

# PT. Charoen Pokphand Indonesia Tbk.

**BUY**

## Investment Consideration

### Sales Growth maintained

- CPIN sales growth increased a double digit +14% YoY to IDR 12.1 trillion but decreased -7% QoQ. For 9M2021, CPIN recorded sales of IDR 37.59 trillion which is double digit growth of +24% YoY.
- Broiler and Processed Chicken maintained positive growth despite lower broiler and DOC prices in 3Q2021.
- Processed chicken recorded higher growth of 31% YoY to IDR 1.7 trillion, followed by broiler +26% YoY to IDR 6.15 trillion.
- Others segments had negative growth in 3Q2021. DOC sales decreased -18% YoY or -34% QoQ to IDR 408 million. Feed sales decreased -2% YoY to IDR 3.51 trillion.
- The PPKM in June-July caused a significant drop for poultry and broiler prices which fell below cost in 3Q2021. But the demand continues to recover in 4Q2021 due to the easing of PPKM to level 1.
- We expect CPIN can maintain double-digit growth in 2021. We are targeting 15.5% YoY growth in 2021F to IDR 49.1 trillion.

### 3Q2021: Margin Falls

- Despite double-digit sales growth, CPIN recorded a net loss in 3Q2021 of IDR -157 billion after a profit of IDR 1.37 trillion in 2Q2021. The loss in 3Q2021 is due to prices being below cost in 3Q2021. The result was a negative NPM of -1.3% from 10.5% in 2Q2021.
- For 9M2021, CPIN recorded a net profit of IDR 2.67 trillion, maintaining double-digit growth of +19% YoY while the net profit margin decreased slightly to 7.1% from 7.4% in 9M2020.
- Cost of sales also increased +28% YoY or +10% QoQ to IDR 11.4 trillion in 3Q2021. The gross profit decreased -60% YoY to IDR 688 billion with a lower gross profit margin of 5.7% from 20.5%.
- CPIN recorded an operating loss of IDR -246 billion from an operating profit of IDR 860 billion in 3Q2021 due to higher operating expenses +9% YoY.
- As the CPIN 3Q2021 performance is lower than estimated, we revise down CPIN's bottom line for 2021F. We expect CPIN's profit will reach IDR 4.08 trillion which is 15% growth.

### Valuation: TP 7,145, 21% upside

- We are targeting CPIN to trade at a 25x 2022F PE within a year. Target Price is IDR 7,145 which represents 21% upside. We maintain our recommendation to buy.

Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Sales (In IDR Bn)	49.367	53.958	42.501	42.519	49.105	56.798
Net Income (In IDR Bn)	2.498	4.554	3.645	3.842	4.080	4.948
EPS (IDR)	152	278	222	234	249	284
GPM (%)	12,7%	16,9%	18,8%	19,4%	17,5%	18,0%
OPM (%)	7,5%	12,0%	11,6%	12,1%	10,9%	11,4%
NPM (%)	5,1%	8,4%	8,6%	9,0%	8,3%	8,7%
Net debt/ equity (x)	0,2	0,1	0,2	0,1	0,2	0,2

Source: Company and Binaartha

23 November 2021  
Basic Industry – Poultry

Price	IDR	5,925
Target Price	IDR	7,145
JKSE Index		6,723.386



## Stock Information

Bloomberg Code	CPIN IJ
Market Cap (IDR bn)	97,160
52-week high (IDR)	7,850
52-week low (IDR)	5,625
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	6,396
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

