

25 JANUARY 2021

THAILAND / CONSUMER STAPLES

SIAM MAKRO MAKRO TB

BUY
UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB50.00 |
| CLOSE | THB39.00 |
| UP/DOWNSIDE | +28.2% |
| PRIOR TP | THB50.00 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | +10.1% |

SSSG เป็นบวกแม้ว่าเศรษฐกิจมหภาคจะอ่อนแอ

อาจเป็นบริษัทค้าปลีกเพียงแห่งเดียวที่รายงาน SSSG เป็นบวกใน 4Q20

จากบริษัทค้าปลีกที่เราศึกษาทั้งหมด MAKRO อาจเป็นบริษัทเดียวที่รายงาน SSSG เป็นบวกใน 4Q20 บริษัท คาดว่าการเติบโตของยอดขายสาขาเดิม (SSSG) จะอยู่ที่ 3-4% ในเดือน ต.ค. - พ.ย. 20 ก่อนชะลอตัวลงเป็นลบที่ -3% ในเดือน ธ.ค. 20 จากความต้องการที่อ่อนแอในกลุ่มธุรกิจโรงแรม ร้านอาหาร และจัดเลี้ยง (Horeca) หลังนักท่องเที่ยวหายไป ในภาพรวมเราคาดว่า SSSG เติบโตที่ 1% ใน 4Q20 ซึ่งจะช่วยให้ SSSG เป็นบวกที่ 2.1% ในปี 2020 เราคาดว่าอัตรากำไรขั้นต้นของบริษัท จะทรงตัว y-y ที่ 11.1% แต่เพิ่ม 40bps q-q โดยแรงผลักดันจากฤดูเฉลิมฉลอง ซึ่งโดยปกติจะทำให้ยอดขายสินค้าที่มีอัตรากำไรสูงเพิ่มขึ้น ยกตัวอย่างเช่น สินค้านำเข้า การแพร่ระบาด COVID-19 รอบใหม่ไม่ควรจะทำให้ค่าใช้จ่ายในการขายและการบริหารเพิ่มสูงขึ้น เนื่องจาก MAKRO ได้มีการใช้มาตรฐานความปลอดภัยในระดับสูงในสาขาของบริษัท อย่างไรก็ตามตั้งแต่ 2Q20 โดยรวมเราคาดว่ากำไรสุทธิ 4Q20 จะอยู่ที่ 2.0 พัน ลบ. (+26% q-q, -4% y-y)

คาดการณ์ดำเนินงานโดดเด่นต่อเนื่องในปี 2021

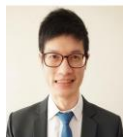
นอกจาก 4Q20 ช่วง 1Q21 อาจเป็นอีกไตรมาสที่มีความท้าทายสำหรับ MAKRO ในการรายงาน SSSG เป็นบวก y-y อย่างต่อเนื่อง เนื่องจากบริษัท ดำเนินกิจการตามปกติในเดือน ม.ค. - ก.พ. 20 และลูกค้าก็กดดันสินค้าในเดือน มี.ค. 20 จากโควิดที่เกิดขึ้นอย่างไรก็ดี เรายังมั่นใจว่า MAKRO จะสามารถรายงานผลประกอบการที่โดดเด่น เทียบกับบริษัทอื่นในกลุ่ม ด้วยเหตุผลดังต่อไปนี้: 1) ส่วนแบ่งธุรกิจ O2O ที่คาดว่าจะเพิ่มจาก 12% ในปี 2019 เป็น 27% ใน 4Q20 อาจช่วยสนับสนุนยอดขายและพัฒนาอัตรากำไรสุทธิจากต้นทุนค่าใช้จ่ายที่ลดลง ซึ่งจะทำให้ MAKRO สามารถบริหารพื้นที่ที่มีประสิทธิภาพมากยิ่งขึ้นโดยขายสินค้าสามัญบางรายการผ่านช่องทางออนไลน์เท่านั้นและทดแทนสินค้าดังกล่าวด้วยสินค้าอาหารที่มีความน่าสนใจ; 2) ความต้องการทางอ้อมจากมาตรการกระตุ้นเศรษฐกิจ; และ 3) ความเสี่ยงขาขึ้นจากการผ่อนคลายนโยบายปิดเมืองและการกลับมาของนักท่องเที่ยวต่างชาติ

ประโยชน์ทางอ้อมจากโครงการเราชนะเพิ่มขึ้น

โครงการกระตุ้นเศรษฐกิจ "เราชนะ" ที่เพิ่งออกมาเมื่อไม่นานมานี้ควรเป็นอีกปัจจัยหนุนสำคัญในช่วง 1H21 เราคาดว่า MAKRO จะได้รับประโยชน์จากทางอ้อมจากการใช้จ่ายรวมในโครงการดังกล่าวที่คาดว่าจะสูงถึง 210 พัน ลบ. (เทียบกับ 105 พัน ลบ. จากโครงการคนละครึ่งระยะที่ 1 และ 2) โดยเราเชื่อว่า MAKRO อาจเป็นบริษัทค้าปลีกเพียงแห่งเดียวที่ได้ประโยชน์ทางอ้อมจากร้านขายของชำ ดังจะเห็นได้จากประมาณการของเราสำหรับ 4Q20 ซึ่งคาดว่า MAKRO จะรายงาน SSSG ที่ 1% เทียบกับ -5% ถึง -20% สำหรับผู้ค้าปลีกรายอื่น ๆ

คำแนะนำซื้อที่ราคาเป้าหมาย 50 บาท

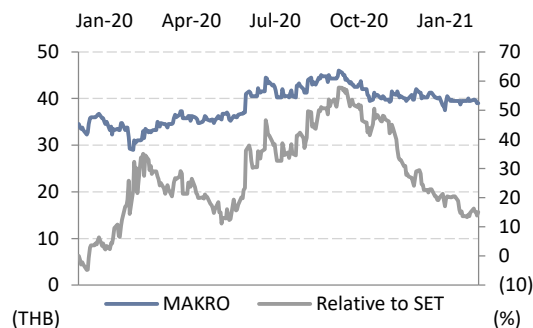
เราปรับประมาณการกำไรปี 2020 ของเราขึ้น 3.8% เพื่อสะท้อนแนวโน้ม SSSG ที่ดีใน 4Q20 MAKRO เป็นหุ้นค้าปลีกที่เราชอบในช่วง 3 เดือนข้างหน้า เนื่องจากบริษัท อาจได้ประโยชน์ทางอ้อมจากความต้องการที่เปลี่ยนจากห้างสมัยใหม่ไปร้านขายของชำหลังมาตรการกระตุ้นเศรษฐกิจล่าสุด



