

Thailand Foods

Re-enter when meat prices rise again

- We forecast the 1Q23 meat sector's net profit to drop by 82% q-q and 85% y-y due to illegal pork imports.
- Meat prices might have already passed their peak in 2022; we estimate 2023 swine and chicken prices to decrease by 14% and 6.5% y-y, respectively.
- We have a NEUTRAL rating on the meat (food) sector.

Expect 1Q23 meat sector's profit to drop sharply

We forecast the 1Q23 meat sector's net profit to drop dramatically by 82% q-q and 85% y-y. Domestic and overseas meat prices have plunged sharply, with average 1Q23 domestic swine and broiler prices at THB88 per kg (-13.4% q-q, -6.7% y-y) and THB39.5 per kg (-3.8% q-q, +2.1% y-y), respectively. The main reason was illegal pork imports, which caused a temporary supply glut. In addition, overseas swine prices also decreased both q-q and y-y, e.g. Vietnam's, China's, etc.

Negative view for 2023 meat price trend

Currently, the domestic swine price is declining more than we had previously expected due to illegal pork imports. Moreover, the African Swine Fever (ASF) situation in Thailand has been easing, supporting the Office of Agricultural Economics' (OAE) 2023 forecast for fattening pigs to rise 12% y-y to 17.4 million pigs – near to pre-ASF levels. We assume a 2023 swine price at THB85 per kg (-14% y-y). Aside from that, we think the chicken price will drop in the same pattern. Therefore, we forecast the 2023 chicken price at THB40 per kg (-6.5% y-y). However, four covered companies' management assume that domestic meat prices will rise in 2H23, supported by 1) the government's crackdown on illegal pork imports; 2) a slower-than-expected rate of production due to the hot weather from El Niño; 3) increasing meat consumption driven by a tourism recovery; and 4) a high raising cost due to high raw material prices.

NEUTRAL view on meat sector; we suggest re-entering when meat prices rise

We have a NEUTRAL rating on the meat (food) sector. Even though the sector's aggregated share price has fallen by 17.3% in 2023 YTD, we think companies' prices reflect that meat prices might have already passed their peak in 2022, along with poor expected earnings in 2023. We project the 2023 meat sector's net profit at THB18.3b (-37% y-y). However, there is no price catalyst in the short term, in our view, and we suggest re-entering when meat prices rise again. Our top pick is BTG, as its revenue contribution from its downstream business is at a proportion of around 25-30% of total revenue.

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Betagro	BTG TB	22.40	BUY	-	25.30	-	-	+12.9%
Charoen Pokphand Foods	CPF TB	20.40	HOLD	-	22.30	-	-	+9.3%
GFPT	GFPT TB	10.50	BUY	unchanged	12.40	18.00	-31.11%	+18.1%
Thai Foods Group	TFG TB	4.76	HOLD	BUY	5.20	8.00	-35.00%	+9.2%

Note: Priced at close of business 03/05/2023. Share prices and TPs are in listing currency.

Source: FSSIA estimates



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Investment thesis

We have a positive outlook for Thailand's chicken export industry in 2023. Despite higher raw materials costs, the demand trend for chicken meat consumption is set to increase as consumers turn to cheaper meat protein alternatives. Aside from that, overseas markets have increasingly opened up to Thai products, such as Saudi Arabia and Malaysia, as a result of the chicken shortage in that country. This should support Thailand's export volumes.

We think the ASF situation in Thailand has improved, with the OAE forecasting a rise in fattening pigs in 2023 to near to pre-ASF levels. Therefore, ASF will likely be a less negative factor for the swine price in 2023 onward.

In addition, meat prices are declining more than we had previously expected in 1Q23 due to illegal pork imports. Despite this, companies' management expects meat prices to recover in 2H23 after the government cracks down on the illegal imports. However, we suggest monitoring the meat price trend closely.

Catalysts

- A consumption recovery;
- Growth in Thailand's chicken export volume;
- A recovery in meat prices in 2H23;
- Declining raw material prices;

Risks to our call

- Lower-than-expected meat prices;
- Higher-than-expected raw material prices;
- A slower-than-expected consumption recovery;
- A minimum wage hike and labour shortage.

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Event Calendar

Date	Event
May 2023	1Q23 results announcements
August 2023	2Q23 results announcements

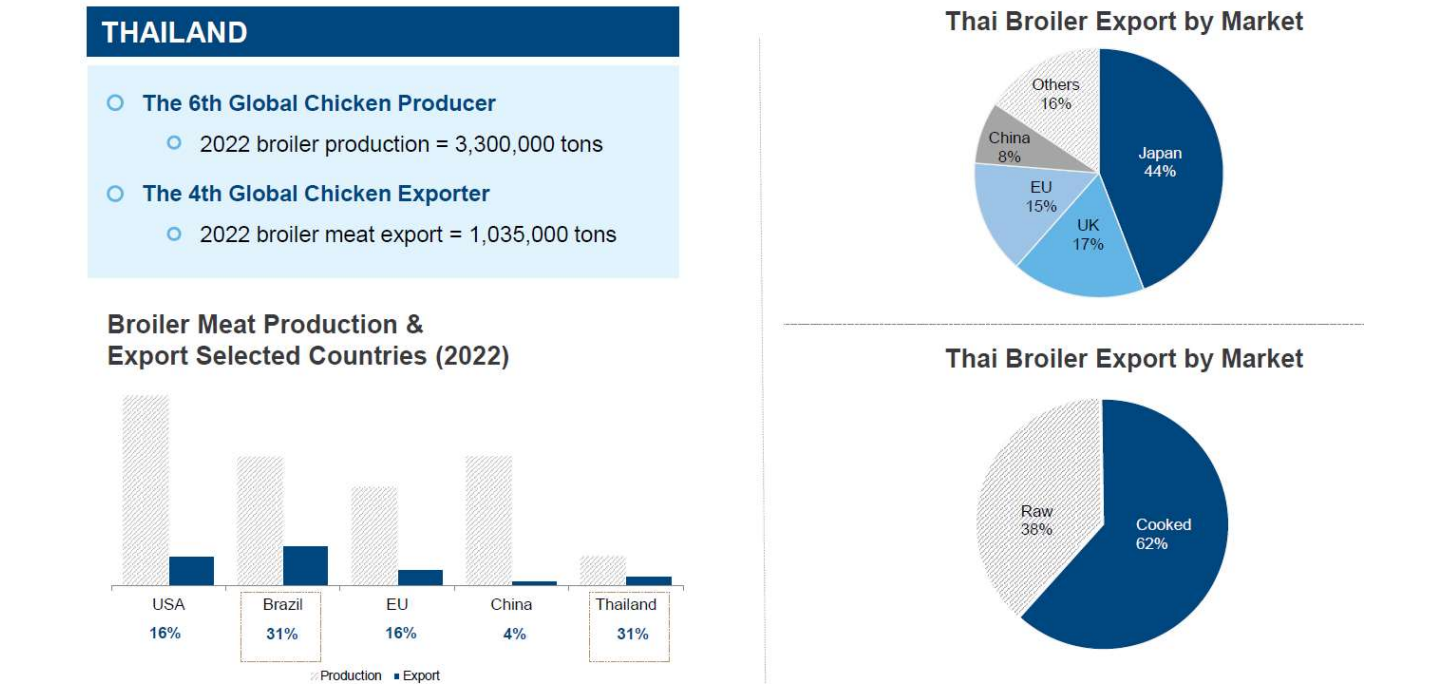
A bright year for Thailand’s chicken exports

In 2022, global production of chicken meat was at 101 million tonnes (flat y-y). The biggest producing countries remained the USA (20.8 million tonnes), followed by Brazil (14.4 million tonnes), China (14.3 million tonnes), the EU (10.9 million tonnes) and Russia (4.8 million tonnes). Thailand’s production of broilers expanded slightly with several new entrants to the market. In 2022, Thailand produced 3.27 million tonnes of chicken meat (+1.5% y-y), which accounted for 3.2% of global chicken meat.

In 2023, the United States Department of Agriculture (USDA) forecast global chicken meat production of 102.7 million tonnes (+2% y-y). Meanwhile, Thailand’s production is expected to rise by 3% to 3.36 million tonnes. In addition, Thailand is the world’s fourth largest chicken meat exporter with 2022 export volumes of 1.04 million tonnes (+11.4% y-y). The Thai Broiler Processing Exporters Association projects Thailand’s 2023 chicken meat exports to grow slightly to 1.07 million tonnes (+2.9% y-y), thanks to a consumption recovery, the assistance of national re-opening policies, and standards certification for Thailand’s chicken export factories. Therefore, overseas markets have increasingly opened up to Thai products, such as Saudi Arabia and Malaysia, as a result of the chicken shortage in that country. This should support Thailand’s export volumes.

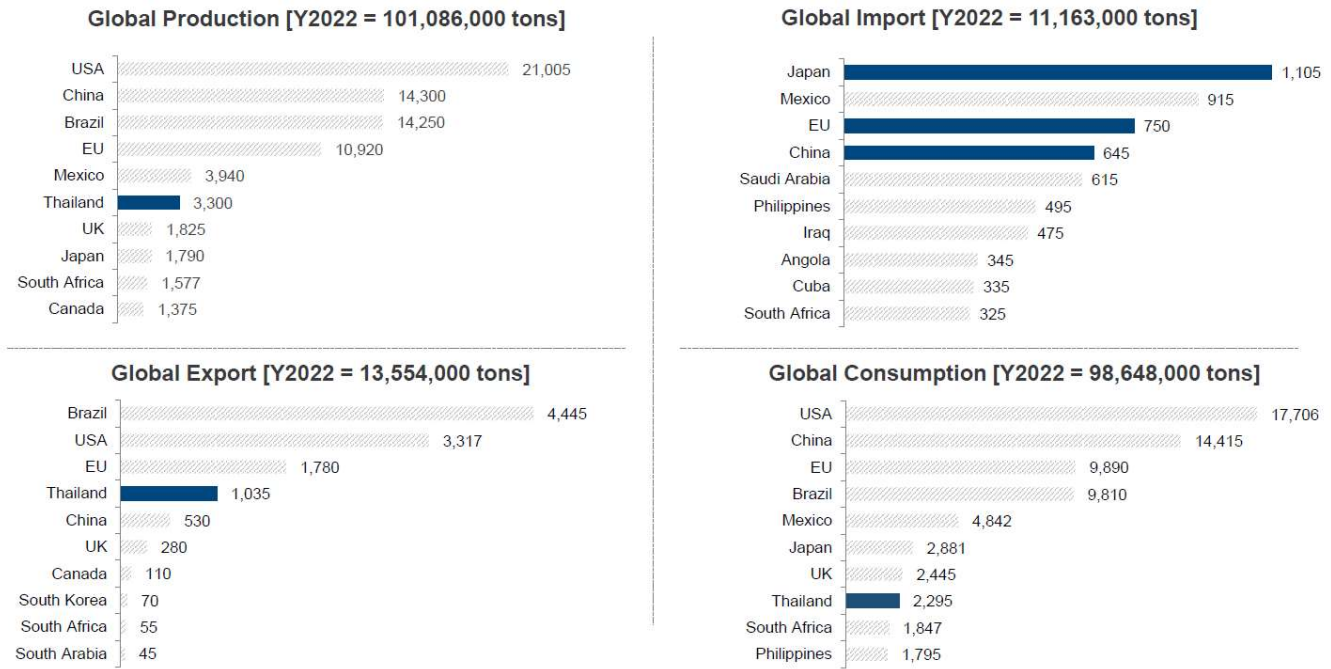
We have a positive outlook for Thailand’s chicken export industry in 2023. Despite increased raw materials costs, the demand trend for chicken meat consumption is set to increase, in our view, as consumers turn to cheaper meat protein alternatives.

Exhibit 1: Thailand broiler exports



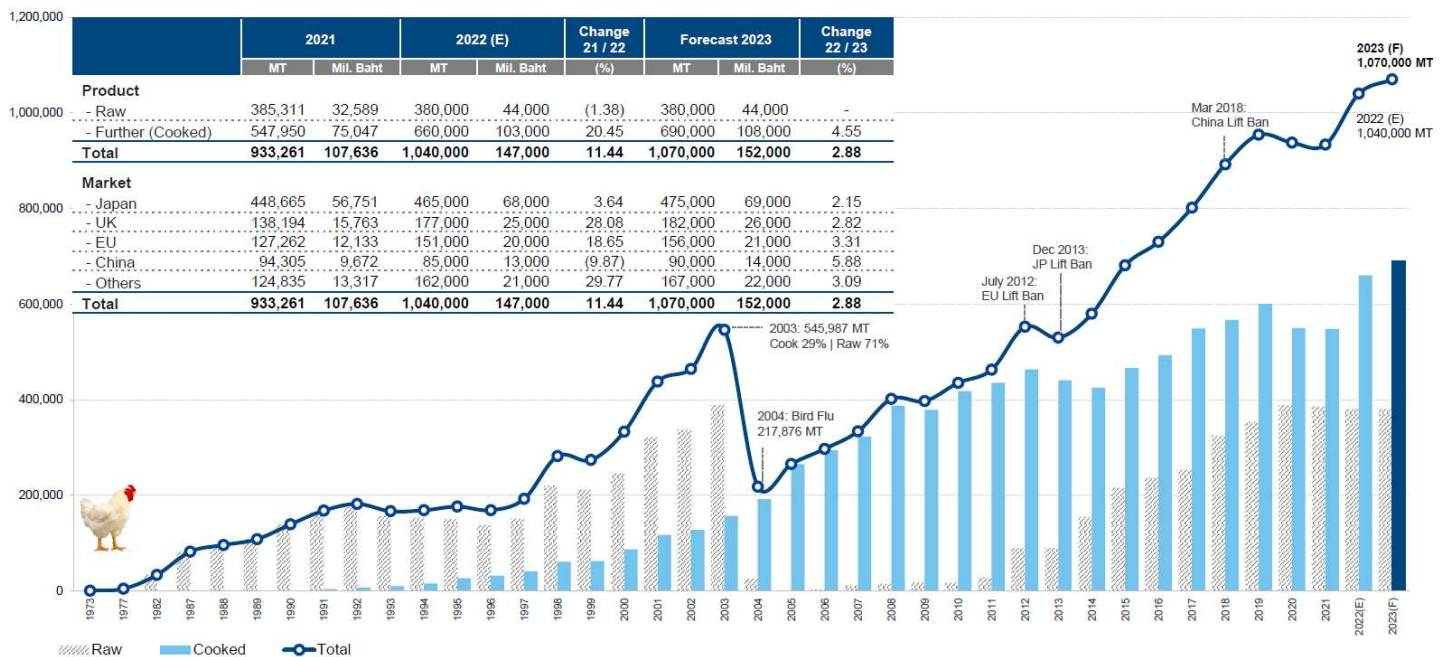
Source: GFPT’s presentation (USDA)

Exhibit 2: Global broiler meat market



Source: GFPT's presentation (USDA)

Exhibit 3: Thailand chicken meat export



Source: GFPT's presentation (Thai Broiler Processing Exporters Association)

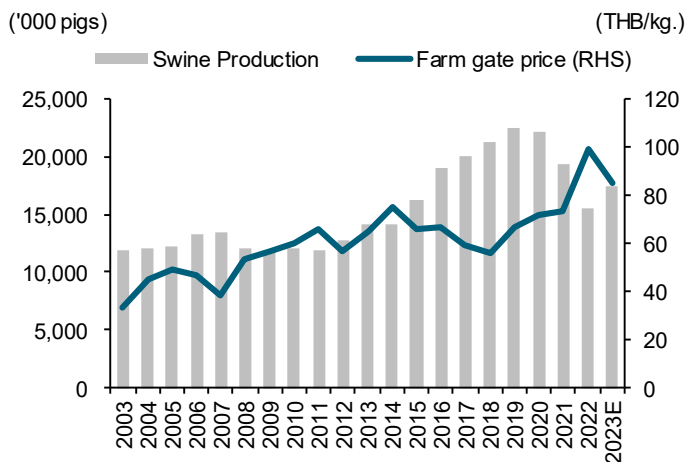
ASF easing in Thailand

The ASF epidemic is still present in many countries around the world. The announcement of discovered cases in Thailand at the start of 2022 resulted in a reduction in the number of breeding sows by over 30%, which reduced the volume of fattening pigs that could be produced to 15.5 million pigs in 2022 (vs 19 million pigs during the previous ASF outbreak). This led Thailand's swine price to hit a record high at THB105 per kg in January 2022.

Despite modern and efficient pig farm management, and better capabilities to control disease outbreaks, such outbreaks remain a risk factor, e.g. ASF and Porcine Reproductive and Respiratory Syndrome (PRRS). Meanwhile, biosafety systems for pig farms have been upgraded with better monitoring and protection for diseases, resulting in increased costs for consumers. Aside from that, the raw material prices for feed have increased continually, also resulting in increased costs for pork production.

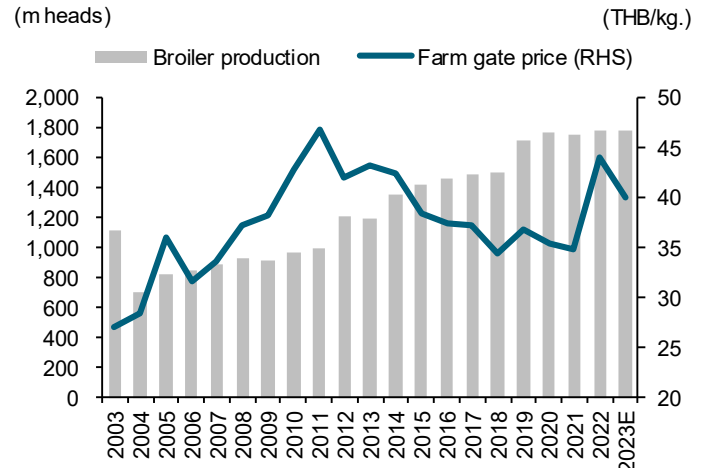
We think the ASF situation in Thailand has improved, and the OAE forecasts fattening pigs to increase by 12% y-y to 17.4 million pigs in 2023, near to pre-ASF levels. Therefore, ASF will likely be a less negative factor for the swine price in 2023 onward. However, it should still be monitored closely. The smuggling of pork cuts from abroad has also taken place, which may cause new outbreaks in Thailand.

Exhibit 4: Thailand's swine production



Sources: OAE, FSSIA estimates

Exhibit 5: Thailand's broiler production



Sources: OAE, FSSIA estimates

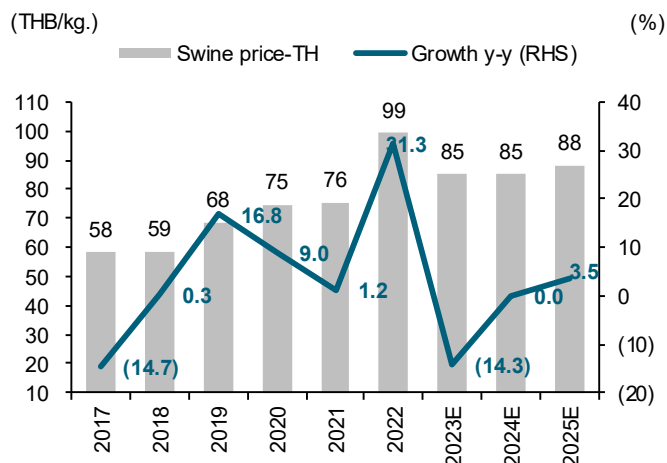
Negative view for 2023 meat price trends

Swine - The ASF outbreak was detected in Thailand in 2H21, resulting in a 30% reduction in swine production. This caused the steep jump in the domestic swine price to a record high of THB105 per kg in January 2022. The average price in 2022 was THB99 per kg (+31% y-y). Therefore, most Thai swine farmers forecast the ASF outbreak to ease in 1H23, which would cause the swine price to decrease in 2H23. However, the domestic swine price is declining more than we had previously expected due to illegal pork imports. This has been reflected in the 1Q23 average swine price sharply dropping by 13.4% q-q and 6.7% y-y to THB88 per kg. We think the current market price is below the mid-to-small farmers' cost of raising pigs, but it might be higher for big farmers.

Overall, we assume the 2023 domestic swine price at THB85 per kg (-14% y-y). Aside from that, we expect the 2023 Vietnam swine price to drop to VND50b per kg (-11% y-y), due to a higher level of production after the ASF outbreak has eased.

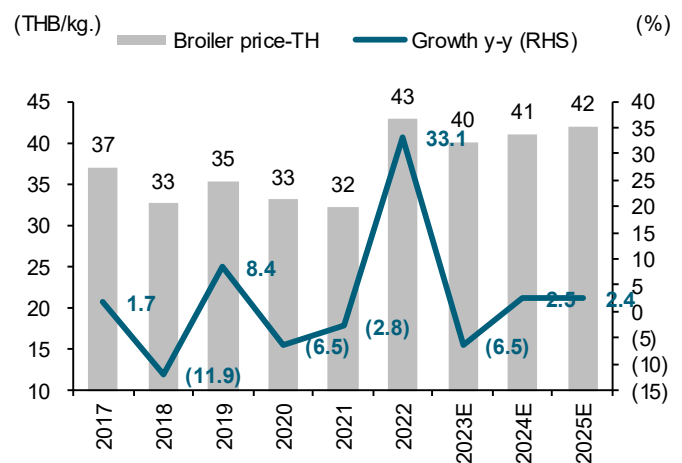
Chicken - Meanwhile, the 2022 average live chicken price was THB43 per kg (+33% y-y), driven by solid demand as the substitute product for pork. The sharp increase in the chicken price led to the live chicken supply increasing since last year. When the swine price declines as expected, we think the chicken price will drop in the same pattern. In particular, the average chicken price in 1Q23 was equal to THB39.5 per kg (-3.8% q-q, +2.1% y-y). Therefore, we forecast the 2023 chicken price at THB40 per kg (-6.5% y-y), which might be close to farmers' cost of raising broilers.

Exhibit 6: Domestic swine price



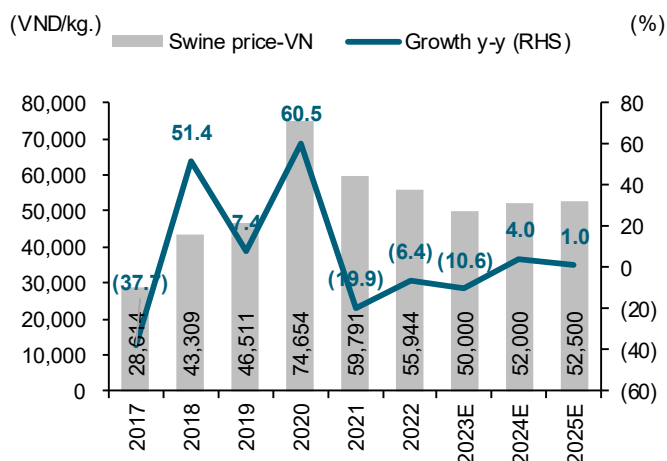
Sources: CPF, OAE, FSSIA's compilation

Exhibit 7: Domestic chicken price



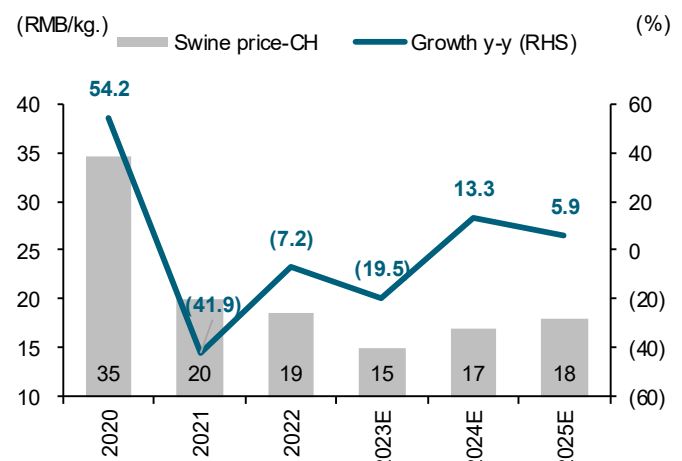
Sources: CPF, OAE, FSSIA's compilation

Exhibit 8: Vietnam's swine price



Sources: CPF, FSSIA's compilation

Exhibit 9: China's swine price



Sources: CPF, Bloomberg, FSSIA's compilation

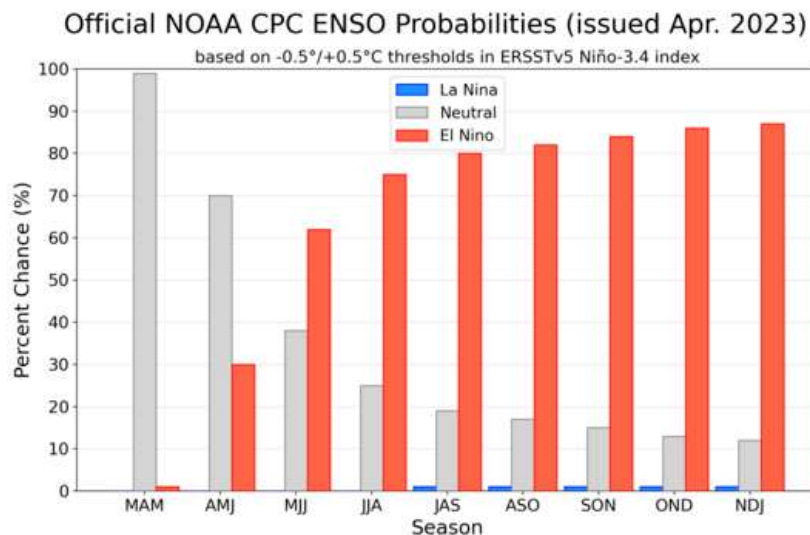
More cautious raw material price outlook in 2023

Raw material costs are likely to maintain at their currently high prices. The 1Q23 average corn and soybean meal prices were equal to THB13.5 per kg (+7.1% q-q, +18.4% y-y) and THB23.9 per kg (+2.6% q-q, +11.7% y-y). For 2H23, we believe that corn and soybean costs will slightly decline due to higher production levels, in line with major farmers' views (i.e. CPF, BTG, TFG, and GFPT). However, we have a more cautious view on declining raw material prices, which might be slower than expected.

El Niño is forecast to occur in 2023. The National Oceanic and Atmospheric Administration (NOAA) estimates there is a 60% chance of El Niño conditions for the May-July period. El Niño is a climate pattern that describes the unusual warming of surface waters in the eastern Pacific Ocean, which results in higher temperatures from Australia to South America. Meanwhile, the major producers of corn and soybean are the US and South America, i.e. Brazil and Argentina. Hence, if the US and South America experience worse droughts than expected, it may affect production levels and lead to higher raw material prices.

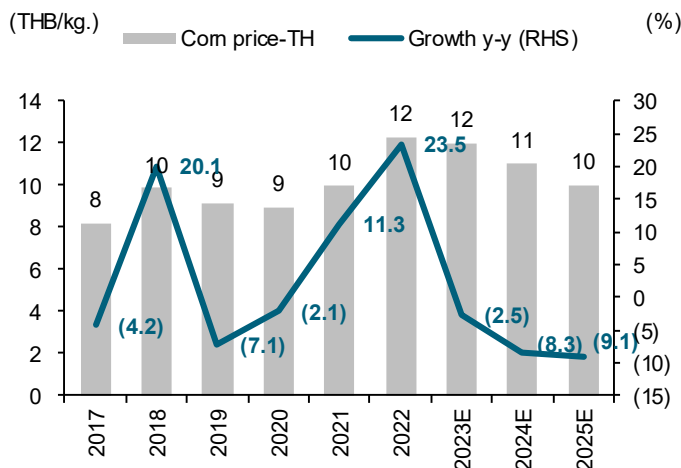
Exhibit 10: El Niño watch update

That's where we are... but where are we going?? There's a 62% chance that El Niño will develop during the May-July period, and more than 80% chance of El Niño by the fall.



