

# CP AXTRA CPAXT TB

THAILAND / COMMERCE

## BUY

UNCHANGED

## 3Q23 performance should recover q-q and y-y

- We expect the 3Q23 normalized earnings at THB2.1b (+23% q-q, +30% y-y) due mainly to lower interest expenses.
- The 4Q23 profit growth should continue q-q and y-y.
- Maintain BUY rating at our 2024 TP of Bt38 (DCF).

TARGET PRICE	THB38.00
CLOSE	THB32.50
UP/DOWNSIDE	+16.9%
PRIOR TP	THB38.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-0.6%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	466,082	497,903	530,641	571,933
Net profit	7,697	8,835	11,126	13,810
EPS (THB)	0.73	0.84	1.05	1.31
vs Consensus (%)	-	(10.4)	(11.0)	(3.4)
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. (%)	-	-	-	-
EPS growth (%)	10.4	16.1	24.6	24.1
Core P/E (x)	44.7	38.5	30.9	24.9
Dividend yield (%)	1.6	1.8	2.3	2.8
EV/EBITDA (x)	12.2	12.0	11.0	9.9
Price/book (x)	1.2	1.2	1.2	1.1
Net debt/Equity (%)	25.7	21.7	23.6	23.0
ROE (%)	2.7	3.1	3.8	4.6

## Sales would grow due to continued SSSG in wholesale and retail businesses

We anticipate sales revenue of THB113bn, down by 2.5% q-q due to lower fresh food and cooking oil prices. However, it would be up by 2.6% due to continued SSSG in the wholesale and retail units. In particular, we project wholesale SSSG of 3% y-y, supported by sales promotion, particularly in August when MAKRO celebrated its 34th anniversary, two new store launches in Samut Songkhram and Surat Thani, and high online sales growth. Also, we forecast retail SSSG to turn positive at 1% (from -0.9% in 2Q23), supported by its 9.9 campaign and the 30th anniversary of Lotus's.

## 3Q23 core profit should grow q-q and y-y due to lower interest expenses

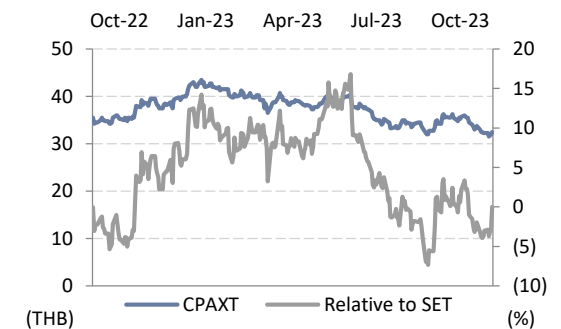
We expect the wholesale gross margin of 10.6% (vs. 9.8% in 2Q23 and 10.6% in 3Q22) due to improved product mix. Also, we forecast the retail gross margin at 18% (vs. 18% in 2Q23 and 19.1% in 3Q22) due partly to price investment. SG&A to sales ratio should stand at 14.4% (vs. 14.1% in 2Q23 and 14.6% in 3Q23). It would up q-q due to selling expenses on omnichannel, particularly online sales, which have pick and pack and high delivery expenses. However, it would improve y-y due to Lotus's branch optimization, which helped the retail unit cut expenses. As a result, we anticipate 3Q23 normalized earnings of THB2.1b (+23% q-q, 30% y-y) due mainly to lower interest expenses.

## Positive view on the 4Q23 and 2024 performance

If the 3Q23 is in line, the 9M23 core profit will secure 66% of our full-year estimate. In our view, CPAXT still has catalysts in 4Q23. They include 1) festive seasons late this year, 2) potentially lower electricity bills and interest expenses, and 3) the government's stimulus package through consumption.

