

PT. Charoen Pokphand Indonesia Tbk.

BUY

Investment Consideration

Negative sales in 4Q2020

- CPIN recorded negative sales in 4Q2020 of IDR -766 billion while for 2020FY sales slightly increased +0.04% YoY to IDR 42.5 trillion.
- Broiler and Processed chicken recorded positive sales of IDR 5.85 trillion and IDR 1.4 trillion in 4Q2020.
- For 2020FY, CPIN maintained positive-growth for broiler and processed chicken sales. Broiler contributed the most with IDR 19.03 trillion which is growth of 10% YoY and a 45% contribution to total sales, followed by Feed with a 33% contribution or IDR 14.2 trillion, down -11% YoY. Processed chicken grew +15% YoY to IDR 5.6 trillion. DOC dropped -22% YoY to IDR 2.16 trillion.
- As the price has started to recover from early 2021 with stronger sales of broiler and DOC, we expect positive sales growth in 2021.

Higher Margins in 2020

- CPIN net profit was IDR 1.6 trillion in 4Q2020, up +45% YoY, despite the negative sales as the cost of sales turned positive IDR 3.72 trillion in 4Q2020.
- For 2020FY, CPIN still recorded positive growth of net profit +5% YoY to IDR 3.8 trillion and the net profit margin slightly increased to 9% from 8.6%.
- Cost of sales slightly decreased by -0.7% YoY to IDR 34.2 trillion and gross profit increased +4% YoY to IDR 8.25 trillion with a higher gross profit margin of 19.4% from 18.8%.
- Operating profit grew +4% YoY to IDR 5.14 trillion in line with a higher operating profit margin, of 12.1% from 11.6%.
- The positive sentiment from government supply adjustments has significantly improved prices since early 2021.
- We are expecting stable margins in 2021, and we expect CPIN's sales to reach IDR 47.4 trillion with net profit of IDR 4.2 trillion.

Valuation: TP 8,400, 20% upside

- We are targeting CPIN to trade at a 31x 2022F PE within a year. Target Price is IDR 8,400 which represents 20% upside. Our recommendation is BUY.

Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Sales (In IDR Bn)	49.367	53.958	42.501	42.519	47.410	52.940
Net Income (In IDR Bn)	2.498	4.554	3.645	3.842	4.226	4.719
EPS (IDR)	152	278	222	234	258	271
GPM (%)	12,7%	16,9%	18,8%	19,4%	19,0%	19,0%
OPM (%)	7,5%	12,0%	11,6%	12,1%	11,9%	11,9%
NPM (%)	5,1%	8,4%	8,6%	9,0%	8,9%	8,9%
Net debt/ equity (x)	0,2	0,1	0,2	0,1	0,1	0,1

11 June 2021
Basic Industry – Poultry

Price	IDR	7,000
Target Price	IDR	8,400
JKSE Index		6,107.538



Stock Information

Bloomberg Code	CPIN IJ
Market Cap (IDR bn)	114,020
52-week high (IDR)	7,850
52-week low (IDR)	5,225
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	6,584
Free float	44.5%

Major share holders

PT Charoen Pokphand Indonesia Group	55.5%
Public	44.5%

USD/ IDR – YE (IDR)

2020	14,175
2021F (6m-avg)	14,285

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Company Profile

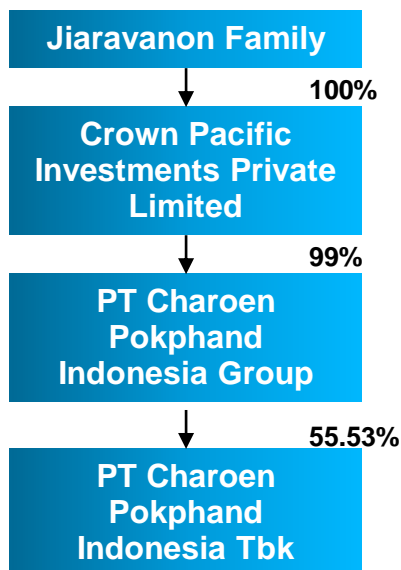
PT Charoen Pokphand Indonesia Tbk. (CPIN) is Indonesia’s largest producer of poultry. The company was founded in 1972 by Charoen Pokphand Group and became publicly listed since 1991. The company has several business segments, the biggest contributor is the feed segment, followed by broiler, day old chicks (doc), processed chickens, and other segments, which consist of packaging, poultry equipment and others.

In the processed chicken business, the company has developed several leading brands such as GOLDEN FIESTA, FIESTA, CHAMP and OKEY, with various products, such as Karage, Nugget, Spicy Wing, Sausage and others.



Source: CP Food

Company Structure



Source: Company

CPIN 4Q2020 Income Statement Results

Income Statement (In IDR Bn)	4Q19	4Q20	Growth (%)
Sales	-1.398	-766	-45,2%
Cost of Sales	3.907	3.724	-4,7%
Gross Profit	2.509	2.957	17,9%
Operating Expenses	-992	-939	-5,3%
Operating Profit	1.517	2.018	33,1%
Other Income (Expenses)	-91	-79	-13,1%
PBT	1.425	1.939	36,0%
Tax	-349	-371	6,6%
NIAT	1.077	1.567	45,6%
Non-controlling Interest	3	-6	-284,1%
Net Income	1.080	1.561	44,6%
EPS	66	95	44,6%

