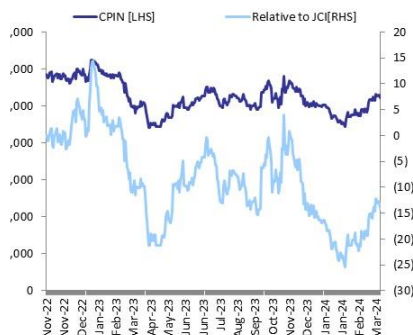


Hold

(Downgraded)

Last Price (Rp)	5,225
Target Price (Rp)	5,200
Previous Target Price (Rp)	5,200
Upside/Downside	-0.5%
No. of Shares (mn)	16,398
Mkt Cap (Rpbn/US\$mn)	85,680/5,426
Avg, Daily T/O (Rpbn/US\$mn)	39.0/2.5
Free Float (%)	44.5
Major Shareholder (%)	
PT Charoen Pokphand Indonesia Group	55.5
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	179.8 246.4 262.3
Consensus	240.2 276.4 n/a
BRIDS/Cons (%)	(25.2) (10.8) n/a

CPIN relative to JCI Index



Source: Bloomberg

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Charoen Pokphand Indonesia (CPIN IJ)

FY23 results: Another year with a negative ending

- CPIN booked 4Q23 net losses of Rp357bn, surpassing 4Q22's net losses of Rp257bn driven by a lower feed margin and poultry business losses.
- Despite the inline FY23 operating profit, we trim our FY24/FY25F net profit forecasts by -9/-5% on lower other income.
- We downgrade our rating to Hold with a TP of Rp5,200 based on 15.4x FY24F EV/EBITDA (-1SD of 5-year avg), implying 29/21x FY24/FY25F PE.

Lower-than-expected FY23 net profit

CPIN booked core net profit of Rp327bn in 4Q23 resulting in FY23 core net profit of Rp2.4tr (-27% yoy). This is slightly lower than our estimate (94% of FY23F), with the reported net profit only forming 72% of consensus estimates. Despite 8% yoy top line growth, the lower net profit in FY23 was driven by a 53bps lower operating margin mainly due to lower DOC and processed food margins and lower other operating income.

A big reversal from 3Q23 due to lower revenues and margins

After the high base in 3Q23, CPIN's net profits turned negative in 4Q23 with all segments reporting declining qoq margins. Gross revenues dropped by 9% qoq across all business segments but were mainly led by the decline in DOC revenues (-40% yoy), which we believe owed to both lower volume and ASP. The feed and broiler operating margins were 127bps and 577bps lower in 4Q23 due to rising costs and lower ASP during the quarter. The DOC and processed food segments recorded a operating margin reversal from positive to negative.

We lower our FY24/25F net profit estimates by -9/-5%

CPIN booked operating profits of Rp3.9tr (-6% yoy) in FY23, inline (at 103% of our FY23 est) but below consensus estimates (at 90%). However, the lower-than-expected other operating profits (caused by the absence of gains from culled birds), dragged down the net profit. Hence, we trim our FY24/25F net profit forecasts to take into account the lower other income.

Maintain TP at Rp5,200, but downgrade our rating to Hold (from Buy prev.)

With a slightly lower FY24F EBITDA forecast of Rp5.9tr (4% lower vs. our previous forecast), we maintain our TP at Rp5,200 based on 15.4x EV/EBITDA (-1SD of the 5-year average) to our FY24F EBITDA implying 29/21x FY24/FY25F PE ratios. Upside risks to our view are potential resumption of the culling programs and lifting of the ban on corn imports.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	56,868	61,616	62,789	68,626	74,536
EBITDA (Rpbn)	5,326	5,160	5,858	7,391	7,803
EBITDA Growth (%)	(4.7)	(3.1)	13.5	26.2	5.6
Net Profit (Rpbn)	2,928	2,318	2,948	4,040	4,302
EPS (Rp)	178.6	141.3	179.8	246.4	262.3
EPS Growth (%)	(19.1)	(20.9)	27.2	37.0	6.5
BVPS (Rp)	1,604.5	1,647.3	1,747.9	1,893.6	2,018.0
DPS (Rp)	108.0	100.0	79.1	100.7	138.0
PER (x)	29.3	37.0	29.1	21.2	19.9
PBV (x)	3.3	3.2	3.0	2.8	2.6
Dividen yield (%)	2.1	1.9	1.5	1.9	2.6
EV/EBITDA	17.4	17.9	15.5	12.1	11.3

