

CP ALL CPALL TB  
THAILAND / COMMERCE

BUY

## การฟื้นตัวของเศรษฐกิจจะช่วยกระตุ้นทั้ง 3 ธุรกิจหลัก

- เราคาดว่ากำไรปกติปี 2023 จะแตะ 17.2 พัน ลบ. (+30% y-y) และโตในอัตรา 21.4% CAGR ในช่วงปี 2023-25 จากการฟื้นตัวของธุรกิจค้าปลีกใช้สอยและการท่องเที่ยว
- ในระยะสั้นหุ้นมีปัจจัยบวกประกอบด้วยต้นทุนค่าไฟฟ้าที่ลดลง สภาพอากาศร้อนจาก El Niño การหาเสียงเลือกตั้ง และการปรับโครงสร้างหนี้ของ Lotus's
- เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 72 บาท

TARGET PRICE	THB72.00
CLOSE	THB63.75
UP/DOWNSIDE	+12.9%
TP vs CONSENSUS	-2.3%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	829,099	912,204	989,875	1,078,122
Net profit	13,272	17,238	20,257	23,764
EPS (THB)	1.48	1.92	2.25	2.65
vs Consensus (%)	-	(4.6)	(9.0)	(7.5)
EBITDA	49,129	53,170	59,442	65,544
Core net profit	13,281	17,238	20,257	23,764
Core EPS (THB)	1.48	1.92	2.25	2.65
EPS growth (%)	13.5	29.8	17.5	17.3

## การผสมผสานอย่างลงตัวของธุรกิจร้านสะดวกซื้อ (CVS) คำส่งและค้าปลีก

CPALL มี 3 กลุ่มธุรกิจหลักประกอบด้วย 1) CVS ซึ่งสร้างยอดขาย 42%; 2) คำส่งและค้าปลีก จาก Siam Makro (MAKRO TB, BUY, TP THB46) ซึ่งสร้างยอดขาย 52%; และ 3) ธุรกิจอื่น อาทิเช่น CPRAM จดรับชำระเงิน (Counter Service) และ CP Retailink ซึ่งสร้างรายได้ 6% ยอดขายรายวันเฉลี่ยต่อสาขาได้ปรับตัวขึ้นสูง 93% ของระดับก่อนโควิดและเราคาดว่ากำไรของ CPALL จะฟื้นตัวเต็มที่ภายในปี 2024

## แนวโน้มเชิงบวกและปัจจัยบวกสำคัญในปี 2023

เราคาดว่ากำไรปกติปี 2023 ที่ 17.2 พัน ลบ. (+30% y-y) โดยน่าจะได้ปัจจัยหนุนจากการฟื้นตัวของธุรกิจค้าปลีกในภาคเอกชนและการท่องเที่ยวซึ่งน่าจะผลักดันการเติบโตของยอดขายสาขาเดิม (SSSG) ของ CPALL MAKRO และ Lotus's จากการวิเคราะห์ SSSG ในธุรกิจ CVS ของ CPALL เราพบว่าถ้าการบริโภคในภาคเอกชนเพิ่มขึ้น 1% จะทำให้ SSSG ในธุรกิจ CVS ของ CPALL เพิ่ม 1.9% ในขณะที่ปัจจัยอื่นคงที่ นอกจากนี้เรายังคาดว่าอัตรากำไรขั้นต้นจะเพิ่มเป็น 21.7% ในปี 2023 (+20 bps y-y) จากสัดส่วนที่เพิ่มขึ้นของยอดขายสินค้าอัตรากำไรสูง ในขณะที่สัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายน่าจะทรงตัวและค่าใช้จ่ายดอกเบี้ยน่าจะลดลงตามการปรับโครงสร้างหนี้ของ Lotus's ในปี 2023 เราเห็นว่า CPALL มีปัจจัยผลักดันสำคัญประกอบด้วย 1) การฟื้นตัวของธุรกิจค้าปลีกในภาคเอกชนและการท่องเที่ยว; 2) ต้นทุนค่าไฟฟ้าที่ลดลงตั้งแต่เดือน พ.ค. ถึง ส.ค.; 3) สภาพอากาศที่ร้อนขึ้นจาก El Niño ซึ่งอาจช่วยดึงดูดลูกค้าเข้าร้าน 7-Eleven; 4) การเลือกตั้งที่กำลังจะมาถึง; และ 5) การปรับโครงสร้างหนี้ของ Lotus's ที่เสร็จสิ้นไปใน 2Q23.

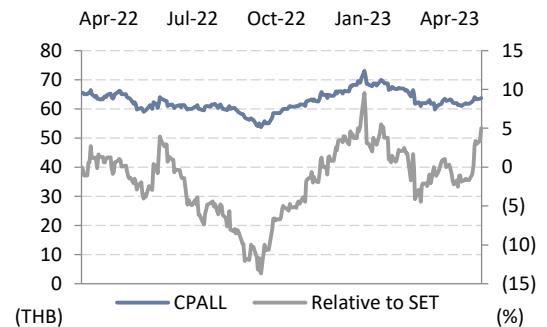
## คาดการณ์กำไรปกติ 1Q23 จะโตทั้ง q-q และ y-y

ใน 1Q23 เราคาดว่ากำไรปกติที่ 3.6 พัน ลบ. (+24% q-q, 3% y-y) โดยจะได้ปัจจัยหนุนจาก SSSG ที่อยู่ในเกณฑ์ดีที่ 8% ในธุรกิจ CVS และ 12% ของ MAKRO ในขณะที่การบริโภคและการท่องเที่ยวฟื้นตัว กำไรขั้นต้นของธุรกิจ CVS น่าจะทรงตัว q-q ในขณะที่ MAKRO และ Lotus's น่าจะรายงานกำไรขั้นต้นเพิ่มขึ้นจากสัดส่วนที่สูงขึ้นของผลิตภัณฑ์อาหารสดและการจับจ่ายใช้สอยที่เพิ่มขึ้นของกลุ่มลูกค้า HoReCa สัดส่วนค่าใช้จ่ายการขายและการบริหารต่อยอดขายน่าจะลดลงเล็กน้อย q-q แต่ยังคงปรับขึ้น y-y เป็น 20.2% (-8bps q-q, +51bps y-y) ในขณะที่ค่าใช้จ่ายด้านพนักงานน่าจะต่ำกว่าใน 4Q22 ต้นทุนไฟฟ้าที่สูงขึ้นอาจสร้างแรงกดดันให้บางส่วน

## เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 72 บาท

เราเริ่ม CPALL ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 72 บาท (DCF, WACC 6.9%, TG 2%) เราคาดว่ากำไรปกติปี 2023-25 จะโตในอัตรา 21.4% CAGR คิดเป็น PEG ที่ 1.5x ปัจจุบัน CPALL มีการซื้อขายที่ 33x ของค่า 2023E P/E ต่ำกว่าค่าเฉลี่ย 5 ปีย้อนหลังที่ 38.2x

Core P/E (x)	43.1	33.2	28.3	24.1
Dividend yield (%)	1.2	1.5	1.7	2.0
EV/EBITDA (x)	23.3	21.9	19.5	17.5
Price/book (x)	6.3	5.7	5.2	4.7
Net debt/Equity (%)	129.2	127.9	117.8	106.5
ROE (%)	13.0	16.4	17.7	18.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.6	(8.6)	(2.3)
Relative to country (%)	5.0	(0.2)	6.3
Mkt cap (USD m)			16,636
3m avg. daily turnover (USD m)			49.1
Free float (%)			58
Major shareholder			CP Group (35%)
12m high/low (THB)			73.75/52.75
Issued shares (m)			8,983.10

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

jitra.a@fssia.com  
+66 2646 9966

Thada Jirachoenying

thada.j@fssia.com  
+66 2646 9964

## Investment thesis

The largest convenience store (CVS) operator in Thailand has shown resilience amid change. After the consolidation of MAKRO, CPALL now operates three business units: convenience stores (7-Eleven), wholesale (MAKRO), and retail (Lotus's). Our research found that SSSG for CVS strongly correlates with Thai private consumption. In terms of store expansion, we believe CPALL's CVS could achieve the target of adding 700 stores this year.

