

SIAM MAKRO MAKRO TB

THAILAND / CONSUMER STAPLES

BUY

UNCHANGED

แค่รอ Lotus กลับมามีกำไรเป็นปกติ

- เราเชื่อว่าแนวโน้มการเติบโตของกำไรสุทธิของ MAKRO ยังคงดีจากการเติบโตของรายได้ที่ชัดเจนและอยู่ในเกณฑ์ดี นอกจากนี้แนวโน้มยังมีปัจจัยบวกจากการขยายสาขาในปัจจุบัน การเจาะเข้าสู่ตลาดใหม่ และการปรับปรุงสัดส่วนสินค้าให้ดีขึ้นโดยมุ่งเน้นไปยังกลุ่มสินค้าอาหาร ในขณะที่เราคาดว่าตัวเลขการเติบโตของกำไรปกติของ MAKRO จะแตะ 37% y-y ในปี 2022 การเติบโตของกำไรสุทธิอาจลดลง 30% y-y ในปีนี้จากการหายไปของกำไรพิเศษ 6.7 พัน ลบ. ที่บันทึกในปี 2021 โดยมีปัจจัยบวกสำคัญประกอบด้วย 1) สัดส่วนรายได้จากสินค้าอาหารที่เพิ่มขึ้นส่วนมากมาจากอาหารสด; และ 2) การเติบโตภายใต้การขยายสาขาทั้งที่เป็นร้านค้าปลีกในรูปแบบการขายส่ง (Cash & Carry) ของ MAKRO และสาขาที่เป็นซูเปอร์มาร์เก็ตของ Lotus's

MAKRO + Lotus's = การเติบโต

เราเชื่อว่าแนวโน้มการเติบโตของกำไรสุทธิของ MAKRO ยังคงดีจากการเติบโตของรายได้ที่ชัดเจนและอยู่ในเกณฑ์ดี นอกจากนี้แนวโน้มยังมีปัจจัยบวกจากการขยายสาขาในปัจจุบัน การเจาะเข้าสู่ตลาดใหม่ และการปรับปรุงสัดส่วนสินค้าให้ดีขึ้นโดยมุ่งเน้นไปยังกลุ่มสินค้าอาหาร ในขณะที่เราคาดว่าตัวเลขการเติบโตของกำไรปกติของ MAKRO จะแตะ 37% y-y ในปี 2022 การเติบโตของกำไรสุทธิอาจลดลง 30% y-y ในปีนี้จากการหายไปของกำไรพิเศษ 6.7 พัน ลบ. ที่บันทึกในปี 2021 โดยมีปัจจัยบวกสำคัญประกอบด้วย 1) สัดส่วนรายได้จากสินค้าอาหารที่เพิ่มขึ้นส่วนมากมาจากอาหารสด; และ 2) การเติบโตภายใต้การขยายสาขาทั้งที่เป็นร้านค้าปลีกในรูปแบบการขายส่ง (Cash & Carry) ของ MAKRO และสาขาที่เป็นซูเปอร์มาร์เก็ตของ Lotus's

อาหารสดเป็นจุดแข็งในการดำเนินงานของ MAKRO

การเติบโตและความยั่งยืนของกำไรของ MAKRO สำเร็จได้จากจุดแข็งในการดำเนินงานในกลุ่มสินค้าอาหาร ในขณะที่รายได้จากสินค้าอาหารพร้อมรับประทานยังเดินเข้า MAKRO ขายอาหารสดจำนวนมากโดยมากเพื่อใช้เป็นวัตถุดิบสำหรับผู้ซื้อในกลุ่ม HoReCa ที่เข้ามาที่สาขาบ่อย ๆ เพื่อหาซื้ออาหาร ผลผลิต และสินค้าแช่แข็ง

ค่าใช้จ่ายการขายและการบริหาร (SG&A) และในการกู้ยืมเงินที่เพิ่มขึ้นจาก Lotus's เป็นปัจจัยลบสำคัญ

หลังควบรวม Lotus's สำเร็จครบถ้วนในเดือน ต.ค. 21 SG&A ของ MAKRO ได้ปรับขึ้นส่วนมากจากการเพิ่มของจำนวนสาขาของ Lotus's (Lotus's เปิดดำเนินการ 2,661 สาขาเทียบกับ MAKRO ที่ 154 สาขาใน 2Q22) และจำนวนพนักงาน นอกจากนี้ในช่วงปี 2021-22 Lotus's ยังบันทึกค่าใช้จ่ายพิเศษ 2 รายการประกอบด้วยการลงทุน 8.5 พัน ลบ. ในระบบเทคโนโลยีและสารสนเทศ (IT) และอีก 3.5 พัน ลบ. สำหรับการปรับแบรนด์ อย่างไรก็ตามเราคาดว่า SG&A จะค่อย ๆ ปรับตัวลดลงในปี 2022-24 เนื่องจาก MAKRO ชำระหนี้คืนโดยใช้กระแสเงินสดที่เหลือจากการดำเนินงาน

ยังเป็นหุ้นที่เกี่ยวข้องกับการใช้จ่ายในประเทศที่น่าสนใจ

เราแนะนำซื้อหลังปรับลดราคาเป้าหมายจาก 52 เป็น 42 บาท (DCF) เพื่อสะท้อนการปรับลดประมาณการกำไรต่อหุ้นและการปรับการประเมินค่าไปในปี 2023 เราปรับลดประมาณการกำไรสุทธิลง 23.7-24.6% ในปี 2022-24 เพื่อสะท้อนประมาณการ SG&A และค่าใช้จ่ายดอกเบี้ยที่สูงขึ้น มุมมองเชิงบวกของเราสำหรับ MAKRO เกิดจากแนวโน้มการเติบโตของกำไรสุทธิที่ดีขึ้นและศักยภาพที่ระดับการประเมินมูลค่าจะปรับขึ้นได้ ในขณะที่จำนวนหุ้นที่ถือโดยผู้ถือหุ้นรายย่อย (Free float) ปรับขึ้นจาก 13.53% จนเกิน 15% ซึ่งอาจทำให้ MAKRO ได้เข้า The SET50 index

TARGET PRICE	THB42.00
CLOSE	THB36.25
UP/DOWNSIDE	+15.9%
PRIOR TP	THB52.00
CHANGE IN TP	-19.2%
TP vs CONSENSUS	+1.3%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	266,435	475,983	518,899	564,382
Net profit	13,687	9,535	12,883	15,098
EPS (THB)	1.29	0.90	1.22	1.43
vs Consensus (%)	-	3.7	(4.5)	(7.1)
EBITDA	15,873	24,183	28,737	32,037
Core net profit	6,972	9,535	12,883	15,098
Core EPS (THB)	0.66	0.90	1.22	1.43
Chg. In EPS est. (%)	-	(24.6)	(23.7)	(24.1)
EPS growth (%)	(51.8)	36.8	35.1	17.2
Core P/E (x)	55.0	40.2	29.8	25.4
Dividend yield (%)	2.5	1.9	2.5	3.0
EV/EBITDA (x)	28.7	17.5	14.9	13.9
Price/book (x)	1.3	1.3	1.3	1.2
Net debt/Equity (%)	24.6	12.8	14.5	19.2
ROE (%)	3.5	3.3	4.3	4.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.6	0.7	(35.6)
Relative to country (%)	4.6	0.5	(35.5)
Mkt cap (USD m)	10,529		
3m avg. daily turnover (USD m)	8.7		
Free float (%)	7		
Major shareholder	CP ALL (93%)		
12m high/low (THB)	57.25/33.50		
Issued shares (m)	10,580.32		

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 9 กันยายน 2022

Investment thesis

MAKRO is the only modern trade player in the wholesale market. Its 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 end-customers for its secret ingredients campaign during the Covid-19 lockdown.

The acquisition of Lotus's 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's earnings potentially leading to a strong recovery in 2022 onward; 2) its 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.

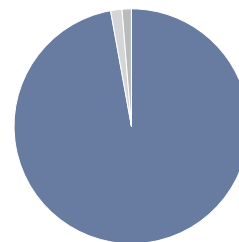
Company profile

MAKRO is the largest cash-and-carry operator in Thailand. CP All has a 59.9% stake; we think an increase in free float would be positive for MAKRO's share price.

www.siammakro.co.th

Principal activities (revenue, 2021)

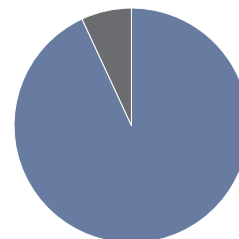
- Sales - 97.2 %
- Service income - 1.6 %
- Other Income - 1.3 %



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's, overseas operations, and a better-than-expected macro-economic 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
Oct 2022	3Q22 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	12.9	12.8	12.8

Source: FSSIA estimates

Earnings sensitivity

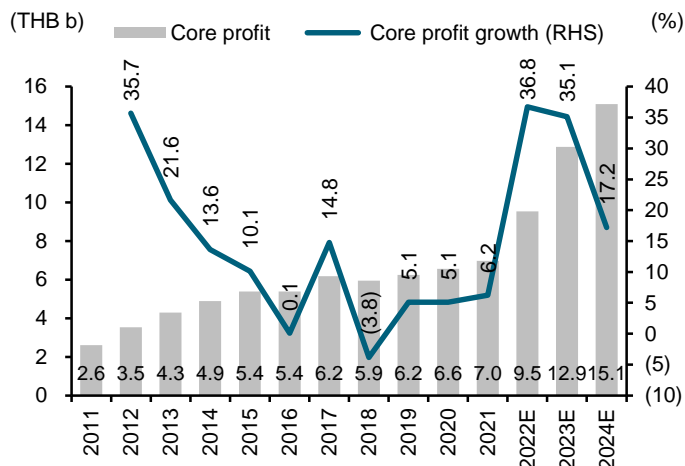
- For every 1% increase in SSSG, we estimate 2022 EPS to rise by 1%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2022 EPS to rise by 2.6%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2022 EPS to fall by 2.6%, and vice versa, all else being equal.

