

CP ALL CPALL TB

THAILAND / COMMERCE

BUY

UNCHANGED

CVS business remains strong

- Expect 2Q23 core profit to improve y-y as CVS SSSG should remain strong at high single digits; however, CPAXT should soften.
- Revising down 2023-25E earnings by 4.9%, 4.1%, and 0.8% because of CPAXT's lower-than-expected performance.
- Maintain BUY with a 2024 DCF-based TP of THB77.

TARGET PRICE	THB77.00
CLOSE	THB62.50
UP/DOWNSIDE	+23.2%
PRIOR TP	THB72.00
CHANGE IN TP	+6.9%
TP vs CONSENSUS	+4.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	829,099	902,362	975,667	1,060,793
Net profit	13,272	16,396	19,434	23,582
EPS (THB)	1.48	1.83	2.16	2.63
vs Consensus (%)	-	(4.9)	(9.3)	(4.8)
EBITDA	49,129	50,815	56,911	64,062
Core net profit	13,281	16,396	19,434	23,582
Core EPS (THB)	1.48	1.83	2.16	2.63
Chg. In EPS est. (%)	-	(4.9)	(4.1)	(0.8)
EPS growth (%)	13.5	23.5	18.5	21.3
Core P/E (x)	42.3	34.2	28.9	23.8
Dividend yield (%)	1.2	1.4	1.7	2.1
EV/EBITDA (x)	23.1	22.7	20.2	17.8
Price/book (x)	6.2	5.7	5.1	4.6
Net debt/Equity (%)	129.2	129.2	120.1	109.3
ROE (%)	13.0	15.6	17.0	18.8

CVS business performance still strong

We project a 2Q23 net profit of THB3.9b (-5% q-q, +30% y-y). Excluding the upfront fee from CPAXT, we expect 2Q23 core profit to reach THB4.0b (-2% q-q, +31% y-y). Revenue from retail sales should rise to THB218b (+1% q-q, 5% y-y) in 2Q23, supported by SSSG of 7% for the CVS business – in line with our previous view and driven by growth from tourist-related stores. The long holiday in 2Q could boost traffic to CVS', following the continued recovery in consumption and the tourism sector. Strong CVS performance should limit the downside from the softer wholesale and retail business performance. We expect the opening of 200 new CVS' in 2Q23 to reach 14,247 stores (+6% y-y).

Profitability should be better y-y from product mix

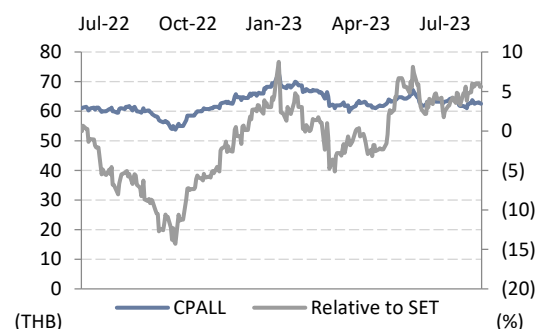
We expect the 2Q23 gross margin to be flat q-q at 21.7% (vs 1Q23's 21.7%) and increase y-y (vs 2Q22's 21%) due to a better product mix with a higher proportion of sales for ready-to-eat, beverages and personal care products, along with the tourism recovery and long holiday in 2Q. We expect 2Q23 SG&A to sales of 20.1%, slightly up q-q and y-y due to personnel expenses from store expansions and high electricity costs.

Positive outlook for CVS, limited downside from softer CPAXT

We revise our full-year earnings estimates for 2023-25 down by 4.9%, 4.1%, and 0.8% after revising CPAXT's earnings estimates down. However, we believe CVS performance will still be strong, and it should limit the downside for CPALL. For 2H23, there are still several catalysts such as 1) a recovery in tourism and consumption; 2) the lack of an upfront fee in 2H23 and a lower cost of debt from CPAXT; and 3) lower utility costs, especially for electricity, as the FT rate hike is rolled back.

