

Thailand Retailing

Inflation coming to shore up SSSG

- Positive correlation between headline CPI and SSSG; possibility for a wage hike to raise purchasing power and contribute to positive SSSG and solid NP growth.
- The current oil price and utility costs should reduce retailers' NPs by less than 1%.
- Reiterate our Overweight call on Thai retailing on the strong earnings recovery expected in 2022 and a windfall benefit from the high inflation environment.

Net positive impact on retailers amid high inflation environment

Thailand's inflation (headline CPI) hit a record high at 5.3% in Feb-22, the highest level over the past ten years. The high inflation environment should have both positive and negative impacts on retailers. On the positive side, the retail price of consumer products should increase as suppliers pass through their higher raw material costs to the customers. Hence, this would positively impact both retailers' SSSG and gross profits, as the retailers would get a fixed percentage of the profit sharing. On the negative side, retailers would be exposed to higher transportation costs and utility costs due to the higher fuel price, but we see a limited impact as fuel costs typically account for c1-2% of total SG&A expenses for retailers. Overall, we believe the high inflation environment will have a net positive impact which could boost retailers' SSSG.

Positive correlation between CPI and SSSG; limited impact from high fuel price

We see a positive correlation between the headline CPI and SSSG. We believe this can be attributed to suppliers increasing retail prices to reflect the higher manufacturing costs. Retailers should see a limited impact from the higher oil price. The diesel price rose by only 5.3% YTD to THB29.9/litre thanks to the government's price cap policy for diesel at THB30/litre since Nov-21. We have followed up with CPALL and reaffirmed our view. CPALL guided that the current oil price would reduce its net profit (NP) by 0.02%. For the utility cost, the ERC announced a higher fuel tariff (Ft) to THB0.014/unit in Jan-Apr 2022 from THB-0.153 in 4Q21. This implies that the electricity cost would increase by 4-8% depending on the base rate. Hence, the impact on retailers' NPs would be less than 1%.

Possibility for a wage hike: positive for retailers

According to the Bangkok Post newspaper on 26 January 2022, the government plans to increase the daily minimum wage from THB336 per day to THB492 per day (+46%). This raises a concern for retailers which would be exposed to higher personnel expenses, which normally account for 3-10% of total sales. However, the wage hike should increase purchasing power and contribute to positive SSSG and solid NP growth.

Top picks: CPALL and BJC

We reiterate our OVERWEIGHT call on Thai retailing for the strong earnings recovery expected in 2022 and the potential windfall benefit from the high inflation environment. Amid the high inflation and global uncertainty, we like staple retailers over discretionary retailers for their more resilient earnings. Our top picks are CPALL and BJC. We like CPALL as it should be a prime beneficiary of the domestic recovery and the resumption of international tourism. We like BJC as a laggard play and a beneficiary of the high inflation environment. Big C's SSSG should turn positive at 8% in 2022 after suffering negative SSSG since 2019.

