

1 SEPTEMBER 2021

THAILAND / CONSUMER STAPLES

## SIAM MAKRO MAKRO TB

BUY

UNCHANGED

|                 |           |
|-----------------|-----------|
| TARGET PRICE    | THB48.00  |
| CLOSE           | THB42.00  |
| UP/DOWNSIDE     | +14.3%    |
| PRIOR TP        | THB48.00  |
| CHANGE IN TP    | UNCHANGED |
| TP vs CONSENSUS | +5.4%     |

## โอน Lotus ให้ MAKRO

## 2 รายการสำคัญ: ขั้นที่ 1 – โอน Lotus ให้ MAKRO

MAKRO ประกาศซื้อ Lotus (not listed) โดยจะออกหุ้นใหม่จำนวน 5,010 ล้านหุ้นที่ราคา 43.5 บาท/หุ้น คิดเป็นมูลค่า 217.9 พัน ลบ. ให้แก่ CP Retail Holding (CPRH, not listed) CPRH จะถูกยุบหลังโอน Lotus ให้แก่ MAKRO และแจกจ่ายหุ้นของ MAKRO ให้แก่ผู้ถือหุ้นตามสัดส่วน (Exhibit 1) ผู้ถือหุ้นใหม่ของ MAKRO จะประกอบด้วย CPALL ถือ 66%, Charoen Pokphand Foods (CPF TB, BUY, TP THB34) ถือ 10%, และ CP Group (CPG, not listed) ถือ 20% รายการดังกล่าวจะต้องได้รับการอนุมัติจากที่ประชุมสามัญฯ ของทั้ง MAKRO และ CPALL ซึ่งจะจัดขึ้นในวันที่ 12 ต.ค.

## ขั้นที่ 2 – การทำคำเสนอซื้อหุ้นภาคบังคับ (MTO) และคำเสนอขายหุ้นให้แก่

## สาธารณะชน (Public Offering) ของ MAKRO

หลังกระบวนการโอนเสร็จสิ้น ซึ่งคาดว่าจะอยู่ในเดือน ต.ค. 21 CPF และ CPG จะร่วมกันทำ MTO ที่ราคา 43.5 บาท/หุ้นจากผู้ถือหุ้นรายย่อยที่ถือหุ้นอยู่ 3% ในขณะที่ CPALL ไม่มีความจำเป็นต้องทำ MTO ดังกล่าว (ระยะเวลาในการทำคำเสนอซื้ออยู่ที่ 25 วันทำการ) จากนั้น MAKRO จะทำ PO โดยจะออกหุ้นใหม่จำนวน 1,362 ล้านหุ้นพร้อมหุ้นอีก 363/182 ล้านหุ้นที่ CPALL และ CPF จะเสนอขายตามลำดับ นอกจากนี้ CPALL ยังจะจัดสรรหุ้นส่วนเกินอีก 340.5 ล้านหุ้นเพื่อเสนอขายให้แก่นักลงทุน (Greenshoe Option) อีกด้วย ในภาพรวมหลังการทำ PO และคำเสนอขายหุ้นส่วนเกินแล้ว โครงสร้างผู้ถือหุ้นของ MAKRO จะประกอบด้วย CPALL (52%), CPF (7%), CPG (17%), และนักลงทุนสถาบันกับรายย่อย (24%)

## การสร้างประโยชน์ระหว่าง MAKRO และ Lotus

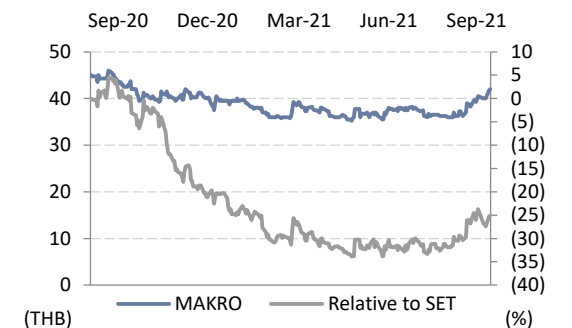
เราคิดว่ารายการดังกล่าวจะเป็นประโยชน์ต่อ MAKRO แม้ว่าการดำเนินงานที่ดีของบริษัทฯ จะถูกจุดโดยผลประโยชน์ที่อ่อนแอของ Lotus ในระยะสั้นเนื่องจาก: 1) การประหยัดต้นทุนในระยะสั้นจากการใช้ทรัพยากรร่วมกัน; 2) เพิ่มประสิทธิภาพในระบบ supply chain; และ 3) การปรับปรุงและบูรณาการแพลตฟอร์ม O2O ระหว่าง MAKRO (ผู้นำในตลาด B2B) และ Lotus (ผู้นำในตลาด B2C) MAKRO จะได้เข้าไปอยู่ใน SET50 หลัง PO เสร็จสิ้นจากการถือครองของผู้ถือหุ้นรายย่อยที่ 24% เทียบกับข้อกำหนดของ SET ที่ 20%

## ปลดข้อจำกัดในด้านมูลค่าจากสภาพคล่อง

เราคาดว่ามูลค่าที่ราคาเป้าหมาย 48 บาท (DCF) เราชอบ MAKRO จากการดำเนินงานที่ดีของบริษัทฯ แม้ว่าผลประโยชน์ระยะสั้นอาจถูกจุดโดย Lotus ในระยะกลาง MAKRO พร้อมด้วย Lotus จะมีโอกาสขยายธุรกิจไปสู่ตลาดต่างประเทศเช่นในกลุ่ม CLMV ซึ่งมีการเติบโตทางเศรษฐกิจในระดับสูงเมื่อเทียบกับประเทศไทย

## KEY STOCK DATA

| YE Dec (THB m)       | 2020    | 2021E   | 2022E   | 2023E   |
|----------------------|---------|---------|---------|---------|
| Revenue              | 218,760 | 227,478 | 249,774 | 271,417 |
| Net profit           | 6,563   | 6,533   | 7,293   | 8,316   |
| EPS (THB)            | 1.37    | 1.36    | 1.52    | 1.73    |
| vs Consensus (%)     | -       | (5.9)   | (6.3)   | (4.9)   |
| EBITDA               | 12,534  | 10,885  | 12,034  | 13,539  |
| Core net profit      | 6,563   | 6,533   | 7,293   | 8,316   |
| Core EPS (THB)       | 1.37    | 1.36    | 1.52    | 1.73    |
| Chg. In EPS est. (%) | -       | -       | -       | -       |
| EPS growth (%)       | 5.1     | (0.5)   | 11.6    | 14.0    |
| Core P/E (x)         | 30.7    | 30.9    | 27.6    | 24.2    |
| Dividend yield (%)   | 2.3     | 2.3     | 2.5     | 2.9     |
| EV/EBITDA (x)        | 16.0    | 18.4    | 16.5    | 14.6    |
| Price/book (x)       | 9.1     | 8.3     | 7.6     | 7.0     |
| Net debt/Equity (%)  | (8.7)   | (9.1)   | (12.2)  | (16.9)  |
| ROE (%)              | 30.9    | 28.1    | 28.9    | 30.1    |



| Share price performance        | 1 Month      | 3 Month | 12 Month |
|--------------------------------|--------------|---------|----------|
| Absolute (%)                   | 15.9         | 10.5    | (5.6)    |
| Relative to country (%)        | 7.6          | 7.5     | (24.5)   |
| Mkt cap (USD m)                | 6,250        |         |          |
| 3m avg. daily turnover (USD m) | 2.7          |         |          |
| Free float (%)                 | 7            |         |          |
| Major shareholder              | CP ALL (93%) |         |          |
| 12m high/low (THB)             | 46.25/35.00  |         |          |
| Issued shares (m)              | 4,800.00     |         |          |

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 1 กันยายน 2021

## 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. We think MAKRO has the ability to gain a greater share of this market.

