

Charoen Pokphand Indonesia

BUY (unchanged)

Company Update | Poultry | CPIN IJ | 31 July 2023

Stock Data

Target price	Rp6,200
Prior TP	Rp6,200
Current price	Rp5,175
Upside/downside	20%
Shares outstanding (mn)	16,398
Market cap (Rp bn)	84,860
Free float	44%
Avg. 6m daily T/O (Rp bn)	47

Price Performance

	3M	6M	12M
Absolute	12.7%	-11.5%	-7.6%
vs. JCI	12.5%	-12.0%	-7.3%
52w low/high (Rp)	4,420 – 6,250		



Major Shareholders

PT Charoen Pokphand Indonesia	55.5%
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1H23 miss but big sequential qoq improvement in 2Q23

- 1H23 net profit of Rp1.4tr (-43.0% yoy) was below at 44/46% of our/cons FY23F estimate (vs. 3yr avg of 68%) but it was dragged by 1Q23's underperformance.
- Strong recovery on 2Q23 net profit of Rp1.1tr (-7.2% yoy/+371.8% qoq) indicates an inflection point on qoq earnings recovery – representing 37/38% of our/cons FY23F estimate (vs. 3yr avg of 33%)
- Maintain our Buy call with unchanged TP of Rp6,200

1H23 results came below our/consensus FY23F estimate

CPIN recorded 1H23 net profit of Rp1.4tr (-43.0% yoy) and this was below at 44/46% of our/cons FY23F estimate (vs. 3yr avg of 68%). Worth highlighting that 1Q23 underperformance was the main cause as 1Q23 net profit contributed merely 8% of our/cons FY23F estimate (vs. 3yr avg of 35%). 1H23 net sales grew by 7.9% yoy to Rp30.9tr and this was in-line at 51/50% of our/cons FY23F estimate (vs. 3yr avg of 49%). 1H23 GPM stood at 7.8% and this was relatively in-line with our FY23F estimate of 8.5%.

Robust 2Q23 earnings, reaffirming sequential sector recovery

2Q23 net profit rebounded significantly by +371.8% qoq to Rp1.1tr (-7.2% yoy), representing 37/38% of our/cons FY23F estimate (vs. 3yr avg of 33%). 2Q23 EBIT margin improved by +434bps qoq to 6.0% (-49bps yoy) and this was driven by improving EBIT margin across all segments (Fig. 1). 2Q23 Animal feed's EBIT margin improved to 9.8% (vs. 8.9/8.5% in 2Q22/1Q23) driven by price adjustment on its animal feed by Rp600/kg (+c.7% YTD) in 2Q23. Meanwhile, 2Q23 commercial farm's EBIT margin turned positive to 4.8% (vs. 4.3/-3.4% in 2Q22/1Q23) as 2Q23 average broiler market price improved to Rp21.2k/kg (flat yoy/+16.3% qoq). On the other hand, 2Q23 opex to sales dropped to 3.6% (vs. 3.5/4.1% in 2Q22/1Q23) and this was driven by lower salary to sales ratio that dropped to 1.4% (vs. 1.5/1.7% in 2Q22/1Q23).

Maintain BUY with unchanged TP of Rp6,200

Looking into 3Q23F, we remain positive on poultry sector as we estimate the broiler price shall recover post Suro month (19Jul-17Aug23) and there is additional support from on-going culling program in 14Jun-23Jul23 at PS level and 29Jul-12Aug23 at HE level. We maintain BUY call with unchanged TP of Rp6,200, based on 25.0x fwd. 12M PE (its 5yr mean). Downside risks are weaker than expected broiler price and higher input cost (corn and soybean meal).

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	51,698	56,868	60,306	63,765	66,998
EBITDA	5,916	5,125	5,901	7,489	8,382
EBITDA growth	7%	5%	5%	7%	7%
Net profit	3,621	2,928	3,107	4,322	4,905
EPS (Rp)	221	179	189	264	299
EPS growth	-5.8%	-19.1%	6.1%	39.1%	13.5%
ROE	14.9%	11.4%	11.2%	14.0%	14.6%
PER (x)	23.4	29.0	27.3	19.6	17.3
EV/EBITDA (x)	15.2	18.1	15.2	11.9	10.5
Dividend yield	2.2%	2.1%	0.0%	1.8%	2.5%
Forecast change			0%	0%	0%
IPS vs. consensus			103%	101%	91%