Source: CPIN, BRIDS Estimates

Exhibit 1. CPIN 4Q23 result summary

CPIN (IDR bn)	4Q22	3Q23	4Q23	y-o-y	q-o-q	FY22	FY23	y-o-y	FY23F	FY23C	A/F	A/C
Consolidated												
Net Revenue	13,429	16,237	14,487	8%	-11%	56,868	61,616	8%	59,864	60,678	103%	102%
COGS	(12,206)	(13,452)	(13,126)	8%	-2%	(48,724)	(53,341)	9%	(51,900)	(52,071)	103%	102%
Gross Profit	1,223	2,785	1,361	11%	-51%	8,144	8,275	2%	7,964	8,607	104%	96%
Total Opex	(1,140)	(1,066)	(1,228)	8%	15%	(3,958)	(4,330)	9%	(4,141)	(4,200)	105%	103%
Operating Profit	83	1,718	133	61%	-92%	4,186	3,944	-6%	3,823	4,406	103%	90%
Pretax profit	(338)	1,604	(350)	3%	n/a	3,537	2,997	-15%	3,225	4,014	93%	75%
Net profit	(257)	1,297	(357)	39%	n/a	2,928	2,319	-21%	2,531	3,222	92%	72%
Core profit	(21)	1,353	(327)	1485%	n/a	3,259	2,372	-27%	2,531		94%	
Gross margin	9.1%	17.2%	9.4%	29 bp	(776)bp	14.3%	13.4%	(89)bp	14.6%	14.2%		
Opex to revenue	8.5%	6.6%	8.5%	(2)bp	191 bp	7.0%	7.0%	7 bp	6.9%	6.9%		
Operating margin	0.6%	10.6%	0.9%	30 bp	(967)bp	7.4%	6.4%	(96)bp	6.4%	7.3%		
Net margin	-1.9%	8.0%	-2.5%	(55)bp	n/a	5.1%	3.8%	(139)bp	4.2%	5.3%		
Segment breakdown												
Feed revenue	11,713	13,224	12,335	5%	-7%	44,751	49,427	10%				
DOC revenue	1,853	2,535	1,524	-18%	-40%	8,343	7,187	-14%				
Live birds revenue	8,722	9,923	8,831	1%	-11%	35,450	37,180	5%				
Processed food revenue	2,092	2,790	2,734	31%	-2%	8,365	10,012	20%				
Total gross revenue	25,414	29,954	27,259	7%	-9%	101,404	110,335	9%				
Feed margin	8.5%	8.2%	6.9%	(160)bp	(127)bp	7.4%	8.3%	87 bp				
DOC margin	-23.8%	11.4%	-5.2%	1,862 bp	(1,663)bp	2.2%	-4.2%	(640)bp				
Live birds margin	-10.6%	-0.6%	-6.4%	421 bp	(577)bp	-0.9%	-1.1%	(24)bp				
Processed food margin	21.2%	15.4%	-5.0%	(2,617)bp	(2,035)bp	11.9%	5.8%	(613)bp				
Total margin	0.2%	5.8%	0.5%	26 bp	(530)bp	4.1%	3.6%	(53)bp				

Source: BRIDS Estimates

Exhibit 2. Changes in forecast

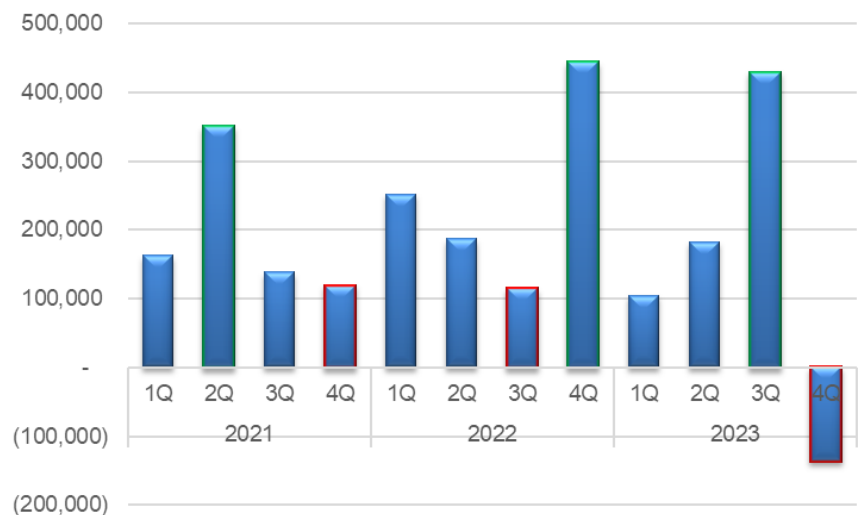
Financial	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	63,050	62,789	-0.4%	69,087	68,626	-0.7%
EBITDA (Rpbn)	6,114	5,858	-4.2%	7,501	7,391	-1.5%
Net Profit (Rpbn)	3,259	2,948	-9.5%	4,257	4,040	-5.1%
Price	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	19,518	19,518	0.0%	20,201	20,201	0.0%
DOC (Rp/bird)	6,103	6,103	0.0%	6,317	6,317	0.0%
Corn (Rp/kg)	5,387	5,387	0.0%	5,576	5,481	-1.7%
Soybean meal (US\$/t)	411	420	2.2%	420	420	0.0%

