

Charoen Pokphand Foods Plc (CPF)

Rating: BUY

Fair price: Bt28.0

Close price: Bt24.9

Adding to profit with full control over CPP

Company Information

| Ticker: | CPF TB |
|------------------------------|------------|
| Sector: | Foods |
| Shares outstanding (m): | 8,413.57 |
| Market capitalization (Btm): | 209,497.86 |
| Trading vol/day (Btm): | 406.72 |
| Free float (%): | 47.38 |
| Beta: | 0.75 |

Major Shareholders

| | |
|-------------|--------|
| CP Group Co | 50.05% |
| Thai NVDR | 10.56% |

Consensus Bloomberg

| | |
|--------------------|-------|
| 2025 EPS (Bt): | 2.42 |
| Target price (Bt): | 29.55 |

Price Performance

| | |
|-----------------|------------|
| 52 Wk high/low: | 26.0 /18.0 |
|-----------------|------------|

| | 1M | 3M | 1Y | YTD |
|--------------|-----|------|------|------|
| Absolute (%) | 3.3 | 13.2 | 36.8 | 9.2 |
| Relative (%) | 6.9 | 29.2 | 52.0 | 27.5 |



| Rating | CGR | Thai CAC | SET ESG |
|--------|-----|-----------|---------|
| CPF | | Certified | AAA |

Analyst

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- **Event:** On 21 April, CPF reported to the SET that the company's board of directors had resolved to approve CPF Investment Limited (a wholly owned subsidiary of CPF) acquiring a 23.8% equity stake in C.P. Pokphand Co (CPP) for a total consideration of US\$1.1bn from ITOCHU Corporation. Post transaction, CPF's investment in CPP would increase from the current 76.2% to 100%.
- The funding for the acquisition (Bt36.8bn) would be from borrowings, assuming interest expense of about 4.3%. The additional interest expense of Bt1.56bn p.a. would be offset by additional net income from CPP. CPP generated sales revenue of Bt150bn and net profit of Bt9bn during 2024. With an uptrend in swine prices in Vietnam, the operating performance is expected to improve by some 30% for this year. The acquisition cost of US\$1.1bn is estimated at 13-14x 2025F earnings. The transaction is expected to be concluded in May this year. The additional profit from CPP would more than offset the incremental financial expenses related to the deal, with an estimated net additional profit of about Bt1bn.
- 2H24 DPS of Bt0.55 offers a strong yield of 2.2%. The XD date is 8 May for payment on 23 May. The full year pay-out ratio was 43% (or Bt1.0).
- **About CPP.** Registered in Bermuda, CPP invests in integrated agribusiness and food businesses in Vietnam, integrated broiler businesses, processed food, and aquaculture businesses in China. CPP was delisted from the Hong Kong stock exchange in 2022.
- **Investment rationale.** With 100% control, CPF expects to be able to have greater flexibility in the management of CPP and also be able to carry out strategic operations more effectively. Since the transaction size is equivalent to 8.3% of the CPF's net tangible assets and its subsidiaries. Post transaction, CPF would hold a 100% stake in CPP, and its investment in Chia Tai Investment (CTI) – an animal feed manufacturer and operator of an integrated swine farm business in China – would rise from a current 26.7% to 35%. The group plans to list CPP on the Vietnam stock exchange over the next one or two years.
- We now estimate 1Q25F net profit to come in at Bt6.4bn, up 460% YoY from Bt1.15bn a year ago and rising by 55% QoQ from Bt4.2bn, thanks to solid gross profit margins.
- **Maintain BUY.** With continued high meat prices, we have decided to raise our earnings estimates by 15%/15%/9% during 2025-27F, respectively, on higher sales growth targets. We maintain our BUY rating on CPF with a revised price target of Bt28 (from Bt27.5), based on a 0.9x 2025F book value or a c.12x P/E multiple for 2025F. The downside risks to our earnings forecasts include uncontrollable disease outbreaks, volatility in meat prices, and sudden increases in global raw material prices, such as soybean meal and corn.

