

## Charoen Pokphand Indonesia

BUY (unchanged)

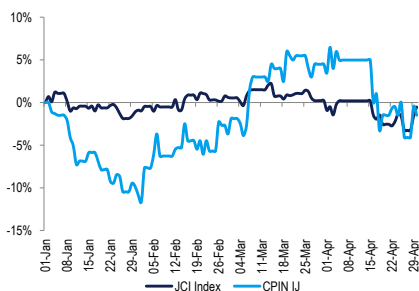
Company Update | Poultry | CPIN IJ | 30 April 2024

## Stock Data

Target price	Rp5,400
Prior TP	Rp5,400
Current price	Rp4,950
Upside/downside	9%
Shares outstanding (mn)	16,398
Market cap (Rp bn)	81,170
Free float	44%
Avg. 6m daily T/O (Rp bn)	39

## Price Performance

	3M	6M	12M
Absolute	8.8%	-8.8%	6.9%
vs. JCI	7.7%	-16.2%	1.5%
52w low/high (Rp)	4,440 – 5,800		



## Major Shareholders

PT Charoen Pokphand Indonesia	55.5%
-------------------------------	-------

## 1Q24 results: in-line amid robust broiler segment recovery

- 1Q24 profit of Rp711bn (+195% yoy) was in-line at 20/22% of our/cons estimates (vs. 5yr avg of 19%); revenue also came in-line.
- This was driven by broiler segment with 51% EBIT contribution in 1Q24 (vs. -58% in 1Q23).
- Maintain BUY with TP of Rp5,400/sh as feed margin is expected to improve in 2Q24F due to cost normalization.

## 1Q24 net profit was in-line with our/consensus estimates

CPIN delivered 1Q24 net profit of Rp711bn (+195% yoy) and this was in-line at 20/22% of ours/consensus estimate (vs. 5yr avg of 19%). 1Q24 net sales of Rp15.9tr (+9.3% yoy/+9.8% qoq) was also in-line. 1Q24 GPM rose to 7.3% (+150bps yoy/+232bps qoq), while opex to sales stable at 3.6% (vs. 4.1/5.8% in 1Q23/4Q23), resulting in EBIT margin of 3.7% (vs. 1.7/-0.8% in 1Q23/4Q23). As such, NPM improved to 2.4% (+149bps yoy/+375bps qoq).

## Broiler segment drove 1Q24 outperformance

1Q24 broiler segment recorded EBIT of Rp542bn (vs. EBIT loss of -Rp283/-562bn in 1Q23/4Q23) and this was driven by higher average broiler price (+16% yoy/+10% qoq). Meanwhile, 1Q24 feed EBIT margin dropped to 5.9% (vs. 8.5/6.9% in 1Q23/4Q23) as CPIN has yet fully pass on the higher corn price (+48% yoy/+13% qoq). Management expects that feed segment's margin is expected to recover from corn price normalization in 2Q24F.

## 1Q24 earnings was dragged down by DOC &amp; processed chicken

On the other hand, 1Q24 DOC segment booked EBIT loss of -Rp114bn (vs. EBIT loss of -Rp344/-79bn in 1Q23/4Q23) despite higher DOC price (+109% yoy/+50% qoq). In addition, processed chicken also recorded EBIT loss of -Rp102bn (vs. EBIT loss of -136bn in 4Q23) amid higher input cost of carcass product in Jul-Dec23 which processing chicken' inventory stood at Rp2.3tr in Dec23. To note, carcass chicken products contributed c.35-45% of processing chicken sales and has GPM profile of <10%. We suspect the segmental losses in DOC and processed food may be associated with CPIN's inter-segmental transfer pricing policy as we seek more details from the company.

## Maintain BUY with unchanged TP of Rp5,400

We are reviewing our forecast and maintain our BUY rating with unchanged TP of Rp5,400 based on 25x FY24F PE (5yr mean). Risks are broiler, DOC price and feed cost input price fluctuations.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	56,868	61,616	69,217	73,997	79,591
EBITDA	5,125	4,915	6,597	7,400	7,914
Net profit	2,928	2,319	3,526	4,019	4,252
EPS (Rp)	179	141	215	245	259
EPS growth	-19.1%	-20.8%	52.0%	14.0%	5.8%
ROE	11.4%	8.7%	12.4%	13.1%	12.9%
PER (x)	27.7	35.0	23.1	20.6	18.1
Dividend yield	2.2%	2.0%	1.4%	2.1%	2.4%
Forecast change			0%	0%	0%
IPS vs. consensus			109%	102%	96%

