

# Charoen Pokphand Indonesia Tbk (CPIN)

## The Broiler Segment Leads 3Q22 Performance

Company Report | Nov 8, 2022

## Overweight

<b>Target Price</b>	<b>6,600</b>
Consensus Price (IDR)	6,781
TP to Consensus Price	-2.7%
Potential Upside	+11.9%

### Shares data

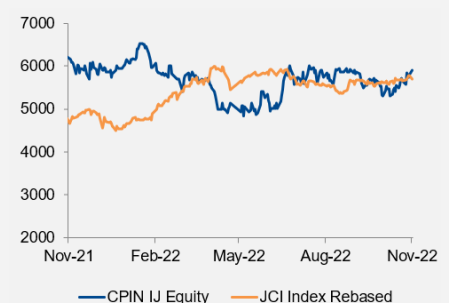
Last Price (IDR)	5,900
Price date as of	Nov 7, 2022
52 wk range (Hi/Lo)	6,525 / 4,800
Free float (%)	44.5
Outstanding sh.(mn)	16,398
Market Cap (IDR bn)	96,748
Market Cap (USD mn)	6,173
Avg. Trd Vol - 3M (mn)	6.4
Avg. Trd Val - 3M (bn)	36.6
Foreign Ownership (%)	9.5

### Consumer Non-Cyclicals

#### Food and Beverages

Bloomberg	CPIN.IJ
Reuters	CPIN.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-0.8%	11.3%	0.9%	-4.5%
Rel. Ret	-7.4%	10.2%	0.6%	-11.5%

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In 3Q22, CPIN posted a revenue of IDR14.8 trillion (+3.2% QoQ; +22.1% YoY). The Broiler segment led the growth by 28.1% YoY amid pressure on high input costs (corn and soybean meal) to IDR7.9 trillion, followed by the Processed Chicken segment revenue that grew by 25.6% YoY, the Feed segment grew by 14.3% YoY, and other segments grew by 13.2% YoY. However, the Day-Old Chicks segment got contracted by 8.2% YoY. Additionally, the net profit in 3Q22 was able to reserve positively to IDR768.8 billion from the previous 3Q21, which recorded a loss of IDR157.0 billion.

#### Revenue in Sumatera Grows the Highest

- In 3Q22, CPIN posted a revenue of IDR14.8 trillion (+3.2% QoQ; +22.1% YoY). Cumulatively, 9M22's revenue grew 15.5% YoY to IDR43.4 trillion.
- Geographically, 3Q22 revenue in Sumatera led the highest growth of 92.4% YoY to IDR3.5 trillion, followed by Sulawesi and Kalimantan (+38.7% YoY) to IDR1.6 trillion, Bali (+28.2% YoY) to IDR899.2 billion, and Java (+6.1% YoY) to IDR8.9 trillion. Meanwhile, the revenue for other regions contracted by 12.0% to IDR308.3 billion.
- 3Q22 gross profit was able to grow 201.1% YoY to IDR2.0 trillion (vs. 3Q21: IDR674.5 billion) amid an increase in the cost of revenue by 11.5% YoY to IDR12.8 trillion due to a rise in production costs by 8.2% YoY.
- Operating profit in 3Q22 was able to reverse positively to IDR1.0 trillion from previously recorded at negative IDR246.1 billion in the last 3Q21. Likewise, the net profit in 3Q22 was able to turn positive to IDR768.8 billion from a loss of IDR157.0 billion in the previous 3Q21.
- Cumulatively, upon 9M22, the gross profit grew by 16.0% to IDR6.9 trillion (vs. 9M21: IDR6.0 trillion), operating profit grew by 20.2% YoY to IDR4.2 trillion (vs. 9M21: IDR3.5 trillion), and net profit grew by 19.1% YoY to IDR3.2 trillion (vs. 9M21: IDR2.7 trillion).

