

THAI UNION GROUP TU TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

TARGET PRICE	THB19.00
CLOSE	THB15.40
UP/DOWNSIDE	+23.4%
PRIOR TP	THB18.00
CHANGE IN TP	+5.6%
TP vs CONSENSUS	+4.3%

A new round of growth after divesting Red Lobster

- We have a bullish view of the divestment of Red Lobster (RL), which would end its loss realization from 1Q24 onwards.
- Higher freights from the Red Sea crisis should last shorter than during the covid outbreak. Although it would affect shipping costs in 1H24, the positive impact from divesting RL should fully offset it.
- We retain our BUY call after raising our profit estimate and TP to THB19.

Loss recognition from Red Lobster would end from 1Q24 onwards

We have a bullish view of the divestment of RL. Although TU would book a substantial impairment expense of THB18.5b in 4Q23, it would be a one-time non-cash item. Also, the equity would decrease from the impairment, resulting in a higher net D/E ratio of 0.84x (from 0.65x at end-3Q23). However, it is still much lower than the debt covenant of less than 2x, while other financial ratios may temporarily decrease before improving in 2024. TU would cease to realize loss sharing from RL from 1Q24 onwards, which would benefit the 2024 profit, helping it increase by about THB450-500m.

The rising container freight outlook is temporary

The Red Sea crisis, which started on December 15, hit export sales to Europe in 4Q23. Also, it may linger into 1Q24 due to a longer transit time of 10-15 days. Meanwhile, container freights from Thailand to Europe jumped by over 200% m-m to its 16-month peak, while the freights from Thailand to the U.S. and Thailand to China surged by 40-50% and 78%, respectively. We view that they may have a short-term impact on TU since the trade term for some of its shipments is CIF. Based on historical data from the covid outbreak in 2022, when container freights hit a new high and were nearly 3x higher than the current ones, the freight cost soared to 32.4% from 21-22%. Note that the impact of the Red Sea crisis may last shorter than during the covid outbreak when container freights remained high for 23 months.

Raise profit estimates; RL divestment should fully offset higher freights

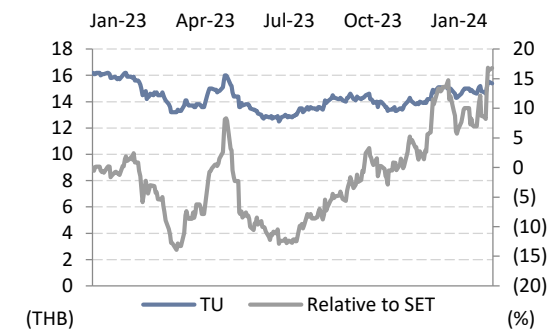
We have increased our 2024-25E net profit by 5.5% and 2.1% to THB5.5b (+11.2% y-y) and THB6b (+8.8% y-y), respectively. In particular, we have decreased our revenue assumption and increased our freight cost forecast, resulting in a higher SG&A-to-sales estimate of 20bps. It reflects the rising container freight outlook in 1H24 before an anticipated improvement in 2H24. However, an absence of the loss sharing from RL would fully offset the negative impact of higher container freights.

Maintain our BUY call after increasing our TP to THB19

Following our upward revision, we have raised our end-2024 TP to THB19 from THB18 (SoTP), implying a 2024 PE of 17x. Although the financial ratios may experience a hiccup in 4Q23, it would be temporary. The operating performance and financial ratios should resume their normalized level in 2024. Besides, if TU successfully obtains a waiver from bondholders and banks, we expect a 2H23 DPS of THB0.3, implying a dividend yield of 2% for the period. Hence, we retain our BUY rating on TU.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	155,586	136,047	138,143	143,669
Net profit	6,885	(13,797)	5,511	5,998
EPS (THB)	1.44	(2.96)	1.18	1.29
vs Consensus (%)	-	nm	(8.7)	(9.6)
EBITDA	13,348	12,361	12,786	13,500
Recurring net profit	6,571	4,956	5,511	5,998
Core EPS (THB)	1.38	1.06	1.18	1.29
Chg. In EPS est. (%)	-	24.0	8.1	4.7
EPS growth (%)	8.3	(22.7)	11.2	8.8
Core P/E (x)	11.2	14.5	13.0	12.0
Dividend yield (%)	5.5	3.8	4.2	4.6
EV/EBITDA (x)	9.7	9.8	9.3	8.8
Price/book (x)	0.9	1.2	1.2	1.1
Net debt/Equity (%)	54.6	63.5	58.7	56.0
ROE (%)	9.4	7.1	9.1	9.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.9	14.9	(6.1)
Relative to country (%)	9.7	17.4	15.0
Mkt cap (USD m)	1,982		
3m avg. daily turnover (USD m)	7.9		
Free float (%)	65		
Major shareholder	Chansiri Family (12%)		
12m high/low (THB)	16.50/12.40		
Issued shares (m)	4,655.13		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

TU is one of the world’s largest seafood companies. It is a leading producer and exporter of frozen and canned seafood such as tuna, shrimp, sardines, and mackerel. TU has affiliated companies, such as I-Tail Corporation (ITC TB, BUY), a major pet food manufacturer in Thailand. Also, it has overseas subsidiaries, one of which owns Chicken of the Sea, the #3 canned seafood brand in the U.S., and the TUE Group (formerly MWB), which owns canned seafood brands ranking among the top three in European markets, such as John West, Petit Navire, Parmentier, King Oscar, and Mareblu.

In 2020, TU began expanding into innovative products, aiming to increase its revenue mix to 10% of total revenue by 2025 from 6.7% at end-2022 and EBITDA to USD450m-550m.

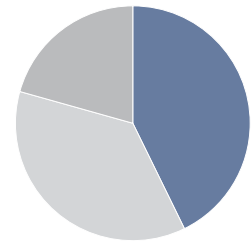
Company profile

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)

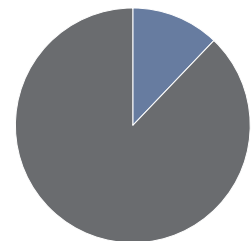
- Ambient seafood - 42.7 %
- Frozen & chilled seafood - 36.6 %
- Pet food & others - 20.6 %



Source: Thai Union Group

Major shareholders

- Chansiri Family - 12.1 %
- Others - 87.9 %



Source: Thai Union Group

Catalysts

Potential catalysts for TU’s 2024 earnings growth include 1) revenue growth of the three units; 2) its pet food and ready-to-eat capacity expansion; 3) the declining tuna price outlook; and 4) an absence of the loss sharing from RL after the divestment in 4Q23.

Risks to our call

Downside risks to our SoTP-based 2024 TP include 1) a slower-than-expected revenue recovery; 2) a disruption on shipping routes, resulting in higher-than-expected freight costs; 3) a slower decrease in raw material costs than expected; 4) higher-than-expected labor costs and labor shortages; and 5) stronger Baht than expected.

Event calendar

Date	Event
19 February 2024	4Q23 results announcement
20 February 2024	4Q23 analyst meeting

Key assumptions

	2023E	2024E	2025E
Total revenue (USD m)	3,905	4,186	4,354
USD/THB	34.8	33.0	33.0
Ambient sales growth (%)	(3.0)	(1.1)	2.7
Frozen, Chilled sales growth (%)	(15.1)	2.0	3.0
PetCare, Value added sales growth (%)	(22.8)	7.4	9.0
Tuna price (USD/ton)	1,784	1,600	1,500
Gross margin (%)	17.1	17.3	17.4

Source: FSSIA estimates

Earnings sensitivity

- For every THB1/USD increase, we estimate 2024 net profit to fall by 7%, and vice versa, all else being equal.
- For every 1% increase in the tuna price, we estimate 2024 net profit to fall by 5.8%, and vice versa, all else being equal.
- For every 5% increase in the minimum wage, we estimate 2024 net profit to fall by 4.3%, and vice versa, all else being equal.

Source: FSSIA estimates

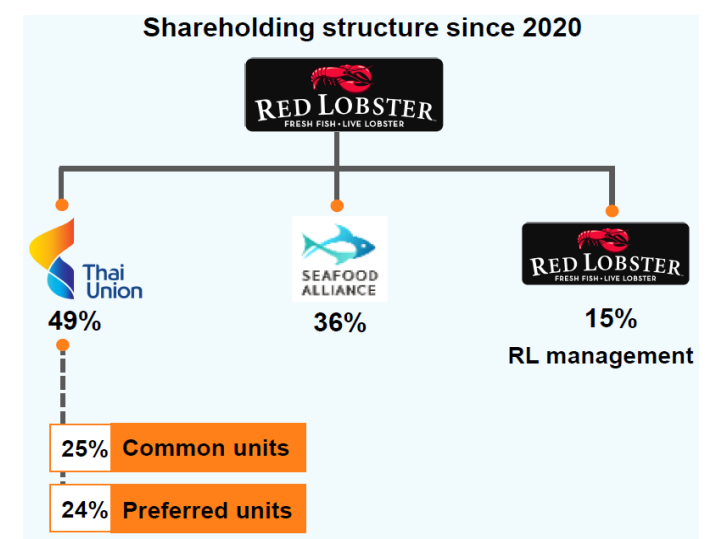
Time to exit Red Lobster

TU announced a divestment of the 49% stake in Red Lobster (RL). It would book an impairment on its investment for the remaining book value of cUSD530m or THB18.5b at end-4Q23, including preferred shares of USD446m and common shares of USD84m, which would turn the 2023 performance to a loss of roughlyly THB13.8b. However, the impairment would be a one-time non-cash item. Also, TU would cease to realize loss sharing from RL from 1Q24 onwards.

Also, TU disclosed stock repurchases of no more than 200mn shares, 4.3% of total shares, with a budget of no more than THB3.6b. The repurchase period is from February 20 to June 30, 2024.

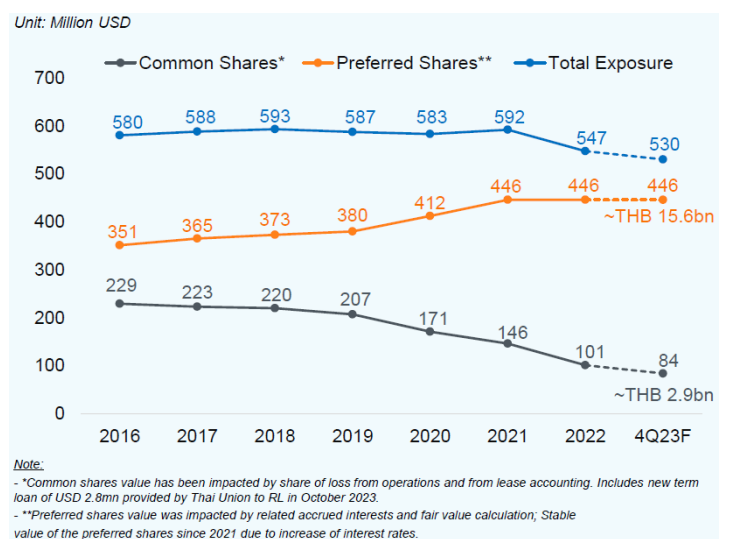
The divestment came after RL had reported continued losses for several years. Besides, the macroeconomic landscape remains dull. TU has assessed that it is difficult for RL to recover quickly. Also, if it continues with its endeavor, it could lead to a capital increase or a loan to RL to enhance liquidity.

Exhibit 1: Red Lobster's shareholding structure



Source: Thai Union's presentation

Exhibit 2: Book value of common and preferred shares



Source: Thai Union's presentation

The fallouts

- 1) In the short term, TU would suffer a heavy loss in 4Q23 due to a substantial impairment on its investment. Besides, the 2023 performance would turn into a loss of roughlyly THB13.8b. However, it would be a one-time non-cash item that would disappear in 2024. Moreover, TU would cease to realize loss sharing from RL from 1Q24 onwards.
- 2) The equity would decrease due to the impairment. Also, the net D/E ratio would increase to 0.84x from 0.65x at end-3Q23. However, it would remain much lower than the debt covenant of less than 2x, while other financial ratios would decrease temporarily before improving in 2024.
- 3) TU would breach two conditions set in the covenant of seven series of debentures. Firstly, it would fail to retain an ICR of over 3x. Secondly, TU would break the covenant, which stipulates that it cannot pay over 60% of its profit as dividends. Moreover, the impairment would sink the 2023 performance to a sizable loss. TU is requesting a waiver on both clauses from banks and bondholders. It aims to get them in time before the announcement of its earnings results in February 2024.

Exhibit 3: RL's financial contribute to TU

Million THB	2016	2017	2018	2019	2020	2021	2022	9M23
Share of loss from operations	-118	-196	-128	-142	-1,187	-178	-1,207	-368
Share of loss from lease accounting adj.	0	0	0	0	0	-638	-422	-298
Other income (mostly preferred interest)	239	1,015	1,008	992	992	1,216	18	0
Finance costs	-180	-528	-532	-562	-498	-420	-453	-413
Income tax	32	469	107	132	239	328	735	747
Net income	-27	760	455	420	-454	308	-1,329	-332

Source: Thai Union's presentation

Exhibit 4: TU's balance sheet after impairment

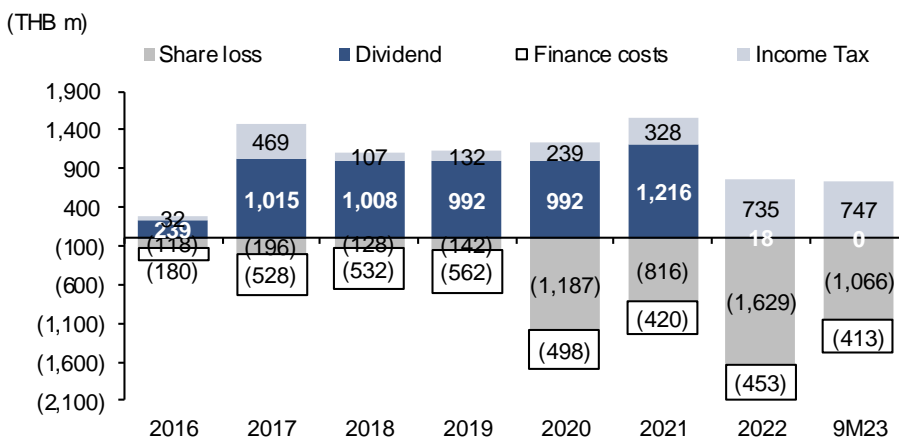
Billion Baht	3Q23 YTD Act.	RL Impairment	BS after impairment
Cash equivalent & ST investment	11.8		11.8
RL investment	18.5	-18.5	0.0
Other assets	153.4		153.4
Total Assets	183.7	-18.5	165.2
Debt	65.8		65.8
Other liabilities	35.3		35.3
Total Liabilities	101.1		101.1
Total Equity	82.6	-18.5	64.1
Total Liabilities and total equities	183.7	-18.5	165.2
Net Debt	54.0		54.0
Net Debt / Equity (%)	0.65		0.84

Source: Thai Union's presentation

We have a bullish view of the profit from 2024 onwards because

- 1) The loss-sharing from RL would disappear. In the past 7-8 years, from the investment in RL in 2016 until 9M23, TU has recognized loss sharing (from its 25% stake in RL's common stocks) throughout the period. In particular, it booked a sizable loss of THB1.6b and THB1.1b (including a loss from financial lease) in 2022-9M23, respectively, representing 27% and 33% of its net profit.
- 2) Although the 24% ownership in RL's preferred shares received a dividend yield of 8% from 2016-21 (about THB1b annually), covid hit RL's liquidity. Also, RL re-valued its preferred shares in 2022 due to interest rate hikes, resulting in zero dividends for TU from 2022 onwards.
- 3) The 2024 profit would increase by THB450-500m after the divestment in 4Q23. However, TU would no longer enjoy an annual tax credit of THB700-750m from RL. Also, it would continue to book an annual interest expense of THB400m from the loans made to acquire RL.
- 4) The exit would unlock concerns over a capital increase or potential loans to RL. Moreover, if TU can sell RL, it may get to reverse the impairment in the future. However, the management said it did not consider this factor when deciding to exit RL. Besides, while RL still operates, the divestment would not hurt its frozen food unit. They would maintain their relationship and trade. The current sales of raw materials to RL amounted to USD70-80m annually.

Exhibit 5: RL contribution to TU's P&L statement



Sources: TU, FSSIA compilation

Unexciting core units in 4Q23

We expect the 4Q23 performance to turn into a net loss of THB17b. Excluding an impairment on the investment in RL of THB18.5b and an FX gain of THB50m, the core profit should amount to THB1.4b (-5% q-q, -18% y-y). It assumes a recovery in the pet and frozen food units, in line with customer restocking. Also, although 4Q23 average tuna prices decreased to USD1,517/tonne (-15.7% q-q, -8.6% y-y), it did not affect the OEM prices. However, ambient revenue should recover slower than expected due to delayed shipments caused by the Red Sea crisis. It hindered shipping routes to Europe, resulting in a longer transit time of 10-15 days.

Exhibit 6: 4Q23 earnings preview

	4Q22	1Q23	2Q23	3Q23	4Q23E	----- Change -----		2022	2023E	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	39,613	32,652	34,057	33,915	35,422	4.4	(10.6)	155,586	136,047	(12.6)
Cost of sales	32,744	27,735	28,310	27,682	29,046	4.9	(11.3)	128,380	112,773	(12.2)
Gross profit	6,868	4,917	5,748	6,233	6,376	2.3	(7.2)	27,206	23,273	(14.5)
SG&A	4,484	4,121	3,975	4,044	4,251	5.1	(5.2)	19,156	16,391	(14.4)
Operating profit	2,668	993	2,011	2,447	2,385	(2.5)	(10.6)	9,024	7,836	(13.2)
Profit sharing	(313)	231	(137)	(234)	(300)	nm	nm	(1,030)	(440)	nm
Sharing from Red Lobster	(344)	121	(94)	(395)	(350)	nm	nm	(1,207)	(718)	nm
Interest expense	571	532	550	589	590	0.1	3.4	1,998	2,262	13.2
Tax expense	(170)	(242)	(198)	(140)	(100)	(29.1)	3.0	(840)	(680)	(19.0)
FX gain (loss)	(468)	215	(250)	(268)	50	nm	nm	752	(253)	nm
Other gain (loss)	0	0	0	0	18,500	nm	nm	(542)	18,500	(3,513.3)
Reported net profit	985	1,022	1,029	1,206	(17,055)	nm	nm	6,885	(13,799)	(300.4)
Core profit	1,706	807	1,279	1,474	1,395	(5.3)	(18.2)	6,571	4,956	(24.6)
Key ratios (%)						(ppt)	(ppt)			
Gross margin	17.3	15.1	16.9	18.4	18.0	(0.4)	0.7	17.5	17.1	(0.4)
SG&A / sales	11.3	12.6	11.7	11.9	12.0	0.1	0.7	12.3	12.0	(0.3)
Operating margin	6.7	3.0	5.9	7.2	6.7	(0.5)	(0.0)	5.8	5.8	(0.0)
Net margin	2.5	3.1	3.0	3.6	(48.1)	(51.7)	(50.6)	4.4	(10.1)	(14.6)
Core margin	4.3	2.5	3.8	4.3	3.9	(0.4)	(0.4)	4.2	3.6	(0.6)
Operating statistics (THB m)										
Ambient sales	17,086	15,225	17,136	15,851	16,327	3.0	(4.4)	66,510	64,539	(3.0)
Frozen, chilled seafood sales	14,453	11,684	11,493	11,593	11,941	3.0	(17.4)	56,963	46,711	(18.0)
Pet care sales	5,568	3,495	3,169	3,773	4,600	21.9	(17.4)	21,692	15,037	(30.7)
Value added, others sale	2,505	2,248	2,260	2,698	2,555	(5.3)	2.0	10,420	9,761	(6.3)
USD/THB	36.4	33.9	34.5	35.2	35.8	1.8	(1.6)	34.9	34.8	(0.0)
Tuna price (USD/tonne)	1,660	1,820	2,000	1,800	1,517	(15.7)	(8.6)	1,664	1,873	12.6
Salmon (NOK/kg)	73	104	109	83	84	1.2	15.1	80	95	18.4

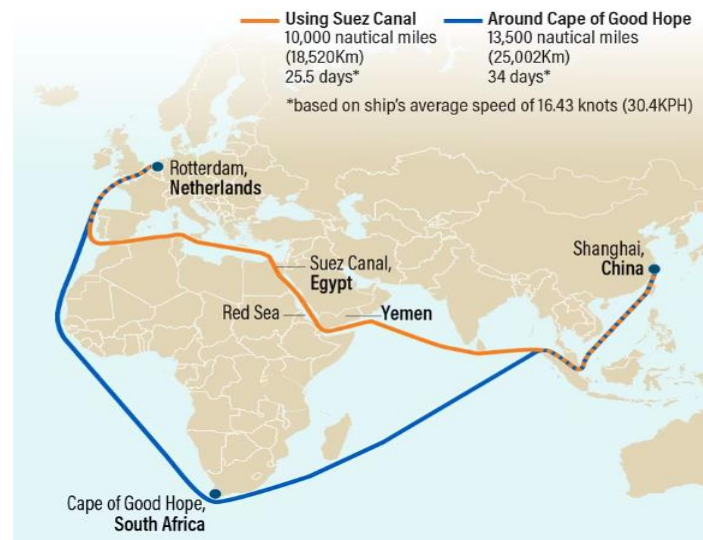
Sources: TU, FSSIA estimates

Potential short-term impacts of the Red Sea crisis

On December 15, 2023, a war led to attacks on cargo ships traveling through the Red Sea, which connects to the Indian Ocean in the south through the Bab-el-Mandeb strait and to the Gulf of Suez in the north. It is an important shipping route for 10% of global oil tankers to transport cargo between Asia, Europe, and East Africa. The attacks disrupted global trade since 23,851 vessels sailed through the Suez Canal in 2022, accounting for c10% of world shipping volumes.

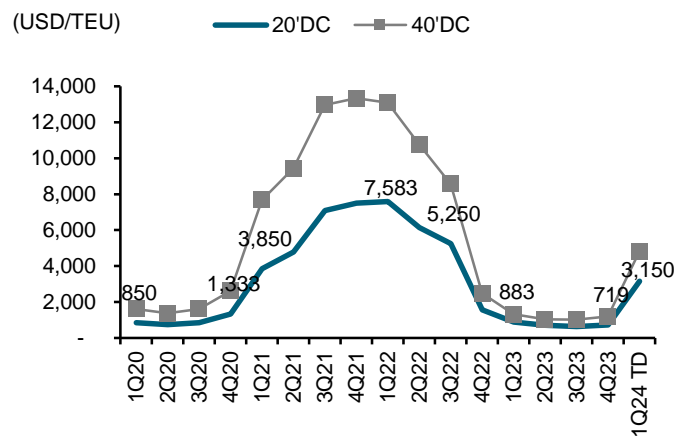
As a result, container freight rates from Thailand to Europe jumped by over 200% m-m to its 16-month peak in January 2024 after 20'DC freight rates surged to USD3,150 from USD908, while 40'DC soared to USD4,800 from USD1,518 in December. It also caused freight rates in other routes to rise, such as Thailand to the U.S. (+40%-50% m-m) and the Shanghai Containerized Freight Index to increase to its one-year high of 2,239.61 points (+78% m-m, +118% y-y).

Exhibit 7: Red Sea route



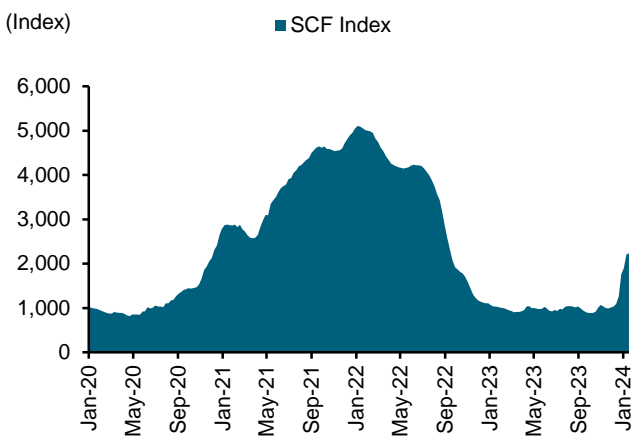
Source: The National News

Exhibit 8: Quarterly container freight rates (Thai-EU)



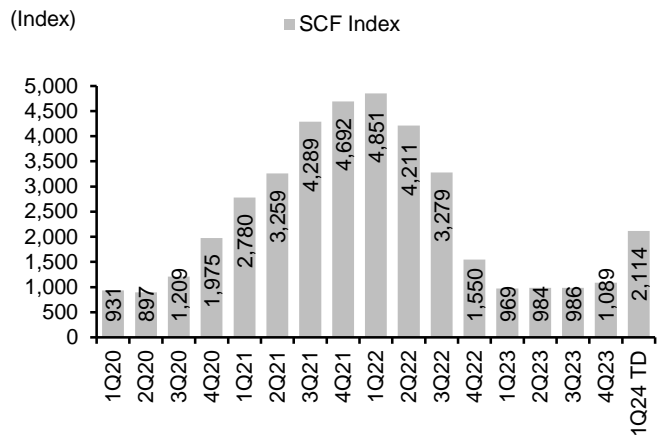
Sources: TNSC, FSSIA's compilation

Exhibit 9: Weekly Shanghai Containerized Freight Index



Sources: Bloomberg, FSSIA's compilation

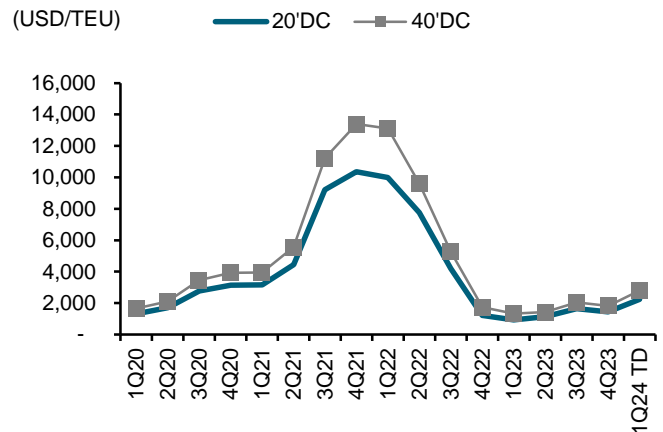
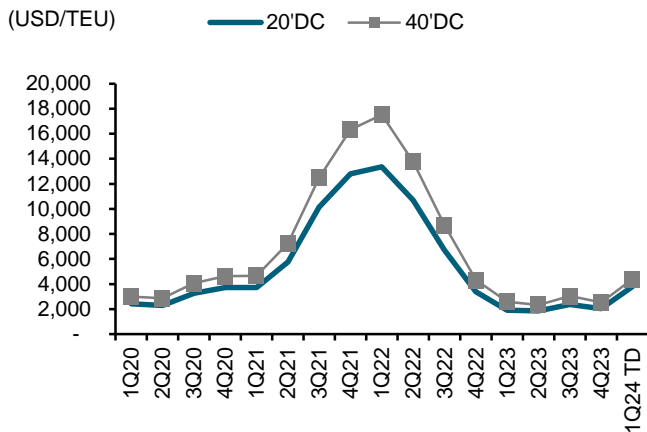
Exhibit 10: Quarterly Shanghai Containerized Freight Index



Sources: Bloomberg, FSSIA's compilation

Exhibit 11: Quarterly container freight rates (Thai-East US)

Exhibit 12: Quarterly container freight rates (Thai-West US)



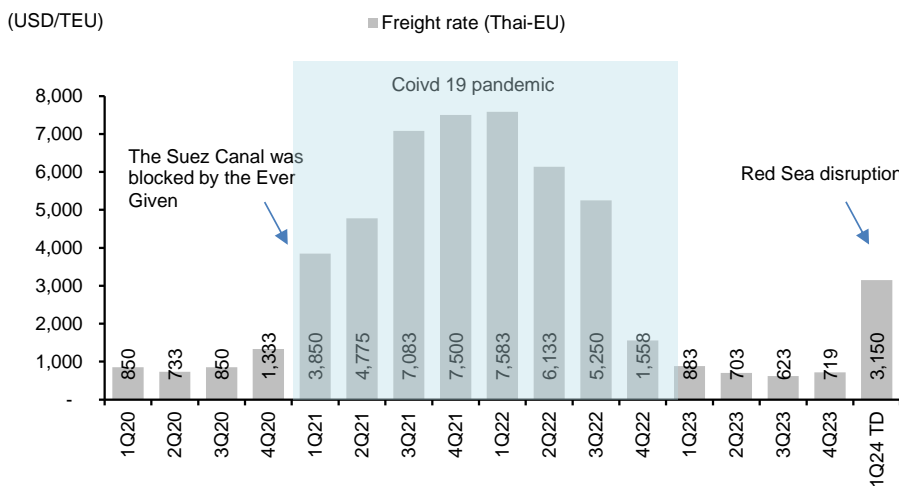
Sources: TNSC, FSSIA's compilation

Sources: TNSC, FSSIA's compilation

Shipping liners are shifting their route, detouring through the Cape of Good Hope, resulting in a longer transit time of 10-15 days and additional expenses, given a longer distance. Meanwhile, TU began to take a hit from such events from 4Q23. If it lingers, it may have a continued impact in 1H24. Usually, CIF sales account for c55% of TU's revenue and c36% of the Group's revenue (since most ITC sales are on a FOB basis).

We look back at the closest disruption on sea transportation and freight rate hikes in 2021-22, when the covid outbreak resulted in decreased port operatives, lower shipping liners, and strict quarantine, particularly in China. Also, Ever Given ran aground, blocking the Suez Canal for six days in March 2021. Although it had a limited impact, it happened alongside a pandemic, triggering a freight rate uptrend that lasted 23 months from December 2020 to October 2022.

Exhibit 13: Freight rate (Thai-EU)

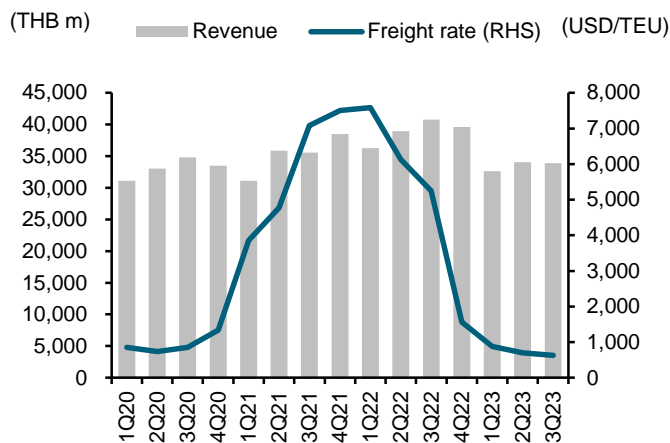


Sources: TNSC, FSSIA's compilation

In 2021-22, the transport costs jumped by 44% y-y and 30% y-y to 27.3% and 32.4% of total expenses, respectively, from 21.3% in 2020 and its normalized level of 21-22%. However, we observe that the revenue for the period soared by 6.5% y-y and 10.3% y-y, respectively, due partly to selling price hikes to reflect the higher costs and expenses. Also, TU benefited from hoarding among customers in the U.S. and Europe due to the covid outbreak and container shortage, resulting in panic-buying that leads to overbooking. Nevertheless, expenses surged, causing 2021-22 EBIT to ease by 4.9% y-y and 0.5% y-y, respectively. Under such circumstances, we view that TU could navigate it well, resulting in a lesser impact than freight rate increases.

