

GFPTGFPT
Public Company Limited**GFPT**Bloomberg GFPT TB
Reuters GFPT .BK**innovest^x**
A Subsidiary of SCBX Group

3Q24: In line with estimates

3Q24 core profit was in line at Bt564mn, +77% YoY from better sales and margin and higher equity income but flat QoQ. We raise our 2024F by 5% to reflect strong export sales volume (led by Europe) and a wider margin from more high-margin export sales amid low feed costs in 4Q24F. We expect 4Q24F to grow YoY from better sales and margin but slip QoQ on seasonality. GFPT is now trading at 6.7x 2024PE (-2S.D. vs its 10-year PE). We maintain Outperform with a mid-2025 SOTP TP of Bt16, based on PE of 8.5-10.5x for feed, farm and food units.

3Q24 net profit in line at Bt542mn, +70% YoY but -7% QoQ. Excluding Bt22mn FX loss, 3Q24 core profit was B564mn, +77% YoY on better sales and margin and higher equity income (McKey & GFN) but flat QoQ as higher sales and margin offset lower equity income from GFN.

3Q24 highlights. Sales grew 6% YoY with better food sales (+12% YoY, led by stronger direct exports) and farm sales (+2% YoY, higher sales volume to GFN) outpacing weaker feed sales (-2% YoY on lower fish feed sales). At the food unit, direct export sales rose to 9,500 tons, +44% YoY off last year's low base and higher exports into Europe, Malaysia and Singapore and +6% QoQ on better exports to Europe, Japan and China. Prices to Europe and Japan for the industry averaged US\$4,000/ton (-5% YoY, flat QoQ) and US\$4,800/ton (+4% YoY, +4% QoQ). Local chicken rib byproduct price was Bt14.5/kg, +26% YoY but -9% QoQ. Gross margin widened to 15.5%, +340bps YoY and +130bps QoQ, on a rise in high-margin export sales and low feedstock costs. Equity income rose to Bt206mn (+86% YoY, -26% QoQ), on a rise in contribution from McKey (Bt150mn, +159% YoY, +6% QoQ) from more exports and GFN (Bt57mn, +6% YoY from more exports but -58% QoQ from lower local byproduct prices).

Takeaway from meeting. Local prices. In 4Q24TD, local live chicken and chicken rib byproduct prices have fallen QoQ to Bt38.5/kg (+2% YoY, -10% QoQ) and Bt11/kg (-24% YoY and QoQ) from the rainy season and floods and the vegetarian festival in October. GFPT expects prices to improve seasonally in late Nov-Dec on more demand. As a substitute protein, local broiler prices tend to be supported when local swine prices rise, now up 3% MoM to Bt73/kg in Nov to date. Feed costs. GFPT has no cost side concerns from late 2024 to 2025. In 3Q24, local corn spot price was Bt12/kg (+3% YoY, +10% QoQ) and imported soybean meal price was Bt20.2/kg (-5% YoY and QoQ). In 4Q24TD, local corn spot price is down to Bt10/kg (-5% YoY, -17% QoQ) and imported soybean meal price is at Bt19.1/kg (-13% YoY, -5% QoQ) from more supply. Broiler exports. GFPT raised its 4Q24F forecast for broiler export sales volume to 9,000-9,500 tons (+20% YoY; flat/-5% QoQ) from 8,000-8,500 tons earlier based on robust advance orders from Europe and China amid stable export prices. Looking into 2025F, GFPT expects export demand from Europe, Singapore and Malaysia, all of which grew well in 2Q24TD, to grow moderately (some advance orders seen into 2Q25), amid more demand from Japan and China off a low base versus the record level seen over the past few years. Equity income. Equity income from McKey will stay healthy, boosted by solid exports. While contribution from GFN might soften from lower local byproduct prices, solid exports tend to keep GFN profitable.

Key risks are changes in feed costs and government policies, higher swine supply (substitute protein). Key ESG risks are energy, waste & water management, sustainable products (E), health & safety policies for customers and labor (S).