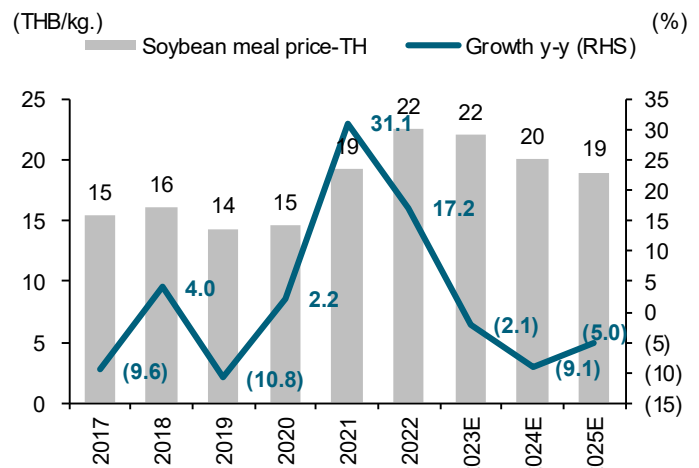
Source: National Oceanic and Atmospheric Administration

Exhibit 11: Corn price



Sources: CPF, OAE, FSSIA's compilation

Exhibit 12: Soybean meal price



Sources: CPF, OAE, FSSIA's compilation

Expect sector's 1Q23 profit to sharply drop

We forecast the meat sector's 1Q23 net profit to drop dramatically by 82% q-q and 85% y-y to THB739m. Domestic and overseas meat prices have dropped sharply, with the average 1Q23 domestic swine and broiler prices at THB88 per kg (-13.4% q-q, -6.7% y-y) and THB39.5 per kg (-3.8% q-q, +2.1% y-y), respectively. The main reason was illegal pork imports, which caused a temporary supply glut. In addition, overseas swine prices also decreased both q-q and y-y. To elaborate, Vietnam's swine price dropped by 4.6% q-q and y-y to VND50.4b per kg, thus affecting CPF and TFG. Cambodia's 1Q23 swine price dropped by 29% y-y to KHR8.14b per kg.

Due to declining overseas swine prices, especially China's 1Q23 swine price, which was equal to RMB15.1 per kg (-35% q-q, +15.6% y-y), farmers' cost of raising pigs has decreased. We think this will affect CPF and result in a loss in 1Q23, due to an expected operational loss in China and a biological asset loss.

Exhibit 13: Meat sector's 1Q23 net profit preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
CPF	2,842	4,208	5,108	1,812	(348)	nm	nm
BTG	908	1,349	1,468	676	383	(43.3)	(57.8)
TFG	619	1,238	1,734	1,131	415	(63.3)	(33.0)
GFPT	456	454	683	452	289	(36.1)	(36.6)
Total	4,825	7,249	8,993	4,071	739	(81.8)	(84.7)

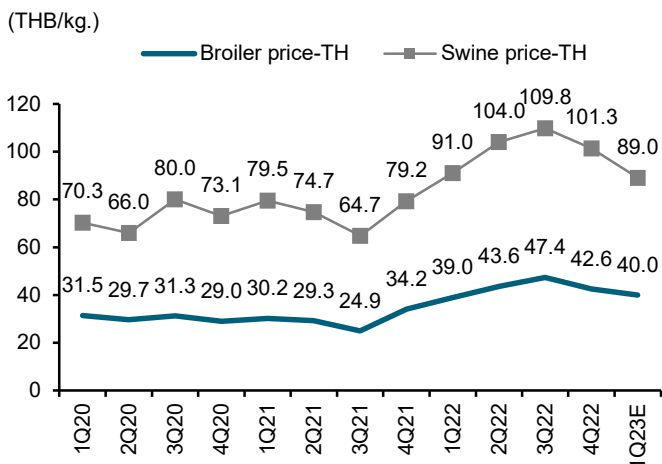
Source: FSSIA estimates

Exhibit 14: Meat sector's 1Q23 core profit preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
CPF	235	1,526	5,572	1,290	(1,548)	nm	nm
BTG	874	1,170	1,241	1,008	383	(62.0)	(56.2)
TFG	620	1,522	1,840	1,397	415	(70.3)	(33.1)
GFPT	427	484	739	421	289	(31.4)	(32.3)
Total	2,156	4,702	9,392	4,116	(461)	nm	nm

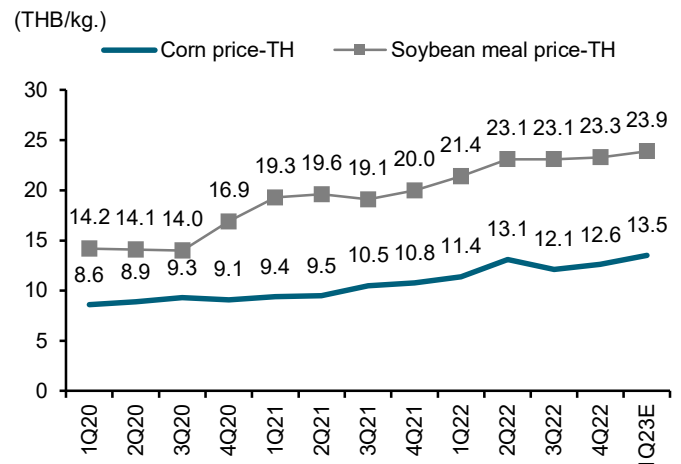
Source: FSSIA estimates

Exhibit 15: Quarterly meat prices



Sources: CPF, OAE, FSSIA's compilation

Exhibit 16: Quarterly raw material prices



Sources: CPF, OAE, FSSIA's compilation

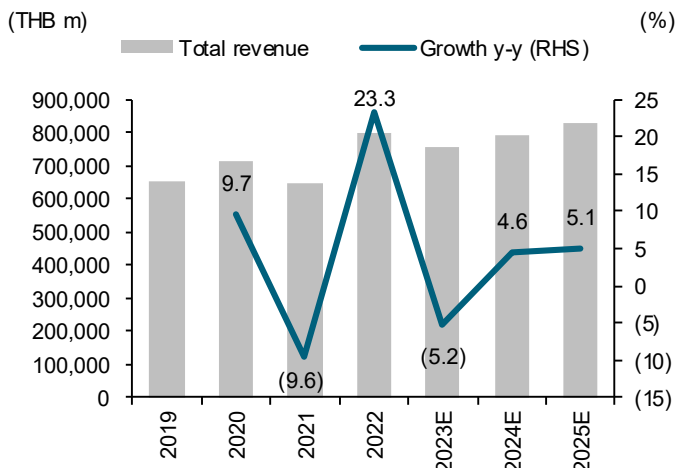
Declining meat prices pressure meat sector's margin

We project a 2023 meat sector net profit of THB18.3b, a drop of 37% y-y. We maintain our view that meat prices have already passed their peak level in 2022. Our meat assumptions in 2023 consist of 1) a domestic chicken price at THB40 per kg (-6.5% y-y); 2) a domestic swine price at THB85 per kg (-14% y-y); 3) Vietnam's swine price at VND50b per kg (-11% y-y); 4) Cambodia's swine price at KHR8.2b per kg (-24.5% y-y); and 5) China's swine price at RMB15 per kg (-19.5% y-y). Aside from that, we assume raw material prices will stabilise at a high level, consisting of 2023 domestic corn and soybean meal prices at THB12 per kg (-2.5% y-y) and THB22 per kg (-2.1% y-y), respectively.

We expect the sector's total revenue in 2023 to be THB755.7b (-5.2% y-y), below four covered companies' growth targets at 5-10% y-y on average. We estimate the sector's 2023 gross margins to drop by 1-6% y-y.

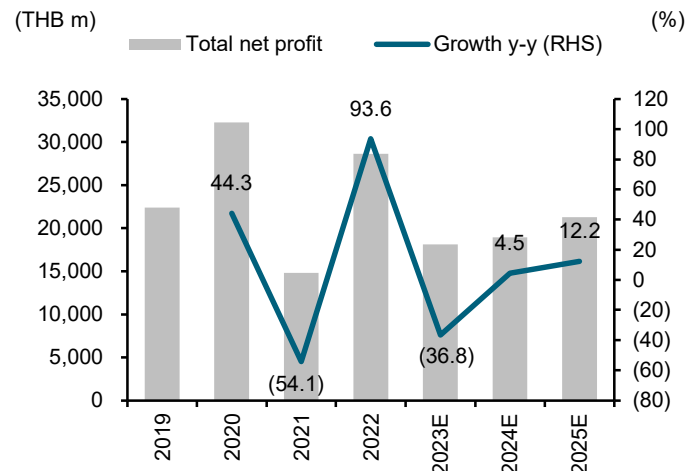
However, we think the sector's 1Q23 profit will be the bottom of the year, in line with management's view for all four companies. The four companies' management assume that the domestic meat price will rise in 2H23, supported by 1) the government's crackdown on illegal pork imports; 2) a slower-than-expected production level due to the hot weather from El Niño; 3) increasing meat consumption driven by a tourism recovery; and 4) a high raising cost due to high raw material prices.

Exhibit 17: Sector's revenue and growth



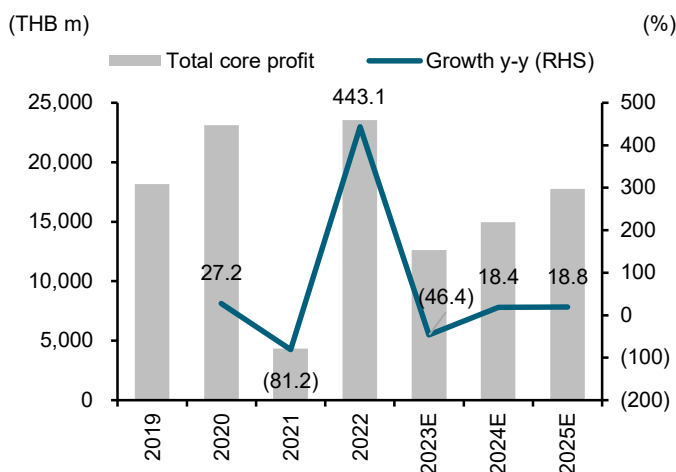
Source: FSSIA estimates

Exhibit 18: Sector's net profit and growth



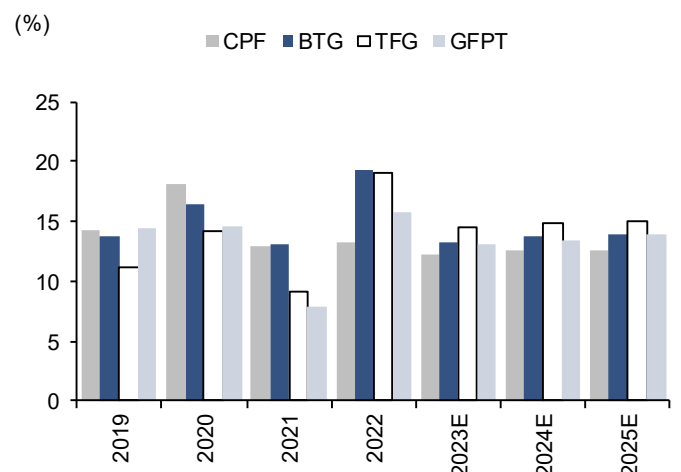
Source: FSSIA estimates

Exhibit 19: Sector's core profit and growth



Source: FSSIA estimates

Exhibit 20: Sector's gross margins



Source: FSSIA estimates

Exhibit 21: Meat sector's 2023-25 operations forecast

	Actual			Forecast			Growth		
	2020 (THB m)	2021 (THB m)	2022 (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	715,625	646,732	797,368	755,671	790,313	830,728	(5.2)	4.6	5.1
CPF	589,713	512,704	614,197	588,459	617,258	649,666	(4.2)	4.9	5.3
BTG	80,102	85,424	112,626	103,544	106,800	111,692	(8.1)	3.1	4.6
TFG	31,339	34,823	52,323	47,277	49,044	51,299	(9.6)	3.7	4.6
GFPT	14,471	13,781	18,222	16,391	17,211	18,071	(10.1)	5.0	5.0
Reported net profit	32,298	14,810	28,676	18,128	18,953	21,267	(36.8)	4.5	12.2
CPF	26,022	13,028	13,970	11,295	11,145	12,753	(19.1)	(1.3)	14.4
BTG	2,361	1,011	7,938	2,867	3,373	3,648	(63.9)	17.7	8.2
TFG	2,563	562	4,724	2,676	2,966	3,252	(43.4)	10.8	9.7
GFPT	1,352	209	2,044	1,291	1,470	1,615	(36.9)	13.9	9.8
Core profit	23,100	4,337	23,552	12,628	14,953	17,767	(46.4)	18.4	18.8
CPF	17,435	3,756	8,623	6,295	7,645	9,753	(27.0)	21.4	27.6
BTG	2,319	239	7,477	2,367	2,873	3,148	(68.3)	21.4	9.6
TFG	2,244	241	5,381	2,676	2,966	3,252	(50.3)	10.8	9.7
GFPT	1,102	101	2,071	1,291	1,470	1,615	(37.7)	13.9	9.8
Key ratios (%)									
Gross margin									
CPF	18.2	12.9	13.3	12.3	12.5	12.5	(1.0)	0.2	0.0
BTG	16.4	13.1	19.3	13.3	13.8	14.0	(6.0)	0.5	0.2
TFG	14.1	9.1	19.0	14.5	14.8	15.0	(4.5)	0.3	0.2
GFPT	14.6	7.8	15.7	13.0	13.5	14.0	(2.7)	0.5	0.5
SG&A to sales									
CPF	9.8	9.9	9.0	9.2	9.3	9.3	0.2	0.1	0.0
BTG	13.1	12.8	11.2	10.9	10.9	10.9	(0.3)	0.0	0.0
TFG	4.1	5.5	6.2	6.4	6.3	6.3	0.2	(0.1)	0.0
GFPT	9.1	9.7	8.6	8.6	8.6	8.6	0.0	0.0	0.0
Net margin									
CPF	4.4	2.5	2.3	1.9	1.8	2.0	(0.4)	(0.1)	0.2
BTG	2.9	1.2	7.0	2.8	3.2	3.2	(4.2)	0.4	0.0
TFG	8.2	1.6	9.0	5.7	6.0	6.3	(3.3)	0.3	0.3
GFPT	9.3	1.5	11.2	7.9	8.5	8.9	(3.3)	0.6	0.4
Core margin									
CPF	3.0	0.7	1.4	1.1	1.2	1.5	(0.3)	0.1	0.3
BTG	2.9	0.9	6.6	2.3	2.7	2.8	(4.3)	0.4	0.1
TFG	7.2	0.7	10.3	5.7	6.0	6.3	(4.6)	0.3	0.3
GFPT	7.6	0.7	11.4	7.9	8.5	8.9	(3.5)	0.6	0.4

Source: FSSIA estimates

Neutral view on meat sector

We have a NEUTRAL rating on the meat (food) sector. Even though the sector's aggregated share price has fallen by 17.3% in 2023 YTD, we think companies' prices reflect that meat prices might have already passed their peak in 2022, along with poor expected earnings in 2023. Their average current price is trading at 11x 2023E P/E, implying -1 SD of the five-year historical average. However, they have a limited upside and there is no catalyst in the short term that we can see, hence, we suggest re-entering when meat prices rise again. Our top pick is BTG due to its low overseas revenue contributions. We expect more volatile overseas meat prices in 2023. Moreover, its revenue contribution from its downstream business is at a proportion of around 25-30% of total revenue.

Exhibit 22: Peers comparison as of 3 May 2023

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Thailand														
Thaifoods Group	TFG TB	HOLD	4.76	5.20	9	791	11.0	9.9	16.3	16.5	1.7	1.6	6.2	5.6
GFPT	GFPT TB	BUY	10.50	12.40	18	387	10.2	9.0	7.6	8.2	0.8	0.7	6.9	6.2
Charoen Pokphand Foods	CPF TB	HOLD	20.40	22.30	9	5,012	15.6	15.8	2.4	3.0	0.7	0.7	12.6	12.2
Betagro	BTG TB	BUY	22.40	25.30	13	1,273	15.0	12.8	8.1	9.3	1.4	1.4	7.4	6.4
Average						7,462	12.9	11.9	8.6	9.2	1.1	1.1	8.3	7.6

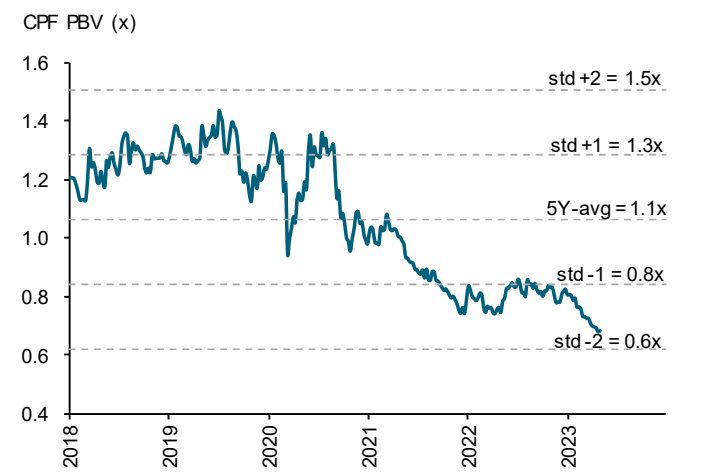
Sources: Bloomberg, FSSIA estimate

Exhibit 23: CPF's historical P/E band



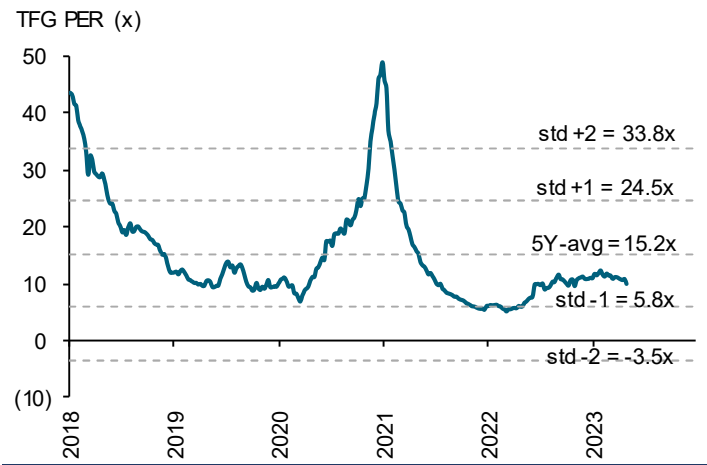
Sources: Bloomberg, FSSIA estimates

Exhibit 24: CPF's historical P/BV band



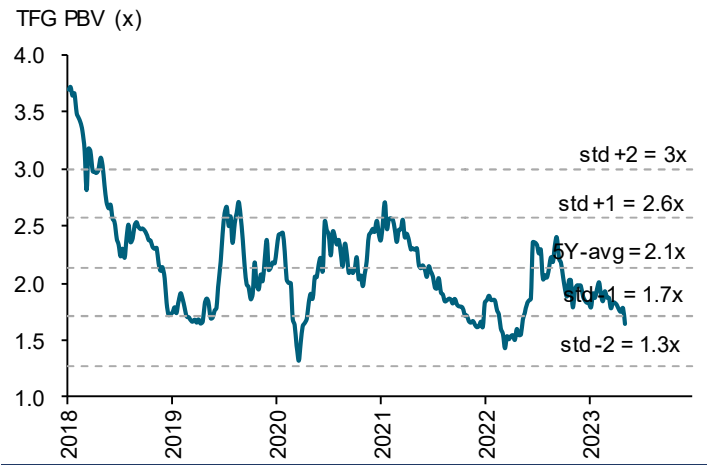
Sources: Bloomberg, FSSIA estimates

Exhibit 25: TFG’s historical P/E band



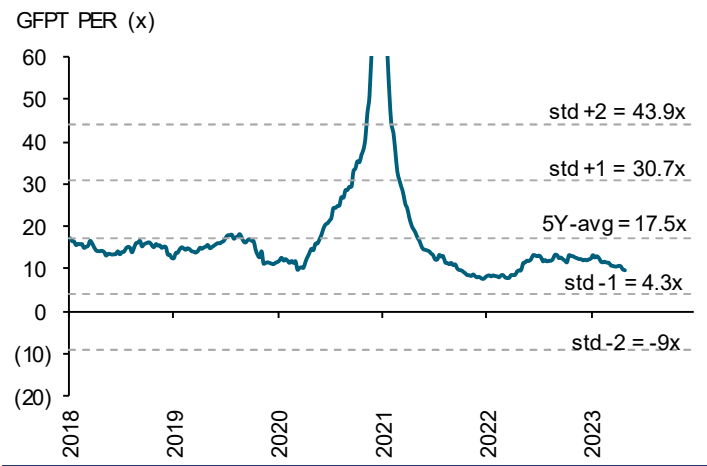
Sources: Bloomberg, FSSIA estimates

Exhibit 26: TFG’s historical P/BV band



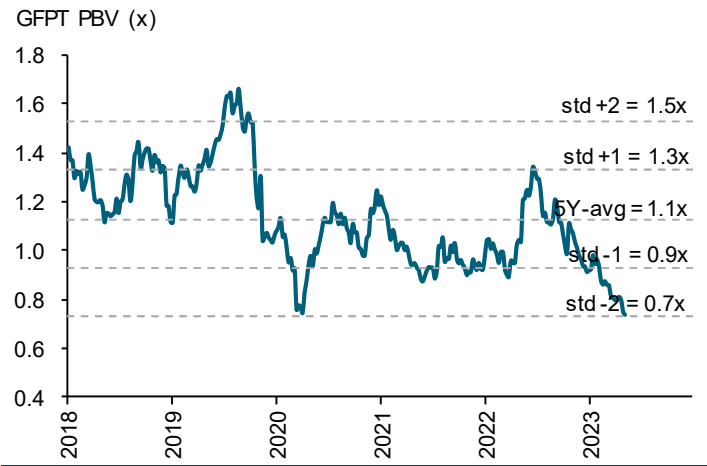
Sources: Bloomberg, FSSIA estimates

Exhibit 27: GFPT’s historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 28: GFPT’s historical P/BV band



Sources: Bloomberg, FSSIA estimates

BETAGRO BTG TB

THAILAND / FOOD & BEVERAGE

BUY

Wait for meat prices to rebound

- We think domestic swine and chicken prices, which peaked in 2022, may continue to decline.
- We forecast a 1Q23 net profit of THB383m, down 79% q-q and 81% y-y.
- Initiate coverage with a BUY call and TP of THB25.3.

BTG is Thailand's leading comprehensive food operator

BTG, established in 1967, operates a fully integrated food business covering the entire production chain from upstream, mid-stream, and downstream, including the production and sale of animal feed, animal health products, swine and poultry products, eggs, processed food products, and pet food. In 2022, the company's revenue contributions from agro, food & protein, international, and its pet business were 25.2%/67.3%/5.5%/2%, respectively.

Expect 1Q23 net profit to drop sharply

We forecast a 1Q23 net profit of THB383m, down 79% q-q and 81% y-y, amid sharply lower domestic and overseas meat prices. In 1Q23, domestic swine and broiler chicken prices averaged THB89 per kg (-12% q-q, -2.2% y-y) and THB40 per kg (-6.1% q-q, +2.6% y-y), respectively. The main reason was illegal pork imports which caused a temporary supply glut. Also, Cambodia's 1QTD swine price dropped by 29% y-y and was flat q-q at KHR8,138/kg.

2023 earnings pressured by plunging meat prices

Management's 2023 targets include 1) total revenue growth of 5-10% y-y, supported by volume growth of 10% y-y which could offset its lower average selling price by around 1-2%; 2) gross margin at 15-17% (vs 19.3% in 2022); and 3) SG&A to sales at 11-12% (vs 11.2% in 2022). In our view, we think management's targets may be too optimistic given the current situation. Currently, raw material costs are likely to stay high while domestic swine and chicken prices continue to decline in 1H23 TD. We project BTG's 2023 net profit at THB2.87b (-64% y-y). However, BTG's 1Q23 results should be the bottom, and we expect to see a profit recovery in 2H23 onward.

No positive catalyst in short term

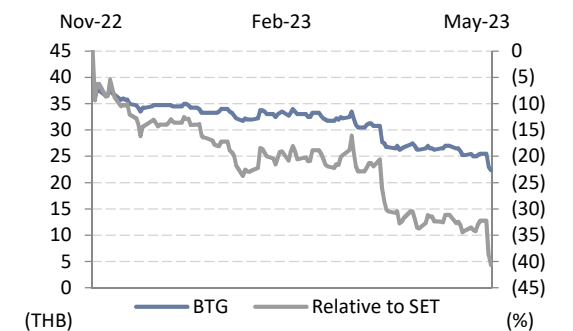
We initiate coverage of BTG with a BUY recommendation and TP of THB25.3, based on 17x 2023E P/E, which is in line with our target P/E for its rival CPF. BTG's share price has fallen by 32% in 2023 YTD, reflecting the view that swine and chicken prices peaked in 2022. As we see no positive short-term catalyst, we suggest that investors with an eye on long-term returns buy the stock before meat prices start to rise again.

TARGET PRICE	THB25.30
CLOSE	THB22.40
UP/DOWNSIDE	+12.9%
TP vs CONSENSUS	-18.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	112,626	103,544	106,800	111,692
Net profit	7,938	2,867	3,373	3,648
EPS (THB)	4.11	1.49	1.75	1.89
vs Consensus (%)	-	(44.8)	(44.4)	(25.4)
EBITDA	14,018	7,962	8,940	9,729
Core net profit	7,477	2,367	2,873	3,148
Core EPS (THB)	3.74	1.18	1.44	1.57
EPS growth (%)	416.1	(68.3)	21.4	9.6

Core P/E (x)	6.0	18.9	15.6	14.2
Dividend yield (%)	11.3	4.0	4.7	5.1
EV/EBITDA (x)	4.4	7.4	6.4	5.7
Price/book (x)	1.5	1.4	1.4	1.3
Net debt/Equity (%)	61.9	51.8	44.7	37.4
ROE (%)	33.8	8.1	9.3	9.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(15.5)	(32.1)	n/a
Relative to country (%)	(11.8)	(25.3)	n/a
Mkt cap (USD m)	1,273		
3m avg. daily turnover (USD m)	2.5		
Free float (%)	37		
Major shareholder	Betagro Holding Company Limited (38%)		
12m high/low (THB)	39.75/22.00		
Issued shares (m)	1,934.80		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

BTG operates a fully integrated food business covering the entire production chain with upstream, mid-stream, and downstream operations. It has production and distribution bases in every region of Thailand and its products are exported to overseas markets. BTG also has production sites in neighbouring countries such as Cambodia, Laos, and Myanmar.

The company has diversified to six distribution channels: Betagro branches, modern trade, traditional trade, food services, industrial customers (OEM business), and export markets (more than 20 countries). The company has strong, well-known brands including BETAGRO, S-Pure for hygienic fresh meat, and Perfecta, etc.

