

8 OCTOBER 2021

THAILAND / CONSUMER STAPLES

## CHAROEN POKPHAND FOODS

**HOLD**

FROM BUY

## CPF TB

TARGET PRICE	THB28.00
CLOSE	THB25.75
UP/DOWNSIDE	+8.7%
PRIOR TP	THB34.00
CHANGE IN TP	-17.6%
TP vs CONSENSUS	-15.6%

## จับตามองธุรกิจหมู

## แนวโน้ม 3Q21 อ่อนแอจากราคาปศุสัตว์ที่ตกต่ำ

เราคาดว่ากำไรจากการดำเนินงานของ CPF จะลดลง 48% q-q และ 71% y-y มาอยู่ที่ 2.1 พัน ลบ. ใน 3Q21 โดยได้รับผลกระทบจากราคาเนื้อสัตว์ที่ลดลง โดยเฉพาะราคาหมูในไทย เวียดนามและจีน เรายังไม่ได้รวมผลขาดทุนทางชีวภาพไว้ในประมาณการกำไร 3Q21 ของเรา เนื่องจากมีรายละเอียดจำกัด อย่างไรก็ตามราคาผลขาดทุนไว้ที่ประมาณ 1.5-2.0 พัน ลบ. ซึ่งอาจทำให้กำไรสุทธิออกมาที่ 0.1-0.6 พัน ลบ. ใน 3Q21

## ค่อย ๆ ฟื้นตัวใน 4Q21

แนวโน้มของ CPF ใน 4Q21 ยังอ่อนแอจากความต้องการที่ฟื้นตัวช้าอันเป็นผลจากการแพร่ระบาดของ Covid และปัญหาน้ำท่วม ปัจจุบันราคาหมูในประเทศไทยอยู่ที่ 68 บาท/กก. ในขณะที่ราคาในเวียดนามอยู่ที่ 50,000 ดอลลาร์/กก. ซึ่งสูงกว่าต้นทุนการเลี้ยงที่ 65 บาท/กก. และ 42,000 ดอลลาร์/กก. อยู่เล็กน้อย เราคาดว่าราคาหมูในทั้ง 2 ประเทศจะค่อย ๆ ฟื้นตัวใน 4Q21 ตามการผ่อนคลายมาตรการปิดเมือง ในขณะที่ในประเทศจีนเกิดสถานการณ์อุปทานเกินดุลจากการขยายกำลังการผลิตเป็นจำนวนมาก ปัจจุบันราคาหมูในประเทศจีนอยู่ที่ RMB10-12 บาท/กก. (เทียบกับต้นทุนการเลี้ยงที่ RMB18-20/กก.) ราคาข้าวโพดและกากถั่วเหลืองที่ปรับตัวสูงขึ้นยังคงกดดันอัตรากำไรขั้นต้นของธุรกิจปศุสัตว์อาหารสัตว์ (ประมาณ 40% ของยอดขายรวม)

## โครงการซื้อหุ้นคืนน่าจะบรรเทาความเสี่ยงขาด

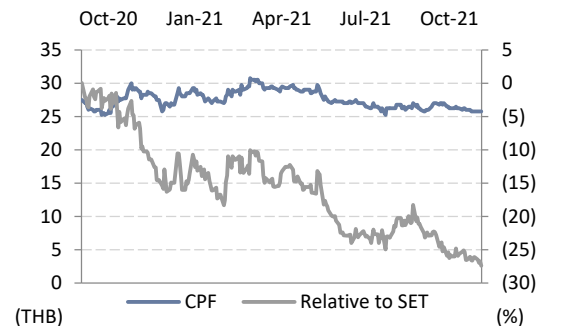
เมื่อวันที่ 30 ก.ย. CPF ประกาศถอนหุ้น C.P. Pokphand Company Ltd. หรือ CPP (43 HK) จากตลาดหุ้นฮ่องกง CPF จะซื้อหุ้น 6.1 พันล้านหุ้นจากผู้ถือหุ้นรายย่อยที่ราคา HKD1.15/หุ้น รวมเป็นเงิน 30.7 พัน ลบ. ซึ่งจะทำให้หุ้นของ CPF ใน CPP จะเพิ่มเป็น 75% จาก 49.7% เรามีมุมมองเป็นกลางต่อการซื้อดังกล่าวเนื่องจากธุรกิจหมูในเวียดนามและจีนกำลังอยู่ในวงจรขาลงและน่าจะไม่มีผลกระทบเชิงบวกต่อกำไรของ CPF แม้ว่าหุ้นใน CPP จะเพิ่มขึ้น นอกจากนี้ CPF ยังประกาศซื้อหุ้นคืนเป็นจำนวน 400 ล้านหุ้น (4.65% ของจำนวนหุ้นรวม) เป็นเงินไม่เกิน 10 พัน ลบ. หรือเฉลี่ยที่ 25 บาท/หุ้น การซื้อหุ้นคืนดังกล่าวอาจช่วยบรรเทาความเสี่ยงขาดจากการดำเนินงานที่อ่อนแอในระยะสั้น

## หลายปัจจัยกดดันในระยะสั้น

เราปรับลดประมาณการกำไรปี 2021-23 ลง 28-30% เพื่อสะท้อนวงจรราคาหมูขาลงในภูมิภาคต้นทุนอาหารสัตว์ที่สูงขึ้น และแนวโน้มความต้องการที่ตกต่ำ เราปรับลดคำแนะนำเป็นถือจากซื้อหลังปรับลดราคาเป้าหมายเป็น 28 บาท แม้ว่าจะมีปัจจัยกดดันหลายปัจจัยในระยะสั้น เราคิดว่าความเสี่ยงขาดอาจบรรเทาได้จากโครงการซื้อหุ้นคืนของบริษัทฯ