Forecasts and valuation

Year to 31 Dec	Unit	2022	2023	2024F	2025F	2026F
Revenue	(Btmn)	18,222	18,963	19,418	20,033	20,624
EBITDA	(Btmn)	2,945	2,577	3,112	3,221	3,338
Core profit	(Btmn)	2,049	1,292	2,031	2,184	2,348
Reported profit	(Btmn)	2,044	1,377	2,055	2,184	2,348
Core EPS	(Bt)	1.63	1.03	1.62	1.74	1.87
DPS	(Bt)	0.20	0.15	0.33	0.35	0.37
P/E, core	(x)	6.6	10.5	6.7	6.2	5.8
EPS growth, core	(%)	1,324.0	(36.9)	57.2	7.5	7.5
P/BV, core	(x)	0.8	0.8	0.7	0.6	0.6
ROE	(%)	13.1	7.5	10.9	10.7	10.5
Dividend yield	(%)	1.9	1.4	3.0	3.2	3.5
EV/EBITDA	(x)	5.8	6.6	5.1	4.6	4.0

Source: InnovestX Research

Tactical: OUTPERFORM

(3-month)

Stock data	
Last close (Nov 12) (Bt)	10.80
Target price (Bt)	16.00
Mkt cap (Btbn)	13.54
12-m high / low (Bt)	13.4 / 10.1
Avg. daily 6m (US\$m)	1.09
Foreign limit / actual (%)	49 / 10
Free float (%)	64.0
Outstanding Short Position (%)	0.30

Share price performance			
(%)	1M	3M	12M
Absolute	(6.9)	(16.3)	5.9
Relative to SET	(5.3)	(24.8)	1.6

INVX core earnings vs consensus		
Earnings vs consensus	2024F	2025F
Consensus (Bt mn)	1,970	1,905
INVX vs Consensus (%)	3.1	14.6

Earnings momentum	YoY	QoQ
INVX 4Q24F core earnings	Up	Down

2023 Sustainability/2023 ESG Score

SET ESG Ratings BBB

Bloomberg ESG Score and Rank in the sector		
ESG Score and Rank	4.22	1/14
Environmental Score and Rank	3.88	1/14
Social Score and Rank	4.58	1/14
Governance Score and Rank	4.19	1/14

Source: SET, InnovestX Research, Bloomberg Finance L.P.

Analyst

Sirima Dissara, CFA
Fundamental Investment
Analyst on Securities
(66-2) 949-1004
sirima.d@innovestx.co.th

Our view on ESG

Key ESG risks are GHG emission, waste & water management (E), customer welfare, product quality management, health & safety policies (S). On environment issue, we view GFPT is the lagging position on the absence of its commitments in key environmental issues (GHG emissions, and waste & water management), though it has already committed on LT net zero target similar to peers. On social issue, its health & safety in workplace lagged behind peers and this issue is needed to be monitored further.

ESG Ratings and Indices

Bloomberg ESG Financial Materiality Score 4.22 (2023)

Rank in Sector 1/14

CG Rating DJSI SETESG SET ESG Ratings

GFPT 5 No Yes BBB

Source: Thai Institute of Directors and SET

Environmental Issue (E)

- GFPT aims to be a carbon neutral organization by 2030 and achieve net zero carbon emission by 2050.
- In 2023, it had corporate environmental policy and practice, with GHG management and energy management plans, but it had the absence of water and waste management plans.
- In 2023, its GHG emissions (scope 1 & 2) was 49,764 MTCO2Eq (-5% YoY). It is currently in the process of registering with the Greenhouse Gas Management Organization.
- In 2023, its waste consumption was 22,033 tons (+4% YoY), without disclosure on reused/recycled waste.
- In 2023, its water consumption reached 2.33mn cubic meters (+7.8% YoY), with water consumption at 46.3 liter per chicken (+7% YoY and +3% above its target at 45 liter per chicken). It is in the process of conducting the developed plan to control water consumption further.
- GFPT is the lagging position on the absence of its commitments in key environmental issues (GHG emissions, and waste & water management), though it has already committed on LT net zero target similar to peers.

Social Issue (S)

- In 2023, GFPT had the policy & guidelines on sustainable sourcing of raw materials according to international standards, with 100% of raw materials and products sourced from responsible sources & certified to animal welfare standards.
- In 2023, it had risk assessment policy on raw material and products that may have impact on health and safety of customers, with zero incident and complaint to impact on health and safety from the consumption of products.
- In 2023, it had the absence on policy and guidelines on health and nutrition products, with 80% of its products under nutritional labelling.
- In 2023, its employee turnover rate was 8% (vs 13% in 2022), showing the sector's lowest.
- In 2023, its lost-time injury frequency rate per 1mn-manhour was 11.5 times (up from 7.9 times in 2022 and above its target at below 10 times), showing the sector's highest and rising. This outcome led GFPT conduct the analysis of accident causes and implement more safety protocols and preventive strategies to improve safety condition in the workplace.
- We view its health & safety in workplace lagged peers, and this issue is needed to be monitored further. Meanwhile, it has not yet provided concrete long-term targets on product quality management, health & safety policies on customers and labors.

