

BUY (Unchanged)

Change in Numbers

TP: Bt 21.00

(From: Bt 24.50)

22 APRIL 2024**Upside : 15.4%**

Charoen Pokphand Foods (CPF TB)

An L-shaped recovery

Driven by sluggish production adjustment and weakened demand, China's pork prices have worsened more than we'd anticipated. This prompts us to cut our earnings forecasts over three years. As the shares are hitting rock bottom, backed by its affiliates' value of Bt20 per share, we reaffirm our BUY call with a lower TP of Bt21.

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Prolonged downturn of pork prices in China

Since the African Swine Flu (ASF) outbreak subsided in mid-2021, Chinese pork prices have plummeted from a peak of over CNY35/kg in 2020 to be below CNY20/kg in 2H21 and hovered around a bottom of CNY14-15/kg for nearly three years. The prolonged stagnation in pork prices, surpassing the typical 18-24 month recovery period, is attributed to a structural shift in pork production in China. Following the ASF outbreak, the industry has consolidated, with large hog enterprises prioritizing expansion and market share over profit maximization. While we believe Chinese pork prices have reached their lowest point, the sluggish adjustment in supply suggests that any recovery in prices must be accompanied by an increase in demand. As we expect consumer confidence to improve further with supportive government policies in the latter half of the year, we anticipate a lower equity loss contribution from Chia Tai Investment Co., Ltd. (CTI) of Bt2bn in 2024F, followed by a modest profit turnaround from 2025F onward.

Support from Vietnam, chicken, and affiliates

Vietnam's pork prices have stabilized above VND50k/kg thanks to improving economic momentum and a less severe oversupply situation. Chicken prices have bounced strongly and have stayed 16% above input costs. The turnaround is due to manageable supply and increasing demand domestically and for export. We also anticipate higher profit contributions from affiliates, including CP All Pcl (CPALL TB, BUY, Bt55.50), and CP Axta Pcl (CPAXT TB, HOLD, Bt31.75). Thanachart Research forecasts over 20% profit growth for CPALL and CPAXT, driven by expansions of standalone stores, increasing product margins, and market share gains. They stand to benefit from the government's policies.

Cutting our earnings and TP to Bt21

Due to the delayed turnaround of CTI, lower margins, and rising interest expenses, we cut our earnings forecasts for CPF. We expect profits from 2H24F and now anticipate reduced earnings of Bt3.3bn in 2024F, Bt8.5bn in 2025F, and Bt15.3bn in 2026F. Factoring in TPs of Bt70 for CPALL and Bt33 for CPAXT, our SOTP-derived TP for CPF falls to Bt21 from Bt24.5 previously.

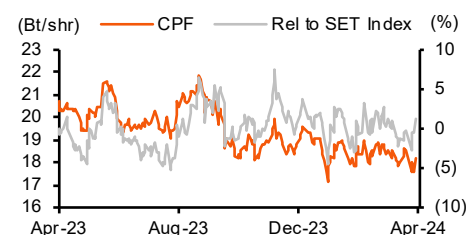
Over the trough; BUY

Driven by CTI, we foresee continued losses in 1H24F, worse than our earlier expectation. But our view that CPF has already passed its trough is intact. After its 27% share price correction over the past year, 83% of CPF's share price is supported by its affiliates CPALL and CPAXT, with values of Bt20, based on today's closing prices. With brighter prospects for these two and lower losses for CPF, we reaffirm BUY.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	585,844	613,316	645,310	679,380
Net profit	(5,207)	3,266	8,481	15,261
Consensus NP	—	6,162	9,598	11,594
Diff frm cons (%)	—	(47.0)	(11.6)	31.6
Norm profit	(10,538)	3,266	8,481	15,261
Prev. Norm profit	—	9,907	14,569	20,323
Chg frm prev (%)	—	(67.0)	(41.8)	(24.9)
Norm EPS (Bt)	(1.3)	0.4	1.0	1.8
Norm EPS grw (%)	na	na	159.7	79.9
Norm PE (x)	na	46.9	18.1	10.0
EV/EBITDA (x)	20.0	16.9	14.6	12.8
P/BV (x)	0.6	0.6	0.6	0.6
Div yield (%)	0.0	0.9	2.2	4.0
ROE (%)	na	1.4	3.5	6.0
Net D/E (%)	159.1	155.8	151.7	144.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 22-Apr-24 (Bt)	18.20
Market Cap (US\$ m)	4,138.9
Listed Shares (m shares)	8,413.6
Free Float (%)	46.3
Avg Daily Turnover (US\$ m)	7.6
12M Price H/L (Bt)	21.90/17.10
Sector	FOOD
Major Shareholder	CP Group 37.35%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P11



