

Thai Union Group

Thai Union Group
Public Company Limited

TU

Bloomberg TU TB
Reuters TU.BK

innovest^x
A Subsidiary of SCBX Group

Entering a growth phase

We believe TU's earnings bottomed in 1Q24 and will strengthen in 2Q24F, up QoQ on seasonality and YoY on better sales growth from higher sales volume and weak THB together with wider margin, led by the ambient unit (lower actual tuna raw material costs amid better OEM product price), followed by the pet care and frozen units, and aided by no loss from Red Lobster. Business transformation starting in 2H24F will help lift LT sales and margin. After repurchasing 137mn shares at an average cost of Bt14.7/share since Feb 20, it has 63mn shares it can repurchase until June 30, protecting against share price downside. We maintain Outperform with an end-2024 TP of Bt18 based on 16x PE (10-year average PE).

Improving 2Q24TD operations. In 5M2024, spot skipjack tuna price fell 23% YoY to US\$1,371/ton (vs US\$1,784/ton in 2023). In 2Q24TD, spot skipjack tuna price edged up 7% QoQ on lower catches to US\$1,428/ton. TU expects prices to rise further in 2H24F on seasonality, but still be manageable at not over US\$1,700-1,800/ton. This will be positive for its OEM tuna selling prices under short term contracts. Branded tuna selling prices under long-term contracts are expected to be stable or down in the low single digits YoY in 2024F.

This leads us to expect gross margin in 2Q24TD to improve YoY and QoQ, led by the ambient unit from better OEM prices amid lower tuna raw material costs (5-month inventory on average) and the pet care unit (more favorable sales mix with more high-margin premium product sales volume from lower product price via an adjustment in product ingredients) and the frozen food unit (downsizing low-margin lobster and fish trading business in the US). In 2Q24TD, the Thai baht has depreciated 6% YoY and 3% QoQ against the US dollar and 5% YoY and 2% QoQ against the euro. The weak THB and higher sales volume in the ambient and pet care units in the US and Europe will boost TU's sales YoY and QoQ in 2Q24.

2024 target maintained. TU keeps its 2024 guidance for sales growth at 3-4% YoY (vs +2% YoY in 1Q24) and gross margin at 17-18% (vs 17.1% in 2023 and 17.3% in 1Q24), targeting sales and margin improvement to accelerate for the rest of 2024. On May 20, Red Lobster filed for Chapter 11 bankruptcy protection, continuing the process to find a buyer. TU believes it has maintained business transparency and verifiability in past transactions with Red Lobster on an arm's length basis. After conservatively adjusting the value of TU's investment in Red Lobster to zero in 4Q23, TU will no longer have to record losses/expenses related to Red Lobster. TU views that the filing for Chapter 11 will help to hasten the sale of Red Lobster, with progress to be seen in 2H24. TU conservatively assumes no gain from the sale.

2030 targets released. Looking into 2030, TU targets its sales growth of 5-10% p.a. on expansion of existing/new customers in the pet care unit, more focus on branded business in the ambient unit, market expansion in the frozen unit and more new businesses in the ingredient unit. This does not include M&As, that will focus on related businesses and be earnings accretive. It plans for gross margin to be above 20% from more high-margin products/businesses, cost optimization and greater automation. Its business transformation plan, prepared by an independent advisor and planned to begin in 2H24F, will help it to achieve LT targets.

Key risks: Inflationary pressure and THB appreciation. Key ESG risks are energy, waste & water management, sustainable products (E), health & safety policies (S).