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, TP THB76) 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 a positive catalyst for the share price, in our view.

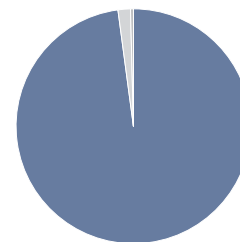
## Company profile

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](http://www.siammakro.co.th)

## Principal activities (revenue, 2020)

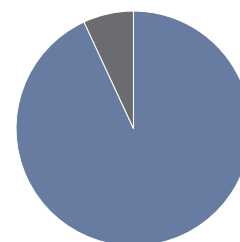
- Sales - 97.9 %
- Service income - 1.7 %
- Other Income - 0.4 %



Source: Siam Makro

## Major shareholders

- CP ALL - 93.1 %
- Others - 6.9 %



Source: Siam Makro

## Catalysts

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

## Risks 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) operational losses from its overseas business.

## Event calendar

| Date          | Event                     |
|---------------|---------------------------|
| November 2021 | 3Q21 results announcement |

## Key assumptions

|                  | 2021E | 2022E | 2023E |
|------------------|-------|-------|-------|
|                  | (%)   | (%)   | (%)   |
| SSSG             | 0.0   | 5.0   | 4.0   |
| New store growth | 1.4   | 3.9   | 3.2   |
| GPM              | 10.4  | 10.5  | 10.7  |
| SG&A to sales    | 8.6   | 8.5   | 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



## Transferring Lotus to MAKRO

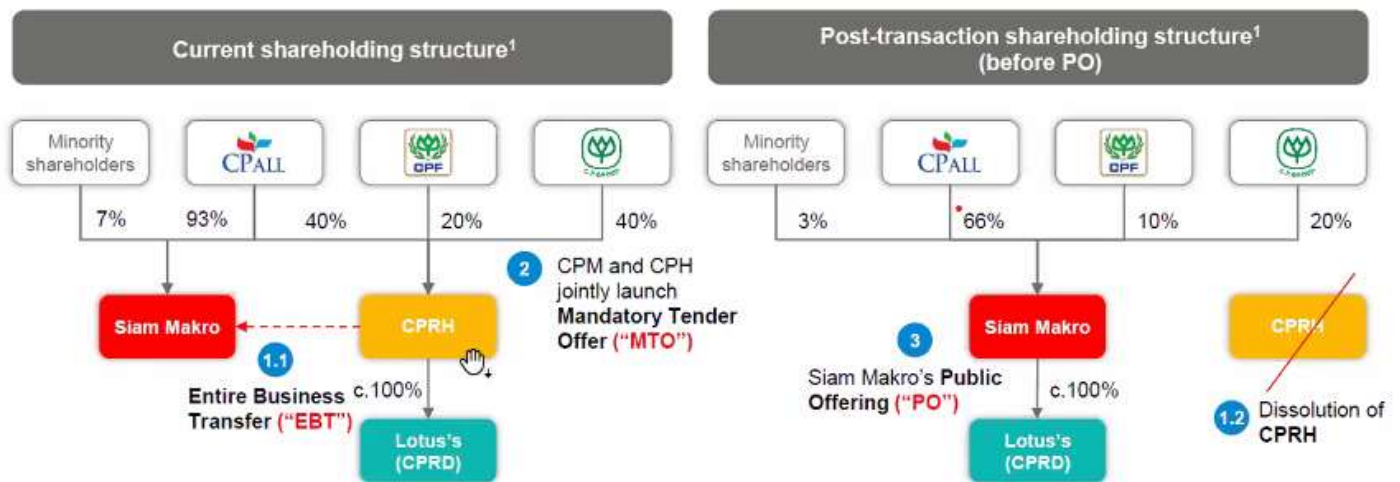
### Step 1 – transfer Lotus to MAKRO

Yesterday, MAKRO announced the acquisition of Lotus by issuing 5,010m new shares at an offering price of THB43.5/shr, implying a transaction size worth THB217.9b to CPRH. CPRH will be dissolved after transferring Lotus to MAKRO and distributing MAKRO's shares to its shareholders proportionately (Exhibit 1). MAKRO's new shareholders will hold CPALL at 66%, CPF at 10%, and CPG at 20%. The transaction needs to be approved at the EGM for MAKRO and CPALL which will be held on 12 October.

### Step 2 – MTO and public offering of MAKRO

After the transfer process is complete, expected by Oct-21, CPF and CPG will jointly launch an MTO at THB43.5/shr for the minority shareholders holding 3%. CPALL is not required to make an MTO (tender period is 25 business days). Then, MAKRO will make a PO by issuing 1,362m new shares, with 363m/182m shares offered from CPALL and CPF, respectively. Moreover, CPALL will allot 340.5m shares for a greenshoe option. Overall, after the PO and the option are executed, MAKRO's shareholding structure would be 52% held by CPALL, 7% held by CPF, 17% held by CPG, and 24% held by institutional and retail investors.

