

CPF (THAILAND) PLC

No. 73/2023
28 April 2023

CORPORATES

Company Rating:	A+
Issue Ratings:	
Senior unsecured	A+
Outlook:	Stable

Last Review Date: 31/03/22

Company Rating History:

Date	Rating	Outlook/Alert
08/12/20	A+	Stable
31/03/20	A+	Alert Negative
04/11/15	A+	Stable

Contacts:

Nauwarut Temwattanangkul
nauwarut@trisrating.com

Suchana Chantadisai
suchana@trisrating.com

Wajee Pitakpaibulkij
wajee@trisrating.com

Sasiporn Vajarodaya
sasiporn@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on CPF (Thailand) PLC (CPFTH) and the ratings on CPFTH's senior unsecured debentures at "A+" with a "stable" outlook. At the same time, TRIS Rating assigns a rating of "A+" to CPFTH's proposed issues of up to THB32 billion senior unsecured debentures due within 15 years. The proceeds of the new debenture issuances are intended to be used for the following purposes of the company or companies in the CPF Group: (1) general business operations and/or (2) business expansion and/or (3) investment in shares or assets and/or (4) repayment of debts and/or (5) lending to companies in the CPF Group or acquisition of shares of companies in the CPF Group.

The ratings continue to reflect CPFTH's status as a core subsidiary of Charoen Pokphand Foods PLC (CPF; rated "A+/stable"), the largest agribusiness and food conglomerate in Thailand. The ratings also factor in the high degree of operational integration and the support it receives from CPF.

KEY RATING CONSIDERATIONS

Core subsidiary of CPF

CPFTH was founded to operate domestic livestock operation for CPF. CPFTH's strong profile reflects the high degree of operational integration with CPF and the support it receives from CPF.

As CPF owns nearly all of the interest in CPFTH, it has full control of CPFTH's business direction and operations. CPF broadens the reach of CPFTH's distribution channels through CPF's distribution networks. CPF also helps CPFTH secure raw materials. CPF has demonstrated its strong financial supports in capital injections or loans to CPFTH on a timely basis.

CPFTH's operating revenue has accounted for 25%-26% of CPF's total operating revenue during the past three years. In the same period, CPFTH's earnings before interest, taxes, depreciation, and amortization (EBITDA) has been volatile and reliant on domestic livestock prices, accounting for 10%-32% of CPF's EBITDA.

Improved operating performance amid higher livestock prices

CPFTH reported satisfactory operating results in 2022, despite a steep rise in grain costs. The improvement was mainly driven by skyrocketing livestock prices. In 2022, average prices of swine and chicken surged by 31.5% and 26.2% year-on-year (y-o-y), respectively, according to data from Thai Feed Mill Association. This drastic increase in swine prices was supported by supply shortages following an outbreak of African swine fever (ASF) in Thailand, while prices of chicken also increased due to escalating demand as a pork substitute and demand from export markets.

In 2022, CPFTH's operating revenue soared by 24.1% y-o-y to THB163 billion. EBITDA surged to THB19.9 billion, compared with THB5.1 billion in 2021. The EBITDA margin was 12.2%, compared with 3.8%-9.6% in 2019-2021.

TRIS Rating expects CPFTH to continue delivering sound operating results in the coming years. Although feed costs and inflation remain high, we anticipate the company should further benefit from high meat prices, driven by the ongoing supply shortage, as well as from escalating demand boosted by the revival of tourism and food security concerns globally.

Weaker leverage and stronger cash flow protection

Thanks to satisfactory operating results, CPFTH’s leverage ratio and cash flow protection improved significantly. The debt to capitalization ratio fell to 55.8% in 2022 from 58.6% in 2021. The adjusted debt to EBITDA ratio was 5.8 times in 2022, compared with 18.4 times in 2021. Also, the ratio of funds from operations (FFO) to total debt was 13.1% in 2022, up from 1.9% in 2021.

As of December 2022, the company’s adjusted debt amounted to THB115.9 billion, with debentures and long-term loans making up nearly 80% of total debt. The remainder comprised short-term loans to finance CPFTH’s working capital needs. We assess CPFTH to have adequate liquidity for the next 12 months. The major cash outflows are its scheduled long-term debt repayments of around THB9.5 billion due in 2023, which are expected to be funded primarily by cash flow from operations. The company also has a significant liquidity buffer with cash on hand of around THB2.4 billion and numerous credit facilities from commercial banks.

RATING OUTLOOK AND SENSITIVITIES

The “stable” outlook is based on our expectation that CPFTH will remain a core subsidiary of CPF, responsible for the whole chain of CPF’s livestock operations in Thailand. The company rating on CPFTH is aligned with CPF’s credit profile. Any change in CPF’s rating will affect CPFTH’s rating accordingly.

COMPANY OVERVIEW

CPFTH is a nearly wholly-owned (99.99%) subsidiary of CPF. Established in February 2012, the company was founded through the amalgamation of 10 subsidiaries of CPF.

The company is a fully integrated producer of livestock products. CPFTH’s business is divided into three segments: feed, farm, and food. In 2022, the farm segment was the largest, accounting for 66% of CPFTH’s total revenues, followed by animal feed (21%), and food products (13%).

CPFTH is the market leader in the livestock industry in Thailand. CPFTH holds more than one-third of the market for livestock feed. The company’s market share accounts for about 21% of the production of poultry and 16% of the production of swine. As one of the nation’s largest producers, CPFTH is able to leverage its competitive advantage on economies of scale.

