

# Thai Union Group

Thai Union Group  
Public Company Limited

# TU

Bloomberg TU TB  
Reuters TU.BK



## 4Q23: In line with estimates

**4Q23 core profit was in line at Bt1.2bn, -33% YoY and -19% QoQ. In 2024F, TU targets sales growth of 3-4% YoY with gross margin widening to 17-18% (vs 17.1% in 2023). It expects 1Q24F sales and gross margin to below its 2024F target on lower OEM tuna selling price amid high tuna inventory costs (3-6 months lag to spot price), with 2Q24F looking better off better prices and cost. We expect 1Q24F core earnings to be relatively stable YoY, with slightly better sales and margin but at higher tax rate, but down QoQ on seasonality. Maintain Outperform with a mid-2024 TP of Bt17.5 based on 16x PE (10-year average PE).**

**4Q23 net loss as expected at Bt17.2bn vs net profit of Bt1.2bn in 4Q22 and Bt1.2bn in 3Q23.** Removing the Bt18.4bn impairment expenses in Red Lobster shows 4Q23 core profit of Bt1.2bn, -33% YoY and -19% QoQ. The YoY drop arose out of: 1) lower sales (-10% YoY) on lower sales volume (-12% YoY) in all units, eroded by inventory destocking and slow new orders given wobbly economies and downsizing its US frozen business (-2% YoY); 2) worse recurring equity income from Red Lobster at -Bt450mn (vs -Bt344mn in 4Q22), worsened by high raw material and labor costs. The wider gross margin of 17.8% (+50bps YoY) from a better frozen unit margin after downsizing the low-margin business in the US was overwhelmed by the narrower ambient unit margin from a sharp drop in OEM tuna price and stable pet care unit margin. 2H24 DPS is Bt0.24 (XD on Mar 1).

**Hopeful 2024 guidance.** 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 2024 spot skipjack tuna cost of US\$1,700/ton vs US\$1,800/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 (hit by FX and downsizing). 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). After conservatively adjusting the fair value of its investment in Red Lobster to zero in 4Q23, it will no longer have to record losses related to Red Lobster from 1Q24. It conservatively assumes no gain on the sale as it plans to search for a buyer over the next few months.

**1Q24TD.** In 1Q24TD, there has as yet been no discernible impact from the Red Sea conflict on sales volume, with higher freight costs passed through buyers. In 1Q24, TU expects sales to grow YoY but come in below 2024F target with slightly higher sales volume but lower OEM tuna price and a YoY widening in gross margin but missing 2024F target on lower OEM tuna price amid high inventory costs (actual costs lag spot price by 3-6 months). With better price and costs, assuming spot tuna price bounces back from US\$1,300/ton now to a manageable level of US\$1,700/ton in 2024, TU expects sales and margin to improve from 2Q24F.

**Key risks:** inflationary pressure, higher interest rate, and THB appreciation. Key ESG risks are energy, waste & water management, sustainable products (E), health & safety policies for customers and labor (S).

### Forecasts and valuation

Year to 31 Dec	Unit	2022	2023	2024F	2025F	2026F
Revenue	(Btmn)	155,586	136,153	139,748	143,187	146,734
EBITDA	(Btmn)	14,119	11,943	12,955	13,680	14,436
Core profit	(Btmn)	7,123	4,796	5,579	6,212	6,788
Reported profit	(Btmn)	7,138	(13,933)	5,579	6,212	6,788
Core EPS	(Bt)	1.47	0.99	1.17	1.31	1.43
DPS	(Bt)	0.84	0.54	0.70	0.75	0.80
P/E, core	(x)	10.4	15.3	13.0	11.6	10.6
EPS growth, core	(%)	(4.8)	(32.2)	17.4	12.0	9.7
P/BV, core	(x)	0.8	1.0	1.0	1.0	0.9
ROE	(%)	9.5	6.2	8.3	8.8	9.2
Dividend yield	(%)	5.5	3.6	4.6	4.9	5.3
EV/EBITDA	(x)	8.4	10.1	9.1	8.5	7.9