Prolonged downturn of pork prices in China

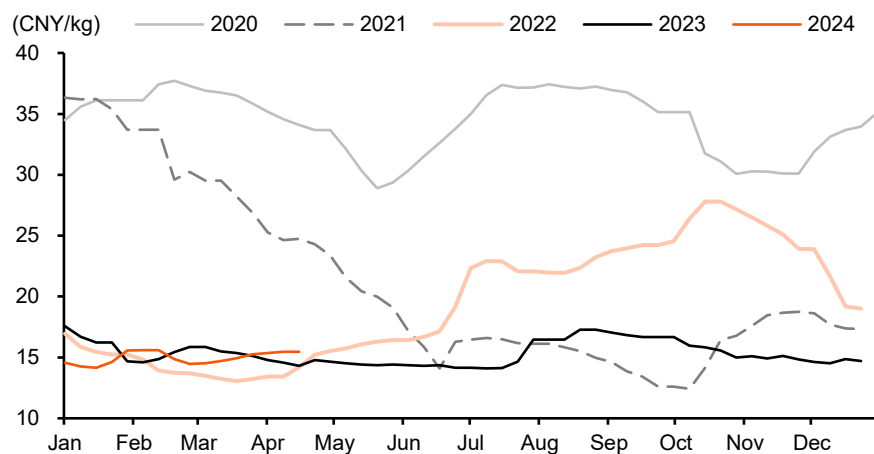
Prolonged stagnation of pork prices in China

Since the African Swine Flu (ASF) outbreak subsided in mid-2021, Chinese pork prices have struggled to recover from a multi-year slump. Prices plummeted from a peak of over CNY35 per kg during the ASF outbreak in 2020 to an average of CNY19 per kg in the second half of 2021 to 2022, CNY15.41 in 2023, and CNY14.95 YTD in 2024.

The prolonged stagnation in pork prices, exceeding the typical 18-24 month recovery period, can be attributed to several factors. One significant factor is the consolidation of the industry, with smaller farmers exiting during the ASF outbreak, leaving larger producers dominating the market. These large hog enterprises have focused on expansion and market share rather than maximizing profits, leading to an oversupply situation.

Furthermore, sluggish demand stemming from a slow economic recovery post-COVID-19 and global inflationary pressures pushing up the cost of living have contributed to the persistent low prices in the pork industry. This confluence of factors has kept Chinese pork prices at rock bottom for nearly three years. Please see Exhibit 1 below.

Ex 1: Chinese Pork Prices



Source: Bloomberg

Sluggish adjustment in supply suggests any recovery in prices must see a demand hike

According to the National Bureau of Statistics China, pork production totaled 57.94m tonnes in 2023, marking a 5% increase y-y. This surge was propelled by heightened slaughter rates, driven by a reported oversupply in the domestic market and dwindling producer margins, which in turn led to increased culling rates.

In a bid to stabilize pig production and supply, the Ministry of Agriculture and Rural Affairs (MARA) recently revised the Implementation Plan for Pig Production Capacity Regulation. This revision involved adjusting the national target number of reproductive sows from 41m to 39m. Consequently, sow numbers have been on a downward trajectory, with a reported decrease of between 5-7% y-y through 2023 and into 2024.

The USDA forecasts a 6% decline in the total Chinese pig population for 2024, which we expect will temporarily tighten China's domestic pork supplies. However, over the longer term, we anticipate gradual production gains as on-farm efficiency improves, sow productivity increases due to genetic advances, and the spread of diseases is better controlled.

We believe the Chinese government remains steadfast in its pursuit of pork self-sufficiency, with a target of 95% set in 2020. To this end, it has been actively promoting the transition

from small-scale to large-scale production. Moreover, the government continuously monitors market behavior and stands ready to intervene should production, swine numbers, or prices deviate beyond certain thresholds.

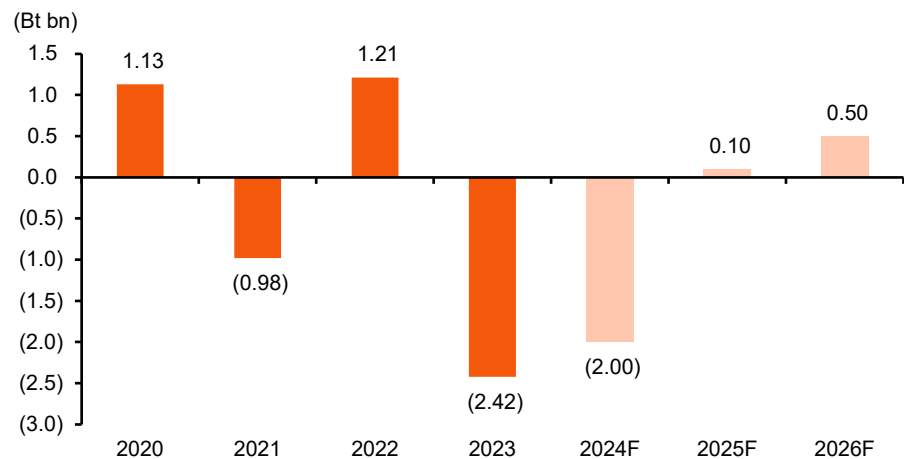
We expect pork consumption to improve from 2H24F...