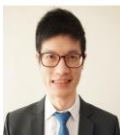
## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	589,713	470,375	493,508	513,468
Net profit	26,022	15,071	16,160	17,073
EPS (THB)	3.02	1.75	1.88	1.98
vs Consensus (%)	-	(26.5)	(26.5)	(25.0)
EBITDA	77,907	52,677	53,365	53,372
Core net profit	24,537	15,071	16,160	17,073
Core EPS (THB)	2.85	1.75	1.88	1.98
Chg. In EPS est. (%)	-	(30.1)	(28.2)	(28.4)
EPS growth (%)	152.8	(38.6)	7.2	5.6
Core P/E (x)	9.0	14.7	13.7	13.0
Dividend yield (%)	3.9	3.5	3.6	3.8
EV/EBITDA (x)	8.5	14.5	16.7	19.1
Price/book (x)	1.3	1.2	1.2	1.1
Net debt/Equity (%)	136.4	161.9	193.5	220.1
ROE (%)	13.6	7.7	7.9	8.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.8)	(1.9)	(8.0)
Relative to country (%)	(2.7)	(5.3)	(28.9)
Mkt cap (USD m)	6,413		
3m avg. daily turnover (USD m)	25.4		
Free float (%)	47		
Major shareholder	Charoen Pokphand Group (53%)		
12m high/low (THB)	31.25/25.00		
Issued shares (m)	8,611.20		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 8 ตุลาคม 2021

## Investment thesis

CPF's farm business is cyclical in nature compared to its feed and food business which has a stable margin. Its farm business contributed above 45% of its sales in 2020, rising from 41% in 2018, driven by the leap in the region's pork prices, especially in China and Vietnam.

The African swine fever (ASF) outbreak that caused a pig supply shortage could be an opportunity for companies like CPF that have commercial and closed farms to gain more market share from backyard pig farms. CPF plans to increase its pig production in Vietnam by 8-10% to c7.7m pigs in 2021, and plans to increase its production in China to 12m pigs by 2023, from 4.5m pigs in 2020.

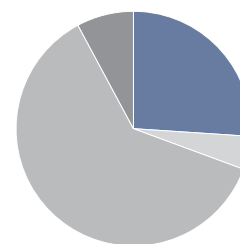
## Company profile

CPF is a world leader in food production with an integrated business covering feed, farm and food. It has a strategy to be a "Kitchen of the World" and has operations in fifteen countries around the world.

[www.cpfworldwide.com](http://www.cpfworldwide.com)

## Principal activities (revenue, 2020)

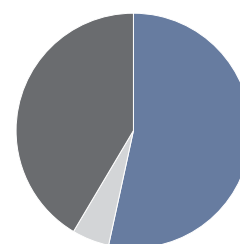
- Thailand livestock - 26.0 %
- Thailand aqua - 4.6 %
- Overseas livestock - 61.5 %
- Overseas aqua - 7.8 %



Source: Charoen Pokphand Foods

## Major shareholders

- Charoen Pokphand Group - 53.4 %
- Thai NVDR - 5.1 %
- Others - 41.5 %



Source: Charoen Pokphand Foods

## Catalysts

Potential share price catalysts for CPF include: 1) a stronger-than-expected swine and chicken price in Thailand, China, and Vietnam; and 2) M&A and joint investment opportunities.

## Risks to our call

The key downside risks to our SoTP-based target price are the volatile pork prices in both Thailand and Vietnam which could hurt revenues and the company's gross margin. The key upside risks would be a faster-than-expected recovery of livestock prices in the region and lower feed costs.

## Event calendar

Date	Event
November 2021	3Q21 results announcement

## Key assumptions

		2021E	2022E	2023E
		(%)	(%)	(%)
<b>Sales growth</b>	- Thailand livestock	1.0	4.0	3.0
	- Thailand aqua	1.0	2.0	3.0
	- Overseas livestock	(33.0)	6.0	5.0
	- Overseas aqua	(3.0)	4.0	3.0
<b>Gross margin</b>	- Thailand livestock	15.8	15.5	15.5
	- Thailand aqua	12.0	12.5	12.5
	- Overseas livestock	17.6	16.8	16.2
	- Overseas aqua	15.0	15.0	15.0
<b>SG&amp;A to sales</b>		10.1	10.0	10.1

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in sales growth, we estimate 2021 EPS would rise 1.3%, and vice versa, all else being equal.
- For every 1% increase in GPM, we estimate 2021 EPS would rise 18%, and vice versa, all else being equal.
- For every 1% increase in SG&A to sales, we estimate 2021 EPS would fall 17%, and vice versa, all else being equal.

