

BUY (Unchanged)

Change in Numbers

TP: Bt 73.00

(From: Bt 75.00)

20 JULY 2023**Upside : 16.3%**

CP ALL Public Co Ltd (CPALL TB)

Gaining strength

We expect CPALL's market position to strengthen post-COVID with a rising CVS market share and an enlarging sales base via its 59.92% holding in CPAXT. We reaffirm our BUY call on CPALL as a top sector pick as a big-cap stock with a strong 30% three-year EPS CAGR.

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Good 7-Eleven turnaround

Thanks to rapid product adjustments amid the COVID outbreak (expanding product SKUs with the slogan "supermarkets near home") and its 7Delivery service (now making up 10% of sales), we expect 7-Eleven's SSSG to return to pre-COVID level in 2Q23F, despite its exposure to the tourism sector, which we estimate at 10-15% (many stores in tourist areas and 14% of branches located at gas stations). In 1Q23, average daily sales of Bt78,735/store had recovered to 95% of 2019's level, boosted by a 20% increase in spending/ticket to Bt84. With our expectation of a full tourism recovery next year, we estimate strong SSSG to continue at 6/7% in 2H23F and 2024F.

Stronger post-COVID

Given a change in consumer behavior to shop near home, 7-Eleven has gained market share from other retail segments. Besides, CVS competition has become less severe as Family Mart closed stores (from 968 branches in 2019 to 409 in 1Q23) and Lotus's Go Fresh started to shut loss-making stores while Mini Big C branches have been added much more slowly than it had planned while it closed some existing branches. 7-Eleven has not slowed down its expansion program, with average net openings of 702 branches p.a. over the past ten years to 14,047 branches as of 1Q23. For the total product gross margin in stores, it rebounded from 4Q22 when most product prices were raised due to inflation, and it returned to 2019's level of 26.6%, though it added lower-margin fresh foods and large-sized packages at stores.

A 30% three-year EPS CAGR

We expect CPALL to benefit from a recovery of all three businesses – CVS, Makro cash & carry, and Lotus's grocery retailing. CPALL owns 59.92% of CPAXT. For its 2022 profit breakdown, it was 65% from 7-Eleven and 35% from CPAXT. We forecast the ratio to be about the same by 2025F due to both businesses' comparable growth. With Lotus's turning a profit last year, falling interest costs from next year caused by Lotus's debt-restructuring completion, and the wholesale business's resiliency, we project CPAXT's net profit at Bt16.4bn in 2025F from Bt7.7bn last year. We also estimate a 27% three-year net profit CAGR for 7-Eleven to reach Bt17.8bn in 2025F, from Bt8.7bn in 2022.

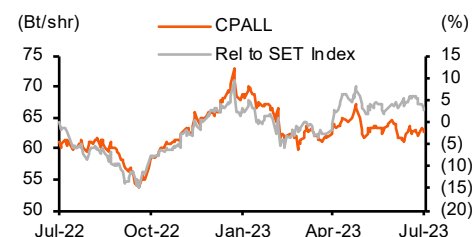
Remains a top sector pick

We cut our 2023-25F profits by 13-19% to reflect rising electricity costs earlier and factor in wage increases in 2024-25F. With our base year rollover to 2024F, our DCF-based 12-month TP falls by 3% to Bt73/share from Bt75. We reaffirm our BUY call on shares of CPALL as a top sector pick as we see it as a big-cap stock in a strong new earnings growth cycle.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	852,322	938,997	1,037,727	1,122,770
Net profit	13,272	17,569	23,137	27,596
Consensus NP	—	17,297	21,282	24,871
Diff frm cons (%)	—	1.6	8.7	11.0
Norm profit	13,281	17,569	23,137	27,596
Prev. Norm profit	—	20,082	27,642	33,991
Chg frm prev (%)	—	(12.5)	(16.3)	(18.8)
Norm EPS (Bt)	1.4	1.9	2.5	3.0
Norm EPS grw (%)	59.4	35.3	36.2	19.7
Norm PE (x)	45.9	33.9	24.9	20.8
EV/EBITDA (x)	12.3	12.9	11.2	9.9
P/BV (x)	5.6	5.1	4.6	4.1
Div yield (%)	1.2	1.5	2.0	2.4
ROE (%)	13.0	16.7	19.8	21.1
Net D/E (%)	96.4	95.2	90.9	83.0

