

Siam Makro Pcl (MAKRO TB) - Under review

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News Update**MAKRO's final PO details**

- **New PO shares reduced by 33% to 910m shares.**
 - **PO price knocked to Bt43.5, same as EBT swap price.**
 - **Only 1% impact to MAKRO's DCF TP to Bt45.50.**
 - **CPALL almost feels nothing due to higher MAKRO's stake**
- After the completion of Entire Business Transfer (EBT) of C.P. Retail Holding (CPRH), an investment holding company that holds a 99.99% in CP Retail Development (CPRD) which is the owner of Lotus stores in Thailand and Malaysia to MAKRO via a share swap, MAKRO is now proceeding with capital increase for PO share sale.
 - Final PO details are announced (Ex 1 and 2) with MAKRO issuing new shares of 910m shares, 33% lower than earlier plan for 1,362m shares. PO price is set at Bt43.5, same as a swap price in EBT transaction.
 - As a result, MAKRO's total share dilution from EBT and PO is 123% (from 4,800m shares to 10,720m shares), reducing from previous plan for 133% dilution. As number of PO shares to be sold by MAKRO and CPALL are lower and PO price is below our Bt48 estimates, cash proceeds from share sale are then lower than projection and both MAKRO and CPALL's net profit are slightly worse off in the short-term from lower debt repayment.
 - **Impact to MAKRO** Since PO proceeds decrease from Bt65bn to Bt39bn and it is stated in the filing that 50% of net proceeds will be used for Lotus's debt repayment and the remaining will be reserved as capex, we assume lower debt repayment of Bt19.5bn. Lotus's profit in 2022-24F will be slashed by 26%/12%/10% in 2022-24F due to higher interest cost, bringing down MAKRO's net profit forecast by 12%/7%/6% in 2022-24F. With some cushion from lower capital increase, EPS will be hit by 8%/3%/2% in 2022-24F. DCF TP will reduce by 1% to Bt45.5, from Bt46 earlier. See Ex 3.
 - **Impact to CPALL** Although CPALL's interest saving of Bt219m is much lower than earlier projection of Bt1.1bn due to lower cash proceeds from PO share sale, the impact is almost fully offset by higher stake in MAKRO to 58.9% (from 51.63%). CPALL's net profit will be hit by 5%/1% in 2022-23F and no impact from 2024F. So we expect DCF TP won't change from a current Bt75/share and maintain BUY on CPALL to Bt75 TP. See Ex 4.

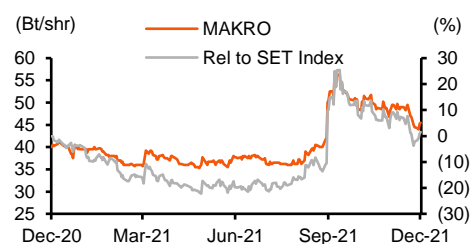
Key Valuations

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	217,897	225,078	238,422	257,886
Net profit	6,563	7,015	14,439	20,012
Norm net profit	6,563	7,015	14,439	20,012
Norm EPS (Bt)	1.2	1.1	1.3	1.8
Norm EPS gr (%)	5.1	(5.0)	16.4	38.6
Norm PE (x)	39.0	41.0	35.2	25.4
EV/EBITDA (x)	22.2	27.0	42.3	37.7
P/BV (x)	11.5	1.7	1.6	1.6
Div. yield (%)	1.9	1.0	2.3	3.1
ROE (%)	30.9	4.3	4.6	6.3
Net D/E (%)	(19.7)	9.5	7.2	5.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	45.50
Target price (Bt)	46.00
Market cap (US\$ m)	13,179
Avg daily turnover (US\$ m)	9.6
12M H/L price (Bt)	56.25/35.25

Price Performance

Source: Bloomberg

Ex 1: Transaction Summary

	Before	After
EBT (Oct 25th, 2021)	MAKRO issued 5,010m new shares to CPALL, CPG, CPF for CPRH shares via share swap at Bt43.5.	
MAKRO's shares post EBT	9,810m shares	
PO (subscription: Dec 4th-9th)	MAKRO's PO shares: 1,362m new shares (11,172m shares post PO)	MAKRO's PO shares: 910m new shares (10,720m shares post PO)
	CPALL: 363.2m shares for PO + 340.5m (green shoe)	CPALL: 156m shares for PO + 130m (green shoe)
	CPH: 363.2m shares	CPH: 156m shares
	CPM: 181.6m shares	CPM: 78m shares
	Total PO shares: 2,270m shares + 340.5m (green shoe)	Total PO shares: 1,300m shares + 130m (green shoe)

