

Charoen Pokphand Indonesia Tbk (CPIN)

Commodity Price Increases Suppress Profit

CPIN posted a 21.6% increase in revenue in FY21 to IDR51.7 trillion (vs FY20: IDR42.5 trillion). Cost of Goods Sold also increased in line with rising raw material prices amid rising commodity prices, which in FY21 was recorded at IDR43.6 trillion (+27.1% YoY). The increase in commodity prices also reduced CPIN's FY21 net profit to IDR3.6 trillion, down 5.1% YoY.

Increase in Cost of Goods Sold Lowers Profit

- CPIN posted a 16.3% increase in revenue in 4Q21 to IDR14.1 trillion (vs 3Q21: IDR12.1 trillion), bringing cumulative FY21 revenue to IDR51.7 trillion (+21.6% YoY).
- FY21 COGS jumped to IDR43.6 trillion (vs IDR34.3 trillion in FY20) due to rising commodity prices which also caused FY21 gross profit to drop to IDR8.1 trillion (vs. IDR8.2 trillion in FY20).
- On a quarterly basis, CPIN's net profit turned positive to IDR944.9 billion (vs 3Q21: -IDR157.0 billion), but on an annual basis CPIN's net profit decreased by 5.8% to IDR3.6 trillion (vs FY20: IDR3.8 trillion).

Broiler Still the Biggest Contributor to Sales

- Broiler segment which accounted for 52.0% of sales in FY21, recorded the best performance growth. This segment recorded revenue of IDR26.9 trillion or grew by 41.3% from FY20 of IDR19.0 trillion.
- Segments that also experienced revenue growth in FY21 were the Processed Chicken segment and the Feed segment, which grew by 23.9% and 0.1%, respectively. Meanwhile, the Day-old chick and other segments declined by 0.7% and 2.0%, respectively.
- In terms of operating margin per segment in FY21, Day-old chick recorded the highest operating margin of 18.4% (vs FY20: -1.8%), while the Feed, Broiler, Processed Chicken and other segments recorded lower OPM than in FY20 of 9.1%, -4.4%, 11.1%, and 0.7% (vs. FY20: 12.3%, 3.5%, 14.8%, and 1.6%).

Overweight Recommendation with TP of IDR5.600

- We give Overweight recommendation for CPIN with a target price of IDR5,600/share. Our TP implies a P/E of 24.2x (P/E -0.5 STD) which a potential upside of 13.6%. Meanwhile, the risk of our recommendation is the increase in commodity prices that will affect the company's raw material costs.

Charoen Pokphand Indonesia Tbk | Summary (IDR Bn)

	2021	2022F	2023F	2024F
Revenue	51,698	55,198	59,290	63,968
Growth	21.6%	6.8%	7.4%	7.9%
Net Profit	3,621	3,857	4,376	4,894
Growth	-5.1%	6.5%	13.4%	11.8%
EPS (IDR)	221	235	267	298
P/E	26.9x	23.8x	21.0x	18.8x
P/BV	3.9x	3.4x	3.1x	2.8x
EV/EBITDA	7.9x	14.8x	13.2x	11.9x
ROE	14.9%	14.7%	15.3%	15.8%
DER	25.0%	22.7%	22.3%	23.3%
Dividend Yield	1.9%	1.9%	2.1%	2.5%

Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer

Overweight

Target Price	5,600
Consensus Price (IDR)	6,311
TP to Consensus Price	-11.3%
Potential Upside	+13.6%

Shares data

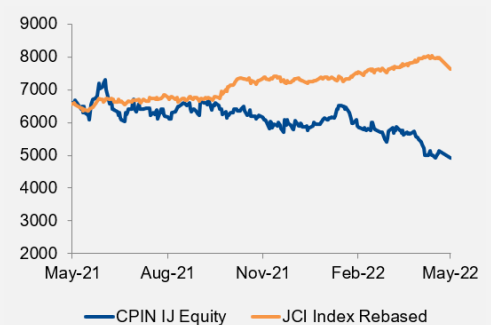
Last Price (IDR)	4,930
Price date as of	May 09, 2022
52 wk range (Hi/Lo)	7,350 / 4,890
Free float (%)	44.5
Outstanding sh.(mn)	16,398
Market Cap (IDR bn)	80,842
Market Cap (USD mn)	5,556
Avg. Trd Vol - 3M (mn)	9.6
Avg. Trd Val - 3M (bn)	52.8
Foreign Ownership (%)	9.6