Sources: Company, Indo Premier

Share price closing as of: 30 April 2024

## Andrianto Saputra

PT Indo Premier Sekuritas  
andrianto.saputra@ipc.co.id  
+62 21 5088 7168 ext. 712

## Lukito Supriadi

PT Indo Premier Sekuritas  
lukito.supriadi@ipc.co.id  
+62 21 5088 7168 ext. 716

Fig. 1: CPIN's 1Q24 results

(Rp bn)	1Q24	1Q23	% YoY	4Q23	% QoQ	IPS FY24F	% IPS	Cons. FY24F	% Cons	5yr avg exclud e covid period
<b>Gross sales</b>	<b>29,088</b>	<b>25,334</b>	<b>14.8%</b>	<b>27,259</b>	<b>6.7%</b>					
<b>Net sales</b>	<b>15,913</b>	<b>14,564</b>	<b>9.3%</b>	<b>14,487</b>	<b>9.8%</b>	<b>69,217</b>	<b>23%</b>	<b>65,997</b>	<b>24%</b>	<b>23%</b>
COGS	(13,786)	(13,092)	5.3%	(13,126)	5.0%					
<b>Gross profit</b>	<b>2,126</b>	<b>1,472</b>	<b>44.5%</b>	<b>1,361</b>	<b>56.3%</b>					
Operating expenses	(1,057)	(1,050)	0.7%	(1,582)	-33.2%					
<b>EBIT</b>	<b>1,069</b>	<b>422</b>	<b>153.2%</b>	<b>(222)</b>	<b>-582.1%</b>	<b>5,271</b>	<b>20%</b>	<b>4,793</b>	<b>22%</b>	<b>19%</b>
Net finance income/(cost)	(202)	(179)	12.7%	(128)	58.0%					
<b>PBT</b>	<b>867</b>	<b>243</b>	<b>256.8%</b>	<b>(350)</b>	<b>-348.1%</b>					
Tax	(156)	(2)	6461.4%	(7)	2105.4%					
<b>Net profit</b>	<b>711</b>	<b>241</b>	<b>195.0%</b>	<b>(357)</b>	<b>-299.2%</b>	<b>3,526</b>	<b>20%</b>	<b>3,235</b>	<b>22%</b>	<b>19%</b>
<b>Margin (%) - based on gross sales</b>										
Gross margin	7.3%	5.8%		5.0%						
EBIT margin	3.7%	1.7%		-0.8%						
Net margin	2.4%	1.0%		-1.3%						
<b>Segment information</b>										
<b>Revenue</b>										
Feed	12,726	11,991	6.1%	12,335	3.2%					
Day-Old Chicks (DOC)	1,967	1,294	52.0%	1,524	29.1%					
Broiler	9,514	8,298	14.7%	8,831	7.7%					
Processed Chicken	2,988	2,113	41.4%	2,734	9.3%					
Trading and others	1,893	1,638	15.6%	1,836	3.1%					
<b>EBIT</b>										
Feed	750	1,016	-26.2%	855	-12.3%					
Day-Old Chicks (DOC)	(114)	(344)	-66.8%	(79)	44.2%					
Broiler	542	(283)	-291.4%	(562)	-196.5%					
Processed Chicken	(102)	105	-197.1%	(136)	-25.4%					
Trading and others	(17)	(2)	998.9%	49	-135.6%					
<b>EBIT Margin</b>										
Feed	5.9%	8.5%		6.9%						
Day-Old Chicks (DOC)	-5.8%	-26.6%		-5.2%						
Broiler	5.7%	-3.4%		-6.4%						
Processed Chicken	-3.4%	4.9%		-5.0%						

Sources: Company, Bloomberg, Indo Premier

Fig. 2: CPIN is traded at 22.0x 12M forward P/E, (-0.4 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	56,868	61,616	69,217	73,997	79,591
Cost of sales	(48,724)	(53,341)	(59,055)	(62,794)	(67,576)
<b>Gross profit</b>	<b>8,144</b>	<b>8,275</b>	<b>10,162</b>	<b>11,203</b>	<b>12,015</b>
SG&A Expenses	(4,160)	(4,620)	(4,892)	(5,257)	(5,682)
<b>Operating profit</b>	<b>3,984</b>	<b>3,655</b>	<b>5,271</b>	<b>5,946</b>	<b>6,333</b>
Net interest	(399)	(670)	(660)	(641)	(621)
Others	(250)	(278)	(352)	(451)	(576)
<b>Pre-tax income</b>	<b>3,336</b>	<b>2,707</b>	<b>4,259</b>	<b>4,855</b>	<b>5,136</b>
Income tax	(607)	(679)	(731)	(833)	(881)
<b>Net income</b>	<b>2,928</b>	<b>2,319</b>	<b>3,526</b>	<b>4,019</b>	<b>4,252</b>

