

CP AXTRA CPAXT TB
THAILAND / COMMERCEBUY
UNCHANGED

คาดผลประกอบการ 2Q23 จะอ่อนตัวลง

- คาดกำไร 2Q23 จะอ่อนตัวลงจากการเติบโตของยอดขายสาขาเดิม (SSSG) ที่ต่ำกว่าคาดทั้งในธุรกิจ B2B และ B2C และการดำเนินงานของ Lotus's
- ปรับลดประมาณการกำไรปี 2023-25 ลง 20.2%, 18.6% และ 14% เรคาดว่า 2Q23 จะเป็นจุดต่ำสุดของปีจากการสิ้นสุดของการปรับโครงสร้างหนี้
- คงแนะนำซื้อที่ราคาเป้าหมายปี 2024 ที่ 38 บาท (DCF)

TARGET PRICE	THB38.00
CLOSE	THB33.25
UP/DOWNSIDE	+14.3%
PRIOR TP	THB46.00
CHANGE IN TP	-17.4%
TP vs CONSENSUS	-7.4%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	466,082	497,903	530,641	571,933
Net profit	7,697	8,834	11,126	13,810
EPS (THB)	0.73	0.83	1.05	1.31
vs Consensus (%)	-	(18.7)	(16.8)	(10.4)
EBITDA	34,252	34,143	37,672	41,626
Recurring net profit	7,697	8,933	11,126	13,810
Core EPS (THB)	0.73	0.84	1.05	1.31
Chg. In EPS est. (%)	-	(20.2)	(18.6)	(14.0)
EPS growth (%)	10.4	16.1	24.6	24.1
Core P/E (x)	45.7	39.4	31.6	25.5
Dividend yield (%)	1.5	1.8	2.2	2.7
EV/EBITDA (x)	12.5	12.2	11.2	10.1
Price/book (x)	1.2	1.2	1.2	1.2
Net debt/Equity (%)	25.7	21.7	23.6	23.0
ROE (%)	2.7	3.1	3.8	4.6

กำไรปกติหน้าจะลดลงจาก SSSG ที่ตกต่ำ

เรคาดกำไรสุทธิ 2Q23 ที่ 1.5 พัน ลบ. (-31% q-q, -5% y-y) ซึ่งต่ำกว่าประมาณการเดิมของเราประมาณ 21% เมื่อหักค่าธรรมเนียมจ่ายล่วงหน้าประมาณ 186 ลบ. เรคาดว่ากำไรปกติจะแตะ 1.7 พัน ลบ. (-19% q-q, +7% y-y) ใน 2Q23 รายได้จากการขายปลีกน่าจะเพิ่มเป็น 117 พัน ลบ. (+3% q-q และ y-y) โดยได้ปัจจัยหนุนจาก SSSG ในธุรกิจค้าส่งที่ 5% ซึ่งต่ำกว่าที่เราคาดไว้เดิมที่ 7-8% จากการลดลงของราคาสินค้าอาหารสดซึ่งโดยปกติจะคิดเป็น 40% ของธุรกิจค้าส่งและ 25% ของธุรกิจค้าปลีก เรคาด SSSG ของ Lotus's ที่ -0.5% ซึ่งต่ำกว่าที่เราคาดไว้เดิมประมาณ 1% จากเวลาเปิดให้บริการของสาขา Go Fresh ที่ลดลงเป็น 18 จาก 24 ชั่วโมง นอกจากนี้เรายังคาดตัวเลขสาขาเปิดสุทธิที่ 89 สาขาโดยส่วนมากจะเป็นร้าน Go Fresh ขนาดเล็ก

ความสามารถในการทำกำไรได้รับผลกระทบจากต้นทุนในการกระจายสินค้าและค่าไฟฟ้า

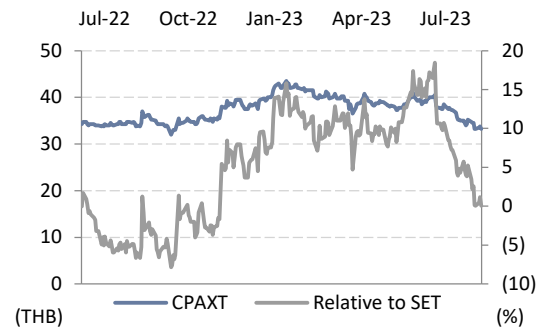
เรคาดว่าอัตรากำไรขั้นต้นจะทรงตัว y-y อยู่ที่ 16% (เทียบกับ 16.4% ใน 1Q23 และ 15.9% ใน 2Q22) ขณะที่สัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายน่าจะเพิ่มเป็น 14.3% (เทียบกับ 14.1% ใน 1Q23 และ 13.9% ใน 2Q22) จากต้นทุนการกระจายสินค้าที่สูงขึ้น (ค่าใช้จ่าย Pick & Pack) ในธุรกิจค้าส่ง, การเติบโตของยอดขายผ่าน Omni-channel (แอป Makro Pro), และค่าไฟฟ้าที่สูงขึ้น