Consumer Non-Cyclicals

Food and Beverages

Bloomberg	CPIN.IJ
Reuters	CPIN.JK

Share Price Performance



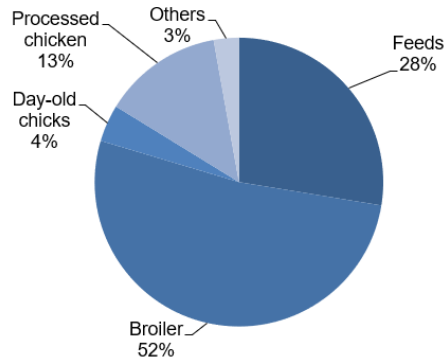
	YTD	1M	3M	12M
Abs. Ret	-17.1%	-10.4%	-16.1%	-25.3%
Rel. Ret	-20.8%	-6.2%	-17.2%	-40.9%

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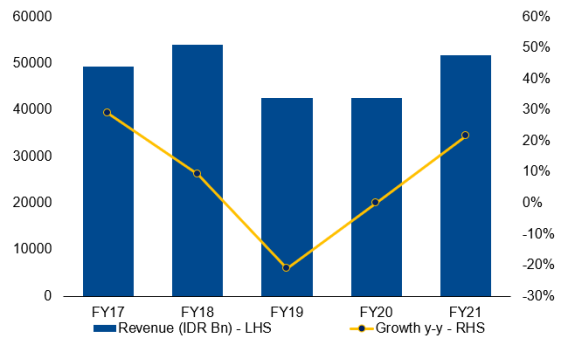
Performance Highlights

CPIN Revenue Breakdown FY21



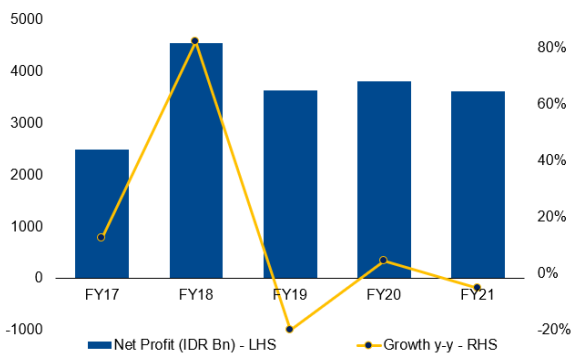
Source: Bloomberg, NHKSI Research

CPIN Net Revenue (FY17 - FY21)



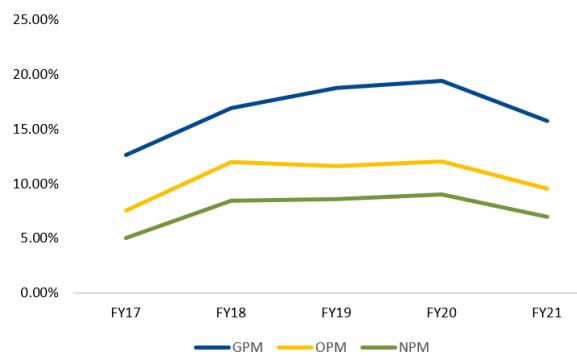
Source: Bloomberg, NHKSI Research

CPIN Net Profit (FY17 - FY21)



Source: Company Data, NHKSI Research

Margin Ratios (FY17 - FY21)



