

Charoen Pokphand Indonesia Tbk (CPIN)

Suppressed by Broiler Segment

CPIN booked a relatively solid Revenue of IDR 12.1 Trillion in 3Q21(+14.2% YoY) in 3Q21. However, higher COGS resulted in lower margin turned a quarterly net loss of IDR 158 Bn. The sluggish performance was mainly attributed to Broiler segment which had a huge loss, effectively offset income from other segments. Higher corn price will remain as a huge challenge for CPIN performance in the upcoming quarters.

Sluggish 3Q21 Performance

- CPIN booked a rather disappointing performance in 3Q21, with a net loss of IDR 158 Bn (-111.5% QoQ, -126.3% YoY). This was achieved despite a relatively solid 3Q21 revenue of IDR 12.1 Trillion; an 14.2% increase compared to the same period last year.
- However, thanks to excellent performance in the first half of 2021, YTD performance remained solid with 9M21 Revenue recorded at IDR 37.6 trillion (up 23.7% yoy). This resulted in a 9M21 bottom line increase of 18.8% yoy to IDR 2.7 trillion.
- 3Q21 COGS went up significantly to IDR 11.2 trillion (vs IDR 10.2 tn in 2Q21). Consequently, GPM was booked significantly lower at 5.7% (vs 20.5% in 2Q21; 16.2% in 3Q20).
- We believe higher corn price and sluggish ASP were the main negative catalysts for CPIN margin in 3Q21.

Broiler Segment Performed Poorly

- Broiler segment, which accounted for 52.2% of total sales in 3Q21; had poor quarterly performance. The segment booked a loss of IDR 1.7 trillion; which largely wiped out income made from other line of businesses.
- Feed segment had the best performance, which recorded a profit of IDR 1.1 trillion (up 9.6% QoQ). This was achieved on the back of IDR 3.5 tn in segment revenue throughout 3Q21.
- Furthermore, the DOC and meat segments both also slowed down in 3Q21. Operating profit from DOC was down by 19.0% QoQ to IDR 338.6 Bn; while Chicken Meat booked a net income of IDR 138.3 Bn (-60.5% QoQ).

Recommend Overweight with a target price of IDR 6,350/share

- We recommend Overweight with a target price of IDR 6,350; considering the challenges facing poultry industry. Our TP reflects a 22F P/E at 20.5x (-1 std from 3-year average)
- Key Risks to our call include: 1) Higher corn prices, 2) The continuation of Culling program by the government, 3) Re-tightening of social restrictions which potentially lead to soft consumption level.

Charoen Pokphand Indonesia Tbk | Summary

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Sales	42,519	53,958	57,309	61,129
Revenue growth	0.0%	26.9%	6.2%	6.7%
EBITDA	6,133	7,393	8,441	9,413
Net profit	3,815	4,554	5,068	5,520
EPS (IDR)	233	278	309	337
EPS growth	4.7%	19.4%	11.3%	8.9%
BVPS (IDR)	1,424	1,432	1,632	1,860
EBITDA margin	14.4%	13.7%	14.7%	15.4%
NPM	9.0%	8.4%	8.8%	9.0%
ROE	17.2%	19.4%	20.2%	19.3%
ROA	12.7%	13.7%	13.7%	13.6%
ROIC	15.9%	18.0%	18.3%	17.8%
P/E	28.0x	22.9x	20.5x	18.9x
P/BV	4.6x	4.4x	3.9x	3.4x
EV/EBITDA	17.7x	14.6x	12.9x	11.4x
DPS (IDR)	81	112	112	112
Dividend yield	1.2%	1.8%	1.8%	1.8%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Overweight

