Thai Union Group Pcl (TU TB) - BUY, Price Bt16.60, TP Bt24.00

Results Comment

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In-line 1Q22 results

- TU reported norm earnings of Bt1.7bn, flat y-y but fell 8% q-q. Earnings were in line with our expectation. While sales increased, its margins fell on rising raw material and shipping costs.
- Ambient sales Ambient sales increased 14% y-y while volume improved by 7%. TU increased price to cover raw material cost demand remained decent.
- Frozen food sales jumped 14% y-y but volume jumped only 2%. Traffic to restaurants started to normalize after the reopening since last year. TU also raised price to cover higher raw material cost.
- Pet care and other value-added products sales improved 27% y-y with only 8% hiked in volume. TU raised price to help reducing rising cost impact.
- Gross margin fell to 17.5% from 17.7% in 1Q21 and 18.2% in 4Q21. Increased raw material cost was more than offset price hike.
- SG&A to sales increased to 12.9% y-y and flat q-q. A surged in shipping cost was the main reason
- Red Lobster made Bt243m normalized loss of Bt243m vs. only 81m in 4Q21 and 147m in 4Q21. Softer traffic amid the new COVID wave and rising cost, e.g., staff cost, were main reasons.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	31,125	35,883	35,539	38,501	36,272
Gross profit	**5,507**	**6,805**	**6,391**	**7,023**	**6,355**
SG&A	3,637	4,281	4,506	5,047	4,688
Operating profit	1,871	2,524	1,885	1,976	1,667
EBITDA	**2,863**	**3,558**	**2,954**	**2,584**	**2,688**
Other income	381	436	452	764	524
Other expense	0	0	0	0	0
Interest expense	397	434	444	455	445
Profit before tax	**1,855**	**2,526**	**1,893**	**2,286**	**1,745**
Income tax	252	231	251	8	(188)
Equity & invest. income	175	(74)	(3)	(368)	(177)
Minority interests	(36)	(93)	(78)	(51)	(15)
Extraordinary items	60	215	376	65	4
Net profit	**1,803**	**2,343**	**1,937**	**1,923**	**1,746**
Normalized profit	**1,743**	**2,128**	**1,561**	**1,858**	**1,741**
EPS (Bt)	0.36	0.48	0.39	0.39	0.35
Normalized EPS (Bt)	0.35	0.43	0.31	0.37	0.35

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(6)	17	26	140,626	147,549
Gross profit	**(10)**	**15**	**25**	**25,163**	**26,559**
SG&A	(7)	29	29	16,326	17,262
Operating profit	(16)	(11)	19	8,838	9,297
EBITDA	**4**	**(6)**	**22**	**12,327**	**12,826**
Other income	(31)	38	29	1,800	1,888
Other expense			-	46	46
Interest expense	(2)	12	27	1,678	1,566
Profit before tax	**(24)**	**(6)**	**20**	**8,913**	**9,573**
Income tax	na	na	(22)	847	909
Equity & invest. income	na	na	(86)	206	461
Minority interests	na	na	5	(279)	(293)
Extraordinary items	(93)	(93)	na	0	0
Net profit	**(9)**	**(3)**	**22**	**7,993**	**8,832**
Normalized profit	**(6)**	**(0)**	**22**	**7,993**	**8,832**
EPS (Bt)	(10)	(3)	21	1.68	1.85
Normalized EPS (Bt)	(7)	(0)	21	1.68	1.85

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	4,077	6,472	4,365	9,023	1,352
A/C receivable	14,565	16,468	17,644	16,308	19,074
Inventory	39,195	42,566	45,409	46,636	48,649
Other current assets	1,426	1,218	1,177	2,896	3,166
Investment	22,949	23,965	28,637	28,523	28,458
Fixed assets	26,542	27,318	27,123	27,027	26,877
Other assets	35,108	35,863	37,332	36,191	36,095
Total assets	**143,862**	**153,870**	**161,687**	**166,604**	**163,672**
S-T debt	28,282	28,019	26,803	24,259	16,467
A/C payable	17,605	20,924	21,974	21,351	20,760
Other current liabilities	4,365	2,925	3,525	2,472	2,279
L-T debt	27,794	34,185	39,850	45,622	49,351
Other liabilities	8,688	9,591	11,021	10,687	10,260
Minority interest	3,588	1,699	1,589	2,894	2,889
Shareholders' equity	**53,540**	**56,527**	**56,924**	**59,319**	**61,666**
Working capital	36,155	38,109	41,078	41,593	46,963
Total debt	56,076	62,204	66,653	69,881	65,817
Net debt	**51,999**	**55,732**	**62,288**	**60,858**	**64,465**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	0.1	8.6	2.2	15.1	16.5
Operating profit growth	22.4	7.1	(13.6)	1.9	(10.9)
EBITDA growth	14.7	6.7	(7.0)	4.6	(6.1)
Norm profit growth	36.3	41.9	(27.6)	14.9	(0.1)
Norm EPS growth	38.6	44.0	(28.7)	15.6	(0.1)
Gross margin	17.7	19.0	18.0	18.2	17.5
Operating margin	6.0	7.0	5.3	5.1	4.6
EBITDA margin	9.2	9.9	8.3	6.7	7.4
Norm net margin	5.6	5.9	4.4	4.8	4.8
D/E (x)	1.0	1.1	1.2	1.2	1.1
Net D/E (x)	1.0	1.0	1.1	1.0	1.0
Interest coverage (x)	7.2	8.2	6.6	5.7	6.0
Interest rate	2.8	2.9	2.8	2.7	2.6
Effective tax rate	13.6	9.1	13.3	0.3	(10.8)
ROA	4.8	5.7	4.0	4.5	4.2
ROE	13.2	15.5	11.0	12.8	11.5

Sources: Company data, Thanachart estimates

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