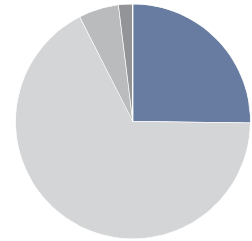
Company profile

BTG was established in 1967 and listed on the Stock Exchange of Thailand in 2022. BTG's business started with animal feed and livestock production, both swine and poultry. It operates breeder farms and produces and distributes animal health products and quality food products. In 2022, the company's revenue contributions from agro, food & protein, international, and pets were 25.2%/67.3%/5.5%/2%, respectively.

www.betagro.com

Principal activities (revenue, 2022)

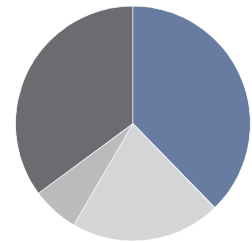
- Agro - 25.2 %
- Food and protein - 67.3 %
- International - 5.5 %
- Pet segment - 2.0 %
- Others - 0.0 %



Source: Betagro

Major shareholders

- Betagro Holding Company Limited - 37.7 %
- TAE HK Investment Limited - 20.7 %
- Taepaisitphongse Family - 6.5 %
- Others - 35.1 %



Source: Betagro

Catalysts

Potential catalysts for BTG's earnings growth in 2023 are 1) revenue growth driven by rising sales volumes; 2) higher-than-expected meat prices; 3) declining raw material costs; and 4) a faster-than-expected recovery of its business interests in Cambodia.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in meat and raw material prices; and 3) a stronger-than-expected THB-USD exchange rate.

Event calendar

Date	Event
12 May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Broiler price-TH (THB)	40.0	41.0	42.0
Swine price-TH (THB)	85.0	85.0	88.0
Swine price-Cambodia (KHR)	8,200	8,500	8,700
Total revenue growth (%)	(8.2)	3.1	4.6
Gross margin (%)	13.3	13.8	14.0
SG&A to sales (%)	10.9	10.9	10.9

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 3.1%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2023 net profit to rise by 4.2%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2023 net profit to fall by 2.9%, and vice versa, all else being equal.

Source: FSSIA estimates

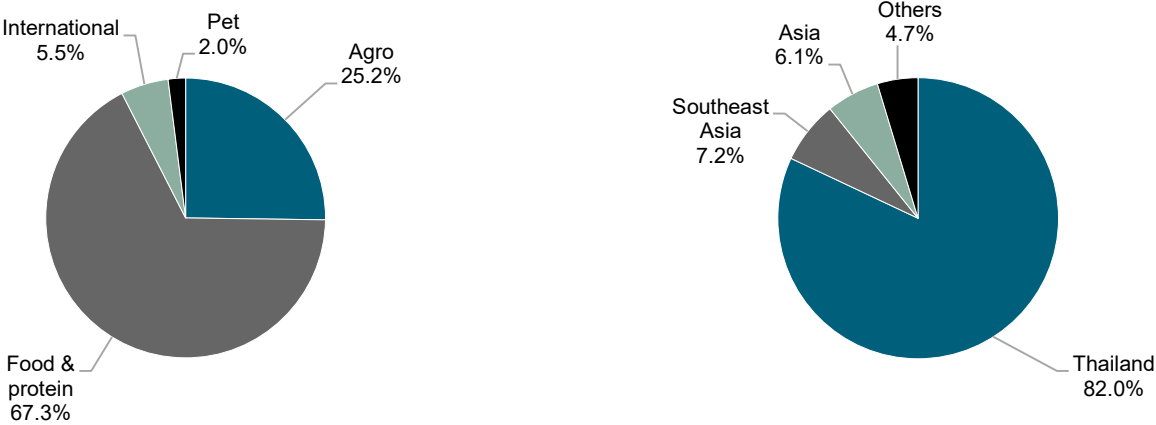
BTG is Thailand’s leading comprehensive food operator

BTG was established in 1967 and listed on the Stock Exchange of Thailand in 2022. BTG’s business covers the production and sale of animal feed, animal health products, livestock, swine and poultry products, eggs, processed food products, and pet food. Its vertically integrated business started with animal feed and livestock production, both swine and poultry, as well as breed development. BTG produces and distributes animal health products and quality food products. In 2022, the company’s revenue contributions from its agro, food & protein, international, and pet businesses were 25.2%/67.3%/5.5%/2%, respectively.

In 2022, the company raised around 2.88 million pigs and 183 million chickens in Thailand, and c24,000 pigs in Cambodia. In addition, the company operates feed mills capable of producing 4m tonnes per year in Thailand and 280,000 tonnes per year in Cambodia. BTG also produces 50,000 tonnes of pet food per year.

In terms of international business, the revenue contributions from its operations in Cambodia, Laos, and other countries accounted for 74.4%/24.9%/0.7% of total international revenue in 2022, respectively.

Exhibit 29: Total revenue breakdown by business segment in 2022 Exhibit 30: Total revenue breakdown by region in 2022



Sources: BTG; FSSIA’s compilation

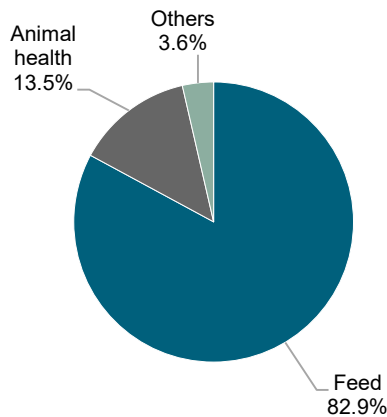
Sources: BTG; FSSIA’s compilation

Its operations can be divided into four business segments, which are as follows:

1. **Agro business** – Production of animal feed for various species, farm equipment and tools, and lab services. The main products are 1) feed for livestock and aquaculture species; 2) animal health, including the manufacture and sale of pharmaceuticals, supplements, and hygiene products for the livestock industry; and 3) others, comprising farm equipment and lab services.
2. **Food and protein business** – This group covers the production and distribution of meat, eggs, and fish products to customers in Thailand and overseas. It also includes meat processing into cooked products, ready-to-cook products, semi-cooked products, ready-to-eat products, by-products, and alternative protein sources.
3. **International business** – BTG has investments in animal feed production, farms, and distribution channels in neighboring countries including Cambodia, Laos, and Myanmar.

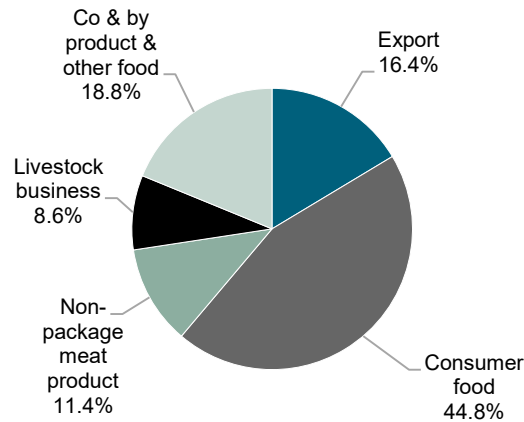
4. **Pet business** – BTG produces and distributes pet food products including snacks for dogs and cats, as well as pet care products such as medicine, supplementary food, and shampoo. The company distributes its products through various channels in Thailand and exports overseas.

Exhibit 31: Agro business revenue breakdown in 2022



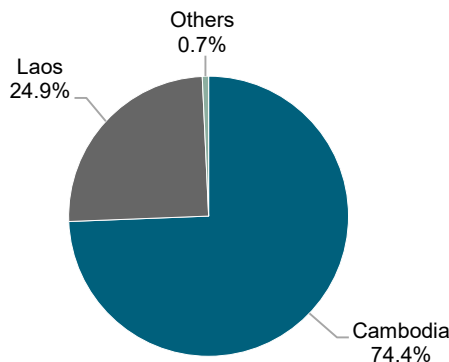
Sources: BTG; FSSIA's compilation

Exhibit 32: Food & protein revenue breakdown in 2022



Sources: BTG; FSSIA's compilation

Exhibit 33: International revenue breakdown by country in 2022



Sources: BTG; FSSIA's compilation

Exhibit 34: Pet business brands



Source: BTG

BTG has numerous brands and a variety of distribution channels

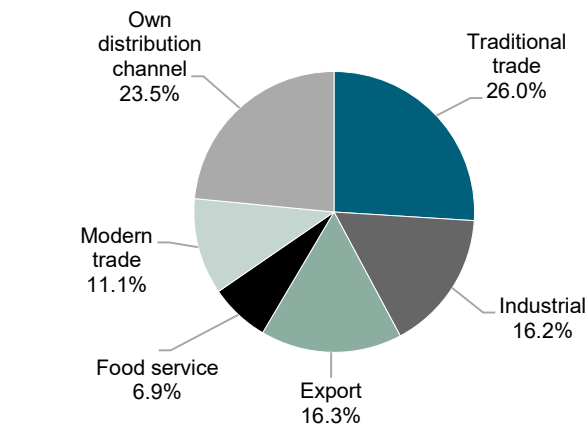
BTG’s food products are marketed under widely known brands such as “BETAGRO” and “S-Pure” for hygienic fresh meat, processed meat and processed food, and “ITOHAM” for premium sausages. Its animal feeds are sold under the “Balance” and “MASTER” brands, and its animal medicines and supplements under “Better Pharma”, and “Nexgen”. “Perfecta”, “DOG n joy” and “CAT n joy” are its pet food brands.

BTG has six distribution channels which consist of 1) traditional trade; 2) its own distribution channels via Betagro stores; 3) exports; 4) industrial and others; 5) modern trade; and 6) food services. In 2022, the company’s revenue contributions from these six channels accounted for 26%/23.5%/16.3%/16.2%/11.1%/6.9% of its food & protein revenue, respectively. In 2022, the company had 96 Betagro store branches, 211 Betagro Shops, 29 Betagro Delis, and 836 hygienic meat shops.

Exhibit 35: BTG’s brands



Exhibit 36: BTG’s distribution channels in 2022



Source: BTG

Sources: BTG; FSSIS 's compilation

Exhibit 37: Betagro’s brands, products, and marketing strategies

Segment	Brand	Description	Unique Selling Points	Product Range	Highlight Products
PREMIUM ★★★★★	S-Pure ปลอดสารพิษ	■ S-Pure: Raised without antibiotics chicken, pork & eggs from day one	“Raised without Antibiotics certified by NSF” ■ No Growth Promoter ■ No Beta Agonist ■ Animal Welfare  	■ Fresh Meat ■ Processed Meat ■ Processed Food	
		■ Betagro: Farm-fresh eggs, hygienic chicken & pork, sausages, a variety of processed foods as well as RTC and RTE items and soup			
		■ Kra-tak: Fresh and processed meat products targeted at economy segment ■ B-Foods, B-One: Processed meat products targeted at economy segment			
STANDARD ★★★★	BETAGRO ปลอดภัยไร้กังวล		“Hygienic and Safety Quality Standard” ■ International Standard ■ Product Variety ■ Animal Welfare 	■ Fresh Meat ■ Processed Meat ■ Processed Food	
ECONOMY ★★★	Kra-tak, B-One, B-Don		“Safety Quality Product with Affordable Price” ■ Attractive price points targeted at economy segment 	■ Fresh Chicken Meat ■ Processed Meat	
PREMIUM ★★★★★	ITOHAM BETAGRO	Itoham (Joint Venture Brand) ■ Made from premium-grade meat	■ Premium grade meat ■ JV with ITOHAM Japan ■ Safety & Hygienic Standard 	■ Japanese premium sausages	

Source: BTG

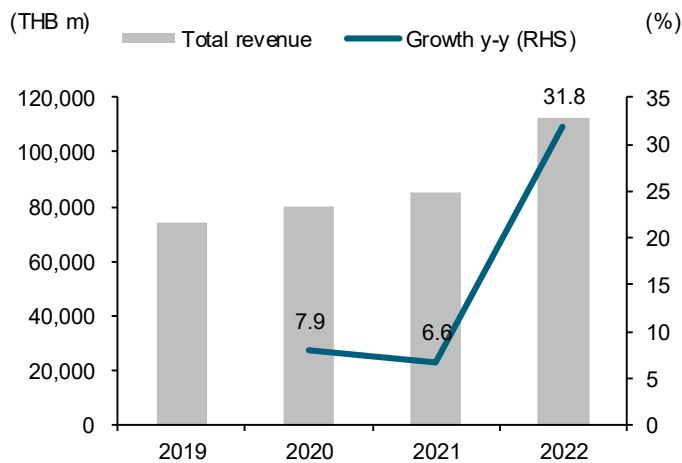
2022 net profit hit a record high

BTG reported a record high net profit in 2022 of THB7.9b (+7.8x y-y) due to sharply increased prices for both domestic swine and chicken, supported by an African Swine Fever outbreak and higher demand after the easing of Covid-19 lockdowns. In 2022, domestic swine prices averaged THB99 per kg (+31.3% y-y) and broilers THB42.8 per kg (+33.2% y-y). Meanwhile, Cambodia's 2022 swine price was KHR10,864 per kg (-13.3% y-y) due to a slowdown in consumption.

In 2022, total revenue grew by 31.8% y-y to THB113b. BTG's pet business saw the highest growth at 48.3% y-y, followed by food & protein (+39.8% y-y), international (+27.8% y-y), and agro (+14.6% y-y).

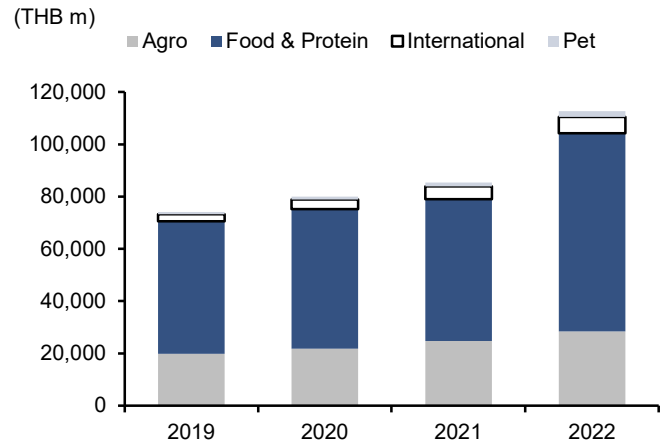
BTG's gross margin in 2022 was solid at 19.3%, up from 13.1% in 2021, despite sharply higher raw material prices due to the war in Ukraine and global production shortages. Corn and soybean meal prices in 2022 averaged THB12.3 per kg (+23.5% y-y) and THB22.5 per kg (+17.3% y-y), respectively. However, the high raw material prices were fully offset by the higher selling prices for its food & protein products, including pork, chicken, processed food, and other meat products.

Exhibit 38: Total revenue



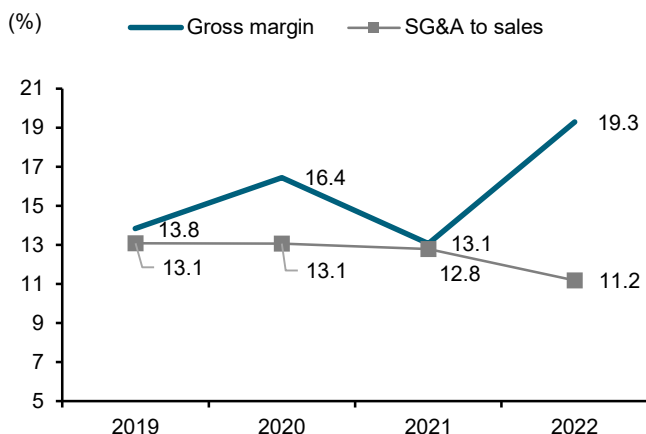
Sources: BTG; FSSIA's compilation

Exhibit 39: Revenue breakdown by segment



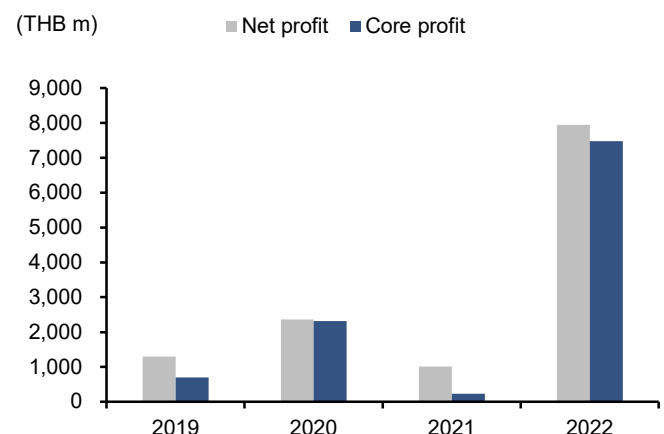
Sources: BTG; FSSIA's compilation

Exhibit 40: Gross margin and SG&A to sales



Sources: BTG; FSSIA's compilation

Exhibit 41: Net profit and core profit



Sources: BTG; FSSIA's compilation

Expect 1Q23 net profit to drop sharply

We forecast a 1Q23 net profit of THB383m, down 79% q-q and 81% y-y, mainly due to the plunge in domestic and overseas meat prices. In 1Q23, domestic swine and broiler prices averaged THB89 per kg (-12% q-q, -2.2% y-y) and THB40 per kg (-6.1% q-q, +2.6% y-y), respectively. The main reason was illegal pork imports which caused a temporary supply glut. Also, Cambodia's 1QTD swine price fell 29% y-y and remained flat q-q at KHR8,138 per kg. Hence, we project BTG's total 1Q23 revenue at THB27.8b (-6.7% q-q, +10% y-y). Meanwhile, raw material prices continue to increase both q-q and y-y, with 1Q23 corn and soybean meal prices averaging THB13.5 per kg (+7.1% q-q, +18% y-y) and THB23.9 per kg (+2.6% q-q, +12% y-y), respectively. Therefore, we expect BTG's 1Q23 gross margin to drop to 12.6% from 18.3% in 4Q22 and 17.9% in 1Q22.

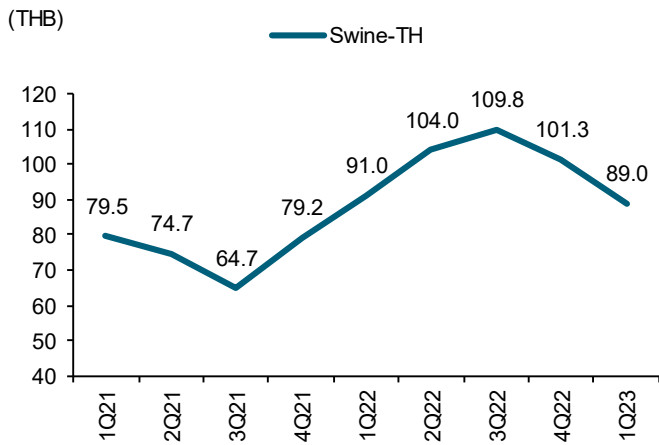
Exhibit 42: 1Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	25,312	27,973	29,492	29,850	27,848	(6.7)	10.0
Cost of sales	20,771	22,498	23,233	24,393	24,339	(0.2)	17.2
Gross profit	4,541	5,474	6,259	5,457	3,509	(35.7)	(22.7)
SG&A	2,895	3,008	3,376	3,315	3,063	(7.6)	5.8
Operating profit	1,807	2,600	3,029	2,340	636	(72.8)	(64.8)
Interest expense	150	152	151	165	150	(9.2)	(0.1)
Tax expense	361	373	467	348	82	(76.3)	(77.2)
Biological gain (loss)	177	(75)	(7)	(5)	0	nm	nm
Other gain (loss)	490	(70)	(19)	(32)	0	nm	nm
Reported net profit	1,970	1,869	2,303	1,796	383	(78.7)	(80.6)
Core profit	1,302	2,014	2,329	1,833	383	(79.1)	(70.6)

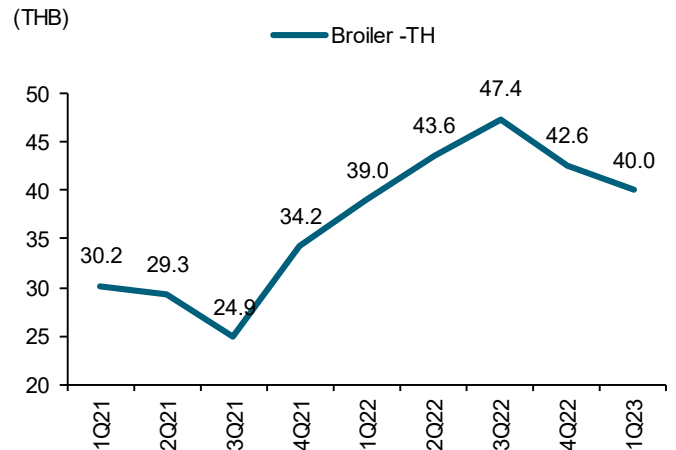
Key ratios (%)						(ppt)	(ppt)
Gross margin	17.9	19.6	21.2	18.3	12.6	(5.7)	(5.3)
SG&A / sales	11.4	10.8	11.4	11.1	11.0	(0.1)	(0.4)
Operating margin	7.1	9.3	10.3	7.8	2.3	(5.6)	(4.9)
Net margin	7.8	6.7	7.8	6.0	1.4	(4.6)	(6.4)
Core margin	5.1	7.2	7.9	6.1	1.4	(4.8)	(3.8)

Operating statistics							
Broiler price-TH (THB/kg.)	39.0	43.6	47.4	42.6	40.0	(6.1)	2.6
Swine price-TH (THB/kg.)	91.0	104.0	109.8	101.3	89.0	(12.1)	(2.2)
Swine price-Cambodia (KHR/kg.)	11,514	12,732	11,093	8,117	8,138	0.3	(29.3)
Corn price-TH (THB/kg.)	11.4	13.1	12.1	12.6	13.5	7.1	18.4
Soybean meal price-TH (THB/kg.)	21.4	23.1	23.1	23.3	23.9	2.6	11.7

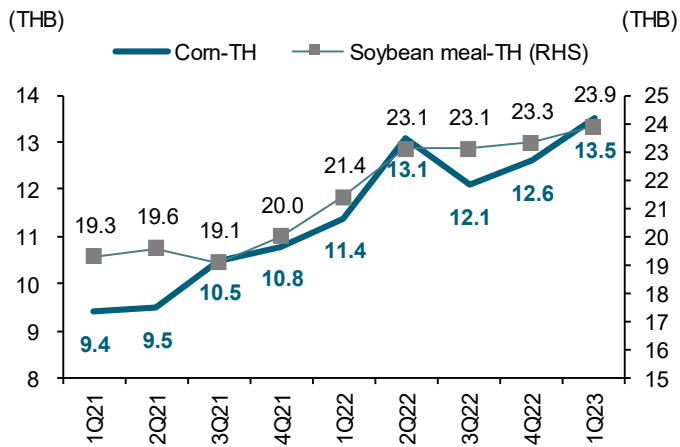
Sources: BTG, FSSIA estimates

Exhibit 43: Domestic swine prices

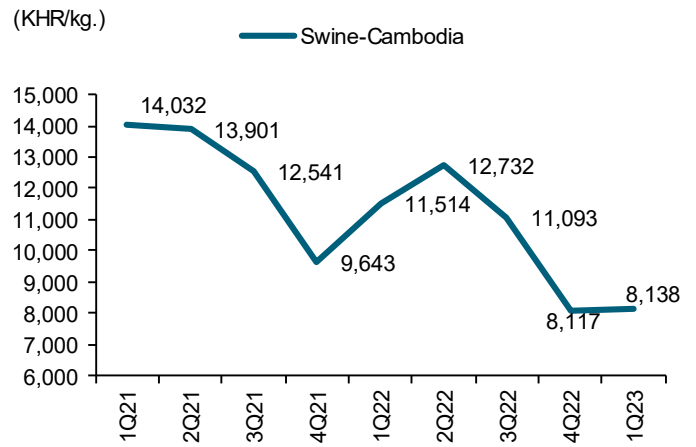
Sources: CPF, Office of Agricultural Economics (OAE)

Exhibit 44: Domestic chicken prices

Sources: CPF, OAE

Exhibit 45: Domestic corn and soybean meal prices

Sources: CPF, OAE

Exhibit 46: Cambodia swine prices

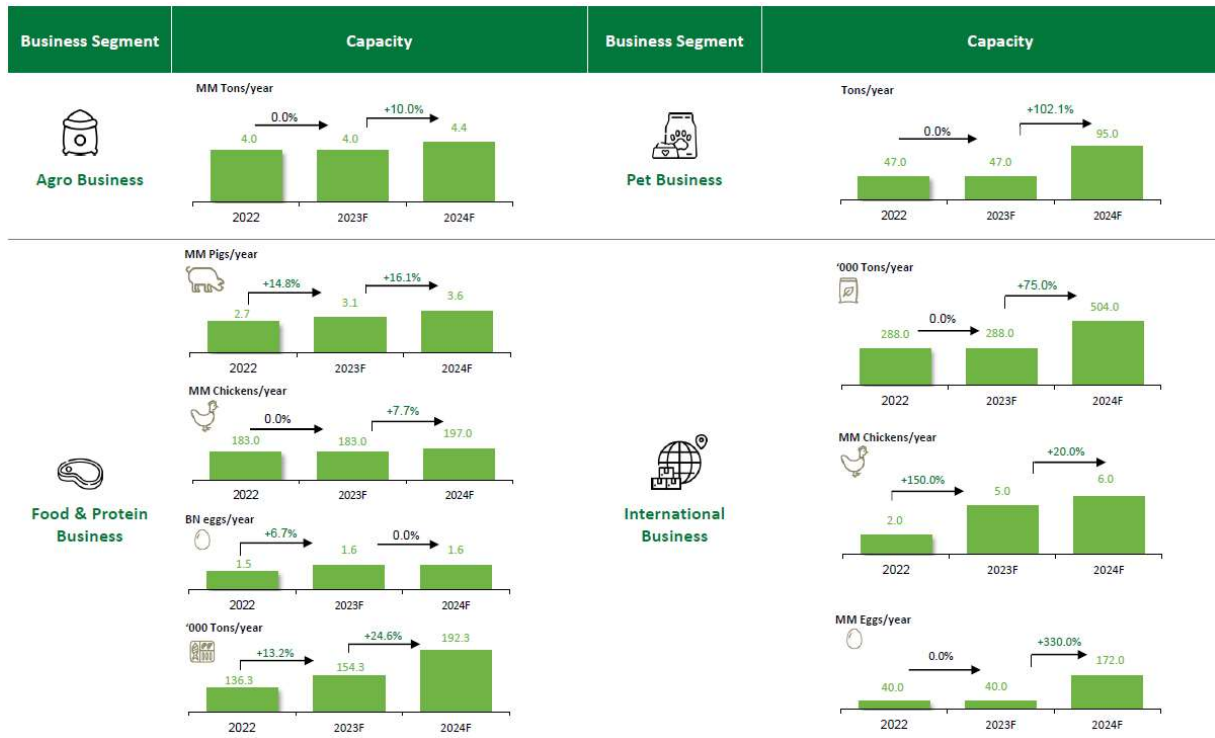
Source: CPF

Management sets aggressive targets in 2023

In 2023, management targets 1) total revenue growth of 5-10% y-y, supported by volume growth of 10% y-y, which could offset a decline in its average selling prices of around 1-2%; 2) gross margin at 15-17% (vs 19.3% in 2022); and 3) SG&A to sales at 11-12% (vs 11.2% in 2022).

The company plans to scale up of its business operations in Cambodia, Laos, and Myanmar by expanding its feed production capacity, breeding farms, and broiler slaughterhouses. Aside from that, BTG plans to focus on expanding into new product categories, increasing its number of export destinations by raising brand awareness in foreign markets, and increasing sales through wholesale and distributor networks. The company targets capital expenditures in 2023 of around THB5.1b.

Exhibit 47: BTG's capacity expansion



Source: BTG

Our 2023 assumptions: more conservative than management's targets

We think that management's targets are too aggressive given the current situation, as raw material costs remain high and further declines in domestic swine and chicken prices may occur in 1QTD. Therefore, we predict that BTG's gross margin in 1H23 will be lower than management's target.

