

### Report type: Company Update

#### Company Overview

GFPT is a fully vertically integrated livestock and aquaculture company. It is involved in breeding, feed production and processed meat for domestic sales and exports.

- We expect 2QCY13 earnings to be better than 2QCY12 as higher average selling prices (ASPs) in core chicken business would offset weakness in feed business.
- Japan's decision to lift its ban on imports of Thai raw poultry is expected to be delayed to the end of the year from Jul-Aug 2013 as earlier noted in our previous report in the wake of the H7N9 bird flu outbreak in China though Japan had already sent officials to inspect Thai chicken farms and processing plants since Mar 2013.
- In our view, strong exposure to chicken business against the backdrop of a recovery in ASPs and a fall in production costs should allow GFPT to deliver 2QCY13 earnings growth in both y-y and q-q terms. We maintain an 'ACCUMULATE' stance on GFPT shares with a target price of Bt8.65/share.

#### What is the news?

We forecast 2QCY13 to be better than 2QCY12 and 1QCY13 on the back of strong ASPs. In the first two months of 2QCY13, ASPs for chicken rose by 14% q-q to Bt46.50/kg. Even though aquaculture feed sales may not yet return to normal from EMS outbreak in shrimp, we however expect shrimp feed sales volume in 2QCY13 to be 10% better than 1QCY13. GFPT is also likely to benefit from lower raw materials prices.


#### How do we view this?

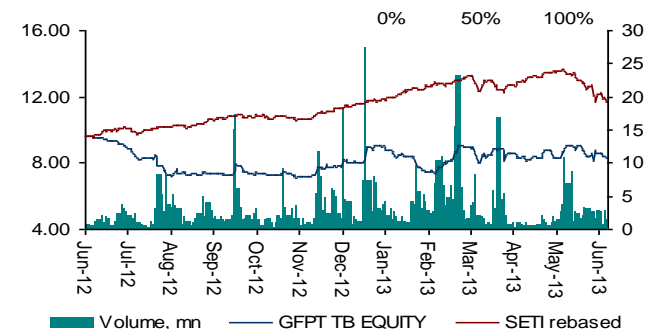
We expect GFPT to report positive earnings growth in 2QCY13, bucking the trend of bearish earnings for its peer CPF, as strong exposure to chicken business would put GFPT in a better position to reap the full benefit of a recovery in ASPs. Even if the EMS outbreak in shrimp would deal a blow to aquaculture feed sales, we expect shrimp feed sales volume in 2QCY13 to show signs of picking up from 1QCY13.

#### Investment Actions?

In our view, a rebound in meat prices would act as a key driver of earnings growth for GFPT. We maintain an 'ACCUMULATE' stance on GFPT shares with a target price of Bt8.65/share.

#### GFPT

<b>Rating</b>	<b>2.00</b>	<b>Accumulate</b>
- Previous Rating	2.00	Accumulate
<b>Target Price (Bt)</b>	<b>8.65</b>	
- Previous Target Price (Bt)	8.65	
Closing Price (Bt)	8.20	
Expected Capital Gains (%)	5.49	
Expected Dividend Yield (%)	2.44	
<b>Expected Total Return (%)</b>	<b>7.93</b>	
Raw Beta (Past 2yrs weekly data)	0.72	
Market Cap. (USD mn)	331	
Enterprise Value (USD mn)	440	
Market Cap. (Bt mn)	10,281	
Enterprise Value (Bt mn)	13,457	
3M Average Daily T/O (mn)	2.5	
52 week range	7 - 9.8	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Mr. Sujin Sirimongkolkasem	17.8
2. Mr. Prasit Sirimongkolkasem	17.6
3. Mr. Wirat Sirimongkolkasem	14.4

#### Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (Btmn)	14,210	15,370	17,054	18,340
Net Profit, adj. (Btmn)	1,203	41	744	913
Net Profit, (Btmn)	1,203	41	744	913
EPS, adj. (Bt)	0.96	0.03	0.59	0.73
EPS, (Bt)	0.96	0.03	0.59	0.73
P/E (X),adj.	8.5	251.8	13.8	11.3
BVPS (Bt)	4.77	4.48	5.08	5.60
P/B (X)	1.7	1.8	1.6	1.5
DPS (Bt)	0.33	0.00	0.20	0.25
Div. Yield (%)	4.0	-	2.5	3.0