Source: FSSIA estimates

Waiting for the lotus to blossom

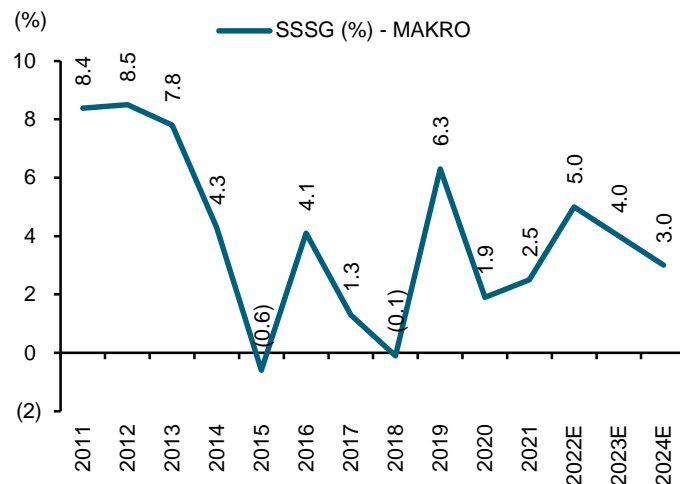
Since CP All (CPALL TB, BUY, TP THB82) acquired MAKRO in 2013, MAKRO has delivered strong net profit growth, except in 2018 when MAKRO faced large non-recurring expenses for restructuring and investment in IT infrastructure. Even during the Covid-19 pandemic period in 2020-21, MAKRO was still able to post positive same-store-sales-growth (SSSG) at 1.9% y-y in 2020 and 2.5% in 2021, and net profit growth of 5.1% y-y in 2020 and 6.2% in 2021.

Exhibit 1: Core net profit and core net profit growth



Sources: MAKRO; FSSIA estimates

Exhibit 2: MAKRO's past and projected SSSG (%)



Sources: MAKRO; FSSIA estimates

The success of MAKRO's earnings growth and sustainability has been underpinned by its operational strength in the food segment. MAKRO has developed its own in-house procurement and distribution system offering fresh food daily at competitive prices to its target business-to-business (B2B) customer groups: hotel, restaurant, and catering (HoReCa) operators and traditional mom-and-pop stores.

Owned 59.9% by CPALL, MAKRO recently acquired a 100% stake in Lotus's, which operates mini-, super-, and hypermarket retail stores with a focus on both business-to-consumer (B2C) and B2B.

MAKRO's gross profit margin (GPM) is lower than the GPMs of CPALL's convenience stores (CVS) and Lotus's due to the nature of MAKRO's wholesale, volume-driven business model.

We believe MAKRO's net profit growth outlook remains highly sanguine backed by its solid and visible revenue growth catalysed by the ongoing expansion in the number of new stores, penetration into new markets, and an improving product mix shifting toward the higher-margin food segment.

Exhibit 3: Business comparison of MAKRO's cash-and-carry modern trade vs CPALL's CVS and Lotus's supermarket stores

	Store format	Focus customers	Value proposition	Strengths	GPM (%)	Market presence	Est. annual revenue in 2022E-24E (THB b)
MAKRO	Modern trade	B2B, HoReCa	Price competitiveness	Food products	11-14	Thailand, Cambodia, Laos, China, and Myanmar	250
Lotus's	Supermarket, hypermarket	B2C, B2B	Product variety	Market presence in Malaysia	16-18	Thailand, Malaysia	200
CPALL's 7-11	CVS	B2C	Ready-to-eat products and convenience	Distribution	18-20	Thailand	350

Sources: CPALL; MAKRO; FSSIA estimates

Wholesale: the backbone of its product mix strategy. After CPALL's acquisition in 2013, MAKRO went through a business restructuring process. Since then, MAKRO has become CPALL's flagship store generating rising net profits that reached THB6.6b in 2020, up from THB2.4b in 2011, one year before CPALL's acquisition.

MAKRO's focus on HoReCa and traditional mom-and-pop stores has proven to be a sound business model that has thrived in both strong and weak economic periods such as the pre-Covid years from 2014-19 and the 2020-21 Covid-19 pandemic.

In 2022 onward, we believe the revenue and net profit from MAKRO's food-centric model should continue to grow as organic demand growth from existing customers is augmented by a rising number of individual customers who visit MAKRO's smaller-sized store formats including Fresh@MAKRO and Siam Frozen.

Exhibit 4: Customer coverage under MAKRO and Lotus's



Source: MAKRO

MAKRO now operates 154 stores under different formats as of 2Q22, from small to large-scale store formats targeting HoReCa and mom-and-pop retail operators. With its strength in both fresh and dry food product offerings, and its competitive price proposition, MAKRO has successfully grown its revenue and net profit in the past 10 years under CPALL's umbrella.

Exhibit 5: MAKRO and Lotus's store formats as of 2Q22

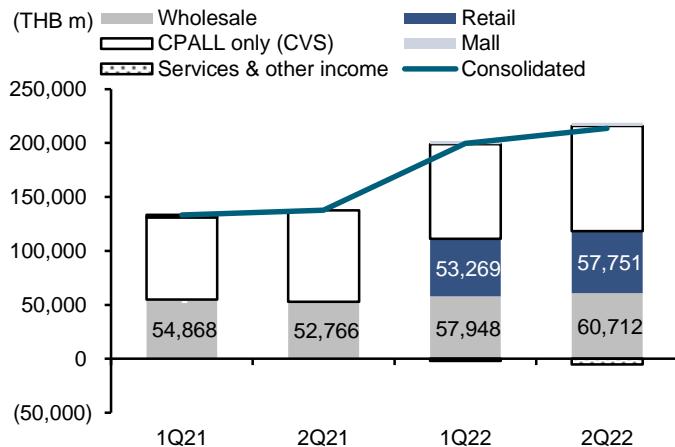
	B2B						B2C			
	Classic	Eco Plus	Foodservice	Food Shop	Small Formats		Hypermarkets	Supermarkets	Mini-supermarkets	
	makro	makro LOTS	makro food service	makro food service Food Shop	Fresh Siam frozen		Lotus's	Lotus's	Lotus's go fresh	
	79	15	40	4	2	7	224	202	2,171	
	147						2,597			
TH	1	1					46	18		
PH		3								
CH			1							
MY			1							
Total	7						64			
Total	154						2,661			
Total	830,216 sq.m						1,829,330 sq.m			

Source: MAKRO

Growth to continue in 2H22-2024. While MAKRO has consistently generated higher quarterly revenue and net profits in recent years, with a net profit of THB1.4b on THB61b in revenue in 2Q22, we project MAKRO to continue delivering strong revenue and net profit growth in 2022-24, backed by its solid market presence in five countries, which are Thailand, Cambodia, Myanmar, India, and China.

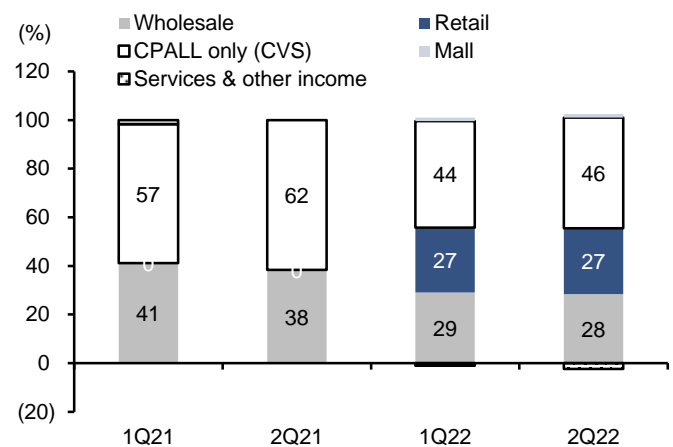
MAKRO has been relatively conservative in expanding into overseas markets, with an unchanged number of stores over many quarters. India is currently MAKRO's largest overseas market with three Eco Plus stores, followed by Cambodia's two stores (one large-scale classic store and one Eco Plus store), and China and Myanmar, each of which have one operating FoodService store format.

Exhibit 6: Revenue breakdown by segment



Sources: CPALL; MAKRO; FSSIA estimates

Exhibit 7: Revenue breakdown by segment (%)

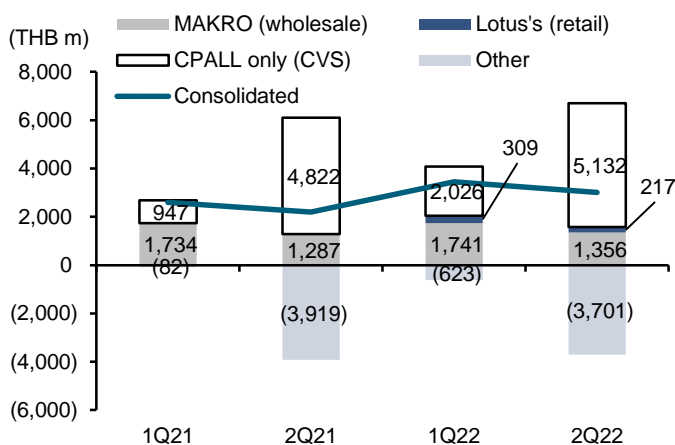


Sources: CPALL; MAKRO; FSSIA estimates

Positioned between the cash-and-carry, B2B-focused MAKRO, and the B2C-focused 7-11 CVS stores, Lotus's business model attracts both individual (B2C) and corporate (B2B) customers with a variety of products at a reasonable price. This, in our view, uniquely positions Lotus's to grow its revenue based on a rental-driven, market-focused retail business model that exploits gaps in the consumer retail industry.

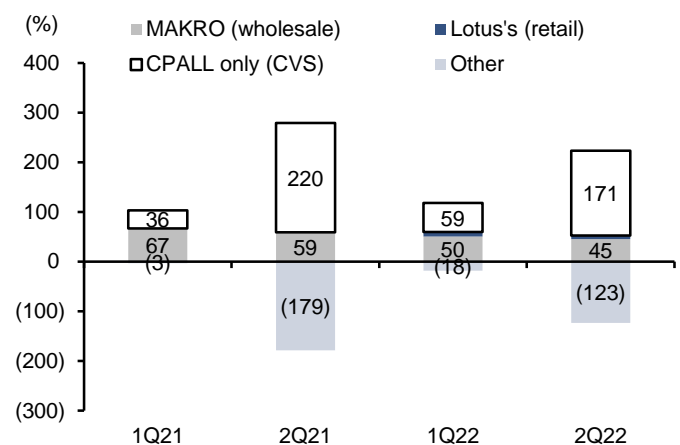
While MAKRO generated around 28-41% of CPALL's total quarterly revenue before interest expenses in the past six quarters, MAKRO also contributed over one-third of CPALL's net profit due to its earnings sustainability and lower demand elasticity than CPALL's CVS and Lotus's supermarkets, thanks to MAKRO's solid value proposition and quality (freshness).

