BUY (Unchanged)

Change in Numbers

TP: Bt 27.50 (From: Bt 29.00)

Upside : 15.1%

14 MARCH 2022

Charoen Pokphand Foods (CPF TB)

The sky after the rain



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Amid rising input costs given the ongoing Russia-Ukraine war, we still see CPF's business operation and performance being better than last year. With improved demand/supply dynamics for farm products, CPF is able to improve margins and profitability. Excluding CPALL's value, CPF trades on a forward core PE of less than 1x. Reaffirm BUY.

Improving situation

CPF's earnings were badly hit last year. The 81% slump in normalized profit was due to: 1) collapsing pork prices in Vietnam, China and Thailand amid a 20% increase in feed input costs; 2) a lower utilization rate due to consumption disruption during lockdowns and labor shortages; and 3) extra expenses related to COVID-19 prevention of around Bt2bn. Even though raw material costs remain elevated, CPF can pass on rising costs much better than last year due to favorable demand/supply of pork and also chicken. Its Thailand operation looks on track for a big turnaround. This is while Vietnam pork prices have recovered while we expect pork prices in China to bottom at CNY13/kg.

The US and Russia

Thailand, Vietnam and China are CPF's key income sources, making up 65% of total sales. The rest comprises 15 other countries where only India and Bellisio in the US made a combined loss of c.Bt3.6bn last year. India ops were hit by rising input costs and difficulties in hiking product prices. Bellisio was hit by a worker shortage and rising labor costs amid a 90-day lead time for price adjustments. We expect lower loss contributions from India and Bellisio but CPF will be hit directly by the Russia-Ukraine war as it has integrated chicken and pork businesses in Russia. Its Russia operation makes up 3% of sales and 7% of total assets and it has contributed positively to the group. That said, the adverse impact should be contained by the nature of the consumer staple business and limited FX risks as 100% of its products are sold in Russia. Nevertheless, CPF will inevitably be subject to an earnings translation loss due to the collapsing ruble.

Earnings cuts but strong turnaround intact

We slash our earnings by an average of 31% over 2022-24F to reflect lower gross margin and higher SG&A and interest expenses. We believe CPF has passed the worst and we expect strong earnings growth of 281% this year, 23% in 2023F and 19% in 2024F. Key drivers are improving farm margin, the absence of biological losses and extra COVID-19 expenses, and increasing feed sales. We incorporate CPF's Bt30bn investment to raise its stake in C. P. Pokphand (CPP) by 25% to 75%. This leads to interest expenses rising by 13% from last year. We expect this to be partly offset by higher profit contributions from CPP over time.

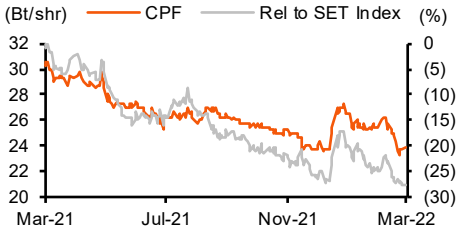
Below 1x core PE, maintain BUY

CPF's share price has fallen by 11% YTD. Excluding CPALL's earnings and the market value of CPF's 34% holding, CPF is worth Bt0.61 despite a turnaround from a net loss of Bt2.7bn in 2021 to core profit (excluding CPALL) of Bt9.7bn this year and Bt11bn-12bn in 2023-24F. We use SOTP methodology to value CPF at Bt27.5.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	512,704	572,965	607,115	645,604
Net profit	13,028	15,401	18,858	22,524
Consensus NP	—	15,015	17,638	19,119
Diff frm cons (%)	—	*2.6*	*6.9*	*17.8*
Norm profit	4,041	15,401	18,858	22,524
Prev. Norm profit	—	25,216	27,032	29,746
Chg frm prev (%)	—	*(38.9)*	*(30.2)*	*(24.3)*
Norm EPS (Bt)	0.5	1.8	2.2	2.6
Norm EPS grw (%)	(80.9)	281.1	22.5	19.4
Norm PE (x)	50.9	13.4	10.9	9.1
EV/EBITDA (x)	17.0	11.7	10.8	10.3
P/BV (x)	1.0	0.9	0.9	0.8
Div yield (%)	2.7	3.0	3.7	4.4
ROE (%)	2.0	7.0	8.2	9.2
Net D/E (%)	137.2	144.6	131.4	124.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 14-Mar-22 (Bt)	23.90
Market Cap (US$ m)	6,166.0
Listed Shares (m shares)	8,611.2
Free Float (%)	45.5
Avg Daily Turnover (US$ m)	20.4
12M Price H/L (Bt)	30.50/23.20
Sector	FOOD
Major Shareholder	CP Group 35.03%

Sources: Bloomberg, Company data, Thanachart estimates

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Thanachart Securities

Improving situation

Perfect storm in 2H21

After the previous 10 quarters of decent profits, Charoen Pokphand Foods Pcl (CPF) made huge losses of Bt5.5bn and Bt1.4bn in 3Q-4Q21. The losses were due to:

1) Feed input costs rising by 20% last year. Of CPF's feed, farm and food business, feed and food are on a cost-plus pricing basis. Farming is a commodity business and selling prices are determined by demand and supply.

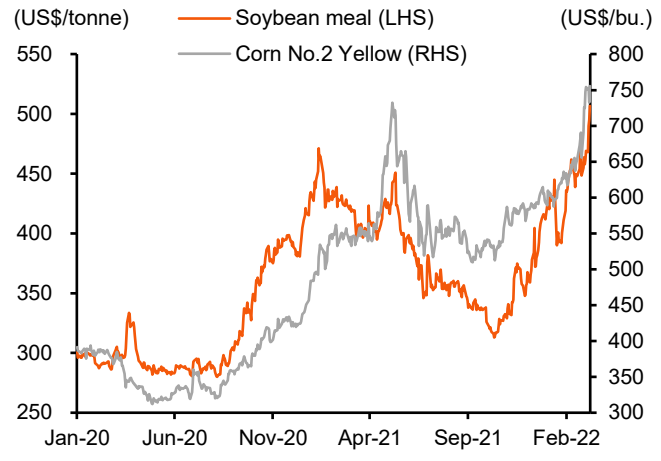
   Animal feed makes up 60-70% of meat production costs. Even with CPF's improving production efficiency and greater scale benefits, meat production costs increased by 7-8% over last year. Beak-even costs for pork rose to Bt68-70/kg (from Bt65/kg) and from Bt30-32/kg to Bt35-36/kg for chicken.