We have a positive outlook on profitability based on CPALL's CVS focus on high-margin, ready-to-eat products and high-margin, non-food products. We expect it to maintain its current GPM of 27-28%.

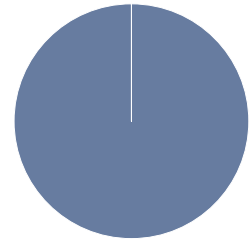
## Company profile

CP All is the market leader in the CVS segment, with at 64% market share in terms of store numbers. As of end-2022, it operated 13,838 stores. It currently owns 59.9% of Siam Makro (MAKRO TB).

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

## Principal activities (revenue, 2022)

■ Sales - 100.0 %

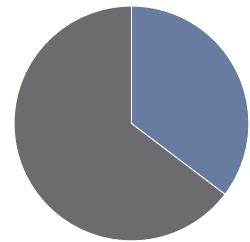


Source: CP All

## Major shareholders

■ CP Group - 35.3 %

■ Others - 64.7 %



Source: CP All

## Catalysts

Potential catalysts for CPALL are 1) the recovery of private consumption and tourism; 2) lower electricity costs; 3) El Niño-driven weather patterns which could draw traffic into 7-Eleven stores and boost the sales portion of high-margin beverages; 4) the upcoming general election; and 5) Lotus's debt restructuring.

## Risks to our call

The key downside risks to our DCF-derived TP are: 1) a lower-than-expected impact from SSSG at its convenience store business; 2) lower-than-expected performance from MAKRO; and 3) a slower recovery in tourist arrival numbers and private consumption.

## Event calendar

Date	Event
10 May 2023	1Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
SSSG	8.0	5.0	5.0
New stores growth	5.1	4.8	4.6
GPM	21.7	21.8	21.9
SG&A to sales	20.0	20.0	19.9

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 EPS to rise 1.3%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2023 EPS to rise 3.2%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2023 EPS to fall 3.4%, and vice versa, all else being equal.

Source: FSSIA estimates



## Background

After consolidating MAKRO and Lotus's, CPALL operates three main business units: 1) CVS through 7-Eleven; 2) wholesale (B2B) through MAKRO; and 3) retail (B2C) through Lotus's.

### Exhibit 1: Three main business segments of CPALL (as of 2022)

	Stores (no.)	Store format	Focus customer	Value proposition	Strengths	GPM (%)	Market presence	Sales portion (%)
CPALL's 7-Eleven	13,838	CVS	B2C	Ready-to-eat products and convenience	Distribution	26-28	Thailand, Cambodia, Laos	44
MAKRO	162	Modern trade	B2B, HoReCa	Price competitiveness	Food products	11-14	Thailand, Cambodia, Laos, China, and Myanmar	30
Lotus's	2,643	Supermarkets, hypermarkets	B2C, B2B	Product variety	Market presence in Malaysia	16-18	Thailand, Malaysia	26

Sources: CPALL; MAKRO

### Thailand's recovery on private consumption, return of international tourists

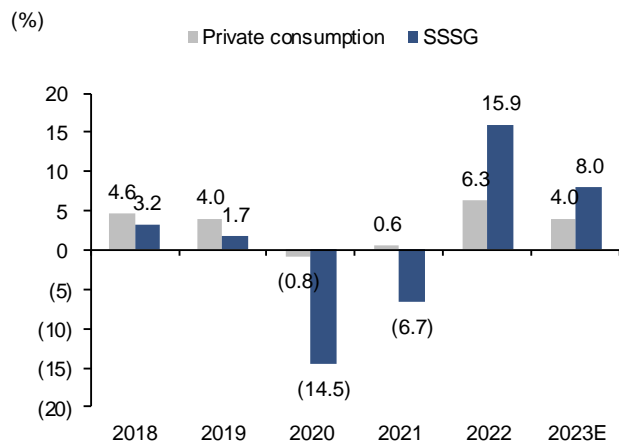
We see the positive outlook for private consumption and rising tourist arrival numbers as the key factors driving the Thai economy in 2023. The Bank of Thailand (BoT) recently revised its forecast for private consumption growth in 2023 to 4% higher y-y (vs 3.6% y-y at its previous meeting), while the Office of the National Economic and Social Development Council (NESDC) forecasts 3.2% growth y-y. Our regression analysis of private consumption growth and 7-Eleven's same-store sales growth (SSSG) showed a strong linear correlation of 0.7 and a coefficient of 1.9%. We believe this implies that for every 1% rise in private consumption, SSSG would rise by 1.9%, all else being equal. Moreover, with international tourist arrivals approaching 28m, or 70% of the pre-Covid level, we believe that the recovery in both consumption and tourism should drive SSSG at CPALL's CVS. We are more aggressive than CPALL's management in our 2023 forecast for SSSG at 8% in 2023, but project 5% growth in 2024-25, which is in line with management's guidance based on GDP growth plus inflation.

### Exhibit 2: Private consumption's correlation to SSSG at 7-Eleven

Regression Statistics				
Multiple R	0.74			
R Square	0.55			
Adjusted R Square	0.54			
Standard Error	0.06			
Observations	52			
	Coefficients	Standard Error	t Stat	P-value
Intercept	(0.03)	0.01	(2.32)	0.02
Private consumption	1.89	0.24	7.75	4.02E-10

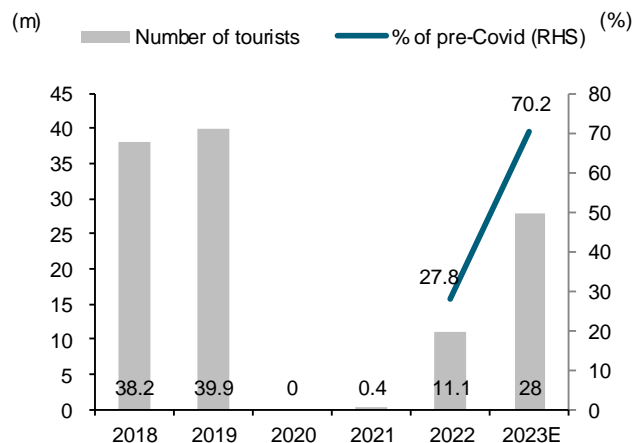
Source: FSSIA estimates

**Exhibit 3: Private consumption and CVS SSSG**



Sources: CPALL; BOT; FSSIA estimates

**Exhibit 4: Number of international tourist arrivals**



Source: BOT

**7-Eleven still has room to expand**

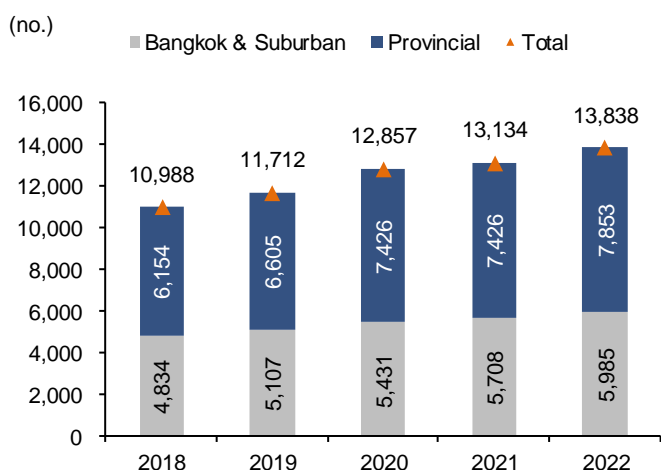
Historical data shows that CPALL’s CVS business has consistently met its store expansion target of 700 stores per year. We believe the company should be able to meet this target over the next three years based on a comparison between Seven & i, the operator of 7-Eleven stores in Japan, and CPALL’s CVS.

