

### COMPANY UPDATE

## Betagro (BTG TB)

Alternative Choice For Pure Livestock Earnings Recovery Play

We expect BTG's 2Q24 bottom line to turn a profit of Bt484m from a loss in 1Q24 and 2Q23 on the back of better swine ASPs and a higher gross profit margin. Looking forward, we are still positive on the company's earnings turning around in 2H24. We see BTG as an alternative play for the domestic livestock recovery theme. Maintain BUY. Target price: Bt27.00.

### WHAT'S NEW

#### 2024 RESULTS PREVIEW

Year to 31 Dec (Btm)	2023	1Q24	2Q24F	yoy % chg	qoq % chg
Sales	26,445.4	26,975.4	26,181.0	-1.0%	-2.9%
Gross Profit	2,777.0	2,921.8	3,369.2	21.3%	15.3%
Pre-tax Profit	(359.2)	82.7	619.1	NA	649.1%
Net Profit	(350.6)	(124.1)	484.0	NA	NA
Core Profit	(362.5)	(150.9)	466.7	NA	NA
EPS (Bt)	(0.18)	(0.06)	0.25	NA	NA
<b>Ratio (%)</b>					
Gross margin	10.5%	10.8%	12.8%	2.4%	2.0%
SG&A/Sales	3.3%	0.0%	0.0%	-3.3%	0.0%
Net profit margin	-1.3%	-0.5%	0.0%	1.3%	0.5%

Source: BTG, UOB Kay Hian

- **2Q24 bottom line to turn positive.** We expect Betagro (BTG) to report a 2Q24 net profit of Bt484m from a net loss of Bt124m in 1Q24 and Bt351m in 2Q23 due to the better swine and chicken ASPs and gross profit margin.
- **Key positive from better profitability.** The main drivers in 2Q24 were: a) higher swine ASPs based on the farm-gate swine prices which increased to Bt68.7/kg in 2Q24, up 3.5% from Bt66.3/kg in 1Q24, b) the lower raw material costs of both corn and soybean meal, and c) higher gross profit margin in 2Q24. Overall, we expect BTG's 2Q24 gross profit margin at 12.8%, up from 10.8% in 1Q24 and 10.4% in 2Q24. Also, we expect the chicken business to have a strong showing on the back of export demand recovery from EU customers.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	112,626	108,638	116,599	120,972	124,515
EBITDA	14,627	4,231	6,634	7,374	8,166
Operating profit	10,384	(337)	3,941	4,468	5,010
Net profit (rep./act.)	7,938	(1,398)	3,065	3,578	4,091
Net profit (adj.)	7,938	(1,398)	3,065	3,578	4,091
EPS (Bt)	4.1	(0.7)	1.6	1.8	2.1
PE (x)	5.4	n.m.	14.0	12.0	10.5
P/B (x)	1.5	1.7	1.5	1.4	1.3
EV/EBITDA (x)	4.1	14.2	9.1	8.2	7.4
Dividend yield (%)	26.2	4.5	2.1	2.5	2.9
Net margin (%)	7.0	(1.3)	2.6	3.0	3.3
Net debt/(cash) to equity (%)	46.7	70.6	61.6	50.4	40.9
Interest cover (x)	23.6	6.3	17.7	24.7	34.4
ROE (%)	35.9	n.a.	11.5	12.2	12.7
Consensus net profit	-	-	2,036	3,001	3,601
UOBKH/Consensus (x)	-	-	1.51	1.19	1.14

Source: Betagro, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E reflected as "n.m."

## BUY

(Maintained)

Share Price	Bt22.20
Target Price	Bt27.00
Upside	+21.6%

### COMPANY DESCRIPTION

Betagro manufactures agricultural food products, animal feed, livestock, animal health products, and offers meat products for human.

### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	BTG TB
Shares issued (m):	1,934.8
Market cap (Btm):	42,952.6
Market cap (US\$m):	1,166.3
3-mth avg daily t'over (US\$m):	1.2

### Price Performance (%)

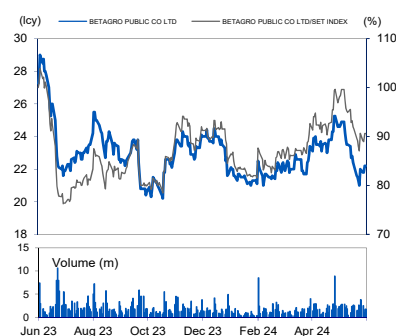
52-week high/low Bt29.00/Bt20.20

1mth	3mth	6mth	1yr	YTD
(12.1)	(0.4)	(6.3)	(17.0)	(7.5)

### Major Shareholders

	%
BTG	37.80
TAE HK Investment Limited	20.67
Ms. Jenjira Taepaisitpong	1.82
FY24 NAV/Share (Bt)	14.56
FY24 Net Debt/Share (Bt)	8.96