...and anticipate a turnaround in CTI's operation in 2025F

While we believe that Chinese pork prices may have reached their lowest point, the sluggish adjustment in supply suggests that any recovery in prices must be accompanied by an increase in demand. The Chinese economy is gradually improving, supported by government policies. As a result, we expect pork consumption to increase as the economy and consumer confidence develop further in the latter half of the year.

As it divested old and inefficient pig farms in China in 4Q23, accounting for around 20% of total production capacity, we anticipate a lower equity loss contribution from Chia Tai Investment Co., Ltd.'s (CTI) of Bt2bn in 2024, improving from the Bt7.8bn loss incurred in 2023. We anticipate a turnaround in CTI's operations from 2025F onward. However, given the structural shift in pork production in China, we do not expect a significant upswing in Chinese pork prices and conservatively assume small equity profit contributions averaging Bt300m annually in 2025-26.

Ex 2: CTI's Losses To Linger Into 2024F



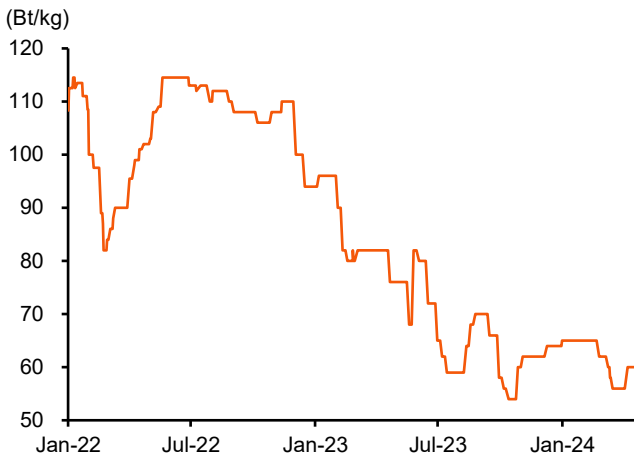
Sources: Company data, Thanachart estimates

Thailand's pork oversupply has been driven by an influx of illegal pork imports

Unlike China, we consider the weakness in Thailand's pork prices cyclical rather than structural. The country's oversupply has mainly resulted from an influx of illegally imported pork since late 2022. However, with more active measures to counter illegal pork imports and a reduction in supply from smaller farmers, pork supply has begun to decline, albeit gradually. Consequently, pork prices experienced a slight rebound from an average of Bt62 per kg in 4Q23 to Bt66 per kg in 1Q24.

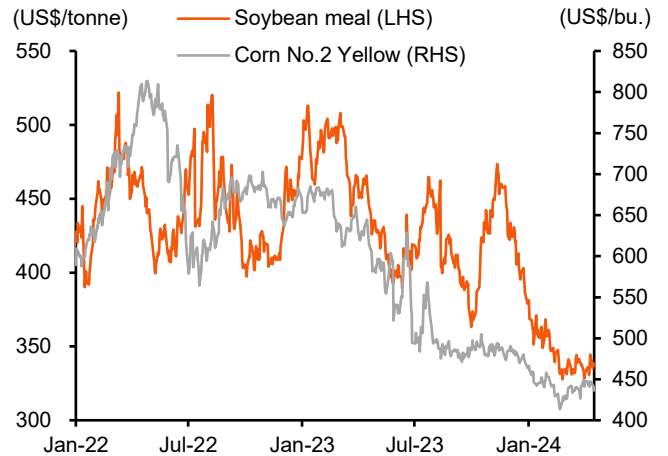
Following the approval of the Thai government's budget bill this month and a series of stimulus policies, we anticipate a pickup in demand in 2H24F. Coupled with lower input costs due to a more abundant grain supply, we foresee increased profitability for Thailand's pork business in the latter half of 2024F.

Ex 3: Thailand Pork Price...



Source: Office of Agricultural Economics

Ex 4: ...And Corn And Soybean Meal Prices



Source: Bloomberg

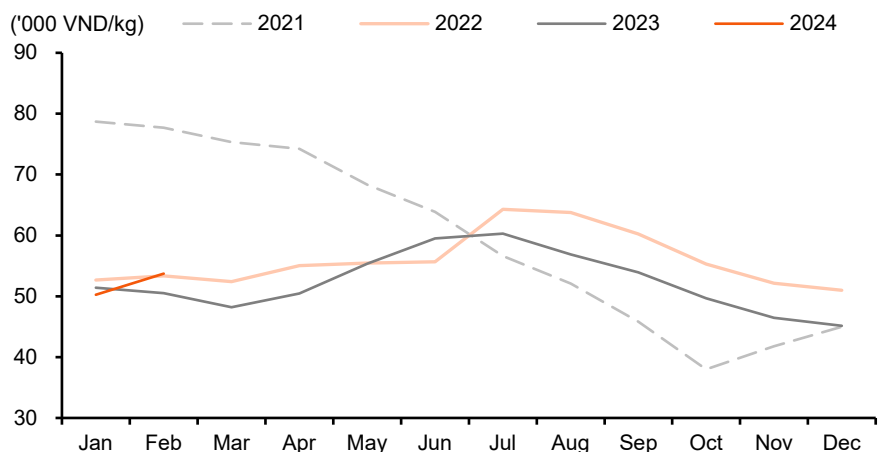
Some support from Vietnam, chicken, and affiliates

Despite delays in the recovery of China and Thailand until 2H24F, Vietnam operations are performing well, and we anticipate higher profit contributions from affiliates, including Hylife , CP All Pcl (CPALL TB, BUY, Bt55.50), and CP Aextra Pcl (CPAXT TB, HOLD, Bt31.75).