**Exhibit 1: Shareholding structure before and after transferred Lotus to MAKRO**



Source: MAKRO

## Synergy creation between MAKRO and Lotus

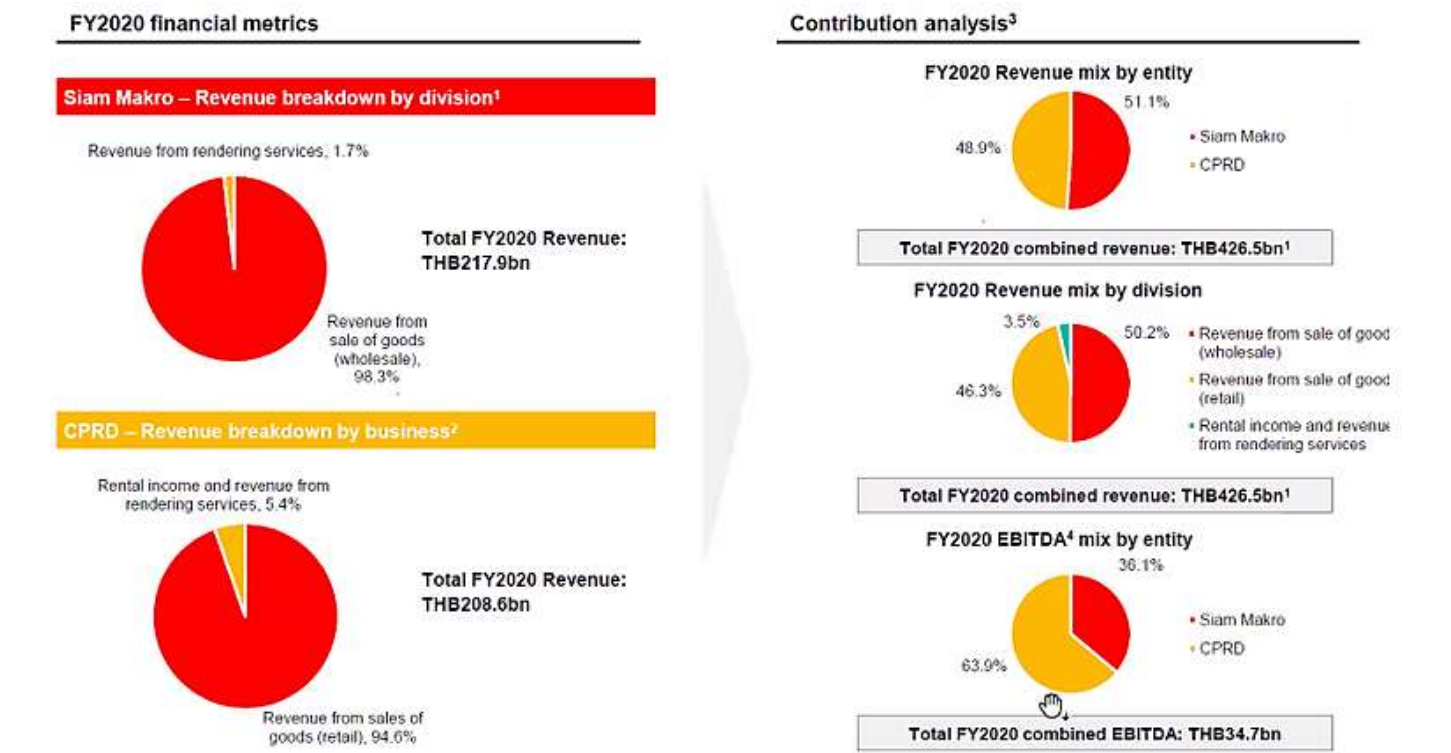
We think this transaction will benefit MAKRO, even though its solid operations could be dragged by Lotus's weak performance in the near term, as follows: 1) near-term cost savings from sharing facilities; 2) enhancing supply chain management; and 3) improving and integrating the O2O platform between MAKRO (the leader in the B2B segment) and Lotus (the leader in the B2C segment).

In the medium term, MAKRO, with Lotus, could elevate its platform to other emerging or CLMV markets, which have high economic growth potential compared to Thailand.

MAKRO would be included in the SET50 after the PO is complete, following the free float of 24% vs the SET's 20% requirement.

In our view, the transaction value seems to be fair at THB217.9b equity value, which is comparable to the previous transaction value at THB340b with THB130b debt.

## Exhibit 2: MAKRO and Lotus – 2020 financial data



Source: MAKRO

According to MAKRO's pro forma financials, by consolidating Lotus, MAKRO and Lotus's revenue contributions would be THB218b/THB209b or 51.1%/48.9%. MAKRO and Lotus's EBITDA contributions would be THB12.5b/THB22.2b or 36.1%/63.9%. MAKRO and Lotus's net profits would be THB6.5b/THB1.6b. This data implies that Lotus has high SG&A as well as interest expenses. Hence, the PO process and synergy benefits with MAKRO would potentially reduce both the SG&A and interest expenses in the near term. Moreover, due to the nature of the retail business, it should have a high GPM and NPM compared to the wholesale business. Note that Lotus's net profit was at THB7.5b-11.0b over 2017-19.

## Exhibit 3: MAKRO's pro forma financial highlights

## Siam Makro financial highlights

| THBbn                            | 2020         |                          | 2020        |
|----------------------------------|--------------|--------------------------|-------------|
| <b>Total Revenue<sup>1</sup></b> | <b>217.9</b> | Cash & Cash Equivalents  | 10.5        |
| <b>EBITDA</b>                    | <b>12.5</b>  | <b>Total Assets</b>      | <b>74.0</b> |
| <i>% Margin</i>                  | 5.8%         | Interest Bearing Debt    | 8.1         |
| <b>Net Profit</b>                | <b>6.5</b>   | Lease liabilities        | 8.1         |
| <i>% Margin</i>                  | 3.0%         | <b>Total Liabilities</b> | <b>51.3</b> |
|                                  |              | <b>Total Equity</b>      | <b>22.7</b> |

## Siam Makro pro forma financial highlights

| THBbn                            | 2020         |                                    | 2020         |
|----------------------------------|--------------|------------------------------------|--------------|
| <b>Total Revenue<sup>1</sup></b> | <b>427.2</b> | Cash & Cash Equivalents            | 36.4         |
| <b>EBITDA<sup>2</sup></b>        | <b>34.7</b>  | <b>Total Assets</b>                | <b>493.6</b> |
| <i>% Margin</i>                  | 8.1%         | Interest Bearing Debt <sup>3</sup> | 127.1        |
| <b>Net Profit</b>                | <b>8.1</b>   | Lease liabilities                  | 39.0         |
| <i>% Margin</i>                  | 1.9%         | <b>Total Liabilities</b>           | <b>253.0</b> |
|                                  |              | <b>Total Equity</b>                | <b>240.7</b> |