Forecasts and valuation

Year to 31 Dec	Unit	2022	2023	2024F	2025F	2026F
Revenue	(Btmn)	155,586	136,153	140,378	143,847	147,426
EBITDA	(Btmn)	14,119	11,943	13,313	14,198	15,122
Core profit	(Btmn)	7,123	4,796	5,449	6,239	6,943
Reported profit	(Btmn)	7,138	(13,933)	5,449	6,239	6,943
Core EPS	(Bt)	1.47	0.99	1.14	1.31	1.47
DPS	(Bt)	0.84	0.54	0.70	0.75	0.80
P/E, core	(x)	10.6	15.7	13.7	11.9	10.6
EPS growth, core	(%)	(4.8)	(32.2)	14.5	15.3	11.9
P/BV, core	(x)	0.8	1.1	1.0	1.0	0.9
ROE	(%)	9.5	6.2	8.1	8.8	9.4
Dividend yield	(%)	5.4	3.5	4.5	4.8	5.1
EV/EBITDA	(x)	8.5	10.2	9.0	8.3	7.7

Source: InnovestX Research

Tactical: OUTPERFORM (3-month)

Stock data

Last close (Jun 6) (Bt)	15.60
Target price (Bt)	18.00
Mkt cap (Btbn)	72.62
Mkt cap (US\$mn)	1,995

Beta	M
Mkt cap (%) SET	0.44
Sector % SET	0.51
Shares issued (mn)	4,655
Par value (Bt)	0.25
12-m high / low (Bt)	16 / 12.4
Avg. daily 6m (US\$mn)	8.68
Foreign limit / actual (%)	45 / 24
Free float (%)	69.9
Dividend policy (%)	≥ 50

Share performance

(%)	1M	3M	12M
Absolute	4.0	7.6	14.7
Relative to SET	7.8	11.1	32.4

Source: SET, InnovestX Research

2023 Sustainability/ 2022 ESG Score

SET ESG Ratings	n.a.
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ESG Bloomberg Rank in the sector

ESG Score Rank	1/55
Environmental Score Rank	2/55
Social Score Rank	1/55
Governance Score Rank	1/55

ESG comment

TU had an above-sector-average overall ESG score and in the separate issue in environmental, social and governance scores in 2022.

Source: Bloomberg Finance L.P.

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Value proposition

Thai Union Group (TU) is one of the world’s leading seafood producers and is the largest producer of shelf-stable tuna products. Its global brand portfolio includes market-leading international brands such as Chicken of the Sea, John West, Petit Navire, Parmentier, Mareblu, King Oscar, and Rügen Fisch and leading Thai brands SEAELECT, Fisho, Qfresh, Monori, Bellotta and Marvo.

Of 2023 sales, 47% came from the ambient seafood unit, 35% from the frozen & chilled seafood unit, 11% from the pet care unit and 7% from the value-added and other units. Of 2023 sales, 60% came from OEM, and 40% from branded businesses. Of 2023 sales, 41% came from the US, 30% from Europe, 12% from Thailand and 17% from others.

Business outlook

In 2024, TU targets sales growth of 3-4% YoY with 1) better sales volume outstripping slightly lower product selling prices in tandem with lower raw material costs (it expects spot skipjack tuna cost at not over US\$1,700-1800/ton in 2H24F vs US\$1,371/ton in 5M24 and US\$1,784/ton in 2023); 2) negative FX impact (-4% YoY) assuming Bt33.5/US\$ in 2024 from Bt35/US\$ in 2023; 3) small negative impact from the downsizing of the low-margin business in the US where a long-term contract is expiring this year. By segment, TU expects sales to grow 15% YoY in the pet care unit, 2-3% YoY in the ambient seafood unit but be stable YoY in the frozen seafood unit (downsized low-margin businesses). In 2024, TU expects gross margin to widen to 17-18% (from 17.1% in 2023), with better margin in all units, and a higher effective tax rate of 7-10% (vs tax income in 2023 from tax credit on Red Lobster).

On Jan 16, TU’s board of directors announced that it is working to exit the investment in Red Lobster, in which it became a strategic partner and minority investor in 2016. Behind this is the prolonged red ink contribution as the restaurant chain was hit by the COVID-19 pandemic and higher interest rates, raw material and labor costs. It also notes that Red Lobster’s ongoing financial requirements no longer align with TU’s capital allocation priorities. As it explores available exit options, it recorded a one-time Bt18.5bn non-cash impairment charge in 4Q23. On an accounting basis, TU’s conservative approach by adjusting the fair value of its investment in Red Lobster to zero at end-4Q23 means it will no longer have to record anything related to Red Lobster from 1Q24 (vs -Bt167mn contribution in 2023; -Bt1.2bn equity income and Bt1bn tax credit).