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Looking forward to 2H24.** We remain positive on BTG as we expect the swine ASPs to be higher hoh on the back of the better demand and supply situation. We are starting to see improvement in rural consumption on the back of government fiscal budget disbursement. The same-store-sales (SSS) growth of construction material retailers is improving and tourists are returning. On the supply side, the key positive factors will be: a) lower swine supply with piglet supply in Mar-May 24 down by 4.5% of 2H24's total supply, and b) slower additional supply of swine since mid-23.
- Raw material costs to remain lower yoy.** Although there is an increase in the prices of corn and soybean meal, we still expect minimal impact in 3Q24 as the company is usually able to stock up to 3-4 months of cheap inventory. We expect that the short-term increase in corn prices was due to a seasonality effect (May to July is the lowest harvesting season). We expect corn prices to soften again in late-3Q24. Looking forward, we expect prices of soft commodities to remain steady in 2H24 following the lack of strong catalysts such as: a) potential peace talks between Russia and Ukraine, and b) a lack of clarity on the presence of a strong La Nina in 2H24.

However, in the case of a strong La Nina, we expect a positive impact on farm players. La Nina typically causes more rainfall in ASEAN countries and more drought in North and South America. Therefore, we expect the price of corn in Thailand and ASEAN to decrease with a better supply situation. As around 60-65% of corn feed demand can be sourced in Thailand and the rest sourced from ASEAN, a strong La Nina should benefit the company. On the other hand, we also expect higher soybean meal costs in the event of a drought in the Americas. However, we expect a positive impact on farm players as corn normally accounts for 50% of animal feed costs while soybean meal accounts for 25%.

### EARNINGS REVISION/RISK

- Earnings revision:** None.

### VALUATION/RECOMMENDATION

- We maintain BUY with a target price of Bt27.00**, based on 2024F EPS of Bt1.58. As BTG is a newly listed company, we peg its PE target to CPF's five-year PE mean of 17x, excluding the abnormal period from 4Q22-1Q23. We are still positive on BTG's earnings outlook, as we expect an improvement in ASPs of domestic swine and poultry.

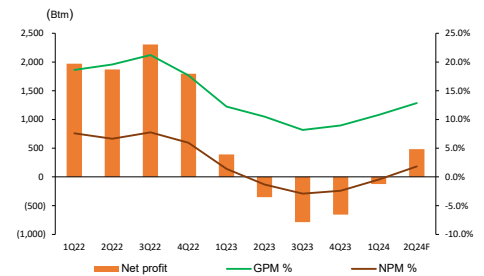
### SHARE PRICE CATALYST

- Increase in swine and poultry selling prices.
- Decreasing cost of animal feed production (eg corn and imported soybean).

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

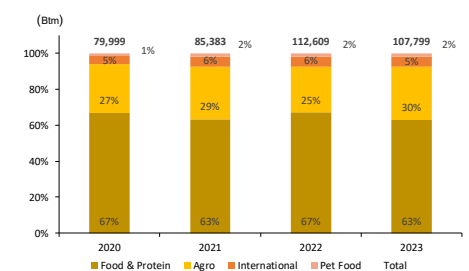
<b>CG Report:</b> - <b>SET ESG Rating:</b> -
<b>Environmental</b> <ul style="list-style-type: none"> <li> <b>Net zero.</b> BTG aims to be a net-zero company by 2050 and plans to reduce its greenhouse gas emissions by 20% in 2030 from the baseline in 2022.             </li> <li> <b>Sustainable packaging.</b> BTG plans to achieve 100% eco-friendly packaging by 2030 (reusable, recyclable, and compostable).             </li> </ul>
<b>Social</b> <ul style="list-style-type: none"> <li>             BTG's S-Pure product is the first brand in the world to receive a Raised Without Antibiotics RWA certification from NSF International.             </li> </ul>
<b>Governance</b> <ul style="list-style-type: none"> <li> <b>Good governance practice.</b> BTG is committed to operating its business in accordance with good corporate governance policy and management excellence. BTG received the Collective Action Against Corruption (CAC) declaration in 2023 and expects to receive the Thai CAC Certification in 2024.             </li> </ul>

