

# SIAM MAKRO MAKRO TB

## THAILAND / CONSUMER STAPLES

# BUY

FROM HOLD

TARGET PRICE	THB52.00
CLOSE	THB43.25
UP/DOWNSIDE	+20.2%
PRIOR TP	THB52.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+6.2%

## Climbing the Lotus hill

- MAKRO's 4Q21 core net profit was THB2.4b, beating the market's expectation by 12.5% due to Lotus' stronger-than-expected results.
- Slightly positive feedback from analyst meeting; Lotus' operations are on the way to recovery.
- Upgrade to BUY from Hold with intact DCF-based TP of THB52.

### 4Q21 earnings beat expectations

MAKRO booked a 4Q21 net profit of THB9.1b. Excluding a gain from business restructuring of THB6.7b, its core profit was THB2.4b (+51% q-q, +12% y-y), beating BBG's consensus expectation by 12.5% due to Lotus' stronger-than-expected performance.

### Positive outlook in 1Q22; both MAKRO and Lotus have +SSSG

We received slightly positive feedback from MAKRO's post-results meeting. Management reaffirmed our view that Lotus' performance is on the way to recovery, while MAKRO's operational outlook remains resilient. Management sees a positive outlook in 1Q22. Wholesale SSSG has been positive in the mid-single and low single-digits for Lotus in 1Q22. Rental income has significantly recovered q-q after the occupancy rate recovered to 90% (vs c95% in the pre-Covid period). Lotus is targeting an occupancy rate near the pre-Covid level at 94% by 2H22. Note that rental income accounts for c17-18% of total revenue and has a GPM of c55-60% vs Lotus' retail sales at c18-20%.

### Positive developments from Lotus' operations

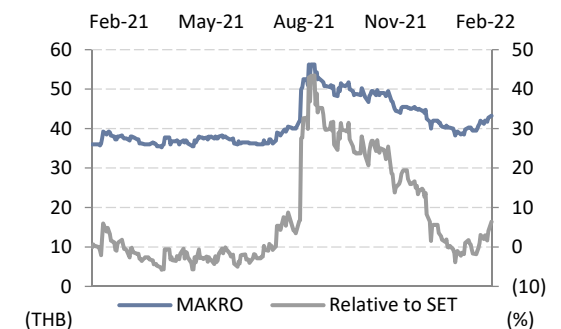
We see some positive developments from Lotus' operations. Management expects Lotus' GPM to be at c20% in 2022 (vs 20.1% in 4Q21, c18-19% in 2019-21 and our 2022E of 18.7%), supported by increasing non-food and fresh food proportions. We see an improving GPM trend as Lotus is targeting a higher fresh food contribution to 35-40% of total retail sales from 25-30% currently. Lotus has now achieved 50% of its rebranding progress and expects to convert all of its stores by end-2022. For its expansion plan, Lotus plans to open 4 hypermarkets, 10 supermarkets, and 250 Lotus Go Fresh stores. It has already opened 2 hypermarkets with smaller retail areas that were converted into mall areas, which could provide higher traffic and a better GPM.

### Near-term catalyst from Lotus' solid operations in 1Q22

We cut our 2022-23E earnings by 0.2-0.9% after incorporating the lower-than-expected public offering (PO) size and price. We maintain our DCF-based TP at THB52 and upgrade our recommendation to BUY following its share price dropping by 24% from its peak at THB57.25. We see a positive development from Lotus' performance and expect Lotus to post a net profit of THB6.1b in 2022. A near-term catalyst would be stronger-than-expected 1Q22 earnings from Lotus, which could exceed THB1.0b.

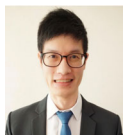
### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	266,435	475,983	518,899	564,382
Net profit	13,687	12,640	16,884	19,888
EPS (THB)	1.29	1.19	1.60	1.88
vs Consensus (%)	-	-	1.0	7.7
EBITDA	15,873	28,028	33,687	37,941
Core net profit	6,972	12,640	16,884	19,888
Core EPS (THB)	0.66	1.19	1.60	1.88
Chg. In EPS est. (%)	nm	2.9	5.7	nm
EPS growth (%)	(51.8)	81.3	33.6	17.8
Core P/E (x)	65.6	36.2	27.1	23.0
Dividend yield (%)	2.1	2.1	2.8	3.3
EV/EBITDA (x)	33.3	17.7	14.9	13.6
Price/book (x)	1.6	1.5	1.5	1.5
Net debt/Equity (%)	24.6	12.5	13.8	18.0
ROE (%)	3.5	4.3	5.6	6.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	10.2	(12.6)	19.3
Relative to country (%)	7.5	(15.2)	5.7
Mkt cap (USD m)			14,211
3m avg. daily turnover (USD m)			20.8
Free float (%)			7
Major shareholder			CP ALL (93%)
12m high/low (THB)			57.25/35.00
Issued shares (m)			10,580.32