Sources: Company data, Thanachart compilation

Ex 2: PO Allotment

Investor	# shares (m)	%
Existing shareholders of CPALL and CPF	478.4	37
<u>Domestic investors</u>	693.5	53
Retail investors	100.0	8
investors designated by underwriter	156.5	12
Benefactors	14.0	1
Cornerstone investors (14 funds)	423.0	33
<u>Foreign investors</u>	128.1	10
Total	1,300	100

Source: Company data

Ex 3: Impact To MAKRO From Change In PO Details

	2022F	2023F	2024F
Lotus's interest cost (Bt m)			
New	4,519	3,612	3,462
Old	2,810	2,244	2,094
Change (%)	61	61	65
Lotus's profit (Bt m)			
New	4,982	9,945	11,912
Old	6,692	11,312	13,279
Change (%)	(26)	(12)	(10)
MAKRO's net profit (Bt m)			
New	12,729	18,645	21,977
Old	14,439	20,012	23,343
Change (%)	(12)	(7)	(6)
Paid-up shares (m) (YE)			
New	10,720	10,720	10,720
Old	11,172	11,172	11,172
EPS (Bt)			
New	1.19	1.74	2.05
Old	1.29	1.79	2.09
Change (%)	(8)	(3)	(2)
TP (Bt)			
New	45.50		
Old	46.00		

Source: Thanachart estimates

Ex 4: Impact To CPALL From Change In PO Details

(Bt m)	Before			After			Change		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
MAKRO's profit, incl.Lotus	14,439	20,012	23,343	12,729	18,645	21,977	(1,710)	(1,367)	(1,366)
Lotus's profit	6,692	11,312	13,279	4,982	9,945	11,912	(1,709)	(1,368)	(1,368)
Contribution to CPALL									
Stake in MAKRO	51.63%	51.63%	51.63%	58.90%	58.90%	58.90%			
Stake in Lotus	-	-	-	-	-	-			
Profit contribution from MAKRO	7,455	10,332	12,052	7,497	10,982	12,945	43	650	892
Profit contribution from Lotus	0	0	0	0	0	0	0	0	0
CPALL's interest saving	1,108	1,108	1,108	219	219	219	(889)	(889)	(889)
Impact to CPALL's profit (Bt m)				(846)	(239)	3	(846)	(239)	3
CPALL's net profit (Bt m)	18,061	25,402	31,898	17,215	25,163	31,902	-5%	-1%	0%

Assumptions (before)

- 1) CPALL's stake in Makro falls from 66% post EBT to 51.63% after PO.
- 2) Total MAKRO share sale by CPALL at PO: 363.2m + 340.5m (green shoe) = 703.7m shares.
- 3) Lotus's debt repayment of Bt65bn (100% of MAKRO's PO proceeds = 1,362*Bt48 PO price = Bt65.4bn).
- 4) CPALL will pay down debt using PO proceeds with the following assumptions
 - Total MAKRO share sale by CPALL at PO: 363.2m + 340.5m (green shoe) = 703.7m shares.
 - Cash proceeds assuming Bt48 PO price = Bt33,778m.
 - Interest saving assuming CPALL's cost of debt of 4.1% = Bt1,385m (Bt1,108m after tax).

Assumptions (after)

- 1) CPALL's stake in Makro falls from 66% post EBT to 58.90% after PO.
- 2) Total MAKRO share sale by CPALL at PO: 156m (no green shoe share sale of 130m).
- 3) Lotus's debt repayment of Bt19,493m (50% of MAKRO's PO proceeds = (910*Bt43.5 PO price)-Bt598m fee = Bt38.9bn).
- 4) CPALL will pay down debt using PO proceeds with the following assumptions
 - Total MAKRO share sale by CPALL at PO: 156m (no green shoe share sale of 130m).
 - Cash proceeds at Bt43.5 PO price = (156*Bt43.5)-Bt112.5m fee = Bt6,673.5m).
 - Interest saving assuming CPALL's cost of debt of 4.1% = Bt274m (Bt219m after tax).

Source: Thanachart estimates

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