### NET PROFIT AND PROFITABILITY



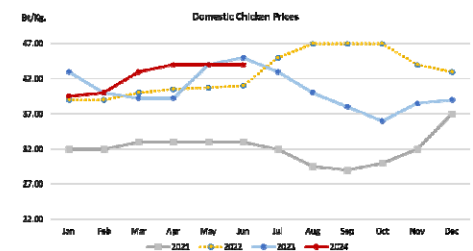
Source: BTG and UOB Kay Hian

### SALES BREAKDOWN



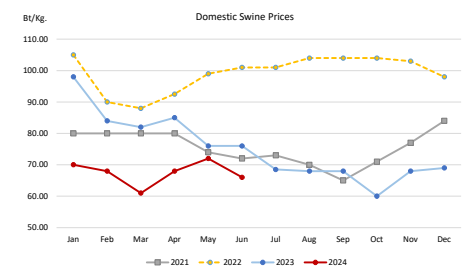
Source: BTG and UOB Kay Hian

### CHICKEN PRICES



Source: OAE, CPF and UOB Kay Hian

### SWINE PRICES



Source: OAE, CPF and UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	108,638	116,599	120,972	124,515
EBITDA	4,231	6,634	7,374	8,166
Deprec. & amort.	4,568	2,694	2,905	3,156
EBIT	(337)	3,941	4,468	5,010
Total other non-operating income	0	0	0	0
Associate contributions	102	113	124	136
Net interest income/(expense)	(673)	(376)	(299)	(237)
<b>Pre-tax profit</b>	<b>(907)</b>	<b>3,678</b>	<b>4,293</b>	<b>4,908</b>
Tax	(457)	(612)	(715)	(817)
Minorities	(35)	0	0	0
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>(1,398)</b>	<b>3,065</b>	<b>3,578</b>	<b>4,091</b>
Net profit (adj.)	(1,398)	3,065	3,578	4,091

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>3,235</b>	<b>2,998</b>	<b>6,070</b>	<b>6,926</b>
Pre-tax profit	(1,364)	3,678	4,293	4,908
Tax	457	612	715	817
Deprec. & amort.	4,568	2,694	2,905	3,156
Associates	(102)	0	0	0
Working capital changes	(1,349)	(3,471)	(1,125)	(1,047)
Non-cash items	0	0	0	0
Other operating cashflows	1,024	(515)	(718)	(908)
<b>Investing</b>	<b>(4,426)</b>	<b>(1,624)</b>	<b>(2,731)</b>	<b>(3,885)</b>
Capex (growth)	(4,405)	(1,624)	(2,731)	(3,885)
Capex (maintenance)	0	0	0	0
Investments	(117)	0	0	0
Proceeds from sale of assets	21	0	0	0
Others	74	0	0	0
<b>Financing</b>	<b>(3,203)</b>	<b>(87)</b>	<b>(5,445)</b>	<b>(1,046)</b>
Dividend payments	(1,935)	(920)	(1,074)	(1,227)
Issue of shares	0	0	0	0
Proceeds from borrowings	(46)	162	(4,007)	292
Loan repayment	0	0	0	0
Others/interest paid	(1,222)	670	(365)	(110)
<b>Net cash inflow (outflow)</b>	<b>(4,394)</b>	<b>1,286</b>	<b>(2,106)</b>	<b>1,996</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>(4,394)</b>	<b>1,286</b>	<b>(2,106)</b>	<b>1,996</b>
Changes due to forex impact	5,940	1,543	2,830	724
<b>Ending cash &amp; cash equivalent</b>	<b>1,561</b>	<b>2,847</b>	<b>741</b>	<b>2,737</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	21,146	20,355	20,483	21,541
Other LT assets	10,629	10,710	10,754	10,790
Cash/ST investment	1,561	2,847	741	2,737
Other current assets	29,166	32,887	33,701	34,342
<b>Total assets</b>	<b>62,501</b>	<b>66,799</b>	<b>65,679</b>	<b>69,410</b>
ST debt	14,314	14,754	14,955	15,218
Other current liabilities	10,180	11,029	11,399	11,733
LT debt	4,997	5,430	1,230	1,230
Other LT liabilities	6,039	5,640	5,579	5,794
Shareholders' equity	25,134	28,166	30,671	33,535
Minority interest	178	0	0	0
<b>Total liabilities &amp; equity</b>	<b>62,501</b>	<b>66,799</b>	<b>65,679</b>	<b>69,410</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	3.9	5.7	6.1	6.6
Pre-tax margin	(0.8)	3.2	3.5	3.9
Net margin	(1.3)	2.6	3.0	3.3
ROA	n.a.	4.7	5.4	6.1
ROE	n.a.	11.5	12.2	12.7
<b>Growth</b>				
Turnover	(3.5)	7.3	3.8	2.9
EBITDA	(71.1)	56.8	11.1	10.7
Pre-tax profit	(109.3)	n.a.	16.7	14.3
Net profit	(117.6)	n.a.	16.7	14.3
Net profit (adj.)	(117.6)	n.a.	16.7	14.3
EPS	(117.6)	n.a.	16.7	14.3
<b>Leverage</b>				
Debt to total capital	43.3	41.7	34.5	32.9
Debt to equity	76.8	71.7	52.8	49.0
Net debt/(cash) to equity	70.6	61.6	50.4	40.9
Interest cover (x)	6.3	17.7	24.7	34.4

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