

# Charoen Pokphand Indonesia Tbk (CPIN)

## Performance Overshadowed by Raw Material Price Increases

CPIN's revenue throughout 6M22 grew 12.4% YoY, while net profit declined 14.7% YoY. The increase in raw material prices caused declining profit amid growing revenue. Raw material costs in 2Q22 jumped 15.6% YoY to IDR9.9 trillion. Meanwhile, positive sentiment came as CPIN for the first time exported to Singapore, which is expected to increase its financial performance. In profitability margins, GPM, OPM, and NPM in 2Q22 was booked at 17.4%, 11.3%, and 8.5% respectively.

### Broiler Booked Highest Growth

- Throughout 6M22, CPIN successfully booked a revenue of IDR28.6 trillion or up 12.4% YoY (vs 6M20: IDR25.5 trillion). In 2Q22, revenue was recorded at IDR14.3 trillion (+9.8% YoY; +0.3% QoQ) compared to 2Q21 which was booked at IDR13.1 trillion.
- Almost all segments' revenues grew in 2Q22, with the highest jump booked by Broiler segment at 22.7% YoY to IDR8.3 trillion. Processed Chicken Segment and Misc. also went up in 2Q22 to IDR2.1 trillion (+14.3% YoY) and IDR402 billion (11.2% YoY), respectively.
- Amid the sales increase in 2Q22, COGS also went up by 14.1% YoY to IDR11.8 trillion. This is caused by a 15.6% YoY increase in raw materials to IDR9.9 trillion (vs 2Q21: IDR8.6 trillion).

### Profit Contracted amid Revenue Growth

- The increase of raw material prices caused gross profit to decline 6.8% YoY to IDR2.5 trillion (vs 2Q21: IDR2.7 trillion). Operating profit contracted 10.8% YoY to IDR1.6 trillion (vs 2Q21: IDR1.8 trillion) amid the increase of 2Q22 operating costs to IDR989.9 billion (+9.2% YoY).
- Meanwhile, the decline can also be seen in 2Q22 net profit, by 11.1% YoY to IDR1.2 trillion (vs 2Q21: IDR1.4 trillion). Meanwhile, in 6M22, net profit was recorded at IDR2.4 trillion (-14.7% YoY). Profitability margin in 2Q22 was also recorded lower, with GPM at 17.4%, OPM at 11.3%, and NPM at 8.5% (vs 2Q21 GPM: 20.6%, OPM: 14.0%, and NPM: 10.5%).

### First Export to Singapore

- For the first time, CPIN exported poultry product to Singapore in the form of 1,000 tons of carcasses which will be sent gradually until the end of 2022 with the first export of 50 tons. This is expected to increase CPIN's financial performance.
- Other than Singapore, CPIN has also exported to Japan, Papua New Guinea, East Timor, and Qatar. Since 2017 to 6M22, CPIN has exported 500 containers and 1.3 million DOC.
- Meanwhile, CPIN allocated capital expenditure of around IDR2.5 trillion for 2022 which will be used to increase the capacity of poultry product business segment.

### Recommend Overweight with TP IDR6,600

- We recommend Overweight for CPIN with target price of IDR6,600/share. Our TP implies P/E of 21.4x (P/E -1 STD) with a potential upside of 10.9%. Meanwhile, risks to our recommendation are increasing commodity prices, consumer purchasing power, and declining demand for products.