With 21,323 stores in Japan, which has a total area of 377,975 sq km, Seven & i has one store for every 18 sq km. CPALL’s current total of 13,838 stores in Thailand amounts to just 65% of Seven & i’s total in Japan, or roughly one store for every 37 sq km. Therefore, we believe there is room for considerably more than 14,000 7-Eleven stores in Thailand.

Under CPALL’s CVS expansion model, approximately 80% of all new stores would be in the large standalone format equipped with parking spaces to support inventory stocking, EV charging, etc. In selecting locations, the company is focused on expanding to secondary provinces with a high potential for rapid growth. The company believes this strategy would support the development of urban communities and increase 7Delivery’s coverage.

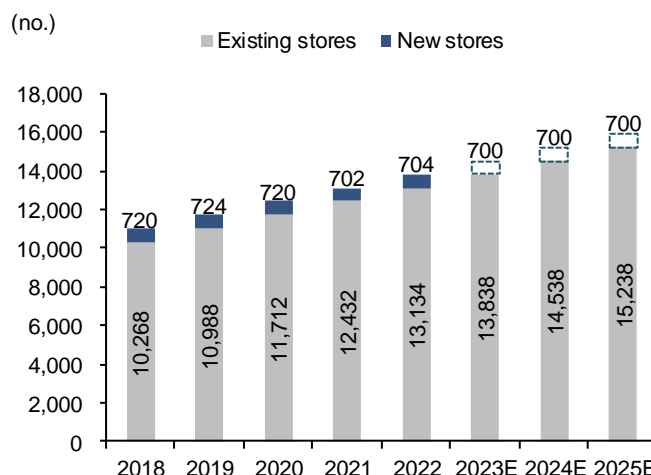
As for wholesale, MAKRO plans to add 12 stores in Thailand and six stores overseas, while retailer Lotus’s plans to add 160 stores in Thailand and 14 stores in Malaysia.

**Exhibit 5: Store breakdown by location**



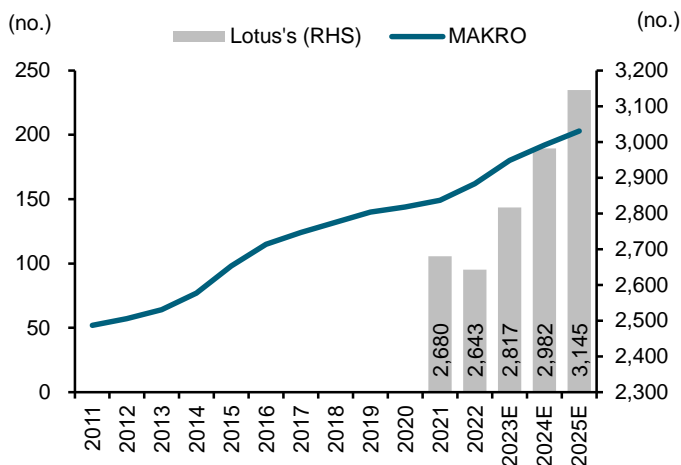
Source: CPALL

**Exhibit 6: Our forecast for new store expansions**



Sources: CPALL; FSSIA estimates

Exhibit 7: MAKRO and Lotus's store numbers



Sources: MAKRO; FSSIA estimates

Exhibit 8: MAKRO and Lotus's store expansions in 1H23E



Source: MAKRO

Opportunity to expand abroad

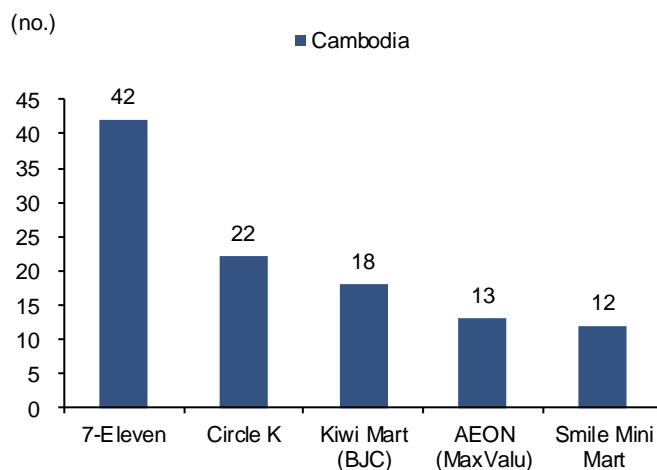
CPALL's CVS business opened its first store in Cambodia in August 2021. Exhibit 9 shows that Cambodia and Laos are attracting investment due to their low penetration rates. In Cambodia, CPALL is the current CVS market leader in terms of store numbers vs its competitors, which include US-based Circle K with 22 stores, Kiwi Mart with 18 stores (BJC under Big C), MaxValu's 13 stores (Japan), and Smile Mini Mart's 12 stores (Cambodia). Cambodian customers are familiar with CPALL's strong CVS reputation and its high-quality products, 90% of which come from Thailand. CPALL plans to launch its first store in Laos within the first half of 2023.

Exhibit 9: Opportunities abound in Cambodia and Laos



Source: MAKRO

Exhibit 10: Convenience stores in Cambodia

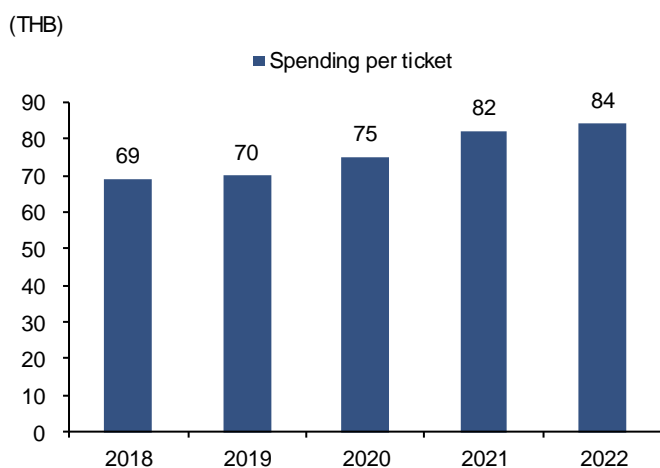


Source: FSSIA's compilation

### Online to offline strategy

CPALL’s CSV strives to provide new services to meet customers’ changing needs via innovative online applications such as the 7-Eleven app, All Online and 24 Shopping. While brick-and-mortar shops still dominate, online to offline (O2O) is a fast-growing business model that has a lot of room to grow. CPALL’s CVS capitalises on its strength which is based on its huge number of stores and delivery proximity. Customers shopping with the 7-Eleven app can select the nearest store, which deploys existing staff for delivery via motorcycle or bicycle, thereby keeping costs low. CPALL’s CVS currently have over 16.7m All Online users completing over 600,000 online transactions per day, with O2O contributing about 10% of total sales. Moreover, 7Delivery could potentially shift spending per ticket up by offering a free delivery incentive (minimum THB100 per order to get free delivery) vs THB84 per ticket in 2022.