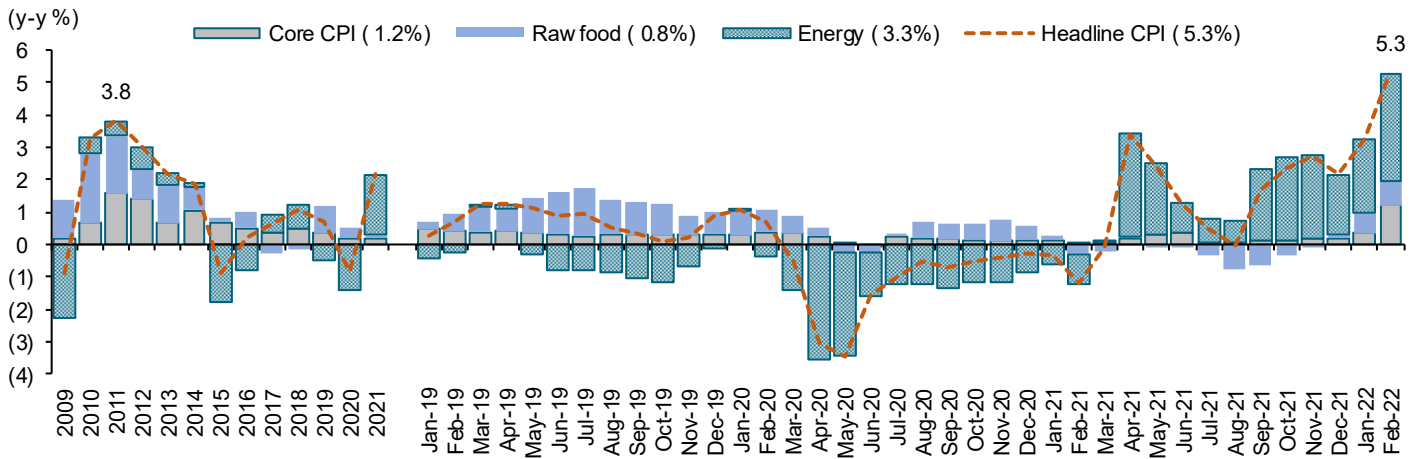


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High inflation: net positive impact on retailers

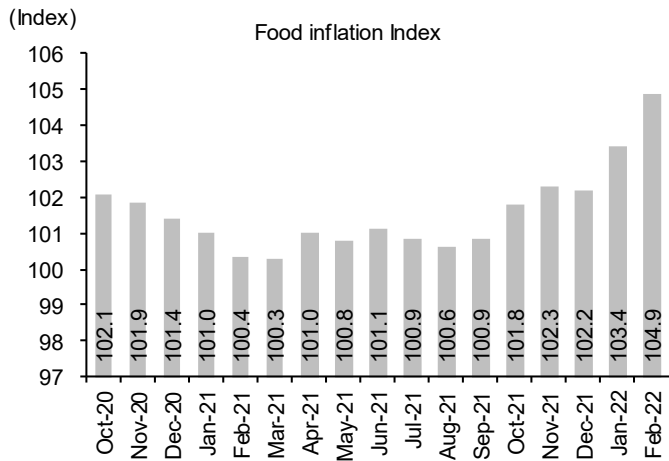
Thailand's inflation (headline CPI) hit a record high at 5.3% in Feb-22, the highest level over the past ten years. The high inflation environment should have both positive and negative impacts on retailers. On the positive side, the retail price of consumer products should increase as the suppliers pass through their higher raw material costs to the customers. Hence, this would positively impact both retailer's SSSG and gross profits, as the retailers would get a fixed percentage of the profit sharing. On the negative side, retailers would be exposed to higher transportation costs and utility costs due to the higher fuel price, but we see a limited impact as fuel costs typically account for c1-2% of total SG&A expenses for retailers. Overall, we believe the high inflation environment will have a net positive impact which could boost retailers' SSSG.

Exhibit 1: Headline CPI hit a record high for the past ten years at 5.3%



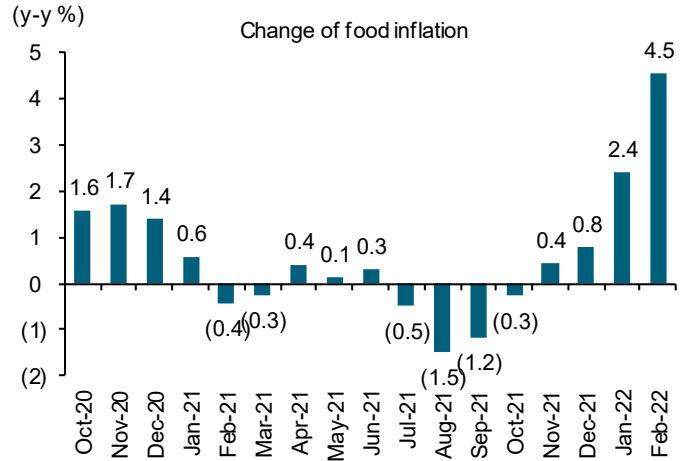
Sources: Office of the National Economic and Social Development Council (NESDC), Ministry of Commerce