Governance Issue (G)

- In 2023, GFPT's board of directors consisted of 9 directors: 2 female members (22% of the entire board), 3 independent directors (33% of the entire board), 6 non-executive directors (67% of the entire board). Lack of gender diversity might limit perspective variety in strategic decision.
- In 2023, its chairman of board was not the highest-ranking executive. However, its chairman of the board and the highest-ranking executive are from the same family, which might limit the effectiveness on business oversight.
- In 2023, it had corporate sustainability policy, but it had the absence of corporate sustainability report. Its sustainability disclosure aligned with guidelines from GRI.

ESG Financial Materiality Score and Disclosure

	2022	2023
ESG Financial Materiality Score	3.32	4.22
Environment Financial Materiality Score	2.73	3.88
Emissions Reduction Initiatives	Yes	Yes
Climate Change Policy	Yes	Yes
Electricity Used ('000 MWh)	62.63	63.75
Total Waste ('000 metric tonnes)	21.14	22.03
Environmental Supply Chain Management	Yes	Yes
Water Consumption ('000 cubic meters)	—	—
Social Financial Materiality Score	3.42	4.58
Human Rights Policy	Yes	Yes
Pct Women in Workforce (%)	54.00	54.00
Number of Employees - CSR (persons)	5,367	5,525
Employee Turnover Pct (%)	21.47	8.24
Total Hours Employee Training (hours)	719,841	890,950
Governance Financial Materiality Score	4.22	4.19
Size of the Board (persons)	9	9
Number of Board Meetings for the Year (times)	9	9
Board Meeting Attendance Pct (%)	99	75
Number of Female Executives (persons)	4	3
Number of Women on Board (persons)	2	2
Number of Independent Directors (persons)	3	3

Source: Bloomberg Finance L.P.

Disclaimer

Bloomberg ESG Scores rate companies on their level of management of financially material industry-specific ESG issues. Bloomberg offers four financially material scores, for overall ESG, as well as Environmental, Social, and Governance. Values range from 0 to 10; 10 is best. To review the fully transparent methodology, see ESG Financial Materiality Score Model in Bloomberg.

Disclaimer

The information in this report has been obtained from sources believed to be reliable. However, its accuracy or completeness is not guaranteed. Any opinions expressed herein reflect our judgment at this date and are subject to change without notice. This report is for information only. It is not to be construed as an offer, or solicitation of an offer to sell or buy any securities. We accept no liability for any loss arising from the use of this document. We or our associates may have an interest in the companies mentioned therein.

InnovestX Securities Company Limited ("INVX") is wholly owned by SCB X Public Company Limited ("SCBX") and The Siam Commercial Bank Public Company Limited ("SCB") is majority-owned by SCBX. Any information related to SCB is for sector comparison purpose.

This document is prepared by InnovestX Securities Company Limited ("INVX") which is wholly owned by SCB X Public Company Limited ("SCBX"). The Siam Commercial Bank Public Company Limited, which is majority-owned by SCBX, acts as financial advisor of the LH Hotel Leasehold Real Estate Investment Trust. Any opinions, news, research, analyses, prices, statements, forecasts, projections and/or other information contained in this document (the "Information") is provided as general information purposes only and shall not be construed as individualized recommendation of an offer to buy or sell or the solicitation of an offer to buy or sell any securities. INVX and/or its directors, officers and employees shall not be liable for any direct, indirect, incidental, special or consequential loss or damage, resulting from the use of or reliance on the Information, including without limitation to, damages for loss of profits. The investors shall use the Information in association with other information and opinion, including their own judgment in making investment decision. The Information is obtained from sources believed to be reliable, and INVX cannot guarantee the accuracy, completeness and/or correctness of the Information.

INVX reserves the right to modify the Information from time to time without notice and in its sole discretion. This document is delivered to intended recipient(s) only and is not permitted to reproduce, retransmit, disseminate, sell, distribute, republish, circulate or commercially exploit the Information in any manner without the prior written consent of INVX.

Futures and Options trading carry a high level of risk with the potential for substantial losses, and are not suitable for all persons. Before deciding to trade Futures and Options, you should carefully consider your financial position, investment objectives, level of experience, and risk appetite if Futures and Options trading are appropriate. The possibility exists that you could sustain a loss of some or all of your initial investment. You should be aware of all the risks associated with Futures and Options trading, and you are advised to rely on your own judgment while making investment decision and/or should seek advice from professional investment advisor if you have any doubts.

This document is delivered to intended recipient(s) only and is not permitted to reproduce, retransmit, disseminate, sell, distribute, republish, circulate or commercially exploit the Information in any manner without the prior written consent of INVX.

© Copyright 2022 InnovestX Securities Co., Ltd. All right reserved.