### Charoen Pokphand Indonesia Tbk | Summary (IDR Bn)

	2021	2022F	2023F	2024F
Revenue	51,698	57,813	62,110	64,071
Growth	21.6%	11.8%	7.4%	3.2%
Net Profit	3,621	4,264	5,079	6,347
Growth	-5.1%	17.7%	19.1%	25.0%
EPS (IDR)	221	260	310	387
P/E	26.9x	25.4x	21.3x	17.1x
P/BV	3.9x	3.9x	3.3x	2.7x
EV/EBITDA	7.9x	15.0x	10.0x	7.8x
ROE	14.9%	16.2%	16.8%	17.5%
DER	25.0%	30.3%	24.8%	26.7%
Dividend Yield	1.9%	1.6%	1.8%	2.2%

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

## Overweight

<b>Target Price</b>	<b>6,600</b>
Consensus Price (IDR)	6,548
TP to Consensus Price	+0.8%
Potential Upside	+10.9%

### Shares data

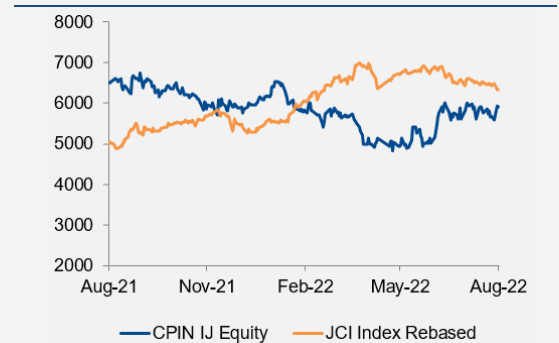
Last Price (IDR)	5,950
Price date as of	Aug 22, 2022
52 wk range (Hi/Lo)	6,750 / 4,800
Free float (%)	44.5
Outstanding sh.(mn)	16,398
Market Cap (IDR bn)	96,748
Market Cap (USD mn)	6,499
Avg. Trd Vol - 3M (mn)	9.8
Avg. Trd Val - 3M (bn)	3.9
Foreign Ownership (%)	9.8

### Consumer Non-Cyclicals

#### Food and Beverages

Bloomberg	CPIN.IJ
Reuters	CPIN.JK

### Share Price Performance



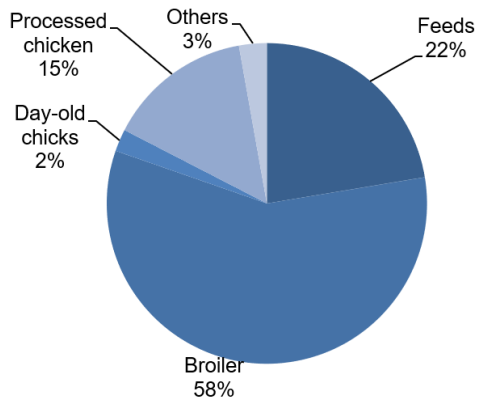
	YTD	1M	3M	12M
Abs. Ret	-0.8%	1.7%	18.7%	-9.2%
Rel. Ret	-8.4%	-4.8%	13.6%	-28.9%

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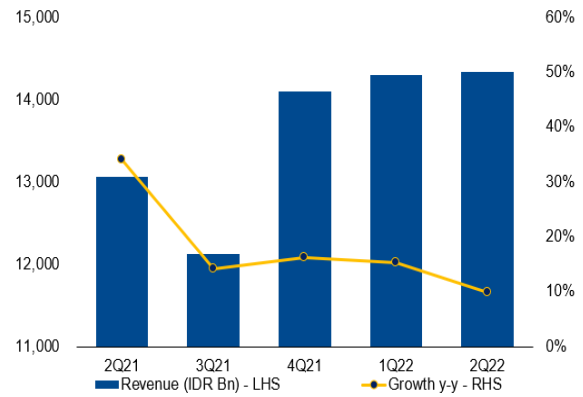
## Performance Highlights

