

Century Pacific Food Inc (CNPF PM)

9M23 earnings beat due to lower commodity prices

9M23 net income beat; fairly valued, maintain HOLD

CNPF's 3Q23/9M23 net income of PHP1.4b/PHP4.6b (+13%/+9.7% YoY) is ahead of our/consensus estimates, at 85%/84% of FY23 forecasts, due to margin windfall from lower commodity prices. As 9M23 EBIT margin of 11.2% is ahead of our 9.9% FY23 expectation, we raise our FY23/24E by 10%/9% to account for lower expected commodity costs. This, in turn, raises our DCF-based TP to PHP29 (+2%). As upside appears limited following CNPF's recent share price run-up, we prefer Jollibee (JFC PM, CP PHP216.40, BUY, TP PHP288) for expected holiday spending, complemented by strong earnings growth potential.

Branded business posts 12% YoY revenue growth

The 12% YoY growth in the branded business (82% of revenue) offset the 10% contraction in OEM (exports, 18% of revenue) such that 9M23 revenue rose 7% YoY to PHP50.5b. The branded business in 3Q23 was buoyed by a combination of higher volumes (c.10%) and pricing (c.4%). Strong performance was seen in the dairy segment (c.20% YoY), complementing the high-single to low-double digit growth in the meat and marine segment. This reinforces our 10.5% YoY FY23E revenue growth forecast, broadly in line with management guidance of a mid-to-high single digit revenue growth.

Sequential GPM improvement on lower input costs

3Q23 gross profit margin (GPM) rose by 20bps QoQ/130bps YoY due to lower cost of inventories and downtrend in raw material prices, which pulled 9M23 GPM up to 24.2%, ahead of our FY23 forecast of 23.1%. Management is starting to see downtrend in the cost of key raw materials: milk, tuna, meat and tin can, as commodity prices have softened and CNPF has already depleted its high-cost inventory; only sardine prices remain elevated as of 3Q23. The company continues to lock in 2-3 months of inventory, reinforcing our higher GPM forecasts of 24%/24.2% for FY23/24E from 23.1%/23.3% previously.

Maintain HOLD, positive view long term

CNPF is the best performing stock in our coverage, up 9% YTD and +8% since end-Aug 2023 before its surprising inclusion on the PCOMP in an off-cycle rebalancing. The stock is trading at 17.1x FY23E P/E, almost 1SD above its 5Y average of 16.5x; as such, we maintain HOLD as upside appears capped. Nonetheless, we remain optimistic of CNPF's long-term growth trajectory, fuelled by both its branded and emerging businesses.

FYE Dec (PHP m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	54,710	62,259	68,805	74,670	81,039
EBITDA	6,959	7,164	8,947	10,165	11,277
Core net profit	4,673	4,999	5,960	6,706	7,429
Core EPS (PHP)	1.32	1.41	1.68	1.89	2.10
Core EPS growth (%)	20.5	7.0	19.2	12.5	10.8
Net DPS (PHP)	0.36	0.36	0.46	0.55	0.62
Core P/E (x)	22.2	18.3	16.9	15.0	13.6
P/BV (x)	4.2	3.2	3.0	2.7	2.3
Net dividend yield (%)	1.2	1.4	1.6	1.9	2.2
ROAE (%)	20.2	18.6	19.3	18.9	18.4
ROAA (%)	12.1	11.2	11.8	12.1	12.1
EV/EBITDA (x)	15.5	13.7	11.5	9.9	8.7
Net gearing (%) (incl perps)	12.3	19.7	3.0	net cash	net cash
Consensus net profit	-	-	5,379	6,149	6,993
MIBG vs. Consensus (%)	-	-	10.8	9.1	6.2

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HOLD

Share Price	PHP 28.45
12m Price Target	PHP 29.00 (+2%)
Previous Price Target	PHP 28.00

Company Description

Primarily engaged in the manufacture and sale of branded consumer foods such as canned fish, canned meat, coconut and dairy products.

