

SIAM MAKRO  
THAILAND / COMMERCE

## MAKRO TB

BUY

UNCHANGED

## พร้อมโต

- กำไรปกติ 4Q22 และ 2.5พัน ลบ. (+54% q-q, +4% y-y) จากการเติบโตของยอดขายสาขาเดิม (SSSG) ที่อยู่ใก้กับที่ติดจากการบริโภคในประเทศที่อยู่ในระดับสูงและการฟื้นตัวของอุตสาหกรรมการท่องเที่ยว
- แนวโน้มปี 2023 เป็นบวกจากการฟื้นตัวของนักท่องเที่ยวและการบริโภค แนวโน้ม 1Q23 น่าจะเป็นบวกสำหรับกลุ่มธุรกิจทั้งประเภท B2B และ B2C ซึ่งมี SSSG เป็นบวก
- เริ่มใหม่ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 46 บาท (DCF, WACC 7.1%, Terminal growth 2%)

## แนวโน้มปี 2023 เป็นบวก

เราคาดว่ารายได้รวมของ MAKRO ในปี 2023 จะแตะ 508พัน ลบ. (+9% y-y) เนื่องจากเราคาดว่า SSSG เป็นเลขหลักเดียวในระดับสูง โดยน่าจะได้ปัจจัยหนุนจาก 1) การฟื้นตัวของนักท่องเที่ยวและการบริโภคในประเทศ; 2) การขยายสาขาและพื้นที่ศูนย์การค้าอย่างต่อเนื่อง (12 สาขาสำหรับ Makro Thailand และอีก 6 ในต่างประเทศ, 160 สาขาสำหรับ Lotus's ในประเทศไทยและอีก 14 ในมาเลเซีย); และ 3) กลยุทธ์ Online-to-offline (O2O) ผ่าน Makro PRO และแอป Lotus's อัตราค่าโร้ชั้้นต้นน่าจะปรับตัวขึ้นเป็น 16.8% ในปี 2023 (เทียบกับ 16.4% ในปี 2022) จากการเพิ่มสัดส่วนสินค้าที่มีอัตราค่าโร้ชั้้นสูง เช่น อาหารสดและสินค้า Private label ซึ่งเป็นจุดแข็งของ MAKRO และ Lotus's เราคาดว่ากำไรปกติปี 2023 ไว้ที่ 11พัน ลบ. (+45% y-y) จากการเติบโตของยอดขายรวมและอัตราค่าโร้ชั้้นต้นที่ขึ้นในขณะที่สัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายน่าจะทรงตัวที่ ~13.5% จากต้นทุนค่าสาธารณูปโภค บุคลากรและค่าใช้จ่ายในด้าน IT

## ประโยชน์จากการควบรวมของ MAKRO และ Lotus's

เราเห็นว่าการควบรวมของ MAKRO และ Lotus's มีประโยชน์ดังนี้: 1) การยกระดับสินค้าอาหารสดโดยการปรับพื้นที่ภายในร้านค้าปลีกไปมุ่งเน้นในด้านอาหารสดและแช่แข็ง; 2) การใช้พื้นที่ร่วมในร้านค้าปลีกประเภท Mixed-use เพื่อให้ได้ประโยชน์สูงสุดจากพื้นที่ค้าปลีกส่วนเกินในการเพิ่มตัวเลขลูกค้าและรายได้จากการเช่า; 3) แพลตฟอร์มจัดหาผู้จัดส่งร่วมสำหรับสินค้า Private label; และ 4) ระบบหลังบ้านร่วมและการแบ่งปันต้นทุน จากมูลค่าประโยชน์ที่ได้จากการควบรวมกิจการจำนวน 2.7พัน ลบ. 1.5พัน ลบ. อยู่ในปี 2022 และเราคาดว่าอีก 1.2พัน ลบ. จะอยู่ในปี 2023

## การปรับโครงสร้างหนี้จะช่วยลดความเสี่ยงในด้านอัตราดอกเบี้ย

ผู้บริหารวางแผนแปลงเงินกู้ในรูปเงินเหรียญสหรัฐ เป็นเงินบาทจากอัตราดอกเบี้ยที่อยู่ในระดับสูงในสหรัฐ และอัตราดอกเบี้ยเป้าหมายที่ต่ำกว่า 4% ภายในปี 2023 ในเดือน ม.ค. 23 MAKRO มีสัดส่วนเงินกู้ 17% เป็นเงินเหรียญสหรัฐ, 18% เป็นเงินริงกิตและอีก 65% เป็นเงินบาท (เทียบกับ 38% เป็นเงินเหรียญสหรัฐ, 16% เป็นเงินริงกิตและอีก 46% เป็นเงินบาทในเดือน ธ.ค.22) เราคาดว่าต้นทุนการเงินจะลดลงเหลือ 6.6พัน ลบ. (-7% y-y) และหนี้มีดอกเบี้ยจะลดลงเหลือ 0.37x ในปี 2023 (เทียบกับ 0.38x ในปี 2022) และอาจจะแตะ 0.36x ในปี 2025

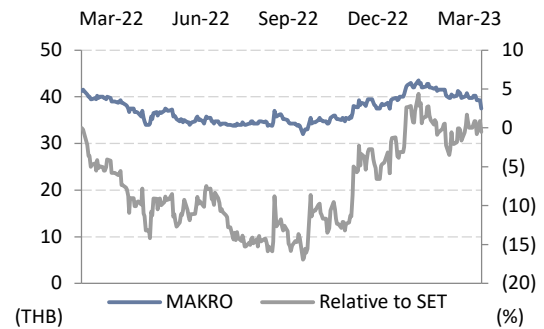
## เริ่มใหม่ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 46 บาท

ราคาเป้าหมายของเราที่ 46 บาทมาจากการประเมินด้วยวิธี DCF โดยมีค่า WACC ที่ 7.1% และ Terminal growth ที่ 2% ราคาเป้าหมายของเราคิดเป็น 43.5x ของค่า 2023E P/E (+0.3SD ของค่า P/E 5 ปีย้อนหลัง) เราคาดว่ากำไรปกติในช่วงปี 2023-25 จะโต 27.8% CAGR ไปแตะ 16พัน ลบ. ในปี 2025 คิดเป็นค่า PEG ที่ 1.57 MAKRO มีการซื้อขายที่ 37x ของค่า 2023E P/E ต่ำกว่าค่าเฉลี่ย 5 ปีที่ 39.8x P/E

