

## CHAROEN POKPHAND FOODS

THAILAND / FOOD &amp; BEVERAGE

## Expect 3Q to reach 16-quarter high

- We expect 3Q24 net profit to reach a 16-quarter high, which would grow by 4.7% q-q and turn from a loss in 3Q23.
- Currently, meat prices in 4QTD have started to soften; we see the possibility that 2024 profit may peak in this cycle.
- Retain BUY call, but we are less enthusiastic on the meat sector.

## Expect 3Q24 profit to be stronger and reach a 16-quarter high

We anticipate a 3Q24 net profit of THB7.2b (+4.7% q-q, turning around from a loss in 3Q23), supported by rising meat prices. Chinese pork prices rose by 18.5% q-q and 21% y-y, while Thai pork prices rose by 3% q-q and 14% y-y in the quarter. In contrast, Vietnamese pork prices have stabilized q-q due to ongoing African Swine Fever (ASF), leading to a short-term release of pigs. Thai chicken prices, however, have declined by 1.4% q-q due to flooding, which has weakened demand. Overall, meat prices are still above the breakeven prices, benefiting both the business in Thailand and the share of profits from Chinese pork, which should continue to rise.

## Low raw material costs support gross margin

We expect the 3Q24 gross margin to remain strong at 15.2%, similar to 2Q24, and up from 10.8% in 3Q23 due to improved meat prices, while raw material costs remain low. Although the average corn price rose by 9.8% q-q and 3% y-y to THB12/kg in 3Q24, CPF has existing low-cost stock. Recently, corn prices have decreased to THB10/kg as supply has increased. Meanwhile, 3Q24 soybean meal prices continued to decline by 3.6% q-q and currently in 4QTD are down 4.9% q-q to THB19.5/kg.

## Profit may pass the peak in 2024

Meat prices in 4QTD have started to soften, led by Thai chicken, which recently dropped to THB38-39/kg (-10% q-q). Thai pork is at THB71/kg (-1% q-q) due to the vegetarian festival, flooding, and increased supply, and Chinese pork is at RMB17.4/kg (-11% q-q), which remains above the breakeven price. Therefore, we expect 4Q24 profit to soften q-q along with the declining meat prices and the low season. We have increased our 2024E core profit by 29% to THB17b. Nonetheless, we have a more conservative outlook on meat prices for 2025 following increased production and a slight decline or stabilization in raw material prices, prompting us to lower our 2025 profit forecast by 16% to THB14b.

## Retain BUY rating, but with a more conservative outlook

We roll forward our TP to 2025 at THB28, based on a P/E ratio of 17x, still offering a 12% upside. We maintain our BUY rating. However, with the recent signals of softening meat prices in the short term, we are less enthusiastic about the meat sector. We see the possibility that 3Q24 profit may peak in this cycle. The upside for next year's profits will largely depend on demand and whether it can improve to support the meat prices.

## CPF TB

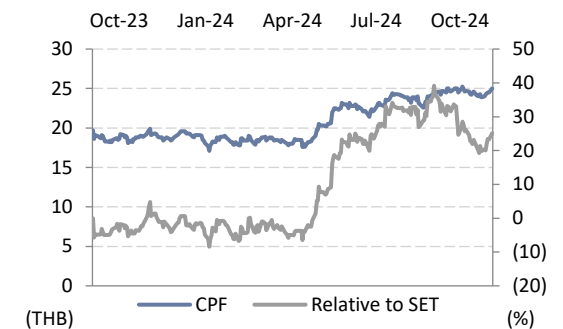
BUY

UNCHANGED

TARGET PRICE	THB28.00
CLOSE	THB25.00
UP/DOWNSIDE	+12.0%
PRIOR TP	THB28.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-3.7%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	585,844	599,211	612,685	637,499
Net profit	(5,207)	19,919	14,057	15,337
EPS (THB)	(0.62)	2.37	1.67	1.82
vs Consensus (%)	-	35.2	(10.8)	(9.0)
EBITDA	31,556	62,913	57,449	59,996
Recurring net profit	(22,000)	17,266	14,057	15,337
Core EPS (THB)	(2.61)	2.05	1.67	1.82
Chg. In EPS est. (%)	nm	29.2	(16.2)	(22.1)
EPS growth (%)	nm	nm	(18.6)	9.1
Core P/E (x)	(9.6)	12.2	15.0	13.7
Dividend yield (%)	-	3.8	3.7	4.0
EV/EBITDA (x)	23.5	11.8	13.0	12.5
Price/book (x)	0.9	0.8	0.8	0.8
Net debt/Equity (%)	170.8	147.9	143.2	138.8
ROE (%)	(8.9)	7.1	5.6	5.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.0	5.9	24.4
Relative to country (%)	0.3	(4.3)	23.2
Mkt cap (USD m)	6,162		
3m avg. daily turnover (USD m)	19.1		
Free float (%)	46		
Major shareholder	Charoen Pokphand Group (37%)		
12m high/low (THB)	25.50/17.00		
Issued shares (m)	8,413.57		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

CPF operates an integrated agro-industrial and food business under its “Kitchen of the World” vision for sustainable growth. The company owns production bases through investments and joint ventures in 17 countries and exports to over 40 countries. Since CPF starts from upstream, especially farming, which is highly volatile in line with meat prices and feed costs, its annual performance sharply fluctuates. We expect that CPF’s performance will turn profitable in 2024 after meat prices improve.

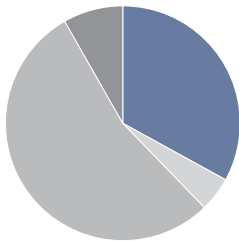
Company profile

Established in 1978 and listed on the Stock Exchange of Thailand in 1987, CPF operates a vertically integrated agro-industrial and food business, from upstream to downstream, covering livestock and aquaculture such as swine, broilers, layers, ducks, shrimp, and fish. As of end-2023, CPF generated revenue from three units, namely Feed, Farm, and Food, with a revenue mix of 23.4%/54.3%/22.3%, respectively.