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KEY STOCK DATA

| YE Dec (THB m) | 2019 | 2020E | 2021E | 2022E |
|----------------------|---------|---------|---------|---------|
| Revenue | 210,627 | 219,150 | 242,164 | 269,595 |
| Net profit | 6,245 | 6,411 | 7,331 | 8,138 |
| EPS (THB) | 1.30 | 1.34 | 1.53 | 1.70 |
| vs Consensus (%) | - | (0.9) | 2.5 | 3.5 |
| EBITDA | 10,928 | 11,308 | 12,193 | 13,404 |
| Core net profit | 6,245 | 6,411 | 7,331 | 8,138 |
| Core EPS (THB) | 1.30 | 1.34 | 1.53 | 1.70 |
| Chg. In EPS est. (%) | - | 3.8 | 0.5 | (0.2) |
| EPS growth (%) | 5.1 | 2.7 | 14.3 | 11.0 |
| Core P/E (x) | 30.0 | 29.2 | 25.5 | 23.0 |
| Dividend yield (%) | 2.5 | 2.4 | 2.7 | 3.0 |
| EV/EBITDA (x) | 17.5 | 16.8 | 15.4 | 14.0 |
| Price/book (x) | 9.2 | 8.5 | 7.7 | 7.0 |
| Net debt/Equity (%) | 14.8 | 9.6 | 2.4 | 0.6 |
| ROE (%) | 32.0 | 30.3 | 31.6 | 32.0 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|--------------|---------|----------|
| Absolute (%) | 1.3 | (4.3) | 8.3 |
| Relative to country (%) | (3.7) | (22.5) | 13.9 |
| Mkt cap (USD m) | 6,241 | | |
| 3m avg. daily turnover (USD m) | 1.5 | | |
| Free float (%) | 7 | | |
| Major shareholder | CP ALL (93%) | | |
| 12m high/low (THB) | 46.25/27.00 | | |
| Issued shares (m) | 4,800.00 | | |

Sources: Bloomberg consensus; FSSIA estimates

Investment thesis

MAKRO is the only modern trade player in the wholesale market. The main competitors are fresh markets, such as "Talaad Thai," the largest wholesale market for the trade of agricultural goods, and we believe MAKRO has the ability to gain a greater share. We believe MAKRO's strategy of focusing on a smaller sized food service format while developing its online platform is sound. MAKRO received a good response from its secret ingredients campaign during the COVID-19 lockdown from end-customers.

MAKRO's free float at 7% (CP All (CPALL TB, BUY) has a 93% stake) is a constraint, and drives its valuation down to a more discounted level than its peers. If CPALL were to float more shares at higher than its carrying cost of THB46.9 (THB39.3 acquisition price plus 3% interest rate), it would be positive catalyst for the share price, in our view.

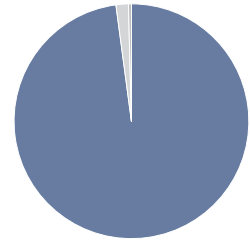
Company profile

Makro is the largest cash-and-carry operator in Thailand. CP All has a 93% stake but wants to reduce this to about 60% to help cut its debt from the acquisition; we think an increase in free float would be positive for Makro's share price.

www.siammakro.co.th

Principal activities (revenue, 2019)

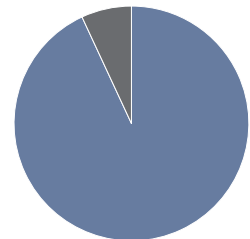
- Sales - 97.9 %
- Service income - 1.7 %
- Other Income - 0.4 %



Source: Siam Makro

Major shareholders

- CP ALL - 93.1 %
- Others - 6.9 %



Source: Siam Makro

Catalyst

Potential catalysts include the faster-than-expected turnaround of its overseas operations and a better-than-expected macro-outlook in Thailand.

Risk to our call

The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) lower-than-expected GPM improvement; and 3) operation losses from its overseas business.

Event calendar

| Date | Event |
|---------------|---------------------------|
| February 2021 | 4Q20 results announcement |

Key assumptions

| | 2020E | 2021E | 2022E |
|------------------|-------|-------|-------|
| | (%) | (%) | (%) |
| SSSG | 2.0 | 6.0 | 5.0 |
| New store growth | 1.5 | 4.2 | 4.1 |
| GPM | 10.4 | 10.7 | 10.8 |
| SG&A to sales | 8.4 | 8.6 | 8.5 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG we estimate 2021 EPS would rise 1%, and vice versa, all else being equal.
- For every 0.1% increase in GPM we estimate 2021 EPS would rise 2.6%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales we estimate 2021 EPS would fall 2.6%, and vice versa, all else being equal.

Source: FSSIA estimates

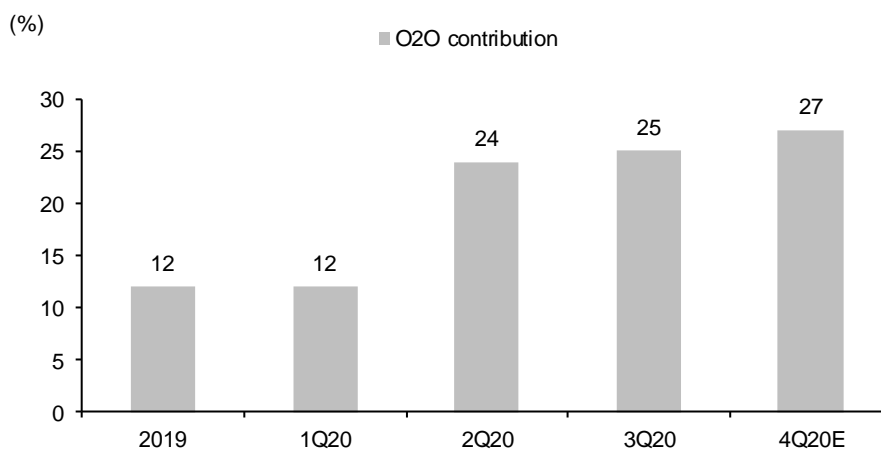
Key catalysts to drive growth amid weak purchasing outlook

1Q21 could be another challenging quarter for MAKRO, apart from 4Q20, to continue posting positive same-store sales growth (SSSG) y-y, due to the normal activity in Jan-Feb-20 and the panic buying in Mar-20. However, we remain convinced that MAKRO can deliver outstanding performance vs its peers due to following reasons:

1. Significant increase in contributions from online-to-offline platform

Its online-to-offline (O2O) platform contributions have been increasing from 12% in 2019 to 27% in 4Q20E, which could help to support its sales and improve its net margin due to lower overhead costs. MAKRO implemented its new platform in 2020 to support its online sales, such as Happy food@home, Speed M Express, and curbside pick-ups, and also established pick-up and delivery hubs in six classic stores in Bangkok. Moreover, MAKRO would be able to more efficiently manage its space by selling some common products through online channels only and replacing them with attractive food-segment products.