TARGET PRICE	THB46.00
CLOSE	THB37.50
UP/DOWNSIDE	+22.7%
PRIOR TP	THB42.00
CHANGE IN TP	+9.5%
TP vs CONSENSUS	+4.0%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	466,082	508,344	545,268	589,262
Net profit	7,697	11,187	13,670	16,055
EPS (THB)	0.73	1.06	1.29	1.52
vs Consensus (%)	-	44.2	15.7	9.3
EBITDA	34,252	37,148	41,116	44,662
Core net profit	7,697	11,187	13,670	16,055
Core EPS (THB)	0.73	1.06	1.29	1.52
Chg. In EPS est. (%)	nm	(13.2)	(9.5)	nm
EPS growth (%)	10.4	45.3	22.2	17.4
Core P/E (x)	51.5	35.5	29.0	24.7
Dividend yield (%)	1.4	2.0	2.4	2.8
EV/EBITDA (x)	13.8	12.4	11.3	10.4
Price/book (x)	1.4	1.4	1.3	1.3
Net debt/Equity (%)	25.7	21.1	22.6	21.6
ROE (%)	2.7	3.8	4.6	5.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.7)	(2.6)	(10.2)
Relative to country (%)	2.0	3.6	(3.1)
Mkt cap (USD m)	11,483		
3m avg. daily turnover (USD m)	14.8		
Free float (%)	7		
Major shareholder	CP ALL (35%)		
12m high/low (THB)	43.50/32.00		
Issued shares (m)	10,580.32		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 15 มีนาคม 2023

## Investment thesis

MAKRO's strong presence in business-to-business (B2B) grocery wholesaling is coupled with Lotus's business-to-consumer (B2C) grocery retailing and consumer-centric brand in Southeast Asia. MAKRO, after its acquisition of Lotus's, is one of the leading players in grocery retailing and wholesaling in Asia (ex-Japan). In 2023-25, we forecast its revenue to grow at an 8.1% CAGR to reach THB589b in 2025, while its normalised profit should grow at a 27.8% CAGR to reach THB16b in 2025 from 1) a domestic consumption and tourism recovery; 2) synergies between MAKRO and Lotus's; 3) continued store and mall space expansions; 4) the O2O strategy targeting a 15-20% sales proportion within three years; and 5) restructuring its debt profile to mitigate the impact from interest rate hikes.

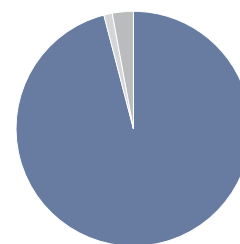
## Company profile

Siam Makro Public Company Limited was established in 1988 to operate a member-based wholesale centre under the name of "MAKRO". Currently, MAKRO is the largest cash-and-carry operator in Thailand. Siam Makro announced a name change to CP Aextra and a change in its securities symbol from "MAKRO" to "CPAXT".

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

## Principal activities (revenue, 2022)

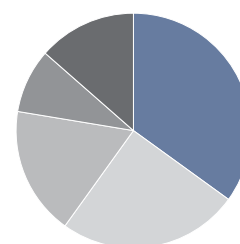
- Sales - 95.9 %
- Service income - 1.2 %
- Rental and rendering retail services - 2.9 %



Source: Siam Makro

## Major shareholders

- CP ALL - 35.0 %
- Siam Makro Holdings - 25.0 %
- Charoen Pokphand Holdings - 17.7 %
- CP Merchandising - 8.9 %
- Others - 13.5 %



Source: Siam Makro

## Catalysts

Potential catalysts for MAKRO include: 1) a faster-than-expected domestic consumption and tourism recovery; and 2) a speedy turnaround for Lotus's.

## 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
27 Apr 2023	Ex-dividend date
May 2023	1Q23 results announcement

## Key assumptions

MAKRO	2023E	2024E	2025E
SSSG MAKRO (%)	6.0	3.0	3.0
SSSG Lotus-TH (%)	3.0	3.0	3.0
SSSG Lotus-ML (%)	0.5	1.0	3.0
New store growth (%)	6.8	5.9	5.5
GPM (%)	16.8	17.0	17.1
SG&A to sales (%)	13.5	13.4	13.3

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 EPS to rise by 0.8% and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2023 EPS to rise by 3.5% and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2023 EPS to fall by 3.6% and vice versa, all else being equal.

Source: FSSIA estimates



## 4Q22/2022 results summary

MAKRO posted a 4Q22 core profit of THB2.5b (+54% q-q, +4% y-y), driven by strong same-store sales growth (SSSG) from a robust domestic consumption and tourism recovery. SSS for the wholesale business grew at a record high of 9.6% in 4Q22, while SSSG for the retail business for Thailand grew 2.4% and Malaysia dropped by 2.4%. The GPM was flat q-q and y-y – MAKRO was able to maintain a good proportion of high-margin products in the flash food and private label categories. SG&A expenses were at THB16b in 4Q22, relatively flat q-q but up 27% y-y, mainly from new store additions and IT system development, along with utility costs.

On a full-year basis, core profit was THB7.7b (+10% y-y), and the GPM rose to 16.4% (vs 13.6% in 2021), mainly due to the combination of the retail business.

