

Buy

(Maintained)

Charoen Pokphand Indonesia (CPIN IJ)

Compressed margin in 3Q24, but core profit remained robust amid non-cash losses

Last Price (Rp)	5,250	
Target Price (Rp)	6,400	
Previous Target Price (Rp)	6,400	
Upside/Downside	+21.9%	
No. of Shares (mn)	16,398	
Mkt Cap (Rpbn/US\$m)	86,090/5,484	
Avg, Daily T/O (Rpbn/US\$m)	34.3/2.2	
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	212.2	239.4 277.4
BRIDS/Cons (%)	(0.5)	4.5 3.4

- CPIN booked a lower 3Q24 net profit of Rp619bn (-52% yoy, -41% qoq), dragged by lower DOC and LB margin; yet 9M24 earnings were in line.
- 3Q24 net profit was supported by resilient revenues and tax gains but was partly offset by losses in changes in fair value of biological assets.
- We maintain our Buy rating with a TP of Rp6,400 (unch.), reflecting a 30/26x FY24/25F PE ratio.

3Q24 net profit was slightly higher than our preview

CPIN reported a net profit of Rp619bn in 3Q24 (-52% yoy, -41% qoq), slightly above the upper limit of our estimate of Rp535bn. Core net profit came in higher at Rp810bn in 3Q24 (-40% yoy, -17% qoq) as it booked Rp175bn in losses from changes in fair value of biological assets in 3Q24. CPIN reported tax gains of Rp56bn in 3Q24, following an above-normal tax rate of 35% in 2Q24, bringing its 9M24 tax rate back to 21.9%. The 3Q24 quarterly net profit declined due to the high base in 2Q24 and 3Q23, as OPM dropped to 3.1% in 3Q24 (3Q23/2Q24: 5.8%/5.7%), mainly due to the significant drop in margin of DOC and livebird segments.

Overall margin declined led by DOC and LB segment, partially offset by feed

Feed revenues rose 9% qoq, while OPM increased 129bps qoq to 8.5% in 3Q24, as the company maintained or only slightly reduced its feed ASP amid lower costs, in our view. However, the resilient feed ASP drove DOC and livebird segments' margin down qoq in 3Q24. DOC margin declined from 13.2% to 2.9%, while livebird margin dropped from 5.4% to -2.3%. Processed foods revenue declined 2% qoq (still +7% yoy) while margin turned back to positive, albeit at only 0.5% in 3Q24 (2Q24: -2.7%).

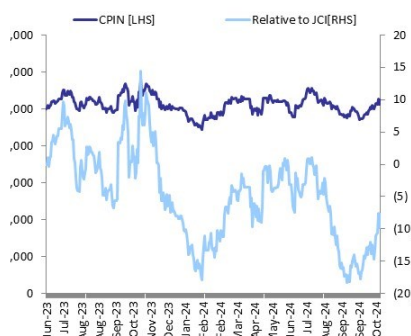
We had anticipated softer 3Q24 earnings and expect a turnaround in 4Q24

9M24 net profit of Rp2.4tr (-11% yoy) formed 69% (core at 71%) and 74% of our and consensus FY24F, respectively. With higher chicken prices anticipated in 4Q24, we expect margin recovery and the reversal of fair value of biological assets to boost 4Q24 net profit.

Maintain Buy rating with an unchanged TP of Rp6,400

We keep our FY24-25F estimates and TP unchanged at Rp6,400, derived from 16.3x (-0.5 SD of 5-year average) FY25F EV/EBITDA. We reiterate our Buy rating on margin recovery expectation in 4Q24 as an ST catalyst. Risks to our view include weak LB prices and lower-than-expected feed margin.

CPIN relative to JCI Index



Source: Bloomberg

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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)	29.4	37.1	24.9	21.0	18.3
PBV (x)	3.3	3.2	3.0	2.7	2.6
Dividen yield (%)	2.1	1.9	1.5	2.3	2.7
EV/EBITDA	17.5	18.0	13.5	11.9	10.5