However, management expects the domestic swine price to increase in 2Q23 and 2H23 due to the government's crackdown on illegal pork imports and the recovery in tourism. We will closely monitor meat price trends in our future estimates.

Our current assumptions predict a continued drop in meat prices from last year, with 1) the domestic swine price averaging THB85 per kg (-14.3% y-y); 2) the average chicken price at THB40 per kg (-6.5% y-y); and 3) Cambodia's swine price at KHR8,200 per kg (-24.5% y-y). Hence, we forecast 2023 total revenue to decline by 8.1% y-y to THB103.5b, with the gross margin falling to 13.3% from 19.3% in 2022.

Overall, we project BTG's 2023 net profit at THB2.87b (-64% y-y). However, we think BTG's 1Q23 results will be the bottom, and we expect to see a profit recovery in 2H23 onward.

Exhibit 48: Key assumptions for BTG

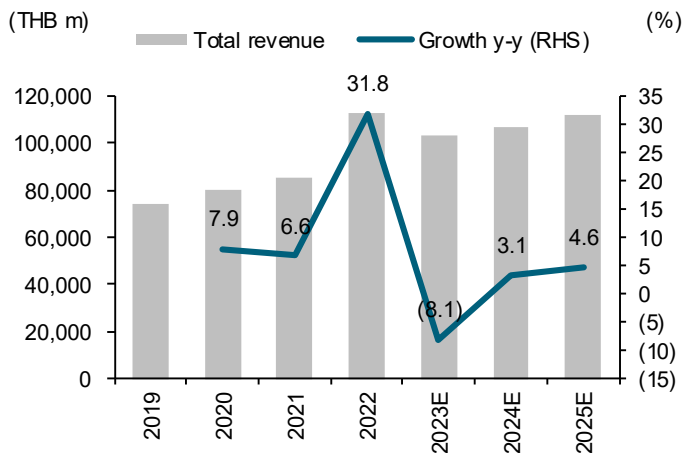
Assumptions	Actual	Forecast			Growth		
	2022	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total revenue	112,626	103,544	106,800	111,692	(8.1)	3.1	4.6
Cost of sales	90,894	89,773	92,062	96,055	(1.2)	2.5	4.3
Gross profit	21,731	13,771	14,738	15,637	(36.6)	7.0	6.1
SG&A expenses	12,594	11,286	11,641	12,174	(10.4)	3.1	4.6
Operating profit	9,775	3,209	3,737	4,076	(67.2)	16.5	9.1
Interest expense	619	652	601	562	5.4	(7.9)	(6.5)
Reported net profit	7,938	2,867	3,373	3,648	(63.9)	17.7	8.2
Core profit	7,477	2,367	2,873	3,148	(68.3)	21.4	9.6

Key ratios (%)							
Gross margin	19.3	13.3	13.8	14.0	(6.0)	0.5	0.2
SG&A to sales	11.2	10.9	10.9	10.9	(0.3)	0.0	0.0
Operating margin	8.7	3.1	3.5	3.6	(5.6)	0.4	0.2
Net margin	7.0	2.8	3.2	3.3	(4.3)	0.4	0.1
Core margin	6.6	2.3	2.7	2.8	(4.4)	0.4	0.1

Key assumptions							
Revenue breakdown (THB m)							
Agro business	28,403	27,460	27,032	28,278	(3.3)	(1.6)	4.6
Food & protein business	75,758	68,057	71,213	74,271	(10.2)	4.6	4.3
International business	6,236	5,539	5,704	5,874	(11.2)	3.0	3.0
Pet business	2,211	2,322	2,681	3,097	5.0	15.5	15.5
Price							
Broiler price-TH (THB/kg.)	42.8	40.0	41.0	42.0	(6.5)	2.5	2.4
Swine price-TH (THB/kg.)	99.1	85.0	85.0	88.0	(14.3)	0.0	3.5
Swine price-Cambodia (KHR/kg.)	10,864	8,200	8,500	8,700	(24.5)	3.7	2.4
Corn price-TH (THB/kg.)	12.3	12.0	11.0	10.0	(2.5)	(8.3)	(9.1)
Soybean meal price-TH (THB/kg.)	22.5	22.0	20.0	19.0	(2.1)	(9.1)	(5.0)

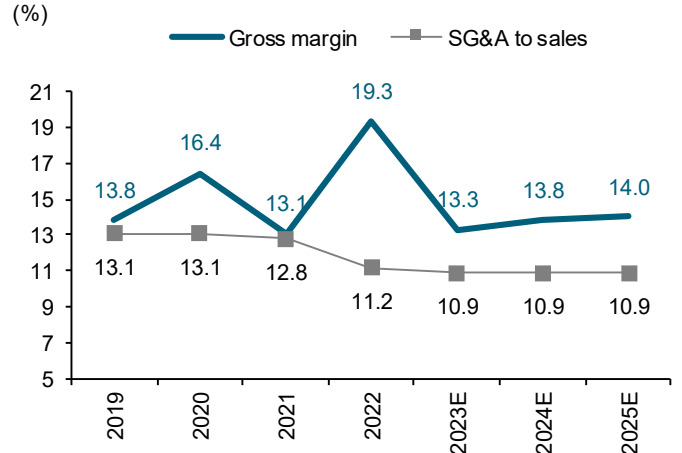
Source: FSSIA estimates

Exhibit 49: Yearly total revenue



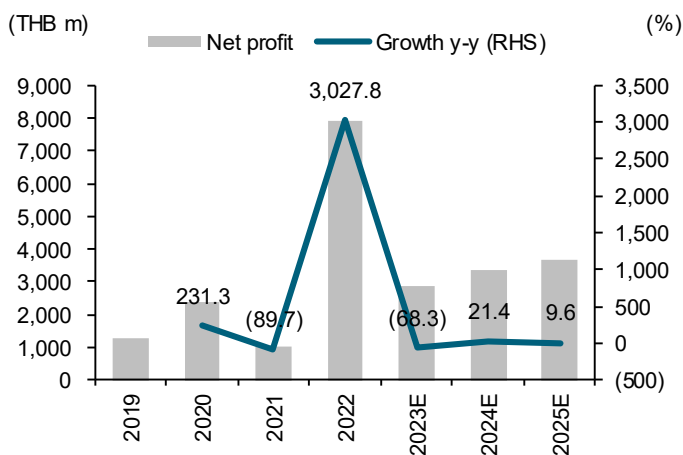
Sources: BTG, FSSIA estimates

Exhibit 50: Gross margin and SG&A to sales



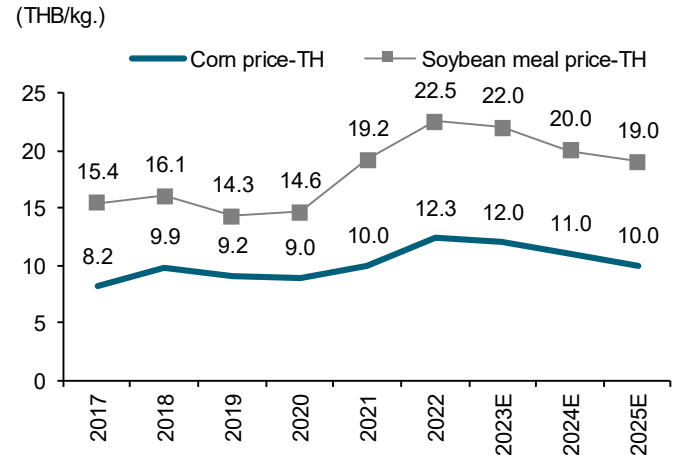
Sources: BTG, FSSIA estimates

Exhibit 51: Yearly core profit and growth



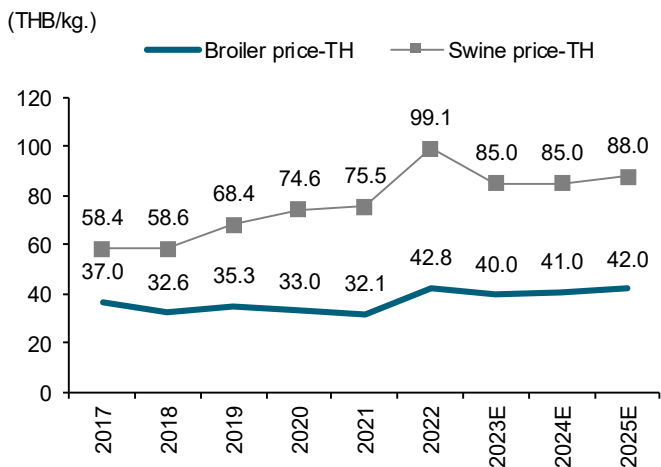
Sources: BTG, FSSIA estimates

Exhibit 52: Yearly corn and soybean meal prices



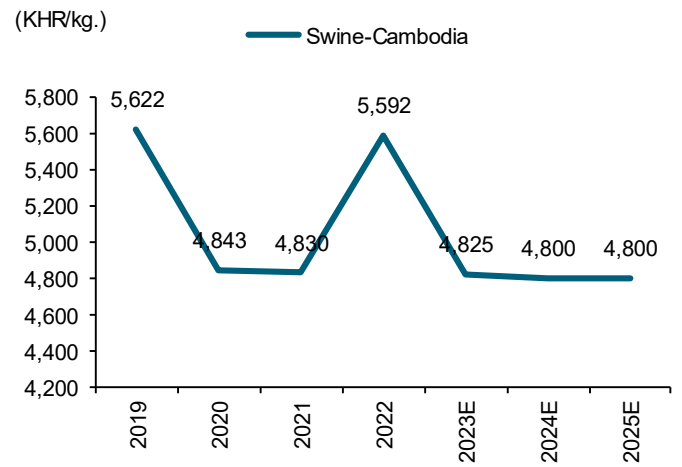
Sources: BTG, FSSIA estimates

Exhibit 53: Yearly domestic swine and chicken prices



Sources: BTG, FSSIA estimates

Exhibit 54: Yearly Cambodia swine prices



Sources: BTG, FSSIA estimates

Valuations

We initiate coverage of BTG with a BUY recommendation and a TP of THB25.3, based on 17x 2023E P/E, which is in line with our target PE estimate for its rival Charoen Pokphand Foods (CPF TB, HOLD, TP THB22.3). BTG's share price has already fallen by 32% in 2023 YTD, which we think reflects the market's view that swine and chicken prices peaked in 2022. However, despite the lack of a positive catalyst in the short term, we suggest that investors buy the stock to capture long-term returns when meat prices start rising again.

Exhibit 55: Peers comparison as of 3 May 2023

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand														
Thaifoods Group	TFG TB	HOLD	4.76	5.20	9	791	11.0	9.9	16.3	16.5	1.7	1.6	6.2	5.6
GFPT	GFPT TB	BUY	10.50	12.40	18	387	10.2	9.0	7.6	8.2	0.8	0.7	6.9	6.2
Charoen Pokphand Foods	CPF TB	HOLD	20.40	22.30	9	5,012	15.6	15.8	2.4	3.0	0.7	0.7	12.6	12.2
Betagro	BTG TB	BUY	22.40	25.30	13	1,273	15.0	12.8	8.1	9.3	1.4	1.4	7.4	6.4
Average						7,462	12.9	11.9	8.6	9.2	1.1	1.1	8.3	7.6

Sources: Bloomberg, FSSIA estimates

Financial Statements

Betagro

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	85,424	112,626	103,544	106,800	111,692
Cost of goods sold	(70,195)	(86,651)	(85,019)	(86,858)	(90,402)
Gross profit	15,229	25,975	18,525	19,942	21,290
Other operating income	548	637	724	640	613
Operating costs	(10,914)	(12,594)	(11,286)	(11,641)	(12,174)
Operating EBITDA	4,864	14,018	7,962	8,940	9,729
Depreciation	(4,066)	(4,243)	(4,753)	(5,203)	(5,653)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	798	9,775	3,209	3,737	4,076
Net financing costs	(577)	(619)	(652)	(601)	(562)
Associates	54	37	45	55	58
Recurring non-operating income	54	37	45	55	58
Non-recurring items	771	460	500	500	500
Profit before tax	1,047	9,654	3,102	3,692	4,072
Tax	(208)	(1,549)	(390)	(479)	(536)
Profit after tax	839	8,104	2,711	3,213	3,536
Minority interests	172	(167)	155	160	112
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,011	7,938	2,867	3,373	3,648
Non-recurring items & goodwill (net)	(771)	(460)	(500)	(500)	(500)
Recurring net profit	239	7,477	2,367	2,873	3,148
Per share (THB)					
Recurring EPS *	0.72	3.74	1.18	1.44	1.57
Reported EPS	3.06	4.11	1.49	1.75	1.89
DPS	24.50	2.52	0.89	1.05	1.13
Diluted shares (used to calculate per share data)	330	2,000	2,000	2,000	2,000
Growth					
Revenue (%)	6.6	31.8	(8.1)	3.1	4.6
Operating EBITDA (%)	(31.4)	188.2	(43.2)	12.3	8.8
Operating EBIT (%)	(74.9)	1,125.0	(67.2)	16.5	9.1
Recurring EPS (%)	(90.6)	416.1	(68.3)	21.4	9.6
Reported EPS (%)	(61.1)	34.4	(63.9)	17.7	8.2
Operating performance					
Gross margin inc. depreciation (%)	13.1	19.3	13.3	13.8	14.0
Gross margin of key business (%)	13.1	19.3	13.3	13.8	14.0
Operating EBITDA margin (%)	5.7	12.4	7.7	8.4	8.7
Operating EBIT margin (%)	0.9	8.7	3.1	3.5	3.6
Net margin (%)	0.3	6.6	2.3	2.7	2.8
Effective tax rate (%)	19.9	16.0	12.6	13.0	13.2
Dividend payout on recurring profit (%)	3,382.1	67.4	75.3	73.0	72.1
Interest cover (X)	1.5	15.9	5.0	6.3	7.4
Inventory days	65.3	60.7	63.3	62.8	62.4
Debtor days	21.6	18.4	20.5	19.7	19.6
Creditor days	24.6	23.2	26.0	26.2	26.0
Operating ROIC (%)	1.6	18.1	5.9	6.9	7.6
ROIC (%)	1.5	16.1	5.3	6.3	6.9
ROE (%)	1.5	33.8	8.1	9.3	9.8
ROA (%)	1.0	13.3	4.2	5.0	5.4

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Agro	24,795	28,403	27,460	27,032	28,278
Food and protein	54,171	75,758	68,057	71,213	74,271
International	4,881	6,236	5,539	5,704	5,874
Pet segment	1,491	2,211	2,322	2,681	3,097

Sources: Betagro; FSSIA estimates

Financial Statements

Betagro

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	239	7,477	2,367	2,873	3,148
Depreciation	4,066	4,243	4,753	5,203	5,653
Associates & minorities	(373)	362	(104)	(52)	(53)
Other non-cash items	(522)	91	0	0	0
Change in working capital	(1,047)	(1,479)	1,362	(561)	(896)
Cash flow from operations	2,363	10,694	8,377	7,464	7,853
Capex - maintenance	(5,511)	(5,576)	(4,560)	(4,500)	(4,500)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	4,201	1,436	738	559	484
Cash flow from investing	(1,310)	(4,140)	(3,822)	(3,941)	(4,016)
Dividends paid	(1,257)	(11,250)	(1,720)	(2,024)	(2,189)
Equity finance	4,500	16,929	0	0	0
Debt finance	8,881	(3,487)	(1,935)	(1,724)	(1,293)
Other financing cash flows	(14,586)	81	(800)	65	98
Cash flow from financing	(2,462)	2,274	(4,455)	(3,683)	(3,384)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	1,348	0	0	0	0
Net other adjustments	1,348	(3,430)	0	0	0
Movement in cash	(61)	5,398	101	(160)	453
Free cash flow to firm (FCFF)	1,630.08	7,173.00	5,208.04	4,123.44	4,398.39
Free cash flow to equity (FCFE)	(3,303.76)	(281.29)	1,820.55	1,863.97	2,641.43
Per share (THB)					
FCFF per share	0.84	3.71	2.69	2.13	2.27
FCFE per share	(1.71)	(0.15)	0.94	0.96	1.37
Recurring cash flow per share	10.34	6.31	3.64	4.16	4.53
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	47,575	49,403	50,791	51,171	51,144
Less: Accumulated depreciation	(24,662)	(26,031)	(27,072)	(28,155)	(29,281)
Tangible fixed assets (net)	22,913	23,372	23,719	23,016	21,863
Intangible fixed assets (net)	955	882	882	882	882
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,452	1,346	1,347	1,347	1,347
Cash & equivalents	542	5,940	6,041	5,881	6,334
A/C receivable	6,029	6,652	6,295	6,493	6,790
Inventories	14,111	14,711	14,757	15,133	15,790
Other current assets	7,775	9,477	8,284	8,544	8,935
Current assets	28,457	36,781	35,376	36,051	37,849
Other assets	3,697	2,852	2,659	2,655	2,729
Total assets	57,475	65,234	63,983	63,951	64,669
Common equity	15,759	28,502	30,189	31,538	32,997
Minorities etc.	(237)	163	104	107	112
Total shareholders' equity	15,522	28,664	30,292	31,645	33,109
Long term debt	10,606	8,064	7,064	6,064	5,064
Other long-term liabilities	2,789	2,871	2,071	2,136	2,234
Long-term liabilities	13,395	10,934	9,134	8,200	7,297
A/C payable	8,276	9,852	9,773	10,044	10,488
Short term debt	19,984	15,615	14,680	13,956	13,663
Other current liabilities	298	168	104	107	112
Current liabilities	28,558	25,636	24,556	24,106	24,263
Total liabilities and shareholders' equity	57,475	65,234	63,983	63,951	64,669
Net working capital	19,341	20,821	19,459	20,020	20,915
Invested capital	48,360	49,274	48,066	47,919	47,735
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	47.75	14.77	15.65	16.35	17.10
Tangible book value per share	44.86	14.32	15.19	15.89	16.65
Financial strength					
Net debt/equity (%)	193.6	61.9	51.8	44.7	37.4
Net debt/total assets (%)	52.3	27.2	24.5	22.1	19.2
Current ratio (x)	1.0	1.4	1.4	1.5	1.6
CF interest cover (x)	(4.7)	0.5	3.8	4.1	5.7
Valuation					
Recurring P/E (x) *	30.9	6.0	18.9	15.6	14.2
Recurring P/E @ target price (x) *	34.9	6.8	21.4	17.6	16.1
Reported P/E (x)	7.3	5.4	15.1	12.8	11.8
Dividend yield (%)	109.4	11.3	4.0	4.7	5.1
Price/book (x)	0.5	1.5	1.4	1.4	1.3
Price/tangible book (x)	0.5	1.6	1.5	1.4	1.3
EV/EBITDA (x) **	7.6	4.4	7.4	6.4	5.7
EV/EBITDA @ target price (x) **	7.8	4.8	8.1	7.1	6.3
EV/invested capital (x)	0.8	1.2	1.2	1.2	1.2
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Betagro; FSSIA estimates

CHAROEN POKPHAND FOODS

THAILAND / FOOD & BEVERAGE

CPF TB

HOLD

Keep an eye on the meat price

- Declining meat prices to pressure to 2023 core profit, which we project to drop by 27% y-y.
- Forecast a 1Q23 net loss. Could be the bottom if meat prices can recover from 2Q23, in line with management's view.
- We rate HOLD with a TP of THB22.3. For short-term investors, we recommend re-entering for trading when meat prices start to rise.

TARGET PRICE	THB22.30
CLOSE	THB20.40
UP/DOWNSIDE	+9.3%
TP vs CONSENSUS	-14.2%

Expect bottom line turn to a loss in 1Q23

We forecast a 1Q23 net loss of THB348m from a profit of THB1.8b in 4Q22 and THB2.8b in 1Q22. Meat prices have tumbled, with the average 1Q23 domestic swine price at THB88 per kg (-13.4% q-q, -6.7% y-y) and the broiler price at THB40.4 per kg (-9.5% q-q, +2.8% y-y). Illegal pork imports caused a temporary increase in supply. Vietnam's 1QTD swine price dropped by 3.5% q-q and y-y to VND50,970 per kg, and China's swine price declined sharply by 35% q-q to RMB15.11 per kg. Raw material costs are also likely to remain high, with 1Q23 corn and soybean meal prices averaging THB13.2 per kg (+5.5% q-q, +14.6% y-y) and THB23.5 per kg (+2.3% q-q, +10% y-y).

Declining meat prices to pressure 2023 earnings

Management's 2023 targets include 1) 10-15% y-y total revenue growth; 2) a gross margin of not less than 13.3%; and 3) a recovery for the Cambodia, India, Turkey and USA businesses, especially Bellisio and Hylife. Our meat price assumptions in 2023 are lower than last year: 1) a 2023E domestic swine price at THB85 per kg (-14.3% y-y) and chicken price at THB40 per kg (-6.5% y-y); and 2) a 2023E Vietnam swine price at VND50,000 per kg (-10.6% y-y) and China swine price at RMB15 per kg (-19.5% y-y). Hence, 2023 total revenue should drop by 4.2% y-y. We expect profit sharing to grow by 60.5% to THB6b from THB3.7b in 2022, due to profit growth from CPALL and a declining loss contribution from Hylife. Overall, we project CPF's 2023 core profit at THB6.3b (-27% y-y) and net profit at THB11.3b (-19.1% y-y).

1Q23 to be the bottom; rebound expected in 2H23

We think CPF's 1Q23 operations will be the bottom, and we expect to see a profit recovery in 2H23 onward. Management assumes that the domestic swine price will increase from April 2023 onward, supported by 1) the government's crackdown on illegal pork imports; 2) ASF easing at a slower rate due to the hotter weather than usual; and 3) higher meat consumption via the tourism recovery and high export season. In addition, CPF plans to spin-off its subsidiary, CPF Global Food Solution Plc. (CPFGS). We expect CPFGS to list its IPO shares on the SET within 2023.

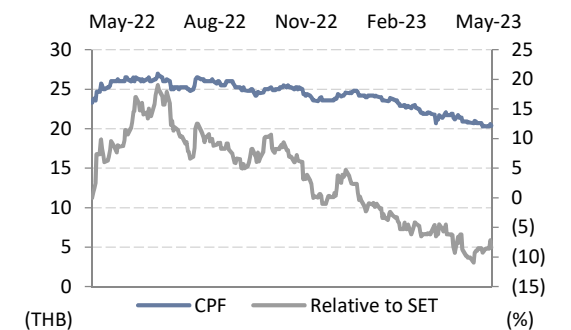
No catalyst in short term, but keep an eye on the meat price

We reinitiate CPF with a HOLD call and TP of THB22.3, based on 17x 2023E P/E. Its share price has fallen 16% in 2023 YTD, reflecting investors' concerns over the swine and chicken prices. We see no positive catalyst for CPF in the short term, and expect poor earnings in 1Q23. For short-term investors, we recommend re-entering when the meat prices start to rise.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	614,197	588,459	617,258	649,666
Net profit	13,970	11,295	11,145	12,753
EPS (THB)	1.76	1.31	1.29	1.48
vs Consensus (%)	-	1.9	(18.1)	(21.8)
EBITDA	63,057	55,693	57,826	59,908
Core net profit	8,623	6,295	7,645	9,753
Core EPS (THB)	1.09	0.73	0.89	1.13
EPS growth (%)	130.6	(32.7)	21.4	27.6

Core P/E (x)	18.8	27.9	23.0	18.0
Dividend yield (%)	3.7	3.2	3.2	3.6
EV/EBITDA (x)	10.9	12.6	12.2	11.7
Price/book (x)	0.6	0.7	0.7	0.7
Net debt/Equity (%)	160.9	150.8	144.2	140.8
ROE (%)	3.6	2.4	3.0	3.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.0)	(14.3)	(15.7)
Relative to country (%)	(1.9)	(5.6)	(9.2)
Mkt cap (USD m)	5,012		
3m avg. daily turnover (USD m)	11.0		
Free float (%)	46		
Major shareholder	Charoen Pokphand Group (37%)		
12m high/low (THB)	27.00/20.20		
Issued shares (m)	8,611.24		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

CPF operates an integrated agro-industrial and food business under its vision of being a “Kitchen of the World”. The company has production bases, investments and joint ventures in 17 countries as of 2022. We like its goal to leverage its expertise in the modern agro-industrial business and make investments in various countries. The company has strong brand recognition under the CP brand.

However, investors should closely monitor the meat and raw material prices, as the prices are highly volatile and could negatively affect CPF's operations both domestically and overseas.

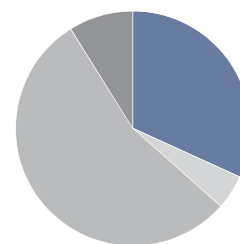
Company profile

CPF was established in 1978 and listed on the Stock Exchange of Thailand in 1987. CPF operates a vertically integrated agro-industrial and food business, including livestock and aquaculture such as swine, broilers, layers, ducks, shrimp and fish. The businesses are divided into three segments, namely Feed, Farm and Food. In 2022, the company's revenue contributions from Feed, Farm, and Food were 24%/55%/21%, respectively.

www.cpfworldwide.com

Principal activities (revenue, 2022)

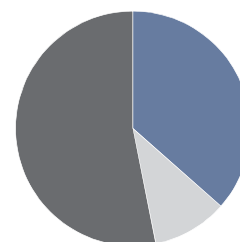
- Thailand livestock - 31.8 %
- Thailand aquatic - 4.7 %
- Overseas livestock - 54.6 %
- Overseas aquatic - 8.9 %



Source: Charoen Pokphand Foods

Major shareholders

- Charoen Pokphand Group - 36.5 %
- UBS AG London Branch - 10.4 %
- Others - 53.1 %



Source: Charoen Pokphand Foods

Catalysts

Potential catalysts for CPF's earnings growth in 2023 are 1) revenue growth driven by sales volume; 2) higher-than-expected meat prices; 3) declining raw material costs; and 4) a higher-than-expected overseas business recovery.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in meat and raw material prices; 3) a stronger THB than expected; and 4) a minimum wage increase and labour shortage.

Event calendar

Date	Event
11 May 2023	1Q23 results announcement
12 May 2023	Analyst meeting

Key assumptions

	2023E	2024E	2025E
Broiler price-TH (THB)	40.0	41.0	42.0
Swine price-TH (THB)	85.0	85.0	88.0
Swine price-VN (VND)	50,000	52,000	52,500
Total revenue growth (%)	(4.2)	4.9	5.3
Gross margin (%)	12.3	12.5	12.5
SG&A to sales (%)	9.2	9.3	9.3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in 2023 revenue, we estimate net profit to rise by 4%, and vice versa, all else being equal.
- For every 0.1% increase in 2023 GPM, we estimate net profit to rise by 3.5%, and vice versa, all else being equal.
- For every 0.1% increase in 2023 SG&A to sales, we estimate net profit to fall by 4.4%, and vice versa, all else being equal.

Source: FSSIA estimates

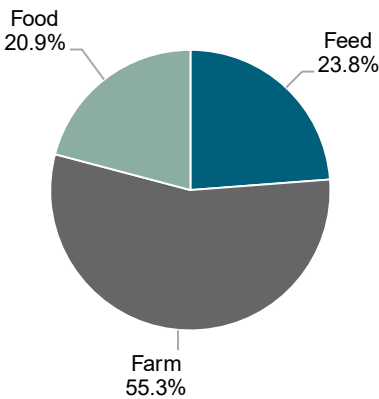
CPF is a leading agro-industrial operator in Thailand

CPF was established in 1978 and listed on the Stock Exchange of Thailand in 1987. CPF operates a vertically integrated agro-industrial and food business, including livestock and aquaculture such as swine, broilers, layers, ducks, shrimp and fish. The businesses are divided into three segments, namely Feed, Farm and Food. In 2022, the company’s revenue contributions from Feed, Farm, and Food were 24%/55%/21%, respectively.

