

SIAM MAKRO  
THAILAND / COMMERCE

## MAKRO TB

BUY

UNCHANGED

## รอ Lotus's เบ่งบาน

- เราคาดว่าไตรมาส 1Q23 ที่ 2.1 พัน ลบ. ลดลง 14% q-q จากปัจจัยด้านฤดูกาล แต่เพิ่มขึ้น 4% y-y จากการเติบโตในธุรกิจขายส่ง
- คาดว่าจะมีปัจจัยบวกในช่วง 2H23 จากต้นทุนค่าไฟฟ้าและดอกเบี้ยที่ลดลงหลังปรับโครงสร้างหนี้สำเร็จ
- คงแนะนำซื้อที่ราคาเป้าหมาย 46 บาท (DCF)

TARGET PRICE	THB46.00
CLOSE	THB39.25
UP/DOWNSIDE	+17.2%
PRIOR TP	THB46.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+6.0%

## 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 (%)	-	(2.7)	(4.7)	(0.5)
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. (%)	-	-	-	-
EPS growth (%)	10.4	45.3	22.2	17.4
Core P/E (x)	54.0	37.1	30.4	25.9
Dividend yield (%)	1.3	1.9	2.3	2.7
EV/EBITDA (x)	14.3	12.9	11.8	10.8
Price/book (x)	1.4	1.4	1.4	1.4
Net debt/Equity (%)	25.7	21.1	22.6	21.6
ROE (%)	2.7	3.8	4.6	5.3

## ผลประกอบการ 1Q23 น่าจะอ่อนแอ q-q แต่ดีขึ้น y-y

เราคาดว่าไตรมาส 1Q23 ที่ 2.1 พัน ลบ. ลดลง 14% q-q ส่วนมากจากปัจจัยด้านฤดูกาล แต่เพิ่มขึ้น 4% y-y จากยอดขายในธุรกิจค้าส่งที่โตดีและรายได้ค่าเช่าที่เพิ่มขึ้น ค่าใช้จ่ายน่าจะเพิ่มจากต้นทุนค่าไฟฟ้าที่สูงขึ้นและดอกเบี้ยจ่ายที่สูงขึ้นตามอัตราดอกเบี้ย LIBOR ที่ปรับขึ้น

## ธุรกิจค้าส่งรายงานการเติบโตของยอดขายจากสาขาเดิมทำสถิติสูงสุดใหม่

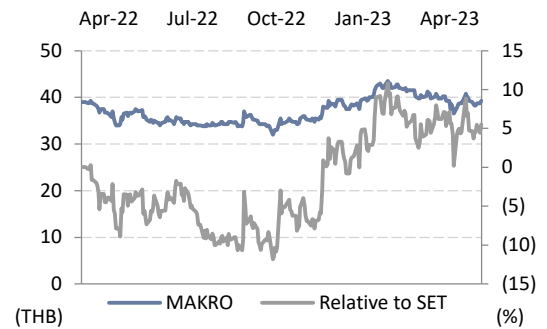
การเติบโตของยอดขายจากสาขาเดิม (SSSG) ในธุรกิจค้าส่งของ Lotus's น่าจะทำสถิติสูงสุดใหม่ที่ 12% y-y (เทียบกับ 9.6% y-y ใน 4Q22) ในขณะที่ SSSG ของธุรกิจค้าปลีกยังเป็นบวกที่ 1.5% y-y (เทียบกับ 1.6% y-y ใน 4Q22) อัตรากำไรขั้นต้นน่าจะปรับตัวขึ้นเป็น 16.9% (+30bps q-q, +50bps y-y) จากสัดส่วนยอดขายสินค้าอาหารสดที่สูงขึ้นและการใช้จ่ายที่เพิ่มขึ้นของกลุ่มลูกค้า HoReCa สัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายอาจเพิ่มเป็น 14.4% (+40bps q-q, +70bps y-y) จากต้นทุนค่าไฟฟ้าที่สูงขึ้น การขยายสาขาและการลงทุนอย่างต่อเนื่องในแพลตฟอร์มออนไลน์ เราคาดว่ารายได้ค่าเช่าจะโตดี y-y โดยน่าจะแตะ 4 พัน ลบ. (+1% q-q, +35% y-y) หลังส่วนลดโควิดหายไปและอัตราการเช่าสูงขึ้น ค่าใช้จ่ายดอกเบี้ยน่าจะเพิ่ม y-y หลัง LIBOR ปรับขึ้น นอกจากนี้เรายังคาดว่าจะมีเบี้ยปรับสำหรับการชำระหนี้ก่อนกำหนดประมาณ 260 ลบ. ใน 1Q23