Source: MAKRO

## Financial Statements

### Siam Makro

| Profit and Loss (THB m) Year Ending Dec           | 2019          | 2020          | 2021E         | 2022E         | 2023E         |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenue   | 210,627       | 218,760       | 227,478       | 249,774       | 271,417       |
| Cost of goods sold                                | (182,289)     | (188,439)     | (197,029)     | (216,509)     | (234,808)     |
| <b>Gross profit</b>                               | <b>28,338</b> | <b>30,322</b> | <b>30,448</b> | <b>33,265</b> | <b>36,609</b> |
| Other operating income                            | 0             | 0             | 0             | 0             | 0             |
| Operating costs                                   | (17,410)      | (17,788)      | (19,563)      | (21,231)      | (23,070)      |
| <b>Operating EBITDA</b>                           | <b>10,928</b> | <b>12,534</b> | <b>10,885</b> | <b>12,034</b> | <b>13,539</b> |
| Depreciation                                      | (2,723)       | (3,577)       | (2,657)       | (2,874)       | (3,095)       |
| Goodwill amortisation                             | 0             | 0             | 0             | 0             | 0             |
| <b>Operating EBIT</b>                             | <b>8,204</b>  | <b>8,957</b>  | <b>8,228</b>  | <b>9,161</b>  | <b>10,443</b> |
| Net financing costs                               | (310)         | (619)         | (113)         | (92)          | (72)          |
| Associates  | 0             | 0             | 0             | 0             | 0             |
| Recurring non-operating income                    | 0             | 0             | 0             | 0             | 0             |
| Non-recurring items                               | 0             | 0             | 0             | 0             | 0             |
| <b>Profit before tax</b>                          | <b>7,895</b>  | <b>8,337</b>  | <b>8,116</b>  | <b>9,068</b>  | <b>10,371</b> |
| Tax   | (1,710)       | (1,813)       | (1,623)       | (1,814)       | (2,074)       |
| <b>Profit after tax</b>                           | <b>6,185</b>  | <b>6,524</b>  | <b>6,493</b>  | <b>7,254</b>  | <b>8,297</b>  |
| Minority interests                                | 60            | 39            | 40            | 38            | 19            |
| Preferred dividends                               | 0             | 0             | 0             | 0             | 0             |
| Other items                                       | 0             | 0             | 0             | 0             | 0             |
| <b>Reported net profit</b>                        | <b>6,245</b>  | <b>6,563</b>  | <b>6,533</b>  | <b>7,293</b>  | <b>8,316</b>  |
| <b>Non-recurring items &amp; goodwill (net)</b>   | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      |
| <b>Recurring net profit</b>                       | <b>6,245</b>  | <b>6,563</b>  | <b>6,533</b>  | <b>7,293</b>  | <b>8,316</b>  |
| <b>Per share (THB)</b>                            |               |               |               |               |               |
| Recurring EPS *                                   | 1.30          | 1.37          | 1.36          | 1.52          | 1.73          |
| Reported EPS                                      | 1.30          | 1.37          | 1.36          | 1.52          | 1.73          |
| DPS   | 0.96          | 0.96          | 0.95          | 1.06          | 1.21          |
| Diluted shares (used to calculate per share data) | 4,800         | 4,800         | 4,800         | 4,800         | 4,800         |
| <b>Growth</b>                                     |               |               |               |               |               |
| Revenue (%)                                       | 9.2           | 3.9           | 4.0           | 9.8           | 8.7           |
| Operating EBITDA (%)                              | 5.5           | 14.7          | (13.2)        | 10.6          | 12.5          |
| Operating EBIT (%)                                | 5.1           | 9.2           | (8.1)         | 11.3          | 14.0          |
| Recurring EPS (%)                                 | 5.1           | 5.1           | (0.5)         | 11.6          | 14.0          |
| Reported EPS (%)                                  | 5.1           | 5.1           | (0.5)         | 11.6          | 14.0          |
| <b>Operating performance</b>                      |               |               |               |               |               |
| Gross margin inc. depreciation (%)                | 12.2          | 12.2          | 12.2          | 12.2          | 12.3          |
| Gross margin of key business (%)                  | 10.3          | 10.3          | 10.4          | 10.5          | 10.7          |
| Operating EBITDA margin (%)                       | 5.2           | 5.7           | 4.8           | 4.8           | 5.0           |
| Operating EBIT margin (%)                         | 3.9           | 4.1           | 3.6           | 3.7           | 3.8           |
| Net margin (%)                                    | 3.0           | 3.0           | 2.9           | 2.9           | 3.1           |
| Effective tax rate (%)                            | 21.7          | 21.7          | 20.0          | 20.0          | 20.0          |
| Dividend payout on recurring profit (%)           | 73.8          | 70.2          | 70.0          | 70.0          | 70.0          |
| Interest cover (X)                                | 26.5          | 14.5          | 73.1          | 99.1          | 144.2         |
| Inventory days                                    | 29.2          | 28.3          | 27.6          | 27.1          | 27.0          |
| Debtor days                                       | 1.8           | 1.7           | 1.3           | 1.0           | 1.0           |
| Creditor days                                     | 51.7          | 52.7          | 52.7          | 50.9          | 50.6          |
| Operating ROIC (%)                                | 34.5          | 43.1          | 44.0          | 46.1          | 51.6          |
| ROIC (%)  | 24.5          | 25.3          | 21.6          | 22.6          | 24.3          |
| ROE (%)   | 32.0          | 30.9          | 28.1          | 28.9          | 30.1          |
| ROA (%)   | 10.3          | 10.3          | 8.8           | 9.4           | 10.1          |

\* Pre-exceptional, pre-goodwill and fully diluted

| Revenue by Division (THB m) | 2019    | 2020    | 2021E   | 2022E   | 2023E   |
|-----------------------------|---------|---------|---------|---------|---------|
| Sales                       | 206,180 | 214,140 | 222,864 | 245,120 | 266,409 |
| Service income              | 3,592   | 3,757   | 3,767   | 3,771   | 4,103   |
| Other Income                | 855     | 863     | 847     | 882     | 906     |

Sources: Siam Makro; FSSIA estimates



## Financial Statements

### Siam Makro

| Cash Flow (THB m) Year Ending Dec | 2019           | 2020           | 2021E          | 2022E          | 2023E          |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Recurring net profit              | 6,245          | 6,563          | 6,533          | 7,293          | 8,316          |
| Depreciation                      | 2,723          | 3,577          | 2,657          | 2,874          | 3,095          |
| Associates & minorities           | 24             | 19             | 0              | 0              | 0              |
| Other non-cash items              | 26             | 44             | (29)           | 68             | 64             |
| Change in working capital         | 795            | 1,979          | 434            | 981            | 1,047          |
| <b>Cash flow from operations</b>  | <b>9,813</b>   | <b>12,181</b>  | <b>9,594</b>   | <b>11,215</b>  | <b>12,522</b>  |
| Capex - maintenance               | -              | -              | -              | -              | -              |
| Capex - new investment            | (2,342)        | (1,254)        | (4,319)        | (4,725)        | (4,507)        |
| Net acquisitions & disposals      | (179)          | (2,186)        | (328)          | (728)          | (709)          |
| Other investments (net)           | (44)           | 874            | (81)           | 372            | 210            |
| <b>Cash flow from investing</b>   | <b>(2,565)</b> | <b>(2,566)</b> | <b>(4,728)</b> | <b>(5,082)</b> | <b>(5,006)</b> |
| Dividends paid                    | (4,608)        | (4,608)        | (4,573)        | (5,105)        | (5,821)        |
| Equity finance                    | (123)          | 41             | (13)           | (13)           | (13)           |
| Debt finance                      | (2,771)        | 627            | (1,329)        | (1,487)        | (1,323)        |
| Other financing cash flows        | 0              | 0              | 0              | 0              | 0              |
| <b>Cash flow from financing</b>   | <b>(7,501)</b> | <b>(3,940)</b> | <b>(5,915)</b> | <b>(6,605)</b> | <b>(7,157)</b> |
| Non-recurring cash flows          | -              | -              | -              | -              | -              |
| Other adjustments                 | 0              | 0              | 0              | 0              | 0              |
| <b>Net other adjustments</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>Movement in cash</b>           | <b>(253)</b>   | <b>5,675</b>   | <b>(1,048)</b> | <b>(472)</b>   | <b>359</b>     |
| Free cash flow to firm (FCFF)     | 7,558.70       | 10,234.86      | 4,979.29       | 6,225.94       | 7,588.30       |
| Free cash flow to equity (FCFE)   | 4,477.87       | 10,241.99      | 3,537.87       | 4,646.32       | 6,192.82       |

