

# Charoen Pokphand Indonesia Tbk (CPIN)

## Sales Begins to Recover

CPIN booked a better performance on top line, with sales growing 9.5% YoY in July-September 2020. Recovery can be seen in some segments that recorded quarterly growth. Government's measures in maintaining the price of chicken stable played an important role. We are optimistic that the company will still book sales growth in 4Q/20.

**Sales Up 9.5% YoY, Bottom Line Still Under Pressure.** The company have started to record sales growth of 9.5% to IDR15.7 trillion in the July-September 2020 period, compared to the previous 3 months that showed a decline of 9.3% YoY or IDR13.7 trillion. The growth was supported by the increase of sales in some segments. The highest growth came from the day-old-chick (DoC) segment and broiler chicken segment that each grew by 17.1% YoY and 15.4% YoY in 3Q/20. Cumulatively in 9M20, the company still booked a decline in sales of 1.4% YoY, still better than the first semester of 2020 that declined by more than 6% YoY. We see the company's chicken segment sales have started to recover until the end of the third quarter, considering the sales have reached 73.3% of our FY20E estimates. We expect the sales to continue growing up to 7.0% YoY in Q4/2020.

Meanwhile, the quarterly sales growth has not been able to increase the company's net profit. Distributed net profit decreased to IDR628.1 billion (-14.0% QoQ) as loss in culled chicken sales reached IDR114.7 billion. However, we see that the 3Q/20 net profit is better compared to 2Q/20 that declined by more than 20% QoQ.

**Sales in Some Segments are Better Quarterly.** In 3Q/20 the company succeeded in recording better sales performance in the animal feed, broiler chicken, day-old-chicken, and processed chicken segments that each grew by 7.0%, 15.4%, 17.1%, and 2.3% YoY in July-September 2020. The government's measures in maintaining the stability of chicken price are crucial to the company's chicken sales growth. We are optimistic that ahead of 4Q/20, sales will continue to grow.

**We Recommend HOLD with Target Price of IDR6.675.** We continue to recommend HOLD for CPIN with the target price IDR6.675, considering the stock price have reached 6.6% of closing price from our previous report titled "[Looking Forward to Price Recovery](#)". Our target price for CPIN reflects P/E FY21E of 36.7x. Currently, CPIN is traded at P/E level of 29.2x .

### Charoen Pokphand Indonesia, Tbk | Summary (IDR bn)

	2018	2019	2020 F	2021 F
Sales	53,958	58,635	59,046	64,574
Revenue growth	9.3%	8.7%	0.7%	9.4%
EBITDA	7,305	5,740	4,842	5,607
Net profit	4,554	3,635	2,568	2,985
EPS (IDR)	278	222	157	182
EPS growth	82.1%	-20.2%	-29.3%	16.2%
BVPS (IDR)	1,183	1,285	1,349	1,458
EBITDA margin	13.5%	9.8%	8.2%	8.7%
NPM	8.4%	6.2%	4.3%	4.6%
ROE	23.5%	17.2%	11.6%	12.5%
ROA	16.5%	12.4%	8.2%	8.5%
OPM	12.0%	8.4%	6.6%	7.2%
P/E	26.0x	29.3x	42.6x	36.7x
P/BV	6.1x	5.1x	4.9x	4.6x
EV/EBITDA	16.4x	19.1x	23.6x	20.4x
DPS (IDR)	56	118	92	73
Dividend yield	0.8%	1.8%	1.4%	1.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## HOLD

Target Price (IDR) **6,675**

Consensus Price (IDR)	5,828
TP to Consensus Price	+14.5%
vs. Last Price	+3.9%

### Shares data

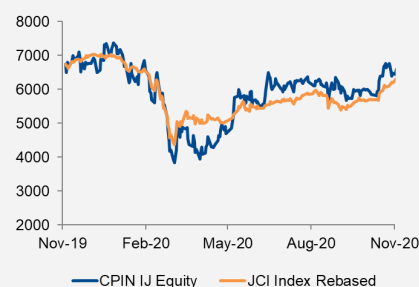
Last Price (IDR)	6,425
Price date as of	Nov. 25, 2020
52 wk range (Hi/Lo)	7,450 / 3,800
Free float	44.5%
Outstanding sh.(mn)	16,398
Market Cap (IDR bn)	108,227
Market Cap (USD mn)	7,619
Avg. Trd Vol - 3M (mn)	6.4
Avg. Trd Val - 3M (bn)	39.2
Foreign Ownership	8.9%