## ปัจจัยบวกจากค่าใช้จ่ายดอกเบี้ยและค่าไฟฟ้าที่ลดลง

เราคาดว่า การปรับโครงสร้างเงินกู้ในรูปเงินเหรียญสหรัฐ ของ Lotus's จะสำเร็จเสร็จสิ้นใน 2Q23 หลัง Lotus's ออกหุ้นกู้รอบล่าสุด จำนวนเงินที่คาดว่าจะได้น่าจะอยู่ที่ประมาณ 31.5 พัน ลบ. ซึ่งน่าจะทำให้บริษัท สามารถปรับโครงสร้างหนี้เงินเหรียญสหรัฐ ซึ่งหุ้นกู้ดังกล่าวจ่ายดอกเบี้ย 2.8-4% (เทียบกับ LIBOR ที่ +1.95% ในปัจจุบัน) ได้ทั้งหมด เราคาดว่าอัตราดอกเบี้ยที่แท้จริงที่ลดลงทุก ๆ 0.5% จะทำให้ประมาณการกำไรปี 2023 เพิ่ม 5.7% นอกจากนี้ค่าไฟฟ้าที่ 4.77 บาทต่อหน่วยซึ่งจะมีผลตั้งแต่วันที่ 1 พ.ค. - ส.ค. 2023 ลดลง 10% จากอัตราก่อนหน้านี้ 5.33 บาทต่อหน่วยในเดือน ม.ค. - เม.ย. 2023 และอาจลดลงได้อีก เราคาดว่าประมาณการกำไรปี 2023 จะเพิ่ม 3% เมื่อต้นทุนค่าไฟาลลดลงทุก ๆ 10%

## คงประมาณการและราคาเป้าหมายที่ 46 บาท

เราคงประมาณการและราคาเป้าหมายที่ 46 บาท (DCF) ปัจจุบัน MAKRO มีการซื้อขายที่ 37x ของค่า Forward P/E ซึ่งต่ำกว่าค่า PE เฉลี่ย 5 ปีย้อนหลังที่ 39.7x ในระยะสั้นหุ้นมีปัจจัยบวกประกอบด้วย 1) ต้นทุนค่าไฟฟ้าที่ลดลงในเดือน พ.ค. - ส.ค.; และ 2) การปรับโครงสร้างเงินกู้ในรูปเงินเหรียญสหรัฐ ที่มีอัตราดอกเบี้ยลอยตัวเป็นเงินกู้สกุลเงินบาทที่มีอัตราดอกเบี้ยคงที่ได้สำเร็จใน 2Q23 ซึ่งน่าจะทำให้ค่าใช้จ่ายดอกเบี้ยลดลงในช่วง 2H23



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(6.5)	(1.3)
Relative to country (%)	0.2	(1.4)	3.8
Mkt cap (USD m)	12,126		
3m avg. daily turnover (USD m)	13.7		
Free float (%)	15		
Major shareholder	CP ALL (60%)		
12m high/low (THB)	43.50/32.00		
Issued shares (m)	10,580.32		

Sources: Bloomberg consensus; FSSIA estimates



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## 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 a c8% CAGR to reach THB589b in 2025, while its core 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.