ปรับลดประมาณการกำไรจากการพลิกฟื้นของ Lotus's ที่ช้าลง

ถ้ากำไรปกติ 2Q23 ออกมาตามคาด กำไรดังกล่าวจะคิดเป็นเพียง 32% ของประมาณการเต็มปีของเราซึ่งจะทำให้ 2H23 มีความท้าทายมากยิ่งขึ้น เพราะฉะนั้นเราจึงปรับลดประมาณการกำไรปี 2023-25 ของเราลง 20.2%, 18.6%, และ 14% โดยส่วนมากจากการดำเนินงานของ Lotus's ที่พลิกฟื้นได้ช้ากว่าคาดโดยเฉพาะอย่างยิ่งในด้าน SSSG, ชั่วโมงการเปิดให้บริการที่ลดลง, และการปิดสาขาที่มีผลประกอบการต่ำกว่าคาด ในช่วง 2H23 บริษัทฯ ยังมีปัจจัยบวกอีกหลายประการ อาทิเช่น 1) การฟื้นตัวของห่วงโซ่อุปทานและการบริโภค; 2) ค่าธรรมเนียมจ่ายล่วงหน้าที่จะหายไปในช่วง 2H23 และต้นทุนในการกู้ยืม (Cost of debt) ที่ลดลงซึ่งหมายความว่าค่าใช้จ่ายดอกเบี้ยจะลดลงอย่างน้อย 150-200 ลบ. ต่อไตรมาส; และ 3) ต้นทุนค่าสาธารณูปโภคที่ลดลงโดยเฉพาะอย่างยิ่งค่าไฟฟ้าตามการลดลงของค่าธรรมเนียมเชื้อเพลิง (FT)

คงแนะนำซื้อหลังปรับราคาเป้าหมายไปในปี 2024

เรคาดแนะนำซื้อหลังปรับราคาเป้าหมายไปในปี 2024 ที่ 38 บาท (DCF) ซึ่งคิดเป็นค่า 2024E P/E ที่ 36.1x เรคาดว่ากำไร 2Q23 น่าจะเป็นจุดต่ำสุดของปีก่อนปรับขึ้นในช่วงครึ่งปีหลัง เรคาดว่ากำไรปกติจะโต 25% ในปี 2024 โดยได้ปัจจัยหนุนจากสถานะทางการเงินที่มั่นคงและการฟื้นตัวของห่วงโซ่อุปทานและการบริโภคไปใกล้ระดับก่อนโควิด



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(11.3)	(14.7)	(4.3)
Relative to country (%)	(7.7)	(8.9)	(0.7)
Mkt cap (USD m)	10,075		
3m avg. daily turnover (USD m)	18.6		
Free float (%)	15		
Major shareholder	CP ALL (60%)		
12m high/low (THB)	43.50/32.00		
Issued shares (m)	10,580.32		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

CPAXT's strong presence in business-to-business (B2B) grocery wholesaling is coupled with Lotus's business-to-consumer (B2C) grocery retailing and consumer-centric brand in Southeast Asia. After its acquisition of Lotus's, CPAXT has become one of the leading players in grocery retailing and wholesaling in Asia (ex-Japan). In 2023-25, we forecast its revenue to grow at a c7% CAGR to reach THB572b in 2025, while its core profit should grow at a 21.5% CAGR to reach THB14b in 2025 from 1) a domestic consumption and tourism recovery; 2) synergies between Makro and Lotus's; 3) the O2O strategy targeting a 15-20% sales proportion within three years; and 4) restructuring its debt profile to mitigate the impact from interest rate hikes.

