

**BUY** (Unchanged)

Company Update

**TP: Bt 31.00** (Unchanged)**Upside : 22.8%****15 OCTOBER 2024**

# Charoen Pokphand Foods (CPF TB)

## Solid momentum

Messages from the CEO of CP Vietnam confirm a sustainably high profit contribution. Combined with increased profitability in Thailand and China, we are confident in our earnings forecasts. Trading at an 8% discount to CPALL and CPAXT's investment value, CPF looks attractively priced to us. BUY with an unchanged Bt31 TP.

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### Vietnam: the next realm

Thanachart Securities had the honor of hosting a virtual meeting with the CEO of C.P. Vietnam Corporation (CPV), Mr. Pawalit Ua-Amornwanit, for local financial institutions. CPV, CPF's second-largest operation, offers promising growth and profitability prospects. In 1H24, CPV contributed 22% of CPF's revenues and has been a key driver of the group's strong profit turnaround since 4Q23. With the largest swine production in the group, increasing industry consolidation, and Vietnam's strong economic growth, we anticipate sustainably high pork prices, remaining above VND60,000 per kg compared to the breakeven level of VND42,000 per kg. Additionally, CPV is in the process of listing on the Vietnam Stock Exchange.

### China: passage to normalization

China's swine oversupply situation has been easing. The recurrence of African Swine Fever (ASF) and the strong slaughter pace due to weak prices in recent years look set to reduce China's pig herd by 7% compared to last year and 11% compared to 2022. Swine prices have rebounded from an average of CNY14.9 per kg in 1Q24 and CNY16.2 in 2Q24 to CNY19.5 in 3Q24. Although prices have softened to below CNY18 per kg in October, they remain healthy, considering the breakeven level of CNY15.5 per kg.

### Thailand: improving profitability

The sluggish economy and the lingering impact of illegal pork imports slowed the price recovery in Thailand during the first half of 2024. As these factors gradually reversed, domestic pork prices rebounded by 6% q-q and rose 14% y-y to Bt71.5 per kg in 3Q24. Despite the vegetarian season in October, pork prices improved further to Bt72 per kg. Reduced grain prices and increasing efficiency have also brought the breakeven point to below Bt65 per kg. Meanwhile, chicken prices fell to below Bt40 per kg due to weakening demand during the rainy season.

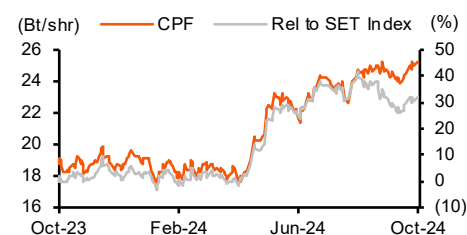
### Maintain BUY with an unchanged Bt31 TP

CPF's share price has fallen slightly from its YTD peak of Bt25.25 in September, primarily due to the abrupt appreciation of the baht. As the baht has gradually weakened, and with expectations for robust 3Q24F normalized profits of Bt6.68bn, CPF's share price performance has improved, and we anticipate further gains with 23% potential upside to our TP of Bt31. In addition to its strong profit turnaround, CPF's valuation still looks attractive to us, with a core PE of just 2x, vs. a recovery from a Bt21.2bn loss in 2023 to projected profits of Bt7.97/8bn in 2024-25F. Moreover, CPF's investment value in CPALL and CPAXT is worth Bt27.3/share, based on their closing prices as of 15 October this year.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	585,844	584,979	603,162	632,945
Net profit	(5,207)	17,470	18,805	20,075
Consensus NP	—	17,153	16,778	18,695
Diff frm cons (%)	—	1.8	12.1	7.4
Norm profit	(10,538)	17,070	18,805	20,075
Prev. Norm profit	—	17,070	18,805	20,075
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	(1.3)	2.0	2.2	2.4
Norm EPS grw (%)	na	na	10.2	6.8
Norm PE (x)	na	12.4	11.3	10.6
EV/EBITDA (x)	22.0	11.4	11.0	10.5
P/BV (x)	0.9	0.8	0.8	0.8
Div yield (%)	0.0	3.3	3.5	3.8
ROE (%)	na	6.9	7.3	7.4
Net D/E (%)	159.1	148.1	139.5	129.4

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 15-Oct-24 (Bt)	25.25
Market Cap (US\$ m)	6,371.2
Listed Shares (m shares)	8,413.6
Free Float (%)	47.4
Avg Daily Turnover (US\$ m)	19.0
12M Price H/L (Bt)	25.25/17.10
Sector	FOOD
Major Shareholder	CP Group 37.35%

Sources: Bloomberg, Company data, Thanachart estimates

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## CPV: the next realm after Thailand

