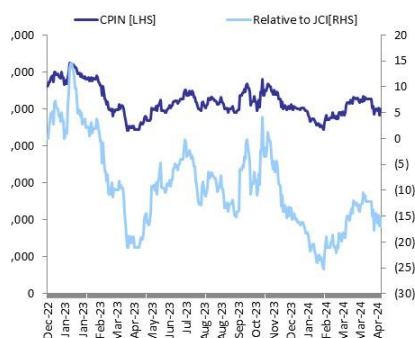


Buy

(Upgraded)

Last Price (Rp)	4,950
Target Price (Rp)	5,900
Previous Target Price (Rp)	5,200
Upside/Downside	+19.2%
No. of Shares (mn)	16,398
Mkt Cap (Rpbn/US\$mn)	81,170/4,992
Avg, Daily T/O (Rpbn/US\$mn)	38.2/2.4
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	221.6 225.3 287.2
BRIDS/Cons (%)	(18.9) 9.4 (8.7)

CPIN relative to JCI Index



Source: Bloomberg

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Charoen Pokphand Indonesia (CPIN IJ)

Inline 1Q24 earnings: recovery of livebird and DOC margins offset lower feed margins; upgrade to Buy

- CPIN booked inline 1Q24 net profit of Rp711bn (tripled yoy from 1Q23's low base), supported by higher chicken prices during Ramadan.
- Feed's operating profit fell 26% yoy due to margins compression caused by higher costs, but we foresee margins normalization going forward.
- We upgrade our call from HOLD to BUY with a higher TP of Rp5,900, on a better supply-demand outlook and normalized feed costs.

1Q24: higher revenues and margin recovery supported net profit growth

CPIN booked net profit of Rp711bn in 1Q24, triple yoy from 1Q23's low base and a turnaround from net losses of Rp357bn in 4Q23 supported by Lebaran season's seasonally higher livebird prices. The 1Q23 net profit is 24% and 22% of our FY24F forecast and the consensus, i.e., inline. Supported by all business segments, gross revenue grew briskly to Rp29tr in 1Q24 (+15% yoy, +7% qoq) with the operating margin recovering to 3.6% (+170bps, +317bps qoq), albeit still below its historical average at c. 6.0%.

Margins improvement, partly supported by Ramadan

The 1Q24 margins improvement was driven by the DOC and livebird segments. Both segments saw an increase in margins from higher ASP which were driven by self-culling across the industry and higher demand during Ramadan. Livebird's operating margin reported a significant improvement to 5.7% (1Q23/4Q23: -3.4/-6.4%). On the other hand, DOC's operating margin remained negative (due to very weak ASP in Jan24) at -5.8% though still a huge improvement compared to 1Q23's margin of -26.6%.

Higher input costs dragged down feed business profitability

Despite the higher feed revenues of Rp12.7tr (+6% yoy, +3% qoq), feed's operating profit contracted to Rp750bn (-26% yoy, -12% qoq) as the margin declined to 5.9% (-258bps yoy, -104bps qoq) due to higher input costs, i.e. higher local corn and SBM prices in 1Q24. We expect an improvement in the feed margin in subsequent quarters from lower input costs.

Upgrade rating to Buy with a TP of Rp5,900

We upgrade our rating to Buy (from Hold) with lower feed costs as the key catalyst. We normalize our EV/EBITDA multiple valuation to 17.5x (5-year mean) from 15.4x (-1SD) as we believe the impact of El Nino on local corn prices as one of the key costs to the business has passed and we also foresee better supply-demand of chicken with lower GPS imports. As such, our TP is raised to Rp5,900 (from Rp5,200 prev.). Risks to our view include lower livebird prices due to a lack of culling and weak purchasing power.

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)	27.7	35.0	27.5	20.1	18.9
PBV (x)	3.1	3.0	2.8	2.6	2.5
Dividen yield (%)	2.2	2.0	1.6	2.0	2.8
EV/EBITDA	16.5	17.1	14.8	11.5	10.7