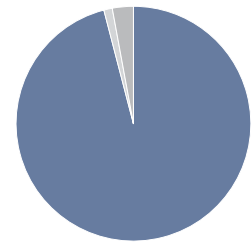
## Company profile

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)

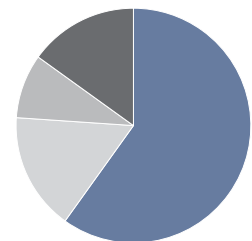
- Sales - 95.9 %
- Service income - 1.2 %
- Rental and rendering retail services - 2.9 %



Source: Siam Makro

## Major shareholders

- CP ALL - 59.9 %
- Charoen Pokphand Holdings - 16.2 %
- CP Merchandising - 8.9 %
- Others - 15.1 %



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
8 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 total rev. (%)	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.
- For every 0.5% decrease in the effective interest rate, we estimate 2023 EPS to rise by 5.7% and vice versa, all else being equal.

Source: FSSIA estimates



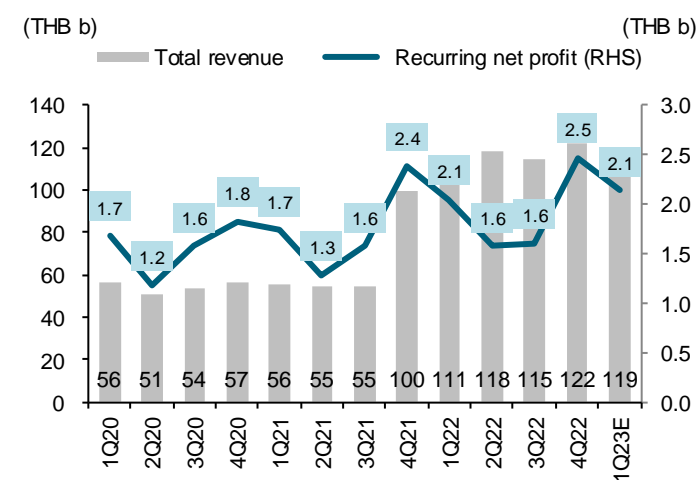
## 1Q23 results preview

## Exhibit 1: 1Q23 results preview

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23E	Change		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)
Total revenue	110,680	117,933	114,963	121,995	119,204	(2)	8	466,082	508,344	9
Gross profit	18,167	18,763	19,232	20,332	20,145	(1)	11	76,494	85,424	12
Operating costs	(14,616)	(15,776)	(16,031)	(16,419)	(16,372)	(0)	12	(62,842)	(68,638)	9
Operating profit	3,551	2,987	3,201	3,913	3,773	(4)	6	13,651	16,787	23
Interest expense	(1,494)	(1,598)	(1,826)	(2,204)	(2,124)	(4)	42	(7,122)	(6,622)	(7)
Profit before tax	2,593	1,920	1,972	3,095	2,385	(23)	(8)	9,579	12,817	34
Tax	(767)	(549)	(603)	(810)	(486)	(40)	(37)	(2,729)	(2,563)	(6)
Associates	224	202	230	175	236	34	5	831	918	10
Minority interests	0	0	3	11	0	(100)	(100)	15	15	0
Non-recurring items	0	0	0	0	0	n/a	n/a	0	0	n/a
Reported net profit	2,050	1,573	1,602	2,471	2,134	(14)	4	7,697	11,187	45
Recurring net profit	2,050	1,573	1,602	2,471	2,134	(14)	4	7,697	11,187	45
EPS (THB)	0.19	0.15	0.15	0.23	0.20	(14)	4	0.73	1.06	45
Recurring EPS (THB)	0.19	0.15	0.15	0.23	0.20	(14)	4	0.73	1.06	45
<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	16.4	15.9	16.7	16.6	16.9	0.3	0.5	16.4	16.8	0.4
Operating margin	3.2	2.5	2.8	3.2	3.2	(0.0)	(0.0)	2.9	3.3	0.4
Recurring net margin	1.9	1.3	1.4	2.0	1.8	(0.2)	(0.1)	1.7	2.2	0.5
SG&A / Sales	13.8	13.9	14.6	14.0	14.4	0.4	0.7	14.1	14.1	0.0
<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	1.0	7.4	8.9	9.6	12.0	2.4	11.0	6.9	6.0	(0.9)
SSSG (%) - Lotus's TH	0.4	(2.1)	0.0	2.4	1.5	(0.9)	1.1	0.2	3.0	2.8
SSSG (%) - Lotus's ML	(7.9)	8.3	(3.7)	(2.4)	1.5	3.9	9.4	(1.8)	0.5	2.3
# stores (Wholesales)	151	154	154	162	163	0.6	7.9	162	180	11.1
# stores (Lotus)	2,664	2,661	2,644	2,643	2,656	0.5	(0.3)	2,643	2,817	6.6

