

# Charoen Pokphand Food - CPF

## Further expansion in China to set stage for future growth

Bloomberg | Reuters  
CPF TB | CPF.BK

### Report type: Trade Flash

#### Company Overview

CPF is a Thailand-based company engaged in agro-industrial and integrated food businesses for domestic sales and exports. The businesses are divided into two segments: livestock and aquaculture businesses.

- CPF said in a filing to the stock exchange that its board approved the acquisition of Chia Tai Food Enterprise (Qinhuangdao) Co, a manufacturer and distributor of meat processing, ready meal and ready-to-eat products in China.
- The acquisition is unlikely to give a big boost to earnings in CY13 but it would act as a springboard for CPF's future growth in China, which has high potential for consumption.
- We maintain an 'ACCUMULATE' rating on CPF shares with a target price of Bt38/share.

#### What is the news?

CPF said in a filing to the stock exchange that its board approved the acquisition of Chia Tai Food Enterprise (Qinhuangdao) Co, a manufacturer and distributor of meat processing, ready meal and ready-to-eat products in China for US\$15.7mn or about Bt482.99mn. The acquisition would be made through CP China Investment Limited (CPCI), a direct wholly owned subsidiary of CPF. Currently CT Qinhuangdao has not yet begun operations and it is expected to take around 1.5 years to build its plant. Investment in the first year of operation is estimated to be US\$100mn. CPF is expected to start realizing revenue from CT Qinhuangdao in CY14.

#### How do we view this?

In our view, the acquisition is unlikely to give a big boost to earnings in CY13 but it would provide a strong platform for CPF to expand its ready meal and ready-to-eat product business in China as part of its strategy to increase focus on food business to alleviate the impact of meat price swings. China's strong growth potential for consumption thanks to its vast population and changing consumer behaviors would bode well for CPF's operations in the future.

#### Investment Actions?

Even though this acquisition is unlikely to give a big boost to earnings in CY13, it would act as a springboard for CPF's future growth in China, which has high potential for consumption. Operations in Thailand are also likely to improve on the back of a recovery in meat prices. We maintain an 'ACCUMULATE' rating on CPF shares with a target price of Bt38/share.

**Valuation Method**  
SOTP

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