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/B'13 (1.7x)

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**Earnings growth expected in 2QCY13 on strong ASPs**

We expect 2QCY13 to be better than 2QCY12 and 1QCY13 on the back of strong ASPs. In the first two months of 2QCY13, ASPs for chicken rose by 14% q-q. Even though aquaculture feed sales may not yet return to normal from EMS outbreak in shrimp, we however expect shrimp feed sales volume in 2QCY13 to be 10% better than 1QCY13 but export sales volume will be similar to the previous quarter due to a long holiday effect in the second quarter. Operating performance at its affiliate GFN in 2QCY13 is expected to be better than 1QCY13 boosted by sales volume growth and better ASPs. Although current ASPs for chicken have risen above our assumption of Bt43/kg, we still leave our CY13 estimates for GFPT unchanged as chicken prices are typically seasonally lower in the second half of the year as a result of growing supply amid favorable weather conditions. We forecast GFPT to report a net profit of Bt744mn in CY13. The forecast is based on assumptions that (i) CY13 sales will be 11% better than CY12 to Bt17,054mn on expectations that sales volume will grow 6% y-y and ASPs will increase 20% y-y, (ii) margin will pick up on better ASPs, (iii) profits from affiliates will rise to Bt137mn on higher profits from its affiliate GFN driven by capacity additions and strong ASPs.

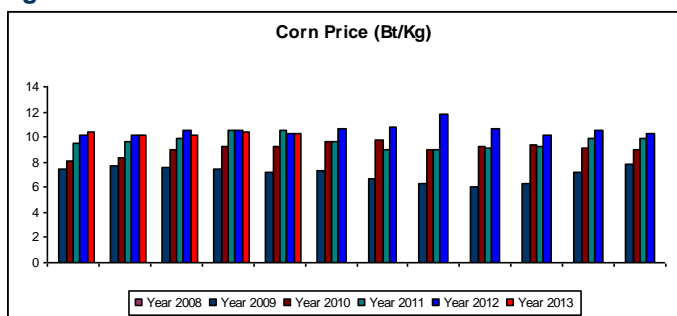
**Japan's decision to lift import ban on Thai poultry to be delayed to year-end**

Japan's decision to lift its ban on imports of Thai raw poultry is expected to be delayed to the end of the year from Jul-Aug 2013 as earlier noted in our previous report though Japan had already sent officials to inspect Thai chicken farms and processing plants since Mar 2013. The delay comes in the wake of the H7N9 bird flu outbreak in China on fears about whether the epidemic will spread to other countries. Although there will be no chicken exports to Japan this year, Thailand's poultry exports are however projected to rise by 15% y-y to 620,000 tons thanks to full-year shipments of Thai fresh chicken to EU after removal of import restrictions.

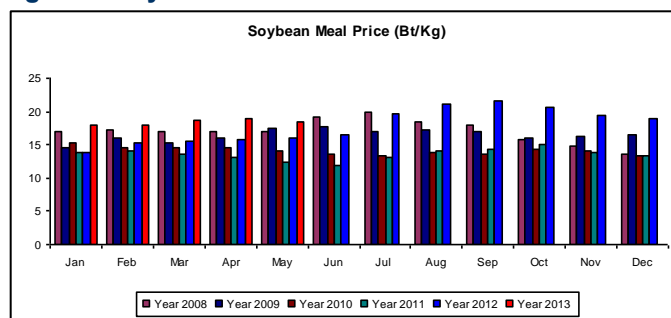
**'ACCUMULATE' rating with Bt8.65/share target price**

In our view, strong exposure to chicken business against the backdrop of a recovery in ASPs and a fall in production costs should allow GFPT to deliver 2QCY13 earnings growth in both y-y and q-q terms. Favorable earnings expectations led GFPT stock to far outperform its peer CPF. We maintain an 'ACCUMULATE' stance on GFPT shares with a target price of Bt8.65/share.