We expect normal demand/supply dynamics in Vietnam

In **Vietnam**, the pork industry has been contending with oversupply since 2H21. However, with no abrupt structural shift in production, pork production has been adjusted along with the usual raising cycle. The average selling price of pork rebounded from a low of VND38k per kg in October 2021 to an average of VND57k per kg in 2022. Despite a 6% y-y decline in Vietnam pork prices to VND52k, they remained above the production costs of around VND45-46 per kg. Consequently, Vietnam operations have been in better shape than those in China and Thailand. Benefiting from improving economic momentum and a less severe oversupply situation, we anticipate a positive contribution from CP Vietnam (CPV) in 2024F.

Ex 5: Vietnam Pork Prices



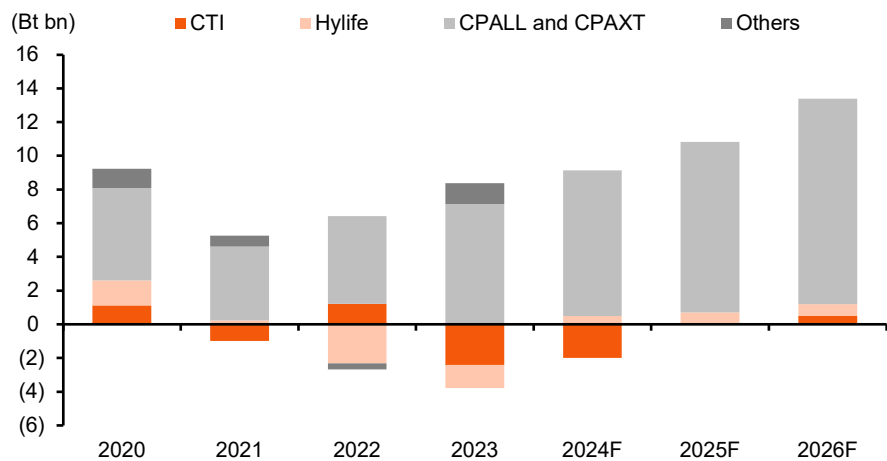
Source: Company data

Hylife back to profits with higher CPALL and CPAXT equity income contributions

In addition to CTI in China, CPF’s affiliate companies include Hylife in Canada, CPALL, and CPAXT in Thailand. CPF acquired HyLife in 2019 for US\$374m, making it the 50.1% majority owner, while Japanese partner Itochu Corp holds 49.9%. HyLife is an integrated premium pork production company based in Canada. Despite anticipated synergistic and scale benefits, HyLife faced challenges following its acquisition of ProVista Inc.’s hog farming operation and its subsequent expansion of farming production in 2020. These investments did not yield the expected results. Coupled with heightened pork production costs, HyLife decided to downsize its farming operation and returned to profitability in 4Q23.

Furthermore, Thanachart Research forecasts a brighter outlook for the Thai retail sector. Driven by expansions of standalone stores, increasing product margins, and market share gains, our in-house expectation is for over 20% profit growth for CPALL and CPAXT this year, followed by 18% p.a. in 2025F.

Ex 6: Equity Income Contributions



Sources: Company data, Thanachart estimates

Last but not the least, the chicken business in Thailand has seen remarkable progress, in our view. After a period of fluctuation, chicken prices have surged from an average of Bt39.4 per kg in 2023 and Bt41.7 per kg in the first quarter of 2023 to Bt44 per kg currently. This represents a 16% increase above the break-even point, driven by a decline in input costs such as corn and soybean meal prices. This upturn can be attributed to the stable supply and growing demand both domestically and internationally. We foresee a continued enhancement in the profitability of Thailand’s chicken industry, especially during the peak export seasons in the second and third quarters. It’s worth noting that among all farm businesses in Thailand, 45% is attributed to pork and 40% to chicken, with the remaining share from aquatic products.

Ex 7: Thailand Chicken Prices



Source: Office of Agricultural Economics

Cutting our earnings and TP to Bt21

Due to CTI's delayed turnaround, coupled with lower margins and increased interest expenses, we have cut our earnings forecasts for CPF by an average of 45% over the next three years. Exhibit 7 shows the changes in our key assumptions.