Source: InnovestX Research

## Tactical: OUTPERFORM (3-month)

Stock data	
Last close (Feb 20) (Bt)	15.20
Target price (Bt)	17.50
Mkt cap (Btmn)	70.76
Mkt cap (US\$mn)	1,966

Beta	M
Mkt cap (%) SET	0.41
Sector % SET	0.44
Shares issued (mn)	4,655
Par value (Bt)	0.25
12-m high / low (Bt)	16.3 / 12.4
Avg. daily 6m (US\$mn)	8.01
Foreign limit / actual (%)	45 / 23
Free float (%)	69.9
Dividend policy (%)	≥ 50

Share performance			
(%)	1M	3M	12M
Absolute	(1.9)	9.4	(5.6)
Relative to SET	(1.8)	12.7	14.1

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.

### Analyst

**Sirima Dissara, CFA**  
Fundamental Investment  
Analyst on Securities  
(66-2) 949-1004  
sirima.dissara@scb.co.th

## 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

<b>Bloomberg ESG Score</b>	<b>67.30 (2022)</b>
Rank in Sector	1/55

	<b>CG Rating</b>	<b>DJSI</b>	<b>SETESG</b>	<b>SET ESG Ratings</b>
TU	-	No	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 and 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

	<b>2021</b>	<b>2022</b>
<b>ESG Disclosure Score</b>	<b>65.39</b>	<b>67.30</b>
<b>Environment</b>	<b>52.04</b>	<b>55.42</b>
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)	3,785.76	3,555.07
Total Energy Consumption ('000 MWh)	1,208.99	1,220.62
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
<b>Social</b>	<b>54.17</b>	<b>56.53</b>
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
<b>Governance</b>	<b>89.86</b>	<b>89.86</b>
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	139,748	143,187	146,734
Cost of goods sold	(Btmn)	(106,041)	(108,985)	(115,167)	(128,192)	(112,928)	(115,336)	(117,934)	(120,608)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>20,234</b>	<b>23,418</b>	<b>25,881</b>	<b>27,394</b>	<b>23,225</b>	<b>24,412</b>	<b>25,253</b>	<b>26,125</b>
SG&A	(Btmn)	(14,327)	(15,596)	(17,366)	(19,070)	(16,313)	(16,630)	(16,896)	(17,168)
Other income	(Btmn)	1,812	1,928	1,881	1,471	840	856	877	899
Interest expense	(Btmn)	(2,056)	(1,724)	(1,730)	(1,998)	(2,302)	(2,520)	(2,464)	(2,495)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>5,664</b>	<b>8,025</b>	<b>8,665</b>	<b>7,798</b>	<b>5,449</b>	<b>6,118</b>	<b>6,770</b>	<b>7,361</b>
Corporate tax	(Btmn)	(676)	(724)	(795)	621	620	(459)	(508)	(552)
Equity a/c profits	(Btmn)	591	(527)	(145)	(1,030)	(540)	730	780	830
Minority interests	(Btmn)	(352)	(263)	(259)	(265)	(733)	(811)	(830)	(851)
<b>Core profit</b>	<b>(Btmn)</b>	<b>5,227</b>	<b>6,511</b>	<b>7,467</b>	<b>7,123</b>	<b>4,796</b>	<b>5,579</b>	<b>6,212</b>	<b>6,788</b>
Extra-ordinary items	(Btmn)	(1,412)	(264)	546	15	(18,730)	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>3,816</b>	<b>6,246</b>	<b>8,013</b>	<b>7,138</b>	<b>(13,933)</b>	<b>5,579</b>	<b>6,212</b>	<b>6,788</b>
EBITDA	(Btmn)	11,410	13,705	14,579	14,119	11,943	12,955	13,680	14,436
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>1.10</b>	<b>1.32</b>	<b>1.54</b>	<b>1.47</b>	<b>0.99</b>	<b>1.17</b>	<b>1.31</b>	<b>1.43</b>
Net EPS (Bt)	(Bt)	0.80	1.26	1.66	1.47	(3.15)	1.17	1.31	1.43
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	85,881	87,401	88,720
Total fixed assets	(Btmn)	82,362	84,110	91,741	94,945	79,621	80,040	80,319	80,471
<b>Total assets</b>	<b>(Btmn)</b>	<b>141,909</b>	<b>144,575</b>	<b>166,604</b>	<b>182,569</b>	<b>165,450</b>	<b>165,921</b>	<b>167,720</b>	<b>169,191</b>
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	32,784	40,491	36,812
Total long-term liabilities	(Btmn)	54,306	44,825	56,309	57,614	48,960	63,982	55,027	56,780
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>90,114</b>	<b>88,838</b>	<b>104,391</b>	<b>94,438</b>	<b>99,433</b>	<b>96,766</b>	<b>95,518</b>	<b>93,592</b>
Paid-up capital	(Btmn)	1,193	1,193	1,193	1,193	1,164	1,164	1,164	1,164
<b>Total equity</b>	<b>(Btmn)</b>	<b>51,795</b>	<b>55,737</b>	<b>62,213</b>	<b>88,131</b>	<b>66,017</b>	<b>69,154</b>	<b>72,202</b>	<b>75,599</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>10.85</b>	<b>11.82</b>	<b>13.36</b>	<b>18.93</b>	<b>14.60</b>	<b>15.30</b>	<b>15.97</b>	<b>16.72</b>

