

COMPANY RESULTS

Charoen Pokphand Foods (CPF TB)

3Q24: Better-than-expected Earnings; 4Q24 Profit To Decline qoq

CPF reported 3Q24 core profit of Bt6.1b, up 12.3% qoq. 3Q24 results were 7% higher than our expectation, but 9% below consensus estimate. The key drivers of 3Q24 profit were higher share of profits, especially from the China swine business. We expect 4Q24 earnings to decline qoq due to lower ASPs of China swine; however, 4Q24 earnings are expected to remain high at Bt5.5b. Maintain BUY. Target price: Bt31.00.

3Q24 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q24	3Q24	yoy % chg	qoq % chg
Revenue	144,498	149,498	142,703	-1.2%	-4.5%
Gross profit	16,496	16,809	23,013	39.5%	36.9%
SG&A/Sales	13,868	12,178	12,760	-8.0%	4.8%
EBIT	1,479	10,254	9,323	530.5%	-9.1%
Net profit	(1,811)	6,925	7,309	NA	5.6%
Core profit	(3,784)	5,470	6,144	NA	12.3%
Core EPS (Bt)	(0.44)	0.65	0.73	NA	12.3%
Ratio (%)					
Gross margin	10.8%	15.4%	15.4%	4.6%	0.0%
SG&A/Sales	9.7%	8.5%	8.8%	-0.9%	0.3%
Net profit margin	-1.3%	4.6%	5.1%	6.4%	0.5%

Source: CPF, UOB Kay Hian

RESULTS

- Core earnings improved qoq.** Charoen Pokphand Foods (CPF) reported 3Q24 net profit of Bt7,309m, up 5.6% qoq and increasing from a net loss of Bt1,811m in 3Q23. Excluding one-off items, core profit for 3Q24 came in at Bt6,144m, growing 12.3% qoq and turning from a core loss of Bt3,784m in 3Q23. The results were higher than our estimate by 7%, but below consensus forecast by 9.5%. The better-than-expected 3Q24 results were mainly due to lower-than-expected SGA-to-sales.
- Qoq earnings improvement was driven by better share of profit.** In terms of yoy earnings momentum, we saw key improvements from better profitability, especially in gross margin and a higher share of profit. However, the qoq higher earnings were driven by: a) a higher share of profit from Chia Tai Investment (CTI), a swine farm business in China, and b) lower interest expenses qoq. In terms of operation by countries, Russia, Malaysia, and Laos reported better earnings contributions. For Vietnam and Thailand, it was flattish qoq.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	614,197	585,844	585,354	599,516	614,050
EBITDA	51,691	30,447	57,518	55,457	54,020
Operating profit	26,872	5,326	32,915	31,262	30,195
Net profit (rep./act.)	13,970	(5,207)	21,397	20,414	21,222
Net profit (adj.)	7,720	(18,863)	17,128	18,476	19,226
EPS (Bt)	0.9	(2.2)	2.0	2.2	2.3
PE (x)	27.9	n.a.	12.1	11.2	10.8
P/B (x)	0.9	1.0	0.9	0.9	0.8
EV/EBITDA (x)	13.0	22.1	11.7	12.1	12.5
Dividend yield (%)	3.0	0.0	4.7	4.5	4.7
Net margin (%)	2.3	(0.9)	3.7	3.4	3.5
Net debt/(cash) to equity (%)	175.8	189.4	165.0	150.6	136.6
Interest cover (x)	2.5	1.2	2.3	2.3	2.3
ROE (%)	5.9	(2.1)	8.6	7.8	7.8
Consensus net profit (Btm)	-	-	15,572	15,679	16,892
UOBKH/Consensus (x)	-	-	1.10	1.18	1.14

Source: Charoen Pokphand Foods., Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt24.60
Target Price	Bt31.00
Upside	+26.0%