Exhibit 2: Thailand's food inflation



Source: Ministry of Commerce

Exhibit 3: Thailand's food inflation growth

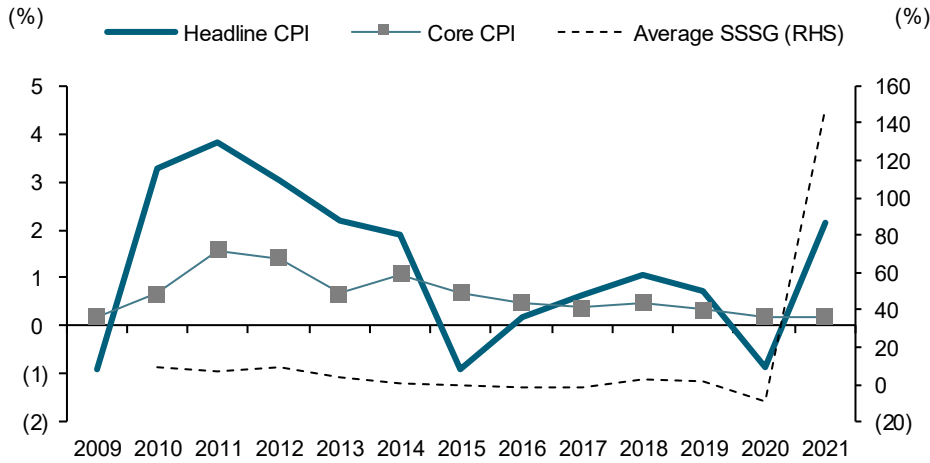


Source: Ministry of Commerce

Higher retail prices to boost SSSG and gross profit

We see a positive correlation between the headline CPI and SSSG as shown in Exhibit 4. We believe this can be attributed to suppliers increasing retail prices to reflect the higher manufacturing costs. This should provide a windfall benefit to retailers in terms of both SSSG and gross profits, as higher retail prices would lead to positive SSSG, while retailers would get a fixed percentage of profit sharing which would result in a higher gross profit amount.

Exhibit 4: High positive correlation between headline CPI and SSSG



Sources: Company data; Ministry of Commerce

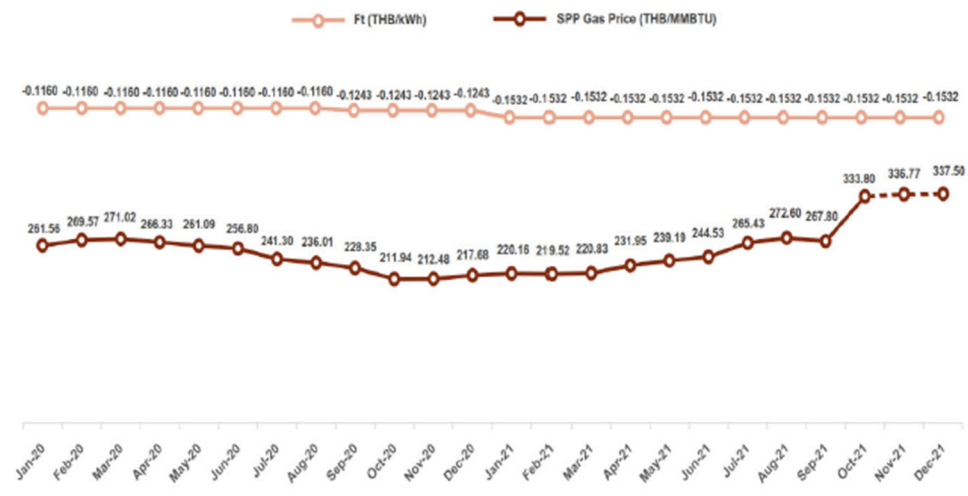
Limited impact from higher oil price and utility costs

Retailers should see a limited impact from the higher oil price. In general, retailers have a direct impact from the oil price from transportation costs which typically account for 1-2% of total expenses, and an indirect impact from utility expenses which are normally around 5-15% of SG&A expenses.

Despite the global oil price surging by 73% YTD to almost USD130 per barrel currently (from USD75 per barrel at end-2021), Thailand's retail oil price has increased by only 5.3% YTD to THB29.9/litre from THB28.4/litre at end-2021 thanks to the government's price cap policy for diesel at THB30/litre since Nov-21. Diesel is the key fuel for the transportation and industrial sectors in Thailand.

We have followed up with CPALL and reaffirmed our view that the rising oil price would have a limited impact. CPALL guided that the current oil price would reduce its net profit (NP) by 0.02%.

Exhibit 5: Thailand's fuel tariff (Ft) and SPP gas prices

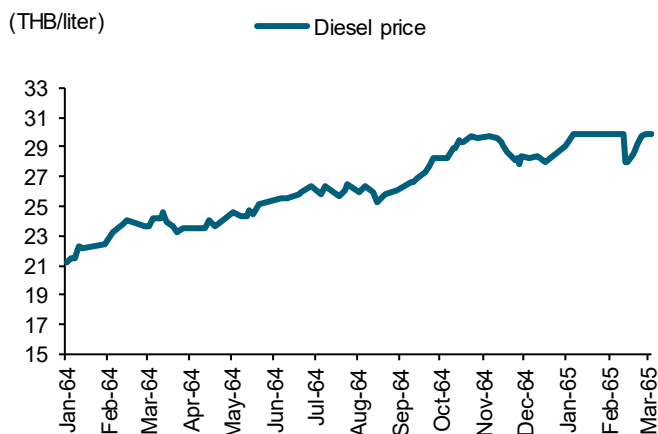


Sources: BGRIM; ERC

The utility expenses normally account for around 5-15% of SG&A expenses. The power tariff comprises a base tariff and the Ft rate. The Energy Regulatory Commission (ERC) announced an increase in the Ft rate to THB0.014/unit in Jan-Apr 2022 from THB-0.153 in 4Q21. This implies that the electricity cost would increase by 4-8% depending on the base rate. Hence, the impact on retailers' NPs would be less than 1%.

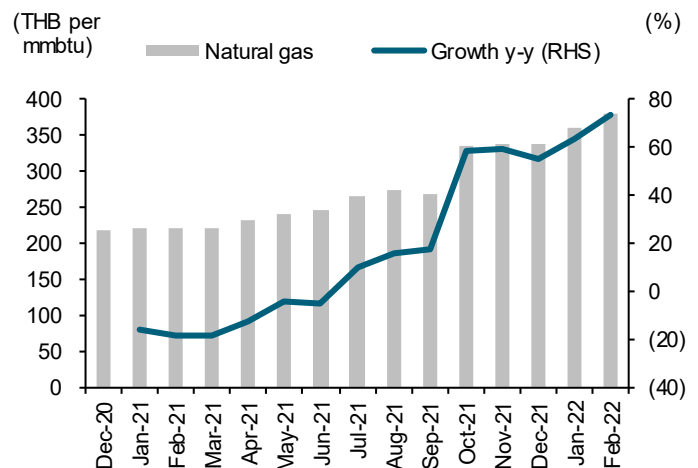
Only BJC would be exposed to natural gas costs from its packaging business (c13% of total sales in 2021). Natural gas is the main cost of its glass packaging (c7% of total sales) which accounts for c30% of its COGS.

Exhibit 6: Diesel price trend



Source: BCP

Exhibit 7: Natural gas price trend



Source: BGRIM

Possibility for a wage hike: positive for retailers

According to the [Bangkok Post newspaper on 26 January 2022](#), the Ministry of Labour is expected to approve an increase in Thailand's daily minimum wage from THB336 per day to THB492 per day nationwide (+46%). This raises a concern for retailers which would be exposed to higher personnel expenses, which normally account for 3-10% of total sales. However, the wage hike should increase purchasing power and contribute to positive SSSG which should completely offset the higher personnel expenses.

