

THAI UNION GROUP TU TB  
THAILAND / FOOD & BEVERAGE

BUY

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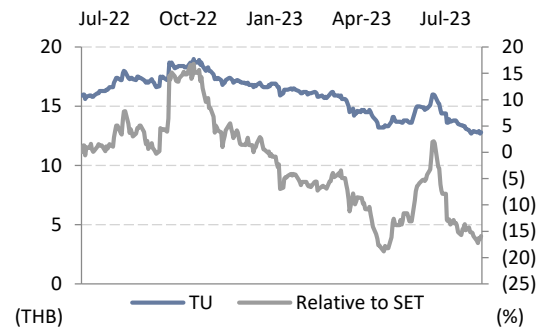
## ราคาที่ลดลงสะท้อนทุกประเด็นแล้ว

- TU อาจเลื่อนไปรายงานกำไรต่ำสุดใน 2Q23 ซึ่งช้ากว่าคาด
- ลูกค้าน่าจะกลับมาตุนสินค้าและคาดหวังราคาหุ้นปรับตัวลดลงใน 3Q23
- เราปรับลดประมาณการกำไรปี 2023-24 และราคาเป้าหมายเป็น 18 บาท (SoTP)

TARGET PRICE	THB18.00
CLOSE	THB12.80
UP/DOWNSIDE	+40.6%
PRIOR TP	THB20.00
CHANGE IN TP	-10.0%
TP vs CONSENSUS	+6.2%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	155,586	137,495	145,744	153,032
Net profit	7,138	4,097	5,224	5,874
EPS (THB)	1.50	0.86	1.09	1.23
vs Consensus (%)	-	(30.4)	(26.6)	(26.4)
EBITDA	13,508	11,934	13,268	14,160
Core net profit	6,571	4,097	5,224	5,874
Core EPS (THB)	1.38	0.86	1.09	1.23
Chg. In EPS est. (%)	-	(10.4)	(1.8)	(2.2)
EPS growth (%)	8.3	(37.6)	27.5	12.4
Core P/E (x)	9.3	14.9	11.7	10.4
Dividend yield (%)	6.8	3.8	4.7	5.3
EV/EBITDA (x)	8.6	8.7	7.7	7.2
Price/book (x)	0.8	0.8	0.7	0.7
Net debt/Equity (%)	54.6	42.7	37.2	35.6
ROE (%)	9.4	5.2	6.5	6.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.9)	(3.0)	(20.0)
Relative to country (%)	(1.8)	3.6	(16.4)
Mkt cap (USD m)	1,666		
3m avg. daily turnover (USD m)	13.4		
Free float (%)	65		
Major shareholder	Chansiri Family (12%)		
12m high/low (THB)	19.10/12.50		
Issued shares (m)	4,771.82		

Sources: Bloomberg consensus; FSSIA estimates

## จุดต่ำสุดของกำไรอาจเลื่อนไปเป็น 2Q23

เราคาดกำไรสุทธิ 2Q23 ที่ 1 พัน ลบ. (-1.5% q-q, -38% y-y) ส่วนมากจาก 1) การปรับลดสินค้าคงคลังอย่างต่อเนื่องของลูกค้าในสหรัฐฯ; 2) ต้นทุนวัตถุดิบที่ปรับขึ้น; และ 3) Red Lobster น่าจะรายงานผลขาดทุนตามปัจจัยด้านฤดูกาล โดยเฉพาะอย่างยิ่งเราคาดว่ารายได้รวมจะลดลง 14% y-y แต่เพิ่มเล็กน้อยที่ 2.2% q-q โดยได้ปัจจัยหนุนจากการเริ่มของฤดูส่งออก ธุรกิจ Ambient น่าจะฟื้นตัวในสหภาพยุโรป (EU) ในขณะที่เราคาดว่าธุรกิจ Frozen จะทรงตัว q-q และรายได้จากธุรกิจ Pet Care น่าจะลดลง 9.7% q-q และ 42% y-y ตามบริษัทย่อย ITC ซึ่งประสบปัญหาการปรับลดสินค้าคงคลังเช่นเดียวกัน

## ราคาหุ้นน่าจะลดลงในเดือน ส.ค. 2023

ในภาพรวมต้นทุนวัตถุดิบยังปรับตัวขึ้นต่อเนื่องใน 2Q23 จากผลกระทบของปรากฏการณ์ El Nino ราคาหุ้นน่าจะอยู่ที่ USD2,000 ต่อตัน (+10% q-q, +24% y-y) ในขณะที่ราคาแชนลอนอยู่ที่ NOK103 ต่อ กก. (-1% q-q, +6% y-y) ราคาที่ปรับขึ้นดังกล่าวไม่สอดคล้องกับฤดูกาลด้วยเหตุดังกล่าวเราคาดว่าอัตรากำไรขั้นต้นจะอยู่ที่ 16% ลดลงจาก 16.9% ใน 2Q22 แต่เพิ่มขึ้นจาก 15.1% ใน 1Q23 จากอัตราการใช้กำลังการผลิตที่สูงขึ้น บริษัทฯ คาดว่าราคาหุ้นน่าจะเริ่มปรับตัวลดลงตั้งแต่เดือน ส.ค. 2023 หลังพ้นช่วง FAD Ban ซึ่งน่าจะช่วยต้นทุนของบริษัทฯ ตั้งแต่ปลาย 3Q23 เป็นต้นไป

## ปรับลดประมาณการกำไรสุทธิปี 2023-24

ถ้าผลประกอบการออกมาตามคาด กำไรสุทธิ 1H23 ของ TU จะเท่ากับ 2 พัน ลบ. (-40% y-y) ซึ่งต่ำกว่าประมาณการเดิมของเรา เพราะฉะนั้นเราจึงปรับลดประมาณการกำไรสุทธิปี 2023-24 ของเราลง 14.6% และ 5.4% เป็น 4.1 พัน ลบ. (-43% y-y) และ 5.2 พัน ลบ. (+27.5% y-y) ตามลำดับส่วนมากเพื่อสะท้อน 1) การปรับลดประมาณการรายได้ในธุรกิจ Pet Care; และ 2) ประมาณการอัตรากำไรขั้นต้นปี 2023-24 ที่ลดลง 50 bps และ 20 bps อย่างไรก็ตามเรายังคงคิดว่า การดำเนินงานใน 2Q23 จะเป็นจุดต่ำสุดของปีนี้ กำไรสุทธิ 3Q23 น่าจะฟื้นตัว q-q จากปัจจัยด้านฤดูกาลและรายได้ที่น่าจะฟื้นตัวได้หลังลูกค้าเริ่มหันกลับมาตุนสินค้าอีกครั้ง

## ราคาหุ้นที่ปรับตัวลดลงสะท้อนทุกประเด็นปัญหาไปเรียบร้อยแล้ว

เราปรับลดราคาเป้าหมายปี 2024 ของเราลงเป็น 18 จาก 20 บาท (SoTP) คิดเป็น 16.4x ของค่า 2024E P/E TU อาจเลื่อนไปรายงานกำไรต่ำสุดใน 2Q23 ซึ่งช้ากว่าคาด ราคาหุ้นได้ปรับตัวลดลงถึง 15% ในช่วง 2 เดือนที่ผ่านมา ปัจจุบันหุ้นมีการซื้อขายที่ 11.7x ของค่า 2024E P/E ซึ่งเราคิดว่าได้สะท้อนข่าวร้ายทั้งหมดไปแล้ว



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### 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.

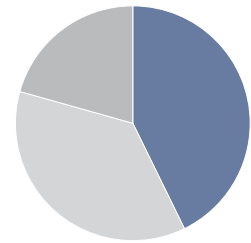
### Company profile

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 2022, its revenue contributions from the USA, Europe, Thailand, and Japan were 43%/26%/11%/6%, respectively.

[www.thaiunion.com](http://www.thaiunion.com)

### Principal activities (revenue, 2022)

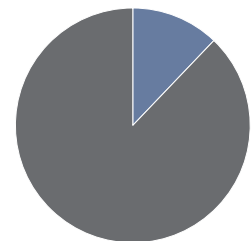
- Ambient seafood - 42.7 %
- Frozen & chilled seafood - 36.6 %
- Pet food & others - 20.6 %



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
7 August 2023	2Q23 results announcement
8 August 2023	2Q23 analyst meeting

### Key assumptions

	2023E	2024E	2025E
Total revenue (USD m)	4,167	4,416	4,637
USD/THB	33.0	33.0	33.0
Ambient sales (THB m)	63,823	65,309	67,300
Frozen, chilled sales (THB m)	48,362	51,167	53,470

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.

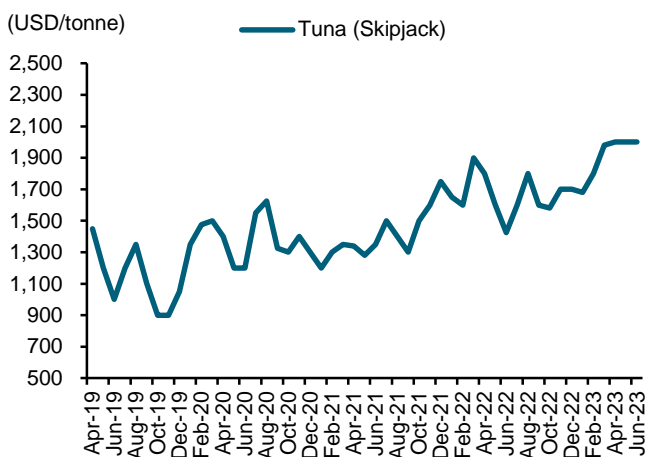
Source: FSSIA estimates

Exhibit 1: 2Q23 results preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	----- Change -----		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales in THB m	36,272	38,946	40,756	39,613	32,652	33,370	2.2	(14.3)	75,217	66,022	(12.2)
Cost of sales	29,917	32,361	33,357	32,744	27,735	28,031	1.1	(13.4)	62,278	55,766	(10.5)
Gross profit	6,355	6,584	7,399	6,868	4,917	5,339	8.6	(18.9)	12,939	10,256	(20.7)
SG&A	4,688	4,920	5,064	4,484	4,121	4,171	1.2	(15.2)	9,608	8,293	(13.7)
Operating profit	1,943	1,891	2,523	2,668	993	1,368	37.8	(27.7)	3,834	2,361	(38.4)
Profit sharing	(177)	(283)	(256)	(313)	231	130	(43.7)	(145.9)	(460)	361	nm
Interest expense	445	465	517	571	532	532	(0.1)	14.4	910	1,064	17.0
Tax expense	(188)	(346)	(136)	(170)	(242)	(120)	nm	nm	(534)	(362)	nm
FX gain (loss)	(47)	475	792	(468)	215	0	nm	nm	428	215	(49.8)
Reported net profit	1,746	1,624	2,530	1,238	1,022	1,006	(1.5)	(38.1)	3,369	2,028	(39.8)
Core profit	1,716	1,768	1,738	1,706	807	1,006	24.7	(43.1)	3,483	1,813	(48.0)
<b>Key ratios (%)</b>							<b>(ppt)</b>	<b>(ppt)</b>			<b>(ppt)</b>
Gross margin	17.5	16.9	18.2	17.3	15.1	16.0	0.9	(0.9)	17.2	15.5	(1.7)
SG&A / sales	12.9	12.6	12.4	11.3	12.6	12.5	(0.1)	(0.1)	12.8	12.6	(0.2)
Operating margin	5.4	4.9	6.2	6.7	3.0	4.1	1.1	(0.8)	5.1	3.6	(1.5)
Net margin	4.8	4.2	6.2	3.1	3.1	3.0	(0.1)	(1.2)	4.5	3.1	(1.4)
Core margin	4.7	4.5	4.3	4.3	2.5	3.0	0.5	(1.5)	4.6	2.7	(1.9)
<b>Operating statistics (THB m)</b>											
Ambient sales	15,527	16,912	16,985	17,086	15,225	16,291	7.0	(3.7)	32,439	31,516	(2.8)
Frozen, chilled seafood sales	13,790	13,900	14,820	14,453	11,684	11,450	(2.0)	(17.6)	27,690	23,134	(16.5)
Pet care sales	4,472	5,442	6,210	5,568	3,495	3,157	(9.7)	(42.0)	9,914	6,652	(32.9)
Value added, others sales	2,483	2,691	2,741	2,505	2,248	2,473	10.0	(8.1)	5,174	4,721	(8.8)
USD/THB	33.1	34.4	36.4	36.4	33.9	34.5	1.6	0.2	33.8	34.2	1.3
EUR/THB	37.1	36.6	36.7	37.1	34.6	37.5	8.4	2.5	36.9	36.1	(2.1)
GBP/THB	44.4	43.2	42.8	42.6	41.2	43.2	4.8	(0.1)	43.8	42.2	(3.7)
Tuna price (USD/tonne)	1,717	1,608	1,667	1,660	1,820	2,000	9.9	24.4	1,663	1,910	14.9
Salmon (NOK/kg)	78	97	73	73	104	103	(1.0)	6.2	88	104	18.3

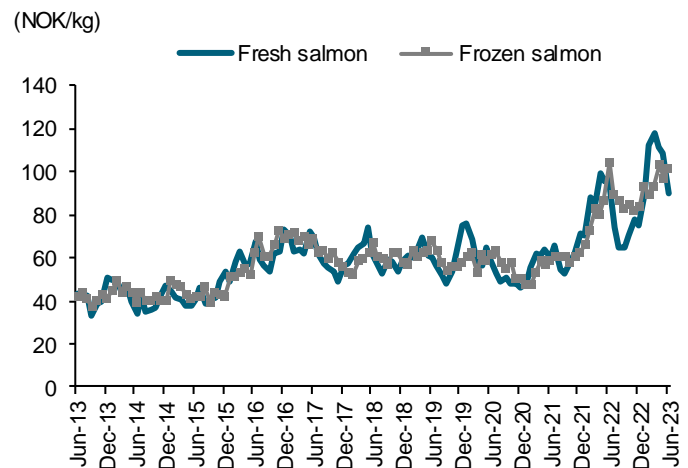
Sources: TU; FSSIA estimates

Exhibit 2: Monthly tuna price



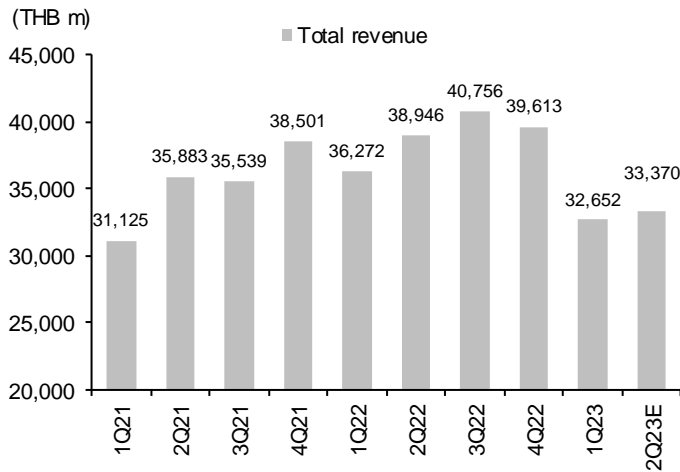
Sources: TU, FSSIA's compilation

Exhibit 3: Monthly salmon price



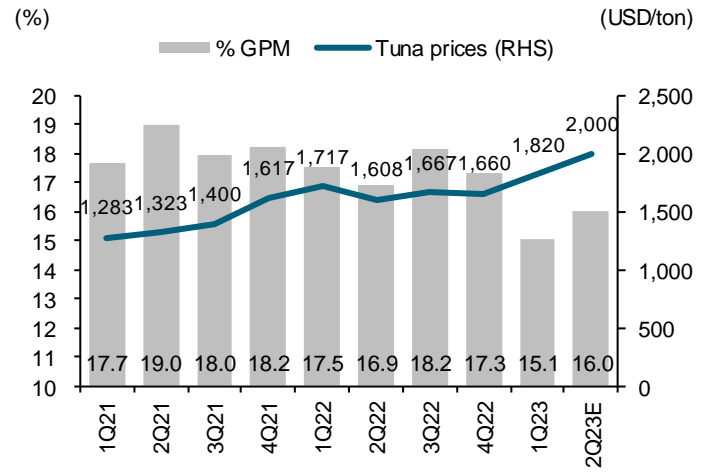
Sources: TU, Bloomberg, FSSIA's compilation

**Exhibit 4: Quarterly total revenue**



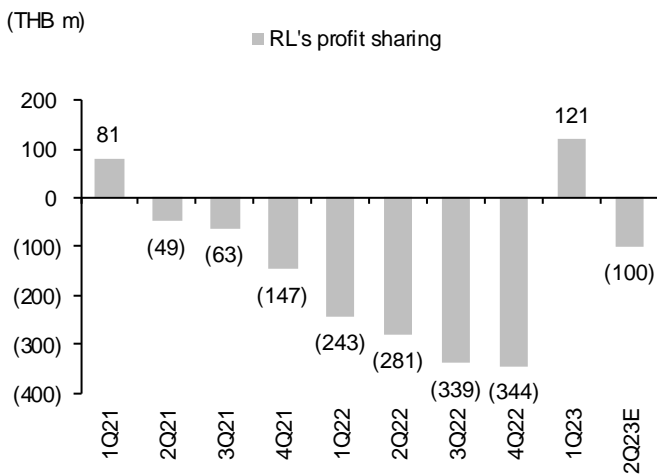
Sources: TU, FSSIA estimates

**Exhibit 5: Quarterly gross margin and tuna price**



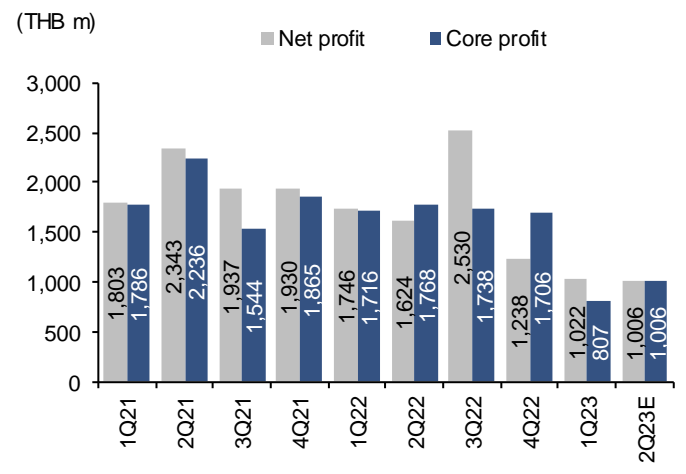
Sources: TU, FSSIA estimates

**Exhibit 6: Red Lobster's profit sharing**



Sources: TU, FSSIA estimates

**Exhibit 7: Quarterly net profit and core profit**



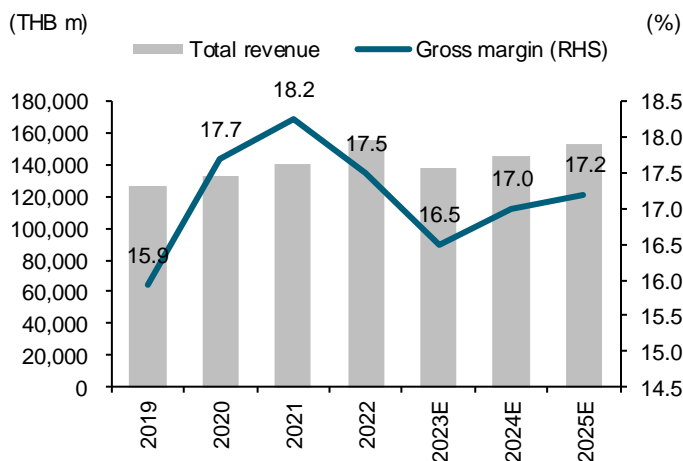
Sources: TU, FSSIA estimates

**Exhibit 8: Key assumptions for TU**

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue (USD m)	4,167	4,416	4,637	4,255	4,489	4,682	(2.1)	(1.6)	(0.9)
Fx rate (THB/USD)	33.0	33.0	33.0	33.0	33.0	33.0	0.0	0.0	0.0
Total sales value	137,495	145,744	153,032	140,405	148,127	154,496	(2.1)	(1.6)	(0.9)
Costs	114,808	120,968	126,710	116,536	122,649	127,614	(1.5)	(1.4)	(0.7)
Gross profit	22,687	24,777	26,321	23,869	25,478	26,882	(5.0)	(2.8)	(2.1)
SG&A expenses	16,499	17,489	18,364	16,849	17,775	18,540	(2.1)	(1.6)	(0.9)
Interest expense	1,972	1,849	1,815	1,972	1,857	1,837	0.0	(0.4)	(1.2)
Profit sharing	141	178	237	(246)	(110)	102	<i>nm</i>	<i>nm</i>	132.4
Reported net profit	4,097	5,224	5,874	4,796	5,521	6,205	(14.6)	(5.4)	(5.3)
Core profit	4,097	5,224	5,874	4,571	5,321	6,005	(10.4)	(1.8)	(2.2)
<b>Key ratios (%)</b>							<b>(ppt)</b>	<b>(ppt)</b>	<b>(ppt)</b>
Total revenue growth	(11.6)	6.0	5.0	(9.8)	5.5	4.3	(1.9)	0.5	0.7
Net profit growth	(42.6)	27.5	12.4	(32.8)	15.1	12.4	(9.8)	12.4	0.1
Core profit growth	(37.6)	27.5	12.4	(34.0)	16.4	12.8	(6.8)	11.1	(0.4)
Gross margin	16.5	17.0	17.2	17.0	17.2	17.4	(0.5)	(0.2)	(0.2)
SG&A to sales	12.0	12.0	12.0	12.0	12.0	12.0	0.0	0.0	0.0
Net margin	3.0	3.6	3.8	3.4	3.7	4.0	(0.4)	(0.1)	(0.2)
Norm margin	3.0	3.6	3.8	3.3	3.6	3.9	(0.3)	(0.0)	(0.0)
<b>Operating statistics (THB m)</b>									
Ambient sales	63,823	65,309	67,300	62,936	65,059	66,467	1.4	0.4	1.3
Frozen, chilled sales	48,362	51,167	53,470	48,362	51,167	53,470	0.0	0.0	0.0
Pet care sales	15,619	18,899	21,167	19,415	21,434	23,256	(19.6)	(11.8)	(9.0)
Value added, others sales	9,691	10,369	11,095	9,691	10,466	11,303	0.0	(0.9)	(1.8)
Tuna price (USD per tonne)	1,700	1,600	1,500	1,700	1,600	1,500	0.0	0.0	0.0

