

# Thailand Commerce

## 2Q23 SSSG expected to grow at a slow rate

- We expect SSSG in 2Q23 to grow at a slow rate due to the high base from the country's reopening, the low tourism season and high steel prices over the last year.
- Potential catalysts in 2H23: 1) consumption and tourism recoveries; and 2) costs could be in a downward trend. Expect minimum wage hike to have a limited impact.
- We like CPALL and CPAXT, which benefit from a consumption and tourism recovery.

### Consumer staples

We anticipate that same-store sales growth (SSSG) for CPALL and CPAXT in 2Q23 could rise in the high single digits, mainly from a domestic consumption recovery, especially in the tourism sector. This would reflect the continually rising number of tourists since the country's reopening and the increase in the consumer confidence index (CCI) in May 2023, rising to a 56.6% record high and surpassing Jan 2019. In addition, the private consumption index (PCI) has continued to improve, driven by the service sector, specifically hotels and restaurants. We expect SSSG in 2H23 to soften from the high base from the country's reopening and the slow consumer purchasing power recovery, while the cost of living remains high. Potential catalysts would be 1) consumption and tourism recoveries; and 2) electricity expenses could be in a downward trend. Stimulus packages are still uncertain. Ideally, stimulus packages would be implemented through consumption, which contributes 52% of Thai GDP. We expect that a minimum wage hike would have a limited impact on the sector.

### Consumer discretionary

We expect SSSG to soften in 2Q23 and 2H23 due to the high base in the previous year. Retail sales sentiment has improved since 2H22 with aggressive promotional activities plus pent-up demand, especially in the fashion segment, resulting in a high base since 2H22. The consumer discretionary sector may see softer SSSG in 2H23. The situation in Vietnam should improve in 4Q23 from government stimulus packages such as a reduction in VAT, extensions for tourist visas and potentially lower interest rates. The PC and notebook market should bottom out in 2023, and could grow in 2024-25 on the back of replacements and upgrades for old units and a greater 5G mix.

### Home improvement

SSSG in 2Q23 for home improvement retailers focusing on building materials should be in the negative mid-single digits due mainly to the high steel prices last year. We expect SSSG in 2H23 to improve, as steel prices should normalise. Thailand may face the El Niño effect, which would drag agricultural purchasing power. This would most affect retailers with a strong rural presence. The proportion of stores in agricultural provinces, particularly in the North and Northeast, as of 1Q23 is 53% for GLOBAL, 38% for DOHOME, 33% for HMPRO, and 24% for ILM.

### Our top picks are CPALL and CPAXT

We favour the consumer staples sector. CPALL and CPAXT should benefit from private consumption and tourism recoveries. In addition, expenses should be lower than in 1H23. Electricity costs should improve as energy prices are in a downward trend, and interest expenses should decrease from debt restructuring, which has finished in 2Q23.



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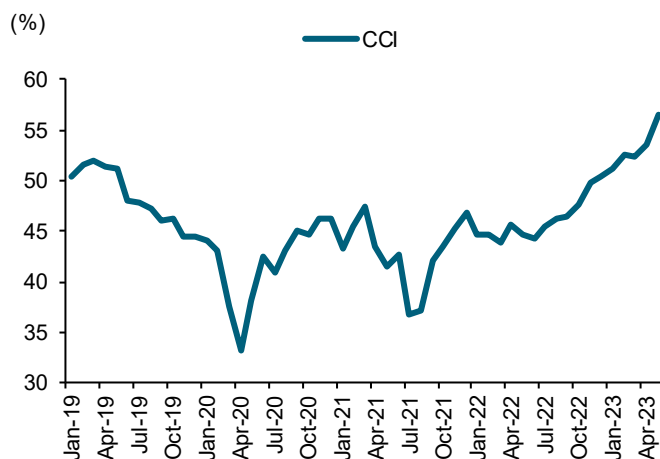
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Exhibit 1: Same-store sales growth (SSSG)

