

**PT. Charoen Pokphand Indonesia Tbk.**

**BUY**

**Investment Consideration**

**Maintaining Double-digit Sales Growth**

- CPIN double-digit sales growth continued in the 2Q2021. CPIN recorded sales in 2Q2021 of IDR 13.06 trillion +34% YoY and 5.3% QoQ.
- Broilers recorded higher growth of 56.3% YoY or 11.2% QoQ to IDR 6.77 trillion and still contributed the most at 51.8% of total sales, followed by DOC +47% YoY to IDR 623 billion, and processed chicken +27% YoY to IDR 1.83 trillion.
- Feed also recorded positive sales of IDR 3.47 trillion, growth of +8.5% YoY.
- For 1H2021, CPIN recorded sales of IDR 25.47 trillion or 28.8% YoY growth. Broiler and DOC sales were IDR 12.8 trillion and IDR 1.27 trillion which is growth of 55% and 31.2% YoY respectively.
- Selling prices have started to recover from early 2021 with stronger sales of broiler and DOC inline with higher demand. We expect CPIN will maintain double-digit growth in 2021. We are targeting 15.5% YoY growth in 2021F to IDR 49.1 trillion.

**And Improved Margins**

- With double-digit sales growth, CPIN net profit also increased sharply by +87% YoY to IDR 1.37 trillion in 2Q2021, but profit was lower -5.3% compared to 1Q2021. There was a higher NPM 10.5% from 7.6% last year.
- For 1H2021, CPIN recorded net profit of IDR 2.83 trillion which is double-digit growth of +73% YoY and the net profit margin increased to 11.1% from 8.3%.
- Cost of sales also increased +27.3% YoY to IDR 10.39 trillion in 2Q2021. Gross profit increased +68% YoY to IDR 2.67 trillion with an improvement in the gross profit margin to 20.5 % from 16.3%.
- Operating profit grew +85% YoY to IDR 1.84 trillion in line with a higher operating profit margin, of 14% from 10%.
- The positive sentiment from government supply adjustments has significantly improved prices since early 2021 and resulted in better margins in 2Q2021 and 1H2021.
- As CPIN performance continues to improve, we revise our forecast for 2021F. We expect CPIN's profit will reach IDR 4.77 trillion with 24% growth.

**Valuation: TP 8,580, 30% upside**

- We are targeting CPIN to trade at a 27x 2022F PE within a year. Target Price is IDR 8,580 which represents 30% 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  | 4.770  | 5.517  |
| EPS (IDR)              | 152    | 278    | 222    | 234    | 291    | 317    |
| GPM (%)                | 12,7%  | 16,9%  | 18,8%  | 19,4%  | 20,0%  | 20,0%  |
| OPM (%)                | 7,5%   | 12,0%  | 11,6%  | 12,1%  | 13,0%  | 13,0%  |
| NPM (%)                | 5,1%   | 8,4%   | 8,6%   | 9,0%   | 9,7%   | 9,7%   |
| Net debt/ equity (x)   | 0,2    | 0,1    | 0,2    | 0,1    | 0,1    | 0,2    |

Source: Company and Binaartha

25 August 2021  
Basic Industry – Poultry

|              |     |           |
|--------------|-----|-----------|
| Price        | IDR | 6,600     |
| Target Price | IDR | 8,580     |
| JKSE Index   |     | 6,089.497 |



**Stock Information**

|                          |                |
|--------------------------|----------------|
| <b>Bloomberg Code</b>    | <b>CPIN IJ</b> |
| Market Cap (IDR bn)      | 108,230        |
| 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 has been 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       | QoQ          | 1H2020       | 1H2021       | YoY          |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales                        | 12.405       | 13.064       | 5,3%         | 19.773       | 25.469       | 28,8%        |
| Cost of Sales                | -9.800       | -10.391      | 6,0%         | -16.159      | -20.191      | 25,0%        |
| <b>Gross Profit</b>          | <b>2.605</b> | <b>2.673</b> | <b>2,6%</b>  | <b>3.614</b> | <b>5.278</b> | <b>46,0%</b> |
| Operating Expenses           | -706         | -849         | 20,3%        | -1.389       | -1.555       | 12,0%        |
| <b>Operating Profit</b>      | <b>1.899</b> | <b>1.824</b> | <b>-4,0%</b> | <b>2.225</b> | <b>3.723</b> | <b>67,3%</b> |
| Other Income (Expenses)      | -76          | -79          | 3,5%         | -187         | -156         | -16,6%       |
| <b>PBT</b>                   | <b>1.823</b> | <b>1.744</b> | <b>-4,3%</b> | <b>2.039</b> | <b>3.567</b> | <b>75,0%</b> |
| Tax                          | -368         | -366         | -0,4%        | -404         | -734         | 81,8%        |
| <b>NIAT</b>                  | <b>1.455</b> | <b>1.378</b> | <b>-5,3%</b> | <b>1.635</b> | <b>2.833</b> | <b>73,3%</b> |
| Non-controlling Interest     | 0            | -1           | -303,0%      | 2            | -0           | -113,8%      |
| <b>Net Income</b>            | <b>1.455</b> | <b>1.378</b> | <b>-5,3%</b> | <b>1.637</b> | <b>2.833</b> | <b>73,0%</b> |
| EPS                          | 89           | 84           | -5,3%        | 100          | 173          | 73,0%        |

