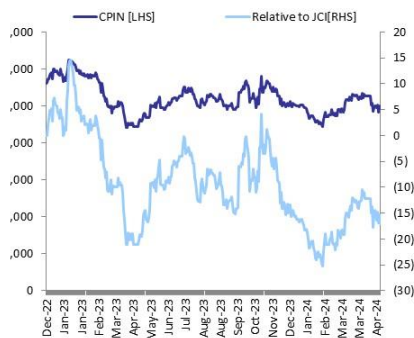


Buy

(Maintained)

Last Price (Rp)	5,150
Target Price (Rp)	6,400
Previous Target Price (Rp)	5,900
Upside/Downside	+24.3%
No. of Shares (mn)	16,398
Mkt Cap (Rpbn/US\$mn)	84,450/5,218
Avg, Daily T/O (Rpbn/US\$mn)	33.3/2.1
Free Float (%)	44.5
Major Shareholder (%)	
PT Charoen Pokphand Indonesia Group	55.5
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	211.2 250.1 286.8
Consensus	187.2 241.4 284.1
BRIDS/Cons (%)	12.8 3.6 0.9

CPIN relative to JCI Index



Source: Bloomberg

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Charoen Pokphand Indonesia (CPIN IJ)

Strong 2Q24 earnings on higher sales and margin; 1H24 beat estimates

- CPIN booked strong 2Q24 net profit of Rp1.1tr (-7% yoy, +49% qoq), supported by higher feed and DOC margin; 1H24 results beat estimates.
- The strong performance was slightly offset by the continuous losses in the processed food business and higher effective tax rate.
- We maintain our Buy rating with a higher TP of Rp6,400, reflecting a higher NP FY24-25F est. by 18%-2% due to higher ASP and lower costs.

Lower than our 2Q24 preview on processed food segment and higher tax
CPIN reported a net profit of Rp1.1tr in 2Q24 (-7% yoy, +49% qoq), below our lower-end estimate of Rp1.4tr for 2Q24. The lower-than-expected 2Q24 earnings were caused by the processed food segment, which still reported net losses (versus our net profit estimates) and an effective higher tax rate of 35% during the quarter (deferred tax of c. Rp260bn in 2Q24). Despite this, the 1H24 net profit of Rp1.8tr (+28% yoy) represents 58% of the consensus' FY24 forecasts, i.e., above.

Positive margin on the upstream but processed food remained negative

Despite the 4% qoq decrease in feed revenues (+3% yoy), which we believe was due to the lower ASP, the feed segment recorded an 18% higher operating profit in 2Q24 as the operating profit margin (OPM) increased to 7.3% from 5.9% in the previous quarter. The DOC segment's operating profit (OP) turned positive with an OP of 13.2% in 2Q24 (1Q24/2Q23: -5.8%/-9.2%), while the broiler OPM slightly decreased to 5.4% from 5.7% in the previous quarter. The processed food segment continued to report operating losses of Rp82bn in 2Q24, with an OPM of -2.7%, slightly better than -3.4% in 1Q24 but still down from +7.7% in 2Q23.

FY24/25F NP revised by 18/2%

We raised our FY24/25F net profit forecast by 18/2% on the back of higher margin assumptions. The higher margins reflect a lower feed raw material cost and higher price estimates for DOC and broilers. We expect OPM for DOC/broiler to be positive at 6.6/4.4% in FY24 (from -4.2/-1.1% in FY23).

