

COMPANY UPDATE

Thai Foods Group (TFG TB)

Resilient Earnings Momentum In 2025 With Black Friday Discount Valuation

We are still positive on TFG’s outlook in 2025 given the strong Vietnam business outlook and the expansion of its retail business. We also expect lower pressure from raw material costs to support the profitability of the company. We revised up 2024-25 earnings by 31% and 19% respectively to reflect the resilient operations outlook. We expect 2025 earnings to grow 5.3% yoy. Maintain BUY. Target price: Bt6.00.

WHAT’S NEW

- We maintain our positive view on Thai Foods Group (TFG) after attending its analyst meeting yesterday.
- Swine businesses in Vietnam and Thailand to be growth drivers for 2025.** Overall, management maintains its view on the Vietnam swine situation as the Vietnamese swine prices are expected to remain at VND60,000-65,000/kg for 2025. The key positive for Vietnamese swine prices in 2025 is the African Swine Fever (ASF) outbreak which positively impacted Vietnam swine prices. For the domestic swine business, we expect to see a slight improvement from the increase in ASPs and easing pressure on raw material costs for corn and soybean meal.
- Ramping up retail store count.** Management expects a total store count of 420 by end-24, slightly lower than the target of 450 stores by 2024. The company expects a total store count of 600 by end-25. The key focus will be on the eastern areas and the middle part of Thailand in a bid to control logistics costs and the quality of its fresh food. We maintain our 2025 total store count assumption of 550. Although we saw the narrowing gross margin and EBIT margin of the retail business in 3Q24, we expect to see an improvement in the 2025 profitability following: a) a lower contribution from wholesale, b) better logistics cost management, and c) lower rental expenses for new locations.
- Chicken business update.** Although 2024 chicken export volume is one of the highest export volumes in Thailand, management is still positive on the 2025 momentum even with a high base effect. The key drivers will be from the EU and Japan markets where customers tend to diversify their orders to Thailand given the uncertainty in the Brazil supply and the import quota on Ukraine’s chicken exports to the EU. However, we remain conservative on the chicken export outlook for 2025 and factor in a slight increase in the top-line. TFG also plans to open an integrated chicken business in Vietnam by 2026 to capture the consumption growth in the country.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	52,323	55,871	64,724	71,625	79,544
EBITDA	8,840	3,298	7,303	8,041	8,892
Operating profit	6,589	(43)	5,005	5,197	5,372
Net profit (rep./act.)	4,731	(974)	3,429	3,566	3,807
Net profit (adj.)	4,967	(1,172)	3,441	3,566	3,807
EPS (Bt)	0.9	(0.2)	0.5	0.6	0.6
PE (x)	4.3	n.a.	7.0	6.7	6.3
P/B (x)	1.4	1.6	1.4	1.2	1.1
EV/EBITDA (x)	4.6	12.2	5.5	5.0	4.5
Dividend yield (%)	3.7	8.3	4.7	4.9	5.2
Net margin (%)	9.0	(1.7)	5.3	5.0	4.8
Net debt/(cash) to equity (%)	118.6	159.6	121.9	101.1	86.3
Interest cover (x)	12.1	3.4	7.8	8.0	10.0
ROE (%)	34.9	(6.7)	23.4	21.2	19.6
Consensus net profit	-	-	2,683	2,866	2,952
UOBKH/Consensus (x)	-	-	1.28	1.24	1.29

Source: Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt3.76
Target Price	Bt6.00
Upside	+59.57%
(Previous TP)	Bt5.80)

COMPANY DESCRIPTION

TFG operates an integrated operation, producing and distributing frozen and chilled chicken products, as well as animal feed, in both the domestic and international markets

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	TFG TB
Shares issued (m):	5,810.8
Market cap (Btm):	24,848.6
Market cap (US\$m):	633.3
3-mth avg daily t'over (US\$m):	1.0

Price Performance (%)

