

CHAROEN POKPHAND FOODS

THAILAND / CONSUMER STAPLES

CPF TB

BUY

FROM HOLD

TARGET PRICE	THB35.00
CLOSE	THB25.25
UP/DOWNSIDE	+38.6%
PRIOR TP	THB28.00
CHANGE IN TP	+25.0%
TP vs CONSENSUS	+12.3%

Early hog upcycles are key drivers

- We expect CPF's core net profit to rise from THB3.8b in 2021 to THB16.4b in 2022 and THB17.7b in 2023.
- Three key drivers are 1) NP recoveries for pig farms; 2) NP from its 34%-owned CPALL; and 3) NP from CPF's associates and JVs.
- Upgrade to BUY with SoTP-based TP lifted to THB35.

Growth from pig farms, CPALL, and overseas associates

With improving margins and sales volumes for pig farms in Thailand, China, and Vietnam, and continued solid earnings from chicken farms, we expect CPF's core net profit to rise from THB3.8b in 2021 to THB16.4b in 2022 and THB17.7b in 2023. Three key drivers, in our view, are 1) net profit from CPF's own feed-farm-food business value chain, mainly from earnings recoveries from the pig farms; 2) net profit from its 34%-owned CPALL due to stronger domestic consumer spending and higher minimum wage hikes; and 3) earnings from CPF's associates and JVs, mainly CP Meiji (59.99%) and Hylife in Canada (50.1%).

Pork earnings: CPF's key driver

Pork is the most important product that contributed over one-fourth of CPF's net profit from the farm operations in Thailand, Vietnam, and China – the three major global pork producers ranking #7, #5, and #1 in the world, respectively, according to the United States Department of Agriculture (USDA) – as of 2021.

Early hog upcycles for Vietnam and China are key

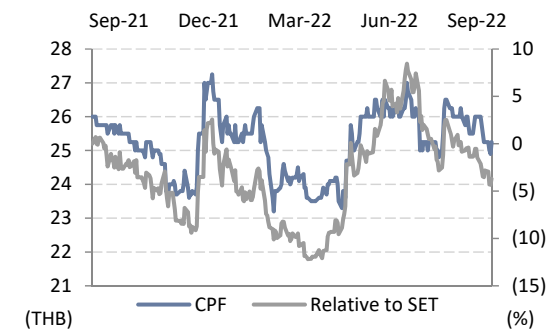
We think the recent hog cycles in Thailand (upcycle), Vietnam, and China (early upcycle) will lead to stronger net profits for CPF in 3Q22 onward. In Thailand, the high pork price above THB90/kg (vs THB75/kg cost) should continue into 2023 thanks to the sharp drop in the swine supply caused by the Asian swine fever (ASF) outbreak since Jan-22. In Vietnam, we project the pork price to increase to VND70,000-80,000/kg by 2H23 vs a VND50,000/kg cost. In China, the pork price has already risen from its RMB15/kg bottom in 2Q22 to RMB27/kg in Sep-22 (vs RMB17/kg cost), potentially turning around CPF's swine farm associate in China. We think the pork price uplifts in Thailand, Vietnam, and China could boost CPF's quarterly net profits to over THB5b in 2H22-2023.

A winner on hog upcycles and food exports; upgrade to BUY

We lift our SoTP-based TP from THB28 to THB35 to reflect our valuation rollover to 2023, the change in our TP for CPALL from THB68 to THB82 and our EPS revisions, and upgrade our call to BUY. We think CPF's share price is now likely to rerate in 4Q22-2023, backed by net profit growth from improving earnings for pig farms and rising earnings contributions from CPALL, MAKRO, and other associates, particularly in China and Vietnam where CPF has large farming operations.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	512,704	538,135	560,126	583,069
Net profit	13,028	24,759	26,055	27,086
EPS (THB)	1.51	2.88	3.03	3.15
vs Consensus (%)	-	69.7	54.0	38.3
EBITDA	43,940	53,436	53,615	55,383
Core net profit	3,756	16,422	17,719	18,750
Core EPS (THB)	0.44	1.91	2.06	2.18
Chg. In EPS est. (%)	-	1.6	3.8	8.2
EPS growth (%)	(84.7)	337.3	7.9	5.8
Core P/E (x)	57.9	13.2	12.3	11.6
Dividend yield (%)	2.6	5.9	6.0	6.2
EV/EBITDA (x)	16.6	13.9	14.0	13.8
Price/book (x)	1.1	1.0	1.0	0.9
Net debt/Equity (%)	148.5	144.7	141.6	138.7
ROE (%)	1.8	7.4	7.6	7.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.9)	(2.9)	(3.8)
Relative to country (%)	(4.6)	(7.9)	(5.3)
Mkt cap (USD m)	5,675		
3m avg. daily turnover (USD m)	15.3		
Free float (%)	47		
Major shareholder	Charoen Pokphand Group (53%)		
12m high/low (THB)	27.50/22.70		
Issued shares (m)	8,611.20		

Sources: Bloomberg consensus; FSSIA estimates



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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.

With improving margins and sales volumes for pig farms in Thailand, China, and Vietnam, and continued solid earnings from chicken farms, we expect CPF's core net profit to rise from THB3.8b in 2021 to THB16.4b in 2022 and THB17.7b in 2023. Three key drivers, in our view, are 1) net profit from CPF's own feed-farm-food business value chain, mainly from earnings recoveries from the pig farms; 2) net profit from its 34%-owned CPALL due to stronger domestic consumer spending and higher minimum wage hikes; and 3) earnings from CPF's associates and JVs, mainly CP Meiji (59.99%) and Hylife in Canada (50.1%).

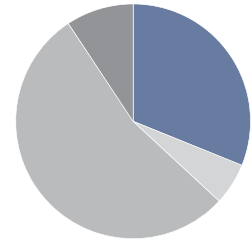
Company profile

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

Principal activities (revenue, 2021)

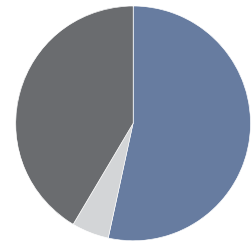
- Thailand livestock - 31.1 %
- Thailand aqua - 5.8 %
- Overseas livestock - 53.8 %
- Overseas aqua - 9.3 %



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.

Event calendar

Date	Event
November 2022	3Q22 results announcement

Key assumptions

		2022E	2023E	2024E
		(%)	(%)	(%)
Sales growth	- Thailand livestock	4.0	3.0	3.0
	- Thailand aqua	2.0	3.0	3.0
	- Overseas livestock	6.0	5.0	5.0
	- Overseas aqua	4.0	3.0	3.0
Gross margin	- Thailand livestock	16.0	15.0	15.1
	- Thailand aqua	12.5	12.5	12.5
	- Overseas livestock	14.5	14.6	14.6
	- Overseas aqua	9.6	9.6	9.6
SG&A to sales		10.1	10.2	10.3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in sales growth, we estimate 2022 EPS would rise 1.3%, and vice versa, all else being equal.
- For every 1% increase in GPM, we estimate 2022 EPS would rise 18%, and vice versa, all else being equal.
- For every 1% increase in SG&A to sales, we estimate 2022 EPS would fall 17%, and vice versa, all else being equal.

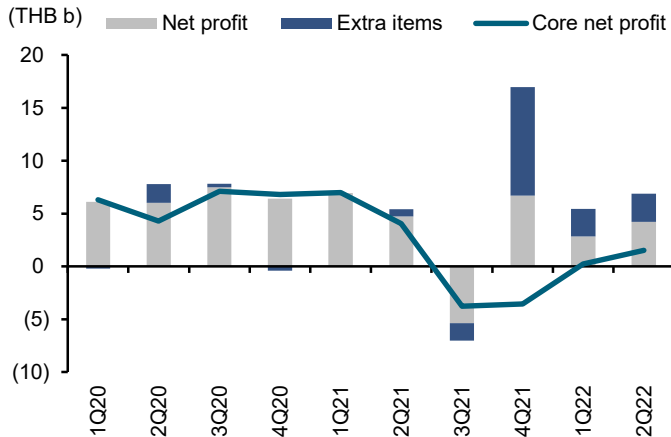
Source: FSSIA estimates

Hog upcycles are key

In the past few quarters since 3Q21, CPF's quarterly net profits had been weak due to the net loss contributions from its overseas operations, particularly the operations in China due to the sharp drop in the pork price caused by oversupply.