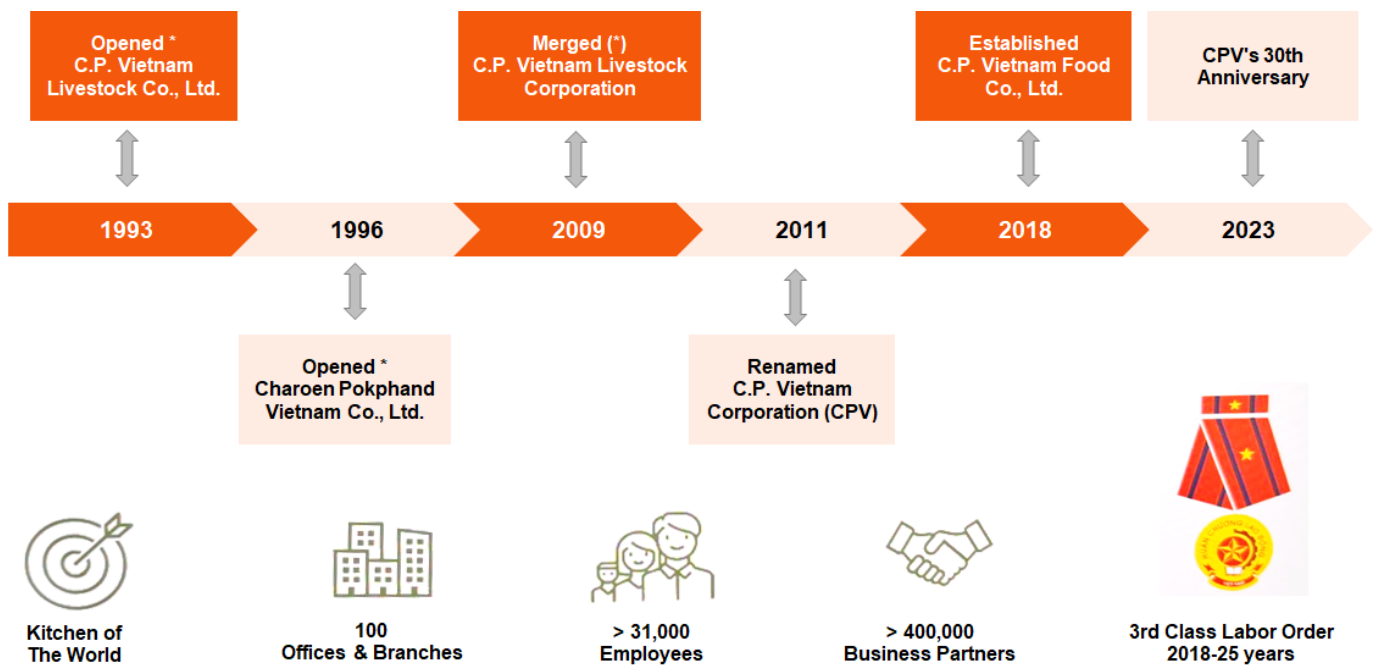
### An exclusive forum with CPV

On 11 October 2024, Thanachart Securities had the privilege of hosting a virtual meeting with C.P. Vietnam Corporation (CPV), featuring Mr. Pawalit Ua-Amornwanit, CEO, and Ms. Kobboon Srichai, CPF’s Head of Corporate Affairs & Investor Relations, attended by representatives from over 30 local financial institutions. This event highlighted CPV’s strategic role within CPF’s global operations and significant contributions to the group’s overall growth.

CPV, established in 1993, is 83%-owned by CPF through direct and indirect holdings, making it CPF’s second-largest operation after Thailand. The company runs an integrated business model similar to CPF’s Thailand operations, allowing a seamless supply chain from feed production to food processing. As the largest food operator in Vietnam, CPV’s product portfolio spans livestock and aquaculture, including swine, broiler, shrimp, and fish, catering to a diverse market.

CPV has established its presence in all highly populated regions. The company boasts 100 branches and offices and employs over 31,000 people. It maintains strong business relationships with over 400,000 partners, including farmers, suppliers, and distributors. CPV’s significant impact on Vietnam’s agricultural sector has not gone unnoticed, as the Vietnamese government awarded it the prestigious Third Class Labor Order award in 2018 for its contributions to economic and social development.

Ex 1: Overview About C.P. Vietnam Corporation



Source: Company data



The company's continuous growth and investments in innovation have positioned it as a key player in Vietnam's food and agriculture industry. This drives both local economic development and CPF's broader regional strategic objectives.

We see strong growth and profitability prospects for CP Vietnam (CPV) driven by several key factors:

- 1) Market leadership in a consolidating industry:** CPV is the largest player in Vietnam's rapidly consolidating broiler and swine sectors. It commands over a 30% market share in animal feed and approximately 20% in farming. This dominant position gives CPV a competitive edge in supply chain management and cost efficiencies, driving sustainable growth.

