Thai Union Group (TU TB)

2Q26 Results Preview: Unexciting Earnings Momemtum

HOLD (Maintained)	
Share Price	Bt11.90
Target Price	Bt12.80
Upside	7.56%

Highlights

- We foresee a 2Q26 core profit of Bt1,118m (-11.1% yoy and +36% qoq).
- Looking ahead, we expect ITC to drive stronger earnings growth in 2H26, while TU's profitability is likely to remain under pressure from higher raw material costs.
- Maintain HOLD with a target price of Bt12.80.

2Q26 Results Preview

Year to 31 Dec (Btm)	2Q26F	2Q25	1Q26	yoy(%)	qoq(%)
Sales	34,558	33,389	32,054	3.5%	7.8%
Gross Profit	6,773	6,567	5,825	3.1%	16.3%
SG&A/Sales	5,045	4,639	4,659	8.8%	8.3%
EBIT	1,949	2,140	1,364	-8.9%	43.0%
EBT	1,551	1,711	1,137	-9.3%	36.4%
Net profit	1,138	1,273	1,113	-10.6%	2.2%
Core profit	1,118	1,258	822	-11.1%	36.0%
Core EPS (Bt)	0.23	0.26	0.17	-11.1%	36.0%
Gross Margin (%)	19.6%	19.7%	18.2%	-0.1%	1.4%
%SG&A/revenue	14.6%	13.9%	14.5%	0.7%	0.1%
Net Margin (%)	3.3%	3.8%	3.5%	-0.5%	-0.2%

Source: TU, UOB Kay Hian

Analysis

- **Unexciting 2Q26 bottom line growth momentum but EBT could improve.** We expect Thai Union Group (TU) to report a net profit of Bt1,138m for 2Q26 (-10.6% yoy and +2.2 qoq). Excluding one-off items, we estimate 2Q26 core profit at Bt1,118m (-11.1% yoy and +36% qoq).
- **2Q26 gross margin to improve qoq.** We expect 2Q26 gross margin to be 19.6% (flat yoy, but up from 18.2% from 1Q26). The qoq improvement in gross profit is supported by the utilisation of low-cost inventory in stock. SG&A-to-sales in 2Q26 is forecast at 14.6%, up yoy and qoq, driven by: a) higher freight costs, b) tariff impacts, and c) marketing expenses. Interest expense is also expected to increase yoy and qoq.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	138,433.1	132,718.6	138,069.1	140,853.8	144,401.0
EBITDA	12,678.8	11,267.2	11,921.9	12,686.7	13,426.1
Operating profit	8,307.8	7,052.3	7,680.4	8,195.6	8,720.9
Net profit (rep./act.)	4,984.9	4,609.4	4,641.8	5,012.6	5,366.6
Net profit (adj.)	5,067.0	4,135.3	4,641.8	5,012.6	5,366.6
EPS	1.1	0.9	1.1	1.2	1.3
PE (x)	11.2	13.7	11.6	10.8	10.1
P/B (x)	1.2	1.3	1.2	1.1	1.1
EV/EBITDA (x)	10.1	11.1	10.4	9.7	9.2
Dividend yield (%)	5.2	4.8	5.1	5.5	5.9
Net margin (%)	3.6	3.5	3.4	3.6	3.7
Net debt/(cash) to equity(%)	121.9	127.5	121.4	117.8	114.0
Interest cover (x)	5.1	4.7	5.1	5.4	5.6
ROE (%)	7.7	7.4	7.3	7.7	8.1
Consensus net profit	n.a	n.a	4,606.8	5,024.4	5,422.3
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: THAI UNION GROUP PCL, Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	TU TB
Shares issued (m):	3,855.1
Market cap (Bt$m):	44,719.1
Market cap (US$m):	1,365.8
3-mth avg daily t'over (US$m):	5.7

Price Performance (%)