Source: BRIDS Estimates

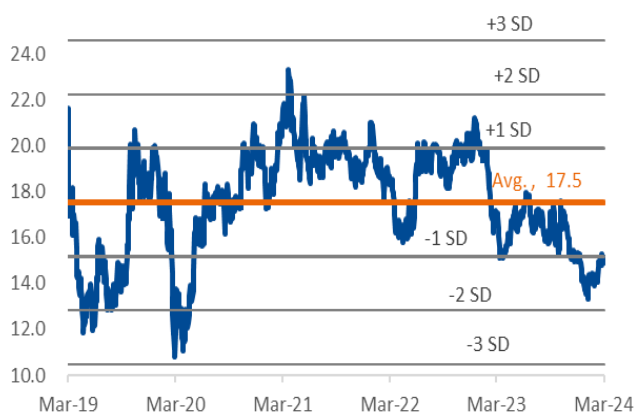
4Q23: The first quarterly net losses in the processed food business

CPIN's processed food business has often displayed cyclicity in the operating profit, with some quarters delivering Rp300-400bn in profit, while some quarters saw the number declining to c. Rp100bn. Despite the historical earnings cyclicity, the segment has never reported net losses as it did in 4Q23. In the last quarter of FY23, CPIN reported operating losses of Rp136bn with an OPM of -5.0%. This is a huge reversal from 3Q23 when the company booked operating profit of Rp429bn with an OPM of 15.4%.

In our view, the negative 4Q23 earnings reflect higher raw material costs, especially from feed which translated to higher costs of both DOC and livebirds. Despite that, CPIN's processed food business continued to record top line growth of 20% yoy in FY23 while operating profits declined 42% due to margins compression from 11.9% in FY22 to 5.8% in FY23. We expect a 150bps improvement in margins in FY24F reflecting the lower raw material costs.

Exhibit 3. Operating Profits of Processed Food Business Segment


Source: Company, BRIDS

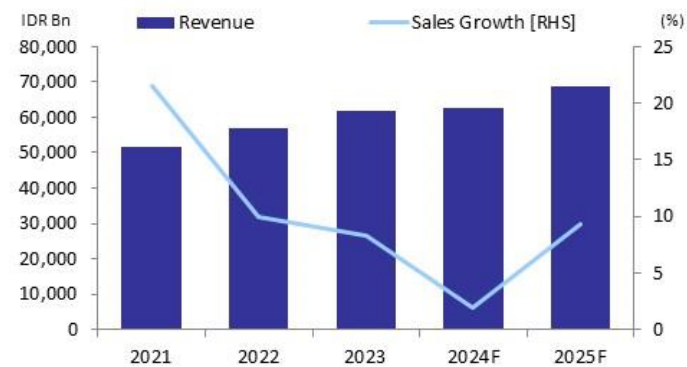
Exhibit 4. CPIN EV/EBITDA band chart (5-year)


Source: Bloomberg, BRIDS Estimates

Exhibit 5. CPIN P/E band chart (5-year)


Source: Bloomberg, BRIDS Estimates

Exhibit 6. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 7. Net Profit and Growth