Maintain BUY and roll over our TP to 2024

We maintain our BUY call and roll over our DCF-based TP to 2024 at THB77/shr, which implies a 2024E P/E of 35.6x. The CVS business is still performing strongly, with SSSG projected to grow in the high single digits. It should enjoy a catch-up benefit from the return of tourists, which should expand its margin from a greater proportion of high-margin product groups, e.g. ready-to-eat and personal care, which are tourist related.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.6)	1.2	(0.4)
Relative to country (%)	2.4	8.1	3.3
Mkt cap (USD m)	16,078		
3m avg. daily turnover (USD m)	45.6		
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



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Investment thesis

The largest convenience store (CVS) operator in Thailand has shown resilience amid change. After the consolidation of CP Aextra (CPAXT TB, BUY, TP THB38), 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 CVS expansion, we believe CPALL can achieve its target of adding 700 stores this year.

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

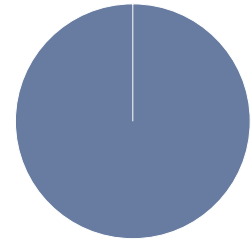
Company profile

CP All is the market leader in the CVS segment under the 7-Eleven trademark, with a 64% market share in terms of store numbers. As of end-2022, it operated 13,838 stores. It currently owns 59.9% of CP Aextra (CPAXT TB).

www.cpall.co.th

Principal activities (revenue, 2022)

■ Sales - 100.0 %

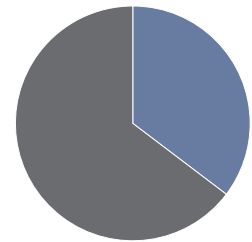


Source: CP All

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 the tourism sector; 2) lower electricity costs; 3) El Niño-driven weather patterns which could draw traffic into 7-Eleven stores and boost the sales proportion of high-margin beverages; 4) a stable political environment; and 5) CPAXT debt restructuring ending.

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 CPAXT; and 3) a slower recovery in tourist arrival numbers and private consumption.

Event calendar

Date	Event
10 August 2023	2Q23 results announcement
August 2023	Analyst meeting

Key assumptions

CPALL	2023E	2024E	2025E
SSSG CVS (%)	8.0	5.0	5.0
SSSG Makro (%)	6.0	3.0	3.0
SSSG Lotus-TH (%)	(0.5)	2.0	3.0
SSSG Lotus-ML (%)	(1.0)	1.0	3.0
New stores (no.)	700	700	700
CVS GPM (%)	27.7	27.8	27.9
SG&A to sales	20.1	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.

