

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 25.70** (From: Bt 21.00)**Upside : 13.2%****1 JULY 2024**

# Charoen Pokphand Foods (CPF TB)

## Faster turnaround

During the Daiwa-Thanchart conference in Tokyo, CPF's management said they expected a definitive operational turnaround in 2Q24. With more rationalized pork supply and enhanced cost management, we have gained clarity on its earnings visibility. We raise our earnings estimates and lift our TP to Bt25.7.

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### Above-water swine business in China

Swine prices in China are rebounding faster and stronger than we'd initially expected. Prices have climbed from an average of CNY15.4/kg in 2023 and CNY14.6/kg in 1Q24 to CNY15.5/kg in April-May, surpassing CNY18/kg in June 2024. This upward trend has been bolstered by improved pork supply management, reduced sow inventory, and decreased production from small backyard producers. We expect the recent hike in import tariffs on EU pork to support the supply constraints further, contrary to the scenario witnessed last year. While the current price surge is primarily propelled by supply factors, we foresee enhanced consumption contributing to ongoing support for swine prices in the second half of 2024. This leads us to anticipate a prolonged rally rather than a short-lived one. We project that CPF's integrated swine business (CTI) will shift from a loss-making position. CTI incurred an equity loss of Bt860m in 1Q24.

### Clearer earnings outlook

The profit turnaround in 1Q24 was propelled by robust pork prices in Vietnam and a significant equity contribution from CPALL. Increased export demand has driven chicken prices to a profitable level, alongside improving swine prices in Thailand and China. With ongoing strong profit contributions from affiliate CP All Pcl's (CPALL, BUY, Bt55.25), we anticipate clear visibility for 2Q-3Q24F. While 4Q typically entails higher expenses, we expect the expense increase to be more manageable. CPF, having faced challenges with low meat prices since 2022, has successfully reduced SG&A expenses. The percentage of sales decreased from 10.5% in 2021 to 9-9.7% over 2022-23 and went further down to just 8.7% in 1Q24.

### Raising our earnings and TP to Bt25.7

Due to an improved gross margin, reduced SG&A expenses, and increased equity income contributions from CPALL and CTI, we are raising our earnings forecast by 87% for this year and 21% for 2025F. After recently lifting CPALL's TP to Bt73 (from Bt70), we are raising our SOTP-based TP for CPF to Bt25.7, up from Bt21.

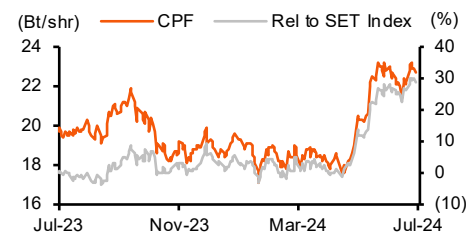
### How many of the positives are priced in?

After emerging from a loss-making year, CPF's share price has rallied and outperformed the SET by 24% YTD. The stock price of CPF is now 16% above its affiliates' value of Bt19.6 per share, swinging up from the discount of 9% experienced before the release of 1Q24 profits in April 2024. We think this means the market has started to price in CPF's improved profits operationally. Supported by an upcoming strong profit turnaround, particularly in 2Q-3Q24F, we expect the upturn to continue. We provide roadshow feedback inside this note.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	585,844	574,223	602,273	632,032
Net profit	(5,207)	6,123	10,280	14,513
Consensus NP	—	8,207	11,171	13,030
Diff frm cons (%)	—	(25.4)	(8.0)	11.4
Norm profit	(10,538)	6,123	10,280	14,513
Prev. Norm profit	—	3,266	8,481	15,261
Chg frm prev (%)	—	87.5	21.2	(4.9)
Norm EPS (Bt)	(1.3)	0.7	1.2	1.7
Norm EPS grw (%)	na	na	67.9	41.2
Norm PE (x)	na	31.2	18.6	13.2
EV/EBITDA (x)	21.3	14.3	13.0	11.8
P/BV (x)	0.8	0.8	0.8	0.7
Div yield (%)	0.0	1.3	2.2	3.0
ROE (%)	na	2.5	4.1	5.7
Net D/E (%)	159.1	154.5	148.8	140.9

