

Record high profits around corners

- 2025E-26E net profits will reach record highs of THB1.0b marks
- Industry demand growth, higher utilization rate, and rising pet ownerships are key catalysts
- Initiated with a BUY and a TP of THB7.8

Poised to deliver record high net profits in 2025E-26E

AAI's net profit growth has been strong in 9M24, jumping 246% y-y to THB800m net profit on 29% y-y higher revenue but surging gross profit margin to 21.8%, up from 12.7% in 9M23. The key growth driver is the 42% y-y rise in the high-margin OEM pet food revenue to THB4.3b on 40% y-y rise in sales volume. Three key drivers are solid industry demand growth, higher margins on rising utilization rates, and increasing proportion of pet food sales.

Growth opportunity abounds in US and Thai markets

We think AAI still has ample growth opportunity in US and Thai markets with the combined revenue shares of AAI in US (62%) and Thailand (11%) at 73%, which are projected to grow at 3.7% CAGR in 2025E-29E for US and 9.5% CAGR for Thai markets. China market, while is expected to witness strong demand growth of 8.8% CAGR in 2025E-29E, is the highly competitive, red ocean market. Hence, AAI is unlikely to focus on China market at the moment.

Growths like “raining cats and dogs”

With 11% revenue share of total revenue in 9M24 in Thailand pet food market, we think AAI still has more room for growth on top of its export market. In Thailand, the % pet ownerships for cat and dog are only at 25.3% for cats and 11.8% for dogs and total number of cats and dogs are 4.7m cats and 9.13m dogs. AAI hence should benefit from the megatrend of pet humanization – loving pets as members of family.

Capacity expansion underway

We expect AAI to further increase its capacity to 59.5ktpa in 2025E-26E by investing THB1b for a new factory as well as the automative warehouse. In 2025E-26E, while capacity will rise by 30ktpa from the initial phase of the new factory expansion, we expect utilization rate to improve from 55% in 2024 to over 60% in 2025 on higher demands, according to the company. We project the average selling prices of pet food to stay float at THB169-thb171/kg, allowing the sales volume growth to drive up the net profit growths in 2025E-26E.

Initiated with a BUY and a TP of THB7.8

We initiated coverage on AAI with a BUY and a TP of THB7.8, based on 2-year P/E average of 14.5x. We think AAI's net profit to reach a new record high in 2025E-26E of THB1.0b mark will be gradually reflected in AAI's premium P/E of 14.5x vs its current 10x 2025E P/E. AAI's net profit growth and sustainability on global megatrend of pet humanization that should continue to drive up demand for pet food will support AAI's capacity expansion.

Analyst

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

ESG Rating : n.a.

CG Rating : ▲▲▲▲

BUY

Target Price 12M (THB)	7.80
VS. BB Consensus TP (%)	+7.6%
Share Price (THB)	5.35
Upside/Downside	+45.8%

Share Data

Market Cap (THB m)	11,368.75
Par (THB)	1.00
Free Float (%)	26.53
Issued shares (m shares)	2,125

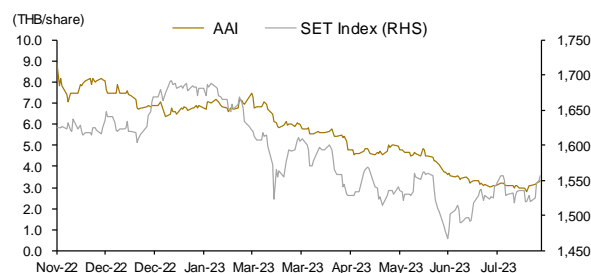
Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	5,439	6,269	6,806	7,402
Net profit	437	969	1,062	1,151
Core net profit	437	969	1,062	1,151
vs Consensus (%)	-	(3.7)	1.2	(4.2)
Net profit growth (%)	(49.1)	121.6	9.5	8.4
Core net profit growth (%)	(49.1)	121.6	9.5	8.4
EPS (THB)	0.21	0.46	0.50	0.54
Core EPS (THB)	0.21	0.46	0.50	0.54
Chg from previous (%)	-	0.00	0.00	0.00
DPS (THB)	0.18	0.18	0.25	0.27
P/E (x)	21.08	11.73	10.71	9.88
P/BV (x)	1.89	2.29	2.07	1.87
ROE (%)	7.02	2.10	3.23	5.40
Dividend yield (%)	4.15	3.34	4.67	5.06

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(12.30)	(20.74)	(3.60)	(12.30)
Market	(6.58)	(11.60)	(3.14)	(6.58)
12M High/Low (THB)				6.90 / 3.84



Major Shareholders (%) as of 20 Aug 2024

Asian Sea Corporation Public Company Limited	70.00
Thai NVDR Company Limited	9.03
Mr. Somsak Amornrattanachaikul	3.41

Company Profile

Original equipment manufacturer (OEM) and distributor of pet food, shelf-stable human food, and by-products of tuna processing.