On May 20, Red Lobster filed for Chapter 11 bankruptcy protection, continuing the process to find a buyer. TU assures of the business transparency and verifiability in its past transactions with Red Lobster on an arm’s length basis. TU views that the filing for Chapter 11 bankruptcy protection will help hasten the selling process, with progress expected in 2H24F. TU conservatively assumes no gain from this sale.

Bullish views	Bearish views
1. Sales will be boosted by the YoY weakening of the THB against the US\$ by 6%, euro by 5% and GBP by 7% in 2Q24TD.	1. Sales might be hit by higher freight costs and longer ocean shipment time from a prolonged Red Sea conflict
2. Strong ambient seafood sales amid a weak global economy	2. Low frozen seafood sales on a weak global economy
3. Wider margin ahead from continued lower spot skipjack tuna price over the past six months	3. Volatile margin ahead if spot skipjack tuna price jumps from a 3-year low YTD

Key catalysts

Factor	Event	Impact	Comment
2Q24F core earnings	Better seafood operations, without Red Lobster loss contribution	Up YoY and QoQ	We expect 2Q24F core earnings to grow QoQ from seasonality and YoY. led by better ambient unit (lower actual tuna costs amid better product price), and without loss from Red Lobster (vs -Bt55mn net contribution in 2Q23).
3Q24F core earnings	Better seafood operations, without Red Lobster loss contribution	Up YoY and QoQ	We expect 3Q24F core earnings to grow QoQ on seasonality and YoY on a better ambient unit (lower actual tuna costs amid better product price) and without loss from Red Lobster (vs -Bt135mn net contribution in 3Q23).

Sensitivity Analysis

Factor	Earnings impact	TP impact
The weakening of 1THB/US\$ (after hedging)	3-4%	Bt1/share

Our view on ESG

We view that TU is in an above-average position compared to peers on some key environmental issues (energy & waste management) and social issues (occupational health & safety) but below average on water management policy and customer health & safety issues. TU lags peers on compensation for board directors and diversity and executive compensation. Key ESG risks are energy, waste & water management, sustainable products with quality management, health & safety policies on customers and labors.

ESG Disclosure Score

Bloomberg ESG Score	67.30 (2022)	CG Rating	DJSI	SETESG	SET ESG Ratings
Rank in Sector	1/55	TU	-	No	No

Source: Thai Institute of Directors (IOD), SET

Environmental Issue (E)

- TU targets a 42% reduction in GHG emission in scope 1-3 by 2030 (vs -7% YoY on scope 1&2 and -13% YoY on scope 3) and net zero emission by 2050.
- By 2030, TU commits 100% of wild-caught seafood comes from fisheries that are verifiably improving (vs 81% in 2022), 100% of vessels that it sources from will implement best practices to protect species and working conditions (vs 53% and 79% tuna vessels audited and under human/system monitoring in 2022).
- By 2030, it targets 100% farmed shrimp and feed to meet the industry standards (vs 61% by COSFF in the US and 35% in Thailand in 2022).
- By 2025, TU targets 100% of branded products packaging sustainability (vs 86% in 2022), reducing food loss in operations by 50% from 2021 and 100% elimination of food waste, waste to landfill and water discharge.
- TU aims to shift its sustainability-linked loan and bond to LT financing from 50% in 2022 to 75% by 2025.
- We view that TU is in the above average position compared to peers for providing information on energy and waste management but the below average position for providing water management policy.

Governance Issue (G)

- In 2022, CG rating was excellent and Anti-corruption progress indicator was certified.
- In 2022, TU's board of directors consists of 11 directors. Of this, 5 were non-executive directors (45% of the entire board), 5 were independent directors (45% of board), and 2 were female members (18% of board) on board.
- On April 1, 2022, the Securities and Exchange Commission (SEC) notified the application of civil sanctions on the insider trading of TU's shares. TU informed that from 9 persons who are named on insider trading news, there were only 2 persons acting as TU's directors and executives and they intended to resign to show their sincerity and prevent any negative impacts on the company, effective from April 18, 2022 onwards.
- We view that it is in the lagging position compared to peers on board compensation on director roles and diversity and executive compensation.