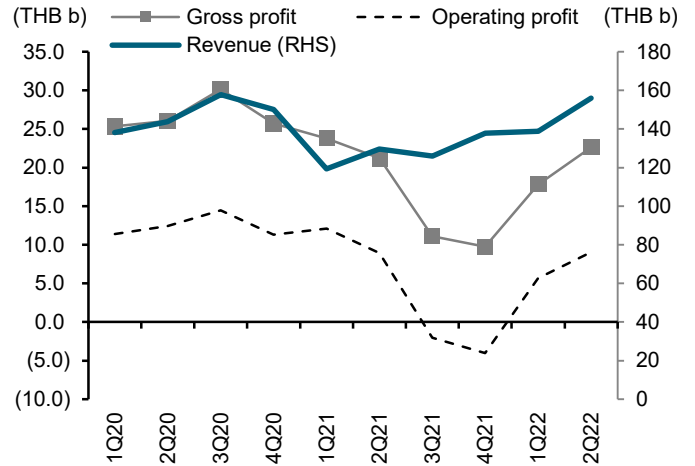
However, the reported quarterly net profits were boosted by large extraordinary items, including gains (losses) on the fair value of biological assets, sales of investments and dividends, and a one-time gain from the earnings before tax of Siam Makro (MAKRO TB, BUY, TP THB42) at THB7.9b in 2021.

Exhibit 1: Quarterly net profit, core net profit, extra items



Source: CPF

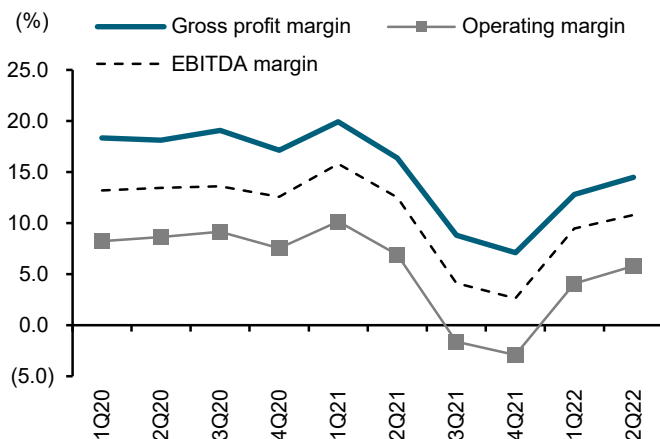
Exhibit 2: Quarterly gross profit, operating profit, and revenue



Source: CPF

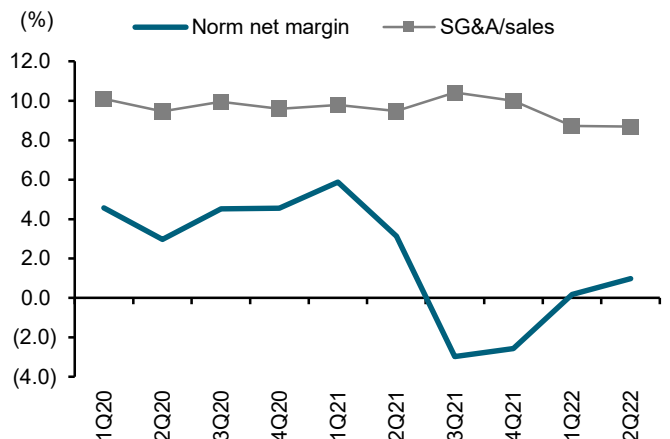
Meanwhile, CPF has successfully lowered its SG&A-to-sales ratio from 10.1% in 1Q20 down to 8.7% in 2Q22, thanks to the effective cost control and higher sales to help offset the industry's lower gross margins.

Exhibit 3: Quarterly gross profit margin, operating profit margin, EBITDA margin



Source: CPF

Exhibit 4: Quarterly normalised net profit margin vs SG&A/sales ratio



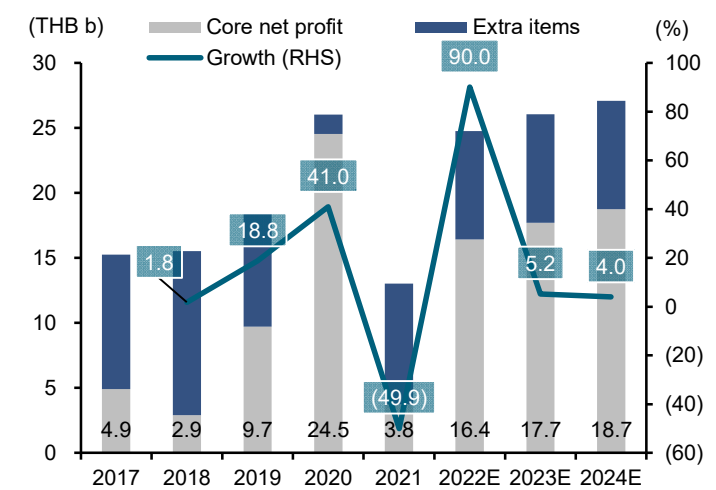
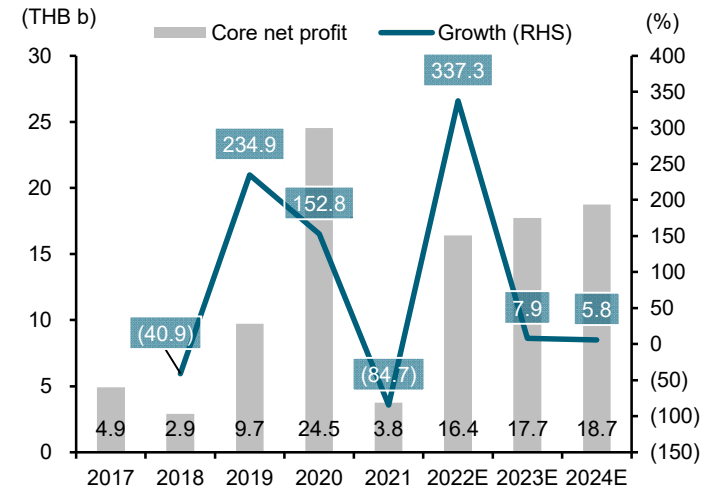
Source: CPF

Stronger earnings driven by pork to kick start in 3Q22 onward

CPF's core net profit has been highly volatile mainly due to the nature of the cyclical margins and demand and supply balance of pork and chicken, and the price volatilities of agricultural feeds and livestock like corn, soybean meal, day-old chicks and piglets. However, CPF's reported net profits have been strong since 2017, thanks to the large extraordinary items mainly from gains (losses) from M&A and divestments.

