

Retail Sector – Overweight

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News Update**Stronger-than-expected consumption in 4Q22F**

- **We forecast 4Q22F SSSG of 9.7%, better than expected.**
 - **Driven by domestic spending and strong tourist arrivals.**
 - **More factors to drive strong consumption in 2023.**
 - **Stay OVERWEIGHT.**
- We forecast eight retailers under our coverage to report same-store sales growth (SSSG) of 9.7%, higher than our current estimates of 8.5%. This is driven by domestic consumption and travelling during the festive season in 4Q and strong foreign tourist arrivals which jumped from 3.6m people in 3Q22 to an expected 6.1m people in 4Q22F.
 - This implies 4Q22F SSS almost recovering back to pre-COVID level, at 1.2% below 4Q19. We have seen continuous improvement over the past five quarters post lockdown lifting in September 2021. See Exhibit 4
 - By retailers, most of them should generate stronger sales than our expectation in 4Q22F, except for BIGC. Also, BIGC's SSS in 4Q22F is expected to be the most behind pre-COVID sales at -18.8%.
 - The best sales performers so far are MAKRO (14.1% SSSG vs pre-COVID), followed by home improvement retailers; GLOBAL (+13.3%) and HMPRO (+6.1%). Despite the flooding impact in October in some provinces in Thailand particularly in the Northeast, GLOBAL and HMPRO are expected to have a strong sales turnaround q-q. See Exhibit 5
 - The stocks with tourism exposure (CPALL, CPN, CRC and MC) though their sales have yet to fully recover, still have room for strong SSSG this year (we forecast 7% for CPALL, 19% for CPN, 9% for CRC, 17% for MC). This boosts our SSSG assumption to 8.3% in 2023F and 4.8% in 2024F, with positive factors driving consumption being our GDP growth forecast of 4.0% in 2023-24F, recovery in tourist arrivals to 28m and 39.9m in 2023-24F (from 11.8m in 2022F and <1m people in 2021) and a consumption boost from election. In 1Q23, there will be also a shopping tax stimulus "Shop Dee Mee Kuen" for up to Bt40,000 for spending from Jan 1st – Feb 15th, 2023, higher than last year's Bt30,000.
 - As we expect consumption to recover solidly over the next two years with the sector's EPS growth of 30/23% in 2023-24F, we maintain our OVERWEIGHT stance on the sector. Top picks remain CPALL and CRC, the tourism-linked retailers with strong normalized EPS growth of 60/39% in 2023-24F for CPALL and 48/27% in 2023-24F for CRC. Downside risk to the sector's earnings is Ft rise. Assuming a 23% increase this year in electricity cost which accounts for 0.3-2.4% of each retailer's total revenues, earnings impact would be 0.8-12.4% of each company's profit. On average, impact to the sector's 2023F profit is around 5%.

Ex 1: Stock Rating And TP

	Rating	Price Current (Bt)	Price Target (Bt)
BJC	SELL	36.00	30.00
COM7	BUY	35.00	41.00
CPALL	BUY	69.00	75.00
CPN	BUY	70.50	77.00
CRC	BUY	46.00	53.00
GLOBAL	BUY	22.60	27.00
HMPRO	BUY	15.70	18.00
MAKRO	BUY	42.25	42.00
MC	BUY	10.50	13.00

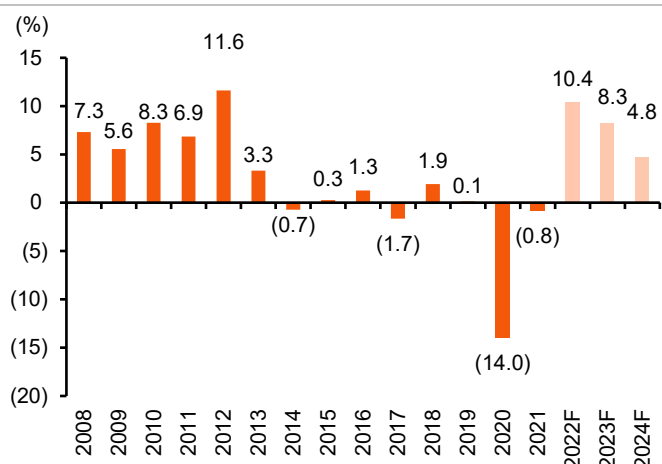
Source: Thanachart estimates

Ex 2: SSSG (4Q22F)

(%)	New	Current
BIGC	2.7	4.0
CPALL	13.0	12.0
CPN	28.0	27.0
CRC	8.0	7.0
GLOBAL	2.0	2.0
HMPRO	2.0	0.0
MAKRO	9.0	6.0
MC	13.0	10.0
Average	9.7	8.5

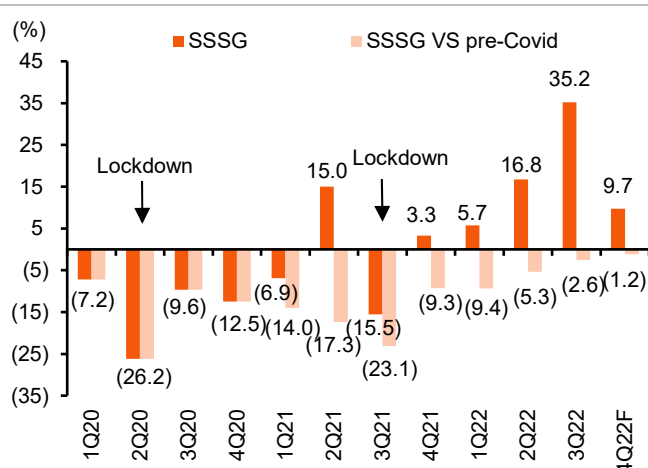
Source: Thanachart estimates

Ex 3: Sector's SSSG



Sources: Company data; Thanachart estimates

Ex 4: SSSG Has Turned Positive Since 4Q21



Sources: Company data; Thanachart estimates

Ex 5: SSSG Vs. Pre-Covid

(%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22F
BIGC	(5.3)	(17.0)	(17.8)	(20.8)	(25.8)	(28.9)	(23.2)	(20.9)	(23.6)	(25.2)	(25.1)	(18.8)
CPALL	(4.0)	(20.2)	(14.3)	(18.0)	(20.4)	(18.5)	(22.2)	(16.9)	(10.1)	(7.0)	(5.0)	(6.1)
CPN	(2.9)	(61.0)	(20.0)	(23.0)	(27.2)	(39.6)	(56.0)	(29.2)	(16.3)	(15.4)	(11.1)	(9.3)
CRC	(13.0)	(36.0)	(15.0)	(20.0)	(26.9)	(29.6)	(34.6)	(12.8)	(18.9)	(12.7)	(6.4)	(5.8)
GLOBAL	(7.0)	(20.0)	(5.6)	(3.4)	5.7	8.0	6.3	11.1	13.6	9.7	10.9	13.3
HMPRO	(6.1)	(17.0)	(3.7)	(6.3)	(5.5)	(5.6)	(14.3)	4.0	(2.6)	(6.7)	1.0	6.1
MAKRO	7.0	(3.6)	3.9	0.6	5.7	2.3	5.3	4.7	6.8	9.8	14.6	14.1
MC	(26.0)	(34.7)	(4.4)	(8.9)	(17.5)	(26.8)	(45.9)	(14.1)	(23.8)	4.7	0.6	(2.9)
Average	(7.2)	(26.2)	(9.6)	(12.5)	(14.0)	(17.3)	(23.1)	(9.3)	(9.4)	(5.3)	(2.6)	(1.2)

Sources: Company data; Thanachart estimates

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