#### Only The Day-Old Chicks Segment Got Contracted in 3Q22

- In 3Q22, the Broiler segment led the growth by 28.1% YoY amid pressure on high input costs (corn and soybean meal) to IDR7.9 trillion, followed by the Processed Chicken segment revenue that grew 25.6% YoY, the Feed segment grew 14.3% YoY, and the other segment grew 13.2% YoY. In the meantime, the Day-Old Chicks segment contracted 8.2% YoY.
- Seeing the operating margin of each segment, the Broiler segment, and others in 3Q22 were able to reverse positively, where the Broiler segment OPM was recorded at 2.5% (vs. 3Q21: -25.4%) and the other segment OPM was recorded at 0.7% (vs. 3Q21: -1.5%).
- Meanwhile, the feed segment OPM was recorded lower at 3.6% (vs. 3Q21: 10.6%), the OPM of the Day-Old Chicks segment was recorded to fall by 12.5% (vs. 3Q21: 16.9%), and the OPM of the processed chicken segment was contracted to 5.3% (vs. 3Q21: 8.1%).

#### Overweight Recommendation with TP at IDR6,600

- We remain to maintain an Overweight recommendation for CPIN with a target price of IDR6,600/share and a potential increase of 11.9%. Additionally, the risks from our recommendations are an increase in the price of raw materials, consumer purchasing power, and a decrease in product demand.

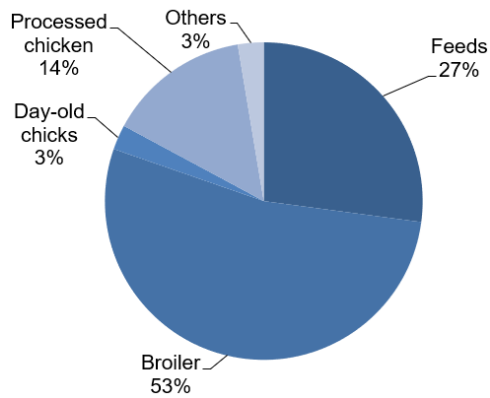
#### Charoen Pokphand Indonesia Tbk | Summary (IDR Bn)

	2021	2022F	2023F	2024F
Revenue	51,698	58,595	61,406	62,890
Growth	21.6%	13.3%	4.8%	2.4%
Net Profit	3,621	4,336	5,095	5,850
Growth	-5.1%	19.8%	17.5%	14.8%
EPS (IDR)	221	264	311	357
P/E	26.9x	25.0x	21.2x	18.5x
P/BV	3.9x	3.9x	3.3x	2.9x
EV/EBITDA	7.9x	15.5x	10.4x	9.7x
ROE	14.9%	16.5%	16.9%	16.5%
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