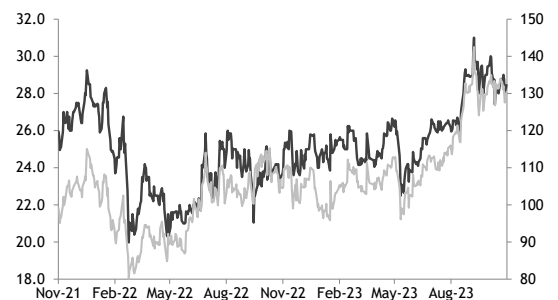
Statistics

52w high/low (PHP)	31.00/22.50
3m avg turnover (USDm)	1.9
Free float (%)	31.2
Issued shares (m)	3,542
Market capitalisation	PHP100.8B USD1.8B

Major shareholders:

Century Pacific Group Inc.	68.7%
Royal Bank of Canada	1.7%
Franklin Resources Inc.	1.7%

Price Performance



— Century Pacific - (LHS, PHP) — Century Pacific / PSEI Philippine SE Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	(3)	8	21
Relative to index (%)	(1)	13	24

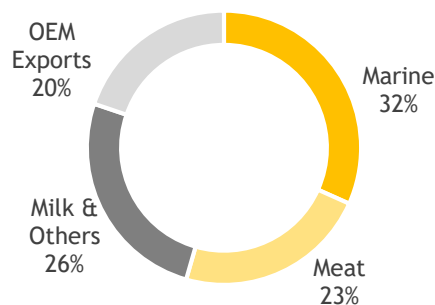
Source: FactSet

ESG@MAYBANK IBG
Tear Sheet Insert

Value Proposition

- One of the leading food manufacturers in the Philippines with market-leading positions in the canned tuna and canned meat (beef, pork and chicken) industries.
- Strong challenger in the powdered milk industry with 23% market share as of YE21 from only 2% as of YE15.
- Proven track record in building brands, evidenced by the success of Century Tuna, Argentina Corned Beef and Birch Tree, to name a few.
- Boasts one of the highest ROEs among Philippine consumer companies at 18.5% in FY22A.

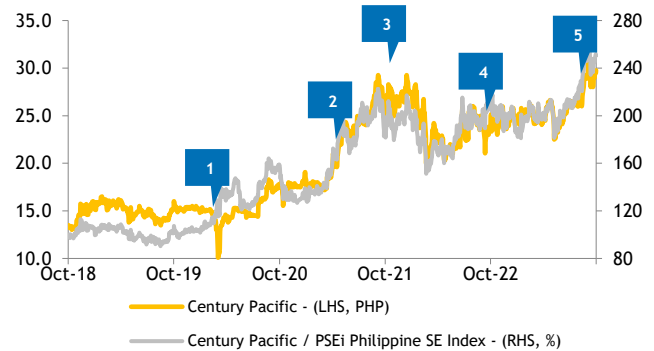
Revenue mix (FY22)



Source: Company

Price Drivers

Historical share price trend



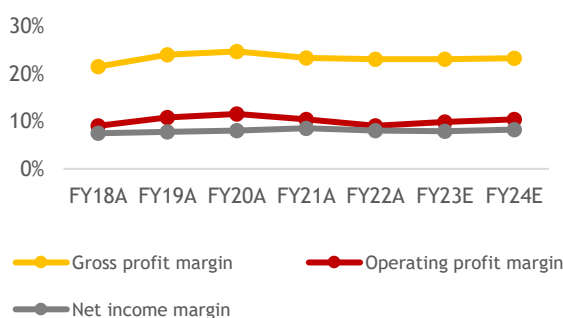
Source: Company, Maybank IBG Research

1. 1Q20 revenue/net income up 24.3%/31.0% YoY on strong demand due to panic buying.
2. CNPF managed to sustain growth momentum despite easing of lockdown restrictions and weakening consumer spending.
3. CNPF is added in the MSCI Philippine Small Cap index.
4. Rising input prices threaten CNPF's margins.
5. CNPF was included in the PCOMP, after an off-cycle rebalancing activity.

Financial Metrics

- We expect revenue to grow at a 3-year CAGR of 9% over FY22-25E driven by double-digit growth by the emerging businesses and sustained growth of core branded products.
- We estimate GPM to hold steady at 23.1% in FY23E (FY22A: 23.1%) as judicious ASP hikes should cushion higher YoY tuna prices and cost pressure from other raw materials (eg. meat).
- Cash flow from operations of around PHP6.5-8.6b pa in FY23-24E to support capex and potential acquisitions.
- Balance sheet remains healthy with forecasted D/E ratio of 0.19x by end-FY23E.
- Forecasted core ROE of 17.7% in FY23E.

Profitability ratios



Source: Company

Swing Factors

Upside

- Lower-than-expected raw material prices or impact of inventory windfalls could further lead to margin improvement.
- Sustained substantial market share gains in the dairy market despite intensifying competition.
- Earnings-accretive acquisition that will augment market position.

Downside

- Large increases in raw material prices, particularly tuna, will soften lower profit margins.
- Material depreciation of the peso could hurt margins as close to 55% of raw materials are imported vs. 22-25% of revenue from OEM exports.
- Intensifying and/or irrational competition in branded categories might dilute market share, leading to lower profitability.