## Maintain BUY rating at our 2024 TP of Bt38

We retain our 2023-2024E normalized earnings of THB8.9b (+16% y-y) and THB11b (+25% y-y), respectively. We reaffirm our BUY rating at our 2024 TP of THB38.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.5)	(2.3)	(1.5)
Relative to country (%)	(1.5)	1.3	8.2
Mkt cap (USD m)	9,292		
3m avg. daily turnover (USD m)	7.9		
Free float (%)	15		
Major shareholder	CP ALL (60%)		
12m high/low (THB)	43.50/30.75		
Issued shares (m)	10,580.32		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

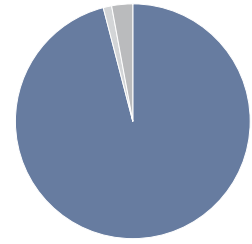
CPAXT's strong presence in business-to-business (B2B) grocery wholesaling is coupled with Lotus's business-to-consumer (B2C) grocery retailing and consumer-centric brand in Southeast Asia. After its acquisition of Lotus's, CPAXT has become one of the leading players in grocery retailing and wholesaling 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.

## Principal activities (revenue, 2022)

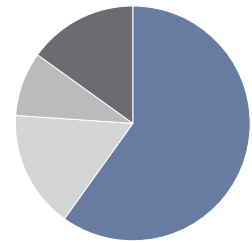
- Sales - 95.9 %
- Service income - 1.2 %
- Rental and rendering retail services - 2.9 %



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
November 2023	3Q23 results announcement

