

Company Update

Friday, March 29, 2024



I V Global Securities Public Company Limited

i-Tail Corp (ITC)

Rating: BUY

Fair price: Bt23.0

Close price: Bt20.1

Company Information

| | |
|------------------------------|--------------|
| Ticker: | TU TB |
| Sector: | Food |
| Shares outstanding (m): | 3,000.00 |
| Market capitalization (Btm): | 60,300.00 |
| Trading vol/day (Btm): | 110.46 |
| Free float (%): | 21.04 |
| Beta: | n.a. |

Major Shareholders

| | |
|------------------|--------|
| Thai Union Group | 78.82% |
| Thai NVDR | 2.03% |

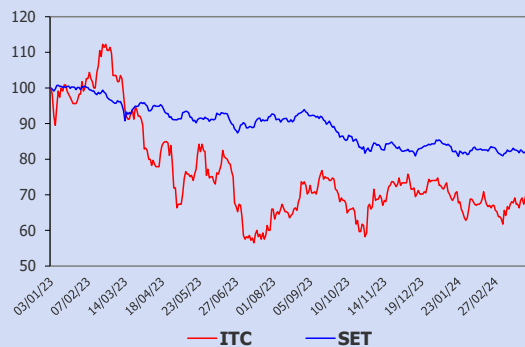
Consensus Bloomberg

| | |
|--------------------|-------|
| 2024F EPS (Bt): | 0.99 |
| Target price (Bt): | 23.80 |

Price Performance

| | |
|-----------------|---------------|
| 52 Wk high/low: | 26.75 / 15.70 |
|-----------------|---------------|

| | 1M | 3M | 1Y | YTD |
|--------------|-----|------|-------|------|
| Absolute (%) | 8.1 | -4.7 | -23.4 | -4.7 |
| Relative (%) | 8.9 | -1.5 | -8.7 | -1.5 |



| Rating | CGR | Thai CAC | ESG |
|--------|-----|----------|-----|
| ITC | | N/A | N/A |

Analyst

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1Q24F in recovery mode

- The market situation has materially improved since January 2024, along with the industry trend, experiencing solid export stats of +15.3% YoY in January and February this year (*based on the Trade Policy and Strategy Office website*). We estimate 1Q24F net profit to come in at Bt696m (+63.7% YoY but -9.4% QoQ). ITC should see a similar sales growth trend to the industry.
- We estimate sales to rise by 15% YoY (or declined 13% QoQ) to Bt4.1bn in 1Q24F driven by improving demand in all key markets, with outstanding demand growth from its major clients in the US after completion of its destocking plan. In addition, premium product sales are expected to rise to 49.6% of total sales in 1Q24F, compared with 43.2% in 2023, on improving profit margins. Average Baht to US dollar is estimated at Bt35.64 in 1Q24F, compared with Bt35.65 in 4Q23 and Bt33.91 in 1Q23.
- In 2023, sales to the US accounted for 50% of the total, followed by Asia and Oceania countries at 37% and the EU at 13%. Sales of cat food accounted for 70% of the total, followed by 15% from dog food, 12% from pet treats, and 3% from others. The company has secured a sales order from a major customer in the US close to six months in advance. Therefore, management has confidence that the overall sales growth target of 15% is likely achievable after posting a decline of 31% YoY in 2023.
- In terms of gross margin prospects in 1Q24F, blended gross margin is expected to be slightly higher than the full-year target of 21-22% thanks to rising premium product sales and declining tuna costs (to US\$1,350/ton in February). 60-70% of sales are made to FOB, and the remainder is through CIF. Therefore, there is a risk of rising freight costs related to the Red Sea crisis. We estimate gross profit margin to come in at 22.2% during 1Q24F (versus 17.4% in 1Q23 and 22% in 4Q23). New production facilities will replace some existing ones while more automation is utilized for better production efficiency.
- Recap on 2024 key guidance.** Sales are expected to rise by 15%. Gross margin is now targeted at 21-22%. The SG&A target is at 7-8% of sales. The capex budget is set at Bt1.4bn.
- Maintain BUY.** We prefer to maintain our earnings estimates and BUY rating with a price target of Bt23, based on a 20x 2025F P/E multiple. The stock currently trades at a PE of 22.1x and 17.5x our current 2024-25F earnings estimate. Risks to our forecasts lie with tuna price volatility, forex fluctuations, and the ability to pass on raw material cost increases.