### Basic Industry

#### Poultry

Bloomberg	CPIN IJ
Reuters	CPIN.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-2.3%	8.4%	5.3%	-4.8%
Rel. Ret	7.3%	-2.0%	-1.0%	1.6%

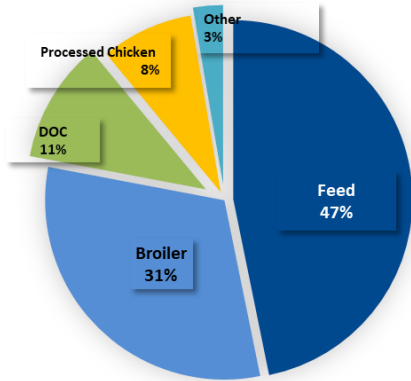
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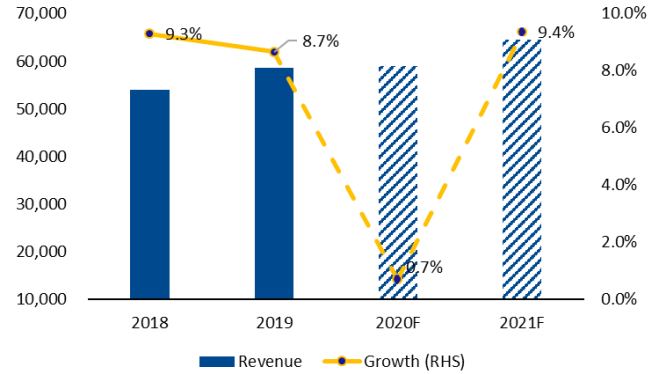
# Performance Highlights

