8%	14,4%
<b>Solvability (x)</b>						
Net debt/ equity	0,1	0,2	0,3	0,3	0,3	0,3
Tot. debt/ Tot.equity	0,3	0,4	0,5	0,5	0,6	0,6
Debt Ratio	0,3	0,3	0,3	0,3	0,4	0,4
<b>Liquidity (x)</b>						
Current Ratio	2,5	2,0	1,8	1,8	1,8	1,7
Cash Ratio	0,5	0,2	0,2	0,2	0,3	0,2
<b>Per Share data</b>						
EPS (IDR)	234	221	179	193	233	251
PBV (x)	5	4	4	3	3	3
PER (x)	28	27	32	24	24	22
EBITDA/share	370	362	311	346	412	439

Source: Company and Binaartha

**Stock Ratings:**

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
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