Vietnam relies heavily on imports for its agricultural inputs, with 100% of its soybean meal and 70% of its corn supply sourced from international markets. Recognizing the need for greater self-sufficiency, the country is actively seeking to expand domestic corn production to reduce import dependency. Due to its significant scale advantage, CP Vietnam (CPV) looks well-positioned to navigate this landscape. Leveraging its extensive operations and established supply chain, CPV can procure raw materials at more competitive prices than its industry peers. As a result, CPV's production costs are approximately 15-20% lower than the industry average.

Zoning laws and stricter regulations are also limiting the growth potential of backyard farmers, restricting their ability to expand operations and compete in the market.

- 2) Focus on pork and export potential for broiler and shrimp:** With pork accounting for 65% of the protein consumed in Vietnam, we believe CPV is strategically positioned to capitalize on this demand. The company plans to increase its swine production from 7m head in 2024 to 10m over the next three years, a move that aligns with the country's high demand for pork.

In the poultry sector, while chicken accounts for around 25% of total meat consumption domestically, CPV has been expanding its footprint internationally. Since initiating chicken exports in October 2022, mainly to Japan, the company saw remarkable growth of 100% y-y in 2024. Utilization rates for its chicken production are now close to 100%, highlighting its operational efficiency. Additionally, CPV exports shrimp to key markets such as Japan and Australia, further diversifying its revenue streams.

- 3) Expanding food segment:** While remaining a smaller portion of its overall business, CPV's food segment is growing rapidly. In the first half of 2024, food revenues represented 6% of the company's total sales, driven by robust demand. CPV's sausage production facility is operating beyond its maximum capacity, underscoring strong market demand and the potential for further growth in value-added products.
- 4) Vietnam's dynamic economic environment:** Vietnam's economy is growing significantly, outstripping most other ASEAN nations. The country is attracting significant foreign direct investment (FDI) and is making substantial infrastructure upgrades around key areas like Hanoi and Ho Chi Minh City. With a healthy birth rate, Vietnam's population is expected to grow from the current 100m to an estimated 105m by 2025, which would drive higher demand for food products, including protein sources like pork and poultry.
- 5) Strategic advantage through Free Trade Agreements (FTAs):** Vietnam has signed numerous free trade agreements (FTAs) with countries around the world, enhancing its export potential. CPV looks well-positioned to leverage these agreements, making it an integral part of CPF's strategy to develop a decent export hub for its products. The favorable trade environment is allowing CPV to expand its market reach and strengthen its position in the global food supply chain.

In 1H24, CPV contributed 22% of CPF's revenues, and it has been a key driver of the group's strong profit turnaround since 4Q23. With the strongest swine production in the group, increasing industry consolidation, and Vietnam's robust economic growth, we anticipate sustainably high pork prices, remaining above VND60,000 per kg compared to the breakeven level of VND42,000 per kg. Additionally, CPV is currently in the process of listing on the Vietnam Stock Exchange.

### Expecting strong profits for 3Q24F

**3Q24 profits should also outperform**

CPF's management confirmed that the company's performance in 2024 has surpassed expectations. Excluding foreign exchange impacts, we project normalized profits of Bt6.68bn, marking a significant turnaround from a loss of Bt2bn in 3Q23, with only a 2% decrease q-q. After accounting for translation losses due to the baht's appreciation, we estimate net profits in 3Q24F of Bt6.3bn.

Key drivers contributing to the robust performance in 3Q24F include a 6% q-q and 14% y-y increase in Thailand pork prices, a notable rebound in Chinese pork prices – rising 20% q-q and 36% y-y – and enhanced operational efficiency. The breakeven prices are Bt65 per kg for Thailand pork and CNY15.5 per kg for Chinese pork.

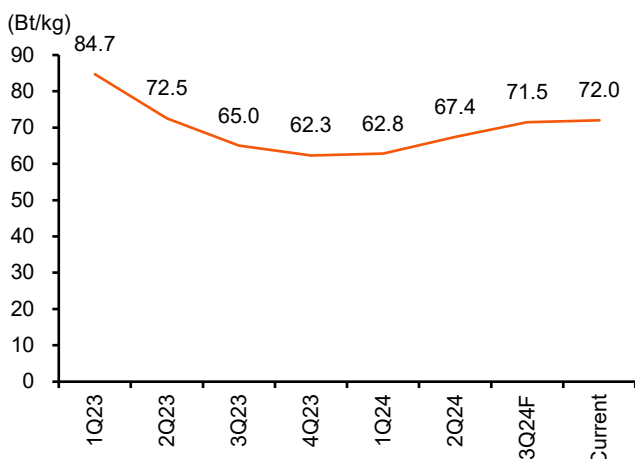
Looking ahead, the fourth quarter typically experiences a seasonal downturn across all key areas of operation. Chicken prices have softened from Bt43 per kg to the current Bt39. Meanwhile, pork prices in Thailand and Vietnam have remained stable, while Chinese pork prices have decreased from an average of CNY19.5 per kg to CNY17.4.