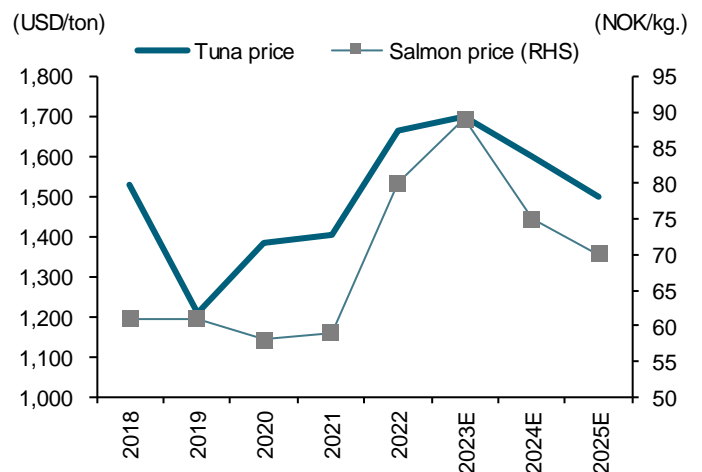
Source: FSSIA estimates

**Exhibit 9: Yearly total revenue and gross margin**



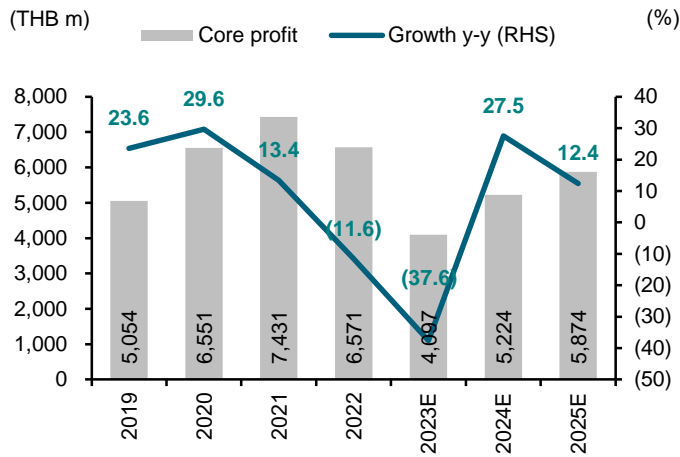
Sources: TU, FSSIA estimates

**Exhibit 10: Tuna and salmon prices**



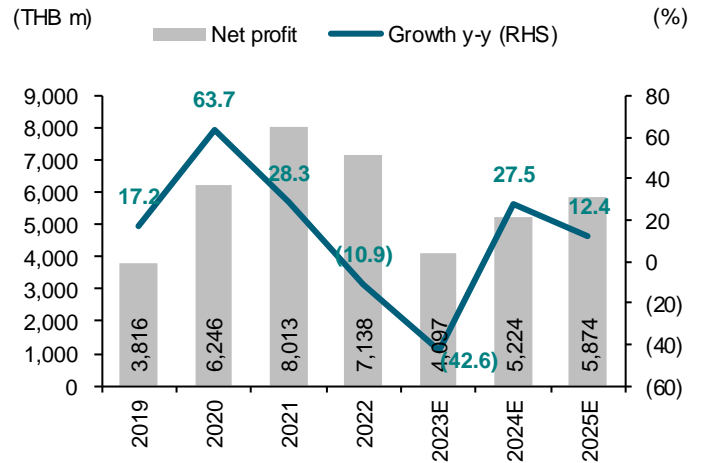
Sources: TU, FSSIA estimates

**Exhibit 11: Yearly core profit and growth**



Sources: TU, FSSIA estimates

**Exhibit 12: Yearly net profit and growth**



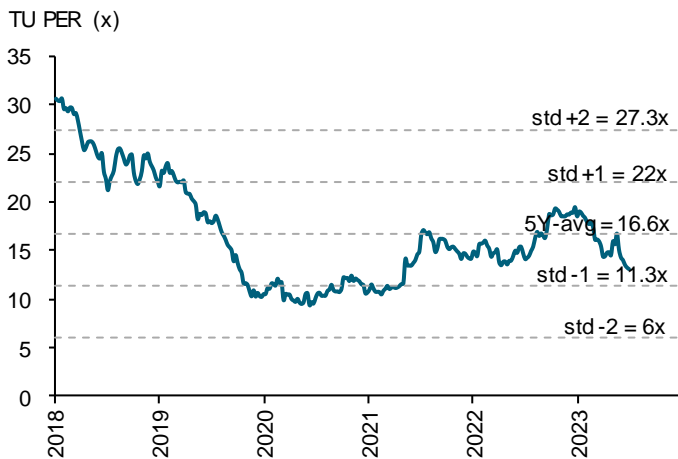
Sources: TU, FSSIA estimates

**Exhibit 13: SoTP-based valuation**

	2024E core profit (THB m)	TU's stake (%)	TU's 2024E core profit (THB m)	EPS (THB)	Target P/E (x)	2024 TP (THB)
Ambient & frozen business	2,347	100.0	2,347	0.4	13	5.6
Pet food business (ITC)	3,562	77.8	2,771	0.5	25	12.2
Feed business (TFM)	208	51.0	106	0.0	10	0.2
<b>Total</b>			<b>5,224</b>	<b>0.94</b>	<b>19.1</b>	<b>18.0</b>

