

Thailand Commerce

Slightly negative 2QTD SSSG trend due to rain

- 2QTD SSSG showed signs of weakness from 1Q24 in line with seasonality as Thailand entered its rainy season in May.
- The commerce sector's 2Q24 aggregate profit should grow y-y but decrease q-q in line with seasonal factors.
- CPALL is our top pick due to its SSSG and continued core profit growth outlook.

2QTD SSSG looks weaker from 1Q24 despite strong staples growth

In 2QTD, consumer staples (except BJC) seemed to experience continued SSSG in line with tourism recovery. Besides, the period had more-than-usual long holidays. Thus, we expect the SSSG for consumer staples at c2-3%, while the SSSG for consumer discretionary should remain negative at -3-4% owing to delayed budget disbursement in April. However, the negative SSSG should weaken in May due to budget disbursement, which started after the approval in late April. It helped government investment to increase to 26% of the fiscal budget. However, SSSG showed signs of weakness in late May in line with weather conditions after Thailand entered its rainy season, which affected the commerce sector. Since purchasing power recovery also remained slow, the SSSG of some operators, such as BJC, HMPRO, and CRC, should remain weak.

In-line 1Q24 core profit secures 25% of our 2024E

The commerce sector's aggregate 1Q24 core profit decreased 4% q-q due to seasonality since 4Q is a high season. However, it jumped 20% y-y in tandem with tourism recovery. In particular, branches in tourist destinations reported outstanding growth. Also, the Easy E-receipt campaign, introduced early this year, and sales from new branches helped support growth. Meanwhile, building material distributors reported a continued y-y decrease in their core profit due to delayed budget disbursement. However, their earnings increased q-q owing to the high season in the 1H of every year.

Profit should continue to grow y-y in every quarter of 2H24

We expect the commerce sector's 2H24 core profit to increase y-y in line with tourism recovery and fiscal budget disbursement. In particular, we anticipate the SSSG of consumer staples to remain positive. Additionally, the SSSG of consumer discretionary should turn positive, particularly home improvement, which benefits from the fiscal budget.

CPALL is our top pick due to its SSSG and continued core profit growth outlook

We continue to choose CPALL as our top pick on its continued profit growth outlook, its positive SSSG in all three units, and its extendedly high gross margin from a favorable product mix with robust high-margin product sales and a lower low-margin sales mix from cigarettes. Moreover, the stock traded on a 2024E P/E of only 22x, its five-year average - 2SD. Besides CPALL, we have a top BUY call on CPAXT (TP THB36) on the recovery of Lotus's, lower interest expenses following the refinance of its last loan in April 2023, the amalgamation of Makro and Lotus's, and the digital wallet.



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Exhibit 1: SSSG trend for 2QTD returned to negative due to the rainy season

SSSG (%)	1Q23	2Q23	3Q23	4Q23	1Q24	Apr-24	May-24	2QTD
CPALL	8.0	7.9	3.5	3.6	4.9	4-5	3-4	3-4
MAKRO	10.9	6.0	3.2	1.7	3.4	2-3	2-3	2-3
Lotus's	0.8	(0.9)	2.5	5.5	7.1	4-5	4-5	4-5
BJC	5.8	4.8	2.1	(0.5)	0.1	-1-2	-1-2	-1-2
Consumer stable average	6.4	4.5	2.8	2.6	3.9	2.5	2.3	2.4
CRC	13.0	4.0	0.0	(2.4)	1.0	-1-2	-1-2	-1-2
HMPRO	5.8	4.9	(3.6)	(8.5)	(2.0)	-4-5	-4-5	-4-5
GLOBAL	(8.7)	(9.5)	(12.3)	(12.3)	(5.4)	-1-2	-1-2	-1-2
DOHOME	(9.0)	(9.9)	(7.1)	(9.1)	(9.8)	-8-9	-5-6	-5-6
ILM	8.5	9.0	12.0	8.9	8.4	-3-4	4-5	1-2
Consumer discretionary average	1.9	(0.3)	(2.2)	(4.7)	(1.6)	(3.8)	(2.3)	(3.1)
Total average	3.9	1.8	0.0	(1.5)	0.9	(1.0)	(0.3)	(0.6)

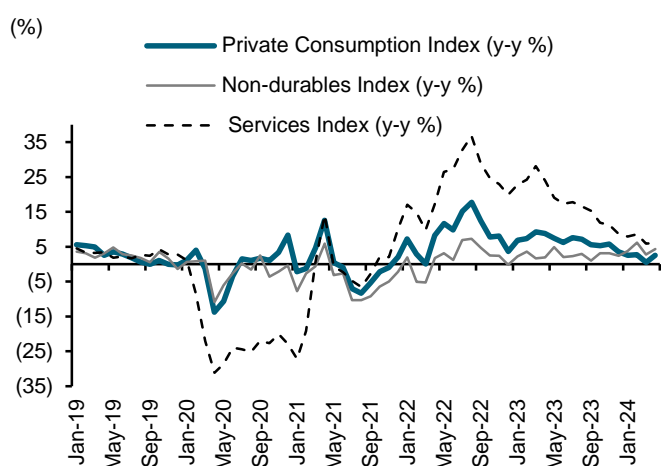
Sources: Company data; FSSIA compilation