Based on our preliminary analysis, normalized profits for the first nine months of 2024 stood at Bt14.41bn, compared to a loss of Bt9bn during the same period last year. We maintain our profit forecast for the year of Bt17.7bn, anticipating another 10% growth in profits for 2025F.

Stripping out equity income contribution of CPALL and CPAXT, CPF's core profits are turning around nicely from the loss of Bt21.24bn in 2023 to our forecast of Bt7.97bn in 2024F and Bt8.03bn in 2025F.

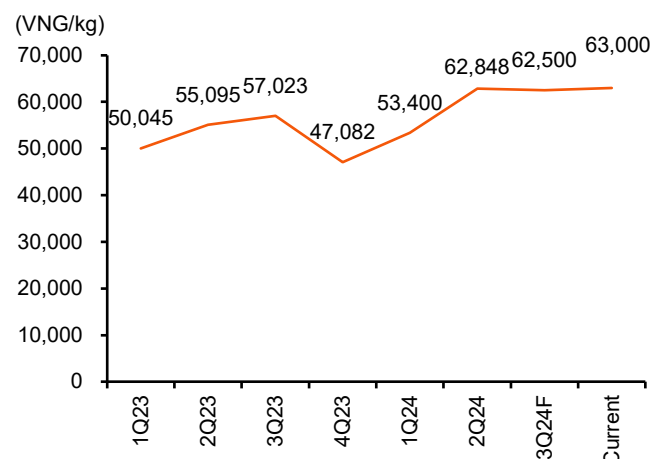
We reaffirm our BUY rating with a DCF-derived SOTP-based 12-month TP (2025F base year) of Bt31. CPF's investment value in CP All Pcl (CPALL TB, Bt64.50, BUY) and CP Axta Pcl (CPAXT TB, Bt32.50, HOLD) is Bt27.3, based on their closing prices as of 15 October this year.