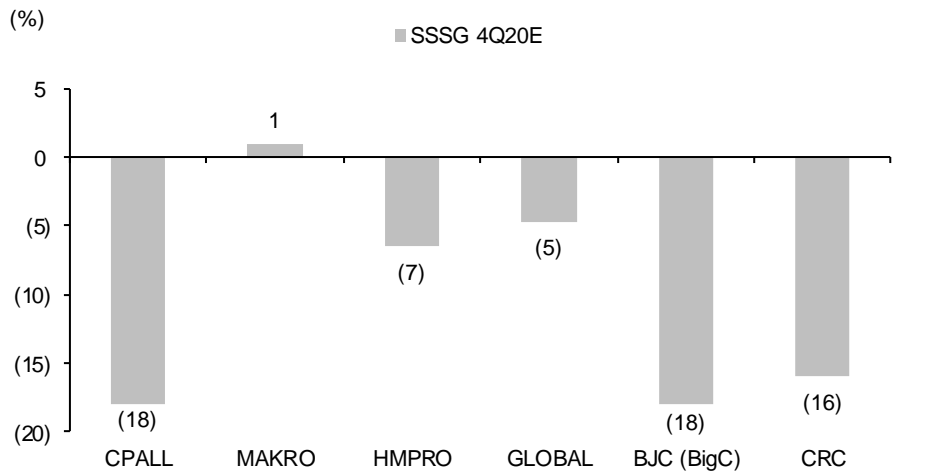
Exhibit 1: O2O contributions have increased significantly since 1Q20



Sources: MAKRO; FSSIA estimates

2. Indirect benefit from government stimulus packages

The recent stimulus packages from the government, like Co-pay or Rao Chana, aim to alleviate the impact of the outbreak on low-income earners, small entrepreneurs and street-food vendors. Hence, this could signal a shift in consumer demand from modern trade retailers to traditional trade retailers or small grocery stores. However, we believe MAKRO could be the sole retailer to gain indirect demand from small grocery stores. This is evident from our 4Q20E, with MAKRO's 1% SSSG vs -5% to -20% SSSG for other retailers.

Exhibit 2: Expect MAKRO to be the only retailer to post positive SSSG in 4Q20

Source: FSSIA estimates

Exhibit 3: Details of stimulus measures

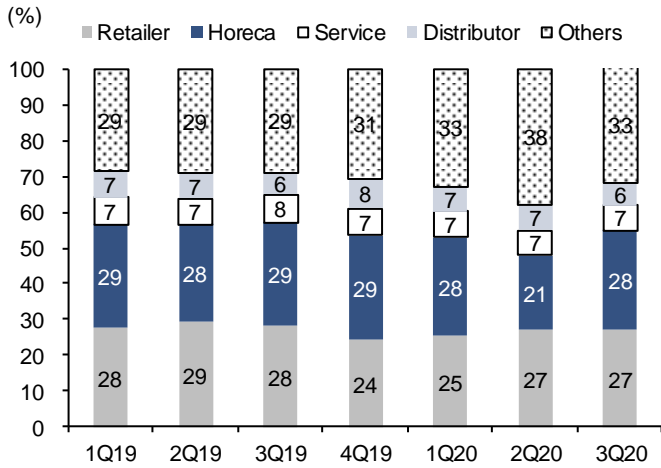
| Program | No. of eligible people | Estimated cash injection into the economy | Period | Details |
|--|------------------------|---|------------------|--|
| | (m) | (THB b) | | |
| Rao Chana or We Win | 31 | 210 | Feb-21 to May-21 | Cash handouts worth THB3,500 to 31m people for two months. Modern trade retailers or franchise grocery stores will not be eligible to this program, same as the Co-pay scheme. |
| Co-pay phase 2 | 15 | 45 | Jan-20 to Mar-21 | An additional THB500m subsidy to 10m people in the Co-pay scheme phase1 and a THB3,500 subsidy to the 5m people who are not eligible for the first phase. |
| Co-pay phase 1 | 10 | 60 | Oct-20 to Mar-21 | Maximum cash spending of THB100 per day starting from Oct-20 to Mar-21. The government will subsidise 50% of payments with maximum subsidies of THB3,000. |
| Cash handout to holders of state welfare cards | 14 | 21 | Oct-20 to Dec-20 | An additional THB500 to holders of state welfare cards for three months from Oct-20 to Dec-20. |
| Shopping tax deduction | 3.7 | 110 | Oct-20 to Dec-20 | A tax deduction of up to THB30,000 on purchases of goods and services subject to the 7% value-added tax (VAT), except for alcoholic beverages, tobacco products, government lotteries, fuel, accommodation services and air tickets. |

Sources: Cabinet resolutions; FSSIA's compilation

3. Upside risk in 2H21 from the recovery of tourism

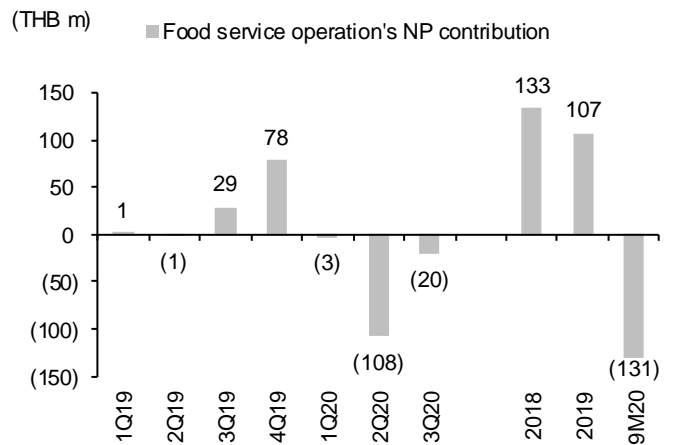
We believe the relaxation of the lockdown and the return of international tourists will be the key upside risk in 2H21. Horeca customers dropped to 26% in 9M20 vs 29% in 2019. Hence, the availability of a vaccine as well as lockdown easing would likely drive Horeca sales back to their normal level, which could add cTHB3.0b-4.0b in sales. Moreover, we expect MAKRO's food service operations (imported premium foods and direct sales to hotel and airline customers) to turn around in 2H21 after contributing a loss of THB131m in 9M20 due to the absence of international tourists.

Exhibit 4: Expect Horeca segment to recover to its normal level in 2021



Source: MAKRO

Exhibit 5: Food service operations could turn around in 2H21

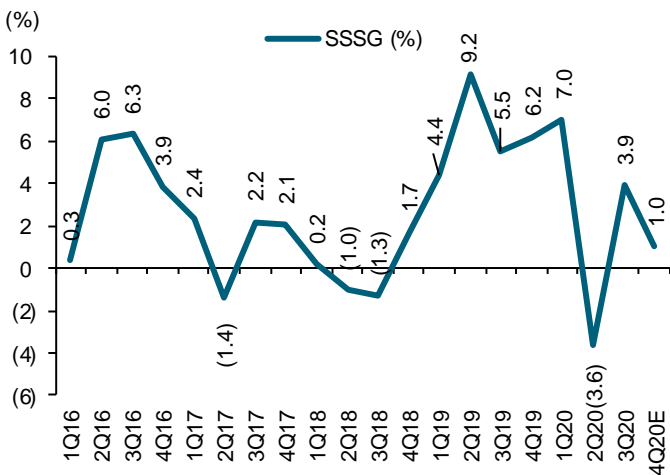


Source: MAKRO

Strongest 4Q20E performance among retailers

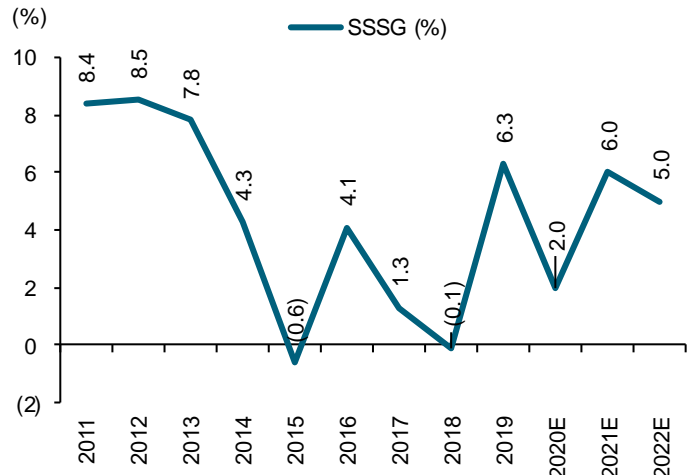
MAKRO expects SSSG of 3-4% in Oct to Nov-20 before slowing down to negative territory at -3% in Dec-20, dragged down by weaker demand from the Horeca segment due to the absence of tourists. Overall, we expect average SSSG of 1% in 4Q20, resulting in positive SSSG of 2.0% in 2020 – the only retailer under our coverage that we expect to post positive SSSG. We forecast its GPM to be flat y-y at 11.1% but rise 40bps q-q, driven by the festive season which typically sees higher premium product sales, such as for imported foods. The new wave of COVID-19 should not raise its SG&A expenses, as MAKRO has continued to apply high safety standards in its stores since 2Q20. We project 8.6% SG&A to sales in 4Q20 vs 8.5% in 4Q19 and 8.7% in 3Q20. Overall, we expect 4Q20 net profit of THB2.0b (+26% q-q, -4% y-y).

Exhibit 6: Quarterly SSSG



Sources: MAKRO; FSSIA estimates

Exhibit 7: Yearly SSSG



Sources: MAKRO; FSSIA estimates

Exhibit 8: MAKRO – 4Q20E results preview

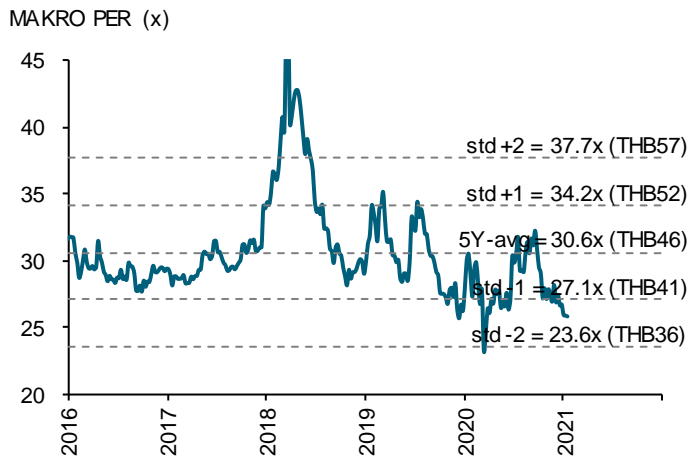
| | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20E | | 9M19 | 9M20 | | 2020E | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|--------|--------|----------------|----------------|--------|----------------|
| Year to Dec 31 | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (THB m) | (y-y%) | (THB m) |
| Total revenue | 55,833 | 56,308 | 51,230 | 54,075 | 57,537 | 6 | 3 | 154,794 | 161,613 | 4 | 219,150 |
| Retail sales | 54,630 | 55,159 | 50,290 | 52,925 | 56,341 | 6 | 3 | 151,550 | 158,375 | 5 | 214,716 |
| Service income | 946 | 989 | 789 | 946 | 938 | (1) | (1) | 2,646 | 2,723 | 3 | 3,661 |
| Other income | 257 | 159 | 151 | 204 | 258 | 26 | 1 | 598 | 515 | (14) | 773 |
| Gross profit | 7,248 | 6,695 | 5,780 | 6,793 | 7,431 | 9 | 3 | 18,367 | 19,269 | 5 | 26,700 |
| Operating costs | (4,642) | (4,413) | (4,151) | (4,617) | (4,855) | 5 | 5 | (12,769) | (13,181) | 3 | (18,036) |
| Operating profit | 2,606 | 2,283 | 1,628 | 2,177 | 2,576 | 18 | (1) | 5,598 | 6,088 | 9 | 8,664 |
| Operating EBITDA | 3,307 | 3,160 | 2,347 | 3,245 | 2,556 | (21) | (23) | 7,620 | 8,752 | 15 | 11,308 |
| Interest expense | (78) | (147) | (173) | (154) | (152) | (1) | 93 | (232) | (473) | 104 | (625) |
| Profit before tax | 2,528 | 2,136 | 1,455 | 2,023 | 2,424 | 20 | (4) | 5,367 | 5,615 | 5 | 8,039 |
| Tax | (565) | (464) | (297) | (462) | (466) | 1 | (18) | (1,145) | (1,222) | 7 | (1,688) |
| Minority interests | 5 | 8 | 21 | 11 | 20 | 80 | 269 | 55 | 40 | (26) | 60 |
| Reported net profit | 2,059 | 1,681 | 1,180 | 1,572 | 1,978 | 26 | (4) | 4,186 | 4,433 | 6 | 6,411 |
| Recurring net profit | 1,968 | 1,681 | 1,180 | 1,572 | 1,978 | 26 | 1 | 4,277 | 4,433 | 4 | 6,411 |
| EPS (THB) | 0.43 | 0.35 | 0.25 | 0.33 | 0.41 | 26 | (4) | 0.87 | 0.92 | 6 | 1.34 |
| Recurring EPS (THB) | 0.41 | 0.35 | 0.25 | 0.33 | 0.41 | 26 | 0 | 0.89 | 0.92 | 4 | 1.34 |
| Key Ratios | (%) | (%) | (%) | (%) | (%) | | | (%) | (%) | | (%) |
| Retail sales margin | 11.1 | 10.1 | 9.6 | 10.7 | 11.1 | | | 10.0 | 10.1 | | 10.4 |
| Operating margin | 4.7 | 4.1 | 3.2 | 4.0 | 4.5 | | | 3.6 | 3.8 | | 4.0 |
| Recurring net margin | 3.5 | 3.0 | 2.3 | 2.9 | 3.4 | | | 2.8 | 2.7 | | 2.9 |
| SG&A / Sales | 8.5 | 8.0 | 8.3 | 8.7 | 8.6 | | | 8.4 | 8.3 | | 8.4 |
| Effective tax rate | 22.4 | 21.7 | 20.4 | 22.8 | 19.2 | | | 21.3 | 21.8 | | 21.0 |
| Operating statistics | | | | | | | | | | | |
| SSSG (%) | 6.2 | 7.0 | (3.6) | 3.9 | - | | | | | | |
| Number of stores (no.) | 140 | 140 | 143 | 144 | - | | | | | | |

Sources: MAKRO; FSSIA estimates

Maintain BUY with TP of THB50

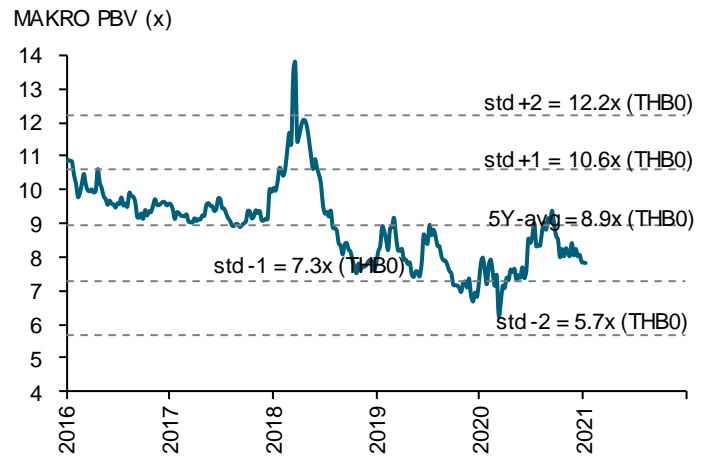
We maintain our BUY rating on MAKRO and our DCF-based TP of THB50 (7.8% WACC, 2.0% LTG). We fine-tune our 2020E earnings by +3.8% to reflect the better-than-expected SSSG outlook for 4Q20. MAKRO is our preferred retailer for the next three months, as it could indirectly benefit from a demand shift from modern trade to local grocery stores following the recent stimulus package. MAKRO is trading at an undemanding valuation of 26x 2021E P/E, lower than its five-year average of 31x.

Exhibit 9: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Siam Makro

| Profit and Loss (THB m) Year Ending Dec | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenue | 192,930 | 210,627 | 219,150 | 242,164 | 269,595 |
| Cost of goods sold | (167,088) | (182,289) | (189,806) | (209,145) | (233,275) |
| Gross profit | 25,843 | 28,338 | 29,344 | 33,019 | 36,319 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Operating costs | (15,481) | (17,410) | (18,036) | (20,826) | (22,916) |
| Operating EBITDA | 10,361 | 10,928 | 11,308 | 12,193 | 13,404 |
| Depreciation | (2,551) | (2,723) | (2,644) | (2,844) | (3,087) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 7,810 | 8,204 | 8,664 | 9,349 | 10,316 |
| Net financing costs | (336) | (310) | (625) | (264) | (219) |
| Associates | 0 | 0 | 0 | 0 | 0 |
| Recurring non operating income | 0 | 0 | 0 | 0 | 0 |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 7,474 | 7,895 | 8,039 | 9,085 | 10,098 |
| Tax | (1,601) | (1,710) | (1,688) | (1,817) | (2,020) |
| Profit after tax | 5,873 | 6,185 | 6,351 | 7,268 | 8,078 |
| Minority interests | 69 | 60 | 60 | 63 | 60 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 5,942 | 6,245 | 6,411 | 7,331 | 8,138 |
| Non recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 5,942 | 6,245 | 6,411 | 7,331 | 8,138 |
| Per share (THB) | | | | | |
| Recurring EPS * | 1.24 | 1.30 | 1.34 | 1.53 | 1.70 |
| Reported EPS | 1.24 | 1.30 | 1.34 | 1.53 | 1.70 |
| DPS | 0.96 | 0.96 | 0.93 | 1.07 | 1.19 |
| Diluted shares (used to calculate per share data) | 4,800 | 4,800 | 4,800 | 4,800 | 4,800 |
| Growth | | | | | |
| Revenue (%) | 3.3 | 9.2 | 4.0 | 10.5 | 11.3 |
| Operating EBITDA (%) | (0.4) | 5.5 | 3.5 | 7.8 | 9.9 |
| Operating EBIT (%) | (2.5) | 5.1 | 5.6 | 7.9 | 10.3 |
| Recurring EPS (%) | (3.8) | 5.1 | 2.7 | 14.3 | 11.0 |
| Reported EPS (%) | (3.8) | 5.1 | 2.7 | 14.3 | 11.0 |
| Operating performance | | | | | |
| Gross margin inc depreciation (%) | 12.1 | 12.2 | 12.2 | 12.5 | 12.3 |
| Gross margin of key business (%) | 10.0 | 10.3 | 10.4 | 10.7 | 10.8 |
| Operating EBITDA margin (%) | 5.4 | 5.2 | 5.2 | 5.0 | 5.0 |
| Operating EBIT margin (%) | 4.0 | 3.9 | 4.0 | 3.9 | 3.8 |
| Net margin (%) | 3.1 | 3.0 | 2.9 | 3.0 | 3.0 |
| Effective tax rate (%) | 21.4 | 21.7 | 21.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 77.5 | 73.8 | 70.0 | 70.0 | 70.0 |
| Interest cover (X) | 23.3 | 26.5 | 13.9 | 35.4 | 47.2 |
| Inventory days | 29.9 | 29.2 | 28.9 | 27.5 | 26.9 |
| Debtor days | 1.9 | 1.8 | 1.4 | 1.0 | 0.9 |
| Creditor days | 56.0 | 51.7 | 51.3 | 49.2 | 48.5 |
| Operating ROIC (%) | 34.5 | 34.5 | 36.9 | 39.7 | 42.6 |
| ROIC (%) | 24.4 | 24.5 | 25.9 | 27.4 | 28.7 |
| ROE (%) | 32.8 | 32.0 | 30.3 | 31.6 | 32.0 |
| ROA (%) | 10.1 | 10.3 | 10.7 | 11.2 | 11.5 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue By Division (THB m) | | | | | |
| Sales | 188,583 | 206,180 | 214,716 | 237,389 | 264,980 |
| Service income | 3,414 | 3,592 | 3,661 | 3,967 | 3,766 |
| Other Income | 933 | 855 | 773 | 807 | 848 |

