

# THAI UNION GROUP TU TB

## THAILAND / FOOD & BEVERAGE

# BUY

**UNCHANGED**

TARGET PRICE	THB17.30
CLOSE	THB14.50
UP/DOWNSIDE	+19.3%
PRIOR TP	THB17.30
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-5.3%

## 1Q24 might be the lowest point

- Expect 1Q24 normalized profit to drop q-q, but grow y-y due to business downsizing and unclear purchasing trend in the US.
- Forecast revenue to recover in 2Q24 onwards, driven by seasonal factors and improving order trends.
- Retain BUY with the same TP of THB17.3.

### Expect 1Q24 profit to decline q-q

We forecast a 1Q24 net profit of THB832m, an improvement from the significant loss in 4Q23, but a 19% y-y decline. Excluding an FX loss of around THB50m, TU's normalized profit should be THB882m (-25% q-q, +9% y-y). The y-y profit increase would come from higher gross margins in the frozen and pet care businesses. The expected q-q profit decline would be mainly due to 1) a 6.4% q-q decrease in total revenue; 2) a projected gross margin decrease to 16.8% from 17.8% in 4Q23; and 3) an expected tax expense rate of 6-8% following the tax credit benefit from Red Lobster in the previous period.

### Revenue pressured by downsizing and unclear purchasing trend

We anticipate 1Q24 total revenue to drop by 6% q-q but rise 1.8% y-y. Excluding the positive impact of baht depreciation, its total revenue should be flat y-y. To elaborate, 1Q24 revenue from the frozen business should plunge by 16% q-q and 10% y-y, due to business downsizing and the unclear purchasing trend in the US market. Meanwhile, we project the ambient segment to experience a slight increase, without significant price reductions. In addition, we estimate the pet food business to grow by 15% y-y, in line with ITC's guidance. However, higher container shipping costs should push SG&A to sales up to 12.5% in 1Q24 compared to 11.7% in 4Q23, which is above the company's annual target of 11-12%.

### Project 1Q24 to be the lowest point of the year

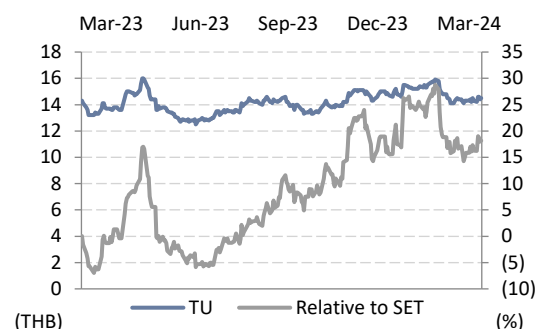
Assuming in-line 1Q24 results, it would account for 17.5% of our full-year earnings estimate. Despite the caution regarding potential price adjustments for branded products in 2Q24 – in accordance with lower tuna prices – management believes the average selling price can be maintained, as tuna prices are expected to recover in 2Q-3Q24 following seasonal trends. Hence, we expect earnings to recover in 2Q24 onwards, driven by seasonal factors and improving order trends.

### Reaffirm BUY with the same TP of THB17.3

We retain our SoTP-based 2024 TP at THB17.3, implying a P/E of 17x. There is a high possibility that 1Q24 profit will be the lowest point of the year. On 27 March, TU repurchased 85.7m shares (1.84% of total) at an average price of THB14.4 per share. 114.3m shares remain for repurchase, with the buyback program ending on 30 March 2024.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	136,153	136,911	142,388	149,507
Net profit	(13,933)	5,043	5,593	6,150
EPS (THB)	(2.99)	1.08	1.20	1.32
vs Consensus (%)	-	(15.0)	(15.0)	0.2
EBITDA	12,163	12,357	13,067	13,887
Recurring net profit	(13,933)	5,043	5,593	6,150
Core EPS (THB)	(2.99)	1.08	1.20	1.32
Chg. In EPS est. (%)	nm	-	-	-
EPS growth (%)	nm	nm	10.9	10.0
Core P/E (x)	(4.8)	13.4	12.1	11.0
Dividend yield (%)	3.7	4.1	4.6	4.6
EV/EBITDA (x)	10.6	9.9	9.3	8.8
Price/book (x)	1.2	1.2	1.1	1.1
Net debt/Equity (%)	81.0	72.9	70.4	67.2
ROE (%)	(20.0)	8.7	9.5	9.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.7	(3.3)	0.0
Relative to country (%)	0.2	(0.7)	16.9
Mkt cap (USD m)	1,741		
3m avg. daily turnover (USD m)	9.6		
Free float (%)	65		
Major shareholder	Chansiri Family (12%)		
12m high/low (THB)	16.10/12.40		
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. It also has overseas subsidiaries, one of which owns Chicken of the Sea, the #3 canned seafood brand in the US, 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.