Maintain Buy rating with a higher TP of Rp6,400

We raised our TP from Rp5,900 to Rp6,400 as we revised our FY24F EBITDA upward by 15% but normalized our EV/EBITDA multiple valuation to 16.3x (-0.5SD of 5-year mean) from 17.5x (mean) as we remain cautious about the processed food business profitability going forward. Risks to our view include lower livebird prices due to a lack of culling amid persistently weak purchasing power and lower-than-expected feed margin.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	56,868	61,616	67,711	74,038	80,534
EBITDA (Rpbn)	5,326	5,160	6,739	7,568	8,426
EBITDA Growth (%)	(4.7)	(3.1)	30.6	12.3	11.3
Net Profit (Rpbn)	2,928	2,318	3,463	4,101	4,703
EPS (Rp)	178.6	141.3	211.2	250.1	286.8
EPS Growth (%)	(19.1)	(20.9)	49.4	18.4	14.7
BVPS (Rp)	1,604.5	1,647.3	1,779.3	1,911.1	2,057.9
DPS (Rp)	108.0	100.0	79.1	118.3	140.0
PER (x)	28.8	36.4	24.4	20.6	18.0
PBV (x)	3.2	3.1	2.9	2.7	2.5
Dividen yield (%)	2.1	1.9	1.5	2.3	2.7
EV/EBITDA	17.2	17.7	13.3	11.7	10.3

Source: CPIN, BRIDS Estimates

Exhibit 1. Summary of forecast revision

Financial	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Revenue (Rpbn)	62,789	67,711	7.8%	68,626	74,038	7.9%
EBITDA (Rpbn)	5,858	6,739	15.0%	7,391	7,568	2.4%
Net Profit (Rpbn)	2,948	3,463	17.5%	4,040	4,101	1.5%
Price	2024F			2025F		
	Prev	New	Changes	Prev	New	Changes
Live Bird (Rp/kg live)	19,518	19,689	0.9%	20,201	20,378	0.9%
DOC (Rp/bird)	6,103	6,957	14.0%	6,317	7,201	14.0%
Corn (Rp/kg)	5,387	5,387	0.0%	5,481	5,481	0.0%
Soybean meal (US\$/t)	411	395	-3.8%	420	404	-3.8%