Social Issue (S)

- TU committed to provide safe, legal and freely chosen employment in its own facilities and in supply chains, with responsibility to improve the lives of those living and working in the regions in which it operates.
- By 2030, TU targets 100% of the vessels and farms it source from are a safe and decent workplace and 50% of management positions in its operations are held by women, with working towards a diverse and inclusive workplace. It targets to reduce the lost time injury frequency rate to 0.15 (vs 0.32 in 2022) and towards zero accidents and injuries across global operations.
- TU commits 100% of its branded ambient products will meet nutritional guidelines and promote health and wellness.
- We view that TU is in mixed position in social issue compared to peers, with the above average position for providing information on occupational health & safety, average position on product quality management, and lagging peers on customer health & safety issue.

ESG Disclosure Score

	2021	2022
ESG Disclosure Score	65.39	67.30
Environment	52.04	55.42
GHG Scope 1 ('000 metric tonnes)	323.49	294.72
GHG Scope 2 Location-Based ('000 metric tonnes)	188.12	180.70
GHG Scope 3 ('000 metric tonnes)	3,785.763,555.07	
Total Energy Consumption ('000 MWh)	1,208.991,220.62	
Renewable Energy Use ('000 MWh)	121.63	104.09
Total Waste ('000 metric tonnes)	66.42	68.11
Waste Recycled ('000 metric tonnes)	32.25	24.51
Social	54.17	56.53
Pct Women in Management (%)	12.00	10.00
Lost Time Incident Rate (per 100 employees)	0.39	0.32
Number of Employees - CSR (persons)	44,705	44,705
Employee Turnover Pct (%)	13.23	20.18
Total Hours Spent for Employee Training (hours)	299,524	168,216
Governance	89.86	89.86
Size of the Board (persons)	12	11
Number of Non Executive Directors on Board (persons)	6	6
Number of Board Meetings for the Year (times)	5	8
Board Meeting Attendance Pct (%)	95	92
Number of Female Executives (persons)	0	0
Number of Women on Board (persons)	2	2

Source: Bloomberg Finance L.P.

Disclaimer

Bloomberg ESG Disclosure Scores rate companies on their level of disclosure of ESG data. Bloomberg offers four disclosure scores, for overall ESG, as well as Environmental, Social, and Governance. To review the fully transparent methodology, calculate disclosure scores for any company, and compare a company's scores vs its peers, see ESG Disclosure Score Model in Bloomberg.

Financial statement

Profit and Loss Statement

FY December 31	Unit	2019	2020	2021	2022	2023	2024F	2025F	2026F
Total revenue	(Btmn)	126,275	132,402	141,048	155,586	136,153	140,378	143,847	147,426
Cost of goods sold	(Btmn)	(106,041)	(108,985)	(115,167)	(128,192)	(112,928)	(115,256)	(117,859)	(120,539)
Gross profit	(Btmn)	20,234	23,418	25,881	27,394	23,225	25,122	25,988	26,887
SG&A	(Btmn)	(14,327)	(15,596)	(17,366)	(19,070)	(16,313)	(16,986)	(17,118)	(17,249)
Other income	(Btmn)	1,812	1,928	1,881	1,471	840	860	881	903
Interest expense	(Btmn)	(2,056)	(1,724)	(1,730)	(1,998)	(2,302)	(2,598)	(2,504)	(2,538)
Pre-tax profit	(Btmn)	5,664	8,025	8,665	7,798	5,449	6,398	7,248	8,004
Corporate tax	(Btmn)	(676)	(724)	(795)	621	620	(640)	(725)	(800)
Equity a/c profits	(Btmn)	591	(527)	(145)	(1,030)	(540)	730	780	830
Minority interests	(Btmn)	(352)	(263)	(259)	(265)	(733)	(1,039)	(1,064)	(1,091)
Core profit	(Btmn)	5,227	6,511	7,467	7,123	4,796	5,449	6,239	6,943
Extra-ordinary items	(Btmn)	(1,412)	(264)	546	15	(18,730)	0	0	0
Net Profit	(Btmn)	3,816	6,246	8,013	7,138	(13,933)	5,449	6,239	6,943
EBITDA	(Btmn)	11,410	13,705	14,579	14,119	11,943	13,313	14,198	15,122
Core EPS (Bt)	(Btmn)	1.10	1.32	1.54	1.47	0.99	1.14	1.31	1.47
Net EPS (Bt)	(Bt)	0.80	1.26	1.66	1.47	(3.15)	1.14	1.31	1.47
DPS (Bt)	(Bt)	0.47	0.72	0.95	0.84	0.54	0.70	0.75	0.80

