

Thai Foods Group (TFG TB)

Key Takeaways From The Asian Gems Conference

Highlights

- TFG participated in the Asian Gems Conference, where the overall sentiment and feedback from investors were positive. Investors showed particular interest in the company's retail growth and strategic direction.
- We maintain a positive view on TFG's long-term growth prospects. However, in the short term, earnings may be pressured by lower livestock prices, while the company continues to expand its retail business to reduce exposure to commodity price volatility.
- Maintain BUY with a target price of Bt7.20.

Analysis

- **TFG's long-term growth outlook.** We see the rising profitability of the retail segment as another key long-term growth driver. Earnings improvement is expected to be supported by: a) the expansion of the swine business in Vietnam, b) growth in poultry exports, and c) contributions from new retail store openings. Thai Foods Group (TFG) is one of the top three swine producers in both Thailand and Vietnam, a leading poultry producer and exporter to key markets such as the EU, UK, Japan, and China, and also ranks among the top three animal feed producers in Thailand. Moreover, the company plans to spin off its retail business in 2027-28.
- **Retail business is a game changer.** TFG focuses on expanding its retail business to mitigate the impact of commodity price volatility. The retail segment has continued to grow in line with the company's strategy and now accounts for around 35% of total revenue. It aims to reach 620 branches by 2025 and 850 by 2026, with a long-term goal of 1,000 branches within five years. Moreover, most competitors in Thailand are targeting different market segments and product categories. In contrast, TFG concentrates on suburban and provincial areas, competing directly with traditional markets that still dominate about 80% of the country's fresh food market. The company differentiates itself by offering quality products with superior hygiene at 2-3% lower prices, achieved through the elimination of intermediaries in its supply chain.

Key Financials

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	55,870.9	65,481.7	71,693.4	74,417.0	79,296.1
EBITDA	3,726.2	8,374.4	14,661.9	11,650.7	11,978.0
Operating profit	385.0	4,755.7	11,111.4	8,110.1	8,542.8
Net profit (rep./act.)	(812.5)	3,143.8	8,684.7	6,041.8	6,435.1
Net profit (adj.)	(689.1)	3,465.5	8,684.7	6,041.8	6,435.1
EPS	(0.1)	0.6	1.4	1.0	1.0
PE	(44.3)	8.8	3.9	5.6	5.2
P/B	2.2	1.8	1.5	1.3	1.1
EV/EBITDA	14.9	5.8	3.0	3.7	3.4
Dividend yield	5.9	1.6	7.7	5.4	5.7
Net margin	(1.4)	4.8	12.1	8.1	8.1
Net debt/(cash) to equity	159.6	93.5	46.7	34.0	24.8
Interest cover	3.3	8.3	15.8	14.2	15.4
ROE	(5.6)	19.6	45.6	28.6	27.5
Consensus net profit	n.a	n.a	7,942.3	5,954.2	6,330.8
UOBKH/Consensus (x)	n.a	n.a	1.1	1.0	1.0

Source: TFG, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	Bt4.62
Target Price	Bt7.20
Upside	55.84%

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Stock Data

GICS Sector	Consumer Staples
Bloomberg ticker	TFG TB
Shares issued (m)	5,654.1
Market cap (Btm)	26,234.8
Market cap (US\$m)	802.0
3-mth avg daily t'over (US\$m)	3.0

Price Performance (%)

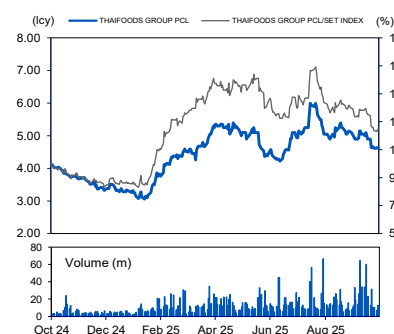
52-week high/low Bt6.1/Bt3.02

1mth	3mth	6mth	1yr	YTD
(9.9)	(9.0)	(8.1)	10.5	37.3

Major Shareholders

	%
New Star Victor CO LTD	31.74
BNP Parisbas (HK Branch)	20.01
Winai Teawsomboonkij	17.94

Price Chart



Source: Bloomberg

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.

- Capturing growth opportunities in Vietnam.** The company is expanding its swine and poultry businesses into Vietnam, which is expected to support TFG's long-term growth, driven by the country's strong economic momentum and rising consumption. Moreover, stricter licensing requirements for new entrants in Vietnam's swine industry could create higher entry barriers, benefitting TFG as one of the established players. The company plans to ramp up its swine production by 25-30% next year, supported by farm expansion investments made over the past two years. In addition, TFG expects its feed mill in Vietnam to be completed between 2026 and 2027, which should help improve the gross profit margin of its operations in the country.
- Impact of the trade agreement: Thailand to import raw material and pork from the US.** Importing corn could help reduce feed costs, given that global prices are about 5% lower than domestic costs. However, the quota and measures have not yet been revealed. Meanwhile, the import of pork from the US (around 1% of domestic consumption) is very limited, which should have minimal impact on the overall industry.
- Earnings expected to decrease in 2H25.** We expect earnings in 2H25 to decline hoh, pressured by: a) the downcycle in Thailand's swine prices, b) lower swine prices in Vietnam due to the African swine fever outbreak, and c) the weak economic environment in Thailand. However, earnings are projected to grow yoy, supported by the expansion of the livestock segment and retail business.

Valuation/Recommendation

- Maintain BUY with a target price of Bt7.20.** We adopt the PE valuation method and peg the stock to 8x 2026F PE, corresponding to TFG's five-year forward PE mean at -1SD, excluding the period of 4Q22-1Q23 which was characterised by unusual fluctuations in livestock price trends. We still like TFG and think that expanding the retail segment could help lower the volatility of commodity prices.