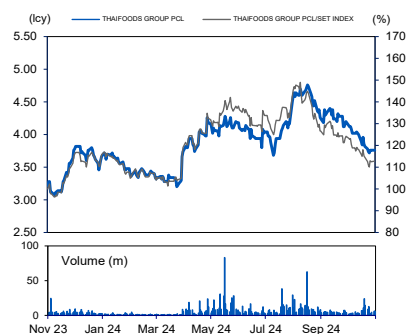
52-week high/low	Bt4.84/Bt3.04				
1mth	3mth	6mth	1yr	YTD	
(9.6)	(9.6)	(10.0)	16.0	(1.6)	

Major Shareholders

	%
New Star Victor CO LTD	28.51
BNP Paribas (HK Branch)	20.05
Winai Teawsomboonkij	17.98

FY24 NAV/Share (Bt)	2.68
FY24 Net Debt/Share (Bt)	3.27

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **Resilient earnings momentum in 2025.** Although we foresee more challenges for the food sector's earnings growth in 2025 due to a high base in 2024, we expect TFG to deliver 5.3% yoy earnings growth in 2025. The key drivers will be from the strong Vietnam swine business and its retail business expansion.

EARNINGS REVISION/RISK

- We revised our 2024-25 earnings forecasts up by 31% and 19% respectively. This is to reflect the 4Q24 earnings outlook for 2024 forecasts and the resilient earnings momentum in 2025 on the back of a gross margin improvement.

EARNINGS REVISION

(Btm)	2024F			2025F		
	New	Previous	Change	New	Previous	Change
Net profit	2,580	3,489	35.2%	2,987	3,566	19.4%
Core profit	2,580	3,386	31.2%	2,987	3,566	19.4%
Gross profit margin	12.4%	13.5%	1.2%	12.6%	13.4%	0.9%
SGA-to-sales	-6.6%	-6.7%	0.0%	-6.5%	-6.6%	-0.1%

Source: TFG, UOB Kay Hian

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of Bt6.00.** We roll over our target price to 2025 based on 2025F EPS. We adopt the PE valuation method and peg the stock to 10x 2025F PE, the forward PE of TFG's five-year mean where we exclude the periods 4Q20-1Q21 and 4Q22-1Q23 which were characterised by unusual fluctuations in livestock price trends. We still like TFG as our top pick as it is one of the beneficiaries of ASF in Vietnam, has lower raw material costs, and will see earnings growth from its retail business.

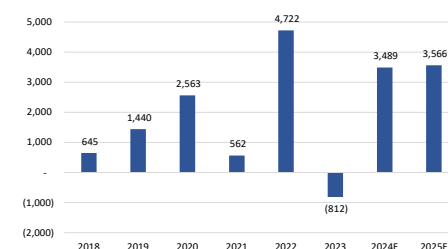
SHARE PRICE CATALYST

- Recovery in domestic swine and broiler ASPs.
- Lower raw material costs of corn and soybean meal.
- Resumption of retail expansion plan and a continuous improvement in the retail business' same-store sales growth.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

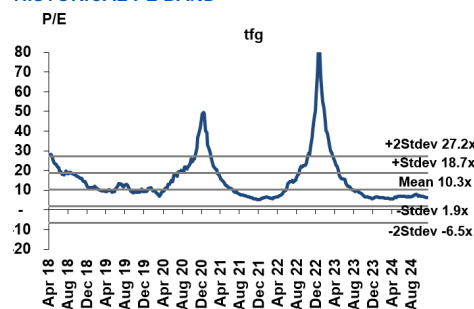
CG Report: 5
SET ESG Rating: A
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Net zero. TFG aims to be a Net Zero company by 2065. - TFG conducts business with a commitment to the efficient use of resources, ensuring operations are environmentally friendly and compliant with legal requirements. • Social <ul style="list-style-type: none"> - TFG is working to improve many dimensions of social responsibility. This includes the treatment of employees and human rights. • Governance <ul style="list-style-type: none"> - Good governance practice. TFG is committed to operating its business in accordance with good corporate governance policy and management excellence. TFG received the "Excellent" rating on good corporate governance from the Thai Institute of Directors.