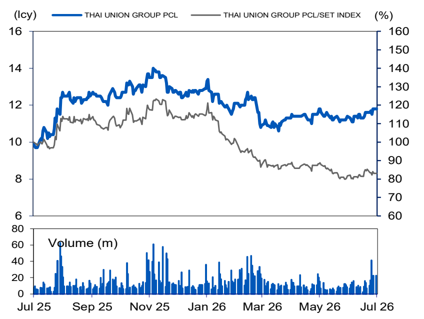
52-week high/low				Bt14.0/Bt9.0
1mth	3mth	6mth	1yr	YTD
2.6	(4.1)	(15.3)	8.4	(9.4)

Major Shareholders	%
Thai Union Group	79.30
Thai NVDR	2.68
VAYU1	1.43

Balance Sheet Metrics

FY26 NAV/Share (Bt)	11.0
FY26 Net Debt/Share (Bt)	13.3

Price Chart



Source: Bloomberg

Company Description

TU manufactures and exports frozen and canned seafood, including canned food, frozen food and snacks. It is also involved in pet food, value added product and animal feed.

- **Expect 3Q26 earnings to remain under pressure.** In 2Q26, we project that TU's profitability will remain strong, supported by ASP adjustments and low-cost tuna inventory. However, we foresee TU's 3Q26 earnings remaining under pressure, due to the anticipated increase in raw material costs qoq and yoy, which will impact to the profitability of the ambient segment. In addition, ongoing elevated interest and a high level of SG&A expenses are expected to weigh on profitability.
- **Update on Red Lobster case.** A trust representing Red Lobster's unsecured creditors sued TU in a Florida court, alleging that TU prioritised its own financial interests over the restaurant chain by requiring Red Lobster to buy increasing amounts of shrimp at above-market prices while limiting purchases from competing suppliers. We expect negative sentiment towards TU following this overhang news. We will continue to closely monitor these developments.

Earnings Revision/Risk

- No change to our forecasts.

Valuation/Recommendation

- **Maintain HOLD with a target price of Bt12.80** based on 2026 EPS. We peg its PE target to -1SD to its five-year mean, at 12x. Despite improving core profitability in 2Q26, earnings are expected to remain subdued due to elevated interest and SG&A expenses. Looking ahead, we expect ITC to drive stronger earnings growth in 2H26, while TU's profitability is likely to remain under pressure from higher raw material costs. In addition, legal claims related to Red Lobster are likely to remain a short-term overhang on TU's share price.

Share Price Catalyst

- a) Better-than-expected sales, b) slower-than-expected SGA-to-sales, c) lower raw material costs, and d) depreciation of the Thai baht.

Environmental, Social, Governance (ESG) Updates

CG Report: -
SET ESG Rating: -

Environmental

- SeaChange sustainability strategy by 2030. TU is one of the earliest companies to focus on sustainability improvement. The company aims to reduce 42% of greenhouse gas emissions by 2030 and become net zero by 2050.

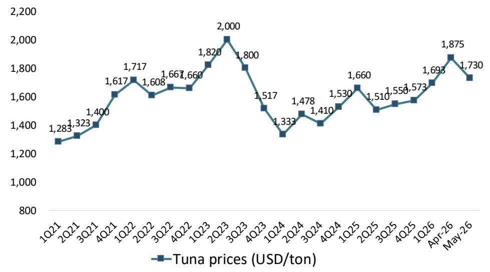
Social

- TU is working to improve many dimensions of social responsibility. This includes human rights and improved employee engagement.

Governance

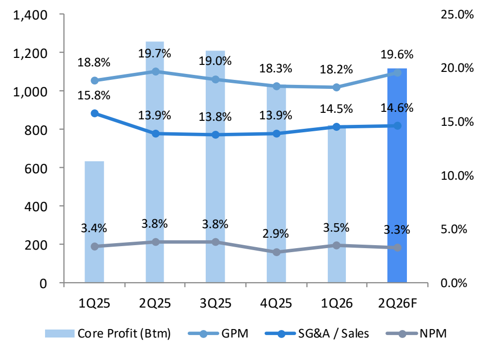
- TU is committed to conducting its business with transparency, responsibility, and business ethics including anti-corruption, respect for human rights, fair treatment, and responsibility to customers and consumers.

