Charoen Pokphand Foods Pcl (CPF TB) - BUY, Price Bt26, TP Bt29.5

Results Comment

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Weak profits, in line

- CPF reported weak normalized profits of Bt4.1bn, down 32% y-y and 41% q-q. The decline was due to biological losses and lower equity income dragged by CPALL and CTEI in China.
- Including revaluation gains from its increased ownership in shrimp biz in India and FX gains of Bt670m, net profits were Bt4.7bn, down 21% y-y and 32% q-q.
- 1H21 normalized profits were 47% of our full year forecast. With our expectation for lower biological losses, we maintain our earnings project. And CPF is still a BUY on cheap valuation.
- CPF announced to pay interim dividend of Bt0.4. XD and payment dates are set on 30 August and 10 September 2021.
- A decline of sales by 10% was due to deconsolidation of the feed business in China.
- Gross margin eroded to 6% and 3% of net margin due to biological loss at Vietnam operation and loss contribution of CTEI in China.
- Net D/E stood at 1.2x which is within the company's comfortable zone and far below 2x debt covenant.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	143,805	157,805	149,968	119,346	129,638
Gross profit	**27,026**	**30,461**	**25,915**	**23,718**	**20,711**
SG&A	13,626	15,891	18,293	11,674	12,297
Operating profit	13,400	14,570	7,622	12,044	8,413
EBITDA	**18,832**	**20,106**	**13,590**	**17,328**	**13,899**
Other income	1,624	906	1,270	741	1,381
Other expense	0	0	0	0	0
Interest expense	4,489	4,186	4,478	4,098	3,980
Profit before tax	**10,535**	**11,291**	**4,414**	**8,687**	**5,814**
Income tax	2,919	2,998	3,088	2,117	1,752
Equity & invest. income	1,583	2,028	2,963	2,043	753
Minority interests	(3,244)	(3,070)	(2,083)	(1,673)	(748)
Extraordinary items	74	225	4,202	6	670
Net profit	**6,029**	**7,474**	**6,408**	**6,945**	**4,737**
Normalized profit	**5,955**	**7,250**	**2,206**	**6,940**	**4,068**
EPS (Bt)	0.74	0.91	0.78	0.85	0.58
Normalized EPS (Bt)	0.73	0.89	0.27	0.85	0.50

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	9	(10)	51	488,249	508,144
Gross profit	**(13)**	**(23)**	**50**	**89,137**	**88,692**
SG&A	5	(10)	50	47,695	48,128
Operating profit	(30)	(37)	49	41,442	40,564
EBITDA	**(20)**	**(26)**	**46**	**67,644**	**68,595**
Other income	86	(15)	55	3,871	3,761
Other expense			na	0	0
Interest expense	(3)	(11)	49	16,504	15,478
Profit before tax	**(33)**	**(45)**	**50**	**28,809**	**28,847**
Income tax	(17)	(40)	56	6,914	7,067
Equity & invest. income	(63)	(52)	35	7,981	10,481
Minority interests	na	na	37	(6,461)	(5,648)
Extraordinary items	11,730	805	na	0	0
Net profit	**(32)**	**(21)**	**50**	**23,415**	**26,612**
Normalized profit	**(41)**	**(32)**	**47**	**23,415**	**26,612**
EPS (Bt)	(32)	(21)	52	2.72	3.09
Normalized EPS (Bt)	(41)	(32)	49	2.72	3.09

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	91,672	93,761	57,035	47,961	43,067
A/C receivable	34,239	37,987	29,952	31,019	35,228
Inventory	64,944	63,272	52,136	57,309	63,598
Other current assets	51,210	54,475	55,546	58,970	62,561
Investment	138,961	141,900	251,757	256,243	253,045
Fixed assets	212,581	222,771	200,138	204,361	213,935
Other assets	157,712	159,831	115,154	118,604	120,789
Total assets	**751,319**	**773,997**	**761,719**	**774,467**	**792,223**
S-T debt	174,756	148,019	140,050	99,889	111,613
A/C payable	27,265	32,222	32,312	36,579	38,252
Other current liabilities	35,680	39,052	31,784	30,990	35,921
L-T debt	220,815	251,332	244,196	278,294	272,166
Other liabilities	53,394	54,608	51,197	51,799	51,497
Minority interest	54,898	59,957	70,242	72,952	72,931
Shareholders' equity	**184,511**	**188,807**	**191,937**	**203,966**	**209,842**
Working capital	71,918	69,037	49,776	51,749	60,574
Total debt	395,571	399,351	384,246	378,182	383,779
Net debt	**303,900**	**305,590**	**327,211**	**330,221**	**340,712**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	7.4	19.0	6.5	(13.6)	(9.9)
Operating profit growth	170.6	184.2	(5.9)	28.7	(37.2)
EBITDA growth	106.4	115.2	8.5	17.6	(26.2)
Norm profit growth	37.5	17.2	(40.5)	20.4	(31.7)
Norm EPS growth	37.5	17.2	(40.5)	20.4	(31.7)
Gross margin	18.8	19.3	17.3	19.9	16.0
Operating margin	9.3	9.2	5.1	10.1	6.5
EBITDA margin	13.1	12.7	9.1	14.5	10.7
Norm net margin	4.1	4.6	1.5	5.8	3.1
D/E (x)	1.7	1.6	1.5	1.4	1.4
Net D/E (x)	1.3	1.2	1.2	1.2	1.2
Interest coverage (x)	4.2	4.8	3.0	4.2	3.5
Interest rate	4.6	4.2	4.6	4.3	4.2
Effective tax rate	27.7	26.6	70.0	24.4	30.1
ROA	3.2	3.8	1.1	3.6	2.1
ROE	12.7	15.5	4.6	14.0	7.9

Sources: Company data, Thanachart estimates

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