

# Charoen Pokphand Indonesia Tbk (CPIN)

## Prelude To 2025: A Shift To A Stronger 4Q24 And A Robust 1Q25

On a quarterly basis, 3Q24 Revenue shrunk 1.7% QoQ to IDR 16.76 tn. Despite Feed holding a double-digit 14.2% QoQ growth and Day-Old-Chickens (DOC) upped 18.9% QoQ, top-line was anchored down by the Broiler segment (-9.2% QoQ), Processed Chicken (-1.9% QoQ), and Others (-7% QoQ). In the past 2 years, quarterly performance in the fourth quarter was in the negative territory such as 4Q22 (-9% QoQ) and 4Q24 (-11% QoQ). However, the fourth quarter has been seasonally the weak sales quarter with a 12-Year average of +3% QoQ.

### Expected Lackluster 3Q24 Results

- On a quarterly basis, 3Q24 Revenue shrunk 1.7% QoQ to IDR 16.76 tn. Despite Feed holding a double-digit 14.2% QoQ growth and Day-Old-Chickens (DOC) upped 18.9% QoQ, top-line was anchored down by the Broiler segment (-9.2% QoQ), Processed Chicken (-1.9% QoQ), and Others (-7% QoQ).
- Broiler chickens still dominated revenue contributions with 50% followed by Feed (26%), Processed Chicken (18%), DOC (4%), and Others (2%).
- On an annual basis, 3Q24 had a soft growth of 3.2%. While Others and Feed slumped 27.9% YoY and 4.8%, respectively, Broiler grew 8.2% YoY followed by Processed Chicken (7.1% YoY) and DOC (1.8% YoY).

### Possible Pivot For A Stronger 4Q24

- In the past 2 years, quarterly performance in the fourth quarter was in the negative territory such as 4Q22 (-9% QoQ) and 4Q24 (-11% QoQ). However, the fourth quarter has been seasonally the weak sales quarter with a 12-Year average of +3% QoQ. The second quarter has the highest 12-Year average of +7.34% QoQ; the first quarter has a mediocre 12-Year Average of +3.99% QoQ; and third quarter has the weakest in the year with a 12-Year Average of -0.47% QoQ.
- We are of the opinion 4Q24 has the potential to turn the tide for a positive 9.92% QoQ growth to IDR 18.42 tn revenue. The basis for our assumption stems from CPIN's involvement with the Government's 'Nutritious Free Lunch Program' which can accrue hefty Government-to-Business (G2B) contracts.

### 9M24 Operating Cashflow Squeezed, Investing Slows, and Financing Negative

- 9M24 Operating Cashflow was squeezed 17.22% YoY to IDR 2.07 tn despite a 6.12% YoY growth in cash from customers because of a higher pace 10.41% YoY jump in cash paid to suppliers.
- 9M24 Investing Activities also hit the brakes with a 29.42% YoY reduction to IDR 703.34 bn, and 9M24 Financing Activities dipped into negative territory as the company's short term loan payments almost doubled with 83.33% YoY to IDR 5.23 tn.

### BUY Recommendation with TP at IDR5,550

- We are maintaining a BUY recommendation for CPIN at the same target price of IDR5,550/share (P/E 29.4x), with a potential upside of 15% and below its 3-Year Forward P/E Average of 31.5x. However, the risks of our recommendation are uncertainty in the recurring budget and financial impact of the Government's Nutritious Free Lunch Program; potential new pandemic-based lockdowns caused by the new HMPV virus; and H5N1 Bird Flu cases may rise and sink poultry consumption.

### Charoen Pokphand Indonesia Tbk | Summary (IDR Bn)

	2023	2024F	2025F	2026F
Revenue	61,616	68,138	74,061	81,581
Growth	8.3%	10.6%	8.7%	10.2%
Net Profit	2,319	3,187	3,925	4,738
Growth	-20.8%	37.5%	23.1%	20.7%
EPS (IDR)	141	194	228	269
P/E	35.5x	28.6x	23.2x	19.2x
P/BV	3.0x	3.2x	2.9x	2.6x
EV/EBITDA	17.7x	15.8x	13.5x	11.6x
ROE	9.0%	11.9%	14.0%	15.7%
DER	34.2%	31.6%	32.8%	31.8%
Dividend Yield	2.1%	1.9%	1.5%	1.5%

Source: Company Data, Bloomberg, NHKSI Research  
Please consider the rating criteria & important disclaimer