In terms of product segment, livestock and aquaculture were the major revenue contributors at 86% and 14% of total revenue in 2022, respectively.

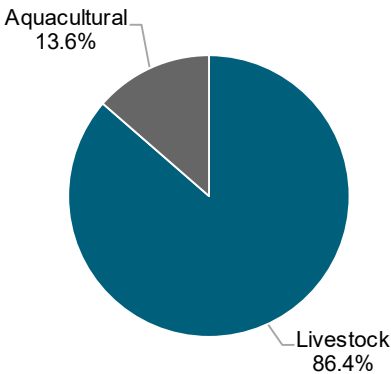
In terms of destination, the company has expanded into the overseas market in over 17 countries and exports products to more than 50 countries. CPF’s overseas revenue in 2022 accounted for 64% of total revenue, followed by domestic (31%), and export (5%). Vietnam is the main area of overseas exposure, accounting for 21% of total sales. Even though China revenue only accounted for 6% of total revenue in 2022, CPF has invested in a 26.69% stake in Chia Tai Investment as an associate company, and hence recognises a share of profit and loss from Chia Tai Investment in China.

Exhibit 56: Revenue breakdown by business segment in 2022



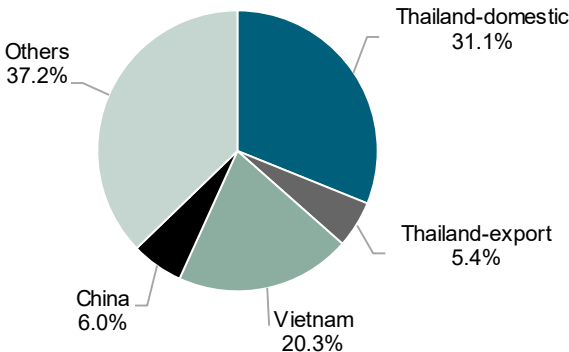
Sources: CPF; FSSIA's compilation

Exhibit 57: Revenue breakdown by animal type in 2022



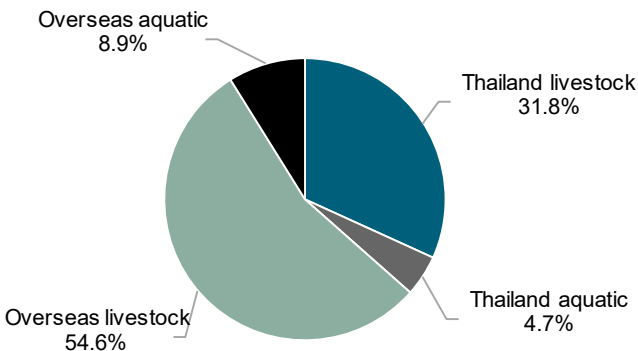
Sources: CPF; FSSIA's compilation

Exhibit 58: Revenue breakdown by destination in 2022



Sources: CPF; FSSIA's compilation

Exhibit 59: Revenue breakdown by destination in 2022



Sources: CPF; FSSIA's compilation

Exhibit 60: CPF's operation in each country



Source: CPF

Its operations can be divided into three business segments as follows:

5. **Feed business** – CPF's main products are swine feed, chicken feed, and other animal feed. Animal feed is the starting point of the meat production chain, and the production of quality foods. The company operates animal feed businesses in 11 countries around the world, which are Thailand, Vietnam, Taiwan, Russia, India, Cambodia, Turkey, the Philippines, Malaysia, Laos, and Canada.
6. **Farm and processing business** – CPF's farm and processing business comprises breeding, farming and primary processing. The core products are animal breeds, live animals, primary processed meat and layer eggs. The core species are pigs, broiler chickens, layer chickens, ducks and shrimp. The company operates farm and processing businesses in 14 countries, which include Thailand, China, Taiwan, Vietnam, the USA, Russia, India, Cambodia, Turkey, the Philippines, Malaysia, Laos, Sri Lanka, and Poland.
7. **Food business** – CPF has developed semi-cooked and cooked products as well as ready-to-eat meals by utilising its own meat products as a key raw material for production. The company's food products are sold under the CP brand. Customers have a wide range of channels to conveniently access products, including traditional trade (wet markets), modern trade, food services, and the company's own distribution channels (restaurants and food courts).

2022 net profit saw moderate growth

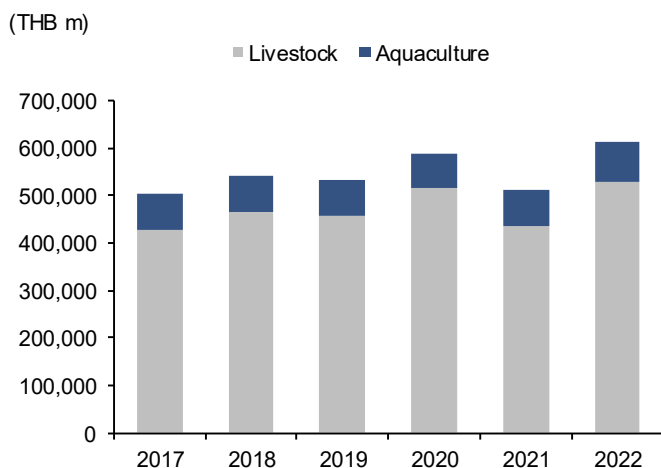
CPF reported a 2022 net profit of THB14b (+7.2% y-y). Excluding extra items, its core profit was equal to THB8.6b (+130% y-y) from the low base in 2021. Overall, the domestic meat price rose sharply y-y due to the African Swine Fever (ASF) outbreak and higher demand after Covid-19 eased. In particular, the average 2022 domestic swine and broiler prices were THB99 per kg (+31.3% y-y), and THB42.8 per kg (+33.2% y-y), respectively.

For the overseas side, Vietnam's 2022 swine price was VND55,944 per kg (-6.4% y-y) due to slower consumption. China's swine price rose by 15% y-y to RMB18.64 per kg, mainly from a consumption recovery after the country's reopening.

Raw material prices in 2022 increased and stabilised at a high level compared to the previous year. To elaborate, the average corn and soybean meal prices were THB12.3 per kg (+23.5% y-y) and THB22.5 per kg (+17.3% y-y), respectively. Despite the higher corn and soybean prices, a higher meat price and weaker THB were able to offset the increase, resulting in CPF's 2022 gross margin rising to 13.3% from 12.9% in 2021.

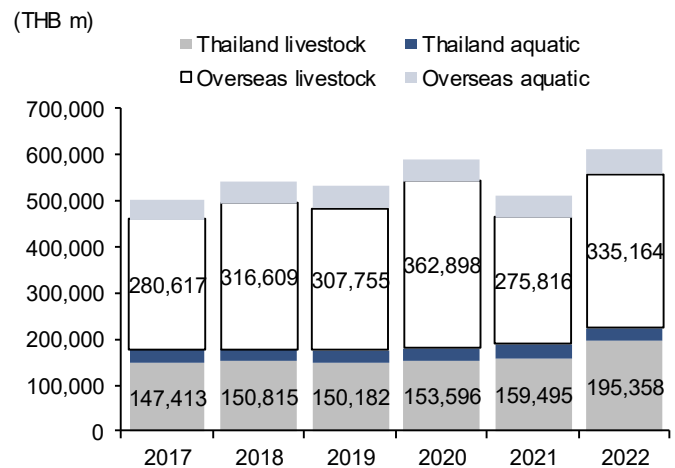
In addition, the overall performance from overseas subsidiaries and associate companies were strong in many countries. Nevertheless, there were two companies that contributed a loss: 1) Bellisio in the USA faced US inflation and high competition in the ready-to-eat market; and 2) Hylife in Canada turned loss-making in 2022 due to a declining swine price in USD and the weaker YEN.

Exhibit 61: Revenue breakdown by animal type



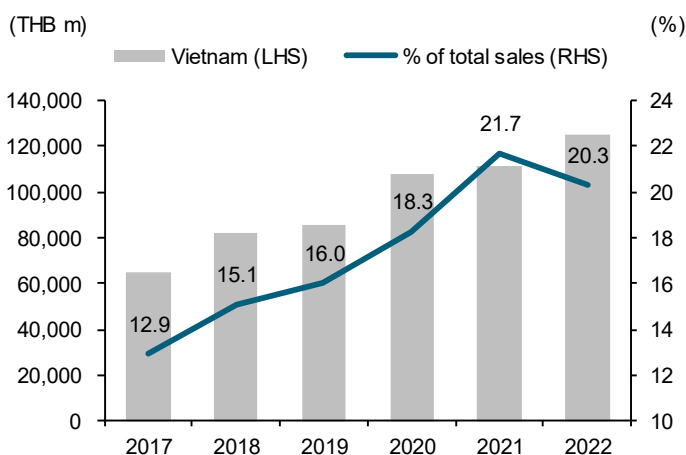
Sources: CPF; FSSIA's compilation

Exhibit 62: Revenue breakdown by destination



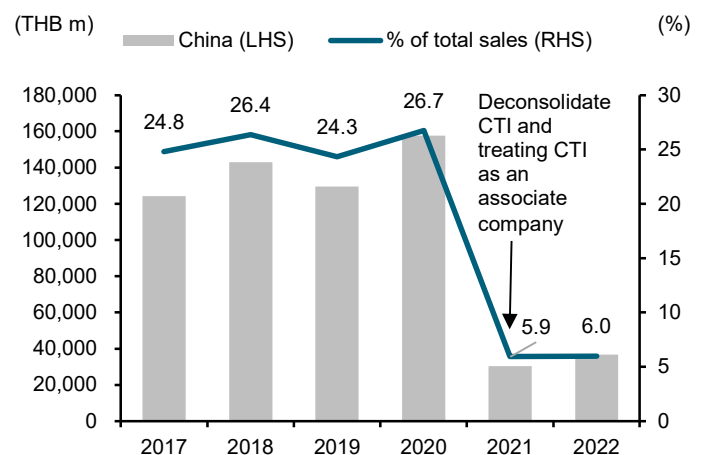
Sources: CPF; FSSIA's compilation

Exhibit 63: Revenue from Vietnam

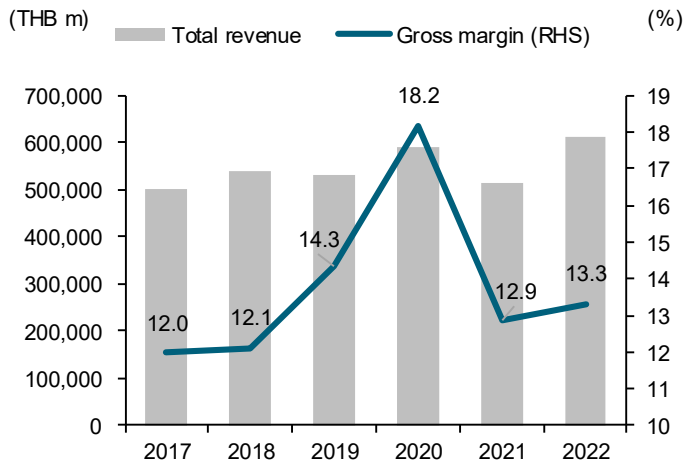


Sources: CPF; FSSIA's compilation

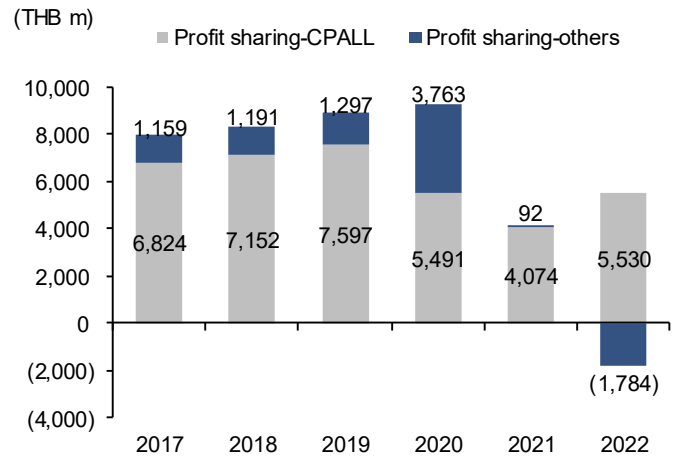
Exhibit 64: Revenue from China



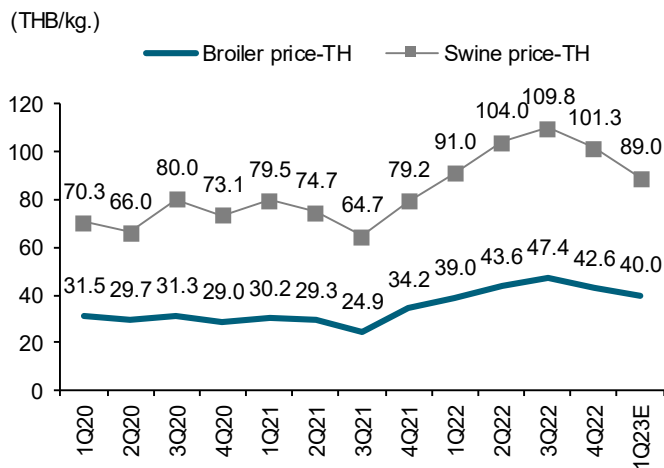
*CTI = Chia Tai Investment
Sources: CPF; FSSIA's compilation

Exhibit 65: Total revenue and gross margin

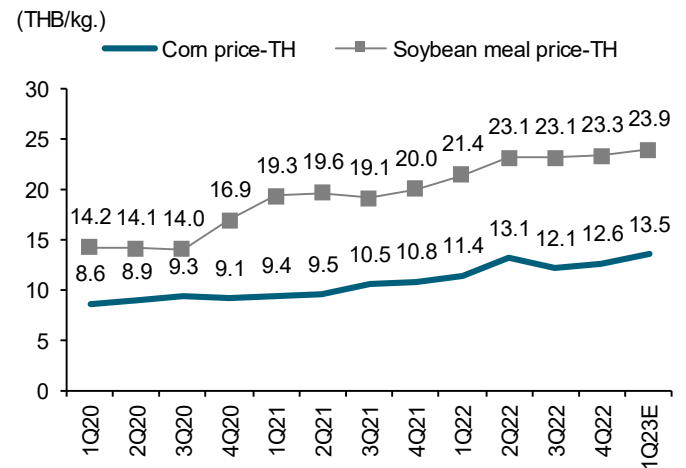
Sources: CPF; FSSIA's compilation

Exhibit 66: Profit sharing from associate companies

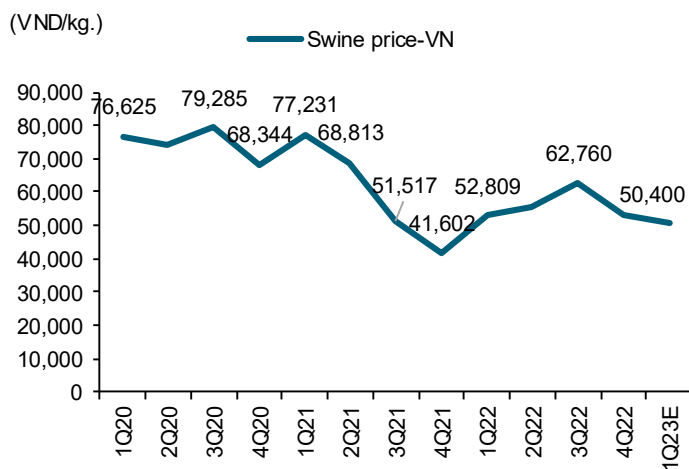
Sources: CPF; FSSIA's compilation

Exhibit 67: Domestic swine and chicken prices

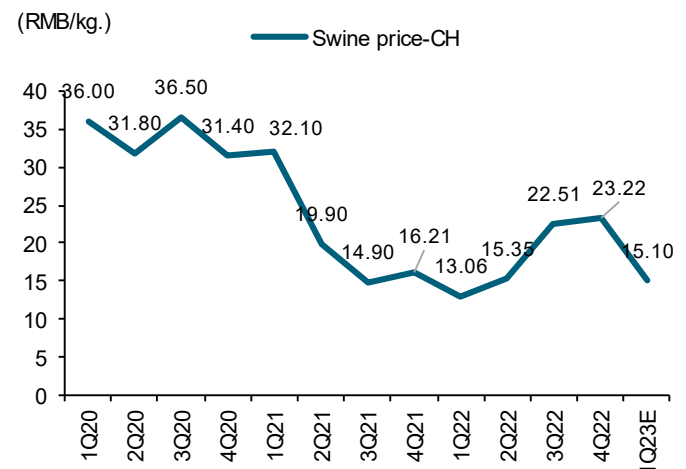
Sources: CPF; FSSIA's estimate

Exhibit 68: Corn and soybean meal prices

Sources: CPF; FSSIA's estimate

Exhibit 69: Vietnam's swine price

Sources: CPF; FSSIA's estimate

Exhibit 70: China's swine price

Sources: CPF; FSSIA's estimate

Expect bottom line turn to a loss in 1Q23

We forecast CPF's 1Q23 bottom line to turn to a loss of THB348m from a net profit of THB1.8b and THB2.8b in 4Q22 and 1Q22, respectively. Domestic and overseas meat prices have dropped sharply, with the average 1Q23 domestic swine and broiler prices at THB88 per kg (-13.4% q-q, -6.7% y-y) and THB40.4 per kg (-9.5% q-q, +2.8% y-y), respectively. The main reason was illegal pork imports, which caused a temporary increase in supply. Besides this, Vietnam's 1QTD swine price dropped by 3.5% q-q and y-y to VND50,970 per kg, and China's swine price also declined sharply by 35% q-q to RMB15.11 per kg. Hence, we think a biological asset revaluation will turn to a loss in 1Q23. However, we think CPF's 1Q23 operations will be the bottom, and we expect to see a profit recovery in 2H23 onward.

Exhibit 71: 1Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	138,887	155,996	160,266	159,048	146,324	(8.0)	5.4
Cost of sales	121,096	133,372	136,287	141,569	132,424	(6.5)	9.4
Gross profit	17,791	22,624	23,979	17,479	13,901	(20.5)	(21.9)
SG&A	12,124	13,564	14,385	14,928	12,730	(14.7)	5.0
Operating profit	6,179	10,257	10,564	3,849	2,671	(30.6)	(56.8)
Interest expense	4,469	4,360	5,494	6,035	6,000	(0.6)	34.3
Tax expense	1,158	3,522	2,020	(698)	159	(122.8)	(86.3)
Profit (loss) sharing	(336)	(793)	2,294	2,580	1,500	(41.9)	(545.9)
Biological gain (loss)	1,098	729	(886)	469	(800)	nm	nm
Other gain (loss)	1,509	1,953	421	52	1,200	2205.6	(20.5)
Reported net profit	2,842	4,208	5,108	1,812	(348)	nm	nm
Core profit	235	1,526	5,572	1,290	(1,548)	nm	(760.2)
Key ratios (%)						(ppt)	(ppt)
Gross margin	12.8	14.5	15.0	11.0	9.5	(1.5)	(3.3)
SG&A to sales	8.7	8.7	9.0	9.4	8.7	(0.7)	(0.0)
Operating margin	4.4	6.6	6.6	2.4	1.8	(0.6)	(2.6)
Net margin	2.0	2.7	3.2	1.1	(0.2)	(1.4)	(2.3)
Core margin	0.2	1.0	3.5	0.8	(1.1)	(1.9)	(1.2)
Operating statistics							
Broiler price-TH (THB/kg)	39.0	43.6	47.4	42.6	40.0	(6.1)	2.6
Swine price-TH (THB/kg)	91.0	104.0	109.8	101.3	89.0	(12.1)	(2.2)
Shrimp price-70 unit (THB/kg)	174.3	143.3	145.0	141.7	155.0	9.4	(11.1)
Corn price-TH (THB/kg)	11.4	13.1	12.1	12.6	13.5	7.1	18.4
Soybean meal price-TH (THB/kg)	21.4	23.1	23.1	23.3	23.9	2.6	11.7
Swine price-VN (VND/kg)	52,809	55,387	62,760	52,819	50,400	(4.6)	(4.6)
Swine price-CH (RMB/kg)	13.1	15.4	22.5	23.2	15.1	(35.0)	15.6

Sources: CPF, FSSIA estimates

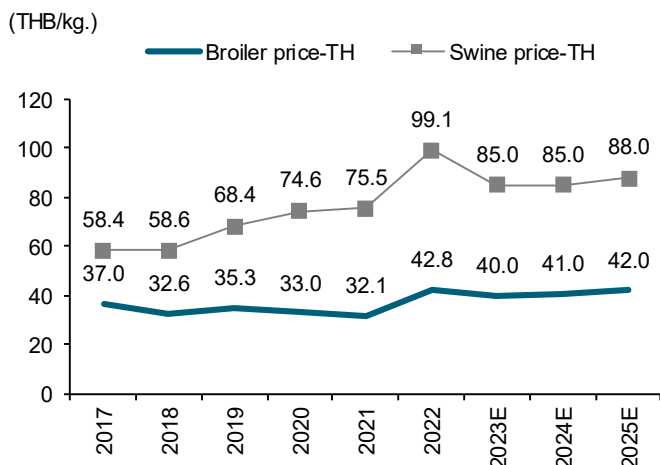
Declining meat prices to pressure 2023 earnings

Management has set 2023 targets which include 1) total revenue growth at 10-15% y-y; 2) a gross margin not lower than the previous year at 13.3%; and 3) a recovery for the Cambodia, India, Turkey and USA businesses, especially Bellisio and Hylife.

Aside from that, management assumes that the domestic swine price will increase from April 2023 onward, supported by 1) the government's crackdown on illegal pork imports; 2) ASF easing at a slower-than-expected rate due to the hotter weather than usual; and 3) higher meat consumption driven by a tourism recovery. For China's swine price, management guides for a swine price recovery in 2H23, after a consumption recovery.

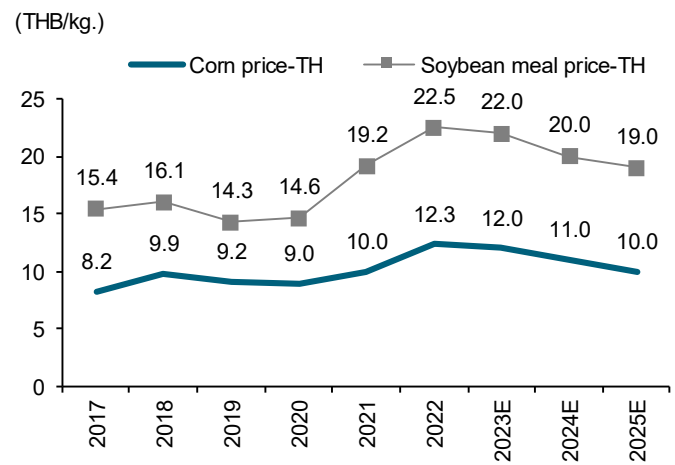
Our meat price assumptions in 2023 are lower than last year, which include 1) a domestic swine price at THB85 per kg (-14.3% y-y) and chicken price at THB40 per kg (-6.5% y-y); and 2) a Vietnam swine price at VND50,000 per kg (-10.6% y-y) and China swine price at RMB15 per kg (-19.5% y-y). Hence, we estimate 2023 revenue from Thai and overseas livestock to drop by around 7.5% y-y and 4.1% y-y, respectively. However, we think its aquaculture business will grow by 3.1% y-y in 2023, representing growth for three consecutive years. Shrimp demand should increase in line with a consumption and tourism recovery, leading to a high shrimp price.

Exhibit 72: Yearly domestic swine and chicken prices



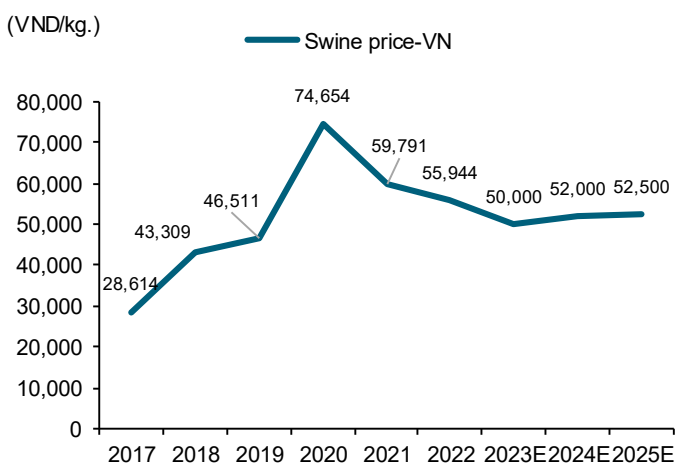
Sources: CPF, FSSIA estimates

Exhibit 73: Yearly corn and soybean meal prices



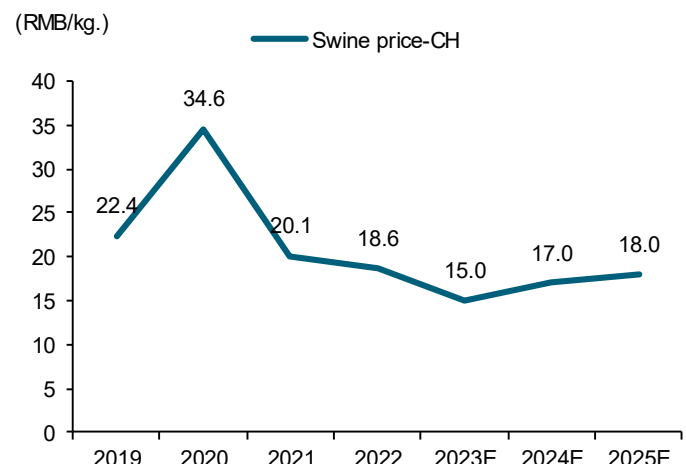
Sources: CPF, FSSIA estimates

Exhibit 74: Yearly Vietnam swine prices



Sources: CPF, FSSIA estimates

Exhibit 75: Yearly China swine prices

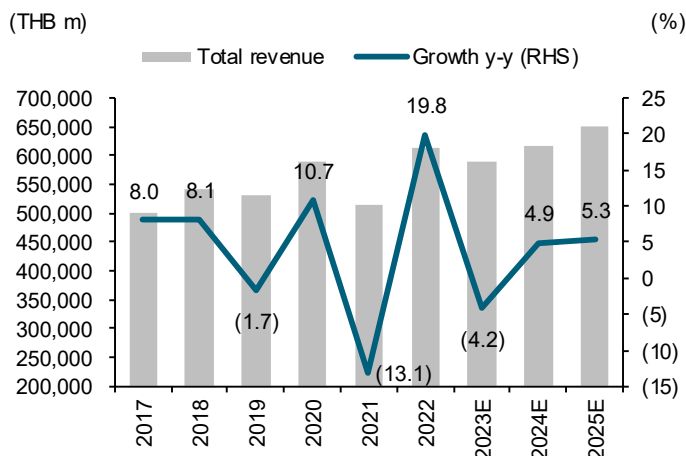


Sources: CPF, FSSIA estimates

Currently, raw material costs are likely to maintain at their high prices, with the average 1Q23 corn and soybean meal prices equal to THB13.2 per kg (+5.5% q-q, +14.6% y-y) and THB23.5 per kg (+2.3% q-q, +10% y-y), respectively. However, we believe corn and soybean costs will slightly decline in 2H23 due to higher production levels.

