

THAI UNION GROUP TU TB

THAILAND / CONSUMER, NON-CYCLICAL

BUY

Unlocking hidden pet food value

- TU's move to spin off two of its high-potential businesses should unlock their hidden value, in our view.
- We forecast a 4Q22 net profit of THB1.16b (-53.8% q-q, -39.5% y-y), the lowest in twelve quarters.
- Initiate with a BUY call and an SoTP-based TP of THB24.

TARGET PRICE	THB24.00
CLOSE	THB16.40
UP/DOWNSIDE	+46.3%
TP vs CONSENSUS	+7.7%

Hidden asset value unlocked via spin-off

Two of TU's high-potential businesses, TFM and ITC, are already listed on the Stock Exchange of Thailand (SET). Currently, TU is the major shareholder in ITC and TFM with 77.8% and 51% stakes, respectively. We think this should unlock the value of these subsidiaries formerly hidden inside TU by providing investors with a clearer view of TU's business structure. We also think TU's share price is due for a re-rating based on our SoTP-based valuation of its three core businesses. In our view, its pet food business should trade at 25x P/E, much higher than tuna processors, based on the average of its OEM peers in China.

Expect 4Q22 profit to be the lowest in twelve quarters

We forecast a 4Q22 net profit of THB1.16b (-53.8% q-q, -39.5% y-y), the lowest in twelve quarters. Excluding an FX loss of THB300m, we expect 4Q22 core profit to drop to THB1.46b (-15.5% q-q and -21.3% y-y). The poor earnings were due to 1) the industry low season; 2) the stronger THB; and 3) Red Lobster's continued operating losses. Assuming in-line 4Q22 results, TU's 2022 net profit and core profit would be THB7.1b (-11.8% y-y) and THB6.69b (-10.0% y-y), respectively.

Another challenging year in 2023

We have a more cautious outlook for TU in 2023, due to the potential for a recession in the US and EU, THB appreciation, the high 2022 revenue base, and a slower-than-expected recovery of Red Lobster. However, this is offset by our positive view on declining raw material and logistic costs. Logistics costs especially have been falling since 1Q22, in line with lower freight container rates. Also, we expect Red Lobster's losses to fall by roughly half to THB580m-THB600m, down from THB1.16b in 2022.

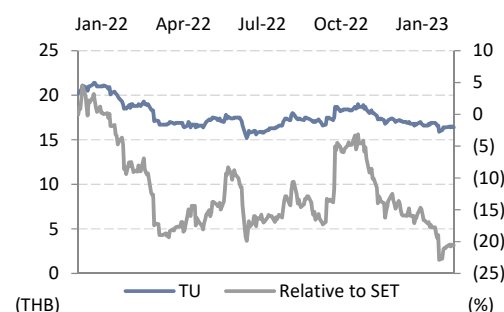
Recommend BUY on inexpensive valuation

While the spin-off will result in a 22% dilution of TU's shareholding proportion in ITC, we expect ITC's 2023 profit growth to hit 16.8% y-y. Overall, we project TU's 2023 core profit to dip to THB6.43b (-3.9% y-y) before rising by 7.5% y-y in 2024. We rate TU as BUY with an SoTP-based TP of THB24, implying 18.5x 2023E P/E, in line with its peers. TU's strength is its inexpensive valuation, with its shares currently trading at only 12.6x 2023E P/E.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	141,048	155,677	155,245	163,784
Net profit	8,013	7,068	6,430	6,911
EPS (THB)	1.68	1.48	1.35	1.45
vs Consensus (%)	-	(4.0)	(15.7)	(17.8)
EBITDA	13,250	13,006	14,561	15,466
Core net profit	6,067	6,226	6,230	6,911
Core EPS (THB)	1.27	1.30	1.31	1.45
EPS growth (%)	(3.6)	2.6	0.1	10.9

Core P/E (x)	12.9	12.6	12.6	11.3
Dividend yield (%)	5.8	5.2	4.7	4.9
EV/EBITDA (x)	10.8	10.9	9.6	9.0
Price/book (x)	1.3	1.3	1.3	1.2
Net debt/Equity (%)	99.7	94.1	85.6	81.8
ROE (%)	10.9	10.5	10.3	10.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.4)	(13.7)	(15.5)
Relative to country (%)	(5.9)	(18.1)	(16.7)
Mkt cap (USD m)	2,392		
3m avg. daily turnover (USD m)	12.9		
Free float (%)	0		
Major shareholder	Chansiri Family (12%)		
12m high/low (THB)	21.50/15.20		
Issued shares (m)	4,771.82		

Sources: Bloomberg consensus; FSSIA estimates



Sureeporn Teewasuwet
sureeporn.t@fssia.com
+66 2646 9972

Investment thesis

TU is one of the world's largest seafood players. The company produces and exports frozen and canned seafood such as tuna, shrimp, sardines, and mackerel etc. Also, its subsidiary ITC is a major pet food manufacturer in Thailand. Its overseas subsidiaries include the owner of Chicken of the Sea, the third-ranked canned seafood brand in the US, and TUE Group (formerly MW Brands) which operates a variety of canned seafood brands in Europe including John West, Petit Navire, Paramentier, King Oscar and Mareblu.

In 2020, TU began expanding its innovative product business with the aim of increasing its revenue exposure from this aspect to 10% of total revenue by 2025 with an EBITDA target of USD450m-550m, up from USD470m in 2021.

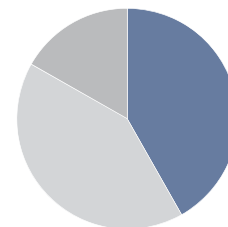
Company profile

Thai Union was founded in 1977 as a canned tuna processor and exporter. It is now an international OEM business with a global portfolio of consumer-favourite brands. At the end of 2022, TU had 18 brands, five strategic partnerships and key joint ventures, and eight overseas sales offices. TU has 13 production locations in 12 countries and two innovation & R&D centres. In 2021, its revenue contributions from the USA, Europe, Thailand, and Japan were 43%/28%/10%/5%, respectively.

www.thaiunion.com

Principal activities (revenue, 2021)

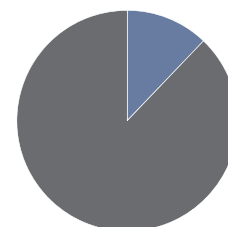
- Ambient seafood - 41.8 %
- Frozen & chilled seafood - 41.4 %
- Pet food & others - 16.8 %



Source: Thai Union Group

Major shareholders

- Chansiri Family - 12.1 %
- Others - 87.9 %



Source: Thai Union Group

Catalysts

Potential catalysts for ITC's earnings growth in 2023 are 1) revenue growth driven by new customers and industry growth; 2) its capacity expansion plan; and 3) declining raw material costs and an end to the shipping container shortage.

Risks to our call

Downside risks to our SoTP-based TP include 1) a stronger-than-expected THB against the USD; 2) the high volatility of raw material prices; 3) labor shortages; and 4) tariff and non-tariff barriers in international trade.

Event calendar

Date	Event
20 February 2023	4Q22 results announcement
21 February 2023	2022 analyst meeting

Key assumptions

	2022E	2023E	2024E
Total revenue (USD m)	4,409	4,704	4,963
USD/THB	35	33	33
Ambient sales (THB m)	65,214	63,258	65,794
Frozen, Chilled sales (THB m)	56,644	57,324	59,553
PetCare, Value-Added sales (THB m)	31,772	34,664	38,437
Tuna price (USD/ton)	1,663	1,500	1,500
Gross margin (%)	17.5	17.6	17.7

Source: FSSIA estimates

Earnings sensitivity

- For every THB1/USD increase, we estimate net profit to fall by 7%, and vice versa, all else being equal.
- For every 1% increase in the tuna price, we estimate net profit to fall by 5.8%, and vice versa, all else being equal.
- For every 5% increase in the minimum wage, we estimate net profit to fall by 4.3%, and vice versa, all else being equal.

Source: FSSIA estimates

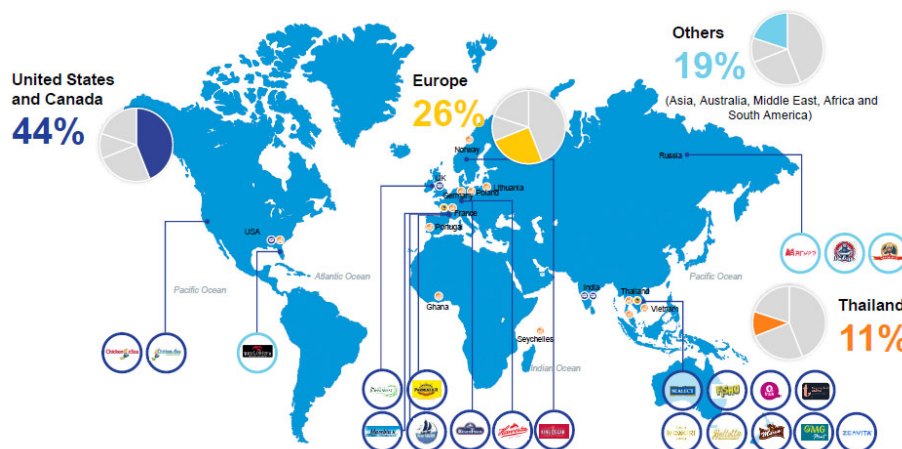
Leading global seafood processor

TU is one of the world's largest seafood companies. It produces and exports frozen seafood, canned seafood such as tuna, shrimp, sardines, and mackerel, etc. Also, its subsidiary ITC is a major pet food manufacturer in Thailand and one of the top 10 global pet food companies. Moreover, its overseas subsidiaries include Tri-Union Seafoods, owner of Chicken of the Sea, the third-ranked canned seafood brand in the US, and TUE Group (formerly MW Brands), which has a variety of canned seafood brands in Europe including John West, Petit Navire, Paramentier, King Oscar and Mareblu.

The company's brand portfolio includes leaders in key markets and global sourcing, production, and distribution networks. TU's key products are ambient, frozen and chilled seafood and value-added pet food. In addition, TU has invested in more than 80 other subsidiaries both domestically and internationally, including manufacturers of ready-to-eat foods, snacks, and processed foods. Also, it has expanded into the animal feed and shrimp-related businesses, including shrimp breeding, hatcheries, nurseries, and farms.

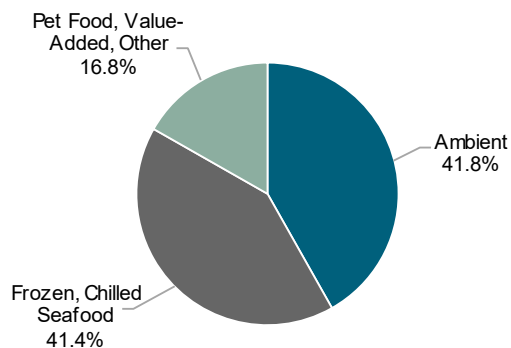
At the end of 2022, TU had 18 brands, five strategic partnerships and key joint ventures, and eight overseas sales offices. TU group comprises 25 entities with factories in Asia, Europe, Africa, and North America. Also, it has two innovation & R&D centres. In 2021, its revenue contributions from the USA, Europe, Thailand, and Japan were 43%/28%/10%/5%, respectively.