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 1-Jul-24 (Bt)	22.70
Market Cap (US\$ m)	5,200.1
Listed Shares (m shares)	8,413.6
Free Float (%)	47.4
Avg Daily Turnover (US\$ m)	10.7
12M Price H/L (Bt)	23.20/17.10
Sector	FOOD
Major Shareholder	CP Group 37.35%

Sources: Bloomberg, Company data, Thanachart estimates

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### Clearer earnings outlook

*We expect 2Q24F profits to be further propelled...*

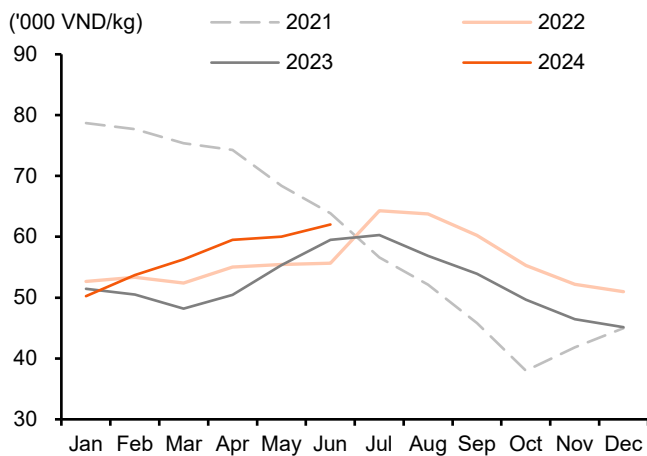
Charoen Pokphand Pcl's (CPF) 1Q24 profits demonstrated a more substantial and rapid turnaround than we had originally anticipated. This turnaround was primarily driven by strong pork prices in Vietnam and a notable equity contribution from its affiliate CP All Pcl (CPALL, BUY, Bt55.25), although the swine businesses in China and Thailand still incurred losses during the quarter.

*...by a China swine turnaround and higher Thailand broiler profits*

Looking forward, we anticipate an improved performance from the China swine business, the Thailand chicken operations, particularly from strong export volumes, and enhanced results from Thailand swine operations will be key drivers for CPF's operations in 2Q-3Q24F. Additionally, we expect a margin boost for CPALL, attributed to the expansion of standalone format outlets with parking and product mix changes toward higher-margin items, to bolster equity income contributions, with CPF holding a 34.45% stake in CPALL.

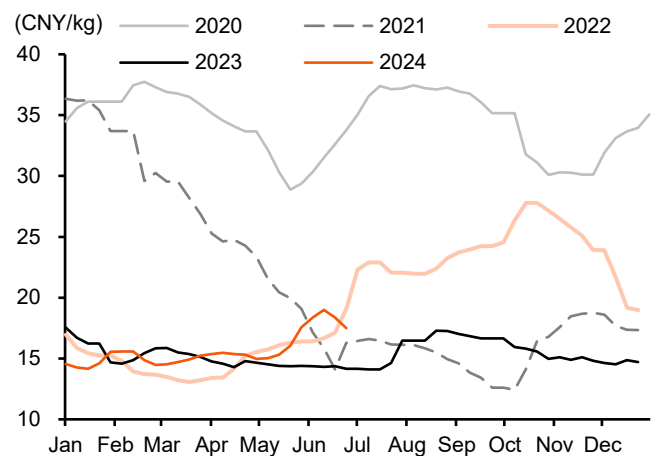
While the fourth quarter typically sees higher expenses, we project this expense increase to be more manageable. Since 2022, CPF has been grappling with challenges stemming from low meat prices, effectively reducing SG&A expenses. The percentage of SG&A expenses to sales declined from 10.5% in 2021 to 9-9.7% throughout 2022-23 and dropped further to just 8.7% in 1Q24.