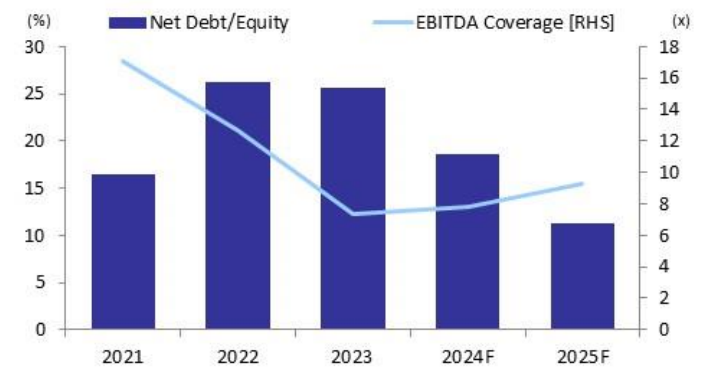
Source: Company, BRIDS Estimates

Exhibit 8. Margins



Source: Company, BRIDS Estimates

Exhibit 9. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 10. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	56,868	61,616	62,789	68,626	74,536
COGS	(48,724)	(53,341)	(53,831)	(57,839)	(63,013)
Gross profit	8,144	8,275	8,959	10,787	11,523
EBITDA	5,326	5,160	5,858	7,391	7,803
Oper. profit	4,186	3,944	4,531	5,976	6,313
Interest income	22	28	18	12	10
Interest expense	(420)	(698)	(747)	(798)	(798)
Forex Gain/(Loss)	(48)	12	2	0	(2)
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(201)	(290)	(72)	(75)	(77)
Pre-tax profit	3,537	2,997	3,733	5,115	5,446
Income tax	(607)	(679)	(784)	(1,074)	(1,144)
Minority interest	(2)	0	(1)	(1)	(1)
Net profit	2,928	2,318	2,948	4,040	4,302
Core Net Profit	2,977	2,306	2,946	4,040	4,303

Exhibit 11. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	2,042	2,328	5,471	7,270	8,469
Receivables	2,094	1,827	1,998	2,184	2,372
Inventory	9,000	9,299	9,233	9,921	10,808
Other Curr. Asset	4,896	4,871	5,034	5,212	5,407
Fixed assets - Net	17,628	17,690	17,737	17,708	17,607
Other non-curr.asset	4,188	4,956	5,068	5,184	5,302
Total asset	39,848	40,971	44,541	47,479	49,966
ST Debt	7,151	7,393	8,893	8,893	8,893
Payables	2,446	2,886	2,678	2,877	3,135
Other Curr. Liabilities	1,014	845	1,055	1,329	1,422
Long Term Debt	1,810	1,841	1,891	1,891	1,892
Other LT. Liabilities	1,099	978	1,345	1,419	1,513
Total Liabilities	13,520	13,942	15,861	16,409	16,856
Shareholder's Funds	26,311	27,012	28,662	31,051	33,091
Minority interests	17	16	17	18	19
Total Equity & Liabilities	39,848	40,970	44,540	47,478	49,965

Exhibit 12. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	2,928	2,318	2,948	4,040	4,302
Depreciation and Amort.	1,140	1,216	1,327	1,415	1,490
Change in Working Capital	(1,891)	256	(176)	(577)	(920)
Other Oper. Cash Flow	(504)	(643)	(43)	(44)	(45)
Operating Cash Flow	1,674	3,146	4,056	4,834	4,827
Capex	(2,594)	(1,382)	(1,373)	(1,386)	(1,389)
Others Inv. Cash Flow	(19)	6	(69)	(71)	(72)
Investing Cash Flow	(2,613)	(1,376)	(1,442)	(1,457)	(1,461)
Net change in debt	3,061	234	1,459	0	2
New Capital	0	0	0	0	0
Dividend payment	(1,771)	(1,640)	(1,298)	(1,651)	(2,262)
Other Fin. Cash Flow	(362)	187	367	73	94
Financing Cash Flow	928	(1,219)	529	(1,578)	(2,167)
Net Change in Cash	(11)	551	3,143	1,800	1,198
Cash - begin of the year	1,803	2,042	2,328	5,471	7,270
Cash - end of the year	2,042	2,328	5,471	7,270	8,469

Exhibit 13. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	10.0	8.3	1.9	9.3	8.6
EBITDA	(4.7)	(3.1)	13.5	26.2	5.6
Operating profit	(9.2)	(5.8)	14.9	31.9	5.6
Net profit	(19.1)	(20.9)	27.2	37.0	6.5
Profitability (%)					
Gross margin	14.3	13.4	14.3	15.7	15.5
EBITDA margin	9.4	8.4	9.3	10.8	10.5
Operating margin	7.4	6.4	7.2	8.7	8.5
Net margin	5.1	3.8	4.7	5.9	5.8
ROAA	7.8	5.7	6.9	8.8	8.8
ROAE	11.4	8.7	10.6	13.5	13.4
Leverage					
Net Gearing (x)	0.3	0.3	0.2	0.1	0.1
Interest Coverage (x)	10.0	5.7	6.1	7.5	7.9

Source: CPIN, BRIDS Estimates

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INVESTMENT RATING

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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