Exhibit 1: Revenue breakdown by country in 9M22



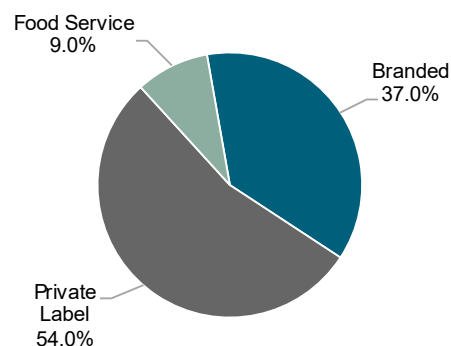
Source: TU

Exhibit 2: Revenue breakdown by product in 2021



Source: TU

Exhibit 3: Revenue breakdown by channel in 2021

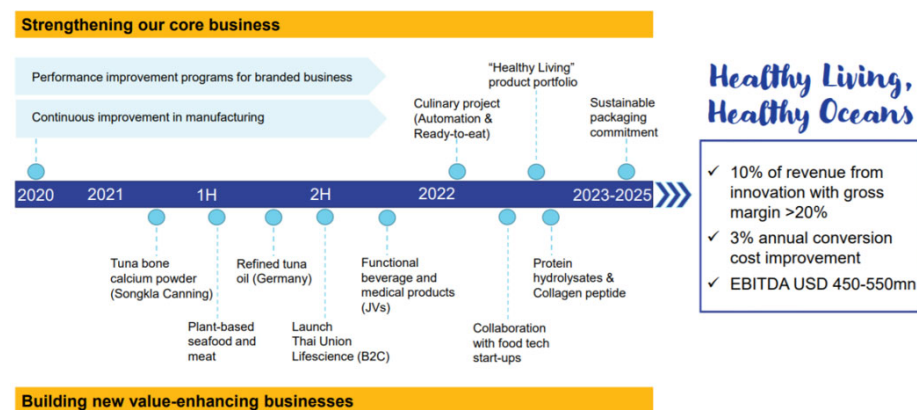


Source: TU

Key strategic goals for 2025

In our view, TU is an innovative company, not just a tuna processor, based on its concrete strategies and commitment to developing innovative products for humans and pets. Revenue exposure from investments in innovation is starting to rise, which helps reduce the company's dependence on tuna processing revenue. TU's strategy for expanding its innovative product business is based on product development at the company's own R&D centres and investments via joint ventures with partners who have expertise in each field. The company aims to increase its innovative product revenue exposure to 10% of total revenue by 2025 with a gross margin target higher than 20% (vs its 17%-18% current average gross margin). TU also plans to reduce costs by using by-products or waste products as raw materials. Its 2025 EBITDA target for innovative products is USD450m-USD550m, up from USD470m in 2021.

Exhibit 4: TU's 2025 corporate strategy



Source: TU

New innovative products

- **Ambient** – Launched Crispy Nam prik tuna in Oct-22 and canned tuna in collagen in Nov-22 under its SEALECT brand in Thailand. In Europe and the US, TU launched new healthy products with higher margins under the Hawesta, John West, and Chicken of the Sea brands.
- **Chilled** – New tuna slices in Smoked and Paprika flavors with 0% fat will be launched under the Qfresh Life brand in 1Q23.
- **Supplements** – Collagen line extension under the ZEAVITA brand with three new products (gluta, zinc, astaxanthin) in Aug-22, and white kidney beans for weight management in Nov-22.
- **Medical Foods** – Fish Pro low-sodium snack is a high-protein, egg-white alternative, based on a clinical study for chronic kidney disease patients, launched through a JV with Interpharma (IP TB Equity) in Oct-22.
- **Alternative protein** – An innovative plant-based “shrimp” wonton product was launched in Aug-22. ISH and TU began collaborating in Aug-22 to expand their plant-based seafood market presence in North America.

Exhibit 5: Examples of JV portfolio products

Interpharma GROUP



FISH PRO LOW SODIUM SNACK*

- ✓ Protein-supplemented snack
- ✓ High protein, high vitamin Bs & selenium
- ✓ Made from TU's tuna

Launched in Oct 2022

Interpharma GROUP



LISA DHA SHOT

- ✓ 600mg DHA, EPA, folate, vitamins
- ✓ Suitable for everyone
- ✓ Made from TU's tuna
- ✓ Cereal malt flavor

Launched in Nov 2021

ThaiBev



ZEA TUNA ESSENCE

- ✓ 1st ever in the world
- ✓ From natural deep-sea tuna
- ✓ Omega-3, vitamin B, zinc & selenium
- ✓ Passion fruit & original flavor

Launched in Dec 2021

*Based on a clinical study by Pramongkutkiao Hospital and TU, which has shown to help improve prealbumin level of chronic kidney disease patients.

Source: TU

Exhibit 6: Supplement products – ZEA VITA brand



Source: TU

Exhibit 7: Plant-based 'shrimp' wontons



Source: TU

Exhibit 8: New healthy products



SEALECT Crispy Nam prik Tuna launched in October 2022

- "Crispy Nam prik Tuna" – Rich of flavor, extra spicy, delicious, and No MSG
- Healthy and nutritious with Omega-3
- Focus launch to Villa (30 branches), The Mall and online channel

Source: TU

Exhibit 9: New healthy products



- The first Tuna plus Collagen in Thailand (SEALECT Tuna "BeautyFitt" concept)
- Product launch first & exclusively at Tops supermarket
- Product Highlights
 - ✓ Collagen from fish 2000 mg
 - ✓ High protein 29 g
 - ✓ Low calories 130 kcal
 - ✓ Low fat

Source: TU

Major capex expansion in 2023

TU has several projects under construction to support its businesses in Thailand (Samut Sakhon) and Ghana with a total capital expenditure budget of around THB5b. They are as follows:

- A new culinary plant for ready-to-eat products with 38% more capacity and more automation is expected to begin production in 2Q23.
- A protein hydrolysate and collagen peptide plant using fish heads and skin co-products to serve fast-growing Asian markets. Expected to open in 1Q23.
- A new wet pet food and pet treats plant with a new automated packing line will increase annual production capacity by 18.7%. Expected to open within 2023.
- Ambient tuna cold storage facility in Ghana to expand with a new waste-water treatment plant. Expected to open in 1H23.

Exhibit 10: TU's key CAPEX projects

	Culinary business	Ingredients business	PetCare business	Ambient tuna business
Key Products	Ready-to-eat, dimsum and bakery	Protein hydrolysate and collagen peptide	Wet pet food and treat	Ambient tuna cold storage
Total Capacity	~9,300 sq.m: Increased by 38%	~5,700 sq.m	Increased by 18.7% with new automated packing line	~11,500 sq.m (including waste-water treatment plant: WWTP)
CAPEX	~THB 1.2bn	~THB 1.1bn	~THB 2.1bn	~THB 550mn
COD Date	On-track to commercialize in 2Q23	On-track to commercialize in 1Q23	On-track to commercialize in 2023	On-track to commercialize in 1H23

Source: TU

Expect 4Q22 profit to be the lowest in twelve quarters

We forecast a 4Q22 net profit of THB1.16b (-53.8% q-q, -39.5% y-y), the lowest in twelve quarters. Excluding the projected FX losses of THB300m, we expect 4Q22 core profit to drop to THB1.46b (-15.5% q-q and -21.3% y-y). The poor earnings are due to 1) the low season of the export industry; 2) THB appreciation; and 3) Red Lobster's continued operating losses.

We expect 4Q22 total revenue to dip -0.1% q-q and -3% y-y to USD1.11b due to the industry's low season. We expect all business unit sales to drop q-q, but ambient seafood and pet care sales could grow y-y thanks to solid demand. Meanwhile, frozen products might drop both q-q and y-y due to the low season and poor consumption growth in the US.

TU's GPM will decrease to 17.4% (vs 18.2% in 3Q22 and 4Q21), due to THB appreciation and the lower utilisation rate. Although logistic costs should decrease in line with lower freight container charges, we think the drop in total revenue will be higher than the decrease in SG&A expenses. Hence, we assume that the SG&A to sales ratio should increase to 12.5% (vs 12.4% in 3Q22).

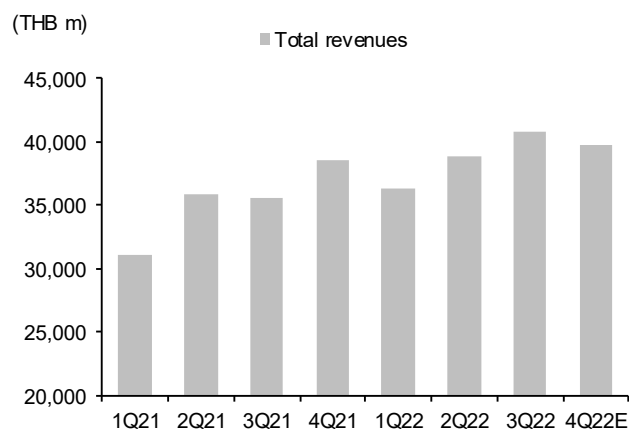
We estimate Red Lobster's 4Q22 operation (excluding losses from lease accounting) will post a share of loss of around THB300m (vs a THB339m loss in 3Q22 and a THB147m loss in 4Q21). Assuming in-line 4Q22 results, TU's 2022 net profit and core profit should be THB7.06b (-11.8% y-y) and THB6.69b (-10.0% y-y), respectively.