Earnings Revision/Risk

- None.

Share Price Catalyst

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

Environment, Social, Governance (ESG) Updates

CG Report: 5

SET ESG Rating: Non-rated

Environmental

- Net zero.** TFG aims to be a Net Zero company by 2065. It conducts business with a commitment to the efficient use of resources, ensuring operations are environmentally friendly and comply with legal requirements.

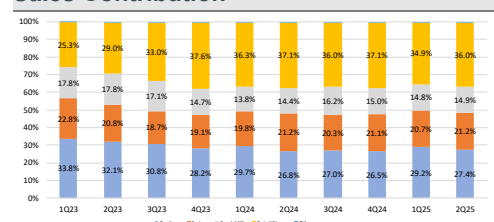
Social

- TFG is working to improve many dimensions of social responsibility.
- This includes the treatment of employees and human rights.

Governance

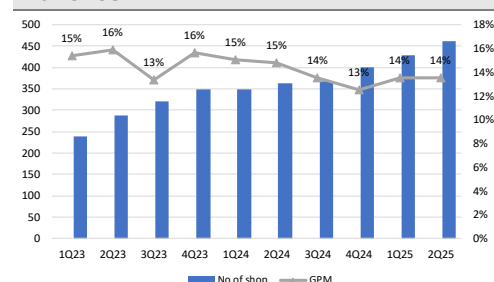
- Good governance practice.** TFG is committed to operating its business in accordance with good corporate governance policy and management excellence. It received the "Excellent" rating on good corporate governance from the Thai Institute of Directors.

Sales Contribution



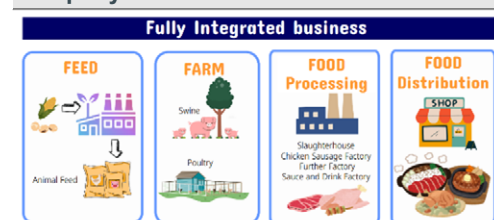
Source: TFG, UOB Kay Hian

Retail Business Gross Profit Margin & Branches



Source: TFG, UOB Kay Hian

Company Overview



Source: TFG, UOB Kay Hian

Swine Prices In Vietnam



Source: PIG333, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	65,482	71,693	74,417	79,296
EBITDA	8,374	14,662	11,651	11,978
Deprec. & amort.	3,619	3,550	3,541	3,435
EBIT	4,756	11,111	8,110	8,543
Total other non-operating income	0	0	0	0
Associate contributions	(31)	0	0	0
Net interest income/(expense)	(1,007)	(925)	(822)	(779)
Pre-tax profit	3,717	10,186	7,288	7,764
Tax	(319)	(1,528)	(1,275)	(1,359)
Minorities	26	26	29	30
Preferred dividends	0	0	0	0
Net profit	3,144	8,685	6,042	6,435
Net profit (adj.)	3,466	8,685	6,042	6,435

Balance Sheet

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	16,202	16,652	16,111	15,676
Other LT assets	8,792	8,986	9,075	9,236
Cash/ST investment	4,907	8,304	9,761	11,930
Other current assets	16,249	20,351	24,523	27,714
Total assets	46,149	54,293	59,471	64,556
ST debt	13,364	10,564	10,664	10,766
Other current liabilities	7,150	8,604	9,245	8,741
LT debt	6,921	8,259	8,195	8,917
Other LT liabilities	2,142	4,227	4,516	4,793
Shareholders' equity	16,448	22,509	26,718	31,202
Minority interest	51	51	51	51
Total liabilities & equity	46,149	54,293	59,471	64,556

Cash Flow

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	10,501	10,482	6,425	6,698
Pre-tax profit	3,118	10,186	7,288	7,764
Tax	319	1,528	1,275	1,359
Deprec. & amort.	3,658	3,550	3,541	3,435
Associates	0	0	0	0
Working capital changes	573	(4,190)	(5,226)	(5,280)
Non-cash items	0	(603)	(454)	(580)
Other operating cashflows	2,832	10	0	0
Investing	(1,080)	(4,000)	(3,000)	(3,000)
Capex (growth)	(1,287)	(4,000)	(3,000)	(3,000)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	207	0	0	0
Financing	(5,261)	(3,085)	(1,968)	(1,530)
Dividend payments	(494)	(2,598)	(1,804)	(1,922)
Issue of shares	0	0	0	0
Proceeds from borrowings	(1,657)	1,338	(65)	722
Loan repayment	(489)	(137)	462	184
Others/interest paid	(2,620)	(1,689)	(562)	(514)
Net cash inflow (outflow)	4,160	3,397	1,457	2,169
Beginning cash & cash equivalent	836	4,907	8,304	9,761
Changes due to forex impact	(90)	0	0	0
Ending cash & cash equivalent	4,907	8,304	9,761	11,930

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	12.8	20.4	15.7	15.1
Pre-tax margin	5.7	14.2	9.8	9.8
Net margin	4.8	12.1	8.1	8.1
ROA	6.8	17.4	11.5	11.7
ROE	19.6	45.6	28.6	27.5
Growth				
Turnover	25.2	37.0	42.2	51.6
EBITDA	(8.8)	59.7	26.9	30.4
Pre-tax profit	(38.8)	67.6	19.9	27.7
Net profit	(33.4)	83.9	28.0	36.3
Net profit (adj.)	0.0	150.6	(30.4)	6.5
EPS	(34.4)	49.5	4.0	10.8
Leverage				
Debt to total capital	123.0	83.4	70.4	63.0
Debt to equity	123.3	83.6	70.6	63.1
Net debt/(cash) to equity	93.5	46.7	34.0	24.8
Interest cover	8.3	15.8	14.2	15.4

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