Thai Union Group Pcl (TU TB) - BUY, Price Bt20.50, TP Bt24.00

Results Comment

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Weak 3Q21, weaker-than-expected

- TU reported Bt1.9bn net earnings in 3Q21, - 6% y-y and 17% q-q. Excluding Bt330m FX gain and Bt63m insurance claim, norm earnings were Bt1.8bn, fell 29% y-y and 28% q-q. The results were slightly weaker than expected on SG&A level.
- Ambient sales (42% of sales) fell 8% y-y from the high base in 3Q20 when people consumed more canned food amid the lockdown. Sales fell 2% q-q. 3Q normally flat from 2Q.
- Frozen sales (42% of sales) increased 11% y-y and flat q-q. 3Q20 was a low base due to the closured of restaurants during the lockdown.
- Pet care and other value-added products (16% of sales) increased 11% y-y and flat q-q. This was despite the production hiccup at its factory due to the COVID outbreak.
- Gross margin of 18.0% in 3Q21 was relative unchanged from 18.2% in 3Q20 but fell from 19.0% in 2Q21 due to lower sales volume and a changed in product mixed toward lower-margin frozen business.
- SG&A to sales increased to 13% from 12% in 3Q20 and in 2Q21 due to rising freight cost that TU couldn't pass on.
- Reb Lobster made Bt63m loss vs. Bt53m in 3Q20 and Bt49m in 2Q20 after TU added in more workers for its expansion plan.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Revenue	34,784	33,464	31,125	35,883	35,539
Gross profit	**6,327**	**6,023**	**5,507**	**6,805**	**6,391**
SG&A	4,146	4,084	3,637	4,281	4,506
Operating profit	2,181	1,939	1,871	2,524	1,885
EBITDA	**3,177**	**2,470**	**2,863**	**3,558**	**2,954**
Other income	533	(430)	374	436	452
Other expense	13	(906)	0	0	0
Interest expense	437	415	397	434	444
Profit before tax	**2,264**	**2,000**	**1,848**	**2,526**	**1,893**
Income tax	292	127	252	231	251
Equity & invest. income	258	(189)	175	(74)	(3)
Minority interests	(72)	(67)	(36)	(93)	(78)
Extraordinary items	(101)	(108)	67	215	376
Net profit	**2,056**	**1,510**	**1,803**	**2,343**	**1,937**
Normalized profit	**2,157**	**1,618**	**1,736**	**2,128**	**1,561**
EPS (Bt)	0.42	0.30	0.36	0.48	0.39
Normalized EPS (Bt)	0.44	0.32	0.35	0.43	0.31

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	(1)	2	77	133,729	140,626
Gross profit	**(6)**	**1**	**79**	**23,693**	**25,163**
SG&A	5	9	79	15,686	16,326
Operating profit	(25)	(14)	78	8,007	8,838
EBITDA	**(17)**	**(7)**	**82**	**11,423**	**12,327**
Other income	4	(15)	72	1,753	1,800
Other expense			-	46	46
Interest expense	2	2	72	1,761	1,678
Profit before tax	**(25)**	**(16)**	**79**	**7,953**	**8,913**
Income tax	9	(14)	97	756	847
Equity & invest. income	na	na	(200)	(50)	206
Minority interests	na	na	78	(266)	(279)
Extraordinary items	75	na	na	0	0
Net profit	**(17)**	**(6)**	**101**	**6,049**	**7,993**
Normalized profit	**(27)**	**(28)**	**90**	**6,049**	**7,993**
EPS (Bt)	(18)	(6)	85	1.44	1.68
Normalized EPS (Bt)	(28)	(29)	76	1.44	1.68

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash & ST investment	5,862	6,286	4,077	6,472	4,365
A/C receivable	14,344	13,320	14,565	16,468	17,644
Inventory	37,758	38,546	39,195	42,566	45,409
Other current assets	1,570	2,312	1,426	1,218	1,177
Investment	22,728	21,747	22,949	23,965	28,637
Fixed assets	26,926	26,691	26,542	27,318	27,123
Other assets	35,600	35,672	35,108	35,863	37,332
Total assets	**144,789**	**144,575**	**143,862**	**153,870**	**161,687**
S-T debt	20,043	21,139	28,282	28,019	26,803
A/C payable	20,452	19,068	17,605	20,924	21,974
Other current liabilities	2,125	3,806	4,365	2,925	3,525
L-T debt	37,212	36,075	27,794	34,185	39,850
Other liabilities	10,807	8,751	8,688	9,591	11,021
Minority interest	3,484	3,551	3,588	1,699	1,589
Shareholders' equity	**50,666**	**52,185**	**53,540**	**56,527**	**56,924**
Working capital	31,651	32,798	36,155	38,109	41,078
Total debt	57,255	57,214	56,076	62,204	66,653
Net debt	**51,393**	**50,927**	**51,999**	**55,732**	**62,288**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Sales growth	9.3	1.9	0.1	8.6	2.2
Operating profit growth	41.8	26.2	22.4	7.1	(13.6)
EBITDA growth	29.6	(1.6)	14.7	6.7	(7.0)
Norm profit growth	57.0	31.5	35.8	41.9	(27.6)
Norm EPS growth	51.5	25.3	38.1	44.0	(28.7)
Gross margin	18.2	18.0	17.7	19.0	18.0
Operating margin	6.3	5.8	6.0	7.0	5.3
EBITDA margin	9.1	7.4	9.2	9.9	8.3
Norm net margin	6.2	4.8	5.6	5.9	4.4
D/E (x)	1.1	1.1	1.0	1.1	1.2
Net D/E (x)	1.0	1.0	1.0	1.0	1.1
Interest coverage (x)	7.3	6.0	7.2	8.2	6.6
Interest rate	3.1	2.9	2.8	2.9	2.8
Effective tax rate	12.9	6.3	13.6	9.1	13.3
ROA	6.1	4.5	4.8	5.7	4.0
ROE	17.1	12.6	13.1	15.5	11.0

Sources: Company data, Thanachart estimates

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