   Given that there is a three- to six-month lead time for price adjustments, feed and food margins were also negatively impacted. That being said, the magnitude of their declines has been to a much smaller extent than for the farm business.

2) Collapsing pork prices in China and Vietnam because of increasing supply to pre-African Swine Fever (ASF) level and weakening demand during country lockdowns. As for Thailand, small pork producers were dumping pork into the market to avoid ASF damages. This caused a sharp drop in pork prices in Thailand from Bt80/kg in 1Q21 to Bt68 and Bt65 per kg in 2Q-3Q21. Chicken prices were also down to below break-even level over 2Q-4Q21.

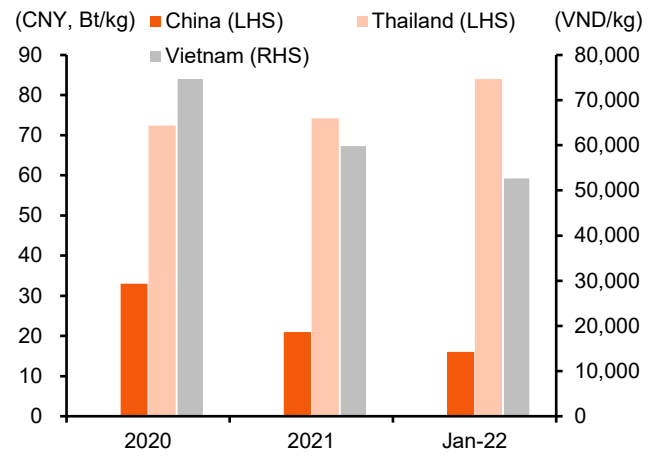
3) Additional expenses related to COVID-19. These comprised vaccine and medical expenses for employees and the implementation of so-called "bubble and seal" measures to prevent outbreaks. The strict bubble and seal procedures led to labor shortages and CPF's operations have been running below potential. CPF estimates extra COVID-19 expenses of Bt2bn and around a Bt1-2bn loss from lower production utilization rates.

Ex 1: Corn And Soybean Meal Prices



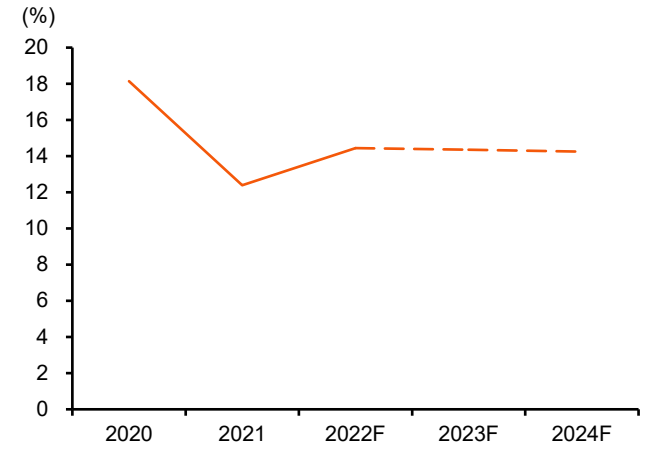
Source: Bloomberg

Ex 2: Pork Prices In Key Countries



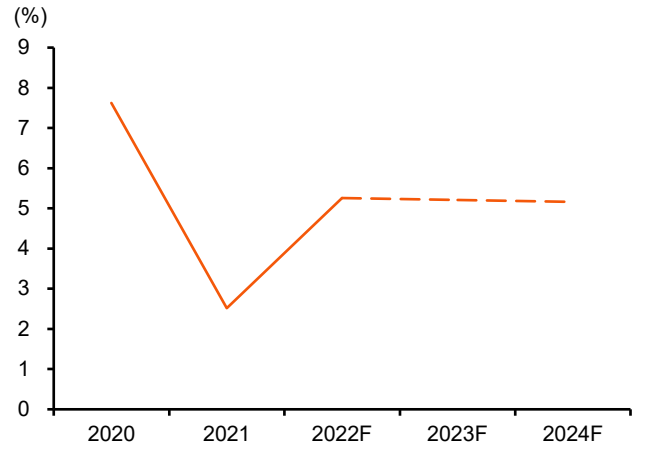
Sources: Company data, Thanachart estimates

Ex 3: CPF's Gross Margin



Sources: Company data, Thanachart estimates

Ex 4: CPF's Operating Margin



Sources: Company data, Thanachart estimates

Cutting margin and factoring in higher interest expenses

To reflect the above-mentioned factors, we slash our earnings by 39% in 2022F, 30% in 2023F and 24% in 2024F. The cuts are mainly to reflect lower gross margin and higher SG&A and interest expenses. We have also incorporated changes in CPF's business structure, i.e., 1) spending Bt30bn to privatize C.P. Pokphand Co. Ltd. by acquiring a 25% stake; and 2) the entire business transfer of Lotus's to Siam Makro (MAKRO TB, SELL, Bt41.75). Under the new structure, CPF's economic interest in CPP is raised to 75%, with an 82% holding in CP Vietnam and a 27% stake in Chia Tai Investment (CTI). CPF also directly owns 8% of Makro.

Ex 5: Earnings Revision

	2020A	2021A	2022F	2023F	2024F
Normalized profits (Bt bn)					
- New	21.12	4.04	15.40	18.86	22.52
- Old			25.22	27.03	29.75
- Change (%)			*(38.93)*	*(30.24)*	*(24.28)*
Net sales (Bt bn)					
- New	589.71	512.70	572.96	607.11	645.60
- Old			508.14	532.19	543.15
- Change (%)			*12.76*	*14.08*	*18.86*
Gross margin (%)					
- New	18.14	12.39	14.44	14.36	14.25
- Old			17.45	15.97	15.39
- Change (pp)			*(3.01)*	*(1.61)*	*(1.15)*
SG&A expenses (Bt bn)					
- New	62.02	50.60	52.63	55.57	58.67
- Old			49.19	50.17	51.18
- Change (%)			*6.98*	*10.75*	*14.64*