Balance Sheet (Btmn)

FY December 31	Unit	2019	2020	2021	2022	2023	2024F	2025F	2026F
Total current assets	(Btmn)	59,547	60,465	74,863	87,625	85,829	85,755	87,304	88,779
Total fixed assets	(Btmn)	82,362	84,110	91,741	94,945	79,621	80,081	80,362	80,516
Total assets	(Btmn)	141,909	144,575	166,604	182,569	165,450	165,836	167,665	169,296
Total loans	(Btmn)	59,905	58,415	71,041	60,455	68,002	64,600	62,600	59,900
Total current liabilities	(Btmn)	35,808	44,013	48,081	36,824	50,473	32,785	40,492	36,815
Total long-term liabilities	(Btmn)	54,306	44,825	56,309	57,614	48,960	64,027	55,074	56,830
Total liabilities	(Btmn)	90,114	88,838	104,391	94,438	99,433	96,811	95,567	93,645
Paid-up capital	(Btmn)	1,193	1,193	1,193	1,193	1,164	1,164	1,164	1,164
Total equity	(Btmn)	51,795	55,737	62,213	88,131	66,017	69,025	72,099	75,651
BVPS (Bt)	(Bt)	10.85	11.82	13.36	18.93	14.60	15.27	15.95	16.73

Cash Flow Statement (Btmn)

FY December 31	Unit	2019	2020	2021	2022	2023	2024F	2025F	2026F
Core Profit	(Btmn)	5,227	6,511	7,467	7,123	4,796	5,449	6,239	6,943
Depreciation and amortization	(Btmn)	3,691	3,955	4,184	4,324	4,191	4,317	4,446	4,580
Operating cash flow	(Btmn)	11,755	13,432	6,292	5,871	11,241	8,918	9,795	10,606
Investing cash flow	(Btmn)	(4,485)	(3,736)	(8,104)	(5,415)	(6,579)	(2,816)	(4,727)	(4,734)
Financing cash flow	(Btmn)	(4,028)	(8,203)	4,583	2,742	(2,405)	(5,843)	(5,165)	(6,091)
Net cash flow	(Btmn)	3,242	1,597	2,737	3,218	2,248	260	(97)	(219)

Key Financial Ratios

FY December 31	Unit	2019	2020	2021	2022	2023	2024F	2025F	2026F
Gross margin	(%)	16.0	17.7	18.3	17.6	17.1	17.9	18.1	18.2
Operating margin	(%)	4.7	5.9	6.0	5.4	5.1	5.8	6.2	6.5
EBITDA margin	(%)	9.0	10.4	10.3	9.1	8.8	9.5	9.9	10.3
EBIT margin	(%)	6.1	7.4	7.4	6.3	5.7	6.4	6.8	7.2
Net profit margin	(%)	3.0	4.7	5.7	4.6	(10.2)	3.9	4.3	4.7
ROE	(%)	10.6	12.1	12.7	9.5	6.2	8.1	8.8	9.4
ROA	(%)	3.7	4.5	4.8	4.1	2.8	3.3	3.7	4.1
Net D/E	(x)	1.1	0.9	1.0	0.5	0.8	0.7	0.7	0.6
Interest coverage	(x)	5.6	7.9	8.4	7.1	5.2	5.1	5.7	6.0
Debt service coverage	(x)	0.7	0.6	0.6	1.0	0.4	1.0	0.7	0.9
Payout Ratio	(%)	58.8	57.1	57.3	57.2	(17.2)	61.5	57.1	54.5