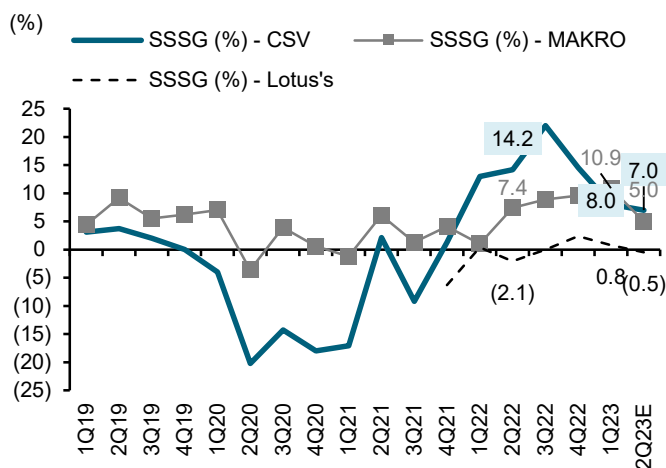
Source: FSSIA estimates

Exhibit 1: 2Q23 results preview

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23E	----- Change -----		2023E	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Retail sales	208,210	207,617	218,863	215,895	217,731	1	5	902,362	975,667	8
COGS	(164,470)	(162,429)	(171,615)	(168,983)	(170,458)	1	4	(708,164)	(764,132)	8
Gross profit	43,741	45,188	47,248	46,913	47,273	1	8	194,198	211,535	9
Other income	5,445	6,191	6,548	6,125	6,393	4	17	26,837	28,034	4
Operating costs	(40,804)	(41,916)	(44,398)	(43,178)	(43,720)	1	7	(181,310)	(195,368)	8
Operating profit	8,381	9,463	9,397	9,859	9,945	1	19	39,725	44,201	11
Interest expense	(3,977)	(4,283)	(4,747)	(4,408)	(4,418)	0	11	(16,133)	(15,817)	(2)
Profit before tax	4,404	5,180	4,651	5,451	5,527	1	25	23,823	28,662	20
Tax	(933)	(987)	(996)	(1,043)	(1,105)	6	18	(4,765)	(5,732)	20
Equity income	202	230	175	193	195	1	(4)	918	964	5
Minority interests	(611)	(614)	(923)	(831)	(598)	(28)	(2)	(3,580)	(4,459)	25
Non-recurring items	(59)	(133)	231	352	(112)	(132)	90	0	0	n/a
Reported net profit	3,004	3,677	3,138	4,123	3,906	(5)	30	16,396	19,434	19
Recurring net profit	3,063	3,810	2,907	4,080	4,018	(2)	31	16,396	19,434	19
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin - overall	21.0	21.8	21.6	21.7	21.7	(0.0)	0.7	21.5	21.7	0.2
Gross margin - CVS	27.0	27.6	27.6	27.9	27.9	(0.0)	0.9	27.7	27.8	0.0
Operating margin	4.0	4.6	4.3	4.6	4.6	0.0	0.5	4.4	4.5	0.1
Recurring net margin	1.5	1.8	1.3	1.9	1.8	(0.0)	0.4	1.8	2.0	0.2
SG&A / Sales	19.6	20.2	20.3	20.0	20.1	0.1	0.5	20.1	20.0	(0.1)
Operating statistics						(ppt)	(ppt)			(ppt)
Expansion (no.)	180	227	178	209	200	(4)	11	700	700	(1)
Outstanding stores (no.)	13,433	13,660	13,838	14,047	14,247	1	6	14,538	15,238	5
SSSG - CVS (%)	14.2	22.1	14.5	8.0	7.0					
SSSG - MAKRO (%)	7.4	8.9	9.6	10.9	5.0					
SSSG - Lotus's TH (%)	(2.1)	0.0	2.4	0.8	(0.5)					
SSSG - Lotus's ML (%)	8.3	(3.7)	(2.4)	(0.9)	(0.5)					

