QUICK REVIEW (CPIN)

CHAROEN POKPHAND INDONESIA TBK.

November 11, 2020

RESEARCH TEAM

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DISCLAIMER

Recommendation

Recommendation : **SELL**

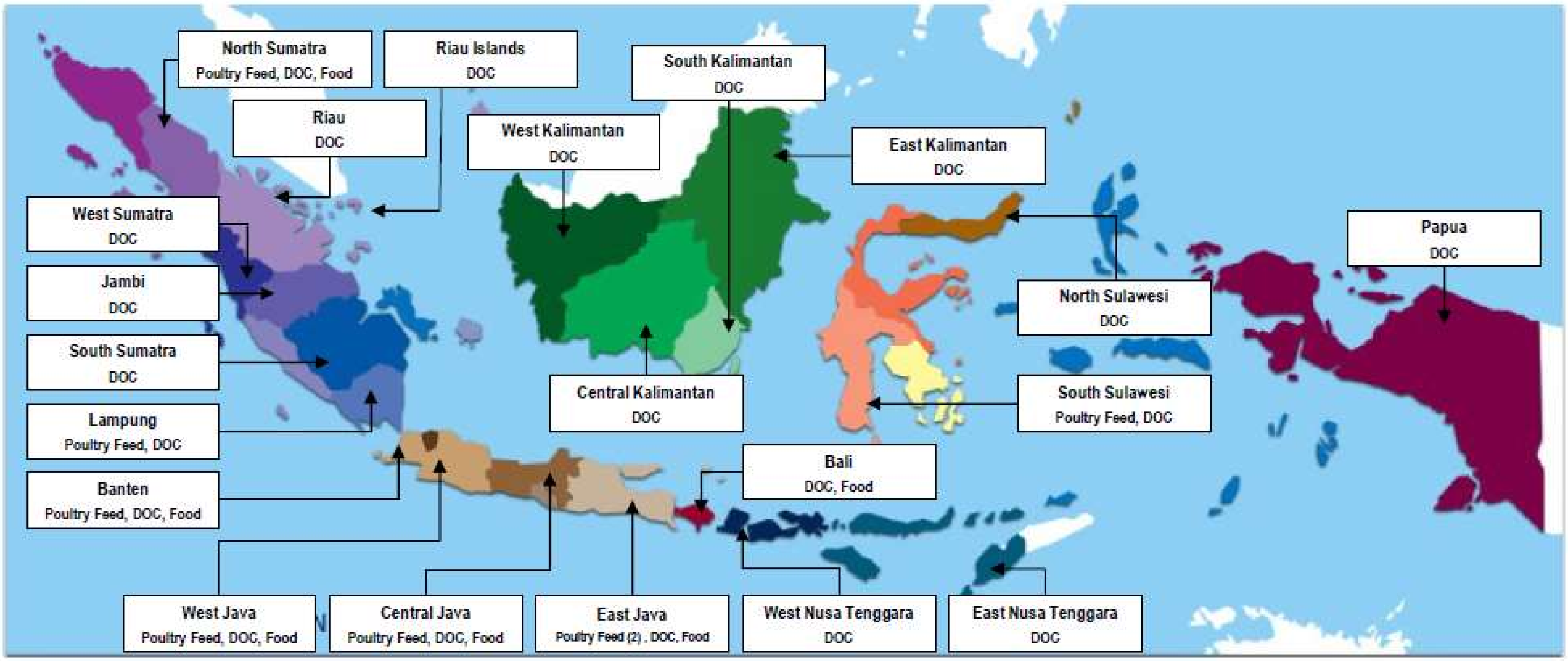
Fair Value : **IDR 5,500**

Current Price (09/11) : IDR 6,400

Company Description

PT Charoen Pokphand Indonesia Tbk manufactures and sitributes animal feeds, woven plastic bags, and poultry equipment as well as processes chicken. Through its subsidiaries, the Company also operates poultry farms and distributes its products.

