

# Charoen Pokphand Indonesia Tbk (CPIN)

## Looking Forward to Price Recovery



Company Report | Sept. 23, 2020

# HOLD

**Target Price (IDR) 6,660**

Consensus Price (IDR)	5,515
TP to Consensus Price	+20.8%
vs. Last Price	+10.5%

### Shares data

Last Price (IDR)	6,025
Price date as of	Sept. 22, 2020
52 wk range (Hi/Lo)	7,750 / 3,800
Free float	44.5%
Outstanding sh.(mn)	16,398
Market Cap (IDR bn)	6,708
Market Cap (USD mn)	2,016
Avg. Trd Vol - 3M (mn)	9.3
Avg. Trd Val - 3M (bn)	56.9
Foreign Ownership	9.0%

### Basic Industry

#### Poultry

Bloomberg	CPIN IJ
Reuters	CPIN.JK

PSBB impacts the poultry sector, with the decrease of demand for chicken meat and egg resulting in the company's sales to drop. In 2Q20, after PSBB was implemented, the company's sales declined (-9.3% YoY, -1.3% QoQ) to IDR13.7 trillion. This would then resulted in the company's net profit falling to IDR730.7 billion (-20.2% YoY, -20.8% QoQ). We believe that if PSBB continues to be tightened, it will impact sales from the livestock and broiler feed until the end of 2020.

**Performance Depressed during Q2 2020.** The company recorded a decrease in 2Q20 sales to IDR13.7 trillion (-9.3% YoY, -1.3% QoQ). Cumulatively, in the first semester of 2020, CPIN booked sales amounting to IDR27.6 trillion (-6.7% YoY). In 2Q20, the largest contribution to the company's income, the livestock feed, recorded a decline (-15.3% YoY, -6.8 QoQ). The livestock feed continued its downward trend from the first quarter figure of -6.9% YoY. We see that the decrease in sales from the livestock feed segment was caused by lower demand during PSBB in many regions, and a decline in public consumption of chicken meat and eggs. This caused the company net profit attributable to parent entity in 2Q20 to shrink to IDR730.7 billion (-20.2% YoY, -20.8% QoQ).

**Livestock Segment Up 4.9% Quarterly.** The livestock segment provides the second largest sales contribution after the animal feed segment with 41.8% 2Q20 vs 39.4% 1Q20. This segment consists of broiler meat (Broiler) and day-old chicks (DoC) sales. The increase in broiler prices throughout June managed to lift sales from the livestock segment by IDR5.7 trillion (+ 4.9% QoQ). However, in the third quarter, prices shrank again in line with the reduced demand for broilers, which may again threaten a decline in sales from the livestock segment. We view that government assistance related to efforts to stabilize the supply of live chickens at the farmer level will have a positive impact to stabilize selling prices again.

**We Signal HOLD with Target Price of IDR6,660.** Our estimate was based on Discounted Cash Flow (DCF) valuation, resulting in a target price of IDR6,660 per share for the next 12 months, reflecting P/E for FY20E/FY21E of 42.5x/36.6x. We recommend HOLD for CPIN with potential upside of 10.5%. Some of the risks involved are: the re-tightening of PSBB with can impact the demand for Poultry Feed and decrease in the sales price of broiler.