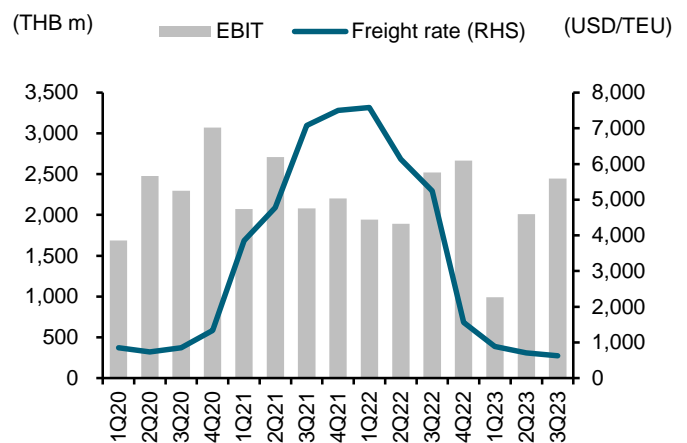
We estimate that the current war will have a shorter impact than during the covid outbreak in 2021-22 since vessel supply remains intact (with no quarantine). Also, customers can choose other shipping routes than the Suez Canal. Therefore, we view it as temporary. Also, we do not expect hoarding or overbooking from customers in the U.S. and Europe that would result in future destocking. Initially, we have a cautious view of transportation expenses. It may rise in 1H24 in line with freight rate hikes. It would slightly affect the revenue since 1H is not an export season. Given that, we have decreased our 2024E revenue by 5.2% to a growth rate of 1.5% y-y and increased our SG&A-to-sale assumption by 20 bps to reflect higher transportation costs.

Exhibit 14: Quarterly revenue and freight rate



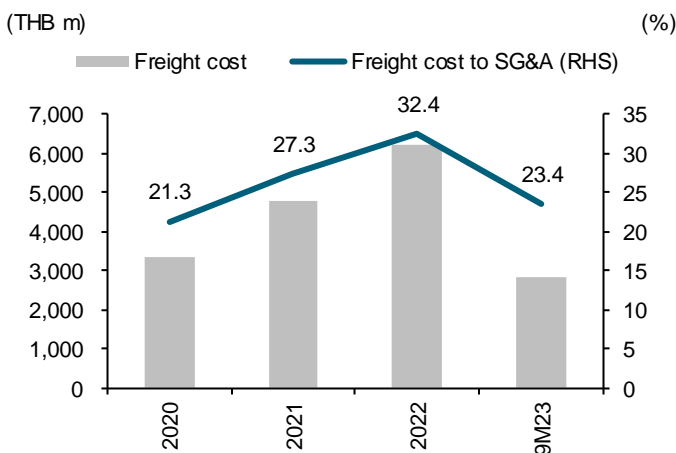
Sources: TU, Bloomberg, FSSIA's compilation

Exhibit 15: Quarterly EBIT and freight rate



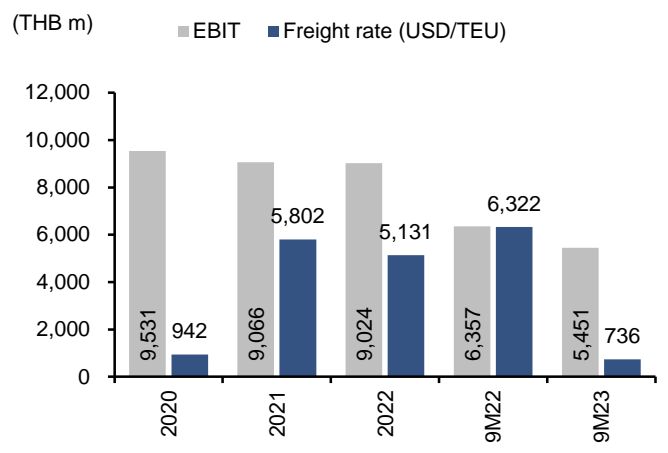
Sources: TU, Bloomberg, FSSIA's compilation

Exhibit 16: TU's freight cost



Sources: TU, FSSIA's compilation

Exhibit 17: TU's EBIT and freight cost



Sources: TU, TNSC, FSSIA's compilation

An absence of the loss sharing from RL would support an upward revision

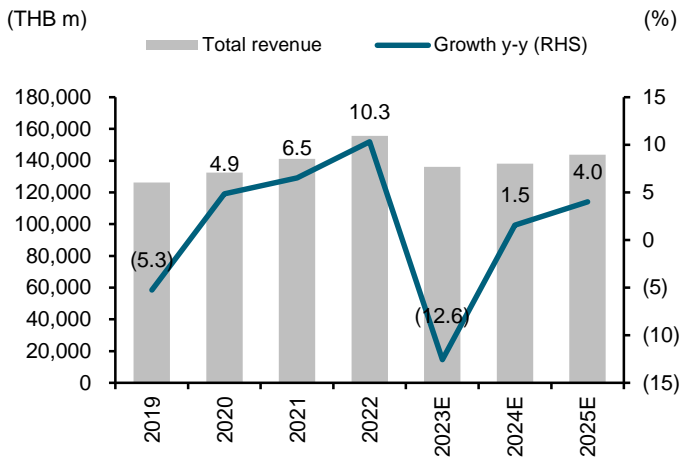
We have increased our 2024-25E net profit by 5.5% and 2.1% to THB5.5b (+11.2% y-y) and THB6b (+8.8% y-y), respectively. Although we have decreased our 2024E revenue by 5.2% and increased our SG&A-to-sale assumption by 20 bps to 12.2%, higher than the guidance of 11-12%, to reflect the rising freight rate outlook in 1H24, the loss sharing from RL would disappear from 1Q24 onwards. Hence, we have increased our 2024E profit-sharing by THB460m since the positive impact from the divestment of RL will fully offset the negative effect of freight rate increases.

Exhibit 18: Change of 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)	3,905	4,186	4,354	4,167	4,416	4,637	(6.3)	(5.2)	(6.1)
Fx rate (THB/USD)	34.8	33.0	33.0	33.0	33.0	33.0	5.6	0.0	0.0
Total sale value (THB m)	136,047	138,143	143,669	137,495	145,744	153,032	(1.1)	(5.2)	(6.1)
Costs	112,773	114,244	118,671	114,808	120,968	126,710	(1.8)	(5.6)	(6.3)
Gross profit	23,274	23,899	24,998	22,687	24,777	26,321	2.6	(3.5)	(5.0)
SG&A expenses	16,391	16,853	17,528	16,499	17,489	18,364	(0.7)	(3.6)	(4.6)
Interest expense	2,262	2,247	2,186	1,972	1,849	1,815	14.7	21.5	20.4
Profit sharing	(440)	638	677	141	178	237	<i>nm</i>	258.4	185.7
Reported net profit	(13,797)	5,511	5,998	4,097	5,224	5,874	<i>nm</i>	5.5	2.1
Core profit	4,956	5,511	5,998	4,097	5,224	5,874	21.0	5.5	2.1
Key ratios (%)									
Total revenue growth	(12.6)	1.5	4.0	(11.6)	6.0	5.0	(0.9)	(4.5)	(1.0)
Net profit growth	<i>nm</i>	<i>nm</i>	8.8	(42.6)	27.5	12.4	<i>nm</i>	<i>nm</i>	(3.6)
Core profit growth	(24.6)	11.2	8.8	(37.6)	27.5	12.4	13.1	(16.3)	(3.6)
Gross margin	17.1	17.3	17.4	16.5	17.0	17.2	0.6	0.3	0.2
SG&A to sales	12.0	12.2	12.2	12.0	12.0	12.0	0.0	0.2	0.2
Net margin	(10.1)	4.0	4.2	3.0	3.6	3.8	(13.1)	0.4	0.3
Norm margin	3.6	4.0	4.2	3.0	3.6	3.8	0.7	0.4	0.3
Operating statistics (THB m)									
Ambient sales	64,539	63,855	65,562	63,823	65,309	67,300	1.1	(2.2)	(2.6)
Frozen, chilled sales	46,711	47,645	49,074	48,362	51,167	53,470	(3.4)	(6.9)	(8.2)
Pet care sales	15,037	16,541	18,526	15,619	18,899	21,167	(3.7)	(12.5)	(12.5)
Value added, others sales	9,761	10,103	10,507	9,691	10,369	11,095	0.7	(2.6)	(5.3)
Tuna price (USD per ton)	1,784	1,600	1,500	1,700	1,600	1,500	4.9	0.0	0.0

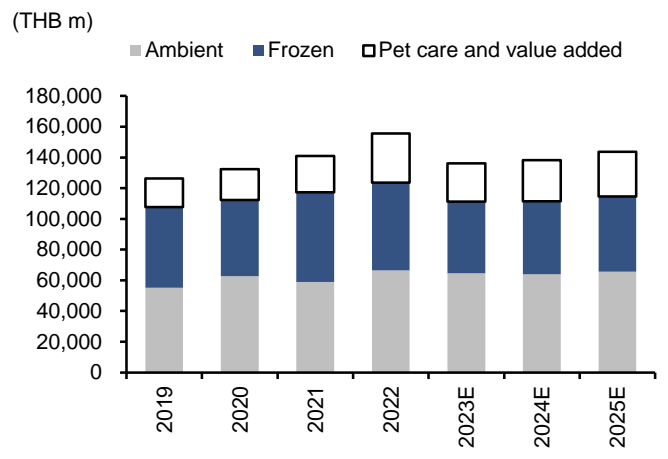
Source: FSSIA estimates

Exhibit 19: Yearly total revenue and growth



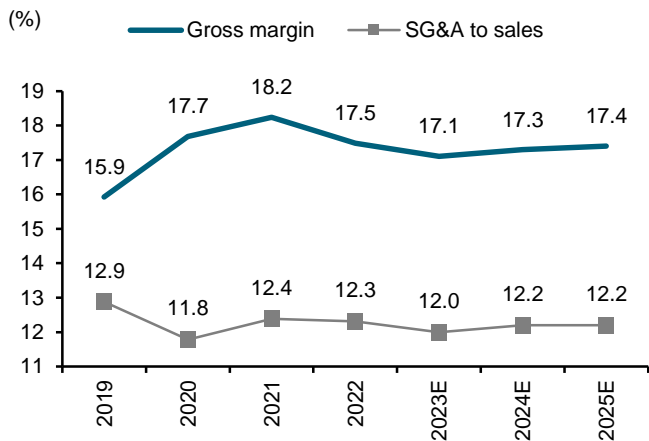
Sources: TU; FSSIA estimates

Exhibit 20: Revenue breakdown by product



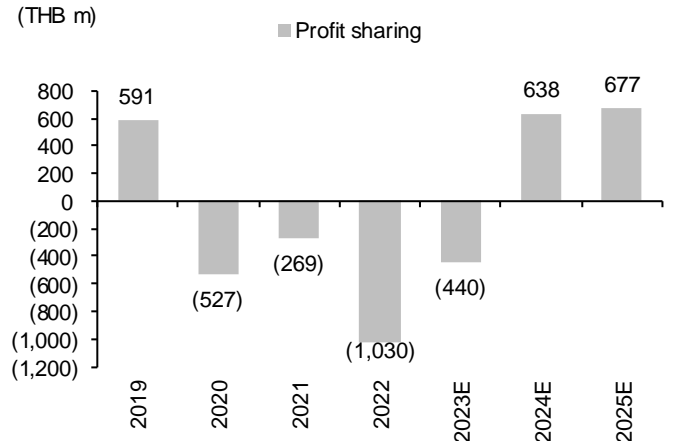
Sources: TU; FSSIA estimates

Exhibit 21: Gross margin and SG&A to sales



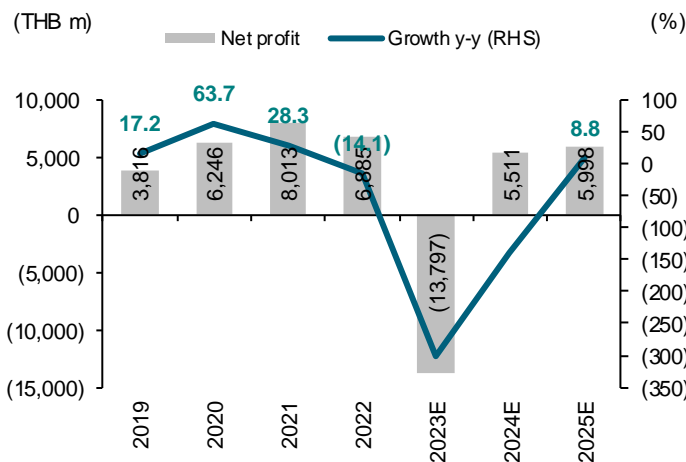
Sources: TU; FSSIA estimates

Exhibit 22: Yearly profit sharing



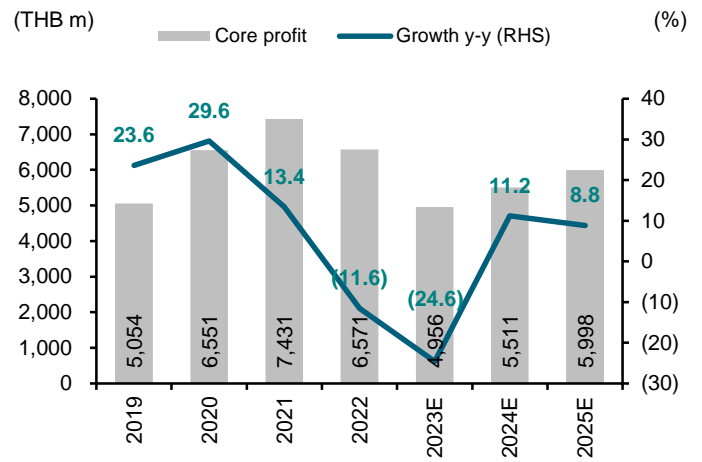
Sources: TU; FSSIA estimates

Exhibit 23: Yearly net profit



Sources: TU; FSSIA estimates

Exhibit 24: Yearly core profit



Sources: TU; FSSIA estimates

TP revised up to THB19

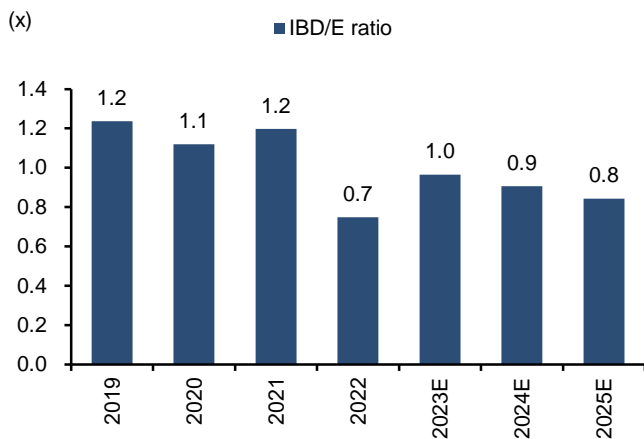
Similarly, we have raised our 2024 TP to THB19 from THB18 based on the sum-of-the-parts method, implying 17x 2024E P/E. Although TU's 4Q23 financial ratios may weaken temporarily, TU may obtain a waiver from banks and bondholders, making it possible for a 2H23 dividend. In this regard, we anticipate a DPS of THB0.3, implying a dividend yield of 2% for the period. Also, the financial ratios may return to their normalized level in 2024. Hence, we maintain our BUY call.

