



# Charoen Pokphand Foods Plc.



May 12, 2017

# 1Q17

## RESULTS BRIEFING



*Every Mouthful is Meaningful*

*For a Sustainable Life Chain*

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM





# Contents

Kitchen of The World	Business Overview	02
	1Q17 Summary	08
	Financial Status	14
	Y2017 Outlook	15
	Appendix	
	A: 3Yr Historical Results B: Product & Raw Materials Price Trend C: Product Sample & Retail Outlet Format D: Export Destination	



# CPF Investment Highlights

- One of the World's leading listed animal feed manufacturers, swine producers, and shrimp integrated business
- Diversified portfolio with operations in 16 countries catered to over 4 billion population, and exports to more than 30 countries
- Multi-species of animal proteins (mainly poultry, swine and shrimp)
- Member of "SET 50" : Ticker "CPF" under Agro & Food Industry Sector
- Member of Dow Jones Sustainability Index (Emerging Markets)
- Ranked "Excellent" for CGR Scoring by Thai Institute of Directors (IOD)

- Growth Platform

*: Globalization by establishing proper business model to be suitable for each strategic market*

*: Value-added business by expanding portfolio towards innovated products and services*

*to serve rising demands*



# Company Facts (as of March 31, 2017)

**Vision** : “Kitchen of the World”

- Portfolio**
- 4 Listed Investments onboard (HKSE:00043, HKSE:3839, TWSE: 1215, SET:CPALL)
  - 32 Series of Debentures listed on Thai Bond Market Association “TBMA”

## Highlights

**Market Cap** : THB 192,088 million or ~USD5.5 billion  
(as of May 11, 2017)

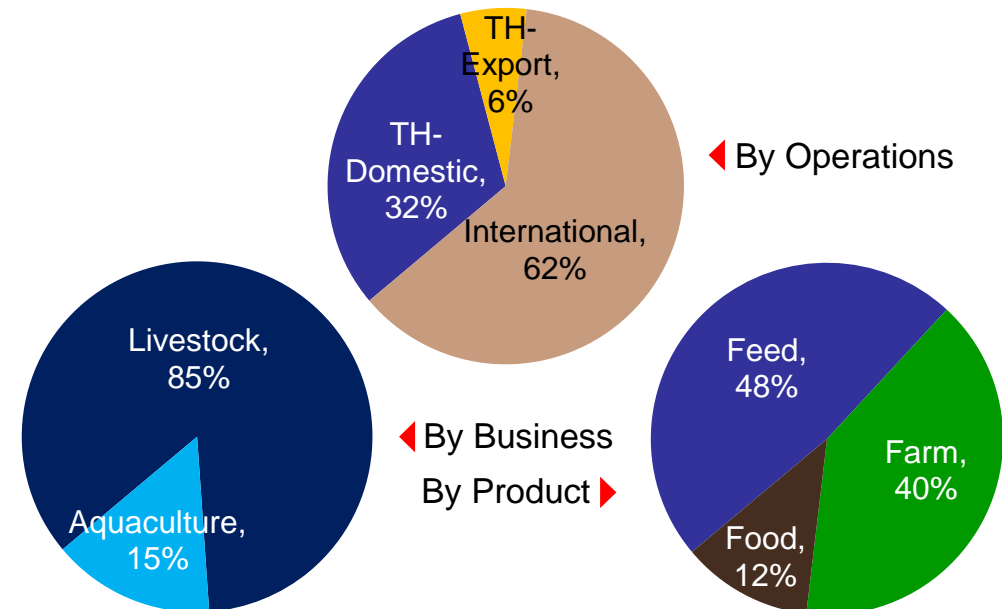
**FY16 Sales** : THB464 billion or ~USD 13.4 billion

**Capital** : 7,743 million shares (paid-up),  
par value of THB.1.00 per share

**Book Value** : THB20.19\* per share (as of March 31, 2016)

**Shareholders** : Charoen Pokphand Group Ltd. 44.6%  
of Paid-Up Capital (as of March 15, 2017)

**Credit Rating** : “A+” with “Stable” Outlook (as of April 4, 2017)



Note: USD1 = THB 34.62 (as of May 11, 2017)

\* Exclude Non-Controlling Interests (NCI)

## From Feed, Farm, Food

- R&D
- Quality Control in every process
- Traceability

## 3 Strategies to be “Kitchen of the World”

- Profitable Growth
- Aiming for Excellence
- Sustainable Foundation

## Responsible to all Stakeholders

- Balance of Economics benefit with Social and Environmental Performance

## Corporate Strategy



## 3 Pillars to Sustainability

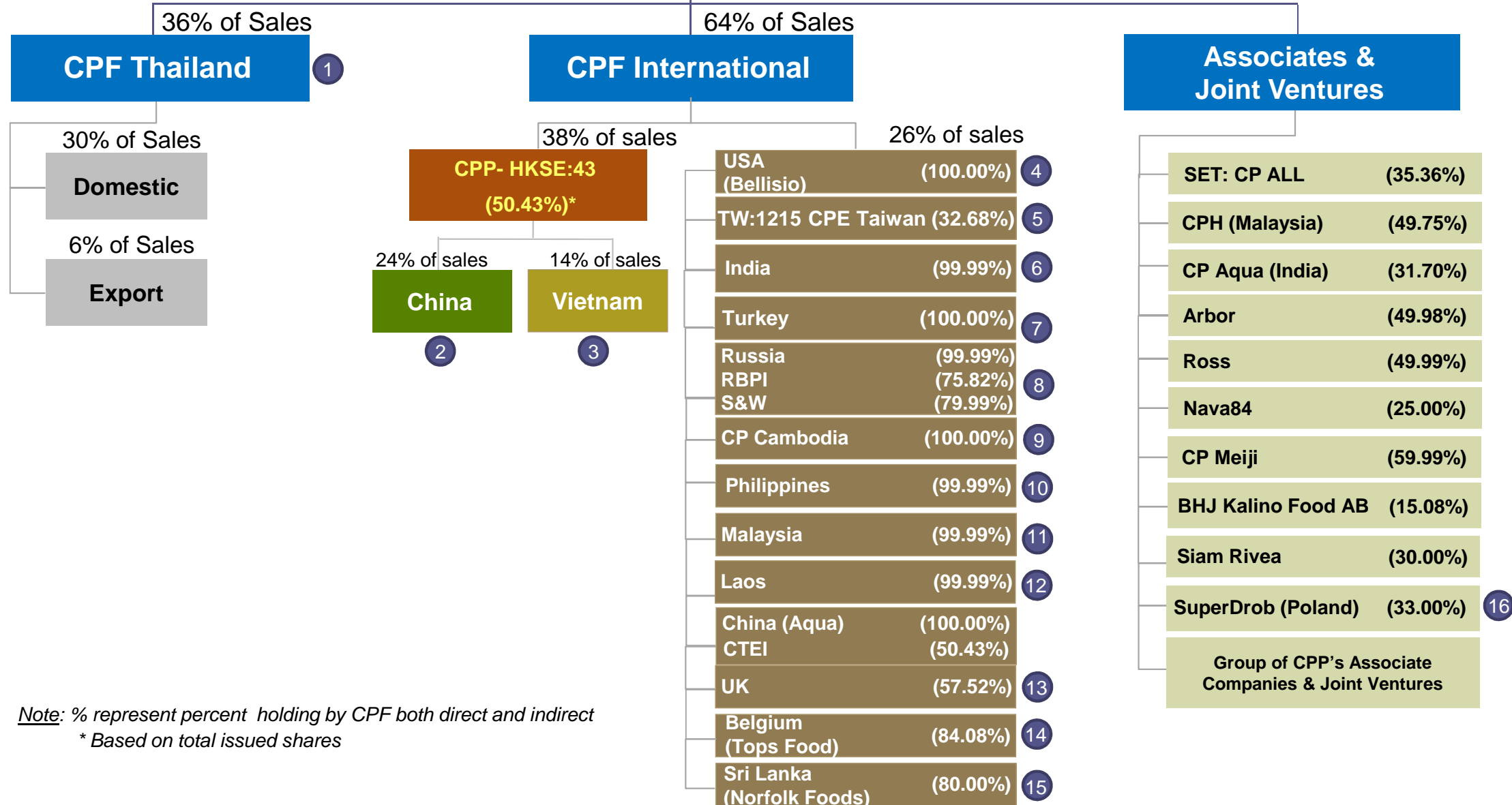




# CPF Operational Structure (As of March 31, 2017)



**1Q17 : Sales: THB 119,617 m**  
**Net Profit: THB 3,955 m**

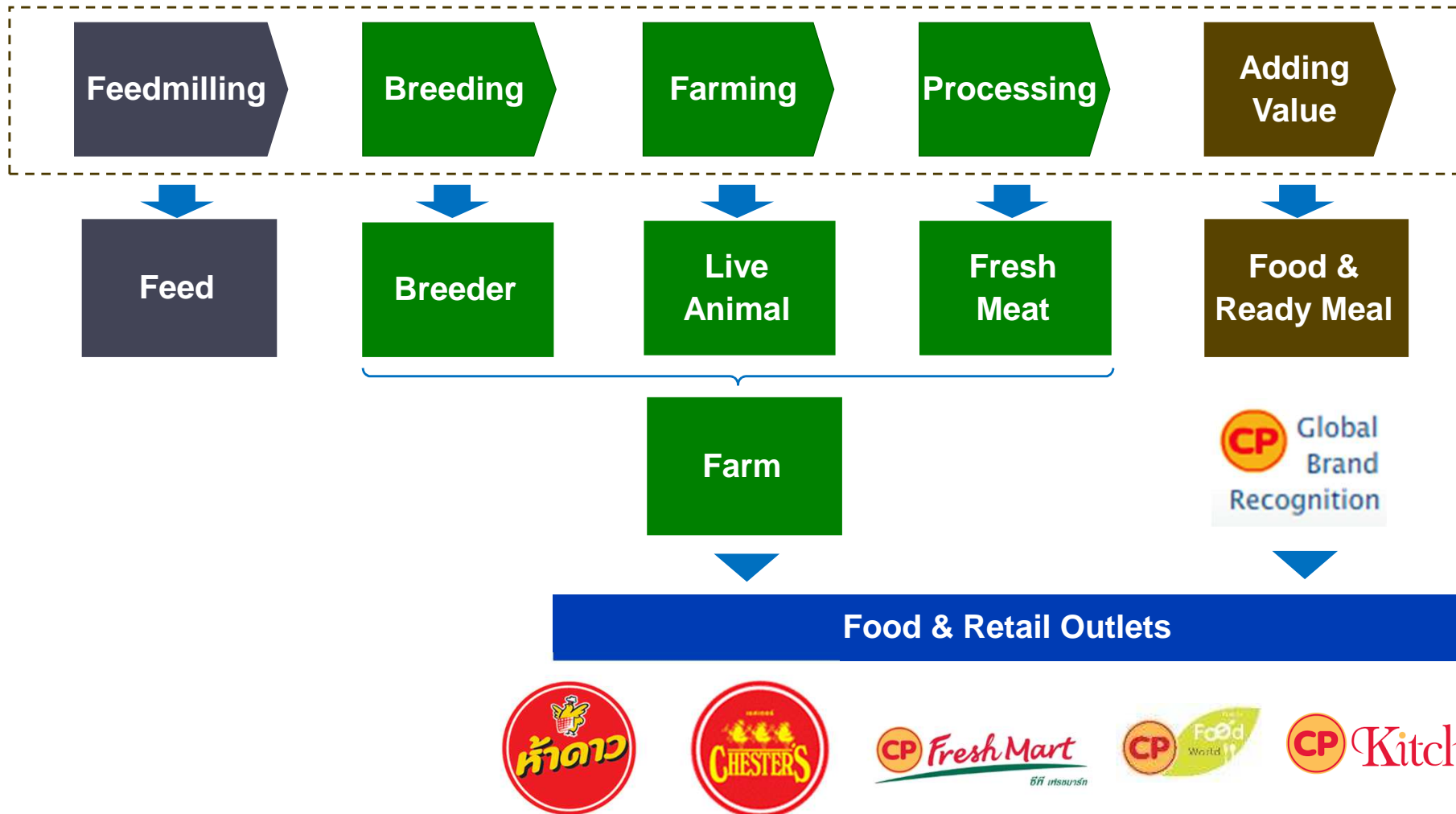


*Note: % represent percent holding by CPF both direct and indirect  
 \* Based on total issued shares*



# Vertically Integrated Business Model in Thailand

Integrated operating platform for safety & quality control  
Livestock (Broiler, Layer, Swine, Duck) and aquaculture (Shrimp & Fish)





# CPF Geographical Footprints

- Operations and investment in 16 countries catered to > 4 billion population
- Export to more than 30 countries across 5 continents