Exhibit 8: Net profit breakdown by segment



Sources: CPALL; MAKRO

Exhibit 9: Net profit breakdown by segment (%)

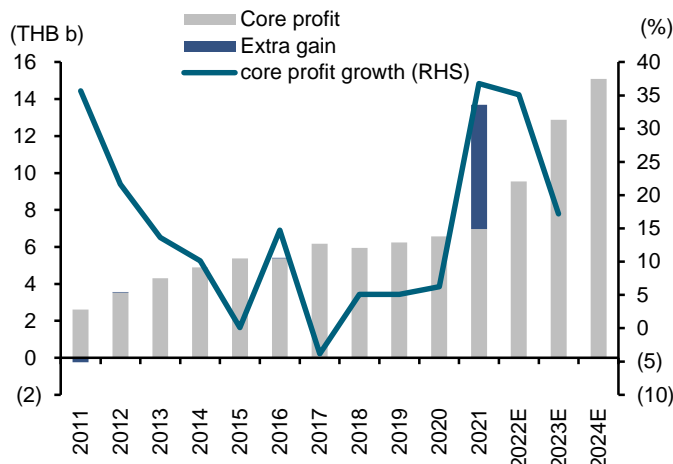


Sources: CPALL; MAKRO

Expect strong core net profit growth in 2022-24

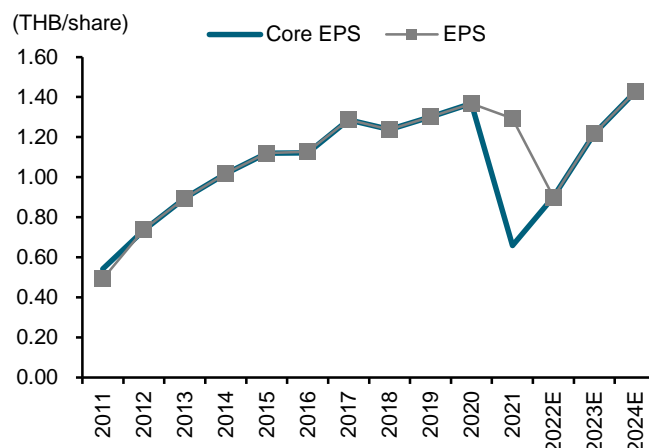
While we project MAKRO's core net profit growth to hit 37% y-y in 2022, we expect its reported net profit growth to drop 30% y-y in 2022 due to the absence of the one-time gain from the THB6.7b acquisition of Lotus's in 2021. We also expect core EPS growth and reported EPS growth to similarly reflect growth in core net profit and net profit as management indicates that MAKRO currently does not plan to raise capital again from 2022 onward after its capital increase in 2021 to partly fund the acquisition of Lotus's.

Exhibit 10: Core net profit and extra gain



Sources: MAKRO; FSSIA estimates

Exhibit 11: Core EPS vs reported EPS



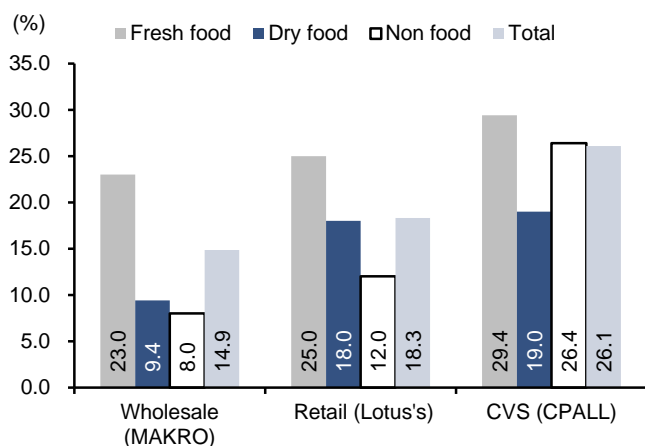
Sources: MAKRO; FSSIA estimates

We expect MAKRO's core net profit growth to rise in 2022-24, backed by 1) the higher proportion of food revenue, mainly for fresh food; and 2) organic growth-driven expansion in the number of branches, both for MAKRO's cash-and-carry modern trade stores and Lotus's supermarkets.

Driver #1: Higher food top line. Among CPALL's three business segments, MAKRO has the second highest proportion of revenue generated from fresh food. CPALL's CVS is the leader with 49% of its revenue coming from sales of food thanks to the high revenue generated by its ready-to-eat food and "All Café" beverages, which are classified in the fresh food category.

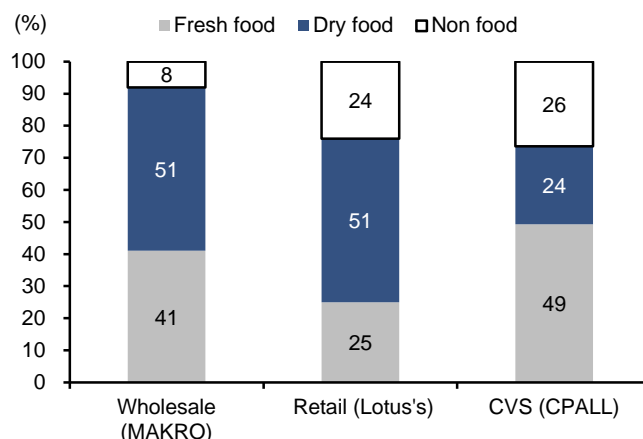
While MAKRO has little revenue from ready-to-eat food products, MAKRO sells a large amount of fresh food, mainly to HoReCa operators who visit the stores frequently to source food ingredients, produce (fruit, vegetables, seafood) and frozen products (imported salmon and other meats) that are as fresh as possible.

Exhibit 12: Gross profit margin by distribution and product segment as of 2Q22 (%)



Sources: CPALL; MAKRO; FSSIA estimates

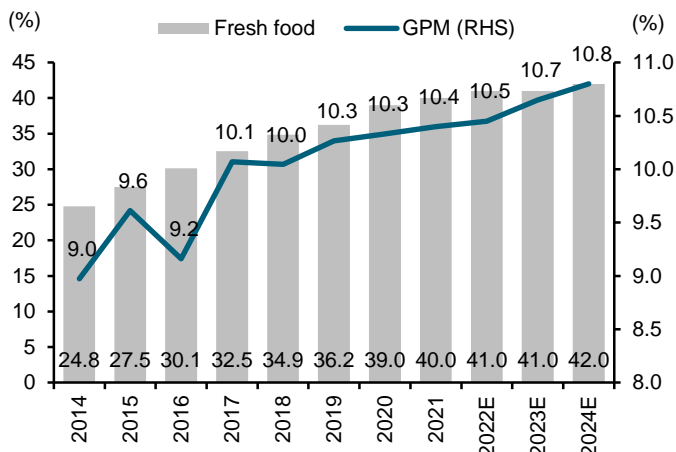
Exhibit 13: Revenue breakdown by distribution and product segment as of 2Q22 (%)



Sources: CPALL; MAKRO; FSSIA estimates

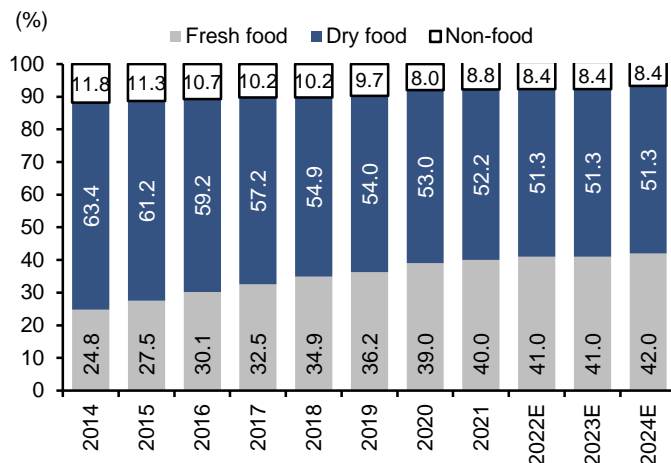
MAKRO's capability in keeping its products "fresh", in our view, creates not only an attractive value proposition for its customers that leads to a higher number of customer visit per day per store, but also erects a higher entry barrier for competitors as the cost of maintaining fresh and frozen food on a daily basis grows due to the rising cost of electricity and the inherent perishability of fresh produce.

Exhibit 14: MAKRO's fresh food revenue as a % of total revenue vs GPM



Sources: MAKRO; FSSIA estimates

Exhibit 15: MAKRO's revenue breakdown by segment (%)



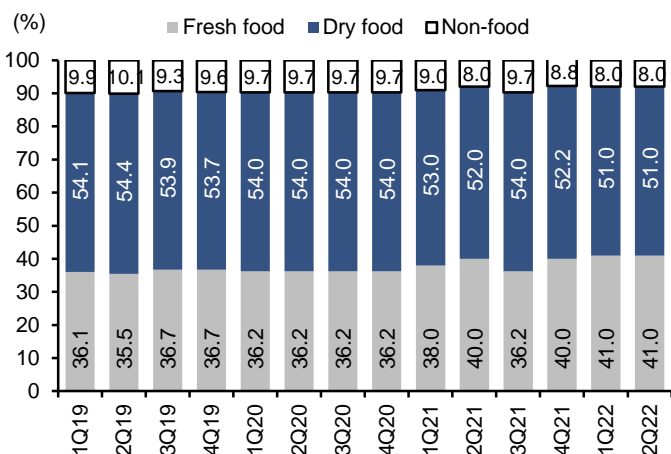
Sources: MAKRO; FSSIA estimates

MAKRO's food business competitiveness vs Lotus's. While MAKRO has successfully increased its revenue from food, rising from 36.1% in 1Q19 to 41% in 2Q22, Lotus's has just maintained its food revenue portion at around 25-26%, due mainly to Lotus's failure to manage fresh seafood, produce, and frozen food at a competitive cost level. MAKRO, in contrast, has achieved an efficient fresh food product management system that allows MAKRO to maintain competitive costs while offering a variety of fresh food to its customers.