**Exhibit 11: CVS spending per ticket**



Source: CPALL

**Exhibit 12: 7-Eleven app**

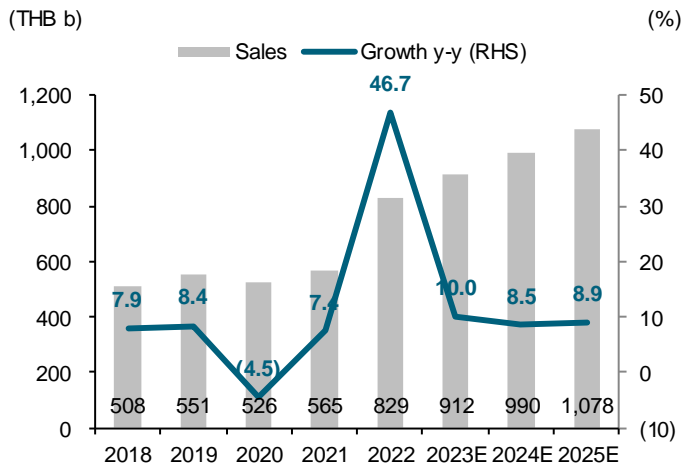


Source: CPALL

### Robust earnings post Covid

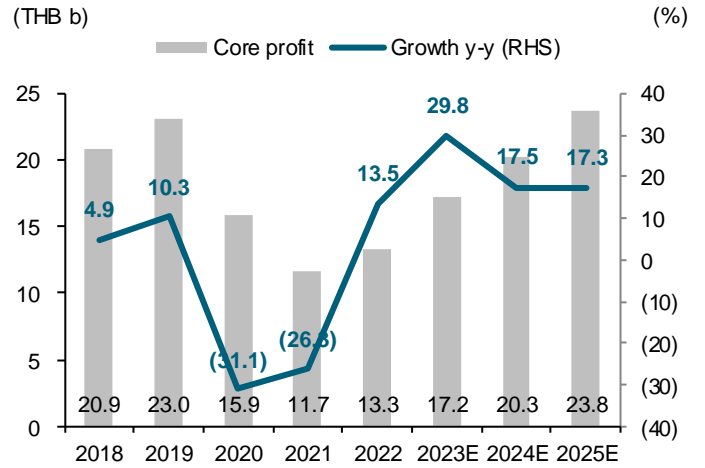
We forecast 2023 earnings to rise to THB17.2b (+30% y-y), driven by our projection of 8% higher SSSG and 700 additional stores. We also expect good earnings performance at THB11b from MAKRO, in which CPALL holds a 59.9% stake. We project CPALL’s CVS gross margin to hit 26.8% in 2023 (+40bps y-y) due to higher sales of ready-to-eat food products and personal care items in line with the domestic and international tourism sector recovery, as well as higher private consumption. We expect SG&A to sales to be flat y-y at 20.0% in 2023 due to continued high employee expenses and increased electricity costs in the first quarter. Further pressure on earnings should come from expenses related to the addition of approximately 700 stores, as well as investments in the continued development of online platforms for CPALL, MAKRO and Lotus’s. We expect the effective interest rate (including leases) for CPALL overall to drop slightly to 3.66% this year, down 5bps, following the restructured debt profile for MAKRO.