Exhibit 2: 1Q24 results summary

Core profit	1Q23	2Q23	3Q23	4Q23	1Q24	Change		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(%)
CPALL	3,771	4,490	4,264	5,612	6,022	7.3	59.7	18,136	23,640	30.3
CPAXT	2,079	1,701	1,716	3,282	2,481	-24.4	19.4	8,777	10,653	21.4
BJC*	1,209	1,159	669	1,673	989	-40.8	-18.1	4,710	4,764	1.1
CRC	2,219	1,717	1,321	2,611	2,524	-3.3	13.7	7,868	9,021	14.7
HMPRO	1,611	1,620	1,533	1,677	1,713	2.1	6.3	6,442	6,839	6.2
GLOBAL	883	703	525	560	725	29.4	-17.8	2,671	2,956	10.7
DOHOME	258	39	91	144	244	69.5	-5.4	532	975	83.3
ILM	174	164	191	197	209	6.1	19.7	726	786	8.3
COM7	874	704	611	668	822	23.0	-5.9	2,857	2,903	1.6
Total	13,077	12,297	10,921	16,424	15,729	-4.2	20.3	52,719	62,537	18.6

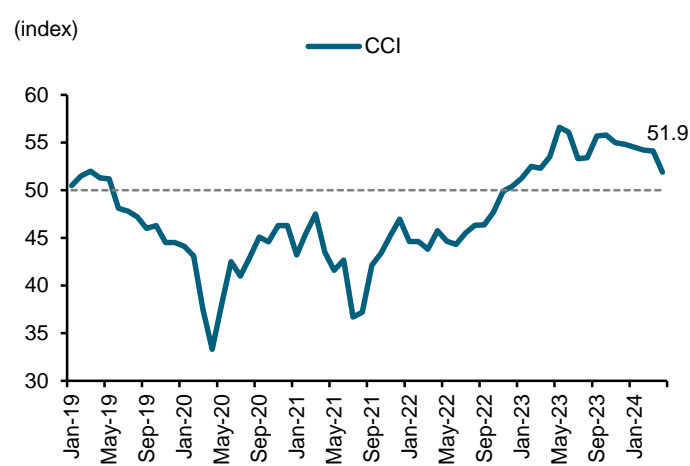
Sources: *Bloomberg; Company data; FSSIA compilation