Lotus's operational enhancements in food management and delivery systems.

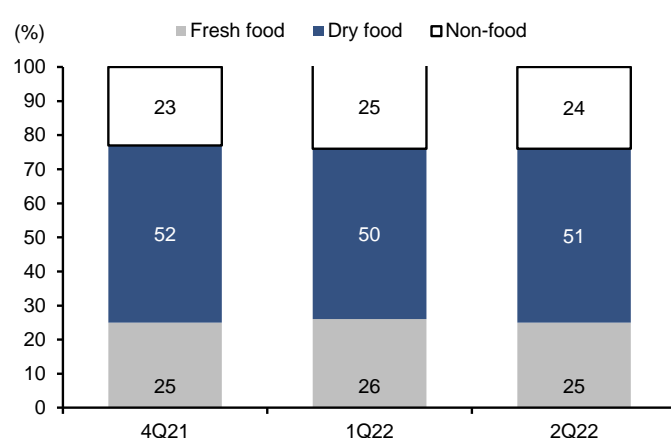
According to management, Lotus's plans to boost its revenue and GPM by increasing its food revenue portion using MAKRO's fresh food management system. Meanwhile, Lotus's also plans to employ CPALL's CVS food delivery system to further increase convenience and product variety for its customers.

Exhibit 16: MAKRO's quarterly revenue breakdown by segment



Source: MAKRO

Exhibit 17: Lotus's revenue breakdown by segment



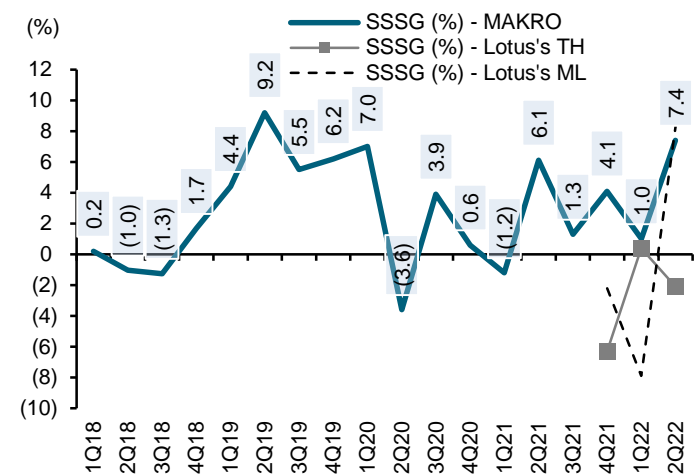
Source: MAKRO

SSSG comparison: MAKRO vs CPALL's CVS. Based on the SSSG of MAKRO and CPALL's CVS in 2017-2Q22, we found that MAKRO's quarterly SSSG is more resilient. While CVS recorded low SSSG in 2017-19, MAKRO's quarterly SSSG surged in 2019, the pre-Covid year, thanks to its rising food revenue proportion.

In 1Q20-3Q21, during the Covid-19 pandemic period, MAKRO's quarterly SSSG remained relatively healthy while CVS SSSG turned deeply negative and didn't recover until 1Q22-2Q22.

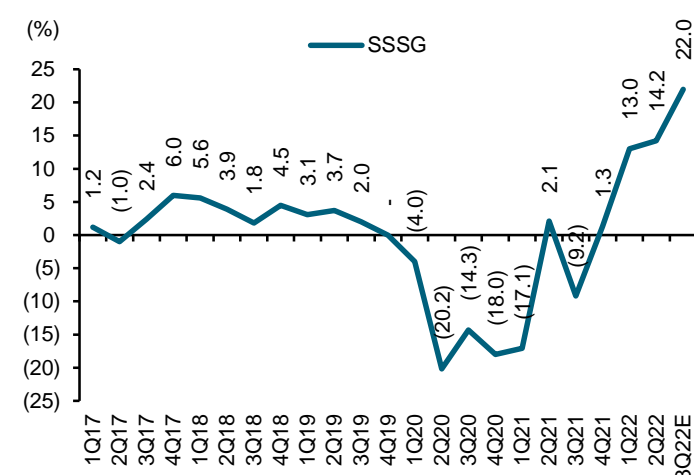
MAKRO's SSSG rebounded into positive territory in 2Q21 and has since stayed positive from 2Q21 to 2Q22. We think this reflects MAKRO's lower demand elasticity than CPALL's CVS and Lotus's supermarket business models.

Exhibit 18: MAKRO's quarterly SSSG



Sources: CPALL; MAKRO

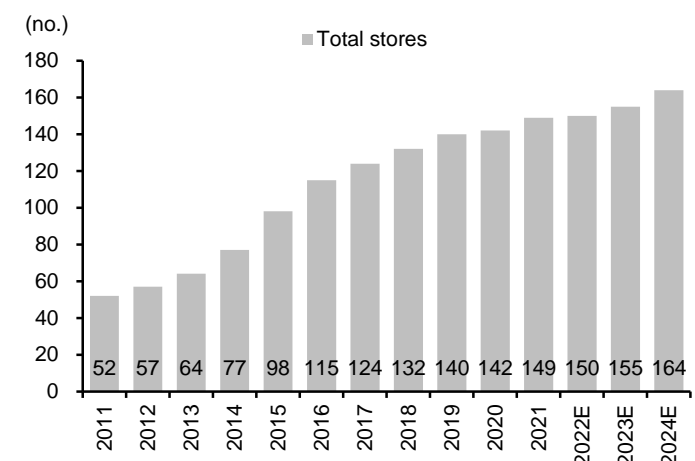
Exhibit 19: CPALL's CVS quarterly SSSG



Sources: CPALL; FSSIA estimates

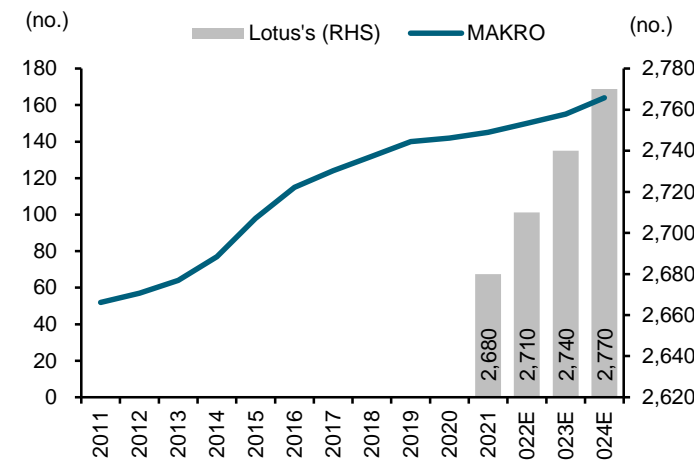
Driver #2: Market and outlet expansion. After three years with virtually no new stores opened during 2019-21 due to the Covid-19 pandemic, MAKRO's growth trajectory is back on track, expanding by 5-10 stores annually under its large-scale classic modern trade format. Furthermore, MAKRO is now expanding its small-sized Fresh@Makro and Siam Frozen store formats to target customers seeking more convenience when buying food at stores close to their homes.

Exhibit 20: Number of stores (MAKRO)



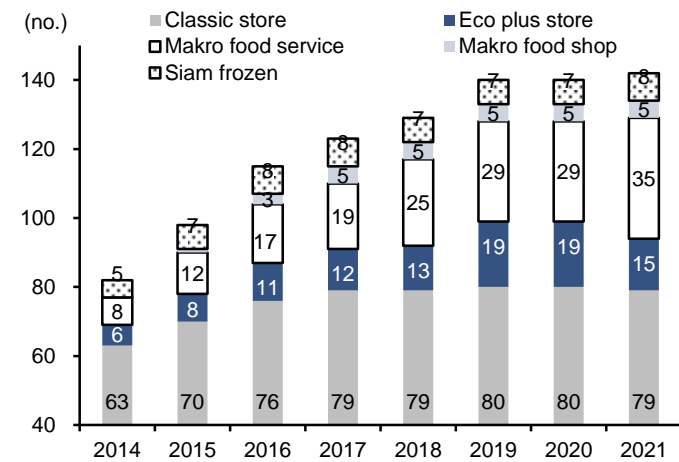
Source: MAKRO; FSSIA estimates

Exhibit 21: MAKRO vs Lotus's number of stores

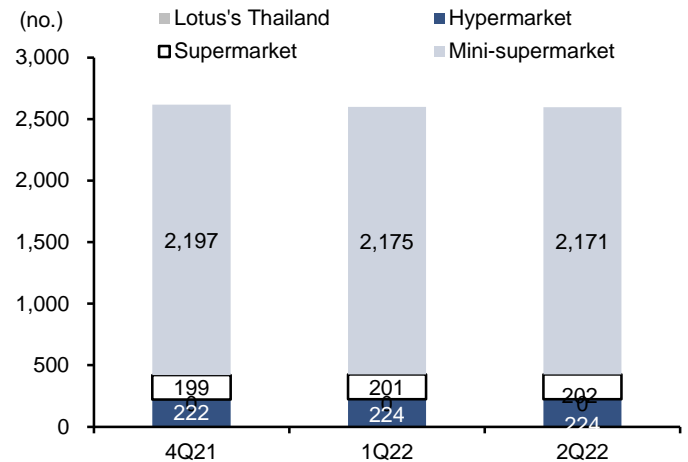


Source: MAKRO; FSSIA estimates

In contrast, Lotus's stores in Thailand are mostly based on the small-sized format, comprising 2,171 mini-supermarkets, 202 supermarkets, and 224 hypermarkets. Lotus's is restructuring its new store expansion plans, with more emphasis on the mini-supermarket format as a key growth engine while the supermarket format number is expected to increase by 1-3 stores annually, based on our estimates.