Source: FSSIA estimates



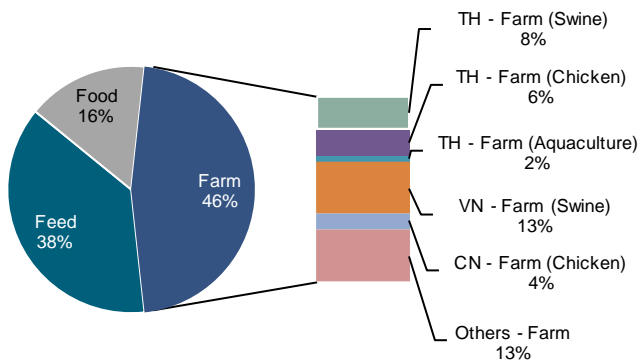
## Weak 3Q21 outlook due to plunging livestock prices

We estimate CPF's core earnings to drop by 48% q-q and 71% y-y to THB2.1b in 3Q21. The sharp q-q drop can mainly be attributed to the declining swine price in the region, in our view. The average swine and chicken price in Thailand dropped to THB69.3/kg and THB30.2/kg in 3Q21 vs THB76.7/kg and THB33/kg in 2Q21, respectively. There was a similar trend in Vietnam where the swine price dropped to cVND52,000 in 3Q21 (vs VND68,813/kg in 2Q21). 3Q21 GPM should plunge to 14.7% (vs 16.4% in 2Q21 and 19.1% in 3Q20), dragged down by the weak livestock price and weak demand for meat due to the lockdown measures. We expect 3Q21 equity income to drop by 72% q-q to THB212m on the back of lower profit contributions from Chai Tai Investment (CTI, not listed), HyLife (not listed), and the loss contributed by Lotus (not listed).

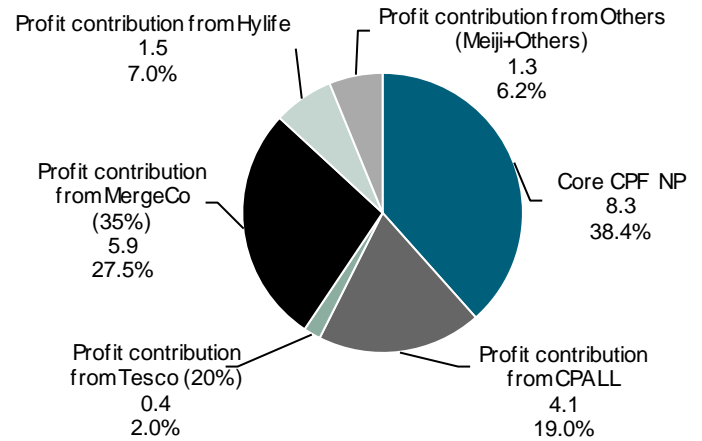
### Exhibit 1: 3Q21E results preview

	3Q20	4Q20	1Q21	2Q21	3Q21E	---- Change ----		----- 9M21E -----			2021E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	(%21E)	(THB m)	(y-y%)
Sales	157,805	149,968	119,346	129,638	124,452	(4)	(21)	373,436	(15)	79	470,375	(20)
<b>Gross profit</b>	<b>30,141</b>	<b>25,706</b>	<b>23,791</b>	<b>21,236</b>	<b>18,294</b>	<b>(14)</b>	<b>(39)</b>	<b>63,322</b>	<b>(22)</b>	<b>82</b>	<b>77,302</b>	<b>(28)</b>
Operating costs	(15,695)	(14,399)	(11,684)	(12,297)	(12,196)	(1)	(22)	(36,178)	(16)	(76)	47,508	(18)
Operating profit	14,446	11,307	12,107	8,939	6,098	(32)	(58)	27,144	(29)	91	29,794	(40)
Operating EBITDA	21,459	18,863	18,875	16,218	6,098	(62)	(72)	41,191	(30)	78	52,677	(32)
Other income/exp	906	2,202	741	827	671	(19)	(26)	2,239	7	52	4,338	1
Interest expense	(4,186)	(4,476)	(4,098)	(3,971)	(3,956)	(0)	(5)	(12,025)	(3)	69	(17,500)	4
<b>Profit before tax</b>	<b>11,166</b>	<b>9,034</b>	<b>8,750</b>	<b>5,795</b>	<b>2,813</b>	<b>(51)</b>	<b>(75)</b>	<b>17,358</b>	<b>(38)</b>	<b>104</b>	<b>16,632</b>	<b>(55)</b>
Tax	2,998	3,088	2,117	1,752	605	(65)	(80)	4,475	(43)	135	3,326	(70)
Equity income	2,028	2,963	2,043	753	212	(72)	(90)	3,008	(52)	31	9,786	6
Minority interests	(3,070)	(2,082)	(1,673)	(748)	(321)	(57)	(90)	(2,742)	(68)	34	(8,021)	(26)
Non-recurring items	349	(417)	(58)	690	0	(100)	(100)	632	(67)	na	0	(100)
<b>Reported net profit</b>	<b>7,474</b>	<b>6,409</b>	<b>6,945</b>	<b>4,737</b>	<b>2,099</b>	<b>(56)</b>	<b>(72)</b>	<b>13,782</b>	<b>(30)</b>	<b>91</b>	<b>15,071</b>	<b>(42)</b>
<b>Recurring profit</b>	<b>7,125</b>	<b>6,826</b>	<b>7,003</b>	<b>4,048</b>	<b>2,099</b>	<b>(48)</b>	<b>(71)</b>	<b>13,150</b>	<b>(26)</b>	<b>87</b>	<b>15,071</b>	<b>(39)</b>
EPS (THB)	0.87	0.74	0.81	0.55	0.24	(56)	(72)	1.60	(30)	91	1.75	(42)
Recurring EPS (THB)	0.83	0.79	0.81	0.47	0.24	(48)	(71)	1.53	(26)	87	1.75	(39)
<b>Key Ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>					
Gross margin	19.1	17.1	19.9	16.4	14.7	(1.7)	(4.4)					
Operating margin	9.2	7.5	10.1	6.9	4.9	(2.0)	(4.3)					
EBITDA margin	13.6	12.6	15.8	12.5	4.9	(7.6)	(8.7)					
SG&A / Sales	9.9	9.6	9.8	9.5	9.8	0.3	(0.1)					
Effective tax rate	26.9	34.2	24.2	30.2	21.5	(8.7)	(5.3)					
<b>Key operating stat</b>												
Swine price TH (THB/kg.)	80.0	73.1	80.0	76.7	69.3	(10)	(13)					
Chicken price TH (THB/kg.)	31.3	29.0	32.0	33.0	30.2	(8)	(4)					
Swine price VN (VND/kg.)	79,285	68,344	78,176	68,813	52,000	(24)	(34)					
Swine price CN (RMB/kg.)	36.2	31.4	30.4	19.0	7.6	(60)	(79)					
Corn price (THB/kg.)	9.3	9.1	9.4	9.5	10.3	8	11					
Soymeal price (THB/kg.)	14.0	17.0	19.0	19.3	18.8	(3)	34					