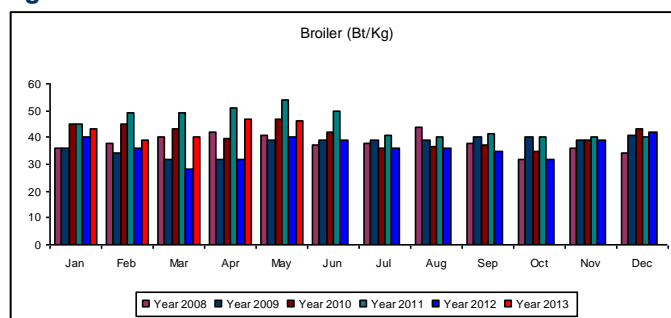
**Figure 1: Corn Price**



**Figure 2: Soybean Meal Price**



**Figure 3: Broiler**



Source: CPF

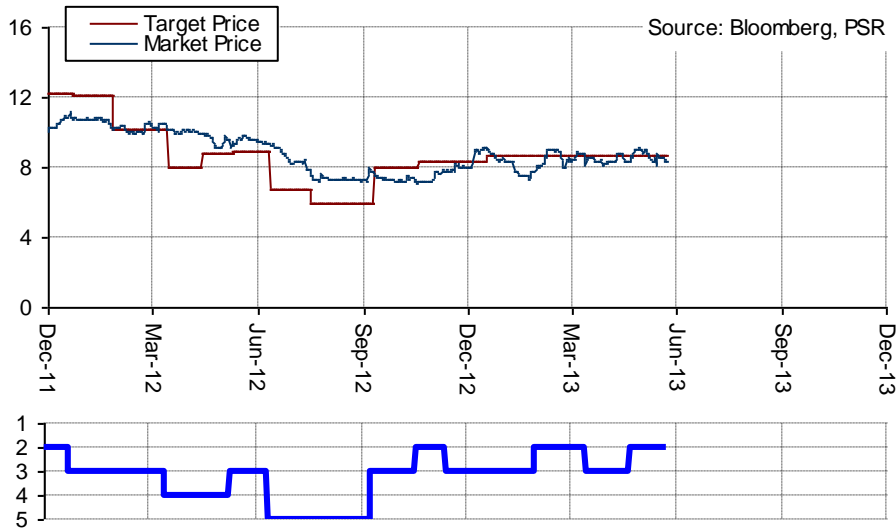
FYE Dec	CY10	CY11	CY12	CY13F	CY14F
<b>Valuation Ratios</b>					
P/E (X), adj.	8.8	8.5	251.8	13.8	11.3
P/B (X)	1.9	1.7	1.8	1.6	1.5
EV/EBITDA (X), adj.	8.3	6.3	15.3	8.8	7.8
Dividend Yield (%)	3.7	4.0	-	2.5	3.0
<b>Per share data (Bt)</b>					
EPS, reported	0.93	0.96	0.03	0.59	0.73
EPS, adj.	0.93	0.96	0.03	0.59	0.73
DPS	0.30	0.33	0.00	0.20	0.25
BVPS	4.29	4.77	4.48	5.08	5.60
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	8.4	13.9	8.2	11.0	7.5
EBITDA	11.7	31.9	-58.8	73.8	13.2
EBIT	10.4	4.0	-86.3	429.8	19.2
Net Income, adj.	9.2	3.2	-96.6	1721.8	22.8
<b>Margins</b>					
EBITDA margin	13.0	15.1	5.7	9.0	9.5
EBIT margin	11.1	10.1	1.3	6.1	6.8
Net Profit Margin	9.5	8.6	0.3	4.5	5.1
<b>Key Ratios</b>					
ROE (%)	20.7	21.0	0.7	11.2	13.1
ROA (%)	12.1	10.5	0.3	6.0	7.1
Net Debt-Cash	2,827	2,807	5,490	4,273	4,451
Net Gearing(X)	0.5	0.5	1.0	0.7	0.6
<b>Income Statement (Bt m n)</b>					
<b>Revenue</b>	<b>12,472</b>	<b>14,210</b>	<b>15,370</b>	<b>17,054</b>	<b>18,340</b>
<b>EBITDA</b>	<b>1,625</b>	<b>2,143</b>	<b>882</b>	<b>1,533</b>	<b>1,735</b>
Depreciation & Amortisation	422	820	892	937	983
<b>EBIT</b>	<b>1,380</b>	<b>1,435</b>	<b>197</b>	<b>1,043</b>	<b>1,243</b>
Net Finance (Expense)/Income	(135)	(136)	(147)	(200)	(208)
Other items	220	223	281	309	325
Associates & JVs	(2)	(111)	(74)	137	167
<b>Profit Before Tax</b>	<b>1,245</b>	<b>1,299</b>	<b>50</b>	<b>843</b>	<b>1,035</b>
Taxation	58	77	1	84	104
<b>Profit After Tax</b>	<b>1,187</b>	<b>1,223</b>	<b>49</b>	<b>759</b>	<b>932</b>
Non-controlling Interest	(21)	(19)	(8)	(15)	(19)
<b>Net Income, reported</b>	<b>1,166</b>	<b>1,203</b>	<b>41</b>	<b>744</b>	<b>913</b>
<b>Net Income, adj.</b>	<b>1,166</b>	<b>1,203</b>	<b>41</b>	<b>744</b>	<b>913</b>

