

Company Update

Friday, April 19, 2024



I V Global Securities Public Company Limited

Charoen Pokphand Foods Plc (CPF)

Rating: HOLD

Fair price: Bt21.6

Close price: Bt18.0

Loss shall decline QoQ

Company Information

Ticker:	CPF TB
Sector:	Foods
Shares outstanding (m):	8,413.57
Market capitalization (Btm):	151,444.26
Trading vol/day (Btm):	258.76
Free float (%):	46.31
Beta:	0.66

Major Shareholders

CP Group Co	50.33%
Thai NVDR	7.12%

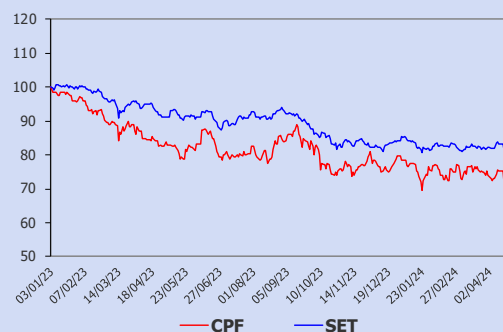
Consensus Bloomberg

2024 EPS (Bt):	0.63
Target price (Bt):	22.02

Price Performance

52 Wk high/low:	22.10 /17.00
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	1M	3M	1Y	YTD
Absolute (%)	-4.3	-2.2	-14.3	-8.2
Relative (%)	-2.5	-0.9	0.3	-4.3



Rating	CGR	Thai CAC	SET ESG
CPF		Certified	AAA

Analyst

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- CPF's operating performance in 1Q24F will continue to be hit by weak meat prices, particularly pork business in Thailand and China as meat prices remain low. Meanwhile the positive drivers are from an improving domestic poultry business (est. 16% of consolidated sales) and swine business outlook in Vietnam (19%). However, the positive impact from rising chicken price in Thailand and swine price in Vietnam is still unable to offset the loss-making swine business in Thailand and China.
- Therefore, we estimate the company to report core loss of Bt3.4bn in 1Q24F, improving from a core loss of Bt8bn in 4Q23, and similar to the core loss of Bt3.3bn YoY. The reported bottom-line net loss is estimated at Bt3bn with a marginal gain on bio assets, compared with a reported net loss of Bt2.7bn in 1Q23 and net profit of Bt121m in 4Q23. During 4Q23, there were large non-recurring gains of Bt8.1bn from divesting four integrated broiler companies and poultry businesses in China.
- For Thailand, it seems that the illegally imported pork situation has depressed domestic pork prices longer than expected. The domestic pork price remains low at Bt62.8/kg in 1Q24 (versus Bt84.7/kg in 1Q23 and Bt62.3/kg in 4Q23), below the breakeven cost of Bt68-70/kg. Meanwhile the poultry business has seen improving market prices to Bt41.7/kg in 1Q24, up from Bt37.9 in 4Q23 and Bt39.2/kg in 1Q23. The break-even cost for poultry is estimated at Bt38-39/kg. The current market price is also trending up to Bt66/kg for domestic swine price and Bt44/kg for poultry price.
- The operation in Vietnam may come in better QoQ on improving meat prices on improving demand with supply cut following the ASF disease outbreak. The swine price in Vietnam improved from 47k dong/kg in 4Q23 to 53.4k in 1Q24 and continue to rise further to 60k at present. The production breakeven cost is at 45k dong/kg.
- The operation of its 26.69%-held associate, Chia Tai Investment (CTI), may continue to see continuing operating losses on the low swine price of CNY15.2/kg against the break-even cost of CNY16-17/kg.
- For the key raw material prices, domestic corn price remains stable QoQ at Bt10.4/kg, while soybean meal price rose a bit QoQ to Bt22.7/kg.
- **Maintain HOLD.** We prefer to maintain our earnings estimate and HOLD call on CPF with a price target of Bt21.6, based on 0.75x 2024F book value. The downside risks to our earnings forecasts lie with volatility in meat prices and sudden increases in global raw material (soybean meal) and corn prices.

Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Sales (Btm)	512,704	614,197	585,844	612,744	641,099	671,000
Change (%)	-13.1	19.8	-4.6	4.6	4.6	4.7
Net profit (Btm)	13,028	13,970	(5,207)	5,200	9,201	10,220
Change (%)	-49.9	7.2	-137.3	-199.9	76.9	11.1
Core profit (Btm)	992	10,689	(17,329)	5,200	9,201	10,220
Change (%)	-96.0	977.2	-262.1	130.0	76.9	11.1
EPS (Bt)	1.51	1.62	(0.62)	0.62	1.09	1.21
Change (%)	-49.9	7.2	-138.2	-199.9	76.9	11.1
P/E (x)	11.9	11.1	n.m.	29.1	16.5	14.8
EV/EBITDA (x)	9.8	9.1	14.3	10.3	9.3	9.2
DPS (Bt)	0.65	0.75	0.00	0.28	0.49	0.55
Yield (%)	3.6	4.2	0.0	1.5	2.7	3.0
BVPS (Bt)	25.23	29.73	28.46	28.97	29.73	30.48
P/BV (x)	0.7	0.6	0.6	0.6	0.6	0.6
ROE (%)	6.4	5.9	-2.1	2.2	3.7	4.0
ROA (%)	3.1	3.1	-1.0	1.1	1.9	2.2
Net D/E ratio (%)	134.9	149.7	158.8	148.7	142.6	138.0

