Charoen Pokphand Foods Plc. (CPF TB)

2Q26: Earnings Drop Due To Decrease Of Livestock Price; Strong Earnings Momentum In 2H26, Livestock Prices To Trend Up

Highlights

- CPF reported a 2Q26 core profit of Bt4.6b (-58% yoy, +6% qoq), which exceeded both our and consensus expectations of Bt3.4b and Bt4.0b, respectively.
- We expect a strong earnings momentum in 2H26. We remain positive on CPF's outlook, supported by the qoq and yoy recovery in domestic livestock prices
- Maintain BUY with a target price of Bt25.00.

2Q26 Results

Year to 31 Dec (S$m)	2Q26	2Q25	1Q26	yoy%	qoq%	1H26	1H25	yoy%
Revenue	147,186	147,595	136,697	-0.3%	7.7%	283,883	291,770	-2.7%
Gross profit	22,051	29,210	21,289	-24.5%	3.6%	43,340	55,877	-22.4%
SG&A/Sales	12,497	13,042	11,868	-4.2%	5.3%	24,365	25,283	-3.6%
EBIT	9,554	16,168	9,421	-40.9%	1.4%	18,975	30,594	-38.0%
Net profit	4,076	10,377	4,875	-60.7%	-16.4%	8,951	18,926	-52.7%
Core profit	4,574	10,994	4,317	-58.4%	5.9%	8,891	19,569	-54.6%
Core EPS (Bt)	0.54	1.31	0.51	-58.4%	5.9%	1.06	2.33	-54.6%
Ratio (%)	2Q26	2Q25	1Q26	yoy%	qoq%	1H26	1H25	yoy%
Gross margin	15.0%	19.8%	15.6%	-4.8%	-0.6%	15.3%	19.1%	-3.9%
SG&A/Sales	8.5%	8.8%	8.7%	-0.3%	-0.2%	8.6%	8.7%	-0.1%
Net profit margin	2.8%	7.0%	3.6%	-4.3%	-0.8%	3.2%	6.5%	-3.3%

Source: Charoen Pokphand Foods Plc., UOB Kay Hian

Analysis

- **Earnings beat expectations.** Charoen Pokphand Foods (CPF) reported a 2Q26 net profit of Bt4.1b (-61% yoy, -16% qoq). Excluding one-off items (fx and biological assets), 2Q26 core profit came in at Bt4.6b (-58% yoy, +6% qoq). The core profit exceeded both our and consensus expectations of Bt3.4b and Bt4.0b respectively. The earnings beat was due to: a) higher-than-expected gross profit margin and sales, and b) lower-than-expected SGA.
- **2Q26 gross profit margin came in better than expected.** Gross profit margin for 2Q26 came in at 15.0%, down from 19.8% in 2Q25 and 15.6% in 1Q26. The decrease in gross profit margin was mainly attributable to the lower gross profit margin of its Thai and oversea livestock businesses. SGA-to-sales for 2Q26 was 8.5%, down yoy and qoq.
- **China swine prices remain a key driver of profit share and earnings recovery.** Share of profit in 2Q26 was reported at Bt1.2b (-66% yoy and -11% qoq), mainly pressured by losses from CTI, following the decline in China's swine prices in 2Q26.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	580,747.2	571,134.5	581,155.9	592,846.1	604,970.6
EBITDA	60,354.9	71,175.5	60,049.5	60,704.6	61,162.2
Operating profit	34,608.8	46,078.7	35,160.0	36,568.0	37,707.6
Net profit (rep./act.)	19,558.1	25,197.5	21,499.4	22,959.6	24,064.1
Net profit (adj.)	17,631.6	24,275.9	20,093.8	22,959.6	24,064.1
EPS	2.1	2.9	2.4	2.6	2.7
PE (x)	9.7	7.1	8.5	8.0	7.6
P/B (x)	0.8	0.8	0.8	0.7	0.7
EV/EBITDA (x)	10.8	9.1	10.3	9.8	9.4
Dividend yield (%)	4.8	5.6	4.5	4.5	4.6
Net margin (%)	3.4	4.4	3.7	3.9	4.0
Net debt/(cash) to equity(%)	175.0	195.4	172.3	154.8	138.6
Interest cover (x)	2.5	3.0	2.5	2.5	2.5
ROE (%)	9.4	12.6	10.4	10.8	10.9
Consensus net profit	n.a	n.a	18,767.2	21,602.4	22,185.5
UOBKH/Consensus (x)	n.a	n.a	1.1	1.0	1.0