Source: SETSMART, SET

Record high profits around the corners

Poised for record high net profits in 2025E-26E

AAI's net profit growth turns into upcycle after the prolonged industry de-stocking in 2023-1H24, posting a sequentially strong quarterly net profit growths and on track to post a near-record high net profit of THB0.9b in 2024E, slightly lower than its record high net profit of THB1.0b in 2022.

Three key drivers are solid industry demand growth, higher margins on rising utilization rates, and increase in proportion of pet food sales at the expense of lower human food revenue.

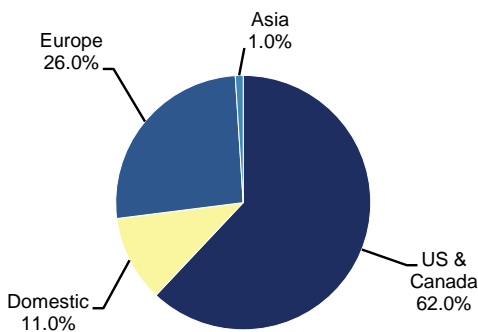
Growth#1: Industry demand growth remains rosy

The strong demand growth for pet food that has consistently driven up its utilization rate in 2024 to over 60% in 2024, up from 55% in 2023. As one of Thailand's leading wet pet food producers, AAI will continue to benefit from the strong demands for domestic and export markets.

AAI's revenue comes from domestic market at only 11% and export at 89%. US & Canada is AAI's largest market, accounting for 62% of total revenue in 9M24, followed by Europe (26%) and Asia (1%).

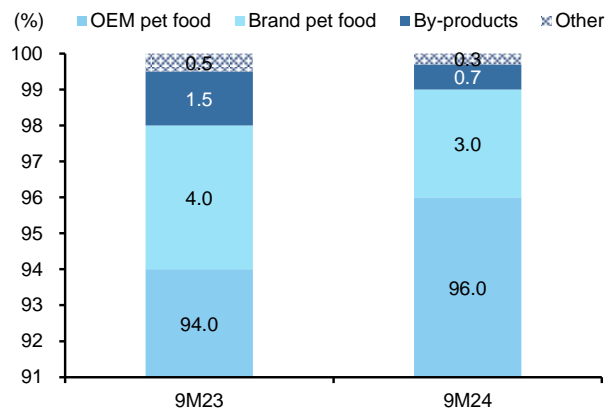
Most of exports are OEM pet food under clients' brands, with only 3% from brand pet food sold in domestic market. Hence, we think growth potentials for export remains large and for domestic market with only minuscule market share.

Exhibit 1: Revenue breakdown by market (9M24)



Sources: AAI

Exhibit 2: Revenue breakdown by products

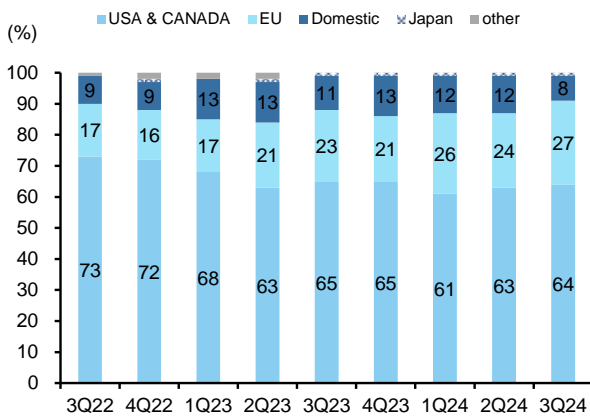


Sources: AAI

US is AAI's major market at 62% of revenue. In 2025E, compared to global revenue mix, AAI has a much higher revenue from US than global mix (AAI's 62% vs global 42%) while AAI's European revenue share of is slightly lower than global (26% vs 28%).