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Risk Rating & Score ¹	38.0
Score Momentum ²	-1.0
Last Updated	28 March 2023
Controversy Score ³ (Updated: 17 March 2023)	0

Business Model & Industry Issues

- Century Pacific’s sustainability framework puts emphasis on five pillars, namely: i) protein delivery; ii) purchases assessment; iii) planet preservation; iv) people development; and v) good governance. This comprehensive framework tackles various issues in the ESG space and provides CNPF with a roadmap in achieving sustainable business growth.
- Minimization of food safety and quality risks is a priority for all players in the food & beverage industry. CNPF achieves this through regular raw material testing and food safety audits. Moreover, CNPF employs a comprehensive supplier accreditation policy which ensures that suppliers comply with various local/international regulations.
- Fully aware of the increasing importance of environmental sustainability, CNPF established commitments to optimize natural resource efficiency as well as reduce waste. For example, CNPF achieved “100% plastic neutrality” last Jan 2020, in-line with guidance. Initiatives are also already in place to reduce natural resource consumption (e.g. water, electricity) in the next three years. On the social front, CNPF has been a partner of the community through its various outreach programs and provision of job opportunities for local residents.
- Overall, we are confident in CNPF’s ESG initiatives and we categorize CNPF as one of the leaders in ESG among Philippine consumer names. Governance risks are also low, as evidenced by the awards the company has received throughout the years.

Material E issues

- Food safety and quality is of paramount importance. Raw material testing and food safety audits are regularly conducted to ensure these. Moreover, CNPF employs a comprehensive supplier accreditation policy that assesses supplier credibility and raw materials traceability.
- CNPF achieved “100% plastic neutrality” last Jan 2020, in line with targets. This initiative will continue through CNPF’s partnership with Plastic Credit Exchange for plastic offsetting. This program collects municipal plastic waste and co-processes the plastic into energy in lieu of coal.
- It reduced its energy and water consumption and GHG emissions by 5%, 5% and 4%, respectively, in 2020.
- Natural resource efficiency is achieved through conscious control of resource use. For example, CNPF aims to reduce fresh water consumption by 30% within three years. CNPF approved a 5.2 MW solar project in General Santos, its largest manufacturing base.

Material S issues

- In 2021, CNPF had approximately 18,753 employees, 43% of which are female. Moreover, 73% of plant employees come from the areas where CNPF operates, helping support local communities by creating job opportunities for local residents.
- Professional and personal growth of employees is also a priority. In 2020, CNPF provided an average of 7.17/8.4 training hours to female/male employees in 2021. Section managers and supervisors got the most formal training averaging 19 formal training hours per employee in 2020.
- CNPF’s “KAIN Po” (“Let’s Eat Please”) programme has provided feeding programmes in impoverished communities since 2010. CNPF has also launched the “#TheFilipinoCan” campaign in its efforts to help communities during the COVID-19 pandemic. As of May 2020, CNPF has already distributed more than 700,000 food packs.

Key G metrics and issues

- CNPF has 10 members on its board of directors with four independent and three women directors. The founder, Ricardo S. Po, Sr., and his four sons are part of the company’s board.
- The board of directors has four committees (i.e. Audit, Board Risk Oversight, Corporate Governance, Related-Party Transactions). Majority of the members of the committees are independent directors except for the Board Risk Oversight Committee.
- CNPF has a Related-Party Transactions (RPT) Committee, chaired by an independent director. No family member is part of the RPT Committee.
- The total compensation of the CEO and the top 4 executive officers amounted to PHP123.8m in 2021, while the total compensation of directors and executive officers (up to Assistant Vice President level) amounted to PHP247.6m in 2021.
- SGV & Co. served as CNPF’s auditor since 2021. CNPF has a policy of rotating the lead engagement partner once every 5 years.
- In Oct 2015, CNPF acquired Century Pacific Agricultural Ventures, Inc. (CPAVI) from its parent at a total consideration of PHP4.5b. The payment was broken down to PHP2.25b in cash and 128.2m new CNPF shares. This resulted to a 1.5% dilution for minority shareholders. In our view, the acquisition was done in an arms-length basis given that the implied 12M fwd P/E was only 11.6x – a 32% discount to CNPF’s 12M fwd P/E of 17.1x during that time. Moreover, the acquisition resulted in a 7.5% EPS accretion in 2016.
- CNPF has received multiple awards from third-party institutions involving governance. Below are examples:
 - Best ESG in the Philippines (Institutional Investor, 2020)
 - Philippines Best Mid Cap Company (Finance Asia, 2017-2018)
 - Philippines’ Best Managed Small Cap Company (Asia Money, 2016).
 - Golden Arrow Awards for Good Governance (2023)