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 19-Jul-23 (Bt)	62.75
Market Cap (US\$ m)	16,543.1
Listed Shares (m shares)	8,983.1
Free Float (%)	59.0
Avg Daily Turnover (US\$ m)	49.0
12M Price H/L (Bt)	73.00/53.75
Sector	Commerce
Major Shareholder	C.P. Merchandising 31.82%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P39

Ex 1: 12-month DCF-based TP Calculation Using A Base Year Of 2024F

(Bt m)		2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA		62,446	71,606	82,201	93,989	104,927	114,907	126,557	138,937	150,720	156,616	158,293	
Free cash flow		22,133	28,786	42,065	54,972	63,342	73,875	83,618	93,944	103,517	103,565	115,552	1,737,041
PV of free cash flow		22,133	24,744	33,523	40,617	42,463	45,719	47,773	49,548	50,392	46,542	45,741	687,602
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	7.9												
Terminal growth (%)	2.0												
Enterprise value - add investments	1,136,797												
Net debt (end-2023F)	288,352												
Minority interest	192,662												
Equity value	655,783												
# of shares (m)	8,983												
Equity value/share (Bt)	73.00												

Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

C.P. All Pcl (CPALL) is a Thailand-based company that operates convenience stores (CVS) under the 7-Eleven trademark and owns a 59.92% stake in the cash-and-carry operator CP Axta Pcl (CPAXT) that has Lotus's grocery in Thailand and Malaysia as a wholly-owned subsidiary. The company also engages in related businesses such as bill-payment collection through its subsidiary, Counter Service Co., Ltd., and the manufacture and sale of ready-to-eat foods and bakery items via C.P. Retailing and Marketing Co., Ltd.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- The Thai CVS market leader and it has a natural monopoly with a 64% market share.
- A cash-cow stock operating 7-Eleven stores in Thailand – a very stable and secure business.
- Successful franchise.

O — Opportunity

- The Thai CVS market hasn't matured yet, while the competitive landscape isn't that fierce.
- Opportunities to open more stores upcountry and also in Bangkok along with mass-transit expansion.
- CLMV expansion.

W — Weakness

- Too swift expansion may lead to staff shortages.
- Loss in early years from CPAXT's overseas expansion to Cambodia, India, China and Myanmar.
- Rising debt from investment in Lotus via CPAXT.

T — Threat

- Risk of natural disasters.
- Risk of theft.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	73.63	73.00	-1%
Net profit 23F (Bt m)	17,297	17,569	2%
Net profit 24F (Bt m)	21,282	23,137	9%
Consensus REC	BUY: 27	HOLD: 3	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F profits are 2-9% higher than the Bloomberg consensus estimates, likely due to us having higher store expansion and gross margin assumptions.
- Our DCF-based TP is in line with the Street's.

RISKS TO OUR INVESTMENT CASE

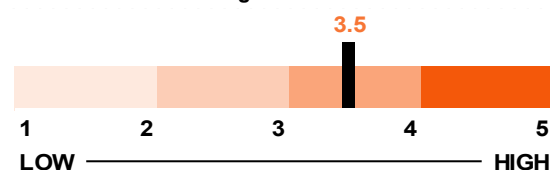
- A weaker-than-expected economy would have a direct negative impact on the performance of the 7-Eleven/wholesale/retail businesses as it is highly leveraged to domestic consumption, and this presents the key downside risk to our call.
- If other competitors, i.e., Family Mart, Tops and mini BIGC, expand faster than we currently anticipate and are more successful than we expect now, this would represent a secondary downside risk to our call.
- If its subsidiary CPAXT fails in its ventures abroad and generates larger losses than we currently expect.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

CPALL operates over 14,000 7-Eleven branches in Thailand and it owns 59.92% of CPAXT, the operator of 153 wholesale cash & carry stores in Thailand, 2,589 Lotus's stores in Thailand and 65 Lotus's stores in Malaysia. Our ESG score for CPALL is relatively high at 3.5 as its business doesn't produce much greenhouse gas by nature but the company still assigns importance to ESG issues with ESG targets in many areas.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
CPALL	YES	YES	YES	A	47.73	61.41	87.00	34.0	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "term of use" in the following back page.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- CPALL's key environmental targets in 2030 are carbon neutrality, a 25% reduction in total energy consumption compared to normal business level, and zero waste. It also targets 100% of private-brand products to use plastic packaging that is reusable, recyclable, or compostable by 2025 for Thai operations and by 2030 for overseas operations. It targets net zero greenhouse gas (GHG) emissions by 2050. In 2022, it reduced GHG emissions by 0.12mt of CO2 equivalent.
- Its "7 Go Green" strategy, started in 2011, includes its "GREENStores" energy-saving convenience store model, "GREENLogistics" where it incorporates Leadership in Energy & Environmental Design (LEED – one of the most internationally recognized standards) for its distribution centers, "GREENPackaging" with the 3R concept (Reduce-Reuse-Recycle), and "GREENLiving" that focuses on the environmental impact on communities.
- In 2022, it reduced single-use plastic bags by 24,696 tonnes.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- CPALL received the "2021 Role Model Organization Award on Human Rights" in the large business sector (CPRAM Co., Ltd.).
- It has been awarded the "Organization that Supports People with Disabilities" award for five consecutive years and the "Thailand Labor Management Excellence Award" for 15 consecutive years.
- It achieved 100% of Phase I ISO 45001 with 2018 certification for its distribution centers.
- CPALL said it supports good health and well-being. It targets sales from health & nutrition products and services at 25% by 2030.
- In 2022, it provided job opportunities to 34,043 SMEs and 8,306 agriculturists.

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- The Board of Directors (BOD) comprises 16 directors, of whom six are independent directors. The average board member's tenure is 15.61 years.
- It allocates authority between the chairman and the chairman of executive committee in a distinct manner.
- CPALL conducts governance and anti-corruption training and assessments of management, employees and tier-1 suppliers.
- Its risk-management committee was established to be responsible for reporting risk performance and it presents findings to the audit committee twice a year.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	585,743	852,322	938,997	1,037,727	1,122,770
Cost of sales	444,838	651,100	715,938	788,799	852,234
Gross profit	140,905	201,222	223,060	248,928	270,536
% gross margin	24.1%	23.6%	23.8%	24.0%	24.1%
Selling & administration expenses	116,867	165,414	182,714	201,128	216,219
Operating profit	24,038	35,808	40,346	47,800	54,317
% operating margin	4.1%	4.2%	4.3%	4.6%	4.8%
Depreciation & amortization	22,847	32,681	25,939	28,344	30,806
EBITDA	46,885	68,489	66,285	76,144	85,123
% EBITDA margin	8.0%	8.0%	7.1%	7.3%	7.6%
Non-operating income	129	284	157	130	130
Non-operating expenses	0	0	0	0	0
Interest expense	(12,643)	(16,832)	(17,085)	(15,793)	(15,479)
Pre-tax profit	11,524	19,260	23,418	32,138	38,969
Income tax	1,693	3,861	4,215	5,785	7,014
After-tax profit	9,831	15,399	19,203	26,353	31,954
% net margin	1.7%	1.8%	2.0%	2.5%	2.8%
Shares in affiliates' Earnings	(226)	831	1,451	917	962
Minority interests	(898)	(2,949)	(3,085)	(4,133)	(5,321)
Extraordinary items	4,279	(9)	0	0	0
NET PROFIT	12,985	13,272	17,569	23,137	27,596
Normalized profit	8,706	13,281	17,569	23,137	27,596
EPS (Bt)	1.3	1.4	1.9	2.5	3.0
Normalized EPS (Bt)	0.9	1.4	1.9	2.5	3.0

