

## PT. Charoen Pokphand Indonesia Tbk.

**HOLD**

### Investment Consideration

#### Sales Increases in 3Q2020

- CPIN recorded better sales in 3Q2020, both YoY and QoQ. CPIN 3Q2020 revenue increased +14.4% QoQ to IDR 15.68 trillion also up +9.5% YoY. For 9M2020, CPIN's revenue decreased slightly -1.4% YoY to IDR 43.28 trillion due to lower sales in 1Q2020 and 2Q2020.
- Most of CPIN's businesses (Feeds +20%, Broiler +13%, DOC +23%, others +3%) except for the processed chicken (-10%) showed single to double-digit growth QoQ.
- The Feeds business is still the biggest contributor to revenue at 47% in 3Q2020, followed by broiler 31%, DOC 11%, processed chicken 8% and others 3%.
- Demand in 3Q2020 increased as the PSBB restrictions were eased. We are expecting 4Q2020-2021 demand will gradually recover in line with a recovery of Indonesian private consumption.

#### 3Q2020: Margin decline

- CPIN booked net profit of IDR 628 billion in 3Q2020, down -25% YoY, -14% QoQ. The net profit margin dropped to 4% from 5.8% in 3Q2019 and 5.3% in 2Q2020.
- Cost of sales increased in line with sales by +12.5% YoY or 16.9% QoQ. With lower ASPs of broiler and DOC in 3Q2020.
- CPIN gross profit also decreased -3.5% QoQ to IDR1.65 trillion and the gross profit margin dropped to 10.5% from 12.5% in 2Q2020 and 13% in 3Q2019.
- Operating profit dropped -23.7% YoY and -10.6% QoQ to IDR 875 billion in line with a lower operating profit margin, 5.6% from 7.1% in 2Q2020.
- The positive sentiment from the PSBB transition in 3Q2020 couldn't offset lower broiler and DOC prices. The supply adjustment by the government has not significantly improved prices in 3Q2020 but the price has increased in 4Q2020.
- We are expecting stable margins in 2021, and we expect single digit growth of CPIN's sales to IDR 61.5 trillion and CPIN's profit to IDR 3.4 trillion.

#### Valuation: TP 7,050, 10% upside

- As prices and demand are gradually improving, we are targeting CPIN to trade at 34x 2021F PE within a year. Target Price is IDR 7,050 which represents 10% upside. Our recommendation is HOLD.

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Sales (In IDR Bn)	38.257	49.367	53.958	58.634	57.713	61.496
Net Income (In IDR Bn)	2.221	2.498	4.554	3.635	2.966	3.403
EPS (IDR)	135	152	278	222	181	208
GPM (%)	17,0%	12,7%	16,9%	13,8%	12,5%	13,0%
OPM (%)	11,5%	7,5%	12,0%	8,4%	7,2%	7,7%
NPM (%)	5,8%	5,1%	8,4%	6,2%	5,1%	5,5%
Net debt/ equity (x)	0,2	0,2	0,1	0,2	0,2	0,2

Source: Company and Binaartha

21 January 2021  
Basic Industry – Poultry

Price	IDR	6,400
Target Price	IDR	7,050
JKSE Index		6,429.758



### Stock Information

<b>Bloomberg Code</b>	<b>CPIN IJ</b>
Market Cap (IDR bn)	109,456.7
52-week high (IDR)	7,375
52-week low (IDR)	3,800
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	5,225
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)	14,046

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**Company Profile**

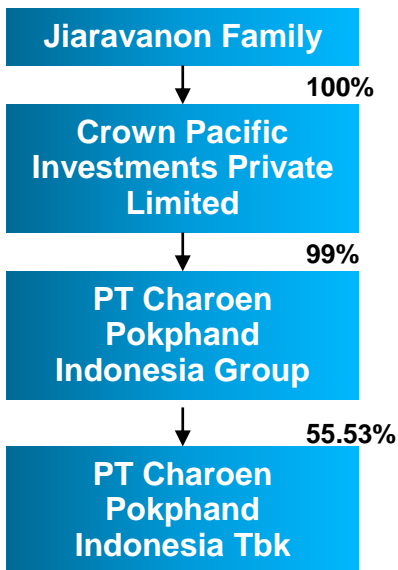
PT Charoen Pokphand Indonesia Tbk. (CPIN) is Indonesia’s largest producer of poultry. The company was founded in 1972 by Charoen Pokphand Group and became publicly listed since 1991. The company have several business segments, the biggest contributor is the feed segment, followed by broiler, day old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

In 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.