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company’s exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company’s enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company’s score since the last update - a **negative** integer indicates a company’s improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative parameters (Score: 26)							
	Particulars	Unit	2019	2020	2021	URC (2021)	MONDE (2021)
E	Scope 1 GHG emissions	tCO2e	151,532	171,864	192,051	294,674	142,623
	Scope 2 GHG emissions	tCO2e	37,623	47,896	27,953	260,642	66,941
	Total	tCO2e	189,155	219,760	220,004	555,316	209,564
	Scope 3 GHG emissions	tCO2e	N/A	N/A	N/A	25,241	N/A
	Total	tCO2e	N/A	N/A	N/A	580,557	N/A
	Scope 1+2 emission intensity	tCO2e/MT	0.62	0.60	0.54	N/A	N/A
	Green energy share of usage	%	N/A	N/A	0.02%	N/A	53%
	Energy intensity	GJ/MT	5.84	5.56	5.40	N/A	N/A
	Water intensity	Cu m/MT	13.99	12.77	10.04	N/A	N/A
	Water recycled as % of usage	%		N/A	23.47%	16.00%	0.30%
	% of recycled material used	%	N/A	N/A	N/A	6.0%	N/A
	% of packaging from reusable/recyclable/renewable material	%		N/A	N/A	51.0%	90%
	Waste diverted away from landfill	%	N/A	N/A	40%	N/A	11%
	Sustainable products as % of total revenue/SKUs	%	N/A	N/A	7%	20%	N/A
	% of palm oil sourced from RSPO certified	%	N/A	N/A	N/A	N/A	N/A
S	% of women in workforce	%	48.0%	46.0%	42.5%	30.2%	39.3%
	% of women in management roles	%	39.0%	38.0%	21.1%	N/A	52.0%
	number of work related injuries	number	N/A	N/A	N/A	320	95
	Cases of non-compliance or complaints on product or service health and safety	number	N/A	N/A	N/A	N/A	4
G	MD/CEO salary as % of net profit	%	N/A	2.4%	2.6%	0.5%	5.2%
	Top 10 employees salary as % of profit	%	N/A	4.7%	5.3%	1.1%	4.4%
	Independent director tenure <10 years	%	N/A	38%	44%	44%	33%
	Women directors on board	%	N/A	13%	22%	22%	56%

Qualitative Parameters (Score: 50)	
a) Is there an ESG policy in place and is there a standalone ESG Committee or is it part of the Risk Committee?	<i>CNPF follows the Sustainability Framework. There is a board-level Corporate Governance and Sustainability Committee overseeing the implementation of a sustainability framework and periodically reviews the material topics. The ESG steering committee is responsible for driving and embedding sustainability in business.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>No</i>
c) Does the company follow TCFD framework for ESG reporting?	<i>No</i>
d) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?	<i>No</i>
e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<i>1. CNPF shifted to 100% LED lighting, replaced systems, equipment, and machinery with more efficient versions, 2. In 2021, CNPF commissioned a 5.2-MW solar PV plant in General Santos, its largest manufacturing hub (Tuna and Coconut division).</i>
f) Does carbon offset form part of the net zero/carbon neutrality target of the company? 1	<i>Yes - through CNPF's Plastic Neutrality initiative, CNPF was awarded 3,071 plastic credits to offset the plastic waste it generated in 2021. The carbon sequestered in the trees will be used to help its coconut subsidiary achieve carbon neutrality by 2028.</i>

Target (Score: 75)			
Particulars	Target	Achieved	
Coconut subsidiary to achieve carbon neutrality by	2028	NA	
Plastic Neutrality	Across all brands	For 11 brands since 3 years	
Reduce water consumption per metric ton of product of its marine and coconut plants by 20 to 30% in the next three years	-20-30%	NA	
Impact			
NA			
Overall score: 44			
As per our ESG matrix, Century Pacific Food, Inc. (CNPF PM) has an overall score of 44.			

ESG score	Weights	Scores	Final Score
Quantitative	50%	26	13
Qualitative	25%	50	13
Target	25%	75	19
Total			44

As per our ESG assessment, CNPF has relatively established ESG policies that have been integrated well into its daily operations and it has itemized medium to long-term targets, which include its Plastic Neutrality initiative. CNPF's overall ESG score is 44, which makes its ESG rating average in our view (average ESG rating = 50).