Source: Bloomberg, NHKSI Research

3-Year Forward P/E Band



Source: Company Data, NHKSI Research

3-Year Dynamic Forward P/E Band



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Sales	51,698	55,198	59,290	63,968
<i>Growth</i>	21.6%	6.8%	7.4%	7.9%
COGS	(43,559)	(46,060)	(49,255)	(53,086)
Gross Profit	8,139	9,137	10,035	10,883
<i>Gross Margin</i>	15.7%	16.6%	16.9%	17.0%
Operating Expenses	(3,204)	(3,815)	(4,056)	(4,254)
EBIT	4,934	5,322	5,979	6,628
<i>EBIT Margin</i>	9.5%	9.6%	10.1%	10.4%
Depreciation	8,044	1,181	1,332	1,475
EBITDA	12,978	6,503	7,311	8,104
<i>EBITDA Margin</i>	25.1%	11.8%	12.3%	12.7%
Interest Expenses	(240)	(321)	(310)	(290)
EBT	4,634	4,936	5,599	6,263
Income Tax	(1,015)	(1,081)	(1,226)	(1,371)
Minority Interest	2	2	2	2
Net Profit	3,621	3,857	4,376	4,894
<i>Growth</i>	-5.1%	6.5%	13.4%	11.8%
<i>Net Profit Margin</i>	7.0%	7.0%	7.4%	7.7%

PROFITABILITY & STABILITY

	2021/12A	2022/12E	2023/12E	2024/12E
ROE	14.9%	14.7%	15.3%	15.8%
ROA	10.9%	10.6%	11.2%	11.5%
ROIC	13.9%	13.2%	13.9%	14.2%
Cash Dividend (IDR bn)	1,837	1,716	1,895	2,287
Dividend Yield	1.9%	1.9%	2.1%	2.5%
Payout Ratio	48.1%	47.4%	49.1%	52.3%
DER	25.0%	22.7%	22.3%	23.3%
Net Gearing	25.0%	22.7%	22.3%	23.3%
LT Debt to Equity	6.5%	5.9%	5.8%	6.1%
Capitalization Ratio	20.0%	18.5%	18.2%	18.9%
Equity Ratio	71.0%	72.5%	72.9%	72.5%
Debt Ratio	17.7%	16.5%	16.2%	16.9%
Current Ratio	200.5%	202.3%	200.8%	197.0%
Par Value (IDR)	10	10	10	10
Total Shares (mn)	16,398	16,398	16,398	16,398
Share Price (IDR)	5,950	5,600	5,600	5,600
Market Cap (IDR tn)	97.6	91.8	91.8	91.8

BALANCE SHEET

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Cash	1,803	2,031	2,147	2,575
Receivables	1,644	1,755	1,885	2,034
Inventories	11,588	11,587	12,390	13,354
Total Current Assets	15,715	16,005	17,080	18,620
Net Fixed Assets	16,917	18,984	21,074	23,252
Other Non Current Assets	2,814	2,646	2,665	2,708
Total Assets	35,446	37,635	40,819	44,580
Payables	1,572	1,618	1,754	1,877
ST Bank Loan	4,646	4,587	4,899	5,579
LT Debt	1,637	1,616	1,726	1,965
Total Liabilities	10,296	10,353	11,063	12,241
Capital Stock & APIC	121	121	121	121
Retained Earnings	24,996	27,124	29,591	32,185
Shareholders' Equity	25,150	27,282	29,755	32,339

VALUATION INDEX

	2021/12A	2022/12E	2023/12E	2024/12E
Price /Earnings	26.9x	23.8x	21.0x	18.8x
Price /Book Value	3.9x	3.4x	3.1x	2.8x
Price/Sales	1.9x	1.7x	1.5x	1.4x
PE/EPS Growth	-5.3x	3.6x	1.6x	1.6x
EV/EBITDA	7.9x	14.8x	13.2x	11.9x
EV/EBIT	20.7x	18.0x	16.1x	14.6x
EV (IDR bn)	102,080	96,038	96,351	96,831
Sales CAGR (3-Yr)	-1.4%	9.1%	11.7%	7.4%
EPS CAGR (3-Yr)	-7.4%	1.9%	4.7%	10.6%
Basic EPS (IDR)	221	235	267	298
Diluted EPS (IDR)	221	235	267	298
BVPS (IDR)	1,534	1,664	1,815	1,972
Sales PS (IDR)	3,153	3,366	3,616	3,901
DPS (IDR)	112	105	116	139

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Operating Cash Flow	2,122	5,109	5,032	5,521
Investing Cash Flow	(2,819)	(3,077)	(3,436)	(3,701)
Financing Cash Flow	(316)	(1,790)	(1,467)	(1,378)
Net Changes in Cash	(1,013)	242	129	443

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	90.4	CP Indonesia Group 55.5
United States	6.1	Vanguard Group 1.5
Ireland	0.8	Blackrock 1.3
Others	0.5	Flexshares Trust 0.4

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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