**Ex 1: Vietnam Swine Prices**



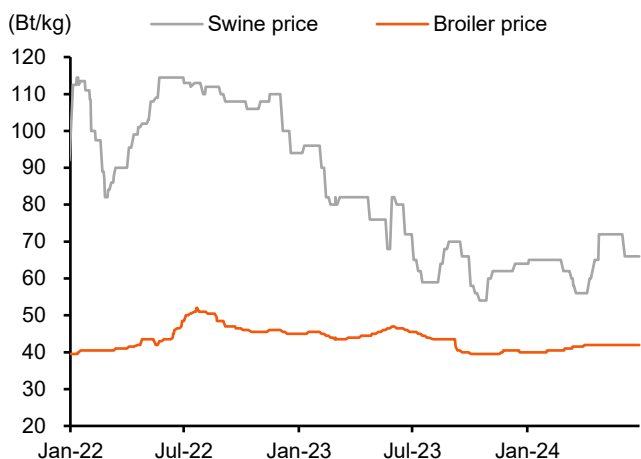
Source: Company data

**Ex 2: China Swine Prices**



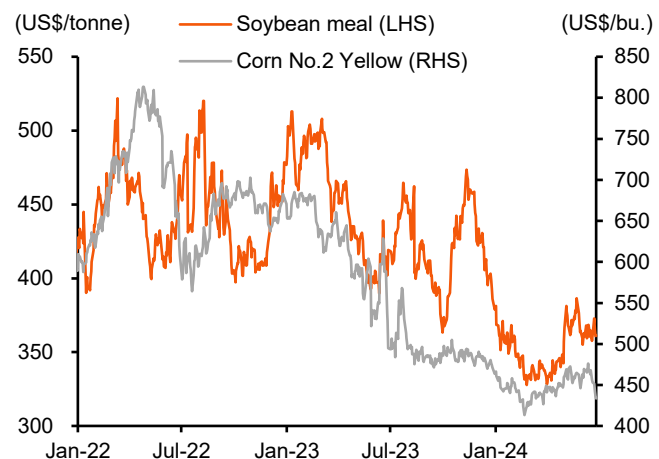
Source: Bloomberg

**Ex 3: Thailand Swine And Broiler Prices**

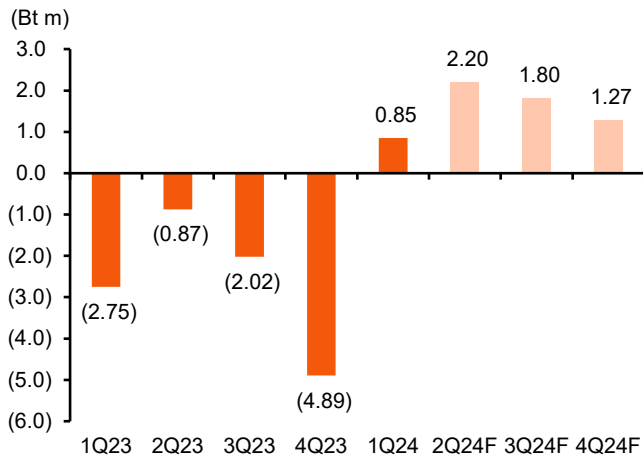


Source: Office of Agricultural Economics

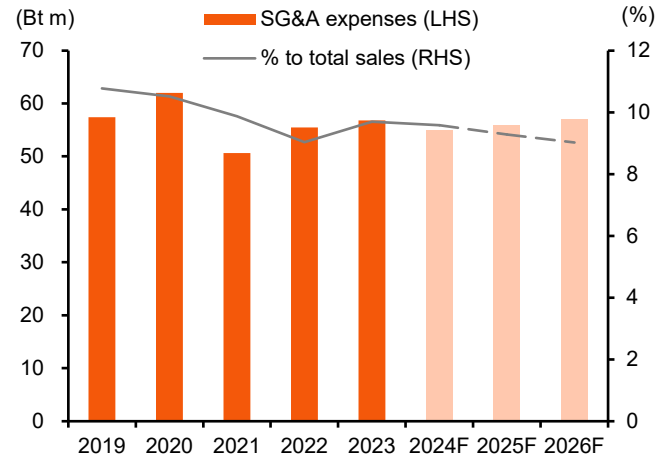
**Ex 4: Corn And Soybean Meal Prices**



Source: Bloomberg

**Ex 5: Improved Quarterly Profits**

Sources: Company data, Thanachart estimates

**Ex 6: SG&A Expenses And % Of Sales**

Sources: Company data, Thanachart estimates

**Raising our earnings and TP to Bt25.7**

Due to an improved gross margin, reduced SG&A expenses, and increased equity income contributions from CPALL and CTI, we are raising our earnings forecast by 87% for this year and 21% for 2025F. Following our recent TP increase for CPALL to Bt73 (from Bt70), we are revising up our SOTP-based 12-month TP for CPF to Bt25.7 from Bt21 previously.