**Exhibit 13: Total sales**



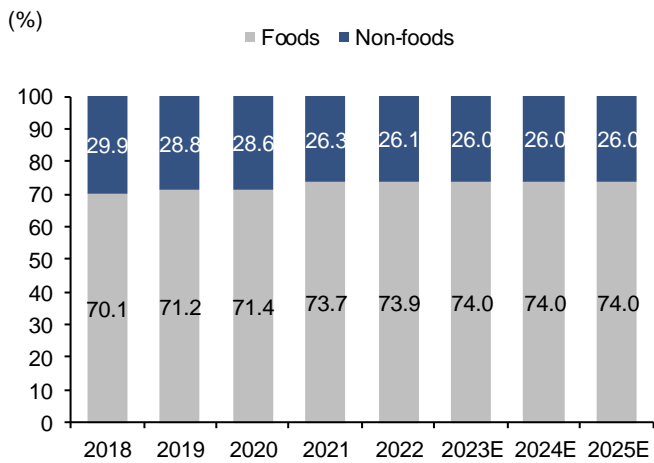
Sources: CPALL; FSSIA estimates

**Exhibit 14: Core profit**



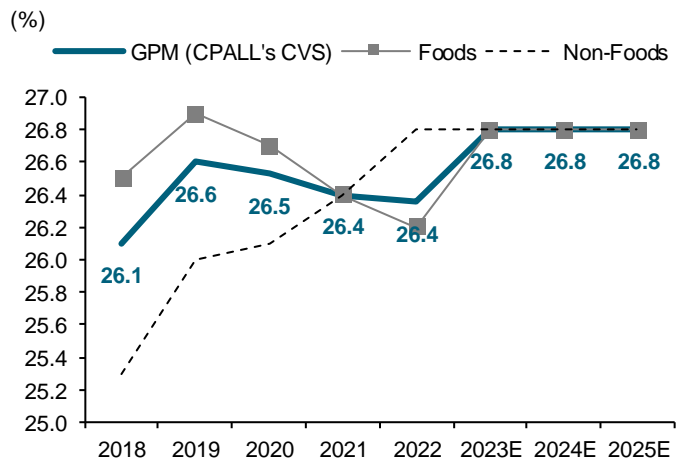
Sources: CPALL; FSSIA estimates

**Exhibit 15: Product sales mix**



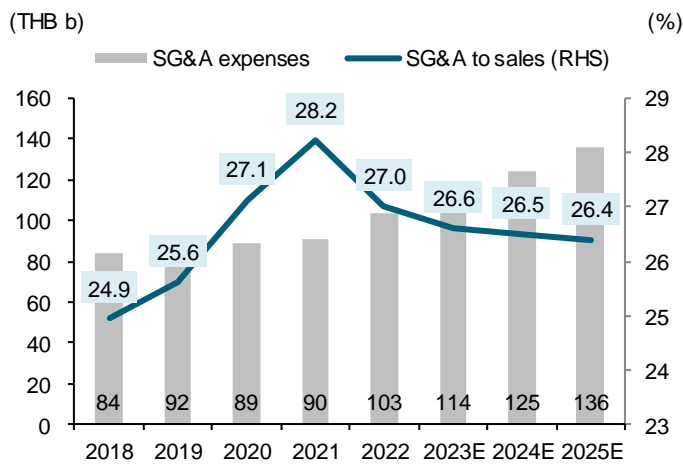
Sources: CPALL; FSSIA estimates

**Exhibit 16: Gross margin for CPALL's CVS (excl. T&E)**



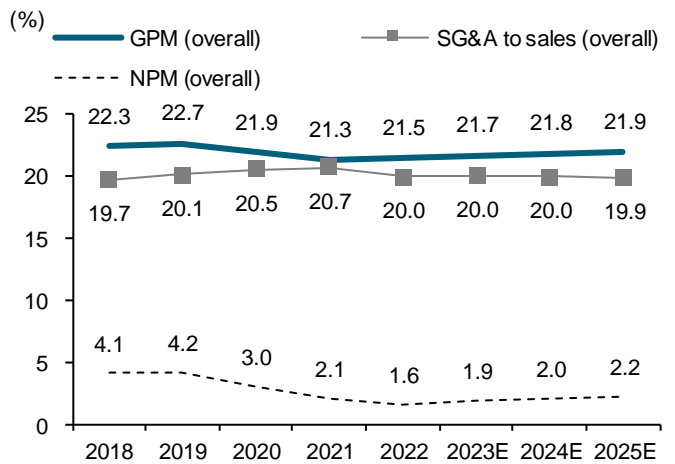
Sources: CPALL; FSSIA estimates

**Exhibit 17: SG&A expenses CPALL's CVS**



Sources: CPALL; FSSIA estimates

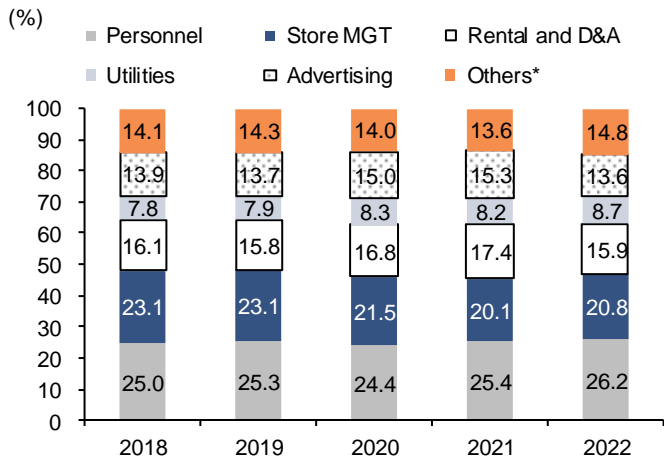
**Exhibit 18: Profitability of CPALL (overall)**



Sources: CPALL; FSSIA estimates

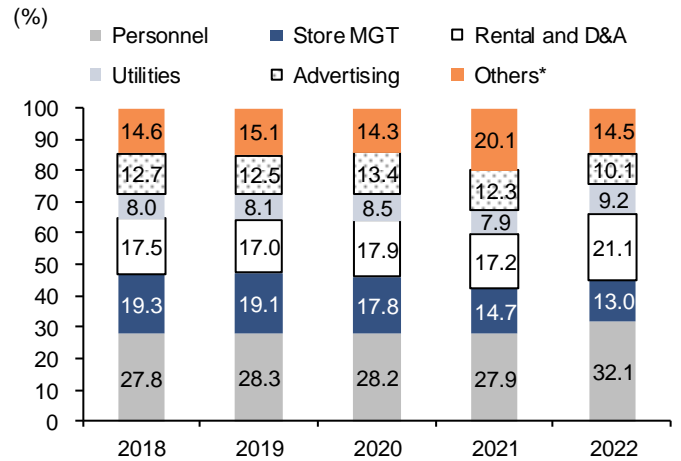


Exhibit 19: SG&A breakdown for CPALL's CVS



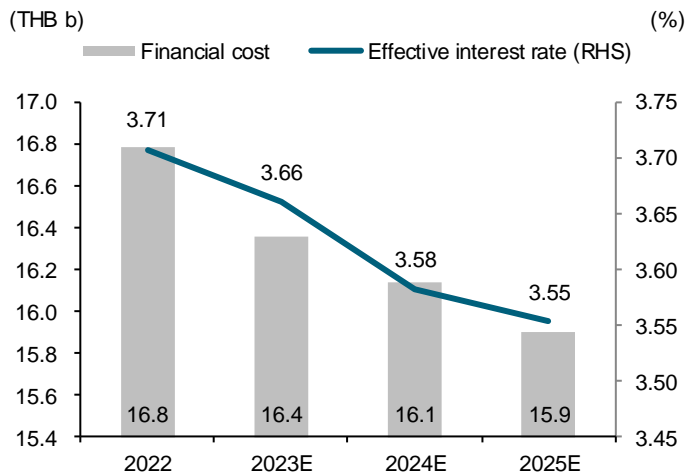
Source: CPALL

Exhibit 20: SG&A breakdown for CPALL (overall)



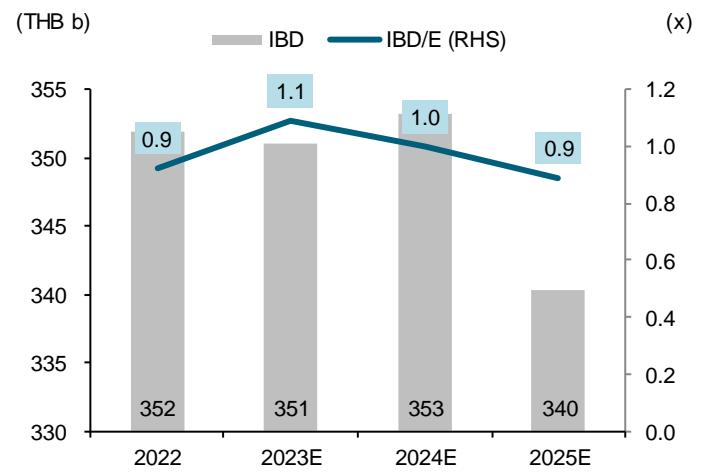
Source: CPALL

Exhibit 21: Financial cost for CPALL (overall)



Sources: CPALL; FSSIA estimates

Exhibit 22: IBD and IBD/E for CPALL (overall)



Sources: CPALL; FSSIA estimates

CPALL's net interest-bearing debt to equity ratio (excluding lease liability) in 2022 of 0.9x below covenant for CPALL is 2.0x, and we expect that the company will comply with the financial covenant throughout the estimated period.

1Q23 results preview

We anticipate a 1Q23 core profit of THB3.6b, up 24% q-q and 3% y-y. Revenue in 1Q23 should hit THB222b (+2% q-q, +14% y-y), driven by robust 8% SSSG for CPALL. MAKRO's SSSG should also rise to 12% as private consumption recovers and the tourism sector improves following the return of international tourists. In addition, we expect the addition of 176 new 7-Eleven stores this quarter and the O2O strategy to boost sales.

Overall, we expect the gross margin to rise to 21.9% (+28bps q-q, +36bps y-y) – despite flat GPM growth for CPALL's CVS – driven by higher gross profits from MAKRO and Lotus's due to a higher sales proportion of fresh products and higher spending by HoReCa customers.

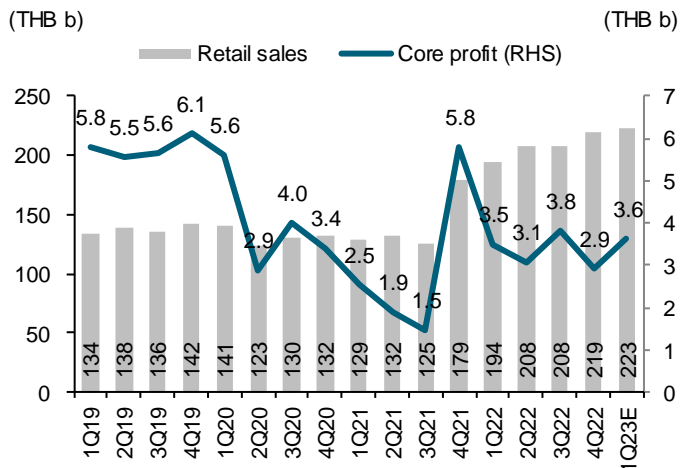
We expect SG&A to sales to drop slightly q-q but rise to 20.2% y-y (-8bps q-q, +51bps y-y). Although personnel expenses should be lower than in 4Q22, we project this to be offset by the higher electricity cost in 1Q23. CPALL still faces headwinds from the high interest rates on Lotus's debt. However, we expect to see an improvement in 2H23 after Lotus's issues debentures to refinance its USD loans, which should be completed by 2Q23.

