

Charoen Pokphand Foods Pcl (CPF TB) - BUY

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News update

To increase stake ownership in CPP

- To acquire a 23.8% stake in CPP from Itochu
- Deal size is estimated at US\$1.1bn, at 12-14x PE
- Funding sources are from borrowings
- Valuation looks stretched, CPF sees deal as being accretive

Thailand's Charoen Pokphand Foods (CPF) has agreed to acquire a 23.8% stake in C.P. Pokphand (CPP) from Japan's Itochu Corp for US\$1.1bn, making CPF the sole owner. The deal size is around 8.3% of net tangible asset of CPF.

- CPP operates in China and Vietnam, with core assets including an integrated food business in Vietnam and chicken feed and farm operations in China. It also holds a major stake in Chia Tai Investment (CTI), which runs integrated swine farms in China.
- CPP was delisted from the Hong Kong Stock Exchange in 2022 through a privatization deal led by CPF and Itochu. Itochu, which had invested in CPP since 2014, decided to sell its entire stake to CPF.
- Post-transaction, CPF's ownership will rise from 76% to 100% in CPP, and from 83.18% to 100% in CP Vietnam. Its stake in CTI will also increase from 26.7% to 35%. CPF believes that full ownership of CPP will enhance management flexibility and strategic execution, including its plan to list CP Vietnam in the future.
- Based on 2024 figures, CPP contributed Bt7.78bn in net profit to CPF. CPF expects this to grow at least 30–40%, driven mainly by higher profits of CP Vietnam. This implies an acquisition P/E of ~12-14x. The deal will be fully funded by debt, and with an assumed funding cost of 4%, CPF expects the Bt1.47bn in interest expense to be well covered by incremental earnings from CPP.
- Among CPP's businesses, we see stronger prospects in Vietnam, where CP Vietnam is the market leader and benefits from rising swine prices amid falling input costs. Vietnam pork prices were on an upward trend, increasing from an average of VND60k in 3Q24 and VND68k in 4Q24 to VND69k in 1Q25. The price increase has been driven by supply shortages due to ASF outbreaks, while tariff uncertainties are expected to have minimal impact on both pork demand and selling prices.
- Our key concern lies with swine farming in China, where pork prices have recently declined. CPF estimates prices will hover just above breakeven at CNY16/kg.
- Overall, we remain neutral on the deal. While the valuation looks somewhat stretched and China pork price risks remain, we do not expect any balance sheet pressure, with CPF maintaining a D/E ratio of ~1.7x post-deal. This is versus the D/E ratio of 1.6x as of 2024.
- We continue to expect very strong 1Q25 results and reiterate our BUY rating.

Key Valuations

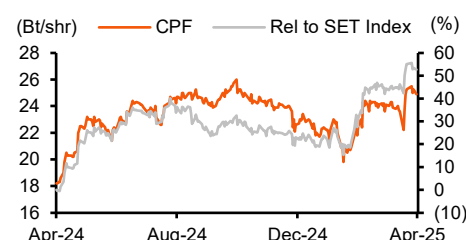
Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	580,747	595,587	607,567	622,587
Net profit	19,558	21,605	20,127	21,256
Norm net profit	18,939	21,605	20,127	21,256
Norm EPS (Bt)	2.3	2.6	2.4	2.5
Norm EPS gr (%)	na	14.1	(6.8)	5.6
Norm PE (x)	11.1	9.7	10.4	9.9
EV/EBITDA (x)	9.7	10.3	11.0	10.4
P/BV (x)	0.9	0.8	0.8	0.7
Div. yield (%)	4.0	4.6	4.3	4.6
ROE (%)	7.8	8.6	7.6	7.7
Net D/E (%)	147.8	137.8	128.6	117.3

Source: Thanachart estimates

Stock Data

Closing price (Bt)	24.9
Target price (Bt)	28.0
Market cap (US\$ m)	6,329.4
Avg daily turnover (US\$ m)	11.8
12M H/L price (Bt)	26.0/18.2

Price Performance



Source: Bloomberg

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