Source: Charoen Pokphand Foods Plc., Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Bt21.80
Target Price	Bt25.00
Upside	14.68%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	CPF TB
Shares issued (m)	8,159.4
Market cap (Btm)	178,690.4
Market cap (US$m)	5,387.6
3-mth avg daily t'over (US$m)	19.8

Price Performance (%)

52-week high/low				Bt24.4/Bt18.6
1mth	3mth	6mth	1yr	YTD
(0.4)	14.1	2.8	(9.5)	0.5

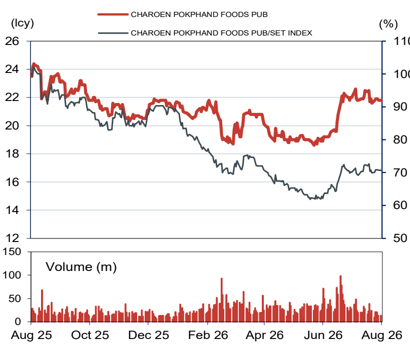
Major Shareholders (%)

Charoen Pokphand Group Co., Ltd.	25.02
Thai NVDR	10.40

Balance Sheet Metrics

FY26 NAV/Share (Bt)	25.9
FY26 Net Debt/Share (Bt)	50.2

Price Chart



Source: Bloomberg

Company Description

CPF, which is Thailand's leading conglomerate, engages in the agro-industrial processing of feed, farm and food..

- **CPF expands into Vietnam's premium beverage business.** CPF announced that its subsidiary, C.P. Vietnam Corporation, has entered into a Share Purchase Agreement to acquire shares in Les Vergers Du Mekong (LVDM). LVDM is a Vietnam-based company engaged in the manufacturing and distribution of premium non-alcoholic beverages and fruit-based food products. The transaction amount will be around VND235m (Bt336m) or 76.57% of the total issued shares of LVDM. This will be funded by internal cash flow of CPV.
- CPF announced a dividend of Bt0.45/share, implying a dividend yield of 2.06%. The ex-dividend date will be 31 Aug 26.
- **Strong earnings momentum in 2H26**. We remain positive on CPF's outlook, supported by the qoq and yoy recovery in domestic livestock prices in 3Q26. Domestic swine prices increased to Bt70-72/kg (+9% mom and +9% vs the 2Q26 average), while chicken prices remained at Bt43-44/kg (flat mom and +10% vs the 2Q26 average). We expect the recovery in livestock prices to support an improvement in CPF's bottom line earnings. We also expect CPF's China swine business to recover in 2H26. China swine prices improved to Rmb10.87/kg in Aug 26 (flat mom and +9% vs the 2Q26 average). We expect China swine prices to have bottomed in 2Q26 and recover in 3Q26, which should support share of profit earnings in 3Q26. On the cost side, we expect corn prices to soften in 3Q26, supported by the domestic corn harvesting season. In addition, US corn, which is expected to commence imports in 4Q26, should also help put downward pressure on domestic corn prices. Overall, we expect CPF's earnings momentum to strengthen in 2H26, following the sluggish performance in 1H26.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt25.00** based on 2026 EPS. We use the forward PE to industry's five-year mean, at 10x. We expect domestic livestock prices to continue trending upward, supported by ongoing supply constraints and strong demand consumption. In China, swine prices are projected to increase in 2H26 following the government's measures to control and reduce supply.

Earnings Revision/Risk

- None. 1H26 core profit accounted for 44% of 2026 earnings forecasts.

Share Price Catalyst

- a) Increase in China and Vietnam swine prices, b) recovery of domestic swine and chicken prices, and c) a decline in raw material prices.

Environment, Social, Governance (ESG) Updates

CG Report: 5
SET ESG Rating: Non-rated.

Environmental

- CPF aims to be a net zero company by 2050 and plans to reduce its greenhouse gas emissions from land use and fossil fuels by 30.3% and 42.0% respectively by 2030. The company plans to reduce its greenhouse gas emissions from land use and fossil fuels by 72% and 90% by 2050.