Ex 8: Earnings Revisions

	2019	2020	2021	2022	2023	2024F	2025F	2026F
Norm profits (Bt bn)								
- New	18.47	21.12	4.04	12.11	(10.54)	3.27	8.48	15.26
- Old						9.91	14.57	20.32
- Change (%)						(67.03)	(41.79)	(24.91)
Net sales (Bt bn)								
- New	532.57	589.71	512.70	614.20	585.84	613.32	645.31	679.38
- Old						652.65	692.16	734.44
- Change (%)						(6.03)	(6.77)	(7.50)
Gross margin (%)								
- New	14.93	18.14	12.39	13.56	10.57	11.95	12.30	12.65
- Old						12.33	12.37	12.44
- Change (ppt)						(0.39)	(0.07)	0.21
SG&A expenses (Bt bn)								
- New	57.40	62.02	50.60	55.48	56.78	56.11	56.67	57.57
- Old						58.49	60.00	61.56
- Change (%)						(4.08)	(5.55)	(6.49)
Interest expenses (Bt bn)								
- New	13.78	16.82	16.60	20.36	25.51	27.11	25.88	25.21
- Old						24.14	24.36	24.43
- Change (%)						12.31	6.26	3.20
Equity income (Bt bn)								
- New	8.89	9.25	4.17	3.75	4.59	4.59	7.13	10.83
- Old						9.15	11.34	14.17
- Change (%)						(49.82)	(37.09)	(23.59)

Sources: Company data, Thanachart estimates

Factoring in our TPs of Bt70 for CPALL and Bt33 for CPAXT, we lower our SOTP-derived TP for CPF to Bt21 from Bt24.5 previously.

Ex 9: 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	35,053	40,523	46,056	51,162	55,025	58,867	62,940	67,266	71,865	76,500	81,443	—
Free cash flow	12,516	11,801	13,382	16,600	18,972	21,419	23,997	26,719	29,598	32,465	35,512	681,375
PV of free cash flow	12,551	10,330	10,960	12,721	13,600	14,367	15,060	15,182	15,668	16,015	16,323	313,202
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.8											
WACC (%)	6.4											
Terminal growth (%)	2.0											
Enterprise value	465,979											
Net debt (end-2023)	453,612											
Minority interest	45,617											
Equity value	(33,250)											
# of shares (m)	8,414											
Equity value/share (Bt)	(4.0)											
Investment:												
CPALL @ Bt70 TP	25.7											
CPAXT @ Bt33 TP	3.7											
SOTP at 15% disc. (Bt)	21.0											

Sources: Company data, Thanachart estimates

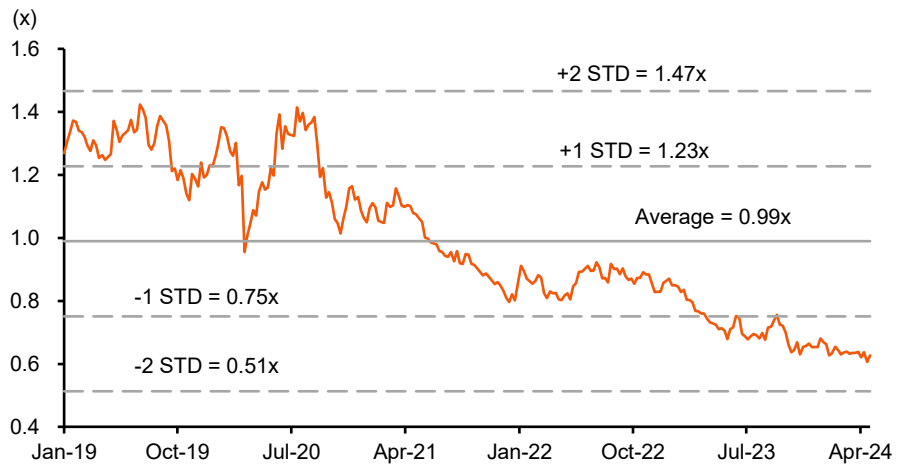
Over the trough; BUY

No change to our view that CPF reached a trough in 2023

Admittedly, the turnaround of CTI has been delayed, with larger losses than we had assumed earlier. Nevertheless, our view remains unchanged that CPF already passed the trough in 2023. Thanks to a smaller business scale and more efficient operations following the divestment of old and inefficient pig farms in China in 4Q23, the loss contribution from CTI should diminish this year. Coupled with profit contributions from CPV, higher equity income contributions from CPALL and CPAXT, and increased profits in its pork business in Thailand in 2H24, we anticipate reduced losses quarter by quarter, with a forecasted earnings turnaround from 3Q24.

Moreover, as the major shareholder of CPALL and CPAXT, which we believe exhibit brighter earnings outlooks, 83% of CPF's share price is supported by its affiliates' value of Bt20/share, based on today's closing prices. With CPF's share price having corrected by 27% over the past year, we believe all the bad news has been fully factored in and we, therefore, reaffirm our BUY rating.

