

THAI UNION GROUP TU TB
THAILAND / FOOD & BEVERAGEBUY
UNCHANGED

สรุประยะสั้นแต่ดีระยะยาว

- กำไรปกติ 1Q23 ลดลงแรง q-q และ y-y จากการระบายสินค้าคงคลังของลูกค้าในกลุ่ม Ambient, Frozen, และ Pet care
- เราปรับลดประมาณการกำไรสุทธิปี 2023 ลง 25.4% (-32.8% y-y) แต่คาดว่ากำไรจะพลิกมาโต 15% y-y ในปี 2024
- คงแนะนำซื้อสำหรับนักลงทุนระยะยาวที่ราคาเป้าหมายใหม่ที่ 20 บาท

TARGET PRICE	THB20.00
CLOSE	THB14.50
UP/DOWNSIDE	+37.9%
PRIOR TP	THB24.00
CHANGE IN TP	-16.7%
TP vs CONSENSUS	+9.8%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	155,586	140,405	148,127	154,496
Net profit	7,138	4,796	5,521	6,205
EPS (THB)	1.50	1.01	1.16	1.30
vs Consensus (%)	-	(28.2)	(27.8)	(27.7)
EBITDA	13,508	12,787	13,699	14,554
Core net profit	6,571	4,571	5,321	6,005
Core EPS (THB)	1.38	0.96	1.12	1.26
Chg. In EPS est. (%)	-	(26.6)	(23.0)	(19.0)
EPS growth (%)	8.3	(30.4)	16.4	12.8
Core P/E (x)	10.5	15.1	13.0	11.5
Dividend yield (%)	6.0	4.0	4.4	4.9
EV/EBITDA (x)	9.2	8.8	8.1	7.6
Price/book (x)	0.9	0.9	0.8	0.8
Net debt/Equity (%)	54.6	43.3	37.4	35.3
ROE (%)	9.4	5.8	6.6	7.0

กำไรปกติ 1Q23 ลดลง q-q และ y-y ใกล้เคียงกับที่เราคาด

TU รายงานกำไรสุทธิ 1Q23 ที่ 1.02 พัน ลบ. (-17.5% q-q, -41.5% y-y) เมื่อหักกำไรจากอัตราแลกเปลี่ยนที่ 215 ลบ. กำไรปกติอยู่ที่ 807 ลบ. (-52.7% q-q, -53% y-y) รายได้รวมลดลง 17.6% q-q และ 10% y-y เนื่องจากลูกค้านำรายการซื้อหลังซื้อสินค้ามากเกินไปในช่วงก่อนหน้า อัตรากำไรขั้นต้นลดลงแรงมาอยู่ที่ 15.1% (เทียบกับ 17.3% ใน 4Q22 และ 17.5% ใน 1Q22) จากปริมาณขายที่ลดลงและต้นทุนวัตถุดิบที่สูงขึ้น โดยเฉพาะอย่างยิ่งราคาปลาทูน่าและแชลมอนปรับขึ้น 6% y-y และ 33.3% y-y ตามลำดับ Red Lobster (RL) บันทึกกำไร 121 ลบ. (เทียบกับที่ขาดทุน 243 ลบ. ใน 1Q22 และ 344 ลบ. ใน 4Q22) จากฤดูกาลขายและแผนควบคุมต้นทุน

ผู้บริหารปรับลดเป้าประมาณการปี 2023

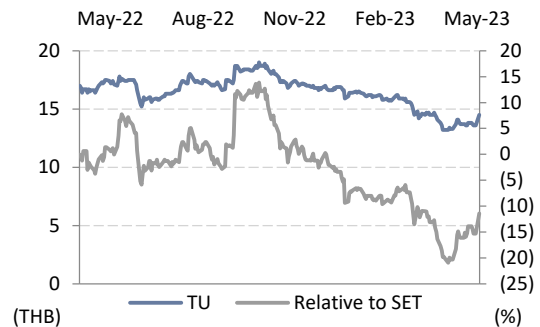
เราปรับลดประมาณการกำไรสุทธิปี 2023-24 ลง 25.4% และ 20.1% มาอยู่ที่ 4.8 พัน ลบ. (-32.8% y-y) และ 5.5 พัน ลบ. (+15% y-y) ตามลำดับ สมมติฐานของเราต่ำกว่าเป้าประมาณการของ TU เราคาดว่ารายได้รวมในปี 2023 จะลดลง 9.8% y-y โดยคาดว่าตัวเลขจะลดลงในทุกประเภท นอกจากนี้เรายังคาดว่าอัตรากำไรขั้นต้นในปี 2023 จะลดลงเหลือ 17% จาก 17.5% ในปี 2022 ซึ่งสะท้อนราคาปลาทูน่าที่สูงเกินคาด ปัจจุบันเราปรับสมมติฐานราคาปลาทูน่าในปี 2023 ขึ้น 13% มาอยู่ที่ USD1,700/ตัน (+2.2% y-y)

ปรับลดประมาณการกำไรสุทธิปี 2023-24 เพื่อสะท้อนกำไรที่อ่อนแอใน 1Q23

เราปรับลดประมาณการกำไรสุทธิปี 2023-24 ลง 25.4% และ 20.1% มาอยู่ที่ 4.8 พัน ลบ. (-32.8% y-y) และ 5.5 พัน ลบ. (+15% y-y) ตามลำดับ สมมติฐานของเราต่ำกว่าเป้าประมาณการของ TU เราคาดว่ารายได้รวมในปี 2023 จะลดลง 9.8% y-y โดยคาดว่าตัวเลขจะลดลงในทุกประเภท นอกจากนี้เรายังคาดว่าอัตรากำไรขั้นต้นในปี 2023 จะลดลงเหลือ 17% จาก 17.5% ในปี 2022 ซึ่งสะท้อนราคาปลาทูน่าที่สูงเกินคาด ปัจจุบันเราปรับสมมติฐานราคาปลาทูน่าในปี 2023 ขึ้น 13% มาอยู่ที่ USD1,700/ตัน (+2.2% y-y)

คงแนะนำซื้อสำหรับนักลงทุนระยะยาว

เราคงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 20 บาท (SoTP) คิดเป็น 17.9x ของค่า 2024E P/E เราคิดว่ากำไรสุทธิของ TU ใน 1Q23 เป็นจุดต่ำสุดสอดคล้องกับบริษัทย่อย จากแนวโน้มการระบายสินค้าคงคลังที่น่าจะสิ้นสุดในช่วง 1H23 เราคาดว่ากำไรสุทธิของ TU จะฟื้นตัวเป็น 15% y-y ในปี 2024 และปรับราคาเป้าหมายของเราไปในปีดังกล่าวเช่นเดียวกันกับ ITC



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.8	(9.9)	(11.6)
Relative to country (%)	12.1	(2.7)	(6.5)
Mkt cap (USD m)	2,031		
3m avg. daily turnover (USD m)	11.2		
Free float (%)	65		
Major shareholder	Chansiri Family (12%)		
12m high/low (THB)	19.10/13.10		
Issued shares (m)	4,771.82		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 9 พฤษภาคม 2023

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 I-Tail Corporation (ITC TB, BUY) 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.

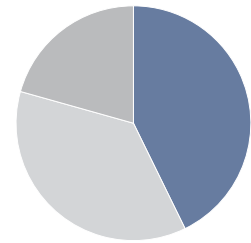
Company profile

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 and 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, 2022)

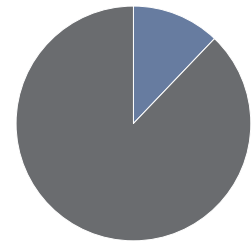
- Ambient seafood - 42.7 %
- Frozen & chilled seafood - 36.6 %
- Pet food & others - 20.6 %



Source: Thai Union Group

Major shareholders

- Chansiri Family - 12.1 %
- Others - 87.9 %



Source: Thai Union Group

Catalysts

Potential catalysts for TU’s earnings growth 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) labour shortages; and 4) tariff and non-tariff barriers in international trade.

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Total revenue (USD m)	4,255	4,489	4,682
USD/THB	33.0	33.0	33.0
Ambient sales (THB m)	62,936	65,059	66,467
Frozen, Chilled Sales (THB m)	48,362	51,167	53,470
Pet care, value-added sales (THB m)	29,106	31,900	34,559
Tuna price (USD/tonne)	1,700	1,600	1,500
Gross margin (%)	17.0	17.2	17.4

Source: FSSIA estimates

Earnings sensitivity

- For every THB1/USD increase, we estimate 2023 net profit to fall by 7%, and vice versa, all else being equal.
- For every 1% increase in the tuna price, we estimate 2023 net profit to fall by 5.8%, and vice versa, all else being equal.
- For every 5% increase in the minimum wage, we estimate 2023 net profit to fall by 4.3%, and vice versa, all else being equal.

Source: FSSIA estimates

1Q23 core profit in line with our estimate, down sharply q-q and y-y

TU reported a 1Q23 net profit of THB1.02b (-17.5% q-q, -41.5% y-y). Excluding an FX gain of THB215m, the company's core profit – a 16-quarter low – was equal to THB807m (-52.7% q-q, -53% y-y).

Total revenue dropped by 17.6% q-q and 10% y-y, due to some customers delaying purchases after overstocking earlier, and the high base in 1Q22. Its revenue decreased across all categories, such as ambient seafood (-10.9% q-q, -1.9% y-y), frozen (-19.2% q-q, -15.3% y-y), pet care (-37.2% q-q, -21.8% y-y), and value added (-10.3% q-q, -9.5% y-y). Its total revenue was the lowest in eight quarters.

The 1Q23 gross margin dropped sharply to 15.1% from 17.3% in 4Q22 and 17.5% in 1Q22 due to lower sales volumes and higher raw material costs. In particular, the average tuna price in 1Q23 was equal to USD1,820 per tonne (+9.6% q-q, +6% y-y) and the salmon price rose by 33.3% y-y to NOK104 per kg.

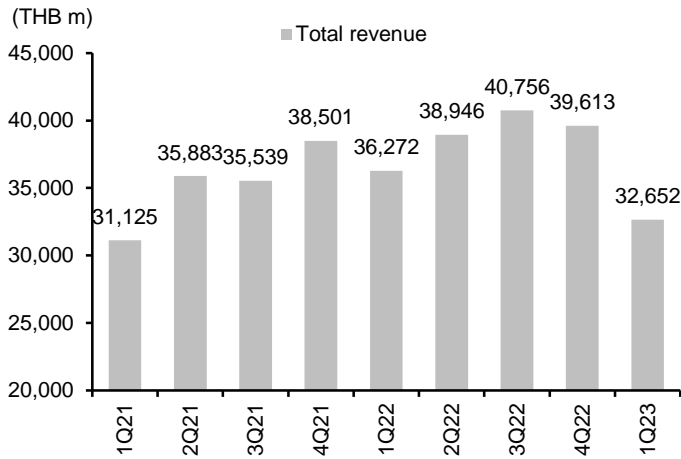
RL booked a profit of THB121m (vs losses of THB243m in 1Q22 and THB344m in 4Q22), thanks to the high season, increased selling prices, and the success of its cost control program.

Exhibit 1: 1Q23 earnings results

	1Q22	2Q22	3Q22	4Q22	1Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales in THB m	36,272	38,946	40,756	39,613	32,652	(17.6)	(10.0)
Cost of sales	29,917	32,361	33,357	32,744	27,735	(15.3)	(7.3)
Gross profit	6,355	6,584	7,399	6,868	4,917	(28.4)	(22.6)
SG&A	4,688	4,920	5,064	4,484	4,121	(8.1)	(12.1)
Operating profit	1,943	1,891	2,523	2,668	993	(62.8)	(48.9)
Profit sharing	(177)	(283)	(256)	(313)	231	(173.7)	(230.3)
Interest expense	445	465	517	571	532	(6.7)	19.7
Tax expense	(188)	(346)	(136)	(170)	(242)	42.3	28.7
FX gain (loss)	(47)	475	792	(468)	215	(145.9)	(557.4)
Reported net profit	1,746	1,624	2,530	1,238	1,022	(17.5)	(41.5)
Core profit	1,716	1,768	1,738	1,706	807	(52.7)	(53.0)
Key ratios (%)						(ppt)	(ppt)
Gross margin	17.5	16.9	18.2	17.3	15.1	(2.3)	(2.5)
SG&A / sales	12.9	12.6	12.4	11.3	12.6	1.3	(0.3)
Operating margin	5.4	4.9	6.2	6.7	3.0	(3.7)	(2.3)
Net margin	4.8	4.2	6.2	3.1	3.1	0.0	(1.7)
Core margin	4.7	4.5	4.3	4.3	2.5	(1.8)	(2.3)
Operating statistics (THB m)							
Ambient sales	15,527	16,912	16,985	17,086	15,225	(10.9)	(1.9)
Frozen, chilled seafood sales	13,790	13,900	14,820	14,453	11,684	(19.2)	(15.3)
Pet care sales	4,472	5,442	6,210	5,568	3,495	(37.2)	(21.8)
Value added, others sale	2,483	2,691	2,741	2,505	2,248	(10.3)	(9.5)
USD/THB	33.1	34.4	36.4	36.4	33.9	(6.8)	2.4
EUR/THB	37.1	36.6	36.7	37.1	34.6	(6.7)	(6.7)
GBP/THB	44.4	43.2	42.8	42.6	41.2	(3.4)	(7.2)
Tuna price (USD/tonne)	1,717	1,608	1,667	1,660	1,820	9.6	6.0
Shrimp 60 pcs/kg (THB/kg)	182	154	157	154	168	9.1	(7.7)
Salmon (NOK/kg)	78	97	73	73	104	42.5	33.3

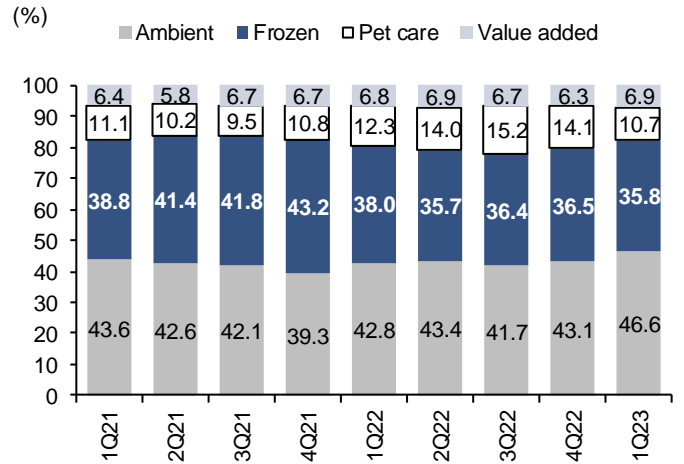
Source: TU

Exhibit 2: Quarterly total revenue



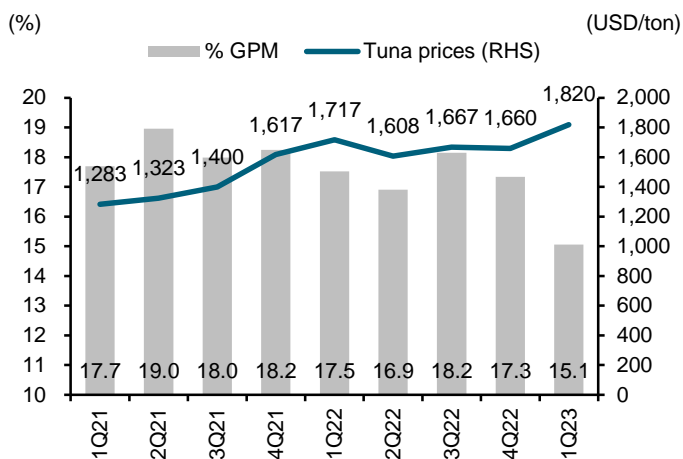
Sources: TU; FSSIA's compilation

Exhibit 3: Quarterly revenue by segment



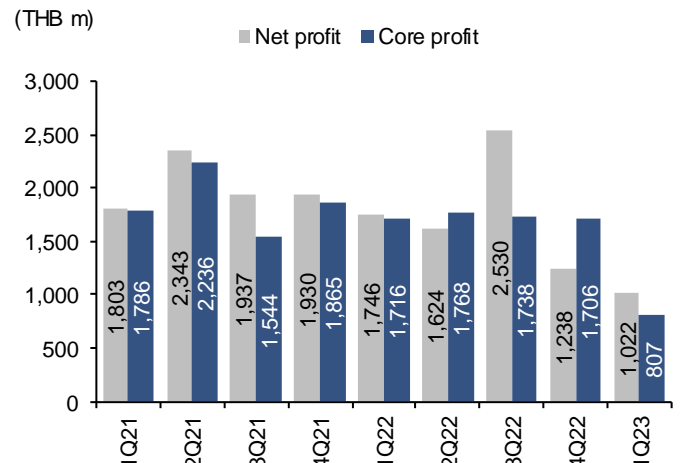
Sources: TU; FSSIA's compilation

Exhibit 4: Quarterly gross margin and tuna prices



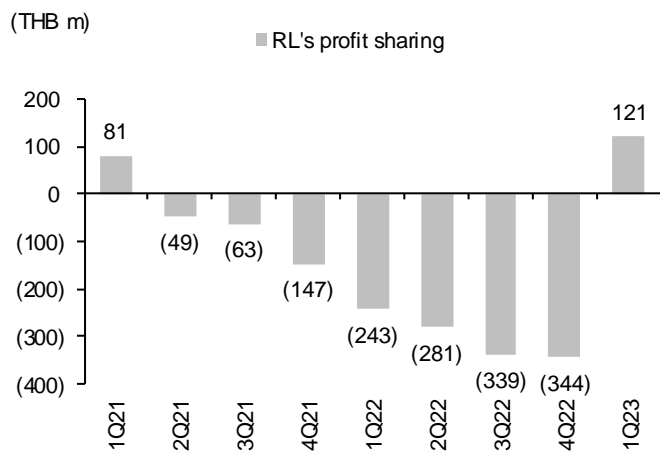
Sources: TU; FSSIA's compilation

Exhibit 5: Quarterly net profit and core profit



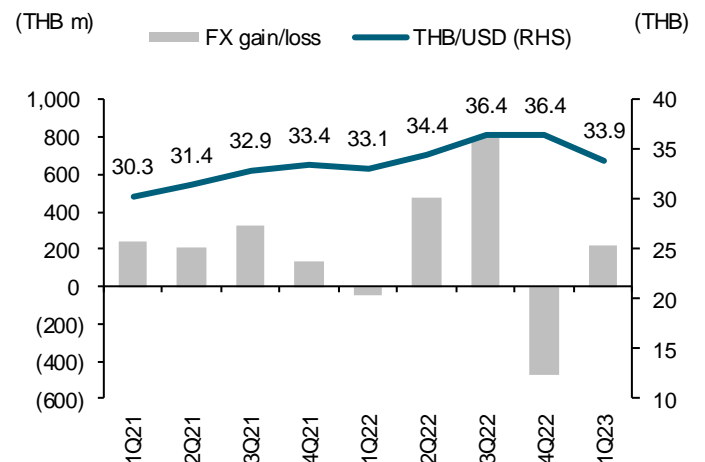
Sources: TU; FSSIA's compilation

Exhibit 6: Share of profits/losses from Red Lobster



Sources: TU; FSSIA's compilation

Exhibit 7: Quarterly FX gain (loss) and FX rate



Sources: TU; FSSIA's compilation

Management revises down targets for 2023

We have a slightly negative view from the analyst meeting on 3 May 2023. Management revised down their 2023 targets and are now aiming for 1) total revenue growth of 3-4% y-y (from 5-6% y-y); 2) a gross margin of 17.5-18% (from 18-18.5%); 3) maintaining SG&A to sales at 11-12%; and 4) stabilising the share of losses from RL at THB600m (vs a loss of THB1.2b in 2022). Despite RL's return to profit in 1Q23, management expects it to generate losses in 2Q23-4Q23, in line with seasonality. Management insisted that they have no plans to exit from RL, citing RL's EBITDA which reached its target of USD30m per quarter, which is one of the conditions of the financial covenant that requires TU to provide USD65m of the guaranteed portion of RL's credit facility.

Management has allocated CAPEX of THB6b-6.5b for expansion in 2023 and mentioned during the meeting that they are pursuing M&A investments.

Exhibit 8: Management's adjusted 2023 guidance

Sales	3 – 4% YoY growth*
Gross profit margin	~ 17.5 – 18.0%
SG&A to sales	~ 11.0 – 12.0%
Effective interest rate	Increase 0.5 – 1.0%
CAPEX	~ THB 6.0 – 6.5bn
Dividend policy	At least 50% dividend payout ratio

Remark: *Under FX rate assumption rate of 34 THB/USD (adjusted from 35 THB/USD); potential translation sensitivity for 1 THB/USD change is estimated impact on topline 0.7-0.8%.

Source: TU

Exhibit 9: Guidance for Red Lobster in 2023

Share of profit (THB mn)	2023E	2022	2021	2020
Operations*	-600	-1,207	-178	-1,187
Lease accounting adj.	-385	-422	-638	0
Preferred interest**	0	18	1,216	992

- We confirm 2023 RL performance guidance and continuity strategies. There is no plan to sell Red Lobster in the short term.



Remark: *Based on our assumptions, we estimate to achieve share of loss from Red Lobster's operations in a range of THB 550-650mn in 2023.

Source: TU

Cut 2023-24 net profit estimates, derive new target price

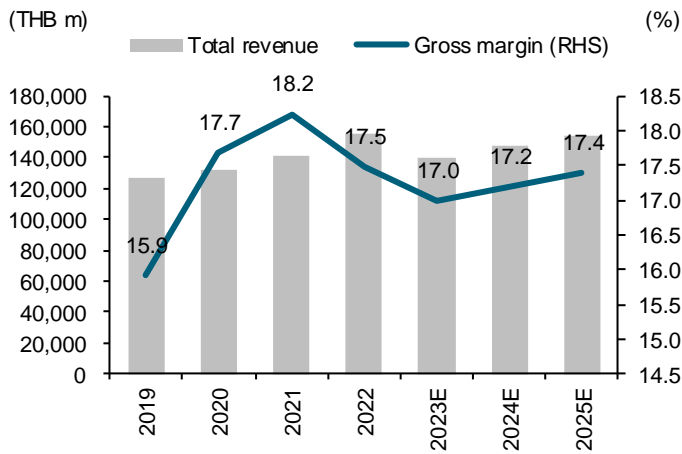
We cut our 2023-24 net profit forecast by 25.4% and 20.1% to THB4.8b (-32.8% y-y) and THB5.5b (+15% y-y), respectively. Our assumptions are more conservative than TU's targets, as we expect 2023 total revenue to drop by 9.8% y-y with declines across all categories. In addition, we expect the gross margin in 2023 to decrease to 17% from 17.5% in 2022 due to the higher-than-expected tuna price which in 1Q23 averaged USD1,820. Hence, we revise up our 2023 tuna price assumption by 13% to USD1,700 per tonne (+2.2% y-y).

Exhibit 10: Changes in key assumptions for TU

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total revenue (USD m)	4,255	4,489	4,682	4,704	4,963	5,177	(9.6)	(9.6)	(9.6)
Fx rate (THB/USD)	33.0	33.0	33.0	33.0	33.0	33.0	0.0	0.0	0.0
Total sale value (THB m)	140,405	148,127	154,496	155,245	163,784	170,826	(9.6)	(9.6)	(9.6)
Costs	116,536	122,649	127,614	127,767	134,794	140,590	(8.8)	(9.0)	(9.2)
Gross profit	23,869	25,478	26,882	27,478	28,990	30,236	(13.1)	(12.1)	(11.1)
SG&A expenses	16,849	17,775	18,540	18,629	19,654	20,499	(9.6)	(9.6)	(9.6)
Interest expense	1,972	1,857	1,837	1,824	1,717	1,717	8.1	8.1	6.9
Profit sharing	(246)	(110)	102	(246)	(110)	102	0.0	0.0	0.0
Reported net profit	4,796	5,521	6,205	6,430	6,914	7,413	(25.4)	(20.1)	(16.3)
Core profit	4,571	5,321	6,005	6,430	6,914	7,413	(28.9)	(23.0)	(19.0)
Key ratios (%)									
Total revenue growth	(9.8)	5.5	4.3	(0.2)	1.3	1.7	(9.5)	4.2	2.6
Net profit growth	(32.8)	15.1	12.4	(9.9)	8.9	6.0	(22.9)	6.2	6.4
Core profit growth	(34.0)	16.4	12.8	(7.2)	8.9	6.0	(26.8)	7.5	6.9
Operating statistics (THB m)									
Ambient sales	62,936	65,059	66,467	64,954	68,655	71,337	(3.1)	(5.2)	(6.8)
Frozen, chilled sales	48,362	51,167	53,470	55,255	57,465	59,189	(12.5)	(11.0)	(9.7)
Pet care sales	19,415	21,434	23,256	24,525	26,365	28,210	(20.8)	(18.7)	(17.6)
Value added, others sales	9,691	10,466	11,303	10,511	11,299	12,090	(7.8)	(7.4)	(6.5)
Tuna price (USD per ton)	1,700	1,600	1,500	1,500	1,500	1,500	13.3	6.7	0.0