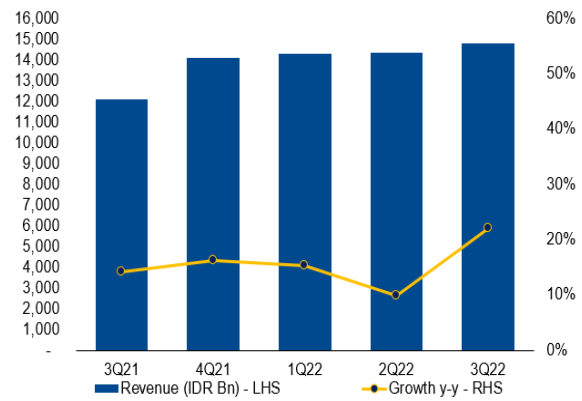
## Performance Highlights

### CPIN Revenue Breakdown 3Q22



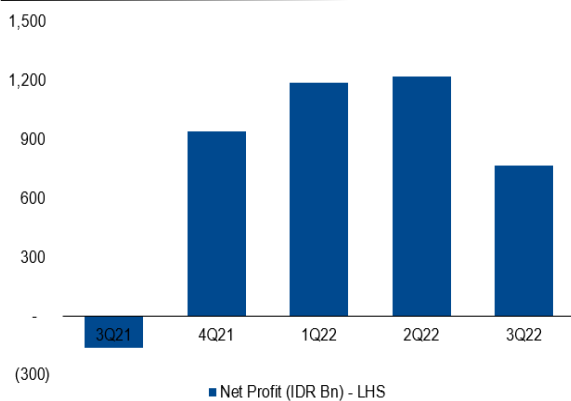
Source: Bloomberg, NHKSI Research

### CPIN Net Revenue (3Q21 - 3Q22)



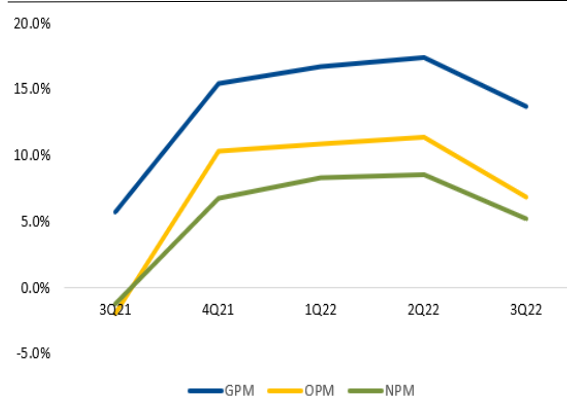
Source: Bloomberg, NHKSI Research

### CPIN Net Profit (3Q21 - 3Q22)



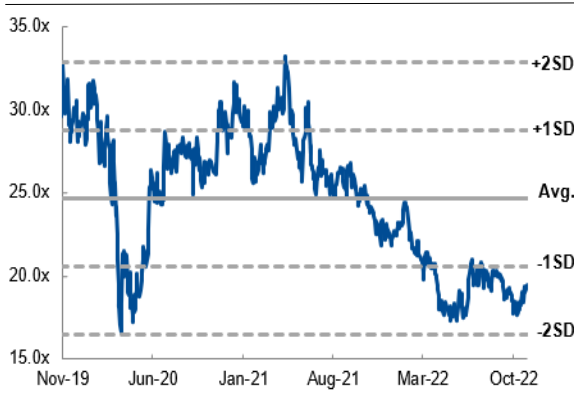
Source: Company Data, NHKSI Research

### Margin Ratios (3Q21 - 3Q22)



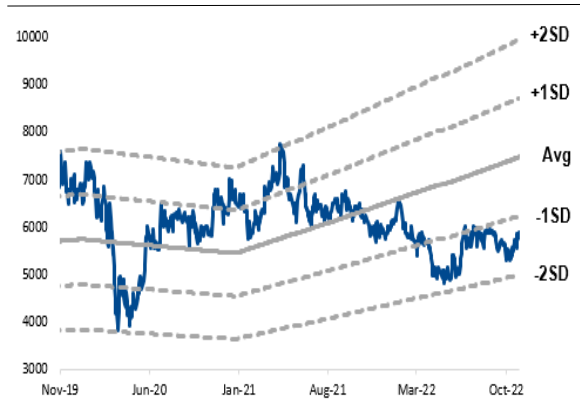
Source: Bloomberg, NHKSI Research

### 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>58,595</b>	<b>61,406</b>	<b>62,890</b>
<i>Growth</i>	21.6%	13.3%	4.8%	2.4%
COGS	(43,559)	(48,630)	(50,046)	(49,826)
<b>Gross Profit</b>	<b>8,139</b>	<b>9,965</b>	<b>11,360</b>	<b>13,064</b>
<i>Gross Margin</i>	15.7%	17.0%	18.5%	20.8%
Operating Expenses	(3,204)	(3,911)	(4,298)	(5,031)
<b>EBIT</b>	<b>4,934</b>	<b>6,053</b>	<b>7,062</b>	<b>8,033</b>
<i>EBIT Margin</i>	9.5%	10.3%	11.5%	12.8%
Depreciation	8,044	1,231	3,435	2,922
<b>EBITDA</b>	<b>12,978</b>	<b>7,284</b>	<b>10,496</b>	<b>10,954</b>
<i>EBITDA Margin</i>	25.1%	12.4%	17.1%	17.4%
Interest Expenses	(240)	(322)	(337)	(324)
<b>EBT</b>	<b>4,634</b>	<b>5,646</b>	<b>6,635</b>	<b>7,616</b>
Income Tax	(1,015)	(1,307)	(1,536)	(1,763)
Minority Interest	2	(3)	(3)	(3)
<b>Net Profit</b>	<b>3,621</b>	<b>4,336</b>	<b>5,095</b>	<b>5,850</b>
<i>Growth</i>	-5.1%	19.8%	17.5%	14.8%
<i>Net Profit Margin</i>	7.0%	7.4%	8.3%	9.3%