### Exhibit 1: 4Q22/2022 results summary

	4Q21	1Q22	2Q22	3Q22	4Q22	----- Change -----		2021	2022	Change
Year to Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)
<b>Total revenue*</b>	<b>100,098</b>	<b>110,881</b>	<b>117,739</b>	<b>115,123</b>	<b>122,657</b>	<b>7</b>	<b>23</b>	<b>266,367</b>	<b>469,131</b>	<b>76</b>
Of which: Retail sales	96,125	106,268	113,364	110,162	117,389	7	22	258,630	447,182	73
<b>Gross profit**</b>	<b>16,704</b>	<b>18,167</b>	<b>18,763</b>	<b>19,232</b>	<b>20,332</b>	<b>6</b>	<b>22</b>	<b>36,014</b>	<b>76,494</b>	<b>112</b>
Other operating income	449	536	530	597	1,386	132	209	970	3,050	215
Operating costs	(12,903)	(14,616)	(15,776)	(16,031)	(16,419)	2	27	(26,490)	(62,842)	137
<b>Operating profit</b>	<b>3,801</b>	<b>3,551</b>	<b>2,987</b>	<b>3,201</b>	<b>3,913</b>	<b>22</b>	<b>3</b>	<b>9,524</b>	<b>13,651</b>	<b>43</b>
Interest expense	(1,148)	(1,494)	(1,598)	(1,826)	(2,204)	21	92	(1,557)	(7,122)	357
Profit before tax	3,102	2,593	1,920	1,972	3,095	57	(0)	8,937	9,579	7
Tax	(862)	(767)	(549)	(603)	(810)	34	(6)	(2,128)	(2,729)	28
Associates	149	224	202	230	175	(24)	18	(226)	831	(467)
Minority interests	(9)	0	0	3	11	217	(225)	389	15	(96)
Non-recurring items	6,714	0	0	0	0	n/a	(100)	6,714	0	(100)
<b>Reported net profit</b>	<b>9,094</b>	<b>2,050</b>	<b>1,573</b>	<b>1,602</b>	<b>2,471</b>	<b>54</b>	<b>(73)</b>	<b>13,687</b>	<b>7,697</b>	<b>(44)</b>
<b>Recurring net profit</b>	<b>2,380</b>	<b>2,050</b>	<b>1,573</b>	<b>1,602</b>	<b>2,471</b>	<b>54</b>	<b>4</b>	<b>6,973</b>	<b>7,697</b>	<b>10</b>
EPS (THB)	0.86	0.19	0.15	0.15	0.23	54	(73)	1.29	0.73	(44)
Recurring EPS (THB)	0.22	0.19	0.15	0.15	0.23	54	4	0.66	0.73	10
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross profit margin	16.7	16.4	15.9	16.7	16.6	(0.1)	(0.1)	13.6	16.4	2.8
Operating margin	3.8	3.2	2.5	2.8	3.2	0.4	(0.6)	3.6	2.9	(0.7)
Recurring net margin	2.4	1.9	1.3	1.4	2.0	0.6	(0.4)	2.6	1.7	(1.0)
SG&A / sales	12.9	13.2	13.4	13.9	13.4	(0.5)	0.5	10.0	13.5	3.5
<b>Operating statistics</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
SSSG (%) - MAKRO	4.1	1.0	7.4	8.9	9.6	0.7	5.5	2.5	6.8	4.3
SSSG (%) - Lotus's TH	(6.1)	0.4	(2.1)	0.0	2.4	2.4	8.5	(6.3)	0.2	6.5
SSSG (%) - Lotus's ML	(3.1)	(7.9)	8.3	(3.7)	(2.4)	1.3	0.7	(2.0)	(1.8)	0.2
# stores (Wholesale)	149	151	154	154	162	8	13	149	162	13
# stores (Lotus's)	2,680	2,664	2,661	2,644	2,643	(1)	(37)	2,680	2,643	(37)
<b>Operations by business</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q%)</b>	<b>(y-y%)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(y-y %)</b>
<b>Sales</b>	<b>96,125</b>	<b>106,267</b>	<b>113,364</b>	<b>110,162</b>	<b>117,389</b>	<b>7</b>	<b>22</b>	<b>258,630</b>	<b>447,182</b>	<b>73</b>
Wholesale business	58,839	56,622	59,409	60,311	66,095	10	12	221,344	242,437	10
Retail business	37,503	49,646	53,954	49,851	51,294	3	37	37,286	204,745	449
Rental and services	2,269	3,057	3,118	3,447	3,952	15	74	2,631	13,477	412
<b>Total revenue</b>	<b>100,098</b>	<b>110,881</b>	<b>117,739</b>	<b>115,123</b>	<b>122,657</b>	<b>7</b>	<b>23</b>	<b>266,367</b>	<b>469,131</b>	<b>76</b>
<b>Reported net profit</b>	<b>9,094</b>	<b>2,050</b>	<b>1,573</b>	<b>1,602</b>	<b>2,471</b>	<b>54</b>	<b>(73)</b>	<b>13,687</b>	<b>7,697</b>	<b>(44)</b>
<b>Recurring net profit</b>	<b>2,380</b>	<b>2,050</b>	<b>1,573</b>	<b>1,602</b>	<b>2,471</b>	<b>54</b>	<b>4</b>	<b>6,973</b>	<b>7,697</b>	<b>10</b>
Wholesale business	2,180	1,741	1,356	1,573	2,404	53	10	6,576	7,074	8
Retail business	6,914	309	217	29	67	131	(99)	397	623	57

\* includes other operating income; \*\* includes depreciation

Sources: MAKRO; FSSIA's compilation



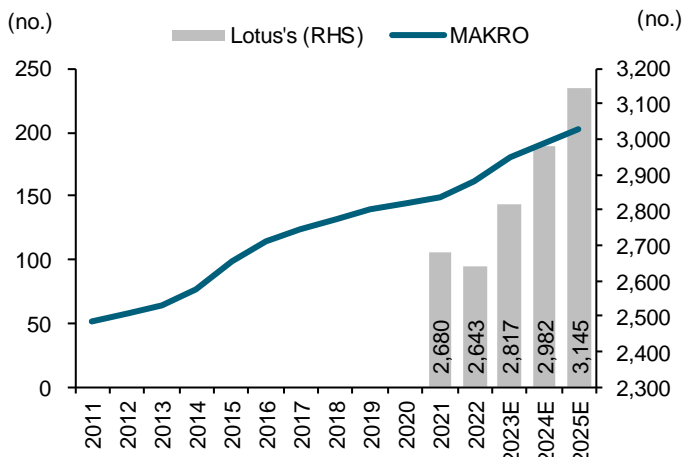
## A positive outlook in 2023

In 2023, we project MAKRO to add 12 stores in Thailand (eight food service stores and four Eco Plus and classic stores) and six stores overseas (two stores in India, one in Cambodia, two in China, and one in Myanmar). Lotus's could add 160 stores in Thailand and 14 stores in Malaysia. Its CAPEX plan is to use approximately THB25b-27b, which we believe could be financed via internal cash flow. We expect EBITDA of THB34b-42b in 2023-25.

We forecast 2023-25 total revenue to grow at an 8.1% CAGR to reach THB589b in 2025 from store expansions, continual growth in SSS, and rental income which could normalise in terms of occupancy rate at ~92% for Thailand and ~97% for Malaysia in 2025. We anticipate its core profit to reach THB16b in 2025 (+27.8% CAGR) supported by 1) a tourism and domestic economic recovery plus omni-channel sales (online sales contributed 9.5% of total sales and MAKRO targets a 15-20% proportion of total sales in a few years); 2) GPM should increase from a focus on fresh foods and private labels; 3) SG&A to sales should decline from MAKRO and Lotus's synergies; and 4) debt restructuring could reduce its financial costs via the conversion of USD loans to THB loans.

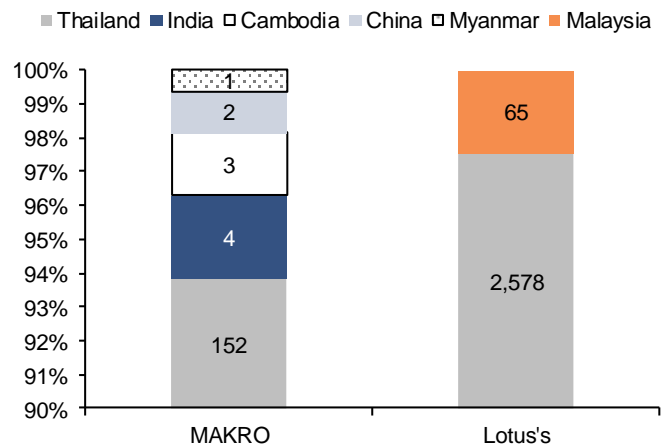
In the short term, we see positive momentum for 1Q23. We expect MAKRO's SSS to experience growth in the low teen digits (vs +9.6% in 4Q22), and Lotus's should grow in the low single digits (vs +1.6% in 4Q22).

Exhibit 2: No. of stores



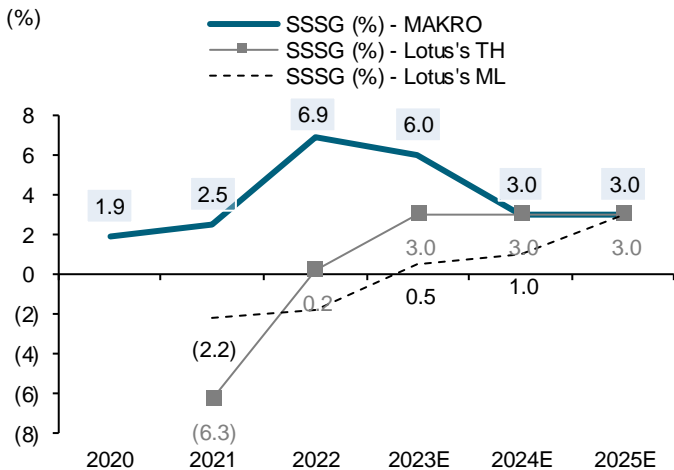
Sources: MAKRO; FSSIA estimates

Exhibit 3: No. of stores by country in 2022



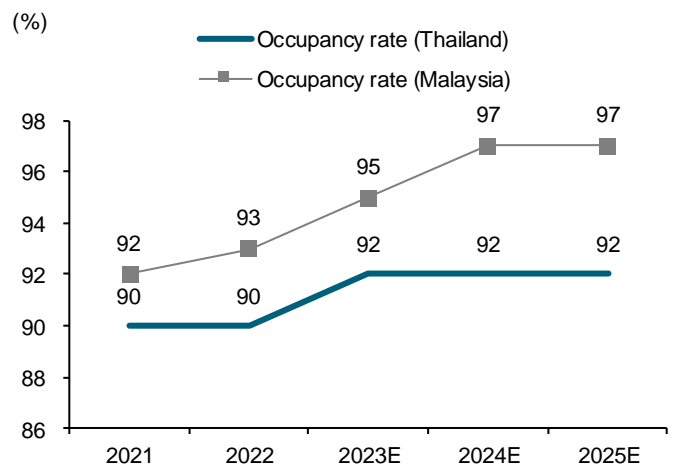
Source: MAKRO

Exhibit 4: Same-store sales growth



Sources: MAKRO; FSSIA estimates

Exhibit 5: Occupancy rate



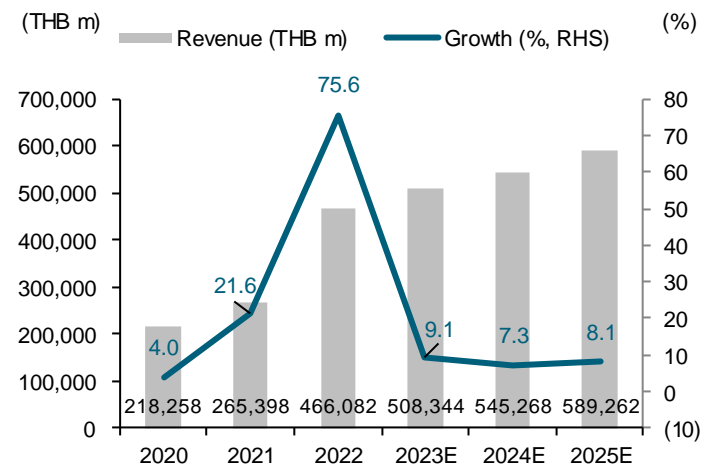
Sources: MAKRO; FSSIA estimates

Exhibit 6: Store formats in 2022



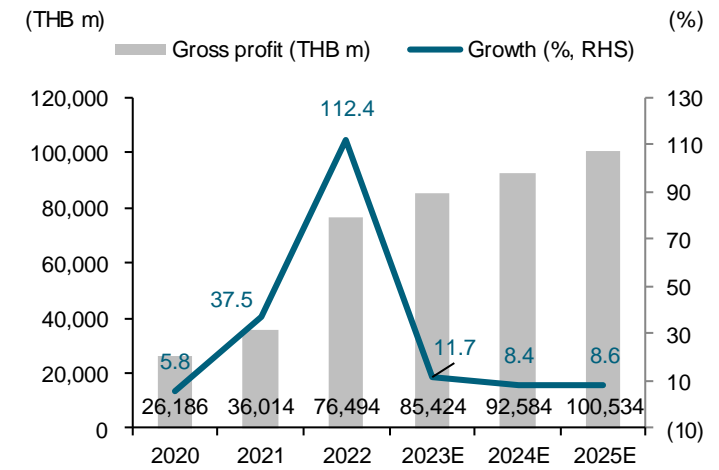
Source: MAKRO

Exhibit 7: Revenue



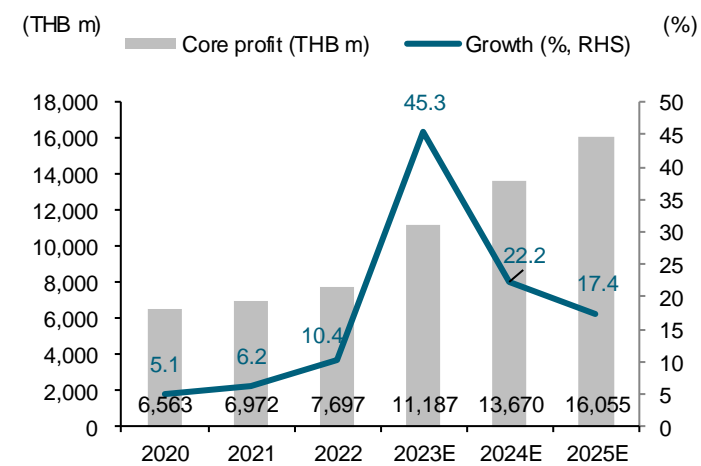
Sources: MAKRO; FSSIA estimates

Exhibit 8: Gross profit



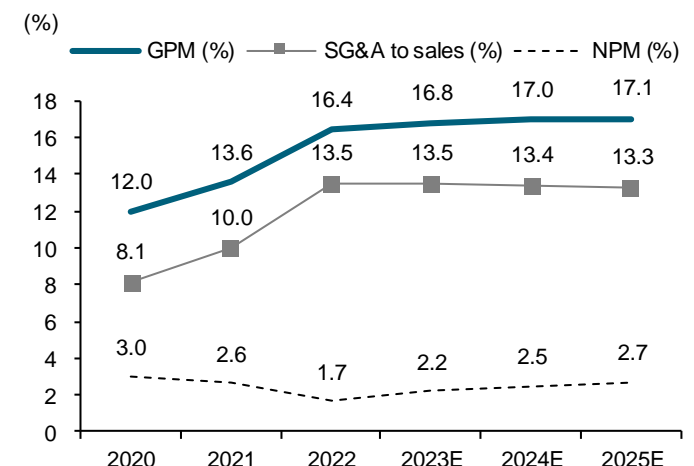
Sources: MAKRO; FSSIA estimates

Exhibit 9: Core profit



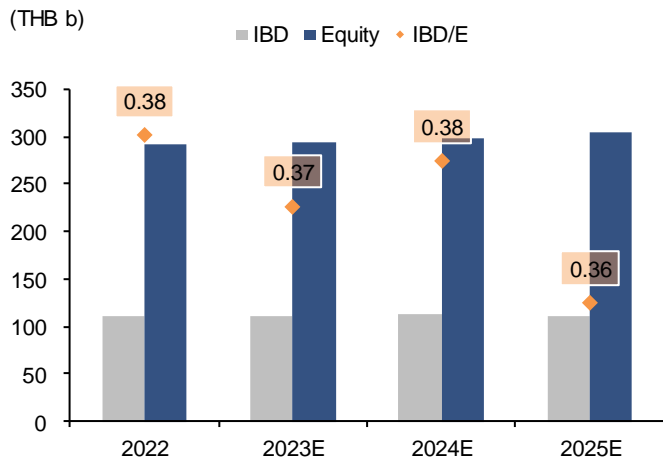
Sources: MAKRO; FSSIA estimates

Exhibit 10: Profitability



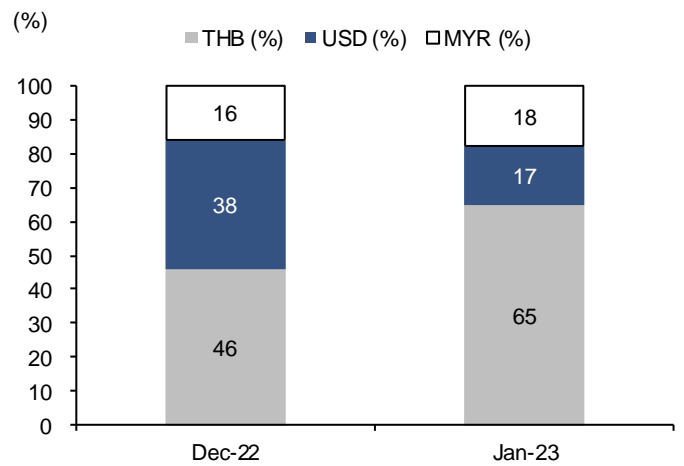
Sources: MAKRO; FSSIA estimates

**Exhibit 11: IBD to equity**



Sources: MAKRO; FSSIA estimates

**Exhibit 12: Debt currency breakdown**



Source: MAKRO



## Valuation

We reinitiate coverage of MAKRO with a BUY call and a TP of THB46, based on a DCF valuation (WACC 7.1%, terminal growth 2%). Our TP implies a 2023E P/E of 43.5x (+0.3SD of its 5-year historical P/E). We forecast MAKRO's core profit in 2023-25 to rise at a 27.8% CAGR, reaching THB16b in 2025 and implying a PEG ratio of 1.57, which reflects the robust growth expected from MAKRO and Lotus's, including well-managed costs. Its share price is currently trading at 37x 2023E P/E, which is below its 5-year average of 39.8x P/E. MAKRO has announced a 2H23 DPS of THB0.33 per share, implying a dividend yield of 0.8% (full-year dividend is THB0.51 per share, implying a 1.3% dividend yield and 70% payout ratio). The XD date is on 27 April 2023 and the dividend will be paid on 17 May 2023.

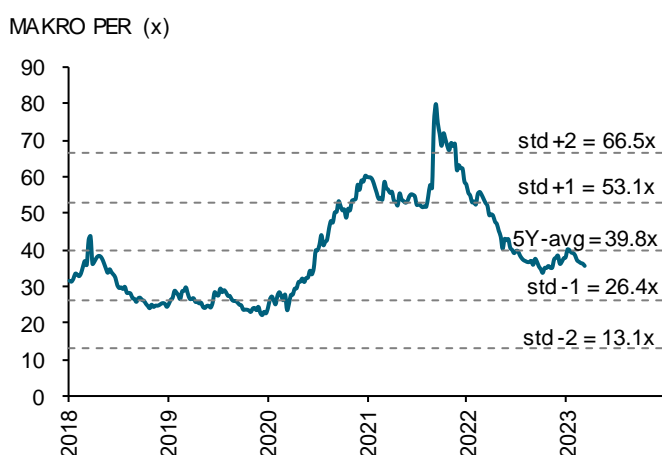
Note: MAKRO announced a name change to CP Axtra and a change in its securities symbol from "MAKRO" to "CPAXT". This announcement awaits approval at the annual general meeting of shareholders on 20 May 2013.