COMPANY DESCRIPTION

CPF, which is Thailand's leading conglomerate, engages in the agro-industrial processing of feed, farm and food.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	CPF TB
Shares issued (m):	8,413.6
Market cap (Btm):	206,974
Market cap (US\$m):	6,016.7
3-mth avg daily t'over (US\$m):	18.9

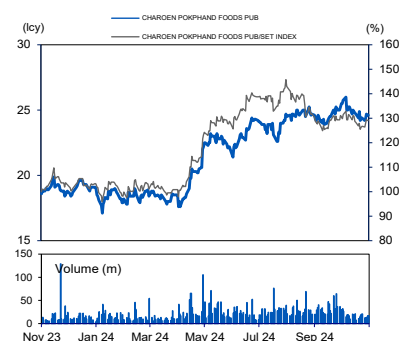
Price Performance (%)

52-week high/low	Bt25.50/Bt17.00			
1mth	3mth	6mth	1yr	YTD
2.0	5.9	38.9	24.4	27.6

Major Shareholders

Charoen Pokphand Group Co., Ltd.	25.61
Thai NVDR	9.84
UBS AG LONDON BRANCH	9.17
FY24 NAV/Share (Bt)	26.71
FY24 Net Debt/Share (Bt)	50.68

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

• **Expect 4Q24 to soften qoq, but remain at 2Q24's level.** Looking forward, we expect CPF's 4Q24 core profit to decline qoq, mainly pressured by: a) China swine ASPs decreasing to breakeven prices at Rmb15-16/kg; and b) a softened chicken business due to lower ASPs. Core operating profits of Thailand's and Vietnam's swine businesses are expected to remain flattish qoq. The raw material cost trend is expected to continue to decline in 4Q24 and 2025. We still maintain our core earnings estimate at Bt17b for 2024 with another a 7.9% yoy growth in 2025.

EARNINGS REVISION/RISK

• No changes to our estimates.

VALUATION/RECOMMENDATION

• **Maintain BUY with a target price of Bt31.00**, based on 2025 core EPS of Bt2.20. We adopt the PE valuation method and peg the stock to the latest PE band of 14.0x, the forward PE of CPF's five-year mean excluding the period of 4Q22-1Q23 when livestock price trends saw unusual changes. We expect swine prices to continue the positive trend in 4Q24 and 2025 for both Thailand and Vietnam.

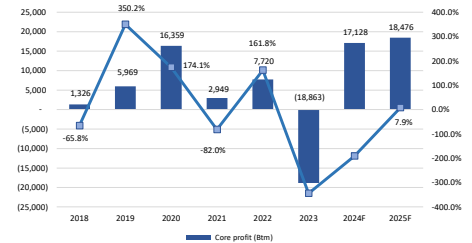
SHARE PRICE CATALYST

• a) Increase in China's swine prices, b) recovery in domestic swine and chicken prices in 4Q24, and c) a decline in raw material prices.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

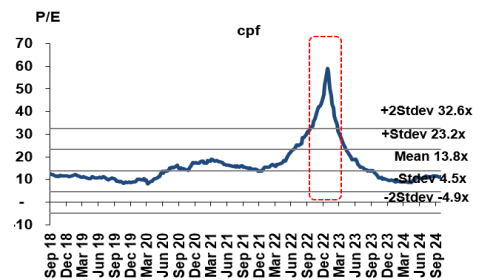
CG Report: 5
SET ESG Rating: AAA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Net zero. CPF aims to be a net zero company by 2050 and plans to reduce its greenhouse gas emissions from land use and fossil fuels by 30.3% and 42.0% respectively by 2030. The company plans to reduce its greenhouse gas emissions from land use and fossil fuels by 72% and 90% by 2050. • Social <ul style="list-style-type: none"> - The company focuses on personnel development to train both ethical and talented employees. It pledges to improve employees' skills through lifelong learning and an innovative organisation. • Governance <ul style="list-style-type: none"> - Good governance practices. CPF is committed to operating its business in accordance with good corporate governance policies and management excellence. CPF received the "Excellent" rating on good corporate governance from the Thai Institute of Directors (IOD).