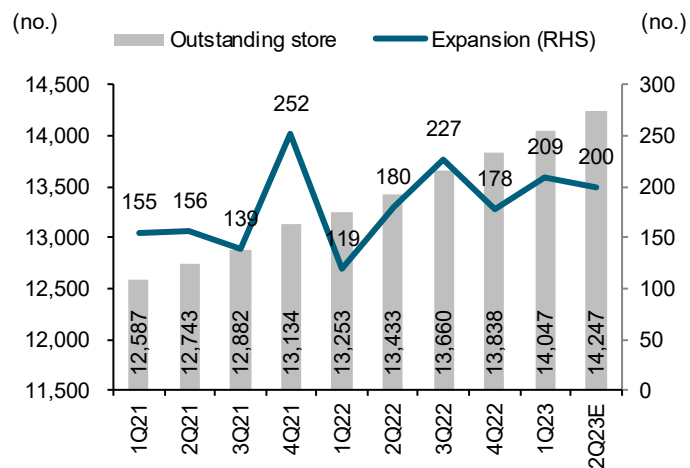
Sources: CPALL; FSSIA estimates

Exhibit 2: CPALL's SSSG breakdown by business unit



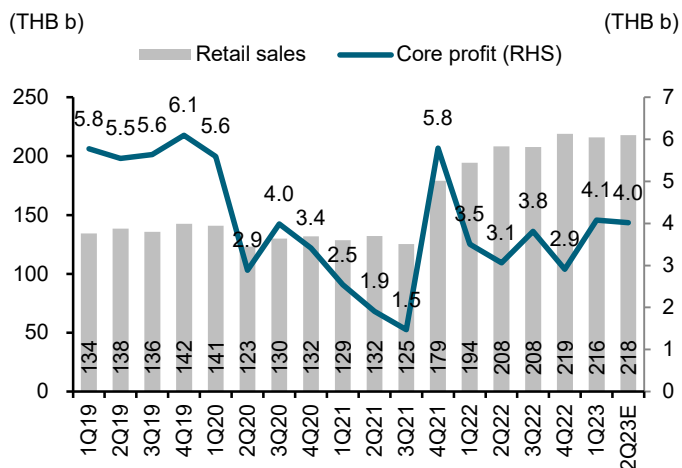
Sources: CPALL; FSSIA estimates

Exhibit 3: CPALL's convenience stores



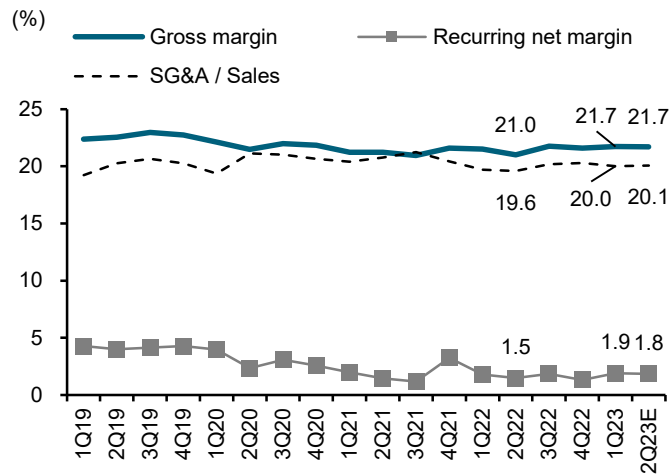
Sources: CPALL; FSSIA estimates

Exhibit 4: CPALL's performance by quarter



Sources: CPALL; FSSIA estimates

Exhibit 5: CPALL's profitability (overall)



Sources: CPALL; FSSIA estimates

Revising forecasts for 2023-25 down as Lotus's operations slump

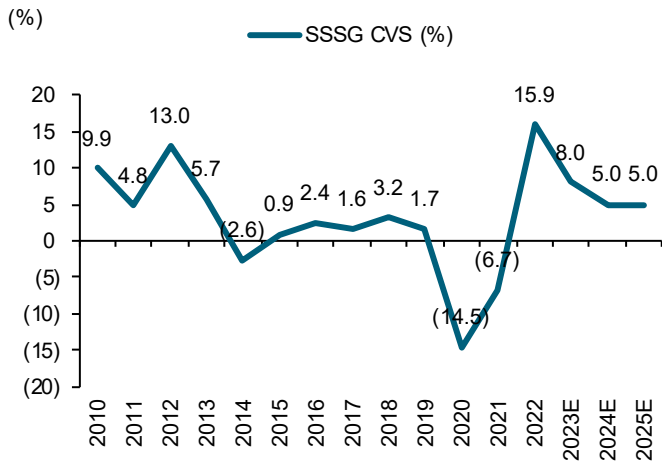
We cut our 2023-25 core profit forecasts by 4.9%, 4.1%, and 0.8% due mainly to the slower-than-expected turnaround in Lotus's operations. However, we believe the CVS business remains strong and same-store sales could grow in the high single-digit level, which would limit the downside from Lotus's worse-than-expected performance.