SSSG	1Q22 (%)	2Q22 (%)	3Q22 (%)	4Q22 (%)	1Q23 (%)	Apr-23 (%)	May-23 (%)	2Q23E (%)	1H23E (%)	2H23E (%)
<b>Consumer Staple</b>										
CPALL	13.0	14.2	22.0	14.5	8.0	8.0	8.0	8.0	8.0	5.0
CPAXT	1.0	7.4	8.9	9.6	10.9	8.0	8.0	8.0	9.5	5.0
Lotus's	0.4	(2.1)	0.0	2.4	0.8	1.0	1.0	1.0	0.9	1.5
<b>Consumer Discretionary</b>										
CRC	11.0	24.0	43.0	9.0	13.0	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Home Improvement</b>										
HMPRO	3.1	(1.1)	18.0	3.0	6.0	n.a.	n.a.	n.a.	n.a.	n.a.
GLOBAL	7.3	1.5	4.4	(2.2)	(8.7)	n.a.	n.a.	n.a.	n.a.	n.a.
DOHOME	25.1	10.8	6.6	(9.9)	(9.0)	n.a.	n.a.	n.a.	n.a.	n.a.
ILM	11.0	13.4	34.3	4.3	8.5	8.0	8.0	8.0	8.3	5.0
<b>Average</b>	<b>9.0</b>	<b>8.5</b>	<b>17.1</b>	<b>3.8</b>	<b>3.7</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.7</b>	<b>4.1</b>

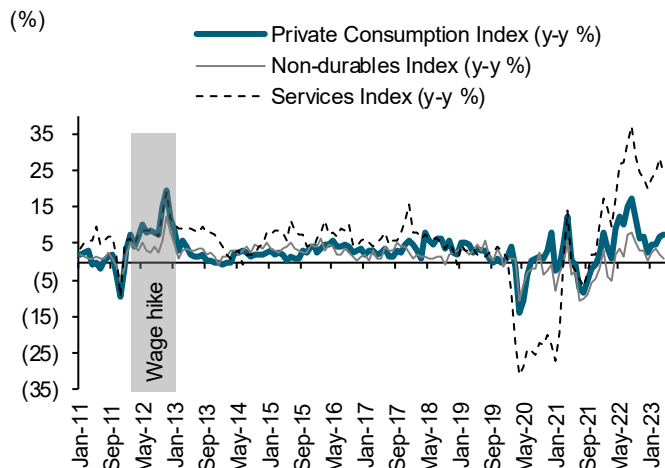
Sources: Company data; FSSIA estimates

Exhibit 2: Consumer confidence index (CCI)



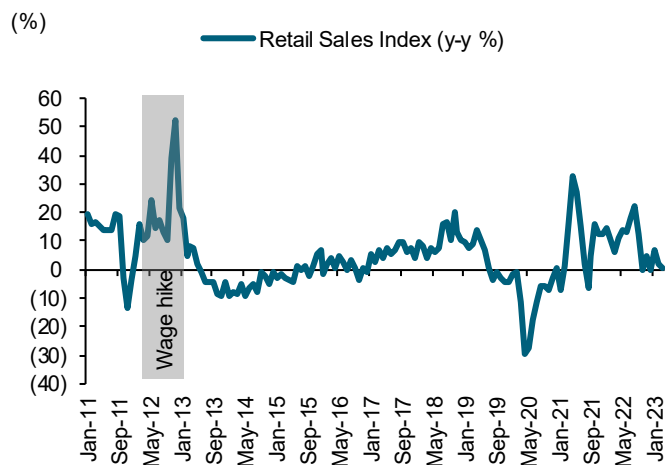
Source: Bank of Thailand (BOT)

Exhibit 3: Private consumption index (y-y %)