Exhibit 3: Private consumption indicators

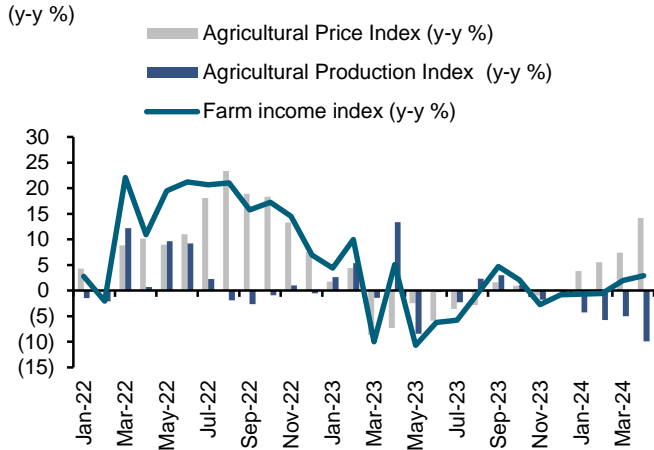


Source: BOT

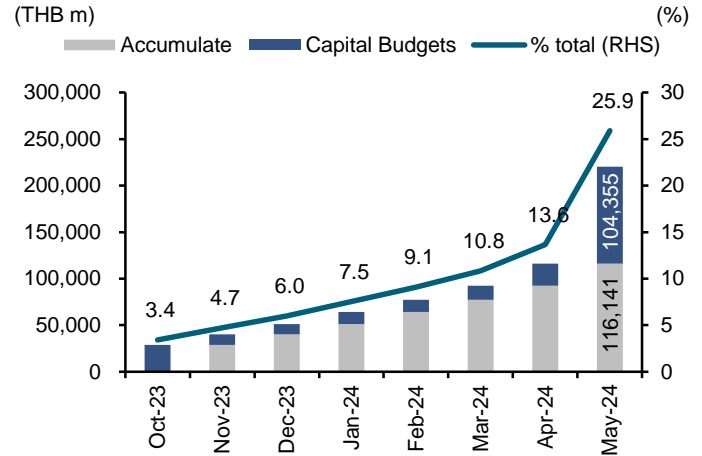
Exhibit 4: Consumer confidence index



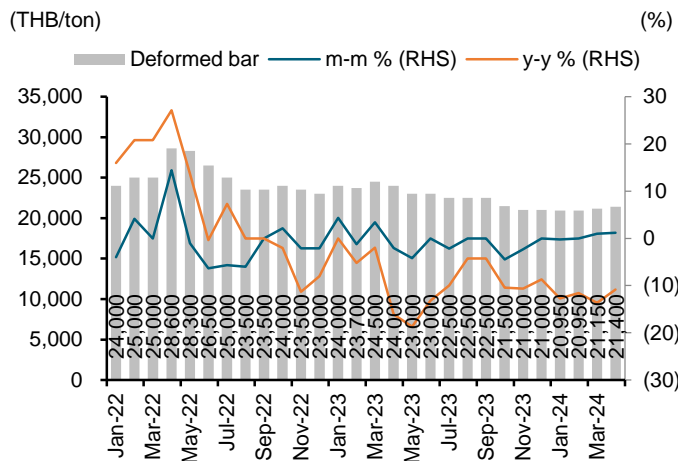
Source: MOC

Exhibit 5: Farm income expanded in Apr, May from higher agricultural prices

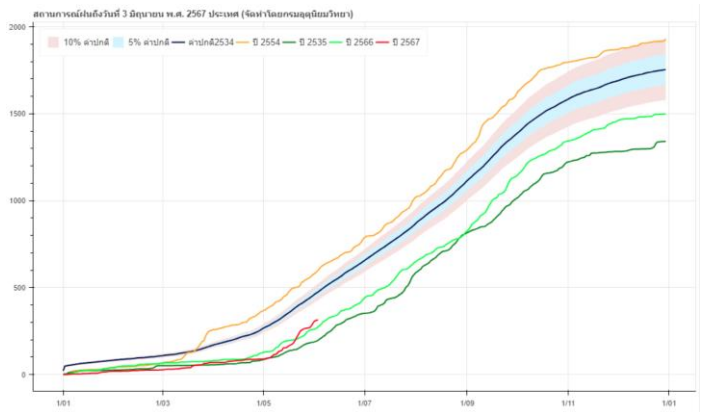
Source: Office of Agricultural Economics

Exhibit 6: Cumulative Capital Budgets

Source: Government Fiscal Management Information System

Exhibit 7: Domestic deformed bar price

Sources: MOC

Exhibit 8: The rainfall would higher than last year

Sources: Thai Meteorological Department

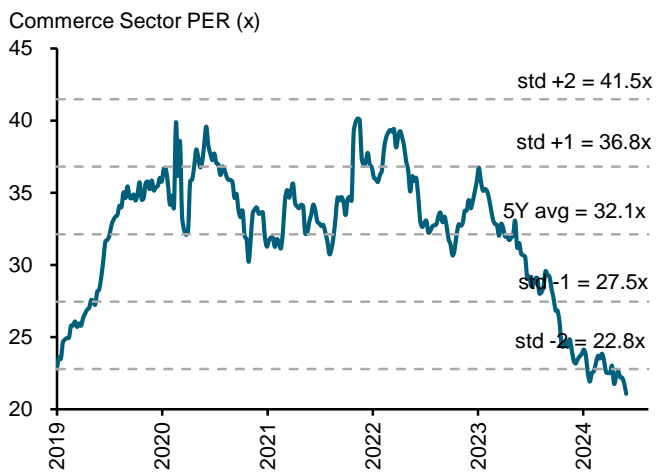
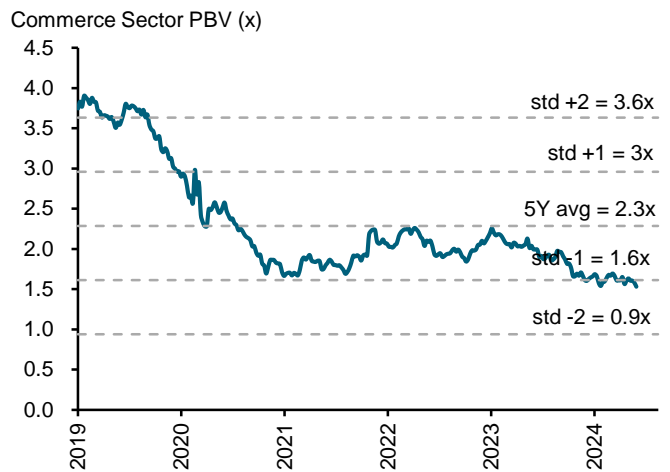
Exhibit 9: Rolling one-year forward P/E bandNote: Included only under our coverage plus BJC
Sources: Bloomberg; FSSIA estimates**Exhibit 10: Rolling one-year forward P/BV band**Note: Included only under our coverage plus BJC
Sources: Bloomberg; FSSIA estimates