## 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

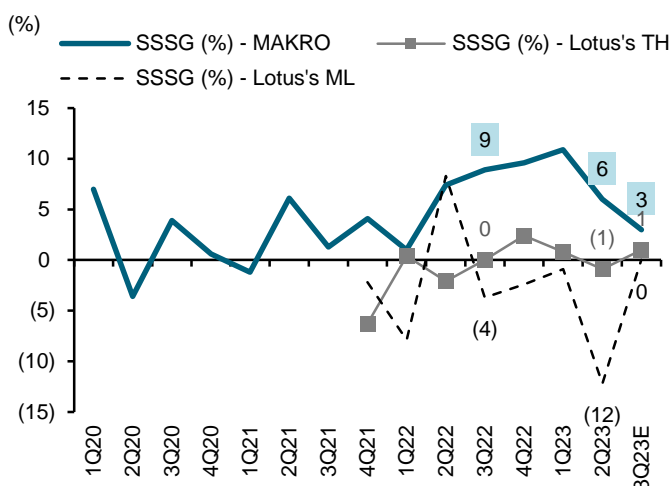
## Exhibit 1: 3Q23 results preview

Year to Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M23E	Change	2023E	2024E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)	(THB m)	(THB m)
<b>Total revenue</b>	<b>114,963</b>	<b>121,995</b>	<b>119,089</b>	<b>120,909</b>	<b>118,227</b>	<b>(2)</b>	<b>3</b>	<b>358,225</b>	<b>4</b>	<b>497,903</b>	<b>530,641</b>
- Retail sales	110,162	117,389	114,044	115,980	113,073	(3)	3	343,097	4	477,221	507,973
- Service income	1,354	1,165	1,487	1,445	1,478	2	9	4,410	4	5,704	5,826
- Rental and services	3,447	3,952	3,558	3,484	3,676	5	7	10,718	13	14,978	16,841
<b>Gross profit</b>	<b>19,232</b>	<b>20,332</b>	<b>19,473</b>	<b>19,001</b>	<b>19,238</b>	<b>1</b>	<b>0.0</b>	<b>57,713</b>	<b>3</b>	<b>82,002</b>	<b>87,921</b>
Operating costs	(16,031)	(16,419)	(16,106)	(16,306)	(16,235)	(0.4)	1	(48,648)	5	(68,126)	(71,655)
<b>Operating profit</b>	<b>3,201</b>	<b>3,913</b>	<b>3,367</b>	<b>2,695</b>	<b>3,003</b>	<b>11</b>	<b>(6)</b>	<b>9,065</b>	<b>(7)</b>	<b>13,876</b>	<b>16,266</b>
Other income	597	1,386	1,133	703	792	13	33	2,628	58	2,570	2,667
<b>EBIT</b>	<b>3,798</b>	<b>5,299</b>	<b>4,500</b>	<b>3,398</b>	<b>3,795</b>	<b>12</b>	<b>(0)</b>	<b>11,693</b>	<b>n/a</b>	<b>16,445</b>	<b>18,933</b>
Interest expense	(1,826)	(2,204)	(1,895)	(1,570)	(1,284)	(18)	(30)	(4,749)	(3)	(6,446)	(6,250)
Profit before tax	1,972	3,095	2,605	1,828	2,511	37	27	6,944	7	10,000	12,684
Tax	(603)	(810)	(647)	(527)	(628)	19	4	(1,802)	(6)	(2,000)	(2,537)
Associates	230	175	193	201	192	(4)	(16)	586	(11)	918	964
Minority interests	3	11	15	14	15	7	336	44	921	15	15
Non recurring items	0	(225)	87	(185)	0	(100)	n/a	(98)	n/a	(98)	0
Reported net profit	1,602	2,471	2,166	1,516	2,090	38	30	5,772	10	8,835	11,126
<b>Recurring net profit</b>	<b>1,602</b>	<b>2,696</b>	<b>2,079</b>	<b>1,701</b>	<b>2,090</b>	<b>23</b>	<b>30</b>	<b>5,870</b>	<b>12</b>	<b>8,933</b>	<b>11,126</b>
EPS (THB)	0.15	0.23	0.20	0.14	0.20	38	30	0.55	10	0.84	1.05
Recurring EPS (THB)	0.15	0.25	0.20	0.16	0.20	23	30	0.55	12	0.84	1.05
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>
Gross profit margin	16.7	16.6	16.4	15.7	16.3	0.6	(0.5)	12.4	(0.4)	16.5	16.6
Operating margin	2.8	3.2	2.8	2.2	2.5	0.3	(0.2)	2.5	(0.3)	2.8	3.1
Recurring net margin	1.4	2.2	1.7	1.4	1.8	0.4	0.4	1.6	0.1	1.8	2.1
SG&A / Sales	14.6	14.0	14.1	14.1	14.4	0.3	(0.2)	14.2	0.1	14.3	14.1
<b>Operating statistics</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>			<b>(%)</b>	<b>(%)</b>
SSSG (%) - MAKRO	8.9	9.6	10.9	6.0	3.0	(3.0)	(5.9)			6.0	3.0
SSSG (%) - Lotus's TH	0.0	2.4	0.8	(0.9)	1.0	1.9	1.0			(0.5)	2.0
SSSG (%) - Lotus's ML*	(3.7)	(2.4)	(0.9)	(12.2)	0.0*	12.2	3.7			(1.0)	1.0