Investment summary

| FY Dec 31 | 2022 | 2023 | 2024 | 2025F | 2026F | 2027F |
|-------------------|---------|----------|---------|---------|---------|---------|
| Sales (Btm) | 614,197 | 585,844 | 580,747 | 605,400 | 621,668 | 638,614 |
| Change (%) | 19.8 | -4.6 | -0.9 | 4.2 | 2.7 | 2.7 |
| Net profit (Btm) | 13,970 | (5,207) | 19,558 | 19,630 | 20,172 | 20,636 |
| Change (%) | 7.2 | -137.3 | -475.6 | 0.4 | 2.8 | 2.3 |
| Core profit (Btm) | 10,689 | (17,329) | 18,599 | 19,630 | 20,172 | 20,636 |
| Change (%) | 977.2 | -262.1 | 207.3 | 5.5 | 2.8 | 2.3 |
| EPS (Bt) | 1.62 | (0.62) | 2.32 | 2.34 | 2.40 | 2.45 |
| Change (%) | 7.2 | -138.2 | -475.6 | 0.4 | 2.8 | 2.3 |
| P/E (x) | 15.3 | n.m. | 10.7 | 10.7 | 10.4 | 10.1 |
| EV/EBITDA (x) | 10.0 | 13.9 | 8.4 | 8.9 | 8.5 | 8.3 |
| DPS (Bt) | 0.75 | 0.00 | 1.00 | 1.05 | 1.08 | 1.10 |
| Yield (%) | 3.0 | 0.0 | 4.0 | 4.2 | 4.3 | 4.4 |
| BVPS (Bt) | 29.73 | 28.46 | 29.24 | 30.67 | 32.12 | 33.60 |
| P/BV (x) | 0.8 | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 |
| ROE (%) | 5.9 | -2.1 | 8.1 | 7.8 | 7.6 | 7.5 |
| ROA (%) | 3.1 | -1.0 | 4.1 | 4.1 | 4.0 | 4.2 |
| Net D/E ratio (%) | 149.7 | 158.8 | 145.8 | 147.3 | 136.8 | 126.6 |

Source: Company and IVG estimates

Company Update

Wednesday, April 23, 2025



I V Global Securities Public Company Limited

Results preview

| P&L (Btm) | 1Q25F | 1Q24 | % YoY | 4Q24 | % QoQ | 2024 | 2023 | % YoY |
|---------------------|--------------|--------------|--------------|--------------|-------------|---------------|----------------|----------------|
| Sales | 142,838 | 140,037 | 2.0 | 148,509 | (3.8) | 580,747 | 585,844 | (0.9) |
| Gross profit | 22,854 | 16,809 | 36.0 | 23,274 | (1.8) | 85,043 | 61,201 | 39.0 |
| SG&A | 12,200 | 12,178 | 0.2 | 12,873 | (5.2) | 50,434 | 55,875 | (9.7) |
| EBIT | 11,304 | 5,096 | 121.8 | 10,138 | 11.5 | 36,971 | 6,050 | 511.1 |
| EBITDA | 20,066 | 13,858 | 44.8 | 19,389 | 3.5 | 76,264 | 47,578 | 60.3 |
| Interest expense | 6,200 | 6,182 | 0.3 | 6,086 | 1.9 | 24,575 | 25,506 | (3.7) |
| Associate profits | 3,300 | 1,792 | 84.2 | 3,900 | (15.4) | 12,699 | (810) | (1,668.4) |
| Non-recurring items | 650 | 789 | (17.6) | (2,026) | (132.1) | 959 | 12,122 | (92.1) |
| Net profit | 6,449 | 1,152 | 459.8 | 4,173 | 54.6 | 19,558 | (5,207) | (475.6) |
| EPS (Bt) | 0.77 | 0.14 | 460.2 | 0.50 | 54.7 | 2.32 | (0.62) | (475.6) |