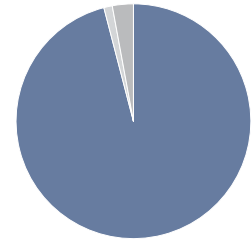
Company profile

Siam Makro Public Company Limited was established in 1988 to operate wholesale businesses throughout Thailand and overseas under the name Makro, selling food and non-food products to registered members, predominantly small and medium-sized businesses, retailers, caterers, professional sectors, and institutions. It also operates a food service that imports and trades frozen and chilled foods, and restaurants and minimarts. In addition, its subsidiaries operate retail businesses and provide mall rental services.

www.siammakro.co.th

Principal activities (revenue, 2022)

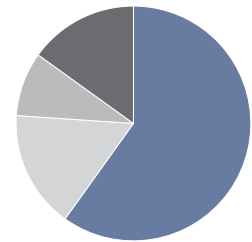
- Sales - 95.9 %
- Service income - 1.2 %
- Rental and rendering retail services - 2.9 %



Source: CP Aextra

Major shareholders

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



Source: CP Aextra

Catalysts

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

Risks to our call

The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.

Event calendar

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

Key assumptions

Key assumptions	2023E	2024E	2025E
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 growth (%)	5.0	4.3	4.0
GPM (%)	16.5	16.6	16.7
SG&A to sales (%)	13.7	13.5	13.2

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 EPS to rise by 0.8% and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2023 EPS to rise by 3.5% and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2023 EPS to fall by 3.6% and vice versa, all else being equal.
- For every 0.5% decrease in the effective interest rate, we estimate 2023 EPS to rise by 5.7% and vice versa, all else being equal.

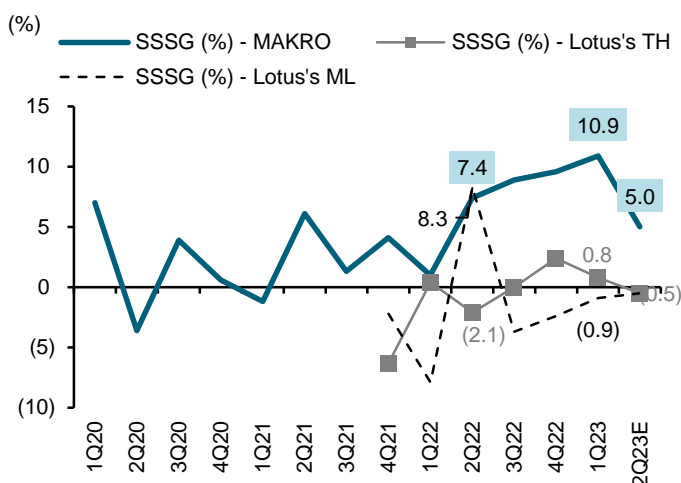
Source: FSSIA estimates

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 %)
Total revenue	117,933	114,963	121,995	119,089	121,840	2	3	497,903	530,641	7
- Retail sales	113,364	110,162	117,389	114,044	116,982	3	3	477,221	507,973	6
- Service income	1,451	1,354	1,165	1,487	1,521	2	5	5,704	5,826	2
- Rental and rendering retail	3,118	3,447	3,952	3,558	3,337	(6)	7	14,978	16,841	12
Gross profit	18,763	19,232	20,332	19,473	19,494	0	4	82,002	87,921	7
Operating costs	(15,776)	(16,031)	(16,419)	(16,106)	(16,728)	4	6	(68,126)	(71,655)	5
Operating profit	2,987	3,201	3,913	3,367	2,766	(18)	(7)	13,876	16,266	17
Other income	530	597	1,386	1,133	819	(28)	54	2,570	2,667	4
Interest expense	(1,598)	(1,826)	(2,204)	(1,895)	(1,895)	0	19	(6,446)	(6,250)	(3)
Profit before tax	1,920	1,972	3,095	2,605	1,690	(35)	(12)	10,000	12,684	27
Tax	(549)	(603)	(810)	(647)	(420)	(35)	(24)	(2,000)	(2,537)	27
Associates	202	230	175	193	211	9	4	918	964	5
Minority interests	0	3	11	15	15	0	3,259	15	15	0
Non-recurring items	0	0	(225)	87	(186)	(314)	n/a	(99)	0	(100)
Reported net profit	1,573	1,602	2,471	2,166	1,495	(31)	(5)	8,834	11,126	26
Recurring net profit	1,573	1,602	2,696	2,079	1,681	(19)	7	8,933	11,126	25
EPS (THB)	0.15	0.15	0.23	0.20	0.14	(31)	(5)	0.83	1.05	26
Recurring EPS (THB)	0.15	0.15	0.25	0.20	0.16	(19)	7	0.84	1.05	25
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross profit margin	15.9	16.7	16.6	16.4	16.0	(0.4)	0.1	16.5	16.6	0.1
Operating margin	2.5	2.8	3.2	2.8	2.3	(0.6)	(0.3)	2.8	3.1	0.3
Recurring net margin	1.3	1.4	2.2	1.7	1.4	(0.4)	0.0	1.8	2.1	0.3
SG&A / Sales	13.9	14.6	14.0	14.1	14.3	0.2	0.4	14.3	14.1	(0.2)
Operating statistics	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
SSSG (%) - Makro	7.4	8.9	9.6	10.9	5.0	(5.9)	(2.4)	6.0	3.0	(3.0)
SSSG (%) - Lotus's TH	(2.1)	0.0	2.4	0.8	(0.5)	(1.3)	1.6	(0.5)	2.0	2.5
SSSG (%) - Lotus's ML	8.3	(3.7)	(2.4)	(0.9)	(0.5)	0.4	(8.8)	(1.0)	1.0	2.0
Number of stores (Wholesale) (no.)	154	154	162	163	164	0.6	6.5	178	190	6.7
Number of stores (Lotus) (no.)	2,661	2,644	2,643	2,654	2,565	(3.4)	(3.6)	2,767	2,882	4.2