Tuna Prices (US$/tonne)



Source: ITC, UOB Kay Kian

Sales And Profitability



Source: TU, UOB Kay Kian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	132,719	138,069	140,854	144,401
EBITDA	11,267	11,922	12,687	13,426
Deprec. & amort.	4,215	4,242	4,491	4,705
EBIT	7,052	7,680	8,196	8,721
Total other non-operating income	0	0	0	0
Associate contributions	862	948	948	948
Net interest income/(expense)	(2,379)	(2,339)	(2,351)	(2,397)
Pre-tax profit	5,535	6,290	6,792	7,272
Tax	17	(629)	(679)	(727)
Minorities	(1,036)	(1,019)	(1,100)	(1,178)
Net profit	4,609	4,642	5,013	5,367
Net profit (adj.)	4,135	4,642	5,013	5,367

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	29,887	31,645	33,154	34,449
Other LT assets	45,530	45,741	45,955	46,171
Cash/ST investment	8,432	8,641	8,612	9,556
Other current assets	74,215	73,914	74,724	75,890
Total assets	158,064	159,942	162,445	166,066
ST debt	18,860	17,966	17,027	16,277
Other current liabilities	30,042	30,940	31,458	32,090
LT debt	46,565	47,370	49,114	51,608
Other LT liabilities	10,777	10,885	10,994	11,105
Shareholders' equity	44,704	46,683	48,855	51,166
Minority interest	7,379	6,360	5,260	4,082
Total liabilities & equity	158,326	160,204	162,707	166,328

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	4,592	9,979	9,107	9,433
Pre-tax profit	5,629	4,642	5,013	5,367
Tax	(709)	0	0	0
Deprec. & amort.	4,215	4,242	4,491	4,705
Associates	0	0	0	0
Working capital changes	(6,281)	1,096	(396)	(639)
Non-cash items	(3,890)	0	0	0
Other operating cashflows	5,629	0	0	0
Investing	(919)	(6,000)	(6,000)	(6,000)
Capex (growth)	(3,781)	(6,000)	(6,000)	(6,000)
Capex (maintenance)	0	0	0	0
Investments	2,017	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	845	0	0	0
Financing	(3,327)	(3,770)	(3,136)	(2,489)
Dividend payments	(2,795)	(2,663)	(2,841)	(3,055)
Issue of shares	(4,310)	0	0	0
Proceeds from borrowings	(15,869)	(88)	805	1,744
Loan repayment	0	0	0	0
Others/interest paid	19,647	(1,019)	(1,100)	(1,178)
Net cash inflow (outflow)	346	209	(29)	944
Beginning cash & cash equivalent	8,281	8,432	8,641	8,612
Changes due to forex impact	(195)	0	0	0
Ending cash & cash equivalent	8,432	8,641	8,612	9,556

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.5	8.6	9.0	9.3
Pre-tax margin	4.2	4.6	4.8	5.0
Net margin	3.5	3.4	3.6	3.7
ROA	2.7	2.7	2.9	3.1
ROE	7.4	7.3	7.7	8.1
Growth				
Turnover	(1.2)	2.8	4.8	7.5
EBITDA	6.2	12.4	19.6	26.6
Pre-tax profit	(16.5)	(5.1)	2.4	9.7
Net profit	(12.3)	(11.7)	(4.6)	2.1
Net profit (adj.)	(18.4)	12.2	8.0	7.1
EPS	(18.6)	(4.4)	3.3	10.6
Leverage				
Debt to total capital	125.6	123.2	122.2	122.9
Debt to equity	146.4	140.0	135.4	132.7
Net debt/(cash) to equity	127.5	121.4	117.8	114.0
Interest cover	4.7	5.1	5.4	5.6

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