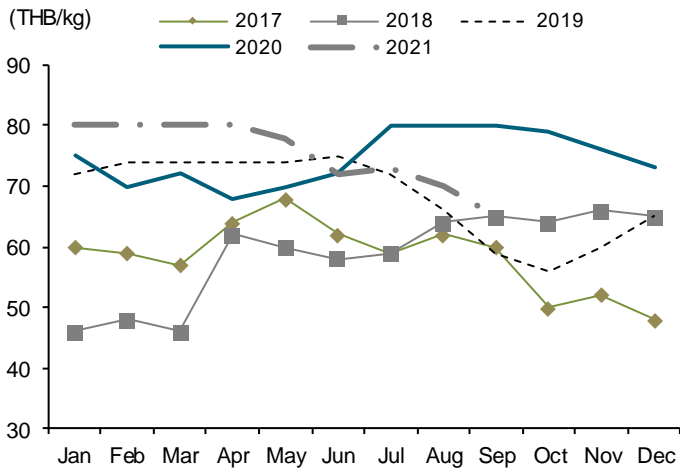
Sources: CPF; FSSIA estimates

**Exhibit 2: Farm business contributed 46% of total sales as of 2020**

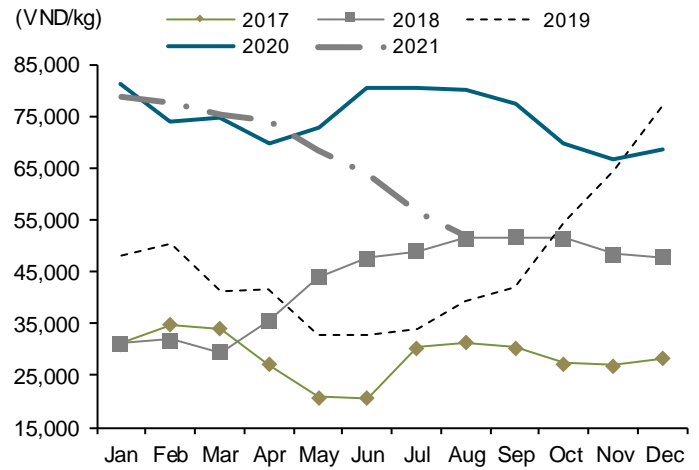
Sources: CPF; FSSIA estimates

**Exhibit 3: Breakdown of net profit contributions (THB b) as of 2020**

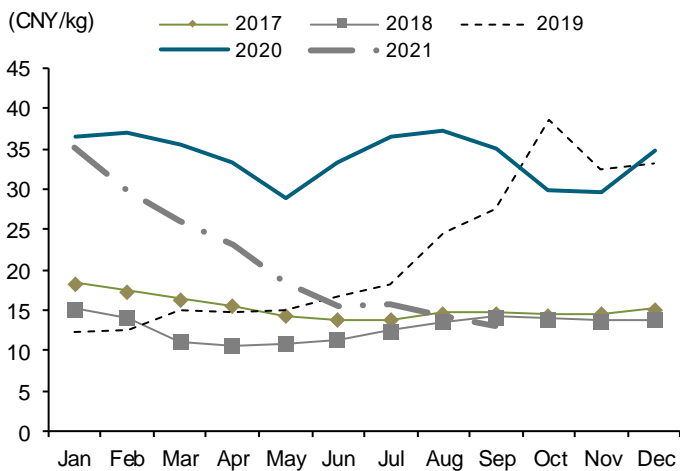
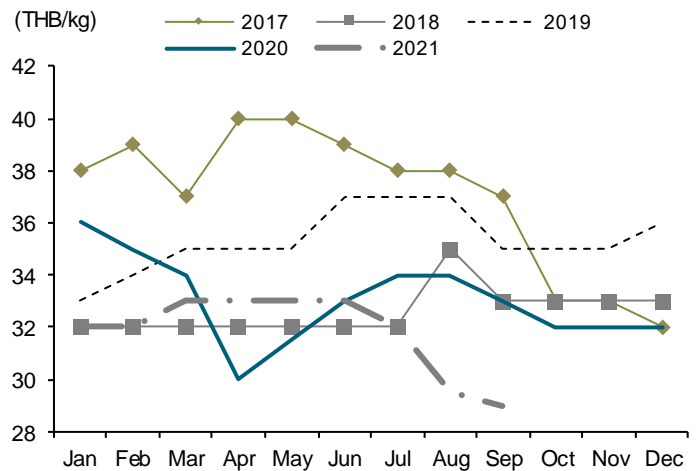
Sources: CPF; FSSIA estimates