Investment summary

| FY 31 Dec | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|-------------------|--------|----------|----------|----------|----------|----------|
| Sales (Btm) | 14,529 | 22,528 | 15,577 | 17,917 | 20,127 | 22,200 |
| Change (%) | 18.9 | 55.1 | -30.9 | 15.0 | 12.3 | 10.3 |
| Net profit (Btm) | 2,721 | 4,470 | 2,283 | 2,733 | 3,448 | 3,745 |
| Change (%) | 6.8 | 64.3 | -48.9 | 19.7 | 26.1 | 8.6 |
| EPS (Bt) | 7.56 | 2.56 | 0.76 | 0.91 | 1.15 | 1.25 |
| Change (%) | -11.0 | -66.1 | -70.3 | 19.7 | 26.1 | 8.6 |
| P/E (x) | 2.7 | 7.9 | 26.4 | 22.1 | 17.5 | 16.1 |
| EV/EBITDA (x) | 2.4 | 4.8 | 17.2 | 14.9 | 12.0 | 11.0 |
| BVPS (Bt) | 12.02 | 12.95 | 7.71 | 7.98 | 8.31 | 8.60 |
| P/BV (x) | 1.7 | 1.6 | 2.6 | 2.5 | 2.4 | 2.3 |
| DPS (Bt) | 4.00 | 1.66 | 0.60 | 0.73 | 0.92 | 1.00 |
| Yield (%) | 19.9 | 8.3 | 3.0 | 3.6 | 4.6 | 5.0 |
| ROE (%) | 62.8 | 33.2 | 10.0 | 11.6 | 14.1 | 14.8 |
| ROA (%) | 18.2 | 22.0 | 8.9 | 10.5 | 12.8 | 13.3 |
| Net D/E ratio (%) | 0.03 | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company and IVG estimates

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I V Global Securities Public Company Limited

Results preview

| (Btm) | 1Q24F | 1Q23 | % YoY | 4Q23 | % QoQ | 2023 | 2022 | % YoY |
|-------------------|------------|------------|-------------|------------|--------------|--------------|--------------|---------------|
| Sales | 4,125 | 3,587 | 15.0 | 4,748 | (13.1) | 15,577 | 22,528 | (30.9) |
| Gross profit | 914 | 625 | 46.2 | 1,046 | (12.7) | 3,038 | 5,425 | (44.0) |
| SG&A | 330 | 301 | 9.7 | 319 | 3.5 | 1,183 | 1,266 | (6.6) |
| EBIT | 584 | 324 | 80.1 | 728 | (19.8) | 1,854 | 4,158 | (55.4) |
| Other income | 155 | 123 | 25.8 | 166 | (6.8) | 603 | 248 | 143.1 |
| Interest expense | 739 | 459 | 61.1 | 848 | (12.9) | 2,426 | 4,586 | (47.1) |
| Share of profit | 2 | 6 | (66.7) | 2 | 24.5 | 11 | 86 | (87.2) |
| Pre-tax profit | 737 | 453 | 62.8 | 847 | (13.0) | 2,415 | 4,500 | (46.3) |
| Tax | (41) | (26) | 58.9 | (80) | (49.3) | (132) | (70) | 87.9 |
| Net profit | 696 | 425 | 63.7 | 768 | (9.4) | 2,283 | 4,470 | (48.9) |
| EPS (Bt) | 0.23 | 0.14 | 63.7 | 0.26 | (9.4) | 0.76 | 2.56 | (70.3) |