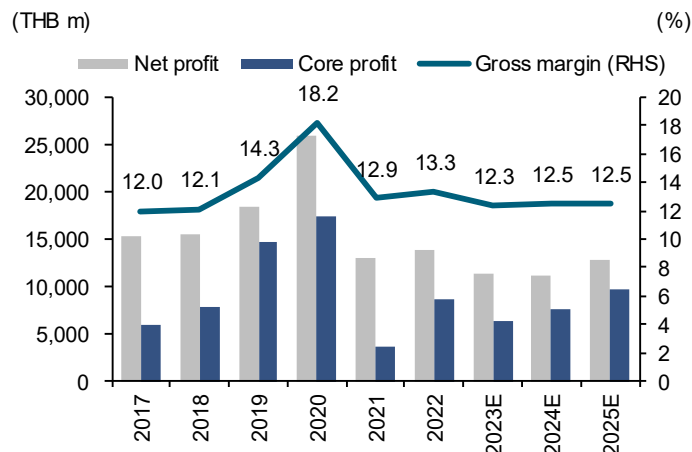
On the other hand, we expect CPF's profit sharing from associated companies to grow by 60.5% to THB6b in 2023 from THB3.7b in 2022, due to profit growth from CP All (CPALL TB, BUY, TP THB72) and a declining loss contribution from Hylife. Overall, we project CPF to have a 2023 core profit of THB6.3b (-27% y-y). Including gains from investments, we estimate its net profit would be THB11.3b (-19.1% y-y).

Exhibit 76: Yearly total revenue



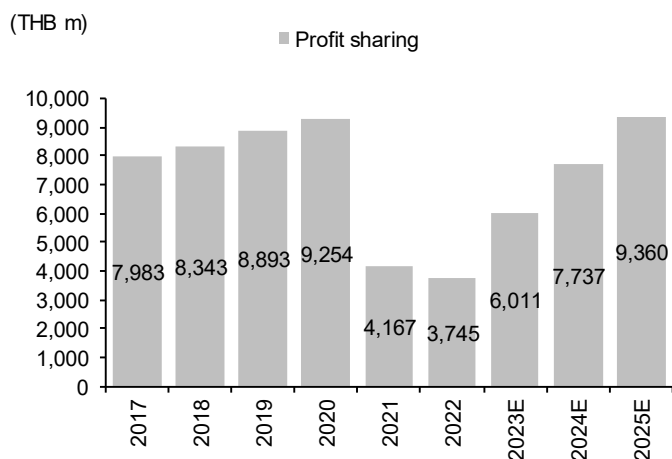
Source: FSSIA estimates

Exhibit 77: Yearly gross margin and profit



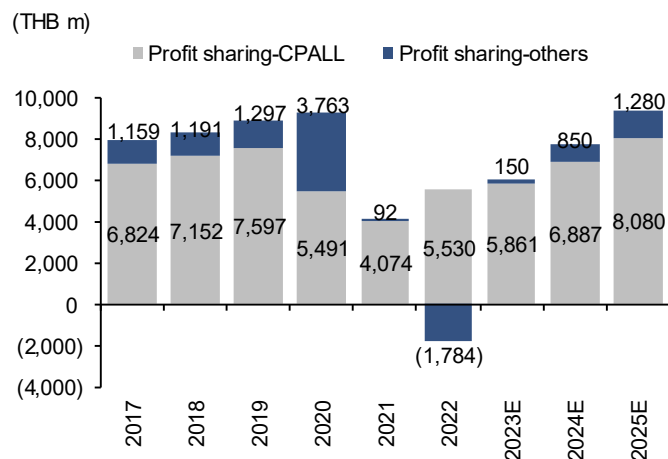
Source: FSSIA estimates

Exhibit 78: Yearly profit sharing



Source: FSSIA estimates

Exhibit 79: Profit sharing breakdown



Source: FSSIA estimates

Exhibit 80: Key assumptions for CPF

Assumptions	Actual	Forecast				Growth	
	2022 (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	614,197	588,459	617,258	649,666	(4.2)	4.9	5.3
Cost of sales	532,324	515,955	540,246	568,444	(3.1)	4.7	5.2
Gross profit	81,873	72,504	77,012	81,222	(11.4)	6.2	5.5
SG&A expenses	55,001	54,138	57,405	60,419	(1.6)	6.0	5.3
Operating profit	30,850	22,485	23,619	24,701	(27.1)	5.0	4.6
Interest expense	20,358	21,002	20,600	20,499	3.2	(1.9)	(0.5)
Profit (loss) sharing	3,745	6,011	7,737	9,360	60.5	28.7	21.0
Reported net profit	13,970	11,295	11,145	12,753	(19.1)	(1.3)	14.4
Core profit	8,623	6,295	7,645	9,753	(27.0)	21.4	27.6
Key ratios (%)							
Gross margin	13.3	12.3	12.5	12.5	(1.0)	0.2	0.0
SG&A to sales	9.0	9.2	9.3	9.3	0.2	0.1	0.0
Operating margin	5.0	3.8	3.8	3.8	(1.2)	0.0	(0.0)
Net margin	2.3	1.9	1.8	2.0	(0.4)	(0.1)	0.2
Core margin	1.4	1.1	1.2	1.5	(0.3)	0.2	0.3
Key assumptions							
Revenue breakdown (THB m)							
Thailand livestock	195,358	180,706	189,109	199,361	(7.5)	4.7	5.4
Thailand aquatic	28,998	29,926	31,422	33,150	3.2	5.0	5.5
Overseas livestock	335,164	321,510	337,586	354,465	(4.1)	5.0	5.0
Overseas aquatic	54,677	56,317	59,142	62,690	3.0	5.0	6.0
Price							
Broiler price-TH (THB/kg)	42.8	40.0	41.0	42.0	(6.5)	2.5	2.4
Swine price-TH (THB/kg)	99.1	85.0	85.0	88.0	(14.3)	0.0	3.5
Shrimp price-70 unit (THB/kg)	151.0	150.0	145.0	145.0	(0.7)	(3.3)	0.0
Corn price-TH (THB/kg)	12.3	12.0	11.0	10.0	(2.5)	(8.3)	(9.1)
Soybean meal price-TH (THB/kg)	22.5	22.0	20.0	19.0	(2.1)	(9.1)	(5.0)
Swine price-VN (VND/kg)	55,944	50,000	52,000	52,500	(10.6)	4.0	1.0
Swine price-CH (RMB/kg)	18.6	15.0	17.0	18.0	(19.5)	13.3	5.9

Source: FSSIA estimates

Announced a spin-off of the food retail business

The board of directors of CPF has a resolution to approve the plan of CPF Global Food Solution Plc. (CPFGS), the company's subsidiary, to issue and offer the initial public offering of CPFGS and the listing of its shares to the Stock Exchange of Thailand in the food sector.

CPFGS is a subsidiary of CPF and CP Merchandise (CPM, non-listed) at 56% and 44% shareholding, respectively. CPM is a subsidiary of CPF, which holds a 100% stake.

CPFGS plans to offer IPO shares not exceeding 500.01 million shares with a par value of THB0.5 per share, which includes:

1. CPFGS plans to offer and sell newly issued shares not exceeding 66.7 million shares.
2. The company plans to offer and sell ordinary shares held in CPF for IPO not exceeding 316.655 million shares.
3. The company plans to offer and sell ordinary shares held in CPM for IPO not exceeding 116.655 million shares.

The total number of IPO shares will equal 30% of the total issued shares in CPFGS after the IPO. Therefore, CPF and CPM will continue to be major shareholders with controlling power in CPFGS representing approximately 70% of total issued shares in CPFGS. Aside from that, the company has proposed pre-emptive rights for CPFGS's IPO shares to the existing shareholders of CPF, the proportion of which will be announced later.

CPFGS is one of the leading global food solution providers and the exclusive distributor for CPF in Thailand for fresh meat products and processed food products, and the exclusive exporter for fresh meat and processed food products. In addition, CPFGS distributes products sourced from third-party suppliers and is the flagship company of CPF for the restaurant business in Thailand as well as a pet snack manufacturing and distribution business both domestically and internationally.

We have a neutral view on this deal. The objectives of the spin-off are to 1) unlock the value of the retail food business, which has good profitability and low volatility in earnings; and 2) we think CPF will receive the most money from the IPO proceeds and has a plan to pay off debt. However, we expect CPF's 2024 profit to have a net negative impact from the dilution effect. CPFGS reported 2022 total revenue of THB172b and a net profit of THB6.2b, which accounted for 28% of CPF's revenue and 44% of CPF's net profit.

Exhibit 81: CPFGS information

Sales by destination	2022 (%)		2020 (THB m)	2021 (THB m)	2022 (THB m)
Domestic	62.3	Sales	122,660	138,858	171,938
Overseas	37.7	Net profit	1,272	2,646	6,173
Sales by country/region	2022 (%)	GM (%)	8.5	9.1	9.9
Thailand	62.3	NPM (%)	1.0	1.9	3.6
Europe	22.7	ROE (%)	37.4	39.6	83.6
Asia	9.4	ROA (%)	4.1	8.0	15.9
America	5.0				
Others	0.6	D/E (x)	3.87	4.04	4.33
Sales by product	2022 (%)	Sales by channel (%)	2022 (%)		
Meat	57.8	B2B2C	64.1		
Processed food	33.8	B2B	32.0		
Restaurants	3.9	B2C	3.9		
Pet food	1.2				
Others	3.3				

Source: CPFGS's filing

Valuation

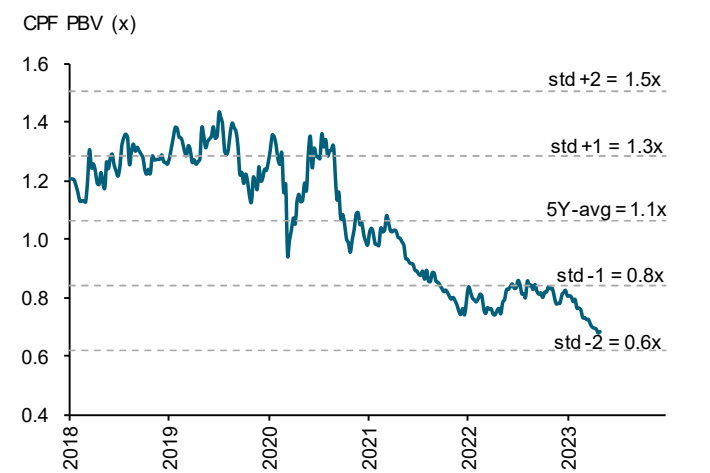
We reinitiate coverage of CPF with a HOLD recommendation and a TP of THB22.3, based on 17x 2023E P/E, implied from -0.75 SD of its five-year historical average. CPF's share price has fallen 16% in 2023 YTD, reflecting investors' concerns over the swine and chicken prices, which might have already passed their peak in 2022. However, we see no positive catalyst for its share price in the short term, and we expect poor earnings in 1Q23. For short-term investors, we recommend re-entering for trading when the meat prices start to rise again.

Exhibit 82: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 83: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

Exhibit 84: Peers comparison as of 3 May 2023

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Thailand														
Thaifoods Group	TFG TB	HOLD	4.76	5.20	9	791	11.0	9.9	16.3	16.5	1.7	1.6	6.2	5.6
GFPT	GFPT TB	BUY	10.50	12.40	18	387	10.2	9.0	7.6	8.2	0.8	0.7	6.9	6.2
Charoen Pokphand Foods	CPF TB	HOLD	20.40	22.30	9	5,012	15.6	15.8	2.4	3.0	0.7	0.7	12.6	12.2
Betagro	BTG TB	BUY	22.40	25.30	13	1,273	15.0	12.8	8.1	9.3	1.4	1.4	7.4	6.4
Average						7,462	12.9	11.9	8.6	9.2	1.1	1.1	8.3	7.6

Sources: Bloomberg, FSSIA estimate

Financial Statements

Charoen Pokphand Foods

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	512,704	614,197	588,459	617,258	649,666
Cost of goods sold	(417,884)	(500,117)	(482,748)	(506,039)	(533,237)
Gross profit	94,820	114,080	105,712	111,219	116,429
Other operating income	4,137	3,978	4,119	4,012	3,898
Operating costs	(50,880)	(55,001)	(54,138)	(57,405)	(60,419)
Operating EBITDA	48,077	63,057	55,693	57,826	59,908
Depreciation	(28,931)	(32,207)	(33,207)	(34,207)	(35,207)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	19,146	30,850	22,485	23,619	24,701
Net financing costs	(15,853)	(19,515)	(20,052)	(19,543)	(19,394)
Associates	4,167	3,745	6,011	7,737	9,360
Recurring non-operating income	4,167	3,745	6,011	7,737	9,360
Non-recurring items	9,273	5,347	5,000	3,500	3,000
Profit before tax	16,732	20,427	13,445	15,313	17,666
Tax	(2,654)	(6,003)	(1,267)	(2,008)	(2,640)
Profit after tax	14,079	14,424	12,178	13,305	15,026
Minority interests	(1,050)	(454)	(883)	(2,160)	(2,274)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	13,028	13,970	11,295	11,145	12,753
Non-recurring items & goodwill (net)	(9,273)	(5,347)	(5,000)	(3,500)	(3,000)
Recurring net profit	3,756	8,623	6,295	7,645	9,753
Per share (THB)					
Recurring EPS *	0.47	1.09	0.73	0.89	1.13
Reported EPS	1.63	1.76	1.31	1.29	1.48
DPS	0.65	0.75	0.66	0.65	0.74
Diluted shares (used to calculate per share data)	7,970	7,936	8,611	8,611	8,611
Growth					
Revenue (%)	(13.1)	19.8	(4.2)	4.9	5.3
Operating EBITDA (%)	(41.0)	31.2	(11.7)	3.8	3.6
Operating EBIT (%)	(64.0)	61.1	(27.1)	5.0	4.6
Recurring EPS (%)	(76.5)	130.6	(32.7)	21.4	27.6
Reported EPS (%)	(45.9)	7.7	(25.5)	(1.3)	14.4
Operating performance					
Gross margin inc. depreciation (%)	12.9	13.3	12.3	12.5	12.5
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	9.4	10.3	9.5	9.4	9.2
Operating EBIT margin (%)	3.7	5.0	3.8	3.8	3.8
Net margin (%)	0.7	1.4	1.1	1.2	1.5
Effective tax rate (%)	15.9	29.4	9.4	13.1	14.9
Dividend payout on recurring profit (%)	137.9	69.0	89.7	72.9	65.4
Interest cover (X)	1.5	1.8	1.4	1.6	1.8
Inventory days	54.8	57.1	63.5	62.6	62.4
Debtor days	24.4	24.3	28.1	28.7	28.7
Creditor days	33.5	34.8	38.0	36.5	36.4
Operating ROIC (%)	4.5	6.2	4.3	4.6	4.9
ROIC (%)	2.7	3.6	2.8	3.1	3.4
ROE (%)	1.8	3.6	2.4	3.0	3.8
ROA (%)	2.2	2.8	2.5	2.8	3.0

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Thailand livestock	159,495	195,358	180,706	189,109	199,361
Thailand aquatic	29,696	28,998	29,926	31,422	33,150
Overseas livestock	275,816	335,164	321,510	337,586	354,465
Overseas aquatic	47,697	54,677	56,317	59,142	62,690

Sources: Charoen Pokphand Foods; FSSIA estimates

Financial Statements

Charoen Pokphand Foods

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	3,756	8,623	6,295	7,645	9,753
Depreciation	28,931	32,207	33,207	34,207	35,207
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,741)	(30,593)	3,949	4,869	(5,826)
Change in working capital	(28,575)	(11,702)	1,401	(5,567)	(6,324)
Cash flow from operations	(629)	(1,465)	44,853	41,153	32,810
Capex - maintenance	(47,587)	(51,354)	(23,405)	(30,000)	(25,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(6,758)	(1,758)	0	0	0
Other investments (net)	(3,736)	(5,173)	6,471	2,348	1,704
Cash flow from investing	(58,082)	(58,285)	(16,934)	(27,652)	(23,296)
Dividends paid	(4,158)	(5,808)	(5,648)	(5,572)	(6,376)
Equity finance	(1,335)	(818)	0	0	0
Debt finance	47,700	55,491	(6,322)	(9,800)	(2,459)
Other financing cash flows	(1,735)	6,821	(10,432)	864	972
Cash flow from financing	40,472	55,686	(22,401)	(14,508)	(7,863)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(18,238)	(4,065)	5,518	(1,007)	1,650
Free cash flow to firm (FCFF)	(42,114.37)	(39,392.75)	48,920.69	34,100.92	30,012.60
Free cash flow to equity (FCFE)	(12,745.29)	2,561.44	11,165.00	4,564.97	8,026.76

Per share (THB)

FCFF per share	(4.89)	(4.57)	5.68	3.96	3.49
FCFE per share	(1.48)	0.30	1.30	0.53	0.93
Recurring cash flow per share	3.51	1.29	5.05	5.43	4.54

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	292,447	344,753	332,545	319,338	305,131
Less: Accumulated depreciation	(28,931)	(32,207)	(33,207)	(34,207)	(35,207)
Tangible fixed assets (net)	263,516	312,545	299,338	285,131	269,924
Intangible fixed assets (net)	74,466	76,224	76,224	76,224	76,224
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	265,911	272,055	278,066	285,803	295,163
Cash & equivalents	40,280	36,215	41,733	40,725	42,376
A/C receivable	38,471	43,221	47,399	49,719	52,329
Inventories	73,431	83,080	84,815	88,808	93,443
Other current assets	64,368	70,703	58,846	61,726	64,967
Current assets	216,550	233,219	232,792	240,978	253,115
Other assets	24,801	32,944	31,438	32,590	33,887
Total assets	845,244	926,987	917,859	920,726	928,312
Common equity	217,302	256,053	258,262	253,834	255,210
Minorities etc.	72,050	43,791	53,751	66,357	69,891
Total shareholders' equity	289,352	299,844	312,013	320,191	325,101
Long term debt	330,701	332,081	329,581	327,081	329,781
Other long-term liabilities	21,264	28,085	17,654	18,518	19,490
Long-term liabilities	351,965	360,166	347,234	345,598	349,271
A/C payable	44,372	50,964	49,475	51,804	54,508
Short term debt	132,460	186,478	182,656	175,356	170,197
Other current liabilities	27,096	29,536	26,481	27,777	29,235
Current liabilities	203,928	266,978	258,612	254,937	253,940
Total liabilities and shareholders' equity	845,244	926,987	917,859	920,726	928,312
Net working capital	104,802	116,505	115,104	120,671	126,995
Invested capital	733,497	810,273	800,170	800,420	802,193

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

Per share (THB)

Book value per share	27.27	32.26	29.99	29.48	29.64
Tangible book value per share	17.92	22.66	21.14	20.63	20.79

Financial strength

Net debt/equity (%)	146.1	160.9	150.8	144.2	140.8
Net debt/total assets (%)	50.0	52.0	51.3	50.1	49.3
Current ratio (x)	1.1	0.9	0.9	0.9	1.0
CF interest cover (x)	0.2	1.1	1.6	1.2	1.4

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	43.3	18.8	27.9	23.0	18.0
Recurring P/E @ target price (x) *	47.3	20.5	30.5	25.1	19.7
Reported P/E (x)	12.5	11.6	15.6	15.8	13.8
Dividend yield (%)	3.2	3.7	3.2	3.2	3.6
Price/book (x)	0.7	0.6	0.7	0.7	0.7
Price/tangible book (x)	1.1	0.9	1.0	1.0	1.0
EV/EBITDA (x) **	13.7	10.9	12.6	12.2	11.7
EV/EBITDA @ target price (x) **	14.0	11.2	12.9	12.5	12.0
EV/invested capital (x)	0.9	0.8	0.9	0.9	0.9

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

Sources: Charoen Pokphand Foods; FSSIA estimates

GFPT GFPT TB

THAILAND / AGRIBUSINESS

BUY
 UNCHANGED

Revise down 2023E profit and TP

- Expect 1Q23 net profit to drop sharply both q-q and y-y due to declining export volumes and chicken prices.
- We cut our 2023-24 net profit estimates by 21.8% and 16.9% to THB1.3b (-36.9% y-y) and THB1.5b (+13.9% y-y), respectively.
- Cut 2023 TP to THB12.4.

Expect net profit to plunge in 1Q23

We forecast a 1Q23 net profit of THB289m (-36.1% q-q, -36.6% y-y), down sharply due to 1) a decline in export volumes by 19.5% q-q and 9% y-y to 7,000 tonnes, and a lower chicken price. To elaborate, in 1Q23 the average price for live chickens dropped to THB38.5 per kg (-3.8% q-q, +2.1% y-y) while at the same time chicken carcass prices averaged THB19.5 per kg (-8.5% q-q, +41.3% y-y). Meanwhile, raw material prices remained stuck at a high level in 1Q23, with corn at THB13.5 per kg (+7.1% q-q, +16.4% y-y) and soybean meal at THB23.9 per kg (+7.7% q-q, +17.2% y-y).

Gross margin and GFN's profit sharing revised lower

We estimate 1Q23 total revenue should drop by 12.8% q-q but rise 7.5% y-y to THB4.3b. The gross margin should drop sharply to 11.5%, a five-quarter low. In addition, we expect 1Q23 profit sharing to decrease by 32.7% q-q and 42.7% y-y. In particular, the decline in chicken carcass prices could lead to a plunge in GFN's profit contribution to THB10m, down from THB71m in 4Q22 and THB101m in 1Q22.

Cut 2023-24E net profits to reflect a lower gross margin

We think GFPT's net profit in 1Q23 will be its lowest this year. It should recover q-q in 2Q23 and 3Q23 due to the high season for exports, but still be down y-y from the high base last year. Management believes there is a positive outlook for domestic chicken prices later this year, thanks to the government's crackdown on illegal pork imports and increasing meat consumption driven by the tourism recovery. However, we cut our 2023-24 net profit estimates by 21.8% and 16.9% to THB1.3b (-36.9% y-y) and THB1.5b (+13.9% y-y), respectively.

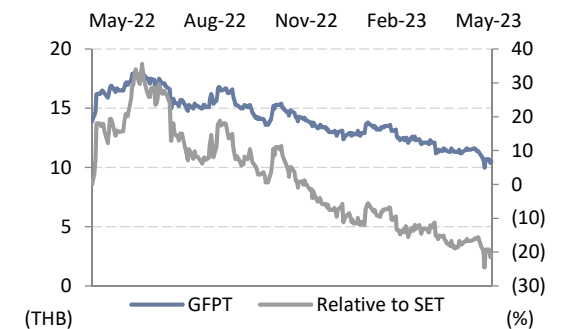
Cut 2023 TP to THB12.4

We cut our TP to THB12.4 from THB18 to reflect the lower net profit forecast, based on 12x 2023E PE (-0.5 SD). Even though the share price has fallen by 16.4% in 2023 YTD, we think the dip partially reflects market expectations of poor earnings in 2023. As we think the current share price has a wide upside of 18%, we recommend BUY for long-term investors. However, with no catalyst in the short term, we suggest re-entry when chicken prices start rising again.

TARGET PRICE	THB12.40
CLOSE	THB10.50
UP/DOWNSIDE	+18.1%
PRIOR TP	THB18.00
CHANGE IN TP	-31.1%
TP vs CONSENSUS	-15.6%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	18,222	16,391	17,211	18,071
Net profit	2,044	1,291	1,470	1,615
EPS (THB)	1.63	1.03	1.17	1.29
vs Consensus (%)	-	(21.4)	(13.8)	(13.5)
EBITDA	2,973	2,471	2,709	2,959
Core net profit	2,044	1,291	1,470	1,615
Core EPS (THB)	1.63	1.03	1.17	1.29
Chg. in EPS est. (%)	-	(21.8)	(16.9)	(14.1)
EPS growth (%)	1,100.2	(36.9)	13.9	9.8
Core P/E (x)	6.4	10.2	9.0	8.2
Dividend yield (%)	1.9	2.5	2.8	3.1
EV/EBITDA (x)	5.7	6.9	6.2	5.5
Price/book (x)	0.8	0.8	0.7	0.7
Net debt/Equity (%)	21.5	21.9	19.4	15.1
ROE (%)	13.2	7.6	8.2	8.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.1)	(19.8)	(23.4)
Relative to country (%)	(3.0)	(11.7)	(17.4)
Mkt cap (USD m)	387		
3m avg. daily turnover (USD m)	1.1		
Free float (%)	58		
Major shareholder	Sirimongkolkasem Family (52%)		
12m high/low (THB)	18.70/9.95		
Issued shares (m)	1,253.82		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

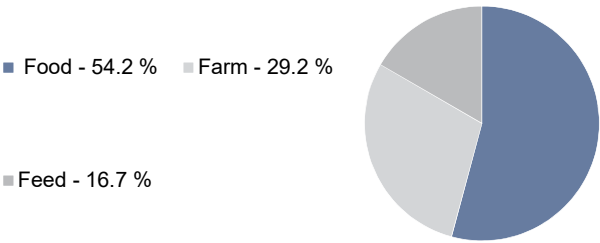
GFPT targets organic growth through expanding its chicken processing capacity, supported by continued growth in its vertically integrated chicken production operation that includes grandparent, parent, and broiler chicken farms. In the next 1-2 years, GFPT plans to double its chicken processing capacity to 300,000 tonnes/year by building new slaughterhouses. We have a positive view on the 2023 chicken export recovery from the low base last year. Although we estimate that the THB/USD exchange rate will strengthen to THB33 from THB35 in 2022, GFPT should see a limited impact from the stronger THB due to fully natural hedging. In addition, we think GFPT's share price is inexpensive, trading at only 10.2x 2023E P/E, below its five-year historical average.

Company profile

GFPT operates a vertical, fully integrated poultry business covering feed production, grandparent farms, breeder farms, broiler farms, the production and distribution of chicken meat, cooked chicken products, and other chicken-related products under its own and customers' brands for both domestic and export markets. In 2022, GFPT had a chicken processing capacity of 150,000 tonnes/year and a cooked chicken product capacity of 30,000 tonnes/year.

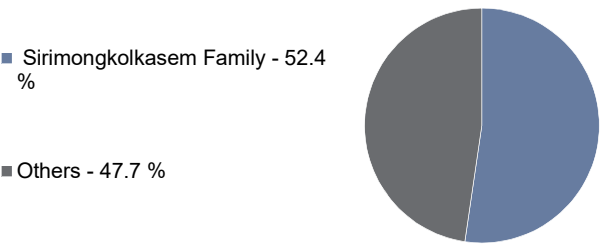
www.gfpt.co.th

Principal activities (revenue, 2022)



Source: GFPT

Major shareholders



Source: GFPT

Catalysts

Potential catalysts for GFPT's earnings growth in 2023 are 1) revenue growth driven by a chicken export recovery; 2) a higher-than-expected chicken price; and 3) declining raw material costs.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in chicken and raw material prices; 3) a stronger THB than expected; and 4) a minimum wage increase and/or a labour shortage.