Exhibit 8: SSSG trend

SSSG	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)
CPALL	10	5	13	6	(3)	1	2	2	3	2	(15)	(7)
MAKRO	6	8	9	8	4	(1)	4	1	(0)	6	2	3
HMPRO	15	6	7	4	5	(1)	1	(1)	1	1	(9)	3
GLOBAL	13	15	10	2	(4)	(1)	0	(5)	10	3	(8)	19
BJC	3	0	5	0	(1)	(3)	(13)	(6)	(1)	(2)	(15)	(11)
Average SSSG	9	7	9	4	0	(1)	(1)	(2)	3	2	(9)	1

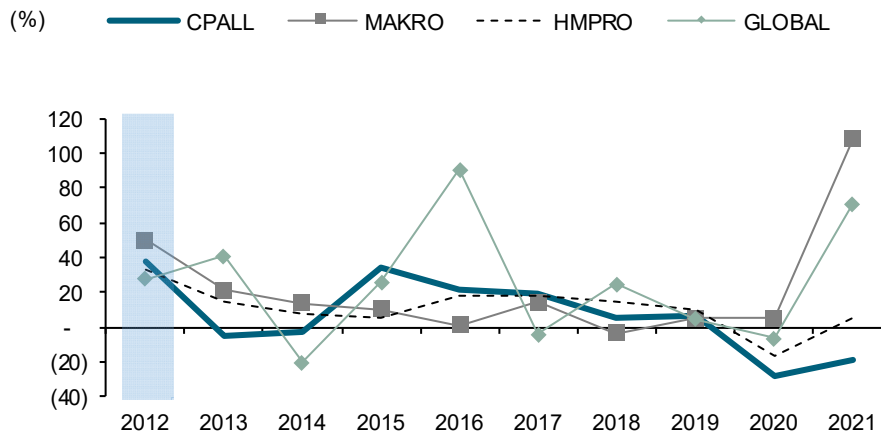
Sources: Companies; FSSIA's compilation

Exhibit 9: Minimum wage hike in past ten years

Period	Wage hike	% change
Apr-12	From THB222 to THB300	35%
Jan-17	From THB300 to THB310	3%
Apr-18	From THB310 to THB330	6%

Sources: Ministry of Labour; FSSIA's compilation

Exhibit 10: Solid earnings growth in 2012



Sources: Company data; FSSIA's compilation

We can see a clear positive impact on retailers' bottom lines from the minimum wage increase in 2012 from THB222/day to THB300/day (+35%), as shown in Exhibit 10. We have run a sensitivity analysis for a wage hike impact on retailers' NPs as shown in Exhibits 11 and 12.

Exhibit 11: Case 1 – assume only minimum wage increase

	Personnel expenses to total sales	Pay at minimum wage (THB330)	----- Impact on NP -----		
			10% at THB363	30% at THB430	50% at THB495
	(%)	(%)	(%)	(%)	(%)
CPALL	6-7	<5	0.0	0.1	0.2
MAKRO	3-4	<5	0.0	0.1	0.1
HMPRO	7-8	<10	0.1	0.2	0.4
GLOBAL	4-5	<30	0.2	0.5	0.8
CRC	9-10	<5	0.1	0.2	0.3
BJC	5-6	<10	0.1	0.2	0.3

Source: FSSIA estimates

Exhibit 12: Case 2 – assume 50% of personnel expense increase to be in line with minimum wage increase