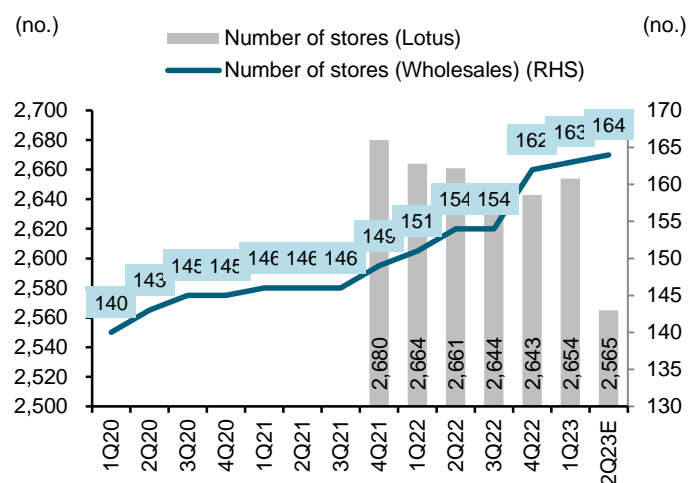
Sources: CPAXT; FSSIA estimates

Exhibit 2: Same-store sales growth by business unit



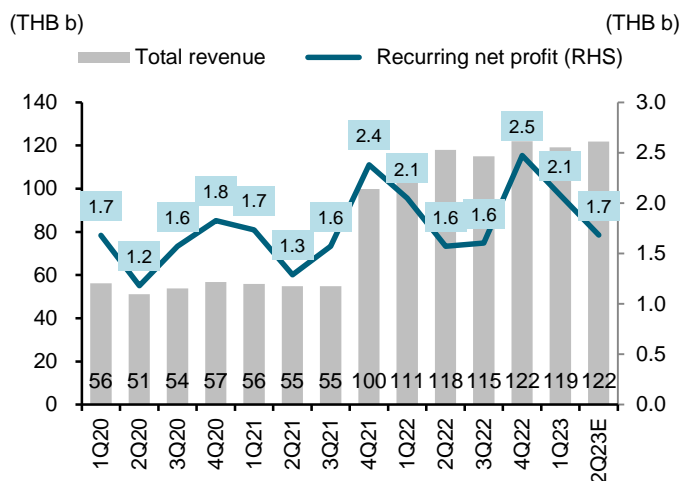
Sources: CPAXT; FSSIA estimates

Exhibit 3: Number of stores



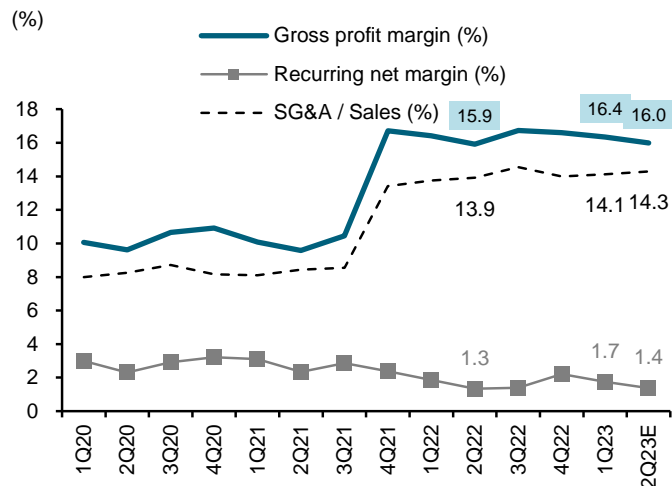
Sources: CPAXT; FSSIA estimates

Exhibit 4: Quarterly earnings



Sources: CPAXT; FSSIA estimates

Exhibit 5: Profitability (quarterly)