Exhibit 6: Changes in key assumptions for CPALL

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue (THB m)	902,362	975,667	1,060,793	912,204	989,875	1,078,122	(1.1)	(1.4)	(1.6)
SSSG CVS (%)	8.0	5.0	5.0	8.0	5.0	5.0	0.0	0.0	0.0
SSSG Makro (%)	6.0	3.0	3.0	6.0	3.0	3.0	0.0	0.0	0.0
SSSG Lotus-TH (%)	(0.5)	2.0	3.0	3.0	3.0	3.0	(3.5)	(1.0)	0.0
SSSG Lotus-ML (%)	(1.0)	1.0	3.0	0.5	1.0	3.0	(1.5)	0.0	0.0
CVS Gross margin (%)	27.7	27.8	27.9	27.8	27.8	27.8	(0.1)	(0.0)	0.1
Consolidated GPM (%)	21.5	21.7	21.8	21.7	21.8	21.9	(0.2)	(0.2)	(0.1)
No. of new stores (no.)	700	700	700	700	700	700	0	0	0
SG&A to sales (%)	20.1	20.0	19.9	20.0	20.0	19.9	0.1	0.1	(0.0)
Core profit (THB m)	16,396	19,434	23,582	17,238	20,257	23,764	(4.9)	(4.1)	(0.8)