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

Principal activities (revenue, 2023)

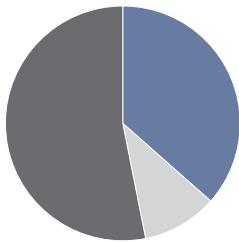
- Thailand livestock - 33.0 %
- Thailand aquatic - 4.8 %
- Overseas livestock - 54.0 %
- Overseas aquatic - 8.2 %



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 drivers for CPF’s earnings growth in 2024 are 1) sales volume growth after demand increases; 2) higher meat prices; 3) flat or declining feed costs; and 4) a better-than-expected recovery of overseas associates and subsidiaries.

Risks to our call

Downside risks to our P/E-based TP include 1) slow purchasing power; 2) a slower-than-expected meat price recovery; 3) higher feed costs; 4) baht strength; and 5) a minimum wage increase and labor shortages.

Event calendar

Date	Event
14 November 2024	3Q24 results announcement
15 November 2024	3Q24 analyst meeting

Key assumptions

	2024E	2025E	2026E
Broiler price-TH (THB)	41.6	40.0	40.0
Swine price-TH (THB)	69.5	70.0	70.0
Swine price-VN (VND)	60,437	55,000	55,000
Total revenue growth (%)	2.3	2.2	4.0
Gross margin (%)	14.2	12.9	13.0
SG&A to sales (%)	8.5	8.5	8.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in 2024 revenue, we estimate net profit to rise by 4%, and vice versa, all else being equal.
- For every 0.1% increase in 2024 GPM, we estimate net profit to rise by 3.5%, and vice versa, all else being equal.
- For every 0.1% increase in 2024 SG&A to sales, we estimate net profit to fall by 4.4%, and vice versa, all else being equal.

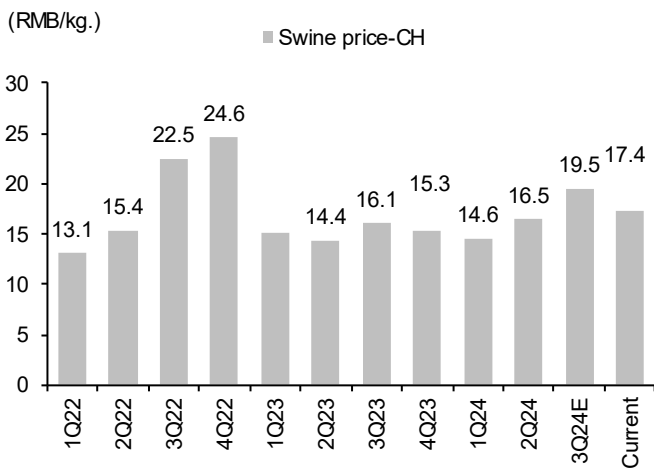
Source: FSSIA estimates

## Exhibit 1: CPF – 3Q24 earnings preview

	3Q23	4Q23	1Q24	2Q24	3Q24E	----- Change -----		2023	2024E	Change	9M24E	%9M24E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)	to 2024E
Sales	144,498	147,319	140,037	149,498	159,237	6.5	10.2	585,844	599,211	2.3	448,772	74.9
Cost of sales	128,940	133,750	123,228	126,484	135,033	6.8	4.7	524,643	514,123	(2.0)	384,745	74.8
Gross profit	15,558	13,569	16,809	23,013	24,204	5.2	55.6	61,201	85,088	39.0	64,027	75.2
SG&A	14,079	15,141	12,178	12,760	12,898	1.1	(8.4)	55,875	50,933	(8.8)	37,836	74.3
Operating profit	2,364	(3,200)	5,297	10,953	12,006	9.6	407.8	6,435	36,792	471.7	28,256	76.8
Interest expense	6,377	6,903	6,182	6,276	6,300	0.4	(1.2)	25,506	24,633	(3.4)	18,757	76.1
Tax expense	(115)	163	550	2,046	2,453	19.9	nm	600	6,536	988.8	5,049	77.3
Profit (loss) sharing	528	643	1,792	3,352	4,025	20.1	662.4	(810)	12,669	nm	9,169	72.4
Biological gain (loss)	319	(1,169)	464	1,427	530	(62.9)	66.0	724	2,421	234.3	2,422	100.0
Other gain (loss)	1,603	5,062	330	135	0	nm	nm	16,068	232	(98.6)	465	nm
Reported net profit	(1,811)	121	1,152	6,924	7,248	4.7	nm	(5,207)	19,919	nm	15,324	76.9
Core profit	(3,733)	(10,877)	358	5,595	6,718	20.1	nm	(22,000)	17,266	nm	12,670	73.4
<b>Key ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>					
Gross margin	10.8	9.2	12.0	15.4	15.2	(0.2)	4.4	10.4	14.2	3.8	14.3	
SG&A to sales	9.7	10.3	8.7	8.5	8.1	(0.4)	(1.6)	9.5	8.5	(1.0)	8.4	
Operating margin	1.6	(2.2)	3.8	7.3	7.5	0.2	5.9	1.1	6.1	5.0	6.3	
Net margin	(1.3)	0.1	0.8	4.6	4.6	(0.1)	5.8	(0.9)	3.3	4.2	3.4	
Core margin	(2.6)	(7.4)	0.3	3.7	4.2	0.5	6.8	(3.8)	2.9	6.6	2.8	
<b>Operating statistics (THB/kg)</b>												
Broiler price-TH	36.6	37.9	40.8	43.6	43.0	(1.4)	17.5	39.5	41.6	5.4	42.2	
Swine price-TH	62.7	62.3	66.3	69.3	71.5	3.1	14.0	70.5	69.5	(1.4)	67.8	
Corn price-TH	11.7	10.4	10.9	10.9	12.0	9.8	3.0	12.1	11.0	(8.9)	10.9	
Soybean meal price-TH	21.5	22.0	22.2	21.3	20.5	(3.6)	(4.7)	22.7	20.9	(8.2)	21.7	
Swine price-VN (VND/kg.)	57,023	47,082	53,400	62,848	62,500	(0.6)	9.6	52,311	60,437	15.5	58,124	
Swine price-CH (RMB/kg.)	16.1	15.3	14.6	16.5	19.5	18.5	21.1	15.3	17.0	11.4	15.5	