Ex 10: STD P/BV



Sources: Bloomberg, Thanachart estimates

Valuation Comparison

Ex 11: 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	79.6	11.4	62.3	55.9	6.6	6.3	4.8	4.4	0.7	0.8
Tyson Foods Inc	TSN US	USA	na	52.3	25.7	16.9	1.1	1.1	10.6	8.8	3.3	3.3
Pilgrim's Pride Corp	PPC US	USA	130.5	3.9	11.4	11.0	2.3	2.1	7.2	7.1	na	na
Hormel Foods Corp	HRL US	USA	9.7	6.5	21.8	20.5	2.3	2.2	15.0	14.1	3.3	3.4
BRF SA	BRFS3 BZ	Brazil	na	23.9	26.1	21.1	1.7	1.7	6.5	6.2	1.2	0.9
JBS SA	JBSS3 BZ	Brazil	na	12.6	8.9	7.9	1.0	1.0	5.6	5.4	6.2	5.9
Marfrig Global Foods SA	MRFG3 BZ	Brazil	na	95.8	(18.6)	(9.5)	1.4	1.2	7.8	7.8	0.3	0.3
Average			73.3	29.5	19.7	17.7	2.3	2.2	8.2	7.7	2.5	2.5
Feed Mills												
Japfa Comfeed	JPFA IJ	Indonesia	50.7	7.4	9.1	8.5	0.9	0.8	7.2	6.6	2.7	3.5
Charoen Pok Indo	CPIN IJ	Indonesia	69.5	6.3	20.9	19.6	2.8	2.6	14.0	12.4	1.8	2.3
Universal Robina	URC PM	Philippines	21.0	11.9	13.4	12.0	1.6	1.5	8.0	7.3	4.4	4.8
Average			47.1	8.5	14.5	13.4	1.7	1.6	9.7	8.8	3.0	3.5
Thailand												
Asian Sea Corp	ASIAN TB	Thailand	70.3	19.0	10.9	9.1	0.9	0.8	4.5	3.9	4.8	5.7
Betagro	BTG TB	Thailand	na	38.8	20.3	14.6	1.5	1.4	9.7	8.4	1.5	2.3
Charoen Pokphand Foods *	CPF TB	Thailand	na	159.7	46.9	18.1	0.6	0.6	16.9	14.6	0.9	2.2
GFPT	GFPT TB	Thailand	10.2	10.4	10.1	9.1	0.8	0.8	6.9	6.6	2.0	2.3
R&B Food Supply *	ITC TB	Thailand	32.3	14.9	20.0	17.4	2.4	2.2	14.6	12.1	1.6	2.9
i-Tail Corporation *	RBF TB	Thailand	30.4	14.9	24.7	21.5	4.1	3.7	15.3	13.2	2.2	2.5
Thaifoods Group	TFG TB	Thailand	na	36.2	10.8	8.0	1.2	1.2	6.0	5.4	5.1	6.6
Thai Union Group *	TU TB	Thailand	20.9	9.4	11.4	10.4	1.2	1.1	9.6	9.0	5.2	5.7
Average			32.8	37.9	19.4	13.5	1.6	1.5	10.4	9.1	2.9	3.8
Average - All			47.7	29.7	18.7	15.1	1.9	1.8	9.5	8.5	2.8	3.3

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

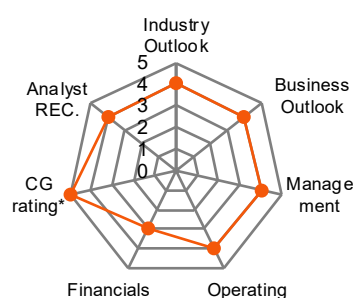
Based on 22 Apr 2024 closing prices

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 the manufacture of 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

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

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
Target price (Bt)	22.06	21.00	-5%
Net profit 24F (Bt m)	6,162	3,266	-47%
Net profit 25F (Bt m)	9,598	8,481	-12%
Consensus REC	BUY: 16	HOLD: 4	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are more conservative than the market on CPF's potential rebound in profit margins.
- As a consequence, our earnings forecasts and TP are lower.

RISKS TO OUR INVESTMENT CASE

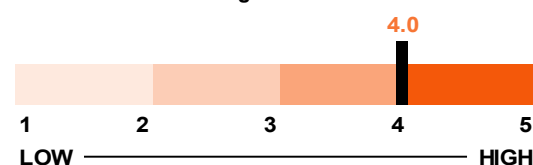
- The key downside risk to our call would be if meat prices in Thailand do not recover to higher than break-even level.
- A secondary downside risk surrounds CPF's strong operations abroad, particularly in Vietnam and China. If CPF encounters greater problems in those markets, this could negatively impact our earnings forecasts.
- As exports and overseas sales make up over 60% of CPF's total sales, the company is exposed to forex risk.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

CPF drives its corporate sustainable development under CPF’s Sustainability Strategy called “CPF 2030 Sustainability in Action”, which has been developed from three pillars of sustainability, comprising “Food Security, Self-Sufficiency Society, and Balance of Nature”. CPF is well acclaimed in many ESG areas, and we assign an ESG score of 4.0.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CPF	YES	AAA	YES	BBB	50.25	70.56	83.00	43.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
 Note: Please see third party on “term of use” in the following back page.