## Russia



- Livestock feed
- Swine farming
- Chicken integrated business

## UK



- Chilled and Frozen food
- Food kiosks
- Food Services

## Belgium



- Ready to eat foods

## Turkey



- Chicken integrated business

## Poland



- Hatchery farm
- Food processing plants

## Sri Lanka



- Ready to eat foods

## India



- Chicken integrated business
- Aquatic feed

## China



- Livestock and aquaculture feed
- Aquaculture farming
- Ready to eat foods

## Thailand



- Livestock and aquaculture integrated businesses

## Malaysia



- Livestock and aquaculture integrated business

## USA



- Ready to eat foods

## Taiwan



- Livestock integrated business

## Philippines



- Livestock and aquaculture feed and farming

## Laos



- Livestock integrated business

## Cambodia

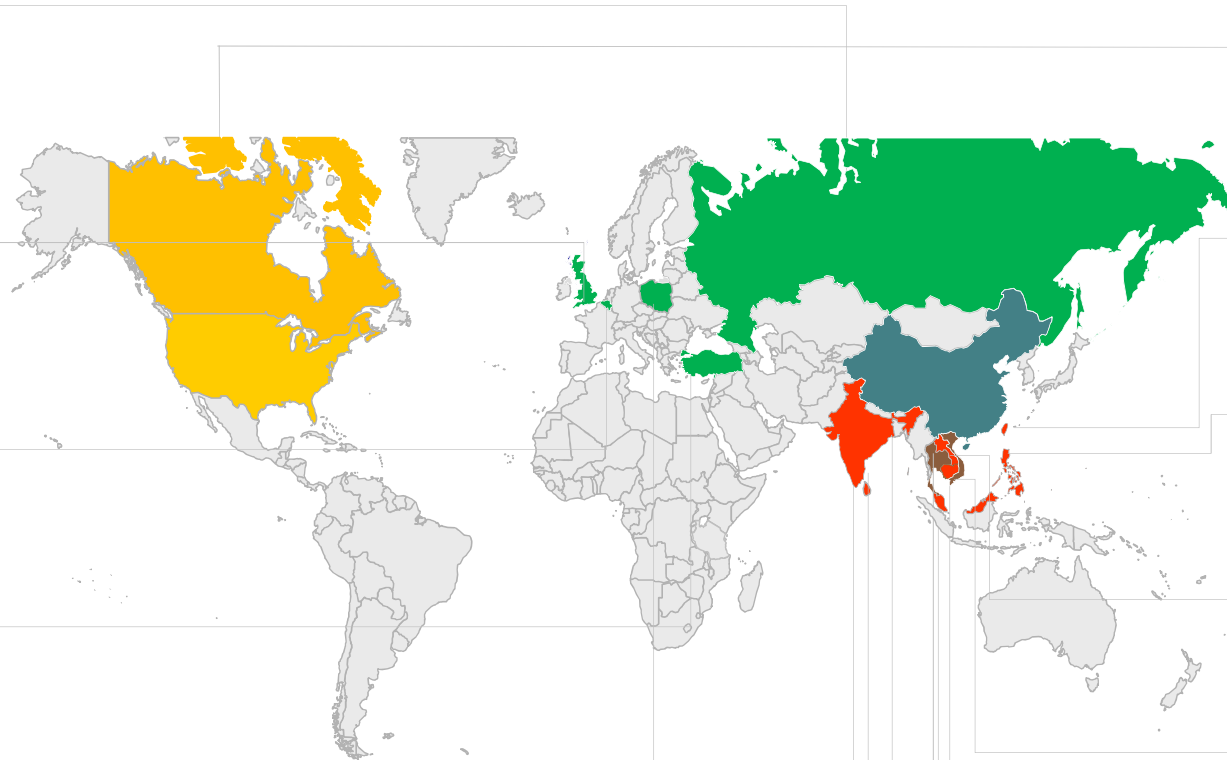


- Livestock integrated business

## Vietnam



- Livestock and aquaculture integrated businesses







# 1Q17 Summary

## Results Highlights

- Revenue increased 13% y-o-y to THB 119,617m in 1Q17
- Gross profit margin decreased from 15.7% in 1Q16 to 12.7% in 1Q17, mainly from lower swine prices in Vietnam and Thailand.
- EBITDA decreased 30% y-o-y from THB 10,075m in 1Q16 to THB 7,056m in 1Q17.
- Net profit increased 5% y-o-y from THB 3,764m in 1Q16 to THB 3,955m in 1Q17.

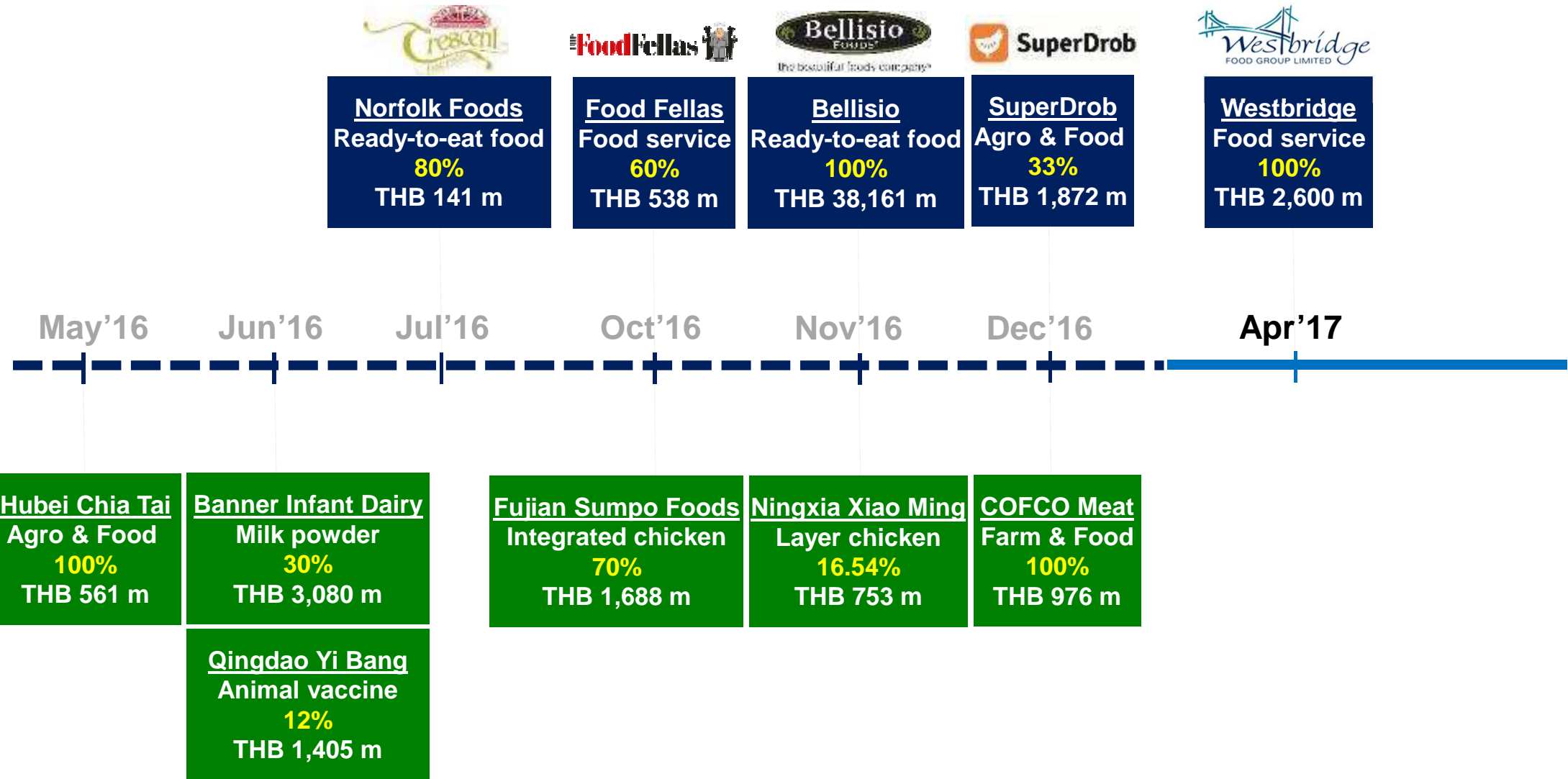
## Latest Activities

### Financing Activities





# Y2016-17 M&A Activities



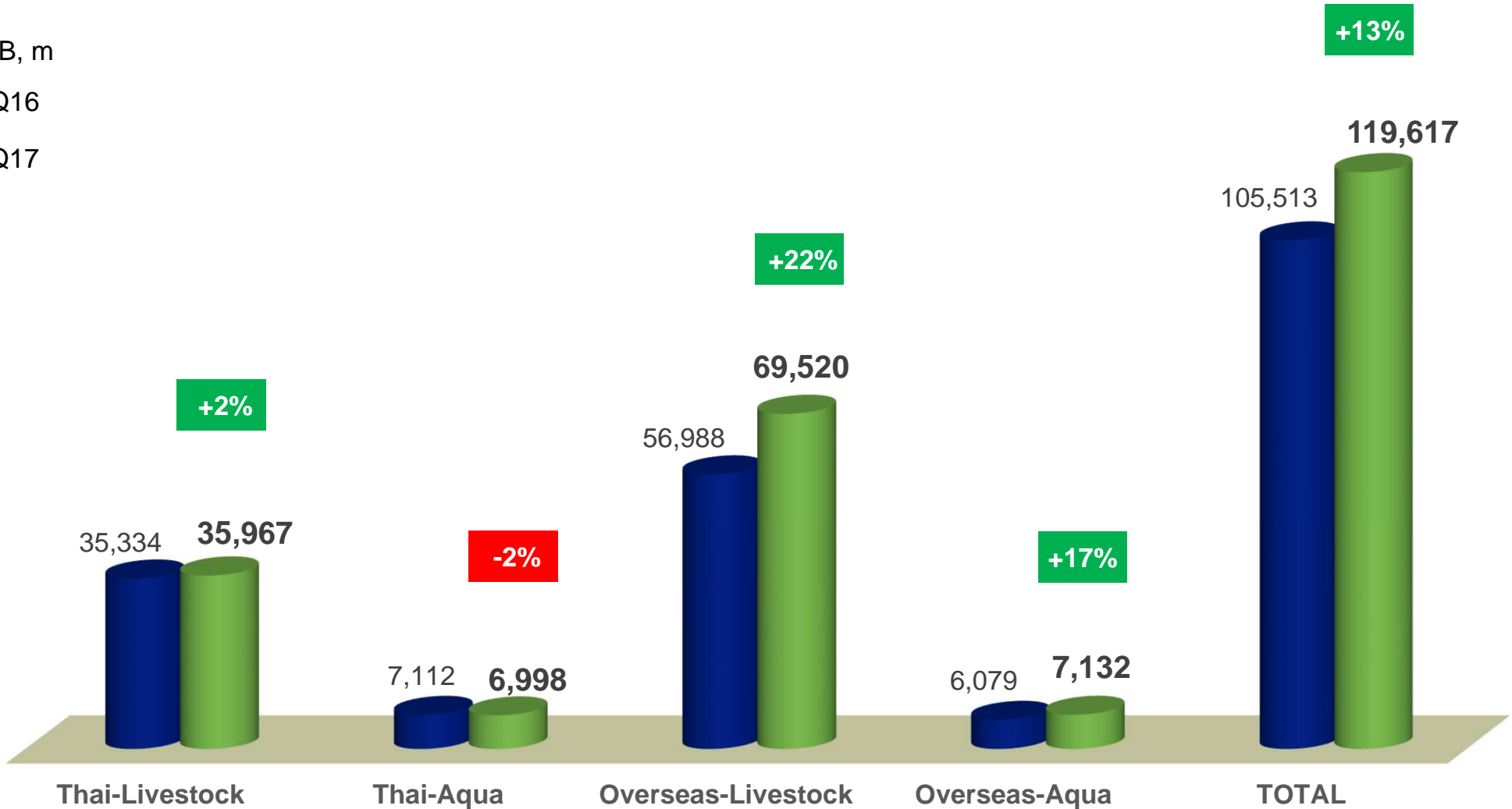


# 1Q17: Sales & Gross Profit Margin by Business

In THB, m

■ 1Q16

■ 1Q17



	Thai-Livestock	Thai-Aqua	Overseas-Livestock	Overseas-Aqua	TOTAL
<b>GPM</b>	15.6% (1Q16) / 12.2% (1Q17)	11.9% (1Q16) / 13.6% (1Q17)	17.0% (1Q16) / 12.4% (1Q17)	7.9% (1Q16) / 17.4% (1Q17)	15.7% (1Q16) / 12.7% (1Q17)
<b>OPM</b>	6.8% (1Q16) / 3.2% (1Q17)	2.3% (1Q16) / 2.7% (1Q17)	8.7% (1Q16) / 2.5% (1Q17)	-1.8% (1Q16) / 9.0% (1Q17)	3.8% (1Q16) / 3.1% (1Q17)



