

April 7, 2023

LOCAL, OVERSEAS NEGATIVE FACTORS

CPF is estimated to face 1Q23 net loss of B1.5bn, reversing from 4Q22 net profit of B1.8bn. Pork and chicken prices in Thailand, Vietnam, and China fall while feed mill raw material cost rises, so 1Q23 profit margin is expected to drop.

We revise down earnings forecast by 28% for 2023 and 25% for 2024 as profit margin and shared profit from associates may turn out worse than expected. 2023 net profit is estimated to fall 27%yoy. Pork and chicken prices in Thailand, Vietnam, and China are expected to fall as pork supply rebounds after ASF outbreaks end. 2Q23 normalized profit is expected to grow qoq but fall yoy. We downgrade from BUY to Switch.

KEY FINANCIAL FORECAST

Ending Dec 31	2021	2022	2023F	2024F	2025F
Net Profit	13,028	13,970	10,202	10,819	12,258
EPS (B)	1.58	1.69	1.24	1.31	1.48
EPS Growth (% yoy)	-49.9%	7.2%	-27.0%	6.0%	13.3%
PER (x)	13.6	12.6	17.3	16.3	14.4
Dividend Yield (%)	3.0%	3.5%	2.6%	2.6%	2.8%
PBV (x)	0.8	0.7	0.7	0.7	0.6
ROE (%)	6.4%	5.9%	3.9%	4.1%	4.5%

Source: ASPS Research

TECHNICAL CHART



Source: ASPS Research

TECHNICAL COMMENT

CPF Price Trend: Sideways Down

Supportive: 20.70

Resistance: 22.30

CPF

REC. SWITCH

Current Price (B)	21.40
Target Price (B)	22.00
Upside (%)	2.8
Dividend yield (%)	2.6

ESG RATING

Arabesque S-Ray	50.51
Moody's	43.00
MSCI	BBB
Refinitiv	64.62
S&P	84.79
Source: Settrade	

CG Score	Excellent
Anti-corruption	Certified

CONSENSUS ANALYSIS

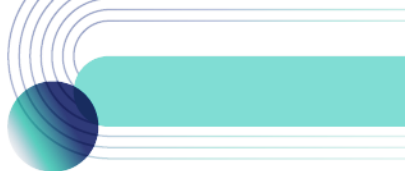
EPS (B)	ASPS	IAA Cons	% diff
2023F	1.24	1.62	-23%
2024F	1.31	1.86	-30%

Source: ASPS Research / IAA consensus

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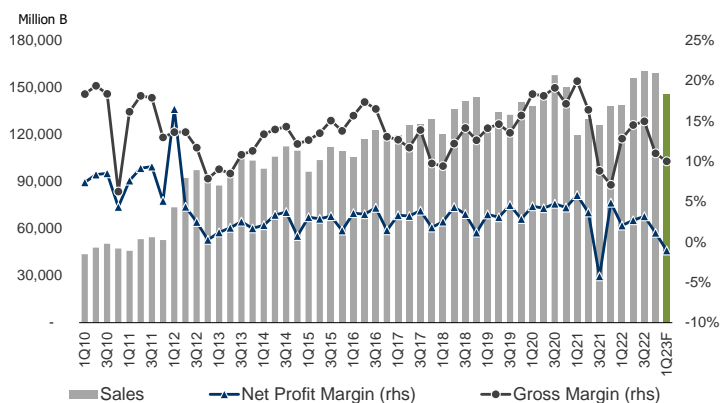