### CPIN Revenue Breakdown 2Q22



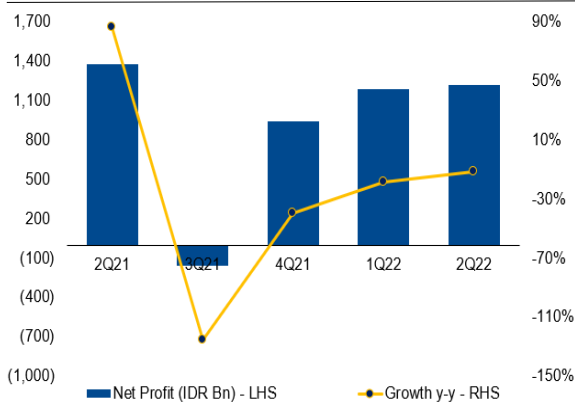
Source: Bloomberg, NHKSI Research

### CPIN Net Revenue (2Q21 - 2Q22)



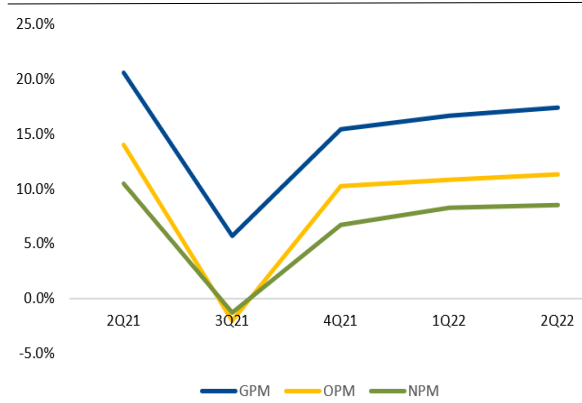
Source: Bloomberg, NHKSI Research

### CPIN Net Profit (2Q21 - 2Q22)



Source: Company Data, NHKSI Research

### Margin Ratios (2Q21 - 2Q22)



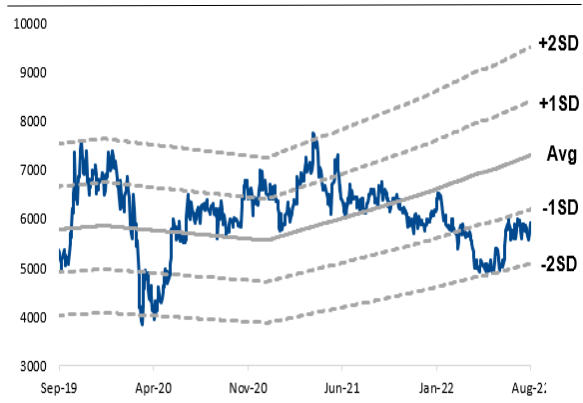
Source: Bloomberg, NHKSI Research

### 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
<b>Sales</b>	<b>51,698</b>	<b>57,813</b>	<b>62,110</b>	<b>64,071</b>
<i>Growth</i>	21.6%	11.8%	7.4%	3.2%
COGS	(43,559)	(47,532)	(50,390)	(50,594)
<b>Gross Profit</b>	<b>8,139</b>	<b>10,281</b>	<b>11,720</b>	<b>13,478</b>
<i>Gross Margin</i>	15.7%	17.8%	18.9%	21.0%
Operating Expenses	(3,204)	(3,969)	(4,239)	(4,248)
<b>EBIT</b>	<b>4,934</b>	<b>6,312</b>	<b>7,481</b>	<b>9,230</b>
<i>EBIT Margin</i>	9.5%	10.9%	12.0%	14.4%
Depreciation	8,044	1,201	3,425	4,223
<b>EBITDA</b>	<b>12,978</b>	<b>7,513</b>	<b>10,905</b>	<b>13,453</b>
<i>EBITDA Margin</i>	25.1%	13.0%	17.6%	21.0%
Interest Expenses	(240)	(270)	(293)	(268)
<b>EBT</b>	<b>4,634</b>	<b>5,959</b>	<b>7,100</b>	<b>8,871</b>
Income Tax	(1,015)	(1,695)	(2,019)	(2,523)
Minority Interest	2	(1)	(1)	(1)
<b>Net Profit</b>	<b>3,621</b>	<b>4,264</b>	<b>5,079</b>	<b>6,347</b>
<i>Growth</i>	-5.1%	17.7%	19.1%	25.0%
<i>Net Profit Margin</i>	7.0%	7.4%	8.2%	9.9%