Source: FSSIA estimates

**Exhibit 14: Historical P/E band**



Sources: Bloomberg, FSSIA estimates

**Exhibit 15: Historical P/BV band**



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	137,495	145,744	153,032
Cost of goods sold	(115,321)	(128,380)	(114,808)	(120,968)	(126,710)
<b>Gross profit</b>	<b>25,727</b>	<b>27,206</b>	<b>22,687</b>	<b>24,777</b>	<b>26,321</b>
Other operating income	811	974	962	947	918
Operating costs	(17,471)	(19,156)	(16,499)	(17,489)	(18,364)
<b>Operating EBITDA</b>	<b>13,250</b>	<b>13,508</b>	<b>11,934</b>	<b>13,268</b>	<b>14,160</b>
Depreciation	(4,184)	(4,484)	(4,784)	(5,034)	(5,284)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>9,066</b>	<b>9,024</b>	<b>7,150</b>	<b>8,235</b>	<b>8,876</b>
Net financing costs	(1,730)	(1,998)	(1,972)	(1,849)	(1,815)
Associates	(269)	(1,030)	141	178	237
Recurring non-operating income	(269)	(1,030)	141	178	237
Non-recurring items	1,946	567	0	0	0
<b>Profit before tax</b>	<b>9,013</b>	<b>6,564</b>	<b>5,319</b>	<b>6,564</b>	<b>7,298</b>
Tax	(742)	840	(259)	(319)	(353)
<b>Profit after tax</b>	<b>8,272</b>	<b>7,403</b>	<b>5,060</b>	<b>6,245</b>	<b>6,945</b>
Minority interests	(259)	(265)	(962)	(1,020)	(1,071)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>8,013</b>	<b>7,138</b>	<b>4,097</b>	<b>5,224</b>	<b>5,874</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(1,946)</b>	<b>(567)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,067</b>	<b>6,571</b>	<b>4,097</b>	<b>5,224</b>	<b>5,874</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.27	1.38	0.86	1.09	1.23
Reported EPS	1.68	1.50	0.86	1.09	1.23
DPS	0.95	0.88	0.49	0.60	0.68
Diluted shares (used to calculate per share data)	4,772	4,772	4,772	4,772	4,772
<b>Growth</b>					
Revenue (%)	6.5	10.3	(11.6)	6.0	5.0
Operating EBITDA (%)	(1.8)	1.9	(11.7)	11.2	6.7
Operating EBIT (%)	(4.9)	(0.5)	(20.8)	15.2	7.8
Recurring EPS (%)	(3.6)	8.3	(37.6)	27.5	12.4
Reported EPS (%)	28.3	(10.9)	(42.6)	27.5	12.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	18.2	17.5	16.5	17.0	17.2
Gross margin exc. depreciation (%)	21.2	20.4	20.0	20.5	20.7
Operating EBITDA margin (%)	9.4	8.7	8.7	9.1	9.3
Operating EBIT margin (%)	6.4	5.8	5.2	5.7	5.8
Net margin (%)	4.3	4.2	3.0	3.6	3.8
Effective tax rate (%)	8.2	(12.8)	4.9	4.9	4.8
Dividend payout on recurring profit (%)	74.7	63.5	57.0	55.0	55.0
Interest cover (X)	5.1	4.0	3.7	4.6	5.0
Inventory days	139.9	146.2	155.1	132.2	132.6
Debtor days	38.3	39.7	43.2	38.7	38.9
Creditor days	66.4	63.9	70.4	66.1	66.3
Operating ROIC (%)	11.2	9.5	7.6	9.4	9.9
ROIC (%)	5.6	4.6	4.2	5.1	5.4
ROE (%)	10.9	9.4	5.2	6.5	6.9
ROA (%)	5.0	4.8	3.8	4.6	4.9
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Ambient seafood	58,955	66,510	63,823	65,309	67,300
Frozen & chilled seafood	58,417	56,964	48,362	51,167	53,470
Pet food & others	23,675	32,113	25,310	29,268	32,262

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	4,097	5,224	5,874
Depreciation	4,184	4,484	4,784	5,034	5,284
Associates & minorities	(269)	(1,030)	141	178	237
Other non-cash items	3,892	1,134	0	0	0
Change in working capital	(9,944)	(8,270)	12,974	(2,087)	(1,897)
<b>Cash flow from operations</b>	<b>3,929</b>	<b>2,890</b>	<b>21,996</b>	<b>8,349</b>	<b>9,497</b>
Capex - maintenance	(5,850)	(6,146)	(6,000)	(5,000)	(5,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(6,243)	23,560	(5,450)	3,226	119
Other investments (net)	830	(1,731)	4,876	(1,897)	(1,676)
<b>Cash flow from investing</b>	<b>(11,263)</b>	<b>15,683</b>	<b>(6,574)</b>	<b>(3,671)</b>	<b>(6,557)</b>
Dividends paid	(4,470)	(4,281)	(2,172)	(2,716)	(3,073)
Equity finance	0	0	0	0	1
Debt finance	12,626	(10,684)	(11,053)	(3,090)	(841)
Other financing cash flows	1,915	(389)	(1,240)	495	437
<b>Cash flow from financing</b>	<b>10,070</b>	<b>(15,354)</b>	<b>(14,465)</b>	<b>(5,311)</b>	<b>(3,476)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>2,737</b>	<b>3,218</b>	<b>957</b>	<b>(633)</b>	<b>(536)</b>
Free cash flow to firm (FCFF)	(5,603.61)	20,570.44	17,393.81	6,526.55	4,755.15
Free cash flow to equity (FCFE)	7,206.59	7,499.62	3,128.84	2,083.26	2,536.46

#### Per share (THB)

FCFF per share	(1.17)	4.31	3.65	1.37	1.00
FCFE per share	1.51	1.57	0.66	0.44	0.53
Recurring cash flow per share	2.91	2.34	1.89	2.19	2.39