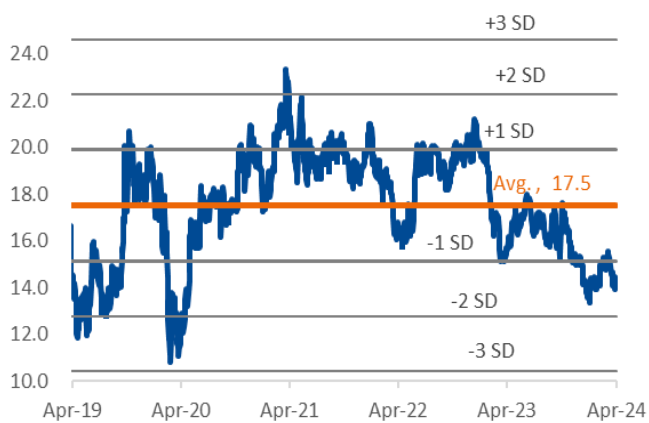
Source: CPIN, BRIDS Estimates

Exhibit 1. CPIN 1Q24 earnings summary

CPIN (Rp bn)	1Q23	4Q23	1Q24	y-o-y	q-o-q	3M23	3M24	y-o-y	FY24F	FY24C	A/F	A/C
Consolidated												
Net Revenue	14,564	14,487	15,913	9%	10%	14,564	15,913	9%	62,789	65,997	25%	24%
COGS	(13,092)	(13,126)	(13,786)	5%	5%	(13,092)	(13,786)	5%	(53,831)	(56,431)	26%	24%
Gross Profit	1,472	1,361	2,126	44%	56%	1,472	2,126	44%	8,959	9,567	24%	22%
Total Opex	(987)	(1,228)	(1,079)	9%	-12%	(987)	(1,079)	9%	(4,427)	(4,773)	24%	23%
Operating Profit	485	133	1,048	116%	687%	485	1,048	116%	4,531	4,793	23%	22%
Pretax profit	243	(350)	867	257%	n/a	243	867	257%	3,733	4,064	23%	21%
Net profit	241	(357)	711	195%	n/a	241	711	195%	2,948	3,235	24%	22%
Gross margin	10.1%	9.4%	13.4%	326 bp	397 bp	10.1%	13.4%	326 bp	14.3%	14.5%		
Opex to revenue	6.8%	8.5%	6.8%	0 bp	(170)bp	6.8%	6.8%	0 bp	7.1%	7.2%		
Operating margin	3.3%	0.9%	6.6%	326 bp	566 bp	3.3%	6.6%	326 bp	7.2%	7.3%		
Net margin	1.7%	-2.5%	4.5%	281 bp	n/a	1.7%	4.5%	281 bp	4.7%	4.9%		
Segment breakdown												
Feed revenue	11,991	12,335	12,726	6%	3%	11,991	12,726	6%				
DOC revenue	1,294	1,524	1,967	52%	29%	1,294	1,967	52%				
Live birds revenue	8,298	8,831	9,514	15%	8%	8,298	9,514	15%				
Processed food revenue	2,113	2,734	2,988	41%	9%	2,113	2,988	41%				
Total gross revenue	25,334	27,259	29,088	15%	7%	25,334	29,088	15%				
Feed margin	8.5%	6.9%	5.9%	(258)bp	(104)bp	8.5%	5.9%	(258)bp				
DOC margin	-26.6%	-5.2%	-5.8%	2,080 bp	(61)bp	-26.6%	-5.8%	2,080 bp				
Live birds margin	-3.4%	-6.4%	5.7%	910 bp	1,205 bp	-3.4%	5.7%	910 bp				
Processed food margin	4.9%	-5.0%	-3.4%	(835)bp	158 bp	4.9%	-3.4%	(835)bp				
Total operating margin	1.9%	0.5%	3.6%	170 bp	317 bp	1.9%	3.6%	170 bp				

Source: BRIDS Estimates

Exhibit 2. CPIN EV/EBITDA band chart (5-year)



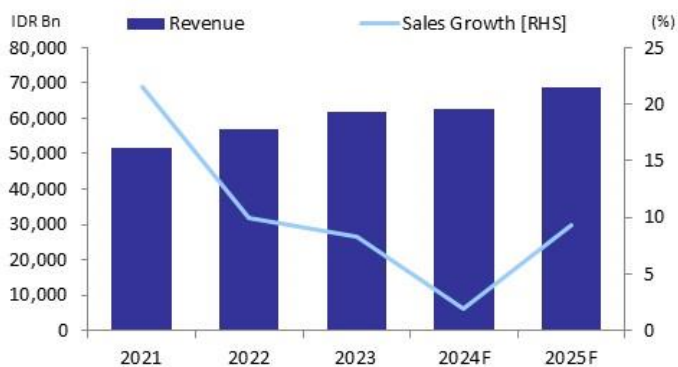
Source: Bloomberg, BRIDS Estimates

Exhibit 3. CPIN P/E band chart (5-year)



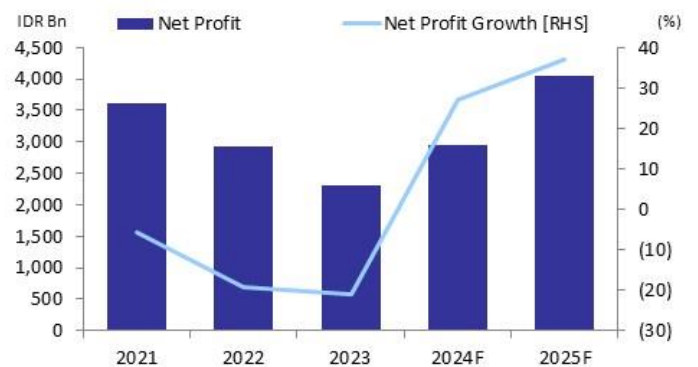
Source: Bloomberg, BRIDS Estimates

Exhibit 4. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 5. Net Profit and Growth



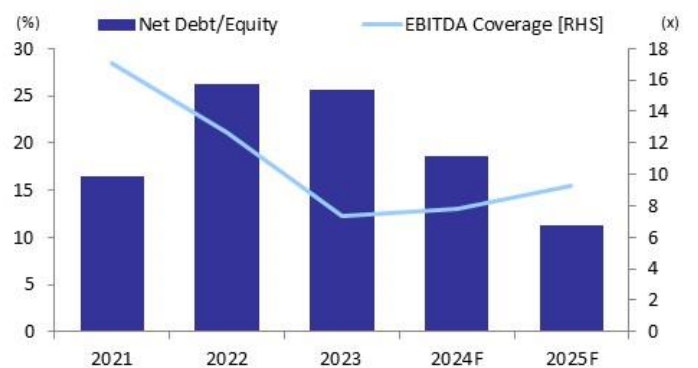
Source: Company, BRIDS Estimates

Exhibit 6. Margins



Source: Company, BRIDS Estimates

Exhibit 7. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 8. 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	3,259	2,371	2,946	4,040	4,304

Exhibit 9. 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 10. 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 11. 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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