Exhibit 11: 4Q22 results preview

	4Q21	1Q22	2Q22	3Q22	4Q22E	----- Change -----		2021	2022E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales in USD m	1,153	1,097	1,132	1,119	1,118	(0.1)	(3.0)	4,406	4,409	0.1
Sales in THB m	38,501	36,272	38,946	40,756	39,704	(2.6)	3.1	141,048	155,677	10.4
Cost of Sales	31,478	29,917	32,361	33,357	32,795	(1.7)	4.2	115,321	128,431	11.4
Gross profit	7,023	6,355	6,584	7,399	6,908	(6.6)	(1.6)	25,727	27,246	5.9
SG&A	5,047	4,688	4,920	5,064	4,943	(2.4)	(2.1)	17,471	19,615	12.3
Operating profit	2,202	1,943	1,891	2,523	2,165	(14.2)	(1.7)	8,522	9,827	15.3
Profit Sharing	(161)	(177)	(283)	(256)	(230)	(10.2)	42.7	(946)	(272)	nm
Interest Expense	455	445	465	517	500	(3.3)	9.9	1,927	1,920	(0.3)
Tax Expense	61	(188)	(346)	(136)	(83)	nm	(236.8)	(753)	395	nm
FX Gain (Loss)	136	(47)	475	792	(300)	nm	nm	922	920	(0.2)
Other Gain (Loss)	(71)	77	(619)	0	0	nm	nm	(339)	(542)	nm
Reported net profit	1,930	1,746	1,624	2,530	1,169	(53.8)	(39.5)	8,013	7,068	(11.8)
Core profit	1,865	1,716	1,768	1,738	1,469	(15.5)	(21.3)	7,431	6,690	(10.0)
Key Ratio (%)						(ppt)	(ppt)			
Gross margin	18.2	17.5	16.9	18.2	17.4	(0.8)	(0.8)	23.1	25.4	2.3
SG&A / Sales	13.1	12.9	12.6	12.4	12.5	0.0	(0.7)	6.8	6.2	(0.5)
Operating margin	5.7	5.4	4.9	6.2	5.5	(0.7)	(0.3)	17.2	20.0	2.8
Net margin	5.0	4.8	4.2	6.2	2.9	(3.3)	(2.1)	18.7	21.9	3.2
Norm margin	4.8	4.7	4.5	4.3	3.7	(0.6)	(1.1)	16.9	19.4	2.6
Operating Statistics (THB m)										
Ambient Sales	15,149	15,527	16,912	16,985	17,837	5.0	17.7	58,955	67,261	14.1
Frozen, Chilled Seafood Sales	16,628	13,790	13,900	14,820	14,134	(4.6)	(15.0)	58,417	56,644	(3.0)
Pet Food, Value Added Sales	6,724	6,955	8,133	8,951	7,733	(13.6)	15.0	23,675	31,772	34.2
USD/THB	33.4	33.1	34.4	36.4	35.5	(2.5)	6.4	32.0	34.9	8.9
EUR/THB	38.2	37.1	36.6	36.7	37.1	1.1	(2.9)	37.9	36.9	(2.6)
GBP/THB	45.0	44.4	43.2	42.8	42.6	(0.4)	(5.3)	44.0	43.3	(1.7)
Tuna Price (US\$/ton)	1,617	1,717	1,608	1,667	1,660	(0.4)	2.7	1,406	1,663	18.3
Shrimp 60 pcs/kg (Bt/kg)	131	182	154	157	154	(1.9)	17.6	138	165	19.6
Salmon (NOK/kg)	61	78	97	73	73	0.0	19.7	59	80	35.6

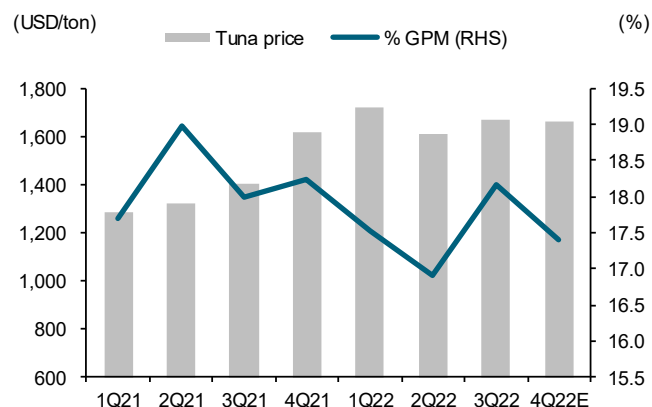
Sources: TU, FSSIA estimates

Exhibit 12: TU's quarterly total revenue



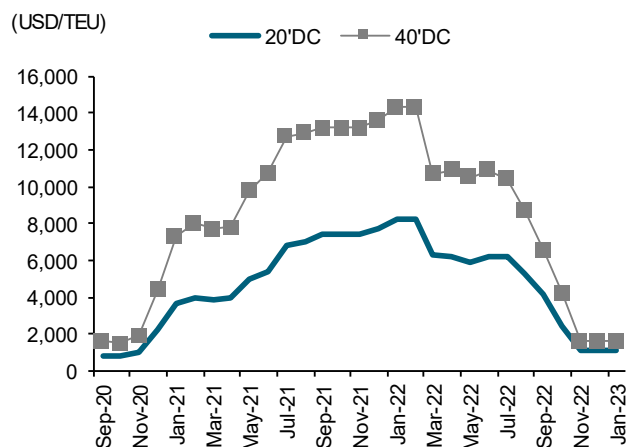
Sources: TU, FSSIA estimates

Exhibit 13: TU's quarterly GPM (%) and tuna price



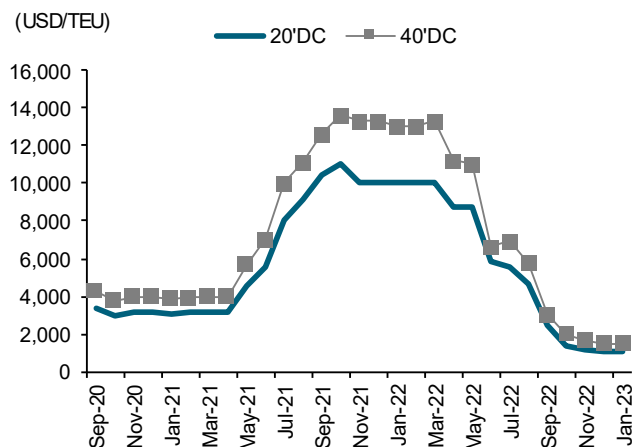
Sources: TU, FSSIA estimates

Exhibit 14: Container freight rates (Thai-EU)



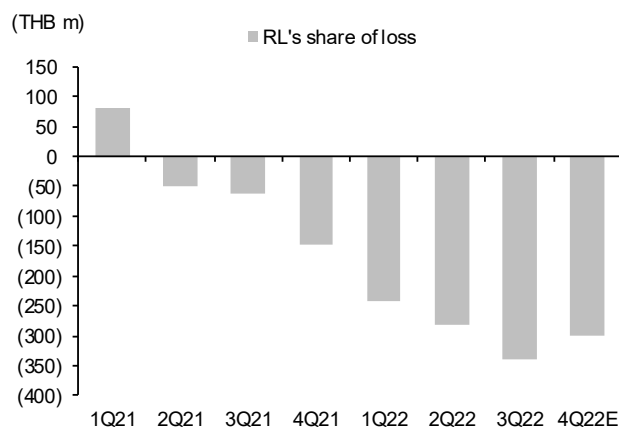
Source: TNSC

Exhibit 15: Container freight rates (Thai-US)



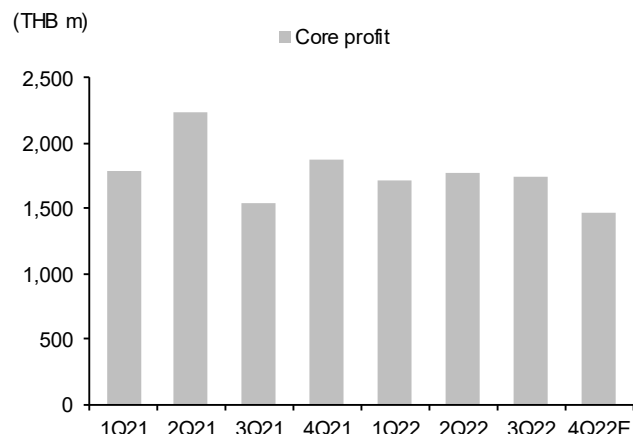
Source: TNSC

Exhibit 16: Red Lobster's share profit (loss) from operations



Sources: TU, FSSIA estimates

Exhibit 17: TU's quarterly core profit



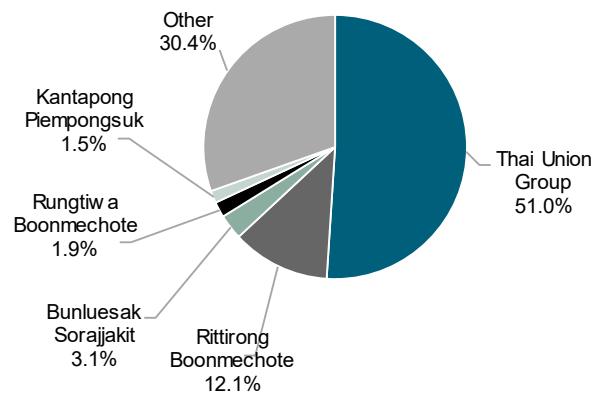
Sources: TU, FSSIA estimates

Spin-offs to unlock hidden asset value

TU recently spun off two high-potential businesses, Thai Union Feedmill and i-Tail Corporation, which became listed on the SET on 29 Oct-21 and 9 Dec-22, respectively. Currently, TU is the major shareholder in ITC and TFM with 77.8% and 51% stakes, respectively.

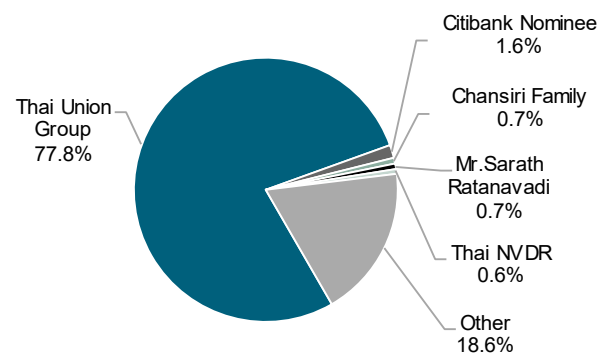
We think this move could unlock the value of these subsidiaries formerly hidden in TU by offering investors a clearer view of TU's business structure. For this reason, we think TU's value should be re-rated based on our SoTP-based valuation of its three core businesses. Furthermore, we believe the valuation of its pet food business should trade at 25x P/E, higher than tuna processors, based on the average of its OEM peers in China.