Source: Company and IVG estimates

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Results preview

P&L (Btm)	1Q24F	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Sales	145,000	143,781	0.8	147,319	(1.6)	585,844	614,197	(4.6)
Gross profit	14,500	15,579	(6.9)	13,569	6.9	61,201	81,873	(25.2)
SG&A	12,760	12,787	(0.2)	15,141	(15.7)	55,875	55,001	1.6
EBIT	2,060	2,750	(25.1)	(2,742)	(175.1)	6,050	28,283	(78.6)
EBITDA	5,895	12,686	(53.5)	3,600	63.7	42,178	66,043	(36.1)
Interest expense	6,500	6,068	7.1	6,903	(5.8)	25,506	20,358	25.3
Associate profits	600	(1,088)	(155.2)	643	(6.7)	(810)	3,745	(121.6)
Non-recurring items	320	572	(44.1)	8,118	(96.1)	12,122	3,281	269.5
Net profit	(3,040)	(2,725)	11.5	121	(2,612.1)	(5,207)	13,970	(137.3)
EPS (Bt)	(0.36)	(0.32)	11.5	0.01	(2,612.1)	(0.62)	1.62	(138.2)
Core profit	(3,360)	(3,298)	1.9	(7,997)	(58.0)	(17,329)	10,689	(262.1)

Source: Company and IVG estimates

Financial ratios

(%)	4Q22	1Q23	2Q23	3Q23	4Q23
Sales growth yoy (%)	15.4	3.5	-3.7	-9.8	-7.4
Gross margin (%)	11.0	10.8	11.0	10.8	9.2
SG&A as % sales	9.4	8.9	9.2	9.7	10.3
EBIT margin (%)	1.9	1.9	2.8	1.2	-1.9
EBITDA margin (%)	7.8	8.8	9.9	7.7	6.1
Net margin (%)	1.1	-1.9	-0.5	-1.3	0.1
Net DE ratio (%)	149.7	157.0	163.0	169.0	158.8

Source: Company and IVG estimates

Quarterly performance

P&L (Btm)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Sales	138,887	155,996	160,266	159,048	143,781	150,246	144,498	147,319
Gross profit	17,791	22,624	23,979	17,479	15,579	16,496	15,558	13,569
SG&A	12,124	13,564	14,385	14,928	12,787	13,868	14,079	15,141
EBIT	6,765	9,789	8,708	3,020	2,750	4,243	1,798	(2,742)
EBITDA	13,615	20,371	19,633	12,423	12,686	11,587	11,524	9,000
Interest expense	4,469	4,360	5,494	6,035	6,068	6,157	6,377	6,903
Associates	(336)	(793)	2,294	2,580	(1,088)	(893)	528	6,043
Non-recurring items	2,288	895	(470)	567	667	2,767	1,656	3,138
Net profit	2,842	4,208	5,108	1,812	(2,725)	(792)	(1,811)	121
EPS (Bt)	554	0.49	0.59	0.21	(0.32)	(0.09)	(0.21)	0.01

Source: Company and IVG estimates

Financial ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Sales growth yoy (%)	16.4	20.3	27.3	15.4	-13.1	19.8	-4.6
Gross margin (%)	12.8	14.5	15.0	11.0	12.9	13.3	10.4
SG&A as % sales	8.7	8.7	9.0	9.4	9.9	9.0	9.5
EBIT margin (%)	4.9	6.3	5.4	1.9	2.5	4.6	1.0
EBITDA margin (%)	9.8	13.1	12.3	7.8	10.9	10.8	8.1
Net margin (%)	2.0	2.7	3.2	1.1	2.5	2.3	-0.9
Net DE ratio (%)	162.8	150.0	151.8	149.7	134.9	149.7	158.8

Source: Company and IVG estimates



CPF

E: Environmental

CPF is committed to taking good care of environment throughout the value chain by analyzing environmental impact for the entire life cycle of products to gain basic information of the business and set up policies to govern the business operations. Environmental aspects have been integrated into the cost-saving approach in business operations to reduce resource usage and pollution. The Company's key environmental aspects are climate action, circular economy, packaging, waste management, water stewardship, and biodiversity and ecosystem.

S: Social

CPF prioritizes the cultivation of knowledgeable and ethical personnel. Its focus is on enhancing the capabilities of employees to thrive in the business realm by fostering a culture of lifelong learning, innovation, and effective internal management. This ensures that employees not only work happily but also enjoy a good quality of life and a safe working environment. Moreover, the company fosters a corporate culture that promotes employee engagement, encourages continuous learning throughout their career, and prioritizes the well-being of employees through policies addressing safety, health, and the environment.

G: Governance

CPF corporate governance and sustainable development policies were developed based on sustainable business practices, to create benefits for the nation, people, and the Company, following the Three Benefits Principles of the Charoen Pokphand Group. It also adheres to good corporate governance principles and embraces the Sufficiency Economy Philosophy of His Majesty King Bhumibol Adulyadej, to guide its business operations. Furthermore, it has studied frameworks and operational guidelines for sustainability from national and international standards, principles, and concepts of corporate governance and sustainable development.

Comment

CPF has been awarded a SET ESG rating of AAA, indicating a strong commitment to Environmental, Social, and Governance (ESG) practices, as well as clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

Source: Company and IVG

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.

HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months.

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

