

PT. Charoen Pokphand Indonesia Tbk.

BUY

Investment Consideration

Double Digit growth

- CPIN maintained double digit sales growth of +15.2% YoY or +1.3% QoQ to IDR 14.29 trillion in the 1Q2022. Broiler and processed chicken had higher growth of +31.3% YoY and +31.4% YoY to IDR 7.99 trillion and IDR 2.02 trillion respectively. feed and DOC sales decreased -2.6% YoY and -25.6% YoY respectively.
- In term of EBIT margin, Broiler margins were still negative at -0.04% but improved from 3Q2021's -28%. Feed margins improved from 22% in 4Q2021 to 27.8% in 1Q2022. Processed chicken EBIT margins also improved to 12.4% from 6.4% in a recovery after higher raw material price in 4Q2021. DOC margins decreased to 63.5% from 69.9% in 4Q2021.
- Higher broiler prices shows demand is recovering, so for 2022F, we are targeting 9.3% YoY sales growth to IDR 56.5 trillion.

1Q2022: Quarterly improvement

- CPIN's bottom line improved after a loss in 3Q2021. CPIN booked net profit of IDR 1.19 trillion which is +26.4% QoQ but still decreased -18.3% YoY. NPM also improved from 6.7% in 4Q2021 to 8.3% in 1Q2022.
- From higher raw material costs due to higher commodities prices (SBM and corn), cost of sales increased +21% YoY to IDR 11.9 trillion in 1Q2022. Gross profit decreased -8.4% YoY but was higher by +9.8% QoQ to IDR 2.38 trillion with a higher gross profit margin of 16.7 % from 15.4% in 4Q2021.
- CPIN recorded an operating profit of IDR 1.54 trillion, down -18.8% YoY but higher +5.8% QoQ.
- As margins improved in 1Q2022 despite higher commodities prices, we revise up our target for CPIN's bottom line. We expect CPIN's profit will reach IDR 4.14 trillion which is 14% growth.

Valuation: TP 6,380, 20% upside

- We upgrade our recommendation to BUY as the 1Q2022 performance shows an improvement after the loss in 3Q2021.
- We are targeting CPIN to trade at a 27x 2022F PE within a year. Target Price is IDR 6,380 which represents 20% 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	238	249
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	0,2	0,3

Source: Company and Binaartha

22 June 2022
Basic Industry – Poultry

Price	IDR	5,325
Target Price	IDR	6,380
JKSE Index		7,044.071



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)	5,775
Free float	44.5%

Major share holders

PT Charoen Pokphand	55.5%
Indonesia Group	
Public	44.5%

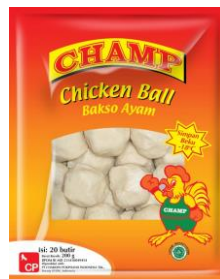
USD/ IDR – YE (IDR)

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)	1Q2021	1Q2022	YoY	4Q2021	QoQ
Sales	12.405	14.294	15,2%	14.105	1,3%
Cost of Sales	-9.800	-11.907	21,5%	-11.932	-0,2%
Gross Profit	2.605	2.387	-8,4%	2.173	9,8%
Operating Expenses	-706	-844	19,6%	-715	18,0%
Operating Profit	1.899	1.543	-18,8%	1.458	5,8%
Other Income (Expenses)	-76	-70	-8,0%	-85	-17,3%
PBT	1.823	1.472	-19,2%	1.373	7,2%
Tax	-368	-282	-23,2%	-429	-34,2%
NIAT	1.455	1.190	-18,2%	944	26,1%
Non-controlling Interest	0	-0	-201,3%	-3	-89,3%
Net Income	1.455	1.190	-18,3%	941	26,4%
EPS	89	73	-18,3%	57	26,4%
GPM	21,0%	16,7%		15,4%	
OPM	15,3%	10,8%		10,3%	
NPM	11,7%	8,3%		6,7%	

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	238	249
EBITDA	5.399	4.573	7.310	5.912	6.074	5.943	6.743	7.332

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	234	1.437
Cash From Operating Activities	2.214	3.750	5.149	5.121	4.020	5.349	7.047
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	-474	-268
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	-3.701	-3.831
Net Changes in Cash	-711	1.010	-841	716	-875	-129	563
Beginning Balance	2.504	1.793	2.803	1.961	2.678	1.803	1.674
Ending Balance	1.794	2.803	1.962	2.677	1.803	1.674	2.237