Exhibit 18: TFM shareholders as of 17 Aug-22



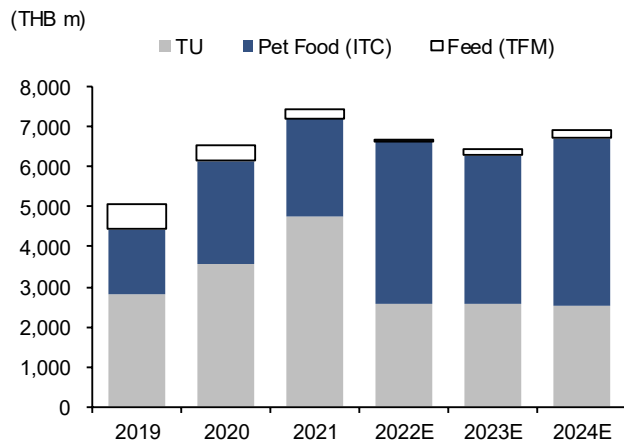
Source: SET

Exhibit 19: ITC shareholders as of 30 Dec-22



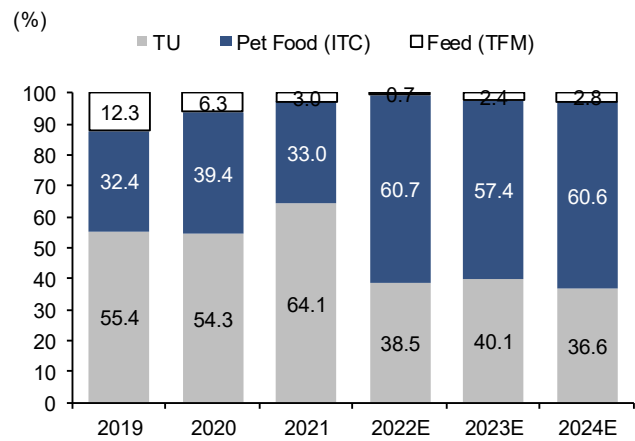
Source: ITC's website

Exhibit 20: TU's core profit breakdown



Sources: TU, FSSIA estimates

Exhibit 21: Contributions to TU's core profit (%)



Sources: TU, FSSIA estimates

ITC's management has set its 2023 revenue growth target at 17% y-y, driven by the industry's strength after many years of pet population growth, full-year revenue recognition from new customers, and new customers this year. We expect 2023 revenue growth to rise 11% y-y to THB2.3b, based on solid order volumes from new US customers and China's accelerating demand. We have a conservative view on FX volatility, and assume an exchange rate of THB33/USD, up 5.7% y-y. We believe solid volume growth combined with declining costs and SG&A expenses should offset the potentially higher THB. We project ITC's 2022-23 core profit growth (excluding FX gains) at 65.8% y-y and 16.8% y-y, respectively.

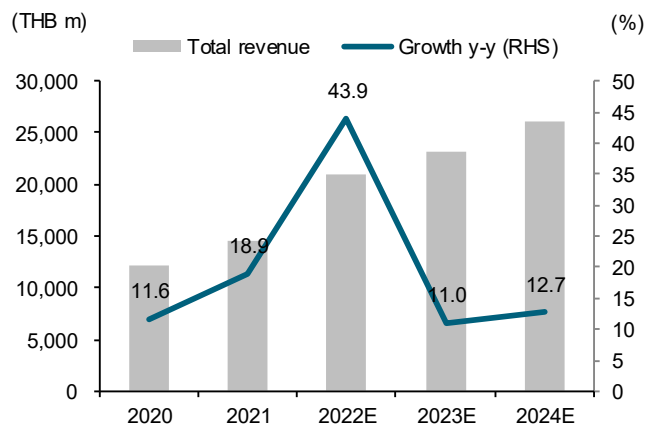
Regarding our 2023 projections, the profit contribution from ITC should be significant, accounting for 57.4% of TU's total core profit.

Exhibit 22: ITC's key assumptions

Assumptions	Forecast			Growth		
	2022E	2023E	2024E	2022E (%)	2023E (%)	2024E (%)
Total capacity (tons)	172,786	194,872	206,627	35.5	12.8	6.0
Utilisation rate (%)	74.1	75.9	80.5	(7.9)	1.8	4.6
Total sale volume (tons)	128,097	147,901	166,295	22.5	15.5	12.4
FX rate (THB/USD)	35.0	33.0	33.0	11.9	(5.7)	0.0
Total sales value (THB m)	20,910	23,210	26,152	43.9	11.0	12.7
-Cat food	15,090	16,835	18,939	40.9	11.6	12.5
-Dog food	2,218	2,429	2,721	34.2	9.5	12.0
-Treats	3,510	3,860	4,401	63.4	10.0	14.0
Gross profit (THB m)	5,318	5,942	6,747	58.5	11.7	13.6
Gross margin (%)	25.4	25.6	25.8	2.3	0.2	0.2
SG&A expenses (THB m)	1,304	1,346	1,517	32.9	3.2	12.7
SG&A to sales (%)	6.2	5.8	5.8	(0.5)	(0.4)	0.0
Report net profit (THB m)	4,589	4,747	5,385	68.7	3.4	13.4
Net margin (%)	21.9	20.5	20.6	3.2	(1.5)	0.1
Core profit (THB m)	4,063	4,747	5,385	65.8	16.8	13.4
Norm margin (%)	19.4	20.5	20.6	2.6	1.0	0.1

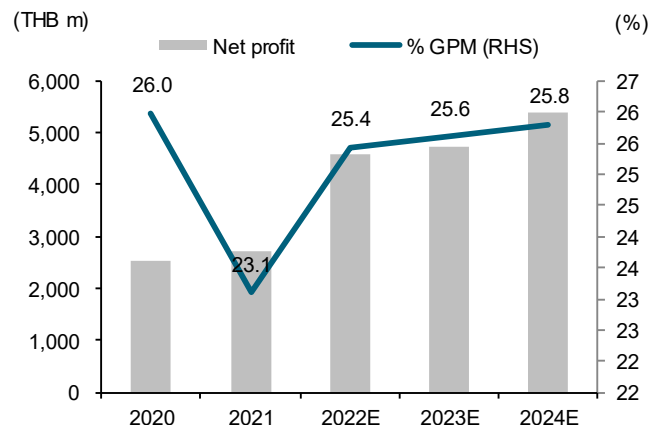
Source: FSSIA estimates

Exhibit 23: ITC's projected revenue growth



Sources: ITC; FSSIA estimates

Exhibit 24: ITC's projected GPM (%) and core profit



Sources: ITC; FSSIA estimates

TFM is a producer and distributor of shrimp feed, fish feed and animal feed, which is mainly sold under the company's own brands such as PROFEED, NANAMI, EGOFEED, AQUAFEED and D-Grow, etc. Total revenue exposure from domestic sales accounts for 93%-98%. The major customers are feed shops and livestock farms which account for 71%-77% and 23%-29% of total revenue, respectively. The company has expanded overseas with feed business investments in Indonesia and Pakistan since 2021.

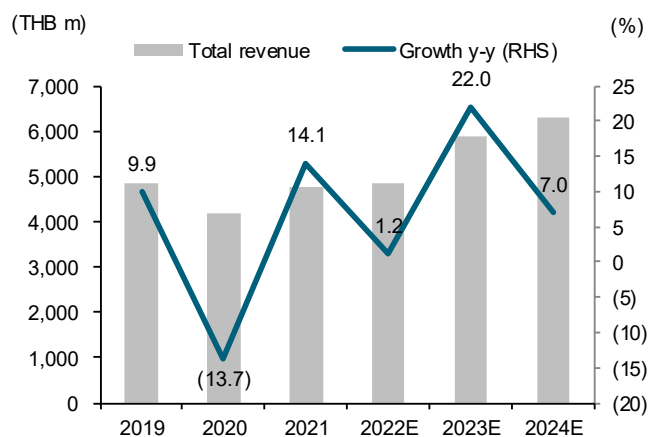
In our view, the profit contribution from TFM is small relative to TU's size. We expect TFM's 2023 core profit to grow by 220.6% y-y to THB307m, due to the low base from 2021 and the tourism recovery which should support demand for sea bass feed. TU should recognise a 2023 profit contribution from TFM of cTHB157m, or c2.4% of TU's total core profit.

Exhibit 25: TFM's key assumptions

Assumptions	Forecast			% Growth		
	2022E	2023E	2024E	2022E	2023E	2024E
Total sales value (THB m)	4,830	5,892	6,305	1.2	22.0	7.0
Gross profit (THB m)	400	648	757	(19.1)	61.9	16.7
Gross margin (%)	8.3	11.0	12.0	(2.1)	2.7	1.0
SG&A expenses (THB m)	357	412	441	8.6	15.5	7.0
SG&A to sales (%)	7.4	7.0	7.0	0.5	(0.4)	0.0
Report net profit (THB m)	95	307	378	(55.3)	225.3	22.8
Net margin (%)	2.0	5.2	6.0	(2.5)	3.3	0.8
Core profit (THB m)	96	307	378	(56.4)	220.6	22.8
Norm margin (%)	2.0	5.2	6.0	(2.6)	3.2	0.8

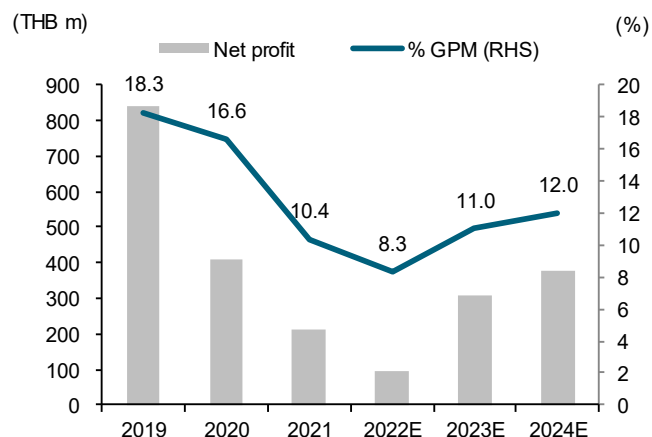
Source: FSSIA estimates

Exhibit 26: TFM's projected revenue growth



Sources: TFM; FSSIA estimates

Exhibit 27: TFM's projected GPM (%) and core profit



Sources: TFM; FSSIA estimates

Another challenging year in 2023

Management has set its 2023 revenue growth target in the single digits (vs 10%-12% in 2022), driven by strong growth in the pet food industry, the recovery of its frozen products business from the low base last year, and the recognition of a full-year of increased prices.

We have a positive view based on the expected decline in raw material costs for tuna and salmon, and especially logistics costs. We think these three major costs already peaked in 3Q22. Logistics costs have been falling since 1Q22, in line with lower freight container rates. TU's quarterly logistic costs should drop from THB710m/THB560m/THB370m in 1Q22-3Q22, respectively, to THB200m – near the pre-Covid level – in 1Q23.

We have a more cautious outlook for TU's operations in 2023, due to factors of concern such as the potential for a recession in the US and EU, THB appreciation, the high base of 2022 revenue, and a slower-than-expected recovery by Red Lobster.

Hence, we forecast total 2023 revenue growth at 6.7% y-y to USD4.7b. Our exchange rate assumption is conservative, at THB33/USD (+5.7% y-y), which should result in total revenue in THB slightly dropping 0.3% y-y.

Also, the company's 2023 target for Red Lobster's operations is still aggressive with a turnaround projected within the next 12 months (end of 2023). The company has continued to focus on cash preservation measures, cost reductions and price adjustments. However, we expect Red Lobster's operating losses to drop by 50% to THB580m-THB600m, down from expected losses of THB1.16b in 2022.