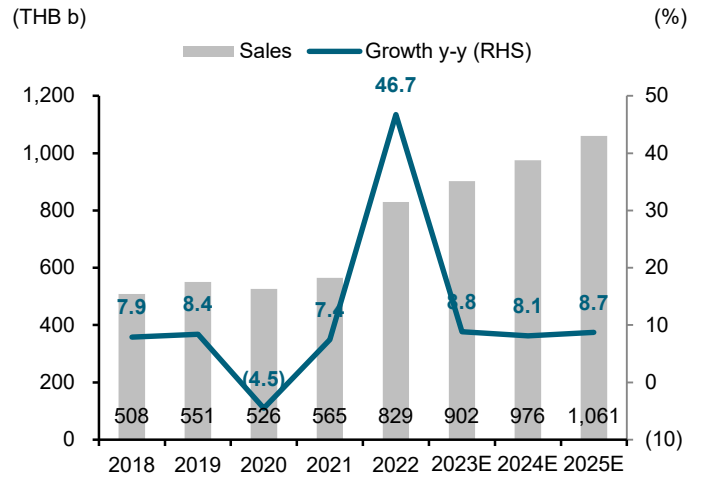
Sources: FSSIA estimates

Exhibit 7: CVS SSSG



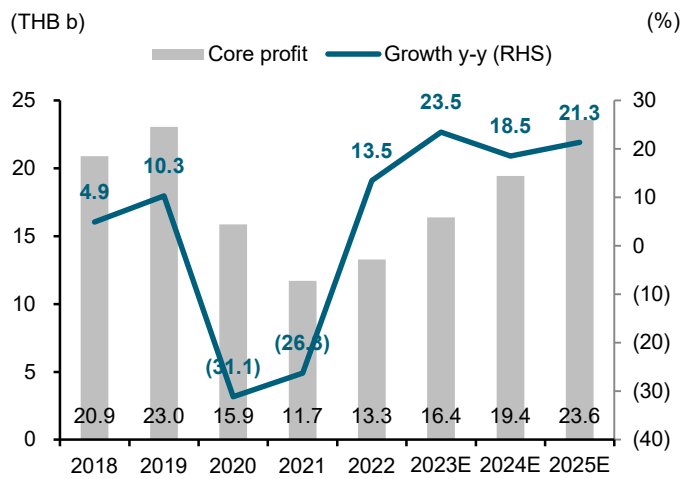
Sources: CPALL; FSSIA estimates

Exhibit 8: Yearly revenue



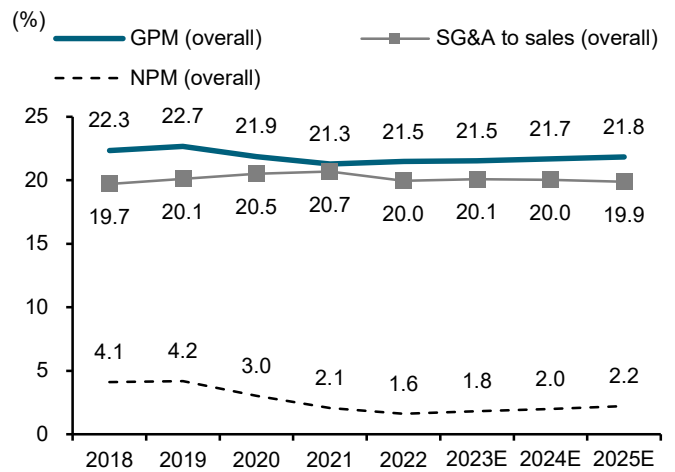
Sources: CPALL; FSSIA estimates

Exhibit 9: Yearly core profit



Sources: CPALL; FSSIA estimates

Exhibit 10: Profitability



Sources: CPALL; FSSIA estimates

Roll over our 2024 target price

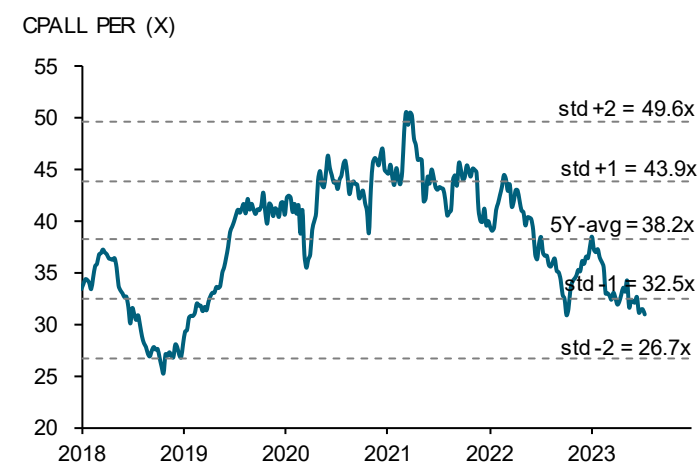
We retain our BUY call and roll over our DCF-based TP to 2024 at THB77, implying 35.6x 2024E P/E. The CVS business is still performing strongly, with SSSG projected to continue growing in the high single digits. It should enjoy a catch-up benefit from the return of tourists, which should expand its margin from a greater proportion of high-margin product groups, e.g. ready-to-eat and personal care, which are tourist related. In addition, CPALL should benefit from lower utility costs, especially for electricity, as the FT rate hike is rolled back.

Exhibit 11: DCF-based valuation

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	6.9	
Terminal growth	2.0	
NPV		277
Add: terminal value		973
Sum of PV		1,250
Add: investment		18
Less: debt		380
Less: minorities		198
Residual ordinary equity		691
No. of shares (m)		8,983
Residual ordinary equity (THB/share)		77