Sources: Company, Indo Premier

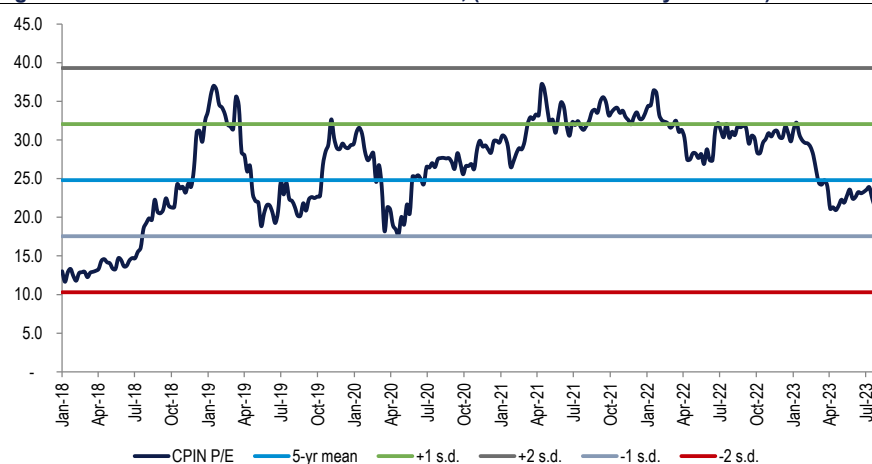
Share price closing as of: 31 July 2023

Fig. 1: CPIN's 2Q23 results

(Rp bn)	2Q23	2Q22	% YoY	1Q23	% QoQ	6M23	6M22	% YoY	IPS FY23F	% IPS	Cons. FY23F	% Cons	3yr avg	Comment
Gross sales	27,789	25,061	10.9%	25,334	9.7%	53,123	49,747	6.8%						
Net sales	16,328	14,342	13.8%	14,564	12.1%	30,892	28,637	7.9%	60,306	51%	61,417	50%	49%	In-line
COGS	(13,671)	(11,839)	15.5%	(13,092)	4.4%	(26,763)	(23,747)	12.7%						
Gross profit	2,657	2,503	6.2%	1,472	80.5%	4,129	4,891	-15.6%						
Operating expenses	(989)	(877)	12.8%	(1,050)	-5.7%	(2,039)	(1,721)	18.5%						
EBIT	1,668	1,626	2.6%	422	295.0%	2,090	3,170	-34.1%	4,655	45%	4,215	50%	66%	Below
Net finance income/(cost)	(169)	(101)	67.0%	(179)	-5.9%	(348)	(171)	103.1%						
PBT	1,499	1,525	-1.7%	243	517.0%	1,742	2,998	-41.9%						
Tax	(362)	(298)	21.5%	(2)	15112.5%	(364)	(580)	-37.2%						
Net profit	1,137	1,226	-7.2%	241	371.8%	1,378	2,417	-43.0%	3,107	44%	3,008	46%	68%	Below
Margin (%)														
Gross margin	9.6%	10.0%		5.8%		7.8%	9.8%							
EBIT margin	6.0%	6.5%		1.7%		3.9%	6.4%							
Net margin	4.1%	4.9%		1.0%		2.6%	4.9%							
	3.6%	3.5%		4.1%										
Segment information														
Revenue														
Animal Feed	11,878	10,561	12.5%	11,991	-0.9%	23,868	21,047	13.4%						
Poultry Breeding	1,834	1,991	-7.8%	1,294	41.8%	3,128	4,349	-28.1%						
Commercial Farm	10,129	9,107	11.2%	8,298	22.1%	18,427	17,910	2.9%						
Poultry processing and c	2,374	2,099	13.1%	2,113	12.4%	4,488	4,124	8.8%						
Trading and others	1,574	1,304	20.7%	1,638	-3.9%	3,212	2,318	38.6%						
EBIT														
Animal Feed	1,158	938	23.4%	1,016	14.1%	2,174	1,900	14.4%						
Poultry Breeding	(168)	47	-457.3%	(344)	-51.1%	(512)	356	-243.8%						
Commercial Farm	483	392	23.2%	(283)	-270.7%	200	389	-48.6%						
Consumer products	183	188	-2.5%	105	74.8%	287	439	-34.6%						
Trading and others	(37)	14	-359.2%	(2)	2241.1%	(39)	8	-582.1%						
EBIT Margin														
Animal Feed	9.8%	8.9%		8.5%		9.1%	9.0%							
Poultry Breeding	-9.2%	2.4%		-26.6%		-16.4%	8.2%							
Commercial Farm	4.8%	4.3%		-3.4%		1.1%	2.2%							
Poultry processing and c	7.7%	8.9%		4.9%		6.4%	10.7%							
Trading and others	-2.3%	1.1%		-0.1%		-1.2%	0.3%							