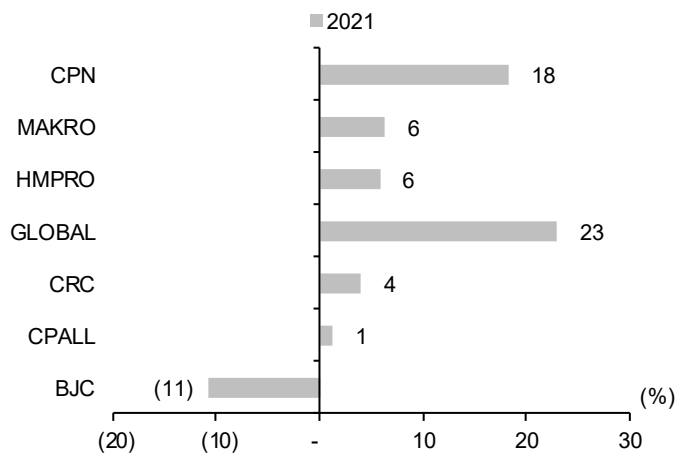
	Personnel expenses to total sales	Pay at minimum wage (THB330)	----- Impact on NP -----		
			10% at THB363	30% at THB430	50% at THB495
	(%)	(%)	(%)	(%)	(%)
CPALL	6-7	50	0.4	1.1	1.8
MAKRO	3-4	50	0.2	0.6	1.0
HMPRO	7-8	50	0.4	1.2	2.0
GLOBAL	4-5	50	0.3	0.8	1.3
CRC	9-10	50	0.5	1.5	2.5
BJC	5-6	50	0.3	0.9	1.5

Source: FSSIA estimates

Top picks are CPALL and BJC

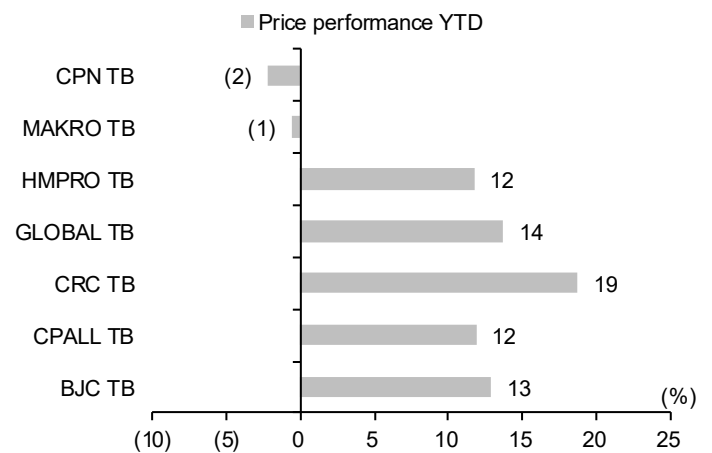
We reiterate our Overweight call on Thai retailing for the strong earnings recovery expected in 2022 and the potential windfall benefit from the high inflation environment. Amid the high inflation and global uncertainty, we like staple retailers over discretionary retailers for their more resilient earnings amid the concern of a longer period of high inflation which could lower purchasing power. Our top picks are CPALL and BJC. We like CPALL as it should be a prime beneficiary of the domestic recovery and the resumption of international tourism. CPALL is trading at 34.5x 2022E P/E, or at its 5-year average, but could potentially drop to 26.5x when its earnings recover to their pre-Covid level. We like BJC as a laggard play and a beneficiary of the high inflation environment. Big C's SSSG should turn positive at 8% in 2022 after suffering negative SSSG since 2019. BJC is trading at 27.1x 2022E P/E, or close to -1.0SD of its 5-year average of 32x. MAKRO is a wildcard play due to the recovery of Lotus' earnings. A near-term catalyst would be the strong recovery of Lotus' NP in 1Q22 at above THB1.0b.