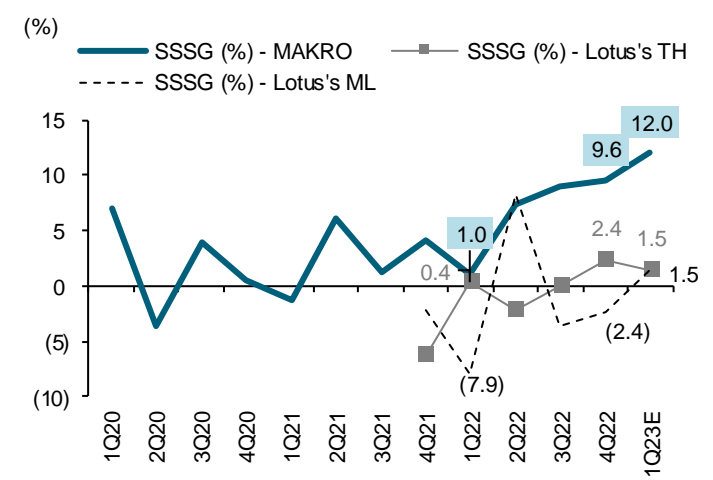
Sources: MAKRO; FSSIA estimates

## Exhibit 2: Quarterly earnings



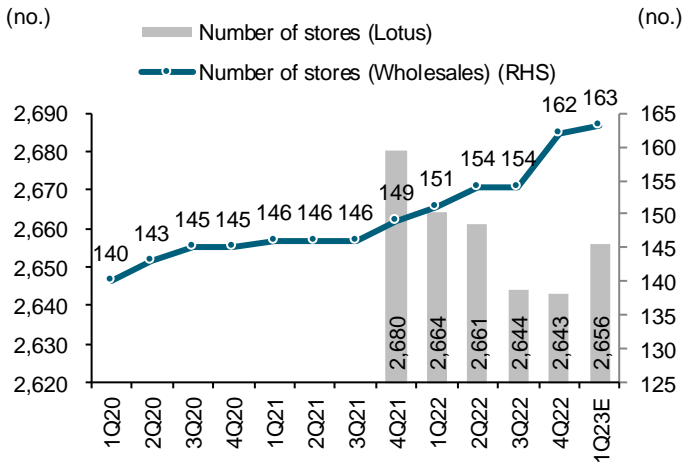
Sources: MAKRO; FSSIA estimates

## Exhibit 3: Same-store sales growth by business unit



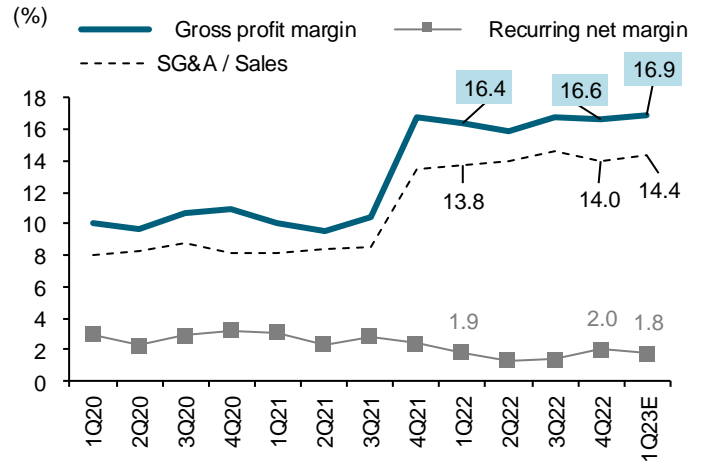
Sources: MAKRO; FSSIA estimates

Exhibit 4: Number of stores



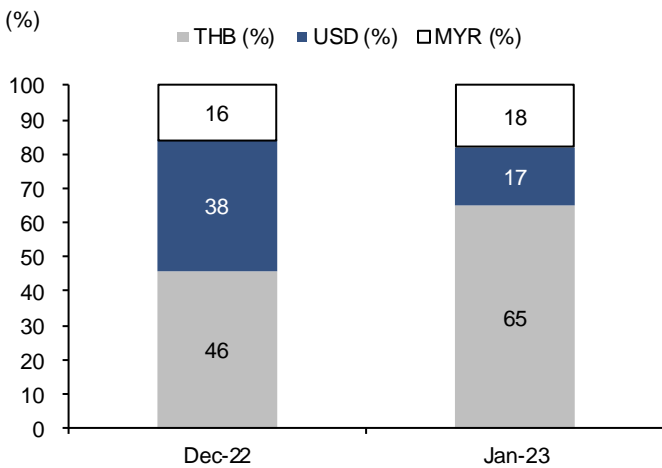
Sources: MAKRO; FSSIA estimates

Exhibit 5: Profitability



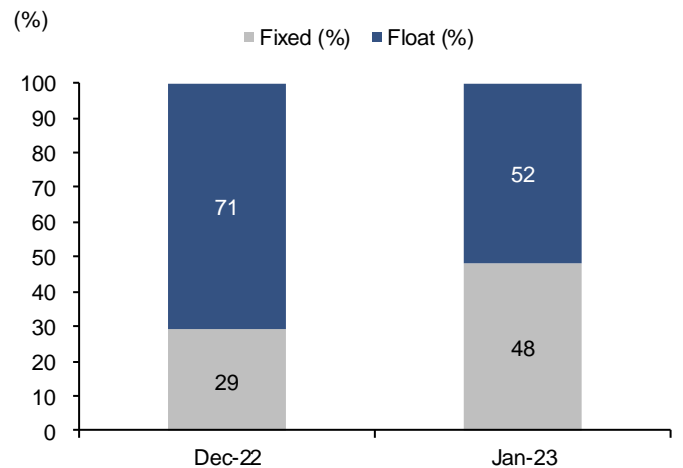
Sources: MAKRO; FSSIA estimates

Exhibit 6: Debt currency breakdown



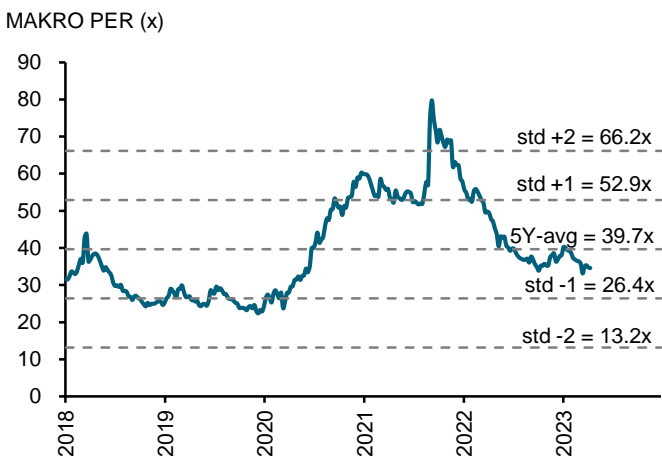
Source: MAKRO

Exhibit 7: Debt profile breakdown