Exhibit 25: SoTP-based valuation

	2024E core profit (THB m)	TU's stake (%)	2024E TU's core profit (THB m)	EPS (THB)	Target P/E (x)	2024 TP (THB)
Ambient & Frozen Business	2,675	100.0	2,675	0.5	13	6.7
Pet Food Business (ITC)	3,562	77.8	2,753	0.5	25	12.3
Feed Business (TFM)	163	51.0	83	0.0	10	0.2
Total			5,511	1.12	17.1	19.1

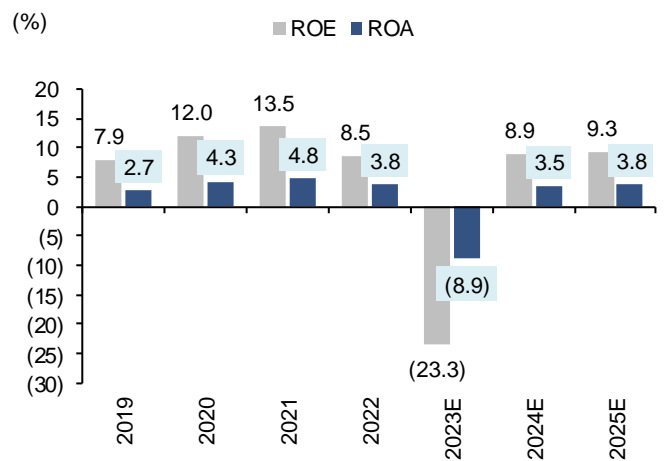
Source: FSSIA estimates

Exhibit 26: Interest bearing debt to equity (x)



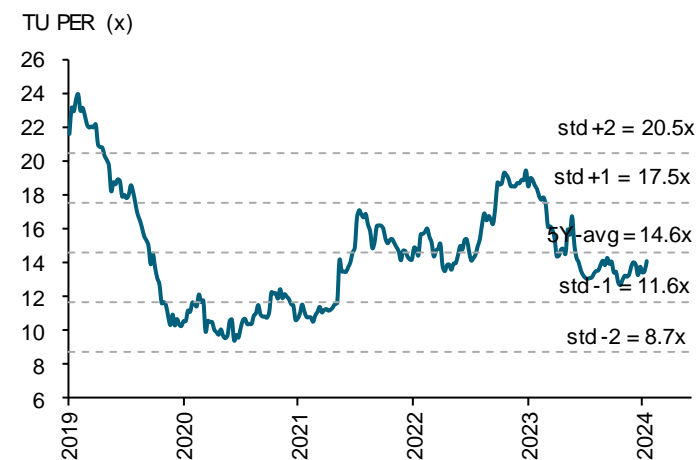
Sources: TU; FSSIA estimates

Exhibit 27: ROE and ROA (%)



Sources: TU; FSSIA estimates

Exhibit 28: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 29: 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	136,047	138,143	143,669
Cost of goods sold	(115,321)	(128,380)	(112,773)	(114,244)	(118,671)
Gross profit	25,727	27,206	23,274	23,899	24,998
Other operating income	811	974	954	967	1,006
Operating costs	(17,471)	(19,156)	(16,391)	(16,853)	(17,528)
Operating EBITDA	13,250	13,348	12,361	12,786	13,500
Depreciation	(4,184)	(4,324)	(4,524)	(4,774)	(5,024)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,066	9,024	7,837	8,012	8,476
Net financing costs	(1,730)	(1,998)	(2,262)	(2,247)	(2,186)
Associates	(269)	(1,030)	(440)	638	677
Recurring non-operating income	(269)	(1,030)	(611)	638	677
Non-recurring items	1,946	314	(18,753)	0	0
Profit before tax	9,013	6,311	(13,788)	6,404	6,968
Tax	(742)	840	680	(202)	(252)
Profit after tax	8,272	7,150	(13,108)	6,202	6,716
Minority interests	(259)	(265)	(689)	(691)	(718)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	8,013	6,885	(13,797)	5,511	5,998
Non-recurring items & goodwill (net)	(1,946)	(314)	18,753	0	0
Recurring net profit	6,067	6,571	4,956	5,511	5,998
Per share (THB)					
Recurring EPS *	1.27	1.38	1.06	1.18	1.29
Reported EPS	1.68	1.44	(2.96)	1.18	1.29
DPS	0.95	0.85	0.58	0.65	0.71
Diluted shares (used to calculate per share data)	4,772	4,772	4,655	4,655	4,655
Growth					
Revenue (%)	6.5	10.3	(12.6)	1.5	4.0
Operating EBITDA (%)	(1.8)	0.7	(7.4)	3.4	5.6
Operating EBIT (%)	(4.9)	(0.5)	(13.2)	2.2	5.8
Recurring EPS (%)	(3.6)	8.3	(22.7)	11.2	8.8
Reported EPS (%)	28.3	(14.1)	nm	nm	8.8
Operating performance					
Gross margin inc. depreciation (%)	18.2	17.5	17.1	17.3	17.4
Gross margin exc. depreciation (%)	21.2	20.3	20.4	20.8	20.9
Operating EBITDA margin (%)	9.4	8.6	9.1	9.3	9.4
Operating EBIT margin (%)	6.4	5.8	5.8	5.8	5.9
Net margin (%)	4.3	4.2	3.6	4.0	4.2
Effective tax rate (%)	8.2	(13.3)	4.9	3.2	3.6
Dividend payout on recurring profit (%)	74.7	62.0	54.8	55.0	55.0
Interest cover (X)	5.1	4.0	3.2	3.9	4.2
Inventory days	139.9	146.0	166.9	155.5	153.7
Debtor days	38.3	39.7	43.4	39.5	39.0
Creditor days	66.4	63.8	71.0	67.4	66.6
Operating ROIC (%)	11.2	9.5	8.0	8.4	8.8
ROIC (%)	5.6	4.6	4.4	5.9	6.1
ROE (%)	10.9	9.4	7.1	9.1	9.5
ROA (%)	5.0	4.8	4.4	5.2	5.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Ambient seafood	58,955	66,510	64,539	63,855	65,562
Frozen & chilled seafood	58,417	56,964	46,711	47,645	49,074
Pet food & others	23,675	32,113	24,798	26,643	29,032

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	4,956	5,511	5,998
Depreciation	4,184	4,324	4,524	4,774	5,024
Associates & minorities	(269)	(1,030)	(440)	638	677
Other non-cash items	3,892	1,134	(18,671)	0	0
Change in working capital	(9,944)	(8,270)	7,331	(594)	(1,694)
Cash flow from operations	3,929	2,729	(2,301)	10,329	10,005
Capex - maintenance	(5,850)	(5,986)	(4,000)	(5,000)	(5,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(6,243)	23,560	11,439	(529)	(678)
Other investments (net)	830	(1,731)	5,209	(482)	(1,271)
Cash flow from investing	(11,263)	15,843	12,647	(6,011)	(6,949)
Dividends paid	(4,470)	(4,028)	(2,773)	(2,877)	(3,145)
Equity finance	0	0	(29)	0	1
Debt finance	12,626	(10,937)	(3,337)	(1,106)	(1,527)
Other financing cash flows	1,915	(389)	(1,326)	126	332
Cash flow from financing	10,070	(15,354)	(7,466)	(3,858)	(4,340)
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	2,881	460	(1,284)
Free cash flow to firm (FCFF)	(5,603.61)	20,570.44	12,608.63	6,564.22	5,241.24
Free cash flow to equity (FCFE)	7,206.59	7,246.62	5,683.45	3,337.28	1,860.18