Sources: Siam Makro; FSSIA estimates

Financial Statements

Siam Makro

| Cash Flow (THB m) Year Ending Dec | 2018 | 2019 | 2020E | 2021E | 2022E |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Recurring net profit | 5,942 | 6,245 | 6,411 | 7,331 | 8,138 |
| Depreciation | 2,551 | 2,723 | 2,644 | 2,844 | 3,087 |
| Associates & minorities | 139 | 24 | 0 | 0 | 0 |
| Other non-cash items | (40) | 26 | (35) | 33 | 47 |
| Change in working capital | (2,374) | 795 | 427 | 1,521 | 1,117 |
| Cash flow from operations | 6,218 | 9,813 | 9,447 | 11,729 | 12,389 |
| Capex - maintenance | - | - | - | - | - |
| Capex - new investment | (2,479) | (2,342) | (3,912) | (4,419) | (5,725) |
| Net acquisitions & disposals | (693) | (179) | (297) | (680) | (797) |
| Other investments (net) | 110 | (44) | 243 | 136 | 312 |
| Cash flow from investing | (3,062) | (2,565) | (3,965) | (4,963) | (6,210) |
| Dividends paid | (4,608) | (4,608) | (4,488) | (5,132) | (5,697) |
| Equity finance | (158) | (123) | (68) | (68) | (68) |
| Debt finance | 2,342 | (2,771) | (513) | (1,442) | (871) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from Financing | (2,424) | (7,501) | (5,069) | (6,642) | (6,636) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 732 | (253) | 413 | 124 | (457) |
| Free cash flow to firm (FCFF) | 3,491.70 | 7,558.70 | 6,106.35 | 7,030.79 | 6,397.58 |
| Free cash flow to equity (FCFE) | 5,498.11 | 4,477.87 | 4,968.98 | 5,323.99 | 5,308.10 |

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| FCFF per share | 0.73 | 1.57 | 1.27 | 1.46 | 1.33 |
| FCFE per share | 1.15 | 0.93 | 1.04 | 1.11 | 1.11 |
| Recurring cash flow per share | 1.79 | 1.88 | 1.88 | 2.13 | 2.35 |

| Balance Sheet (THB m) Year Ending Dec | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed asset (gross) | 49,829 | 51,649 | 55,561 | 59,980 | 65,705 |
| Less: Accumulated depreciation | (18,276) | (20,070) | (22,643) | (25,416) | (28,432) |
| Tangible fixed assets (Net) | 31,553 | 31,579 | 32,918 | 34,564 | 37,272 |
| Intangible fixed assets (Net) | 0 | 0 | 0 | 0 | 0 |
| Long-term financial assets | 0 | 0 | 0 | 0 | 0 |
| Invest. In associates & subsidiaries | 0 | 0 | 0 | 0 | 0 |
| Cash & equivalents | 5,096 | 4,843 | 5,256 | 5,380 | 4,923 |
| A/C receivable | 1,039 | 1,078 | 600 | 663 | 739 |
| Inventories | 14,361 | 14,774 | 15,291 | 16,262 | 18,132 |
| Other current assets | 2,503 | 2,638 | 2,744 | 3,033 | 3,376 |
| Current assets | 22,998 | 23,333 | 23,891 | 25,338 | 27,169 |
| Other assets | 7,514 | 7,729 | 8,042 | 8,886 | 9,893 |
| Total assets | 62,065 | 62,641 | 64,851 | 68,788 | 74,335 |
| Common equity | 18,729 | 20,243 | 22,098 | 24,229 | 26,602 |
| Minorities etc. | 528 | 491 | 431 | 368 | 308 |
| Total Shareholders' equity | 19,257 | 20,734 | 22,529 | 24,597 | 26,910 |
| Long term debt | 7,003 | 7,003 | 6,582 | 5,300 | 4,527 |
| Other long-term liabilities | 1,712 | 2,155 | 2,242 | 2,478 | 2,758 |
| Long-term liabilities | 8,715 | 9,158 | 8,824 | 7,778 | 7,285 |
| A/C payable | 25,178 | 26,425 | 26,890 | 29,446 | 32,508 |
| Short term debt | 3,690 | 919 | 828 | 667 | 569 |
| Other current liabilities | 5,227 | 5,405 | 5,780 | 6,301 | 7,063 |
| Current liabilities | 34,094 | 32,749 | 33,498 | 36,413 | 40,140 |
| Total liabilities and shareholders' equity | 62,065 | 62,641 | 64,851 | 68,788 | 74,335 |
| Net working capital | (12,502) | (13,340) | (14,035) | (15,789) | (17,324) |
| Invested capital | 26,565 | 25,968 | 26,925 | 27,662 | 29,841 |

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 3.90 | 4.22 | 4.60 | 5.05 | 5.54 |
| Tangible book value per share | 3.90 | 4.22 | 4.60 | 5.05 | 5.54 |

Financial strength

| | | | | | |
|---------------------------|------|------|------|------|------|
| Net debt/Equity (%) | 29.1 | 14.8 | 9.6 | 2.4 | 0.6 |
| Net debt/total assets (%) | 9.0 | 4.9 | 3.3 | 0.9 | 0.2 |
| Current ratio (x) | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| CF interest cover (x) | 24.8 | 23.0 | 15.2 | 37.8 | 51.5 |

| Valuation | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 31.5 | 30.0 | 29.2 | 25.5 | 23.0 |
| Recurring P/E @ target price (x) * | 40.4 | 38.4 | 37.4 | 32.7 | 29.5 |
| Reported P/E (x) | 31.5 | 30.0 | 29.2 | 25.5 | 23.0 |
| Dividend yield (%) | 2.5 | 2.5 | 2.4 | 2.7 | 3.0 |
| Price/book (x) | 10.0 | 9.2 | 8.5 | 7.7 | 7.0 |
| Price/tangible book (x) | 10.0 | 9.2 | 8.5 | 7.7 | 7.0 |
| EV/EBITDA (x) ** | 18.7 | 17.5 | 16.8 | 15.4 | 14.0 |
| EV/EBITDA @ target price (x) ** | 23.8 | 22.3 | 21.5 | 19.8 | 17.9 |
| EV/invested capital (x) | 7.3 | 7.3 | 7.0 | 6.8 | 6.3 |

* Pre-exceptional & pre-goodwill are fully diluted ** EBITDA includes associate income and recurring non operating income