**Ex 7: Key Assumption Changes**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Norm profits (Bt bn)</b>								
- New	18.47	21.12	4.04	12.11	(10.54)	6.12	10.28	14.51
- Old						3.27	8.48	15.26
- Change (%)						87.47	21.20	(4.90)
<b>Net sales (Bt bn)</b>								
- New	532.57	589.71	512.70	614.20	585.84	574.22	602.27	632.03
- Old						613.32	645.31	679.38
- Change (%)						(6.37)	(6.67)	(6.97)
<b>Gross margin (%)</b>								
- New	14.93	18.14	12.39	13.56	10.57	12.99	13.00	13.00
- Old						11.95	12.30	12.65
- Change (ppt)						1.05	0.71	0.35
<b>SG&amp;A expenses (Bt bn)</b>								
- New	57.40	62.02	50.60	55.48	56.78	55.00	55.87	56.99
- Old						56.11	56.67	57.57
- Change (%)						(1.97)	(1.41)	(1.00)
<b>Interest expenses (Bt bn)</b>								
- New	13.78	16.82	16.60	20.36	25.51	24.64	24.47	24.06
- Old						27.11	25.88	25.21
- Change (%)						(9.09)	(5.43)	(4.58)

Sources: Company data, Thanachart estimates

**Ex 7: Key Assumption Changes (Con')**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Equity income (Bt bn)</b>								
<b>1. CPALL</b>								
- New	7.52	5.49	4.37	4.52	6.37	8.24	9.65	11.34
- Old						7.68	9.00	10.87
- Change (%)						7.24	7.24	4.31
<b>2. CTI</b>								
- New	—	1.13	(0.98)	1.21	(7.82)	0.10	0.50	0.60
- Old						(2.00)	0.10	0.50
- Change (%)						na	400.00	20.00

Sources: Company data, Thanachart estimates

**Ex 8: 12-month DCF-derived SOTP-based TP Calculation Using A Base Year Of 2024F**

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA excl. depre from right of use	38,949	42,229	45,801	49,274	52,923	56,760	60,796	65,044	69,517	74,628	80,013	—
Free cash flow	11,011	11,961	14,495	15,573	19,564	22,284	25,130	28,112	31,237	34,793	38,526	739,206
PV of free cash flow	11,041	10,469	11,871	11,934	14,025	14,947	15,772	15,974	16,536	17,163	17,709	339,785
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.8											
WACC (%)	6.4											
Terminal growth (%)	2.0											
<b>Enterprise value</b>	<b>497,225</b>											
Net debt (end-2023)	453,612											
Minority interest	45,617											
Equity value	(2,004)											
# of shares (m)	8,414											
<b>Equity value/share (Bt)</b>	<b>(0.2)</b>											
<b>Investment:</b>												
CPALL @ Bt73 TP	26.9											
CPAXT @ Bt33 TP	3.7											
<b>SOTP at 15% disc. (Bt)</b>	<b>25.7</b>											

Sources: Company data, Thanachart estimates

## Key questions and answers from the Tokyo conference

### 1) What is the outlook for 2024-25?

- CPF believes its operation is turning around, supported by higher swine prices in Vietnam and China. The Thailand broiler business is also enjoying increased export orders. CPF also expects its swine business in Thailand to perform better than last year. As for 2025, it expects better economic momentum to support business volume expansion.

### 2) What happened in 2023?

- The Thai swine industry was hurt by an influx of illegally imported pork. While the government's stricter measures have reduced the adverse effects, the issue has not been completely resolved. With swine prices in Thailand beginning to recover in 2Q24, domestic swine businesses are expected to perform reasonably well this year. Additionally, chicken prices have surged to highly profitable levels, driven by strong overseas demand.
- In terms of input costs, such as corn and soybean meal prices, they experienced significant increases in 2022 due to the Russia-Ukraine conflict. However, prices dropped in 2023, and CPF anticipates more stable input costs in 2024.
- In Vietnam, the challenges in 2023 were attributed to an influx of supply due to early slaughter to prevent the recurrence of African Swine Fever (ASF). Swine prices in Vietnam have rebounded since late 2023, with operations showing signs of improvement since 4Q23 and likely to maintain decent profit generation.
- In China, swine prices have been declining for two years. Muyuan, the largest player, has more than doubled its capacity and boasts the lowest production costs. With average breakeven levels at CNY16-17 per kg, the current swine price in China is high, ranging from CNY18-19 per kg.

