



Charoen Pokphand Foods Plc.

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TRIS Rating Affirms Company and Senior Unsecured Debenture Ratings of "CPF" at "A+/Stable", Following CPF's Announcement to Acquire a Russian Integrated Poultry Company

TRIS Rating has affirmed the company and the senior unsecured debenture ratings of Charoen Pokphand Foods PLC (CPF) at “A+” with “stable” outlook. The confirmation follows CPF’s announcement that it would acquire an integrated poultry business in Russia. TRIS Rating views that the acquisition of the integrated poultry producer is aligned with CPF’s long-term strategy to expand its footprint in the countries with high potential growths in the protein consumption.

CPF’s financial profile will not be adversely affected by the acquisition because the enterprise value of the acquired companies is about 5.7% of CPF’s total assets. Most of the acquisition will be funded from CPF’s cash on hand. In addition, the newly acquired companies are profit generating business with good margins. The “stable” outlook reflects TRIS Rating’s expectation that CPF will maintain its leading position in the dynamic agribusiness and food industry. The company’s diverse range of operations, products, and markets is expected to provide CPF some insulation from the cyclical nature of commodity-like farm products and disease epidemics. The rating upside will rely on the company’s ability to keep its debt to capitalization ratio below 50%, and demonstrate a significant, sustainable improvement in its ability to service debt obligations. In contrast, the rating downside would likely should any debt-funded acquisition materially deteriorate the balance sheet and weaken cash flow protection.

On 24 July 2015, CPF announced that CPF, via its wholly-owned subsidiary, CPF Netherlands B.V., entered into a share purchase agreement with Agro-Invest Brinky B.V. to acquire Agro-Invest Brinky’s integrated poultry business in Russia. Under the terms of the agreement, CPF will acquire a newly established Russian company which will own an 80% stake in each of two companies: CJSC Poultry Production Severnaya and CJSC Poultry Parent Stock Production Woyskovitsy (together called S&W). CPF will complete the transaction before the end of 2015 and will acquire the remaining 20% of S&W by the end of August 2018. The enterprise value of S&W is US\$680 million (equivalent to Bt23,766 million @Bt34.95/US\$) or 5.7% of CPF’s total assets as of March 2015. Most of the acquisition will be financed with existing cash balance, augmented by some borrowing. As of 31 March 2015, CPF had Bt30,907 million in cash on hand and short-term securities.

The acquisition will be subject to certain requirements, including anti-trust approval from the Russian Competition Authority. S&W is an integrated poultry producer in Russia. It is one of the top five poultry producers in Russia with a market share of 5% in terms of poultry sales. S&W breeds poultry, produces feed, as well as hatching, raising and processing poultry. For 2014 operation, S&W sold about 200,000 tonnes of whole chickens and chicken parts in Russia. S&W recorded revenues of RUB16,935 million (equivalent to Bt10,222 million @RUB1.6567/Bt) in 2014, up from RUB11,434 million in 2012. Earnings before interest, tax, depreciation, and amortization (EBITDA) was RUB6,500 million (equivalent to Bt3,923 million) in 2014, rising from RUB2,953 million in 2012. EBITDA margin ranged from 17%-38% during 2012-2014, notably higher than CPF’s margin, which was below 8% over the same period. The investment in S&W will add poultry business into CPF’s existing swine operations in Russia.



Once the acquisition is complete, the contribution from the Russian operation will increase to 2.8% of CPF's total revenues, from 0.5% in 2014. S&W will increase revenues to CPF by approximately 2% and EBITDA by 12%, based on the 2014 operation.