Exhibit 11: Commerce peers as of 6 June 2024

Company	BBG	Rec	----- Share price -----			Market Cap (USD m)	----- PE -----		---- ROE ---		---- PBV ----		- EV/ EBITDA -	
			Current	Target	Upside		24E	25E	24E	25E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)		(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Consumer Staple														
CP All	CPALL TB	BUY	58.00	79.00	36	14,291	22.0	19.0	20.2	21.2	4.6	4.1	18.3	15.8
CP Axtra	CPAXT TB	BUY	28.75	36.00	25	8,343	28.6	24.3	3.6	4.2	1.0	1.0	10.7	10.0
Berli Jucker*	BJC TB	n/a	22.00	n/a	n/a	2,416	18.7	16.0	3.9	4.4	0.7	0.7	11.5	11.1
Consumer Staple average						25,050	23.1	19.8	9.3	9.9	2.1	1.9	13.5	12.3
Consumer Discretionary														
Com7	COM7 TB	HOLD	16.90	20.00	18	1,106	14.0	12.7	33.5	31.8	4.4	3.7	9.5	8.3
Central Retail Corp	CRC TB	BUY	31.00	44.00	42	5,128	20.7	18.6	12.9	13.3	2.6	2.4	9.3	8.7
Home Improvement														
Index Living Mall	ILM TB	BUY	20.10	26.70	33	278	12.9	11.9	12.9	13.5	1.6	1.6	6.8	6.3
Home Product Center	HMPRO TB	BUY	9.40	13.60	45	3,391	18.1	17.1	26.1	26.4	4.6	4.4	10.7	10.1
Siam Global House	GLOBAL TB	HOLD	16.50	17.30	5	2,354	29.0	25.8	12.3	12.9	3.4	3.2	22.3	20.1
Dohome	DOHOME TB	HOLD	11.10	11.80	6	983	36.8	28.6	7.7	9.2	2.7	2.5	18.4	16.0
Home Improvement avg.						7,007	24.2	20.8	14.8	15.5	3.1	2.9	14.5	13.1
Consumer Discretionary avg.						13,240	21.9	19.1	17.6	17.8	3.2	3.0	12.8	11.6
Total average						38,291	22.3	19.3	14.8	15.2	2.9	2.6	13.0	11.8

Sources: *Bloomberg; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainability	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

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Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
CP All	CPALL TB	THB 58.00	BUY	The key downside risks to our DCF-derived TP include 1) lower-than-expected SSSG, 2) lower-than-expected gross margin, and 3) higher-than-expected SG&A to sales ratio.
CP Aextra	CPAXT TB	THB 28.75	BUY	Key downside risks to our DCF-based TP include 1) a lower-than-expected SSSG, 2) a lower-than-expected GPM, 3) higher-than-expected SG&A expenses, and 4) an operating loss from its overseas units.
Com7	COM7 TB	THB 16.90	HOLD	Risks to our P/E-based TP include 1) lower/higher domestic consumption and purchasing power, 2) store cannibalization/expansion, and 3) lower/higher-than-expected gross margin.
Central Retail Corp	CRC TB	THB 31.00	BUY	Downside risks to our DCF-based TP include 1) a decline in domestic purchasing power, 2) lower-than-expected tourist arrivals, 3) an absence of the government's stimulus, and 4) a slower-than-expected economic recovery in Vietnam.
Index Living Mall	ILM TB	THB 20.10	BUY	Risks to our DCF-based TP include 1) a lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) a higher-than-expected SG&A.
Home Product Center	HMPRO TB	THB 9.40	BUY	Key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) slower-than-expected recovery in domestic consumption and tourist arrivals, and 3) operating losses from overseas units.
Siam Global House	GLOBAL TB	THB 16.50	HOLD	Key risks to our DCF-based TP are 1) lower/higher farm income, which would affect purchasing power in the agricultural sector, 2) government disbursement, 3) a lower/higher private brand mix and margin, 4) higher/lower expenses than expected, and 5) a higher/lower impact than expected from the El Nino.
Dohome PCL	DOHOME TB	THB 11.10	HOLD	Key risks to our DCF-based TP are 1) lower/higher farm income, which would affect purchasing power in the agricultural sector, 2) government disbursement, 3) a lower/higher private brand mix and margin, 4) higher/lower expenses than expected, and 5) a higher/lower impact than expected from the 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 6-Jun-2024 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.