Sources: Siam Makro; FSSIA estimates

Corporate Governance report of Thai listed companies 2019

| EXCELLENT LEVEL | | | | | | | | | | |
|-----------------|----------------|---------|--------|--------|--------|--------------|--------|--------|--------|--------|
| AAV | ADVANC | AIRA | AKP | AKR | AMA | AMATA | AMATAV | ANAN | AOT | AP |
| ARROW | BAFS | BANPU | BAY | BCP | BCPG | BOL | BRR | BTS | BTW | BWG |
| CFRESH | CHEWA | CHO | CK | CKP | CM | CNT | COL | COMAN | CPALL | CPF |
| CPI | CPN | CSS | DELTA | DEMCO | DRT | DTAC | DTC | EA | EASTW | ECF |
| EGCO | GBX | GC | GCAP | GEL | GGP | GGC | GOLD | GPSC | GRAMMY | GUNKUL |
| HANA | HARN | HMPRO | ICC | ICHI | III | ILINK | INTUCH | IRPC | IVL | JKN |
| JSP | K | KBANK | KCE | KKP | KSL | KTB | KTC | KTIS | LH | LHFG |
| LIT | LPN | MAKRO | MALEE | MBK | MBKET | MC | MCOT | MFEC | MINT | MONO* |
| MTC | NCH | NAK | NKI | NSI | NVD | NYT | OISHI | OTO | PAP | PCSGH |
| PDJ | PG | PHOL | PJW | PLANB | PLANET | PORT | PPS | PR9 | PREB | PRG |
| PRM | PSH | PSL | PTG | PTT | PTTEP | PTTGC | PYLON | Q-CON | QH | QTC |
| RATCH | ROBINS** | RS | S | S & J | SABINA | SAMART | SAMTEL | SAT | SC | SCB |
| SCC | SCCC | SCN | SDC | SEAFCO | SEAOIL | SE-ED | SELIC | SENA | SIS | SITHAI |
| SNC | SORKON | SPALI | SPI | SPRC | SSSC | STA | STEC | SVI | SYNTEC | TASCO |
| TCAP | THAI | THANA | THANI | THCOM | THIP | THREL | TIP | TISCO | TK | TKT |
| TMB | TMILL | TNDT | TOA | TOP | TRC | TRU | TRUE | TSC | TSR | TSTH |
| TTA | TTCL | TTW | TU | TVD | TVO | U | UAC | UV | VGI | VIH |
| WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | | | | | |
| VERY GOOD LEVEL | | | | | | | | | | |
| 2S | ABM | ADB | AF | AGE | AH | AHC | AIT | ALLA | ALT | AMANA |
| AMARIN | APCO | APCS | AQUA | ARIP | ASAP | ASHA | ASIAN | ASIMAR | ASK | ASN |
| ASP | ATP30 | AUCT | AYUD | B | BA | BBL | BDMS | BEC | BEM | BFIT |
| BGC | BGRIM | BIZ | BJC | BJCHI | BLA | BPP | BROOK | CBG | CEN | CENDEL |
| CGH | CHG | CHOTI | CHOW | CI | CIMBT | CNS | COLOR | COM7 | COTTO | CRD |
| CSC | CSP | DCC | DCON | DDD | DOD | EASON | ECL | EE | EPG | ERW |
| ESTAR | ETE | FLOYD | FN | FNS | FORTH | FPI | FPT | FSMART | FSS | FVC |
| GENCO | GJS | GL | GLOBAL | GLOW** | GULF | HPT | HTC | HYDRO | ICN | IFS |
| INET | INSURE | IRC | IRCP | IT | ITD*** | ITEL | J | JAS* | JCK | JCKH |
| JMART | JMT | JWD | KBS | KCAR | KBS | KIAT | KOOL | KWC | KWM | L&E |
| LALIN | LANNA | LDC | LHK | LOXLEY | LRH | LST | M | MACO | MAJOR | MBAX |
| MEGA | METCO | MFC | MK | MODERN | MOONG | MPG | MSC | MTI | NEP | NETBAY |
| NEX | NINE | NOBLE | NOK | NTV | NWR | OCC | OGC | ORI | OSP | PATO |
| PB | PDG | PDI | PL | PLAT | PNR | PPP | PRECHA | PRIN | PRINC | PSTC |
| PT | QLT | RCL | RICHY | RML | RWI | S11 | SAAM | SALEE | SAMCO | SANKO |
| SAPPE | SAWAD | SCG | SCI | SCP | SE | SFP | SIAM | SINGER | SIRI | SKE |
| SKR | SKY | SMIT | SMK | SMP | SMT | SNP | SONIC | SPA | SPC | SPCG |
| SPVI | SR | SRICHA | SSC | SSF | SST | STANLY | STPI | SUC | SUN | SUSCO |
| SUTHA | SWC | SYMC | SYNEX | T | TACC | TAE | TAKUNI | TBSP | TCC | TCMC |
| TEAM | TEAMG | TFG | TFMAMA | THG | THRE | TIPCO | TITLE | TIW | TKN | TKS |
| TM | TMC | TMD | TMI | TMT | TNITY | TNL | TNP | TNR | TOG | TPA |
| TPAC | TPBI | TPCORP | TPOLY | TRITN | TRT | TSE | TSTE | TVI | TVT | TWP |
| TWPC | UBIS | UEC | UMI | UOBKH | UP | UPF | UPOIC | UT | UWC | VNT |
| WIIK | XO | YUASA | ZEN | ZMICO | | | | | | |
| GOOD LEVEL | | | | | | | | | | |
| A | ABICO | ACAP*** | AEC | AEONTS | AJ | ALUCON | AMC | APURE | AS | ASEFA |
| AU | B52 | BCH | BEAUTY | BGT | BH | BIG | BLAND | BM | BR | BROCK |
| BSBM | BSM | BTNC | CCET | CCP | CGD | CHARAN | CHAYO | CITY | CMAN | CMC |
| CMO | CMR | CPL | CPT | CSR | CTW | CWT | D | DIMET | EKH | EMC |
| EPCO | ESSO | FE | FTE | GIFT | GLAND | GLOCON | GPI | GREEN | GTB | GYT |
| HTECH | HUMAN | IHL | INGRS | INOX | JTS | JUBILE | KASET | KCM | KKC | KWG |
| KYE | LEE | LPH | MATCH | MATI | M-CHAI | MCS | MDX | META | MGT | MJD |
| MM | MVP | NC | NDR | NER | NNCL | NPK | NUSA | OCEAN | PAF | PF |
| PICO | PIMO | PK | PLE | PMTA | POST | PPM | PROUD | PTL | RCI | RJH |
| ROJNA | RPC | RPH | SF | SGF | SGP | SKN | SLP | SMART | SOLAR | SPG |
| SQ | SSP | STI | SUPER | SVOA | TCCC | THE | THMUI | TIC | TIGER | TNH |
| TOPP | TPCH | TPIPP | TPLAS | TQM | TTI | TYCN | UTP | VCOM | VIBHA | VPO |
| WIN | WORK | WP | WPH | ZIGA | | | | | | |
| Score Range | Number of Logo | | | | | Description | | | | |
| 90-100 | | | | | | Excellent | | | | |
| 80-89 | | | | | | Very Good | | | | |
| 70-79 | | | | | | Good | | | | |
| 60-69 | | | | | | Satisfactory | | | | |
| 50-59 | | | | | | Pass | | | | |
| Less than 50 | No logo given | | | | | - | | | | |