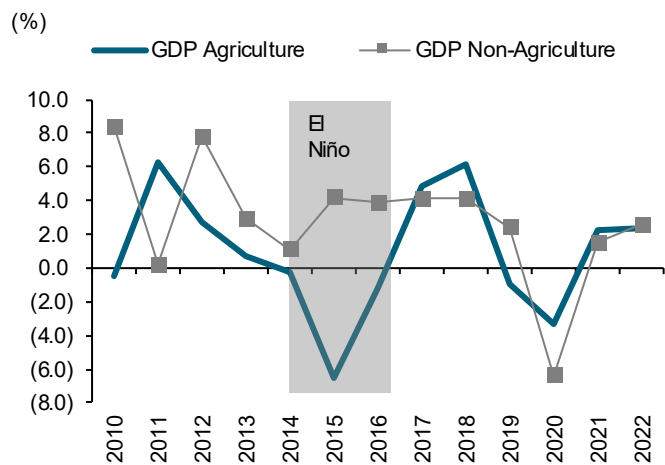
Source: BOT

Exhibit 4: Retail sales index (y-y %)

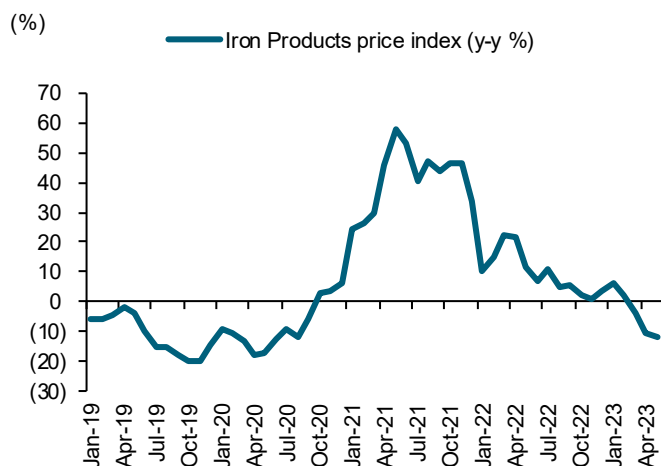


Source: BOT

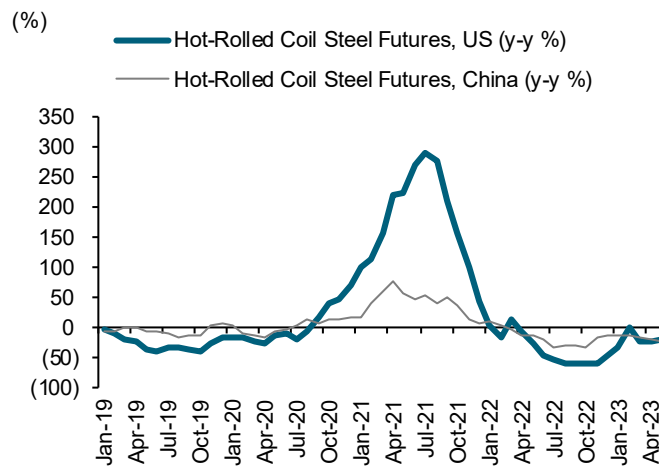
Exhibit 5: GDP agriculture and non-agriculture



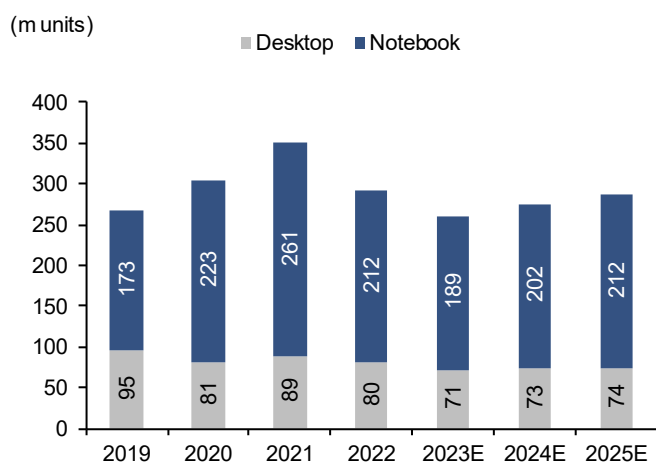
Source: Office of the National Economic and Social Development Council (NESDC)