Charoen Pokphand Foods PLC (CPF)

Company Rating: A+

Issue Ratings:

CPF15NA: Bt3,000 million senior unsecured debentures due 2015 A+
CPF163A: Bt6,060 million senior unsecured debentures due 2016 A+
CPF17NA: Bt5,000 million senior unsecured debentures due 2017 A+
CPF178A: Bt2,000 million senior unsecured debentures due 2017 A+
CPF185A: Bt6,000 million senior unsecured debentures due 2018 A+
CPF188A: Bt3,000 million senior unsecured debentures due 2018 A+
CPF198A: Bt6,000 million senior unsecured debentures due 2019 A+
CPF198B: Bt2,500 million senior unsecured debentures due 2019 A+
CPF205A: Bt6,500 million senior unsecured debentures due 2020 A+
CPF218A: Bt3,000 million senior unsecured debentures due 2021 A+
CPF218B: Bt5,500 million senior unsecured debentures due 2021 A+
CPF228A: Bt4,000 million senior unsecured debentures due 2022 A+
CPF235A: Bt5,500 million senior unsecured debentures due 2023 A+
CPF328A: Bt5,000 million senior unsecured debentures due 2032 A+
CPF418A: Bt4,000 million senior unsecured debentures due 2041 A+
CPF41DA: Bt6,000 million senior unsecured debentures due 2041 A+
Up to Bt6,940 million senior unsecured debentures due within

Rating Outlook : Stable

CPF plans to acquire food processing firm in Russia

The Nation , July 25, 2015

LEADING agro-industrial and food conglomerate Charoen Pokphand Foods (CPF) is considering acquiring a food-processing business in Russia, chief executive officer Adirek Sripratak said yesterday.

There are two deals under negotiation. The negotiations follow CPF board approval yesterday for the company's wholly owned CPF Netherlands to acquire an integrated poultry business in Russia from Agro-Invest Brinky for around US\$680 million (Bt23.7 billion).

CPF already has a livestock-feed and swine-farming business in Russia. The planned acquisition of the food-processing business there would add value to both its swine business and the upcoming poultry business, Adirek said. The acquisition deal with AgroInvest will be completed in two transactions.

In the first transaction, CPF Netherlands will acquire all of the shares of a new Russian company to be set up by Agro by August 31. Before completion of this first acquisition, the Russian company will acquire 80 per cent of the shares of CJSC Poultry Parent Stock Production Woyskovitsy and of CJSC Poultry Production Severnaya. Woyskovitsy and Severnaya run an integrated poultry business in Russia.

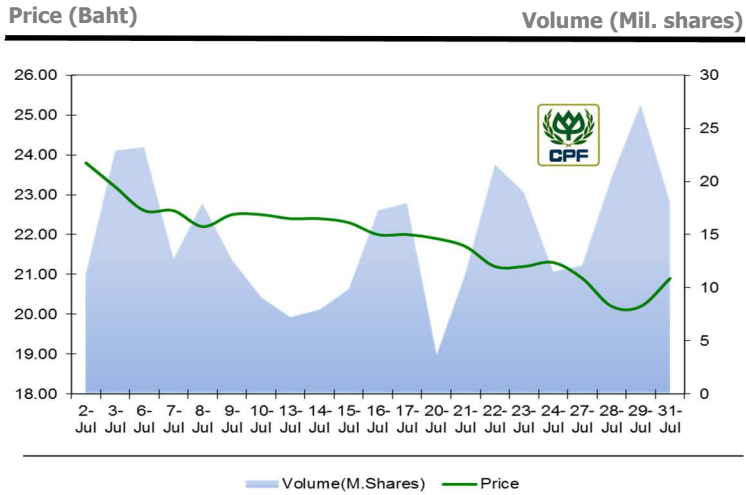
The first acquisition is expected to occur before the end of this year. In the second transaction CPF Netherlands will acquire the remaining 20 per cent of Woyskovitsy and Severnaya. The second acquisition is expected to be completed on August 31, 2018.

Woyskovitsy and Severnaya together generated consolidated revenues last year of around Bt10.22 billion and net income of more than Bt3 billion. Their combined business is one of the top five poultry producers in Russia with a market share of around 5 per cent.

Revenue from this integrated poultry business in Russia would come in the fourth quarter this year and the deal is expected to break even in five years, Adirek said.

The company has set aside an annual investment budget of about Bt20 billion, mainly to finance overseas business expansion, excluding acquisitions. CPF has operations and investment in 14 countries and exports to more than 40 countries across five continents.

Price Performances: CPF



July 2015	
Highest Price	24.10
Lowest Price	22.00
Closed Price	20.90
Average Volume/Day (Shares)	15,000,000

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