KEY OPERATING PERFORMANCE

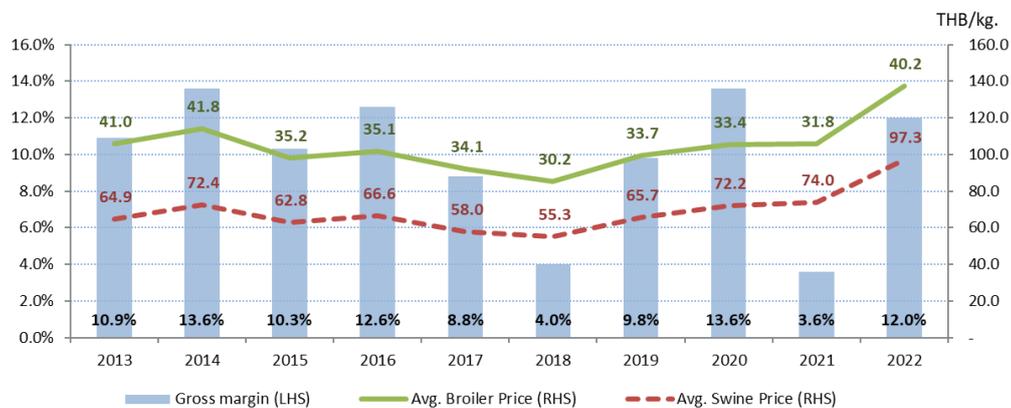
Table 1: CPFTH’s Revenue Breakdown

Unit: %

By Product Segment	2018	2019	2020	2021	2022
Feed	25	18	17	23	21
Farm	50	55	59	64	66
Food	25	27	24	13	13
Total	100	100	100	100	100
Sales (mil. THB)	146,202	143,335	150,142	130,682	162,188

Source: CPFTH

Chart 1: CPFTH’s Gross Margin, and Average Prices of Broiler and Swine, by Year



Sources: CPFTH and Thai Feed Mill Association

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2022	2021	2020	2019	2018
Total operating revenues	163,033	131,394	150,954	144,165	146,983
Earnings before interest and taxes (EBIT)	17,247	1,361	7,921	3,212	(1,865)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	19,875	5,055	14,461	8,833	3,169
Funds from operations (FFO)	15,230	1,783	11,012	5,663	449
Adjusted interest expense	3,532	3,224	3,165	2,841	2,634
Capital expenditures	6,900	4,179	4,883	6,715	10,626
Total assets	230,479	181,710	193,335	150,769	139,628
Adjusted debt	115,946	93,205	91,505	80,596	78,257
Adjusted equity	91,970	65,953	67,545	60,141	50,480
Adjusted Ratios					
EBITDA margin (%)	12.19	3.85	9.58	6.13	2.16
Pretax return on permanent capital (%)	9.09	0.78	4.88	2.32	(1.52)
EBITDA interest coverage (times)	5.63	1.57	4.57	3.11	1.20
Debt to EBITDA (times)	5.83	18.44	6.33	9.12	24.70
FFO to debt (%)	13.14	1.91	12.03	7.03	0.57
Debt to capitalization (%)	55.77	58.56	57.53	57.27	60.79

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

CPF (Thailand) PLC (CPFTH)

Company Rating:	A+
Issue Ratings:	
CPFTH235A: THB4,000 million senior unsecured debentures due 2023	A+
CPFTH237A: THB3,300 million senior unsecured debentures due 2023	A+
CPFTH245A: THB4,000 million senior unsecured debentures due 2024	A+
CPFTH252A: THB13,445 million senior unsecured debentures due 2025	A+
CPFTH255A: THB2,000 million senior unsecured debentures due 2025	A+
CPFTH261A: THB3,350 million senior unsecured debentures due 2026	A+
CPFTH267A: THB1,400 million senior unsecured debentures due 2026	A+
CPFTH275A: THB500 million senior unsecured debentures due 2027	A+
CPFTH278A: THB2,359.1 million senior unsecured debentures due 2027	A+
CPFTH279A: THB4,470 million senior unsecured debentures due 2027	A+
CPFTH281A: THB3,050 million senior unsecured debentures due 2028	A+
CPFTH281B: THB5,000 million senior unsecured debentures due 2028	A+
CPFTH287A: THB1,100 million senior unsecured debentures due 2028	A+
CPFTH295A: THB4,000 million senior unsecured debentures due 2029	A+
CPFTH295B: THB3,369.7 million senior unsecured debentures due 2029	A+
CPFTH299A: THB6,010 million senior unsecured debentures due 2029	A+
CPFTH305A: THB3,500 million senior unsecured debentures due 2030	A+
CPFTH308A: THB806.1 million senior unsecured debentures due 2030	A+
CPFTH315A: THB6,500 million senior unsecured debentures due 2031	A+
CPFTH317A: THB2,200 million senior unsecured debentures due 2031	A+
CPFTH325A: THB1,449.2 million senior unsecured debentures due 2032	A+
CPFTH328A: THB872.6 million senior unsecured debentures due 2032	A+
CPFTH331A: THB5,000 million senior unsecured debentures due 2033	A+
CPFTH335A: THB3,000 million senior unsecured debentures due 2033	A+
CPFTH339A: THB4,520 million senior unsecured debentures due 2033	A+
CPFTH345A: THB1,522.6 million senior unsecured debentures due 2034	A+
CPFTH358A: THB2,517.2 million senior unsecured debentures due 2035	A+
CPFTH375A: THB3,808.5 million senior unsecured debentures due 2037	A+
Up to THB32,000 million senior unsecured debentures due within 15 years	A+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2023, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria