

BETAGRO BTG TB

THAILAND / FOOD & BEVERAGE

BUY

Wait for meat prices to rebound

- We think domestic swine and chicken prices, which peaked in 2022, may continue to decline.
- We forecast a 1Q23 net profit of THB383m, down 79% q-q and 81% y-y.
- Initiate coverage with a BUY call and TP of THB25.3.

TARGET PRICE	THB25.30
CLOSE	THB22.40
UP/DOWNSIDE	+12.9%
TP vs CONSENSUS	-18.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	112,626	103,544	106,800	111,692
Net profit	7,938	2,867	3,373	3,648
EPS (THB)	4.11	1.49	1.75	1.89
vs Consensus (%)	-	(44.8)	(44.4)	(25.4)
EBITDA	14,018	7,962	8,940	9,729
Core net profit	7,477	2,367	2,873	3,148
Core EPS (THB)	3.74	1.18	1.44	1.57
EPS growth (%)	416.1	(68.3)	21.4	9.6

BTG is Thailand's leading comprehensive food operator

BTG, established in 1967, operates a fully integrated food business covering the entire production chain from upstream, mid-stream, and downstream, including the production and sale of animal feed, animal health products, swine and poultry products, eggs, processed food products, and pet food. In 2022, the company's revenue contributions from agro, food & protein, international, and its pet business were 25.2%/67.3%/5.5%/2%, respectively.

Expect 1Q23 net profit to drop sharply

We forecast a 1Q23 net profit of THB383m, down 79% q-q and 81% y-y, amid sharply lower domestic and overseas meat prices. In 1Q23, domestic swine and broiler chicken prices averaged THB89 per kg (-12% q-q, -2.2% y-y) and THB40 per kg (-6.1% q-q, +2.6% y-y), respectively. The main reason was illegal pork imports which caused a temporary supply glut. Also, Cambodia's 1QTD swine price dropped by 29% y-y and was flat q-q at KHR8,138/kg.

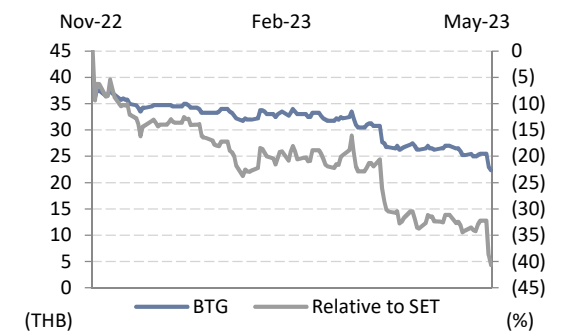
2023 earnings pressured by plunging meat prices

Management's 2023 targets include 1) total revenue growth of 5-10% y-y, supported by volume growth of 10% y-y which could offset its lower average selling price by around 1-2%; 2) gross margin at 15-17% (vs 19.3% in 2022); and 3) SG&A to sales at 11-12% (vs 11.2% in 2022). In our view, we think management's targets may be too optimistic given the current situation. Currently, raw material costs are likely to stay high while domestic swine and chicken prices continue to decline in 1H23 TD. We project BTG's 2023 net profit at THB2.87b (-64% y-y). However, BTG's 1Q23 results should be the bottom, and we expect to see a profit recovery in 2H23 onward.

No positive catalyst in short term

We initiate coverage of BTG with a BUY recommendation and TP of THB25.3, based on 17x 2023E P/E, which is in line with our target P/E for its rival CPF. BTG's share price has fallen by 32% in 2023 YTD, reflecting the view that swine and chicken prices peaked in 2022. As we see no positive short-term catalyst, we suggest that investors with an eye on long-term returns buy the stock before meat prices start to rise again.

Core P/E (x)	6.0	18.9	15.6	14.2
Dividend yield (%)	11.3	4.0	4.7	5.1
EV/EBITDA (x)	4.4	7.4	6.4	5.7
Price/book (x)	1.5	1.4	1.4	1.3
Net debt/Equity (%)	61.9	51.8	44.7	37.4
ROE (%)	33.8	8.1	9.3	9.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(15.5)	(32.1)	n/a
Relative to country (%)	(11.8)	(25.3)	n/a
Mkt cap (USD m)	1,273		
3m avg. daily turnover (USD m)	2.5		
Free float (%)	37		
Major shareholder	Betagro Holding Company Limited (38%)		
12m high/low (THB)	39.75/22.00		
Issued shares (m)	1,934.80		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

BTG operates a fully integrated food business covering the entire production chain with upstream, mid-stream, and downstream operations. It has production and distribution bases in every region of Thailand and its products are exported to overseas markets. BTG also has production sites in neighbouring countries such as Cambodia, Laos, and Myanmar.

The company has diversified to six distribution channels: Betagro branches, modern trade, traditional trade, food services, industrial customers (OEM business), and export markets (more than 20 countries). The company has strong, well-known brands including BETAGRO, S-Pure for hygienic fresh meat, and Perfecta, etc.

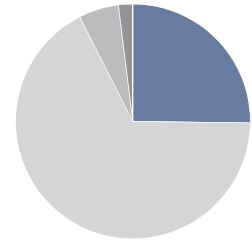
Company profile

BTG was established in 1967 and listed on the Stock Exchange of Thailand in 2022. BTG's business started with animal feed and livestock production, both swine and poultry. It operates breeder farms and produces and distributes animal health products and quality food products. In 2022, the company's revenue contributions from agro, food & protein, international, and pets were 25.2%/67.3%/5.5%/2%, respectively.

www.betagro.com

Principal activities (revenue, 2022)

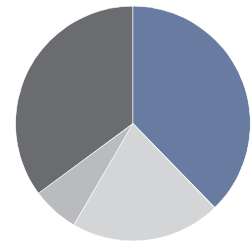
- Agro - 25.2 %
- Food and protein - 67.3 %
- International - 5.5 %
- Pet segment - 2.0 %
- Others - 0.0 %



Source: Betagro

Major shareholders

- Betagro Holding Company Limited - 37.7 %
- TAE HK Investment Limited - 20.7 %
- Taepaisitphongse Family - 6.5 %
- Others - 35.1 %



Source: Betagro

Catalysts

Potential catalysts for BTG's earnings growth in 2023 are 1) revenue growth driven by rising sales volumes; 2) higher-than-expected meat prices; 3) declining raw material costs; and 4) a faster-than-expected recovery of its business interests in Cambodia.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in meat and raw material prices; and 3) a stronger-than-expected THB-USD exchange rate.

Event calendar

Date	Event
12 May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Broiler price-TH (THB)	40.0	41.0	42.0
Swine price-TH (THB)	85.0	85.0	88.0
Swine price-Cambodia (KHR)	8,200	8,500	8,700
Total revenue growth (%)	(8.2)	3.1	4.6
Gross margin (%)	13.3	13.8	14.0
SG&A to sales (%)	10.9	10.9	10.9

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 3.1%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2023 net profit to rise by 4.2%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2023 net profit to fall by 2.9%, and vice versa, all else being equal.

Source: FSSIA estimates

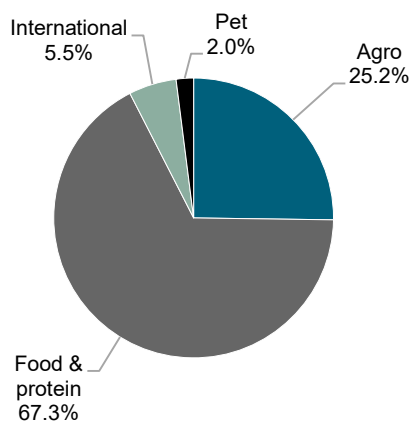
BTG is Thailand’s leading comprehensive food operator

BTG was established in 1967 and listed on the Stock Exchange of Thailand in 2022. BTG’s business covers the production and sale of animal feed, animal health products, livestock, swine and poultry products, eggs, processed food products, and pet food. Its vertically integrated business started with animal feed and livestock production, both swine and poultry, as well as breed development. BTG produces and distributes animal health products and quality food products. In 2022, the company’s revenue contributions from its agro, food & protein, international, and pet businesses were 25.2%/67.3%/5.5%/2%, respectively.

In 2022, the company raised around 2.88 million pigs and 183 million chickens in Thailand, and c24,000 pigs in Cambodia. In addition, the company operates feed mills capable of producing 4m tonnes per year in Thailand and 280,000 tonnes per year in Cambodia. BTG also produces 50,000 tonnes of pet food per year.

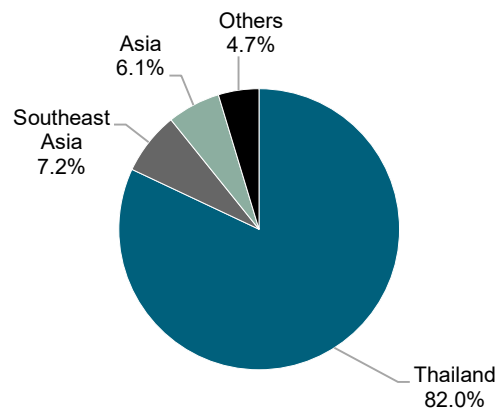
In terms of international business, the revenue contributions from its operations in Cambodia, Laos, and other countries accounted for 74.4%/24.9%/0.7% of total international revenue in 2022, respectively.

Exhibit 1: Total revenue breakdown by business segment in 2022



Sources: BTG; FSSIA’s compilation

Exhibit 2: Total revenue breakdown by region in 2022



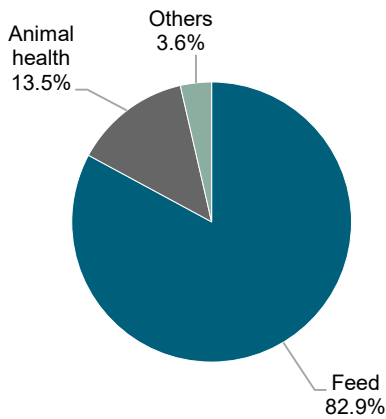
Sources: BTG; FSSIA’s compilation

Its operations can be divided into four business segments, which are as follows:

1. **Agro business** – Production of animal feed for various species, farm equipment and tools, and lab services. The main products are 1) feed for livestock and aquaculture species; 2) animal health, including the manufacture and sale of pharmaceuticals, supplements, and hygiene products for the livestock industry; and 3) others, comprising farm equipment and lab services.
2. **Food and protein business** – This group covers the production and distribution of meat, eggs, and fish products to customers in Thailand and overseas. It also includes meat processing into cooked products, ready-to-cook products, semi-cooked products, ready-to-eat products, by-products, and alternative protein sources.
3. **International business** – BTG has investments in animal feed production, farms, and distribution channels in neighboring countries including Cambodia, Laos, and Myanmar.

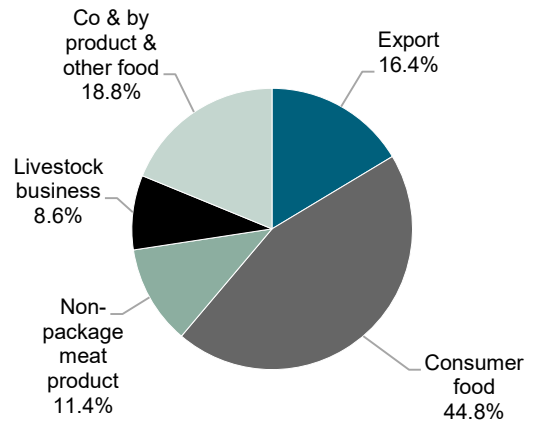
4. **Pet business** – BTG produces and distributes pet food products including snacks for dogs and cats, as well as pet care products such as medicine, supplementary food, and shampoo. The company distributes its products through various channels in Thailand and exports overseas.

Exhibit 3: Agro business revenue breakdown in 2022



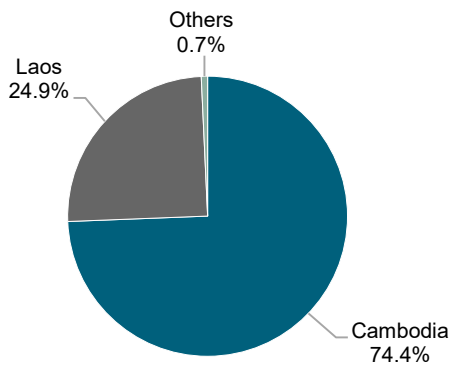
Sources: BTG; FSSIA's compilation

Exhibit 4: Food & protein revenue breakdown in 2022



Sources: BTG; FSSIA's compilation

Exhibit 5: International revenue breakdown by country in 2022



Sources: BTG; FSSIA's compilation

Exhibit 6: Pet business brands



Source: BTG

BTG has numerous brands and a variety of distribution channels

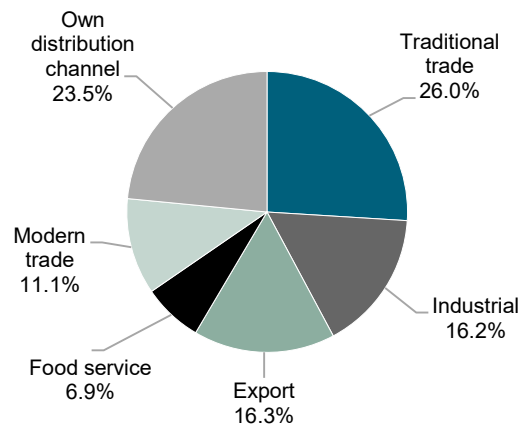
BTG’s food products are marketed under widely known brands such as “BETAGRO” and “S-Pure” for hygienic fresh meat, processed meat and processed food, and “ITOHAM” for premium sausages. Its animal feeds are sold under the “Balance” and “MASTER” brands, and its animal medicines and supplements under “Better Pharma”, and “Nexgen”. “Perfecta”, “DOG n joy” and “CAT n joy” are its pet food brands.

BTG has six distribution channels which consist of 1) traditional trade; 2) its own distribution channels via Betagro stores; 3) exports; 4) industrial and others; 5) modern trade; and 6) food services. In 2022, the company’s revenue contributions from these six channels accounted for 26%/23.5%/16.3%/16.2%/11.1%/6.9% of its food & protein revenue, respectively. In 2022, the company had 96 Betagro store branches, 211 Betagro Shops, 29 Betagro Delis, and 836 hygienic meat shops.