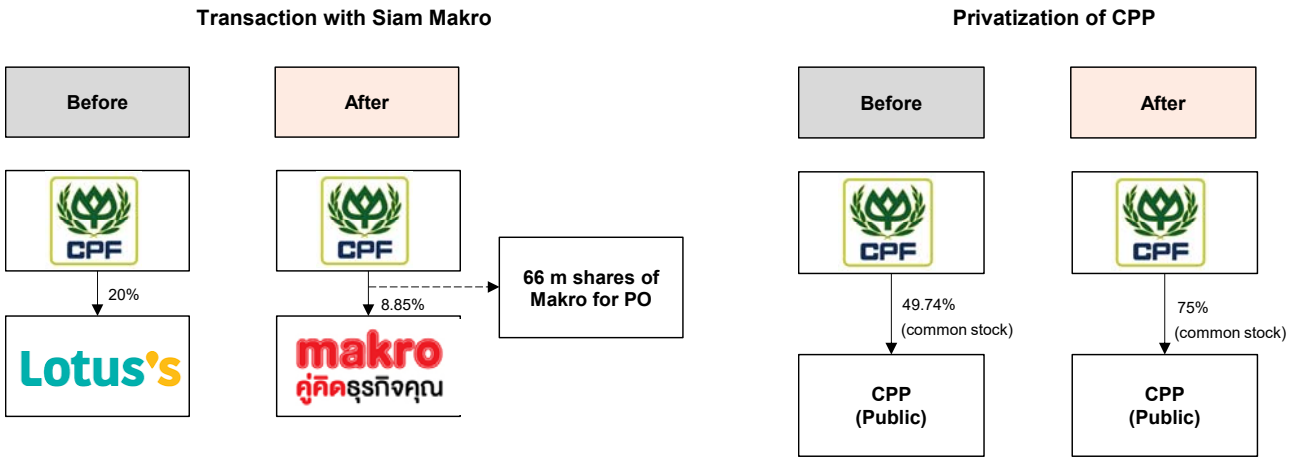
Sources: Company data, Thanachart estimates

Ex 5: Earnings Revision *(Con't)*

	2020A	2021A	2022F	2023F	2024F
Interest expenses (Bt bn)					
- New	16.82	16.60	18.84	19.21	19.39
- Old			15.52	14.75	14.37
- Change (%)			*21.39*	*30.22*	*34.92*
Equity income (Bt bn)					
- New	9.25	4.17	7.74	10.68	13.42
- Old			10.48	12.92	15.74
- Change (%)			*(26.16)*	*(17.36)*	*(14.72)*
Minority interest (Bt m)					
- New	(10.78)	(1.05)	(3.34)	(3.63)	(3.95)
- Old			(5.65)	(3.33)	(1.95)
- Change (%)			*na*	*na*	*na*

Sources: Company data, Thanachart estimates

Ex 6: Major Transactions In 2021



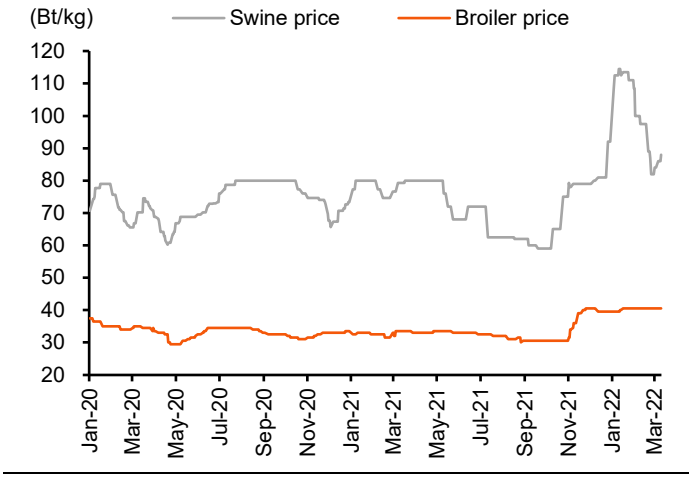
Source: Company data

Amid rising input costs along with the ongoing Russia-Ukraine war, we still expect CPF's business operation and performance to be better than last year.

A favorable demand/supply situation for farm products

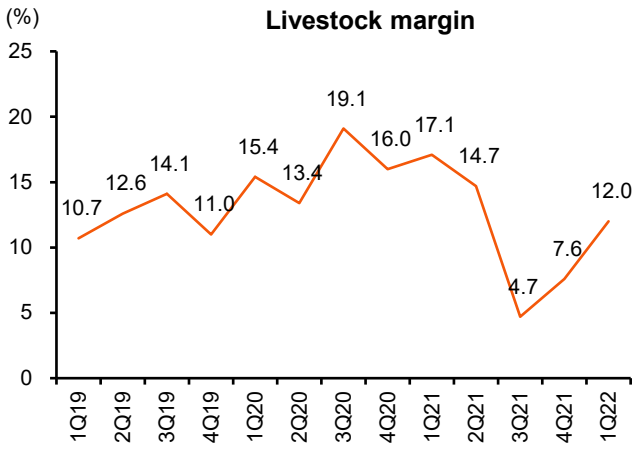
With a favorable demand/supply situation for farm products, CPF should be able to pass on rising costs and enjoy higher margins. This is especially the case for its Thailand operation which contributes 37% of total sales. The outbreak of AFS in Thailand along with an end to the dumping of pork into the market by retail producers led to a sharp increase in pork prices to an all-time high of Bt110/kg in January 2022. Chicken and egg prices have also rebounded nicely. Despite facing price controls, CPF is making decent profits on chicken while we expect pork prices to hover at around Bt80-90 per kg throughout the year.