**Ex 4: Thailand Swine Price**



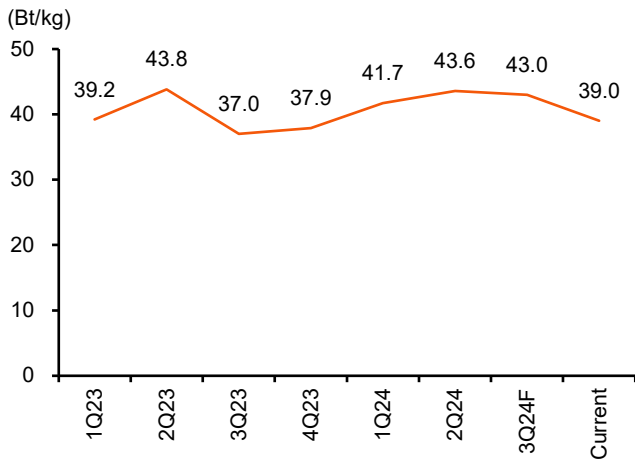
Source: Company data

**Ex 5: Vietnam Swine Price**



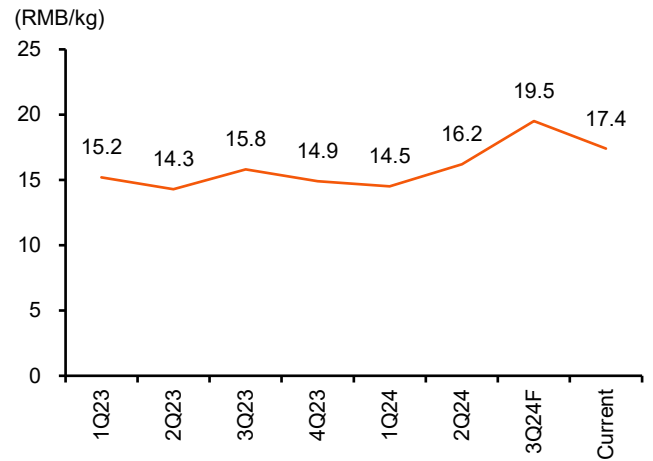
Source: Company data

**Ex 6: Thailand Broiler Price**



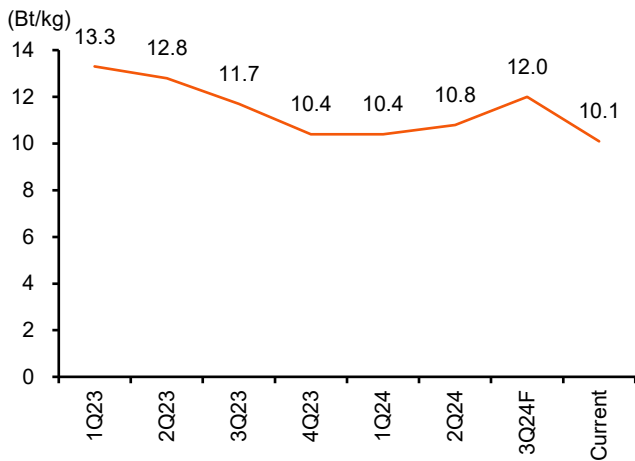
Source: Company data

**Ex 7: China Swine Price**



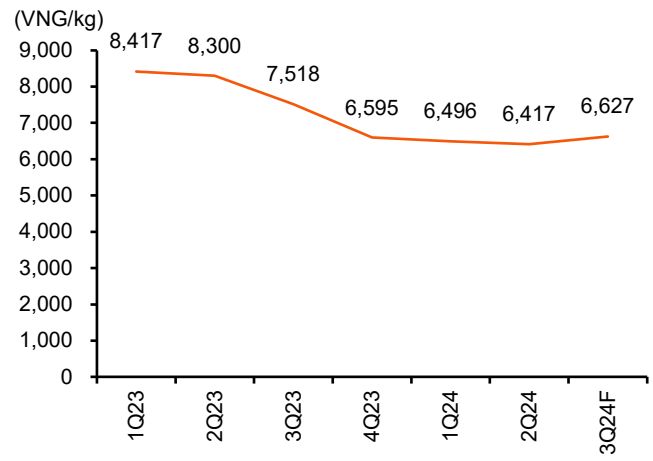
Source: Company data

**Ex 8: Thailand Corn Price**



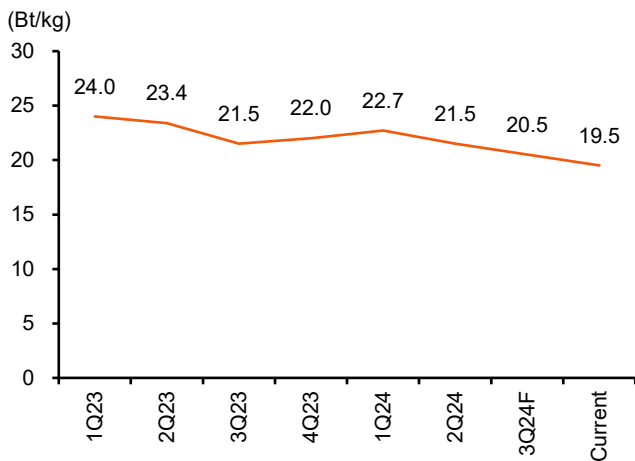
Source: Company data

**Ex 9: Vietnam Corn Price**



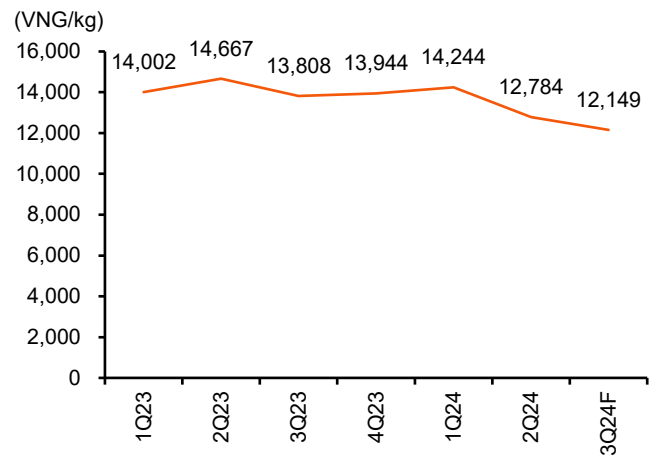
Source: Company data

**Ex 10: Thailand Soybean Meal Price**



Source: Company data

**Ex 11: Vietnam Soybean Meal Price**



Source: Company data

**Ex 12: 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	51,968	53,805	54,903	57,606	61,873	66,350	71,051	75,989	81,180	86,637	92,378	—
Free cash flow	12,686	17,943	17,441	19,232	22,111	24,941	27,891	30,971	34,187	37,547	41,061	787,853
PV of free cash flow	12,720	15,705	14,284	14,737	15,851	16,729	17,505	17,598	18,098	18,522	18,874	362,146
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>542,769</b>											
Net debt (end-2023)	453,612											
Minority interest	45,617											
Equity value	43,540											
# of shares (m)	8,414											
<b>Equity value/share (Bt)</b>	<b>5.2</b>											
<b>Investment:</b>												
CPALL @ Bt73 TP	26.9											
CPAXT @ Bt33 TP	3.7											
<b>SOTP at 15% disc. (Bt)</b>	<b>31.0</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 13: 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	93.9	12.6	62.5	55.5	7.2	6.8	4.7	4.6	0.7	0.8
Tyson Foods Inc	TSN US	USA	na	21.3	20.8	17.1	1.2	1.1	10.1	9.2	3.3	3.4
Pilgrim's Pride Corp	PPC US	USA	237.1	(14.5)	9.8	11.5	2.4	2.2	6.3	7.2	na	na
Hormel Foods Corp	HRL US	USA	8.2	7.5	19.9	18.5	1.9	1.8	13.9	12.9	3.6	3.8
BRF SA	BRFS3 BZ	Brazil	na	(15.6)	10.2	12.0	2.0	1.8	5.2	5.8	2.6	2.4
JBS SA	JBSS3 BZ	Brazil	na	(4.8)	7.6	8.0	1.5	1.4	5.1	5.5	6.3	5.7
Marfrig Global Foods SA	MRFG3 BZ	Brazil	na	(229.2)	33.7	(26.1)	2.3	2.9	7.3	7.6	0.6	0.6