EARNINGS RESULTS BY QUARTER

Million B	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23F	% qoq	% yoy	2022	2023	% yoy
Sales	119,346	129,638	125,940	137,781	138,887	155,996	160,266	159,048	145,831	-8.3%	5.0%	614,197	512,704	19.8%
Cost of Sales	(95,555)	(108,401)	(114,839)	(128,020)	(121,096)	(133,372)	(136,287)	(141,569)	(131,248)	-7.3%	8.4%	(532,324)	(446,815)	19.1%
Gross Profit	23,791	21,236	11,101	9,761	17,791	22,624	23,979	17,479	14,583	-16.6%	-18.0%	81,873	65,890	24.3%
SG&A	(11,684)	(12,297)	(13,127)	(13,772)	(12,124)	(13,564)	(14,385)	(14,928)	(13,125)	-12.1%	8.3%	(55,001)	(50,880)	8.1%
Shared Profit from Associates	2,043	753	(1,266)	1,336	(336)	(793)	2,294	2,580	1,000	-61.2%	n.m.	3,745	2,867	30.6%
Normalized Profit	7,083	3,829	(4,603)	(5,182)	554	3,217	5,577	1,486	(2,533)	n.m.	n.m.	10,834	1,128	860.7%
Net Profit	6,945	4,737	(5,374)	6,720	2,842	4,208	5,108	1,812	(1,533)	n.m.	n.m.	13,970	13,028	7.2%
EPS (B)	0.84	0.57	(0.65)	0.81	0.34	0.51	0.62	0.22	(0.19)	n.m.	n.m.	1.69	1.58	7.2%
Gross Margin	19.9%	16.4%	8.8%	7.1%	12.8%	14.5%	15.0%	11.0%	10.0%			13.3%	12.9%	
Net Profit Margin	5.8%	3.7%	-4.3%	4.9%	2.0%	2.7%	3.2%	1.1%	-1.1%			2.3%	2.5%	
SG&A/Sales	9.8%	9.5%	10.4%	10.0%	8.7%	8.7%	9.0%	9.4%	9.0%			9.0%	9.9%	

Source : Financial Statement / ASPS Research

PROFIT MARGIN BY QUARTER



Source : ASPS Research

KEY RISK

1. If chicken and pork prices drop, CPF's income and net profit may drop.
2. If raw feed mill material prices (corn and soybean meal) rise, CPF's income and net profit may drop.
3. THB appreciation against USD may weaken CPF's net profit.

Source : ASPS Research



2022-2024F EARNINGS FORECAST

Profit / Loss (Million B)

Ending Dec 31	2022	2023F	2024F	2025F
Sales	614,197	615,431	662,548	729,528
Cost of sales	(532,324)	(537,076)	(576,316)	(633,588)
Gross profit	81,873	78,355	86,233	95,940
SG&A	(55,001)	(55,389)	(59,629)	(65,658)
Interest expense	(20,358)	(24,775)	(27,286)	(29,307)
Shared profit from associates	3,745	5,000	6,000	7,000
Other income	4,821	5,050	5,050	5,050
Earnings before tax	15,080	8,242	10,367	13,026
Income tax	(3,792)	(1,648)	(2,073)	(2,605)
Minority interest	(454)	(1,391)	(1,475)	(2,163)
Normalized profit	10,834	5,202	6,819	8,258
Fx gain / loss	93	-	-	-
Sales of investment	2,553	5,000	4,000	4,000
Other extra items	490	-	-	-
Net profit	13,970	10,202	10,819	12,258
EPS	1.69	1.24	1.31	1.48
Normalized EPS	1.31	0.63	0.83	1.00

Sales growth (%)	19.8%	0.2%	7.7%	10.1%
Net profit growth (%)	7.2%	-27.0%	6.0%	13.3%
Gross profit margin (%)	13.3%	12.7%	13.0%	13.2%
Net profit margin (%)	2.3%	1.7%	1.6%	1.7%

Quarterly Profit / Loss (Million B)

	1Q22	2Q22	3Q22	4Q22
Sales	138,887	155,996	160,266	159,048
Cost of sales	(121,096)	(133,372)	(136,287)	(141,569)
Gross profit	17,791	22,624	23,979	17,479
SG&A	(12,124)	(13,564)	(14,385)	(14,928)
Interest expense	(4,469)	(4,360)	(5,494)	(6,035)
Shared profit from associates	(336)	(793)	2,294	2,580
Other income	686	1,259	1,188	1,687
Earnings before tax	1,547	5,167	7,582	784
Income tax	(839)	(1,686)	(2,015)	748
Minority interest	(154)	(264)	10	(46)
Normalized profit	554	3,217	5,577	1,486
Fx gain / loss	(41)	(208)	394	(52)
Sales of investment	1,595	681	28	249
Other extra items	734	519	(891)	128
Net profit	2,842	4,208	5,108	1,812
Sales growth (%yoy)	16.4%	20.3%	27.3%	15.4%
Net profit growth (%yoy)	-59.1%	-11.2%	-195.0%	-73.0%
Gross profit margin (%)	12.8%	14.5%	15.0%	11.0%
Net profit margin (%)	2.0%	2.7%	3.2%	1.1%