## Exhibit 23: 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%)
Revenue	194,409	208,210	207,617	218,863	222,524	2	14	829,099	912,204	10
COGS	(152,587)	(164,470)	(162,429)	(171,615)	(173,862)	1	14	(651,100)	(714,451)	10
Gross profit	41,822	43,741	45,188	47,248	48,662	3	16	177,999	197,753	11
Other income	5,322	5,445	6,191	6,548	6,250	(5)	17	23,223	26,885	16
Operating costs	(38,295)	(40,804)	(41,916)	(44,398)	(44,964)	1	17	(165,414)	(182,510)	10
Operating profit	8,850	8,381	9,463	9,397	9,948	6	12	35,808	42,128	18
Interest expense	(3,825)	(3,977)	(4,283)	(4,747)	(4,631)	(2)	21	(16,832)	(16,354)	(3)
Profit before tax	5,025	4,404	5,180	4,651	5,316	14	6	19,260	26,005	35
Tax	(946)	(933)	(987)	(996)	(1,063)	7	12	(3,861)	(5,201)	35
Equity income	224	202	230	175	208	19	(7)	831	918	10
Minority interests	(801)	(611)	(614)	(923)	(854)	(8)	7	(2,949)	(4,484)	52
Non-recurring items	(49)	(59)	(133)	231	0	(100)	(100)	(9)	0	nm
Reported net profit	3,453	3,004	3,677	3,138	3,607	15	4	13,272	17,238	30
Recurring net profit	3,502	3,063	3,810	2,907	3,607	24	3	13,281	17,238	30
<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 margin - overall	21.5	21.0	21.8	21.6	21.9	0.3	0.4	21.5	21.7	0.2
Gross margin - CVS	27.1	27.0	27.6	27.6	27.6	(0.0)	0.5	27.4	27.8	0.4
Operating margin	4.6	4.0	4.6	4.3	4.5	0.2	(0.1)	4.3	4.6	0.3
Recurring net margin	1.8	1.5	1.8	1.3	1.6	0.3	(0.2)	1.6	1.9	0.3
SG&A / Sales	19.7	19.6	20.2	20.3	20.2	(0.1)	0.5	20.0	20.0	0.1
<b>Operating statistics</b>										
Expansion (no.)	119	180	227	178	176	(1)	48	704	700	(1)
Outstanding stores (no.)	13,253	13,433	13,660	13,838	14,014	1	6	13,838	14,538	5
SSSG CVS (%)	13.0	14.2	22.1	14.5	8.0	(7)	(5)	15.9	8.0	(7.9)

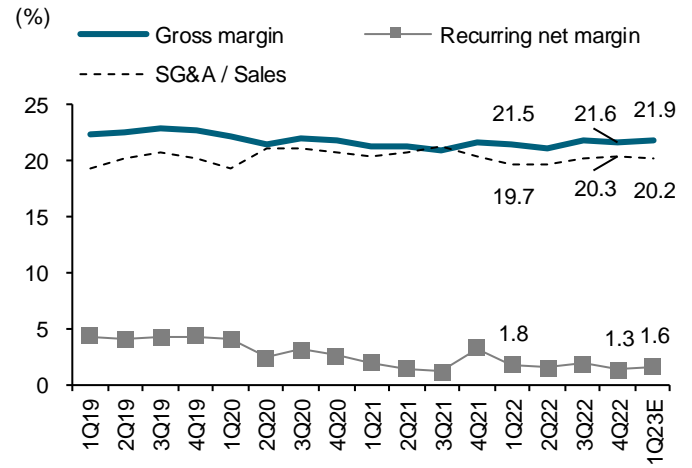
Source: FSSIA estimates

## Exhibit 24: CPALL's performance by quarter



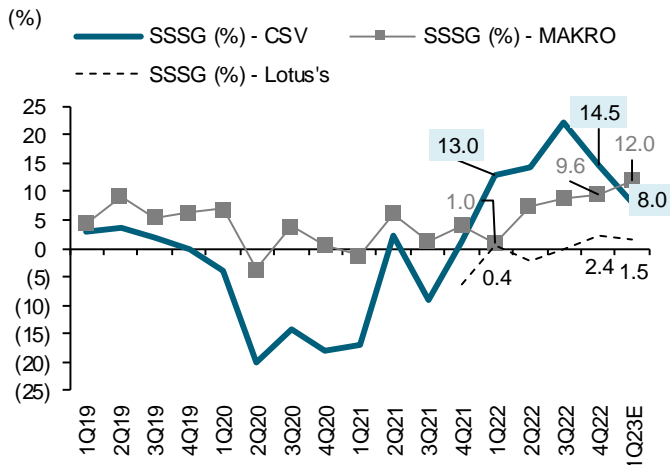
Sources: CPALL; FSSIA estimates

## Exhibit 25: CPALL's profitability (overall)



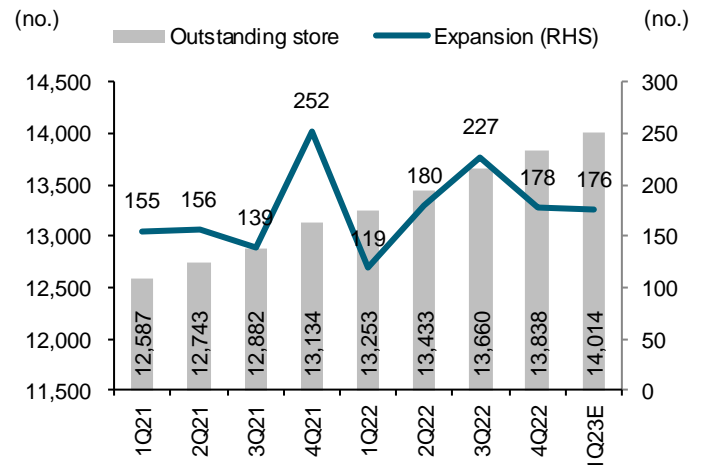
Sources: CPALL; FSSIA estimates

Exhibit 26: CPALL's SSSG breakdown by business unit



Sources: CPALL; FSSIA estimates

Exhibit 27: CPALL's CVS stores



Sources: CPALL; FSSIA estimates

## Summary of our short-term outlook

We see several short-term catalysts:

- 1) The recovery of private consumption and tourism, which is based on the BoT's revised private consumption growth projection of 4.0% (vs 3.4% previously) and its higher tourist arrivals estimate of 28m (vs 22m previously).
- 2) The fuel tariff (FT) reduction by about 10% to THB4.77/unit for May to August (vs THB5.33/unit). Based on our estimates for 2023, a 10% drop in the FT would boost CPALL's earnings by about 5.3%.
- 3) A possible El Niño-driven weather pattern that could result in a hotter-than-normal summer and drier conditions for Thailand this year. We believe this could draw additional traffic into 7-Eleven stores and increase the proportion of beverages sold, driving gross profit slightly higher (five-year average gross profit for food is 26.5% vs 26.1% for non-food).
- 4) The upcoming general election on 14 May 2023. Our recent research paper, "Thailand Market Strategy - Resilience among fragility", found that during the two-month period before the last five general elections, commerce sector earnings rose an average of 2.9%.
- 5) Decreased financing costs: MAKRO's debt represented 42% of CPALL's total financial expenses in 2022. MAKRO plans to restructure of its interest-bearing debt by refinancing USD-denominated floating rate loans to fixed-rate THB-denominated loans via Lotus's issuance of THB debentures worth THB23b during 4Q22 (weighted average interest rate at 3.2%) and THB31.5b during 2Q23 (coupon rate between 2.8% to 4.0%). Moreover, the company received an A+ rating from TRIS Rating for its three business units (CPALL, MAKRO and Lotus's).