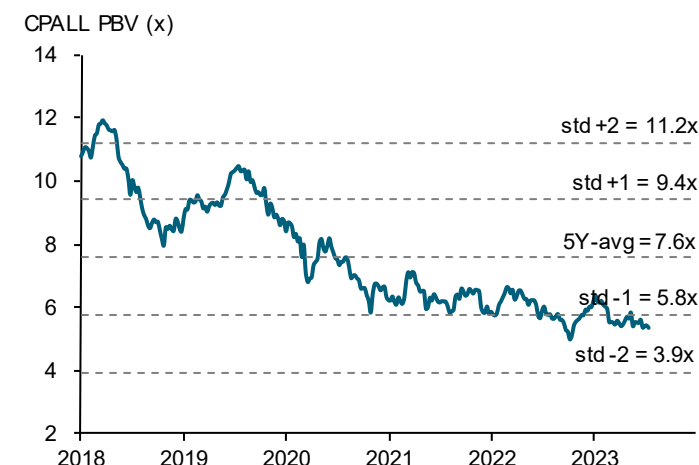
Sources: FSSIA estimates

Exhibit 12: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Rolling one-year forward 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	902,362	975,667	1,060,793
Cost of goods sold	(444,771)	(651,100)	(708,164)	(764,132)	(829,233)
Gross profit	120,289	177,999	194,198	211,535	231,560
Other operating income	0	0	0	0	0
Operating costs	(116,867)	(165,414)	(181,310)	(195,368)	(210,854)
Operating EBITDA	27,908	49,129	50,815	56,911	64,062
Depreciation	(24,486)	(36,544)	(37,926)	(40,744)	(43,356)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	3,422	12,585	12,888	16,167	20,706
Net financing costs	(12,514)	(16,549)	(15,903)	(15,539)	(15,261)
Associates	(226)	831	918	964	1,012
Recurring non-operating income	20,389	24,055	27,755	28,998	30,698
Non-recurring items	1,280	(9)	0	0	0
Profit before tax	12,577	20,082	24,741	29,626	36,144
Tax	(525)	(3,861)	(4,765)	(5,732)	(7,026)
Profit after tax	12,052	16,221	19,977	23,894	29,117
Minority interests	933	(2,949)	(3,580)	(4,459)	(5,535)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	12,985	13,272	16,396	19,434	23,582
Non-recurring items & goodwill (net)	(1,280)	9	0	0	0
Recurring net profit	11,706	13,281	16,396	19,434	23,582
Per share (THB)					
Recurring EPS *	1.30	1.48	1.83	2.16	2.63
Reported EPS	1.45	1.48	1.83	2.16	2.63
DPS	0.60	0.75	0.89	1.06	1.29
Diluted shares (used to calculate per share data)	8,983	8,983	8,983	8,983	8,983
Growth					
Revenue (%)	7.4	46.7	8.8	8.1	8.7
Operating EBITDA (%)	0.4	76.0	3.4	12.0	12.6
Operating EBIT (%)	(52.1)	267.8	2.4	25.4	28.1
Recurring EPS (%)	(26.3)	13.5	23.5	18.5	21.3
Reported EPS (%)	(19.4)	2.2	23.5	18.5	21.3
Operating performance					
Gross margin inc. depreciation (%)	21.3	21.5	21.5	21.7	21.8
Gross margin exc. depreciation (%)	25.6	25.9	25.7	25.9	25.9
Operating EBITDA margin (%)	4.9	5.9	5.6	5.8	6.0
Operating EBIT margin (%)	0.6	1.5	1.4	1.7	2.0
Net margin (%)	2.1	1.6	1.8	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	48.6	48.8	49.0
Interest cover (X)	1.9	2.2	2.6	2.9	3.4
Inventory days	35.7	32.3	33.1	33.2	33.0
Debtor days	8.4	7.9	7.9	7.9	7.9
Creditor days	98.2	85.0	77.2	71.2	71.0
Operating ROIC (%)	3.2	7.4	7.0	8.2	10.6
ROIC (%)	4.2	4.2	4.6	4.9	5.6
ROE (%)	11.7	13.0	15.6	17.0	18.8
ROA (%)	3.1	3.2	3.6	4.0	4.4

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Sales	565,060	829,099	902,362	975,667	1,060,793

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	16,396	19,434	23,582
Depreciation	24,486	36,544	37,926	40,744	43,356
Associates & minorities	(707)	2,118	2,662	3,495	4,523
Other non-cash items	-	-	-	-	-
Change in working capital	24,046	(180)	(18,615)	4,085	5,209
Cash flow from operations	59,531	51,763	38,369	67,758	76,670
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)	(3,447)	(3,295)	(3,346)
Cash flow from investing	(341,720)	(42,827)	(46,007)	(48,063)	(50,138)
Dividends paid	(5,390)	(6,737)	(7,968)	(9,487)	(11,561)
Equity finance	174,772	(12,001)	0	0	0
Debt finance	169,315	(15,440)	(35,005)	3,794	(9,328)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	338,697	(34,179)	(42,973)	(5,693)	(20,889)
Non-recurring cash flows	0	0	0	0	0
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	56,508	(25,243)	(50,612)	14,003	5,643
Free cash flow to firm (FCFF)	(269,546.20)	25,767.66	8,495.09	35,512.71	42,169.11
Free cash flow to equity (FCFE)	(112,874.06)	(6,504.42)	(42,643.43)	23,489.89	17,203.99

Per share (THB)

FCFF per share	(30.01)	2.87	0.95	3.95	4.69
FCFE per share	(12.57)	(0.72)	(4.75)	2.61	1.92
Recurring cash flow per share	3.95	5.78	6.34	7.09	7.96