Sources: Bloomberg consensus; FSSIA estimates



**Karun Intrachai**  
 karun.int@fssia.com  
 +66 2611 3555

## 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.

The acquisition of Lotus could lead MAKRO to become the largest modern trade retailer in Southeast Asia. We see four pillars for solid net profit growth in 2022-23: 1) Lotus' earnings potentially leading to a strong recovery in 2022 onward; 2) resilient wholesale operations (MAKRO) amid the Covid outbreak; 3) the expectation of near-term synergy benefits of up to THB2.7b; and 4) overseas expansion to sustain net profit growth.

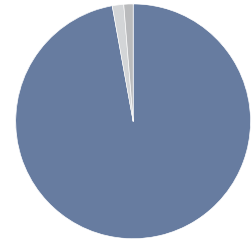
## Company profile

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, 2021)

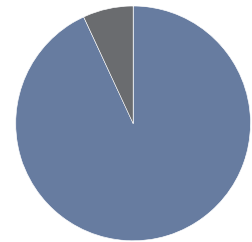
- Sales - 97.2 %
- Service income - 1.6 %
- Other Income - 1.3 %



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 Lotus and 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) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.

## Event calendar

Date	Event
May 2022	1Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
SSSG	5.0	4.0	3.0
New store growth	3.9	3.2	3.1
GPM	15.3	15.7	15.8
SG&A to sales	12.0	11.8	11.7

Source: FSSIA estimates

## Earnings sensitivity

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

Source: FSSIA estimates

## 4Q21 earnings beat expectations

MAKRO booked a 4Q21 net profit of THB9.1b. Excluding a gain from business restructuring of THB6.7b, its core profit was THB2.4b (+51% q-q, +12% y-y), beating BBG's consensus expectation by 12.5%. MAKRO announced a cash dividend payment of THB0.32/shr, implying a 0.7% dividend yield. The XD date is 3 Mar.

Revenue grew 83% q-q and 76% y-y in 4Q21 to THB100.4b due to the sales contributions from Lotus after the business transfer was completed by Oct-21. MAKRO's SSSG (wholesale) was at 4.1% in 4Q21 (vs 0.6% in 4Q20 and 1.3% in 3Q21), while Lotus' SSSG was at -6.1% in 4Q21 for Thailand (vs -6.3% in 2021) and -2.2% for Malaysia. 4Q21 GPM rose to 14.6% (vs 10.5% in 3Q21 and 10.9% in 4Q20). Note that Lotus' GPM was at 20.5% in 2021 vs MAKRO's wholesale GPM at 10.4%. SG&A to sales rose to 14.4% in 4Q21 (vs 8.6% in 3Q21) after incorporating Lotus' expenses. Note, there was a one-off expense of THB197m related to the transaction fee. Overall, the net profit contribution from MAKRO amounted to THB6.8b (vs THB6.6b in 2020) and the net profit from Lotus was at THB397m in 4Q21 (68 days).

We see a positive development from MAKRO's overseas operations which contributed a loss of THB659m in 2021 (vs a loss of THB715m in 2020). The improvement y-y was mainly due to efficient cost control despite overall sales dropping 2% y-y due to the lockdown measures in Cambodia and Myanmar. For its 2022 expansion plan, MAKRO plans to open 2 new stores in Cambodia and 3 new stores in India.

### Exhibit 1: 4Q21 results review

Year to Dec 31	4Q20	1Q21	2Q21	3Q21	4Q21	----- Change -----		4Q21	2021	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	%21A	(THB m)	(y-y %)
<b>Total revenue</b>	<b>57,147</b>	<b>56,097</b>	<b>54,955</b>	<b>54,971</b>	<b>100,411</b>	<b>83</b>	<b>76</b>	<b>38</b>	<b>266,435</b>	<b>22</b>
Retail sales	55,765	54,868	53,813	53,824	96,342	79	73	37	258,847	21
Service income	1,034	1,010	910	915	1,342	47	30	32	4,177	11
Other income	348	219	233	232	2,727	1,075	683	80	3,411	295
<b>Gross profit</b>	<b>7,476</b>	<b>6,764</b>	<b>6,311</b>	<b>6,789</b>	<b>18,166</b>	<b>168</b>	<b>143</b>	<b>48</b>	<b>38,029</b>	<b>42</b>
Operating costs	(4,607)	(4,442)	(4,560)	(4,616)	(13,917)	202	202	51	(27,535)	55
Operating profit	2,869	2,321	1,751	2,173	4,249	96	48	40	10,494	17
<b>Operating EBITDA</b>	<b>4,481</b>	<b>2,972</b>	<b>2,406</b>	<b>2,831</b>	<b>7,663</b>	<b>171</b>	<b>71</b>	<b>48</b>	<b>15,873</b>	<b>27</b>
Interest expense	(146)	(129)	(142)	(137)	(1,148)	736	684	74	(1,557)	151
<b>Profit before tax</b>	<b>2,722</b>	<b>2,192</b>	<b>1,608</b>	<b>2,036</b>	<b>3,102</b>	<b>52</b>	<b>14</b>	<b>35</b>	<b>8,937</b>	<b>7</b>
Tax	(591)	(461)	(331)	(473)	(862)	82	46	41	(2,128)	17
Associates	(63)	0	0	0	(226)	n/a	257			
Minority interests	62	3	10	10	366	3,677	494	94	389	282
Non recurring items	0	0	0	0	6,714	n/a	n/a	2,965	226	257
<b>Reported net profit</b>	<b>2,130</b>	<b>1,734</b>	<b>1,287</b>	<b>1,572</b>	<b>9,094</b>	<b>479</b>	<b>327</b>	<b>133</b>	<b>13,687</b>	<b>109</b>
<b>Recurring net profit</b>	<b>2,130</b>	<b>1,734</b>	<b>1,287</b>	<b>1,572</b>	<b>2,380</b>	<b>51</b>	<b>12</b>	<b>34</b>	<b>6,972</b>	<b>6</b>
EPS (THB)	0.44	0.36	0.27	0.33	0.86	162	94	130	0.66	(52)
Recurring EPS (THB)	0.44	0.36	0.27	0.33	0.22	(31)	(49)	17	1.29	(5)
<b>Key Ratios (%)</b>										
Retail sales margin	10.9	10.1	9.6	10.5	14.6				11.8	
Operating margin	5.0	4.1	3.2	4.0	4.2				3.9	
Recurring net margin	3.7	3.1	2.3	2.9	2.4				2.6	
SG&A / Sales	8.3	8.1	8.5	8.6	14.4				10.6	
Effective tax rate	21.7	21.0	20.6	23.3	27.8				23.8	
<b>Operating statistics</b>										
SSSG (MAKRO) (%)	0.6	(1.2)	6.1	1.3	4.1					
SSSG (Lotus) (%)					(6.1)					
Number of stores (Wholesale)	145	146	146	146	149	-				
Number of stores (Lotus)					2,680					