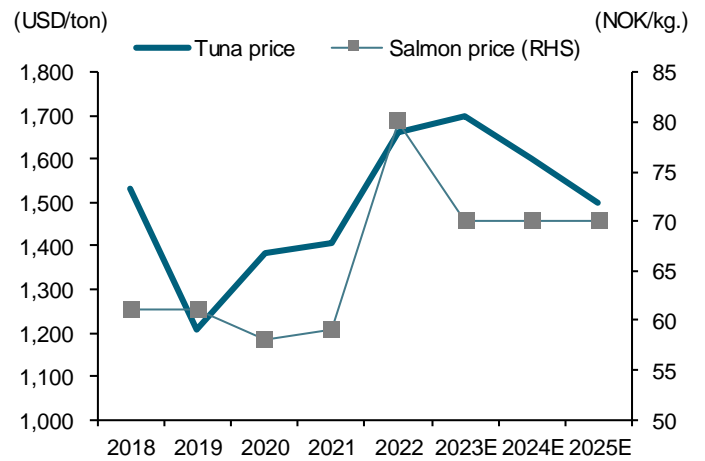
Source: FSSIA estimates

Exhibit 11: Yearly total revenue and gross margin



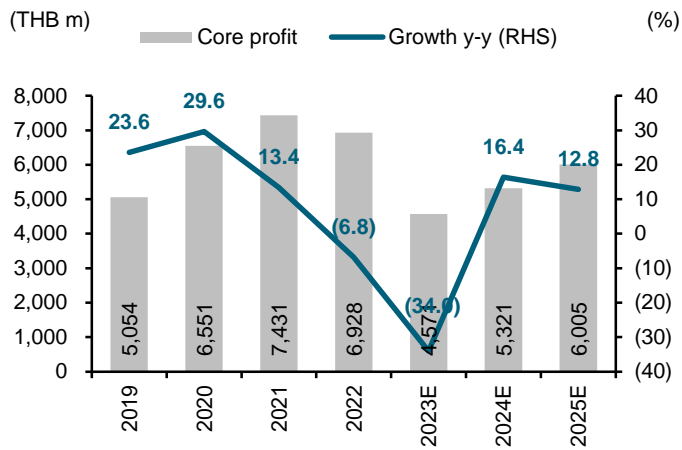
Sources: TU; FSSIA estimates

Exhibit 12: Tuna and salmon prices



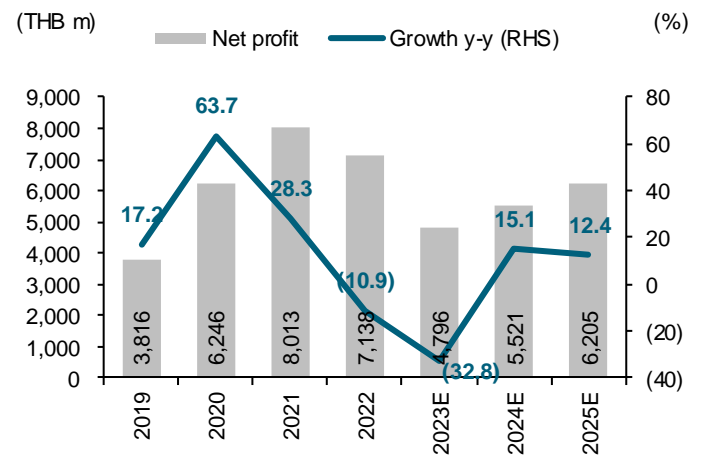
Sources: TU; FSSIA estimates

Exhibit 13: Yearly core profit and growth



Sources: TU; FSSIA estimates

Exhibit 14: Yearly net profit and growth



Sources: TU; FSSIA estimates

Cut and roll over our 2024 target price

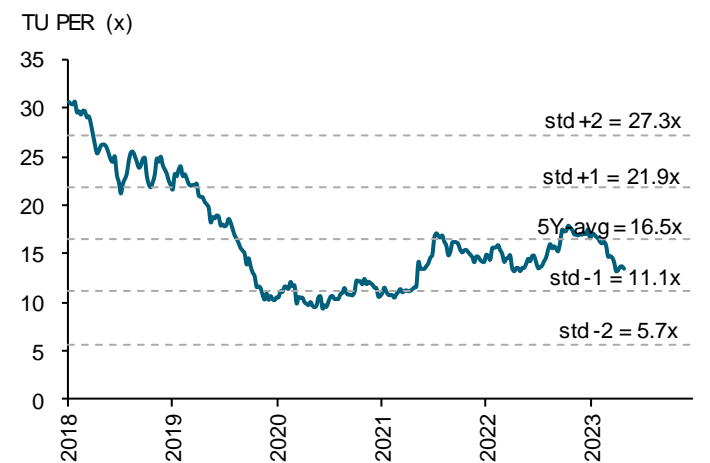
We retain our BUY call and derive a new SoTP-based TP of THB20, implying 17.9x 2024E P/E. We think TU's net profit already bottomed out in 1Q23, in line with its subsidiaries, as the destocking trend is likely to end within 1H23. With our 2024 net profit estimate forecasting a return to growth of 15% y-y, we roll over our 2024 target price, which is in line with ITC's.

Exhibit 15: SoTP-based valuation

	2024E core profit	TU's stake	2024E TU's core profit	EPS	Target P/E	2024 TP
	(THB m)	(%)	(THB m)	(THB)	(x)	(THB)
Ambient & Frozen Business	2,074	100.0	2,074	0.37	13.0	4.8
Pet Food Business (ITC)	4,038	77.8	3,142	0.60	25.0	15.0
Feed Business (TFM)	208	51.0	106	0.02	10.0	0.2
Total			5,321	1.1	17.9	20.0

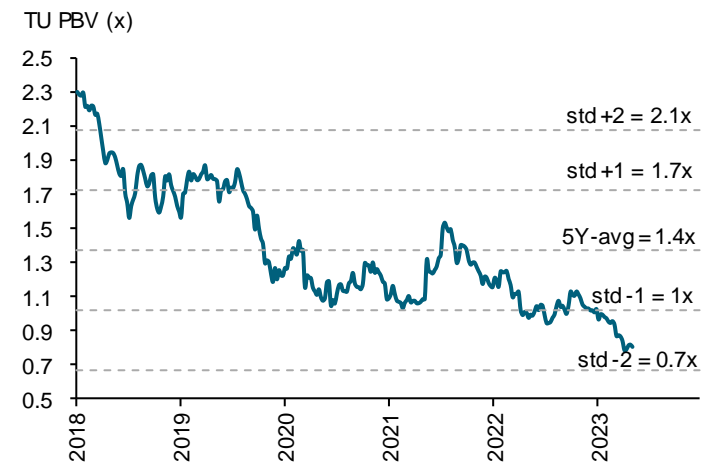
Source: FSSIA estimates

Exhibit 16: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 17: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

Exhibit 18: Food business (ambient & frozen) peer comparison as of 8 May 2023

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Ambient & Frozen														
Thai Union Group	TU TB	BUY	14.50	20.00	38	2,031	15.1	13.0	5.8	6.6	0.9	0.8	8.8	8.1
Charoen Pokphand Foods	CPF TB	HOLD	20.40	22.30	9	5,043	15.6	15.8	2.4	3.0	0.7	0.7	12.6	12.2
GFPT	GFPT TB	BUY	10.70	12.40	16	397	10.4	9.1	7.6	8.2	0.8	0.7	7.0	6.3
Betagro	BTG TB	BUY	22.90	25.30	10	1,310	15.4	13.1	8.1	9.3	1.5	1.4	7.5	6.5
Thaifoods Group	TFG TB	HOLD	4.80	5.20	8	802	11.1	10.0	16.3	16.5	1.7	1.6	6.2	5.7
Asian Sea	ASIAN TB	n/a	10.10	n/a	n/a	243	10.7	8.8	11.8	13.5	1.2	1.2	5.0	3.9
Average						9,826	13.1	11.6	8.6	9.5	1.1	1.1	7.9	7.1