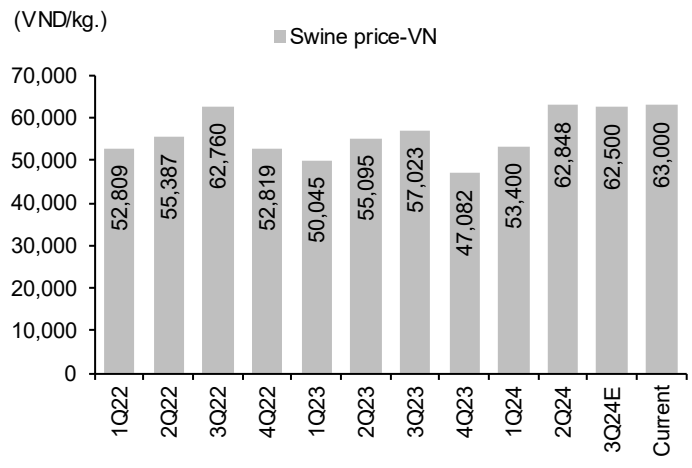
Sources: CPF, FSSIA estimates

## Exhibit 2: China swine price

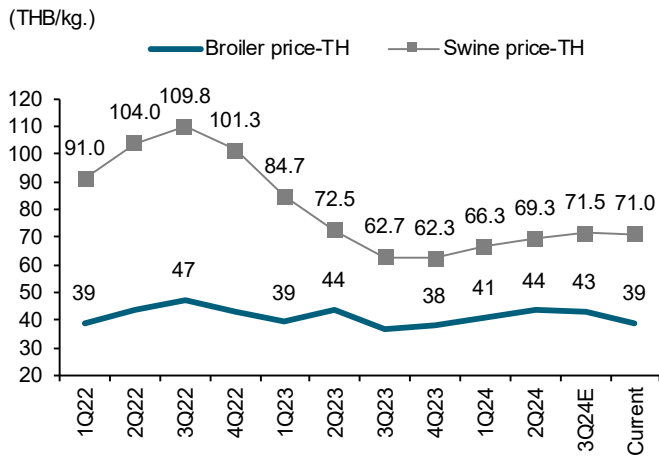


Sources: Bloomberg, CPF, FSSIA's estimates

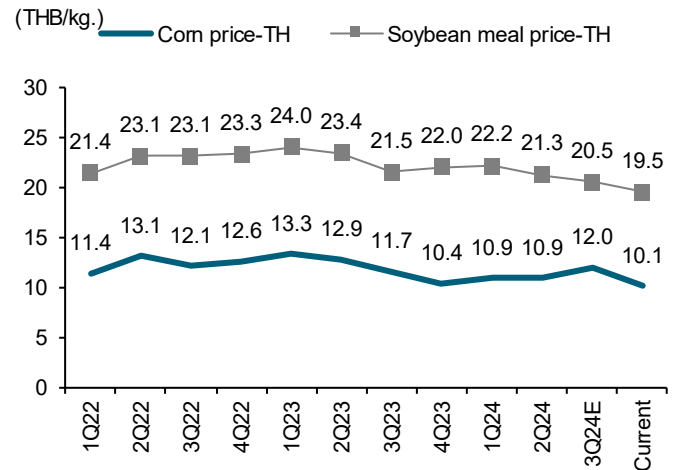
## Exhibit 3: Vietnam swine price



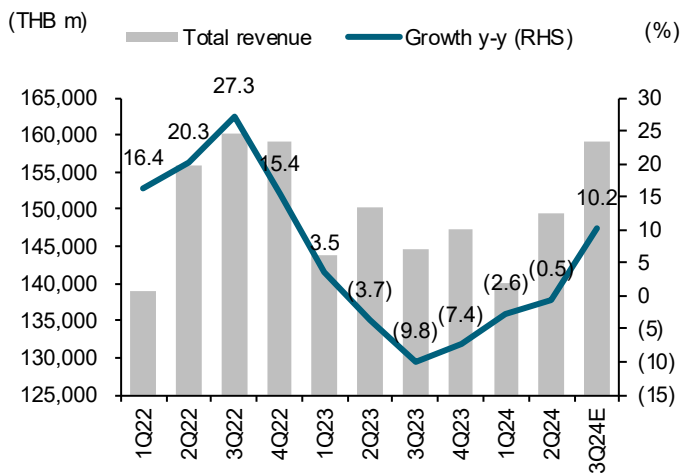
Source: CPF, FSSIA's estimates

**Exhibit 4: Domestic meat prices**

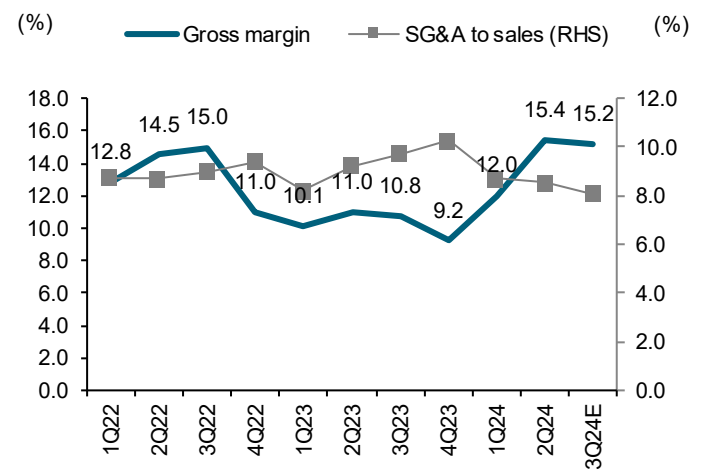
Source: CPF, FSSIA's estimates

**Exhibit 5: Raw material prices**

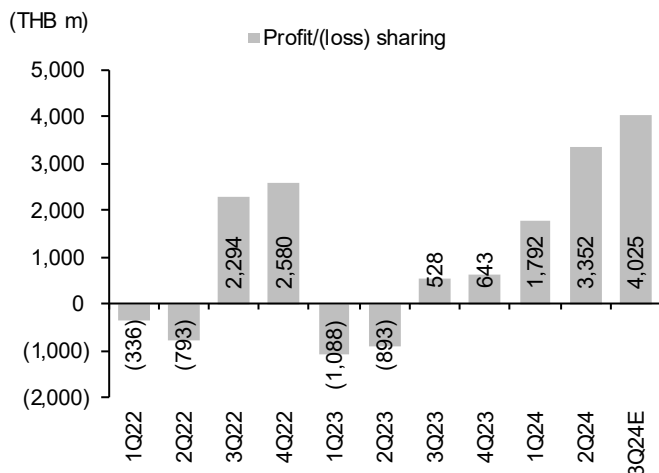
Source: CPF, FSSIA's estimates

**Exhibit 6: Quarterly total revenue and growth**

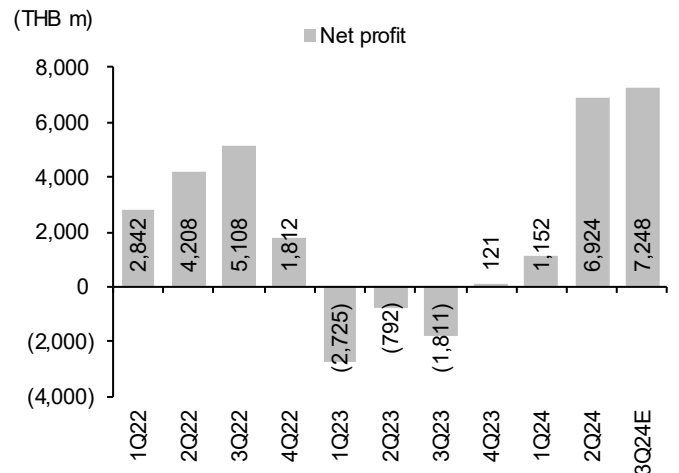
Sources: CPF, FSSIA estimates

**Exhibit 7: Quarterly gross margin and SG&A to sales**

Sources: CPF, FSSIA estimates

**Exhibit 8: Share of profit/(loss)**

Sources: CPF, FSSIA estimates

**Exhibit 9: Quarterly net profit**

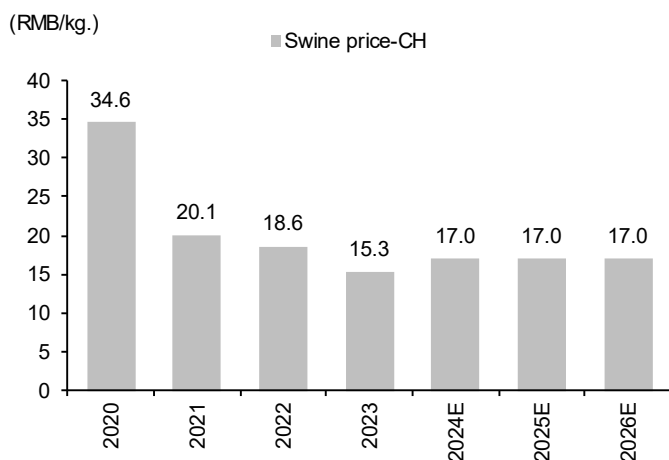
Sources: CPF, FSSIA estimates

## Exhibit 10: Changes in key assumptions for CPF

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	599,211	612,685	637,499	599,211	627,513	652,922	0.0	(2.4)	(2.4)
Cost of sales	514,123	533,649	554,624	522,512	546,563	568,042	(1.6)	(2.4)	(2.4)
Gross profit	85,088	79,036	82,875	76,699	80,949	84,880	10.9	(2.4)	(2.4)
SG&A expenses	50,933	52,078	54,187	53,330	55,849	58,110	(4.5)	(6.8)	(6.8)