Sources: CPAXT; FSSIA estimates

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

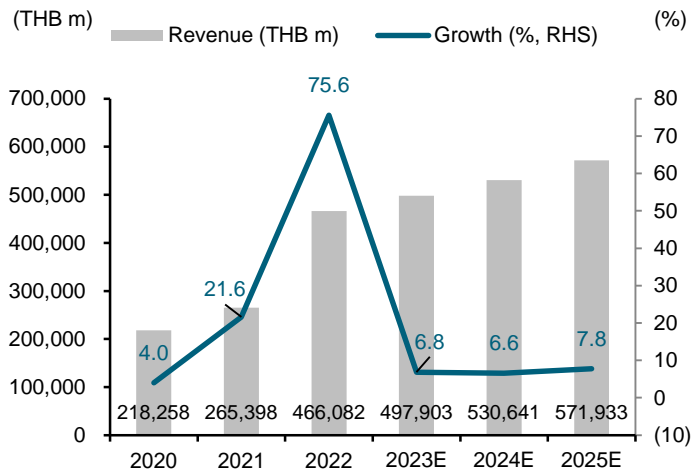
We cut our 2023-25 core profit forecasts by 20.2%, 18.6% and 14% due to the slower-than-expected turnaround in Lotus's operations. We revise down SSSG for Lotus's Thailand as operating hours for Lotus's Go Fresh (small format) stores are reduced to 18 hours from 24 hours, plus the slower-than-expected consumption recovery in Malaysia. In addition, we revise down our new store expansion estimates for Lotus's. We also revise down our gross margin forecast for Lotus's to 18.3% from 18.8% in 2023, due to the reduction in small format stores which have higher product margins than the large format stores, and increase our SG&A estimates due to the extra expenses from store closures. However, we retain our gross margin and SG&A estimates for the wholesale business.

Exhibit 6: Changes in key assumptions for CPAXT

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Retail sales (THB m)	497,903	530,641	571,933	508,344	545,268	589,262	(2.1)	(2.7)	(2.9)
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
New stores growth - Makro (%)	9.9	6.7	5.8	11.1	6.7	5.7	(1)	0	0
New stores growth - Lotus's (%)	4.7	4.2	3.9	6.6	5.9	5.5	(2)	(2)	(2)
Gross margin (%)	16.5	16.6	16.7	16.8	17.0	17.1	(0.3)	(0.4)	(0.4)
SG&A expenses to total revenue (%)	13.7	13.5	13.2	13.5	13.4	13.3	0.2	0.1	(0.0)
Core profit (THB m)	8,933	11,126	13,810	11,187	13,670	16,055	(20.2)	(18.6)	(14.0)

