

PT. Charoen Pokphand Indonesia Tbk.

BUY

Investment Consideration

Double Digit growth

- Despite lower demand as the higher commodity prices forced an increase in the ASP, CPIN maintained double digit sales growth of +12.4% YoY to IDR 28.6 trillion in the 1H2022. For 2Q2022, CPIN also maintained positive sales growth of +9.8% YoY or +0.3% QoQ.
- Broiler had the fastest growth of +22.7% YoY to IDR 8.3 trillion in 2Q2022. followed by processed chicken with +14.3% growth YoY to IDR 2.1 trillion. Feed and DOC sales decreased -7.4% YoY and -48.5% YoY respectively due to a drop in DOC prices.
- In terms of EBIT margin, Feed margins continued to improve from 22% in 4Q2021 to 29.2% in 2Q2022. Broiler margins become positive at 4.7% from negative at -0.04% in 1Q2022. Processed chicken EBIT margins decreased to 8.9% from 12.4% in 1Q2022. DOC margins also decreased to 14.7% because of a lower DOC price in 2Q2022.
- In line with higher ASPs, we are targeting 9% YoY sales growth this year to IDR 56.5 trillion.

2Q2022: Quarterly improvement continues

- CPIN's bottom line profit continued to improve in 2Q2022, with +3.2% YoY growth but was still lower compared to last year -11% YoY to IDR 1.22 trillion. NPM also improved from 8.3% in 1Q2022 to 8.6% in 2Q2022.
- For 1H2022, CPIN booked net profit of IDR 2.4 trillion, a decrease of -14.7% YoY with a lower NPM at 8.4%.
- The cost of sales also increased +14% YoY but decreased slightly -0.6% QoQ due to higher raw material costs from higher commodity prices. This resulted in a decrease in gross profit by -6.3% YoY but it was higher by +4.9% QoQ to IDR 2.5 trillion. GPM improved quarterly from 16.7% in 1Q2022 to 17.5% in 2Q2022.
- CPIN recorded an operating profit of IDR 1.64 trillion, down -10.8% YoY but higher +5.5% QoQ.
- As margins have improved in 2Q2022, we expect CPIN's profit will reach IDR 4.14 trillion this year which is 14% growth.

Valuation: TP 6,990, 24% upside

- We are targeting CPIN to trade at a 27x 2022F PE within a year. Target Price is IDR 6,990 which represents 24% upside. We recommend BUY.

Financial Highlights	2018A	2019A	2020A	2021A	2022F	2023F
Sales (In IDR Bn)	53.958	42.501	42.519	51.698	56.495	62.447
Net Income (In IDR Bn)	4.554	3.645	3.842	3.617	4.140	4.576
EPS (IDR)	278	222	234	221	252	279
GPM (%)	16,9%	18,8%	19,4%	15,7%	16,0%	16,0%
OPM (%)	12,0%	11,6%	12,1%	9,5%	10,0%	10,0%
NPM (%)	8,4%	8,6%	9,0%	7,0%	7,3%	7,3%
Net debt/ equity (x)	0,1	0,2	0,1	0,2	0,3	0,4

Source: Company and Binaartha

12 August 2022
Basic Industry – Poultry

Price	IDR	5,650
Target Price	IDR	6,990
JKSE Index		7,160.385



Stock Information

Bloomberg Code	CPIN IJ
Market Cap (IDR bn)	82,399
52-week high (IDR)	6,750
52-week low (IDR)	4,800
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	5,524
Free float	44.5%

Major share holders

PT Charoen Pokphand Indonesia Group	55.5%
Public	44.5%

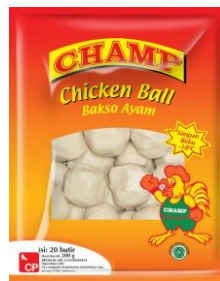
USD/ IDR – YE (IDR)

2021	14,300
2022F (6m-avg)	14,350

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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 in 1991. The company has several business segments, the biggest contributor is feed, followed by broiler, day old chicks (DOC), processed chicken, and others, 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

Table: CPIN Income Statement Results QoQ and YoY

Income Statement (In IDR Bn)	2Q2021	2Q2022	YoY	1H2021	1H2022	YoY	1Q2022	QoQ
Sales	13.064	14.343	9,8%	25.469	28.637	12,4%	14.294	0,3%
Cost of Sales	-10.391	-11.839	13,9%	-20.191	-23.747	17,6%	-11.907	-0,6%
Gross Profit	2.673	2.504	-6,3%	5.278	4.891	-7,3%	2.387	4,9%
Operating Expenses	-849	-877	3,2%	-1.555	-1.721	10,7%	-844	3,8%
Operating Profit	1.824	1.627	-10,8%	3.723	3.170	-14,9%	1.543	5,5%
Other Income (Expenses)	-79	-101	27,5%	-156	-171	10,1%	-70	43,5%
PBT	1.744	1.526	-12,5%	3.567	2.998	-15,9%	1.472	3,7%
Tax	-366	-298	-18,6%	-734	-580	-20,9%	-282	5,5%
NIAT	1.378	1.228	-10,9%	2.833	2.418	-14,7%	1.190	3,2%
Non-controlling Interest	-1	-1	41,6%	-0	-1	277,4%	-0	183,6%
Net Income	1.378	1.227	-10,9%	2.833	2.417	-14,7%	1.190	3,2%
EPS	84	75	-10,9%	173	147	-14,7%	73	3,2%
GPM	20,5%	17,5%		20,7%	17,1%		16,7%	
OPM	14,0%	11,3%		14,6%	11,1%		10,8%	
NPM	10,5%	8,6%		11,1%	8,4%		8,3%	