Operating profit	36,792	30,328	31,875	28,163	30,121	31,993	30.6	0.7	(0.4)
Other income	2,637	3,370	3,187	4,794	5,020	5,223	(45.0)	(32.9)	(39.0)
Interest expense	24,633	25,184	25,212	24,633	24,988	25,212	0.0	0.8	0.0
Profit (loss) sharing	12,669	12,875	13,549	9,530	11,689	13,052	32.9	10.1	3.8
- CPALL	8,038	9,332	10,506	8,038	9,332	10,506	0.0	0.0	0.0
Reported net profit	19,919	14,057	15,337	14,112	16,780	19,676	41.1	(16.2)	(22.1)
Core profit	17,266	14,057	15,337	13,362	16,780	19,676	29.2	(16.2)	(22.1)
<b>Key ratios (%)</b>									
Net profit growth	nm	(29.4)	9.1	nm	18.9	17.3			
Core profit growth	nm	(17.6)	9.1	nm	25.6	17.3			
Gross margin	14.2	12.9	13.0	12.8	12.9	13.0	1.4	(0.0)	0.0
SG&A to sales	8.5	8.5	8.5	8.9	8.9	8.9	(0.4)	(0.4)	(0.4)
Net margin	3.3	2.3	2.4	2.4	2.7	3.0	1.0	(0.4)	(0.6)
Core margin	2.9	2.3	2.4	2.2	2.7	3.0	0.7	(0.4)	(0.6)
<b>Price</b>									
Broiler price-TH (THB/kg)	41.6	40.0	40.0	41.0	42.0	43.0	1.5	(4.8)	(7.0)
Swine price-TH (THB/kg)	69.5	70.0	70.0	72.0	72.0	72.0	(3.5)	(2.8)	(2.8)
Shrimp price-70 unit (THB/kg)	128.0	135.0	135.0	145.0	145.0	145.0	(11.7)	(6.9)	(6.9)
Corn price-TH (THB/kg)	11.0	10.0	10.0	10.0	10.0	10.0	9.8	0.0	0.0
Soybean meal price-TH (THB/kg)	20.9	19.5	19.0	20.5	20.0	19.0	1.8	(2.5)	0.0
Swine price-VN (VND)	60,437	55,000	55,000	55,000	55,000	55,000	9.9	0.0	0.0
Swine price-CH (RMB)	17.0	17.0	17.0	16.0	17.0	18.0	6.2	0.0	(5.6)