# 1Q17: Consolidated Sales Structure by Business

## Sales Breakdown

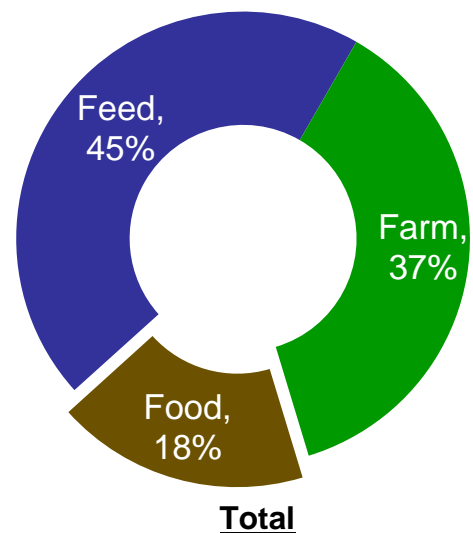
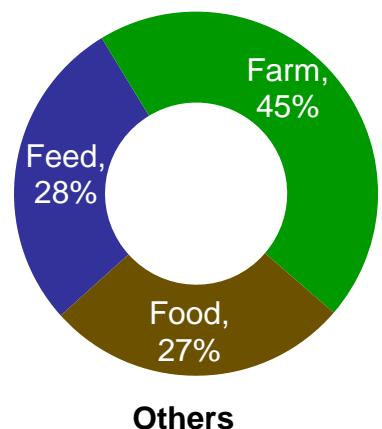
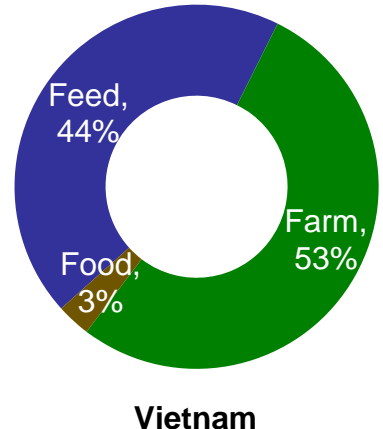
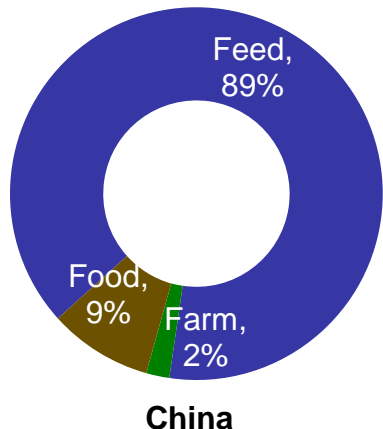
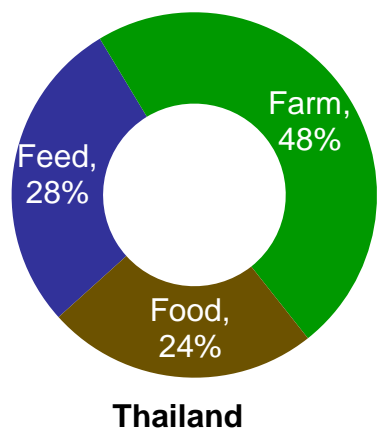
	Livestock			Aqualculture			Total		
	1Q16	1Q17	%Change	1Q16	1Q17	%Change	1Q16	1Q17	%Change
<b>Thailand</b>	35,334	35,967	2%	7,112	6,998	-2%	42,446	42,965	1%
<i>Domestic</i>	29,850	30,587	2%	6,115	5,770	-6%	35,965	36,357	1%
<i>Export</i>	5,484	5,380	-2%	997	1,228	23%	6,481	6,608	2%
<b>China</b>	20,452	27,336	34%	654	801	22%	21,106	28,137	33%
<b>Vietnam</b>	16,588	15,173	-9%	1,739	1,951	12%	18,327	17,124	-7%
<b>Others</b>	19,948	27,011	35%	3,686	4,380	19%	23,634	31,391	33%
<b>Total</b>	<b>92,322</b>	<b>105,487</b>	<b>14%</b>	<b>13,191</b>	<b>14,130</b>	<b>7%</b>	<b>105,513</b>	<b>119,617</b>	<b>13%</b>
<b>% of Total Sales</b>	87%	<b>88%</b>		13%	<b>12%</b>		100%	<b>100%</b>	





# 1Q17: Consolidated Sales by Products

Sales Breakdown by Products												
	Feed			Farm			Food			Total		
	1Q16	1Q17	%Change	1Q16	1Q17	%Change	1Q16	1Q17	%Change	1Q16	1Q17	%Change
<b>Thailand</b>	11,779	12,072	2%	20,409	20,421	0%	10,258	10,472	2%	42,446	42,965	1%
<i>Domestic</i>	11,733	12,008	2%	18,856	18,684	-1%	5,376	5,665	5%	35,965	36,357	1%
<i>Export</i>	46	64	39%	1,553	1,737	12%	4,882	4,807	-2%	6,481	6,608	2%
<b>China</b>	20,801	25,148	21%	40	569	1323%	265	2,421	813%	21,106	28,137	33%
<b>Vietnam</b>	6,796	7,588	12%	11,051	9,064	-18%	480	472	-2%	18,327	17,124	-7%
<b>Others</b>	8,392	8,783	5%	13,610	14,231	5%	1,632	8,377	413%	23,634	31,391	33%
<b>Total</b>	<b>47,768</b>	<b>53,591</b>	<b>12%</b>	<b>45,110</b>	<b>44,285</b>	<b>-2%</b>	<b>12,635</b>	<b>21,741</b>	<b>72%</b>	<b>105,513</b>	<b>119,617</b>	<b>13%</b>





# 1Q17: Consolidated Income Statement Highlight

	Quarter 1			FY 2016		
	2016	2017	%Chg.	2015	2016	%Chg.
Net sales	105,513	119,617	13%	421,355	464,465	10%
Gross Profit Margin (%)	15.7%	12.7%		13.8%	15.6%	
EBITDA	10,075	7,056	-30%	26,433	42,659	61%
EBITDA Margin	9.5%	5.9%		6.3%	9.2%	
EBIT	6,930	3,212	-54%	14,926	29,410	97%
EBIT Margin	6.6%	2.7%		3.5%	6.3%	
Share in Profit of Associates	1,553	1,954	26%	5,221	6,512	25%
Financial Costs	(2,600)	(3,071)	18%	(9,614)	(10,601)	10%
Income Taxes Expense	(1,695)	(67)	-96%	(3,654)	(7,212) <sup>(2)</sup>	97%
NET PROFIT	3,764	3,955	5%	11,059	14,703	33%
EPS (THB)	0.51	0.53		1.50	1.99	
# of capital shares <sup>(1)</sup>	7,388	7,388		7,388	7,388	
Paid-Up Capital	7,743	7,743		7,743	7,743	
Dividend (THB/Share)				0.75	0.95	

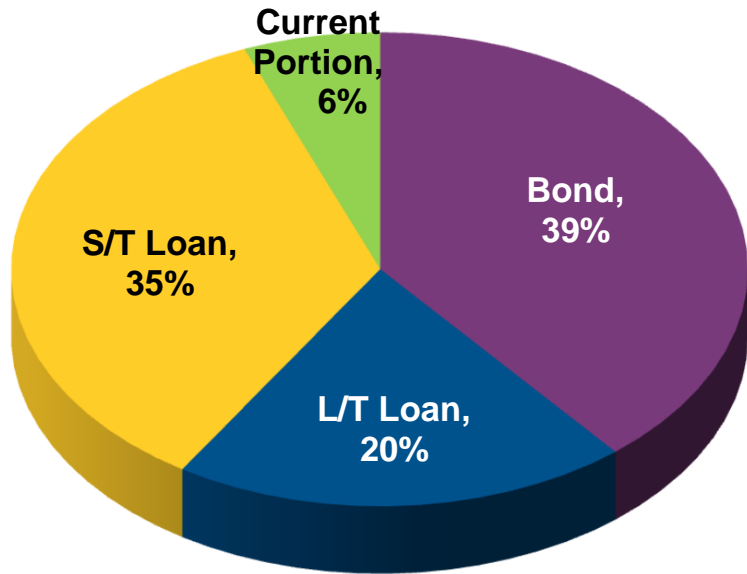
Note: (1) # of capital shares = No. of the Weighted-avg. shares

(2) Including adjustment in 2Q16 from the change in tax calculation of 2010-2015 of THB 1,245 m. Please see more detail in Note 35 to Financial statements of Y2016



# Financial Status (As of 31 March 2017)

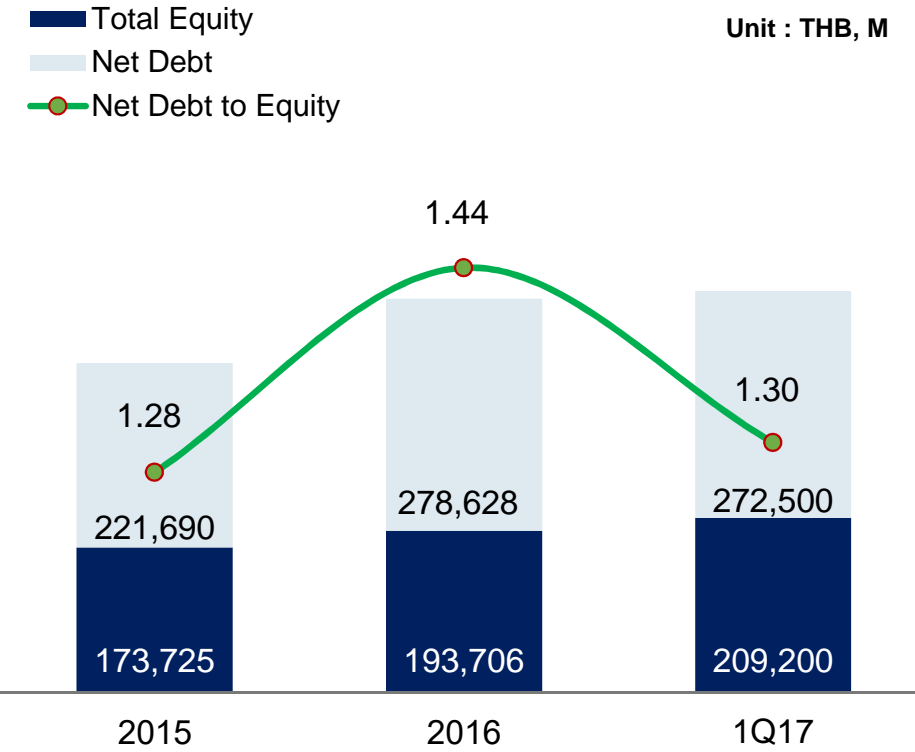
## Interest Bearing Debt : THB 301,599 m



Cost of Debts	2015	2016	1Q17
	4.14%	3.87%	3.99%

Bond Rating "A+" with "Stable" Outlook by Tris Rating Co., Ltd

## Net Debt to Equity



Remark : Net Debt = Interest Bearing Debt - Cash and Cash Equivalents



# Y2017 Outlook

## Target Growth

- Expected sales growth of approximately 8-10 %

## Key Drivers & Focus

- Continuous improvement of shrimp business
- Larger opportunities for Thai chicken exports
- Competitive raw material costs
- Expansion of international operations
- Mergers and Acquisitions (M&A)
- Innovation to drive efficiency

## Key Challenges

- Oversupply of swine in Vietnam
- Avian flu outbreaks detected in several countries since late 2016
- The impact of natural disasters (i.e. drought, climate changes, floods)

## Investment

- Capex of approximately THB 20-25 billion (excluding M&A)





## Objective

Strengthening the company's capital structure

## Capital Increase

5 existing ordinary shares : 1 newly issued ordinary share

(a fraction of share shall be discarded)

## Number of new ordinary shares

1,549 million shares

## Offering price

25 THB/Share

## Proceeds received from capital increase

38,715 THB million

## Plan for utilizing proceeds received from capital increase

- Loans or debenture repayment
- Reserve for future investment

This capital increase is proposed to the Extraordinary General Shareholder's Meeting no. 1/2017 for further consideration and approval.



# The Date for Extraordinary General Shareholder's Meeting no. 1/2017

<b>Friday 29 May 2017</b>	<b>Tuesday 27 June 2017</b>	<b>Thursday 6 July 2017</b>	<b>24-27, 31 July 2017</b>
<b>Book Closing Date</b>	<b>Extraordinary General Shareholder's Meeting no. 1/2017</b>	<b>Book Closing Date</b>	<b>Shares Subscription Period</b>
<b>(XM on Wednesday 24 May 2017)</b>	<b>Panyapiwat Institute of Management, Chaengwattana Road, Nonthaburi Province 01:30 PM</b>	<b>(XR on Monday 3 July 2017)</b>	

# **CPP: 1Q17 Results**

# 1Q17 Results Highlights

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- Revenue increased 16.1% year-on-year to US\$1.3bn in 1Q17
  - China agri-food business contributed revenue of US\$0.8bn
  - Vietnam agri-food business contributed revenue of US\$0.5bn
- Gross profit decreased 26.4% year-on-year from US\$213mn in 1Q16 to US\$157mn in 1Q17, mainly due to significantly lower swine prices in Vietnam impacting Vietnam farming business. Gross profit margin at 12.1% in 1Q17 (1Q16: 19.1%).
- EBITDA decreased 50.7% year-on-year from US\$151mn in 1Q16 to US\$74mn in 1Q17. EBITDA margin at 5.7% in 1Q17 (1Q16: 13.5%) .
- Net profit attributable to shareholders of the Company decreased 78.1% year-on-year from US\$64mn in 1Q16 to US\$14mn in 1Q17. Net profit margin at 1.1% in 1Q17 (1Q16: 5.7%).