### 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	5,579	6,212	6,788
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	9,054	9,771	10,454
Investing cash flow	(Btmn)	(4,485)	(3,736)	(8,104)	(5,415)	(6,579)	(2,775)	(4,725)	(4,732)
Financing cash flow	(Btmn)	(4,028)	(8,203)	4,583	2,742	(2,405)	(5,843)	(5,165)	(6,091)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>3,242</b>	<b>1,597</b>	<b>2,737</b>	<b>3,218</b>	<b>2,248</b>	<b>437</b>	<b>(119)</b>	<b>(369)</b>

### 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	17.5	17.6	17.8
Operating margin	(%)	4.7	5.9	6.0	5.4	5.1	5.6	5.8	6.1
EBITDA margin	(%)	9.0	10.4	10.3	9.1	8.8	9.3	9.6	9.8
EBIT margin	(%)	6.1	7.4	7.4	6.3	5.7	6.2	6.4	6.7
Net profit margin	(%)	3.0	4.7	5.7	4.6	(10.2)	4.0	4.3	4.6
ROE	(%)	10.6	12.1	12.7	9.5	6.2	8.3	8.8	9.2
ROA	(%)	3.7	4.5	4.8	4.1	2.8	3.4	3.7	4.0
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	5.6	5.8
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)	60.0	57.4	55.8

### 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)	2.6	2.5	2.5
Sales value	(mn US\$)	4,073	4,230	4,410	4,438	3,911	3,993	4,091	4,192
Sales volume	('000 tons)	892	942	931	973	847	866	879	892
Sales volume growth	(%)	1.9	5.6	(1.2)	4.5	(12.9)	2.3	1.5	1.5
GPM (%)	(US\$/ton)	16.0	17.7	18.3	17.6	17.1	17.5	17.6	17.8
FX	(Bt/US\$1)	31.0	31.3	32.0	35.1	34.8	35.0	35.0	35.0