#### Per share (THB)

|                               |      |      |      |      |      |
|-------------------------------|------|------|------|------|------|
| FCFF per share                | 1.57 | 2.13 | 1.04 | 1.30 | 1.58 |
| FCFE per share                | 0.93 | 2.13 | 0.74 | 0.97 | 1.29 |
| Recurring cash flow per share | 1.88 | 2.13 | 1.91 | 2.13 | 2.39 |

| Balance Sheet (THB m) Year Ending Dec             | 2019          | 2020          | 2021E         | 2022E         | 2023E         |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed assets (gross)                     | 51,649        | 51,712        | 56,031        | 60,756        | 65,263        |
| Less: Accumulated depreciation                    | (20,070)      | (21,148)      | (23,733)      | (26,536)      | (29,561)      |
| <b>Tangible fixed assets (net)</b>                | <b>31,579</b> | <b>30,564</b> | <b>32,297</b> | <b>34,219</b> | <b>35,702</b> |
| <b>Intangible fixed assets (net)</b>              | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      |
| Long-term financial assets                        | 0             | 0             | 0             | 0             | 0             |
| Invest. in associates & subsidiaries              | 0             | 0             | 0             | 0             | 0             |
| Cash & equivalents                                | 4,843         | 10,518        | 9,470         | 8,998         | 9,357         |
| A/C receivable                                    | 1,078         | 945           | 623           | 684           | 744           |
| Inventories                                       | 14,774        | 14,478        | 15,318        | 16,829        | 17,924        |
| Other current assets                              | 2,638         | 2,310         | 2,402         | 2,638         | 2,867         |
| <b>Current assets</b>                             | <b>23,333</b> | <b>28,251</b> | <b>27,814</b> | <b>29,150</b> | <b>30,891</b> |
| Other assets                                      | 7,729         | 15,219        | 15,825        | 17,376        | 18,882        |
| <b>Total assets</b>                               | <b>62,641</b> | <b>74,034</b> | <b>75,936</b> | <b>80,745</b> | <b>85,475</b> |
| Common equity                                     | 20,243        | 22,239        | 24,186        | 26,361        | 28,842        |
| Minorities etc.                                   | 491           | 471           | 431           | 393           | 373           |
| <b>Total shareholders' equity</b>                 | <b>20,734</b> | <b>22,711</b> | <b>24,617</b> | <b>26,753</b> | <b>29,216</b> |
| Long term debt                                    | 7,003         | 2,002         | 1,690         | 1,342         | 1,032         |
| Other long-term liabilities                       | 2,155         | 8,767         | 9,117         | 10,010        | 10,878        |
| <b>Long-term liabilities</b>                      | <b>9,158</b>  | <b>10,769</b> | <b>10,807</b> | <b>11,353</b> | <b>11,910</b> |
| A/C payable                                       | 26,425        | 27,974        | 28,927        | 31,480        | 33,681        |
| Short term debt                                   | 919           | 6,547         | 5,529         | 4,390         | 3,377         |
| Other current liabilities                         | 5,405         | 6,034         | 6,056         | 6,769         | 7,291         |
| <b>Current liabilities</b>                        | <b>32,749</b> | <b>40,555</b> | <b>40,512</b> | <b>42,640</b> | <b>44,349</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>62,641</b> | <b>74,034</b> | <b>75,936</b> | <b>80,745</b> | <b>85,475</b> |
| Net working capital                               | (13,340)      | (16,275)      | (16,639)      | (18,098)      | (19,438)      |
| Invested capital                                  | 25,968        | 29,508        | 31,483        | 33,498        | 35,146        |

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

#### Per share (THB)

|                               |      |      |      |      |      |
|-------------------------------|------|------|------|------|------|
| Book value per share          | 4.22 | 4.63 | 5.04 | 5.49 | 6.01 |
| Tangible book value per share | 4.22 | 4.63 | 5.04 | 5.49 | 6.01 |

#### Financial strength

|                           |      |       |       |        |        |
|---------------------------|------|-------|-------|--------|--------|
| Net debt/equity (%)       | 14.8 | (8.7) | (9.1) | (12.2) | (16.9) |
| Net debt/total assets (%) | 4.9  | (2.7) | (3.0) | (4.0)  | (5.8)  |
| Current ratio (x)         | 0.7  | 0.7   | 0.7   | 0.7    | 0.7    |
| CF interest cover (x)     | 23.0 | 19.6  | 70.8  | 102.3  | 148.8  |

| Valuation                                 | 2019        | 2020        | 2021E       | 2022E       | 2023E       |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Recurring P/E (x) *</b>                | <b>32.3</b> | <b>30.7</b> | <b>30.9</b> | <b>27.6</b> | <b>24.2</b> |
| <b>Recurring P/E @ target price (x) *</b> | <b>36.9</b> | <b>35.1</b> | <b>35.3</b> | <b>31.6</b> | <b>27.7</b> |
| Reported P/E (x)                          | 32.3        | 30.7        | 30.9        | 27.6        | 24.2        |
| Dividend yield (%)                        | 2.3         | 2.3         | 2.3         | 2.5         | 2.9         |
| Price/book (x)                            | 10.0        | 9.1         | 8.3         | 7.6         | 7.0         |
| Price/tangible book (x)                   | 10.0        | 9.1         | 8.3         | 7.6         | 7.0         |
| EV/EBITDA (x) **                          | 18.8        | 16.0        | 18.4        | 16.5        | 14.6        |
| EV/EBITDA @ target price (x) **           | 21.4        | 18.3        | 21.0        | 18.9        | 16.7        |
| EV/invested capital (x)                   | 7.9         | 6.8         | 6.3         | 5.9         | 5.6         |