### PROFITABILITY & STABILITY

	2021/12A	2022/12E	2023/12E	2024/12E
ROE	14.9%	16.2%	16.8%	17.5%
ROA	10.9%	11.3%	11.8%	12.7%
ROIC	13.9%	14.4%	14.9%	16.1%
Cash Dividend (IDR bn)	1,837	1,771	1,956	2,360
Dividend Yield	1.9%	1.6%	1.8%	2.2%
Payout Ratio	48.1%	48.9%	45.9%	46.5%
DER	25.0%	30.3%	24.8%	26.7%
Net Gearing	25.0%	30.3%	24.8%	26.7%
LT Debt to Equity	6.5%	7.7%	6.3%	6.8%
Capitalization Ratio	20.0%	23.2%	19.9%	21.1%
Equity Ratio	71.0%	68.5%	72.1%	72.3%
Debt Ratio	17.7%	20.7%	17.9%	19.3%
Current Ratio	200.5%	199.3%	232.1%	258.8%
Par Value (IDR)	10	10	10	10
Total Shares (mn)	16,398	16,398	16,398	16,398
Share Price (IDR)	5,950	6,600	6,600	6,600
Market Cap (IDR tn)	97.6	108.2	108.2	108.2

### BALANCE SHEET

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Cash	1,803	4,147	6,900	14,128
Receivables	1,644	1,843	1,980	2,043
Inventories	11,588	12,326	13,067	13,120
<b>Total Current Assets</b>	<b>15,715</b>	<b>19,250</b>	<b>22,706</b>	<b>30,082</b>
Net Fixed Assets	16,917	18,148	20,080	21,813
Other Non Current Assets	2,814	2,852	2,733	2,800
<b>Total Assets</b>	<b>35,446</b>	<b>40,250</b>	<b>45,519</b>	<b>54,695</b>
Payables	1,572	1,649	1,783	1,773
ST Bank Loan	4,646	6,217	6,054	7,851
LT Debt	1,637	2,132	2,076	2,693
<b>Total Liabilities</b>	<b>10,296</b>	<b>12,660</b>	<b>12,702</b>	<b>15,162</b>
Capital Stock & APIC	121	121	121	121
Retained Earnings	24,996	27,436	32,653	39,378
<b>Shareholders' Equity</b>	<b>25,150</b>	<b>27,589</b>	<b>32,817</b>	<b>39,533</b>

### VALUATION INDEX

	2021/12A	2022/12E	2023/12E	2024/12E
Price /Earnings	26.9x	25.4x	21.3x	17.1x
Price /Book Value	3.9x	3.9x	3.3x	2.7x
Price/Sales	1.9x	1.9x	1.7x	1.7x
PE/EPS Growth	-5.3x	1.4x	1.1x	0.7x
EV/EBITDA	7.9x	15.0x	10.0x	7.8x
EV/EBIT	20.7x	17.8x	14.6x	11.3x
EV (IDR bn)	102,080	112,462	109,501	104,676
Sales CAGR (3-Yr)	-1.4%	10.8%	13.5%	7.4%
EPS CAGR (3-Yr)	-7.4%	5.4%	10.0%	20.6%
Basic EPS (IDR)	221	260	310	387
Diluted EPS (IDR)	221	260	310	387
BVPS (IDR)	1,534	1,682	2,001	2,411
Sales PS (IDR)	3,153	3,526	3,788	3,907
DPS (IDR)	112	108	119	144

### CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Operating Cash Flow	2,122	4,368	8,086	10,467
Investing Cash Flow	(2,819)	(2,299)	(3,168)	(3,283)
Financing Cash Flow	(316)	35	(2,165)	44
<b>Net Changes in Cash</b>	<b>(1,013)</b>	<b>2,104</b>	<b>2,753</b>	<b>7,228</b>

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	90.2	CP Indonesia Group 55.5
United States	6.4	Vanguard Group 1.5
Ireland	0.8	Blackrock 1.3
Luxembourg	0.5	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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