Ex 7: Thailand Chicken And Pork Prices



Source: Office of Agricultural Economics

Ex 8: Improving Margin

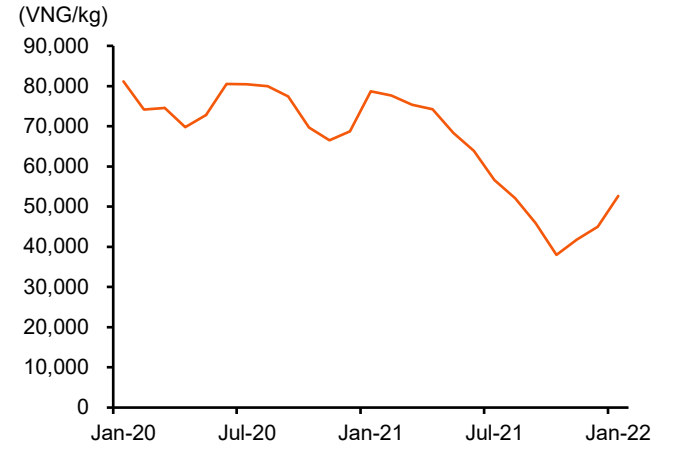


Sources: Company data, Thanachart estimates

A recovery of pork prices in Vietnam

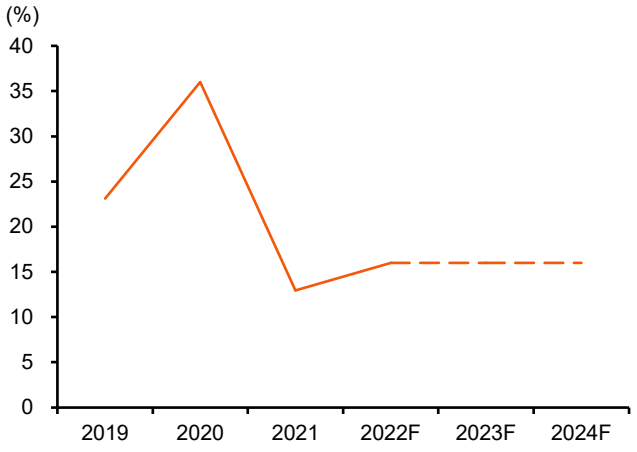
With improving consumption after the easing of the country lockdown, pork prices have recovered in Vietnam. Given increasing supply to pre-ASF level and just sporadic virus outbreaks in some areas, we don't expect pork prices to increase to over VND60,000 per kg while average selling prices for this year should be better than in 2021. This should limit biological losses and lead to a better farming margin.

Ex 9: Vietnam Pork Prices



Source: Company data

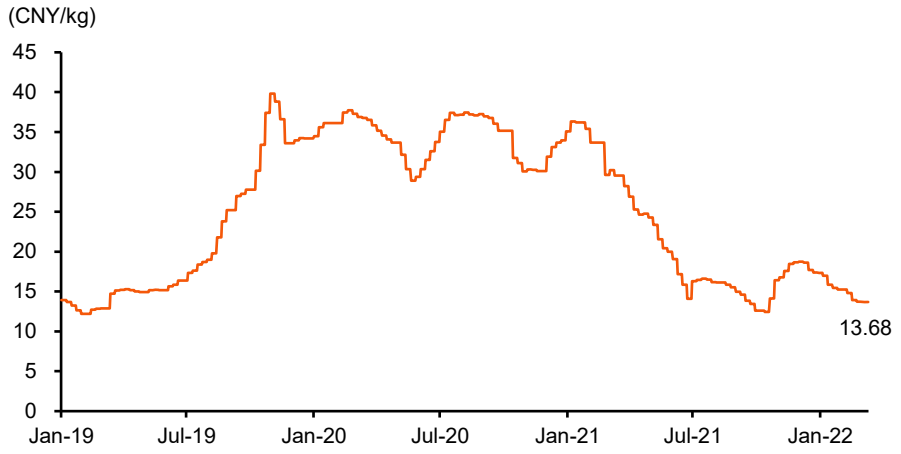
Ex 10: Gross Margin Of Vietnam Operation



Sources: Company data, Thanachart estimates

As for China, CPF is exposed to the swine farming business there as it has a 36% economic interest in CTI, an integrated swine producer in China via a 25% increase in its stake holding in CPP. Hit by huge biological losses as pork prices slumped by more than 50% y-y in 2021, CTI made a loss of around Bt5bn last year. Excluding the accounting loss, CTI made a small profit as the farming loss was offset by feed operation profits.

Ex 11: China Pork Prices

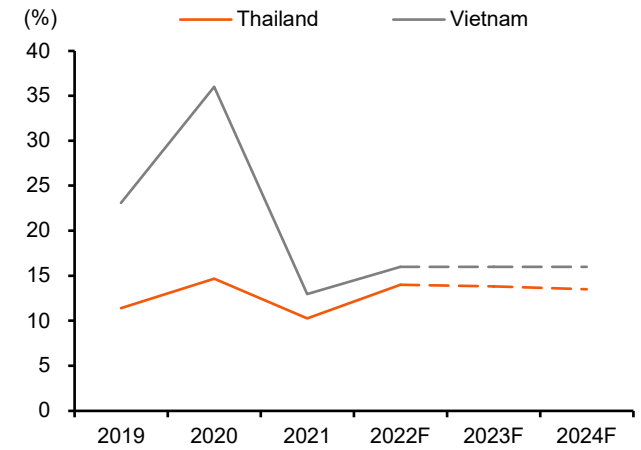


Source: Bloomberg

China operation to rebound slower than Vietnam and Thailand

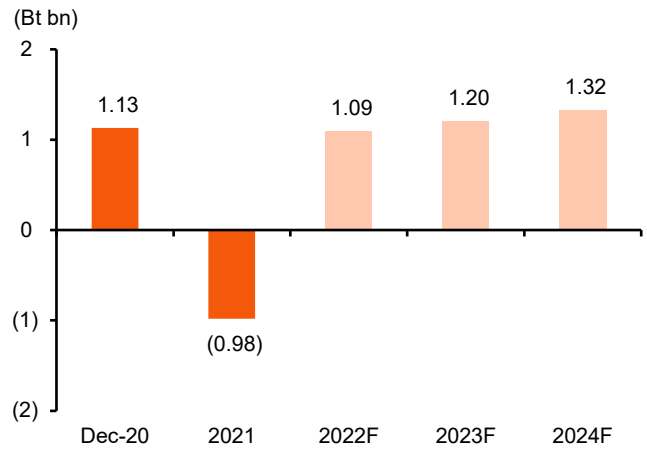
We are less concerned about the China farming situation this year but expect a slower profit recovery for CTI than for the Vietnam and Thailand operations. As big producers have increased production along with support from the government, China is still flooded with excess pork supply. This is while the consumption recovery is very slow due to the Chinese government's strict COVID-19 prevention policy. With new supply still feeding in, pork prices declined by a further 21% to CNY13.7/kg currently. As this is a loss-making level for the entire industry, we expect production cuts by smaller producers and we foresee a rebound in the pork price to above the breakeven level of CNY15/kg from late 2Q22. We still expect a biological loss in 1Q22 but we foresee CTI realizing some gains thereafter.