<b>Average</b>			<b>113.0</b>	<b>(31.8)</b>	<b>23.5</b>	<b>13.8</b>	<b>2.6</b>	<b>2.6</b>	<b>7.5</b>	<b>7.5</b>	<b>2.8</b>	<b>2.8</b>
<b>Feed Mills</b>												
Japfa Comfeed	JPFA IJ	Indonesia	139.9	2.0	8.4	8.2	1.2	1.1	5.9	6.1	2.0	3.7
Charoen Pok Indo	CPIN IJ	Indonesia	50.5	12.8	23.4	20.8	2.8	2.6	14.4	13.1	1.4	2.2
Universal Robina	URC PM	Philippines	10.4	11.3	16.9	15.2	1.8	1.7	9.3	8.5	3.7	3.9
<b>Average</b>			<b>67.0</b>	<b>8.7</b>	<b>16.2</b>	<b>14.7</b>	<b>2.0</b>	<b>1.8</b>	<b>9.9</b>	<b>9.2</b>	<b>2.4</b>	<b>3.3</b>
<b>Thailand</b>												
Asian Sea Corp	ASIAN TB	Thailand	186.5	(7.5)	8.2	8.9	1.1	1.0	4.7	4.8	6.3	5.9
Betagro	BTG TB	Thailand	na	41.5	20.2	14.3	1.5	1.4	8.3	8.2	1.8	2.4
Charoen Pokphand Foods *	CPF TB	Thailand	na	10.2	12.4	11.3	0.8	0.8	11.4	11.0	3.3	3.5
GFPT	GFPT TB	Thailand	33.2	2.2	7.9	7.7	0.8	0.7	6.1	5.9	2.3	2.6
R&B Food Supply *	ITC TB	Thailand	77.2	12.2	17.5	15.6	2.7	2.5	14.0	11.8	1.9	3.2
i-Tail Corporation *	RBF TB	Thailand	(25.0)	9.3	22.4	20.5	2.2	2.1	11.6	10.4	2.4	2.6
Thaifoods Group	TFG TB	Thailand	na	13.1	10.2	9.0	1.6	1.5	5.5	5.1	4.2	5.1
Thai Union Group *	TU TB	Thailand	20.9	9.4	12.0	11.0	1.3	1.2	9.9	9.3	4.9	5.4
<b>Average</b>			<b>58.5</b>	<b>11.3</b>	<b>13.9</b>	<b>12.3</b>	<b>1.5</b>	<b>1.4</b>	<b>8.9</b>	<b>8.3</b>	<b>3.4</b>	<b>3.8</b>
<b>Average – All</b>			<b>75.7</b>	<b>(5.9)</b>	<b>18.0</b>	<b>13.3</b>	<b>2.0</b>	<b>1.9</b>	<b>8.6</b>	<b>8.2</b>	<b>3.0</b>	<b>3.4</b>

Source: Bloomberg

Note: \* Thanachart estimates, using Thanachart normalized EPS

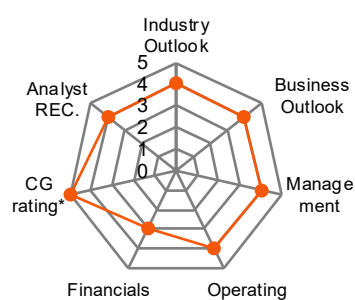
Based on 15 October 2024 closing prices

## 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 manufacturing 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>	29.63	31.00	5%
<b>Net profit 24F (Bt m)</b>	17,153	17,470	2%
<b>Net profit 25F (Bt m)</b>	16,778	18,805	12%
<b>Consensus REC</b>	<b>BUY: 19</b>	<b>HOLD: 1</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- We share the Bloomberg consensus view on CPF's earnings for 2024F.
- Our 2025F earnings and TP are higher, which we attribute to our having higher sales growth and margin assumptions.

