

## US tariff threat is real and rising

- Downside on US tariff as US market accounts for 5% of revenue
- While sales volume may retain, margins will be eroded on tariff hike
- Maintain BUY and cut TP from THB7.8 to THB5.1

### Rising risk from US pet food export

The 36% tariff announced by Trump on 8 July 2025 has shaken AAI's net profit growth outlook in 2H25 onwards given the risk for pet food export to US market, which accounts for 2/3 of its pet food sales in 1Q25. The recently completed new capacity of wet pet food in 2Q25 could further jeopardize AAI's net profit as depreciation expense will rise. The brand pet food (6.7% of total sales volume and 2.7% of revenue in 1Q25) could offset the impact on its export to US market.

### Dry pet food debut could be the next growth engine

The looming risk for higher US tariff is much more far-reaching than any other factors. Management is fully aware of this risk and is striving for other strategies to mitigate the risk, including 1) entering into dry pet food market; 2) diversify into Europe and Asian markets; and 3) negotiate with US customers to "share" the tariff burden among consumers/ customers/ AAI. In March 2025, AAI has started to produce dry pet food via its parent ASIAN Nutrition, both for its own brand "Hajiko" and "Pro" and for OEM customers.

### Global pet food market: US exports to China and the world

US pet food exporters are facing challenges on tariffs on imported products, on top of tariffs on steel and aluminum, industrial goods and agricultural products. Retaliatory tariffs on US animal-based ingredients or finished pet food products. As Canada, China, and Mexico collectively account for 70% of US pet food exports, the trade disputes among US and these three countries could erode US pet food exports, in turn export demands for Thai pet food producers.

### US exports dry pet food but imports wet pet food (from AAI)

In 2024, US saw the export recovery for its pet food, particularly to China market which saw 15% y-y rebound to USD296m after 2.5% y-y drop in 2023. South east Asia witnessed 7.5% y-y growth but Canada remains US largest pet food market worth USD1.2b in 2024. Mexico is the third largest market at USD234m. We think AAI may have to sacrifice its profitability, which stands at 18.5% GPM, 13.1% operating profit margin, and 13.85 net profit margin in 1Q25.

### Until the risk subsides, we remain highly cautious

We maintain BUY but cut our TP from THB7.8 to THB5.1, still based on 14.5x 2025E P/E. We turned more cautious on AAI's net profit outlook on the tariff risk for its US export sales, which accounts for 60% of AAI's pet food (87% of total revenue) and 5% of human food revenue (12.2%) in 1Q25. We cut our EPS forecasts for 2025-27 by 24-30% on our assumptions that AAI will have to share the tariff burden with its US customers, thereby eroding its profitability.

#### Analyst

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ESG Rating : n.a.

CG Rating : ▲▲▲▲

## BUY

<b>Target Price 12M (THB)</b>	<b>5.10</b>
VS. BB Consensus TP (%)	-3.2%
Share Price (THB)	4.16
Upside/Downside	+22.6%

#### Share Data

Market Cap (THB m)	8,840.00
Par (THB)	1.00
Free Float (%)	26.53
Issued shares (m shares)	2,125

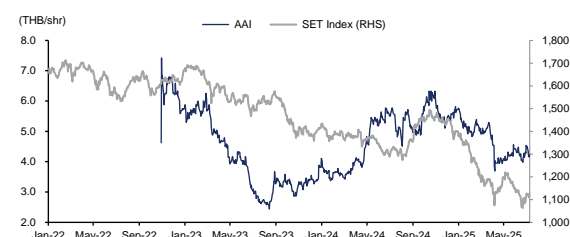
#### Financial forecast

YE Dec (THB m)	2024	2025E	2026E	2027E
Revenue	6,849	6,621	7,210	7,851
Net profit	1,003	746	841	948
Core net profit	1,048	746	841	948
vs Consensus (%)		(17.0)	(14.6)	(12.3)
Net profit growth (%)	162.2	(25.7)	12.8	12.7
Core net profit growth (%)	139.5	(28.8)	12.8	12.7
EPS (THB)	0.47	0.35	0.40	0.45
Core EPS (THB)	0.49	0.35	0.40	0.45
Chg from previous (%)		(29.77)	(26.92)	(24.04)
DPS (THB)	0.18	0.18	0.20	0.22
P/E (x)	12.92	11.85	10.51	9.33
P/BV (x)	2.53	1.69	1.63	1.57
ROE (%)	2.10	3.23	5.40	4.48
Dividend yield (%)	2.93	4.22	4.76	5.36

Source: Financial Statement and Globlex securities

#### Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(3.26)	5.58	(28.28)	(31.80)
Market	(1.09)	3.47	(11.96)	(14.00)
12M High/Low (THB)				6.90 / 3.76