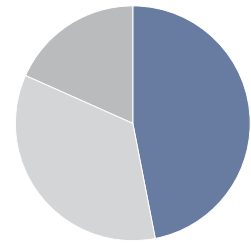
### Company profile

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

### Principal activities (revenue, 2023)

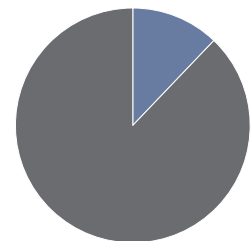
- Ambient seafood - 46.9 %
- Frozen & chilled seafood - 34.7 %
- Pet food & others - 18.3 %



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) the absence of loss-sharing from Red Lobster 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
8 May 2024	1Q24 results announcement
9 May 2024	1Q24 analyst meeting

### Key assumptions

	2024E	2025E	2026E
Total revenue (USD m)	4,149	4,315	4,531
USD/THB	33.0	33.0	33.0
Ambient sales growth (%)	(1.0)	2.7	4.2
Frozen, chilled sales growth (%)	0.0	3.0	4.0
PetCare, value-added sales growth (%)	5.6	8.9	8.5
Tuna price (USD/ton)	1,600	1,500	1,500
Gross margin (%)	17.3	17.4	17.5

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.

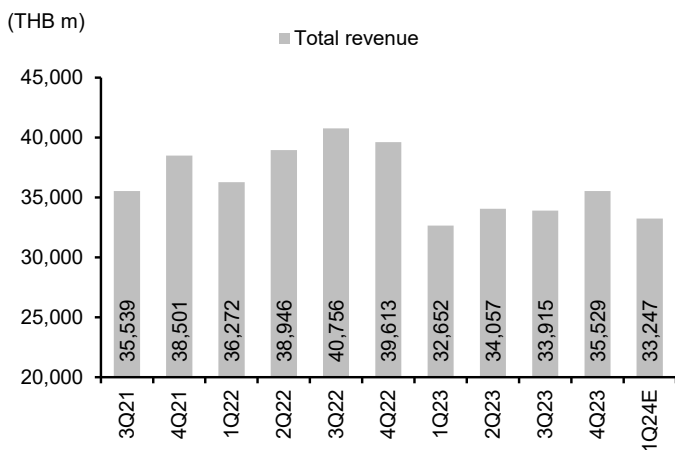
Source: FSSIA estimates

**Exhibit 1: TU – 1Q24 earnings preview**

	1Q23	2Q23	3Q23	4Q23	1Q24E	Change		2024E	Change	%1Q24E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	to 2024E
Sales in THB m	32,652	34,057	33,915	35,529	33,247	(6.4)	1.8	136,911	0.6	24.3
Cost of sales	27,735	28,310	27,682	29,201	27,661	(5.3)	(0.3)	113,226	0.3	24.4
Gross profit	4,917	5,748	6,233	6,327	5,585	(11.7)	13.6	23,686	2.0	23.6
SG&A	4,121	3,975	4,044	4,173	4,156	(0.4)	0.8	16,703	2.4	24.9
Operating profit	993	2,011	2,447	2,521	1,680	(33.4)	69.1	7,941	(0.4)	21.2
Sharing from Red Lobster	121	(94)	(395)	(450)	0	(100.0)	(100.0)	0	nm	
Interest expense	532	550	589	630	635	0.8	19.3	2,526	9.7	25.1
Tax expense	(242)	(198)	(140)	(40)	63	nm	nm	325	nm	19.3
FX gain (loss)	215	(250)	(268)	68	(50)	nm	nm	0	nm	
Other gain (loss)	0	0	0	(18,413)	0	nm	nm	0	nm	
Reported net profit	1,022	1,029	1,206	(17,189)	832	nm	(18.6)	5,043	nm	16.5
Core profit	807	1,279	1,474	1,177	882	(25.0)	9.3	5,043	6.5	17.5
<b>Key ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>			
Gross margin	15.1	16.9	18.4	17.8	16.8	(1.0)	1.7	17.3	0.2	
SG&A / sales	12.6	11.7	11.9	11.7	12.5	0.8	(0.1)	12.2	0.2	
Operating margin	3.0	5.9	7.2	7.1	5.1	(2.0)	2.0	5.8	(0.1)	
Net margin	3.1	3.0	3.6	(48.4)	2.5	50.9	(0.6)	3.7	13.9	
Core margin	2.5	3.8	4.3	3.3	2.7	(0.7)	0.2	3.7	0.2	
<b>Operating statistics (THB m)</b>										
Ambient sales	15,225	17,136	15,851	15,693	16,139	2.8	6.0	63,263	(1.0)	25.5
Frozen, chilled seafood sales	11,684	11,493	11,593	12,525	10,504	(16.1)	(10.1)	47,295	0.0	22.2
Pet care sales	3,495	3,169	3,773	4,622	4,019	(13.0)	15.0	16,112	7.0	24.9
Value added, others sale	2,248	2,260	2,698	2,689	2,585	(3.9)	15.0	10,241	3.5	25.2
Tuna price (USD/ton)	1,820	2,000	1,800	1,533	1,350	(11.9)	(25.8)	1,600	(10.3)	
Shrimp 60 pcs/kg (THB/kg)	168	127	123	134	143	6.7	(14.9)	150	8.7	
Salmon (NOK/kg)	104	109	83	84	106	26.2	1.9	90	(5.3)	

