

Wednesday, 01 November 2023

BUY
Upgrade

Last price (IDR) 5,800
Target Price (IDR) 7,200
Upside/Downside +24.1%
Previous Target Price (IDR) 6,700

Stock Statistics

Sector Poultry
Bloomberg Ticker CPIN JJ
No of Shrs (mn) 16,398
Mkt. Cap (IDRbn/USDmn) 95,108/5,987
Avg. daily T/O (IDRbn/USDmn) 40.0/2.5

Major shareholders (%)

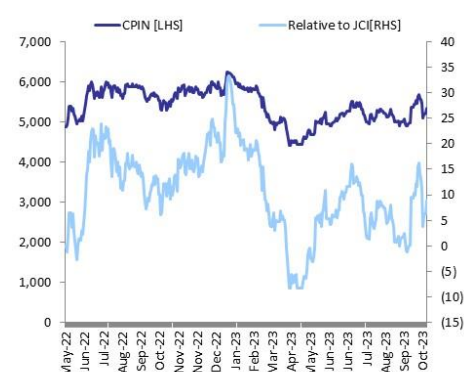
PT Charoen Pokphand Indonesia Group 55.5

Estimated free float 44.5

EPS Consensus (IDR)

	2023F	2024F	2025F
Danareksa	219.6	236.8	250.1
Consensus	186.9	254.9	326.5
Danareksa/Cons	17.5	(7.1)	(23.4)

CPIN relative to JCI Index



Source : Bloomberg



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Charoen Pokphand Indonesia (CPIN JJ)

3Q23 earnings beat from solid downstream business

CPIN booked robust 3Q23 net profits of IDR1.3tr, supported by higher gross revenues of IDR30tr despite flat q-o-q margins amid rising feed raw material costs. We raised our FY23/24F net profit estimates by 16/12% and maintain our BUY recommendation on the stock with a higher TP of Rp7,200.

9M23 earnings above expectations on strong downstream performance. CPIN reported net profits of IDR1.3tr in 3Q23 (+69% y-o-y, +14% q-o-q), above our estimate of IDR1tr due to the substantial contribution from its processed foods segment, which enjoyed revenues growth of 30% y-o-y/ 18% q-o-q (with higher margins) and other income of IDR130bn. The strong 3Q23 net profits led to 9M23 reported net profits of IDR2.7tr (-16% y-o-y), forming 86% and 87% of our FY23F estimate and the consensus, respectively, hence, above expectations.

Strong revenues with flat gross operating profit margins. Overall gross revenues rose 14% y-o-y/ 8% q-o-q to IDR30tr in 3Q23, driven by 38% and 18% q-o-q growth in the DOC and processed food segments, respectively. The increase in DOC revenues partly reflects the higher DOC prices during the quarter. The overall gross operating margin remained flat q-o-q at 5.8% in 3Q23 despite the declining feed and broiler margins thanks to the improving margins in the DOC and processed food segments. Feed margins declined to 8.2% in 3Q23 from 9.8% in 2Q23 amid rising raw material costs. Meanwhile, processed food margins expanded to 15.4% in 3Q23 (2Q23/3Q22: 7.7/5.3%).

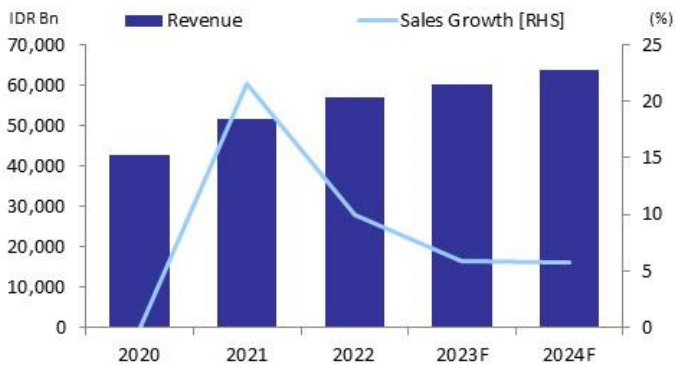
On track with balance sheet de-leveraging. CPIN's total debt fell to IDR8.7tr in 3Q23 from IDR10.1tr in 2Q23 bringing its net gearing down from 31% to 19%. As such, interest expenses declined (4% q-o-q), providing some support to net profits. This is in-line with the management's guidance for lower working capital needs as the inventory level declined (down by 22% q-o-q in 3Q23).

Maintain BUY with a higher TP of IDR7,200. We raised our FY23F/FY24F EBITDA estimates by 11/8% and net profits forecast by 16/12% in consideration of higher revenues in the processed foods business and slightly lower opex from 9M23's performance. This subsequently lifts our TP to IDR7,200 (from IDR6,700 previously) as we maintain our 18.3x FY24F EV/EBITDA valuation (5-year average) on CPIN.

