



# Charoen Pokphand Foods Plc.

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## Monthly Newsletter

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## Thailand's CP Foods aims for foreign ops to make up 75 percent of revenue

Reuters, March 28, 2014



Charoen Pokphand Foods PCL (CPF) CPF.BK, Thailand's largest meat and animal-feed producer, aims to have foreign operations contribute three-quarters of revenue within five years, to meet demand in quick-growing emerging markets and offset a slowdown at home.

The Bangkok-based company is banking on rising incomes in Southeast Asia and beyond to push up demand for meat, while at home, economic growth is under threat from months of anti-government protesters alleging corruption.

CPF, the flagship unit of Charoen Pokphand Group owned by Thailand's richest man Dhanin Chearavanont, plans to expand its feed and farm businesses in regional neighbors Vietnam and the Philippines as well as in China, India and Russia.

The company wants overseas revenue to make up 75 percent of the total by 2018 from 65 percent now, Chief Executive Adirek Sripratak said at the Reuters ASEAN Summit on Friday. The company targets average overall growth at 10-15 percent annually.

"In the next five years, Asian demand for protein-rich food will increase as the emerging economies are growing, raising people's income," Adirek said at the Summit.

"Growth in emerging countries will surpass that of the domestic market. We have seen strong growth potential and that's why we have been aggressive in foreign investments in recent decades."

CPF, which aspires to be the kitchen of the world, has been present in Vietnam, the Philippines and Malaysia for more than 20 years, as well as in China, India, Russia and Turkey. In Thailand, political unrest has dragged down consumption and slowed growth, but any impact on CPF's growth will be cushioned by foreign operations, Adirek said.

Domestic sales growth is likely to average 7 to 8 percent over the next five years compared with 15 percent abroad, he said.

CPF, which is also the world's biggest shrimp farmer, plans to raise capacity at its feed, farm and food businesses over the next four years by investing at least 50 billion baht (\$1.6 billion), more than 60 percent of which will go into its foreign business. That budget excludes funds for acquisitions though the company is looking for overseas buying opportunities, Adirek said. CPF considered bidding for the U.S.'s Smithfield Foods Inc SFD.N, sold last year to a Chinese company for \$4.7 billion.

Acquisitions and other forms of expansion have increased debt, which the company intends to pay off by selling non-core assets, Adirek said.

CPF could reduce its 74 percent stake in Hong Kong-listed C.P. Pokphand Co (0043.HK) to as far as 51 percent, to cut its net debt-to-equity ratio to below 1 over the next three years from 1.26 at the end of last year, Adirek said.

The ratio measures liabilities against the value of outstanding shares. Net profit hit a decade low of 7 billion baht last year due to increased costs, weakened meat prices and the impact of a shrimp disease on its farm business. Operations will turn around this year as prices for swine and broiler have risen and prices of corn feed have fallen, while the supply of shrimp will approach pre-disease levels around the second half of the year, the company said.

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## **CPF Highlighted "Five star Model" Making Chester Go International**

*Krungthepturakij , March 12, 2014*

"CPF" Leveraged 3 Food Store Businesses, Spreading Wings in Thailand and Abroad with **"Five Star"** Model Paving the Way for **"Chester"** to Go International, Leading to over 8.4 Billion Income

Mr. Sathit Sangkanarubordee, Senior Vice President, Charoen Pokphand Foods PCL. or CPF which manages food businesses under the brands: Chester, Five star , and CP Food World said that the business plan in 2014 is to emphasize on expanding the branches in parallel in both inside and outside the country. In the past, the company expanded food businesses in 6 countries namely Myanmar, Laos, Cambodia, Vietnam, India, and Bangladesh. In some countries such as India and Vietnam, the business opportunity can be doubled with their large numbers of population.

This is considered a complete market expansion in CPF Conglomerates from the upstream, midstream, to the downstream. After CPF businesses have invested in the upstream and midstream then expanded to the downstream of the businesses, there was an adaptation in order to be matched with different consuming behavior in each country.

"For local market, Five Star business chain has been spreading all over the cities of Bangkok and other provinces. The franchises are almost in every area. If there is a need to increase more channels, we need to seek for the new markets abroad."

Five Star Chicken was launched for over 10 years in forms of Franchise. For international expansion, the company will invest, set up the shops, and seek for the selling points by itself. After the brand is recognized, the company will allow local businesspersons to jointly invest and buy the franchise.

For previous year's turnover of Five star chicken in 6 countries covers 600 branches consisting of 100 branches in India, 200 branches in Vietnam, 150 branches in Myanmar, 120 branches in Cambodia, 30 branches in Laos, and 80 branches in Bangladesh. This year's target is to increase the number of branches to almost double or approximately 1,000 branches.

For expansion strategies in foreign countries of the new comer like Five Star, the company does not focus on advertising through regular media or Above the Line which requires a lot of budget and is not worth investing. Instead, the company highlights on "Above the Line strategies e.g. marketing and sales campaigns, striking shop decoration serving teenagers and working customers who need something fast, convenient and like to dine outside not at home.

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"Five Star is a pioneering business to penetrate foreign markets. We still do research on channels which we can expand the businesses on. For example, Chester will be the next business to penetrate the market."