Company Report | Jan. 7, 2025

## BUY

### Target Price

**5,550**

Consensus Price (IDR)	6,138
TP to Consensus Price	-9.58%
Potential Upside	+15%

### Shares data

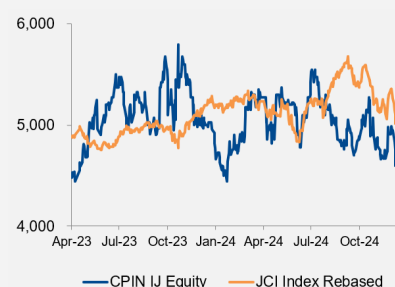
Last Price (IDR)	4,830
Price date as of	Jan 6, 2024
52 wk range (Hi/Lo)	5650/4410
Free float (%)	44.5
Outstanding sh.(mn)	16,398
Market Cap (IDR bn)	79,038
Market Cap (USD mn)	4,883
Avg. Trd Vol - 3M (mn)	5.17
Avg. Trd Val - 3M (bn)	25.35
Foreign Ownership (%)	9.7

### Consumer Non-Cyclicals

#### Food and Beverages

Bloomberg	CPIN.IJ
Reuters	CPIN.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	1.47%	-1.62%	1.47%	-3.20%
Rel. Ret	0.97%	1.99%	6.55%	0.78%

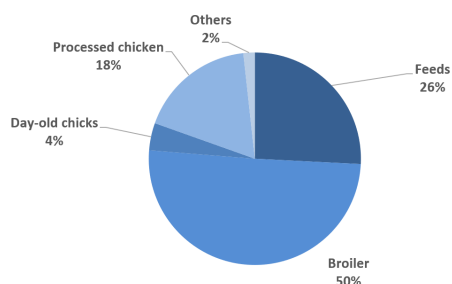
### Ezaridho Ibnutama

+62 21 5088 9129

Ezaridho.ibnutama@nhsec.co.id

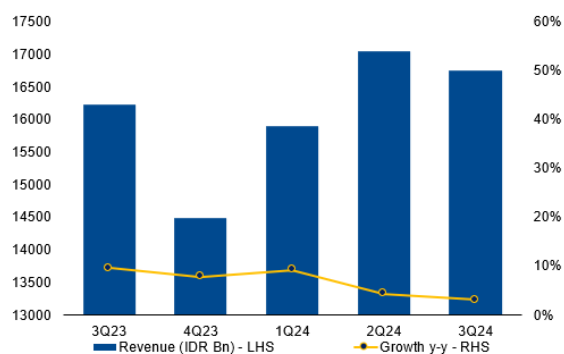
## Performance Highlights

### CPIN Revenue Breakdown 3Q24



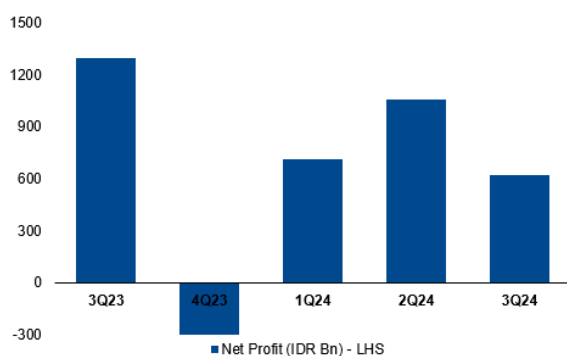
Source: Bloomberg, NHKSI Research

### CPIN Net Revenue (3Q23 - 3Q24)



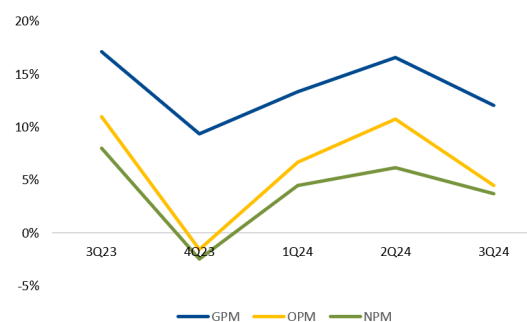
Source: Bloomberg, NHKSI Research

### CPIN Net Profit (3Q23 - 3Q24)



Source: Company Data, NHKSI Research

### Margin Ratios (3Q23 - 3Q24)



Source: Bloomberg, NHKSI Research

### 3-Year Forward P/E Band



Source: Company Data, NHKSI Research

### 3-Year Dynamic Forward P/E Band



Source: Company Data, NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12E	2026/12E
Sales	61,616	68,138	74,061	81,581
Growth	8.3%	10.6%	8.7%	10.2%
COGS	(53,341)	(58,623)	(63,118)	(68,997)
<b>Gross Profit</b>	<b>8,275</b>	<b>9,516</b>	<b>10,943</b>	<b>12,584</b>
Gross Margin	13.4%	14.0%	14.8%	15.4%
Operating Expenses	(4,620)	(4,770)	(5,184)	(5,711)
<b>EBIT</b>	<b>3,655</b>	<b>4,746</b>	<b>5,759</b>	<b>6,874</b>
EBIT Margin	5.9%	7.0%	7.8%	8.4%
Depreciation	1,428	1,448	1,424	1,433
<b>EBITDA</b>	<b>5,083</b>	<b>6,194</b>	<b>7,182</b>	<b>8,307</b>
EBITDA Margin	8.2%	9.1%	9.7%	10.2%
Interest Expenses	(643)	(395)	(402)	(409)
<b>EBT</b>	<b>2,997</b>	<b>4,335</b>	<b>5,338</b>	<b>6,444</b>
Income Tax	(679)	(1,148)	(1,414)	(1,707)
Minority Interest	0	0	0	0
<b>Net Profit</b>	<b>2,319</b>	<b>3,187</b>	<b>3,925</b>	<b>4,738</b>
Growth	-20.8%	37.5%	23.1%	20.7%
Net Profit Margin	3.8%	4.7%	5.3%	5.8%