Ex 12: Gross Margin Of Thailand And Vietnam Ops



Source: Thanachart estimates

Ex 13: Lower Loss Contribution Of CTI



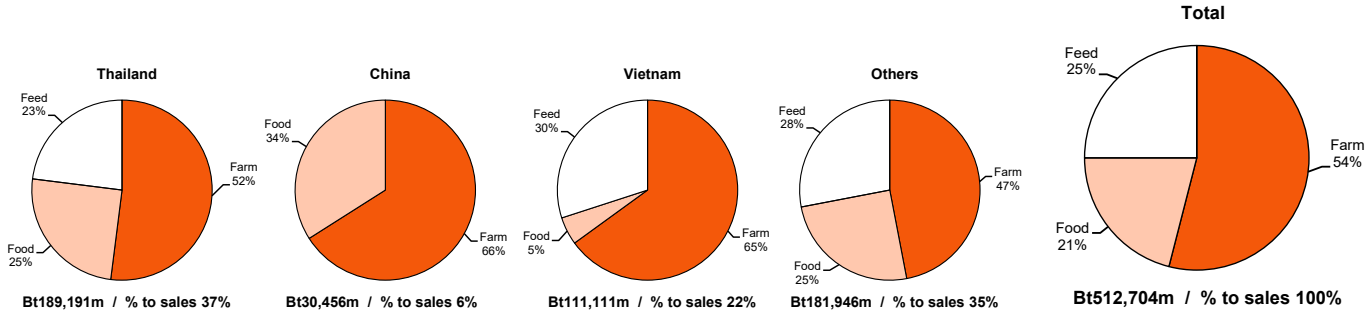
Source: Thanachart estimates

The US and Russia

We expect lower losses from India and Bellisio

CPF is a global food play. In addition to Thailand, Vietnam and China, it has operations in 15 other countries. Thailand, Vietnam and China are CPF's key income sources, making up 65% of total sales. The remaining countries contribute 35% of sales and their exposure to feed, farm and food are shown in Exhibit 14 below.

Ex 14: CPF's Sales Breakdown By Country And Product



Source: Company data

Of its other 15 overseas operations, only India and Bellisio in the US are loss-making at a combined Bt3.6bn last year. India operations comprise an integrated chicken and aquatic business, which was hit badly by rising input costs. As the Indian government does not allow grain imports, input cost inflation is very high there and, along with soft meat prices due to weak consumption, the company has faced difficulties in raising selling prices.

CPF cannot avoid the adverse impacts of the Russia-Ukraine war

Bellisio in the US has been making losses since CPF acquired it in 2017. The group has undergone heavy restructuring, including changing the management team, modifying production lines and adapting its ready-to-eat menus. The loss last year of Bt2bn was due mainly to rising production costs because of severe worker shortages and labor costs surging from US$8 to US$15-25/hour. In light of the 90-day lead time for price adjustments, Bellisio also suffered a margin squeeze. But it is now successfully raising selling prices to alleviate cost inflation. We expect lower loss contributions from India and Bellisio but CPF will be directly impacted by the Russia-Ukraine was as it has integrated chicken and pork businesses in Russia.

It has invested in integrated pig and chicken businesses in Russia

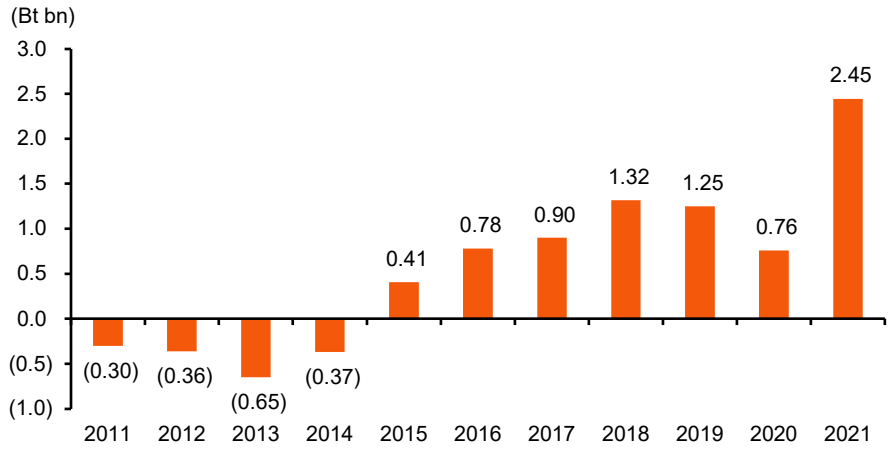
Back in 2006, CPF established its Russian branch in the Lukhovitsy district of Moscow. The company started off with animal feed production and expanded into swine farming. CPF Russia has invested in several swine farming projects in different regions of Russia, i.e., Moscow, Lipetsk, Kursk and Kaluga. The group later invested to acquire a 75.82% stake in Russia Baltic Pork Invest ASA (RBPI) in 2013. RBPI has five pig farms in the Kaliningrad and Nizhny Novgorod regions, two crop production departments, a design and construction company and a slaughterhouse. RPBI, together with CPF, was the No.9 pork producer in Russia last year, having increased production from 129.2 thousand tonnes to 238.7 thousand tonnes. Market share also rose from 2.6% to 4.8% in 2021.

In 4Q21, RBPI spent around Bt10bn to acquire 100% shares in Agro-Sojuz TS LLC and Mjaso-Sojuz T LLC, a swine farming producer in Russia from Tönnies Russland Agrar GmbH, RKS Agrarbeteiligungs GmbH and Tönnies Holding ApS & Co. KG. This will double the group pork production to 2m pigs per year.

CPF also invested in an 80% stake in CJSC Poultry Production Severnaya ("S") and CJSC Poultry Parent Stock Production Woyskovitsy ("W"), in 2015 and completed the 99.99% stake acquisition of S&W in 2018. S&W operates an integrated poultry business in Russia and is engaged in the production of feed, breeding of parent stock, hatching, as well as the operation of broiler houses and primary processing. S&W is considered one of the top five poultry companies in Russia with a domestic poultry industry market share of about 5%.

According to CPF, the Russia operation makes up 3% of sales and 7% of total assets in 2021. It has contributed positively to the group. That said, the adverse impact should be contained given the nature of the consumer staple business and limited FX risks as 100% of its products are sold in Russia. Nevertheless, CPF will inevitably be subject to an earnings translation loss because of the collapse in the value of the ruble.