### 3) Are increases or decreases in feed costs net positive for the group?

- While CPF's operations span from upstream to downstream, farming constitutes the largest segment, representing 54% of total sales in 1Q24. Moreover, the cost-plus feed pricing mechanism ensures a relatively stable gross margin. Therefore, the company benefits from low feed prices and input costs, as it allows for the expansion of business volume.

### 4) Do you see opportunities to expand market shares in the medium to long term?

- The strategies entail expanding and enhancing the presence of high-value-added products in Thailand. Vietnam is being positioned as a hub for chicken exports, leveraging advantages from free trade areas. Additionally, plans are being made to diversify into sausage products and ready-to-eat meals. In other overseas markets, there is the potential to expand aquatic businesses.

### 5) What are the ongoing challenges?

- India and Bellisio in the US are currently running at a loss. CPF has faced challenges with its expansion in India, where operations are situated in unfavorable locations, resulting in high logistics costs. These issues need to be addressed to improve performance.
- CPF acquired Bellisio with the intention of entering the ready-to-eat food industry in the US. However, Bellisio has been grappling with price competition and elevated

labor expenses. Consequently, Bellisio is transitioning from the ready-to-eat to the wholesale business to navigate these challenges.

#### 6) What are the medium to long-term targets?

- Given its substantial farming sector, CPF cannot escape the cyclical impact entirely. Therefore, enhancing efficiency is essential to maintaining competitiveness and streamlined operations. The company's objective is to sustain a gross margin within the range of 14-16%.

## Valuation Comparison

### Ex 9: Valuation Comparison With Regional Peers

Name	BBG code	Country	—EPS growth—		— PE —		— P/BV —		EV/EBITDA		— Div yield —	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
WH Group Ltd	288 HK	Hong Kong	81.6	13.5	57.8	50.9	6.4	6.0	4.4	4.1	0.9	1.0
Tyson Foods Inc	TSN US	USA	na	36.8	22.1	16.2	1.1	1.1	10.1	8.6	3.4	3.5
Pilgrim's Pride Corp	PPC US	USA	161.0	(1.0)	10.8	10.9	2.4	2.1	7.1	7.1	na	na
Hormel Foods Corp	HRL US	USA	9.8	6.8	19.2	17.9	2.0	1.9	13.4	12.5	3.7	3.9
BRF SA	BRFS3 BZ	Brazil	na	(7.1)	20.5	22.1	2.2	2.1	6.3	6.8	1.5	1.1
JBS SA	JBSS3 BZ	Brazil	na	3.1	10.9	10.6	1.5	1.5	6.3	6.0	2.6	3.7
Marfrig Global Foods SA	MRFG3 BZ	Brazil	na	26.6	47.0	37.1	1.4	1.8	8.2	8.2	1.2	0.4
<b>Average</b>			<b>84.2</b>	<b>11.3</b>	<b>26.9</b>	<b>23.7</b>	<b>2.4</b>	<b>2.3</b>	<b>8.0</b>	<b>7.6</b>	<b>2.2</b>	<b>2.3</b>
<b>Feed Mills</b>												
Japfa Comfeed	JPFA IJ	Indonesia	56.2	18.0	11.7	9.9	1.1	1.1	7.6	6.6	1.9	2.8
Charoen Pok Indo	CPIN IJ	Indonesia	44.7	18.3	25.0	21.1	2.9	2.7	15.6	13.7	1.6	2.0
Universal Robina	URC PM	Philippines	16.3	11.0	16.8	15.1	1.9	1.8	9.4	8.5	3.5	3.8
<b>Average</b>			<b>39.1</b>	<b>15.8</b>	<b>17.8</b>	<b>15.4</b>	<b>2.0</b>	<b>1.9</b>	<b>10.9</b>	<b>9.6</b>	<b>2.4</b>	<b>2.9</b>
<b>Thailand</b>												
Asian Sea Corp	ASIAN TB	Thailand	148.6	6.5	11.1	10.4	1.3	1.2	6.1	5.9	4.7	5.0
Betagro	BTG TB	Thailand	na	46.4	20.8	14.2	1.5	1.4	9.7	8.1	1.7	2.4
Charoen Pokphand Foods *	CPF TB	Thailand	na	67.9	31.2	18.6	0.8	0.8	14.3	13.0	1.3	2.2
GFPT	GFPT TB	Thailand	17.5	7.1	9.8	9.2	0.8	0.8	6.9	6.5	2.0	2.2
R&B Food Supply *	ITC TB	Thailand	57.3	17.1	19.2	16.4	2.7	2.5	15.0	12.2	1.7	3.0
i-Tail Corporation *	RBF TB	Thailand	30.4	14.9	21.1	18.3	3.5	3.2	12.9	11.1	2.6	2.9
Thaifoods Group	TFG TB	Thailand	na	28.9	14.1	11.0	1.6	1.5	6.5	5.8	3.7	4.8
Thai Union Group *	TU TB	Thailand	20.9	9.4	12.1	11.1	1.3	1.2	10.0	9.4	4.9	5.3
<b>Average</b>			<b>55.0</b>	<b>24.8</b>	<b>17.4</b>	<b>13.7</b>	<b>1.7</b>	<b>1.6</b>	<b>10.2</b>	<b>9.0</b>	<b>2.8</b>	<b>3.5</b>
<b>Average - All</b>			<b>58.6</b>	<b>18.0</b>	<b>21.2</b>	<b>17.8</b>	<b>2.0</b>	<b>1.9</b>	<b>9.4</b>	<b>8.6</b>	<b>2.5</b>	<b>2.9</b>