## Valuation

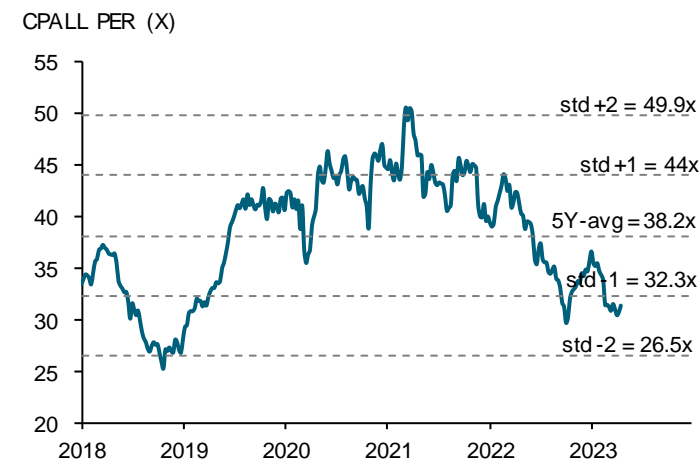
We reinitiate coverage of CPALL with a BUY call and a TP of THB72, based on a DCF valuation (WACC 6.9%, terminal growth 2%). We forecast sales in 2023-25 to grow at a 9.1% CAGR and core profit to rise at a 21.4% CAGR due to the recovery in private consumption and tourism, implying PEG of 1.5x. Furthermore, we think store expansions both in Thailand and overseas for CPALL's CVS, MAKRO and Lotus's stores should be the key earnings drivers in our forecast period. Currently, CPALL trades at 33x 2023E P/E, below its five-year average of 38.2x.

### Exhibit 28: DCF valuation

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	6.9	
Terminal growth	2.0	
NPV		271
Add: terminal value		937
Sum of PV		1,208
Add: investment		17
Less: debt		388
Less: minorities		194
Residual ordinary equity		643
No. of shares (m)		8,983
<b>Residual ordinary equity (THB/share)</b>		<b>72</b>

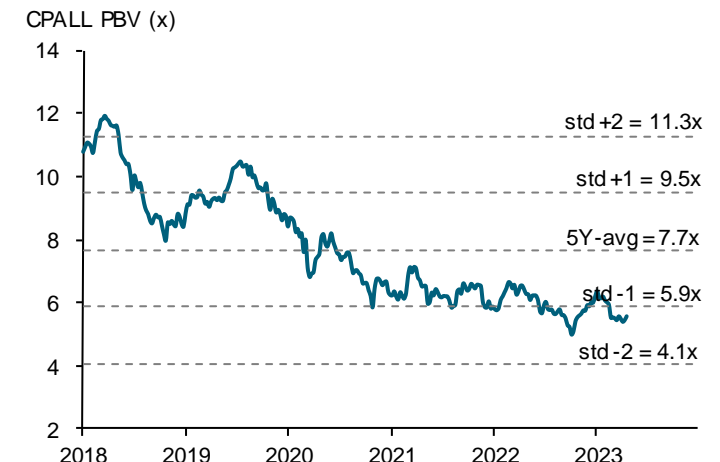
Source: FSSIA estimates

### Exhibit 29: One-year rolling P/E band



Sources: Bloomberg; FSSIA estimates

### Exhibit 30: One-year rolling P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

CP All

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	565,060	829,099	912,204	989,875	1,078,122
Cost of goods sold	(420,285)	(614,555)	(676,525)	(732,885)	(798,261)
<b>Gross profit</b>	<b>144,775</b>	<b>214,543</b>	<b>235,680</b>	<b>256,990</b>	<b>279,860</b>
Other operating income	0	0	0	0	0
Operating costs	(116,867)	(165,414)	(182,510)	(197,548)	(214,316)
<b>Operating EBITDA</b>	<b>27,908</b>	<b>49,129</b>	<b>53,170</b>	<b>59,442</b>	<b>65,544</b>
Depreciation	(24,486)	(36,544)	(37,926)	(40,744)	(43,356)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>3,422</b>	<b>12,585</b>	<b>15,243</b>	<b>18,698</b>	<b>22,188</b>
Net financing costs	(12,514)	(16,549)	(16,123)	(15,860)	(15,526)
Associates	(226)	831	918	964	1,012
Recurring non-operating income	20,389	24,055	27,803	29,091	30,833
Non-recurring items	1,280	(9)	0	0	0
<b>Profit before tax</b>	<b>12,577</b>	<b>20,082</b>	<b>26,923</b>	<b>31,928</b>	<b>37,495</b>
Tax	(525)	(3,861)	(5,201)	(6,193)	(7,297)
<b>Profit after tax</b>	<b>12,052</b>	<b>16,221</b>	<b>21,722</b>	<b>25,736</b>	<b>30,199</b>
Minority interests	933	(2,949)	(4,484)	(5,479)	(6,435)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>12,985</b>	<b>13,272</b>	<b>17,238</b>	<b>20,257</b>	<b>23,764</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(1,280)</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>11,706</b>	<b>13,281</b>	<b>17,238</b>	<b>20,257</b>	<b>23,764</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.30	1.48	1.92	2.25	2.65
Reported EPS	1.45	1.48	1.92	2.25	2.65
DPS	0.60	0.75	0.93	1.10	1.30
Diluted shares (used to calculate per share data)	8,983	8,983	8,983	8,983	8,983
<b>Growth</b>					
Revenue (%)	7.4	46.7	10.0	8.5	8.9
Operating EBITDA (%)	0.4	76.0	8.2	11.8	10.3
Operating EBIT (%)	(52.1)	267.8	21.1	22.7	18.7
Recurring EPS (%)	(26.3)	13.5	29.8	17.5	17.3
Reported EPS (%)	(19.4)	2.2	29.9	17.5	17.3
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	21.3	21.5	21.7	21.8	21.9
Gross margin of key business (%)	21.3	21.5	21.7	21.8	21.9
Operating EBITDA margin (%)	4.9	5.9	5.8	6.0	6.1
Operating EBIT margin (%)	0.6	1.5	1.7	1.9	2.1
Net margin (%)	2.1	1.6	1.9	2.0	2.2
Effective tax rate (%)	4.6	20.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	46.0	50.7	48.7	48.9	49.0
Interest cover (X)	1.9	2.2	2.7	3.0	3.4
Inventory days	35.7	32.3	32.9	33.1	32.9
Debtor days	8.4	7.9	7.8	7.9	7.9
Creditor days	98.2	85.0	76.8	71.1	70.8
Operating ROIC (%)	3.2	7.4	8.3	9.5	11.4
ROIC (%)	4.2	4.2	4.8	5.2	5.8
ROE (%)	11.7	13.0	16.4	17.7	18.9
ROA (%)	3.1	3.2	3.8	4.2	4.5

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Sales	565,060	829,099	912,204	989,875	1,078,122