\*Note: Local currency

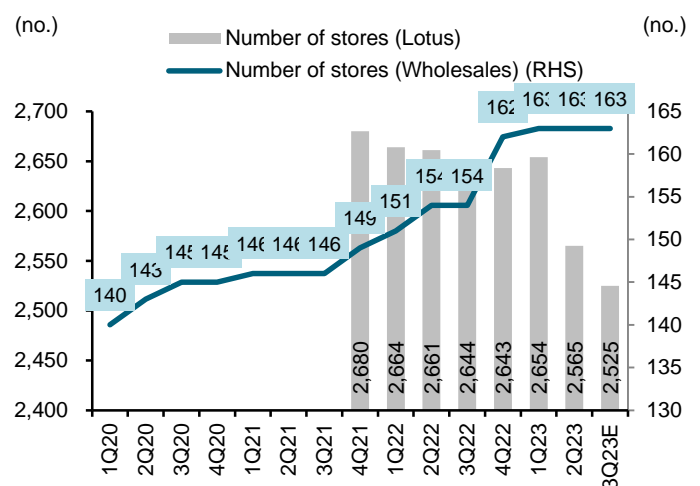
Sources: CPAXT; FSSIA estimates

## Exhibit 2: Same-store sales growth by business unit



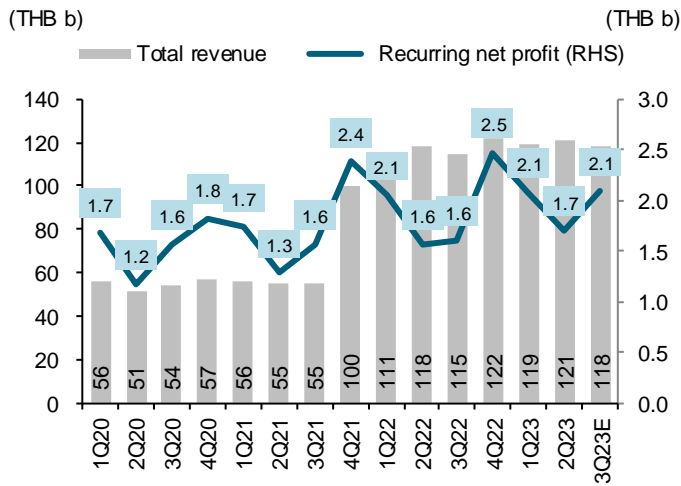
Sources: CPAXT; FSSIA estimates

## Exhibit 3: Number of stores



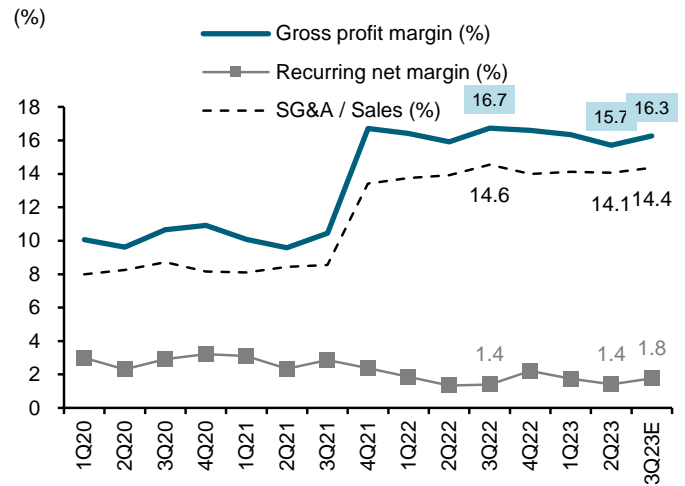
Sources: CPAXT; FSSIA estimates

**Exhibit 4: Quarterly earnings**



Sources: CPAXT; FSSIA estimates

**Exhibit 5: Profitability**



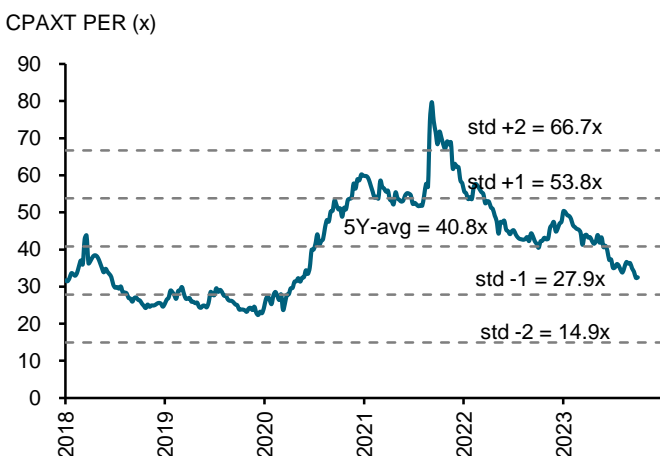
Sources: CPAXT; FSSIA estimates

**Exhibit 6: 2024 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
<b>Residual ordinary equity (THB/share)</b>		<b>38.0</b>

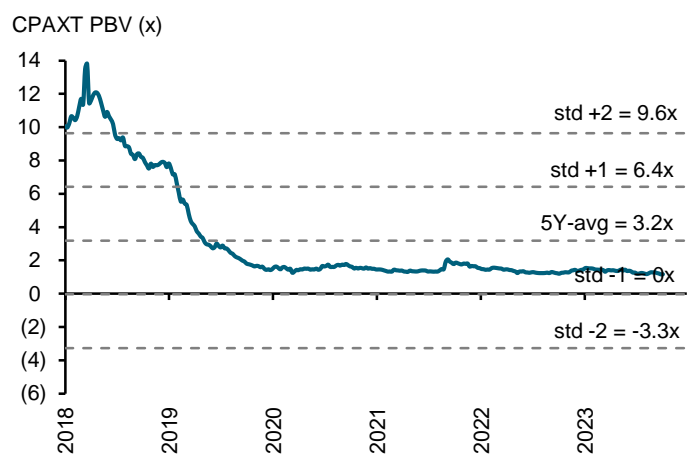
Source: FSSIA estimates

**Exhibit 7: Rolling one-year forward P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: Rolling one-year forward P/BV band**