SALES AND CORE PROFIT



Source: TFG, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	55,871	64,724	71,625	79,544
EBITDA	3,298	7,303	8,041	8,892
Deprec. & amort.	3,341	2,298	2,844	3,521
EBIT	(43)	5,005	5,197	5,372
Total other non-operating income	134	(313)	0	(0)
Associate contributions	(20)	(13)	0	0
Net interest income/(expense)	(965)	(941)	(1,001)	(892)
Pre-tax profit	(893)	3,739	4,196	4,479
Tax	(77)	(280)	(629)	(672)
Minorities	(3)	(30)	0	0
Preferred dividends	(974)	3,429	3,566	3,807
Net profit	(1,172)	3,441	3,566	3,807
Net profit (adj.)	55,871	64,724	71,625	79,544

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	17,282	17,395	17,051	16,531
Other LT assets	10,579	10,789	10,980	11,199
Cash/ST investment	836	1,344	2,096	2,518
Other current assets	18,448	19,577	22,733	26,508
Total assets	47,146	49,105	52,860	56,755
ST debt	14,799	10,959	11,064	11,171
Other current liabilities	8,005	9,260	10,096	10,837
LT debt	7,876	9,376	9,308	9,244
Other LT liabilities	2,702	3,844	4,220	4,657
Shareholders' equity	13,681	15,573	18,069	20,735
Minority interest	15	15	15	15
Total liabilities & equity	47,146	49,105	52,860	56,755

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	3,226	5,454	4,835	4,898
Pre-tax profit	(893)	3,739	4,196	4,479
Tax	(77)	(280)	(629)	(672)
Deprec. & amort.	3,341	2,298	2,844	3,521
Associates	20	13	0	0
Working capital changes	(1,806)	(1,237)	(3,206)	(3,995)
Non-cash items	0	339	372	220
Other operating cashflows	2,641	582	1,259	1,344
Investing	(3,239)	(2,500)	(2,500)	(3,000)
Capex (growth)	(2,440)	(2,500)	(2,500)	(3,000)
Investment	456	422	422	422
Others	(1,255)	(422)	(422)	(422)
Financing	106	(2,446)	(1,583)	(1,476)
Dividend payments	(1,812)	(1,038)	(1,070)	(1,142)
Proceeds from borrowings	4,071	1,499	(67)	(65)
Loan repayment	(741)	(733)	192	206
Others/interest paid	(1,412)	(2,175)	(637)	(475)
Net cash inflow (outflow)	92	507	752	422
Beginning cash & cash equivalent	818	836	1,344	2,096
Changes due to forex impact	(74)	(0)	0	0
Ending cash & cash equivalent	836	1,344	2,096	2,518

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	5.9	11.3	11.2	11.2
Pre-tax margin	(1.6)	5.8	5.9	5.6
Net margin	(1.7)	5.3	5.0	4.8
ROA	(2.1)	7.1	7.0	6.9
ROE	(6.7)	23.4	21.2	19.6
Growth				
Turnover	6.8	15.8	10.7	11.1
EBITDA	(62.7)	121.4	10.1	10.6
Pre-tax profit	n.a.	n.a.	12.2	6.8
Net profit	n.a.	n.a.	4.0	6.8
Net profit (adj.)	n.a.	n.a.	3.6	6.8
EPS	n.a.	n.a.	3.6	6.8
Leverage				
Debt to total capital	62.3	56.6	53.0	49.6
Debt to equity	165.7	130.6	112.7	98.5
Net debt/(cash) to equity	159.6	121.9	101.1	86.3
Interest cover (x)	3.4	7.8	8.0	10.0

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