Event calendar

Date	Event
11 May 2023	1Q23 analyst meeting
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Live chicken price (THB/kg)	40.0	41.0	42.0
Chicken carcass price (THB/kg)	15.0	16.0	17.0
Total sales growth (%)	(10.1)	5.0	5.0
Gross margin (%)	13.0	13.5	14.0
SG&A to sales (%)	8.6	8.6	8.6

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 4.1%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 3.8%, and vice versa, all else being equal

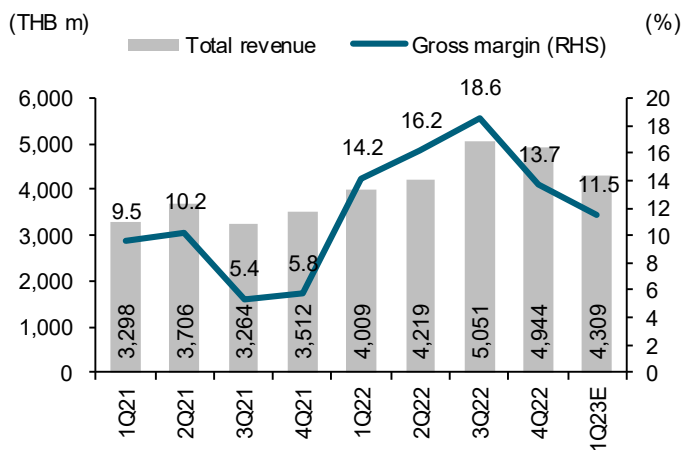
Source: FSSIA estimates

Exhibit 85: 1Q23 results preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	4,009	4,219	5,051	4,944	4,309	(12.8)	7.5
Cost of sales	3,440	3,535	4,112	4,267	3,814	(10.6)	10.9
Gross profit	569	683	939	677	496	(26.8)	(12.9)
SG&A	385	373	405	396	349	(11.8)	(9.4)
Operating profit	184	310	534	282	147	(48.0)	(20.2)
Profit sharing	192	155	207	163	110	(32.7)	(42.7)
McKey	91	75	69	92	100	8.5	10.0
GFN	101	80	138	71	10	(85.9)	(90.1)
Interest expense	21	23	22	21	21	1.4	1.1
Tax expense	37	46	65	61	22	(64.2)	(41.4)
Other gain (loss)	29	(30)	(56)	31	0	nm	nm
Reported net profit	456	454	683	452	289	(36.1)	(36.6)
Core profit	427	484	739	421	289	(31.4)	(32.4)
Key ratios (%)						(ppt)	(ppt)
Gross margin	14.2	16.2	18.6	13.7	11.5	(2.2)	(2.7)
SG&A to sales	9.6	8.8	8.0	8.0	8.1	0.1	(1.5)
Operating margin	4.6	7.4	10.6	5.7	3.4	(2.3)	(1.2)
Net margin	11.4	10.8	13.5	9.1	6.7	(2.4)	(4.7)
Core margin	10.7	11.5	14.6	8.5	6.7	(1.8)	(3.9)
Operating Statistics (THB/kg)							
Live chicken	37.7	44.4	41.2	40.0	38.5	(3.8)	2.1
Chicken carcass	13.8	23.3	23.5	21.3	19.5	(8.5)	41.3
Corn	11.6	13.1	12.1	12.6	13.5	7.1	16.4
Soybean meal	20.4	21.9	22.1	22.2	23.9	7.7	17.2

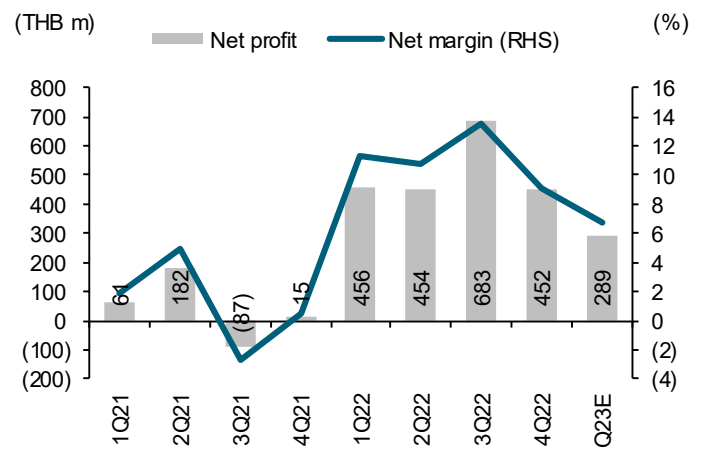
Sources: GFPT, FSSIA estimates

Exhibit 86: Quarterly total revenue and gross margin



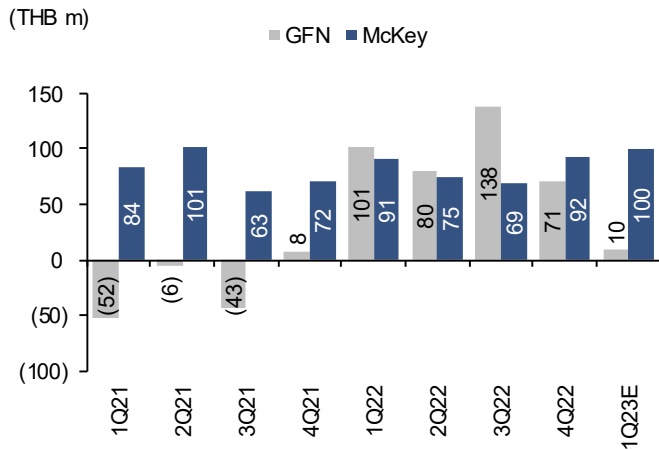
Sources: GFPT, FSSIA estimates

Exhibit 87: Quarterly net profit and net margin



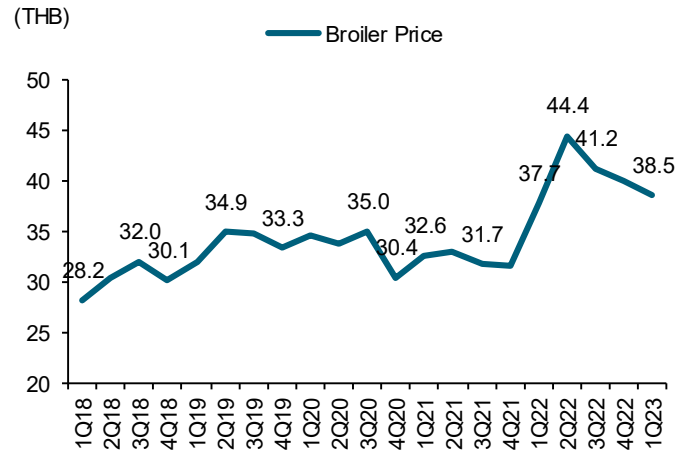
Sources: GFPT, FSSIA estimates

Exhibit 88: Quarterly profit sharing from GFN & McKey



Sources: GFPT, FSSIA estimates

Exhibit 89: Quarterly broiler price



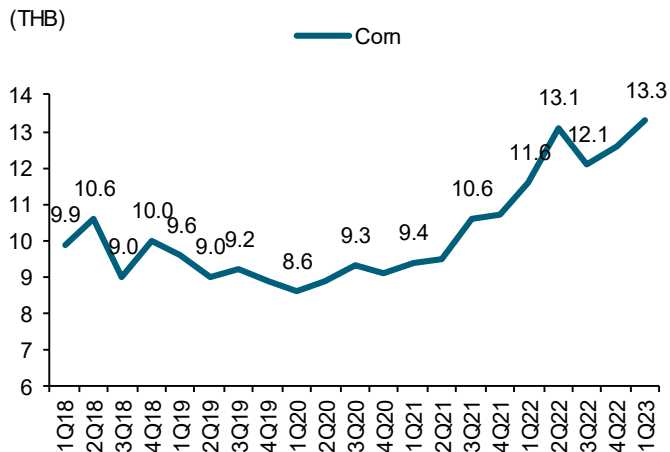
Sources: GFPT, Office of Agricultural Economics, FSSIA's compilation

Exhibit 90: Key assumptions for GFPT

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
FX rate (THB/USD)	33.0	33.0	33.0	33.0	33.0	33.0	0.0	0.0	0.0
Total revenue	16,391	17,211	18,071	16,391	17,211	18,071	0.0	0.0	0.0
Costs	14,260	14,887	15,541	13,932	14,595	15,288	2.4	2.0	1.7
Gross profit	2,131	2,323	2,530	2,459	2,616	2,783	(13.3)	(11.2)	(9.1)
SG&A expenses	1,410	1,480	1,554	1,426	1,497	1,572	(1.1)	(1.1)	(1.1)
Profit sharing	459	516	542	574	602	632	(20.0)	(14.3)	(14.3)
Reported net profit	1,291	1,470	1,615	1,651	1,768	1,880	(21.8)	(16.9)	(14.1)
Core profit	1,291	1,470	1,615	1,651	1,768	1,880	(21.8)	(16.9)	(14.1)
Key ratios (%)									
Total revenue growth	(10.1)	5.0	5.0	(10.1)	5.0	5.0	0.0	0.0	0.0
Net profit growth	(36.9)	13.9	9.8	(19.2)	7.1	6.3	(17.6)	6.8	3.5
Core profit growth	(37.7)	13.9	9.8	(20.3)	7.1	6.3	(17.4)	6.8	3.5
Gross margin	13.0	13.5	14.0	15.0	15.2	15.4	(2.0)	(1.7)	(1.4)
SG&A to sales	8.6	8.6	8.6	8.7	8.7	8.7	(0.1)	(0.1)	(0.1)
Net margin	7.9	8.5	8.9	10.1	10.3	10.4	(2.2)	(1.7)	(1.5)
Norm margin	7.9	8.5	8.9	10.1	10.3	10.4	(2.2)	(1.7)	(1.5)
Operating statistics (THB/kg)									
Live chicken	40.0	41.0	42.0	40.0	39.0	38.0	0.0	5.1	10.5
Chicken carcass	15.0	16.0	17.0	17.0	16.0	15.0	(11.8)	0.0	13.3
Corn	12.0	11.0	10.0	12.0	11.0	10.0	0.0	0.0	0.0
Soybean meal	22.0	20.0	19.0	22.0	20.0	19.0	0.0	0.0	0.0

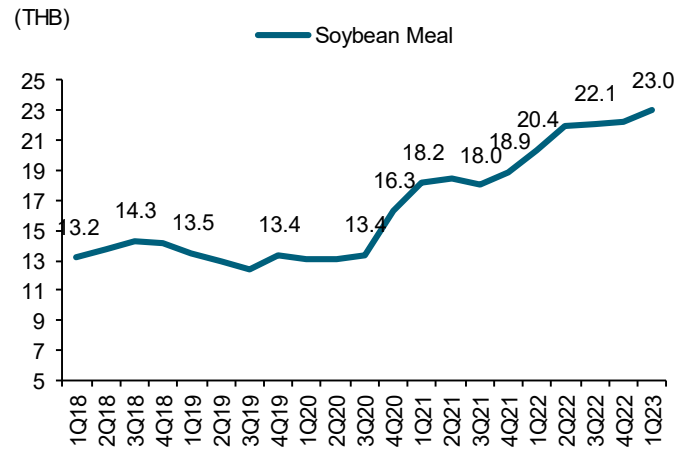
Source: FSSIA estimates

Exhibit 91: Quarterly corn price



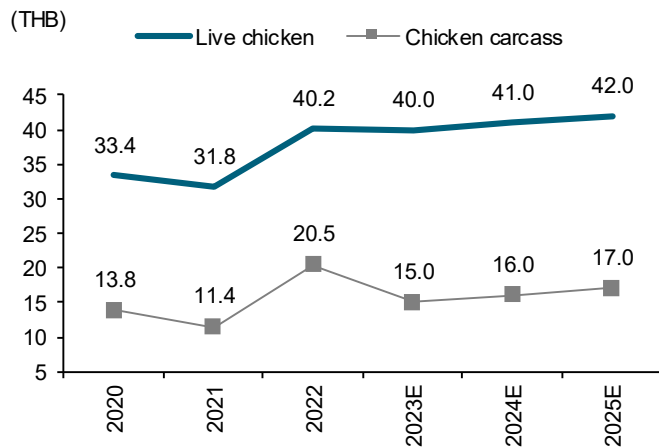
Sources: GFPT; FSSIA's compilation

Exhibit 92: Quarterly soybean meal price



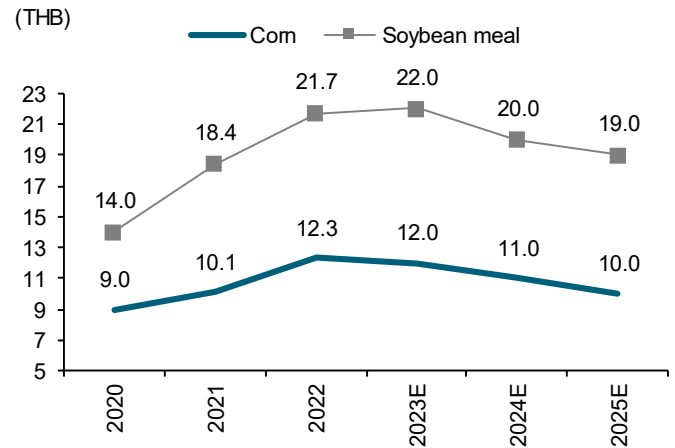
Sources: GFPT; FSSIA's compilation

Exhibit 93: Yearly chicken prices



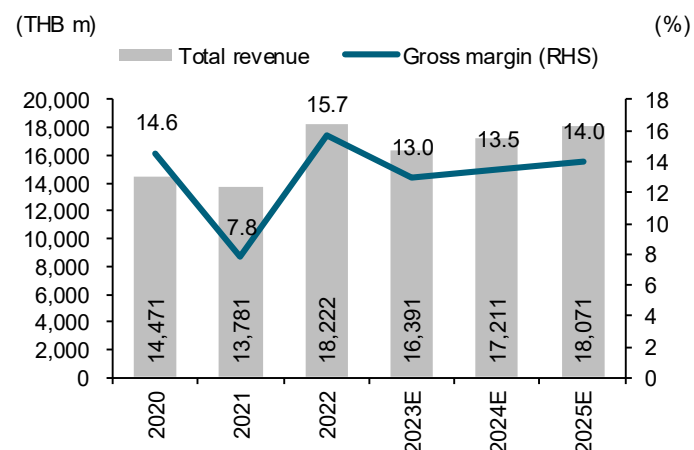
Sources: GFPT; FSSIA estimates

Exhibit 94: Yearly raw material prices



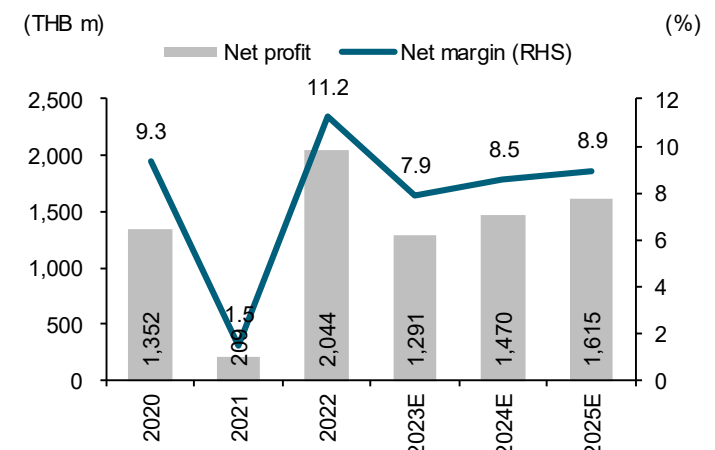
Sources: GFPT; FSSIA estimates

Exhibit 95: Yearly total revenue and gross margin



Sources: GFPT; FSSIA estimates

Exhibit 96: Yearly net profit and net margin



Sources: GFPT; FSSIA estimates

Financial Statements

GFPT

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	13,781	18,222	16,391	17,211	18,071
Cost of goods sold	(11,474)	(14,032)	(12,838)	(13,365)	(13,919)
Gross profit	2,306	4,190	3,553	3,845	4,152
Other operating income	271	342	328	344	361
Operating costs	(1,338)	(1,559)	(1,410)	(1,480)	(1,554)
Operating EBITDA	1,240	2,973	2,471	2,709	2,959
Depreciation	(1,234)	(1,322)	(1,422)	(1,522)	(1,622)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	6	1,651	1,049	1,188	1,337
Net financing costs	(32)	(148)	(87)	(86)	(84)
Associates	227	718	459	516	542
Recurring non-operating income	220	753	459	516	542
Non-recurring items	0	0	0	0	0
Profit before tax	194	2,256	1,421	1,618	1,796
Tax	(22)	(209)	(125)	(143)	(163)
Profit after tax	172	2,047	1,296	1,475	1,633
Minority interests	(2)	(2)	(5)	(5)	(18)
Preferred dividends	-	-	-	-	-
Other items	-	-	0	0	0
Reported net profit	170	2,044	1,291	1,470	1,615
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	170	2,044	1,291	1,470	1,615
Per share (THB)					
Recurring EPS *	0.14	1.63	1.03	1.17	1.29
Reported EPS	0.14	1.63	1.03	1.17	1.29
DPS	0.21	0.20	0.26	0.29	0.32
Diluted shares (used to calculate per share data)	1,254	1,254	1,254	1,254	1,254
Growth					
Revenue (%)	(4.8)	32.2	(10.1)	5.0	5.0
Operating EBITDA (%)	(51.6)	139.7	(16.9)	9.7	9.2
Operating EBIT (%)	(99.5)	26,304.0	(36.5)	13.2	12.6
Recurring EPS (%)	(87.4)	1,100.2	(36.9)	13.9	9.8
Reported EPS (%)	(87.4)	1,100.2	(36.9)	13.9	9.8
Operating performance					
Gross margin inc. depreciation (%)	7.8	15.7	13.0	13.5	14.0
Gross margin of key business (%)	7.8	15.7	13.0	13.5	14.0
Operating EBITDA margin (%)	9.0	16.3	15.1	15.7	16.4
Operating EBIT margin (%)	0.0	9.1	6.4	6.9	7.4
Net margin (%)	1.2	11.2	7.9	8.5	8.9
Effective tax rate (%)	11.2	9.3	8.8	8.9	9.1
Dividend payout on recurring profit (%)	152.7	12.1	25.0	25.0	25.0
Interest cover (X)	7.0	16.2	17.3	19.9	22.4
Inventory days	116.1	88.7	102.7	109.0	109.3
Debtor days	19.8	18.0	21.3	19.5	19.5
Creditor days	34.7	28.8	28.6	26.2	27.3
Operating ROIC (%)	0.0	8.7	5.2	5.6	6.1
ROIC (%)	1.0	9.7	5.6	6.1	6.5
ROE (%)	1.2	13.2	7.6	8.2	8.4
ROA (%)	1.0	9.7	5.8	6.4	6.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Food	7,109	9,875	9,381	9,866	10,369
Farm	3,827	5,314	4,317	4,576	4,851
Feed	2,845	3,034	3,123	3,217	3,320

Sources: GFPT; FSSIA estimates

Financial Statements

GFPT

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	170	2,044	1,291	1,470	1,615
Depreciation	1,234	1,322	1,422	1,522	1,622
Associates & minorities	(227)	(718)	(459)	(516)	(542)
Other non-cash items	(45)	97	0	0	0
Change in working capital	666	(1,484)	(498)	(113)	(200)
Cash flow from operations	1,798	1,261	1,756	2,363	2,495
Capex - maintenance	(2,033)	(2,945)	(2,330)	(1,956)	(2,040)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(2,033)	(2,945)	(2,330)	(1,956)	(2,040)
Dividends paid	(232)	(125)	(323)	(367)	(404)
Equity finance	0	0	0	0	0
Debt finance	205	2,103	(47)	(30)	16
Other financing cash flows	(1)	2	11	(3)	(3)
Cash flow from financing	(29)	1,980	(359)	(400)	(390)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	39	0	0	0	0
Net other adjustments	39	0	0	0	0
Movement in cash	(225)	296	(933)	6	65
Free cash flow to firm (FCFF)	(164.46)	(1,597.64)	(487.19)	491.78	538.65
Free cash flow to equity (FCFE)	7.75	421.20	(610.41)	373.41	468.30
Per share (THB)					
FCFF per share	(0.13)	(1.27)	(0.39)	0.39	0.43
FCFE per share	0.01	0.34	(0.49)	0.30	0.37
Recurring cash flow per share	0.90	2.19	1.80	1.97	2.15
Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	20,614	21,993	23,415	24,937	26,558
Less: Accumulated depreciation	(9,429)	(10,104)	(10,948)	(11,992)	(13,235)
Tangible fixed assets (net)	11,185	11,889	12,467	12,945	13,323
Intangible fixed assets (net)	25	673	687	701	715
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	3,561	4,275	4,275	4,275	4,275
Cash & equivalents	963	1,259	325	331	396
A/C receivable	780	1,012	898	943	990
Inventories	3,499	3,320	3,907	4,079	4,258
Other current assets	512	730	492	516	542
Current assets	5,753	6,321	5,622	5,869	6,186
Other assets	700	257	574	516	542
Total assets	21,224	23,415	23,624	24,306	25,041
Common equity	14,560	16,480	17,448	18,550	19,761
Minorities etc.	125	127	138	135	132
Total shareholders' equity	14,685	16,606	17,585	18,685	19,893
Long term debt	1,826	3,292	3,092	2,892	2,692
Other long-term liabilities	681	687	820	499	524
Long-term liabilities	2,507	3,979	3,911	3,391	3,216
A/C payable	1,102	1,113	899	1,020	1,064
Short term debt	2,689	1,540	1,082	1,056	705
Other current liabilities	240	177	148	155	163
Current liabilities	4,032	2,830	2,128	2,231	1,932
Total liabilities and shareholders' equity	21,224	23,415	23,624	24,306	25,041
Net working capital	3,448	3,772	4,251	4,363	4,563
Invested capital	18,919	20,866	22,253	22,800	23,418
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	11.61	13.14	13.92	14.79	15.76
Tangible book value per share	11.59	12.61	13.37	14.24	15.19
Financial strength					
Net debt/equity (%)	24.2	21.5	21.9	19.4	15.1
Net debt/total assets (%)	16.7	15.3	16.3	14.9	12.0
Current ratio (x)	1.4	2.2	2.6	2.6	3.2
CF interest cover (x)	1.2	3.8	(6.0)	5.4	6.6
Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	77.3	6.4	10.2	9.0	8.2
Recurring P/E @ target price (x) *	91.3	7.6	12.0	10.6	9.6
Reported P/E (x)	77.3	6.4	10.2	9.0	8.2
Dividend yield (%)	2.0	1.9	2.5	2.8	3.1
Price/book (x)	0.9	0.8	0.8	0.7	0.7
Price/tangible book (x)	0.9	0.8	0.8	0.7	0.7
EV/EBITDA (x) **	13.6	5.7	6.9	6.2	5.5
EV/EBITDA @ target price (x) **	15.5	6.5	7.9	7.1	6.3
EV/invested capital (x)	0.9	0.8	0.8	0.7	0.7
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: GFPT; FSSIA estimates

THAI FOODS GROUP

THAILAND / FOOD & BEVERAGE

TFG TB

HOLD

FROM BUY

TARGET PRICE	THB5.20
CLOSE	THB4.76
UP/DOWNSIDE	+9.2%
PRIOR TP	THB8.00
CHANGE IN TP	-35.0%
TP vs CONSENSUS	-32.8%

Earnings slump in 1Q hurts outlook

- We forecast 1Q23 net profit to fall by 63% q-q and 33% y-y due to declining meat prices and higher raw material costs.
- We cut our 2023-24 net profit estimates by 26% and 25% to THB2.7b (-43% y-y) and THB3b (+11% y-y), respectively.
- Downgrade to HOLD with a new TP of THB5.2.

Expect 1Q23 profit to drop sharply

We forecast a 1Q23 net profit of THB415m (-63% q-q, -33% y-y), due to 1) a 25.7% q-q estimated plunge in total revenue; and 2) a sharply lower gross margin projected at 12.2% (vs 16.9% in 4Q22 and 15.3% in 1Q22). In particular, we expect TFG's chicken and swine selling prices in 1Q23 to drop to THB58 (-13.4% q-q, +10.3% y-y) and THB89 (-8.7% q-q, -0.3% y-y), respectively, in line with declining meat prices. Moreover, as Vietnam's swine price dropped by 4.6% q-q and y-y to VND50,400 per kg, this should affect both TFG's revenue and incur a loss from the revaluation of biological assets.

Retail shop growth might not help margins in short term

Despite our positive view of its retail shop business, which generates a high gross margin and should be a growth driver for its total revenue, it is unlikely that it can offset the lower gross margin estimated in 1Q23, which is the result of lower meat prices and higher raw material prices. To elaborate, 1Q23 corn and soybean meal prices averaged THB13.5 per kg (+7.1% q-q, +18.4% y-y) and THB23.9 per kg (+2.6% q-q, +11.7% y-y), respectively. With management targeting 160-180 new stores in 2023, we expect its retail shop revenue proportion in 2023 to reach 19% of total revenue (vs 14.9% in 2022).

Cut 2023-24E net profit to reflect the decline in meat prices

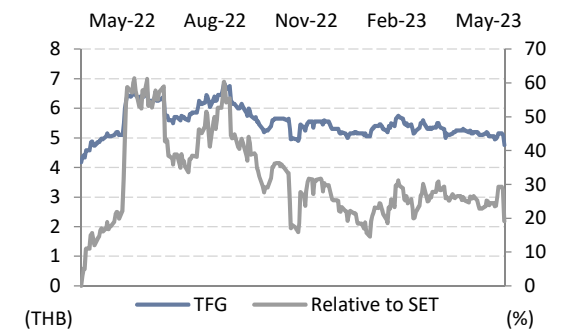
We cut our 2023-24 net profit estimates by 26% and 25% to THB2.7b (-43% y-y) and THB3b (+11% y-y), respectively, to reflect declining meat prices both domestically and in Vietnam, and a lower-than-expected gross margin. However, we think TFG's 1Q23 profit should be its lowest this year, if meat prices rise in 2H23 in line with management's view.

Downgrade to HOLD with new TP of THB5.2

We cut our TP to THB5.2 from THB8 to reflect our lower net profit forecast, based on 12x 2023E PE (-0.5 SD). Although its shares are trading at 11x 2023E P/E, there is still a limited potential upside of 9.2%. Hence, we recommend HOLD. With no catalyst in the short term, we suggest that investors wait until the price of meat starts rising again.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	52,323	47,277	49,044	51,299
Net profit	4,724	2,676	2,966	3,252
EPS (THB)	0.81	0.43	0.48	0.53
vs Consensus (%)	-	(35.2)	(30.8)	(39.1)
EBITDA	10,419	7,647	8,149	8,609
Core net profit	4,724	2,676	2,966	3,252
Core EPS (THB)	0.81	0.43	0.48	0.53
Chg. in EPS est. (%)	-	(26.3)	(25.0)	(22.4)
EPS growth (%)	713.3	(46.5)	10.8	9.7
Core P/E (x)	5.9	11.0	9.9	9.0
Dividend yield (%)	8.4	4.6	5.1	5.5
EV/EBITDA (x)	4.9	6.2	5.6	5.1
Price/book (x)	1.8	1.7	1.6	1.4
Net debt/Equity (%)	150.8	103.4	88.7	72.9
ROE (%)	34.8	16.3	16.5	16.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.5)	(16.5)	11.7
Relative to country (%)	(4.5)	(8.0)	20.4
Mkt cap (USD m)	791		
3m avg. daily turnover (USD m)	0.7		
Free float (%)	16		
Major shareholder	New Star Victor Co Ltd (28%)		
12m high/low (THB)	6.90/4.14		
Issued shares (m)	5,654.06		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

TFG is one of the top three producers of chicken meat and live pigs in Thailand. The company has the capacity to produce 500,000 chickens per day and supply over 85,000 finished hogs per month.

We have a positive view on the 2023 chicken export recovery due to the low base last year. Also, the expansion of its retail shop business should support growth and profitability in the medium to long term. Although we estimate the THB/USD exchange rate to strengthen to THB33 from THB35 in 2022, TFG should see a limited impact from the stronger THB due to fully natural hedging.