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

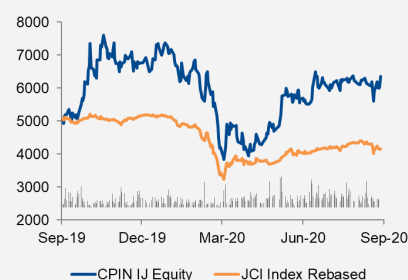
	2018	2019	2020 F	2021 F
Sales	53,958	58,635	59,046	64,574
<i>Revenue growth</i>	9.3%	8.7%	0.7%	9.4%
EBITDA	7,305	5,740	4,842	5,607
Net profit	4,554	3,635	2,568	2,985
EPS (IDR)	278	222	157	182
<i>EPS growth</i>	82.1%	-20.2%	-29.3%	16.2%
BVPS (IDR)	1,183	1,285	1,349	1,458
EBITDA margin	13.5%	9.8%	8.2%	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	42.5x	36.6x
P/BV	6.1x	5.1x	4.9x	4.6x
EV/EBITDA	16.4x	19.1x	23.6x	20.3x
DPS (IDR)	56	118	92	73
<i>Dividend yield</i>	0.8%	1.8%	1.4%	1.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-8.4%	-1.6%	5.7%	18.1%
Rel. Ret	13.1%	4.9%	5.4%	38.6%

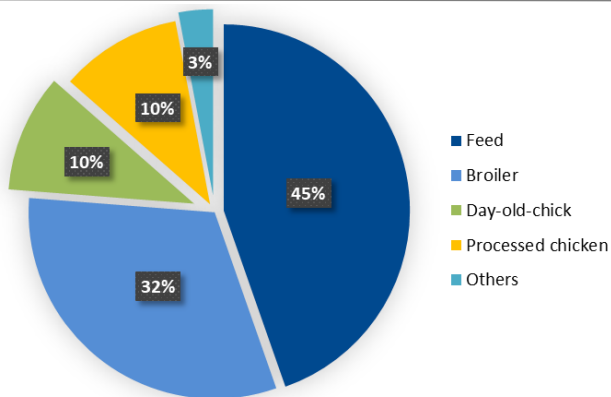
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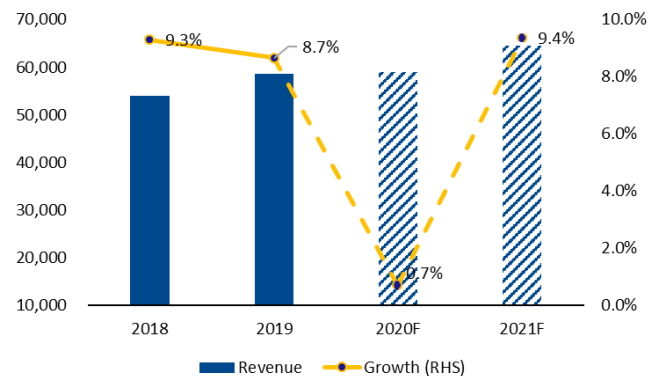
# Performance Highlights