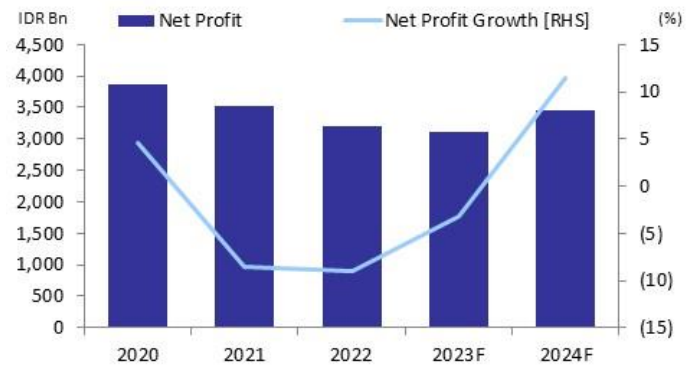
Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDRbn)	51,698	56,868	60,447	63,828	70,366
EBITDA (IDRbn)	5,592	5,326	6,416	6,915	7,312
EBITDA Growth (%)	(10.3)	(4.7)	20.5	7.8	5.7
Net profit (IDRbn)	3,530	3,210	3,601	3,883	4,101
EPS (IDR)	215.3	195.8	219.6	236.8	250.1
EPS growth (%)	(8.6)	(9.1)	12.2	7.8	5.6
BVPS (IDR)	1,532.8	1,604.5	1,736.8	1,866.2	2,000.4
DPS (IDR)	112.0	108.0	87.3	107.4	115.8
PER (x)	26.9	29.6	26.4	24.5	23.2
PBV (x)	3.8	3.6	3.3	3.1	2.9
Dividend yield (%)	1.9	1.9	1.5	1.9	2.0
EV/EBITDA (x)	17.7	19.2	16.1	14.9	14.1

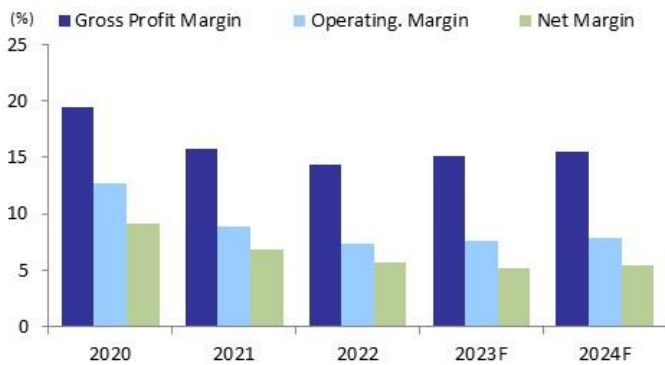
Source : CPIN, BRI Danareksa Sekuritas Estimates

Exhibit 1. Revenues and Growth


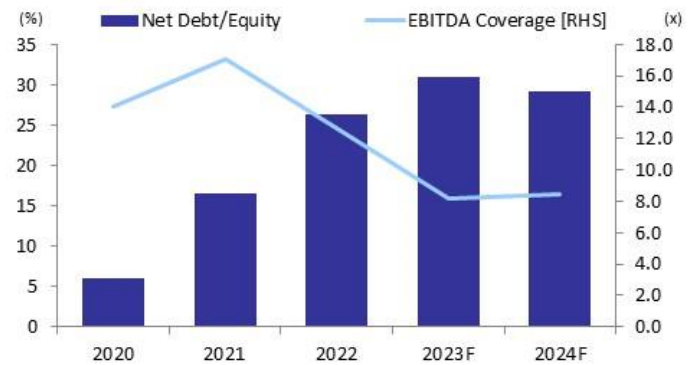
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. 3Q23 results summary

CPIN (IDR bn)	3Q22	2Q23	3Q23	y-o-y	q-o-q	9M22	9M23	y-o-y	FY23F	FY23C	A/F	A/C
Revenue	14,801	16,328	16,237	10%	-1%	43,439	47,129	8%	60,202	61,119	78%	77%
COGS	(12,771)	(13,671)	(13,452)	5%	-2%	(36,517)	(40,215)	10%	(51,113)	(52,269)	79%	77%
Gross Profit	2,031	2,657	2,785	37%	5%	6,921	6,914	0%	9,088	8,850	76%	78%
Total Opex	(1,002)	(1,049)	(1,066)	6%	2%	(2,818)	(3,103)	10%	(4,531)	(4,404)	68%	70%
Operating Profit	1,029	1,608	1,718	67%	7%	4,103	3,811	-7%	4,558	4,446	84%	86%
Pretax profit	877	1,499	1,604	83%	7%	3,876	3,346	-14%	3,955	4,289	85%	78%
Net profit	769	1,138	1,297	69%	14%	3,186	2,676	-16%	3,105	3,078	86%	87%
Gross margin	13.7%	16.3%	17.2%	3.4%	0.9%	15.9%	14.7%	-1.3%	15.1%	14.5%		
Operating margin	7.0%	9.8%	10.6%	3.6%	0.7%	9.4%	8.1%	-1.4%	7.6%	7.3%		
Net margin	5.2%	7.0%	8.0%	2.8%	1.0%	7.3%	5.7%	-1.7%	5.2%	5.0%		
Segment margin												
Feed	3.6%	9.8%	8.2%			9.1%	8.8%					
DOC	12.5%	-9.2%	11.4%			-16.4%	-3.9%					
Live birds	2.5%	4.8%	-0.6%			1.1%	0.5%					
Total	4.0%	5.8%	5.8%			4.0%	4.6%					

Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Revenue	51,698	56,868	60,447	63,828	70,366
COGS	(43,559)	(48,724)	(51,087)	(53,794)	(59,591)
Gross profit	8,139	8,144	9,360	10,035	10,775
EBITDA	5,592	5,326	6,416	6,915	7,312
Oper. profit	4,610	4,186	5,190	5,580	5,858
Interest income	40	22	24	18	12
Interest expense	(329)	(420)	(709)	(757)	(757)
Forex Gain/(Loss)	(12)	(48)	(2)	(8)	(8)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	233	80	84	87	90
Pre-tax profit	4,543	3,819	4,587	4,919	5,195
Income tax	(1,015)	(607)	(984)	(1,033)	(1,091)
Minority interest	2	(2)	(3)	(3)	(3)
Net profit	3,530	3,210	3,601	3,883	4,101
Core Net Profit	3,542	3,259	3,603	3,891	4,109

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	1,803	2,042	2,486	2,564	2,219
Receivables	1,794	2,094	2,066	2,182	2,406
Inventory	7,655	9,000	11,351	11,952	13,240
Other Curr. Asset	4,462	4,896	5,000	5,164	5,369
Fixed assets - Net	16,256	17,628	19,041	20,366	21,593
Other non-curr.asset	3,475	4,188	4,282	4,378	4,476
Total asset	35,446	39,848	44,226	46,607	49,303
ST Debt	4,587	6,649	8,149	8,149	8,149
Payables	2,402	2,446	2,541	2,676	2,964
Other Curr. Liabilities	848	1,014	1,203	1,263	1,350
Long Term Debt	1,358	2,312	2,399	2,407	2,415
Other LT. Liabilities	1,102	1,099	1,436	1,489	1,596
Total Liabilities	10,296	13,520	15,728	15,983	16,475
Shareholder's Funds	25,135	26,311	28,480	30,602	32,803
Minority interests	15	17	19	22	25
Total Equity & Liabilities	35,446	39,848	44,227	46,607	49,303

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Net income	3,530	3,210	3,601	3,883	4,101
Depreciation and Amort.	981	1,140	1,226	1,336	1,453
Change in Working Capital	(2,382)	(1,891)	(2,061)	(687)	(1,340)
Other Oper. Cash Flow	(8)	(786)	(32)	(33)	(34)
Operating Cash Flow	2,122	1,674	2,734	4,500	4,180
Capex	(2,781)	(2,594)	(2,639)	(2,661)	(2,680)
Others Inv. Cash Flow	(38)	(19)	(56)	(58)	(59)
Investing Cash Flow	(2,819)	(2,613)	(2,695)	(2,718)	(2,739)
Net change in debt	1,828	3,061	1,504	8	8
New Capital	0	0	0	0	0
Dividend payment	(1,837)	(1,771)	(1,432)	(1,761)	(1,899)
Other Fin. Cash Flow	(307)	(362)	334	51	105
Financing Cash Flow	(316)	928	405	(1,703)	(1,787)
Net Change in Cash	(1,013)	(11)	444	79	(345)
Cash - begin of the year	2,678	1,803	2,042	2,486	2,564
Cash - end of the year	1,803	2,042	2,486	2,564	2,219

Exhibit 9. Key Ratios

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Growth (%)					
Sales	21.6	10.0	6.3	5.6	10.2
EBITDA	(10.3)	(4.7)	20.5	7.8	5.7
Operating profit	(14.2)	(9.2)	24.0	7.5	5.0
Net profit	(8.6)	(9.1)	12.2	7.8	5.6
Profitability (%)					
Gross margin	15.7	14.3	15.5	15.7	15.3
EBITDA margin	10.8	9.4	10.6	10.8	10.4
Operating margin	8.9	7.4	8.6	8.7	8.3
Net margin	6.8	5.6	6.0	6.1	5.8
ROAA	10.6	8.5	8.6	8.6	8.6
ROAE	14.6	12.5	13.1	13.1	12.9
Leverage					
Net Gearing (x)	0.2	0.3	0.3	0.3	0.3
Interest Coverage (x)	14.0	10.0	7.3	7.4	7.7

Source : CPIN, BRI Danareksa Sekuritas Estimates

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