Facilities & Distribution Network



Source: Company

Company Update

Earnings Results : 3Q 2020

In Billions of IDR	Q3 2020	Q3 2019	%YoY	Q3 2020	Q2 2020	%QoQ
Revenue	**15,684**	**14,326**	**9.5%**	**15,684**	**13,712**	**14.4%**
- Cost of Revenue	14,035	12,504	12.2%	14,035	12,003	16.9%
Gross Profit	**1,649**	**1,822**	**-9.5%**	**1,649**	**1,709**	**-3.5%**
- Operating Expenses	789	700	12.6%	789	737	7.0%
Operating Income (Loss)	**874**	**1,139**	**-23.2%**	**874**	**978**	**-10.6%**
- Non-Operating (Income) Loss	104	110	-5.4%	104	78	34.0%
Pretax Income (Loss), GAAP	**770**	**1,036**	**-25.7%**	**770**	**901**	**-14.4%**
- Income Tax Expense (Benefit)	143	199	-28.4%	143	170	-16.4%
Net Income Avail to Common, GAAP	**628**	**833**	**-24.6%**	**628**	**731**	**-14.0%**

Source: Bloomberg, MCS Research

Earnings Estimate : 4QE 2020

In Billions of IDR	Q4 2020 Est	Q4 2019	%YoY	Q4 2020 Est	Q3 2020	%QoQ
Revenue	**12,530**	**14,735**	**-15.0%**	**12,530**	**15,684**	**-20.1%**
- Cost of Revenue	10,603	12,106	-12.4%	10,603	14,035	-24.5%
Gross Profit	**1,927**	**2,630**	**-26.7%**	**1,927**	**1,649**	**16.9%**
- Operating Expenses	670	1,280	-47.6%	670	789	-15.0%
Operating Income (Loss)	**1,278**	**1,506**	**-15.2%**	**1,278**	**874**	**46.1%**
- Non-Operating (Income) Loss	84	91	-8.2%	84	104	-19.4%
Pretax Income (Loss), GAAP	**1,194**	**1,412**	**-15.4%**	**1,194**	**770**	**54.9%**
- Income Tax Expense (Benefit)	258	345	-25.3%	258	143	80.9%
Net Income Avail to Common, GAAP	**937**	**1,070**	**-12.4%**	**937**	**628**	**49.1%**

Source: Bloomberg, MCS Research

Company Update

Amid the Pandemic, Charoen Pokphand (CPIN) Remains Expansive

PT Charoen Pokphand Indonesia Tbk. has a number of capital expenditure plans in 2020. The poultry issuer adjusts its expansion execution according to changes in people's behavior due to the impact of the Covid-19 pandemic.

Director of Charoen Pokphand Indonesia Ong Mei Sian revealed that the company is reviewing capital expenditure (capex) in 2020 due to the Covid-19 pandemic. According to him, the company has postponed postponement of projects that are not too urgent.

However, he continued, the issuer coded CPIN shares added several new projects. This decision was based on a shift in people's consumption behavior. Ong said that the capital expenditure budget will be allocated more to add more chicken slaughterhouses and increase retail outlets. According to him, other production facilities, such as livestock and feed factories, are sufficient for current needs.

(Source: Bisnis Indonesia)