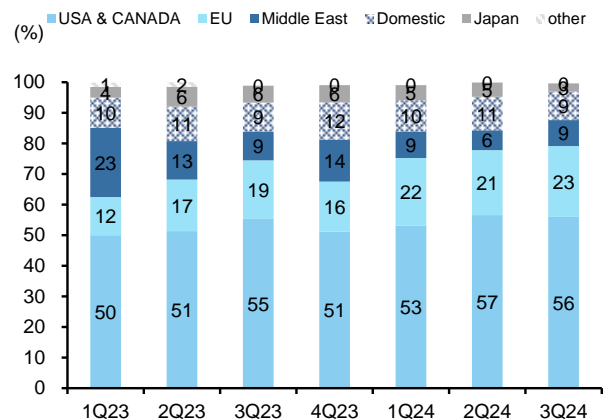
Asia ex-Thailand is AAI's tiny revenue share at only 1% compared to 16% for global revenue share. AAI has a large market share of 11% in Thailand, which contributes only 1% of global revenue in 2025E, thanks to AAI's strong production base and its cost-effective and production competitiveness.

Exhibit 3: AAI's sales breakdown by region



Sources: AAI

Exhibit 4: Global sales breakdown by region

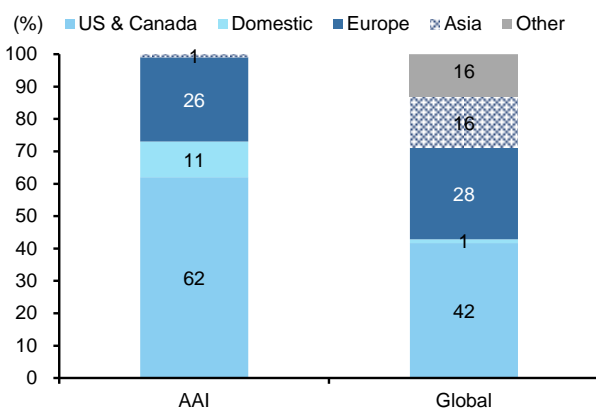


Sources: USDA

Growth opportunity abounds in US and Thai markets. The combined revenue shares of AAI in US (62%) and Thailand (11%) is 73% with European revenue share at 26% as the only risky market for demand due to the rising energy cost, high inflation, and the deteriorating competitiveness in both cost and capability as China's rising industries – EV, green energy, high-speed train, machinery – have already eroded the exports of many European countries, particularly Germany.

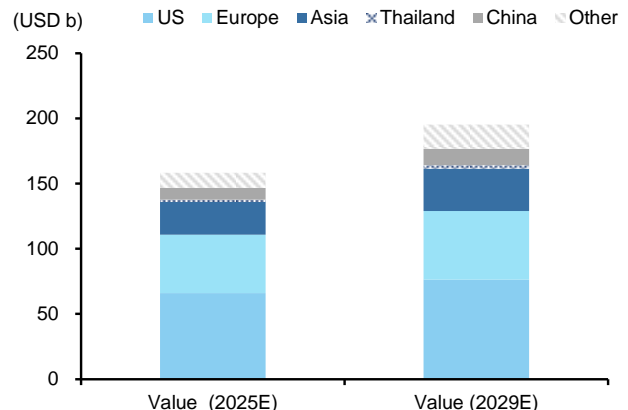
We think AAI still has ample growth opportunity in US and Thai markets, which are projected to grow at 3.7% CAGR in 2025E-29E for US and 9.5% CAGR for Thai markets. China market, while is expected to witness strong demand growth of 8.8% CAGR in 2025E-29E, is the highly competitive, red ocean market. Hence, AAI is unlikely to focus on China market at the moment.