### Exhibit 13: DCF-based valuation

Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk-free rate	3.0	Pre-tax cost of debt	4.0
Market risk premium	8.0	Marginal tax rate	20.0
Stock beta	0.8		
Cost of equity, Ke	9.7	Net cost of debt, Kd	3.2
Weight applied	60.0	Weight applied	40.0
<b>WACC</b>	<b>7.1</b>		
<b>DCF valuation estimate</b>	<b>(THB b)</b>		
NPV	546		
Net Debt	62		
Less: minorities	0.6		
Residual ordinary equity	483		
No. of shares (m)	10,580		
<b>Equity value (THB/share)</b>	<b>46</b>		

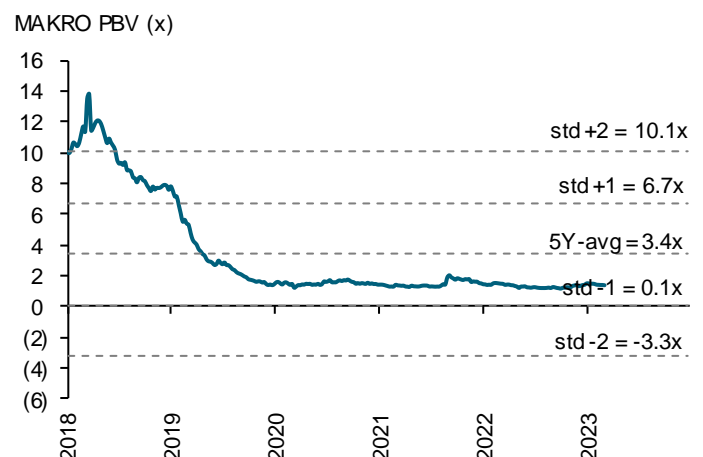
Source: FSSIA estimates

### Exhibit 14: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

### Exhibit 15: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Siam Makro

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	265,398	466,082	508,344	545,268	589,262
Cost of goods sold	(223,256)	(372,037)	(405,212)	(433,925)	(469,375)
<b>Gross profit</b>	<b>42,142</b>	<b>94,045</b>	<b>103,132</b>	<b>111,344</b>	<b>119,888</b>
Other operating income	970	3,050	2,653	2,784	2,933
Operating costs	(26,490)	(62,842)	(68,638)	(73,012)	(78,159)
<b>Operating EBITDA</b>	<b>16,622</b>	<b>34,252</b>	<b>37,148</b>	<b>41,116</b>	<b>44,662</b>
Depreciation	(6,128)	(17,551)	(17,708)	(18,760)	(19,354)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>10,494</b>	<b>16,701</b>	<b>19,440</b>	<b>22,356</b>	<b>25,308</b>
Net financing costs	(1,557)	(7,122)	(6,622)	(6,493)	(6,523)
Associates	(226)	831	918	964	1,012
Recurring non-operating income	(226)	831	918	964	1,012
Non-recurring items	6,714	0	0	0	0
<b>Profit before tax</b>	<b>15,425</b>	<b>10,411</b>	<b>13,736</b>	<b>16,828</b>	<b>19,797</b>
Tax	(2,128)	(2,729)	(2,563)	(3,173)	(3,757)
<b>Profit after tax</b>	<b>13,298</b>	<b>7,682</b>	<b>11,172</b>	<b>13,655</b>	<b>16,040</b>
Minority interests	389	15	15	15	15
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>13,687</b>	<b>7,697</b>	<b>11,187</b>	<b>13,670</b>	<b>16,055</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(6,714)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,972</b>	<b>7,697</b>	<b>11,187</b>	<b>13,670</b>	<b>16,055</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.66	0.73	1.06	1.29	1.52
Reported EPS	1.29	0.73	1.06	1.29	1.52
DPS	0.32	0.51	0.74	0.90	1.06
Diluted shares (used to calculate per share data)	10,580	10,580	10,580	10,580	10,580
<b>Growth</b>					
Revenue (%)	21.6	75.6	9.1	7.3	8.1
Operating EBITDA (%)	32.6	106.1	8.5	10.7	8.6
Operating EBIT (%)	17.2	59.1	16.4	15.0	13.2
Recurring EPS (%)	(51.8)	10.4	45.3	22.2	17.4
Reported EPS (%)	(5.4)	(43.8)	45.3	22.2	17.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	13.6	16.4	16.8	17.0	17.1
Gross margin of key business (%)	13.6	16.4	16.8	17.0	17.1
Operating EBITDA margin (%)	6.3	7.3	7.3	7.5	7.6
Operating EBIT margin (%)	4.0	3.6	3.8	4.1	4.3
Net margin (%)	2.6	1.7	2.2	2.5	2.7
Effective tax rate (%)	23.8	28.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	48.6	70.1	70.0	70.0	70.0
Interest cover (X)	6.6	2.5	3.1	3.6	4.0
Inventory days	38.0	34.2	32.7	30.3	30.1
Debtor days	2.2	1.9	2.9	3.9	3.9
Creditor days	72.1	59.9	60.2	64.1	66.2
Operating ROIC (%)	17.7	15.4	20.9	24.1	25.4
ROIC (%)	2.9	3.0	3.9	4.4	4.9
ROE (%)	3.5	2.7	3.8	4.6	5.3
ROA (%)	2.1	2.3	2.9	3.2	3.6
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Sales	258,630	447,182	486,951	521,578	563,231
Service income	4,136	5,422	5,737	5,877	6,078
Rental and rendering retail services	2,631	13,477	15,656	17,813	19,954
Others	0	0	0	0	0

Sources: Siam Makro; FSSIA estimates

## Financial Statements

Siam Makro

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	6,972	7,697	11,187	13,670	16,055
Depreciation	6,128	17,551	17,708	18,760	19,354
Associates & minorities	419	96	0	0	0
Other non-cash items	(191)	(187)	630	(198)	261
Change in working capital	13,416	(4,400)	9,940	5,926	5,652
<b>Cash flow from operations</b>	<b>26,744</b>	<b>20,757</b>	<b>39,465</b>	<b>38,157</b>	<b>41,322</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(93,470)	(15,872)	(27,480)	(28,978)	(30,259)
Net acquisitions & disposals	(229,281)	(5,027)	(3,130)	(3,296)	(3,459)
Other investments (net)	12,662	815	10,445	(2,880)	4,518
<b>Cash flow from investing</b>	<b>(310,090)</b>	<b>(20,085)</b>	<b>(20,164)</b>	<b>(35,154)</b>	<b>(29,199)</b>
Dividends paid	(3,386)	(5,396)	(7,831)	(9,569)	(11,239)
Equity finance	176,619	50	185	185	185
Debt finance	168,123	(23,753)	(434)	4,429	(2,915)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>341,357</b>	<b>(29,099)</b>	<b>(8,080)</b>	<b>(4,955)</b>	<b>(13,969)</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>58,011</b>	<b>(28,426)</b>	<b>11,220</b>	<b>(1,951)</b>	<b>(1,846)</b>
Free cash flow to firm (FCFF)	(281,788.59)	7,794.01	25,922.77	9,496.27	18,645.99
Free cash flow to equity (FCFE)	(115,221.97)	(23,080.44)	18,866.14	7,432.66	9,207.57
<b>Per share (THB)</b>					
FCFF per share	(26.63)	0.74	2.45	0.90	1.76
FCFE per share	(10.89)	(2.18)	1.78	0.70	0.87
Recurring cash flow per share	1.26	2.38	2.79	3.05	3.37
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	141,469	148,498	175,978	204,956	235,215
Less: Accumulated depreciation	(23,025)	(30,383)	(46,607)	(63,749)	(81,356)
<b>Tangible fixed assets (net)</b>	<b>118,444</b>	<b>118,115</b>	<b>129,371</b>	<b>141,207</b>	<b>153,859</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	14,310	14,961	14,961	14,961	14,961
Cash & equivalents	68,530	40,103	51,323	49,372	47,525
A/C receivable	2,301	2,431	5,571	5,976	6,458
Inventories	31,967	37,820	34,761	37,207	40,169
Other current assets	7,203	7,001	7,636	8,191	8,851
<b>Current assets</b>	<b>110,001</b>	<b>87,355</b>	<b>99,290</b>	<b>100,745</b>	<b>103,004</b>
Other assets	326,737	328,213	330,082	331,989	333,934
<b>Total assets</b>	<b>569,491</b>	<b>548,643</b>	<b>573,704</b>	<b>588,901</b>	<b>605,758</b>
Common equity	287,997	290,348	293,889	298,175	303,177
Minorities etc.	501	583	567	552	537
<b>Total shareholders' equity</b>	<b>288,498</b>	<b>290,931</b>	<b>294,457</b>	<b>298,728</b>	<b>303,714</b>
Long term debt	105,120	110,025	14,209	102,455	80,434
Other long-term liabilities	57,661	56,925	58,147	59,310	60,496
<b>Long-term liabilities</b>	<b>162,781</b>	<b>166,949</b>	<b>72,357</b>	<b>161,765</b>	<b>140,930</b>
A/C payable	60,236	61,818	71,838	80,615	89,712
Short term debt	34,269	4,796	99,179	14,429	32,581
Other current liabilities	23,707	24,148	35,873	33,365	38,820
<b>Current liabilities</b>	<b>118,211</b>	<b>90,763</b>	<b>206,891</b>	<b>128,409</b>	<b>161,113</b>
<b>Total liabilities and shareholders' equity</b>	<b>569,490</b>	<b>548,643</b>	<b>573,704</b>	<b>588,901</b>	<b>605,758</b>
Net working capital	(42,472)	(38,715)	(59,744)	(62,607)	(73,054)
Invested capital	417,018	422,573	414,669	425,549	429,700
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	27.22	27.44	27.78	28.18	28.65
Tangible book value per share	27.22	27.44	27.78	28.18	28.65
<b>Financial strength</b>					
Net debt/equity (%)	24.6	25.7	21.1	22.6	21.6
Net debt/total assets (%)	12.4	13.6	10.8	11.5	10.8
Current ratio (x)	0.9	1.0	0.5	0.8	0.6
CF interest cover (x)	(13.0)	0.0	8.0	6.6	7.1
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>56.9</b>	<b>51.5</b>	<b>35.5</b>	<b>29.0</b>	<b>24.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>69.8</b>	<b>63.2</b>	<b>43.5</b>	<b>35.6</b>	<b>30.3</b>
Reported P/E (x)	29.0	51.5	35.5	29.0	24.7
Dividend yield (%)	0.9	1.4	2.0	2.4	2.8
Price/book (x)	1.4	1.4	1.4	1.3	1.3
Price/tangible book (x)	1.4	1.4	1.4	1.3	1.3
EV/EBITDA (x) **	28.2	13.8	12.4	11.3	10.4
EV/EBITDA @ target price (x) **	33.6	16.4	14.8	13.5	12.4
EV/invested capital (x)	1.1	1.1	1.1	1.1	1.1
* 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 2022

EXCELLENT LEVEL – Score range 90-100											
AAV	BAM	CIMBT	ECL	HENG	LALIN	NEP	PRG	SCC	SPRC	THRE	TTW
ADVANC	BANPU	CK	EE	HMPRO	LANNA	NER	PRM	SCCC	SPVI	THREL	TU
AF	BAY	CKP	EGCO	ICC	LHFG	NKI	PSH	SCG	SSC	TIPCO	TVDH
AH	BBIK	CM	EPG	ICHI	LIT	NOBLE	PSL	SCGP	SSSC	TISCO	TVI
AIRA	BBL	CNT	ETC	III	LOXLEY	NSI	PTG	SCM	SST	TK	TVO
AJ	BCP	COLOR	ETE	ILINK	LPN	NVD	PTT	SCN	STA	TKN	TWPC
AKP	BCPG	COM7	FN	ILM	LRH	NYT	PTTEP	SDC	STEC	TKS	UAC
AKR	BDM5	COMAN	FNS	IND	LST	OISHI	PTTGC	SEAFCO	STGT	TKT	UBIS
ALLA	BEM	COTTO	FPI	INTUCH	MACO	OR	PYLON	SEAOIL	STI	TMILL	UPOIC
ALT	BEYOND	CPALL	FPT	IP	MAJOR	ORI	Q-CON	SE-ED	SUN	TMT	UV
AMA	BGC	CPF	FSMART	IRC	MAKRO	OSP	QH	SELIC	SUSCO	TNDT	VCOM
AMARIN	BGRIM	CPI	FVC	IRPC	MALEE	OTO	QTC	SENA	SUTHA	TNITY	VGI
AMATA	BIZ	CPN	GC	ITEL	MBK	PAP	RABBIT	SENAJ	TOA	TOA	VIH
AMATAV	BKI	CRC	GEL	IVL	MC	PCSGH	RATCH	SGF	SYMC	TOP	WACOAL
ANAN	BOL	CSS	GFPT	JTS	MCOT	PDG	RBF	SHR	SYNTEC	TPBI	WAVE
AOT	BPP	DDD	GGC	JWD	METCO	PDJ	RS	SICT	TACC	TQM	WHA
AP	BRR	DELTA	GLAND	K	MFEC	PG	S	SIRI	TASCO	TRC	WHAUP
APURE	BTS	DEMCO	GLOBAL	KBANK	MINT	PHOL	S&J	SIS	TCAP	TRUE	WICE
ARIP	BTW	DOHOME	GPI	KCE	MONO	PLANB	SAM	SITHAI	TEAMG	TSC	WINNER
ASP	BWG	DRT	GPSC	KEX	MOONG	PLANET	SABINA	SMPC	TFMAMA	TSR	XPG
ASW	CENDEL	DTAC	GRAMMY	KGI	MSC	PLAT	SAMART	SNC	THANA	TSTE	ZEN
AUCT	CFRESH	DUSIT	GULF	KKP	MST	PORT	SAMTEL	SONIC	THANI	TSTH	
AWC	CGH	EA	GUNKUL	KSL	MTC	PPS	SAT	SORKON	THCOM	TTA	
AYUD	CHEWA	EASTW	HANA	KTB	MVP	PR9	SC	SPALI	TTB	TTB	
BAFS	CHO	ECF	HARN	KTC	NCL	PREB	SCB	SPI	THIP	TTCL	