Ex 15: Profits Contribution Of Russia Operation



Source: Thanachart compilation

Earnings and TP cuts but strong turnaround intact

Over the worst

In light of our earnings cuts mentioned earlier, we lower our SOTP-derived DCF-based 12-month TP (2022F base year) by 5% to Bt27.5 from Bt29 previously. The smaller cut to our TP than earnings is because we assume no change to CP All Pcl's (CPALL TB, BUY, Bt66.25) value of Bt25.2/CPF share. This is based on our TP for CPALL of Bt75 and CPF's 33.7% economic interest in CPALL.

Despite rising input costs and the ongoing Russia-Ukraine conflict, we believe CPF has passed the worst and we expect strong earnings growth of 281% this year, 23% in 2023F and 19% in 2024F. We expect the key drivers to be an improving farm margin, an absence of biological losses and extra COVID-19 expenses, and increasing feed sales. We incorporate CPF's Bt30bn investment to raise its stake in CPP by 25% to 75%, leading to interest expenses increasing by 13% from last year. We expect this to be partly offset by higher profit contributions of CPP and CTI over time.

Ex 16: 12-month DCF-derived SOTP-based TP Calculation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA excl. depre from right of use	54,427	57,077	60,031	63,871	67,728	71,870	76,344	81,204	86,515	92,346	98,781	—
Free cash flow	(21,692)	33,742	11,153	13,954	16,696	19,590	22,665	25,955	29,498	33,338	37,526	716,795
PV of free cash flow	(21,692)	29,772	9,242	10,683	11,957	13,125	14,202	15,214	16,175	17,100	18,474	352,867

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.8
WACC (%)	6.5
Terminal growth (%)	2.0
Enterprise value	**487,118**
Net debt (end-2021)	394,031
Minority interest	73,120
Equity value	19,966
# of shares (m)	8,611
Equity value/share (Bt)	**2.3**
Investment:	
CPALL @ Bt75 TP	25.2
SOTP (Bt)	**27.5**

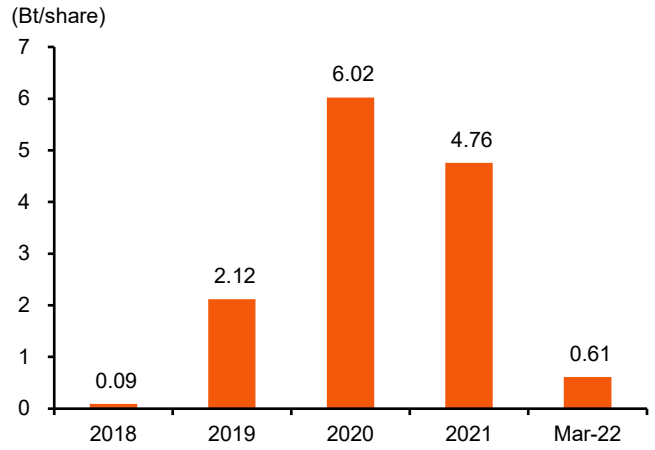
Sources: Company data, Thanachart estimates

Below 1x core PE, maintain BUY

Overly punished in our view

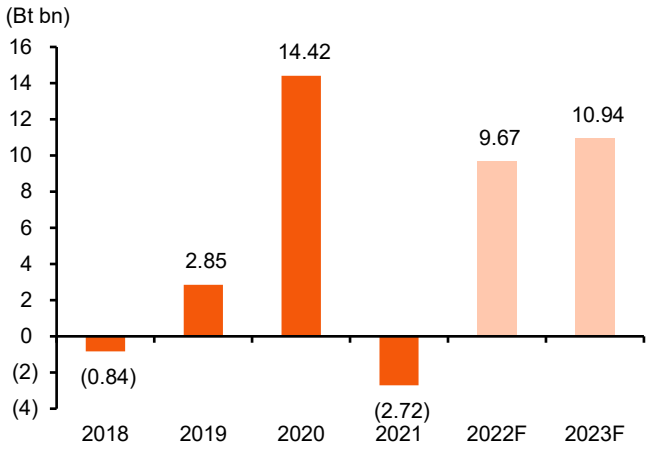
CPF's share price has fallen by 11% YTD. Excluding CPALL's earnings contribution and the market value of CPF's 33.7% holding, we estimate CPF is worth Bt0.61/share. This is versus its Bt0.7 dividend payment per share and a turnaround of its core business being in sight. In light of rising pork prices and no extra COVID-19 extra expenses, we expect its core operation (excluding CPALL) to turn around from a net loss of Bt2.7bn in 2021 to a profit of Bt9.7bn this year, Bt10.9bn in 2023F and Bt12.4bn in 2024F. Yet, the counter trades on a forward core PE of less than 1x. With 15% potential upside to our TP, we reaffirm our BUY rating on CPF.

Ex 17: Implied CPF Price, Ex-CPALL Market Value



Source: Thanachart estimates

Ex 18: Clear Turnaround In Core Profits



Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 19: Valuation Comparison With Regional Peers

Name	BBG code	Country	—EPS growth— 22F (%)	23F (%)	—— PE —— 22F (x)	23F (x)	— P/BV — 22F (x)	23F (x)	EV/EBITDA 22F (x)	23F (x)	— Div yield — 22F (%)	23F (%)
Austevoll Seafood ASA	AUSS NO	Norway	8.6	8.5	12.1	11.2	1.7	1.6	7.3	7.0	3.6	4.1
Leroy Seafood Group ASA	LSG NO	Norway	6.5	1.7	15.8	15.5	2.3	2.2	10.3	9.7	3.7	4.3
Mowi ASA	MOWI NO	Norway	20.7	5.9	18.6	17.6	3.5	3.3	11.5	11.1	3.9	4.5
Conagra Brands	CAG US	USA	(8.7)	8.9	12.4	11.3	1.6	1.5	10.9	10.3	4.0	4.2
Danone	DANOY US	USA	na	7.1	16.8	15.7	2.0	1.9	10.6	9.9	3.6	3.8
Nestle	NSRGY US	USA	na	8.4	25.6	23.6	6.8	6.8	18.0	16.8	2.5	2.6
Tyson Foods	TSN US	USA	2.1	(7.6)	10.2	11.1	1.7	1.6	6.8	7.2	2.1	2.3
Average			**5.8**	**4.7**	**15.9**	**15.1**	**2.8**	**2.7**	**10.8**	**10.3**	**3.3**	**3.7**
Feed Mills												
Japfa Comfeed	JPFA IJ	Indonesia	0.9	15.9	9.7	8.3	1.4	1.3	6.1	5.5	4.1	3.6
Charoen Pok Indo	CPIN IJ	Indonesia	22.4	18.0	20.4	17.3	3.4	3.0	13.2	11.5	1.7	2.1
Universal Robina	URC PM	Philippines	(50.7)	11.1	19.6	17.6	2.1	1.9	10.6	9.9	3.2	3.3
Average			**(9.1)**	**15.0**	**16.6**	**14.4**	**2.3**	**2.1**	**10.0**	**9.0**	**3.0**	**3.0**
Thailand												
Charoen Pokphand Foods *	CPF TB	Thailand	281.1	22.5	13.4	10.9	0.9	0.9	11.7	10.8	3.0	3.7
GFPT	GFPT TB	Thailand	391.8	26.2	15.3	12.1	1.1	1.0	8.7	7.8	1.7	2.2
Thai Union Group *	TU TB	Thailand	(0.3)	10.5	11.3	10.2	1.7	1.6	11.3	10.6	5.2	5.9
Average			**224.2**	**19.7**	**13.3**	**11.1**	**1.2**	**1.2**	**10.6**	**9.8**	**3.3**	**3.9**
Average - All			**61.3**	**10.6**	**15.5**	**14.0**	**2.3**	**2.2**	**10.5**	**9.9**	**3.3**	**3.6**