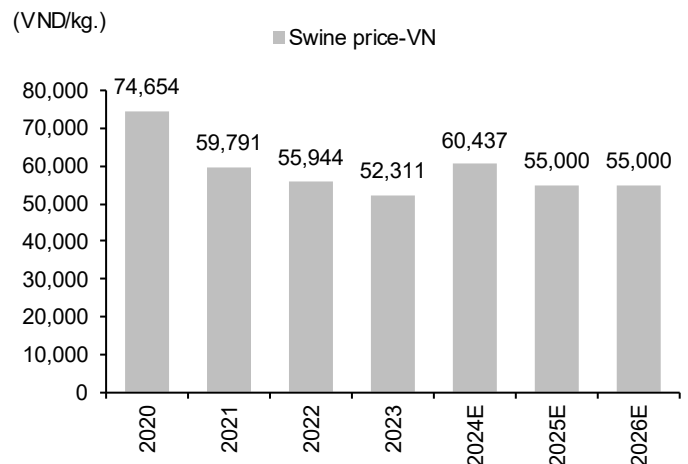
Source: FSSIA estimates

## Exhibit 11: Yearly China swine price



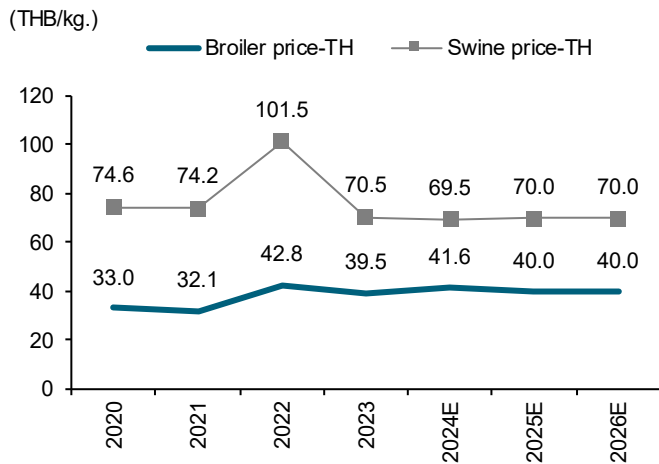
Sources: CPF, FSSIA estimates

## Exhibit 12: Yearly Vietnam swine price



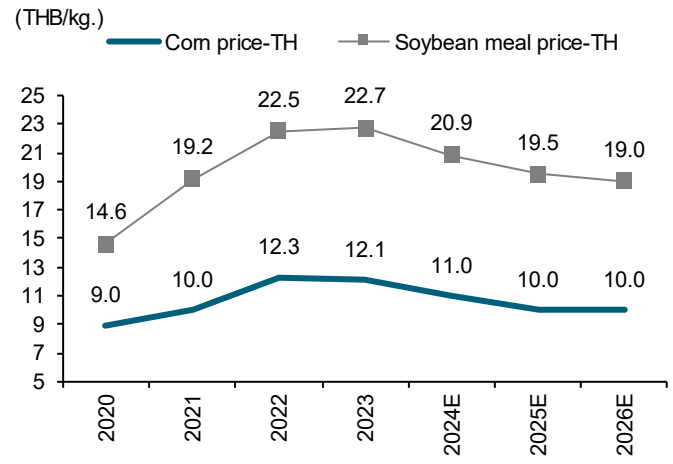
Sources: CPF, FSSIA estimates

Exhibit 13: Yearly domestic meat prices



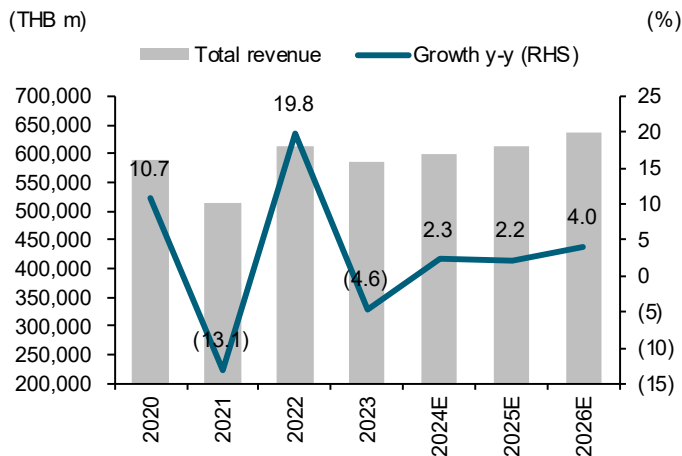
Sources: CPF, FSSIA estimates

Exhibit 14: Yearly raw material prices



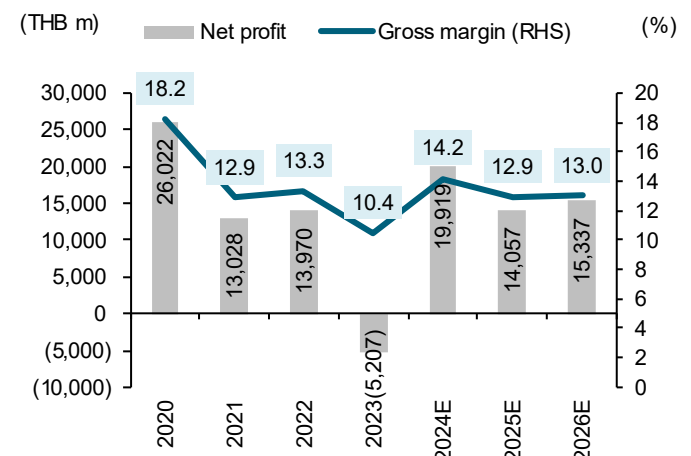
Sources: CPF, FSSIA estimates

Exhibit 15: Yearly total revenue and growth



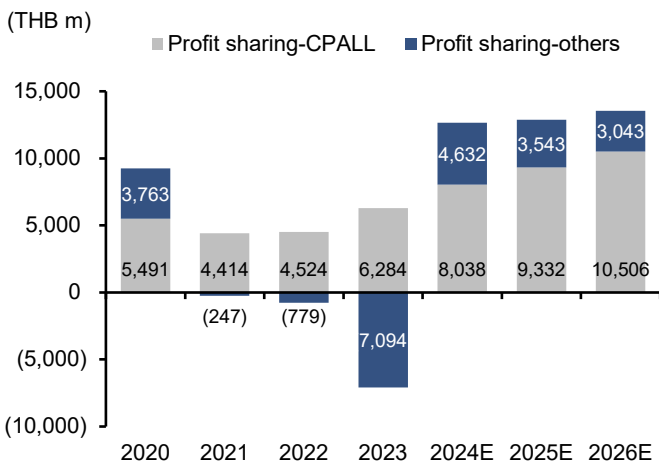
Sources: CPF, FSSIA estimates

Exhibit 16: Yearly net profit and gross margin



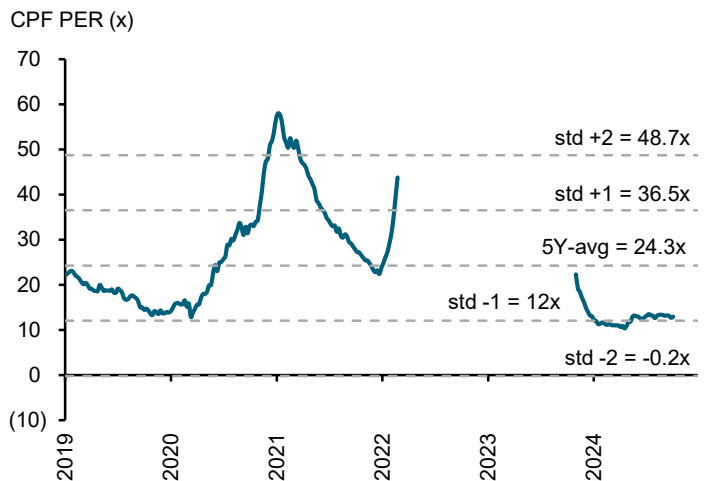
Sources: CPF, FSSIA estimates

Exhibit 17: Share of profit breakdown by CPALL and others



Sources: CPF, FSSIA estimates

Exhibit 18: Historical P/E band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Charoen Pokphand Foods

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	614,197	585,844	599,211	612,685	637,499
Cost of goods sold	(532,324)	(524,643)	(514,123)	(533,649)	(554,624)
<b>Gross profit</b>	<b>81,873</b>	<b>61,201</b>	<b>85,088</b>	<b>79,036</b>	<b>82,875</b>
Other operating income	3,978	1,110	2,637	3,370	3,187
Operating costs	(55,001)	(55,875)	(50,933)	(52,078)	(54,187)
<b>Operating EBITDA</b>	<b>63,057</b>	<b>31,556</b>	<b>62,913</b>	<b>57,449</b>	<b>59,996</b>
Depreciation	(32,207)	(25,121)	(26,121)	(27,121)	(28,121)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>30,850</b>	<b>6,435</b>	<b>36,792</b>	<b>30,328</b>	<b>31,875</b>
Net financing costs	(19,515)	(24,348)	(22,783)	(23,334)	(23,862)
Associates	3,745	(810)	12,669	12,875	13,549
Recurring non-operating income	3,745	(810)	12,669	12,875	13,549
Non-recurring items	5,347	16,792	2,653	0	0
<b>Profit before tax</b>	<b>20,427</b>	<b>(1,931)</b>	<b>29,331</b>	<b>19,869</b>	<b>21,562</b>