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	165,773	148,955	129,983	138,145	145,231
Cash & cash equivalent	97,134	71,891	50,466	50,466	50,466
Account receivables	3,341	3,620	3,859	4,265	4,614
Inventories	50,535	58,183	58,844	64,833	70,047
Others	14,764	15,261	16,813	18,581	20,104
Investments & loans	14,836	15,955	15,955	15,955	15,955
Net fixed assets	211,533	213,410	232,370	250,706	266,959
Other assets	539,750	545,741	528,908	519,760	510,423
Total assets	931,893	924,061	907,216	924,566	938,568
LIABILITIES:					
Current liabilities:	215,072	207,443	217,662	222,476	231,147
Account payables	106,863	115,963	123,573	133,988	142,428
Bank overdraft & ST loans	42,691	16,810	10,165	10,242	9,989
Current LT debt	19,366	25,948	32,865	33,115	32,298
Others current liabilities	46,152	48,722	51,059	45,131	46,432
Total LT debt	311,679	309,061	295,789	298,038	290,681
Others LT liabilities	112,334	117,257	90,846	84,039	76,493
Total liabilities	639,085	633,760	604,296	604,553	598,321
Minority interest	188,673	189,577	192,662	196,795	202,116
Preferreds shares	0	0	0	0	0
Paid-up capital	8,983	8,983	8,983	8,983	8,983
Share premium	1,684	1,684	1,684	1,684	1,684
Warrants	0	0	0	0	0
Surplus	20,224	9,739	9,739	9,739	9,739
Retained earnings	73,242	80,318	89,851	102,812	117,724
Shareholders' equity	104,134	100,724	110,258	123,218	138,131
Liabilities & equity	931,893	924,061	907,216	924,566	938,568

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	11,524	19,260	23,418	32,138	38,969
Tax paid	(1,565)	(3,987)	(3,687)	(5,826)	(6,754)
Depreciation & amortization	22,847	32,681	25,939	28,344	30,806
Chg In working capital	13,609	1,172	6,710	4,021	2,877
Chg In other CA & CL / minorities	180,408	1,492	1,708	(7,227)	164
Cash flow from operations	226,823	50,617	54,088	51,450	66,062
Capex	(103,721)	(21,521)	(34,130)	(35,730)	(35,920)
Right of use	(34,828)	(18,016)	(1,802)	(1,802)	(1,802)
ST loans & investments	0	0	0	0	0
LT loans & investments	70,751	(1,120)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(228,666)	3,405	(18,545)	(6,318)	(7,230)
Cash flow from investments	(296,465)	(37,251)	(54,477)	(43,850)	(44,951)
Debt financing	131,760	(21,927)	(13,000)	2,577	(8,427)
Capital increase	0	0	0	0	0
Dividends paid	(8,085)	(5,390)	(8,035)	(10,177)	(12,683)
Warrants & other surplus	2,475	(11,292)	0	0	0
Cash flow from financing	126,150	(38,609)	(21,035)	(7,600)	(21,110)
Free cash flow	123,102	29,096	19,958	15,720	30,142