CPF Business Chain targets the income from both local and international markets at 8,424 million baht with growth not lower than 20%. For this year, the income came from Five Star Business in Thailand for 5,500 million baht and 840 million baht from abroad. For CP World Food Business, there was an expansion of 3 branches with 84 million baht income expected and Chester's Grill Business's income expectation of 2,000 million baht.

Last year, 3 businesses grasped the income of 7,040 million baht with 20% growth which turned out as expected. The income of 6,440 million baht came from domestic market and 700 million baht came from international markets.

Five Star Business Chain brings the majority of income and grows quickly. At present there are 4,850 shops in the country and 600 shops abroad whereas Chester has 188 branches. If there is a need to expand to more channels, seeking new markets abroad must be made.

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## **CP Launched Ready to Cook Pork and Chicken - Serving New Generations who Love Cooking Food at Home**

*Krungthepturakij , March 26, 2014*

CPF launched new products which are ready to cook marinated pork and chicken. They are delicious, fresh and clean to provide convenience and quickness to serve the new generation's lifestyle of preference to cook at home and also for housewives. Owing to that, CPF launched the campaign, "CP's Muu Muu (Easy) Mission with Ready-to-Cook Marinated Pork and Chicken". The company also persuades people to taste the products with expected sales figures of 300 million baht this year.

Mr. Vittavat Tantivess, CPF's Executive Vice President for marketing Unit, Charoen Pokphand Foods, PLC. said that due to the expansion of industrial sector's economic, the growth rate of middle-class people is increased worldwide. This includes Thailand's growth rate which will climb up for more than 50% in the next 5 years. There has been also a changing Lifestyle of the Thais with 8% more of women working outside the house in the last 5 years. These led to more demand of food products to be suitable with lifestyle and everyday's convenience with emphasis on food quality, safety, and modernity.

CPF, as a large manufacturer and distributor of fresh food in form of CP pack brands, saw the opportunity of exploring the new channel in penetrating to market of the new products which are CP's Ready-to-Cook Marinated pork and chicken products to serve new generation's lifestyle. For Marinade (Ready-to-Cook) pork and chicken products which will be launched in the market consist of 5 flavors: Spicy Chicken Steak, Garlic and Pepper Chicken, Flavorful Pork Loafs, Flavored Tender Pork Slices, and Flavored Pork Cakes. The Ready-to-Cook Marinated Pork and Chicken products will be in form of chilled and frozen products contained at 250 grams and 1,000 grams respectively. The products come from the finely selected meats cooked and flavored with CP's special recipe to be ready to cook with various dishes and menus.

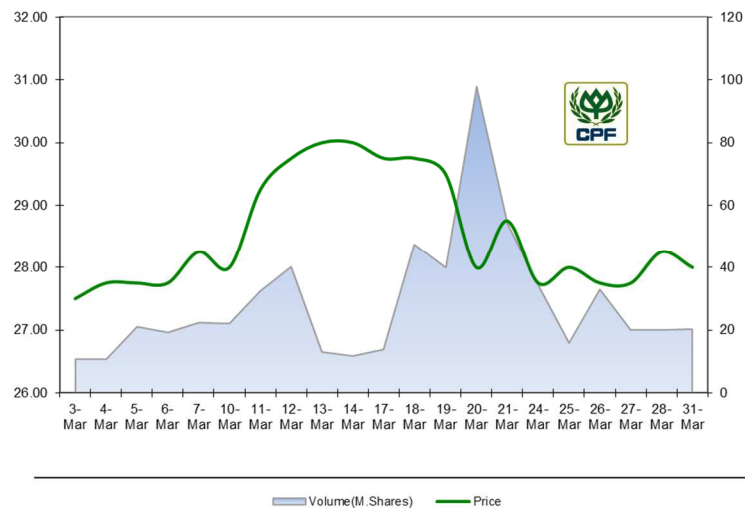
Mr. Vittavat said that during the period of introduction, Ready to Cook Marinated Pork and Chicken will be available at 700 branches of CP Fresh Mart shops, 150 branches of CP Butcher Shop. There is also a plan to later distribute the products in the leading supermarkets and hypermarkets including convenient stores so as to serve modern housewives' lifestyle. Moreover, the company also offers services for restaurant business and hotel customer who give importance of products of quality with reasonable price to serve B2B customers' need via the distribution in Macro and the organization's Food Service channel.

The marinated fresh meat products have total market value of 1.8 billion baht. CPF has 50% of market share with expectation of products' sales figures of 300 million baht this year as there is still a lot of opportunity in this market.

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## Price Performances: CPF

Price (Baht) Volume (Mil. shares)



March 2014	
Highest Price	30.75
Lowest Price	27.25
Closed Price	28.00
Average Volume/Day (Shares)	27,630,000

Charoen Pokphand Foods Plc.  
**Investor Relations Office**  
 26<sup>th</sup>Fl., C.P. Tower, 313 Silom Rd.  
 Bangkok 10500, Thailand  
 Telephone +662 638 2935-6  
 Facsimile +662 638 2942  
**Email: [iroffice@cpf.co.th](mailto:iroffice@cpf.co.th)**

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