Source: Company and IVG estimates

Financial ratios

| (%) | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|-----------------------|-------|--------|--------|--------|--------|
| Sales growth YoY | n.a. | (24.7) | (42.8) | (36.8) | (17.6) |
| Sales growth QoQ | (8.7) | (35.8) | (85.5) | 11.5 | 46.4 |
| Gross margin | 22.4 | 17.4 | 18.4 | 19.2 | 22.0 |
| SG&A as % of sales | 6.1 | 8.4 | 9.2 | 6.7 | 6.7 |
| EBIT margin | 13.4 | 12.8 | 13.6 | 16.9 | 17.9 |
| Net margin | 12.1 | 11.9 | 13.7 | 16.1 | 16.2 |
| Effective tax rate | (6.2) | (5.6) | 1.0 | (4.5) | (9.4) |
| Net profit growth YoY | n.a. | (51.9) | (66.8) | (58.0) | 8.2 |

Source: Company and IVG estimates

Track record

| (Btm) | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales | 4,763 | 5,668 | 6,332 | 5,765 | 3,587 | 3,243 | 3,999 | 4,748 |
| Gross profit | 1,032 | 1,490 | 1,634 | 1,269 | 625 | 598 | 768 | 1,046 |
| SG&A | 282 | 322 | 325 | 337 | 301 | 298 | 266 | 319 |
| Operating profit | 750 | 1,167 | 1,310 | 931 | 324 | 300 | 502 | 728 |
| Other income | 49 | 34 | 58 | 108 | 123 | 130 | 183 | 166 |
| EBIT | 834 | 1,399 | 1,600 | 753 | 459 | 442 | 676 | 848 |
| Interest expense | 10 | 14 | 28 | 34 | 6 | 2 | 2 | 2 |
| Pre-tax profit | 825 | 1,385 | 1,572 | 719 | 453 | 441 | 675 | 847 |
| Tax | 59 | (46) | (35) | (49) | (26) | 4 | (31) | (80) |
| Net profit | 885 | 1,340 | 1,536 | 710 | 425 | 445 | 645 | 768 |

Source: Company and IVG estimates

Financial ratios

| (%) | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 2021 | 2022 | 2023 |
|-----------------------|------|-------|-------|-------|-------|-------|--------|
| Sales growth YoY | n.a. | n.a. | n.a. | n.a. | 18.9 | 47.4 | (30.9) |
| Sales growth QoQ | n.a. | 19.0 | 11.7 | (9.0) | 0.0 | 0.0 | 0.0 |
| Gross margin | 21.7 | 26.3 | 25.8 | 22.0 | 26.8 | 25.0 | 19.5 |
| SG&A as % of sales | 5.9 | 5.7 | 5.1 | 5.8 | 10.4 | 5.8 | 7.6 |
| EBIT margin | 17.5 | 24.7 | 25.3 | 13.1 | 19.1 | 21.2 | 15.6 |
| Net margin | 18.6 | 23.6 | 24.3 | 12.3 | 18.7 | 20.5 | 14.7 |
| Effective tax rate | 7.2 | (3.3) | (2.2) | (6.8) | (1.0) | (1.1) | (5.5) |
| Net profit growth YoY | n.a. | n.a. | n.a. | n.a. | 6.8 | 61.7 | (48.9) |

Source: Company and IVG estimates

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.




HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months

Anti-corruption Progress Indicator Definitions

| | |
|----------------------------|--|
| Level 5 Extended | Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases |
| Level 4 Certified | Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.) |
| Level 3 Established | Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy) |
| Level 2 Declared | Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives |
| Level 1 Committed | Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws |
| Partially progress | Insufficient or not clearly defined policy |
| No progress | Data not available / no policy |

Corporate Governance Report (CGR)

| | |
|---|-----------|
|  | Excellent |
|  | Very good |
|  | Good |

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

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