**Exhibit 4: Swine price in Thailand**

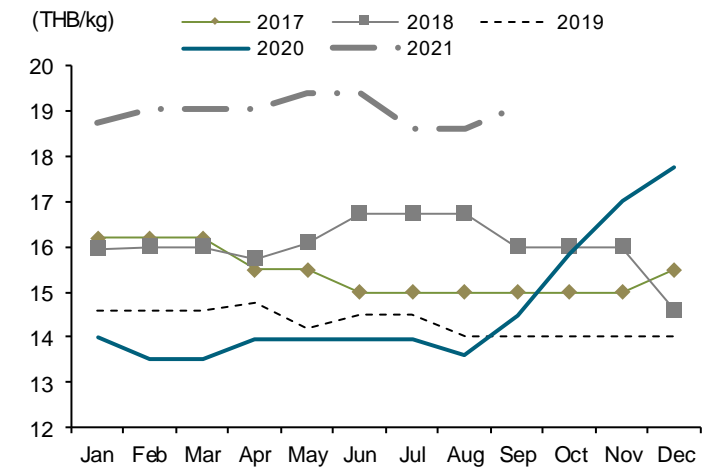
Sources: CPF; FSSIA's compilation

**Exhibit 5: Swine price in Vietnam**

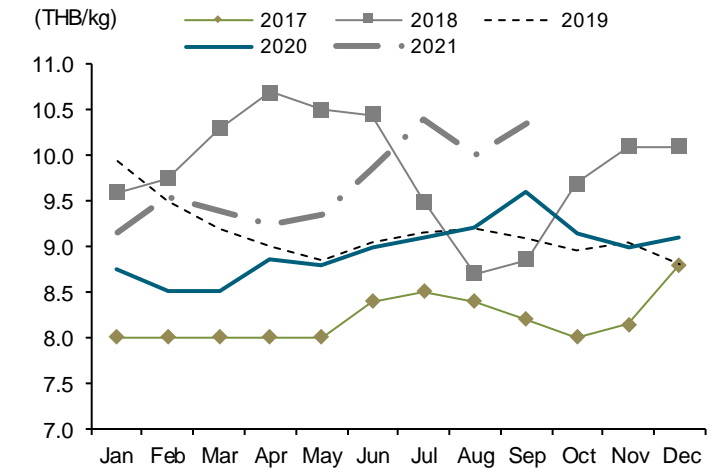
Sources: CPF; FSSIA's compilation

**Exhibit 6: Swine price in China**Source: [pig333](http://pig333)**Exhibit 7: Chicken price in Thailand**

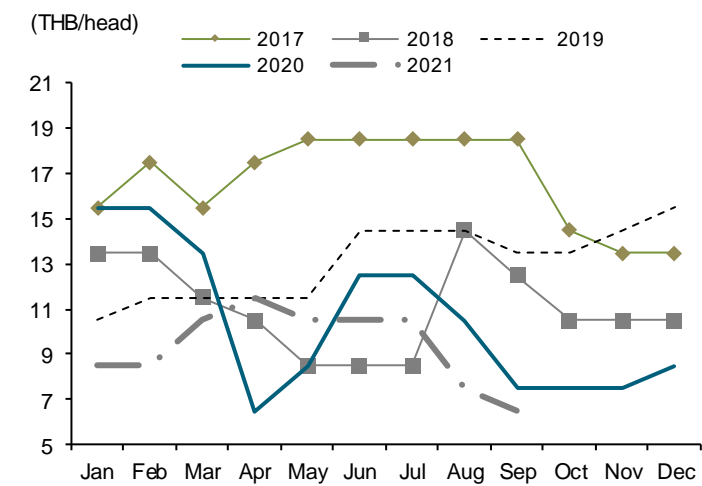
Sources: CPF; FSSIA's compilation

**Exhibit 8: Soybean meal price**

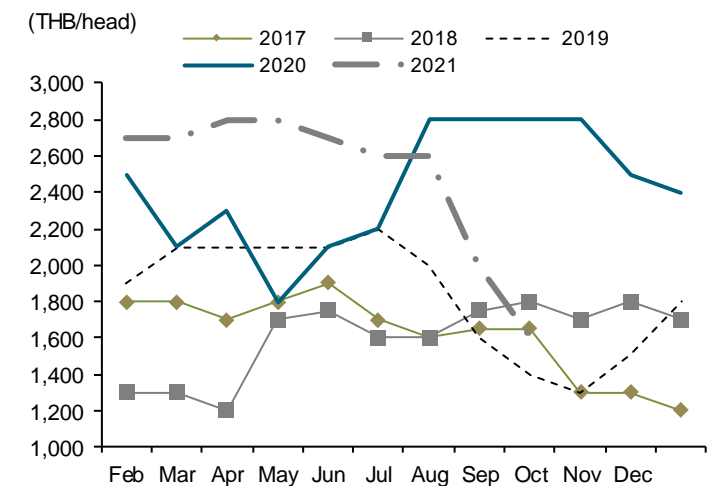
Sources: CPF; FSSIA's compilation

**Exhibit 9: Corn price**

Sources: CPF; FSSIA's compilation

**Exhibit 10: Day old chick price**

Sources: CPF; FSSIA's compilation

**Exhibit 11: Piglet price**

Sources: CPF; FSSIA's compilation

## Downgrade to HOLD from Buy

We revise down our 2021-23 earnings forecast by 28.4-30.1% to reflect the swine price downcycle in the region, the higher feed costs, and the weak demand outlook in Thailand and the CLMV market. We downgrade our recommendation to HOLD from Buy and lower our TP to THB28. Despite seeing multiple near-term headwinds, we think the downside risk could be cushioned by the share buyback program.