CORE EARNINGS



Source: CPF, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	585,844	585,354	599,516	614,050
EBITDA	30,447	57,518	55,457	54,020
Deprec. & amort.	25,121	24,602	24,196	23,825
EBIT	5,326	32,915	31,262	30,195
Total other non-operating income	17,428	7,195	4,936	5,067
Associate contributions	(810)	14,228	15,235	16,263
Net interest income/(expense)	(25,506)	(25,078)	(24,043)	(23,052)
Pre-tax profit	(3,563)	29,260	27,389	28,473
Tax	(600)	(5,120)	(4,793)	(4,983)
Minorities	(1,044)	(2,743)	(2,182)	(2,269)
Net profit	(5,207)	21,397	20,414	21,222
Net profit (adj.)	(18,863)	17,128	18,476	19,226

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	35,360	60,043	53,218	54,070
Pre-tax profit	(3,563)	29,260	27,389	28,473
Tax	(600)	(5,120)	(4,793)	(4,983)
Deprec. & amort.	25,121	24,602	24,196	23,825
Associates	810	(14,228)	(15,235)	(16,263)
Working capital changes	(8,570)	14,044	8,608	9,023
Non-cash items	0	0	0	0
Other operating cashflows	22,162	11,485	13,053	13,995
Investing	(19,616)	(22,978)	(23,016)	(23,053)
Capex (growth)	(21,449)	(20,000)	(20,000)	(20,000)
Investment	272,548	275,526	278,542	281,595
Others	(270,715)	(278,504)	(281,557)	(284,649)
Financing	(19,282)	(25,790)	(27,862)	(28,528)
Dividend payments	(3,566)	(5,276)	(9,650)	(9,637)
Proceeds from borrowings	50,398	(43,212)	(38,891)	(35,002)
Loan repayment	(66,012)	0	0	0
Others/interest paid	(102)	22,699	20,679	16,111
Net cash inflow (outflow)	(3,538)	11,276	2,340	2,488
Beginning cash & cash equivalent	32,950	26,136	37,411	39,751
Changes due to forex impact	(3,275)	0	0	0
Ending cash & cash equivalent	26,136	37,411	39,751	42,240

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	265,144	260,760	256,764	253,121
Other LT assets	412,959	416,330	419,765	423,261
Cash/ST investment	26,136	37,411	39,751	42,240
Other current assets	182,980	179,828	175,252	170,606
Total assets	887,218	894,329	891,532	889,228
ST debt	192,751	215,450	236,128	252,239
Other current liabilities	66,712	77,619	81,662	86,043
LT debt	286,740	243,528	204,637	169,635
Other LT liabilities	55,981	56,579	57,187	57,808
Shareholders' equity	239,416	255,537	266,301	277,886
Minority interest	45,617	45,617	45,617	45,617
Total liabilities & equity	887,218	894,329	891,532	889,228

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	5.2	9.8	9.3	8.8
Pre-tax margin	(0.6)	5.0	4.6	4.6
Net margin	(0.9)	3.7	3.4	3.5
ROA	(0.6)	2.4	2.3	2.4
ROE	(2.1)	8.6	7.8	7.8
Growth				
Turnover	(4.6)	(0.1)	2.4	2.4
EBITDA	(41.1)	88.9	(3.6)	(2.6)
Pre-tax profit	n.a.	n.a.	(6.4)	4.0
Net profit	n.a.	n.a.	(4.6)	4.0
Net profit (adj.)	n.a.	n.a.	7.9	4.1
EPS	n.a.	n.a.	7.9	4.1
Leverage				
Debt to total capital	62.7	60.4	58.6	56.6
Debt to equity	200.3	179.6	165.5	151.8
Net debt/(cash) to equity	189.4	165.0	150.6	136.6
Interest cover (x)	1.2	2.3	2.3	2.3

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