1. 9M23 net income beats consensus

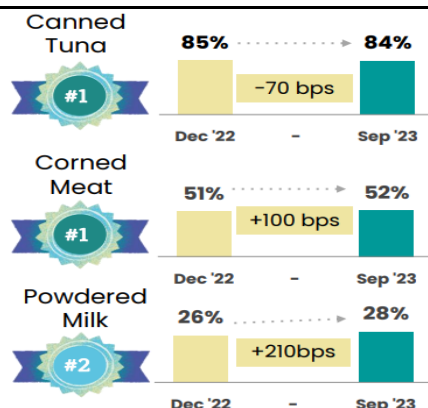
CNPF's 3Q23/9M23 net income of PHP1.4b/PHP4.6b rose 13% and 9.7% YoY, ahead of our/consensus estimates, at 85%/84% of FY23 forecasts, due to margin windfall from lower commodity prices. This translated to 9M23 EBIT margin of 11.2%, ahead of our expectation of 9.9% for FY23.

Fig 1: 3Q/9M23 results review

PHP m	3Q23	3Q22	% YoY	2Q23	% QoQ	9M23	9M22	% YoY	MIBG FY23E	% of FY23E
Revenue	17,037	15,873	7.3%	17,786	-4.2%	50,450	46,953	7.4%	68,805	73.3%
Cost of sales	(12,845)	(12,179)	5.5%	(13,450)	-4.5%	-38,238	(35,446)	7.9%	(52,920)	72.3%
Gross income	4,192	3,694	13.5%	4,336	-3.3%	12,212	11,508	6.1%	15,885	76.9%
Gross profit margin	24.6%	23.3%		24.4%		24.2%	24.5%		23.1%	
Operating expenses	(2,518)	(2,250)	11.9%	(2,245)	12.2%	-6,553	(6,600)	-0.7%	(9,075)	72.2%
EBIT	1,674	1,444	15.9%	2,091	-20.0%	5,659	4,908	15.3%	6,810	83.1%
EBIT margin	9.8%	9.1%		11.8%		11.2%	10.5%		9.9%	
Interest expense	(128)	(82)	56.7%	(118)	8.4%	-355	(199)	78.5%	(258)	137.5%
Others- net	101	203	-50.3%	41	143.8%	136	407	-66.6%	-	
Income before tax	1,646	1,565	5.2%	2,015	-18.3%	5,440	5,116	6.3%	6,552	83.0%
Provision for income tax	(213)	(298)	-28.4%	(314)	-32.2%	-809	(894)	-9.5%	(1,114)	72.6%
Effective tax rate	12.9%	19.0%		15.6%		14.9%	17.5%		17.0%	
Net income	1,433	1,268	13.1%	1,700	-15.7%	4,631	4,222	9.7%	5,438	85.2%

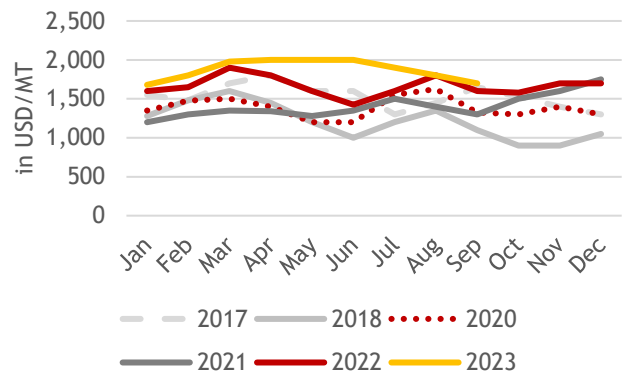
Source: Maybank IBG Research, Company

Fig 2: CNPF's market share across different categories



Source: Company

Fig 3: Skipjack tuna prices



Source: Thai Union

Key takeaways:

- The 7%/7% YoY rise in 3Q/9M23 revenue was mainly driven by the branded segment (9M23: +12% YoY; 83% of total revenue), offsetting the decline in tuna/OEM exports (9M23: -10% YoY; 17% of total revenue).
- 3Q23 GPM rose by 20bps QoQ/130bps YoY due to lower cost of inventories and downtrend in raw material prices, which pulled 9M23 GPM up to 24.2% from 24.0% in 1H23, above our 23.1% forecast.
- Branded business: 3Q23 revenue growth of 14% YoY was largely driven by the dairy segment, which saw top line growth of about 20%. Meanwhile rine and meat posted flattish volumes, supported by high-single to low-double digit pricing action.
- The QoQ decline in branded sales was attributed to: (i) sardines supply constraint; (ii) seasonality of milk, wherein 2Q (summer) is a stronger season than 3Q; and (iii) inventory correction by retailers.