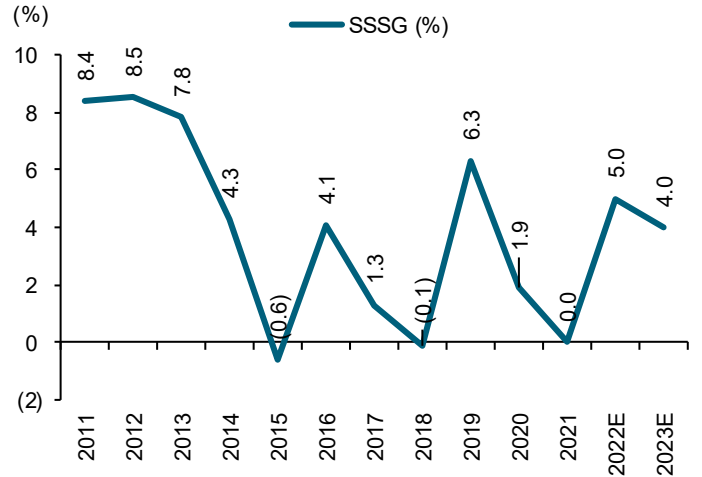
Sources: MAKRO; FSSIA estimates

**Exhibit 2: Quarterly SSSG**



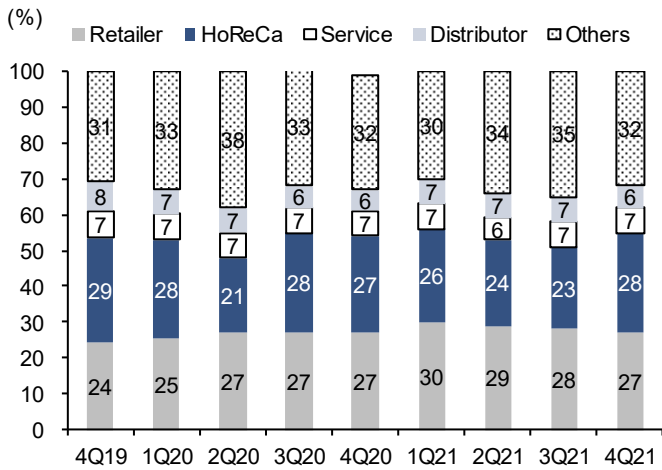
Sources: MAKRO; FSSIA estimates

**Exhibit 3: Yearly SSSG**



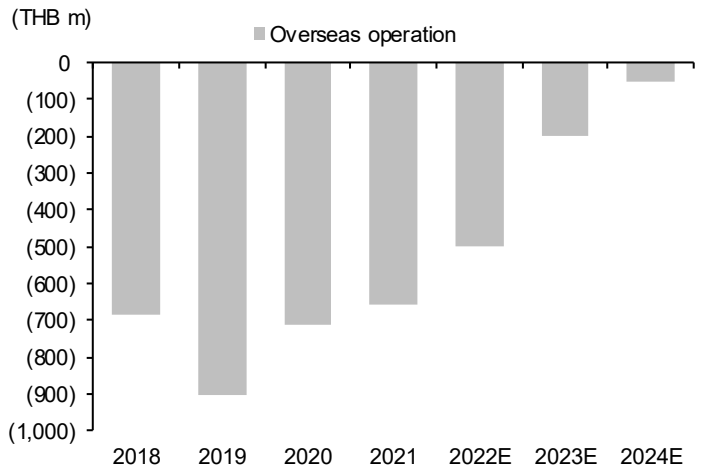
Sources: MAKRO; FSSIA estimates

**Exhibit 4: Wholesale sales breakdown by customer segment**



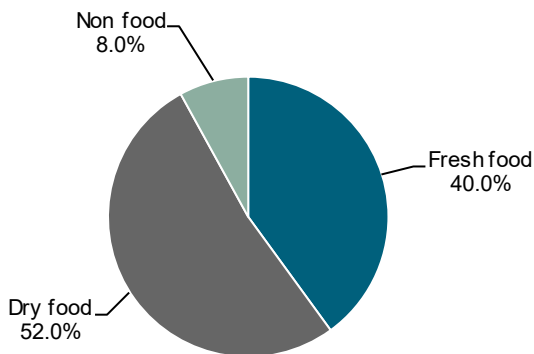
Sources: MAKRO; FSSIA estimates

**Exhibit 5: Improving operations from overseas**



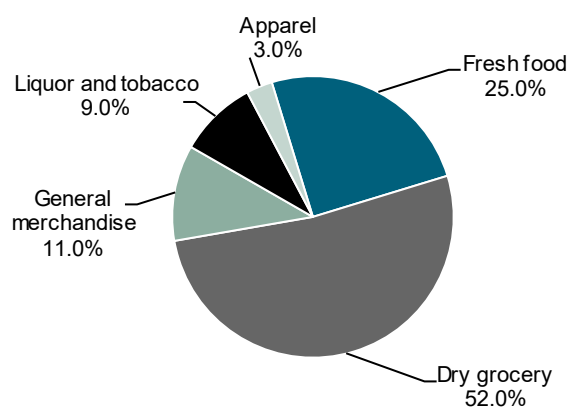
Sources: MAKRO; FSSIA estimates

**Exhibit 6: MAKRO's sales breakdown by product in 2021**



Sources: MAKRO; FSSIA estimates

**Exhibit 7: Lotus' sales breakdown by product in 2021**



Sources: MAKRO; FSSIA estimates

## Net profit and target price revisions

We cut our 2022-23E earnings by 0.2-0.9% after incorporating the lower-than-expected PO size and price. We maintain our DCF-based TP at THB52 and upgrade our recommendation to BUY following its share price dropping by 24% from its peak at THB57.25 on 10 September 2021. We see a positive development from Lotus' performance and expect Lotus to post a net profit of THB6.1b in 2022. A potential near-term catalyst would be stronger-than-expected 1Q22 earnings from Lotus which could exceed THB1.0b.