Balanced Sheet : Annual

In Billions of IDR	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Assets										
+ Cash, Cash Equivalents & STI	1,317	876	955	1,147	885	1,679	2,525	1,795	2,803	1,961
+ Accounts & Notes Receiv	890	1,353	1,793	2,503	3,159	2,998	2,316	2,360	2,778	3,043
+ Inventories	1,950	2,867	3,991	4,833	5,399	6,726	6,421	7,049	7,747	7,738
+ Other ST Assets	117	154	442	342	567	655	555	526	770	554
Total Current Assets	**4,275**	**5,250**	**7,181**	**8,825**	**10,010**	**12,059**	**11,818**	**11,730**	**14,098**	**13,298**
+ Property, Plant & Equip, Net	1,931	3,199	4,593	6,390	9,058	11,310	11,234	11,009	11,685	13,522
+ LT Investments & Receivables	0	0	0	0	0	0	21	56	56	0
+ Other LT Assets	313	399	575	508	1,774	1,548	1,133	1,737	1,806	2,533
Total Noncurrent Assets	**2,244**	**3,598**	**5,168**	**6,897**	**10,832**	**12,858**	**12,387**	**12,802**	**13,547**	**16,055**
Total Assets	**6,518**	**8,848**	**12,349**	**15,722**	**20,842**	**24,917**	**24,205**	**24,532**	**27,645**	**29,353**
Liabilities & Shareholders' Equity										
+ Payables & Accruals	1,203	1,287	1,517	2,196	2,571	3,292	2,562	2,160	3,008	2,391
+ ST Debt	169	278	637	122	1,874	2,383	2,964	2,881	1,700	2,770
+ Other ST Liabilities	90	11	13	9	22	29	25	19	25	27
Total Current Liabilities	**1,461**	**1,576**	**2,168**	**2,327**	**4,467**	**5,704**	**5,550**	**5,060**	**4,733**	**5,188**
+ LT Debt	285	767	1,299	2,768	4,723	5,881	3,646	3,005	2,750	2,278
+ Other LT Liabilities	289	316	705	676	647	546	851	757	771	815
Total Noncurrent Liabilities	**575**	**1,083**	**2,005**	**3,444**	**5,369**	**6,426**	**4,497**	**3,763**	**3,521**	**3,093**
Total Liabilities	**2,036**	**2,659**	**4,172**	**5,771**	**9,837**	**12,130**	**10,048**	**8,822**	**8,254**	**8,281**
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	311	311	285	285	285	285	121	121	121	121
- Treasury Stock	0	0	0	0	0	0	0	0	0	0
+ Retained Earnings	4,173	5,876	7,871	9,648	10,702	12,262	13,999	15,553	19,237	20,920
+ Other Equity	26	26	0	0	0	225	18	18	18	18
Equity Before Minority Interest	4,458	6,161	8,157	9,933	10,987	12,772	14,138	15,692	19,376	21,059
+ Minority/Non Controlling Interest	24	28	20	18	18	14	19	18	15	13
Total Equity	**4,482**	**6,189**	**8,176**	**9,951**	**11,005**	**12,787**	**14,157**	**15,710**	**19,391**	**21,072**
Total Liabilities & Equity	**6,518**	**8,848**	**12,349**	**15,722**	**20,842**	**24,917**	**24,205**	**24,532**	**27,645**	**29,353**

Source: Bloomberg, MCS Research

Balanced Sheet : Quarter

In Billions of IDR	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Total Assets										
+ Cash, Cash Equivalents & STI	3,012	2,678	2,803	2,208	1,276	1,641	1,961	3,353	4,222	3,027
+ Accounts & Notes Receiv	2,608	2,519	2,778	3,119	3,082	3,010	3,043	3,294	2,900	3,030
+ Inventories	6,977	7,315	7,747	8,031	8,392	7,956	7,738	6,948	7,451	7,507
+ Other ST Assets	821	733	770	1,019	979	749	554	783	640	588
Total Current Assets	**13,418**	**13,245**	**14,098**	**14,378**	**13,729**	**13,356**	**13,298**	**14,378**	**15,213**	**14,152**
+ Property, Plant & Equip, Net	11,312	11,434	11,685	12,001	12,539	13,089	13,522	14,104	14,220	14,447
+ LT Investments & Receivables	56	56	56	0	0	0	0	56	0	0
+ Other LT Assets	1,680	1,940	1,806	2,199	2,363	2,409	2,533	2,213	2,571	2,641
Total Noncurrent Assets	**13,047**	**13,430**	**13,547**	**14,200**	**14,902**	**15,498**	**16,055**	**16,373**	**16,791**	**17,088**
Total Assets	**26,465**	**26,675**	**27,645**	**28,578**	**28,631**	**28,854**	**29,353**	**30,751**	**32,005**	**31,240**
Liabilities & Shareholders' Equity										
+ Payables & Accruals	2,743	2,744	3,008	3,203	3,438	2,437	2,391	2,387	2,603	2,447
+ ST Debt	2,532	1,700	1,700	1,550	2,270	2,770	2,770	3,855	3,349	2,770
+ Other ST Liabilities	134	216	25	74	156	158	27	73	80	112
Total Current Liabilities	**5,409**	**4,660**	**4,733**	**4,827**	**5,865**	**5,365**	**5,188**	**6,314**	**6,032**	**5,329**
+ LT Debt	2,842	2,736	2,750	2,751	2,761	2,413	2,278	1,650	2,466	3,077
+ Other LT Liabilities	1,004	1,040	771	797	818	1,048	815	796	777	800
Total Noncurrent Liabilities	**3,845**	**3,776**	**3,521**	**3,548**	**3,578**	**3,461**	**3,093**	**2,445**	**3,243**	**3,877**
Total Liabilities	**9,255**	**8,436**	**8,254**	**8,374**	**9,443**	**8,827**	**8,281**	**8,759**	**9,275**	**9,206**
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	121	121	121	121	121	121	121	121	121	121
- Treasury Stock	0	0	0	0	0	0	0	0	0	0
+ Retained Earnings	17,056	18,085	19,237	20,048	19,033	19,872	20,920	21,842	22,580	21,884
+ Other Equity	18	18	18	18	18	18	18	18	18	18
Equity Before Minority Interest	17,194	18,223	19,376	20,187	19,172	20,011	21,059	21,981	22,719	22,023
+ Minority/Non Controlling Interest	16	16	15	16	17	16	13	11	11	11
Total Equity	**17,211**	**18,239**	**19,391**	**20,203**	**19,188**	**20,027**	**21,072**	**21,992**	**22,730**	**22,033**
Total Liabilities & Equity	**26,465**	**26,675**	**27,645**	**28,578**	**28,631**	**28,854**	**29,353**	**30,751**	**32,005**	**31,240**