2. Raising our FY23/24 earnings forecasts

We revise up our FY23/24E earnings forecasts by 10%/9% to factor in:

Fig 4: Changes to our forecasts

PHP m	FY23E Old	FY23E New	% change	FY24E Old	FY24E New	% change	Remarks
Revenue	68,805	68,805	0%	74,670	74,670	0%	No change.
Cost of sales	(52,920)	(52,292)	-1%	(57,281)	(56,600)	-1%	Lower input costs for tuna, meat, milk and tin can reduces our cost of sales assumption.
Gross income	15,885	16,513	4%	17,389	18,070	4%	
<i>GPM</i>	<i>23.1%</i>	<i>24.0%</i>		<i>23.3%</i>	<i>24.2%</i>		
Operating expenses	(9,075)	(9,075)	0%	(9,644)	(9,644)	0%	
EBIT	6,810	7,438	9%	7,745	8,426	9%	
<i>EBITM</i>	<i>9.9%</i>	<i>10.8%</i>		<i>10.4%</i>	<i>11.3%</i>		
Others - net	(258)	(258)	0	(347)	(347)	0%	
Income before tax	6,552	7,180	10%	7,398	8,079	9%	
Provision for income tax	(1,114)	(1,221)	10%	(1,258)	(1,374)	9%	
<i>Effective tax rate</i>	<i>17.0%</i>	<i>17.0%</i>		<i>17.0%</i>	<i>17.0%</i>		
Net income to common shareholders	5,438	5,959	10%	6,140	6,705	9%	

Source: Maybank IBG Research

3. Valuation

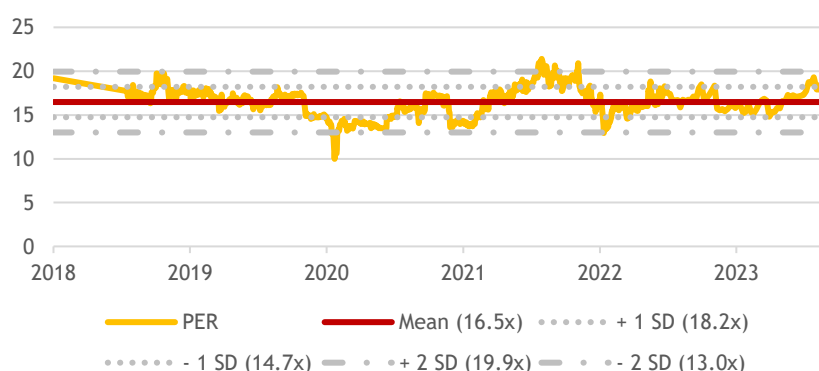
Maintain HOLD, but raise our DCF-based TP to PHP29 (+2%), after factoring in our higher FY23/24 earnings forecasts.

Fig 5: Target price computation

	FY23E (Old)	FY23E (New)	Change %
Enterprise value (PHP m)	100,551	101,547	1%
Add: Net debt (PHP m)	-39	969	-2585%
Value of equity (PHP m)	100,512	102,515	2%
# of outstanding shares (m)	3,542	3,542	0%
Target price (PHP)	28	29	2%

Source: Maybank IBG Research

Fig 6: CNPF's P/E band



Source: Bloomberg, Maybank IBG Research

Fig 7: Peer comparison

Company	Stock code	Mcap USD b	Reco	TP (PHP)	P/E (x)		P/BV (x)		ROE (%)	
					FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Century Pacific Food	CNPF PM	1.8	Hold	29	16.7	14.8	3.0	2.6	18.0%	17.7%
D&L Industries Inc.	DNL PM	0.8	Buy	10	15.4	12.3	2.1	1.9	13.3%	15.4%
Jollibee Foods Corp	JFC PM	4.7	Buy	288	27.9	23.6	3.6	3.3	17.1%	18.0%
Puregold Price Club	PGOLD PM	1.4	Buy	49	8.2	7.8	0.9	0.8	10.8%	10.3%
Robinsons Retail Holdings	RRHI PM	1.3	Buy	65	12.7	11.0	0.8	0.8	6.2%	6.9%
Universal Robina Corp	URC PM	4.4	Buy	170	17.9	15.4	2.1	1.9	11.6%	12.3%
Wilcon Depot Inc.	WLCON PM	1.6	Buy	31	22.7	19.0	3.6	3.2	16.0%	16.8%
AllHome Corp.	HOME PM	0.1	Buy	2.8	5.3	4.6	0.3	0.3	6.3%	6.8%
Monde Nissin Corp.	MONDE PM	2.3	Buy	11	20.5	17.8	2.5	2.4	12.3%	13.3%
Weighted Average					19.8	17.0	2.6	2.3	13.7%	14.4%