Exhibit 5: Core net profit vs growth

Exhibit 6: Core net profit, extra items, core net profit growth



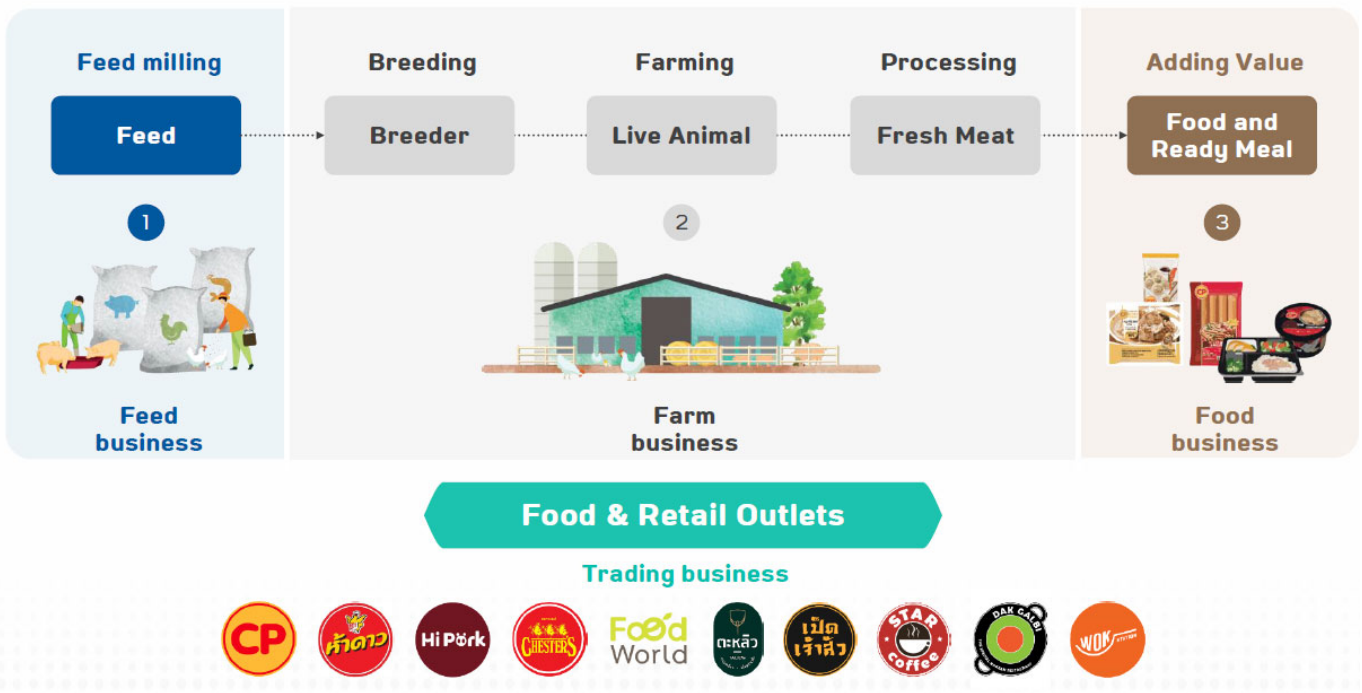
Sources: CPF; FSSIA estimates

Sources: CPF; FSSIA estimates

CPF's revenue could be categorised by upstream to downstream (feed-farm-food), products (livestock and aqua), and markets (domestic and export).

Exhibit 7: Vertically integrated business model of feed-farm-food value chain in Thailand

The integrated food process to offer top-quality products in terms of nutrition, taste, food safety, and traceability with the focus to maintain world-class, modern production process as well as efficient and ecofriendly consumption of natural resources.



Source: CPF

Pork earnings: CPF's key driver. In essence, the most critical revenues would come from farms (54% of total revenue of THB294.9b in 1H22), pork (21%), and export markets (69% broken down into 63% from international operations and 6% from Thailand's exports).

According to management, farm revenue and profits have the highest volatility due to cyclicity, while revenues from the feed and food divisions have been relatively stable and sustainable, thanks to the cost-plus pricing structure to pass through from the upstream feed division to the farm division and the high-cost pass-through ability of the farm raw materials for the food division to consumers.

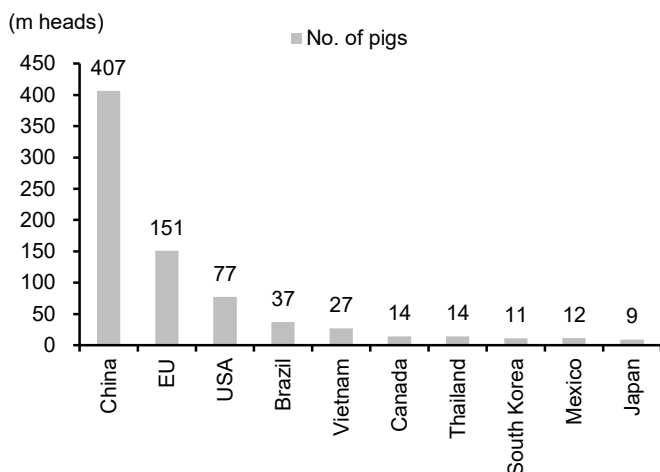
Exhibit 8: CPF's value chain: cyclicity and gross margin

	Feed	Farm	Food
% of total sales as of 1H22	25%	54%	21%
Nature of business	Cyclical	Non-cyclical	Non-cyclical
Gross margin	Stable with cost plus as a fixed percentage margin	Volatile	Stable with fixed product price
Gross margin range	15-20%	5-25%	15-20%

Sources: CPF; FSSIA estimates

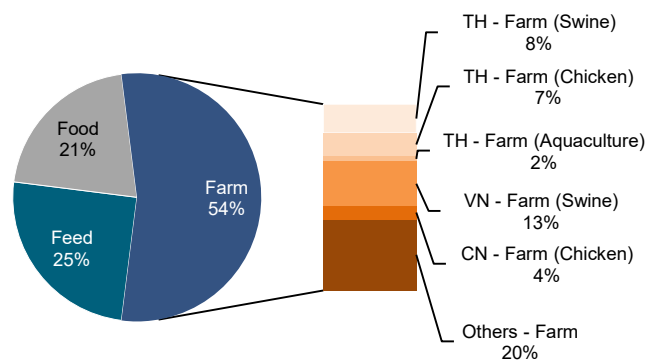
Within the farm division, pork is the most important product that contributed over one-fourth of CPF's net profit from the farm operations in Thailand, Vietnam, and China – the three major global pork producers ranking #7, #5, and #1 in the world, respectively, according to the USDA – as of 2021.

Exhibit 9: Number of pig heads by producers



Source: USDA

Exhibit 10: Revenue breakdown by industry level and region in 2021



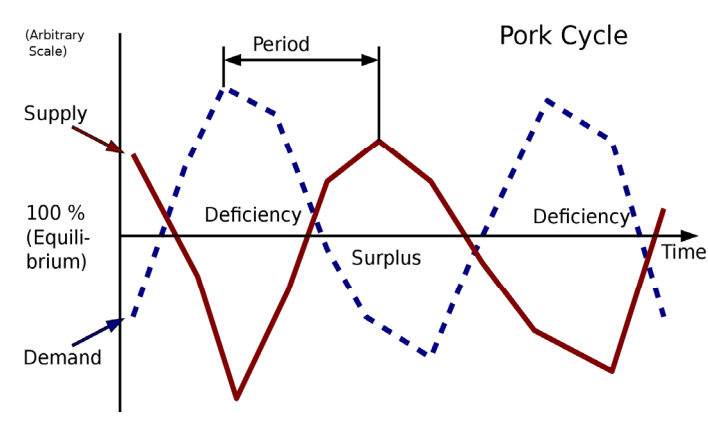
Source: CPF

In order to better analyse CPF's net profit outlook, we think it is necessary to understand the hog cycle in each of CPF's major markets of Thailand, Vietnam, and China, which together contribute around one-fourth of the total net profit and over 50% of the earnings volatility to CPF.

Hog cycle (or pork cycle, cattle cycle). According to the [Cobweb model](#), an economic model developed by Nicholas Kaldor in 1934, the prices of products, particularly agricultural and livestock products including hogs, might be subject to periodic price fluctuations due to the cyclical supply and demand in a market where the production level has to be decided before the selling prices are observed.