Source: Bloomberg

Note: \* Thanachart estimates, using Thanachart normalized EPS

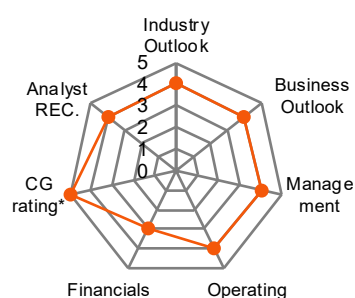
Based on 1 July 2024 closing prices

## 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

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

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.

### O — Opportunity

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

### W — Weakness

- Over 50% 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.

### T — Threat

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

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	24.93	25.70	3%
<b>Net profit 24F (Bt m)</b>	8,207	6,123	-25%
<b>Net profit 25F (Bt m)</b>	11,171	10,280	-8%
<b>Consensus REC</b>	<b>BUY: 18</b>	<b>HOLD: 3</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- We believe our Thailand swine price assumptions are more conservative than the market's.
- As a consequence, our earnings estimates are lower.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if meat prices in Thailand do not recover to a higher-than-break-even level.
- A secondary downside risk surrounds CPF's strong operations abroad, particularly in Vietnam and China. If CPF encounters greater problems in those markets, this could negatively impact 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





## INCOME STATEMENT

*Improved margin*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	614,197	585,844	574,223	602,273	632,032
Cost of sales	530,913	523,919	499,611	523,949	549,868
<b>Gross profit</b>	<b>83,284</b>	<b>61,925</b>	<b>74,612</b>	<b>78,324</b>	<b>82,164</b>
% gross margin	13.6%	10.6%	13.0%	13.0%	13.0%
Selling & administration expenses	55,477	56,784	55,000	55,870	56,987
<b>Operating profit</b>	<b>27,807</b>	<b>5,141</b>	<b>19,612</b>	<b>22,454</b>	<b>25,177</b>
% operating margin	4.5%	0.9%	3.4%	3.7%	4.0%
Depreciation & amortization	24,819	25,121	25,499	26,735	28,403
<b>EBITDA</b>	<b>52,626</b>	<b>30,262</b>	<b>45,111</b>	<b>49,189</b>	<b>53,580</b>
% EBITDA margin	8.6%	5.2%	7.9%	8.2%	8.5%
Non-operating income	7,374	8,514	3,966	4,143	4,292
Non-operating expenses	0	0	0	0	0
Interest expense	(20,358)	(25,506)	(24,645)	(24,475)	(24,057)
<b>Pre-tax profit</b>	<b>14,823</b>	<b>(11,851)</b>	<b>(1,067)</b>	<b>2,123</b>	<b>5,412</b>
Income tax	6,003	600	1,000	2,000	3,000
<b>After-tax profit</b>	<b>8,820</b>	<b>(12,451)</b>	<b>(2,067)</b>	<b>123</b>	<b>2,412</b>
% net margin	1.4%	-2.1%	-0.4%	0.0%	0.4%
Shares in affiliates' Earnings	3,745	4,590	9,390	11,477	13,553
Minority interests	(454)	(2,676)	(1,200)	(1,320)	(1,452)
Extraordinary items	1,859	5,330	0	0	0
<b>NET PROFIT</b>	<b>13,970</b>	<b>(5,207)</b>	<b>6,123</b>	<b>10,280</b>	<b>14,513</b>
<b>Normalized profit</b>	<b>12,111</b>	<b>(10,538)</b>	<b>6,123</b>	<b>10,280</b>	<b>14,513</b>
EPS (Bt)	1.7	(0.6)	0.7	1.2	1.7
Normalized EPS (Bt)	1.4	(1.3)	0.7	1.2	1.7