## Financial statement

### Profit and Loss Statement

FY December 31	Unit	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Total revenue	(Btmn)	36,272	38,946	40,756	39,613	32,652	34,057	33,915	35,529
Cost of goods sold	(Btmn)	(29,917)	(32,173)	(33,357)	(32,744)	(27,735)	(28,310)	(27,682)	(29,201)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>6,355</b>	<b>6,772</b>	<b>7,399</b>	<b>6,868</b>	<b>4,917</b>	<b>5,748</b>	<b>6,233</b>	<b>6,327</b>
SG&A	(Btmn)	(4,688)	(4,834)	(5,064)	(4,484)	(4,121)	(3,975)	(4,044)	(4,173)
Other income	(Btmn)	524	241	156	550	208	147	195	291
Interest expense	(Btmn)	(445)	(465)	(517)	(571)	(532)	(550)	(589)	(630)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>1,746</b>	<b>1,714</b>	<b>1,974</b>	<b>2,364</b>	<b>470</b>	<b>1,370</b>	<b>1,794</b>	<b>1,816</b>
Corporate tax	(Btmn)	188	407	136	(110)	242	198	140	40
Equity a/c profits	(Btmn)	(177)	(283)	(256)	(313)	231	(137)	(234)	(400)
Minority interests	(Btmn)	(15)	(48)	(63)	(140)	(137)	(156)	(196)	(244)
<b>Core profit</b>	<b>(Btmn)</b>	<b>1,741</b>	<b>1,790</b>	<b>1,792</b>	<b>1,800</b>	<b>806</b>	<b>1,275</b>	<b>1,504</b>	<b>1,212</b>
Extra-ordinary items	(Btmn)	4	(166)	739	(562)	216	(246)	(298)	(18,401)
<b>Net Profit</b>	<b>(Btmn)</b>	<b>1,746</b>	<b>1,624</b>	<b>2,530</b>	<b>1,238</b>	<b>1,022</b>	<b>1,029</b>	<b>1,206</b>	<b>(17,189)</b>
EBITDA	(Btmn)	3,212	3,228	3,677	4,002	2,052	2,961	3,417	3,513
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>0.36</b>	<b>0.37</b>	<b>0.37</b>	<b>0.37</b>	<b>0.16</b>	<b>0.26</b>	<b>0.33</b>	<b>0.25</b>
Net EPS (Bt)	(Bt)	0.36	0.33	0.53	0.25	0.20	0.21	0.26	(3.84)

### Balance Sheet (Btmn)

FY December 31	Unit	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Total current assets	(Btmn)	72,241	77,941	81,889	87,625	84,364	82,869	83,695	85,829
Total fixed assets	(Btmn)	91,431	93,474	97,031	94,945	96,930	99,474	99,984	79,621
<b>Total assets</b>	<b>(Btmn)</b>	<b>163,672</b>	<b>171,415</b>	<b>178,920</b>	<b>182,569</b>	<b>181,294</b>	<b>182,343</b>	<b>183,679</b>	<b>165,450</b>
Total loans	(Btmn)	66,931	70,646	73,907	59,495	61,846	64,996	65,778	68,002
Total current liabilities	(Btmn)	39,506	47,327	53,886	36,824	39,373	43,695	44,828	50,473
Total long-term liabilities	(Btmn)	59,610	61,220	61,392	57,614	53,888	55,307	56,295	48,960
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>99,116</b>	<b>108,547</b>	<b>115,278</b>	<b>94,438</b>	<b>93,261</b>	<b>99,003</b>	<b>101,123</b>	<b>99,433</b>
Paid-up capital	(Btmn)	40,098	39,359	39,952	39,784	42,253	41,159	39,463	19,040
<b>Total equity</b>	<b>(Btmn)</b>	<b>64,556</b>	<b>62,868</b>	<b>63,642</b>	<b>88,131</b>	<b>88,033</b>	<b>83,341</b>	<b>82,556</b>	<b>66,017</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>13.87</b>	<b>13.51</b>	<b>13.67</b>	<b>18.93</b>	<b>18.95</b>	<b>18.16</b>	<b>18.99</b>	<b>14.67</b>