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Sales	38.257	49.367	53.958	42.501	42.519	47.410	52.940
Cost of Sales	-31.743	-43.116	-44.823	-34.526	-34.264	-38.402	-42.881
Gross Profit	6.514	6.251	9.135	7.975	8.255	9.008	10.059
Operating Expenses	-2.096	-2.535	-2.647	-3.029	-3.117	-3.366	-3.759
Operating Profit	4.417	3.716	6.488	4.946	5.138	5.642	6.300
Other Income (Expenses)	-433	-461	-581	-338	-370	-427	-476
PBT	3.984	3.256	5.907	4.609	4.768	5.215	5.823
Tax	-1.732	-759	-1.356	-966	-922	-991	-1.106
NIAT	2.252	2.497	4.552	3.642	3.846	4.224	4.717
Non-controlling Interest	-5	1	3	2	-4	2	2
Net Income	2.221	2.498	4.554	3.645	3.842	4.226	4.719
EPS	135	152	278	222	234	258	271
EBITDA	5.399	4.573	7.310	5.912	6.074	6.404	7.264

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	2.498	4.554	3.645	3.842	4.226	4.719
Depreciation	821	890	856	863	870	922
Change in WC	-1.105	-1.694	648	416	-1.989	-80
Cash From Operating Activities	2.214	3.750	5.149	5.121	3.107	5.561
Capex	-1.236	-1.635	-3.422	-2.377	-2.098	-2.251
Cash From Investing Activities	-1.236	-1.635	-3.422	-2.377	-2.098	-2.251
Long-term liabilities	-566	-746	62	-878	435	-905
Others Noncurrent Liabilities	-170	507	-490	238	48	55
Equity	-952	-867	-2.140	-1.388	-2.111	-2.356
Cash From Financing Activities	-1.689	-1.105	-2.568	-2.028	-1.628	-3.207
Net Changes in Cash	-711	1.010	-841	716	-619	104
Beginning Balance	2.504	1.793	2.803	1.961	2.678	2.059
Ending Balance	1.794	2.803	1.962	2.677	2.059	2.163

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	2.504	1.793	2.803	1.961	2.678	2.059	2.163
Trade Accounts Receivable	2.596	2.568	3.020	2.123	1.978	2.206	2.463
Inventories	5.110	5.697	5.835	5.812	5.693	6.163	6.882
Others Current Assets	1.608	1.663	2.440	3.100	3.183	3.556	3.970
Total Current Assets	11.818	11.721	14.098	12.996	13.532	13.984	15.478
NONCURRENT ASSETS							
Fixed Assets	11.234	11.009	11.685	13.522	14.494	15.364	16.285
Breeding Cattles	242	347	501	648	632	704	786
Other Noncurrent Assets	912	1.445	1.361	1.943	2.502	2.788	3.113
Total Noncurrent Assets	12.387	12.802	13.547	16.113	17.627	18.856	20.185
TOTAL ASSETS	24.205	24.523	27.645	29.109	31.159	32.839	35.663
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	1.400	1.750	1.700	2.770	2.770	1.770	2.770
Trade Account Payable	1.745	1.791	2.195	1.825	1.894	1.896	2.118
Others Current Liabilities	2.405	1.519	838	525	692	772	862
Total Current Liabilities	5.550	5.060	4.733	5.120	5.356	4.438	5.749
NONCURRENT LIABILITIES							
Long-term liabilities	516	590	571	633	705	640	735
Long-term Bank loan	3.646	3.005	2.278	2.278	1.328	1.828	828
Others Noncurrent Liabilitie	336	165	672	183	420	469	523
Total Noncurrent Liabilities	4.497	3.760	3.521	3.093	2.453	2.937	2.086
TOTAL LIABILITIES	10.048	8.820	8.254	8.213	7.810	7.375	7.836
Non-controlling interest	19	18	15	13	17	19	21
EQUITY	14.138	15.685	19.376	20.883	23.333	25.446	27.806
TOTAL LIABILITIES & EQUITY	24.205	24.523	27.645	29.109	31.159	32.839	35.663

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)						
Sales	29,0%	9,3%	-21,2%	0,0%	11,5%	11,7%
OP	-15,9%	74,6%	-23,8%	3,9%	9,8%	11,7%
EBITDA	-15,3%	59,9%	-19,1%	2,7%	5,4%	13,4%
NP	12,5%	82,3%	-20,0%	5,4%	10,0%	11,7%
EPS	12,5%	82,3%	-20,0%	5,4%	10,0%	5,2%
Profitability (%)						
Gross Margin	12,7%	16,9%	18,8%	19,4%	19,0%	19,0%
Operating Margin	7,5%	12,0%	11,6%	12,1%	11,9%	11,9%
EBITDA margin	9,3%	13,5%	13,9%	14,3%	13,5%	13,7%
NET Profit margin	5,1%	8,4%	8,6%	9,0%	8,9%	8,9%
ROA	10,2%	16,5%	12,5%	12,3%	12,9%	13,2%
ROE	15,9%	23,5%	17,5%	16,5%	16,6%	17,0%
Solvability (x)						
Net debt/ equity	0,2	0,1	0,2	0,1	0,1	0,1
Tot. debt/ Tot.equity	0,6	0,4	0,4	0,3	0,3	0,3
Debt Ratio	0,4	0,3	0,3	0,3	0,2	0,2
Liquidity (x)						
Current Ratio	2,3	3,0	2,5	2,5	3,2	2,7
Cash Ratio	0,4	0,6	0,4	0,5	0,5	0,4
Per Share data (IDR)						
EPS	152	278	222	234	258	271
BV	957	1.182	1.274	1.423	1.552	1.598
EBITDA/share	279	446	361	370	391	418

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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