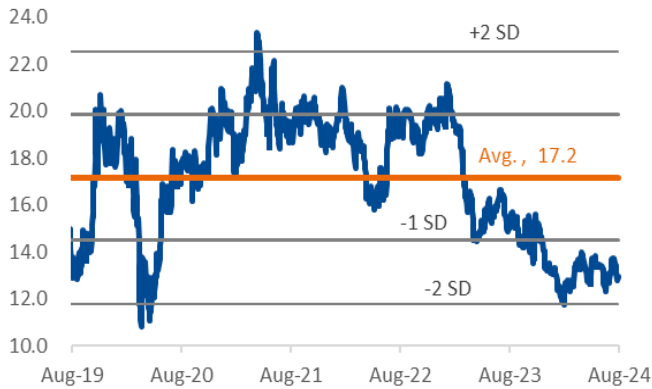
Source: BRIDS Estimates

Exhibit 2. CPIN 1H24 earnings summary

CPIN (Rp bn)	2Q23	1Q24	2Q24	y-o-y	q-o-q	6M23	6M24	y-o-y	FY24F	FY24C	A/F	A/C
Consolidated												
Net Revenue	16,328	15,913	17,049	4%	7%	30,892	32,962	7%	62,789	65,729	52%	50%
COGS	(13,671)	(13,786)	(14,224)	4%	3%	(26,763)	(28,010)	5%	(53,831)	(56,111)	52%	50%
Gross Profit	2,657	2,126	2,826	6%	33%	4,129	4,952	20%	8,959	9,618	55%	51%
Total Opex	(1,049)	(1,079)	(1,114)	6%	3%	(2,036)	(2,193)	8%	(4,427)	(4,837)	50%	45%
Operating Profit	1,608	1,048	1,712	6%	63%	2,093	2,759	32%	4,531	4,781	61%	58%
Pretax profit	1,499	867	1,626	8%	87%	1,742	2,493	43%	3,733	3,875	67%	64%
Net profit	1,138	711	1,057	-7%	49%	1,379	1,768	28%	2,948	3,055	60%	58%
Gross margin	16.3%	13.4%	16.6%	30 bp	321 bp	13.4%	15.0%	166 bp	14.3%	14.6%		
Opex to revenue	6.4%	6.8%	6.5%	11 bp	(24)bp	6.6%	6.7%	6 bp	7.1%	7.4%		
Operating margin	9.8%	6.6%	10.0%	19 bp	346 bp	6.8%	8.4%	160 bp	7.2%	7.3%		
Tax rate	24.1%	18.0%	35.0%	1,084 bp	1,697 bp	20.9%	29.1%	816 bp	21.0%			
Net margin	7.0%	4.5%	6.2%	(77)bp	173 bp	4.5%	5.4%	90 bp	4.7%	4.6%		
Segment breakdown												
Feed revenue	11,878	12,726	12,184	3%	-4%	23,868	24,910	4%				
DOC revenue	1,834	1,967	2,679	46%	36%	3,128	4,646	49%				
Live birds revenue	10,129	9,514	10,939	8%	15%	18,427	20,453	11%				
Processed food revenue	2,374	2,988	3,046	28%	2%	4,488	6,034	34%				
Total gross revenue	27,789	29,088	30,330	9%	4%	53,123	59,418	12%				
Feed margin	9.8%	5.9%	7.3%	(250)bp	136 bp	9.1%	6.6%	(255)bp				
DOC margin	-9.2%	-5.8%	13.2%	2,233 bp	1,896 bp	-16.4%	5.1%	2,152 bp				
Live birds margin	4.8%	5.7%	5.4%	58 bp	(34)bp	1.1%	5.5%	443 bp				
Processed food margin	7.7%	-3.4%	-2.7%	(1,040)bp	70 bp	6.4%	-3.0%	(945)bp				
Total operating margin	5.8%	3.6%	5.7%	(15)bp	203 bp	4.0%	4.7%	71 bp				

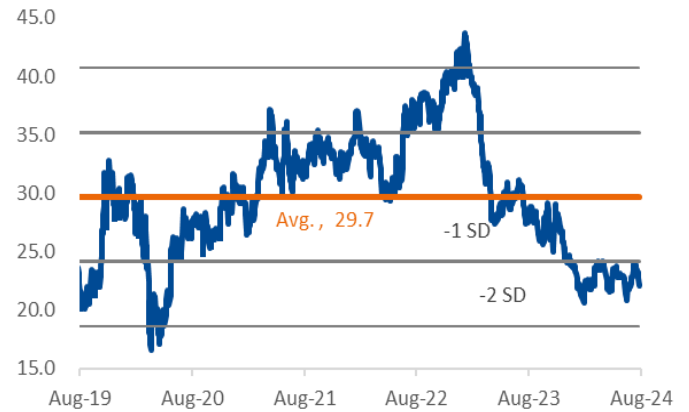
Source: BRIDS Estimates

Exhibit 3. CPIN EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 4. CPIN P/E band chart (5-year)