# 1Q17 Income Statement Highlights



US\$ mn	1Q16	1Q17	YoY	FY15 <sup>1</sup>	FY16	YoY
<b>Revenue</b>	<b>1,117</b>	<b>1,298</b>	<b>16.1%</b>	<b>5,130</b>	<b>5,281</b>	<b>3.0%</b>
<b>Gross Profit</b>	<b>213</b>	<b>157</b>	<b>-26.4%</b>	<b>904</b>	<b>933</b>	<b>3.1%</b>
Gross Profit Margin	19.1%	12.1%		17.6%	17.7%	
Net Changes in Fair Value of Biological Assets <sup>2</sup>	18	(10)		7	(33)	
Operating Expenses	(118)	(118)	0.6%	(519)	(487)	<b>-6.3%</b>
Operating Expenses as % of Revenue	10.5%	9.1%		10.1%	9.2%	
<b>EBITDA</b>	<b>151</b>	<b>74</b>	<b>-50.7%</b>	<b>548</b>	<b>581</b>	<b>6.0%</b>
EBITDA Margin	13.5%	5.7%		10.7%	11.0%	
<b>EBIT</b>	<b>121</b>	<b>39</b>	<b>-67.5%</b>	<b>440</b>	<b>458</b>	<b>4.1%</b>
EBIT Margin	10.9%	3.0%		8.6%	8.7%	
<b>Net Profit Attributable to Shareholders</b>	<b>64</b>	<b>14</b>	<b>-78.1%</b>	<b>268</b>	<b>260</b>	<b>-2.7%</b>
Net Profit Margin	5.7%	1.1%		5.2%	4.9%	
<b>Basic EPS (US cents)</b>				<b>1.056</b>	<b>1.027</b>	<b>-2.7%</b>
<b>Diluted EPS (US cents)</b>				<b>1.056</b>	<b>1.027</b>	<b>-2.7%</b>

1. Following the spin-off of biochemical and industrial businesses, contributions from these businesses are being reported as discontinued operations in FY15 income statement. As the spin-off was completed in 1H15, there were no contribution from the spun-off businesses since 2H15
2. Including realised changes in fair value of biological assets of US\$15.2mn in 1Q17 (1Q16: US\$46.5mn) and unrealised changes in fair value of biological assets of US\$5.1mn in 1Q17 (1Q16: US\$64.5mn)

# 1Q17 Balance Sheet Highlights



US\$ mn	FY16	1Q17
<b>Total Assets</b>	<b>3,633</b>	<b>3,748</b>
Cash and Cash Equivalents <sup>1</sup>	461	434
Inventories	533	578
Current and Non-Current Biological Assets	384	394
Trade and Bills Receivables	203	207
Property, Plant and Equipment	1,399	1,524
<b>Total Liabilities</b>	<b>2,215</b>	<b>2,303</b>
Trade and Bills Payables	341	273
Bank Borrowings and Corporate Bond	1,424	1,555
<b>Total Equity (incl. MI)</b>	<b>1,419</b>	<b>1,445</b>
Shareholders' Equity	1,124	1,148
ROE	23.2%	
Net Debt	963	1,120
Net Debt / Equity	0.7	0.8

1. Including pledged deposits of US\$19.5mn and time deposits of US\$78.9mn in 1Q17 (FY16: pledged deposits of US\$41.0mn and time deposits of US\$151.1mn)

# **Appendix A: Highlights : 3Yr Historical Results**



# Consolidated Income Statement Highlight

	Full Year				
	2014	2015	% Change	2016	% Change
Net sales	426,039	421,355	-1%	<b>464,465</b>	<b>10%</b>
Gross Profit Margin (%)	13.4%	13.8%		<b>15.6%</b>	
Gain on fair value adjustment	-	-	-	-	-
EBITDA	27,513	26,433	-4%	<b>42,659</b>	<b>61%</b>
EBIT	17,548	14,926	-15%	<b>29,410</b>	<b>97%</b>
Share in Profit of Associates	4,869	5,221	7%	<b>6,512</b>	<b>25%</b>
Financial Costs	(8,903)	(9,614)	8%	<b>(10,601)</b>	<b>10%</b>
Income Taxes Expense	(3,649)	(3,654)	0%	<b>(7,212)</b>	<b>97%</b>
Gain / (Loss) from FX	(356)	1,348	479%	<b>388</b>	<b>-71%</b>
<b>NET PROFIT</b>	<b>10,562</b>	<b>11,059</b>	<b>5%</b>	<b>14,703</b>	<b>33%</b>
<b>EPS (THB)</b>	<b>1.43</b>	<b>1.50</b>		<b>1.99</b>	
<b># of capital shares*</b>	<b>7,388</b>	<b>7,388</b>		<b>7,388</b>	
<b>Paid-Up Capital</b>	<b>7,743</b>	<b>7,743</b>		<b>7,743</b>	
<b>Dividend (THB/Share)</b>	<b>0.75</b>	<b>0.75</b>		<b>0.95</b>	

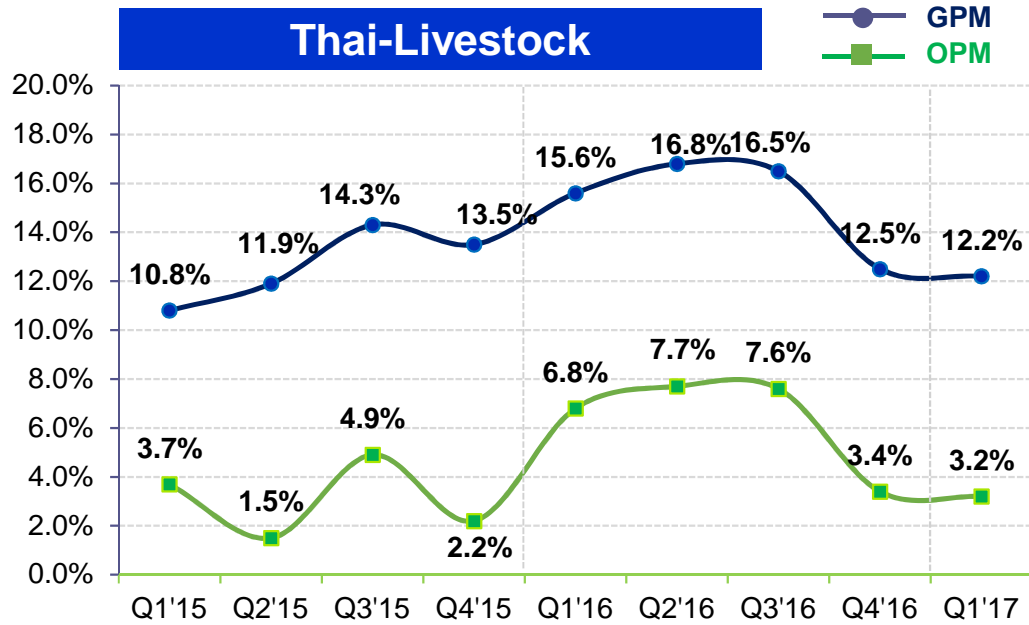
Note: \* # of capital shares = No. of the Weighted-avg. shares