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

Sources: Siam Makro; FSSIA estimates



## Corporate Governance report of Thai listed companies 2020

| EXCELLENT LEVEL |        |        |       |       |       |        |        |        |        |        |
|-----------------|--------|--------|-------|-------|-------|--------|--------|--------|--------|--------|
| AAV             | ADVANC | AF     | AIRA  | AKP   | AKR   | ALT    | AMA    | AMATA  | AMATAV | ANAN   |
| AOT             | AP     | ARIP   | ARROW | ASP   | BAFS  | BANPU  | BAY    | BCP    | BCPG   | BDMS   |
| BEC             | BEM    | BGRIM  | BIZ   | BKI   | BLA   | BOL    | BPP    | BRR    | BTS    | BWG    |
| CENTEL          | CFRESH | CHEWA  | CHO   | CIMBT | CK    | CKP    | CM     | CNT    | COL    | COMAN  |
| COTTO           | CPALL  | CPF    | CPI   | CPN   | CSS   | DELTA  | DEMCO  | DRT    | DTAC   | DTC    |
| DV8             | EA     | EASTW  | ECF   | ECL   | EGCO  | EPG    | ETE    | FNS    | FPI    | FPT    |
| FSMART          | GBX    | GC     | GCAP  | GEL   | GFPT  | GGC    | GPSC   | GRAMMY | GUNKUL | HANA   |
| HARN            | HMPRO  | ICC    | ICHI  | III   | ILINK | INTUCH | IRPC   | IVL    | JKN    | JSP    |
| JWD             | K      | KBANK  | KCE   | KKP   | KSL   | KTB    | KTC    | LANNA  | LH     | LHFG   |
| LIT             | LPN    | MAKRO  | MALEE | MBK   | MBKET | MC     | MCOT   | METCO  | MFEC   | MINT   |
| MONO            | MOONG  | MSC    | MTC   | NCH   | NCL   | NEP    | NKI    | NOBLE  | NSI    | NVD    |
| NYT             | OISHI  | ORI    | OTO   | PAP   | PCSGH | PDJ    | PG     | PHOL   | PLANB  | PLANET |
| PLAT            | PORT   | PPS    | PR9   | PREB  | PRG   | PRM    | PSH    | PSL    | PTG    | PTT    |
| PTTEP           | PTTGC  | PYLON  | Q-CON | QH    | QTC   | RATCH  | RS     | S      | S & J  | SAAM   |
| SABINA          | SAMART | SAMTEL | SAT   | SC    | SCB   | SCC    | SCCC   | SCG    | SCN    | SDC    |
| SEAFCO          | SEOIL  | SE-ED  | SELIC | SENA  | SIRI  | SIS    | SITHAI | SMK    | SMPC   | SNC    |
| SONIC           | SORKON | SPALI  | SPI   | SPRC  | SPVI  | SSSC   | SST    | STA    | SUSCO  | SUTHA  |
| SVI             | SYMC   | SYNTEC | TACC  | TASCO | TCAP  | TFMAMA | THANA  | THANI  | THCOM  | THG    |
| THIP            | THRE   | THREL  | TIP   | TIPCO | TISCO | TK     | TKT    | TMB    | TMILL  | TNDT   |
| TNL             | TOA    | TOP    | TPBI  | TQM   | TRC   | TSC    | TSR    | TSTE   | TSTH   | TTA    |
| TTCL            | TTW    | TU     | TVD   | TVI   | TVO   | TWPC   | U      | UAC    | UBIS   | UV     |
| VGI             | VIH    | WACOAL | WAVE  | WHA   | WHAUP | WICE   | WINNER | TRUE   |        |        |

| VERY GOOD LEVEL |         |        |       |        |       |        |        |        |        |       |
|-----------------|---------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| 2S              | ABM     | ACE    | ACG   | ADB    | AEC   | AEONTS | AGE    | AH     | AHC    | AIT   |
| ALLA            | AMANAHA | AMARIN | APCO  | APCS   | APURE | AQUA   | ASAP   | ASEFA  | ASIA   | ASIAN |
| ASIMAR          | ASK     | ASN    | ATP30 | AUCT   | AWC   | AYUD   | B      | BA     | BAM    | BBL   |
| BFIT            | BGC     | BJC    | BJCHI | BROOK  | BTW   | CBG    | CEN    | CGH    | CHARAN | CHAYO |
| CHG             | CHOTI   | CHOW   | CI    | CIG    | CMC   | COLOR  | COM7   | CPL    | CRC    | CRD   |
| CSC             | CSP     | CWT    | DCC   | DCON   | DDD   | DOD    | DOHOME | EASON  | EE     | ERW   |
| ESTAR           | FE      | FLOYD  | FN    | FORTH  | FSS   | FTE    | FVC    | GENCO  | GJS    | GL    |
| GLAND           | GLOBAL  | GLOCON | GPI   | GULF   | GYT   | HPT    | HTC    | ICN    | IFS    | ILM   |
| IMH             | INET    | INSURE | IRC   | IRCP   | IT    | ITD    | ITEL   | J      | JAS    | JCK   |
| JCKH            | JMART   | JMT    | KBS   | KCAR   | KGI   | KIAT   | KOOL   | KTIS   | KWC    | KWM   |
| L&E             | LALIN   | LDC    | LHK   | LOXLEY | LPH   | LRH    | LST    | M      | MACO   | MAJOR |
| MBAX            | MEGA    | META   | MFC   | MGT    | MILL  | MITSI  | MK     | MODERN | MTI    | MVP   |
| NETBAY          | NEX     | NINE   | NTV   | NWR    | OCC   | OGC    | OSP    | PATO   | PB     | PDG   |
| PDI             | PICO    | PIMO   | PJW   | PL     | PM    | PPP    | PRIN   | PRINC  | PSTC   | PT    |
| QLT             | RCL     | RICHY  | RML   | RPC    | RWI   | S11    | SALEE  | SAMCO  | SANKO  | SAPPE |
| SAWAD           | SCI     | SCP    | SE    | SEG    | SFP   | SGF    | SHR    | SIAM   | SINGER | SKE   |
| SKR             | SKY     | SMIT   | SMT   | SNP    | SPA   | SPC    | SPCG   | SR     | SRICHA | SSC   |
| SSF             | STANLY  | STI    | STPI  | SUC    | SUN   | SYNEX  | T      | TAE    | TAKUNI | TBSP  |
| TCC             | TCMC    | TEAM   | TEAMG | TFG    | TIGER | TITLE  | TKN    | TKS    | TM     | TMC   |
| TMD             | TMI     | TMT    | TNITY | TNP    | TNR   | TOG    | TPA    | TPAC   | TPCORP | TPOLY |
| TPS             | TRITN   | TRT    | TRU   | TSE    | TVT   | TWP    | UEC    | UMI    | UOBKH  | UP    |
| UPF             | UPOIC   | UT     | UTP   | UWC    | VL    | VNT    | VPO    | WIIK   | WP     | XO    |
| YUASA           | ZEN     | ZIGA   | ZMICO |        |       |        |        |        |        |       |