### Exhibit 8: Revised assumptions

	----- Current -----			----- Previous -----			----- Change -----		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Retail sales (THB m)	458,592	499,493	543,920	458,592	499,493	543,920	0.0	0.0	0.0
SSSG (%)	5.0	4.0	3.0	5.0	4.0	3.0	0.0	0.0	0.0
New stores growth (%)	3.9	3.2	3.1	4	3	3	0	0	0
Gross margin (%)	15.3	15.7	15.8	14.5	15.0	15.0	0.9	0.7	0.8
SG&A expenses to total revenue (%)	12.0	11.8	11.7	12.0	11.8	11.7	0.0	0.0	0.0
Net profit (THB m)	12,640	16,884	19,888	12,750	16,918	19,541	(0.9)	(0.2)	1.8

Note: Change of items in percentage terms are represented in ppt change

Source: FSSIA estimates

### Exhibit 9: Total number of shares after PO transaction

PO share	Before (m shares)	After (m shares)	Final (m shares)	Change (%)
MAKRO PO	1,362	910	770	(43)
CPALL	363	156	132	(64)
CPALL (green shoe)	341	130	0	(100)
CPG	363	156	132	(64)
CPF	182	78	66	(64)
Total PO shares	2,611	1,430	1,100	(58)
New issued shares	1,362	910	770	(43)
<b>Total shares</b>	<b>11,172</b>	<b>10,720</b>	<b>10,580</b>	<b>(5)</b>

Sources: MAKRO; FSSIA estimates

### Exhibit 10: Cash proceeds from PO transaction

Cash proceeds based on PO price of THB43.5	Before (THB m)	After (THB m)	Final (THB m)
MAKRO PO	59,247	39,585	33,495
CPALL	15,791	6,786	5,742
CPALL (greenshoe)	14,834	5,655	0
CPG	15,791	6,786	5,742
CPF	7,900	3,393	2,871
<b>Total</b>	<b>113,561</b>	<b>62,205</b>	<b>47,850</b>

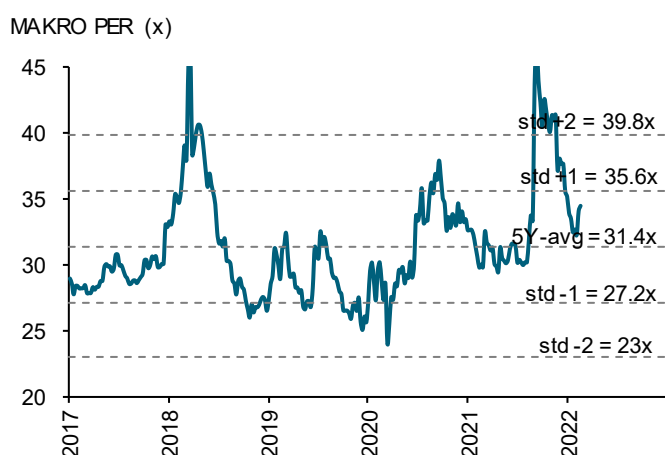
Sources: MAKRO; FSSIA estimates

## Exhibit 11: Peers valuation as of 21 Feb 2022

Company	BBG	Share price		Up side (%)	Market Cap (USD m)	3Y EPS CAGR (%)	PE		ROE		PBV		EVEBITDA	
		Current (LCY)	Target (LCY)				21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)	21E (x)	22E (x)
Berli Jucker	BJC TB	33.50	38	13.4	4,170	16.8	39.2	26.2	3.0	4.5	1.2	1.2	15.5	14.0
Cp All	CPALL TB	67.00	82	22.4	18,692	12.8	57.8	34.9	10.4	15.9	7.2	6.4	24.2	19.6
Siam Global House	GLOBAL TB	21.20	27.5	29.7	3,030	24.8	27.9	27.1	18.3	16.7	4.8	4.3	19.7	19.2
Home Product Center	HMPRO TB	15.50	18.3	18.1	6,331	12.6	38.8	31.8	23.7	27.2	8.9	8.4	21.7	18.6
Siam Makro	MAKRO TB	43.25	52	20.2	14,211	5.3	35.7	36.2	3.5	4.3	0.9	1.5	20.2	17.7
Central Retail Corp	CRC TB	38.00	43	13.2	7,117	425.0	nm	48.5	0.0	8.6	4.3	4.1	23.4	16.0
Srinanaporn Marketing	SNNP TB	16.30	20	22.7	486	70.6	52.3	30.6	21.2	18.9	6.0	5.6	25.4	18.2
Thanapiriya	TNP TB	5.15	6.8	32.0	128	21.9	22.5	19.9	21.6	21.6	4.6	4.0	14.5	12.7
<b>Coverage</b>					<b>54,164</b>	<b>20.4</b>	<b>1,358.0</b>	<b>31.9</b>	<b>12.7</b>	<b>14.7</b>	<b>4.7</b>	<b>4.4</b>	<b>20.6</b>	<b>17.0</b>
Dohome	DOHOME TB	24.00	n/a	n/a	1,796	48.8	29.9	28.7	20.9	17.4	5.7	4.8	22.2	19.7
Lawson	2651 JP	4,855.00	n/a	n/a	4,250	(17.6)	54.3	26.7	3.4	6.7	1.8	1.8	4.4	3.9
Dairy Farm Intl Holding	DFI SP	2.81	n/a	n/a	3,749	44.2	28.3	14.6	9.2	17.3	3.1	2.9	11.6	10.6
Better Life Commercial	002251 CH	6.78	n/a	n/a	912	20.9	36.0	32.8	2.2	2.5	1.0	1.0	25.4	20.5
<b>Regional</b>					<b>10,707</b>	<b>(14.6)</b>	<b>37.1</b>	<b>25.7</b>	<b>8.9</b>	<b>11.0</b>	<b>2.9</b>	<b>2.6</b>	<b>15.9</b>	<b>13.7</b>
<b>Average</b>					<b>64,871</b>	<b>8.5</b>	<b>917.7</b>	<b>29.8</b>	<b>11.5</b>	<b>13.5</b>	<b>4.1</b>	<b>3.8</b>	<b>19.0</b>	<b>15.9</b>