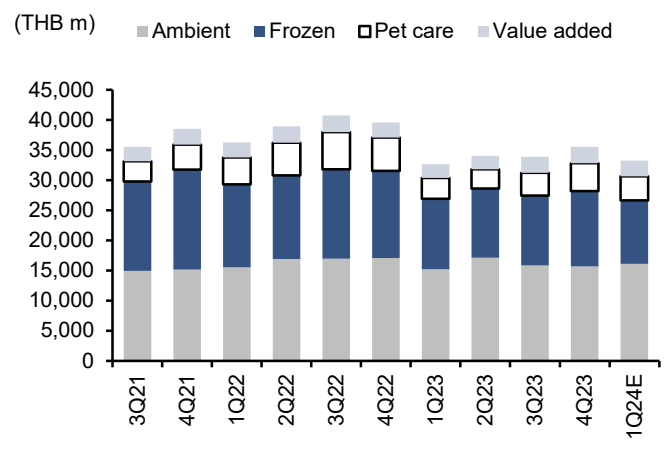
Sources: TU, FSSIA estimates

**Exhibit 2: Quarterly total revenue**



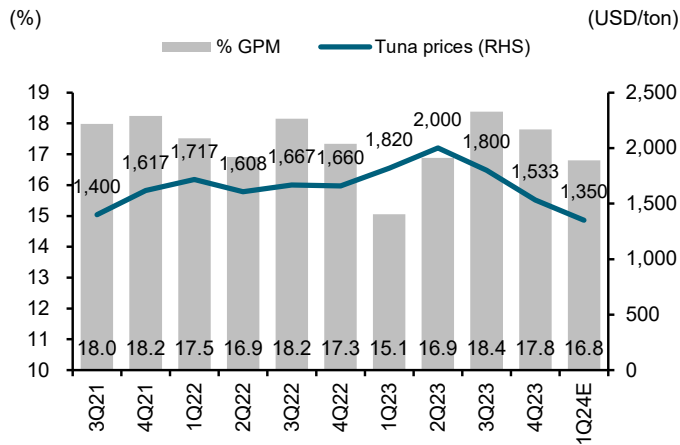
Sources: TU, FSSIA estimates

**Exhibit 3: Revenue breakdown by product**



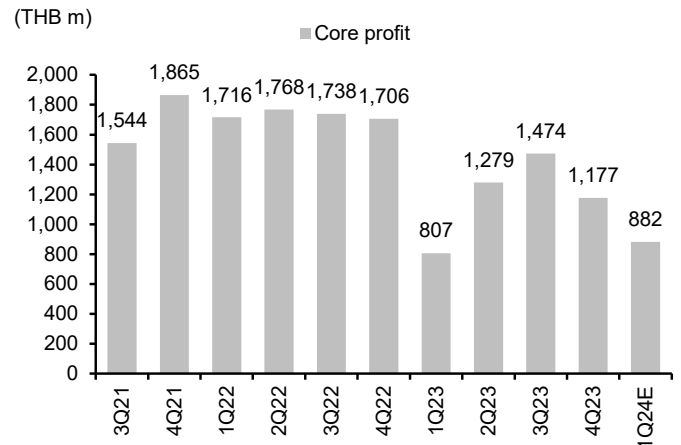
Sources: TU, FSSIA estimates

**Exhibit 4: Gross margin and tuna price**



Sources: TU, FSSIA estimates

**Exhibit 5: Quarterly core profit**



Sources: TU, FSSIA estimates

**Exhibit 6: Key assumptions for TU**

	Current			Growth		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue (USD m)	4,149	4,315	4,531	7.2	4.0	5.0
Fx rate (THB/USD)	33.0	33.0	33.0	0.0	0.0	0.0
Total sale value (THB m)	136,911	142,388	149,507	0.6	4.0	5.0
Costs	113,226	117,612	123,343	0.3	3.9	4.9
Gross profit	23,686	24,775	26,164	2.0	4.6	5.6
SG&A expenses	16,703	17,371	18,240	2.4	4.0	5.0
Interest expense	2,526	2,414	2,357	9.7	(4.4)	(2.4)
Profit sharing	638	677	681	(6.1)	6.1	0.6
Reported net profit	5,043	5,593	6,150	nm	10.9	10.0
Core profit	5,043	5,593	6,150	6.5	10.9	10.0

Key ratios (%)						
Gross margin	17.3	17.4	17.5			
SG&A to sales	12.2	12.2	12.2			
Net margin	3.7	3.9	4.1			
Core margin	3.7	3.9	4.1			

Operating statistics (THB m)						
Ambient sales	63,263	64,977	67,721	(1.0)	2.7	4.2
Frozen, chilled sales	47,295	48,714	50,662	0.0	3.0	4.0
Pet care sales	16,112	18,046	19,940	7.0	12.0	10.5
Value added, others sales	10,241	10,651	11,184	3.5	4.0	5.0
Tuna price (USD per ton)	1,600	1,500	1,500	(10.3)	(6.3)	0.0