Source: PSR est.

FYE Dec	CY10	CY11	CY12	CY13F	CY14F
<b>Balance Sheet (Bt mn)</b>					
Cash	182	179	283	195	220
ST Investments					
Accounts Receivables	740	848	1,003	934	1,005
Inventories	2,306	2,816	4,212	3,154	3,598
Others	56	5	6	9	12
<b>Total current assets</b>	<b>3,284</b>	<b>3,848</b>	<b>5,504</b>	<b>4,292</b>	<b>4,834</b>
PPE	4,807	5,196	5,553	5,905	6,117
Intangibles	6	8	8	8	8
Associates & JVs	746	630	1,429	1,458	1,501
Investments					
Others	544	614	654	675	688
<b>Total non-current assets</b>	<b>5,932</b>	<b>6,221</b>	<b>7,365</b>	<b>7,773</b>	<b>8,051</b>
<b>Total Assets</b>	<b>9,216</b>	<b>10,068</b>	<b>12,869</b>	<b>12,066</b>	<b>12,885</b>
Short term loans	596	746	3,613	2,468	2,831
Accounts Payables	455	633	1,033	757	675
Others	211	48	10	11	12
<b>Total current liabilities</b>	<b>1,262</b>	<b>1,427</b>	<b>4,655</b>	<b>3,235</b>	<b>3,517</b>
Long term loans	2,413	2,240	2,160	2,000	1,840
Others	165	164	163	171	180
<b>Total liabilities</b>	<b>3,839</b>	<b>4,084</b>	<b>7,249</b>	<b>5,698</b>	<b>5,849</b>
Non-controlling interest	51	65	73	81	89
<b>Shareholder Equity</b>	<b>5,326</b>	<b>5,919</b>	<b>5,546</b>	<b>6,287</b>	<b>6,947</b>
<b>Cashflow Statements (Bt mn)</b>					
CFO					
PBT	1,245	1,299	50	843	1,035
Adjustments	422	450	490	937	983
Cash from ops before WC changes	2,158	2,400	1,187	2,294	2,537
WC changes	(588)	(762)	(1,271)	423	(915)
Cash generated from ops	1,705	1,779	55	2,920	1,835
Taxes paid, net	(65)	(97)	(43)	(64)	(84)
Interest paid	134	136	147	200	208
<b>Cashflow from ops</b>	<b>1,506</b>	<b>1,546</b>	<b>(135)</b>	<b>2,656</b>	<b>1,543</b>
CFI					
CAPEX, net	(880)	(675)	(731)	(800)	(800)
Investments in subs & associates	(191)	0	(904)	(29)	(43)
Others	(376)	(375)	(363)	(468)	(484)
<b>Cashflow from investments</b>	<b>(1,254)</b>	<b>(1,018)</b>	<b>(1,991)</b>	<b>(1,237)</b>	<b>(1,262)</b>
CFF					
Loans, net of repayments	176	(26)	2,788	(1,305)	203
Dividends to shareholders & capital reduction	(313)	(376)	(414)	0	(253)
<b>Cashflow from financing</b>	<b>(273)</b>	<b>(540)</b>	<b>2,230</b>	<b>(1,508)</b>	<b>(258)</b>
<b>Net change in cash</b>	<b>(21)</b>	<b>(12)</b>	<b>104</b>	<b>(88)</b>	<b>24</b>
<b>CCE, end</b>	<b>182</b>	<b>179</b>	<b>283</b>	<b>195</b>	<b>220</b>

Source: PSR est.

**Ratings History**



**Phillip Group Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
>-20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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