Social

- The company focuses on personnel development to train both ethical and talented employees. It pledges to improve employees' skills through lifelong learning.

Governance

- Good governance practices. CPF is committed to operating its business in accordance with good corporate governance policies. It received the "Excellent" rating on good corporate governance from the Thai Institute of Directors (IOD).

Domestic Livestock Price Trend

Source: CPF

Raw Material Price Trend

Source: CPF

China Swine Price Trend

Source: Pig333

Vietnamese Swine Price Trend

Source: Pig333

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	571,135	581,156	592,846	604,971
EBITDA	71,176	60,049	60,705	61,162
Deprec. & amort.	25,097	24,890	24,137	23,455
EBIT	46,079	35,160	36,568	37,708
Total other non-operating income	5,034	4,778	4,927	5,082
Associate contributions	11,121	14,439	14,910	15,446
Net interest income/(expense)	(24,089)	(23,991)	(23,955)	(24,225)
Pre-tax profit	37,279	30,386	32,450	34,011
Tax	(8,635)	(6,077)	(6,490)	(6,802)
Minorities	(3,447)	(2,809)	(3,000)	(3,144)
Net profit	25,197	21,499	22,960	24,064
Net profit (adj.)	24,276	20,094	21,484	22,514

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	251,750	244,134	237,236	230,987
Other LT assets	418,293	421,603	424,995	428,464
Cash/ST investment	23,371	52,098	76,666	107,070
Other current assets	168,383	160,322	159,753	159,174
Total assets	861,796	878,158	898,650	925,696
ST debt	213,220	241,829	271,077	300,901
Other current liabilities	72,738	80,104	83,914	87,898
LT debt	264,920	232,402	205,636	184,046
Other LT liabilities	59,059	59,746	60,448	61,164
Shareholders' equity	232,752	244,969	258,467	272,580
Minority interest	19,108	19,108	19,108	19,108
Total liabilities & equity	861,796	878,158	898,650	925,696

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	71,565	61,901	51,569	52,184
Pre-tax profit	37,279	30,386	32,450	34,011
Tax	(8,635)	(6,077)	(6,490)	(6,802)
Deprec. & amort.	25,097	24,890	24,137	23,455
Associates	11,121	14,439	14,910	15,446
Working capital changes	(13,600)	15,512	4,473	4,665
Other operating cashflows	20,304	(17,248)	(17,910)	(18,590)
Investing	(9,550)	(19,982)	(20,022)	(20,062)
Capex (growth)	(16,329)	(16,895)	(16,895)	(16,895)
Others	6,779	(3,087)	(3,127)	(3,167)
Financing	(61,834)	(13,191)	(6,979)	(1,718)
Dividend payments	(21,604)	(9,282)	(9,461)	(9,952)
Issue of shares	200	0	0	0
Proceeds from borrowings	45,556	(32,518)	(26,766)	(21,590)
Loan repayment	(50,481)	0	0	0
Others/interest paid	(35,506)	28,609	29,248	29,823
Net cash inflow (outflow)	181	28,727	24,568	30,404
Beginning cash & cash equivalent	24,032	23,371	52,098	76,666
Changes due to forex impact	(1,252)	0	0	0
Ending cash & cash equivalent	22,962	52,098	76,666	107,070

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.5	10.3	10.2	10.1
Pre-tax margin	6.5	5.2	5.5	5.6
Net margin	4.4	3.7	3.9	4.0
ROA	3.5	2.9	3.1	3.2
ROE	12.6	10.4	10.8	10.9
Growth				
Turnover	(1.7)	1.8	2.0	2.0
EBITDA	17.9	(15.6)	1.1	0.8
Pre-tax profit	33.3	(18.5)	6.8	4.8
Net profit	28.8	(14.7)	6.8	4.8
Net profit (adj.)	37.7	(17.2)	6.9	4.8
EPS	37.8	(17.2)	6.9	4.8
Leverage				
Debt to total capital	189.8	179.6	171.7	166.3
Debt to equity	205.4	193.6	184.4	177.9
Net debt/(cash) to equity	195.4	172.3	154.8	138.6
Interest cover	3.0	2.5	2.5	2.5