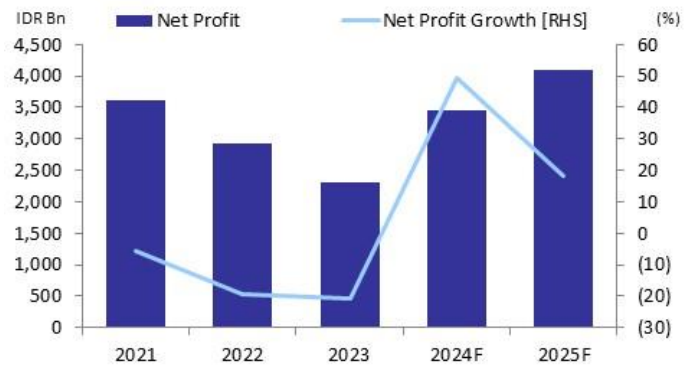
Source: Bloomberg, BRIDS Estimates

Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 6. Net Profit and Growth



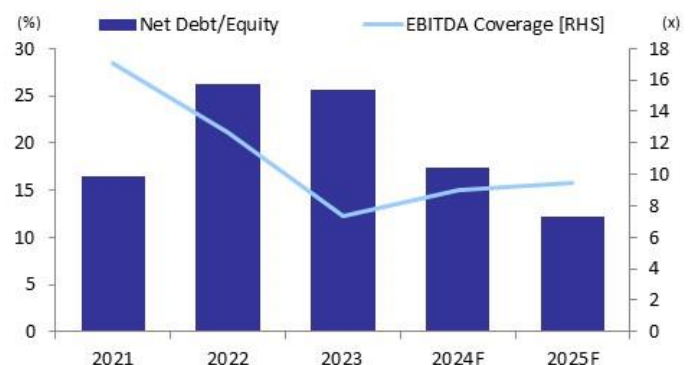
Source: Company, BRIDS Estimates

Exhibit 7. Margins



Source: Company, BRIDS Estimates

Exhibit 8. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 9. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	56,868	61,616	67,711	74,038	80,534
COGS	(48,724)	(53,341)	(57,621)	(62,477)	(67,726)
Gross profit	8,144	8,275	10,090	11,561	12,808
EBITDA	5,326	5,160	6,739	7,568	8,426
Oper. profit	4,186	3,944	5,412	6,153	6,936
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	4,613	5,293	6,070
Income tax	(607)	(679)	(1,149)	(1,191)	(1,366)
Minority interest	(2)	0	(1)	(1)	(1)
Net profit	2,928	2,318	3,463	4,101	4,703
Core Net Profit	2,977	2,306	3,461	4,101	4,705

Exhibit 10. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	2,042	2,328	5,729	6,980	8,609
Receivables	2,094	1,827	2,155	2,356	2,563
Inventory	9,000	9,299	9,883	10,716	11,616
Other Curr. Asset	4,896	4,871	5,077	5,265	5,461
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	45,649	48,208	51,158
ST Debt	7,151	7,393	8,893	8,893	8,893
Payables	2,446	2,886	2,866	3,108	3,369
Other Curr. Liabilities	1,014	845	1,392	1,460	1,644
Long Term Debt	1,810	1,841	1,891	1,891	1,892
Other LT. Liabilities	1,099	978	1,411	1,500	1,595
Total Liabilities	13,520	13,942	16,454	16,851	17,393
Shareholder's Funds	26,311	27,012	29,177	31,339	33,745
Minority interests	17	16	17	18	19
Total Equity & Liabilities	39,848	40,970	45,648	48,208	51,158

Exhibit 11. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	2,928	2,318	3,463	4,101	4,703
Depreciation and Amort.	1,140	1,216	1,327	1,415	1,490
Change in Working Capital	(1,891)	256	(499)	(913)	(858)
Other Oper. Cash Flow	(504)	(643)	(43)	(44)	(45)
Operating Cash Flow	1,674	3,146	4,248	4,559	5,290
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)	(1,939)	(2,296)
Other Fin. Cash Flow	(362)	187	433	88	95
Financing Cash Flow	928	(1,219)	595	(1,851)	(2,199)
Net Change in Cash	(11)	551	3,401	1,251	1,629
Cash - begin of the year	1,803	2,042	2,328	5,729	6,980
Cash - end of the year	2,042	2,328	5,729	6,980	8,609

Exhibit 12. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	10.0	8.3	9.9	9.3	8.8
EBITDA	(4.7)	(3.1)	30.6	12.3	11.3
Operating profit	(9.2)	(5.8)	37.2	13.7	12.7
Net profit	(19.1)	(20.9)	49.4	18.4	14.7
Profitability (%)					
Gross margin	14.3	13.4	14.9	15.6	15.9
EBITDA margin	9.4	8.4	10.0	10.2	10.5
Operating margin	7.4	6.4	8.0	8.3	8.6
Net margin	5.1	3.8	5.1	5.5	5.8
ROAA	7.8	5.7	8.0	8.7	9.5
ROAE	11.4	8.7	12.3	13.6	14.5
Leverage					
Net Gearing (x)	0.3	0.3	0.2	0.1	0.1
Interest Coverage (x)	10.0	5.7	7.2	7.7	8.7

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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