Thai Union Group Pcl (TU TB) - BUY, Price Bt20.90, TP Bt24.00

Results Comment

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Stronger-than-expected 4Q21 results

- TU reported norm earnings of Bt1.9bn in 4Q21, increased 16% y-y and 20% q-q. The earnings beat expectation on strong frozen food sales amid a dining out trend in European countries and in US.
- Ambient sales (39% of sales) grew 5% y-y. Despite falling volume amid falling demand from the dining out trend, ASP increased from more revenues of more expensive products.
- Frozen sales (43% of sales) increased 21% y-y. Both strong demand from the dining out mentioned above and more mixed of expensive products helped.
- Pet care and other value-added products (18% of sales) increased 27% on industry's growth and TU's market share gain via new products launched to existing clients while it also acquired new clients as well.
- Gross margin remained flats at 18.2%
- SG&A to sales increased slightly to 13% despite increasing sales. This was due mainly to increased in freight cost.
- Red Lobster made Bt147m normalized loss, lower than last year's level but increased from that in 3Q21 due to a seasonal impact.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	33,464	31,125	35,883	35,539	38,501
Gross profit	**6,023**	**5,507**	**6,805**	**6,391**	**7,023**
SG&A	4,084	3,637	4,281	4,506	5,047
Operating profit	1,939	1,871	2,524	1,885	1,976
EBITDA	**2,470**	**2,863**	**3,558**	**2,954**	**2,584**
Other income	(430)	374	436	452	771
Other expense	(906)	0	0	0	0
Interest expense	415	397	434	444	455
Profit before tax	**2,000**	**1,848**	**2,526**	**1,893**	**2,293**
Income tax	127	252	231	251	8
Equity & invest. income	(189)	175	(74)	(3)	(368)
Minority interests	(67)	(36)	(93)	(78)	(51)
Extraordinary items	(108)	67	215	376	65
Net profit	**1,510**	**1,803**	**2,343**	**1,937**	**1,930**
Normalized profit	**1,618**	**1,736**	**2,128**	**1,561**	**1,865**
EPS (Bt)	0.30	0.36	0.48	0.39	0.39
Normalized EPS (Bt)	0.32	0.35	0.43	0.31	0.37

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	8	15	105	141,048	140,626
Gross profit	**10**	**17**	**109**	**25,727**	**25,163**
SG&A	12	24	111	17,471	16,326
Operating profit	5	2	103	8,256	8,838
EBITDA	**(13)**	**5**	**105**	**12,437**	**12,327**
Other income	71	na	116	2,756	1,800
Other expense			-	0	46
Interest expense	2	10	98	1,730	1,678
Profit before tax	**21**	**15**	**108**	**9,282**	**8,913**
Income tax	(97)	(94)	98	742	847
Equity & invest. income	na	na	542	(269)	206
Minority interests	na	na	97	(259)	(279)
Extraordinary items	(83)	na	na	0	0
Net profit	**(0)**	**28**	**116**	**8,013**	**7,993**
Normalized profit	**19**	**15**	**106**	**8,013**	**7,993**
EPS (Bt)	(0)	29	112	1.68	1.68
Normalized EPS (Bt)	20	16	102	1.68	1.68

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	6,286	4,077	6,472	4,365	9,023
A/C receivable	13,320	14,565	16,468	17,644	16,308
Inventory	38,546	39,195	42,566	45,409	46,636
Other current assets	2,312	1,426	1,218	1,177	2,896
Investment	21,747	22,949	23,965	28,637	28,523
Fixed assets	26,691	26,542	27,318	27,123	27,027
Other assets	35,672	35,108	35,863	37,332	36,191
Total assets	**144,575**	**143,862**	**153,870**	**161,687**	**166,604**
S-T debt	21,139	28,282	28,019	26,803	24,259
A/C payable	19,068	17,605	20,924	21,974	21,351
Other current liabilities	3,806	4,365	2,925	3,525	2,472
L-T debt	36,075	27,794	34,185	39,850	45,308
Other liabilities	8,751	8,688	9,591	11,021	11,002
Minority interest	3,551	3,588	1,699	1,589	2,894
Shareholders' equity	**52,185**	**53,540**	**56,527**	**56,924**	**59,319**
Working capital	32,798	36,155	38,109	41,078	41,593
Total debt	57,214	56,076	62,204	66,653	69,566
Net debt	**50,927**	**51,999**	**55,732**	**62,288**	**60,543**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	1.9	0.1	8.6	2.2	15.1
Operating profit growth	26.2	22.4	7.1	(13.6)	1.9
EBITDA growth	(1.6)	14.7	6.7	(7.0)	4.6
Norm profit growth	31.5	35.8	41.9	(27.6)	15.3
Norm EPS growth	25.3	38.1	44.0	(28.7)	16.1
Gross margin	18.0	17.7	19.0	18.0	18.2
Operating margin	5.8	6.0	7.0	5.3	5.1
EBITDA margin	7.4	9.2	9.9	8.3	6.7
Norm net margin	4.8	5.6	5.9	4.4	4.8
D/E (x)	1.1	1.0	1.1	1.2	1.2
Net D/E (x)	1.0	1.0	1.0	1.1	1.0
Interest coverage (x)	6.0	7.2	8.2	6.6	5.7
Interest rate	2.9	2.8	2.9	2.8	2.7
Effective tax rate	6.3	13.6	9.1	13.3	0.3
ROA	4.5	4.8	5.7	4.0	4.5
ROE	12.6	13.1	15.5	11.0	12.8

Sources: Company data, Thanachart estimates

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