Source: Bloomberg, Maybank IBG Research, prices as of 11 November 2023

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	17.4	16.9	16.9	15.0	13.6
Core P/E (x)	22.2	18.3	16.9	15.0	13.6
P/BV (x)	4.2	3.2	3.0	2.7	2.3
P/NTA (x)	4.9	3.9	3.7	3.1	2.7
Net dividend yield (%)	1.2	1.4	1.6	1.9	2.2
FCF yield (%)	0.9	1.1	6.5	4.1	4.7
EV/EBITDA (x)	15.5	13.7	11.5	9.9	8.7
EV/EBIT (x)	19.0	17.4	13.8	11.9	10.6
INCOME STATEMENT (PHP m)					
Revenue	54,710.2	62,258.9	68,804.8	74,669.9	81,039.5
EBITDA	6,959.2	7,164.4	8,946.6	10,165.0	11,276.5
Depreciation	(1,271.6)	(1,504.5)	(1,508.2)	(1,738.6)	(1,988.5)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	5,687.6	5,659.9	7,438.3	8,426.4	9,288.0
Net interest income /(exp)	(296.9)	(315.2)	(257.6)	(346.9)	(338.0)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	177.2	432.9	0.0	0.0	0.0
Pretax profit	5,567.9	5,777.6	7,180.7	8,079.6	8,950.0
Income tax	(894.9)	(778.4)	(1,220.7)	(1,373.5)	(1,521.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	4,673.0	4,999.2	5,960.0	6,706.0	7,428.5
Core net profit	4,673.0	4,999.2	5,960.0	6,706.0	7,428.5
Distributable Income	4,673.0	4,999.2	5,960.0	6,706.0	7,428.5
BALANCE SHEET (PHP m)					
Cash & Short Term Investments	1,728.3	2,149.4	5,300.0	7,770.4	10,088.3
Accounts receivable	7,905.7	8,771.6	9,215.4	10,000.9	10,854.0
Inventory	14,112.4	17,728.9	17,385.7	18,818.0	20,369.4
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	8,574.3	8,793.8	10,212.5	11,635.5	13,063.3
Intangible assets	3,850.0	5,548.2	5,526.6	5,505.1	5,483.6
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	4,708.9	5,341.9	4,797.0	4,643.8	4,490.6
Total assets	40,879.6	48,333.8	52,437.2	58,373.8	64,349.1
ST interest bearing debt	2,809.8	4,640.0	4,309.8	4,809.8	4,809.8
Accounts payable	9,104.6	9,797.1	10,320.5	11,170.8	12,091.7
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,982.1	3,164.8	1,991.9	1,991.9	1,991.9
Other liabilities	2,095.0	1,953.0	2,721.0	2,562.0	2,394.0
Total Liabilities	15,991.7	19,554.8	19,342.9	20,534.3	21,287.4
Shareholders Equity	24,887.9	28,779.0	33,094.3	37,839.5	43,061.7
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	24,887.9	28,779.0	33,094.3	37,839.5	43,061.7
Total liabilities and equity	40,879.6	48,333.8	52,437.2	58,373.8	64,349.1
CASH FLOW (PHP m)					
Pretax profit	5,567.9	5,777.6	7,180.7	8,079.6	8,950.0
Depreciation & amortisation	1,271.6	1,504.5	1,508.2	1,738.6	1,988.5
Adj net interest (income)/exp	296.9	306.7	257.6	346.9	338.0
Change in working capital	(3,217.2)	(3,987.4)	1,526.4	(1,655.7)	(1,771.7)
Cash taxes paid	(834.2)	(1,007.4)	(1,220.7)	(1,373.5)	(1,521.5)
Other operating cash flow	(36.3)	(181.2)	0.0	0.0	1.0
Cash flow from operations	2,871.1	2,412.8	9,252.3	7,135.7	7,984.4
Capex	(1,892.3)	(1,388.6)	(2,752.2)	(2,986.8)	(3,241.6)
Free cash flow	978.8	1,024.2	6,500.1	4,148.9	4,742.8
Dividends paid	(1,275.2)	(1,275.2)	(1,644.7)	(1,960.8)	(2,206.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	1,258.4	3,020.0	(1,503.2)	500.0	0.0
Other invest/financing cash flow	(463.1)	(2,347.9)	(201.7)	(217.7)	(217.7)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	498.9	421.1	3,150.5	2,470.4	2,318.8