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(1.20)	4.42	2.71	1.41	1.13
FCFE per share	1.55	1.56	1.22	0.72	0.40
Recurring cash flow per share	2.91	2.30	(2.07)	2.35	2.51

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	57,314	60,730	64,930	70,180	75,430
Less: Accumulated depreciation	(28,957)	(30,711)	(35,435)	(40,458)	(45,732)
Tangible fixed assets (net)	28,357	30,020	29,496	29,722	29,698
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	28,615	28,425	9,925	9,925	9,925
Cash & equivalents	9,023	12,241	15,123	15,582	14,298
A/C receivable	16,308	17,525	14,835	15,063	15,666
Inventories	46,636	52,622	46,345	46,950	48,769
Other current assets	2,896	5,236	7,217	7,276	7,432
Current assets	74,863	87,625	83,520	84,871	86,165
Other assets	34,769	36,500	31,291	31,773	33,044
Total assets	166,604	182,569	154,232	156,292	158,832
Common equity	59,319	80,642	59,326	61,959	64,813
Minorities etc.	2,894	7,489	7,074	7,183	7,183
Total shareholders' equity	62,213	88,131	66,400	69,143	71,996
Long term debt	46,431	48,125	44,054	42,954	41,701
Other long-term liabilities	9,878	9,489	8,163	8,289	8,620
Long-term liabilities	56,309	57,614	52,217	51,243	50,321
A/C payable	21,351	22,018	20,083	20,345	21,133
Short term debt	24,610	12,232	13,219	13,213	12,939
Other current liabilities	2,121	2,574	2,313	2,348	2,442
Current liabilities	48,081	36,824	35,615	35,906	36,515
Total liabilities and shareholders' equity	166,604	182,569	154,232	156,292	158,832
Net working capital	42,368	50,792	46,002	46,596	48,291
Invested capital	134,110	145,736	116,714	118,016	120,958

* 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	12.74	13.31	13.92
Tangible book value per share	12.43	16.90	12.74	13.31	13.92

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	99.7	54.6	63.5	58.7	56.0
Net debt/total assets (%)	37.2	26.4	27.3	26.0	25.4
Current ratio (x)	1.6	2.4	2.3	2.4	2.4
CF interest cover (x)	5.2	4.6	3.5	2.5	1.9

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	12.1	11.2	14.5	13.0	12.0
Recurring P/E @ target price (x) *	14.9	13.8	17.8	16.0	14.7
Reported P/E (x)	9.2	10.7	(5.2)	13.0	12.0
Dividend yield (%)	6.2	5.5	3.8	4.2	4.6
Price/book (x)	1.2	0.9	1.2	1.2	1.1
Price/tangible book (x)	1.2	0.9	1.2	1.2	1.1
EV/EBITDA (x) **	10.4	9.7	9.8	9.3	8.8
EV/EBITDA @ target price (x) **	11.7	11.0	11.1	10.7	10.1
EV/invested capital (x)	1.0	0.9	1.0	1.0	1.0

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

Sources: Thai Union Group; FSSIA estimates

Thai Union Group PCL (TU TB)

FSSIA ESG rating

★★★★

68.12 /100

Exhibit 30: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 31: ESG – peer comparison

	FSSIA ESG score	Domestic ratings					Global ratings						Bloomberg		
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BTG	8.00	--	--	--	--	--	Declared	--	--	--	--	--	--	--	--
CPF	78.94	Y	Y	Y	5.00	5.00	Certified	High	50.25	BBB	43.00	70.21	85.00	4.08	62.09
GFPT	53.67	--	Y	Y	5.00	5.00	Certified	High	56.79	--	--	61.87	19.00	--	55.41
TU	68.12	Y	--	--	5.00	5.00	Certified	High	44.49	A	35.00	66.15	87.00	2.99	--
TFG	33.01	--	--	Y	4.00	5.00	Certified	High	--	--	--	42.11	--	--	--
RBF	34.45	--	--	--	5.00	4.00	Declared	High	51.04	--	--	30.50	--	2.34	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 32: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	2.37	2.62	2.56	2.86	2.84	3.00	3.01	2.99
BESG environmental pillar score	2.52	2.49	2.51	3.33	3.36	3.58	3.54	—
BESG social pillar score	0.95	1.32	1.28	1.41	1.36	1.53	1.53	—
BESG governance pillar score	3.94	4.42	4.21	3.95	3.89	3.93	4.02	—
ESG disclosure score	50.93	56.98	56.98	60.30	60.75	63.74	64.21	—
Environmental disclosure score	38.75	44.64	44.64	48.32	48.66	48.66	50.08	—
Social disclosure score	35.34	42.59	42.59	42.59	43.62	52.60	52.60	—
Governance disclosure score	78.60	83.59	83.59	89.86	89.86	89.86	89.86	—
Environmental								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	Yes	Yes	Yes	Yes
GHG scope 1	385	423	367	370	337	311	323	—
GHG scope 2 location-based	161	176	179	170	173	183	188	—
GHG Scope 3	—	—	—	—	—	—	3,786	—
Carbon per unit of production	1	1	1	1	1	1	1	—
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Total energy consumption	1,129	1,328	1,251	1,196	1,097	1,181	1,209	—
Renewable energy use	25	54	48	40	53	75	122	—
Electricity used	310	360	369	350	354	379	384	—
Fuel used - natural gas	4,142	8,254	7,918	7,030	3,052	7,182	8,309	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 33: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	0	0	1	1	1	3	—
Total waste	—	41	27	57	45	84	66	—
Waste recycled	—	—	—	27	26	51	32	—
Waste sent to landfills	—	41	27	22	14	14	14	—
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	—	—	—
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	Yes	Yes	No
Pct women in workforce	—	—	—	—	—	—	—	65
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	1	1	1	1	0	0	0	—
Total recordable incident rate - employees	—	—	—	—	—	1	1	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of employees – CSR	39,864	49,177	51,143	47,314	44,551	44,101	44,705	44,705
Employee turnover pct	15	14	15	13	16	17	13	—
Total hours spent by firm - employee training	305,452	885,186	767,145	264,958	209,390	260,196	299,524	168,216
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Governance								
Board size	12	12	12	12	12	12	12	11
No. of independent directors (ID)	4	4	4	4	4	4	5	5
No. of women on board	0	0	0	0	0	0	2	2
No. of non-executive directors on board	6	6	6	6	6	6	6	6
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	8	8	6	5	6	7	5	8
Board meeting attendance pct	90	94	89	85	90	92	95	92
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	41	42	42	43	44	45	46	47
Age of the oldest director	81	82	83	84	85	86	87	80
No. of executives / company managers	10	10	12	11	12	12	11	11
No. of female executives	1	1	1	1	1	1	0	0
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	23	23	21	14	21	12	5	13
Audit meeting attendance %	—	97	89	93	97	94	100	97
Size of compensation committee	2	2	2	2	2	2	2	2
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	4	3	2	2	2	2	4	3
Compensation meeting attendance %	100	100	100	100	100	100	100	100
Size of nomination committee	2	2	2	2	2	2	2	2
No. of nomination committee meetings	4	3	2	2	2	2	4	3
Nomination meeting attendance %	100	100	100	100	100	100	100	100
Sustainability governance								
Verification type	No	No	No	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																											
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 20px;">AAA</td> <td>8.571-10.000</td> <td style="padding-right: 20px;">Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																												
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

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"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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

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History of change in investment rating and/or target price

Thai Union Group (TU TB)



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

Company	Ticker	Price	Rating	Valuation & Risks
Thai Union Group	TU TB	THB 15.40	BUY	Downside risks to our SoTP-based 2024 TP include 1) a slower-than-expected revenue recovery; 2) a disruption on shipping routes, resulting in higher-than-expected freight costs; 3) a slower decrease in raw material costs than expected; 4) higher-than-expected labor costs and labor shortages; and 5) stronger Baht than expected.

Source: FSSIA estimates

Additional Disclosures

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

All share prices are as at market close on 22-Jan-2024 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.