Exhibit 5: % revenue breakdown (AAI vs global)



Sources: AAI; USDA

Exhibit 6: Global pet food revenue

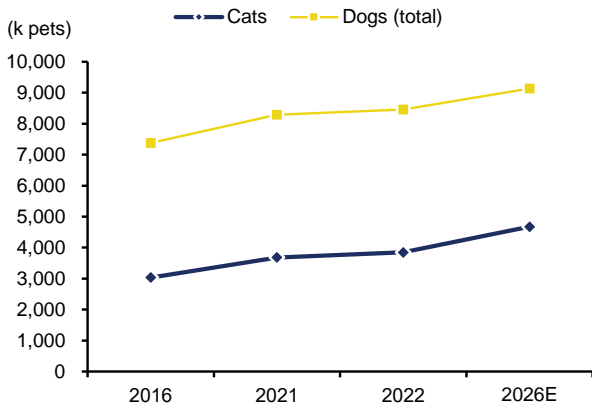


Sources: USDA

Growths#2: Growths like “raining cats and dogs”

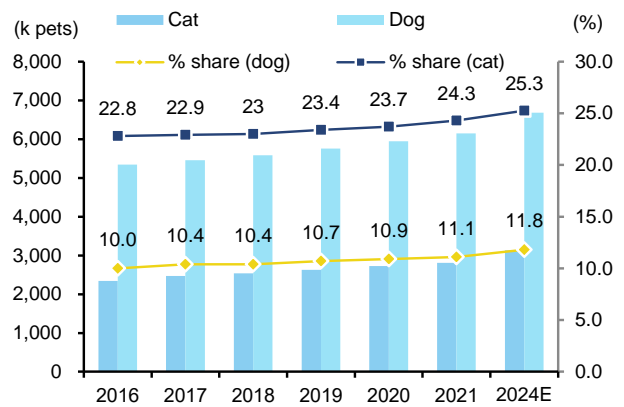
With 11% revenue share of total revenue in 9M24 in Thailand pet food market, we think AAI still has more room for growth on top of its export market. In Thailand, the % pet ownerships for cat and dog are only at 25.3% for cats and 11.8% for dogs and total number of cats and dogs are 4.7m cats and 9.13m dogs. AAI hence should benefit from the megatrend of pet humanization – loving pets as members of family.

Exhibit 7: Pet population in Thailand: number of animals



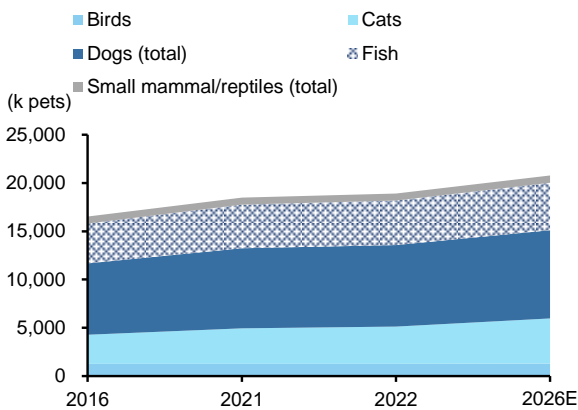
Sources: Euromonitor International 2023

Exhibit 8: PET ownership in Thailand: number of households (k pets) and (% share)



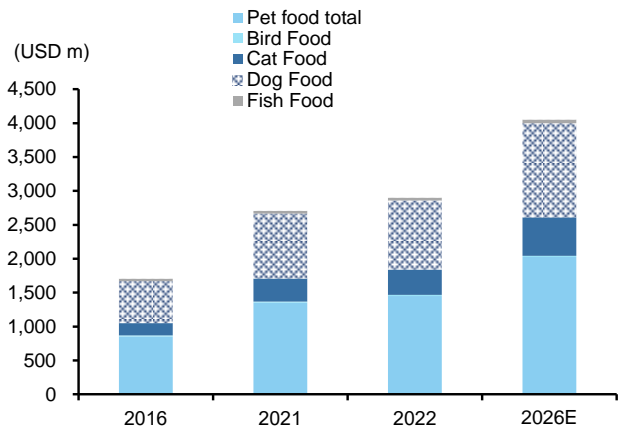
Sources: Euromonitor International 2023

Exhibit 9: Pet population in Thailand (k pets)