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 decently higher-than-break-even level.
- A secondary downside risk surrounds CPF's strong operations abroad, particularly in Vietnam and China. If CPF encounters more significant 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

	FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<i>Widening margin</i>						
Sales		614,197	585,844	584,979	603,162	632,945
Cost of sales		530,913	523,919	500,097	518,372	546,958
<b>Gross profit</b>		<b>83,284</b>	<b>61,925</b>	<b>84,882</b>	<b>84,790</b>	<b>85,988</b>
% gross margin		13.6%	10.6%	14.5%	14.1%	13.6%
Selling & administration expenses		55,477	56,784	52,500	51,500	52,530
<b>Operating profit</b>		<b>27,807</b>	<b>5,141</b>	<b>32,382</b>	<b>33,290</b>	<b>33,458</b>
% operating margin		4.5%	0.9%	5.5%	5.5%	5.3%
Depreciation & amortization		24,819	25,121	25,398	26,412	27,425
<b>EBITDA</b>		<b>52,626</b>	<b>30,262</b>	<b>57,781</b>	<b>59,701</b>	<b>60,882</b>
% EBITDA margin		8.6%	5.2%	9.9%	9.9%	9.6%
Non-operating income		7,374	8,514	4,360	4,045	3,577
Non-operating expenses		0	0	0	0	0
Interest expense		(20,358)	(25,506)	(24,907)	(24,289)	(23,881)
<b>Pre-tax profit</b>		<b>14,823</b>	<b>(11,851)</b>	<b>11,835</b>	<b>13,045</b>	<b>13,154</b>
Income tax		6,003	600	4,971	5,218	5,261
<b>After-tax profit</b>		<b>8,820</b>	<b>(12,451)</b>	<b>6,864</b>	<b>7,827</b>	<b>7,892</b>
% net margin		1.4%	-2.1%	1.2%	1.3%	1.2%
Shares in affiliates' Earnings		3,745	4,590	13,690	14,827	15,453
Minority interests		(454)	(2,676)	(3,484)	(3,849)	(3,270)
Extraordinary items		1,859	5,330	400	0	0
<b>NET PROFIT</b>		<b>13,970</b>	<b>(5,207)</b>	<b>17,470</b>	<b>18,805</b>	<b>20,075</b>
<b>Normalized profit</b>		<b>12,111</b>	<b>(10,538)</b>	<b>17,070</b>	<b>18,805</b>	<b>20,075</b>
EPS (Bt)		1.7	(0.6)	2.1	2.2	2.4
Normalized EPS (Bt)		1.4	(1.3)	2.0	2.2	2.4

## BALANCE SHEET

	FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<i>Cautious investments</i>						
<b>ASSETS:</b>						
Current assets:		233,219	209,116	210,297	212,095	216,133
Cash & cash equivalent		32,950	26,136	27,000	27,000	27,000
Account receivables		43,221	42,351	41,670	42,965	45,087
Inventories		83,080	69,508	68,506	71,010	74,926
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	266,987	267,951	268,034
Other assets		137,115	132,459	136,469	145,661	147,656
<b>Total assets</b>		<b>926,987</b>	<b>887,218</b>	<b>899,252</b>	<b>911,206</b>	<b>917,322</b>
<b>LIABILITIES:</b>						
Current liabilities:		266,978	259,463	270,566	254,662	251,108
Account payables		50,964	36,527	34,253	35,505	37,463
Bank overdraft & ST loans		117,434	144,994	137,377	135,914	132,480
Current LT debt		66,117	48,014	65,586	49,913	48,652
Others current liabilities		32,463	29,928	33,349	33,330	32,514
<b>Total LT debt</b>		<b>301,499</b>	<b>286,740</b>	<b>270,752</b>	<b>282,842</b>	<b>275,694</b>
Others LT liabilities		58,667	55,981	56,248	56,983	58,231
<b>Total liabilities</b>		<b>627,144</b>	<b>602,185</b>	<b>597,566</b>	<b>594,487</b>	<b>585,034</b>
Minority interest		43,791	45,617	48,293	51,777	55,047
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>137,262</b>	<b>148,812</b>	<b>161,111</b>
Shareholders' equity		256,053	239,416	253,392	264,942	277,241
<b>Liabilities &amp; equity</b>		<b>926,987</b>	<b>887,218</b>	<b>899,252</b>	<b>911,206</b>	<b>917,322</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT***Improving cashflow*