Sources: Bloomberg; FSSIA estimates

## Exhibit 9: Commerce peers as of 6 October 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Consumer Staple</b>														
CP All	CPALL TB	BUY	61.00	77.00	26	14,808	33.4	28.2	15.6	17.0	5.5	5.0	22.5	20.0
CP Axtra	CPAXT TB	BUY	32.50	38.00	17	9,292	38.5	30.9	3.1	3.8	1.2	1.2	12.0	11.0
Berli Jucker*	BJC TB	n/a	30.75	n/a	n/a	3,295	21.0	18.2	4.8	5.4	1.0	1.0	13.4	12.8
<b>Consumer Staple average</b>						<b>27,395</b>	<b>31.0</b>	<b>25.8</b>	<b>7.8</b>	<b>8.7</b>	<b>2.6</b>	<b>2.4</b>	<b>15.9</b>	<b>14.6</b>
<b>Consumer Discretionary</b>														
Com7	COM7 TB	BUY	31.00	40.00	29	1,998	21.6	17.9	44.8	46.7	9.1	7.8	15.2	12.9
Central Retail Corp*	CRC TB	n/a	39.00	n/a	n/a	6,258	27.9	22.6	12.9	14.3	3.4	3.0	11.3	10.3
<b>Home Improvement</b>														
Index Living Mall	ILM TB	BUY	23.70	26.70	13	323	17.2	15.5	12.0	12.7	2.0	1.9	8.1	7.4
Home Product Center	HMPRO TB	BUY	12.30	16.00	30	4,371	24.6	22.3	26.4	27.7	6.3	6.0	14.5	13.3
Siam Global House	GLOBAL TB	BUY	16.20	20.50	27	2,190	27.7	24.3	12.8	13.4	3.4	3.1	21.1	18.8
Dohome	DOHOME TB	BUY	11.30	13.00	15	943	58.7	31.4	4.9	8.5	2.8	2.6	25.6	18.8
<b>Home Improvement avg.</b>						<b>7,828</b>	<b>32.1</b>	<b>23.4</b>	<b>14.0</b>	<b>15.6</b>	<b>3.6</b>	<b>3.4</b>	<b>17.3</b>	<b>14.6</b>
<b>Consumer Discretionary avg.</b>						<b>16,084</b>	<b>29.6</b>	<b>22.3</b>	<b>19.0</b>	<b>20.6</b>	<b>4.5</b>	<b>4.1</b>	<b>16.0</b>	<b>13.6</b>
<b>Total average</b>						<b>43,479</b>	<b>30.1</b>	<b>23.5</b>	<b>15.3</b>	<b>16.6</b>	<b>3.9</b>	<b>3.5</b>	<b>16.0</b>	<b>13.9</b>