Exhibit 7: BTG’s brands



Exhibit 8: BTG’s distribution channels in 2022



Source: BTG

Sources: BTG; FSSIS 's compilation

Exhibit 9: Betagro’s brands, products, and marketing strategies

Segment	Brand	Description	Unique Selling Points	Product Range	Highlight Products
PREMIUM ★★★★★	S-Pure 100-100% ไข่ชีวิตที่เลือก	<ul style="list-style-type: none"> S-Pure: Raised without antibiotics chicken, pork & eggs from day one 	<ul style="list-style-type: none"> “Raised without Antibiotics certified by NSF” No Growth Promoter No Beta Agonist Animal Welfare 	<ul style="list-style-type: none"> Fresh Meat Processed Meat Processed Food 	
STANDARD ★★★★	BETAGRO ไข่เพื่อชีวิตที่ดี	<ul style="list-style-type: none"> Betagro: Farm-fresh eggs, hygienic chicken & pork, sausages, a variety of processed foods as well as RTC and RTE items and soup 	<ul style="list-style-type: none"> “Hygienic and Safety Quality Standard” International Standard Product Variety Animal Welfare 	<ul style="list-style-type: none"> Fresh Meat Processed Meat Processed Food 	
ECONOMY ★★★	Kra-tak B-One B-Two	<ul style="list-style-type: none"> Kra-tak: Fresh and processed meat products targeted at economy segment B-Foods, B-One: Processed meat products targeted at economy segment 	<ul style="list-style-type: none"> “Safety Quality Product with Affordable Price” Attractive price points targeted at economy segment 	<ul style="list-style-type: none"> Fresh Chicken Meat Processed Meat 	
PREMIUM ★★★★★	ITOHAM BETAGRO	<ul style="list-style-type: none"> Itoham (Joint Venture Brand) Made from premium-grade meat 	<ul style="list-style-type: none"> Premium grade meat JV with ITOHAM Japan Safety & Hygienic Standard 	<ul style="list-style-type: none"> Japanese premium sausages 	

Source: BTG

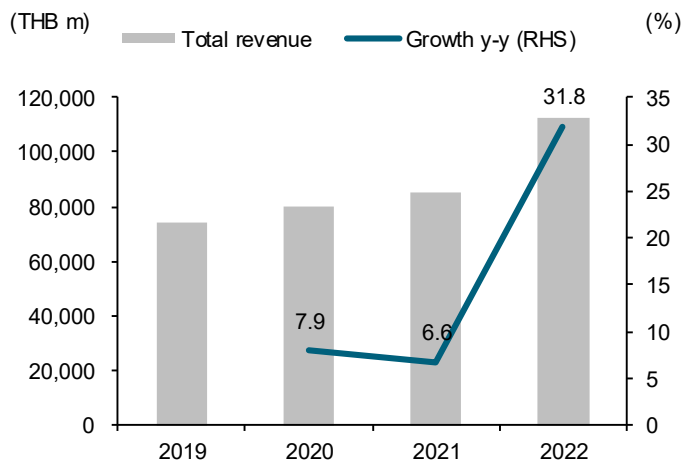
2022 net profit hit a record high

BTG reported a record high net profit in 2022 of THB7.9b (+7.8x y-y) due to sharply increased prices for both domestic swine and chicken, supported by an African Swine Fever outbreak and higher demand after the easing of Covid-19 lockdowns. In 2022, domestic swine prices averaged THB99 per kg (+31.3% y-y) and broilers THB42.8 per kg (+33.2% y-y). Meanwhile, Cambodia's 2022 swine price was KHR10,864 per kg (-13.3% y-y) due to a slowdown in consumption.

In 2022, total revenue grew by 31.8% y-y to THB113b. BTG's pet business saw the highest growth at 48.3% y-y, followed by food & protein (+39.8% y-y), international (+27.8% y-y), and agro (+14.6% y-y).

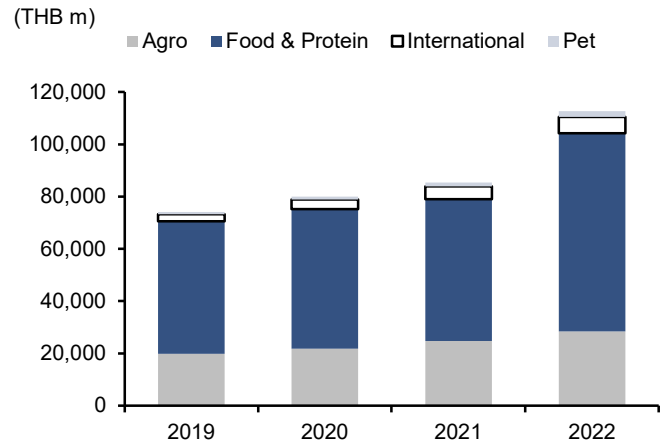
BTG's gross margin in 2022 was solid at 19.3%, up from 13.1% in 2021, despite sharply higher raw material prices due to the war in Ukraine and global production shortages. Corn and soybean meal prices in 2022 averaged THB12.3 per kg (+23.5% y-y) and THB22.5 per kg (+17.3% y-y), respectively. However, the high raw material prices were fully offset by the higher selling prices for its food & protein products, including pork, chicken, processed food, and other meat products.