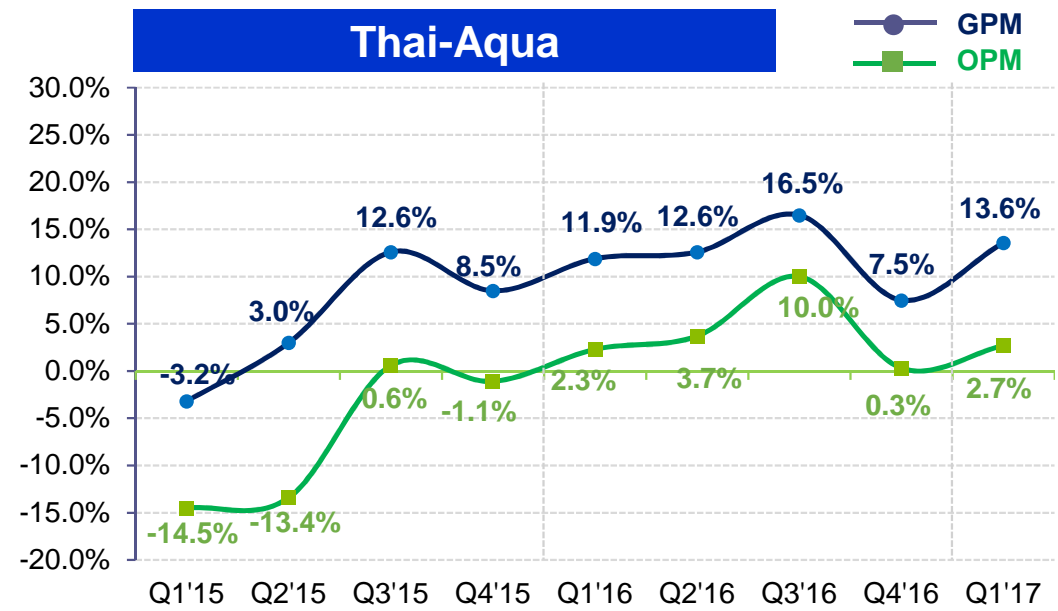


# Gross Profit Margin & Operating Profit Margin

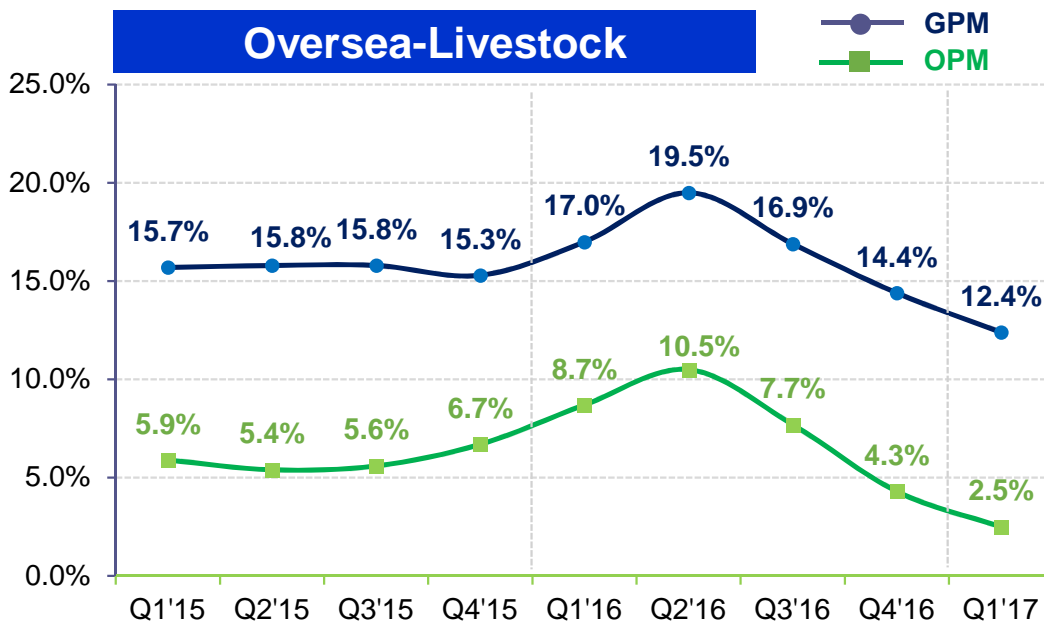
### Thai-Livestock



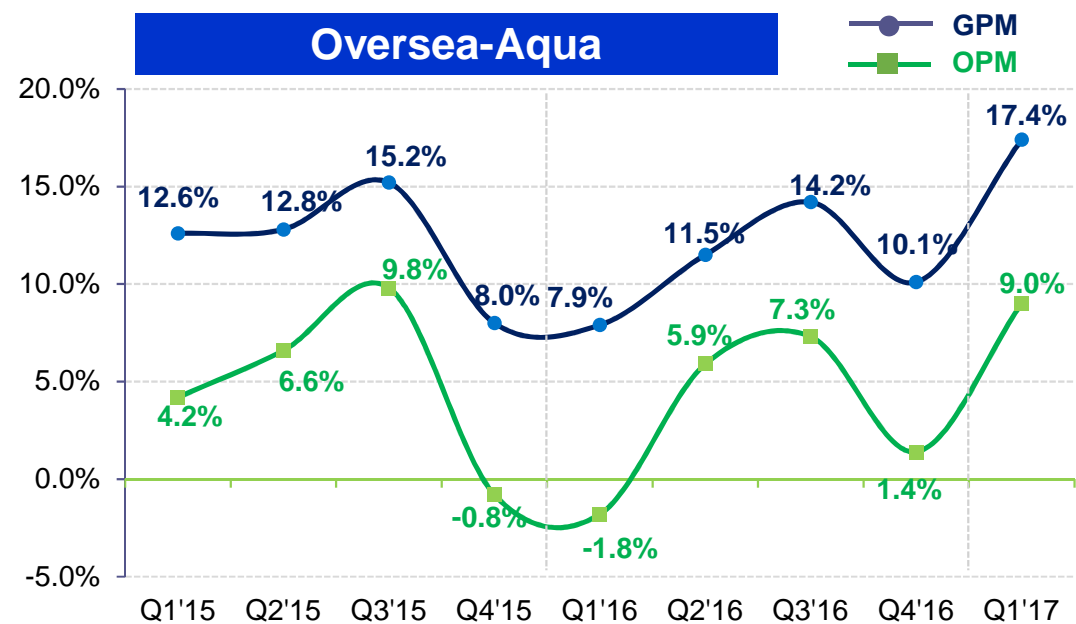
### Thai-Aqua



### Overseas-Livestock



### Overseas-Aqua



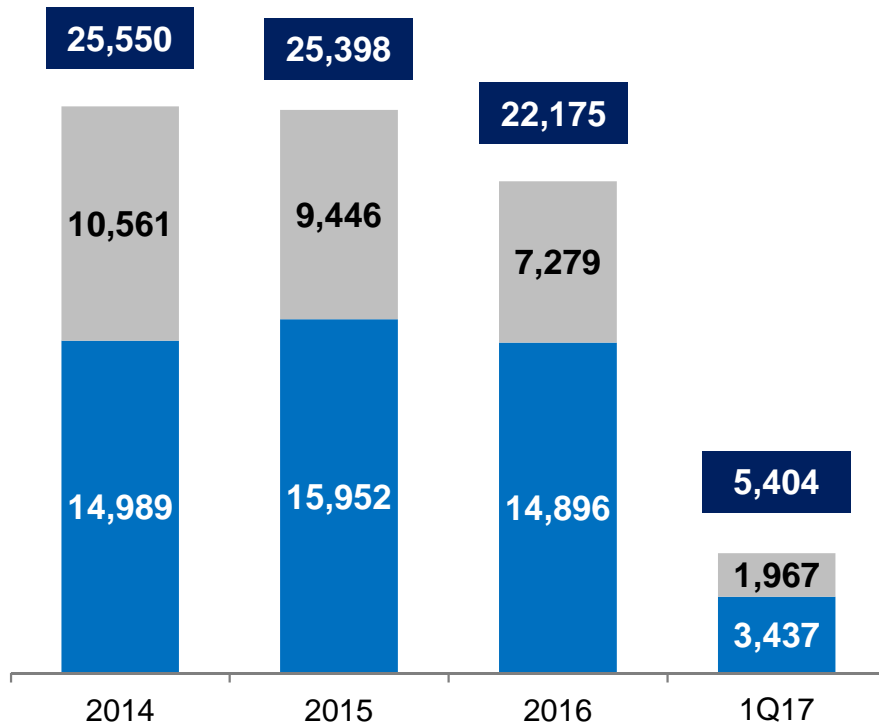


# CAPEX & EBITDA

## CAPEX

Unit: THB, M

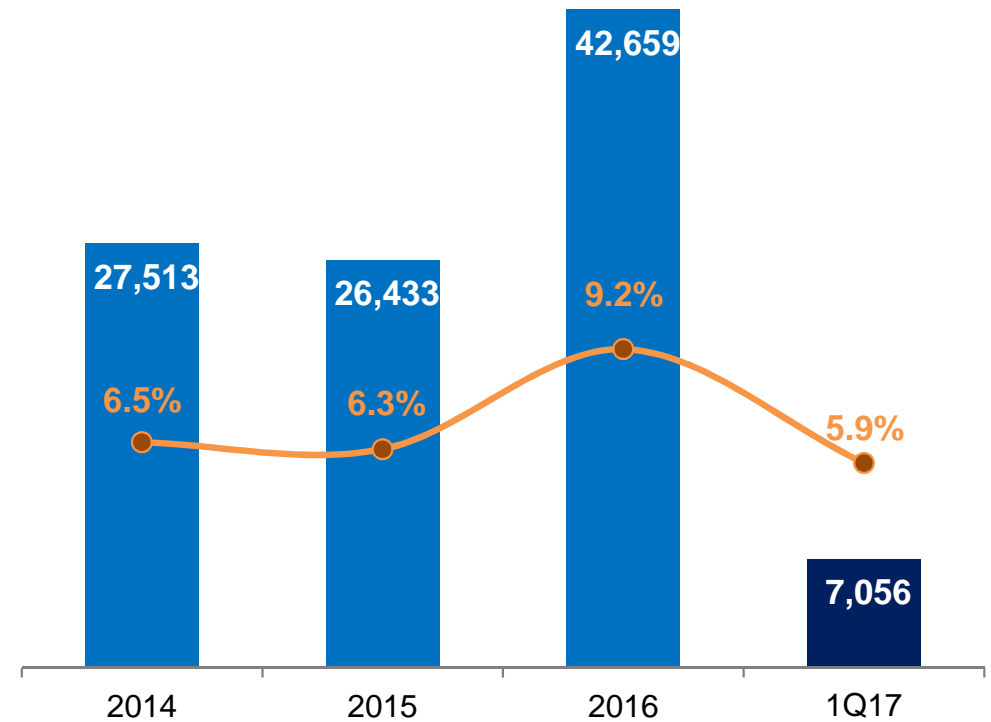
- CPP
- CPF



## EBITDA

Unit: THB, M

— EBITDA Margin%





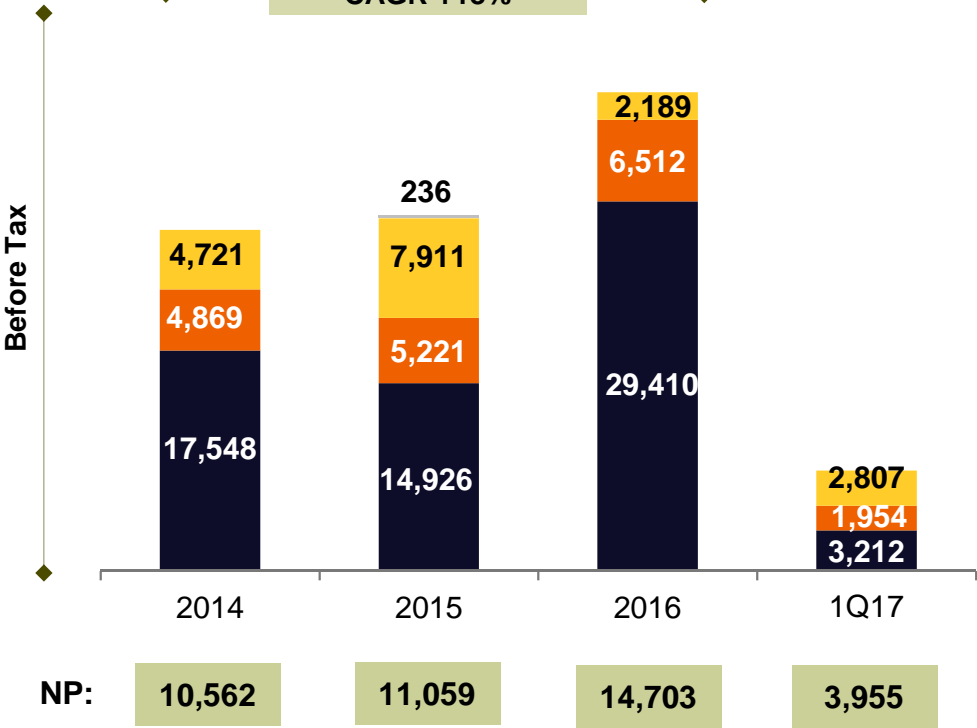
# Consolidated Net Profit & ROE & D/EBITDA

## Net Profit

Unit: THB, M

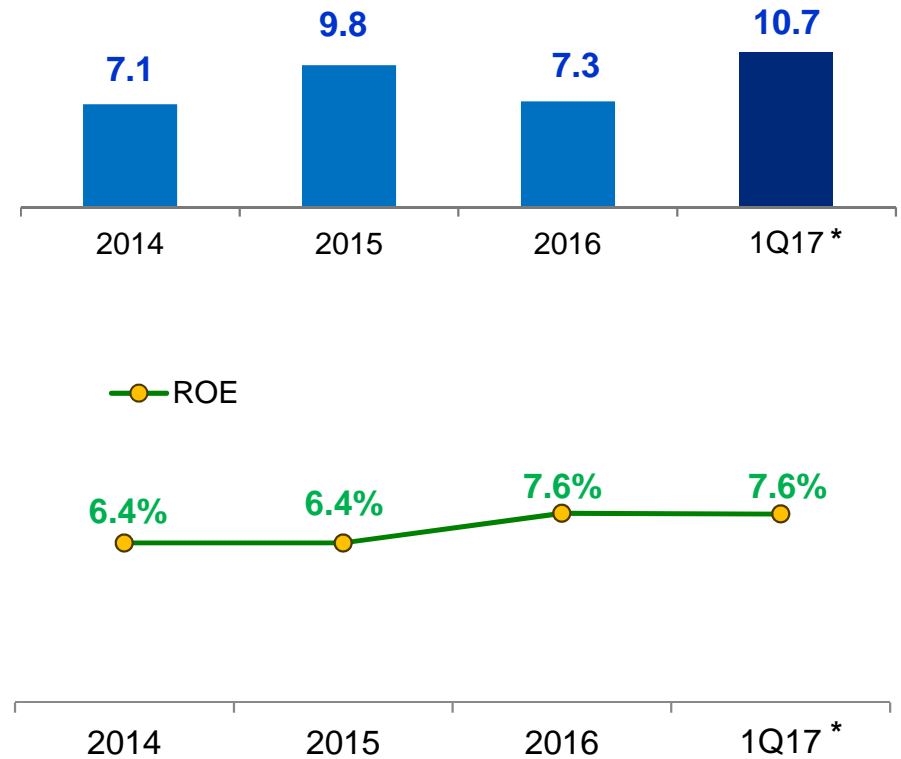
- Gain on fair value adjustment on investment in associates
- Divestment and Dividend
- Equity (Share in Profit of Associates)
- EBIT

CAGR +18%



## D/EBITDA & ROE

■ D/EBITDA Ratio (interest Bearing Debt)



Note : 2015 Including gain on fair value adjustment of investments in associate

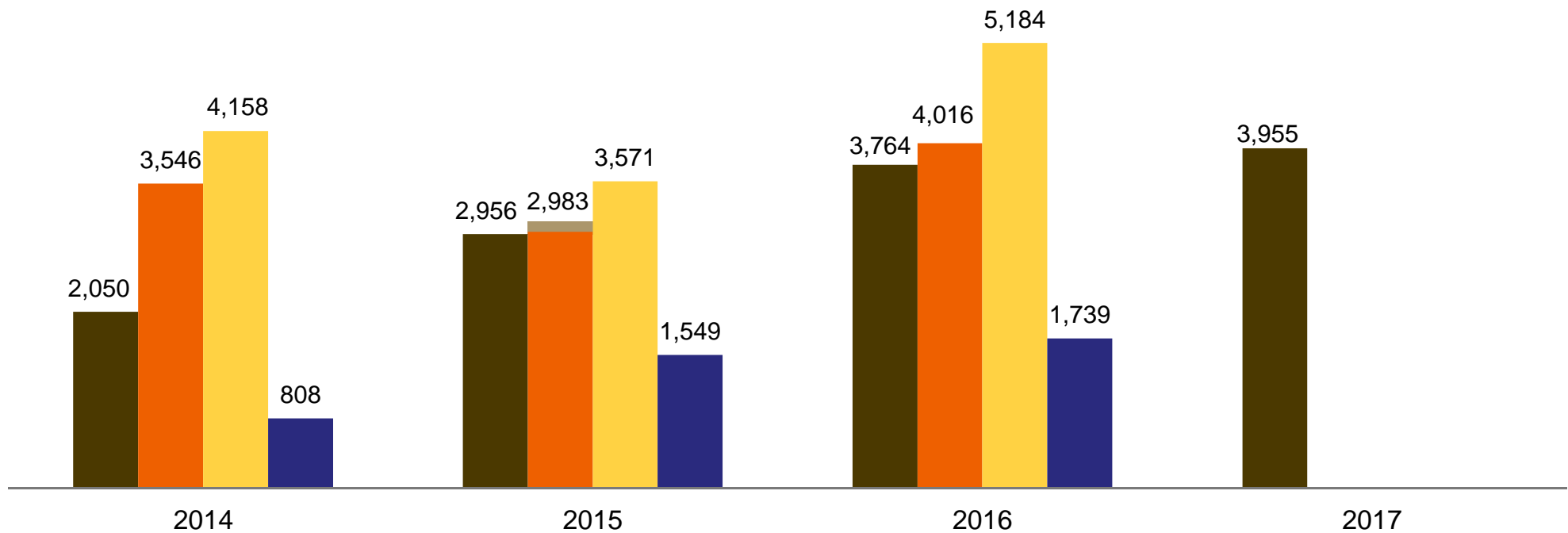
: \* Annualized basis



# Consolidated Net Profit - Quarterly

Unit : THB, M

■ 1Q ■ 2Q ■ 3Q ■ 4Q



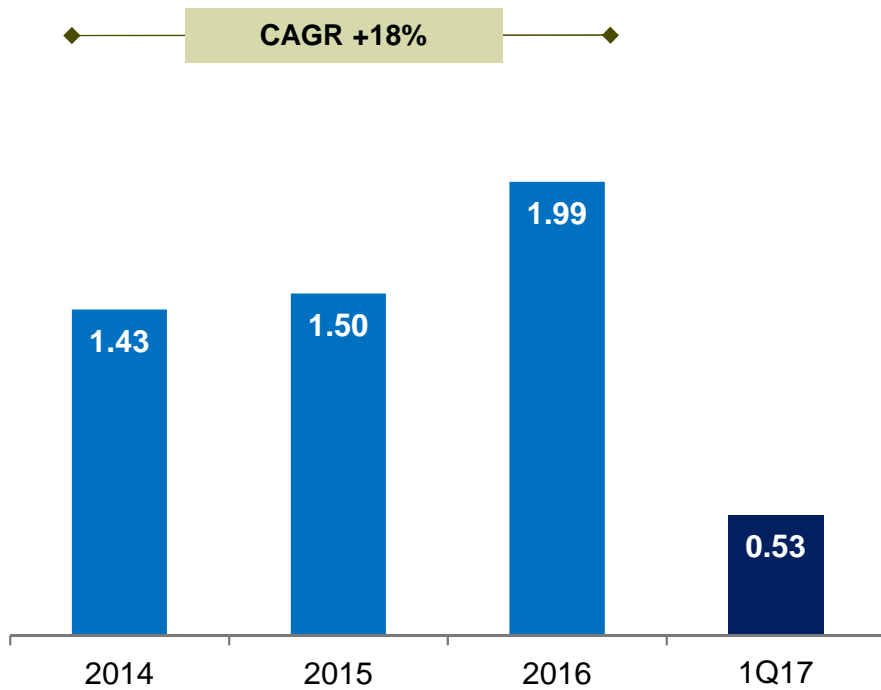
2Q15 ■ Gain on fair value adjustment of investments in associates = 236 MB