### Cash Flow Statement (Btmn)

FY December 31	Unit	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Core Profit	(Btmn)	1,746	1,624	2,530	1,238	1,022	1,029	1,206	(17,189)
Depreciation and amortization	(Btmn)	1,022	1,049	1,186	1,067	1,049	1,041	1,034	1,067
Operating cash flow	(Btmn)	(2,860)	1,500	1,814	5,418	654	4,604	2,222	3,761
Investing cash flow	(Btmn)	(556)	(814)	(1,169)	(2,875)	(4,272)	(11)	(2,516)	219
Financing cash flow	(Btmn)	(4,447)	78	(387)	7,498	171	(3,218)	(1,614)	2,256
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(7,863)</b>	<b>764</b>	<b>257</b>	<b>10,040</b>	<b>(3,447)</b>	<b>1,376</b>	<b>(1,907)</b>	<b>6,237</b>

### Key Financial Ratios

FY December 31	Unit	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Gross margin	(%)	17.5	17.4	18.2	17.3	15.1	16.9	18.4	17.8
Operating margin	(%)	4.6	5.0	5.7	6.0	2.4	5.2	6.5	6.1
EBITDA margin	(%)	8.9	8.3	9.0	10.1	6.3	8.7	10.1	9.9
EBIT margin	(%)	6.0	5.6	6.1	7.4	3.1	5.6	7.0	6.9
Net profit margin	(%)	4.8	4.2	6.2	3.1	3.1	3.0	3.6	(48.4)
ROE	(%)	11.0	11.2	11.3	9.5	3.7	6.0	7.3	6.5
ROA	(%)	4.2	4.3	4.1	4.0	1.8	2.8	3.3	2.8
Net D/E	(x)	1.0	1.1	1.1	0.5	0.6	0.6	0.7	0.8
Interest coverage	(x)	7.2	6.9	7.1	7.0	3.9	5.4	5.8	5.6
Debt service coverage	(x)	0.7	0.6	0.6	1.1	0.4	0.5	0.6	0.4

### Main Assumptions

FY December 31	Unit	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Sales growth in THB	(%)	16.5	8.5	14.7	2.9	(10.0)	(12.6)	(16.8)	(10.3)
Sales value	(mn US\$)	1,097	1,132	1,119	1,089	963	987	964	997
Sales volume	('000 tons)	235	245	249	244	209	211	211	215
Sales volume growth	(%)	5.7	0.9	8.1	3.3	(10.9)	(13.7)	(15.1)	(11.7)
GPM (%)	(US\$/ton)	17.5	17.4	18.2	17.3	15.1	16.9	18.4	17.8
FX	(Bt/US\$1)	33.1	34.4	36.4	36.4	33.9	34.5	35.2	35.7