| GOOD LEVEL |      |        |        |       |        |       |       |        |        |       |
|------------|------|--------|--------|-------|--------|-------|-------|--------|--------|-------|
| 7UP        | A    | ABICO  | AJ     | ALL   | ALUCON | AMC   | APP   | ARIN   | AS     | AU    |
| B52        | BC   | BCH    | BEAUTY | BGT   | BH     | BIG   | BKD   | BLAND  | BM     | BR    |
| BROCK      | BSBM | BSM    | BTNC   | CAZ   | CCP    | CGD   | CITY  | CMAN   | CMO    | CMR   |
| CPT        | CPW  | CRANE  | CSR    | D     | EKH    | EP    | ESSO  | FMT    | GIFT   | GREEN |
| GSC        | GTB  | HTECH  | HUMAN  | IHL   | INOX   | INSET | IP    | JTS    | JUBILE | KASET |
| KCM        | KKC  | KUMWEL | KUN    | KWG   | KYE    | LEE   | MATCH | MATI   | M-CHAI | MCS   |
| MDX        | MJD  | MM     | MORE   | NC    | NDR    | NER   | NFC   | NNCL   | NPK    | NUSA  |
| OCEAN      | PAF  | PF     | PK     | PLE   | PMTA   | POST  | PPM   | PRAKIT | PRECHA | PRIME |
| PROUD      | PTL  | RBF    | RCI    | RJH   | ROJNA  | RP    | RPH   | RSP    | SF     | SFLEX |
| SGP        | SISB | SKN    | SLP    | SMART | SOLAR  | SPG   | SQ    | SSP    | STARK  | STC   |
| SUPER      | SVOA | TC     | TCCC   | THMUI | TIW    | TNH   | TOPP  | TPCH   | TIPIP  | TPLAS |
| TTI        | TYCN | UKEM   | UMS    | VCOM  | VRANDA | WIN   | WORK  | WPH    |        |       |

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

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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 2020

| CERTIFIED |        |        |        |        |        |        |        |        |        |        |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2S        | ADVANC | AI     | AIE    | AIRA   | AKP    | AMA    | AMANA  | AP     | AQUA   | ARROW  |
| ASK       | ASP    | AYUD   | B      | BAFS   | BANPU  | BAY    | BBL    | BCH    | BCP    | BCPG   |
| BGC       | BGRIM  | BJCHI  | BKI    | BLA    | BPP    | BROOK  | BRR    | BSBM   | BTS    | BWG    |
| CEN       | CENTEL | CFRESH | CGH    | CHEWA  | CHOTI  | CHOW   | CIG    | CIMBT  | CM     | CMC    |
| COL       | COM7   | CPALL  | CPF    | CPI    | CPN    | CSC    | DCC    | DELTA  | DEMCO  | DIMET  |
| DRT       | DTAC   | DTC    | EASTW  | ECL    | EGCO   | FE     | FNS    | FPI    | FPT    | FSS    |
| FTE       | GBX    | GC     | GCAP   | GEL    | GFPT   | GGC    | GJS    | GPSC   | GSTEEL | GUNKUL |
| HANA      | HARN   | HMPRO  | HTC    | ICC    | ICHI   | IFS    | INET   | INSURE | INTUCH | IRPC   |
| ITEL      | IVL    | K      | KASET  | KBANK  | KBS    | KCAR   | KCE    | KGI    | KKP    | KSL    |
| KTB       | KTC    | KWC    | L&E    | LANNA  | LHFG   | LHK    | LPN    | LRH    | M      | MAKRO  |
| MALEE     | MBAX   | MBK    | MBKET  | MC     | MCOT   | MFC    | MFEC   | MINT   | MONO   | MOONG  |
| MPG       | MSC    | MTC    | MTI    | NBC    | NEP    | NINE   | NKI    | NMG    | NNCL   | NSI    |
| NWR       | OCC    | OCEAN  | OGC    | ORI    | PAP    | PATO   | PB     | PCSGH  | PDG    | PDI    |
| PDJ       | PE     | PG     | PHOL   | PL     | PLANB  | PLANET | PLAT   | PM     | PPP    | PPPM   |
| PPS       | PREB   | PRG    | PRINC  | PRM    | PSH    | PSL    | PSTC   | PT     | PTG    | PTT    |
| PTTEP     | PTTGC  | PYLON  | Q-CON  | QH     | QLT    | QTC    | RATCH  | RML    | RWI    | S & J  |
| SABINA    | SAT    | SC     | SCB    | SCC    | SCCC   | SCG    | SCN    | SEAOL  | SE-ED  | SELIC  |
| SENA      | SGP    | SIRI   | SITHAI | SMIT   | SMK    | SMPC   | SNC    | SNP    | SORKON | SPACK  |
| SPC       | SPI    | SPRC   | SRICHA | SSF    | SSSC   | SST    | STA    | SUSCO  | SVI    | SYNTEC |
| TAE       | TAKUNI | TASCO  | TBSP   | TCAP   | TCMC   | TFG    | TFI    | TFMAMA | THANI  | THCOM  |
| THIP      | THRE   | THREL  | TIP    | TIPCO  | TISCO  | TKT    | TMB    | TMD    | TMILL  | TMT    |
| TNITY     | TNL    | TNP    | TNR    | TOG    | TOP    | TPA    | TPCORP | TPP    | TRU    | TSC    |
| TSTH      | TTCL   | TU     | TVD    | TVI    | TVO    | TWPC   | U      | UBIS   | UEC    | UKEM   |
| UOBKH     | UWC    | VGI    | VIH    | VNT    | WACOAL | WHA    | WHAUP  | WICE   | WIJK   | XO     |
| ZEN       | TRUE   |        |        |        |        |        |        |        |        |        |
| DECLARED  |        |        |        |        |        |        |        |        |        |        |
| 7UP       | ABICO  | AF     | ALT    | AMARIN | AMATA  | AMATAV | ANAN   | APURE  | B52    | BKD    |
| BM        | BROCK  | BUI    | CHO    | CI     | COTTO  | DDD    | EA     | EFORL  | EP     | ERW    |
| ESTAR     | ETE    | EVER   | FSMART | GPI    | ILINK  | IRC    | J      | JKN    | JMART  | JMT    |
| JSP       | JTS    | KWG    | LDC    | MAJOR  | META   | NCL    | NOBLE  | NOK    | PK     | PLE    |
| ROJNA     | SAAM   | SAPPE  | SCI    | SE     | SHANG  | SINGER | SKR    | SPALI  | SSP    | STANLY |
| SUPER     | SYNEX  | THAI   | TKS    | TOPP   | TRITN  | TTA    | UPF    | UV     | WIN    | ZIGA   |

| 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

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#### Karun Intrachai FSS International Investment Advisory Securities Co., Ltd