Tax	(6,003)	(600)	(6,536)	(3,974)	(4,312)
<b>Profit after tax</b>	<b>14,424</b>	<b>(2,531)</b>	<b>22,795</b>	<b>15,895</b>	<b>17,250</b>
Minority interests	(454)	(2,676)	(2,876)	(1,838)	(1,912)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>13,970</b>	<b>(5,207)</b>	<b>19,919</b>	<b>14,057</b>	<b>15,337</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(5,347)</b>	<b>(16,792)</b>	<b>(2,653)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,623</b>	<b>(22,000)</b>	<b>17,266</b>	<b>14,057</b>	<b>15,337</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.09	(2.61)	2.05	1.67	1.82
Reported EPS	1.76	(0.62)	2.37	1.67	1.82
DPS	0.75	0.00	0.95	0.92	1.00
Diluted shares (used to calculate per share data)	7,936	8,414	8,414	8,414	8,414
<b>Growth</b>					
Revenue (%)	19.8	(4.6)	2.3	2.2	4.0
Operating EBITDA (%)	31.2	(50.0)	99.4	(8.7)	4.4
Operating EBIT (%)	61.1	(79.1)	471.7	(17.6)	5.1
Recurring EPS (%)	130.6	nm	nm	(18.6)	9.1
Reported EPS (%)	7.7	nm	nm	(29.4)	9.1
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	13.3	10.4	14.2	12.9	13.0
Gross margin exc. depreciation (%)	18.6	14.7	18.6	17.3	17.4
Operating EBITDA margin (%)	10.3	5.4	10.5	9.4	9.4
Operating EBIT margin (%)	5.0	1.1	6.1	5.0	5.0
Net margin (%)	1.4	(3.8)	2.9	2.3	2.4
Effective tax rate (%)	29.4	-31.1	22.3	20.0	20.0
Dividend payout on recurring profit (%)	69.0	-	46.1	55.0	55.0
Interest cover (X)	1.8	0.2	2.2	1.9	1.9
Inventory days	57.1	55.7	57.6	62.1	62.0
Debtor days	24.3	26.7	27.6	29.1	28.8
Creditor days	34.8	32.0	32.1	36.2	36.2
Operating ROIC (%)	6.2	1.2	7.1	5.9	6.3
ROIC (%)	3.6	0.6	4.9	4.3	4.5
ROE (%)	3.6	(8.9)	7.1	5.6	5.9
ROA (%)	2.8	0.0	4.3	3.8	4.0
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Thailand livestock	195,358	193,310	202,299	206,345	210,472
Thailand aquatic	28,998	27,945	29,342	29,929	30,827
Overseas livestock	335,164	316,296	316,855	324,682	342,919
Overseas aquatic	54,677	48,293	50,715	51,729	53,281