Source: Company and IVG estimates

Financial ratios

| (%) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales growth yoy (%) | 3.5 | -3.7 | -9.8 | -7.4 | -2.6 | -0.5 | -1.2 | 0.8 |
| Gross margin (%) | 10.8 | 11.0 | 10.8 | 9.2 | 12.0 | 15.4 | 15.4 | 15.7 |
| SG&A as % sales | 8.9 | 9.2 | 9.7 | 10.3 | 8.7 | 8.5 | 8.8 | 8.7 |
| EBIT margin (%) | 1.9 | 2.8 | 1.2 | -1.9 | 3.6 | 7.8 | 7.0 | 6.8 |
| EBITDA margin (%) | 8.8 | 9.9 | 7.7 | 6.1 | 9.9 | 16.0 | 13.4 | 14.4 |
| Net margin (%) | -1.9 | -0.5 | -1.3 | 0.1 | 0.8 | 4.6 | 5.1 | 2.8 |
| Net DE ratio (%) | 157.0 | 163.0 | 169.0 | 158.7 | 154.4 | 146.3 | 149.7 | 154.7 |

Source: Company and IVG estimates

Quarterly performance

| P&L (Btm) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Sales | 143,781 | 150,246 | 144,498 | 147,319 | 140,037 | 149,498 | 142,703 | 148,509 |
| Gross profit | 15,579 | 16,496 | 15,558 | 13,569 | 16,809 | 23,013 | 21,947 | 23,274 |
| SG&A | 12,787 | 13,868 | 14,079 | 15,141 | 12,178 | 12,760 | 12,624 | 12,873 |
| EBIT | 2,750 | 4,243 | 1,798 | (2,742) | 5,096 | 11,681 | 10,056 | 10,138 |
| EBITDA | 12,686 | 11,587 | 11,524 | 9,000 | 13,858 | 23,850 | 19,167 | 21,368 |
| Interest expense | 6,068 | 6,157 | 6,377 | 6,903 | 6,182 | 6,276 | 6,031 | 6,086 |
| Associates | (1,088) | (893) | 528 | 6,043 | 1,792 | 3,352 | 3,655 | 3,900 |
| Non-recurring items | 667 | 2,767 | 1,656 | 3,138 | 789 | 1,330 | 755 | (2,466) |
| Net profit | (2,725) | (792) | (1,811) | 121 | 1,152 | 6,925 | 7,309 | 4,173 |
| EPS (Bt) | (0.32) | (0.09) | (0.21) | 0.01 | 0.14 | 0.82 | 0.87 | 0.50 |

Source: Company and IVG estimates

P&L

| (%) | 2021 | 2022 | 2023 | 2024 |
|---------------------|---------|---------|---------|---------|
| Sales | 512,704 | 614,197 | 585,844 | 580,747 |
| Gross profit | 65,890 | 81,873 | 61,201 | 85,043 |
| SG&A | 50,880 | 55,001 | 55,875 | 50,434 |
| EBIT | 12,628 | 28,283 | 6,050 | 36,971 |
| EBITDA | 55,882 | 66,043 | 47,578 | 78,243 |
| Interest expense | 16,596 | 20,358 | 25,506 | 24,575 |
| Associates | 4,167 | 3,745 | (810) | 12,699 |
| Non-recurring items | 12,036 | 3,281 | 12,122 | 519 |
| Net profit | 13,028 | 13,970 | (5,207) | 19,558 |
| EPS (Bt) | 1.51 | 1.62 | (0.62) | 2.32 |

Source: Company and IVG estimates

Financial ratios

| (%) | 2021 | 2022 | 2023 | 2024 |
|----------------------|-------|-------|-------|-------|
| Sales growth yoy (%) | -13.1 | 19.8 | -4.6 | -0.9 |
| Gross margin (%) | 12.9 | 13.3 | 10.4 | 14.6 |
| SG&A as % sales | 9.9 | 9.0 | 9.5 | 8.7 |
| EBIT margin (%) | 2.5 | 4.6 | 1.0 | 6.4 |
| EBITDA margin (%) | 10.9 | 10.8 | 8.1 | 13.5 |
| Net margin (%) | 2.5 | 2.3 | -0.9 | 3.4 |
| Net DE ratio (%) | 134.9 | 149.7 | 158.8 | 154.7 |

Source: Company and IVG estimates

CPF

E: Environmental

CPF is committed to taking good care of the environment throughout the value chain by analyzing the environmental impact of products throughout their life cycle to gain basic information about the business and set up policies to govern 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's 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 The Great 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 and clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

Source: Company and IVG estimates

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.

