Thai Union Group (TU TB)

2Q26: Earnings Beat Driven By Tariff Refund

HOLD (Maintained)	
Share Price	Bt13.10
Target Price	Bt13.30
Upside	1.53%
Previous TP	Bt12.80

Analyst(s)
Nichapa Ratchabandit
Nichapa@uobkh.co.th
+662 090 3366

Highlights

- TU's 2Q26 core profit came in at Bt1,364m, (+8.4% yoy and 65.9% qoq), exceeding both our and the market forecasts, driven by a record-high gross profit margin following the tariff refund.
- 3Q26 earnings are expected to decline qoq due to higher raw material input costs.
- Maintain HOLD with a higher target price of Bt13.30.

2Q26 Results

Year to 31 Dec (Btm)	2Q26	2Q25	1Q26	yoy	qoq	1H26	1H25	yoy
Sales	33,845	33,389	32,054	1.4%	5.6%	65,899.4	63,178.0	4.3%
Gross Profit	7,238	6,567	5,825	10.2%	24.3%	13,062.5	12,178.4	7.3%
SG&A	5,062	4,639	4,659	9.1%	8.7%	9,721.2	9,339.8	4.1%
EBIT	2,407	2,140	1,364	12.5%	76.5%	3,771.0	3,239.0	16.4%
EBT	1,979	1,711	1,137	15.6%	74.0%	3,116.3	2,516.1	23.9%
Net profit	1,264	1,273	1,113	-0.7%	13.5%	2,377.3	2,291.8	3.7%
Core profit	1,364	1,258	822	8.4%	65.9%	2,185.5	1,892.3	15.5%
Core EPS (Bt)	0.32	0.28	0.19	13.5%	65.9%	0.51	0.42	20.9%
Gross Margin (%)	21.4%	19.7%	18.2%	1.7%	3.2%	19.8%	19.3%	0.5%
%SG&A/revenue	15.0%	13.9%	14.5%	1.1%	0.4%	14.8%	14.8%	0.0%
Net Margin (%)	3.7%	3.8%	3.5%	-0.1%	0.3%	3.6%	3.6%	0.0%

Source: Thai Union Group, UOB Kay Hian

Analysis

- **Earnings beat.** Thai Union Group (TU) reported a 2Q26 net profit of Bt1,264m (-0.7% yoy, but +13.5% qoq). Excluding one-off items, core profit came in at Bt1,364m, (+8.4% yoy and 65.9% qoq), exceeding both our and the market forecasts. However, this data includes the tariff refund benefit.
- **Top-line recovered yoy and qoq.** Top-line in 2Q26 was reported at Bt33.8b (+1.4% yoy and +5.6% qoq). We saw a yoy improvement in sales across most segments, while the qoq increase was due to seasonality. Ambient sales were reported at Bt16.8b (+1.5% yoy, and +11.3% qoq). Frozen seafood sales came in at Bt10b (-0.4% yoy, +6.1% qoq). Pet food sales were Bt4.5b (+2.3% yoy, but -12.2% qoq). Value-added sales were reported at Bt2.5b (+5.8% yoy, and +5.2% qoq).
- **Gross profit margin rose yoy and qoq.** Gross profit margin was reported at 21.4% (2Q25: 19.7%, 1Q26: 18.2%). The yoy increase was due to tariff refund, while the qoq improvement was driven by seasonality.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	138,433.1	132,718.6	138,862.5	142,365.1	145,972.0
EBITDA	12,678.8	11,267.2	12,495.0	13,322.9	14,005.7
Operating profit	8,307.8	7,052.3	8,253.5	8,831.8	9,300.5
Net profit (rep./act.)	4,984.9	4,609.4	4,987.5	5,187.7	5,539.8
Net profit (adj.)	5,067.0	4,135.3	4,795.7	5,187.7	5,539.8
EPS	1.1	0.9	1.1	1.2	1.3
PE (x)	11.2	13.7	11.3	10.4	9.8
P/B (x)	1.2	1.3	1.2	1.1	1.0
EV/EBITDA (x)	10.1	11.1	9.9	9.2	8.8
Dividend yield (%)	5.2	4.8	5.4	5.7	6.0
Net margin (%)	3.6	3.5	3.6	3.6	3.8
Net debt/(cash) to equity(%)	121.9	127.5	120.2	117.2	113.3
Interest cover (x)	5.1	4.7	5.3	5.7	5.8
ROE (%)	7.7	7.4	7.8	8.0	8.4
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, Bloomberg, UOB Kay Hian