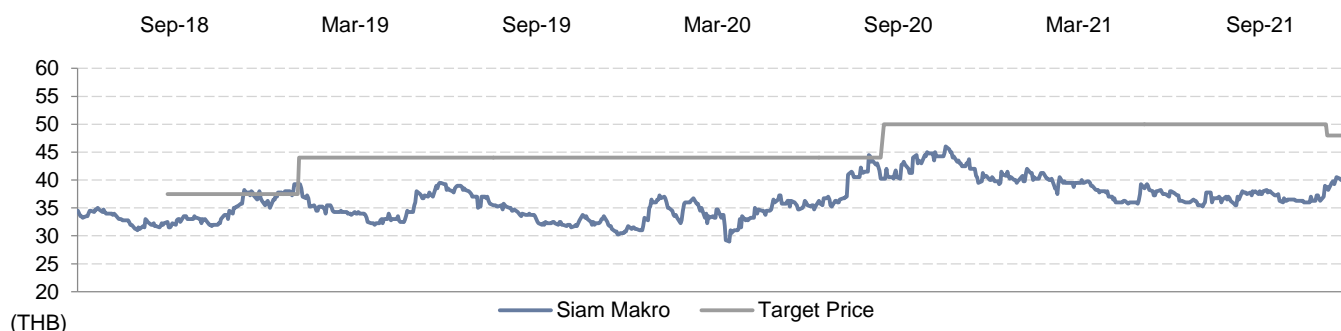
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#### History of change in investment rating and/or target price

##### Siam Makro (MAKRO TB)



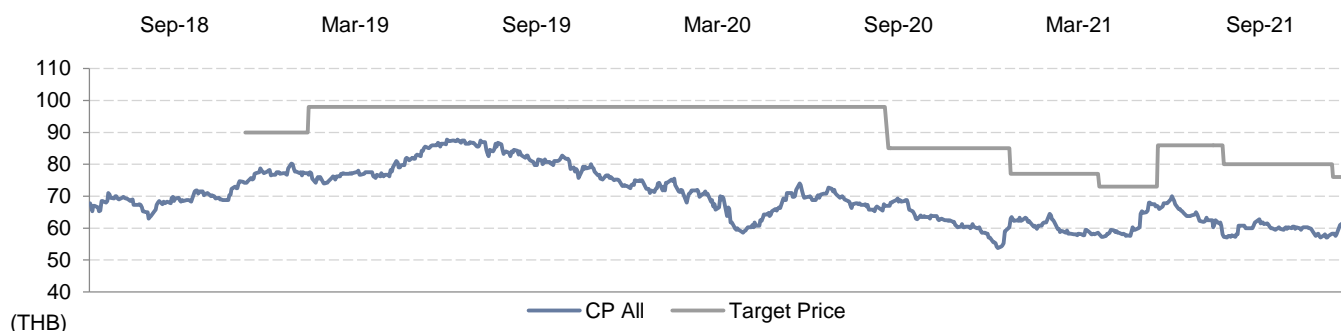
| Date        | Rating | Target price | Date        | Rating | Target price | Date        | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 19-Nov-2018 | BUY    | 37.50        | 24-Jul-2020 | BUY    | 50.00        | 25-Mar-2021 | BUY    | 50.00        |
| 12-Mar-2019 | BUY    | 44.00        | 19-Nov-2020 | BUY    | 50.00        | 12-May-2021 | BUY    | 50.00        |
| 02-Apr-2020 | BUY    | 44.00        | 25-Jan-2021 | BUY    | 50.00        | 11-Aug-2021 | BUY    | 48.00        |

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

Price and TP are in local currency

Source: FSSIA estimates

##### CP All (CPALL TB)



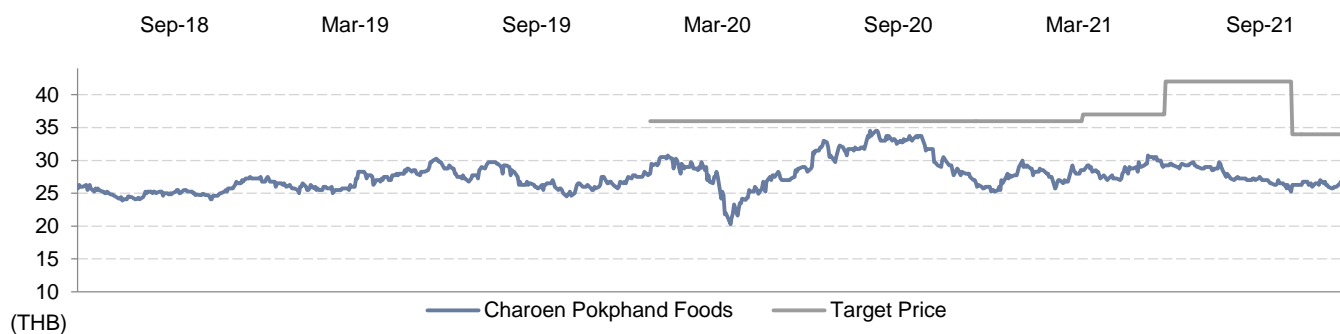
| Date        | Rating | Target price | Date        | Rating | Target price | Date        | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 16-Jan-2019 | BUY    | 90.00        | 19-Oct-2020 | BUY    | 85.00        | 17-Mar-2021 | BUY    | 86.00        |
| 12-Mar-2019 | BUY    | 98.00        | 09-Nov-2020 | BUY    | 77.00        | 17-Mar-2021 | BUY    | 86.00        |
| 02-Apr-2020 | BUY    | 98.00        | 13-Nov-2020 | BUY    | 77.00        | 13-May-2021 | BUY    | 80.00        |
| 24-Jul-2020 | BUY    | 85.00        | 25-Jan-2021 | BUY    | 73.00        | 16-Aug-2021 | BUY    | 76.00        |
| 13-Aug-2020 | BUY    | 85.00        | 23-Feb-2021 | BUY    | 73.00        |             |        |              |

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

Price and TP are in local currency

Source: FSSIA estimates

## Charoen Pokphand Foods (CPF TB)



| Date        | Rating | Target price | Date        | Rating | Target price | Date        | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 08-Jan-2020 | BUY    | 36.00        | 13-Jan-2021 | BUY    | 37.00        | 07-Apr-2021 | BUY    | 42.00        |
| 02-Apr-2020 | BUY    | 36.00        | 25-Mar-2021 | BUY    | 42.00        | 12-Jul-2021 | BUY    | 34.00        |

Karun Intrachai started covering this stock from 13-Jan-2021

Price and TP are in local currency

Source: FSSIA estimates

| Company                | Ticker   | Price     | Rating | Valuation & Risks  |
|------------------------|----------|-----------|--------|--|
| Siam Makro             | MAKRO TB | THB 42.00 | BUY    | The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) lower-than-expected GPM improvement; and 3) operation losses from its overseas business.   |
| CP All                 | CPALL TB | THB 65.00 | 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) the slow recovery of tourist numbers. |
| Charoen Pokphand Foods | CPF TB   | THB 27.00 | BUY    | The key downside risks to our SoTP-based target price are the volatile pork prices in both Thailand and Vietnam which could hurt revenues and the company's gross margin.  |

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 31-Aug-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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