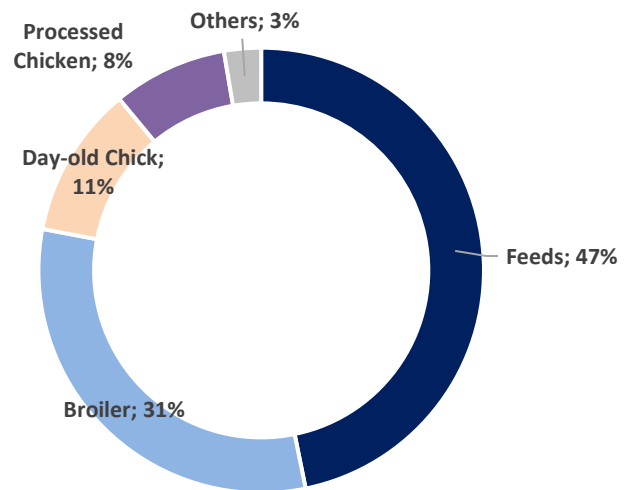
Source: CP Food

**Company Structure**



Source: Company

**CPIN Revenue Breakdown in 3Q2020**



Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
<b>Sales</b>	<b>38.257</b>	<b>49.367</b>	<b>53.958</b>	<b>58.634</b>	<b>57.713</b>	<b>61.496</b>
Cost of Sales	-31.743	-43.116	-44.823	-50.538	-50.499	-53.502
<b>Gross Profit</b>	<b>6.514</b>	<b>6.251</b>	<b>9.135</b>	<b>8.096</b>	<b>7.214</b>	<b>7.995</b>
Operating Expenses	-2.096	-2.535	-2.647	-3.163	-3.059	-3.259
<b>Operating Profit</b>	<b>4.417</b>	<b>3.716</b>	<b>6.488</b>	<b>4.933</b>	<b>4.155</b>	<b>4.735</b>
Other Income (Expenses)	-433	-461	-581	-338	-404	-430
<b>PBT</b>	<b>3.984</b>	<b>3.256</b>	<b>5.907</b>	<b>4.595</b>	<b>3.751</b>	<b>4.305</b>
Tax	-1.732	-759	-1.356	-963	-788	-904
<b>NIAT</b>	<b>2.252</b>	<b>2.497</b>	<b>4.552</b>	<b>3.632</b>	<b>2.964</b>	<b>3.401</b>
Non-controlling Interest	-5	1	3	2	2	2
<b>Net Income</b>	<b>2.221</b>	<b>2.498</b>	<b>4.554</b>	<b>3.635</b>	<b>2.966</b>	<b>3.403</b>
<b>EPS</b>	<b>135</b>	<b>152</b>	<b>278</b>	<b>222</b>	<b>181</b>	<b>208</b>
<b>EBITDA</b>	<b>5.399</b>	<b>4.573</b>	<b>7.310</b>	<b>5.899</b>	<b>4.243</b>	<b>4.779</b>