Sources: CP All; FSSIA estimates

## Financial Statements

CP All

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	11,706	13,281	17,238	20,257	23,764
Depreciation	24,486	36,544	37,926	40,744	43,356
Associates & minorities	(707)	2,118	3,566	4,515	5,423
Other non-cash items	-	-	-	-	-
Change in working capital	24,046	(180)	(18,193)	4,315	5,441
<b>Cash flow from operations</b>	<b>59,531</b>	<b>51,763</b>	<b>40,538</b>	<b>69,831</b>	<b>77,984</b>
Capex - maintenance	0	0	0	0	0
Capex - new investment	(115,821)	(38,421)	(42,348)	(44,589)	(46,651)
Net acquisitions & disposals	71,299	(633)	(213)	(178)	(141)
Other investments (net)	(297,198)	(3,773)	(2,987)	(3,089)	(3,201)
<b>Cash flow from investing</b>	<b>(341,720)</b>	<b>(42,827)</b>	<b>(45,548)</b>	<b>(47,856)</b>	<b>(49,993)</b>
Dividends paid	(5,390)	(6,737)	(8,389)	(9,898)	(11,652)
Equity finance	174,772	(12,001)	0	0	0
Debt finance	169,315	(15,440)	(37,212)	1,927	(10,696)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>338,697</b>	<b>(34,179)</b>	<b>(45,601)</b>	<b>(7,972)</b>	<b>(22,348)</b>
Non-recurring cash flows	0	0	0	0	0
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>56,508</b>	<b>(25,243)</b>	<b>(50,612)</b>	<b>14,003</b>	<b>5,643</b>
Free cash flow to firm (FCFF)	(269,546.20)	25,767.66	11,343.29	38,113.01	43,892.47
Free cash flow to equity (FCFE)	(112,874.06)	(6,504.42)	(42,222.32)	23,901.10	17,294.79

### Per share (THB)

FCFF per share	(30.01)	2.87	1.26	4.24	4.89
FCFE per share	(12.57)	(0.72)	(4.70)	2.66	1.93
Recurring cash flow per share	3.95	5.78	6.54	7.29	8.08

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	292,181	307,562	348,042	390,670	435,261
Less: Accumulated depreciation	(80,648)	(94,152)	(130,210)	(168,993)	(210,289)
<b>Tangible fixed assets (net)</b>	<b>211,533</b>	<b>213,410</b>	<b>217,832</b>	<b>221,677</b>	<b>224,972</b>
<b>Intangible fixed assets (net)</b>	<b>360,641</b>	<b>360,641</b>	<b>360,641</b>	<b>360,641</b>	<b>360,641</b>
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	14,838	15,957	17,088	18,231	19,384
Cash & equivalents	97,134	71,891	21,279	35,282	40,925
A/C receivable	17,085	18,633	20,500	22,246	24,229
Inventories	50,535	58,183	63,844	69,132	74,747
Other current assets	1,019	249	274	297	324
<b>Current assets</b>	<b>165,773</b>	<b>148,955</b>	<b>105,898</b>	<b>126,958</b>	<b>140,225</b>
Other assets	179,107	185,097	191,662	198,555	205,793
<b>Total assets</b>	<b>931,893</b>	<b>924,061</b>	<b>893,121</b>	<b>926,062</b>	<b>951,015</b>
Common equity	104,134	100,724	109,573	119,932	132,044
Minorities etc.	188,673	189,577	194,061	199,540	205,975
<b>Total shareholders' equity</b>	<b>292,807</b>	<b>290,301</b>	<b>303,634</b>	<b>319,472</b>	<b>338,019</b>
Long term debt	390,277	393,871	297,053	391,130	352,043
Other long-term liabilities	33,921	32,446	35,698	38,737	42,191
<b>Long-term liabilities</b>	<b>424,197</b>	<b>426,317</b>	<b>332,751</b>	<b>429,867</b>	<b>394,234</b>
A/C payable	138,666	147,682	137,018	148,367	161,406
Short term debt	72,000	52,965	112,571	20,421	48,812
Other current liabilities	4,222	6,796	7,146	7,934	8,544
<b>Current liabilities</b>	<b>214,888</b>	<b>207,443</b>	<b>256,735</b>	<b>176,723</b>	<b>218,762</b>
<b>Total liabilities and shareholders' equity</b>	<b>931,893</b>	<b>924,061</b>	<b>893,121</b>	<b>926,062</b>	<b>951,015</b>
Net working capital	(74,248)	(77,413)	(59,546)	(64,626)	(70,650)
Invested capital	691,871	697,693	727,678	734,478	740,140

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

### Per share (THB)

Book value per share	9.38	10.10	11.09	12.24	13.59
Tangible book value per share	(30.77)	(30.04)	(29.06)	(27.90)	(26.56)

### Financial strength

Net debt/equity (%)	124.7	129.2	127.9	117.8	106.5
Net debt/total assets (%)	39.2	40.6	43.5	40.6	37.8
Current ratio (x)	0.8	0.7	0.4	0.7	0.6
CF interest cover (x)	1.2	2.9	1.0	5.3	5.1

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>48.9</b>	<b>43.1</b>	<b>33.2</b>	<b>28.3</b>	<b>24.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>55.3</b>	<b>48.7</b>	<b>37.5</b>	<b>31.9</b>	<b>27.2</b>
Reported P/E (x)	44.1	43.1	33.2	28.3	24.1
Dividend yield (%)	0.9	1.2	1.5	1.7	2.0
Price/book (x)	6.8	6.3	5.7	5.2	4.7
Price/tangible book (x)	(2.1)	(2.1)	(2.2)	(2.3)	(2.4)
EV/EBITDA (x) **	41.1	23.3	21.9	19.5	17.5
EV/EBITDA @ target price (x) **	43.7	24.9	23.3	20.7	18.7
EV/invested capital (x)	1.7	1.6	1.6	1.6	1.6

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: CP All; 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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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 >150 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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

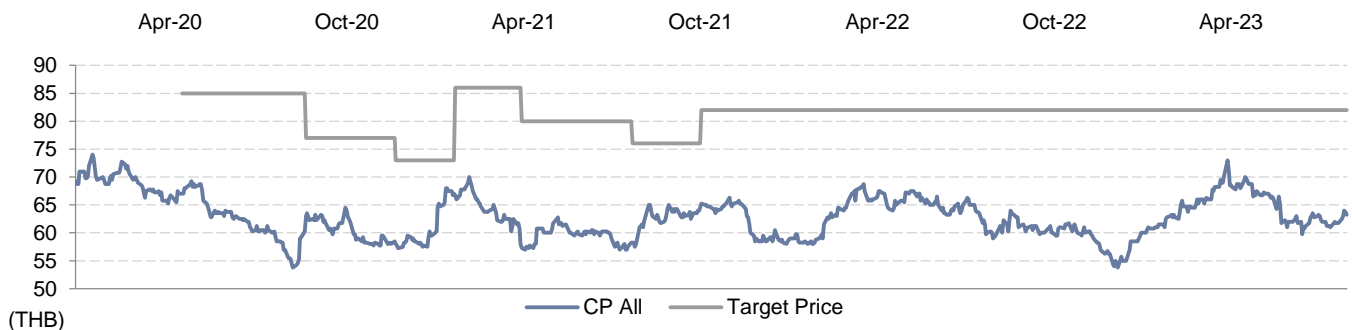
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### History of change in investment rating and/or target price

#### CP All (CPALL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
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			
25-Jan-2021	BUY	73.00	16-Aug-2021	BUY	76.00			

Jitra Amornthum started covering this stock from 26-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

#### 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 15-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates



Company	Ticker	Price	Rating	Valuation & Risks
CP All	CPALL TB	THB 63.75	BUY	The key downside risks to our DCF-derived TP are: 1) a lower-than-expected impact from SSSG at its convenience store business; 2) lower-than-expected performance from MAKRO; and 3) a slower recovery in tourist arrival numbers and private consumption.
Siam Makro	MAKRO TB	THB 37.75	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.

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 25-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.