### BALANCE SHEET

(IDR bn)	2023/12A	2024/12E	2025/12E	2026/12E
Cash	2,328	3,430	4,928	6,385
Receivables	1,708	1,746	1,897	2,090
Inventories	13,594	15,842	16,718	18,112
<b>Total Current Assets</b>	<b>18,325</b>	<b>21,778</b>	<b>24,332</b>	<b>27,335</b>
Net Fixed Assets	18,267	17,582	18,687	19,839
Other Non Current Asset	4,379	3,578	3,832	3,930
<b>Total Assets</b>	<b>40,971</b>	<b>42,938</b>	<b>46,851</b>	<b>51,104</b>
Payables	2,095	2,055	2,227	2,421
ST Bank Loan	7,393	7,318	8,272	8,901
LT Debt	1,841	1,799	2,008	2,134
<b>Total Liabilities</b>	<b>13,942</b>	<b>14,090</b>	<b>15,472</b>	<b>16,410</b>
Capital Stock & APIC	121	121	121	121
Retained Earnings	26,874	28,693	31,223	34,539
<b>Shareholders' Equity</b>	<b>27,029</b>	<b>28,848</b>	<b>31,378</b>	<b>34,694</b>

### CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12E	2026/12E
Operating Cash Flow	3,887	2,363	4,501	4,795
Investing Cash Flow	(1,610)	(1,861)	(2,789)	(2,689)
Financing Cash Flow	(1,770)	601	(214)	(649)
<b>Net Changes in Cash</b>	<b>507</b>	<b>1,102</b>	<b>1,498</b>	<b>1,457</b>

Source: Bloomberg, NHKSI Research

### PROFITABILITY & STABILITY

	2023/12A	2024/12E	2025/12E	2026/12E
ROE	9.0%	11.9%	14.0%	15.7%
ROA	6.2%	7.9%	9.4%	10.6%
ROIC	9.6%	10.3%	11.7%	13.3%
Cash Dividend (IDR bn)	1,771	1,753	1,350	1,377
Dividend Yield	2.1%	1.9%	1.5%	1.5%
Payout Ratio	48.9%	59.9%	58.2%	43.2%
DER	34.2%	31.6%	32.8%	31.8%
Net Gearing	35.1%	33.7%	35.6%	35.2%
LT Debt to Equity	6.8%	6.2%	6.4%	6.2%
Capitalization Ratio	25.5%	24.0%	24.7%	24.1%
Equity Ratio	66.0%	67.2%	67.0%	67.9%
Debt Ratio	22.5%	21.2%	21.9%	21.6%
Current Ratio	178.4%	164.7%	195.7%	198.0%
Par Value (IDR)	10	10	10	10
Total Shares (mn)	16,398	16,398	16,398	16,398
Share Price (IDR)	5,025	5,550	5,550	5,550
Market Cap (IDR tn)	82.4	91.0	91.0	91.0

### VALUATION INDEX

	2023/12A	2024/12E	2025/12E	2026/12E
Price /Earnings	35.5x	28.6x	23.2x	19.2x
Price /Book Value	3.0x	3.2x	2.9x	2.6x
Price/Sales	1.3x	1.3x	1.2x	1.1x
PE/EPS Growth	-1.7x	0.8x	1.0x	0.9x
EV/EBITDA	17.7x	15.8x	13.5x	11.6x
EV/EBIT	24.6x	20.6x	16.8x	14.0x
EV (IDR bn)	89,736	97,949	96,730	96,396
Sales CAGR (3-Yr)	10.2%	13.2%	9.6%	9.2%
EPS CAGR (3-Yr)	-7.0%	-15.3%	-4.2%	10.3%
Basic EPS (IDR)	141	194	239	289
BVPS (IDR)	1,648	1,759	1,914	2,116
Sales PS (IDR)	3,758	4,155	4,516	4,975
DPS (IDR)	108	107	82	84

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	90.3 CP Indonesia Group	55.5
United States	6.5 Vanguard Group	1.7
Ireland	0.9 Blackrock	1.3
Japan	0.5 FlexShares Trust	0.5

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to +15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

**DISCLAIMER**

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.