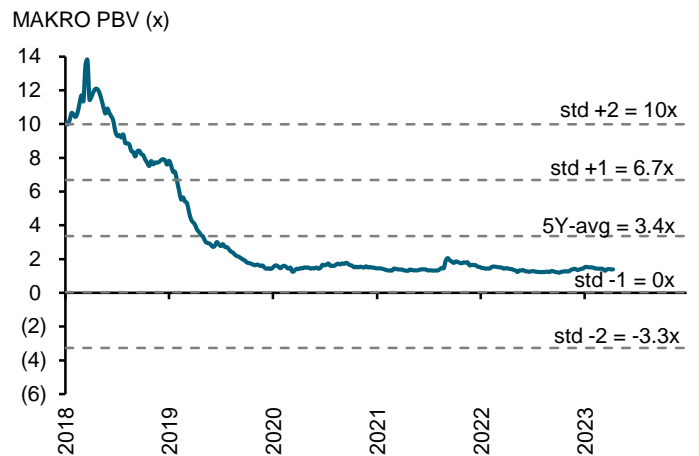
Source: MAKRO

Exhibit 8: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: 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>59.6</b>	<b>54.0</b>	<b>37.1</b>	<b>30.4</b>	<b>25.9</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)	30.3	54.0	37.1	30.4	25.9
Dividend yield (%)	0.8	1.3	1.9	2.3	2.7
Price/book (x)	1.4	1.4	1.4	1.4	1.4
Price/tangible book (x)	1.4	1.4	1.4	1.4	1.4
EV/EBITDA (x) **	29.3	14.3	12.9	11.8	10.8
EV/EBITDA @ target price (x) **	33.6	16.4	14.8	13.5	12.4
EV/invested capital (x)	1.2	1.2	1.2	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

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