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

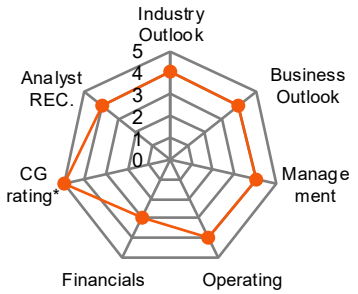
Based on 14 Mar 2022 closing prices

COMPANY DESCRIPTION

Charoen Pokphand Foods Pcl (CPF) is the flagship firm of Charoen Pokphand's agro-industrial business in Thailand and overseas, operating an agro-industrial business related to animal farming and manufacturing food products from meat. Fully integrated operations in Thailand operated by CPF and its subsidiaries are raw material sourcing for animal feed production and distribution, animal breeding and farming, meat processing, and the manufacture of ready-to-eat cooked meat products. The company has many subsidiaries with businesses abroad, i.e., in China, Vietnam, Turkey, India, etc.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Fully integrated food producer.
- Economies of scale.
- Well-recognized and well-received brands.
- Expertise and know-how in running its food business.

W — Weakness

- Around 36% of CPF's business is from farming, which is subject to many unexpected events as it is cyclical in nature.
- CPF sources some raw materials, i.e., soybean meal from overseas where prices can be volatile.

O — Opportunity

- Overseas expansion.
- Growth potential in the ready-to-eat food market.

T — Threat

- Slowing economic momentum.
- Oversupply of domestic meat.
- Unexpected disease outbreaks.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	30.32	27.50	-9%
Net profit 22F (Bt m)	15,015	15,401	3%
Net profit 23F (Bt m)	17,638	18,858	7%
Consensus REC	**BUY: 16**	**HOLD: 5**	**SELL: 0**

Sources: Bloomberg consensus, Thanachart estimates

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings estimates are above the Bloomberg consensus numbers, which we attribute to us being ahead in factoring in rising feed prices and higher meat prices.
- However, we believe we are more conservative than the consensus regarding medium- to long-term growth, and thus our TP is lower.

RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if meat prices are not over the worst and if CPF needs to book an impairment loss for its Russia operation.
- A secondary downside risk surrounds CPF's strong operations abroad, particularly in Vietnam and China. If CPF were to encounter greater problems in those markets, this could lead to downside risk to our earnings forecasts.
- As exports and overseas sales make up over 60% of CPF's total sales, the company is exposed to forex risk.

Source: Thanachart

Improving margin

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	589,713	512,704	572,965	607,115	645,604
Cost of sales	482,739	449,196	490,234	519,941	553,634
Gross profit	**106,974**	**63,508**	**82,732**	**87,174**	**91,970**
% gross margin	18.1%	12.4%	14.4%	14.4%	14.2%
Selling & administration expenses	62,021	50,602	52,627	55,567	58,672
Operating profit	**44,952**	**12,906**	**30,105**	**31,608**	**33,298**
% operating margin	7.6%	2.5%	5.3%	5.2%	5.2%
Depreciation & amortization	26,964	22,439	24,322	25,469	26,732
EBITDA	**71,917**	**35,345**	**54,427**	**57,077**	**60,031**
% EBITDA margin	12.2%	6.9%	9.5%	9.4%	9.3%
Non-operating income	5,513	7,268	4,448	4,474	4,743
Non-operating expenses	0	0	0	0	0
Interest expense	(16,818)	(16,596)	(18,836)	(19,211)	(19,393)
Pre-tax profit	**33,647**	**3,578**	**15,717**	**16,871**	**18,649**
Income tax	11,001	2,654	4,715	5,061	5,595
After-tax profit	**22,646**	**925**	**11,002**	**11,809**	**13,054**
% net margin	3.8%	0.2%	1.9%	1.9%	2.0%
Shares in affiliates' Earnings	9,254	4,167	7,739	10,678	13,424
Minority interests	(10,780)	(1,050)	(3,340)	(3,629)	(3,954)
Extraordinary items	4,903	8,987	0	0	0
NET PROFIT	**26,022**	**13,028**	**15,401**	**18,858**	**22,524**
Normalized profit	**21,119**	**4,041**	**15,401**	**18,858**	**22,524**
EPS (Bt)	3.0	1.5	1.8	2.2	2.6
Normalized EPS (Bt)	2.5	0.5	1.8	2.2	2.6