Sources: Bloomberg, FSSIA estimates

Exhibit 19: Pet food business peers comparison as of 8 May 2023

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Pet food														
Thai Union Group	TU TB	BUY	14.50	20.00	38	2,031	15.1	13.0	5.8	6.6	0.9	0.8	8.8	8.1
I-Tail	ITC TB	BUY	20.00	34.00	70	1,774	19.5	14.9	12.1	15.2	2.3	2.2	11.9	9.2
Asian Alliance International	AAI TB	n/a	4.70	n/a	n/a	295	12.6	10.6	15.4	16.8	1.9	1.7	9.9	8.3
Yantai China Pet Foods	002891 CH	n/a	21.92	n/a	n/a	932	39.9	28.6	7.3	9.2	2.9	2.6	20.5	15.0
Petpal Pet Nutrition	300673 CH	n/a	13.76	n/a	n/a	504	21.7	16.2	7.8	9.8	1.7	1.5	14.7	10.9
Wenzhou Wen Toys	001222 CH	n/a	21.68	n/a	n/a	427	14.0	11.1	15.0	16.1	2.0	1.8	n/a	n/a
Nestle	NESN SW	n/a	116.46	n/a	n/a	349,218	23.3	21.7	28.6	29.7	7.4	7.3	17.6	16.5
JM Smucker	SJM US	n/a	158.20	n/a	n/a	16,871	18.3	16.9	11.1	10.5	2.0	1.7	13.0	12.3
General Mills	GIS US	n/a	89.81	n/a	n/a	52,909	21.2	20.1	24.2	24.4	5.3	5.0	16.0	15.2
Petco Health and Wellness	WOOF US	n/a	10.12	n/a	n/a	2,680	13.2	23.8	8.8	4.4	1.1	1.1	7.0	7.8
Spectrum Brands Holdings	SPB US	n/a	70.37	n/a	n/a	3,020	75.8	26.4	3.7	10.2	2.2	2.5	19.9	17.5
Swedencare	SECARE SS	n/a	37.85	n/a	n/a	584	42.1	27.3	1.9	2.9	0.8	0.8	14.8	12.2
Pets At Home	PETS LN	n/a	386.40	n/a	n/a	2,359	17.9	18.5	10.0	10.1	1.9	1.9	8.7	8.5
Average						431,575	26.6	19.7	12.2	13.3	2.6	2.5	14.0	12.1

Sources: Bloomberg, FSSIA estimates

Exhibit 20: Feed business peers comparison as of 8 May 2023

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Pet feed														
Tongwei	600438 CH	n/a	38.61	n/a	n/a	25,135	8.1	9.1	29.9	22.5	2.3	1.9	5.1	5.7
Muylian Foods	002714 CH	n/a	46.60	n/a	n/a	36,858	9.3	9.6	30.7	24.5	2.7	2.2	7.7	7.6
Beijing Dabelnong Technology	002385 CH	n/a	6.98	n/a	n/a	4,179	22.0	16.8	10.3	13.2	2.4	2.2	13.3	11.5
Bluestar Adisseo	600299 CH	n/a	8.09	n/a	n/a	3,137	13.0	11.8	10.0	10.7	1.3	1.2	7.2	6.3
Average						69,310	13.1	11.8	20.2	17.7	2.2	1.9	8.3	7.8

Sources: Bloomberg, FSSIA estimates

Financial Statements

Thai Union Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	141,048	155,586	140,405	148,127	154,496
Cost of goods sold	(111,137)	(123,896)	(111,752)	(117,615)	(122,330)
Gross profit	29,910	31,690	28,653	30,512	32,166
Other operating income	811	974	983	963	927
Operating costs	(17,471)	(19,156)	(16,849)	(17,775)	(18,540)
Operating EBITDA	13,250	13,508	12,787	13,699	14,554
Depreciation	(4,184)	(4,484)	(4,784)	(5,034)	(5,284)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,066	9,024	8,003	8,665	9,270
Net financing costs	(1,730)	(1,998)	(1,972)	(1,857)	(1,837)
Associates	(269)	(1,030)	(246)	(110)	102
Recurring non-operating income	(269)	(1,030)	(246)	(110)	102
Non-recurring items	1,946	567	225	200	200
Profit before tax	9,013	6,564	6,010	6,899	7,735
Tax	(742)	840	(302)	(340)	(372)
Profit after tax	8,272	7,403	5,709	6,558	7,363
Minority interests	(259)	(265)	(913)	(1,037)	(1,159)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	8,013	7,138	4,796	5,521	6,205
Non-recurring items & goodwill (net)	(1,946)	(567)	(225)	(200)	(200)
Recurring net profit	6,067	6,571	4,571	5,321	6,005
Per share (THB)					
Recurring EPS *	1.27	1.38	0.96	1.12	1.26
Reported EPS	1.68	1.50	1.01	1.16	1.30
DPS	0.95	0.88	0.57	0.64	0.72
Diluted shares (used to calculate per share data)	4,772	4,772	4,772	4,772	4,772
Growth					
Revenue (%)	6.5	10.3	(9.8)	5.5	4.3
Operating EBITDA (%)	(1.8)	1.9	(5.3)	7.1	6.2
Operating EBIT (%)	(4.9)	(0.5)	(11.3)	8.3	7.0
Recurring EPS (%)	(3.6)	8.3	(30.4)	16.4	12.8
Reported EPS (%)	28.3	(10.9)	(32.8)	15.1	12.4
Operating performance					
Gross margin inc. depreciation (%)	18.2	17.5	17.0	17.2	17.4
Gross margin of key business (%)	18.2	17.5	17.0	17.2	17.4
Operating EBITDA margin (%)	9.4	8.7	9.1	9.2	9.4
Operating EBIT margin (%)	6.4	5.8	5.7	5.8	6.0
Net margin (%)	4.3	4.2	3.3	3.6	3.9
Effective tax rate (%)	8.2	(12.8)	5.0	4.9	4.8
Dividend payout on recurring profit (%)	74.7	63.5	59.8	57.1	56.8
Interest cover (X)	5.1	4.0	3.9	4.6	5.1
Inventory days	139.9	146.2	153.7	132.2	133.0
Debtor days	38.3	39.7	42.7	38.8	39.0
Creditor days	66.4	63.9	69.8	66.1	66.5
Operating ROIC (%)	11.2	9.5	8.5	9.8	10.3
ROIC (%)	5.6	4.6	4.5	5.2	5.5
ROE (%)	10.9	9.4	5.8	6.6	7.0
ROA (%)	5.0	4.8	4.1	4.7	5.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Ambient seafood	58,955	66,510	62,936	65,059	66,467
Frozen & chilled seafood	58,417	56,964	48,362	51,167	53,470
Pet food & others	23,675	32,113	29,106	31,900	34,559