Source: Bloomberg, MCS Research

Profit & Loss : Annual

In Billions of IDR	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Est	FY 2021 Est
Revenue	**21,311**	**25,663**	**29,150**	**29,921**	**38,257**	**49,367**	**53,958**	**58,635**	**55,815**	**61,375**
- Cost of Revenue	16,819	20,513	25,016	24,817	31,743	43,118	44,823	50,538	48,590	52,937
Gross Profit	**4,492**	**5,150**	**4,134**	**5,103**	**6,514**	**6,249**	**9,135**	**8,096**	**7,225**	**8,438**
+ Other Operating Income	14	24	104	41	120	175	207	258	48	204
- Operating Expenses	1,004	1,595	1,602	1,869	2,324	2,710	2,864	3,425	2,876	3,378
Operating Income (Loss)	**3,502**	**3,578**	**2,637**	**3,275**	**4,309**	**3,714**	**6,478**	**4,929**	**4,397**	**5,264**
- Non-Operating (Income) Loss	125	151	532	1,206	433	461	588	338	375	496
Pretax Income (Loss), Adjusted	**3,377**	**3,427**	**2,104**	**2,069**	**3,876**	**3,253**	**5,889**	**4,591**	**4,022**	**4,768**
- Abnormal Losses (Gains)	1	24	2	116	108	6	18	4	0	0
Pretax Income (Loss), GAAP	**3,376**	**3,451**	**2,106**	**2,185**	**3,984**	**3,260**	**5,907**	**4,595**	**4,023**	**4,768**
- Income Tax Expense (Benefit)	696	923	360	449	1,732	760	1,356	963	808	1,190
Income (Loss) from Cont Ops	**2,681**	**2,529**	**1,746**	**1,736**	**2,252**	**2,500**	**4,551**	**3,632**	**3,214**	**3,578**
- Net Extraordinary Losses (Gains)	0	0	0	96	26	0	0	0	0	0
Income (Loss) Incl. MI	**2,681**	**2,529**	**1,746**	**1,833**	**2,225**	**2,500**	**4,551**	**3,632**	**3,214**	**3,578**
- Minority Interest	3	2	0	4	5	1	3	2	3	2
Net Income, GAAP	**2,684**	**2,531**	**1,746**	**1,837**	**2,221**	**2,501**	**4,554**	**3,635**	**3,218**	**3,580**
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	**2,684**	**2,531**	**1,746**	**1,837**	**2,221**	**2,501**	**4,554**	**3,635**	**3,218**	**3,580**