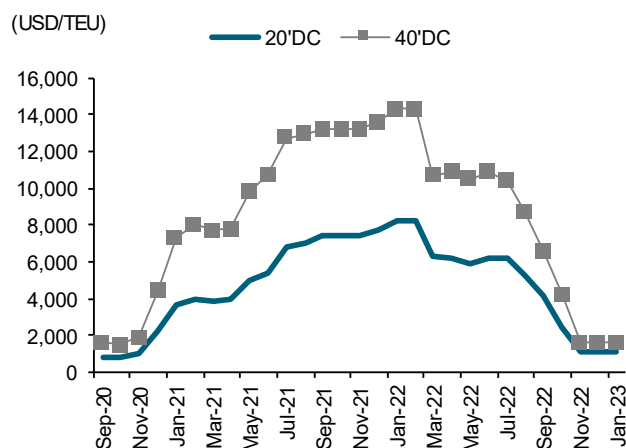
However, while the spin-off will result in the dilution of TU's shareholding proportion in ITC by around 22%, we expect ITC's 2023 profit to grow by 16.8% y-y. The dilution effect should impact TU's core profit, due to the higher minority interest. Overall, we project TU's 2023 core profit at THB6.43b (-3.9% y-y) and profit growth to return in 2024 at 7.5% y-y.

Exhibit 28: TU's key assumptions

Assumptions	Forecast			% Growth		
	2022E	2023E	2024E	2022E	2023E	2024E
Total revenue (USD m)	4,409	4,704	4,963	0.1	6.7	5.5
FX rate (THB/USD)	34.9	33.0	33.0	8.9	(5.3)	0.0
Total sales values (THB m)	155,677	155,245	163,784	10.4	(0.3)	5.5
-Ambient	65,220	63,263	65,800	10.6	(3.0)	4.0
-Frozen, chilled	56,644	57,324	59,553	(3.0)	1.2	3.9
-Pet Care, value added, Other	31,772	34,664	38,437	34.2	9.1	10.9
Gross profit (THB m)	27,246	27,478	29,154	5.9	0.9	6.1
Gross margin (%)	17.5	17.7	17.8	(0.7)	0.2	0.1
SG&A expenses (THB m)	19,615	18,629	19,654	12.3	(5.0)	5.5
SG&A to sales (%)	12.5	12.0	12.0	0.8	(0.5)	0.0
Profit sharing	(946)	(272)	(85)	<i>nm</i>	<i>nm</i>	<i>nm</i>
Report net profit (THB m)	7,068	6,430	6,911	(11.8)	(9.0)	7.5
Net margin (%)	4.5	4.1	4.2	(1.1)	(0.4)	0.1
Core profit (THB m)	6,690	6,430	6,911	(10.0)	(3.9)	7.5
Norm margin (%)	4.3	4.1	4.2	(1.0)	(0.2)	0.1

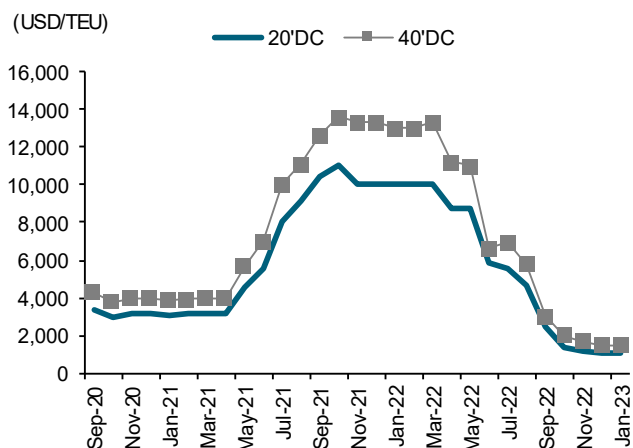
Source: FSSIA estimates

Exhibit 29: Container freight rates (Thai-EU)



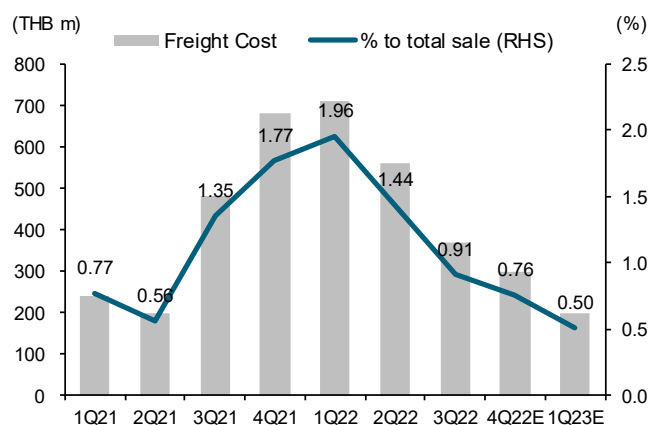
Source: TNSC

Exhibit 30: Container freight rates (Thai-US)



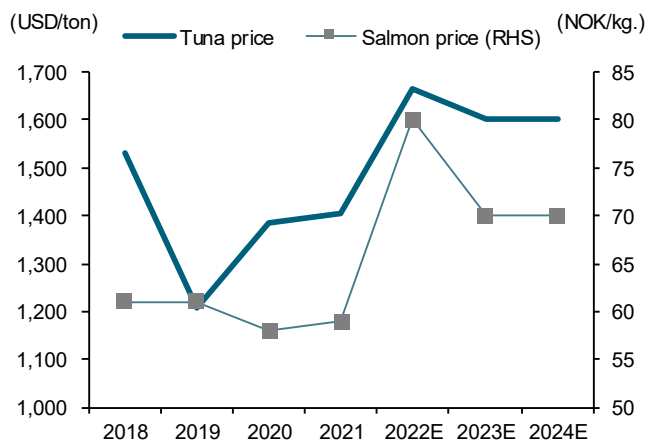
Source: TNSC

Exhibit 31: TU's quarterly logistics costs



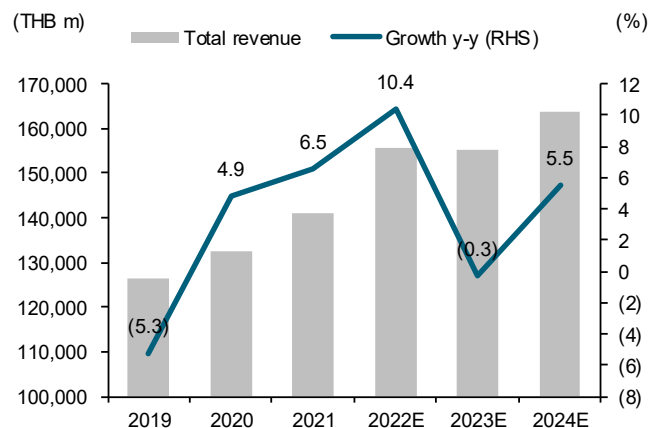
Sources: TU, FSSIA estimates

Exhibit 32: Tuna and salmon prices



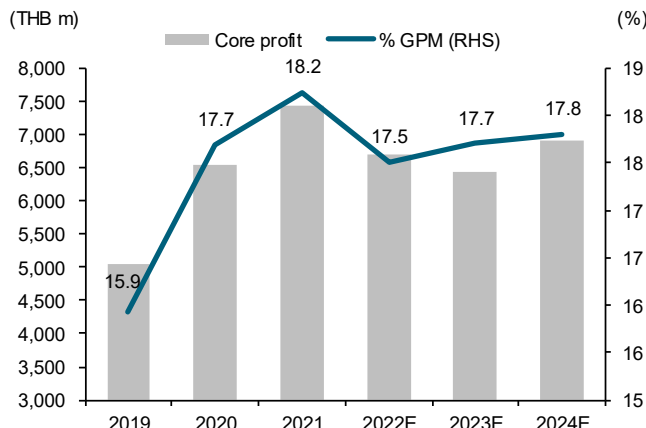
Sources: TU, FSSIA estimates

Exhibit 33: Projected revenue



Source: FSSIA estimates

Exhibit 34: Projected GPM (%) and core profit



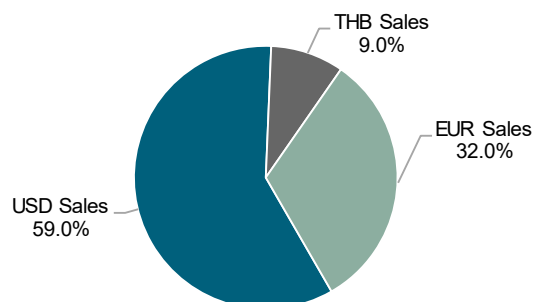
Source: FSSIA estimates

Sensitivity analysis to estimate the impact of THB strength

#1: Stronger THB vs USD

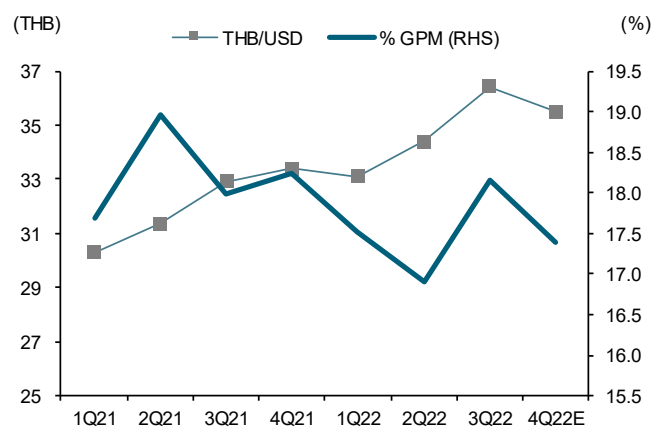
TU earns its revenue mainly from exports. Sales in USD represent c59% of its total revenue. Also, its costs in USD are roughly c20% of its total revenue. This means that TU has a natural hedge against currency fluctuations. Based on our analysis, if the THB increases by THB1/USD, ceteris paribus, we estimate 2023 net profit would fall by 7%. However, TU should see limited actual impacts since it utilises financial instruments to protect against FX risks.