**Exhibit 6: Iron product price index (y-y %)**

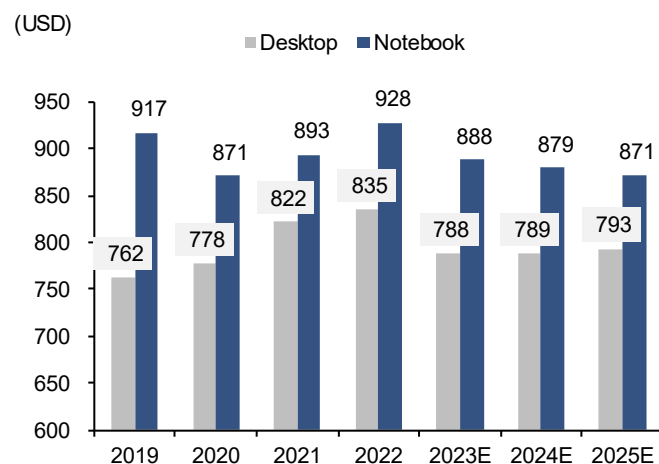
Source: Ministry of Commerce (MOC)

**Exhibit 7: Hot-rolled coil futures (y-y %)**

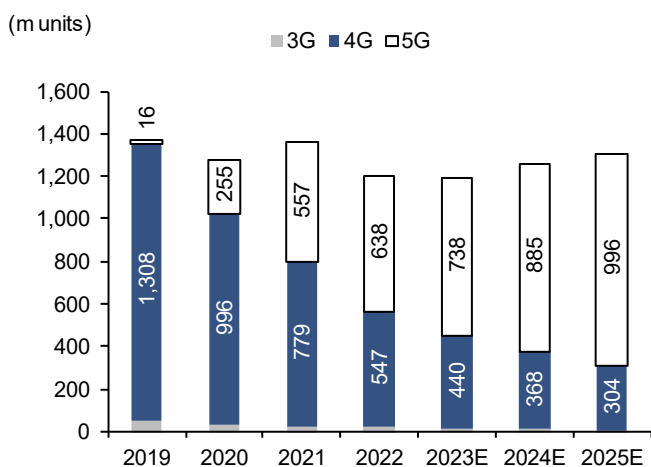
Source: Bloomberg

**Exhibit 8: Global PC unit shipment trends**

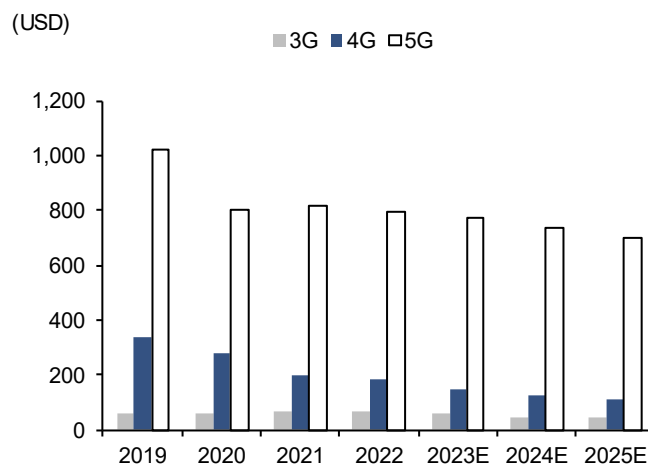
Sources: Bloomberg; FSSIA's compilation

**Exhibit 9: Global PC average selling prices**

Sources: Bloomberg; FSSIA's compilation

**Exhibit 10: Global smartphone units by generation**

Sources: Bloomberg; FSSIA's compilation

**Exhibit 11: Global smartphone average selling prices by generation**

Sources: Bloomberg; FSSIA's compilation

## Exhibit 12: Commerce peers as of 26 June 2023

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/ EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
<b>Consumer Staple</b>														
CP All*	CPALL TB	BUY	61.75	72.00	17	15,763	32.2	27.4	16.4	17.7	5.6	5.0	21.6	19.2
CP Axtra*	CPAXT TB	BUY	35.00	46.00	31	10,523	33.1	27.1	3.8	4.6	1.3	1.2	11.7	10.7
<b>Consumer Staple average</b>						<b>26,286</b>	<b>32.6</b>	<b>27.2</b>	<b>10.1</b>	<b>11.1</b>	<b>3.4</b>	<b>3.1</b>	<b>16.6</b>	<b>14.9</b>
<b>Consumer Discretionary</b>														
Com7*	COM7 TB	BUY	25.50	40.00	57	1,728	17.7	14.7	44.8	46.7	7.5	6.4	12.7	10.7