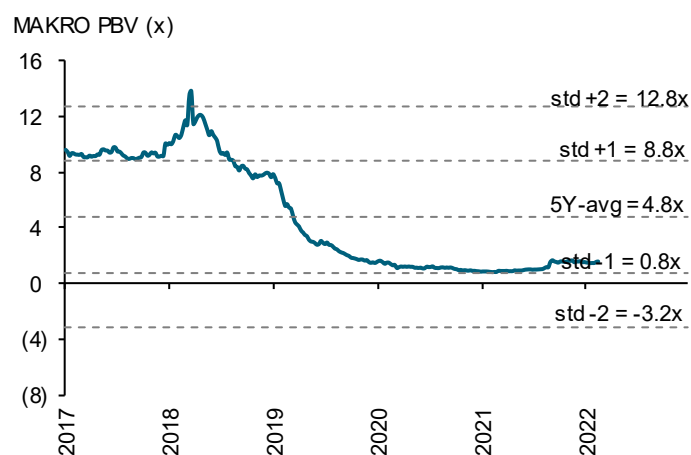
Sources: Bloomberg; FSSIA estimates

## Exhibit 12: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

## Exhibit 13: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Siam Makro

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	218,760	266,435	475,983	518,899	564,382
Cost of goods sold	(188,439)	(223,026)	(390,602)	(423,902)	(460,357)
<b>Gross profit</b>	<b>30,322</b>	<b>43,408</b>	<b>85,382</b>	<b>94,997</b>	<b>104,026</b>
Other operating income	0	0	0	0	0
Operating costs	(17,788)	(27,535)	(57,354)	(61,310)	(66,084)
<b>Operating EBITDA</b>	<b>12,534</b>	<b>15,873</b>	<b>28,028</b>	<b>33,687</b>	<b>37,941</b>
Depreciation	(3,577)	(5,379)	(7,551)	(8,349)	(9,139)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>8,957</b>	<b>10,494</b>	<b>20,477</b>	<b>25,338</b>	<b>28,802</b>
Net financing costs	(619)	(1,557)	(4,777)	(4,283)	(3,984)
Associates	(63)	(226)	150	165	182
Recurring non-operating income	(63)	(226)	150	165	182
Non-recurring items	0	6,714	0	0	0
<b>Profit before tax</b>	<b>8,274</b>	<b>15,425</b>	<b>15,850</b>	<b>21,220</b>	<b>24,999</b>
Tax	(1,813)	(2,128)	(3,140)	(4,211)	(4,964)
<b>Profit after tax</b>	<b>6,461</b>	<b>13,298</b>	<b>12,710</b>	<b>17,009</b>	<b>20,036</b>
Minority interests	102	389	(70)	(125)	(148)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>6,563</b>	<b>13,687</b>	<b>12,640</b>	<b>16,884</b>	<b>19,888</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>(6,714)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,563</b>	<b>6,972</b>	<b>12,640</b>	<b>16,884</b>	<b>19,888</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.37	0.66	1.19	1.60	1.88
Reported EPS	1.37	1.29	1.19	1.60	1.88
DPS	1.00	0.92	0.90	1.20	1.41
Diluted shares (used to calculate per share data)	4,800	10,580	10,580	10,580	10,580
<b>Growth</b>					
Revenue (%)	3.9	21.8	78.6	9.0	8.8
Operating EBITDA (%)	14.7	26.6	76.6	20.2	12.6
Operating EBIT (%)	9.2	17.2	95.1	23.7	13.7
Recurring EPS (%)	5.1	(51.8)	81.3	33.6	17.8
Reported EPS (%)	5.1	(5.4)	(7.7)	33.6	17.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	12.2	14.3	16.4	16.7	16.8
Gross margin of key business (%)	10.3	10.4	15.3	15.7	15.8
Operating EBITDA margin (%)	5.7	6.0	5.9	6.5	6.7
Operating EBIT margin (%)	4.1	3.9	4.3	4.9	5.1
Net margin (%)	3.0	2.6	2.7	3.3	3.5
Effective tax rate (%)	21.7	23.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	73.1	139.6	75.0	75.0	75.0
Interest cover (X)	14.4	6.6	4.3	6.0	7.3
Inventory days	28.3	38.0	35.3	39.2	39.2
Debtor days	1.7	2.2	2.9	3.8	3.8
Creditor days	52.7	72.2	58.7	59.8	62.3
Operating ROIC (%)	43.0	17.7	19.1	21.8	25.1
ROIC (%)	9.9	2.9	3.9	4.5	4.9
ROE (%)	10.3	3.5	4.3	5.6	6.4
ROA (%)	6.3	2.1	2.8	3.3	3.5
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
	2020	2021	2022E	2023E	2024E
Sales	214,140	258,847	458,592	499,493	543,920
Service income	3,757	4,177	16,509	18,500	19,533
Other Income	863	3,411	882	906	930