Source: FSSIA estimates

## Financial Statements

### Thai Union Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	155,586	136,153	136,911	142,388	149,507
Cost of goods sold	(128,380)	(112,928)	(113,226)	(117,612)	(123,343)
<b>Gross profit</b>	<b>27,206</b>	<b>23,225</b>	<b>23,686</b>	<b>24,775</b>	<b>26,164</b>
Other operating income	974	1,060	958	997	1,047
Operating costs	(19,156)	(16,313)	(16,703)	(17,371)	(18,240)
<b>Operating EBITDA</b>	<b>13,348</b>	<b>12,163</b>	<b>12,357</b>	<b>13,067</b>	<b>13,887</b>
Depreciation	(4,324)	(4,191)	(4,416)	(4,666)	(4,916)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>9,024</b>	<b>7,972</b>	<b>7,941</b>	<b>8,401</b>	<b>8,970</b>
Net financing costs	(1,998)	(2,302)	(2,526)	(2,414)	(2,357)
Associates	(1,030)	679	638	677	681
Recurring non-operating income	(1,030)	(19,490)	638	677	681
Non-recurring items	567	0	0	0	0
<b>Profit before tax</b>	<b>6,564</b>	<b>(13,820)</b>	<b>6,053</b>	<b>6,664</b>	<b>7,295</b>
Tax	840	620	(325)	(359)	(397)
<b>Profit after tax</b>	<b>7,403</b>	<b>(13,200)</b>	<b>5,728</b>	<b>6,305</b>	<b>6,898</b>
Minority interests	(265)	(733)	(685)	(712)	(748)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>7,138</b>	<b>(13,933)</b>	<b>5,043</b>	<b>5,593</b>	<b>6,150</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(567)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,571</b>	<b>(13,933)</b>	<b>5,043</b>	<b>5,593</b>	<b>6,150</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.38	(2.99)	1.08	1.20	1.32
Reported EPS	1.50	(2.99)	1.08	1.20	1.32
DPS	0.85	0.53	0.60	0.66	0.67
Diluted shares (used to calculate per share data)	4,772	4,655	4,655	4,655	4,655
<b>Growth</b>					
Revenue (%)	10.3	(12.5)	0.6	4.0	5.0
Operating EBITDA (%)	0.7	(8.9)	1.6	5.7	6.3
Operating EBIT (%)	(0.5)	(11.7)	(0.4)	5.8	6.8
Recurring EPS (%)	8.3	nm	nm	10.9	10.0
Reported EPS (%)	(10.9)	nm	nm	10.9	10.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	17.5	17.1	17.3	17.4	17.5
Gross margin exc. depreciation (%)	20.3	20.1	20.5	20.7	20.8
Operating EBITDA margin (%)	8.6	8.9	9.0	9.2	9.3