Sources: \*Bloomberg; FSSIA estimates

## Financial Statements

CP Axtra

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)
<b>Gross profit</b>	<b>36,014</b>	<b>76,494</b>	<b>82,002</b>	<b>87,921</b>	<b>95,228</b>
Other operating income	970	3,050	2,570	2,667	2,799
Operating costs	(26,490)	(62,842)	(68,126)	(71,655)	(75,728)
<b>Operating EBITDA</b>	<b>16,622</b>	<b>34,252</b>	<b>34,143</b>	<b>37,672</b>	<b>41,626</b>
Depreciation	(6,128)	(17,551)	(17,698)	(18,738)	(19,328)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>10,494</b>	<b>16,701</b>	<b>16,445</b>	<b>18,933</b>	<b>22,298</b>
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	(98)	0	0
<b>Profit before tax</b>	<b>15,425</b>	<b>10,411</b>	<b>10,820</b>	<b>13,648</b>	<b>16,991</b>
Tax	(2,128)	(2,729)	(2,000)	(2,537)	(3,196)
<b>Profit after tax</b>	<b>13,298</b>	<b>7,682</b>	<b>8,820</b>	<b>11,111</b>	<b>13,795</b>
Minority interests	389	15	15	15	15
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>13,687</b>	<b>7,697</b>	<b>8,835</b>	<b>11,126</b>	<b>13,810</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(6,714)</b>	<b>0</b>	<b>98</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,972</b>	<b>7,697</b>	<b>8,933</b>	<b>11,126</b>	<b>13,810</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.66	0.73	0.84	1.05	1.31
Reported EPS	1.29	0.73	0.84	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
<b>Growth</b>					
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
<b>Operating performance</b>					
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					
<b>Revenue by Division (THB m)</b>					
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 Axtra; 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
<b>Cash flow from operations</b>	<b>26,744</b>	<b>20,757</b>	<b>36,666</b>	<b>35,292</b>	<b>38,806</b>
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
<b>Cash flow from investing</b>	<b>(310,090)</b>	<b>(20,085)</b>	<b>(20,511)</b>	<b>(35,164)</b>	<b>(29,314)</b>
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)	1,162	5,524	(1,857)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>341,357</b>	<b>(29,099)</b>	<b>(4,837)</b>	<b>(2,080)</b>	<b>(11,339)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>(98)</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>58,011</b>	<b>(28,426)</b>	<b>11,220</b>	<b>(1,951)</b>	<b>(1,846)</b>
Free cash flow to firm (FCFF)	(281,788.59)	7,794.01	22,601.00	6,378.00	15,812.07
Free cash flow to equity (FCFE)	(115,221.97)	(23,080.44)	17,219.50	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	2021	2022	2023E	2024E	2025E
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)
<b>Tangible fixed assets (net)</b>	<b>118,444</b>	<b>118,115</b>	<b>129,181</b>	<b>140,958</b>	<b>153,556</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	14,310	14,961	14,961	14,961	14,961
Cash & equivalents	68,530	40,103	51,323	49,372	47,525
A/C receivable	2,301	2,431	5,456	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
<b>Current assets</b>	<b>110,001</b>	<b>87,355</b>	<b>98,442</b>	<b>99,546</b>	<b>101,566</b>
Other assets	326,737	328,213	330,082	331,989	333,934
<b>Total assets</b>	<b>569,491</b>	<b>548,643</b>	<b>572,666</b>	<b>587,454</b>	<b>604,016</b>
Common equity	287,997	290,348	293,184	296,706	301,034
Minorities etc.	501	583	567	552	537
<b>Total shareholders' equity</b>	<b>288,498</b>	<b>290,931</b>	<b>293,751</b>	<b>297,259</b>	<b>301,572</b>
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
<b>Long-term liabilities</b>	<b>162,781</b>	<b>166,949</b>	<b>73,954</b>	<b>164,456</b>	<b>144,680</b>
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
<b>Current liabilities</b>	<b>118,211</b>	<b>90,763</b>	<b>204,962</b>	<b>125,739</b>	<b>157,765</b>
<b>Total liabilities and shareholders' equity</b>	<b>569,490</b>	<b>548,643</b>	<b>572,666</b>	<b>587,454</b>	<b>604,017</b>
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	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>49.3</b>	<b>44.7</b>	<b>38.5</b>	<b>30.9</b>	<b>24.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>57.7</b>	<b>52.2</b>	<b>45.0</b>	<b>36.1</b>	<b>29.1</b>
Reported P/E (x)	25.1	44.7	38.9	30.9	24.9
Dividend yield (%)	1.0	1.6	1.8	2.3	2.8
Price/book (x)	1.2	1.2	1.2	1.2	1.1
Price/tangible book (x)	1.2	1.2	1.2	1.2	1.1
EV/EBITDA (x) **	25.0	12.2	12.0	11.0	9.9
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)<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).

### Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

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

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

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

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

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

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

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

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

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

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

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

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >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 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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Company	Ticker	Price	Rating	Valuation & Risks
CP Aextra	CPAXT TB	THB 32.50	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.
CP All	CPALL TB	THB 61.00	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.
Com7	COM7 TB	THB 31.00	BUY	Downside risks to our P/E-based TP include 1) lower consumer spending; 2) store cannibalisation; and 3) product shortages.
Index Living Mall	ILM TB	THB 23.70	BUY	Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) higher-than-expected SG&A.
Home Product Center	HMPRO TB	THB 12.30	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.
Siam Global House	GLOBAL TB	THB 16.20	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces and a larger-than-expected impact on farm income from the El Nino effect.
Dohome PCL	DOHOME TB	THB 11.30	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; and 4) a worse-than-expected effect from El Nino.

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.

All share prices are as at market close on 06-Oct-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.