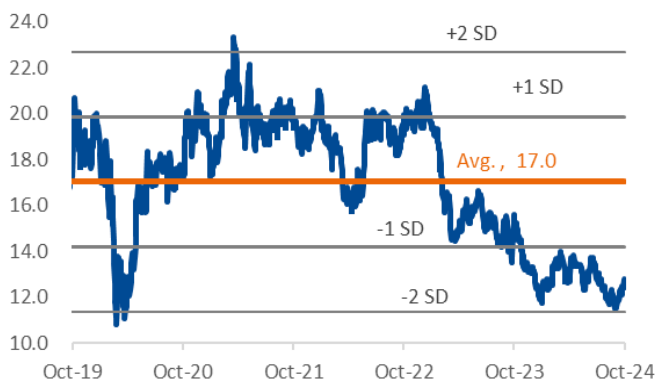
Source: CPIN, BRIDS Estimates

Exhibit 1. CPIN 9M24 Result Summary

CPIN (Rp bn)	3Q23	2Q24	3Q24	y-o-y	q-o-q	9M23	9M24	y-o-y	FY24F	FY24C	A/F	A/C
Consolidated												
Net Revenue	16,237	17,049	16,757	3%	-2%	47,129	49,719	5%	67,711	65,746	73%	76%
COGS	(13,452)	(14,224)	(14,733)	10%	4%	(40,215)	(42,743)	6%	(57,621)	(56,350)	74%	76%
Gross Profit	2,785	2,826	2,023	-27%	-28%	6,914	6,975	1%	10,090	9,396	69%	74%
Total Opex	(1,066)	(1,114)	(1,089)	2%	-2%	(3,103)	(3,281)	6%	(4,678)	(4,475)	70%	73%
Operating Profit	1,718	1,712	935	-46%	-45%	3,811	3,694	-3%	5,412	4,921	68%	75%
Pretax profit	1,604	1,626	562	-65%	-65%	3,346	3,055	-9%	4,613	4,001	66%	76%
Net profit	1,297	1,057	619	-52%	-41%	2,676	2,387	-11%	3,463	3,214	69%	74%
Core profit	1,353	971	810	-40%	-17%	2,699	2,465	-9%	3,461		71%	
Gross margin	17.2%	16.6%	12.1%	(508)bp	(450)bp	14.7%	14.0%	(64)bp	14.3%	14.3%		
Opex to revenue	6.6%	6.5%	6.5%	(7)bp	(4)bp	6.6%	6.6%	2 bp	6.9%	6.8%		
Operating margin	10.6%	10.0%	5.6%	(500)bp	(446)bp	8.1%	7.4%	(66)bp	8.0%	7.5%		
Tax rate	19.2%	35.0%	-10.0%	n/a	n/a	20.1%	21.9%	181 bp	24.9%			
Net margin	8.0%	6.2%	3.7%	(429)bp	(251)bp	5.7%	4.8%	(88)bp	5.1%	4.9%		
Segment breakdown												
Feed revenue	13,224	12,184	13,329	1%	9%	37,092	38,239	3%				
DOC revenue	2,535	2,679	2,255	-11%	-16%	5,663	6,901	22%				
Live birds revenue	9,923	10,939	10,167	2%	-7%	28,349	30,620	8%				
Processed food revenue	2,790	3,046	2,988	7%	-2%	7,278	9,022	24%				
Total gross revenue	29,954	30,330	30,831	3%	2%	83,076	90,249	9%				
Feed margin	8.2%	7.3%	8.5%	35 bp	129 bp	8.8%	7.3%	(153)bp				
DOC margin	11.4%	13.2%	2.9%	(851)bp	(1,023)bp	-3.9%	4.4%	834 bp				
Live birds margin	-0.6%	5.4%	-2.3%	(172)bp	(767)bp	0.5%	2.9%	241 bp				
Processed food margin	15.4%	-2.7%	0.5%	(1,492)bp	315 bp	9.8%	-1.9%	(1,173)bp				
Total operating margin	5.8%	5.7%	3.1%	(267)bp	(257)bp	4.6%	4.1%	(48)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



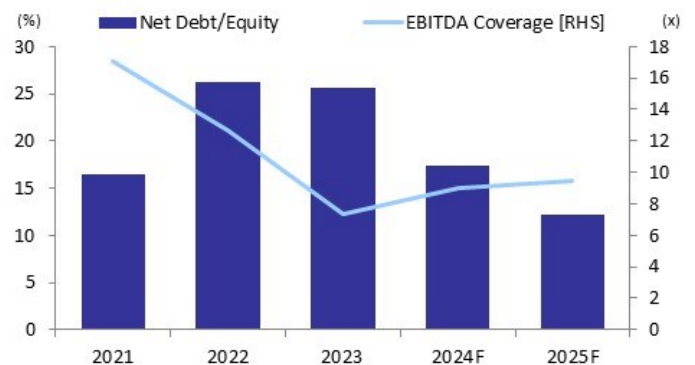
Source: Company, BRIDS Estimates

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	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 9. 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 10. 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 11. 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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