## BALANCE SHEET

*Cautious expansion as improved efficiency is the main focus*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	233,219	209,116	210,464	213,796	217,466
Cash & cash equivalent	32,950	26,136	28,000	28,000	28,000
Account receivables	43,221	42,351	40,904	42,902	45,021
Inventories	83,080	69,508	68,440	71,774	75,324
Others	73,968	71,121	73,121	71,121	69,121
Investments & loans	279,989	280,499	285,499	285,499	285,499
Net fixed assets	276,664	265,144	267,187	268,792	269,547
Other assets	137,115	132,459	131,097	129,936	127,957
<b>Total assets</b>	<b>926,987</b>	<b>887,218</b>	<b>894,247</b>	<b>898,023</b>	<b>900,470</b>
<b>LIABILITIES:</b>					
Current liabilities:	266,978	259,463	257,694	256,391	253,830
Account payables	50,964	36,527	36,958	38,758	40,675
Bank overdraft & ST loans	117,434	144,994	144,018	142,684	140,229
Current LT debt	66,117	48,014	47,046	46,610	45,808
Others current liabilities	32,463	29,928	29,673	28,339	27,118
<b>Total LT debt</b>	<b>301,499</b>	<b>286,740</b>	<b>288,995</b>	<b>286,320</b>	<b>281,393</b>
Others LT liabilities	58,667	55,981	54,949	54,505	53,433
<b>Total liabilities</b>	<b>627,144</b>	<b>602,185</b>	<b>601,638</b>	<b>597,216</b>	<b>588,656</b>
Minority interest	43,791	45,617	48,293	49,493	50,945
Preferreds shares	0	0	0	0	0
Paid-up capital	8,611	8,414	8,414	8,414	8,414
Share premium	60,847	59,626	59,626	59,626	59,626
Warrants	0	0	0	0	0
Surplus	48,740	48,091	48,091	48,091	48,091
<b>Retained earnings</b>	<b>137,854</b>	<b>123,286</b>	<b>128,184</b>	<b>135,184</b>	<b>144,738</b>
Shareholders' equity	256,053	239,416	244,315	251,314	260,868
<b>Liabilities &amp; equity</b>	<b>926,987</b>	<b>887,218</b>	<b>894,247</b>	<b>898,023</b>	<b>900,470</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