Operating EBIT margin (%)	5.8	5.9	5.8	5.9	6.0
Net margin (%)	4.2	(10.2)	3.7	3.9	4.1
Effective tax rate (%)	(12.8)	4.5	5.4	5.4	5.4
Dividend payout on recurring profit (%)	61.9	(17.7)	55.0	55.0	51.0
Interest cover (X)	4.0	(5.0)	3.4	3.8	4.1
Inventory days	146.0	173.0	162.7	153.3	152.6
Debtor days	39.7	45.0	41.3	39.0	38.9
Creditor days	63.8	68.5	65.3	66.4	66.1
Operating ROIC (%)	9.5	7.9	8.0	8.5	8.9
ROIC (%)	4.6	(6.7)	5.5	6.0	6.2
ROE (%)	9.4	(20.0)	8.7	9.5	9.9
ROA (%)	4.8	(6.5)	4.8	5.2	5.4
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Ambient seafood	66,510	63,904	63,263	64,977	67,721
Frozen & chilled seafood	56,964	47,295	47,295	48,714	50,662
Pet food & others	32,113	24,953	26,353	28,696	31,124

Sources: Thai Union Group; FSSIA estimates

## Financial Statements

### Thai Union Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	6,571	(13,933)	5,043	5,593	6,150
Depreciation	4,324	4,191	4,416	4,666	4,916
Associates & minorities	(1,030)	679	638	677	681
Other non-cash items	1,134	(20,169)	0	0	0
Change in working capital	(8,270)	2,378	4,743	(1,679)	(2,189)
<b>Cash flow from operations</b>	<b>2,729</b>	<b>(26,854)</b>	<b>14,841</b>	<b>9,257</b>	<b>9,558</b>
Capex - maintenance	(5,986)	(5,557)	(4,500)	(5,000)	(5,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	23,560	34,495	(5,722)	(677)	(475)
Other investments (net)	(1,731)	(851)	5,861	(1,260)	(1,637)
<b>Cash flow from investing</b>	<b>15,843</b>	<b>28,087</b>	<b>(4,361)</b>	<b>(6,937)</b>	<b>(7,112)</b>
Dividends paid	(4,281)	(6,811)	(2,620)	(2,922)	(2,994)
Equity finance	0	(29)	0	1	1
Debt finance	(10,684)	7,631	(4,834)	(2,806)	(1,428)
Other financing cash flows	(389)	223	(1,498)	329	427
<b>Cash flow from financing</b>	<b>(15,354)</b>	<b>1,015</b>	<b>(8,952)</b>	<b>(5,399)</b>	<b>(3,994)</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>3,218</b>	<b>2,248</b>	<b>1,527</b>	<b>(3,078)</b>	<b>(1,548)</b>
Free cash flow to firm (FCFF)	20,570.44	3,535.97	13,005.66	4,734.29	4,802.91
Free cash flow to equity (FCFE)	7,499.62	9,088.36	4,147.31	(156.86)	<b>1,445.28</b>