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	2,042	2,328	2,281	2,778	3,372
Receivable	1,820	1,708	2,873	2,994	3,072
Inventory	9,000	9,299	9,736	10,285	10,990
Other current assets	5,169	4,990	5,169	5,169	5,169
<b>Total current assets</b>	<b>18,031</b>	<b>18,325</b>	<b>20,060</b>	<b>21,227</b>	<b>22,603</b>
Fixed assets	17,628	17,690	19,456	20,702	21,821
Goodwill	3,143	3,656	3,143	3,143	3,143
<b>Total non-current assets</b>	<b>20,771</b>	<b>21,346</b>	<b>22,599</b>	<b>23,845</b>	<b>24,964</b>
<b>Total assets</b>	<b>38,802</b>	<b>39,671</b>	<b>42,658</b>	<b>45,072</b>	<b>47,567</b>
ST loans	6,649	7,393	6,649	6,649	6,649
Payable	2,446	2,886	3,115	3,235	3,444
Other payables	0	0	0	0	0
Current portion of LT loans	1,014	845	1,014	1,014	1,014
<b>Total current liab.</b>	<b>10,109</b>	<b>11,124</b>	<b>10,779</b>	<b>10,898</b>	<b>11,107</b>
Long term loans	2,312	1,841	2,312	2,312	2,312
Other LT liab.	1,099	978	1,099	1,099	1,099
<b>Total liabilities</b>	<b>13,520</b>	<b>13,942</b>	<b>14,190</b>	<b>14,309</b>	<b>14,518</b>
Equity	172	172	172	172	172
Retained earnings	26,139	26,841	29,325	31,620	33,906
Minority interest	17	16	17	17	17
<b>Total SHE + minority int.</b>	<b>26,327</b>	<b>27,029</b>	<b>29,514</b>	<b>31,808</b>	<b>34,095</b>
<b>Total liabilities &amp; equity</b>	<b>39,848</b>	<b>40,971</b>	<b>43,703</b>	<b>46,117</b>	<b>48,612</b>

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	3,984	3,655	5,271	5,946	6,333
Depr. & amortization	1,140	1,261	1,326	1,454	1,581
Changes in working capital	(1,326)	253	(1,009)	(551)	(573)
Others	(2,067)	(1,680)	(1,745)	(1,927)	(2,081)
<b>Cash flow from operating</b>	<b>1,731</b>	<b>3,489</b>	<b>3,842</b>	<b>4,921</b>	<b>5,260</b>
Capital expenditure	(2,594)	(1,382)	(2,700)	(2,700)	(2,700)
Others	(402)	(390)	0	0	0
<b>Cash flow from investing</b>	<b>(2,996)</b>	<b>(1,772)</b>	<b>(2,700)</b>	<b>(2,700)</b>	<b>(2,700)</b>
Loans	3,017	272	0	0	0
Equity	(1)	(122)	0	0	0
Dividends	(1,753)	(1,617)	(1,552)	(1,724)	(1,966)
Others	0	0	0	0	0
<b>Cash flow from financing</b>	<b>1,262</b>	<b>(1,466)</b>	<b>(1,552)</b>	<b>(1,724)</b>	<b>(1,966)</b>
<b>Changes in cash</b>	<b>(2)</b>	<b>251</b>	<b>(409)</b>	<b>497</b>	<b>594</b>

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	8.0%	7.5%	8.4%	8.7%	8.7%
Operating margin	3.9%	3.3%	4.4%	4.6%	4.6%
Pre-tax margin	3.5%	2.7%	3.5%	3.8%	3.7%
Net margin	2.9%	2.1%	2.9%	3.1%	3.1%
ROA	7.8%	5.7%	8.3%	8.9%	9.0%
ROE	11.4%	8.7%	12.4%	13.1%	12.9%
Acct. receivables TO (days)	11.6	7.8	15.2	14.8	14.1
Inventory TO (days)	62.4	47.0	60.2	59.8	59.4
Payable TO (days)	18.2	13.7	19.3	18.8	18.6
Debt to equity	8.8%	6.8%	7.8%	7.3%	6.8%
Interest coverage ratio (x)	-9.5	-5.2	-7.8	-8.8	-9.3
Net gearing	1.0%	-1.8%	0.1%	-1.5%	-3.1%

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

## ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

## DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.