Target Price

6,350

Consensus Price (IDR)	6,772
TP to Consensus Price	-6.2%
Potential Upside	+5.0%

Shares data

Last Price (IDR)	6,050
Price date as of	December 10, 2021
52 wk range (Hi/Lo)	7,850 / 5,625
Free float	44.5%
Outstanding sh.(mn)	16,398
Market Cap (IDR bn)	81,990
Market Cap (USD mn)	5,361
Avg. Trd Vol - 3M (mn)	9.3
Avg. Trd Val - 3M (bn)	43.3
Foreign Ownership	8.7%

Consumer Non-Cyclicals

Food and Beverages

Bloomberg
Reuters

CPIN IJ
CPIN.JK

Share Performance



	YTD	1M	3M	12M
Abs. Ret	-9.2%	-3.7%	-10.2%	-7.4%
Rel. Ret	-20.3%	-3.3%	-19.7%	-19.2%

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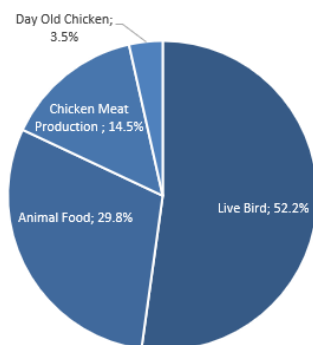
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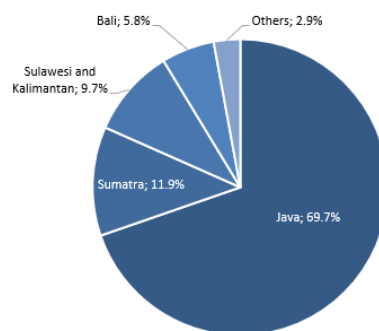
Performance Highlights

Revenue Breakdown 3Q21 (by Segment)



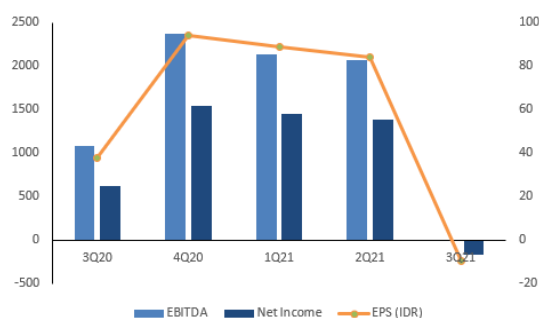
Source: Bloomberg, NHKSI Research

Revenue Breakdown 3Q21 (by Geography)



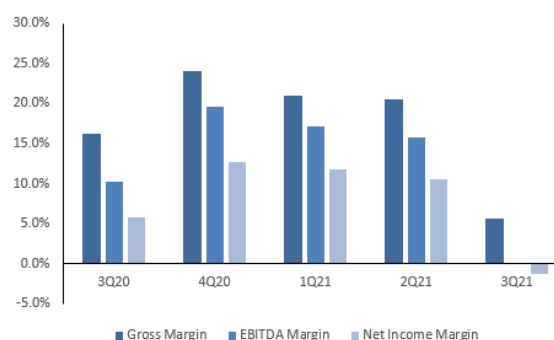
Source: Bloomberg, NHKSI Research

Financial Performance



Source: Company Data, NHKSI Research

Profitability Margin



Source: Bloomberg, NHKSI Research

CPIN Blended Forward P/E Ratio (3-year)



Source: Company Data, NHKSI Research

CPIN Price/Book Value Ratio (3-year)