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|---------|-------|--------|--------|--------|--------|-------|--------|
| ADVANC | AIE | AKP | AMANAHA | AP | APCS | AQUA | ARROW | ASK | ASP | AYUD |
| BAFS | BANPU | BAY | BBL | BCH | BCP | BCPG | BGRIM | BJCHI | BKI | BLA |
| BROOK | BRR | BSBM | BTS | BWG | CEN | CENTEL | CFRESH | CGH | CHEWA | CIG |
| CIMBT | CM | COM7 | CPALL | CPF | CPI | CPN | CSC | DCC | DEMCO | DIMET |
| DRT | DTAC | DTC | EASTW | ECL | EGCO | FE | FNS | FSS | GBX | GC |
| GCAP | GEL | GFPT | GGC | GJS | GOLD | GPSC | GSTEEL | GUNKUL | HANA | HARN |
| HMPRO | HTC | ICC | IFS | INET | INSURE | INTUCH | IRPC | IVL | K | KASET |
| KBANK | KBS | KCAR | KCE | KGI | KKP | KSL | KTB | KTC | KWC | L&E |
| LANNA | LHK | LPN | LRH | M | MAKRO | MALEE | MBAX | MBK | MBKET | MC |
| MCOT | MFC | MINT | MONO | MOONG | MSC | MTI | NBC | NINE | NKI | NMG |
| NNCL | NSI | OCC | OCEAN | OGC | PAP | PATO | PB | PCSGH | PDG | PDI |
| PDJ | PE | PG | PHOL | PL | PLANB | PLANET | PLAT | PM | PPP | PPS |
| PREB | PRG | PRINC | PSH | PSTC | PT | PTG | PTT | PTTEP | PTTGC | PYLON |
| Q-CON | QH | QLT | QTC | RATCH | RML | S & J | SABINA | SAT | SC | SCB |
| SCC | SCCC | SCG | SCN | SE-ED | SELIC | SENA | SGP | SIRI | SIS | SITHAI |
| SMIT | SMK | SMPC | SNC | SNP | SORKON | SPACK | SPC | SPI | SPRC | SRICHA |
| SSF | SSI | SSSC | SST | STA | SUSCO | SVI | SYNTEC | TASCO | TCAP | TFG |
| TFI | TFMAMA | THANI | THCOM | THIP | THRE | THREL | TIP | TIPCO | TISCO | TKT |
| TMB | TMD | TMILL | TMT | TNITY | TNL | TNP | TNR | TOG | TOP | TPA |
| TPCORP | TRU | TRUE | TSC | TSTH | TTCL | TU | TVD | TVI | TWPC | U |
| UBIS | UEC | UKEM | UOBKH | VGI | VIH | VNT | WACOAL | WHA | WICE | WIIK |
| DECLARED | | | | | | | | | | |
| 2S | ABICO | AF | AI | AIRA | ALT | AMA | AMARIN | AMATA | ANAN | B |
| BM | BPP | BUI | CHG | CHO | CHOTI | CHOW | CI | CMC | COL | DDD |
| DELTA | EFORL | EPCO | ESTAR | ETE | FPI | FTE | ICHI | INOX | IRC | ITEL |
| JAS | JSP | JTS | KWG | LDC | LIT | META | MFEC | MPG | NEP | NOK |
| NWR | ORI | PRM | PSL | ROJNA | RWI | SAAM | SAPPE | SCI | SEOIL | SHANG |
| SKR | SPALI | STANLY | SYNEX | TAE | TAKUNI | TMC | TOPP | TPP | TRITN | TVO |
| UV | UWC | WHAUP | XO | YUASA | ZEN | | | | | |

| Level | |
|-----------|---|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) |

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Karun Intrachai FSS International Investment Advisory Securities Co., Ltd

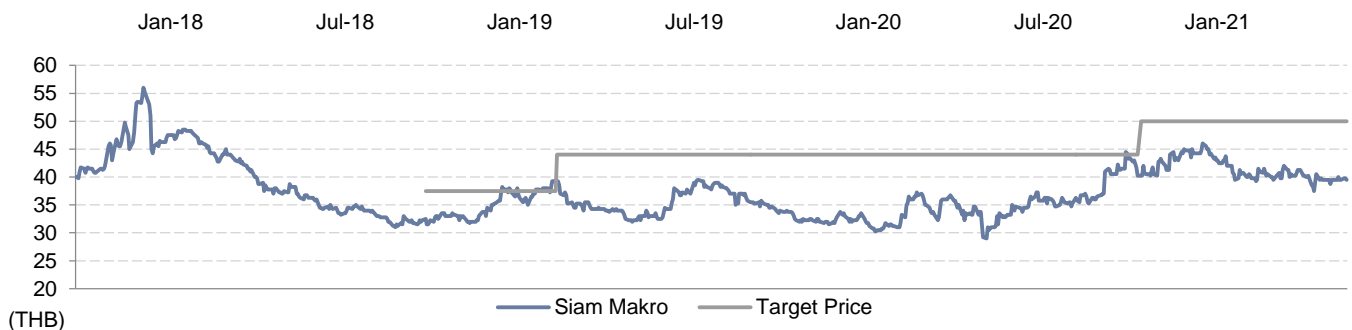
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

Siam Makro (MAKRO TB)



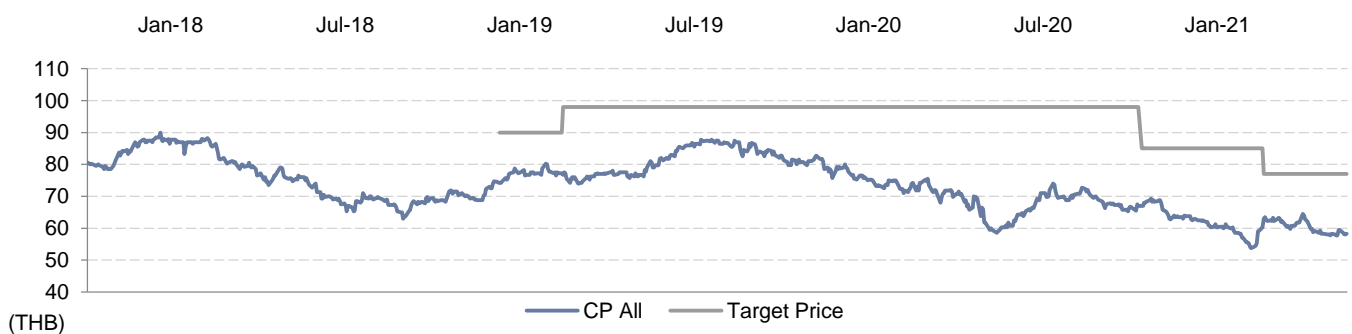
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 19-Nov-2018 | BUY | 37.50 | 02-Apr-2020 | BUY | 44.00 | - | - | - |
| 12-Mar-2019 | BUY | 44.00 | 24-Jul-2020 | BUY | 50.00 | | | |

Karun Intrachai started covering this stock from 24-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

CP All (CPALL TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 16-Jan-2019 | BUY | 90.00 | 24-Jul-2020 | BUY | 85.00 | 09-Nov-2020 | BUY | 77.00 |
| 12-Mar-2019 | BUY | 98.00 | 13-Aug-2020 | BUY | 85.00 | | | |
| 02-Apr-2020 | BUY | 98.00 | 19-Oct-2020 | BUY | 85.00 | | | |

Karun Intrachai started covering this stock from 24-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|------------|----------|-----------|--------|--|
| Siam Makro | MAKRO TB | THB 39.00 | BUY | The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) lower-than-expected GPM improvement; and 3) operational losses from its overseas business. |
| CP All | CPALL TB | THB 58.00 | BUY | The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) a slow recovery in tourist numbers. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 22-Jan-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

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

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a 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.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). 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 (N). 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 (U). 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.