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      | -39.284      | -45.439       |
| <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>9.821</b> | <b>11.360</b> |
| Operating Expenses           | -2.096       | -2.535       | -2.647       | -3.029       | -3.117       | -3.437       | -3.976        |
| <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>6.384</b> | <b>7.384</b>  |
| Other Income (Expenses)      | -433         | -461         | -581         | -338         | -370         | -344         | -398          |
| <b>PBT</b>                   | <b>3.984</b> | <b>3.256</b> | <b>5.907</b> | <b>4.609</b> | <b>4.768</b> | <b>6.040</b> | <b>6.986</b>  |
| Tax                          | -1.732       | -759         | -1.356       | -966         | -922         | -1.268       | -1.467        |
| <b>NIAT</b>                  | <b>2.252</b> | <b>2.497</b> | <b>4.552</b> | <b>3.642</b> | <b>3.846</b> | <b>4.772</b> | <b>5.519</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>4.770</b> | <b>5.517</b>  |
| EPS                          | 135          | 152          | 278          | 222          | 234          | 291          | 317           |
| EBITDA                       | 5.399        | 4.573        | 7.310        | 5.912        | 6.074        | 7.304        | 8.265         |

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         | 4.770         | 5.517         |
| Depreciation                          | 821           | 890           | 856           | 863           | 870           | 922           |
| Change in WC                          | -1.105        | -1.694        | 648           | 416           | -700          | 1.252         |
| <b>Cash From Operating Activities</b> | <b>2.214</b>  | <b>3.750</b>  | <b>5.149</b>  | <b>5.121</b>  | <b>4.940</b>  | <b>7.691</b>  |
| Capex                                 | -1.236        | -1.635        | -3.422        | -2.377        | -2.083        | -2.343        |
| <b>Cash From Investing Activities</b> | <b>-1.236</b> | <b>-1.635</b> | <b>-3.422</b> | <b>-2.377</b> | <b>-2.083</b> | <b>-2.343</b> |
| Long-term liabilities                 | -566          | -746          | 62            | -878          | 8             | -874          |
| Others Noncurrent Liabilities         | -170          | 507           | -490          | 238           | 65            | -145          |
| Equity                                | -952          | -867          | -2.140        | -1.388        | -2.382        | -3.858        |
| <b>Cash From Financing Activities</b> | <b>-1.689</b> | <b>-1.105</b> | <b>-2.568</b> | <b>-2.028</b> | <b>-2.309</b> | <b>-4.877</b> |
| <b>Net Changes in Cash</b>            | <b>-711</b>   | <b>1.010</b>  | <b>-841</b>   | <b>716</b>    | <b>548</b>    | <b>471</b>    |
| Beginning Balance                     | 2.504         | 1.793         | 2.803         | 1.961         | 2.678         | 3.226         |
| Ending Balance                        | 1.794         | 2.803         | 1.962         | 2.677         | 3.226         | 3.697         |

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         | 3.226         | 3.697         |
| 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         | 6.384         | 6.248         |
| 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>15.993</b> | <b>16.761</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           | 589           | 852           |
| Other Noncurrent Assets               | 912           | 1.445         | 1.361         | 1.943         | 2.502         | 2.887         | 3.124         |
| <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>18.840</b> | <b>20.261</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>34.833</b> | <b>37.022</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         | 3.070         | 4.070         |
| Trade Account Payable                 | 1.745         | 1.791         | 2.195         | 1.825         | 1.894         | 2.701         | 3.124         |
| Others Current Liabilities            | 2.405         | 1.519         | 838           | 525           | 692           | 799           | 925           |
| <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>6.570</b>  | <b>8.118</b>  |
| <b>NONCURRENT LIABILITIES</b>         |               |               |               |               |               |               |               |
| Long-term liabilities                 | 516           | 590           | 571           | 633           | 705           | 663           | 788           |
| 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>1.507</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>9.096</b>  | <b>9.626</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>25.718</b> | <b>27.374</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>34.833</b> | <b>37.022</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%  | 24,2% | 15,7% |
| EBITDA                      | -15,3% | 59,9% | -19,1% | 2,7%  | 20,3% | 13,1% |
| NP                          | 12,5%  | 82,3% | -20,0% | 5,4%  | 24,1% | 15,7% |
| EPS                         | 12,5%  | 82,3% | -20,0% | 5,4%  | 24,1% | 9,0%  |
| <b>Profitability (%)</b>    |        |       |        |       |       |       |
| Gross Margin                | 12,7%  | 16,9% | 18,8%  | 19,4% | 20,0% | 20,0% |
| Operating Margin            | 7,5%   | 12,0% | 11,6%  | 12,1% | 13,0% | 13,0% |
| EBITDA margin               | 9,3%   | 13,5% | 13,9%  | 14,3% | 14,9% | 14,6% |
| NET Profit margin           | 5,1%   | 8,4%  | 8,6%   | 9,0%  | 9,7%  | 9,7%  |
| ROA                         | 10,2%  | 16,5% | 12,5%  | 12,3% | 13,7% | 14,9% |
| ROE                         | 15,9%  | 23,5% | 17,5%  | 16,5% | 18,5% | 20,2% |
| <b>Solvability (x)</b>      |        |       |        |       |       |       |
| Net debt/ equity            | 0,2    | 0,1   | 0,2    | 0,1   | 0,1   | 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   | 2,4   | 2,1   |
| Cash Ratio                  | 0,4    | 0,6   | 0,4    | 0,5   | 0,5   | 0,5   |
| <b>Per Share data (IDR)</b> |        |       |        |       |       |       |
| EPS                         | 152    | 278   | 222    | 234   | 291   | 317   |
| BV                          | 957    | 1.182 | 1.274  | 1.423 | 1.568 | 1.573 |
| EBITDA/share                | 279    | 446   | 361    | 370   | 445   | 475   |

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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