#### Major Shareholders (%) as of

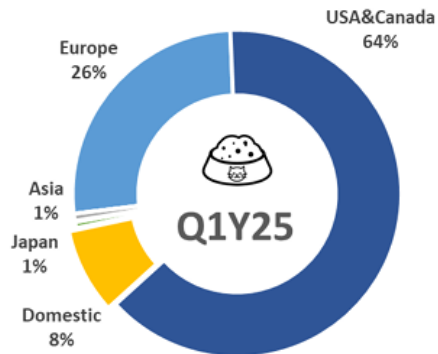
Asian Sea Corporation Public Company Limited	70.00
Mr. Somsak Amornrattanachaiikul	3.82
Miss Siripat Amornrattanachaiikul	3.38

#### Company Profile

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

Source: SETSMART, SET

Exhibit 1: Pet food's revenue breakdown by country



Sources: AAI

Exhibit 2: Pet food's revenue breakdown by segment



Sources: AAI

Exhibit 3: Dry pet food products of "Hajiko"



Sources: AAI

Exhibit 4: Dry pet food products of "Pro"



Chart or other exhibit

Sources: AAI

Exhibit 5: Key assumption changes

(THB m)	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	6,621	7,210	7,851	6,621	7,210	7,851	0.0	0.0	0.0
Gross profit	1,125	1,262	1,413	1,457	1,586	1,727	(22.7)	(20.5)	(18.2)
Operating profit	695	793	903	1,026	1,118	1,217	(32.3)	(29.0)	(25.8)
Net profit	746	841	948	1,062	1,151	1,247	(29.8)	(26.9)	(24.0)
EPS (THB/share)	0.35	0.40	0.45	0.50	0.54	0.59	(29.8)	(26.9)	(24.0)
<b>Key assumptions</b>									
Gross profit margin (% pts change)	17.0	17.5	18.0	22.0	22.0	22.0	5.0	4.5	4.0
Operating profit margin (% pts change)	11.3	11.7	12.1	15.5	15.5	15.5	4.2	3.8	3.4
Net profit margin (% pts change)	11.3	11.7	12.1	16.0	16.0	15.9	4.7	4.3	3.8

Sources: AAI; Globlex Research

Balance sheet (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Current assets</b>					
Cash & ST investment	931	849	2,038	2,005	2,034
Account receivable	874	1,180	795	866	943
Inventories	1,301	1,450	1,796	1,944	2,104
Others	928	893	114	124	136
<b>Non-current assets</b>					
Net fixed assets	1,326	1,360	1,368	1,389	1,406
Others	230	210	213	229	247
<b>Total Assets</b>	<b>5,591</b>	<b>5,941</b>	<b>6,323</b>	<b>6,557</b>	<b>6,870</b>

<b>Current liabilities</b>					
Account payable	455	534	726	786	850
ST borrowing	0	0	0	0	0
Others	61	84	150	142	154
<b>Long-term liabilities</b>					
Long-term debts	0	0	0	0	0
Others	192	202	203	215	227
<b>Total liabilities</b>	<b>708</b>	<b>820</b>	<b>1,079</b>	<b>1,142</b>	<b>1,231</b>
Pai-up capital	2,125	2,125	2,125	2,125	2,125
Retained earnings	916	1,155	1,278	1,448	1,672
Others	1,840	1,842	1,842	1,842	1,842
Minority interest	2	0	0	0	0
<b>Shareholders' equity</b>	<b>4,883</b>	<b>5,121</b>	<b>5,244</b>	<b>5,415</b>	<b>5,639</b>

Key ratios					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Growth (%YoY)</b>					
Sales	(23.6)	25.9	(3.3)	8.9	8.9
Operating profit	(59.5)	168.1	(32.3)	14.1	13.8
EBITDA	(47.2)	111.7	(31.1)	11.8	11.8
Net profit	(55.5)	162.2	(25.7)	12.8	12.7
Core net profit	(49.1)	139.5	(28.8)	12.8	12.7
EPS	(55.5)	162.2	(25.7)	12.8	12.7
Core EPS	(49.1)	139.5	(28.8)	12.8	12.7
<b>Profitability (%)</b>					
Gross margin	13.2	20.4	17.0	17.5	18.0
Operation margin	7.0	15.0	10.5	11.0	11.5
EBITDA margin	10.9	18.3	13.0	13.4	13.7
Net margin	7.0	14.7	11.3	11.7	12.1
ROE	12.8	5.1	7.0	6.4	6.0
ROA	14.6	5.9	8.5	7.8	7.3
<b>Stability</b>					
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)	25	85	(348)	(397)	(451)
Interest & ST debt coverage (x)	25	85	(348)	(397)	(451)
Cash flow interest coverage (x)	0.5	0.8	1.6	0.5	0.6
Current ratio (x)	7.8	7.1	5.4	5.3	5.2
Quick ratio (x)	3.5	3.3	3.2	3.1	3.0
Net debt (THB m)	(931)	(849)	(2,038)	(2,005)	(2,034)
<b>Activity</b>					
Asset turnover (X)	0.9	1.2	1.1	1.1	1.2
Days receivables	62.2	54.7	54.4	42.0	42.0
Days inventory	118.1	92.1	107.8	114.8	114.8
Days payable	36.6	33.1	41.8	46.4	46.4
Cash cycle days	143.8	113.7	120.4	110.4	110.4