Sources: Thai Union Group; FSSIA estimates

Financial Statements

Thai Union Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	6,067	6,571	4,571	5,321	6,005
Depreciation	4,184	4,484	4,784	5,034	5,284
Associates & minorities	(269)	(1,030)	(246)	(110)	102
Other non-cash items	3,892	1,134	450	400	400
Change in working capital	(9,944)	(8,270)	12,317	(2,016)	(1,649)
Cash flow from operations	3,929	2,890	21,876	8,630	10,142
Capex - maintenance	(5,850)	(6,146)	(6,000)	(5,000)	(5,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(6,243)	23,560	(5,146)	3,288	9
Other investments (net)	830	(1,731)	4,207	(1,776)	(1,465)
Cash flow from investing	(11,263)	15,683	(6,940)	(3,488)	(6,456)
Dividends paid	(4,470)	(4,281)	(2,571)	(2,879)	(3,255)
Equity finance	0	0	0	0	1
Debt finance	12,626	(10,684)	(11,053)	(2,888)	(499)
Other financing cash flows	1,915	(389)	(1,065)	463	382
Cash flow from financing	10,070	(15,354)	(14,689)	(5,304)	(3,371)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	2,737	3,218	248	(162)	315
Free cash flow to firm (FCFF)	(5,603.61)	20,570.44	16,909.12	6,998.66	5,522.71
Free cash flow to equity (FCFE)	7,206.59	7,499.62	2,818.74	2,717.65	3,569.20

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(1.17)	4.31	3.54	1.47	1.16
FCFE per share	1.51	1.57	0.59	0.57	0.75
Recurring cash flow per share	2.91	2.34	2.00	2.23	2.47

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	57,314	60,730	67,030	72,280	77,530
Less: Accumulated depreciation	(28,957)	(30,711)	(35,795)	(41,079)	(46,613)
Tangible fixed assets (net)	28,357	30,020	31,236	31,202	30,918
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	28,615	28,425	28,425	28,425	28,425
Cash & equivalents	9,023	12,241	12,489	12,328	12,643
A/C receivable	16,308	17,525	15,310	16,152	16,846
Inventories	46,636	52,622	41,506	43,683	45,452
Other current assets	2,896	5,236	4,639	4,856	5,035
Current assets	74,863	87,625	73,945	77,018	79,976
Other assets	34,769	36,500	32,293	34,069	35,534
Total assets	166,604	182,569	165,899	170,715	174,853
Common equity	59,319	80,642	78,151	83,793	86,744
Minorities etc.	2,894	7,489	6,880	7,258	7,570
Total shareholders' equity	62,213	88,131	85,031	91,051	94,314
Long term debt	46,431	48,125	37,648	34,064	34,064
Other long-term liabilities	9,878	9,489	8,424	8,888	9,270
Long-term liabilities	56,309	57,614	46,072	42,952	43,334
A/C payable	21,351	22,018	20,753	21,842	22,726
Short term debt	24,610	12,232	11,656	12,352	11,853
Other current liabilities	2,121	2,574	2,387	2,518	2,626
Current liabilities	48,081	36,824	34,796	36,712	37,205
Total liabilities and shareholders' equity	166,604	182,569	165,899	170,715	174,853
Net working capital	42,368	50,792	38,315	40,331	41,981
Invested capital	134,110	145,736	130,269	134,027	136,858

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	12.43	16.90	16.38	17.56	18.18
Tangible book value per share	12.43	16.90	16.38	17.56	18.18

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	99.7	54.6	43.3	37.4	35.3
Net debt/total assets (%)	37.2	26.4	22.2	20.0	19.0
Current ratio (x)	1.6	2.4	2.1	2.1	2.1
CF interest cover (x)	5.2	4.8	2.4	2.5	2.9

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	11.4	10.5	15.1	13.0	11.5
Recurring P/E @ target price (x) *	15.7	14.5	20.9	17.9	15.9
Reported P/E (x)	8.6	9.7	14.4	12.5	11.2
Dividend yield (%)	6.6	6.0	4.0	4.4	4.9
Price/book (x)	1.2	0.9	0.9	0.8	0.8
Price/tangible book (x)	1.2	0.9	0.9	0.8	0.8
EV/EBITDA (x) **	10.1	9.2	8.8	8.1	7.6
EV/EBITDA @ target price (x) **	12.1	11.2	10.9	10.0	9.4
EV/invested capital (x)	1.0	0.9	0.9	0.8	0.8

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

Sources: Thai Union Group; 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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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

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Company	Ticker	Price	Rating	Valuation & Risks
Thai Union Group	TU TB	THB 14.50	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 include 1) a slower-than-expected consumption recovery; 2) high volatility in meat and raw material prices; 3) a stronger THB than expected; and 4) a minimum wage increase and labour shortage.
GFPT	GFPT TB	THB 10.70	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.
Betagro	BTG TB	THB 22.90	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 4.80	HOLD	Downside and upside risks to our P/E-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.
i-Tail Corporation	ITC TB	THB 20.00	BUY	Downside risks to our PE-based TP include 1) a stronger-than-expected THB against USD; 2) the high volatility of raw material prices; 3) labor shortages; and 4) changing consumer demand and lifestyles.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 08-May-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.