Sources: Charoen Pokphand Foods; FSSIA estimates



## Financial Statements

### Charoen Pokphand Foods

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	8,623	(22,000)	17,266	14,057	15,337
Depreciation	32,207	25,121	26,121	27,121	28,121
Associates & minorities	-	-	-	-	-
Other non-cash items	(30,593)	3,360	10,492	(9,341)	(10,015)
Change in working capital	(11,702)	(3,219)	3,288	(3,164)	(4,800)
<b>Cash flow from operations</b>	<b>(1,465)</b>	<b>3,262</b>	<b>57,167</b>	<b>28,673</b>	<b>28,643</b>
Capex - maintenance	(51,354)	(17,771)	(21,889)	(20,000)	(20,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(1,758)	2,796	0	0	0
Other investments (net)	(5,173)	8,051	(435)	(539)	(993)
<b>Cash flow from investing</b>	<b>(58,285)</b>	<b>(6,924)</b>	<b>(22,324)</b>	<b>(20,539)</b>	<b>(20,993)</b>
Dividends paid	(5,808)	(13,027)	(7,967)	(7,731)	(8,435)
Equity finance	(818)	1,371	0	1	0
Debt finance	55,491	(2,424)	(22,012)	(2,700)	(5,120)
Other financing cash flows	6,821	9,783	(7,960)	404	744
<b>Cash flow from financing</b>	<b>55,686</b>	<b>(4,298)</b>	<b>(37,940)</b>	<b>(10,026)</b>	<b>(12,811)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(4,065)</b>	<b>(7,960)</b>	<b>(3,097)</b>	<b>(1,892)</b>	<b>(5,160)</b>
Free cash flow to firm (FCFF)	(39,392.75)	21,844.06	59,475.89	33,318.37	32,862.44
Free cash flow to equity (FCFE)	2,561.44	3,696.24	4,870.65	5,838.59	3,275.10
<b>Per share (THB)</b>					
FCFF per share	(4.68)	2.60	7.07	3.96	3.91
FCFE per share	0.30	0.44	0.58	0.69	0.39
Recurring cash flow per share	1.29	0.77	6.40	3.78	3.97
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	344,753	325,762	320,641	314,520	307,399
Less: Accumulated depreciation	(32,207)	(25,121)	(26,121)	(27,121)	(28,121)
<b>Tangible fixed assets (net)</b>	<b>312,545</b>	<b>300,641</b>	<b>294,520</b>	<b>287,399</b>	<b>279,278</b>
<b>Intangible fixed assets (net)</b>	<b>76,224</b>	<b>73,428</b>	<b>73,428</b>	<b>73,428</b>	<b>73,428</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	272,055	272,548	285,217	298,092	311,641
Cash & equivalents	36,215	28,255	25,158	23,266	18,106
A/C receivable	43,221	42,351	48,265	49,351	51,349
Inventories	83,080	69,508	84,513	87,723	91,171
Other current assets	70,703	69,002	59,921	61,269	63,750
<b>Current assets</b>	<b>233,219</b>	<b>209,116</b>	<b>217,857</b>	<b>221,608</b>	<b>224,376</b>
Other assets	32,944	31,485	31,868	32,407	33,400
<b>Total assets</b>	<b>926,987</b>	<b>887,218</b>	<b>902,892</b>	<b>912,935</b>	<b>922,123</b>
Common equity	256,053	239,416	249,633	255,959	262,861
Minorities etc.	43,791	45,617	66,357	69,891	73,425
<b>Total shareholders' equity</b>	<b>299,844</b>	<b>285,033</b>	<b>315,990</b>	<b>325,850</b>	<b>336,286</b>
Long term debt	332,081	316,785	314,285	316,985	314,485
Other long-term liabilities	28,085	25,936	17,976	18,381	19,125
<b>Long-term liabilities</b>	<b>360,166</b>	<b>342,722</b>	<b>332,262</b>	<b>335,366</b>	<b>333,610</b>
A/C payable	50,964	36,527	49,299	51,172	53,183
Short term debt	186,478	198,326	178,376	172,976	170,356
Other current liabilities	29,536	24,610	26,964	27,571	28,687
<b>Current liabilities</b>	<b>266,978</b>	<b>259,463</b>	<b>254,640</b>	<b>251,719</b>	<b>252,227</b>
<b>Total liabilities and shareholders' equity</b>	<b>926,987</b>	<b>887,218</b>	<b>902,892</b>	<b>912,935</b>	<b>922,123</b>
Net working capital	116,505	119,724	116,436	119,600	124,400
Invested capital	810,273	797,826	801,470	810,926	822,147
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	32.26	28.46	29.67	30.42	31.24
Tangible book value per share	22.66	19.73	20.94	21.69	22.52
<b>Financial strength</b>					
Net debt/equity (%)	160.9	170.8	147.9	143.2	138.8
Net debt/total assets (%)	52.0	54.9	51.8	51.1	50.6
Current ratio (x)	0.9	0.8	0.9	0.9	0.9
CF interest cover (x)	1.1	1.2	1.2	1.3	1.1
Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>23.0</b>	<b>(9.6)</b>	<b>12.2</b>	<b>15.0</b>	<b>13.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>25.8</b>	<b>(10.7)</b>	<b>13.6</b>	<b>16.8</b>	<b>15.4</b>
Reported P/E (x)	14.2	(40.4)	10.6	15.0	13.7
Dividend yield (%)	3.0	-	3.8	3.7	4.0
Price/book (x)	0.8	0.9	0.8	0.8	0.8
Price/tangible book (x)	1.1	1.3	1.2	1.2	1.1
EV/EBITDA (x) **	11.5	23.5	11.8	13.0	12.5
EV/EBITDA @ target price (x) **	11.9	24.3	12.2	13.4	12.9
EV/invested capital (x)	0.9	0.9	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



Charoen Pokphand Foods PCL (CPF TB)