Sources: Euromonitor International 2023

Exhibit 10: Pet food in Thailand: retail sales



Sources: Euromonitor International 2023

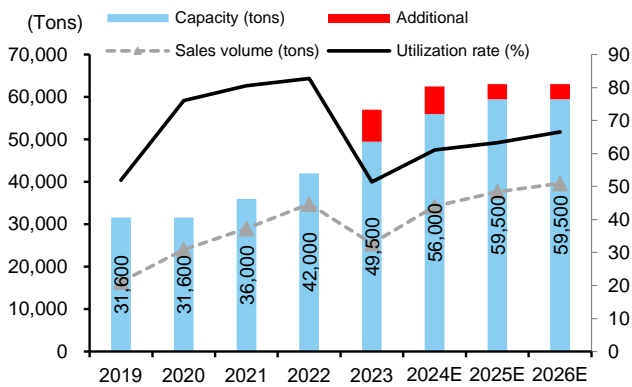
Growth#3: Capacity expansion underway

AAI has consistently expanded its capacity from 31ktpa in 2020 to 42ktpa in 2022, 49.5ktpa in 2023, and 56ktpa in 2024E. We expect AAI to further increase its capacity to 59.5ktpa in 2025E-26E by investing THB1b for a new factory as well as the automotive warehouse.

In 2025E-26E, while capacity will rise by 30ktpa from the initial phase of the new factory expansion, we expect utilization rate to improve from 55% in 2024 to over 60% in 2025 on higher demands, according to the company.

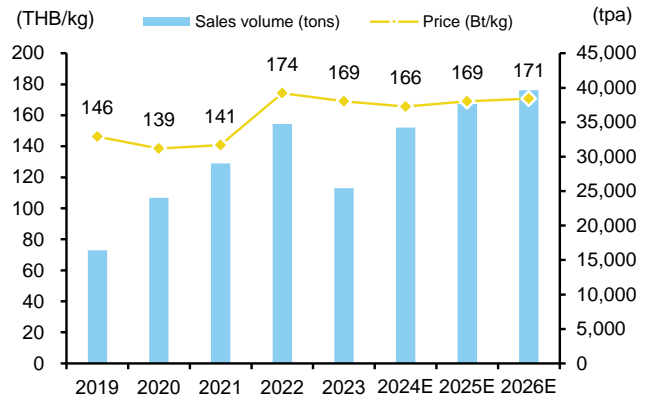
We project the average selling prices of pet food to stay float at THB169-171/kg, allowing the sales volume growth to drive up the net profit growths in 2025E-26E.

Exhibit 11: Capacity, sales volume, utilization rate



Sources: AAI; Globlex Research

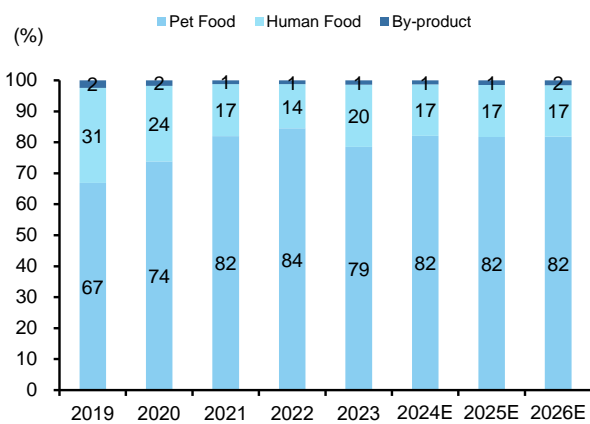
Exhibit 12: Sales volume vs price



Sources: AAI; Globlex Research

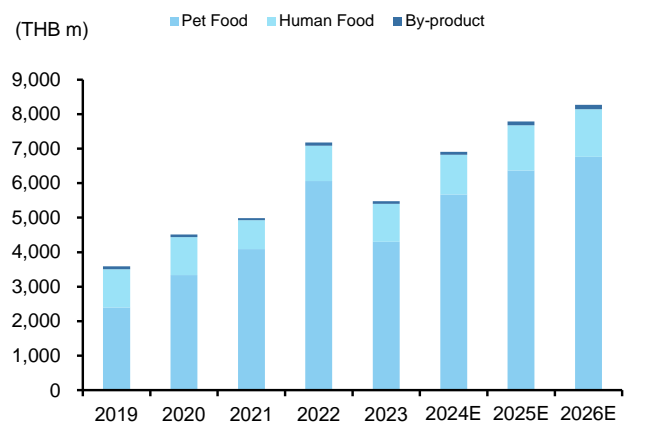
In addition, we expect the sustainably high proportion of the pet food sales at 82% in 2024E-26E to gradually improve the gross profit margins given the profitability of pet food is much higher than those of human food.