### Exhibit 12: Revised assumptions

	Current			Previous			Change		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Revenue (THB m)	470,375	493,508	513,468	484,334	508,243	528,876	(2.9)	(2.9)	(2.9)
<b>Sales growth (%)</b>									
- Thailand livestock	1.0	4.0	3.0	3.0	4.0	3.0	(2.0)	0.0	0.0
- Thailand aqua	1.0	2.0	3.0	1.0	2.0	3.0	0.0	0.0	0.0
- Overseas livestock	(33.0)	6.0	5.0	(30.0)	6.0	5.0	(3.0)	0.0	0.0
- Overseas aqua	(3.0)	4.0	3.0	(3.0)	4.0	3.0	0.0	0.0	0.0
<b>Gross margin (%)</b>									
- Thailand livestock	15.8	15.5	15.5	16.1	16.0	15.7	(0.3)	(0.5)	(0.2)
- Thailand aqua	12.0	12.5	12.5	12.0	12.5	12.5	0.0	0.0	0.0
- Overseas livestock	17.6	16.8	16.2	18.5	17.8	17.5	(0.9)	(1.0)	(1.3)
- Overseas aqua	15.0	15.0	15.0	15.0	15.0	15.0	0.0	0.0	0.0
<b>SG&amp;A to sales (%)</b>	<b>10.1</b>	<b>10.0</b>	<b>10.1</b>	<b>10.1</b>	<b>10.0</b>	<b>10.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
Equity income (THB m)	9,786	11,800	14,033	13,276	14,573	16,434	(26.3)	(19.0)	(14.6)
Core profit (THB m)	15,071	16,160	17,073	21,563	22,513	23,839	(30.1)	(28.2)	(28.4)

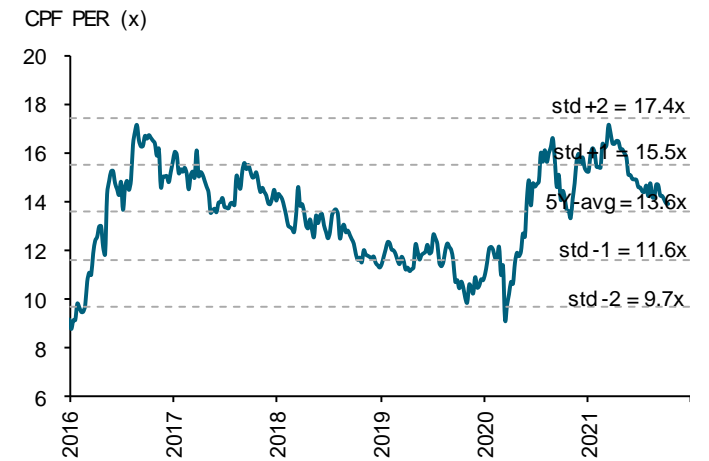
Note: Change of items in percentage terms are represented in ppt change  
Source: FSSIA estimates

### Exhibit 13: SoTP valuation

SoTP valuation	(THB b)
CPF net profit	16.2
Profit contribution from CPALL	5.8
CPF profit after excluding profit contribution from CPALL	10.6
CPF's no. of shares (m)	8,413.6
CPF's EPS (THB)	1.2
P/E of CPF's business (x)	5.0
<b>Value of CPF only</b>	<b>6.0</b>
CPALL target price (THB/share)	76.0
CPALL's no. of shares (m)	8,983.0
CPALL market cap	682.7
CPF holding of CPALL (%)	34.0
<b>Value of holding CPALL</b>	<b>22.0</b>
<b>CPF target price (THB)</b>	<b>28.0</b>

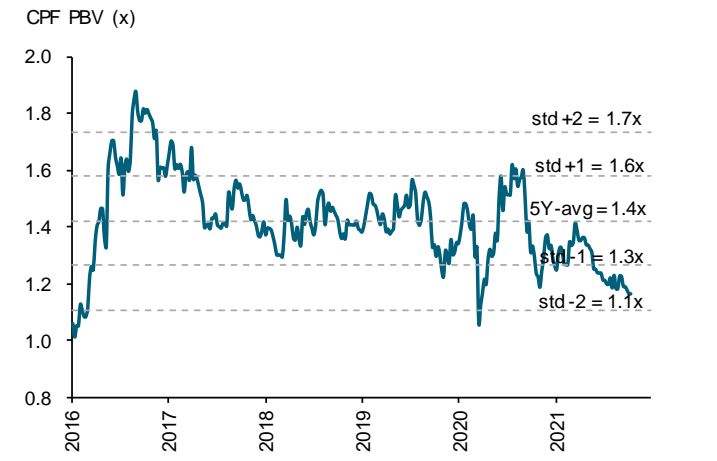
Source: FSSIA estimates

Exhibit 14: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 15: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates



## Financial Statements

Charoen Pokphand Foods

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	532,573	589,713	470,375	493,508	513,468
Cost of goods sold	(433,233)	(454,141)	(370,190)	(390,792)	(408,236)
<b>Gross profit</b>	<b>99,340</b>	<b>135,572</b>	<b>100,185</b>	<b>102,716</b>	<b>105,232</b>
Other operating income	0	0	0	0	0
Operating costs	(54,819)	(57,665)	(47,508)	(49,351)	(51,860)
<b>Operating EBITDA</b>	<b>44,521</b>	<b>77,907</b>	<b>52,677</b>	<b>53,365</b>	<b>53,372</b>
Depreciation	(23,036)	(28,328)	(22,883)	(23,939)	(24,849)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>21,485</b>	<b>49,578</b>	<b>29,794</b>	<b>29,427</b>	<b>28,523</b>
Net financing costs	(12,747)	(16,047)	(16,730)	(17,059)	(17,415)
Associates	8,893	9,254	9,786	11,800	14,033
Recurring non-operating income	12,057	12,787	13,354	15,402	17,671
Non-recurring items	8,743	1,485	0	0	0
<b>Profit before tax</b>	<b>29,539</b>	<b>47,803</b>	<b>26,418</b>	<b>27,770</b>	<b>28,778</b>
Tax	(5,446)	(11,001)	(3,326)	(3,194)	(2,949)
<b>Profit after tax</b>	<b>24,093</b>	<b>36,802</b>	<b>23,092</b>	<b>24,576</b>	<b>25,829</b>
Minority interests	(5,642)	(10,780)	(8,021)	(8,415)	(8,756)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>18,451</b>	<b>26,022</b>	<b>15,071</b>	<b>16,160</b>	<b>17,073</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(8,743)</b>	<b>(1,485)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>9,708</b>	<b>24,537</b>	<b>15,071</b>	<b>16,160</b>	<b>17,073</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.13	2.85	1.75	1.88	1.98
Reported EPS	2.14	3.02	1.75	1.88	1.98
DPS	0.70	1.00	0.90	0.94	0.99
Diluted shares (used to calculate per share data)	8,611	8,611	8,611	8,611	8,611
<b>Growth</b>					
Revenue (%)	(1.7)	10.7	(20.2)	4.9	4.0
Operating EBITDA (%)	21.5	75.0	(32.4)	1.3	0.0
Operating EBIT (%)	51.1	130.8	(39.9)	(1.2)	(3.1)
Recurring EPS (%)	234.9	152.8	(38.6)	7.2	5.6
Reported EPS (%)	18.8	41.0	(42.1)	7.2	5.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	14.3	18.2	16.4	16.0	15.7
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	8.4	13.2	11.2	10.8	10.4
Operating EBIT margin (%)	4.0	8.4	6.3	6.0	5.6
Net margin (%)	1.8	4.2	3.2	3.3	3.3
Effective tax rate (%)	45.8	29.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	62.1	35.1	51.4	50.0	50.0
Interest cover (X)	2.6	3.9	2.6	2.6	2.7
Inventory days	50.8	45.5	51.6	50.4	50.7
Debtor days	25.3	19.5	23.0	22.2	22.3
Creditor days	28.5	25.9	29.6	26.6	26.7
Operating ROIC (%)	4.1	12.5	8.5	8.1	7.6
ROIC (%)	3.4	7.4	5.0	4.4	3.9
ROE (%)	5.8	13.6	7.7	7.9	8.1
ROA (%)	3.5	6.7	4.5	4.1	3.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Thailand livestock	150,182	153,596	155,132	161,337	166,177
Thailand aqua	25,784	26,974	27,244	27,789	28,622
Overseas livestock	307,755	362,898	243,142	257,730	270,617
Overseas aqua	48,852	46,245	44,858	46,652	48,052

Sources: Charoen Pokphand Foods; FSSIA estimates

## Financial Statements

### Charoen Pokphand Foods

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	9,708	24,537	15,071	16,160	17,073
Depreciation	23,036	28,328	22,883	23,939	24,849
Associates & minorities	(8,170)	8,865	0	0	0
Other non-cash items	5,642	10,780	6,913	8,774	8,705
Change in working capital	6,965	7,675	3,721	(4,932)	(2,798)
<b>Cash flow from operations</b>	<b>37,181</b>	<b>80,186</b>	<b>48,588</b>	<b>43,941</b>	<b>47,829</b>
Capex - maintenance	(25,266)	(31,036)	(30,209)	(30,813)	(31,430)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	1,228	(104,988)	(102,225)	(124,713)	(124,212)
Other investments (net)	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(24,038)</b>	<b>(136,024)</b>	<b>(132,434)</b>	<b>(155,526)</b>	<b>(155,642)</b>
Dividends paid	(6,028)	(8,611)	(7,744)	(8,080)	(8,537)
Equity finance	(10,254)	5,513	0	0	0
Debt finance	3,612	82,443	92,731	121,411	113,353
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(12,670)</b>	<b>79,345</b>	<b>84,987</b>	<b>113,331</b>	<b>104,817</b>
Non-recurring cash flows	(10)	994	0	0	0
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>(10)</b>	<b>994</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>463</b>	<b>24,501</b>	<b>1,141</b>	<b>1,745</b>	<b>(2,996)</b>
Free cash flow to firm (FCFF)	26,927.67	(39,020.51)	(66,346.41)	(93,756.25)	(89,627.02)
Free cash flow to equity (FCFE)	16,744.30	27,598.83	8,884.96	9,825.47	5,540.65

#### Per share (THB)

FCFF per share	3.13	(4.53)	(7.70)	(10.89)	(10.41)
FCFE per share	1.94	3.20	1.03	1.14	0.64
Recurring cash flow per share	3.51	8.42	5.21	5.68	5.88