## Sales Contributions 3Q20



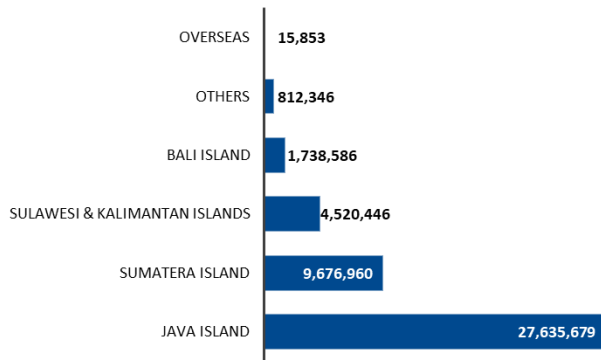
Source: Company, NHKSI Research

## Sales Projections (Bn)



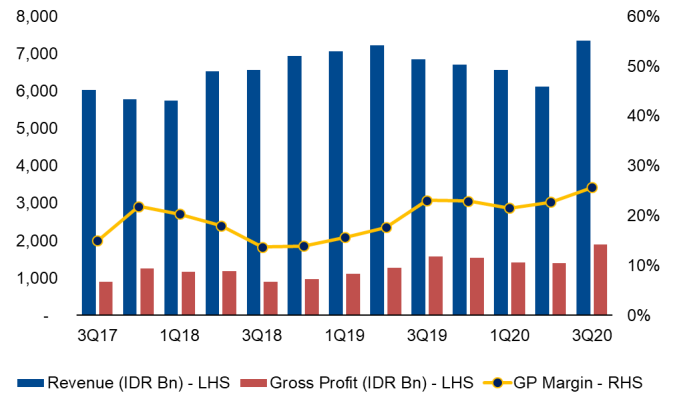
Source: Company, NHKSI Research

## Geographical Segments (Mn)



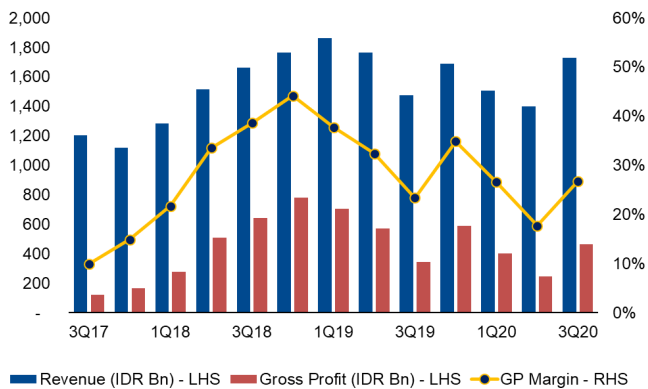
Source: Company, NHKSI Research

## Feed Segmen Sales & Margin



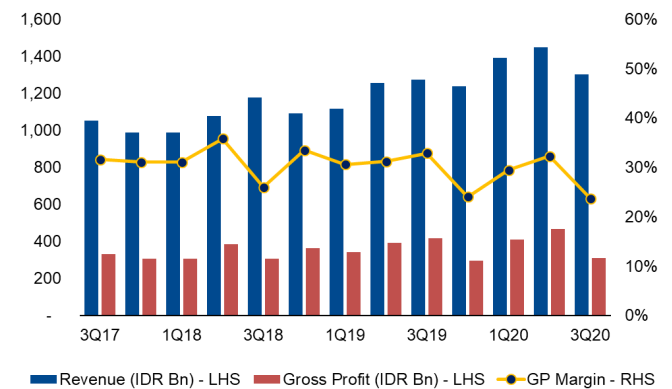
Source: Company, NHKSI Research

## DOC Segmen Sales & Margin



Source: Company, NHKSI Research

## Processed Chicken Segmen Sales & Margin



Source: Bloomberg, Company, NHKSI Research



### CPIN at a Glance

CPIN's main business activities are the livestock feed industry, breeding, cultivation and processing of broilers, preservation of chicken meat, and cold storage units. CPIN has 8 animal feed factories located in Banten, East Java, North Sumatra, Central Java, South Sulawesi, Lampung and West Java. CPIN also has 7 chicken meat processing plants located in Banten, Central Java, North Sumatra, East Java (Sidoarjo and Mojokerto), West Java and Bali. In addition, CPIN also has day-old chicks breeding facilities located in Banten and West Java.

In terms of consolidated sales, the largest contribution came from the animal feed segment, followed by the broiler meat ("Broiler"), day-old chicks ("DOC") and processed chicken segments.

### CPIN's Competitiveness in Asia Pacific

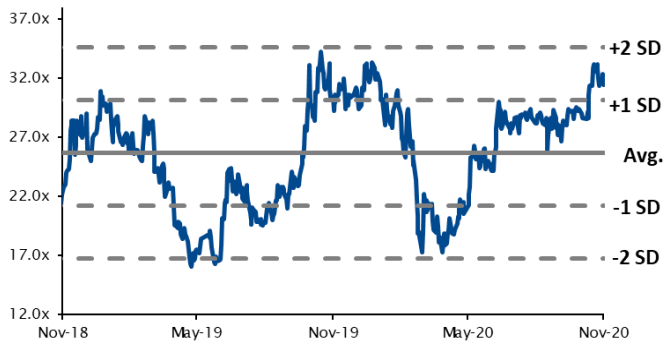
CPIN holds the first spot as the poultry company with the biggest market share in Indonesia. CPIN also succeeded in booking the third largest LTM sales growth in Asia Pacific at USD4,009 million. Currently, CPIN's ROE is on the fourth position in Asia Pacific, but its P/E is quite steep at 32.3x with the average in 5 countries to be at 20.8x.

### Asia Pacific Poultry Company

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>									
Charoen Pokphand Ind	7,604	2,120	4,009	232	-8.13%	5.8%	15.9%	32.3x	4.9x
Japfa Comfeed Indonesia	1,088	1,819	2,383	68	-36.37%	2.8%	9.5%	15.9x	1.4x
Malindo Feedmill	108	336	473	(3)	N/A	-0.6%	-1.8%	N/A	0.7x
<b>India</b>									
Godrej Agrovet Ltd	1,341	624	962	43	-6.94%	4.5%	17.6%	32.5x	5.4x
Avanti Feeds Ltd	945	249	581	49	26.63%	8.4%	26.6%	20.2x	5.0x
<b>Malaysia</b>									
PPB Group Berhad	6,545	5,765	1,045	301	27.75%	28.8%	5.9%	21.2x	1.2x
Cab Cakaran Corp Bhd	64	315	399	(1)	N/A	-0.2%	-0.5%	N/A	0.6x
<b>Philippines</b>									
San Miguel F&B	8,207	5,246	5,549	268	-33.22%	4.8%	15.2%	28.9x	5.0x
<b>Thailand</b>									
Charoen Pokphand Foods	8,025	21,308	18,618	758	46.53%	4.1%	13.6%	10.4x	1.4x
Thaifoods Group PCL	885	766	988	73	71.39%	7.3%	22.1%	11.9x	2.5x
GFPT Public Co Ltd	524	632	469	37	-4.07%	7.8%	8.3%	14.0x	1.1x