Rising debts to finance acquisitions

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	194,670	216,550	202,970	173,583	184,279
Cash & cash equivalent	57,997	36,686	10,000	10,000	10,000
Account receivables	29,952	38,471	42,384	31,603	33,607
Inventories	52,136	73,431	80,586	56,980	60,672
Others	54,585	67,962	70,000	75,000	80,000
Investments & loans	251,757	267,867	307,867	318,367	328,867
Net fixed assets	200,138	230,507	227,440	228,288	227,938
Other assets	115,154	127,756	133,156	138,556	143,956
Total assets	**761,719**	**842,681**	**871,433**	**858,794**	**885,040**
LIABILITIES:					
Current liabilities:	204,147	203,928	211,827	194,088	197,684
Account payables	32,312	44,372	48,352	35,612	37,920
Bank overdraft & ST loans	103,023	90,412	92,512	88,464	88,802
Current LT debt	37,027	39,065	41,763	39,935	40,088
Others current liabilities	31,784	30,079	29,200	30,076	30,874
Total LT debt	**244,196**	**301,240**	**306,260**	**292,859**	**293,978**
Others LT liabilities	51,197	50,376	55,637	58,791	62,121
Total liabilities	**499,541**	**555,544**	**573,724**	**545,738**	**553,782**
Minority interest	70,242	72,070	73,120	76,461	80,415
Preferreds shares	0	0	0	0	0
Paid-up capital	8,611	8,611	8,611	8,611	8,611
Share premium	60,769	60,882	60,882	60,882	60,882
Warrants	0	0	0	0	0
Surplus	1,734	19,396	19,396	19,396	19,396
Retained earnings	**120,822**	**126,178**	**135,700**	**147,706**	**161,954**
Shareholders' equity	191,937	215,067	224,589	236,595	250,843
Liabilities & equity	**761,719**	**842,681**	**871,433**	**858,794**	**885,040**

Sources: Company data, Thanachart estimates

Higher EBITDA

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	33,647	3,578	15,717	16,871	18,649
Tax paid	(9,556)	(3,873)	(4,642)	(4,885)	(5,506)
Depreciation & amortization	26,964	22,439	24,322	25,469	26,732
Chg In w orking capital	12,144	(17,755)	(7,088)	21,648	(3,388)
Chg In other CA & CL / minorities	33,429	7,677	2,459	6,089	9,134
Cash flow from operations	**96,628**	**12,067**	**30,768**	**65,192**	**45,621**
Capex	(23,601)	(51,613)	(20,000)	(25,000)	(25,000)
Right of use	(28,505)	(2,290)	(2,000)	(2,000)	(2,000)
ST loans & investments	188	0	0	0	0
LT loans & investments	(119,428)	(16,110)	(40,000)	(10,500)	(10,500)
Adj for asset revaluation	13,436	18,997	0	0	0
Chg In other assets & liabilities	50,241	(20,588)	607	(1,564)	(1,453)
Cash flow from investments	**(107,669)**	**(71,604)**	**(61,393)**	**(39,064)**	**(38,953)**
Debt financing	51,339	47,122	9,818	(19,276)	1,609
Capital increase	0	113	(0)	0	0
Dividends paid	(6,503)	(7,969)	(5,879)	(6,852)	(8,277)
Warrants & other surplus	(9,294)	(1,039)	0	0	0
Cash flow from financing	**35,542**	**38,227**	**3,939**	**(26,128)**	**(6,668)**
Free cash flow	**73,027**	**(39,546)**	**10,768**	**40,192**	**20,621**

Excluding CPALL, CPF trades on forward core PE of less than 1x

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	9.7	50.9	13.4	10.9	9.1
Normalized PE - at target price (x)	11.2	58.6	15.4	12.6	10.5
PE (x)	7.9	15.8	13.4	10.9	9.1
PE - at target price (x)	9.1	18.2	15.4	12.6	10.5
EV/EBITDA (x)	7.4	17.0	11.7	10.8	10.3
EV/EBITDA - at target price (x)	7.8	17.8	12.3	11.4	10.8
P/BV (x)	1.1	1.0	0.9	0.9	0.8
P/BV - at target price (x)	1.2	1.1	1.1	1.0	0.9
P/CFO (x)	2.1	17.1	6.7	3.2	4.5
Price/sales (x)	0.3	0.4	0.4	0.3	0.3
Dividend yield (%)	4.2	2.7	3.0	3.7	4.4
FCF Yield (%)	35.5	(19.2)	5.2	19.5	10.0
(Bt)					
Normalized EPS	2.5	0.5	1.8	2.2	2.6
EPS	3.0	1.5	1.8	2.2	2.6
DPS	1.0	0.7	0.7	0.9	1.0
BV/share	22.3	25.0	26.1	27.5	29.1
CFO/share	11.2	1.4	3.6	7.6	5.3
FCF/share	8.5	(4.6)	1.3	4.7	2.4

Sources: Company data, Thanachart estimates

Strong earnings recovery story

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	10.7	(13.1)	11.8	6.0	6.3
Net profit (%)	41.0	(49.9)	18.2	22.5	19.4
EPS (%)	41.0	(49.9)	18.2	22.5	19.4
Normalized profit (%)	14.4	(80.9)	281.1	22.5	19.4
Normalized EPS (%)	14.4	(80.9)	281.1	22.5	19.4
Dividend payout ratio (%)	33.1	43.0	40.0	40.0	40.0
Operating performance					
Gross margin (%)	18.1	12.4	14.4	14.4	14.2
Operating margin (%)	7.6	2.5	5.3	5.2	5.2
EBITDA margin (%)	12.2	6.9	9.5	9.4	9.3
Net margin (%)	3.8	0.2	1.9	1.9	2.0
D/E (incl. minor) (x)	1.5	1.5	1.5	1.3	1.3
Net D/E (incl. minor) (x)	1.2	1.4	1.4	1.3	1.2
Interest coverage - EBIT (x)	2.7	0.8	1.6	1.6	1.7
Interest coverage - EBITDA (x)	4.3	2.1	2.9	3.0	3.1
ROA - using norm profit (%)	3.0	0.5	1.8	2.2	2.6
ROE - using norm profit (%)	11.7	2.0	7.0	8.2	9.2
DuPont					
ROE - using after tax profit (%)	12.6	0.5	5.0	5.1	5.4
- asset turnover (x)	0.8	0.6	0.7	0.7	0.7
- operating margin (%)	8.6	3.9	6.0	5.9	5.9
- leverage (x)	3.9	3.9	3.9	3.8	3.6
- interest burden (%)	66.7	17.7	45.5	46.8	49.0
- tax burden (%)	67.3	25.8	70.0	70.0	70.0
WACC (%)	6.5	6.5	6.5	6.5	6.5
ROIC (%)	6.5	0.6	3.5	3.4	3.6
NOPAT (Bt m)	30,255	3,335	21,073	22,125	23,309
invested capital (Bt m)	518,186	609,098	655,124	647,854	663,711

Sources: Company data, Thanachart estimates

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