# EPS & Dividends per Share

## Earnings Per Share

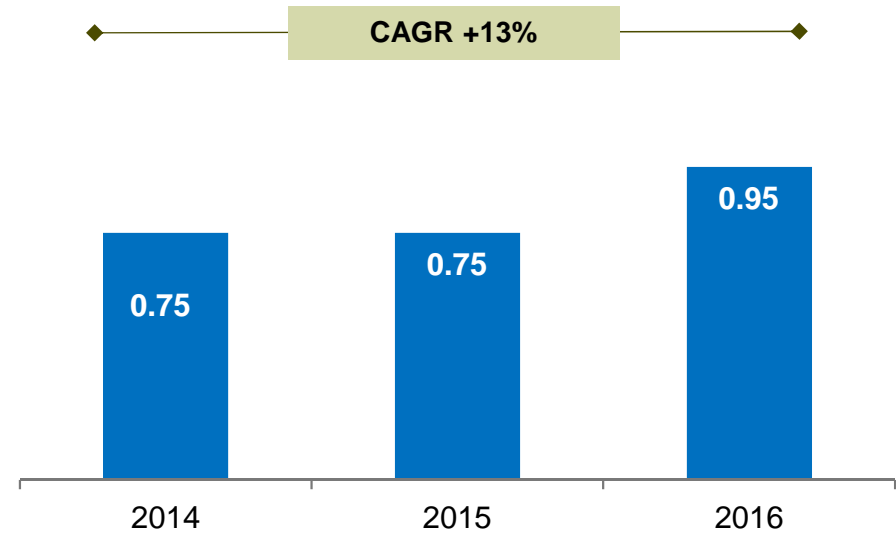
Unit : THB Per Share



## Dividends

Unit : THB Per Share

**Dividend Policy**  
Semi – Annually, minimum of 50% of annual net profit  
(The Company Statement Only)

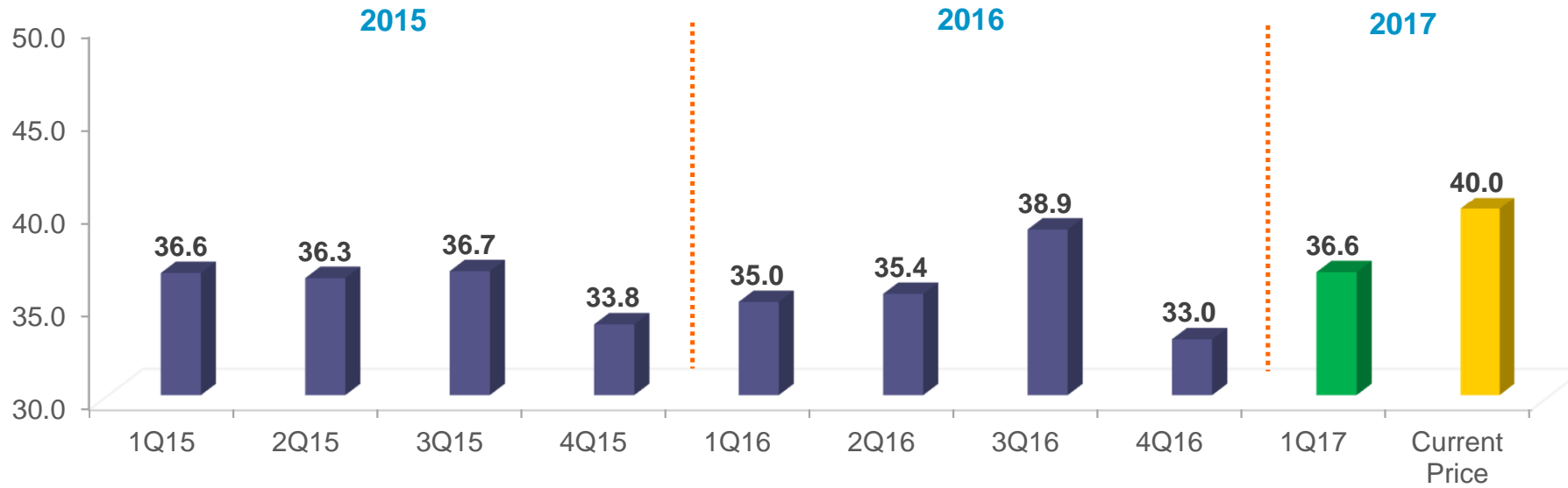



# **Appendix B: Product & Raw Materials Price Trend**



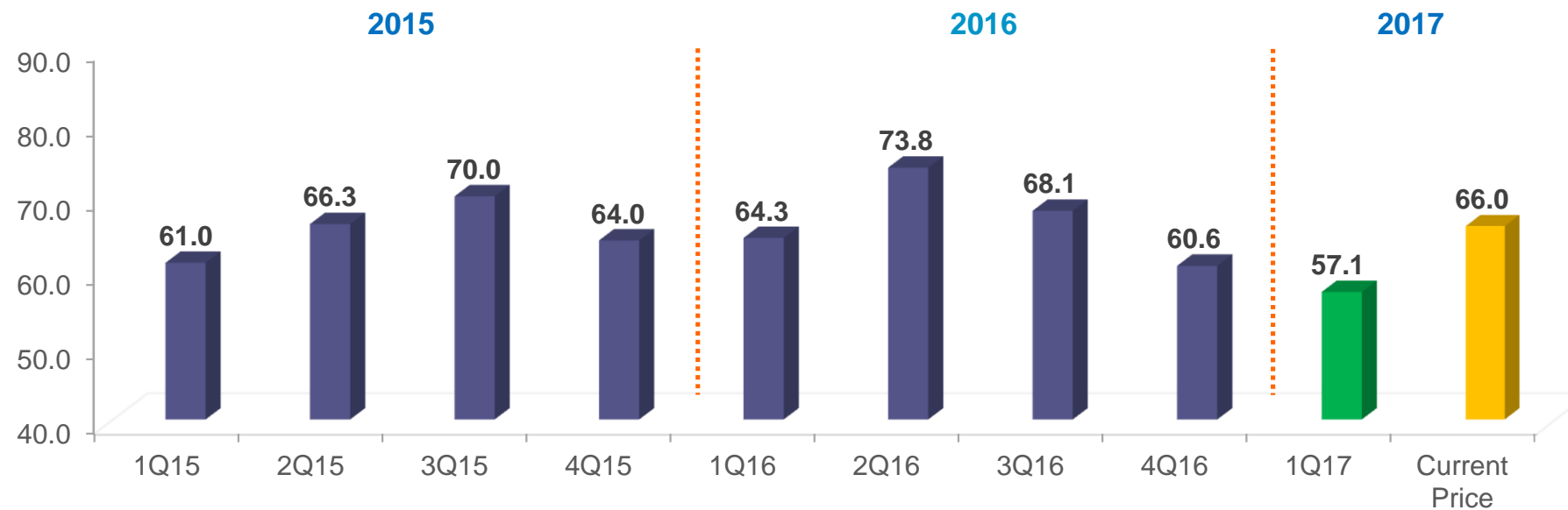

# Average Farm Prices – Thailand

## Thailand's **Broiler** price (Baht/kg)

Average Price		
2015	2016	2017
35.8	35.6	36.6
% Chg	-1%	+3%

## Thailand's **Pork** price (Baht/kg)

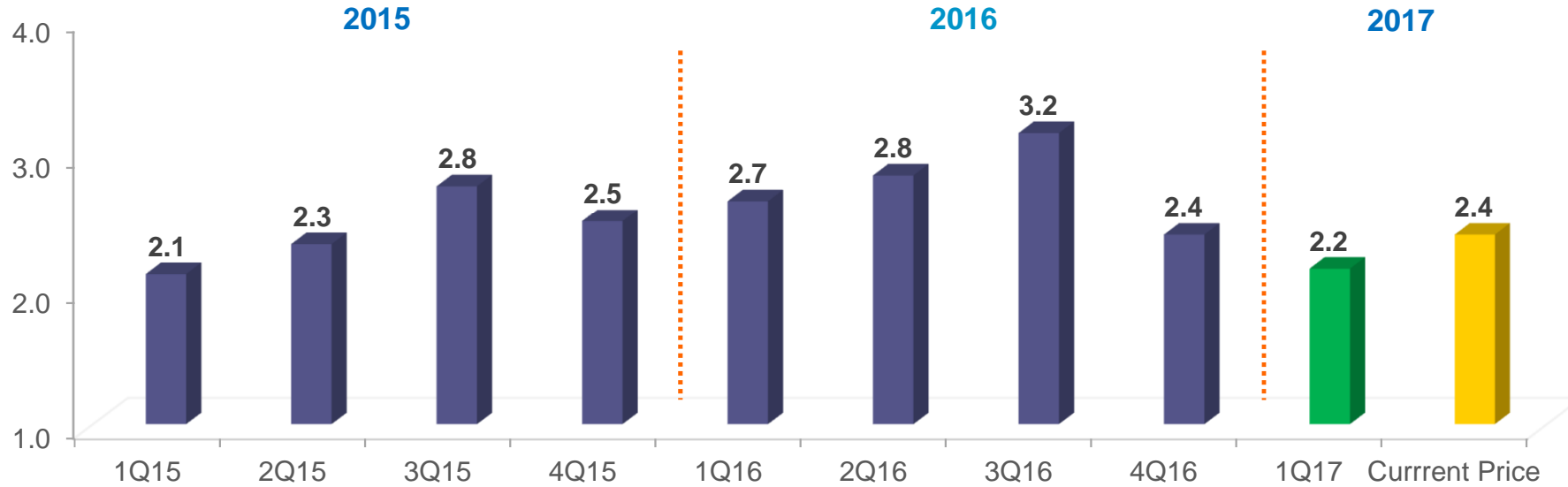




Average Price		
2015	2016	2017
65.3	66.7	57.1
% Chg	+2%	-14%



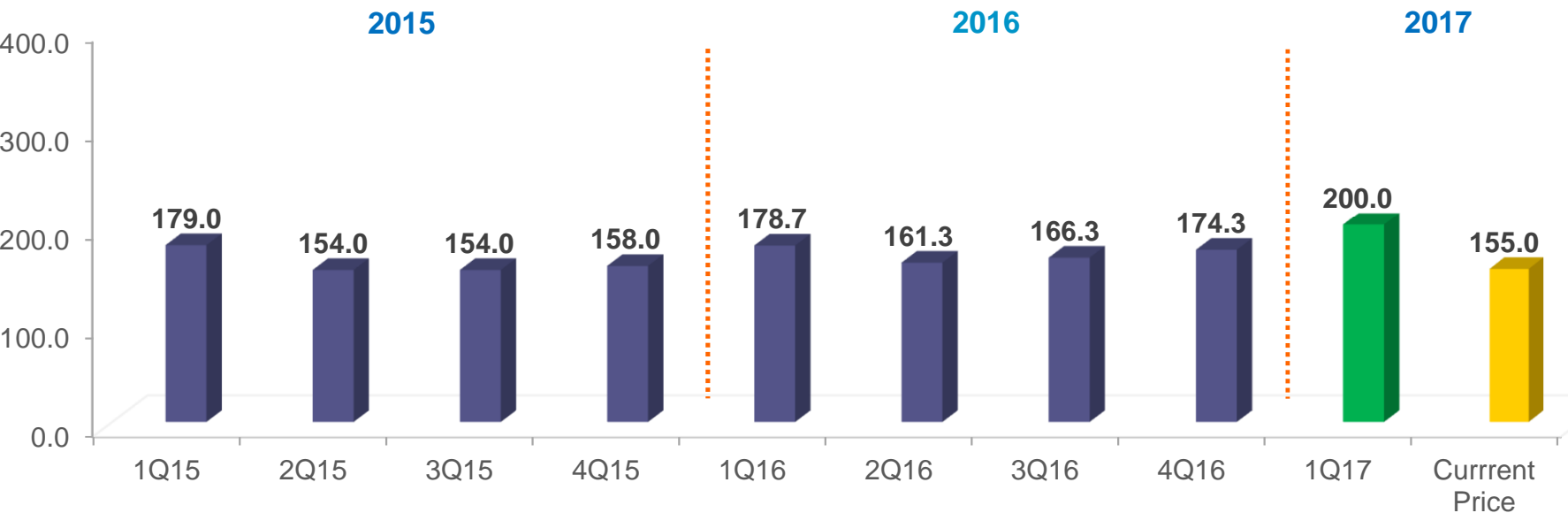

# Average Farm Prices – Thailand

## Thailand's **Fresh egg** price (Baht/piece)

Average Price		
2015	2016	2017
2.4	2.8	2.2
% Chg	+15%	-22%

## Thailand's **White shrimp** price (Size 70)

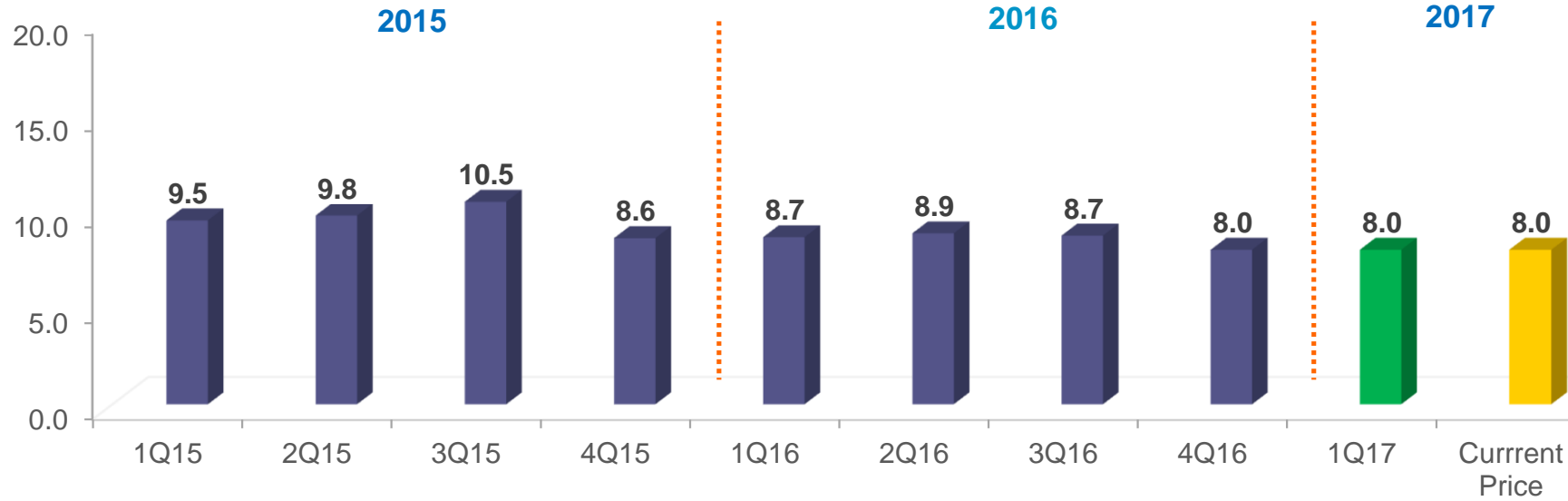
Average Price		
2015	2016	2017
161	170	200
% Chg	+6%	+18%