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 (%)

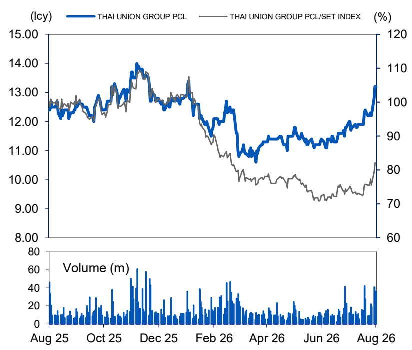
52-week high/low				Bt14.0/Bt9.0
1mth	3mth	6mth	1yr	YTD
2.6	(4.1)	(15.3)	8.4	(9.4)

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 products and animal feed.

- **Higher SG&A.** SG&A-to-sales in 2Q26 came in at 15.0%, growing both yoy and qoq, and exceeding the company's guidance of 13.5-14.5%. The increase in SG&A expenses was mainly driven by higher freight costs, increased marketing investments, and tariff-related expenses.

  TU announced a dividend payment of Bt0.40/share and ex-dividend date is on 14 Aug 26.
- **The company revised its 2026 guidance:** a) revised up sales growth guidance to 4-6% yoy (previously 3-4% yoy), b) revised up gross profit margin target to 19.5-20.5% (previously 19-20%), and c) revised down capex to Bt5.0b-5.5b (previously Bt5.0b-6.0b).
- **Update on tuna price trend.** Tuna prices are expected to average US$1,900/tonne in 3Q26 (+7.5% qoq, +22.6% yoy), before falling to US$1,800/tonne in 4Q26. Management expects prices to normalise further to around US$1,700/tonne in 2027. In terms of Super El Nino, it could support improved catch volumes in 4Q26, which should help to soften tuna prices.
- **New US tariff update.** Thailand is subject to a 12.5% tariff, effective 24 Jul 26, slightly above peers at 10%. The company believes the tariff differential remains manageable.
- **3Q26 earnings momentum.** TU foresees qoq sales growth across most business segments, with the ambient business entering its seasonal peak. Despite stronger sales, we forecast TU's gross profit margin declining qoq in 3Q26 to around 20%. Margin pressure is expected to come from higher raw material costs, particularly rising tuna costs, as the benefit from low-cost tuna inventory gradually diminishes. We project that 3Q26 core earnings will drop qoq, with 2Q26 likely representing the quarterly earnings peak of the year due to softer margins in 2H26. We continue to prefer ITC, given its stronger sales growth outlook, exposure to premiumisation and pet humanisation trends, and superior pricing power.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of Bt13.30,** based on 2026 EPS. We peg its PE target to -1SD to its five-year mean, at 12x. pressured by the upward trend in raw material costs in 2H26.

Earnings Revision/Risk

- We raise our 2026-27 earnings forecasts by 3-4% to reflect the stronger-than-expected core profit in 2Q26, driven by tariff refunds and higher sales from the pet food business. As a result, we now forecast 2026 core earnings of Bt4.8b.

Environmental, Social, Governance (ESG)

CG Report: 5
SET ESG Rating: AA

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.

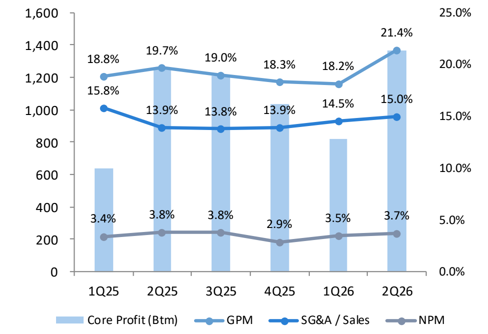
Social

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

Governance

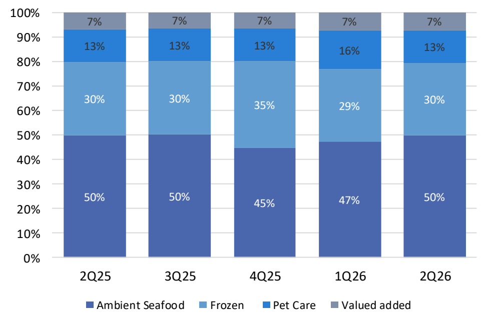
- TU is committed to conducting its business with transparency, responsibility, and business ethics including anti-corruption, respect for human rights, fair treatment, and responsibility to customers and consumers.