Synex Thailand*	SYNEX TB	BUY	12.10	17.20	42	291	14.5	12.5	16.4	18.1	2.3	2.2	15.0	13.5
Central Retail Corp	CRC TB	n/a	38.25	n/a	n/a	6,513	26.0	21.1	13.1	14.9	3.3	3.0	10.7	9.7
<b>Consumer Discretionary average</b>						<b>8,532</b>	<b>19.4</b>	<b>16.1</b>	<b>24.8</b>	<b>26.6</b>	<b>4.4</b>	<b>3.9</b>	<b>12.8</b>	<b>11.3</b>
<b>Home Improvement</b>														
Index Living Mall*	ILM TB	BUY	20.70	24.80	20	297	15.1	13.9	11.9	12.4	1.8	1.7	7.6	6.8
Home Product Center	HMPRO TB	n/a	13.90	n/a	n/a	5,195	26.6	23.8	27.7	28.6	7.0	6.5	15.7	14.4
Siam Global House	GLOBAL TB	n/a	16.40	n/a	n/a	2,331	23.9	21.3	14.6	15.0	3.4	3.1	16.6	15.1
Dohome	DOHOME TB	n/a	12.20	n/a	n/a	1,080	32.5	22.8	9.3	11.8	2.9	2.6	22.3	17.3
<b>Home Improvement average</b>						<b>8,903</b>	<b>24.5</b>	<b>20.5</b>	<b>15.9</b>	<b>17.0</b>	<b>3.8</b>	<b>3.5</b>	<b>15.5</b>	<b>13.4</b>
<b>Total average</b>						<b>43,721</b>	<b>24.6</b>	<b>20.5</b>	<b>17.6</b>	<b>18.9</b>	<b>3.9</b>	<b>3.5</b>	<b>14.9</b>	<b>13.0</b>

Sources: Bloomberg; \*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

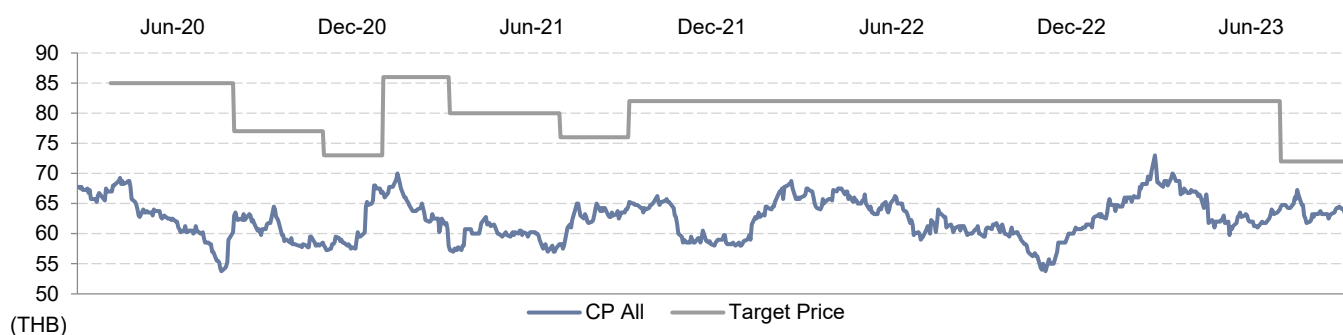
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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

#### 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	26-Apr-2023	BUY	72.00
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