Exhibit 13: Sales revenue breakdown by segment (%)



Sources: AAI; Globlex Research

Exhibit 14: Sales revenue breakdown by segment



Sources: AAI; Globlex Research

Initiated with a BUY and a TP of THB7.8

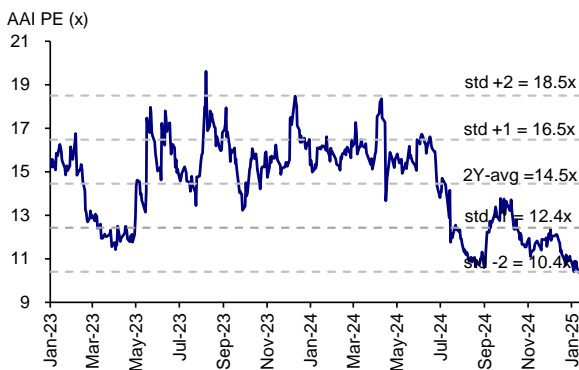
We initiated coverage on AAI with a BUY and a TP of THB7.8, based on 2-year P/E average of 14.5x. We think AAI's net profit to reach a new record high in 2025E-26E of THB1.0 mark will be gradually reflected in AAI's premium P/E of 14.5x vs its current 10x 2025E P/E. AAI's net profit growth and sustainability on global megatrend of pet humanization that should continue to drive up demand for pet food will support AAI's capacity expansion.

Exhibit 15: Valuation TP

2025E EPS (THB/shr)	0.54							
2025E Prospective P/E (x)	3SD	2SD	1SD	Mean	-1SD	2SD	3SD	
	20.5	18.5	16.5	14.5	12.5	10.5	8.5	
Target price (THB/share)	11.0	9.9	8.9	7.8	6.7	5.7	4.6	

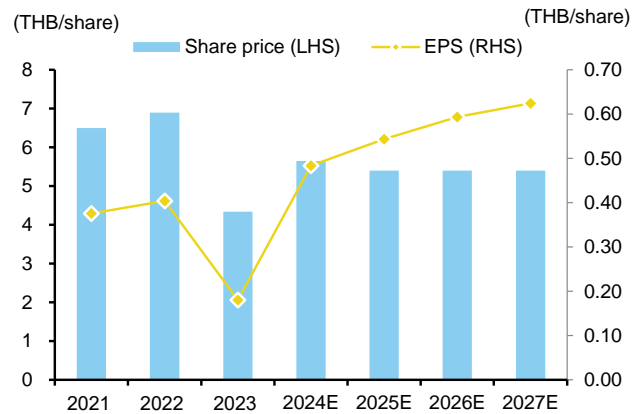
Sources: Bloomberg, Globlex Research

Exhibit 16: AAI's forward P/E



Sources: Bloomberg, Globlex Research

Exhibit 17: Share price vs EPS



Share price as of 28 Jan-25

Sources: AAI; Globlex Research;

Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Current assets					
Cash & ST investment	1,508	931	1,978	2,338	2,729
Account receivable	981	874	753	817	889
Inventories	1,754	1,301	1,602	1,735	1,887
Others	232	928	108	117	128
Non-current assets					
Net fixed assets	1,353	1,326	1,143	1,162	1,179
Others	251	230	358	373	390
Total Assets	6,080	5,591	5,941	6,543	7,201

Current liabilities					
Account payable	492	455	647	701	762
ST borrowing	0	0	0	0	0
Others	141	61	117	127	138
Long-term liabilities					
Long-term debts	200	0	0	0	0
Others	214	192	200	212	224
Total liabilities	1,046	708	965	1,039	1,124
Pai-up capital	2,125	2,125	2,125	2,125	2,125
Retained earnings	1,064	916	1,009	1,537	2,111
Others	1,840	1,840	1,840	1,840	1,840
Minority interest	5	2	2	2	2
Shareholders' equity	5,034	4,883	4,976	5,504	6,077