Exhibit 10: Total revenue



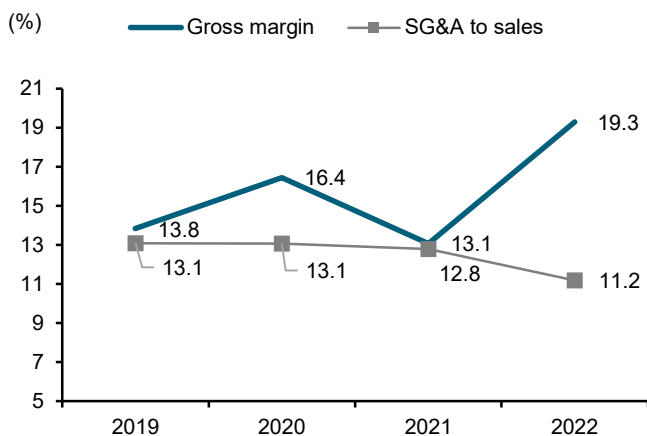
Sources: BTG; FSSIA's compilation

Exhibit 11: Revenue breakdown by segment



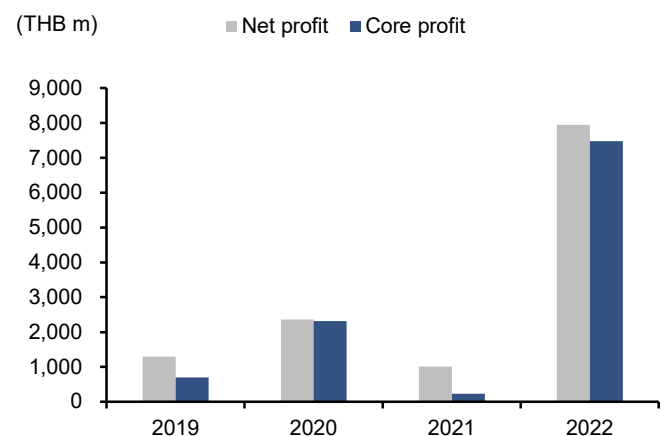
Sources: BTG; FSSIA's compilation

Exhibit 12: Gross margin and SG&A to sales



Sources: BTG; FSSIA's compilation

Exhibit 13: Net profit and core profit



Sources: BTG; FSSIA's compilation

Expect 1Q23 net profit to drop sharply

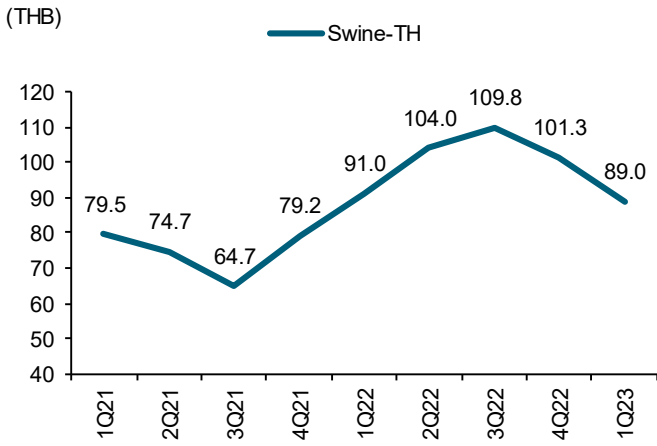
We forecast a 1Q23 net profit of THB383m, down 79% q-q and 81% y-y, mainly due to the plunge in domestic and overseas meat prices. In 1Q23, domestic swine and broiler prices averaged THB89 per kg (-12% q-q, -2.2% y-y) and THB40 per kg (-6.1% q-q, +2.6% y-y), respectively. The main reason was illegal pork imports which caused a temporary supply glut. Also, Cambodia's 1QTD swine price fell 29% y-y and remained flat q-q at KHR8,138 per kg. Hence, we project BTG's total 1Q23 revenue at THB27.8b (-6.7% q-q, +10% y-y). Meanwhile, raw material prices continue to increase both q-q and y-y, with 1Q23 corn and soybean meal prices averaging THB13.5 per kg (+7.1% q-q, +18% y-y) and THB23.9 per kg (+2.6% q-q, +12% y-y), respectively. Therefore, we expect BTG's 1Q23 gross margin to drop to 12.6% from 18.3% in 4Q22 and 17.9% in 1Q22.

Exhibit 14: 1Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	25,312	27,973	29,492	29,850	27,848	(6.7)	10.0
Cost of sales	20,771	22,498	23,233	24,393	24,339	(0.2)	17.2
Gross profit	4,541	5,474	6,259	5,457	3,509	(35.7)	(22.7)
SG&A	2,895	3,008	3,376	3,315	3,063	(7.6)	5.8
Operating profit	1,807	2,600	3,029	2,340	636	(72.8)	(64.8)
Interest expense	150	152	151	165	150	(9.2)	(0.1)
Tax expense	361	373	467	348	82	(76.3)	(77.2)
Biological gain (loss)	177	(75)	(7)	(5)	0	nm	nm
Other gain (loss)	490	(70)	(19)	(32)	0	nm	nm
Reported net profit	1,970	1,869	2,303	1,796	383	(78.7)	(80.6)
Core profit	1,302	2,014	2,329	1,833	383	(79.1)	(70.6)
Key ratios (%)						(ppt)	(ppt)
Gross margin	17.9	19.6	21.2	18.3	12.6	(5.7)	(5.3)
SG&A / sales	11.4	10.8	11.4	11.1	11.0	(0.1)	(0.4)
Operating margin	7.1	9.3	10.3	7.8	2.3	(5.6)	(4.9)
Net margin	7.8	6.7	7.8	6.0	1.4	(4.6)	(6.4)
Core margin	5.1	7.2	7.9	6.1	1.4	(4.8)	(3.8)
Operating statistics							
Broiler price-TH (THB/kg.)	39.0	43.6	47.4	42.6	40.0	(6.1)	2.6
Swine price-TH (THB/kg.)	91.0	104.0	109.8	101.3	89.0	(12.1)	(2.2)
Swine price-Cambodia (KHR/kg.)	11,514	12,732	11,093	8,117	8,138	0.3	(29.3)
Corn price-TH (THB/kg.)	11.4	13.1	12.1	12.6	13.5	7.1	18.4
Soybean meal price-TH (THB/kg.)	21.4	23.1	23.1	23.3	23.9	2.6	11.7

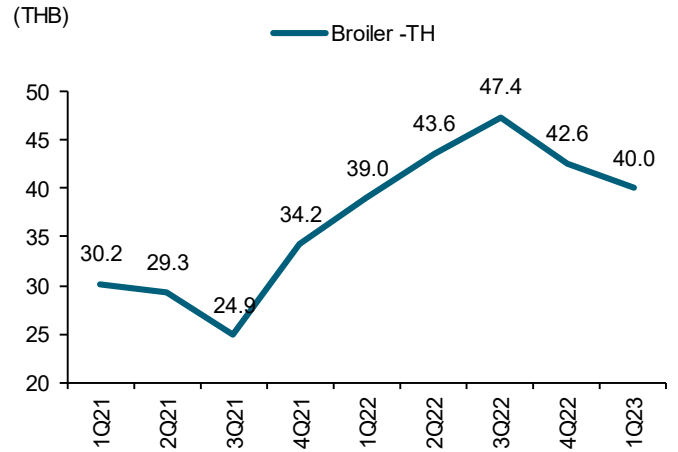
Sources: BTG, FSSIA estimates

Exhibit 15: Domestic swine prices



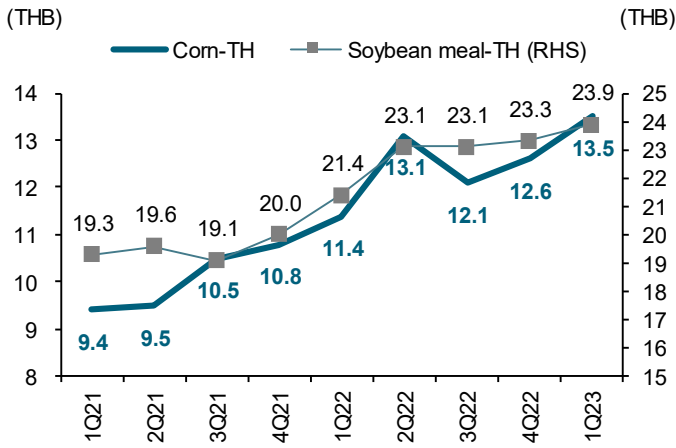
Sources: CPF, Office of Agricultural Economics (OAE)