Factors Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- CPF became a coal-free operation in 2022. By substituting coal with biomass energy, the consumption proportion of renewable energy accounts for approximately 30% of CPF’s total energy consumption. This has contributed to a reduction in greenhouse gas (GHG) emissions by over 600,000 tonnes of CO2 equivalent in the company’s endeavors to accomplish its net-zero target by 2050.
- 2025 targets are to achieve climate, water, and waste excellence via 1) a reduction of 25% in direct and indirect GHG emissions per production unit compared to the base year in 2015 (Thailand operations), and 2) a cut in water withdrawal per production unit of 30% compared to the base year in 2015 (Thailand operations).
- On the waste side, CPF plans to generate zero food waste from operations, with 100% of plastic packaging for food products being recyclable, reusable, or compostable in 2025.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- CPF’s goal is to create positive social impacts for the lives of its employees and individuals throughout its value chain.
- The company has set a 2030 target to 1) conduct 100% human rights due diligence once every three years, including risk assessment and impact assessment in high-risk areas of its own operations (40% progress in 2021); 2) provide 3m hours of education and training for employees (44% progress); and 3) improve the livelihoods of 3,000,000 people in communities connected to its business activities (82% progress).
- As for food security, 83% of the company’s plan to have 40% of its Thailand operation’s revenue derived from green products was achieved last year. It did not recall any food products in 2021.

GOVERNANCE & SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- The company’s board of directors (BOD) consists of 15 individuals, comprising six independent directors, six executive directors, and three non-executive directors. At present, the BOD has two women. The age range of the directors has expanded with a minimum age of 53.
- CPF has announced a whistleblowing policy in order to provide its employees, stakeholders, and third parties with opportunities for whistleblowing or lodging complaints.
- The company regularly audits the implementation of its anti-corruption policy and reviews its guidelines and operational requirements to be in line with changes in the business, rules, regulations, and legal requirements.

Sources: Thanachart, Company data

INCOME STATEMENT

*We expect a turnaround
in 2H24F*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	614,197	585,844	613,316	645,310	679,380
Cost of sales	530,913	523,919	540,042	565,940	593,434
Gross profit	83,284	61,925	73,273	79,370	85,946
% gross margin	13.6%	10.6%	11.9%	12.3%	12.7%
Selling & administration expenses	55,477	56,784	56,106	56,667	57,565
Operating profit	27,807	5,141	17,168	22,703	28,381
% operating margin	4.5%	0.9%	2.8%	3.5%	4.2%
Depreciation & amortization	24,819	25,121	18,726	18,680	18,555
EBITDA	52,626	30,262	35,893	41,384	46,936
% EBITDA margin	8.6%	5.2%	5.9%	6.4%	6.9%
Non-operating income	7,374	8,514	9,799	6,484	4,688
Non-operating expenses	0	0	0	0	0
Interest expense	(20,358)	(25,506)	(27,111)	(25,880)	(25,211)
Pre-tax profit	14,823	(11,851)	(144)	3,307	7,858
Income tax	6,003	600	300	992	2,357
After-tax profit	8,820	(12,451)	(444)	2,315	5,501
% net margin	1.4%	-2.1%	-0.1%	0.4%	0.8%
Shares in affiliates' Earnings	3,745	4,590	4,590	7,134	10,825
Minority interests	(454)	(2,676)	(880)	(968)	(1,065)
Extraordinary items	1,859	5,330	0	0	0
NET PROFIT	13,970	(5,207)	3,266	8,481	15,261
Normalized profit	12,111	(10,538)	3,266	8,481	15,261
EPS (Bt)	1.7	(0.6)	0.4	1.0	1.8
Normalized EPS (Bt)	1.4	(1.3)	0.4	1.0	1.8

BALANCE SHEET

*Slow asset growth as it is
keen to improve
efficiency*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	233,219	209,116	203,828	207,513	211,555
Cash & cash equivalent	32,950	26,136	20,000	20,000	20,000
Account receivables	43,221	42,351	43,688	45,967	48,394
Inventories	83,080	69,508	71,019	74,425	78,041
Others	73,968	71,121	69,121	67,121	65,121
Investments & loans	279,989	280,499	280,499	280,499	280,499
Net fixed assets	276,664	265,144	268,638	272,197	275,902
Other assets	137,115	132,459	131,419	132,359	133,278
Total assets	926,987	887,218	884,384	892,568	901,235
LIABILITIES:					
Current liabilities:	266,978	259,463	251,938	252,236	251,091
Account payables	50,964	36,527	36,989	38,763	40,646
Bank overdraft & ST loans	117,434	144,994	141,681	141,351	139,668
Current LT debt	66,117	48,014	46,282	46,175	45,625
Others current liabilities	32,463	29,928	26,985	25,947	25,152
Total LT debt	301,499	286,740	284,306	283,644	280,267
Others LT liabilities	58,667	55,981	57,817	59,354	60,965
Total liabilities	627,144	602,185	594,062	595,234	592,323
Minority interest	43,791	45,617	48,293	49,173	50,238
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
Retained earnings	137,854	123,286	125,899	132,031	142,543
Shareholders' equity	256,053	239,416	242,029	248,161	258,674
Liabilities & equity	926,987	887,218	884,384	892,568	901,235