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)
<b>Tangible fixed assets (net)</b>	<b>28,357</b>	<b>30,020</b>	<b>31,236</b>	<b>31,202</b>	<b>30,918</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	28,615	28,425	28,425	28,425	28,425
Cash & equivalents	9,023	12,241	13,198	12,565	12,030
A/C receivable	16,308	17,525	14,993	15,892	16,687
Inventories	46,636	52,622	40,891	43,084	45,130
Other current assets	2,896	5,236	4,558	4,789	4,994
<b>Current assets</b>	<b>74,863</b>	<b>87,625</b>	<b>73,639</b>	<b>76,331</b>	<b>78,840</b>
Other assets	34,769	36,500	31,624	33,521	35,197
<b>Total assets</b>	<b>166,604</b>	<b>182,569</b>	<b>164,924</b>	<b>169,479</b>	<b>173,380</b>
Common equity	59,319	80,642	77,850	83,359	86,160
Minorities etc.	2,894	7,489	6,737	7,141	7,499
<b>Total shareholders' equity</b>	<b>62,213</b>	<b>88,131</b>	<b>84,588</b>	<b>90,500</b>	<b>93,659</b>
Long term debt	46,431	48,125	37,648	34,064	33,997
Other long-term liabilities	9,878	9,489	8,250	8,745	9,182
<b>Long-term liabilities</b>	<b>56,309</b>	<b>57,614</b>	<b>45,897</b>	<b>42,809</b>	<b>43,179</b>
A/C payable	21,351	22,018	20,445	21,542	22,565
Short term debt	24,610	12,232	11,656	12,150	11,376
Other current liabilities	2,121	2,574	2,337	2,478	2,602
<b>Current liabilities</b>	<b>48,081</b>	<b>36,824</b>	<b>34,439</b>	<b>36,170</b>	<b>36,542</b>
<b>Total liabilities and shareholders' equity</b>	<b>166,604</b>	<b>182,569</b>	<b>164,924</b>	<b>169,479</b>	<b>173,380</b>
Net working capital	42,368	50,792	37,658	39,746	41,644
Invested capital	134,110	145,736	128,943	132,894	136,184

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

#### Per share (THB)

Book value per share	12.43	16.90	16.31	17.47	18.06
Tangible book value per share	12.43	16.90	16.31	17.47	18.06

#### Financial strength

Net debt/equity (%)	99.7	54.6	42.7	37.2	35.6
Net debt/total assets (%)	37.2	26.4	21.9	19.9	19.2
Current ratio (x)	1.6	2.4	2.1	2.1	2.2
CF interest cover (x)	5.2	4.8	2.6	2.1	2.4

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>10.1</b>	<b>9.3</b>	<b>14.9</b>	<b>11.7</b>	<b>10.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>14.2</b>	<b>13.1</b>	<b>21.0</b>	<b>16.4</b>	<b>14.6</b>
Reported P/E (x)	7.6	8.6	14.9	11.7	10.4
Dividend yield (%)	7.4	6.8	3.8	4.7	5.3
Price/book (x)	1.0	0.8	0.8	0.7	0.7
Price/tangible book (x)	1.0	0.8	0.8	0.7	0.7
EV/EBITDA (x) **	9.5	8.6	8.7	7.7	7.2
EV/EBITDA @ target price (x) **	11.4	10.5	10.8	9.5	9.0
EV/invested capital (x)	0.9	0.8	0.8	0.8	0.7

\* 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)<sup>1</sup>

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)<sup>2</sup>

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)<sup>3</sup>

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)<sup>4</sup> 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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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 Union Group (TU TB)**



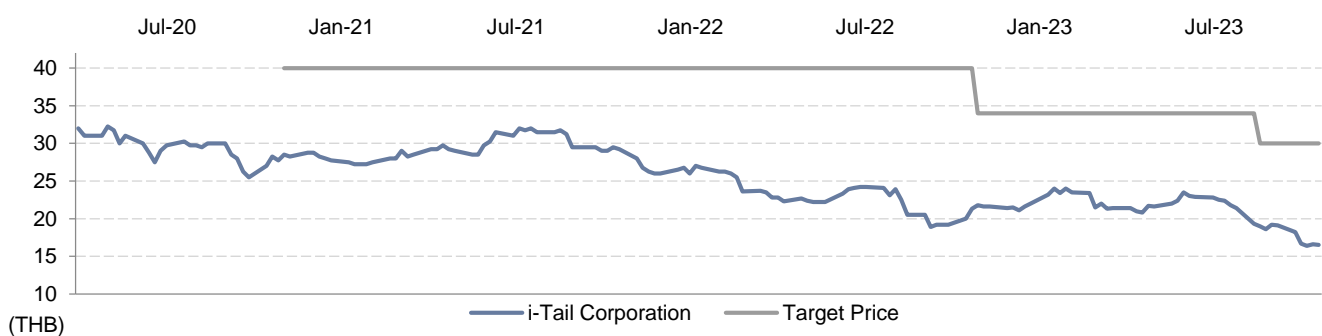
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Jan-2023	BUY	24.00	09-May-2023	BUY	20.00	-	-	-

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	09-May-2023	BUY	34.00	26-Jun-2023	BUY	30.00

Sureeporn Teewasuwet 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 12.80	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.
i-Tail Corporation	ITC TB	THB 16.50	BUY	Downside risks to our P/E-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 07-Jul-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.