Exhibit 16: Domestic chicken prices



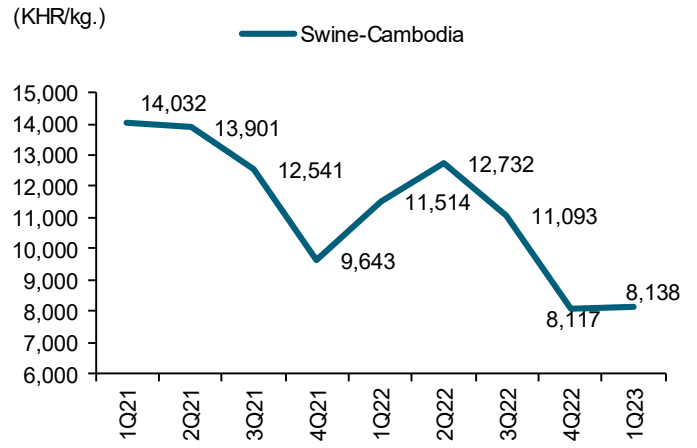
Sources: CPF, OAE

Exhibit 17: Domestic corn and soybean meal prices



Sources: CPF, OAE

Exhibit 18: Cambodia swine prices



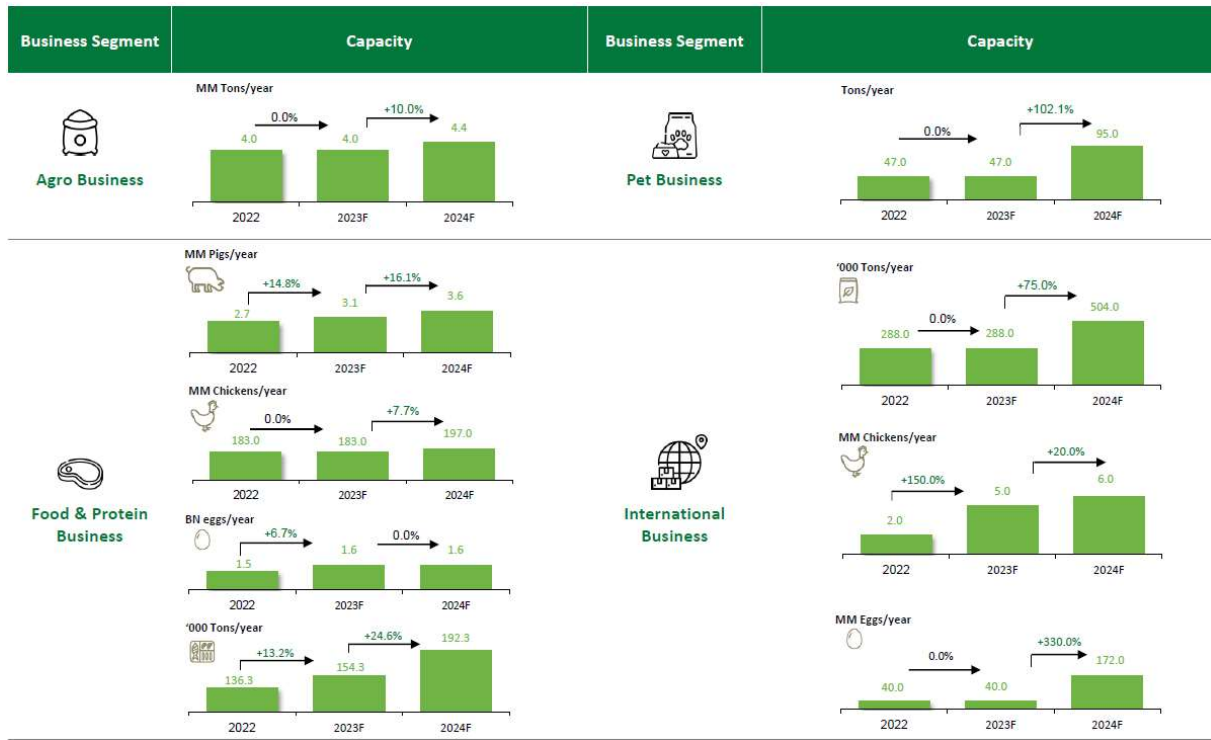
Source: CPF

Management sets aggressive targets in 2023

In 2023, management targets 1) total revenue growth of 5-10% y-y, supported by volume growth of 10% y-y, which could offset a decline in its average selling prices of around 1-2%; 2) gross margin at 15-17% (vs 19.3% in 2022); and 3) SG&A to sales at 11-12% (vs 11.2% in 2022).

The company plans to scale up of its business operations in Cambodia, Laos, and Myanmar by expanding its feed production capacity, breeding farms, and broiler slaughterhouses. Aside from that, BTG plans to focus on expanding into new product categories, increasing its number of export destinations by raising brand awareness in foreign markets, and increasing sales through wholesale and distributor networks. The company targets capital expenditures in 2023 of around THB5.1b.

Exhibit 19: BTG's capacity expansion



Source: BTG

Our 2023 assumptions: more conservative than management's targets

We think that management's targets are too aggressive given the current situation, as raw material costs remain high and further declines in domestic swine and chicken prices may occur in 1QTD. Therefore, we predict that BTG's gross margin in 1H23 will be lower than management's target.

However, management expects the domestic swine price to increase in 2Q23 and 2H23 due to the government's crackdown on illegal pork imports and the recovery in tourism. We will closely monitor meat price trends in our future estimates.

Our current assumptions predict a continued drop in meat prices from last year, with 1) the domestic swine price averaging THB85 per kg (-14.3% y-y); 2) the average chicken price at THB40 per kg (-6.5% y-y); and 3) Cambodia's swine price at KHR8,200 per kg (-24.5% y-y). Hence, we forecast 2023 total revenue to decline by 8.1% y-y to THB103.5b, with the gross margin falling to 13.3% from 19.3% in 2022.

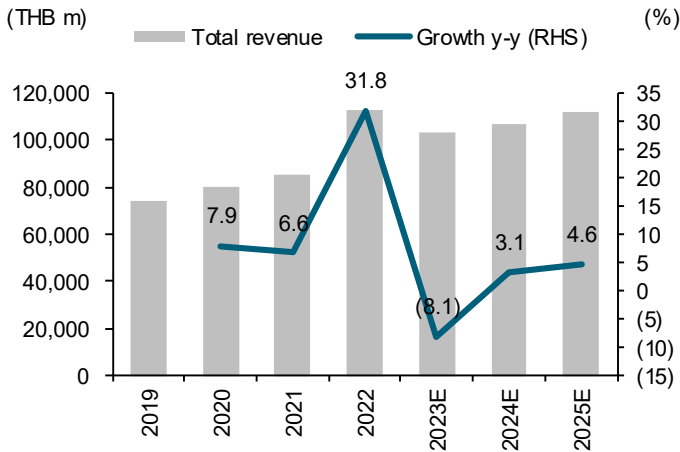
Overall, we project BTG's 2023 net profit at THB2.87b (-64% y-y). However, we think BTG's 1Q23 results will be the bottom, and we expect to see a profit recovery in 2H23 onward.