Source: Bloomberg

**Forward P/E Band Trade in area +1SD**



Source: Bloomberg, NHKSI Research

**Forward EV/EBITDA Trade in area +1SD**



Source: Bloomberg, NHKSI Research

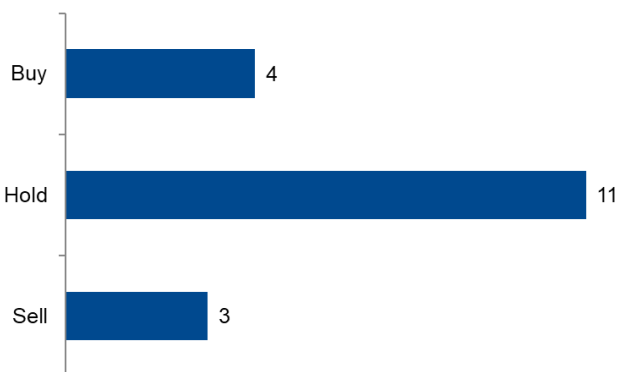
## Rating and Target Price Update

**Target Price**

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
09/23/2020	Hold	6,660 (12 Month)	6,025	5,515	10.5%	20.8%
11/26/2020	Hold	6,675 (12 Month)	6,425	5,828	3.9%	14.5%

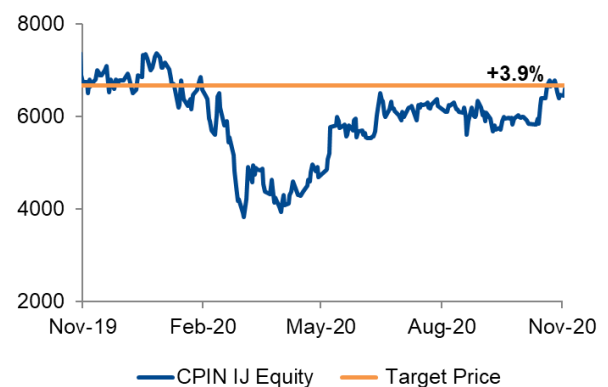
Source: Bloomberg, NHKSI Research

**Analyst Coverage Rating**



Source: Bloomberg

**Closing and Target Price**



Source: NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2018/12	2019/12	2020/12F	2021/12F
<b>Sales</b>	<b>53,958</b>	<b>58,635</b>	<b>59,046</b>	<b>64,574</b>
<i>Growth</i>	9.3%	8.7%	0.7%	9.4%
COGS	(44,823)	(50,538)	(52,087)	(56,424)
<b>Gross Profit</b>	<b>9,135</b>	<b>8,096</b>	<b>6,958</b>	<b>8,150</b>
<i>Gross Margin</i>	16.9%	13.8%	11.8%	12.6%
Operating Expenses	(2,647)	(3,163)	(3,037)	(3,498)
<b>EBIT</b>	<b>6,488</b>	<b>4,933</b>	<b>3,921</b>	<b>4,652</b>
<i>EBIT Margin</i>	12.0%	8.4%	6.6%	7.2%
Depreciation	816	808	921	955
<b>EBITDA</b>	<b>7,305</b>	<b>5,740</b>	<b>4,842</b>	<b>5,607</b>
<i>EBITDA Margin</i>	13.5%	9.8%	8.2%	8.7%
Interest Expenses	(513)	(448)	(582)	(815)
<b>EBT</b>	<b>5,907</b>	<b>4,595</b>	<b>3,246</b>	<b>3,773</b>
Income Tax	(1,356)	(963)	(680)	(791)
Minority Interest	3	2	2	2
<b>Net Profit</b>	<b>4,554</b>	<b>3,635</b>	<b>2,568</b>	<b>2,985</b>
<i>Growth</i>	82.1%	-20.2%	-29.3%	16.2%
<i>Net Profit Margin</i>	8.4%	6.2%	4.3%	4.6%