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	298,549	296,172	326,381	357,195	388,624
Less: Accumulated depreciation	(101,119)	(96,034)	(117,497)	(140,016)	(163,446)
<b>Tangible fixed assets (net)</b>	<b>197,430</b>	<b>200,138</b>	<b>208,884</b>	<b>217,178</b>	<b>225,178</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	130,682	250,324	369,966	489,609	609,251
Cash & equivalents	33,496	57,997	59,138	60,883	57,887
A/C receivable	33,118	29,952	29,250	30,688	31,929
Inventories	60,987	52,136	52,540	55,434	57,888
Other current assets	51,046	54,585	43,538	45,680	47,527
<b>Current assets</b>	<b>178,646</b>	<b>194,670</b>	<b>184,465</b>	<b>192,685</b>	<b>195,231</b>
Other assets	127,292	116,587	92,994	97,567	101,513
<b>Total assets</b>	<b>634,051</b>	<b>761,719</b>	<b>856,310</b>	<b>997,039</b>	<b>1,131,174</b>
Common equity	168,275	191,937	199,264	207,344	215,880
Minorities etc.	50,597	70,242	78,263	86,678	95,434
<b>Total shareholders' equity</b>	<b>218,872</b>	<b>262,179</b>	<b>277,526</b>	<b>294,022</b>	<b>311,315</b>
Long term debt	196,495	271,889	332,541	411,952	486,093
Other long-term liabilities	20,972	23,505	18,748	19,671	20,466
<b>Long-term liabilities</b>	<b>217,467</b>	<b>295,394</b>	<b>351,290</b>	<b>431,623</b>	<b>506,559</b>
A/C payable	32,184	32,312	27,727	29,254	30,549
Short term debt	136,750	143,799	175,878	217,877	257,090
Other current liabilities	28,777	28,035	23,889	24,263	25,661
<b>Current liabilities</b>	<b>197,711</b>	<b>204,147</b>	<b>227,493</b>	<b>271,394</b>	<b>313,300</b>
<b>Total liabilities and shareholders' equity</b>	<b>634,051</b>	<b>761,719</b>	<b>856,310</b>	<b>997,039</b>	<b>1,131,174</b>
Net working capital	84,189	76,325	73,712	78,285	81,135
Invested capital	539,593	643,375	745,556	882,640	1,017,077

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	17.80	20.55	21.40	22.34	23.33
Tangible book value per share	17.80	20.55	21.40	22.34	23.33

#### Financial strength

Net debt/equity (%)	137.0	136.4	161.9	193.5	220.1
Net debt/total assets (%)	47.3	47.0	52.5	57.1	60.6
Current ratio (x)	0.9	1.0	0.8	0.7	0.6
CF interest cover (x)	2.3	2.7	1.5	1.6	1.3

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>22.8</b>	<b>9.0</b>	<b>14.7</b>	<b>13.7</b>	<b>13.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>24.8</b>	<b>9.8</b>	<b>16.0</b>	<b>14.9</b>	<b>14.1</b>
Reported P/E (x)	12.0	8.5	14.7	13.7	13.0
Dividend yield (%)	2.7	3.9	3.5	3.6	3.8
Price/book (x)	1.4	1.3	1.2	1.2	1.1
Price/tangible book (x)	1.4	1.3	1.2	1.2	1.1
EV/EBITDA (x) **	13.2	8.5	14.5	16.7	19.1
EV/EBITDA @ target price (x) **	13.6	8.8	14.9	17.1	19.4
EV/invested capital (x)	1.1	1.0	1.0	1.0	1.0

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Charoen Pokphand Foods; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	HL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

**Disclaimer:**

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Karun Intrachai FSS International Investment Advisory Securities Co., Ltd

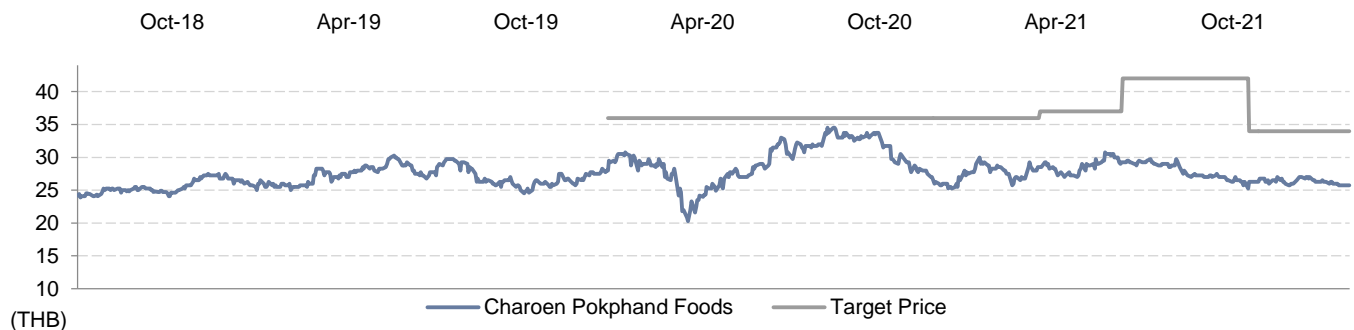
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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#### History of change in investment rating and/or target price

#### Charoen Pokphand Foods (CPF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Jan-2020	BUY	36.00	13-Jan-2021	BUY	37.00	07-Apr-2021	BUY	42.00
02-Apr-2020	BUY	36.00	25-Mar-2021	BUY	42.00	12-Jul-2021	BUY	34.00

Karun Intrachai started covering this stock from 13-Jan-2021

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Charoen Pokphand Foods	CPF TB	THB 25.75	HOLD	The key downside risks to our SoTP-based target price are the volatile pork prices in both Thailand and Vietnam which could hurt revenues and the company's gross margin. The key upside risks would be a faster-than-expected recovery of livestock prices in the region and lower feed costs.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 07-Oct-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.