

THAI UNION GROUP TU TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

ธุรกิจอาหารสัตว์เลี้ยงดีขึ้น แต่ Red Lobster แย่ลง

- คาดกำไรปกติ 3Q23 จะเพิ่มขึ้นเล็กน้อย (+2% q-q) จากการฟื้นตัวในธุรกิจอาหารสัตว์เลี้ยง ในขณะที่ Red Lobster ยังคงเป็นปัจจัยกดดัน
- กำไรสุทธิ 4Q23 น่าจะโต q-q สวนปัจจัยด้านฤดูกาล
- คงแนะนำซื้อที่ราคาเป้าหมายเดิมที่ 18 บาท

TARGET PRICE	THB18.00
CLOSE	THB14.30
UP/DOWNSIDE	+25.9%
PRIOR TP	THB18.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+10.0%

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 (%)	-	(19.1)	(17.6)	(17.7)
EBITDA	13,508	11,934	13,268	14,160
Recurring 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. (%)	-	-	-	-
EPS growth (%)	8.3	(37.6)	27.5	12.4
Core P/E (x)	10.4	16.7	13.1	11.6
Dividend yield (%)	6.1	3.4	4.2	4.7
EV/EBITDA (x)	9.2	9.3	8.2	7.7
Price/book (x)	0.8	0.9	0.8	0.8
Net debt/Equity (%)	54.6	42.7	37.2	35.6
ROE (%)	9.4	5.2	6.5	6.9

คาดการณ์กำไรปกติ 3Q23 จะฟื้นตัวเล็กน้อย q-q

เรคาดกำไรสุทธิ 3Q23 ที่ 1.3 พัน ลบ. (+26.8% q-q, -48.5% y-y) ถ้าไม่มีผลขาดทุนจากอัตราแลกเปลี่ยนที่เกิดขึ้นใน 2Q23 เราคาดว่ากำไรปกติจะปรับขึ้นเล็กน้อยที่ 2% q-q ซึ่งไม่น่าตื่นเต้นในความเห็นของเรา เหตุผลสำคัญน่าจะอยู่ที่ส่วนแบ่งของ Red Lobster ซึ่งน่าจะพลิกเป็นขาดทุนจำนวนมากถึงประมาณ 250 ลบ. จากที่เคยขาดทุนเพียง 94 ลบ. ใน 2Q23 อย่างไรก็ตาม เราคิดว่ากำไรสุทธิของเราน่าจะดีกว่ากำไรของ TU ได้ผ่านจุดต่ำสุดไปแล้วใน 1Q23 ตามบริษัทย่อยอย่าง ITC

ธุรกิจอาหารสัตว์เลี้ยงจะช่วยหนุนการเติบโต แต่ Red Lobster ยังคงเป็นปัจจัยกดดัน

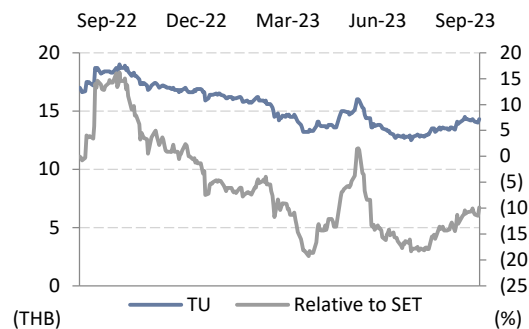
ในรายละเอียดเรคาดว่ารายได้รวมใน 3Q23 จะปรับขึ้นเล็กน้อยอยู่ที่ 3% q-q แต่ลดลง 14% y-y จากฐานที่สูงในปีที่แล้วและต้นทุนปลาที่เพิ่มขึ้น เราคาดว่าธุรกิจอาหารสัตว์เลี้ยงจะปรับตัวดีขึ้นเล็กน้อยจากลูกค้าในสหรัฐฯ ที่หันกลับมาดูสินค้าอีกครั้ง ในขณะที่รายได้จากธุรกิจ Ambient น่าจะโตเล็กน้อยที่ 1.6% q-q และ 2.6% y-y จากการฟื้นตัวของลูกค้าในสหภาพยุโรป (EU) นอกจากนี้เรายังคาดว่าจะอัตรากำไรขั้นต้นจะเพิ่มขึ้น 20bps q-q เป็น 17.1% จาก 16.9% ใน 2Q23 อย่างไรก็ตาม อัตรากำไรขั้นต้นน่าจะยังลดลงจาก 18.2% ใน 3Q22 จาก Product mix ที่เปลี่ยนไปและราคาปลาที่ปรับขึ้น แม้เราจะคาดว่า Red Lobster จะให้ผลขาดทุนเพิ่มขึ้นในช่วง 2H23 ผลขาดทุนดังกล่าวน่าจะใกล้เคียงกับเป้าประมาณการของผู้บริหาร

กำไรสุทธิ 4Q23 น่าจะโต q-q สวนปัจจัยด้านฤดูกาล

ถ้าผลประกอบการออกมาตามคาด กำไรสุทธิของ TU ในช่วง 9M23 จะเท่ากับ 3.35 พัน ลบ. (-43% y-y) ซึ่งคิดเป็น 81% ของประมาณการทั้งปีของเรา เราคาดว่ากำไรสุทธิ 4Q23 จะโตต่อเนื่อง q-q และ y-y สวนปัจจัยด้านฤดูกาล กล่าวโดยเฉพาะเจาะจงลูกค้าในธุรกิจ Ambient และอาหารสัตว์เลี้ยงจะหันกลับมาดูสินค้าอย่างต่อเนื่องในช่วง 2H23 นอกจากนี้เรายังคาดว่าจะอัตรากำไรขั้นต้นใน 4Q23 จะปรับตัวดีขึ้น q-q จากราคาปลาที่ลดลง ในขั้นต้นเราเห็น Upside 10-15% ต่อประมาณการกำไรสุทธิปี 2023 ที่ตั้งไว้ค่อนข้างต่ำของเรา

คงแนะนำซื้อที่ราคาเป้าหมายเดิมที่ 18 บาท

เราแนะนำซื้อที่ราคาเป้าหมายปี 2024 ที่ 18 บาท (SoTP) ปัจจุบันหุ้นมีการซื้อขายที่เพียง 13.1x ของค่า 2024E P/E และมี Upside อยู่ 26%



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.9	3.6	(17.3)
Relative to country (%)	5.2	4.8	(11.2)
Mkt cap (USD m)	1,839		
3m avg. daily turnover (USD m)	8.2		
Free float (%)	65		
Major shareholder	Chansiri Family (12%)		
12m high/low (THB)	19.10/12.40		
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 14 กันยายน 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.

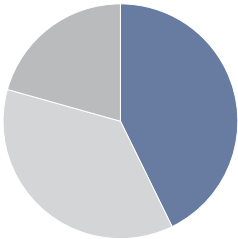
Company profile

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

www.thaiunion.com

Principal activities (revenue, 2022)

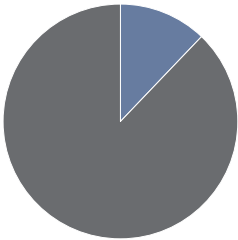
- Ambient seafood - 42.7 %
- Frozen & chilled seafood - 36.6 %
- Pet food & others - 20.6 %



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
8 November 2023	3Q23 results announcement
9 November 2023	3Q23 analyst meeting
13 November 2023	SET's opportunity day

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

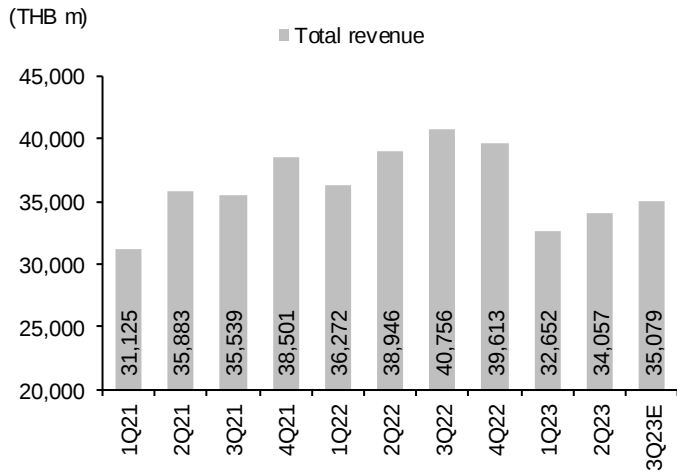
Source: FSSIA estimates

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.

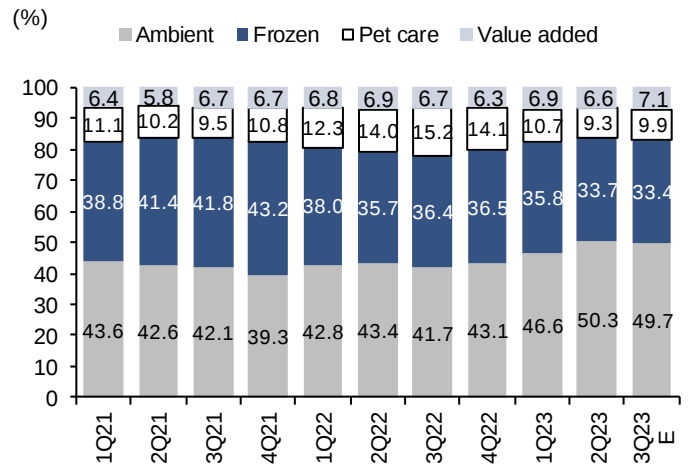
Source: FSSIA estimates

Exhibit 1: Quarterly total revenue



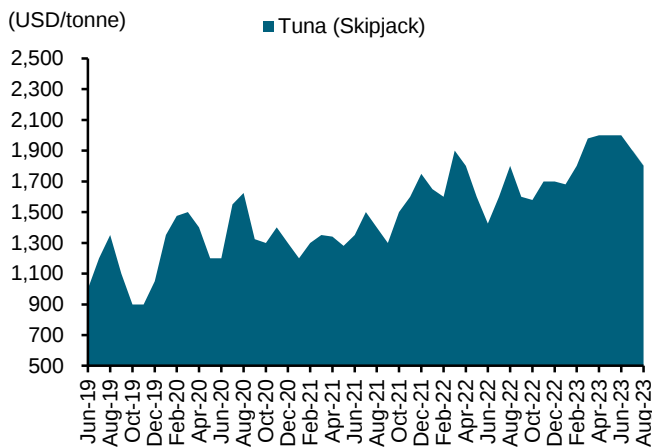
Sources: TU, FSSIA estimates

Exhibit 2: Quarterly revenue breakdown by segment



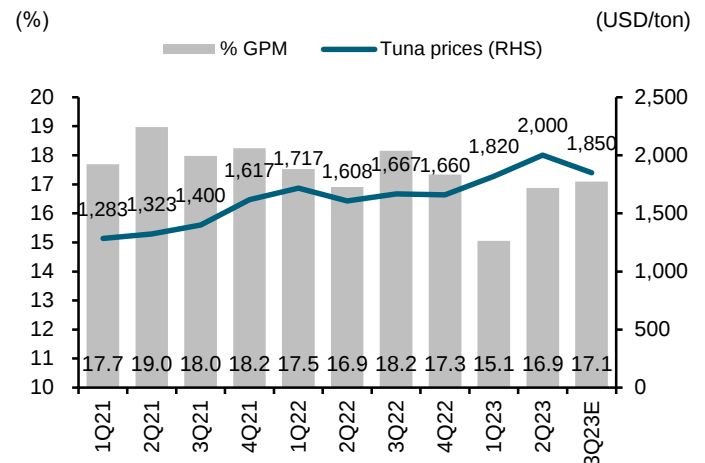
Sources: TU, FSSIA estimates

Exhibit 3: Monthly tuna price



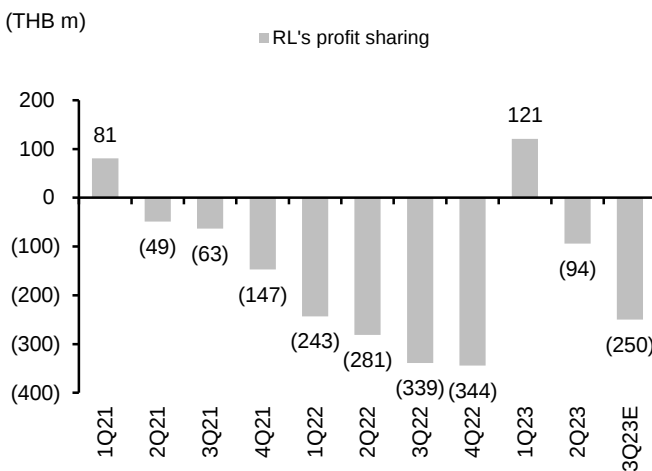
Sources: TU, FSSIA's compilation

Exhibit 4: Quarterly tuna price and gross margin



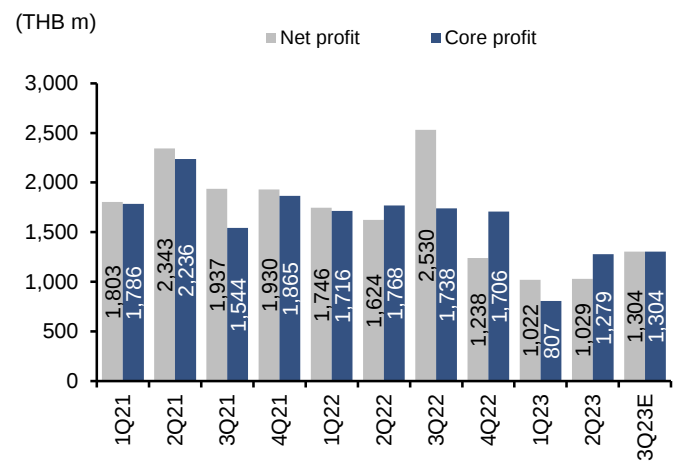
Sources: TU, FSSIA estimates

Exhibit 5: Share of profits/losses from Red Lobster



Sources: TU, FSSIA estimates

Exhibit 6: Quarterly net and core profit



Sources: TU, FSSIA estimates

Exhibit 7: 3Q23 earnings preview

	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M22	9M23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales in THB m	40,756	39,613	32,652	34,057	35,079	3.0	(13.9)	115,974	101,788	(12.2)
Cost of sales	33,357	32,744	27,735	28,310	29,081	2.7	(12.8)	95,636	85,125	(11.0)
Gross profit	7,399	6,868	4,917	5,748	5,999	4.4	(18.9)	20,338	16,663	(18.1)
SG&A	5,064	4,484	4,121	3,975	4,104	3.3	(18.9)	14,672	12,200	(16.8)
Operating profit	2,523	2,668	993	2,011	2,124	5.6	(15.8)	6,356	5,129	(19.3)
Profit sharing	(256)	(313)	231	(137)	(320)	nm	nm	(716)	(226)	nm
Interest expense	517	571	532	550	550	(0.0)	6.4	1,427	1,633	14.4
Tax expense	(136)	(170)	(242)	(198)	(200)	1.1	46.9	(670)	(640)	(4.5)
FX gain (loss)	792	(468)	215	(250)	0	nm	nm	1,220	(35)	nm
Reported net profit	2,530	1,238	1,022	1,029	1,304	26.8	(48.5)	5,900	3,354	(43.1)
Core profit	1,738	1,706	807	1,279	1,304	2.0	(25.0)	5,222	3,389	(35.1)
Key ratios (%)						(ppt)	(ppt)			
Gross margin	18.2	17.3	15.1	16.9	17.1	0.2	(1.1)	17.5	16.4	(1.2)
SG&A / sales	12.4	11.3	12.6	11.7	11.7	0.0	(0.7)	12.7	12.0	(0.7)
Operating margin	6.2	6.7	3.0	5.9	6.1	0.2	(0.1)	5.5	5.0	(0.4)
Net margin	6.2	3.1	3.1	3.0	3.7	0.7	(2.5)	5.1	3.3	(1.8)
Core margin	4.3	4.3	2.5	3.8	3.7	(0.0)	(0.5)	4.5	3.3	(1.2)
Operating statistics (THB m)										
Ambient sales	16,985	17,086	15,225	17,136	17,419	1.6	2.6	49,424	49,780	0.7
Frozen, chilled seafood sales	14,820	14,453	11,684	11,493	11,700	1.8	(21.1)	42,510	34,877	(18.0)
Pet care sales	6,210	5,568	3,495	3,169	3,486	10.0	(43.9)	16,124	10,150	(37.1)
Value added, others sale	2,741	2,505	2,248	2,260	2,475	9.5	(9.7)	7,915	6,983	(11.8)
USD/THB	36.4	36.4	33.9	34.5	34.9	1.4	(4.0)	34.6	34.4	(0.6)
Tuna price (USD/tonne)	1,667	1,660	1,820	2,000	1,850	(7.5)	11.0	1,664	1,890	13.6
Salmon (NOK/kg)	73	73	104	109	92	(15.6)	26.0	83	102	23.0

Sources: TU; 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)
Gross profit	25,727	27,206	22,687	24,777	26,321
Other operating income	811	974	962	947	918
Operating costs	(17,471)	(19,156)	(16,499)	(17,489)	(18,364)
Operating EBITDA	13,250	13,508	11,934	13,268	14,160
Depreciation	(4,184)	(4,484)	(4,784)	(5,034)	(5,284)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,066	9,024	7,150	8,235	8,876
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
Profit before tax	9,013	6,564	5,319	6,564	7,298
Tax	(742)	840	(259)	(319)	(353)
Profit after tax	8,272	7,403	5,060	6,245	6,945
Minority interests	(259)	(265)	(962)	(1,020)	(1,071)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	8,013	7,138	4,097	5,224	5,874
Non-recurring items & goodwill (net)	(1,946)	(567)	0	0	0
Recurring net profit	6,067	6,571	4,097	5,224	5,874
Per share (THB)					
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
Growth					
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
Operating performance					
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

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
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)
Cash flow from operations	3,929	2,890	21,996	8,349	9,497
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)
Cash flow from investing	(11,263)	15,683	(6,574)	(3,671)	(6,557)
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
Cash flow from financing	10,070	(15,354)	(14,465)	(5,311)	(3,476)
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	957	(633)	(536)
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)
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	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
Current assets	74,863	87,625	73,639	76,331	78,840
Other assets	34,769	36,500	31,624	33,521	35,197
Total assets	166,604	182,569	164,924	169,479	173,380
Common equity	59,319	80,642	77,850	83,359	86,160
Minorities etc.	2,894	7,489	6,737	7,141	7,499
Total shareholders' equity	62,213	88,131	84,588	90,500	93,659
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
Long-term liabilities	56,309	57,614	45,897	42,809	43,179
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
Current liabilities	48,081	36,824	34,439	36,170	36,542
Total liabilities and shareholders' equity	166,604	182,569	164,924	169,479	173,380
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
Recurring P/E (x) *	11.2	10.4	16.7	13.1	11.6
Recurring P/E @ target price (x) *	14.2	13.1	21.0	16.4	14.6
Reported P/E (x)	8.5	9.6	16.7	13.1	11.6
Dividend yield (%)	6.6	6.1	3.4	4.2	4.7
Price/book (x)	1.2	0.8	0.9	0.8	0.8
Price/tangible book (x)	1.2	0.8	0.9	0.8	0.8
EV/EBITDA (x) **	10.0	9.2	9.3	8.2	7.7
EV/EBITDA @ target price (x) **	11.4	10.5	10.8	9.5	9.0
EV/invested capital (x)	1.0	0.8	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).

Corporate Governance Report Disclaimer

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

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

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 >15% 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

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)



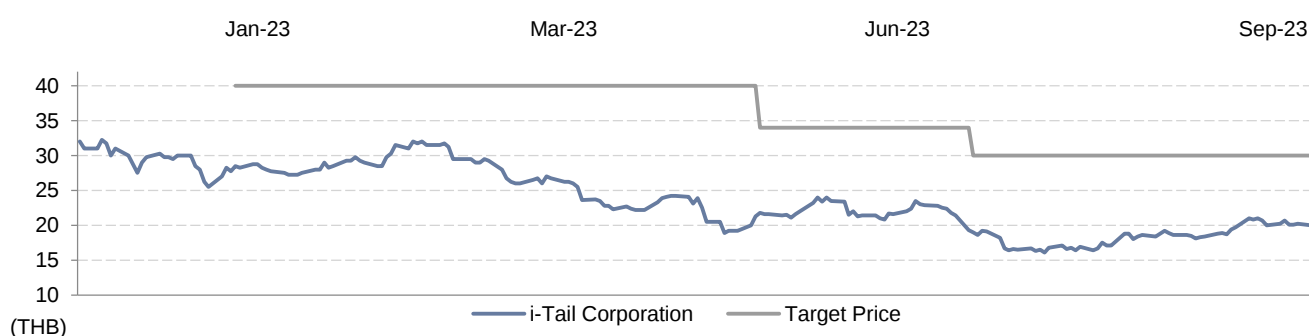
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Jan-2023	BUY	24.00	09-May-2023	BUY	20.00	10-Jul-2023	BUY	18.00

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 started covering this stock from 11-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thai Union Group	TU TB	THB 14.30	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 20.20	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) labour 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 13-Sep-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.