Charoen Pokphand Foods (CPF TB) - BUY, Price Bt24.6, TP Bt31.0

Results Comment

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3Q24 Stronger-than-Expected Profits

- CPF posted robust net profits of Bt7.31bn, up 6% q-q and a turnaround from a net loss of Bt1.8bn in 3Q23.
- This performance exceeded our expectations due to lower SG&A expenses. Additionally, the pork businesses in China and Thailand saw significant improvement this quarter.
- Although mark-to-market investment gains from Vietnam pork were lower, the gross margin remained steady at nearly 16%.
- Thanks to effective cost control, SG&A expenses decreased further q-q and were down 3% y-y.
- Despite a lower profit contribution from CPALL, equity income rose 9% q-q in 3Q24. CTI rebounded strongly in 2Q24, delivering significantly higher profits in 3Q24.
- 9M24 net profits represent 88% of our full-year forecast. While we expect seasonally softer profits in 4Q24, we still see upside potential in our forecast and reiterate our BUY recommendation.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24
Revenue	144,498	147,319	140,037	149,498	142,703
Gross profit	**14,849**	**15,591**	**17,391**	**24,208**	**22,638**
SG&A	12,990	19,303	12,178	12,760	12,624
Operating profit	1,859	(3,711)	5,213	11,448	10,014
EBITDA	**8,085**	**2,932**	**11,459**	**17,981**	**16,438**
Other income	2,456	1,471	974	1,193	1,674
Other expense	0	0	0	0	0
Interest expense	6,377	6,903	6,182	6,276	6,031
Profit before tax	**(2,062)**	**(9,144)**	**6**	**6,366**	**5,657**
Income tax	(115)	163	550	2,046	1,059
Equity & invest. income	528	6,043	1,792	3,352	3,655
Minority interests	(602)	(1,627)	(399)	(883)	(979)
Extraordinary items	210	5,013	303	136	34
Net profit	**(1,811)**	**121**	**1,152**	**6,925**	**7,309**
Normalized profit	**(2,021)**	**(4,892)**	**849**	**6,789**	**7,275**
EPS (Bt)	(0.22)	0.01	0.14	0.85	0.89
Normalized EPS (Bt)	(0.25)	(0.60)	0.10	0.83	0.89

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F
Revenue	(5)	(1)	74	584,979	603,162
Gross profit	**(6)**	**52**	**76**	**84,882**	**84,790**
SG&A	(1)	(3)	72	52,500	51,500
Operating profit	(13)	439	82	32,382	33,290
EBITDA	**(9)**	**103**	**79**	**57,781**	**59,701**
Other income	40	(32)	88	4,360	4,045
Other expense				0	0
Interest expense	(4)	(5)	74	24,907	24,289
Profit before tax	**(11)**	**na**	**102**	**11,835**	**13,045**
Income tax	(48)	na	74	4,971	5,218
Equity & invest. income	9	592	64	13,690	14,827
Minority interests	na	na	na	(3,484)	(3,849)
Extraordinary items	(75)	(84)	118	400	0
Net profit	**6**	**na**	**88**	**17,470**	**18,805**
Normalized profit	**7**	**na**	**87**	**17,070**	**18,805**
EPS (Bt)	6	na	91	2.08	2.24
Normalized EPS (Bt)	7	na	90	2.03	2.24

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24
Cash & ST investment	22,949	26,136	28,403	27,705	24,412
A/C receivable	40,619	42,351	40,844	41,308	38,013
Inventory	79,076	69,508	69,917	67,584	64,714
Other current assets	75,951	71,121	73,458	73,461	72,484
Investment	278,158	280,499	285,954	286,189	285,320
Fixed assets	273,822	265,144	268,854	270,530	253,569
Other assets	139,606	132,459	137,326	138,899	125,460
Total assets	**910,181**	**887,218**	**904,756**	**905,675**	**863,972**
S-T debt	202,218	193,008	216,478	201,789	202,644
A/C payable	40,410	36,527	37,620	34,384	31,679
Other current liabilities	33,499	29,928	29,998	32,829	30,785
L-T debt	296,880	286,740	269,658	274,173	256,144
Other liabilities	56,573	55,981	55,914	57,303	55,661
Minority interest	44,709	45,617	46,663	46,396	44,741
Shareholders' equity	**235,892**	**239,416**	**248,425**	**258,801**	**242,319**
Working capital	79,284	75,332	73,141	74,508	71,048
Total debt	499,098	479,748	486,136	475,962	458,788
Net debt	**476,148**	**453,612**	**457,733**	**448,257**	**434,375**

Financial Ratios					
(%)	3Q23	4Q23	1Q24	2Q24	3Q24
Sales growth	(9.8)	(7.4)	(2.6)	(0.5)	(1.2)
Operating profit growth	(78.7)	na	89.6	169.8	438.7
EBITDA growth	(46.4)	(68.5)	29.5	73.0	103.3
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	10.3	10.6	12.4	16.2	15.9
Operating margin	1.3	(2.5)	3.7	7.7	7.0
EBITDA margin	5.6	2.0	8.2	12.0	11.5
Norm net margin	(1.4)	(3.3)	0.6	4.5	5.1
D/E (x)	1.8	1.7	1.6	1.6	1.6
Net D/E (x)	1.7	1.6	1.6	1.5	1.5
Interest coverage (x)	1.3	0.4	1.9	2.9	2.7
Interest rate	5.1	5.6	5.1	5.2	5.2
Effective tax rate	5.6	(1.8)	9,264.2	32.1	18.7
ROA	(0.9)	(2.2)	0.4	3.0	3.3
ROE	(3.4)	(8.2)	1.4	10.7	11.6

Sources: Company data, Thanachart estimates

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