**Figure 1: Earnings review**

P & L (Btmn)	4Q22	1Q23	2Q23	3Q23	4Q23	% Chg YoY	% Chg QoQ	2022	2023	% Chg YoY
Total revenue	39,613	32,652	34,057	33,915	35,529	(10.3)	4.8	155,586	136,153	(12.5)
Total cost of goods sold	(32,744)	(27,735)	(28,310)	(27,682)	(29,201)	(10.8)	5.5	(128,192)	(112,928)	(11.9)
Gross profit	6,868	4,917	5,748	6,233	6,327	(7.9)	1.5	27,394	23,225	(15.2)
SG&A expense	(4,484)	(4,121)	(3,975)	(4,044)	(4,173)	(7.0)	3.2	(19,070)	(16,313)	(14.5)
Net other income/expense	550	208	147	195	291	(47.1)	49.4	1,471	840	(42.9)
Interest expense	(571)	(532)	(550)	(589)	(630)	10.4	6.9	(1,998)	(2,302)	15.2
Pre-tax profit	2,364	470	1,370	1,794	1,816	(23.2)	1.2	7,798	5,449	(30.1)
Corporate tax	(110)	242	198	140	40	(136.4)	(71.4)	621	620	(0.1)
Equity a/c profits	(313)	231	(137)	(234)	(400)	27.7	70.9	(1,030)	(540)	(47.5)
Minority interests	(140)	(137)	(156)	(196)	(244)	74.2	24.5	(265)	(733)	176.3
EBITDA	4,002	2,052	2,961	3,417	3,513	(12.2)	2.8	14,119	11,943	(15.4)
<b>Core profit</b>	<b>1,800</b>	<b>806</b>	<b>1,275</b>	<b>1,504</b>	<b>1,212</b>	<b>(32.7)</b>	<b>(19.4)</b>	<b>7,123</b>	<b>4,796</b>	<b>(32.7)</b>
Extra. Gain (Loss)	(562)	216	(246)	(298)	(18,401)	n.a.	n.a.	15	(18,730)	n.a.
<b>Net Profit</b>	<b>1,238</b>	<b>1,022</b>	<b>1,029</b>	<b>1,206</b>	<b>(17,189)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>7,138</b>	<b>(13,933)</b>	<b>n.a.</b>
EPS	0.25	0.20	0.21	0.26	(3.84)	n.a.	n.a.	1.47	(3.15)	n.a.
<b>B/S (Btmn)</b>										
Total assets	182,569	181,294	182,343	183,679	165,450	(9.4)	(9.9)	182,569	165,450	(9.4)
Total liabilities	94,438	93,261	99,003	101,123	99,433	5.3	(1.7)	94,438	99,433	5.3
Total equity	88,131	88,033	83,341	82,556	66,017	(25.1)	(20.0)	88,131	66,017	(25.1)
BVPS (Bt)	18.9	18.9	18.2	19.0	14.7	(22.5)	(22.7)	18.9	14.7	(22.5)
<b>Financial ratio (%)</b>										
Gross margin	17.3	15.1	16.9	18.4	17.8	0.5	(0.6)	17.6	17.1	(0.5)
EBITDA margin	10.1	6.3	8.7	10.1	9.9	(0.2)	(0.2)	9.1	8.8	(0.3)
Net profit margin	3.1	3.1	3.0	3.6	-48.4	(51.5)	(51.9)	4.6	(10.2)	(14.8)
SG&A expense/Revenue	11.3	12.6	11.7	11.9	11.7	0.4	(0.2)	12.3	12.0	(0.3)