Main Assumptions

FY December 31	Unit	2019	2020	2021	2022	2023	2024F	2025F	2026F
Sales growth in THB	(%)	(5.3)	4.9	6.5	10.3	(12.5)	3.1	2.5	2.5
Sales value	(mn US\$)	4,073	4,230	4,410	4,438	3,911	3,899	3,996	4,095
Sales volume	('000 tons)	892	942	931	973	847	862	875	888
Sales volume growth	(%)	1.9	5.6	(1.2)	4.5	(12.9)	1.8	1.5	1.5
GPM (%)	(US\$/ton)	16.0	17.7	18.3	17.6	17.1	17.9	18.1	18.2
FX	(Bt/US\$1)	31.0	31.3	32.0	35.1	34.8	36.0	36.0	36.0

Financial statement

Profit and Loss Statement

FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Total revenue	(Btmn)	38,946	40,756	39,613	32,652	34,057	33,915	35,529	33,220
Cost of goods sold	(Btmn)	(32,173)	(33,357)	(32,744)	(27,735)	(28,310)	(27,682)	(29,201)	(27,478)
Gross profit	(Btmn)	6,772	7,399	6,868	4,917	5,748	6,233	6,327	5,742
SG&A	(Btmn)	(4,834)	(5,064)	(4,484)	(4,121)	(3,975)	(4,044)	(4,173)	(4,197)
Other income	(Btmn)	241	156	550	208	147	195	291	227
Interest expense	(Btmn)	(465)	(517)	(571)	(532)	(550)	(589)	(630)	(647)
Pre-tax profit	(Btmn)	1,714	1,974	2,364	470	1,370	1,794	1,816	1,125
Corporate tax	(Btmn)	407	136	(110)	242	198	140	40	(128)
Equity a/c profits	(Btmn)	(283)	(256)	(313)	231	(137)	(234)	(400)	159
Minority interests	(Btmn)	(48)	(63)	(140)	(137)	(156)	(196)	(244)	(256)
Core profit	(Btmn)	1,790	1,792	1,800	806	1,275	1,504	1,212	900
Extra-ordinary items	(Btmn)	(166)	739	(562)	216	(246)	(298)	(18,401)	253
Net Profit	(Btmn)	1,624	2,530	1,238	1,022	1,029	1,206	(17,189)	1,153
EBITDA	(Btmn)	3,228	3,677	4,002	2,052	2,961	3,417	3,513	2,840
Core EPS (Bt)	(Btmn)	0.37	0.37	0.37	0.16	0.26	0.32	0.26	0.19
Net EPS (Bt)	(Bt)	0.33	0.53	0.25	0.20	0.21	0.25	(3.89)	0.24

Balance Sheet (Btmn)

FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Total current assets	(Btmn)	77,941	81,889	87,625	84,364	82,869	83,695	85,829	81,548
Total fixed assets	(Btmn)	93,474	97,031	94,945	96,930	99,474	99,984	79,621	80,487
Total assets	(Btmn)	171,415	178,920	182,569	181,294	182,343	183,679	165,450	162,035
Total loans	(Btmn)	70,646	73,907	59,495	61,846	64,996	65,778	68,002	66,327
Total current liabilities	(Btmn)	47,327	53,886	36,824	39,373	43,695	44,828	50,473	34,786
Total long-term liabilities	(Btmn)	61,220	61,392	57,614	53,888	55,307	56,295	48,960	62,979
Total liabilities	(Btmn)	108,547	115,278	94,438	93,261	99,003	101,123	99,433	97,764
Paid-up capital	(Btmn)	39,359	39,952	39,784	42,253	41,159	39,463	19,040	23,139
Total equity	(Btmn)	62,868	63,642	88,131	88,033	83,341	82,556	66,017	64,271
BVPS (Bt)	(Bt)	13.51	13.67	18.93	18.95	18.16	18.61	14.88	14.49