Exhibit 35: Revenue breakdown by currency



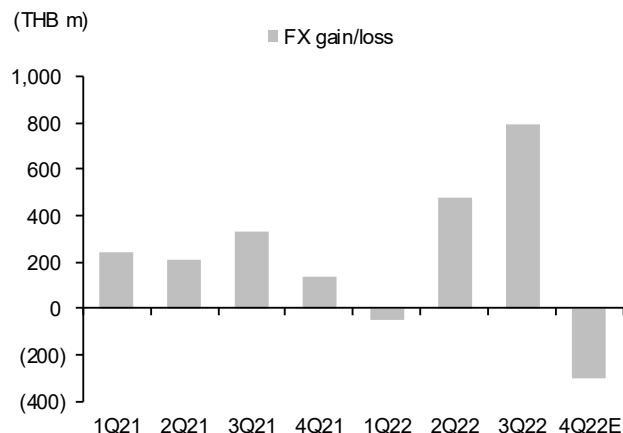
Source: TU

Exhibit 36: TU's quarterly GPM (%) vs THB/USD



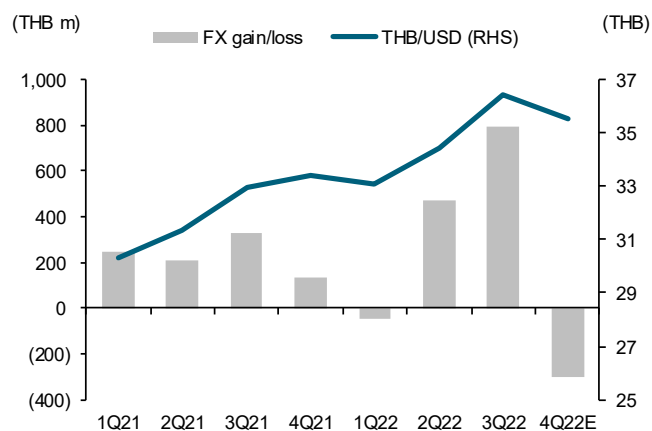
Sources: TU, Bloomberg

Exhibit 37: TU's quarterly FX gain/loss



Source: TU

Exhibit 38: TU's quarterly FX gain/loss vs THB/USD



Sources: TU, Bloomberg

Exhibit 39: FX sensitivity to 2023 earnings and target price

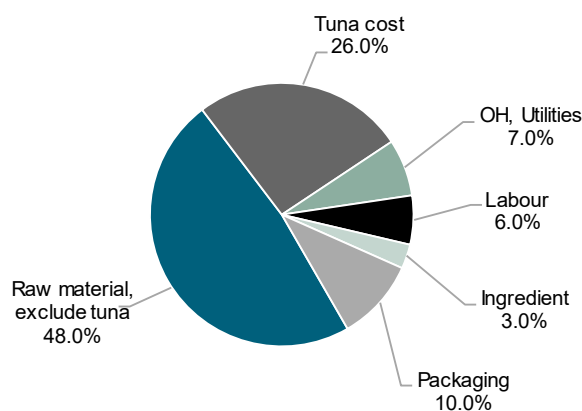
THB/USD	Net Profit (THB m)	EPS (THB)	TP 2023 (THB)
33	6,430	1.29	24
32	5,980	1.19	22
31	5,562	1.11	20
30	5,172	1.02	19

Source: FSSIA estimates

#2: Higher tuna prices

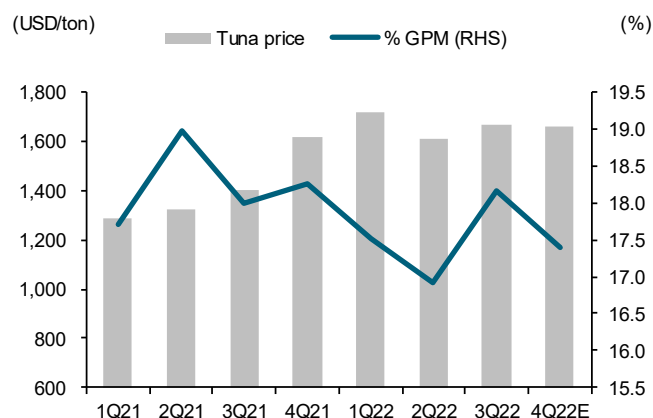
Tuna, as TU's most important raw material, accounted for 26% of total revenue. Although TU is a leading global tuna processor, which gives it a cost advantage compared to its rivals, tuna is a commodity, which means that its price rises and falls in line with supply and demand each year. Also, there is an impact from fishing costs. In 2022, tuna's average price was US\$1,663 per ton. It jumped by 18.3% y-y, in line with inflation and higher oil prices, which drive up trawlers' costs. Based on our sensitivity analysis, every 1% change in tuna prices, while other factors remain unchanged, affects net profit by 5.8%. However, TU implements a cost-plus pricing policy and focuses on cost control management. If the manufacturing cost significantly changes, we believe TU could negotiate price increases with its OEM customers. Also, branded product prices are discussed semi-annually, and annually, depending on customer sales agreements.

Exhibit 40: Cost breakdown



Source: TU

Exhibit 41: TU's quarterly GPM (%) vs tuna price



Sources: TU, FSSIA estimates

#3: Minimum wage hikes

TU's labor costs accounted for c6% of the cost of goods sold. Based on our analysis, a 5% minimum wage increase, while other factors remained unchanged, would cause net profit to fall by c4.3%. However, TU usually pays above the minimum wage since it requires skilled labor to butcher fish and remove fish bones on its canned tuna production lines. Hence, we expect limited impacts from potential minimum wage hikes.

Valuations

Our 2023 SoTP-based TP for TU at THB24 takes into consideration its three main businesses: ambient & frozen seafood, pet food, and feed with 2023 P/E targets at 13x/25x/13x, respectively. For ambient & frozen seafood and feed, the P/E targets are in line with the average P/E of listed food companies, while the valuation of its pet food business is based on its OEM peers in China. Our TP at THB24 implies a 2023 P/E target of 18.5x, in line with TU's five-year historical average.

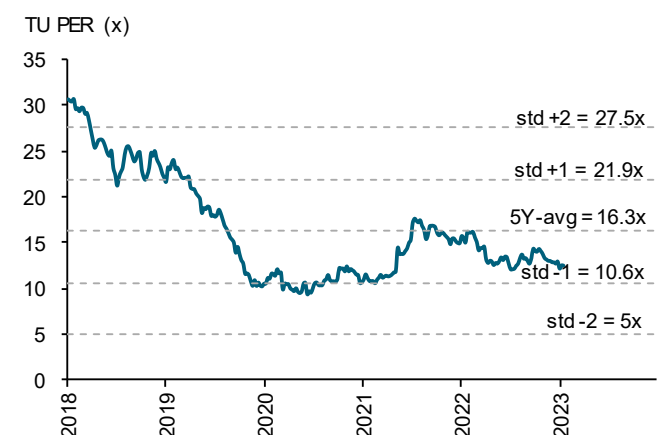
Although we see no positive catalysts for its share price in the short term, we have a positive outlook over the long term. In our view, TU's strength is its inexpensive valuation, with its share price currently trading at only 12.6x 2023E P/E. Also, we expect the company to pay a 2H22 DPS of THB0.42, implying a dividend yield of 2.6%.

Exhibit 42: SoTP-based valuation

	2023E core profit (THB m)	TU's stake (%)	2023E TU's core profit (THB m)	EPS (THB)	Target P/E (x)	2023 TP (THB)
Ambient & Frozen business	2,580	100.0	2,580	0.4	13.0	5.2
Pet Food business (ITC)	4,747	77.8	3,693	0.7	25.0	17.5
Feed business (TFM)	307	51.0	157	0.1	13.0	1.3
Total			6,430	1.3	18.5	24.0

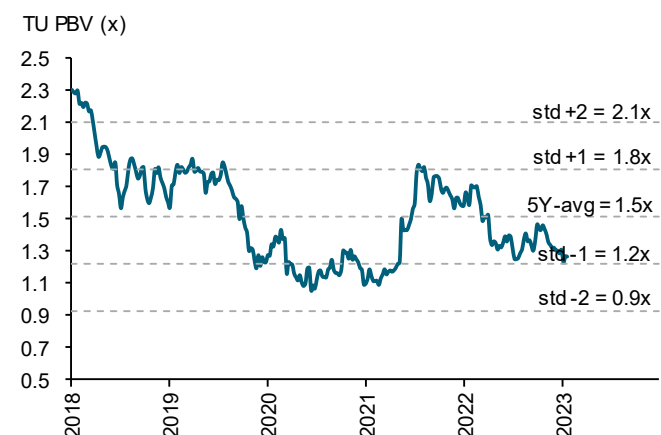
Source: FSSIA estimates

Exhibit 43: Historical P/E Band



Sources: Bloomberg, FSSIA estimates

Exhibit 44: Historical P/BV Band



Sources: Bloomberg, FSSIA estimates

Exhibit 45: Food business (Ambient & Frozen): Peers Comparison as of 20 Jan-23

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		22E	23E	22E	23E	22E	23E	22E	23E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Ambient & Frozen														
Thai union group	TU TB	BUY	16.40	24.00	46	2,392	12.6	12.6	10.5	10.3	1.3	1.3	10.9	9.6
Asian sea	ASIAN TB	n/a	13.80	n/a	n/a	344	9.6	9.2	25.9	25.3	2.5	2.2	8.7	7.8
Charoen pokphand foods	CPF TB	n/a	24.10	n/a	n/a	6,182	13.6	12.1	7.3	7.5	0.9	0.9	12.6	13.0
GFPT	GFPT TB	n/a	13.20	n/a	n/a	507	8.1	8.7	13.0	11.0	1.0	1.0	6.7	6.9
Betagro	BTG TB	n/a	33.00	n/a	n/a	1,958	8.7	8.2	34.2	25.3	2.1	1.8	6.5	6.3
Average						11,384	10.5	10.2	18.2	15.9	1.6	1.4	9.1	8.7

Sources: Bloomberg, FSSIA estimates

Exhibit 46: Pet food business: Peers Comparison as of 20 Jan-23

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		22E	23E	22E	23E	22E	23E	22E	23E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Pet food														
Thai union group	TU TB	BUY	16.40	24.00	46	2,392	12.6	12.6	10.5	10.3	1.3	1.3	10.9	9.6
I-Tail	ITC TB	BUY	27.75	40.00	44	2,537	11.7	17.5	25.6	18.3	3.3	3.1	14.3	12.2
Asian Alliance International	AAI TB	n/a	6.65	n/a	n/a	433	16.8	15.2	21.5	17.5	2.8	2.6	14.2	12.2
Yantai China pet foods	002891 CH	n/a	23.33	n/a	n/a	1,011	43.6	31.3	7.8	9.8	3.5	3.0	24.2	17.9
Petpal pet nutrition	300673 CH	n/a	17.93	n/a	n/a	670	24.3	20.5	10.0	10.6	2.4	2.1	17.1	13.6
Wenzhou wen toys	001222 CH	n/a	25.64	n/a	n/a	515	17.8	14.9	18.0	16.5	3.0	2.4	14.9	11.3
Nestle	NESN SW	n/a	112.04	n/a	n/a	335,559	23.5	22.1	25.2	29.3	6.5	6.4	18.2	17.3
JM Smucker	SJM US	n/a	148.93	n/a	n/a	15,882	17.5	17.3	11.0	10.5	1.9	1.9	12.7	12.9
General mills	GIS US	n/a	77.46	n/a	n/a	45,671	20.2	18.7	23.5	23.5	4.7	4.4	15.3	14.5
Petco health and wellness	WOOF US	n/a	10.88	n/a	n/a	2,893	12.4	14.4	10.8	8.8	1.3	1.2	7.6	7.6
Spectrum brands holdings	SPB US	n/a	64.18	n/a	n/a	2,618	61.9	38.9	3.4	4.5	2.2	2.0	19.3	17.8
Swedencare	SECARE SS	n/a	35.87	n/a	n/a	556	32.7	30.1	3.0	2.6	0.8	0.8	18.0	13.0
Pets at home	PETS LN	n/a	329.60	n/a	n/a	1,980	14.8	15.7	10.1	9.7	1.6	1.6	7.4	7.7
Average						410,324	24.8	21.4	14.2	13.5	2.8	2.6	15.3	13.2

Sources: Bloomberg, FSSIA estimates

Exhibit 47: Feed business: Peers Comparison as of 20 Jan-23

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		22E	23E	22E	23E	22E	23E	22E	23E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Pet feed														
Tongwei	600438 CH	n/a	41.93	n/a	n/a	27,821	6.5	8.4	51.7	30.2	3.0	2.4	4.4	5.4
Muylian foods	002714 CH	n/a	48.10	n/a	n/a	38,794	22.1	8.5	19.0	34.0	3.8	2.7	13.0	7.1
Beijing dabelnong technology	002385 CH	n/a	9.10	n/a	n/a	5,554	455.0	27.5	0.7	11.9	3.5	3.1	37.2	14.4
Bluestar adisseo	600299 CH	n/a	8.78	n/a	n/a	3,470	15.5	13.3	9.9	10.8	1.5	1.4	7.8	7.1
Average						75,640	124.8	14.4	20.4	21.7	3.0	2.4	15.6	8.5

Sources: Bloomberg, FSSIA estimates

Corporate Governance – TU

Board structure (as of 19 Jan-23)

Independent Directors (ID)	5 of 11 board members, 1 female
Percentage of IDs on the board	45.5%
ID attendance at board meetings	95.3% (in 2021)
ID in audit/remuneration committee	4/4 in audit committee and 2/2 in remuneration committee
ID terms	Three years, maximum nine years consecutively, extendable on judgement of the board of directors

Additional information: Board members and chairman of the board were changed in May and August 2022. Chairman of the board is an independent director.