Exhibit 20: Key assumptions for BTG

Assumptions	Actual	Forecast			Growth		
	2022 (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	112,626	103,544	106,800	111,692	(8.1)	3.1	4.6
Cost of sales	90,894	89,773	92,062	96,055	(1.2)	2.5	4.3
Gross profit	21,731	13,771	14,738	15,637	(36.6)	7.0	6.1
SG&A expenses	12,594	11,286	11,641	12,174	(10.4)	3.1	4.6
Operating profit	9,775	3,209	3,737	4,076	(67.2)	16.5	9.1
Interest expense	619	652	601	562	5.4	(7.9)	(6.5)
Reported net profit	7,938	2,867	3,373	3,648	(63.9)	17.7	8.2
Core profit	7,477	2,367	2,873	3,148	(68.3)	21.4	9.6
Key ratios (%)							
Gross margin	19.3	13.3	13.8	14.0	(6.0)	0.5	0.2
SG&A to sales	11.2	10.9	10.9	10.9	(0.3)	0.0	0.0
Operating margin	8.7	3.1	3.5	3.6	(5.6)	0.4	0.2
Net margin	7.0	2.8	3.2	3.3	(4.3)	0.4	0.1
Core margin	6.6	2.3	2.7	2.8	(4.4)	0.4	0.1
Key assumptions							
Revenue breakdown (THB m)							
Agro business	28,403	27,460	27,032	28,278	(3.3)	(1.6)	4.6
Food & protein business	75,758	68,057	71,213	74,271	(10.2)	4.6	4.3
International business	6,236	5,539	5,704	5,874	(11.2)	3.0	3.0
Pet business	2,211	2,322	2,681	3,097	5.0	15.5	15.5
Price							
Broiler price-TH (THB/kg.)	42.8	40.0	41.0	42.0	(6.5)	2.5	2.4
Swine price-TH (THB/kg.)	99.1	85.0	85.0	88.0	(14.3)	0.0	3.5
Swine price-Cambodia (KHR/kg.)	10,864	8,200	8,500	8,700	(24.5)	3.7	2.4
Corn price-TH (THB/kg.)	12.3	12.0	11.0	10.0	(2.5)	(8.3)	(9.1)
Soybean meal price-TH (THB/kg.)	22.5	22.0	20.0	19.0	(2.1)	(9.1)	(5.0)