Per share (THB)	2022	2023	2024E	2025E	2026E
FCFF per share	4.42	0.76	2.79	1.02	1.03
FCFE per share	1.61	1.95	0.89	(0.03)	0.31
Recurring cash flow per share	2.30	(6.28)	2.17	2.35	2.52

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	60,730	64,122	68,847	74,097	79,347
Less: Accumulated depreciation	(30,711)	(32,736)	(37,378)	(42,294)	(47,460)
<b>Tangible fixed assets (net)</b>	<b>30,020</b>	<b>31,385</b>	<b>31,469</b>	<b>31,803</b>	<b>31,887</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	28,425	10,885	10,885	10,885	10,885
Cash & equivalents	12,241	14,490	16,017	12,939	11,391
A/C receivable	17,525	16,031	14,929	15,526	16,302
Inventories	52,622	50,482	46,531	48,334	50,689
Other current assets	5,236	4,827	7,234	7,387	7,586
<b>Current assets</b>	<b>87,625</b>	<b>85,829</b>	<b>84,710</b>	<b>84,185</b>	<b>85,968</b>
Other assets	36,500	37,351	31,490	32,749	34,387
<b>Total assets</b>	<b>182,569</b>	<b>165,450</b>	<b>158,554</b>	<b>159,623</b>	<b>163,127</b>
Common equity	80,642	58,628	57,575	60,247	63,404
Minorities etc.	7,489	7,389	7,119	7,119	7,326
<b>Total shareholders' equity</b>	<b>88,131</b>	<b>66,017</b>	<b>64,695</b>	<b>67,366</b>	<b>70,730</b>
Long term debt	48,125	39,248	39,172	38,972	37,909
Other long-term liabilities	9,489	9,712	8,215	8,543	8,970
<b>Long-term liabilities</b>	<b>57,614</b>	<b>48,960</b>	<b>47,386</b>	<b>47,515</b>	<b>46,879</b>
A/C payable	22,018	18,798	20,163	20,945	21,965
Short term debt	12,232	28,740	23,982	21,376	21,011
Other current liabilities	2,574	2,935	2,327	2,421	2,542
<b>Current liabilities</b>	<b>36,824</b>	<b>50,473</b>	<b>46,473</b>	<b>44,741</b>	<b>45,518</b>
<b>Total liabilities and shareholders' equity</b>	<b>182,569</b>	<b>165,450</b>	<b>158,554</b>	<b>159,623</b>	<b>163,127</b>
Net working capital	50,792	49,607	46,203	47,882	50,071
Invested capital	145,736	129,228	120,046	123,319	127,229

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

Per share (THB)	2022	2023	2024E	2025E	2026E
Book value per share	16.90	12.59	12.37	12.94	13.62
Tangible book value per share	16.90	12.59	12.37	12.94	13.62

Financial strength	2022	2023	2024E	2025E	2026E
Net debt/equity (%)	54.6	81.0	72.9	70.4	67.2
Net debt/total assets (%)	26.4	32.3	29.7	29.7	29.1
Current ratio (x)	2.4	1.7	1.8	1.9	1.9
CF interest cover (x)	4.8	4.9	2.6	0.9	1.6

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>10.5</b>	<b>(4.8)</b>	<b>13.4</b>	<b>12.1</b>	<b>11.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>12.6</b>	<b>(5.8)</b>	<b>16.0</b>	<b>14.4</b>	<b>13.1</b>
Reported P/E (x)	9.7	(4.8)	13.4	12.1	11.0
Dividend yield (%)	5.9	3.7	4.1	4.6	4.6
Price/book (x)	0.9	1.2	1.2	1.1	1.1
Price/tangible book (x)	0.9	1.2	1.2	1.1	1.1
EV/EBITDA (x) **	9.3	10.6	9.9	9.3	8.8
EV/EBITDA @ target price (x) **	10.4	11.6	10.9	10.3	9.7
EV/invested capital (x)	0.9	1.0	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**