Cash Flow Statement (Btmn)

FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Core Profit	(Btmn)	1,624	2,530	1,238	1,022	1,029	1,206	(17,189)	1,153
Depreciation and amortization	(Btmn)	1,049	1,186	1,067	1,049	1,041	1,034	1,067	1,068
Operating cash flow	(Btmn)	1,500	1,814	5,418	654	4,604	2,222	3,761	1,315
Investing cash flow	(Btmn)	(814)	(1,169)	(2,875)	(4,272)	(11)	(2,516)	219	(3,224)
Financing cash flow	(Btmn)	78	(387)	7,498	171	(3,218)	(1,614)	2,256	(4,738)
Net cash flow	(Btmn)	764	257	10,040	(3,447)	1,376	(1,907)	6,237	(6,647)

Key Financial Ratios

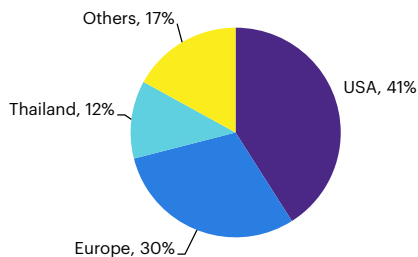
FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Gross margin	(%)	17.4	18.2	17.3	15.1	16.9	18.4	17.8	17.3
Operating margin	(%)	5.0	5.7	6.0	2.4	5.2	6.5	6.1	4.7
EBITDA margin	(%)	8.3	9.0	10.1	6.3	8.7	10.1	9.9	8.5
EBIT margin	(%)	5.6	6.1	7.4	3.1	5.6	7.0	6.9	5.3
Net profit margin	(%)	4.2	6.2	3.1	3.1	3.0	3.6	(48.4)	3.5
ROE	(%)	11.2	11.3	9.5	3.7	6.0	7.3	6.5	5.5
ROA	(%)	4.3	4.1	4.0	1.8	2.8	3.3	2.8	2.2
Net D/E	(x)	1.1	1.1	0.5	0.6	0.6	0.7	0.8	0.8
Interest coverage	(x)	6.9	7.1	7.0	3.9	5.4	5.8	5.6	4.4
Debt service coverage	(x)	0.6	0.6	1.1	0.4	0.5	0.6	0.4	0.7

Main Assumptions

FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Sales growth in THB	(%)	8.5	14.7	2.9	(10.0)	(12.6)	(16.8)	(10.3)	1.7
Sales value	(mn US\$)	1,132	1,119	1,089	963	987	964	997	931
Sales volume	('000 tons)	245	249	244	209	211	211	215	210
Sales volume growth	(%)	0.9	8.1	3.3	(10.9)	(13.7)	(15.1)	(11.7)	0.2
GPM (%)	(US\$/ton)	17.4	18.2	17.3	15.1	16.9	18.4	17.8	17.3
FX	(Bt/US\$1)	34.4	36.4	36.4	33.9	34.5	35.2	35.7	35.7

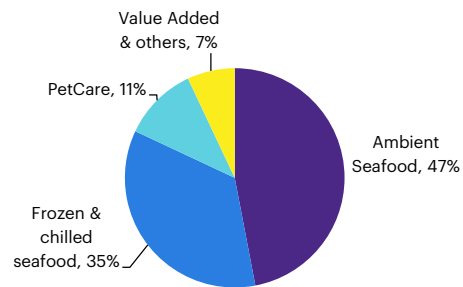
Appendix

Figure 1: TU's sales breakdown by market in 2023



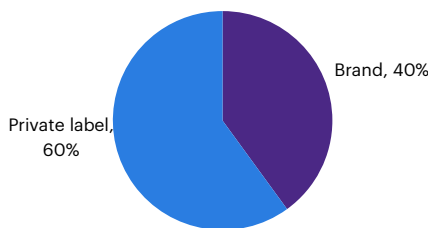
Source: Company data and InnovestX Research