Table: CPIN Income Statement Results QoQ and YoY

Income Statement (In IDR Bn)	1Q2021	2Q2021	3Q2021	QoQ	9M2020	9M2021	YoY
Sales	12.405	13.064	12.124	-7,2%	30.392	37.593	23,7%
Cost of Sales	-9.800	-10.391	-11.436	10,1%	-25.063	-31.628	26,2%
<b>Gross Profit</b>	<b>2.605</b>	<b>2.673</b>	<b>688</b>	<b>-74,3%</b>	<b>5.329</b>	<b>5.966</b>	<b>11,9%</b>
Operating Expenses	-706	-849	-934	10,0%	-2.244	-2.489	10,9%
<b>Operating Profit</b>	<b>1.899</b>	<b>1.824</b>	<b>-246</b>	<b>-113,5%</b>	<b>3.086</b>	<b>3.476</b>	<b>12,7%</b>
Other Income (Expenses)	-76	-79	-60	-23,9%	-291	-216	-25,8%
<b>PBT</b>	<b>1.823</b>	<b>1.744</b>	<b>-306</b>	<b>-117,6%</b>	<b>2.795</b>	<b>3.261</b>	<b>16,7%</b>
Tax	-368	-366	148	-140,5%	-543	-586	7,8%
<b>NIAT</b>	<b>1.455</b>	<b>1.378</b>	<b>-158</b>	<b>-111,5%</b>	<b>2.252</b>	<b>2.675</b>	<b>18,8%</b>
Non-controlling Interest	0	-1	1	-298,0%	2	1	-62,5%
<b>Net Income</b>	<b>1.455</b>	<b>1.378</b>	<b>-157</b>	<b>-111,4%</b>	<b>2.254</b>	<b>2.676</b>	<b>18,7%</b>
EPS	89	84	-10	-111,4%	137	163	18,7%
<b>GPM</b>	<b>21,0%</b>	<b>20,5%</b>	<b>5,7%</b>		<b>17,5%</b>	<b>15,9%</b>	
<b>OPM</b>	<b>15,3%</b>	<b>14,0%</b>	<b>-2,0%</b>		<b>10,2%</b>	<b>9,2%</b>	
<b>NPM</b>	<b>11,7%</b>	<b>10,5%</b>	<b>-1,3%</b>		<b>7,4%</b>	<b>7,1%</b>	

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	49.105	56.798
Cost of Sales	-31.743	-43.116	-44.823	-34.526	-34.264	-40.512	-46.575
<b>Gross Profit</b>	<b>6.514</b>	<b>6.251</b>	<b>9.135</b>	<b>7.975</b>	<b>8.255</b>	<b>8.593</b>	<b>10.224</b>
Operating Expenses	-2.096	-2.535	-2.647	-3.029	-3.117	-3.241	-3.749
<b>Operating Profit</b>	<b>4.417</b>	<b>3.716</b>	<b>6.488</b>	<b>4.946</b>	<b>5.138</b>	<b>5.352</b>	<b>6.475</b>
Other Income (Expenses)	-433	-461	-581	-338	-370	-295	-341
<b>PBT</b>	<b>3.984</b>	<b>3.256</b>	<b>5.907</b>	<b>4.609</b>	<b>4.768</b>	<b>5.058</b>	<b>6.134</b>
Tax	-1.732	-759	-1.356	-966	-922	-976	-1.184
<b>NIAT</b>	<b>2.252</b>	<b>2.497</b>	<b>4.552</b>	<b>3.642</b>	<b>3.846</b>	<b>4.082</b>	<b>4.950</b>
Non-controlling Interest	-5	1	3	2	-4	-2	-2
<b>Net Income</b>	<b>2.221</b>	<b>2.498</b>	<b>4.554</b>	<b>3.645</b>	<b>3.842</b>	<b>4.080</b>	<b>4.948</b>
EPS	135	152	278	222	234	249	284
EBITDA	5.399	4.573	7.310	5.912	6.074	6.411	7.413

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	4.080	4.948
Depreciation	821	890	856	863	870	922
Change in WC	-1.105	-1.694	648	416	-1.186	2.030
<b>Cash From Operating Activities</b>	<b>2.214</b>	<b>3.750</b>	<b>5.149</b>	<b>5.121</b>	<b>3.763</b>	<b>7.900</b>
Capex	-1.236	-1.635	-3.422	-2.377	-2.289	-2.421
<b>Cash From Investing Activities</b>	<b>-1.236</b>	<b>-1.635</b>	<b>-3.422</b>	<b>-2.377</b>	<b>-2.289</b>	<b>-2.421</b>
Long-term liabilities	-566	-746	62	-878	8	-1.095
Others Noncurrent Liabilities	-170	507	-490	238	65	-145
Equity	-952	-867	-2.140	-1.388	-2.037	-3.954
<b>Cash From Financing Activities</b>	<b>-1.689</b>	<b>-1.105</b>	<b>-2.568</b>	<b>-2.028</b>	<b>-1.964</b>	<b>-5.194</b>
<b>Net Changes in Cash</b>	<b>-711</b>	<b>1.010</b>	<b>-841</b>	<b>716</b>	<b>-490</b>	<b>286</b>
Beginning Balance	2.504	1.793	2.803	1.961	2.678	2.188
Ending Balance	1.794	2.803	1.962	2.677	2.188	2.474

