

China Xiangtai Food Co Ltd

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China Xiangtai Food Company serves up growth with pork products, trendy hot pot restaurants

- Focused on pork, but sells other fresh and processed foods including beef, lamb, poultry, rabbit, and duck meat
- Eyeing explosive growth by expanding into the hot pot restaurant business with a franchise model
- Subsidiary Chongqing Ji Mao Cang Feed Company completed business worth \$7.2 million in sales of soybean meal over three months

What China Xiangtai Food does:

The China Xiangtai Food Company (NASDAQ:PLIN) is growing at a brisk clip driven by its flagship pork processing business. The company's operations span the pork processing value chain, including slaughtering, packing, distribution, and wholesale of fresh pork meat and parts.

Although the company is focused on pork products, it also sells other fresh and processed products including beef, lamb, poultry, rabbit, and duck meat.

Headquartered in the bustling industrial hub of Chongqing in China, the food company was created in January 2018. It went public a year later led by chairwoman and CEO Zeshu Dai, who has considerable street cred for growing sales at the Chongqing Liangping Meat Factory where she previously worked for 14 years.

China Xiangtai's products are divided into fresh meat, and processed foods which includes sausages, bacon, pickled meat, premium ham, meat stuffing, breaded lamb, and spicy meat among other well-loved staples.

The group has a 27,000-square-meter slaughtering plant in the Linshui Industrial Park in Sichuan province, which is equipped with nine large refrigeration houses and a boiler room. Similarly, the group's modern 8,000-square meter processing facility in Fuling, in Chongqing is also accoutered with seven refrigeration houses.

The group's unique selling proposition (USP) hinges on food safety and product quality. Therefore, every live hog is examined by local Food Safety Administration officers to ensure it is not carrying any disease at the slaughterhouse. The highly automated slaughtering, cleaning, processing and packaging line and large storage space enables the company to slaughter more than 700 hogs a day.

Through the recent acquisition of the Chongqing Ji Mao Cang Feed Company (JMC), the company has successfully expanded into the business of feed raw material and feed formula solutions. The group has two other key subsidiaries, Chongqing Penguin Food Company which works closely with supermarkets, and Guangan Yongpen.

The group is also eyeing explosive growth by expanding into the popular hot pot restaurant business with a franchise model.

Price: 0.8367

Market Cap: \$24.26 m

1 Year Share Price Graph



November 2019 June 2020 November 20

Share Information

Code: PLIN

Listing: NASDAQ

52 week	High	Low
	4.71	0.6201

Sector: Food & drink

Website: ir.plinfood.com

Company Synopsis:

China Xiangtai Food Co. , Ltd, is a food company primarily engaged in pork processing. The Company's operations span key sections of the pork processing value chain, including slaughtering, packing, distribution, and wholesale of a variety of fresh pork meat and parts.

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How is it doing:

In August, China Xiangtai Food celebrated the grand opening of its first hot pot restaurant in Chongqing. Hot pot is a Chinese dining experience in which a simmering pot of soup or stock is brought to the table along with a variety of sliced meats, vegetables and other ingredients. Diners cook what they want to eat in the soup to their liking and can dip their food in the provided sauces.

According to CEO Zeshu Dai, the first hot pot restaurant is just the beginning as the group plans to use a franchise model to open 200 restaurants with its own brand by 2021. The company has said it will channel its existing industry resources and ability to provide consumers with a true farm-to-table experience.

In September, China Xiangtai revealed that its subsidiary Chongqing Ji Mao Cang Feed completed business worth 49 million Chinese renminbi (US\$7.2 million) in sales of soybean meal over three months. The food processing company's soybean sales were boosted by around 18,000 tons of supply procured from the China Grain Reserve Corporation's (Sinograin) Zhenjiang branch office.

Meanwhile, China Xiangtai through its primary operating subsidiary the Chongqing Penguin Food Company entered into a lease agreement in July to expand its hog breeding business in Guangxi province.

The company has also diversified its distribution channel. The group's sales and distribution network now has access to more than 200 farmers' markets and supermarkets in Chongqing and the Sichuan province. The group said it opened up a sales channel in the city of Shenzhen by working with Renrenlei, a local supermarket chain.

Inflection points:

- On a long-term basis, the group's hot pot restaurant chain franchise business is likely to be a growth driver with its blueprint for 200 restaurants
- The company is banking on demand for premium, safe food products as average salaries and disposable income continues to rise in China
- Near-term boost from JMC honing its procurement relationship with the China Grain Reserve Corporation's (Sinograin) Zhenjiang branch office
- Expanding its sales and distribution to network to penetrate new geographies
- Expanding its current portfolio to include premium vacuum packaged soy sauce stewed pork sausages, braised pork and other delicacies

What the boss says:

"The grand opening of the first hot pot restaurant is a significant milestone for our company as it is our first step to explore a new market and reach out to more customers," China Xiangtai Food CEO Zeshu Dai said recently.

"We plan to use a franchise model to open 200 restaurants with our own brand by 2021. We take pride in our existing industry resources and ability to provide consumers with a true farm-to-table experience. In the future, we will expand our hot pot chain and we believe it will become a key driver for our company."

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