Audit Practices

Auditor	PricewaterhouseCoopers ABAS Ltd
Length of service	More than five years
Reporting incidents	None
Fee track record	THB22.2m in 2021*
Policy on change of audit firm	To be reviewed every five years

Additional information: audit fees to the auditing firm where independent auditors are attached to, and where individuals or entities are related to the independent auditors and the auditing firm, were disclosed by a total 20 companies (2021 annual report). There was an extra audit fee, pursuant to regulations of the Board of Investment, paid to the auditing firm where independent auditors are attached to, and where individuals or entities are related to the independent auditors and auditing firm, in the past year at a total of eight companies at THB 1.4m, and an audit fee for special purposes and tax advisors at THB8.1m.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2021, THB26.6m vs net profit of THB8,013m
Changes/stability in senior management	Yes
Incidents of termination of senior management	Yes
Track record on insider sales	None

Additional information: The CFO/Chief Accountant was changed in Jul-22, and there was a board resolution to appoint a new chairman, vice-chairman, and new directors in May/August 2022.

Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriate and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Additional information: None

ESG and sustainability management

Thai Union Group PCL (TU TB), as the world's seafood leader, has brought high quality, healthy, tasty and innovative seafood products to customers around the world for 45 years. In a statement in Nov-22, Thai Union was regarded as one of the world's leading seafood producers and one of the largest producers of shelf-stable tuna products with annual sales exceeding THB141b (USD4.5b) and a global workforce of more than 44,000 people who are dedicated to pioneering sustainable, innovative seafood products. Thai Union operates worldwide with plant facilities in France, Germany, Ghana, Poland, Portugal, Papua New Guinea, Norway, the Seychelles, Scotland, Vietnam, Thailand and the United States. Its business includes tuna, shrimp, sardines, mackerel, salmon, pet food and prepared foods.

Materiality issues	Activities and practices
Labor, sourcing, social, environment	SeaChange®, the company's sustainability strategy launched in 2016, outlined TU's commitment not only to counter Greenpeace's accusations in 2015 and a number of legal challenges, but also an MoU across the entire global seafood industry to further the goal of helping the world achieve the United Nations' Sustainable Development Goals (SDGs) in delivering impactful changes. Briefly, SeaChange® is an integrated plan of initiatives, organised into four programs: safe and legal labor, responsible sourcing, people & communities, and responsible operations.

Progress in the SeaChange® sustainability strategy has been validated since the company was listed on the Dow Jones Sustainability Indices (DJSI) in 2022. In addition, TU ranked number one on the Food Products Industry Index of the DJSI. TU was also named to the FTSE4Good Emerging Index for the sixth straight year in 2021. In the Social and Environmental dimension, Thai Union achieved a 100th percentile score and a 97th percentile score in the Governance & Economic dimension. Thai Union also received a 100th percentile score in 18 areas: Materiality, Risk & Crisis Management, Policy Influence, Supply Chain Management, Innovation Management, Environmental Reporting, Environmental Policy & Management Systems, Operational Eco-Efficiency, Biodiversity, Sustainable Agricultural Practices, Water-Related Risks, Social Reporting, Human Rights, Living Wage, Talent Attraction & Retention, Corporate Citizenship & Philanthropy, Occupational Health & Safety, Health & Nutrition.

TU is committed to "Healthy Living, Healthy Oceans" as a member of the United Nations Global Compact, became a founding participating company in the International Seafood Sustainability Foundation (ISSF), and is the current Chair of Seafood Business for Ocean Stewardship (SeaBOS).

Recently, in Oct-22, TU's CEO Khun Thiraphong Chansiri was appointed chair of the board of directors of the Seafood Business for Ocean Stewardship (SeaBOS), a joint initiative between the world's largest commercial seafood companies and scientists to strengthen sustainable practices within the seafood industry. In Nov-22, TU received two awards at the Thailand Corporate Excellence Awards 2022 for Innovation and Corporate Management.

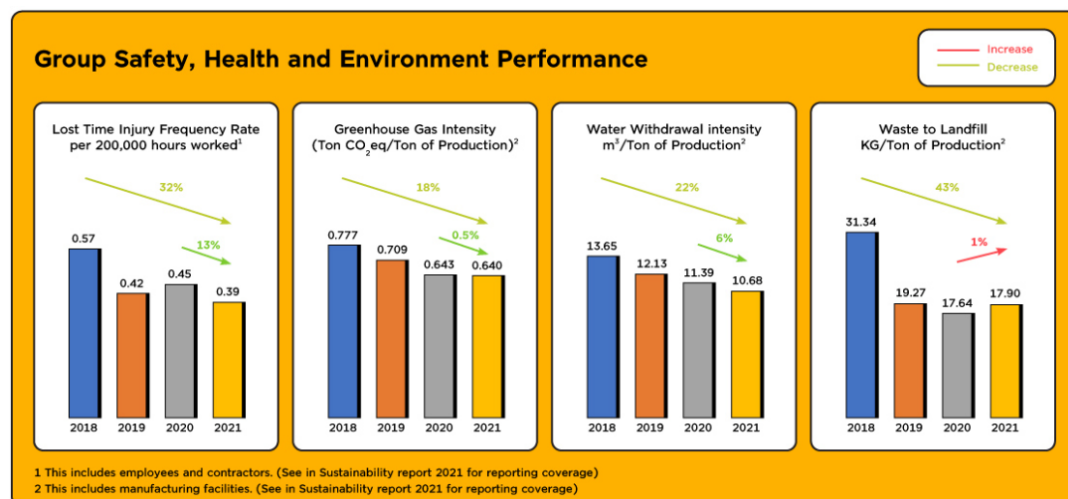
Locally, TU's efforts on sustainability management have been awarded and recognised by related professional institutions. For example, it was added to the AMCHAM CSR recognition list for the second consecutive year for its green giving project, an internal circular economy program designed to help the ocean by upcycling plastic waste collected by employees; it has received an "excellent" level of recognition for overall performance in the corporate governance report of Thai listed companies for seven consecutive years and received the 2021 Asean CG scorecard in the ASEAN asset class award category. That same year, TU earned The Thaipat Institute's Sustainability Disclosure Award in recognition of its ESG performance disclosure as well as its outstanding efforts towards achieving the UN SDGs target 12.6 that encourages companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

During 2022, Thai Union has continued to advance its sustainability strategy by installing an additional 7MW of solar panels at the company's factory in Samut Sakhon. In the Seychelles, 30% of Thai Union's fish processing plant is covered by solar panels which supply 8% of its total energy consumption. It has entered a partnership with the Sustainable Fisheries Partnership to strengthen transparency in Thai Union's supply chains by adopting the "Employer Pays Principle", which means that no migrant worker pays for a job. Other initiatives include conducting the company's first at-sea audits, the first of their kind in the industry, and by demonstrating leadership in Blue Finance with Sustainability-Linked Loans and Sustainability-Linked Bonds, which include targets that deliver benefits to the oceans.

ESG and sustainability management (cont.)

Materiality issues	Activities and practices
Human rights	In 3Q22, TU received HR excellence awards, human rights awards in the large business sector, and a CRS-DIW continuous award for the third consecutive year in recognition of its commitment to CRS and sustainable development.
Commitment to sustainability	<p>On 21 Jul-21, TU successfully priced a THB5b seven-year senior, unsecured Sustainability-Linked Bond (SLB) for institutional investors, carrying an interest rate of 2.47% p.a. This SLB was the first launched in Thailand since the launch of TU's inaugural Sustainability-Linked Loan (SLL) in Feb-21. Both demonstrate the company's solemn commitment to its ESG principles, which benefit the oceans and the seafood industry. The offering has garnered demand of approximately THB8.9b or more than 2.23 times of the THB5b original offering amount which shows investors' confidence in TU's solid business profile and its real willingness to invest in sustainability.</p> <p>Interest rates for the SLB and SLL are linked to three sustainability performance targets (SPT). The first, SPT 1, is to be included in the Dow Jones Sustainability Index (DJSI) Emerging Markets and be ranked in the top 10 companies on the DJSI Food Products Industry Index in 2023. For 2026, its SPT 2 targets the carbon intensity of finished goods, aiming for a reduction in carbon intensity to 0.64 by 2023 and to 0.56 by 2026. SPT 3 targets increasing the percentage of tuna vessels with electronic monitoring and/or human observers to 90% by 2023 and 100% by 2026.</p>

Group safety, health,
environmental performance



Additional information: [SeaBOS](#) consists of 10 of the largest seafood producers in the world, engaged in wild capture fisheries, aquaculture and feed, with companies based in Europe, North America and Asia. Together, they collaborate with scientists to implement a joint vision of developing more sustainable seafood production and improved ocean health.