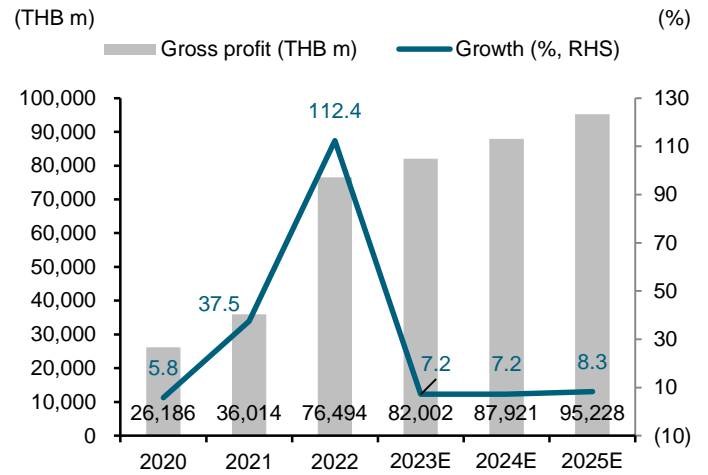
Source: FSSIA estimates

Exhibit 7: Yearly revenue



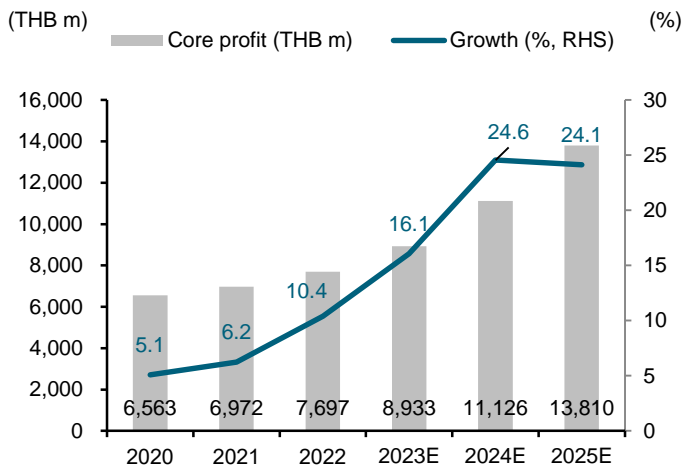
Sources: CPAXT; FSSIA estimates

Exhibit 8: Yearly gross profit



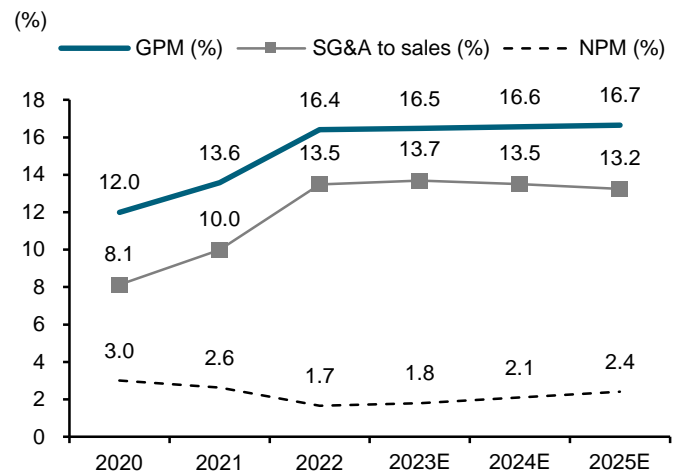
Sources: CPAXT; FSSIA estimates

Exhibit 9: Yearly core profit



Sources: CPAXT; FSSIA estimates

Exhibit 10: Profitability



Sources: CPAXT; FSSIA estimates

Roll over our 2024 target price

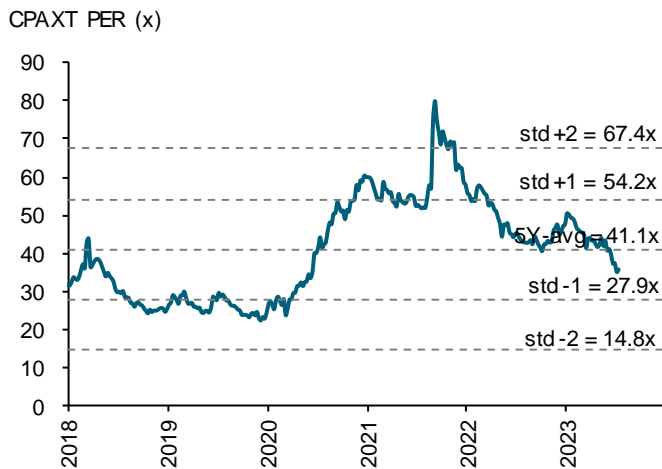
We retain our BUY call and roll over our DCF-based TP to 2024 at THB38, implying 36.1x 2024E P/E. We believe 2Q23 earnings should be the bottom for this year, weighed down by upfront fees from debt prepayments amid the debt restructuring for its retail business. Once that is finished in 2Q23, we expect to see earnings ramp up in the second half of the year. Further ahead in 2024, core profit should grow by 25% as the political environment stabilises and consumption and tourism bounce back to near the pre-Covid level.