## Sales Breakdown 2Q20



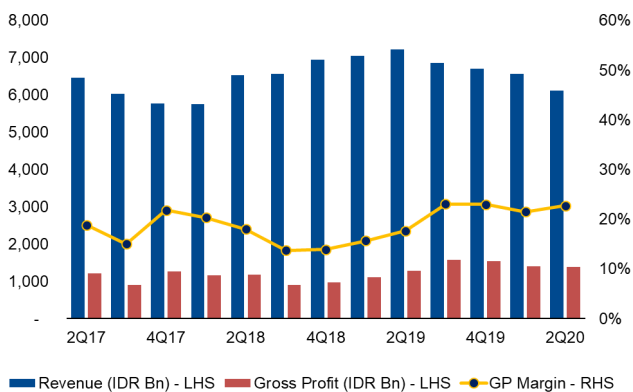
Source: Company, NHKSI Research

## Sales Projections (Bn)



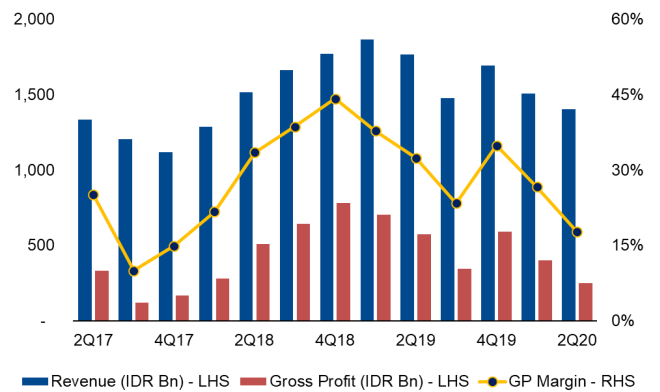
Source: Company, NHKSI Research

## Feed Segmen Sales & Margin



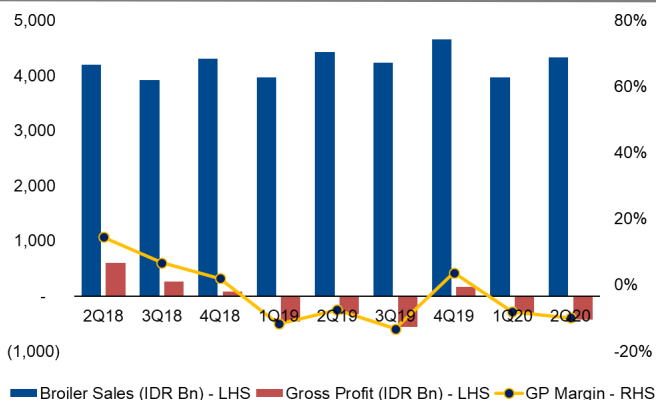
Source: Company, NHKSI Research

## DOC Segmen Sales & Margin



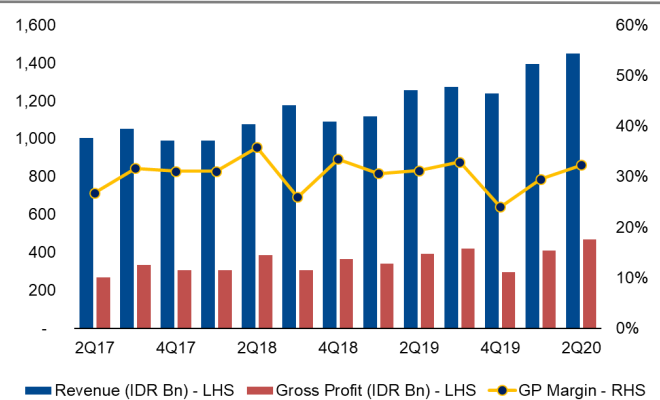
Source: Company, NHKSI Research

## Broiler 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.

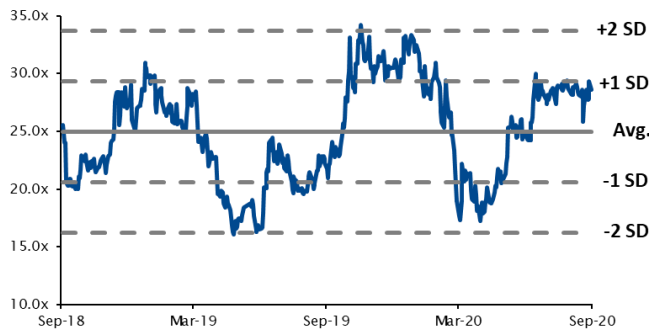
### CPIN's Competitiveness in Asia Pacific

CPIN is ranked first as poultry company with the largest market capitalization in Indonesia. In addition, CPIN managed to record the third largest growth in LTM Sales of USD3,956. CPIN's ROE is currently in the fourth position in Asia Pacific. However, CPIN's P/E is quite high at 27.8x.