FSSIA ESG rating



Exhibit 19: FSSIA ESG score implication

78.94 /100

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 20: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BTG	8.00	--	--	--	--	--	Declared	--	--	--	--	--	--	--	--
CPF	78.94	Y	Y	Y	5.00	5.00	Certified	High	50.25	BBB	43.00	70.21	85.00	4.08	62.09
GFPT	53.67	--	Y	Y	5.00	5.00	Certified	High	56.79	--	--	61.87	19.00	--	54.18
TU	68.12	Y	--	--	5.00	5.00	Certified	High	44.49	A	35.00	66.15	87.00	2.99	--
TFG	33.01	--	--	Y	4.00	5.00	Certified	High	--	--	--	42.11	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 21: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	2.23	2.57	2.01	2.32	4.20	3.82	4.28	4.08
BESG environmental pillar score	2.50	2.50	1.35	1.44	5.60	4.55	5.50	4.49
BESG social pillar score	0.91	1.77	1.49	2.38	3.05	2.82	3.14	3.29
BESG governance pillar score	3.49	3.59	3.67	3.65	3.68	3.94	3.97	4.36
ESG disclosure score	51.20	51.20	46.05	46.05	55.11	52.85	54.23	62.09
Environmental disclosure score	35.00	35.00	17.97	17.97	41.53	38.15	38.15	51.98
Social disclosure score	31.11	31.11	32.68	32.68	36.31	32.92	37.06	44.32
Governance disclosure score	87.36	87.36	87.36	87.36	87.36	87.36	87.36	89.86
Environmental								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GHG scope 1	220	240	—	—	250	238	222	288
GHG scope 2 location-based	660	670	—	—	590	647	641	1,154
GHG Scope 3	—	—	—	—	—	3,565	4,132	4,412
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	2,883	2,664	—	—	3,072	2,296	2,284	4,881
Renewable energy use	678	550	—	—	800	—	—	1,503
Electricity used	1,133	1,211	—	—	—	1,353	1,395	2,243
Fuel used - natural gas	—	—	—	—	36,310	1,315,790	1,221,200	1,503,630

Sources: Bloomberg; FSSIA's compilation

**Exhibit 22: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	1	1	—	—	—	1	1	1
Total waste	440	440	—	—	920	463	456	636
Waste recycled	—	—	—	—	27	—	—	42
Waste sent to landfills	—	—	—	—	—	—	—	74
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	6,670	6,033	106,500
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	59	51	51	52	52	42	44	45
Pct disabled in workforce	—	—	1	1	1	—	1	0
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	0	0	0	1
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	78,993	66,087	71,131	72,319	73,941	71,318	128,548	135,284
Employee turnover pct	30	19	18	20	34	—	13	11
Total hours spent by firm - employee training	1,125,050	985,230	1,138,100	1,012,470	887,292	2,781,400	1,331,690	1,772,550
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>No. of independent directors (ID)</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>5</b>
No. of women on board	1	2	2	2	2	2	2	2
No. of non-executive directors on board	10	10	10	10	9	9	9	10
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	10	11	9	7	7	13	11	9
Board meeting attendance pct	93	96	87	96	94	96	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	65	61	62	63	58	53	53	53
Age of the oldest director	80	80	82	83	81	82	76	76
<b>No. of executives / company managers</b>	<b>13</b>	<b>14</b>	<b>17</b>	<b>7</b>	<b>11</b>	<b>9</b>	<b>21</b>	<b>27</b>
No. of female executives	2	2	2	1	2	2	2	6
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on audit committee	5	4	4	4	4	4	4	4
Audit committee meetings	9	10	8	9	9	10	11	8
Audit meeting attendance %	93	95	91	94	100	98	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	1	3	2	2	2	3	3	3
Compensation meeting attendance %	100	100	100	100	100	92	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of nomination committee meetings	1	3	2	2	2	3	3	3
Nomination meeting attendance %	100	100	100	100	100	92	100	100
<b>Sustainability governance</b>								
Verification type	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainabilitytics	The Sustainabilitytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

**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"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

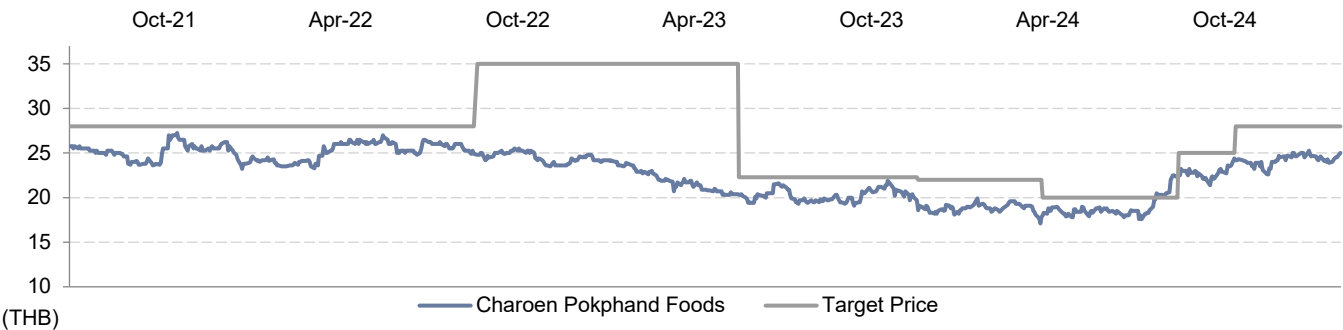
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History of change in investment rating and/or target price

Charoen Pokphand Foods (CPF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Oct-2021	HOLD	28.00	09-Oct-2023	HOLD	22.00	18-Apr-2024	BUY	20.00
23-Sep-2022	BUY	35.00	13-Dec-2023	BUY	22.00	20-May-2024	BUY	25.00
08-May-2023	HOLD	22.30	24-Jan-2024	HOLD	20.00	08-Jul-2024	BUY	28.00

Sureeporn Teewasuwet started covering this stock from 08-May-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Charoen Pokphand Foods	CPF TB	THB 25.00	BUY	Downside risks to our P/E-based TP include 1) slow purchasing power, 2) a slower-than-expected meat price recovery, 3) higher feed costs, 4) Baht strength, and 5) a minimum wage increase and labor shortages.

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.

All share prices are as at market close on 07-Oct-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

### Industry Recommendations

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

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

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

### Country (Strategy) Recommendations

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

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

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