Exhibit 13: 2021 share price performance of retailers



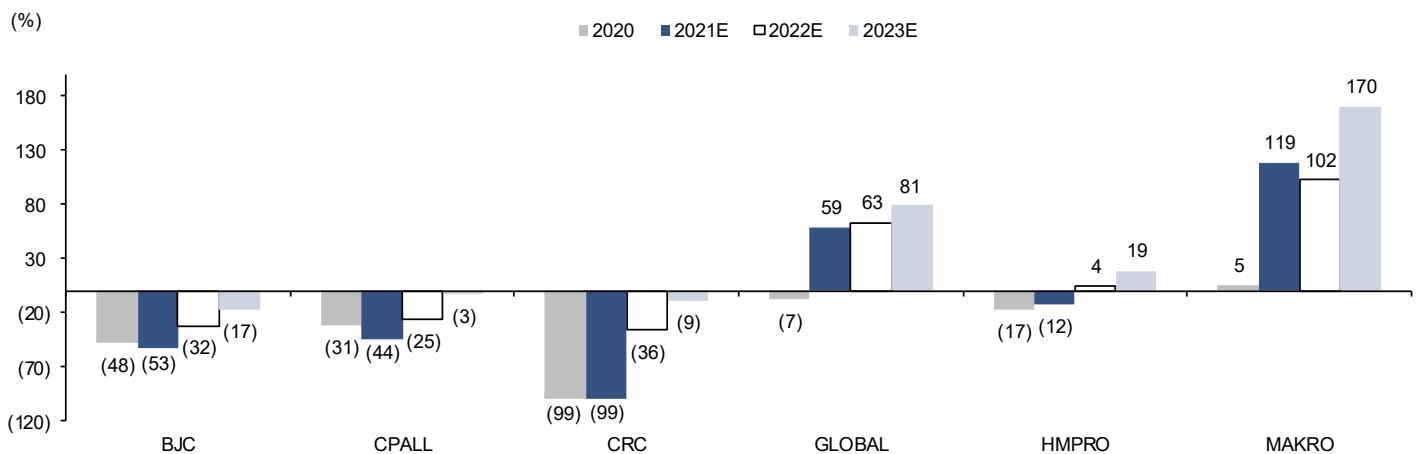
Sources: Bloomberg; FSSIA estimates

Exhibit 14: YTD share price performance of retailers



Sources: Bloomberg; FSSIA estimates

Exhibit 15: % of earnings in 2022-23E compared to pre-Covid level in 2019



Sources: Company data; FSSIA estimates

Exhibit 16: Valuation comparison

	CPALL	MAKRO	BJC	CRC	HMPRO	GLOBAL
Current price (THB)	66.0	41.8	35.0	38.0	16.2	21.8
TP (THB)	82.0	52.0	40.0	43.0	18.3	27.5
Upside (%)	24	25	14	13	13	26
No. of share (m shares)	8,983	11,172	4,008	6,031	13,151	4,602
2021 NP (THB m)	12,985	13,687	3,585	59	5,441	3,344
2022E NP (THB m)	17,188	12,640	5,176	4,729	6,424	3,439
2023E NP (THB m)	22,365	16,884	6,315	6,720	7,350	3,801
2021 EPS (THB/share)	1.45	1.23	0.89	0.01	0.41	0.73
2022E EPS (THB/share)	1.91	1.13	1.29	0.78	0.49	0.75
2023E EPS (THB/share)	2.49	1.51	1.58	1.11	0.56	0.83
2021 P/E (x)	45.7	34.1	39.1	3,884.4	39.2	30.0
2022E P/E (x)	34.5	36.9	27.1	48.5	33.2	29.2
2023E P/E (x)	26.5	27.6	22.2	34.1	29.0	26.4
5-Year Average (x)	35.2	29.3	32.0	40.0	34.5	37.2
2022E EPS growth (%)	32.4	(7.7)	44.4	7,915	18.1	2.8
2023E EPS growth (%)	30.1	33.6	22.0	42.1	14.4	10.5

Sources: Company Data; 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	SEAOIL	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

GENERAL DISCLAIMER

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Karun Intrachai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
CP All	CPALL TB	THB 66.00	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 Makro	MAKRO TB	THB 41.75	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 35.00	BUY	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.
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.
Home Product Center	HMPRO TB	THB 16.20	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.
Siam Global House	GLOBAL TB	THB 21.80	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.

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 09-Mar-2022 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.