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	2.504	1.793	2.803	1.961	2.678	1.803	1.674	2.237
Trade Accounts Receivable	2.596	2.568	3.020	2.123	1.978	1.794	1.695	1.873
Inventories	5.110	5.697	5.835	5.812	5.693	7.655	7.344	7.494
Others Current Assets	1.608	1.663	2.440	3.100	3.183	4.462	4.520	4.371
Total Current Assets	11.818	11.721	14.098	12.996	13.532	15.715	15.233	15.975
NONCURRENT ASSETS								
Fixed Assets	11.234	11.009	11.685	13.522	14.494	16.256	17.231	18.265
Breeding Cattles	242	347	501	648	632	634	692	765
Other Noncurrent Assets	912	1.445	1.361	1.943	2.502	2.842	2.610	3.122
Total Noncurrent Assets	12.387	12.802	13.547	16.113	17.627	19.731	20.533	22.152
TOTAL ASSETS	24.205	24.523	27.645	29.109	31.159	35.446	35.766	38.128
LIABILITIES AND EQUITY								
LIABILITIES								
CURRENT LIABILITIES								
Short-term Bank Loans	1.400	1.750	1.700	2.770	2.770	4.587	4.587	5.587
Trade Account Payable	1.745	1.791	2.195	1.825	1.894	1.572	1.718	1.873
Others Current Liabilities	2.405	1.519	838	525	692	1.677	1.412	1.873
Total Current Liabilities	5.550	5.060	4.733	5.120	5.356	7.836	7.717	9.334
NONCURRENT LIABILITIES								
Long-term liabilities	516	590	571	633	705	279	305	337
Long-term Bank loan	3.646	3.005	2.278	2.278	1.328	1.358	858	558
Others Noncurrent Liabilities	336	165	672	183	420	823	900	995
Total Noncurrent Liabilities	4.497	3.760	3.521	3.093	2.453	2.460	2.062	1.889
TOTAL LIABILITIES	10.048	8.820	8.254	8.213	7.810	10.296	9.779	11.223
Non-controlling interest	19	18	15	13	17	15	22	24
EQUITY	14.138	15.685	19.376	20.883	23.333	25.135	25.964	26.880
TOTAL LIABILITIES & EQUITY	24.205	24.523	27.645	29.109	31.159	35.446	35.765	38.128

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)							
Sales	29,0%	9,3%	-21,2%	0,0%	21,6%	9,3%	10,5%
OP	-15,9%	74,6%	-23,8%	3,9%	-4,0%	14,5%	10,5%
EBITDA	-15,3%	59,9%	-19,1%	2,7%	-2,1%	13,5%	8,7%
NP	12,5%	82,3%	-20,0%	5,4%	-5,9%	14,5%	10,5%
EPS	12,5%	82,3%	-20,0%	5,4%	-5,9%	7,9%	4,5%
Profitability (%)							
Gross Margin	12,7%	16,9%	18,8%	19,4%	15,7%	16,0%	16,0%
Operating Margin	7,5%	12,0%	11,6%	12,1%	9,5%	10,0%	10,0%
EBITDA margin	9,3%	13,5%	13,9%	14,3%	11,5%	11,9%	11,7%
NET Profit margin	5,1%	8,4%	8,6%	9,0%	7,0%	7,3%	7,3%
ROA	10,2%	16,5%	12,5%	12,3%	10,2%	11,6%	12,0%
ROE	15,9%	23,5%	17,5%	16,5%	14,4%	15,9%	17,0%
Solvability (x)							
Net debt/ equity	0,2	0,1	0,2	0,1	0,2	0,2	0,3
Tot. debt/ Tot.equity	0,6	0,4	0,4	0,3	0,4	0,4	0,4
Debt Ratio	0,4	0,3	0,3	0,3	0,3	0,3	0,3
Liquidity (x)							
Current Ratio	2,3	3,0	2,5	2,5	2,0	2,0	1,7
Cash Ratio	0,4	0,6	0,4	0,5	0,2	0,2	0,2
Per Share data (IDR)							
EPS	152	278	222	234	221	238	249
BV	957	1.182	1.274	1.423	1.533	1.492	1.461
EBITDA/share	279	446	361	370	362	388	399

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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