<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)	11,835	13,045	13,154
Tax paid	(5,419)	(1,295)	(4,587)	(5,355)	(5,065)
Depreciation & amortization	24,819	25,121	25,398	26,412	27,425
Chg In working capital	(7,807)	5	(591)	(2,547)	(4,079)
Chg In other CA & CL / minorities	(29,259)	4,749	13,920	16,580	16,441
<b>Cash flow from operations</b>	<b>(2,843)</b>	<b>16,730</b>	<b>45,975</b>	<b>48,134</b>	<b>47,874</b>
Capex	(66,088)	(6,200)	(20,000)	(20,000)	(20,000)
Right of use	(6,424)	(5,638)	(6,022)	(5,813)	(5,896)
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	(4,962)	(10,020)	(2,360)
<b>Cash flow from investments</b>	<b>(48,659)</b>	<b>(23,280)</b>	<b>(35,984)</b>	<b>(35,833)</b>	<b>(28,255)</b>
Debt financing	54,426	(4,279)	(5,633)	(5,046)	(11,843)
Capital increase	(34)	(1,419)	(0)	0	0
Dividends paid	(5,159)	(3,566)	(3,494)	(7,255)	(7,776)
Warrants & other surplus	(1,468)	9,001	0	0	0
<b>Cash flow from financing</b>	<b>47,766</b>	<b>(264)</b>	<b>(9,127)</b>	<b>(12,301)</b>	<b>(19,619)</b>
<b>Free cash flow</b>	<b>(68,931)</b>	<b>10,530</b>	<b>25,975</b>	<b>28,134</b>	<b>27,874</b>

**VALUATION***Inexpensive valuation, in our view*

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	17.5	na	12.4	11.3	10.6
Normalized PE - at target price (x)	21.5	na	15.3	13.9	13.0
PE (x)	15.2	na	12.2	11.3	10.6
PE - at target price (x)	18.7	na	14.9	13.9	13.0
EV/EBITDA (x)	12.6	22.0	11.4	11.0	10.5
EV/EBITDA - at target price (x)	13.5	23.6	12.2	11.8	11.3
P/BV (x)	0.8	0.9	0.8	0.8	0.8
P/BV - at target price (x)	1.0	1.1	1.0	1.0	0.9
P/CFO (x)	(74.7)	12.7	4.6	4.4	4.4
Price/sales (x)	0.3	0.4	0.4	0.4	0.3
Dividend yield (%)	3.0	0.0	3.3	3.5	3.8
FCF Yield (%)	(32.4)	5.0	12.2	13.2	13.1
<b>(Bt)</b>					
Normalized EPS	1.4	(1.3)	2.0	2.2	2.4
EPS	1.7	(0.6)	2.1	2.2	2.4
DPS	0.8	0.0	0.8	0.9	1.0
BV/share	30.4	28.5	30.1	31.5	33.0
CFO/share	(0.3)	2.0	5.5	5.7	5.7
FCF/share	(8.2)	1.3	3.1	3.3	3.3

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

**Strong earnings  
turnaround**

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	19.8	(4.6)	(0.1)	3.1	4.9
Net profit (%)	7.2	na	na	7.6	6.8
EPS (%)	7.2	na	na	7.6	6.8
Normalized profit (%)	199.7	na	na	10.2	6.8
Normalized EPS (%)	199.7	na	na	10.2	6.8
Dividend payout ratio (%)	46.2	0.0	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	13.6	10.6	14.5	14.1	13.6
Operating margin (%)	4.5	0.9	5.5	5.5	5.3
EBITDA margin (%)	8.6	5.2	9.9	9.9	9.6
Net margin (%)	1.4	(2.1)	1.2	1.3	1.2
D/E (incl. minor) (x)	1.6	1.7	1.6	1.5	1.4
Net D/E (incl. minor) (x)	1.5	1.6	1.5	1.4	1.3
Interest coverage - EBIT (x)	1.4	0.2	1.3	1.4	1.4
Interest coverage - EBITDA (x)	2.6	1.2	2.3	2.5	2.5
ROA - using norm profit (%)	1.4	na	1.9	2.1	2.2
ROE - using norm profit (%)	5.1	na	6.9	7.3	7.4
<b>DuPont</b>					
ROE - using after tax profit (%)	3.7	na	2.8	3.0	2.9
- asset turnover (x)	0.7	0.6	0.7	0.7	0.7
- operating margin (%)	5.7	na	6.3	6.2	5.9
- leverage (x)	3.7	3.7	3.6	3.5	3.4
- interest burden (%)	42.1	(86.8)	32.2	34.9	35.5
- tax burden (%)	59.5	na	58.0	60.0	60.0
WACC (%)	6.4	6.4	6.4	6.9	6.9
ROIC (%)	2.7	0.7	2.7	2.9	2.8
NOPAT (Bt m)	16,546	5,141	18,782	19,974	20,075
invested capital (Bt m)	708,153	693,028	700,107	706,611	707,067

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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0 to 25	First Quartile	Scores within this range indicates poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly.
> 25 to 50	Second Quartile	Scores within this range indicates satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly.
> 50 to 75	Third Quartile	Scores within this range indicates good relative ESG performance and above average degree of transparency in reporting material ESG data publicly.
> 75 to 100	Fourth Quartile	Score within this range indicates excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly.

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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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