### Asia Pacific Poultry Company

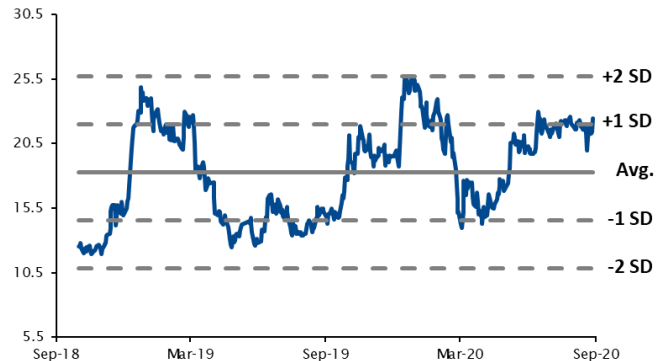
Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>									
Charoen Pokphand Ind	6,686	2,120	3,956	248	-7.66%	6.3%	17.0%	27.8x	4.3x
Japfa Comfeed Indonesia	889	1,819	2,472	76	-42.24%	3.1%	10.7%	12.1x	1.2x
Malindo Feedmill	80	336	473	(3)	N/A	-0.6%	-1.8%	N/A	0.6x
<b>India</b>									
Godrej Agrovet Ltd	1,295	624	962	43	-6.94%	4.5%	17.6%	31.3x	5.2x
Avanti Feeds Ltd	898	249	581	49	26.63%	8.4%	26.6%	19.1x	4.7x
<b>Malaysia</b>									
PPB Group Berhad	6,586	5,765	1,045	301	27.75%	28.8%	5.9%	21.5x	1.2x
Cab Cakaran Corp Bhd	62	315	399	(1)	N/A	-0.2%	-0.5%	N/A	0.6x
<b>Philippines</b>									
San Miguel F&B	7,731	5,246	5,538	288	-25.75%	5.2%	17.2%	24.8x	4.8x
<b>Thailand</b>									
Charoen Pokphand Foods	7,876	21,308	17,900	716	48.35%	4.0%	13.5%	11.1x	1.4x
Thaifoods Group PCL	762	766	964	58	42.40%	6.0%	18.5%	13.7x	2.4x
GFPT Public Co Ltd	476	632	501	38	-6.09%	7.5%	8.8%	12.6x	1.1x

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



Source: Bloomberg, NHKSI Research

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



Source: Bloomberg, NHKSI Research

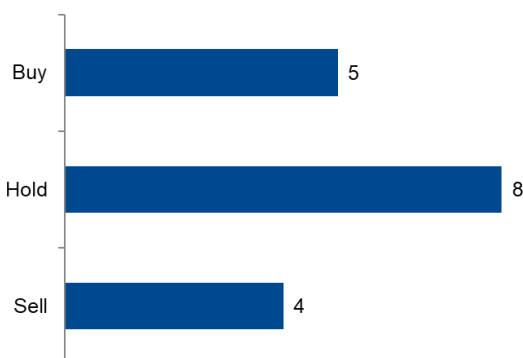
## Rating and Target Price Update

**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%

Source: Bloomberg, NHKSI Research

**Analyst Coverage Rating**



Source: Bloomberg

**Closing and Target Price**



Source: NHKSI Research

**NH Korindo Sekuritas Indonesia (NHKSI) stock ratings**

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
  - Buy : Greater than +15%
  - Hold : -15% to +15%
  - Sell : Less than -15%

## Financial Summary

### 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	6,660	6,660
Market Cap (IDR tn)	106.6	110.7	109.2	109.2

### VALUATION INDEX

	2018/12	2019/12	2020/12F	2021/12F
Price /Earnings	26.0x	29.3x	42.5x	36.6x
Price /Book Value	6.1x	5.1x	4.9x	4.6x
Price/Sales	2.2x	1.8x	1.8x	1.7x
PE/EPS Growth	0.3x	-1.5x	-1.4x	2.3x
EV/EBITDA	16.4x	19.1x	23.6x	20.3x
EV/EBIT	18.5x	22.2x	29.1x	24.5x
EV (IDR bn)	120,119	109,671	114,229	114,046
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	91.0	PT Central Agromina 55.5
United States	5.6	Vanguard Group 1.6
Luxembourg	0.7	Blackrock 1.1
Ireland	0.7	Dimensional Fund 0.4

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