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

*Lower borrowing as
profitability improves*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	14,823	(11,851)	(144)	3,307	7,858
Tax paid	(5,419)	(1,295)	83	(1,050)	(2,170)
Depreciation & amortization	24,819	25,121	18,726	18,680	18,555
Chg In working capital	(7,807)	5	(2,386)	(3,911)	(4,159)
Chg In other CA & CL / minorities	(29,012)	4,881	5,060	8,066	11,842
Cash flow from operations	(2,597)	16,861	21,339	25,093	31,926
Capex	(66,088)	(6,200)	(20,000)	(20,000)	(20,000)
Right of use	(6,424)	(5,638)	(1,000)	(1,000)	(1,000)
ST loans & investments	0	0	0	0	0
LT loans & investments	(7,669)	(510)	0	0	0
Adj for asset revaluation	31,442	(15,444)	0	0	0
Chg In other assets & liabilities	(166)	4,381	1,657	(643)	(568)
Cash flow from investments	(48,905)	(23,411)	(19,343)	(21,643)	(21,568)
Debt financing	54,426	(4,279)	(7,478)	(1,100)	(5,609)
Capital increase	(34)	(1,419)	(0)	0	0
Dividends paid	(5,159)	(3,566)	(653)	(2,350)	(4,749)
Warrants & other surplus	(1,468)	9,001	0	0	0
Cash flow from financing	47,766	(264)	(8,131)	(3,450)	(10,358)
Free cash flow	(68,685)	10,661	1,339	5,093	11,926

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	12.6	na	46.9	18.1	10.0
Normalized PE - at target price (x)	14.6	na	54.1	20.8	11.6
PE (x)	11.0	na	46.9	18.1	10.0
PE - at target price (x)	12.6	na	54.1	20.8	11.6
EV/EBITDA (x)	11.5	20.0	16.9	14.6	12.8
EV/EBITDA - at target price (x)	11.9	20.8	17.5	15.2	13.3
P/BV (x)	0.6	0.6	0.6	0.6	0.6
P/BV - at target price (x)	0.7	0.7	0.7	0.7	0.7
P/CFO (x)	(59.0)	9.1	7.2	6.1	4.8
Price/sales (x)	0.2	0.3	0.2	0.2	0.2
Dividend yield (%)	4.2	0.0	0.9	2.2	4.0
FCF Yield (%)	(44.9)	7.0	0.9	3.3	7.8
(Bt)					
Normalized EPS	1.4	(1.3)	0.4	1.0	1.8
EPS	1.7	(0.6)	0.4	1.0	1.8
DPS	0.8	0.0	0.2	0.4	0.7
BV/share	30.4	28.5	28.8	29.5	30.7
CFO/share	(0.3)	2.0	2.5	3.0	3.8
FCF/share	(8.2)	1.3	0.2	0.6	1.4

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	19.8	(4.6)	4.7	5.2	5.3
Net profit (%)	7.2	na	na	159.7	79.9
EPS (%)	7.2	na	na	159.7	79.9
Normalized profit (%)	199.7	na	na	159.7	79.9
Normalized EPS (%)	199.7	na	na	159.7	79.9
Dividend payout ratio (%)	46.2	0.0	40.0	40.0	40.0
Operating performance					
Gross margin (%)	13.6	10.6	11.9	12.3	12.7
Operating margin (%)	4.5	0.9	2.8	3.5	4.2
EBITDA margin (%)	8.6	5.2	5.9	6.4	6.9
Net margin (%)	1.4	(2.1)	(0.1)	0.4	0.8
D/E (incl. minor) (x)	1.6	1.7	1.6	1.6	1.5
Net D/E (incl. minor) (x)	1.5	1.6	1.6	1.5	1.4
Interest coverage - EBIT (x)	1.4	0.2	0.6	0.9	1.1
Interest coverage - EBITDA (x)	2.6	1.2	1.3	1.6	1.9
ROA - using norm profit (%)	1.4	na	0.4	1.0	1.7
ROE - using norm profit (%)	5.1	na	1.4	3.5	6.0
DuPont					
ROE - using after tax profit (%)	3.7	na	na	0.9	2.2
- asset turnover (x)	0.7	0.6	0.7	0.7	0.8
- operating margin (%)	5.7	na	na	4.5	4.9
- leverage (x)	3.7	3.7	3.7	3.6	3.5
- interest burden (%)	42.1	(86.8)	(0.5)	11.3	23.8
- tax burden (%)	59.5	na	na	70.0	70.0
WACC (%)	6.4	6.4	6.4	6.9	6.9
ROIC (%)	2.7	0.7	1.7	2.3	2.8
NOPAT (Bt m)	16,546	5,141	12,017	15,892	19,867
invested capital (Bt m)	708,153	693,028	694,299	699,331	704,234

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

Moody's ESG Solutions

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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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