Financial Statements

Thai Union Group

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	132,402	141,048	155,677	155,245	163,784
Cost of goods sold	(105,029)	(111,137)	(123,947)	(123,033)	(129,646)
Gross profit	27,373	29,910	31,730	32,212	34,137
Other operating income	1,710	811	890	978	983
Operating costs	(15,596)	(17,471)	(19,615)	(18,629)	(19,654)
Operating EBITDA	13,486	13,250	13,006	14,561	15,466
Depreciation	(3,955)	(4,184)	(4,484)	(4,734)	(4,984)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,531	9,066	8,522	9,827	10,482
Net financing costs	(1,724)	(1,730)	(1,927)	(1,920)	(1,911)
Associates	(527)	(269)	(946)	(272)	(85)
Recurring non-operating income	(527)	(269)	(946)	(272)	(85)
Non-recurring items	(46)	1,946	842	200	0
Profit before tax	7,233	9,013	6,491	7,835	8,486
Tax	(724)	(742)	753	(395)	(429)
Profit after tax	6,509	8,272	7,244	7,439	8,057
Minority interests	(263)	(259)	(175)	(1,009)	(1,146)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	6,246	8,013	7,068	6,430	6,911
Non-recurring items & goodwill (net)	46	(1,946)	(842)	(200)	0
Recurring net profit	6,292	6,067	6,226	6,230	6,911
Per share (THB)					
Recurring EPS *	1.32	1.27	1.30	1.31	1.45
Reported EPS	1.31	1.68	1.48	1.35	1.45
DPS	0.72	0.95	0.86	0.77	0.80
Diluted shares (used to calculate per share data)	4,772	4,772	4,772	4,772	4,772
Growth					
Revenue (%)	4.9	6.5	10.4	(0.3)	5.5
Operating EBITDA (%)	47.0	(1.8)	(1.8)	12.0	6.2
Operating EBIT (%)	73.8	(4.9)	(6.0)	15.3	6.7
Recurring EPS (%)	79.3	(3.6)	2.6	0.1	10.9
Reported EPS (%)	63.7	28.3	(11.8)	(9.0)	7.5
Operating performance					
Gross margin inc. depreciation (%)	17.7	18.2	17.5	17.7	17.8
Gross margin of key business (%)	17.7	18.2	17.5	17.7	17.8
Operating EBITDA margin (%)	10.2	9.4	8.4	9.4	9.4
Operating EBIT margin (%)	7.2	6.4	5.5	6.3	6.4
Net margin (%)	4.8	4.3	4.0	4.0	4.2
Effective tax rate (%)	10.0	8.2	(11.6)	5.0	5.1
Dividend payout on recurring profit (%)	54.6	74.7	65.8	58.8	55.0
Interest cover (X)	5.2	5.1	3.9	5.0	5.4
Inventory days	131.0	139.9	130.8	124.9	121.4
Debtor days	38.9	38.3	39.0	39.9	38.8
Creditor days	66.7	66.4	65.1	67.7	65.8
Operating ROIC (%)	12.9	11.2	9.8	11.4	12.0
ROIC (%)	6.2	5.6	4.5	5.7	6.1
ROE (%)	12.5	10.9	10.5	10.3	10.9
ROA (%)	5.5	5.0	4.8	5.4	5.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Ambient seafood	62,724	58,955	67,261	65,637	69,378
Frozen & chilled seafood	49,605	58,417	56,644	54,945	57,143
Pet food & others	20,073	23,675	31,772	34,664	37,264

Sources: Thai Union Group; FSSIA estimates

Financial Statements

Thai Union Group

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	6,292	6,067	6,226	6,230	6,911
Depreciation	3,955	4,184	4,484	4,734	4,984
Associates & minorities	(527)	(269)	(946)	(272)	(85)
Other non-cash items	(92)	3,892	0	0	0
Change in working capital	2,487	(9,944)	3,614	100	(2,117)
Cash flow from operations	12,114	3,929	13,378	10,792	9,693
Capex - maintenance	(4,737)	(5,850)	(6,000)	(5,000)	(5,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	3,037	(6,243)	(2,057)	61	16
Other investments (net)	(1,241)	830	(2,593)	104	(2,049)
Cash flow from investing	(2,941)	(11,263)	(10,651)	(4,836)	(7,033)
Dividends paid	(4,369)	(4,470)	(3,934)	(3,502)	(3,644)
Equity finance	0	0	0	0	0
Debt finance	(1,490)	12,626	(8,089)	(4,760)	(276)
Other financing cash flows	(1,718)	1,915	2,109	(33)	657
Cash flow from financing	(7,577)	10,070	(9,914)	(8,295)	(3,262)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	1,684	400	0
Net other adjustments	0	0	1,684	400	0
Movement in cash	1,597	2,737	(5,502)	(1,939)	(602)
Free cash flow to firm (FCFF)	10,897.89	(5,603.61)	4,654.36	7,877.04	4,571.08
Free cash flow to equity (FCFE)	5,966.15	7,206.59	(1,568.26)	1,563.45	3,041.31

Per share (THB)

FCFF per share	2.28	(1.17)	0.98	1.65	0.96
FCFE per share	1.25	1.51	(0.33)	0.33	0.64
Recurring cash flow per share	2.02	2.91	2.05	2.24	2.47

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	57,751	57,314	60,378	60,916	60,949
Less: Accumulated depreciation	(31,060)	(28,957)	(30,505)	(30,777)	(30,793)
Tangible fixed assets (net)	26,691	28,357	29,873	30,139	30,155
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	21,820	28,615	28,615	28,615	28,615
Cash & equivalents	6,286	9,023	3,521	1,582	980
A/C receivable	13,320	16,308	16,975	16,928	17,859
Inventories	38,546	46,636	42,224	42,006	44,262
Other current assets	2,312	2,896	3,822	3,813	4,284
Current assets	60,465	74,863	66,542	64,329	67,385
Other assets	35,599	34,769	37,363	37,259	39,308
Total assets	144,575	166,604	162,393	160,342	165,464
Common equity	52,185	59,319	58,978	61,906	65,174
Minorities etc.	3,551	2,894	4,203	4,192	4,422
Total shareholders' equity	55,737	62,213	63,181	66,098	69,596
Long term debt	36,862	46,431	37,208	34,536	34,064
Other long-term liabilities	7,964	9,878	11,987	11,954	12,611
Long-term liabilities	44,825	56,309	49,195	46,490	46,675
A/C payable	19,068	21,351	22,871	22,753	23,975
Short term debt	21,553	24,610	25,744	23,656	23,852
Other current liabilities	3,392	2,121	1,401	1,345	1,365
Current liabilities	44,013	48,081	50,016	47,754	49,192
Total liabilities and shareholders' equity	144,575	166,604	162,393	160,342	165,464
Net working capital	31,719	42,368	38,748	38,648	41,065
Invested capital	115,829	134,110	134,599	134,661	139,143

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	10.94	12.43	12.36	12.97	13.66
Tangible book value per share	10.94	12.43	12.36	12.97	13.66

Financial strength




Net debt/equity (%)	93.5	99.7	94.1	85.6	81.8
Net debt/total assets (%)	36.1	37.2	36.6	35.3	34.4
Current ratio (x)	1.4	1.6	1.3	1.3	1.4
CF interest cover (x)	4.5	5.2	0.2	1.8	2.6

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	12.4	12.9	12.6	12.6	11.3
Recurring P/E @ target price (x) *	18.2	18.9	18.4	18.4	16.6
Reported P/E (x)	12.5	9.8	11.1	12.2	11.3
Dividend yield (%)	4.4	5.8	5.2	4.7	4.9
Price/book (x)	1.5	1.3	1.3	1.3	1.2
Price/tangible book (x)	1.5	1.3	1.3	1.3	1.2
EV/EBITDA (x) **	9.9	10.8	10.9	9.6	9.0
EV/EBITDA @ target price (x) **	12.6	13.5	13.7	12.0	11.4
EV/invested capital (x)	1.2	1.1	1.1	1.0	1.0

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Thai Union Group; FSSIA estimates

Corporate Governance report of Thai listed companies 2021

 EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTG	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
 VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
 GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIIK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

Level

Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Sources: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

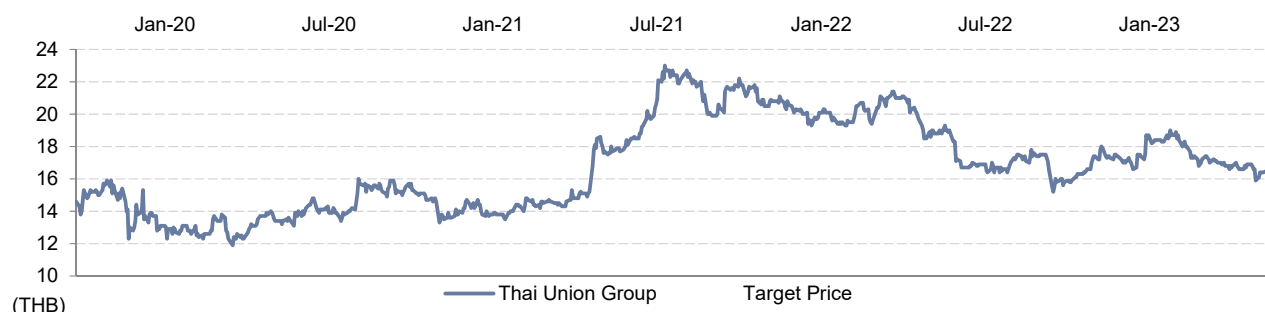
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

Thai Union Group (TU TB)



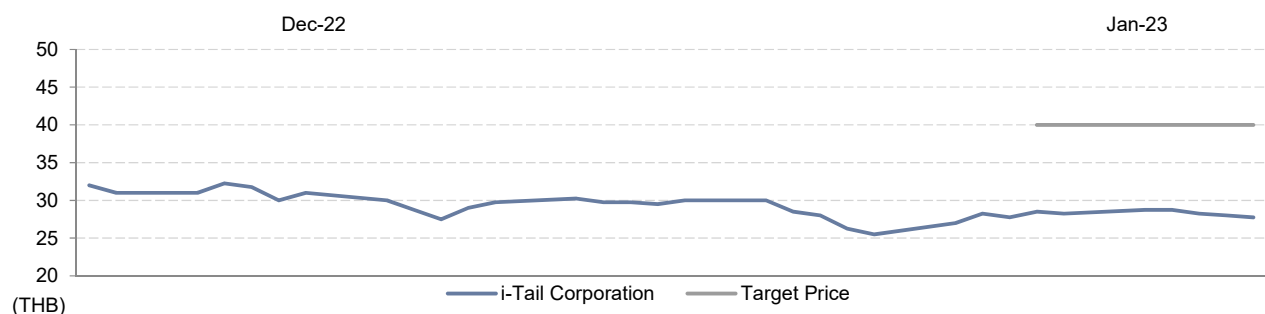
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
			-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 23-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

i-Tail Corporation (ITC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
11-Jan-2023	BUY	40.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 11-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thai Union Group	TU TB	THB 16.40	BUY	Downside risks to our SoTP-based TP include 1) a stronger-than-expected THB against the USD; 2) the high volatility of raw material prices; 3) labor shortages; and 4) tariff and non-tariff barriers in international trade.
i-Tail Corporation	ITC TB	THB 27.75	BUY	Downside risks to our PE-based TP include 1) a stronger-than-expected THB against USD; and 2) the high volatility of raw material prices; 3) labor shortage; and 4) change of consumer demand and lifestyle.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 20-Jan-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.