Sources: Company, Bloomberg, Indo Premier

Fig. 2: CPIN is traded at 22.1x 12M forward P/E, (-0.4 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	51,698	56,868	60,306	63,765	66,998
Cost of sales	(43,559)	(48,724)	(51,131)	(52,819)	(54,990)
Gross profit	8,139	8,144	9,174	10,946	12,009
SG&A Expenses	(3,204)	(4,160)	(4,519)	(4,783)	(5,081)
Operating profit	4,934	3,984	4,655	6,163	6,928
Net interest	(289)	(399)	(662)	(660)	(641)
Others	312	(250)	(240)	(282)	(363)
Pre-tax income	4,958	3,336	3,753	5,220	5,925
Income tax	(1,015)	(607)	(644)	(896)	(1,016)
Net income	3,621	2,928	3,107	4,322	4,905

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,803	2,042	5,072	5,929	7,157
Receivable	1,794	1,820	2,498	2,647	2,711
Inventory	7,655	9,000	8,130	8,708	9,007
Other current assets	4,462	5,169	5,169	5,169	5,169
Total current assets	15,715	18,031	20,870	22,453	24,044
Fixed assets	16,256	17,628	18,082	19,456	20,702
Goodwill	2,397	3,143	3,143	3,143	3,143
Total non-current assets	18,653	20,771	21,225	22,599	23,845
Total assets	34,368	38,802	42,095	45,052	47,889
ST loans	4,587	6,649	6,649	6,649	6,649
Payable	2,402	2,446	2,632	2,786	2,833
Other payables	0	0	0	0	0
Current portion of LT loans	848	1,014	1,014	1,014	1,014
Total current liab.	7,836	10,109	10,295	10,450	10,496
Long term loans	1,358	2,312	2,312	2,312	2,312
Other LT liab.	1,102	1,099	1,099	1,099	1,099
Total liabilities	10,296	13,520	13,706	13,861	13,907
Equity	172	172	172	172	172
Retained earnings	24,963	26,139	29,246	32,048	34,839
Minority interest	15	17	17	17	17
Total SHE + minority int.	25,150	26,327	29,434	32,236	35,027
Total liabilities & equity	35,446	39,848	43,140	46,097	48,934

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	4,934	3,984	4,655	6,163	6,928
Depr. & amortization	981	1,140	1,246	1,326	1,454
Changes in working capital	(1,017)	(1,326)	377	(572)	(317)
Others	(2,484)	(2,067)	(1,548)	(1,841)	(2,023)
Cash flow from operating	2,415	1,731	4,731	5,076	6,041
Capital expenditure	(2,781)	(2,594)	(1,700)	(2,700)	(2,700)
Others	(185)	(402)	0	0	0
Cash flow from investing	(2,967)	(2,996)	(1,700)	(2,700)	(2,700)
Loans	1,846	3,017	0	0	0
Equity	(25)	(1)	0	0	0
Dividends	(1,819)	(1,753)	0	(1,520)	(2,114)
Others	0	0	0	0	0
Cash flow from financing	3	1,262	0	(1,520)	(2,114)
Changes in cash	(549)	(2)	3,031	857	1,228

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	9.2%	8.0%	8.5%	9.6%	10.0%
Operating margin	5.6%	3.9%	4.3%	5.4%	5.8%
Pre-tax margin	5.3%	3.5%	3.5%	4.6%	4.9%
Net margin	4.1%	2.9%	2.9%	3.8%	4.1%
ROA	10.9%	7.8%	7.5%	9.7%	10.3%
ROE	14.9%	11.4%	11.2%	14.0%	14.6%
Acct. receivables TO (days)	13.8	11.6	15.1	15.2	14.8
Inventory TO (days)	56.4	62.4	58.0	60.2	59.8
Payable TO (days)	18.0	18.2	18.8	19.3	18.8
Debt to equity	5.4%	8.8%	7.9%	7.2%	6.6%
Interest coverage ratio (x)	-15.0	-9.5	-6.9	-9.1	-10.2
Net gearing	-1.8%	1.0%	-9.4%	-11.2%	-13.8%

Sources: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

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