Key Financial Ratio

Ending Dec 31	2022	2023F	2024F	2025F
Current Ratio (x)	0.87	0.93	0.92	0.94
Quick Ratio (x)	0.29	0.30	0.30	0.29
Account Receivables Turnover (x)	15.04	14.00	14.00	14.00
Inventory Turnover (x)	8.00	6.00	6.00	6.00
Account Payable Turnover (x)	11.17	12.00	12.00	12.00
Debt / Equity (x)	1.63	1.67	1.72	1.76
ROAA (%)	1.6	1.1	1.1	1.2
ROAE (%)	5.9	3.9	4.1	4.5

Source : ASPS Research



2022-2024F EARNINGS FORECAST (CONT.)

Statement of Cash flows (Million B)

Ending Dec 31	2022	2023F	2024F	2025F
Cash flows from operating activities				
Net profit	14,424	10,202	10,819	12,258
Depreciation & Amortization	24,819	13,331	13,831	14,498
Unrealized Fx gain/loss	-	-	-	-
Increase / Decrease in operating activities	(30,420)	(19,992)	(18,693)	(20,854)
Net cash flows from operating activities	33,544	4,932	7,431	8,065
Cash flows from investing activities				
Increase / Decrease in related investment	(2,290)	(13,603)	(14,283)	(14,997)
Increase / Decrease in fixed assets	(27,256)	(13,000)	(15,000)	(20,000)
Others	3,540	-	-	-
Net cash flows from investing activities	(25,723)	(26,603)	(29,283)	(34,997)
Cash flows from financing activities				
Increase / Decrease in loans	22,444	30,000	30,000	30,000
Increase / Decrease in capital & share premium	-	-	-	-
Dividend paid	(5,996)	(4,541)	(4,541)	(4,954)
Net cash flows from financing activities	(12,858)	25,459	25,459	25,046
Fx impact	(721)	-	-	-
Increase / Decrease in net cash	(5,759)	3,788	3,607	(1,886)

Balance Sheet (Million B)

Ending Dec 31	2022	2023F	2024F	2025F
Cash & Deposits	32,950	36,738	40,345	38,459
Trade accounts receivable	43,221	43,959	47,325	52,109
Inventories	83,080	89,513	96,053	105,598
Net PP&E	276,664	276,333	277,502	283,004
Total assets	926,987	961,760	1,007,263	1,056,359
Trade account payable	50,964	44,756	48,026	52,799
Current liabilities	266,978	266,821	291,097	309,177
Total liabilities	627,144	654,864	692,614	732,242
Minority shareholders' equity	43,791	45,182	46,657	48,821
Shareholders' equity	256,053	261,714	267,992	275,296
Paid-up capital	8,611	8,611	8,611	8,611
Share premium	60,847	60,847	60,847	60,847
Retained earning	137,854	143,515	149,793	157,097
Legal reserves	929	929	929	929
Shareholders' reserves	136,925	142,586	148,864	156,168
Total liabilities & shareholders' equity	926,987	961,760	1,007,263	1,056,359

Key Assumptions

Ending Dec 31	2022	2023F	2024F	2025F
Revenue Struture				
- Domestic	26%	26%	26%	26%
- Export	5%	5%	5%	5%
- Overseas	69%	69%	69%	69%
Soybean meal price (B/kg)	22.5	23.0	22.0	22.0
Corn price (B/kg)	12.3	13.0	12.0	13.0
THB/USD exchange rate	35.0	35.0	35.0	35.0

Source : ASPS Research