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	13.3	13.8	10.5	8.5	8.5
EBITDA growth	4.1	2.9	24.9	13.6	10.9
EBIT growth	2.0	(0.5)	31.4	13.3	10.2
Pretax growth	8.6	3.8	24.3	12.5	10.8
Reported net profit growth	20.5	7.0	19.2	12.5	10.8
Core net profit growth	20.5	7.0	19.2	12.5	10.8
Profitability ratios (%)					
EBITDA margin	12.7	11.5	13.0	13.6	13.9
EBIT margin	10.4	9.1	10.8	11.3	11.5
Pretax profit margin	10.2	9.3	10.4	10.8	11.0
Payout ratio	27.3	25.5	27.6	29.2	29.7
DuPont analysis					
Net profit margin (%)	8.5	8.0	8.7	9.0	9.2
Revenue/Assets (x)	1.3	1.3	1.3	1.3	1.3
Assets/Equity (x)	1.6	1.7	1.6	1.5	1.5
ROAE (%)	20.2	18.6	19.3	18.9	18.4
ROAA (%)	12.1	11.2	11.8	12.1	12.1
Liquidity & Efficiency					
Cash conversion cycle	92.4	96.9	98.7	93.1	93.1
Days receivable outstanding	51.0	48.2	47.1	46.3	46.3
Days inventory outstanding	121.9	119.7	120.9	115.1	115.1
Days payables outstanding	80.5	71.1	69.2	68.3	68.3
Dividend cover (x)	3.7	3.9	3.6	3.4	3.4
Current ratio (x)	2.1	2.1	2.3	2.4	2.6
Leverage & Expense Analysis					
Asset/Liability (x)	2.6	2.5	2.7	2.8	3.0
Net gearing (%) (incl perps)	12.3	19.7	3.0	net cash	net cash
Net gearing (%) (excl. perps)	12.3	19.7	3.0	net cash	net cash
Net interest cover (x)	19.2	18.0	28.9	24.3	27.5
Debt/EBITDA (x)	0.7	1.1	0.7	0.7	0.6
Capex/revenue (%)	3.5	2.2	4.0	4.0	4.0
Net debt/ (net cash)	3,063.6	5,655.4	1,001.7	(968.8)	(3,286.6)

Source: Company; Maybank IBG Research

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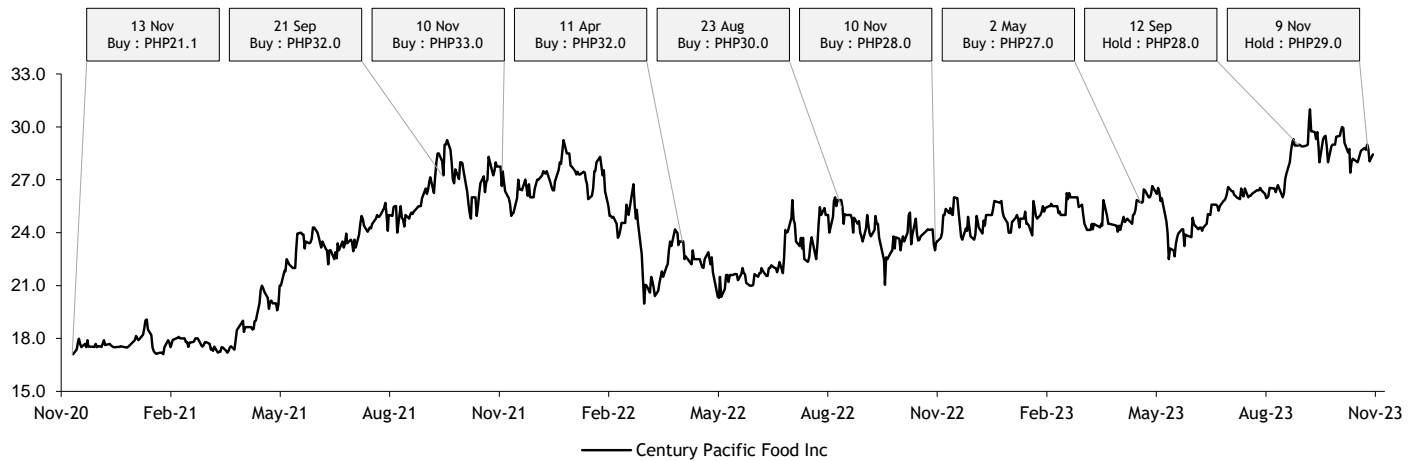
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Historical recommendations and target price: Century Pacific Food Inc (CNPF PM)



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