*We expect CPF to resume dividend payments*

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	14,823	(11,851)	(1,067)	2,123	5,412
Tax paid	(5,419)	(1,295)	(744)	(2,060)	(2,831)
Depreciation & amortization	24,819	25,121	25,499	26,735	28,403
Chg In working capital	(7,807)	5	2,946	(3,532)	(3,753)
Chg In other CA & CL / minorities	(29,259)	4,749	8,355	12,083	14,164
<b>Cash flow from operations</b>	<b>(2,843)</b>	<b>16,730</b>	<b>34,989</b>	<b>35,349</b>	<b>41,395</b>
Capex	(66,088)	(6,200)	(20,000)	(20,000)	(20,000)
Right of use	(6,424)	(5,638)	(5,000)	(5,000)	(5,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	(7,669)	(510)	(5,000)	0	0
Adj for asset revaluation	31,442	(15,444)	0	0	0
Chg In other assets & liabilities	81	4,512	(2,211)	(2,624)	(3,252)
<b>Cash flow from investments</b>	<b>(48,659)</b>	<b>(23,280)</b>	<b>(32,211)</b>	<b>(27,624)</b>	<b>(28,252)</b>
Debt financing	54,426	(4,279)	311	(4,445)	(8,185)
Capital increase	(34)	(1,419)	(0)	0	0
Dividends paid	(5,159)	(3,566)	(1,225)	(3,281)	(4,959)
Warrants & other surplus	(1,468)	9,001	0	0	0
<b>Cash flow from financing</b>	<b>47,766</b>	<b>(264)</b>	<b>(914)</b>	<b>(7,725)</b>	<b>(13,143)</b>
<b>Free cash flow</b>	<b>(68,931)</b>	<b>10,530</b>	<b>14,989</b>	<b>15,349</b>	<b>21,395</b>

**VALUATION**

*High PE as it is in a turnaround cycle*

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	15.8	na	31.2	18.6	13.2
Normalized PE - at target price (x)	17.9	na	35.3	21.0	14.9
PE (x)	13.7	na	31.2	18.6	13.2
PE - at target price (x)	15.5	na	35.3	21.0	14.9
EV/EBITDA (x)	12.2	21.3	14.3	13.0	11.8
EV/EBITDA - at target price (x)	12.7	22.1	14.8	13.5	12.2
P/BV (x)	0.7	0.8	0.8	0.8	0.7
P/BV - at target price (x)	0.8	0.9	0.9	0.9	0.8
P/CFO (x)	(67.2)	11.4	5.5	5.4	4.6
Price/sales (x)	0.3	0.3	0.3	0.3	0.3
Dividend yield (%)	3.4	0.0	1.3	2.2	3.0
FCF Yield (%)	(36.1)	5.5	7.8	8.0	11.2
<b>(Bt)</b>					
Normalized EPS	1.4	(1.3)	0.7	1.2	1.7
EPS	1.7	(0.6)	0.7	1.2	1.7
DPS	0.8	0.0	0.3	0.5	0.7
BV/share	30.4	28.5	29.0	29.9	31.0
CFO/share	(0.3)	2.0	4.2	4.2	4.9
FCF/share	(8.2)	1.3	1.8	1.8	2.5

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

*Clear earnings  
turnaround*

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	19.8	(4.6)	(2.0)	4.9	4.9
Net profit (%)	7.2	na	na	67.9	41.2
EPS (%)	7.2	na	na	67.9	41.2
Normalized profit (%)	199.7	na	na	67.9	41.2
Normalized EPS (%)	199.7	na	na	67.9	41.2
Dividend payout ratio (%)	46.2	0.0	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	13.6	10.6	13.0	13.0	13.0
Operating margin (%)	4.5	0.9	3.4	3.7	4.0
EBITDA margin (%)	8.6	5.2	7.9	8.2	8.5
Net margin (%)	1.4	(2.1)	(0.4)	0.0	0.4
D/E (incl. minor) (x)	1.6	1.7	1.6	1.6	1.5
Net D/E (incl. minor) (x)	1.5	1.6	1.5	1.5	1.4
Interest coverage - EBIT (x)	1.4	0.2	0.8	0.9	1.0
Interest coverage - EBITDA (x)	2.6	1.2	1.8	2.0	2.2
ROA - using norm profit (%)	1.4	na	0.7	1.1	1.6
ROE - using norm profit (%)	5.1	na	2.5	4.1	5.7
<b>DuPont</b>					
ROE - using after tax profit (%)	3.7	na	na	0.0	0.9
- asset turnover (x)	0.7	0.6	0.6	0.7	0.7
- operating margin (%)	5.7	na	na	4.4	4.7
- leverage (x)	3.7	3.7	3.7	3.6	3.5
- interest burden (%)	42.1	(86.8)	(4.5)	8.0	18.4
- tax burden (%)	59.5	na	na	5.8	44.6
WACC (%)	6.4	6.4	6.4	6.9	6.9
ROIC (%)	2.7	0.7	2.0	2.3	2.5
NOPAT (Bt m)	16,546	5,141	13,728	15,718	17,624
invested capital (Bt m)	708,153	693,028	696,374	698,928	700,298

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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