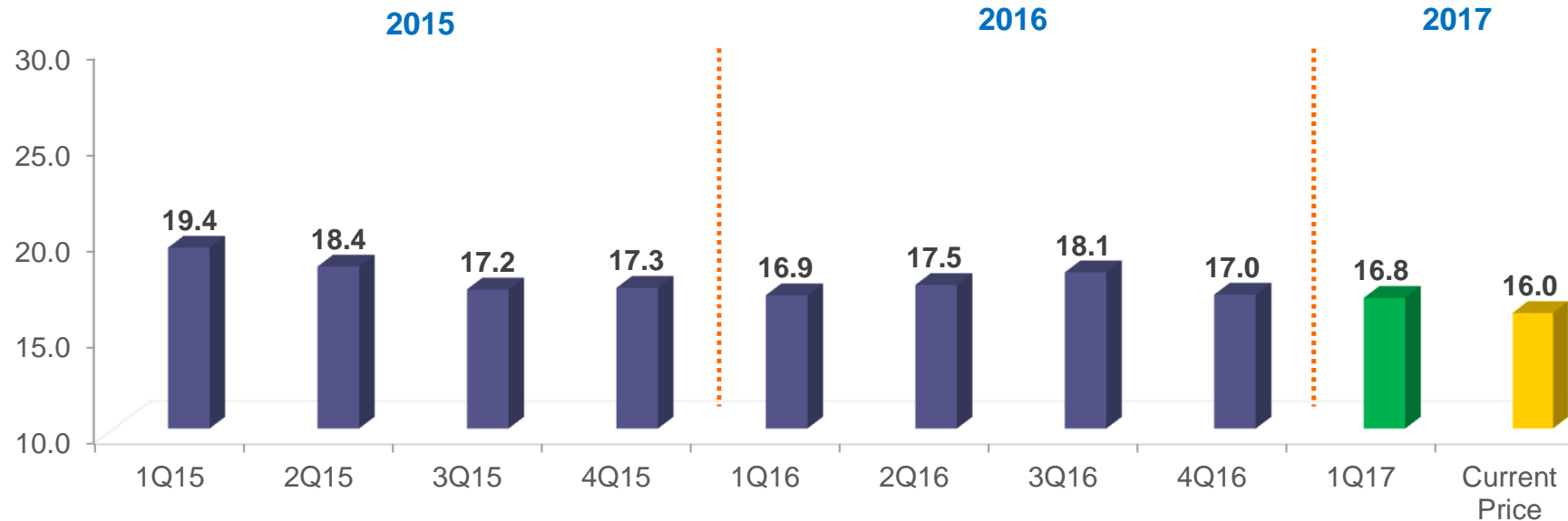
# Average Raw Material Prices – Thailand

## Thailand's Corn price (Baht/kg)



Average Price		
2015	2016	2017
9.6	8.6	8.0
% Chg	-11%	-7%

## Thailand's Soybean Meal price (Baht/kg)

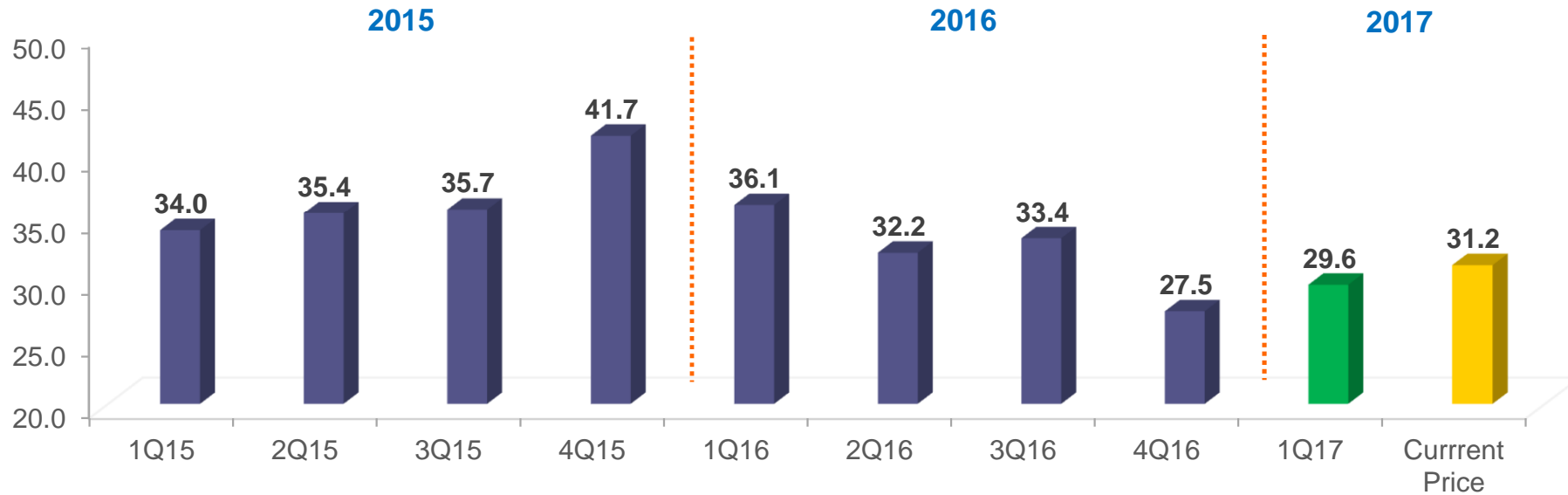


Average Price		
2015	2016	2017
18.1	17.4	16.8
% Chg	-4%	-3%



# Average Farm Prices – Thailand

## Thailand's Fishmeal price (Baht/kg)

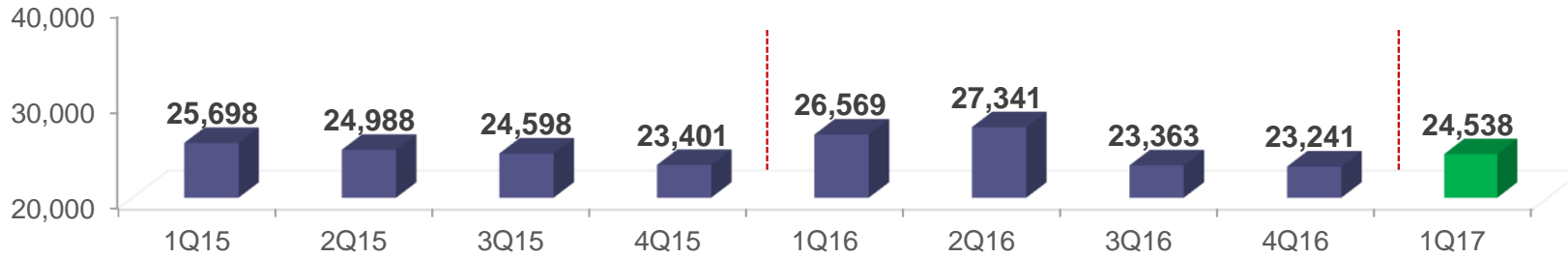


Average Price		
2015	2016	2017
36.7	32.3	29.6
% Chg	-12%	-8%

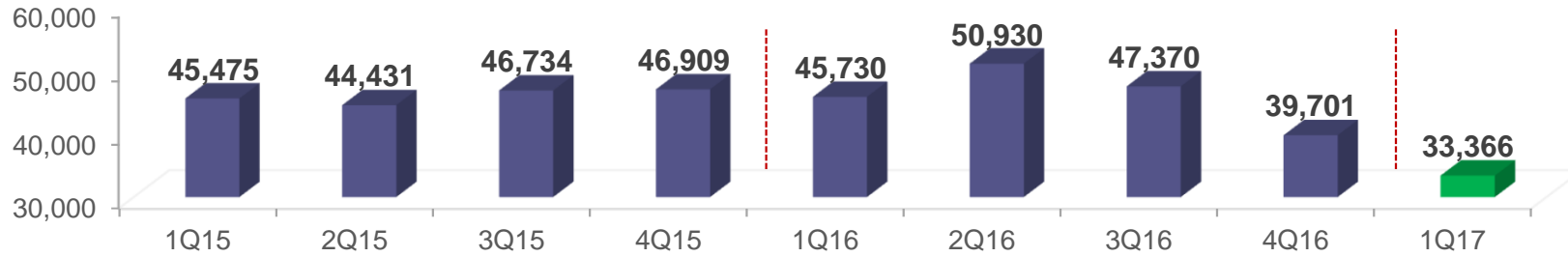
Source: CPF



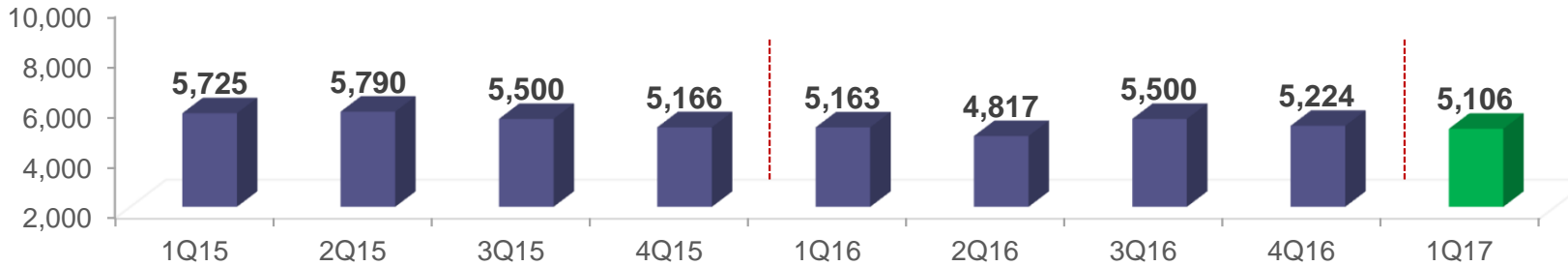
# Vietnam: Average Market Price and Major Feed Raw Materials



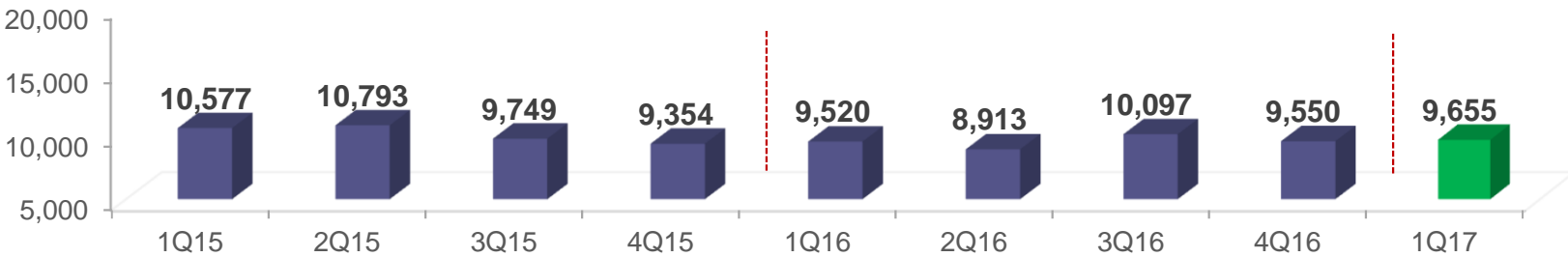
**Broiler**  
(VND/kg)



**Swine**  
(VND/kg)



**Corn**  
(VND/kg)



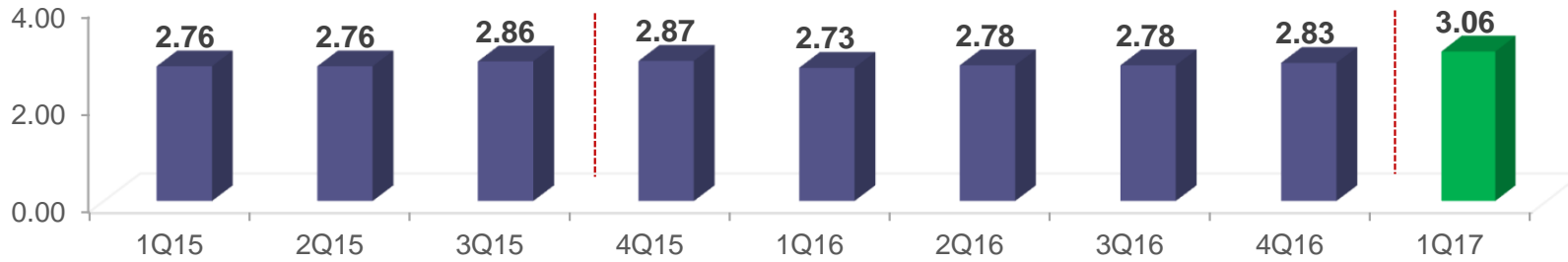
**Soybean Meal**  
(VND/kg)

