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

Results Comment

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Stronger-than-expected core earnings

- TU reported net earnings of Bt1.6bn. Excluding the three special items being: 1) +Bt475m FX gains, 2) -Bt195m EU factory restructuring and 3) -Bt424m Reb Lobster's impairment loss and stoppage of revaluation gain which normally occurred every quarter, core earnings were Bt1.8bn, fell 16% y-y but increased 3% q-q.
- Although the core business beat our expectation, we don't see upside to our numbers. The stoppage revaluation gain of RL is expected to continue.
- Ambient business grew 11% y-y from both increased volumed and higher selling price to offset inflation impacts.
- Frozen food fell 7% y-y despite higher selling price. It fell from the high base in 2Q21 when the US were just reopened.
- Pet care surged 42% TU gained market share with more expensive new products.
- Gross margin fell to 16.9% from 19.0% in 2Q21 on higher raw material price amid the inflation.
- SG&A to sales increased to 12.6% from 11.9% in 2Q21. This was mainly due to higher freight cost.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	35,883	35,539	38,501	36,272	38,946
Gross profit	**6,805**	**6,391**	**7,023**	**6,355**	**6,584**
SG&A	4,281	4,506	5,047	4,688	4,920
Operating profit	2,524	1,885	1,976	1,667	1,664
EBITDA	**3,558**	**2,954**	**2,584**	**2,688**	**2,713**
Other income	436	452	764	524	378
Other expense	0	0	0	0	0
Interest expense	434	444	455	445	465
Profit before tax	**2,526**	**1,893**	**2,286**	**1,745**	**1,577**
Income tax	231	251	8	(188)	(346)
Equity & invest. income	(74)	(3)	(368)	(177)	(283)
Minority interests	(93)	(78)	(51)	(15)	(48)
Extraordinary items	215	376	65	4	32
Net profit	**2,343**	**1,937**	**1,923**	**1,746**	**1,624**
Normalized profit	**2,128**	**1,561**	**1,858**	**1,741**	**1,592**
EPS (Bt)	0.48	0.39	0.39	0.35	0.32
Normalized EPS (Bt)	0.43	0.31	0.37	0.35	0.32

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	7	9	47	161,253	168,545
Gross profit	**4**	**(3)**	**46**	**28,405**	**29,635**
SG&A	5	15	46	20,664	21,183
Operating profit	(0)	(34)	43	7,741	8,452
EBITDA	**1**	**(24)**	**47**	**11,447**	**12,234**
Other income	(28)	(13)	38	2,368	2,445
Other expense				0	0
Interest expense	4	7	42	2,148	2,085
Profit before tax	**(10)**	**(38)**	**42**	**7,961**	**8,812**
Income tax	na	na	(78)	685	758
Equity & invest. income	na	na	(224)	206	461
Minority interests	na	na	21	(296)	(309)
Extraordinary items	na	(85)	na	0	0
Net profit	**(7)**	**(31)**	**47**	**7,186**	**8,206**
Normalized profit	**(9)**	**(25)**	**46**	**7,186**	**8,206**
EPS (Bt)	(7)	(32)	45	1.51	1.72
Normalized EPS (Bt)	(9)	(26)	44	1.51	1.72

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	6,472	4,365	9,023	1,352	2,102
A/C receivable	16,468	17,644	16,308	19,074	20,025
Inventory	42,566	45,409	46,636	48,649	52,528
Other current assets	1,218	1,177	2,896	3,166	3,285
Investment	23,965	28,637	28,523	28,458	29,109
Fixed assets	27,318	27,123	27,027	26,877	27,364
Other assets	35,863	37,332	36,191	36,095	37,001
Total assets	**153,870**	**161,687**	**166,604**	**163,672**	**171,415**
S-T debt	28,019	26,803	24,259	16,467	19,751
A/C payable	20,924	21,974	21,351	20,760	23,011
Other current liabilities	2,925	3,525	2,472	2,279	4,565
L-T debt	34,185	39,850	45,622	49,351	49,675
Other liabilities	9,591	11,021	10,687	10,260	11,545
Minority interest	1,699	1,589	2,894	2,889	2,846
Shareholders' equity	**56,527**	**56,924**	**59,319**	**61,666**	**60,022**
Working capital	38,109	41,078	41,593	46,963	49,542
Total debt	62,204	66,653	69,881	65,817	69,426
Net debt	**55,732**	**62,288**	**60,858**	**64,465**	**67,323**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	8.6	2.2	15.1	16.5	8.5
Operating profit growth	7.1	(13.6)	1.9	(10.9)	(34.1)
EBITDA growth	6.7	(7.0)	4.6	(6.1)	(23.7)
Norm profit growth	41.9	(27.6)	14.9	(0.1)	(25.2)
Norm EPS growth	44.0	(28.7)	15.6	(0.1)	(26.1)
Gross margin	19.0	18.0	18.2	17.5	16.9
Operating margin	7.0	5.3	5.1	4.6	4.3
EBITDA margin	9.9	8.3	6.7	7.4	7.0
Norm net margin	5.9	4.4	4.8	4.8	4.1
D/E (x)	1.1	1.1	1.1	1.0	1.1
Net D/E (x)	1.0	1.1	1.0	1.0	1.1
Interest coverage (x)	8.2	6.6	5.7	6.0	5.8
Interest rate	2.9	2.8	2.7	2.6	2.8
Effective tax rate	9.1	13.3	0.3	(10.8)	(21.9)
ROA	5.7	4.0	4.5	4.2	3.8
ROE	15.5	11.0	12.8	11.5	10.5

Sources: Company data, Thanachart estimates

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