#### CP Axtra (CPAXT TB)



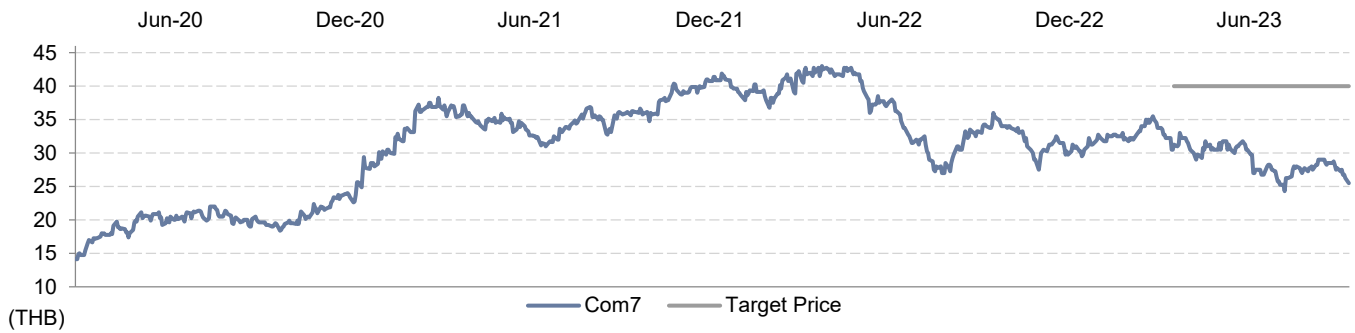
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
24-Jul-2020	BUY	50.00	30-Sep-2021	HOLD	52.00	09-Sep-2022	BUY	42.00
11-Aug-2021	BUY	48.00	22-Feb-2022	BUY	52.00	15-Mar-2023	BUY	46.00

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

Price and TP are in local currency

Source: FSSIA estimates

## Com7 (COM7 TB)



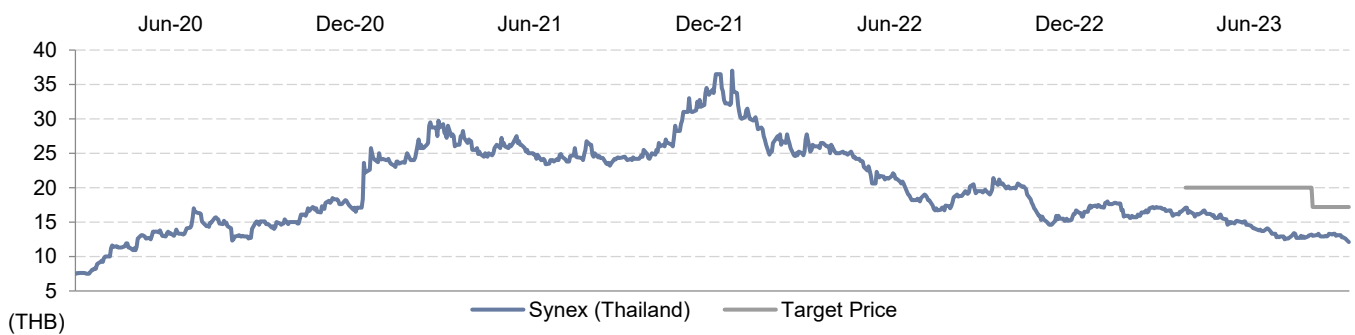
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
26-Jan-2023	BUY	40.00	-	-	-	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

## Synex (Thailand) (SYNEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	20.00	25-May-2023	BUY	17.20	-	-	-

Jitra Amornthum started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

## Index Living Mall (ILM TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Jun-2023	BUY	24.80	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 02-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
CP All	CPALL TB	THB 61.75	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 CPAXT; and 3) a slower recovery in tourist arrival numbers and private consumption.
CP Axtra	CPAXT TB	THB 35.00	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.
Com7	COM7 TB	THB 25.50	BUY	Downside risks to our P/E-based TP include 1) lower consumer spending; 2) store cannibalisation; and 3) product shortages.
Synex (Thailand)	SYNEX TB	THB 12.10	BUY	Downside risks to our P/E-based TP include 1) outmoded or obsolete products; 2) product shortages; and 3) currency fluctuations.
Index Living Mall	ILM TB	THB 20.70	BUY	Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; 3) higher-than-expected SG&A.

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 26-Jun-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.