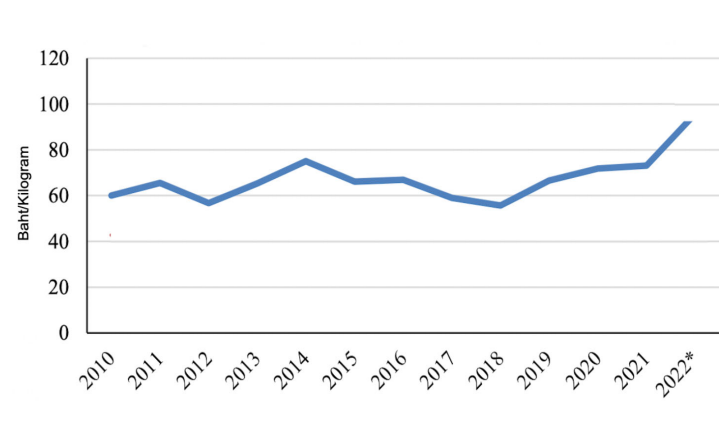
In the hog cycle, when prices are high, higher investments will be made, which would be delayed due to the breeding time, leading to the production lag. Eventually the market becomes saturated and oversupplied, leading to a sharp price drop. Then, the weaker prices result in a lower supply, which drives up demand and prices. The vicious cycle will repeat, leading to a price cycle pattern.

Exhibit 11: Hog cycle



Source: Wikipedia

Exhibit 12: Hog cycle in Thailand

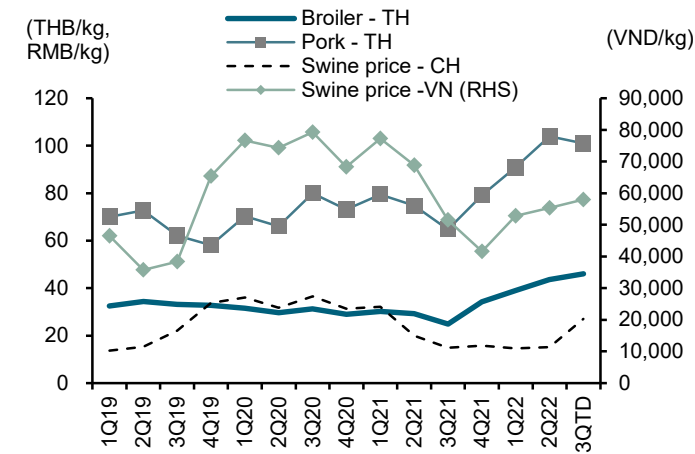


Source: USDA

Thailand's pork market and hog cycle. Thailand ranks as the world's seventh largest producer of pork and is one of the leading exporters with c14m pig heads in 2021. According to the USDA, the country is expected to produce 12-13m swine in 2022, down 35-40% from the average annual production of around 19-20m pigs before the ASF outbreak.

Swine farms in Thailand contributed around 8% of CPF's revenue in 2021, based on our estimate. The lower swine production has pushed up the swine selling price since 2019, rising from THB60/kg in 2019 to over THB100/kg in 2Q22. In Jan-22, the farm-gate prices of hogs rose to THB96/kg (USD2,885/tonne), up 27% y-y. Meanwhile, the retail prices of pork jumped to THB190-200/kg, up 23% y-y. Average retail prices of pork in 2022 are expected to increase around 30% y-y due to limited supplies of swine during the ASF outbreak.

Exhibit 13: Pork prices in Thailand, Vietnam, and China, and broiler price in Thailand



Source: CPF

Exhibit 14: Pork price vs cost in Thailand



Source: CPF

Thailand: mid-upcycle for hog price. In a normal hog cycle, it would take around 18 months for one hog cycle period, for the bottom price to reach the next bottom price again. However, the hog cycle now should last from 20-36 months from the bottom-to-bottom prices of pork due to the impact of ASF which has killed a large number of piglets and pigs, thereby extending the hog cycle as the investments for new breeding piglets have been delayed.

According to Thailand's Department of Livestock Development (DLD), Thailand witnessed its first case of ASF in Jan-22, reportedly occurring in 61 locations and 28 provinces nationwide. Based on a Global Agriculture Information Network report by the USDA, the ASF outbreak would reduce Thailand's swine production from 19-20m in 2021 to only 12-13m in 2022.

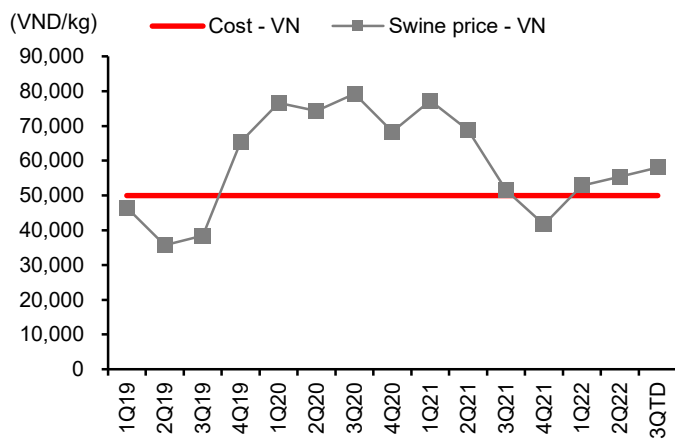
As of Aug-22, ASF outbreaks have been reported in 31 provinces, and are likely to continue into 2023, based on the DLD's forecast. We believe the hog cycle in Thailand is now entering an upcycle for the prices, given the reduced supply due to the ongoing ASF outbreak. We expect the pork price in Thailand to stay high in 2022-23, likely above THB90/kg, which is higher than the estimated production cost of THB75/kg, based on management's guidance.

Vietnam: an early hog upcycle. Unlike Thailand, Vietnam faced an ASF outbreak in 2019 and saw its pork price skyrocket from VND32,000/kg in 2Q19 to VND75,000-80,000/kg in 2020-1H21, before the selling prices sharply plunged to below the estimated production cost of VND50,000/kg in 4Q21.

According to the Food and Agriculture Organisation of the United Nations and Vietnam's Ministry of Agriculture and Rural Development, Vietnam witnessed an ASF outbreak on 19 Feb-19, with all 63 provinces and most municipalities experiencing outbreaks. From Jan to 5 Sep-22, ASF outbreaks were reported in 916 communes of 50 out of 63 provinces with nearly 24,000 pigs culled.

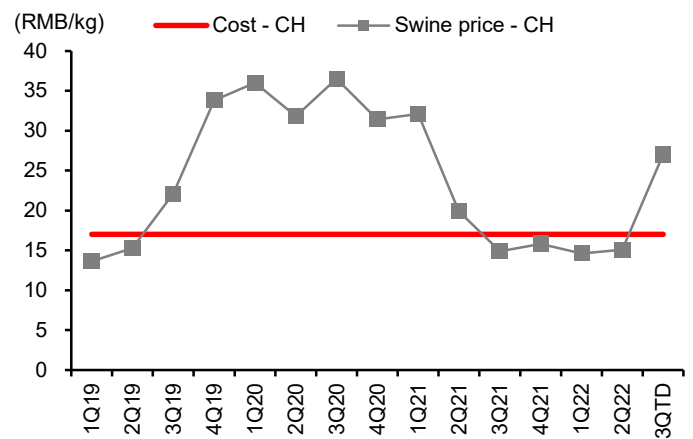
In 1H22, the pork price slightly recovered to VND50,000-60,000/kg, and we project the pork price to continue to increase to VND70,000-80,000/kg by 2H23. This should lead to rising net profit contributions from CPF's Vietnam swine farm operations, which accounted for 13% of CPF's 2021 revenue.