Exhibit 11: DCF-based valuation

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	7.1	
Terminal growth	2.0	
NPV		74
Add: terminal value		401
Sum of PV		475
Less: debt		70
Less: minorities		0.6
Residual ordinary equity		404
No. of shares (m)		10,580
Residual ordinary equity (THB/share)		38.0

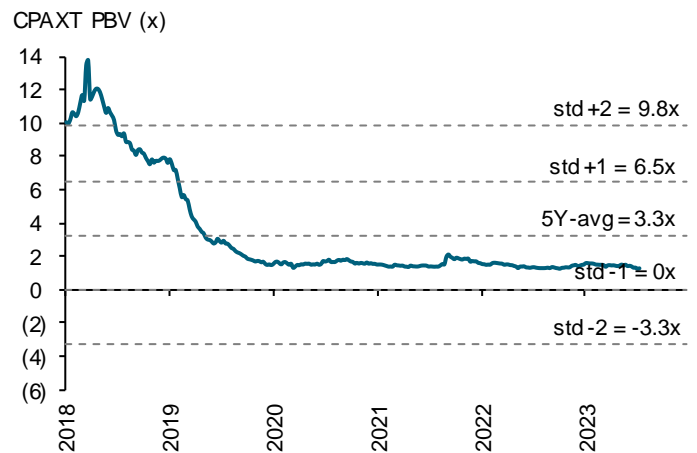
Source: FSSIA estimates

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 Xtra

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	265,398	466,082	497,903	530,641	571,933
Cost of goods sold	(229,384)	(389,588)	(415,901)	(442,719)	(476,706)
Gross profit	36,014	76,494	82,002	87,921	95,228
Other operating income	970	3,050	2,570	2,667	2,799
Operating costs	(26,490)	(62,842)	(68,126)	(71,655)	(75,728)
Operating EBITDA	16,622	34,252	34,143	37,672	41,626
Depreciation	(6,128)	(17,551)	(17,698)	(18,738)	(19,328)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	10,494	16,701	16,445	18,933	22,298
Net financing costs	(1,557)	(7,122)	(6,446)	(6,250)	(6,319)
Associates	(226)	831	918	964	1,012
Recurring non-operating income	(226)	831	918	964	1,012
Non-recurring items	6,714	0	(99)	0	0
Profit before tax	15,425	10,411	10,819	13,648	16,991
Tax	(2,128)	(2,729)	(2,000)	(2,537)	(3,196)
Profit after tax	13,298	7,682	8,819	11,111	13,795
Minority interests	389	15	15	15	15
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	13,687	7,697	8,834	11,126	13,810
Non-recurring items & goodwill (net)	(6,714)	0	99	0	0
Recurring net profit	6,972	7,697	8,933	11,126	13,810
Per share (THB)					
Recurring EPS *	0.66	0.73	0.84	1.05	1.31
Reported EPS	1.29	0.73	0.83	1.05	1.31
DPS	0.32	0.51	0.58	0.74	0.91
Diluted shares (used to calculate per share data)	10,580	10,580	10,580	10,580	10,580
Growth					
Revenue (%)	21.6	75.6	6.8	6.6	7.8
Operating EBITDA (%)	32.6	106.1	(0.3)	10.3	10.5
Operating EBIT (%)	17.2	59.1	(1.5)	15.1	17.8
Recurring EPS (%)	(51.8)	10.4	16.1	24.6	24.1
Reported EPS (%)	(5.4)	(43.8)	14.8	25.9	24.1
Operating performance					
Gross margin inc. depreciation (%)	13.6	16.4	16.5	16.6	16.7
Gross margin exc. depreciation (%)	15.9	20.2	20.0	20.1	20.0
Operating EBITDA margin (%)	6.3	7.3	6.9	7.1	7.3
Operating EBIT margin (%)	4.0	3.6	3.3	3.6	3.9
Net margin (%)	2.6	1.7	1.8	2.1	2.4
Effective tax rate (%)	23.8	28.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	48.6	70.1	69.2	70.0	70.0
Interest cover (X)	6.6	2.5	2.7	3.2	3.7
Inventory days	38.0	34.2	33.0	30.4	30.2
Debtor days	2.2	1.9	2.9	3.9	3.9
Creditor days	72.1	59.9	60.7	64.3	66.4
Operating ROIC (%)	17.7	15.4	17.6	20.2	22.0
ROIC (%)	2.9	3.0	3.3	3.8	4.3
ROE (%)	3.5	2.7	3.1	3.8	4.6
ROA (%)	2.1	2.3	2.5	2.8	3.2

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Sales	258,630	447,182	477,221	507,973	547,261
Service income	4,136	5,422	5,704	5,826	6,011
Rental and rendering retail services	2,631	13,477	14,978	16,841	18,661