### PROFITABILITY & STABILITY

	2021/12A	2022/12E	2023/12E	2024/12E
ROE	14.9%	16.5%	16.9%	16.5%
ROA	10.9%	11.5%	11.9%	11.9%
ROIC	13.9%	14.8%	15.1%	15.0%
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%	45.1%	46.3%
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%	8.6%	7.0%	7.6%
Capitalization Ratio	20.0%	23.3%	19.9%	21.1%
Equity Ratio	71.0%	68.4%	72.3%	72.1%
Debt Ratio	17.7%	20.7%	17.9%	19.3%
Current Ratio	200.5%	204.1%	241.2%	257.6%
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	3,741	6,955	12,289
Receivables	1,644	1,697	2,328	2,232
Inventories	11,588	12,878	12,755	12,823
<b>Total Current Assets</b>	<b>15,715</b>	<b>19,302</b>	<b>22,815</b>	<b>28,158</b>
Net Fixed Assets	16,917	18,080	19,955	21,610
Other Non Current Assets	2,814	2,894	2,747	2,819
<b>Total Assets</b>	<b>35,446</b>	<b>40,276</b>	<b>45,517</b>	<b>52,587</b>
Payables	1,572	1,723	1,715	1,743
ST Bank Loan	4,646	5,990	5,846	7,259
LT Debt	1,637	2,366	2,309	2,868
<b>Total Liabilities</b>	<b>10,296</b>	<b>12,710</b>	<b>12,618</b>	<b>14,652</b>
Capital Stock & APIC	121	121	121	121
Retained Earnings	24,996	27,411	32,735	37,782
<b>Shareholders' Equity</b>	<b>25,150</b>	<b>27,566</b>	<b>32,899</b>	<b>37,936</b>

### VALUATION INDEX

	2021/12A	2022/12E	2023/12E	2024/12E
Price /Earnings	26.9x	25.0x	21.2x	18.5x
Price /Book Value	3.9x	3.9x	3.3x	2.9x
Price/Sales	1.9x	1.8x	1.8x	1.7x
PE/EPS Growth	-5.3x	1.3x	1.2x	1.2x
EV/EBITDA	7.9x	15.5x	10.4x	9.7x
EV/EBIT	20.7x	18.6x	15.5x	13.2x
EV (IDR bn)	102,080	112,876	109,471	106,098
Sales CAGR (3-Yr)	-1.4%	11.3%	13.0%	6.8%
EPS CAGR (3-Yr)	-7.4%	6.0%	10.1%	17.3%
Basic EPS (IDR)	221	264	311	357
Diluted EPS (IDR)	221	264	311	357
BVPS (IDR)	1,534	1,681	2,006	2,313
Sales PS (IDR)	3,153	3,573	3,745	3,835
DPS (IDR)	112	108	119	144

### CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Operating Cash Flow	2,122	3,841	8,374	8,821
Investing Cash Flow	(2,819)	(2,011)	(3,014)	(3,088)
Financing Cash Flow	(316)	108	(2,146)	(399)
<b>Net Changes in Cash</b>	<b>(1,013)</b>	<b>1,938</b>	<b>3,214</b>	<b>5,334</b>

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	90.5	CP Indonesia Group 55.5
United States	5.9	Vanguard Group 1.5
Ireland	0.8	Blackrock 1.3
Luxembourg	0.6	JP Morgan Chase&Co 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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