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
Growth (%YoY)					
Sales	42.9	(23.6)	15.2	8.6	8.8
Operating profit	40.2	(59.5)	150.3	10.0	8.8
EBITDA	35.2	(47.2)	90.0	8.8	7.8
Net profit	31.6	(49.1)	121.6	9.5	8.4
Core net profit	31.6	(49.1)	121.6	9.5	8.4
EPS	31.6	(49.1)	121.6	9.5	8.4
Core EPS	31.6	(49.1)	121.6	9.5	8.4
Profitability (%)					
Gross margin	19.9	13.2	21.8	22.0	22.0
Operation margin	13.3	7.0	15.3	15.5	15.5
EBITDA margin	15.7	10.9	17.9	17.9	17.8
Net margin	12.1	8.0	15.5	15.6	15.6
ROE	5.9	11.2	5.1	5.2	5.3
ROA	7.1	12.8	6.1	6.2	6.3
Stability					
Interest bearing debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Net debt/equity (x)	n.a.	n.a.	n.a.	n.a.	n.a.
Interest coverage (x)	26.1	24.7	(479.5)	(527.5)	(573.6)
Interest & ST debt coverage (x)	26.1	24.7	(479.5)	(527.5)	(573.6)
Cash flow interest coverage (x)	0.2	0.3	2.1	1.1	1.0
Current ratio (x)	7.1	7.8	5.8	6.1	6.3
Quick ratio (x)	3.9	3.5	3.6	3.8	4.0
Net debt (THB m)	(1,308)	(931)	(1,978)	(2,338)	(2,729)
Activity					
Asset turnover (X)	1.5	0.9	1.1	1.1	1.1
Days receivables	40.7	62.2	47.3	42.1	42.1
Days inventory	108.2	118.1	108.1	114.7	114.5
Days payable	32.3	36.6	41.0	46.4	46.3
Cash cycle days	116.6	143.8	114.4	110.5	110.3

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Revenue					
Revenue	7,124	5,439	6,269	6,806	7,402
Cost of goods sold	(5,709)	(4,720)	(4,902)	(5,309)	(5,773)
Gross profit	1,414	719	1,367	1,497	1,628
Operating expenses	(469)	(336)	(407)	(442)	(481)
Operating profit	945	383	959	1,055	1,147
EBIT	945	383	959	1,055	1,147
Depreciation	(174)	(208)	(163)	(166)	(170)
EBITDA	1,119	591	1,122	1,221	1,317
Non-operating income					
Other incomes	72	54	55	56	57
Other non-op income	4	31	0	0	0
Non-operating expense	(36)	(16)	2	2	2
Interest expense	(36)	(16)	2	2	2
Other non-op expense	0	0	0	0	0
Equity income/(loss)	1	1	1	1	1
Pre-tax Profit	985	453	1,016	1,113	1,207
Extraordinary items					
Current taxation	(126)	(14)	(46)	(50)	(54)
Minorities	0	(1)	(1)	(1)	(1)
Net Profit	859	437	969	1,062	1,151
Core net profit	859	437	969	1,062	1,151
EPS (THB)	0.40	0.21	0.46	0.50	0.54
Core EPS (THB)	0.40	0.21	0.46	0.50	0.54

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Operating cash flow					
Net profit	859	437	969	1,062	1,151
Depre. & amortization	174	208	163	166	170
Change in working capital	(527)	(206)	897	(132)	(149)
Others	(252)	(252)	0	0	0
Investment cash flow	(524)	(110)	(107)	(201)	(203)
Net CAPEX	(433)	(133)	21	(186)	(186)
Change in LT investment	(91)	23	(128)	(15)	(17)
Change in other assets	0	0	0	0	0
Free cash flow	(270)	77	1,922	895	968
Financing cash flow					
Change in share capital	430	(2)	(0)	(0)	(0)
Net change in debt	195	(270)	0	0	0
Dividend paid	(425)	(383)	(485)	(531)	(576)
Others	(1,392)	1,154	(2,484)	(725)	(784)
Net cash flow	(1,462)	577	(1,046)	(361)	(391)
Per share (THB)					
EPS	0.40	0.21	0.46	0.50	0.54
Core EPS	0.40	0.21	0.46	0.50	0.54
CFPS	0.49	0.30	0.53	0.58	0.62
BVPS	2.37	2.30	2.34	2.59	2.86
Sales/share	3.35	2.56	2.95	3.20	3.48
EBITDA/share	0.53	0.28	0.53	0.57	0.62
DPS	0.20	0.18	0.18	0.25	0.27
Valuation					
P/E (x)	17.07	21.08	11.73	10.71	9.88
P/BV (x)	2.92	1.89	2.29	2.07	1.87
Dividend yield (%)	2.90	4.15	3.34	4.67	5.06
Dividend payout ratio (%)	49.47	87.44	39.13	50.00	50.00

GENERAL DISCLAIMER

Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.