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Sales	42,519	53,958	57,309	61,129
<i>Growth</i>	0.0%	26.9%	6.2%	6.7%
COGS	(34,264)	(44,823)	(47,430)	(50,283)
Gross Profit	8,255	9,135	9,879	10,845
<i>Gross Margin</i>	19.4%	16.9%	17.2%	17.7%
Operating Expenses	(3,151)	(2,647)	(2,811)	(2,998)
EBIT	5,104	6,488	7,068	7,847
<i>EBIT Margin</i>	12.0%	12.0%	12.3%	12.8%
Depreciation	1,029	904	1,373	1,566
EBITDA	6,133	7,393	8,441	9,413
<i>EBITDA Margin</i>	14.4%	13.7%	14.7%	15.4%
Interest Expenses	(368)	(401)	(303)	(484)
EBT	4,733	5,907	6,574	7,159
Income Tax	(914)	(1,356)	(1,509)	(1,643)
Minority Interest	(4)	3	3	4
Net Profit	3,815	4,554	5,068	5,520
<i>Growth</i>	4.7%	19.4%	11.3%	8.9%
<i>Net Profit Margin</i>	9.0%	8.4%	8.8%	9.0%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	17.2%	19.4%	20.2%	19.3%
ROA	12.7%	13.7%	13.7%	13.6%
ROIC	15.9%	18.0%	18.3%	17.8%
Cash Dividend (IDR bn)	1,328	1,837	1,837	1,837
Dividend Yield	1.2%	1.8%	1.8%	1.8%
Payout Ratio	36.4%	48.1%	40.3%	36.2%
DER	19.1%	26.5%	26.5%	22.5%
Net Gearing	19.1%	26.5%	26.5%	22.5%
LT Debt to Equity	6.9%	7.3%	7.3%	6.2%
Capitalization Ratio	16.0%	21.0%	21.0%	18.4%
Equity Ratio	74.9%	66.9%	68.8%	71.7%
Debt Ratio	14.3%	17.8%	18.2%	16.2%
Current Ratio	252.6%	179.9%	180.9%	195.8%
Par Value (IDR)	10	10	10	10
Total Shares (mn)	16,398	16,398	16,398	16,398
Share Price (IDR)	6,525	6,350	6,350	6,350
Market Cap (IDR tn)	107.0	104.1	104.1	104.1

BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	2,678	2,703	2,795	3,304
Receivables	1,841	2,153	2,287	2,440
Inventories	8,351	10,503	11,560	12,255
Total Current Assets	13,532	15,914	17,166	18,523
Net Fixed Assets	15,094	16,981	19,173	21,410
Other Non Current Asset	2,533	2,199	2,592	2,592
Total Assets	31,160	35,093	38,931	42,525
Payables	1,171	2,314	2,448	2,596
ST Bank Loan	2,842	4,524	5,156	4,989
LT Debt	1,612	1,709	1,948	1,885
Total Liabilities	7,810	11,604	12,208	12,118
Capital Stock & APIC	121	121	121	121
Retained Earnings	23,194	23,333	26,610	30,339
Shareholders' Equity	23,350	23,489	26,768	30,497

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	28.0x	22.9x	20.5x	18.9x
Price /Book Value	4.6x	4.4x	3.9x	3.4x
Price/Sales	2.5x	1.9x	1.8x	1.7x
PE/EPS Growth	6.0x	1.2x	1.8x	2.1x
EV/EBITDA	17.7x	14.6x	12.9x	11.4x
EV/EBIT	21.3x	16.6x	15.3x	13.7x
EV (IDR bn)	108,809	107,693	108,473	107,734
Sales CAGR (3-Yr)	-4.9%	0.0%	10.5%	12.9%
EPS CAGR (3-Yr)	15.2%	0.0%	11.6%	13.1%
Basic EPS (IDR)	233	278	309	337
Diluted EPS (IDR)	233	278	309	337
BVPS (IDR)	1,424	1,432	1,632	1,860
Sales PS (IDR)	2,593	3,290	3,495	3,728
DPS (IDR)	81	112	112	112

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	4,846	4,911	5,291	6,379
Investing Cash Flow	(1,806)	(951)	(4,235)	(3,803)
Financing Cash Flow	(2,330)	(57)	(964)	(2,067)
Net Changes in Cash	710	3,902	92	509

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	91.3 CP Indonesia Group	55.5
United States	5.9 Vanguard Group	1.6
Ireland	0.8 Blackrock	1.2
Others	2.0 Flexshares Trust	0.3

Source: Bloomberg, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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