

Company Update

Monday, April 01, 2024



I V Global Securities Public Company Limited

Thai Union Group Pcl (TU)

Rating: BUY

Fair price: Bt19.0

Close price: Bt14.5

1Q24F off to new start without Red Lobster

Company Information

Ticker:	TU TB
Sector:	Food
Shares outstanding (m):	4,655.13
Market capitalization (Btm):	67,499.42
Trading vol/day (Btm):	350.08
Free float (%):	69.88
Beta:	0.28

Major Shareholders

Chansiri Family and related	30.24%
Thai NVDR	7.45%
Mitsubishi UFJ	5.13%

Consensus Bloomberg

2024F EPS (Bt):	1.32
Target price (Bt):	18.27

Price Performance

52 Wk high/low:	16.10 / 12.40
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	1M	3M	1Y	YTD
Absolute (%)	0.7	-3.3	0.0	-3.3
Relative (%)	0.2	-0.7	14.4	-0.7



- After exiting its investments in Red Lobster, TU will no longer incur operating losses from them. TU's operations will, therefore, reflect the core business. Based on our discussion with management, there's a mix of positive and negative developments, with the ambient seafood (47% of sales) and Petcare business (11%) likely showing positive sales growth YoY in 1Q24. Meanwhile, the frozen and chilled seafood business (35%) remained sluggish with declining demand hitting sales so they fall at double-digit rate YoY due to seasonally weak demand, particularly in the US. Gross margin in 1Q24F will likely be at the low end of the target range with the ambient business still facing challenges.
- We estimate TU's 1Q24F net profit to check in at Bt1.09bn for 1Q24F, up 7.4% YoY and improving from the Bt17.2bn loss in 4Q23 (or -5% QoQ from the core profit level).
- Consolidated sales are estimated to rise by 3% YoY but fall 5.3% QoQ to Bt33.6bn with an improvement in ambient seafood sales (low single-digit growth YoY and QoQ) and a strong rebound of 15% YoY growth from the pet food business. However, frozen seafood sales will likely remain under pressure with a possible double-digit decline in sales YoY and QoQ on weak demand. The average tuna skipjack price is estimated to fall by about 26% YoY and 12% QoQ to US\$1,350/ton – the lowest quarterly average price since 2Q21. The average baht to US dollar rate is estimated at Bt35.64 in 1Q24F, compared with Bt35.65 in 4Q23 and Bt33.91 in 1Q23.
- Overall gross profit margin is estimated at 16.9% for 1Q24F.
- SG&A is estimated to decline 2% QoQ and flat YoY at Bt4.1bn, accounting for 12.2% of sales.
- EBIT is, therefore, estimated at Bt1.58bn, up 99% UoY and down 27% QoQ.
- Associate income should come in positive at some Bt100m, versus a gain of Bt231m in 1Q23.
- As of 27 March 2024, the company already acquired its own share of 85.7m shares (or 1.84% of total capital) at the cost of Bt1.235bn, implying the average cost for the share buyback program of Bt14.41/share. The share buyback program will last until 30 June for a plan to buy up to 200m shares (or 4.3% of total).
- Maintain BUY.** We expect TU to deliver an improving operating performance from 2Q24F onward when the frozen seafood situation should begin to improve. We prefer to maintain our earnings estimates and BUY rating on TU with a price target of Bt19.0, based on a 14.5x target 2024F P/E multiple. The stock trades at an 11.1x earnings multiple for 2024F. Risks to our forecasts lie with seafood 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)	141,048	155,586	136,153	142,518	150,298	156,142
Change (%)	6.5	10.3	-12.5	4.7	5.5	3.9
Net profit (Btm)	8,013	7,138	(13,933)	6,092	6,524	6,841
Change (%)	28.3	-10.9	-295.2	-143.7	7.1	4.9
EPS (Bt)	1.68	1.50	(2.99)	1.31	1.40	1.47
Change (%)	28.3	-10.9	-300.1	-143.7	7.1	4.9
P/E (x)	8.6	9.7	n.m.	11.1	10.3	9.9
EV/EBITDA (x)	10.1	8.4	9.3	8.6	8.0	7.6
BVPS (Bt)	12.43	16.90	12.59	12.66	13.33	14.06
P/BV (x)	1.2	0.9	1.2	1.1	1.1	1.0
DPS (Bt)	0.95	0.84	0.54	0.72	0.77	0.81
Yield (%)	6.6	5.8	3.7	5.0	5.3	5.6
ROE (%)	14.4	10.2	-20.0	10.4	10.8	10.7
ROA (%)	5.2	4.1	-8.0	3.6	3.8	3.8
Net D/E ratio (%)	98.6	53.7	78.1	78.6	72.0	64.8