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	38.257	49.367	53.958	42.501	42.519	51.698	56.495	62.447
Cost of Sales	-31.743	-43.116	-44.823	-34.526	-34.264	-43.559	-47.456	-52.455
Gross Profit	6.514	6.251	9.135	7.975	8.255	8.139	9.039	9.992
Operating Expenses	-2.096	-2.535	-2.647	-3.029	-3.117	-3.205	-3.390	-3.747
Operating Profit	4.417	3.716	6.488	4.946	5.138	4.934	5.649	6.245
Other Income (Expenses)	-433	-461	-581	-338	-370	-301	-339	-375
PBT	3.984	3.256	5.907	4.609	4.768	4.634	5.311	5.870
Tax	-1.732	-759	-1.356	-966	-922	-1.015	-1.168	-1.291
NIAT	2.252	2.497	4.552	3.642	3.846	3.619	4.142	4.579
Non-controlling Interest	-5	1	3	2	-4	-2	-2	-2
Net Income	2.221	2.498	4.554	3.645	3.842	3.617	4.140	4.576
EPS	135	152	278	222	234	221	252	279
EBITDA	5.399	4.573	7.310	5.912	6.074	5.943	6.987	7.554

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	2.498	4.554	3.645	3.842	3.617	4.140	4.576
Depreciation	821	890	856	863	981	975	1.034
Change in WC	-1.105	-1.694	648	416	-578	-591	515
Cash From Operating Activities	2.214	3.750	5.149	5.121	4.020	4.524	6.125
Change in Non-current Asset	-1.236	-1.635	-3.422	-2.377	-3.085	-1.777	-2.653
Cash From Investing Activities	-1.236	-1.635	-3.422	-2.377	-3.085	-1.777	-2.653
Long-term liabilities	-566	-746	62	-878	-396	418	32
Others Noncurrent Liabilities	-170	507	-490	238	403	76	95
Equity	-952	-867	-2.140	-1.388	-1.817	-3.304	-3.658
Cash From Financing Activities	-1.689	-1.105	-2.568	-2.028	-1.810	-2.809	-3.531
Net Changes in Cash	-711	1.010	-841	716	-875	-62	-59
Beginning Balance	2.504	1.793	2.803	1.961	2.678	1.803	1.742
Ending Balance	1.794	2.803	1.962	2.677	1.803	1.742	1.683

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	2.803	1.961	2.678	1.803	1.742	1.683
Trade Accounts Receivable	3.020	2.123	1.978	1.794	1.695	1.873
Inventories	5.835	5.812	5.693	7.655	9.604	9.992
Others Current Assets	2.440	3.100	3.183	4.462	5.085	5.620
Total Current Assets	14.098	12.996	13.532	15.715	18.125	19.168
NONCURRENT ASSETS						
Fixed Assets	11.685	13.522	14.494	16.256	17.231	18.265
Breeding Cattles	501	648	632	634	692	765
Other Noncurrent Assets	1.361	1.943	2.502	2.842	2.610	3.122
Total Noncurrent Assets	13.547	16.113	17.627	19.731	20.533	22.152
TOTAL ASSETS	27.645	29.109	31.159	35.446	38.658	41.320
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	1.700	2.770	2.770	4.587	6.587	7.587
Trade Account Payable	2.195	1.825	1.894	1.572	1.718	1.873
Others Current Liabilities	838	525	692	1.677	1.412	1.873
Total Current Liabilities	4.733	5.120	5.356	7.836	9.717	11.334
NONCURRENT LIABILITIES						
Long-term liabilities	571	633	705	279	305	337
Long-term Bank loan	2.278	2.278	1.328	1.358	1.750	1.750
Others Noncurrent Liabilities	672	183	420	823	900	995
Total Noncurrent Liabilities	3.521	3.093	2.453	2.460	2.955	3.082
TOTAL LIABILITIES	8.254	8.213	7.810	10.296	12.672	14.415
Non-controlling interest	15	13	17	15	22	24
EQUITY	19.376	20.883	23.333	25.135	25.964	26.880
TOTAL LIABILITIES & EQUITY	27.645	29.109	31.159	35.446	38.658	41.320

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)						
Sales	9,3%	-21,2%	0,0%	21,6%	9,3%	10,5%
OP	74,6%	-23,8%	3,9%	-4,0%	14,5%	10,5%
EBITDA	59,9%	-19,1%	2,7%	-2,1%	17,5%	8,1%
NP	82,3%	-20,0%	5,4%	-5,9%	14,5%	10,5%
EPS	82,3%	-20,0%	5,4%	-5,9%	14,5%	10,5%
Profitability (%)						
Gross Margin	16,9%	18,8%	19,4%	15,7%	16,0%	16,0%
Operating Margin	12,0%	11,6%	12,1%	9,5%	10,0%	10,0%
EBITDA margin	13,5%	13,9%	14,3%	11,5%	12,4%	12,1%
NET Profit margin	8,4%	8,6%	9,0%	7,0%	7,3%	7,3%
ROA	16,5%	12,5%	12,3%	10,2%	10,7%	11,1%
ROE	23,5%	17,5%	16,5%	14,4%	15,9%	17,0%
Solvability (x)						
Net debt/ equity	0,1	0,2	0,1	0,2	0,3	0,4
Tot. debt/ Tot.equity	0,4	0,4	0,3	0,4	0,5	0,5
Debt Ratio	0,3	0,3	0,3	0,3	0,3	0,3
Liquidity (x)						
Current Ratio	3,0	2,5	2,5	2,0	1,9	1,7
Cash Ratio	0,6	0,4	0,5	0,2	0,2	0,1
Per Share data (IDR)						
EPS	278	222	234	221	252	279
BV	1.182	1.274	1.423	1.533	1.583	1.639
EBITDA/share	446	361	370	362	426	461

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**.

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