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020F	2021F
Net Income	2.498	4.554	3.635	2.966	3.403
Depreciation	821	890	856	0	0
Change in WC	-1.105	-1.694	414	1.621	195
<b>Cash From Operating Activities</b>	<b>2.214</b>	<b>3.750</b>	<b>4.904</b>	<b>4.587</b>	<b>3.598</b>
Capex	-1.236	-1.635	-3.364	-1.320	-1.223
<b>Cash From Investing Activities</b>	<b>-1.236</b>	<b>-1.635</b>	<b>-3.364</b>	<b>-1.320</b>	<b>-1.223</b>
Long-term liabilities	74	-746	62	-658	-483
Others Noncurrent Liabilities	-170	507	-490	-9	11
Equity	-952	-867	-1.954	-1.483	-1.701
<b>Cash From Financing Activities</b>	<b>-1.049</b>	<b>-1.105</b>	<b>-2.382</b>	<b>-2.151</b>	<b>-2.173</b>
<b>Net Changes in Cash</b>	<b>-70</b>	<b>1.010</b>	<b>-842</b>	<b>1.116</b>	<b>203</b>
<b>Beginning Balance</b>	<b>2.504</b>	<b>1.793</b>	<b>2.803</b>	<b>1.961</b>	<b>3.077</b>
<b>Ending Balance</b>	<b>2.434</b>	<b>2.803</b>	<b>1.961</b>	<b>3.077</b>	<b>3.280</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2016A	2017A	2018A	2019A	2020F	2021F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	2.504	1.793	2.803	1.961	3.077	3.280
Trade Accounts Receivable	2.596	2.568	3.020	3.239	3.188	3.397
Inventories	5.110	5.697	5.835	5.718	5.628	5.842
Others Current Assets	1.608	1.663	2.440	2.380	2.299	2.152
<b>Total Current Assets</b>	<b>11.818</b>	<b>11.721</b>	<b>14.098</b>	<b>13.298</b>	<b>14.192</b>	<b>14.671</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	11.234	11.009	11.685	13.522	14.487	15.520
Breeding Cattles	242	347	501	648	638	679
Other Noncurrent Assets	912	1.445	1.361	1.886	2.251	2.398
<b>Total Noncurrent Assets</b>	<b>12.387</b>	<b>12.802</b>	<b>13.547</b>	<b>16.055</b>	<b>17.375</b>	<b>18.598</b>
<b>TOTAL ASSETS</b>	<b>24.205</b>	<b>24.523</b>	<b>27.645</b>	<b>29.353</b>	<b>31.567</b>	<b>33.269</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term Bank Loans	1.400	1.750	1.700	2.770	3.970	4.270
Trade Account Payable	1.745	1.791	2.195	1.779	1.751	1.866
Others Current Liabilities	2.405	1.519	838	639	866	922
<b>Total Current Liabilities</b>	<b>5.550</b>	<b>5.060</b>	<b>4.733</b>	<b>5.188</b>	<b>6.587</b>	<b>7.059</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term liabilities	516	590	571	633	675	692
Long-term Bank loan	3.646	3.005	2.278	2.278	1.577	1.077
Others Noncurrent Liabilitie	336	165	672	183	173	184
<b>Total Noncurrent Liabilities</b>	<b>4.497</b>	<b>3.760</b>	<b>3.521</b>	<b>3.093</b>	<b>2.425</b>	<b>1.954</b>
<b>TOTAL LIABILITIES</b>	<b>10.048</b>	<b>8.820</b>	<b>8.254</b>	<b>8.281</b>	<b>9.012</b>	<b>9.012</b>
Non-controlling interest	19	18	15	13	13	14
<b>EQUITY</b>	<b>14.138</b>	<b>15.685</b>	<b>19.376</b>	<b>21.058</b>	<b>22.541</b>	<b>24.243</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>24.205</b>	<b>24.523</b>	<b>27.645</b>	<b>29.353</b>	<b>31.566</b>	<b>33.269</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020F	2021F
<b>Growth (% YoY)</b>					
Sales	29,0%	9,3%	8,7%	-1,6%	6,6%
OP	-15,9%	74,6%	-24,0%	-15,8%	14,0%
EBITDA	-15,3%	59,9%	-19,3%	-28,1%	12,6%
NP	12,5%	82,3%	-20,2%	-18,4%	14,7%
EPS	12,5%	82,3%	-20,2%	-18,4%	14,7%
<b>Profitability (%)</b>					
Gross Margin	12,7%	16,9%	13,8%	12,5%	13,0%
Operating Margin	7,5%	12,0%	8,4%	7,2%	7,7%
EBITDA margin	9,3%	13,5%	10,1%	7,4%	7,8%
NET Profit margin	5,1%	8,4%	6,2%	5,1%	5,5%
ROA	10,2%	16,5%	12,4%	9,4%	10,2%
ROE	15,9%	23,5%	17,3%	13,2%	14,0%
<b>Solvability (x)</b>					
Net debt/ equity	0,2	0,1	0,2	0,2	0,2
Tot. debt/ Tot.equity	0,6	0,4	0,4	0,4	0,4
Debt Ratio	0,4	0,3	0,3	0,3	0,3
<b>Liquidity (x)</b>					
Current Ratio	2,3	3,0	2,6	2,2	2,1
Cash Ratio	0,4	0,6	0,4	0,5	0,5
<b>Per Share data (IDR)</b>					
EPS	152	278	222	181	208
BV	957	1.182	1.284	1.375	1.478
EBITDA/share	279	446	360	259	291

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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