Charoen Pokphand Foods (CPF TB) - BUY, Price Bt23.60, TP Bt27.25

Results Comment

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Better than expected profits

- CPF's Bt2.8bn came in better than expected on higher mark to market (MTM) inventory gains, lower equity loss of CTI and higher investment gains.
- Excluding the gains of Bt1.6bn, profits would have been Bt1.3bn versus our full-year forecast of Bt14.2bn. So, we incline to keep our forecast as is. Maintain BUY.
- Revenues grew 16% y-y and 1% q-q. With lower pork prices in Vietnam, gross margin was down 7% y-y but rebounded 5.4% on higher MTM gains.
- SG&A came down due to lower Covid-19 related expenses.
- Interest expenses were rising as it increased investments in CPP.
- Equity income was negative of Bt336m due to larger loss of CTI which CPF has raised economic interest to 27% from 18%.
- Net D/E went up to 1.7x but this is still below its 2x debt covenant. We expect better profits on coming quarters due to higher pork prices in Thailand and high export season.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	119,346	129,638	125,940	137,781	138,887
Gross profit	**23,718**	**20,711**	**7,839**	**11,241**	**18,889**
SG&A	11,674	12,297	13,127	13,503	12,169
Operating profit	12,044	8,413	(5,289)	(2,262)	6,720
EBITDA	**17,328**	**13,899**	**471**	**3,647**	**12,462**
Other income	741	1,381	3,439	1,706	2,281
Other expense	0	0	0	0	0
Interest expense	4,098	3,980	4,155	4,363	4,469
Profit before tax	**8,687**	**5,814**	**(6,005)**	**(4,918)**	**4,532**
Income tax	2,117	1,752	(1,266)	50	1,158
Equity & invest. income	2,043	753	(1,266)	2,636	(336)
Minority interests	(1,673)	(748)	468	903	(154)
Extraordinary items	6	670	163	8,149	(41)
Net profit	**6,945**	**4,737**	**(5,374)**	**6,720**	**2,842**
Normalized profit	**6,940**	**4,068**	**(5,537)**	**(1,429)**	**2,883**
EPS (Bt)	0.85	0.58	(0.66)	0.82	0.35
Normalized EPS (Bt)	0.85	0.50	(0.68)	(0.17)	0.35

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	1	16	24	573,407	607,471
Gross profit	**68**	**(20)**	**23**	**82,793**	**87,223**
SG&A	(10)	4	23	52,627	55,567
Operating profit	na	(44)	22	30,167	31,657
EBITDA	**242**	**(28)**	**23**	**54,489**	**57,126**
Other income	34	208	51	4,451	4,476
Other expense			na	0	0
Interest expense	2	9	24	18,856	19,242
Profit before tax	**na**	**(48)**	**29**	**15,762**	**16,891**
Income tax	2,198	(45)	24	4,729	5,067
Equity & invest. income	na	na	na	6,511	10,323
Minority interests	na	na	na	(3,340)	(3,629)
Extraordinary items	na	na	na	0	0
Net profit	**(58)**	**(59)**	**20**	**14,204**	**18,518**
Normalized profit	**na**	**(58)**	**20**	**14,204**	**18,518**
EPS (Bt)	(58)	(59)	21	1.65	2.15
Normalized EPS (Bt)	na	(58)	21	1.65	2.15

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	47,961	43,067	52,799	36,686	25,703
A/C receivable	31,019	35,228	35,166	38,471	40,008
Inventory	57,309	63,598	67,917	73,431	73,557
Other current assets	58,970	62,561	69,096	67,962	67,017
Investment	256,243	253,045	255,253	270,993	273,423
Fixed assets	204,361	213,935	221,844	230,507	228,754
Other assets	118,604	120,789	129,268	127,521	128,659
Total assets	**774,467**	**792,223**	**831,344**	**845,572**	**837,121**
S-T debt	99,889	111,613	128,297	129,477	146,696
A/C payable	36,579	38,252	37,226	44,372	45,629
Other current liabilities	30,990	35,921	33,320	30,079	29,161
L-T debt	278,294	272,166	295,255	301,240	303,506
Other liabilities	51,799	51,497	53,038	50,767	50,423
Minority interest	72,952	72,931	74,353	72,071	42,469
Shareholders' equity	**203,966**	**209,842**	**209,854**	**217,567**	**219,238**
Working capital	51,749	60,574	65,857	67,531	67,936
Total debt	378,182	383,779	423,552	430,717	450,201
Net debt	**330,221**	**340,712**	**370,753**	**394,031**	**424,498**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(13.6)	(9.9)	(20.2)	(8.1)	16.4
Operating profit growth	28.7	(37.2)	na	na	(44.2)
EBITDA growth	17.6	(26.2)	(97.7)	(73.2)	(28.1)
Norm profit growth	20.4	(31.7)	na	na	(58.5)
Norm EPS growth	20.4	(31.7)	na	na	(58.5)
Gross margin	19.9	16.0	6.2	8.2	13.6
Operating margin	10.1	6.5	(4.2)	(1.6)	4.8
EBITDA margin	14.5	10.7	0.4	2.6	9.0
Norm net margin	5.8	3.1	(4.4)	(1.0)	2.1
D/E (x)	1.4	1.4	1.5	1.5	1.7
Net D/E (x)	1.2	1.2	1.3	1.4	1.6
Interest coverage (x)	4.2	3.5	0.1	0.8	2.8
Interest rate	4.3	4.2	4.1	4.1	4.1
Effective tax rate	24.4	30.1	21.1	(1.0)	25.6
ROA	3.6	2.1	(2.7)	(0.7)	1.4
ROE	14.0	7.9	(10.6)	(2.7)	5.3

Sources: Company data, Thanachart estimates

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