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)
Tangible fixed assets (net)	211,533	213,410	217,832	221,677	224,972
Intangible fixed assets (net)	360,641	360,641	360,641	360,641	360,641
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	20,279	21,927	23,840
Inventories	50,535	58,183	63,282	68,284	73,647
Other current assets	1,019	249	271	293	319
Current assets	165,773	148,955	105,112	125,785	138,730
Other assets	179,107	185,097	191,662	198,555	205,793
Total assets	931,893	924,061	892,335	924,889	949,520
Common equity	104,134	100,724	109,152	119,099	131,120
Minorities etc.	188,673	189,577	193,157	197,617	203,152
Total shareholders' equity	292,807	290,301	302,310	316,716	334,272
Long term debt	390,277	393,871	296,042	391,930	354,162
Other long-term liabilities	33,921	32,446	35,313	38,181	41,513
Long-term liabilities	424,197	426,317	331,355	430,111	395,675
A/C payable	138,666	147,682	135,812	146,546	159,031
Short term debt	72,000	52,965	115,789	23,696	52,135
Other current liabilities	4,222	6,796	7,069	7,821	8,407
Current liabilities	214,888	207,443	258,671	178,062	219,573
Total liabilities and shareholders' equity	931,893	924,061	892,335	924,889	949,520
Net working capital	(74,248)	(77,413)	(59,049)	(63,863)	(69,632)
Invested capital	691,871	697,693	728,175	735,241	741,158

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

Per share (THB)

Book value per share	9.38	10.10	11.04	12.15	13.49
Tangible book value per share	(30.77)	(30.04)	(29.10)	(28.00)	(26.66)

Financial strength

Net debt/equity (%)	124.7	129.2	129.2	120.1	109.3
Net debt/total assets (%)	39.2	40.6	43.8	41.1	38.5
Current ratio (x)	0.8	0.7	0.4	0.7	0.6
CF interest cover (x)	1.2	2.9	1.0	5.4	5.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	48.0	42.3	34.2	28.9	23.8
Recurring P/E @ target price (x) *	59.1	52.1	42.2	35.6	29.3
Reported P/E (x)	43.2	42.3	34.2	28.9	23.8
Dividend yield (%)	1.0	1.2	1.4	1.7	2.1
Price/book (x)	6.7	6.2	5.7	5.1	4.6
Price/tangible book (x)	(2.0)	(2.1)	(2.1)	(2.2)	(2.3)
EV/EBITDA (x) **	40.7	23.1	22.7	20.2	17.8
EV/EBITDA @ target price (x) **	45.3	25.8	25.3	22.5	19.8
EV/invested capital (x)	1.6	1.6	1.6	1.6	1.5

* 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)¹

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)²

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)³

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)⁴ 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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

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

⁵ 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

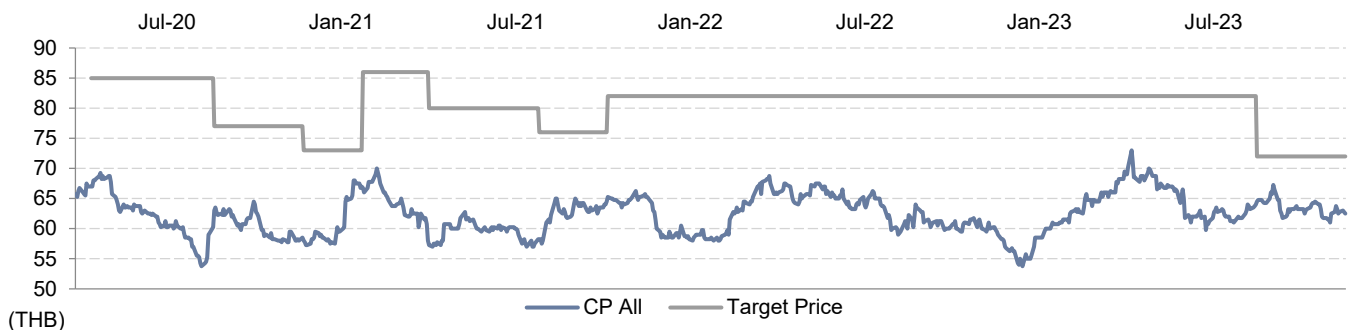
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History of change in investment rating and/or target price

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	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 Aextra (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

Company	Ticker	Price	Rating	Valuation & Risks
CP All	CPALL TB	THB 62.50	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 33.25	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 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 12-Jul-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.