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	73.2	45.9	33.9	24.9	20.8
Normalized PE - at target price (x)	85.1	53.4	39.5	29.0	24.2
PE (x)	47.0	45.9	33.9	24.9	20.8
PE - at target price (x)	54.7	53.4	39.5	29.0	24.2
EV/EBITDA (x)	17.9	12.3	12.9	11.2	9.9
EV/EBITDA - at target price (x)	19.9	13.7	14.2	12.4	11.0
P/BV (x)	5.4	5.6	5.1	4.6	4.1
P/BV - at target price (x)	6.3	6.5	5.9	5.3	4.7
P/CFO (x)	2.5	11.1	10.4	11.0	8.5
Price/sales (x)	1.0	0.7	0.6	0.5	0.5
Dividend yield (%)	1.0	1.2	1.5	2.0	2.4
FCF Yield (%)	21.8	5.2	3.5	2.8	5.3
(Bt)					
Normalized EPS	0.9	1.4	1.9	2.5	3.0
EPS	1.3	1.4	1.9	2.5	3.0
DPS	0.6	0.8	0.9	1.3	1.5
BV/share	11.6	11.2	12.3	13.7	15.4
CFO/share	25.2	5.6	6.0	5.7	7.4
FCF/share	13.7	3.2	2.2	1.7	3.4

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	7.2	45.5	10.2	10.5	8.2
Net profit (%)	(19.4)	2.2	32.4	31.7	19.3
EPS (%)	(25.6)	2.4	35.4	36.2	19.7
Normalized profit (%)	(45.2)	52.5	32.3	31.7	19.3
Normalized EPS (%)	(51.5)	59.4	35.3	36.2	19.7
Dividend payout ratio (%)	45.0	54.9	50.0	50.0	50.0
Operating performance					
Gross margin (%)	24.1	23.6	23.8	24.0	24.1
Operating margin (%)	4.1	4.2	4.3	4.6	4.8
EBITDA margin (%)	8.0	8.0	7.1	7.3	7.6
Net margin (%)	1.7	1.8	2.0	2.5	2.8
D/E (incl. minor) (x)	1.3	1.2	1.1	1.1	1.0
Net D/E (incl. minor) (x)	0.9	1.0	1.0	0.9	0.8
Interest coverage - EBIT (x)	1.9	2.1	2.4	3.0	3.5
Interest coverage - EBITDA (x)	3.7	4.1	3.9	4.8	5.5
ROA - using norm profit (%)	1.2	1.4	1.9	2.5	3.0
ROE - using norm profit (%)	8.7	13.0	16.7	19.8	21.1
DuPont					
ROE - using after tax profit (%)	9.8	15.0	18.2	22.6	24.5
- asset turnover (x)	0.8	0.9	1.0	1.1	1.2
- operating margin (%)	4.1	4.2	4.3	4.6	4.8
- leverage (x)	7.2	9.1	8.7	7.8	7.1
- interest burden (%)	47.7	53.4	57.8	67.1	71.6
- tax burden (%)	85.3	80.0	82.0	82.0	82.0
WACC (%)	7.9	7.9	7.9	7.9	7.9
ROIC (%)	6.9	7.5	8.7	9.8	10.8
NOPAT (Bt m)	20,506	28,630	33,084	39,196	44,540
invested capital (Bt m)	380,737	380,652	398,610	414,148	420,633

Sources: Company data, Thanachart estimates

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2. Arabesque S-Ray (0-100)
3. Refinitiv (0-100)
4. S&P Global (0-100)
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SET THSI Index (SETTHSI)

Nowadays, long-term investment tends to be more focused on sustainable companies. The financial statement performance and the consideration in environmental, social and governance (ESG) perspective are keys aspects for analysis.

SET has created a Thailand Sustainability Investment (THSI) list since 2015 for using as an alternative investment in the high performance ESG stocks for investors while, supporting the sustainable Thai companies. SET defines the sustainable companies as the companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects

As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

Arabesque S-Ray®

The S-Ray data here is published with a 3 month delay. For the latest data, please contact sray@arabesque.com

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Score range	Description
CCC - B	LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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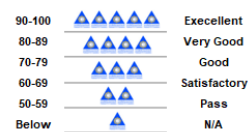
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