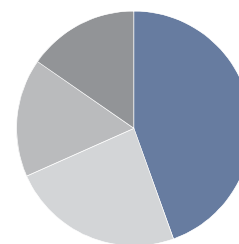
Company profile

Thai Foods Group (TFG) was established in 1987 by Mr Winai Teawsomboonkij, the founder and CEO. TFG is a vertically integrated food producer specialising in the production of chicken and swine, with operations in Thailand and Vietnam. During 2019-2021, the company generated key revenues from three businesses: poultry, swine, and feed & others, each contributing in percentage terms 47/27/24, respectively.

www.tfg.co.th

Principal activities (revenue, 2022)

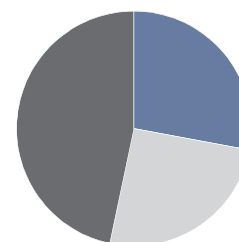
- Poultry - 44.5 %
- Swine - 23.8 %
- Feed - 16.3 %
- Retail Shop and other - 15.4 %



Source: Thai Foods Group

Major shareholders

- New Star Victor Co Ltd - 27.9 %
- Teawsomboonkij Family - 25.4 %
- Others - 46.7 %



Source: Thai Foods Group

Catalysts

Potential catalysts for TFG's earning growth in 2023 are 1) revenue growth driven by sales volume; 2) higher-than-expected meat prices; 3) declining raw material costs; and 4) its new Thai Foods Fresh Market store expansion.

Risks to our call

Downside and upside risks to our P/E-based TP are 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in meat and raw material prices; 3) a stronger or weaker-than-expected THB against USD.

Event calendar

Date	Event
10 May 2023	1Q23 results announcement
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
TFG's chicken ASP (THB/kg)	44.5	45.0	45.0
TFG's swine ASP (THB/kg)	85.0	85.0	88
Total sales growth (%)	(9.6)	3.7	4.6
Gross margin (%)	14.5	14.8	15.0
SG&A to sales (%)	6.4	6.3	6.3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 1.2%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 5.1%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 4.7%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 97: 1Q23E earnings preview

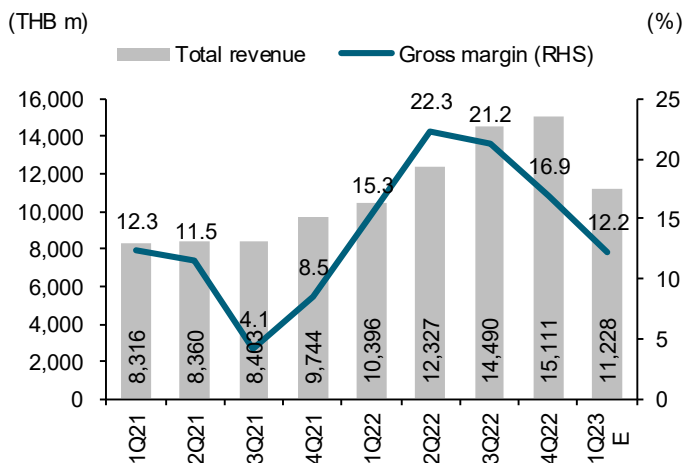
	1Q22	2Q22	3Q22	4Q22	1Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	10,396	12,327	14,490	15,111	11,228	(25.7)	8.0
Cost of sales	8,804	9,581	11,420	12,562	9,857	(21.5)	12.0
Gross profit	1,592	2,746	3,070	2,548	1,371	(46.2)	(13.9)
SG&A	727	854	770	892	730	(18.2)	0.4
Operating profit	866	1,892	2,300	1,656	641	(61.3)	(25.9)
Interest expense	163	179	221	281	283	0.6	73.1
Tax expense	154	304	325	62	26	(57.6)	(82.9)
Other gain (loss)	(1)	(284)	(106)	(266)	0	nm	nm
Reported net profit	619	1,238	1,734	1,131	415	(63.3)	(32.9)
Core profit	620	1,522	1,840	1,397	415	(70.3)	(33.1)

Key ratios (%)						(ppt)	(ppt)
Gross margin	15.3	22.3	21.2	16.9	12.2	(4.7)	(3.1)
SG&A to sales	7.0	6.9	5.3	5.9	6.5	0.6	(0.5)
Operating margin	8.3	15.3	15.9	11.0	5.7	(5.2)	(2.6)
Net margin	5.9	10.0	12.0	7.5	3.7	(3.8)	(2.3)
Core margin	6.0	12.3	12.7	9.2	3.7	(5.6)	(2.3)

Operating statistics (THB/kg)							
Domestic chicken price	52.6	59.1	66.1	67.0	58.0	(13.4)	10.3
Domestic swine price	89.3	100.0	104.6	97.5	89.0	(8.7)	(0.3)
Vietnam swine price (VND/kg)	52,809	55,387	62,760	52,819	50,400	(4.6)	(4.6)
Corn price	11.4	13.1	12.1	12.6	13.5	7.1	18.4
Soybean meal price	21.4	23.1	23.1	23.3	23.9	2.6	11.7

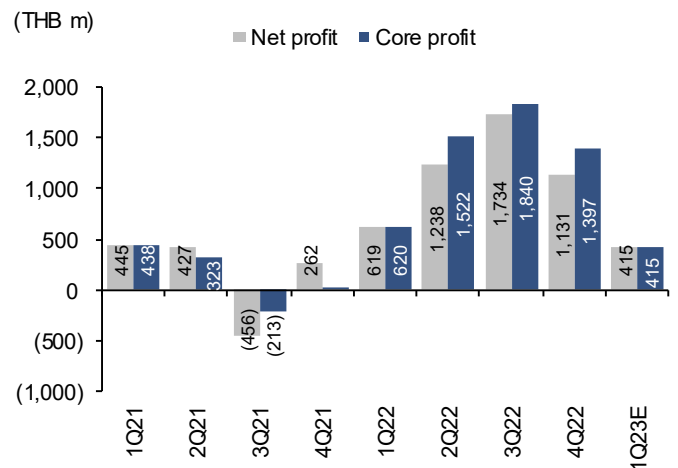
Sources: TFG, FSSIA estimates

Exhibit 98: Quarterly total revenue and gross margin



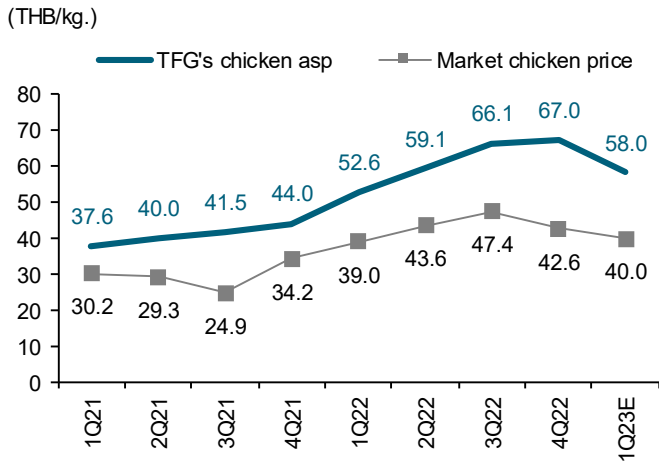
Sources: TFG, FSSIA estimates

Exhibit 99: Quarterly net profit and core profit



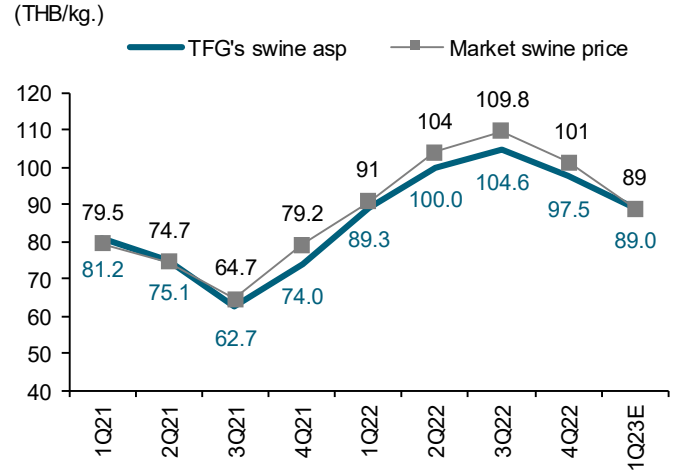
Sources: TFG, FSSIA estimates

Exhibit 100: Quarterly chicken price



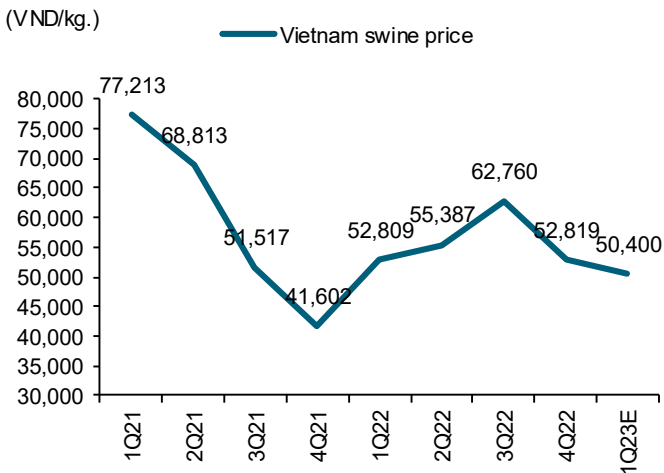
Sources: TFG, FSSIA estimates

Exhibit 101: Quarterly swine price



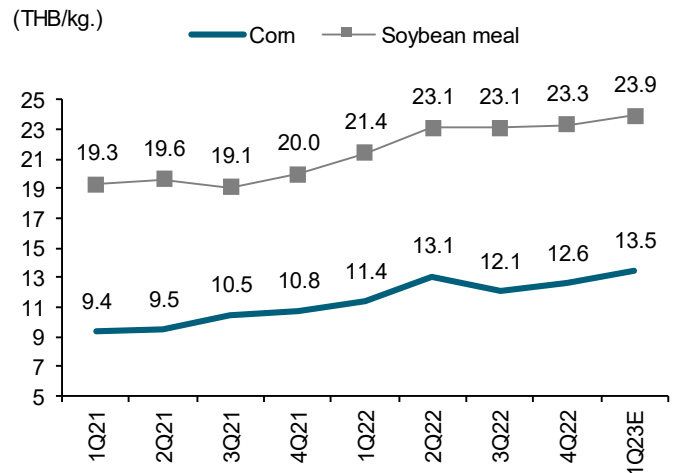
Sources: TFG, FSSIA estimates

Exhibit 102: Quarterly swine price in Vietnam



Sources: CPF, FSSIA estimates

Exhibit 103: Quarterly corn and soybean meal price



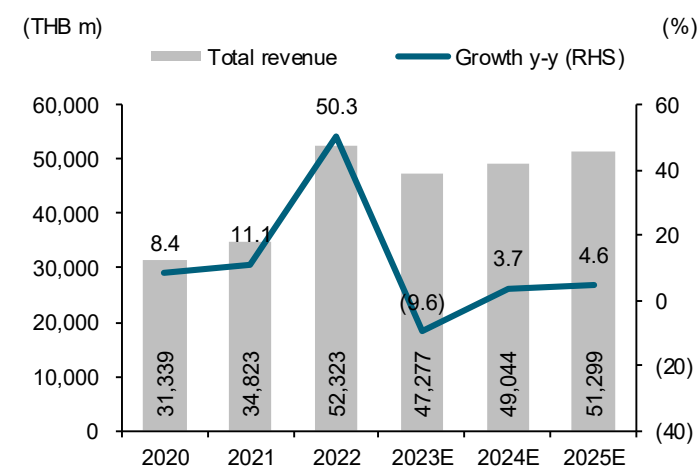
Sources: TFG, Office of Agricultural Economics, FSSIA estimates

Exhibit 104: Key assumptions for TFG

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	47,277	49,044	51,299	49,061	49,698	50,558	(3.6)	(1.3)	1.5
Costs	40,422	41,786	43,604	41,211	41,498	42,064	(1.9)	0.7	3.7
Gross profit	6,855	7,259	7,695	7,850	8,200	8,494	(12.7)	(11.5)	(9.4)
SG&A expenses	3,026	3,090	3,232	3,091	3,081	3,135	(2.1)	0.3	3.1
Reported net profit	2,676	2,966	3,252	3,632	3,956	4,192	(26.3)	(25.0)	(22.4)
Core profit	2,676	2,966	3,252	3,632	3,956	4,192	(26.3)	(25.0)	(22.4)
Key ratios (%)									
Total revenue growth (%)	(9.6)	3.7	4.6	(6.2)	1.3	1.7	(3.4)	2.4	2.9
Net profit growth (%)	(43.4)	10.8	9.7	(23.1)	8.9	6.0	(20.2)	1.9	3.7
Core profit growth (%)	(50.3)	10.8	9.7	(32.5)	8.9	6.0	(17.8)	1.9	3.7
Gross margin	14.5	14.8	15.0	16.0	16.5	16.8	(1.5)	(1.7)	(1.8)
SG&A to sales	6.4	6.3	6.3	6.3	6.2	6.2	0.1	0.1	0.1
Net margin	5.7	6.0	6.3	7.4	8.0	8.3	(1.7)	(1.9)	(2.0)
Norm margin	5.7	6.0	6.3	7.4	8.0	8.3	(1.7)	(1.9)	(2.0)
Operating statistics (THB/kg)									
TFG's chicken ASP	44.5	45.0	45.0	49.7	47.2	44.8	(10.4)	(4.7)	0.4
TFG's swine ASP	85.0	85.0	88.0	90.0	85.0	80.0	(5.6)	0.0	10.0
Corn	12.0	11.0	10.0	12.0	11.0	10.0	0.0	0.0	0.0
Soybean meal	22.0	20.0	19.0	22.0	20.0	19.0	0.0	0.0	0.0
Retail shop stores (no.)	320	390	490	320	390	490	0.0	0.0	0.0
Retail shop sales (THB m)	9,035	10,038	11,038	9,035	10,038	11,038	0.0	0.0	0.0

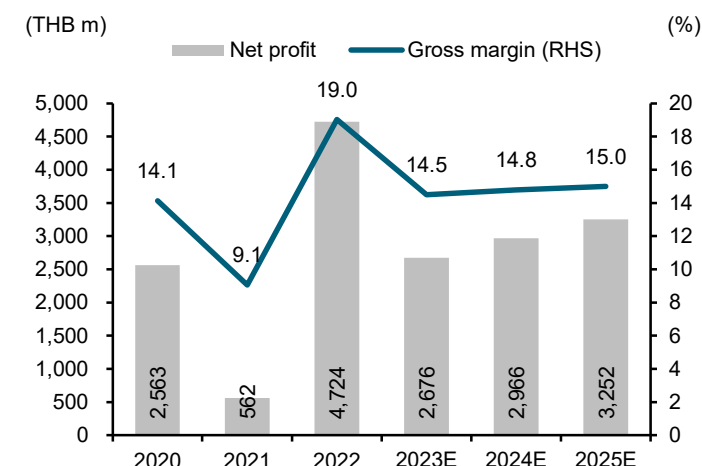
Sources: FSSIA estimates

Exhibit 105: Yearly total revenue and growth



Sources: FSSIA estimates

Exhibit 106: Yearly net profit and gross margin



Sources: FSSIA estimates

Financial Statements

Thai Foods Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	34,823	52,323	47,277	49,044	51,299
Cost of goods sold	(29,244)	(39,030)	(36,935)	(38,149)	(39,817)
Gross profit	5,579	13,293	10,342	10,896	11,482
Other operating income	251	369	331	343	359
Operating costs	(1,927)	(3,243)	(3,026)	(3,090)	(3,232)
Operating EBITDA	3,903	10,419	7,647	8,149	8,609
Depreciation	(2,425)	(3,337)	(3,487)	(3,637)	(3,787)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	1,477	7,082	4,160	4,512	4,822
Net financing costs	(595)	(1,080)	(1,007)	(1,018)	(991)
Associates	0	(9)	0	0	1
Recurring non-operating income	216	(429)	0	0	1
Non-recurring items	0	0	0	0	0
Profit before tax	1,098	5,573	3,153	3,495	3,832
Tax	(546)	(845)	(473)	(524)	(575)
Profit after tax	552	4,728	2,680	2,970	3,257
Minority interests	10	(4)	(5)	(5)	(5)
Preferred dividends	0	0	0	0	0
Other items	-	-	0	0	0
Reported net profit	562	4,724	2,676	2,966	3,252
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	562	4,724	2,676	2,966	3,252
Per share (THB)					
Recurring EPS *	0.10	0.81	0.43	0.48	0.53
Reported EPS	0.10	0.81	0.43	0.48	0.53
DPS	0.09	0.40	0.22	0.24	0.26
Diluted shares (used to calculate per share data)	5,644	5,831	6,168	6,168	6,168
Growth					
Revenue (%)	11.1	50.3	(9.6)	3.7	4.6
Operating EBITDA (%)	(28.3)	167.0	(26.6)	6.6	5.6
Operating EBIT (%)	(55.8)	379.5	(41.3)	8.5	6.9
Recurring EPS (%)	(78.2)	713.3	(46.5)	10.8	9.7
Reported EPS (%)	(78.2)	713.3	(46.5)	10.8	9.7
Operating performance					
Gross margin inc. depreciation (%)	9.1	19.0	14.5	14.8	15.0
Gross margin of key business (%)	9.1	19.0	14.5	14.8	15.0
Operating EBITDA margin (%)	11.2	19.9	16.2	16.6	16.8
Operating EBIT margin (%)	4.2	13.5	8.8	9.2	9.4
Net margin (%)	1.6	9.0	5.7	6.0	6.3
Effective tax rate (%)	49.7	15.2	15.0	15.0	15.0
Dividend payout on recurring profit (%)	90.4	49.4	50.0	50.0	50.0
Interest cover (X)	2.8	6.2	4.1	4.4	4.9
Inventory days	51.3	55.3	61.8	53.9	53.6
Debtor days	25.1	22.2	26.1	24.5	24.5
Creditor days	43.9	38.2	45.3	43.1	42.9
Operating ROIC (%)	5.2	18.4	10.3	11.8	12.7
ROIC (%)	5.1	15.0	8.8	10.1	10.8
ROE (%)	5.0	34.8	16.3	16.5	16.7
ROA (%)	3.3	13.8	8.0	9.2	9.8

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Poultry	16,642	23,298	19,011	19,391	19,779
Swine	9,518	12,457	10,723	10,937	11,547
Feed	6,958	8,533	8,268	8,434	8,687
Retail Shop and other	1,705	8,036	9,274	10,282	11,287

Sources: Thai Foods Group; FSSIA estimates

Financial Statements

Thai Foods Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	562	4,724	2,676	2,966	3,252
Depreciation	2,425	3,337	3,487	3,637	3,787
Associates & minorities	0	9	0	0	(1)
Other non-cash items	635	(184)	0	0	0
Change in working capital	(5,519)	252	1,645	(871)	(475)
Cash flow from operations	(1,896)	8,138	7,808	5,732	6,564
Capex - maintenance	(4,947)	(9,785)	(2,435)	(3,159)	(3,203)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(4,947)	(9,785)	(2,435)	(3,159)	(3,203)
Dividends paid	(589)	(799)	(1,338)	(1,483)	(1,626)
Equity finance	36	56	469	0	0
Debt finance	8,960	2,756	(4,746)	(1,002)	(1,873)
Other financing cash flows	(1,931)	36	(32)	(200)	0
Cash flow from financing	6,475	2,049	(5,648)	(2,685)	(3,500)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(368)	402	(274)	(113)	(139)
Free cash flow to firm (FCFF)	(6,349.87)	(801.37)	6,380.43	3,590.56	4,351.60
Free cash flow to equity (FCFE)	184.99	1,145.83	594.59	1,369.90	1,486.81
Per share (THB)					
FCFF per share	(1.12)	(0.14)	1.13	0.64	0.77
FCFE per share	0.03	0.20	0.11	0.24	0.26
Recurring cash flow per share	0.64	1.35	1.00	1.07	1.14
Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	19,682	23,182	26,182	29,182	32,182
Less: Accumulated depreciation	(3,316)	(1,879)	(5,366)	(9,003)	(12,790)
Tangible fixed assets (net)	16,366	21,302	20,815	20,178	19,391
Intangible fixed assets (net)	179	213	179	179	179
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	704	605	605	605	605
Cash & equivalents	416	818	544	431	292
A/C receivable	2,829	3,531	3,238	3,359	3,514
Inventories	4,863	6,963	5,537	5,724	5,973
Other current assets	7,001	7,452	6,146	6,376	6,669
Current assets	15,109	18,764	15,465	15,890	16,448
Other assets	3,210	4,786	4,255	4,414	4,617
Total assets	35,567	45,670	41,319	41,266	41,239
Common equity	11,556	15,568	17,343	18,626	20,252
Minorities etc.	14	18	18	18	17
Total shareholders' equity	11,570	15,587	17,361	18,643	20,269
Long term debt	8,229	11,960	8,132	7,532	6,832
Other long-term liabilities	442	462	567	589	616
Long-term liabilities	8,670	12,422	8,699	8,121	7,448
A/C payable	3,434	4,733	4,430	4,579	4,779
Short term debt	11,734	12,370	10,356	9,432	8,231
Other current liabilities	159	557	473	490	513
Current liabilities	15,326	17,661	15,259	14,502	13,523
Total liabilities and shareholders' equity	35,567	45,670	41,319	41,266	41,239
Net working capital	11,100	12,655	10,019	10,389	10,864
Invested capital	31,559	39,562	35,873	35,765	35,656
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	2.05	2.67	2.81	3.02	3.28
Tangible book value per share	2.02	2.63	2.78	2.99	3.25
Financial strength					
Net debt/equity (%)	168.9	150.8	103.4	88.7	72.9
Net debt/total assets (%)	55.0	51.5	43.4	40.1	35.8
Current ratio (x)	1.0	1.1	1.0	1.1	1.2
CF interest cover (x)	1.3	2.1	1.6	2.3	2.5
Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	47.8	5.9	11.0	9.9	9.0
Recurring P/E @ target price (x) *	52.2	6.4	12.0	10.8	9.9
Reported P/E (x)	47.8	5.9	11.0	9.9	9.0
Dividend yield (%)	1.9	8.4	4.6	5.1	5.5
Price/book (x)	2.3	1.8	1.7	1.6	1.4
Price/tangible book (x)	2.4	1.8	1.7	1.6	1.5
EV/EBITDA (x) **	11.9	4.9	6.2	5.6	5.1
EV/EBITDA @ target price (x) **	12.5	5.2	6.5	6.0	5.4
EV/invested capital (x)	1.5	1.3	1.3	1.3	1.2
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Thai Foods Group; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"** by the Thai Institute of Directors Association (Thai IOD); 2) **"AGM Checklist"** by the Thai Investors Association (TIA), a **"CAC certified member"** of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The **"AGM Checklist"** quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

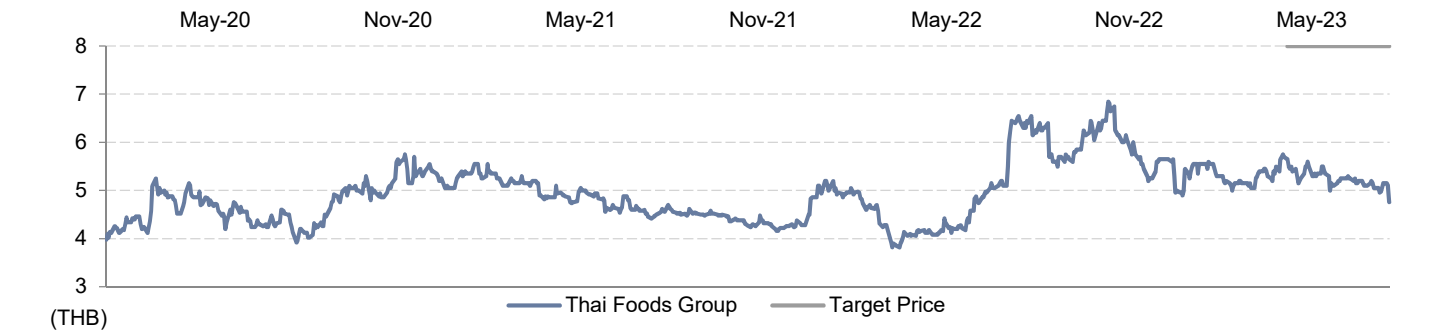
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

Thai Foods Group (TFG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	8.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

GFPT (GFPT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	18.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Thai Union Group (TU TB)



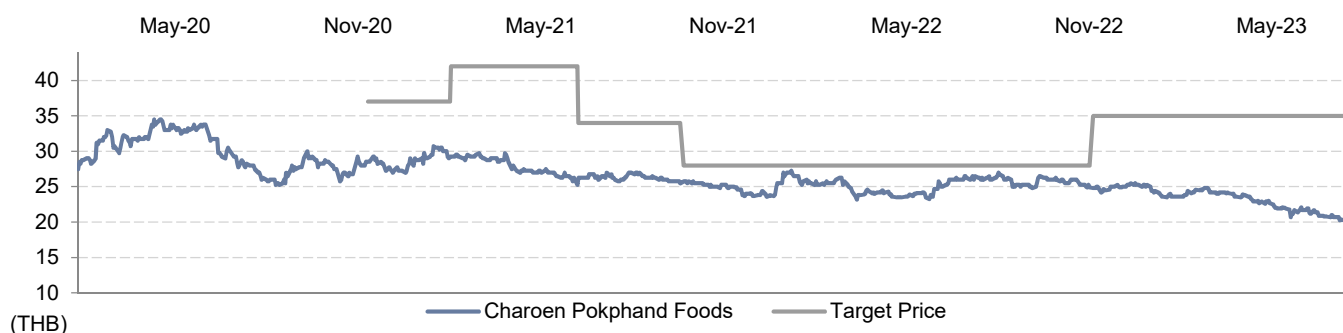
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Jan-2023	BUY	24.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 23-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Charoen Pokphand Foods (CPF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Jan-2021	BUY	37.00	12-Jul-2021	BUY	34.00	23-Sep-2022	BUY	35.00
25-Mar-2021	BUY	42.00	08-Oct-2021	HOLD	28.00			

Sureeporn Teewasuwet started covering this stock from 13-Jan-2021

Price and TP are in local currency

Source: FSSIA estimates

Charoen Pokphand Foods (CPF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Jan-2021	BUY	37.00	12-Jul-2021	BUY	34.00	23-Sep-2022	BUY	35.00
25-Mar-2021	BUY	42.00	08-Oct-2021	HOLD	28.00			

Sureeporn Teewasuwet started covering this stock from 13-Jan-2021

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thai Foods Group	TFG TB	THB 4.76	HOLD	Downside and upside risks to our P/E-based TP are 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in meat and raw material prices; 3) a stronger or weaker-than-expected THB against USD.
GFPT	GFPT TB	THB 10.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in chicken and raw material prices; 3) a stronger THB than expected; and 4) a minimum wage increase and/or a labour shortage.
Thai Union Group	TU TB	THB 13.60	BUY	Downside risks to our SoTP-based TP include 1) a stronger-than-expected THB against the USD; 2) the high volatility of raw material prices; 3) labour shortages; and 4) tariff and non-tariff barriers in international trade.
Charoen Pokphand Foods	CPF TB	THB 20.40	HOLD	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in meat and raw material prices; 3) a stronger THB than expected; and 4) a minimum wage increase and labour shortage.
Betagro	BTG TB	THB 22.40	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in meat and raw material prices; and 3) a stronger-than-expected THB-USD exchange rate.

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 03-May-2023 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.