Exhibit 15: Pork price and cost in Vietnam



Source: CPF

Exhibit 16: Pork price and cost in China



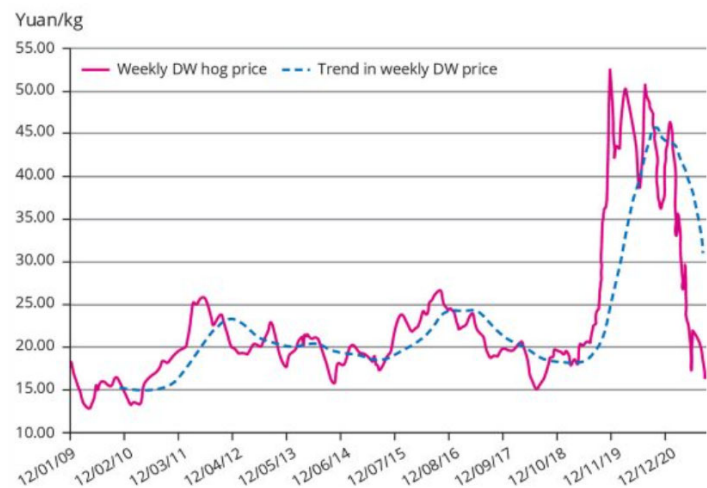
Source: CPF

China: a very early hog upcycle. With over half of the world’s pigs within China’s boundaries, China has a deeply profound impact on the global pig prices. In the aftermath of the ASF crisis from 2018, many pork exporters have greatly benefited from China’s rising demand as the domestic supply plunged due to the ASF outbreak.

China’s demand for imported pork has collapsed since the selling pork prices fell sharply from RMB32-36/kg in 2020 down to RMB16/kg in 3Q21-2Q22. This led to a share of loss of THB1.1b in 1H22 for CPF.

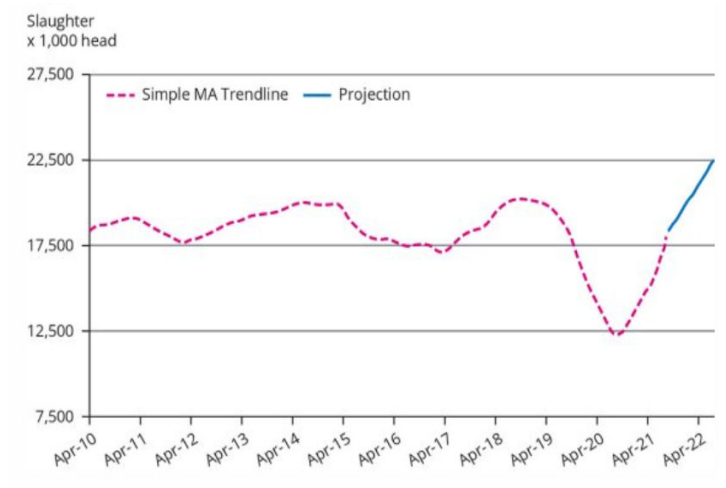
In effect, China’s pig sector is in the middle of a massive pig price cycle, with a price boom and bust being played out in a manifest way. After a five-quarter bust, the pork price in China is now rising from RMB15/kg in 2Q22 to RMB27/kg as of Sep-22, based on management’s guidance.

Exhibit 17: Chinese hog price, 2009 – Sep 2021



Source: [PIG Progress](#)

Exhibit 18: Chinese hog slaughter trend and projection, Apr 2010 – Aug 2022



Source: [PIG Progress](#)

CPF’s earnings to recover in 3Q22 onward. With a large net profit generated from its swine farm businesses in Thailand, Vietnam, and China, we think the recent hog cycles in these markets will likely lead to stronger net profits for CPF in 3Q22 onward.

In Thailand, the high pork price above THB90/kg (vs THB75/kg cost) should continue into 2023 thanks to the sharp drop in the swine supply caused by the ASF outbreak since Jan-22.

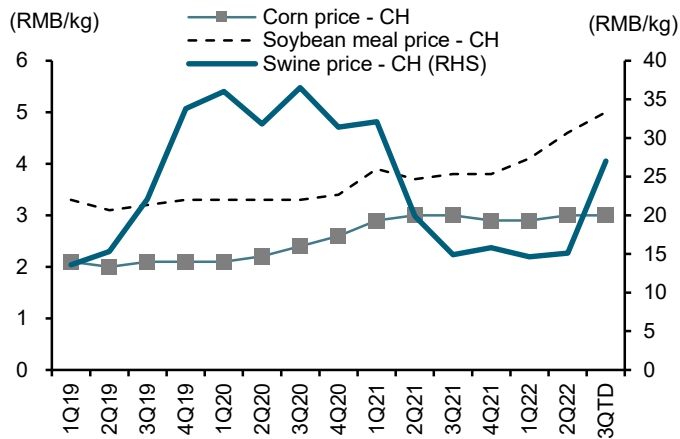
In Vietnam, we project the pork price to increase to VND70,000-80,000/kg by 2H23, rising from the current VND55,000/kg (vs VND50,000/kg cost).

In China, the pork price has already risen from its RMB15/kg bottom in 2Q22 to RMB27/kg in Sep-22 (vs RMB17/kg cost), potentially turning around CPF’s swine farm associate in China.

We estimate that the pork price uplifts in Thailand, Vietnam, and China could generate incremental net profits of THB2b-3b a quarter for CPF, potentially boosting CPF’s quarterly net profits to over THB5b a quarter in 2H22-2023.

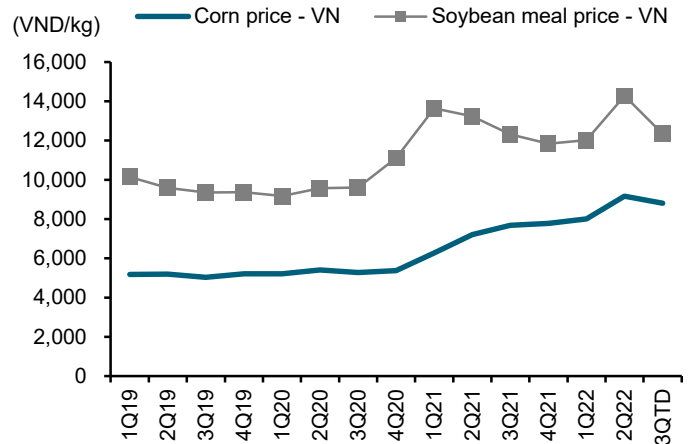
Cost pressure remains high for feed. CPF's farm business has seen its feed cost rise in the past five quarters due to the spikes in the global prices of soft commodity produce, including corn and soybean meal, two major feeds for farming. We nevertheless expect lower pressure from the feed cost in 2H22-2023, given the declining or relatively stable prices, except for the price of soybean meal in China, which has continued to rise due to the higher demand for the pig farming as China is now ramping up the production of pigs as the price rises from the bottom in 2Q22.

Exhibit 19: Prices of corn and soybean meal in China



Source: CPF

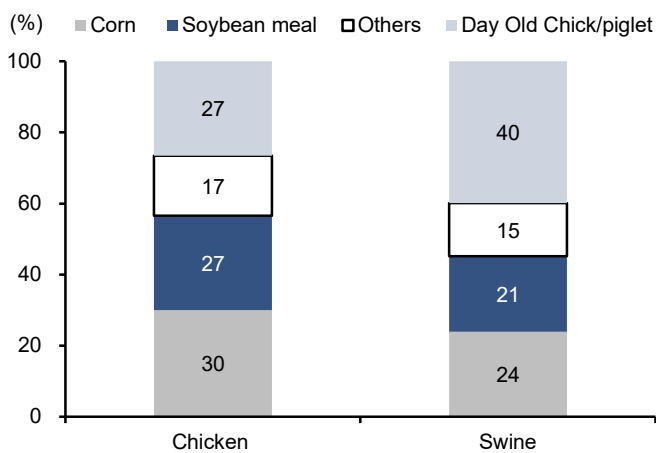
Exhibit 20: Prices of corn and soybean meal in Vietnam



Source: CPF

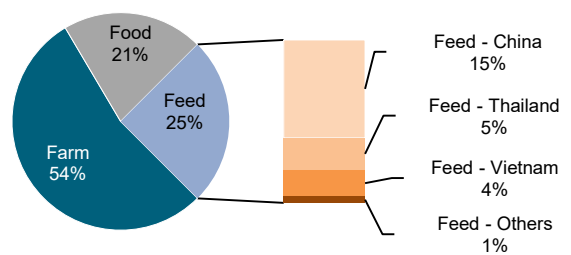
In addition, according to management, the availability of day-old chicks/piglets in Thailand, China, and Vietnam have been improving after the ASF outbreaks, potentially leading to higher supplies and sales volumes for CPF's pig farm unit in 2H22-2023. We think the margins of CPF's pig farms will improve in 2H22-2023, considering the undersupply and rising demand, particularly when China reopens its economy by 1Q23, based on our estimate.