VERY GOOD LEVEL – Score range 80-89											
2S	ASIMAR	CHOTI	ESSO	INSURE	LH	NRF	PROEN	SCI	SR	TMC	UMI
7UP	ASK	CHOW	ESTAR	IRCP	LHK	NTV	PROS	SCP	SRICHA	TMD	UOBKH
ABM	ASN	CI	FE	IT	M	NUSA	PROUD	SE	SSF	TMI	UP
ACE	ATP30	CIG	FLOYD	ITD	MATCH	NWR	PSG	SECURE	SSP	TNL	UPF
ACG	B	CITY	FORTH	J	MBAX	OCC	PSTC	SFLEX	STANLY	TNP	UTP
ADB	BA	CIVIL	FSS	JAS	MEGA	OGC	PT	SFP	STC	TNR	VIBHA
ADD	BC	CMC	FTE	JCK	META	ONEE	PTC	SFT	STPI	TOG	VL
AEONTS	BCH	CPL	GBX	JCKH	MFC	PACO	QLT	SGP	SUC	TPA	VPO
AGE	BE8	CPW	GCAP	JMT	MGT	PATO	RCL	SIAM	SVOA	TPAC	VRANDA
AHC	BEC	CRANE	GENCO	JR	MICRO	PB	RICHY	SINGER	SVT	TPCS	WGE
AIE	BH	CRD	GJS	KBS	MILL	PICO	RJH	SKE	SWC	TIPL	WIJK
AIT	BIG	CSC	GTB	KCAR	MITSIB	PIMO	ROJNA	SKN	SYNEX	TIPIP	WIN
ALUCON	BJC	CSP	GYT	KGEN	MK	PIN	RPC	SKR	TAE	TPLAS	WINMED
AMANAH	BJCHI	CV	HEMP	KIAT	MODERN	PJW	RT	SKY	TAKUNI	TPS	WORK
AMR	BLA	CWT	HPT	KISS	MTI	PL	RWI	SLP	TCC	TQR	WP
APCO	BR	DCC	HTC	KK	NATION	PLE	S11	SMART	TCMC	TRITN	XO
APCS	BRI	DHOUSE	HUMAN	KOOL	NCAP	PM	SA	SMD	TFG	TRT	YUASA
AQUA	BROOK	DITTO	HYDRO	KTIS	NCH	PMTA	SABUY	SMT	TFI	TRU	ZIGA
ARIN	BSM	DMT	ICN	KUMWEL	NDR	PPP	SAK	SMT	TFM	TRV	
ARROW	BYD	DOD	IFS	KUN	NETBAY	PPPM	SALEE	SNNP	TGH	TSE	
AS	CBG	DPAINT	IIG	KWC	NEX	PRAPAT	SAMCO	SNP	TIDLOR	TVT	
ASAP	CEN	DV8	IMH	KWM	NINE	PRECHA	SANKO	SO	TIGER	TWP	
ASEFA	CHARAN	EASON	INET	L&E	NNCL	PRIME	SAPPE	SPA	TIPH	UBE	
ASIA	CHAYO	EFORL	INGRS	LDC	NOVA	PRIN	SAWAD	SPC	TITLE	UEC	
ASIAN	CHG	ERW	INSET	LEO	NPK	PRINC	SCAP	SPCG	TM	UKEM	

GOOD LEVEL – Score range 70-79											
A	BEAUTY	CMAN	EMC	HL	KWI	MORE	PF	RSP	SUPER	TOPP	VARO
A5	BGT	CMO	EP	HTECH	KYE	MPIC	PK	SIMAT	TC	TPCH	W
AI	BLAND	CMR	EVER	IHL	LEE	MUD	PPM	SISB	TCCC	TPOLY	WFX
ALL	BM	CPANEL	F&D	INOX	LPH	NC	PRAKIT	SK	TCJ	TRUBB	WPH
ALPHAX	BROCK	CPT	FMT	JAK	MATI	NEWS	PTECH	SOLAR	TEAM	TTI	YGG
AMC	BSBM	CSR	GIFT	JMART	M-CHAI	NFC	PTL	SPACK	THE	TYCN	
APP	BTNC	CTW	GLOCON	JSP	MCS	NSL	RAM	SPG	THMUI	UMS	
AQ	CAZ	D	GLORY	JUBILE	MDX	NV	ROCK	SQ	TKC	UNIQ	
AU	CCP	DCON	GREEN	KASET	MENA	PAF	RP	STARK	TNH	UPA	
B52	CGD	EKH	GSC	KCM	MJD	PEACE	RPH	STECH	TNPC	UREKA	

**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 7 July 2022

## Anti-corruption Progress Indicator

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

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 7 July 2022) 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

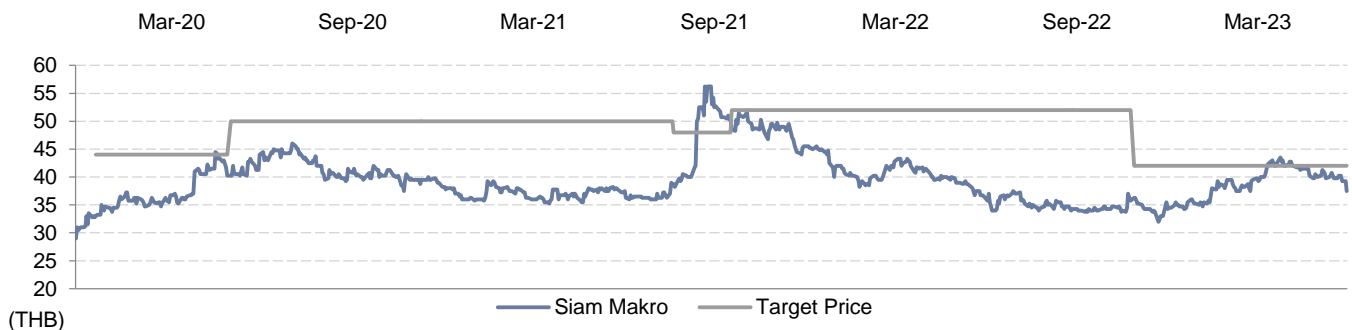
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### History of change in investment rating and/or target price

#### Siam Makro (MAKRO TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
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	09-Sep-2022	BUY	42.00

Jitra Amornthum started covering this stock from 15-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Siam Makro	MAKRO TB	THB 37.50	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.

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 14-Mar-2023 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.