Figure 2: TU's sales breakdown by business in 2023



Source: Company data and InnovestX Research

Figure 3: TU's sales breakdown by business unit in 2023



Source: Company data and InnovestX Research

Figure 4: TU's sales value growth and gross margin breakdown by business unit

	1Q23	2Q23	3Q23	4Q23	1Q24
Sales growth YoY (%)					
Ambient Seafood	-2%	1%	-7%	-8%	13%
Frozen & chilled seafood	-15%	-17%	-22%	-13%	-18%
Pet care	-22%	-42%	-39%	-17%	13%
Value added and others	-9%	-16%	-2%	7%	11%
Total sales growth	-10%	-13%	-17%	-10%	2%
GPM (%)					
Ambient Seafood	18.0%	19.9%	20.4%	17.4%	16.6%
Frozen & chilled seafood	7.9%	9.6%	12.9%	14.4%	11.8%
Pet care	18.0%	20.2%	19.4%	23.4%	25.7%
Value added and others	27.3%	25.7%	28.9%	26.2%	29.5%
Total GPM (%)	15.1%	16.9%	18.4%	17.8%	17.3%

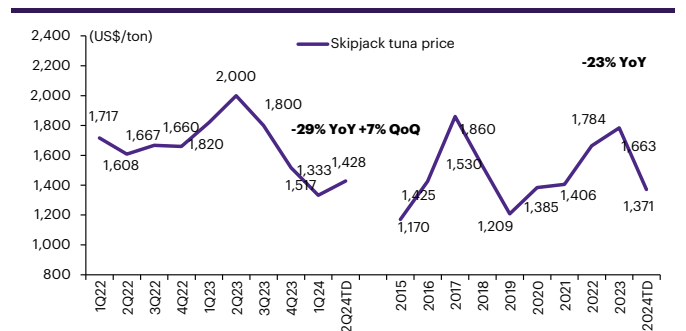
Source: Company data and InnovestX Research

Figure 5: Red Lobster's net income contribution to TU (share of profit/loss, other income, and finance costs)

Bt mn	1Q23	2Q23	3Q23	4Q23	2022	2023
Share of profit: operations	121	(94)	(395)	(450)	(1,207)	(818)
Share of profit: lease adjustment	(101)	(95)	(101)	(102)	(423)	(399)
Other income	0	0	0	0	582	0
Finance costs	(138)	(138)	(138)	(138)	(453)	(552)
Income tax	252	134	361	303	595	1,050
Recurring contribution	134	(193)	(273)	(387)	(906)	(719)
Extra gain (loss)			(18,400)		(424)	(18,400)
Net income contribution	134	(193)	(273)	(18,787)	(1,330)	(19,119)

Source: Company data and InnovestX Research

Figure 6: Spot skipjack tuna price



Source: Company data and InnovestX Research

Figure 7: Valuation summary (price as of Jun 6, 2024)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F
BTG	Outperform	23.50	28.0	20.1	n.m.	31.0	18.3	n.m.	n.m.	69	1.8	1.7	1.6	(4)	6	9	1.1	1.0	1.6	n.m.	26.6	17.5
CPF	Outperform	22.40	26.0	17.0	n.m.	32.3	25.9	n.m.	n.m.	25	0.6	0.6	0.6	(6)	2	3	0.0	0.9	1.3	15.3	11.3	11.0
GFPT	Outperform	13.00	16.0	25.3	12.6	9.0	8.4	(37)	40	7	0.9	0.8	0.8	8	10	10	1.2	2.2	2.4	7.7	6.8	6.1
TU	Outperform	15.60	18.0	19.9	15.7	13.7	11.9	(32)	14	15	1.1	1.0	1.0	6	8	9	3.5	4.5	4.8	10.2	9.0	8.3
Average					14.1	21.5	16.1	(35)	27	29	1.1	1.1	1.0	1	6	8	1.4	2.1	2.5	11.1	13.4	10.7

Source: InnovestX Research

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