Exhibit 22: MAKRO's number of stores by format in Thailand

Source: MAKRO

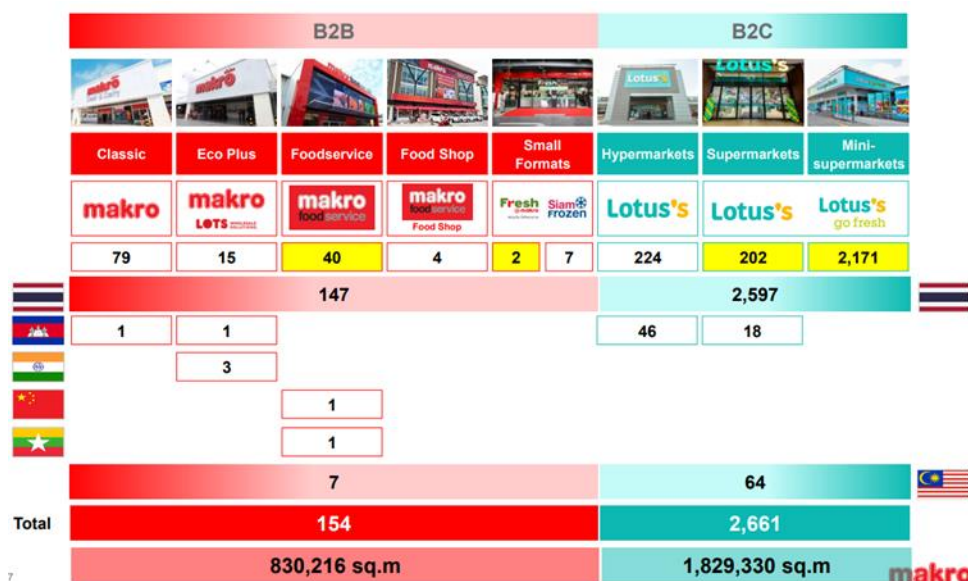
Exhibit 23: Lotus's number of stores by format in Thailand

Source: MAKRO

Overseas expansion. Alongside the projected expansion in the number of new stores for MAKRO (+c10-20) and Lotus's (+c20-30) in 2022-24, management plans to implement a cross-penetration strategy for entering new markets where its business unit already has a presence.

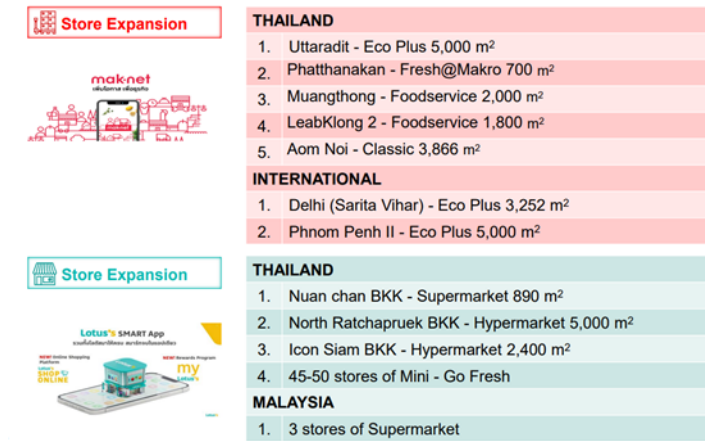
In 2Q22, MAKRO added three stores in the food service format and one store in the Fresh@Makro format – a small- to medium-sized store serving mainly food customers, which is MAKRO's core product strength. As of 2Q22, MAKRO operated 154 stores with seven stores outside Thailand, comprising two stores in Cambodia, three stores in India, one store in China and one store in Myanmar.

Meanwhile, Lotus's added 18 new stores in Thailand, comprising 17 mini- and one supermarket, bringing its total to 2,597 stores in Thailand and 64 stores in Malaysia as of 2Q22.

Exhibit 24: MAKRO and Lotus's store formats as of 2Q22

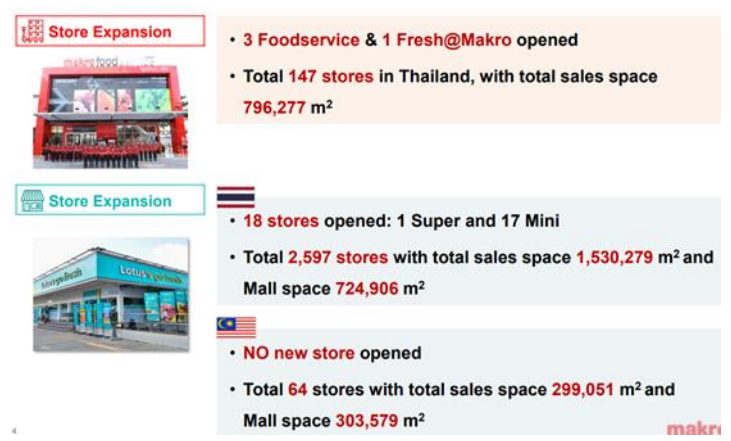
Source: MAKRO

Exhibit 25: MAKRO and Lotus's store expansion in 2H22E



Source: MAKRO

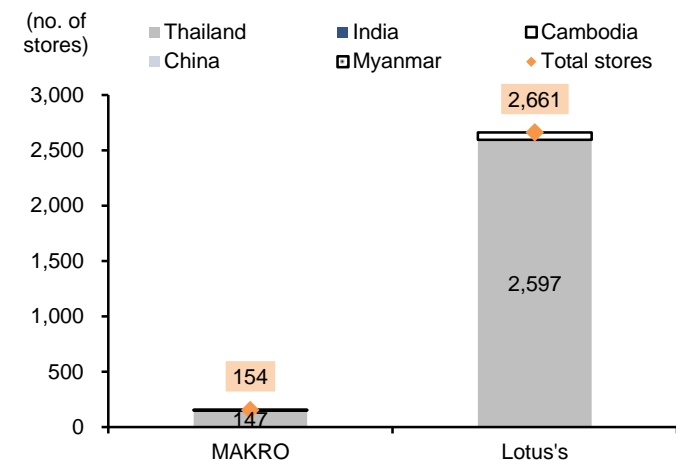
Exhibit 26: MAKRO and Lotus's store expansion in 2Q22



Source: MAKRO

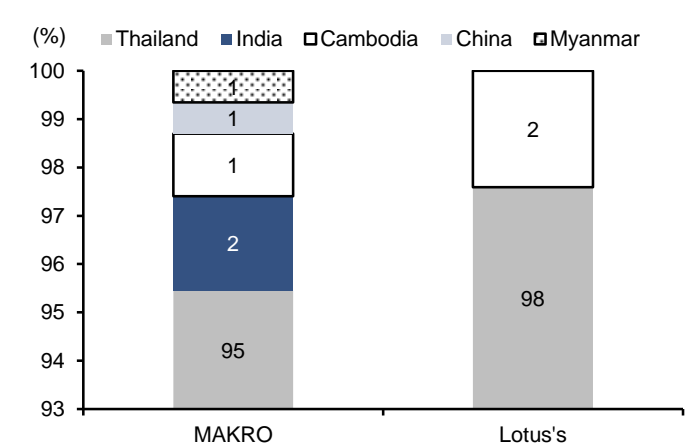
In addition, we expect MAKRO to penetrate further into Malaysia's retail market, mainly in the hypermarket and modern trade territory given 1) MAKRO's proven success in Vietnam; and 2) its strong retail sales growth in Malaysia.

Exhibit 27: Number of stores by country for MAKRO and Lotus's



Source: MAKRO

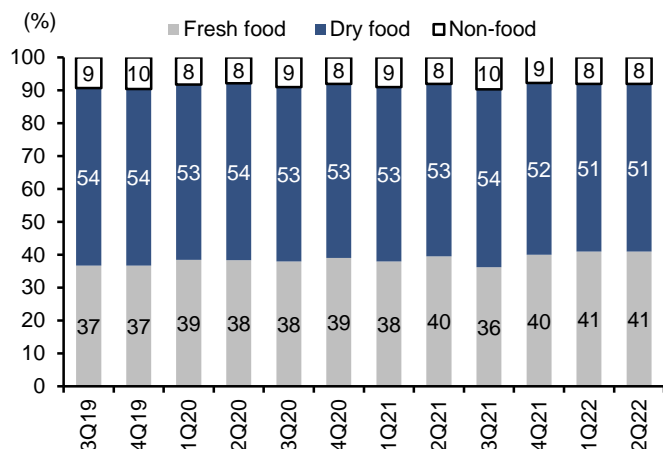
Exhibit 28: Number of stores by country for MAKRO and Lotus's (%)



Source: MAKRO

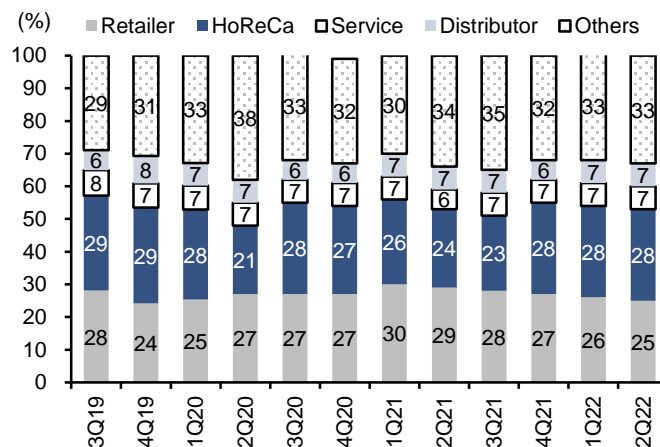
Driver #3: Market segmentation uplift. Given the higher GPMs for HoReCa and mom-and-pop stores, classified under others, MAKRO plans to boost its revenue from HoReCa closer to 30% by 2025. Since 1Q21, MAKRO has boosted its revenue proportion from HoReCa to 28%, up from 26% in 1Q21, but it is still lower than the 29% seen in 2019, pre-Covid.

Exhibit 29: Quarterly revenue breakdown by segment



Source: MAKRO

Exhibit 30: Quarterly revenue breakdown by customers

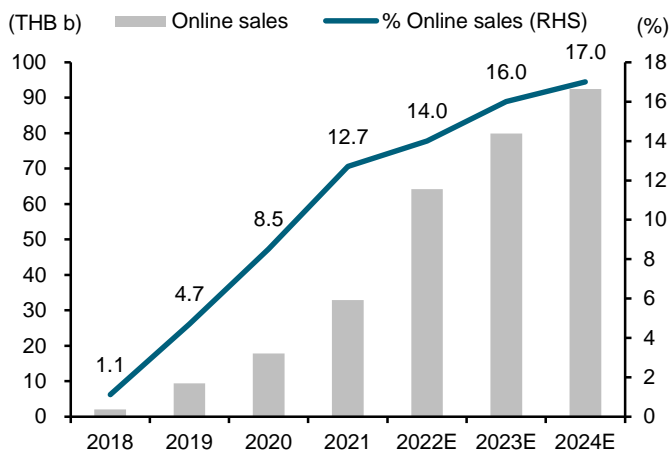


Source: MAKRO

Driver #4: Increasing online sales. Since 2018, MAKRO has adopted a proactive strategy of moving into the online distribution channel, with retail sales from online rising from a mere 1.1% in 2018 to 13% as of 2Q22.

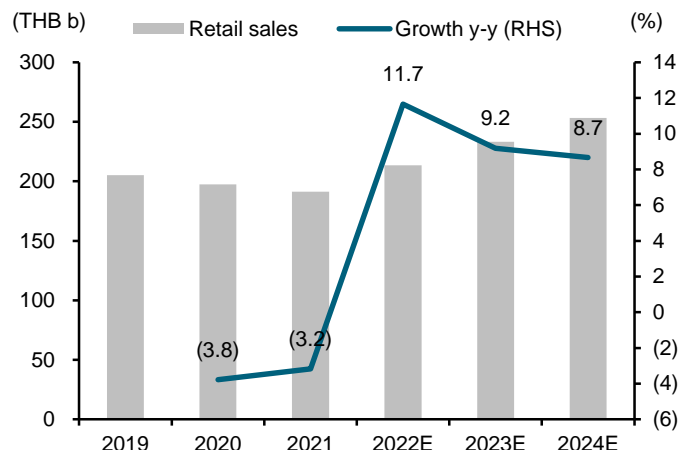
We expect the online revenue proportion to rise to 14% in 2022, 16% in 2023, and 17% in 2024, based on larger average bills per customer of over THB6,000, mainly driven by the aging demographics of traditional mom-and-pop operators, and parts of HoReCa thanks to the added convenience and low-cost delivery.

Exhibit 31: Online sales as a % of total sales



Sources: MAKRO; FSSIA estimates

Exhibit 32: Retail sales and growth



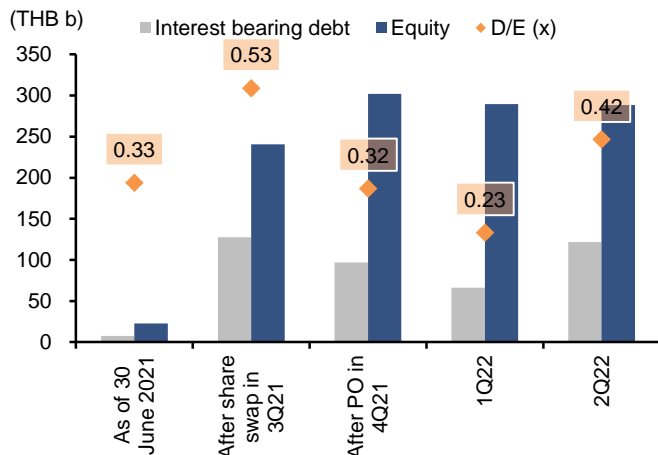
Sources: MAKRO; FSSIA estimates

Financial and SG&A expense issues

After the acquisition of a 100% stake in Lotus's at the cost of THB218b in 2H21, which was funded by the issuance of private placements worth THB217.9b and a capital increase of THB33.5b, MAKRO's interest bearing debt jumped significantly to THB121.9b with a net debt of THB78.8b.

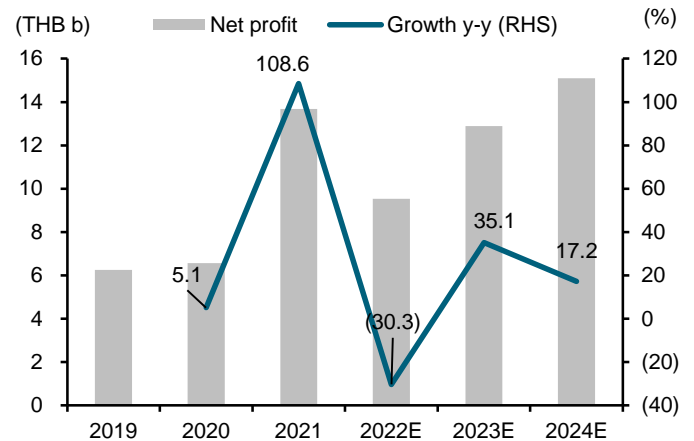
As a result, its financial expenses surged markedly to over THB1.5b-1.6b a quarter in 1Q22-2Q22 and now represent around 44% of MAKRO's quarterly EBIT, up from 4% in 1Q21 prior to the acquisition of Lotus's in 3Q21. We, however, project the interest expense to gradually decline in 2022-24, given the rising operating cash flows from CVS, MAKRO's modern trade stores, and Lotus's supermarkets.

Exhibit 33: Quarterly interest bearing debt, equity, and D/E



Source: MAKRO

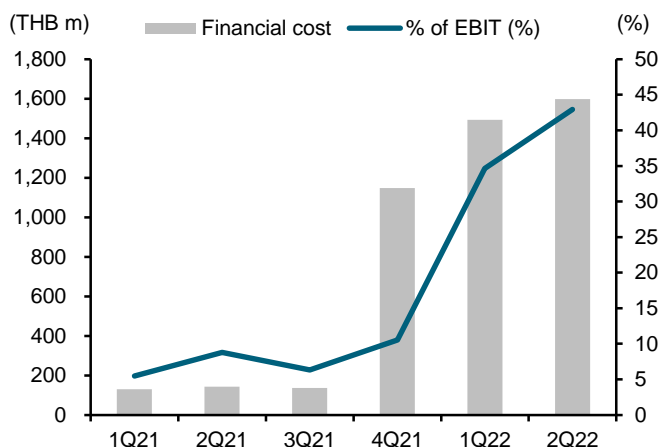
Exhibit 34: Net profit and growth



Sources: MAKRO; FSSIA estimates

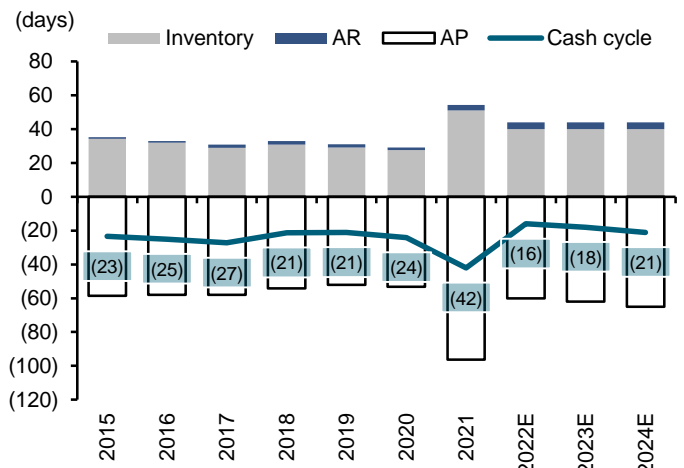
In addition, MAKRO retains a negative cash cycle of around 20 days, which could translate to THB20b in net cash from the operating cycle in 2022, rising to THB24b in 2023 and THB31b in 2024 in tandem with the higher retail revenue, based on our estimates. The rising cash from the negative cash cycle should help protect MAKRO from any future risk of sudden drops in earnings and operating cash flows, in our view.

Exhibit 35: Quarterly financial cost and as a % of EBIT



Source: MAKRO

Exhibit 36: Cash cycle

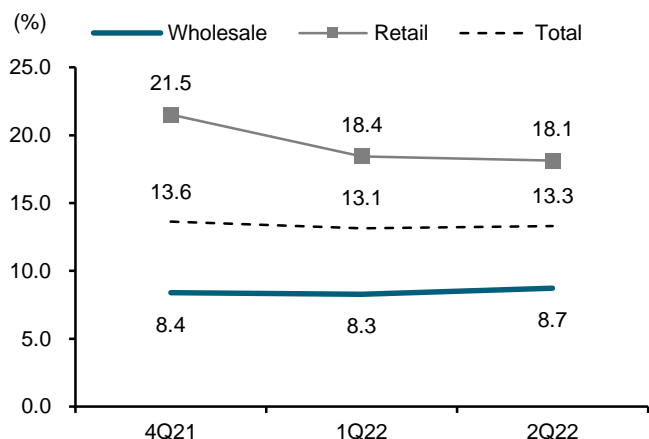


Source: MAKRO; FSSIA estimates

Capex for expansion. For the wholesale segment, we expect capex in the range of THB10.2b-11.4b to be invested in 2022 for the domestic expansion of MAKRO stores (THB4.5b-5.5b), international store expansion (THB1.2b-1.3b), distribution centres, business initiatives and customer engagement (THB4.1b), and B2B marketplaces (THB0.4b-0.5b).

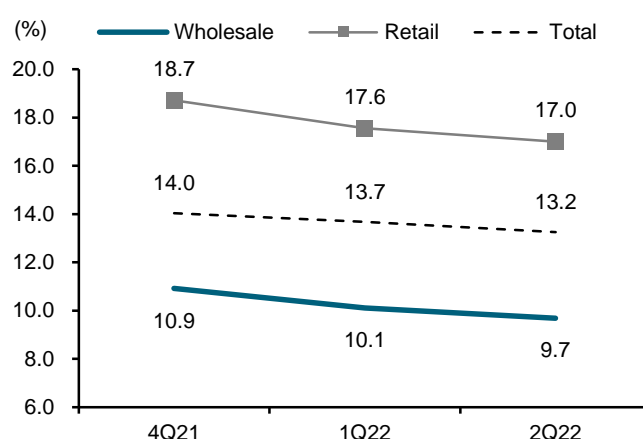
For the Lotus's unit, CPALL aims to spend THB12.5b-13.5b, mainly on new stores and malls (THB4.0b-THB5.0b), IT and rebranding (THB3.0b-3.5b) ahead of the exit of the former parent company of Lotus's at the end of 2022, renovations (THB2.5b), and energy savings, maintenance, and new businesses (THB3.0b).

Exhibit 37: SG&A to sales ratio by segment



Source: MAKRO

Exhibit 38: GPM by segment



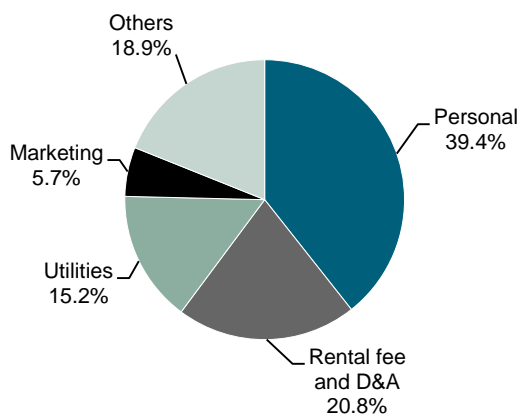
Source: MAKRO

Rising SG&A from Lotus's is a key concern

After the full consolidation of Lotus's on 25 Oct-21, MAKRO has seen its SG&A expenses surge as Lotus's number of employees at over 5,000 is far higher than the 3,000 employees for MAKRO due to Lotus's higher number of operating stores (Lotus's 2,661 stores vs MAKRO's 154 stores in 2Q22).

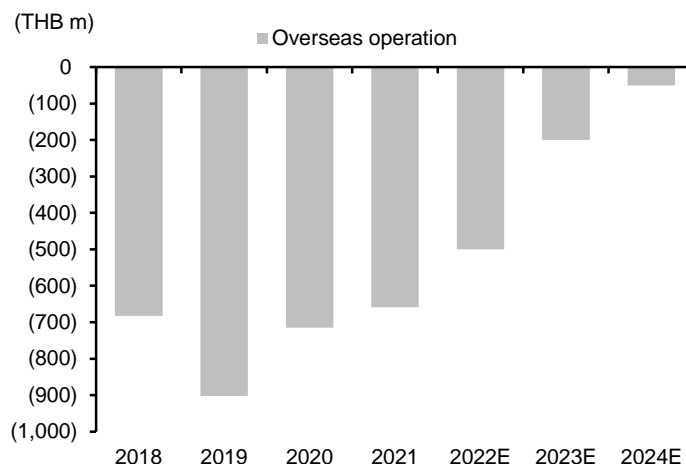
The recent rise in the electricity cost by over 2x y-y in 2Q22 also further increased MAKRO's consolidated SG&A expenses as the utility expense for Lotus's is much higher than for MAKRO due to Lotus's higher number of stores. In addition, in 2021-22, Lotus's incurred two one-time expenses from its THB8.5b investment in IT (THB5b in 2021 and THB3.5b in 2022) and THB3.5b for rebranding. As these costs are depreciated over the next 5-10 years, they will add cTHB1b in annual depreciation and amortisation expenses for MAKRO.

Exhibit 39: MAKRO's SG&A structure without Lotus's



Source: MAKRO

Exhibit 40: Lotus's overseas net losses



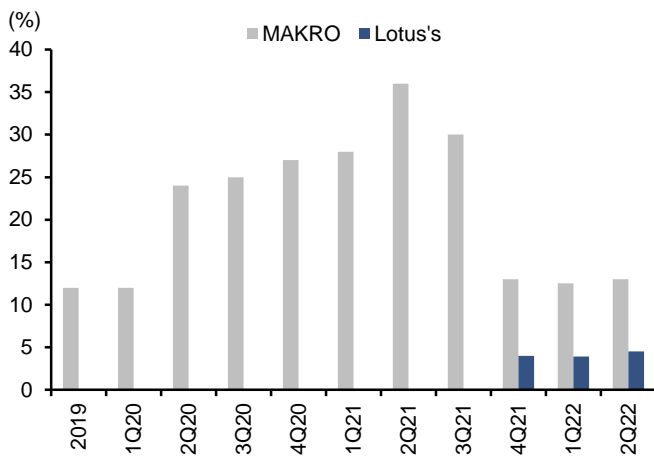
Source: MAKRO; FSSIA estimates

We, however, expect MAKRO's SG&A expenses to gradually decline in 2022-24 as MAKRO repays its debt using the free cash flow from its operations.

We also believe that MAKRO's net operating losses from its overseas operations, mainly from Lotus's operations in Malaysia, should gradually decline alongside revenue growth from its online-to-offline (O2O) platform. Initiated since 2018 via the "MakroClick" website, MAKRO's O2O platform has successfully drawn both B2B and B2C customer groups who seek more product variety and an easy-to-buy process at a competitive price.

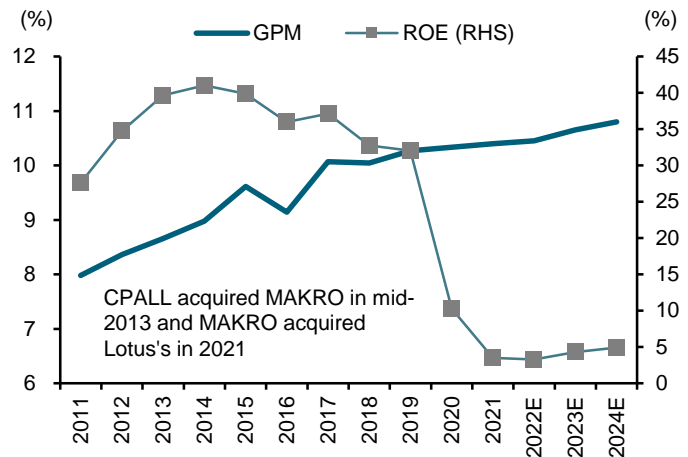
MAKRO's B2B Marketplace is an online platform for wholesalers and small- and medium-sized enterprises in the HoReCa industries. As of 1Q22, over 1,000 operators (sellers) were on the platform, a figure which MAKRO targets to increase to 7,000 operators by 2024 with over 500,000 customers, based on management's guidance.

Exhibit 41: O2O revenue as a % of total revenue



Source: MAKRO

Exhibit 42: GPM vs ROE



Source: MAKRO; FSSIA estimates

EPS and TP revisions

We revise down our net profit forecasts by 23.7-24.6% in 2022-24 to reflect our higher SG&A expense and rising interest expense estimates. We retain our conservative GPM assumption of 15.3% in 2022, which rises to 15.7% in 2023 and 15.8% in 2024, as we expect gradually declining interest expenses, lower SG&A expenses to sales, and higher revenue growth.

Exhibit 43: Changes in key assumptions and net profit forecasts

	Current			Previous			Change		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Retail sales (THB m)	475,983	518,899	564,382	475,983	518,899	564,382	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 store growth (%)	3.9	3.2	3.1	3.9	3.2	3.1	0	0	0
Gross margin (%)	15.3	15.7	15.8	15.3	15.7	15.8	0.0	0.0	0.0
SG&A expenses to total revenues (%)	12.9	12.8	12.8	12.0	11.8	11.7	0.8	1.0	1.0
Net profit (THB m)	9,535	12,883	15,098	12,640	16,884	19,888	(24.6)	(23.7)	(24.1)

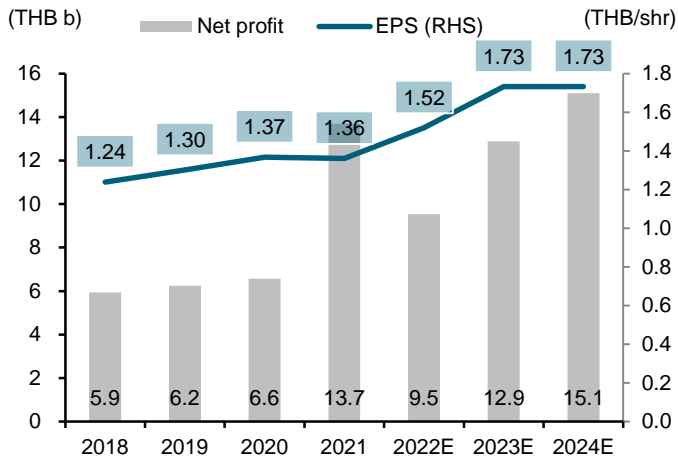
Note: Change of items in percentage terms are represented in ppt change

Sources: MAKRO; FSSIA estimates

We project Lotus's net profit to reach THB3b in 2022, up from a net loss of THB0.4b in 2021, and then rise to THB4.7b in 2023 and THB5.7b in 2024 as we expect Lotus's revenue and GPM to improve on the back of higher operational efficiency.

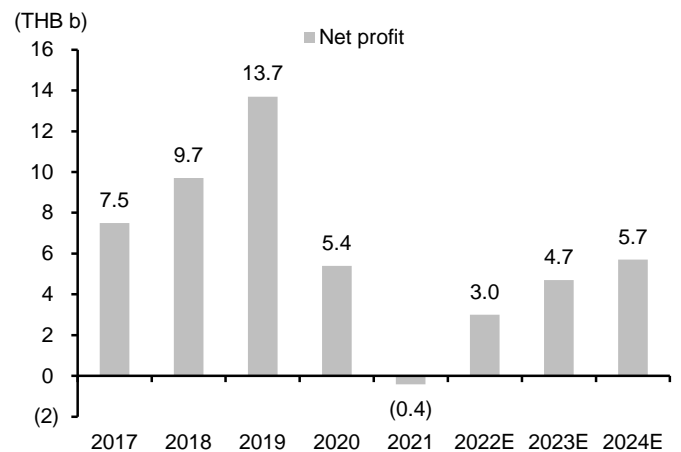
Meanwhile, we project the consolidated net profit from MAKRO and Lotus's to dip to THB9.5b in 2022 due to the absence of the one-time gain of THB6.7b in 2021 before recovering in 2023-24 driven by higher revenue, improving GPM, lower financial expenses, and a declining SG&A-to-sales ratio.

Exhibit 44: MAKRO's consolidated net profit and EPS



Sources: MAKRO; FSSIA estimates

Exhibit 45: Lotus's net profit



Sources: MAKRO; FSSIA estimates

We lower our DCF-based TP from THB52 to THB42 to reflect the cuts in our EPS forecasts and valuation rollover to 2023. We think MAKRO is now one of Thailand's most attractive commerce plays, given its stronger net profit growth outlook and the potential valuation rerating from improved trading liquidity after the company increases its free float from 6.92% to 13.53%, ahead of a further rise to surpass the 15% threshold, which would allow MAKRO to be included in the SET50 index, according to management.

Exhibit 46: DCF-based valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		3.6
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		0.8			
Cost of equity, Ke		9.6	Net cost of debt, Kd		2.9
Weight applied		70.0	Weight applied		30.0
WACC		7.6			
		(THB m)			
NPV		185			
Add: terminal value		305			
Sum of PV		490			
Add: investment		0			
Less: debt		44			
Less: minorities		0.7			
Residual ordinary equity		446			
No. of shares (m)		10,580			
Residual ordinary equity (THB/share)		42			

Sources: MAKRO; 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)
Gross profit	30,322	43,408	85,382	94,997	104,026
Other operating income	0	0	0	0	0
Operating costs	(17,788)	(27,535)	(61,199)	(66,260)	(71,989)
Operating EBITDA	12,534	15,873	24,183	28,737	32,037
Depreciation	(3,577)	(5,379)	(7,551)	(8,349)	(9,139)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	8,957	10,494	16,631	20,388	22,898
Net financing costs	(619)	(1,557)	(4,812)	(4,334)	(4,068)
Associates	(63)	(226)	150	165	182
Recurring non-operating income	(63)	(226)	150	165	182
Non-recurring items	0	6,714	0	0	0
Profit before tax	8,274	15,425	11,969	16,219	19,012
Tax	(1,813)	(2,128)	(2,364)	(3,211)	(3,766)
Profit after tax	6,461	13,298	9,605	13,008	15,246
Minority interests	102	389	(70)	(125)	(148)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	6,563	13,687	9,535	12,883	15,098
Non-recurring items & goodwill (net)	0	(6,714)	0	0	0
Recurring net profit	6,563	6,972	9,535	12,883	15,098
Per share (THB)					
Recurring EPS *	1.37	0.66	0.90	1.22	1.43
Reported EPS	1.37	1.29	0.90	1.22	1.43
DPS	1.00	0.92	0.68	0.91	1.07
Diluted shares (used to calculate per share data)	4,800	10,580	10,580	10,580	10,580
Growth					
Revenue (%)	3.9	21.8	78.6	9.0	8.8
Operating EBITDA (%)	14.7	26.6	52.3	18.8	11.5
Operating EBIT (%)	9.2	17.2	58.5	22.6	12.3
Recurring EPS (%)	5.1	(51.8)	36.8	35.1	17.2
Reported EPS (%)	5.1	(5.4)	(30.3)	35.1	17.2
Operating performance					
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	5.1	5.5	5.7
Operating EBIT margin (%)	4.1	3.9	3.5	3.9	4.1
Net margin (%)	3.0	2.6	2.0	2.5	2.7
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	3.5	4.7	5.7
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	15.5	17.5	19.9
ROIC (%)	9.9	2.9	3.1	3.7	3.9
ROE (%)	10.3	3.5	3.3	4.3	4.9
ROA (%)	6.3	2.1	2.3	2.7	2.8

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	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	9,535	12,883	15,098
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
Cash flow from operations	12,181	25,996	8,678	25,304	30,183
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)
Cash flow from investing	(88,118)	(272,058)	26,395	(26,706)	(39,860)
Dividends paid	(4,800)	(9,734)	(7,151)	(9,662)	(11,323)
Equity finance	85,786	182,967	4,996	4,996	4,996
Debt finance	627	130,840	(32,449)	2,817	12,916
Other financing cash flows	0	0	0	0	0
Cash flow from financing	81,612	304,074	(34,605)	(1,849)	6,588
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	5,675	58,011	468	(3,251)	(3,089)
Free cash flow to firm (FCFF)	(75,317.54)	(244,505.64)	39,885.50	2,932.21	(5,609.08)
Free cash flow to equity (FCFE)	(75,310.42)	(115,221.97)	2,624.00	1,415.76	3,239.04

Per share (THB)

FCFF per share	(7.12)	(23.11)	3.77	0.28	(0.53)
FCFE per share	(7.12)	(10.89)	0.25	0.13	0.31
Recurring cash flow per share	2.13	1.19	1.71	2.04	2.32

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)
Tangible fixed assets (net)	30,564	118,444	127,241	134,591	141,498
Intangible fixed assets (net)	0	0	0	0	0
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
Current assets	28,251	110,000	130,715	132,831	135,552
Other assets	15,219	326,737	326,737	356,196	387,418
Total assets	159,587	569,490	599,001	637,927	678,777
Common equity	107,792	287,997	295,377	303,593	312,363
Minorities etc.	471	501	571	696	844
Total shareholders' equity	108,263	288,498	295,948	304,289	313,207
Long term debt	2,002	105,120	80,649	82,774	92,514
Other long-term liabilities	8,847	57,661	103,010	112,298	122,141
Long-term liabilities	10,848	162,781	183,659	195,071	214,655
A/C payable	27,974	60,236	65,450	73,423	83,609
Short term debt	6,547	34,269	26,291	26,984	30,159
Other current liabilities	5,954	23,707	27,654	38,159	37,147
Current liabilities	40,475	118,211	119,395	138,566	150,915
Total liabilities and shareholders' equity	159,587	569,490	599,001	637,927	678,777
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	27.92	28.69	29.52
Tangible book value per share	22.46	27.22	27.92	28.69	29.52

Financial strength

Net debt/equity (%)	(1.8)	24.6	12.8	14.5	19.2
Net debt/total assets (%)	(1.2)	12.4	6.3	6.9	8.8
Current ratio (x)	0.7	0.9	1.1	1.0	0.9
CF interest cover (x)	(118.5)	(14.4)	4.9	4.9	5.7

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	26.5	55.0	40.2	29.8	25.4
Recurring P/E @ target price (x) *	30.7	63.7	46.6	34.5	29.4
Reported P/E (x)	26.5	28.0	40.2	29.8	25.4
Dividend yield (%)	2.8	2.5	1.9	2.5	3.0
Price/book (x)	1.6	1.3	1.3	1.3	1.2
Price/tangible book (x)	1.6	1.3	1.3	1.3	1.2
EV/EBITDA (x) **	13.8	28.7	17.5	14.9	13.9
EV/EBITDA @ target price (x) **	16.0	32.5	20.0	17.0	15.8
EV/invested capital (x)	1.5	1.1	1.0	0.9	0.9

* 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 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDM5	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MTSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

Disclaimer:

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

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

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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIIK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Suwat Sinsadok, CFA, FRM, ERP FSS International Investment Advisory Securities Co., Ltd

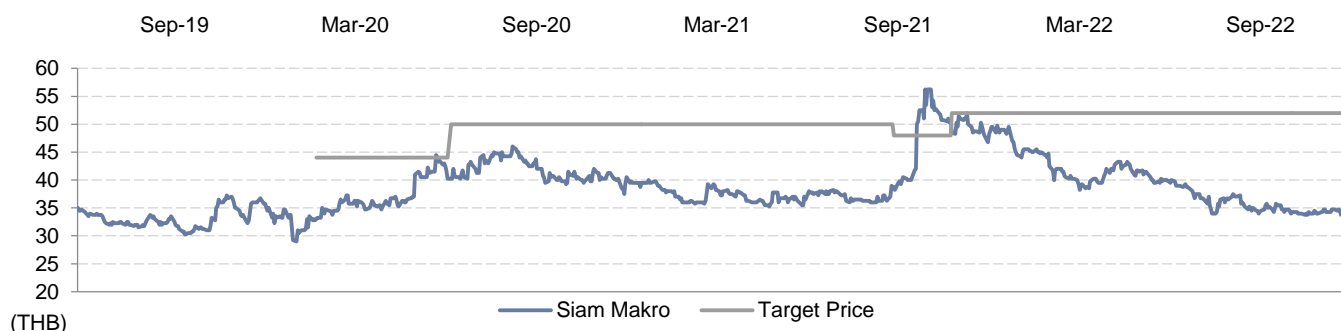
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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History of change in investment rating and/or target price

Siam Makro (MAKRO TB)



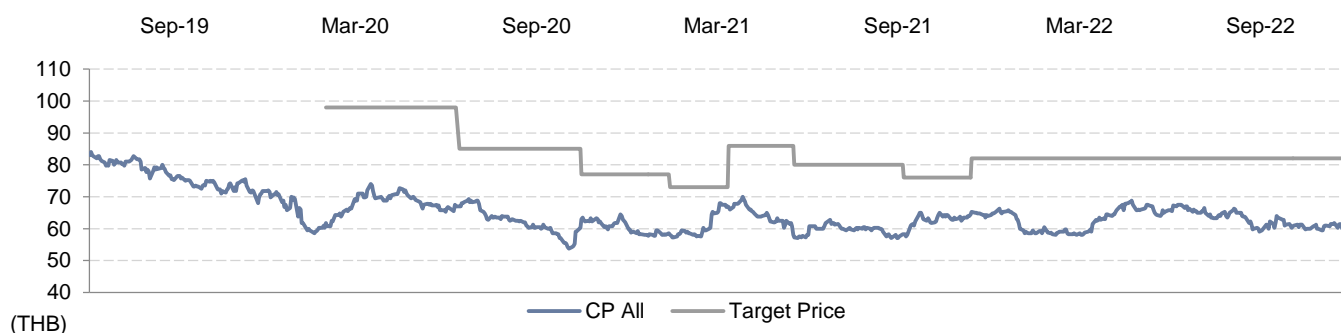
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Apr-2020	BUY	44.00	11-Aug-2021	BUY	48.00	22-Feb-2022	BUY	52.00
24-Jul-2020	BUY	50.00	30-Sep-2021	HOLD	52.00			

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 29-Jul-2022

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
02-Apr-2020	BUY	98.00	25-Jan-2021	BUY	73.00	16-Aug-2021	BUY	76.00
24-Jul-2020	BUY	85.00	17-Mar-2021	BUY	86.00	14-Oct-2021	BUY	82.00
09-Nov-2020	BUY	77.00	13-May-2021	BUY	80.00			

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 29-Jul-2022

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Siam Makro	MAKRO TB	THB 36.25	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.
CP All	CPALL TB	THB 61.00	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.

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 08-Sep-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.