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	2.504	1.793	2.803	1.961	2.678	2.188	2.474
Trade Accounts Receivable	2.596	2.568	3.020	2.123	1.978	1.964	2.272
Inventories	5.110	5.697	5.835	5.812	5.693	7.366	6.816
Others Current Assets	1.608	1.663	2.440	3.100	3.183	4.419	4.544
<b>Total Current Assets</b>	<b>11.818</b>	<b>11.721</b>	<b>14.098</b>	<b>12.996</b>	<b>13.532</b>	<b>15.937</b>	<b>16.105</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	11.234	11.009	11.685	13.522	14.494	15.364	16.285
Breeding Cattles	242	347	501	648	632	737	852
Other Noncurrent Assets	912	1.445	1.361	1.943	2.502	2.946	3.408
<b>Total Noncurrent Assets</b>	<b>12.387</b>	<b>12.802</b>	<b>13.547</b>	<b>16.113</b>	<b>17.627</b>	<b>19.047</b>	<b>20.545</b>
<b>TOTAL ASSETS</b>	<b>24.205</b>	<b>24.523</b>	<b>27.645</b>	<b>29.109</b>	<b>31.159</b>	<b>34.984</b>	<b>36.650</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	2.770	4.070	5.570
Trade Account Payable	1.745	1.791	2.195	1.825	1.894	1.768	1.988
Others Current Liabilities	2.405	1.519	838	525	692	1.228	1.420
<b>Total Current Liabilities</b>	<b>5.550</b>	<b>5.060</b>	<b>4.733</b>	<b>5.120</b>	<b>5.356</b>	<b>7.065</b>	<b>8.978</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term liabilities	516	590	571	633	705	663	568
Long-term Bank loan	3.646	3.005	2.278	2.278	1.328	1.378	378
Others Noncurrent Liabilitie	336	165	672	183	420	485	341
<b>Total Noncurrent Liabilities</b>	<b>4.497</b>	<b>3.760</b>	<b>3.521</b>	<b>3.093</b>	<b>2.453</b>	<b>2.526</b>	<b>1.287</b>
<b>TOTAL LIABILITIES</b>	<b>10.048</b>	<b>8.820</b>	<b>8.254</b>	<b>8.213</b>	<b>7.810</b>	<b>9.592</b>	<b>10.265</b>
Non-controlling interest	19	18	15	13	17	19	22
<b>EQUITY</b>	<b>14.138</b>	<b>15.685</b>	<b>19.376</b>	<b>20.883</b>	<b>23.333</b>	<b>25.373</b>	<b>26.363</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>24.205</b>	<b>24.523</b>	<b>27.645</b>	<b>29.109</b>	<b>31.159</b>	<b>34.984</b>	<b>36.650</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021F	2022F
<b>Growth (% YoY)</b>						
Sales	29,0%	9,3%	-21,2%	0,0%	15,5%	15,7%
OP	-15,9%	74,6%	-23,8%	3,9%	4,2%	21,0%
EBITDA	-15,3%	59,9%	-19,1%	2,7%	5,5%	15,6%
NP	12,5%	82,3%	-20,0%	5,4%	6,2%	21,3%
EPS	12,5%	82,3%	-20,0%	5,4%	6,2%	14,3%
<b>Profitability (%)</b>						
Gross Margin	12,7%	16,9%	18,8%	19,4%	17,5%	18,0%
Operating Margin	7,5%	12,0%	11,6%	12,1%	10,9%	11,4%
EBITDA margin	9,3%	13,5%	13,9%	14,3%	13,1%	13,1%
NET Profit margin	5,1%	8,4%	8,6%	9,0%	8,3%	8,7%
ROA	10,2%	16,5%	12,5%	12,3%	11,7%	13,5%
ROE	15,9%	23,5%	17,5%	16,5%	16,1%	18,8%
<b>Solvability (x)</b>						
Net debt/ equity	0,2	0,1	0,2	0,1	0,2	0,2
Tot. debt/ Tot.equity	0,6	0,4	0,4	0,3	0,4	0,4
Debt Ratio	0,4	0,3	0,3	0,3	0,3	0,3
<b>Liquidity (x)</b>						
Current Ratio	2,3	3,0	2,5	2,5	2,3	1,8
Cash Ratio	0,4	0,6	0,4	0,5	0,3	0,3
<b>Per Share data (IDR)</b>						
EPS	152	278	222	234	249	284
BV	957	1.182	1.274	1.423	1.547	1.515
EBITDA/share	279	446	361	370	391	426

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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