Profit & loss (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Revenue</b>					
Revenue	5,439	6,849	6,621	7,210	7,851
Cost of goods sold	(4,720)	(5,449)	(5,495)	(5,949)	(6,438)
<b>Gross profit</b>	<b>719</b>	<b>1,400</b>	<b>1,125</b>	<b>1,262</b>	<b>1,413</b>
Operating expenses	(336)	(373)	(430)	(469)	(510)
<b>Operating profit</b>	<b>383</b>	<b>1,027</b>	<b>695</b>	<b>793</b>	<b>903</b>
<b>EBIT</b>	<b>383</b>	<b>1,027</b>	<b>695</b>	<b>793</b>	<b>903</b>
Depreciation	(208)	(223)	(166)	(170)	(173)
<b>EBITDA</b>	<b>591</b>	<b>1,250</b>	<b>861</b>	<b>963</b>	<b>1,076</b>
<b>Non-operating income</b>					
Other incomes	54	77	78	80	81
Other non-op income	31	49	0	0	0
<b>Non-operating expense</b>	<b>(16)</b>	<b>(12)</b>	<b>2</b>	<b>2</b>	<b>2</b>
Interest expense	(16)	(12)	2	2	2
Other non-op expense	0	0	0	0	0
<b>Equity income/(loss)</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Pre-tax Profit</b>	<b>453</b>	<b>1,146</b>	<b>781</b>	<b>881</b>	<b>992</b>
Extraordinary items	(54.7)	(44.2)	0.0	0.0	0.0
Current taxation	(13.8)	(98.6)	(35.1)	(39.6)	(44.6)
Minorities	(1.4)	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>383</b>	<b>1,003</b>	<b>746</b>	<b>841</b>	<b>948</b>
<b>Core net profit</b>	<b>437</b>	<b>1,048</b>	<b>746</b>	<b>841</b>	<b>948</b>
<b>EPS (THB)</b>	<b>0.18</b>	<b>0.47</b>	<b>0.35</b>	<b>0.40</b>	<b>0.45</b>
<b>Core EPS (THB)</b>	<b>0.21</b>	<b>0.49</b>	<b>0.35</b>	<b>0.40</b>	<b>0.45</b>

Cash flow (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Operating cash flow</b>					
Net profit	383	1,003	746	841	948
Depre. & amortization	208	223	166	170	173
Change in working capital	(206)	(313)	1,078	(165)	(159)
Others	(34)	(285)	(250)	(250)	(250)
<b>Investment cash flow</b>	<b>(110)</b>	<b>(171)</b>	<b>(178)</b>	<b>(207)</b>	<b>(209)</b>
Net CAPEX	(133)	(196)	(174)	(190)	(191)
Change in LT investment	23	25	(4)	(17)	(18)
Change in other assets	0	0	0	0	0
<b>Free cash flow</b>	<b>241</b>	<b>458</b>	<b>1,562</b>	<b>388</b>	<b>503</b>
<b>Financing cash flow</b>					
Change in share capital	(2)	(2)	0	0	0
Net change in debt	(270)	0	0	0	0
Dividend paid	(383)	(502)	(373)	(421)	(474)
Others	990	129	(2,378)	65	(58)
<b>Net cash flow</b>	<b>577</b>	<b>82</b>	<b>(1,189)</b>	<b>32</b>	<b>(29)</b>

Per share (THB)					
EPS	0.18	0.47	0.35	0.40	0.45
Core EPS	0.21	0.49	0.35	0.40	0.45
CFPS	0.30	0.60	0.43	0.48	0.53
BVPS	2.30	2.41	2.47	2.55	2.65
Sales/share	2.56	3.22	3.12	3.39	3.69
EBITDA/share	0.28	0.59	0.41	0.45	0.51
DPS	0.18	0.18	0.18	0.20	0.22
<b>Valuation</b>					
P/E (x)	24.10	12.92	11.85	10.51	9.33
P/BV (x)	1.89	2.53	1.69	1.63	1.57
Dividend yield (%)	4.15	2.93	4.22	4.76	5.36
Dividend payout ratio (%)	99.94	37.80	50.00	50.00	50.00



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### Analyst Certification

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

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