Exhibit 21: Cost structure of feed for CPF's farms



Sources: CPF; FSSIA estimates

Exhibit 22: Feed revenue breakdown before de-consolidation of China's feed as of 2020



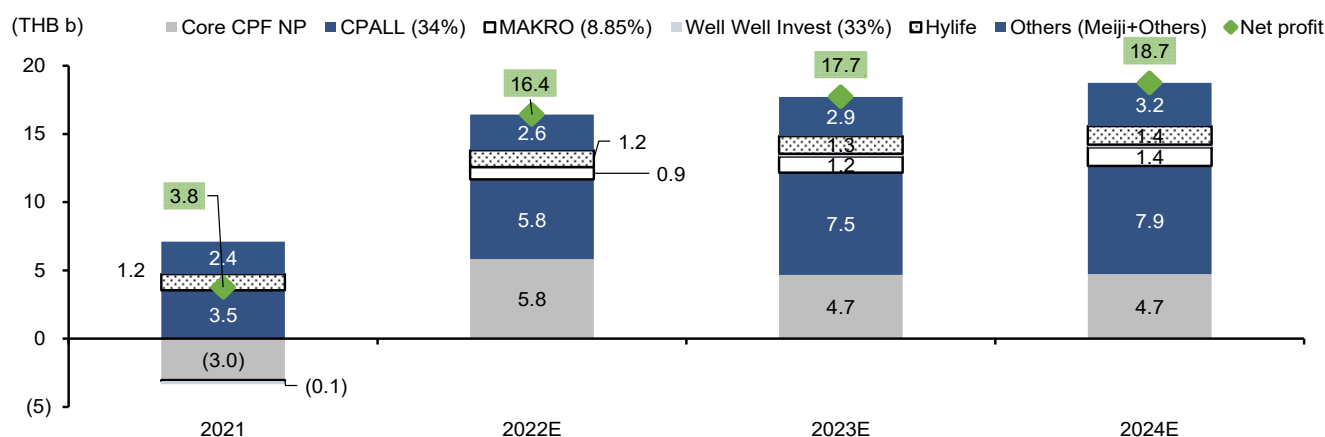
Sources: CPF; FSSIA estimates

Core net profit growth driven mainly by net profits from pig farms and CPALL

With our projected improving margins and sales volumes for pig farms in Thailand, China, and Vietnam, and continued solid earnings from chicken farms, we expect CPF's core net profit to rise from THB3.8b in 2021 to THB16.4b in 2022, THB17.7b in 2023, and THB18.7b in 2024.

In 2022-24, we project that CPF's overall net profit growth will come from three major drivers. First, the net profit from CPF's own feed-farm-food business value chain should be in the range of THB4.7b-THB5.8b (one-third of total net profit), mainly from earnings recoveries from the pig farms. Second, CPF should see a decent net profit contribution from its 34%-owned CP All (CPALL TB, BUY, TP THB82), whose net profit we expect to grow in 2023 due to stronger domestic consumer spending and higher minimum wage hikes. Third, the earnings from CPF's associates and JVs, mainly CP Meiji (59.99%) and Hylife in Canada (50.1%), should further strengthen CPF's net profit in 2022-24.

Exhibit 23: Net profit breakdown by subsidiaries and associates



Sources: CPF; FSSIA estimates

We revise up our EPS forecasts in 2022-24 by 1.6-8.2% to reflect our revised gross margins for Thailand livestock, overseas livestock and the aqua business, as well as our revised SG&A to sales ratio assumptions to incorporate our more positive view on the gross margin outlook for CPF's pork business in Thailand but more negative view on the pork business overseas, as the 1H22 gross margins were reported at lower-than-expected figures. Thailand livestock contributes a large proportion of earnings, and hence the upgraded gross margin has a larger impact than the lower gross margins for overseas businesses.

Exhibit 24: Changes in key assumptions and EPS forecasts

	Current			Previous			Change		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenue (THB m)	538,135	560,126	583,069	493,508	513,468	534,284	9.0	9.1	9.1
Sales growth (%)									
- Thailand livestock	4.0	3.0	3.0	4.0	3.0	3.0	0.0	0.0	0.0
- Thailand aqua	2.0	3.0	3.0	2.0	3.0	3.0	0.0	0.0	0.0
- Overseas livestock	6.0	5.0	5.0	6.0	5.0	5.0	0.0	0.0	0.0
- Overseas aqua	4.0	3.0	3.0	4.0	3.0	3.0	0.0	0.0	0.0
Gross margin (%)									
- Thailand livestock	16.0	15.0	15.1	15.5	15.5	15.7	0.5	(0.5)	(0.6)
- Thailand aqua	12.5	12.5	12.5	12.5	12.5	12.5	0.0	0.0	0.0
- Overseas livestock	14.5	14.6	14.6	16.8	16.2	16.2	(2.3)	(1.6)	(1.6)
- Overseas aqua	9.6	9.6	9.6	15.0	15.0	15.0	(5.4)	(5.4)	(5.4)
SG&A to sales (%)	10.1	10.2	10.3	10.0	10.1	10.4	0.1	0.1	(0.1)
Equity income	9,348	11,750	12,665	11,800	14,033	14,970	(20.8)	(16.3)	(15.4)
Core profit (THB m)	16,422	17,719	18,750	16,160	17,073	17,332	1.6	3.8	8.2
Core EPS (THB/share)	1.91	2.06	2.18	1.88	1.98	2.01	1.6	3.8	8.2

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

Sources: CPF; FSSIA estimates

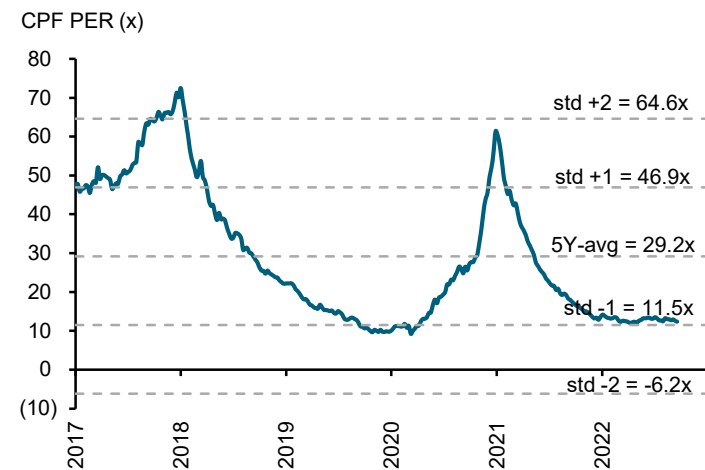
We lift our SoTP-based TP from THB28 to THB35 to reflect our valuation rollover to 2023, the change in our TP for CPALL from THB68 to THB82 and our EPS revisions, and upgrade our recommendation to BUY. We think CPF's share price is now likely to rerate in 4Q22-2023, backed by net profit growth from improving earnings for pig farms and rising earnings contributions from CPALL, MAKRO, and other associates, particularly in China and Vietnam where CPF has large farming operations.