Source: InnovestX Research

**Figure 2: Earnings breakdown by business unit and Red Lobster contribution**

Key statistics	4Q22	1Q23	2Q23	3Q23	4Q23	% Chg YoY	% Chg QoQ	2022	2023	% Chg YoY
<b>Sales value (Bt mn)</b>										
Ambient Seafood	17,086	15,225	17,136	15,851	15,693	(8.2)	(1.0)	66,510	63,904	(3.9)
Frozen & chilled seafood	14,453	11,684	11,493	11,593	12,525	(13.3)	8.0	56,964	47,295	(17.0)
Pet care	5,568	3,495	3,169	3,773	4,622	(17.0)	22.5	21,693	15,058	(30.6)
Value added and others	2,505	2,248	2,260	2,698	2,689	7.3	(0.3)	10,420	9,895	(5.0)
<b>Total sales value</b>	<b>39,613</b>	<b>32,652</b>	<b>34,057</b>	<b>33,915</b>	<b>35,529</b>	<b>(10.3)</b>	<b>4.8</b>	<b>155,586</b>	<b>136,153</b>	<b>(12.5)</b>
<b>Sales volume (tons)</b>										
Ambient Seafood	87,827	76,988	79,465	75,414	78,167	(11.0)	3.7	355,088	310,035	(12.7)
Frozen & chilled seafood	65,352	60,768	64,034	63,231	64,786	(0.9)	2.5	274,288	252,820	(7.8)
Pet care	37,485	23,562	21,574	24,830	28,609	(23.7)	15.2	140,311	98,576	(29.7)
Value added and others	53,313	48,032	45,837	48,007	43,796	(17.8)	(8.8)	202,987	185,673	(8.5)
<b>Total sales volume</b>	<b>243,976</b>	<b>209,350</b>	<b>210,911</b>	<b>211,482</b>	<b>215,359</b>	<b>(11.7)</b>	<b>1.8</b>	<b>972,674</b>	<b>847,102</b>	<b>(12.9)</b>
<b>GPM (%)</b>										
Ambient Seafood	21.2	18.0	19.9	20.4	17.4	(3.8)	(3.0)	21.3	19.0	(2.3)
Frozen & chilled seafood	8.8	7.9	9.6	12.9	14.4	5.6	1.5	7.7	11.3	3.6
Pet care	23.3	18.0	20.2	19.4	23.4	0.1	4.0	26.3	20.5	(5.8)
Value added and others	27.3	27.3	25.7	28.9	26.2	(1.1)	(2.7)	28.0	27.1	(0.9)
<b>Total GPM (%)</b>	<b>17.3</b>	<b>15.1</b>	<b>16.9</b>	<b>18.4</b>	<b>17.8</b>	<b>0.5</b>	<b>(0.6)</b>	<b>17.5</b>	<b>17.1</b>	<b>(0.4)</b>
<b>Red lobster's contribution to TU (Bt mn)</b>										
Share of profit (loss) from operations	(344)	121	(94)	(395)	(450)	n.a.	n.a.	(1,207)	(818)	n.a.
Share of profit (loss) from lease adjustment	(112)	(101)	(95)	(101)	(102)	n.a.	n.a.	(423)	(399)	n.a.
Other income	-	-	-	-	-	n.a.	n.a.	582	-	n.a.
Finance costs	(115)	(138)	(138)	(138)	(138)	n.a.	n.a.	(453)	(552)	n.a.
Income tax	222	252	134	361	303	n.a.	n.a.	595	1,050	n.a.
<b>Net income, recurring</b>	<b>(348)</b>	<b>134</b>	<b>(193)</b>	<b>(273)</b>	<b>(387)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>(906)</b>	<b>(719)</b>	<b>n.a.</b>

Source: InnovestX Research

**Figure 3: Valuation summary** (price as of Feb 20, 2024)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					22A	23F	24F	22A	23F	24F	22A	23F	24F	22A	23F	24F	22A	23F	24F	22A	23F	24F
BTG	Neutral	21.00	24.0	14.3	4.4	n.m.	67.0	293	n.m.	n.m.	1.2	1.6	1.5	34	(4)	2	22.9	0.0	0.4	2.7	(69.6)	36.3
CPF	Neutral	17.80	22.0	23.6	13.8	n.m.	291.7	14,094	n.m.	n.m.	0.5	0.5	0.5	4	(5)	0	4.2	0.0	0.3	9.8	15.8	12.3
GFPT	Outperform	11.70	14.5	25.2	7.2	11.4	10.3	1,324	(37)	11	0.9	0.8	0.8	13	8	8	1.7	1.3	1.9	6.2	7.1	6.4
TU	Outperform	15.20	17.5	18.7	10.4	15.3	13.0	(5)	(32)	17	0.8	1.0	1.0	9	6	8	5.5	3.6	4.6	8.4	10.1	9.1
<b>Average</b>					<b>8.9</b>	<b>13.3</b>	<b>95.5</b>	<b>3,926</b>	<b>(35)</b>	<b>14</b>	<b>0.8</b>	<b>1.0</b>	<b>0.9</b>	<b>15</b>	<b>1</b>	<b>5</b>	<b>8.6</b>	<b>1.2</b>	<b>1.8</b>	<b>6.8</b>	<b>(9.2)</b>	<b>16.0</b>

Source: InnovestX Research

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