Source: Company and IVG estimates

Analyst

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Results preview

(Btm)	1Q24F	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Sales	33,631	32,652	3.0	35,529	(5.3)	136,153	155,586	(12.5)
Gross profit	5,684	4,917	15.6	6,327	(10.2)	23,225	27,206	(14.6)
SG&A	4,103	4,121	(0.4)	4,173	(1.7)	16,313	19,156	(14.8)
EBIT	1,581	795	98.8	2,155	(26.6)	6,912	8,050	(14.1)
Other income	225	198	13.7	366	(38.5)	1,060	974	8.8
Interest expense	600	532	12.7	630	(4.8)	2,302	1,998	15.2
Share of profit	100	231	(56.7)	819	(87.8)	679	599	13.4
Pre-tax profit	1,306	917	42.3	2,647	(50.7)	5,813	8,192	(29.0)
Tax	(78)	242	(132.4)	40	(295.3)	620	(789)	(178.6)
Net profit	1,097	1,022	7.4	(17,190)	(106.4)	(13,933)	7,138	(295.2)
EPS (Bt)	0.23	0.21	7.4	(3.69)	(106.2)	(2.99)	1.50	(300.1)

Source: Company and IVG estimates

Financial ratios

(%)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Sales growth YoY	14.7	2.9	(10.0)	(12.6)	(16.8)	(10.3)
Sales growth QoQ	4.6	(2.8)	(17.6)	4.3	(0.4)	4.8
Gross margin	18.2	17.3	15.1	16.9	18.4	17.8
SG&A as % of sales	12.4	11.3	12.6	11.7	11.9	11.7
EBIT margin	5.7	6.0	2.4	5.2	6.5	6.1
Net margin	6.2	3.1	3.1	3.0	3.6	(48.4)
Net profit growth YoY	30.7	(35.9)	(41.5)	(36.7)	(52.3)	(1,488.3)
Net profit growth QoQ	55.8	(51.1)	(17.5)	0.7	17.3	(1,525.1)
Net D/E ratio	112.5	53.7	57.0	63.8	65.4	78.1

Source: Company and IVG estimates

Track record

(Btm)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Sales	36,272	38,946	40,756	39,613	32,652	34,057	33,915	35,529
Gross profit	6,355	6,584	7,399	6,868	4,917	5,748	6,233	6,327
SG&A	4,688	4,920	5,064	4,484	4,121	3,975	4,044	4,173
EBIT	1,667	1,664	2,335	2,384	795	1,773	2,189	2,155
Other income	276	227	188	284	198	238	258	366
Interest expense	445	465	517	571	532	550	589	630
Forex gain	(177)	(283)	(256)	(313)	231	(137)	(234)	819
Pre-tax profit	1,573	1,326	2,457	1,208	917	987	1,262	2,647
Tax	188	(346)	(136)	170	242	198	140	40
Net profit	1,746	1,624	2,530	1,238	1,022	1,029	1,206	(17,190)

Source: Company and IVG estimates

Financial ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Sales growth YoY	16.5	8.5	14.7	2.9	6.5	10.3	(12.5)
Sales growth QoQ	(5.8)	7.4	4.6	(2.8)	0.0	0.0	0.0
Gross margin	17.5	16.9	18.2	17.3	18.2	17.5	17.1
SG&A as % of sales	12.9	12.6	12.4	11.3	12.4	12.3	12.0
EBIT margin	4.6	4.3	5.7	6.0	5.9	5.2	5.1
Net margin	4.9	4.2	6.2	3.1	5.7	4.6	(10.2)
Net profit growth YoY	(2.3)	(30.7)	30.7	(35.9)	28.3	(10.9)	(295.2)
Net profit growth QoQ	(8.8)	(7.0)	55.8	(51.1)	0.0	0.0	0.0
Net D/E ratio	101.3	109.0	112.5	53.7	98.6	53.7	78.1

Source: Company and IVG estimates

Tuna Skipjack Price

<i>US\$/ton</i>	2017	2018	2019	2020	2021	2022	2023
1Q	1,633	1,577	1,453	1,442	1,283	1,717	1,820
<i>YoY</i>	30.0%	-3.5%	-7.8%	-0.8%	-11.0%	+33.8%	+6.0%
<i>QoQ</i>	8.3%	-22.5%	3.2%	51.8%	-3.8%	+6.2%	+9.6%
2Q	1,763	1,667	1,217	1,267	1,323	1,608	2,000
<i>YoY</i>	17.3%	-5.5%	-27.0%	+4.1%	+4.5%	+21.5%	+24.4%
<i>QoQ</i>	8.0%	5.7%	-16.3%	-12.1%	+3.1%	-6.3%	+9.9%
3Q	2,010	1,467	1,217	1,500	1,400	1,667	1,800
<i>YoY</i>	40.2%	-27.0%	-17.0%	+23.3%	-6.7%	+19.0%	+8.0%
<i>QoQ</i>	14.0%	-12.0%	0.0%	+18.4%	+5.8%	+3.6%	-10.0%
4Q	2,033	1,408	950	1,333	1,617	1,660	1,533
<i>YoY</i>	+34.8%	-30.7%	-32.5%	+40.4%	+21.3%	+2.7%	-7.6%
<i>QoQ</i>	+1.2%	-4.0%	-21.9%	-11.1%	+15.5%	-0.4%	-14.8%
Average	1,860	1,530	1,209	1,385	1,406	1,663	1,788
<i>YoY</i>	30.5%	-17.8%	-20.9%	+14.6%	+1.5%	+18.3%	+7.5%

Source: Company

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.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.



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