Exhibit 25: SoTP valuation

SoTP valuation (2023E)	(THB b)
CPF's 2023E net profit	26.1
Profit contribution from CPALL in 2023E	7.5
CPF's 2023E profit after exclude profit contribution from CPALL	18.9
CPF's no of share (m)	8,413.6
CPF's 2023E EPS (THB)	2.2
2023E P/E of CPF's business (x)	5.0
Value of CPF only	11
CPALL target price (THB/share)	82.0
CPALL's no of share (m)	8,983.0
CPALL market cap	736.6
CPF hold CPALL (%)	34.0
Value of holding CPALL	24
CPF Target price (THB)	35

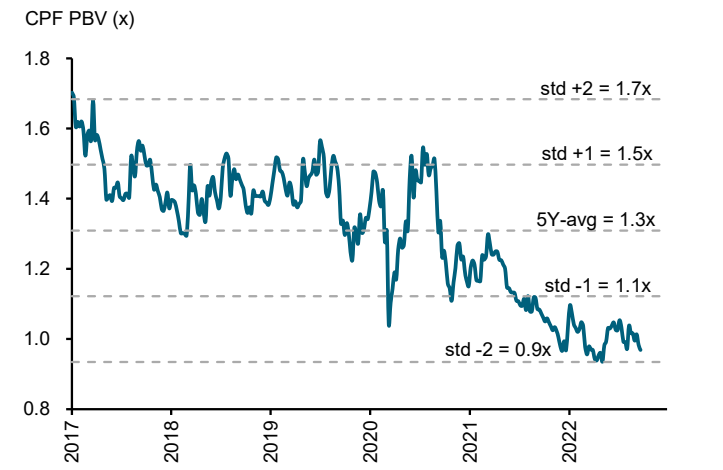
Sources: CPF; CPALL; FSSIA estimates

Exhibit 26: Prospective P/E band



Sources: Bloomberg; CPF

Exhibit 27: Prospective P/BV band



Sources: Bloomberg; CPF

Financial Statements

Charoen Pokphand Foods

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	589,713	512,704	538,135	560,126	583,069
Cost of goods sold	(454,141)	(417,884)	(430,347)	(449,378)	(467,630)
Gross profit	135,572	94,820	107,788	110,748	115,439
Other operating income	0	0	0	0	0
Operating costs	(57,665)	(50,880)	(54,352)	(57,133)	(60,056)
Operating EBITDA	77,907	43,940	53,436	53,615	55,383
Depreciation	(28,328)	(28,931)	(30,307)	(31,496)	(32,737)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	49,578	15,009	23,130	22,119	22,646
Net financing costs	(16,047)	(15,853)	(17,086)	(17,443)	(17,806)
Associates	9,254	4,167	9,348	11,750	12,665
Recurring non-operating income	12,787	8,304	13,526	15,969	16,925
Non-recurring items	1,485	9,273	8,336	8,336	8,336
Profit before tax	47,803	16,732	27,906	28,982	30,101
Tax	(11,001)	(2,654)	(2,044)	(1,779)	(1,820)
Profit after tax	36,802	14,079	25,861	27,203	28,281
Minority interests	(10,780)	(1,050)	(1,103)	(1,148)	(1,195)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	26,022	13,028	24,759	26,055	27,086
Non-recurring items & goodwill (net)	(1,485)	(9,273)	(8,336)	(8,336)	(8,336)
Recurring net profit	24,537	3,756	16,422	17,719	18,750
Per share (THB)					
Recurring EPS *	2.85	0.44	1.91	2.06	2.18
Reported EPS	3.02	1.51	2.88	3.03	3.15
DPS	1.00	0.65	1.48	1.51	1.57
Diluted shares (used to calculate per share data)	8,611	8,611	8,611	8,611	8,611
Growth					
Revenue (%)	10.7	(13.1)	5.0	4.1	4.1
Operating EBITDA (%)	75.0	(43.6)	21.6	0.3	3.3
Operating EBIT (%)	130.8	(69.7)	54.1	(4.4)	2.4
Recurring EPS (%)	152.8	(84.7)	337.3	7.9	5.8
Reported EPS (%)	41.0	(49.9)	90.0	5.2	4.0
Operating performance					
Gross margin inc. depreciation (%)	18.2	12.9	14.4	14.1	14.2
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	13.2	8.6	9.9	9.6	9.5
Operating EBIT margin (%)	8.4	2.9	4.3	3.9	3.9
Net margin (%)	4.2	0.7	3.1	3.2	3.2
Effective tax rate (%)	29.7	80.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	35.1	149.0	77.5	73.5	72.2
Interest cover (X)	3.9	1.5	2.1	2.2	2.2
Inventory days	45.5	54.8	57.3	51.1	51.2
Debtor days	19.5	24.4	24.4	22.3	22.3
Creditor days	25.9	33.5	32.6	27.0	27.0
Operating ROIC (%)	12.5	0.9	5.5	5.2	5.2
ROIC (%)	7.4	0.7	3.9	4.0	4.0
ROE (%)	13.6	1.8	7.4	7.6	7.6
ROA (%)	6.7	1.0	3.7	3.8	3.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Thailand livestock	153,596	159,495	165,875	170,851	175,977
Thailand aqua	26,974	29,696	30,290	31,199	32,135
Overseas livestock	362,898	275,816	292,365	306,983	322,332
Overseas aqua	46,245	47,697	49,605	51,093	52,626

Sources: Charoen Pokphand Foods; FSSIA estimates

Financial Statements

Charoen Pokphand Foods

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	24,537	3,756	16,422	17,719	18,750
Depreciation	28,328	28,931	30,307	31,496	32,737
Associates & minorities	8,865	778	0	0	0
Other non-cash items	10,780	1,050	1,626	1,012	1,400
Change in working capital	7,675	(32,059)	1,010	(3,575)	(5,108)
Cash flow from operations	80,186	2,456	49,365	46,652	47,779
Capex - maintenance	(31,036)	(59,300)	(30,813)	(31,430)	(32,058)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	(104,988)	(22,044)	(13,842)	(13,112)	(13,314)
Other investments (net)	0	0	0	0	0
Cash flow from investing	(136,024)	(81,344)	(44,655)	(44,542)	(45,372)
Dividends paid	(8,611)	(5,597)	(12,722)	(13,028)	(13,543)
Equity finance	5,513	15,050	0	0	0
Debt finance	82,443	47,473	9,113	9,028	9,341
Other financing cash flows	0	0	0	0	0
Cash flow from financing	79,345	56,926	(3,609)	(4,000)	(4,202)
Non-recurring cash flows	994	651	0	0	0
Other adjustments	0	0	0	0	0
Net other adjustments	994	651	0	0	0
Movement in cash	24,501	(21,311)	1,101	(1,889)	(1,795)
Free cash flow to firm (FCFF)	(39,020.51)	(62,291.67)	22,539.01	20,295.90	20,956.17
Free cash flow to equity (FCFE)	27,598.83	(30,763.81)	13,822.81	11,138.33	11,748.13

Per share (THB)

FCFF per share	(4.53)	(7.23)	2.62	2.36	2.43
FCFE per share	3.20	(3.57)	1.61	1.29	1.36
Recurring cash flow per share	8.42	4.01	5.62	5.83	6.14

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	296,172	345,001	375,814	407,244	439,302
Less: Accumulated depreciation	(96,034)	(114,494)	(143,606)	(173,907)	(205,450)
Tangible fixed assets (net)	200,138	230,507	232,209	233,337	233,853
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	250,324	265,911	281,498	297,084	312,671
Cash & equivalents	57,997	36,686	37,787	35,897	34,102
A/C receivable	29,952	38,471	33,463	34,831	36,258
Inventories	52,136	73,431	61,573	64,275	66,881
Other current assets	54,585	67,962	71,332	74,247	77,288
Current assets	194,670	216,550	204,155	209,250	214,528
Other assets	116,587	129,712	136,146	141,710	147,514
Total assets	761,719	842,681	854,007	881,381	908,566
Common equity	191,937	215,067	227,103	240,131	253,674
Minorities etc.	70,242	72,070	73,172	74,320	75,515
Total shareholders' equity	262,179	287,137	300,276	314,451	329,189
Long term debt	271,889	330,701	337,207	343,653	350,323
Other long-term liabilities	23,505	20,915	21,953	22,850	23,786
Long-term liabilities	295,394	351,616	359,160	366,503	374,109
A/C payable	32,312	44,372	32,494	33,920	35,295
Short term debt	143,799	132,460	135,066	137,648	140,320
Other current liabilities	28,035	27,096	27,012	28,859	29,654
Current liabilities	204,147	203,928	194,571	200,427	205,269
Total liabilities and shareholders' equity	761,719	842,681	854,007	881,381	908,566
Net working capital	76,325	108,396	106,863	110,574	115,477
Invested capital	643,375	734,527	756,715	782,705	809,515