Source: Bloomberg, MCS Research

MEGACAPITAL Sekuritas

Profit & Loss : Quarter

In Billions of IDR	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020 Est	Q1 2021 Est
Revenue	**14,573**	**14,455**	**15,118**	**14,326**	**14,735**	**13,890**	**13,712**	**15,684**	**12,530**	**14,342**
- Cost of Revenue	12,324	12,740	13,189	12,504	12,106	11,949	12,003	14,035	10,603	12,390
Gross Profit	**2,248**	**1,715**	**1,929**	**1,822**	**2,630**	**1,940**	**1,709**	**1,649**	**1,927**	**1,952**
+ Other Operating Income	176	41	44	16	157	7	7	14	21	53
- Operating Expenses	895	709	737	700	1,280	680	737	789	670	800
Operating Income (Loss)	**1,529**	**1,047**	**1,236**	**1,139**	**1,506**	**1,267**	**978**	**874**	**1,278**	**1,205**
- Non-Operating (Income) Loss	138	42	94	110	91	109	78	104	84	95
Pretax Income (Loss), Adjusted	**1,391**	**1,005**	**1,143**	**1,029**	**1,415**	**1,158**	**901**	**770**	**1,194**	**1,110**
- Abnormal Losses (Gains)	16	0	0	8	3	0	0	0	0	0
Pretax Income (Loss), GAAP	**1,407**	**1,004**	**1,143**	**1,036**	**1,412**	**1,158**	**901**	**770**	**1,194**	**1,110**
- Income Tax Expense (Benefit)	325	192	227	199	345	237	170	143	258	232
Income (Loss) from Cont Ops	**1,082**	**812**	**916**	**837**	**1,066**	**921**	**730**	**628**	**936**	**878**
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0
Income (Loss) Incl. MI	**1,082**	**812**	**916**	**837**	**1,066**	**921**	**730**	**628**	**936**	**878**
- Minority Interest	0	1	4	5	3	2	1	0	1	1
Net Income, GAAP	**1,082**	**812**	**920**	**833**	**1,070**	**922**	**731**	**628**	**937**	**879**
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	**1,082**	**812**	**920**	**833**	**1,070**	**922**	**731**	**628**	**937**	**879**

Source: Bloomberg, MCS Research

MEGACAPITAL Sekuritas

Cash Flow : Annual

In Billions of IDR	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Cash from Operating Activities										
+ Net Income	2,210	2,355	2,684	2,531	1,746	1,837	2,221	2,501	4,554	3,635
+ Depreciation & Amortization	143	172	253	332	461	701	786	884	904	870
+ Non-Cash Items	0	0	0	0	0	0	0	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Operating Activities	**2,405**	**1,094**	**1,689**	**2,061**	**463**	**1,782**	**4,157**	**1,768**	**5,036**	**3,400**
Cash from Investing Activities										
+ Change in Fixed & Intang	387	1,454	1,772	2,155	3,129	1,906	606	729	1,455	2,721
+ Net Change in LT Investment	0	0	0	0	0	17	0	0	0	0
+ Net Cash From Acq & Div	0	0	0	0	0	84	92	0	0	0
+ Other Investing Activities	0	0	0	0	607	105	663	72	153	133
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Investing Activities	**387**	**1,454**	**1,772**	**2,155**	**3,736**	**1,944**	**1,177**	**801**	**1,607**	**2,855**
Cash from Financing Activities										
+ Dividends Paid	644	655	694	754	754	295	476	918	918	1,935
+ Cash From (Repayment) Debt	401	575	837	975	3,650	1,404	1,670	812	1,520	561
+ Cash (Repurchase) of Equity	41	0	0	0	0	0	0	0	0	0
+ Other Financing Activities	5	0	0	0	0	0	0	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	**1,091**	**80**	**143**	**220**	**2,896**	**1,109**	**2,145**	**1,730**	**2,439**	**1,374**
Net Changes in Cash	**927**	**439**	**78**	**192**	**378**	**911**	**825**	**761**	**1,010**	**842**