Source: CPF

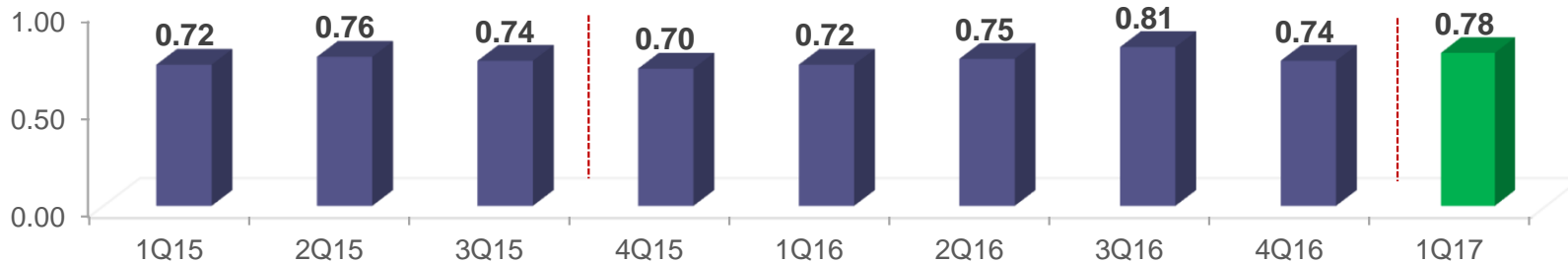
VND 1 = THB 0.0015



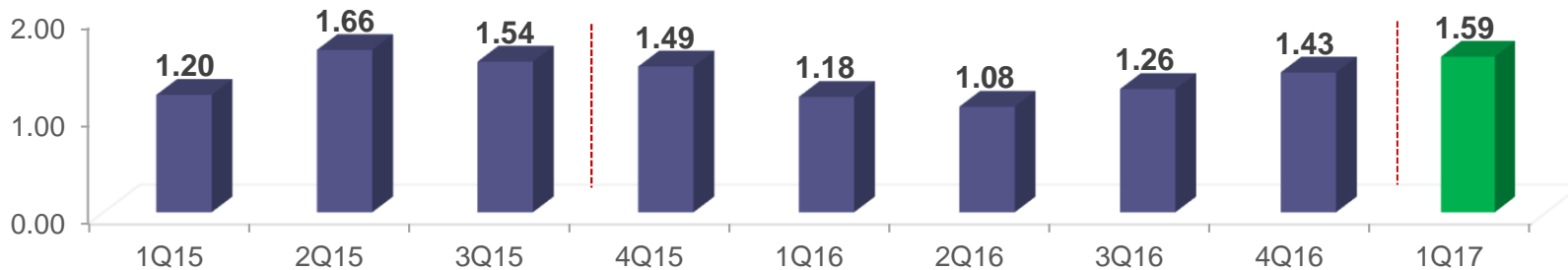
# Turkey: Average Market Price and Major Feed Raw Materials



**Broiler**  
(TRY/kg)



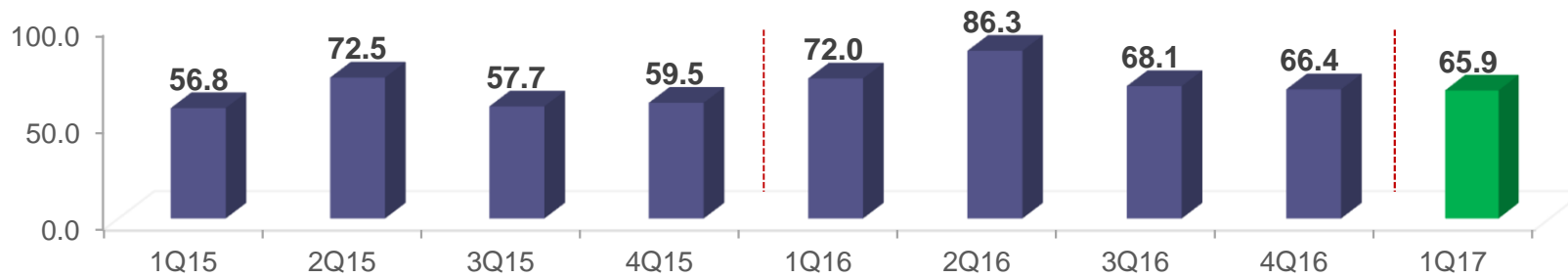
**Corn**  
(TRY/kg)



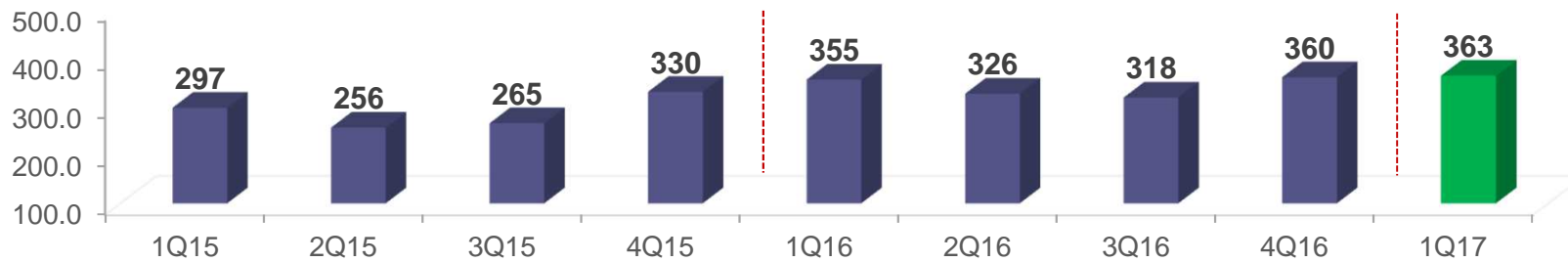
**Soybean Meal**  
(TRY/kg)



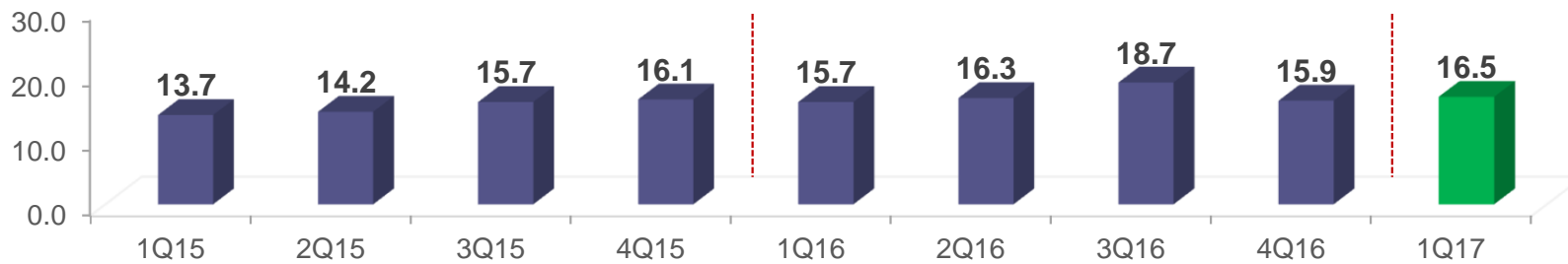
# India: Average Market Price and Major Feed Raw Materials



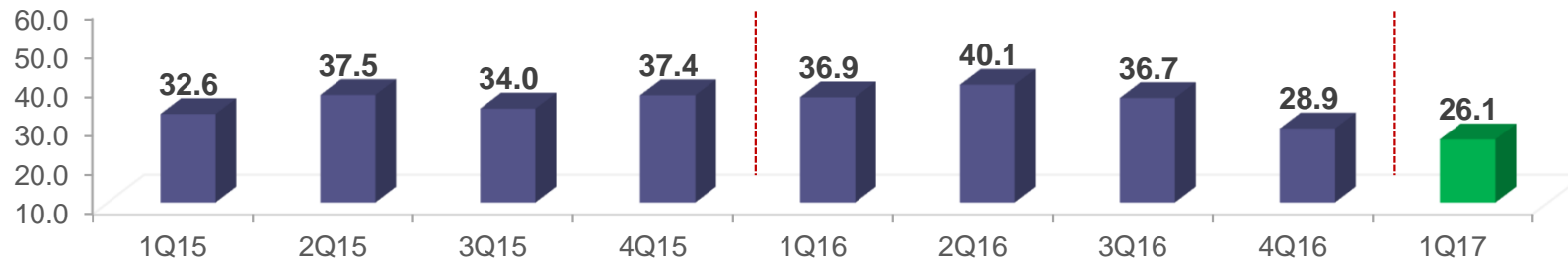
**Broiler**  
(Rs/kg)



**Shrimp(60 pieces)**  
(Rs/kg)



**Corn**  
(Rs/kg)



**Soybean Meal**  
(Rs/kg)

# **Appendix C: Product Sample & Retail Outlet Format**

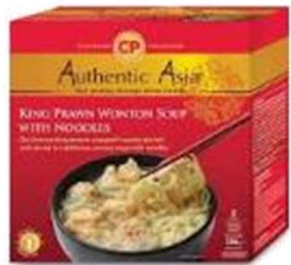


# Food Retail Products





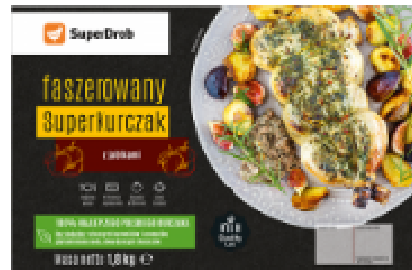
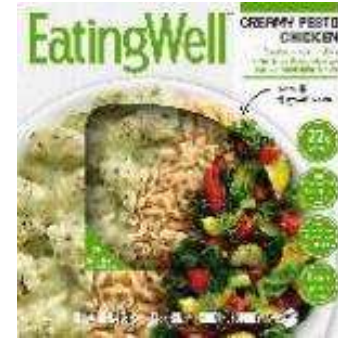
# Food Retail Products







# Food Retail Products





# Food Service : Five Stars Chain



More  
Than  
**6,000**  
Outlets

Five Star Chicken in Vietnam



Five Star Chicken in India





# Food Service : Chester's



**198** outlets





# Food Retail Outlets



ซีพี เฟรชมาร์เก็ต

**409** Stores



1788 Delivery

CP  
เป็นชีวิตที่ดี  
Foods to enrich life.



**5** Stores





# CP CHOZEN LIMITED

## 22 Kiosks

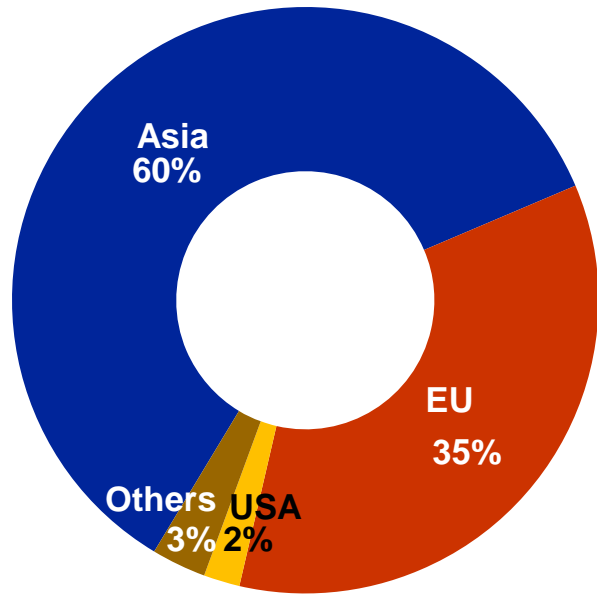
CHOZEN NOODLE



## **Appendix D: Export Destination**



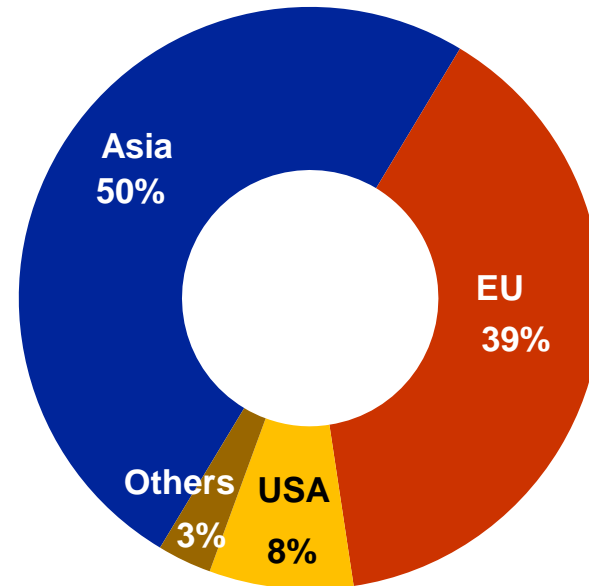
# 1Q17: Thailand Operations – Export Destination



■ Asia ■ EU ■ USA ■ Others

**Farm**

THB 1,737 million +12%



■ Asia ■ EU ■ USA ■ Others

**Food**

THB 4,807 million -2%

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## **Investor Relations Office**

### **Charoen Pokphand Foods Public Company Limited**

313 C.P.Tower Building, 26<sup>th</sup> Floor, Silom Road, Bangrak, Bangkok 10500, Thailand

Tel. Ms.Kobboon S. (662) 625-8353 / Mr.Warrawut T. (662) 625-8355 / Mr.Savin W. (662) 625 8397

Fax.(662) 638-2942

[www.cpfworldwide.com](http://www.cpfworldwide.com)

Email : [kobboon@cpf.co.th](mailto:kobboon@cpf.co.th) / [warrawut@cpf.co.th](mailto:warrawut@cpf.co.th) / [savin.won@cpf.co.th](mailto:savin.won@cpf.co.th)