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

Per share (THB)

Book value per share	20.55	23.23	24.63	26.14	27.72
Tangible book value per share	20.55	23.23	24.63	26.14	27.72

Financial strength

Net debt/equity (%)	136.4	148.5	144.7	141.6	138.7
Net debt/total assets (%)	47.0	50.6	50.9	50.5	50.2
Current ratio (x)	1.0	1.1	1.0	1.0	1.0
CF interest cover (x)	2.7	(0.9)	1.8	1.6	1.7

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	8.9	57.9	13.2	12.3	11.6
Recurring P/E @ target price (x) *	12.3	80.2	18.4	17.0	16.1
Reported P/E (x)	8.4	16.7	8.8	8.3	8.0
Dividend yield (%)	4.0	2.6	5.9	6.0	6.2
Price/book (x)	1.2	1.1	1.0	1.0	0.9
Price/tangible book (x)	1.2	1.1	1.0	1.0	0.9
EV/EBITDA (x) **	8.5	16.6	13.9	14.0	13.8
EV/EBITDA @ target price (x) **	9.6	18.5	15.4	15.6	15.3
EV/invested capital (x)	1.0	1.0	1.0	1.0	0.9

* 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 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPP	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

Disclaimer:

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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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIKK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Suwat Sinsadok, CFA, FRM, ERP FSS International Investment Advisory Securities Co., Ltd

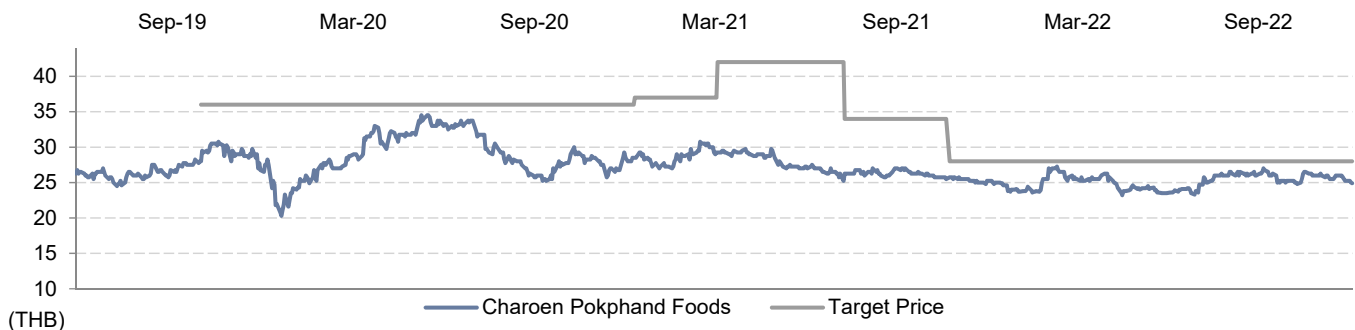
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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)



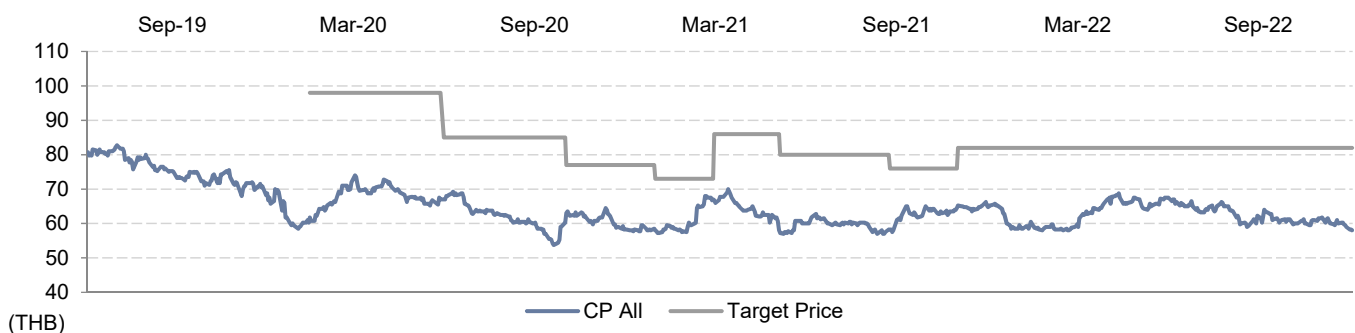
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Jan-2020	BUY	36.00	25-Mar-2021	BUY	42.00	08-Oct-2021	HOLD	28.00
13-Jan-2021	BUY	37.00	12-Jul-2021	BUY	34.00			

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 29-Apr-2022

Price and TP are in local currency

Source: FSSIA estimates

CP All (CPALL TB)



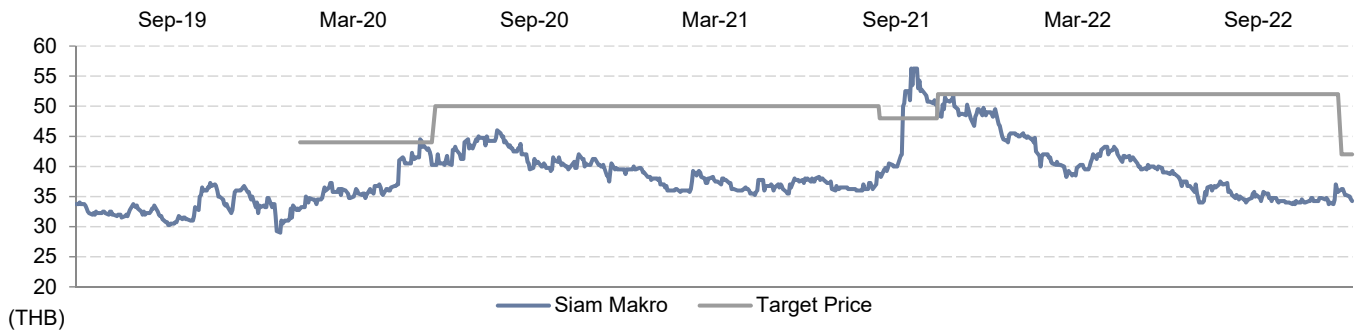
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Apr-2020	BUY	98.00	25-Jan-2021	BUY	73.00	16-Aug-2021	BUY	76.00
24-Jul-2020	BUY	85.00	17-Mar-2021	BUY	86.00	14-Oct-2021	BUY	82.00
09-Nov-2020	BUY	77.00	13-May-2021	BUY	80.00			

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 29-Apr-2022

Price and TP are in local currency

Source: FSSIA estimates

Siam Makro (MAKRO TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Apr-2020	BUY	44.00	11-Aug-2021	BUY	48.00	22-Feb-2022	BUY	52.00
24-Jul-2020	BUY	50.00	30-Sep-2021	HOLD	52.00	09-Sep-2022	BUY	42.00

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 21-Apr-2022

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Charoen Pokphand Foods	CPF TB	THB 25.25	BUY	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.
CP All	CPALL TB	THB 57.00	BUY	The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers.
Siam Makro	MAKRO TB	THB 34.25	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 22-Sep-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.