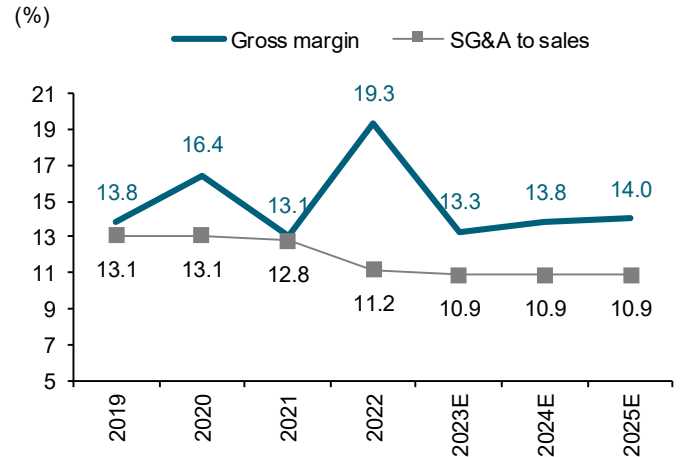
Source: FSSIA estimates

Exhibit 21: Yearly total revenue



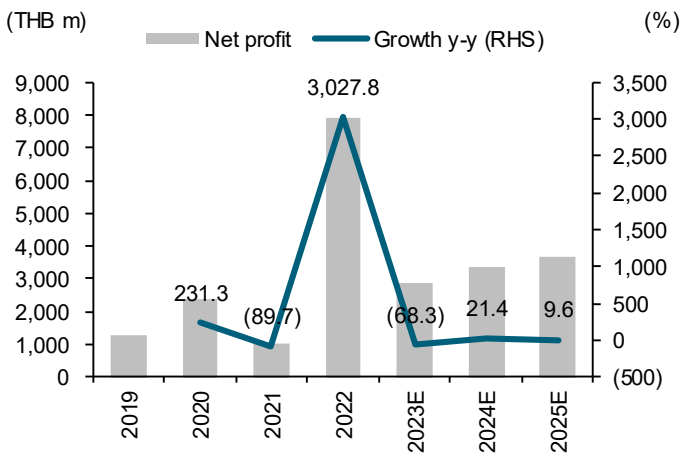
Sources: BTG, FSSIA estimates

Exhibit 22: Gross margin and SG&A to sales



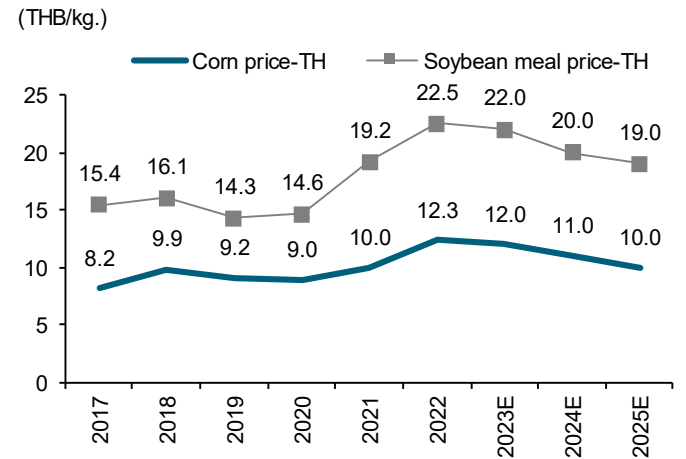
Sources: BTG, FSSIA estimates

Exhibit 23: Yearly core profit and growth



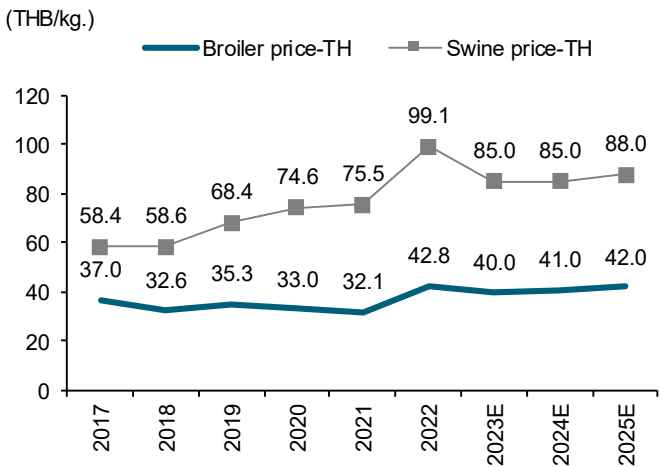
Sources: BTG, FSSIA estimates

Exhibit 24: Yearly corn and soybean meal prices



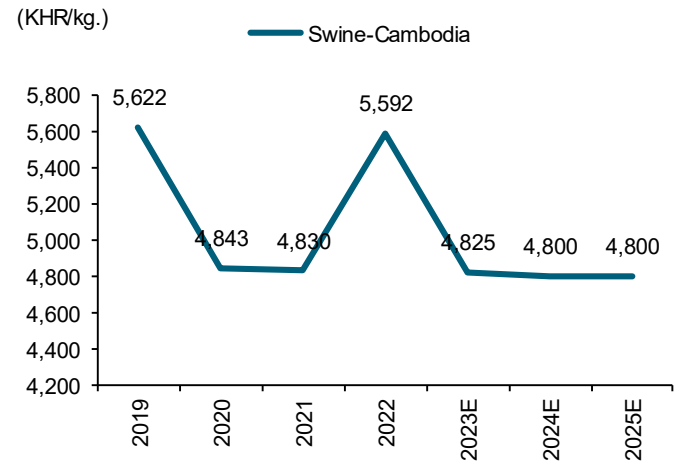
Sources: BTG, FSSIA estimates

Exhibit 25: Yearly domestic swine and chicken prices



Sources: BTG, FSSIA estimates

Exhibit 26: Yearly Cambodia swine prices



Sources: BTG, FSSIA estimates

Valuations

We initiate coverage of BTG with a BUY recommendation and a TP of THB25.3, based on 17x 2023E P/E, which is in line with our target PE estimate for its rival Charoen Pokphand Foods (CPF TB, HOLD, TP THB22.3). BTG's share price has already fallen by 32% in 2023 YTD, which we think reflects the market's view that swine and chicken prices peaked in 2022. However, despite the lack of a positive catalyst in the short term, we suggest that investors buy the stock to capture long-term returns when meat prices start rising again.

Exhibit 27: Peers comparison as of 3 May 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand														
Thaifoods Group	TFG TB	HOLD	4.76	5.20	9	791	11.0	9.9	16.3	16.5	1.7	1.6	6.2	5.6
GFPT	GFPT TB	BUY	10.50	12.40	18	387	10.2	9.0	7.6	8.2	0.8	0.7	6.9	6.2
Charoen Pokphand Foods	CPF TB	HOLD	20.40	22.30	9	5,012	15.6	15.8	2.4	3.0	0.7	0.7	12.6	12.2
Betagro	BTG TB	BUY	22.40	25.30	13	1,273	15.0	12.8	8.1	9.3	1.4	1.4	7.4	6.4
Average						7,462	12.9	11.9	8.6	9.2	1.1	1.1	8.3	7.6

Sources: Bloomberg, FSSIA estimates

Financial Statements

Betagro

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	85,424	112,626	103,544	106,800	111,692
Cost of goods sold	(70,195)	(86,651)	(85,019)	(86,858)	(90,402)
Gross profit	15,229	25,975	18,525	19,942	21,290
Other operating income	548	637	724	640	613
Operating costs	(10,914)	(12,594)	(11,286)	(11,641)	(12,174)
Operating EBITDA	4,864	14,018	7,962	8,940	9,729
Depreciation	(4,066)	(4,243)	(4,753)	(5,203)	(5,653)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	798	9,775	3,209	3,737	4,076
Net financing costs	(577)	(619)	(652)	(601)	(562)
Associates	54	37	45	55	58
Recurring non-operating income	54	37	45	55	58
Non-recurring items	771	460	500	500	500
Profit before tax	1,047	9,654	3,102	3,692	4,072
Tax	(208)	(1,549)	(390)	(479)	(536)
Profit after tax	839	8,104	2,711	3,213	3,536
Minority interests	172	(167)	155	160	112
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,011	7,938	2,867	3,373	3,648
Non-recurring items & goodwill (net)	(771)	(460)	(500)	(500)	(500)
Recurring net profit	239	7,477	2,367	2,873	3,148
Per share (THB)					
Recurring EPS *	0.72	3.74	1.18	1.44	1.57
Reported EPS	3.06	4.11	1.49	1.75	1.89
DPS	24.50	2.52	0.89	1.05	1.13
Diluted shares (used to calculate per share data)	330	2,000	2,000	2,000	2,000
Growth					
Revenue (%)	6.6	31.8	(8.1)	3.1	4.6
Operating EBITDA (%)	(31.4)	188.2	(43.2)	12.3	8.8
Operating EBIT (%)	(74.9)	1,125.0	(67.2)	16.5	9.1
Recurring EPS (%)	(90.6)	416.1	(68.3)	21.4	9.6
Reported EPS (%)	(61.1)	34.4	(63.9)	17.7	8.2
Operating performance					
Gross margin inc. depreciation (%)	13.1	19.3	13.3	13.8	14.0
Gross margin of key business (%)	13.1	19.3	13.3	13.8	14.0
Operating EBITDA margin (%)	5.7	12.4	7.7	8.4	8.7
Operating EBIT margin (%)	0.9	8.7	3.1	3.5	3.6
Net margin (%)	0.3	6.6	2.3	2.7	2.8
Effective tax rate (%)	19.9	16.0	12.6	13.0	13.2
Dividend payout on recurring profit (%)	3,382.1	67.4	75.3	73.0	72.1
Interest cover (X)	1.5	15.9	5.0	6.3	7.4
Inventory days	65.3	60.7	63.3	62.8	62.4
Debtor days	21.6	18.4	20.5	19.7	19.6
Creditor days	24.6	23.2	26.0	26.2	26.0
Operating ROIC (%)	1.6	18.1	5.9	6.9	7.6
ROIC (%)	1.5	16.1	5.3	6.3	6.9
ROE (%)	1.5	33.8	8.1	9.3	9.8
ROA (%)	1.0	13.3	4.2	5.0	5.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Agro	24,795	28,403	27,460	27,032	28,278
Food and protein	54,171	75,758	68,057	71,213	74,271
International	4,881	6,236	5,539	5,704	5,874
Pet segment	1,491	2,211	2,322	2,681	3,097

Sources: Betagro; FSSIA estimates

Financial Statements

Betagro

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	239	7,477	2,367	2,873	3,148
Depreciation	4,066	4,243	4,753	5,203	5,653
Associates & minorities	(373)	362	(104)	(52)	(53)
Other non-cash items	(522)	91	0	0	0
Change in working capital	(1,047)	(1,479)	1,362	(561)	(896)
Cash flow from operations	2,363	10,694	8,377	7,464	7,853
Capex - maintenance	(5,511)	(5,576)	(4,560)	(4,500)	(4,500)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	4,201	1,436	738	559	484
Cash flow from investing	(1,310)	(4,140)	(3,822)	(3,941)	(4,016)
Dividends paid	(1,257)	(11,250)	(1,720)	(2,024)	(2,189)
Equity finance	4,500	16,929	0	0	0
Debt finance	8,881	(3,487)	(1,935)	(1,724)	(1,293)
Other financing cash flows	(14,586)	81	(800)	65	98
Cash flow from financing	(2,462)	2,274	(4,455)	(3,683)	(3,384)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	1,348	0	0	0	0
Net other adjustments	1,348	(3,430)	0	0	0
Movement in cash	(61)	5,398	101	(160)	453
Free cash flow to firm (FCFF)	1,630.08	7,173.00	5,208.04	4,123.44	4,398.39
Free cash flow to equity (FCFE)	(3,303.76)	(281.29)	1,820.55	1,863.97	2,641.43

Per share (THB)

FCFF per share	0.84	3.71	2.69	2.13	2.27
FCFE per share	(1.71)	(0.15)	0.94	0.96	1.37
Recurring cash flow per share	10.34	6.31	3.64	4.16	4.53