Sources: CP Xtra; FSSIA estimates

Financial Statements

CP Axtra

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	6,972	7,697	8,933	11,126	13,810
Depreciation	6,128	17,551	17,698	18,738	19,328
Associates & minorities	419	96	0	0	0
Other non-cash items	(191)	(187)	597	(203)	249
Change in working capital	13,416	(4,400)	9,439	5,631	5,419
Cash flow from operations	26,744	20,757	36,666	35,292	38,806
Capex - maintenance	-	-	-	-	-
Capex - new investment	(93,470)	(15,872)	(27,280)	(28,898)	(30,179)
Net acquisitions & disposals	(229,281)	(5,027)	(3,130)	(3,296)	(3,459)
Other investments (net)	12,662	815	9,898	(2,970)	4,324
Cash flow from investing	(310,090)	(20,085)	(20,511)	(35,164)	(29,314)
Dividends paid	(3,386)	(5,396)	(6,184)	(7,788)	(9,667)
Equity finance	176,619	50	185	185	185
Debt finance	168,123	(23,753)	1,163	5,524	(1,857)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	341,357	(29,099)	(4,836)	(2,080)	(11,339)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	(99)	0	0
Movement in cash	58,011	(28,426)	11,220	(1,951)	(1,846)
Free cash flow to firm (FCFF)	(281,788.59)	7,794.01	22,601.00	6,378.00	15,812.07
Free cash flow to equity (FCFE)	(115,221.97)	(23,080.44)	17,218.80	5,651.95	7,636.07
Per share (THB)					
FCFF per share	(26.63)	0.74	2.14	0.60	1.49
FCFE per share	(10.89)	(2.18)	1.63	0.53	0.72
Recurring cash flow per share	1.26	2.38	2.57	2.80	3.16
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	141,469	148,498	175,778	204,676	234,855
Less: Accumulated depreciation	(23,025)	(30,383)	(46,597)	(63,718)	(81,299)
Tangible fixed assets (net)	118,444	118,115	129,181	140,958	153,556
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	14,310	14,961	14,961	14,961	14,961
Cash & equivalents	68,530	40,103	51,323	49,372	47,525
A/C receivable	2,301	2,431	5,456	5,815	6,268
Inventories	31,967	37,820	34,184	36,388	39,181
Other current assets	7,203	7,001	7,479	7,971	8,591
Current assets	110,001	87,355	98,442	99,546	101,566
Other assets	326,737	328,213	330,082	331,989	333,934
Total assets	569,491	548,643	572,666	587,454	604,016
Common equity	287,997	290,348	293,183	296,706	301,034
Minorities etc.	501	583	567	552	537
Total shareholders' equity	288,498	290,931	293,751	297,258	301,571
Long term debt	105,120	110,025	15,806	105,146	84,184
Other long-term liabilities	57,661	56,925	58,147	59,310	60,496
Long-term liabilities	162,781	166,949	73,954	164,456	144,680
A/C payable	60,236	61,818	70,646	78,840	87,505
Short term debt	34,269	4,796	99,179	14,429	32,581
Other current liabilities	23,707	24,148	35,136	32,470	37,679
Current liabilities	118,211	90,763	204,962	125,739	157,765
Total liabilities and shareholders' equity	569,490	548,643	572,666	587,454	604,016
Net working capital	(42,472)	(38,715)	(58,664)	(61,137)	(71,144)
Invested capital	417,018	422,573	415,560	426,772	431,307
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	27.22	27.44	27.71	28.04	28.45
Tangible book value per share	27.22	27.44	27.71	28.04	28.45
Financial strength					
Net debt/equity (%)	24.6	25.7	21.7	23.6	23.0
Net debt/total assets (%)	12.4	13.6	11.1	12.0	11.5
Current ratio (x)	0.9	1.0	0.5	0.8	0.6
CF interest cover (x)	(13.0)	0.0	7.9	6.5	7.0
Valuation					
Recurring P/E (x) *	50.5	45.7	39.4	31.6	25.5
Recurring P/E @ target price (x) *	57.7	52.2	45.0	36.1	29.1
Reported P/E (x)	25.7	45.7	39.8	31.6	25.5
Dividend yield (%)	1.0	1.5	1.8	2.2	2.7
Price/book (x)	1.2	1.2	1.2	1.2	1.2
Price/tangible book (x)	1.2	1.2	1.2	1.2	1.2
EV/EBITDA (x) **	25.5	12.5	12.2	11.2	10.1
EV/EBITDA @ target price (x) **	28.5	13.9	13.7	12.6	11.3
EV/invested capital (x)	1.0	1.0	1.0	1.0	1.0
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: CP Axtra; 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 **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >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: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability 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

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 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

Company	Ticker	Price	Rating	Valuation & Risks
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 Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 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.