Sources: Siam Makro; FSSIA estimates

## Financial Statements

Siam Makro

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	6,563	6,972	12,640	16,884	19,888
Depreciation	3,577	5,379	7,551	8,349	9,139
Associates & minorities	82	419	0	0	0
Other non-cash items	(19)	(191)	959	305	341
Change in working capital	1,979	13,416	(9,367)	3,767	5,605
<b>Cash flow from operations</b>	<b>12,181</b>	<b>25,996</b>	<b>11,783</b>	<b>29,304</b>	<b>34,973</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,254)	(91,201)	(16,277)	(15,628)	(15,975)
Net acquisitions & disposals	(87,658)	(193,519)	45,279	(20,243)	(21,450)
Other investments (net)	794	12,662	(2,607)	9,165	(2,435)
<b>Cash flow from investing</b>	<b>(88,118)</b>	<b>(272,058)</b>	<b>26,395</b>	<b>(26,706)</b>	<b>(39,860)</b>
Dividends paid	(4,800)	(9,734)	(9,480)	(12,663)	(14,916)
Equity finance	85,786	182,967	4,996	4,996	4,996
Debt finance	627	130,840	(33,225)	1,817	11,718
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>81,612</b>	<b>304,074</b>	<b>(37,709)</b>	<b>(5,850)</b>	<b>1,798</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>5,675</b>	<b>58,011</b>	<b>468</b>	<b>(3,251)</b>	<b>(3,089)</b>
Free cash flow to firm (FCFF)	(75,317.54)	(244,505.64)	42,954.96	6,881.72	(902.17)
Free cash flow to equity (FCFE)	(75,310.42)	(115,221.97)	4,952.29	4,416.17	6,831.57

### Per share (THB)

FCFF per share	(7.12)	(23.11)	4.06	0.65	(0.09)
FCFE per share	(7.12)	(10.89)	0.47	0.42	0.65
Recurring cash flow per share	2.13	1.19	2.00	2.41	2.78