Sales And Profitability



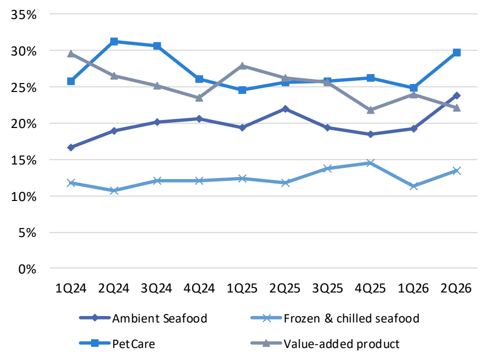
Source: TU, UOB Kay Kian

SALES BREAKDOWN



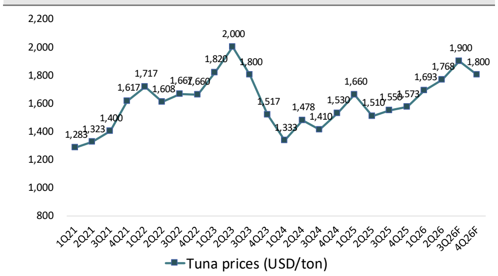
Source: TU, UOB Kay Kian

Gross Profit Margin



Source: TU, UOB Kay Kian

Tuna Prices



Source: TU, UOB Kay Kian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	132,719	138,862	142,365	145,972
EBITDA	11,267	12,495	13,323	14,006
Deprec. & amort.	4,215	4,242	4,491	4,705
EBIT	7,052	8,253	8,832	9,300
Total other non-operating income	0	0	0	0
Associate contributions	862	862	862	862
Net interest income/(expense)	(2,379)	(2,339)	(2,351)	(2,397)
Pre-tax profit	5,535	6,777	7,342	7,765
Tax	17	(881)	(954)	(1,009)
Minorities	(1,036)	(1,100)	(1,200)	(1,216)
Net profit	4,609	4,988	5,188	5,540
Net profit (adj.)	4,135	4,796	5,188	5,540

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	8,922	8,587	9,537
Other current assets	74,215	73,655	74,781	75,987
Total assets	158,064	159,964	162,477	166,144
ST debt	18,860	17,966	17,027	16,277
Other current liabilities	30,042	30,793	31,402	32,049
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	46,933	49,123	51,505
Minority interest	7,379	6,279	5,079	3,863
Total liabilities & equity	158,326	160,226	162,739	166,406

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	4,592	10,437	9,058	9,580
Pre-tax profit	5,629	4,988	5,188	5,540
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)	1,208	(621)	(665)
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)	(3,947)	(3,393)	(2,630)
Dividend payments	(2,795)	(2,759)	(2,997)	(3,158)
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	(1,100)	(1,200)	(1,216)
Net cash inflow (outflow)	346	490	(335)	950
Beginning cash & cash equivalent	8,281	8,432	8,922	8,587
Changes due to forex impact	(195)	0	0	0
Ending cash & cash equivalent	8,432	8,922	8,587	9,537

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.5	9.0	9.4	9.6
Pre-tax margin	4.2	4.9	5.2	5.3
Net margin	3.5	3.6	3.6	3.8
ROA	2.7	2.9	3.0	3.2
ROE	7.4	7.8	8.0	8.4
Growth				
Turnover	(1.2)	3.3	6.0	8.6
EBITDA	6.2	17.8	25.6	32.0
Pre-tax profit	(16.5)	2.2	10.7	17.1
Net profit	(12.3)	(5.1)	(1.3)	5.4
Net profit (adj.)	(18.4)	16.0	8.2	6.8
EPS	(18.6)	(1.2)	6.9	14.2
Leverage				
Debt to total capital	125.6	122.8	122.0	122.6
Debt to equity	146.4	139.2	134.6	131.8
Net debt/(cash) to equity	127.5	120.2	117.2	113.3
Interest cover	4.7	5.3	5.7	5.8

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link: https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."