★★★★

## Exhibit 7: FSSIA ESG score implication

**68.12 /100**

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.
★★★★	<b>&gt;59-79</b>	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>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 8: 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](http://SETTRADE.com); FSSIA's compilation

## Exhibit 9: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>2.37</b>	<b>2.62</b>	<b>2.56</b>	<b>2.86</b>	<b>2.84</b>	<b>3.00</b>	<b>3.01</b>	<b>2.99</b>
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	—
<b>ESG disclosure score</b>	<b>50.93</b>	<b>56.98</b>	<b>56.98</b>	<b>60.30</b>	<b>60.75</b>	<b>63.74</b>	<b>64.21</b>	<b>—</b>
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	—
<b>Environmental</b>								
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 10: 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	—	—	—	—	—	—	—	—
<b>Social</b>								
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
<b>Governance</b>								
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>11</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>
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
<b>No. of executives / company managers</b>	<b>10</b>	<b>10</b>	<b>12</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>11</b>
No. of female executives	1	1	1	1	1	1	0	0
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
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
<b>Size of compensation committee</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
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
<b>Size of nomination committee</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
No. of nomination committee meetings	4	3	2	2	2	2	4	3
Nomination meeting attendance %	100	100	100	100	100	100	100	100
<b>Sustainability governance</b>								
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 <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> 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.																			
<b>CG Score</b> 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 (50-59), 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%).																			
<b>AGM level</b> 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&amp;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.																			
<b>Thai CAC</b> 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.																			
<b>Morningstar Sustainalytics</b>	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 &amp; 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+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
<b>ESG Book</b>	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.																			
<b>MSCI</b>	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="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	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.																				
<b>Refinitiv ESG rating</b>	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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																				
<b>S&amp;P Global</b>	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.																				
<b>Bloomberg</b>	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

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Sureporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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**History of change in investment rating and/or target price**

**Thai Union Group (TU TB)**



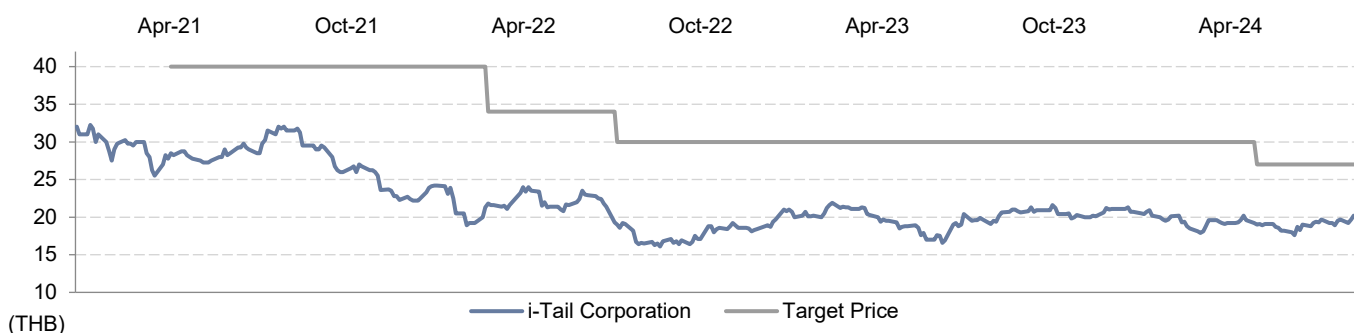
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Jan-2023	BUY	24.00	10-Jul-2023	BUY	18.00	20-Feb-2024	BUY	17.30
09-May-2023	BUY	20.00	23-Jan-2024	BUY	19.00			

Sureporn 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	26-Jun-2023	BUY	30.00	-	-	-
09-May-2023	BUY	34.00	19-Feb-2024	BUY	27.00			

Sureporn 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 14.50	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.
i-Tail Corporation	ITC TB	THB 20.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in purchasing power, 2) more fluctuating raw material prices than expected, 3) a stronger-than-expected THB, and 4) labour shortages.

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.

All share prices are as at market close on 29-Mar-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.