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	141,469	141,469	157,746	173,374	189,349
Less: Accumulated depreciation	(110,905)	(23,025)	(30,506)	(38,784)	(47,852)
<b>Tangible fixed assets (net)</b>	<b>30,564</b>	<b>118,444</b>	<b>127,241</b>	<b>134,591</b>	<b>141,498</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	85,552	14,310	14,310	14,310	14,310
Cash & equivalents	10,518	68,530	68,998	65,747	62,658
A/C receivable	945	2,301	5,216	5,687	6,185
Inventories	14,478	31,967	43,633	47,370	51,452
Other current assets	2,310	7,203	12,867	14,028	15,257
<b>Current assets</b>	<b>28,251</b>	<b>110,000</b>	<b>130,715</b>	<b>132,831</b>	<b>135,552</b>
Other assets	15,219	326,737	326,737	356,196	387,418
<b>Total assets</b>	<b>159,587</b>	<b>569,490</b>	<b>599,001</b>	<b>637,927</b>	<b>678,777</b>
Common equity	107,792	287,997	296,153	305,369	315,337
Minorities etc.	471	501	571	696	844
<b>Total shareholders' equity</b>	<b>108,263</b>	<b>288,498</b>	<b>296,724</b>	<b>306,065</b>	<b>316,181</b>
Long term debt	2,002	105,120	80,063	81,434	90,271
Other long-term liabilities	8,847	57,661	103,010	112,298	122,141
<b>Long-term liabilities</b>	<b>10,848</b>	<b>162,781</b>	<b>183,074</b>	<b>193,732</b>	<b>212,412</b>
A/C payable	27,974	60,236	65,450	73,423	83,609
Short term debt	6,547	34,269	26,100	26,547	29,428
Other current liabilities	5,954	23,707	27,654	38,159	37,147
<b>Current liabilities</b>	<b>40,475</b>	<b>118,211</b>	<b>119,204</b>	<b>138,129</b>	<b>150,183</b>
<b>Total liabilities and shareholders' equity</b>	<b>159,587</b>	<b>569,490</b>	<b>599,001</b>	<b>637,927</b>	<b>678,777</b>
Net working capital	(16,196)	(42,472)	(31,387)	(44,498)	(47,862)
Invested capital	115,140	417,018	436,900	460,598	495,363

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

### Per share (THB)

Book value per share	22.46	27.22	27.99	28.86	29.80
Tangible book value per share	22.46	27.22	27.99	28.86	29.80

### Financial strength

Net debt/equity (%)	(1.8)	24.6	12.5	13.8	18.0
Net debt/total assets (%)	(1.2)	12.4	6.2	6.6	8.4
Current ratio (x)	0.7	0.9	1.1	1.0	0.9
CF interest cover (x)	(118.5)	(14.4)	5.4	5.7	6.7

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>31.6</b>	<b>65.6</b>	<b>36.2</b>	<b>27.1</b>	<b>23.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>38.0</b>	<b>78.9</b>	<b>43.5</b>	<b>32.6</b>	<b>27.7</b>
Reported P/E (x)	31.6	33.4	36.2	27.1	23.0
Dividend yield (%)	2.3	2.1	2.1	2.8	3.3
Price/book (x)	1.9	1.6	1.5	1.5	1.5
Price/tangible book (x)	1.9	1.6	1.5	1.5	1.5
EV/EBITDA (x) **	16.4	33.3	17.7	14.9	13.6
EV/EBITDA @ target price (x) **	19.8	39.2	21.0	17.6	16.0
EV/invested capital (x)	1.8	1.3	1.1	1.1	1.0

\* 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	ICI	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	PAP	PCSGH	PDJ	PG	PHOL	PLANB
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	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
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	MITSIB	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	WIJK	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

## Disclaimer:

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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	AMANAH	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	SEAOIL	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	TTB	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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Company	Ticker	Price	Rating	Valuation & Risks
Siam Makro	MAKRO TB	THB 43.25	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.
Berli Jucker	BJC TB	THB 33.50	HOLD	Key downside risks to our DCF-based TP could come from 1) competition with Lotus which could impact its sales and gross margin; and 2) a lower-than-expected utilisation rate and profit margin from its packaging unit after losing major customers in Thailand. The key upside risk is from easing competition in the hypermarket segment.
CP All	CPALL TB	THB 67.00	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.
Siam Global House	GLOBAL TB	THB 21.20	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces.
Home Product Center	HMPRO TB	THB 15.50	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.
Central Retail Corp	CRC TB	THB 38.00	BUY	The key downside risks to our DCF-based TP include 1) new waves of Covid-19; and 2) lower-than-expected sales from the high-margin fashion business.
Srinanaporn Marketing	SNNP TB	THB 16.30	BUY	The key downside risks to our DCF-based TP are 1) slower-than-expected demand growth and market penetration overseas, especially in Cambodia and Vietnam; 2) a lower-than-expected profit margin due to high raw material and transportation costs; and 3) higher-than-expected SG&A expenses from overseas operations.
Thanapiriya	TNP TB	THB 5.15	BUY	Downside risks to our DCF based TP would be 1) slowdown of economic growth in Chiang Rai; and 2) aggressive expansion plan from both local and modern trade players.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 21-Feb-2022 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.