### BALANCE SHEET

(IDR bn)	2018/12	2019/12	2020/12F	2021/12F
Cash	2,803	1,961	3,017	4,349
Receivables	2,778	3,043	3,065	3,352
Inventories	5,835	5,718	5,893	6,384
<b>Total Current Assets</b>	<b>14,098</b>	<b>13,298</b>	<b>14,552</b>	<b>16,680</b>
Net Fixed Assets	11,685	13,522	14,101	15,646
Other Non Current Assets	177	166	166	166
<b>Total Assets</b>	<b>27,645</b>	<b>29,353</b>	<b>31,218</b>	<b>34,925</b>
Payables	1,445	1,038	1,603	1,371
ST Bank Loan	1,700	2,770	2,507	3,510
LT Debt	2,750	2,278	2,961	4,146
<b>Total Liabilities</b>	<b>8,254</b>	<b>8,281</b>	<b>9,094</b>	<b>11,017</b>
Capital Stock & APIC	121	121	121	121
Retained Earnings	19,237	20,920	21,972	23,757
<b>Shareholders' Equity</b>	<b>19,391</b>	<b>21,072</b>	<b>22,124</b>	<b>23,908</b>

### CASH FLOW STATEMENT

(IDR bn)	2018/12	2019/12	2020/12F	2021/12F
Operating Cash Flow	4,865	3,816	3,665	2,857
Investing Cash Flow	(1,560)	(3,316)	(1,532)	(2,534)
Financing Cash Flow	(2,343)	(1,295)	(1,077)	1,009
<b>Net Changes in Cash</b>	<b>962</b>	<b>(796)</b>	<b>1,056</b>	<b>1,332</b>

Source: Company Data, NHKSI Research

### PROFITABILITY & STABILITY

	2018/12	2019/12	2020/12F	2021/12F
ROE	23.5%	17.2%	11.6%	12.5%
ROA	16.5%	12.4%	8.2%	8.5%
OPM	12.0%	8.4%	6.6%	7.2%
Cash Dividend (IDR bn)	918	1,935	1,516	1,200
Dividend Yield	0.8%	1.8%	1.4%	1.1%
Payout Ratio	20.2%	53.2%	59.0%	40.2%
DER	22.9%	24.0%	29.7%	38.4%
Net Gearing	22.9%	23.9%	24.7%	32.0%
LT Debt to Equity	14.2%	10.8%	13.4%	17.3%
Capitalization Ratio	18.7%	19.3%	19.8%	24.3%
Equity Ratio	70.1%	71.8%	70.9%	68.5%
Debt Ratio	16.1%	17.2%	17.5%	21.9%
Current Ratio	297.9%	256.3%	274.6%	277.3%
Par Value (IDR)	10	11	12	13
Total Shares (mn)	16,398	16,398	16,398	16,398
Share Price (IDR)	7,225	6,500	6,675	6,675
Market Cap (IDR tn)	106.6	110.7	109.5	109.5

### VALUATION INDEX

	2018/12	2019/12	2020/12F	2021/12F
Price /Earnings	26.0x	29.3x	42.6x	36.7x
Price /Book Value	6.1x	5.1x	4.9x	4.6x
Price/Sales	2.2x	1.8x	1.9x	1.7x
PE/EPS Growth	0.3x	-1.5x	-1.5x	2.3x
EV/EBITDA	16.4x	19.1x	23.6x	20.4x
EV/EBIT	18.5x	22.2x	29.1x	24.6x
EV (IDR bn)	120,119	109,671	114,229	114,292
Sales CAGR (3-Yr)	21.7%	15.3%	6.1%	6.2%
EPS CAGR (3-Yr)	35.3%	17.9%	0.9%	-13.1%
Basic EPS (IDR)	278	222	157	182
Diluted EPS (IDR)	278	222	157	182
BVPS (IDR)	1,183	1,285	1,349	1,458
Sales PS (IDR)	3,290	3,576	3,601	3,938
DPS (IDR)	56	118	92	73

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	91.1 PT Central Agromina	55.5
United States	5.5 Vanguard Group	1.6
Ireland	0.8 Blackrock	1.0
Luxembourg	0.7 Dimensional Fund	0.4

**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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