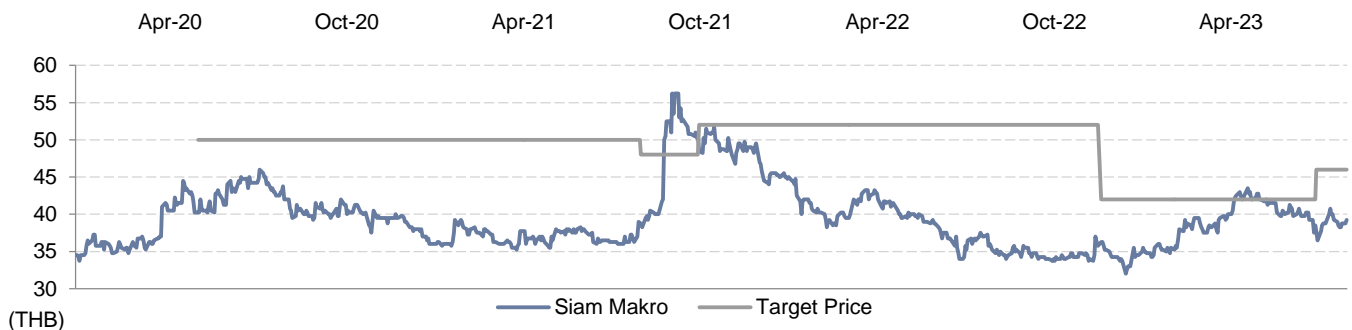
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### History of change in investment rating and/or target price

#### Siam Makro (MAKRO TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
24-Jul-2020	BUY	50.00	30-Sep-2021	HOLD	52.00	09-Sep-2022	BUY	42.00
11-Aug-2021	BUY	48.00	22-Feb-2022	BUY	52.00	15-Mar-2023	BUY	46.00

Jitra Amornthum started covering this stock from 24-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Siam Makro	MAKRO TB	THB 39.25	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.

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 11-Apr-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.