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	47,575	49,403	50,791	51,171	51,144
Less: Accumulated depreciation	(24,662)	(26,031)	(27,072)	(28,155)	(29,281)
Tangible fixed assets (net)	22,913	23,372	23,719	23,016	21,863
Intangible fixed assets (net)	955	882	882	882	882
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,452	1,346	1,347	1,347	1,347
Cash & equivalents	542	5,940	6,041	5,881	6,334
A/C receivable	6,029	6,652	6,295	6,493	6,790
Inventories	14,111	14,711	14,757	15,133	15,790
Other current assets	7,775	9,477	8,284	8,544	8,935
Current assets	28,457	36,781	35,376	36,051	37,849
Other assets	3,697	2,852	2,659	2,655	2,729
Total assets	57,475	65,234	63,983	63,951	64,669
Common equity	15,759	28,502	30,189	31,538	32,997
Minorities etc.	(237)	163	104	107	112
Total shareholders' equity	15,522	28,664	30,292	31,645	33,109
Long term debt	10,606	8,064	7,064	6,064	5,064
Other long-term liabilities	2,789	2,871	2,071	2,136	2,234
Long-term liabilities	13,395	10,934	9,134	8,200	7,297
A/C payable	8,276	9,852	9,773	10,044	10,488
Short term debt	19,984	15,615	14,680	13,956	13,663
Other current liabilities	298	168	104	107	112
Current liabilities	28,558	25,636	24,556	24,106	24,263
Total liabilities and shareholders' equity	57,475	65,234	63,983	63,951	64,669
Net working capital	19,341	20,821	19,459	20,020	20,915
Invested capital	48,360	49,274	48,066	47,919	47,735

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

Per share (THB)

Book value per share	47.75	14.77	15.65	16.35	17.10
Tangible book value per share	44.86	14.32	15.19	15.89	16.65

Financial strength

Net debt/equity (%)	193.6	61.9	51.8	44.7	37.4
Net debt/total assets (%)	52.3	27.2	24.5	22.1	19.2
Current ratio (x)	1.0	1.4	1.4	1.5	1.6
CF interest cover (x)	(4.7)	0.5	3.8	4.1	5.7

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	30.9	6.0	18.9	15.6	14.2
Recurring P/E @ target price (x) *	34.9	6.8	21.4	17.6	16.1
Reported P/E (x)	7.3	5.4	15.1	12.8	11.8
Dividend yield (%)	109.4	11.3	4.0	4.7	5.1
Price/book (x)	0.5	1.5	1.4	1.4	1.3
Price/tangible book (x)	0.5	1.6	1.5	1.4	1.3
EV/EBITDA (x) **	7.6	4.4	7.4	6.4	5.7
EV/EBITDA @ target price (x) **	7.8	4.8	8.1	7.1	6.3
EV/invested capital (x)	0.8	1.2	1.2	1.2	1.2

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

Sources: Betagro; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet, FSS International Investment Advisory Securities Co., Ltd

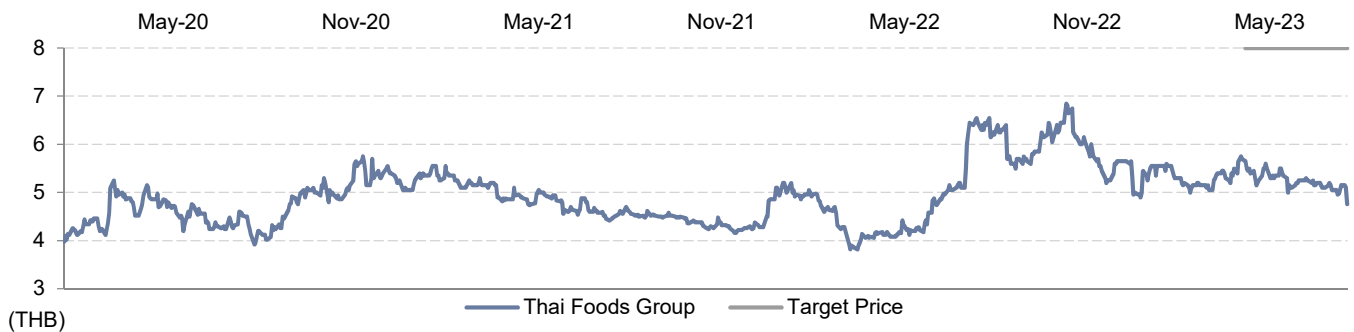
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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 Foods Group (TFG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	8.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

GFPT (GFPT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	18.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Thai Union Group (TU TB)



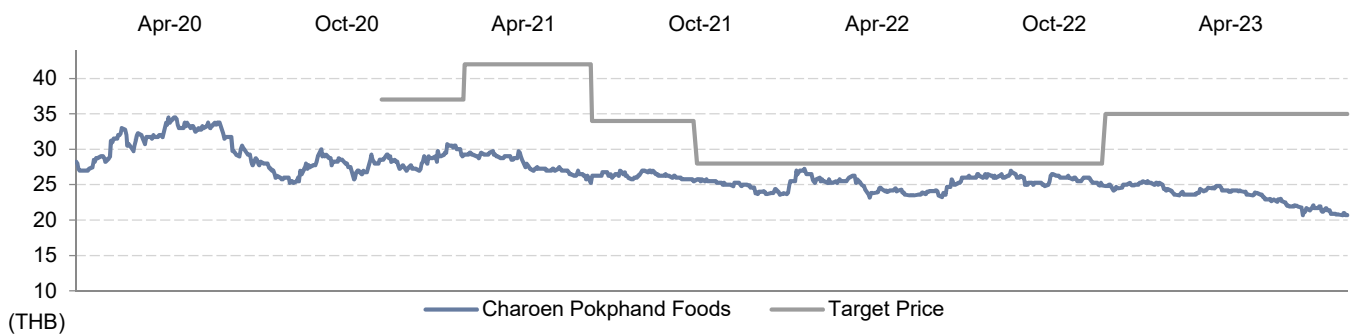
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Jan-2023	BUY	24.00	-	-	-	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

Charoen Pokphand Foods (CPF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
13-Jan-2021	BUY	37.00	12-Jul-2021	BUY	34.00	23-Sep-2022	BUY	35.00
25-Mar-2021	BUY	42.00	08-Oct-2021	HOLD	28.00			

Sureeporn Teewasuwet started covering this stock from 8-May-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Betagro	BTG TB	THB 22.40	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in meat and raw material prices; and 3) a stronger-than-expected THB-USD exchange rate.
Thai Foods Group	TFG TB	THB 4.76	HOLD	Downside and upside risks to our PE-based TP are 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in meat and raw material prices; 3) a stronger or weaker-than-expected THB against USD.
GFPT	GFPT TB	THB 10.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in chicken and raw material prices; 3) a stronger THB than expected; and 4) a minimum wage increase and/or a labour shortage.
Thai Union Group	TU TB	THB 13.60	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) labour shortages; and 4) tariff and non-tariff barriers in international trade.
Charoen Pokphand Foods	CPF TB	THB 20.40	HOLD	Downside risks to our P/E-based TP 1) a slower-than-expected consumption recovery; 2) high volatility in meat price and raw material prices; 3) THB stronger than expected; and 4) minimum wage increase and labour shortage.

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 Finasia Syrus Securities Public Company Limited

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All share prices are as at market close on 03-May-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.