Source: Bloomberg, MCS Research

Cash Flow : Quarter

In Billions of IDR	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Cash from Operating Activities										
+ Net Income	1,438	1,036	1,082	812	920	833	1,070	922	731	628
+ Depreciation & Amortization	219	220	251	214	217	220	218	214	214	225
Cash from Operating Activities	**1,826**	**958**	**780**	**187**	**1,107**	**901**	**1,205**	**1,353**	**955**	**502**
Cash from Investing Activities										
+ Change in Fixed & Intang	349	345	619	513	776	717	715	534	379	402
+ Net Change in LT Investment	0	0	0	0	0	0	0	0	0	0
+ Net Cash From Acq & Div	0	0	0	0	0	0	0	0	0	0
+ Other Investing Activities	62	54	36	117	43	43	17	5	16	12
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Investing Activities	**411**	**399**	**655**	**630**	**819**	**674**	**732**	**530**	**395**	**414**
Cash from Financing Activities										
+ Dividends Paid	918	0	0	0	1,935	0	0	0	0	1,328
+ Cash From (Repayment) Debt	284	905	50	150	720	139	148	415	430	0
+ Cash (Repurchase) of Equity	0	0	0	0	0	0	0	0	0	0
+ Other Financing Activities	0	0	0	0	0	0	0	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	**1,202**	**905**	**50**	**150**	**1,215**	**139**	**148**	**415**	**430**	**1,328**
Net Changes in Cash	**212**	**334**	**75**	**595**	**932**	**365**	**320**	**1,392**	**868**	**1,195**

Source: Bloomberg, MCS Research

MEGACAPITAL Sekuritas

Valuation

CPIN IJ Equity | Export | Settings | Equity Relative Valuation

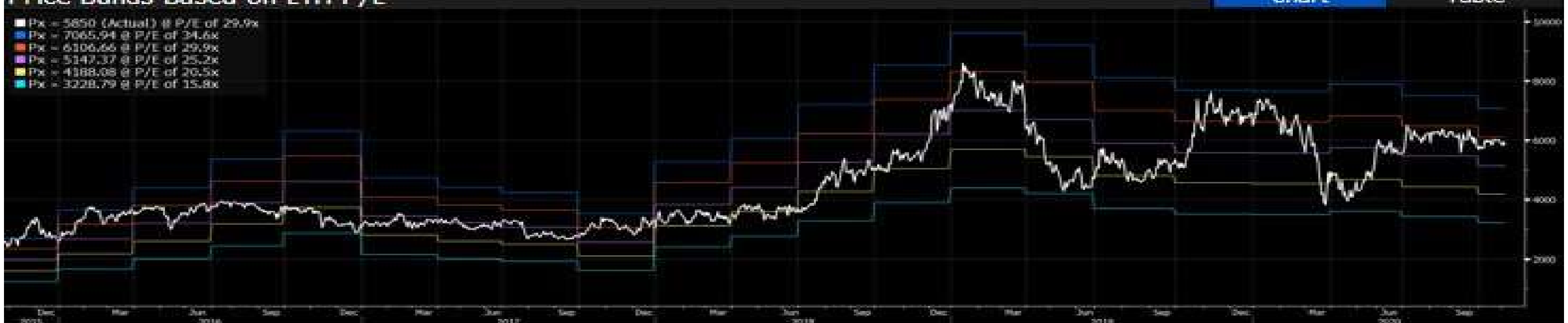
Comp Source BICS Best Fit (Algo) | Region Global | Mkt Cap > | Curr IDR

vs Comps | Group Dynamics | vs Self | Price Bands

3M 6M 1Yr 2Yr 5Yr 10Yr

	Valuation Metric Bands						12M Fwd Implied Price @		
Metric	Current	5Yr Avg	Band (x)	Avg+x	Avg-x	Est (IDR)	5Yr Avg	Avg+x	Avg-x
Current Price							6,100.00	6,100.00	6,100.00
LTM P/E	29.9x	25.2x	4.7	29.9x	20.5x	226.12	5,702.53	6,765.28	4,639.78
LTM P/BV	4.5x	4.3x	0.9	5.2x	3.4x	1503.61	6,512.81	7,866.05	5,159.56
LTM P/CF	24.9x	22.9x	7.6	30.5x	15.3x	291.69	6,689.31	8,906.13	4,472.50
LTM P/S	1.7x	1.6x	0.3	1.9x	1.3x	3690.76	5,758.53	6,865.76	4,651.30

Price Bands Based On LTM P/E | Chart | Table



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2020 Bloomberg Finance L.P.
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Source: Bloomberg

Valuation

PER	EPS	Value
25.2x	IDR 218	**IDR 5,500**

PT. Mega Capital Sekuritas

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